

Baqash Resources

414 West Texas, Suite 400M
Midland, Texas 79701

915-684-4023
Fax 915-682-8870

Case 11993

October 12, 1998

ms.

Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
Attn.: Order No. R-11047 file
2040 South Pacheco
Santa Fe, NM 87503

OCT 15 1998

RE: AFE Costs and Notification
Letter. Order No. R-11047

To Whom it May Concern:

I am sending this letter as a part of the requirements of the recent order I have received. Order No. R-11047 was granted on September 16th, 1998. I sent out a letter to each of the Working Interest Owners (Dr. Henry Yeager Jr. and Mr. and Mrs. Roger Hansen) on September 17th, 1998(attached) notifying them of the order and giving them a chance to participate, sell or be force pooled and that they had 30 days to notify me of their intent to do one of the above.

On page 8 paragraph 7 of the order it mentions to furnish a copy of the AFE to the Division. This letter is written notification of those costs and documentation of what has taken place for future reference. Would you please file it along with the other information in the file with Order No. R-11047.

Thank you for your help.

Yours very truly,
Baqash Resources

Damian Barrett

By: Damian Barrett

Authority For Expenditure

AFE No. 1003 Lease Name State CC 16 Well No. 1
 Description 330 FNL & 2080 'FWL, Sec 16, T20S, R37E County/State Lea, NM
 Project _____ Operator John H. Hendrix Corp
 Exploration Yes Development _____ Date 1988, June

Drilling Intangibles

Descr. Dry Hole Costs Producer Costs

**Conoco State CC-16#1 Wellbore	\$320,000.00	
Damages	\$0.00	
Permit/Survey	\$500.00	
Footage 8000 @ \$ 20 /Ft	\$0.00	
Day Work 14 @ \$ 1500 /Day	\$21,000.00	
Cement & Cementing 2 Sqs	\$15,000.00	
Testing & Coring	\$0.00	
Logging & Mud logging	\$6,000.00	
Professional Servcs. (Legal, Eng., Geol., Survey)	\$2,500.00	
Mud, Fuel, Water	\$3,000.00	
Bits, Coreheads & Rentals	\$19,000.00	
Service Labor (rigging, welding, etc.)	\$1,500.00	
Misc. (Labor & Ins.)	\$0.00	
Transportation	\$1,500.00	
Rig Supervision & Overhead	\$2,000.00	
Contingency 3 %	\$2,500.00	
Plug & Abandon	\$5,000.00	
Total	\$399,500.00	\$0.00

Completion Intangibles

Completion Unit 4 Days @ \$ 1500 Day		\$6,000.00
Cement & Cementing		\$5,000.00
Perforating & Logging		\$5,000.00
Fracturing		\$0.00
Acidizing		\$9,000.00
Fuel, Water, Power		\$1,000.00
Battery Const., Dirt work, etc.		\$0.00
Completion tools & Equip rentals		\$0.00
Professional Servcs. (Legal, Eng., Geol., Survey)		\$0.00
Misc Servcs (Welding, backfill, etc.)		\$0.00
Labor & Transportation		\$1,000.00
Casing crew		\$1,000.00
Rig Supervision		\$900.00
Contingency 3 %		\$1,000.00
Total Intangibles	\$0.00	\$29,900.00
Total Completion	\$399,500.00	\$29,900.00

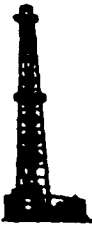
Drilling & Completion Tangibles

Casing 1500 Ft 8 5/8 @ \$ 9.05 Ft	\$0.00	\$0.00
450 Ft 4 1/2 @ \$ 6.4 Ft		\$2,880.00
Ft @ \$ Ft		\$0.00
Tubing 1000 Ft 2 3/8 @ \$ 2.75 Ft		\$2,750.00
Rods 1000 Ft 3/4 @ \$ 1.15 Ft		\$1,150.00
Line Pipe 0 Ft 3 1/2 @ \$ 1.5 Ft		\$0.00
Transportation		\$1,000.00
**Conoco tubing, downhole pump & rods		\$13,730.00
Centralizers, Scratchers		\$500.00
Subsurface Equip, pump etc.		\$1,000.00
**Conoco facility (in place)		\$51,834.00
Pumping Unit & Engine		\$0.00
Taxes, 7.8%	\$0.00	\$820.00
Contingency 3 %	\$0.00	\$500.00
Total Equipment Cost	\$0.00	\$76,184.00
Total Well Cost	\$399,500.00	\$106,064.00

Leases _____ Acre @ \$ _____ /acre	\$0.00	
Total Well & Lease Cost	\$399,500.00	\$106,064.00
Total Completed Well & Lease Cost		\$505,564.00

Approvals:

Operator _____	By: <u>Ronnie H. Westlund</u>	Date: _____
Owner _____	By: _____	Date: _____



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915-684-4023
Fax 915-682-8870

Certified Mail No.
p 219 743 482

September 17, 1998

Mr. & Mrs. Roger Hansen
4642 Lorraine Avenue
Dallas, TX 75209

RE: State CC 16 #1 Re-entry AFE
Wood State Lease E/2 NW/4 of Section 16,
T 20 S, R 37 E, Lea County, NM. Below
7000'.

Dear Mr. & Mrs. Hansen;

Enclosed is an AFE for \$505,564 to Re-enter Conoco's State CC 16 #1 wellbore located 330' FNL & 2080' FWL, Section 16, T20S, R37E, Lea County NM. This is the same AFE that was presented at the July 9, 1998 hearing in Santa Fe, NM. Also enclosed is a copy of the order No. R-11047 which was approved September 16th, 1998.

John H. Hendrix Corp. met with Conoco Inc. on July 2, 1998 and reached an agreement that provided for JHHC to acquire an interest in the State CC 16 #1 wellbore in consideration for a working interest in the Wood State prospect. All participants are required to share in their proportionate amount of the costs as outlined on the attached AFE.

I was the representative that went to the Compulsory Pooling Hearing for JHHC on July 9, 1998. The original intention was for the D&E AFE that I sent you earlier. Since this agreement with Conoco was reached we modified the hearing to include in the alternative a re-entry proposal. This hearing is past. JHHC received a 200% penalty for a new D&E and 150% penalty for the re-entry of the Conoco State CC 16 No. 1. You now have 30 days to let me know of your intention to participate in the re-entry for \$126,391. I would like to hear of your plans to participate before the afternoon of Monday October 19th.

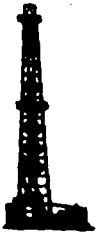
My check of the records indicates you have a 25% working interest in this 80 acres. Your participation in this well would amount to an estimated expenditure of \$126,391. **If you wish to participate, please sign and return one copy of the enclosed AFE and keep the other copy for your files. Also, please include a cashiers check for the \$126,391 so that we may start the work as soon as possible.**

The forced pooling statutes only provide for the pooled parties to be allowed to participate. The party that conducts the forced pooling may offer alternatives. As an alternative to participating I would propose to buy your 25% lease in the above referenced 80 acres as mentioned in my previous letter to you dated April 23, 1998. I hereby submit a purchase offer of \$500 per acre for your net 20 acres (below 7000') which amounts to \$10000 together with a 2% overriding royalty interest (proportionately reduced). Enclosed are two copies (you may keep one copy for your records) of the Conveyance that you need to sign and have notarized. Also, enclosed is a bank draft for \$10,000 that you will need to endorse. If you wish to sell, take the signed and notarized conveyance to your bank along with the endorsed draft. You need to ask your bank to send both documents through for collection. Once I receive them back, the money will be deposited in your account.

Yours very truly,
Baqash Resources

By: Damian Barrett

Attachments



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Certified Mail No.
p 219 743 483

September 17, 1998

Dr. Henry Yeager, Jr.
5624 Knollwood Road
Bethesda, Maryland 20816

SHE HAD THIS
LTR IN FRONT of HER
10-1-98

RE: State CC 16 #1 Re-entry AFE
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