

**SEPCO**

**Drilling/Completion Operations**

**Detail Cost Estimate**

DATE <b>6/7/99</b>		PREPARED BY <b>JMT</b>		
PROSPECT/ FIELD <b>Chalk Bluff North</b>		OPERATOR <b>SEPCO</b>	WELL NAME <b>Chalk Bluff North</b>	WELL NUMBER <b>36 #1</b>
STATE <b>New Mexico</b>	COUNTY/PARISH <b>Eddy</b>	LOCATION <b>Sec. 36-17S-27E</b>		PROPOSED TOTAL DEPTH <b>10,125'</b>
DRILL / COMPLETE <input checked="" type="checkbox"/>	WORKOVER-RECOMPLETION <input type="checkbox"/>	SINGLE <input checked="" type="checkbox"/>	EXPLORATORY <input type="checkbox"/>	OIL WELL <input type="checkbox"/>
EQUIP <input checked="" type="checkbox"/>	WORKOVER-MAINTENANCE <input type="checkbox"/>	DUAL <input type="checkbox"/>	DEVELOPMENT <input checked="" type="checkbox"/>	GAS WELL <input checked="" type="checkbox"/>
RETIREMENT (P&A) <input type="checkbox"/>	DRILL & EVALUATE <input type="checkbox"/>	OTHER <input type="checkbox"/>	OBJECTIVE / FORMATION(S) <b>Morrow</b>	

SUB-ACCOUNT		DESCRIPTION	CASING POINT COST	COMPLETION COST	TOTAL COST
Csg. Pt.	Completion				
<b>INTANGIBLE EXPENSE</b>					
121-001		RIG - TURNKEY			
121-005		RIG - FOOTAGE <b>10,125' @ \$20.00/ft</b>	<b>202,500</b>		<b>202,500</b>
121-010		RIG - DAYWORK <b>5 days @ \$6000</b>	<b>30,000</b>		<b>30,000</b>
	122-010	RIG - COMPLETION <b>8 days @ \$2000</b>		<b>16,000</b>	<b>16,000</b>
121-012		DRILL RIG MOBILIZATION			
121-013		CONDUCTOR HOLE	<b>3,000</b>		<b>3,000</b>
121-015	122-015	ROAD & LOCATION	<b>20,000</b>	<b>2,500</b>	<b>22,500</b>
121-020	122-020	FUEL, POWER AND WATER	<b>18,000</b>	<b>2,000</b>	<b>20,000</b>
121-025	122-025	DRILLING/COMPLETION FLUIDS & CHEMICALS	<b>35,000</b>		<b>35,000</b>
121-030	122-030	DRILL BITS			
121-032		DIRECTIONAL DRILLING			
121-035		OPEN HOLE LOGGING & DST	<b>33,000</b>		<b>33,000</b>
121-040		MUD LOGGING	<b>14,000</b>		<b>14,000</b>
	122-037/40	DST. CASED HOLE LOGS / PERFORATING, CEMENT BOND LOGS		<b>15,000</b>	<b>15,000</b>
121-045		CORING & ANALYSIS			
121-055	122-055	CEMENT AND CEMENTING	<b>16,000</b>	<b>20,000</b>	<b>36,000</b>
	122-060	STIMULATION AND ALL PUMPING SERVICES		<b>10,000</b>	<b>10,000</b>
121-065	122-065	EQUIPMENT RENTAL	<b>15,000</b>	<b>5,000</b>	<b>20,000</b>
121-070	122-095	CASING CREW	<b>4,000</b>	<b>4,000</b>	<b>8,000</b>
	122-153	WIRELINE SERVICE			
121-075	122-075	TRANSPORTATION	<b>4,000</b>	<b>4,000</b>	<b>8,000</b>
121-080	122-080	SUPERVISION & TECHNICAL	<b>8,000</b>	<b>4,500</b>	<b>12,500</b>
121-085	122-085	CONTRACT LABOR	<b>3,000</b>	<b>8,000</b>	<b>11,000</b>
121-090	122-090	CASING/TUBING & DRILL PIPE INSPECTION & TESTING			
121-095		PERMITS, CURATIVE, TITLE AND DRILL SITE OPINION	<b>1,000</b>		<b>1,000</b>
121-930		INSURANCE	<b>2,000</b>		<b>2,000</b>
	122-100	INSTALLATION SURFACE AND PRODUCTION EQUIPMENT		<b>6,000</b>	<b>6,000</b>
121-105	122-105	ENVIRONMENTAL & POLLUTION	<b>2,000</b>	<b>2,000</b>	<b>4,000</b>
121-180	122-180	MEALS & ENTERTAINMENT - COMPANY EMPLOYEES ONLY			
121-190	122-190	PLUGGING AND ABANDONMENT (DRY HOLE)	<b>6,000</b>		
121-925	122-925	DRILLING/COMPLETION OVERHEAD	<b>4,500</b>	<b>2,000</b>	<b>6,500</b>
121-950	122-950	MISCELLANEOUS	<b>12,000</b>	<b>8,000</b>	<b>20,000</b>
120-005		LAND COSTS			
<b>TOTAL INTANGIBLE EXPENSE</b>			<b>433,000</b>	<b>109,000</b>	<b>536,000</b>
<b>TANGIBLE EXPENSE</b>					
124-010		CONDUCTOR OR DRIVE PIPE	<b>1,000</b>		<b>1,000</b>
124-015		SURFACE CASING <b>425' 13-3/8"</b>	<b>7,500</b>		<b>7,500</b>
124-020		INTERMEDIATE CASING	<b>21,000</b>		<b>21,000</b>
	125-025	PRODUCTION CASING <b>10,125' 5-1/2"</b>		<b>76,000</b>	<b>76,000</b>
124-030	125-030	DRILLING /PRODUCTION LINER			
	125-035	PRODUCTION TUBING <b>10,125' 2-7/8"</b>		<b>28,000</b>	<b>28,000</b>
124-040		JACKET-AID TO NAVIGATION			
124-045	125-045	PACKER & RETAINERS			
124-055	125-055	WELLHEAD EQUIPMENT	<b>8,000</b>	<b>12,000</b>	<b>20,000</b>
	125-065	DOWNHOLE PUMP - ARTIFICIAL LIFT EQUIPMENT			
	125-070	MISCELLANEOUS DOWNHOLE EQUIPMENT			
124-085	125-085	TAX ON CAPITAL ITEMS			
124-095	125-095	NON-CONTROLLABLE EQUIPMENT			
124-950	125-950	MISCELLANEOUS EQUIPMENT		<b>10,000</b>	<b>10,000</b>
		OTHER (PLEASE SPECIFY CHARGE AND RELATED ACCT. NO.)			
<b>TOTAL TANGIBLE EXPENSE</b>			<b>37,500</b>	<b>126,000</b>	<b>163,500</b>
<b>PRODUCTION EQUIPMENT</b>					
	125-040	FLOWLINES		<b>12,000</b>	<b>12,000</b>
	125-060	PRODUCTION (SURFACE) EQUIPMENT		<b>23,000</b>	<b>23,000</b>
	125-075	GATHERING LINES		<b>20,000</b>	<b>20,000</b>
	125-062	PUMPING AND COMPRESSION EQUIPMENT			
		OTHER (PLEASE SPECIFY CHARGE AND RELATED ACCT. NO.)			
<b>TOTAL PRODUCTION EQUIPMENT EXPENSES</b>				<b>55,000</b>	<b>55,000</b>
<b>TOTAL WELL COST</b>			<b>470,500</b>	<b>290,000</b>	<b>754,500</b>

SEPCO'S estimate of the anticipated costs for the test well or operation are specified above. This estimate shall determine prepaid dry hole costs, completion costs, or costs of other operations, and your approval of this estimate signifies that SEPCO's estimate is reasonable. Participating parties in a test well or operation shall be responsible for actual costs in accordance with the terms of the joint operating agreement.

SEPCO Approvals

BY: *James M. Thibault*

BY: *Alan ...*

BY: \_\_\_\_\_

BY: \_\_\_\_\_

Non-Operator Approvals

BY: \_\_\_\_\_

BY: \_\_\_\_\_

BY: \_\_\_\_\_

GROSS WORKING INTEREST 25.0% GROSS WORKING INTEREST 75.0%

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