

LEAR PETROLEUM EXPLORATION, INC.

950 ONE ENERGY SQUARE / PHONE 214/363-6085
4925 GREENVILLE AVENUE / DALLAS, TEXAS 75206

M. Zahn
This is file copy
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July 3, 1985

El Paso Exploration Company
P. O. Box 4289
Farmington, NM 87499

Attention: Mr. David M. Poage

Re: Scott #2
NE/4 Section 31, T32N, R10W
San Juan County, New Mexico

Gentlemen:

Enclosed is an executed copy of your AFE for drilling the subject well. This AFE is approved by LPX solely as an accommodation to El Paso and to expedite the development of the captioned property. This approval is without jeopardy or prejudice to, waiver of, to any extent, the rights of Lear as success of Brookhaven Oil Company under Farmout Agreement dated November 27, 1951, between Brookhaven Oil Company and San Juan Production Company and all agreements related to said agreement as referred to therein, as any of same may have amended, which agreements are referred to, and which rights are reserved, for all purposes.

In the event that you have any questions on the foregoing please feel free to contact me.

Yours very truly,

Don W. Moore

Don W. Moore
Vice-President,
Drilling & Production

DWM/jcb

Enclosure

El Paso
Exploration Company

PLEASE RETURN TO
LAND - FARMINGTON

P. O. BOX 4289
FARMINGTON, NEW MEXICO 87499-4289
PHONE 505 325 2841

May 2, 1985

Amoco Production Company
Attention: Mr. Larry Dalke
Post Office Box 800
Denver, Colorado 80201

Lear Petroleum Corporation
Attention: Mr. Tim Woodruff
1801 California Street, Suite 4800
Denver, Colorado 80202

Re: Scott #2 R
NE/4 Section 31, T-32-N, R-10-W
San Juan County, New Mexico

Gentlemen:

Attached for your consideration and approval is one copy of our well cost estimate for the drilling of the referenced well.


Our records indicate that the ownership of this well is as follows:

El Paso Natural Gas Company	50.000%
Amoco Production Company	28.125%
Lear Petroleum Exploration, Inc.	21.875%

The interests shown may be subject to an agreement dated November 27, 1951, between Brookhaven Oil Company and El Paso. Amoco Production Company and Lear Petroleum Exploration, Inc., are successors to Brookhaven's interest. Before El Paso proceeds with the drilling of this well, we respectfully request that Amoco Production Company and Lear Petroleum Exploration, Inc., agree to bear their shares of the costs attributable to their interest in the referenced well.

If you wish to participate in the drilling of the above referenced well, please return one approved copy of this letter and an approved copy of the attached well cost estimate as soon as possible as we plan to begin operations on this well in the second quarter of 1985. Please advise in writing if you do not wish to participate.

Yours very truly,


David M. Poage
Senior Staff Landman

DMP:tlm
NM-375
Doc. #0187L
Enclosures

The undersigned hereby agrees to participate in and pay its proportionate share of costs as indicated in the attached well cost estimate. This approval is subject to the provisions of our letter of transmittal dated July 3, 1985.

BY 
Don W. Moore

COMPANY Lear Petroleum Exploration, Inc.

TITLE Vice-President, Drilling & Production

1 Well Owner		2R		Blanco	
Location		County		State	
NE/4 Sec. 31, T-32-N, R-10-W		San Juan		New Mexico	
Mesa Verde		PG10 32807		Total Days 13	
Total Depth 5660'					
TANGIBLES		PRODUCING WELL		DRY HOLE	
00 TUBULAR GOODS		SUB TOTAL			
01 Conductor Pipe	In. Ft. S/Ft.				
02 Surface Casing	9 5/8 In. 200 Ft. 19,370 S/Ft.	3,870			
03 Production	In. Ft. S/Ft.				
04 First Inter.	7 In. 3280 Ft. 9,31 S/Ft.	30,540			
05 Second Inter.	In. Ft. S/Ft.				
06 Prod. Liner	4 1/2 In. 2530 Ft. 3,79 S/Ft.	9,590			
07 Tieback Str.	In. Ft. S/Ft.				
08 Tubing	2 3/8 In. 5660 Ft. 1,87 S/Ft.	10,580			
09 Tubing	In. Ft. S/Ft.		54,580		
10 EQUIPMENT					
11 Wellhead		9,430			
12 Tbg & Cag Acc, liner hgr, Prod Pkr.		2,990			
13 Production Equip.		6,330			
14 Other			18,750		
TOTAL TANGIBLES		73,330	73,330		
INTANGIBLES					
20 DRILLING COST					
21 Footage	5660 Ft. 7.30 S/Ft.	41,320			
22 Daywork	1 Da. 4500 S/Da.	4,500			
23 Comp. Rig	72 Hr. 145 S/Hr.	10,440			
24 Service Unit					
25 Rental Tools, Services, Chokes, Etc.		1,300			
26 Rig Moving Cost		3,500			
27 Other			61,060		
30 CEMENTING (INCL. FLOAT EQUIP. ETC.)					
31 Surface		2,100			
32 Intermediates		3,600			
33 Production					
34 Production Liners		5,000			
35 Tieback String					
36 Squeeze Cement (Incl. Ret. & Pkrs.)					
37 Other		1,080	11,780		
40 FORMATION TREATMENT					
41 Acidizing					
42 Fracturing Equipment & Materials		17,850			
43 Frac. Fluid	Gals.	5,150			
44 Tank Rental & Hauling		4,000	27,000		
50 SPECIAL SERVICES					
51 Perforating (incl. B.P. & Pkrs., Wireline Etc.)		8,220			
52 Mud Logging Data Units					
53 Formation Logging		9,500			
54 Corer, DST's, Etc.					
55 Drilling Logs (CBL, Tracer, Inspection, W.L.)					
56 Packer & Retr. B.P.					
57 Whipstocking & Sidetracking			17,720		
60 DRILLING FLUIDS					
61 Mud & Chemicals		7,450			
62 Water & Brine		4,800			
63 Other (Gas & Air)		8,440	20,690		
70 MATERIALS & SERVICES OTHER					
71 Bits & Reamers		550			
72 Fuel		600			
73 Hauling		2,460			
74 Tubular Inspection		3,780			
75 Testing (Manifolds, BOP, Tbg Etc.)					
76 Misc. Cag Exp (Run Cag., Sandblasting, Etc.)					
77 Misc. Exp.		3,230	10,620		
80 LOCATION, ACCESS & CLEAN UP					
80 SUPERVISION & LEGAL ETC.					
TOTAL INTANGIBLE		162,850	162,850		
Plus 5% Contingency		11,810	11,810		
TOTAL COST		247,990	247,990		
WORKING INTEREST:		ESTIMATED COST ONLY:			
EPNG	Percent	Each participating owner to pay proportionate share of actual well cost subject to Operating Agreement.			
Others:					
Date	3-28-85	PARTNER'S APPROVAL			
Prepared By	GMB:DCW:ch	Date			
Approved By	<i>[Signature]</i> <i>DRR</i>	By			