

# KUKUI Operating Company

March 4, 2002

**Certified Mail - Return Receipt Requested**

Sherry L. Barton  
3114 W. Kansas  
Hobbs, NM 88242

RE: **DeGas 6 State Com #1**  
**Sec. 16-16S-35E**  
**Lea County, New Mexico**

Dear Ms. Barton:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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We anticipate spudding this well before April 1, 2002; your early attention to this matter is therefore appreciated. Please call on us if you have any questions.

Yours very truly,



Steve Sandlin  
Vice President-land

**Enclosure**

cc: New Mexico Oil Conservation Division  
Attn: Lori Wrothenbery, Director  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

# INVOICE

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To: Sherry L. Barton  
3114 W. Kansas  
Hobbs NM 88242

Date: 03/04/02

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Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0000364

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**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$54.62**

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Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002

# KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Sherry L. Barton  
Custodian for Chance C. Barton  
3114 W. Kansas  
Hobbs, NM 88242

RE: **DeGas 6 State Com #1**  
**Sec. 16-16S-35E**  
**Lea County, New Mexico**

Dear Ms. Barton:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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Vice President-land

Enclosure

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Attn: Lori Wrothenbery, Director  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

# INVOICE

---

To: Sherry L. Barton  
Custodian for Chance C. Barton  
3114 W. Kansas  
Hobbs NM 88242

Date: 03/04/02

---

Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0000728

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**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$109.24**

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Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002

# KUKUI Operating Company

March 4, 2002

**Certified Mail - Return Receipt Requested**

Sherry L. Barton  
Custodian for Chelsea J. Barton  
3114 W. Kansas  
Hobbs, NM 88242

RE: **DeGas 6 State Com #1  
Sec. 16-16S-35E  
Lea County, New Mexico**

Dear Ms. Barton:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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Vice President-land

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Attn: Lori Wrothenbery, Director  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

# INVOICE

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To: Sherry L. Barton  
Custodian for Chelsea J. Barton  
3114 W. Kansas  
Hobbs NM 88242

Date: 03/04/02

---

Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0000364

---

**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$54.62**

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Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002

# KUKUI Operating Company

March 4, 2002

**Certified Mail - Return Receipt Requested**

Sherry L. Barton  
Custodian for Texie P. Barton  
3114 W. Kansas  
Hobbs, NM 88242

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**Sec. 16-16S-35E**  
**Lea County, New Mexico**

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Vice President-land

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Attn: Lori Wrothenbery, Director  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

# INVOICE

---

To: Sherry L. Barton  
Custodian for Lexie P. Barton  
3114 W. Kansas  
Hobbs NM 88242

Date: 03/04/02

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Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

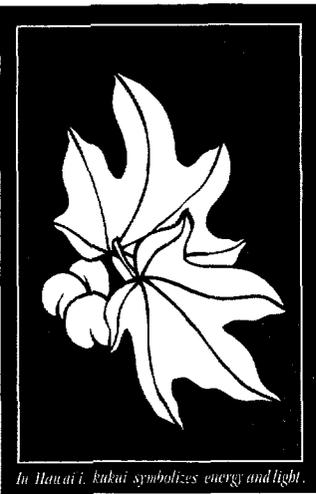
Your Share: 0.0000364

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**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$54.62**

---

Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002



# KUKUI Operating Company

March 4, 2002

**Certified Mail - Return Receipt Requested**

Wells Fargo Bank Texas, N.A.  
Acct #99-149600-Armstrong Trust  
P. O. Box 1959  
Midland, TX 79701

RE: **DeGas 6 State Com #1  
Sec. 16-16S-35E  
Lea County, New Mexico**

Dear Sir:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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**Enclosure**

cc: New Mexico Oil Conservation Division  
Attn: Lori Wrothenbery, Director  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

# INVOICE

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To: Wells Fargo Bank Texas, NA  
Acct. #99-149600 - Armstrong Trust  
P.O. Box 1959  
Midland, TX 79701

Date: 03/04/02

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Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0131583

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**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$19,744.03**

---

Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002

# KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Brian Scarborough  
P. O. Box 2474  
Midland, TX 79702

RE: **DeGas 6 State Com #1**  
**Sec. 16-16S-35E**  
**Lea County, New Mexico**

Dear Mr. Scarborough:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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Enclosure

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Attn: Lori Wrothenbery, Director  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
rm\land\DeGas 6-WIO

# INVOICE

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To: Brian Scarborough  
P.O. Box 2474  
Midland, TX 79702

Date: 03/04/02

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Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0027287

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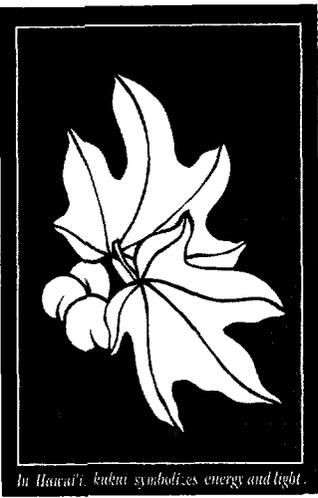
**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$4,094.41**

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Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002

# KUKUI Operating Company

March 4, 2002



**Certified Mail - Return Receipt Requested**

Dalco Petroleum, LLC  
Attn: David A. Lynch  
P. O. Box 1904  
Lovington, NM 88260

RE: **DeGas 6 State Com #1  
Sec. 16-16S-35E  
Lea County, New Mexico**

Dear Sir:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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**Enclosure**

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Attn: Lori Wrothenbery, Director  
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Santa Fe, NM 87505

rm\land\DeGas 6-WIO

# INVOICE

---

To: Dalco Petroleum, LLC  
P. O. Box 1904  
Lovington, NM 88260

Date: 03/04/02

Attn.: Mr. David A. Lynch

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Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

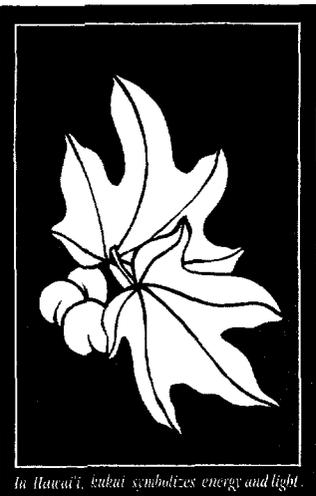
Your Share: 0.0027287

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**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$4,094.41**

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Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002



# KUKUI Operating Company

March 4, 2002

**Certified Mail - Return Receipt Requested**

W. A. Yeager Group  
214 W. Texas Ave., Suite 720  
Midland, TX 79701-4621

RE: **DeGas 6 State Com #1**  
**Sec. 16-16S-35E**  
**Lea County, New Mexico**

Dear Sir:

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rm\land\DeGas 6-WIO

# INVOICE

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To: W. A. Yeager Group  
214 W. Texas Ave., Suite 200  
Midland, TX 79701-4621

Date: 03/04/02

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Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0131583

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**AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$19,744.03**

---

Please remit to: KUKUI Operating Company  
1415 Louisiana, Suite 3650  
Houston, TX 77002

# KUKUI OPERATING COMPANY

## COST ESTIMATE DRILLING

AFE No. 10111  
 Supplement No. \_\_\_\_\_  
 STATE: New Mexico  
 FIELD: SE Eidson

PROSPECT: Mississipian Test COUNTY: LEA  
 DATE: 09/17/2001 WELL NAME Degas '6' State Com. #1

### SUMMARY OF ESTIMATED COST

INTANGIBLE COST				SUB.	DRY HOLE	COMPLETED
DESCRIPTION						
Company Labor	45 Days @	\$650	/ Day	05	\$27,300	\$29,250
Outside Labor	roustabout, welding, casing crews, wellhead installation			10	\$15,000	\$20,000
Professional Services	surveys, permitting, consulting, title			12	\$6,000	\$8,000
Transportation - Land				70	\$5,000	\$8,000
Fuel, Power, & Water				61	\$60,000	\$70,000
Supplies - Miscellaneous				59	\$3,000	\$4,000
Supplies - Bits				60	\$58,000	\$60,000
Supplies - Casing Equipment	float shoes, centralizers			59	\$4,500	\$6,000
Supplies - Liner Equipment				59		
Frac Tank Rental	1 ea. - 500 bbl.	50 days ( water storage)		40	\$2,000	\$3,000
Cement & Cement Services				11	\$20,000	\$36,000
Pump / Vacuum Truck Services				12	\$5,000	\$8,000
Rentals Drilling Tools & Services	chokes, separators, PVT, BHA			40	\$10,000	\$15,000
Rentals Miscellaneous	doghouse, forklift, trash bin, toilets, etc			40	\$10,000	\$12,000
Insurance	well control			91	\$12,000	\$12,000
Wireline Services	perforating, logging, coring			25	\$26,000	\$36,000
Drilling Fluids				15	\$75,000	\$85,000
Location Expense	construction / reclamation			20	\$30,000	\$35,000
Contract Drilling	Feet		/ Foot	16		
Daywork	40 drlg./4 comp.	Days	\$11,000 / Day	16	\$440,000	\$484,000
Workover Rig	6 Days	\$3,000	/ Day	16		\$18,000
Directional Drilling - Tools & Equipment				43		
Mud Logging Services				44	\$25,000	\$25,000
Rig Mobilization & Demobilization				21	\$50,000	\$50,000
Stimulation	clean-up acid treatment			75		\$20,000
Special Services	DST tools / reports			09	\$12,000	\$12,000
Tubular Goods - Inspection & Testing					\$4,000	\$8,000
Telephone & Radio Expenses				73	\$300	\$500
COPAS Drilling Overhead					\$12,000	\$14,000
Plug & Abandon					\$12,000	
Intangible Subtotal					\$924,100	\$1,078,750
Unclassified and	10 %	Contingencies			\$92,400	\$107,900
<b>TOTAL INTANGIBLE COST</b>					<b>\$1,016,500</b>	<b>\$1,186,650</b>

### TANGIBLE COST

WELL TUBULAR GOODS						
	Feet		Drive Pipe	/ Foot	85	
	Feet		Conductor Casing	/ Foot	86	
450	Feet	13 3/8"	Surface Casing	\$20.00 / Foot	90	\$9,000
	Feet		Protection Casing	/ Foot	87	
4,550	Feet	9 5/8"	Intermediate	\$18.00 / Foot	88	\$81,900
	Feet		Production Liner	/ Foot	89	
13,600	Feet	5 1/2"	Production Casing	\$7.00 / Foot	92	\$95,200
12,500	Feet	2 7/8"	Tubing	\$3.50 / Foot		\$43,750
	Feet		Sucker Rods	/ Foot	53	
FLOWLINE						
~5,000	Feet	3"	Line Pipe - buried	\$6.00 / Foot		\$30,000
WELL EQUIPMENT						
Well Head & Christmas Tree	casing head, tubing head, 5M tree			105	\$5,000	\$16,000
Packers and Downhole Equipment				78		\$8,000
Other Well Equipment	battery, separators, heater treater, meter, etc			95		\$30,000
<b>TOTAL TANGIBLE COST</b>					<b>\$95,900</b>	<b>\$313,850</b>
<b>TOTAL ESTIMATED COST OF WELL</b>					<b>\$1,112,400</b>	<b>\$1,500,500</b>

Justification for this request : Funds are requested to drill and complete a 13,600' Mississipian test well located in Sec. 6 - T16S - R35E, Lea County NM.

KUKUI Operating Company

JOINT INTEREST APPROVAL

Prepared By: Larry K. Strider  
 Approved By: John W. Wessels  
 Approved By: \_\_\_\_\_

Name of Joint Owner : \_\_\_\_\_  
 Approved By: \_\_\_\_\_  
 Date: \_\_\_\_\_

Accept OEEL Insurance   
 Decline OEEL Insurance