COST ESTIMATE & AUTHORITY FOR EXPENDITURE

Date 1-23-75 AFE. No.

Lease & Well No. UNION-STATE #1 Field or Area E-K Bone Spring
Location 660' FNL & 660 FWL, Sec. 32, T-18-S, R-34-E
County Lea State New Mexico Projected TD 9700'
Spud Date Requirement As soon as possible
Classification: Exploratory ( ) Development (X) Oil (X) Gas ( )

Justification: Drill development well to productive zone in McElvain-Federal #1.

Tangible Lease & Well Equip.	Estimated Gross Cost: Drilling	Completion	Total	Remarks
1. Surface Casing	$ 6,250	$	$ 6,250	350' - 13-3/8" 54.5# K-55
2. Intermediate Casing	47,000		47,000	5200' - 8-5/8" 24&32#,K-55
3. Production Casing		21,500	21,500	4800' - 4-1/2" Liner
4. Tubing		22,500	22,500	9600' - 2-3/8" 4.7#, N-80
5. Wellhead Equipment	2,500	2,500	5,000	Series 900
6. Artificial Lift Equip.		35,000	35,000	Beam unit w/gas engine
7. Flow Line		750	750	500' - 2" L.P.
8. Process & Storage Equip.		23,000	23,000	2 - 500's & Treater
9. Power Supply Equipment				Not included
10. Packers, Anchors, Misc.	250	2,750	3,000	Baker Model "R" & etc.
Total Lease & Well Equip.	$ 56,000	$108,000	$164,000	
Intangibles				
1. a. ~~Footage ft @~~ MI,RU & RD	$ 16,000	$	$ 16,000	
b. Daywork WDP 35 Day @ 3000	105,000		105,000	
c. Daywork WODP Day @				
d. Service Rig		6,000	6,000	10 days @ $600/Day
e. Fuel & Water	5,000	500	5,500	
f. Mud & Chemicals	7,500		7,500	
2. a. Supervision	3,000	2,000	5,000	Includes overhead
b. Geol. and/or Anal.	2,000		2,000	
c. Well Surveys	7,200	1,500	8,700	DIL, FDC-CNL, CBL
d. Drill Stem Tests	1,400		1,400	1 DST
e. Coring Equipment	1,000		1,000	1 50' Core
3. a. Cement & Service	5,000	3,200	8,200	
b. Floating Equipment	500	5,500	6,000	Includes liner hanger
c. Welding	250	250	500	
4. a. Perforating		1,200	1,200	
b. Fracturing & Service		12,000	12,000	30,000 gal 2% KCL
c. Acidizing & Service		2,500	2,500	3000 gal Morrow Flow
5. a. Location & Roads	8,500	2,000	10,500	
b. Transp. & Freight	500	2,000	2,500	
c. Roustabout Labor	300	2,500	2,800	Fence pit, set prod. equip.
6. a. Bits & Rental Tools	25,000	2,000	27,000	
b. Miscellaneous	5,850	3,850	9,700	
Total Intangibles	$194,000	$ 47,000	$241,000	Actual Cost to Drl + Cmpl. $507,740.00
TOTAL	$250,000	$155,000	$405,000	Darol K Ramey

Grand Total $405,000 Completed Producer
H.O.G., Inc. 36.9897 % $ 149,808
Others 63.0103 % $ 255,192
Prepared by Darol K. Ramey
Darol K. Ramey
(Proposed Procedure & Details on reverse side)

APPROVALS
H.O.G. ~~Inc.~~ Date
Others Date

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Hilliard EXHIBIT NO. 8
CASE NO. 5442

Exhibit #8

Lease & Well No. UNION-STATE #1 AFE. No.

Field EK Bone Spring County Lea State New Mexico

(1) Justification (Continued)
(2) Proposed Procedure
(3) Details of Interests Owned by Others

(2) Proposed Procedure

1. Drill 17½" hole to 350'. Set 13-3/8" csg & cement to surface.
2. Drill 11" hole to 5200' & set 8-5/8" csg. Cement back to 3000'.
3. Drill 7-7/8" hole to TD.
4. Mud Program

0 -	350'	Spud mud
350 -	5200'	10# brine & brine gel system
5200 -	9400'	Fresh water
9400 -	TD	Fresh water gel - low solids

5. Evaluation Program
   - Mud Logger or Wellsite Geologist - 7500' to TD.
   - Core - one 50' core in primary zone of interest
   - DST - one DST in primary zone of interest
   - Open hole Logs - DIL, FDC-CNL

6. Elect to complete or P & A based on information obtained.
7. Set 4½" liner & cement to 1000' above top of upper zone.
8. Move out Rotary Tools.
9. MI & RU completion rig.
10. Run CBL - if ok, proceed to 11. If not, correct w/squeeze.
11. Perforate zone of interest w/1 jet/ft.
12. Run tubing & packer.
13. Acidize w/3000 gal Morrow-Flo acid.
14. Swab back & test.
15. Frac w/30,000 gal 2% KCL water & 40,000# sd down 2-3/8" tubing.
16. Swab back & test.
17. Set production equipment.

(3) Details of Interests Owned by Others

	Interest	Drilling	Completion	Total
Hilliard Oil & Gas, Inc.	36.9897%	$92,475.	$57,335.	$149,810.
Jake L. Hamon	32.3661%	80,915.	50,168.	131,083.
Union Oil Co. of Calif.	9.7809%	24,452.	15,160.	39,612.
Marvin C. Gross	5.4132%	13,533.	8,390.	21,923.
C. W. Trainer	5.4132%	13,533.	8,390.	21,923.
Miller Oil Company	5.4132%	13,533.	8,390.	21,923.
Don Q. Chapell	4.6237%	11,559.	7,167.	18,726.
	100.0000%	$250,000.	$155,000.	$405,000.

Estimated Payout

100 BOPD X 30 days = 3000 BOPM
3000 BOPM X 0.75 NRI = 2250 BOPM Net
2250 BOPM X $10.80/bbl. = $24,300/month net after tax

$$\frac{\$405,000}{24,300/\text{month}} = 16.7 \text{ months to payout}$$