September 21, 1990

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

TO: WORKING INTEREST OWNERS
Address List Attached

RE: Jeep Prospect #6250

Laredo State 21 Com #1 Section 21, T-19-S, R-28-E Eddy County, New Mexico

Gentlemen:

Pacific Enterprises Oil Company (USA) hereby proposes the drilling of an 11,300 foot Morrow well to be located approximately 660' FSL and 1980' FEL of Section 21, T-19-S, R-28-E, Eddy County, New Mexico. The drilling and spacing unit for said well will be the South Half of said Section 21. The drilling and testing costs for the well are estimated to be \$468,950.00 with total completed costs being \$798,965.00.

If you elect to participate in the drilling of the proposed well, please so indicate by signing both of the enclosed Authority For Expenditures and returning one (1) original to the attention of the undersigned. Upon receipt of your executed Authority For Expenditure, an Operating Agreement governing operations of the well will be submitted for your review.

In the alternative, Pacific proposes the formation of a one (1) Section working interest unit comprising all of Section 21. In the event you do not wish to participate in the drilling of said well, Pacific requests a farmout of your acreage in the proposed working interest unit delivering a 75% net revenue interest before payout with the option to convert your overriding royalty interest to a 25% working interest after payout on a well by well basis. If you elect to farmout your interest, a formal Farmout Agreement will be submitted for your review.

Pacific is interested in spudding this well as soon as possible and therefore will be filing an application for a Compulsory Pooling Hearing in the near future.

Should you have any questions or problems, please do not hesitate to contact me.

Very truly yours,

PACIFIC ENTERPRISES OIL COMPANY (USA)

M. Craig Clark Landman

Peac louga

# WORKING INTEREST OWNERS ADDRESS LIST

Arco Oil and Gas Company Post Office Box 1610 Midland, Texas 79702 ATTN: Mr. Tim Derigo

Marathon Oil Company Post Office Box 552 Midland, Texas 79702 ATTN: Mr. Curtis Smith Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88201 ATTN: Mr. Randy Patterson

DeKalb Energy Company 370 Seventeenth Street Denver, Colorado 80202 ATTN: Keith Ranum

# WORKING INTEREST OWNERS ADDRESS LIST

Chevron USA, Inc. Post Office Box 1150 Midland, Texas 79702

Attention: Mr. Mickey Cohlmia

### PACIFIC ENTERPRISES OIL COMPANY (USA)

AUTHORITY FOR EXPENDITURE

SOUTHWEST REGION 200 N. Loraine, #400 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

**DIVISION:** Permian Basin Exploration Team

**DATE:** 9-21-90

**DEPARTMENT:** Exploration and Development

Midland, Texas

WELL NAME: Laredo State 21 Com #1

LOCATION: 660' FSL and 1980' FEL of Section 21, T-19-S, R-28-E

Eddy County, New Mexico

Drill and Test Cost Completion

\$468,950.00

330,015.00

TOTAL

\$798,965.00

#### JUSTIFICATION:

Proposed 11,300' well to test the Morrow Formation. See attached detailed Drilling and Completion Cost Estimate.

PARTICIPANTS WOR	KING INTEREST	COST	GROSS AFE AMOUNT \$798,965.00
Pacific Enterprises Oil Company (USA), etal Arco Oil & Gas Co. Yates Petroleum Corp. Marathon Oil Co. DeKalb Energy Co.	50.00000% 25.00000% 9.02776% 7.98612% 7.98612%	\$399,482.50 \$199,741.20 \$72,128.70 \$63,806.30 \$63,806.30	APPROVED DISAPPROVED COMPANY REPRESENTATIVE
TOTAL	100.00000%	\$798,965.00	DATE

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PARTICIPANTS W	ORKING INTEREST	COST	GROSS AFE AMOUNT \$798,965.00
Pacific Enterprises Oil Company (USA), eta Chevron USA, Inc.	l 62.50% 37.50%	\$499,353.00 \$299,612.00	APPROVED DISAPPROVED
mom » r	100.000		COMPANY REPRESENTATIVE
TOTAL	100.00%	\$798,965.00	CHEVRON USA, INC
			DATE

### PACIFIC ENTERPRISES OIL CO. (USA DRILLING & COMPLETION DETAILED COST ESTIMATE

Prospect: JEEP Field \_\_\_\_

## Hell Location 660' FSL & 1980' FEL Legal Description Sec 21, T-19-S, R-28-E

County Eddy State NM Proposed Depth 11,300'

Objective Formation Morrow AFE No. PEOC W.I.

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	TOTAL
Survey - Stake Location	1	1,000	 xxx	0	1,000
Permits & Hearings	2	700	83	0	700
Building Road, bridges, canals	3	7,000	84	0	7,000
Building Location & Pits	4	43,000	85	5,000	48,000
Insurance (for Terra only)	5	3,500	86	0	3,500
Move in - Rig up - Rig down - Move out	6	O	87	O	O
Rat Hole	7	0	<b>300</b> 0	0	186,450
Footage Contract 11,300 a \$15.50/ft	8	186-450	<b>1000</b>	0	
Day work contract _5 days 2 \$4,000/day	9 .	24,000	88	0	24,000
Turnkey Agreement	10	o	90	0	0
Rig for Completion \$1400/day x 8 days	xxx	0	101	11,200	11,200
Drill Bits	12	0	102	0	0
Rental Equipment	13	8,000	103	3,500	11,500
Fishing Tools & Service	14	O	104	0	0
Company Labor	15	1,000	107	1,000	2,000
Auto & Travel	16	500	108	500	1,000
Contract Labor - 37 x 450/0, 8 x 450/0	17	16,650	113	3,600	20,250
Trucking, Hauling, Service Equipment	18	3,500	114	9,000	12,500
Power & Fuel	19	0	115	0	0
Mater	20	20,000	116	3,000	23,000
Mud & Chemicals	21	20,000	117	1,000	21,000
Orill Pipe, Casing, Rod Inspection	22	2,000	125	4,000	6,000
Formation Testing (incl 3 DST)	23	15,000	жж	0	15,000
Coringft of core 3 \$ /ft	24	0	xxx	0	0
Mud Logging - 35 x 400/0	25	14,000	XXX	0	14,000
Logs	26	18,000	126	5,000	23,000
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	5,000	5,000 0
Directional Services	29 30	0	152 153	0	14,000
Engineering, Geological, Geophysical	31	14,000 4,500		0	4,500
Cmtg, Conductor or Surf Csg (incl Float equip)	32	5,500	xxx 154	19,500	25,000
Cmtg, Interm or Prod Csg (incl Float equip) Squeeze Jobs	33	9,500	155	0	0
Perf or Shooting	34	0	156	5,000	<b>5,00</b> 0
Frac (Acid - \$5000, Frac \$30,000)	xxx	0	157	35,000	35,000
Swabbing	36	0	158	6	0
Plugging, if dry	37	5,000	159	0	5,000
Damage Claims	38	2,000	165	0	2,000
Cleaning Location	39	0	166	3,500	3,500
District Expense	40	9-250	172	2,000	11,250
Communications	41.	0	177	0	0
Environmental & Safety Equipment	42	0	178	Ð	0
Misc Material & Service (Contingency)	43	5.000	179	5,000	10,000
TOTAL INTANGIBLES		429,550		121,800	551,350

# PACIFIC ENTERPRISES OIL CO. (US..., DRILLING & COMPLETION DETAILED COST ESTIMATE

DRILLING & COMPL	ETION DETA	AILED COST EST	IMATE		
CATEGORY	<u>NO.</u>	DRILL & TEST	<u>NO.</u>	COMPLETION	TOTAL
Surface Casing					
	50	0	xxx	0	0
Intermediate Casing					
400' of 13-3/8" 00					
2500' of 8-5/8" 00					
	51	34,900	жж	0	34,900
Production Casing					
11,300' fo 5-1/2" 00	xxx	0	52	84,750	84,750
Production Liner					
	жx	0	53	0	0
Tubing					
11,100' of 2-3/8" 00					
22,200 0. 2 3. 0 00	ж	O	54	34,225	34,225
Xmas Tree & Tubing Head Components	55	3,500	182	12,000	15,500
Pumping Unit or Prime Mover	XXX	0	56	0	0
Production Platform - Mat. & Labor	2000	0	58	0	0
Rods		0	59 59	0	0
Subsurface Pump	XXX	0	60	0	0
Tanks	XXX	0	61	5,000	-
Circulating Pump	2000	0	63	0	5,000 0
•	XXX				_
Dehydrator	<b>XXX</b>	0	64	0	0
Heater Treater or Gunbarrel	жж	0	65	5,000	5,000
Separator/FWK0	XXX	0	66	5,000	5,000
Flowline & Connection					
3" a 5280'	жж	. 0	68	21,120	21,120
Meter, Meter Run & Connections	жж	₫	70	5,000	5,000
Buildings	xxx	0	71	0	0
Packer	жж	σ	72	8,000	8,000
Miscellaneous Equipment (fittings, etc.)	73	1,000	185	1,000	2,000
TOTAL TANGIBLES		39,400		181,095	220,495
Installation of Tubing	жж	0	54	0	o
Installation of Pumping Unit & Prime Mover	жж	0	56	0	0
Installation of Tanks	xxx	0	61	1,000	1,000
Installation of Dehydrator	xxx	0	64	0	0
Installation of Heater Treater or Gun Barrel	жж	0	65	2,000	2,000
Installaion of Separator/FWKO	xxx	0	66	2,000	2,000
Installation of Flowline	жх	0	68	21,120	21,120
Installation of Miscellaneous Equipment	73	0	185	1,000	1,000
				•	
TOTAL INTANGIBLE INSTALLATION COSTS		0		27,120	27,120
		429,550		121,800	551,350
		39,400		181,095	220,495
		0		27,120	27,120
				,	
TOTAL WELL COST COMPLETED		468,950		330,015	798,965
		-		, <u> </u>	
/ / / /		_			

Proposed by

Approved by:

Date 8-2-90

nate 8/4 /4

#### UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS

## SENDER INSTRUCTIONS

- SENDER INSTRUCTIONS
  Print your name, address and ZIP Code
  in the space below.

  Complete items 1, 2, 3, and 4 on the
  reverse.

  Attach to front of smicle if space
  parmits, otherwise affix to back of
  article.

  Endorse article "Return Receipt
  Requested" adjacent to number.



RETURN

Print Sender's name, address, and ZIP Code in the space below.

PACIFIC ENTERPRISES OIL CO. P.O. Box 3083 Midland, Texas 79702

X

6. Signature - Agent

HallahallUSERi#6250 - CC

SENDER: Complete items 1 and 2 when additional services are desired, and complete items				
Put your address in the "RETURN TO" Space on the reverse	And - Fallows and dealers 10			
from being returned to you. The return receipt fee will provide the date of delivery. For additional fees the following service and check boxies) for additional service(s) requested.	you the name of the person delivered to and			
and check box(es) for additional service(s) requested.	s are available. Consult postmaster for fees			
Show to whom delivered, date, and addressee's ac (Extra charge)	ddress. 2.   Restricted Delivery (Extra charge)			
3. Article Addressed to:	4. Article Number			
Chevron USA, Inc.	P 546 960 142			
P.O. Box 1150	Type of Service:			
Midland, TX 79702	Registered Insured			
	XXXCertified COD			
Mr. Mickey Cohlmia	Express Mail Return Receipt for Merchandise			
•	Always obtain signature of -ddress e			
	or agent and DATE DELIVERED.			
5. Signature - Addressee	8. Addressee's Address YONLY if			
χ , , , ,	requested and fee paid)			
6. Signature - Agent				
x Lorense.				
7. Date of Delivery cro	1 1 1			
SEP 9				
	7			
<sup>2</sup> S Form <b>3811</b> , Apr. 1989 ± U.S.G.P.O. 1989-238-81	5 DOMESTIC RETURN RECEIPT			
SENDER: Complete items 1 and 2 when additional	services are desired, and complete items			
3 and 4. Put your address in the "RETURN TO" Space on the reverse	side Failure to do this will prevent this card			
from being returned to you. The return receipt fee will provide	you the name of the person delivered to and			
from being returned to you. The return receipt fee will provide the date of delivery. For additional fees the following service and check box(es) for additional service(s) requested.	es are available. Consult postmaster for fees			
<ol> <li>Show to whom delivered, date, and addressee's a</li> </ol>	adress. 2. 🗀 Restricted Delivery			
(Extra charge)	(Extra charge)			
3. Article Addressed to:	4. Article Number P 546 960 140			
Yates Petroleum Crop.				
105 South 4th	Type of Service:			
Artesia, NM 88201	Registered Insured			
	XX Certified COD Return Receipt			
Mr. Randy Patterson	Express Mail Return Receipt for Merchandise			
	Always obtain signature of addressee			
	or agent and DATE DELIVERED.			
5. Signature - Addressee	8. Addressee's Address (ONLY if requested and fee paid)			
X	requested and fee paids			
6Stanetula - Agent)				
Ix Whe Durch.				
7. Date of Delivery	i ,			
09-25-90				
PS Form 3811, Apr. 1989 +U.S.G.P.O. 1989-238-8	15 DOMESTIC RETURN RECEIPT			
F3 F0rm 30 11, Apr. 1989 **********************************	DOMESTIC RETORIC RECEIPT			
<del></del>				
SENDER: Complete items 1 and 2 when additions 3 and 4.	l services are decited			
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the page of the percent dilivered to add				
and check boxles) for additional service(st requested				
rour your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.  1. Show to whom delivered, date, and addressee's address.  2. Restricted Delivery				
(Extra charge)  3. Article Addressed to:	(Extra charge)			
Arco Oil & Gas Co.	4. Article Number			
1	P 546 960 145			
P.O. Box 1610	Type of Service:			
Midland, TX 79702	Registered Insured			
	L∆A Certified			
	Express Mail Return Receipt for Merchandise			
1	Always obtain signature of addressee			
5. Signature - Addressee	or agent and DATE DELIVERED.			
X Addressee	8. Addressee's Address (ONLY if			
	requested and fee paid)			
6. Signature - Agent				
× SKer				
7. Date of Delivery 0 0CT 16 1990	٦			
I III I I I	1			

SENDER: Complete items 1 and 2 when additional 3 and 4.  Put your address in the "RETURN TO" Space on the reverse from being returned to you. The return receipt fee will provide the date of delivery. For additional fees the following service and check box(es) for additional service(s) requested.  Description of the provided in the p	side. Failure to do this will prevent this card you the name of the person delivered to and sare available. Consult postmaster for face
3. Article Addressed to: Marathon Oil Company P.O. Box 552 Midland, TX 79702 Mr. Curtis Smith	4. Article Number P 546 960 139  Type of Service:  Vertified COD ( Express Mail Return Receipt for Merchandise
5. Signature — Addressee X 6. Signature — Agent	Alvievs thain signature of addressee or signature of DELIVERED.  8. Addressee's Address (ONLY if requested and fee paid)
7. Pate of Delivery SEP 2 5 1990	
*U.S.G.R.O. 1989-238-815  *SENDER: Complete items 1 and 2 when additional	DOMESTIC RETURN RECEIPT
3 and 4. Put your address in the "RETURN TO" Space on the reverse from being returned to you. The return receipt fee will provide the date of delivery. For additional fees the following services and check box(es) for additional service(s) requested.  1.  Show to whom delivered, date, and addressee's ac (Extra charge)	side. Failure to do this will preven this card you the name of the person delive ed to and s are available. Consult postmaster for legs
3. Article Addressed to: DeKalb Energy Co. 370 17th Street Denver, CO 80202 Mr. Keith Ranum	4. Article Number P 546 960 138  Type of Service:   Registered
5. Signature Addressee	Always obtain signature of address or agent and DATE DELIVERED.  8. Addresse Address (ON Y if requested and fee paid)

± U.\$.G.P.O. 1989-238-815

DOMESTIC RETURN RECEI

PS Form 3811, Apr. 1989

\* U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT