

Union Oil and Gas [Division: Central Region

Union Oil Company of California
500 North Marientfeld, Midland, Texas 79701
P.O. Box 671, Midland, Texas 79702
Telephone (915) 682-9731



Robert V. Lockhart
District Land Manager
Midland District

March 16, 1984

6
8173
mm

Working Interest Owners
Addressee List Attached

Re: Proposed State Unit
All Sec. 28-15S-32E
Lea County, New Mexico
Union's N/Anderson Ranch Prospect (7366)

You are in receipt of two letters dated November 11 and December 20, 1983 from H.L. Brown proposing the formation of a State Unit to drill a Morrow test. Union's management has approved participation in this project. However, since Union has the majority interest (31.25%), we propose to operate the Unit.

We have discussed this with H.L. Brown and they have no objection to Union's proceeding as Operator since our AFE costs are right in line with theirs. A copy of Union's AFE is enclosed for your review.

Jim Shaw informs me that all parties have elected to participate in the drilling of this well. Would each party sign and return Union's AFE or confirm their election to participate in writing as soon as possible so that we can proceed with preparing the necessary documents to establish this Unit. We will be preparing an AAPL 1977 form Operating Agreement with a 300% non-consent penalty.

Your continued cooperation in this matter is greatly appreciated.

Sincerely yours,

UNION OIL COMPANY OF CALIFORNIA

A handwritten signature in cursive script, appearing to read "Linda H. Hicks".

Linda H. Hicks
Landman

LHH/s

ADDRESSEE LIST

Proposed State Unit covering all Sec. 28-15S-32E

Union Oil Company of California
Attention: Ms. Linda Hicks
P.O. Box 3100
Midland, Texas 79702

Harper Oil Company
Attention: Mr. Joe A. Boyd
310 Briarcroft Building
Midland, Texas 79701

Yates Petroleum Company
Attention: Mr. Ken Beardemphl
207 South 4th Street
Artesia, New Mexico 88210

Mrs. Kathleen Cone
P.O. Drawer 1509
Lovington, New Mexico 88260

Mr. Douglas L. Cone
P.O. Box 13612
Albuquerque, New Mexico 87192

Mr. Clifford Cone
P.O. Box 6010
Lubbock, Texas 79413

Mr. Tom R. Cone
P.O. Box 778
Jay, Oklahoma 74346

Mrs. Cathie Cone Auvenshine
9210 Honeycomb Drive
Austin, Texas 78737

Mr. Kenneth G. Cone
P.O. Box 11310
Midland, Texas 79702

H. L. Brown, Jr.
Attention: Mr. Jim Shaw
P.O. Box 2237
Midland, Texas 79702

REGION/DEPARTMENT Central Region/Operations		LOCATION Midland, Texas		DATE 2-3-84
PURPOSE <input type="checkbox"/> PROGRAMMED EXPANSION, COST REDUCTION, AND OPTIONAL REPLACEMENTS AND ADDITIONS SUBJECT TO MINIMUM RETURN ON INVESTMENT.			BUDGETED <input type="checkbox"/> YES <input type="checkbox"/> NO	
RETURN ON INVESTMENT			REQUIRED %	THIS PROPOSAL %
CALCULATED BY			AMOUNT REQUESTED \$ 309,375	

EXPENDITURE DESCRIPTION

To commit 200 acres to a 640 acre unit & to drill & complete the BROWN STATE "28" WELL NO. 1, Feather (Morrow) Field, Lea County, New Mexico.

OPERATOR: Union Oil Company of California (31.25%)
 TYPE WELL: Development - Oil
 OBJECTIVE ZONE: Morrow
 PROPOSED TOTAL DEPTH: 12,500'

DETAIL OF EXPENDITURE:

Location Costs	\$ 15,000
Drilling Costs	320,000
Casing Costs	188,000
Outside Services	223,000
Production Equipment	51,000
Sub-Facilities	43,000
Supervision	60,000

TOTAL AFE \$ 900,000

Tangible	\$ 282,000
Intangible	\$ 618,000

LOCATION:

660' FNL & 1980' FEL, Section 28, T-15-S, R-32-E, Lea County, New Mexico.

O. P. F.	COST CENTER		ACCOUNT CODE			O. C.	CAP. BUDG. CATG.	AUTHORITY	ADDITIONAL INFORMATION	CHARGE <input type="checkbox"/> EXPENSE <input checked="" type="checkbox"/> CAPITAL
	GRP.	NUMBER	GEN. LEDGER	DETAIL	SUB DETAIL					
24	23	20100	321	X001		X	X	344071		

Material Transferred \$ _____

Cash Outlay \$ 900,000

Contingencies 10% 90,000

TOTAL COST 990,000

Salvage (Pres Value) (_____)

Chargeable to Others % (68.75%) (680,625)

NET COST \$ 309,375

EXECUTIVE COMMITTEE - (SECRETARY OR ASS'T SECRETARY) DATE APPROVED

APPROVE _____
 COMPANY _____
 BY _____
 DATE _____

344071

Department No.	Department	Location	Date
	Operations	Midland, Texas	2-3-84

REASON FOR EXPENDITURE:

To develop Morrow oil reserves.

PROPOSED CASING & FACILITIES:

13-3/8"	C	400'
8-5/8"	C	3500'
5 1/2"	C	12,500'
2-3/8"	T	12,000'

RECOMMENDED PROCEDURE:

Drill 17 1/2" hole to 400'. Cement 13-3/8" casing. Drill 12 1/2" hole to 3500'. Cement 8-5/8" casing. Drill 7-7/8" hole to TD. Log & test. If productive cement 5 1/2" casing. Complete using 2-3/8" tubing.

344071

REGION/DEPARTMENT		LOCATION		DATE
Central Region/Operations		Midland, Texas		2-3-84
PURPOSE				BUDGETED
<input type="checkbox"/> PROGRAMMED EXPANSION, COST REDUCTION, AND OPTIONAL REPLACEMENTS AND ADDITIONS SUBJECT TO MINIMUM RETURN ON INVESTMENT.		<input type="checkbox"/> NECESSARY REPLACEMENTS, AND "OTHER" EXPENDITURES NOT SUBJECT TO RETURN ON INVESTMENT.		<input type="checkbox"/> YES <input type="checkbox"/> NO
RETURN ON INVESTMENT	REQUIRED	%	THIS PROPOSAL	%
			CALCULATED BY	
				AMOUNT REQUESTED
				\$ 309,375

EXPENDITURE DESCRIPTION

To commit 200 acres to a 640 acre unit & to drill & complete the BROWN STATE "28"
WELL NO. 1, Feather (Morrow) Field, Lea County, New Mexico.

OPERATOR: Union Oil Company of California (31.25%)
TYPE WELL: Development - Oil
OBJECTIVE ZONE: Morrow
PROPOSED TOTAL DEPTH: 12,500'

MAR 22 1984

DETAIL OF EXPENDITURE:

MIDLAND DISTRICT LAND

Location Costs	\$ 15,000
Drilling Costs	320,000
Casing Costs	188,000
Outside Services	223,000
Production Equipment	51,000
Sub-Facilities	43,000
Supervision	60,000

TOTAL AFE \$ 900,000

Tangible	\$ 282,000
Intangible	\$ 618,000

LOCATION:

660' FNL & 1980' FEL, Section 28, T-15-S, R-32-E, Lea County, New Mexico.

D P F.	COST CENTER		ACCOUNT CODE			O. C.	CAP. BUDG. CATG.	AUTHORITY	ADDITIONAL INFORMATION
	GRP.	NUMBER	GEN. LEDGER	DETAIL	SUB DETAIL				
2	42	320100	321	X001			XX	344071	

CHARGE

☐ EXPENSE

☒ CAPITAL

Material Transferred	\$	-----
Cash Outlay	\$	<u>900,000</u>
Contingencies	<u>10 %</u>	<u>90,000</u>
TOTAL COST		<u>990,000</u>
Salvage (Pres. Value)	(-----)
Chargeable to Others	%	(<u>68.75%</u>) (<u>680,625</u>)

APPROVE Yes
COMPANY Tom R. Cove
BY Tom R. Cove
DATE 3-19-84

NET COST \$ 309,375

EXECUTIVE COMMITTEE - (SECRETARY OR ASS'T SECRETARY) DATE APPROVED:

EXECUTIVE COMMITTEE - (SECRETARY OR ASS'T SECRETARY) DATE APPROVED:

REGION/DEPARTMENT Central Region/Operations		LOCATION Midland, Texas	DATE 2-3-84
PURPOSE <input type="checkbox"/> PROGRAMMED EXPANSION, COST REDUCTION, AND OPTIONAL REPLACEMENTS AND ADDITIONS SUBJECT TO MINIMUM RETURN ON INVESTMENT.		<input type="checkbox"/> NECESSARY REPLACEMENTS, AND "OTHER" EXPENDITURES NOT SUBJECT TO RETURN ON INVESTMENT.	
BUDGETED <input type="checkbox"/> YES <input type="checkbox"/> NO			
RETURN ON INVESTMENT	REQUIRED %	THIS PROPOSAL %	CALCULATED BY
			AMOUNT REQUESTED \$ 309,375

EXPENDITURE DESCRIPTION

To commit 200 acres to a 640 acre unit & to drill & complete the BROWN STATE "28" WELL NO. 1, Feather (Morrow) Field, Lea County, New Mexico.

OPERATOR: Union Oil Company of California (31.25%)
 TYPE WELL: Development - Oil
 OBJECTIVE ZONE: Morrow
 PROPOSED TOTAL DEPTH: 12,500'

DETAIL OF EXPENDITURE:

Location Costs	\$ 15,000
Drilling Costs	320,000
Casing Costs	188,000
Outside Services	223,000
Production Equipment	51,000
Sub-Facilities	43,000
Supervision	60,000

TOTAL AFE \$ 900,000

Tangible	\$ 282,000
Intangible	\$ 618,000

LOCATION:

660' FNL & 1980' FEL, Section 28, T-15-S, R-32-E, Lea County, New Mexico.

O. P. C. C.	COST CENTER		ACCOUNT CODE			O. C.	CAP. BUDG. CATG.	AUTHORITY	ADDITIONAL INFORMATION	CHARGE <input type="checkbox"/> EXPENSE <input checked="" type="checkbox"/> CAPITAL
	NUMBER	GEN. LEDGER	DETAIL	SUB DETAIL						
	242320100		321	X0001			XX	344071		

Material Transferred \$ _____

Cash Outlay \$ 900,000

Contingencies 10% 90,000

TOTAL COST 990,000

Salvage (Pres Value) ()

Chargeable to Others % (68.75%) (680,625)

APPROVE Douglas h Cone
 COMPANY Doug Cone
 BY dlc 9 Apr '84
 DATE 24 Mar '84

NET COST \$ 309,375

EXECUTIVE COMMITTEE - (SECRETARY OR ASS'T SECRETARY) DATE APPROVED

union 76

EXPENDITURE DESCRIPTION

OPERATOR: Union Oil Company of California (31.25%)
TYPE WELL: Development - Oil
OBJECTIVE ZONE: Morrow
PROPOSED TOTAL DEPTH: 12,500'

Location Costs	\$ 15,000
Drilling Costs	320,000
Casing Costs	188,000
Outside Services	223,000
Production Equipment	51,000
Sub-Facilities	43,000
Supervision	60,000

TOTAL AFE \$ 900,000

Tangible	\$ 282,000
Intangible	\$ 618,000

660' FNL & 1980' FEL, Section 28, T-15-S, R-32-E, Lea County, New Mexico.

O F	COST CENTER		ACCOUNT CODE			O. C.	CAP. BUDG. CATG.	AUTHORITY	ADDITIONAL INFORMATION
	GRP.	NUMBER	GEN. LEDGER	DETAIL	SUB DETAIL				
2	42	320100	321	X001			X X	344071	

CHARGE

☐ EXPENSE

☒ CAPITAL

Material Transferred \$ _____

Cash Outlay _____ \$ 900,000

Contingencies	10 %	90,000
---------------	------	--------

TOTAL COST	990,000
------------	---------

Salvage (Pres. Value) (_____)

Chargeable to Others _____ % (68.75%) (680.625)

NET COST \$ 309,375

EXECUTIVE COMMITTEE - (SECRETARY OR ASS'T SECRETARY) DATE APPROVED:

APPROVE yes
COMPANY Cathie Auvershine
BY Cathie Auvershine
DATE 4-4-84



HARPER OIL COMPANY

Gibraltar Building • Suite 310 • Midland, Texas 79701 • Telephone (915) 684-4298

RECEIVED

March 19, 1984

MAR 20 1984

MIDLAND DISTRICT LAND

Union Oil Company
of California
P. O. Box 671
Midland, TX 79702

ATTN: Linda Hicks

RE: Proposed State Unit
North Anderson Ranch Prospect
All of Section 28-15S-32E,
LEA COUNTY, New Mexico

Gentlemen:

Reference is made herein to your letter dated March 16, 1984, wherein Union has not only agreed to join the above captioned unit, but has also requested operations of said unit.

Please be advised of Harper's election to join in the formation of said proposed unit for the purpose of drilling an approximate 12,400' Morrow test well subject to the following conditions and recommendations:

1. Harper's review and approval of a Joint Operating Agreement.
2. Harper's review and approval of an AFE.
3. Harper shall have the option to participate in any farm-in acreage on a pro rata basis.
4. Due to the depth and cost of drilling the test well and subsequent wells, Harper would propose for Union's consideration a 100% - 400% penalty provision in lieu of the 200% - 300% penalty provision.

Please keep us advised of the progress on this proposed unit, and we look forward to receiving the Joint Operating Agreement for our review.

Yours very truly,

HARPER OIL COMPANY

Joe A. Boyd
Landman



MIDCON CORP.

JAB/alw

H. L. BROWN, JR.
PARAGON TOWER, SUITE 412
600 N. MARIENFELD
POST OFFICE BOX 2237
MIDLAND, TEXAS 79702
915 683-5216

RECEIVED
MAY 04 1984
MIDLAND DISTRICT LAND

May 3, 1984

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Attention: Ms. Linda Hicks

RE: Brown State "28" #1 Well
Feather (Morrow) Field
Lea County, New Mexico
HLBJR LS 142-1485

Gentlemen:

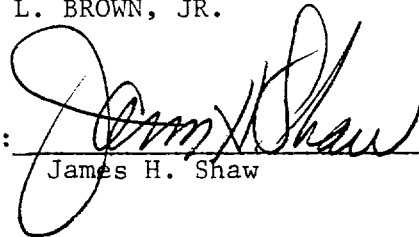
The captioned well and unit were originally proposed by this office and we agree with its being formed and will join as working interest owner. Our joinder is, of course, subject to receipt from you of an acceptable Operating Agreement. We have your AFE and will return it along with a finalized copy of the Operating Agreement.

Thank you.

Very truly yours,

H. L. BROWN, JR.

By:



James H. Shaw

JHS:tj

KENNETH G. CONE
P. O. BOX 11310
MIDLAND, TEXAS 79702

RECEIVED
MAY 07 1984
MIDLAND DISTRICT LAND

MAY 7, 1984

Union Oil Company of California
500 North Marienfeld
Midland, Texas 79702


Attention: Ms. Linda H. Hicks

Re: Proposed Brown State Unit
Sec. 28-15S-32E
LEA COUNTY, NEW MEXICO
Union's N/Anderson Ranch Prospect (7366)
KGC's #02-60-74-06-ASWI
.025 WI

Dear Ms. Hicks:

In response to your letter of April 12, 1984, it is my election to participate in the proposed unit described above as to my working interest, subject to approval of your operating agreement.

Sincerely,

A handwritten signature in cursive script, reading "Kenneth G. Cone".

Kenneth G. Cone

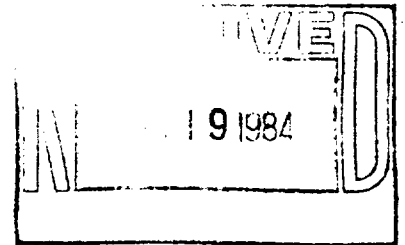
APR 03 1984

Union Oil and Gas Division, Central Region
Union Oil Company of California
500 North Marlenfeld, Midland, Texas 79701
P.O. Box 671, Midland, Texas 79702
Telephone (915) 682-9731

UNION 76

W. V. Lockhart
P.O. Box 1000

March 16, 1984



Working Interest Owners
Addressee List Attached

Re: Proposed State Unit
All Sec. 28-15S-32E
Lea County, New Mexico
Union's N/Anderson Ranch Prospect (7366)

You are in receipt of two letters dated November 11 and December 20, 1983 from H.L. Brown proposing the formation of a State Unit to drill a Morrow test. Union's management has approved participation in this project. However, since Union has the majority interest (31.25%), we propose to operate the Unit.


We have discussed this with H.L. Brown and they have no objection to Union's proceeding as Operator since our AFE costs are right in line with theirs. A copy of Union's AFE is enclosed for your review.

Jim Shaw informs me that all parties have elected to participate in the drilling of this well. Would each party sign and return Union's AFE or confirm their election to participate in writing as soon as possible so that we can proceed with preparing the necessary documents to establish this Unit. We will be preparing an AAPL 1977 form Operating Agreement with a 300% non-consent penalty.

Your continued cooperation in this matter is greatly appreciated.

Sincerely yours,

UNION OIL COMPANY OF CALIFORNIA


Linda H. Hicks
Landman

LHH/s

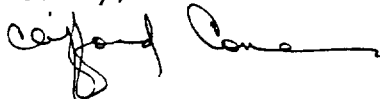
E 0-60-74-06-ASWI

March 31, 1984

Dear Ms. Hicks:

In response to your telephone call to me this past week and at your request, I am writing to confirm the interest of Kathleen Cone and Clifford Cone in participating in the drilling of the subject well.

Sincerely,



Clifford Cone

Copies: Kathleen Cone
Douglas L. Cone
Kenneth G. Cone

ILLEGIBLE

REGION/DEPARTMENT Central Region/Operations		LOCATION Midland, Texas		DATE 2-3-84
PURPOSE <input type="checkbox"/> PROGRAMMED EXPANSION, COST REDUCTION, AND OPTIONAL REPLACEMENTS AND ADDITIONS SUBJECT TO MINIMUM RETURN ON INVESTMENT.			<input type="checkbox"/> NECESSARY REPLACEMENTS, AND "OTHER" EXPENDITURES NOT SUBJECT TO RETURN ON INVESTMENT.	
RETURN ON INVESTMENT	REQUIRED	THIS PROPOSAL	CALCULATED BY	AMOUNT REQUESTED
	%	%		\$ 309,375

EXPENDITURE DESCRIPTION

To commit 200 acres to a 640 acre unit & to drill & complete the BROWN STATE "28" WELL NO. 1, Feather (Morrow) Field, Lea County, New Mexico.

OPERATOR: Union Oil Company of California (31.25%)
TYPE WELL: Development - Oil
OBJECTIVE ZONE: Morrow
PROPOSED TOTAL DEPTH: 12,500'

DETAIL OF EXPENDITURE:

Location Costs	\$ 15,000
Drilling Costs	320,000
Casing Costs	188,000
Outside Services	223,000
Production Equipment	51,000
Sub-Facilities	43,000
Supervision	60,000

TOTAL AFE \$ 900,000

Tangible	\$ 282,000
Intangible	\$ 618,000

LOCATION:

660' FNL & 1980' FEL, Section 28, T-15-S, R-32-E, Lea County, New Mexico.

O. C.	COST CENTER		ACCOUNT CODE			O. C.	CAP. BUDG. CATG.	AUTHORITY	ADDITIONAL INFORMATION	CHARGE <input type="checkbox"/> EXPENSE <input checked="" type="checkbox"/> CAPITAL
	P. C.	NUMBER	GEN. LEDGER	DETAIL	SUB DETAIL					
		242320100	321	X001			X	X344071		

Material Transferred \$ _____
Cash Outlay \$ 900,000
Contingencies 10% 90,000
TOTAL COST 990,000
Salvage (Pres Value) (_____)
Chargeable to Others ____ % (68.75%) (680,625)

APPROVE _____
COMPANY _____
BY _____
DATE _____

YATES PETROLEUM CORPORATION - 5%

By [Signature] Date 4-26-84
Attorney-in-Fact

ABO PETROLEUM CORPORATION - 2.5%

By [Signature] Date 4-26-84
Attorney-in-Fact

YATES DRILLING COMPANY - 2.5%

By [Signature] Date 4-26-84
Attorney-in-Fact

MARTIN YATES III - 2.5%

By [Signature] Date 4-26-84
Attorney-in-Fact