

OCT 28 1987

PS Form 3811, Jan. 1979

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
☒ Show to whom and date delivered.....
☐ Show to whom, date and address of delivery.....
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery.\$ ____
(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
ARCO Oil & Gas
P. O. Box 1610
Midland, Texas 79701

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
P335 323 630
(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY *STEPHEN R. Currey* POSTMARK
5. ADDRESS (Complete only if requested)
10-5-87 10/2/87

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS
sh

O/A-Erwin #1 ☆GPO : 1979-228-848

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

P 335 323 630
RECEIPT FOR CERTIFIED MAIL
NO POSTAGE CONTRACT REQUIRED
NO POSTAGE FOR INTERNATIONAL MAIL
NO POSTAGE REQUIRED

ARCO Oil & Gas
P. O. Box 1610
Midland, Texas 79701

PS Form 3811, Jan. 1979

TOTAL POSTAGE AND FEES
POSTMARK OR DATE

10/2/87

Before Lessor or Broker
ON OCCASION OF DIVISION
32
Case No. _____

October 2, 1987

ARCO Oil & Gas Company
P. O. Box 1610
Midland, Texas 79701

Attention: Ms. Rita Buress

RE: Proposed Devonian Test
Erwin No. 1
EAST MORTON PROSPECT
Lea County, New Mexico

Gentlemen:



Mitchell Energy Corporation proposes the formation of a 324.08 acre working interest unit made up of Lots 1, 2, 3, 4 and S/2 N/2 Section 3, T-15-S, R-35-E, Lea County, New Mexico and the drilling of a well to test and evaluate the Devonian section at a depth of approximately 14,700'. The well would be located approximately 330' FNL and 1,800' FWL of Section 3.

The test well and subsequent operations within the proposed working interest unit will be governed by the terms of the enclosed AAPL 610-1982 Model Form Operating Agreement with COPAS 1984 Onshore Accounting Procedure designating Mitchell as Operator. At this time, we anticipate spud date on or before December 15, 1987.

According to our information, it appears the potential working interest parties and their respective interests within the proposed working interest unit will be as follows:

<u>INTEREST OWNER</u>	<u>UNIT INTEREST</u>
Mitchell Energy Corporation	0.6957136
Kaneb Operating Company, Ltd.	0.2281226
ARCO Oil and Gas Company	0.0313965
Fern Cone	0.0104167
Douglas Cone	0.0062500
Clifford Cone	0.0062500
Kenneth Cone	0.0062500
James Reed McCrory	0.0051839
Estate of William Thomas	0.0104167
Reed, deceased	

We would appreciate your confirmation of the above interest.

Enclosed herewith are duplicate copies of the AFE Cost Estimates for Dry Hole Costs and Completed Well Costs. If you elect to participate in drilling the proposed well, please execute and return one (1) copy of each of the AFE Cost Estimates. At such time as all participants are known, we will provide you with Exhibit "A" pages to the Operating Agreement reflecting the participants, working interests, leases and interests to be committed to the agreement and appropriate execution by Mitchell Energy.

Should you elect not to participate in the subject well, Mitchell hereby offers to lease your interest in Lots 1, 2, 3, 4 and S/2 N/2 Section 3 for \$200.00 per acre bonus, 1/4 royalty, for a three (3) year term and \$1.00 per acre annual rentals on the attached lease form. If you are in agreement to lease please advise and we will forward a draft and leasing instructions.

We would appreciate your early response so we may proceed with our drilling plans and completion of the Joint Operating Agreement.

Very truly yours,

MITCHELL ENERGY CORPORATION

Joe R. Lazenby
District Landman

JRL/jm

Enclosures

AUTHORITY FOR EXPENDITURE (AFE) COST ESTIMATE

Type Project (check 1 only)

☐ Exploratory☐ Injection☐ Water Supply☐ Development☐ Disposal☒ Depth 14,700'
Devonian

Form B-1

☐ Add☐ Change☐ Delete

AFE Number _____

Property/Well Name Erwin No. 1
(East Morton Field)Project Description DrillNet Working Interest .-----

Group Code _____

Location Code _____

Department Number _____

County Lea St. N.M.Operator MFC

Estimated Date Project Will Be Completed _____ (Mo./Yr.)

DRILLING COSTS

INTANGIBLE

Amount

10	Dry Hole Abandonment	_____
11	Rig Mobilization and Demobilization	_____
12	Power and Fuel	_____
13	Water	_____
14	Solids Control Equipment Rental	_____
*15	Directional Equipment and Services	_____
16	Fishing Tools and Services	_____
17	Subsurface Casing Equipment	_____
18	Contract Labor and Services	_____
19	Supervision - Company and/or Contract	_____
50	Road and Site Preparation	_____
51	Footage Contract Fee	_____
52	Daywork Contract Fee	_____
53	Mud and Chemicals	_____
54	Bits and Reamers	_____
55	Drilling Tool and Equipment Rental	_____
56	Cement and Cement Services	_____
*57	Open Hole Logging-Testing	_____
*58	Drill Stem Testing	_____
59	Coring and Analysis	_____
60	Transportation	_____
61	Air/Marine Transportation	_____
63	Overhead	_____
64	Insurance	_____
65	Company Labor and Services	_____
*66	Prospect Generation	_____
67	Miscellaneous Services and Contingency	_____
TOTAL INTANGIBLE COSTS		_____

TANGIBLE

21	Casing-Drive Pipe & Conductor <u>16" - 60'</u>	_____
40	Casing - Surface <u>13-38" - 400'</u>	_____
41	Casing - Intermediate <u>8-5/8" - 6000'</u>	_____
42	Casinghead Equipment (Including Valves)	_____
43	Casing Spool (Including Valves)	_____
44	Miscellaneous Equipment	_____
TOTAL TANGIBLE COSTS		_____

TOTAL DRILLING (DRY HOLE) COSTS

* Invalid for disposal and water supply wells.

APPROVED-ARCO OIL AND GAS COMPANY

MEDC 252-02

BY: _____

G.W.I.-0.0313965

Prepared By: _____

CSA:ff

Rev. 4/29/85

Date Prepared: _____

6-17-87

Type Project (check 1 only)

- ☒ Exploratory ☐ Recompletion (Zone Change Only) ☐ Disposal
☐ Development ☐ Plug and Abandon (Previously Producing Well) Depth 14,700
☐ Injection ☐ Water Supply

Form B-2 ☐ Add ☐ Change ☐ Delete

AFE Number _____

Property/Well Name Erwin #1Project Description CompleteNet Working Interest 1.00 _____

Group Code _____

Location Code _____

Department Number 730County Lea St. NMOperator Mitchell Energy Corp

Estimated Date Project Will Be Completed _____ (Mo./Yr.)

COMPLETION COSTS

INTANGIBLE

	Amount
22 Overhead	\$3,000
23 Company Labor and Services	
24 Contract Labor and Services	35,000
25 Air/Marine Transportation	
26 Other Transportation	11,000
27 Plugging and Abandonment	
28 Rig Mobilization and Demobilization	
29 Supervision - Company and/ or Contract	4,000
30 Site Preparation and Clean-up	4,000
31 Subsurface Casing Equipment	4,000
32 Squeeze Cement and Service	
33 Completion Fluids	3,000
34 Pump Truck Services	2,000
35 Rental Tools	15,000
36 Bits and Reamers	
37 Insurance	
38 Wireline Services	
39 Fishing Tools and Services	
*53 Tertiary Injectants	
68 Fencing	500
83 Daywork Contract Fee	15,000
84 Cement and Cement Services - Primary	20,000
85 Acidizing and Fracturing	10,000
*86 Cased Hole Logging and Perforating	15,000
94 Miscellaneous Services and Contingency	7,500

TOTAL INTANGIBLE COSTS

149,000

TANGIBLE

69 Tubinghead Equipment (Including Valves)	4,500
70 Casing-Production and/or Liner <u>14,700'</u> <u>20#/ft</u> <u>5 1/2" N-80</u>	160,800
71 Tubing <u>14,500'</u> <u>2 7/8" N-80</u> <u>6.5#/ft</u>	62,500
72 Packers and Subsurface Equipment	
73 Production Tree (Including Valves)	
74 Storage Tanks <u>2-400 bbl steel & 1-400 bbl fiberglass</u>	11,000
75 Separating Equipment	
76 Treating Equipment <u>4' x 20' heater treater</u>	7,000
77 Artificial Lift Equipment	110,000
78 Line Pipe	2,000
79 Valves and Fittings Beyond Wellhead	4,000
80 Miscellaneous Equipment	4,200
81 Platform and Structures	
82 Metering Equipment	
87 Pumps	
90 Electrical Equipment	
91 Instrumentation Equipment	
96 Dehydrators and Dryers	
TOTAL TANGIBLE COSTS	366,000

TOTAL COMPLETION COSTS

515,000

* Invalid for disposal and water supply wells.

APPROVED ARCO OIL AND GAS COMPANY

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