

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF LATIGO PETROLEUM, INC.  
FOR COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.**

**Case No. 13,615**

**VERIFIED STATEMENT OF WILLIAM F. CHATHAM**

William F. Chatham, being duly sworn upon his oath, deposes and states:

1. I am a landman for Latigo Petroleum, Inc., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the only working interest owner being pooled has been contacted repeatedly regarding the proposed well, and has simply not decided whether to join in the well or farm out its interest.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$  of Section 10, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Anderson Ranch-Morrow Gas Pool.

The unit is to be designated to the plugged and abandoned State "10" Well No. 1, located at an orthodox gas well location 660 feet from the south line and 1980 feet from the east line of Section 10, which is to be re-entered.

(c) The party being pooled, its interest in the well unit, and its address, are as follows:

Occidental Permian Ltd.	12.5%
Suite 6000	
6 Desta Drive	
Midland, Texas 79705	

**OIL CONSERVATION DIVISION**

**CASE NUMBER**

**EXHIBIT NUMBER** 1

(d) Copies of the proposal letter sent to the uncommitted working interest owner, together with follow-up correspondence, are attached hereto as Exhibit B. In addition, several phone calls have been made to Occidental Permian Ltd.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

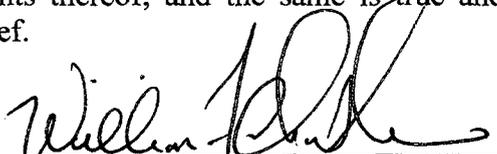
(g) Overhead charges of \$ 7,000 /month for a drilling well, and \$ 700 /month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth.

(h) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

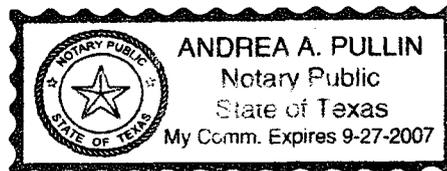
William F. Chatham, being duly sworn upon his oath, deposes and states that: He is a landman for Latigo Petroleum, Inc.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
William F. Chatham

SUBSCRIBED AND SWORN TO before me this 30<sup>TH</sup> day of January, 2006 by William F. Chatham.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 9/27/2007



<p>Chase XTO Ener. BP 11778 E-4199</p>	<p>J. Bar Cane 6-1-2010 VB-675 +1.23129</p>	<p><b>R32E</b> E-5310</p>	<p>Chevron H.B.P. B-11078</p>	<p>Devon Ener. H.B.P. B-11078</p>	<p>Devon Ener. H.B.P. B-11454</p>	<p>Yates Pet. H.B.P. E-5310</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>
<p>Chase XTO Ener. BP 11-1-2003 VB-1899 30532</p>	<p>Chevron Chase Oil 1/2 HBP B-11078</p>	<p>Chase Oil 1/2 Chevron 1/2 HBP B-11269</p>	<p>Gulf H.B.P. E-4199</p>	<p>Me-Tex H.B.P. E-4199</p>	<p>Crystal River OEG H.B.P. E-3510</p>	<p>Devon H.B.P. E-3772</p>



# LATIGO

Petroleum, Inc.

Fasken Center Tower II • 550 W. Texas, Suite 700 • Midland, Texas 79701 • 432-684-4293 • 432-684-0829 FAX

October 21, 2005

*Via Certified Mail/Return Receipt Requested*

Grand Banks Energy Company  
10 Desta Drive, Suite 300-E  
Midland, Texas 79705

Brian H. Scarborough  
10 Desta Drive, Suite 300-E  
Midland, Texas 79705

ChevronTexaco  
Attn: Mr. Charles Frisbie  
11111 S. Wilcrest  
Houston, Texas 77099

Occidental Permian Ltd.  
Attn: Pat Sparks  
P. O. Box 50250  
Midland, Texas 79710

**RE: PROPOSAL TO RE-ENTER**  
State 10 #1  
S/2 Section 10, T-16-S, R-32-E  
660' FSL & 1980' FEL  
Lea County, New Mexico

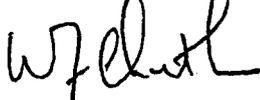
Dear Working Interest Owner:

This letter and attached AFE are to correct the location (county) for the State 10 #1 well in our previous proposal letter. I apologize for any confusion this may have caused.

Latigo Petroleum, Inc. ("Latigo") proposes to re-enter the State 10 #1 well located 660' FSL & 1980' FEL Section 10, T-16-S, R-32-E, Lea County, New Mexico. The proposal is to drill to a depth of 12,500' or to a depth sufficient to test the Morrow formation.

Please find attached an AFE for \$2,061,000 for the operation. Notify Latigo of your election by returning one copy of this letter. If you consent to the operation, sign and return one original copy of the AFE along with your reporting requirements to me at the letterhead address, or call me to discuss farmout terms. If you have any questions, please do not hesitate to give me a call at (432) 684-4293 or email me at [bchatham@latigopetro.com](mailto:bchatham@latigopetro.com).

Respectfully submitted,



William F. Chatham, CPL  
Sr. Staff Landman

## OCCIDENTAL PERMIAN LTD.

\_\_\_\_\_ Agrees to participate in the re-entry of the State 10 #1 well.

\_\_\_\_\_ DOES NOT agree to participate in the re-entry of the State 10 #1 well.

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_



**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

**1. Article Addressed to:**

Occidental Permian Ltd.  
Attn: Pat Sparks  
P. O. Box 50250  
Midland, Texas 79710

**2. Article Number**  
*(Transfer from service label)*

**COMPLETE THIS SECTION ON DELIVERY**

**A. Signature**

*X [Signature]*

- Agent
- Addressee

**B. Received by (Printed Name)**

*Robert M. [Signature]*

**C. Date of Delivery**

*1/24/02*

- D. Is delivery address different from item 1?**  Yes  
If YES, enter delivery address below:  No

**3. Service Type**

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

- 4. Restricted Delivery? (Extra Fee)**  Yes

7005 0390 0000 6041 9112

# LATIGO

Petroleum, Inc.

## AUTHORITY FOR EXPENDITURE

**PROSPECT:** West Anderson Ranch      **WELL:** State 10 #1  
**LOCATION:** 660' FSL & 1980' FEL, Sec. 10-T16S-R32E      **COUNTY:** Lea      **DATE:** 8/18/2005  
**WI:** 0.00000%      **NRI:** 0.00000%      **STATE:** NM  
**PURPOSE:** Re-enter P&A'd well, drill and complete a 12,500' Morrow well      **AFE NO:** 5886

ACCTG CODE	INTANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
201	Acreege Acquisition	0	0	0
202	Licenses/Survey/Stake	5,000	0	5,000
203 / 303	Dirtwork / Fill Pit / Clean Location	30,000	15,000	45,000
204	Surface Damages	5,000		5,000
205	Set and Cement Conductor	16,000		16,000
206	Mobilization	100,000		100,000
207 / 307	Drilling Rig - Daywork	304,000	48,000	352,000
208	Drilling Rig - Footage	0	0	0
208	Turkey Operations	0	0	0
210 / 310	Drilling Fluids	80,000	10,000	90,000
211 / 311	Mud Haul Off & Disposal	5,000	2,000	7,000
212 / 312	Fuel & Water	100,000	20,000	120,000
213 / 313	Casing Crews & Equipment	0	3,000	3,000
214 / 314	Rental Equipment	88,000	20,000	108,000
215 / 315	Bits	40,000	5,000	45,000
216	Directional Drilling & Surveys			
217 / 317	Fishing Tools and Services	0	0	0
218 / 318	Technical Services	0	0	0
219	Mud Logging	15,000	0	15,000
220	Open Hole Logs	50,000		50,000
221 / 321	Supervision	20,900	7,500	28,400
222	Drill Stem Test, Core etc.	10,000		10,000
223 / 323	Trucking	30,000	10,000	40,000
224 / 324	Welding	5,000	2,000	7,000
225 / 325	Labor	10,000	20,000	30,000
226 / 326	Equipment Inspection & Testing			0
227 / 327	Communications			0
332	Frac Oil			0
228	Cement - Surface	0		0
229	Cement - Intermediate	0		0
330	Cement - Production	0	30,500	30,500
333	Well Testing			0
334	Cased Hole Logs		9,000	9,000
335	Perforating		6,000	6,000
337	Completion Rig	0	30,000	30,000
336	Wireline	0		0
338	Coiled Tubing Unit & Equip	0	0	0
339	Acid Stimulation		12,500	12,500
340	Frac Stimulation		112,500	112,500
242 / 342	Legal Services			0
241 / 341	Overhead	2,200	1,000	3,200
243 / 343	Insurance	25,000		25,000
244 / 344	Miscellaneous	94,100	36,400	130,500
245 / 344	Contingency	47,100	18,300	65,400
	<b>TOTAL INTANGIBLES:</b>	<b>1,082,300</b>	<b>418,700</b>	<b>1,501,000</b>

ACCTG CODE	TANGIBLE COSTS	ESTIMATED COST				
		DRY HOLE	COMPLETION	TOTAL		
450	Water Casing	0'	@ \$37.00 / ft	0	0	0
451	Surface Casing	420'	13-3/8" @ \$36.00 / ft	0	0	0
452	Intermediate Casing	0'	9-5/8" @ \$27.75 / ft	0	0	0
554	Production Casing	12500'	5-1/2" 20# P110 @ \$20.00 / ft	0	250,000	250,000
554	Production Casing	0'	@ \$0.00 / ft	0	0	0
453 / 555	Casing Head / Tubing Head & Valves			20,000	15,000	35,000
556	Packers, Anchors, Hangers			0	25,000	25,000
557	Tubing	12300'	2 3/8" 4.7# N80 @ \$4.50 / ft	0	55,350	55,350
463 / 563	Miscellaneous Equipment			5,000	42,000	47,000
558	Production Equipment			0	9,500	9,500
559	Stock Tanks			0	25,000	25,000
560	Flow Lines & Connections			0	5,000	5,000
463 / 563	Miscellaneous / Contingency		10% 5%	29,000	64,150	93,150
	<b>TOTAL TANGIBLES:</b>			<b>54,000</b>	<b>491,000</b>	<b>545,000</b>
	<b>SUBTOTAL ESTIMATED COSTS:</b>			<b>1,136,300</b>	<b>909,700</b>	<b>2,046,000</b>
231	Cement - Plugging			15,000		15,000
	<b>TOTAL ESTIMATED WELL COST:</b>			<b>1,151,300</b>	<b>909,700</b>	<b>2,061,000</b>

Prepared by: \_\_\_\_\_  
 Approvals: Oper \_\_\_\_\_ Engr \_\_\_\_\_ Geol \_\_\_\_\_ Land \_\_\_\_\_ Acct \_\_\_\_\_

This AFE is only an estimate. By returning one signed copy the undersigned hereby agrees to pay its share of all actual dryhole costs and all actual completion costs hereof.

OCcidental PERMIAN LTD. 12.5% WI BY: \_\_\_\_\_ DATE \_\_\_\_\_

