

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 CIMAREX ENERGY CO.  
FOR A NON-STANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY POOLING,  
CHAVES COUNTY, NEW MEXICO.

Case No. 14,415

VERIFIED STATEMENT OF HAYDEN P. TRESNER

Hayden P. Tresner, being duly sworn upon his oath, deposes and states:

1. I am a landman for Cimarex Energy Co., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1)(b), the following information is submitted in support of the application filed herein:

(a) No opposition to this application is expected because the interest owners being pooled (i) are not locatable, or (ii) have not yet signed a JOA.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Abo/Wolfcamp formation comprised of the W $\frac{1}{2}$ E $\frac{1}{2}$  of Section 18, Township 15 South, Range 31 East, NMPM, and the pooling of all mineral interests in the Abo/Wolfcamp formation underlying the non-standard unit. The units are to be dedicated to the Franklin 18 Fed. Com. Well No. 3, a horizontal well to be drilled at a surface location 330 feet from the north line and 2270 feet from the east line, with a terminus 330 feet from the south line and 2270 feet from the east line, of Section 18.

(c) The parties being pooled, their interests in the well unit, and their addresses, are as follows:

Delbert Bassett  
c/o Nell Blackerby  
4601 Lake Park Drive  
Arlington, Texas 76016

To Chase Oil Corporation

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. 1

Nell Blackerby  
4601 Lake Park Drive  
Arlington, Texas 76016

To Chase Oil Corporation

Chase Oil Corporation  
Mack Energy Corporation  
P.O. Box 960  
Artesia, New Mexico 88211

18.75%

H.N. Smith, Ethel Smith,  
Olive Bond, and Richard Birnie  
address unknown

6.250%

Chase Oil Corporation/Mack Energy Corporation acquired term assignments from Delbert Bassett and Nell Blackerby in late December 2009, after notice of the hearing was mailed to them.

H.N. Smith and his wife Ethel Smith owned a 12.5% working interest in the SE $\frac{1}{4}$  of Section 18, and died without children, apparently leaving their property to their niece and nephew, Olive Bond and Richard Birnie. In an attempt to find the interest owners, both Cimarex Energy Co. and Chase Oil Corporation examined the Chaves County records, telephone directories and records in the counties of the last known residences of the interest owner, and internet directories. Both companies were unable to locate Olive Bond and Richard Birnie.

(d) A copy of the proposal letter sent to the uncommitted interest owners is attached hereto as Exhibit B. In addition, I have called and e-mailed Delbert Bassett, Nell Blackerby, and Chase Oil Corporation numerous times regarding the well proposal.

(e) Cimarex Energy Co. has made a good faith effort to obtain the voluntary joinder of the uncommitted interest owner in the well.

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

(g) The offset operators or lessees of the acreage surrounding the well unit are as follows:

- (i) S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 7.  
Cimarex Energy Co. of Colorado
- (ii) E $\frac{1}{2}$ W $\frac{1}{2}$  of Section 18.  
Cimarex Energy Co. of Colorado
- (iii) NE $\frac{1}{4}$ NE $\frac{1}{4}$  and NE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 19.  
Kevin O. Butler & Associates, Inc.

(iv) NW¼NE¼ of Section 19.  
Mobil Producing Texas & New Mexico Inc.

(v) E½W½ of Section 19.  
Cimarex Energy Co. of Colorado

(h) 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 horizontal wells of this depth drilled in this area of Chaves County.

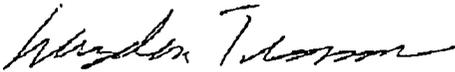
(i) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Cimarex Energy Co. requests that the rates be adjusted under the COPAS accounting procedure.

(j) Applicant requests that Cimarex Energy Co. of Colorado be designated operator of the well.

VERIFICATION

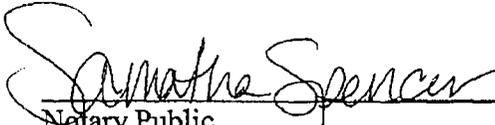
STATE OF TEXAS            )  
  ) ss.  
COUNTY OF MIDLAND    )

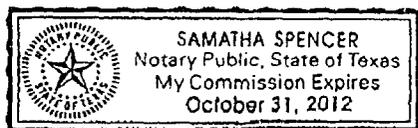
Hayden P. Tresner, being duly sworn upon his oath, deposes and states that: He is a landman for Cimarex Energy Co.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Hayden P. Tresner

SUBSCRIBED AND SWORN TO before me this 16 day of January, 2010 by Hayden P. Tresner.

My Commission Expires: October 31, 2012

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



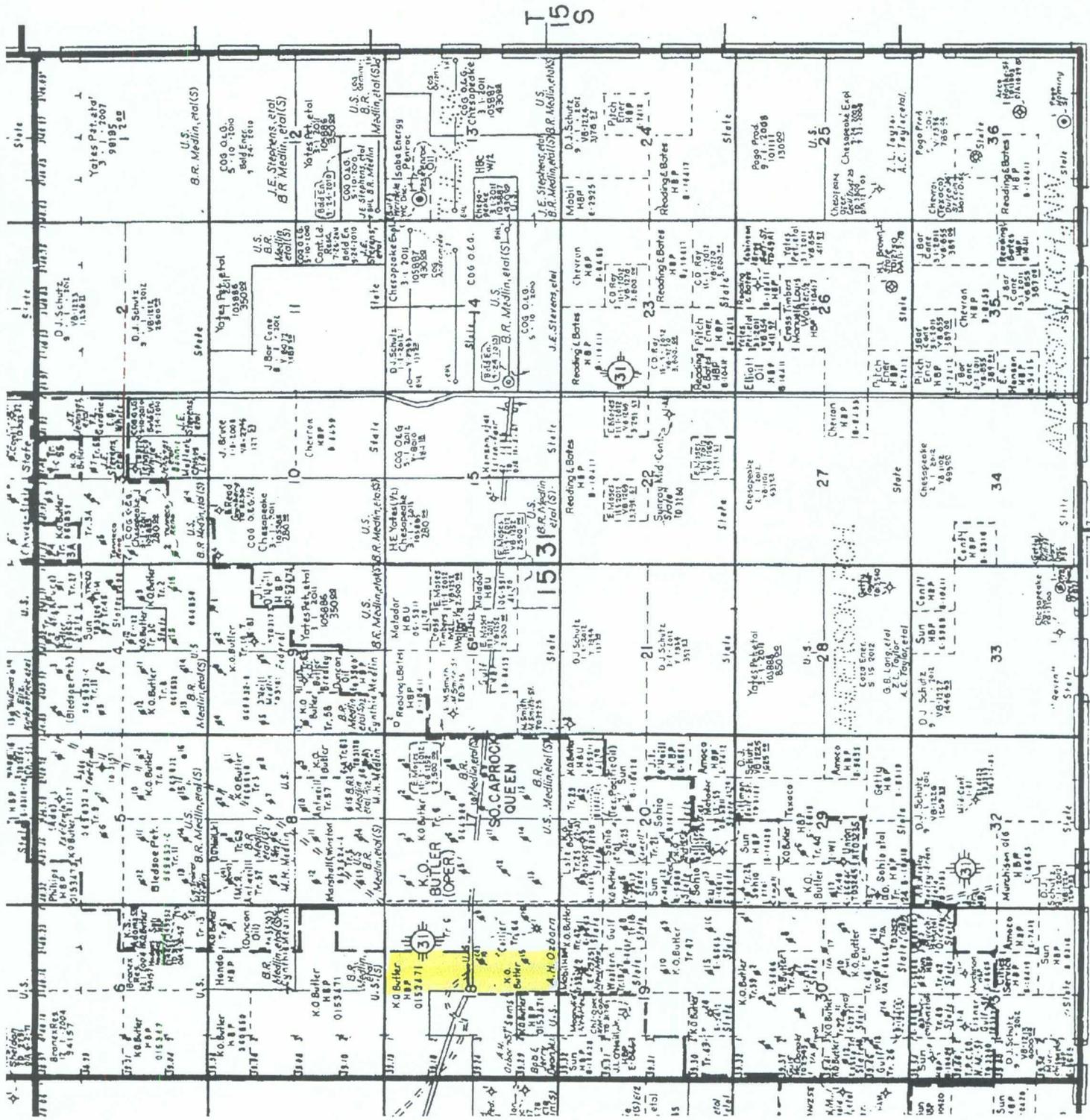
ON ALL NON LIBRARY MAP 1 INCLUDING PZ MAPS AND WIL

THIS MAP IS DELIVERED TO LICENSEE WITH THE LICENSE TO USE AS LICENSE DEEMS FIT ONLY FOR PERSONAL OR INTERNAL USE, BUT ALL LICENSEES PHOTO COPYING OF BLACK AND WHITE SHOT PLATS NOT EXCEEDING 11" x 17" IN ANY SIZE OR REPRODUCTION BY ANY MEANS OR PARTS THEREOF FROM THE MIDLAND MAP COMPANY, COMPANY OF THIS MAP OTHER THAN PHOTO COPYING RIGHTS ABOVE THROUGH MIDLAND MAP COMPANY UNLESS RIGHTS ARE PURCHASED AND APPEAR BELOW.

ANY VIOLATION OF THIS LICENSE OR THE EFFECTING THIS MAP SHALL BE PRESUMED AS AN INTENTIONAL, RECKLESS VIOLATION, AND WILL BE PROSECUTED TO THE FULL EXTENT OF THE LAW BECAUSE OF THE ACTUAL HARM OF ANY SUCH VIOLATION, OF PROOF OF LOSS, AND THE ADEQUACY OF OBTAINING AN ADEQUATE REMEDY AS REQUIRED BY TEXAS BUSINESS CODE, TITLE 18, CHAPTER 171, SUBCHAPTER (C), SECTION 171.001, AUTOMATICALLY CARRIES WITH IT A CIVIL ASSESSMENT OF AT LEAST \$10,000 PER



EXHIBIT A



FDNY East LEA Southwest

DZIC

Cimarex Energy Co.  
600 N. Marienfeld St.  
Suite 600  
Midland, Texas 79701  
PHONE 432.571.7800  
FAX 432.571.7832



November 19, 2009

Via: email and Certified U.S. Mail-Return Receipt Requested No. 7007 0710 0003 0317 6879

Nell Blackerby and Delbert Bassett  
c/o Nell Blackerby  
4601 Lake Park Drive  
Arlington, Texas 76016

Re: *New Well Proposals*  
*Franklin 18 Federal Com # 4*  
*E/2E/2 Section 18-T15S-R31E*  
*Franklin 18 Federal Com # 3*  
*W/2E/2 Section 18-T15S-R31E*  
*Chaves County, New Mexico*

Ladies and Gentlemen:

Cimarex Energy Co. ("Cimarex") hereby withdraws its previous well proposal dated July 15, 2009 for the Franklin 18 Federal Com #2, #3 and #4 Wells, and proposes to drill the above-captioned wells according to the project described in the enclosed AFE. If you would like to participate in the wells, please sign, date and return one (1) copy of each AFE to the undersigned at the above-letterhead address. Our attorney, Mr. James Bruce, forwarded Cimarex' proposed form of Operating Agreement to Mr. Scotty A. Holloman in a previous email. Upon receipt of your signed AFE, I will forward a completed version of Exhibit "A" and a fully executed set of signature pages, to be incorporated into the Operating Agreement. I will also include a separate set of signature pages for you to sign in the presence of a Notary Public and return to the undersigned.

Alternatively, if you choose not to participate in the wells, Cimarex hereby offers a bonus equal to \$300 per net mineral acre for a two (2) year Term Assignment with 180-day continuous development and delivery of a 75% net revenue interest lease. Cimarex' proposed form of Term Assignment is enclosed. Please do not hesitate to contact me if there is any additional information that you should require in regard to this matter. Thank you.

Sincerely,

Cimarex Energy Co.

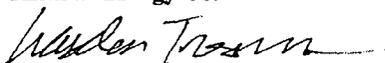
  
Hayden P. Tresner  
Landman

EXHIBIT **B**

cc. James Bruce

**TERM ASSIGNMENT OF OIL & GAS LEASE  
And Reservation of Overriding Royalty**

STATE OF NEW MEXICO       §  
  §  
COUNTY OF CHAVES       §

Reference is hereby made for all purposes to the Oil and Gas Leases set forth on Exhibit "A" attached hereto and made a part hereof (the "Subject Lease").

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, **Nell Blackerby and Delbert Bassett** ("Assignor") whose mailing address is c/o Nell Blackerby 4601 Lake Park Drive, Arlington, Texas 76016, HEREBY GRANTS, BARGAINS, SELLS, TRANSFERS, ASSIGNS and CONVEYS unto **Cimarex Energy Co.**, ("Assignee"), a Delaware corporation, whose mailing address is 600 N. Marienfeld Street, Suite 600, Midland, Texas 79701, its successors and assigns, all of Assignor's right, title and interest in and to the Subject Lease insofar and only insofar as said lease covers and pertains to the lands and depths described on Exhibit "A" (the "Assigned Premises").

This assignment, subject to the terms and provisions herein, shall be for a term of two (2) years from the Effective Date, hereinafter defined, (the "Primary Term") and as long thereafter as oil, gas or associated liquid hydrocarbons are produced in paying quantities from the Assigned Premises.

Assignor hereby reserves unto itself, an overriding royalty interest equal to the positive difference, if any, between lease burdens existing as of the Effective Date of this Term Assignment and twenty-five percent (25.00%), free and clear of all costs of development and production, but subject to applicable taxes, on all oil, gas, casinghead gas and other gaseous substances, which may be produced, saved and/or sold under the Subject Lease. Said overriding royalty interest shall be paid to Assignor without deduction for the cost of producing, gathering, transporting, handling, storing, separating, treating, dehydrating, compressing, processing and otherwise making the oil, gas and other products ready for sale or use. In the event that the Subject Lease covers less than the entire fee simple estate in oil gas and other hydrocarbons in and under the Assigned Premises, or in the event that Assignor owns less than the entire leasehold interest created by the Subject Lease, either or both, then the overriding royalty interest reserved herein shall be reduced proportionately.

If at the expiration of the primary term there is no well on the assigned premises capable of producing oil and/or gas or if after the expiration of the primary term, all wells drilled upon said land by Assignee should become incapable of producing for any cause, but Assignee has commenced operations for actual drilling or reworking thereon, this assignment shall remain in force so long as operations are prosecuted with no cessation of more than ninety (90) consecutive days, whether operations be on one or more wells on the Assigned Premises and if such operations result in the production of oil and/or gas, so long thereafter as oil and/or gas is produced from said land in paying quantities.

In the event production is obtained during the primary term of this lease, Lessee shall have 180 days from the expiration of said primary term within which to commence the drilling of an additional well; and from thence forward, shall have the option to perform a continuous development program whereby Lessee shall have 180 days from the completion of one well within which to commence the drilling of an additional well. Should Lessee fail to timely commence a well in accordance with the aforesaid 180 day continuous drilling or development program prior to the point in time the Assigned Premises have been fully developed, then this Lease shall terminate as to all lands not included in or otherwise allocated to a well unit. For the purpose hereof, the term "well unit" shall mean the proration or spacing unit created for a well capable of producing in

paying quantities of oil and/or gas as prescribed and permitted by the applicable rules and regulations of the State of New Mexico or other governmental authority having jurisdiction, and the term "fully developed" shall mean the point in time when the entirety of the Assigned Premises has been included in a well unit, or units as prescribed and permitted by the applicable rules and regulations of the State of New Mexico or other governmental authority having jurisdiction. The term "completion" as defined herein shall be deemed to be sixty (60) days after the date total depth of the well bore is attained.

This assignment is given without warranty of title either expressed or implied. In the event the Assigned Premises cover less than the entire fee mineral estate in the lands, then the interests reserved herein shall be reduced proportionately, however, the shut-in provision below shall not be subject to proportionate reduction.

If Assignee completes a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being sold or used and such well is shut-in, then on or before ninety (90) days after said well is shut-in, and thereafter at one (1) year intervals, Assignee shall pay a shut-in royalty equal to \$250/well. So long as said payment is made, it shall be considered that gas and/or condensate is being produced from the premises in paying quantities. Notwithstanding anything to the contrary contained herein, shut-in royalty payments shall not maintain this assignment in effect as to the attributable governmental spacing or proration unit for more than two (2) consecutive years after the well is shut-in.

Assignee agrees to drill at legal locations on the Assigned Premises. Assignee further agrees that it will timely and properly i) plug all wells, ii) remove wastes, iii) remediate and close all pits and iv) restore, as required, the surface of the Assigned Premises in accordance and compliance with all statutes, rules, regulations, requirements and orders of any governmental authority having jurisdiction. Assignee agrees to protect, indemnify, defend and hold harmless Assignor, its agents, employees and contractors from any and all liability, loss, injury, claims, demands, causes of action, damages, penalties and judgments of any kind or character arising out of Assignee's operations or activities related to the property, contracts and agreements pertaining thereto including without limitation failure to timely and properly i) plug all wells, ii) remove wastes, iii) remediate and close all pits and iv) restore, as required, the surface of the Assigned Premises and any acts or omissions of Assignee based upon any theory of negligence, willful misconduct, liability without fault or otherwise.

The provisions of this assignment shall extend to and bind the successors and assigns of the parties hereto and shall constitute covenants running with the land; provided however, Assignee shall not cede, assign, nor otherwise transfer all or any portion of the Assigned Premises without Assignor's prior written consent which shall not be arbitrarily withheld. Assignor's consent is not required on assignments and transfers resulting from corporate merger, financing, consolidation or reorganization.

Should a renewal or extension lease covering the Assigned Premises be acquired by Assignee, or by another party wholly or partly for Assignee or Assignee's benefit within the Primary Term hereof, Assignor's rights and interests reserved herein shall attach and apply to i) each renewal or extension lease, ii) the land described and iii) the estate created.

Assignee, hereby agrees to indemnify and hold Assignor harmless from and against any and all claims, demands, causes of action, and/or liabilities in connection with the ownership and/or operation of the Leasehold Interests, including, without limitation, any attorney's fees, court costs, and other expenses reasonably and necessarily incurred in enforcing such indemnification.

This instrument is executed November \_\_\_\_\_, 2009, (the "Effective Date").

**ASSIGNOR:**

**Nell Blackerby**

\_\_\_\_\_

**Delbert Bassett**

\_\_\_\_\_

**ASSIGNEE:**

**Cimarex Energy Co.**

\_\_\_\_\_

Roger Alexander, Attorney in Fact

STATE OF TEXAS           §  
                                  §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on January \_\_\_\_\_, 2009 by Nell Blackerby, dealing in her sole and separate property.

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

STATE OF TEXAS           §  
                                  §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me on January \_\_\_\_\_, 2009 by Delbert Bassett, dealing in his sole and separate property.

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

STATE OF TEXAS           §  
                                  §  
COUNTY OF MIDLAND   §

This instrument was acknowledged before me on November \_\_\_\_\_, 2009 by Roger Alexander, as Attorney-in-Fact for Cimarex Energy Co., a Delaware corporation, on behalf of said corporation.

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

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**EXHIBIT "A"**

Attached to and made a part of that certain Term Assignment of Oil & Gas Lease from Nell Blackerby and Delbert Bassett, as Assignor, to Cimarex Energy Co., as Assignee dated November \_\_\_\_\_, 2009.

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**ASSIGNED PREMISES AND LEASE DESCRIPTION**

All of Assignor's undivided interest in and to the following described Oil and Gas Leases, insofar, and only insofar as said leases cover and pertain to those rights below 5,500 feet under the Southeast Quarter (SE/4) of Section 18, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico:

1. Oil and Gas Lease dated August 1, 1956, by and between Ada E. Sams, a widow, also known as Mrs. Carl E. Sams, Pauline Dean, a married woman dealing with her sole and separate property, Jerry Dean, a married man dealing in his sole and separate property, joined pro forma by his wife, Donna Dean, as Lessors, and H.N. Smith, George Williams, R.D. Collier, and D.M. Bassett, as Lessees, and recorded at Book 59, Page 359 of the records of Chaves County, New Mexico;
  
2. Oil and Gas Lease dated August 20, 1956, by and between Pauline Dean, as Guardian of the Estate of Bobby L. Dean, a minor, as Lessors, and H.N. Smith, George Williams, R.D. Collier, and D.M. Bassett, as Lessees, and recorded at Book 59, Page 357 of the records of Chaves County, New Mexico

-END-



Authorization For Expenditure

Company Entry: Cimarex Energy Co. Date Prepared: September 23, 2009

Region	Well Name	Well No.	Prospect or field Name	Property Number	Drilling AFE No.
Permian	Franklin 18 Federal Com	3	Caprock (T15S-R31E)		

Location	County	State	Type Well		
SHL: 330 FNL & 2270 FEL (alt. 330 FSL & 2270 FEL) Sec. 18 BHL: 330 FSL & 2270 FEL (alt. 330 FNL & 2270 FEL) Sec. 18	Chaves	NM	Oil	x	Expl
			Gas		Prod

Estimate Type	Est. Start Date	Est. Comp. Date	Formation	Est. TD
Original Estimate				
Revised Estimate			ABO	13,006'
Supplemental Estimate				

**Project Description**  
 Drill and complete a Lower ABO horizontal well. Pilot hole TD at approx. 9500', Kick-off lateral at approx. 8395'. Approx. 8615' TVD; approx. 13,006' MD 13 stages 4560' VS

	Dry Hole Cost	After Casing Point	Completed Well Cost
<b>Intangibles</b>			
Drilling Costs	\$1,368,375		\$1,368,375
Completion Costs		\$1,192,125	\$1,192,125
<b>Total Intangible Costs</b>	<b>\$1,368,375</b>	<b>\$1,192,125</b>	<b>\$2,560,500</b>
<b>Tangibles</b>			
Well Equipment	\$183,000	\$882,462	\$1,065,462
Lease Equipment		\$97,000	\$97,000
<b>Total Tangible Well Cost</b>	<b>\$183,000</b>	<b>\$979,462</b>	<b>\$1,162,462</b>
Plug and Abandon Cost	\$150,000	-\$150,000	\$0
<b>Total Well Cost</b>	<b>\$1,701,375</b>	<b>\$2,021,587</b>	<b>\$3,722,962</b>

**Comments on Well Costs**  
 1. All tubulars, well or lease equipment is priced by COPAS and CEPS guidelines using the Historic Price Multiplier.

**Well Control Insurance**  
 Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.  
 I elect to purchase my own well control insurance policy.  
 Well control insurance procured by Operator, provides, among other terms, for \$20,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) with a \$1,000,000 (100% W.I.) deductible.

**Comments on AFE**  
 The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

Cimarex Energy Co. Approval

Prepared by	Drilling and Completion Manager	Regional Manager
Mark Audas Engineer - PB	Doug Park, Mgr Operations PB	Roger Alexander, Regional Manager PB

Joint Interest Approval

Company	By	Date

EXHIBIT C



Project Cost Estimate

Lease Name: Franklin 18 Federal Com

Well No.: 3

Intangibles	Codes	Dry Hole Cost	Codes	After Casing Point	Completed Well Cost		
Roads & Location Preparation / Restoration	D100.100	\$35,000	D100.100	\$3,000	\$38,000		
Damages	D100.101	\$6,000	D100.101		\$6,000		
Mud / Fluids Disposal Charges	D100.102	\$65,000	D100.102	\$50,000	\$115,000		
Day Rate	35: DH Days	7: ACP Days @	Per Day	D100.103	\$550,000	\$84,000	\$634,000
Misc Preparation Cost (mouse hole, rat hole, pads, pile clusters, misc.)	D100.104	\$14,000				\$14,000	
Bits	D100.105	\$18,750	D100.105	\$1,000	\$19,750		
Fuel	\$0.00: Per Gallon	Gallons Per Day	D100.106	\$0	\$0	\$0	
Water / Completion Fluids	D100.107	\$30,625	D100.107	\$111,125	\$141,750		
Mud & Additives	D100.108	\$63,000			\$63,000		
Surface Rentals	Per Day	D100.109	\$31,000	D100.109	\$83,000	\$114,000	
Downhole Rentals	D100.110	\$36,000	D100.110	\$14,000	\$50,000		
Formation Evaluation (DST, Coring Including evaluation, G&G Services)	D100.111				\$0		
Mud Logging	\$850: Days @	30: Per Day	D100.112	\$30,000	\$30,000		
Open Hole Logging	D100.113	\$30,000			\$30,000		
Cementing & Float Equipment	D100.114	\$40,000	D100.114	\$17,000	\$57,000		
Tubular Inspections	D100.115	\$5,000	D100.115	\$3,000	\$8,000		
Casing Crews	D100.116	\$16,000	D100.116	\$10,000	\$26,000		
Extra Labor, Welding, Etc.	D100.117	\$14,000	D100.117	\$5,000	\$19,000		
Land Transportation (Trucking)	D100.118	\$21,000	D100.118	\$4,000	\$25,000		
Supervision	Per Day	D100.119	\$49,000	D100.119	\$18,000	\$67,000	
Trailer House / Camp / Catering	400: Per Day	D100.120	\$21,000	D100.120	\$4,000	\$25,000	
Other Misc Expenses	D100.121	\$2,000	D100.121	\$7,000	\$9,000		
Overhead	300: Per Day	D100.122	\$13,000	D100.122	\$3,000	\$16,000	
Remedial Cementing	D100.123		D100.123		\$0		
MOB/DEMOB	D100.124				\$0		
Directional Drilling Services	14: Days @	7,800: Per Day	D100.125	\$137,000	\$137,000		
Dock, Dispatcher, Crane	D100.126		D100.126		\$0		
Marine & Air Transportation	D100.127		D100.127		\$0		
Solids Control	Per Day	D100.128	\$52,000		\$52,000		
Well Control Equip (Snubbing Svcs.)	D100.129	\$12,000	D100.129	\$11,000	\$23,000		
Fishing & Sidetrack Operations	D100.130	\$0	D100.130		\$0		
Completion Rig	7: Days @	3,400: Per Day	D100.131	\$36,000	\$36,000		
Coil Tubing	1: Days @	25,000: Per Day	D100.132	\$25,000	\$25,000		
Completion Logging, Perforating, WL Units, WL Surveys	D100.133		D100.133	\$8,000	\$8,000		
Stimulation	D100.134		D100.134	\$585,000	\$585,000		
Legal / Regulatory / Curative	D100.135	\$7,000	D100.135		\$7,000		
Well Control Insurance	\$0.35: Per Foot	D100.136	\$5,000		\$5,000		
Contingency	5%: of Drilling Intangibles	D100.137	\$65,000	D100.137	\$54,000	\$119,000	
Construction For Well Equipment	D100.138		D100.138	\$1,000	\$1,000		
Construction For Lease Equipment	D100.139		D100.139	\$55,000	\$55,000		
Construction For Sales P/L	D100.140		D100.140		\$0		
<b>Total Intangible Cost</b>		<b>\$1,368,375</b>		<b>\$1,192,125</b>	<b>\$2,560,500</b>		

Tangible - Well Equipment	Size	Feet	\$/ Foot	Codes	Codes	After Casing Point	Completed Well Cost
Casing				DWES.100			\$0
Drive Pipe	20 "	40.00	\$0.00	DWES.100			\$0
Conductor Pipe				DWES.100			\$0
Water String				DWES.100			\$0
Surface Casing	13-3/8"	340.00	\$48.26	DWES.100	\$16,000		\$16,000
Intermediate Casing	9 5/8"	3950.00	\$42.21	DWES.100	\$167,000		\$167,000
Drilling Liner				DWES.100			\$0
Drilling Liner				DWES.100			\$0
Production Casing or Liner	7"	8500.00	\$29.37	DWES.100	\$257,000		\$257,000
Production Tie-Back	4 1/2"	4600.00	\$15.97	DWES.100	\$73,462		\$73,462
Tubing	2 7/8"	8400.00	\$9.53	DWES.100	\$80,000		\$80,000
N/C Well Equipment				DWES.100			\$0
Wellhead, Tree, Chokes				DWES.100	\$10,000		\$10,000
Liner Hanger, Isolation Packer				DWES.100	\$196,000		\$196,000
Packer, Nipples				DWES.100	\$1,000		\$1,000
Pumping Unit, Engine				DWES.100	\$135,000		\$135,000
Lift Equipment (BHP, Rods, Anchors)				DWES.100	\$57,500		\$57,500
Tangible - Lease Equipment							\$0
N/C Lease Equipment				DWES.100	\$7,500		\$7,500
Tanks, Tanks Steps, Stairs				DWES.100	\$60,000		\$60,000
Battery (Heater Treater, Separator, Gas Treating Equipment)				DWES.100	\$24,000		\$24,000
Flow Lines (Line Pipe from wellhead to central facility)				DWES.100	\$5,500		\$5,500
Offshore Production Structure for Facilities				DWES.100			\$0
Pipeline to Sales				DWES.100			\$0
<b>Total Tangibles</b>					<b>\$183,000</b>	<b>\$979,462</b>	<b>\$1,162,462</b>
P&A Costs				DWES.100	\$150,000	-\$150,000	\$0
<b>Total Cost</b>					<b>\$1,701,375</b>	<b>\$2,021,587</b>	<b>\$3,722,962</b>