

OCEAN ENERGY, INC

EXPLORATORY DRILLING / COMPLETION

WELLNAME: TOWNSEND STATE COM #10 PROSPECT: TOWNSEND DATE: 1/6/01
 AFE TITLE: Drill and Complete
 PROJECT AFE NO: 10220 DEPTH: 12950' MD 12950' TVD
 FIELD: Townsend COUNTRY: Loc LAT/LONG SHL: "N" / "W"
 SURFACE LOC: 660' FWL 800FNL X-Y SHL: X= Y=
 BITM HOLE LOC: 660' FWL 800FNL X-Y BHL: X= Y=
 OTHER LOC DESCRIPTION: Sec 3 - T16S-R35E, Lea Cty, NM
 GEOLOGIC OBJECTIVE: Morrow/ Upper Atoka/ Strawn/ Wolfcamp

PROJECT SCOPE: Drill and complete the Townsend State Com #10 as a Morrow producer. The target objectives are the Strawn, the Atoka and the Morrow. The well plan calls for 13-3/8" casing at 500', 8-5/8" casing at 5,000', and, if successful, 5-1/2" casing at TD. There are three possible open hole DST's planned for in the well in the Strawn, Atoka & Morrow. This well will not require a 7" intermediate casing string through the Wolfcamp. The well location spots it out of the Wolfcamp fairway. A mud logger will be operational by 9,000'. TD electric logs will be a CNL/LDT/GR/Cal, PE & DIL. GR, Cal, PE & DIL logs will be run to 10,000' GR, Cal, PE & DIL logs will be run to 10,000'.

AFE Number ==>		10220-C		10220-C		
AFE Status ==>		Original-Drill	SUP1-Drill	Original-Comp	SUP1-Comp	
ESTIMATED INTANGIBLE EXPENSES						
ACCOUNT	DESCRIPTION	DRILL	Supplement	COMPLETE	Supplement	TOTAL
221 / 222 - 010	LOCATION COSTS	\$51,500	\$0	\$4,000	\$0	\$55,500
221 / 222 - 020	RIG COSTS	\$344,000	\$0	\$37,000	\$0	\$381,000
221 / 222 - 025	MOB / DEMOB RIG COSTS	\$70,000	\$0	\$0	\$0	\$70,000
221-027	TURNKEY	\$0	\$0	\$0	\$0	\$0
221 / 222 - 030	SHOREBASE SERVICES	\$0	\$0	\$0	\$0	\$0
221 / 222 - 040	FUEL / LUBE / POWER / WTR	\$55,900	\$0	\$5,600	\$0	\$61,500
221-050	DIRECTIONAL SERVICES	\$0	\$0	\$0	\$0	\$0
222 - 060	DOWNHOLE COMPLETION SERVICES			\$35,000	\$0	\$35,000
221 / 222 - 070	FISHING	\$0	\$0	\$0	\$0	\$0
221 / 222 - 080	CEMENT AND SERVICES	\$32,500	\$0	\$30,000	\$0	\$62,500
222 / 222 - 090	FORMATION EVALUATION	\$27,000	\$0	\$0	\$0	\$27,000
221 - 093	OPEN HOLE LOG / LWD	\$30,000	\$0			\$30,000
221 / 222 - 097	CASED HOLE LOG / MECH WIRELINE	\$0	\$0	\$10,000	\$0	\$10,000
221 / 222 - 100	TRANSPORTATION - LAND	\$14,600	\$0	\$6,700	\$0	\$21,300
221-103/222-105	TRANSPORTATION - AIR	\$0	\$0	\$0	\$0	\$0
221-105/222-095	TRANSPORTATION - MARINE	\$0	\$0	\$0	\$0	\$0
221 / 222 - 110	BITS, REAMERS AND STABILIZERS	\$83,000	\$0	\$1,500	\$0	\$84,500
221 / 222 - 120	EQUIPMENT RENTAL	\$82,900	\$0	\$5,300	\$0	\$88,200
221 / 222 - 130	MUD / FLUIDS / CHEMICALS	\$60,000	\$0	\$4,000	\$0	\$64,000
221 / 222 - 140	CONTRACT LABOR	\$67,100	\$0	\$23,300	\$0	\$90,400
221 / 222 - 160	COMMUNICATIONS	\$5,600	\$0	\$400	\$0	\$6,000
221 / 222 - 170	OVERHEAD	\$14,200	\$0	\$2,300	\$0	\$16,500
221 / 222 - 180	INSURANCE	\$9,700	\$0	\$0	\$0	\$9,700
221 / 222 - 185	CASING / TUBING / HMR / EQ & SERVICE	\$12,500	\$0	\$11,000	\$0	\$23,500
221 / 222 - 200	MISCELLANEOUS	\$2,000	\$0	\$0	\$0	\$2,000
221 - 210	P&A EXPENSE	\$0	\$0			\$0
221 / 222 - 220	COMPANY LABOR	\$2,200	\$0	\$0	\$0	\$2,200
221 / 222 - 230	ENVIRONMENTAL	\$0	\$0	\$0	\$0	\$0
221 - 240	DRILL SITE G&G	\$4,300	\$0	\$0	\$0	\$4,300
221 / 222 - 250	WEATHER DELAY	\$0	\$0	\$0	\$0	\$0
	SUB-TOTAL INTANGIBLE	\$969,000	\$0	\$176,100	\$0	\$1,145,100
5100995	CONTINGENCIES @ 10.00%	\$96,900	\$0	\$17,610	\$0	\$114,510
TOTAL INTANGIBLES:		\$1,065,900	\$0	\$193,710	\$0	\$1,259,610

ESTIMATED TANGIBLE EXPENSES		TUBULARS		SIZE		DEPTH		FOOTAGE	
226 - 010	TUBULARS - DRILLING	\$82,500	\$0						\$82,500
227 - 010	TUBULARS - COMPLETION	\$152,900	\$0						\$152,900
226 / 227 - 020	WELLHEAD EQUIPMENT	\$10,300	\$0						\$10,300
226 / 227 - 030	DOWNHOLE EQUIPMENT	\$10,300	\$0						\$10,300
227 - 050	LEASE SURFACE EQUIPMENT	\$45,000	\$0						\$45,000
227 - 080	VALVES, PIPES AND FITTINGS	\$5,000	\$0						\$5,000
227 - 100	ARTIFICIAL LIFT	\$0	\$0						\$0
227 - 200	MISCELLANEOUS	\$0	\$0						\$0
227 - 210	RECOMPLETION TANGIBLES	\$0	\$0						\$0
TOTAL TANGIBLES:		\$103,100	\$0						\$103,100

DRY HOLE AND COMPLETION COSTS \$1,169,000 \$424,010 \$1,593,010

TIME AND COST TO P&A: 2 days \$20,000 P&A time and cost included in DHC estimate above

ESTIMATED DRILLING DAYS 43 COST/DAY \$27,186 COST/FT \$96.27
 ESTIMATED COMPLETION DAYS 7 COST/DAY \$60,572.86 COST/FT \$32.74

PREPARED BY: [Signature] APPROVAL: [Signature]



US ONSHORE OPERATIONS
Authorization for Expenditure

Date:	5/22/00	Est. Start Date	January-01
AFE Objective:	Drill & Complete	OBO Response Date	
	Carlisle/Mesa	AFE#	010246
		External AFE#	
Operator	Ocean Energy, Inc.	Cost Center	
Prospect/Field	Townsend	Originating Dept.	Exploration
Lease/Well	Townsend	Basin	Permian
Surface Location	600' FWL @ 800' FNL Sec 3-T16S-R35E	Well #	10
BHL		Work Type	Drilling
		County/State	Lea/NM

Description of Project & Reason for AFE: Drill a vertical well to 12,950' and complete in the Morrow (Carlisle/Mesa).

Working Interest Owners	Working Interest, %	NET Approved Amount \$		GROSS Amount Approved
Ocean Energy, Inc.	32.44%	\$503,713	Org.\$	\$1,552,670
Fidelity	8.34%	\$129,493	Supl. 1	
Energen	9.22%	\$143,156	Supl. 2	
Other	50.00%	\$776,308	Supl. 3	
TOTAL	100.00%	\$1,552,670	Total AFE	\$1,552,670

Ocean Energy, Inc.		Approved By:	
ASSET TEAM APPROVAL:		Date: _____	
		JOHN SCHILLER PRESIDENT - US ONSHORE	
Date: _____	RESERVOIR	Date: _____	JOHN CAMPBELL - VP EXPLOITATION
Date: _____	EXPLORATION	Date: _____	JERRY GROCOCK - VP EXPLORATION
Date: _____	PRODUCTION	Date: _____	BEN MARCHIVE - VP OPERATIONS
Date: _____	LAND	Date: _____	HANK WOOD - VP LAND
Date: _____	GEOLOGY	Date: _____	TEAM MANAGER

PROJECT ECONOMICS

POS. %	60%	Oil Price, \$/bbl Flat	\$19.00	WI. %	32.44%
Sequence	9587	Gas Price, \$/mcf Flat	\$2.50	NRI. %	28.39%

Net Indicators	Risked	UnRisked
(WI) Total Capital, \$M	319	362
Btax NPV @ 10%, \$M	638	1,228
Btax ROR, %	86	100
Btax DPI @ 10%, \$/S	2.06	3.50
Net Reserves, mmcf	604	1,107
Find & Dev Cost, \$/mcf	0.48	0.33
(Undiscounted) Payout, yrs	1.8	1.4
Project Life, yrs	15.9	15.9