

D.J. SIMMONS, INC.

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September 13th, 2001

McELVAIN OIL & GAS
PROPERTIES INC.

FAX/CERTIFIED MAIL

Forcenergy Onshore, Inc.
C/O Forest Oil Corporation
1600 Broadway, Suite 2200
Denver, Colorado 80202

T. H. McElvain Oil & Gas Limited Partnership
1050 17th Street, Suite 1800
Denver, Colorado 80265

Dugan Production Corporation
709 East Murray Drive
Farmington, New Mexico 87499

RE: AFE for Bishop Federal #25-1 Well
Township 25 North – Range 3 West, NMPM
Section 25: NE/4
Rio Arriba County, New Mexico

Before the Oil Conservation Commission
Santa Fe, New Mexico
Case Nos. 12635 *de novo*, 12705 Exhibit No. 13
McElvain Oil & Gas Properties, Inc.
Hearing Date: November 6, 2001

Ladies/Gentlemen:

Enclosed herewith is an allocated Authorization for Expenditure for the drilling and completion of the Bishop #25-1, as to the Mesaverde formation only. This Authorization for Expenditure is furnished for informational purposes only. This letter is a follow up to my letter of August 6th, 2001.

Interest of parties:

D. J. Simmons, Inc.	75.000%
Forcenergy Onshore, Inc.	12.500%
T. H. McElvain Oil & Gas Limited Partnership	9.375%
Dugan Production Corporation	<u>3.125%</u>
	100.000%

D. J. Simmons, Inc.


A. B. Geren, Jr., President

Bishop Federal 25-1 Drilling and Completion AFE Allocation for Mesa Verde Completion		page 1	
Description: 8768' md (8263' tvd) directionally drilled Gallup/Dakota test. Assumes standard drilling rig is utilized.			
AFE assumes completion in both the Gallup and Dakota formations with a two stage frac.			
		Prepared by: R. Griffee 09/12/2001	
Dry Hole Cost			
Cost Item Code	Description	Intangible	Tangible Total
Preparation			
101	Permitting	permitting, survey, and archaeology	\$5,000.00 \$5,000.00
102	Dirtnwork	blading, location preparation, anchors	\$2,750.00 \$2,750.00
103	Reclamation	dirtnwork, water disposal	\$750.00 \$750.00
Drilling Rig Costs			
110	Rig Mobilization		\$12,500.00 \$12,500.00
111	Daywork Drilling Cost	8 days @ \$7500 per day to 100' below MV	\$30,000.00 \$30,000.00
112	Footage Drilling Cost		
113	Turnkey Drilling Cost		
Drilling Equipment			
120	Drilling Bits		\$12,500.00 \$12,500.00
121	Drilling Tools	reamers, stabilizers, rental drill pipe, etc.	
122	Rental Equipment		\$1,120.00 \$1,120.00
Services			
133	Trucking	hauling pipe & materials, hot shot services	\$5,000.00 \$5,000.00
134	Water	water cost and hauling charges	\$7,500.00 \$7,500.00
135	Fuel	drilling contractor to provide	
136	Mud	mud, chemicals, soap, etc.	\$3,250.00 \$3,250.00
137	Air Drilling Services		
138	Directional Services	not required for MV	\$0.00
139	Fishing Services		
140	Safety Services	H2S monitoring, etc.	
141	Wireline Services		
142	Contract Labor	roustabout services, casing crews, welders, etc.	\$2,500.00 \$2,500.00
143	Inspection Services		
144	Down-hole Tools		
148	Other Services		
Cementing			
150	Primary Cementing	surface casing	\$1,750.00 \$1,750.00
151	P&A Cementing		\$2,550.00 \$2,550.00
152	Remedial Cementing		
Design and Supervision			
160	Engineering/Geology Design		
161	Field Supervision		\$5,600.00 \$5,600.00
162	Operator Overhead		
163	Outside Operated Overhead		
Formation Evaluation			
170	Open Hole Logging		\$15,000.00 \$15,000.00
171	Drill Stem Testing		
172	Coring	coring, and core analysis	
173	Mud Logging		
174	Field Geologist		
175	Flow Testing		
176	Laboratory Services		
Tangible Items			
180	Conductor Casing		
181	Surface Casing	600', 9 5/8", 32 ppf, J55 @ \$8.71/ft	\$3,840.00 \$3,840.00
182	Intermediate Casing		
183	Intermediate Casing		
184	Float Equipment	shoe, DV collar, centralizers, etc.	\$575.00 \$575.00
185	Casing Tools	liner hanger, etc.	
186	Pipe Inspection	casing and tubing strings	
187	Well Head Equipment		\$750.00 \$750.00
Miscellaneous			
190			
Total Dry Hole Cost		\$107,770.00	\$5,165.00 \$112,935.00

Bishop Federal 25-1 Drilling and Completion AFE Allocation for MesaVerde Completion		page 2		
Cost to run Production Casing and complete with two stage frac in MesaVerde		prepared by: R. Griffie 09/12/2001		
Completion Costs				
Cost Item Code	Description	Intangible	Tangible	Total
Preparation				
201	Permitting			
202	Dirtwork			
203	Reclamation			
		\$1,500.00		\$1,500.00
Completion Rig Costs				
210	Rig Mobilization	\$2,800.00		\$2,800.00
211	Hourly or Daily Cost	\$48,150.00		\$48,150.00
212	Expendables	\$1,800.00		\$1,800.00
213				
Workover Equipment				
220	Bits and Mills	\$650.00		\$650.00
221	Workover tools			
222	Rental Equipment	\$3,750.00		\$3,750.00
Services				
233	Trucking	\$10,000.00		\$10,000.00
234	Water	\$15,000.00		\$15,000.00
234	Fuel			
236	Mud			
237	Air Drilling Services			
238	Directional Services			
239	Fishing Services			
240	Safety Services			\$0.00
241	Wireline Services	\$13,000.00		\$13,000.00
242	Contract Labor	\$3,000.00		\$3,000.00
243	Inspection Services			
244	Down-hole Tools	\$16,000.00		\$16,000.00
245	Stimulation Services	\$110,000.00		\$110,000.00
246	Misc Pumping Services			
247	Hydrotesting Services			
248	Other Services			
Cementing				
250	Primary Cementing	\$22,500.00		\$22,500.00
251	P&A Cementing			
252	Remedial Cementing			
Design and Supervision				
260	Engineering/Geology Design			
261	Field Supervision	\$12,000.00		\$12,000.00
262	Operator Overhead			
263	Outside Operated Overhead			
Formation Evaluation				
270	Cased Hole Logging			
271	Drill Stem Testing			
272	Coring			
273	Mud Logging			
274	Field Geologist			
275	Flow Testing			
276	Laboratory Services			
Tangible Items				
280	Production Casing		\$29,391.23	\$29,391.23
281	Tubing		\$9,030.00	\$9,030.00
282	Tubing			
283	Tubing String equipment		\$550.00	\$550.00
284	Float Equipment		\$7,500.00	\$7,500.00
285	Casing Tools			
286	Pipe Inspection			
287	Well Head Equipment		\$2,700.00	\$2,700.00
288	Permanent Packers			
289	Miscellaneous Pipe and Fittings		\$750.00	\$750.00
Miscellaneous				
290				
Completion Cost Total		\$260,150.00	\$49,921.23	\$310,071.23

Bishop Federal 25-1 Drilling and Completion AFE Allocation for MesaVerde Completion		page 3		
Costs to set Production Tanks, Separator, and prep location. Does not include pipeline or pumping unit costs		prepared by: R. Griffie 09/12/2001		
Production Equipment				
Cost Item Code	Description	Intangible	Tangible	Total
Tangible Items				
501	Production Tanks		\$ 8,750.00	\$8,750.00
502	Flow Lines, Valves, and Fittings		\$ 2,500.00	\$2,500.00
503	Pumping Equipment - Surface pumping unit			
504	Pumping Equipment - Downhole rods, pump, etc			
505	Production Units heater treater / separator		\$ 17,500.00	\$17,500.00
506	Metering Equipment			
507	Wellsite Compression			
508	Buildings			
509	Miscellaneous		\$ 2,500.00	\$2,500.00
Installation and Construction				
520	Contract Labor	\$ 10,000.00		\$10,000.00
Production Equipment Total		\$ 10,000.00	\$ 31,250.00	\$ 41,250.00

AFE Summary				
Cost Item Code	Description	Intangible	Tangible	Total
	Dry Hole Cost	\$107,770.00	\$5,165.00	\$112,935.00
	less P&A Cementing Cost	-\$2,550.00	\$0.00	-\$2,550.00
	Completion Cost	\$260,150.00	\$49,921.23	\$310,071.23
	Production Equipment Cost	\$ 10,000.00	\$ 31,250.00	\$ 41,250.00
	Total Estimated Well Cost excluding pipeline and pumping unit	\$375,370.00	\$86,336.23	\$461,706.23