

EXXON CORPORATION

Examiner	_____
Case No.	<u>9901</u>
EXHIBIT NO.	<u>6</u>

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

RECEIVED

FEB 16 1990

EXPLORATION DEPARTMENT
WESTERN DIVISION

February 15, 1990

EXPL. & DEVEL.

Pending 1-90
Easy Drilling
Sec. 21: SESW
T23S-R26E
Eddy County, New Mexico

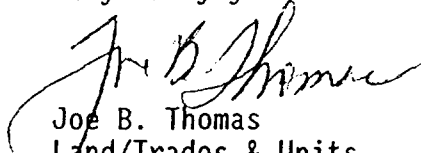
Mr. Terry Gant
Pacific Enterprises Oil Company (USA)
P. O. Box 3083
Midland, Texas 79702

Dear Mr. Gant:

Exxon declines to either join or farmout its leasehold interest in your proposed unit.

Should you take this matter to a compulsory pooling hearing, please send the notice of such hearing to the letterhead address to the attention of Mr. W. T. Duncan, Regulatory Affairs.

Very truly yours


Joe B. Thomas
Land/Trades & Units
915/683-0236

JBT:kn

c: Mr. Roger T. Elliott, Rio Pecos Corporation, Midland, Texas

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

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FEB 08 1990

EXPLORATION DEPARTMENT
WESTERN DIVISION

February 7, 1990

EXPL. & DEVEL.

Pending File #1-90
Your Dark Canyon Prospect #5661
Federal Comm. #21-1
SE/4 SW/4 Section 21-23S-26E
Eddy County, New Mexico

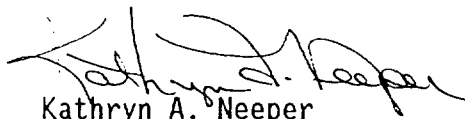
Mr. Terry Gant
Pacific Enterprises Oil Company (USA)
P. O. Box 3083
Midland, Texas 79702-3083

Dear Mr. Gant:

Your request dated January 26 to join/farmout in the drilling of a 12,000' Morrow test has been assigned Pending File Number 1-90 which you should caption in any future correspondence.

When we receive recommendation from management, Mr. Joe B. Thomas, Trades and Units landman, will be contacting you with their decision.

Yours very truly,


Kathryn A. Neeper
Trades and Unitization

/kn

PACIFIC ENTERPRISES OIL COMPANY (USA)

January 26, 1990

SOUTHWEST REGION
200 N. Loraine, #400
P.O. Box 3083
Midland TX 79702-3083
(915) 684-3861
(915) 684-6426 (Fax)

Exxon Corporation
Post Office Box 1600
Midland, Texas 79702

Attention: Mr. Joe Thomas

689-6100

RE: Dark Canyon Prospect #5661
Eddy County, New Mexico

SE/4SW/4 Section 21,
T-23-S, R-26-E
USA Lease #NM-76972
Proposed Federal Comm. #21-1 Well

Gentlemen:

Pacific Enterprises Oil Company (USA) hereby proposes to drill a 12,000' Morrow test well 1980' FNL and 660' FWL of Section 21, T-23-S, R-26-E, Eddy County, New Mexico in the near future, with estimated drilling and completion well costs being \$454,000.00 and \$298,000.00 respectively (see attached AFE), with said test well's drilling unit (Strawn/Atoka/Morrow) being a Federal Communitized Unit covering the W/2 of said Section 21.

Pacific is the owner of an undivided 25% leasehold interest under the NW/4 of said Section 21 and according to our information, you are the 100% (87.5% NRI) leasehold owner of the SE/4SW/4 of said Section 21.

Therefore, we respectfully request your advisement as to your election to either (1) participate in this proposed operation through the formation of a Working Interest Unit covering the W/2 of said Section 21, subject to a mutually acceptable Joint Operating Agreement, or (2) farmout your interest in the SE/4SW/4 of said Section 21 to Pacific on the following terms:

1. 120 day term (actual drilling).
2. Required depth and location - 12,000' or to a depth sufficient to penetrate and test the Morrow Formation, whichever, is the lesser, at the legal location stated above.
3. Produce to earn - 100% of Farmor's rights in and to said test well's drilling unit, limited to rights from the surface down to 100' below total depth, at a 80% net revenue interest.

4. Conversion Option - At payout of said test well, Farmor shall have the option to convert its overriding royalty interest to a 25% working interest.
5. Unit Basis - Farmor agrees to allow Farmee the right to pool and unitize its interest into a 320 acre drilling unit consisting of the W/2 of said Section 21 for Strawn/Atoka/Morrow production, with Farmor's overriding royalty interest and conversion working interest being proportionately reduced to such unit.
6. Additional Development - If said test well does not earn the SE/4SW/4 of said Section 21, then Farmee shall have the option to drill additional wells pursuant to a 180 day continuous drilling program, earning in the same manner and fashion as said test well, with the required depth for such additional wells being the same as said test well or to the deepest productive horizon encountered in any preceeding well, whichever is lesser.

If you have any questions or need any additional information, please contact the undersigned; your prompt attention is appreciated.

Very truly yours,

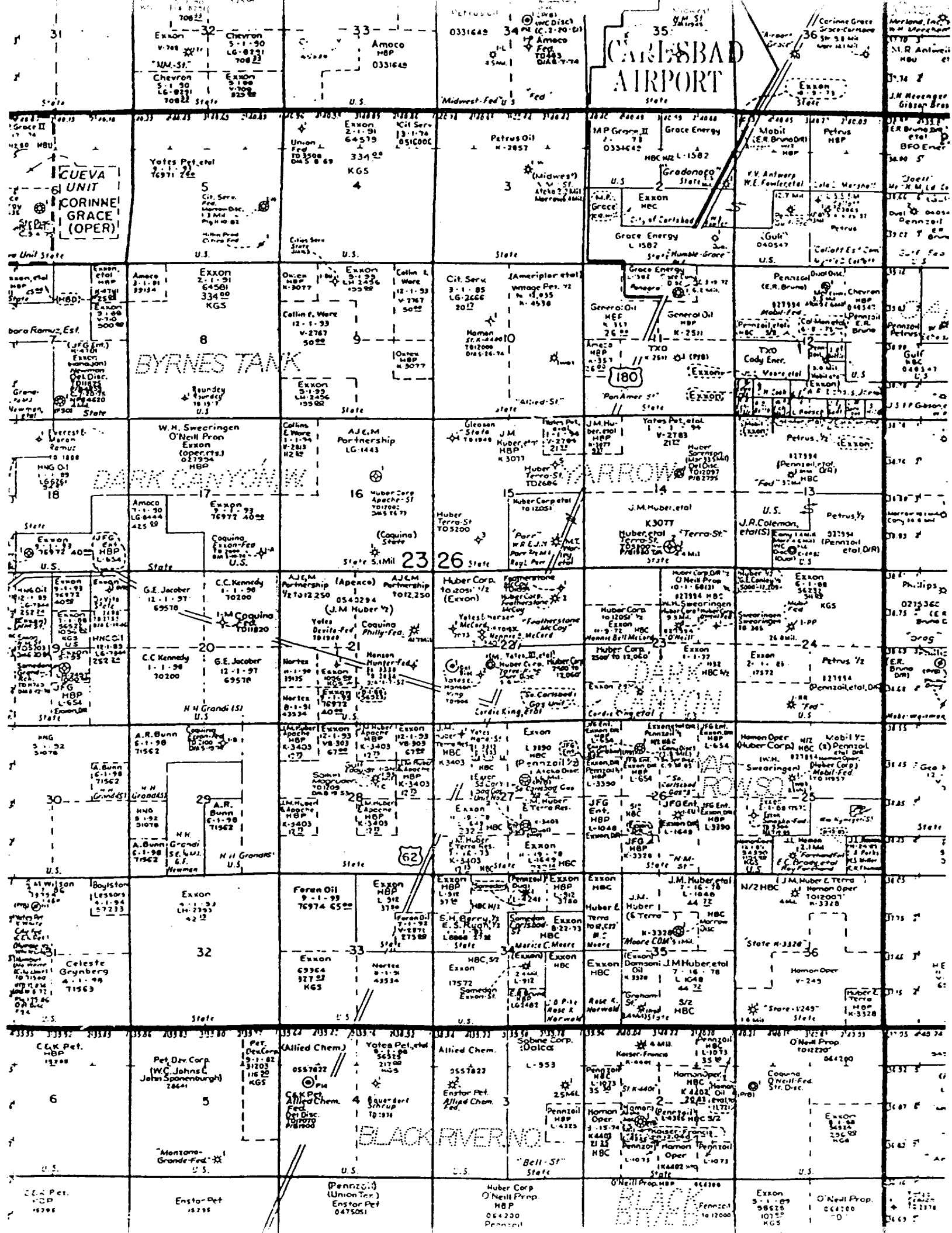
PACIFIC ENTERPRISES
OIL COMPANY (USA)



Terry Gant
Landman

TG/dsr

Enclosure



ORIGINAL

AUTHORITY FOR EXPENDITURE

DIVISION: Permian Basin Exploration Team DATE: 1-26-90
DEPARTMENT: Exploration and Development Midland, Texas
PROSPECT: Dark Canyon
LOCATION: 1980' FNL and 660' FWL of Section 21, T-23-S, R-26-E
 Eddy County, New Mexico

Drill and Test Cost	\$454,000.00
Completion	<u>298,000.00</u>
TOTAL	\$752,000.00

JUSTIFICATION:

Proposed 12,000' well to test the Morrow Formation.
See attached detailed Drilling and Completion Cost Estimate.

PARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT	\$752,000.00
Pacific Enterprises Oil Company (USA), etal	87.5%	\$658,000	APPROVED ____ DISAPPROVED ____	
Exxon Corporation	12.5%	\$ 94,000	COMPANY REPRESENTATIVE	
TOTAL		\$752,000	EXXON CORPORATION	
			COMPANY	
			DATE	

January/1990

PACIFIC ENTERPRISES OIL CO. (USA)
DRILLING & COMPLETION DETAILED COST ESTIMATE

Prospect: Dark CanyonField Carlsbad, South

Well Location

N/2 Sec 21 Legal Description T-23-S, R-26-ECounty EddyState NMProposed Depth 12,000'Objective Formation Morrow/Strown

AFE No. _____

Terra H.I. _____

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	TOTAL
Survey - Stake Location	1	1,000	xxx	0	1,000
Permits & Hearings	2	700	83	0	700
Building Road, bridges, canals	3	5,500	84	0	5,500
Building Location & Pits	4	11,400	85	1,000	12,400
Insurance (for Terra only)	5	3,700	86	0	3,700
Move in - Rig up - Rig down - Move out	6	0	87	0	0
Rat Hole	7	0	xxx	0	0
Footage Contract <u>12,000'</u> @ <u>\$18/ft</u>	8	216,000	xxx	0	216,000
Day work contract <u>4/3 days</u> @ <u>\$4,000/day</u>	9	17,000	88	10,000	27,000
Turnkey Agreement	10	0	90	0	0
Rig for Completion <u>\$1400/day</u> x 10 days	xxx	0	101	14,000	14,000
Drill Bits	12	0	102	500	500
Rental Equipment	13	9,000	103	3,000	12,000
Fishing Tools & Service	14	0	104	0	0
Company Labor	15	0	107	2,000	2,000
Auto & Travel	16	0	108	400	400
Contract Labor	17	13,500	113	5,000	18,500
Trucking, Hauling, Service Equipment	18	3,000	114	3,000	6,000
Power & Fuel	19	0	115	0	0
Water	20	18,000	116	4,000	22,000
Mud & Chemicals	21	20,000	117	0	20,000
Drill Pipe, Casing, Rod Inspection	22	1,500	125	3,600	5,100
Formation Testing (incl 2 DST)	23	10,000	xxx	0	10,000
Coring _____ ft of core @ \$ _____/ft	24	0	xxx	0	0
Mud Logging	25	9,600	xxx	0	9,600
Logs	26	16,000	126	4,000	20,000
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	3,500	3,500
Directional Services	29	0	152	0	0
Engineering, Geological, Geophysical	30	0	153	0	0
Cmtg, Conductor or Surf Csg (incl Float equip)	31	7,000	xxx	0	7,000
Cmtg, Inter-m or Prod Csg (incl Float equip)	32	14,000	154	8,000	22,000
Squeeze Jobs	33	0	155	0	0
Perf or Shooting	34	0	156	8,000	8,000
Frac	xxx	0	157	20,000	20,000
Swabbing	36	0	158	0	0
Plugging, if dry	37	10,000	159	0	10,000
Damage Claims	38	2,500	165	1,500	4,000
Cleaning Location	39	0	166	2,000	2,000
District Expense	40	8,800	172	2,500	11,300
Communications	41	200	177	200	400
Environmental & Safety Equipment	42	500	178	500	1,000
Misc Material & Service (Contingency)	43	10,100	179	5,300	15,400
TOTAL INTANGIBLES		409,000		102,000	511,000

/January/1990

PACIFIC ENTERPRISES OIL CO. (USA)
DRILLING & COMPLETION DETAILED COST ESTIMATE

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION
TOTAL				
Surface Casing				
600' of 13-3/8" OD H-40 48\$/ft., 8rd, ST&C @ 18.50/ft.	50	11,100	xxx	0
Intermediate Casing				
2000' of 8-5/8" OD, 24\$/ft., 8rd ST&C @ 69.00/ft.				
800' of 8-5/8" OD, 32\$/ft., 8rd ST&C @ 612.50/ft.	51	28,000	xxx	0
Production Casing				
800' of 5-1/2" OD, 17\$/ft, N-80 @ 68.80/ft. 10,100' of 5-1/2" OD, 17\$/ft, N-80 @ 8.25/ft. 2000' of 5-1/2" OD, 17\$/ft, S-95 @ 612.00/ft.	xxx	0	52	114,400
Liner				
___ ft of ___" OD, ___\$/ft @ ___\$/ft	xxx	0	53	0
Tubing				
11,600' of 2-3/8" OD, N-80, 4.7\$/ft, 8rd, EUE @ 63.15/ft	xxx	0	54	36,600
Xmas Tree & Tubing Head Components	55	4,000	182	9,000
Pumping Unit or Prime Mover	xxx	0	56	0
Production Platform - Mat. & Labor	xxx	0	58	0
Rods	xxx	0	59	0
Subsurface Pump	xxx	0	60	0
Tanks	xxx	0	61	3,000
Circulating Pump	xxx	0	63	0
Dehydrator	xxx	0	64	0
Heater Treater or Gunbarrel	xxx	0	65	0
Separator/FHKO	xxx	0	66	8,000
Flowline & Connection 500' ft of 2" OD FG Linepipe @ 62/ft	xxx	0	68	1,500
Meter, Meter Run & Connections	xxx	0	70	5,000
Buildings	xxx	0	71	0
Packer	xxx	0	72	5,000
Miscellaneous Equipment (fittings, etc.)	73	1,900	185	3,500
TOTAL TANGIBLES		45,000		186,000
Installation of Tubing	xxx	0	54	0
Installation of Pumping Unit & Prime Mover	xxx	0	56	0
Installation of Tanks	xxx	0	61	1,000
Installation of Dehydrator	xxx	0	64	0
Installation of Heater Treater or Gun Barrel	xxx	0	65	0
Installation of Separator/FHKO	xxx	0	66	2,000
Installation of Flowline	xxx	0	68	5,000
Installation of Miscellaneous Equipment	73	0	185	2,000
TOTAL INTANGIBLE INSTALLATION COSTS		0		10,000
Est. 5280' gas sales line 648,000+		409,000		102,000
		45,000		186,000
		0		10,000
TOTAL WELL COST COMPLETED		454,000		298,000

Prepared by: C. Robert McWhorter IIIDate 1/11/90Approved by: C. B. B.Date 1/13/90

BEFORE EXAMINER CATANACH

CL CONSERVATION DIVISION

CASE NO. 6

CASE NO. 9901