

33

34

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17
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**320 Acre Drilling Unit
Unit Ownership**

P.E.O.C.	50%
Conoco	12.5%
The Moore Trust	6.25%
Arco	12.5%
Yates	6.77084%
DeKalb	5.98958%
Marathon	5.98958%
	<u>100%</u>

**E-7116
HBP**

P.E.O.C.
(thru Amoco f/o)
75% W.I.
Yates Pet. Corp.
9.028% W.I.
DeKalb Energy Co.
7.986% W.I.
Marathon Oil Co.
7.986% W.I.

State 80 Ac.

**E-7832
HBP**

P.E.O.C.
(thru Amoco f/o)
100% W.I.

State 40 Ac.

**B-2071
HBP**

P.E.O.C.
(thru Amoco f/o)
50% W.I.
The Moore Trust
50% W.I.

State 40 Ac.

**647
HBP**

Arco Oil & Gas Co. 50% W.I.
Yates Pet. Corp. 18.056% W.I.

DeKalb Energy Co. 15.972% W.I.
Marathon Oil Co. 15.972% W.I.

State 80 Ac.

**B-11538
HBP**

Conoco Inc. 50% W.I.
P.E.O.C.
(thru Fina f/o) 50% W.I.

State 80 Ac.

T
18
S

4

3

BEFORE EXAMINER
OIL CONSERVATION DIVISION
Present EXHIBIT NO. 1
CASE NO. 9977

EXHIBIT NO.

DATE:



REVISED	
DATE	BY

PACIFIC ENTERPRISES OIL CO. (USA)
MIDLAND, TEXAS

**EMPIRE SOUTH
PROSPECT**
EDDY COUNTY, NEW MEXICO

LAND PLAT

SCALE: _____ DATE: _____
CONTOUR BY: _____ INTERP. BY: _____ DRAWN BY: _____

CASE NUMBER 9977
E/2 OF SECTION 34, T-17-S, R-28-E, EDDY COUNTY, NEW MEXICO,
LIMITED TO DEPTHS BELOW THE BASE OF THE ABO FORMATION

ELECTION OF OWNERS

<u>OWNER NAME AND ADDRESS</u>	<u>WI-LEASE</u>	<u>WI-UNIT</u>	<u>OWNER ELECTION</u>
<u>TRACT 1 - W/2NE/4, CONTAINING 80 ACRES, MORE OR LESS</u> <u>State of New Mexico Lease E-7116</u>			
PACIFIC ENTERPRISES OIL COMPANY (USA) (Through Amoco Production Company Farmout) Post Office Box 3083 Midland, Texas 79702 ATTN: Mr. Terry Gant	75.00000%	18.75000%	Applicant
YATES PETROLEUM CORPORATION 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Mr. Robert H. Bullock	9.02778%	2.25695%	Participate
DEKALB ENERGY CORPORATION 1625 Broadway Denver, Colorado 80202-4731 ATTN: Mr. Keith C. Ranum	7.98611%	1.99652%	No Election
MARATHON OIL COMPANY Post Office Box 552 Midland, Texas 79702 ATTN: Mr. Curtis Smith	7.98611%	1.99653%	No Election
	-----	-----	
SUBTOTAL	100.00000%	25.00000%	

TRACT 2 - NE/4NE/4, CONTAINING 40 ACRES, MORE OR LESS
State of New Mexico Lease E-7832

PACIFIC ENTERPRISES OIL COMPANY (USA) (Through Amoco Production Company Farmout) Post Office Box 3083 Midland, Texas 79702 ATTN: Mr. Terry Gant	100.00000%	12.50000%	Applicant
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<u>OWNER NAME AND ADDRESS</u>	<u>WI-LEASE</u>	<u>WI-UNIT</u>	<u>OWNER ELECTION</u>
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TRACT 3 - SE/4NE/4, CONTAINING 40 ACRES, MORE OR LESS
State of New Mexico Lease B-2071

PACIFIC ENTERPRISES OIL COMPANY (USA) (Through Amoco Production Company Farmout) Post Office Box 3083 Midland, Texas 79702 ATTN: Mr. Terry Gant	50.0000%	6.25000%	Applicant
THE MOORE TRUST 310 West Wall Suite 404 Midland, Texas 79701 ATTN: Mr. Ms. Cynthia L. Bennett	50.0000%	6.25000%	No Election
	-----	-----	
SUBTOTAL	100.00000%	25.00000%	

TRACT 4 - N/2SE/4, CONTAINING 80 ACRES, MORE OR LESS
State of New Mexico Lease 647

ARCO OIL & GAS COMPANY Post Office Box 1610 Midland, Texas 79702 ATTN: Mr. Tim Derigo	50.00000%	12.50000%	No Election
YATES PETROLEUM CORPORATION 105 South Fourth Street Artesia, New Mexico 88210 ATTN: Mr. Robert H. Bullock	18.05556%	4.51389%	Participate
DEKALB ENERGY CORPORATION 1625 Broadway Denver, Colorado 80202-4731 ATTN: Mr. Keith C. Ranum	15.97222%	3.99306%	No Election
MARATHON OIL COMPANY Post Office Box 552 Midland, Texas 79702 ATTN: Mr. Curtis Smith	15.97222%	3.99305%	No Election
	-----	-----	
SUBTOTAL	100.00000%	25.00000%	

<u>OWNER NAME AND ADDRESS</u>	<u>WI-LEASE</u>	<u>WI-UNIT</u>	<u>OWNER ELECTION</u>
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TRACT 5 - S/2SE/4, CONTAINING 80 ACRES, MORE OR LESS
State of New Mexico Lease B-11538

FINA OIL AND CHEMICAL COMPANY Post Office Box 2990 Midland, Texas 79702 ATTN: Mr. Kevin Pfister	50.00000%	12.50000%	Farmout
CONOCO INC. Post Office Box 1959 Midland, Texas 79702 ATTN: Mr. Warren D. Richardson	50.00000%	12.50000%	No Election
	-----	-----	
SUBTOTAL	100.00000%	25.00000%	
<u>TOTAL</u>		100.00000%	

<u>OWNERSHIP RECAP</u>	<u>WI-UNIT</u>	<u>OWNER ELECTION</u>
Pacific Enterprises Oil Company (USA)	37.50000%	Applicant
Fina Oil and Chemical Company	12.50000%	Farmout
Arco Oil & Gas Company	12.50000%	No Election
Conoco Inc.	12.50000%	No Election
Yates Petroleum Corporation	6.77084%	Participate
The Moore Trust	6.25000%	No Election
Dekalb Energy Corporation	5.98958%	No Election
Marathon Oil Company	5.98958%	No Election

TOTAL	100.00000%	

CERTIFIED, RETURN RECEIPT REQUESTED

PACIFIC ENTERPRISES OIL COMPANY (USA)

May 7, 1990

SOUTHWEST REGION
200 N. Loraine, #400
P.O. Box 3083
Midland TX 79702-3083

DEED EXAMINER
(915) 684-3861
(915) 684-6426 (Fax)

OIL CONSERVATION DIVISION

Pacific EXHIBIT NO. 2
9977

To: See Attached List

RE: Empire South Prospect #6254
Eddy County, New Mexico

E/2 Section 34, T-17-S, R-28-E
34 State Com #1 Well

Gentlemen:

Pacific Enterprises Oil Company (USA) desires to drill a 10,800' Morrow test well 1980' FSL and 1980' FEL of Section 34, T-17-S, R-28-E, Eddy County, New Mexico, with estimated drilling and completion well costs being \$395,350.00 and \$266,700.00 respectively (see attached AFE), with said test well's drilling unit (from below the base of the Abo formation to the base of the Morrow formation) being a Communitized Unit covering the E/2 of said Section 34 (see attached plat).

According to our information, you are the owner of a leasehold interest under the E/2 of said Section 34.

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 E/2 of said Section 34, limited to rights below the base of the Abo formation to the base of the Morrow formation, or 100' below said test well's TD, whichever is the lesser, subject to a mutually acceptable Joint Operating Agreement, or (2) farmout your interest under the E/2 of said Section 34 to Pacific on the following terms:

1. Term - 90 days (actual drilling).
2. Required depth and location - 10,800' 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 below the base of the Abo formation to 100' below total depth drilled, at a 80% net revenue interest, proportionately reduced.
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, proportionately reduced.

May 7, 1990

Page 2

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 E/2 of said Section 34, 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 all of Farmor's rights in the E/2 of said Section 34, 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 preceding well, whichever is lesser.

In as much as Pacific desires to commence the drilling of the above mentioned test well on or before July 31, 1990, we respectfully request that you advise Pacific in writing of your respective election as soon as possible. If you should desire to participate, please execute and return the enclosed AFE, and after receiving same, Pacific will forward to you our proposed JOA. In the absence of voluntary agreement by all parties, Pacific shall submit an application for a compulsory force pooling hearing.

If you have any questions or need any additional information, please contact the undersigned.

Very truly yours,

PACIFIC ENTERPRISES
OIL COMPANY (USA)



Terry Gant
Landman

TG/mp

Enclosure

bcc: Ralph Moore
Rick Ricketts

34 State Com #1 Well
E/2 Section 34, T-17-S, R-28-E
Eddy County, N.M.

The Moore Trust
310 W. Wall, Suite 404
Midland, TX 79701
Attn: Ms. Cynthia L. Bennett

Conoco Inc.
P. O. Box 460
Hobbs, New Mexico 88240
Attn: Mr. Mike Boney

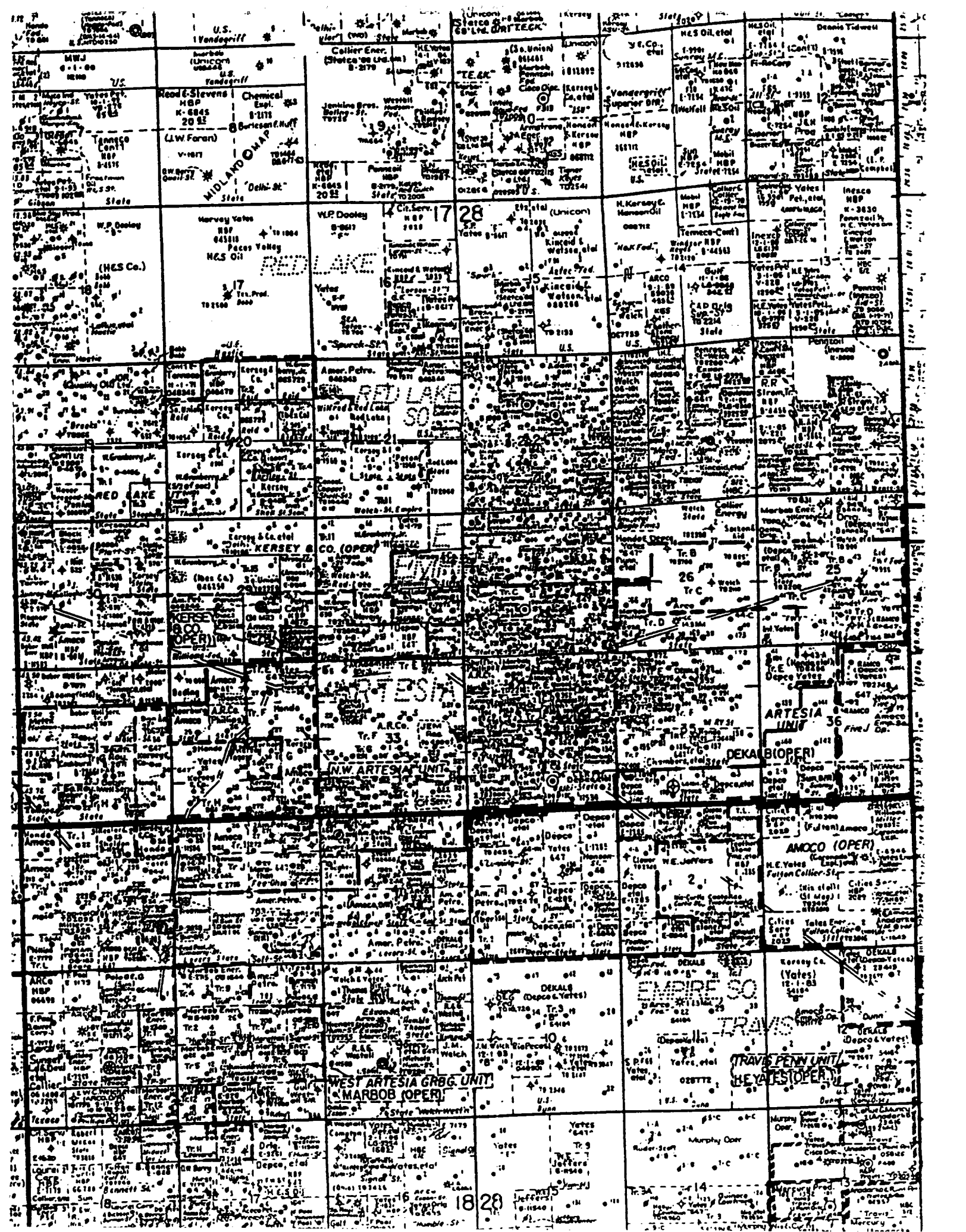
Fina Oil and Chemical Co.
P. O. Box 2990
Midland, TX 79702
Attn: Mr. Kevin Pfister

ARCO Oil & Gas Company
P. O. Box 1610
Midland, TX 79702
Attn: Mr. Tim Derigo

Yates Petroleum Corporation
105 South Forth Street
Artesia, New Mexico 88210
Attn: Mr. Randy G. Patterson

DeKalb Energy Company
1625 Broadway
Denver, CO 80202-4731
Attn: Mr. Keith C. Ranum

Marathon Oil Co.
P. O. Box 552
Midland, TX 79702
Attn: Mr. Curtis Smith



PACIFIC ENTERPRISES OIL COMPANY (USA)**ORIGINAL****AUTHORITY FOR EXPENDITURE**

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

DIVISION: Permian Basin Exploration Team **DATE:** 5-4-90
DEPARTMENT: Exploration and Development Midland, Texas
PROSPECT: Empire South Prospect #6254 **WELL NAME:** 34 State Com #1
LOCATION: 1980' FSL and 1980' FEL of Section 34, T-17-S, R-28-E
Eddy County, New Mexico

Drill and Test Cost	\$395,350.00
Completion	<u>266,700.00</u>
TOTAL	\$622,050.00

JUSTIFICATION:

Proposed 10,800' well to test the Morrow Formation.
See attached detailed Drilling and Completion Cost Estimate.

PARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT	\$662,050.00
PEOC	.3750000	\$248,268.75	APPROVED _____	DISAPPROVED _____
THE MOORE TRUST	.0625000	41,378.13		
CONOCO INC.	.1250000	82,756.25		
FINA OIL & CHEMICAL CO.	.1250000	82,756.25	COMPANY REPRESENTATIVE	
ARCO OIL & GAS CO.	.1250000	82,756.25		
YATES PETROLEUM CORP.	.0677084	44,826.35		
DEKALB ENERGY CO.	.0598958	39,654.01	COMPANY	
MARATHON OIL CO.	<u>.0598958</u>	<u>39,654.01</u>		
	1.0000000	\$662,050.00	DATE _____	

4/May/1990

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

Prospect: PEOC 34 State Comm 81 Field Empire South Morrow

Well Location 1980' FSL & 1980' FEL Legal Description Sec 34, T17S, R28E

County Eddy State NM Proposed Depth 10,800'

Objective Formation Morrow 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	100	83	0	100
Building Road, bridges, canals	3	4,000	84	0	4,000
Building Location & Pits	4	10,000	85	3,500	13,500
Insurance (for Terra only)	5	3,300	86	0	3,300
Move in - Rig up - Rig down - Move out	6	0	87	0	0
Rat Hole	7	0	xxx	0	0
Footage Contract <u>10,800'</u> @ <u>\$16.25/ft</u>	8	175,500	xxx	0	175,500
Day work contract <u>5/3</u> days @ <u>\$3,900/day</u>	9	17,600	88	9,800	27,400
Turnkey Agreement	10	0	90	0	0
Rig for Completion <u>\$1400/day</u> x 8 days	xxx	0	101	11,200	11,200
Drill Bits	12	0	102	500	500
Rental Equipment	13	10,000	103	3,500	13,500
Fishing Tools & Service	14	0	104	0	0
Company Labor	15	0	107	2,400	2,400
Auto & Travel	16	100	108	0	100
Contract Labor	17	15,900	113	3,100	19,000
Trucking, Hauling, Service Equipment	18	2,500	114	3,500	6,000
Power & Fuel	19	0	115	0	0
Water	20	8,500	116	1,500	10,000
Mud & Chemicals	21	16,000	117	2,000	18,000
Drill Pipe, Casing, Rod Inspection	22	2,000	125	3,500	5,500
Formation Testing (incl 2 DST)	23	8,000	xxx	0	8,000
Coring _____ ft of core @ \$ _____/ft	24	0	xxx	0	0
Mud Logging	25	7,500	xxx	0	7,500
Logs	26	22,000	126	3,500	25,500
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	2,500	2,500
Directional Services	29	0	152	0	0
Engineering, Geological, Geophysical	30	1,000	153	500	1,500
Cmtg, Conductor or Surf Csg (incl Float equip)	31	6,000	xxx	0	6,000
Cmtg, Intern or Prod Csg (incl Float equip)	32	10,000	154	15,000	25,000
Squeeze Jobs	33	0	155	0	0
Perf or Shooting	34	0	156	3,500	3,500
Frac	xxx	0	157	4,000	4,000
Swabbing	36	0	158	0	0
Plugging, if dry	37	6,000	159	0	6,000
Damage Claims	38	1,900	165	0	1,900
Cleaning Location	39	2,500	166	1,500	4,000
District Expense	40	9,000	172	1,200	10,200
Communications	41	200	177	200	400
Environmental & Safety Equipment	42	0	178	0	0
Misc Material & Service (Contingency)	43	10,000	179	2,600	12,600
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TOTAL INTANGIBLES		350,600		79,000	429,600

4/May/1990

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

CATEGORY	NO. DRILL & TEST		NO. COMPLETION	
TOTAL				
Surface Casing				
500' of 13-3/8" OD H-40 48¢/ft., 8rd, ST&C @ \$18.5/ft.	50	9,250	xxx	0
Intermediate Casing				
2600' of 8-5/8" OD, 32¢/ft., 8rd ST&C @ \$10.8/ft.	51	28,000	xxx	0
Production Casing				
10,800' 5-1/2" OD, 17¢/ft, N-80 @ \$7.5/ft.	xxx	0	52	81,000
Liner				
___ ft of ___" OD, ___¢/ft @ \$ ___/ft	xxx	0	53	0
Tubing				
10,600' of 2-3/8" OD, N-80, 4.7¢/ft, 8rd, EUE @ \$3.02/ft	xxx	0	54	32,000
Xmas Tree & Tubing Head Components	55	3,500	182	12,000
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	15,000
Circulating Pump	xxx	0	63	0
Dehydrator	xxx	0	64	0
Heater Treater or Gunbarrel (Stakpac)	xxx	0	65	10,000
Separator/FMKO	xxx	0	66	0
Flowline & Connection 500' ft of 2" OD FG Linepipe @ \$2/ft	xxx	0	68	1,000
Meter, Meter Run & Connections	xxx	0	70	5,000
Buildings	xxx	0	71	0
Packer	xxx	0	72	8,000
Miscellaneous Equipment (fittings, etc.)	73	4,000	185	6,700
TOTAL TANGIBLES		44,750		170,700
Installation of Tubing	xxx	0	54	0
Installation of Pumping Unit & Prime Mover	xxx	0	56	0
Installation of Tanks	xxx	0	61	5,000
Installation of Dehydrator	xxx	0	64	0
Installation of Heater Treater or Gun Barrel	xxx	0	65	5,000
Installation of Separator/FMKO	xxx	0	66	0
Installation of Flowline	xxx	0	68	5,000
Installation of Miscellaneous Equipment	73	0	185	2,000
TOTAL INTANGIBLE INSTALLATION COSTS		0		17,000
		350,600		79,000
		44,750		170,700
		0		17,000
TOTAL WELL COST COMPLETED		395,350		266,700

Prepared by: _____

Date: _____

Approved by: 

Date: 5/4/90

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: THE MOORE TRUST 310 W. WALL, SUITE 404 MIDLAND, TX 79701 MS. CYNTHIA L. BENNETT	4. Article Number P 911 798 890 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Cynthia L. Bennett</i>	
7. Date of Delivery 5-10	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: CONOCO INC. P.O. BOX 460 HOBBS, NM 88240 MR. KIRK BONEY	4. Article Number P 546 959 969 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X <i>Kirk Boney</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery 5-10-90	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: FINA OIL & CHEMICAL CO. P.O. BOX 2990 MIDLAND, TX 79702 MR. KEVIN PFISTER	4. Article Number P 546 959 968 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Kevin Pfister</i>	
7. Date of Delivery MAY 10 1990	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: ARCO OIL & GAS CO. P.O. BOX 1610 MIDLAND, TX 79702 MR. TIM DERIGO	4. Article Number P 546 959 967 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input checked="" type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 10 1990	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: YATES PETROLEUM CORP. 105 S. 4TH STREET ARTESIA, NM 88210 MR. RANDY G. PATTERSON	4. Article Number P 546 959 966 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input checked="" type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5-10-90	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: DeKalb Energy Company 1625 Broadway Denver, CO 80202 Mr. Keith C. Ranum	4. Article Number P 546 960 157 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input checked="" type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery 5/18/90	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

<p>3. Article Addressed to:</p> <p>MARATHON OIL CO. P.O. BOX 552 MIDLAND, TX 79702</p> <p>MR. CURTIS SMITH</p>	<p>4. Article Number</p> <p>P 911 798 891</p> <p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> Return Receipt</p> <p><input type="checkbox"/> Express Mail <input type="checkbox"/> Merchandise</p>
<p>5. Signature — Address</p> <p>X</p> <p>6. Signature — Agent</p> <p><i>Sammy Edwards</i></p> <p>7. Date of Delivery</p> <p>MAY 10 1990</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>

PACIFIC ENTERPRISES OIL COMPANY (USA)

May 23, 1990

SOUTHWEST REGION	
200 N. Loraine, #400	
P.O. Box 3083	
Midland TX 79702-3083	
(915) 684-3861	
(915) 684-6426 (Fax)	
REGISTRATION DIVISION	
Pacific	EXHIBIT NO. 3
CASE NO. 9977	

To: See Attached List

RE: Empire South Prospect #6254
Eddy County, New Mexico

E/2 Section 34, T-17-S, R-28-E
34 State Com #1 Well

Ladies and Gentlemen:

Reference is made to our May 7, 1990 letter regarding the captioned well proposal and to recent telephone conversations regarding same.

As discussed, Pacific Enterprises Oil Company (USA) has acquired a Farm-in of Amoco Production Company's leasehold rights in the E/2 of said Section 34, which required the spudding of said test well on or before July 31, 1990. Pacific therefore was ready to apply for a June 13, 1990 Compulsory Force Pooling Hearing. However, Pacific has recently received verbal approval from Amoco to extend the Farmin's spud date to August 31, 1990.

We therefore respectfully request your advisement as to your election to either (1) participate in this proposed operation as outlined under our May 7, 1990 letter, or (2) farmout your interest under the E/2 of said Section 34 to Pacific on the following terms:

1. Term - 90 days (actual drilling).
2. Required depth and location - 10,800' 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 below the base of the Abo formation to 100' below total depth drilled, at a 75% net revenue interest, proportionately reduced.
4. Conversion option - At payout of said test well, Farmor shall have the option to convert its overriding royalty interest to a 30% working interest, proportionately reduced.

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 E/2 of said Section 34, 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 all of Farmor's rights in the E/2 of said Section 34, 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 preceding well, whichever is lesser.


Due to Pacific's drilling deadline, we respectfully request that you advise Pacific in writing of your respective election as soon as possible. If you should desire to participate, please execute and return the Authority For Expenditure attached to the May 7, 1990 letter and review the attached proposed Joint Operating Agreement. Please advise if the Joint Operating Agreement meets with your approval.

In the absence of a voluntary agreement by all parties, please be advised that Pacific shall submit an application for a June 27, 1990 Compulsory Force Pooling Hearing.

If you have any questions or need any additional information, please contact the undersigned.

Very truly yours,

PACIFIC ENTERPRISES
OIL COMPANY (USA)



Terry Gant
Landman

TG/dsr

Enclosure

34 State Com #1 Well
E/2 Section 34, T-17-S, R-28-E
Eddy County, N.M.

The Moore Trust
310 W. Wall, Suite 404
Midland, TX 79701
Attn: Ms. Cynthia L. Bennett

Conoco Inc.
P. O. Box 460
Hobbs, New Mexico 88240
Attn: Mr. Mike Boney

Fina Oil and Chemical Co.
P. O. Box 2990
Midland, TX 79702
Attn: Mr. Kevin Pfister

ARCO Oil & Gas Company
P. O. Box 1610
Midland, TX 79702
Attn: Mr. Tim Derigo

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Mr. Robert H. Bullock

DeKalb Energy Company
1625 Broadway
Denver, CO 80202-4731
Attn: Mr. Keith C. Ranum

Marathon Oil Co.
P. O. Box 552
Midland, TX 79702
Attn: Mr. Curtis Smith

EMPIRE SOUTH 34 State Com #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
↑(Extra charge)↑

3. Article Addressed to:
THE MOORE TRUST
ATTN: MS. CYNTHIA L. BENNETT
310 WEST WALL, SUITE 404
MIDLAND TX 79701

4. Article Number
P 546 959 993

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Addressee
X

6. Signature - Agent
X *Candrey L. Bennett*

7. Date of Delivery
5-29

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987

U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEIPT

EMPIRE SOUTH 34 STATECOM #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
↑(Extra charge)↑

3. Article Addressed to:
CONOCO, INC.
ATTN: MIKE BONEY
P. O. BOX 460
HOBBS, NM 88240

4. Article Number
P 546 959 994

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Addressee
X *Candi Bulliam*

6. Signature - Agent
X

7. Date of Delivery
5-29-90

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987

U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEIPT

EMPIRE SOUTH 34 STATE COM #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
↑(Extra charge)↑

3. Article Addressed to:
FINA OIL & CHEMICAL
ATTN: KEVIN PFISTER
P. O. BOX 2990
MIDLAND TX 79702

4. Article Number
P 546 959 995

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature - Addressee
X

6. Signature - Agent
X *R D P*

7. Date of Delivery
5-30-90

8. Addressee's Address (ONLY if requested and fee paid)

EMPIRE SOUTH 34 STATE COM #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
↑(Extra charge)↑ ↑(Extra charge)↑

3. Article Addressed to: ARCO OIL & GAS COMPANY ATTN: MR. TIM DERIGO P. O. BOX 1610 MIDLAND TX 79702	4. Article Number P 546 959 996 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature — Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery MAY 29 1990	

PS Form 3811, Mar. 1987

★ U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEIPT

EMPIRE SOUTH 34 STATE COM #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
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1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
↑(Extra charge)↑ ↑(Extra charge)↑

3. Article Addressed to: YATES PETROLEUM CORPORATION ATTN: MR. ROBERT H. BULLOCK 105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210	4. Article Number P 546 959 997 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature — Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery 5-29-90	

PS Form 3811, Mar. 1987

★ U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEIPT

EMPIRE SOUTH 34 STATE COM #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
↑(Extra charge)↑ ↑(Extra charge)↑

3. Article Addressed to: DeKALB ENERGY COMPANY ATTN: MR. KEITH C. RANUM 1625 BROADWAY DENVER CO 80202-4731	4. Article Number P 546 960 105 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature — Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery 5/29/88	

EMPIRE SOUTH 34 STATE COM #1 Eddy Co NM

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address.
↑(Extra charge)↑

2. ☐ Restricted Delivery
↑(Extra charge)↑

3. Article Addressed to:
MARATHON OIL CO.
ATTN: CURTIS SMITH
P. O. BOX 552
MIDLAND TX 79702

4. Article Number
P 546 959 998

Type of Service:

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	

Always obtain signature of addressee
or agent and **DATE DELIVERED.**

5. Signature — Addressee
X

6. Signature — Agent

7. Date of Delivery

MAY 29 1990

PS Form 3811, Mar. 1987

★ U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEI

TO: Ralph Moore

FROM: Randy A. Bates

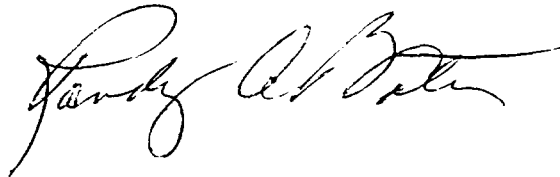
DATE: 06-25-90

SUBJECT: AFE's - Forced Pooling Hearing
PEOC "34" State Comm. No. 1
Empire, South (Morrow) Field
Eddy County, New Mexico

The following comments are provided to support the drilling AFE's during the forced pooling hearings on the PEOC "34" State Comm. No. 1 well in the Empire, South (Morrow) Field of Eddy County, New Mexico.

PEOC "34" State Comm. No. 1

The cost estimate is based on actual costs provided through conversations with numerous drilling contractors, mud companies and service companies. Drilling operations in this area are relatively trouble free. No services have been contracted out as of yet, however none of the costs estimates are expected to change significantly.



BEFORE EXAMINER
OIL FIELD DIVISION
Present. EXHIBIT NO. <u>4</u>
CASE NO. <u>9977</u>

PACIFIC ENTERPRISES OIL COMPANY (USA)**ORIGINAL****AUTHORITY FOR EXPENDITURE**

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

DIVISION: Permian Basin Exploration Team **DATE:** 5-4-90
DEPARTMENT: Exploration and Development Midland, Texas
PROSPECT: Empire South Prospect #6254 **WELL NAME:** 34 State Com #1
LOCATION: 1980' FSL and 1980' FEL of Section 34, T-17-S, R-28-E
Eddy County, New Mexico

Drill and Test Cost	\$395,350.00
Completion	<u>266,700.00</u>
TOTAL	\$622,050.00

JUSTIFICATION:

Proposed 10,800' well to test the Morrow Formation.
See attached detailed Drilling and Completion Cost Estimate.

PARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT	\$662,050.00
PEOC	.3750000	\$248,268.75	APPROVED _____	DISAPPROVED _____
THE MOORE TRUST	.0625000	41,378.13		
CONOCO INC.	.1250000	82,756.25		
FINA OIL & CHEMICAL CO.	.1250000	82,756.25	COMPANY REPRESENTATIVE	
ARCO OIL & GAS CO.	.1250000	82,756.25		
YATES PETROLEUM CORP.	.0677084	44,826.35		
DEKALB ENERGY CO.	.0598958	39,654.01	COMPANY	
MARATHON OIL CO.	<u>.0598958</u>	<u>39,654.01</u>		
	1.0000000	\$662,050.00	DATE _____	

4/May/1990

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

Prospect: PEOC 34 State Comm #1 Field Empire South Morrow

Well Location 1980' FSL & 1980' FEL Legal Description Sec 34, T17S, R28E

County Eddy State NM Proposed Depth 10,800'

Objective Formation Morrow 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	100	83	0	100
Building Road, bridges, canals	3	4,000	84	0	4,000
Building Location & Pits	4	10,000	85	3,500	13,500
Insurance (for Terra only)	5	3,300	86	0	3,300
Move in - Rig up - Rig down - Move out	6	0	87	0	0
Rat Hole	7	0	xxx	0	0
Footage Contract <u>10,800' @ \$16.25/ft</u>	8	175,500	xxx	0	175,500
Day work contract <u>5/3 days @ \$3,900/day</u>	9	17,600	88	9,800	27,400
Turnkey Agreement	10	0	90	0	0
Rig for Completion <u>\$1400/day x 8 days</u>	xxx	0	101	11,200	11,200
Drill Bits	12	0	102	500	500
Rental Equipment	13	10,000	103	3,500	13,500
Fishing Tools & Service	14	0	104	0	0
Company Labor	15	0	107	2,400	2,400
Auto & Travel	16	100	108	0	100
Contract Labor	17	15,900	113	3,100	19,000
Trucking, Hauling, Service Equipment	18	2,500	114	3,500	6,000
Power & Fuel	19	0	115	0	0
Water	20	8,500	116	1,500	10,000
Mud & Chemicals	21	16,000	117	2,000	18,000
Drill Pipe, Casing, Rod Inspection	22	2,000	125	3,500	5,500
Formation Testing (incl 2 DST)	23	8,000	xxx	0	8,000
Coring _____ ft of core @ \$ _____/ft	24	0	xxx	0	0
Mud Logging	25	7,500	xxx	0	7,500
Logs	26	22,000	126	3,500	25,500
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	2,500	2,500
Directional Services	29	0	152	0	0
Engineering, Geological, Geophysical	30	1,000	153	500	1,500
Cmtg, Conductor or Surf Csg (incl Float equip)	31	6,000	xxx	0	6,000
Cmtg, Interm or Prod Csg (incl Float equip)	32	10,000	154	15,000	25,000
Squeeze Jobs	33	0	155	0	0
Perf or Shooting	34	0	156	3,500	3,500
Frac	xxx	0	157	4,000	4,000
Swabbing	36	0	158	0	0
Plugging, if dry	37	6,000	159	0	6,000
Damage Claims	38	1,900	165	0	1,900
Cleaning Location	39	2,500	166	1,500	4,000
District Expense	40	9,000	172	1,200	10,200
Communications	41	200	177	200	400
Environmental & Safety Equipment	42	0	178	0	0
Misc Material & Service (Contingency)	43	10,000	179	2,600	12,600
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TOTAL INTANGIBLES		350,600		79,000	429,600

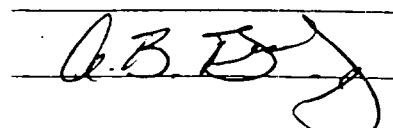
4/May/1990

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

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	
TOTAL					
Surface Casing					
500' of 13-3/8" OD H-40 48#/ft., 8rd, ST&C @ \$18.5/ft.	50	9,250	xxx	0	9,250
Intermediate Casing					
2600' of 8-5/8" OD, 32#/ft., 8rd ST&C @ \$10.8/ft.	51	28,000	xxx	0	28,000
Production Casing					
10,800' 5-1/2" OD, 17#/ft, N-80 @ \$7.5/ft.	xxx	0	52	81,000	81,000
Liner					
___ ft of ___" OD, ___#/ft @ \$___/ft	xxx	0	53	0	0
Tubing					
10,600' of 2-3/8" OD, N-80, 4.7#/ft, 8rd, EUE @ \$3.02/ft	xxx	0	54	32,000	32,000
Xmas Tree & Tubing Head Components	55	3,500	182	12,000	15,500
Pumping Unit or Prime Mover	xxx	0	56	0	0
Production Platform - Mat. & Labor	xxx	0	58	0	0
Rods	xxx	0	59	0	0
Subsurface Pump	xxx	0	60	0	0
Tanks	xxx	0	61	15,000	15,000
Circulating Pump	xxx	0	63	0	0
Dehydrator	xxx	0	64	0	0
Heater Treater or Gunbarrel (Stakpac)	xxx	0	65	10,000	10,000
Separator/FMKO	xxx	0	66	0	0
Flowline & Connection 500' ft of 2" OD FG Linepipe @ \$2/ft	xxx	0	68	1,000	1,000
Meter, Meter Run & Connections	xxx	0	70	5,000	5,000
Buildings	xxx	0	71	0	0
Packer	xxx	0	72	8,000	8,000
Miscellaneous Equipment (fittings, etc.)	73	4,000	185	6,700	10,700
-----	---		---		
TOTAL TANGIBLES		44,750		170,700	215,450
Installation of Tubing	xxx	0	54	0	0
Installation of Pumping Unit & Prime Mover	xxx	0	56	0	0
Installation of Tanks	xxx	0	61	5,000	5,000
Installation of Dehydrator	xxx	0	64	0	0
Installation of Heater Treater or Gun Barrel	xxx	0	65	5,000	5,000
Installation of Separator/FMKO	xxx	0	66	0	0
Installation of Flowline	xxx	0	68	5,000	5,000
Installation of Miscellaneous Equipment	73	0	185	2,000	2,000
-----	---		---		
TOTAL INTANGIBLE INSTALLATION COSTS		0		17,000	17,000
		350,600		79,000	429,600
		44,750		170,700	215,450
		0		17,000	17,000
TOTAL WELL COST COMPLETED		395,350		266,700	662,050

Prepared by: _____

Date _____

Approved by: 

Date 5/4/90