

PACIFIC ENTERPRISES OIL COMPANY (USA)

CERTIFIED MAIL

~~August 6, 1990~~

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

TO: WORKING INTEREST OWNERS
Address List Attached

RE: Jeep Prospect #6250

Laredo State 21 Com #1
Section 21, T-19-S, R-28-E
Eddy County, New Mexico

Gentlemen:

Pacific Enterprises Oil Company (USA) proposes the formation of a one (1) Section working interest unit and the drilling of an 11,300 foot Morrow well to be located approximately 660' FSL and 1980' FWL of Section 21, T-19-S, R-28-E, Eddy County, New Mexico. The drilling and spacing unit for said well will be the South Half of said Section 21. The drilling and testing costs for the well are estimated to be \$468,950.00 with total completed costs being \$798,965.00.

If you elect to participate in the working interest unit and the drilling of the proposed well, please so indicate by signing both of the enclosed Authority For Expenditures and returning one (1) original to the attention of the undersigned. Upon receipt of your executed Authority For Expenditure, an Operating Agreement governing operations of the well will be submitted for your review.


In the event you do not wish to participate in the drilling of said well, Pacific requests a farmout of your acreage in the proposed working interest unit delivering a 75% net revenue interest before payout with the option to convert your overriding royalty interest to a 25% working interest after payout on a well by well basis. If you elect to farmout your interest, a formal Farmout Agreement will be submitted for your review.

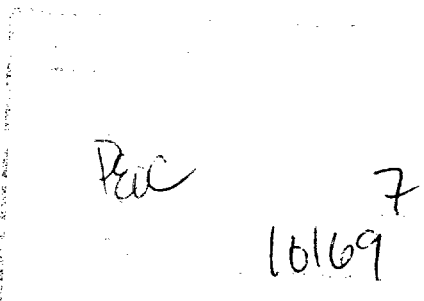
Pacific is interested in spudding this well as soon as possible and therefore will be filing an application for a Compulsory Pooling Hearing in the near future.

Should you have any questions or problems, please do not hesitate to contact me.

Very truly yours,

PACIFIC ENTERPRISES
OIL COMPANY (USA)


M. Craig Clark
Landman


16169

WORKING INTEREST OWNERS
ADDRESS LIST

Chevron USA, Inc.
Post Office Box 1150
Midland, Texas 79702

Attention: Mr. Mickey Cohlma

PACIFIC ENTERPRISES OIL COMPANY (USA)

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: 8-8-90

DEPARTMENT: Exploration and Development

Midland, Texas

WELL NAME: Laredo State 21 Com #1

LOCATION: 660' FSL and 1980' FWL of Section 21, T-19-S, R-28-E
 Eddy County, New Mexico

Drill and Test Cost
 Completion

\$468,950.00
330,015.00

TOTAL

\$798,965.00

JUSTIFICATION:

Proposed 11,300' well to test the Morrow Formation.
 See attached detailed Drilling and Completion Cost Estimate.

PARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT \$798,965.00
Pacific Enterprises			APPROVED _____ DISAPPROVED _____
Oil Company (USA), etal	68.75%	\$549,288.00	
Chevron USA, Inc.	31.25%	\$249,677.00	
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TOTAL	100.00%	\$798,965.00	

COMPANY REPRESENTATIVE

 CHEVRON USA, INC
 COMPANY

 DATE

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

Prospect: JEEP Field

Well Location 660' FSL & 1980' FWL Legal Description Sec 21, T-19-S, R-28-E

County Eddy State NM Proposed Depth 11,300'

Objective Formation Morrow AFE No. PEOC 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	7,000	84	0	7,000
Building Location & Pits	4	43,000	85	5,000	48,000
Insurance (for Terra only)	5	3,500	86	0	3,500
Move in - Rig up - Rig down - Move out	6	0	87	0	0
Rat Hole	7	0	xxx	0	186,450
Footage Contract <u>11,300 @ \$15.50/ft</u>	8	186,450	xxx	0	
Day work contract <u>5 days @ \$4,000/day</u>	9	24,000	88	0	24,000
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	0	0
Rental Equipment	13	8,000	103	3,500	11,500
Fishing Tools & Service	14	0	104	0	0
Company Labor	15	1,000	107	1,000	2,000
Auto & Travel	16	500	108	500	1,000
Contract Labor - 37 x 450/D, 8 x 450/D	17	16,650	113	3,600	20,250
Trucking, Hauling, Service Equipment	18	3,500	114	9,000	12,500
Power & Fuel	19	0	115	0	0
Water	20	20,000	116	3,000	23,000
Mud & Chemicals	21	20,000	117	1,000	21,000
Drill Pipe, Casing, Rod Inspection	22	2,000	125	4,000	6,000
Formation Testing (incl 3 DST)	23	15,000	xxx	0	15,000
Coring <u> </u> ft of core @ \$ <u> </u> /ft	24	0	xxx	0	0
Mud Logging - 35 x 400/D	25	14,000	xxx	0	14,000
Logs	26	18,000	126	5,000	23,000
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	5,000	5,000
Directional Services	29	0	152	0	0
Engineering, Geological, Geophysical	30	14,000	153	0	14,000
Cmtg, Conductor or Surf Csg (incl Float equip)	31	4,500	xxx	0	4,500
Cmtg, Interm or Prod Csg (incl Float equip)	32	5,500	154	19,500	25,000
Squeeze Jobs	33	0	155	0	0
Perf or Shooting	34	0	156	5,000	5,000
Frac (Acid - \$5000, Frac \$30,000)	xxx	0	157	35,000	35,000
Swabbing	36	0	158	0	0
Plugging, if dry	37	5,000	159	0	5,000
Damage Claims	38	2,000	165	0	2,000
Cleaning Location	39	0	166	3,500	3,500
District Expense	40	9,250	172	2,000	11,250
Communications	41	0	177	0	0
Environmental & Safety Equipment	42	0	178	0	0
Misc Material & Service (Contingency)	43	5,000	179	5,000	10,000
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TOTAL INTANGIBLES		429,550		121,800	551,350

2/August/1990

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

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	TOTAL
Surface Casing					
	50	0	xxx	0	0
Intermediate Casing					
400' of 13-3/8" OD					
2500' of 8-5/8" OD	51	34,900	xxx	0	34,900
Production Casing					
11,300' to 5-1/2" OD	xxx	0	52	84,750	84,750
Production Liner	xxx	0	53	0	0
Tubing					
11,100' of 2-3/8" OD	xxx	0	54	34,225	34,225
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	5,000	5,000
Circulating Pump	xxx	0	63	0	0
Dehydrator	xxx	0	64	0	0
Heater Treater or Gunbarrel	xxx	0	65	5,000	5,000
Separator/FWKO	xxx	0	66	5,000	5,000
Flowline & Connection					
3" @ 5280'	xxx	0	68	21,120	21,120
Meter, Meter Run & Connections	xxx		70	5,000	5,000
Buildings	xxx	0	71	0	0
Packer	xxx	0	72	8,000	8,000
Miscellaneous Equipment (fittings, etc.)	73	1,000	185	1,000	2,000

TOTAL TANGIBLES		39,400		181,095	220,495
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	1,000	1,000
Installation of Dehydrator	xxx	0	64	0	0
Installation of Heater Treater or Gun Barrel	xxx	0	65	2,000	2,000
Installation of Separator/FWKO	xxx	0	66	2,000	2,000
Installation of Flowline	xxx	0	68	21,120	21,120
Installation of Miscellaneous Equipment	73	0	185	1,000	1,000

TOTAL INTANGIBLE INSTALLATION COSTS		0		27,120	27,120
		429,550		121,800	551,350
		39,400		181,095	220,495
		0		27,120	27,120
TOTAL WELL COST COMPLETED		468,950		330,015	798,965

Prepared by:

Date

8-2-90

Approved by:

Date

8/4/90

● **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:

Chevron USA, Inc.
P.O. Box 1150
Midland, TX 79702

4. Article Number

P 546 960 124

Type of Service:

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee

X

6. Signature — Agent

X

7. Date of Delivery

AUG 9 1990

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

PS Form 3811, Apr. 1989

*U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT