

PACIFIC ENTERPRISES OIL COMPANY (USA)

CERTIFIED MAIL

September 21, 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) hereby proposes the drilling of an 11,300 foot Morrow well to be located approximately 660' FSL and 1980' FEL 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 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 alternative, Pacific proposes the formation of a one (1) Section working interest unit comprising all of Section 21. 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

Rec
10/6/90

WORKING INTEREST OWNERS
ADDRESS LIST

Arco Oil and Gas Company
Post Office Box 1610
Midland, Texas 79702
ATTN: Mr. Tim Derigo

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88201
ATTN: Mr. Randy Patterson

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702
ATTN: Mr. Curtis Smith

DeKalb Energy Company
370 Seventeenth Street
Denver, Colorado 80202
ATTN: Keith Ranum

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
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DIVISION: Permian Basin Exploration Team **DATE:** 9-21-90
DEPARTMENT: Exploration and Development Midland, Texas
WELL NAME: Laredo State 21 Com #1
LOCATION: 660' FSL and 1980' FEL of Section 21, T-19-S, R-28-E
 Eddy County, New Mexico

Drill and Test Cost	\$468,950.00
Completion	<u>330,015.00</u>
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 Oil Company (USA), etal	50.00000%	\$399,482.50	APPROVED <input type="checkbox"/> DISAPPROVED <input type="checkbox"/>
Arco Oil & Gas Co.	25.00000%	\$199,741.20	
Yates Petroleum Corp.	9.02776%	\$ 72,128.70	COMPANY REPRESENTATIVE
Marathon Oil Co.	7.98612%	\$ 63,806.30	
DeKalb Energy Co.	7.98612%	\$ 63,806.30	
TOTAL	100.00000%	\$798,965.00	COMPANY
			DATE

PACIFIC ENTERPRISES OIL COMPANY (USA)

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SOUTHWEST REGION

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PARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT \$798,965.00
Pacific Enterprises Oil Company (USA), etal	62.50%	\$499,353.00	APPROVED _____ DISAPPROVED _____
Chevron USA, Inc.	37.50%	\$299,612.00	COMPANY REPRESENTATIVE
TOTAL	100.00%	\$798,965.00	CHEVRON USA, INC COMPANY
			DATE _____

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

Prospect: JEEP Field _____

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

County Eddy State NM Proposed Depth 11,300'

Objective Formation Morrow AFE No. _____ PEOC W.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 _____ ft of core @ \$ _____ /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, Intern 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
TOTAL INTANGIBLES		429,550		121,800	551,350

PACIFIC ENTERPRISES OIL CO. (U.S.)
 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' fo 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	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	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: *Jeff Meyer*
 Approved by: *A.B. [Signature]*

Date 8-2-90
 Date 8/4/90

