

**PACIFIC ENTERPRISES OIL COMPANY (USA)**

FAXED

November 27, 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  
(See attached list)

Re: Jeep Prospect  
Laredo State Com 21-1  
S/2 Section 21, T19S, R28E  
Eddy County, New Mexico

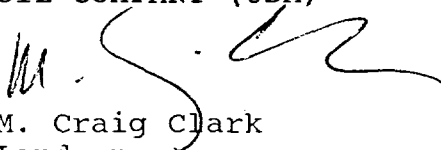
Gentlemen:

This letter is to advise you that the compulsory pooling hearing scheduled for Wednesday November 28, 1990, has been continued until the December 19, 1990 docket.

Also, we have enclosed a revised AFE for the drilling of the above referenced well to reflect the increase of drilling costs since the original AFE was prepared in August. Should you have any questions or problems, please do not hesitate to contact me.

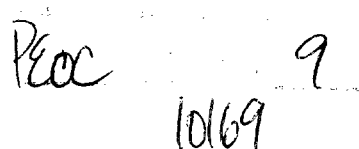
Very truly yours,

PACIFIC ENTERPRISES  
OIL COMPANY (USA)

  
M. Craig Clark  
Landman

MCC/mac

Enclosure



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.  
P. O. Box 1150  
Midland, TX 79702  
ATTN: James E. Baca

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

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**DIVISION:** Permian Basin Exploration Team**DATE:** 11-27-90**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 | \$524,850.00        |
| Completion          | <u>313,110.00</u>   |
| <b>TOTAL</b>        | <b>\$837,960.00</b> |

**JUSTIFICATION:**

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

| <b>PARTICIPANTS</b>     | <b>WORKING INTEREST</b> | <b>COST</b>         | <b>GROSS AFE AMOUNT \$837,960.00</b>           |
|-------------------------|-------------------------|---------------------|--|
| Pacific Enterprises     |                         |                     | <b>APPROVED</b> _____ <b>DISAPPROVED</b> _____ |
| Oil Company (USA), etal | 62.50%                  | \$523,725.00        |  |
| Chevron U.S.A. Inc      | 37.50%                  | \$314,235.00        |  |
| <b>TOTAL</b>            | <b>100.000%</b>         | <b>\$837,960.00</b> | <b>COMPANY REPRESENTATIVE</b> _____            |
|                         |                         |                     | <b>COMPANY</b> _____                           |
|                         |                         |                     | <b>DATE</b> _____                              |

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|--|-------------------------|---------------------|--|
| Pacific Enterprises<br>Oil Company (USA), etal | 50.0000%                | \$418,980.00        | <b>APPROVED</b> ____ <b>DISAPPROVED</b> ____ |
| Arco Oil & Gas Co.                             | 25.0000%                | \$209,490.00        |  |
| Yates Petroleum Corp                           | 9.0278%                 | \$ 75,649.36        | <b>COMPANY REPRESENTATIVE</b>                |
| Marathon Oil Co.                               | 7.9861%                 | \$ 66,920.32        |  |
| DeKalb Energy Co.                              | 7.9861%                 | \$ 66,920.32        | <b>COMPANY</b>                               |
| <b>TOTAL</b>                                   | <b>100.0000%</b>        | <b>\$837,960.00</b> | <b>DATE</b> _____                            |

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|                         |                         |                     | <b>DATE</b> _____                              |

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          | 248,600 |
| Footage Contract <u>11,300 @ \$22.00/ft</u>            | 8   | 248,600      | xxx | 0          |         |
| Day work contract <u>6 days @ \$4,500/day</u>          | 9   | 27,000       | 88  | 0          | 27,000  |
| 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 - 25 x 385/D                               | 25  | 10,000       | xxx | 0          | 10,000  |
| 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  | 3,500        | 153 | 0          | 3,500   |
| Cmtg, Conductor or Surf Csg (incl Float equip)         | 31  | 4,500        | xxx | 0          | 4,500   |
| Cmtg, Interm or Prod Csg (incl Float equip)            | 32  | 7,000        | 154 | 19,500     | 26,500  |
| Squeeze Jobs   | 33  | 0            | 155 | 0          | 0       |
| Perf or Shooting                                       | 34  | 0            | 156 | 5,000      | 5,000   |
| Frac (Acid - \$10,000)                                 | xxx | 0            | 157 | 10,000     | 10,000  |
| 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                                      |     | 481,700      |     | 96,800     | 578,500 |

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

| CATEGORY  | NO. | DRILL & TEST | NO. | COMPLETION | TOTAL   |
|---|-----|--------------|-----|------------|---------|
| Surface Casing<br>400' of 13-3/8" OD, H-40, 48#/ft @ \$18.50/ft           | 50  | 7,400        | xxx | 0          | 7,400   |
| Intermediate Casing<br>2500' of 8-5/8" OD, 32#/ft, 8rd, ST&C @ \$12.50/ft | 51  | 31,250       | xxx | 0          | 31,250  |
| Production Casing<br>11,300' of 5-1/2" OD, 17#/ft, N-80, @ \$8.25/ft.     | xxx | 0            | 52  | 93,225     | 93,225  |
| Production Liner  | xxx | 0            | 53  | 0          | 0       |
| Tubing<br>11,100' of 2-3/8" OD, N-80, 4.7#/ft, 8rd, EUE @ \$3.15/ft       | xxx | 0            | 54  | 34,965     | 34,965  |
| 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<br>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   |     | 43,150       |     | 190,310    | 233,460 |
| 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  | 20,000     | 20,000  |
| Installation of Miscellaneous Equipment                                   | 73  | 0            | 185 | 1,000      | 1,000   |
| -----   |     |              |     |            |         |
| TOTAL INTANGIBLE INSTALLATION COSTS                                       |     | 0            |     | 26,000     | 26,000  |
|   |     | 481,700      |     | 96,800     | 578,500 |
|   |     | 43,150       |     | 190,310    | 233,460 |
|   |     | 0            |     | 26,000     | 26,000  |
| TOTAL WELL COST COMPLETED   |     | 524,850      |     | 313,110    | 837,960 |

Prepared by: *[Signature]*Date: *11/28/90*Approved by: *[Signature]*Date: *11/28/90**by [Signature]*