

GRYNBERG PETROLEUM COMPANY

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EXHIBIT "2"

July 1, 1986

Mr. Tom Kelly
Yates Petroleum Company
207 South 4th Street
Artesia, NM 88210

Dear Tom:

I enclose a schedule showing allocation of costs on the #1-20 Grynberg State based on the instructions of the New Mexico Oil & Gas Conservation Commission hearing dated 6/19/86.

I understand that you are performing a like analysis and will be sending us your information on this matter.

Sincerely,
GRYNBERG PETROLEUM COMPANY

Linda Middleton

Linda Middleton, for
Robert D. Pelo, Controller

cc: New Mexico Oil & Gas Conservation Commission
Earnest Padilla, Attorney

COST ALLOCATION

1-20, T9S-R27E

Chaves County, New Mexico

(Based on Commission Order R-7343)

June 19, 1986

Pre-Permian

SERVICE DATE	VENDOR AND SERVICE PERFORMED	AMOUNT	COST	REMARKS
12/30/83	*Runnels Mud. Co.-Prepay Mud	6,240.00	3,284.21	
12/30/83	Oilfield Constr. Co.-Location	1,037.50		
12/30/83	Lyman R. Graham - Surface Damage	500.00		
12/31/83	Oilfield Constr. Co. - Location	2,056.25		
12/31/83	R.R. Patton - Survey Road	470.81		
1/4/84	Comm.Pub. Land-ROW 20,T9S-R27E	2,130.00		
1/6/84	Hondo Pipe- 8 5/8" 24# Casing	8,943.69		
1/31/84	*Jim's Wtr.Svc.-Fresh Water	430.04	226.34	
2/2/84	Halliburton-Cement 8 5/8"	6,945.86		
2/1-2/4/84	*Jim's Wtr. Svc.-Fresh Wtr.& Trkg.	860.08	452.67	
2/2/84	*Jim's Wtr.Svc.-Fresh Wtr.& Trkg.	967.62	509.27	
2/2/84	*Jim's Wtr.Svc.-Fresh Wtr. & Trkg.	752.57	396.09	
2/3-2/4/84	*Jim's Wtr. Svc.-Fres Wtr. & Trkg.	645.06	339.51	
2/4/84	Roswell Ready Mix-Rods for Cellar	515.74		
2/4/84	Troy's Welding-Weld Cattleguard	108.68		
2/5/84	*Jim's Wtr. Svc.-Brine & Trkg.	282.02	148.43	1 9/5
2/5/84	*Jim's Wtr.Svc.-Fresh Wtr. & Trkg.	107.51	56.58	
2/5/84	*Jim's wtr.Svc.-Brine Wtr. & Trkg.	564.04	296.86	
2/5/84	*Jim's Wtr. Svc.-Brine & Fresh Wtr.	671.55	353.45	
2/5/84	*Jim's Wtr. Svc.-Brine Water	282.02	148.43	
2/7/84	*Jim's Wtr. Svc.-Fressh Water	107.51	56.58	
2/7/84	Big Red Supply-Sampe Bags	32.95	32.95	
2/9/84	*Jim's Wtr. Svc.-Fresh Water	107.51	56.58	
2/11/84	*Jim's Wtr. Svc.-Fresh & Brine Wtr.	497.04	263.43	
2/12/84	Troy's Welding-Cut & Weld Wellhead	122.26		
2/15/84	*Jim's Wtr. Svc.-Fresh Water	107.38	56.91	
2/17/84	*Jim's Wtr. Svc.-Fresh Water	107.51	56.98	
2/19/84	*Jim's Wtr. Svc.-Fresh Water	322.53	169.75	
2/23/84	Robert Becker-Geologist	1,786.63	1,786.63	
1/31/84	Oilfield Industrial-Line pit	1,530.14		
2/12/84 ✓	Schlumberger-Logging	20,363.86	9,658.62	Depth charge
2/13/84	Buckeye, Inc.-Mud slick	2,555.52		
2/16/84	Halliburton-DST 6325-6396	3,039.88	3,039.88	

SERVICE DATE	VENDOR AND SERVICE PERFORMED	AMOUNT	Pre-Permian JUST	REMARKS
2/18/84	Schlumberger-Logging	6,493.62	6,493.62	Run #2
2/18/84	Big Red Supply-Casinghead & Etc.	1,090.27		
2/18/84	Associated Pipe-5½" 15.5# Casing	29,120.80		
2/19/84	Troy's Welding-Final Csg. Cutoff	108.68		
2/19/84	Halliburton-Cement 5½" Csg.	9,000.20	3,451.74	Proportional cost for Pre-Permian Section
2/20/84	Hondo Pipe-Forklift 5½"	224.37		
2/12-2/20/84	Sonny Longo-Drlg. Consultant	1,918.00	1,918.00	
2/21/84	*Desert Drilling-Footage & Daywork	114,005.07	60,002.67	
3/10/84	Mimco Pipe-6,340 ft. 2 3/8 Tbg.	11,675.61		
3/10/84	Buckeye, Inc.-Return mud slick	(1,983.23)		
3/10-3/31/84	Mack Chase - Completion Rig	23,971.44	15,879.93	
3/12/84	Hondo Pipe-Wellhead fittings	2,067.57		
3/12/84	Hondo Pipe-Tbghd & Subs	2,088.77		
3/12/84	Hondo Pipe-Flow Tee & Swage	187.10		
3/12/84	Troy's Welding-Cut & Weld Csg.	176.60		
3/14/84	Jim's Wtr. Svc.-Fresh & KCL	437.15	437.15	
3/14/84	Halliburton-Acid @ 6190'-6207'	1,562.24	1,562.24	
3/14/84	Halliburton-Acid & N ₂ @ 6190-6207'	1,835.68	1,835.68	
3/14/84	Maypole Packers-5½" Rental Packer	1,219.73	1,219.73	
3/16/84	Halliburton-Acid & N ₂ @6163-6170'	1,499.68	1,499.68	
3/16/84	Halliburton-Acid & N ₂ @6163-6170'	1,855.64	1,855.64	
3/16/84	Jim's Wtr. Svc. -Fresh & KCL	628.94	628.94	
3/16/84	Jim's Wtr. Svc.-Fresh & KCL	2,830.74	2,830.74	
3/16/84	Hondo Pipe-Return Sub. & Collar	(277.22)	2,830.74	
3/17/84	Halliburton- Deep Frac	18,902.18	18,902.18	
3/19/84	B&R Lease Svc.-Fence pit	158.15		
3/21/84	Halliburton-Acid & N ₂ @ 5414-5429'	1,470.22	1,470.22	
3/21/84	Halliburton-Acid & N ₂ @ 5414-5429'	3,403.53	3,403.53	
3/22/84	T & C Tank-Install Anchors	462.45		
3/24/84	Jim's Wtr. Svc. -Fresh & KCL	2,801.51		
3/24/84	Maypole - 5½" Rental Packer	903.71		
3/26/84	Bell Pet. Survey-Survey for leak	3,291.93		
3/28/84	Jim's Wtr. Svc.-Fresh & KCL	731.18		

Total Pre-Permian Cost = 147,771.28 + 34,985.88 = \$182,757.16