

RIO PECOS CORPORATION

110 WEST LOUISIANA SUITE 460

MIDLAND TEXAS 79701

(915) 687-0127

RECEIVED

OCT 26 1987

MIDLAND DISTRICT
LAND DEPARTMENT

- GEOLOGY -

MARK D WILSON

TODD M WILSON

HEATHER WILSON ECHOLS

- LAND -

SCOTT E WILSON

ROBERT ELLIOTT

October 21, 1987

Pennzoil Company
P. O. Box 2967
Houston, Texas 77252-2967

Attn: Mr. Lonnie Whitfield

Gentlemen:

As we discussed, enclosed are three AFE's for Strawn tests drilled in T16S, R37E, Lea County, New Mexico.

Please let me know if and when we can see Pennzoil's seismic interpretation for the proposed wells in Sections 14 and 22.

Thank you.

Very truly yours,

Scott E. Wilson

Scott E. Wilson

Landman

SEW/sh

Encs.

*Example AFE's
for comparison
see*

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<i>Pennzoil</i>	EXHIBIT NO. <u>24</u>
CASE NO.	<u>9266</u>

Well Cost Estimate AFE

(Company Name and No. if other than UTP)
 Other _____

Source 12 (1-2)		Date 4/30/87	AFE No. (3-7)	Supl. No. (33)
Well Name Shipp 34-4	Well No.	Field or Area Casey (Strawn)	Est. Total Depth 11,500'	Lease No.
<input type="checkbox"/> NZW	<input type="checkbox"/> EXPLORATORY	<input checked="" type="checkbox"/> DEVELOPMENT	County, Parish, Province Lea County	
			State or Country New Mexico	
Hydrocarbon 660' FSL & 1,980' FWL, Section 34-T16S-R37E				

Proposal
 Drill a 11,500' development/delineation well to evaluate the hydrocarbon potential of the Strawn formation. No evaluation of the Drinkard is included in this cost estimate

Drill and suspend cost \$465,000 (Revision 1)

TANGIBLE EQUIPMENT

source 13 (1-2)

Account (8-14) Code 18-509	Description	Quantity	Price	Producer Cost (15-23)	Dry Hole Cost (24-32)	
13 Casing	Drive Pipe					
	Conductor					
	Surface	13-3/8" 48# H-40 STC	400	18.79	7,500	7,500
	Intermediate	8-5/8" 32# K-55 STC	4250	12.39	52,700	52,700
	XXXX PROD	5-1/2" 17# K-55 LTC	9000	7.01	63,100	
	Production	5-1/2" 17# N-80 LTC	2500	8.54	21,300	
15 70 Tubing & Equip	Compressors and Compressor Stations					
	Tubing	2-7/8" 6.5# N-80 EUE	11300	4.02	45,400	
	Tubing					
	Casing/Well heads			7,300	7,300	
	Tubing Head			5,000		
	Tree			4,600		
	Packers, Anchors, Accessories			10,000		
	Miscellaneous, Float equipment			2,800	1,000	
	91	Water wells & systems (Disposal)				
	92	Water wells & systems (Waterflood)				
	Prod. Treater			12,000		
	Flowline			4,200		
18-510-99	Offshore Drilling & Production Platforms					
	Contingency	5 %		11,800	3,400	
	Total Tangible Cost				247,700	71,900

INTANGIBLE COST

Account Code 18-310	Description	Quantity	Price	Producer Cost	Dry Hole Cost
21	Rig: Daywork	4 days @	3950 day	15,800	15,800
	Footage	11500 ft @	11.00 ft	126,500	126,500
	Other				
	Total				
24	Completion Unit	10 days @	1200 day	12,000	
24	Backfill Pits - Restore Location			5,000	5,000
30	Drilling Mud & Materials			7,000	7,000
31	Bits & Coreheads, Reamers, BHA			600	
32	Fuel, Power & Lube				

INTANGIBLE COSTS

Account 18-310	Description	Quantity	Price	Producer Cost (15-23)	Dry Hole Cost (24-32)
33	Other Materials & Supplies			4,100	3,100
34	Drillsite Preparation			20,000	20,000
35	Elec Logging Services, Open Hole & Velocity			4,000	4,000
36	Equipment Rental			17,800	7,800
37	Cementing Services			26,000	17,000
38	Fracing Services				
39	Perforating Services, Cased Hole Logging			3,000	
40	Squeezing Services				
41	Acidizing Services			1,500	
42	Trucking & Freight Services			6,700	2,500
43	Coring Crews & Equipment				
43	Rate Hole Machine & Hammers				
43	Tubular Inspection & Testing			21,200	2,500
43	Other Contract Services, Supplies & Labor			10,300	7,800
43	Surface Equipment Hookup			4,000	
44	Welding & Roustabout			500	500
45-46	Co Labor & Expenses, OH 41/31 days @ 500 day			20,500	15,500
47	Customs Clearance, Forwarding & Handling				
48	Diving Services				
49	Boats, Tugs & Barges (supply vessels & services) Excl Fuel				
50	Drilling Consultant & Drillsite Geologists				
51-52	Mobilization & Demobilization				
53	Mud Logging Services			3,900	3,900
54	Mud Engineer			1,200	1,200
55	DST & Testing Equipment Services			3,500	3,500
55	Directional Tools & Services				
56	Cement				
57	Helicopters & Other Aircraft Rentals				
58	Communications			1,100	800
59	Contract Geological Svcs. Coring & Analysis				
60	Shorebase Expense (facilities, personnel, cranes)				
62	Water - Water Wells			6,500	5,500
18-311-30	Offshore Drig. & Prod. Platforms (Design)				
31	Offshore Drig. & Prod. Platforms (Land Phase)				
32	Offshore Drig. & Prod. Platforms (Water Phase)				
	Contingency 5 %			16,100	12,500
18-836-00	Sales Tax 4%			12,900	10,000
	Total Intangible Costs			351,700	272,400
	Total Tangible Costs (from Pg. 1)			247,700	71,900
	Grand Total (Gross)			599,400	344,300
	Union Texas Working Interest % (8-12)			(13-21)	(22-30)

NOTICE TO NON-OPERATOR: Non-operators should consider cost shown on this form as estimates only. Additional monies if required to perform the proposed operations will be requested as provided for in the operating agreement.

APPROVAL FOR UNION TEXAS BY:
Bob Willborn
 Bob Willborn, General Manager - Drilling
 Title/Date Operations - April 30, 1987

NON-OPERATOR AUTHORIZATION APPROVAL
WILSONS' COMPANY
 Company
 5.25%
 W.I. %
Scott E. Wilson
 Approved by

AMLRIND OIL CO.

AUTHORIZATION FOR EXPENDITURE

B. E. Shipp "28" No. 1
At a legal location in SW/4 SE/4
Section 28 - 16S - 37E
Lea County, New Mexico

To drill and complete in the Strawn formation:

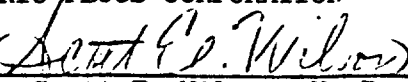
<u>INTANGIBLE</u>	<u>Casing Point</u>	<u>Pumping Completion</u>	<u>Total</u>
Drilling 11,500' @ \$11.00	\$127,000	\$	\$
Daywork - 3 @ \$4,000	12,000		
Drilling mud and water	10,000		
Location and surface damages	15,000		
Drill stem tests (2)	6,000		
Log and perforate	15,000	5,000	
Cementing - surface 400 sx	4,000		
- inter. 1,500 sx	10,000		
- prod. 300 sx		5,000	
Supervision	5,000	5,000	
Geological & mud logging	8,000		
Contract services & equipment rentals	5,000	15,000	
Completion unit		5,000	
Acid treatment - cleanup		5,000	
Drilling and completion overhead	5,000	2,000	
Insurance	3,000		
TOTAL INTANGIBLE	\$225,000	\$ 42,000	\$267,000
<u>TANGIBLE</u>			
Casing			
Surface 400' 13 3/8"	\$ 5,000	\$	\$
Inter. 2,500' 8 5/8" 24.0# J55STC	16,000		
1,700' 8 5/8" 32.0# J55STC	14,000		
Prod. 11,500' 5 1/2" 20.0# NBOLTC		60,000	
Tubing 11,300' 2 7/8" 6.5# NBOT&C		35,000	
Pumping equipment		60,000	
Wellhead & packer	6,000	7,000	
Tank battery & misc.		35,000	
Electric power installation		5,000	
TOTAL TANGIBLE	\$ 41,000	\$202,000	\$243,000
Contingencies	9,000	26,000	35,000
TOTAL	\$275,000	\$270,000	\$545,000

RECOMMENDED BY:

APPROVED BY:



Robert C. Leibrock

RIO PECOS CORPORATION
By: 

Scott E. Wilson, V. P.

Date: May 1, 1987

Date: July 17, 1987



YATES PETROLEUM CORPORATION

AUTHORITY FOR EXPENDITURE

207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

AFE # 87-064-0
REVISION #
DATE 6-26-87

LEASE NAME Burton AER Com #1 LOCATION 2400'/S & 1850'/E, Sec. 26-16-3
COUNTY Lea STATE New Mexico FIELD _____
HORIZON Strawn EST. T. D. 11800' EST. SPUD DATE _____
EST. COMPLETION DATE _____ DRILLING CONTRACTOR _____

PRIMARY OBJECTIVE: OIL GAS OIL AND/OR GAS
PURPOSE : DRILLING-NEW RECOMPLETION OTHER (SUPPLEMENTAL AFE, ETC.)
TYPE WELL : DEVELOPMENT EXPLORATION

INTANGIBLE COSTS:		DRY HOLE	COMPLETION
9210	STAKING PERMIT & LEGAL FEES	\$ 900	\$ 900
9211	LOCATION, RIGHT-OF-WAY	16000	16000
9212	DRILLING, FOOTAGE <u>11800'</u> @ <u>\$10.45/ft</u>	123310	123310
9213	DRILLING, DAYWORK <u>6 days</u> @ <u>\$3850/day</u>	23100	23100
9214	DRILLING WATER	12000	12000
9215	DRILLING MUD & ADDITIVES	24000	24000
9216	MUD LOGGING UNIT	7200	7200
9217	SURFACE & INT. CEMENT, CSG., TOOLS & SERVICES	25000	25000
9218	DRILL STEM TESTING	7800	7800
9219	ELECTRIC LOGS - OPEN HOLE	15000	15000
9220	TOOL & EQUIP. RENTAL, TRUCKING, WELDING	7200	7200
9221	SUPERVISION & OVERHEAD	15000	15000
9223	CORING, TOOLS & SERVICES	--	--
9224	BITS, TOOLS & SUPPLIES	300	300
9235	PRODUCTION CEMENT, CASING, TOOLS & SERVICES	--	15500
9222	CONTINGENCY	27000	29000
9241	COMPLETION UNIT	--	9000
9242	WATER FOR COMPLETION	--	1000
9243	MUD ADDITIVES FOR COMPLETION	--	500
9244	CEMENT, TOOLS, SERVICES & TEMP. SURV. FOR COMP.	--	3500
9245	ELECTRIC LOGS, PERFORATION TEST FOR COMPLETION	--	8000
9246	TOOLS, TRUCK, WELD. & EQUIP. RENTAL FOR COMP.	--	3000
9247	STIMULATION - COMPLETION	--	10000
9248	SUPERVISION & OVERHEAD - COMPLETION	--	4000
9249	ADDT'L LOCATION, ROAD WORK & SURFACE DAMAGES	--	2000
9251	BITS, TOOLS, ETC. PURCHASED FOR COMPLETION	--	1000
9250	CONTINGENCY - COMPLETION	--	4000
TOTAL INTANGIBLES		304310	367310

EQUIPMENT COSTS:			
9301	CHRISTMAS TREE AND WELL HEAD	1500	7500
9302	CASING <u>13-3/8" H-40 @450'</u>	6200	6200
9302	<u>8-5/8" J-55 32# @1300'</u>	31400	31400
9302	<u>5-1/2" N-80 17# @20# @11800'</u>	--	77400
9303	TUBING <u>2-7/8" 6.5# J-55 @11700'</u>	--	32000
9304	PACKER & SPECIAL EQUIPMENT	--	--
9350	CONTINGENCY	1900	7500
WELL EQUIPMENT		41000	162000

LEASE & BATTERY EQUIPMENT COSTS:			
9401	PUMPING EQUIPMENT	--	75000
9402	STORAGE <u>2-210b. welded tnk w/walkway+stair</u>	--	12000
9403	SEPARATION EQUIP., FLOWLINES, VALVES, FITTINGS	--	15000
9404	TRUCKING & CONSTRUCTION COSTS	--	22000
TOTAL LEASE & BATTERY EQUIP.		--	124000
TOTALS		345310	653310

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

<u>YATES PETROLEUM CORPORATION</u>	<u>DATE</u>	<u>SHARE</u>
BY <u>Albert A. Springer III</u>	_____	_____
BY <u>INEXCO OIL COMPANY</u>	_____	_____
BY <u>Gary B. McCreary, Vice President</u>	<u>September 15, 1987</u>	<u>*</u>

*Inexco Oil Company's share as set out in a Conditional Letter of Acceptance to Yates Petroleum Corporation, such letter being dated September 9, 1987, and accepted by Yates on September 15, 1987.