

Form 3811, Jan. 1978

● SENDER: Complete Items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)

- Show to whom and date delivered. ....
- Show to whom, date and address of delivery. ....
- RESTRICTED DELIVERY  
Show to whom and date delivered. ....
- RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery. \$ .....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:

Fern Cone  
3309 43rd  
Lubbock, Texas 79413

3. ARTICLE DESCRIPTION:

| REGISTERED NO. | CERTIFIED NO. | INSURED NO. |
|----------------|---------------|-------------|
|                | P335323629    |             |

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE  Addressee  Authorized agent

*Fern Cone*

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK  
5  
1987  
10/2/87

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

O/A-Erwin #1

☆ GPO : 1979-288-845

**P 335 323 629**

FOR CERTIFIED MAIL  
NOT FOR INTERNATIONAL MAIL  
See Reverse

Fern Cone  
3309 43rd  
Lubbock, Texas 79413

PS Form 3800, Apr 1977

TOTAL POSTAGE AND FEES  
POSTMARK OR DATE

10/2/87

Be Sure to pay  
Postage and Fees  
Case No. 33

Secretary  
GENERAL DIVISION

October 2, 1987

Ms. Fern Cone  
3309 43rd  
Lubbock, Texas 79413

RE: Proposed Devonian Test  
Erwin No. 1  
EAST MORTON PROSPECT  
Lea County, New Mexico

Dear Ms. Cone:

Mitchell Energy Corporation proposes the formation of a 324.08 acre working interest unit made up of Lots 1, 2, 3, 4 and S/2 N/2 Section 3, T-15-S, R-35-E, Lea County, New Mexico and the drilling of a well to test and evaluate the Devonian section at a depth of approximately 14,700'. The well would be located approximately 330' FNL and 1,800' FWL of Section 3.

The test well and subsequent operations within the proposed working interest unit will be governed by the terms of the enclosed AAPL 610-1982 Model Form Operating Agreement with COPAS 1984 Onshore Accounting Procedure designating Mitchell as Operator. At this time, we anticipate spud date on or before December 15, 1987.

According to our information, it appears the potential working interest parties and their respective interests within the proposed working interest unit will be as follows:

| <u>INTEREST OWNER</u>                      | <u>UNIT INTEREST</u> |
|--|----------------------|
| Mitchell Energy Corporation                | 0.6957136            |
| Kaneb Operating Company, Ltd.              | 0.2281226            |
| ARCO Oil and Gas Company                   | 0.0313965            |
| Fern Cone                                  | 0.0104167            |
| Douglas Cone                               | 0.0062500            |
| Clifford Cone                              | 0.0062500            |
| Kenneth Cone                               | 0.0062500            |
| James Reed McCrory                         | 0.0051839            |
| Estate of William Thomas<br>Reed, deceased | 0.0104167            |

We would appreciate your confirmation of the above interest.

Enclosed herewith are duplicate copies of the AFE Cost Estimates for Dry Hole Costs and Completed Well Costs. If you elect to participate in drilling the proposed well, please execute and return one (1) copy of each of the AFE Cost Estimates. At such time as all participants are known, we will provide you with Exhibit "A" pages to the Operating Agreement reflecting the participants, working interests, leases and interests to be committed to the agreement and appropriate execution by Mitchell Energy.

Should you elect not to participate in the subject well, Mitchell hereby offers to lease your interest in Lots 1, 2, 3, 4 and S/2 N/2 Section 3 for \$200.00 per acre bonus, 1/4 royalty, for a three (3) year term and \$1.00 per acre annual rentals on the attached lease form. If you are in agreement to lease please advise and we will forward a draft and leasing instructions.

We would appreciate your early response so we may proceed with our drilling plans and completion of the Joint Operating Agreement.

Very truly yours,

MITCHELL ENERGY CORPORATION

Joe R. Lazenby  
District Landman

JRL/jm

Enclosures

AUTHORITY FOR EXPENDITURE (AFE) COST ESTIMATE

| <u>Type Project (check 1 only)</u>   |                                    |  |
|--------------------------------------|------------------------------------|--|
| <input type="checkbox"/> Exploratory | <input type="checkbox"/> Injection | <input type="checkbox"/> Water Supply                                |
| <input type="checkbox"/> Development | <input type="checkbox"/> Disposal  | <input checked="" type="checkbox"/> Depth <u>14,700'</u><br>Devonian |

|  |                              |                                 |                                 |
|--|------------------------------|---------------------------------|---------------------------------|
| Form B-1   | <input type="checkbox"/> Add | <input type="checkbox"/> Change | <input type="checkbox"/> Delete |
| AFE Number _____   |                              |                                 |                                 |
| Property/Well Name <u>Erwin No. 1</u><br>(East Morton Field) |                              |                                 |                                 |
| Project Description <u>Drill</u>                             |                              |                                 |                                 |
| Net Working Interest <u>-----</u>                            |                              |                                 |                                 |

|                                   |
|-----------------------------------|
| Group Code _____                  |
| Location Code _____               |
| Department Number _____           |
| County <u>Lea</u> St. <u>N.M.</u> |
| Operator <u>MEC</u>               |

|  |
|--|
| Estimated Date Project Will Be Completed _____ (Mo./Yr.) |
|--|

| DRILLING COSTS                                    | Amount      |
|---|-------------|
| <u>INTANGIBLE</u>                                 |             |
| 10 Dry Hole Abandonment                           | _____       |
| 11 Rig Mobilization and Demobilization            | _____       |
| 12 Power and Fuel                                 | _____       |
| 13 Water  | 9,000       |
| 14 Solids Control Equipment Rental                | _____       |
| *15 Directional Equipment and Services            | _____       |
| 16 Fishing Tools and Services                     | _____       |
| 17 Subsurface Casing Equipment                    | 4,000       |
| 18 Contract Labor and Services                    | 16,000      |
| 19 Supervision - Company and/or Contract          | 8,400       |
| 50 Road and Site Preparation                      | 25,000      |
| 51 Footage Contract Fee                           | 280,000     |
| 52 Daywork Contract Fee                           | 25,200      |
| 53 Mud and Chemicals                              | 40,000      |
| 54 Bits and Reamers                               | _____       |
| 55 Drilling Tool and Equipment Rental             | 4,500       |
| 56 Cement and Cement Services                     | 22,100      |
| *57 Open Hole Logging-Testing                     | 45,000      |
| *58 Drill Stem Testing                            | 12,700      |
| 59 Coring and Analysis                            | _____       |
| 60 Transportation                                 | 5,000       |
| 61 Air/Marine Transportation                      | _____       |
| 63 Overhead                                       | 10,000      |
| 64 Insurance                                      | _____       |
| 65 Company Labor and Services                     | _____       |
| *66 Prospect Generation                           | 10,000      |
| 67 Miscellaneous Services and Contingency         | 53,100      |
| <br>TOTAL INTANGIBLE COSTS                        | <br>570,000 |
| <br><u>TANGIBLE</u>                               |             |
| 21 Casing-Drive Pipe & Conductor <u>16" - 60'</u> | _____       |
|   | 2,500       |
| 40 Casing - Surface <u>13-38" - 400'</u>          | 8,400       |
| 41 Casing - Intermediate <u>8-5/8" - 6000'</u>    | 80,000      |
| 42 Casinghead Equipment (Including Valves)        | 4,000       |
| 43 Casing Spool (Including Valves)                | _____       |
| 44 Miscellaneous Equipment                        | 5,100       |
| <br>TOTAL TANGIBLE COSTS                          | <br>100,000 |
| <br>TOTAL DRILLING (DRY HOLE) COSTS               | <br>670,000 |

\* Invalid for disposal and water supply wells.

MEDC 252-02

APPROVED - FERN CONE

BY: \_\_\_\_\_

G.W.I.-0.0104167

Prepared By: \_\_\_\_\_

CSA:ff

Rev. 4/29/85

Date Prepared: \_\_\_\_\_

6-17-87

Type Project (check 1 only)

- Exploratory       Recompletion (Zone Change Only)       Disposal  
 Development       Plug and Abandon (Previously Producing Well)      Depth 14,700  
 Injection       Water Supply

Form B-2       Add       Change       Delete

Group Code \_\_\_\_\_

AFE Number \_\_\_\_\_

Location Code \_\_\_\_\_

Property/Well Name Erwin #1

Department Number 730

Project Description Complete

County Lea St. NM

Net Working Interest 1.00 \_\_\_\_\_

Operator Mitchell Energy Corp

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

COMPLETION COSTS

INTANGIBLE

|   | <u>Amount</u> |
|---|---------------|
| 22 Overhead                               | \$3,000       |
| 23 Company Labor and Services             |               |
| 24 Contract Labor and Services            | 35,000        |
| 25 Air/Marine Transportation              |               |
| 26 Other Transportation                   | 11,000        |
| 27 Plugging and Abandonment               |               |
| 28 Rig Mobilization and Demobilization    |               |
| 29 Supervision - Company and/ or Contract | 4,000         |
| 30 Site Preparation and Clean-up          | 4,000         |
| 31 Subsurface Casing Equipment            | 4,000         |
| 32 Squeeze Cement and Service             |               |
| 33 Completion Fluids                      | 3,000         |
| 34 Pump Truck Services                    | 2,000         |
| 35 Rental Tools                           | 15,000        |
| 36 Bits and Reamers                       |               |
| 37 Insurance                              |               |
| 38 Wireline Services                      |               |
| 39 Fishing Tools and Services             |               |
| *53 Tertiary Injectants                   |               |
| 68 Fencing                                | 500           |
| 83 Daywork Contract Fee                   | 15,000        |
| 84 Cement and Cement Services - Primary   | 20,000        |
| 85 Acidizing and Fracturing               | 10,000        |
| *86 Cased Hole Logging and Perforating    | 15,000        |
| 94 Miscellaneous Services and Contingency | 7,500         |

TOTAL INTANGIBLE COSTS 149,000

TANGIBLE

|   |         |
|---|---------|
| 69 Tubinghead Equipment (Including Valves)                          | 4,500   |
| 70 Casing-Production and/or Liner <u>14,700' 20#/ft 5 1/2" N-80</u> | 160,800 |
| 71 Tubing <u>14,500' 2 7/8" N-80 6.5#/ft</u>                        | 62,500  |
| 72 Packers and Subsurface Equipment                                 |         |
| 73 Production Tree (Including Valves)                               |         |
| 74 Storage Tanks <u>2-400 bbl steel &amp; 1-400 bbl fiberglass</u>  | 11,000  |
| 75 Separating Equipment   |         |
| 76 Treating Equipment <u>4' x 20' heater treater</u>                | 7,000   |
| 77 Artificial Lift Equipment  | 110,000 |
| 78 Line Pipe  | 2,000   |
| 79 Valves and Fittings Beyond Wellhead                              | 4,000   |
| 80 Miscellaneous Equipment  | 4,200   |
| 81 Platform and Structures  |         |
| 82 Metering Equipment   |         |
| 87 Pumps  |         |
| 90 Electrical Equipment   |         |
| 91 Instrumentation Equipment  |         |
| 96 Dehydrators and Dryers   |         |
| TOTAL TANGIBLE COSTS  | 366,000 |

TOTAL COMPLETION COSTS 515,000

\* Invalid for disposal and water supply wells.