

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals, and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

Form C-102

Revised August 15, 2000

Submit to Appropriate District Office

State Lease - 4 copies

Fee Lease - 3 copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

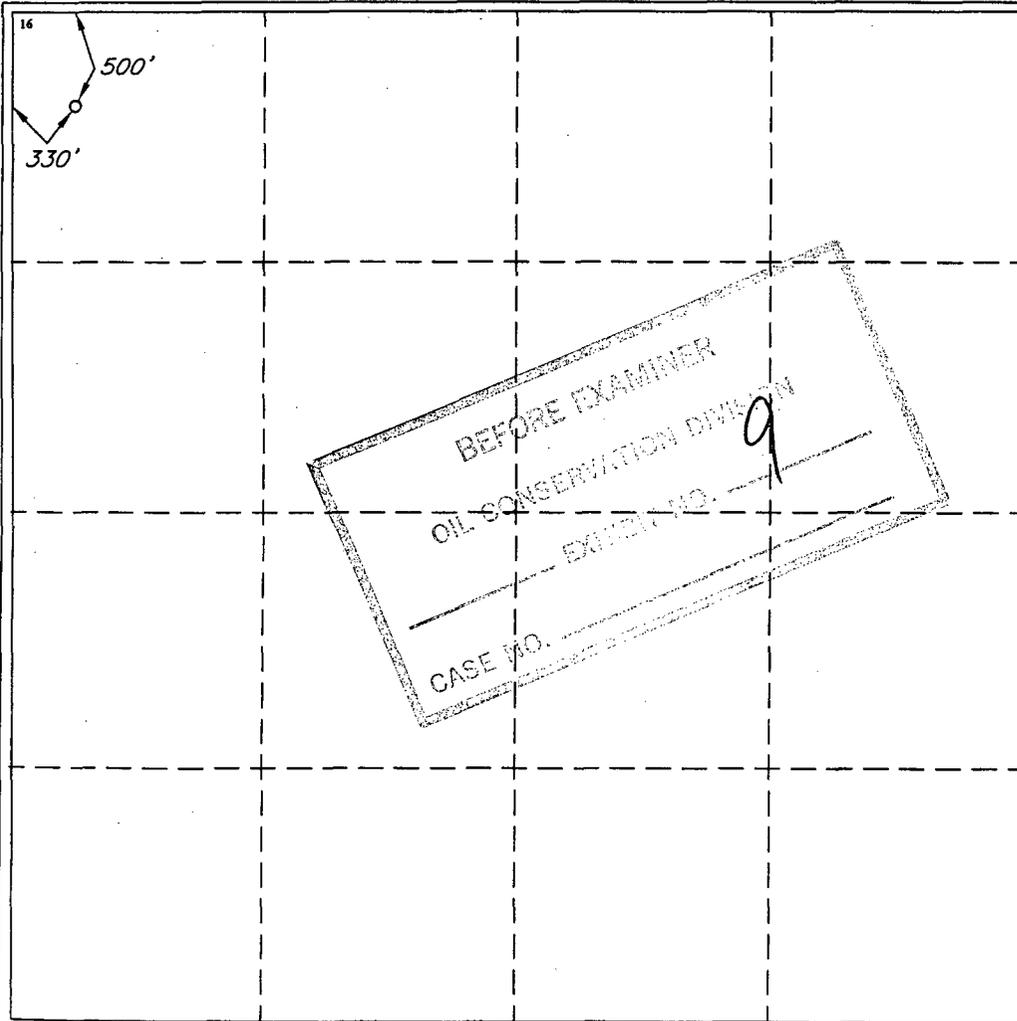
¹ API Number		² Pool Code		³ Pool Name		
⁴ Property Code		⁵ Property Name WHITE OWL			⁶ Well Number 1	
⁷ OGRID No.		⁸ Operator Name CAPATAZ OPERATING COMPANY			⁹ Elevation 3573'	

¹⁰ Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	2	20 SOUTH	38 EAST, N.M.P.M.		500'	NORTH	330'	WEST	LEA

¹¹ Bottom Hole Location If Different From Surface									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Printed Name

Title

Date

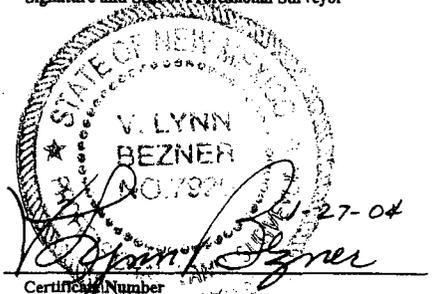
¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JANUARY 22, 2004

Date of Survey

Signature and Seal of Professional Surveyor



Certification Number

V. L. BEZNER R.P.S. #7920

JOB # 92448 / 70 SE / E.U.O.



Proposal for Directional/Horizontal Drilling Services

Prepared for Scott Davis

Capataz Operating

White Owl #1
Lea County, New Mexico

January 28, 2004
Proposal # 01280402002RS

PathFinder Planning Report

Company: Capataz Operating, Inc. Field: White Owl Site: White Owl #1 Well: #1 Wellpath: Original Planned Hole	Date: 1/28/2004 Co-ordinate(NE) Reference: Site: White Owl #1, True North Vertical (TVD) Reference: SITE 0.0 Section (VS) Reference: Site (0.00N,0.00E,0.00Azi) Plan: Plan #1 1/28/04	Time: 10:13:21 Page: 1
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Field: White Owl Lea County, New Mexico Map System: US State Plane Coordinate System 1927 Geo Datum: NAD27 (Clarke 1866) Sys Datum: Mean Sea Level	Map Zone: New Mexico, Eastern Zone Coordinate System: Site Centre Geomagnetic Model: igrf2000
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Site: White Owl #1
 Sec. 2 T-20-S & R-38-E Lea County N.M.

Site Position:	Northing: 547580.57 ft	Latitude: 32 30 0.000 N
From: Geographic	Easting: 859694.77 ft	Longitude: 103 10 0.000 W
Position Uncertainty: 0.00 ft		North Reference: True
Ground Level: 0.00 ft		Grid Convergence: 0.63 deg

Well: #1	Slot Name:
Well Position: +N/-S 0.00 ft	Latitude: 32 29 59.999 N
+E/-W 0.00 ft	Longitude: 103 9 59.999 W
Position Uncertainty: 0.00 ft	

Wellpath: Original Planned Hole	Drilled From: Surface
Current Datum: SITE	Tie-on Depth: 0.00 ft
Magnetic Data: 10/24/2003	Above System Datum: Mean Sea Level
Field Strength: 49759 nT	Declination: 8.47 deg
Vertical Section: Depth From (TVD)	Mag Dip Angle: 60.78 deg
ft	ft
+N/-S	+E/-W
ft	ft
0.00	0.00
0.00	0.00
0.00	0.00
0.00	0.00

Plan: Plan #1 1/28/04	Date Composed: 1/28/2004
Principal: Yes	Version: 1
	Tied-to: From Surface

Plan Section Information

MD ft	Incl deg	Azlm deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4500.00	0.00	0.00	4500.00	0.00	0.00	0.00	0.00	0.00	0.00	
5046.59	13.66	180.00	5041.42	-64.87	0.00	2.50	2.50	0.00	0.00	
5944.22	13.66	180.00	5913.64	-276.93	0.00	0.00	0.00	0.00	0.00	
6034.58	15.92	180.00	6001.00	-300.00	0.00	2.50	2.50	0.00	0.00	Objective #1
6763.55	15.92	180.00	6702.00	-500.00	0.00	0.00	0.00	0.00	0.00	Objective #2
7905.36	15.92	180.00	7800.00	-813.27	0.00	0.00	0.00	0.00	0.00	PBHL 7800 TVD

Section 1 : Start Hold

MD ft	Incl deg	Azlm deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4500.00	0.00	0.00	4500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Section 2 : Start Build 2.50

MD ft	Incl deg	Azlm deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
5046.59	13.66	180.00	5041.42	-64.87	0.00	-64.87	2.50	2.50	0.00	0.00

Section 3 : Start Hold

MD ft	Incl deg	Azlm deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
5944.22	13.66	180.00	5913.64	-276.93	0.00	-276.93	0.00	0.00	0.00	0.00



Proposal for Horizontal / Directional Drilling Services

Date: 01/28/04

Proposal: 01280402002RS

Horizontal Package / Directional Operating Day Rate

\$5100.00 Per day

The operating day rate includes:

- Directional driller , Positive Displacement Motors
- Positive Pulse MWD system MWD engineer (1)
- Monel collars, Float Sub(s)
- Well Planning & Post Well Analysis
- Direct Satellite system (E-Mail Only)

Daily Stand by Rate

\$2800.00 Per day

The following charges are not included in the day rate :

MWD or PDM insurance (below rotary) If accepted (\$200 MWD- \$150 Motor)	\$350.00 Per day
Gamma	\$500.00 Per day
Second Directional Driller (⊗ Required for Horizontals Well)	\$750.00 Per Day
Transportation of equipment and 3 rd party charges	Billed to Operator or At Cost +10%
Transportation of personnel (2 way Portal to Portal closest PathFinder Office)	\$1.50 per mile
PDM Redress charge per motor	\$650.00
Lodging (unless provided by Operator)	Furnished by Operator
Per diem per person	\$45.00
Drill pipe screens (if damaged beyond repair)	\$500.00
Float Valve repair kits (if used)	\$110.00
Steel Connection Inspection (per end inspected)	\$35.00 per end
Non-Mag Inspection (per end inspected)	\$85.00 per end
Damages and recuts	At Cost

Excessive Damage / Damage Beyond Repair

Billed at cost.

Equipment is inspected after each job and the cost is rebilled to Operator. The Operator will only be responsible for repair charges for damage beyond normal wear and tear. Normal wear & Tear is defined as a condition which can be repaired by regular and routine maintenance. Examples of excessive damage are cases where connections are damaged, erosion occurs due to high mud solids content, components are broken or worn well beyond useful service life due to abnormal drilling conditions or fishing and down hole rotor & stator are damaged due to use in air-foam-mist, Salt-saturated or oil based mud's. Charges to repair tools and replace parts damaged beyond repair will be rebilled to Operator. Charges for inspections & common repairs are listed in the proposal.



**Capataz Operating Company
White Owl #1
MWD/LWD/Directional Terms & Conditions**

- ❖ Charges for Lost-in-Hole coverage and equipment begin when they go below rotary table and end when the tools are laid down. M/LWD personnel and Directional Drillers are charged portal-to-portal.
 - ❖ A five-day minimum charge will apply to any/all M/LWD services. Tools on location for any part of a calendar day (beginning at midnight) will be charged at the full daily operating rate.
 - ❖ Maximum pressure rating is 20,000 psi, regardless of mud weight. Although we have *survived* successfully in conditions exceeding this engineered limit, we cannot guarantee the performance of our tool string above this limit.
 - ❖ Damages to tools while in transit to/from location or while on location will be billed at LIH replacement costs. *(Please refer to the LIH Replacement Guidelines included in this proposal)*
 - ❖ Temperature limits for the HDS1 MWD system and standard Tracker MWD system are 270° F circulating (302° F static). Damages to tools caused by excessive temperature will be billed at LIH replacement costs.
 - ❖ Service charges for M/LWD equipment stuck in the hole will continue at the full rate. A replacement tool will be dispatched as soon as practically possible. *(Please refer to the LIH Replacement Guidelines included in this proposal)*
 - ❖ Standby charges for Directional/MWD services will be billed at our discounted daily operating rate per proposal. Standby charges for LWD services will be billed at the full daily operating rate. The daily crew rate will apply until they are released and return to PathFinder Operations location.
 - ❖ Excess equipment, defined as more than two tools per service on location for more than 3 days, either through the client's request or downsizing, will be charged at their full operating day rate.
 - ❖ In the event tools are returned to PathFinder in conditions deemed "unusable" due to blockages caused by LCM, debris, etc., a special cleaning charge will be assessed.
 - ❖ Third party charges will be direct billed to Company.
 - ❖ Companies requiring DS-1 inspections will be charged a mobilization fee of \$875.00 per tool inspected, whether the tools are used or not. The inspecting company will direct bill customer for inspection.
 - ❖ Services not itemized in this proposal will be billed according to the PathFinder 2003 Price Book less any negotiated discounts.
 - ❖ Payment terms are net 30 days with a 1.5% per month interest charge added to any unpaid balances extending beyond 60 days.
 - ❖ Services are contingent upon availability of tools and engineers.
 - ❖ Prices contained in this proposal are valid for 30 days. PathFinder reserves the right to revise prices after 30 days if this proposal is not accepted. Any well delayed more than 60 days from the original spud date extending beyond the expiration of this pricing agreement will require updated pricing.
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Commitment to Safety and Performance

During your review of PathFinder capabilities, please consider our continual improvement process and diligent efforts to be the best LWD provider along the TX and LA Gulf Coast.

PathFinder Energy Services is proud to provide you with our most current safety performance indicators:

EMR = .70

and

TRIR = .51

Ken Mabry (our HSE Director) can be reached at 713-996-1281 with any questions or comments relating to safety on *your* project.