KELLAHIN & KELLAHIN Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas lawNew Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285 Facsimile 505-982-2047 kellahin@earthlink.net

July 21, 2004

VIA FACSIMILE 476-3462

Mr. Mark E. Fesmire, Director Oil Conservation Division 1220 South Saint Francis Drive Santa Fe, New Mexico 87505

Re: Request for Continuance

NMOCD Case 13310-La Rica "13" Well No. 4 NMOCD Case 13311-La Rica "13" Well No. 3 NMOCD Case 13312-La Rica "13" Well No. 2

Dear Mr. Fesmire:

This morning, I received from Mr. Stogner a copy of an objection letter written by Jo McInernay on behalf of Mr. Frank Morgan but was not copied to me by Mr. Morgan despite his receipt of my notice of hearing on July 8, 2004. Mr. Stogner's timely procedural action saved my client the unnecessary expense of attending a hearing that is now opposed.

On behalf of the applicant, and in order to have time to address this objection, I request that these three-referenced case be continued from the July 21, 2004 docket to the August 5, 2004 docket.

 ψ

Facsimile:

Michael E. Stogner-OCD-Hearing Examiner Chesapeake Operating Inc.

omas Kellahin

Attn: Lynda Townsend

CC: Mr. Frank Morgan

RECEIVED

Jo McInerney, LLC Consulting Landman

1205 West 7th Street Roswell, New Mexico 88201 505-622-9120 JUL 1 9 2004

OIL CONSERVATION

DIVISION

July 15, 2004

Oil Conservation Division Attn: The Examiner 1220 South Saint Francis Drive Santa Fe, New Mexico 87505

RE: Case #13310 - July 22, 2004

Application of Chesapeake Permian L.P.

For Compulsory Pooling

T19S, R33E, Section 13: NW/4SE/4

Lea County, New Mexico

Dear Examiner:

I work with Frank Morgan who is an interest owner under the referenced property. Mr. Morgan asked me to look at the Compulsory Pooling Application from Chesapeake Permian L.P. ("Chesapeake") and asked if he should do anything.

Mr. Morgan advised that he has never been contacted by Chesapeake to make any voluntary agreement on his interest as they state in their Application.

The only notice he has received about drilling this well has been from Nearburg Exploration Company, LLC ("Nearburg"), where they sent him three AFE's for his execution covering three separate locations including the location referenced above.

Since Mr. Morgan's interest is very small, he did not feel he could justify a trip to Santa Fe where he would probably not be seriously considered given the percentage interest he holds. However, we both felt that the OCD should at least review the information Mr. Morgan has received since it is unclear who is trying to operate and drill these wells. In addition, the OCD should be aware that no contact was made to Mr. Morgan to enter into a voluntary agreement, and as you can see, Nearburg advised that "after" the AFE's were executed they would provide a Joint Operating Agreement which is contrary to prudent operations.

We believe when you review the enclosed correspondence and information, you cannot help but question this situation.

- 1) Which company is actually operating?.
- 2) How can the company ask a potential working interest owner to participate without a Joint Operating Agreement?
- 3) What voluntary agreements were submitted to the interest owners?
- 4) Was proper notice given?

Mr. Morgan understands that he has a minor interest. However, his interest should not just be forced pooled without any effort being made on the part of the potential operator to work out an agreement for this interest before compulsory pooling is approved.

Thank you for your attention.

Jo McInerney

Contract Landman

Enc.

KELLAHIN & KELLAHIN Attorney at Law

W. Thomas Kellahin Recognized Specialist in the Area of Natural Resources-oil and gas law-New Mexico Board of Legal Specialization P.O. Box 2265 Santa Fe, New Mexico 87504 117 North Guadalupe Santa Fe, New Mexico 87501

Telephone 505-982-4285 Facsimile 505-982-2047 kellahin@earthlink.net

June 29, 2004

CERTIFIED MAIL-RETURNED RECEIPT REQUESTED

TO: NOTICE OF THE HEARING OF THE FOLLOWING NEW MEXICO OIL CONSERVATION DIVISION CASE:

Re: Application of Chesapeake Permian, L.P. for Compulsory Pooling,
Lea County, New Mexico

On behalf of Chesapeake Permian, L.P., please find enclosed our application for an compulsory pooling order for the NW/4SE/4 (Unit J) of Section 13, T19S, R33E to the dedicated to its La Rica "13" Federal Well No. 4 which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for July 22, 2004. The hearing will be held at the Division hearing room located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.

You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant Division Rule 1208.B, parties appearing in cases are required to file a Pre-Hearing Statement with the Division not later than 5:00 PM on Friday, July 16, 2004, with a copy delivered to the undersigned. This statement must include: the names of all witnesses the party will call to testify at the hearing; the approximate time of the party will need to present its case, and identification of any procedural matters that are to be resolved prior the hearing. In addition, the Division will impose a 200% risk charge unless you declare in this Pre-Hearing Statement you intention to oppose it. Please note that the burden of proof as to this issue will be yours.

W. Thomas Kellahin

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF CHESAPEAKE PERMIAN, L.P. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

CASE NO.

APPLICATION

CHESAPEAKE PERMIAN, L.P. ("Chesapeake") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the NW/4SE/4 of Section 13, T19S, R33E, NMPM, Lea County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any production for any and all formations/pools developed on 40-acre spacing within that vertical extent, including but not limited to the Tonto Pool. This unit is to be dedicated to its La Rica "13" Federal Well No. 4 that is to be drilled at a standard well location Unit J of this section. Also to be considered will be the costs of the drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and, pursuant to Commission Order R-11992, a risk charge of 200% for the risk involved in this well.

In support of its application Chesapeake states:

- (1) Chesapeake, as successor in interest to Concho Exploration Inc., is a working interest ownership in the oil and gas minerals underlying the NW/4SE/4 of Section 13, T19S, R33E, NMPM, Lea County, New Mexico, to be dedicated as a standard 40-acre oil proration and spacing unit for its La Rica "13" Federal Well No. 4 located in Unit J of this section.
- (2) On June 5, 2003, Concho Oil & Gas LP as the operating company for Concho Exploration Inc., sent to all working interest owners (See Exhibit "A" attached) its written well proposal, including an AFE, for its La Rica "13" Federal Well No. 3 to be drilled at a standard well location in Unit J of Section 13, T19S, R33E, Lea County, New Mexico and dedicated to the NW/4SE/4 of this section.

NMOCD Application Chesapeake Permian, L.P. -Page 2_

(3) Despite reasonable efforts, Concho was unable to conclude a voluntary agreement with those parties listed on Exhibit "A"

- Collect
- (4) Effective March 10, 2004, Concho Exploration Inc., Concho Oil & Gas LP, Concho Resources GP LLC and Concho Resources LP LLC were merged into Chesapeake Permian, L.P.
- (5) Pursuant to Commission Order R-11992, effective August 15, 2003, Chesapeake requests that the 200% risk charge be applied.
- (6) This spacing unit is within the Tonto-Seven Rivers Pool and subject, among other things, to Division Rule 104 providing for standard 40-acre spacing unit and locations not closer than 330 feet to
- (7) Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Chesapeake needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
- (8) In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for July 22, 2004.

WHEREFORE, Chesapeake, as applicant, requests that this application be set for hearing on July 22, 2004 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for this well at a standard well location upon terms and conditions which include:

- (1) Chesapeake Operating, Inc. be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of re-entering, completing, equipping and operating the well;

NMOCD Application Chesapeake Operating, Inc. Page 3

- (3) In the event a mineral interest or working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS
- (5) For such other and further relief as may be proper.

RESPECTIVILLY SUBMITTED

W THOMAS KELLAHIN KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87504

Telephone:

(505) 982-4285

Fax:

(505) 982-2047

Frank S & Robin L Morgan Rt. 1 Box 83 Artesia, NM 88210

Hutchings Oil Company c/o Stratton & Calvin PA PO Box 1216 Albuquerque, NM 87103

Susan Scott Murphy 800 North Penn Roswell, NM 88201

Duran Properties LLC 1909 West 4thStreet Roswell, NM 88201

Mor Oil Co, Inc. 135 Cottonwood Artesia, NM 88210

Red Oak Cattle Company PO Box 998 Ardmore, OK 73402

The Estate of Kenneth D Reynolds PO Box 1498 Roswell, NM 88202



Nearburg Exploration Company, L.L.C.

Exploration and Production 3300 North "A" Street Building 2, Suite 120 Midland, Texas 79705 432/686-8235 FAX: 432/686-7806

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

June 7, 2004

TO ALL WORKING INTEREST OWNERS: (See Distribution List)

RE:

La Rica "13" Federal #2

990' FSL and 1,980' FWL of Section 13

La Rica "13" Federal #3

1,780' FSL and 1,980' FWL of Section 13

La Rica "13" Federal #4

1,650' FSL and 1,980' FEL of Section 13

T-19-S, R-33-E

Lea County, New Mexico

Stetson Prospect

Dear Working Interest Owner:

Attached please find two sets of Authority for Expenditure's ("AFE") for the captioned wells. Nearburg Exploration Company, L.L.C. ("NEC") proposes to drill each of these wells to a depth of 4,000', testing the Yates/7 Rivers formation. We are proposing and intend to drill all three wells using the same rig. Nearburg Producing Company ("NPC") will be the operator and would like to commence the wells by July. We would appreciate your prompt response to the enclosed AFE's. Upon your execution of same, we will send out a Joint Operating Agreement for approval and execution.

, Chexapeance

If you elect to participate, please execute and return one original AFE. Should you elect not to participate, NEC desire to acquire a mutually acceptable term assignment of your interest covering the three 40 acre tracts proposed to be drilled on.

Thank you for your cooperation and prompt respnse. If you have any questions, please feel free to contact me at (432) 686-8235, ext. 214.

Yours truly,

Bob Shelton Land Manager

BS/dw encl.

cc:

Fred White Duane Davis Kathie Craft Tonact Confect made La Rica "13" Federal #2
990' FSL and 1,980' FWL of Section 13
La Rica "13" Federal #3
1,780' FSL and 1,980' FWL of Section 13
La Rica "13" Federal #4
1,650' FSL and 1,980' FEL of Section 13
T-19-S, R-33-E
Lea County, New Mexico
Stetson Prospect

Cheasapeake Permian L.P.	74.3647654
P. O. Box 18496	
Oklahoma City, OK 73154	
Scott Exploration Inc.	3.4558572
Susan Scott Murphy	0.5647056
George L. Scott, III	0.5647056
Warren Scott	0.5647056
648 Petroleum Bldg.	
Roswell, New Mexico 88201	
Williamson Enterprises	0.4411758
216 W. 3 rd Street	
Roswell, New Mexico 88201	
Stephen Mitchell	0.4235292
C/O Murchison Oil & Gas	
414 W. Texas, Suite 405	
Midland, Texas 79701	
Harold Kious	0.352941
320 Gold Ave. SW #1210	
Albuquerque, New Mexico 87102-3248	
Frank S. and Robin L. Morgan	0.2823528
Moroilco, Inc.	0.5647056
135 W. Cottonwood Road	•
Artesia, New Mexico 88210	
Mr. Bane Bigby	
Red Oak Cattle Company	0.2823528
P. O. Box 998	
Ardmore, OK 73402	
Sealy Hutchings Cavin, Inc.	0.5647056
504 N. Wyoming Ave.	
Roswell, New Mexico 88201	

Nuevo Seis, L.P. Barbara Hannifin, President Box 2588 Roswell, New Mexico 88202	0.1411764	
David J. Sorenson P. O. Box 1453 Roswell, New Mexico 88210	2.823528	
Daniel W. Varel (recently deceased) 8647 Lakemont Drive (home) Dallas, Texas 75209-1707 c/o Bright & Bright, L.P. (wk) 5944 Luther Lane, Suite 600 Dallas, Texas 75225	1.764705	
Eloy S. Duran P. O. Box 1854 Roswell, New Mexico 88201	1.411764	
S.H. Cavin 504 N. Wyoming Ave. Roswell, New Mexico 88201	1.200000	
Hutchings Oil Company C/O Sealy H. Cavin, Jr. P. O. Box 1216 Albuquerque, New Mexico	0.8470584	
Kenneth D. Reynolds P. O. Box 2055 Roswell, New Mexico 88201	0.8470584	
Total Working Interest	91.4617924	
NEC Interest	8.5382076	
TOTAL WORKING INTEREST	100.000000	

LEASE: La Rica 13 Federal

WELL NUMBER: 2

TD:

4000

LOCATION: 990' FSL & 1,980' FWL, Section 13, T-19-S, R-33-E, Lea County, NM

FIELD: Wildcat

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	<u>s:</u>		CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	0 Ft	t @ 0.00	\$/Ft 1526:365	0	NA.	0	0
Surface Csg	1,550 Ft	t @ 15.00	\$/Ft 1520.316	23,250	NA	0	23,250
Intermediate Csg	0 Ft	t @ 0.00	\$/Ft #520,345	0	MA	0	0
Protection Csg	0 Ft	t @ 0.00	\$/Ft #220.920	0	NA.	0	0
Production Csg	4,000 Ft	t @ 6.00	\$/Ft NA	0	1522.325	24,000	24,000
Protection Liner	0 Ft	t @ 0.00	\$/Ft 1620.330	0	NA	0	0
Production Liner	0 Ft	t @ 0.00	\$/Ft NA	0	1522.335	0	0
Tubing	3,600 Ft	t @ 3.00	\$/Ft NA	0	1522 340	10,800	10,800
Rods	3,600 Ft	t @ 2.50	\$/Ft NA	0	1522.345	9,000	9,000
Artificial Lift Equipm	nent		NA	0	1522.350	20,000	20,000
Tank Battery			NA	0	1522.355	21,000	21,000
Separators/Heater	Treater/Ga	as Units/FWKC) да	0	1522 360	4,000	4,000
Well Head Equipme	ent & Chris	stmas Tree	1520.365	1,500	1922-365	2,000	3,500
Subsurface Well E	quipment		NA	0	1522,370	1,500	1,500
Flow Lines & Pipe	Lines		NA	0	1522,375	0	0
Saltwater Disposal	Pump		NA.	0	1522 391	0	0
Gas Meter			NA.	0	1522.385	0	0
Lact Unit			NA	0	1522,382	0	0
Vapor Recovery U	nit		NA	0	1522,389	0	0
Other Well Equipm	ent		NA.	0	1522 380	0	0
ROW and Damage	es		NA	0	1522.393	0	0
Surface Equipment	t Installatio	on Costs	NA	0	1522,396	10,000	10,000
Elect. Installation			N/A	0	1522,397	6,000	6,000
ESTIMATED TOTA	AL TANGI	BLES		24,750		108,300	133,050
ESTIMATED TOTA	AL WELL	COSTS		192,010		193,980	 385,990

NPC APPROVAL	DATE
PREPARED BY: HRW	04/02/04
REVIEWED BY:	
APPROVED BY:	
APPROVED BY:	

WI APPROVAL:	COMPANY	
	BY	
	TITLE	
	DATE	

LEASE: La Rica 13 Federal

WELL NUMBER: 3

TD:

4000

LOCATION: 1,780' FSL & 1,980' FWL, Section 13, T-19-S, R-33-E, Lea County, NM

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	<u>s:</u>		CODE	TO CSG PT	CODE	COMPLETION		TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520:365	0	NA.	0		0
Surface Csg	1,550 Ft @	15.00 \$/Ft	1520,310	23,250	NA	0	•	23,250
Intermediate Csg	0 Ft @	0.00 \$/Ft	1520,315	0	NA	0		0
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA.	0		0
Production Csg	4,000 Ft @	6.00 \$/Ft	NA.	0	1522.325	24,000		24,000
Protection Liner	0 Ft@	0.00 \$/Ft	1520,330	0	NA.	0		0
Production Liner	0 Ft@	0.00 \$/Ft	MA	0	1522,385	0		0
Tubing	3,600 Ft@	3.00 \$/Ft	NA.	0	1522 340	10,800		10,800
Rods	3,600 Ft @	2.50 \$/Ft	NA.	0	1522.345	9,000		9,000
Artificial Lift Equipn	nent		MA	0	1592,350	20,000		20,000
Tank Battery			МА	0	1522,355	21,000		21,000
Separators/Heater	Treater/Gas Un	its/FWKO	MA.	0	1922 360	4,000		4,000
Well Head Equipme	ent & Christmas	Tree	1520.365	1,500	1522 365	2,000		3,500
Subsurface Well E	quipment		MA	0	1522,370	1,500		1,500
Flow Lines & Pipe	Lines		A/A	0	1522,375	0		0
Saltwater Disposal	Pump		N4	. 0	1522 391	0		0
Gas Meter			NA	0	1922.385	0		0
Lact Unit			5/A	0	1522.387	0		0
Vapor Recovery U	nit		AA	0	1522,389	0	Ì	0
Other Well Equipm	ent		NA.	0	1522 300	0		0
ROW and Damage	es		NA	0	1522.393	0		0
Surface Equipment	t Installation Co	sts	NA	0	1527,395	10,000		10,000
Elect. Installation			NA	0	1522.397	6,000		6,000
]	
ESTIMATED TOTA	AL TANGIBLES	5		24,750		108,300]	133,050
							}	
ESTIMATED TOTA	AL WELL COS	TS		192,010		193,980	<u> </u>	385,990

NPC APPROVAL	DATE
PREPARED BY: HRW	04/02/04
REVIEWED BY:	
APPROVED BY:	
APPROVED BY:	

WI APPROVAL:	COMPANY	
	BY	
	TITLE	
	DATE	

LEASE: La Rica 13 Federal

WELL NUMBER: 4

TD:

4000

LOCATION: 1,650' FSL & 1,980' FEL, Section 13, T-19-S, R-33-E, Lea County, NM

FIELD: Wildcat

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

TANGIBLE COST	<u>S:</u>			Ç)DE	TO CSG PT	CODE	COMPLETION		TOTAL WELL
Conductor Casing	 O F	Ft @	0.00	5/Ft 152	0.805	0	NA.	0		0
Surface Csg	1,550 F	Ft @	15.00 \$	i/Ft	0.210	23,250	NA	0		23,250
Intermediate Csg	0 F	Ft @	0.00	/Ft 🙀	0,395	0	NA.	0		0
Protection Csg	0 F	Ft @	0.00	5/Ft ##2	0.320	0	NA	0		0
Production Csg	4,000 F	Ft @	6.00	i/Ft	VA.	0	1522.325	24,000		24,000
Protection Liner	0 F	Ft @	0.00	S/Ft 950	0.330	0	NA	0		0
Production Liner	0 F	Ft @	0.00	S/Ft	ya .	0	1522.335	0		0
Tubing	3,600 F	Ft @	3.00	S/Ft	ч.	0	1522 340	10,800		10,800
Rods	3,600 F	Ft @	2.50	S/Ft	VA.	0	1522.345	9,000		9,000
Artificial Lift Equipn	nent				VA.	0	1522,350	20,000		20,000
Tank Battery					¥A.	0	1522.355	21,000		21,000
Separators/Heater	Treater/G	3as U	nits/FWKO		v4	0	1522 360	4,000		4,000
Well Head Equipm	ent & Chr	ristma	s Tree	152	0.365	1,500	1522 365	2,000		3,500
Subsurface Well E	quipment	:			VA	0	1522,370	1,500		1,500
Flow Lines & Pipe	Lines				VA .	0	1522,375	0		0
Saltwater Disposal	Pump				14	0	1522:391	0		0
Gas Meter					V.A	0	1522.385	0		0
Lact Unit					VA.	0	1522.347	0		0
Vapor Recovery U	nit				VA.	0	1522,389	0		0
Other Well Equipm	ent				NA .	0	1522 380	0		0
ROW and Damage	es				VA.	0	1522.393	0		0
Surface Equipmen	t Installati	ion Co	osts		VA.	0	1522,398	10,000		10,000
Elect. Installation					9.4	0	1522.397	6,000		6,000
ESTIMATED TOTA	AL TANG	BIBLE	S			24,750		108,300]	133,050
							II.			
ESTIMATED TOTA	AL WELL	_ cos	STS			192,010		193,980		385,990

NPC APPROVAL	DATE
PREPARED BY: HRW	04/02/04
REVIEWED BY:	
APPROVED BY:	
APPROVED BY:	

WI APPROVAL:	COMPANY	
	BY	
	TITLE	
	DATE	

Nearburg Producing Company

Exploration and Production Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: La Rica 13 Federal

WELL NUMBER: 3

TD: 4000

LOCATION: 1,78
FIELD: Wildcat

LOCATION: 1,780' FSL & 1,980' FWL, Section 13, T-19-S, R-33-E, Lea County, NM

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

INTANCIBLE COSTS.	CODE	TO CSG PT		COMPLETION	TOTAL WELL
INTANGIBLE COSTS: Drilling Footage 4,000 Ft @ 20.00 \$/Ft	1514 101	80.000	CODE NA	O	80,000
Drilling Daywork 0 2 7,300 \$/day	1514.165	00,000	1515.705	14,600	14,600
Drilling Turnkey	1514.110	0	1515,710	14,000	14,000
Rig Mobilization and Demobilization	1514.195	0	1515,115		0
Road & Location Expense	1514 120	13,700	1515 123	2,500	16,200
•	1514,925	5,000	1515.725	2,000	5,000
Damages Directional Drilling - Tools and Service	1514.730	0,000	1515.730		0,000
Drilling Fluids	1514.135	5,000	1515.132	0	5,000
Fuel, Power, and Water	1514 140	5,000	1515 140	4,000	9,000
Supplies - Bits	1814 145	0,000	1515.745	750	750
Supplies - Dits Supplies - Casing Equipment	1514,150	1,000	1515,150	1,000	2,000
Supplies - Casing Equipment	1014 155	0	1515.155	0	0
Supplies - Miscellaneous	1514 160	0	1515 160		
Cement and Cmt. Services - Surface Csg	1514 165	7,500	NA NA	- 0	7,500
Cement and Cmt. Services - Surface Csg	1514,179	7,300	NA NA	0	7,500
Cement and Cmt. Services - Prod. Csg	MA	0	1515.172	12,500	12,500
Cement and Cmt. Services - Other	1514 175	0	1515 174	0	0
Rental - Drilling Tools and Equipment	1514,980	0	4515,140	0	
Rental - Misc.	1514,145	6,425	1515,145	3,000	9,425
Testing - Drill Stem / Production	1514.195	0,420	1515.195	0,000	0,420
Open Hole Logging	1514.290	7,500	NA.	0	7,500
Mudlogging Services	1514.210	0	NA.	0	0
Special Services	1514,790	0	1515,790	ŏ	0
Plug and Abandon	1514,215	8,000	1515.275	(8,000)	
Pulling and/or Swabbing Unit	NA.	0,000	1515217	10,000	10,000
Reverse Equipment	NA.	0	1515.219	0	0
Wireline Services	1514,205	0	1515,205	2,000	2,000
Stimulation	MA	0	1515.221	25,000	25,000
Pump / Vacuum Truck Services	1514.220	0	1515 120	1,000	1,000
Transportation	1514.225	1,000	1515.225	0	1,000
Tubular Goods - Inspection & Testing	1514,230	0	1515,230	0	0
Unclassified	1514.245	0	1515.245	0	0
Telephone and Radio Expense	1514240	500	1515240	500	1,000
Engineer / Geologist / Landman	1514.250	0	1918.250		0
Company Labor - Field Supervision	1514,255	6,000	1515,258	3,750	9,750
Contract Labor / Roustabout	1514.265	2,000	1515.265	5,500	7,500
Legal and Professional Service	1514 270	2,500	1515.270	0	2,500
Insurance	1514.275	6,070	1515,275	0	6,070
Overhead	1514,280	2,100	1515,280	3,500	5,600
SUBTOTAL		159,295	***********	81,600	240,895
Contingencies (5%)		7,965		4,080	12,045
		.,			,510
ESTIMATED TOTAL INTANGIBLES		167,260		85,680	252,940
		: ,	L		

Exploration and Production

AUTHORITY FOR EXPENDITURE

LEASE: La Rica 13 Federal

WELL NUMBER: 3

TD:

4000

LOCATION: 1,780' FSL & 1,980' FWL, Section 13, T-19-S, R-33-E, Lea County, NM

FIELD: Wildcat

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION		TOTAL WELL
Conductor Casing	0 Ft	@ 0.00	\$/Ft 1526:365	0	NA .	0		0
Surface Csg	1,550 Ft	@ 15.00	\$/Ft 1520,3 10	23,250	KA.	0		23,250
Intermediate Csg	0 Ft	@ 0.00	\$/Ft #520,395	0	NA	0		0
Protection Csg	0 Ft	@ 0.00	\$/Ft #520 520	0	N4	0		0
Production Csg	4,000 Ft	@ 6.00	\$/Ft NA	0	1522 325	24,000		24,000
Protection Liner	0 Ft	@ 0.00	\$/Ft 1520.336	0	NA.	0		0
Production Liner	0 Ft	@ 0.00	\$/Ft MA	0	1522.335	0		0
Tubing	3,600 Ft	@ 3.00	\$/Ft AA	0	1522 340	10,800		10,800
Rods	3,600 Ft	@ 2.50	\$/Ft MA	0	1522.345	9,000		9,000
Artificial Lift Equipn	nent		AVA	0	1532,350	20,000		20,000
Tank Battery			NA.	0	1522,355	21,000		21,000
Separators/Heater Treater/Gas Units/FWKO			NA.	0	1522 360	4,000		4,000
Well Head Equipme	ent & Chris	tmas Tree	1520.365	1,500	1522.365	2,000		3,500
Subsurface Well Equipment			0	1522,370	1,500		1,500	
Flow Lines & Pipe Lines			NA.	0	1522.375	0		0
Saltwater Disposal Pump			NA.	0	1522 391	0		0
Gas Meter			NA.	0	1522.385	0		0
Lact Unit			NA	0	1522,267	0		0
Vapor Recovery U	nit		NA.	0	1522.389	0		0
Other Well Equipment			0	1529 500	0		0	
ROW and Damages			0	1522 393	0		0	
Surface Equipment Installation Costs			0	1522.398	10,000		10,000	
Elect. Installation			0	1522.397	6,000		6,000	
ESTIMATED TOTAL TANGIBLES			24,750		108,300		133,050	
]	
ESTIMATED TOTAL WELL COSTS			192,010		193,980		385,990	

NPC APPROVAL	DATE
PREPARED BY: HRW	04/02/04
REVIEWED BY:	
APPROVED BY:	
APPROVED BY:	

WI APPROVAL:	COMPANY	
	BY	
	TITLE	
	DATE	

Nearburg Producing Company

Exploration and Production Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: La Rica 13 Federal

WELL NUMBER: 4

TD: 4000

LOCATION: 1,650' FSL & 1,980' FEL, Section 13, T-19-S, R-33-E, Lea County, NM

FIELD: Wildcat

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT		COMPLETION	TOTAL WELL
Drilling Footage 4,000 Ft @ 20.00 \$/Ft	80,000	CODE	O	80,000	
	00,000	NA .	14,600	14,600	
	0	1515.TQ5	14,800	14,600	
Drilling Turnkey	1514,110	0	1515.110	0	- 0
Rig Mobilization and Demobilization	1514,115		1515.195		
Road & Location Expense	1514 120	13,700	1515 123	2,500	16,200 5,000
Damages	1514.925	5,000	1515.925	0	5,000
Directional Drilling - Tools and Service	1514,120	5 000	1515,130	0	5.000
Drilling Fluids	1014 185	5,000	1515.132	0	5,000
Fuel, Power, and Water	1514 140	5,000	1515 140	4,000	9,000
Supplies - Bits	1514,945	0	1515.145	750	750
Supplies - Casing Equipment	1514,150	1,000	1512,130	1,000	2,000
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514 160	0	1515 160	0	0
Cement and Cmt. Services - Surface Csg	1514.165	7,500	NA	0	7,500
Cement and Cmt. Services - Int. Csg	1514.170	0	NA	0	0
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	12,500	12,500
Cement and Cmt. Services - Other	1514 175	0	1515 675	0	0
Rental - Drilling Tools and Equipment	1514,180	0	1515.160	0	0
Rental - Misc.	1514,185	6,425	1515.185	3,000	9,425
Testing - Drill Stem / Production	1514.195	0	1515.195	0	0
Open Hole Logging	1514-20G	7,500	NA.	0	7,500
Mudlogging Services	1514.210	0	NA.	0	0
Special Services	1514.190	0	1515,790	0	0
Plug and Abandon	1514,295	8,000	1515.298	(8,000)	0
Pulling and/or Swabbing Unit	N/A	0	1515217	10,000	10,000
Reverse Equipment	NA	0	1515,219	0	0
Wireline Services	1514,205	. 0	1515,208	2,000	2,000
Stimulation	NA	0	1515.221	25,000	25,000
Pump / Vacuum Truck Services	1514 220	0	1515.220	1,000	1,000
Transportation	1514 225	1,000	1515,225	0	1,000
Tubular Goods - Inspection & Testing	1514,290	0	1515,290	0	0
Unclassified state 24		0	1515.249	0	0
Telephone and Radio Expense	1514 240	500	1515.240	500	1,000
Engineer / Geologist / Landman 1518.250		0	1515.250	0	0
Company Labor - Field Supervision	1514,258	6,000	1515,255	3,750	9,750
Contract Labor / Roustabout	2,000	1515.255	5,500	7,500	
Legal and Professional Service	2,500	1515 270	0	2,500	
Insurance	6,070	1915.275	0	6,070	
Overhead	2,100	1515,280	3,500	5,600	
SUBTOTAL	159,295		81,600	240,895	
Contingencies (5%)	7,965		4,080	12,045	
ESTIMATED TOTAL INTANGIBLES	167,260		85,680	252,940	

LEASE: La Rica 13 Federal

WELL NUMBER: 4

4000

LOCATION: 1,650' FSL & 1,980' FEL, Section 13, T-19-S, R-33-E, Lea County, NM

FIELD: Wildcat

EXPLORATORY, DEVELOPMENT, WORKOVER: D

DESCRIPTION OF WORK: Drill and complete as a pumping oil well.

DATE PREPARED: 6/02/04

EST. START DATE: August, 2004 EST. COMPLETION DATE: September, 2004

ACCOUNTING WELL NUMBER:

TANGIBLE COSTS	S:		CODE	TO CSG PT	CODE	COMPLETION		TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1520.365	0	NA	0		0
Surface Csg	1,550 Ft @	15.00 \$/Ft	1520,310	23,250	NA	0		23,250
Intermediate Csg	0 Ft @	0.00 \$/Ft	1520,315	0	MA	0		0
Protection Csg	0 Ft @	0.00 \$/Ft	1520 320	0	N4	0		0
Production Csg	4,000 Ft @	6.00 \$/Ft	NA.	0	1522.325	24,000]	24,000
Protection Liner	0 Ft@	0.00 \$/Ft	1520,330	0	AA.	0		0
Production Liner	0 Ft@	0.00 \$/Ft	NA	0	1522,335	0]	0
Tubing	3,600 Ft@	3.00 \$/Ft	NA	0	1529 340	10,800		10,800
Rods	3,600 Ft@	2.50 \$/Ft	NA.	0	1522.345	9,000		9,000
Artificial Lift Equipn	nent		NA	0	1522,350	20,000		20,000
Tank Battery			NA	0	1522,355	21,000		21,000
Separators/Heater	Treater/Gas U	Inits/FWKO	M4	0	1822 360	4,000		4,000
			1520.365	1,500	1522 365	2,000	}	3,500
Subsurface Well Equipment			MA	. 0	1522,370	1,500		1,500
Flow Lines & Pipe Lines			NA	0	1522,375	0		0
Saltwater Disposal Pump			NA.	0	1522 391	0]	0
Gas Meter			NA.	0	1522 385	0		0
Lact Unit			NA	0	1522,367	0		0
Vapor Recovery Unit			NA	0	1522.389	0]	0
Other Well Equipment			N/A	0	1822 380	0		0
ROW and Damages			N/A	0	1522 393	0		0
Surface Equipment Installation Costs			0	1522.396	10,000		10,000	
Elect. Installation			0	1522.397	6,000		6,000	
]		
ESTIMATED TOTA	AL TANGIBLE	ES		24,750		108,300		133,050
]		
ESTIMATED TOTAL WELL COSTS			192,010		193,980		385,990	

NPC APPROVAL	DATE
PREPARED BY: HRW	04/02/04
REVIEWED BY:	
APPROVED BY:	
APPROVED BY:	

WI APPROVAL:	COMPANY	· · · · · · · · · · · · · · · · · · ·
	ВҮ	
	TITLE	
	DATE	