

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF LATIGO PETROLEUM, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. 13,615

VERIFIED STATEMENT OF WILLIAM F. CHATHAM

William F. Chatham, being duly sworn upon his oath, deposes and states:

1. I am a landman for Latigo Petroleum, Inc., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the only working interest owner being pooled has been contacted repeatedly regarding the proposed well, and has simply not decided whether to join in the well or farm out its interest.

(b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 10, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the Undesignated Anderson Ranch-Morrow Gas Pool.

The unit is to be designated to the plugged and abandoned State "10" Well No. 1, located at an orthodox gas well location 660 feet from the south line and 1980 feet from the east line of Section 10, which is to be re-entered.

(c) The party being pooled, its interest in the well unit, and its address, are as follows:

Occidental Permian Ltd. 12.5%
Suite 6000
6 Desta Drive
Midland, Texas 79705

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

1

(d) Copies of the proposal letter sent to the uncommitted working interest owner, together with follow-up correspondence, are attached hereto as Exhibit B. In addition, several phone calls have been made to Occidental Permian Ltd.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Lea County.

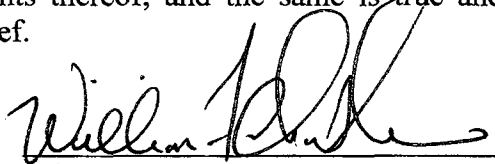
(g) Overhead charges of \$ 7,000 /month for a drilling well, and \$ 700 /month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth.

(h) Applicant requests that it be designated operator of the well.


VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

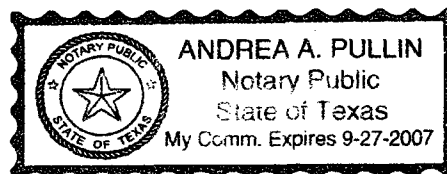
William F. Chatham, being duly sworn upon his oath, deposes and states that: He is a landman for Latigo Petroleum, Inc.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.


William F. Chatham

SUBSCRIBED AND SWORN TO before me this 30TH day of January, 2006 by William F. Chatham.


Notary Public

My Commission Expires: 9/27/2007





LATIGO

Petroleum, Inc.

Fasken Center Tower II • 550 W. Texas, Suite 700 • Midland, Texas 79701 • 432-684-4293 • 432-684-0829 FAX

October 21, 2005

Via Certified Mail/Return Receipt Requested

Grand Banks Energy Company
10 Desta Drive, Suite 300-E
Midland, Texas 79705

Brian H. Scarborough
10 Desta Drive, Suite 300-E
Midland, Texas 79705

ChevronTexaco
Attn: Mr. Charles Frisbie
11111 S. Wilcrest
Houston, Texas 77099

Occidental Permian Ltd.
Attn: Pat Sparks
P. O. Box 50250
Midland, Texas 79710

RE: PROPOSAL TO RE-ENTER

State 10 #1
S/2 Section 10, T-16-S, R-32-E
660' FSL & 1980' FEL
Lea County, New Mexico

Dear Working Interest Owner:

This letter and attached AFE are to correct the location (county) for the State 10 #1 well in our previous proposal letter. I apologize for any confusion this may have caused.

Latigo Petroleum, Inc. ("Latigo") proposes to re-enter the State 10 #1 well located 660' FSL & 1980' FEL Section 10, T-16-S, R-32-E, Lea County, New Mexico. The proposal is to drill to a depth of 12,500' or to a depth sufficient to test the Morrow formation.

Please find attached an AFE for \$2,061,000 for the operation. Notify Latigo of your election by returning one copy of this letter. If you consent to the operation, sign and return one original copy of the AFE along with your reporting requirements to me at the letterhead address, or call me to discuss farmout terms. If you have any questions, please do not hesitate to give me a call at (432) 684-4293 or email me at bchatham@latigopetro.com.

Respectfully submitted,



William F. Chatham, CPL
Sr. Staff Landman

OCCIDENTAL PERMIAN LTD.

_____ Agrees to participate in the re-entry of the State 10 #1 well.

_____ DOES NOT agree to participate in the re-entry of the State 10 #1 well.

By: _____

Printed Name: _____

Date: _____



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Occidental Permian Ltd.
Attn: Pat Sparks
P. O. Box 50250
Midland, Texas 79710

2. Article Number

(Transfer from service label)

COMPLETE THIS SECTION ON DELIVERY
A. Signature

[Handwritten Signature]

- ☐ Agent
☐ Addressee

B. Received by (Printed Name)

Robert M. Thayer

C. Date of Delivery

12/24/02

D. Is delivery address different from item 1?

- ☐ Yes

If YES, enter delivery address below:

- ☐ No

3. Service Type

- ☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

- ☐ Yes

7005 0390 0000 6041 9112

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

LATIGO

Petroleum, Inc.

AUTHORITY FOR EXPENDITURE

PROSPECT: West Anderson Ranch WELL: State 10 #1
 LOCATION: 660' FSL & 1980' FEL, Sec. 10-T16S-R32E COUNTY: Lea DATE: 8/18/2005
 WI: 0.00000% NRI: 0.00000% STATE: NM
 PURPOSE: Re-enter P&A'd well, drill and complete a 12,500' Morrow well AFE NO: 5886

ACCTG CODE	INTANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
201	Acreage Acquisition	0	0	0
202	Licenses/Survey/Stake	5,000	0	5,000
203 / 303	Dirtwork / Fill Pit / Clean Location	30,000	15,000	45,000
204	Surface Damages	5,000		5,000
205	Set and Cement Conductor	16,000		16,000
206	Mobilization	100,000		100,000
207 / 307	Drilling Rig - Daywork 22 days @ \$16,000 / day	304,000	48,000	352,000
208	Drilling Rig - Footage 0 feet @ \$0 / foot	0	0	0
209	Turnkey Operations	0	0	0
210 / 310	Drilling Fluids	80,000	10,000	90,000
211 / 311	Mud Haul Off & Disposal	5,000	2,000	7,000
212 / 312	Fuel & Water	100,000	20,000	120,000
213 / 313	Casing Crews & Equipment	0	3,000	3,000
214 / 314	Rental Equipment	88,000	20,000	108,000
215 / 315	Bits	40,000	5,000	45,000
216	Directional Drilling & Surveys \$8,500 / day		0	0
217 / 317	Fishing Tools and Services	0	0	0
218 / 318	Technical Services	0	0	0
219	Mud Logging 20 days @ \$750 / day	15,000	0	15,000
220	Open Hole Logs	50,000		50,000
221 / 321	Supervision	20,900	7,500	28,400
222	Drill Stem Test, Core etc.	10,000		10,000
223 / 323	Trucking	30,000	10,000	40,000
224 / 324	Welding	5,000	2,000	7,000
225 / 325	Labor	10,000	20,000	30,000
226 / 326	Equipment Inspection & Testing			0
227 / 327	Communications			0
332	Frac Oil			0
228	Cement - Surface	0		0
229	Cement - Intermediate	0		0
330	Cement - Production	0	30,500	30,500
333	Well Testing			0
334	Cased Hole Logs		9,000	9,000
335	Perforating		6,000	6,000
337	Completion Rig 10 days @ \$3,000 / day	0	30,000	30,000
336	Wireline	0		0
338	Coiled Tubing Unit & Equip	0	0	0
339	Acid Stimulation		12,500	12,500
340	Frac Stimulation		112,500	112,500
242 / 342	Legal Services			0
241 / 341	Overhead	2,200	1,000	3,200
243 / 343	Insurance	25,000		25,000
244 / 344	Miscellaneous 10%	94,100	36,400	130,500
245 / 344	Contingency 5%	47,100	18,300	65,400
	TOTAL INTANGIBLES:	1,082,300	418,700	1,501,000

ACCTG CODE	TANGIBLE COSTS	ESTIMATED COST		
		DRY HOLE	COMPLETION	TOTAL
	DEPTH SIZE / TYPE COST			
450	Water Casing 0' @ \$37.00 / ft	0	0	0
451	Surface Casing 420' 13-3/8" @ \$36.00 / ft	0	0	0
452	Intermediate Casing 0' 9-5/8" @ \$27.75 / ft	0	0	0
554	Production Casing 12500' 5-1/2" 20# P110 @ \$20.00 / ft	0	250,000	250,000
554	Production Casing 0' 0' @ \$0.00 / ft	0	0	0
453 / 555	Casing Head / Tubing Head & Valves	20,000	15,000	35,000
556	Packers, Anchors, Hangers	0	25,000	25,000
557	Tubing 12300' 2 3/8" 4.7# N80 @ \$4.50 / ft	0	55,350	55,350
463 / 563	Miscellaneous Equipment	5,000	42,000	47,000
558	Production Equipment	0	9,500	9,500
559	Stock Tanks	0	25,000	25,000
560	Flow Lines & Connections	0	5,000	5,000
463 / 563	Miscellaneous / Contingency 10% 5%	29,000	64,150	93,150
	TOTAL TANGIBLES:	54,000	491,000	545,000
	SUBTOTAL ESTIMATED COSTS:	1,136,300	909,700	2,046,000
231	Cement - Plugging	15,000		15,000
	TOTAL ESTIMATED WELL COST:	1,151,300	909,700	2,061,000

Prepared by: _____
 Approvals: Oper _____ Engr _____ Geol _____ Land _____ Acct _____

This AFE is only an estimate. By returning one signed copy the undersigned hereby agrees to pay its share of all actual dryhole costs and all actual completion costs hereof.

OCCIDENTAL PERMIAN LTD. 12.5% WI BY: _____ DATE: _____

