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 \$\frac{7000}{1000}\]/month for a drilling well, and \$\frac{700}{1000}\]/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 3074 day of January, 2006 by William F. Chatham.

Notary Public

My Commission Expires: $\frac{9/27/2007}{}$

ANDREA A. PULLIN
Notary Public
State of Texas
My Comm. Expires 9-27-2007

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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

ChevronTexaco Attn: Mr. Charles Frisbie 11111 S. Wilcrest Houston, Texas 77099 Brian H. Scarborough 10 Desta Drive, Suite 300-E Midland, Texas 79705

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

O	CCID	ENTA	AL P	ERMI	AN	LTD.
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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:



	Average of the state of the sta	
	SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
	 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. 	A. Signature Agent Addressee
	Article Addressed to:	D. Is delivery address different from item 17 Yes If YES, enter delivery address below:
	Occidental Permian Ltd. Attn: Pat Sparks	
	P. O. Box 50250 Midland, Texas 79710	3. Service Type Certified Mail
		4. Restricted Delivery? (Extra Fee) ☐ Yes
	2. Article Number (Transfer from service label) 7 0 0	5 0390 0000 6041 9112
i	PS Form 3811, February 2004 Domestic Retu	ım Receipt 102595-02-M-1540



AUTHORITY FOR EXPENDITURE

PROSPECT: West Anderson Ranch WELL: State 10 #1							
LOCA	ATION: 660' FSL & 1980' F	EL, Sec. 10-	T16S-R32E	COUNTY:	Lea	DATE:	8/18/2005
	WI: 0.00000%					STATE:	
PURE	POSE: Re-enter P&A'd we	ell, drill and co	mplete a 12,500'	Morrow well		AFE NO:	5886
ACCTG						ESTIMATED CO	OST
CODE	INTANGIBLE COSTS				DRY HOLE	COMPLETION	TOTAL
201	Acreage Acquisition				0		0
202	Licenses/Survey/Stake				5,000		5,000
2037303	Dirtwork / Fill Pit / Clean L Surface Damages	ocation.			30,000		45,000 5,000
204	Set and Cement Conductor				5,000 16,000		16,000
206	Mobilization	J1			100,000		100,000
207 / 307	Drilling Rig - Daywork		22 days @	\$16,000 / day	304,000		352,000
208	Orilling Rig - Footage			\$0 / foot	0		0
209	Turnkey Operations				0	0	0
	Drilling Fluids				80,000	10,000	90,000
	Mud Haul Off & Disposal				5,000		7,000
	Fuel & Water				100,000		120,000
214 / 314	Casing Crews & Equipme Rental Equipment	nt			88,000	3,000	3,000 108,000
215/315					40,000	20,000 5,000	45,000
216	Directional Drilling & Survi	evs		\$6,500 / day	40,000	0,000	45,000
	Fishing Tools and Service	-,- s		40,000 / 001	0	0	ō
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
	Supervision				20,900	7,500	28,400
222 223 / 323	Drill Stem Test, Core etc.				10,000	10,000	10,000
224 / 324					30,000 5,000	2,000	40,000 7,000
225 / 325	•				10,000	20,000	30,000
	Equipment Inspection & To	estina			,0,000	20,000	0
	Communications						0
	Frac Oil						0
228	Cement - Surface				0		0
229	Cement - Intermediate				0		0
330	Cement - Production				0	30,500	30,500
333	Well Testing					9.000	9,000
334 335	Cased Hole Logs Perforating					6,000	6,000
337	Completion Rig		10 days @	\$3,000 / day	0	30,000	30,000
	Wireline	Ö	00,000	02,000			
338	Coiled Tubing Unit & Equi	Ď			0	Ó	0
339	Acid Stimulation					12,500	12,500
340	Frac Stimulation					112,500	112,500
	Legal Services						0
	Overhead				2,200	1,000	3,200
	Insurance			4004	25,000	26 400	25,000
	Miscellaneous			10%	94,100	36,400 18,300	130,500 65,400
245 / 344	Contingency			<u>5%</u>	47,100		1,501,000
	TOTAL INTANGIBLES:				1,082,300	418,700	1,501,000
						-ATHLATED 60	
ACCTG	TANCIBI E CONTO			·	DRY HOLE	COMPLETION	TOTAL
CODE	TANGIBLE COSTS				DRY HOLE	COMPLETION	TOTAL
450	Water Casina	DEPTH	SIZE / TYPE	COST	0	ō	0
450	Water Casing	0' 420'	13-3/8"	@ \$37.00 / ft @ \$36.00 / ft	0		0
	Intermediate Casing	0'	9-5/8"	@ \$27.75 / ft	ő	-	0
554	Production Casing	12500'	5-1/2" 20# P110		0	250,000	250,000
	Production Casing	0'	0'	@ \$0.00 / ft	0	0	0
	Casing Head / Tubing Hea				20,000	15,000	35,000
556	Packers, Anchors, Hanger				0	25,000	25,000
	Tubing	12300'	2 3/8" 4.7# N80	@ \$4.50 /ft	0	55,350	55,350
	Miscellaneous Equipment		,		5,000	42,000	47,000 9,500
	Production Equipment Stock Tanks			ļ	0	9,500 25,000	25,000
	Flow Lines & Connections			f	0	5,000	5,000
	Miscellaneous / Contingen	GV.	10%	5%	29,000	64,150	93,150
			33,24				
ľ	TOTAL TANGIBLES:				54,000	491,000	545,000
1				5			
	SUBTOTAL ESTIMATED	COSTS:		ļ	1,136,300	909,700	2,046,000
231	Cement - Plugging				15,000		15,000
	TOTAL ESTIMATED WEL	L COST:			1,151,300	909,700	2,061,000

repared by	/:				
hpprovals:	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 _____

