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December 14, 2006

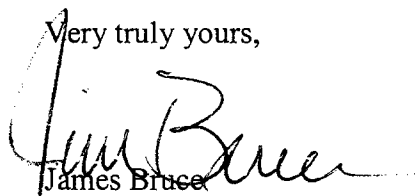
William Jones  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Case Nos. 13,836  
Corkran Energy, LP

Dear Mr. Jones:

Enclosed are an original and one copy of the landman's affidavit (Exhibit 1) in the above matter.  
This also includes a clear copy of the AFE.

Very truly yours,



James Bruce

Attorney for Corkran Energy, LP

cc: Steve Brenner

**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 CORKRAN ENERGY, LP FOR  
COMPULSORY POOLING, EDDY COUNTY, NEW  
MEXICO.**

**Case No. 13,836**

**VERIFIED STATEMENT OF JAMES R. STONE**

James R. Stone, being duly sworn upon his oath, deposes and states:

1. I am a contract landman for Corkran Energy, LP, 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 working interest owners being pool have been contacted numerous times, in writing and by telephone, but have not agreed to join in the proposed well.
  - (b) Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 16, Township 23 South, Range 24 East, N.M.P.M., 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 South Bandana Point-Strawn Gas Pool, Undesignated Robina Draw-Atoka Gas Pool, and Undesignated Bandana Point-Strawn Morrow Pool. The unit is to be dedicated to the Renata "16" State Well No. 1, to be drilled at an orthodox location in the NW/4NE/4 of Section 16.
  - (c) The parties being pooled, their working interests in the 320 acre well unit, and their addresses, are listed on Exhibit A.
  - (d) Copies of the proposal letters sent to the uncommitted working interest owner are attached hereto as Exhibit B.
  - (e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting interest owners.

Oil Conservation Division  
Case No. 1  
Exhibit No. 1



**E½ Section 16, Township 23 South, Range 24 East, N.M.P.M.**

1. NE¼: Title to Operating Rights in State Lease L-7035:

OXY USA WTP Limited Partnership	50.00000%
Yates Petroleum Corporation	25.53192%
Chesapeake Permian, L.P.	24.46808%

2. SE¼: Title to Operating Rights in State Lease V-6910:

WJP Exploration, LLC and its partners	100%
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EXHIBIT

A

203 West Wall Street  
Suite 1201 (Zip 79701)  
P.O. Box 10187  
Midland, Texas 79702

**CAPSTONE OIL & GAS COMPANY, L.P.**  
*Exploration and Development*

Area Code: 432  
Phone : 682-5565  
Fax: 682-4498  
E-Mail:  
dale@capstoneoil.com

October 25, 2006

Oxy USA WTP Ltd. Partnership  
6 Desta Drive  
Midland, TX 79705  
Attn: Mr. David Evans

**SENT CERTIFIED MAIL – RETURN RECEIPT REQUESTED**  
**NO. 70033110000327111253**

Re: AFE to drill Renata "16" State Com #1 well  
660' FNL & 660' FEL of Section 16  
T-23-S, R-24-E, NMPM,  
Renata Prospect  
Eddy County, New Mexico

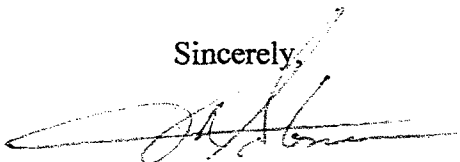
Dear Mr. Evans:

Enclosed for your review and execution please find two (2) copies of our AFE for the captioned well. (This acreage was previously pooled by OCD Order No. R-12577, issued to WJP Exploration, LLC. Corkran Energy, LP has assumed operations of the proposed well.)

If you are prepared to participate in this well, please execute and forward one (1) of the enclosed AFEs to the undersigned at your earliest convenience. If you do not want to participate in the drilling of this well, Capstone would like to negotiate the purchase of a term assignment of your leasehold rights under the subject lands.

Should you have any questions or wish further discuss these matters, please contact me at the number or other contact options shown below my signature.

Sincerely,



Jim Stone  
on behalf of Corkran Energy, LP  
7302 Emerald Glen Drive  
Sugar Land, TX 77479  
(281) 413-2125  
[jirstone@houston.rr.com](mailto:jirstone@houston.rr.com)

JRS/ms  
Enclosures  
Xc: Dale Douglas

EXHIBIT B

**R.K. Ford & Associates  
Corkran Energy, LP**

Lease: Renata 16 State Com Well #1  
Location: 660' FNL, 660' FEL, Section 16, T-23-S, R-24-E  
Field: Bandana Point (Morrow); Robina Draw (Atoka)  
Purpose: Drill, Evaluate, Case, Complete

AFE: 06113C  
County: Eddy  
District: Artesia OCD  
State: NM

CODE	INTANGIBLE DRILLING COST			Dry Hole	Completion	Total
	Location & Roads, Including Damages			\$90,000	\$5,000	\$95,000
	Moving Rig			\$100,000		\$100,000
	Day Work Drig	38 days @	\$19,000	\$722,000		\$722,000
	Day Work Comp	3 days @	\$19,000		\$57,000	\$57,000
	Rig Fuel	38/3 days @	\$2,000	\$76,000	\$6,000	\$82,000
	Conductor, Rat & Mouse Holes			\$7,000		\$7,000
	Drill Bits & Stabilization			\$100,000	\$3,000	\$103,000
	Drilling Water			\$50,000		\$50,000
	Drilling Mud, Chemicals, Completion Fluids			\$90,000	\$12,000	\$102,000
	Gyro					\$0
	Open Hole Logging			\$32,000		\$32,000
	Mud Logging	32 days @	\$900	\$28,800		\$28,800
	Open Hole Testing/Coring/Analysis			\$10,000	\$2,000	\$12,000
	Hauling and Trucking			\$12,000	\$5,000	\$17,000
	Welding			\$4,000	\$2,000	\$6,000
	Rental Equipment & Fishing Tools			\$88,000	\$22,000	\$110,000
	Special Services & Misc. Items			\$5,000	\$2,000	\$7,000
	Completion Rig	20 Days @	\$3,300		\$66,000	\$66,000
	Cased Hole Logging, Perforating, & Wireline				\$20,000	\$20,000
	Acidizing, Fracturing, Chemicals				\$200,000	\$200,000
	CO2/Nitrogen				\$16,000	\$16,000
	Liner Hanger					\$0
	Roustabout Labor & Services			\$12,000	\$8,000	\$20,000
	Casing Crews & Service			\$12,000	\$7,000	\$19,000
	Disposal				\$25,000	\$25,000
	Surface Casing Cementing			\$18,000		\$18,000
	Intermediate Casing Cementing			\$23,000		\$23,000
	Production Cementing				\$56,000	\$56,000
	Directional Services			0 days @	\$0	\$0
	Insurance	10770 ft @	\$2	\$21,540	\$1,000	\$22,540
	Administrative Overhead			\$10,500	\$3,500	\$14,000
	Supervision	44 days @	\$1,000	\$44,000		\$44,000
	Supervision	22 days @	\$1,000	\$0	\$22,000	\$22,000
	P&A Expense			\$40,000		\$40,000
	<b>TOTAL INTANGIBLE WELL COST</b>			<b>\$1,595,840</b>	<b>\$540,500</b>	<b>\$2,136,340</b>
	<b>TANGIBLE WELL COST</b>					
	Casing	Amt. Size Price				
	Surface	350 ft. 13-3/8"	\$45.00	\$15,750		\$15,750
	Intermediate	1,600 ft. 9-5/8"	\$48.00	\$76,800		\$76,800
	Intermediate	ft. 7-5/8"		\$0		\$0
	Production	10,770 ft. 5-1/2"	\$24.00	\$0	\$258,480	\$258,480
	Liner	ft. 5-1/2"		\$0	\$0	\$0
	Tubing	10,670 ft. 2-7/8"	\$6.50	\$0	\$69,355	\$69,355
	Wellhead Equipment (Section A,B,C)			\$14,000	\$9,000	\$23,000
	Packers				\$12,000	\$12,000
	Flowlines & Connections				\$16,000	\$16,000
	Storage Tanks & Separation Equipment				\$32,000	\$32,000
	Pumping Unit & Motor				\$0	\$0
	Sucker Rods, Bottom Hole Pump, & Other				\$0	\$0
	Float Equipment			\$3,000	\$2,000	\$5,000
	Measurement Equipment				\$9,000	
	<b>TOTAL TANGIBLE WELL COSTS</b>			<b>\$109,550</b>	<b>\$407,835</b>	<b>\$517,385</b>
	<b>TOTAL WELL COST</b>			<b>\$1,705,390</b>	<b>\$948,335</b>	<b>\$2,653,725</b>

The Above Costs Are Estimates Only. Actual Costs Will Be Billed As Incurred.

Prepared By: Court Adkins

Date: 09/27/05

Approval

Non-Operator Approval

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

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

Corkran Energy, LP

Title: \_\_\_\_\_

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

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

EXHIBIT