# 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 MEWBOURNE OIL COMPANY FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

Case No. 14,112

#### VERIFIED STATEMENT OF STEVEN J. SMITH

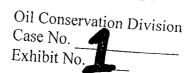
Steven J. Smith, being duly sworn upon his oath, deposes and states:

- 1. I am a landman for Mewbourne Oil Company, and have personal knowledge of the matters stated herein.
- 2. Pursuant to Division Rule 1210.A(1), 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 pooled have been contacted regarding the proposed well, and have simply not decided whether to join in the well or farm out their interests.
  - (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 base of the Bone Spring formation to the base of the Morrow formation underlying all of Section 20, Township 20 South, Range 36 East, NMPM, to form a standard 640-acre gas spacing and proration unit for any and all formations or pools developed on 640-acre spacing within that vertical extent, including the North Osudo-Morrow Gas Pool.

The units are to be dedicated to the proposed Paloma "20" State Com. Well No. 1 (API No. 30-025-38625, f/k/a the Paloma "20" State Com. Well No. 2), to be drilled at an orthodox location in the SE/4SE/4 of Section 20. The well is expected to be a gas well.

(c) The party being pooled, its working interest in the well units, and its last known addresses:

Chevron U.S.A. Inc. P.O. Box 36366 Houston, Texas 77236 1.001174%



- (d) A copy of the proposal letter sent to the uncommitted working interest owners is attached hereto as Exhibit B. In addition to the letter, we have called the interests owners numerous times.
- (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 \$7000/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 wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.
- (h) Applicant requests that it be designated operator of the well.

#### **VERIFICATION**

STATE OF TEXAS	)
	) ss.
COUNTY OF MIDLAND	)

Steven J. Smith, being duly sworn upon his oath, deposes and states that: He is a landman for Mewbourne Oil Company; 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.

Steven J. Smith

SUBSCRIBED AND SWORN TO before me this 15th day of April, 2008 by Steven J. Smith.

My Compliss of Spirestonia NOLLEY
NOTARY PUBLIC STATE OF TEXAS
My Comm. Expires 09-21-2009

Notary Public

District I
1625 N. French Dr., Hobbs, NM 8824
Phome (505) 393-6161 Fex. (505) 393-0.

District II

1301 W. Grand Ave., Artesia, NM 88210 Phone:(505) 748-1283 Fex:(505) 748-9720

District. III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

<u>District IV</u> 1220 S. St Francis Dr., Sarda Fe, NM 87505 Phone:(505) 476-3470 Fax:(505) 476-3462 State of New Mexico
Energy, Minerals and Natural Resultes
Oil Conservation Division
1220 S. St Francis Dr.

Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

3. Pool Name ORROW, NORTH (GAS)
ORROW, NORTH (GAS)
6. Well No.
002
9. Elevation
3622

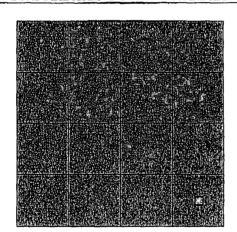
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
P	20	205	36E		660	S	660	E	LEA

11. Bottom Hole Location If Different From Surface

U	TL · Lot	Section	T	ownship	Ringe	Lot	Idn	Feet From	N/S L	ine	Feet From	E/W Line	County
	12. Dedi	eted Acres		13	Joint or Intill		14	Consolidation	Code			15. Order No.	
	640	0.00											j

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



#### **OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Monty Whetstone Title: Vice President Operations

Date: 12/5/2007

#### 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.

Surveyed By: Gary Jones
Date of Survey: 11/30/2007
Certificate Number: 7977

EXHIBIT A

### MEWBOURNE OIL COMPANY

500 W. TEXAS, SUITE 1020 MIDLAND, TEXAS 79701

> (432) 682-3715 FAX (432) 685-4170

February 18, 2008

Via Email and Certified Mail-Return Receipt No. 7894

Chevron U.S.A. Inc. Attn: Ms. Stephanie Magers P.O. Box 36366 Houston, Texas 77236-6366

Re: Proposed Morrow Test
Paloma "20" State COM #2
660' FSL & 660' FEL,
Section 20, T-20-S, R-36-E
Lea County, New Mexico
Paloma Prospect

Ladies and Gentlemen:

Mewbourne Oil Company ("Mewbourne") hereby proposes drilling an 11,600' Morrow test at a location 660' FSL & 660' FEL of Section 20, T-20-S, R-36-E, Lea County, New Mexico to be called the Paloma "20" State COM #2 well. We also propose that a 640 acre working interest be formed to accommodate the Osudo North Morrow pool rules and that the enclosed Joint Operating Agreement (JOA) be entered into to govern operations in said working interest unit.

Chevron U.S.A. Inc. ("Chevron") appears to own a 4.0076979% contractual interest in State of New Mexico Lease A-1375 insofar as it covers the N/2SW/4 and SE/4SW/4 and State of New Mexico Lease B-3114 insofar as it covers the SW/4SW/4 of said Section 20 by virtue of that certain Operating Agreement dated October 10, 1967 between Jake L. Hamon as Operator and Pan American Petroleum Corporation, et al, as non-operators. Assuming our information is correct, Chevron would have a 1.001174% interest in the proposed well and working interest unit.

Should you choose to participate in the well as proposed, please so indicate by executing and returning one of the enclosed AFE well cost estimates along with the enclosed extra set of signature pages to the JOA. If you choose not to participate, Mewbourne would consider trading for your interest under mutually acceptable terms.

Feel free to call me if you have any questions or would like to discuss this proposal in greater detail. My phone number is (432) 682-3715.

Sincerely,

MEWBOURNE OIL COMPANY

Steven J. Smith Senior Landman

Enclosure

#### **MEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE**

Prospect:		Paloma				Well Name & No:	Palon	na 20 State Com #1	
Field:						Location:	680' FSL 8	660' FEL	
Section:	20 Block	c	Survey:			Township	208	Rang	je: <b>36E</b>
County:	Lea			ST:	NM	Proposed Depth:		11,600'	

	\$1,500 \$10,000 \$100,000 \$75,000 \$100,000 \$75,000 \$100,000 \$15,000 \$15,000 \$15,000 \$15,000 \$1,500 \$60,000 \$40,000 \$40,000 \$40,000 \$10,000 \$10,000 \$10,000	Cost AFE NO.  \$1,500 \$2,000 \$31,800 \$1,000 \$20,000 \$60,000 \$22,000 \$12,000 \$1,000 \$1,000 \$1,500 \$1,500 \$2,500 \$1,5500 \$2,5000 \$1,5500 \$2,5000 \$2,5000 \$1,5500
INTANGIBLE COST 180	\$1,500 \$100,000 \$75,000 \$75,000 \$75,000 \$50,000 \$15,000 \$1,500 \$1,500 \$60,000 \$12,000 \$12,000 \$12,000 \$12,000 \$10,000 \$40,000 \$40,000 \$10,000 \$40,000 \$10,000 \$50,000	\$1,500 \$2,000 \$31,800 \$1,000 \$20,000 \$22,000 \$22,000 \$12,000 \$12,000 \$1,000 \$1,500 \$1,500 \$2,500 \$2,500 \$2,500
300 Permits and Surveys 301 Location, Roads and Site Preparation includes cleanup 302 Footage or Turnkey Drilling 303 Day Work 304 Fuel 305 Completion / Workover Rtg 306 Mud and Chemicals 307 Cerrenting 308 Logging, Wrieline and Coring Services 309 Casing, Tubing & Snubbing Services 310 Mud Logging 311 Treating 312 Treating 312 Treating 3131 Treating 3131 Treating 3131 Water & Other 3134 Bits 1-17 1/2*, 1-12 1/4*, 4-8 3/4* 315 Inspection & Repair Services 316 Mitsc. Air and Pumping Services 317 Welfur & Other 318 Mitsc. Air and Pumping Services 320 Rijg Mobilization & Transportation 321 Welding and Construction 322 Engineering & Contract Supervision 330 Equipment Rental 334 Well / Lease Legal 335 Well / Lease Insurance 136 Intangible Supplies 336 Damages 330 Pipeline and Electrical ROW and Easements 337 Pipeline interconnect 375 Company Supervision 330 Overticed Fixed Rate 338 Well Abandomment 339 Contingencies 10% / 10%  Total intangibles  797 Conductor Casing 600* 13-3/8* 54.5# K55 ST&C @ \$37.38/ft 797 Intermediate Casing 500* 9-5/8* 40# HCK55NBO LT&C @ \$15.75/ft 798 Tubing 11,200* 2-7/8* 6.5# P110 EUE 8rd @ \$6.42/ft 797 Tubing Head 797 Tubing Head & Upper Soction 380 Deriked LT&C gaster Subsurface Equipment 381 Packer Pump & Subsurface Equipment 382 Artificial Lin Systems	\$100,000 \$604,200 \$75,000 \$100,000 \$75,000 \$15,000 \$15,000 \$1,500 \$60,000 \$85,000 \$12,000 \$10,000 \$4,000 \$30,000 \$40,000 \$10,000 \$8,100	\$2,000 \$31,800 \$1,000 \$20,000 \$22,000 \$12,000 \$12,000 \$12,000 \$1,000 \$1,500 \$2,500 \$2,500 \$2,500 \$2,500
302   Footage or Turnkey Drilling   303   Day Work   304   Fuel   305   Completion / Workover Rtg   305   Completion / Workover Rtg   306   Mud and Chemicals   307   Comenting   308   Logging, Wireline and Coring Services   309   Casing, Tubing & Snubbing Services   310   Mud Logging   311   Testing   70Q Binary + 70K IP   312   Treating   70Q Binary + 70K IP   313   Water & Other   314   Bits   1-17 1/2", 1-12 1/4", 4-8 3/4"   315   Inspection & Repair Services   316   Misc, Air and Pumping Services   318   Misc, Air and Pumping Services   319   Misc, Air and Pumping Services   320   Rig Mobilization & Transportation   321   Welding and Construction   321   Welding and Construction   322   Engineering & Contract Supervision   323   Suppriest   324   Well / Lease Legal   325   Well / Lease Insurance   326   Intangible Supplies   335   Damages   360   Pipeline interconnect   375   Company Supervision   360   Overhead Fixed Rate   360   370   Surface Casing   300	\$604,200 \$75,000 \$100,000 \$75,000 \$50,000 \$15,000 \$1,500 \$60,000 \$65,000 \$12,000 \$10,000 \$40,000 \$40,000 \$10,000 \$81,000	\$31,800 \$1,000 \$20,000 \$20,000 \$20,000 \$22,000 \$12,000 \$12,000 \$1,000 \$1,500 \$2,500 \$2,500 \$2,500 \$2,500 \$2,500
303 Day Work 304 Fuel 305 Completion / Workover Rig 306 Mud and Chemicals 307 Cementing 308 Logging, Wheline and Coring Services 309 Casing, Tubing & Shubbing Services 310 Mud Logging 311 Testing 312 Treating 312 Treating 313 Weter & Other 313 Weter & Other 314 Bits 315 Inspection & Repair Services 316 Misc. Air and Pumping Services 320 Rig Mobilization & Transportation 321 Wetling and Construction 322 Engineering & Contract Supervision 323 Rig Mobilization & Transportation 324 Welfung and Construction 325 Engineering & Contract Supervision 326 Equipment Rental 337 Well / Lease Legal 338 Well / Lease Insurance 101 Intangible Supplies 339 Denanges 360 Pipeline and Electrical ROW and Easements 367 Pipeline interconnect 377 Company Supervision 380 Overhead Fixed Rate 398 Well Abandonment 399 Contingencies 10% / 10%  Total Intangibles  TANGIBLE COST 181 797 Conductor Casing 40° of 20° (included in location cost) 797 Surface Casing 500° 13-38° 54.58 K55 STAC @ \$37.38/ft 797 Intermediate Casing 797 Production Casing 11,600° 5-1/2* 17# HCP110/NB0 LT&C @ \$15.75/ft 798 Tubing 11,200° 2-7/6° 6.5# P110 EUE 8rd @ \$6.42/ft Drilling Head 670 Tubing Head & Upper Section 880 Decker Pump & Subsurface Equipment 884 Artificial Lik Systems	\$75,000 \$100,000 \$75,000 \$50,000 \$15,000 \$25,000 \$1,500 \$66,000 \$12,000 \$10,000 \$4,000 \$4,000 \$10,000 \$40,000 \$10,000	\$1,000 \$20,000 \$2,000 \$2,000 \$22,000 \$12,000 \$12,000 \$1,000 \$1,000 \$1,500 \$2,500 \$2,500 \$2,500 \$2,500
304   Fuel   305   Completion / Workover Rig   306   Mud and Chemicals   307   Comending   308   Logging, Wireline and Coring Services   309   Casing, Tubing & Snubbing Services   310   Mud Logging   311   Testing   312   Treating   70Q Binary + 70K IP   313   Water & Other   314   Bits   1-17 1/2", 1-12 1/4", 4-8 3/4"   315   Inspection & Repair Services   316   Misc. Air and Pumping Services   318   Misc. Air and Pumping Services   319   Misc. Air and Pumping Services   310   Misc. Air and Pumping Services   311   Welding and Construction   321   Welding and Construction   322   Engineering & Contract Supervision   323   Equipment Rental   334   Well / Lease Legal   335   Well / Lease Insurance   336   Inlangible Supplies   335   Damages   360   Pipeline and Electrical ROW and Easements   361   Pipeline Interconnect   367   Pipeline Interconnect   368   Overhead Fixed Rate   369   Well / Abandonment   367   Fipeline Interconnect   367   Total Intangibles   379   Conductor Casing   40° of 20° (Included in location cost)   767   Surface Casing   5300° 9-578° 408' HCK55/N80 LT&C @ \$30.85/R   767   Intermediate Casing   5300° 9-578° 408' HCK55/N80 LT&C @ \$30.85/R   767   Intermediate Casing   5300° 9-578° 408' HCK55/N80 LT&C @ \$30.85/R   767   Intermediate Casing   11,600° 5-1/2 17# HCP110/N80 LT&C @ \$15.75/R   768   Tubing   40° dt 20° 2-778° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 2-778° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 2-778° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 2-778° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 2-778° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 2-778° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 4-788° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° dt 20° 4-788° 6-5# P110 EUE 8rd @ \$6.42/R   880   Orilling Head   40° 40° 40° 40° 40° 40° 40° 40° 40° 40°	\$75,000 \$100,000 \$75,000 \$50,000 \$15,000 \$25,000 \$1,500 \$66,000 \$12,000 \$10,000 \$4,000 \$4,000 \$10,000 \$40,000 \$10,000	\$1,000 \$20,000 \$2,000 \$2,000 \$22,000 \$12,000 \$12,000 \$1,000 \$1,000 \$1,500 \$2,500 \$2,500 \$2,500 \$2,500
305	\$100,000 \$75,000 \$50,000 \$15,000 \$25,000 \$1,500 \$66,000 \$12,000 \$10,000 \$4,000 \$30,000 \$40,000 \$10,000 \$5,1000 \$5,000	\$20,000 \$2,000 \$2,000 \$12,000 \$12,000 \$1,000 \$1,000 \$1,500 \$2,500 \$2,500 \$2,500 \$2,500 \$2,500
306	\$75,000 \$50,000 \$15,000 \$25,000 \$1,500 \$60,000 \$65,000 \$12,000 \$19,000 \$4,000 \$40,000 \$10,000 \$40,000 \$10,000 \$55,000	\$2,000 \$60,000 \$22,000 \$12,000 \$5,000 \$225,000 \$1,000 \$1,500 \$2,500 \$2,500 \$2,500 \$2,000 \$3,500
307 Cementing 308 Logging, Wireline and Coring Services 309 Casing, Tubing & Snubbing Services 310 Mud Logging 311 Testing 312 Treating 312 Treating 313 Water & Other 314 Bits 31-17 1/2", 1-12 1/4", 4-8 3/4" 315 Inspection & Repair Services 316 Misc. Air and Pumping Services 317 Misc. Air and Pumping Services 318 Misc. Air and Pumping Services 319 Welding and Construction 321 Welding and Construction 322 Engineering & Contract Supervision 323 Requipment Rental 324 Well / Lease Legal 325 Well / Lease Insurance 326 Intangible Supplies 327 Damages 328 Damages 329 Pipeline and Electrical ROW and Easements 360 Pipeline and Electrical ROW and Easements 367 Pipeline Interconnect 375 Company Supervision 380 Overhead Fixed Rate 389 Well Abandonment 399 Contingencies 399 Contingencies 399 Contingencies 390 Tanagible Cost 181 40' of 20' (included in location cost) 797 Surface Casing 40' of 20' (included in location cost) 797 Intermediate Casing 530' 9-5/8" 40# HCK55/N80 LT&C @ \$15.75/ft 798 Tubing 11,600' 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,600' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft 870 Tubing Head 870 Tubing Head 870 Tubing Head 870 Tubing Head 871 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems	\$75,000 \$50,000 \$15,000 \$25,000 \$1,500 \$60,000 \$65,000 \$12,000 \$19,000 \$4,000 \$40,000 \$10,000 \$40,000 \$10,000 \$55,000	\$80,000 \$22,000 \$12,000 \$5,000 \$225,000 \$1,000 \$1,500 \$2,500 \$5,500 \$2,500 \$3,500 \$2,500
308 Logging, Wireline and Coring Services 309 Casing, Tubing & Snubbing Services 310 Mud Logging 311 Testing 312 Treating 70Q Binary + 70K IP 313 Water & Other 314 Bits 1-17 1/2", 1-12 1/4", 4-8 3/4" 315 Inspection & Repair Services 316 Misc. Air and Pumping Services 320 Riig Mobilization & Transportation 321 Welding and Construction 322 Engineering & Contract Supervision 323 Equipment Rental 334 Well / Lease Legal 335 Well / Lease Legal 336 Pipelline and Electrical ROW and Easements 360 Pipelline and Electrical ROW and Easements 361 Pipelline interconnect 375 Company Supervision 380 Overthead Fixed Rate 398 Well Abandonment 398 Contingencies 10% / 10%  Total Intangibles 797 Conductor Casing 600° 13-3/8 54.5# KSS STAC @ \$37.36/ft 797 Intermediate Casing 5300° 9-5/8" 40# HCK55/N80 LTAC @ \$15.75/ft 797 Production Casing 11,600° 5-1/2" 17# HCP110/N80 LTAC @ \$15.75/ft 798 Tubing 11,200° 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft 860 Drilling Head 870 Tubing 11,200° 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft 871 Sucker Rods 872 Packer Pump & Subsurface Equipment 873 Artificial Lift Systems	\$50,000 \$15,000 \$25,000 \$1,500 \$60,000 \$65,000 \$12,000 \$19,000 \$85,000 \$40,000 \$10,000 \$40,000 \$10,000	\$22,000 \$12,000 \$5,000 \$225,000 \$1,000 \$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,500
309   Casing, Tubing & Snubbing Services	\$15,000 \$25,000 \$1,500 \$60,000 \$65,000 \$12,000 \$10,000 \$85,000 \$40,000 \$10,000 \$10,000 \$8,100	\$12,000 \$5,000 \$225,000 \$1,000 \$1,500 \$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,500
310   Mud Logging   311   Testing   70Q Binary + 70K IP   312   Treating   70Q Binary + 70K IP   313   Water & Other   314   Bits   1-17 1/2", 1-12 1/4", 4-8 3/4"   315   Inspection & Repair Services   316   Misc. Air and Pumping Services   320   Rig Mobilization & Transportation   321   Welding and Construction   322   Engineering & Contract Supervision   330   Equipment Rental   334   Well / Lease Legal   335   Well / Lease Insurance   340   Intangible Supplies   335   Damages   360   Pipeline and Electrical ROW and Easements   91peline interconnect   375   Company Supervision   380   Overhead Fixed Rate   398   Well Abandonment   399   Contingencies   10%   / 10%   Total Intangibles   TANGIBLE COST 181   797   Surface Casing   600' 13-3/8' 54.5# K55 ST&C @ \$37.38/ft   797   Intermediate Casing   5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft   797   Production Casing   11,600' 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft   798   Tubing   11,200' 2-7/8' 6.5# P110 EUE 8rd @ \$6.42/ft   860   Drilling Head   Packer Pump & Subsurface Equipment   884   Artificial Lift Systems   Artificial Lift Systems   Artificial Lift Systems   380   Packer Pump & Subsurface Equipment   884   Artificial Lift Systems   380   Artificial Lift Systems   38	\$25,000 \$1,500 \$60,000 \$65,000 \$12,000 \$10,000 \$85,000 \$4,000 \$40,000 \$10,000 \$8,100	\$225,000 \$1,000 \$1,000 \$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,000
311   Testing   Treating   ToQ Binary + 70K IP	\$60,000 \$65,000 \$12,000 \$10,000 \$85,000 \$4,000 \$30,000 \$40,000 \$10,000 \$8,100	\$225,000 \$1,000 \$1,000 \$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,000
312   Treating   70Q Binary + 70K IP	\$65,000 \$12,000 \$19,000 \$85,000 \$40,000 \$40,000 \$10,000 \$8,100 \$500	\$1,000 \$1,000 \$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,000
314   Bits	\$65,000 \$12,000 \$19,000 \$85,000 \$40,000 \$40,000 \$10,000 \$8,100 \$500	\$1,000 \$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,500
315 Inspection & Repair Services 316 Misc. Air and Pumping Services 320 Rig Mobilization & Transportation 321 Welding and Construction 322 Engineering & Contract Supervision 323 Equipment Rental 334 Well / Lease Legal 335 Well / Lease Insurance 340 Intangible Supplies 351 Damages 360 Pipeline and Electrical ROW and Easements 367 Pipeline interconnect 375 Company Supervision 380 Overhead Fixed Rate 398 Well Abandonment 399 Contingencies 10% / 10%  Total Intangibles  TANGIBLE COST 181 797 Conductor Casing 40° of 20° (included in location cost) 797 Surface Casing 5300° 9-5/8° 40# HCK55/N80 LT&C @ \$30.85/ft 797 Intermediate Casing 5300° 9-5/8° 40# HCK55/N80 LT&C @ \$30.85/ft 797 Production Casing 11.600° 5-1/2° 17# HCP110/N80 LT&C @ \$30.85/ft 798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft 870 Tubing Head 870 Tubing Head 870 Tubing Head Aupper Section 875 Sucker Rods 884 Artificial Lift Systems	\$12,000 \$10,000 \$85,000 \$4,000 \$40,000 \$10,000 \$8,100	\$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,500
316 Misc. Air and Pumping Services 320 Rig Mobilization & Transportation 321 Welding and Construction 322 Engineering & Contract Supervision 323 Equipment Rental 334 Well / Lease Legal 335 Well / Lease Insurance 350 Intangible Supplies 355 Damages 360 Pipeline and Electrical ROW and Easements 367 Pipeline Interconnect 375 Company Supervision 380 Overhead Fixed Rate 398 Well Abandonment 399 Contingencies 10% / 10%  Total Intangibles  TANGIBLE COST 181 797 Conductor Casing 40° of 20° (included in location cost) 797 Intermediate Casing 5300° 9-5/8° 40# HCK55/N80 LT&C @ \$30.85/ft 797 Intermediate Casing 11,600° 5-1/2° 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft 860 Drilling Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems	\$10,000 \$85,000 \$4,000 \$30,000 \$40,000 \$10,000 \$8,100	\$1,500 \$2,500 \$5,500 \$2,000 \$3,500 \$2,500
Rig Mobilization & Transportation  321 Welding and Construction  322 Engineering & Contract Supervision  330 Equipment Rental  331 Well / Lease Legal  335 Well / Lease Insurance  350 Intangible Supplies  355 Damages  360 Pipeline and Electrical ROW and Easements  367 Pipeline Interconnect  375 Company Supervision  380 Overhead Fixed Rate  398 Well Abandonment  399 Contingencies 10% / 10%  Total Intangibles  TANGIBLE COST 181  797 Conductor Casing 40° f20° (included in location cost)  797 Surface Casing 500° 13-3/8° 54.5# K55 ST&C @ \$37.36/ft  797 Intermediate Casing 500° 13-3/8° 54.5# K55 ST&C @ \$37.36/ft  797 Intermediate Casing 11,600° 5-1/2° 17# HCP110/N80 LT&C @ \$15.75/ft  798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft  860 Drilling Head  870 Tubing Head & Upper Section  875 Sucker Rods  880 Packer Pump & Subsurface Equipment  Artificial Lift Systems	\$85,000 \$4,000 \$30,000 \$40,000 \$10,000 \$8,100	\$2,500 \$5,500 \$2,000 \$3,500 \$2,500
321   Welding and Construction   322   Engineering & Contract Supervision   330   Equipment Rental   334   Well / Lease Legal   335   Well / Lease Legal   335   Well / Lease Legal   335   Untangible Supplies   355   Damages   360   Pipeline and Electrical ROW and Easements   387   Pipeline Interconnect   375   Company Supervision   380   Overhead Fixed Rate   398   Well Abandonment   399   Contingencies   10%	\$4,000 \$30,000 \$40,000 \$10,000 \$8,100 \$500	\$5,500 \$2,000 \$3,500 \$2,500
322	\$30,000 \$40,000 \$10,000 \$8,100 \$500	\$2,000 \$3,500 \$2,500
330	\$40,000 \$10,000 \$8,100 \$500	\$3,500 \$2,500
334   Well / Lease Legal   335   Well / Lease Insurance   350   Intangible Supplies   355   Damages   360   Pipeline and Electrical ROW and Easements   367   Pipeline Interconnect   375   Company Supervision   380   Overhead Fixed Rate   398   Well Abandonment   399   Contingencies   10%	\$10,000 \$8,100 \$500	\$2,500
335   Well / Lease Insurance   350   Intangible Supplies   355   Damages   360   Pipeline and Electrical ROW and Easements   367   Pipeline Interconnect   375   Company Supervision   375   Company Supervision   376   Company Supervision   377   Company Supervision   378   Well Abandonment   379   Contingencies   10%	\$8,100 \$500	
350   Intangible Supplies   355   Damages   360   Pipeline and Electrical ROW and Easements   367   Pipeline Interconnect   375   Company Supervision   380   Overhead Fixed Rate   398   Well Abandonment   399   Contingencies   10%	\$500	\$500
355   Damages   360   Pipeline and Electrical ROW and Easements   367   Pipeline Interconnect   375   Company Supervision   375   Company Supervision   380   Overhead Fixed Rate   398   Well Abandonment   399   Contingencies   10% / 10%   Total Intangibles   TANGIBLE COST 181   10%   Total Intangibles   TANGIBLE COST 181   10%   Total Intended in location cost   10% / 10%   10%		\$500
360   Pipeline and Electrical ROW and Easements   387   Pipeline Interconnect   375   Company Supervision   380   Overhead Fixed Rate   398   Well Abandonment   399   Contingencies   10%	\$10,000	
387 Pipeline Interconnect 375 Company Supervision 380 Overhead Fixed Rate 398 Well Abandonment 399 Contingencies 10% / 10%  Total Intengibles  TANGIBLE COST 181  797 Conductor Casing 40° 620" (included in location cost) 797 Surface Casing 800" 13-3/8" 54.5# K55 ST&C @ \$37,38/ft 797 Intermediate Casing 5300" 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft 797 Intermediate Casing 11,600" 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200" 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft 880 Drilling Head 8 Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		\$6,000
375 Company Supervision  380 Overhead Fixed Rate  398 Well Abandonment  399 Contingencies 10% / 10%  Total intangibles  TANGIBLE COST 181  797 Conductor Casing 40° of 20" (included in location cost)  797 Surface Casing 600° 13-3/8" 54.5# K55 ST&C @ \$37.38/ft  797 Intermediate Casing 5300" 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft  797 Intermediate Casing 11,600" 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft  798 Tubing 11,200" 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft  880 Drilling Head 8 Upper Section  875 Sucker Rods  880 Packer Pump & Subsurface Equipment  884 Artificial Lift Systems		\$0,000
380 Overhead Fixed Rate 398 Well Abandonment 399 Contingencies 10% / 10%  Total Intangibles  TANGIBLE COST 181 797 Conductor Casing 40° of 20° (included in location cost) 798 Surface Casing 600° 13-3/8° 54.5# K55 ST&C @ \$37.38/ft 799 Intermediate Casing 5300° 9-5/8° 40# HCK55/N80 LT&C @ \$30.85/ft 797 Intermediate Casing 797 Production Casing 11,600° 5-1/2° 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft 880 Drilling Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems	\$28,000	\$10,000
398   Well Abandonment   399   Contingencies   10%	\$9,000	\$6,000
399   Contingencies   10%	\$15,000	(\$15,000)
TANGIBLE COST 181  797 Conductor Casing 40' of 20" (included in location cost)  797 Surface Casing 600' 13-3/8" 54.5# K55 ST&C @ \$37.38/ft  797 Intermediate Casing 5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft  797 Intermediate Casing  797 Production Casing 11,600" 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft  798 Tubing 11,200' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft  880 Drilling Head & Upper Section  875 Sucker Rods  880 Packer Pump & Subsurface Equipment  884 Artificial Lift Systems	\$143,400	\$40,900
TANGIBLE COST 181  797 Conductor Casing 40' of 20" (included in location cost)  797 Surface Casing 600' 13-3/8" 54.5# K55 ST&C @ \$37.38/ft  797 Intermediate Casing 5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft  797 Intermediate Casing  797 Production Casing 11,600" 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft  798 Tubing 11,200' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft  880 Drilling Head & Upper Section  875 Sucker Rods  880 Packer Pump & Subsurface Equipment  884 Artificial Lift Systems	\$1,577,200	\$450,200
797 Conductor Casing 40' of 20" (included in location cost) 797 Surface Casing 600' 13-3/8" 54.5# K55 ST&C @ \$37.36/ft 797 Intermediate Casing 5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft 797 Intermediate Casing 797 Production Casing 11,600" 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft 880 Orflling Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		
797 Intermediate Casing 5300' 9-5/8" 40# HCK55/N80 LT&C @ \$30.85/ft 797 Intermediate Casing 797 Production Casing 11,600' 5-1/2" 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200' 2-7/8" 6.5# P110 EUE 8rd @ \$6.42/ft 880 Drilling Head 870 Tubing Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		
797 Intermediate Casing 797 Production Casing 11.600° 5-1/2° 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft 860 Drilling Head 870 Tubing Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems	\$22,800	
797 Production Casing 11.600° 5-1/2° 17# HCP110/N80 LT&C @ \$15.75/ft 798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft 860 Drilling Head 870 Tubing Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems	\$163,500	
798 Tubing 11,200° 2-7/8° 6.5# P110 EUE 8rd @ \$6.42/ft 860 Drilling Head 870 Tubing Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		
860 Drilling Head 870 Tubing Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		\$181,200
870 Tubing Head & Upper Section 875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		\$71,900
875 Sucker Rods 880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems	\$10,000	
880 Packer Pump & Subsurface Equipment 884 Artificial Lift Systems		\$15,000
884 Artificial Lift Systems		
		\$10,000
		<del></del>
886 Surface Pumos & Prime Movers		
890 Tanks - Steel	<del></del>	\$16,000
891 Tanks - Other		\$6,500
895 Separation Equipment		\$25,000
896 Gas Treating Equipment		3-27-30
898 Metering Equipment		\$6,000
800 Line Pipe - Gas Gathering and Transportation		\$25,000
901 Line Pipe - Production		\$1,500
906 Miscellaneous Fittings, Valves & Accessories		\$15,000
909 Electrical Installations		<u> </u>
910 Production Equipment Installation		\$20,000
920 Pipeline Construction		
Prepared by: F. Lathan Date Prepared: 12/3/2007 Total Tangibles		\$25,000
Company Approval: M. WATTER Date Approved: 12/4/2007 SUBTOTAL	\$198,300	\$25,000 \$418,100
Joint Owner Interest: 1.001174% Joint Owner Amount: \$26,449.01 TOTAL WELL COST	\$198,300 \$1,773,500	

Operator has secured Operator's Extra Expense Insurance covering costs of well control, clean up, and redrilling, as estimated in Line Item 335. Non-operator may elect <u>not</u> to be covered by this Operator's Extra Expense Insurance only by signing below. The undersigned elects <u>not</u> to be covered by Operator's Extra Expense Insurance for their well.

Joint Owner: Chevron USA Inc.

Name:

\_Joint Owner Approval: