

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 RSC RESOURCES LIMITED
PARTNERSHIP FOR APPROVAL OF A NON-
STANDARD OIL SPACING AND PRORATION
UNIT AND FOR COMPULSORY POOLING,
COUNTY, NEW MEXICO.**

Case No. 14,099

VERIFIED STATEMENT OF KIRK E. SMITH

Kirk E. Smith, being duly sworn upon his oath, deposes and states:

1. I am an independent landman, and I have worked as a contractor for RSC Resources Limited Partnership on this case. I have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1210.A(1)(b), the following information is submitted in support of the application:

(a) No opposition to this application is expected because the mineral interest owners being pooled have been repeatedly contacted, but have not joined in the well and, despite repeated requests, have failed or refused to farmout their interest.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying Lot 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, and SE $\frac{1}{4}$ NW $\frac{1}{4}$ (the S $\frac{1}{2}$ N $\frac{1}{2}$) of Section 19, Township 16 South, Range 29 East, NMPM, to form a non-standard 145.53-acre oil spacing and proration unit (project area) for any and all formations or pools developed on 40-acre spacing. The unit is to be dedicated to the Lucky Wolf "19" State Com. Well No. 1H, a horizontal well to be drilled at a surface location 1980 feet from the north line and 10 feet from the west line of Section 19. The well will have a penetration point in the Wolfcamp formation 1980 feet from the north line and 10' from the west line, and a terminus 1980 feet from the north line and 330 feet from the east line, of Section 19.

(c) The parties being pooled, their interest in the well unit, and their address, are:

Oil Conservation Division
Case No. _____
Exhibit No. 1

Chaparral Oil, LLC
Chaparral Energy, LLC
701 Cedar Lake Boulevard
Oklahoma City, Oklahoma 73114

27.48 %

The title on this matter is unclear as to whether Chaparral Oil, LLC or Chaparral Energy, LLC owns a working interest in the well unit. However, the two companies are related entities who share the same address.

(d) Copies of the proposal letter and other correspondence sent to the uncommitted mineral interest owners are attached hereto as Exhibit B.

(e) RSC Resources Limited Partnership has made a good faith effort to obtain the voluntary joinder of interest owners in the well.

(f) The working interest owners offsetting the non-standard well unit (project area) are identified on Exhibit A.

(g) 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 Eddy County.

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

(i) Overhead charges of \$ 6000/month for a drilling well, and \$ 600/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. RSC Resources Limited Partnership requests that the rates be adjusted under the COPAS accounting procedure.

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

VERIFICATION


STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

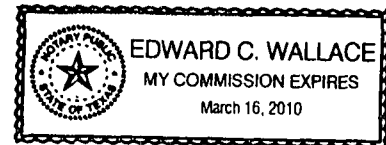
Kirk E. Smith, being duly sworn upon his oath, deposes and states that: He is a landman for RSC Resources Limited Partnership; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof, and the same is true and correct to the best of his knowledge, information, and belief.


Kirk E. Smith

SUBSCRIBED AND SWORN TO before me this 21st day of July, 2008 by Kirk E. Smith.

My Commission Expires: _____


Notary Public



EXHIBIT

JAMIE LAKE

T-16-S, R-28-E

T-16-S, R29-E

CAVE LAKE

BEACH EXPL (OPER)
RED LAKE UNIT

RODNEY WEBB (OPER)
EAST RED LAKE UNIT

EXHIBIT A

Eddy County NM

Offset Lessees/Operators

1. W $\frac{1}{2}$ NW $\frac{1}{4}$ §20-16S-29E.
Caza Energy, LLC
Gerene D. Chase Ferguson
Richard L. Chase
Robert C. Chase
2. NW $\frac{1}{4}$ SW $\frac{1}{4}$ §20-16S-29E.
ConocoPhillips Company
3. N $\frac{1}{2}$ NE $\frac{1}{4}$ §19-16S-29E.
Caza Energy, LLC
Gerene D. Chase Ferguson
Richard L. Chase
Robert C. Chase
4. NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, and NE $\frac{1}{4}$ SE $\frac{1}{4}$ §19-16S-29E.
EOG Resources, Inc.
5. Lots 1 and 3 §19-16S-29E.
Cal-Mon Oil Company
6. NW $\frac{1}{4}$ SE $\frac{1}{4}$ §19-16S-29E.
Exxon Mobil Corporation
7. E $\frac{1}{2}$ E $\frac{1}{2}$ §24-16S-28E.
Exxon Mobil Corporation
Cimarex Energy Co.

RSC Resources, L.P.

6824 Island Circle
Midland, Tx. 79707
(432) 553-1849
(432) 683-5266 fax
rsc.l.p@sbeglobal.net

1-28-08

Ms. Sandy Ellis
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK. 73114

Re: Proposed Drilling Operation *H*
Lucky Wolf "19" State Com #1H
Surface location : 1980' FSL and 10' FWL
Bottom Hole location : 1980' FNL and 330' FEL
T-16-S, R-29-E
Section 19 : S2N2
Eddy County, NM.

Dear Ms. Ellis,

RSC Resources, L.P. ("RSC") has an acquired interest in the referenced lands and is a registered operator in the State of New Mexico. RSC proposes the drilling and completion of a well at the cited location.

RSC plans a horizontal well to a total vertical depth of 6900' and a total measured depth of 10,800' to test the Wolfcamp formation. The estimated DHC will be \$ 1,939,000; CC \$ 1,385,00; CWC \$ 3,324,000.

As an alternative to joining in this proposed operation, RSC is willing to discuss a Farm Out of your interest.

Please be advised that RSC must initiate Forced Pooling efforts if Chaparral does not join in the proposed operation or agree to an alternative arraignment concerning Chaparral's leasehold.

Please indicate your election below. Should you have any questions or comments concerning this matter, please contact the undersigned or Kirk E. Smith, Peregrine Production, LLC at (432) 683-5266.

Yours very Truly,

Original Signed by RSC
Randall S. Cate
RSC Resources, L.P.

____ elect to participate in proposed operation

____ elect non-consent to proposed operation

EXHIBIT

B

From: randall cate <rsc.l.p@sbcglobal.net>
To: Kirk Smith <kirksmith9@aol.com>
Subject: Fw: Lucky Wolf 19
Date: Tue, 5 Feb 2008 9:45 am

----- Forwarded Message -----

From: Ted Krigbaum <tedk@chaparralenergy.com>
To: rsc.l.p@sbcglobal.net
Cc: Sandy Ellis <sandy.ellis@chaparralenergy.com>
Sent: Tuesday, February 5, 2008 9:10:39 AM
Subject: Lucky Wolf 19

Randy,

We finally located our lease file, which shows we own NM 58033, dated 2/1/84. Our file shows we own 100% WI, 87.5% NRI in deep rights and that 13.5% ORR in shallow, but we don't have that old assignment you mentioned that shows the cutoff at 1,977'. We would appreciate a faxed or emailed copy.

The unitized formation ownership is still a little odd, showing the BLM with 2.1% royalty, but that must be specific to the unit and probably does not affect rights below. We will go ahead and get your proposal flowing through the system today. Thanks for your help.

Ted R. Krigbaum, CPL
Division Landman--Southern
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114
405/426-4378
tedk@chaparralenergy.com

From: kirksmith9@aol.com

To: tedk@chaparralenergy.com; rsc.l.p@sbcglobal.net; newkumet@geospectrum.com

Bcc: Kirksmith9@aol.com

Subject: NM 58033 USA lease Sec 19 16-29 Eddy NM 2.6.08ks

Date: Wed, 6 Feb 2008 3:51 pm

Attachments: Coastal-Upland_ASG_from_BLM.pdf (1791K), Chaparral_Energy_Term_Asg_Request_Ltr_2.6.08ks.doc (32K), Chaparral_Term_Asg_2.8.08ks.doc (41K), Chaparral_Energy_Memo_of_Term_Asg_2.11.08ks.docx (19K)

Dear Ted,

As per our discussion and as per your email correspondence with Randy Cate dated 2-5-08, I have reviewed the record of Eddy County NM and the record of the BLM at Santa Fe NM, to attempt to complete your lease file.

Please find **attached** (as a pdf file) a copy of an Assignment dated approved 11-1-86, from Coastal Oil and Gas Corp. (predecessor in title to Bristol-Chaparral) to Upland Production Co., This instrument assigns to Upland ; OGL USA NM58033 (Sec 19: SWNE 16/29) 100% operating rights from the surface to 1977 feet only. Coastal also reserved a 13.5% ORRI in this instrument. This covers the shallow unit interest you refer to.

The deep rights (below 1977') are currently owned by Chaparral, (being 100% operating rights over a 87.5% NRI)

Also attached to this email are the following documents;

1. Letter of offer by Peregrine Production LLC to acquire from Chaparral a Term Assignment on USA NM 58033
2. Proposed Term Assignment form
3. Proposed Memorandum of Term Assignment (for recording at Eddy County, NM.)

These documents are provided as an alternative to the Well Proposal submitted by **RSC Resources, Inc.** dated 1-28-08.

Please review the enclosed and comment to the undersigned at your earliest opportunity.

Thank you for your attention to this matter.

K.E. Smith

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

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PEREGRINE PRODUCTION, LLC

P.O. Box 1844
Midland, Tx. 79702-1844
(432) 683-5266 + fax
(432) 664-7773 (mobile)
kirksmith9@aol.com

10-8-07

Ms. Ted Krigbaum
Chaparral Energy, LLC
 701 Cedar Lake Blvd.
 Oklahoma City, OK. 73114

via email only : <tedk@chaparralenergy.com>

Re: Oil and Gas Lease Term Assignment Proposal
T-16 S, R-29-E
Section 19: SWNE
being 40.00 gross acres, more or less
USA OGL NM 58033
Eddy County, NM.

Dear Ted,

Pursuant to our conversation of 2-1-08 and your email to the attention of Mr. Randy Cate, dated 2-5-08, please consider this letter as the offer of Peregrine Production, LLC. to acquire a term assignment, of your leasehold in the referenced lands, subject to the following general proposed terms;

TERM	:	One (1) year primary term, at a bonus rate of \$ 300.00 per acre, with option to extend primary term, on additional year, by and through a bonus payment of an additional \$ 300.00 per acre
ROYALTY	:	77.50 % NRI (reservation of ORRI to Chaparral)
DEPTHS	:	all depths below 1977 feet
PROVISION	:	continuous development program applicable to government proration units, after the primary term, of 120 days between wells.
DESCRIPTION:		captioned lands
AGREEMENT :		mutually acceptable form (see attached form)

Thank you in advance for your consideration and attention to this matter. Please contact the undersigned at your earliest opportunity. Should you have any questions, please do not hesitate to call me at (432) 664-7773.

Sincerely,
Peregrine Production, LLC

Original signed by Kirk E. Smith
Kirk E. Smith, RPL
President

cc; Randy S. Cate
Midland, Tx.

From: kirksmith9@aol.com

To: tedk@chaparralenergy.com; rsc.l.p@sbcglobal.net; newkumet@geospectrum.com

Subject: chaparral election of Lucky Wolf #1H Sec 19 16/29 Eddy NM

Date: Wed, 13 Feb 2008 4:54 pm

To : Chaparral Energy, LLC.

Ted,

As per our talk of this day, I have inquired with our attorney at Santa Fe, with respect to the last day to make a election under the OCD compulsory pooling rules.

In order for both Peregrine etal (RSC) and Chaparral to avoid cost of fees (attorney and administrative), the last day for election should be Monday February 18, 2008. On Tuesday Peregrine - RSC, will be forced to submit an application for a forced pooling order by the NM-OCD. The last day to submit this application is 2-19-08 at 5:00pm. The hearing date will be 3-20-08 in Santa Fe.

In the alternative, we could both avoid such fees and attorney's cost by Chaparral making an election before Monday, 2-18-08, If you elect to proceed into the hearing, you may make an election anytime up to the hearing date. Past the hearing date, we would both incur additional cost.

The OCD will issue a order to pool within 5 - 7 days from the conclusion of the hearing (3-27-07). This will place you in a 200% cost penalty position at a 1/8 royalty rate.

We, of course remain interested in purchasing a term assignment (as earlier transmitted to you).

Please comment at your earliest opportunity.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

More new features than ever. Check out the new AOL Mail!

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <tedk@chaparralenergy.com>
Subject: RE: Trade terms for Eddy Co NM
Date: Fri, 14 Mar 2008 8:18 am

Kirk,

These terms are acceptable to Chaparral, please prepare the agreement for our review.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Thursday, March 13, 2008 4:54 PM
To: Sandy Ellis; rburess@stmaryland.com; rsc.l.p@sbcglobal.net; newkumet@geospectrum.com
Subject: Trade terms for Eddy Co NM

Dear Sandy,

re: USA OGL NM58033, T16S R29E, Section 19 : SWNE, Eddy County, NM.

As per our discussion this day, I have received authority from St. Mary Land and Exploration Co to make the following offer;

- 1.) primary term to expire 1-1-09.
- 2.) bonus equal to \$ 500.00 per net mineral acre (\$ 20,000.00)
- 3.) assignment of a 75% NRI lease until payout of 100% of drilling, completion and well operations cost. Retained ORRI convertible to a 25% WI at the option of Chaparral.
- 4.) execution of a final agreement on or before 5:00 pm. Tuesday 3-18-08.

Please reply to the undersigned at your opportunity. I am prepared to submit a proposed form of agreement immediately.

Thank you in advance for your consideration of this matter.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

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From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: Trade terms for Eddy Co NM
Date: Fri, 14 Mar 2008 10:08 am

It's Chaparral Energy, LLC!

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Friday, March 14, 2008 9:37 AM
To: Sandy Ellis
Subject: Re: Trade terms for Eddy Co NM

Sandy,

? I show Chaparral Energy, LLC as the owner, ? or is it "Chaparral Oil, LLC" ?

at 701 Cedar Lake Blvd.. OKC OK 73114

I will prepare the following documents ASAP and email to you in a .doc or .pdf format

- 1.) Memorandum of Term Assignment (for recording purposes at Eddy County, NM)
- 2.) Term Assignment
- 3.) Federal form of Assignment of Operating rights (*subject to the Term Assignment*) Note : as we are about to drill that includes this tract, a Assignment of Operating Rights is required.)

Thanks

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <tedk@chaparralenergy.com>
Sent: Fri, 14 Mar 2008 8:18 am
Subject: RE: Trade terms for Eddy Co NM

Kirk,

These terms are acceptable to Chaparral, please prepare the agreement for our review.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Thursday, March 13, 2008 4:54 PM
To: Sandy Ellis; theroad@montyland.com; isa_lip@slush.net; s.ellis@chaparralenergy.com

Subject: Trade terms for Eddy Co NM

Dear Sandy,

re: USA OGL NM58033, T16S R29E, Section 19 : SWNE, Eddy County, NM.

As per our discussion this day, I have received authority from St. Mary Land and Exploration Co to make the following offer;

- 1.) primary term to expire 1-1-09.
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Thank you in advance for your consideration of this matter.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
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(432) 683-5266 (office)
(432) 664-7773 (cell)

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From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: Eddy Co NM 3.21.08ks
Date: Mon, 24 Mar 2008 10:52 am
Attachments: Chaparral_Term_Asg_-_Luck_Wolf.doc (70K)

Kirk,

Attached are Chaparral's requested changes to the proposed Term Assignment.

Since this is only a 40 acre lease, do you know why there is a continuous drilling provision?

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Friday, March 21, 2008 10:37 AM
To: Sandy Ellis
Subject: Eddy Co NM 3.21.08ks

Sandy,

We are working on the JOA for the 40 acres in Eddy County, NM.

The St. Mary-Peregrine JOA contains an AMI and covers 1200 +/- acres, so we could not have you ratify that instrument. We are however crafting a new JOA that matches all terms and is applicable to your respective acreage.

Plus Spring break is slowing us down as people are gone

Will get back with you early next week with a submitted JOA for your review and approval

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

Planning your summer road trip? Check out AOL Travel Guide.

PEREGRINE PRODUCTION, LLC

P.O. Box 1844
Midland, Tx. 79702-1844
(432) 683-5266 + fax
(432) 664-7773 (mobile)
kirksmith9@aol.com

3-26-08

Ms. Sandy Ellis
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK. 73114

Re: Oil and Gas Lease Term Assignment Proposal
T-16 S, R-29-E
Section 19: SWNE
being 40.00 gross acres, more or less
USA OGL NM 58033
Eddy County, NM.

Dear Sandy,

We have reviewed your amendments to the Term Assignment covering the captioned lands.

Please find attached a new Term Assignment which includes your suggested changes;

Those changes are;

Opening paragraph	Addition:	"specifically limited to rights below 1977 feet beneath the surface of the earth to the base of the Wolfcamp formation"
	Deletion:	"below 1977 feet from description"
Part 1a.	Addition:	"in paying quantities"
Part 1b.	Deletion:	all paragraph in its entirety
	Comment:	<i>continuous development was not needed in this case</i>
Part 1c. (nee b.)	Deletion :	"Wolfcamp"
	Addition :	"that have reverted back to Assignor"
	Amendment:	amended 120 days to "90 days"
Part 1d. (nee c.)	Deletion :	"oil and gas"
	Addition :	"lease"

Part 2 Deletion : all of paragraph #2 of part 2

 Amendment : "the Test Well" to "any well"

 Comment : *Test Well has been amended to "any well" throughout the Agreement*

 Addition: "obligation to retain or"

 Deletion : "Substitute Well"

 Comment: "*Substitute Well*" deleted throughout the Agreement

 Addition: "and shall be free of all liens, burdens and encumbrances created by Assignee. **Assignor and Assignee agree to execute the form of Operating Agreement, attached hereto as Exhibit "B" concurrent with the conversion of Assignors Overriding Royalty Interest to a working interest as set out above. It is expressly understood that the Operating Agreement attached hereto as Exhibit "B", shall supersede that certain Operating Agreement dated February 1, 2008, by and between St. Mary Land & Exploration Company as Operator and Peregrine Production, LLC, et al , as Non-Operators, covering among other lands, the premises covered by this Assignment. "**

 Addition: "Assignee will furnish Assignor quarterly reports concerning payout status of such well. In the event an additional Wolfcamp well is drilled on the lease and lands prior to payout of any well, Assignor's option to convert to a working interest shall be treated on a well by well basis and the cost and production for one well bore shall not be accumulated for another well bore in order to determine payout status."

Part 3 (NO CHANGES)

Part 4 Deletion : "It being understood that no less than 50% of any comprised unit shall contain the lease"

 Comment: *The well described in the JOA Article VIA (Initial Well) requires a 160 acres unit under NMOCD field rules. Whereas Section 19 is an irregular section, the S2N2 unit comprises :*
Lot #2 : 25.55 acres
SENW : 40.00 acres (Chaparral 27.48%)
SWNE : 40.00 acres
SENE : 40.00 acres
145.55 acres unit

Part 5 (NO CHANGES)

Part 6 (NO CHANGES)

Part 7 (NO CHANGES)

Part 8 Addition : "free and clear of all liens, burdens and encumbrances created by through or under Assignee subsequent to this assignment"

Part 9 Deletion: all paragraph in its entirety

Warranty Paragraph Addition: "without warranty of title either expressed or implied"

WITNESS Amendment: effective date changed to "March 27, 2008"

Please review the changes, deletions and amendments and comment to the undersigned at your earliest opportunity.

Thank you in advance for your consideration and attention to this matter.

Sincerely,
Peregrine Production, LLC

Kirk E. Smith, RPL
President

cc; Ms. Rita Buress
 St. Mary Land & Exploration
 Midland, Tx.
 Randy S. Cate
 Midland, Tx.

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: Lucy Wolf - Assignment of ORRI
Date: Mon, 31 Mar 2008 7:49 am

OK, we have a broker in the area so it won't be a big deal to have him check.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Friday, March 28, 2008 2:23 PM
To: Sandy Ellis
Subject: Re: Lucy Wolf - Assignment of ORRI

Sandy,

St. Mary had contracted Allen Harvey, attorney at law, to prepare a drilling title opinion on the S2N2-19, 16/29. I have a call into Rita at St. Mary on this issue and will see what the status of the opinion is. So hold off until I can get a copy and see what its results are or see where Allen is on this project.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <ted.k@chaparralenergy.com>
Sent: Fri, 28 Mar 2008 12:06 pm
Subject: RE: Lucy Wolf - Assignment of ORRI

Kirk,

Unless you have a title opinion, I think we'd feel better having a broker check the records the first of the week so we'll know what the actual burdens are on the deep rights.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Friday, March 28, 2008 10:56 AM
To: Sandy Ellis
Subject: Re: Lucy Wolf - Assignment of ORRI

Sandy

Please find attached ;

- .pdf photo of Apache - Bristol Asg seen at M276/1165 + page 1170 (Ex A as to Sec 19 : SWNE "NM-58033") This EX A mentions no ORRI

- page M275/779 (Coastal - Apache - EX A) and also shows no reservation of ORRI

I am sorry for the poor quality of these copies, as they are from microfilm out of Caprock Title in Midland.

I had not seen the Fed Asg you sent me a copy of. How will this affect our trade ??

Please call.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy_ellis@chaparralenergy.com>

To: kirksmith9@aol.com

Cc: Ted Krigbaum <tedk@chaparralenergy.com>

Sent: Fri, 28 Mar 2008 10:16 am

Subject: Lucy Wolf - Assignment of ORRI

Kirk,

I was reviewing our lease file and noticed that on the Federal assignment from Apache to Bristol they reserved an ORRI equal to the difference between existing lease burdens and 26% with no depth limitations, copy attached. Ted said he discussed lease burdens with you and you didn't think the ORRI pertained to depths below 1,977'. I saw the assignment you sent from Coastal to Upland with the ORRI limitation but don't find any assignments into Bristol that didn't reserve this ORRI for all depths. Unfortunately our files are incomplete. Do you have a copy of the assignment that was recorded in the county records that might clarify the ORRI below 1,977'?

Thanks,

Sandy

Planning your summer road trip? Check out AOL Travel Guides.

Planning your summer road trip? Check out AOL Travel Guides.

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: Eddy County NM FO 4.9.08ks
Date: Wed, 9 Apr 2008 3:34 pm

Kirk,

I've sent it to management for execution. I also gave them a copy of the force pooling so they know we're under a deadline. I should hear back this week.

I'll keep you posted.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Wednesday, April 09, 2008 2:58 PM
To: Sandy Ellis
Subject: Eddy County NM FO 4.9.08ks

Sandy,

just touching base to see where you were on our term Assignment and JOA

Please advise.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

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From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <tedk@chaparralenergy.com>
Subject: JOA - Lucky Wolf, Eddy Co., NM
Date: Wed, 23 Apr 2008 5:14 pm

Kirk,

In addition to the changes to the Exhibit "A" and "A-1", following are the changes Chaparral is requesting to the proposed Operating Agreement:

- Article VI. C. Option 2, p.9, line 25: change inclusive to exclusive.
- Article VI. D., p.9, line 69: Change 51% to 70%
- Article VI. E. p.10, line 61: Change 51% to 70%
- Article XVI. B: Delete
- Article XVI. G: Delete
- Exhibit "A": Need depth limitation 'below 1,977' to base of Wolfcamp

Please review these changes and advise as to St.Mary's acceptance.

Thanks,

Sandy

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: JOA - Lucky Wolf , Eddy Co., NM
Date: Tue, 29 Apr 2008 5:30 pm

Kirk,

Can you add language that if the Casing Point election is sent on weekend they must contact company rep by phone?

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Tuesday, April 29, 2008 2:58 PM
To: Sandy Ellis
Subject: Re: JOA - Lucky Wolf , Eddy Co., NM

Sandy,

Sorry I threw you a curve ball. I had deleted a prior paragraph when I prepared instrument for you, and not realized I made the change on my end.

Please cross thru and delete your Article XVI.G "Reference to Letter Agreement"

Thanks

KES

PS : the Article of Merger for Chaparral Energy will be sent to Allen Harvey for his opinion as curative and appear adequate.

? Could you record an original in the record of Eddy County, NM. ?

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <tedk@chaparralenergy.com>
Sent: Tue, 29 Apr 2008 2:02 pm
Subject: RE: JOA - Lucky Wolf , Eddy Co., NM

Kirk,

Attached is a scan of what we received as XVI G. it's a provision regarding a Conflict of Terms.

Also attached is a copy of the Assignment from Chaparral Oil into Chaparral Energy.

Sandy

From: kirksmith@aol.com [mailto:kirksmith@aol.com]
Sent: Tuesday, April 29, 2008 11:55 AM
To: Sandy Ellis
Subject: Re: JOA - Lucky Wolf , Eddy Co., NM

Sandy,

Please review Article XVI.G "Bankruptcy". There is no pre-existing agreement (or parties) under the terms of this paragraph.

Possibly you meant Article XVI.B "Area of Mutual Interest" which we will delete as per your request.

Please advise.

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <ted.k@chaparralenergy.com>
Sent: Tue, 29 Apr 2008 11:08 am
Subject: RE: JOA - Lucky Wolf , Eddy Co., NM

Kirk,

I'll get you the documents into Chaparral Energy L.L.C..

As to our request to delete Article XVI.G, I don't see how we can accept an agreement were not a party to especially when we don't know the terms and conditions. If you want to submit a copy of the agreement, we'll review and make a decision from that point.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Friday, April 25, 2008 10:50 AM
To: Sandy Ellis; rburess@stmaryland.com
Subject: Re: JOA - Lucky Wolf , Eddy Co., NM

Sandy,

have visited with St. Mary and have the following comments covering your suggested changes;

- Article VI. C. Option 2, p.9, line 25: change inclusive to exclusive

Inclusive to exclusive – we don't want to change. We'll be keeping in touch with them as we near decision points and will include adequate contact info in the agreement so we can reach them weekends and holidays, but it's too expensive to idle rigs while we wait on elections.

- Article VI. D., p.9, line 69: Change 51% to 70%
- Article VI. E. p.10, line 61: Change 51% to 70%

51% to 70% both places the change is requested. OK with St. Mary

- Article XVI. B: Delete

this is our AMI provision isn't it? yes. lets delete this.

- Article XVI. G: Delete

we need to keep this provision for protection

- Exhibit "A": Need depth limitation 'below 1,977' to base of Wolfcamp

will edit Exhibit "A" to comply with depth restriction. I will also delete the last sentence.

Added to Exhibit "A" (from St. Mary)

In the event Chaparral elects to exercise its option to convert its overriding royalty to a working interest this Operating Agreement shall supersede that certain JOA, dated February 1, 2008, by and between St. Mary Land & Exploration Company, as Operator, and Peregrine Production LLC, et al. as Non Operators as to the depths covered hereby in the S/2 N/2 of Section 19, T16S, R29E, NMPM, Eddy County, New Mexico." This will allow us to have only one JOA

Please consider the proposed changes.

I am prepared to issue a new set of documents for your review, and/or send you parts to be included. you can add or delete as per above.

Also I note that in the opinion, the record title appears to rest in Chaparral Oil, LLC. I am prepared to issue all docs (Term Assignment, Memo and JOA) into Chaparral Oil, LLC.

Please advise.

Thanks for your help

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy_ellis@chaparralenergy.com>

To: kirksmith9@aol.com

Cc: Ted Krigbaum <tedk@chaparralenergy.com>

Sent: Wed, 23 Apr 2008 5:14 pm

Subject: JOA - Lucky Wolf , Eddy Co., NM

Kirk,

In addition to the changes to the Exhibit "A" and "A-1", following are the changes Chaparral is requesting to the proposed Operating Agreement:

- Article VI. C. Option 2, p.9, line 25: change inclusive to exclusive.
- Article VI. D., p.9, line 69: Change 51% to 70%
- Article VI. E. p.10, line 61: Change 51% to 70%
- Article XVI. B: Delete
- Article XVI. G: Delete
- Exhibit "A": Need depth limitation 'below 1,977' to base of Wolfcamp

Please review these changes and advise as to St.Mary's acceptance.

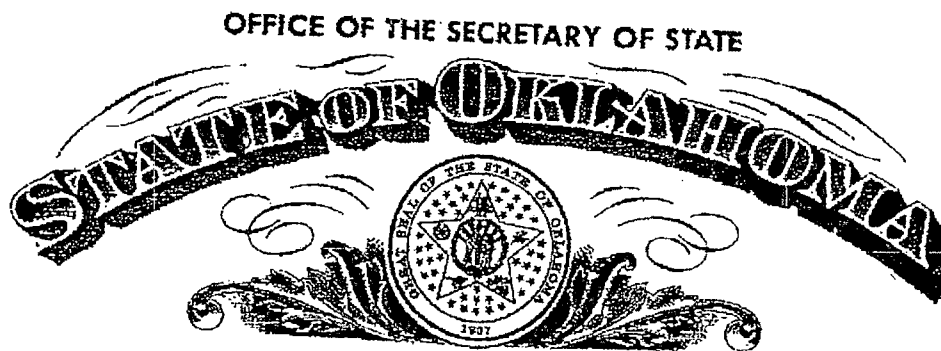
Thanks,

Sandy

Plan your next roadtrip with MapQuest.com: America's #1 Mapping Site.

Plan your next roadtrip with MapQuest.com: America's #1 Mapping Site.

Plan your next roadtrip with MapQuest.com: America's #1 Mapping Site.



CERTIFICATE OF MERGER

WHEREAS,

CHAPARRAL ENERGY, L.L.C.

*a limited liability company organized under the laws of the State of OKLAHOMA,
has filed in the office of the Secretary of State duly authenticated evidence of a merger
whereby said limited liability company is the survivor, as provided by the laws of the State of
Oklahoma.*

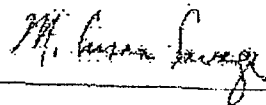
*NOW THEREFORE, I, the undersigned Secretary of State of Oklahoma, by virtue of
the powers vested in me by law, do hereby issue this Certificate evidencing such merger.*

*IN TESTIMONY WHEREOF, I have hereunto set my hand and caused to be affixed
the Great Seal of the State of Oklahoma.*

EFFECTIVE DATE: December 31, 2005



*Filed in the City of Oklahoma City this
28th day of December, 2005.*

A handwritten signature in cursive script, appearing to read "M. L. Savage", is written over a horizontal line.

Secretary Of State

12/28/2005 04:04 PM

OKLAHOMA SECRETARY OF STATE



S05



4365840005

**ARTICLES OF MERGER
PROVIDING FOR THE MERGER**

**of
CHAPARRAL OIL, L.L.C.**
(an Oklahoma limited liability company)


**with and into
CHAPARRAL ENERGY, L.L.C.**
(an Oklahoma limited liability company)

TO: Oklahoma Secretary of State
2300 N. Lincoln Blvd., Room 101, State Capitol Bldg.
Oklahoma City, Oklahoma 73105-4897
(405) 521-3912

The undersigned, for the purpose of filing these Articles of Merger pursuant to 18 O.S. § 2054, does hereby execute the following Articles of Merger:

1. The name and jurisdiction of formation or organization of each of the domestic limited liability companies which are to merge are: Chaparral Oil, L.L.C., an Oklahoma limited liability company ("Chaparral") and Chaparral Energy, L.L.C., an Oklahoma limited liability company ("Chaparral Energy").
2. An Agreement and Plan of Merger (the "Merger Agreement") has been approved and executed by the sole manager and the sole member of Chaparral and the sole manager and the sole member of Chaparral Energy.
3. The surviving limited liability company will be Chaparral Energy.
4. As a result of the merger, the Articles of Organization of Chaparral Energy shall stand as currently filed with the Oklahoma Secretary of State.
5. The future effective date of the merger is to be December 31, 2005.
6. The Merger Agreement is on file at the principal place of business of Chaparral Energy at 701 Cedar Lake Blvd., Oklahoma City, Oklahoma 73114.
7. A copy of the Merger Agreement shall be furnished by Chaparral Energy upon request and without cost, to any member who holds an interest in either Chaparral Energy or Chaparral.

Dated this 28th day of December, 2005.


Mark A. Fischer
Sole Manager
Chaparral Energy, L.L.C.

G:\ega\TPO

PEREGRINE PRODUCTION, LLC

P.O. Box 1844
Midland, Tx. 79702-1844
(432) 683-5266 + fax
(432) 664-7773 (mobile)
kirksmith9@aol.com

5-18-08

Ms. Sandy Ellis
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK. 73114

Re: Oil and Gas Lease Term Assignment, Operating Agreement, Memorandum, Transfer of
Operating Rights Agreement
T-16 S, R-29-E
Section 19: SWNE
being 40.00 gross acres, more or less
only in the interval below 1977 feet to the base of the Wolfcamp formation
USA OGL NM 58033
Eddy County, NM.

Dear Sandy,

As per our numerous discussions, please find attached hereto final documents covering the
interest of Chaparral in the captioned lands and depths.

Pursuant to our negotiations these documents reflect all agreed changes.

Please review the same and should you find all in order, please execute each original and return to
my attention. I will execute on my end and send you complete executed copies.

Should you have any questions or comments, please contact me at your earliest opportunity.

Thanks you again for your ongoing attention to this matter.

Sincerely,
Peregrine Production, LLC

Kirk E. Smith, RPL
President

cc: Ms. Rita Buress
St. Mary Land & Exploration
Midland, Tx.
Randy S. Cate
Midland, Tx.

FedEx® US Airbill

Express

Tracking Number 8643 5270 7930

1 From Please print and press hard.
 Date 1/14/03 Sender's FedEx Account Number 5284151
 Sender's Name Kirk Smith Phone 4321683-5266
 Company Reagan
 Address 203 W. Wall #1001
 City Midland State TX ZIP 79701
 Date/Room/Sum/Room

2 Your Internal Billing Reference
 First 24 characters will appear on invoice.
3 To
 Recipient's Name Sandy Ellis Phone 405-478-8770
 Company Chaparral Energy LLC
 Address 701 Cedar Lake Blvd.
 We cannot deliver to P.O. boxes or P.O. ZIP codes.
 Date/Room/Sum/Room

4 Address
 To request a pickup, be held at a specific FedEx location, print FedEx address here.
 City Oklahoma City State OK ZIP 73114

it, Memorandum, Transfer of

camp formation

documents covering the
 gges.
 cite each original and return to
 ies.
 your earliest opportunity.



Sender's Copy

4a Express Package Service
☐ FedEx Priority Overnight
 Next business day, Monday through Friday, by 10:30 a.m. unless SATURDAY Delivery is selected.
☐ FedEx 2Day
 Second business day, Monday through Friday, by 2:00 p.m. unless SATURDAY Delivery is selected.
☒ FedEx Standard Overnight
 Next business day, Monday through Friday, by 8:00 a.m. unless SATURDAY Delivery is selected.
☐ FedEx Express Saver
 Third business day, Monday through Friday, by 3:00 p.m. unless SATURDAY Delivery is selected.
 * To next business day.
 * To next locations.
4b Express Freight Service
☐ FedEx 1Day Freight*
 Next business day, Monday through Friday, by 8:00 a.m. unless SATURDAY Delivery is selected.
☐ FedEx 2Day Freight
 Second business day, Monday through Friday, by 3:00 p.m. unless SATURDAY Delivery is selected.
☐ FedEx 3Day Freight
 Third business day, Monday through Friday, by 3:00 p.m. unless SATURDAY Delivery is selected.
 * To next locations.
5 Packaging
☒ FedEx Envelope*
☐ FedEx Pak*
☐ FedEx Tube
☐ FedEx Box
 Includes FedEx Small Pak, FedEx Large Pak, and FedEx Surety Pak.
 * Declared value limit \$500.

6 Special Handling
☐ SATURDAY Delivery
 NOT Available for FedEx Standard Overnight, FedEx First Overnight, FedEx Priority Overnight, FedEx 2Day, or FedEx 3Day Freight.
☐ HOLD Weekday at FedEx Location
 NOT Available for FedEx First Overnight, FedEx Priority Overnight, FedEx 2Day, or FedEx 3Day Freight.
☐ HOLD Saturday at FedEx Location
 Available ONLY for FedEx Priority Overnight and FedEx 2Day to select locations.
 Does this shipment contain dangerous goods?
☐ No ☐ Yes
 One box must be checked.
 As per attached Shipper's Declaration
 Dangerous goods (including dry ice) cannot be shipped in FedEx packaging.
☐ Dry Ice
☐ Dry Ice 3.UM 1985
☐ Cargo Aircraft Only

7 Payment Bill to:
☒ Sender
☐ Recipient
☐ Third Party
☐ Credit Card
☐ Cash/Check
 Enter FedEx Acct. No. or Credit Card No. below.
 FedEx Acct. No. _____
 Credit Card No. _____
 Exp. Date _____

8 Residential Delivery Signature Options
 If you require a signature, check Direct or Indirect.
☒ No Signature Required
☐ Direct Signature
 Someone at recipient's address may sign for delivery free of charge.
☐ Indirect Signature
 If no one is available at recipient's address, we will leave a notice and attempt redelivery the next business day.
 Total Packages _____ Total Weight _____ Total Declared Value* \$ _____
 *Your liability is limited to \$200 unless you declare a higher value. By using this Airbill, you agree to the service conditions on the back of this Airbill and in the current FedEx Service Guide, including terms that limit our liability.

9 Schedule a pickup at fedex.com
 Simplify your shipping. Manage your account. Access all the tools you need.
 520

RETAIN THIS COPY FOR YOUR RECORDS.

Kirk E. Smith, RPL
 President
 Ms. Rita Bures
 St. Mary Land & Exploration
 Midland, TX.
 Randy S. Cate
 Midland, TX.

cc:

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Cc: Ted Krigbaum <tedk@chaparralenergy.com>
Subject: Lucky Wolf Term Assignment, Eddy Co., NM
Date: Wed, 28 May 2008 10:43 am
Attachments: 20080528103231016.pdf (185K)

Kirk,

I have reviewed the document you sent relative to the Term Assignment and hereby request the following changes:

- Partial Term Assignment did not incorporate any of the requested changes, I've attached a scan of the agreement with our requested changes, there's only 3.
- Article XVI to the Operating Agreement, need to delete C.- Operations Required to maintain lease
- Exhibit "A. II." to the Operating Agreement, Depth restriction contradicts "A.I." above where there is a restriction
- Exhibit "A-1", Should this only contain a description of the leases in the 145.53 acre unit?

Please review these changes and advise.

Thanks,

Sandy

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: Term Assignment - Eddy Co., NM
Date: Thu, 5 Jun 2008 3:41 pm
Attachments: 20080605153742893.pdf (81K)

Kirk,

Can we substitute the attached for the Exhibit "A" to the Partial Term Assignment?

Thanks,

Sandy

EXHIBIT "A"

Attached to and made a part of the certain Term Assignment
dated March 27, 2008 by and between
Chaparral Energy, LLC, as Assignor, and
Peregrine Production, LLC, as Assignee

WELL REQUIREMENT SHEET

INFORMATION REQUIRED:

1. Weekly Drilling Report mailed to: Chaparral Energy, L.L.C.
ATTN: Mark A. Fischer
701 Cedar Lake Boulevard
Oklahoma City, OK 73114
- Daily Drilling Report e-mailed to: nonopreports@chaparralenergy.com
OR
Daily Drilling Report faxed to: Non-Op Reports
(405) 478-2176
- Daily Mud Logs e-mailed daily to: dave.matz@chaparralenergy.com
OR
Daily Mud Logs faxed daily to: ATTN: Dave Matz
(405) 478-8770
2. We acknowledge that we will be notified of coring, logging and testing through routine drilling reports.
However, please provide sufficient advance notice to the following regardless of the hour so that we
can have a representative on location:

Geologist	Office Phone	After Hours Phone	E-mail
Steve Yeakley (secondary)	(405) 478-8770	(405) 739-0450 (home)	stevey@chaparralenergy.com
Dave Matz (primary)	(405) 478-8770	(918) 607-1264 (cell)	dave.matz@chaparralenergy.com

3. The following should be mailed to the address indicated above:
(*E-mail preliminary data from location and all final digital data to geologist.)
- 1 All forms filed with State Agencies
 - 1 Survey Location Plat
 - 2 *Mud Logs (drilling samples to be retained by Operator or submitted to public sample library)
 - 1 *Core Analysis (preliminary and final, including photos)
 - 3 *Open-Hole Logs (all surveys, including image files & LAS data)
 - 1 *Other Surveys (paleontology, well bore image, magnetic resonance, dipole sonic, velocity, VSP, etc)
 - 1 *Formation Tests (DST, RFT, etc)
 - 1 *Directional Surveys
 - 2 *Cased-Hole Logs (all surveys, including image files & LAS data)
 - 1 Production Tests
 - 1 Other Reports
4. The following are responsible and should be contacted for making oral and written elections under the terms of any operating agreement along with phone numbers and addresses used for notifications:
- Dana Latimer-Sittig
Land Manager
Chaparral Energy, L.L.C.
701 Cedar Lake Boulevard
Oklahoma City, Oklahoma 73114
- FAX NUMBER:
LAND: (405) 478-1890
PHONE NUMBER:
(405) 426-4351
5. Daily Production Report for thirty (30) days following completion.

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: Term Assignment - Eddy Co., NM
Date: Mon, 9 Jun 2008 10:54 am

Dana's been out of town so I'll try to get her attention today or tomorrow to sign. All looks well so there shouldn't be any other issues.

Do you know when they plan to spud the well?

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Monday, June 09, 2008 9:34 AM
To: Sandy Ellis
Subject: Re: Term Assignment - Eddy Co., NM

Sandy,

have reviewed your new Ex A to the Partial Term Assignment and find all in order. Please attach same to PTA.

? St. Mary is inquiring when we might finalize the assignment ? can you give me an indication when you might execute this agreement. ?

Thanks
 KES

Kirk E. Smith, RPL
 203 West Wall Street, Suite 1001
 Midland, Tx. 79701
 (432) 683-5266 (office)
 (432) 664-7773 (cell)

-----Original Message-----

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Sent: Thu, 5 Jun 2008 3:40 pm
Subject: Term Assignment - Eddy Co., NM

Kirk,

Can we substitute the attached for the Exhibit "A" to the Partial Term Assignment?

Thanks,

Sandy

Stay informed, get connected and more with AOL on your phone.

From: Sandy Ellis <sandy.ellis@chaparralenergy.com>
To: kirksmith9@aol.com
Subject: RE: Wolfbo Area Agreements 6.25.08ks
Date: Thu, 26 Jun 2008 11:04 am

Yes, sorry I've been out of town! I'll get it out this week.

Sandy

From: kirksmith9@aol.com [mailto:kirksmith9@aol.com]
Sent: Wednesday, June 25, 2008 11:15 AM
To: Sandy Ellis
Subject: Wolfbo Area Agreements 6.25.08ks

Sandy,

just touching base with you on our agreement in Sec 19, 16/29.

are you executing this soon ?

Please comment

Thanks

KES

Kirk E. Smith, RPL
203 West Wall Street, Suite 1001
Midland, Tx. 79701
(432) 683-5266 (office)
(432) 664-7773 (cell)

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RSC REROURCES, L.P.
AUTHORITY FOR EXPENDITURE
DRILLING & COMPLETION

1/16/07

Well Name: Lucky Wolf 19 St. Com No. 1H Depth & Objective: 6,900' Wolfcamp
Surf: 1,980' FNL & 10' FWL, Sec. 19-T16S-R29E, Eddy County, New Mexico
BHL: 1,980' FNL & 330' FEL, Sec. 19-T16S-R29E, Eddy County, New Mexico

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
<u>Survey, Staking, ROW, Permits</u>	<u>15,000</u>	<u>2,000</u>	<u>17,000</u>
<u>Roads & Location, Pits</u>	<u>60,000</u>	<u>2,000</u>	<u>62,000</u>
<u>Rig - \$17000/day, 40 :3</u>	<u>680,000</u>	<u>51,000</u>	<u>731,000</u>
<u>Completion Unit-\$4000/d</u>	<u>0,000</u>	<u>40,000</u>	<u>40,000</u>
<u>Fuel & Power</u>	<u>100,000</u>	<u>7,000</u>	<u>107,000</u>
<u>Mud, Water, Chemicals</u>	<u>120,000</u>	<u>25,000</u>	<u>145,000</u>
<u>Bits, Tools</u>	<u>100,000</u>	<u>10,000</u>	<u>100,000</u>
<u>Cement, Casing Crews, Testing</u>	<u>45,000</u>	<u>45,000</u>	<u>90,000</u>
<u>Float Equipment, Centralizers</u>	<u>5,000</u>	<u>3,000</u>	<u>8,000</u>
<u>Logging, Perforating, Wireline</u>	<u>40,000</u>	<u>40,000</u>	<u>80,000</u>
<u>DSTs, Testing, Coring</u>	<u>0,000</u>	<u>3,000</u>	<u>3,000</u>
<u>Mud Logging Unit</u>	<u>24,000</u>	<u>0,000</u>	<u>24,000</u>
<u>Directional Drilling</u>	<u>180,000</u>	<u>0,000</u>	<u>180,000</u>
<u>Stimulation, Treating</u>	<u>0,000</u>	<u>400,000</u>	<u>400,000</u>
<u>Rentals</u>	<u>90,000</u>	<u>20,000</u>	<u>110,000</u>
<u>Trucking, Rig Mobilization</u>	<u>70,000</u>	<u>5,000</u>	<u>75,000</u>
<u>Welding, Roustabout Crews</u>	<u>30,000</u>	<u>8,000</u>	<u>38,000</u>
<u>Water Disposal, Clean-up</u>	<u>22,000</u>	<u>20,000</u>	<u>42,000</u>
<u>Contract Labor, Supervision</u>	<u>50,000</u>	<u>5,000</u>	<u>55,000</u>
<u>Company Supervision</u>	<u>15,000</u>	<u>5,000</u>	<u>20,000</u>
<u>Miscellaneous, Other</u>	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
<u>Contingency</u>	<u>150,000</u>	<u>70,000</u>	<u>220,000</u>
<u>TOTAL INTANGIBLES</u>	<u>1,821,000</u>	<u>786,000</u>	<u>2,607,000</u>

<u>TANGIBLE COSTS</u>			
<u>Surface Casing, 500' 13.375"</u>	<u>16,000</u>		<u>16,000</u>
<u>Intermediate Casing, 2300' 9.625"</u>	<u>70,000</u>		<u>70,000</u>
<u>Production Casing, 11,200' 5.5"</u>		<u>195,000</u>	<u>195,000</u>
<u>Tubing, 6,700' 2.875"</u>		<u>44,000</u>	<u>44,000</u>
<u>Wellhead Equipment</u>	<u>15,000</u>	<u>6,000</u>	<u>21,000</u>
<u>Pumping Unit, Engine</u>		<u>120,000</u>	<u>120,000</u>
<u>Rods, Pump</u>		<u>60,000</u>	<u>60,000</u>
<u>Gas Compressor</u>		<u>0,000</u>	<u>0,000</u>
<u>Tanks</u>		<u>35,000</u>	<u>35,000</u>
<u>Heater Treater, Separator, Dehy</u>		<u>25,000</u>	<u>25,000</u>
<u>Packers, Anchors, Hangers</u>		<u>35,000</u>	<u>35,000</u>
<u>Flow lines, Fittings, Valves</u>		<u>20,000</u>	<u>20,000</u>
<u>Meters, Electrical</u>		<u>8,500</u>	<u>8,500</u>
<u>Miscellaneous, Other</u>	<u>5,000</u>	<u>10,500</u>	<u>15,500</u>
<u>Contingency</u>	<u>12,000</u>	<u>40,000</u>	<u>32,000</u>
<u>TOTAL TANGIBLES</u>	<u>118,000</u>	<u>599,000</u>	<u>717,000</u>

<u>TOTAL WELL COSTS</u>	<u>1,939,000</u>	<u>1,385,000</u>	<u>3,324,000</u>
-------------------------	------------------	------------------	------------------

Prepared By: Randall Cate

This AFE is an estimate. Actual costs will vary
and may be significantly higher. By signing you
agree to pay your share of the actual costs.

Company : _____
BY: _____
Printed Name: _____
Title: _____
Date _____

EXHIBIT