



M.S.

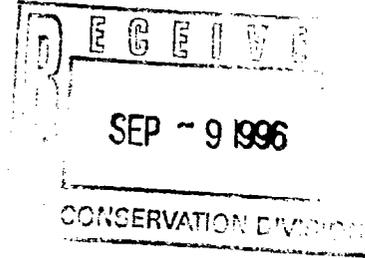
Case 11588  
September 3, 1996

InterCoast Oil and Gas Company  
7130 South Lewis Avenue  
Suite 700  
Tulsa, Oklahoma 74136  
918 488-8283 Telephone  
918 488-8182 Fax

VIA CERTIFIED MAIL

Bright Hawk/Burkhard Venture  
Attn: James W. Carroll  
700 Louisiana St.  
Suite 2480  
Houston, TX 77002

M.S.



Re: Elk-2  
Un-named Well  
E/2 of Section 2-17S-34E  
Lea County, New Mexico

Dear Mr. Carroll:

Enclosed please find State of New Mexico, Oil Conservation Division Order No. R-10650 issued August 15, 1996, in InterCoast's Oil and Gas Company's compulsory pooling case No. 11588 which covers the referenced lands.

In accordance with Order No. R-11588 we are furnishing to you InterCoast's AFE dated July 2, 1996, provided as an itemized schedule of estimated well costs for the referenced well. This same AFE is being provided to the State of New Mexico, Oil Conservation Division by copy of this letter.

I look forward to your reply in this matter and please feel free to call me at (918) 491-4111 should you have any questions.

Sincerely,

Chris Girouard  
Vice President - Land

CG:tw  
0903-01a

cc: State of New Mexico  
Oil Conservation Division

**INTERCOAST OIL AND GAS COMPANY**

**AUTHORIZATION FOR EXPENDITURES**

Description of Work: Footage Drill, Log, DST, complete and equip a single zone Morrow Sand gas well

Prospect	<u>Elk-2</u>	Date	<u>7/2/96</u>		
Lease	<u>To Be Determined</u>	Well No.	<u>1</u>		
Location	<u>1650' FNL-660 FEL</u>	Section	<u>2</u>		
Field	<u>S. Kennitz Atoka Morrow</u>	County	<u>Lea</u>		
Well TD	<u>12700'</u>	Prim. Obj.	<u>Morrow</u>		
		AFE No.			
		Twp	<u>17S</u>	Range	<u>34E</u>
		State	<u>New Mexico</u>		
		Sec. Obj.			

	Before	After	Total	Before	After	Total
	Csg Point	Csg Point		Csg Point	Csg Point	
<b>INTANGIBLE COSTS</b>	<b>BCP-820</b>	<b>ACP-840</b>		<b>BCP-830</b>	<b>ACP-850</b>	
.01 Location/Damage Payment	4,500		4,500	.01 Cattle Guards & Fencing	0	0
.02 Location Construction	17,500	1,500	19,000	.02 Csg: Cond.	0	X 0
.03 Contracted Equipment	0	0	0	.03 Csg: Surface	6,500	X \$ 6,500
.04 Rotary Rig: MI, RU, RD, MO	0	0	0	400' 13-3/8" 48# H-40		
.05 Rotary Rig: Daywork	11,000	11,000	22,000	.04 Csg: Intermediate	43,200	X \$ 43,200
.06 Rotary Rig: Footage	242,250	0	242,250	4600' 9-5/8" 40#		
.07 Fuel	2,000	0	2,000	.05 Csg: Production	X	91,900 91,900
.08 Drilling Bits	0	0	0	5-1/2" @ 12750'		
.09 Drilling Fluid	42,000	1,000	43,000	.06 Float Equip, Centrizers, etc.		2,000 2,000
.10 Mud Disposal	3,000	X	3,000	.07 Well Head	8,800	11,500 20,300
.11 Drill Stem Tests	4,000	X	4,000	.08 Tubing	X	38,250 38,250
.12 Cement and Cementing Service	18,000	12,000	30,000	2-7/8"		
.13 Casing Crew, Equipment	3,500	3,500	7,000	.09 Pump Unit	X	0 0
.14 Logging: Open Hole	15,000	X	15,000	.10 Motor/Engine	X	0 0
.15 Completion Rig	X	15,000	15,000	.11 Rods & Pump	X	0 0
.16 Stimulation	X	55,000	55,000	.12 Pkr & Sub-surface Equip.	X	10,000 10,000
.17 Misc. Pumping Services	0	3,500	3,500	.13 Tanks	X	5,500 5,500
.18 Log & Perf Cased Hole	X	8,000	8,000	.14 Separator/Production Unit	X	9,700 9,700
.19 Rentals	5,000	5,000	10,000	.15 Heater Treater/Dehydrator	X	7,500 \$ 7,500
.20 Water/Water Hauling	10,500	6,000	16,500	.16 Fittings & Small Pipe	X	12,500 12,500
.21 Hauling/Freight	0	1,000	1,000	.17 Other Equipment	0	0 0
.22 Tubular Inspection	1,500	2,500	4,000	.18 Installation Costs	X	15,000 15,000
.23 Well Testing	1,500	1,000	2,500	.19 Miscellaneous		
.24 Labor: Contract	1,500	2,500	4,000	.20 Contingency		
.25 Company Geologist/Engineer	2,500	0	2,500			
.26 Overhead	3,700	1,000	4,700			
.27 Professional Services	19,500	6,000	25,500			
.28 Insurance	1,700	0	1,700			
.29 Miscellaneous tax	15,000	8,550	23,550			
.30 Contingency	500	0	500			
.31 Coiled Tubing Work	0	3,500	3,500			
.32 Packer Redress	X		0			
	Subtotal	425,650	147,550	573,200		

	Pipeline	PL-880	TOTAL WELL COSTS	484,150	376,400	860,550
.01 Tapping Fee	X					
.02 Purchased Right of Way	X					
.03 Damage Payments	X					
.04 Right of Way Acquisition	X					
.05 Permits	X					
.06 Freight	X					
.07 PL & Meter Sta. Construction	X					
.08 Surveying and Drafting	X					
.09 Field Construction Sup.	X					
.10 Misc. and Contingency	X					
	Subtotal					
<b>TOTAL INTANGIBLE COSTS</b>	<b>\$425,650</b>	<b>\$147,550</b>	<b>\$573,200</b>			

**Pipeline**

.01 Line Pipe	X	25,000	25,000
.02 Metering Equipment	X	0	
.03 Meter Sta. Valves, Fittings	X	0	
Subtotal		25,000	25,000
<b>TOTAL TANGIBLE COSTS</b>		<b>58,500</b>	<b>228,850</b>

**TOTAL WELL COSTS** 484,150 376,400 860,550

Total Well Cost to Casing Point	484,150
Plugging Cost	\$15,000
Total Dry & Abandonment Cost	\$499,150
Total Cost Through Evaluation of Zone of Interest	775,350
Prepared By:	LCF/TR
Estimated Spud Date	
InterCoast WIO %	
InterCoast Net Expenditure	\$0
Supplement No.	
Original AFE Amount	
Amount This Supplement	
Revised AFE Amount	

**INTERCOAST OIL AND GAS COMPANY APPROVED**

By: C. [Signature] Date: 8/30/96  
 By: \_\_\_\_\_ Date: \_\_\_\_\_  
 By: \_\_\_\_\_ Date: \_\_\_\_\_

**WORKING INTEREST OWNER APPROVED**

Company Name: \_\_\_\_\_  
 By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Name: \_\_\_\_\_