

BURLINGTON RESOURCES

MID-CONTINENT DIVISION

November 19, 1996

Mr. Ron Lanning
Texaco Exploration and Production Inc.
P. O. Box 3109
Midland, Texas 79702

Re: Rhodes "23" Fed Com No. 1 Well
660' FSL & 1100' FWL
Section 23, T-26-S, R-37-E
Lea County, New Mexico

Dear Ron:

Burlington Resources Oil & Gas Company ("BR") is reviewing Texaco Exploration and Production Inc's ("Texaco") proposal of the multi-lateral horizontal well in the Middle Yates interval referenced above. Because the cost estimate of this wellbore is more than twice the projected cost of a vertical wellbore, BR is having difficulty understanding the economic advantage of developing our combined asset in the manner in which you propose. We have discussed the potential of horizontal development on numerous occasions, but frankly, were unaware of the complexity and expense of the multi-lateral well which you have proposed. BR is continuing to evaluate our participation in your multi-lateral horizontal well and in order to fairly complete our evaluation, a drilling prognosis and wellbore schematic would expedite the process. Please fax same to the undersigned at (915) 688-6010 at your earliest possible convenience.

Given the above facts, BR suggests an alternative to Texaco's more expensive, multi-lateral horizontal well and hereby proposes the drilling of the Dublin "23" Federal No. 1, a vertical Yates test to be drilled at a legal location in the SW/4 SW/4 Section 23, T-26-S, R-37-E, Lea County, New Mexico. For your review and approval, enclosed please find an AFE in the amount of \$234,735 which represents the costs of drilling, completing and equipping the Dublin "23" Federal No. 1. Pending the results of this well, a second well could be drilled at a later date at similar costs. A higher economic return could be realized by drilling two vertical wells at BR's costs and ensure the protection of correlative rights without the mechanical risk of a multi-lateral horizontal well. Please realize also, that BR's AFE includes the cost of facilities which your AFE has not represented.

**BEFORE THE
OIL CONSERVATION DIVISION**
Case No. 11678 Exhibit No. **3**
Submitted By:
Burlington Oil & Gas Company
Hearing Date: December 19, 1996

Mr. Ron Lanning
Texaco Exploration and Production Inc
November 19, 1996
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We have received your Amended Application for Compulsory Pooling an unorthodox surface location and are advised that it has been set for the December 5th hearing. Rather than appearing before the NMOCD regarding a compulsory pooling of a horizontal well, please consider the viability of drilling the vertical wells as stated herein. You may contact me at 688-6928 if you wish to discuss this proposal in further detail.

Very truly yours,

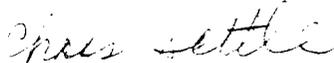
BURLINGTON RESOURCES
OIL & GAS COMPANY

A handwritten signature in cursive script that reads "Leslyn M. Swierc".

Leslyn M. Swierc, CPL
Senior Staff Landman

LMS/bgm
Attachment

cc: Tom Kellahin

A handwritten signature in cursive script that reads "Tom Kellahin".

Mid-Continent Division
 Post Office Box 51810
 Midland, Texas 79710-1810
 915) 688-6800

Date: 11/12/96
 AFE No.: _____

**BURLINGTON RESOURCES OIL & GAS
 AUTHORITY FOR EXPENDITURE**

Foreman Area Kermit
 DP Number: _____

Lease/Well Name: Dublin Federal 23 #1 Property Number: _____
 Field Prospect: Rhodes Gas Pool Region: Mid-Continent
 Location: M Section 23 T26S R37E County: Lea State: NM
 AFE Type: Development 01 Original Supplement Addendum API Well Type _____
 Operator: Burlington Resources
 Objective Formation: Yates Authorized Total Depth (Feet): 3,200'
 Project Description: Drill, complete and equip new gas well.

Estimated Start Date: 1/1/97 Prepared By: C. J. Settle
 Estimated Completion Date: 1/20/97

GROSS WELL DATA

	Drilling		Workover/ Completion	Construction Facility	Total
	Dry Hole	Suspended			
Days:	6	6	5	2	19
This AFE:	\$123,300	\$139,400	\$76,335	\$19,000	\$234,735
Prior AFE's:					\$0
Total Costs:	\$123,300	\$139,400	\$76,335	\$19,000	\$234,735

JOINT INTEREST OWNERS

Company:	Working Interest	Dry Hole \$	Completed \$
	Percent		
Texaco	50.00000 %	\$0	\$117,368
Other	1.95313 %	\$1,157	\$4,585
		\$0	\$0
		\$0	\$0
Burlington Resources	48.04688 %	\$59,242	\$112,783
AFE TOTAL:	100.00000 %	\$123,300	\$234,735

BURLINGTON RESOURCES APPROVAL

Recommended: _____ Date: _____ Approved: _____ Date: _____
 Recommended: _____ Date: _____ Approved: _____ Date: _____
 Recommended: _____ Date: _____ Approved: _____ Date: _____

PARTNER APPROVAL

Company Name: _____
 Authorized By: _____ Date: _____
 Title: _____

**MERIDIAN OIL INC.
DRILLING WELL COST ESTIMATE**

LEASE WELL: Dublin Federal 23 No. 1 PREPARED BY: L. H. Sinclair DATE: _____
 COUNTY STATE: Lea, New Mexico APPROVED BY: H. A. Lee DATE: _____
 PROPOSED TOTAL DEPTH: 3,200 AFE TYPE: Development Drilling
 FOOTAGE TOTAL DEPTH: 3,200

ACCT	AFE NOMENCLATURE	DAYS:	DRYHOLE COST	SUSPENDED COST
248-	INTANGIBLE DRILLING COSTS			
1	Environmental Studies		\$11,000	\$11,000
3	Construction (location, roads, etc)		\$36,500	\$36,500
4	Surface restoration			
5	Move in, move out			
6	Contractor Fees-Footage; \$/ foot: <u>\$11.00</u>		\$35,200	\$35,200
7	Contractor Fees-Daywork; \$/day: <u>\$4,600.00</u>		\$2,300	\$2,300
8	Environmental fire and safety		\$1,700	\$1,700
9	Drilling fluids		\$2,800	\$2,800
10	Gas and Air Drilling			
11	Drilling fluids - Processing & Maint. equip			
12	Specialty fluids and chemicals			
13	Engineering services-fluids and chemicals			
14	Salt/brine water		\$2,000	\$2,000
15	Salt water disposal			
16	Water		\$2,000	\$2,000
17	Bits, reamers and stabilizers			
18	Primary cement, services and accessories		\$10,000	\$13,000
19	Squeeze cement, services and accessories			
20	Mud logging/paleo		\$1,600	\$1,600
21	Wireline logging		\$4,400	\$4,400
22	Coring and analysis			
23	Fuel			
24	BOP's and wellhead rentals - surface			
25	Drill/work string rentals - subsurface			
26	Fishing tool rentals			
27	Tank rentals			
28	Other rentals			
29	Transportation		\$1,500	\$1,500
30	Disposal services (offsite)			
31	Drill stem tests			
32	Directional drilling			
33	Tubular inspection		\$700	\$700
34	Cased hole logs			
40	Casing crews and laydown services			
43	Consultants			
45	Roustabout and contract labor		\$500	\$500
46	Miscellaneous		\$300	\$300
62	Environmental compliance			
72	Company supervision and overhead		\$3,600	\$3,600
TOTAL INTANGIBLE COST			\$116,100	\$119,100

TANGIBLE DRILLING COST			
80	Casing		
	550 ft. o 8 5/8 in. \$10.40 ft (SURFACE)	\$5,700	\$5,700
	ft. of _____ in. _____ ft (INTERMEDIATE)		
	3,200 ft. o 4 1/2 in. \$4.10 ft (PRODUCTION)		\$13,100
	ft. of _____ in. _____ ft (LINER)		
82	Downhole equipment (packers, bridge plugs)		
84	Downhole equipment accessories		
86	Wellhead equipment.	\$1,500	\$1,500
87	Miscellaneous		

TOTAL TANGIBLE COST	\$7,200	\$20,300
TOTAL DRILLING COST ESTIMATE	\$123,300	\$139,400
	\$38.53 ft.	\$43.56 ft.

BURLINGTON RESOURCES OIL & GAS
Completion Estimate

Well Name: Dublin Federal 23 #1
 Location: M Section 23 T26S R37E
 AFE Type: Development 01
 Formation: Yates

Prepared By: C. J. Settle
 Date: 11/12/96
 Approved By: _____

		Intangible Costs		
		Estimated Days:	5	Estimated Cost
<u>Acct No.</u>	<u>249</u>			<u>Cost</u>
02	Location, Roads or Canals			0
03	Construction and Maintenance			0
04	Surface Restoration			0
05	Move-in, Move-out			0
07	Fees of Contractor - Daywork	5 Days		6,000
09	Drilling Fluid System - Liquids			0
10	Gas and Air Drilling			0
12	Specialty Fluids and Chemicals			0
15	Onsite Disposal Svc.			0
16	Fresh Water			3,500
17	Bits			0
18	Primary Cement			0
19	Remedial Cementing			0
20	Mud Logging			0
21	Open Hole Logs			0
22	Coring and Analysis			0
23	Fuel/Electricity			0
24	BOP & Wellhead Rentals(Surface)			1,000
25	Drill Work String Rentals (Surface)			1,000
26	Fishing Tool Rentals			0
27	Tank Rentals			1,100
28	Other Rental			0
29	Transportation			0
30	Offsite Disposal Service			0
33	Tubular Inspection			0
34	Cased Hole Services			3,500
36	Production Testing			1,500
37	Swabbing & Coiled Tubing			0
38	Stimulation			3,500
39	Fracturing			37,500
40	Casing Crew and Laydown			0
42	BOP Testing			0
43	Consultants			0
44	Technical Contract Svc.			0
45	Roustabout Labor			1,500
46	Miscellaneous			0
49	Packer Rental			1,000
50	Pumping Charges			0
68	Direct Labor			0
72	Company Supervision and Overhead			7,000
74	Employee Expense			0
	Total Intangibles			68,100
		Tangible Costs		
80	Casing	0'	@4.84 /ft	0
81	Tubing 2-3/8" J-55 Yellow	3150'	@2.60 /ft	8,235
		0'	@2.30 /ft	
82	Packers and Bridge Plugs			0
84	Casing/Liner Equipment			0
85	Tubing Equipment			0
86	Wellhead Equipment & Tree			0
	Total Tangibles			8,235
Total Completion Cost				76,335

BURLINGTON RESOURCES OIL & GAS
Facilities / Production Estimate

Well Name: Dublin Federal 23 #1
 Location: M Section 23 T26S R37E
 AFE Type: Development 01
 Formation: Yates
 Acct No. 247

Prepared By: C. J. Settle
 Date: 11/12/96
 Approved By: _____

				Production	Facilities	Estimated Cost
	Intangible					
02	Install Labor	2	Days	0	6,000	6,000
	Labor			0	3,000	
	Dirt Work			0	2,000	
	Painting			0	1,000	
03	Company Vehicles			0	0	0
08	Location, Roads & Canals			0	0	0
12	Overhead			0	0	0
17	Damages, Property Losses			0	0	0
43	Safety			0	0	0
44	Technical Contract Svc.			0	0	0
47	Rental Compressors & Maintenance			0	0	0
48	Rental Equipment			0	0	0
49	Cathodic Protection			0	0	0
50	Right Of Way		@ \$/rod	0	0	0
57	Pulling Unit Costs	0	\$/Day	0	0	0
62	Env. Compliance-Assessment			0	0	0
63	Env. Compliance (Remediation)			0	0	0
68	Direct Labor			0	1,000	1,000
73	Freight /Transportation			0	1,000	1,000
	Total Intangible			0	8,000	8,000
	Tangible					
20	Equip. Coating and Insulation			0	0	0
26	SWD Filtering			0	0	0
27	Separators Total			0	3,000	3,000
	Unfired			0	3,000	
	Fired			0	0	
28	Gas Sweetening			0	0	0
29	Pumping Units			0	0	0
31	Prime Mover			0	0	0
32	Tanks Battery Total			0	4,000	4,000
	Oil Tank		500 bbl@	0	0	
	Wtr Tank	1	500 bbl@	0	4,000	
	Tank Walkway			0	0	
33	Metering Equipment			0	0	0
	Lact Unit			0	0	0
35	Compressors - Company Owned			0	0	0
36	Buildings			0	0	0
39	Flowlines, Piping, Valves & Fittings			0	4,000	4,000
51	Minor Pipelines			0	0	0
53	Surface Pumps			0	0	0
54	Electrical Accessories			0	0	0
55	Miscellaneous-Facility Expense			0	0	0
81	Tubing			0	0	0
82	Rods			0	0	0
83	Downhole Pumps			0	0	0
84	Alternative Artificial Lift Equip. POC			0	0	0
86	Convent Artificial Lift Wellhead Equip.			0	0	0
96	Gas Dehydrator			0	0	0
	Total Tangible			0	11,000	11,000
	Total Facility Cost			0	19,000	19,000

BURLINGTON RESOURCES
P. O. BOX 51810
MIDLAND, TEXAS 79710-1810
(915) 688-6800
FAX NO. (915) 688-6010

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