

# *BURLINGTON RESOURCES*

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MID-CONTINENT DIVISION

November 27, 1996

Larry A. Nermyr  
HC-57  
Box 4106  
Sidney, MT 59270

Ruth Sutton  
2826 Moss  
Midland, TX 79705

James E. Burr  
3803 Wedgewood Ct.  
Midland, Texas 79707

Re: Rhodes "23" Fed Com No. 1  
T-26-S, R-37-E  
Section 23: SW/4  
Lea County, New Mexico

Ladies and Gentlemen:

Attached please find a letter which was forwarded to Texaco Exploration & Production Inc. on November 19, 1996. In said letter, Burlington Resources Oil & Gas Company ("BR") expressed its concerns about the greater risk and expense associated with drilling the multi-lateral horizontal well which was proposed by Texaco. As an alternative, BR proposed the drilling of the Dublin "23" Federal No. 1 as a less expensive vertical well which would realize greater economic return for all participants.

Attached for your review and execution, please find an AFE in the amount of \$234,735 to drill, complete and equip the Rhodes "23" Fed Com No. 1, formerly proposed to Texaco as the Dublin "23" Federal No. 1. Should you agree to participate in the drilling of same, please execute the AFE and return to the undersigned by December 17th. A Communitization Agreement and Joint Operating Agreement will be forwarded you at a later date for your review and execution.

As Texaco is scheduled for hearing on December 5, 1996 for compulsory pooling of their *horizontal* Rhodes "23" Fed. Com No. 1, BR has also applied for compulsory pooling of its *vertical* Rhodes "23" Fed Com No. 1. BR's hearing should appear on the December 19, 1996 docket.

**BEFORE THE  
OIL CONSERVATION DIVISION**  
Case No. 11678 Exhibit No. **4**  
Submitted By:  
***Burlington Oil & Gas Company***  
Hearing Date: December 19, 1996

Larry A. Nermyr  
James E. Burr  
Ruth Sutton  
November 27, 1996  
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Please review the attached documents and please feel free to contact me at (915) 688-6928 should you have any questions.

Very truly yours,

BURLINGTON RESOURCES  
OIL & GAS COMPANY

A handwritten signature in cursive script that reads "Leslyn Swierc". The signature is written in black ink and is positioned above the printed name and title.

Leslyn M. Swierc, CPL  
Senior Staff Landman

LMS/bgm

LMS/bgm  
Enclosures

cc: Tom Kellahin  
Chris Settle  
Don Davis  
Mike Wallace

Mid-Continent Division  
 Post Office Box 51810  
 Midland, Texas 79710-1810  
 (315) 688-6800

Date: 11/12/96  
 AFE No.: \_\_\_\_\_

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

Foreman Area: Kermit  
 OP Number: \_\_\_\_\_

Lease/Well Name: Rhodes "23" Fed Com No. 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
<b>Total Costs:</b>	<b>\$123,300</b>	<b>\$139,400</b>	<b>\$76,335</b>	<b>\$19,000</b>	<b>\$234,735</b>

**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
<b>AFE TOTAL:</b>	<b>100.00000 %</b>	<b>\$123,300</b>	<b>\$234,735</b>

**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: Rhodes "23" Fed Com No. 1 PREPARED BY: J. Sinclair DATE: \_\_\_\_\_  
 COUNTY STATE: Lea, New Mexico APPROVED BY: J. Lee DATE: \_\_\_\_\_  
 PROPOSED TOTAL DEPTH: 1200 LIFE TYPE: Development Drilling  
 FOOTAGE TOTAL DEPTH: 1200

WELL NO.	LIFE NOMENCLATURE		DAYS	TRYHOLE COST		SUSPENDED COST	
248-	<b>INTANGIBLE DRILLING COSTS</b>						
1	Environmental Studies			21	\$11,000	21	\$11,000
2	Construction (location, roads, etc)			31	\$36,500	31	\$36,500
3	Surface restoration			41		41	
4	Move in, move out			51		51	
5	Contractor Fees-Footage: \$/foot:	\$11.00		61	\$35,200	61	\$35,200
6	Contractor Fees-Daywork: \$/day:	\$4,600.00		71	\$2,300	71	\$2,300
8	Environmental fire and safety			81	\$1,700	81	\$1,700
9	Drilling fluids			91	\$2,800	91	\$2,800
10	Gas and Air Drilling			101		101	
11	Drilling fluids - Processing & Maint. equip			111		111	
12	Specialty fluids and chemicals			121		121	
13	Engineering services-fluids and chemicals			131		131	
14	Salt/brine water			141	\$2,000	141	\$2,000
15	Salt water disposal			151		151	
16	Water			161	\$2,000	161	\$2,000
17	Bits, reamers and stabilizers			171		171	
18	Primary cement, services and accessories			181	\$13,000	181	\$13,000
19	Squeeze cement, services and accessories			191		191	
20	Mud logging/paleo			201	\$1,600	201	\$1,600
21	Wireline logging			211	\$4,400	211	\$4,400
22	Coring and analysis			221		221	
23	Fuel			231		231	
24	BOP's and wellhead rentals - surface			241		241	
25	Drill/work string rentals - subsurface			251		251	
26	Fishing tool rentals			261		261	
27	Tank rentals			271		271	
28	Other rentals			281		281	
29	Transportation			291	\$1,500	291	\$1,500
30	Disposal services (offsite)			301		301	
31	Drill stem tests			311		311	
32	Directional drilling			321		321	
33	Tubular inspection			331	\$700	331	\$700
34	Cased hole logs			341		341	
40	Casing crews and laydown services			401		401	
43	Consultants			431		431	
45	Roustabout and contract labor			451	\$500	451	\$500
46	Miscellaneous			461	\$300	461	\$300
62	Environmental compliance			621		621	
72	Company supervision and overhead			721	\$3,600	721	\$3,600
<b>TOTAL INTANGIBLE COST</b>					<b>\$116,100</b>		<b>\$116,100</b>
<b>TANGIBLE DRILLING COST</b>							
80	Casing			801		801	
	550 ft. of 3 5/8 in. 110.40 ft. (SURFACE)				\$5,700		\$5,700
	_____ ft. of _____ in. _____ ft. (INTERMEDIATE)						
	_____ ft. of 4 1/2 in. 410 ft. (PRODUCTION)						\$13,100
	_____ ft. of _____ in. _____ ft. (INNER)						
82	Downhole equipment (packers, bridge plugs)			821		821	
84	Downhole equipment accessories			841		841	
86	Wellhead equipment			861	\$1,500	861	\$1,500
87	Miscellaneous			871		871	
<b>TOTAL TANGIBLE COST</b>					<b>7,200</b>		<b>10,300</b>
<b>TOTAL DRILLING COST ESTIMATE</b>					<b>\$123,300</b>		<b>\$126,400</b>

**BURLINGTON RESOURCES OIL & GAS**

**Completion Estimate**

Well Name: Rhodes "23" Fed Com No. 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**

Acct No.	Description	Estimated Days:	Estimated Cost
		5	
2	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	Coreing 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
	<b>Total Intangibles</b>		<b>68,100</b>
	<b>Tangible Costs</b>		
30	Casing	0' @4.84 /ft	0
31	Tubing 2-3/8" J-55 Yellow	3150' @2.60 /ft	8,235
		0' @2.30 /ft	
32	Packers and Bridge Plugs		0
34	Casing/Liner Equipment		0
35	Tubing Equipment		0
36	Wellhead Equipment & Tree		0
	<b>Total Tangibles</b>		<b>8,235</b>
	<b>Total Completion Cost</b>		<b>76,335</b>

**BURLINGTON RESOURCES OIL & GAS**

**Facilities / Production Estimate**

Well Name: Rhodes "23" Fed Com No. 1  
 Location: M Section 23 T26S R37E  
 AFE Type: Development 01  
 Formation: ates  
 Acct No: 247

Prepared By: C. J. Settle  
 Date: 1/12/96  
 Approved By: \_\_\_\_\_

				Production	Facilities	Estimated Cost
	<b>Intangible</b>					
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
	<b>Total Intangible</b>			<b>0</b>	<b>8,000</b>	<b>8,000</b>
	<b>Tangible</b>					
20	Equip. Coating and Insulation			0	0	0
26	SWD Filtrenng			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	Electncal Accessones			0	0	0
55	Miscellaneous-Facility Expense			0	0	0
31	Tubing			0	0	0
32	Rods			0	0	0
33	Downhole Pumps			0	0	0
34	Alternative Artificial Lift Equip. POC			0	0	0
36	Convent Artificial Lift Wellhead Equip.			0	0	0
36	Gas Denvdator			0	0	0
	<b>Total Tangible</b>			<b>0</b>	<b>11,000</b>	<b>11,000</b>
	<b>Total Facility Cost</b>			<b>0</b>	<b>19,000</b>	<b>19,000</b>

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

*James E. Bun  
3803 Wedgewood Ct  
Middland TX 79707*

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)  
*X [Signature]*

PS Form 3811, December 1994

PS Form 3800, April 1995

US Postal Service  
**Receipt for Certified Mail**  
No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent by: *Wally K. Patton*

Street & Number: *216 7702*

Post Office, State, & ZIP Code: *Middland TX 79707*

Postage: \$

Certified Fee:

Special Delivery Fee:

Restricted Delivery Fee:

Return Receipt Showing to Whom & Date Delivered:

Return Receipt Showing to Whom, Date, & Addressee's Address:

TOTAL Postage & Fees: \$

Postmark or Date:

Thank you for using Return Receipt Service.

P 268 379 535

P 268 380 133

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent by: *Randy A. Mermys*

Street & Number:

Post Office, State, & ZIP Code:

Postage: \$

Certified Fee:

Special Delivery Fee:

Restricted Delivery Fee:

Return Receipt Showing to Whom & Date Delivered:

Return Receipt Showing to Whom, Date, & Addressee's Address:

TOTAL Postage & Fees: \$

Postmark or Date:

Form 3800 April 1995

US Postal Service  
**Receipt for Certified Mail**

No Insurance Coverage Provided.  
Do not use for International Mail (See reverse)

Sent to: *James E Bun*

Street & Number: *3803 Wedgewood Ct*

Post Office, State, & ZIP Code: *Middland TX*

Postage: \$

Certified Fee:

Special Delivery Fee:

Restricted Delivery Fee:

Return Receipt Showing to Whom & Date Delivered:

Return Receipt Showing to Whom, Date, & Addressee's Address:

TOTAL Postage & Fees: \$

Postmark or Date:

Form 3800 April 1995