

# BURLINGTON RESOURCES

SAN JUAN DIVISION

April 29, 1997

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>M</u>
CASE NO. <u>11808 + 11809</u>

## CERTIFIED MAIL-RETURN RECEIPT

To Working Interest Owners  
(see attached Exhibit "A")

RE: Scott # 24 Well  
Pennsylvanian formation  
Proposed depth 14,000'  
ALL Section 9, T31N-R10W  
636.01 acres, more or less  
San Juan County, New Mexico

Gentlemen:

Burlington Resources Oil & Gas Company (Burlington) proposed to drill and complete the captioned well in the Pennsylvanian formation at a legal location in the NW/4 (SE/4 NW/4) of Section 9, T31N-R10W, with a proposed depth of 14,000'. Attached for your consideration and approval is one (1) copy of our Well Cost Estimate to drill and complete the subject well for \$2,316,973.00.

The ownership schedule for the subject well is listed on the attached Exhibit "A".

An Operating Agreement is enclosed for your review and approval.

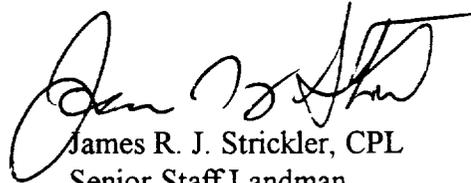
If you wish to participate in the drilling of the above referenced well, please verify your interest and return the following within thirty (30) days to the undersigned:

1. One (1) executed copy of this letter
2. One (1) executed copy of the Well Cost Estimate
3. One (1) executed signature page for the Operating Agreement dated April 1, 1997.

Scott #24 Well  
April 29, 1997  
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Your prompt attention to this proposal is requested as we plan to begin operations in the near future. Please advise in writing if you do not wish to participate.

Very truly yours,



James R. J. Strickler, CPL  
Senior Staff Landman  
(505) 326-9756

JRS:dg  
scott24

**The undersigned hereby elects this \_\_\_\_\_ day of \_\_\_\_\_, 1997, to participate in and pay its proportionate share of the actual well costs for the drilling and completion of the Scott #24, as correctly shown on Exhibit "A".**

**COMPANY/OWNER:** \_\_\_\_\_

**BY:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**BURLINGTON RESOURCES**  
 Farmington Region  
 Post Office Box 4289  
 Farmington, New Mexico, 87499  
 (505) 326-9700

**AUTHORITY FOR EXPENDITURE**

AFE No.: \_\_\_\_\_ Property Number: \_\_\_\_\_ Date: 2/20/97  
 Lease/Well Name: Scott #24 DP Number: \_\_\_\_\_  
 Field Prospect: San Juan Basin Penn Operator: Burlington Resources Region: Farmington  
 Location: Sec. 9, T31N, R10W County: San Juan State: NM  
 AFE Type: 1 - New Drill Original: X Supplement: \_\_\_\_\_ Addendum: \_\_\_\_\_ API Well Type: \_\_\_\_\_  
 Objective Formation: Pennsylvanian Authorized Total Depth (Feet): 14,000'  
 Project Description: Pennsylvanian test in San Juan Basin - Exploratory well - Arch Rock Prospect

Estimated Start Date: 2rd Qtr 1997

Prepared By: C. E. Lane

Estimated Completion Date: 2rd Qtr 1997

**GROSS WELL DATA**

	Drilling		Workover/ Completion	Construction Facility	Total
	Dry Hole	Suspended			
Days:	58	2	12	0	72
This AFE:	\$1,713,800	\$77,100	\$407,073	\$119,000	\$2,316,973
Prior AFE's:	0				\$0
<b>TOTAL COSTS:</b>	\$1,713,800	\$77,100	\$407,073	\$119,000	\$2,316,973

**JOINT INTEREST OWNERS**

Company:	Working Interest Percent	Dry Hole \$	Completed \$
Burlington Resources:	<u>10.311905%</u>	\$ 176,725	\$ 238,924
Trust:	0.00%	0	\$0
Others :	<u>90.689550%</u>	\$1,064,514	\$2,101,252
<b>AFE TOTAL:</b>	100.00%	\$1,713,800	\$2,316,973

**BURLINGTON RESOURCES APPROVAL**

Approved: [Signature]  
 Title: Reg. Dist. Mgr. Date: 4/10/97

Approved: [Signature]  
 Title: Land Manager Date: 4-14-97

Approved: [Signature]  
 Title: Manager Date: 4/19/97

Approved: [Signature]  
 Title: VP of Operations Date: 4/16/97

**PARTNER APPROVAL**

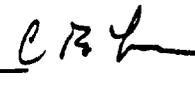
Company Name: \_\_\_\_\_ Date: \_\_\_\_\_

Authorized By: \_\_\_\_\_ Title: \_\_\_\_\_

Meridian Oil Inc.  
Completion Estimate

Well Name: Scott #24  
Location: 51N-10W-Sec. 9  
AFE Type: New Drill - 01  
Formation: Pennsylvanian

Prepared By: C. E. Lane  
Date: 3/17/97  
Approved By: \_\_\_\_\_  
Date: \_\_\_\_\_



Intangible Costs

Account Number	Estimated Days: 15	Total Estimated Cost
249		
02	Location, Roads or Canals	\$100
03	Construction and Maintenance	\$5,000
04	Surface Restoration	\$9,000
05	Move-in, Move-out	\$6,250
06	Fees of Contractor - Footage	\$0
07	Fees of Contractor - Daywork	\$59,950
08	Fire and Safety Equip.	\$8,500
09	Drilling Fluid System - Liquids	
10	Gas and Air Drilling	\$25,000
11		
12	Specialty Fluids and Chemicals	\$500
14	Salt/Brine Water	\$2,500
15	Onsite Disposal Svc.	
16	Fresh Water	\$15,000
17	Bits	\$750
18	Primary Cement & Svc's	\$0
19	Remedial Cementing	\$2,000
23	Fuel / Electricity	\$2,250
24	BOP & Wellhead Rentals(Surface)	\$6,000
25	Drill Work String Rentals	\$1,500
26	Fishing Tool Rentals	\$0
27	Tank Rentals	\$4,000
28	Other Rental	\$3,500
29	Transportation	\$2,250
30	Offsite Disposal Service	
33	Tubular Inspection	\$1,000
34	Cased Hole Services	\$30,000
36	Production Testing	
37	Swabbing & Coiled Tubing	
38	Stimulation	\$10,000
39	Fracturing	\$50,000
40	Casing Crews and Laydown	
41	Gravel Pack/Sand Control	
42	BOP Testing	
43	Consultants	\$10,650
44	Technical Contract Svc.	
45	Roustabout Labor	\$3,000
46	Miscellaneous	\$450
48	Communication Systems	\$500
49	Packer Rental	\$2,200
50	Pumping Charges	
60	Oper. Owned Equip/Facilities	
62	Env. Compliance-Assessment	
63	Env. Compliance (Remediation)	
65	Company Vehicles	
68	Direct Labor	
69	Benefits	
70	Payroll Taxes and Insurance	
72	Company Supervisor	
74	Employee Expense	
79	Employee Meals	
	<b>Total Intangibles</b>	<b>\$261,850</b>
	<b>Tangible Costs</b>	
80	Casing	\$0
81	Tubing and Tiebacks	\$72,223
82	Packers and Bridge Plugs	\$25,000
84	Casing/Liner Equipment	
85	Tubing Equipment	\$3,000
86	Wellhead Equipment & Tree Tbg spool, flange, and tree	\$45,000
	<b>Total Tangibles</b>	<b>\$145,223</b>
	<b>Total Completion Cost</b>	<b>\$407,073</b>

**Meridian Oil Inc.  
Facilities Estimate**

Well Name: Scott #24  
 Location: Sec 9, T31N R10W  
 AFE Type: 01-Exploration  
 Formation: Pennsylvanian

Prepared By: C.E. Lane *CEL*  
 Date: 3/17/97  
 Approved By: \_\_\_\_\_  
 Date: \_\_\_\_\_

**Tangible Costs**

Account Number	Estimated Days:	Total Estimated Cost
247		
02	Labor-Contract, Roustabout, Consultants	15,000
03	Company Vehicles	0
08	Location, Roads & Canals	0
12	Overhead	0
17	Damages, Property Losses	0
20	Equip. Coating and Insulation	0
26	SWD Filtering	0
27	Separators	0
28	Gas Sweetening	0
29	Pumping Units	0
31	Prime Mover	0
32	Tanks	9,500
33	Metering Equipment	15,000
34	Flow Line	0
35	Compressors	0
36	Building	0
39	Flowlines, Piping, Valves & Fittings	11,000
43	Safety	0
44	Technical Contract Svc.	0
47	Rental Compressors & Maintenance	0
48	Rental Equipment	0
49	Cathodic Protection	12,000
50	Right Of Way	2,500
51	Minor Pipelines	0
53	Surface Pumps	0
54	Electrical Accessories	0
55	Miscellaneous-Facility Expense	0
57	Pulling Unit Costs	0
60	Oper. Owned Equip/Facilities	0
62	Env. Compliance-Assessment	0
63	Env. Compliance (Remediation)	0
68	Direct Labor	0
69	Benefits	0
70	Payroll Taxes and Insurance	0
72	Overhead (Contingency 5%)	0
73	Freight/Transportation	0
81	Tubing	0
82	Rods	0
83	Downhole Pumps	0
84	Alternative Artificial Lift Equip.	0
86	Convent Artificial Lift Wellhead Equip.	0
88	Communication Systems	0
95	Employee Meals	0
96	Gas Dehydrator	54,000
<b>Total Facility Cost</b>		<b>119,000</b>

**Cost Estimate**

Well Name:	<u>Scott #24</u>	Prepared By:	<u>Kurt A. Shipley</u>
Location:	<u>Section 9 T-31-N. R-10-W</u>	Date:	<u>2/26/97</u>
AFE Type:	<u>(02) Exploration</u>	Approved By:	<u>[Signature]</u>
Formation:	<u>Pennsylvanian</u>	Date:	<u>                    </u>
Proposed TD:	<u>14,225'</u>	Intermediate TD:	<u>3100', 7425'</u>
Comments:	<u>OH Logs 7425' - 12,000': AIT-SP-GR. Micro-SP-GR. Dens-Neut-Cal-GR-SP. Dipole Sonic</u>	Area Team:	<u>Penn</u>
	<u>OH Logs 12,000' - 14,225': AIT-SP-GR. Micro-SP-GR. Dens-Neut-Cal-GR-SP. Dipole Sonic. Sidewall Cores</u>	Cost/ft:	<u>\$125.90/ft</u>

**Intangible Costs**

Account Number	Estimated Days:	Dry Hole Cost	Suspended Cost	Total Estimated Cost
		58	2	60
248				
03	Location Cost 4.9 Acre location w/ 30" Conductor Pipe.	35,000	0	35,000
05	Move-in Move-out Move in and move out.	200,000	0	200,000
07	Rig Cost @ \$7000/day.	430,000	15,000	445,000
08	Safety Equipment H2S Monitor 10,500' to TD @ \$600/day.	19,000	1,300	20,300
10	Drilling Fluid LSND. Solids Control. Air Drilling.	137,500	0	137,500
16	Fresh/Salt Water. Fluids	50,000	0	50,000
17	Bits	141,900	0	141,900
18	Cementing HES Cost Estimate.	98,000	17,000	115,000
22	Coring and Analysis Sidewall Core Analysis.	20,000	0	20,000
23	Fuel Air Package Fuel.	22,500	3,000	25,500
25	Rentals BOP: 10 days @ \$500/day 3-1/2" D.P. + Misc.	18,500	0	18,500
26	Fishing	0	0	0
28	Other Rentals	5,000	0	5,000
29	Transportation	20,000	0	20,000
32	Directional Services	0	0	0
33	Inspection	7,200	0	7,200
34	Logging Services OH Logs. Sidewall Cores. Mud Log.	110,000	0	110,000
36	Production Testing	0	0	0
37	Swabbing, Snubbing, Coiled Tubing	0	0	0
39	Stimulation	0	0	0
43	Consultants	0	0	0
44	Technical Contract Services	0	0	0
45	Roustabout Labor Casing Crews. Welders.	15,000	2,000	17,000
46	Miscellaneous	5,000	0	5,000
49	Packer Rental	0	0	0
53	Environmental Cost	5,000	0	5,000
54	Disposal Cost Trash Baskets. Toilets.	2,000	0	2,000
60	District Tools Company Owned Equipment.	5,000	0	5,000
72	Overhead Rig Days @ \$141/day.	8,500	300	8,800
	<b>Total Intangible Cost</b>	<b>\$1,355,100</b>	<b>\$38,600</b>	<b>\$1,393,700</b>

**Tangible Costs**

80	Casing	80'	30" Conductor	3,200	315,700	27,500	343,200
		500'	20"	23,000			
		3100'	13-3/8"	86,000			
		7425'	9-5/8"	153,500			
		4775'	7"	50,000			
		2625'	5"	27,500			
81	Tubing			0	0	0	0
84	Casing & Tubing Equipment			13,000	11,000		24,000
86	Wellhead Equipment		20"X13-3/8"X9-5/8" (10,000 psi)	30,000	0		30,000
	<b>Total Tangible Cost</b>			<b>\$358,700</b>	<b>\$38,500</b>		<b>\$397,200</b>

<b>Total Cost</b>	<b>\$1,713,800</b>	<b>\$77,100</b>	<b>\$1,790,900</b>
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All Costs include tax where applicable.