

**MEWBORNE OIL COMPANY
AUTHORIZATION FOR EXPENDITURE**

Prospect: **Carlsbad '15'**
Well Name and No.: **Carlsbad '15' Federal Com. #1**
Section: **15** Block:
County: **Eddy**

Field: **Avalon Morrow**
Location: **1980' FSL & 1850' FWL**
Township: **21S** Range: **26E**
Proposed Depth, ft: **11,200**

| DESCRIPTION | | Cost To Casing Point AFE NO. | Completion Cost AFE NO. |
|----------------------------|---|------------------------------------|-------------------------------|
| INTANGIBLE COST 180 | | | |
| 300 | Permits and Surveys | \$1,500 | \$1,000 |
| 301 | Location, Roads and Surveys | \$12,000 | \$2,000 |
| 302 | Footage or Turnkey Drilling | \$280,000 | |
| 303 | Day Work | \$12,000 | \$8,000 |
| 304 | Fuel, Water and Other | \$17,500 | |
| 305 | Completion/Workover Rig 4 days | | \$8,000 |
| 306 | Mud and Chemicals | \$22,000 | |
| 307 | Cementing | \$20,000 | \$10,000 |
| 308 | Logging and Wireline | \$14,000 | \$5,000 |
| 309 | Casing-Tubing Services Vann gun | \$2,000 | \$18,000 |
| 310 | Mud Logging | \$5,000 | |
| 311 | Testing | | |
| 312 | Treating 1 breakdown | | \$7,500 |
| 313 | Coring | | |
| 320 | Transportation | \$2,000 | \$4,000 |
| 321 | Welding and Construction Labor | \$2,000 | |
| 322 | Contract Supervision | | |
| 330 | Equipment Rental | \$8,000 | \$1,500 |
| 334 | Well/Lease Legal/Tax | \$4,500 | \$2,000 |
| 335 | Well/Lease Insurance | \$8,000 | |
| 350 | Intangible Supplies | | |
| 360 | Pipeline ROW and Easements | | |
| 367 | Pipeline Interconnect | | |
| 375 | Company Supervision | \$10,500 | \$3,500 |
| 380 | Overhead Fixed Rate | \$5,000 | \$5,000 |
| 399 | Contingencies 2% | \$8,700 | \$1,500 |
| Total Intangibles | | \$431,700 | \$70,000 |
| TANGIBLE COST 181 | | | |
| Conductor Casing | | | |
| | Surface Casing 13 3/8" @ 250' | \$3,700 | |
| | Intermediate Casing 9 5/8" @ 2,600' | \$38,400 | |
| | Production Casing 5 1/2" @ 11,200' | | \$73,400 |
| | Production Casing | | |
| | Tubing 2 3/8" @ 11,000 | | \$24,100 |
| 860 | Drilling Head | \$3,700 | |
| 885 | Tubing Head | | \$4,000 |
| 870 | Upper Section | | \$8,000 |
| 875 | Sucker Rods | | |
| 880 | Packer, Pump & Other Subsurface | | \$7,500 |
| 885 | Pumping Unit & Prime Mover | | |
| 890-1 | Tanks (Steel & Fiberglass) | | \$4,000 |
| 894-5 | Separation Equipment (fired, Non-fired) | | \$7,500 |
| 898 | Metering Equipment | | |
| 900 | Line Pipe | | |
| 905 | Valves | | |
| 908 | Miscellaneous Fittings & Accessories | | \$10,000 |
| 910 | Production Equipment Installation | | \$8,000 |
| 920 | Pipeline Construction | | |
| Total Tangibles | | \$43,800 | \$144,500 |
| SUBTOTAL | | \$475,500 | \$214,500 |
| TOTAL WELL COST | | \$690,000 | |

Date Prepared: June 10, 1987
Prepared By: Erik L. Hoover

Company Approval: *Erik L. Hoover*
Date Approved: *6-24-87*
Joint Owner Approval:

Joint Owner Interest:
Joint Owner Amount:

| | |
|-------------------------------|----------------|
| Drilling Cost, \$/ft | \$42.48 |
| Completion Cost, \$/ft | \$19.15 |
| Total Well Cost, \$/ft | \$61.61 |

JUL 08 1997



20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Telephone: 405/235-3611
FAX 405/552-4550

July 3, 1997

Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Attention: Steve Cobb

Re: Carlsbad 15 'J' Com #1
1980' FSL and 1850' FWL
Section 15-T21S-R26E
Eddy County, New Mexico

Gentlemen:

Devon Energy Corporation (Nevada) is in receipt of your letters dated June 12 & 24, 1997 proposing to drill the referenced 11,200' Morrow test well. Devon agrees to the drilling of the referenced well as proposed and hereby submits our AFE reflecting a dry hole cost of \$465,600 with a completed well cost of \$721,000.

Devon further proposes to be named as Operator of said well. In that regard, we offer the following operational considerations for your review:

- Devon currently has operations of existing Morrow and Delaware wells and a Saltwater Disposal Well in the immediate area, including Section 15.
- Devon maintains an alliance with a major service company for cementing and stimulation services.
- Devon maintains a purchasing alliance with four (4) major supply companies for material goods such as tubulars, stock tanks and other surface facility equipment.
- Due to the high volume of wells drilled by Devon in the last 4-5 years, we believe we would be able to maximize certain economies of scale relative to dirt work and location preparation.
- Any issues relative to ingress and egress to the proposed location would be easily resolved by the use of our existing lease roads in the area.

Mewbourne Oil Company

July 3, 1997

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As we have discussed verbally, Devon would be agreeable to the formation of a 640 acre working interest unit consisting of all of Section 15, calculated on an acreage basis, in order to spread the risk of both Devon and Mewbourne.

In any event, Devon proposes to be named operator in as much as our working will be at least 50% under any unit configuration in Section 15. I will be in touch in the next few days so that we may further discuss our mutual development plans in the area.

Yours very truly,

DEVON ENERGY CORPORATION (NEVADA)



Ken Gray
District Landman

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enc.