

# PENWELL ENERGY, INC.

1100 ARCO BUILDING  
600 N. MARIENFELD  
MIDLAND, TEXAS 79701

OFF: (915) 683-2534  
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*Via Certified Mail #Z 137 524 425*

April 9, 1998

Ms. Tena Hall  
Canadian Kenwood Company  
1910 IDS Center  
80 South Eighth Street  
Minneapolis, Minnesota 55402

**Authority For Expenditure**  
**West Shugart "19" Federal #1 Well**  
**1980' FWL & 660' FSL Section 19,**  
**T18S, R31E,**  
**Eddy County, New Mexico**  
**Shugart West Prospect (NM 050)**

Gentlemen:

We have enclosed for your review and signature an AFE covering the West Shugart "19" Federal #1 Well in Eddy County, New Mexico. Upon completion of your review, please forward our office one signed AFE. Thank you for your assistance in this matter.

**BEFORE THE**  
**OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico


Case No. 11992 Exhibit No. 3

Submitted by: Penwell Energy, Inc.

Hearing Date: June 25, 1998

Yours Very Truly,

PENWELL ENERGY, INC.

  
Mark Wheeler, CPL  
Land Manager - Permian Basin

**PENWELL ENERGY, INC.**  
**AUTHORITY FOR EXPENDITURE**

WELL NAME: West Shugart "19" Federal #1  
LOCATION: 1,980' FWL & 660' FSL  
Section 19 - T18S - R31E

PROSPECT NAME: Shugart West Wolfcamp  
COUNTY & STATE: Eddy, New Mexico  
OBJECTIVE: 10,300' Wolfcamp Oil

**INTANGIBLE COSTS**

		BCP		ACP	TOTAL
APD & ARCHAEOLOGICAL	502	750	702	600	1,350
TITLE OPINION & CURATIVE	504	7,000	704	0	7,000
SURVEYING / STAKE LOCATION	506	750	706	750	1,500
DAMAGES & R-O-W'S	508	350	708	600	950
ROADS, LOCATION, PITS, LINERS, ETC.	510	20,000	710	1,500	21,500
DRILLING - FOOTAGE	512	221,450		0	221,450
DRILLING - DAYWORK	514	10,000	714	0	10,000
DRILLING MUD & CHEMICALS	516	22,000	716	0	22,000
WATER	518	20,000	718	3,600	23,600
BITS, REAMERS, ETC.	520	0	720	0	0
FUEL	522	0		0	0
CEMENTING SURFACE	524	9,300		0	9,300
CEMENTING INTERMEDIATE	526	25,000		0	25,000
CEMENTING PRODUCTION		0	728	38,000	38,000
TUBULAR SERVICES AND TOOLS	530	10,000	730	0	10,000
CASING CREWS / PU LD MACHINE	532	4,300	732	0	4,300
FLOAT EQUIPMENT	534	13,000	734	0	13,000
TESTING; DST & COMPLETION	536	0	736	7,000	7,000
OPEN HOLE LOGGING / CORES	538	18,000		0	18,000
MUD LOGGING	540	12,500		0	12,500
WELDING & HOURLY LABOR	542	2,200	742	12,000	14,200
EQUIPMENT RENTAL	544	6,000	744	20,000	26,000
TRUCKING, TRANSPORTATION, FORKLIFT	546	4,500	746	11,500	16,000
COMPLETION UNIT		0	748	25,000	25,000
FORMATION STIMULATION		0	750	18,000	18,000
WIRELINE SERVICES	552	0	752	6,100	6,100
GEOLOGIC / ENGINEERING	554	4,000	754	3,000	7,000
CONTRACT LABOR	556	12,000	756	7,000	19,000
DRILLING WELL RATE (A/O)	558	3,200	758	7,600	10,800
INSURANCE	560	8,000	760	0	8,000
MISCELLANEOUS	562	500	762	500	1,000
CONTINGENCY (5%)	564	21,740	764	8,138	29,878
TOTAL INTANGIBLES		456,540		170,888	627,428

**TANGIBLE COSTS**

CONDUCTOR CASING	602	3,600		0	3,600
SURFACE CASING	604			0	0
13 3/8", 48#, H-40, 8rd, STC @ 450' +/-		8,100		0	8,100
INTERMEDIATE CASING	608			0	0
8 5/8", 32#, J-55, 8rd STC @ 2,600' +/-		31,000		0	31,000
DEEP INTERMEDIATE CASING	612	0		0	0
		0		0	0
PRODUCTION CASING / LINER	616	0	816	0	0
5 1/2", 17#, N-80, J-55, 8rd LTC @ 10,300' +/-		0		70,000	70,000
TUBING: 2 7/8", 6.50#, L-80, 8rd EUE @ 10,000'	620	0	820	28,000	28,000
WELLHEAD EQUIPMENT	622	8,500	822	3,000	11,500
SURFACE LIFT & ELECTRICITY	624	0	824	68,000	68,000
RODS AND PUMP	626	0	826	21,000	21,000
PACKERS, BP'S, DOWNHOLE EQUIPMENT	628	0	828	6,100	6,100
GAS PRODUCTION EQUIPMENT	630	0	830	0	0
SEPARATOR, TREATER	632	0	832	8,800	8,800
FLOWLINES, VALVES, CONNECTIONS	634	0	834	12,000	12,000
TANKS (Water and Production)	636	0	836	8,000	8,000
MISCELLANEOUS	638	0	838	1,000	1,000
CONTINGENCY (5%)	640	2,580	840	11,245	13,805
TOTAL TANGIBLES		53,760		237,145	290,905
TOTAL WELL COSTS		510,300		408,033	918,333

PLUGGING COST	566	12,700
TOTAL DRY HOLE		523,000

Penwell Energy, Inc.

**ENGINEERING**

By: Engineering Staff

Date Prepared: April 2, 1998

Operations Manager Approval: 

We approve:

73.00% W.I.

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

**CANADIAN KENWOOD COMPANY**

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_