

SEPCO

Drilling/Completion Operations

Detail Cost Estimate

DATE 6/7/99		OPERATOR SEPCO		WELL NAME Chalk Bluff North		PREPARED BY JMT	
PROSPECT/ FIELD Chalk Bluff North		COUNTY/PARISH Eddy		LOCATION Sec. 36-17S-27E		WELL NUMBER 36 #1	
STATE New Mexico		PROPOSED TOTAL DEPTH 10,125'		OBJECTIVE / FORMATION(S) Morrow			
DRILL / COMPLETE <input checked="" type="checkbox"/>	WORKOVER-RECOMPLETION <input type="checkbox"/>	SINGLE <input checked="" type="checkbox"/>	EXPLORATORY <input type="checkbox"/>	OIL WELL <input type="checkbox"/>			
EQUIP <input checked="" type="checkbox"/>	WORKOVER-MAINTENANCE <input type="checkbox"/>	DUAL <input type="checkbox"/>	DEVELOPMENT <input checked="" type="checkbox"/>	GAS WELL <input checked="" type="checkbox"/>			
RETIREMENT (P&A) <input type="checkbox"/>	DRILL & EVALUATE <input type="checkbox"/>	OTHER <input type="checkbox"/>					

SUB-ACCOUNT		Casing Point COST	COMPLETION COST	TOTAL COST
Csg. Pt.	Completion			
INTANGIBLE EXPENSE				
121-001		RIG - TURNKEY		
121-005		RIG - FOOTAGE 10,125' @ \$20.00/ft	202,500	202,500
121-010		RIG - DAYWORK 5 days @ \$6000	30,000	30,000
	122-010	RIG - COMPLETION 8 days @ \$2000	16,000	16,000
121-012		DRILL RIG MOBILIZATION		
121-013		CONDUCTOR HOLE	3,000	3,000
121-015	122-015	ROAD & LOCATION	20,000 2,500	22,500
121-020	122-020	FUEL, POWER AND WATER	18,000 2,000	20,000
121-025	122-025	DRILLING/COMPLETION FLUIDS & CHEMICALS	35,000	35,000
121-030	122-030	DRILL BITS		
121-032		DIRECTIONAL DRILLING		
121-035		OPEN HOLE LOGGING & DST	33,000	33,000
121-040		MUD LOGGING	14,000	14,000
	122-037/40	DST. CASED HOLE LOGS / PERFORATING, CEMENT BOND LOGS	15,000	15,000
121-045		CORING & ANALYSIS		
121-055	122-055	CEMENT AND CEMENTING	16,000 20,000	36,000
	122-060	STIMULATION AND ALL PUMPING SERVICES	10,000	10,000
121-065	122-065	EQUIPMENT RENTAL	15,000 5,000	20,000
121-070	122-095	CASING CREW	4,000 4,000	8,000
	122-153	WIRELINE SERVICE		
121-075	122-075	TRANSPORTATION	4,000 4,000	8,000
121-080	122-080	SUPERVISION & TECHNICAL	8,000 4,500	12,500
121-085	122-085	CONTRACT LABOR	3,000 8,000	11,000
121-090	122-090	CASING/TUBING & DRILL PIPE INSPECTION & TESTING		
121-095		PERMITS, CURATIVE, TITLE AND DRILL SITE OPINION	1,000	1,000
121-930		INSURANCE	2,000	2,000
	122-100	INSTALLATION SURFACE AND PRODUCTION EQUIPMENT	6,000	6,000
121-105	122-105	ENVIRONMENTAL & POLLUTION	2,000 2,000	4,000
121-180	122-180	MEALS & ENTERTAINMENT - COMPANY EMPLOYEES ONLY		
121-190	122-190	PLUGGING AND ABANDONMENT (DRY HOLE)	6,000	
121-925	122-925	DRILLING/COMPLETION OVERHEAD	4,500 2,000	6,500
121-950	122-950	MISCELLANEOUS	12,000 8,000	20,000
120-005		LAND COSTS		
		TOTAL INTANGIBLE EXPENSE	433,000 109,000	536,000
TANGIBLE EXPENSE				
124-010		CONDUCTOR OR DRIVE PIPE	1,000	1,000
124-015		SURFACE CASING 425' 13-3/8"	7,500	7,500
124-020		INTERMEDIATE CASING	21,000	21,000
	125-025	PRODUCTION CASING 10,125' 5-1/2"	76,000	76,000
124-030	125-030	DRILLING /PRODUCTION LINER		
	125-035	PRODUCTION TUBING 10,125' 2-7/8"	28,000	28,000
124-040		JACKET-AID TO NAVIGATION		
124-045	125-045	PACKER & RETAINERS		
124-055	125-055	WELLHEAD EQUIPMENT	8,000 12,000	20,000
	125-065	DOWNHOLE PUMP - ARTIFICIAL LIFT EQUIPMENT		
	125-070	MISCELLANEOUS DOWNHOLE EQUIPMENT		
124-085	125-085	TAX ON CAPITAL ITEMS		
124-095	125-095	NON-CONTROLLABLE EQUIPMENT		
124-950	125-950	MISCELLANEOUS EQUIPMENT	10,000	10,000
		OTHER (PLEASE SPECIFY CHARGE AND RELATED ACCT. NO.)		
		TOTAL TANGIBLE EXPENSE	37,500 126,000	163,500
PRODUCTION EQUIPMENT				
	125-040	FLOWLINES	12,000	12,000
	125-060	PRODUCTION (SURFACE) EQUIPMENT	23,000	23,000
	125-075	GATHERING LINES	20,000	20,000
	125-062	PUMPING AND COMPRESSION EQUIPMENT		
		OTHER (PLEASE SPECIFY CHARGE AND RELATED ACCT. NO.)		
		TOTAL PRODUCTION EQUIPMENT EXPENSES	55,000	55,000
		TOTAL WELL COST	470,500 290,000	754,500

SEPCO'S estimate of the anticipated costs for the test well or operation are specified above. This estimate shall determine prepaid dry hole costs, completion costs, or costs of other operations, and your approval of this estimate signifies that SEPCO's estimate is reasonable. Participating parties in a test well or operation shall be responsible for actual costs in accordance with the terms of the joint operating agreement.

SEPCO Approvals		Non-Operator Approvals	
BY: _____	_____	BY: _____	_____
BY: _____	_____	BY: _____	_____
BY: _____	_____	BY: _____	_____

GROSS WORKING INTEREST	25.0%	GROSS WORKING INTEREST	75.0%
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