
D.J. SIMMONS, INC.

September 13th, 2001

FAX/CERTIFIED MAIL

Forcenergy Onshore, Inc.
C/O Forest Oil Corporation
1600 Broadway, Suite 2200
Denver, Colorado 80202

T. H. McElvain Oil & Gas Limited Partnership
1050 17th Street, Suite 1800
Denver, Colorado 80265

Dugan Production Corporation
709 East Murray Drive
Farmington, New Mexico 87499

RE: AFE for Bishop Federal #25-1 Well
Township 25 North – Range 3 West, NMPM
Section 25: NE/4
Rio Arriba County, New Mexico

Ladies/Gentlemen:

Enclosed herewith is an allocated Authorization for Expenditure for the drilling and completion of the Bishop #25-1, as to the Mesaverde formation only. This Authorization for Expenditure is furnished for informational purposes only. This letter is a follow up to my letter of August 6th, 2001.

Interest of parties:

D. J. Simmons, Inc.	75.000%
Forcenergy Onshore, Inc.	12.500%
T. H. McElvain Oil & Gas Limited Partnership	9.375%
Dugan Production Corporation	<u>3.125%</u>
	100.000%

D. J. Simmons, Inc.


A. B. Geren, Jr., President

Bishop Federal 25-1 Drilling and Completion AFE Allocation for Mesa Verde Completion page 1

Description: 8768' md (8263' tvd) directionally drilled Gallup/Dakota test. Assumes standard drilling rig is utilized.

AFE assumes completion in both the Gallup and Dakota formations with a two stage frac.

Prepared by: P. Griffin
09/12/2001

Dry Hole Cost

Cost Item Code	Description	Intangible	Tangible	Total
Preparation				
101 Permitting	permitting, survey, and archaeology	\$5,000.00		\$5,000.00
102 Dirtwork	blading, location preparation, anchors	\$2,750.00		\$2,750.00
103 Reclamation	dirtwork, water disposal	\$750.00		\$750.00
Drilling Rig Costs				
110 Rig Mobilization		\$12,500.00		\$12,500.00
111 Daywork Drilling Cost	8 days @ \$7500 per day in 100' below MV	\$30,000.00		\$30,000.00
112 Eoplage Drilling Cost				
113 Turnkey Drilling Cost				
Drilling Equipment				
120 Drilling Bore		\$12,500.00		\$12,500.00
121 Drilling Tools	readers, stabilizers, rental drill pipe, etc.			
122 Rental Equipment		\$1,120.00		\$1,120.00
Services				
133 Trucking	hauling pipe & materials, hot shot services	\$5,000.00		\$5,000.00
134 Water	water cost and hauling charges	\$7,500.00		\$7,500.00
135 Fuel	drilling contractor to provide			
136 Mud	mud, chemicals, soap, etc.	\$3,250.00		\$3,250.00
137 Air Drilling Services				
138 Directional Services	not required for MV			\$0.00
139 Fishing Services				
140 Safety Services	H2S monitoring, etc.			
141 Wireline Services				
142 Contract Labor	roustabout services, casing crews, welders, etc.	\$2,500.00		\$2,500.00
143 Inspection Services				
144 Down-hole Tools				
146 Other Services				
Cementing				
150 Primary Cementing	surface casing	\$1,750.00		\$1,750.00
151 P&A Cementing		\$2,550.00		\$2,550.00
152 Remedial Cementing				
Design and Supervision				
160 Engineering/Geology Design				
161 Field Supervisor		\$5,600.00		\$5,600.00
162 Operator Overhead				
163 Outside Operator Overhead				
Formation Evaluation				
170 Open Hole Logging		\$15,000.00		\$15,000.00
171 Drill Stem Testing				
172 Coring	coring, and core analysis			
173 Mud Logging				
174 Field Geologist				
175 Flow Testing				
176 Laboratory Services				
Tangible Items				
180 Conductor Casing				
181 Surface Casing	800' 9 5/8", 32 ppf, 155 @ \$87/M		\$3,840.00	\$3,840.00
182 Intermediate Casing				
183 Intermediate Casing				
184 Float Equipment	shoe, LV collar, centralizers, etc.		\$575.00	\$575.00
185 Casing Tools	liner hanger, etc.			
186 Pipe Inspection	casing and tubing strings			
187 Well Head Equipment		\$750.00		\$750.00
Miscellaneous				
190				
Total Dry Hole Cost		\$107,770.00	\$5,165.00	\$112,935.00

Bishop Federal 25-1 Drilling and Completion AFE Allocation for Mesa Verde Completion			page 2	
Cost to run Production Casing and complete with two stage frac in Mesa Verde			prepared by: R. Coffee 09/12/2001	
Completion Costs				
Cost Item	Description	Intangible	Tangible	Total
Code				
Preparation				
201 Permitting				
202 Dirtwork	blading, location preparation, anchors	\$1,500.00		\$1,500.00
203 Reclamation	dirtwork, water disposal			
Completion Rig Costs				
210 Rig Mobilization		\$2,800.00		\$2,800.00
211 Holiday or Daily Cost		\$48,150.00		\$48,150.00
212 Expandables	swab cups, line, etc.	\$1,800.00		\$1,800.00
213				
Workover Equipment				
220 Bits and Mills		\$650.00		\$650.00
221 Workover tools				
222 Rental Equipment		\$3,750.00		\$3,750.00
Services				
233 Trucking	hauling pipe & materials, hot shot services	\$10,000.00		\$10,000.00
234 Water	water cost and hauling charges	\$15,000.00		\$15,000.00
234 Fuel	for all drilling equipment			
236 Mud	mud, chemicals, soap, etc.			
237 Air Drilling Services				
238 Directional Services				
239 Fishing Services	losing tools, etc. Mills			
240 Safety Services	H2S monitoring, etc.			\$0.00
241 Wireline Services	Cable correlation, squeeze packing, etc.	\$13,000.00		\$13,000.00
242 Contract Labor	houseabout services, casing crews, welders, etc.	\$3,000.00		\$3,000.00
243 Inspection Services				
244 Downhole Tools	test packers, bridgeplugs, cement retainers	\$16,000.00		\$16,000.00
245 Stimulation Services	acidizing, frac, etc.	\$110,000.00		\$110,000.00
246 Misc Pumping Services	CO2 Nitrogen, etc.			
247 Hydrate Testing Services				
248 Other Services				
Cementing				
250 Primary Cementing	cementing of new production string	\$22,500.00		\$22,500.00
251 P&A Cementing				
252 Remedial Cementing				
Design and Supervision				
260 Engineering/Geology Design				
261 Field Supervision		\$12,000.00		\$12,000.00
262 Operator Overhead				
263 Outside Operator Overhead				
Formation Evaluation				
270 Cased Hole Logging	for formation evaluation			
271 Drill Stem Testing				
272 Coring	coring, and core analysis			
273 Mud Logging				
274 Field Geologist				
275 Flow Testing	flow test, pressure build up, etc.			
276 Laboratory Services	gas, oil & water analysis			
Tangible Items				
280 Production Casing	8 1/2" of 5, 1 1/2" 15 50 and 12 ppr casing		\$29,391.23	\$29,391.23
281 Tubing	3600' of 2 3/8" FUE		\$9,030.00	\$9,030.00
282 Tubing				
283 Tubing String equipment			\$550.00	\$550.00
284 Floal Equipment	shoe, DV collar, centralizers, etc.		\$7,500.00	\$7,500.00
285 Casing Tools	liner hanger, etc.			
286 Pipe Inspection	casing and tubing strings			
287 Well Head Equipment			\$2,700.00	\$2,700.00
288 Permanent Packers	permanent production packers, bridgeplugs, etc.			
289 Miscellaneous Pipe and Fittings			\$750.00	\$750.00
Miscellaneous				
290				
Completion Cost Total		\$260,150.00	\$49,921.23	\$310,071.23

Bishop Federal 25-1 Drilling and Completion AFE Allocation for Mesa Verde Completion			page 3	
Costs to set Production Tanks, Separator, and prep location. Does not include pipeline or pumping unit costs			prepared by: R. Griffee 09/12/2001	
Production Equipment				
Cost Item Code	Description	Intangible	Tangible	Total
Tangible Items				
501 Production Tanks			\$ 8,750.00	\$8,750.00
502 Flow Lines, Valves, and Fittings			\$ 2,500.00	\$2,500.00
503 Pumping Equipment - Surface - pumping unit				
504 Pumping Equipment - Downhole - rods, pump, etc				
505 Production Units - heater treater / separator			\$ 17,500.00	\$17,500.00
506 Metering Equipment				
507 Wellsite Compression				
508 Buildings				
509 Miscellaneous			\$ 2,500.00	\$2,500.00
Installation and Construction				
520 Contract Labor		\$ 10,000.00		\$10,000.00
Production Equipment Total		\$ 10,000.00	\$ 31,250.00	\$ 41,250.00

AFE Summary				
Cost Item Code	Description	Intangible	Tangible	Total
Dry Hole Cost		\$107,770.00	\$5,165.00	\$112,935.00
less P&A Cementing Cost		-\$2,550.00	\$0.00	-\$2,550.00
Completion Cost		\$260,150.00	\$49,921.23	\$310,071.23
Production Equipment Cost		\$ 10,000.00	\$ 31,250.00	\$ 41,250.00
Total Estimated Well Cost		\$375,370.00	\$86,336.23	\$461,706.23
excluding pipeline and pumping unit				