

KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Sherry L. Barton
3114 W. Kansas
Hobbs, NM 88242

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Ms. Barton:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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We anticipate spudding this well before April 1, 2002; your early attention to this matter is therefore appreciated. Please call on us if you have any questions.

Yours very truly,

Steve Sandlin
Vice President-land

Enclosure

cc: New Mexico Oil Conservation Division
Attn: Lori Wrothenbery, Director
1220 S. St. Francis Drive
Santa Fe, NM 87505
rm\land\DeGas 6-WIO

INVOICE

To: Sherry L. Barton
3114 W. Kansas
Hobbs NM 88242

Date: 03/04/02

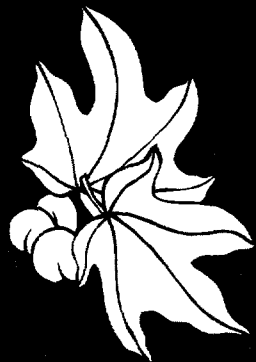
Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0000364

AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$54.62

Please remit to: KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, TX 77002



In Hawaii, kukui symbolizes energy and light.

KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Sherry L. Barton
Custodian for Chance C. Barton
3114 W. Kansas
Hobbs, NM 88242

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Ms. Barton:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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Santa Fe, NM 87505

rm\land\DeGas 6-WIO

INVOICE

To: Sherry L. Barton
Custodian for Chance C. Barton
3114 W. Kansas
Hobbs NM 88242

Date: 03/04/02

Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0000728

AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$109.24

Please remit to: KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, TX 77002



KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Sherry L. Barton
Custodian for Chelsea J. Barton
3114 W. Kansas
Hobbs, NM 88242

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Ms. Barton:

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Santa Fe, NM 87505

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To: Sherry L. Barton
Custodian for Chelsea J. Barton
3114 W. Kansas
Hobbs NM 88242

Date: 03/04/02

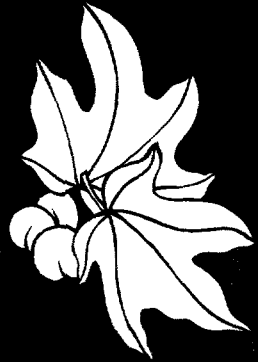
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Custodian for Texie P. Barton
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Hobbs, NM 88242

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Lea County, New Mexico

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Attn: Lori Wrothenbery, Director
1220 S. St. Francis Drive
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

INVOICE

To: Sherry L. Barton
Custodian for Lexie P. Barton
3114 W. Kansas
Hobbs NM 88242

Date: 03/04/02

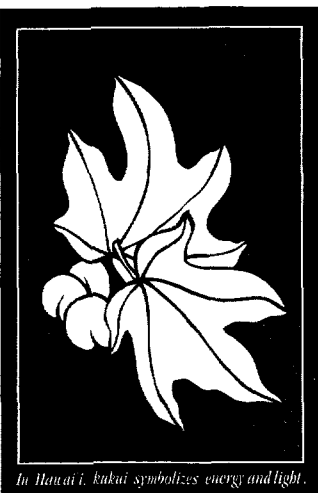
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1415 Louisiana, Suite 3650
Houston, TX 77002



KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Wells Fargo Bank Texas, N.A.
Acct #99-149600-Armstrong Trust
P. O. Box 1959
Midland, TX 79701

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Sir:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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cc: New Mexico Oil Conservation Division
Attn: Lori Wrothenbery, Director
1220 S. St. Francis Drive
Santa Fe, NM 87505

rm\land\DeGas 6-WIO

INVOICE

To: Wells Fargo Bank Texas, NA
Acct. #99-149600 - Armstrong Trust
P.O. Box 1959
Midland, TX 79701

Date: 03/04/02

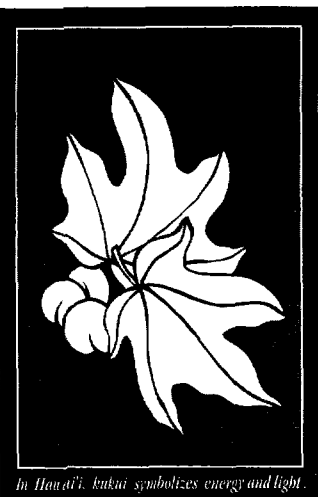
Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0131583

AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$19,744.03

Please remit to: KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, TX 77002



KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Brian Scarborough
P. O. Box 2474
Midland, TX 79702

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Mr. Scarborough:

By order #R-11735 dated 02/28/02, case #12773, the New Mexico Oil Conservation Division has approved KUKUI Operating Company's application to force pool all mineral interest from the surface of the earth through the Morrow formation in a non-standard gas spacing and proration unit comprised of the E/2 N 1/3 and the E/2 C 1/3, being 329.83 acres, of irregular Section 6, T16S, R35E, N.M.P.M., Lea County, New Mexico. A copy of the above order is enclosed.

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To: Brian Scarborough
P.O. Box 2474
Midland, TX 79702

Date: 03/04/02

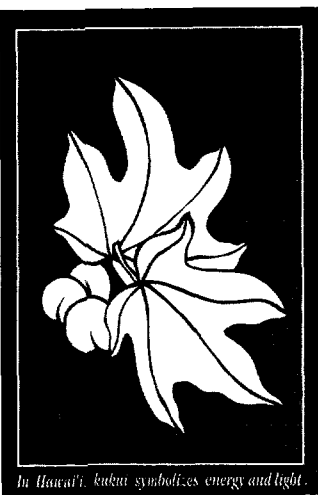
Item: **DeGas 6 State Com #1**

Total Cash Call Amount: **\$1,500,500.00**

Your Share: 0.0027287

AMOUNT DUE WITHIN THIRTY (30) DAYS OF RECIEPT: \$4,094.41

Please remit to: KUKUI Operating Company
1415 Louisiana, Suite 3650
Houston, TX 77002



KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

Dalco Petroleum, LLC
Attn: David A. Lynch
P. O. Box 1904
Lovington, NM 88260

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Sir:

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Santa Fe, NM 87505
rm\land\DeGas 6-WIO

INVOICE

To: Dalco Petroleum, LLC
P. O. Box 1904
Lovington, NM 88260

Date: 03/04/02

Attn.: Mr. David A. Lynch

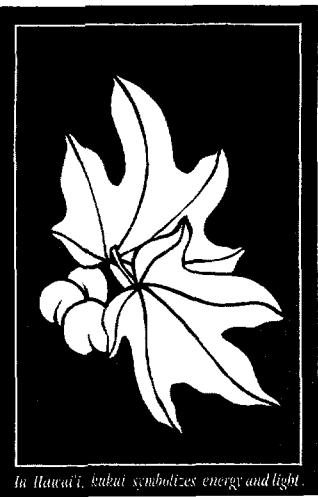
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1415 Louisiana, Suite 3650
Houston, TX 77002



KUKUI Operating Company

March 4, 2002

Certified Mail - Return Receipt Requested

W. A. Yeager Group
214 W. Texas Ave., Suite 720
Midland, TX 79701-4621

RE: **DeGas 6 State Com #1**
Sec. 16-16S-35E
Lea County, New Mexico

Dear Sir:

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To: W. A. Yeager Group
214 W. Texas Ave., Suite 200
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Date: 03/04/02

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Your Share: 0.0131583

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1415 Louisiana, Suite 3650
Houston, TX 77002

KUKUI OPERATING COMPANY

COST ESTIMATE DRILLING

AFE No. _____
Supplement No. _____
STATE: _____
FIELD: _____

10111

PROSPECT: Mississipian Test COUNTY: LEA
DATE: 09/17/2001 WELL NAME Degas '6' State Com. #1

New Mexico
SE Eidson

SUMMARY OF ESTIMATED COST

INTANGIBLE COST							
DESCRIPTION					SUB.	DRY HOLE	COMPLETED
Company Labor	45 Days @	\$650	/ Day		05	\$27,300	\$29,250
Outside Labor	roustabout, welding, casing crews, wellhead installation				10	\$15,000	\$20,000
Professional Services	surveys, permitting, consulting, title				12	\$6,000	\$8,000
Transportation - Land					70	\$5,000	\$8,000
Fuel, Power, & Water					61	\$60,000	\$70,000
Supplies - Miscellaneous					59	\$3,000	\$4,000
Supplies - Bits					60	\$58,000	\$60,000
Supplies - Casing Equipment	float shoes, centralizers				59	\$4,500	\$6,000
Supplies - Liner Equipment					59		
Frac Tank Rental	1 ea. - 500 bbl.	50 days (water storage)			40	\$2,000	\$3,000
Cement & Cement Services					11	\$20,000	\$36,000
Pump / Vacuum Truck Services					12	\$5,000	\$8,000
Rentals Drilling Tools & Services	chokes, separators, PVT, BHA				40	\$10,000	\$15,000
Rentals Miscellaneous	doghouse, forklift, trash bin, toilets, etc				40	\$10,000	\$12,000
Insurance	well control				91	\$12,000	\$12,000
Wireline Services	perforating, logging, coring				25	\$26,000	\$36,000
Drilling Fluids					15	\$75,000	\$85,000
Location Expense	construction / reclamation				20	\$30,000	\$35,000
Contract Drilling	Feet		/ Foot		16		
Daywork	40 drlg./4 comp.	Days	\$11,000	/ Day	16	\$440,000	\$484,000
Workover Rig	6 Days		\$3,000	/ Day	16		\$18,000
Directional Drilling - Tools & Equipment					43		
Mud Logging Services					44	\$25,000	\$25,000
Rig Mobilization & Demobilization					21	\$50,000	\$50,000
Stimulation	clean-up acid treatment				75		\$20,000
Special Services	DST tools / reports				09	\$12,000	\$12,000
Tubular Goods - Inspection & Testing						\$4,000	\$8,000
Telephone & Radio Expenses					73	\$300	\$500
COPAS Drilling Overhead						\$12,000	\$14,000
Plug & Abandon						\$12,000	
Intangible Subtotal						\$924,100	\$1,078,750
Unclassified and	10 %	Contingencies				\$92,400	\$107,900
TOTAL INTANGIBLE COST						\$1,016,500	\$1,186,650

TANGIBLE COST

WELL TUBULAR GOODS								
	Feet	Drive Pipe			/ Foot	85		
	Feet	Conductor Casing			/ Foot	86		
450	Feet	13 3/8"	Surface Casing	\$20.00	/ Foot	90	\$9,000	\$9,000
	Feet	Protection Casing			/ Foot	87		
4,550	Feet	9 5/8"	Intermediate	\$18.00	/ Foot	88	\$81,900	\$81,900
	Feet	Production Liner			/ Foot	89		
13,600	Feet	5 1/2"	Production Casing	\$7.00	/ Foot	92		\$95,200
12,500	Feet	2 7/8"	Tubing	\$3.50	/ Foot			\$43,750
	Feet	Sucker Rods			/ Foot	53		
FLOWLINE								
~5,000	Feet	3"	Line Pipe - buried	\$6.00	/ Foot			\$30,000
WELL EQUIPMENT								
Well Head & Christmas Tree		casing head, tubing head,5M tree				105	\$5,000	\$16,000
Packers and Downhole Equipment						78		\$8,000
Other Well Equipment		battery, separators, heater treater, meter,etc				95		\$30,000
TOTAL TANGIBLE COST							\$95,900	\$313,850
TOTAL ESTIMATED COST OF WELL							\$1,112,400	\$1,500,500

Justification for this request : Funds are requested to drill and complete a 13,600' Mississipian test well located in Sec. 6 - T16S - R35E, Lea County NM.

KUKUI Operating Company

JOINT INTEREST APPROVAL

Prepared By: Larry K. Strider
Approved By: John W. Wessels
Approved By: _____

Name of Joint Owner : _____
Approved By: _____
Date: _____

Accept OEEL Insurance ☐
Decline OEEL Insurance ☐