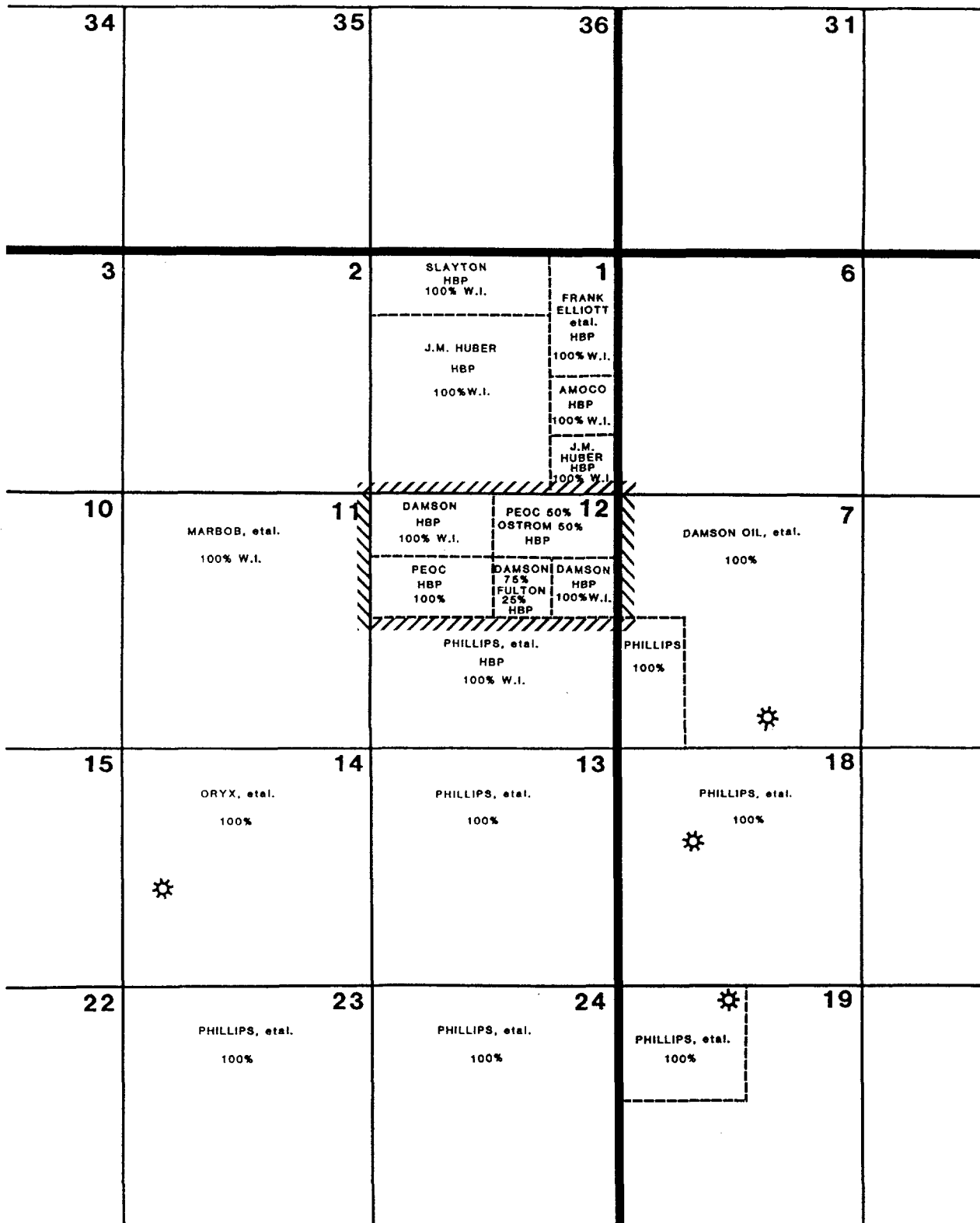


R - 29 - E

R - 30 - E

T  
16  
S

T  
17  
S



PROPOSED PRORATION UNIT

BEFORE EXAMINER STOGNER

Oil Conservation Division

*PEOC Exhibit No. 1*

Case No. *10129*



REVISED	
DATE	BY

PACIFIC ENTERPRISES OIL CO. (USA)  
MIDLAND, TEXAS

SQUARE LAKE PROSPECT  
EDDY COUNTY, NEW MEXICO

LAND PLAT

SCALE: \_\_\_\_\_ DATE: \_\_\_\_\_  
CONTOUR BY: \_\_\_\_\_ INTERP. BY: \_\_\_\_\_ DRAWN BY: \_\_\_\_\_

PEOC FEDERAL COM 12-1  
 N/2 SECTION 12  
 T-17-S, R-29-E  
 EDDY COUNTY, NEW MEXICO

BEFORE COURT OF LANDS  
 Oil Conservation Division  
 PEOC Exhibit No. 2  
 Case No. \_\_\_\_\_

WORKING INTEREST OWNERSHIP

BELOW 5,000'

N/2NW/4, SE/4NE/4

	<u>LEASEHOLD OWNERSHIP</u>	<u>UNIT OWNERSHIP</u>	<u>ELECTION</u>
Dorchester Exploration, Inc.	100.00%	37.5%	Farmout dated 7-1-90

SW/4NE/4

	<u>LEASEHOLD OWNERSHIP</u>	<u>UNIT OWNERSHIP</u>	<u>ELECTION</u>
Dorchester Exploration, Inc.	75.00%	9.375%	Farmout dated 7-1-90
E. L. Fulton, whose wife is Leila Fulton (Title Dispute)	25.00%	3.125%	Cannot Locate

N/2NE/4

	<u>LEASEHOLD OWNERSHIP</u>	<u>UNIT OWNERSHIP</u>	<u>ELECTION</u>
Heirs of D. H. Ostrom and Pearl Ostrom	50.00%	12.500%	No Election
Pacific Enterprises Oil Company (USA)	33.33%	8.333%	Participating
George Gray (Title Dispute)	16.67%	4.167%	Cannot Locate

S/2NW/4

	<u>LEASEHOLD OWNERSHIP</u>	<u>UNIT OWNERSHIP</u>	<u>ELECTION</u>
Pacific Enterprises Oil Company (USA)	100.00%	25.000%	Participating
		----- 100.000%	

# TURMAN & SHAW

OIL AND GAS PROPERTIES

P.O. Box 3792

Midland, Texas 79702

915-699-7841

February 20, 1990

Don Turman

Maner B. Shaw

Pacific Enterprises Oil Company (USA)

Attn: Craig Clark

P.O. Box 3083

Midland TX 79702

Re: Square Lake Prospect  
Eddy County, New Mexico

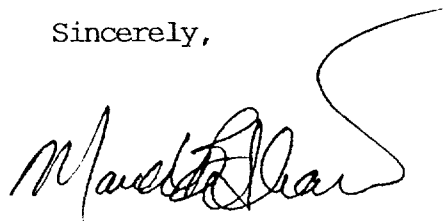
Dear Mr. Clark:

Per your request, we have made a diligent search of telephone listings in and around the Glendale, California area in an attempt to locate George Gray.

- Our search included all of area codes 805, 818, 213, 714, 619, 408 and 209 and although there were approximately 1/2 dozen George Grays within this area, none of them were the grandson of Josephine Finley.

If additional information is required, please call.

Sincerely,



Maner B. Shaw

MBS:bss

BEFORE EXAMINER STOGNER
Oil Conservation Division
REC DATED No. 3
Case No. _____

SMITH and SMITH

*Oil and Gas Properties*

P. O. Box 7444

Midland, Texas 79708

William F. Smith, CPL

Tamara H. Smith

915/682-6992

915/682-2393

August 14, 1990

Pacific Enterprises Oil Company (USA)  
P. O. Box 3083  
Midland, Texas 79702

Attn: Mr. M. Craig Clark

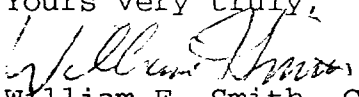
Re: Square Lake Prospect  
T-17-S, R-29-E  
Section 12: N/2  
Eddy County, New Mexico

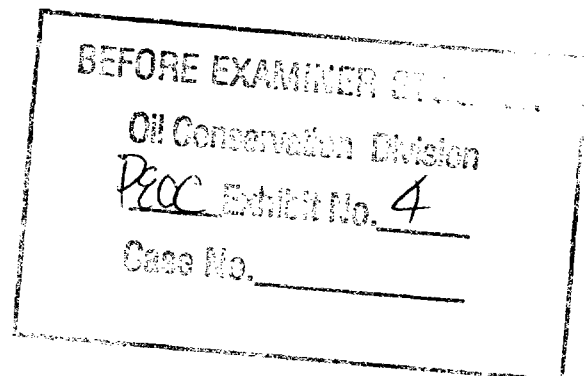
Dear Mr. Clark:

Pursuant to your recent request, I have examined the records of Eddy County, New Mexico, to try to locate E. L. Fulton and wife, Leila Fulton. The most recent instrument executed by the Fultons was a Quit Claim Deed dated April 9, 1957, recorded in Volume 80, Page 432 of the Oil & Gas Lease Records. This instrument did not contain an address, but it was acknowledged in La Plata County, Colorado.

Feel free to contact me if you have any questions or require further assistance.

Yours very truly,

  
William F. Smith, CPL



**SMITH and SMITH**

*Oil and Gas Properties*

P. O. Box 7444

Midland, Texas 79708

William F. Smith, CPL

Tamara H. Smith

915/682-6992

915/682-2393

September 26, 1990

Pacific Enterprises Oil Company (USA)  
200 N. Loraine, Suite 400  
Midland, Texas 79701

Attn: Mr. M. Craig Clark

Re: Square Lake Prospect  
T-17-S, R-29-E  
Section 12: N/2  
Eddy County, New Mexico

Dear Mr. Clark:

Pursuant to your request, I have search the telephone directories for Durango and Hesperus, Colorado, in an effort to locate E. L. Fulton and wife, Leila Fulton. In addition, I contacted directory assistance for the "303" and "719" Area Codes to locate the Fultons. Through these efforts I was unable to obtain any information that would aid in locating the Fultons.

Please contact me if I can be of any further assistance.

Yours very truly,

  
William F. Smith, CPL

BEFORE EXAMINER STOCKILL

Oil Conservation Division

PEOC Exhibit No. 5

Case No. \_\_\_\_\_

**PACIFIC ENTERPRISES OIL COMPANY (USA)****CERTIFIED MAIL**

May 31, 1990

SOUTHWEST REGION

200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)TO: WORKING INTEREST OWNERS  
Address List AttachedRE: Square Lake Prospect #6139  
-----PEOC Federal Comm #12-1  
North Half of Section 12,  
T-17-S, R-29-E  
Eddy County, New Mexico

Gentlemen:

Pacific Enterprises Oil Company (USA) proposes the drilling of an 11,200 foot Morrow well to be located approximately 660' FNL and 1980' FWL of Section 12, T-17-S, R-29-E, Eddy County, New Mexico. The drilling and spacing unit for said well will be the North Half of said Section 12. The drilling and testing costs for the well are estimated to be \$431,000.00 with total completed costs being \$725,000.00.

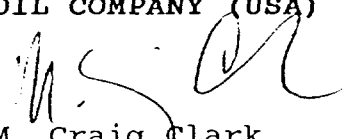
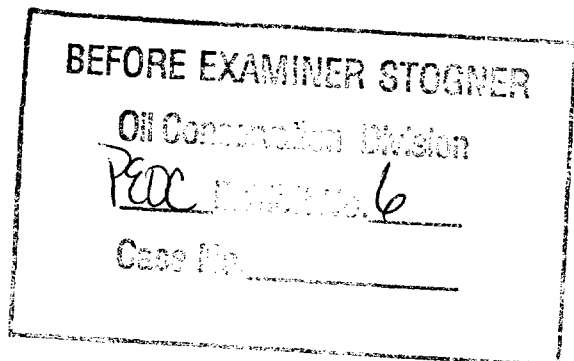
If you elect to participate in the drilling of the proposed well, please so indicate by signing both of the enclosed Authority For Expenditures and returning one (1) original to the attention of the undersigned. Upon receipt of your executed Authority For Expenditure, an Operating Agreement governing operations of the well will be submitted for your review.

In the event you do not wish to participate in the drilling of said well, Pacific requests a farmout of your acreage in the proposed drilling unit delivering a 75% net revenue interest before payout with the option to convert your overriding royalty interest to a 25% working interest after payout. If you elect to farmout your interest, a formal Farmout Agreement will be submitted for your review.

Pacific is interested in spudding this well as soon as possible and therefore will be filing an application for a Compulsory Pooling Hearing in the near future.

Should you have any questions or problems, please do not hesitate to contact me.

Very truly yours,

PACIFIC ENTERPRISES  
OIL COMPANY (USA)  
M. Craig Clark  
Landman

WORKING INTEREST OWNERS  
ADDRESS LIST

Mr. George Gray  
513 South Pacific  
Apartment 7  
Glendale, CA 91204

Heirs of Mr. D. H. Ostrom  
c/o Mr. A. H. Evans  
3300 First City Tower  
1001 Fannin  
Houston, Texas 77002

**PACIFIC ENTERPRISES OIL COMPANY (USA)****ORIGINAL****AUTHORITY FOR EXPENDITURE**

SOUTHWEST REGION  
200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)

**DIVISION:** Permian Basin Exploration Team**DATE:** 5-31-90**DEPARTMENT:** Exploration and Development

Midland, Texas

**WELL NAME:** PEOC Federal Comm #12-1**LOCATION:** 660' FNL and 1980' FWL of Section 12, T-17-S, R-29-E  
Eddy County, New Mexico

Drill and Test Cost  
Completion

\$431,000.00

294,000.00**TOTAL**

\$725,000.00

**JUSTIFICATION:**

Proposed 11,200' well to test the Morrow Formation.  
See attached detailed Drilling and Completion Cost Estimate.

<b>PARTICIPANTS</b>	<b>WORKING INTEREST</b>	<b>COST</b>	<b>GROSS AFE AMOUNT</b>
Pacific Enterprises Oil Company (USA)	83.3330%	\$604,166	\$725,000.00
George Gray	4.1667%	30,209	
Heirs of D. H. Ostrom	12.5000%	<u>90,625</u>	
		\$725,000	

**APPROVED** \_\_\_\_\_ **DISAPPROVED** \_\_\_\_\_

\_\_\_\_\_  
**COMPANY REPRESENTATIVE**

\_\_\_\_\_  
**COMPANY**

\_\_\_\_\_  
**DATE**



26/January/1990

PACIFIC ENTERPRISES OIL CO. (USA)  
DRILLING & COMPLETION DETAILED COST ESTIMATE

Prospect: Square LakeField Anderson (Morrow)Well Location 660° FNL & 1980° FNL Legal Description Sec 12, T-17-S, R-29-ECounty EddyState NMProposed Depth 11,200'Objective Formation Morrow

AFE No. \_\_\_\_\_

Terra H.I. \_\_\_\_

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	TOTAL
Survey - Stake Location	1	1,000	xxx	0	1,000
Permits & Hearings	2	800	83	0	800
Building Road, bridges, canals	3	3,000	84	0	3,000
Building Location & Pits	4	10,400	85	3,500	13,900
Insurance (for PEOC only)	5	3,400	86	0	3,400
Move in - Rig up - Rig down - Move out	6	0	87	0	0
Rat Hole	7	0	xxx	0	0
Footage Contract <u>11,200' @ \$17/ft</u>	8	190,400	xxx	0	190,400
Day work contract <u>4/3 days @ \$4,000/day</u>	9	16,000	88	10,000	26,000
Turnkey Agreement	10	0	90	0	0
Rig for Completion <u>\$1400/day x 8 days</u>	xxx	0	101	11,200	11,200
Drill Bits	12	0	102	500	500
Rental Equipment	13	9,000	103	3,000	12,000
Fishing Tools & Service	14	0	104	0	0
Company Labor	15	0	107	2,000	2,000
Auto & Travel	16	0	108	400	400
Contract Labor	17	16,000	113	7,000	23,000
Trucking, Hauling, Service Equipment	18	3,000	114	3,000	6,000
Power & Fuel	19	0	115	0	0
Water	20	12,000	116	2,500	14,500
Mud & Chemicals	21	20,000	117	2,000	22,000
Drill Pipe, Casing, Rod Inspection	22	2,500	125	3,600	6,100
Formation Testing (incl 2 DST)	23	12,000	xxx	0	12,000
Coring _____ ft of core @ \$ _____/ft	24	0	xxx	0	0
Mud Logging	25	9,100	xxx	0	9,100
Logs	26	22,000	126	4,000	26,000
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	3,000	3,000
Directional Services	29	0	152	0	0
Engineering, Geological, Geophysical	30	1,000	153	500	1,500
Cmtg, Conductor or Surf Csg (incl Float equip)	31	6,000	xxx	0	6,000
Cmtg, Interm or Prod Csg (incl Float equip)	32	14,000	154	18,000	32,000
Squeeze Jobs	33	0	155	0	0
Perf or Shooting	34	0	156	4,000	4,000
Frac	xxx	0	157	15,000	15,000
Swabbing	36	0	158	0	0
Plugging, if dry	37	8,000	159	0	8,000
Damage Claims	38	1,000	165	0	1,000
Cleaning Location	39	2,500	166	1,500	4,000
District Expense	40	7,800	172	1,200	9,000
Communications	41	200	177	200	400
Environmental & Safety Equipment	42	0	178	0	0
Misc Material & Service (Contingency)	43	7,900	179	1,900	9,800
-----	---	---	---	---	---
TOTAL INTANGIBLES		379,000		98,000	477,000

26/January/1990

PACIFIC ENTERPRISES OIL CO. (USA)  
DRILLING & COMPLETION DETAILED COST ESTIMATE

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION
<u>TOTAL</u>				
Surface Casing				
450' of 13-3/8" OD H-40 48#/ft., 8rd, ST&C @ 18.50/ft.	50	8,400	xxx	0 8,400
Intermediate Casing				
2000' of 8-5/8" OD, 24#/ft., 8rd ST&C @ \$9.00/ft.				
1500' of 8-5/8" OD, 32#/ft., 8rd ST&C @ \$12.50/ft.	51	36,800	xxx	0 36,800
Production Casing				
11,200' of 5-1/2" OD, 17#/ft, N-80 @ 8.25/ft.	xxx	0	52	92,400 92,400
Liner				
___ft of ___" OD, ___#/ft @ \$___/ft	xxx	0	53	0 0
Tubing				
10,900' of 2-3/8" OD, N-80, 4.7#/ft, 8rd, EVE @ \$3.15/ft	xxx	0	54	34,400 34,400
Xmas Tree & Tubing Head Components	55	3,500	182	12,000 15,500
Pumping Unit or Prime Mover	xxx	0	56	0 0
Production Platform - Mat. & Labor	xxx	0	58	0 0
Rods	xxx	0	59	0 0
Subsurface Pump	xxx	0	60	0 0
Tanks	xxx	0	61	15,000 15,000
Circulating Pump	xxx	0	63	0 0
Dehydrator	xxx	0	64	0 0
Heater Treater or Gunbarrel	xxx	0	65	8,000 8,000
Separator/FWK0	xxx	0	66	0 0
Flowline & Connection 500' ft of 2" OD FG Linepipe @ \$3/ft	xxx	0	68	1,500 1,500
Meter, Meter Run & Connections	xxx	0	70	5,000 5,000
Buildings	xxx	0	71	0 0
Packer	xxx	0	72	5,000 5,000
Miscellaneous Equipment (fittings, etc.)	73	3,300	185	5,700 9,000
<u>TOTAL TANGIBLES</u>		52,000		179,000 231,000
Installation of Tubing	xxx	0	54	0 0
Installation of Pumping Unit & Prime Mover	xxx	0	56	0 0
Installation of Tanks	xxx	0	61	5,000 5,000
Installation of Dehydrator	xxx	0	64	0 0
Installation of Heater Treater or Gun Barrel	xxx	0	65	5,000 5,000
Installation of Separator/FWK0	xxx	0	66	0 0
Installation of Flowline	xxx	0	68	5,000 5,000
Installation of Miscellaneous Equipment	73	0	185	2,000 2,000
<u>TOTAL INTANGIBLE INSTALLATION COSTS</u>		0		17,000 17,000
Est. 5280' gas sales line = \$48,000		379,000		98,000 477,000
		52,000		179,000 231,000
		0		17,000 17,000
<u>TOTAL WELL COST COMPLETED</u>		431,000		294,000 725,000

Prepared by:

*C. Robert Winkley Jr.*

Date

*1-26-80*

Approved by:

*(C.B. J.S.)*

Date

*1-27-90*

<b>SENDER:</b> Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested. 1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. 2. <input type="checkbox"/> Restricted Delivery (Extra charge)	
3. Article Addressed to: Heirs of Mr. D. H. Ostrom c/o Mr. A. H. Evans 3300 First City Tower 1001 Fannin Houston, TX 77002	4. Article Number P 546 960 156
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Registered <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Addressee's Address (ONLY if requested and fee paid) X Suite 3300 First City Tower 1001 Fannin Houston, TX 77002-6760 Date of Delivery: <u>Mar 11 1988</u>	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

**CERTIFIED**

P 546 960 155

**MAIL**

Thank you for using  
Return Receipt Service.

PM  
1990  
TY 7

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

3. Article Addressed to: Mr. George Gray 513 South Pacific, Apt. 7 Glendale, CA 91204		6. Signature — Address	X
7. Date of Delivery		6. Signature — Agent	X
8. Addressee's Address (ONLINE) Always obtain signature of addressee or agent and DATE DELIVERED.		8. Addressee's Address (ONLINE) requested and fee paid	
4. Article Number P 546 960 155		Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt <input type="checkbox"/> Express Mail for Merchandise	

Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent the card from being returned to you. The return receipt will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes (for additional services) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Is your RETURN ADDRESS  
completed on the reverse side?

PACIFIC ENTERPRISES OIL COMPANY (USA)

200 North Lorraine, Suite 400  
P.O. Box 3083  
Midland, TX 79702-3083

Mr. George Gray  
513 South Pacific  
Apartment 7  
Glendale, CA 91204

**NOT DELIVERABLE  
AS ADDRESSED —  
UNABLE TO FORWARD —  
DO NOT REMAIN IN THIS ENVELOPE**

RETURN  
TO  
POSTAL  
SERVICE  
MIDLAND  
TX 79701

MIDLAND  
JUN 1  
PM  
1990  
TX 7

MIDLAND  
JUN 1  
PM  
1990

MIDLAND  
JUN 1  
PM  
1990  
TY 7

**PACIFIC ENTERPRISES OIL COMPANY (USA)**

**CERTIFIED MAIL**

February 8, 1990

SOUTHWEST REGION  
200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)

Mr. A. H. Evans  
3300 First City Tower  
1001 Fannin  
Houston, Texas 77002

**BEFORE EXAMINER STOGNER**

Oil Conservation Division

PEOC Exhibit No. 7

Case No. \_\_\_\_\_

RE: Square Lake Prospect #6139  
Eddy County, New Mexico

-----  
USA NM-7752  
N/2 NE/4 Section 12,  
T-17-S, R-29-E, Below 5000'

Dear Mr. Evans:

Reference is made to our telephone conversation of February 6, 1990 concerning the interest of the Heirs of D. H. Ostrom in the above referenced leasehold and lands. As we discussed, Pacific Enterprises Oil Company (USA) has acquired an interest in the subject lease and is ready to drill a well.

Therefore, Pacific Enterprises Oil Company (USA) proposes the drilling of an 11,200 foot Morrow test to be located approximately 1980' FNL and 1980' FEL of Section 12, T-17-S, R-29-E, Eddy County, New Mexico. The drilling and spacing unit for said well will be the E/2 of said Section 12. The drilling and testing costs for the well are estimated to be \$431,000.00 with total completed costs being \$725,000.00.

If you elect to participate in the drilling of the proposed well, please so indicate by signing both of the enclosed Authority For Expenditures and return one (1) original to the attention of the undersigned. Upon receipt of your executed AFE, an Operating Agreement governing operations of the well will be submitted for your review.

In the event you do not wish to participate in the drilling of said well, Pacific requests you sell your interest for the terms stated in my letter of November 27, 1989. Should you wish to sell, please advise and I will furnish you with an Assignment for execution by the Heirs of Mr. Ostrom.

A. H. Evans  
February 8, 1990  
Page 2

Pacific is interested in spudding this well as soon as possible and therefore will be filing an Application for a Compulsory Pooling Hearing in the near future.

Should you have any questions or problems, please do not hesitate to contact me.

Very truly yours,

**PACIFIC ENTERPRISES  
OIL COMPANY (USA)**

A handwritten signature in dark ink, appearing to read 'M. Craig Clark', is written over the typed name.

M. Craig Clark  
Landman

MCC/dsr

Enclosure

**PACIFIC ENTERPRISES OIL COMPANY (USA)****ORIGINAL****AUTHORITY FOR EXPENDITURE**

SOUTHWEST REGION  
200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)

**DIVISION:** Permian Basin Exploration Team**DATE:** 1-26-90**DEPARTMENT:** Exploration and Development

Midland, Texas

**WELL NAME:** PEOC Federal Comm #12-1**LOCATION:** 1980' FNL and 1980' FEL of Section 12, T-20-S, R-29-E  
Eddy County, New Mexico

Drill and Test Cost  
Completion

\$431,000.00  
294,000.00

**TOTAL**

\$725,000.00

**JUSTIFICATION:**

Proposed 11,200' well to test the Morrow Formation.  
See attached detailed Drilling and Completion Cost Estimate.

<b>PARTICIPANTS</b>	<b>WORKING INTEREST</b>	<b>COST</b>	<b>GROSS AFE AMOUNT</b>	<b>\$725,000.00</b>
Pacific Enterprises Oil Company (USA), etal	87.5%	\$634,375	<b>APPROVED</b> _____	<b>DISAPPROVED</b> _____
Heirs of D. H. Ostrom	12.5%	90,625	<b>COMPANY REPRESENTATIVE</b>	
<b>TOTAL</b>		<u>\$725,000</u>	<u>HEIRS OF D. H. OSTROM</u> <b>COMPANY</b>	

**DATE**

26/January/1990

PACIFIC ENTERPRISES OIL CO. (USA)  
DRILLING & COMPLETION DETAILED COST ESTIMATE

Prospect: Square LakeField Anderson (Morrow)Well Location 1980' FSL & 1980' FEL Legal Description Sec 12, T-17-S, R-29-ECounty EddyState NMProposed Depth 11,200'Objective Formation Morrow

AFE No. \_\_\_\_\_

Terra H.I. \_\_\_\_\_

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	TOTAL
Survey - Stake Location	1	1,000	xxx	0	1,000
Permits & Hearings	2	800	83	0	800
Building Road, bridges, canals	3	3,000	84	0	3,000
Building Location & Pits	4	10,400	85	3,500	13,900
Insurance (for PEOC only)	5	3,400	86	0	3,400
Move in - Rig up - Rig down - Move out	6	0	87	0	0
Rat Hole	7	0	xxx	0	0
Footage Contract <u>11,200' @ \$17/ft</u>	8	190,400	xxx	0	190,400
Day work contract <u>4/3 days @ \$4,000/day</u>	9	16,000	88	10,000	26,000
Turnkey Agreement	10	0	90	0	0
Rig for Completion <u>\$1400/day x 8 days</u>	xxx	0	101	11,200	11,200
Drill Bits	12	0	102	500	500
Rental Equipment	13	9,000	103	3,000	12,000
Fishing Tools & Service	14	0	104	0	0
Company Labor	15	0	107	2,000	2,000
Auto & Travel	16	0	108	400	400
Contract Labor	17	16,000	113	7,000	23,000
Trucking, Hauling, Service Equipment	18	3,000	114	3,000	6,000
Power & Fuel	19	0	115	0	0
Water	20	12,000	116	2,500	14,500
Mud & Chemicals	21	20,000	117	2,000	22,000
Drill Pipe, Casing, Rod Inspection	22	2,500	125	3,600	6,100
Formation Testing (incl 2 DST)	23	12,000	xxx	0	12,000
Coring _____ ft of core @ \$_____/ft	24	0	xxx	0	0
Mud Logging	25	9,100	xxx	0	9,100
Logs	26	22,000	126	4,000	26,000
Temperature Survey	27	0	148	0	0
Bottom Hole Pressure Test	28	0	149	3,000	3,000
Directional Services	29	0	152	0	0
Engineering, Geological, Geophysical	30	1,000	153	500	1,500
Cmtg, Conductor or Surf Csg (incl Float equip)	31	6,000	xxx	0	6,000
Cmtg, Interm or Prod Csg (incl Float equip)	32	14,000	154	18,000	32,000
Squeeze Jobs	33	0	155	0	0
Perf or Shooting	34	0	156	4,000	4,000
Frac	xxx	0	157	15,000	15,000
Swabbing	36	0	158	0	0
Plugging, if dry	37	8,000	159	0	8,000
Damage Claims	38	1,000	165	0	1,000
Cleaning Location	39	2,500	166	1,500	4,000
District Expense	40	7,800	172	1,200	9,000
Communications	41	200	177	200	400
Environmental & Safety Equipment	42	0	178	0	0
Misc Material & Service (Contingency)	43	7,900	179	1,900	9,800
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TOTAL INTANGIBLES		379,000		98,000	477,000



26/January/1990

PACIFIC ENTERPRISES OIL CO. (USA)  
DRILLING & COMPLETION DETAILED COST ESTIMATE

CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION
<u>TOTAL</u>				
Surface Casing				
450' of 13-3/8" OD H-40 48#/ft., 8rd, ST&C @ 18.50/ft.	50	8,400	xxx	0 8,400
Intermediate Casing				
2000' of 8-5/8" OD, 24#/ft., 8rd ST&C @ \$9.00/ft.				
1500' of 8-5/8" OD, 32#/ft., 8rd ST&C @ \$12.50/ft.	51	36,800	xxx	0 36,800
Production Casing				
11,200' of 5-1/2" OD, 17#/ft, N-80 @ 8.25/ft.	xxx	0	52	92,400 92,400
Liner				
___ft of ___" OD, ___#/ft @ \$___/ft	xxx	0	53	0 0
Tubing				
10,900' of 2-3/8" OD, N-80, 4.7#/ft, 8rd, EUE @ \$3.15/ft	xxx	0	54	34,400 34,400
Xmas Tree & Tubing Head Components	55	3,500	182	12,000 15,500
Pumping Unit or Prime Mover	xxx	0	56	0 0
Production Platform - Mat. & Labor	xxx	0	58	0 0
Rods	xxx	0	59	0 0
Subsurface Pump	xxx	0	60	0 0
Tanks	xxx	0	61	15,000 15,000
Circulating Pump	xxx	0	63	0 0
Dehydrator	xxx	0	64	0 0
Heater Treater or Gunbarrel	xxx	0	65	8,000 8,000
Separator/FWKO	xxx	0	66	0 0
Flowline & Connection 500' ft of 2" OD FG Linepipe @ \$3/ft	xxx	0	68	1,500 1,500
Meter, Meter Run & Connections	xxx	0	70	5,000 5,000
Buildings	xxx	0	71	0 0
Packer	xxx	0	72	5,000 5,000
Miscellaneous Equipment (fittings, etc.)	73	3,300	185	5,700 9,000
-----	---		---	
<u>TOTAL TANGIBLES</u>		52,000		179,000 231,000
Installation of Tubing	xxx	0	54	0 0
Installation of Pumping Unit & Prime Mover	xxx	0	56	0 0
Installation of Tanks	xxx	0	61	5,000 5,000
Installation of Dehydrator	xxx	0	64	0 0
Installation of Heater Treater or Gun Barrel	xxx	0	65	5,000 5,000
Installation of Separator/FWKO	xxx	0	66	0 0
Installation of Flowline	xxx	0	68	5,000 5,000
Installation of Miscellaneous Equipment	73	0	185	2,000 2,000
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<u>TOTAL INTANGIBLE INSTALLATION COSTS</u>		0		17,000 17,000
Est. 5280' gas sales line = \$48,000		379,000		98,000 477,000
		52,000		179,000 231,000
		0		17,000 17,000
 TOTAL WELL COST COMPLETED		431,000		294,000 725,000

Prepared by:

*C. Robert Murphy Jr.*

Date

*1-26-80*

Approved by:

*(C.B. Jones)*

Date

*1-27-90*

**PACIFIC ENTERPRISES OIL COMPANY (USA)**

February 13, 1990

SOUTHWEST REGION  
200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)

Mr. A. H. Evans  
3300 First City Tower  
1001 Fannin  
Houston, Texas 77002

BEFORE EXAMINER STOONER

Oil Conservation Division

PEOC Exhibit No. B

Cases No. \_\_\_\_\_

RE: Square Lake Prospect #6139  
Eddy County, New Mexico

-----  
PEOC Federal Comm #12-1 Well  
E/2 Section 12, T-17-S, R-29-E

Dear Mr. Evans:

Reference is made to my letter of February 8, 1990 concerning the drilling of the captioned well.

Should the Heirs of Mr. Ostrom not wish to participate nor sell their interest in the subject lease, Pacific requests a farmout of their acreage in the proposed drilling unit delivering a 75% net revenue interest before payout with the option to convert their overriding royalty interest to a 25% working interest after payout.

If the Heirs of Mr. Ostrom elect to farmout their interest, a formal Farmout Agreement will be submitted for your review. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

**PACIFIC ENTERPRISES  
OIL COMPANY (USA)**



M. Craig Clark  
Landman

MCC/dsr

R. L. CAZZELL  
MASTON C. COURTNEY  
DON L. PATTERSON  
DONALD E. JACKSON  
W. F. COUNTISS  
D. PATRICK JONES  
W. H. BRIAN, JR.  
RUSSELL J. BAILEY  
CHARLES R. WATSON, JR.  
JOE W. HAYES  
JODY G. SHEETS  
MARK D. WHITE  
THOMAS E. HOOD  
COLEMAN YOUNG  
WYATT L. BROOKS  
DAVID M. RUSSELL  
KIRTE MOELLING  
R. PAUL O'BRIEN  
D. CLAY HOLCOMB

# CULTON, MORGAN, BRITAIN & WHITE

A PROFESSIONAL CORPORATION

## LAWYERS

1800 TEAM BANK BUILDING  
DALLAS, TEXAS

TELEPHONE (800) 374-6071

TELECOPIER (800) 374-6073

D. H. CULTON (1980-1981)  
B. L. MORGAN, JR. (1984-1985)  
B. M. BRITAIN (1980-1981)

OF COUNSEL

L. A. WHITE  
RAY W. RICHARDS

MAILING ADDRESS:  
P.O. Box 169  
79405-0169

BEFORE EXAMINER STOENER

Oil Conservation Division

740C Exhibit No. 9 800 374-1671

February 23, 1990

\*ADMITTED IN TEXAS AND OKLAHOMA

Mr. Craig Clark  
Pacific Enterprises Oil Company (USA)  
200 North Loraine, #400  
P.O. Box 3063  
Midland, Texas 79702-3083

VIA TELECOPIER

(915-684-6426)

Re: Square Lake Prospect #6139, Eddy County,  
New Mexico

Dear Craig:

As we discussed in our telephone conversation of today, I represent A.H. Evans, as well as Lavon Ostrom Caviness, Elnita Ostrom Stanley, Gwendolyn L. Ostrom and Carolyn Ostrom Evans. In order for my clients to accurately assess the farmout proposal, contained in your letter of February 13, 1990, I would appreciate your providing me with the following documents:

1. A copy of the base lease.
2. Copies of all title opinions covering the base lease premises, and the unit of which they are a part.
3. All prospect documents, including maps and economic projections.
4. The proposed farmout agreement.
5. The proposed operating agreement.

As we discussed, I think we can give you a fairly quick answer to your farmout proposal, after reviewing the requested documents. In any event, should you have any questions in connection with this matter, please advise.

Very truly yours,

Joe W. Hayes

JWH:ce

cc: Mr. A. H. Evans -- Via Telecopier (713-651-2346)

# PACIFIC ENTERPRISES OIL COMPANY (USA)

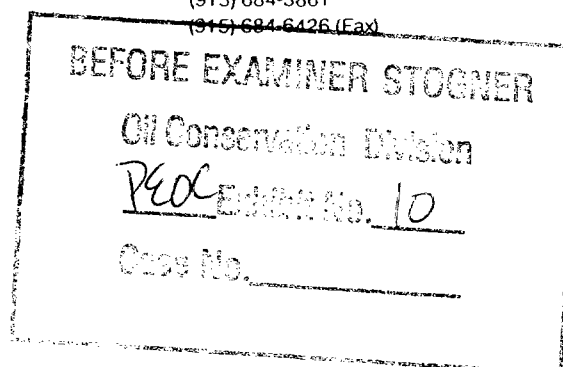
October 22, 1990

SOUTHWEST REGION

200 N. Loraine, #400  
P.O. Box 3083  
Midland TX 79702-3083  
(915) 684-3861  
(915) 684-6426 (Fax)

Heirs of D. H. Ostrom and  
Pearl Ostrom  
Team Bank Building  
Suite 1313  
Amarillo, Texas 79101-2337

Attention: Mr. Joe Hayes



RE: Square Lake Prospect

-----  
Farmout Request  
Section 12, T-17-S, R-29-E  
Eddy County, New Mexico

Gentlemen:

Please be advised that our files indicate that the Heirs of D. H. Ostrom and Pearl Ostrom currently own a leasehold interest in and to those lands located within the red outline identified on Exhibit "A" attached hereto. Pacific Enterprises Oil Company (USA) is interested in drilling a well in the referenced area and hereby requests a farmout of your leasehold interest covering said lands identified on said Exhibit "A" on the following general terms:

1. Within 120 days of the final execution of a formal contract, Pacific would commence or cause to be commenced the drilling of an initial test well at a legal location in the N/2 of Section 12, T-17-South, R-29-East, Eddy County, New Mexico. Said initial test well would be drilled to a depth of approximately 11,200' or to a depth sufficient to test the Morrow Formation, whichever is the lesser depth.
2. Upon establishing production in commercial quantities, Pacific would earn an assignment of all your right, title and interest in and to that portion of the lands identified on said Exhibit "A" that are included within the proration unit applicable to such initial test well. Said assignment would be limited in depth from the surface, or the shallowest depth applicable to your interest down to 100 feet below the total depth drilled and would reserve an overriding royalty interest to you in an amount equal to the difference between all existing leasehold burdens and 25%.

Heirs of D. H. Ostrom and  
Pearl Ostrom  
October 22, 1990  
Page 2

3. At payout, on a well by well basis, you would have the option to convert the aforesaid overriding royalty interest into a 25% working interest.
4. Upon drilling and completing the initial test well either as a dry hole or a well capable of producing in commercial quantities, Pacific would have the right to drill additional well on the lands subject to the Farmout Agreement not previously earned, by not allowing more than 180 days to lapse between the completion of one (1) well and the commencement of operations for drilling on the next succeeding well. The earning of an assignment for the drilling of any subsequent well shall be on the same basis as the initial test well.
5. The aforesaid overriding royalty interest and converted working interest would be subject to proportionate reduction.

We appreciate the opportunity to submit this proposal to you and hope that you will consider same on a favorable basis. If said proposal described herein is acceptable, please so indicate by signing below in the space indicated and return one (1) fully executed duplicate original of this letter to the undersigned. Should you have any questions or problems concerning this matter, please do not hesitate in contacting me.

Very truly yours,

PACIFIC ENTERPRISES  
OIL COMPANY (USA)

  
M. Craig Clark  
Landman

MCC/dsr

ACCEPTED AND AGREED TO  
this \_\_\_\_ day of \_\_\_\_\_, 1990

HEIRS OF D. H. OSTROM AND PEARL OSTROM

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

