December 3, 1990

SOUTHWEST REGION 200 N. Loraine, #400 190 DEC 11 AN 9 42 P.O. Box 3083 Midland TX 79702-3083 (915) 684-3861 (915) 684-6426 (Fax)

Mr. Joe Hayes Robert L. Templeton and Associates, P.C.

Post Office Box 12075 Amarillo, Texas 79101-2337

RE:

Square Lake Prospect #6139

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

Eddy County, New Mexico

Dear Mr. Hayes:

Enclosed please find a copy of the State of New Mexico Oil Conservation Division Order Number R-9352 pooling all the mineral interests from 5000 feet below (the surface to the top Mississippian Chester Limestone formation.

Although you have previously indicated that the heirs of D. H. Ostrom would be willing to farmout their interest to Pacific Enterprises Oil Company (USA), we have not yet received an executed Agreement. Therefore, pursuant to paragraph three (3) on page four (4) of said Order, enclosed is an authority for expenditure for the drilling and completing of the above referenced well.

Pacific requests that within thirty (30) days you either execute the Farmout Agreement previously sent to you and return to us at which time we will dismiss you from the Pooling Order forward your 12.5% share of the estimated costs to drill and complete said well, said amount being \$90,625.00. In the event we have no response from you within thirty (30) days, Pacific will have no choice but to assume that you have gone non-consent under the terms of the subject Pooling Order.

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

MCC/dsr

cc: Mr. William J. LeMay State of New Mexico Oil Conservation Division P.O. Box 2088 Santa Fe. NM 87504

Exhibits 1 through 15

		R - 29	- Е			R - 30	- E	
T 16	34		35		36		31	•
S								
•	3		2	HBP 100%W.I.	FRANK ELLIOTT etal. HBP 100% W.I. AMOCO HBP 100% W.I. J.M. HUBER HBP		6	
T 17	10	MARBOB, etal. 100% W.I.	14/11/11/11		0% 12 50% DAMSON MBP 100%W.I.	DAMSON OIL, etal. 100% PHILLIPS 100%	7	
S	15	ORYX, etal. 100%	14	PHILLIPS, etal. 100%	13	PHILLIPS, etal. 100%	18	
•	22	PHILLIPS, etal. 100%	23	PHILLIPS, etal. 100%	24	PHILLIPS, etal. 100%	19	

//////	PROPOSED PROPATION UNIT	7000
BEFO	E EXAMINER STOGNER	MARKET - 180 2.1 128
Oi	Conservation Division	-
140	Exhibit No.	
C	se No	Court Court of the Court



DATE	BY
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PACIFIC ENTERPRISES OIL CO. (USA) MIDLAND, TEXAS
SQUARE LAKE PROSPECT EDDY COUNTY, NEW MEXICO
LAND PLAT

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

SEPORE EXAMINER STOSNER

GII Conservation Division

PECC Exhibit No. 2

Case No.

WORKING INTEREST OWNERSHIP

BELOW 5,000'

	<u>N/2NW/4, SE/4NE/4</u>	LEASEHOLD OWNERSHIP	UNIT OWNERSHIP	ELECTION
	Dorchester Exploration, Inc.	100.00%	37.5%	Farmout / dated 7-1-90
	SW/4NE/4	LEASEHOLD OWNERSHIP	UNIT <u>OWNERSHIP</u>	ELECTION
1	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
	<u>N/2NE/4</u>	LEASEHOLD OWNERSHIP	UNIT OWNERSHIP	ELECTION
/	Heirs of D. H. Ostrom and Pearl Ostrom Pacific Enterprises Oil Company (USA)	50.00% 33.33%	12.500% 8.333%	No Election Participating
\ 	George Gray (Title Dispute)	16.67%	4.167%	Cannot Locate
	S/2NW/4			
		LEASEHOLD OWNERSHIP	UNIT OWNERSHIP	ELECTION
	Pacific Enterprises Oil Company (USA)	100.00%	25.000%	Participating $\sqrt{}$
			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

> > 79702

Re: Square Lake Prospect
Eddy County, New Mexico

Dear Mr. Clark:

Midland TX

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 STUBNER
Oil Conservation Division
PEOC Exhibit 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

<u>T-17-S, R-29-E</u> 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

Oil Conservation | Proc Exhibit No. 4 | 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

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 Heserpus, 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 STOGNER
Oil Conservation Division
PLOC Exhibit No. 5

Case No.

CERTIFIED MAIL

May 31, 1990

тб:

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

RE: 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.

。
BEFORE EXAMINER STORING
Oil Conservation Division
Procedurates 6
Case No

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

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
 \$431,000.00

 Completion
 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.

ARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT \$725,000.00
acific Enterprises			APPROVED DISAPPROVED
Oil Company (USA)	83.3330%	\$604,166	
eorge Gray	4.1667%	30,209	
eirs of D. H. Ostro	m 12.5000%	90,625	COMPANY REPRESENTATIVE
	e en	\$725,000	
			COMPANY
			DATE

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

Prospect: Square Lake Field Anderson (Morrow)

Hell Location 660 FNL & 1980 FML Legal Description Sec 12, T-17-S, R-29-E

County Eddy State MM Proposed Depth 11,200'

Objective Formation Morrow	AFE No.		Term	ra W.I	
CATEGORY	ю.	DRILL & TEST	NO.	COMPLETION	TOTAL
Survey - Stake Location	1	1,000		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	O	0
Rat Hole	7	0	жж	0	0
Footage Contract 11,200' a \$17/ft	8	190,400	юж	o	190,400
Day work contract 4/3 days a \$4,000/day	9	16,000	88	10,000	26,000
Turnkey Agreement	10	0	90	O	0
Rig for Completion \$1400/day x 8 days	жж	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	o
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	o
Hater	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	ххх	0	12,000
Coringft of core a \$/ft	24	0	ххх	0	0
Mud Logging	25	9,100	ххх	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	ххх	0	6,000
Cmtg, Interm or Prod Csg (incl Float equip)	32	14,000	154	18,000	32,000
Squeeze Johs	33	0	155	0	0
Perf or Shooting	34	0	156	4,000	4,000
Frac	×××	0	157	15,000	15,000
Swabbing	36	0	158	0	o
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

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

COTAL Surface Casing 150' of 13-3/8" 00 H-40 48#/ft., 8rd, ST&C @ 18.50/ft. Intermediate Casing 1000' of 8-5/8" 00, 24#/ft., 8rd ST&C @ \$9.00/ft. 1500' of 8-5/8" 00, 32#/ft., 8rd ST&C @ \$12.50/ft. 1000uction Casing 1,200' of 5-1/2" 00, 17#/ft, N-80 @ 8.25/ft.	50 51	8,400	xxx	0	8,400
850' of 13-3/8" 00 H-40 48#/ft., 8rd, ST&C @ 18.50/ft. Entermediate Casing 2000' of 8-5/8" 00, 24#/ft., 8rd ST&C @ \$9.00/ft. 500' of 8-5/8" 00, 32#/ft., 8rd ST&C @ \$12.50/ft. Production Casing 1,200' of 5-1/2" 00, 17#/ft, N-80 @ 8.25/ft.	51				8,400
8rd, ST&C @ 18.50/ft. intermediate Casing 1000' of 8-5/8" OD, 24#/ft., 8rd ST&C @ \$9.00/ft. 500' of 8-5/8" OD, 32#/ft., 8rd ST&C @ \$12.50/ft. 1000uction Casing 1,200' of 5-1/2" OD, 17#/ft, N-80 @ 8.25/ft.	51				8,400
Intermediate Casing 1000' of 8-5/8" 0D, 24#/ft., 8rd ST&C @ \$9.00/ft. 500' of 8-5/8" 0D, 32#/ft., 8rd ST&C @ \$12.50/ft. Production Casing 1,200' of 5-1/2" 0D, 17#/ft, N-80 @ 8.25/ft.	51				8,400
2000' of 8-5/8" 00, 24#/ft., 8rd ST&C @ \$9.00/ft. 500' of 8-5/8" 00, 32#/ft., 8rd ST&C @ \$12.50/ft. Production Casing 1,200' of 5-1/2" 00, 17#/ft, N-80 @ 8.25/ft.		36,800	хох	•	
ST&C @ \$9.00/ft. 500' of 8-5/8" 0D, 32#/ft., 8rd ST&C @ \$12.50/ft. Production Casing 1,200' of 5-1/2" 0D, 17#/ft, N-80 @ 8.25/ft.		36,800	жж		
500' of 8-5/8" OD, 32#/ft., 8rd ST&C @ \$12.50/ft. Production Casing 1,200' of 5-1/2" OD, 17#/ft, N-80 @ 8.25/ft.		36,800	юж	_	
ST&C @ \$12.50/ft. Production Casing 1,200' of 5-1/2" 00, 17#/ft, N-80 @ 8.25/ft.		36,800	xxx	•	
roduction Casing 1,200' of 5-1/2" 00, 17#/ft, N-80 @ 8.25/ft.		36,800	ж	^	
1,200' of 5-1/2" 00, 17#/ft, N-80 @ 8.25/ft.	100 0			0	36,800
	ж				
	300 0				
•		0	52	92,400	92,400
iner					
ft of " 00, #/ft a \$ /ft	юж	0	53	0	(
ubing					
0,900' of 2-3/8" OD, N-80, 4.7#/ft,					
8rd, EUE @ \$3.15/ft	ж	0	54	34,400	34,400
mas Tree & Tubing Head Components	55	3,500	182	12,000	15,500
•		0	56	0	15,500
umping Unit or Prime Mover	XXX		58	0	(
roduction Platform - Mat. & Labor	3000	0		0	
ods	XXX	0	59	_	
ubsurface Pump	жж	0	60	0	
anks	жж	0	61	15,000	15,000
irculating Pump	xxx	0	63	0	0
ehydra tor	жж	0	64	0	0
eater Treater or Gunbarrel	жж	0	65	8,000	8,000
eparator/FWK0	жж	0	66	0	O
lowline & Connection 500' ft of 2" OD FG					
Linepipe @ \$3/ft	XXX	0	68	1,500	1,500
ater, Meter Run & Connections	жж	0	70	5,000	5,000
uildings	xxx	0	71	0	0
acker	ххх	0	72	5,000	5,000
iscellaneous Equipment (fittings, etc.)	73	3,300	185	5,700	9,000
DTAL TANGIBLES		52,000		179,000	231,000
nstallation of Tubing	жж	0	54	0	0
nstallation of Pumping Unit & Prime Mover	ххх	0	56	0	0
nstallation of Tanks	xxx	0	61	5,000	5,000
stallation of Dehydrator	жж	0	64	0	0
stallation of Heater Treater or Gun Barrel	xxx	0	65	5,000	5,000
stallaion of Separator/FMKO	ххх	0	66	0	0
estallation of Flowline	xxx	0	68	5,000	5,000
stallation of Miscellaneous Equipment	73	0	185	2,000	2,000
istaliation of miscellaneous Equipment		3	105	2,000	2,000
· ·		0		17 000	17 000
TAL INTANGIBLE INSTALLATION COSTS		0		17,000	17,000
t. 5280' gas sales line = \$48,000		379,000		98,000	477,000
		52,000		179,000	231,000
		0		17,000	17,000
TAL HELL COST COMPLETED		431,000		294,000	725,000

Date 1-27-90

DOMESTIC RETURN RECEIPT Sand 4.5

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

1. C Show to whom delivered, date, and addressee's address.

2. Restricted Delivery

(Extra charge) Complete Items 1 and 2 when additional services are desired, and complete Items Insured
COD
Return Receipt
for Merchandise Always obtain signature of addresses 8.4Addressee's Address (ONLY if requested and fee paid) JES 0 5 1990 or agent and DATE DELIVERED P 546 960 156 4. Article Number Type of Service: Express Mail XXXX Authed # U.S.G.P.O. 1988-212-865 Suite 3300 First City Tower 77002-6760 of Mr. D. H. Ostrom irst City Tower . A. H. Evans 77002 STABBIOLIN ADDINGER INS 11, Mar. 1988 e Fetsent n 3. Article Addressed to: Heirs of Mr. D n, TX annin ton, Houst Č M **Mous** 8

PACIFIC ENTERPRISES OIL COMPANY (USA) 200 North Loraine, Suite 400 P.O. Box 3083 Midland, TX 79702-3083 Mr. George 513 South P Apartment 7 Glendala, C ияитая эптаамод 8861 .mM .T L SE mno4 84 is your <u>RETURN ADDRESS</u> completed on the reverse side? 546 960 155 Thank you for using Return Receipt Service gent and DATE DELIVERED. be doo De door Mr. George Gray 513 South Pacific Glendale, CA 91 991 096 9199

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

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

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.

Oil Conservation Division
PEOC_Exhibit No._7_

Case No.____

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)

M. Craig Glark

Landman

MCC/dsr

Enclosure

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.

PARTICIPANTS	WORKING INTEREST	COST	GROSS AFE AMOUNT	\$725,000.00
Pacific Enterprise Dil Company (USA),		\$634,375	APPROVED DISAP	PROVED
Heirs of D. H. Ost	rom 12.5%	90,625	COMPANY REPRESENTA	TIVE
	TOTAL	\$725,000	HEIRS OF D. H.	OSTROM.
			DATE	

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

Prospect: Square Lake

Field Anderson (Morrow)

Hell Location 1980' FSL & 1980' FEL Legal Description Sec 12, T-17-S, R-29-E

County Eddy State M1 Proposed Depth 11,200'

Objective Formation Morrow	AFE No.		Ter	ra W.I	
CATEGORY	NO.	DRILL & TEST	NO.	COMPLETION	TOTAL
Survey - Stake Location	i	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	O	0
Rat Hole	7	0	ююс	0	o
Footage Contract 11,200 9 \$17/ft	8	190,400	2000	O	190,400
Day work contract 4/3 days a \$4,000/day	9	16,000	88	10,000	26,000
Turnkey Agreement	10	0	90	0	0
Rig for Completion \$1400/day x 8 days	ххх	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	o	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
Mater	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	ххх	0	12,000
Coringft of core a \$/ft	24	0	xxx	0	0
Mud Logging	25	9,100	ххх	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 Jolis	33	0	155	0	0
Perf or Shooting	34	0	156	4,000	4,000
Frac	×××	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

DRILLING & COMPLETION DETAILED COST ESTIMATE

CATEGORY	NC	. ORILL & TES	T NO.	COMPLETION	
TOTAL					
Surface Casing					
450' of 13-3/8" 00 H-40 48#/ft.,					
8rd, ST&C @ 18.50/ft.	50	8,400	ж	0	8,400
Intermediate Casing					
2000' of 8-5/8" 00, 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	жж	0	36,800
Production Casing					
11,200' of 5-1/2" 00, 17#/ft, N-80 2 8.25/ft.					
	3000	0	52	92,400	92,400
Liner					
ft of _ " 00, _ #/ft a \$ _ /ft	ж	0	53	0	0
Tubing					
10,900° of 2-3/8" OD, N-80, 4.7#/ft,					
8rd, EUE @ \$3.15/ft	жж	0	54	34,400	34,400
Xmas Tree & Tubing Head Components	55	3,500	182	12,000	15,500
Pumping Unit or Prime Mover	>	0	56	0	o
Production Platform - Mat. & Labor	XXX	0	58	0	0
Rods	XXX	0	59	0	0
Subsurface Pump	ж	0	60	0	o
Tanks	ж	0	61	15,000	15,000
Circulating Pump	жж	0	63	0	0
Dehydrator	жж	0	64	0	0
Heater Treater or Gumbarrel	жж	0	65	8,000	8,000
Separator/FWK0	xxx	0	66	0	0
Flowline & Connection 500' ft of 2" OD FG	***	v	•00	v	ŭ
Linepipe a \$3/ft	100/	0	68	1,500	1,500
Meter, Meter Run & Connections)OOK	0	70	5,000	5,000
Buildings	XXX	0	70 71	0	0
Packer	XXX	0	72	5,000	5,000
Miscellaneous Equipment (fittings, etc.)	ххх 73	3,300	185		9,000
miscerial eous Equipment (fittings, atc.)	- 73	3,300	105	5,700	7,000
TOTAL_TANGIBLES		F2 000		170.000	271 000
Installation of Tubing	1004	52,000 0	54	179,000 0	231,000
Installation of Pumping Unit & Prime Mover	XXX	0			0
Installation of Tanks	XXX	0	56 61	0 5,000	5,000
Installation of Dehydrator	xxx				0
Installation of Heater Treater or Gun Barrel	жж	0 0	64	0	
Installation of Separator/FMKO	XXX		65	5,000	5,000
Installation of Flowline	XXX	0	66	0	0
	XXX	0	68	5,000	5,000
Installation of Miscellaneous Equipment	73	0	185	2,000	2,000
TOTAL INTANGIBLE INSTALLATION COSTS		0		17 000	17,000
est. 5280' gas sales line = \$48,000				17,000	
.st. 2000 gas saids tine - \$40,000		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 Murkly Ty		1-26-80			

Date 1-26-80

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

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.

BEFORE EXAMINATE STAY YOUR

ON Conservation Division

Poû Examination Division

Case No.______

MCC/dsr

Very truly yours,

PACIFIC ENTERPRISES OIL COMPANY (USA)

M. Craig Clark

CULTON, MORGAN, BRITAIN & WHITE MASTON C. COURTNEY DON L. PATTERSONE A PROFESSIONAL CORPORATION W. F. COUNTISS 1600 TEAM BANK BUILDING D. PATRICK LONG W. H. BRIAN, UR RUSSELL J. BAILEY CHARLES R. WATSON, UR aconstion Division amarilio, texas TELEPHONE (806) 3744671 REYAH WEDL JODY G. SHEETS MARK D. WHITE 376-1671 THOMAS E. HODD COLEMAN YOUNG WYATT L BROOKS DAVID M. RUBSELL KIRT E. MOELLING R. PAUL O'BRIANT February 23, 1990 D. CLAY HOLCOMS

D. H. CULTON (1688-1978)
B. L. MORGAN, JR. (1884-1978)
B. M. BRITAIN (1891-1880)

OF COUNSEL

L.A. WHITE RAY W. RICHARDS

MAILING ADDRESS: RO, BOX 169 79106-0159

AMOHAJNO DAA EAKST NI OSTTIHDA"

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

(915-684-6426)

VIA TELECOPIER

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,

W. Hayes

JWH:ce

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

October 22, 1990

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

Attention: Mr. Joe Hayes

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

Oli Conservation Division

On Capation in a 10

Case No._

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 this day of	- -
HEIRS OF D. H. OSTR	ROM AND PEARL OSTROM
By:	
Name:	

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