

|                                                                                                                                     |       |          |                                                            |                                 |
|-------------------------------------------------------------------------------------------------------------------------------------|-------|----------|------------------------------------------------------------|---------------------------------|
| Co.                                                                                                                                 | Dept. | Play No. | AFE No.                                                    | AFE Title or Location Name (25) |
|                                                                                                                                     |       |          |                                                            | B. E. SHIPP ESTATE NO. 1        |
| COMPANY<br>PEPCO                                                                                                                    |       |          | DIVISION<br>Western 20                                     | DISTRICT<br>Midland             |
| WELL NAME AND NO.<br>B. E. Shipp Estate No. 1 8727                                                                                  |       |          | FIELD OR AREA                                              | UNDEVELOPED LEASE NO.           |
| OPERATOR<br>PEPCO                                                                                                                   |       |          | COUNTY OR PARISH<br>Lea                                    | STATE<br>New Mexico             |
| PROJECT DESCRIPTION<br>Drill, complete and equip an 11,500' strawn development well in the SW/4 of NE/4 of Section 4, T-17S, R-37E. |       |          | LEASE NAME AND NO.<br>Shriners' Hospital 63819-00-02-07-08 |                                 |
|                                                                                                                                     |       |          | PROPOSED FORMATION<br>Strawn                               |                                 |

|                                            |                                 |                                         |                              |                                |                                          |                                         |                                   |                                                                     |
|--------------------------------------------|---------------------------------|-----------------------------------------|------------------------------|--------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------|---------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Single | <input type="checkbox"/> Triple | <input checked="" type="checkbox"/> Oil | <input type="checkbox"/> Gas | <input type="checkbox"/> Expl. | <input checked="" type="checkbox"/> Dev. | <input checked="" type="checkbox"/> New | <input type="checkbox"/> Workover | Deepen                                                              |
| <input type="checkbox"/> Dual              |                                 |                                         |                              |                                |                                          |                                         |                                   | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <input checked="" type="checkbox"/> Land   | <input type="checkbox"/> Bay    | DATE TO START                           |                              | DATE TO COMPLETE               |                                          | DAYS TO DRILL<br>35                     |                                   | PROPOSED DEPTH<br>11,500                                            |
| <input type="checkbox"/> Marsh             | <input type="checkbox"/> Gulf   |                                         |                              |                                |                                          |                                         |                                   |                                                                     |

|                 |             |                                                          |                      |                       |                                                          |                                                                 |                |                     |
|-----------------|-------------|----------------------------------------------------------|----------------------|-----------------------|----------------------------------------------------------|-----------------------------------------------------------------|----------------|---------------------|
| Gross           | Net         | Budget Code                                              | LS./Assoc. Prop. No. | Assoc. AFE No.        | Joint Venture                                            | Operator                                                        | St. Co.        |                     |
|                 |             |                                                          |                      |                       | <input type="checkbox"/> No <input type="checkbox"/> Yes | <input type="checkbox"/> 2-Co. <input type="checkbox"/> 3-Ortd. |                |                     |
| County/Ph. Code | Civil Dist. | Conveyed                                                 | Report to Code       | Costing Location Mktg | Environmental Cost                                       |                                                                 |                | % Safety and Health |
|                 |             | <input type="checkbox"/> Yes <input type="checkbox"/> No |                      |                       | % Air                                                    | % Water                                                         | % Land - Other |                     |

JUSTIFICATION

| INTANGIBLES                                              |                               |           |       |      | SUB | DRY HOLE | COMPLETION | TOTAL   |
|----------------------------------------------------------|-------------------------------|-----------|-------|------|-----|----------|------------|---------|
| CONTRACT DRILLING 11,500                                 |                               |           |       |      | 489 | 207,000  |            | 207,000 |
| CONTRACT DAY WORK                                        | DRILLING                      | ft. @ \$  | 18.00 | /ft. | 490 |          |            |         |
|                                                          | CORING AND DRILL STEM TEST    | days @ \$ | 4,500 | /day | 490 | 13,500   |            | 13,500  |
|                                                          | LOGGING, SFT. AND PERFORATING | days @ \$ | 4,500 | /day | 490 | 4,500    |            | 4,500   |
|                                                          | OTHER Completion Unit         | days @ \$ | 1,500 | /day | 490 |          | 7,500      | 7,500   |
|                                                          | TOTAL CONTRACT DAY WORK       |           |       |      | 490 |          |            |         |
| COMPANY PAYROLL                                          |                               |           |       |      | 501 | 5,000    | 1,000      | 6,000   |
| EMPLOYEE BENEFITS                                        |                               |           |       |      | 505 | 1,500    | 300        | 1,800   |
| TRANSPORTATION AND HAULING Including Water               |                               |           |       |      | 545 | 10,000   | 5,000      | 15,000  |
| ACCESS CANAL CONSTRUCTION                                |                               |           |       |      | 476 |          |            |         |
| LOCATION, ROADS, PITS OR KEYWAY                          |                               |           |       |      | 472 | 20,000   | 5,000      | 25,000  |
| BITS, COREHEADS, ETC. Provided by Contractor             |                               |           |       |      | 492 |          |            |         |
| MUD MATERIALS                                            |                               |           |       |      | 475 | 17,000   | 1,500      | 18,500  |
| CEMENT AND CEMENTING SERVICES                            |                               |           |       |      | 473 | 20,000   | 10,000     | 30,000  |
| CENTRALIZERS, SHOES, SCRATCHERS AND NON-SALVABLE PACKERS |                               |           |       |      | 491 | 2,000    | 1,500      | 3,500   |
| MUD LOGGING \$425/Day                                    |                               |           |       |      | 474 | 8,500    |            | 8,500   |
| FORMATION TESTING                                        |                               |           |       |      | 482 | 8,000    |            | 8,000   |
| LOGGING AND SIDE WALL CORING                             |                               |           |       |      | 478 | 25,000   | 8,000      | 33,000  |
| PERFORATING                                              |                               |           |       |      | 479 |          | 7,000      | 7,000   |
| TOOL RENTAL INCLUDING SMALL DIAMETER DRILL PIPE          |                               |           |       |      | 488 | 10,500   | 3,000      | 13,500  |
| TESTING TUBULAR GOODS                                    |                               |           |       |      | 484 | 5,000    | 3,000      | 8,000   |
| INTERNAL COATING                                         |                               |           |       |      | 485 |          |            |         |
| STIMULATION TREATMENT                                    |                               |           |       |      | 480 |          | 4,500      | 4,500   |
| OTHER SPECIAL WELL SERVICES                              |                               |           |       |      | 494 |          |            |         |
| MISCELLANEOUS COSTS AND CONTINGENCIES                    |                               |           |       |      | 599 | 35,000   | 5,000      | 40,000  |
| TOTAL INTANGIBLES                                        |                               |           |       |      |     | 381,000  | 62,300     | 443,300 |

| TANGIBLES                              |        |     |            |         |                    |             |      |     |         |
|----------------------------------------|--------|-----|------------|---------|--------------------|-------------|------|-----|---------|
| CASING                                 | 400    | ft. | 13 3/8 in. | 48      | lb.                | Gr. H-40    | @ \$ | 440 | 7,000   |
|                                        | 4,400  |     | 8 5/8      | 24 & 28 |                    | K-55 & S-80 |      | 440 | 51,000  |
|                                        | 11,500 |     | 5 1/2      | 17      |                    | N-80        |      | 440 | 115,000 |
| TUBING                                 | 11,200 |     | 2 7/8      | 6.5     |                    | N-80        |      | 443 | 56,000  |
|                                        |        |     |            |         |                    |             |      | 443 |         |
|                                        |        |     |            |         |                    |             |      | 443 |         |
| CASING HEADS                           |        |     |            |         |                    |             |      | 444 | 6,400   |
| CHRISTMAS TREE                         |        |     |            |         |                    |             |      | 445 | 8,000   |
| RETRIEVABLE PACKERS                    |        |     |            |         |                    |             |      | 448 | 4,200   |
| OTHER WELL EQUIPMENT                   |        |     |            |         |                    |             |      | 469 |         |
| TOTAL TANGIBLES                        |        |     |            |         |                    |             |      |     | 64,400  |
| TOTAL WELL COST                        |        |     |            |         | 100.00000          | %           |      |     | 445,400 |
| PRODUCTION EQUIPMENT (Detail Attached) |        |     |            |         | 100.00000          | %           |      |     | 63,500  |
| OTHER COSTS - NET (Detail Attached)    |        |     |            |         | 100.00000          | %           |      |     |         |
| TOTAL COST                             |        |     |            |         | 100.00000          | %           |      |     | 456,900 |
| CO. OWNERSHIP 3,878,030%               |        |     |            |         |                    |             |      |     | 177,187 |
| COMPANY COST 3,878,030%                |        |     |            |         |                    |             |      |     | 121,770 |
| APPROVAL DATE                          |        |     |            |         | AUTHORIZATION DATE |             |      |     |         |

JOINT INTEREST APPROVAL

COMPANY NAME: \_\_\_\_\_ DATE \_\_\_\_\_

APPROVAL \_\_\_\_\_ DATE \_\_\_\_\_

|         |      |
|---------|------|
| DATE    | PAGE |
| 9-26-85 | 2 OF |

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COMPANY NAME: \_\_\_\_\_