FORM 25-11/(1)

AUTHORIZATION FOR EXPENDITURE
WELLS

DATE	PAGE
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Co.	Dept.	Play No.	AFE No.	AFE Title or Location Name (25)
				B. E. SHIPP ESTATE NO. 2

BEFORE EXAMINER QUINTANA
OIL CONSERVATION DIVISION
PENNZOIL EXHIBIT NO. 2
CASE NO. 8727

COMPANY	DIVISION	DISTRICT
PEPCO	Western	Midland

WELL NAME AND NO.	FIELD OR AREA	UNDEVELOPED LEASE NO.
B. E. Shipp Estate No. 2		

OPERATOR	COUNTY OR PARISH	STATE
PEPCO	Lea	New Mexico

PROJECT DESCRIPTION Drill and complete an 11,500' strawn development well in the NE/4 of NE/4 Section 4, T-17S, R-37E.

LEASE NAME AND NO. Shriners' Hospital 63819-00-02-07-08

PROPOSED FORMATION Strawn

☒ Single ☐ Triple ☐ Dual ☒ Land ☐ Bay ☐ Marsh ☐ Gulf

☒ Oil ☐ Gas — DATE TO START

☐ Expl. ☒ Dev. — DATE TO COMPLETE

☒ New ☐ Workover — DAYS TO DRILL 35

Deepen ☐ Yes ☒ No — PROPOSED DEPTH 11,500

Gross	Net	Budget Code	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture ☐ No ☐ Yes	Operator ☐ 2-Co. ☐ 3-Outsd.	St. Co.

County/ Ph. Code	Civil Dist.	Conveyed ☐ Yes ☐ No	Report to Code	Costing Location Mktg	Environmental Cost % Air	% Water	% Land - Other	% Safety and Health

JUSTIFICATION

INTANGIBLES		SUB	DRY HOLE	COMPLETION	TOTAL
CONTRACT DRILLING	11,500 ft. @ $ 18.00 /ft.	489	207,000		207,000
CONTRACT DAY WORK — DRILLING	days @ $ /day	490			
CORING AND DRILL STEM TEST	3 days @ $ 4,500 /day	490	13,500		13,500
LOGGING, SFT. AND PERFORATING	1 days @ $ 4,500 /day	490	4,500		4,500
OTHER Completion Unit	5 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	ft.	in.	lb.	Gr.	@ $	SUB	DRY HOLE	COMPLETION	TOTAL
CASING	400	13 3/8	48	H-40		440	7,000		7,000
CASING	4,400	8 5/8	24 & 28	K-55 & S-80		440	51,000		51,000
CASING	11,500	5 1/2	17	N-80		440		115,000	115,000
CASING						440			
TUBING	11,200	2 7/8	6.5	N-80		443		56,000	56,000
TUBING						443			
TUBING						443			
CASING HEADS						444	6,400	5,000	11,400
CHRISTMAS TREE						445		8,000	8,000
RETRIEVABLE PACKERS						448		4,200	4,200
OTHER WELL EQUIPMENT						469			
TOTAL TANGIBLES							64,400	188,200	252,600

	%	DRY HOLE	COMPLETION	TOTAL
TOTAL WELL COST	100.00000 %	445,400	250,500	695,900
PRODUCTION EQUIPMENT (Detail Attached)	100.00000 %			
OTHER COSTS - NET (Detail Attached)	100.00000 %			
TOTAL COST	100.00000 %	~~466,900~~	250,500	~~[illegible]~~
CO. OWNERSHIP 38.78030 % — COMPANY COST	38.78030 %	177,187	97,145	274,332

APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION	DATE

JOINT INTEREST APPROVAL

COMPANY NAME: %

APPROVAL DATE