

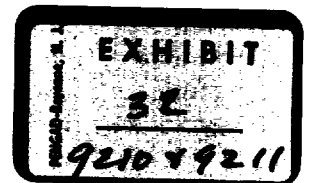
PELTO OIL COMPANY
PROPOSED TWIN LAKES SAN ANDRES UNIT
CHANVES COUNTY, NEW MEXICO

PROJECT COST ESTIMATES

The total cost of the proposed waterflood project is estimated to be \$8.30 million. This total consists of \$1.10 million pre-unitization expenses, \$6.20 million initial installation capital, and \$1.00 million future capital to install larger pumping units during peak well responses.

I. PRE-UNITIZATION EXPENSE: This is the summation of costs incurred and pre-paid for by Pelto prior to unitization for activities uniquely required to evaluate floodability of the San Andres reservoir, to acquire water rights and rights-of-way for a water source pipeline, to design the waterflood and facilities, and to determine the costs to install the waterflood.

	<u>8/8ths Costs M\$</u>	<u>Date</u>
1. <u>Consultant and Legal Fees</u>		
Source Water Acquisition	80	
Acquiring Rights-of-way & Surface Leases	21	
Petrophysical Analysis	75	
Geological Analysis	55	
Reservoir Analysis - Analog Fields	15	
Water Source System Design & Bid Preparation	103	
Facilities Design & Bid Preparation	108	
Surveying for Facilities & Water Source System	4	
Land Title, Division Orders & Unitization Procedures	<u>2</u>	
Subtotal	463	
2. <u>Acquisition of Source Water</u>		
Source water acquisition	42	
Water Source Pipeline Rights-of-way	90	
Water Source Facilities Surface Leases & Easements	2	
Field Central Facilities Surface Lease	<u>0</u>	
Subtotal	134	
3. <u>Infill Drilling, Coring and Testing</u>		
Drill and Complete O'Brien L-15 and L-16	360	
L-16 Coring and Core Analyses	28	
Convert J-3 and L-3 to Injectors	28	
Facilities, Water Source and Analysis for		
Injectivity Tests	48	
Bottom Hole Pressure Test Program	<u>2</u>	
Subtotal	474	
4. Total Costs Already Incurred (1,2,3 above)	1071	
Anticipated Additional Costs	<u>29</u>	
GRAND TOTAL PRE-UNITIZATION EXPENSES	<u>\$1100</u>	1987



II. WATER FLOOD INSTALLATION: These expenditures will be authorized by AFE's after unitization.

<u>1. Facilities</u>	<u>8/8ths Costs M\$</u>	<u>Date</u>
Central Injection Facilities	586	
Central Production Facilities	113	
Central Battery and Injection Station Site	158	
Satellite Trunk Lines	565	
Satellites Production and Injection Facilities	1,655	
Rebuild Electrical Distribution System	108	
State Taxes and Contingencies	<u>315</u>	
Subtotal	3,500	
<u>2. Water Supply System</u>		
Pipe	740	
Tank, Valves, Meters, Pumps, Motors	99	
Electrical Materials & Installation	153	
Construction	448	
Contingency	<u>60</u>	
Subtotal	1,500	
<u>3. Convert 55 Wells to Injection</u>	900	
<u>4. Drill 3 Injectors</u>	<u>300</u>	
Total Initial Capital	\$6,200	1987

III. PURCHASE LARGER PUMPING UNITS: These future capital costs will be made during peak well responses

	300	1990
	350	1991
	<u>350</u>	1992
Subtotal	<u>\$1,000</u>	

IV. GRAND TOTAL PROPOSED WATERFLOOD COSTS

\$8,300