

Form 3811, Jan. 1978

● SENDER: Complete Items 1, 2, and 3.  
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)  
☒ Show to whom and date delivered. ....  
☐ Show to whom, date and address of delivery. ....  
☐ RESTRICTED DELIVERY  
Show to whom and date delivered. ....  
☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery. \$ .....

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:  
Fern Cone  
3309 43rd  
Lubbock, Texas 79413

3. ARTICLE DESCRIPTION:  

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P335323629	

(Always obtain signature of addressee or agent)

I have received the article described above.  
SIGNATURE ☐ Addressee ☐ Authorized agent  
*Fern Cone*

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK  
5  
1987  
10/2/87

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

O/A-Erwin #1

☆ GPO : 1979-288-845

**P 335 323 629**

U.S. POSTAL SERVICE

NOT FOR INTERNATIONAL MAIL  
(Side Reverse)

Fern Cone  
3309 43rd  
Lubbock, Texas 79413

PS Form 3800, Apr. 1976

TOTAL POSTAGE AND FEES

POSTMARK OR DATE

10/2/87

Refuse to pay  
Postage and Fees  
Code 33

October 2, 1987

Ms. Fern Cone  
3309 43rd  
Lubbock, Texas 79413

RE: Proposed Devonian Test  
Erwin No. 1  
EAST MORTON PROSPECT  
Lea County, New Mexico

Dear Ms. Cone:

Mitchell Energy Corporation proposes the formation of a 324.08 acre working interest unit made up of Lots 1, 2, 3, 4 and S/2 N/2 Section 3, T-15-S, R-35-E, Lea County, New Mexico and the drilling of a well to test and evaluate the Devonian section at a depth of approximately 14,700'. The well would be located approximately 330' FNL and 1,800' FWL of Section 3.

The test well and subsequent operations within the proposed working interest unit will be governed by the terms of the enclosed AAPL 610-1982 Model Form Operating Agreement with COPAS 1984 Onshore Accounting Procedure designating Mitchell as Operator. At this time, we anticipate spud date on or before December 15, 1987.

According to our information, it appears the potential working interest parties and their respective interests within the proposed working interest unit will be as follows:

<u>INTEREST OWNER</u>	<u>UNIT INTEREST</u>
Mitchell Energy Corporation	0.6957136
Kaneb Operating Company, Ltd.	0.2281226
ARCO Oil and Gas Company	0.0313965
Fern Cone	0.0104167
Douglas Cone	0.0062500
Clifford Cone	0.0062500
Kenneth Cone	0.0062500
James Reed McCrory	0.0051839
Estate of William Thomas Reed, deceased	0.0104167

We would appreciate your confirmation of the above interest.

Enclosed herewith are duplicate copies of the AFE Cost Estimates for Dry Hole Costs and Completed Well Costs. If you elect to participate in drilling the proposed well, please execute and return one (1) copy of each of the AFE Cost Estimates. At such time as all participants are known, we will provide you with Exhibit "A" pages to the Operating Agreement reflecting the participants, working interests, leases and interests to be committed to the agreement and appropriate execution by Mitchell Energy.

Should you elect not to participate in the subject well, Mitchell hereby offers to lease your interest in Lots 1, 2, 3, 4 and S/2 N/2 Section 3 for \$200.00 per acre bonus, 1/4 royalty, for a three (3) year term and \$1.00 per acre annual rentals on the attached lease form. If you are in agreement to lease please advise and we will forward a draft and leasing instructions.

We would appreciate your early response so we may proceed with our drilling plans and completion of the Joint Operating Agreement.

Very truly yours,

MITCHELL ENERGY CORPORATION

Joe R. Lazenby  
District Landman

JRL/jm

Enclosures

# AUTHORITY FOR EXPENDITURE (AFE) COST ESTIMATE

## Type Project (check 1 only)

- |                                      |                                    |  |
|--------------------------------------|------------------------------------|--|
| <input type="checkbox"/> Exploratory | <input type="checkbox"/> Injection | <input type="checkbox"/> Water Supply                                |
| <input type="checkbox"/> Development | <input type="checkbox"/> Disposal  | <input checked="" type="checkbox"/> Depth <u>14,700'</u><br>Devonian |

Form B-1      ☐ Add      ☐ Change      ☐ Delete

AFE Number \_\_\_\_\_

Property/Well Name Erwin No. 1  
(East Morton Field)

Project Description Drill

Net Working Interest                     

Group Code \_\_\_\_\_

Location Code \_\_\_\_\_

Department Number \_\_\_\_\_

County Lea St. N.M.

Operator MEC

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

### DRILLING COSTS

#### INTANGIBLE

	Amount
10 Dry Hole Abandonment	
11 Rig Mobilization and Demobilization	
12 Power and Fuel	
13 Water	9,000
14 Solids Control Equipment Rental	
*15 Directional Equipment and Services	
16 Fishing Tools and Services	
17 Subsurface Casing Equipment	4,000
18 Contract Labor and Services	16,000
19 Supervision - Company and/or Contract	8,400
50 Road and Site Preparation	25,000
51 Footage Contract Fee	280,000
52 Daywork Contract Fee	25,200
53 Mud and Chemicals	40,000
54 Bits and Reamers	
55 Drilling Tool and Equipment Rental	4,500
56 Cement and Cement Services	22,100
*57 Open Hole Logging-Testing	45,000
*58 Drill Stem Testing	12,700
59 Coring and Analysis	
60 Transportation	5,000
61 Air/Marine Transportation	
63 Overhead	10,000
64 Insurance	
65 Company Labor and Services	
*66 Prospect Generation	10,000
67 Miscellaneous Services and Contingency	53,100

TOTAL INTANGIBLE COSTS 570,000

#### TANGIBLE

21 Casing-Drive Pipe & Conductor <u>16" - 60'</u>	
	2,500
40 Casing - Surface <u>13-38" - 400'</u>	8,400
41 Casing - Intermediate <u>8-5/8" - 6000'</u>	80,000
42 Casinghead Equipment (Including Valves)	4,000
43 Casing Spool (Including Valves)	
44 Miscellaneous Equipment	5,100

TOTAL TANGIBLE COSTS 100,000

TOTAL DRILLING (DRY HOLE) COSTS 670,000

\* Invalid for disposal and water supply wells.

MEDC 252-02

APPROVED - FERN CONE

BY: \_\_\_\_\_

Prepared By: 

CSA:ff

Rev. 4/29/85

G.W.I.-0.0104167

Date Prepared:

6-17-87

Type Project (check 1 only)

- ☒ Exploratory      ☐ Recompletion (Zone Change Only)      ☐ Disposal
- ☐ Development      ☐ Plug and Abandon (Previously Producing Well)      Depth 14,700
- ☐ Injection      ☐ Water Supply

Form B-2      ☐ Add      ☐ Change      ☐ Delete

AFE Number \_\_\_\_\_

Property/Well Name Erwin #1

Project Description Complete

Net Working Interest 1.00 \_\_\_\_\_

Group Code \_\_\_\_\_

Location Code \_\_\_\_\_

Department Number 730

County Lea St. NM

Operator Mitchell Energy Corp

Estimated Date Project Will Be Completed \_\_\_\_\_ (Mo./Yr.)

COMPLETION COSTS

INTANGIBLE

	<u>Amount</u>
22 Overhead	\$3,000
23 Company Labor and Services	
24 Contract Labor and Services	35,000
25 Air/Marine Transportation	
26 Other Transportation	11,000
27 Plugging and Abandonment	
28 Rig Mobilization and Demobilization	
29 Supervision - Company and/ or Contract	4,000
30 Site Preparation and Clean-up	4,000
31 Subsurface Casing Equipment	4,000
32 Squeeze Cement and Service	
33 Completion Fluids	3,000
34 Pump Truck Services	2,000
35 Rental Tools	15,000
36 Bits and Reamers	
37 Insurance	
38 Wireline Services	
39 Fishing Tools and Services	
*53 Tertiary Injectants	
68 Fencing	500
83 Daywork Contract Fee	15,000
84 Cement and Cement Services - Primary	20,000
85 Acidizing and Fracturing	10,000
*86 Cased Hole Logging and Perforating	15,000
94 Miscellaneous Services and Contingency	7,500

TOTAL INTANGIBLE COSTS 149,000

TANGIBLE

69 Tubinghead Equipment (Including Valves)	4,500
70 Casing-Production and/or Liner <u>14,700' 20#/ft 5 1/2" N-80</u>	160,800
71 Tubing <u>14,500' 2 7/8" N-80 6.5#/ft</u>	62,500
72 Packers and Subsurface Equipment	
73 Production Tree (Including Valves)	
74 Storage Tanks <u>2-400 bbl steel &amp; 1-400 bbl fiberglass</u>	11,000
75 Separating Equipment	
76 Treating Equipment <u>4' x 20' heater treater</u>	7,000
77 Artificial Lift Equipment	110,000
78 Line Pipe	2,000
79 Valves and Fittings Beyond Wellhead	4,000
80 Miscellaneous Equipment	4,200
81 Platform and Structures	
82 Metering Equipment	
87 Pumps	
90 Electrical Equipment	
91 Instrumentation Equipment	
96 Dehydrators and Dryers	
TOTAL TANGIBLE COSTS	366,000

TOTAL COMPLETION COSTS 515,000

\* Invalid for disposal and water supply wells.

APPROVED-FERN CONE

Prepared By:

MI Smith

*ml Smith*