

HARVEY E. YATES COMPANY

LEASE NAME & NO.: TAYLOR DEEP 12 FED #5 AFE TYPE: RE-ENTRY  
 LEGAL LOCATION: 990'FNL & 660'FWL SEC 12, T18S, R31E DEPTH: 12,450  
 COUNTY: EDDY STATE: N.M.

ACCOUNTING NO: 833000-005  
 AFE NO: R-1  
 FORMATION: MORROW

DRILLING & COMPLETION COSTS:

920-000	INTANGIBLE DRILLING COSTS:		DRY HOLE COSTS	PRODUCING WELL COSTS
920-009	ABSTRACTS & TITLE OPINIONS		\$0	\$0
921-000	STAKING DAMAGES & LEGAL FEES		\$875	\$875
921-001	LOCATION, RIGHT OF WAY		\$25,000	\$25,000
921-002	FOOTAGE: FEET @ \$/FOOT		\$0	\$0
921-003	DAYWORK: FUEL + MOBILIZATION \$ 22,000		\$330,000	\$330,000
921-004	SURFACE CASING CEMENTING & SERVICE		\$0	\$0
921-005	DRILLING MUD, ADDITIVES & WATER		\$35,000	\$35,000
921-006	MUD LOGGING UNIT, SURVEYS ETC.		\$9,850	\$9,850
921-007	INTERMEDIATE CASING CEMENTING & SERVICES		\$0	\$0
921-008	GENERAL MISC. (BOP TEST, RATHOLE...ETC)		\$1,540	\$1,540
921-009	MUD & CUTTING DISP.		\$5,000	\$5,000
922-000	RENTAL TOOLS & EQUIPMENT		\$24,997	\$24,997
922-001	COMPANY SUPERVISION & OVERHEAD		\$14,250	\$14,250
922-004	MISC. BITS, TOOLS & SUPPLIES		\$95,727	\$95,727
	TOTAL INTANGIBLE DRILLING COSTS		\$642,239	\$642,239

923-000	INTANGIBLE FORMATION EVALUATION:			
923-001	CORING, TOOLS & SERVICE (SIDEWALL CORES)		\$18,700	\$18,700
923-002	DST: # DST TO RUN/ \$ CHARGE		\$6,900	\$6,900
923-003	ELECTRIC LOGS, ...ETC		\$48,500	\$48,500
923-004	MISC. FORMATION EVAL.		\$5,000	\$5,000
	TOTAL INTANGIBLE FORMATION EVALUATION		\$79,100	\$79,100

924-000	INTANGIBLE COMPLETION COSTS:			
924-001	COMPLETION UNIT: DAYS & \$/DAY 7 \$4,000		\$0	\$28,000
924-003	MUD, WATER & ADDITIVES		\$0	\$7,000
924-004	CEMENT, TOOLS & SERVICES (PROD.STRING...ETC)		\$0	\$51,500
924-005	ELECTRIC LOGS(CBL...ETC.), TESTING		\$0	\$7,000
924-006	TOOL & EQUIPMENT RENTAL & TRUCKING		\$0	\$12,200
924-007	STIMULATION & TREATING		\$0	\$247,000
924-008	COMPANY SUPERVISION & OVERHEAD		\$0	\$6,650
925-001	BITS, TOOLS & SUPPLIES		\$0	\$1,500
925-002	PLUG BACK		\$0	\$10,000
925-003	MISCELLANEOUS		\$0	\$55,628
951-000	PLUGGING EXPENSE		\$10,000	\$10,000
	TOTAL INTANGIBLE COMPLETION COSTS		\$0	\$436,478

930-000	TANGIBLE DRILLING & COMPLETION COSTS:			
930-001	SURFACE CASING COSTS (SIZE/FT) 13 3/8"		\$0	\$0
930-002	INTERMEDIATE CASING (SIZE/FT) 8 5/8"		\$0	\$0
930-003	PRODUCTION CASING (SIZE/FT) 5 1/2" 12,450		\$0	\$255,678
930-004	PRODUCTION TUBING (SIZE/FT) 2 3/8" 12,450		\$0	\$60,338
930-005	CASING HEAD		\$0	\$0
930-006	CASING SPOOL		\$0	\$7,250
930-007	TUBING HEAD		\$0	\$5,900
930-008	CHRISTMAS TREE		\$0	\$6,500
931-000	SUBSURFACE EQUIPMENT		\$0	\$0
931-001	MISC PIPE CONNECTIONS		\$0	\$15,000
931-002	PACKER & SPECIAL EQUIPMENT		\$0	\$4,500
931-003	MISCELLANEOUS		\$0	\$53,335
	TOTAL TANGIBLE DRILLING & COMPLETION COSTS		\$0	\$408,500

940-000	GENERAL LEASE & BATTERY EQUIPMENT:			
940-001	PUMPING UNIT (PRIME MOVER)		\$0	\$0
940-002	SEPARATORS, GAS PROD. UNITS, ...ETC.		\$0	\$32,889
940-005	OIL & WATER TANKS NO. & SIZE 2-500BBL & 1-300		\$0	\$23,840
941-000	INSTALLATION COSTS		\$0	\$20,000
941-001	FLOW LINES, VALVES...ETC		\$0	\$10,000
941-005	MISCELLANEOUS LEASE EQUIPMENT		\$0	\$13,009
	TOTAL GENERAL LEASE & BATTERY EQUIPMENT COSTS		\$0	\$99,738

TOTAL INTANGIBLE COSTS:	\$621,339	\$1,057,817
TOTAL TANGIBLE COSTS:	\$0	\$408,500
TOTAL LEASE & BATTERY EQUIPMENT:	\$0	\$99,738
	\$621,339	\$1,566,055

TOTAL COSTS PREPARED BY: KEITH CANNON DATE: 3/20/2007

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

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

DATE: \_\_\_\_\_

"IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY, AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED, WHETHER MORE OR LESS THAN HEREIN SET OUT"

Oil Conservation Division  
 Case No. 9  
 Exhibit No. 1

Send signed  
 AFE to:  
 Vernon D. Dyer  
 HEYCO  
 P.O. Box 1933  
 Roswell, NM 88202-1933

or FAX to: 505/627-2427