

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. Roughneck Red "29" State #1		Prospect Roughneck Red	AFE no. 04108C (D)
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input checked="" type="checkbox"/> Original <input type="checkbox"/> Supplement
County/Parish, State Eddy Co., New Mexico	Survey/Township Sec. 29, T17S, R26E	Unit Description/Measured Location 1200' FNL & 1280' FWL (Surface Location)	Projected TD 8600' TVD
Description of Work Drill and evaluate Morrow formation Directional hole due to surface limitations		1480' FNL & 1980' FWL (Bottom Hole Location)	

INTANGIBLE COSTS

Description	Drilling		Completion	
Abstracts / Legal Fees	101		201	
Surveys / Permits / Environmental	102	1,500		
Right - of - Way	103	5,000		
Location / Restoration	104	33,000	204	1,500
Mob & Demob	105	35,000	205	
Transportation / Hauling / Barges	106		206	
Completion Rig	107		207	26,400
Drilling Rig - Day Rate	108	234,900	208	
Cementing - Materials / Services	111	33,000	211	17,000
Drilling Mud / Completion Fluids	112	29,000	212	3,000
Water	113	25,000	213	3,000
Fuel	114	23,200	214	
Open Hole - Logging / Coring	115	16,000	215	
Engineering / Supervision	116	24,000	216	10,500
Geological / Petrophysical Services	117			
Casing Services	118	5,500	218	5,200
Supplies	119		219	
Drilling / Completion Overhead	120	7,000	220	7,000
Equipment Rentals (Incl. Drill Pipe)	123	75,000	223	9,500
Surface Damages	124	5,000		
Wellhead Equipment	133	13,500		8,500
Slickline / Swabbing			228	
Cased Hole - Logging / Perforating			229	14,000
Stimulation - Materials / Services			230	65,000
Coiled Tubing - Materials / Services			250	
Chemicals - Other			254	
Gravel Pack - Materials / Services			255	
Bits - Drilling / Completion	156	65,000	256	500
Treating			258	8,500
Testing / Analysis	160	3,500	260	
Communications	161	2,000	162	
Labor	162	6,600	262	5,000
P & A Expense	197	15,000		
Miscellaneous	199	10,000	299	2,500
Insurance		54,600		
Directional Services	17	Days @ \$ 6,000.00 P/Day		102,000
Contingencies	199		299	
Total Intangibles		824,300		187,100

TANGIBLE COSTS

Conductor Pipe	40 ft of 20"		110	4,500		
Surface Casing	420 ft of 13-3/8"	\$25.00 Per Ft	121	10,500		
Intermediate Liner	1400 ft of 8-5/8"	\$20.00 Per Ft	122	28,000		
Drilling Liner		Per Ft	122	-		
Production	8700 ft of 5-1/2"	\$12.00 Per Ft			226	104,400
Tie-Back		Per Ft			226	
Tubing	8500 ft of 2-7/8"	\$7.00 Per Ft			227	59,500
Downhole Equipment					231	7,500
Artificial Lift Equipment	Pumping Unit, Rods				232	-
Tree & Other Production Equipment					233	3,000
Tanks					234	18,000
Pipe, Fittings, Valves, etc.					235	5,000
Separators, Treaters, Heaters, etc.					236	25,000
Total Tangibles				43,000		222,400

Dry Hole Cost	867,300
Completed Well Cost	1,261,800

APPROVALS

Company	Signature	Title
IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHOR COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN		

NMOCD CASE NO. 13236
 MAY 27, 2004
 PRESTON EXPLORATION, LLC
 EXHIBIT NO. 16