

**MEWBOURNE OIL COMPANY  
AUTHORIZATION FOR EXPENDITURE**

Prospect: Avalon Well Name & No: Saladar "32" Federal Com # 1  
 Field: Burton Flat Morrow Location: 660' FSL & 1650' FEL  
 Section: 32 Block:        Survey:        Township 20S Range 28E  
 County: Eddy State: NM Proposed Depth: 11800'

| DESCRIPTION                |   | Cost To<br>Casing Point<br>AFE NO. | Completion<br>Cost<br>AFE NO. |
|----------------------------|---|------------------------------------|-------------------------------|
| <b>INTANGIBLE COST 180</b> |   |                                    |                               |
| 300                        | Permits and Surveys                                 | \$3,000                            | \$1,000                       |
| 301                        | Location, Roads and Site Preparation                | \$26,000                           | \$2,000                       |
| 302                        | Footage or Turnkey Drilling                         |                                    |                               |
| 303                        | Day Work (28 days @ \$8,500/day + 2 days after TD)  | \$255,000                          | \$17,000                      |
| 304                        | Fuel  | \$32,500                           | \$2,300                       |
| 305                        | Completion / Workover Rig                           |                                    | \$20,000                      |
| 306                        | Mud and Chemicals                                   | \$30,000                           | \$1,000                       |
| 307                        | Cementing   | \$25,000                           | \$20,000                      |
| 308                        | Logging, Wireline and Coring Services               | \$35,000                           | \$12,000                      |
| 309                        | Casing, Tubing & Snubbing Services                  | \$4,500                            | \$6,000                       |
| 310                        | Mud Logging (14 days)                               | \$10,000                           |                               |
| 311                        | Testing   |                                    | \$1,000                       |
| 312                        | Treating Frac                                       |                                    | \$100,000                     |
| 313                        | Water & Other                                       | \$18,000                           | \$1,000                       |
| 314                        | Bits (1-17 1/2", 1-12 1/4", 4-8 3/4")               | \$39,500                           | \$1,000                       |
| 315                        | Inspection & Repair Services                        | \$3,500                            | \$6,500                       |
| 316                        | Misc. Air and Pumping Services                      | \$20,000                           | \$2,000                       |
| 320                        | Rig Mobilization & Transportation                   | \$25,000                           | \$1,000                       |
| 321                        | Welding and Construction                            | \$2,500                            | \$2,000                       |
| 322                        | Engineering & Contract Supervision                  | \$2,500                            |                               |
| 330                        | Equipment Rental (H2S, Sep, PVT, and Rot. Head)     | \$15,000                           | \$1,000                       |
| 334                        | Well / Lease Legal                                  | \$3,000                            | \$1,000                       |
| 335                        | Well / Lease Insurance                              | \$16,500                           |                               |
| 350                        | Intangible Supplies                                 | \$1,000                            | \$1,000                       |
| 355                        | Damages   | \$1,500                            |                               |
| 360                        | Pipeline and Electrical ROW and Easements           |                                    | \$1,000                       |
| 367                        | Pipeline Interconnect                               |                                    |                               |
| 375                        | Company Supervision                                 | \$16,800                           | \$5,400                       |
| 380                        | Overhead Fixed Rate                                 | \$6,000                            | \$4,000                       |
| 398                        | Well Abandonment                                    | \$12,000                           | (\$12,000)                    |
| 399                        | Contingencies 10% / 10%                             | \$60,400                           | \$19,700                      |
| Total Intangibles          |   | \$664,200                          | \$216,900                     |
| <b>TANGIBLE COST 181</b>   |   |                                    |                               |
| 797                        | Conductor Casing 40' 20" Conductor                  | \$5,300                            |                               |
| 797                        | Surface Casing 400' 13-3/8" 48# H-40 ST&C           | \$10,000                           |                               |
| 797                        | Intermediate Casing 2600' 9-5/8" 40# J-55 ST&C      | \$54,000                           |                               |
| 797                        | Intermediate Casing                                 |                                    |                               |
| 797                        | Production Casing 11,900' 5-1/2" 17# N-80, S95 LT&C |                                    | \$125,800                     |
| 798                        | Tubing 11,900' 2-7/8" 6.5# J-55 EUE 8 Rnd           |                                    | \$66,000                      |
| 860                        | Drilling Head                                       | \$5,500                            |                               |
| 870                        | Tubing Head & Upper Section                         |                                    | \$16,000                      |
| 875                        | Sucker Rods   |                                    |                               |
| 880                        | Packer Pump & Subsurface Equipment                  |                                    | \$10,000                      |
| 884                        | Artificial Lift Systems                             |                                    |                               |
| 885                        | Pumping Unit  |                                    |                               |
| 886                        | Surface Pumps & Prime Movers                        |                                    |                               |
| 890                        | Tanks - Steel                                       |                                    | \$5,000                       |
| 891                        | Tanks - Other                                       |                                    | \$3,000                       |
| 895                        | Separation Equipment                                |                                    | \$12,000                      |
| 896                        | Gas Treating Equipment                              |                                    |                               |
| 898                        | Metering Equipment                                  |                                    | \$2,500                       |
| 900                        | Line Pipe - Gas Gathering and Transportation        |                                    | \$12,000                      |
| 901                        | Line Pipe - Production                              |                                    | \$1,000                       |
| 906                        | Miscellaneous Fittings, Valves & Accessories        |                                    | \$8,000                       |
| 909                        | Electrical Installations                            |                                    |                               |
| 910                        | Production Equipment Installation                   |                                    | \$15,000                      |
| 920                        | Pipeline Construction                               |                                    | \$20,000                      |
| Total Tangibles            |   | \$74,800                           | \$296,300                     |
| SUBTOTAL                   |   | \$739,000                          | \$513,200                     |
| TOTAL WELL COST            |   | \$1,252,200                        |                               |

Date Prepared 04/06/04  
 Prepared by: Terry Burke  
 Company Approval:  
 Date Approved: 04/08/04  
 Joint Owner Approval:  
 Joint Owner Interest:  
 Joint Owner Amount: