

CAPATAZ OPERATING, INC. Authority for Expenditure			
LEASE NAME AND WELL NO.: Salem #1		PROSPECT:	TOTAL DEPTH: 7800
COUNTY: Lea		STATE: NM	WELL TYPE: O&G
LOCATION: NE/4 NE/4 3-T20S-R38E			OBJECTIVE: Abo

INTANGIBLE DRILLING COST	DRY HOLE	COMPLETE	TOTAL
Title Opinion	2000	2500	4500
Land & Legal Fees			
Survey, Permits & Bonds	1000		1000
Surface Damages	4000		4000
Road & Location Dirtwork	15000		15000
Drilling Footage	ft. @ \$	per ft.	0
Drilling Daywork	18 day @ \$ 10,000.00	per day	180000
Rig Mobilization	24000		24000
Pulling Unit	20 day @ \$ 2,500.00	per day	50000
Reverse Unit	day @ \$	per day	
Fuel & Lubricants	14400		14400
Mud, Wash Oil & Chemicals	9700		9700
Directional Service			
Casing Crews & Equipment	1850	4200	6050
Equipment Rental		7800	7800
Packer/Service/Rental		5200	5200
Waterwell, Pump & Line			
Water Transport	9500	6500	16000
Cement Service	12550	14975	27525
Drill Stem Testing	@ \$	per test	
Coring/Core Analysis	ft. @ \$	per ft.	
Geological Services	6300		6300
Mud Logging	14 day @ \$ 675	per day	9450
Open Hole Log Service	21500		21500
Log & Perforate		12800	12800
Acid Stimulation		14000	14000
Frac Stimulation		107000	107000
Pump Truck & Nitrogen Service			
Air Drilling Services			
Transportation, Trucking	1200	1800	3000
Contract Labor & Welding	450	450	900
Roustabout Labor		4500	4500
Tubular Inspection			
Engineering & Wellsite Supervision	5500	8500	14000
Abandonment	10000		10000
Environmental, Disposal & Restoration		5000	5000
Administrative Overhead	2700	4100	6800
Insurance	3200		3200
Contingencies @ 5%	17000	10000	27000
Bits & Reamers	16000		16000
SUBTOTAL:	367300	259325	626625

LEASE & WELL EQUIPMENT

Tubulars:	Size/WV/GI	Footage	Price		
Conductor Pipe	16"	40 ft @ \$	32 per ft	1280	1280
Surface Casing	8 5/8"	1600 ft @ \$	11.92 per ft	19072	19072
Intermediate Casing		ft @ \$	per ft		
Protection Liner		ft @ \$	per ft		
Production Casing	5 1/2"	7800 ft @ \$	12.87 per ft	100386	100386
Production Tubing	2 7/8"	7700 ft @ \$	5.46 per ft	42042	42042
Wellhead Equipment				2350	4200
Flowing Tree					
Pumping Hookup				2200	2200
Liner Hanger, Packer & Tubing Anchor				880	880
Pumping Unit w/ Base & Prime Mover				38000	38000
Electrical Installation				7800	7800
Rods, Subsurface Pump & Accessories				18750	18750
Compressor & Accessories					
SWD Equipment					
Oil Storage Tanks				8500	8500
SW Fiberglass Tanks				1400	1400
Separator				2200	2200
Heater-Treater				4200	4200
Dehydrator/Line Heater					
Meters, Valves & Connections				7500	7500
Flowline & Connections				3000	3000
Gas Pipeline, Meter & Installation				15000	15000
Other Non-Controllable Equipment					
Other Controllable Equipment					
SUBTOTAL:				22702	258058
GRAND TOTAL:				390002	515383

<p>CAPATAZ OPERATING, INC.</p> <p>Prepared By: _____</p> <p>Title: President</p> <p>Date: 4/8/2005</p>	<p style="text-align: center;">WORKING INTEREST PARTNER</p> <p>_____ agrees to participate _____ %WI</p> <p>Approved By: _____</p> <p>Title: _____ Date: _____</p>
---	---

It is recognized that the amounts herein are estimates only and approval of this authorization shall extend to the actual costs incurred in conducting the operation specified, whether more or less than herein set out.

OIL CONSERVATION DIVISION
CASE NUMBER 13495
EXHIBIT NUMBER 4