

**AUTHORITY FOR EXPENDITURE**

AFE NO.	2004-009	LEASE	Nichols "30" State Com	WELL NO.	1
DESCRIPTION	1370' FNL & 1500' FEL, Section 30-T18S-R28E		COUNTY	Eddy	
STATE	NM	AREA	OPERATOR	Marbob Energy Corporation	
FORMATION	Morrow		PREPARED BY	Sheryl Baker	
TOTAL DEPTH	10,650'		DATE	March 23, 2004	

**DRILLING INTANGIBLES**

	SUB	DRY HOLE W/O PIPE	COMPLETED WELL	ACTUAL COST	OVER UNDER
STAKING PERMITS LEGAL FEES ROW	100	5,000			
SITE PREPARATION ROADS & LOC	110	22,500	2,500		
DRILLING FOOTAGE CONTRACT	200				
DRILLING DAYWORK/MOBILIZATION	210	310,000			
EQUIP RNTL MACHINERY/MAN HIRE	220	40,000			
DRILLING WATER, HAULING FUEL	250	32,500			
DRILING MUD & CHEMICALS	260	28,500			
CEMENT SURFACE CASING	280	23,000			
FISHING TOOL SERVICES	295				
OTHER DRILLING COSTS/MATERIALS	299	36,000			
CORING & FORMATION TESTING	300	10,000			
MUD LOGGING & GEOLOGICAL SVCS	310	18,000			
ELEC LOGGING, WIRELINE, PERF	350	22,500	20,000		
DRILLING OVERHEAD CHARGE	950	5,000			
DRILLING WELLSITE SUPERVISION	955	19,500			
CONTINGENCY 5%		28,625	1,125		
<b>TOTAL DRILLING</b>		<b>601,125</b>	<b>23,625</b>		

**COMPLETION INTANGIBLES**

CEMENT PRODUCTION CASING	400		50,000		
FORMATION FRACTURING	410		100,000		
FORMATION ACIDIZING	420		7,500		
COMPLETION UNIT	450		18,000		
CONTRACT LABOR/PROFESSIONAL SVCS	500		22,500		
COMPLETION WATER, POWER, FUEL	905		3,500		
BATTERY CONST/SER/MATERIALS	910		20,000		
COMPLETION EQUIP RNTS/SERVICES	915		35,000		
DRIL/COM OVERHEAD CHARGE	950		5,000		
DRIL/COM OVERHEAD CHARGE	955		5,000		
MISCELLANEOUS IDC EXPENSES	900		7,500		
CONTINGENCY 5%			13,700		
<b>TOTAL COMPLETION</b>		<b>0</b>	<b>287,700</b>		
<b>TOTAL INTANGIBLES</b>		<b>601,125</b>	<b>311,325</b>		

**DRILLING AND COMPLETION TANGIBLES**

SURFACE & INTERMEDIATE CASING	200	56,000			
PRODUCTION CASING	250		128,000		
TUBING & ATTACHMENTS	300		48,000		
PUMPING WELL HOOK UP	350				
WELLHEAD EQUIPMENT	400	17,500	20,000		
PUMP JACKS & PUMPS	500				
TREATER, SEPAR, EQ, METER/ELEC	600		25,000		
TANKS & STORAGE FACILITIES	700		25,000		
MISCELLANEOUS L&W EQUIPMENT	900		7,500		
CONTINGENCY 5%		3,675	12,675		
<b>TOTAL EQUIPMENT COST</b>		<b>77,175</b>	<b>266,175</b>		
<b>TOTAL WELL COST</b>		<b>678,300</b>	<b>577,500</b>		
<b>LEASE ACRES @ PER ACRE</b>					
<b>TOTAL WELL COST</b>			<b>1,255,800</b>		

**APPROVALS:**

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

OPERATOR	Marbob Energy Corporation	BY	<i>Roy Miller</i> WI	DATE	
COMPANY	Myco Industries, Inc.	BY	<i>Sheryl Baker</i> WI 4.592212%	DATE	4-28-04
PRINT NAME		TITLE			