

GRUY PETROLEUM MANAGEMENT CO.
AUTHORITY FOR EXPENDITURE

Well Name/Project: Colton 7 Federal Com 31				Date: March 16, 2005	
Location: BHL: 1,250' FNL & 1,650' FWL, BHL: Sec. 7, T21S-R27E.				Prepared By: Howard L. Miller	
County, State: Eddy NM				AFE Number:	
Proj. Description: Drill & Complete new Morrow producer (3 fracture stimulations).					
ACCT INTANGIBLE DRILLING COST:		DRY HOLE COSTS		COMPLETED WELL	
820.10	Legal, Title, Environmental		\$ 25,000.00		\$ 25,000.00
820.11	Surveyor and Permits		\$ 2,250.00		\$ 2,250.00
820.12	Road and Location		\$ 35,000.00		\$ 35,000.00
820.13	Damages		\$ 6,000.00		\$ 6,000.00
820.15	Insurance		\$ 17,500.00		\$ 17,500.00
820.20	Rig Move - Mob. & De-Mob.		\$ 45,000.00		\$ 45,000.00
820.21	Footage Drilling:	Feet @ /Ft.	\$ -		\$ -
820.22	Day Rate Drilling:	36.0 Days @ \$12,000 /Day	\$ 432,000.00		\$ 432,000.00
820.23	Turnkey Drilling:				\$ -
820.24	Drill Bits		\$ 55,000.00		\$ 55,000.00
820.25	Miscellaneous Supplies		\$ 3,000.00		\$ 3,000.00
820.30	Power, Fuel, Lube Oils		\$ 45,000.00		\$ 45,000.00
820.31	Water & Water Hauling		\$ 25,000.00		\$ 25,000.00
820.32	Transportation		\$ 1,000.00		\$ 1,000.00
820.39	Frac Tanks				\$ -
820.40	Drilling Mud & Chemicals		\$ 50,000.00		\$ 50,000.00
820.41	Mud Logging		\$ 20,000.00		\$ 20,000.00
820.50	Formation Testing		\$ -		\$ -
820.51	Coring Services and Equipment		\$ -		\$ -
820.52	Logging Services:		\$ 45,000.00		\$ 45,000.00
820.58	Conductor Casing Cement		\$ 5,000.00		\$ 5,000.00
820.60	Cement & Cementing - Surface		\$ 12,000.00		\$ 12,000.00
820.61	Casing Crews & Equipment		\$ 15,000.00		\$ 15,000.00
820.63	Cement & Cementing - Intermediate		\$ 25,000.00		\$ 25,000.00
820.64	Cement & Cementing - Liner		\$ -		\$ -
820.65	Cement & Cementing - Other		\$ -		\$ -
820.70	Equipment Rental		\$ 90,000.00		\$ 90,000.00
820.74	Directional Tools and Services		\$ -		\$ -
820.77	Fishing Services and Equipment		\$ -		\$ -
820.78	Safety Equipment		\$ 25,000.00		\$ 25,000.00
820.80	Contract Labor Welding		\$ 15,000.00		\$ 15,000.00
820.81	Supervision		\$ 30,600.00		\$ 30,600.00
820.83	Professional Services (Geological, Engineering, Surveying)		\$ 5,000.00		\$ 5,000.00
820.85	Drilling Overhead		\$ 15,000.00		\$ 15,000.00
820.95	Contingency Cost (10%)		\$ 104,435.00		\$ 104,435.00
TOTAL INTANGIBLE DRILLING:			\$ 1,148,785.00		\$ 1,148,785.00
INTANGIBLE COMPLETION COST:					
830.12	Dirtwork, Roads, Cleanup, Damages				\$ 5,000.00
830.24	Rig / Well Service Unit	Est. No. of Days: 21			\$ 47,250.00
830.25	Miscellaneous Supplies				\$ 2,500.00
830.30	Power, Fuel, Lube Oils				\$ 2,000.00
830.31	Water & Water Hauling				\$ 35,000.00
830.32	Transportation				\$ 5,000.00
830.40	Chemicals				
830.42	Completion Fluids				\$ 4,500.00
830.52	Wireline Services				\$ 5,000.00
830.60	Cement & Cementing Services				\$ 25,000.00
830.61	Casing Crews & Equipment				\$ 5,000.00
830.69	Frac Tanks				
830.70	Equipment Rental				\$ 50,000.00
830.73	Coiled Tubing Unit / Operations				
830.74	Acidizing / Fracturing				\$ 225,000.00
830.75	Perforating Services				\$ 25,000.00
830.76	Fishing Services and Equipment				
830.77	Frac Oil				
830.78	Roustabouts				\$ 5,000.00
830.80	Contract Labor, Welding				\$ 10,000.00
830.81	Supervision				\$ 17,850.00
830.84	Engineering				
830.85	Completion Overhead				\$ 5,000.00
830.95	Contingency Cost (10%)		\$ -		\$ 47,410.00
TOTAL INTANGIBLE COMPLETION:			\$ -		\$ 521,510.00
TOTAL INTANGIBLE DRILLING/COMPLETION:			\$ 1,148,785.00		\$ 1,670,295.00
COMPLETION TANGIBLES:					
	Size / Wt. / Grade:				
840.08	Conductor Casing	40 Ft. @	/Ft.	\$ -	\$ -
840.10	Surface Casing:	13-3/8, 48#, H-40	350 Ft. @ \$41.45 /Ft.	\$ 14,507.50	\$ 14,507.50
840.11	Intermediate Casing:	9-5/8, 36/40#, J-55	3,200 Ft. @ \$37.70 /Ft.	\$ 120,640.00	\$ 120,640.00
840.12	Production/Liner Casing:	7/8, 17#, N-80, P-110	11,800 Ft. @ \$16.95 /Ft.	\$ -	\$ 200,010.00
840.13	Tubing:	2-3/8", 4.7#, N-80	11,000 Ft. @ \$4.80 /Ft.	\$ -	\$ 52,800.00
840.24	Rods:				
840.50	Flowline				\$ 5,000.00
840.20	Wellhead Equipment				\$ 16,000.00
840.22	Misc. Valves, Fittings and Pipe				\$ 10,000.00
840.23	Subsurface Equipment (BH Pump, Packer, etc.)				\$ 5,000.00
840.60	Tanks:				\$ 10,000.00
840.30	Treater:				
840.31	Separator:				\$ 6,000.00
840.36	Gas Processing Unit / Sweeteners				\$ 10,000.00
840.37	Safety Equipment				
840.21	Pumping Unit & Power				
840.65	Electrical Installation				
840.71	Miscellaneous Equipment				\$ 2,500.00
840.80	Construction / Installation				\$ 7,500.00
840.90	Contingency Cost (10%)			\$ 13,514.75	\$ 45,995.75
TOTAL TANGIBLE COSTS:			\$ 148,662.25		\$ 505,953.25
TOTAL WELL COST:			\$ 1,297,447.25		\$ 2,176,248.25

NMOCD CASE NO. 13517
JUNE 30, 2005
CIMERAX ENERGY CO.
EXHIBIT NO. 3