

**EDGE PETROLEUM OPERATING COMPANY, INC.**  
**1301 TRAVIS STREET, SUITE 2000, HOUSTON, TX, 77002**  
**Tel: (713) 654-8960, Fax: (713) 654-7722**

**AUTHORIZATION - FOR - EXPENDITURE**

Lease/Well: South Lusk 28 Federal No. 1      Field/Prospect: South Lusk      Date: 6/15/2005  
 Location: SWSW Section 28 T19S R32E      Objective: Atoka, Morrow  
             Lea County, NM      Proposed TD: 12,800'  
 X= 671,241      Y= 591,793      AFE No: 25DR006

Project Type:      DRILLING-EXPL      DRILLING-DEV      RECOMPLETION      WO-EXPENSE      OTHER INVEST  
 (Circle one)

Project Description:      AFE scope is to drill and complete a 12,800' MD Atoka, Morrow Well.

<b>INTANGIBLE COSTS</b>				<b>DRILLING</b>	<b>COMPLETION</b>	<b>TOTAL</b>
Permit/Survey/Damages/Legal				15,500		15,500
Location & Road: Bldg./Restor				35,000	15,000	50,000
MI/RU/RD				70,000		70,000
Con. Drill.-Turnkey, Footage, Other		to				-
Con. Drill.-Daywork	45	days @ \$	14,500	652,500	22,000	674,500
Completion Rig:	15	days @ \$	3,500		52,500	52,500
Rental Tools & Equipment				75,000	15,000	90,000
Bits				77,000	2,000	79,000
Mud & Chemical				60,000		60,000
Fuel, Power, and Water				74,000	2,000	76,000
Contract Supervision	55	days @ \$	800	44,000	16,000	60,000
Transportation				5,000	10,000	15,000
Mud Logging/MWD	38	days @ \$	750	28,500		28,500
Electric Logging				35,000		35,000
Cement & Cement Services				80,000	20,000	100,000
Perforating/Wireline					24,000	24,000
Swab/Coiled Tubing Units		days @ \$			-	-
Tubing inspection and testing				6,500	2,500	9,000
DST & FT/Coring & Analysis				8,000		8,000
Fracture/ Acid Stimulation					135,000	135,000
Casing Crew, Tongs & Tools				20,000	15,000	35,000
Welding, Trucking, Contract Labor				25,000	18,000	43,000
Fishing Services						-
Consulting Services					2,500	2,500
Co. Labor (Time, Exp. & Benefits)						-
Overhead				14,000	7,000	21,000
Other				5,000	5,000	10,000
Subtotal Intangible				1,330,000	363,500	1,693,500
Contingencies		10 %		133,000	36,350	169,350
<b>TOTAL INTANGIBLE COSTS</b>				<b>1,463,000</b>	<b>399,850</b>	<b>1,862,850</b>

<b>TANGIBLE COSTS</b>				<b>DRILLING</b>	<b>COMPLETION</b>	<b>TOTAL</b>
Conductor Pipe	Size	Footage	\$/foot	8,500		8,500
Surf. Casing	20"	800	47.00	37,600		37,600
Intermediate Csg	13 3/8"	2600	35.00	91,000		91,000
Intermediate Csg	9 5/8"	4500	32.00	144,000		144,000
Production	5 1/2"	12800	21.00		268,800	268,800
Tubing	2 7/8"	12,600	5.50		69,300	69,300
Float Equip. & Liner Hanger				10,000	3,000	13,000
Valves & Fittings					10,000	10,000
Wellhead Equipment				18,000	16,000	34,000
Packer & Downhole Equipment					9,000	9,000
Separator/Heater-Treater					25,000	25,000
Rods & Pump						-
Pumping Unit & Prime Mover						-
Dehyd./Compressor						-
Tanks					25,000	25,000
Meter & Meter Run					8,500	8,500
Flowlines & Connectors					25,000	
Pipeline/ROW & Sales Connection						-
Installation Costs					15,000	15,000
Misc. Equipment						-
Other						-
Subtotal Tangible				309,100	474,600	783,700
Contingencies		5 %		15,455	23,730	39,185
<b>TOTAL TANGIBLE COSTS</b>				<b>324,555</b>	<b>498,330</b>	<b>822,885</b>

<b>TOTAL TANGIBLE &amp; INTANGIBLE COST</b>	<b>1,787,555</b>	<b>898,180</b>	<b>2,685,735</b>
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<b>EDGE APPROVAL:</b> Prepared by: Jim Keisling      Edge WI (%) 50.00 Date: 6/15/2005 Approved by: _____ Date: _____	<b>NONOPERATOR APPROVAL:</b> Company: _____ WI (%) _____ App'd by: _____ Title: _____ Date: _____ ( ) Desire to be covered by Edge Petroleum's Insurance ( ) Decline to be covered by Edge Petroleum's Insurance
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Note: It is recognized that the amounts herein are estimates only and approval of this authorization constitutes your agreement to share in the actual costs incurred in conducting the operation specified, whether more or less than that herein set out, as to your working interest percentage shown above.

**EDGE PETROLEUM CORPORATION**  
**WELL SUMMARY**

LEASE: SOUTH LUSK 28 FED  
WELL: No. 1  
AREA: LEA CO., NM  
FIELD: SOUTH LUSK

SURF LOC: SWSW SECTION 28, T19S, R32E  
BHL: STRAIGHT HOLE  
X: 671241  
Y: 591793

ENGR: JIM KEISLING  
RIG:  
ELEV. 3539'  
KB:

DIRECTIONAL	OPEN HOLE LOGGING	SANDS/ MARKERS	DEPTH		CASING PROFILE	HOLE SIZE	CASING DETAILS	MUD WT. & TYPE	MAXIMUM DOGLEG SEVERITY
			TVD	MD					
			40'	40'		PRESET	30" Conductor		
			800'	800'		26"	20", 106 ppf H-40, STC	SPUD MUD 8.8 PPG	2°/100'
			2600'	2600'		17 1/2"	13 3/8", 68 ppf K-55, STC 800'-2600'	10.0-10.3 ppg brine wtr 800'-2600'	
		Yates	2655'	2655'			TOC @ 2400'		
		Capitan	3062'	3062'		12 1/4"	9 5/8", 47 ppf K-55, STC 0'-4500'	10.0-10.3 ppg brine wtr 2600'-4500'	2°/100'
STRAIGHT HOLE	E-LOGS NONE	Delaware	4500'	4500'			TOC @ 4400'	8.4-8.9 ppg fresh gel 4500'-8500' CI - 1-8000	
		Wolfcamp rf	10415'	10415'				8.4-8.9 ppg fresh gel 8500'-10600' CI - 130-145K	
		Strawn	11290'	11290'		8-1/2"			
		Atoka Clastic	11740'	11740'					
		Atoka Sand	11995'	119985'					
		Upper Morrow	12125'	12125'					
		Middle Morrow	12345'	12345'					
		Lower Morrow	12570'	12570'					
STRAIGHT HOLE	E-LOGS Triple Combo 4500' to 12800'	Mississippi lm	12685'	12685'			5 1/2", 20#, N-80, LTC 0'-12800'	9.5-9.9 ppg brine, XCD starch 10600'-12800'	2°/100'
		TD	12800'	12800'					

**EDGE PETROLEUM CORPORATION**  
**PROSPECT WELL – GEOLOGICAL FORECAST**

**DISTRICT:** SE New Mexico

**AREA:** South Lusk

**PROSPECT:** South Lusk

**EDGE W.I.:**

**N.R.I.:**

**WELL NAME & No.:** South Lusk Federal 28 #1

**LOCATION:** 660' FSL & 660' FWL

Township 19S / Range 32E / Section 28

**COORDINATES:** X=  
Y=

**COUNTY:** Lea Co.

**ELEVATION:** GL = 3539 KB = 3554

**STATE:** NM

**TOTAL DEPTH:** 12,800'

FORMATION / PALEO	SUBSEA - TOP	MD - TOP	ESTIMATED PAY		REMARKS
			OIL	GAS	
Anydrite	+2684	870'			
Yates	+899	2655'			
Delaware	-1221	4775'	Oil		
Bone Springs lm	-3756	7310'			
1 <sup>st</sup> Bone Springs sd	-4926	8480	Oil		
2 <sup>nd</sup> Bone Springs sd	-5586	9140	Oil	Gas	
3 <sup>rd</sup> Bone Springs sd	-6476	10030'	Oil	Gas	
Wolfcamp rf	-7106	10660'		Gas	Poss Geopressure
Strawn lm	-7726	11280'			
Atoka Clastics	-8166	11720'		Gas	Fresh water sensitive
Morrow lm	-8406	11960'		Gas	Fresh water sensitive
Middle Morrow sd	-8746	12300'			
Lower Morrow sd	-9006	12560'			
Barnett sh	-9106	12660'			

**CASING PROGRAM (APPROX. DEPTHS)**

**TYPE:** Single completion

**SURFACE:**

**LINER:**

**INTERMEDIATE:** \_\_\_\_\_

**PRODUCTION:** 5½" @ TD 12800

**SAMPLE PROGRAM (DEPTH, INTERVALS):** Wellsite geologist should be on the location at 4600' for the first shallow objective, the Delaware sand. Samples should be caught and examined in 10' intervals. Wet samples as wells as dry samples should be examined for shows and notated on sample log

**MUD LOGGING PROGRAM (START DEPTH, TYPE OF UNIT)**

Surface to 890'	8.4 - 9.4 ppg, Visc 32-34
890' - 2,750'	10 ppg, Visc 28, Chl 186k ppm
2,750' - 4,760'	9.0 - 9.2 ppg, Visc 28, Chl 80-100k ppm
4,760' - 8,000'	8.4 - 8.6 ppg, Visc 28, Chl 3-15k ppm
8,000' - 9,940'	8.6 - 9.4, Visc 28, Chl 15-100k ppm
9,940' - 11,700	9.4 - 9.5, Visc 30-32, Chl +100k ppm, WL 10cc
11,700 - 12,800	11 - 11.5, Visc 38-42, Chl 4-6k ppm, WL 8 - 6 cc

**LOGGING PROGRAM (DEPTH, TYPE LOG, COMPANY):** CNL/LDT, GR, Caliper, PEF from TD - csg, W/GR CNL continued from csg to surface. PEF curve set to full scale, 1" Correlation log on CNL/LDT only. DLL, W/RXO, GR Caliper From TD to csg.

**POTENTIAL SIDEWALL CORES:**

Delaware	4755'
3 <sup>rd</sup> Bone Springs sd	9975'
Atoka sd	11690' - 11940'
Mid & Lwr Morrow sd	12305' to 12605'

**POTENTIAL DST ZONES:**

Wolfcamp reef	10560'
Strawn lm	11235'
Atoka sd	11690' - 11940'
Mid & Lwr Morrow sd	12305' to 12605'

**DEPTH AT WHICH HOLE MUST BE IN SHAPE FOR DST's, MUD LOGGING AND CORING** Intermediate csg pt

**TOP OF ABNORMAL PRESSURE** T/Atoka sd 11690' (interval for sand development 11690' - 11940')

**MUD WEIGHT @ INTERMEDIATE CASING POINT**

**MUD WEIGHT @ TD:** 9.9 ppg

**REMARKS:**