

**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: Golden Lane 29 State No. 1 Field/Prospect: Golden Lane Date: 9/6/2005  
 Location: NWNE Section 29 T20S R30E Objective: Strawn, Morrow  
Eddy County, NM Proposed TD: 13,350' MD  
 Surface: 1130' FWL & 2520' FNL Section 28, T20S R30E AFE No: 24DR031  
 Bottom Hole: 1700' FEL & 710' FNL Section 29, T20S R30E  
 Project Type: DRILLING-EXPL DRILLING-DEV RECOMPLETION WO-EXPENSE OTHER INVEST  
 (Circle one)

Project Description: AFE scope is to drill and complete a directional 13,350' MD Strawn/Morrow Well.

INTANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
Permit/Survey/Damages				16,000		16,000
Location & Road: Bldg./Restor				39,050	3,000	42,050
Con. Drill.-Daywork	61	days @ \$	16,250	991,250	33,000	1,024,250
Con. Drill.-Turnkey, Footage, Other		to				
Completion Rig:	15	days @ \$	2,500		37,500	37,500
MI/RU/RD				325,000		325,000
Mud & Chemical				83,850		83,850
Fuel, Power, and Water				106,950	3,500	110,450
Bits				85,000	1,600	86,600
Cement & Cement Services				92,000	44,000	136,000
Casing Crew, Tongs & Tools				23,500	6,500	30,000
Mud Logging/MWD	38	days @ \$	750	30,100		30,100
Electric Logging/Perforating/Wireline				56,190	24,000	80,190
Swab/Coiled Tubing Units		days @ \$				
Directional Services				140,000		140,000
Fracture/ Acid Stimulation					135,000	135,000
Fishing Services						
Rental Tools & Equipment				223,400	20,000	243,400
Contract Supervision	70	days @ \$	850	59,500	14,000	73,500
Co. Labor (Time, Exp. & Benefits)						
Welding, Trucking, Contract Labor				57,100	17,500	74,600
DST & FT/Coring & Analysis				6,500		6,500
Consulting Services				5,880	2,500	8,380
Overhead				14,000	7,000	21,000
Transportation				23,250	3,500	26,750
Tubing inspection and testing				4,000	2,000	6,000
Other				5,000	5,000	10,000
<b>Subtotal Intangible</b>				<b>2,387,520</b>	<b>359,600</b>	<b>2,747,120</b>
Contingencies		10 %		238,752	35,960	274,712
<b>TOTAL INTANGIBLE COSTS</b>				<b>2,626,272</b>	<b>395,560</b>	<b>3,021,832</b>

TANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
Conductor Pipe	Size	Footage	\$/foot	17,000		17,000
Surf. Casing	20	900	66.56	59,904		59,904
Intermediate Csg	13 3/8"	1600	42.40	67,840		67,840
Intermediate Csg	9 5/8"	3980	37.60	149,648		149,648
Production	5 1/2"	13350	25.20		336,420	336,420
Tubing	2 7/8"	13200	6.00		79,200	79,200
Float Equip. & Liner Hanger				10,000	3,000	13,000
Valves & Fittings					10,000	10,000
Wellhead Equipment				18,000	16,000	34,000
Misc. Equipment						
Packer & Downhole Equipment					9,000	9,000
Rods & Pump						
Pumping Unit & Prime Mover						
Meter & Meter Run					9,000	9,000
Flowlines & Connections					25,000	25,000
Tanks					18,000	18,000
Heater & Dehyd./Compressor						
Separator/Heater-Treater					15,000	15,000
Installation Costs					20,000	20,000
Pipeline/ROW & Sales Connection					10,000	10,000
Other						
<b>Subtotal Tangible</b>				<b>322,392</b>	<b>550,620</b>	<b>873,012</b>
Contingencies		3.8 %		12,313	21,029	33,342
<b>TOTAL TANGIBLE COSTS</b>				<b>334,705</b>	<b>571,649</b>	<b>906,354</b>

**OIL CONSERVATION DIVISION**  
**CASE NUMBER**   
**EXHIBIT NUMBER** 

**TOTAL TANGIBLE & INTANGIBLE COST**      **2,960,977**      **967,209**      **3,928,186**

<b>EDGE APPROVAL:</b>	Edge WI (%) <u>75.00</u>	<b>NONOPERATOR APPROVAL:</b>	
Prepared by: <u>Jim Keisling</u>		Company: _____	WI (%) _____
Date: <u>9/6/2005</u>		Appr'd by: _____	Date: _____
Approved by: _____		Title: _____	
Date: _____		( ) Desire to be covered by Edge Petroleum's Insurance	
		( ) Decline to be covered by Edge Petroleum's Insurance	

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.