

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

HAND DELIVERED ON
11/28/06

November 27, 2006

Oxy USA WTP L.P.
6 Desta Drive, Suite 6000
Midland, TX 79705

Attn: Mr. David R. Evans

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion and both the Canyon and Wolfcamp will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will have a rig available on or around February 15th 2007.

An Authorization for Expenditure is attached for a completed well cost of \$3,095,305.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,

Peggy Kerr
VP of Land

_____ AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE
IN BLANK)

Oxy USA WTP L.P.

By: _____

Date: _____

FILE COPY

Oil Conservation Commission
Case No. _____
Exhibit No. 1

Operator BOLD ENERGY, LP			Well Name Turkey Track (Canyon) "Section 8"			TD 10,100'		
Surface Location 1980' FNL & 660 FWL			Section - Township - Range 8 - T19S - R29E		County Eddy		State New Mexico	
BHL 1980' FNL & 660 FWL			Field Turkey Track					
Primary Objective Canyon @ 9890'			Secondary Objective Wolfcamp @ 8880'			API Number TBA		
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>			Data Processing Information AFE No. <input type="text"/> TBA <input type="text"/>					
						Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # <input type="text" value="1"/>

Tangible Costs				Before Casing Point			After Casing Point			Gross Total
				Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
1. Tubulars Setting Depths				72,800		2 0 4	232,000		4 0 4	304,800
13-3/8 " OD 0' to 375'				12,800						
8 5/8 " OD 0 to 3000'				80,000						
5 1/2 " OD 0 to 10,100'							175,000			
2 7/8 " OD 0 to 10,100'							57,000			
" OD 0 to										
" OD to										
2. Casinghead, Tubinghead, Christmas Tree				10,500		2 9 3	20,500		4 9 3	31,000
3. Tubing Accessories							9,500		4 1 2	9,500
Packers, Tubing Anchors							8,000			
On/off tools										
Nipples (SN & Profiles)							1,500			
Purchased RBP's, etc.										
4. Artificial Lift								75,000	4 9 4	75,000
5. Capillary System									4 1 1	
6. Production Equipment								91,000	4 3 8	91,000
Separators								50,000		
Metering Equipment								5,000		
Tanks								28,000		
Valves, Fittings & Couplings								8,000		
7. Electrical Lines & Equipment									4 2 8	
8. Flowline (WH to Production Unit)								5,000	4 5 6	5,000
Line Pipe								3,500		
Valves, Fittings & Couplings								1,500		
9. Pipeline (Production Unit to Sales Point)								45,000	4 5 7	45,000
Line Pipe								40,000		
Valves, Fittings & Couplings								5,000		
10. Water Disposal System									4 9 0	
Injection Pump										
Transfer Pump										
Gun Barrel & Tanks										
Metering Equipment										
Electrical Equipment										
Line, Valves, Fittings & Couplings										
11. Contingency 10%				8,330	0		26,200	21,600		58,130
TOTAL TANGIBLES				91,630	0		288,200	237,600		617,430

Intangible Costs				Before Casing Point			After Casing Point			Gross Total
				Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
12. Contract Field Supervision				48,000		1 0 6	35,000		3 0 6	83,000
13. Contract Engineering / Technical				8,000		1 3 0	3,000		3 3 0	11,000
14. Auto Expense (in-house field travel)				500	1,000	1 1 3	1,000		3 1 3	2,500
15. Legal / Title (permits & contract legal work)				3,500		1 4 2	2,000		3 4 2	5,500
16. Location & Road Expense				121,500		1 4 3	8,500		3 4 3	130,000
Location Prep & Anchors							3,500			
Surveys (ROW & ARC) & Staking				1,500						
Damages				10,000						
Construction & Maintenance				35,000						
Conductor, Rat Hole, Mouse Hole				7,500						
Drilling Pit Lining				7,500						
Location Cleanup							5,000			
Pit Reclamation				60,000						
17. Rig Moving Expense, Mob./Demob, Mods., Stby.				120,000		1 6 7				120,000
18. Contract Drilling				540,000		1 2 4	60,000		3 2 4	600,000
30 days \$20,000.00 per day										
19. Pulling Unit							60,000		3 1 9	60,000
15 days \$4,000.00 per day										
20. Power & Fuel (not otherwise included)				60,000		1 0 8	7,000		3 0 8	67,000
21. Onsite Supervisor Headquarters / Housekeeping				12,650		1 0 5	6,325		3 0 5	18,975
Trailer House Rental				4,500			2,250			
Generator for House Trailer										
Potable Water				750			375			
Phone / Internet / Satellite				5,400			2,700			
Waste Water Service				2,000			1,000			
22. Safety - Site Security / Equipment & Services						1 7 4			3 7 4	
Site Security										
H2S Monitoring				4,500						
Contract Safety Supervision										
23. Safety Incentive & Performance Bonus				30,000		1 4 1	1,000		3 4 1	31,000
24. Rig Monitoring Equipment				15,000		1 1 4	1,100		3 1 4	16,100
25. Water				48,000		1 9 0	39,800		3 9 0	87,800
Fresh Water Pit Construction & Lining										
Fresh Water Well Drilling										
Water Well Rental Equipment				20,000			5,000			
Water Well Usage							2,000			
Frac Tanks				3,000			19,800			
Water Hauling to Location				25,000			13,000			

Well Name: Turkey Track (Canyon) "Section 8"		Data Processing Information					
Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		AFE No. <div style="border: 1px solid black; padding: 5px; text-align: center;">TBA</div>			Original <input checked="" type="checkbox"/> Version # 1 Supplement <input type="checkbox"/>		
Intangible Costs (continued)		Before Casing Point		After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code
26. Mud Materials & Services		49,500		1 4 6	2,500		3 4 7
Mud Products & Chemicals		42,000			2,000		
Mud Cleaning Equipment and Services							
Mud / Gas Separator		7,500			500		
27. Bits, Underreamers & Hole Openers		75,000		1 1 5			
28. Directional Drilling Equipment & Services				1 3 6			
29. Fishing Tools & Services				1 3 3			3 3 3
30. Rental Equipment		86,500		1 3 2	19,000		3 3 2
Forklift / Manlift / Light Plants / Generators		20,000					
Reverse Unit / Matting Boards / Racks					7,500		
Well Control Equipment		18,000			5,000		
Rental DH Tools, Packers, Plugs					6,500		
BHA, Drill Pipe & Motors		48,500					
31. Tubular Inspection & Testing		2,100		1 3 9	6,000		3 3 9
32. Casing Crews - NU/LD Services - BOPE Testing		25,000		1 1 7	10,000		3 1 7
33. Trucking of Tangible Items (not otherwise included)		13,000		1 8 7			3 8 7
34. Mud Logging			18,000	1 4 7			
35. Conventional Coring & Analysis				1 2 3			
36. Drill Stem Test Equipment & Services				1 2 6			
37. DH Completion Tools					8,000		3 1 6
38. Casing Accessories		3,500		1 0 7	2,000		3 0 7
Float Equip, Centralizers, DV Tools		3,500			2,000		
Liner - Hangers, Services							
39. Logging, Wireline / Slickline & Associated Rentals		14,000	46,000	1 4 4	73,000		3 4 4
Electrical Logs			40,000				
RFT / Sidewall Coring			6,000				
Cased Hole Logs & CBL					11,000		
Temperature Surveys		2,000			1,000		
Gyro, Multi-Shot, Single Shot		12,000					
Perforating, Plug / Packer Setting					55,000		
Rental Lubricator & Flanges					6,000		
40. Cementing Services		51,000		1 1 8	35,000		3 1 8
13 3/8 " OD 400 Sacks		21,000					
8 5/8 " OD 1700 Sacks		30,000					
5 1/2 " OD 900 Sacks					35,000		
" OD Sacks							
" OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service					92,500		3 4 5
CT and N ₂ Service					85,000		
Rental Crane, Lubricator, Flanges					7,500		
42. Stimulation Materials & Services					250,000		3 1 0
43. Pump Truck (not otherwise included)				1 5 5	4,500		3 5 5
44. Production Testing Equipment & Services					45,000		3 3 5
45. Water Haul off and Disposal				1 7 3	13,000		3 7 3
46. Chemicals (Corrosion Control / Packer Fluid)				1 4 8	3,000		3 4 8
47. Roustabout Service (Labor not otherwise included)		18,000		1 6 9	5,000	25,000	3 6 9
48. Supplies		2,000		1 7 6	1,000	10,000	3 7 6
49. Meter Calibration & Repair						2,000	3 7 2
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %				1 0 2			3 0 2
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)		10,000		1 4 0			3 4 0
54. Contingency 10%		135,700	6,500		80,000	2,700	
TOTAL INTANGIBLES		1,492,450	71,500		874,225	39,700	
							2,477,875

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,624,250	277,300	
EVALUATED COST	\$1,655,580		Estimated By: S.L. Klier		
COMPLETED WELL COST INCLUDING FACILITIES	\$3,095,305		Date: 11/27/06		

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☒ I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Co-Owner Authorization

Approved ☒ Rejected ☐Approved ☐ Rejected ☐

Name/Title: Joseph Castillo, President

Date:

Company:

Name/Title:

Date:

FAX

H F BOLES

686-1104
2 p2922

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

(Certified Mail)

November 27, 2006

Mr. Herbert Boles
223 W. Wall, Suite 825
Midland, TX 79701

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

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Very truly yours,



Robert J. Boles

President

Bold Energy, LP

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Tel: 432-686-1100

Fax: 432-686-1104

E-mail: rboles@boldenergy.com

Date: 2/20/07

By: Robert J. Boles

Title: President

Company: Bold Energy, LP

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Page 2

Well Name		Well Processing Information				
Turkey Track (Canyon) "Section 8"		AFE No.	Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <input checked="" type="checkbox"/>			
Location: 1980' FNL & 840' FWL 8 - T195 - R29E Eddy County, New Mexico		TBA				
Intangible Costs (Continued)		Before Casing Point		After Casing Point		Gross Total
		Drilling	Evaluation	Completion	Post Completion	
26.	Mud Materials & Services	40,500	1.4 2	2,500		52,000
	Mud Materials & Services	40,500		2,500		
	Mud Cleaning Equipment and Related					
	Mud / Gas Separator	7,500		500		
27.	Bits, Uncemented & Hole Openers	75,000	1.4 2			75,000
28.	Directional Drilling Equipment & Services		1.3 8			
29.	Fishing Tools & Services		1.3 3			
30.	Rental Equipment	88,500	1.3 3	18,000		106,500
	Parall / Motors / Lamps / Pumps / Drills	88,500		18,000		
	Reverse / LAMP / LAMP / Pumps / Drills			7,500		
	Well Control Equipment	15,000		5,000		
	Rental OH Tools, Pumps, Pumps			5,000		
	SHA Drill Pipe & Motors	64,000				
31.	Tubular Inspection & Testing	3,100	1.3 9	8,000		11,100
32.	Casing Crews - NVA/O Services - ROPE Testing	25,000	1.3 7	10,000		35,000
33.	Trucking of Trenching Items (per hour)	18,000	1.3 7			18,000
34.	Mud Logging		1.4 7			
35.	Conventional Coring & Analysis		1.4 3			
36.	OH Steam Test Equipment & Services		1.3 6			
37.	OH Completion Tools			8,000		8,000
38.	Casing Accessories	3,500	1.3 7	2,500		6,000
	Fishing Equip, Cementing, OH Tools	3,500		2,500		
39.	Logging, Wireline / Services & Associated Rigging	14,000	1.4 4	73,000		87,000
	Geophysical Logs	14,000				
	RFT / Sidewall Coring					
	OH Log Log & CB			11,000		
	Temperature Survey	3,000		1,000		
	Drill, Wireline, Single Shot	12,000				
	Perforating, Plug / Packer Setting			61,000		
	Rental Lubricator & Pumps			6,000		
40.	Cementing Services	51,000	1.4 8	33,000		84,000
	15.25" "OO" 600 Sacks	81,000				
	8.5" "OO" 1700 Sacks	80,000				
	6.75" "OO" 600 Sacks			36,000		
	" " "OO" Sacks					
	" " "OO" Sacks					
	Squidex Cementing					
	Cement Pumps					
41.	Cement Pumping Service			92,000		92,000
	OT and Hg Service			92,000		
	Rental Crane, Lubricator, Flanges			1,000		
42.	Stimulation Materials & Services			250,000		250,000
43.	Pump Truck (not otherwise included)		1.3 3	4,500		4,500
44.	Production Testing Equipment & Services			43,000		43,000
45.	Water Wash out and Disposal		1.3 3	13,000		13,000
46.	Chemicals / Completion Control / Packer Fluid		1.4 8	3,000		3,000
47.	Restoration Service (not otherwise included)	18,000	1.4 8	8,000	25,000	49,000
48.	Supplies	8,000	1.4 4	1,000	10,000	19,000
49.	Meter Calibration & Repair				2,000	2,000
50.	Repair Surface Equipment					
51.	Repair Downhole Equipment					
52.	Capitalized Overhead		1.3 3			
53.	Insurance - New Drill (12,500 x 12,500 x 12,500)	10,000	1.4 6			10,000
54.	Contingency 10%	135,700	6.500	80,000	2,700	228,400
TOTAL INTANGIBLES		1,482,450	71.900	876,225	39,700	2,477,575

Cost Summary

TOTAL COST	(Tangible + Intangible)	1,884,980	71.300	1,164,425	177,300
EVALUATED COST		81,835,580			
COMPLETED WELL COST INCLUDING FACILITIES		\$3,095,305			

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your pro-rated share of the premiums therefor. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

☒ I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay the proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Approved ☒ Rejected ☐

Joe L. Calk

Name/Title: Joseph Calkins, President

Date:

Co-Owner Authorization

Approved ☒ Rejected ☐

Company: Herbert Boles

Name/Title: Owner

Date:

2/20/97

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

Certified Mail

November 27, 2006

Mr. Dick Frech
Monarch Resources, Inc.
115 W. 7th Street, Suite 1310
Fort Worth, Texas 76102

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

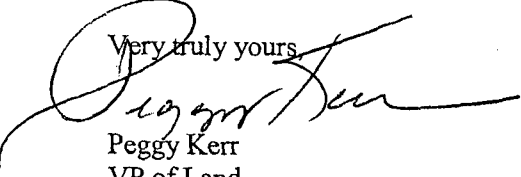
Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion and both the Canyon and Wolfcamp will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will have a rig available on or around February 15th 2007.

An Authorization for Expenditure is attached for a completed well cost of \$3,095,305.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,


Peggy Kerr
VP of Land

Participate AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE IN BLANK)

Monarch Resources, Inc.

By: 

Date: 12-14-06

 **SIGN &
RETURN**

Operator BOLD ENERGY, LP		Well Name Turkey Track (Canyon) "Section 8"		TD 10,100'	
Surface Location 1980' FNL & 660 FWL		Section - Township - Range 8 - T19S - R29E		County Eddy	
State New Mexico					
BHL 1980' FNL & 660 FWL		Field Turkey Track			
Primary Objective Canyon @ 9890'		Secondary Objective Wolfcamp @ 8880'		API Number TBA	
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>		Data Processing Information AFE No. <input type="text"/> TBA Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # 1			

Tangible Costs			Before Casing Point			After Casing Point			Gross Total
			Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
1. Tubulars	Setting Depths		72,800		2 0 4	232,000		4 0 4	304,800
13-3/8" OD	0' to 375'		12,800						
8 5/8" OD	0 to 3000'		60,000						
5 1/2" OD	0 to 10,100'					175,000			
2 7/8" OD	0 to 10,100'					57,000			
" OD	0 to								
" OD	to								
2. Casinghead, Tubinghead, Christmas Tree			10,500		2 8 3	20,500		4 9 3	31,000
3. Tubing Accessories						9,500		4 1 2	9,500
Packers, Tubing Anchors						8,000			
On/off tools									
Nipples (SN & Profiles)						1,500			
Purchased RBP's, etc.									
4. Artificial Lift							75,000	4 9 4	75,000
5. Capillary System								4 1 1	
6. Production Equipment							91,000	4 3 8	91,000
Separators							50,000		
Metering Equipment							5,000		
Tanks							28,000		
Valves, Fittings & Couplings							8,000		
7. Electrical Lines & Equipment								4 2 8	
8. Flowline (WH to Production Unit)							5,000	4 5 6	5,000
Line Pipe							3,500		
Valves, Fittings & Couplings							1,500		
9. Pipeline (Production Unit to Sales Point)							45,000	4 5 7	45,000
Line Pipe							40,000		
Valves, Fittings & Couplings							5,000		
10. Water Disposal System								4 9 0	
Injection Pump									
Transfer Pump									
Gun Barrell & Tanks									
Metering Equipment									
Electrical Equipment									
Line, Valves, Fittings & Couplings									
11. Contingency 10%			8,330	0		26,200	21,600		56,130
TOTAL TANGIBLES			91,630	0		288,200	237,600		617,430

Intangible Costs			Before Casing Point			After Casing Point			Gross Total
			Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
12. Contract Field Supervision			48,000		1 0 8	35,000		3 0 8	83,000
13. Contract Engineering / Technical			8,000		1 3 0	3,000		3 3 0	11,000
14. Auto Expense (in-house field travel)			500	1,000	1 1 3	1,000		3 1 3	2,500
15. Legal / Title (permits & contract legal work)			3,500		1 4 2	2,000		3 4 2	5,500
16. Location & Road Expense			121,500		1 4 3	8,500		3 4 3	130,000
Location Prep & Anchors						3,500			
Surveys (ROW & ARC) & Staking			1,500						
Damages			10,000						
Construction & Maintenance			35,000						
Conductor, Rat Hole, Mouse Hole			7,500						
Drilling Pit Lining			7,500						
Location Cleanup						5,000			
Pit Reclamation			60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Stby.			120,000		1 6 7				120,000
18. Contract Drilling			540,000		1 2 4	60,000		3 2 4	600,000
30 days \$20,000.00 per day									
19. Pulling Unit						60,000		3 1 9	60,000
15 days \$4,000.00 per day									
20. Power & Fuel (not otherwise included)			60,000		1 0 8	7,000		3 0 8	67,000
21. Onsite Supervisor/Headquarters / Housekeeping			12,650		1 0 5	6,325		3 0 5	18,975
Trailer House Rental			4,500			2,250			
Generator for House Trailer									
Potable Water			750			375			
Phone / Internet / Satellite			5,400			2,700			
Waste Water Service			2,000			1,000			
22. Safety- Site Security / Equipment & Services					1 7 4			3 7 4	
Site Security									
H2S Monitoring			4,500						
Contract Safety Supervision									
23. Safety Incentive & Performance Bonus			30,000		1 4 1	1,000		3 4 1	31,000
24. Rig Monitoring Equipment			15,000		1 1 4	1,100		3 1 4	16,100
25. Water			48,000		1 9 0	39,800		3 9 0	87,800
Fresh Water Pit Construction & Lining									
Fresh Water Well Drilling									
Water Well Rental Equipment			20,000			5,000			
Water Well Usage						2,000			
Frac Tanks			3,000			19,800			
Water Hauling to Location			25,000			13,000			

Well Name: Turkey Track (Canyon) "Section 8"		Data Processing Information						
Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		AFE No. TBA			Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # 1	
Intangible Costs (continued)	Before Casing Point			After Casing Point			Gross Total	
	Drilling	Evaluation	Code	Completion	Prod Facilities	Code		
26. Mud Materials & Services	49,500		1 4 6	2,500		3 4 7	52,000	
Mud Products & Chemicals	42,000			2,000				
Mud Cleaning Equipment and Services								
Mud / Gas Separator	7,500			500				
27. Bits, Underreamers & Hole Openers	75,000		1 1 5				75,000	
28. Directional Drilling Equipment & Services			1 3 6					
29. Fishing Tools & Services			1 3 3			3 3 3		
30. Rental Equipment	86,500		1 3 2	19,000		3 3 2	105,500	
Forklift / Manlift / Light Plants / Generators	20,000							
Reverse Unit / Matting Boards / Racks				7,500				
Well Control Equipment	18,000			5,000				
Rental DH Tools, Packers, Plugs				6,500				
BHA, Drill Pipe & Motors	48,500							
31. Tubular Inspection & Testing	2,100		1 3 9	6,000		3 3 9	8,100	
32. Casing Crews - NU/LD Services - BOPE Testing	25,000		1 1 7	10,000		3 1 7	35,000	
33. Trucking of Tangible Items (not otherwise included)	13,000		1 8 7			3 8 7	13,000	
34. Mud Logging		18,000	1 4 7				18,000	
35. Conventional Coring & Analysis			1 2 3					
36. Drill Stem Test Equipment & Services			1 2 6					
37. DH Completion Tools				8,000		3 1 8	8,000	
38. Casing Accessories	3,500		1 0 7	2,000		3 0 7	5,500	
Float Equip, Centralizers, DV Tools	3,500			2,000				
Liner - Hangers, Services								
39. Logging: Wireline / Slickline & Associated Rentals	14,000	46,000	1 4 4	73,000		3 4 4	133,000	
Electrical Logs		40,000						
RFT / Sidewall Coring		6,000						
Cased Hole Logs & CBL				11,000				
Temperature Surveys	2,000			1,000				
Gyro, Multi-Shot, Single Shot	12,000							
Perforating, Plug / Packer Setting				55,000				
Rental Lubricator & Flanges				6,000				
40. Cementing Services	51,000		1 1 8	35,000		3 1 8	86,000	
13 3/8 " OD 400 Sacks	21,000							
8 5/8 " OD 1700 Sacks	30,000							
5 1/2 " OD 900 Sacks				35,000				
" OD Sacks								
" OD Sacks								
Squeeze Cementing								
Cement Plugs								
41. Coiled Tubing Service				92,500		3 4 5	92,500	
CT and N ₂ Service				85,000				
Rental Crane, Lubricator, Flanges				7,500				
42. Stimulation Materials & Services				250,000		3 1 0	250,000	
43. Pump Truck (not atherwise Included)			1 5 5	4,500		3 5 5	4,500	
44. Production Testing Equipment & Services				45,000		3 3 5	45,000	
45. Water Haul off and Disposal			1 7 3	13,000		3 7 3	13,000	
46. Chemicals (Corrosion Control / Packer Fluid)			1 4 8	3,000		3 4 8	3,000	
47. Roustabout Service (Labor not otherwise included)	18,000		1 8 9	5,000	25,000	3 8 9	48,000	
48. Supplies	2,000		1 7 6	1,000	10,000	3 7 6	13,000	
49. Meter Calibration & Repair					2,000	3 7 2	2,000	
50. Repair Surface Equipment								
51. Repair Downhole Equipment								
52. Capitalized Overhead %			1 0 2			3 0 2		
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	10,000		1 4 0			3 4 0	10,000	
54. Contingency 10%	135,700	6,500		80,000	2,700		224,900	
TOTAL INTANGIBLES	1,492,450	71,500		874,225	39,700		2,477,875	

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,162,425	277,300
EVALUATED COST	\$1,655,580		Estimated By: S. L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$3,095,305		Date: 11/27/06	

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BOLD ENERGY, LP

Co-Owner Authorization

Approved ☒ Rejected ☐

Approved ☒ Rejected ☐

Name/Title: Joseph Castillo, President

Date:

Company: Marathon Resources

Name/Title: Richard A. Hoag

Date: 12-14-06

SIGN & RETURN

THOMAS M. BEALL
550 W. TEXAS, SUITE 220
P. O. BOX 3098
MIDLAND, TX 79702
(432) 687-0008

APRIL 5, 2007

VIA FACSIMILE 432-686-1104
&
HAND DELIVERY TO:

Bold Energy, LP
Attn: Ms. Peggy Kerr-Worthington
415 W. Wall Street, Suite 500
Midland, TX 79701

RE: Your Well Proposal Oxy Checker State #2 – 1980' FNL & 660' FWL
Section 8, T-19-S, R-29-E – Turkey Track (Canyon)
Eddy County, NM

Ladies and Gentlemen:

Reference is made to your letter dated December 27, 2006 concerning the captioned proposal. Please accept this letter as confirmation of my continued desire to participate in the drilling of this well.

As we have discussed, I signed the original AFE at the time of proposal. Even though said proposal and AFE are now stale with regards to the operational limits set in the Joint Operating Agreement, I would assume that a current AFE would show that the overall costs have actually gone down since your proposal.

Please let me know the current status of your project and what plans you have for the drilling of this well.

Very Truly Yours,



Thomas M. Beall