

## ACKNOWLEDGEMENT OF RECEIPT

The undersigned acknowledges that the following package was received by  
Oxy USA WTP L.P. from Bold Energy, LP on 11 day of May  
2007.

By: [Signature]

Printed Name: Angelita S. [Signature]

Re: Package

Well proposal for the Oxy-Checker State #2, located in Sec. 8, T19S, R29E,  
Eddy County, New Mexico.

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"><li>Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li><li>Print your name and address on the reverse so that we can return the card to you.</li><li>Attach this card to the back of the mailpiece, or on the front if space permits.</li></ul>	<p>A. Signature <u>[Signature]</u> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>X <input checked="" type="checkbox"/> Received by (Printed Name) <u>[Signature]</u> C. Date of Delivery <u>5/22/07</u></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p>
Article Addressed to:  OXY USA WTP L.P. Attn: David Evans 2 Desta Dr., Ste. 400 Midland, TX 79705	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.
Article Number (Transfer from service label)	4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
7005 1160 0005 3908 0780	

S Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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Oil Conservation Commission  
Case No. 12  
Exhibit No. 12

OFFICIAL USE	
Postage	\$ 0.63
Certified Fee	\$2.40
Return Receipt Fee (Endorsement Required)	\$1.85
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 4.88

0702  
MIDLAND, TX 79705  
Postmark Here  
MAY 22 2007  
05/11/2007

Sent to OXY USA WTP L.P.  
Street, Apt. No. or PO Box No. 2 Desta Dr., Ste. 400  
City, State, ZIP+4 Midland, TX 79705

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

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

Sent Certified/Return Receipt

May 11, 2007

Oxy USA WTP L.P.  
6 Desta Drive, Suite 600  
Midland, Texas 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:

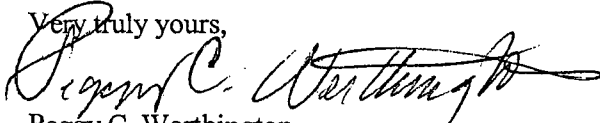
Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion in the Canyon and Wolfcamp formations which will be included in the initial 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 work rapidly to commence operations to drill and complete the proposed well.

An Authorization for Expenditure is attached for a completed well cost of \$2,473,275.

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 C. Worthington  
VP of Land

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

Oxy USA WTP L.P.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Operator <b>BOLD ENERGY, LP</b>		Well Name <b>Oxy Checker State #2</b>		TD <b>10,100'</b>					
Surface Location <b>1980' FNL &amp; 660 FWL</b>		Section - Township - Range <b>8 - T19S - R29E</b>		County <b>Eddy</b>					
State <b>New Mexico</b>		Field <b>Turkey Track</b>		API Number <b>TBA</b>					
BHL <b>1980' FNL &amp; 660 FWL</b>		Primary Objective <b>Canyon @ 9890'</b>		Secondary Objective <b>Wolfcamp @ 8880'</b>					
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. <b>700005</b> Original Supplement <input checked="" type="checkbox"/> Version # <b>2</b>							
Tangible Costs		Before Casing Point		After Casing Point		Gross Total			
Drilling		Evaluation		Code		Completion	Prod Facilities	Code	Gross Total
Tubulars		Setting Depth		72,800		232,000		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		0 to							
2. Casinghead, Tubinghead, Christmas Tree		10,500		216.3		20,500		31,000	
3. Tubing/Accessories						9,500		9,500	
Packers, Tubing Anchors						3,000			
On/off tools									
Nipples (SN & Profiles)						1,500			
Purchased RBP's, etc.									
4. Artificial Lift						75,000		75,000	
5. Capillary System									
6. Production Equipment						91,000		91,000	
Separators						50,000			
Metering Equipment						5,000			
Tanks						26,000			
Valves, Fittings & Couplings						8,000			
7. Electrical Lines & Equipment									
8. Flowline (WH to Production Unit)						5,000		5,000	
Line Pipe						3,500			
Valves, Fittings & Couplings						1,500			
9. Pipeline (Production Unit to Sales Point)						45,000		45,000	
Line Pipe						40,000			
Valves, Fittings & Couplings						5,000			
10. Water Disposal System									
Injection Pump									
Transfer Pump									
Gun Barrel & Tanks									
Metering Equipment									
Electrical Equipment									
Line, Valves, Fittings & Couplings									
11. Contingency - 0%									
TOTAL TANGIBLES		83,300		0		262,000		216,000	
561,300									
Intangible Costs		Before Casing Point		After Casing Point		Gross Total			
Drilling		Evaluation		Code		Completion		Prod Facilities	
12. Contract Field Supervision		48,000		10.6		25,000		73,000	
13. Contract Engineering / Technical		8,000		13.0		2,000		10,000	
14. Auto Expense (In-house field travel)		500		1.9		1,000		2,500	
15. Legal / Title (permits & contract legal work)		3,500		1.42		2,000		5,500	
16. Location & Road Expense		121,500		1.43		2,500		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				5,000			
Location Cleanup									
Pit Reclamation		60,000							
17. Rig Moving Expense, Mob / Demob, Mods, Stby.		120,000		16.7				120,000	
18. Contract Drilling		445,500		12.4		49,500		495,000	
30 days \$16,500.00 per day									
19. Pulling Unit						40,000		40,000	
10 days \$4,000.00 per day									
20. Power & Fuel (not otherwise included)		40,000		10.6		7,000		47,000	
21. Onsite Supervisor Headquarters / Housekeeping		12,850		10.5		6,325		18,975	
Trailer House Rental		4,500				2,250			
Generator for House Trailer						375			
Potable Water		750							
Phone / Internet / Satellite		5,400				2,700			
Waste Water Service		2,000				1,000			
22. Safety / Site Security / Equipment & Services				17.4				37.4	
Site Security									
H2S Monitoring		4,500							
Contract Safety Supervision									
23. Safety Incentive & Performance Bonus		30,000		14.1		1,000		31,000	
24. Rig Monitoring Equipment		15,000		13.4		1,100		16,100	
25. Water		48,000		16.0		35,300		83,300	
Fresh Water Pit Construction & Lining									
Fresh Water Well Drilling						5,000			
Water Well Rental Equipment		20,000							
Water Well Usage						2,000			
Frac Tanks		3,000				15,300			
Water Hauling to Location		25,000				13,000			

Well Name: <b>Oxy Checker State #2</b>		Data Processing Information			
Location: <b>1980' FNL &amp; 660 FWL 8 - T19S - R29E Eddy County, New Mexico</b>		AFE No. <b>700005</b>		Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>	Version # <b>1</b>
<b>Intangible Costs (continued)</b>		<b>Before Casing Point</b>		<b>After Casing Point</b>	
		<b>Drilling</b>	<b>Evaluation</b>	<b>Code</b>	<b>Completion</b>
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	30,000				
Reverse Unit / Matting Boards / Racks				7,500	
Well Control Equipment	19,000			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 - NUALD 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	3:1:8
38. Casing Accessories	3,500		1:0:7	2,000	3:0:7
Float Equip, Centralizers, DV Tools	3,500			2,000	
39. Logging, Wireline / Stickline & 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				
6 1/2" OD 900 Sacks				85,000	
" OD Sacks					
" OD Sacks					
Squeeze Cementing					
Cement Plugs					
41. Coiled Tubing Service					3:4:6
CT and R <sub>2</sub> Service					
Rental Crane, Lubricator, Flanges					
42. Stimulation Materials & Services				180,000	3:1:0
43. Pump Truck (not otherwise included)			1:5:5	4,500	3:5:5
44. Production Testing Equipment & Services				35,000	3:8:5
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. Roostabout Service (not otherwise included)	18,000		1:8:9	5,000	17,000 3:8:9
48. Supplies	2,000		1:7:6	1,000	10,000 3:7:6
49. Motor 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	0%				
<b>TOTAL INTANGIBLES</b>	<b>1,242,250</b>	<b>65,000</b>		<b>575,725</b>	<b>29,000</b>
					<b>1,911,975</b>

**Cost Summary**

<b>TOTAL COST</b>	<b>(Tangibles + Intangibles)</b>	<b>1,325,550</b>	<b>65,000</b>	<b>837,725</b>	<b>245,000</b>
<b>EVALUATED COST</b>		<b>\$1,390,550</b>			
<b>COMPLETED WELL COST INCLUDING FACILITIES</b>		<b>\$2,473,275</b>			

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

MAY 29 2007

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



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

Sent Certified/Return Receipt

May 11, 2007

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

Attn: Mr. Dick Frech

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 in the Canyon and Wolfcamp formations which 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 work rapidly to commence operations to drill and complete the proposed well.

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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 C. Worthington  
VP of Land

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

Monarch Resources, Inc.

By:

Date: 5-23-07

RECEIVED

JUN 25 2007

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



SIGN &  
RETURN

Main: 432-686-1100

Fax: 432-686-1104

Sent Certified/Return Receipt

May 11, 2007

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

Attn: Mr. Herbert Boles

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

Gentlemen:

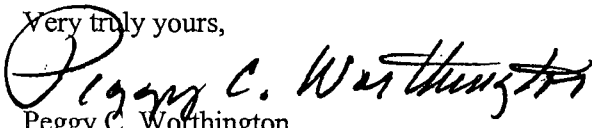
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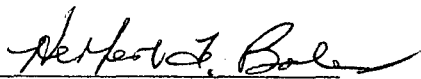
Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,

  
Peggy C. Worthington  
VP of Land

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

Herbert F. Boles

By: 

Date: 5/14/07



Operator <b>BOLD ENERGY, LP</b>		Well Name <b>Oxy Checker State #2</b>		TD <b>10,100'</b>				
Surface Location <b>1980' FNL &amp; 660 FWL</b>		Section - Township - Range <b>8 - T19S - R29E</b>		County <b>Eddy</b>				
State <b>New Mexico</b>								
BHL <b>1980' FNL &amp; 660 FWL</b>		Field <b>Turkey Track</b>						
Primary Objective <b>Canyon @ 9890'</b>		Secondary Objective <b>Wolfcamp @ 8880'</b>		API Number <b>TBA</b>				
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. <b>700005</b> Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <b>2</b>						
Tangible Costs		Before Casing Point		After Casing Point		Gross Total		
		Drilling	Evaluation	Code	Completion		Prod Facilities	
1. Tubulars		Setting Depths						
13-3/8" OD 0' to 375'		72,800		2 0 4	232,000	4 0 4	304,800	
8 5/8" OD 0 to 3000'		12,800						
5 1/2" OD 0 to 10,100'		60,000			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 8	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 0%								
TOTAL TANGIBLES		83,300	0		262,000	216,000	561,300	
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	25,000		3 0 8	73,000
13. Contract Engineering / Technical		8,000		1 3 0	2,000		3 3 0	10,000
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		445,500		1 2 4	49,500		3 2 4	495,000
30 days \$16,500.00 per day								
19. Pulling Unit					40,000		3 1 9	40,000
10 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)		40,000		1 0 8	7,000		3 0 8	47,000
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	35,300		3 9 0	83,300
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			15,300			
Water Hauling to Location		25,000			13,000			

Well Name: <b>Oxy Checker State #2</b>		Data Processing Information						
Location: <b>1980' FNL &amp; 660 FWL 8 - T19S - R29E Eddy County, New Mexico</b>		AFE No. <b>700005</b>			Original <input checked="" type="checkbox"/> Version # <b>1</b> Supplement <input type="checkbox"/>			
<b>Intangible Costs (continued)</b>		<b>Before Casing Point</b>		<b>After Casing Point</b>			<b>Gross Total</b>	
		<b>Drilling</b>	<b>Evaluation</b>	<b>Code</b>	<b>Completion</b>	<b>Prod Facilities</b>		<b>Code</b>
26. Mud Materials & Services		<b>49,500</b>		<b>1 4 6</b>	<b>2,500</b>		<b>3 4 7</b>	<b>52,000</b>
Mud Products & Chemicals		42,000			2,000			
Mud Cleaning Equipment and Services								
Mud / Gas Separator		7,500			500			
27. Bits, Underreamers & Hole Openers		<b>75,000</b>		<b>1 1 5</b>				<b>75,000</b>
28. Directional Drilling Equipment & Services				<b>1 3 8</b>				
29. Fishing Tools & Services				<b>1 3 3</b>			<b>3 3 3</b>	
30. Rental Equipment		<b>88,500</b>		<b>1 3 2</b>	<b>19,000</b>		<b>3 3 2</b>	<b>105,500</b>
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		<b>2,100</b>		<b>1 3 9</b>	<b>6,000</b>		<b>3 3 9</b>	<b>8,100</b>
32. Casing Crews - NU/LD Services - BOPE Testing		<b>25,000</b>		<b>1 1 7</b>	<b>10,000</b>		<b>3 1 7</b>	<b>35,000</b>
33. Trucking of Tangible Items (not otherwise included)		<b>13,000</b>		<b>1 8 7</b>			<b>3 8 7</b>	<b>13,000</b>
34. Mud Logging			<b>18,000</b>	<b>1 4 7</b>				<b>18,000</b>
35. Conventional Coring & Analysis				<b>1 2 3</b>				
36. Drill Stem Test Equipment & Services				<b>1 2 6</b>				
37. DH Completion Tools					<b>8,000</b>		<b>3 1 8</b>	<b>8,000</b>
38. Casing Accessories		<b>3,500</b>		<b>1 0 7</b>	<b>2,000</b>		<b>3 0 7</b>	<b>5,500</b>
Float Equip, Centralizers, DV Tools		3,500			2,000			
Liner - Hangers, Services								
39. Logging, Wireline / Stickline & Associated Rentals		<b>14,000</b>	<b>46,000</b>	<b>1 4 4</b>	<b>73,000</b>		<b>3 4 4</b>	<b>133,000</b>
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		<b>51,000</b>		<b>1 1 8</b>	<b>35,000</b>		<b>3 1 8</b>	<b>86,000</b>
13 3/8" OD 400 Sacks		21,000						
8 5/8" OD 1700 Sacks		30,000						
5 1/2" OD 900 Sacks					35,000			
Squeeze Cementing								
Cement Plugs								
41. Coiled Tubing Service							<b>3 4 5</b>	
CT and N <sub>2</sub> Service								
Rental Crane, Lubricator, Flanges								
42. Stimulation Materials & Services					<b>180,000</b>		<b>3 1 0</b>	<b>180,000</b>
43. Pump Truck (not otherwise included)				<b>1 5 5</b>	<b>4,500</b>		<b>3 5 5</b>	<b>4,500</b>
44. Production Testing Equipment & Services					<b>35,000</b>		<b>3 3 5</b>	<b>35,000</b>
45. Water Haul off and Disposal				<b>1 7 3</b>	<b>13,000</b>		<b>3 7 3</b>	<b>13,000</b>
46. Chemicals (Corrosion Control / Packer Fluid)				<b>1 4 8</b>	<b>3,000</b>		<b>3 4 8</b>	<b>3,000</b>
47. Roustabout Service (Labor not otherwise included)		<b>18,000</b>		<b>1 6 9</b>	<b>5,000</b>	<b>17,000</b>	<b>3 6 9</b>	<b>40,000</b>
48. Supplies		<b>2,000</b>		<b>1 7 6</b>	<b>1,000</b>	<b>10,000</b>	<b>3 7 6</b>	<b>13,000</b>
49. Meter Calibration & Repair						<b>2,000</b>	<b>3 7 2</b>	<b>2,000</b>
50. Repair Surface Equipment								
51. Repair Downhole Equipment								
52. Capitalized Overhead %				<b>1 0 2</b>			<b>3 0 2</b>	
53. Insurance - New Drill (<12,500: \$10K, >12,500: \$50K)		<b>10,000</b>		<b>1 4 0</b>			<b>3 4 0</b>	<b>10,000</b>
54. Contingency 0%								
<b>TOTAL INTANGIBLES</b>		<b>1,242,250</b>	<b>65,000</b>		<b>575,725</b>	<b>29,000</b>		<b>1,911,975</b>

## Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST	\$1,390,550		Estimated By: S. L. Kilar	
COMPLETED WELL COST INCLUDING FACILITIES	\$2,473,275		Date: 4/10/07	

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

Company: Herbert F. Boles  
Name/Title: Herbert F. Boles OWNER

Date:

Date: 5/14/07



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



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

Sent Certified/Return Receipt

May 11, 2007

Fuel Products, Inc.  
Mr. Thomas M. Beall  
PO Box 3098  
Midland, TX 79702

Attn: Mr. Tom Beall

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

MAY 15 2007

Gentlemen:

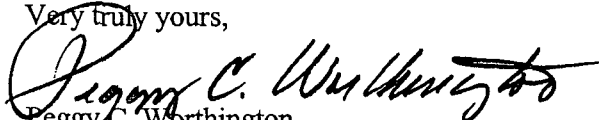
Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion in the Canyon and Wolfcamp formations which will be included in the initial 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 work rapidly to commence operations to drill and complete the proposed well.

An Authorization for Expenditure is attached for a completed well cost of \$2,473,275.

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 C. Worthington  
VP of Land

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

Thomas M. Beall

By: Thomas M. Beall - President

Date: 5/15/07



Operator <b>BOLD ENERGY, LP</b>			Well Name <b>Oxy Checker State #2</b>			TD <b>10,100'</b>			
Surface Location <b>1980' FNL &amp; 660 FWL</b>			Section - Township - Range <b>8 - T19S - R29E</b>		County <b>Eddy</b>		State <b>New Mexico</b>		
BHL <b>1980' FNL &amp; 660 FWL</b>			Field <b>Turkey Track</b>						
Primary Objective <b>Canyon @ 9890'</b>			Secondary Objective <b>Wolfcamp @ 8880'</b>			API Number <b>TBA</b>			
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. <b>700005</b> Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <b>2</b>						
Tangible Costs			Before Casing Point			After Casing Point			Gross Total
			Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
1. Tubulars Setting Depths 13-3/8" OD 0' to 375' 8 5/8" OD 0 to 3000' 5 1/2" OD 0 to 10,100' 2 7/8" OD 0 to 10,100' " OD 0 to " OD to			72,800		2 0 4	232,000		4 0 4	304,800
			12,800						
			60,000						
						175,000			
						57,000			
2. Casinghead, Tubinghead, Christmas Tree			10,500		2 9 3	20,500		4 9 3	31,000
3. Tubing Accessories Packers, Tubing Anchors On/off tools Nipples (SN & Profiles) Purchased RBP's, etc.						9,500		4 1 2	9,500
						8,000			
						1,500			
4. Artificial Lift							75,000	4 9 4	75,000
5. Capillary System								4 1 1	
6. Production Equipment Separators Metering Equipment Tanks Valves, Fittings & Couplings							91,000	4 3 8	91,000
							50,000		
							5,000		
							28,000		
							8,000		
7. Electrical Lines & Equipment								4 2 8	
8. Flowline (WH to Production Unit) Line Pipe Valves, Fittings & Couplings							5,000	4 5 6	5,000
							3,500		
							1,500		
9. Pipeline (Production Unit to Sales Point) Line Pipe Valves, Fittings & Couplings							45,000	4 5 7	45,000
							40,000		
							5,000		
10. Water Disposal System Injection Pump Transfer Pump Gun Barrell & Tanks Metering Equipment Electrical Equipment Line, Valves, Fittings & Couplings								4 9 0	
11. Contingency 0%									
TOTAL TANGIBLES			83,300	0		262,000	216,000		561,300
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	25,000		3 0 6	73,000
13. Contract Engineering / Technical			8,000		1 3 0	2,000		3 3 0	10,000
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 Location Prep & Anchors Surveys (ROW & ARC) & Staking Damages Construction & Maintenance Conductor, Rat Hole, Mouse Hole Drilling Pit Lining Location Cleanup Pit Reclamation			121,500		1 4 3	8,500		3 4 3	130,000
						3,500			
			1,500						
			10,000						
			35,000						
			7,500						
			7,500						
						5,000			
			60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Sby.			120,000		1 6 7				120,000
18. Contract Drilling 30 days \$16,500.00 per day			445,500		1 2 4	49,500		3 2 4	495,000
19. Pulling Unit 10 days \$4,000.00 per day						40,000		3 1 9	40,000
20. Power & Fuel (not otherwise included)			40,000		1 0 8	7,000		3 0 8	47,000
21. Onsite Supervisor Headquarters / Housekeeping Trailer House Rental Generator for House Trailer Potable Water Phone / Internet / Satellite Waste Water Service			12,650		1 0 5	6,325		3 0 5	18,975
			4,500			2,250			
			750			375			
			5,400			2,700			
			2,000			1,000			
22. Safety - Site Security / Equipment & Services Site Security H2S Monitoring Contract Safety Supervision					1 7 4			3 7 4	
				4,500					
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 Fresh Water Pit Construction & Lining Fresh Water Well Drilling Water Well Rental Equipment Water Well Usage Frac Tanks Water Hauling to Location			48,000		1 9 0	35,300		3 9 0	83,300
			20,000			5,000			
						2,000			
			3,000			15,300			
			25,000			13,000			

Well Name:		Data Processing Information						
Location:		AFE No.		Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # <input checked="" type="checkbox"/>		
1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		700005						
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 6	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							3 4 5	
CT and N <sub>2</sub> Service								
Rental Crane, Lubricator, Flanges								
42. Stimulation Materials & Services					180,000		3 1 0	180,000
43. Pump Truck (not otherwise included)				1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services					35,000		3 3 5	35,000
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 6 9	5,000	17,000	3 6 9	40,000
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	0%							
TOTAL INTANGIBLES		1,242,250	65,000		575,725	29,000		1,911,975

## Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST	\$1,390,550		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$2,473,275		Date: 4/10/07	

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.

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## BOLD ENERGY, LP

## Co-Owner Authorization

Approved ☒ Rejected ☐Approved ☐ Rejected ☐

Name/Title: Joseph Castillo, President

Date:

Company:

Name/Title:

Date:

*Joseph Castillo*

FUEL PRODUCTIONS, INC.

Thomas M. Bull - Pres.

5/15/07

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



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

Sent Certified/Return Receipt

May 11, 2007

Mr. Tom Beall  
550 West Texas  
Midland, TX 79701

Attn: Mr. Tom Beall

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

MAY 15 2007

Gentlemen:

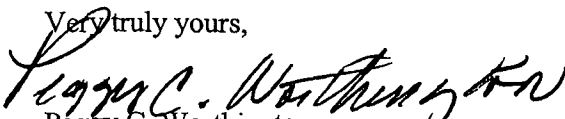
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Very truly yours,

  
Peggy C. Worthington  
VP of Land

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

Thomas M. Beall

By: 

Date: 5/15/07



**SIGN &  
RETURN**

Operator <b>BOLD ENERGY, LP</b>		Well Name <b>Oxy Checker State #2</b>		TD <b>10,100'</b>				
Surface Location <b>1980' FNL &amp; 660 FWL</b>		Section - Township - Range <b>8 - T19S - R29E</b>		County <b>Eddy</b>				
State <b>New Mexico</b>								
BHL <b>1980' FNL &amp; 660 FWL</b>		Field <b>Turkey Track</b>						
Primary Objective <b>Canyon @ 9890'</b>		Secondary Objective <b>Wolfcamp @ 8880'</b>		API Number <b>TBA</b>				
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. <b>700005</b> Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <b>2</b>						
<b>Tangible Costs</b>		<b>Before Casing Point</b>		<b>After Casing Point</b>		<b>Gross Total</b>		
		<b>Drilling</b>	<b>Evaluation</b>	<b>Code</b>	<b>Completion</b>		<b>Prod Facilities</b>	<b>Code</b>
1. Tubulars      Setting Depths		<b>72,800</b>		<b>2 0 4</b>	<b>232,000</b>		<b>4 0 4</b>	<b>304,800</b>
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      0      to								
2. Casinghead, Tubinghead, Christmas Tree		<b>10,500</b>		<b>2 9 3</b>	<b>20,500</b>		<b>4 9 3</b>	<b>31,000</b>
3. Tubing Accessories					<b>9,500</b>		<b>4 1 2</b>	<b>9,500</b>
Packers, Tubing Anchors					8,000			
On/off tools								
Nipples (SN & Profiles)					1,500			
Purchased RBP's, etc.								
4. Artificial Lift						<b>75,000</b>	<b>4 9 4</b>	<b>75,000</b>
5. Capillary System							<b>4 1 1</b>	
6. Production Equipment						<b>91,000</b>	<b>4 3 8</b>	<b>91,000</b>
Separators						50,000		
Metering Equipment						5,000		
Tanks						28,000		
Valves, Fittings & Couplings						8,000		
7. Electrical Lines & Equipment							<b>4 2 8</b>	
8. Flowline (WH to Production Unit)						<b>5,000</b>	<b>4 5 8</b>	<b>5,000</b>
Line Pipe						3,500		
Valves, Fittings & Couplings						1,500		
9. Pipeline (Production Unit to Sales Point)						<b>45,000</b>	<b>4 5 7</b>	<b>45,000</b>
Line Pipe						40,000		
Valves, Fittings & Couplings						5,000		
10. Water Disposal System							<b>4 9 0</b>	
Injection Pump								
Transfer Pump								
Gun Barrel & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency      0%								
<b>TOTAL TANGIBLES</b>		<b>83,300</b>	<b>0</b>		<b>262,000</b>	<b>216,000</b>		<b>561,300</b>
<b>Intangible Costs</b>		<b>Before Casing Point</b>		<b>After Casing Point</b>		<b>Gross Total</b>		
		<b>Drilling</b>	<b>Evaluation</b>	<b>Code</b>	<b>Completion</b>	<b>Prod Facilities</b>	<b>Code</b>	
12. Contract Field Supervision		<b>48,000</b>		<b>1 0 8</b>	<b>25,000</b>		<b>3 0 8</b>	<b>73,000</b>
13. Contract Engineering / Technical		<b>8,000</b>		<b>1 3 0</b>	<b>2,000</b>		<b>3 3 0</b>	<b>10,000</b>
14. Auto Expense (in-house field travel)		<b>500</b>	<b>1,000</b>	<b>1 1 3</b>	<b>1,000</b>		<b>3 1 3</b>	<b>2,500</b>
15. Legal / Title (permits & contract legal work)		<b>3,500</b>		<b>1 4 2</b>	<b>2,000</b>		<b>3 4 2</b>	<b>5,500</b>
16. Location & Road Expense		<b>121,500</b>		<b>1 4 3</b>	<b>8,500</b>		<b>3 4 3</b>	<b>130,000</b>
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.		<b>120,000</b>		<b>1 6 7</b>				<b>120,000</b>
18. Contract Drilling		<b>445,500</b>		<b>1 2 4</b>	<b>49,500</b>		<b>3 2 4</b>	<b>495,000</b>
30 days      \$16,500.00      per day								
19. Pulling Unit					<b>40,000</b>		<b>3 1 9</b>	<b>40,000</b>
10 days      \$4,000.00      per day								
20. Power & Fuel (not otherwise included)		<b>40,000</b>		<b>1 0 8</b>	<b>7,000</b>		<b>3 0 8</b>	<b>47,000</b>
21. Onsite Supervisor Headquarters / Housekeeping		<b>12,650</b>		<b>1 0 5</b>	<b>6,325</b>		<b>3 0 5</b>	<b>18,975</b>
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				<b>1 7 4</b>			<b>3 7 4</b>	
Site Security								
H2S Monitoring		4,500						
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus		<b>30,000</b>		<b>1 4 1</b>	<b>1,000</b>		<b>3 4 1</b>	<b>31,000</b>
24. Rig Monitoring Equipment		<b>15,000</b>		<b>1 1 4</b>	<b>1,100</b>		<b>3 1 4</b>	<b>16,100</b>
25. Water		<b>48,000</b>		<b>1 9 0</b>	<b>35,300</b>		<b>3 9 0</b>	<b>83,300</b>
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			15,300			
Water Hauling to Location		25,000			13,000			

Well Name: <b>Oxy Checker State #2</b>		Data Processing Information					
Location: <b>1980' FNL &amp; 660 FWL 8 - T19S - R29E Eddy County, New Mexico</b>		AFE No. <b>700005</b>		Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # <b>1</b>	
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 8	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 6	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						3 4 5	
CT and N <sub>2</sub> Service							
Rental Crane, Lubricator, Flanges							
42. Stimulation Materials & Services				180,000		3 1 0	180,000
43. Pump Truck (not otherwise included)			1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services				35,000		3 3 5	35,000
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 6	3,000
47. Roustabout Service (Labor not otherwise included)	18,000		1 6 9	5,000	17,000	3 6 9	40,000
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 0%							
TOTAL INTANGIBLES	1,242,250	65,000		575,725	29,000		1,911,975

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,325,550	65,000	837,725	245,000
EVALUATED COST	\$1,390,550		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$2,473,275		Date: 4/10/07	

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: Bold Energy, LP  
Name/Title: SL Klier  
Date: 5/15/07