

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 Lovington 25 No. 1 Field/Prospect: South Lovington Date: 2/6/06
 Location: Section 25 T16S R36E Objective: Devonian
Lea County, NM Proposed TD: 12,800
 X= 812,640 Y= 690,789 AFE No: _____

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' Devonian well.

INTANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
Permit/Survey/Damages				10,000		10,000
Location & Road: Bldg./Restor				35,000	3,000	38,000
Con. Drill.-Daywork	40	days @ \$	19,000	780,000	28,000	788,000
Con. Drill.-Turnkey, Footage, Other		to				
Completion Rig:	12	days @ \$	4,000		48,000	48,000
M/I/RU/RQ				60,000		60,000
Mud & Chemical				45,000		45,000
Fuel, Power, and Water				75,000	14,000	89,000
Bits				52,000	1,600	53,600
Cement & Cement Services				40,000	30,000	70,000
Casing Crew, Tongs & Tools				7,000	8,000	15,000
Mud Logging/MWD	30	days @ \$	750	22,500		22,500
Electric Logging/Perforating/Wireline				45,000	20,000	65,000
Swab/Coiled Tubing Units		days @ \$				
Fracture/ Acid Stimulation					125,000	125,000
Fishing Services						
Rental Tools & Equipment				65,000	15,000	80,000
Contract Supervision	40	days @ \$	950	38,000	18,000	56,000
Co. Labor (Time, Exp. & Benefits)						
Welding, Trucking, Contract Labor				15,000	15,000	30,000
DST & FT/Coring & Analysis				6,500		6,500
Consulting Services				3,000		3,000
Overhead				7,000	7,000	14,000
Transportation				5,000	15,000	20,000
Tubing inspection and testing						
Other				5,000	5,000	10,000
Subtotal Intangible				1,296,000	352,600	1,648,600
Contingencies		5 %		64,800	17,630	82,430
TOTAL INTANGIBLE COSTS				1,360,800	370,230	1,731,030

TANGIBLE COSTS				DRILLING	COMPLETION	TOTAL
Conductor Pipe	Size	Footage	\$/foot	7,000		7,000
Surf. Casing	13 3/8"	455	34.00	15,470		15,470
Intermediate Csg	9 5/8"	4400	22.00	98,800		98,800
Production	5 1/2"	12800	15.00		192,000	192,000
Tubing	2 7/8"	12700	6.00		76,200	76,200
Float Equip. & Liner Hanger				8,000		8,000
Valves & Fittings					5,000	5,000
Wellhead Equipment				9,500	18,000	27,500
Misc. Equipment (Electrical distribution sys.)					40,000	40,000
Packer & Downhole Equipment					10,000	10,000
Rods & Pump						
Pumping Unit & Prime Mover (ESP)					150,000	150,000
Meter & Meter Run					8,500	8,500
Flowlines & Connections					25,000	25,000
Tanks					21,000	21,000
Heater & Dehyd./Compressor						
Separator/Heater-Treater					10,000	10,000
Installation Costs					20,000	20,000
Pipeline/ROW & Sales Connection					50,000	50,000
Other						
Subtotal Tangible				136,770	625,700	762,470
Contingencies		5 %		6,839	31,285	38,124
TOTAL TANGIBLE COSTS				143,609	656,985	800,594

TOTAL TANGIBLE & INTANGIBLE COST	1,504,409	1,027,215	2,531,624
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EDGE APPROVAL: Edge Wt (%) <u>25.00</u>		NONOPERATOR APPROVAL:	
Prepared by: <u>Daniel Hurd</u>		Company: _____	Wt (%) _____
Date: <u>12/19/2005</u>		Appr'd by: _____	
Approved by: <u>[Signature]</u>		Title: _____	Date: _____
Date: _____		<input type="checkbox"/> Desire to be covered by Edge Petroleum's Insurance <input type="checkbox"/> 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.

Oil Conservation Division
 Case No. 5
 Exhibit No. _____