



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 07-288-0
AFE DATE 6/18/2007

AFEND (rev 6/98)
6-25-07

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input type="checkbox"/> Original	
<input checked="" type="checkbox"/> Revised	
<input type="checkbox"/> Final	
<input type="checkbox"/> Supplemental	

LEASE NAME	Value BCV State Com. #2	PROJ'D DEPTH	5,760'
COUNTY	Chaves	STATE	New Mexico
FIELD	Pecos Slope	HORIZON	Siluro-Devonian
LOCATION	Section 2 T8S-R26E, 660' N & 1,980' E		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 5,760' to test multiple zones.**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-105	Environmental Permitting/Pit Closure	100,000	100,000
920-110	Location, Right-of-Way	40,000	40,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork 21 days @ 14,500/day + \$53K for mob & R.H.	379,000	379,000
920-135	Drilling, Power & Fuel \$2,000/day rig fuel	42,000	42,000
920-140	Drilling Water, Fasline Rental	30,000	30,000
920-150	Drilling Mud & Additives	40,000	40,000
920-160	Mud Logging Unit, Sample Bags	15,000	15,000
920-170	Cementing - Surface Casing	20,000	20,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	30,000	30,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	60,000	60,000
920-205	Control of Well-Insurance	1,500	1,500
920-210	Supervision & Overhead	20,000	20,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	30,000	30,000
920-350	Cementing - Production Casing		70,000
920-410	Completion Unit - Swabbing		60,000
920-420	Water for Completion		50,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		25,000
920-460	Tools & Equip. Rental, Etc. - Completion		45,000
920-470	Stimulation for Completion		150,000
920-480	Supervision & O/H - Completion		15,000
920-490	Additional LOC Charges - Completion		
920-510	Bits, Tools & Supplies - Completion		1,000
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		810,500	1,226,500

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead	3,000	15,000
930-020	Casing		
	9 5/8" @ 1,100'	26,700	26,700
	5 1/2" @ 5,760'		62,300
930-030	Tubing 2 7/8" @ 5,550'		29,200
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		20,000
940-030	Separation Equip., Flowlines, Misc.		50,000
940-040	Trucking & Construction Costs		20,000
TOTAL TANGIBLE EQUIPMENT COSTS		29,700	223,200

TOTAL COSTS 840,200 1,449,700

IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY AND APPROVAL OF THIS AFE SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED WHETHER MORE OR LESS THAN HEREIN SET OUT.

Prepared By LB Jeremiah Mullen	Operations Approval
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YATES PETROLEUM CORPORATION BY: <i>John Yates</i> DATE	61.246990%
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YATES DRILLING COMPANY BY: <i>John Yates</i> DATE 7/16/07	8.749570%
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ABO PETROLEUM CORPORATION BY: <i>John Yates</i>	BEFORE THE OIL CONSERVATION DIVISION Santa Fe, New Mexico Case No. 14060... Exhibit No. 3 Submitted by:	8.749570%
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MYCO INDUSTRIES INC. BY: <i>Frank Yates</i>	YATES PETROLEUM INCORPORATED Hearing Date: January 10, 2008	8.749570%
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	SHARE
CAMPBELL INVESTMENT COMPANY	4.958590 %
By: _____ DATE _____	
DANSK PIPELINE, L.P.	2.068778 %
By: _____ DATE _____	
CALTO OIL COMPANY	3.257467 %
By: _____ DATE _____	
GRUY, LLC	1.085823 %
By: _____ DATE _____	
THORNTON OPERATING CORPORATION	0.457188 %
By: _____ DATE _____	
JOHN D. CADIGAN	0.260978 %
By: _____ DATE _____	
GREG VUJOVICH	0.102867 %
By: _____ DATE _____	
MARLEY LIVESTOCK, INC.	0.104203 %
By: _____ DATE _____	
ROBERT C. MARLEY ESTATE, MICHAEL WHITE MARLEY, PERSONAL REPRESENTATIVE	0.104203 %
By: _____ DATE _____	
LAURALEA MARLEY, A WIDOW	0.104203 %
By: _____ DATE _____	
TOTAL	100.000000 %