



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

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **draft**
AFE DATE **5/25/2010**
AFEND (rev 6/98)

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

AFE STATUS:

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

LEASE NAME	Herradura Unit #1H	PROJ'D DEPTH	5,700' TVD (10,455' MD)
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Avalon Shale
LOCATION	T24S-R25E, (Surf. Sect. 16, 330' N & 660' E), (BHL: Sect. 9, 660' N & 660' E)		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled horizontally at 5,700' TVD (10,455' MD) to test the Avalon Shale.**
This AFE reflects cost to drill horizontal with pilot hole to 6,500'.

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	5,000	5,000
920-105	Environmental Permitting/Pit Closure		
920-110	Location, Right-of-Way	40,000	40,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork 28 days @ \$14,750/day + 70,000 for mob & R.H.	517,000	517,000
920-135	Drilling, Power & Fuel \$3,000/day rig fuel	84,000	84,000
920-140	Drilling Water, Fasline Rental	32,000	32,000
920-150	Drilling Mud & Additives	65,000	65,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	40,000	40,000
920-200	Surface Drilling Tools & Equip. Rntl. includes closed loop	225,000	225,000
920-205	Control of Well-Insurance	4,000	4,000
920-210	Supervision & Overhead	60,000	60,000
920-220	Contingency for Drilling		
920-225	Down-hole Drilling Tool & Equip. Rental includes RSS	325,000	325,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	60,000	60,000
920-350	Cementing - Production Casing		
920-410	Completion Unit - Swabbing		20,000
920-420	Water for Completion		70,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		9,000
920-460	Surface Completion Tool & Equip. Rental		160,000
920-465	Down-hole Completion Tool & Equip. Rental		
920-470	Stimulation for Completion		1,000,000
920-480	Supervision & O/H - Completion		6,500
920-490	Additional LOC Charges - Completion		
920-510	Bits, Tools & Supplies - Completion Peak completion system		225,000
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,562,000	3,052,500

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	30,000
930-020	Casing 13 3/8" @ 450'	34,000	34,000
	9 5/8" @ 2,600'	146,000	146,000
	7" @ 5,150'	268,000	268,000
	4 1/2" liner @ 5,200'-10,455'		126,000
930-030	Tubing		
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		180,000
940-015	Electrification		90,000
940-020	Storage Facilities		40,000
940-030	Separation Equip., Flowlines, Misc.		30,000
940-040	Trucking & Construction Costs		5,000
TOTAL TANGIBLE EQUIPMENT COSTS		453,000	949,000
TOTAL COSTS		2,015,000	4,001,500

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: Jeremiah Mullen	Operations Approval
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BY _____	DATE _____
BY _____	DATE _____
BY _____	DATE _____
BY _____	DATE _____