AUTHORIZATION FOR EXPENDITURES

Drill, log, complete, equip. a Morrow Single zone Gas Well Description of Work: Date 1/13/97 Prospect McKittrick Fed. Com. 29-22 Well No. AFE No. Lease McKittrick 29 1160' FWL. Section **22S** Range 26E Location Twp State New Mexico Field Happy Valley (Morrow) County Eddy Morrow 11,600 Prim. Obj. Sec. Obj. Well TD After Before After Before **Csg Point** Total **Csg Point Csg Point** Csg Point Total TANGIBLE COSTS INTANGIBLE COSTS BCP-820 ACP-840 BCP-830 ACP-850 65,000 .01 Cattle Guards & Fencing .01 Location/Damage Payment 65,000 4,000 .02 Csg: Cond. 4,000 6,300 6,300 .02 Location Construction .03 Csg: Surface 21,500 .03 Contracted Equipment 21,500 .04 Rotary Rig: MI, RU, RD, MO 115,000 .04 Csg: Intermediate 11,500 103,500 X .05 Rotary Rig: Daywork 138,000 138,000 163,800 163,800 .06 Rotary Rig: Footage .05 Csg: Production $\overline{\mathbf{X}}$.07 Fuel 15,600 15,600 27,000 .08 Drilling Bits 27,000 25,000 .06 Float Equip, Centrizrs, etc. .09 Drilling Fluid 25,000 X .07 Well Head 1,200 8,700 .10 Mud Disposal 7,500 .08 Tubing X X .11 Drill Stem Tests 43,800 43,800 24,000 27,000 51,000 12 Cement and Cementing Service 1,200 .13 Casing Crew, Equipment 7,000 8,200 .09 Pump Unit X 30,500 30,500 .10 Motor/Engine .14 Logging: Open Hole X $\bar{\mathbf{x}}$ 10,000 $\overline{\mathbf{x}}$ 10,000 .11 Rods & Pump X .15 Completion Rig 75,000 .12 Pkr & Sub-surface Equip. X 75,000 X 5,000 5,000 .16 Stimulation .13 Tanks X .17 Misc. Pumping Services 15,000 15,000 .18 Log & Perf Cased Hole $\overline{\mathbf{x}}$ 8,000 8,000 .14 Separator/Production Unit X 15,000 5,000 20,000 .15 Heater Treater/Dehydrator X 19 Rentals 7,000 3,000 10,000 .16 Fittings & Small Pipe $\bar{\mathbf{x}}$.20 Water/Water Hauling 4,000 .17 Other Equipment 2,000 2,000 5,000 21 Hauling/Freight 5,000 .18 Installation Costs $\overline{\mathbf{x}}$.22 Tubular Inspection 8,000 8,000 .19 Miscellaneous .23 Well Testing 500 5,000 5,500 .20 Contingency .24 Labor: Contract .25 Company Geologist/Engineer Subtotal \$167,000 \$91,900 \$258,900 6,500 1,100 7,600 .26 Overhead 17,200 20,000 .27 Professional Services 2,800 Pipeline PL-885 4,200 .01 Line Pipe .28 Insurance 4,200 X 9,200 .02 Metering Equipment 3,700 .29 Miscellaneous 5,500 $\overline{\mathbf{x}}$.30 Contingency .03 Meter Sta. Valves, Fittings $\overline{\mathbf{x}}$.31 Coiled Tubing Work \$0 \$0 Subtotal TOTAL TANGIBLE COSTS X .32 Packer Redress \$167,000 \$91,900 \$258,900 \$671,000 \$515,700 \$155,300 Subtotal Pipeline PL-880 TOTAL WELL COST \$682,700 \$247,200 \$929,900 .01 Tapping Fee X X Total Well Cost to Casing Point .02 Purchased Right of Way \$682,700 X .03 Damage Payments **Plugging Cost** \$15,000 .04 Right of Way Acquisition X Total Dry & Abandonment Cost \$697,700 .05 Permits X Total Cost Through Evaluation of Zone of Interest \$909,900 $\overline{\mathbf{x}}$ Prepared By: .06 Freight LCF .07 PL & Meter Sta. Construction X .08 Surveying and Drafting X InterCoast WIO % .09 Field Construction Sup. X X InterCoast Net Expenditure .10 Misc. and Contingency \$0 Subtotal \$0 \$0 Supplement No. \$671,000 Original AFE Amount \$155,300 TOTAL INTANGIBLE COSTS \$515,700 Amount This Supplement Revised AFE Amount INTERCOAST OIL AND GAS COMPANY APPROVED WORKING INTEREST OWNER APPROVED By: ICI Date: Company Name: By: Date: By: Date: By: Date: Name: