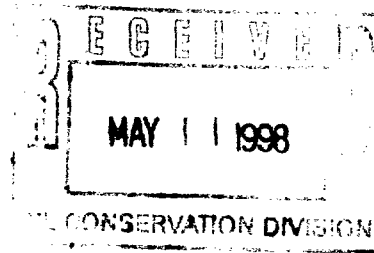


PRIMERO
OPERATING, INC.

POST OFFICE BOX 1433
ROSWELL, NEW MEXICO 88202
(505) 622-1001 FAX (505) 625-0227



Catanach
DH

May 8, 1998

Re: Case # 11922
Order # R-10966
Tilley #1
N-26-T16S-R35E
Lea County

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Gentlemen:

Pursuant to the subject Case and Order, please find the enclosed AFE showing an itemized schedule of estimated well costs. This AFE has been sent to and approved by all working interest owners in the subject unit.

Thank You,

A handwritten signature, likely of Phelps White, consisting of a stylized 'P' followed by a horizontal line.

Phelps White
President

PRIMERO

OPERATING, INC.

POST OFFICE BOX 1433
ROSWELL, NEW MEXICO 88202
(505) 622-1001 FAX (505) 625-0227

Authority For Expenditure

TILLEY #1

Atoka

08-May-98

INTANGIBLE DRILLING COSTS

Drill out and test Atoka	Atoka Completion
Title	10000
210 Completion Unit	15,000 0
240 Reverse Unit 6 days	9,500 0
291 Completion Tools; cmt rtnr, rental packer, rbp	3,050
Cementing	4,500
250 Stimulation, acid	5,000 0
254 Roustabouts, Contract Labor	0 1,500
270 Logging and Perforating	3,200 0
275 Location, Road, Anchors, Etc. bury pits	1,200 800
280 Completion Fluids	1,200 0
290 Supervision & Expenses, Completion	2,500 300
Electric Hookup	0
299 Completion Contengencies and tax, 15%	8,273 390
Total Intangible Well Costs	\$63,422.50 \$2,990.00

TANGIBLE DRILLING AND COMPLETION COST

325 Tubing 11,000' 2 7/8' N	24,750 0
4500' 5 1/2" casing @ 5.5	24,750
331 Casing & Tubing Heads, Xmas Tree	1,500 1,000
335 Flowline	0 500
340 Tanks	0 4,000
347 Separator	0 5,000
Production Packer	0 3,500
350 Pumping Unit and Motor	0 0
355 Valves, Connections, Etc.	0 1,000
360 Rods & Pump	0 0
399 Other misc. expenses 10%	5,100 1,500
Total Tangible Well Costs	\$56,100.00 \$16,500.00
TOTAL DRILLING AND COMPLETION COSTS	\$119,522.50 \$19,490.00

Estimated cost of Atoka Producer

\$139,012.50