

MANZANO OIL CORPORATION
P.O. BOX 2107
ROSWELL, NEW MEXICO 88202-2107

AUTHORIZATION FOR EXPENDITURE

Date: September 1, 1998

Lease/Well Quarry #1 Location 3526'FSL & 2095'FEL Sec 3, T16S, R36E
County Lea State NM Prospect Quarry Proposed TD 11,800'
Objective Zones Strawn Type Well Explor/Oil Est Start Date Nov 1, 1998

<u>Intangible Costs:</u>	<u>Dry Hole</u>	<u>Completion</u>	<u>Total</u>
Surveying.....	\$ 900	\$	\$ 900
Lease Restoration.....	2,000		2,000
Location, Roads & Pit Liner.....	14,000		14,000
Drlg-Footage:Depth <u>11,800'</u> @ \$18.50/ft....	218,300		218,300
Drilling-Daywork: <u>5 days @ \$5000/day</u>	25,000		25,000
Completion Rig: <u>10 days @ \$1500/day</u>		15,000	15,000
Mud Logging: <u>19 days @ \$ 500/day</u>	9,500		9,500
Drill Stem Tests: No <u>2</u>	7,000		7,000
Roustabouts & Trucking.....	3,000	5,000	8,000
Mud Chemicals.....	21,000		21,000
Cement & Services - Surface.....	3,500		3,500
- Intermediate.....	14,000		14,000
- Production.....		16,000	16,000
Open Hole Logging & Sidewall Cores.....	18,000		18,000
Tie In Logging & Perforation.....		8,000	8,000
Acidizing & Fracturing.....		8,000	8,000
Tk Batty Install & Electrification.....		12,000	12,000
Engineering & Geological Services.....	5,000	1,000	6,000
Well Supervision.....	4,500	5,000	9,500
Administrative Overhead.....	5,200	2,100	7,300
Rental Tools & Equipment Work String.....	5,000	6,000	11,000
Permits, Title & Damages.....	15,000		15,000
Water.....	4,000	2,000	6,000
Miscellaneous Contingencies.....	30,000	10,000	40,000
Gross Receipts Tax.....	22,500	4,900	27,400
Total Intangible Costs:	<u>\$427,400</u>	<u>\$ 95,000</u>	<u>\$522,400</u>

<u>Tangible Costs:</u>			
Casing:			
Surf - <u>400'</u> of <u>13-3/8"</u> @ \$16.50/ft...\$	6,600	\$	\$ 6,600
Inter- <u>4,500'</u> of <u>8-5/8"</u> @ \$11.50/ft...\$	51,800		51,800
Prod - <u>11,800'</u> of <u>5-1/2"</u> @ \$ 6.60/ft...\$		77,900	77,900
Tubing - <u>11,700'</u> of <u>2-7/8"</u> @ \$ 3.00/ft...\$		35,100	35,100
Wellhead Equipment.....	5,000	2,500	7,500
Sucker Rods.....			
Packer & Sleeves.....			
Down Hole Pump.....			
Pumping Unit & Prime Mover.....			
Float & Other Equipment.....	2,000	5,000	7,000
Tanks, Flow Lines & Fittings.....		25,000	25,000
Separator/Heater-Treater.....		6,500	6,500
Gas Lines & Meters.....			
Miscellaneous.....	3,000	5,000	8,000
Gross Receipts Tax.....	4,100	9,600	13,700
Total Tangible Costs:	<u>\$ 72,500</u>	<u>\$166,600</u>	<u>\$239,100</u>
Total Well Costs:	<u>\$499,900</u>	<u>\$261,600</u>	<u>\$761,500</u>

IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THAT SET OUT HEREIN.

MANZANO OIL CORPORATION

APPROVED

BY:

TITLE:

DATE:

Donnie E. Brown

VP Engineering

September 1, 1998

COMPANY

APPROVED

BY:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 12094 Exhibit No. 3

Submitted by: Manzano Oil Corporation

Hearing Date: December 3, 1998