



HOME-STAKE OIL & GAS COMPANY  
Authorization for Expenditures

Date: February 11, 2000  
Well No: 7  
Location: NW/4 SE/4 of Section 26  
Field: McCormack South (Silurian)  
Well TD: 7500'

Lease: Brunson  
Twp/Blk: 22S  
County: Lea  
Objective: Fusselman

Property Number: L1711070W  
Prospect: Brunson  
Rge/Svy: 37E  
State: New Mexico  
Anticipated Product: Oil

CLASSIFICATION OF EXPENSES	Drilling Cost	Completion Cost	Total Cost
INTANGIBLE COSTS			
Legal, Abstracts, Permits	\$5,000	\$10,000	\$15,000
Damages	\$6,000	\$1,000	\$7,000
Roads, Location, Staking, Cleanup	\$15,000	\$1,000	\$16,000
DRILLING CONTRACT:			
Drilling Cost, Footage (7,500' @ \$14.50/ft.)	\$108,800	\$0	\$108,800
Drilling Cost (1 Day BCP + 2 Days ACP @ \$5,800/day)	\$5,800	\$11,600	\$17,400
CEMENT AND CEMENTING SERVICES			
Surface Casing	\$5,000	\$0	\$5,000
Intermediate Casing	\$7,500	\$0	\$7,500
Production Casing	\$0	\$22,500	\$22,500
Fuel	\$0	\$0	\$0
Water, Lubricants, Electricity	\$7,000	\$0	\$7,000
Drilling Mud & Chemicals	\$7,000	\$0	\$7,000
Bits and Tools	\$1,500	\$500	\$2,000
Equipment and Tool Rental - Including Directional Services	\$47,500	\$5,000	\$52,500
Trucking and Hauling (Including disposal of reserve pit fluids)	\$5,500	\$4,000	\$9,500
Contract Labor and Other Special Services	\$6,000	\$7,400	\$13,400
Formation Testing	\$0	\$0	\$0
Logging (Open Hole / Cased Hole)	\$15,000	\$2,000	\$17,000
Well Control Insurance*	\$2,000	\$900	\$2,900
Plug and Abandon	\$0	\$0	\$0
Completion Unit ( 5 Days ACP @ \$ 1800)	\$0	\$9,000	\$9,000
Perforating	\$0	\$3,000	\$3,000
Stimulation	\$0	\$5,000	\$5,000
Geol. and Engr. Supervision	\$14,000	\$6,000	\$20,000
Administrative Overhead	\$2,000	\$1,000	\$3,000
Miscellaneous and Contingencies (15%)	\$39,100	\$13,500	\$52,600
TOTAL INTANGIBLE COSTS	\$299,700	\$103,400	\$403,100
TANGIBLE COSTS			
Conductor Pipe (40' - 20")	\$3,000	\$0	\$3,000
Surface Casing (400' - 13 3/8" 48#/ft. H-40)	\$6,500	\$0	\$6,500
Intermediate Casing (3,400' - 8 5/8" 32#/ft. K-55)	\$34,800	\$0	\$34,800
Production Casing ( 7,500' - 5 1/2" 15.5#/ft. J-55)	\$0	\$33,800	\$33,800
Liner	\$0	\$0	\$0
Tubing ( 7,500' 2 7/8" 6.5# J-55 )	\$0	\$20,500	\$20,500
Wellhead Assembly	\$4,700	\$5,600	\$10,300
Sub-Surface Equipment (Pump, rods, etc.)	\$0	\$16,000	\$16,000
Production Equipment (Separator, Heater-Treater, Pumping Unit)	\$0	\$25,000	\$25,000
Tank Battery (New Stock Tanks, Water Tank & Installation)	\$0	\$20,000	\$20,000
Miscellaneous and Contingencies (10%)	\$4,900	\$12,100	\$17,000
TOTAL TANGIBLE COSTS	\$53,900	\$133,000	\$186,900
TOTAL ESTIMATED WELL COSTS	\$353,600	\$236,400	\$590,000

APPROVALS

Prepared by: Larry S. Tarwater

W.I. Owner Name: \_\_\_\_\_

Approved by: Larry S. Tarwater  
Larry S. Tarwater, Production Engineer

Approved by: \_\_\_\_\_

\*Well Control Insurance Thru Operator

Title: \_\_\_\_\_

Accepted: \_\_\_\_\_

Date: \_\_\_\_\_

Decline: \_\_\_\_\_

EXHIBIT NO. \_\_\_\_\_

THIS AFE REPRESENTS AN ESTIMATE OF THE COSTS TO DRILL AND COMPLETE THE WELL. PARTICIPANTS WILL BE RESPONSIBLE FOR PAYING THEIR PROPORTIONATE SHARE OF ACTUAL COSTS INCURRED.