

INTERCOAST OIL AND GAS COMPANY

AUTHORIZATION FOR EXPENDITURES

Description of Work: Footage Drill, Log, DST, complete and equip a single zone Morrow Sand gas well

Prospect	<u>Angell Ranch</u>	Well No.	<u>1</u>	Date	<u>12/17/96</u>
Lease	<u>To Be Determined</u>	Section	<u>20</u>	AFE No.	
Location	<u>990' FNL-990' FEL</u>	County	<u>Eddy</u>	Twp	<u>20S Range 28E</u>
Field	<u>Atoka Morrow</u>	Prim. Obj.	<u>Morrow</u>	State	<u>New Mexico</u>
Well TD	<u>11250'</u>			Sec. Obj.	

	Before	After		Before	After	
	Csg Point	Csg Point	Total	Csg Point	Csg Point	Total

INTANGIBLE COSTS	BCP-820	ACP-840	TOTAL	TANGIBLE COSTS	BCP-830	ACP-850	TOTAL
.01 Location/Damage Payment	4,500		4,500	.01 Cattle Guards & Fencing	0	0	0
.02 Location Construction	17,500	1,500	19,000	.02 Csg: Cond.	0	X	0
.03 Contracted Equipment	0	0	0	.03 Csg: Surface	8,125	X	8,125
.04 Rotary Rig: ML, RU, RD, MO	0	0	0	500' 13-3/8" 48# H-40			
.05 Rotary Rig: Daywork	11,000	11,000	22,000	.04 Csg: Intermediate	30,500	X	30,500
.06 Rotary Rig: Footage	210,950	0	210,950	3000' 8-5/8" 32#			
.07 Fuel	2,000	0	2,000	.05 Csg: Production	X	56,900	56,900
.08 Drilling Bits	0	0	0	4-1/2" @ 11250'			
.09 Drilling Fluid	37,500	1,000	38,500	.06 Float Equip, Centrizers, etc.		2,000	2,000
.10 Mud Disposal	3,000	X	3,000	.07 Well Head	8,800	11,500	20,300
.11 Drill Stem Tests	4,000	X	4,000	.08 Tubing	X	26,700	26,700
.12 Cement and Cementing Service	18,000	12,000	30,000	2-3/8", 4.7#, N-80			
.13 Casing Crew, Equipment	3,500	3,500	7,000	.09 Pump Unit	X	0	0
.14 Logging: Open Hole	9,500	X	9,500	.10 Motor/Engine	X	0	0
.15 Completion Rig	X	15,000	15,000	.11 Rods & Pump	X	0	0
.16 Stimulation	X	75,000	75,000	.12 Pkr & Sub-surface Equip.	X	10,000	10,000
.17 Misc. Pumping Services	0	3,500	3,500	.13 Tanks	X	6,000	6,000
.18 Log & Perf Cased Hole	X	8,000	8,000	.14 Separator/Production Unit	X	8,000	8,000
.19 Repair	5,000	5,000	10,000	.15 Heater Treater/Dehydrator	X	8,000	8,000
.20 Water/water Hauling	10,500	6,000	16,500	.16 Fittings & Small Pipe	X	12,500	12,500
.21 Hauling/Freight	0	1,000	1,000	.17 Other Equipment	0	0	0
.22 Tubular Inspection	1,500	2,500	4,000	.18 Installation Costs	X	12,500	12,500
.23 Well Testing	1,500	1,000	2,500	.19 Miscellaneous			
.24 Labor: Contract	2,500	2,500	5,000	.20 Contingency			
.25 Company Geologist/Engineer	2,500	0	2,500				
.26 Overhead	3,700	1,000	4,700				
.27 Professional Services	17,500	6,000	23,500				
.28 Insurance	1,700	0	1,700				
.29 Miscellaneous tax	14,000	7,550	21,550				
.30 Contingency	500	0	500				
.31 Coiled Tubing Work	0	3,500	3,500				
.32 Packer Redress	X	0	0				
Subtotal	\$382,350	\$166,550	\$548,900				

				Pipeline		PL-880	
.01 Line Pipe	X	25,000	25,000				
.02 Metering Equipment	X	0	0				
.03 Meter Sta. Valves, Fittings	X	0	0				
Subtotal				Subtotal		\$25,000	\$25,000
				TOTAL TANGIBLE COSTS	\$47,425	\$179,100	\$226,525

Pipeline	PL-880	TOTAL WELL COSTS	\$429,775	\$345,650	\$775,425
.01 Tapping Fee	X	Total Well Cost to Casing Point			\$429,775
.02 Purchased Right of Way	X	Plugging Cost			\$15,000
.03 Damage Payments	X	Total Dry & Abandonment Cost			\$444,775
.04 Right of Way Acquisition	X	Total Cost Through Evaluation of Zone of Interest			\$693,425
.05 Permits	X	Prepared By:		LCF/TLR	
.06 Freight	X	Estimated Spud Date			
.07 PL & Meter Sta. Construction	X	InterCoast WIO %			
.08 Surveying and Drafting	X	InterCoast Net Expenditure			\$0
.09 Field Construction Sup.	X	Supplement No.			
.10 Misc. and Contingency	X	Original AFE Amount			
Subtotal		Amount This Supplement			
TOTAL INTANGIBLE COSTS	\$382,350	\$166,550	\$548,900		

INTERCOAST OIL AND GAS COMPANY APPROVED

OIL CONSERVATION DIVISION APPROVED

By: ACT Date: _____ Company Name: InterCoast By: EXHIBIT 3 Date: _____

CASE NO. 11666