

AUTHORITY FOR EXPENDITURE

LEASE: Packer "7" State Com. WELL NUMBER: 1 PBDT: 12,500'
 LOCATION: 1,980' FNL and 660' FEL, Section 7, T21S, R35E, Lea County, New Mexico
 FIELD: Wildcat Morrow EXPLORATORY, DEVELOPMENT, WORKOVER: E
 DESCRIPTION OF WORK: Drill and complete as a flowing Morrow gas producer. This cost estimate does not include a fracture stimulation.
 DATE PREPARED: 5/7/02 EST. START DATE: 8/02 EST. COMPLETION DATE: 10/02
 ACCOUNTING WELL NUMBER:
 COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 12,500 Ft @ 30.50 \$/Ft	1514.101	404,125	NA	0	404,125
Drilling Daywork 1 2 8,500 \$/day	1514.105	9,010	1515.105	18,020	27,030
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	0	1515.115	0	0
Road & Location Expense	1514.120	27,295	1515.123	3,180	30,475
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	0	1515.130	0	0
Drilling Fluids	1514.135	47,700	1515.132	0	47,700
Fuel, Power, and Water	1514.140	21,200	1515.140	2,120	23,320
Supplies - Bits	1514.145	0	1515.145	1,484	1,484
Supplies - Casing Equipment	1514.150	6,890	1515.150	4,770	11,660
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	530	1515.160	0	530
Cement and Cmt. Services - Surface Csg	1514.165	10,600	NA	0	10,600
Cement and Cmt. Services - Int. Csg	1514.170	19,080	NA	0	19,080
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	10,600	10,600
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	212	1515.180	0	212
Rental - Misc.	1514.185	27,083	1515.185	3,500	30,583
Testing - Drill Stem / Production	1514.195	4,770	1515.195	5,000	9,770
Open Hole Logging	1514.200	42,400	NA	0	42,400
Mudlogging Services	1514.210	18,550	NA	0	18,550
Special Services	1514.190	0	1515.190	0	0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	13,250	13,250
Reverse Equipment	NA	0	1515.219	5,300	5,300
Wireline Services	1514.205	795	1515.205	21,200	21,995
Stimulation	NA	0	1515.221	19,080	19,080
Pump / Vacuum Truck Services	1514.220	0	1515.220	5,545	5,545
Transportation	1514.225	4,240	1515.225	6,360	10,600
Tubular Goods - Inspection & Testing	1514.230	2,650	1515.230	3,180	5,830
Unclassified	1514.245	530	1515.245	0	530
Telephone and Radio Expense	1514.240	1,272	1515.240	636	1,908
Engineer / Geologist / Landman	1514.250	17,500	1515.250	1,500	19,000
Company Labor - Field Supervision	1514.255	23,850	1515.255	7,500	31,350
Contract Labor / Roustabout	1514.265	6,890	1515.265	13,780	20,670
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	6,595	1515.275	0	6,595
Overhead	1514.280	10,500	1515.280	3,500	14,000
SUBTOTAL		739,267		134,505	873,772
Contingencies (10%)		73,927		13,450	87,377
ESTIMATED TOTAL INTANGIBLES		813,194		147,955	961,149

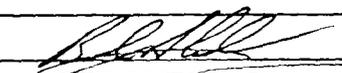
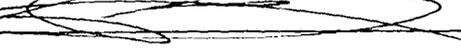
Exploration and Production
Dallas, Texas

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TANGIBLE COSTS:			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	40 Ft @	110.00 \$/Ft	1520.305	4,400	NA	0	4,400
Surface Csg	1,350 Ft @	24.00 \$/Ft	1520.310	32,400	NA	0	32,400
Intermediate Csg	5,500 Ft @	18.00 \$/Ft	1520.315	99,000	NA	0	99,000
Protection Csg	0 Ft @	0.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	12,500 Ft @	9.00 \$/Ft	NA	0	1522.325	112,500	112,500
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	12,300 Ft @	3.38 \$/Ft	NA	0	1522.340	41,574	41,574
Rods	0 Ft @	0.00 \$/Ft	NA	0	1522.345	0	0
Artificial Lift Equipment			NA	0	1522.350	0	0
Tank Battery			NA	0	1522.355	12,720	12,720
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	19,080	19,080
* Well Head Equipment & Christmas Tree			1520.365	5,500	1522.365	12,500	18,000
Subsurface Well Equipment			NA	0	1522.370	6,148	6,148
Flow Lines			NA	0	1522.375	6,625	6,625
Saltwater Disposal Pump			NA	0	1522.391	0	0
Gas Meter			NA	0	1522.395	3,180	3,180
Lact Unit			NA	0	1522.387	0	0
Vapor Recovery Unit			NA	0	1522.389	0	0
Other Well Equipment			NA	0	1522.390	0	0
ROW and Damages			NA	0	1522.393	2,650	2,650
Surface Equipment Installation Costs			NA	0	1522.395	10,600	10,600
Elect. Installation			NA	0	1522.397	0	0
ESTIMATED TOTAL TANGIBLES				141,300		227,577	368,877
ESTIMATED TOTAL WELL COSTS				954,494		375,532	1,330,026

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW/CPF	05/13/02
REVIEWED BY:	
APPROVED BY: 	5/21/02
APPROVED BY: 	5/31/02

WI APPROVAL: COMPANY _____
 BY _____
 TITLE _____
 DATE _____