AUTHORITY FOR EXPENDITURE

HANLEY PETROLEUM INC.
vs
SANTA FE ENERGY

LEASE: HANLEY 8 FEDERAL #1 APPROXIMATE ~~TOTAL DEPTH~~ 11,500'

LOCATION: 660' FN&WL, Section 8, T-18-S, R-33-E
Lea County, New Mexico

DRILLING CONTRACTOR:

DRILLING COST:

		Hanley	Santa Fe
Contractor's Footage Fee	11,500' @ 18.00/ft.	$ 207,000.00	$193,200
Day Work -	3 days @ $4800/day	14,400.00	13,500
	(Fence)	*	1,000
Roads, Location & Damages -		16,000.00	16,000
Mud, Chemicals & Water -		18,000.00	20,000
Mud Logging Unit -	25 days @ $350/day	8,750.00	11,000
Electrical Logs		33,500.00	33,500
Transportation -		2,500.00	3,000
	(Inspection)	*	1,000
Cement & Cementing & Equipment		23,500.00	21,640
	(Supervision)	*	12,250
Miscellaneous Supplies -	(Rentals)	2,500.00	3,000
	(Conductor)	**	3,000
Surface Casing -	400' 13-3/8" 48# H-40 @ $24.50/ft.	9,800.00	9,000
	(Wellhead)	*	2,000
Intermediate Casing -	2200' 8-5/8" 24# J-55 @ $9.10/ft.		
	($20,020) 900' 8-5/8" 32# J-55 @ $12.00/ft. ($10,800)	30,820.00	36,804
	(Abandonment)	**	10,000
Drill Stem Test -		22,000.00	22,000
	Overhead	**	4,600
	TOTAL........	$ 388,770.00	416,904
	10% Contingencies........	$ 38,877.00	36,505
	TOTAL DRILLING COSTS........	$ 427,647.00	$453,199
	(W/O Abndmt & Ovrhd)		$438,599

COMPLETION COST:

		Hanley	Santa Fe
Tanks -	[2] 436 bbl steel @ $5,000 ea., [1] 210 bbl fiberglass	15,000.00	0
	(Labor)		15,000
Treater -		5,500.00	5,000
	(Fence)	*	3,200
Flow Lines -		2,000.00	3,000
	(Packer)	*	3,500
Other Miscellaneous Supplies -		7,500.00	1,000
	(Insp & Testing	*	9,000
Casing -	530' 5-1/2" 17# C-95 @ $9.00/ft. ($4,770)	90,885.00	95,76
	10,970' 5-1/2" 17# N-80 @ $7.85/ft. ($86,115)		
Perforating and logging -		7,800.00	6,000
Acidizing, fracturing, tank rental & packer -		5,000.00	14,000
Cement & Cementing -		24,000.00	22,300
Tubing -	11,500' 2-7/8" 6.5# N-80 @ $4.065/ft.	46,750.00	52,000
Pumping Unit, Engine & Base -			
Sucker Rods, Pump, Polished Rod, Etc. -			
	(Trucking)	*	4,000
Casinghead, etc. -		14,500.00	12,000
Completion Contractor's Fee -		10,000.00	15,000
	(Overhead)	**	4,600
Rig Site Supervision -		11,200.00	6,000
	(Contingencies)	*	7,38
	TOTAL DEVELOPMENT COSTS........	$ 240,135.00	279,38
	TOTAL COST OF WELL..............	$ 667,782.00	$721,94

A. F. E. No.: GRAND TOTAL.......$ 667,782.00 $712,74
(W/O Ovrh

* -included elsewhere
** -unnecessary

PREPARED BY TROY V. COMPTON

DATE:

APPROVED BY: L. D. Robbins Troy V. Compton

L.D. Robbins
President

Troy V. Compton
Vice President Production