

**SG INTERESTS I, LTD.  
AUTHORITY FOR EXPENDITURE (AFE)**

WELL NO. NM401-0002	WELL NAME: Archunde 29-10-24 #1	DATE: 06/22/92
FIELD: Basin Fruitland Coal	COUNTY: San Juan	STATE: New Mexico
LOCATION: North Half (N/2) of Section 24, Township 29 North - Range 10 West, N.M.P.M.		PROPOSED T.D. 2100'

PURPOSE OF EXPENDITURE: Drill & Complete Coalbed Methane Gas Well	FORMATION: Fruitland Coal Seam
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AFE CODE	INTANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
220/101	Staking & Permitting	\$1,200		\$1,200
220/102	Location, Roads, Pits & Damages	\$12,000	\$2,500	\$14,500
220/103	Mobilization/Demobilization	\$1,800		\$1,800
220/104	Contract Drilling - Daywork 12 Hrs. @ \$175/Hour	\$2,100		\$2,100
220/105	Contract Drilling - Footage 2100 Ft. @ \$14.63/Foot	\$30,725		\$30,725
220/001	Contract Drilling - Turnkey			\$0
220/301	Completion Rig		\$7,500	\$7,500
840/110	Workover Rig			\$0
220/106	Fuel, Power & Lubricants			\$0
220/107	Bits, Reamers & Stabilizers			\$0
220/108	Drilling & Completion Fluids		\$3,200	\$3,200
220/302	Casing Crews, Tongs, Handling Tools		\$1,200	\$1,200
220/109	Misc Labor, Contract Services	\$1,000	\$6,500	\$7,500
220/110	Cement, Cmt Services, Mech Aids & Devices	\$2,500	\$7,300	\$9,800
220/111	Conventional Coring & Coring Service			\$0
220/303	Water & Hauling		\$3,600	\$3,600
220/112	Mud Logging			\$0
220/113	Logging - Open Hole - SWC's & Dipmeter	\$6,800		\$6,800
220/304	Cased Hole Logs, Perforating & Other Wireline Services		\$4,800	\$4,800
220/305	Inspection & Testing	\$800	\$1,200	\$2,000
220/307	Acidization, Fracturing & Stimulation		\$48,000	\$48,000
220/114	Rentals Tools & Equipment	\$650	\$1,850	\$2,500
220/115	Directional Drilling Services			\$0
220/117	Communications			\$0
220/120	Overhead per Operating Agreement	\$1,000	\$3,000	\$4,000
220/119	Supervision	\$1,200	\$4,000	\$5,200
220/121	Contingencies (10%) & Misc	\$6,220	\$9,425	\$15,645
<b>TOTAL INTANGIBLE EXPENSE</b>		<b>\$67,995</b>	<b>\$104,075</b>	<b>\$172,070</b>

AFE CODE	TANGIBLE EXPENSE	DRILLING COST	COMPLETION COST	TOTAL COST
230/101	Conductor Casing 64 Ft. 13-3/8" @ \$9.80/Ft.	\$625		\$625
230/102	Surface Casing 250 Ft. 8-5/8" @ \$8.60/Ft.	\$2,150		\$2,150
230/103	Intermediate Casing			\$0
230/104	Drilling Liner			\$0
230/301	Production Liner			\$0
230/302	Production Casing 2100 Ft. 5-1/2" @ \$5.15/Ft.		\$10,815	\$10,815
230/303	Tubing 2050 Ft. 2-3/8" @ \$2.20/Ft.		\$4,510	\$4,510
230/304	Wellhead Equipment, Tree	\$800	\$1,900	\$2,700
230/305	Artificial Lift Equipment, Pumping Unit			\$0
230/306	Separator, Heater Treater, Dehydrator		\$11,800	\$11,800
230/307	Meters & Flowlines		\$13,500	\$13,500
230/308	Tank Battery & Storage		\$5,500	\$5,500
230/309	Subsurface Production Equipment			\$0
230/310	Misc. Well Equipment		\$2,200	\$2,200
230/311	Installation - Production Facilities		\$5,700	\$5,700
230/312	Compressor		\$40,000	\$40,000
<b>TOTAL TANGIBLE EXPENSE</b>		<b>\$3,575</b>	<b>\$95,925</b>	<b>\$99,500</b>
<b>TOTAL WELL COST</b>		<b>\$71,570</b>	<b>\$200,000</b>	<b>\$271,570</b>

**OPERATOR APPROVAL**

SG INTERESTS I, LTD.  
Gordy Gas Corporation, General Partner

DATE: \_\_\_\_\_

BY: Russell D. Gordy  
Russell D. Gordy, President

**JOINT INTEREST APPROVAL**

DATE: \_\_\_\_\_

WORKING INTEREST: \_\_\_\_\_

COMPANY: \_\_\_\_\_

APPROVED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

Application of SG Interests I, Ltd. for  
Compulsory Pooling  
Case No. 10609 & 10610  
Examiner Hearing Docket Dated 11/19/92  
Exhibit No. 3