

Chama Petroleum Company

AUTHORITY FOR EXPENDITURE

Lease: Bogart Estimated Spud Date: July 30, 1985
 Well No.: 1 Estimated Completion Date: Aug. 12, 1985
 Location: 1980' FSL, 1980' FEL, Sec. 4, T-19-S, R-26-E, Eddy Co., New Mexico
 Date Prepared: 7/15/85

| | TO CASING POINT | COMPLETION | TOTAL WELL |
|---|-----------------------|------------|---------------|
| INTANGIBLE COSTS: | | | |
| Drilling: Footage <u>3900</u> @ <u>12</u> /ft. | \$ 46,800 | \$ --- | \$ 46,800 |
| Daywork <u>1</u> @ <u>4000</u> /day | --- | 4,000 | 4,000 |
| Other _____ | --- | --- | --- |
| Mud & Chemicals _____ | 4,000 | --- | 4,000 |
| Brine & Water _____ | 4,000 | 2,000 | 6,000 |
| Conductor _____ | --- | --- | --- |
| Cement: Surface <u>11" x 1100'</u> | 5,500 | --- | 5,500 |
| Intermediate _____ | --- | --- | --- |
| Oil String <u>7 7/8" x 3900'</u> | --- | 7,500 | 7,500 |
| Plug _____ | 4,000 | (4,000) | --- |
| Location: Road Pad & Cleanup + Pits _____ | 10,000 | 2,000 | 12,000 |
| Survey _____ | 1,000 | --- | 1,000 |
| Damages _____ | 1,000 | --- | 1,000 |
| Services: Logging _____ | 8,000 | 1,500 | 9,500 |
| Testing _____ | --- | 1,000 | 1,000 |
| Coring & Analysis _____ | --- | --- | --- |
| Completion Unit, Swabbing <u>10</u> days | --- | 12,000 | 12,000 |
| Perforating _____ | --- | 5,000 | 5,000 |
| Treating, Acidizing, Fracturing _____ | --- | 45,000 | 45,000 |
| Supervision _____ | 4,500 | 4,500 | 9,000 |
| Other <u>Geologist</u> | 1,000 | --- | 1,000 |
| Hauling: Equipment _____ | 1,000 | 1,000 | 2,000 |
| Rental: <u>Racks, BOP, etc</u> | 500 | 1,500 | 2,000 |
| Equipment: <u>Test Tanks, etc.</u> | --- | 1,000 | 1,000 |
| <u>Anchors</u> | --- | 500 | 500 |
| Supplies: _____ | 500 | 500 | 1,000 |
| Insurance: _____ | 750 | 750 | 1,500 |
| Expense Reports & Overhead _____ | 1,500 | 1,500 | 3,000 |
| Sub-Total _____ | 94,050 | 87,250 | 181,300 |
| Contingencies <u>10%</u> | 9,405 | 8,725 | 18,130 |
| ESTIMATED TOTAL INTANGIBLES _____ | \$ 103,455 | \$ 95,975 | \$ 199,430 |
| Casing: | | | |
| Conductor: _____ of _____ @ _____ /ft. | \$ --- | \$ --- | \$ --- |
| Surface: <u>1100</u> of <u>8 5/8" 24</u> @ <u>8</u> /ft | 8,800 | --- | 8,800 |
| Intermediate: _____ of _____ @ _____ /ft | --- | --- | --- |
| Production: <u>3900</u> of <u>5 1/2" 13</u> @ <u>5.40</u> /ft | --- | 21,060 | 21,060 |
| Tubing: <u>3600</u> of <u>2 7/8" 6.80</u> @ <u>2.65</u> /ft | --- | 9,540 | 9,540 |
| Rods: <u>3600</u> of <u>7/8 & 3/4</u> @ <u>1.75</u> /ft | --- | 6,300 | 6,300 |
| Wellheads & Miscellaneous Fittings _____ | 600 | 1,500 | 2,100 |
| Pumping Unit, Motor & Subsurface Equipt. _____ | --- | 30,000 | 30,000 |
| Tank Battery: Tanks _____ | --- | 10,000 | 10,000 |
| Treater or Separator _____ | --- | 5,000 | 5,000 |
| Fittings _____ | --- | 2,000 | 2,000 |
| Flowlines _____ | --- | 2,000 | 2,000 |
| Electrical Hook-Up _____ | --- | 5,000 | 5,000 |
| Other _____ | --- | --- | --- |
| ESTIMATED TOTAL TANGIBLES (EQUIPMENT) _____ | \$ 9,400 | \$ 92,400 | \$ 101,800 |
| ESTIMATED TOTAL WELL COSTS _____ | \$ 112,855 | \$ 188,375 | \$ 301,230 |
| LEASEHOLD COST _____ | | | \$ --- |
| ESTIMATED TOTAL _____ | | | \$ 301,230 |

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

APPROVAL:
 COMPANY: _____
 BY: _____
 TITLE: _____
 DATE: _____

Examiner QUINTANA
 Case No. 8703
 EXHIBIT NO. 3