DUGAN PRODUCTION CORP.

P.O. Box 208, Farmington, NM 87401 Ph. (505) 325-1821

WELL NAME AND NO. Single Dakota Completion
LOCATION Gavilan Area - Rio Arriba County, New Mexico

| | - TANGIBLES | | | | | | |
|------------|----------------------------|--------|------|------|----------|-------------|--------|
| Code | | | | | | | |
| 01 | Surface Casing - | | | | | \$15.50/ft. | 4,650 |
| 02 | Prod. Casing - | | | | 5-1/2" 0 | 6.00/ft. | 48,600 |
| | Casing - | | t. c | | | | |
| 04 | Tubing - | 8000 f | t. c | of ' | 2-3/8" @ | 2.50/ft. | 20,000 |
| | Tubing - | f | t. c | of [| | | |
| 06 | Packer and Tubing Equi | pment | | | | | 1,000 |
| 07 | Wellhead Equipment | | | | | | 13,500 |
| 0 8 | Valves & Fittings | | | | | | 500 |
| 09 | Production Unit & Trea | ters | | | | | 10,500 |
| 10 | Tank Battery | | | | | | 10,000 |
| 11 | Pumping Unit & Prime Mover | | | | 40,000 | | |
| 12 | Rods, Bottom-hole Pump | | лiр. | • | | | 12,500 |
| 13 | Misc. Tangible Equipme | nt | | | | | 500 |
| 14 | Well Hookup | | | | | | 4,500 |
| 15 | Gas Lines and Installa | tion | | | | | |
| 16 | Pipeline Installation | | | | | | |
| | TOTAL TANGIBLES | | | | | | |

\$166,250

| 2 99 | - | INTANGIBLES |
|-------------|---|-------------|
| Code | 3 | |

| Code | | |
|------------|------------------------------------------|--------|
| 30 | Survey Archeologist | 750 |
| 31 | Location Damages | 2,500 |
| 32 | Road & Location Construction | 7,500 |
| 33 | Water & Gas Lines | |
| 40 | Contract Drilling 8100 ft. @ \$12.00/ft. | 97,200 |
| 41 | Daywork 48 hrs. @ \$ 200 /hr. | 9,600 |
| 43 | Drill Stem Test & Cores | |
| 44 | Mud Logging | 5,500 |
| 45 | Open Hole Logging | 11,000 |
| 46 | Rental Tools | |
| 47 | Casing Float Equip. & Centralizer | 4,000 |
| 48 | Trucking | 1,500 |
| 49 | Mud | 47,500 |
| 50 | Water - Drilling Oper. | 11,500 |
| 51 | Casing Crew & Power Tongs | 2,000 |
| 52 | Miscellaneous | |
| | Testing Tubular Goods | |
| | Tool & Equip. Repair | |
| 5 5 | Company & Contract Labor, Roustabouts | 1,000 |
| 56 | Supplies | 500 |
| | Cementing Surface Casing | 3,000 |
| 61 | Cementing Prod. Casing | 20,700 |
| 70 | Completion Rig 8 days unit + 7 days swab | 19,000 |
| 71 | Perf. & Cased Hole Logging | 7,500 |
| 72 | Acidizing | 1,500 |
| 73 | Fracturing | 35,000 |
| 74 | Tank Rental | 1,500 |
| 75 | Trucking - Completion | 1,500 |
| 76 | Water - Completion | 4,000 |
| 77 | Rental Tools - Completion | 1,500 |
| 78 | Clean-up Location | 1,500 |
| 7 9 | Power Swivel, Pump & Pit Rental | 2,000 |
| 80 | Contract Serv. & Labor - Completion | |
| 90 | Supervision - Administrative | 1,500 |
| 91 | Supervision - Legal | 1,000 |
| 92 | Supervision - Field | 8,000 |

TOTAL INTANGIBLES

≈ 5 % Contingency

\$311,250 23,900

TOTAL WELL COST

\$501,400

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AUTHORIZATION FOR EXPENDITURE

| | NAME AND NO. Typica Mancos Completion | <u> </u> | |
|------------------|---------------------------------------------------------------------|-----------------|-------------|
| | TION Gavilan Area - Rio Arriba County, New Mexico | 0 | |
| <u> </u> | - TANGIBLES | | • |
| | Surface Casing - 300 ft. of 9-5/8" @ \$15.50/ft. | 4,650 | 1 |
| | Prod. Casing - 7600 ft. of 5-1/2" @ 6.00/ft. | 45,600 | |
| | Casing - ft. of | |] |
| 04 | Tubing - 7500 ft. of 2-7/8" @ 3.50/ft. | 26,250 | _ |
| 0.0 | Tubing - ft. of | 1 000 | |
| Ub | Packer and Tubing Equipment | 1,000 13,500 | -{ |
| 07 0 8 | Wellhead Equipment Valves & Fittings | 500 | |
| 09 | Production Unit & Treaters | 10,500 | |
| | Tank Battery | 10,000 | |
| 11 | Pumping Unit & Prime Mover | 40,000 | |
| 12 | Rods, Bottom-hole Pump, Aux Equip. | 12,500 | |
| 13 | Misc. Tangible Equipment | 500 | |
| 14 15 | Well Hookup Gas Lines and Installation | 4,500 | |
| 16 | Pipeline Installation | | |
| 10 | TOTAL TANGIBLES | | \$169,500 |
| | Total Tringstee | | Ψ105,500 |
| | - INTANGIBLES | | |
| Code | | | |
| 30 | Survey Archeologist | 750 | |
| 31 32 | Location Damages Road & Location Construction | 2,500 7,500 | |
| 33 | Water & Gas Lines | 7,500 | |
| 40 | Contract Drilling 7600 ft. @ \$12.00/ft. | 91,200 | |
| 41 | Daywork 48 hrs. @ \$200 /hr. | 9,600 | |
| 43 | Drill Stem Test & Cores | | |
| 44 | Mud Logging | 5,500 | |
| 45 46 | Open Hole Logging | 9,500 | |
| 46 47 | Rental Tools Casing Float Equip. & Centralizer | 4,000 | |
| 48 | Trucking | 1,500 | |
| 49 | Mud | 47,500 | |
| 50 | Water - Drilling Oper. | 11,500 | |
| 51 | Casing Crew & Power Tongs | 2,000 | |
| 52 | Miscellaneous | | |
| 53 | Testing Tubular Goods | | |
| 54 55 | Tool & Equip. Repair Company & Contract Labor, Roustabouts | 1,000 | |
| 5 6 | Supplies | 500 | |
| | Cementing Surface Casing | 3,000 | |
| 61 | Cementing Prod. Casing | 20,000 | · |
| 70 | Completion Rig 8 days unit + 7 days swab | 19,000 | |
| 71 72 | Perf. & Cased Hole Logging Acidizing | 7,000 | |
| 72 | Fracturing | 40,000 | |
| 74 | Tank Rental | T,500 | |
| 75 | Trucking - Completion | T,500 | |
| 7 6 | Water - Completion | 4,000 | |
| 77 | Rental Tools - Completion | 1,500 | |
| 78 | Clean-up Location | 1,500 | |
| 79 80 | Power Swivel, Pump & Pit Rental Contract Serv. & Labor - Completion | 2,000 | |
| 90 | Supervision - Administrative | 1,500 | |
| 91 | Supervision - Legal | 1,000 | |
| 92 | Supervision - Field | 8,000 | |
| | | | |
| | TOTAL INTANGIBLES | | \$306,050 |
| . • | ≈ 5 % Contingency | | 23,550 |
| | TOTAL WELL COST | · . | . \$499,100 |

DUGAN PRODUCTION CORP. P.O. Box 208, Farmington, NM 87401 Ph. (505) 325-1821

AUTHORIZATION FOR EXPENDITURE

| | MOTHORIZATION FOR EXPENDITURE | | | |
|----------------------------------------------------------|---------------------------------------------------|-------------|-----------|--|
| WELL NAME AND NO. Typical Mancos-Dakota Commingled Comp. | | | | |
| | TION Gavilan Area - Rio Arriba County, New Mexico | | | |
| 208 | - TANGIBLES | | | |
| Code | | | • | |
| | Surface Casing - 300 ft. of 9-5/8" @ \$15.50/ft. | 4,650 | 1 | |
| 01 | Prod. Casing - 8100 ft. of 5-1/2" @ 6.00/ft. | 48,600 | | |
| UL | Casing - ft. of | 40,000 | | |
| 04 | Tubing - 8000 ft. of 2-7/8" @ 3.50/ft. | 20 000 | | |
| 04 | | 28,000 | | |
| 0.0 | | 1 000 | | |
| | Packer and Tubing Equipment | 1,000 | | |
| | Wellhead Equipment | 13,500 | | |
| 08 | Valves & Fittings | 500 | | |
| | Production Unit & Treaters | 10,500 | | |
| | Tank Battery | 10,000 | | |
| 11 | Pumping Unit & Prime Mover | 40,000 | | |
| 12 | Rods, Bottom-hole Pump, Aux Equip. | 12,500 | | |
| | Misc. Tangible Equipment | 500 | | |
| | Well Hookup | 4,500 | | |
| | Gas Lines and Installation | | | |
| 16 | Pipeline Installation | | | |
| | TOTAL TANGIBLES | | \$174,250 | |
| | | | | |
| 299 | - INTANGIBLES | | | |
| Code | | | | |
| | Survey Archeologist | 750 | | |
| | Location Damages | 2,500 | | |
| 32 | Road & Location Construction | 7,500 | | |
| | Water & Gas Lines | | | |
| | Contract Drilling 8100 ft. @ \$12.00/ft. | 97,200 | | |
| 41 | Daywork 48 hrs. @ \$ 200 /hr. | 9,600 | | |
| 43 | Drill Stem Test & Cores | 3,000 | | |
| 44 | Mud Logging | 5,500 | | |
| 45 | Open Hole Logging | 11,000 | | |
| 46 | Rental Tools | 11,000 | | |
| 47 | Casing Float Equip. & Centralizer | 4,000 | | |
| | Trucking | 1,500 | | |
| 49 | Mud | 47,500 | | |
| | Water - Drilling Oper. | | | |
| 51 | Casing Crew & Power Tongs | 11,500 | | |
| 52 | Miscellaneous | 2,000 | | |
| | | | | |
| 53 | Testing Tubular Goods | | | |
| 54 | Tool & Equip. Repair | | | |
| 5 5 | Company & Contract Labor, Roustabouts | 1,000 | | |
| 56 | Supplies | 500 | | |
| | Cementing Surface Casing | 3,000 | | |
| 61 | Cementing Prod. Casing | 20,700 | | |
| 70 | Completion Rig 10 days unit + 7 days swab | 22,000 | | |
| | Perf. & Cased Hole Logging | 7,500 | | |
| | Acidizing | 1,500 | | |
| | Fracturing | 75,000 | | |
| | Tank Rental | 1,500 | | |
| | Trucking - Completion | 1,500 | | |
| | Water - Completion | 4,000 | | |
| 77 | Rental Tools - Completion | 1,500 | | |
| 7 8 | Clean-up Location | 1,500 | | |
| | Power Swivel, Pump & Pit Rental | 2,000 | | |
| 80 | Contract Serv. & Labor - Completion | | | |
| | Supervision - Administrative | 1,500 | | |
| | Supervision - Legal | 1,000 | | |
| | Supervision - Field | 8,800 | | |
| - | | | | |
| | TOTAL INTANGIBLES | | \$355,050 | |
| ٠,٠ | ≈ 5 % Contingency | | 26,500 | |
| | • | | | |
| | TOTAL WELL COST | | \$555,800 | |

DUGAN PRODUCTION CORP.
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AUTHORIZATION FOR EXPENDITURE

| | WELL NAME AND NO. (Dual Mancos - Dakota Well) | | | | | |
|------------|------------------------------------------------------------------------|---------------------------------------|-----------|--|--|--|
| | TION Gavilan Area - Rio Arriba County, New Mex | 1 C O | | | | |
| | - TANGIBLES | | • | | | |
| Code | | i c 200 1 | | | | |
| | Surface Casing - 300 ft. of @ \$20.00/ft. | 6,000 | | | | |
| UZ | Prod. Casing - 8100 ft. of 7"23&26# @\$12.50/ft. Casing - ft. of | 101,250 | | | | |
| 04 | | 20,000 | | | | |
| 04 | | 19,000 | | | | |
| 06 | | 24,250 | | | | |
| | Packer and Tubing Equipment | | | | | |
| 07 | Wellhead Equipment | 20,000 | | | | |
| | Valves & Fittings Production Unit & Treaters | 1,000 | | | | |
| 09 | | 21,000 | | | | |
| | Tank Battery | 20,000 | | | | |
| 11 | Pumping Unit & Prime Mover | 80,000 | | | | |
| 12 | Rods, Bottom-hole Pump, Aux Equip. | 25,000 | | | | |
| 13 | Misc. Tangible Equipment | 1,000 | | | | |
| 14 | Well Hookup Gas Lines and Installation | 9,000 | | | | |
| 15 | Pipeline Installation | | | | | |
| 16 | TOTAL TANGIBLES | | ¢247 E00 | | | |
| | TOTAL TANGIDLES | | \$347,500 | | | |
| 200 | - INTANGIBLES | | | | | |
| Code | | | | | | |
| | | . 750 | | | | |
| .30 | Survey Archeologist Location Damages | 2,500 | • | | | |
| 32 | Road & Location Construction | 7,500 | | | | |
| | Water & Gas Lines | 7,500 | | | | |
| 33 | Continue Divilling 8100 ft & \$14 00/ft | 113,400 | - | | | |
| 40 | Contract Drilling 8100 ft. @ \$14.00/ft. Davwork 48 hrs. @ \$200 /hr. | | | | | |
| 41 43 | Daywork 48 hrs. @ \$200 /hr. Drill Stem Test & Cores | 9,600 | | | | |
| 43 44 | Mud Logging | 5,500 | | | | |
| 45 | Open Hole Logging | 11,000 | | | | |
| 45 | Rental Tools | 11,000 | | | | |
| 47 | Casing Float Equip. & Centralizer | 4,000 | | | | |
| | Trucking | 1,500 | | | | |
| 49 | Mud | 47,500 | | | | |
| -50 | Water - Drilling Oper. | 11,500 | | | | |
| 51 | Casing Crew & Power Tongs | 2,000 | | | | |
| 52 | Miscellaneous | | | | | |
| 53 | Testing Tubular Goods | | | | | |
| 54 | Tool & Equip. Repair | | | | | |
| 55 | Company & Contract Labor, Roustabouts | 1,000 | | | | |
| 56 | Supplies | 500 | | | | |
| 60 | Compating Surface Casing | 2,800 | | | | |
| 61 | Cementing Prod. Casing Completion Dig. 15 days with \$ 10 days and | 19,000 | • | | | |
| 70 | Completion Rig 15 days unit & 10 days swab | 32,500 | | | | |
| 71 | Perf. & Cased Hole Logging | 7,500 | | | | |
| | Acidizing | 1,500 | | | | |
| | Fracturing | 75,000 | | | | |
| | Tank Rental | 1,500 | | | | |
| 75 | Trucking - Completion | 1,500 | | | | |
| 76 | Water - Completion | 4,000 | | | | |
| 77 | Rental Tools - Completion | 1,500 | | | | |
| 78 | Clean-up Location | 1,500 | | | | |
| 7 9 | Power Swivel, Pump & Pit Rental | 2,000 | | | | |
| 80 | Contract Serv. & Labor - Completion | | | | | |
| | Supervision - Administrative | 1,500 | | | | |
| | Supervision - Legal | 1,000 | | | | |
| 92 | Supervision - Field | 12,000 | | | | |
| | TOTAL TUTALISTIC FG | | haa | | | |
| - | TOTAL INTANGIBLES | | \$383,050 | | | |
| . • | ≈ 5 % Contingency | | 36,450 | | | |
| | TOTAL WELL COST | • | \$767,000 | | | |
| | TOTAL RELE GOST | · · · · · · · · · · · · · · · · · · · | - | | | |