

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

2005 JUN 20 PM 2 37

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or ~~Surface Owner~~ Common Ownership
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name _____
 Signature

KELLAHIN & KELLAHIN
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, NM 87504-2265

6/20/05
 Date

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

June 20, 2005

HAND DELIVERED

Mr. Mark Fesmire Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

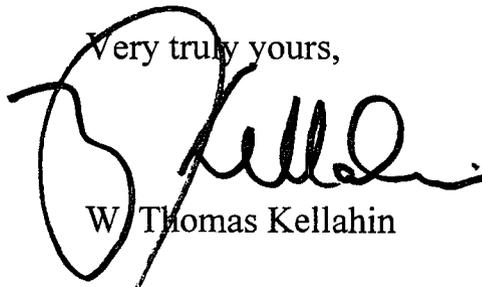
Re: Administrative Application of Chesapeake Operating, Inc.
for approval of a unorthodox well location for its
Neuhaus "14" Federal Well No. 5, Unit A,
1090 feet NFL and 330 feet FEL
NE/4NE/4 (40-acre) dedication, Section 14,
T20S, R35E, Lea County, New Mexico
East Featherstone-Bone Springs Pool

2005 JUN 20 PM 2 37

Dear Mr. Fesmire:

On behalf of Chesapeake Operating, Inc., please find enclosed our referenced application that is being filed in accordance with Division Rule 104. This location crowds the southern exterior boundary of this 40-acre spacing unit (230 feet instead of 330 feet). The entire NE/4 of this section has common owners with the same percentages and is subject to a joint operating agreement.

Very truly yours,



W Thomas Kellahin

cc: Chesapeake Operating, Inc.
Attn: Lynda Townsend

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE ADMINISTRATIVE
APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR APPROVAL OF AN UNORTHODOX WELL LOCATION
LEA COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now CHESAPEAKE OPERATING, LTD. ("Chesapeake") and by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division ("Division") for approval of an unorthodox oil well location for its proposed Neuhaus "14" Federal Well No. 5 (API # 30-025-pending) to be drilled at a unorthodox location 1090 feet from the North line and 330 feet from the East line (Unit A) of Section 20, T20S, R35E, Lea County, New Mexico to be dedicated to a standard 40-acre oil spacing unit consisting of the NE/4NE/4 of this section for production from Bone Springs formation of the East Featherstone-Bone Springs Pool.

In support, Chesapeake states:

1. Chesapeake is the proposed operator for this well to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the NE/4NE/4 of this section.
2. The well is to be located 1090 feet FNL and 330 feet FEL (Unit A) Section 14, T20S, R35E, at an unorthodox oil well location for the Bone Springs formation (East Featherstone-Bone Springs Pool). See APD and Form C-102, attached as Exhibit "A" and "B"
3. This well location is subject to the Division Statewide Rule 104 that requires standard well locations 330 feet of the outer boundaries of the 40-acre spacing unit.

4. This unorthodox location, as illustrated on **Exhibit "C"** is based upon geologic and topographical reasons:

- a. Chesapeake's application in this case is based upon data obtained from its Neuhaus "14" Federal Well No. 2 (APO # 30-0125-31970) located 660 feet FSL and 650 feet FEL of this section. This well currently produces at a rate of 0 BOPD and 180 BWPD and is downdip from the proposed unorthodox location of the Neuhaus "14" Federal Well No. 5.
- b. The Bone Springs porosity interval within Chesapeake proposed spacing unit is best tested at a location up structure and outside of the standard location drilling window because a standard location increases significantly the risk of encountering water and would be at a lower structural position increasing the risk of excessive water production.
- c. This unorthodox well location will be at the highest structural position within this spacing unit and updip from the Neuhaus "14" Federal Well No. 2 and therefore potentially at a better location.
- d. A Duke pipeline that crosses this spacing unit from East to West affects the spacing unit. Pipeline safety requires the well to be outside of a 275 feet safety zone and further limits Chesapeake's options for locating this wellbore. **See Exhibit "C"**

OFFSETTING OWNERSHIP

5. The Northeast quarter of this Section is composed of a single Federal Oil & Gas Lease: NMNM 16835, dated June 1, 1973.
6. Chesapeake is the operator of the lease and the working interest owners are the same and with the same percentages. All these interest owners are committed to a Joint Operating Agreement dated May 15, 1993. See Ownership list attached as Exhibit "D"

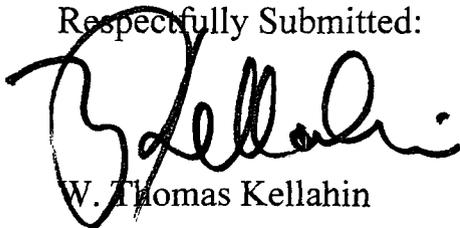
7. By letter dated December 15, 2005, Chesapeake as operator proposed to all the working interest owners the drilling of this well. See AFE and proposal well attached as Exhibit "E"
8. This well encroaches towards the SE/4NE/4 that has the same common ownership with the NE/4NE/4 of this section.

**NOTIFICATION TO OFFSETTING OWNERS
IS NOT REQUIRED**

9. Because all working interest owners have approved and will participate in this well are also the same parties towards whom this well encroaches then the Division rules do not require notice of this application. See Rule 1207.A (2)(a)(iii).
10. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the hydrocarbons in the Bone Springs formation, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approve by the Division.

Respectfully Submitted:



W. Thomas Kellahin

Form 3160-3
(December 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OPERATOR'S COPY
SUBMIT IN TRIP STATE
(See other instructions reverse side)

Form approved.

CONFIDENTIAL - TIGHT HOLE

RECEIVED

MAY 02 2005

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

a. TYPE OF WORK: DRILL DEEPEN

b. TYPE OF WELL: OIL WELL GAS WELL Other SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
CHESAPEAKE OPERATING, INC. Attn. Linda Good

3. ADDRESS AND TELEPHONE NO.
P.O. BOX 18496 OKLAHOMA CITY, OK 73154-0496 405-767-4275

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface 1090 FNL 330 FEL, NENE
At top proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
10 MILES SOUTHWEST OF MONUMENT, NM

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line if any)
16. NO. OF ACRES IN LEASE
40

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
19. PROPOSED DEPTH
10,400

21. ELEVATIONS (Show whether DF, RT, GB, etc.)
3650'
Lea County Controlled Water Basin

5. LEASE DESIGNATION AND SERIAL NO.
422
6. INDIAN, ALLOTTEE OR TRIBE NAME
CHNM 16835

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
NEUHAUS 14 FEDERAL 5

9. APT WELL NO.

10. FIELD AND POOL, OR WILDCAT
FEATHERSTONE EAST

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA
SECTION 14-20S-35E

12. COUNTY OR PARISH
LEA COUNTY

13. STATE
NM

20. ROTARY OR CABLE TOOLS*
ROTARY

22. APPROX. DATE WORK WILL START*

23. PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
"	"	#	'	+/-
"	"	#	'	+/-
"	"	#	'	+/-

Chesapeake Operating, Inc. proposes to drill a well to 10,000' to test the Seven Rivers and Bone Spring formations. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and New Mexico Oil Conservation Division requirements.

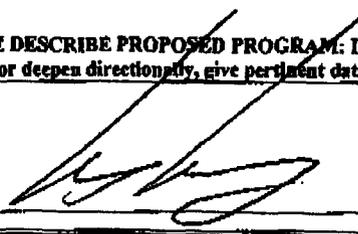
Attached please find the Surface Use Plan, Drilling Plan, and attachments as required by Onshore Order No. 1. A general rig plat is attached as Exhibit D. A final rig plat will be submitted prior to spud once a rig is assigned.

Please be advised that Chesapeake Operating, Inc. is considered to be the Operator of the above mentioned well. Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

Bond coverage for this well is provided by Chesapeake Operating, Inc. under their Nationwide Bond No. NM2634.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. If program, if any.

24. SIGNED  Henry Hood
TITLE Sr. Vice President Land and Legal DATE 3/14/05

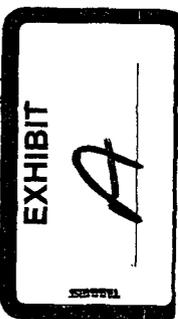
*(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to these rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:
APPROVED BY  TITLE FIELD MANAGER DATE 4/26/05

See Instructions On Reverse Side APPROVAL FOR 1 YEAR
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction



DISTRICT I
222 N. French Dr., Hobbs, NM 88240

DISTRICT II
11 South First, Artesia, NM 88210

DISTRICT III
600 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV
240 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name NEU HAUS "14" FEDERAL	Well Number 5
OGHD No.	Operator Name CHESAPEAKE OPERATING INC.	Elevation 3658.3'

Surface Location

Ul or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	20 S	35 E		1090	NORTH	330	EAST	LEA

Bottom Hole Location If Different From Surface

Ul or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

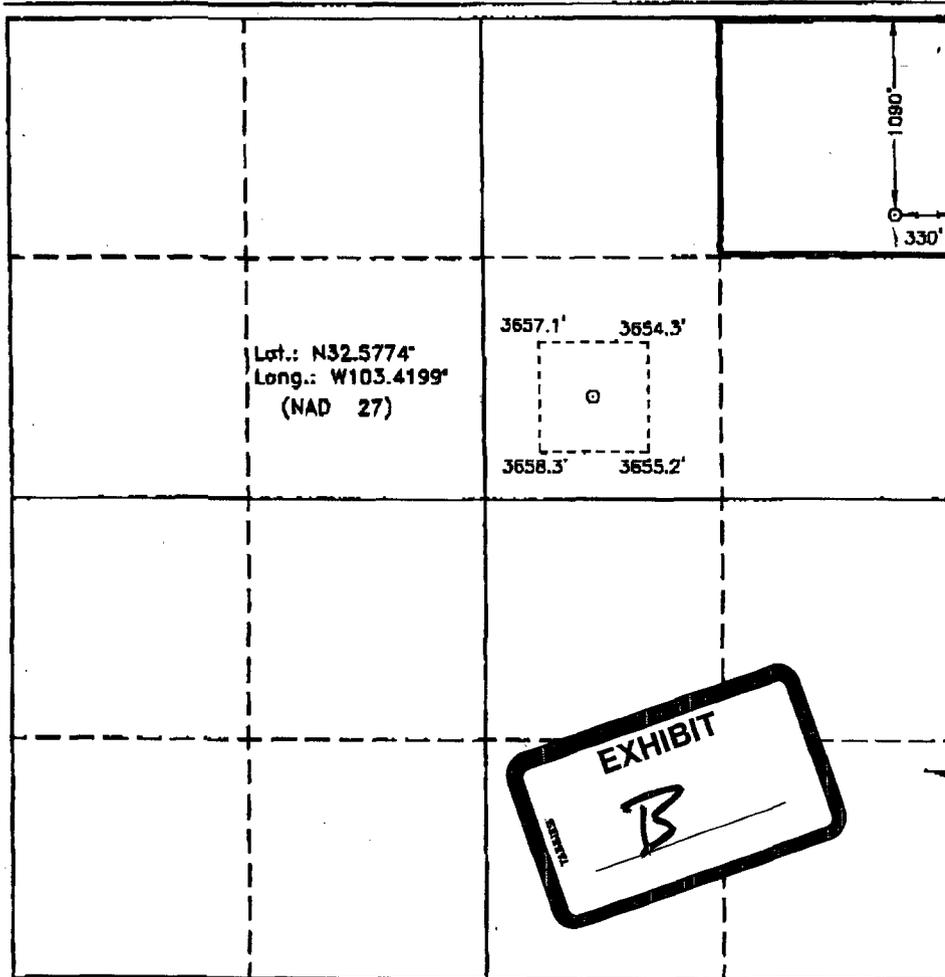


EXHIBIT
B

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief.

Linda F. Townsend
Signature
Linda F. Townsend
Printed Name
Senior Landman
Title
1-12-05
Date

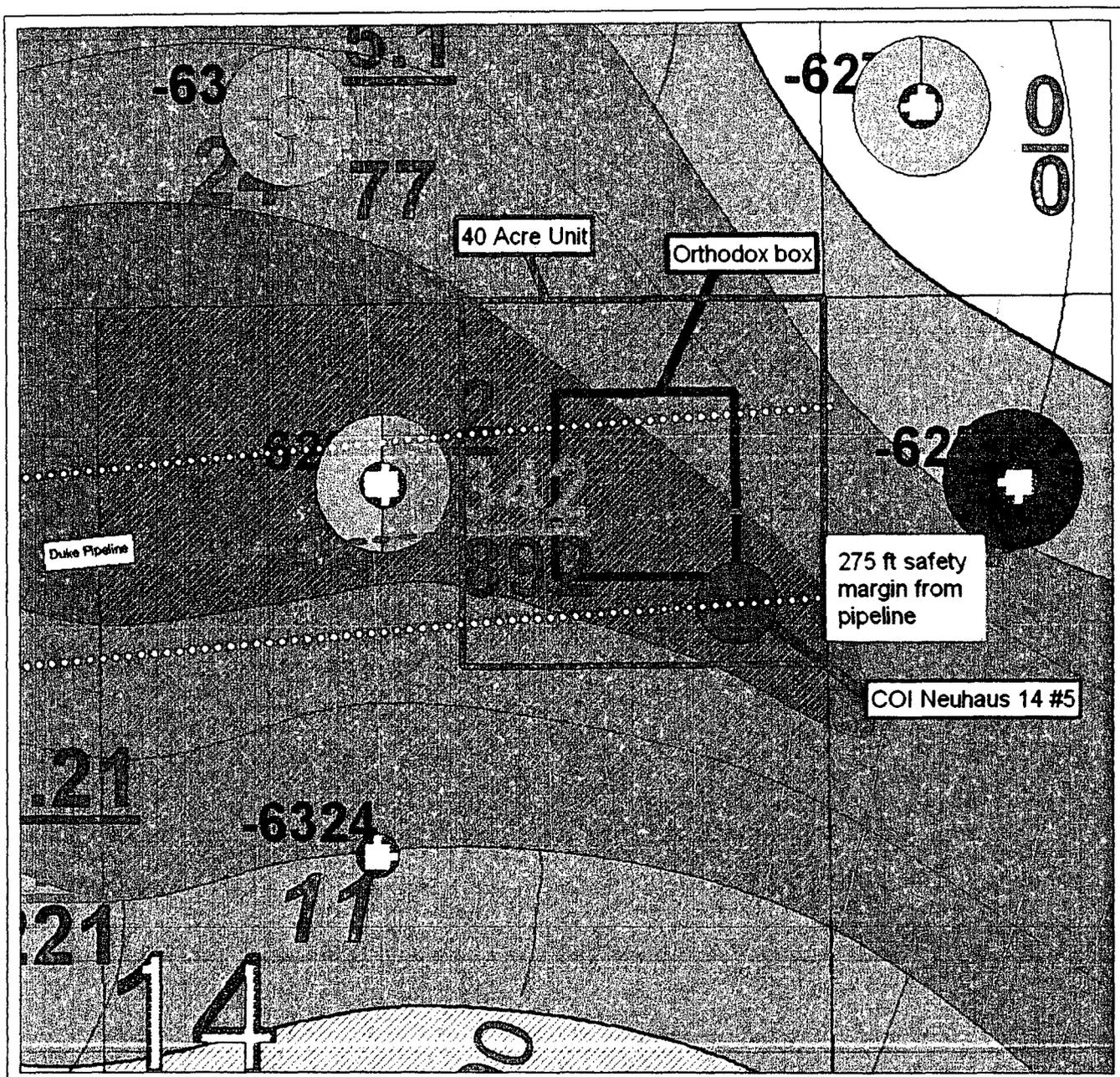
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

December 27, 2004
Date Surveyed

Signature of Professional Surveyor
NEW MEXICO
W.O. No. 48478
Certified No. Gary L. Jones 7977
JLP

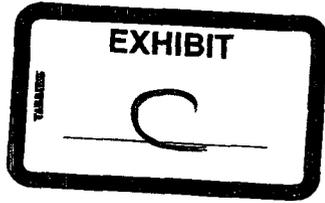
Exhibit A-1



- | | |
|---|--|
| ○ ORDOVICIAN-
Blenburger/Simpson/Mortozo | ● PENNSYLVANIAN
UNDIFFERENTIATED |
| ● FUSSELMAN/
SILURO DEVONIAN | ○ WOLFCAMP |
| ● MISSISSIPPIAN | ● LEONARDIAN- <i>Abol/Drinkard/Tubb/
Bone Springs/Binebry/Paddock/Leonard/Yaco</i> |
| ● MORROW/ATOKA | ○ GUADALUPIAN- <i>Yates/Seven Rivers/
Queen/Grayburg/San Andres/Glorieta/Delaware/
Brushy Canyon/Cherry Canyon/Bell Canyon</i> |
| ● STRAWN | ○ PERMIAN UNDIFFERENTIATED |
| ○ CISCO CANYON | ○ UNKNOWN/POST PERMIAN |

CUM GAS (MMCF)
CUM OIL (MBO)
100000

	CHESAPEAKE OPERATING, INC.
	NEUHAUS 14-T20S-R35E Lea, NM STRUCTURE: T/ 2nd Bone Spring Sand ISOPACH: Gross Neuhaus Carbonate
Date: 7 April, 2005	Geologist: DAG



PROPERTY #	PROPERTY NAME	HEP	DOI NO/VR DESCRIPTION	OWNER #	SEQ	OWNER NAME	INTEREST	TYPE	CHANGE	LAST
890896-	NEUHAUS FEDERAL 14-3		W1 02/04 CONCHO # 306038-03							
503028			YATES ENERGY CORP PO BOX 2323 ROSWELL NM 88202				.03385505	1-WOR	1/30/04	
503029			JALAPENO CORP PO BOX 484 ALBUQUERQUE NM 87103				.01514495	1-WOR	1/30/04	
605069			CHESAPEAKE PERMIAN LP PO BOX 18496 CALAROSA CITY CA 92514-0496				.37125000	1-WOR	1/30/04	
685273			TIERRA OIL CO LLC P.O. BOX 700948 SAN ANTONIO TX 78270-0968				.02000000	1-WOR	1/30/04	
685660			VALKO L L C PO BOX 1090 ROSWELL NM 88202				.08566800	1-WOR	1/30/04	
687766			HAKO LLC PO BOX 1090 ROSWELL NM 88202				.01433200	1-WOR	1/30/04	
701947			BEAN FAMILY LIMITED CO A NEW MEXICO LLC P O BOX 1738 ROSWELL NM 88202-1738				.05000000	1-WOR	1/30/04	
723691			READ & STEVENS INC PO BOX 1518 ROSWELL NM 88202				.05000000	1-WOR	1/33/04	
737777			JAMES A BOSS 2200 CAROLINA WAY ROSWELL NM 88201				.00500000	1-WOR	1/30/04	
737822			BWB PARTNERS I PO BOX 51407 MIDLAND TX 79710-1407				.02000000	1-WOR	1/30/04	
738067			HAYES LAND & PRODUCTION CO PO BOX 51407 MIDLAND TX 79710				.16187500	1-WOR	6/29/04	



PROPERTY #	PROPERTY NAME	DOI MO/YR DESCRIPTION	EFF	OMNR #	SEQ	OMNR NAME	INTEREST	TYPE	LAST CHANGE
890896-	NEUBAUS FEDERAL 14-3	W1 02/04 CONCEO # 306038-83							
738069	JAYES LAND CORP PO BOX 51510 MIDLAND TX 79710-1510						.16187500	1-WOR	1/30/04
738077	BLAINE BRESS PO BOX 326 ROSBELL NM 88202-0326						.02004000	1-WOR	1/30/04
738545	SISERO OIL & GAS LLC 4350 S MONACO ST 516 EL DENVER CO 80237-3400						.01000000	1-WOR	1/30/04
738561	SPERREX LP PO BOX 1363 MT PLEASANT SC 29465-1363						.02000000	1-WOR	1/30/04
738570	TONY P STEPHENS TR BANK OF AMERICA NA TRST PO BOX 840738 DALLAS TX 75284-0738						.02000000	1-WOR	1/30/04
738611	TEXAKOTA OIL CO 2787 KIPLING HOUSTON TX 77058						.02000000	1-WOR	1/30/04
							TOTAL INTEREST	1.08000000	



Lynda F. Townsend, CPL/ESA
Senior Landman

December 15, 2004

VIA CERTIFIED MAIL (7003 2260 0003 3592 9038)

SAMPLE

Mr. Chris Barnhill
Tierra Oil Co., LLC
P.O. Box 700968
San Antonio, TX 78270-0968

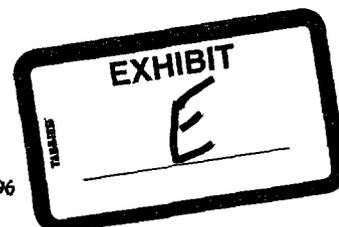
Re: Chesapeake's Proposed Neuhaus 14 Federal #5
NE/4NE/4 Section 14-20S-35E
Lea County, New Mexico

Dear Mr. Barnhill:

Chesapeake Operating, Inc., on behalf of Chesapeake Permian, L.P. ("Chesapeake"), hereby proposes to drill the Neuhaus 14 Federal #5 well to an approximate depth of 10,400', or a depth sufficient to test the Bone Spring Formation and all other potentially productive formations encountered in the captioned well.

Pursuant to the governing Operating Agreement dated May 15, 1993, elections are due within 30 days from your receipt of this proposal. Please indicate the option of Tierra Oil Co., LLC's ("Tierra") choice below, sign and return this letter by facsimile, if available, to our office at (405) 767-4251, followed by a hard copy in the mail. If Tierra elects to participate in the proposed operation, please also execute and return the enclosed AFE along with a check in the amount of \$18,940.00 (.02000 WI X \$947,000.00), which represents Tierra's share of the AFE dry hole costs. Please also include a Well Requirement Sheet containing a contact name, facsimile number and e-mail address, if available, to insure receipt of well information. Failure to make a timely election shall be deemed as a non-consent election.

As an alternative to the above, Chesapeake would be interested in purchasing Tierra's interest, including any producing well bores, subject to the negotiation of a mutually agreeable price and terms. If Tierra is interested in pursuing this alternative, please so indicate in the space provided below and/or contact the undersigned. We will immediately forward this information to our Acquisitions and Divestitures Department for follow up. However, please be advised that entering into negotiations to sell Tierra's interest does not excuse or allow Tierra to delay the required election under this well proposal.



Mr. Chris Barnhill
December 15, 2004
Page 2 of 2

Your early attention and response to this proposal will be greatly appreciated. Should you have any questions, please contact the undersigned.

Sincerely,

Chesapeake Permian, L.P.

Lynda F. Townsend
Lynda F. Townsend

Tierra hereby elects to participate in the Neuhaus 14 Federal #5.

Tierra hereby elects not to participate in the Neuhaus 14 Federal #5.

TIERRA OIL CO., LLC

By: *W. Chris Barnhill*

Name: *W. CHRIS BARNHILL*

Title: *PRESIDENT*

Date: *1/10/05*

Tierra is interested in selling its interest in this unit including any producing well bores. Please contact me to discuss.

CHESAPEAKE OPERATING, INC.

AUTHORIZATION FOR EXPENDITURE

Project Area: Permian Near Midco
 Well Name: Mesquite 14 Federal #0
 Operator: Chesapeake Operating, Inc.
 AFE #: 140000
 Spacing Unit: MESSINA Section 14-206-03E

County, State: 11442004
 Date: 10/08/04
 Total Days: 10,400
 Form No: DOWR 5-1000
 Property #: 046004

CODE	NTANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
233480	Location:	Roads, Location, Pts	\$30,000.00	\$30,000.00
233401		Drainage	\$8,000.00	\$8,000.00
233402		Governmental Filings	\$2,000.00	\$2,000.00
233403		Setback Costs	\$0.00	\$0.00
233404		Reclamation	\$8,000.00	\$8,000.00
233405	Drilling:	Top Drive	\$0.00	\$0.00
233406		Pipeline Construction	\$0.00	\$0.00
233407		Pipe	\$42,000.00	\$42,000.00
233410		Drilling Completion: 2425 days @ \$10500 per day	\$252,000.00	\$252,000.00
233411		Directional Services	\$4,000.00	\$4,000.00
233413		Rig Mobilization/Demobilization	\$70,000.00	\$70,000.00
233414		Contract Labor	\$40,000.00	\$40,000.00
233415		Oil	\$2,000.00	\$2,000.00
233416		Supplies and Utilities	\$0.00	\$0.00
233417		General Contractor	\$0.00	\$0.00
233418		General Surface Grading	\$8,000.00	\$8,000.00
233419		General Insulation/Casing	\$10,000.00	\$10,000.00
233420		General Production Casing	\$0.00	\$0.00
233421		General Drilling Liner	\$0.00	\$0.00
233422		General Production Liner	\$0.00	\$0.00
233423		Mud Logging	\$11,000.00	\$11,000.00
233424		Drilling Fluids, Mud, Chem.	\$45,000.00	\$45,000.00
233425		Oil String Inspection	\$0,000.00	\$0,000.00
233426		Open Hole Logging	\$30,000.00	\$30,000.00
233427		Flaring	\$0.00	\$0.00
233428		Downhole Rental Equipment	\$10,000.00	\$10,000.00
233429	Completion:	Completion Unit	\$0.00	\$0,000.00
233430		Cased Hole Services/Perforating	\$0.00	\$0,000.00
233431		Jacking	\$0.00	\$0.00
233432	General:	Formation Stimulation	\$0,000.00	\$0,000.00
233433		Surface Equipment Rental	\$3,000.00	\$3,000.00
233434		Flarehead	\$0.00	\$0.00
233435		Flarehead	\$0.00	\$0.00
233436		Blowout/Emergency	\$0.00	\$0.00
233437		Supervision	\$0,000.00	\$0,000.00
233438		Technical Labor	\$0,000.00	\$0,000.00
233439		Direct Labor	\$10,000.00	\$10,000.00
233440		Consultants	\$20,000.00	\$20,000.00
233441		Company Overhead	\$0,000.00	\$0,000.00
233442		Insurance	\$10,000.00	\$10,000.00
233443		Play in Abandon	\$0.00	\$0.00
233444		10% Contingency	\$77,000.00	\$77,000.00
233445	TOTAL INTANGIBLES	Total Intangible Costs	\$243,000.00	\$1,100,000.00

CODE	TANGIBLE COSTS	WORK DESCRIPTION	DRY HOLE	PRODUCER
230100	Tubulars:	Conductor	\$0.00	\$0.00
230101		Surface Casing 13-3/8" 400'	\$12,000.00	\$12,000.00
230102		Intermediate Casing 8-5/8" 3,750'	\$72,000.00	\$72,000.00
230103		Production Casing 5-1/2" 10,000'	\$0.00	\$110,000.00
230104		Drilling Liner	\$0.00	\$0.00
230105		Production Liner	\$0.00	\$0.00
230106		Flarehead	\$0.00	\$0.00
230107	Lease Equipment:	Tubing 2-3/8" 10,000'	\$0.00	\$20,000.00
230108		Wellhead Equipment	\$10,000.00	\$20,000.00
230109		Downhole Equipment	\$0.00	\$18,000.00
230110		Artificial Lift Pumping Unit	\$0.00	\$0,000.00
230111		Production Equipment	\$0.00	\$0,000.00
230112		Completion/Completion	\$0.00	\$0,000.00
230113		Production Equipment	\$0.00	\$0.00
230114		Production Equipment	\$0.00	\$0.00
230115		Non-Controllable Equipment	\$0.00	\$0.00
230116		10% Contingency	\$10,000.00	\$10,000.00
230117	TOTAL TANGIBLES	Total Tangible Costs	\$104,000.00	\$400,000.00
Total Costs			\$347,000.00	\$1,500,000.00

Prepared by: DAD Approved by: CMS

OPERATOR'S APPROVAL: [Signature] DATE: 11-27-04
Operations Manager

OPERATOR'S APPROVAL: [Signature] DATE: 11/28/04
Accounting

NON-OPERATOR'S APPROVAL: [Signature] DATE: 1/10/05

The costs on this AFE are estimates only and may not be construed as ceilings on any specific item or the total cost of the project. In executing this AFE, the participant agrees to pay its proportionate share of actual costs incurred, including legal, curative, regulatory, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. The Operator may contract with an affiliated entity to drill the well at prevailing rates in the area. Participant shall be covered by and billed proportionately for Operator's well control and general liability insurance unless participant provides Operator a certificate evidencing its own insurance in amounts acceptable to the Operator by the date of spud.

