

**MEWBORNE OIL COMPANY  
AUTHORIZATION FOR EXPENDITURE**

Prospect: Beretta

Well Name & No: Beretta "26" State Com #1

Field: \_\_\_\_\_

Location: 660' FNL & 1650' FEL

Section: 26 Block: \_\_\_\_\_ Survey: \_\_\_\_\_

Township 18S Range: 28E

County: Eddy State: NM

Proposed Depth: 11,000'

| DESCRIPTION                |   | Cost To<br>Casing Point<br>AFE NO. | Completion<br>Cost<br>AFE NO. |
|----------------------------|---|------------------------------------|-------------------------------|
| <b>INTANGIBLE COST 180</b> |   |                                    |                               |
| 300                        | Permits and Surveys   | \$3,000                            | \$1,000                       |
| 301                        | Location, Roads and Site Preparation  | \$26,000                           | \$1,500                       |
| 302                        | Footage or Turnkey Drilling   |                                    |                               |
| 303                        | Day Work (28 Days @ \$8750/Day + 2 Days @ TD)                                   | \$245,000                          | \$17,500                      |
| 304                        | Fuel  | \$28,000                           |                               |
| 305                        | Completion / Workover Rig   |                                    | \$15,000                      |
| 306                        | Mud and Chemicals   | \$30,000                           | \$1,000                       |
| 307                        | Cementing   | \$30,000                           | \$20,000                      |
| 308                        | Logging, Wireline and Coring Services   | \$35,000                           | \$12,000                      |
| 309                        | Casing, Tubing & Snubbing Services  | \$4,500                            | \$6,000                       |
| 310                        | Mud Logging   | \$15,000                           |                               |
| 311                        | Teeting   | \$1,000                            | \$1,000                       |
| 312                        | Treating  |                                    | \$100,000                     |
| 313                        | Water & Other   | \$10,000                           | \$1,000                       |
| 314                        | Bits (1 - 17 1/2", 1 - 12 1/4", 4 - 8 3/4")                                     | \$50,000                           |                               |
| 315                        | Inspection & Repair Services  | \$3,500                            | \$6,500                       |
| 316                        | Misc. Air and Pumping Services  | \$5,000                            | \$2,000                       |
| 320                        | Rig Mobilization & Transportation   | \$25,000                           | \$1,000                       |
| 321                        | Welding and Construction  | \$2,500                            | \$2,000                       |
| 322                        | Engineering & Contract Supervision  | \$5,000                            |                               |
| 330                        | Equipment Rental  | \$15,000                           | \$1,000                       |
| 334                        | Well / Lease Legal  | \$3,000                            | \$1,000                       |
| 335                        | Well / Lease Insurance  | \$12,300                           |                               |
| 350                        | Intangible Supplies   | \$1,000                            | \$500                         |
| 355                        | Damages   | \$1,500                            |                               |
| 360                        | Pipeline and Electrical ROW and Easements                                       |                                    | \$3,000                       |
| 367                        | Pipeline Interconnect   |                                    |                               |
| 375                        | Company Supervision   | \$18,000                           | \$3,500                       |
| 380                        | Overhead Fixed Rate   | \$6,000                            | \$4,000                       |
| 398                        | Well Abandonment  | \$12,000                           | (\$12,000)                    |
| 399                        | Contingencies 10% / 10%   | \$58,700                           | \$18,900                      |
| <b>Total Intangibles</b>   |   | <b>\$846,000</b>                   | <b>\$207,400</b>              |
| <b>TANGIBLE COST 181</b>   |   |                                    |                               |
| 797                        | Conductor Casing 40' 20" (Included in location)                                 |                                    |                               |
| 797                        | Surface Casing 400' 13 3/8" 48# H-40 STC @ \$29.98/ft                           | \$12,000                           |                               |
| 797                        | Intermediate Casing 3000' 9 5/8" 40# J-55 STC @ 22.53/ft                        | \$67,600                           |                               |
| 797                        | Intermediate Casing   |                                    |                               |
| 797                        | Production Casing 11,000' 5 1/2" 17# S95/N80 LTC @ \$12.20/ft                   |                                    | \$134,200                     |
| 798                        | Tubing 10,800' 2 7/8" 6.5# P-110 EUE 8rd @ 5.89/ft                              |                                    | \$63,700                      |
| 860                        | Drilling Head   | \$7,000                            |                               |
| 870                        | Tubing Head & Upper Section   |                                    | \$15,000                      |
| 875                        | Sucker Rods   |                                    |                               |
| 880                        | Packer Pump & Subsurface Equipment  |                                    | \$10,000                      |
| 884                        | Artificial Lift Systems   |                                    |                               |
| 885                        | Pumping Unit  |                                    |                               |
| 886                        | Surface Pumps & Prime Movers  |                                    |                               |
| 890                        | Tanks - Steel   |                                    | \$5,000                       |
| 891                        | Tanks - Other   |                                    | \$3,000                       |
| 895                        | Separation Equipment  |                                    | \$12,000                      |
| 896                        | Gas Treating Equipment  |                                    |                               |
| 898                        | Metering Equipment  |                                    | \$4,000                       |
| 900                        | Line Pipe - Gas Gathering & Transportation +2000', 4" 1.88 wall, X-42 w/coating |                                    | \$10,000                      |
| 901                        | Line Pipe - Production  |                                    | \$1,000                       |
| 906                        | Miscellaneous Fittings, Valves & Accessories                                    |                                    | \$10,000                      |
| 909                        | Electrical Installations  |                                    |                               |
| 910                        | Production Equipment Installation   |                                    | \$15,000                      |
| 920                        | Pipeline Construction   |                                    | \$10,000                      |
| <b>Total Tangibles</b>     |   | <b>\$86,600</b>                    | <b>\$292,600</b>              |
| <b>SUBTOTAL</b>            |   | <b>\$732,600</b>                   | <b>\$600,300</b>              |
| <b>TOTAL WELL COST</b>     |   | <b>\$1,232,900</b>                 |                               |

Date Prepared 08/11/04

Total Tangibles

Prepared by: M. Young

SUBTOTAL

Company Approval: *M. Young*

TOTAL WELL COST

Date Approved: 08/12/04

Joint Owner Approval:

Joint Owner Interest:

Joint Owner Amount: