



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **05-055-0**  
AFE DATE **2/1/2005**  
AFEND (rev 6/98)

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/>	Original	_____
<input type="checkbox"/>	Revised	_____
<input type="checkbox"/>	Final	_____
<input type="checkbox"/>	Supplemental	_____

LEASE NAME	<b>Patsy State Unit #1</b>	PROJ'D DEPTH	<b>11,375'</b>
COUNTY	<b>Chaves</b>	STATE	<b>New Mexico</b>
FIELD		HORIZON	<b>Mississippian</b>
LOCATION	<b>Section 15 T12S-R31E, 990' N &amp; 660' E</b>		
DIVISION CODE	<b>100</b>	DIVISION NAME	<b>Oil &amp; Gas Division</b>
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **New well drilled to 11,375' to test the Atoka and Morrow formations.**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	4,000	4,000
920-110	Location, Right-of-Way	45,000	45,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel <b>46 days @ \$12,000/day + \$50,000 for Mob</b>	638,000	638,000
920-140	Drilling Water, Fasline Rental	25,000	25,000
920-150	Drilling Mud & Additives	70,000	70,000
920-160	Mud Logging Unit, Sample Bags	25,000	25,000
920-170	Cementing - Surface Casing	35,000	35,000
920-180	Drill Stem Testing, OHT <b>1 dst</b>	7,500	7,500
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	60,000	60,000
920-205	Control of Well-Insurance	9,000	9,000
920-210	Supervision & Overhead	40,000	40,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	60,000	60,000
920-350	Cementing - Production Casing		70,000
920-410	Completion Unit - Swabbing		15,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		30,000
920-470	Stimulation for Completion		100,000
920-480	Supervision & O/H - Completion		15,000
920-490	Additional LOC Charges - Completion		20,000
920-510	Bits, Tools & Supplies - Completion		1,000
920-500	Contingency for Completion	100,000	150,000
<b>TOTAL INTANGIBLE DRILLING COSTS</b>		<b>1,178,500</b>	<b>1,504,500</b>

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead	2,500	22,000
930-020	Casing <b>13 3/8" @ 400'</b>	11,000	11,000
	<b>9 5/8" @ 3,700'</b>	56,000	56,000
	<b>5 1/2" @ 11,375'</b>		120,000
930-030	Tubing <b>2 7/8" @ 11,200'</b>		63,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		30,000
940-040	Trucking & Construction Costs		15,000
<b>TOTAL TANGIBLE EQUIPMENT COSTS</b>		<b>69,500</b>	<b>332,000</b>
<b>TOTAL COSTS</b>		<b>1,248,000</b>	<b>1,836,500</b>

**APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.**

Prepared By	Jeremiah Mullen	Operations Approval	
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BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13415 Exhibit No. 3  
Submitted by:  
**Yates Petroleum Corporation**  
Hearing Date: February 17, 2005