



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

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

AFE NO. **05-067-0**  
AFE DATE **2/8/2005**

AFEND (rev 8/98)

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>Chesney State Unit #1</b>	PROJ'D DEPTH	<b>13,100'</b>
COUNTY	<b>Lea</b>	STATE	<b>New Mexico</b>
FIELD		HORIZON	<b>Mississippian</b>
LOCATION	<b>Section 26, T11S-R35E, 1,650' N &amp; 990' W</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 13,100' to test the Morrow and Atoka formations.**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	50,000	50,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel <b>57 days @ \$12,000/day + \$45K for mob</b>	773,000	773,000
920-140	Drilling Water, Fasline Rental	45,000	45,000
920-150	Drilling Mud & Additives	85,000	85,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing	40,000	40,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	50,000	50,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	80,000	80,000
920-205	Control of Well-Insurance	9,000	9,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	65,000	65,000
920-350	Cementing - Production Casing		75,000
920-410	Completion Unit - Swabbing		40,000
920-420	Water for Completion		15,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		25,000
920-460	Tools & Equip. Rental, Etc. - Completion		40,000
920-470	Stimulation for Completion		80,000
920-480	Supervision & O/H - Completion		7,500
920-490	Additional LOC Charges - Completion	140,000	140,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion	100,000	150,000
<b>TOTAL INTANGIBLE DRILLING COSTS</b>		<b>1,520,000</b>	<b>1,854,000</b>

TANGIBLE EQUIPMENT COSTS:		DRY HOLE	COMP'D WELL
930-010	Christmas Tree & Wellhead	5,000	25,000
930-020	Casing <b>13 3/8" @ 400'</b>	13,000	13,000
	<b>9 5/8" @ 4,350'</b>	111,000	111,000
	<b>5 1/2" @ 13,100'</b>		178,000
930-030	Tubing <b>2 7/8" @ 12,900'</b>		73,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		20,000
940-030	Separation Equip., Flowlines, Misc.		60,000
940-040	Trucking & Construction Costs		20,000
<b>TOTAL TANGIBLE EQUIPMENT COSTS</b>		<b>129,000</b>	<b>500,000</b>

<b>TOTAL COSTS</b>	<b>1,649,000</b>	<b>2,354,000</b>
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IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY AND APPROVAL OF THIS AFE SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED WHETHER MORE OR LESS THAN HEREIN SET OUT.

Prepared By	Jeremiah Mullen	Operations Approval	
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BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 13434 Exhibit No. 2  
Submitted by:  
Yates Petroleum Corporation  
Hearing Date: **March 3, 2005**