Nearburg Producing Company
Exploration and Production
Dallas, Texas

AUTHORITY FOR EXPENDITURE ("AFE")

FINAL - LF

LEASE: Laguna 23 Fed Com WELL NUMBER: 2H TD: 15,900' TVD 11,150'
LOCATION: SHL: 330' FSL & 660' FWL Sec. 23, T20S, R34E
BHL: 330' FNL & 660' FWL Sec. 23, T20S, R34E

FIELD: EXPLORATORY,DEVELOPMENT,WORKOVER: Exploratory
DESCRIPTION OF WORK: Drill and complete 3rd Bone Springs Horizonal No Pilot Hole

DATE PREPARED: 1-25-2012 EST. START DATE: 2012 EST. COMPLETION DATE: 2012
ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 0 Ft @ 0.00 $/Ft	1514.101	0	NA	0	0
Drilling Daywork 48 4 19,500 $/day	1514.105	1,001,520	1515.105	83,460	1,084,980
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	96,300	1515.115	0	96,300
Road & Location Expense	1514.120	83,460	1515.123	24,503	107,963
Closed Loop System & Disposal Cost	1514.124	353,100	NA	0	353,100
Damages	1514.126	15,000	1515.125	0	15,000
Directional Drilling - Tools and Service	1514.130	283,550	1515.130	0	283,550
Drilling Fluids	1514.135	132,145	1515.132	0	132,145
Fuel, Power, and Water	1514.140	219,350	1515.140	14,980	234,330
Supplies - Bits	1514.145	121,445	1515.145	8,025	129,470
Supplies - Casing Equipment	1514.150	7,918	1515.150	23,005	30,923
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	3,745	1515.160	11,235	14,980
Cement and Cmt. Services - Surface Csg	1514.165	19,260	NA	0	19,260
Cement and Cmt. Services - Int. Csg	1514.170	80,250	NA	0	80,250
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	99,510	99,510
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	103,790	1515.180	0	103,790
Rental - Misc.	1514.185	254,286	1515.185	207,045	461,331
Testing - Drill Stem / Production	1514.195	0	1515.195	51,360	51,360
Open Hole Logging	1514.200	0	NA	0	0
Mudlogging Services	1514.210	60,348	NA	0	60,348
Special Services	1514.190	0	1515.190	38,520	38,520
Plug and Abandon	1514.215	85,000	1515.215	(85,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	95,872	95,872
Reverse Equipment	NA	0	1515.219	34,240	34,240
Wireline Services	1514.205	3,745	1515.205	100,580	104,325
Stimulation	NA	0	1515.221	1,813,222	1,813,222
Pump / Vacuum Truck Services	1514.220	18,725	1515.220	111,280	130,005
Transportation	1514.225	29,425	1515.225	25,680	55,105
Tubular Goods - Inspection & Testing	1514.230	50,825	1515.230	12,840	63,665
Unclassified	1514.245	0	1515.245	0	0
Telephone and Radio Expense	1514.240	2,766	1515.240	856	3,622
Engineer / Geologist / Landman	1514.250	19,260	1515.250	18,000	37,260
Company Labor - Field Supervision	1514.255	85,065	1515.255	37,500	122,565
Contract Labor / Roustabout	1514.265	77,040	1515.265	96,300	173,340
Legal and Professional Service	1514.270	0	1515.270	0	0
Insurance	1514.275	0	1515.275	0	0
Overhead	1514.280	14,000	1515.280	0	14,000
SUBTOTAL		3,221,317		2,823,013	6,044,330
Contingencies (5%)		161,066		141,151	302,217
ESTIMATED TOTAL INTANGIBLES		3,382,383		2,964,164	6,346,547

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 3
Submitted by:
NEARBURG EXPLORATION COMPANY, LLC
Hearing Date: June 7, 2012

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Exploration and Production
Dallas, Texas

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FIELD: EXPLORATORY,DEVELOPMENT,WORKOVER: Exploratory
DESCRIPTION OF WORK: Drill and complete 3rd Bone Springs Horizonal No Pilot Hole

DATE PREPARED: 1-25-2012 EST. START DATE: 2012 EST. COMPLETION DATE: 2012
ACCOUNTING WELL NUMBER:

TANGIBLE COSTS:				CODE	TO CSG PT		CODE	COMPLETION		TOTAL WELL
Conductor Casing	40 Ft @	400.00 $/Ft		1520.305	16,000		NA	0		16,000
Surface Csg	675 Ft @	52.00 $/Ft		1520.310	35,100		NA	0		35,100
Intermediate Csg	3,700 Ft @	36.00 $/Ft		1520.315	133,200		NA	0		133,200
Protection Csg	900 Ft @	42.00 $/Ft		1520.320	37,800		NA	0		37,800
Production Csg	15,100 Ft @	21.00 $/Ft		NA	0		1522.325	317,100		317,100
Protection Liner	0 Ft @	0.00 $/Ft		1520.330	0		NA	0		0
Production Liner	0 Ft @	0.00 $/Ft		NA	0		1522.335	0		0
Tubing	11,100 Ft @	6.80 $/Ft		NA	0		1522.340	75,480		75,480
Rods	11,100 Ft @	4.00 $/Ft		NA	0		1522.345	44,400		44,400
Artificial Lift Equipment				NA	0		1522.350	123,050		123,050
Tank Battery				NA	0		1522.355	110,745		110,745
Separators/Heater Treater/Gas Units/FWKO				NA	0		1522.360	26,750		26,750
Well Head Equipment & Christmas Tree				1520.365	28,890		1522.365	42,800		71,690
Subsurface Well Equipment				NA	0		1522.370	19,795		19,795
Flow Lines & Pipe Lines				NA	0		1522.375	10,700		10,700
Saltwater Disposal Pump				NA	0		1522.391	9,095		9,095
Gas Meter				NA	0		1522.385	11,235		11,235
Lact Unit				NA	0		1522.387	0		0
Vapor Recovery Unit				NA	0		1522.389	0		0
Other Well Equipment				NA	0		1522.380	9,095		9,095
ROW and Damages				NA	0		1522.393	10,700		10,700
Surface Equipment Installation Costs				NA	0		1522.395	46,010		46,010
Elect. Installation				NA	0		1522.397	42,800		42,800
ESTIMATED TOTAL TANGIBLES					250,990			899,755		1,150,745
ESTIMATED TOTAL WELL COSTS					3,633,373			3,863,919		7,497,292

☐ By checking this box, Non-Operator hereby waives and rejects coverage under Operator's Extra Expense Indemnity Insurance and relies on the coverage provided by its own insurance, and shall within 15 days of approval of this AFE by Non-Operator, provide Operator with a certificate of insurance reflecting current coverage comparable to those provided by Operator. Failure to check this box shall be deemed an election to obtain coverage under Operator's Extra Expense Indemnity Insurance.

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

Nearburg Producing Company

By:_____ **Date:**_____ Geology:_____

Matt Lee, Operations Manager Engineering:_____

By:_____ **Date:**_____ Land:_____

Terry Gant, Midland Manager

WI APPROVAL: COMPANY _____

BY _____

TITLE _____

DATE _____