Nearburg Producing Company
Exploration and Production
Dallas, Texas

FINAL - LF

AUTHORITY FOR EXPENDITURE ("AFE")

LEASE: Irami 34 Fed Com WELL NUMBER: 1H TVD: 2,697'
LOCATION: SHL 10' FWL & 330' FSL, Sec 34, T19 S, R25E, Eddy County, NM MD: 6,201'
LOCATION: BHL 1650' FEL & 330' FSL, Sec 34, T19 S, R25E, Eddy County, NM
FIELD: Yeso EXPLORATORY,DEVELOPMENT,WORKOVER: E
DESCRIPTION OF WORK Drill to 2,200' PU directional tools and build curve to 90* by 2,697' TVD, drill a horizontal section of 3,100' +- and complete as aYeso oil well. This AFE includes an upgrade or new battery and 12 stage frac.
DATE PREPARED: 7/6/11 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 14 3 10,600 $/day	1514.105	157,304	1515.105	31,800	189,104
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	45,000	1515.115	0	45,000
Road & Location Expense	1514.120	44,520	1515.123	5,500	50,020
Closed Loop System & Disposal Cost	1514.124	119,250	NA	0	119,250
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	159,000	1515.130	0	159,000
Drilling Fluids	1514.135	29,680	1515.132	0	29,680
Fuel, Power, and Water	1514.140	62,805	1515.140	10,000	72,805
Supplies - Bits	1514.145	37,630	1515.145	1,000	38,630
Supplies - Casing Equipment	1514.150	1,484	1515.150	11,200	12,684
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	0	1515.160	2,500	2,500
Cement and Cmt. Services - Surface Csg	1514.165	21,200	NA	0	21,200
Cement and Cmt. Services - Int. Csg	1514.170	0	NA	0	0
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	29,000	29,000
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	54,590	1515.180	0	54,590
Rental - Misc.	1514.185	22,504	1515.185	40,500	63,004
Testing - Drill Stem / Production	1514.195	0	1515.195	10,000	10,000
Open Hole Logging	1514.200	0	NA	0	0
Mudlogging Services	1514.210	19,500	NA	0	19,500
Special Services	1514.190	0	1515.190	29,000	29,000
Plug and Abandon	1514.215	10,000	1515.215	0	10,000
Pulling and/or Swabbing Unit	NA	0	1515.217	27,000	27,000
Reverse Equipment	NA	0	1515.219	6,000	6,000
Wireline Services	1514.205	4,240	1515.205	0	4,240
Stimulation	NA	0	1515.221	1,108,900	1,108,900
Pump / Vacuum Truck Services	1514.220	5,300	1515.220	8,500	13,800
Transportation	1514.225	14,840	1515.225	2,500	17,340
Tubular Goods - Inspection & Testing	1514.230	2,120	1515.230	0	2,120
Unclassified	1514.245	0	1515.245	0	0
Telephone and Radio Expense	1514.240	1,590	1515.240	585	2,175
Engineer / Geologist / Landman	1514.250	15,000	1515.250	12,000	27,000
Company Labor - Field Supervision	1514.255	25,652	1515.255	13,200	38,852
Contract Labor / Roustabout	1514.265	10,600	1515.265	10,500	21,100
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	7,500	1515.275	0	7,500
Overhead	1514.280	3,500	1515.280	0	3,500
SUBTOTAL		884,809		1,359,685	2,244,494
Contingencies (10%)		88,481		135,969	224,450
ESTIMATED TOTAL INTANGIBLES		973,290		1,495,654	2,468,944

NMOCD CASE NO. 14836
JUNE 7, 2012
NEARBURG EX. 5

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DATE PREPARED: 7/6/11 EST. START DATE: 2012 EST. COMPLETION DATE: 2012
ACCOUNTING WELL NUMBER:

TANGIBLE COSTS:				CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	80 Ft @	100.00 $/Ft		1520.305	8,000	NA	0	8,000
Surface Csg	800 Ft @	30.00 $/Ft		1520.310	24,000	NA	0	24,000
Intermediate Csg	0 Ft @	20.00 $/Ft		1520.315	0	NA	0	0
Protection Csg	0 Ft @	25.00 $/Ft		1520.320	0	NA	0	0
Production Csg	5,062 Ft @	16.50 $/Ft		NA	0	1522.325	83,523	83,523
Protection Liner	0 Ft @	0.00 $/Ft		1520.330	0	NA	0	0
Production Liner	1 Ft @	230000.00 $/Ft		NA	0	1522.335	230,000	230,000
Tubing	2,500 Ft @	5.00 $/Ft		NA	0	1522.340	12,500	12,500
Rods	2,500 Ft @	3.00 $/Ft		NA	0	1522.345	7,500	7,500
Artificial Lift Equipment				NA	0	1522.350	55,000	55,000
Tank Battery				NA	0	1522.355	22,500	22,500
Separators/Heater Treater/Gas Units/FWKO				NA	0	1522.360	12,000	12,000
Well Head Equipment & Christmas Tree				1520.365	5,000	1522.365	5,000	10,000
Subsurface Well Equipment				NA	0	1522.370	4,500	4,500
Flow Lines & Pipe Lines				NA	0	1522.375	8,800	8,800
Saltwater Disposal Pump				NA	0	1522.391	0	0
Gas Meter				NA	0	1522.385	5,500	5,500
Lact Unit				NA	0	1522.387	0	0
Vapor Recovery Unit				NA	0	1522.389	0	0
Other Well Equipment				NA	0	1522.380	0	0
ROW and Damages				NA	0	1522.393	0	0
Surface Equipment Installation Costs				NA	0	1522.395	13,000	13,000
Elect. Installation				NA	0	1522.397	22,000	22,000
ESTIMATED TOTAL TANGIBLES					37,000		481,823	518,823
ESTIMATED TOTAL WELL COSTS					1,010,290		1,977,477	2,987,767

☐ 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 _____