

AUTHORITY FOR EXPENDITURE ("AFE")

LEASE: West Lovington 20 WELL NUMBER: 1 TD: 11,300'
 LOCATION: 387' FNL & 627' FWL Sec. 20, T17S, R37E, Lea County, New Mexico

FIELD: West Knowles Strawn EXPLORATORY, DEVELOPMENT, WORKOVER: E FINAL - LF
 DESCRIPTION OF WORK: Drill and complete as a flowing /pumping Strawn oil well.

DATE PREPARED: 10/4/12 EST. START DATE: 2013 EST. COMPLETION DATE: 2013
 ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 11,300 Ft @ 0.00 \$/Ft	1514.101	0	NA	0	0
Drilling Daywork 40 2 17,000 \$/day	1514.105	727,600	1515.105	36,380	763,980
Drilling Turnkey	1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization	1514.115	119,840	1515.115	0	119,840
Road & Location Expense	1514.120	84,530	1515.123	3,745	88,275
Closed Loop System & Disposal Cost	1514.124	299,600	NA	0	299,600
Damages	1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service	1514.130	202,230	1515.130	0	202,230
Drilling Fluids	1514.135	73,830	1515.132	0	73,830
Fuel, Power, and Water	1514.140	192,600	1515.140	7,490	200,090
Supplies - Bits	1514.145	96,835	1515.145	1,070	97,905
Supplies - Casing Equipment	1514.150	2,568	1515.150	14,445	17,013
Supplies - Liner Equipment	1514.155	0	1515.155	0	0
Supplies - Miscellaneous	1514.160	5,350	1515.160	5,350	10,700
Cement and Cmt. Services - Surface Csg	1514.165	32,100	NA	0	32,100
Cement and Cmt. Services - Int. Csg	1514.170	72,760	NA	0	72,760
Cement and Cmt. Services - Prod. Csg	NA	0	1515.172	85,600	85,600
Cement and Cmt. Services - Other	1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment	1514.180	48,150	1515.180	0	48,150
Rental - Misc.	1514.185	117,165	1515.185	10,700	127,865
Testing - Drill Stem / Production	1514.195	22,470	1515.195	10,700	33,170
Open Hole Logging	1514.200	48,150	NA	0	48,150
Mudlogging Services	1514.210	42,000	NA	0	42,000
Special Services	1514.190	0	1515.190	5,350	5,350
Plug and Abandon	1514.215	35,000	1515.215	(35,000)	0
Pulling and/or Swabbing Unit	NA	0	1515.217	47,080	47,080
Reverse Equipment	NA	0	1515.219	16,050	16,050
Wireline Services	1514.205	0	1515.205	16,050	16,050
Stimulation	NA	0	1515.221	41,195	41,195
Pump / Vacuum Truck Services	1514.220	37,100	1515.220	10,700	47,800
Transportation	1514.225	25,680	1515.225	8,560	34,240
Tubular Goods - Inspection & Testing	1514.230	8,453	1515.230	9,095	17,548
Unclassified	1514.245	5,300	1515.245	0	5,300
Telephone and Radio Expense	1514.240	4,815	1515.240	803	5,618
Engineer / Geologist / Landman	1514.250	16,500	1515.250	16,500	33,000
Company Labor - Field Supervision	1514.255	72,225	1515.255	16,500	88,725
Contract Labor / Roustabout	1514.265	42,800	1515.265	27,820	70,620
Legal and Professional Service	1514.270	5,000	1515.270	0	5,000
Insurance	1514.275	5,200	1515.275	0	5,200
Overhead	1514.280	11,500	1515.280	3,500	15,000
SUBTOTAL		2,462,351		359,683	2,822,034
Contingencies (10%)		246,235		35,968	282,203
ESTIMATED TOTAL INTANGIBLES		2,708,586		395,651	3,104,237

Oil Conservation Division
 Case No. 14996
 Exhibit No. 4

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 DESCRIPTION OF WORK: Drill and complete as a flowing /pumping Strawn oil well.

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<u>TANGIBLE COSTS:</u>	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing 45 Ft @ 240.00 \$/Ft	1520.308	10,800	NA	0	10,800
Surface Csg 465 Ft @ 43.50 \$/Ft	1520.310	20,228	NA	0	20,228
Intermediate Csg 4,650 Ft @ 28.00 \$/Ft	1520.315	130,200	NA	0	130,200
Protection Csg 0 Ft @ 25.00 \$/Ft	1520.320	0	NA	0	0
Production Csg 11,300 Ft @ 16.50 \$/Ft	NA	0	1522.325	186,450	186,450
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 11,300 Ft @ 6.00 \$/Ft	NA	0	1522.340	67,800	67,800
Rods 11,300 Ft @ 3.00 \$/Ft	NA	0	1522.345	33,900	33,900
Artificial Lift Equipment	NA	0	1522.350	128,400	128,400
Tank Battery	NA	0	1522.355	85,065	85,065
Separators/Heater Treater/Gas Units/FWKO	NA	0	1522.360	18,500	18,500
Well Head Equipment & Christmas Tree	1520.365	5,000	1522.365	13,375	18,375
Subsurface Well Equipment	NA	0	1522.370	8,025	8,025
Flow Lines & Pipe Lines	NA	0	1522.375	5,350	5,350
Saltwater Disposal Pump	NA	0	1522.380	0	0
Gas Meter	NA	0	1522.385	5,350	5,350
Lact Unit	NA	0	1522.387	0	0
Vapor Recovery Unit	NA	0	1522.389	0	0
Other Well Equipment	NA	0	1522.390	0	0
ROW and Damages	NA	0	1522.393	5,350	5,350
Surface Equipment Installation Costs	NA	0	1522.395	32,100	32,100
Elect. Installation	NA	0	1522.397	32,100	32,100
ESTIMATED TOTAL TANGIBLES		166,228		621,765	787,993
ESTIMATED TOTAL WELL COSTS		2,874,814		1,017,416	3,892,229

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 _____