

PRESTON EXPLORATION, LLC

AUTHORIZATION FOR EXPENDITURE

Lease and Well No. Renata "16" State Corn #1		Project Renata	AFE no.
<input checked="" type="checkbox"/> Exploratory Well <input type="checkbox"/> Development Well	<input type="checkbox"/> Recompletion <input type="checkbox"/> Workover	<input type="checkbox"/> Injection <input type="checkbox"/> SWD	<input type="checkbox"/> Other
County/Parish, State Eddy County, NM	Survey/Township E/2 of Sec. 16, T23S, R24E, NMPM	Unit Description/Measured Location 660' FNL & 660' FEL	Projected TO 10,800'
Description of Work Drill and complete Morrow test.			Date Prepared / By 8/30/2005 RDS

INTANGIBLE COSTS

Description	Drilling	Completion	
Abstracts / Legal Fees	101	201	
Surveys / Permits	102 2,000	202	
Right-of-Ways	103 3,000	203	
Location - Build, Repair, Set Conductor, Cleanup, & Supervision	104 30,000	204	2,500
Rig Mob & Demob	105 50,000	205	
Transportation / Hauling	106 4,000	206	2,000
Completion Rig	107 15 days @ \$ 3,000 /day	207	45,000
Drilling / Completion Rig - Day Work	108 38/3 days @ \$17000 /day	208	51,000
Cementing - Materials / Pumping Services	111 40,000	211	24,000
Drilling Mud / Completion & Workover Fluids	112 55,000	212	3,000
Water / Water Well	113 34,000	213	1,000
Fuel - Diesel / Gas	114 51,250	214	
Open hole - Logging / Coring	115 30,000	215	
Engineering / Supervision	116 41 days @ \$1,000 /day / 15 days @ \$ 1,000 /day	216	15,000
Geological Services - Mud Logging, Core An	117 31 Days @ \$ 750 /day	217	
Casing Services - Inspect, Lay Down, Pick Up & Run	118 6,500	218	5,000
Supplies	119	219	
Drilling / Completion Overhead Rate	120 6,000	220	3,000
Equipment Rentals	123 60,000	223	20,000
Surface Damages	124 2,500	224	
Slickline / Swabbing	128	228	
Cased hole - Logging / Perforating		229	
Stimulation - Materials / Services		230	150,000
Equipment - Inspection, Repair & Maintenance	142 1,500	242	
Disposal charges	144	244	3,500
Insurance	145 10,000	245	800
Coiled Tubing / Nitrogen / CO2 , etc.		250	
Chemicals - Corrosion	152 1,000	252	1,000
Chemicals - Other	154	254	
Gravel Pack - Materials / Service		255	
Drilling / Workover Bits	156 65,000	256	1,500
Treating	158	258	
Testing / Analysis	160	260	15,000
Communications	161 500	261	
Labor	162 18,000	262	7,500
P & A Expense	197 15,000		
Taxes	198 71,790	298	21,310
Misc Expense	199 20,000	299	10,000
Contingencies	199 60,775	299	18,040
Total Intangibles	1,348,065	400,150	

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 3

TANGIBLE COSTS

Conductor Pipe	40' - 20" Conductor @ \$ 120 /ft	110	4,800	
Surface Casing	500' - 13/3/8" - J-55 - LT&C @ \$ 62.00 /ft	121	31,000	
Intermediate Casing	1,600' - 9 5/8" - J-55 - LT&C @ \$ 48.00 /ft	122	76,800	
Production Casing	10,800' - 6 1/2" - N-80 - LT&C @ \$ 25.00 /ft			225 270,000
Tubing	10,500' - 2 3/8" - N-80 - EUE @ \$ 6.50 /ft			227 68,250
Downhole Equipment - Packers, Anchors, Sleeves, etc.				231 10,000
Artificial Lift Equipment				232
Wellhead, Tree, Safety Equipment, etc.		133 3,000	233	7,000
Tanks, Gauge Rings, Walkways, Stairs, Ladders, etc.			234	15,000
Pipe, Fittings, Valves, etc.			235	14,000
Separators, Treaters & Heaters, etc.			236	9,000
Sucker Rods, Collars, Scrapers, etc.			251	
Equipment - Measurement, etc.			264	5,000
Downhole Equip. - Shoes, Float Collars, etc.		169 2,500	269	2,000
Taxes	198 6,875	298	23,840	
Miscellaneous	199	299		
Contingencies	199 5,905	299	20,013	
Total Tangibles	130,980	443,902		

Dry Hole Cost

1,479,048

Completed Well Cost

2,308,098

APPROVALS

Company	Signature	Title	Date
<p><small>IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE AMOUNTS HEREIN SET OUT.</small></p>			