

PURVIS OPERATING CO.
COST ESTIMATE & AUTHORITY FOR EXPENDITURE (AFE)

Date: 7/13/2006 Lease & Well #: ANTELOPE #1 Est. Commencement Date: 1/1/2007
 Purpose: Test Antelope/Morris / Miss Prepared by: D. E. Brown, P.E.
 Location: 1310 FNI and 660 FBL Sec. 7, T. 15S, R. 35E County: Lea State: New Mexico Projected Depth: 13,500'
 Classification: Exploratory: (X) Development: () Oil: () Gas: (X)

DRILLING COSTS

TANGIBLE

CASING
 a. Conductor, Rat hole and Above hole
 b. Surface
 c. Intermediate
 d. Wellhead Equipment - Surface
 e. Wellhead Equipment - Intermediate
 f. Casing Crew
 Total Tangibles

Estimated Cost	Ref.
8,000	
12,400	
161,300	1a
2,000	
4,000	
6,000	
196,700	

INTANGIBLE

PRE-SPUD WORK
 a. Title Work
 b. Plugging Bond
 c. Right of Way, Staking, Surveying
 d. Miscellaneous
DRILL WORK
 a. Roads
 b. Location, Cellar & Pit
 c. Pit Lining
 d. Pit Removal
 e. Damages
 f. Fences
RIG COSTS
 a. Franchise Rate
 b. Day work
 c. Tills & Rental Tools
 d. Fuel
 e. Water Tank/Water Line
 f. Trash Pits
 g. Rig mobilization
MUD COSTS
 a. Surface
 b. Intermediate
 c. Production
 d. Water
 e. Mud Oil
FORMATION EVALUATION
 a. Mud Logging
 b. Open Hole Logs
 c. Drill Stem Tests & L.L.
 d. Logging Equipment & SWL
 e. Core Analysis
 f. Fluid Analysis
 g.

Estimated Cost	Ref.
2,500	
1,000	
1,000	
3,000	
20,000	
4,500	
30,000	
5,000	
700	
	2
990,000	3
85,000	
96,300	
5,000	
2,700	
50,000	

FORMATION EVALUATION

a. Mud Logging
 b. Open Hole Logs
 c. Drill Stem Tests & L.L.
 d. Logging Equipment & SWL
 e. Core Analysis
 f. Fluid Analysis
 g.

Estimated Cost	Ref.
50,500	4
65,000	
15,000	

RUNNING CASING/CEMENTING

a. Surface Float
 b. Surface Cementing
 c. Intermediate Float
 d. Intermediate Cementing
 e. Welllog
 f. Handling Casing & Drill Pipe
 g.

Estimated Cost	Ref.
1,600	
17,000	
2,500	
75,500	
1,000	
4,000	

OVERHEAD

a. Field Supervision
 b. Engineering
 c. Geologist
 d. Operator's Administrative Cost
MISC.
 a. Transportation and Labor
 b. Contingency
 c. New Mexico Sales Tax
TOTAL INTANGIBLES
DRILLING TOTAL

Estimated Cost	Ref.
36,200	5a
1,000	5
4,000	6
8,800	7
10,000	
140,000	
122,500	
1,070,500	
\$ 2,117,500	

COMPLETION COSTS

TANGIBLE

WELL EQUIPMENT
 a. Production Casing & Liner
 b. Tubing
 c. Wellhead Equip. - Casing
 d. Wellhead Equip. - Tubing/Drumming
 e. Packers, Anchors, Misc.
 f. Flow Line
ARTIFICIAL LIFT EQUIPMENT
 a. Rods & Pump, CAC
 b. Pumping Unit
 c. Motor, Panel or Engine
 d. Lease Power
 e. Electric Line
FACILITIES
 a. Heater Treater/Separator
 b. Tanks - Hook Up
 c. Stack Pack (gas well only)
 d. Flow Line
 e. Gas Sales Line
 f. Misc. Fittings
 Total Tangibles

Estimated Cost	Ref.
140,000	8
100,500	9
5,000	
20,000	
10,000	
5,000	

ARTIFICIAL LIFT EQUIPMENT

a. Rods & Pump, CAC
 b. Pumping Unit
 c. Motor, Panel or Engine
 d. Lease Power
 e. Electric Line

Estimated Cost	Ref.

FACILITIES

a. Heater Treater/Separator
 b. Tanks - Hook Up
 c. Stack Pack (gas well only)
 d. Flow Line
 e. Gas Sales Line
 f. Misc. Fittings
 Total Tangibles

Estimated Cost	Ref.
17,000	
25,000	
5,000	
10,000	
228,500	

INTANGIBLE

RUNNING CASING/CEMENTING

a. Cement & Services
 b. Floating Equipment & Lintel Hgt.
 c. Welllog
 d. Handling Casing & Drill Pipe
 e.

Estimated Cost	Ref.
25,000	
2,500	
1,000	
6,000	

RENTAL EQUIPMENT/SERVICES

a. Completion Rig (15 days)
 b. Huse/Tractor
 c. Reverse Unit
 d. Tubular Inspection
 e. Tacker/DP
 f. Rental Tanks
 g. Pump Truck
WIRELINE SERVICES
 a. Cased Hole Logs
 b. Perforating
 c.

Estimated Cost	Ref.
68,000	
8,000	
3,000	
3,000	
10,000	
10,000	

WIRELINE SERVICES

a. Cased Hole Logs
 b. Perforating
 c.

Estimated Cost	Ref.
10,000	
10,000	

SIMULATION SERVICES

a. Fracturing
 b. Acidizing
 c. Water
OVERHEAD
 a. Field Supervision
 b. Engineering
 c. Operator's Administrative Cost
MISC.
 a. Transportation & Freight
 b. Kioshibout Labor
 c. Miscellaneous
 d. Contingency
 e. New Mexico Sales Tax
TOTAL INTANGIBLES
COMPLETION TOTAL

Estimated Cost	Ref.
25,000	
10,000	
5,000	
12,000	9a
2,500	9
2,000	7
5,000	
10,000	
5,000	
28,000	
33,500	10
559,900	
\$ 888,200	

SUMMARY

Total Tangibles
 Total Intangibles
 Contingency
GRAND TOTAL - Producer

Estimated Cost	Ref.
\$723,000	
\$2,112,700	
\$108,000	
\$3,013,700	

REFERENCES:

- 1. 400' 13 3/8" I.D. - 4 1/2" @ \$11,000/l
- 1a. 2200' 9 5/8" J&N - 5 1/2" @ 400' @ \$26,500/l
- 2. Drilling Rate @ \$
- 3. Day Rate @ \$14,000 @ 15 days
- 4. Mud log @ \$1100 @ 15 days @ \$500 interval/inch
- 5. 25 days @ \$550/l; 15 days @ \$850

- 5. 8 days @ \$500; 5 days @ \$500
- 6. 8 days @ \$500
- 7. 55 days @ \$160; 15 days @ \$160
- 8. 13,500' @ 1.2" - NRO & SPB 178 @ 200' @ \$21,500/l
- 9. 13,500' 2 1/8" - N-80 - @ 1.28 @ \$7,400/l
- 10. Sales Tax @ 6.5%

PURVIS OPERATING CO. By: *J. H. Purvis*
 Title: President Date: 7-13-06

Oil Conservation Division
 Case No. 3
 Exhibit No. 3

7/13/2006

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