PURVIS OPERATING CO.

COST ESTIMATE & AUTHORITY FOR EXPENDITURE (AFE)

Date: 1/8/2007 **Lease & Well #:** ANTELOPE #1
Est. Commencement Date: 6/1/2007
Prepared by: D. E. Brown, P.E.
Purpose: Test Strawn
Location: 1310' FNL and 660' FEL, Sec. 7, T-15S, R-35E **County:** Lea **State:** New Mexico **Projected Depth:** 12,300'
Classification: Exploratory: (X) Development: ( ) Oil: ( ) Gas: (X)

DRILLING COSTS

	Estimated Cost	Ref.
TANGIBLE		
CASING:		
a. Conductor, Rat hole and Mouse hole	8,000	
b. Surface	12,400	1
c. Intermediate	164,300	1a
d. Wellhead Equipment - Surface	2,000	
e. Wellhead Equipment - Intermediate	4,000	
f. Casing Crew	6,000	
Total Tangibles	196,700	
INTANGIBLE		
PRE-SPUD WORK		
a. Title Work	2,500	
b. Plugging Bond		
c. Right of Way, Staking, Surveying	1,000	
d. Miscellaneous	1,000	
DIRT WORK		
a. Roads	5,000	
b. Location, Cellar & Pits	20,000	
c. Pit Lining	4,500	
d. Pit Removal	10,000	
e. Damages	5,000	
f. Fences	700	
RIG COSTS		
a. Footage Rate		2
b. Daywork	756,000	3
c. Bits & Rental Tools	85,000	
d. Fuel	73,500	
e. Water Tank, Water Line	5,000	
f. Trash Pits	2,700	
g. Rig mobilization	50,000	
MUD COSTS		
a. Surface		
b. Intermediate		
c. Production	85,000	
d. Water	20,000	
e. Mud Oil		
f.		
FORMATION EVALUATION		
a. Mud Logging	36,200	4
b. Open Hole Logs	59,200	
c. Drill Stem Tests & [illegible]	15,000	
d. Coring Equipment & SWC		
e. Core Analysis		
f. Fluid Analysis	500	
g.		
RUNNING CASING/CEMENTING		
a. Surface Float	1,600	
b. Surface Cementing	12,000	
c. Intermediate Float	2,500	
d. Intermediate Cementing	23,500	
e. Welding	1,000	
f. Handling Casing & Drill Pipe	4,000	
g.		
OVERHEAD		
a. Field Supervision	35,700	5a
b. Engineering	4,000	5
c. Geologist	4,000	6
d. Operator's Administrative Cost	6,700	7
MISC.		
a. Transportation and Labor	10,000	
b. Contingency	140,000	
c. New Mexico Sales Tax	113,900	10
TOTAL INTANGIBLES	1,616,700	
DRILLING TOTAL	$ 1,813,400	

COMPLETION COSTS

	Estimated Cost	Ref.
TANGIBLE		
WELL EQUIPMENT		
a. Production Casing & Liner	301,400	8
b. Tubing	72,000	9
c. Wellhead Equip - Casing	5,000	
d. Wellhead Equip. - Tubing/Pumping T	20,000	
e. Packers, Anchors, Misc.	10,000	
f. Flow Line	5,000	
ARTIFICIAL LIFT EQUIPMENT		
a. Rods & Pump, TAC		
b. Pumping Unit		
c. Motor, Panel or Engine		
d. Lease Power		
e. Electric Line		
FACILITIES		
a. Heater Treater/Separator		
b. Tanks - Hook Up	17,000	
c. Stack Pack (gas well only)	25,000	
d. Flow Line	5,000	
e. Gas Sales Line		
f. Misc. Fittings	10,000	
Total Tangibles	470,400	
INTANGIBLE		
RUNNING CASING/CEMENTING		
a. Cement & Service	25,000	
b. Floating Equipment & Liner Hgr	2,500	
c. Welding	1,000	
d. Handling Casing & Drill Pipe	6,000	
e.		
RENTAL EQUIPMENT/SERVICES		
a. Completion Rig (10 days)	45,500	
b. Bits/Crossovers		
c. Reverse Unit		
d. Tubular Inspection		
e. Packer/BP	5,000	
f. Rental Tanks	3,000	
g. Pump Truck	3,000	
WIRELINE SERVICES		
a. Cased Hole Logs	10,000	
b. Perforating	10,000	
c.		
STIMULATION SERVICES		
a. Fracturing		
b. Acidizing	25,000	
c. Water	1,000	
OVERHEAD		
a. Field Supervision	8,500	5a
b. Engineering	2,500	5
c. Operator's Administrative Cost	1,600	7
MISC.		
a. Transportation & Freight	3,500	
b. Roustabout Labor	10,000	
c. Miscellaneous	5,000	
d. Contingency	28,000	
e. New Mexico Sales Tax	41,200	10
TOTAL INTANGIBLES	238,300	
COMPLETION TOTAL	$ 709,200	

SUMMARY

Total Tangibles	$667,100
Total Intangibles	$1,688,000
Contingency	$168,000
GRAND TOTAL, Producer	$2,523,100

REFERENCES:

1 400' 13 3/8" H40 - 48# @ $31.00 ft
1a 6200' 9 5/8" J&N - 40# & 36# @ $26.50/ft
2 Drilling Rate @ $ x '
3 Day Rate @ $18,000 x 42 days
4 Mud log @ $1100 x 32 days + $500 move-in/out
5a 35 days @ $850, 10 days @ $850
5 8 days @ $500, 5 days @ $500
6 8 days @ $500
7 42 days @ $160; 10 days @ $160
8 12,300' 5 1/2" - N80 & S95 - 17# & 20# @ $24.50/ft
9 12,000' 2 7/8" N-80 - 6 1/2# @ $6.00/ft
10 Sales Tax @ 6.25%

PURVIS OPERATING CO. By: J. H. Purvis Title: President Date: 2-8-07

Oil Conservation Division Date:
Case No. 4
Exhibit No. 4

1/8/2007

C:\My Documents\123\FILES\AFEs\Antelope #1 Strawn