

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

HAND DELIVERED ON
11/28/06

November 27, 2006

Oxy USA WTP L.P.
6 Desta Drive, Suite 6000
Midland, TX 79705

Attn: Mr. David R. Evans

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

Pursuant to Article VI.B.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion and both the Canyon and Wolfcamp will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will have a rig available on or around February 15th 2007.

An Authorization for Expenditure is attached for a completed well cost of \$3,095,305.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,

Peggy Kerr
VP of Land

_____ AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE IN BLANK)

Oxy USA WTP L.P.

By: _____

Date: _____

FILE COPY

Oil Conservation Commission
Case No. _____
Exhibit No. 1

Operator BOLD ENERGY, LP		Well Name Turkey Track (Canyon) "Section 8"			TD 10,100'			
Surface Location 1980' FNL & 660 FWL		Section - Township - Range 8 - T19S - R29E		County Eddy		State New Mexico		
BHL 1980' FNL & 660 FWL		Field Turkey Track						
Primary Objective Canyon @ 9890'		Secondary Objective Wolfcamp @ 8880'			API Number TBA			
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>		Data Processing Information AFE No. <input type="checkbox"/> TBA <input type="checkbox"/> Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <input type="checkbox"/> 1						
Tangible Costs		Before Casing Point			After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities		Code
1. Tubulars		Setting Depths		72,800	2' 0" 4	232,000	4' 0" 4	304,800
13-3/8" OD 0' to 375'				12,800				
8 5/8" OD 0 to 3000'				60,000				
5 1/2" OD 0 to 10,100'						175,000		
2 7/8" OD 0 to 10,100'						57,000		
" OD 0 to								
" OD 0 to								
2. Casinghead, Tubinghead, Christmas Tree				10,500	2' 9" 3	20,500	4' 9" 3	31,000
3. Tubing Accessories						9,500	4' 1" 2	9,500
Packers, Tubing Anchors						8,000		
On/off tools								
Nipples (SN & Profiles)						1,500		
Purchased RBP's, etc.								
4. Artificial Lift							75,000	4' 9" 4
5. Capillary System								4' 1" 1
6. Production Equipment							91,000	4' 3" 8
Separators							50,000	
Metering Equipment							5,000	
Tanks							28,000	
Valves, Fittings & Couplings							8,000	
7. Electrical Lines & Equipment								4' 2" 8
8. Flowline (WH to Production Unit)							5,000	4' 5" 8
Line Pipe							3,500	
Valves, Fittings & Couplings							1,500	
9. Pipeline (Production Unit to Sales Point)							45,000	4' 5" 7
Line Pipe							40,000	
Valves, Fittings & Couplings							5,000	
10. Water Disposal System								4' 9" 0
Injection Pump								
Transfer Pump								
Gun Barrel & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency 10%				8,330	0	26,200	21,800	58,130
TOTAL TANGIBLES				91,630	0	288,200	237,600	617,430
Intangible Costs		Before Casing Point			After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities		Code
12. Contract Field Supervision				48,000	1' 0" 6	35,000	3' 0" 6	83,000
13. Contract Engineering / Technical				8,000	1' 3" 0	3,000	3' 3" 0	11,000
14. Auto Expense (in-house field travel)				500	1' 1" 3	1,000	3' 1" 3	2,500
15. Legal / Title (permits & contract legal work)				3,500	1' 4" 2	2,000	3' 4" 2	5,500
16. Location & Road Expense				121,500	1' 4" 3	8,500	3' 4" 3	130,000
Location Prep & Anchors						3,500		
Surveys (ROW & ARC) & Staking				1,500				
Damages				10,000				
Construction & Maintenance				35,000				
Conductor, Rat Hole, Mouse Hole				7,500				
Drilling Pit Lining				7,500				
Location Cleanup						5,000		
Pit Reclamation				60,000				
17. Rig Moving Expense, Mob./Demob, Mods., Stby.				120,000	1' 6" 7			120,000
18. Contract Drilling				540,000	1' 2" 4	60,000	3' 2" 4	600,000
30 days \$20,000.00 per day								
19. Pulling Unit						60,000	3' 1" 9	60,000
15 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)				60,000	1' 0" 8	7,000	3' 0" 8	67,000
21. Onsite Supervisor Headquarters / Housekeeping				12,650	1' 0" 5	6,325	3' 0" 5	18,975
Trailer House Rental				4,500		2,250		
Generator for House Trailer								
Potable Water				750		375		
Phone / Internet / Satellite				5,400		2,700		
Waste Water Service				2,000		1,000		
22. Safety - Site Security / Equipment & Services					1' 7" 4		3' 7" 4	
Site Security								
H2S Monitoring				4,500				
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus				30,000	1' 4" 1	1,000	3' 4" 1	31,000
24. Rig Monitoring Equipment				15,000	1' 1" 4	1,100	3' 1" 4	16,100
25. Water				48,000	1' 9" 0	39,800	3' 9" 0	87,800
Fresh Water Pit Construction & Lining								
Fresh Water Well Drilling								
Water Well Rental Equipment				20,000		5,000		
Water Well Usage								
Frac Tanks				3,000		19,800		
Water Hauling to Location				25,000		13,000		

Well Name:		Data Processing Information					
Turkey Track (Canyon) "Section 8"		AFE No.			Original <input checked="" type="checkbox"/>	Version #	1
Location:		TBA			Supplement <input type="checkbox"/>		
1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico							
Intangible Costs (continued)	Before Casing Point			After Casing Point			Gross Total
	Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
26. Mud Materials & Services	49,500		1 4 6	2,500		3 4 7	52,000
Mud Products & Chemicals	42,000			2,000			
Mud Cleaning Equipment and Services							
Mud / Gas Separator	7,500			500			
27. Bits, Underreamers & Hole Openers	75,000		1 1 5				75,000
28. Directional Drilling Equipment & Services			1 3 6				
29. Fishing Tools & Services			1 3 3			3 3 3	
30. Rental Equipment	86,500		1 3 2	19,000		3 3 2	105,500
Forklift / Manlift / Light Plants / Generators	20,000						
Reverse Unit / Matting Boards / Racks				7,500			
Well Control Equipment	18,000			5,000			
Rental DH Tools, Packers, Plugs				6,500			
BHA, Drill Pipe & Motors	48,500						
31. Tubular Inspection & Testing	2,100		1 3 9	6,000		3 3 9	8,100
32. Casing Crews - NU/LD Services - BOPE Testing	25,000		1 1 7	10,000		3 1 7	35,000
33. Trucking of Tangible Items (not otherwise included)	13,000		1 8 7			3 8 7	13,000
34. Mud Logging		18,000	1 4 7				18,000
35. Conventional Coring & Analysis			1 2 3				
36. Drill Stem Test Equipment & Services			1 2 6				
37. DH Completion Tools				8,000		3 1 6	8,000
38. Casing Accessories	3,500		1 0 7	2,000		3 0 7	5,500
Float Equip, Centralizers, DV Tools	3,500			2,000			
Liner - Hangers, Services							
39. Logging, Wireline / Slickline & Associated Rentals	14,000	46,000	1 4 4	73,000		3 4 4	133,000
Electrical Logs		40,000					
RFT / Sidewall Coring		6,000					
Cased Hole Logs & CBL				11,000			
Temperature Surveys	2,000			1,000			
Gyro, Multi-Shot, Single Shot	12,000						
Perforating, Plug / Packer Setting				55,000			
Rental Lubricator & Flanges				6,000			
40. Cementing Services	51,000		1 1 8	35,000		3 1 8	86,000
13 3/8 " OD 400 Sacks	21,000						
8 5/8 " OD 1700 Sacks	30,000						
5 1/2 " OD 900 Sacks				35,000			
" OD Sacks							
" OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service				92,500		3 4 5	92,500
CT and N ₂ Service				85,000			
Rental Crane, Lubricator, Flanges				7,500			
42. Stimulation Materials & Services				250,000		3 1 0	250,000
43. Pump Truck (not otherwise included)			1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services				45,000		3 3 5	45,000
45. Water Haul off and Disposal			1 7 3	13,000		3 7 3	13,000
46. Chemicals (Corrosion Control / Packer Fluid)			1 4 8	3,000		3 4 8	3,000
47. Roustabout Service (Labor not otherwise included)	18,000		1 6 9	5,000	25,000	3 6 9	48,000
48. Supplies	2,000		1 7 6	1,000	10,000	3 7 6	13,000
49. Meter Calibration & Repair					2,000	3 7 2	2,000
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %			1 0 2			3 0 2	
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	10,000		1 4 0			3 4 0	10,000
54. Contingency 10%	135,700	6,500		80,000	2,700		224,900
TOTAL INTANGIBLES	1,492,450	71,500		874,225	39,700		2,477,875

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,624,250	277,300	
EVALUATED COST	\$1,655,580		Estimated By: S.L. Klier		
COMPLETED WELL COST INCLUDING FACILITIES	\$3,095,305		Date: 1/12/06		

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP

Co-Owner Authorization

Approved Rejected

Approved Rejected

Joseph L. Castillo

Name/Title: Joseph Castillo, President

Company: _____

Name/Title: _____

Date: _____

Date: _____

FAX #117 686-1104 2 pages

Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

Certified Mail

November 27, 2006

Mr. Herbert Boles
223 W. Wall, Suite 825
Midland, TX 79701

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

Pursuant to Article VLB.1 of the Joint Operating Agreement dated March 1, 1997, Bold proposes the drilling of a 10,100' Canyon/Wolfcamp test to be located on the lands described above. The cost estimate is for a dual completion and both the Canyon and Wolfcamp will be included in the initial completion. Bold requests your participation in the proposed well by either joining in the cost of drilling and gaining the benefits from production or going non-consent. The current non-consent penalty under the JOA is 100%/300%. Should Oxy agree to allow Bold to drill this well, we will have a rig available on or around February 15th 2007.

An Authorization for Expenditure is attached for a completed well cost of \$3,095,305.

If you elect to participate, please sign this letter and AFE with your election shown. Please fax your election to me at 432 686-1104 and return an original in the mail.

Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Sincerely,
[Signature]

Participate AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE REASON)

[Signature]
Herbert Boles

2/20/07

Note: Participation is subject to Bold Energy, LP being operator. *[Signature]*

Well Name		Asset Processing Information					
Turkey Track (Canyon) "Section 8"		AFE No.		Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # <input checked="" type="checkbox"/>	
1980' FNL & 840' FWL 8 - T19S - R29E Eddy County, New Mexico		TBA					
Item	Description	Before Casing Point		After Casing Point		Cost	Gross Total
		During	Evaluation	Completion	Post Complet		
25	Mud Materials & Services Mud Producers & Chemicals Mud Cleaning & Inhibitor and Services Mud / Gas Separator	40,000		2,500		347	82,000
26	Bits, Underreamers & Hole Openers	75,000					75,000
27	Directional Drilling Equipment & Services						
28	Drilling Tools & Services						
29	Annual Equipment Pumps / Mixers / Lugs / Pipes / Drills / Bits Reverse UAH / MUDLOG BEARER / Packer Well Control Equipment Rental On Tools, Pumps, Purge BHA Drill Pipe & Motors	86,800		18,000		332	105,800
30	Well Inspection & Testing	3,400		8,000		39	8,400
31	Coring Crews - MUDLOG Services - ROPE Testing	25,000		10,000		17	35,000
32	Trucking of Tangible Items (per ton/mile/round)	18,000				7	18,000
33	Mud Logging		18,000				18,000
34	Conventional Coring & Analysis						
35	Oil Well Test Equipment & Services						
36	OH Completion Tools			8,000		4	8,000
37	Casing Accessories Pilot Equip, Centralizers, BU Tools MHR - Hangers, Springs	3,500		2,600		7	6,500
38	Logging, Wireline & Associated Rigging Special Logs RFI / Sidewall Coring Cased Hole Logs & CB Temperature Surveys Down Hole Shot, Single Shot Perforating Plug / Packer Setting Annual Lubricator & Flanges	74,000	48,000	73,000		44	133,000
39	Completion Services 1 1/2" OO 600 Seals 1 1/2" OO 1700 Seals 1 1/2" OO 600 Seals 1 1/2" OO Seals 1 1/2" OO Seals Special Cementing Cement Plug	51,000		33,000		24	86,000
40	Well Tubing Services CT and H ₂ Service Annual Crane, Lubricator, Flanges			92,000		44	92,000
41	Simulation Materials & Services			250,000		10	250,000
42	Pump Truck (not otherwise listed)			4,500		2	4,500
43	Production Testing Equipment & Services			43,000		7	43,000
44	Water Haul off and Disposal			13,000		7	13,000
45	Chemicals / Completion Control / Packer Fluid			3,000		4	3,000
46	Refracturing Services (not otherwise listed)	18,000		8,000	25,000	8	49,000
47	Supplies	2,000		1,000	10,000	7	13,000
48	Material Calibration & Rigging				2,000	7	2,000
49	Repair Surface Equipment						
50	Repair Downhole Equipment						
51	Specialized Overhead						
52	Insurance - New Dril (12,500 SDC) (12,500 SDC)	10,000				4	10,000
53	Contingency 10%	138,700	6,500	80,000	2,700		228,900
TOTAL INTANGIBLES		1,482,450	71,900	876,225	39,700		2,477,975

TOTAL COST (Tangible + Intangible)	1,884,980	71,900	1,164,425	177,300
EVALUATED COST	81,835,580			
COMPLETED WELL COST INCLUDING FACILITIES	83,095,305			

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your pro-rated share of the premiums therefor. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under terms of the joint operating agreement, regulatory order or other applicable agreement covering this well.

BOLD ENERGY, LP Approved <input checked="" type="checkbox"/> Rejected <input type="checkbox"/> <i>Joseph Castro</i> Name/Title: Joseph Castro, President Date:		Co-Owner Authorization Approved <input checked="" type="checkbox"/> Rejected <input type="checkbox"/> Company: <i>Herbert Boles</i> Name/Title: <i>owner</i> Date: <i>2/20/97</i>	
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Bold Energy, LP
415 W. Wall, Suite 500
Midland, Texas 79701

Main: 432-686-1100
Fax: 432-686-1104

Certified Mail

November 27, 2006

Mr. Dick Frech
Monarch Resources, Inc.
115 W. 7th Street, Suite 1310
Fort Worth, Texas 76102

Subject: Well Proposal Oxy Checker State # 2 - 1980' FNL & 660' FWL
Section 8, T19S, R29E
Turkey Track (Canyon), Eddy County, NM

Gentlemen:

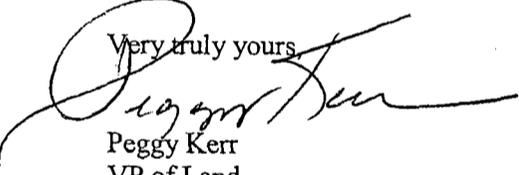
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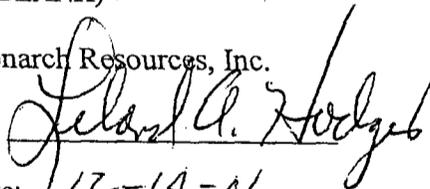
Once you have had an opportunity to review, please do not hesitate to call me at 686-1100 with any questions regarding this proposal.

Very truly yours,


Peggy Kerr
VP of Land

Participate AGREED TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE IN BLANK)

Monarch Resources, Inc.

By: 

Date: 12-14-06

 **SIGN &
RETURN**

Operator BOLD ENERGY, LP		Well Name Turkey Track (Canyon) "Section 8"			TD 10,100'		
Surface Location 1980' FNL & 660 FWL		Section - Township - Range 8 - T19S - R29E	County Eddy	State New Mexico			
BHL 1980' FNL & 660 FWL		Field Turkey Track					
Primary Objective Canyon @ 9890'		Secondary Objective Wolfcamp @ 8880'		API Number TBA			
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Tangible Costs		Before Casing Point		After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code
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13-3/8" OD 0' to 375'		12,800					
8 5/8" OD 0 to 3000'		60,000					
5 1/2" OD 0 to 10,100'					175,000		
2 7/8" OD 0 to 10,100'					57,000		
" OD 0 to "							
" OD 0 to "							
2. Casinghead, Tubinghead, Christmas Tree		10,500		2 9 3	20,500		4 9 3
3. Tubing Accessories					9,500		4 1 2
Packers, Tubing Anchors					8,000		
On/off tools							
Nipples (SN & Profiles)					1,500		
Purchased RBP's, etc.							
4. Artificial Lift						75,000	4 9 4
5. Capillary System							4 1 1
6. Production Equipment						91,000	4 3 8
Separators						50,000	
Metering Equipment						5,000	
Tanks						28,000	
Valves, Fittings & Couplings						8,000	
7. Electrical Lines & Equipment							4 2 8
8. Flowline (WH to Production Unit)						5,000	4 5 6
Line Pipe						3,500	
Valves, Fittings & Couplings						1,500	
9. Pipeline (Production Unit to Sales Point)						45,000	4 5 7
Line Pipe						40,000	
Valves, Fittings & Couplings						5,000	
10. Water Disposal System							4 9 0
Injection Pump							
Transfer Pump							
Gun Barrell & Tanks							
Metering Equipment							
Electrical Equipment							
Line, Valves, Fittings & Couplings							
11. Contingency 10%		8,330	0		26,200	21,600	
TOTAL TANGIBLES		91,630	0		288,200	237,600	617,430
Intangible Costs		Before Casing Point		After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code
12. Contract Field Supervision		48,000		1 0 8	35,000		3 0 8
13. Contract Engineering / Technical		8,000		1 3 0	3,000		3 3 0
14. Auto-Expense (in-house field travel)		500	1,000	1 1 3	1,000		3 1 3
15. Legal / Title (permits & contract legal work)		3,500		1 4 2	2,000		3 4 2
16. Location & Road Expense		121,500		1 4 3	8,500		3 4 3
Location Prep & Anchors					3,500		
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Damages		10,000					
Construction & Maintenance		35,000					
Conductor, Rat Hole, Mouse Hole		7,500					
Drilling Pit Lining		7,500					
Location Cleanup					5,000		
Pit Reclamation		60,000					
17. Rig Moving Expense, Mob / Demob, Mods., Stby.		120,000		1 6 7			120,000
18. Contract Drilling		540,000		1 2 4	60,000		3 2 4
30 days \$20,000.00 per day							
19. Pulling Unit					60,000		3 1 9
15 days \$4,000.00 per day							
20. Power & Fuel (not otherwise included)		60,000		1 0 8	7,000		3 0 8
21. Onsite Supervisor/Headquarters / Housekeeping		12,650		1 0 5	6,325		3 0 5
Trailer House Rental		4,500			2,250		
Generator for House Trailer							
Potable Water		750			375		
Phone / Inernet / Satellite		5,400			2,700		
Waste Water Service		2,000			1,000		
22. Safety - Site Security / Equipment & Services				1 7 4			3 7 4
Site Security							
H2S Monitoring		4,500					
Contract Safety Supervision							
23. Safety Incentive & Performance Bonus		30,000		1 4 1	1,000		3 4 1
24. Rig Monitoring Equipment		15,000		1 1 4	1,100		3 1 4
25. Water		48,000		1 9 0	39,800		3 9 0
Fresh Water Pit Construction & Lining							
Fresh Water Well Drilling							
Water Well Rental Equipment		20,000			5,000		
Water Well Usage					2,000		
Frac Tanks		3,000			19,800		
Water Hauling to Location		25,000			13,000		

Well Name:		Data Processing Information					
Turkey Track (Canyon) "Section 8" Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		AFE No.			Original <input checked="" type="checkbox"/>	Version # 1	
		TBA			Supplement <input type="checkbox"/>		
Intangible Costs (continued)	Before Casing Point			After Casing Point			Gross Total
	Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
26. Mud Materials & Services	49,500		1 4 6	2,500		3 4 7	52,000
Mud Products & Chemicals	42,000			2,000			
Mud Cleaning Equipment and Services							
Mud / Gas Separator	7,500			500			
27. Bits, Underreamers & Hole Openers	75,000		1 1 5				75,000
28. Directional Drilling Equipment & Services			1 3 6				
29. Fishing Tools & Services			1 3 3			3 3 3	
30. Rental Equipment	86,500		1 3 2	19,000		3 3 2	105,500
Forklift / Manlift / Light Plants / Generators	20,000						
Reverse Unit / Matting Boards / Racks				7,500			
Well Control Equipment	18,000			5,000			
Rental DH Tools, Packers, Plugs				6,500			
BHA, Drill Pipe & Motors	48,500						
31. Tubular Inspection & Testing	2,100		1 3 9	6,000		3 3 9	8,100
32. Casing Crews - NU/LD Services - BOPE Testing	25,000		1 1 7	10,000		3 1 7	35,000
33. Trucking of Tangible Items (not otherwise included)	13,000		1 8 7			3 8 7	13,000
34. Mud Logging		18,000	1 4 7				18,000
35. Conventional Coring & Analysis			1 2 3				
36. Drill Stem Test Equipment & Services			1 2 6				
37. DH Completion Tools				8,000		3 1 8	8,000
38. Casing Accessories	3,500		1 0 7	2,000		3 0 7	5,500
Float Equip, Centralizers, DV Tools	3,500			2,000			
Liner - Hangers, Services							
39. Logging: Wireline / Slickline & Associated Rentals	14,000	46,000	1 4 4	73,000		3 4 4	133,000
Electrical Logs		40,000					
RFT / Sidewall Coring		6,000					
Cased Hole Logs & CBL				11,000			
Temperature Surveys	2,000			1,000			
Gyro, Multi-Shot, Single Shot	12,000						
Perforating, Plug / Packer Setting				55,000			
Rental Lubricator & Flanges				6,000			
40. Cementing Services	51,000		1 1 8	35,000		3 1 8	86,000
13 3/8" * OD 400 Sacks	21,000						
8 5/8" * OD 1700 Sacks	30,000						
5 1/2" * OD 900 Sacks				35,000			
* OD Sacks							
* OD Sacks							
Squeeze Cementing							
Cement Plugs							
41. Coiled Tubing Service				92,500		3 4 5	92,500
CT and N ₂ Service				85,000			
Rental Crane, Lubricator, Flanges				7,500			
42. Stimulation Materials & Services				250,000		3 1 0	250,000
43. Pump Truck (not otherwise included)			1 5 5	4,500		3 5 5	4,500
44. Production Testing Equipment & Services				45,000		3 3 5	45,000
45. Water Haul off and Disposal			1 7 3	13,000		3 7 3	13,000
46. Chemicals (Corrosion Control / Packer Fluid)			1 4 8	3,000		3 4 8	3,000
47. Roustabout Service (Labor not otherwise included)	18,000		1 8 9	5,000	25,000	3 8 9	48,000
48. Supplies	2,000		1 7 6	1,000	10,000	3 7 6	13,000
49. Meter Calibration & Repair					2,000	3 7 2	2,000
50. Repair Surface Equipment							
51. Repair Downhole Equipment							
52. Capitalized Overhead %			1 0 2			3 0 2	
53. Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	10,000		1 4 0			3 4 0	10,000
54. Contingency 10%	135,700	6,500		80,000	2,700		224,900
TOTAL INTANGIBLES	1,492,450	71,500		874,225	39,700		2,477,875

Cost Summary

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,162,425	277,300
EVALUATED COST	\$1,655,580		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	\$3,095,305		Date: 11/27/06	

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory, and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

SIGN & RETURN

BOLD ENERGY, LP

Co-Owner Authorization

Approved Rejected

Approved Rejected

Name/Title: Joseph Castillo, President
 Date: _____

Company: Marathon Resources
 Name/Title: Richard A. Hoag
 Date: 12-14-06

THOMAS M. BEALL
550 W. TEXAS, SUITE 220
P. O. BOX 3098
MIDLAND, TX 79702
(432) 687-0008

APRIL 5, 2007

VIA FACSIMILE 432-686-1104
&
HAND DELIVERY TO:

Bold Energy, LP
Attn: Ms. Peggy Kerr-Worthington
415 W. Wall Street, Suite 500
Midland, TX 79701

RE: Your Well Proposal Oxy Checker State #2 – 1980’ FNL & 660’ FWL
Section 8, T-19-S, R-29-E – Turkey Track (Canyon)
Eddy County, NM

Ladies and Gentlemen:

Reference is made to your letter dated December 27, 2006 concerning the captioned proposal. Please accept this letter as confirmation of my continued desire to participate in the drilling of this well.

As we have discussed, I signed the original AFE at the time of proposal. Even though said proposal and AFE are now stale with regards to the operational limits set in the Joint Operating Agreement, I would assume that a current AFE would show that the overall costs have actually gone down since your proposal.

Please let me know the current status of your project and what plans you have for the drilling of this well.

Very Truly Yours,



Thomas M. Beall