

**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 15<sup>th</sup> 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 <b>BOLD ENERGY, LP</b>		Well Name <b>Turkey Track (Canyon) "Section 8"</b>			TD <b>10,100'</b>			
Surface Location <b>1980' FNL &amp; 660 FWL</b>		Section - Township - Range <b>8 - T19S - R29E</b>		County <b>Eddy</b>		State <b>New Mexico</b>		
BHL <b>1980' FNL &amp; 660 FWL</b>		Field <b>Turkey Track</b>						
Primary Objective <b>Canyon @ 9890'</b>		Secondary Objective <b>Wolfcamp @ 8880'</b>			API Number <b>TBA</b>			
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="text" value="1"/>						
Tangible Costs		Before Casing Point			After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities		Code
1. Tubulars		Setting Depths		<b>72,800</b>	<b>2 0 4</b>	<b>232,000</b>	<b>4 0 4</b>	<b>304,800</b>
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				<b>10,500</b>	<b>2 9 3</b>	<b>20,500</b>	<b>4 9 3</b>	<b>31,000</b>
3. Tubing Accessories						<b>9,500</b>	<b>4 1 2</b>	<b>9,500</b>
Packers, Tubing Anchors						8,000		
On/off tools								
Nipples (SN & Profiles)						1,500		
Purchased RBP's, etc.								
4. Artificial Lift							<b>75,000</b>	<b>4 9 4</b>
5. Capillary System								<b>4 1 1</b>
6. Production Equipment							<b>91,000</b>	<b>4 3 8</b>
Separators							50,000	
Metering Equipment							5,000	
Tanks							28,000	
Valves, Fittings & Couplings							8,000	
7. Electrical Lines & Equipment								<b>4 2 8</b>
8. Flowline (WH to Production Unit)							<b>5,000</b>	<b>4 5 6</b>
Line Pipe							3,500	
Valves, Fittings & Couplings							1,500	
9. Pipeline (Production Unit to Sales Point)							<b>45,000</b>	<b>4 5 7</b>
Line Pipe							40,000	
Valves, Fittings & Couplings							5,000	
10. Water Disposal System								<b>4 9 0</b>
Injection Pump								
Transfer Pump								
Gun Barrell & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency 10%				<b>8,330</b>	<b>0</b>	<b>26,200</b>	<b>21,600</b>	<b>56,130</b>
<b>TOTAL TANGIBLES</b>				<b>91,630</b>	<b>0</b>	<b>288,200</b>	<b>237,600</b>	<b>617,430</b>
Intangible Costs		Before Casing Point			After Casing Point		Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities		Code
12. Contract Field Supervision				<b>48,000</b>	<b>1 0 8</b>	<b>35,000</b>	<b>3 0 8</b>	<b>83,000</b>
13. Contract Engineering / Technical				<b>8,000</b>	<b>1 3 0</b>	<b>3,000</b>	<b>3 3 0</b>	<b>11,000</b>
14. Auto Expense (in-house field travel)				<b>500</b>	<b>1 1 3</b>	<b>1,000</b>	<b>3 1 3</b>	<b>2,500</b>
15. Legal / Title (permits & contract legal work)				<b>3,500</b>	<b>1 4 2</b>	<b>2,000</b>	<b>3 4 2</b>	<b>5,500</b>
16. Location & Road Expense				<b>121,500</b>	<b>1 4 3</b>	<b>8,500</b>	<b>3 4 3</b>	<b>130,000</b>
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.				<b>120,000</b>	<b>1 6 7</b>			<b>120,000</b>
18. Contract Drilling				<b>540,000</b>	<b>1 2 4</b>	<b>60,000</b>	<b>3 2 4</b>	<b>600,000</b>
30 days \$20,000.00 per day								
19. Pulling Unit						<b>60,000</b>	<b>3 1 9</b>	<b>60,000</b>
15 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)				<b>60,000</b>	<b>1 0 8</b>	<b>7,000</b>	<b>3 0 8</b>	<b>67,000</b>
21. Onsite Supervisor Headquarters / Housekeeping				<b>12,650</b>	<b>1 0 5</b>	<b>6,325</b>	<b>3 0 5</b>	<b>18,975</b>
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					<b>1 7 4</b>		<b>3 7 4</b>	
Site Security								
H2S Monitoring				4,500				
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus				<b>30,000</b>	<b>1 4 1</b>	<b>1,000</b>	<b>3 4 1</b>	<b>31,000</b>
24. Rig Monitoring Equipment				<b>15,000</b>	<b>1 1 4</b>	<b>1,100</b>	<b>3 1 4</b>	<b>16,100</b>
25. Water				<b>48,000</b>	<b>1 9 0</b>	<b>39,800</b>	<b>3 9 0</b>	<b>87,800</b>
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					
<b>Turkey Track (Canyon) "Section 8"</b> Location: 1980' FNL & 660 FWL 8 - T19S - R29E Eddy County, New Mexico		AFE No.		Original <input checked="" type="checkbox"/>	Version # <b>1</b>		
		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 8				
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 <sub>2</sub> 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 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
<b>TOTAL INTANGIBLES</b>	<b>1,492,450</b>	<b>71,500</b>		<b>874,225</b>	<b>39,700</b>		<b>2,477,875</b>

**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.

**BOLD ENERGY, LP**

Approved  Rejected

*Joseph L. Castillo*

Name/Title: Joseph Castillo, President

Date:

**Co-Owner Authorization**

Approved  Rejected

Company: \_\_\_\_\_

Name/Title: \_\_\_\_\_

Date: \_\_\_\_\_

FAX

#117 ( 774 1104  
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 Check 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 15<sup>th</sup> 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.

Yours,  
*Herbert Boles*

Participate  AGREE TO PARTICIPATE OR GO NON-CONSENT (PLEASE WRITE RESPONSE)

*Herbert J. Boles*  
Herbert Boles

2/20/07

Note: Participation is subject to Bold Energy, LP being Operator. HFB

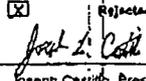
Turkey Track (Canyon) "Section 8"		Asset Processing Information				
Location: 1980' FNL & 860' FWL 8 - T18S - R29E Eddy County, New Mexico		AFE No. TBA		Original <input checked="" type="checkbox"/>	Variation <input type="checkbox"/>	Supplement <input type="checkbox"/>
Intangible Costs (continued)	Before Casing Point		After Casing Point		Gross Total	
	During	Over	Completion	Free Expense		
25. Mud Materials & Services	40,500	1 4 8	2,800	1 4 1	82,000	
Mud Producers & Promoters	42,000		2,800			
Mud Cleaning Equipment and Services				500		
Mud / Oil Separator	7,500					
27. Rig, Underreamer & Hole Openers	75,000	1 4 4			75,000	
28. Directional Drilling Equipment & Services		2 3 8				
29. Fishing Tools & Services		1 3 3		1 3 3		
30. Rental Equipment	86,600	1 0 2	18,000	8 8 2	108,600	
Pumps / Motors / Logis Pumps / Generators	80,000					
Reversing Unit / HAVING BEAMS / Pumps			7,800			
Well Control Equipment	15,200		6,500			
Rental Oil Tools / Pumps / Pumps			4,700			
SHA Drill Pipe & Motors	64,300					
31. Tubular Inspection & Testing	2,100	1 1 9	6,000	2 9 9	8,100	
32. Casing Cement - NUAD Services - ROPE Testing	25,000	1 1 1	10,000	8 1 1	35,000	
33. Trucking of Temporary Items (non-reusable items)	19,000	1 1 1		1 1 1	19,000	
34. Mud Logging		18,000	1 1 1		18,000	
35. Core Analysis / Core & Analysis		1 1 1				
36. Core Sample Test Equipment & Services		1 1 1				
37. OH Completion Tools	3,500	1 0 7	2,800	8 8 7	8,600	
38. Casing Accessories	3,500	1 0 7	2,800	8 8 7	8,600	
Pilot Equip. Components, BU Tools	3,500		2,800			
Liner Hangers, Springs						
39. Logging, Wellbore & Associated Reports	14,000	1 4 4	73,000	1 4 4	133,000	
Chemical Logs	46,000					
RFI / Sidewall Coring	4,000					
Casing Hole Logs & S&W			11,000			
Temperature Surveys	3,000		1,000			
Cable Modems, Single Beam	12,000					
Refracting Plug / Backer Setting			61,200			
Annual Lubricator & Plugs			6,000			
40. Cementing Services	31,000	1 4 8	34,000	2 4 8	88,000	
13.25" - OD	600		8,000			
8.125" - OD	1750					
6.125" - OD	980		36,000			
- OD						
- OD						
Equivalent Cementing						
Cement Pits						
41. Casing Tubing Services			92,500	8 4 8	92,500	
CT and Hg Service			85,500			
Annual Crane, Lubricator, Flanges			7,000			
42. Stimulation Materials & Services			250,000	3 1 0	250,000	
43. Pump Truck (not otherwise listed)		1 3 8	4,500	2 3 8	4,500	
44. Production Testing Equipment & Services			43,000	2 3 8	43,000	
45. Water Misc Oil and Chemical		1 1 2	13,000	2 1 2	13,000	
46. Chemicals (Cementation Control / Packoff / Plug)		1 4 4	3,000	1 4 4	3,000	
47. Re-workout Services (non-mechanical)	18,000	1 1 1	8,000	25,000	48,000	
48. Supplies	8,000	1 7 8	1,000	10,800	13,000	
49. Meter Calibration & Repair			2,000	3 7 8	2,000	
50. Repair Surface Equipment						
51. Repair Downhole Equipment						
52. Capped Overhead		1 0 2		1 0 2		
53. Insurance - New Drill (ret. 500,000 @ 12.500 / year)	10,000	1 4 0		2 4 0	10,000	
54. Contingency - 10%	123,700	8,500	80,000	2,700	224,600	
<b>TOTAL INTANGIBLES</b>	<b>1,462,450</b>	<b>71,900</b>	<b>674,225</b>	<b>38,700</b>	<b>2,477,575</b>	

Cost Summary	
TOTAL COST (Tangibles + Intangibles)	1,844,880 71,500 1,764,422 277,300
EVALUATED COST	81,825,580
COMPLETED WELL COST INCLUDING FACILITIES	\$3,035,305

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 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 re-drilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

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<b>BOLD ENERGY, LP</b>	<b>Co-Owner Authorization</b>
Approved <input checked="" type="checkbox"/> Rejected <input type="checkbox"/>  Name/Title: <u>Joseph Castillo, President</u>	Approved <input checked="" type="checkbox"/> Rejected <input type="checkbox"/> Company: <u>Herbert Boles</u> Name/Title: <u>owner</u> Date: <u>2/20/07</u>

**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. 7<sup>th</sup> 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:

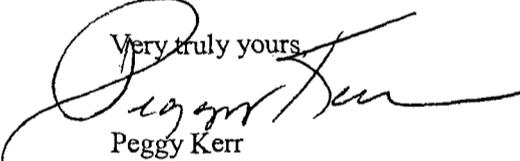
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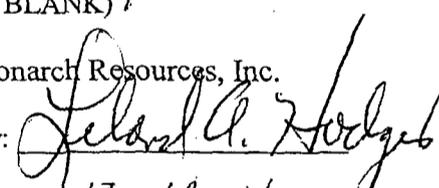
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Very truly yours,

  
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 <b>BOLD ENERGY, LP</b>		Well Name <b>Turkey Track (Canyon) "Section 8"</b>		TD <b>10,100'</b>			
Surface Location <b>1980' FNL &amp; 660 FWL</b>		Section - Township - Range <b>8 - T19S - R29E</b>	County <b>Eddy</b>	State <b>New Mexico</b>			
BHL <b>1980' FNL &amp; 660 FWL</b>		Field <b>Turkey Track</b>					
Primary Objective <b>Canyon @ 9890'</b>		Secondary Objective <b>Wolfcamp @ 8880'</b>		API Number <b>TBA</b>			
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 Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <input type="checkbox"/> <b>1</b>					
<b>Tangible Costs</b>		<b>Before Casing Point</b>		<b>After Casing Point</b>		<b>Gross Total</b>	
		<b>Drilling</b>	<b>Evaluation</b>	<b>Code</b>	<b>Completion</b>		<b>Prod Facilities</b>
1. Tubulars		<b>72,800</b>		<b>2 0 4</b>	<b>232,000</b>	<b>4 0 4</b>	<b>304,800</b>
Setting Depths							
13-3/8" OD		12,800					
8 5/8" OD		60,000					
5 1/2" OD					175,000		
2 7/8" OD					57,000		
" OD							
" OD							
2. Casinghead, Tubinghead, Christmas Tree		<b>10,500</b>		<b>2 9 3</b>	<b>20,500</b>	<b>4 9 3</b>	<b>31,000</b>
3. Tubing Accessories					<b>9,500</b>	<b>4 1 2</b>	<b>9,500</b>
Packers, Tubing Anchors					8,000		
On/off tools							
Nipples (SN & Profiles)					1,500		
Purchased RBP's, etc.							
4. Artificial Lift						<b>75,000</b>	<b>4 9 4</b>
5. Capillary System							<b>4 1 1</b>
6. Production Equipment						<b>91,000</b>	<b>4 3 8</b>
Separators						50,000	
Metering Equipment						5,000	
Tanks						28,000	
Valves, Fittings & Couplings						8,000	
7. Electrical Lines & Equipment							<b>4 2 8</b>
8. Flowline (WH to Production Unit)						<b>5,000</b>	<b>4 5 8</b>
Line Pipe						3,500	
Valves, Fittings & Couplings						1,500	
9. Pipeline (Production Unit to Sales Point)						<b>45,000</b>	<b>4 5 7</b>
Line Pipe						40,000	
Valves, Fittings & Couplings						5,000	
10. Water Disposal System							<b>4 9 0</b>
Injection Pump							
Transfer Pump							
Gun Barrell & Tanks							
Metering Equipment							
Electrical Equipment							
Line, Valves, Fittings & Couplings							
11. Contingency 10%		<b>8,330</b>	<b>0</b>		<b>26,200</b>	<b>21,600</b>	<b>56,130</b>
<b>TOTAL TANGIBLES</b>		<b>91,630</b>	<b>0</b>		<b>288,200</b>	<b>237,600</b>	<b>617,430</b>
<b>Intangible Costs</b>		<b>Before Casing Point</b>		<b>After Casing Point</b>		<b>Gross Total</b>	
		<b>Drilling</b>	<b>Evaluation</b>	<b>Code</b>	<b>Completion</b>		<b>Prod Facilities</b>
12. Contract Field Supervision		<b>48,000</b>		<b>1 0 8</b>	<b>35,000</b>	<b>3 0 6</b>	<b>83,000</b>
13. Contract Engineering / Technical		<b>8,000</b>		<b>1 3 0</b>	<b>3,000</b>	<b>3 3 0</b>	<b>11,000</b>
14. Auto Expense (in-house field travel)		<b>500</b>	<b>1,000</b>	<b>1 1 3</b>	<b>1,000</b>	<b>3 1 3</b>	<b>2,500</b>
15. Legal / Title (permits & contract legal work)		<b>3,500</b>		<b>1 4 2</b>	<b>2,000</b>	<b>3 4 2</b>	<b>5,500</b>
16. Location & Road Expense		<b>121,500</b>		<b>1 4 3</b>	<b>8,500</b>	<b>3 4 3</b>	<b>130,000</b>
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.		<b>120,000</b>		<b>1 6 7</b>			<b>120,000</b>
18. Contract Drilling		<b>540,000</b>		<b>1 2 4</b>	<b>60,000</b>	<b>3 2 4</b>	<b>600,000</b>
30 days \$20,000.00 per day							
19. Pulling Unit					<b>60,000</b>	<b>3 1 9</b>	<b>60,000</b>
15 days \$4,000.00 per day							
20. Power & Fuel (not otherwise included)		<b>60,000</b>		<b>1 0 8</b>	<b>7,000</b>	<b>3 0 8</b>	<b>67,000</b>
21. Onsite Supervisor: Headquarters / Housekeeping		<b>12,650</b>		<b>1 0 5</b>	<b>6,325</b>	<b>3 0 5</b>	<b>18,975</b>
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				<b>1 7 4</b>		<b>3 7 4</b>	
Site Security							
H2S Monitoring		4,500					
Contract Safety Supervision							
23. Safety Incentive & Performance Bonus		<b>30,000</b>		<b>1 4 1</b>	<b>1,000</b>	<b>3 4 1</b>	<b>31,000</b>
24. Rig Monitoring Equipment		<b>15,000</b>		<b>1 1 4</b>	<b>1,100</b>	<b>3 1 4</b>	<b>16,100</b>
25. Water		<b>48,000</b>		<b>1 9 0</b>	<b>39,800</b>	<b>3 9 0</b>	<b>87,800</b>
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"		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 8	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 8				
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 <sub>2</sub> 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 8	1,000	10,000	3 7 8	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
<b>TOTAL INTANGIBLES</b>	<b>1,492,450</b>	<b>71,500</b>		<b>874,225</b>	<b>39,700</b>		<b>2,477,875</b>

**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. Hoyle  
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