

Dan A. Hughes Company
 P. O. Drawer 669
 Beeville, Texas

AUTHORITY FOR EXPENDITURE # 0284
 DATE 10/2/07

WELL: Hueco South Unit 26 State #1
 COUNTY: Hidalgo
 PROSPECT: Pedregosa Basin (Hueco South Unit)
 PROPOSED DEPTH: 6600'
 LOCATION: Township 32S, Range 17W, Section 26, SW/4 SW4, 660' FSL x 660' FWL

<u>INTANGIBLE COSTS (G/L # 6010)</u>	<u>Acct. Codes</u>	<u>Drilling Costs</u>	<u>Completion Costs</u>	<u>Total Estimated Costs</u>
LOCATION COSTS:				
Survey	105	5,000		5,000
Location & Road (w/ damages)	121	25,000	3,000	28,000
Location Cleanup	189		5,000	5,000
DRILLING COSTS:				
Drilling Overhead	101	2,000	1,000	3,000
Permit Fees	109	1,000		1,000
Rig Mobilization	119	70,000		70,000
Drilling				
10 Days @ \$15,000.00 / Day	ft to ft			
	129	150,000	16,000	166,000
Fuel	248	20,000		20,000
Water	141	10,000	3,000	13,000
Drilling & Completion Fluids	133	0	3,000	3,000
Drill Bits	137	0		
Cementing Services	169	0	30,000	30,000
Casing Crews/Labor	213	0	8,000	8,000
Surface Equip. Rental	210	0	5,000	5,000
Drillstring & Downhole Rental, Motors	211	0		
Directional Drilling Services	139			
Hauling & Freight	206	20,000	16,000	36,000
Roustabout & Misc. Services	218	6,000	5,000	11,000
Mud & Cuttings Disposal	193	4,000	3,000	7,000
Communication Expenses	230			
Gate Guard	215			
Tubular / BOP Testing	541			
Plugging Costs (if necessary)	175	25,000		25,000
EVALUATION COSTS:				
Electric Logging	149	33,000		33,000
Mud Log Service	145	12,000		12,000
Core & Paleo Analysis	157			
Drill Stem Testing	161			
COMPLETION COSTS:				
Completion Unit	181		18,000	18,000
Cased Hole Wireline Services	173		25,000	25,000
Well Testing	266			
Well Stimulation Treatments	177		5,000	5,000
MISC. COSTS:				
Supervision	551	0	8,000	8,000
Drilling Liability Ins.	573	0		
Loss Of Well Control Ins.	576	0		
Contingencies(5%)	280	0		
Total Intangible Costs		\$383,000	\$154,000	\$537,000

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AFE # 0284
Well: Hueco South Unit 26 State #1

<u>TANGIBLE COSTS (G/L #1150)</u>	<u>Acct. Codes</u>	<u>Drilling Costs</u>	<u>Completion Costs</u>	<u>Total Estimated Costs</u>
WELLHEAD EQUIPMENT:				
Bradenhead	435	3,000		3,000
Casing Spool	435			
Tubing Spool	430		10,000	10,000
Christmas Tree	430		20,000	20,000
COMPLETION EQUIPMENT:				
Packers	425		7,000	7,000
Liner Hangers	427			
Downhole Pump	482			
TUBULARS:				
Conductor	402	8,000		8,000
Surface 500' of 9-5/8", 36#, J-55 LT&C	404	45,000		45,000
Intermediate	406			
Liner	406			
Production 6200' of 5-1/2", 17# J55 LT&C	410		54,000	54,000
Tubing 6100' of 2-3/8", 4.7# J55 EUE 8rd	415		27,000	27,000
Sucker Rods	481			
SURFACE EQUIPMENT:				
Line Heaters	455			
Heater Treater	455			
Tanks	440			
Dehydration	470			
Separation	450			
Gas Meas. Equipment	475			
Flowlines	420			
Pump Equipment	480			
Engines	483			
Elec. Equipment & Power lines	462			
Misc. Valves, Fittings, Etc.	465			
Installation Costs	495			
Total Tangible Costs		\$56,000	\$118,000	\$174,000
GRAND TOTAL		\$439,000	\$272,000	\$711,000

This AFE is an Estimate of Costs only. Approval of same is a commitment to pay your proportionate share of the actual costs in drilling to the objective depth specified or complete the work herein specified.

