

**EDGE PETROLEUM OPERATING COMPANY, INC.**  
**1301 TRAVIS STREET, SUITE 2000, HOUSTON, TX, 77002**  
**Tel: (713) 654-8960, Fax: (713) 654-7722**

**AUTHORIZATION - FOR - EXPENDITURE**

Lease/Well: South Lovington 25 No. 1 Field/Prospect: South Lovington Date: 2/6/06  
 Location: Section 25 T16S R36E Objective: Devonian  
Lea County, NM Proposed TD: 12,800  
 X= 812,640 Y= 690,789 AFE No: \_\_\_\_\_

Project Type: **DRILLING-EXPL** DRILLING-DEV RECOMPLETION WO-EXPENSE OTHER INVEST  
 (Circle one)

Project Description: AFE scope is to drill and complete a 12,800' Devonian well.

INTANGIBLE COSTS		DRILLING	COMPLETION	TOTAL
Permi/Survey/Damages		10,000		10,000
Location & Road: Bldg./Restor		35,000	3,000	38,000
Con. Drill.-Daywork	40 days @ \$ 19,000	760,000	28,000	788,000
Con. Drill.-Turnkey, Footage, Other	to			
Completion Rig:	12 days @ \$ 4,000		48,000	48,000
M/RU/RD		60,000		60,000
Mud & Chemical		45,000		45,000
Fuel, Power, and Water		75,000	14,000	89,000
Bits		52,000	1,600	53,600
Cement & Cement Services		40,000	30,000	70,000
Casing Crew, Tongs & Tools		7,000	8,000	15,000
Mud Logging/MWD	30 days @ \$ 750	22,500		22,500
Electric Logging/Perforating/Wireline		45,000	20,000	65,000
Swab/Coiled Tubing Units	days @ \$			
Fracture/ Acid Stimulation			125,000	125,000
Fishing Services				
Rental Tools & Equipment		65,000	15,000	80,000
Contract Supervision	40 days @ \$ 950	38,000	18,000	56,000
Co. Labor (Time, Exp. & Benefits)				
Welding, Trucking, Contract Labor		15,000	15,000	30,000
DST & FT/Coring & Analysis		6,500		6,500
Consulting Services		3,000		3,000
Overhead		7,000	7,000	14,000
Transportation		5,000	15,000	20,000
Tubing inspection and testing				
Other		5,000	5,000	10,000
<b>Subtotal Intangible</b>		<b>1,296,000</b>	<b>352,600</b>	<b>1,648,600</b>
Contingencies	5 %	64,800	17,630	82,430
<b>TOTAL INTANGIBLE COSTS</b>		<b>1,360,800</b>	<b>370,230</b>	<b>1,731,030</b>

TANGIBLE COSTS	Size	Footage	\$/foot	DRILLING	COMPLETION	TOTAL
Conductor Pipe				7,000		7,000
Surf. Casing	13 3/8"	455	34.00	15,470		15,470
Intermediate Csg	9 5/8"	4400	22.00	98,800		98,800
Production	5 1/2"	12800	15.00		192,000	192,000
Tubing	2 7/8"	12700	6.00		76,200	76,200
Float Equip. & Liner Hanger				8,000		8,000
Valves & Fittings					5,000	5,000
Wellhead Equipment				9,500	18,000	27,500
Misc. Equipment (Electrical distribution sys.)					40,000	40,000
Packer & Downhole Equipment					10,000	10,000
Rods & Pump						
Pumping Unit & Prime Mover (ESP)					150,000	150,000
Meter & Meter Run					8,500	8,500
Flowlines & Connections					25,000	25,000
Tanks					21,000	21,000
Heater & Dehyd./Compressor						
Separator/Heater-Treater					10,000	10,000
Installation Costs					20,000	20,000
Pipeline/ROW & Sales Connection					50,000	50,000
Other						
<b>Subtotal Tangible</b>				<b>136,770</b>	<b>625,700</b>	<b>762,470</b>
Contingencies	5 %			6,839	31,285	38,124
<b>TOTAL TANGIBLE COSTS</b>				<b>143,609</b>	<b>656,985</b>	<b>800,594</b>

**TOTAL TANGIBLE & INTANGIBLE COST** 1,504,409 1,027,215 2,531,624

<b>EDGE APPROVAL:</b> Edge WI (%) <u>25.00</u>	<b>NONOPERATOR APPROVAL:</b>
Prepared by: <u>Daniel Hurd</u>	Company: _____ WI (%) _____
Date: <u>2/19/2005</u>	Appr'd by: _____
Approved by: <u>[Signature]</u>	Title: _____ Date: _____
Date: <u>[Signature]</u>	<input type="checkbox"/> Desire to be covered by Edge Petroleum's Insurance
	<input type="checkbox"/> Decline to be covered by Edge Petroleum's Insurance

Note: It is recognized that the amounts herein are estimates only and approval of this authorization constitutes your agreement to share in the actual costs incurred in conducting the operation specified, whether more or less than that herein set out, as to your working interest percentage shown above.

Oil Conservation Division  
Case No. 5  
Exhibit No. \_\_\_\_\_