

New Mexico Oil & Gas Commission

Case No. 8038

Exhibit 6

Contents (See Attached):

Authority for Expenditure
For the Well Located in the Southeast Quarter
Section 26, Township 25 North, Range 2 West
Rio Arriba County, New Mexico

AUTHORITY FOR EXPENDITURE

E. Alex Phillips Gavilan #2, 8200', Gallup, Dakota Development Well
 Southeast Quarter, Section 26, Township 25 North, Range 2 West
 Rio Arriba County, New Mexico

A. DRILLING COSTS:

1.	Location Survey, Elevation, Archaeological, Legal	\$ 2,500.00
2.	Surface Damages and Right-of-Way	3,750.00
3.	Roads, Location, Mud Pits	6,000.00
4.	300 Feet 8-5/8" K 24 lb. Surface Casing @ \$9.00 per foot location	2,700.00
5.	Casing Crew	300.00
6.	Cement Surface Casing	5,000.00
7.	Contract Drilling: 8200 feet @ \$18.50 per foot	151,700.00
	Contract includes: Insurance; trucking-in out; 2 days rig time-WDP; bits; lubricants; power; \$40,000.00 mud water; 5° deviation; 1200 PSI max mud pump PSI through Gallup, Dakota formations.	
8.	Mud water; in addition to Turnkey Contract amounts (\$40,000.00)	35,000.00
9.	24 hour manned mud logging unit; 20 days @ \$375.00; unit move \$565.00	8,065.00
10.	Electric logging service	27,500.00
11.	Reamers	2,000.00
12.	Trucking	1,500.00
13.	Rentals	2,000.00
14.	Geological - 15 days @ \$350.00 per day	5,250.00
15.	Engineering	2,500.00
16.	Company supervision	2,000.00
17.	Welding	750.00
18.	Contract labor; fence mud pit, etc.; clean up location	<u>2,000.00</u>
	Estimated costs to casing point:	\$260,515.00
	5% contingency to above	<u>13,025.75</u>
	TOTAL DRILLING COSTS:	\$273,540.75

B. COMPLETION COSTS: Flowing Well

1.	7600 feet 5½" 15.5 lb. K Mann API casing	\$ 45,600.00
2.	600 foot 5½" 17.5 lb. K Mann API casing	3,900.00
3.	Three stage cement job casing - includes DJ tool, float equipment, centralizers, scratchers	32,500.00
4.	Bond log	3,200.00
5.	Perforations - three stage	11,000.00
6.	Three stage foam fracing	
	A) Dakota, Graneros	29,000.00
	B) Greenhorn, Lower Mancos	43,000.00
	C) Gallup	43,000.00

AFE

E. Alex Phillips Gavilan #2
SE¼, Section 26-T25N-R2W
Rio Arriba County, New Mexico

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B. COMPLETION COSTS: Continued

7.	8100 foot 2-3/8" 4.7# J-55 SMLS tubing @ \$2.28 per foot	\$ 18,468.00
8.	Casing-well head fittings	2,500.00
9.	Tubing-well head fittings	2,750.00
10.	Two bridge plugs @ \$1,550.00 each	3,100.00
11.	Packer	3,500.00
12.	Locator assembly, sliding sleeve, accessories	2,600.00
13.	Heater treator/separator	9,000.00
14.	Four 300 BBC tanks with walkway	12,500.00
15.	Completion unit @ \$1,800.00 per day - 10 days	18,000.00
16.	Trucking equipment and accessories	3,500.00
17.	Engineering supervision - 12 days @ \$350.00 per day	4,200.00
18.	Contract labor	1,500.00
19.	Miscellaneous and contingencies	<u>3,500.00</u>
	TOTAL COMPLETION COSTS:	\$296,318.00

(All cost estimates include shipping costs to well site location.)

C. PUMPING EQUIPMENT COSTS:

1.	Pumping unit: CMI 228-246-86	\$ 31,140.00
2.	Ajax engine - E 42-40 horsepower	17,032.00
3.	Downhole pump	2,600.00
4.	5900 foot 3/4" #78 Norris rods @ .88¢ per foot	5,192.00
5.	2200 foot 7/8" #78 Norris rods @ \$1.22 per foot	2,464.00
6.	Accessories and miscellaneous contingencies	<u>2,500.00</u>
	TOTAL PUMPING EQUIPMENT COSTS:	\$ 60,928.00

(Pumping equipment may not be used immediately but will be necessary within one year after well completion.)

D. TOTAL COSTS:

Total Costs for a Dry Hole	\$273,540.75
Total Costs for a Flowing Producer	\$569,858.75
Total Costs for a Pumping Producer	\$630,786.75

Approved by: _____ Title: _____

Approved: _____ By: _____
Company Name

Date: _____

This AFE is only an estimate. By returning one signed copy, you agree to pay your share of the actual costs incurred.