

PAUL BACA PROFESSIONAL COURT REPORTERS

**OIL CONSERVATION
DIVISION**

CASE # 14199

EXHIBIT

12

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

AUTHORITY FOR EXPENDITURE # ESTIMATE

DATE October 23, 2008

WELL: BIG HATCHET NORTH UNIT 14 STATE #1
COUNTY: Hidalgo
PROSPECT: Pedregosa Basin
PROPOSED DEPTH: 6600'
LOCATION: Township 30S, Range 17W, Section 14, 1400' FEL x 2100' FSL

| <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 | 55,000 | 5,000 | 60,000 |
| Location Cleanup | 189 | | 15,000 | 15,000 |
| DRILLING COSTS: | | | | |
| Drilling Overhead | 101 | 2,000 | 2,000 | 4,000 |
| Permit Fees | 109 | 4,000 | | 4,000 |
| Rig Mobilization | 119 | 250,000 | | 250,000 |
| Drilling | | | | |
| 28 Days @ \$20,000.00 / Day | 129 | 560,000 | 35,000 | 595,000 |
| Fuel | 248 | 80,000 | 10,000 | 90,000 |
| Water | 141 | 15,000 | 4,000 | 19,000 |
| Drilling & Completion Fluids | 133 | 80,000 | 3,000 | 83,000 |
| Drill Bits | 137 | 90,000 | 5,000 | 95,000 |
| Cementing Services | 169 | 50,000 | 48,000 | 98,000 |
| Casing Crews/Labor/Welder | 213 | 48,000 | 25,000 | 73,000 |
| Surface Equip. Rental | 210 | 80,000 | 20,000 | 100,000 |
| Drillstring & Downhole Rental, Motors | 211 | 0 | | |
| Directional Drilling Services | 139 | 0 | | |
| Hauling & Freight | 206 | 100,000 | 30,000 | 130,000 |
| Roustabout & Misc. Services | 218 | 15,000 | 15,000 | 30,000 |
| Mud & Cuttings Disposal, Closed Loop System | 193 | 100,000 | 10,000 | 110,000 |
| Communication Expenses | 230 | 4,000 | | 4,000 |
| Gate Guard, Caterer | 215 | 40,000 | 15,000 | 55,000 |
| Tubular / BOP Testing | 541 | 0 | | |
| Plugging Costs (if necessary) | 175 | 60,000 | | 60,000 |
| EVALUATION COSTS: | | | | |
| Electric Logging, Velocity Survey | 149 | 150,000 | | 150,000 |
| Mud Log Service | 145 | 25,000 | | 25,000 |
| Core & Paleo Analysis | 157 | 5,000 | | 5,000 |
| Drill Stem Testing | 161 | 20,000 | | 20,000 |
| COMPLETION COSTS: | | | | |
| Completion Unit | 181 | | 55,000 | 55,000 |
| Cased Hole Wireline Services | 173 | | 45,000 | 45,000 |
| Well Testing | 266 | | 20,000 | 20,000 |
| Well Stimulation Treatments | 177 | | 10,000 | 10,000 |
| MISC. COSTS: | | | | |
| Supervision | 551 | 35,000 | 18,000 | 53,000 |
| Drilling Liability Ins. | 573 | 1,000 | | 1,000 |
| Loss Of Well Control Ins. | 576 | 25,000 | | 25,000 |
| Contingencies | 280 | 200,000 | 30,000 | 230,000 |
| Total Intangible Costs | | \$2,099,000 | \$420,000 | \$2,519,000 |

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No.14199 Exhibit No. 12
Submitted by:
Dan A. Hughes Company, L.P.
Hearing Date: December 4, 2008

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

AFE # ESTIMATE
 Well: BIG HATCHET NORTH UNIT 14 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 | | 10,000 | 10,000 |
| Liner Hangers | 427 | | | |
| Downhole Pump | 482 | | | |
| TUBULARS: | | | | |
| Conductor 16" @ 40' | 402 | 12,000 | | 12,000 |
| Surface 500' of 9-5/8", 36#, J-55 LT&C | 404 | 35,000 | | 35,000 |
| Intermediate | 406 | | | |
| Liner | 406 | | | |
| Production 6600' of 5-1/2", 17# J55 LT&C | 410 | | 100,000 | 100,000 |
| Tubing 6100' of 2-3/8", 4.7# J55 EUE 8rd | 415 | | 40,000 | 40,000 |
| 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 | | \$50,000 | \$180,000 | \$230,000 |
| <u>GRAND TOTAL</u> | | \$2,149,000 | \$600,000 | \$2,749,000 |

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.