



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 03-442-0
AFE DATE 10/14/03
AFEND (rev 6/98) 10-14-03

AFE Type:	Well Objective:	Well Type:
<input checked="" type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector	

AFE STATUS:

<input checked="" type="checkbox"/>	Original
<input type="checkbox"/>	Revised
<input type="checkbox"/>	Final
<input type="checkbox"/>	Supplemental

LEASE NAME	Cash State Unit #1	PROJ'D DEPTH	12,750'
COUNTY	Lea	STATE	New Mexico
FIELD		HORIZON	Mississippian
LOCATION	Section 31 T10S-R34E, 1,980' S & 1,980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: New well drilled to 12,750' to test the Atoka and Morrow formations.

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	25,000	25,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork 58 days @ \$8,200/day + \$25,000 for Mob	531,000	531,000
920-140	Drilling Water, Fasline Rental	37,000	37,000
920-150	Drilling Mud & Additives	60,000	60,000
920-160	Mud Logging Unit, Sample Bags	50,000	50,000
920-170	Cementing - Surface Casing	40,000	40,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	90,000	90,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	40,000	40,000
920-205	Control of Well-Insurance	9,000	9,000
920-210	Supervision & Overhead	40,000	40,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	65,000	65,000
920-350	Cementing - Production Casing		81,000
920-410	Completion Unit - Swabbing		15,000
920-420	Water for Completion		5,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		20,000
920-460	Tools & Equip. Rental, Etc. - Completion		30,000
920-470	Stimulation for Completion Completions only for Morrow & Atoka		80,000
920-480	Supervision & O/H - Completion		15,000
920-490	Additional LOC Charges - Completion		20,000
920-510	Bits, Tools & Supplies - Completion		1,000
920-500	Contingency for Completion 10 percent	100,000	160,000
TOTAL INTANGIBLE DRILLING COSTS		1,090,000	1,417,000

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead	2,500	22,000
930-020	Casing 13 3/8" @ 400'	7,000	7,000
	9 5/8" @ 4,150'	55,500	55,500
	7" @ 12,750'		150,000
930-030	Tubing 2 3/8" @ 12,550' & 2 3/8" @ 11,550'		60,000
930-040	Packer & Special Equipment Dual packer		25,000
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		30,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		65,000	379,500

TOTAL COSTS	1,155,000	1,796,500
-------------	-----------	-----------

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

Prepared By RB	AI Springer	Operations Approval	
-------------------	-------------	------------------------	--

BY	DATE	
BY	DATE	
BY	DATE	

BEFORE THE COMMISSION
Santa Fe, New Mexico
Case No. 13181 Exhibit No. 3
Submitted by:
YATES PETROLEUM CORPORATION
Hearing Date: November 7, 2003