

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 14,470

VERIFIED STATEMENT OF RUSSELL WICKMAN

Russell Wickman, being duly sworn upon his oath, deposes and states:

1. I am a landman for Nearburg Exploration Company, L.L.C., and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule NMAC 19.15.4.12.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the working interest owners being pooled have been contacted regarding the proposed well, and have simply not decided whether to join in the well or farm out their interests.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the interests from the top of the Wolfcamp formation to the base of the Cisco/Canyon formation underlying the W/2 of Section 33, Township 18 South, Range 27 East, NMPM, to form a standard 320-acre gas spacing and proration unit for all pools or formations developed on 320-acre spacing within that vertical extent, including the Undesignated East Red Lake-Upper Pennsylvanian Gas Pool.

The unit is to be dedicated to the KL 33 Fed. Com. Well No. 1, to be drilled at an unorthodox gas well location in the NW/4SW/4 of Section 33. The unorthodox location has been approved by Division Administrative Order NSL-6206.

(c) The parties being pooled, their working interests in the well unit, and their addresses, are as follows:

Chevron Midcontinent, L.P.
P.O. Box 36366
Houston, Texas 77236

11.25%

Oil Conservation Division
Case No. _____
Exhibit No. 1

OXY USA Inc.
Suite 110
5 Greenway Plaza
Houston, Texas 77046

11.25%

The above addresses are current and correct.

(d) Copies of the proposal letters sent to the uncommitted working interest owners are attached hereto as Exhibit B. We have also had several telephone discussions and exchanged e-mails with the parties, but have been unable to reach agreement with them.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting working interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in Eddy County.

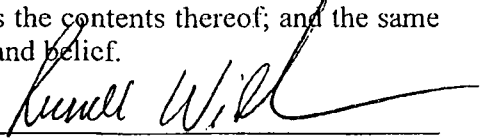
(g) Overhead charges of \$ 3,500 /month for a drilling well, and \$ 600 /month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that Nearburg Producing Company be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Russell Wickman, being duly sworn upon his oath, deposes and states that: He is a landman for Nearburg Exploration Company, L.L.C.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.



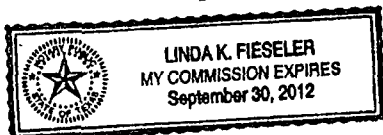
Russell Wickman

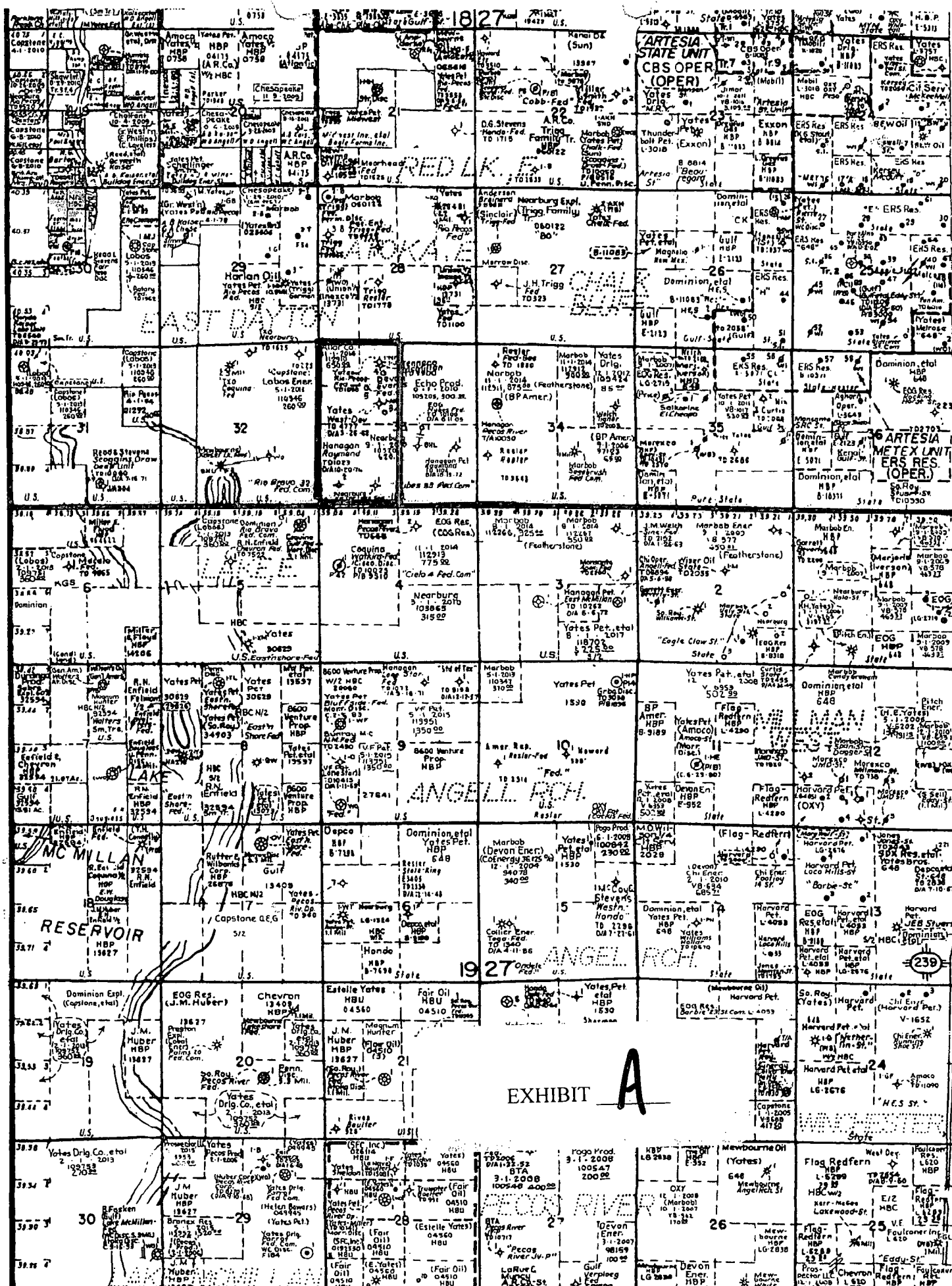
SUBSCRIBED AND SWORN TO before me this 9th day of June, 2010 by Russell Wickman.

My Commission Expires: 9-30-12



Notary Public





KAISER LAKE PROSPECT - Timeline of negotiations with Chevron and OXY

Date	Contact	Comments
1/22/10	Chevron U.S.A., Inc.	Mailed and e-mailed Term Assignment proposal letter addressed to Charles Frisbie.
1/22/10	OXY U.S.A., Inc.	Mailed and e-mailed Term Assignment proposal letter addressed to Robbie Abraham.
1/23/10	OXY U.S.A., Inc.	Discussed offer with Robbie Abraham by phone. Said he will run it through the proper channels.
1/27/10	Chevron U.S.A., Inc.	Left phone message for Charles Frisbie as follow up to letter
1/27/10	OXY U.S.A., Inc.	E-mailed Robbie Abraham to provide information about questions he had.
2/3/10	Chevron U.S.A., Inc.	Left phone message for Charles Frisbie as follow up to letter
2/9/10	OXY U.S.A., Inc.	Discussed by phone with Robbie Abraham - no decision yet but indicated bonuses and QRR1 would have to be dramatically increased.
2/17/10	Chevron & OXY et al	Mailed drilling proposal to Chevron and OXY
2/22/10	Chevron U.S.A., Inc.	Discussed TA offer and drilling proposal with Kevin Stubbs. E-mailed drilling proposal.
3/10/10	Chevron U.S.A., Inc.	Received e-mail from Kevin Stubbs asking if Nearburg had a response to their counterproposal.
3/11/10	Chevron U.S.A., Inc.	Talked to Kevin Stubbs on phone. Told him I didn't recall receiving a counter offer. He said thought he had left a voice message on my phone, but wasn't sure. Kevin Stubbs proposed a TA over a portion of the requested land for dramatically greater terms than proposed by Nearburg.
3/16/10	Chevron U.S.A., Inc.	Called Kevin Stubbs. Rejected Chevron counterproposal.
4/8/10	Chevron U.S.A., Inc.	Received e-mail from Kevin Stubbs asking how Nearburg acquired its interest. Responded by phone. Kevin Stubbs said Chevron had decided to let Nearburg force pool rather than to do a term assignment.
4/12/10	Chevron U.S.A., Inc.	Received letter from Kevin Stubbs dated 4/8/10 rejecting Nearburg's proposal to acquire a term assignment.
4/29/10	OXY U.S.A., Inc.	Received e-mail from Robbie Abraham offering a counter proposal on a term assignment.
5/4/10	OXY U.S.A., Inc.	Verbally agreed to the general terms for a term assignment
5/5/10	OXY U.S.A., Inc.	Received e-mail from Robbie Abraham confirming the general terms for a term assignment.
5/6/10	Chevron U.S.A., Inc.	Called Kevin Stubbs to offer the same terms agreed to with OXY. He called back later to reject the offer.
5/12/10	OXY U.S.A., Inc.	Received proposed term assignment form from Robbie Abraham
5/18/10	Chevron U.S.A., Inc.	Called to again offer same terms as OXY agreed to. Rejected by Kevin Stubbs.

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EXHIBIT

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

January 22, 2010

Chevron U.S.A., Inc.
P.O. Box 36366
Houston, TX 77236-6366
Attention: Mr. Charles Frisbie

Re: Kaiser Lake Prospect
Eddy County, New Mexico
Term Assignment Proposal
SW/4NW/4, E/2NW/4 & NE/4 Section 33
T-18-S, R-27-E, N.M.P.M.

Gentlemen:

According to our information, Chevron Midcontinent, L.P. is the owner of 30% of the operating rights and a 25.8% net revenue interest in and to the above described lands under Federal Lease No. NM 105205 dated September 1, 2000, and expiring September 1, 2010. Nearburg Exploration Company, L.L.C. is interested in acquiring a term assignment of Chevron's interest in such lease under the following general terms:

1. A six (6) month primary term.
2. Bonus consideration of \$30 per net mineral acre.
3. Chevron shall retain an overriding royalty equal to the difference between 80% and existing leasehold burdens of record.

Please advise if the above terms and conditions are acceptable and/or if you have any questions or wish to discuss this proposal further.

Very truly yours,

Nearburg Exploration Company, L.L.C.



Russell H. Wickman
Contract Landman

Russell Wickman

From: Russell Wickman
Sent: Friday, January 22, 2010 3:42 PM
To: 'Charles Frisbie (cdfr@chevron.com)'
Subject: Kaiser Lake Prospect
Attachments: Kaiser Lake Prospect - Chevron Proposal.pdf

Please find the attached proposal associated with Nearburg's Kaiser Lake Prospect located in Eddy County, New Mexico. I will also be dropping the original proposal in the mail today.

The oil and gas lease involved expires in less than eight (8) months, so anything we can do to expedite this matter would be appreciated.

If you do not handle this area please advise.

Thanks,

Russell H. Wickman

Contract Landman
Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Phone: 432-818-2913
Fax: 432-686-7806

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

January 22, 2010

OXY U.S.A., Inc.
P.O. Box 27570
Houston, TX 77227
Attention: Mr. Robbie Abraham

Re: Kaiser Lake Prospect
Eddy County, New Mexico
Term Assignment Proposal
SW/4NW/4, E/2NW/4 & NE/4 Section 33
T-18-S, R-27-E, N.M.P.M.

Gentlemen:

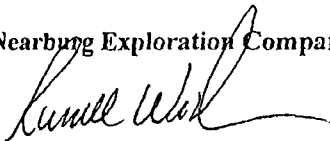
According to our information, OXY U.S.A., Inc. is the owner of 30% of the operating rights and a 25.8% net revenue interest in and to the above described lands under Federal Lease No. NM 105205 dated September 1, 2000, and expiring September 1, 2010. Nearburg Exploration Company, L.L.C. is interested in acquiring a term assignment of OXY's interest in such lease under the following general terms:

1. A six (6) month primary term.
2. Bonus consideration of \$30 per net mineral acre.
3. OXY shall retain an overriding royalty equal to the difference between 80% and existing leasehold burdens of record.

Please advise if the above terms and conditions are acceptable and/or if you have any questions or wish to discuss this proposal further.

Very truly yours,

Nearburg Exploration Company, L.L.C.



Russell H. Wickman
Contract Landman

Russell Wickman

From: Russell Wickman
Sent: Friday, January 22, 2010 4:26 PM
To: 'robbie_abraham@oxy.com'
Subject: Kaiser Lake Prospect
Attachments: Kaiser Lake Prospect - OXY Proposal.pdf

Mr. Abraham:

Please find the attached proposal associated with Nearburg's Kaiser Lake Prospect located in Eddy County, New Mexico. I will also be dropping the original proposal in the mail today.

The oil and gas lease involved expires in less than eight (8) months, so anything we can do to expedite this matter would be appreciated.

Feel free to call if you want to discuss this matter.

Thanks,

Russell H. Wickman
Contract Landman
Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Phone: 432-818-2913
Fax: 432-686-7806

Russell Wickman

From: Russell Wickman
Sent: Wednesday, January 27, 2010 2:05 PM
To: 'robbie_abraham@oxy.com'
Subject: FW: Kaiser Lake Prospect
Attachments: Kaiser Lake Prospect - OXY Proposal.pdf

Robbie:

Just following up on our conversation last week. I know you probably don't have any answers from your people yet, but I have a little additional information now, and also wondered if you had any estimate about the time frame for OXY to make a decision.

The additional information regards your comment that Allar may have sold some of its interest to Marbob. This had me concerned since the information I had at the time did not reflect that. Accordingly I had a broker take a look at the land in question and found that Marbob has NOT acquired any of Allar's interest in the lands as reflected in either the county records or the BLM records.

I know this doesn't really affect OXY other than whatever tie exists through the agreement you have with Allar, but it was something you asked about so I thought I would let you know what I found.

As for timing, do you have any thoughts on how quickly OXY can make a decision on this? As I mentioned, if a quick decision is possible I would prefer to wait, but considering the short life left on the leases I don't have much time before I have to press forward.

Also, would it be possible for me to get a copy of the agreement with Allar? One way or another we will need to deal with all the parties to the agreement unless we decide to shift gears and just stick with a S/2 unit.

Thanks for your help,

Russell

From: Russell Wickman
Sent: Friday, January 22, 2010 4:26 PM
To: 'robbie_abraham@oxy.com'
Subject: Kaiser Lake Prospect

Mr. Abraham:

Please find the attached proposal associated with Nearburg's Kaiser Lake Prospect located in Eddy County, New Mexico. I will also be dropping the original proposal in the mail today.

The oil and gas lease involved expires in less than eight (8) months, so anything we can do to expedite this matter would be appreciated.

Feel free to call if you want to discuss this matter.

Thanks,

Russell H. Wickman

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
432/686-8235
FAX: 432/686-7806

February 17, 2010

VIA CERTIFIED MAIL

The Allar Company
P.O. Box 1567
Graham, Texas 76450

Twin Montana, Inc.
P.O. Box 1210
Graham, Texas 76540

Chevron U.S.A., Inc.
1400 Smith, Room 43038
Houston, TX 77002
Attention: Mr. James Baca

Talus, Inc.
P.O. Box 1210
Graham, Texas 76540

OXY USA, Inc
P.O. Box 27570
Houston, Texas 77227
Attention: Mr. Robbie Abraham

Re: Kaiser Lake Prospect
Eddy County, New Mexico
Proposal to Drill and to Form a Working Interest Unit
Section 33, T-18-S, R-27-E, N.M.P.M.

Gentlemen:

According to the records of Eddy County, New Mexico and the Bureau of Land Management, you own interests in certain oil and gas leases covering tracts of land within the North One-Half (N/2) Section 33, T-18-S, R-27-E, N.M.P.M., Eddy County, New Mexico. Nearburg Exploration Company, L.L.C. owns an oil and gas lease covering the South One-Half (S/2) Section 33, and believes it is in the best interest of all parties to cooperate in developing the lands and leases within Section 33. Accordingly, Nearburg hereby proposes the drilling of the Kaiser Lake 33 No. 1 well to test the Cisco/Canyon formation at a location of approximately 1,980' FSL and 660' FWL of the lands described above, with the West One-Half (W/2) of Section 33 being communitized for such well. I have attached for your review an AFE for the drilling of this well. In addition, Nearburg proposes the formation of a working interest unit comprised of all of Section 33, and in connection with such proposed unit I have attached for your review a 1982 AAPL Form operating agreement naming Nearburg Producing Company as the operator. A full description of the oil and gas leases and the contractual interests that would be owned by each party under this proposal can be found on Exhibit "A" to the operating agreement.

Please keep in mind that time is of the essence because the majority of the lands are subject to oil and gas leases that are due to expire on September 1, 2010. Nearburg believes this proposal is beneficial to all parties in that it

Drilling and WI Unit Proposal
Kaiser Lake Prospect
February 1, 2010
Page 2

allows for the prudent development of the lands and the preservation of the oil and gas leases involved. Accordingly, we ask that you respond to this proposal at your earliest convenience.

Very truly yours,

Nearburg Exploration Company, L.L.C.

A handwritten signature in black ink, appearing to read "Russell Wickman", with a long horizontal flourish extending to the right.

Russell H. Wickman
Contract Landman

attachments

Russell Wickman

From: Russell Wickman
Sent: Monday, February 22, 2010 8:27 AM
To: 'KevinStubbs@chevron.com'
Attachments: scanned Kaiser Lake well proposal.pdf; AFE - Kaiser Lake 33 #1 New Well (2).xlsx

Kevin:

Here is the proposal and the AFE. Call if you need any additional information.

Thanks,

Russell H. Wickman

Contract Landman
Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Phone: 432-818-2913
Fax: 432-686-7806

Russell Wickman

From: Stubbs, Kevin C [KevinStubbs@chevron.com]
Sent: Wednesday, March 10, 2010 8:02 AM
To: Russell Wickman
Subject: RE:

Russell,

Any updates on Chevron's counteroffer?

Regards,

Kevin

From: Russell Wickman [mailto:rwickman@nearburg.com]
Sent: Monday, February 22, 2010 8:27 AM
To: Stubbs, Kevin C
Subject:

Kevin:

Here is the proposal and the AFE. Call if you need any additional information.

Thanks,

Russell H. Wickman
Contract Landman
Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Phone: 432-818-2913
Fax: 432-686-7806

Russell Wickman

From: Stubbs, Kevin C [KevinStubbs@chevron.com]
Sent: Thursday, April 08, 2010 3:50 PM
To: Russell Wickman
Subject: RE:

Russell,

Quick question regarding Nearburg's proposal. How did Nearburg acquire its interest. Did you guys take subject to that 2003 Saga-Pure Exploration Agreement?

Kevin

From: Russell Wickman [mailto:rwickman@nearburg.com]
Sent: Monday, February 22, 2010 8:27 AM
To: Stubbs, Kevin C
Subject:

Kevin:

Here is the proposal and the AFE. Call if you need any additional information.

Thanks,

Russell H. Wickman
Contract Landman
Nearburg Producing Company
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
Phone: 432-818-2913
Fax: 432-686-7806

Russell Wickman

From: Robbie_Abraham@oxy.com
Sent: Thursday, April 29, 2010 10:50 AM
To: Russell Wickman
Cc: Terry Gant
Subject: Nearburg Kaiser Lake: OXY Term Assignment

Importance: High

We received a compulsory pooling notice this morning for your proposed Kaiser Lake well, which is to be located in the W/2 of Section 33-T18S-R27E, Eddy County, NM.

OXY is still agreeable to grant a Term Assignment to Nearburg for all of its interests (approx. 48 net acres) in the NW/4 of this Section 33, for \$250/net acre delivering a 75% net.

These terms are consistent with other Term Assignments that we have been granting to partners of preference in this area.

We hope that you can understand that the terms that Nearburg previously offered of \$30/net acre delivering 80% is difficult anywhere, but more so since we are discussing Eddy County.

Robbie Abraham
Land Negotiator
Occidental Mid-Continent Business Unit
Direct +1 713 366 5185 Fax +1 713 985 1204
5 Greenway Plaza, Suite 110
Houston, Texas 77046-0521
Tel +1 713 215 7000

Russell Wickman

From: Robbie_Abraham@oxy.com
Sent: Wednesday, May 05, 2010 3:38 PM
To: Russell Wickman
Subject: FW: Nearburg Kaiser Lake: OXY Term Assignment

Importance: High

Russell,

As a courtesy to our conversation-- OXY is agreeable to granting a Term Assignment to Nearburg, covering its interests in the N/2 of Section 33-T18S-R27E, Eddy County, NM, on a mutually agreeable form, with consideration, reservations, and earning as follows:

*\$200/acre, reserving the difference between 80% and current burdens, proportionately reduced..

*an earning well that perpetuates OXY rights in the Lease covering the N/2, will earn the N/2.



Kevin C. Stubbs
Land Representative

MidContinent/Alaska SBU
Chevron N.A. Exploration and
Production Company
1400 Smith Street
Houston, TX 77002 USA
Tel (713) 372-1048
Fax (866) 593-9105
KevinStubbs@chevron.com

April 8, 2010

Russell H. Wickman
Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705

APR 12 2010

Re: Kaiser Lake Prospect
Eddy County, NM
Term Assignment Request
Section 33-T18S-R27E

Dear Russell,

Pursuant to our discussion today, Chevron respectfully declines your proposal dated January 22, 2010, wherein Nearburg Exploration Company, L.L.C.'s ("Nearburg") requested a Term Assignment of the above referenced acreage. Please feel free to call or email me should you have any questions and/or concerns.

Regards

Kevin C. Stubbs

Kevin C. Stubbs

- * 4/8 - Kevin Stubbs informed that Chevron had decided to let Nearburg force pool them
- 5/6 - offered Chevron same deal as made with Oxy - \$200/ac, 80% WPT, drilling earns entire 280 ac. Chevron declined

Russell Wickman

From: Robbie_Abraham@oxy.com
Sent: Wednesday, May 12, 2010 4:56 PM
To: Russell Wickman
Subject: No CDP Term Assignment - Nearburg Kaiser Lake 33-1.doc
Attachments: No CDP Term Assignment - Nearburg Kaiser Lake 33-1.doc

Please find attached the form that we would like to use.

AUTHORITY FOR EXPENDITURE ("AFE")

WELL NUMBER: 1

TD: 8,200'

LOCATION: SHL: 2,460' FSL & 810' FWL, Section 33, T18S, R27E, Eddy County, NM

EXPLORATORY, DEVELOPMENT, WORKOVER: E

DESCRIPTION OF WORK: Drill and complete as a flowing Cisco gas well.

EST. START DATE: 2010

EST. COMPLETION DATE: 2010

ACCOUNTING WELL NUMBER:

INTANGIBLE COSTS:				CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage	8,500 Ft	@	0.00 \$/Ft	1514.101	0	NA	0	0
Drilling Daywork	21	1	10,500 \$/day	1514.105	233,730	1515.105	12,500	246,230
Drilling Turnkey				1514.110	0	1515.110	0	0
Rig Mobilization and Demobilization				1514.115	35,000	1515.115	0	35,000
Road & Location Expense				1514.120	39,220	1515.123	2,000	41,220
Closed Loop System & Disposal Cost				1514.124	159,000	NA	0	159,000
Damages				1514.125	5,000	1515.125	0	5,000
Directional Drilling - Tools and Service				1514.130	0	1515.130	0	0
Drilling Fluids				1514.135	37,100	1515.132	0	37,100
Fuel, Power, and Water				1514.140	57,240	1515.140	0	57,240
Supplies - Bits				1514.145	30,210	1515.145	1,000	31,210
Supplies - Casing Equipment				1514.150	1,060	1515.150	1,500	2,560
Supplies - Liner Equipment				1514.155	0	1515.155	0	0
Supplies - Miscellaneous				1514.160	5,300	1515.160	5,000	10,300
Cement and Cmt. Services - Surface Csg				1514.165	0	NA	0	0
Cement and Cmt. Services - Int. Csg				1514.170	19,080	NA	0	19,080
Cement and Cmt. Services - Prod. Csg				NA	0	1515.172	30,000	30,000
Cement and Cmt. Services - Other				1514.175	0	1515.175	0	0
Rental - Drilling Tools and Equipment				1514.180	5,300	1515.180	0	5,300
Rental - Misc.				1514.185	21,280	1515.185	15,000	36,280
Testing - Drill Stem / Production				1514.195	0	1515.185	5,000	5,000
Open Hole Logging				1514.200	15,900	NA	0	15,900
Mudlogging Services				1514.210	20,000	NA	0	20,000
Special Services				1514.190	0	1515.180	5,000	5,000
Plug and Abandon				1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit				NA	0	1515.217	42,000	42,000
Reverse Equipment				NA	0	1515.219	15,000	15,000
Wireline Services				1514.205	0	1515.205	17,000	17,000
Stimulation				NA	0	1514.221	34,000	34,000
Pump / Vacuum Truck Services				1514.220	0	1515.220	8,000	8,000
Transportation				1514.225	3,180	1515.225	7,500	10,680
Tubular Goods - Inspection & Testing				1514.230	0	1515.230	7,500	7,500
Unclassified				1514.245	0	1515.245	0	0
Telephone and Radio Expense				1514.240	2,650	1515.240	1,000	3,650
Engineer / Geologist / Landman				1514.250	16,500	1515.250	16,500	33,000
Company Labor - Field Supervision				1514.255	29,150	1515.255	16,500	45,650
Contract Labor / Roustabout				1514.265	12,190	1515.265	23,800	35,990
Legal and Professional Service				1514.270	5,000	1515.270	0	5,000
Insurance				1514.275	7,500	1515.275	0	7,500
Overhead				1514.280	7,000	1515.280	3,500	10,500
SUBTOTAL					782,590		254,300	1,036,890
Contingencies (10%)					78,259		25,430	103,689
ESTIMATED TOTAL INTANGIBLES					860,849		279,730	1,140,579

EXHIBIT

C

LEASE: KL 33 Federal WELL NUMBER: 1 TD: 8,200'
LOCATION: SHL: 2,460' FSL & 810' FWL, Section 33, T18S, R27E, Eddy County, NM

FIELD: EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a flowing Cisco gas well.

DATE PREPARED: '6/7/10 EST. START DATE: 2010 EST. COMPLETION DATE: 2010
ACCOUNTING WELL NUMBER:

<u>TANGIBLE COSTS:</u>			CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Conductor Casing	40 Ft @	200.00 \$/Ft	1520.305	8,000	NA	0	8,000
Surface Csg	0 Ft @	30.00 \$/Ft	1520.310	0	NA	0	0
Intermediate Csg	2,320 Ft @	25.00 \$/Ft	1520.315	58,000	NA	0	58,000
Protection Csg	0 Ft @	25.00 \$/Ft	1520.320	0	NA	0	0
Production Csg	8,500 Ft @	16.00 \$/Ft	NA	0	1522.325	136,000	136,000
Protection Liner	0 Ft @	0.00 \$/Ft	1520.330	0	NA	0	0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0	1522.335	0	0
Tubing	8,500 Ft @	6.00 \$/Ft	NA	0	1522.340	51,000	51,000
Rods	0 Ft @	3.00 \$/Ft	NA	0	1522.345	0	0
Artificial Lift Equipment			NA	0	1522.350	0	0
Tank Battery			NA	0	1522.355	49,000	49,000
Separators/Heater Treater/Gas Units/FWKO			NA	0	1522.360	15,000	15,000
Well Head Equipment & Christmas Tree			1520.365	5,000	1522.365	12,500	17,500
Subsurface Well Equipment			NA	0	1522.370	10,000	10,000
Flow Lines & Pipe Lines			NA	0	1522.375	7,500	7,500
Saltwater Disposal Pump			NA	0	1522.381	0	0
Gas Meter			NA	0	1522.385	5,000	5,000
Lact Unit			NA	0	1522.387	0	0
Vapor Recovery Unit			NA	0	1522.389	0	0
Other Well Equipment			NA	0	1522.390	0	0
ROW and Damages			NA	0	1522.393	5,000	5,000
Surface Equipment Installation Costs			NA	0	1522.395	20,000	20,000
Elect. Installation			NA	0	1522.397	0	0
ESTIMATED TOTAL TANGIBLES				71,000		311,000	382,000
ESTIMATED TOTAL WELL COSTS				931,849		590,730	1,522,579

☐ By checking this box, Non-Operator hereby waives and rejects coverage under Operator's Extra Expense Indemnity Insurance and relies on the coverage provided by its own insurance, and shall within 15 days of approval of this AFE by Non-Operator, provide Operator with a certificate of insurance reflecting current coverage comparable to those provided by Operator. Failure to check this box shall be deemed an election to obtain coverage under Operator's Extra Expense Indemnity Insurance.

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

Nearburg Producing Company

By: _____ Date: _____
H. R. Willis, Drilling Manager

Geology:_____

Engineering:_____

By: _____ Date: _____
Terry Gant, Midland Manager

Land: _____

WI APPROVAL: COMPANY _____
BY _____
TITLE _____
DATE _____