

TORCH ENERGY SERVICES

AUTHORITY FOR CAPITAL EXPENDITURE

Drill & Complete Prospect Well

PROSPECT :	San Juan Mesa State #16-1	8600	TES	AFE NO.	6/21/2010
San Juan Mesa	WELL NAME & N°	DEPTH	OPERATOR	DATE	
PROSPECT #:	660' FNL & 660' FEL Sec. 16 - T4S - R30E			DRILLING	X WORKOVER
	LOCATION			SINGLE	___ DUAL
	Roosevelt	New Mexico			
	COUNTY	STATE			

	DETAIL OF EXPENDITURES	DRY HOLE	COMPLETION	TOTAL
1.	LOCATION	\$46,000	\$14,000	\$60,000
2.	CONTRACT DRILLING	\$306,500		\$306,500
3.	DRILLING BITS	\$24,500		\$24,500
4.	FUEL & WATER	\$17,500		\$17,500
5.	CEMENT & SERVICE	\$58,000	\$16,500	\$74,500
6.	FORMATION EVALUATION	\$42,000		\$42,000
7.	DRILLSTEM TEST (INCLUDING TEST EQUIP)			
8.	CONVENTIONAL CORING & ANALYSIS			
9.	SPECIALIZED SERVICE	\$6,000		\$6,000
10.	FISHING TOOLS & SERVICE		\$9,000	\$9,000
11.	JETTING & SWABBING SERVICE			
12.	FILTERING			
13.	EQUIPMENT RENTAL	\$29,500	\$18,000	\$47,500
14.	LOST IN HOLE			
15.	DRILLING MUD & COMPLETION FLUIDS	\$57,000	\$10,000	\$67,000
16.	WELLSITE SUPERVISION	\$28,500	\$10,200	\$38,700
17.	CONSTRUCTION SITE SUPERVISION	\$3,000		\$3,000
18.	MARINE TRANSPORTATION			
19.	AIR TRANSPORTATION			
20.	GROUND TRANSPORTATION	\$17,500	\$9,500	\$27,000
21.	COMPLETION RIG COST		\$32,000	\$32,000
22.	COMPLETION BITS		\$4,000	\$4,000
23.	CASED HOLE WIRELINE		\$22,500	\$22,500
24.	GRAVEL PACKING EQUIP & SERVICE			
25.	ACID & FRACTURE STIMULATION		\$85,000	\$85,000
26.	SUPPLIES & SMALL TOOLS			
27.	ENVIRONMENTAL	\$2,500		\$2,500
28.	COMMUNICATIONS	\$2,500		\$2,500
29.	CATERING/GROCERIES			
30.	INSURANCE	\$10,000	\$5,000	\$15,000
31.	OVERHEAD			
32.	CONTINGENCIES	\$37,500	\$20,000	\$57,500
33.	INSPECTION & TESTING			
34.	DIVING			
35.	MISCELLANEOUS INTANGIBLE COSTS			
36.	COMPANY LABOR	\$5,000	\$5,000	\$10,000
37.	WORK IN PROGRESS CASH CELLS			
	TOTAL INTANGIBLES	\$693,500	\$260,700	\$954,200
38.	CASING			
	400 13.375	\$10,000		\$10,000
	50 24	\$2,750		\$2,750
	2300 8.625	\$37,490		\$37,490
	8700 5.5		\$100,920	\$100,920
39.	TUBING 8500 2.875		\$39,100	\$39,100
40.	WELLHEAD	\$4,500	\$15,100	\$19,600
41.	SUBSURFACE EQUIPMENT		\$7,000	\$7,000
42.	PRODUCTION EQUIPMENT		\$152,500	\$152,500
43.	MEASUREMENT EQUIPMENT		\$5,000	\$5,000
44.	SHOREBASE FACILITY			
	TOTAL TANGIBLES	\$54,740	\$319,620	\$374,360
	TOTAL THIS AFE	\$748,240	\$580,320	\$1,328,560
	PRIOR AUTHORIZATIONS			

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

REMARK: _____

	APPROVED AS TO _____ DECIMAL INTEREST
Prepared By _____	DATE _____
Prepared By _____	COMPANY _____
Approved By _____	BY _____
	TITLE _____

WELL CONTROL INSURANCE

This AFE includes Well Control "Blowout" Insurance drilling and completion only, covering: 1) the cost of control of a well in the event of a blowout; 2) bodily injury or property damage liability caused by pollution, seepage or contamination; 3) pollution cleanup; 4) extinguishing of an oil or gas well fire; and, 5) redrilling of the well. You may indicate your declination of your pro rata share of the subject insurance by signing below. If you elect not to participate in the Well Control "Blowout" Insurance, you must sign and return this form, along with an acceptable certificate of insurance evidencing adequate Well Control Insurance coverage, to Torch Operating Company within ten days of your receipt of this AFE or prior to the spudding or reworking of any well hereunder, whichever is earlier. NO RESPONSE WITHIN THIS TIME PERIOD WILL BE CONCLUSIVE PRESUMPTION OF ACCEPTANCE.

We hereby reject Torch Energy Service Inc's Well Control Insurance. Enclosed is a copy of our certificate of insurance outlining our coverage.

COMPANY: _____

BY: _____

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico
 Case No. 14495 Exhibit No. 2
 Submitted by:
TORCH ENERGY SERVICES, INC.
 Hearing Date: June 24, 2010


TORCH
ENERGY ADVISORS

San Juan Mesa Prospect
Roosevelt County, NM

Geology by: Louis J. Mazzullo
 Denver, Colorado

RELATIVE SEISMIC
ISOPACH MAP,
FUSSELMAN-MONTOYA
C. I. = 25 FEET

Possible locations for
 stratigraphic/structural traps
 shown by yellow stars. The faults
 shown all intersect this
 mapping horizon.

