



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

**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. **10-328-0**  
AFE DATE **12/9/2010**  
AFEND (rev 8/00) **12-9-10**

AFE Type:	Well Objective:	Well Type:
<input type="checkbox"/> New Drilling	<input checked="" type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development
<input checked="" type="checkbox"/> Recompletion	<input 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

(formerly NDDUP #131)

LEASE NAME	Dagger Draw 30SE Fed. Com.#11	PROJ'D DEPTH	5,824' - 5,862'
COUNTY	Eddy	STATE	NM
FIELD	NDDUP	HORIZON	Wolfcamp
LOCATION	660' FSL & 1,980' FEL Sec 30 T19S R25E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: **Propose to abandon the canyon and move up hole to test the Wolfcamp dolomite.**  
**Test WC from 5,824' - 5,862' and stimulate as necessary.** *NMOCD Inactive List*  
**Calculated 8.2 month payout at 15 BOPD and 200 MCFD with \$65 Oil and \$3.5 gas.**

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL	
920-100	Staking, Permit & Legal Fees			
920-110	Location, Right-of-Way			
920-120	Drilling, Footage			
920-130	Drilling, Daywork			
920-140	Drilling Water, Fasline Rental			
920-150	Drilling Mud & Additives			
920-160	Mud Logging Unit, Sample Bags			
920-170	Cementing - Surface Casing			
920-180	Drill Stem Testing, OHT			
920-190	Electric Logs & Tape Copies			
920-200	Tools & Equip. Rntl., Trkg. & Welding			
920-205	Control of Well-Insurance			
920-210	Supervision & Overhead			
920-230	Coring, Tools & Service			
920-240	Bits, Tool & Supplies Purchase			
920-350	Cementing - Production Casing			
920-410	Completion Unit - Swabbing	26,000	30,000	
920-420	Water for Completion	1,000	5,000	
920-430	Mud & Additives for Completion			
920-440	Cementing - Completion			
920-450	Elec. Logs, Testing, Etc. - Completion	15,000	15,000	
920-460	Tools & Equip. Rental, Etc. - Completion	9,000	10,500	
920-470	Stimulation for Completion	10,000 gal 20% HCL + 30,000 gal 20% HCL	15,000	45,000
920-480	Supervision & O/H - Completion	3,000	3,500	
920-490	Additional LOC Charges - Completion			
920-510	Bits, Tools & Supplies - Completion	5,000	5,000	
920-500	Contingency for Completion			
<b>TOTAL INTANGIBLE DRILLING COSTS</b>		<b>74,000</b>	<b>114,000</b>	

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead		
930-020	Casing		
930-030	Tubing	2-7/8" tubing	40,000
930-040	Packer & Special Equipment		5,000
940-010	Pumping Equipment		35,000
940-020	Storage Facilities		5,000
940-030	Separation Equip., Flowlines, Misc.		5,000
940-040	Trucking & Construction Costs		4,000
<b>TOTAL TANGIBLE EQUIPMENT COSTS</b>		<b>0</b>	<b>94,000</b>
<b>TOTAL COSTS</b>		<b>74,000</b>	<b>208,000</b>

IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY AND APPROVAL OF THIS AFE SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED WHETHER MORE OR LESS THAN HEREIN SET OUT.

CM Prepared By: *Mike Hill* Operations Approval: *Randy Hill* 12/9/10

YATES PETROLEUM CORPORATION BY: *[Signature]* DATE: 1/14/2011 80.679073%

SACRAMENTO PARTNERS LIMITED PARTNERSHIP BY: *[Signature]* DATE: 1/14/2011 0.576398%

HANSON McBRIDE PETROLEUM CO., a New Mexico Limited Partnership BY: \_\_\_\_\_ 0.193734%

SPIRAL, INC. BY: \_\_\_\_\_ 0.576398%

Yates Petroleum Corporation  
Case No. 14597  
Exhibit 3

MARKS OIL, INC.	2.836899%
BY _____	DATE _____
NEARBURG EXPLORATION COMPANY, L.L.C.	12.393109%
BY _____	DATE _____
CATHIE CONE McCOWN	0.457398%
BY _____	DATE _____
AUVENSHINE'S CHILDREN'S TESTAMENTARY TRUST, CATHIE CONE McCOWN, TRUSTEE	0.457398%
BY _____	DATE _____
KENNETH G. CONE, TRUSTEE OF THE TRUSTS CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF KENNETH G. CONE	0.457398%
BY _____	DATE _____
BANK OF OKLAHOMA, N.A., SUCCESSOR TRUSTEE OF THE TRUST CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF TOM R. CONE	0.304932%
BY _____	DATE _____
RANDY LEE CONE	0.152467%
BY _____	DATE _____
KENNETH G. CONE	0.457398%
BY _____	DATE _____
TOM R. CONE	0.457398%
BY _____	DATE _____

Total : 100.000000%