SDX RESOURCES, INC.
AUTHORIZATION FOR EXPENDITURE

AFE

Purpose: Drill and Complete a Seven Rivers Well
Objective – Depth: **Lease:** East Millman **Well #** 1
– Formation: Seven Rivers **Field:** East Millman
Estimated Spud Date: **County:** Eddy **State:** New Mexico
Estimated Completion Date: 01/97 **Legal:**

INTANGIBLE COST	Amount	Unit Cost	Dry Hole	Completion	Total
Legal – Drilling Title Opinion			0	0	0
Drilling – Daywork	1 Days	2500.00 $/Dy	2,500	0	2,500
– Footage	1,400 Feet	10.00 $/Ft	14,000	0	14,000
– Turnkey	0 Feet		0	0	0
Mud & Chemicals			1,000	0	1,000
Water – Brine, Fresh			4,500	1,000	5,500
Cement – Surface	0 Sacks		3,500	0	3,500
– Intermediate	0 Sacks		0	0	0
– Production	0 Sacks		5,000	0	5,000
– Plug, Bond, Cleanup			0	0	0
Location – Road, Pad Cleanup			4,500	0	4,500
– Labor & Roustabout			1,000	0	1,000
– Survey, Archaeological			1,000	0	1,000
– Damages			1,000	0	1,000
– Environmental Impact			0	0	0
Services – Wireline Logging			3,500	0	3,500
– Medium Radius Horizontal(See Attached)			0	0	0
– Coring & Analysis	0 Feet		0	0	0
– Pulling & Reverse Unit	4 Days	1200.00 $/Dy	0	4,800	4,800
– Perforating			0	2,500	2,500
– Acidizing, PPI Tool			0	3,500	3,500
– Fracturing			0	14,000	14,000
– Mud Logging	0 Days	0.00 $/Dy	3,500	0	3,500
– Engineering, Geological & Geophysical			0	0	0
Transportation (water etc)			0	1,000	1,000
Welding			0	0	0
Rental – BOP, Frac Tanks, Packer, etc.			0	1,500	1,500
Equipment – RBP Rental			0	1,500	1,500
Supplies – Well Signs, etc.			0	300	300
Supervision	4 Days	300.00 $/Dy	0	1,200	1,200
Insurance			0	0	0
Administrative Overhead			0	500	500
SUBTOTAL INTANGIBLE COST			45,000	31,800	76,800
Contingencies (10%)			0	0	0
Sales Tax (6%)			2,700	1,908	4,608
TOTAL INTANGIBLE COST			47,700	33,708	81,408

TANGIBLE COST	Specifications	Amount	Unit Cost	Dry Hole	Completion	Total
Casing – Surface	8 5/8"	350 Feet	8.50 $/Ft	2,975	0	2,975
– Intermediate		0 Feet	0.00 $/Ft	0	0	0
– Production	5 1/2"	1,400 Feet	4.50 $/Ft	0	6,300	6,300
Tubing	2 7/8"	1,200 Feet	1.95 $/Ft	0	2,340	2,340
Rods	3/4"	1,200 Feet	1.00 $/Ft	0	1,200	1,200
Wellheads, Casing Heads and Misc. Fittings				0	1,200	1,200
Packer or Tubing Anchor				0	0	0
Pumping Equip. – Downhole Pump				0	1,500	1,500
– Unit w/ Motor, Panel	40			0	3,500	3,500
– Electrical system				0	3,500	3,500
Battery – Tanks, Stairs, Walkway				0	5,000	5,000
– Heater Treater				0	3,500	3,500
– Fittings				0	2,500	2,500
– Meter & Installation				0	0	0
– Flowlines		0 Feet	0.00 $/Ft	0	0	0
– Injection Equipment				0	0	0
Other				0	0	0
Sales Taxes (6%)				179	1,832	2,011
TOTAL TANGIBLE COST				3,154	32,372	35,526
TOTAL COST				50,854	66,080	116,934

Joint Interest Approval– It is recognized that amounts provided for herein are estimates only, and approval of this authorization shall extend to the actual costs incurred in conducting the operation specified, either more or less than herein set out.

Prepared by: John Pool Date: 01/03/97
Operator

Approved by: ____________ Date: ________ Tax ID# ____________
Non–Operator

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