

# AUTHORIZATION FOR EXPENDITURE

LEASE NAME: Pardue "34" WELL #: 1

LOCATION: 2310' FNL 660' FEL Section 34 T-23-S R-28-E COUNTY: Eddy STATE: New Mexico  
 FIELD: Loving FORMATION: Brushy Canyon Delaware DEPTH: 6350' DATE: 5-1-2000

<u>INTANGIBLES – ESTIMATED COSTS, \$</u>	<u>DRY HOLE</u>	<u>COMPLETION</u>
Abstracting & Title Opinions .....	30,000	2,000
Surveys, Location & Other .....		
Damages, Location & Other .....		
Dirtwork, Location & Road .....	3,000	1,000
Drilling, Footage Rate @ \$ .....		
Drilling, Daywork @ \$6,000 .....	30,000	6,000
Water Services .....	2,000	2,000
Transportation .....	20,000	
Mud, Drilling .....		
Cementing .....		9,000
Supervision, Wellsite .....	2,000	2,000
Logging, Mud .....		
Logging, Open-hole .....		
Logging, Cased-hole .....		4,000
Overhead, Administrative .....	1,000	1,000
Insurance, Liability & Other .....	1,000	
Completion Rig @ \$2,000/Day .....		10,000
Stimulation .....		22,000
Rentals, Equipment .....	1,000	3,000
Labor, Contract .....	1,000	1,000
Contingencies, 5 % .....	5,000	3,000
<b>COLUMN TOTALS</b> .....	<b>96,000</b>	<b>66,000</b>
<b>TOTAL INTANGIBLES</b> .....		<b>162,000</b>

<u>TANGIBLES – ESTIMATED COSTS, \$</u>	<u>DRY HOLE</u>	<u>COMPLETION</u>
Casing, Conductor .....		
Casing, Surface .....		
Casing, Intermediate .....		
Casing, Production 5.5" 15.5# J-55 @ 0-6350' @ \$4.25/ft.....		27,000
Casing, Liner .....		
Tubing, Production 2.375" 4.7# J-55 @ 0-6300' @ \$1.85/ft.....		12,000
Casing Cementing Equipment .....		1,000
Labor, Casing Crew .....		2,000
Casing Packers, Plugs, Anchors, Etc. ....		1,000
Wellhead .....		6,000
Tanks, Production .....		4,000
Treaters, Production .....		5,000
Connections, Battery .....		4,000
Pumping Unit .....		14,000
Pumping Unit Engine/Motor .....		4,000
Pump, Downhole .....		2,000
Rods, Sucker .....		7,000
Pipelines, Production .....		5,000
Electrical Equipment .....		
Equipment, Miscellaneous .....		
Labor, Equipment .....		4,000
Contingencies, % .....		5,000
<b>COLUMN TOTALS</b> .....		<b>103,000</b>
<b>TOTAL TANGIBLES</b> .....		<b>103,000</b>
<b>TOTAL ESTIMATED COSTS</b> \$		<b>265,000</b>

BEFORE THE STATE OF NEW MEXICO  
 OIL CONSERVATION DIVISION  
 CASE NO. 12410 6-1-2000  
 BK EXPLORATION CORPORATION  
 EXHIBIT 3