

TMBR/Sharp



Drilling, Inc.

Drawer 10970
Midland, Texas 79702-7970
915-699-5050

May 3, 2002

TO WORKING INTEREST OWNERS:
(See attached mailing list)

Re: Well Proposal
Blue Fin "25" No. 1
N/2 Section 25-16S-35E, NMPM
Lea County, New Mexico

Dear Owners:

TMBR/Sharp Drilling, Inc., as Operator, proposes the drilling of the above subject well at a location 1913' FNL and 924' FWL of Section 25-16S-35E, NMPM, Lea County, New Mexico. This well is being proposed in accordance with that certain Joint Operating Agreement dated July 1, 1998. An AFE outlining the estimated costs in the drilling and completion of the well is enclosed in duplicate.

Please indicate your election to participate or not to participate in the operation by indicating in the space below. Also, please return one signed copy of the AFE if you elect to participate. As we anticipate spudding this well in the next several days, your early response is appreciated.

If there are any questions regarding this, please contact either Lonnie Arnold or myself at (915) 699-5050. We look forward to your joining in this test.

Yours truly,

TMBR/Sharp Drilling, Inc.

Dennis J. Hopkins, CPL
Land Manager

I/We elect to participate in the drilling of the Blue Fin "25" No. 1 Well.

I/We do not elect to participate in the drilling of the Blue Fin "25" No. 1 Well.

Annex to the O&G Agreement
Company/Individual Name

By:

TMBR/ Sharp Drilling, INC.
AUTHORIZATION FOR EXPENDITURE

AFE Number # 1 23-Apr-02

Well No. 1.

Lease Name: Blue Fin 25 State: New Mexico County/Parish: Lea Location: 1913' FNL & 924' FWL, Sec. 25, T16S, R 35E

Acct Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST
1	Surveys / Permits / Bonds	1200		1,200
2	Roads/Location/Damages	30000		30,000
3	Moh/demob	27000		27,000
4	Drilling Contract-			
5	Daywork 50days At \$85.20 /day	400440	25,560	426,000
6	Footage			
7	Completion Unit: 15 days At \$ 2000 /day		30,000	30,000
8	Mud/Chemicals	35000		35,000
9	Water	18000	3,000	21,000
10	Cement/Cementing Services	20000	36,000	56,000
11	Fuel/Electricity/Generator/lights	28200	1,800	30,000
12	Bits	65000		65,000
13	Reamers/ stabilizers	15000		15,000
14	Service Equipment	2000	5,000	7,000
15	Equipment rentals	10000	35,000	45,000
16	Wire line Unit			
17	Mud Logging/Palco/Bioassay	18000		18,000
18	Open Hole Logging	25000	25,000	50,000
19	Drill Stem Testing and coring	20000		20,000
20	Tubular Inspection/Testing	3000	1,500	4,500
21	Transportation (land)	3000	2,000	5,000
22	Equipment inspection/testing	2500	2,000	4,500
23	Casing Crews/Tongs	4500	5,000	9,500
24	Drilling Overhead	6500	1,500	8,000
25	Supervision	2750	5,500	8,250
26	Cased Hole Logging & Perf		5,500	5,500
27	Stimulation		100,000	100,000
28	Production Testing		10,000	10,000
29	Completion Fluids		2,500	2,500
30	Fishing Tools, Supervisor	5000		5,000
31	Contract labor	2500	3,000	5,500
32	Insurance	8756	2,919	11,675
33	Plug and Abandon	15000		15,000
34	Contingency (7%)	53784	21195	\$74,979
TOTAL INTANGIBLE ESTIMATED COST		\$822,130	\$323,974	\$1,146,104

TANGIBLE DESCRIPTION			
35	Conductor		
36	500' of 13 3/8" 54.5 @ 15.50/FT	Surface Casing	7,750
37	5000' of 9 5/8" 40# @ 13.00/FT	Intermediate Csg	65,000
38		Intermediate Csg	
39		Intermediate Csg	
40	12 500' of 7" 26# @ 11.50/FT	Production Csg	143,750
41	1500' of 4 1/2" 11.60# @ 5.75/ft	Liner	8,625
42	13800' of 2 7/8" 6.50# @ 3.20/FT	Tubing	44,160
43		Tubing	
44		Tubing	
45	Wellhead Equipment	4,200	9,000
46	Float Equipment	4,000	7,000
47	Liner Equipment		12,000
48	Pumping Unit / Base / Engine		
49	Sucker rods, Polished Rods		
50	Producing Equipment, Tank Battery, Flowline		60,000
51	Flowlines, Vavles, Fittings/Connections		8,000
52	Packers & Other Subsurface Tools		6,500
53	Compressor		
54	Miscellaneous Sale Items		5,000
55	Contingency (7%)	5,667	21,282
TOTAL TANGIBLE ESTIMATED COST		\$86,617	\$325,317
TOTAL AFE ESTIMATED COST		\$908,747	\$649,291

TOTAL AFE ESTIMATED COST \$908,747 **COMPLETION COST** \$649,291 **TOTAL WELL COST** \$1,558,038

APPROVAL AND ACCEPTANCE

Participant *[Signature]*

W I _____

Title _____

Signature _____

IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT

I wish to be covered by TMBR Sharp's blow-out insurance

I DO NOT wish to be covered by TMBR Sharp's blow-out insurance

Date 5-6-02