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AUTHORITY FOR EXPENDITURE

HANLEY PETROLEUM INC.

vs

SANTA FE ENERGY

LEASE: HANLEY 8 FEDERAL #1 APPROXIMATE TOTAL DEPTH 11,500'

LOCATION: 660' FN&WL, Section 8, T-18-S, R-33-E

Lea County, New Mexico

DRILLING CONTRACTOR:

DRILLING COST:

	Hanley	Santa Fe
Contractor's Footage Fee 11,500' @ 18.00/ft.	\$ 207,000.00	\$193,200
Day Work - 3 days @ \$4800/day	14,400.00	13,500
Roads, Location & Damages - (Fence)	16,000.00	1,000
Mud, Chemicals & Water -	18,000.00	16,000
Mud Logging Unit - 25 days @ \$350/day	8,750.00	20,000
Electrical Logs	33,500.00	11,000
Transportation -	2,500.00	33,500
Cement & Cementing & Equipment (Inspection)	23,500.00	3,000
Miscellaneous Supplies - (Supervision)	2,500.00	1,000
Surface Casing - 400' 13-3/8" 48# H-40 @ \$24.50/ft. (Rentals)	9,800.00	21,640
Intermediate Casing - 2200' 8-5/8" 24# J-55 @ \$9.10/ft. (Conductor)	*	12,250
(\$20,020) 900' 8-5/8" 32# J-55 @ \$12.00/ft. (\$10,800) (Wellhead)	30,820.00	3,000
Drill Stem Test - (Abandonment)	22,000.00	9,000
TOTAL.....	\$ 388,770.00	2,000
10% Contingencies.....	\$ 38,877.00	36,800
TOTAL DRILLING COSTS.....	\$ 427,647.00	10,000
(W/O Abndmt & Ovrhd)		22,000
		4,600
		416,800
		36,505
		\$453,199
		\$438,599

COMPLETION COST:

Tanks - [2] 436 bbl steel @ \$5,000 ea., [1] 210 bbl fiberglass	15,000.00	0
Treater - (Labor)	5,500.00	15,000
Flow Lines - (Fence)	2,000.00	5,000
Other Miscellaneous Supplies - (Packer)	7,500.00	3,200
Casing - 530' 5-1/2" 17# C-95 @ \$9.00/ft. (\$4,770) (Insp & Testing)	90,885.00	3,000
10,970' 5-1/2" 17# N-80 @ \$7.85/ft. (\$86,115)		1,000
Perforating and logging -	7,800.00	9,000
Acidizing, fracturing, tank rental & packer -	5,000.00	95,763
Cement & Cementing -	24,000.00	6,000
Tubing - 11,500' 2-7/8" 6.5# N-80 @ \$4.065/ft.	46,750.00	14,000
Pumping Unit, Engine & Base -		22,300
Sucker Rods, Pump, Polished Rod, Etc. -		52,000
Casinghead, etc. - (Trucking)	14,500.00	4,000
Completion Contractor's Fee -	10,000.00	12,000
Rig Site Supervision - (Overhead)	11,200.00	15,000
TOTAL DEVELOPMENT COSTS.....	\$ 240,135.00	4,600
		6,000
		7,380
		279,383
TOTAL COST OF WELL.....	\$ 667,782.00	\$721,942

A. F. E. No.: GRAND TOTAL.....\$ 667,782.00 \$712,742

* -included elsewhere (W/O Ovrhd)

PREPARED BY TROY V. COMPTON

** -unnecessary

DATE:

APPROVED BY:

L.D. Robbins

President

Troy V. Compton

Vice President Production