CAPATAZ OPERATING, INC.
Authority for Expenditure

LEASE NAME AND WELL NO.: White Owl #1	**PROSPECT:**	**TOTAL DEPTH:**	7800
COUNTY: Lea	**STATE:** NM	**WELL TYPE:**	O&G
LOCATION: Section 2, T20S-R38E		**OBJECTIVE:**	Abo

INTANGIBLE DRILLING COST					**DRY HOLE**	**COMPLETE**	**TOTAL**
Title Opinion					2000	2500	4500
Land & Legal Fees							
Survey, Permits & Bonds					1000		1000
Surface Damages					4000		4000
Road & Location Dirtwork					12000		12000
Drilling Footage		ft. @ $		per ft.			0
Drilling Daywork	18	day @ $	7,600.00	per day	136800		136800
Rig Mobilization					26000		26000
Pulling Unit	20	day @ $	2,500.00	per day		50000	50000
Reverse Unit		day @ $		per day			
Fuel & Lubricants					14400		14400
Mud, Wash Oil & Chemicals					8900		8900
Directional Service					38680		38680
Casing Crews & Equipment					1850	4200	6050
Equipment Rental						7800	7800
Packer/Service/Rental						5200	5200
Waterwell, Pump & Line							
Water Transport					9500	6500	16000
Cement Service					12550	14975	27525
Drill Stem Testing		@ $		per test			
Coring/Core Analysis		ft. @ $		per ft.			
Geological Services					6300		6300
Mud Logging	14	day @ $	675	per day	9450		9450
Open Hole Log Service					18250		18250
Log & Perforate						12800	12800
Acid Stimulation						14000	14000
Frac Stimulation						107000	107000
Pump Truck & Nitrogen Service							
Air Drilling Services							
Transportation, Trucking					1200	1800	3000
Contract Labor & Welding					450	450	900
Roustabout Labor						4500	4500
Tubular Inspection							
Engineering & Wellsite Supervision					5500	8500	14000
Abandonment							
Environmental, Disposal & Restoration						5000	5000
Administrative Overhead					2700	4100	6800
Insurance					3200		3200
Contingencies @ 5%					14000	10000	24000
Bits & Reamers					16000		16000
		SUBTOTAL:			344730	259325	604055

LEASE & WELL EQUIPMENT								
Tubulars:	Size/Wt/Gr	Footage		Price				
Conductor Pipe	14"	100	ft @ $	22	per ft	2200		2200
Surface Casing	8 5/8"	1600	ft @ $	11.92	per ft	19072		19072
Intermediate Casing			ft@ $		per ft			
Protection Liner			ft @ $		per ft			
Production Casing	5 1/2"	7800	ft @ $	8.45	per ft		65910	65910
Production Tubing	2 7/8"	7800	ft @ $	4.4	per ft		34320	34320
Wellhead Equipment						2350	2100	4450
Flowing Tree								
Pumping Hookup							2200	2200
Liner Hanger, Packer & Tubing Anchor							880	880
Pumping Unit w/ Base & Prime Mover							32000	32000
Electrical Installation							7800	7800
Rods, Subsurface Pump & Accessories							16850	16850
Compressor & Accessories								
SWD Equipment								
Oil Storage Tanks							8500	8500
SW Fiberglass Tanks							1400	1400
Separator							2200	2200
Heater-Treater							4200	4200
Dehydrator/Line Heater								
Meters, Valves & Connections							7500	7500
Flowline & Connections							3000	3000
Gas Pipeline, Meter & Installation							15000	15000
Other Non-Controllable Equipment							600	600
Other Controllable Equipment								
		SUBTOTAL:				23622	204460	228082
		GRAND TOTAL:				368352	463785	832,137

CAPATAZ OPERATING, INC.	**WORKING INTEREST PARTNER**
Prepared By:	agrees to participate i ______ %WI
Title: PRESIDENT	Approved By:
Date: 4/20/2004	Title: ______ Date: ______

It is recognized that the 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 herein set out.