

MEWBOURNE OIL COMPANY AUTHORIZATION FOR EXPENDITURE

Prospect: South Osudo Well Name & No: Osudo 9 State Com #1
 Field: _____ Location: 1980' FNL & 660' FEL
 Section: 9 Block: _____ Survey: _____ Township 21S Range 35E
 County: Lea State: NM Proposed Depth: 12500'

	DESCRIPTION	Cost To Casing Point AFE NO.	Completion Cost AFE NO.
INTANGIBLE COST 180			
300	Permits and Surveys	\$1,500	\$1,000
301	Location, Roads and Site Preparation	\$25,000	\$1,500
302	Footage or Turnkey Drilling		
303	Day Work 32 days @ \$8500 + 2 days Compl.	\$272,000	\$17,000
304	Fuel	\$58,000	\$2,800
305	Completion / Workover Rig		\$23,000
306	Mud and Chemicals	\$40,000	\$2,000
307	Cementing	\$36,700	\$40,000
308	Logging, Wireline and Coring Services	\$35,000	\$18,500
309	Casing, Tubing & Snubbing Services	\$5,000	\$10,000
310	Mud Logging 23 days @ \$750/day	\$18,000	
311	Testing		\$4,500
312	Treating 70Q Binary + 70k IP		\$110,000
313	Water & Other	\$15,000	\$3,000
314	Blts 1-17 1/2", 1-12 1/4", 5 - 8 3/4"	\$46,000	\$2,500
315	Inspection & Repair Services	\$6,000	\$2,500
316	Misc. Air and Pumping Services		
320	Rig Mobilization & Transportation	\$25,000	\$2,500
321	Welding and Construction	\$2,500	\$5,500
322	Engineering & Contract Supervision		
330	Equipment Rental	\$20,000	\$5,000
334	Well / Lease Legal	\$10,000	\$2,000
335	Well / Lease Insurance	\$13,600	
350	Intangible Supplies	\$500	\$2,500
355	Damages	\$8,000	
360	Pipeline and Electrical ROW and Easements		
367	Pipeline Interconnect		
375	Company Supervision	\$25,000	\$15,000
380	Overhead Fixed Rate	\$9,000	\$6,000
398	Well Abandonment	\$15,000	(\$15,000)
399	Contingencies 10% / 5%	\$68,500	\$13,100
	Total Intangibles	\$753,300	\$274,900
TANGIBLE COST 181			
797	Conductor Casing 40' of 20" (Included in location cost)		
797	Surface Casing 1500' 13-3/8" 54.5# K55 ST&CC @ \$30/ft	\$45,000	
797	Intermediate Casing 5500' 9-5/8" 40# HCK55/J55/N80 LT&C @ \$25/Ft	\$137,500	
797	Intermediate Casing		
797	Production Casing 12,500' 5-1/2" 17# S95/N80 LT&C @ \$11.60/Ft		\$146,000
798	Tubing 12,200' 2-7/8" 8.6# P-105 EUE 8rd @ 5.69/Ft		\$69,500
798	Tubing		
860	Drilling Head	\$8,000	
870	Tubing Head & Upper Section		\$12,000
875	Sucker Rods		
880	Packer Pump & Subsurface Equipment		\$7,500
884	Artificial Lift Systems		
885	Pumping Unit		
886	Surface Pumps & Prime Movers		
890	Tanks - Steel		\$5,000
891	Tanks - Other		\$2,500
895	Separation Equipment		\$12,000
896	Gas Treating Equipment		
898	Metering Equipment		\$3,500
900	Line Pipe - Gas Gathering and Transportation		\$2,500
901	Line Pipe - Production		\$1,500
906	Miscellaneous Fittings, Valves & Accessories		\$8,500
909	Electrical Installations		
910	Production Equipment Installation		\$12,500
920	Pipeline Construction		\$10,000
	Total Tangibles	\$190,500	\$293,000
	SUBTOTAL	\$943,800	\$567,900
	TOTAL WELL COST	\$1,511,700	

Date Prepared 07/19/04
 Prepared by: M. Young
 Company Approval: *M. Young*
 Date Approved: 07/19/04 (Revised)
 Joint Owner Approval:
 Joint Owner Interest: 50%
 Joint Owner Amount: \$755,850.00

☐ Drilling
☐ Down Hole
☐ Surface

Andrew K. McGeehan
 Chief Executive Officer of
 Chesapeake Exploration Limited Partnership an
 Oklahoma limited partnership by
 Chesapeake Operating, Inc., General Partner
 August 17, 2004

Osuda 9 #1.xls

DUMMY SHEET

EXAMPLE OF PROPOSED COST ALLOCATION FORMULA
POOLED AS TO ALL DEPTHS
OSUDO 9 STATE COM #1 WELL
10/21/2004

Shared Drilling Cost

	Feet at Base	Allocation Factor	
Interval 1	10,000	0.800000	Footage from surface to base of Interval 1 / Total Depth
Interval 2	12,500	0.200000	Footage from base of Interval 1 to base Interval 2 / Total Depth
		<u>1.000000</u>	

	Interval 1	Interval 2	Totals	
Actual cost to allocate	<u>\$753,300</u>	<u>602,640</u>	<u>150,660</u>	<u>753,300</u> (1) Total Drilling Cost times allocation factor
Allocate Interval 1	301,320	301,320	602,640 (2)	Allocate Interval 1 cost 50% Interval 1 and 50% Interval 2
Allocate Interval 2		150,660	150,660 (3)	Cost allocated to Interval 2 are 100% Interval 2
Drilling Cost Allocated to each Zone	<u>301,320</u>	<u>451,980</u>	<u>753,300</u>	

Completion Cost

Interval 1	Interval 2	Totals
<u>0</u>	<u>0</u>	<u>0</u>

Completion cost based on actual cost to complete zone

OS CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER **5A**

Down Hole Equipment:

Feet at		Footage
Base		thru each
		Zone
Interval 1	10,000	10,000
Interval 2	12,500	2,500
		Footage from surface to base of Interval 1 / Total Depth
		Footage from base of Interval 1 to base Interval 2 / Total Depth
		<u>12,500</u>
Average Cost per foot		\$32.44

Actual cost to allocate	Interval 1		Interval 2		Totals
	Interval 1	Interval 2	Interval 1	Interval 2	Totals
Actual cost to allocate	\$405,500	324,400	81,100	405,500	(1) Allocate down hole cost based on average cost per foot
Allocate Interval 1	216,267	108,133	324,400	(2) Allocate Interval 1 costs 2/3 to Interval 1 and 1/3 to Interval 2	
Allocate Interval 2		81,100	81,100	(3) Allocate Interval 2 costs 100% to Interval 2	
Allocated to each Zone	216,267	189,233	405,500		

Surface Equipment:

Surface Equip to Allocate	Interval 1		Interval 2		Totals
	Interval 1	Interval 2	Interval 1	Interval 2	Totals
Surface Equip to Allocate	\$78,000	39,000	39,000	78,000	Surface equipment divided evenly between zones
	Interval 1	Interval 2	Totals		
Total Allocated Cost to Each Zone	556,587	680,213	1,236,800		

Total cost allocations assuming the well is drilled and completed below '10,000' and subsequently recompleted above '10,000' after elections.

<u>Interval 1</u>		Amount
MOC	0.01562500	\$8,697
COI	0.50000000	\$278,293
Finley	0.48437500	\$269,597
	1.00000000	\$556,587

<u>Interval 2</u>		Amount
MOC	0.50000000	\$340,107
COI	0.50000000	\$340,107
	1.00000000	\$680,213

<u>Total</u>	<u>Initial</u>	<u>Adjusted</u>	<u>Adjustment</u>
MOC	Morrow Cost	Cost	
	\$618,400	\$348,803	\$269,597
COI	\$618,400	\$618,400	
Finley	\$0	\$269,597	(\$269,597)
	\$1,236,800	\$1,236,800	

Drilling cost allocations assuming the well is drilled below '10,000' and initially completed above '10,000' after casing point election.

<u>Interval 1</u>		Amount
MOC	0.01562500	\$9,416
COI	0.50000000	\$301,320
Finley	0.48437500	\$291,904
	1.00000000	\$602,640

<u>Interval 2</u>		Amount
MOC	0.50000000	\$75,330
COI	0.50000000	\$75,330
	1.00000000	\$150,660

<u>Total</u>		<u>Adjusted</u>
		Cost
MOC	0.11250000	\$84,746
COI	0.50000000	\$376,650
Finley	0.38750000	\$291,904
	1.00000000	\$753,300