

53017

**CAZA PETROLEUM, INC.**  
AUTHORIZATION FOR EXPENDITURE  
EXPLORATORY DRILLING AFE

DATE: 11/22/2011

AFE Title:

Well Name & No.: LENNOX 32 # 1H

Field: Wildcat, 2nd Bone Springs

State: New Mexico

County: LEA

Exploratory XX

Development:

Oil: XX

GAS

Proposed Formation: 2nd Bone Springs Horizontal

Prop TD: 11,500 WifCmp 15,500 ft md Lat

Description: Drill, Complete Horizontal 2nd Bone Sprg, 330 FNL & 330 FEL, Sec 32, T22S, R35E

KOP ± 10,524 ft. Horizontal @ 11,100 ft TVD. Measured Depth ± 15,502 ft Lateral 4128 ft BHL = 330 FSL & 330 FEL

**INTANGIBLE COSTS**

		BCP Dry Hole		ACP Completion	TOTAL COST
APD & ARCHAEOLOGICAL	502	\$5,000	702	0	5,000
TITLE OPINION & CURATIVE	504	\$20,000	704	5,000	25,000
SURVEYING / STAKE LOCATION	506	\$5,000	781	0	5,000
DAMAGES & R.O.W.S	508	\$10,000	708	0	10,000
CONTRACT SERVICES & EQUIPMENT	509	\$25,000	733	25,000	
ROADS, LOCATION, PITS, LINERS, ETC.	510	\$105,000	710	10,000	115,000
DRILLING - FOOTAGE or TURNKEY	512	\$0			0
DRILLING - DAYWORK	514	\$774,000	714	54,000	828,000
DRILLING MUD & CHEMICALS	516	\$85,000	716	10,000	95,000
WATER	518	\$50,000	718	75,000	125,000
BITS, REAMERS, ETC.	520	\$100,000	720	0	100,000
DIRECTIONAL DRILLING SERVICES	521	\$300,000			300,000
FUEL	522	\$225,750	722	0	225,750
CEMENTING SURFACE	524	\$18,000			18,000
CEMENTING INTERMEDIATE	526	\$55,000			55,000
CEMENTING PRODUCTION	528	\$0	728	75,000	75,000
TUBULAR SERVICES AND TOOLS	530	\$0	730	0	0
CASING CREWS / PU LD MACHINE	532	\$25,000	732	35,000	60,000
FLOAT EQUIPMENT	534	\$5,000	734	5,000	10,000
TESTING, DST & COMPLETION	536	\$10,000	736	0	10,000
OPEN HOLE LOGGING / CORES	538	\$35,000			35,000
MUD LOGGING	540	\$49,500			49,500
WELDING & HOURLY LABOR	542	\$13,500	742	\$15,000	28,500
EQUIPMENT RENTAL	544	\$175,225	744	\$200,000	375,225
CLOSED LOOP MUD SYSTEM	545	\$118,250			118,250
TRUCKING, TRANSPORTATION, FORKLIFT	546	\$160,000	746	\$50,000	210,000
COMPLETION UNIT	548	\$0	748	\$38,000	38,000
FORMATION STIMULATION	550	\$0	750	\$970,000	970,000
WIRELINE SERVICES	552	\$12,000	752	\$0	12,000
GEOLOGIC / ENGINEERING	554	\$30,000			30,000
WELL SITE CONSULTANT	556	\$73,800	756	\$49,000	122,800
INSURANCE	560	\$0	760		0
TELEPHONE COMMUNICATIONS	561	\$2,500			2,500
MISCELLANEOUS	562	\$12,500	762	\$7,500	20,000
MUD DISPOSAL/HAULOFF	565	\$120,000	765	\$50,000	170,000
PLUGGING	566	\$50,000	766	\$0	50,000
PERMANENT PACKER		\$0	745	\$0	0
CEMENT STAGE TOOLS		\$0	767	\$0	0
COMPLETION FLUIDS		\$0	763	\$15,000	15,000
GRAVEL PACK SVC & EQPT		\$0	747	\$0	0
CONTINGENCY 15%		\$400,474		\$253,275	653,749
TOTAL INTANGIBLES		\$3,070,299		\$1,941,775	5,012,074

**TANGIBLE COSTS**

CONDUCTOR CASING	602	15,000			15,000
SURFACE CASING	604	84,000			84,000
					0
INTERMEDIATE CASING	608	\$153,300			153,300
					0
DEEP INTERMEDIATE CASING & DRLG LNR	612	\$0			0
CONSTRUCTION LABOR CAPITALIZED			815	\$0	0
PRODUCTION CASING / LINER			816	\$358,175	358,175
METER STATION			818	\$0	0
TUBING			820	\$81,375	81,375
WELLHEAD EQUIPMENT	622	\$10,000	822	\$21,000	31,000
SURFACE LIFT & ELECTRICAL CONST			824	\$95,000	95,000
RODS AND PUMP			826	\$59,000	59,000
PACKERS, BP'S, DOWNHOLE EQUIPMENT	628	\$0	828	\$1,200	1,200
GAS PRODUCTION EQUIPMENT			830	\$7,000	7,000
SEPARATOR, TREATER			832	\$22,500	22,500
FLOWLINES, VALVES, CONNECTIONS	634	\$0	834	\$50,000	50,000
TANKS (Water and Production)			836	\$40,000	40,000
DEHYDRATOR			829	\$0	0
MISCELLANEOUS	638	\$2,500	838	\$102,500	105,000
CONTINGENCY (10%)	640	\$26,480		\$83,775	110,255
TOTAL TANGIBLES		\$291,280		\$921,525	1,212,805
<b>TOTAL COST</b>		<b>\$3,361,579</b>		<b>\$2,863,300</b>	<b>6,224,879</b>

Caza Operating, LLC

By:

Tony B. Sahn, V.P. Operations

Date Prepared:

12-13-11

We approve / disapprove:

Company:

By:

CAZA APPROVAL

Land:

12-13-11

G&G:

12-13-11

Acc:

12-16-11

Pres:

12-19-11

Printed Name:

Title:

Date:

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 3

Submitted by:

CAZA PETROLEUM, INC.

Hearing Date: January 19, 2012