



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 05-204-0
AFE DATE 5/9/05
AFEND (rev 6/98) 5-9-05

AFE Type:	Well Objective:	Well Type:	AFE STATUS:
<input checked="" type="checkbox"/> New Drilling	<input type="checkbox"/> Oil	<input checked="" type="checkbox"/> Development	<input checked="" type="checkbox"/> Original
<input type="checkbox"/> Recompletion	<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Exploratory	<input type="checkbox"/> Revised
<input type="checkbox"/> Re-entry	<input type="checkbox"/> Injector		<input type="checkbox"/> Final
			<input type="checkbox"/> Supplemental

LEASE NAME	Jolene State Unit #1	PROJ'D DEPTH	13,700'
COUNTY	Lea	STATE	New Mexico
FIELD		HORIZON	Mississippian
LOCATION	Section 8 T14S-R35E, 1,980' N & 1,980' E		
DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: New well drilled to 13,700' to test the Austin, Morrow, and Atoka formations.

INTANGIBLE DRILLING COSTS:

		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	5,000	5,000
920-110	Location, Right-of-Way	45,000	45,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 60 days @ \$14,000/day + \$50K for mob	943,000	943,000
920-140	Drilling Water, Fasline Rental	65,000	65,000
920-150	Drilling Mud & Additives	100,000	100,000
920-160	Mud Logging Unit, Sample Bags	36,000	36,000
920-170	Cementing - Surface Casing	50,000	50,000
920-180	Drill Stem Testing, OHT	7,500	7,500
920-190	Electric Logs & Tape Copies	100,000	100,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	150,000	150,000
920-205	Control of Well-Insurance	10,000	10,000
920-210	Supervision & Overhead	60,000	60,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	75,000	75,000
920-350	Cementing - Production Casing		65,000
920-410	Completion Unit - Swabbing		50,000
920-420	Water for Completion		25,000
920-430	Mud & Additives for Completion		1,000
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		40,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		125,000
920-480	Supervision & O/H - Completion		15,000
920-490	Additional LOC Charges - Completion	140,000	140,000
920-510	Bits, Tools & Supplies - Completion		1,000
920-500	Contingency for Completion	100,000	150,000
TOTAL INTANGIBLE DRILLING COSTS		1,886,500	2,308,500

TANGIBLE EQUIPMENT COSTS:

930-010	Christmas Tree & Wellhead	5,000	25,000
930-020	Casing 13 3/8" @ 400'	13,200	13,200
	9 5/8" @ 6,150'	172,000	172,000
	5 1/2" @ 13,700'		187,000
930-030	Tubing 2 7/8" @ 13,500'		76,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		15,000
940-030	Separation Equip., Flowlines, Misc.		30,000
940-040	Trucking & Construction Costs		15,000
TOTAL TANGIBLE EQUIPMENT COSTS		190,200	533,200

TOTAL COSTS	2,076,700	2,841,700
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IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY AND APPROVAL OF THIS AFE SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED WHETHER MORE OR LESS THAN HEREIN SET OUT.

Prepared By RB	Jeremiah Mullen	Operations Approval	
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BY	DATE
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BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 113490 Exhibit No. 2
Submitted by:
Yates Petroleum Corporation
Hearing Date: May 19, 2005