

CAPATAZ OPERATING, INC.				Authority for Expenditure		TOTAL DEPTH: 7800	
LEASE NAME AND WELL NO.: Salem #1				PROSPECT:		WELL TYPE: O&G	
COUNTY: Lea				STATE: NM		OBJECTIVE: Abo	
LOCATION: NE/4 NE/4 3-T20S-R38E							
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				15000		15000	
Drilling Footage		ft. @ \$	per ft.			0	
Drilling Daywork	18	day @ \$	10,000.00	per day	180000	180000	
Rig Mobilization				24000		24000	
Pulling Unit	20	day @ \$	2,500.00	per day	50000	50000	
Reverse Unit		day @ \$		per day			
Fuel & Lubricants				14400		14400	
Mud, Wash Oil & Chemicals				9700		9700	
Directional Service							
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				21500		21500	
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				10000		10000	
Environmental, Disposal & Restoration					5000	5000	
Administrative Overhead				2700	4100	6800	
Insurance				3200		3200	
Contingencies @ 5%				17000	10000	27000	
Bits & Reamers				16000		16000	
SUBTOTAL:				367300	259325	626625	

LEASE & WELL EQUIPMENT

Tubulars:	Size/Wt/Gt	Footage	Price			
Conductor Pipe	16"	40 ft @ \$	32	per ft	1280	1280
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 @ \$	12.87	per ft	100386	100386
Production Tubing	2 7/8"	7700 ft @ \$	5.46	per ft	42042	42042
Wellhead Equipment					2350	6550
Flowing Tree						
Pumping Hookup					2200	2200
Liner Hanger, Packer & Tubing Anchor					880	880
Pumping Unit w/ Base & Prime Mover					38000	38000
Electrical Installation					7800	7800
Rods, Subsurface Pump & Accessories					18750	18750
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						
Other Controllable Equipment						
SUBTOTAL:				22702	258058	278760
GRAND TOTAL:				390002	515383	905385

CAPATAZ OPERATING, INC.		WORKING INTEREST PARTNER	
Prepared By: _____	_____	_____ agrees to participate _____ %WI	
Title: President	Approved By: _____	Title: _____	Date: _____
Date: 4/8/2005			

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.

OIL CONSERVATION DIVISION

CASE NUMBER 13495

EXHIBIT NUMBER 4