



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

**AUTHORITY FOR EXPENDITURE**  
NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE Type:

<input checked="" type="checkbox"/>	New Drilling
<input type="checkbox"/>	Recompletion
<input type="checkbox"/>	Re-entry

Well Objective:

<input type="checkbox"/>	Oil
<input checked="" type="checkbox"/>	Gas
<input type="checkbox"/>	Injector

Well Type:

<input checked="" type="checkbox"/>	Development
<input type="checkbox"/>	Exploratory

AFE NO.

05-309-0

AFE DATE

7/26/2005

AFEND (rev 8/98)

AFE STATUS:

<input checked="" type="checkbox"/>	Original
<input type="checkbox"/>	Revised
<input type="checkbox"/>	Final
<input type="checkbox"/>	Supplemental

LEASE NAME	Ike State Unit #1	PROJ'D DEPTH	12,800'
COUNTY	Lea	STATE	New Mexico
FIELD		HORIZON	Mississippian
LOCATION	Section 30, T12S-R35E, 1,650' N & 900' W		

DIVISION CODE	100	DIVISION NAME	Oil & Gas Division
DISTRICT CODE		DISTRICT NAME	
BRANCH CODE		BRANCH NAME	

PROGNOSIS: New well drilled to 12,800' to test the Morrow and Atoka formations.

INTANGIBLE DRILLING COSTS:

		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	3,000	3,000
920-110	Location, Right-of-Way	50,000	50,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 52 days @ \$16,000/day + \$45K for mob	930,000	930,000
920-140	Drilling Water, Faslane Rental	45,000	45,000
920-150	Drilling Mud & Additives	85,000	85,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing	40,000	40,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	50,000	50,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	80,000	80,000
920-205	Control of Well-Insurance	9,000	9,000
920-210	Supervision & Overhead	50,000	50,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	65,000	65,000
920-350	Cementing - Production Casing		75,000
920-410	Completion Unit - Swabbing		40,000
920-420	Water for Completion		15,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		25,000
920-460	Tools & Equip. Rental, Etc. - Completion		40,000
920-470	Stimulation for Completion		80,000
920-480	Supervision & O/H - Completion		7,500
920-490	Additional LOC Charges - Completion	140,000	140,000
920-510	Bits, Tools & Supplies - Completion		1,500
920-500	Contingency for Completion	100,000	150,000
TOTAL INTANGIBLE DRILLING COSTS		1,677,000	2,011,000

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" @ 4,350'	115,500	115,500
	5 1/2" @ 12,800'		174,000
930-030	Tubing 2 7/8" @ 12,600'		71,000
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		20,000
940-030	Separation Equip., Flowlines, Misc.		60,000
940-040	Trucking & Construction Costs		20,000
TOTAL TANGIBLE EQUIPMENT COSTS		133,700	498,700

TOTAL COSTS	1,810,700	2,509,700
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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	Jeremiah Mullen	Operations Approval	
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BY	DATE
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BY	DATE
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BY	DATE
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BY	DATE
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BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13535 Exhibit No. 2

Submitted by:

Yates Petroleum Corporation

Hearing Date: August 11, 2005