



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.

05-470-0

AFE DATE

11/4/2005

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	Milsap State Unit #2	PROJ'D DEPTH	12,000'
COUNTY	Lea	STATE	New Mexico
FIELD		HORIZON	Mississippian
LOCATION	Section 36, T12S-R33E, 1,980' N & 660' E		

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

PROGNOSIS: New well drilled to 12,000' 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	55,000	55,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork & fuel 44 days @ \$17,000/day + \$45K for mob	840,500	840,500
920-140	Drilling Water, Fasline Rental	40,000	40,000
920-150	Drilling Mud & Additives	80,000	80,000
920-160	Mud Logging Unit, Sample Bags	25,000	25,000
920-170	Cementing - Surface Casing	46,000	46,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	50,000	50,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	60,000	60,000
920-205	Control of Well-Insurance	9,000	9,000
920-210	Supervision & Overhead	44,000	44,000
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		100,000
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		1,557,500	1,911,500

TANGIBLE EQUIPMENT COSTS:

930-010	Christmas Tree & Wellhead	5,000	25,000
930-020	Casing 13 3/8" @ 400'	13,800	13,800
	9 5/8" @ 4,200'	113,000	113,000
	5 1/2" @ 12,000'		181,000
930-030	Tubing 2 7/8" @ 11,800'		69,500
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		131,800	502,300
TOTAL COSTS		1,689,300	2,413,800

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	
-------------	-----------------	---------------------	--

BY	DATE
----	------

BY	DATE
----	------

BY	DATE
----	------

BY	DATE
----	------

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13591 Exhibit No. 2
Submitted by:
YATES PETROLEUM CORPORATION
Hearing Date: November 17, 2005