

AUTHORITY FOR EXPENDITURE

Production and Exploration

Area	Farmington, NM	Field	Basin Fruitland Coal	AFE No.	030606
Type: (X) 1. D & E 2. Repair 3. Other	Well Name				
Group: (X) 1. Dev. 2. Maint. 3. Expl. 4. Inv. 5. Other	County and State			San Juan, New Mexico	
Project: To drill the _____ well to develop Basin Fruitland Coal reserves.	TD and Obj.			2380' - Basin Fruitland Coal	
	Land Lease No.				
	AFE Date			5-24-06	
Operator	MCKAY OIL & GAS, LLC			Commencement Date:	As soon as permitted
				Completion Date:	
(1) Location, (2) Division of Int. (3) Justification					
(1) Proposed Location: NW/4 of Section 1, T30N, R12W San Juan County, New Mexico Dedicated Acreage: 320 ACRES					
(2) Division of Interest: %WI					
(3) Justification:					
Description	TANGIBLE Gross \$	INTANGIBLE Gross \$	GROSS ECONOMICS		
Material Purchased	34,770		Gross Recovery		
Fuel, Water, Lubs., Elec.		1,400	Discount Factor %		
Loc. Damages, Roads-Bridges		9,450	Discounted Profit \$		
Salvage & Dismantling Costs			Rate of Return %		
Drilling Contract-Footage		41,650	Payout		
Drilling Contract-Daywork		28,000			
Drilling Bits & Reamers					
Fishing Tool Expense					
Directional Drilling Costs					
Mud Mat'ls, Chems. & Services		250			
Cement & Cementing Service		10,193			
Noncontrollable Materials					
Rentals		3,400			
Coring Costs					
Drill Stem Tests					
Perforating		2,393	Cash and Warehouse Outlay		
Acidizing, Fracturing		104,000	Gross Cost \$ 332,217.60		
Well Services, Elec.-Mud Log.		4,010	Net \$ -		
Transportation					
Overhead-Partner Op'd.		2,000			
Area Expense					
Co. Labor & Supervision			Approvals: Date 5-24-06		
Contract Labor		8,750	MCKAY OIL & GAS, LLC		
Fabrication & Installation		750	William J. Mayhew		
Misc. Costs (Pumping Unit and Engine)		23,000	X-Service Limited Partnership		
Miscellaneous Costs (Meter)		28,000	Stephen W. Speer		
Subtotal	\$ 34,770	\$ 267,246	5/31/06		
Tot. Cash & Whts. Outlay					
Material on Hand					
Contingency at 10%	3,477	26,725			
Grand Total	\$ 38,247	\$ 293,971			
TOTAL WELL COST	\$ 332,218				

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 5

Kelly No. 1
BFC

	Estimate
Survey	3,000
Archaeological	
Location Construction	5,000
Drilling (\$17.50/ft x 2380')	41,650
Surface Casing (\$13.23/ft x 120')	1,588
Trucking of Surface Casing	250
Cementing of Surface Casing	2,430
Cementing Equipment	-
Casinghead	510
Cased Hole Logging	4,010
Production Casing (\$7.29/ft x 2380')	17,350
Trucking of Production Casing	250
Drilling Overhead	2,000
Cementing of Production Casing	7,463
Cementing Equipment	
Tubinghead	700
Welding	750
Pressure Testing	300
Cased Hole Wireline	2,393
Frac Tanks and Trucking	1,400
Water	1,400
Stimulation	104,000
Trash Cage Rental	250
Anchors	650
Contract Labor	8,000
Daywork	28,000
Meter	28,000
Tubing (\$3.72/ft x 2190')	8,147
Trucking of Tubing	250
Bailer Rental	1,200
Valves and Fittings	750
Separator	-
Line Pipe (500' at \$3.50/ft)	875
Damages	
Pit Liner	550
Anchor	-
Pumping Unit w/ Engine	23,000
Tank	2,600
Rods and Pump	1,500
Compressor	-
Mud	250
BOP Rental	800
Casing Crew	750
Production Pit	-
TOTAL	302,016
Contingency (10%)	30,202
TOTAL	332,217