



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.
AFE DATE

draft

2/27/2007

AFEND (rev 6/98)

AFE STATUS:

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

LEASE NAME	Recif Federal State Unit #1	PROJ'D DEPTH	10,650'
COUNTY	Eddy	STATE	New Mexico
FIELD		HORIZON	Morrow
LOCATION	Section 7, T23S-R23E, 660' 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 10,650' to test multiple zones.

INTANGIBLE DRILLING COSTS:

		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees	5,000	5,000
920-105	Environmental Permitting/Pit Closure	70,000	70,000
920-110	Location, Right-of-Way	80,000	80,000
920-120	Drilling, Footage		
920-130	Drilling, Daywork 41 days @ \$16,500/day + \$53,000 mob & R.H.	773,500	773,500
920-135	Drilling, Power & Fuel \$1,650/day rig fuel	67,650	67,650
920-140	Drilling Water, Fasline Rental	45,000	45,000
920-150	Drilling Mud & Additives	70,000	70,000
920-160	Mud Logging Unit, Sample Bags	30,000	30,000
920-170	Cementing - Surface Casing	75,000	75,000
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies	60,000	60,000
920-200	Tools & Equip. Rntl., Trkg. & Welding	150,000	150,000
920-205	Control of Well-Insurance	6,500	6,500
920-210	Supervision & Overhead	36,000	36,000
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase	55,000	55,000
920-350	Cementing - Production Casing		80,000
920-410	Completion Unit - Swabbing		75,000
920-420	Water for Completion		50,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion		45,000
920-460	Tools & Equip. Rental, Etc. - Completion		50,000
920-470	Stimulation for Completion		225,000
920-480	Supervision & O/H - Completion		10,000
920-490	Additional LOC Charges - Completion		
920-510	Bits, Tools & Supplies - Completion		1,000
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		1,523,650	2,059,650

TANGIBLE EQUIPMENT COSTS:

930-010	Christmas Tree & Wellhead	3,500	25,000
930-020	Casing 13 3/8" @ 400'	13,800	13,800
	9 5/8" @ 2,800'	68,000	68,000
	5 1/2" @ 10,650'		156,300
930-030	Tubing 2 7/8" @ 10,500'		68,100
930-040	Packer & Special Equipment		
940-010	Pumping Equipment		
940-020	Storage Facilities		20,000
940-030	Separation Equip., Flowlines, Misc.		70,000
940-040	Trucking & Construction Costs		20,000
TOTAL TANGIBLE EQUIPMENT COSTS		85,300	441,200

TOTAL COSTS	1,608,950	2,500,850
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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 COMMISSION
Santa Fe, New Mexico
Case No. 13922... Exhibit No. 2
Submitted by:
YATES PETROLEUM CORPORATION
Hearing Date: May 24, 2007