

Operator <b>BOLD ENERGY, LP</b>		Well Name <b>Oxy Checker State #2</b>			TD <b>10,100'</b>			
Surface Location <b>1980' FNL &amp; 660 FWL</b>		Section - Township - Range <b>8 - T19S - R29E</b>		County <b>Eddy</b>	State <b>New Mexico</b>			
BHL <b>1980' FNL &amp; 660 FWL</b>		Field <b>Turkey Track</b>						
Primary Objective <b>Canyon @ 9890'</b>		Secondary Objective <b>Wolfcamp @ 8880'</b>		API Number <b>TBA</b>				
Project Type Development <input checked="" type="checkbox"/> Single <input type="checkbox"/> Workover <input type="checkbox"/> Dual <input checked="" type="checkbox"/> Recompletion <input type="checkbox"/> Multiple <input type="checkbox"/>		Data Processing Information AFE No. <input type="text"/> <b>TBA</b> Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/> Version # <input type="text" value="1"/>						
<b>Tangible Costs</b>		<b>Before Casing Point</b>			<b>After Casing Point</b>		<b>Gross Total</b>	
		Drilling	Evaluation	Code	Completion	Prod Facilities		Code
1. Tubulars		<b>72,800</b>		2 0 4	<b>232,000</b>		4 0 4	<b>304,800</b>
Setting Depths								
13-3/8" OD      0' to 375'		12,800						
8 5/8" OD      0 to 3000'		60,000						
5 1/2" OD      0 to 10,100'					175,000			
2 7/8" OD      0 to 10,100'					57,000			
" OD      0 to								
" OD      to								
2. Casinghead, Tubinghead, Christmas Tree		<b>10,500</b>		2 9 3	<b>20,500</b>		4 9 3	<b>31,000</b>
3. Tubing Accessories					<b>9,500</b>		4 1 2	<b>9,500</b>
Packers, Tubing Anchors					8,000			
On/off tools								
Nipples (SN & Profiles)					1,500			
Purchased RBP's, etc.								
4. Artificial Lift						<b>75,000</b>	4 9 4	<b>75,000</b>
5. Capillary System							4 1 1	
6. Production Equipment						<b>91,000</b>	4 3 8	<b>91,000</b>
Separators						50,000		
Metering Equipment						5,000		
Tanks						28,000		
Valves, Fittings & Couplings						8,000		
7. Electrical Lines & Equipment							4 2 8	
8. Flowline (WH to Production Unit)						<b>5,000</b>	4 5 6	<b>5,000</b>
Line Pipe						3,500		
Valves, Fittings & Couplings						1,500		
9. Pipeline (Production Unit to Sales Point)						<b>45,000</b>	4 5 7	<b>45,000</b>
Line Pipe						40,000		
Valves, Fittings & Couplings						5,000		
10. Water Disposal System							4 9 0	
Injection Pump								
Transfer Pump								
Gun Barrel & Tanks								
Metering Equipment								
Electrical Equipment								
Line, Valves, Fittings & Couplings								
11. Contingency 10%		<b>8,330</b>	<b>0</b>		<b>26,200</b>	<b>21,600</b>		<b>56,130</b>
<b>TOTAL TANGIBLES</b>		<b>91,630</b>	<b>0</b>		<b>288,200</b>	<b>237,600</b>		<b>617,430</b>
<b>Intangible Costs</b>		<b>Before Casing Point</b>			<b>After Casing Point</b>		<b>Gross Total</b>	
		Drilling	Evaluation	Code	Completion	Prod Facilities		Code
12. Contract Field Supervision		<b>48,000</b>		1 0 6	<b>35,000</b>		3 0 6	<b>83,000</b>
13. Contract Engineering / Technical		<b>8,000</b>		1 3 0	<b>3,000</b>		3 3 0	<b>11,000</b>
14. Auto Expense (in-house field travel)		<b>500</b>	<b>1,000</b>	1 1 3	<b>1,000</b>		3 1 3	<b>2,500</b>
15. Legal / Title (permits & contract legal work)		<b>3,500</b>		1 4 2	<b>2,000</b>		3 4 2	<b>5,500</b>
16. Location & Road Expense		<b>121,500</b>		1 4 3	<b>8,500</b>		3 4 3	<b>130,000</b>
Location Prep & Anchors					3,500			
Surveys (ROW & ARC) & Staking		1,500						
Damages		10,000						
Construction & Maintenance		35,000						
Conductor, Rat Hole, Mouse Hole		7,500						
Drilling Pit Lining		7,500						
Location Cleanup					5,000			
Pit Reclamation		60,000						
17. Rig Moving Expense, Mob / Demob, Mods., Stby..		<b>120,000</b>		1 6 7				<b>120,000</b>
18. Contract Drilling		<b>540,000</b>		1 2 4	<b>60,000</b>		3 2 4	<b>600,000</b>
30 days \$20,000.00 per day								
19. Pulling Unit					<b>60,000</b>		3 1 9	<b>60,000</b>
15 days \$4,000.00 per day								
20. Power & Fuel (not otherwise included)		<b>60,000</b>		1 0 8	<b>7,000</b>		3 0 8	<b>67,000</b>
21. Onsite Supervisor Headquarters / Housekeeping		<b>12,650</b>		1 0 5	<b>6,325</b>		3 0 5	<b>18,975</b>
Trailer House Rental		4,500			2,250			
Generator for House Trailer								
Potable Water		750			375			
Phone / Internet / Satellite		5,400			2,700			
Waste Water Service		2,000			1,000			
22. Safety - Site Security / Equipment & Services				1 7 4			3 7 4	
Site Security								
H2S Monitoring		4,500						
Contract Safety Supervision								
23. Safety Incentive & Performance Bonus		<b>30,000</b>		1 4 1	<b>1,000</b>		3 4 1	<b>31,000</b>
24. Rig Monitoring Equipment		<b>15,000</b>		1 1 4	<b>1,100</b>		3 1 4	<b>16,100</b>
25. Water		<b>48,000</b>		1 9 0	<b>39,800</b>		3 9 0	<b>87,800</b>
Fresh Water Pit Construction & Lining								
Fresh Water Well Drilling								
Water Well Rental Equipment		20,000			5,000			
Water Well Usage					2,000			
Frac Tanks		3,000			19,800			
Water Hauling to Location		25,000			13,000			

Oil Conservation Commission  
 Case No. 25  
 Exhibit No.

Well Name:		Data Processing Information						
<b>Oxy Checker State #2</b>		AFE No.			Original <input checked="" type="checkbox"/> Supplement <input type="checkbox"/>		Version # <b>1</b>	
Location:		<b>TBA</b>						
<b>1980' FNL &amp; 660 FWL 8 - T19S - R29E Eddy County, New Mexico</b>								
Intangible Costs (continued)		Before Casing Point		After Casing Point			Gross Total	
		Drilling	Evaluation	Code	Completion	Prod Facilities	Code	
26.	Mud Materials & Services	<b>49,500</b>		1 4 6	<b>2,500</b>		3 4 7	<b>52,000</b>
	Mud Products & Chemicals	42,000			2,000			
	Mud Cleaning Equipment and Services							
	Mud / Gas Separator	7,500			500			
27.	Bits, Underreamers & Hole Openers	<b>75,000</b>		1 1 5				<b>75,000</b>
28.	Directional Drilling Equipment & Services			1 3 6				
29.	Fishing Tools & Services			1 3 3			3 3 3	
30.	Rental Equipment	<b>86,500</b>		1 3 2	<b>19,000</b>		3 3 2	<b>105,500</b>
	Forklift / Manlift / Light Plants / Generators	20,000						
	Reverse Unit / Matting Boards / Racks				7,500			
	Well Control Equipment	18,000			5,000			
	Rental DH Tools, Packers, Plugs				6,500			
	BHA, Drill Pipe & Motors	48,500						
31.	Tubular Inspection & Testing	<b>2,100</b>		1 3 9	<b>6,000</b>		3 3 9	<b>8,100</b>
32.	Casing Crews - NU/LD Services - BOPE Testing	<b>25,000</b>		1 1 7	<b>10,000</b>		3 1 7	<b>35,000</b>
33.	Trucking of Tangible Items (not otherwise included)	<b>13,000</b>		1 8 7			3 8 7	<b>13,000</b>
34.	Mud Logging		<b>18,000</b>	1 4 7				<b>18,000</b>
35.	Conventional Coring & Analysis			1 2 3				
36.	Drill Stem Test Equipment & Services			1 2 6				
37.	DH Completion Tools				<b>8,000</b>		3 1 6	<b>8,000</b>
38.	Casing Accessories	<b>3,500</b>		1 0 7	<b>2,000</b>		3 0 7	<b>5,500</b>
	Float Equip, Centralizers, DV Tools	3,500			2,000			
	Liner - Hangers, Services							
39.	Logging, Wireline / Slickline & Associated Rentals	<b>14,000</b>	<b>46,000</b>	1 4 4	<b>73,000</b>		3 4 4	<b>133,000</b>
	Electrical Logs		40,000					
	RFT / Sidewall Coring		6,000					
	Cased Hole Logs & CBL				11,000			
	Temperature Surveys	2,000			1,000			
	Gyro, Multi-Shot, Single Shot	12,000						
	Perforating, Plug / Packer Setting				55,000			
	Rental Lubricator & Flanges				8,000			
40.	Cementing Services	<b>51,000</b>		1 1 8	<b>35,000</b>		3 1 8	<b>86,000</b>
	13 3/8 " OD      400 Sacks	21,000						
	8 5/8 " OD      1700 Sacks	30,000						
	5 1/2 " OD      900 Sacks				35,000			
	" OD      Sacks							
	" OD      Sacks							
	Squeeze Cementing							
	Cement Plugs							
41.	Coiled Tubing Service				<b>92,500</b>		3 4 5	<b>92,500</b>
	CT and N <sub>2</sub> Service				85,000			
	Rental Crane, Lubricator, Flanges				7,500			
42.	Stimulation Materials & Services				<b>250,000</b>		3 1 0	<b>250,000</b>
43.	Pump Truck (not otherwise included)			1 5 5	<b>4,500</b>		3 5 5	<b>4,500</b>
44.	Production Testing Equipment & Services				<b>45,000</b>		3 3 5	<b>45,000</b>
45.	Water Haul off and Disposal			1 7 3	<b>13,000</b>		3 7 3	<b>13,000</b>
46.	Chemicals (Corrosion Control / Packer Fluid)			1 4 8	<b>3,000</b>		3 4 6	<b>3,000</b>
47.	Roustabout Service (Labor not otherwise included)	<b>18,000</b>		1 6 9	<b>5,000</b>	<b>25,000</b>	3 6 9	<b>48,000</b>
48.	Supplies	<b>2,000</b>		1 7 6	<b>1,000</b>	<b>10,000</b>	3 7 6	<b>13,000</b>
49.	Meter Calibration & Repair					<b>2,000</b>	3 7 2	<b>2,000</b>
50.	Repair Surface Equipment							
51.	Repair Downhole Equipment							
52.	Capitalized Overhead %			1 0 2			3 0 2	
53.	Insurance - New Drill (<12,500' \$10K, >12,500' \$50K)	<b>10,000</b>		1 4 0			3 4 0	<b>10,000</b>
54.	Contingency 10%	<b>135,700</b>	<b>6,500</b>		<b>80,000</b>	<b>2,700</b>		<b>224,900</b>
<b>TOTAL INTANGIBLES</b>		<b>1,492,450</b>	<b>71,500</b>		<b>874,225</b>	<b>39,700</b>		<b>2,477,875</b>

**Cost Summary**

TOTAL COST (Tangibles + Intangibles)	1,584,080	71,500	1,162,425	277,300
EVALUATED COST	<b>\$1,655,580</b>		Estimated By: S.L. Klier	
COMPLETED WELL COST INCLUDING FACILITIES	<b>\$3,095,305</b>		Date: 11/27/06	

WELL CONTROL: Unless otherwise indicated below, you, as a non-operating working interest owner, agree to be covered by Operator's well control insurance procured by Operator so long as Operator conducts operations hereunder and to pay your prorated share of the premiums therefore. If you elect to purchase your own well control insurance, you must provide a certificate of such insurance acceptable to Operator, as to form and limits, at the time this AFE is returned, if available, but in no event later than commencement of drilling operations. You agree that failure to provide the certificate of insurance, as provided herein, will result in your being covered by insurance procured by Operator.

I elect to purchase my own well control insurance policy. Well control insurance procured by Operator for the benefit of non-operating working interest owners provides, among other terms, for \$5,000,000 (100% W.I.) of Combined Single Limit coverage for well control and related redrilling and clean-up/pollution expense covering drilling (through completion) only with a \$100,000 (100% W.I.) deductible.

The above costs are estimates only and anticipate trouble free operations without any foreseeable change in plans. The actual costs may exceed the estimated costs without affecting the authorization for expenditure herein granted. By approval of this AFE, the working interest owner agrees to pay its proportionate share of actual legal, curative, regulatory and well costs under term of the joint operating agreement, regulatory order or other applicable agreement covering this well.

**BOLD ENERGY, LP**

**Co-Owner Authorization**

Approved  Rejected

Approved  Rejected

*Joseph L. Castillo*

Name/Title: Joseph Castillo, President

Company: \_\_\_\_\_

Name/Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_