

PAUL BACA PROFESSIONAL COURT REPORTERS

OIL CONSERVATION DIVISION

CASE # 14200

EXHIBIT

3

| PIERCE PRODUCTION COMPANY Authority for Expenditure | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------------------------------------------|-----|----------------|------------------|
| WELL NAME: Roberts #1 | | PROSPECT NAME: Southwest Nadine | | | |
| LOCATION: Sec. 9-T20S-R38E | | COUNTY & STATE: Lea, New Mexico | | | |
| REMARKS: 7,800' Abo Oil Well | | OBJECT: Oil Test | | | |
| | | AFE CODE: New Drill & Complete | | | |
| | | | | | |
| INTANGIBLE COSTS | | BCP | | ACP | TOTAL |
| PERMITS | 502 | 0 | 702 | 0 | 0 |
| TITLE OPINION & CURATIVE | 504 | 6,000 | 704 | 0 | 6,000 |
| SURVEYING / STAKE LOCATION | 506 | 2,500 | 706 | 0 | 2,500 |
| DAMAGES & R-O-W'S | 508 | 7,500 | 708 | 0 | 7,500 |
| ROADS, LOCATION, PITS, LINERS, ETC. | 510 | 42,000 | 710 | 6,000 | 48,000 |
| DRILLING - FOOTAGE | 512 | 0 | | 0 | 0 |
| DRILLING - DAYWORK: 22 days @ \$16,000/day | 514 | 352,000 | 714 | 24,000 | 376,000 |
| DRILLING MUD & CHEMICALS | 516 | 24,000 | 716 | 0 | 24,000 |
| CLOSED LOOP MUD SYSTEM RENTALS | | 158,400 | | | |
| WATER | 518 | 26,000 | 718 | 2,500 | 28,500 |
| BITS, REAMERS, ETC. | 520 | 22,500 | 720 | 0 | 22,500 |
| FUEL | 522 | 59,400 | | 0 | 59,400 |
| CEMENTING SURFACE | 524 | 19,000 | | 0 | 19,000 |
| CEMENTING INTERMEDIATE CASING | 526 | 35,000 | | 0 | 35,000 |
| CEMENTING PRODUCTION CASING | | 0 | 728 | 32,000 | 32,000 |
| TUBULAR SERVICES AND TOOLS | 530 | 3,500 | 730 | 2,000 | 5,500 |
| CASING CREWS / PU LD MACHINE | 532 | 14,000 | 732 | 8,500 | 22,500 |
| FLOAT EQUIPMENT & LINER HANGER | 534 | 2,200 | 734 | 7,800 | 10,000 |
| TESTING; DST & COMPLETION | 536 | 0 | 736 | 0 | 0 |
| OPEN HOLE LOGGING / CASED HOLE LOGS | 538 | 26,000 | | 2,500 | 28,500 |
| MUD LOGGING (14 days @ \$950) | 540 | 13,300 | | 0 | 13,300 |
| WELDING & HOURLY LABOR | 542 | 1,500 | 742 | 4,500 | 6,000 |
| ON-SITE HOUSING & EQUIPMENT RENTALS | 544 | 14,300 | 744 | 0 | 14,300 |
| RIG MOBILIZATION, TRANSPORTATION, ETC. | 546 | 65,000 | 746 | 0 | 65,000 |
| COMPLETION UNIT (8 days comp.) | | 0 | 748 | 36,000 | 36,000 |
| FORMATION STIMULATION: (4 acid, 3 fracs) | | 0 | 750 | 238,000 | 238,000 |
| WIRELINE SERVICES / TCP SERVICES | 552 | 0 | 752 | 28,000 | 28,000 |
| GEOLOGIC / ENGINEERING | 554 | 5,000 | 754 | 2,000 | 7,000 |
| CONTRACT LABOR | 556 | 23,650 | 756 | 6,500 | 30,150 |
| DRILLING WELL RATE (A/O) | 558 | 6,500 | 758 | 0 | 6,500 |
| INSURANCE | 560 | 18,000 | 760 | 0 | 18,000 |
| MISCELLANEOUS | 562 | 7,500 | 762 | 2,500 | 10,000 |
| CONTINGENCY (7.50%) | 564 | 71,606 | 764 | 30,210 | 101,816 |
| TOTAL INTANGIBLES | | 1,026,356 | | 433,010 | 1,300,966 |
| | | | | | |
| TANGIBLE COSTS | | | | | |
| CONDUCTOR CASING | 602 | 3,500 | | 0 | 3,500 |
| SURFACE CASING | 604 | | | 0 | 0 |
| 400' of 13 3/8", 48#, 8rd STC H-40 | | 29,956 | | 0 | 29,956 |
| INTERMEDIATE CASING | 608 | 0 | | 0 | 0 |
| 3,100' of 8 5/8", 32#, 8rd LTC, K-55 | | 150,350 | | 0 | 150,350 |
| DRILLING LINER | 612 | 0 | | 0 | 0 |
| | | 0 | | 0 | 0 |
| PRODUCTION CASING | 616 | 0 | 816 | | 0 |
| 7,800' of 5 1/2", 17#, N-80, 8rd LTC | | 0 | | 241,098 | 241,098 |
| TUBING: 7,800' of 2 7/8", 6.50#, 8rd EUE | 620 | 0 | 820 | 76,050 | 76,050 |
| WELLHEAD EQUIPMENT | 622 | 1,800 | 822 | 3,000 | 4,800 |
| SURFACE LIFT & ELECTRICITY | 624 | | 824 | 50,000 | 50,000 |
| RODS AND PUMP | 626 | 0 | 826 | 22,000 | 22,000 |
| PACKERS, BP'S, DOWNHOLE EQUIPMENT | 628 | 0 | 828 | 0 | 0 |
| GAS PRODUCTION EQUIPMENT | 630 | 0 | 830 | 0 | 0 |
| SEPARATOR, TREATER | 632 | 0 | 832 | 15,000 | 15,000 |
| FLOWLINES, VALVES, CONNECTIONS | 634 | 0 | 834 | 12,000 | 12,000 |
| TANKS (Water and Production) | 636 | 0 | 836 | 42,000 | 42,000 |
| MISCELLANEOUS | 638 | 0 | 838 | 1,500 | 1,500 |
| CONTINGENCY (7.50%) | 640 | 13,920 | 840 | 34,699 | 48,619 |
| TOTAL TANGIBLES | | 199,526 | | 497,347 | 696,873 |
| TOTAL WELL COSTS | | 1,225,883 | | 930,357 | 1,997,839 |
| | | | | | |
| PLUGGING COST | 566 | 38,000 | | | |
| TOTAL DRY HOLE | | 1,263,883 | | | |
| | | | | | |
| Prepared By: Bill Pierce | | Date of Final Preparation: September 10, 2008 | | | |
| Pierce Production Company, Midland, Texas | | | | | |
| | | | | | |
| Working Interest Owner | | | | | |
| Approved By: _____ | | Title: _____ | | | |
| Printed Name: _____ | | | | | |
| Company: _____ | | Company/Individual % W.I. _____ | | | |
| IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AFE SHALL EXTEND TO THE ACUTAL COSTS INCURRED IN THE OPERATION SPECIFIED ABOVE, WHETHER MORE OR LESS THAN SET OUT HEREIN. | | | | | |
| Date: _____ | | | | | |

Oil Conservation Division
 Case No. 3 14200
 Exhibit No. 3