



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

AUTHORITY FOR EXPENDITURE
NEW DRILLING, RECOMPLETION & RE-ENTRY

A/E Type:

<input type="checkbox"/>	New Drilling
<input checked="" type="checkbox"/>	Recompletion
<input type="checkbox"/>	Re-entry

Well Objective:

<input checked="" type="checkbox"/>	Oil
<input type="checkbox"/>	Gas
<input type="checkbox"/>	Injector

Well Type:

<input checked="" type="checkbox"/>	Development
<input type="checkbox"/>	Exploratory

A/E NO.

10-328-0

A/E DATE

12/9/2010

AFEND (rev 8/00)
12-9-10

A/E STATUS:

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

LEASE NAME	Dagger Draw 30SE Fed. Com. #11	PROJ'D DEPTH	5,824' - 5,862'
COUNTY	Eddy	STATE	NM
FIELD	NDDUP	HORIZON	Wolfcamp
LOCATION	660' FSL & 1,980' FEL Sec 30 T19S R25E		

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

PROGNOSIS:	Propose to abandon the canyon and move up hole to test the Wolfcamp dolomite.
	Test WC from 5,824' - 5,862' and stimulate as necessary. NMOC Inactive List
	Calculated 8.2 month payout at 15 BOPD and 200 MCFD with \$65 Oil and \$3.5 gas.

INTANGIBLE DRILLING COSTS:		DRY HOLE	COMP'D WELL
920-100	Staking, Permit & Legal Fees		
920-110	Location, Right-of-Way		
920-120	Drilling, Footage		
920-130	Drilling, Daywork		
920-140	Drilling Water, Fasline Rental		
920-150	Drilling Mud & Additives		
920-160	Mud Logging Unit, Sample Bags		
920-170	Cementing - Surface Casing		
920-180	Drill Stem Testing, OHT		
920-190	Electric Logs & Tape Copies		
920-200	Tools & Equip. Rntl., Trkg. & Welding		
920-205	Control of Well-Insurance		
920-210	Supervision & Overhead		
920-230	Coring, Tools & Service		
920-240	Bits, Tool & Supplies Purchase		
920-350	Cementing - Production Casing		
920-410	Completion Unit - Swabbing	26,000	30,000
920-420	Water for Completion	1,000	5,000
920-430	Mud & Additives for Completion		
920-440	Cementing - Completion		
920-450	Elec. Logs, Testing, Etc. - Completion	15,000	15,000
920-460	Tools & Equip. Rental, Etc. - Completion	9,000	10,500
920-470	Stimulation for Completion 10,000 gal 20% HCL + 30,000 gal 20% HCL	15,000	45,000
920-480	Supervision & O/H - Completion	3,000	3,500
920-490	Additional LOC Charges - Completion		
920-510	Bits, Tools & Supplies - Completion	5,000	5,000
920-500	Contingency for Completion		
TOTAL INTANGIBLE DRILLING COSTS		74,000	114,000

TANGIBLE EQUIPMENT COSTS:			
930-010	Christmas Tree & Wellhead		
930-020	Casing		
930-030	Tubing 2-7/8" tubing		40,000
930-040	Packer & Special Equipment		5,000
940-010	Pumping Equipment		35,000
940-020	Storage Facilities		5,000
940-030	Separation Equip., Flowlines, Misc.		5,000
940-040	Trucking & Construction Costs		4,000
TOTAL TANGIBLE EQUIPMENT COSTS		0	94,000

TOTAL COSTS	74,000	208,000
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IT IS RECOGNIZED THAT THE AMOUNTS PROVIDED FOR HEREIN ARE ESTIMATED ONLY AND APPROVAL OF THIS A/E SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED WHETHER MORE OR LESS THAN HEREIN SET OUT.

CM Prepared By	Mike Hill	Operations Approval	Randy Hill 12/9/10
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YATES PETROLEUM CORPORATION	80.679073%
BY [Signature] DATE 1/14/2011	

SACRAMENTO PARTNERS LIMITED PARTNERSHIP	0.576398%
BY [Signature] DATE 1/14/2011	

HANSON McBRIDE PETROLEUM CO., a New Mexico Limited Partnership	0.193734%
BY [Signature]	

SPIRAL, INC.	0.576398%
BY [Signature]	

Yates Petroleum Corporation
Case No. 14597
Exhibit 3

MARKS OIL, INC.	2.836899%
BY	DATE
NEARBURG EXPLORATION COMPANY, L.L.C.	12.393109%
BY	DATE
CATHIE CONE McCOWN	0.457398%
BY	DATE
AUVENSHINE'S CHILDREN'S TESTAMENTARY TRUST, CATHIE CONE McCOWN, TRUSTEE	0.457398%
BY	DATE
KENNETH G. CONE, TRUSTEE OF THE TRUSTS CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF KENNETH G. CONE	0.457398%
BY	DATE
BANK OF OKLAHOMA, N.A., SUCCESSOR TRUSTEE OF THE TRUST CREATED UNDER THE WILL AND CODICIL OF KATHLEEN CONE, DECEASED F/B/O THE CHILDREN OF TOM R. CONE	0.304932%
BY	DATE
RANDY LEE CONE	0.152467%
BY	DATE
KENNETH G. CONE	0.457398%
BY	DATE
TOM R. CONE	0.457398%
BY	DATE

Total :

100.000000%