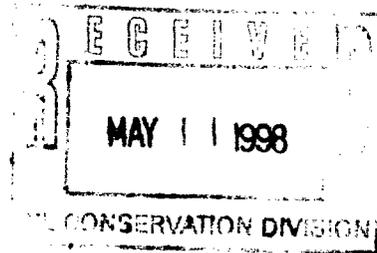


PRIMERO
OPERATING, INC.

POST OFFICE BOX 1433
ROSWELL, NEW MEXICO 88202
(505) 622-1001 FAX (505) 625-0227



Catanaach
DH

May 8, 1998

Re: Case # 11922
Order # R-10966
Tilley #1
N-26-T16S-R35E
Lea County

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Gentlemen:

Pursuant to the subject Case and Order, please find the enclosed AFE showing an itemized schedule of estimated well costs. This AFE has been sent to and approved by all working interest owners in the subject unit.

Thank You,

A handwritten signature in black ink, appearing to read "Phelps White". The signature is written in a cursive style with a large initial "P".

Phelps White
President

PRIMERO

OPERATING, INC.

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Authority For Expenditure

TILLEY #1

Atoka

08-May-98

INTANGIBLE DRILLING COSTS	Drill out and test Atoka	Atoka Completion
Title	10000	
210 Completion Unit	15,000	0
240 Reverse Unit 6 days	9,500	0
291 Completion Tools; cmt rtnr, rental packer, rbp	3,050	
Cementing	4,500	
250 Stimulation, acid	5,000	0
254 Roustabouts, Contract Labor	0	1,500
270 Logging and Perforating	3,200	0
275 Location, Road, Anchors, Etc. bury pits	1,200	800
280 Completion Fluids	1,200	0
290 Supervision & Expenses, Completion	2,500	300
Electric Hookup		0
299 Completion Contengencies and tax, 15%	8,273	390
Total Intangible Well Costs	\$63,422.50	\$2,990.00
 TANGIBLE DRILLING AND COMPLETION COST		
325 Tubing 11,000' 2 7/8' N	24,750	0
4500' 5 1/2" casing @ 5.5	24,750	
331 Casing & Tubing Heads, Xmas Tree	1,500	1,000
335 Flowline	0	500
340 Tanks	0	4,000
347 Separator	0	5,000
Production Packer	0	3,500
350 Pumping Unit and Motor	0	0
355 Valves, Connections, Etc.	0	1,000
360 Rods & Pump	0	0
399 Other misc. expenses 10%	5,100	1,500
Total Tangible Well Costs	\$56,100.00	\$16,500.00
TOTAL DRILLING AND COMPLETION COSTS	\$119,522.50	\$19,490.00
 Estimated cost of Atoka Producer		 \$139,012.50