

UMC Petroleum Corporation
AUTHORIZATION FOR EXPENDITURE



| | | |
|--|-------------------------------------|-------------------------|
| Prospect: Townsend | AFE No.: DEC803 | AFE Date: March 3, 1998 |
| Well: Townsend State Com. #2 | Operator: UMC Petroleum Corporation | |
| Location: 1400 FWL, 3250' FSL Sec. 2, T16S-35E | Projected Depth/Objective: | |
| County, State: Lea, NM | Date to Commence: | |
| Description: Completion cost 12,800' Mississippian test well | | |

7A

| INTANGIBLE Costs: | Drilling (BCP) | | Completion (ACP) | | Total Cost: |
|-----------------------------------|----------------|------------------|------------------|------------------|------------------|
| | Acct # | Cost Est. | Acct # | Cost Est. | |
| Footage Contract | 152-101 | | -- | | \$0 |
| Daywork Contract-\$7000 x 47 days | 152-102 | \$336,000 | -- | | \$336,000 |
| Turnkey Contract | 152-132 | | -- | | \$0 |
| Mobilization | 152-130 | \$40,000 | -- | | \$40,000 |
| De-Mobilization | 152-131 | \$20,000 | -- | | \$20,000 |
| Other Contract/Daywork Charges | 152-103 | | -- | | \$0 |
| Completion Rig-\$1500 x 10 days | -- | | 152-201 | \$15,000 | \$15,000 |
| Bonds, Insur. | 152-118 | \$1,800 | -- | | \$1,800 |
| Contract Labor | 152-125 | \$7,600 | 152-232 | \$15,000 | \$22,600 |
| Transportation, Hauling | 152-105 | \$3,000 | 152-202 | \$2,000 | \$5,000 |
| Legal Expense, Permits | 152-121 | \$7,500 | -- | | \$7,500 |
| Location, Roads, ROW | 152-104 | \$25,000 | 152-208 | | \$25,000 |
| Power, Fuel, Water | 152-106 | \$50,000 | 152-203 | \$1,000 | \$51,000 |
| Mud & Chemicals | 152-107 | \$40,000 | 152-212 | | \$40,000 |
| Bits, Stabilizers-10 @\$5000 | 152-108 | \$50,000 | 152-211 | | \$50,000 |
| Logging | 152-110 | \$35,000 | 152-205 | \$5,000 | \$40,000 |
| Coring & analysis | 152-120 | \$12,300 | -- | | \$12,300 |
| Formation Test, DST's-3 tests | 152-112 | \$9,000 | -- | | \$9,000 |
| Perforating | -- | | 152-231 | \$9,000 | \$9,000 |
| Stimulation-acid/Co2 | -- | | 152-210 | \$30,000 | \$30,000 |
| Cementing | 152-111 | \$30,000 | 152-206 | \$30,000 | \$60,000 |
| Abandonment | 152-133 | | 152-216 | | \$0 |
| Supervision, Consult. (G&E) | 152-115 | \$20,000 | 152-209 | \$5,000 | \$25,000 |
| Materials, Supplies | 152-119 | \$2,500 | 152-219 | \$6,000 | \$8,500 |
| Administrative Overhead | 152-129 | \$5,000 | 152-229 | \$2,300 | \$7,300 |
| Damages | 152-114 | \$8,500 | 152-230 | | \$8,500 |
| Equipment Rentals | 152-109 | \$18,000 | 152-204 | \$10,000 | \$28,000 |
| Special Well Services-BHPBV | 152-113 | \$2,000 | 152-207 | \$15,000 | \$17,000 |
| Mud Logging | 152-117 | \$12,500 | -- | | \$12,500 |
| Gravel Pack | -- | | 152-222 | | \$0 |
| Other (Contingencies, etc.) | 152-116 | \$20,000 | 152-227 | \$2,000 | \$22,000 |
| Pipeline ROW | -- | | 153-401 | | \$0 |
| Pipeline Construction | -- | | 153-402 | | \$0 |
| Total INTANGIBLE Costs: | | \$755,700 | | \$147,300 | \$903,000 |

| TANGIBLE Costs: | Acct # | Cost Est. | Acct # | Cost Est. | Total Cost: |
|--|---------|-----------------|---------|------------------|------------------|
| Surface Casing-450' x 13 3/8" x \$19.80 | 153-101 | \$9,500 | -- | | \$9,500 |
| Production Casing-12,700' x 5 1/2" x \$8.20 | -- | | 153-203 | \$108,000 | \$108,000 |
| Intermediate Casing (Liner)-4800' x 8 5/8" x \$13.00 | 153-102 | \$67,400 | 153-201 | | \$67,400 |
| Conductor Pipe | 153-104 | | -- | | \$0 |
| Tbg, Attachments-12,700' x 2 7/8" x \$3.80 | -- | | 153-205 | \$48,300 | \$48,300 |
| Wellhead Equipment | 153-103 | \$6,000 | 153-207 | \$14,000 | \$20,000 |
| Offshore Platform Facilities | -- | | 153-218 | | \$0 |
| Sucker Rods | -- | | 153-208 | | \$0 |
| Subsurface Pump | -- | | 153-200 | | \$0 |
| Packer & Subsurface Equip | -- | | 153-206 | \$7,000 | \$7,000 |
| Pmpng Unit,Engines,Motors | -- | | 153-209 | | \$0 |
| Compressor Station | -- | | 153-210 | | \$0 |
| Flow Lines | -- | | 153-211 | \$1,000 | \$1,000 |
| Tanks-4 x 500 | -- | | 153-215 | \$24,000 | \$24,000 |
| Dehydrator | -- | | 153-212 | | \$0 |
| Oil/Gas Treatment Eqpt | -- | | 153-213 | \$12,000 | \$12,000 |
| Meters | -- | | 153-216 | | \$0 |
| Buildings | -- | | 153-214 | | \$0 |
| Pipeline | -- | | 153-224 | | \$0 |
| Gravel Pack | -- | | 153-222 | | \$0 |
| Other installation costs | 153-100 | | 153-217 | \$5,000 | \$5,000 |
| Other (non-contr. equip.,Cont., etc.) | 153-119 | | 153-221 | | \$0 |
| Other (contr. equip.) | 153-121 | \$2,000 | 153-219 | \$5,000 | \$7,000 |
| Pipeline/Gas Plant Facility | -- | | 153-403 | | \$0 |
| Total TANGIBLE Costs: | | \$84,900 | | \$224,300 | \$309,200 |

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|-------------------------|--|------------------|--|------------------|--------------------|
| Total Well Cost: | | \$840,600 | | \$371,600 | \$1,212,200 |
|-------------------------|--|------------------|--|------------------|--------------------|