

AUTHORITY FOR EXPENDITURE

LEASE: Panama "13" Federal WELL NUMBER: 2 PBSD: 9,900'
LOCATION: 1650' FSL & 990' FEL, Section 13, T19S, R33E, Lea County, New Mexico
FIELD: Gems Bone Spring East EXPLORATORY, DEVELOPMENT, WORKOVER: E
DESCRIPTION OF WORK: Drill and complete as a Bone Springs pumping oil well.

DATE PREPARED: 6/26/00 EST. START DATE: 9/1/00 EST. COMPLETION DATE: 10/15/00
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage 9,900 Ft @ 0.00 \$/Ft	1514.101	0	NA	0	0
Drilling Daywork 30 1 6,100 \$/day	1514.104	193,980	1514.104	6,466	200,446
Drilling Turnkey	1514.110	0	1514.110	0	0
Rig Mobilization and Demobilization	1514.113	21,200	1514.113	0	21,200
Road & Location Expense	1514.120	29,945	1514.123	3,180	33,125
Damages	1514.124	5,000	1514.125	0	5,000
Directional Drilling - Tools and Service	1514.130	0	1514.130	0	0
Drilling Fluids	1514.133	10,600	1514.133	0	10,600
Fuel, Power, and Water	1514.140	15,900	1514.140	0	15,900
Supplies - Bits	1514.145	20,140	1514.145	795	20,935
Supplies - Casing Equipment	1514.150	2,544	1514.150	4,240	6,784
Supplies - Liner Equipment	1514.155	0	1514.155	0	0
Supplies - Miscellaneous	1514.160	0	1514.160	0	0
Cement and Cmt. Services - Surface Csg	1514.165	10,600	NA	0	10,600
Cement and Cmt. Services - Int. Csg	1514.170	12,720	NA	0	12,720
Cement and Cmt. Services - Prod. Csg	NA	0	1514.173	21,200	21,200
Cement and Cmt. Services - Other	1514.175	0	1514.174	0	0
Rental - Drilling Tools and Equipment	1514.180	6,360	1514.180	0	6,360
Rental - Misc.	1514.185	8,613	1514.185	3,710	12,323
Testing - Drill Stem / Production	1514.190	0	1514.184	3,710	3,710
Open Hole Logging	1514.200	15,900	NA	0	15,900
Mudlogging Services	1514.210	7,950	NA	0	7,950
Special Services	1514.220	0	1514.190	0	0
Plug and Abandon	1514.215	10,000	1514.214	(10,000)	0
Pulling and/or Swabbing Unit	NA	0	1514.217	15,264	15,264
Reverse Equipment	NA	0	1514.219	5,300	5,300
Wireline Services	1514.205	0	1514.205	5,300	5,300
Stimulation	NA	0	1514.201	42,400	42,400
Pump / Vacuum Truck Services	1514.220	0	1514.220	2,650	2,650
Transportation	1514.223	1,590	1514.225	2,120	3,710
Tubular Goods - Inspection & Testing	1514.230	1,272	1514.230	3,180	4,452
Unclassified	1514.240	530	1514.245	0	530
Telephone and Radio Expense	1514.240	954	1514.240	636	1,590
Engineer / Geologist / Landman	1514.250	10,000	1514.250	1,500	11,500
Company Labor - Field Supervision	1514.255	15,900	1514.255	7,500	23,400
Contract Labor / Roustabout	1514.260	1,590	1514.264	7,738	9,328
Legal and Professional Service	1514.270	5,000	1514.270	0	5,000
Insurance	1514.275	7,048	1514.275	3,500	10,548
Overhead	1514.280	7,000	1514.280	3,500	10,500
SUBTOTAL		422,336		133,889	556,225
Contingencies (10%)		42,234		13,389	55,623
ESTIMATED TOTAL INTANGIBLES		464,570		147,278	611,848

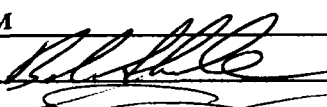

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TANGIBLE COSTS:			CODE	TO CSG PT		CODE	COMPLETION		TOTAL WELL
Conductor Casing	0 Ft @	0.00 \$/Ft	1320.304	0		NA	0		0
Surface Csg	1,550 Ft @	24.00 \$/Ft	1320.310	37,200		NA	0		37,200
Intermediate Csg	3,300 Ft @	14.00 \$/Ft	1320.313	46,200		NA	0		46,200
Protection Csg	0 Ft @	0.00 \$/Ft	1320.320	0		NA	0		0
Production Csg	9,900 Ft @	7.50 \$/Ft	NA	0		1322.325	74,250		74,250
Protection Liner	Ft @	\$/Ft	1320.320	0		NA	0		0
Production Liner	0 Ft @	0.00 \$/Ft	NA	0		1320.325	0		0
Tubing	9,600 Ft @	2.50 \$/Ft	NA	0		1320.330	24,000		24,000
Rods	9,600 Ft @	1.50 \$/Ft	NA	0		1322.345	14,400		14,400
Artificial Lift Equipment			NA	0		1320.350	68,900		68,900
Tank Battery			NA	0		1320.355	21,200		21,200
Separators/Heater Treater/Gas Units/FWKO			NA	0		1320.360	10,600		10,600
* Well Head Equipment & Christmas Tree			1320.365	3,500		1322.365	5,000		8,500
Subsurface Well Equipment			NA	0		1322.370	4,240		4,240
Flow Lines			NA	0		1320.375	1,656		1,656
Saltwater Disposal Pump			NA	0		1322.381	0		0
Gas Meter			NA	0		1322.385	1,484		1,484
Lact Unit			NA	0		1322.391	0		0
Vapor Recovery Unit			NA	0		1320.395	0		0
Other Well Equipment			NA	0		1322.398	0		0
ROW and Damages			NA	0		1322.399	0		0
Surface Equipment Installation Costs			NA	0		1322.405	10,600		10,600
Elect. Installation			NA	0		1320.407	7,420		7,420
ESTIMATED TOTAL TANGIBLES				86,900			243,750		330,650
ESTIMATED TOTAL WELL COSTS				551,470			391,028		942,498

THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW/TRM/CPF	06/27/00
REVIEWED BY: TRM	
APPROVED BY: 	6/28/00
APPROVED BY: 	6/28/00

WI APPROVAL:	COMPANY	
	BY	
	TITLE	
	DATE	