

**THRESHOLD DEVELOPMENT COMPANY**  
**Authority for Expenditure**

Prospect: Johnson Ranch		Date: 12/07/00
Well Name: Johnson Ranch State 16 #1	Field: Johnson Ranch - Wolfcamp 14,200'	
Location: Sec 16 -24S - 33E		
County/State: Lea, NM		

**Intangible Costs**

Category	Description	Drill	Complete	Total
Drillsite Title Opinion		10,000		10,000
Road/Location/Survey		25,000	5,000	30,000
Damages/ROW		2,500	500	3,000
Rig Contract - Daywork		400,000		400,000
Rig Contract - Mob/Demob		25,000		25,000
Cementing Services		62,500	35,000	97,500
Mud/Chemicals/Water		100,000	5,000	105,000
Equipment Rentals/Bits		60,000	10,000	70,000
Geologic Services/Mudlogging		12,000		12,000
Open Hole Log/Core/DST		40,000		40,000
Trucking/Hauling		2,500	2,500	5,000
Casing Crews		20,000	5,000	25,000
Miscellaneous Expense/Supplies		5,000	5,000	10,000
Supervision/Engineering		26,250	7,500	33,750
Operator Overhead		5,000	2,500	7,500
OEE Insurance		9,250		9,250
Abandonment Costs/P&A		12,500		12,500
Completion Rig			17,500	17,500
Cased-Hole Log/Perforate			10,000	10,000
Stimulate/Acid/Frac			75,000	75,000
Roustabout Labor/Installations		500	5,000	5,500
Contingencies	@ 10%	81,800	18,500	100,300
<b>Total Intangible Costs</b>		<b>\$899,800</b>	<b>\$204,000</b>	<b>\$1,103,800</b>

**Tangible Costs**

***Drilling Equipment***

Conductor	30' of 20"	750		750
Surface Casing	850' of 13-3/8"	17,000		17,000
Intermediate	5250' of 9-5/8"	91,875		91,875
Protective Csg	12,200' of 7"	158,600		158,600
Casinghead/Spools		15,000		15,000

***Completion Equipment***

Production Casing (New)	2000' of 4-1/2"		15,500	15,500
Centralizers/Floats/Shoes/hanger			10,000	10,000
Tubing (New)	12,200' of 2-7/8"		76,250	76,250
Wellhead Assembly/Connections			10,000	10,000

***Production Equipment***

Packer/Downhole Choke			7,500	7,500
Pumping Unit/Engine/Motor				0
Sucker Rods/Downhole Pump				0
Flowlines/Meter			25,000	25,000
Separator/Treater			25,000	25,000
Tank Battery/Storage Facility			12,500	12,500
Misc. Expense/Supplies	@ 35% of facility cost		13,500	13,500
Other Equipment/Fittings	@ 5%	14,200	9,750	23,950
<b>Total Tangible Costs</b>		<b>\$297,425</b>	<b>\$205,000</b>	<b>\$502,425</b>

Total Estimated Drilling Cost		<b>\$1,197,225</b>	
Total Estimated Completion Cost			<b>\$408,000</b>
Total Estimated Completed Well Cost			<b>\$1,606,225</b>
WI Owner:	WI:		
WI Owner Approval:			
Signature	Name	Title	Date

"It is recognized that the amounts provided for herein are estimated only, and approval of this authorization shall extend to the actual costs incurred in conducting the operations specified, whether more or less than herein set c

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12583      Exhibit No. 4  
Submitted by:  
**Threshold Development Company**  
Hearing Date:    March 22, 2001