TMBR/Sharp

Drawer 10970 Midland, Texas 79702-7970 915-699-5050

May 3, 2002

TO WORKING INTEREST OWNERS: (See attached mailing list)

Drilling, Inc.

Re: Well Proposal Blue Fin "25" No. 1 N/2 Section 25-16S-35E, NMPM Lea County, New Mexico

Dear Owners:

TMBR/Sharp Drilling, Inc., as Operator, proposes the drilling of the above subject well at a location 1913' FNL and 924' FWL of Section 25-16S-35E, NMPM, Lea County, New Mexico. This well is being proposed in accordance with that certain Joint Operating Agreement dated July 1, 1998. An AFE outlining the estimated costs in the drilling and completion of the well is enclosed in duplicate.

Please indicate your election to participate or not to participate in the operation by indicating in the space below. Also, please return one signed copy of the AFE if you elect to participate. As we anticipate spudding this well in the next several days, your early response is appreciated.

If there are any questions regarding this, please contact either Lonnie Arnold or myself at (915) 699-5050. We look forward to your joining in this test.

Yours truly,

TMBR/Sharp Drilling, Inc.

Dennis J. Hopkins, CPL Land Manager

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I/We elect to participate in the drilling of the Blue Fin "25" No. 1 Well.



I/We do not elect to participate in the drilling of the Blue Fin "25" No. 1 Well.

lete Ofteles Fre Company/Individual Name By: Chillis

	TMBR/ Sharp Drilling, INC.			AFE Number # 1	23-Apr
AUTHORIZATION FOR EX		TION FOR EXPE	NDITURE	Well No.1,	
ase Nan			County/Parish	Location:	
ue Fin 2	25	New Mexico	Lea	1913' FNL & 924' FWL , Sec. 25, 1165	والمستحد والمتكاف المجرب فستتخل المتحد والفاد الأراب وال
Acci	INTANGIBLE DESC	COLOTION	COST TO	COMPLETION	TOTAL
Code			CASING POINT	COST	WELL COST
1	Surveys / Permits / Bonds Beads(Leastion/Damages	ł	<u> </u>		1,200
	Roads/Location/Damages	F			
3			27000		27,000
4	Driving Comment	. r	400440	25,560	426.000
5		· .	400440	23,360	426,000
6 7		2000 /day	_ .	30,000	30,000
8		Zonoriday	35000	30,000	35,000
о 9		ŀ	18000	3.000	21,000
10		r	20000	36,000	56,000
- 11		uel/Electricity/Generator/lights		1,800	30,000
12	I	ŀ	28200 65000		65,000
13		ł	15000		15,000
14		ł	2000	5,000	7,000
15		ŀ	10000	35,000	45,000
16					+
17			18000		18,000
18		ł	25000	25,000	50,000
19			20000		20,000
20	· · · · · · · · · · · · · · · · · · ·		3000	1,500	4,500
21		ł	3000	2,000	5,000
22		Ì	2500	2,000	4,500
23			4500	5,000	9,500
24			6500	1,500	8,000
25			2750	5,500	8,250
26				5,500	5,500
27				100,000	100,000
28			······	10,000	10,000
29			······	2,500	2,500
30			5000		5,000
31			2500	3,000	5,500
	Insurance		6756	2,919	11,675
33			15000		15.000
	Contingency (7%)		53784	21195	\$74,979
_	AL INTANGIBLE ESTIMATED	COST	\$822,130	\$323,974	\$1,146,104
TAN(GIBLE DESCRIPTION				
35	5	Conductor			
36	6 500 of 13 3/8" 54 5 @ 15.50/FT	Surface Casing	7,750		7,750
37	7 5000' of 9 5/8" 40# @ 13.00/FT	Intermediate Csg	65,000		65,000
38	5 {	Intermediate Csg			
38 39		Intermediate Csg			
		-		143,750	143,750
39	9 12.500' of 7" 26# @ 11.50/FT	Intermediate Csg		143,750 8,625	143,750 8,625
39 40	9 12.500° of 7° 26# @ 11.50/FT 1 1500° of 4 72° 11.60# @ 5 75/R.	Intermediate Csg Production Csg			
39 40 41	9 12.500' of 7° 26# @ 11.50/FT 1500' of 4 1/2'' 11.60# @ 5 75/1. 2 13800' of 2 7/8'' 6.50# @3.20/FT	Intermediate Csg Production Csg Liner		8,625	8,625
39 40 41 42	9 12.500° of 7° 26# @ 11.50/FT 1 1500° of 4 7·2° 11.60# @ 5 75/R. 2 13800° of 2 7/8° 6.50# @3.20/FT 3	Intermediate Csg Production Csg Liner Tubing		8,625	8,625
39 40 41 42 43	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 72° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @3.20/FT 3 	Intermediate Csg Production Csg Liner Tubing Tubing	4,200	8,625	8,625
39 40 41 42 43 44 45	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 72° 11.60# @ 5 75/1. 13800° of 2 7/8° 6.50# @3.20/FT 4 	Intermediate Csg Production Csg Liner Tubing Tubing	4,200 4,000	8,625 44,160	8,625 44,160
39 40 41 42 43 44 45 46 46 47	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT 4 5 Wellhead Equipment 6 Float Equipment 7 Liner Equipment 	Intermediate Csg Production Csg Liner Tubing Tubing		8,625 44,160 9,000	8,625 44,160 13,200
39 40 41 42 43 44 45 46 46 47	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @3.20/FT 4 5 Wellhead Equipment 6 Float Equipment 	Intermediate Csg Production Csg Liner Tubing Tubing		8,625 44,160 9,000 7,000	8,625 44,160 13,200 11,000
39 40 41 42 43 44 45 46 47 48	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT 4 5 Wellhead Equipment 6 Float Equipment 7 Liner Equipment 	Intermediate Csg Production Csg Liner Tubing Tubing		8,625 44,160 9,000 7,000	8,625 44,160 13,200 11,000
39 40 41 42 43 44 45 46 47 48 49	 12.500° of 7° 26# @ 11.50/FT 15.00° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT 4 5 Wellhead Equipment 6 Float Equipment 7 Liner Equipment 8 Pumping Unit / Base / Engine 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing		8,625 44,160 9,000 7,000	8,625 44,160 13,200 11,000
39 40 41 42 43 44 45 46 47 48 49 50	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT 4 5 Wellhead Equipment 6 Float Equipment 7 Liner Equipment 8 Pumping Unit / Base / Engine 9 Sucker rods, Polished Rods 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing		8,625 44,160 9,000 7,000 12,000	8,625 44,160 13,200 11,000 12,000
39 40 41 42 43 44 45 46 47 48 49 50 51	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT Wellhead Equipment Float Equipment Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing tubing		8,625 44,160 9,000 7,000 12,000 60,000	8,625 44,160 13,200 11,000 12,000 60,000
39 40 41 42 43 44 45 46 47 48 49 50 51 51	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT Wellhead Equipment Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bat Flowlines, Vavles, Fittings/Cond 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing tubing		8,625 44,160 9,000 7,000 12,000 60,000 8,000	8,625 44,160 13,200 11,000 12,000 60,000 8,000
39 40 41 42 43 43 44 45 46 47 48 49 50 51 51 52 53 54	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @3.20/FT Wellhead Equipment Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Coni Packers & Other Subsurface To Compressor Miscelaneous Sale Items 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing tubing	4,000	8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 5,000	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500 5,000
39 40 41 42 43 44 45 46 47 48 49 50 51 51 52 53 54 55	 12.500° of 7° 26# @ 11.50/FT 1500° of 4 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @3.20/FT Wellhead Equipment Float Equipment Float Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Coni Packers & Other Subsurface To Compressor Miscelaneous Sale Items Contingency (7%) 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing tubing		8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 5,000 21,282	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500
399 40 41 42 43 44 45 46 47 48 49 50 51 52 53 53 54 51 52 57 7777	 J. 12.500° of 7° 26# @ 11.50/FT 1500° of 4° 26# @ 11.50/FT 1500° of 4° 27 11.60# @ 5 75/R. Z. 13800° of 2 7/8° 6.50# @ 3.20/FT J. Jasoo" of 2 7/8° 6.50# @ 3.20/FT J. Vellhead Equipment Float Equipment Float Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Com Packers & Other Subsurface To Conpressor Miscelaneous Sale Items S Contingency (7%) AL TANGIBLE ESTIMATED COM 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing tubing	4,000 5,667 \$86,617	8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 5,000 21,282 \$325,317	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500 5,000
39 40 41 42 43 44 45 46 47 48 49 51 51 52 53 51 51 52 53 54 57 7077	 J. 12.500° of 7° 26# @ 11.50/FT 1500° of 4° 2° 11.60# @ 5 75/R. Z. 13800° of 2 7/8° 6.50# @3.20/FT J. Jaboo° of 2 7/8° 6.50# @3.20/FT Wellhead Equipment Float Equipment Float Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Coni Packers & Other Subsurface To Compressor Miscelaneous Sale Items Contingency (7%) AL TANGIBLE ESTIMATED COST 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing tubing	4,000	8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 5,000 21,282	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500 5,000 26,949
39 40 41 42 43 44 45 46 47 48 49 51 51 52 53 54 55 57 707/ APPI	 12.500° of 7° 26# @ 11.50/FT 1500° of 4° 26# @ 11.50/FT 1300° of 4° 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT 4 Wellhead Equipment Float Equipment Planping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Coni Packers & Other Subsurface To Conpressor Miscelaneous Sale Items Contingency (7%) AL TANGIBLE ESTIMATED COST ROVAL AND ACCEPTANCE 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing trubing ttery, Flowline nections ols	4,000 5,667 \$86,617 \$908,747 IT IS RECOGNI OF THIS AUTH	8,625 44,160 9,000 7,000 12,000 6,000 8,000 6,500 6,500 5,000 21,282 \$325,317 \$649,291 NIZED THAT AMOUNTS HEREIN ARE ESTIMATES OF	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500 5,000 26,949 \$411,934 \$1,558,038 NLY AND APPROVAL STS INCURRED IN
39 40 41 42 43 44 45 46 47 48 49 50 51 51 52 53 54 55 57 707/ APPI Partic	 J. 12.500° of 7° 26# @ 11.50/FT 1500° of 4° 2° 11.60# @ 5 75/R. Z. 13800° of 2 7/8° 6.50# @3.20/FT J. Jaboo° of 2 7/8° 6.50# @3.20/FT Wellhead Equipment Float Equipment Float Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Coni Packers & Other Subsurface To Compressor Miscelaneous Sale Items Contingency (7%) AL TANGIBLE ESTIMATED COST 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing trubing ttery, Flowline nections ols	4,000 5,667 \$86,617 \$908,747 IT IS RECOGNI OF THIS AUTH IN CONDUCTION HEREIN SET OF	8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 5,000 21,282 \$325,317 \$649,291 IIZED THAT AMOUNTS HEREIN ARE ESTIMATES OF HORIZATION SHALL EXTEND TO THE ACTUAL CO ING THE CREPATION SPECIFIED. WHETHER MORE XIT	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500 5,000 26,949 \$411,934 \$1,558,038 NLY AND APPROVAL STS INCURRED IN OR LESS THAN THE
39 40 41 42 43 44 45 46 47 48 49 51 52 53 54 55 54 55 707 707 707 707 707 707 707 707 707	 12.500° of 7° 26# @ 11.50/FT 1500° of 4° 26# @ 11.50/FT 1300° of 4° 1/2° 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT Wellhead Equipment Float Equipment Liner Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Conic Packers & Other Subsurface To Conpressor Miscelaneous Sale Items Contingency (7%) AL TANGIBLE ESTIMATED COST ROVAL AND ACCEPTANCE Incipant 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing Metery, Flowline nections ols	4,000 5,667 \$86,617 \$908,747 IT IS RECOGNI OF THIS AUTH IN CONDUCTIN HEREIN SET OD X I Wish	8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 5,000 21,282 \$325,317 \$649,291 NZED THAT AMOUNTS HEREIN ARE ESTIMATES OF HIGRIZATION SHALL EXTERND TO THE ACTUAL CO ING THE CREPATION SPECIFIED, WHETHER MORE	8,625 44,160 13,200 11,000 12,000 60,000 6,000 6,500 5,000 26,949 \$411,934 \$1,558,038 NLY AND APPROVAL STS INCURRED IN GR LESS THAN THE CC.
39 40 41 42 43 44 45 46 47 48 49 55 51 52 53 54 55 57 TOT/ TOT/ APPI Partic W.1. Tittle	 12.500° of 7° 26# @ 11.50/FT 1500° of 4° 26# @ 11.50/FT 1500° of 4° 27 11.60# @ 5 75/R. 13800° of 2 7/8° 6.50# @ 3.20/FT Wellhead Equipment Float Equipment Float Equipment Pumping Unit / Base / Engine Sucker rods, Polished Rods Producing Equipment, Tank Bai Flowlines, Vavles, Fittings/Cong Packers & Other Subsurface To Compressor Miscelianeous Sale Items Contingency (7%) AL TANGIBLE ESTIMATED COST ROVAL AND ACCEPTANCE 	Intermediate Csg Production Csg Liner Tubing Tubing Tubing Tubing thery, Flowline nections ols	4,000 5,667 \$86,617 \$908,747 IT IS RECOGNI OF THIS AUTH IN CONDUCTIN HEREIN SET OD X I Wish	8,625 44,160 9,000 7,000 12,000 60,000 8,000 6,500 21,282 \$325,317 \$649,291 HZED THAT AMOUNTS HEREM ARE ESTIMATES OF HORIZATION SHALL EXTEND TO THE ACTUAL CO ING THE CPEPATION SPECIFIED, WHETHER MORE SIT to be covered by TMBR-Sharp's blow out insurance	8,625 44,160 13,200 11,000 12,000 60,000 8,000 6,500 5,000 26,949 \$411,934 \$1,558,038 NLY AND APPROVAL STS INCURRED IN STS