

TMBR/Sharp



Drilling, Inc.

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

May 3, 2002

TO WORKING INTEREST OWNERS:
(See attached mailing list)

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.

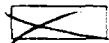
Please indicate your election to participate or not to participate in the operation by indicating in the space below. Also, please return one signed copy of the AFE if you elect to participate. As we anticipate spudding this well in the next several days, your early response is appreciated.

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



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.

Company/Individual Name

By:

TMBR/ Sharp Drilling, INC. AUTHORIZATION FOR EXPENDITURE				AFE Number # 1 Well No. 1,	23-Apr-02
Lease Name Blue 1 in 25		State New Mexico	County/Parish Lea	Location: 1913 TNL & 924 FWL, Sec. 25, T16S, R 35E	
Accr Code	INTANGIBLE DESCRIPTION	COST TO CASING POINT	COMPLETION COST	TOTAL WELL COST	
1	Surveys / Permits / Bonds	1200		1,200	
2	Roads/Location/Damages	30000		30,000	
3	Mob/demob	27000		27,000	
4	Drilling Contract-				
5	Daywork 50days At \$8520 /day	400440	25,560	426,000	
6	Footage				
7	Completion Unit: 15 days At \$ 2000 /day		30,000	30,000	
8	Mud/Chemicals	35000		35,000	
9	Water	18000	3,000	21,000	
10	Cement/Cementing Services	20000	36,000	56,000	
11	Fuel/Electricity/Generator/lights	28200	1,800	30,000	
12	Bits	65000		65,000	
13	Reamers/ stabilizers	15000		15,000	
14	Service Equipment	2000	5,000	7,000	
15	Equipment rentals	10000	35,000	45,000	
16	Wire line Unit				
17	Mud Logging/Palco/Bioassay	18000		18,000	
18	Open Hole Logging	25000	25,000	50,000	
19	Drill Stem Testing and coring	20000		20,000	
20	Tubular Inspection/Testing	3000	1,500	4,500	
21	Transportation (land)	3000	2,000	5,000	
22	Equipment inspection/testing	2500	2,000	4,500	
23	Casing Crews/Tongs	4500	5,000	9,500	
24	Drilling Overhead	6500	1,500	8,000	
25	Supervision	2750	5,500	8,250	
26	Cased Hole Logging & Perf		5,500	5,500	
27	Stimulation		100,000	100,000	
28	Production Testing		10,000	10,000	
29	Completion Fluids		2,500	2,500	
30	Fishing Tools, Supervisor	5000		5,000	
31	Contract labor	2500	3,000	5,500	
32	Insurance	8756	2,919	11,675	
33	Plug and Abandon	15000		15,000	
34	Contingency (7%)	53784	21195	\$74,979	
TOTAL INTANGIBLE ESTIMATED COST		\$822,130	\$323,974	\$1,146,104	
TANGIBLE DESCRIPTION					
35	Conductor				
36	500' of 13 3/8" 54.5 @15.50/FT	7,750		7,750	
37	5000' of 9 5/8" 40# @ 13.00/FT	65,000		65,000	
38	Intermediate Csg				
39	Intermediate Csg				
40	12,500' of 7" 26# @ 11.50/FT		143,750	143,750	
41	1500' of 4 1/2" 11.60# @ 5.75/ft		8,625	8,625	
42	13800' of 2 7/8" 6.50# @3.20/FT		44,160	44,160	
43	Tubing				
44	Tubing				
45	Wellhead Equipment	4,200	9,000	13,200	
46	Float Equipment	4,000	7,000	11,000	
47	Liner Equipment		12,000	12,000	
48	Pumping Unit / Base / Engine				
49	Sucker rods, Polished Rods				
50	Producing Equipment, Tank Battery, Flowline		60,000	60,000	
51	Flowlines, Valves, Fittings/Connections		8,000	8,000	
52	Packers & Other Subsurface Tools		6,500	6,500	
53	Compressor				
54	Miscellaneous Sale Items		5,000	5,000	
55	Contingency (7%)	5,667	21,282	26,949	
TOTAL TANGIBLE ESTIMATED COST		\$86,617	\$325,317	\$411,934	
TOTAL AFE ESTIMATED COST		\$908,747	\$649,291	\$1,558,038	
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>APPROVAL AND ACCEPTANCE</p> <p>Participant <u><i>Charles B. [Signature]</i></u></p> <p>W I _____</p> <p>Title _____</p> <p>Signature _____</p> </div> <div style="width: 50%;"> <p>IT IS RECOGNIZED THAT AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATION SPECIFIED, WHETHER MORE OR LESS THAN THE HEREIN SET OUT</p> <p><input checked="" type="checkbox"/> I Wish to be covered by TMBR/Sharp's blow out insurance</p> <p>_____ I DO NOT Wish to be covered by TMBR/Sharp's blow out insurance</p> <p>Date <u>5-6-02</u></p> </div> </div>					