P. O. Box 1136 Roswell, New Mexico 88202

AUTHORIZATION FOR EXPENDITURE

INDIAN BASIN PROSPECT
660'FEL & 660' FSL
Sec. 8, T-21-S, R-23-E
Eddy County, New Mexico

DRILL AND COMPLETE A 9,000' MORROW TEST WELL:

DRILLING COSTS:

Abstracts, Damages, Legal and Surveying	\$ 15,000.00
Road, Location, Pits and Liner	22,000.00
Drilling: 9,000' X \$16.50/ft	148,500.00
Daywork: 6 Days @ \$4,000/Day	24,000.00
Water, Mud, and Chemicals	
	30,000.00
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Intermediate - 1650' of 9-5/8" @ \$15.56/ft	
Cement: Surface	2,700.00
Intermediate	6,300.00
Wellheads	7,600.00
Logs	25,000.00
Drill Stem Tests: 4 @ \$3,500	
Mud Logging: 30 Days @ \$340.00	14,000.00
Clappun and Diserted	7,200.00
Cleanup and Plugging	[15,000.00
Supervision	10,000.00
Administrative Overhead	5,000.00
Contingency	10,000.00
Gross Receipts Tax @ 5.875%	21.879.00
	MAINIZIVY.
Sub-Total	6204 270 00
	\$394,279.00
COMPTENTAL CORMS.	
COMPLETION COSTS:	
Production Casing: 9,000' of 4-1/2" @ \$5.25/ft	\$ 47,250.00
Cement	15,000.00
Tubing: 9,000' of 2-7/8" @ \$2.86/ft	25,740.00
Wellheads	17,000.00
Completion Unit: 10 Days @ \$1,100/Day	11,000.00
Acid, Water and Frac	30,000.00
Engineering Consultant: 7 Days @ \$300/Day	2,100.00
Rentals (BOP, Packer, Frac Tank)	5,000.00
Contingency	5,000.00
Gross Receipts Tax @ 5.875%	9.288.00
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Sub-Total	\$167,378.00
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SURFACE EOUIPMENT:	4
BEFORE EXAMINER CATANACH	
Tank Battery	\$ 30,000.00
Gross Receipts Tax @ 5,875% OIL CONSERVATION DIVISION	1.763.00
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Sub-Total " EXHIBIT NO	\$ 31,763.00
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GRAND TOTAL CASE NO.	\$593,420.00
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Cisco or Upper Penn only deduct \$25,000 from total. Dual completion of Cisco and Morrow add \$110,000 to total.

IT IS RECOGNIZED THAT THE AMOUNTS HEREIN ARE ESTIMATES ONLY AND APPROVAL OF THIS AUTHORIZATION SHALL EXTEND TO THE ACTUAL COSTS INCURRED IN CONDUCTING THE OPERATIONS SPECIFIED, WHETHER MORE OR LESS THAN THAT SET OUT HEREIN. THE ABOVE ESTIMATES ARE BASED UPON A FLOWING WELL.

SANTA FE EXPLORATION COMPANY	COMPANY:
ву	APPROVED BY:
William A. McAlpine, Jr	DATE:
Date:	SS# or TAX ID#



February 7, 1989

J. Hiram Moore, Trust 201 Wall Building, Suite 519 Midland, Texas 79701

> Re: 9,000' Morrow Test 660' FEL & 660' FSL Section 8, T215, R23E Eddy County, New Mexico

Gentleman:

Santa Fe Exploration Company is requesting you to join in the drilling of a Morrow Test to approximately 9,000 feet, at an unorthodox location 660 feet from the east line and 660 feet from the south line in the above captioned location. This well would include all of section eight as the proration unit as to the Morrow and Cisco or Upper Penn. An AFE is enclosed for your consideration.

If you do not care to participate in the drilling of this test, we request that you farmout your interest in the section on a 75% NRI basis proportionately reduced.

Santa Fe proposes to file for an unorthodox location request, together with communization, and spud the subject well prior to the expiration of the lease in the SE/4 of the SE/4 on May 1, 1989.

We appreciate your timely consideration of our proposal.

Sincerely,

William A. McAlpine, Ur.

WAM/ckm

Encl

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