

**Chama Petroleum Company**

**AUTHORITY FOR EXPENDITURE**

Lease: Bogart Estimated Spud Date: July 30, 1985  
 Well No.: 1 Estimated Completion Date: Aug. 12, 1985  
 Location: 1980' FSL, 1980' FEL, Sec. 4, T-19-S, R-26-E, Eddy Co., New Mexico  
 Date Prepared: 7/15/85

	TO CASING POINT	COMPLETION	TOTAL WELL
<b>INTANGIBLE COSTS:</b>			
Drilling: Footage <u>3900</u> @ <u>12</u> /ft.	\$ 46,800	\$ ---	\$ 46,800
Daywork <u>1</u> @ <u>4000</u> /day	---	4,000	4,000
Other _____	---	---	---
Mud & Chemicals _____	4,000	---	4,000
Brine & Water _____	4,000	2,000	6,000
Conductor _____	---	---	---
Cement: Surface <u>11" x 1100'</u>	5,500	---	5,500
Intermediate _____	---	---	---
Oil String <u>7 7/8" x 3900'</u>	---	7,500	7,500
Plug _____	4,000	(4,000)	---
Location: Road Pad & Cleanup + Pits _____	10,000	2,000	12,000
Survey _____	1,000	---	1,000
Damages _____	1,000	---	1,000
Services: Logging _____	8,000	1,500	9,500
Testing _____	---	1,000	1,000
Coring & Analysis _____	---	---	---
Completion Unit, Swabbing <u>10</u> days	---	12,000	12,000
Perforating _____	---	5,000	5,000
Treating, Acidizing, Fracturing _____	---	45,000	45,000
Supervision _____	4,500	4,500	9,000
Other Geologist _____	1,000	---	1,000
Hauling: Equipment _____	1,000	1,000	2,000
Rental: Racks, BOP, etc _____	500	1,500	2,000
Equipment: Test Tanks, etc. _____	---	1,000	1,000
Anchors _____	---	500	500
Supplies: _____	500	500	1,000
Insurance: _____	750	750	1,500
Expense Reports & Overhead _____	1,500	1,500	3,000
Sub-Total _____	94,050	87,250	181,300
Contingencies <u>10%</u> _____	9,405	8,725	18,130
<b>ESTIMATED TOTAL INTANGIBLES</b> _____	<b>\$ 103,455</b>	<b>\$ 95,975</b>	<b>\$ 199,430</b>
<b>Casing:</b>			
Conductor: _____ of _____ @ _____ /ft.	\$ ---	\$ ---	\$ ---
Surface: <u>1100</u> of <u>8 5/8" 24</u> @ <u>8</u> /ft	8,800	---	8,800
Intermediate: _____ of _____ @ _____ /ft	---	---	---
Production: <u>3900</u> of <u>5 1/2" 13</u> @ <u>5.40</u> /ft	---	21,060	21,060
Tubing: <u>3600</u> of <u>2 7/8" 6.80</u> @ <u>2.65</u> /ft	---	9,540	9,540
Rods: <u>3600</u> of <u>7/8" &amp; 3/4"</u> @ <u>1.75</u> /ft	---	6,300	6,300
Wellheads & Miscellaneous Fittings _____	600	1,500	2,100
Pumping Unit, Motor & Subsurface Eqpt. _____	---	30,000	30,000
Tank Battery: Tanks _____	---	10,000	10,000
Treater or Separator _____	---	5,000	5,000
Fittings _____	---	2,000	2,000
Flowlines _____	---	2,000	2,000
Electrical Hook-Up _____	---	5,000	5,000
Other _____	---	---	---
<b>ESTIMATED TOTAL TANGIBLES (EQUIPMENT)</b> _____	<b>\$ 9,400</b>	<b>\$ 92,400</b>	<b>\$ 101,800</b>
<b>ESTIMATED TOTAL WELL COSTS</b> _____	<b>\$ 112,855</b>	<b>\$ 188,375</b>	<b>\$ 301,230</b>
LEASEHOLD COST _____			\$ ---
<b>ESTIMATED TOTAL</b> _____			<b>\$ 301,230</b>

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

APPROVAL: \_\_\_\_\_  
 COMPANY: \_\_\_\_\_  
 BY: \_\_\_\_\_  
 TITLE: \_\_\_\_\_  
 DATE: \_\_\_\_\_

Examiner QUINTANA  
 Case No. 8703  
 EXHIBIT NO. 3