

CD 201208435

# PAYNE EXPLORATION COMPANY

## Drilling and Completion AFE

Lease Name: <b>Jerry #1-10H</b>		Location: <b>W/2 Section 10-16N-05W</b>		Date: <b>01/21/2013</b>
County: <b>Kingfisher</b>		State: <b>Oklahoma</b>		AFE No: <b>20120805</b>
Type Well: <b>Horizontal Oil</b>		Proposed Formation: <b>Hunton</b>		Expected T.D.: <b>11,900</b>

Purpose of Expenditure and Work Procedure:

Drill 12 1/4" hole to 400'. Run and set 9 5/8" surface casing.  
 Drill 8 3/4" hole to 7,400'. Run and set 7" intermediate casing.  
 Drill 6 1/8" horizontal hole to 11,900' in Hunton and set 4 1/2" production string  
 Treat Hunton with +/- 15 stage frac job.  
 Flow back and test. Put well on gas lift to tank battery.

DESCRIPTION				DRY HOLE	PRODUCER	
<b>INTANGIBLE DRILLING AND COMPLETION COSTS</b>						
Drilling Cost: Lump Sum \$ 0				\$0	\$0	
111 DRILLING - DAYWORK 0 feet @ 0.00 \$ / foot				\$0	\$0	
111 DRILLING - FOOTAGE 22 Days @ 13200 \$ / day				\$290,400	\$290,400	
220 DRILLING COMP-DW 4 Days @ 13200 \$ / day				\$52,800	\$52,800	
108 MOB/DEMOB 35000	107 DRILLING FLUID MUD 105000			\$140,000	\$140,000	
102 CEMENT & EQUIPMENT 22000	205 CEMENT & SERVICES 18000			\$22,000	\$40,000	
10X DRILL STEM TESTING 0	216 LOGGING 40000			\$40,000	\$40,000	
115 GEOLOGICAL SERVICES 5000	Coring \$ 0	119 MUD LOGGING 18000		\$23,000	\$23,000	
146 STAKE LOCATION 850	164 SURFACE DAMAGES 20000	114 DRILLING OVERHEAD 6500		\$27,350	\$27,350	
122 LOCATION 60000	209 LOCATION WORK, DR: 5000	219 COMPLETION OVERHEAD 2500		\$65,000	\$67,500	
129 LABOR, DRILLING 42000	170 TRUCKING DRILLING 7500			\$49,500	\$49,500	
218 MISCELLANEOUS LABOR 5000	244 TRUCKING COMPLETION 1500			\$0	\$6,500	
113 DIRECT SUPERVISION DRILLING 35000	242 DIRECT SUPERVISION COMPLETION 5000			\$35,000	\$40,000	
106 DRILLING CONDUCTOR & RATHOLE 11500	167 PERMITS 500			\$12,000	\$12,000	
			101 ABSTRACTS & LEGAL 6500	\$6,500	\$6,500	
OTHER COST \$ 175 PLUGGING COST \$15,000	110 DIRECTIONAL 225000			\$240,000	\$225,000	
239 COIL TBG & MTR \$ 125000	250 FRAC SYSTEM 0			\$0	\$125,000	
120 DIESEL FUEL 62400	136 WATER 10000	103 DRILL BITS 45000		\$117,400	\$117,400	
130 RENTAL TOOLS 53000	239 RENTAL OF EQUIPMENT 50000			\$53,000	\$103,000	
259 WELDING &/OR CONSTRUCTION 5500	233 CONSTRUCTION COMP 25000			\$5,500	\$30,500	
257 UNIT TO COMPLETE WELL 4 Days @ \$ 4000				\$0	\$16,000	
236 PERFORATING & BOND LOG 120000	243 FRACTURING 1500000			\$0	\$1,620,000	
<b>TOTAL INTANGIBLES</b>				<b>\$1,179,450</b>	<b>\$3,032,450</b>	
<b>WELL EQUIPMENT</b>						
Other Cost \$ 0					\$0	
Non-Controllable Tangible Equip. \$ 0					\$0	
188 SURFACE CASING 500	Fl. of 9-5/8" 32# J-55 New	23.00		\$11,500	\$11,500	
191 INTERMEDIATE CSG 0	Fl. of	0.00		\$0	\$0	
191 INTERMEDIATE CSG 7400	Fl. of 7" 26# K-55 LT&C New	18.00		\$133,200	\$133,200	
277 PROD CSG - NEW 11900	Fl. of 4 1/2" 11.6# P-110 LT&C New	11.75		\$0	\$139,825	
Tie-Back: 0	Fl. of	0.00		\$0	\$0	
279 PROD TBG - NEW 7200	Fl. of 2 3/8" 4.7# N-80 8rd EUE New	4.75		\$0	\$34,200	
275 PACKER W/FITTINGS 4500	189 CASING HEAD DRLG 12500	291 WELL HEAD 6000		\$12,500	\$23,000	
282 PMPG UNIT ENGINE 0	252 GAS LIFT SYSTEM 10000			\$0	\$10,000	
288 SUCKER RODS 0	Fl. of 7/8" & 3/4" rods	3.7		\$0	\$0	
269 DOWNHOLE PUMP 0	281 PUMPING UNIT	0		\$0	\$0	
<b>GENERAL LEASE EQUIPMENT</b>						
285 OTHER EQUIPMENT						
Other Cost \$ 0					\$0	
Non-Controllable Tangible Equip. \$ 0					\$0	
271 FIBERGLASS SWT 9000	Description: 1-300 FG w/ walkway			\$0	\$9,000	
287 STOCK TANKS 25000	Description: 2-300 bbl Steel			\$0	\$25,000	
286 SEPARATOR 7500	Description: 1-30"x10' two phase			\$0	\$7,500	
272 HEATER TREATER 19500	Description: 4x20 50#			\$0	\$19,500	
265 OTHER EQUIPMENT 5500	Description: New 30"x10' FWKO			\$0	\$5,500	
BUILDINGS 0	212 ELECTRICAL INSTALLATION	0		\$0	\$0	
273 BATTERY FITTINGS/LINE PIPE 21000	SWD Pumps \$	0		\$0	\$21,000	
		240 RIGHT-OF-WAY AND DAMAGES		\$0	\$0	
267 CATTLEGUARD / SAFETY ANCHORS		7500		\$0	\$7,500	
<b>Estimated Operator Cost</b>						
Drilling % 100.000%	\$1,403,483		<b>TOTAL TANGIBLES</b>	<b>\$157,200</b>	<b>\$446,725</b>	
Completion % 100.000%	\$2,249,651			<b>CONTINGENCY 5%</b>	<b>\$66,833</b>	<b>\$173,959</b>
<b>Total Operator Cost:</b>	<b>\$3,653,134</b>			<b>TOTAL ESTIMATE</b>	<b>\$1,403,483</b>	<b>\$3,653,134</b>
W. C. Payne Approval	Date	Partner Approval		WI %	AMOUNT	
Engineering Approval	Date	Company:		0.000000%	\$0	
	1/21/13	Signature:				
		Typed Name:				

JAN 22 2013

