

**NADEL AND GUSSMAN PERMIAN, LLC**

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone (432) 682-4429

Fax: (432) 682-4325

January 25, 2005

State of New Mexico  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexico

2005 JAN 31 PM 1 00


Gentlemen:

Please find enclosed, for your information and file, information mailed this date to the parties that were pooled under Compulsory Pooling Case No. 13365, Order No. R-12263 dated November 10, 2004. All other interest parties have leased or joined in the drilling of the captioned well.

Thank you for your assistance in this matter and if other information is needed please advise.

WWT  
1/31/05

Very truly yours,

  
Frank K. Wolfe

**AUTHORITY FOR EXPENDITURE**  
**NADEL AND GUSSMAN PERMIAN, LLC MIDLAND, TX**

PROSPECT NAME: CYPRESS POINT FIELD: LOVING N. MORROW DATE: 01/25/05  
 LEASE/WELL NUMBER: ARTEMIS FED COM #1 PREPARED BY: JOSH FERNAU  
 LOCATION: SW 1/4, SEC 33 T22S & R28E  
 COUNTY, STATE: EDDY, NM DAYWORK CONTRACT - STRAIGHT WELL - LINED RESERVE PIT  
 PRIMARY OBJECTIVES: MORROW SINGLE SAND COMPLETION (ONE FRAC)  
 ATOKA

PROJECTED TOTAL DEPTH: 12,850'

| ASSUMES BLM APPROVES CSG PROGRAM, ASSUMES OCD ALLOWS RESERVE PIT |  |  |  | CASING POINT   | COMPLETION COSTS |
|--|--|--|--|----------------|------------------|
| <b>INTANGIBLE COSTS</b>  |  |  |  |                |                  |
| LEGAL WORK/PERMITTING/SURVEY/STAKING                             |  |  |  | 4000           | 500              |
| ROW  |  |  |  | 2000           | 500              |
| SITE PREPARATION/CLEAN-UP  |  |  |  | 38000          | 60000            |
| RIG MOVES  |  |  |  | 40000          | 10000            |
| DRILLING TURN-KEY  |  |  |  | 0              | 0                |
| DRILLING DAYWORK   |  |  |  | 504000         | 31500            |
| DRILLING FOOTAGE   |  |  |  | 0              | 0                |
| DRILL PIPE/TOOL RENTAL   |  |  |  | 0              | 0                |
| BITS   |  |  |  | 70000          | 500              |
| WATER  |  |  |  | 40500          | 5500             |
| DOWNHOLE MOTOR / MWD   |  |  |  | 0              | 0                |
| MUD/CHEMICALS/PKR FLUID  |  |  |  | 90000          | 2000             |
| MUD LOGGING  |  |  |  | 30400          | 0                |
| OPEN HOLE LOGGING FORMATION EVALUATION                           |  |  |  | 48000          | 0                |
| LINER HANGER   |  |  |  | 0              | 0                |
| DIESEL - 1000 hp rig   |  |  |  | 52800          | 3300             |
| DST'S 1 @ \$4000/TEST  |  |  |  | 0              | 0                |
| WELDING  |  |  |  | 9000           | 5000             |
| CASING CREW/TOOLS  |  |  |  | 18000          | 4000             |
| CASING CEMENTING   |  |  |  | 48000          | 45000            |
| SQUEEZE CMTG/PLUGGING  |  |  |  | 15000          | -15000           |
| TRANSPORTATION   |  |  |  | 15000          | 2700             |
| RENTAL TOOLS/EQUIP   |  |  |  | 30200          | 3000             |
| COMPLETION RIG   |  |  |  | 0              | 50000            |
| PERFORATING/CASED HOLE LOGGING/CIBP/CMT                          |  |  |  | 0              | 25000            |
| BREAKDOWN  |  |  |  | 0              | 10000            |
| FRACTURING/STIMULATION   |  |  |  | 0              | 100000           |
| FRAC TANKS/WATER TRANSPORTS                                      |  |  |  | 0              | 8000             |
| PIT LINER / FENCE  |  |  |  | 9000           | 0                |
| LABOR/ROUSTABOUT CREWS   |  |  |  | 15000          | 6500             |
| INSURANCE  |  |  |  | 25700          | 0                |
| BOP TESTING - 3RD PARTY  |  |  |  | 5000           | 0                |
| COLLAR INSPECTION/DAMAGES  |  |  |  | 14000          | 0                |
| TREATING PACKER  |  |  |  | 0              | 15000            |
| FIELD SUPERVISION  |  |  |  | 39600          | 10725            |
| ADMINISTRATIVE SERVICES/OVERHEAD                                 |  |  |  | 9950           | 3000             |
| CONTINGENCY  |  |  |  | 117315         | 38673            |
| <b>TOTAL INTANGIBLE COSTS</b>                                    |  |  |  | <b>1290465</b> | <b>426398</b>    |

\*Note\* ALL PIPE PRICES ARE SUBJECT TO INCREASE DUE TO MARKET FLUCTUATION PARTNERS WILL BE BILLED FOR ACTUAL COST

| <b>TANGIBLE COSTS</b>            |   |                                     |            |                |               |
|----------------------------------|---|-------------------------------------|------------|----------------|---------------|
| 20"                              | " | CONDUCTOR                           | 60 FT @    | 40.25 /FT      | 0             |
| 13-3/8"                          | " | SURFACE                             | 300 FT @   | 31.75 /FT      | 9525          |
| 9-5/8"                           | " | INTERMEDIATE                        | 6100 FT @  | 33.50 /FT      | 204350        |
| 7-0"                             | " | 2 nd INTERMEDIATE                   | 0 FT @     | 15.00 /FT      | 0             |
| 5 1/2"                           | " | PRODUCTION CASING                   | 12850 FT @ | 15.00 /FT      | 192750        |
| 2 7/8"                           | " | TUBING                              | 12750 FT @ | 6.00 /FT       | 0             |
|                                  |   | RODS                                | 0 FT @     | 0 /FT          | 0             |
|                                  |   | FLOAT EQUIP, DV TOOL, ETC           |            |                | 8000          |
|                                  |   | CATTLEGUARDS/GATES                  |            |                | 3000          |
|                                  |   | WELLHEAD                            |            |                | 11000         |
|                                  |   | PACKER                              |            |                | 0             |
|                                  |   | DOWNHOLE PUMP/TAC                   |            |                | 0             |
|                                  |   | FORKLIFT/PIPE RACKS                 |            |                | 2500          |
|                                  |   | STOCK TANKS/WATER TANKS             |            |                | 0             |
|                                  |   | SEPARATORS                          |            |                | 0             |
|                                  |   | GPU/TREATER                         |            |                | 0             |
|                                  |   | VALVES/FITTINGS                     |            |                | 0             |
|                                  |   | FLOWLINE                            |            |                | 0             |
|                                  |   | METER RUN, ETC.                     |            |                | 0             |
|                                  |   | MISCELLANEOUS (ROCK, FIREWALL, ETC) |            |                | 0             |
|                                  |   | CONTINGENCY                         |            |                | 21725         |
| <b>TOTAL TANGIBLE</b>            |   |                                     |            | <b>452850</b>  | <b>190300</b> |
| <b>TOTAL TANGIBLE/INTANGIBLE</b> |   |                                     |            | <b>1743315</b> | <b>616698</b> |

**TOTAL WELL COST 2359013**

JOINT INTEREST APPROVAL \_\_\_\_\_

COMPANY: \_\_\_\_\_

BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

NADEL AND GUSSMAN

BY: *Jh Fernau*

DATE: 01/25/05

**NADEL AND GUSSMAN PERMIAN, LLC**

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

Fax: (432) 682-4325

January 25, 2005

Martha Rouse Schalk Trustee  
Of the Schalk Family Trust  
Albuquerque, New Mexico 87125

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexic

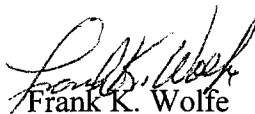
Ms. Schalk:

Please find enclosed a copy of Compulsory Pooling Case No.13365, Order No. R-12263 issued November 10, 2004 covering the captioned land. The location of the Artemis Federal Com Well No.1 will be in the SW/4 of Section 33, T-22-S, R-28-E, Eddy County, New Mexico. An AFE for the drilling of this well is also enclosed for your evaluation.

As per the Order, please advise within thirty (30) days from receipt of this letter whether or not you elect to participate in this well. If you elect to participate, please sign, date and return the AFE to this office at your earliest convenience.

If you have any questions, please feel free to call the undersigned at the above number.

Very truly yours,

  
Frank K. Wolfe

cc: State of New Mexico  
Oil Conservation Division

**NADEL AND GUSSMAN PERMIAN, LLC**

601 North Marienfeld, Suite 508

Midland, Texas 79701

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Fax: (432) 682-4325

January 25, 2005

Unit Petroleum Company  
P. O. Box 702500  
Tulsa, Oklahoma 74170

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexic


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Midland, Texas 79701

Phone: (432) 682-4429

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January 25, 2005

Sande Wische  
126 Passaic Street  
Newark, New Jersey 07104

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexic


Dear Ms. Wische:

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Oil Conservation Division

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601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

Fax: (432) 682-4325

January 25, 2005

Allan D. Tuck, Jr.  
2370 North Euclid  
Upland, California 91786

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexic


Dear Mr. Tuck:

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Oil Conservation Division

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Fax: (432) 682-4325

January 25, 2005

Chester J. Stuebben  
1275 Rock Avenue, #HH5  
North Plainfield, New Jersey 07060

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexic


Dear Mr. Stuebben:

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cc: State of New Mexico  
Oil Conservation Division

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601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

Fax: (432) 682-4325

January 25, 2005

John McIsaac  
3000 North Ocean Drive, Apt. 38F  
Singer Island, Florida 33404

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexic

Dear Mr. McIsaac:

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Frank K. Wolfe

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Oil Conservation Division



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601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (432) 682-4429

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January 25, 2005

Mr. Larry Turner  
Star Route #2  
Lamesa, Texas 79331

CERTIFIED MAIL

Re: Nadel and Gussman Permian, LLC  
Artemis Federal Com. Well No.1  
SW/4 Section 33, T-22-S, R-28-E, NMPM  
Eddy County, New Mexico

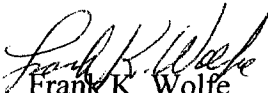
Dear Mr. Turner:

Please find enclosed a copy of Compulsory Pooling Case No.13365, Order No. R-12263 issued November 10, 2004 covering the captioned land. The location of the Artemis Federal Com Well No.1 will be in the SW/4 of Section 33, T-22-S, R-28-E, Eddy County, New Mexico. An AFE for the drilling of this well is also enclosed for your evaluation.

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