

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF NADEL AND GUSSMAN  
PERMIAN, L.L.C. FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 13,425

STATEMENT OF SAM H. JOLLIFFE IV

Sam H. Jolliffe IV, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. Pursuant to Division Rule 1207.A.(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because:

(i) the locatable working interest owners (Chester J. Stuebben and Sandy Wische) have been contacted several times regarding the subject wells, but have not agreed to participate in the wells or to farm out their interests; and

(ii) several working interest owners (John McIsaac, Larry Turner, Alan D. Tuck, and Evelyn Tuck) are not locatable. These persons acquired small working interests in this and other acreage approximately 20 years ago, and own interests in several wells operated by applicant. Applicant has attempted to locate these persons for several years through a search of the Eddy County records, nationwide telephone records, and internet databases, but has been unable to locate them.

(b) A map outlining the spacing unit being pooled, and marking the location of the subject wells, is attached hereto as Exhibit A. Applicant seeks to dedicate the  $S\frac{1}{2}$  of Section 32, Township 22 South, Range 28 East, N.M.P.M. to the Brutus Well No. 1 and Grizzly Well No. 1 as to the depths from the surface to the base of the Morrow formation. The primary zone of interest is the Morrow formation, which is a gas-bearing zone.

(c) The parties being pooled, their interests in the 320 acre well unit, and their last known addresses, are as follows:

Larry Turner  
Star Route 2  
Lamesa, Texas 79331

$$0.745699\% \times 75\% \times 80/320 = 0.139819\%$$

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER 1

John McIsaac  
3000 North Ocean Drive, Apt. 38-F  
Singer Island, Florida 33404  
 $0.745699\% \times 75\% \times 80/320 = 0.139819\%$

Chester J. Stuebben  
1275 Rock Avenue, #HH5  
North Plainfield, New Jersey 07600  
 $0.372850\% \times 75\% \times 80/320 = 0.069909\%$

Alan D. Tuck, Jr. and Mrs. Evelyn Tuck  
2370 North Euclid  
Upland, California 91786  
 $0.372850\% \times 75\% \times 80/320 = 0.069909\%$

Sandy Wische  
126 Passaic Street  
Newark, New Jersey 07104  
 $0.745699\% \times 75\% \times 80/320 = 0.139819\%$

(d) Copies of the proposal letters which applicant sent to the uncommitted working interest owners are attached hereto as Exhibit B.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against any non-consenting interest owners.

(f) Copies of the Authority for Expenditure for each well are attached hereto as Exhibit C. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(g) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth.

VERIFICATION

STATE OF TEXAS )  
 ) ss.  
COUNTY OF MIDLAND )

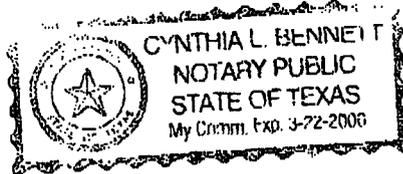
Sam H. Jolliffe IV, being duly sworn upon his oath, deposes and states that: He is a landman for Nadel and Gussman Permian, L.L.C.; he is authorized to make this verification on its behalf; he has read the foregoing statement and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

Sam H. Jolliffe IV  
Sam H. Jolliffe IV

Subscribed and sworn to before me this 2<sup>ND</sup> day of March, 2005 by Sam H. Jolliffe IV.

Cynthia L. Bennett  
Notary Public

My Commission Expires:  
3/23/06



District I  
1625 N. French Dr. Hobbs, NM 88240

District II  
811 South First, Artesia, NM 88210

District III  
1000 Rio Brazos Rd., Aztec NM 87410

District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, N M 87505

Revised March 17, 1999  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name <b>BRUTUS</b>	Well Number <b>1</b>
OGRID No.	Operation Name <b>NADEL &amp; GUSSMAN OIL PRODUCERS</b>	Elevation <b>3051</b>

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
<b>M</b>	<b>32</b>	<b>22-S</b>	<b>28-E</b>		<b>1241</b>	<b>SOUTH</b>	<b>1264</b>	<b>WEST</b>	<b>EDDY</b>

Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
<b>M</b>	<b>32</b>	<b>22-S</b>	<b>28-E</b>		<b>660</b>	<b>S</b>	<b>660</b>	<b>W</b>	<b>Eddy</b>

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>OPERATOR CERTIFICATION</b> I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>
	<p>Signature <b>Gordon Barker</b></p>
	<p>Printed Name <b>GORDON BARKER</b></p>
	<p>Title <b>ENGINEER</b></p>
	<p>Date <b>6/24/03</b></p>
	<p><b>SURVEYOR CERTIFICATION</b> I HEREBY CERTIFY THAT THE WELL LOCATION SHOWN ON THIS PLAT WAS PLOTTED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION, AND THAT THE SAME IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>
	<p>Date of Survey <b>JUNE 17, 2003</b></p>
	<p>Signature and Seal of Professional Surveyor  </p>
	<p>Professional Engineer                  Certificate Number <b>12</b> </p>

EXHIBIT  
**A**



**NADEL AND GUSSMAN PERMIAN, L.L.C.**

**601 N. Marienfeld, Suite 508**

**Midland, TX 79701**

**Office: (915)682-4429**

**Fax: (915)682-4325**

June 16, 2003

TO: Brutus #1 Working Interest Owners  
Address List attached

FROM: Sam Jolliffe *Sam Jolliffe*  
Nadel and Gussman Permian, LLC

RE: Brutus #1  
S/2 Section 32, T-22-S, R-28-E  
Eddy County, New Mexico

Nadel and Gussman Permian, LLC ("NGP") as majority working interest owner under the captioned acreage, hereby proposes the drilling of the Brutus #1, to be drilled at a legal location in the SW/4 Section 32, T-22-S, R-28-E. Our tentative location is 660' FSL & 990' FWL Section 32, however this location may have to be moved slightly due to surface facility/housing compliance issues. Said well will be drilled to test the Atoka / Morrow Formations at an approximate depth of 12,700 feet. The S/2 Section 32 will be the designated spacing unit for the well.

An AFE is enclosed for your evaluation. If you elect to participate, we will forward a Joint Operating Agreement for your execution. In the event you elect not to participate, NGP will consider a farm-in of your interest on terms acceptable to NGP.

NGP plans to build location in early July, and spud around the middle of July. Please advise if you have any questions or need further information.



**ADDRESS LIST**  
**BRUTUS #1**

✓ Nadel and Gussman Permian, LLC  
601 N. Marienfeld, Suite 508  
Midland, Texas 79701

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

✓ Eastland Resources, Inc. & Eastland Exploration, Inc.  
P.O. Drawer 3488  
Midland, Texas 79702

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

✓ Larry Turner  
Star Route 2  
Lamesa, Texas 79331

Sande Wische  
126 Passaic Street  
Newark, New Jersey 07104

Chester J. Stuebben  
1275 Rock Avenue, #HH5  
North Plainfield, New Jersey 70600

Alan D. Tuck, Jr. & Evelyn Tuck  
2370 North Euclid  
Upland, California 91786

**SENDER COMPLETE THIS SECTION**

- Complete items 1 and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Sande Wische  
126 Passaic St.  
Newark, NJ 07104**

2. Article Number  
(Transfer from service label)

7002 1000 0001 8568 3570

PS Form 3811, August 2001

Domestic Return Receipt

2ACPRI-03-P-4081

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

*Sande Wische*

- Agent
- Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
if YES, enter delivery address below:  No

3. Service Type

- Certified Mail  Express Mail
- Registered  Return Receipt for Merchandise
- Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

**U.S. Postal Service  
CERTIFIED MAIL RECEIPT**

Domestic Mail Only; No Insurance Coverage Provided

**OFFICIAL USE**

7002 1000 0001 8568 3570

Postage	\$ .60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 4.65</b>

Postmark  
Here

Sent To Sande Wische  
Street, Apt. No.,  
or PO Box No.  
City, State, ZIP+4

PS Form 3800, April 2002

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

COMPLETE THIS SECTION ON DELIVERY

- Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

A. Signature

X *ds*

- Agent
- Addressee

B. Received by (Printed Name)

*C. J. Stuebben*

C. Date of Delivery

*7/1/03*

D. Is delivery address different from item 1?  Yes  
if YES, enter delivery address below:  No

1. Article Addressed to:

**Chester J. Stuebben**  
**1275 Rock Avenue, #HH5**  
**North Plainfield, NJ 70600**

3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

2. Article Number

(Transfer from service label)

7002 1000 0004 8568 3556

PS Form 3811, August 2001

Domestic Return Receipt

2ACPRI-03-P-40

U.S. Postal Service

CERTIFIED MAIL RECEIPT

Domestic Mail Only; No Insurance Coverage Provided

OFFICIAL USE

7002 1000 0004 8568 3556

Postage	\$ .60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 4.05</b>

Postmark  
Here

Sent To *Chester Stuebben*  
 Street, Apt. No.,  
 or PO Box No.  
 City, State, ZIP+4

PS Form 3800, April 2002

See Reverse for Instructions

MIDLAND, TX 79701 X 797  
 1821 JUN 16 03  
 04 65 01  
 3807 PM  
 2003  
 FROM MIDLAND TX 79701  
 MIDLAND/QUESSA

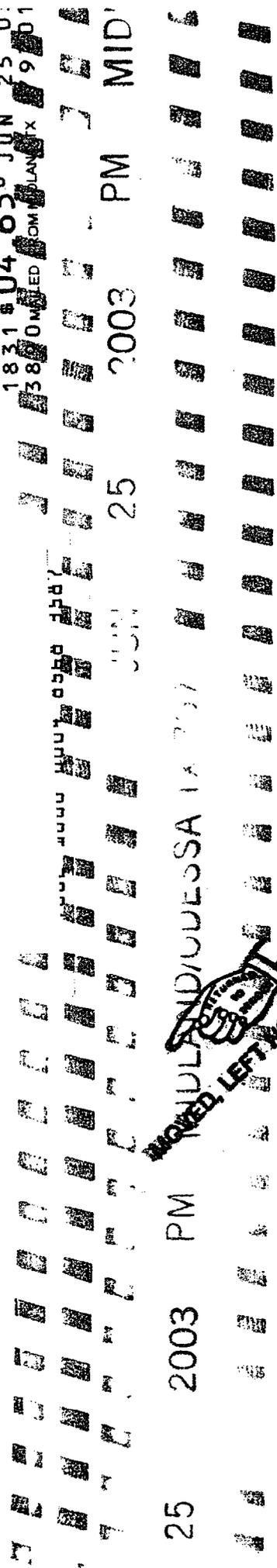
**MOVED, LEFT NO RETURN**  
 RETURNED TO SENDER  
 Alan D. Tuck, Jr. & Evelyn Tuck  
 2379 North Euclid  
 Upland, California 91786

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
1. Article Addressed to <b>Alan D. Tuck</b> <b>237</b> <b>Upland</b>		A. Signature <input checked="" type="checkbox"/>	B. Received by (Printed Name) <input type="checkbox"/> Agent <input type="checkbox"/> Addressee
2. Article Number (Transfer from service label) <b>7002 1000 0004 8568 3624</b>		D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below: <b>917843014 LN 23 06/28/03</b> <b>RETURN TO SENDER</b> <b>NO FORWARD ORDER ON FILE</b> <b>UNABLE TO FORWARD</b> <b>RETURN TO SENDER</b>	
4. Restricted Delivery? (Extra fee) <input type="checkbox"/>		5. Restricted Delivery? (Extra fee) <input type="checkbox"/>	

TX 79 Nadel and Gussman Permi...  
 601 N. Marienfeld, Suite 508  
 Midland, TX 79701

JUN 25 2003 PM MID

117 1831 04 650 PB862503  
 3800 ED OM LAN TX 9 01



MOVED TO MAIL ROOM  
 NO ADDRESS

Alan D. Tuck, Jr. & Evelyn Tuck  
 2370 North Euclid  
 Upland, California 91786

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece or on the front if space permits.

1. Article Addressed to:

Alan D. Tuck, Jr. & Evelyn Tuck  
 2370 North Euclid  
 Upland, California 91786

COMPLETE THIS SECTION ON DELIVERY

A. Signature  Agent Address

B. Received by (Printed Name)  Date of Delivery

D. Is delivery address different from item 1?  Yes  No  
 If YES, enter delivery address below:

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.  
 4. Restricted Delivery? (Extra Fee)  Yes  No

2. Article Number

7000 1.000 0004 8568 3587

**Nadel and Gussman Permian, LLC**  
 601 N. Marienfeld, Suite 508  
 Midland, TX 79701

7002 1000 0004 8568 3563

UNITED STATES POSTAGE  
 144  
 1851 # 04.650 JUN 25  
 3888 MAILED FROM MIDLAND TX 79

**RETURN TO SENDER**

INSUFFICIENT ADDRESS  
 NO SUCH NUMBER  
 UNCLAIMED  REFUSED  
 ATTEMPTED NOT KNOWN  
 NO SUCH STREET  
 VACANT  
 NO RECEIPTABLE  
 NOT DELIVERABLE  
 ADDRESS UNKNOWN  
 NO POSTAGE  
 ROUTE NO 122 DATE 6/28  
 CAGG000122

*Fwd ep 408*

**John McIsaac**  
 3000 North Ocean Dr., Apt. 38-F  
 Singer Island, Florida 33404

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**John McIsaac**  
 3000 North Ocean Dr., Apt. 38-F  
 Singer Island, Florida 33404

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
 Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number

7002 1000 0004 8568 3563



176  
1881  
180

176  
1881  
180

04.650 JUN 16 03  
PB86Z5039  
MAILED FROM MIDLAND TX 79701



RETURNED TO SENDER  
UNDELIVERABLE AS ADDRESSED

*[Handwritten scribble]*

Larry Turner  
Star Route 2  
Lamesa, TX 79331



RETURNED TO SENDER  
UNDELIVERABLE AS ADDRESSED

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also, complete item 4 if Restricted Delivery is desired.
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Lamesa, TX 79331

**COMPLETE THIS SECTION ON DELIVERY**

- A. Signature  Agent  
**X**  Addressee
- B. Received by (Printed Name)  Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.
4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number:  
(Transfer from service label)

7002 1000 0004 8566

NADEL AND GUSSMAN PERMIAN, L.L.C.  
601 N. MARIENFELD, SUITE 508  
MIDLAND, TX 79701  
OFFICE: (432) 682-4429  
FAX: (432) 682-4325

January 31, 2005

Chester J. Stuebben  
1275 Rock Avenue, #HH5  
North Plainfield, New Jersey 70600

RE: Grizzly #1  
S/2 Section 32, T-22-S, R-28-E  
Eddy Co., New Mexico

Nadel and Gussman Permian, LLC ("NGP") as a Working Interest Owner under the captioned acreage, hereby proposes the drilling of the Grizzly #1. Said well is proposed to be drilled at an approximate location of 1475' FSL & 660' FEL Section 32, T-22-S, R-28-E, and will be drilled to test the Morrow Formation at an approximate depth of 12,750 feet.

An AFE is enclosed for your evaluation. If you elect to participate in this drilling proposal, please return an executed copy of the AFE to the undersigned at the captioned address. In the event you elect not to participate NGP will consider a farm-in of your interest on terms acceptable to NGP.

Sincerely,

  
Sam H. Jolliffe IV  
Land Manager

*I do not wish  
to participate*  


**NADEL AND GUSSMAN PERMIAN, L.L.C.**  
**601 N. MARIENFELD, SUITE 508**  
**MIDLAND, TX 79701**  
**OFFICE: (432) 682-4429**  
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January 31, 2005

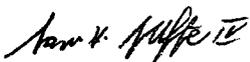
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January 31, 2005

John McIssac  
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Singer Island, Florida 33404

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601 N. MARIENFELD, SUITE 508  
MIDLAND, TX 79701  
OFFICE: (432) 682-4429  
FAX: (432) 682-4325

January 31, 2005

Sande Wische  
126 Passaic Street  
Newark, New Jersey 07104

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Eddy Co., New Mexico

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January 31, 2005

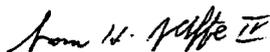
Alan D. Tuck, Jr. & Evelyn Tuck  
2370 North Euclid  
Upland, California 91786

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Sincerely,



Sam H. Jolliffe IV  
Land Manager

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

PROSPECT NAME: BRUTUS FIELD: LOVING MORROW DATE: 09/11/03  
 LEASEWELL NUMBER: BRUTUS #1 PREPARED BY: JF Martin  
 LOCATION: SW/4 32-22s-28e  
 COUNTY, STATE: EDDY, NM dsywork contract  
 PRIMARY OBJECTIVES: Morrow, Aloka, Delaware  
 PROJECTED TOTAL DEPTH: 12700 SINGLE MORROW SAND COMPL ASSUMED

ASSUMES OCD APPROVES CSG PROGRAM AND PROTECTION LINER NOT NEEDED				CASING POINT	COMPLETION COSTS
<b>INTANGIBLE COSTS</b>					
LEGAL WORK/PERMITTING/SURVEY/STAKING				2000	500
ROW				25000	5000
SITE PREPARATION/CLEAN-UP				30000	10000
RIG MOVES				25000	
<b>DRILLING TURN-KEY</b>					
	DRLG	COMPL	DAYS		
DRILLING DAYWORK	40	3	7500 /DAY	300000	22500
DRILLING FOOTAGE		FT. @	/FT	0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID	0		/DAY	0	
BITS				50000	500
WATER				25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)	0		250 /DAY	0	
MUD/CHEMICALS/PKR FLUID				75000	2000
MUD LOGGING		30 DAYS @	500 /DAY	15000	
OPEN HOLE LOGGING				30000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD					
DIESEL	40		850 /DAY	34000	
DST'S 1 @ \$4000/TEST				0	
WELDING					
CASING CREW/TOOLS				4000	3000
CASING CEMENTING				25000	20000
SQUEEZE CMTG/PLUGGING				15000	-15000
TRANSPORTATION				2500	2500
RENTAL TOOLS/EQUIP					5000
COMPLETION RIG	10 DAYS @		1850 /DAY		18500
PERFORATING/CASED HOLE LOGGING/CIBP/CMT					7500
BREAKDOWN					10000
FRACTURING/STIMULATION					85000
FRAC TANKS/WATER TRANSPORTS					5000
PIT LINER				2500	
LABOR/ROUSTABOUT CREWS				1500	5000
INSURANCE				12000	
BOP TESTING - 3RD PARTY				1200	
COLLAR INSPECTION/DAMAGES					
TREATING PACKER					
	DRLG	COMPL	DAYS		
FIELD SUPERVISION	40	10	575 /DAY	23000	5750
ADMINISTRATIVE SERVICES/OVERHEAD				1000	1000
CONTINGENCY				69870	19075
<b>TOTAL INTANGIBLE COSTS</b>				<b>769670</b>	<b>216325</b>
<b>TANGIBLE COSTS</b>					
20"	CONDUCTOR	40 FT @	40.13 /FT	1605	
13-3/8"	SURFACE	500 FT @	17.23 /FT	8614	
9-5/8"	INTERMEDIATE	8000 FT @	14.00 /FT	84000	
7-0"	2nd INTERMEDIATE	0 FT @	10.00 /FT	0	
5 1/2"	PROD CSG	12700 FT @	7.00 /FT		88900
2-7/8"	TUBING	12300 FT @	3.25 /FT		39975
	RODS	0 FT @	0 /FT		0
FLOAT EQUIP, DV TOOL, ETC					
CATTLEGUARDS/GATES					
WELLHEAD				5000	7500
PACKER					7000
DOWNHOLE PUMP/TAC					
FORKLIFT/PIPE RACKS				1500	1500
STOCK TANKS/WATER TANKS					10000
SEPARATORS					
GPU/TREATER					10000
VALVES/FITTINGS					5000
FLOWLINE					20000
METER RUN, ETC.					2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)					3000
CONTINGENCY				650	19538
<b>TOTAL TANGIBLE</b>				<b>101369</b>	<b>214913</b>
<b>TOTAL TANGIBLE/INTANGIBLE</b>				<b>869939</b>	<b>431238</b>

**TOTAL WELL COST** **1301176**

JOINT INTEREST APPROVAL  
 COMPANY: \_\_\_\_\_  
 BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

NADEL AND GUSSMAN  
 BY: *Joel Martin*  
 DATE: *6/11/03*



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

PROSPECT NAME: SANDIT BEND FIELD: LOVING N. MORROW DATE: 09/22/04  
 LEASE/WELL NUMBER: GRIZZLY FEE #1 PREPARED BY: JOEH FERNAU  
 LOCATION: SEC 32, T22S, R20E, 147S F&L & 680 FEL  
 COUNTY, STATE: EDDY, NM DAYWORK CONTRACT - STRAIGHT WELL - LINED RESERVE PIT  
 PRIMARY OBJECTIVES: MORROW SINGLE SAND COMPLETION (ONE FRAC)  
ATOKA

PROJECTED TOTAL DEPTH: 12,750'  
 ASSUMES OGD APPROVES CSG PROGRAM, ASSUMES OGD ALLOWS RESERVE PIT

INTANGIBLE COSTS	CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING	4000	500
ROW	16000	500
SITE PREPARATION/CLEAN-UP	98000	60000
RIG MOVES	40000	10000
DRILLING TURN-KEY	DRLG COMPL. DAYS	0
DRILLING DAYWORK	46 3 9000 /DAY	414000
DRILLING FOOTAGE	FT. @ /FT	0
DRILL PIPE/TOOL RENTAL	0 /DAY	0
BITS	65000	500
WATER	35000	5900
DOWN-HOLE MOTOR / MWD	0 5800 /DAY	0
MUD/CHEMICALS/SPKR FLUID	90000	2000
MUD LOGGING	32 DAYS @ 950 /DAY	30400
OPEN HOLE LOGGING FORMATION EVALUATION	48000	0
LINER HANGER	0	0
DIESEL - 1000 hp rig	46 3 1100 /DAY	50600
DST'S 1 @ \$4000/TEST	0	0
WELDING	8000	5000
CASING CREW/TOOLS	18000	4000
CASING CEMENTING	50000	20000
SQUEEZE CMTG/PLUGGING	15000	-16000
TRANSPORTATION	15000	2700
RENTAL TOOLS/EQUIP	50000	5000
COMPLETION RIG	25 DAYS @ 2000 /DAY	0
PERFORATING/CASED HOLE LOGGING/CIS/PCMT	0	25000
BREAKDOWN	0	10000
FRACTURING/STIMULATION	0	100000
FRAC TANKS/WATER TRANSPORTS	0	6000
PIT LINER / FENCE	5600	0
LABOR/ROUSTABOUT CREWS	15000	6500
INSURANCE	20000	0
BOP TESTING - 3RD PARTY	5000	0
COLLAR INSPECTION/DAMAGES	14000	0
TREATING PACKER	DRLG COMPL. DAYS	0
FIELD SUPERVISION	46 13 825 /DAY	37950
ADMINISTRATIVE SERVICES/OVERHEAD	9800	3000
CONTINGENCY	108135	35723
<b>TOTAL INTANGIBLE COSTS</b>	<b>1200485</b>	<b>382848</b>

\*ALL PRICES ARE SUBJECT TO PRICING DUE TO MARKET FLUCTUATION. PRICES WILL BE BILLED FOR ACTUAL COST

**TANGIBLE COSTS**

DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL	INCL IN LOCATION COSTS
20" CONDUCTOR	60 FT @	40.25 /FT	0	
13-3/8" SURFACE	300 FT @	30.15 /FT	9045	
8-5/8" INTERMEDIATE	8100 FT @	30.00 /FT	183000	
7-0" 2nd INTERMEDIATE	0 FT @	15.00 /FT	0	
5-1/2" PRODUCTION CASING	12800 FT @	15.00 /FT	0	192000
2-7/8" TUBING	12650 FT @	6.00 /FT	0	75900
RODS	0 FT @	0 /FT	0	0
FLOAT EQUIP, DV TOOL, ETC			8000	1300
CATTLE GUARDS/GATES			9000	1500
WELLHEAD			11000	7500
PACKER			0	14000
DOWN-HOLE PUMP/TAC			0	0
FORKLIFT/PIPE RACKS			2500	1500
STOCK TANKS/WATER TANKS			0	14000
SEPARATORS			0	12000
GPI/TREATER			0	12000
VALVES/FITTINGS			0	9000
FLOWLINE			0	15000
METER RUN, ETC.			0	2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)			0	6000
CONTINGENCY			2450	35440
<b>TOTAL TANGIBLE</b>			<b>218895</b>	<b>409840</b>
<b>TOTAL TANGIBLE/INTANGIBLE</b>			<b>1419490</b>	<b>783788</b>

**TOTAL WELL COST 2213288**

JOINT INTEREST APPROVAL  
 COMPANY: \_\_\_\_\_  
 BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

NADEL AND GUSSMAN  
 BY: *[Signature]*  
 DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_