

# AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN HEYCO, LLC

Date: 3/30/2012

Prepared By: Jason Goss

Prospect Name: Dayton Prospect

County, State: Eddy County, New Mexico

Projected Total Depth: 6900' MD 2,550' TVD No Pilot Hole

Lease / Well Number: Cannonball #1H

Location: Sec. 20 - T18S - R20E

SHL: 2310' FNL, 330' FEL

BHL: 2310' FNL, 330' FWL

Primary Objectives: Yeso

## NOTES

Daywork Contract - Horiz Oil Well - Closed Loop Mud System- Moyno Art Lift  
Assumes Packers Plus OH Completion, no pilot hole, use Frac pit in section 16  
Assumes regulatory agent approves casing program  
Casing prices based on direct purchase for this well.

It is recognized that the amounts provided here are estimates only and approval of this authorization shall extend to actual costs incurred in conducting the operations specified, whether more or less than estimated.

| 920-000 Intan. Drilling Costs BCP                           | COSTS               |
|-------------------------------------------------------------|---------------------|
| 951-000 Abandonment & Cleanup                               | \$ 30,000           |
| 920-009 Abstracts & Title Opinions                          | \$ -                |
| 920-009 Well Control Insurance 6900' MD \$/Ft: 0.684        | \$ 4,720            |
| 921-000 Legal, Permits & Fees                               | +                   |
| 921-000 Staking Location & Surveys                          | \$ 2,500            |
| 921-001 Location, Road & ROW                                | \$ 100,000          |
| 921-003 IDC Daywork Days: 15 \$/Day: 17000                  | \$ 255,000          |
| 921-003 Mobilization / Demobilization                       | \$ 85,000           |
| 921-003 Rig Fuel Days: 15 \$/Day: 3000                      | \$ 45,000           |
| 921-002 IDC Footage \$/Ft:                                  | \$ -                |
| 922-001 Supervision Days: 15 \$/Day: 650                    | \$ 9,750            |
| 922-001 Drilling Overhead (Administrative Services)         | \$ 10,000           |
| 922-004 Bits & Reamers                                      | \$ 28,180           |
| 922-000 Rentals Surface                                     | \$ 65,000           |
| 922-000 Rentals Sub-Surface                                 | \$ 15,000           |
| 922-000 Drill Pipe / Motors Days: 10 \$/Day: 1800           | \$ 18,000           |
| 922-000 Directional Drilling Expense Days: 10 \$/Day: 12500 | \$ 125,000          |
| 921-008 Inspection - Drill String                           | \$ 10,000           |
| 921-008 Well Control & Testing BOP                          | \$ 5,000            |
| 921-008 Miscellaneous IDC                                   | \$ 5,000            |
| 921-006 Mud Logging Days: 11 \$/Day: \$ 2,580               | \$ 28,375           |
| 922-003 Contract Labor                                      | \$ 8,000            |
| 922-002 Transportation                                      | \$ 30,000           |
| 921-004 Surface Casing Crews                                | \$ 8,000            |
| 921-004 Surface Cement and Cement Services & possible 1"    | \$ 30,000           |
| 921-004 Surface Float Equipment & Centralizers              | \$ 2,000            |
| 921-007 Intermediate Casing Crews                           | \$ 8,000            |
| 921-007 Intermediate Cement and Cement Services             | \$ 17,000           |
| 921-007 Intermediate Float Equipment & Centralizers         | \$ 5,000            |
| 921-005 Mud & Additives                                     | \$ 55,000           |
| 921-011 Corrosion Control & Chem.                           | \$ 5,000            |
| 921-010 Water                                               | \$ 15,650           |
| 921-010 Mud/Cuttings Disposal                               | \$ 80,000           |
| Contingency (5%)                                            | \$ 55,159           |
| <b>TOTAL</b>                                                | <b>\$ 1,158,333</b> |

| 923-000 Intan. Formation Testing BCP       | COSTS            |
|--------------------------------------------|------------------|
| 923-003 Logging & Wireline: Gyro Survey    | \$ 10,000        |
| 923-003 Drill Stem - Formation Tests       | \$ -             |
| 923-001 Coring & Analysis (Sidewall Cores) | \$ -             |
| Contingency (5%)                           | \$ 500           |
| <b>TOTAL</b>                               | <b>\$ 10,500</b> |

| 930-000 Tangible Lease & Well Equipment BCP          | COSTS             |
|------------------------------------------------------|-------------------|
| 930-001 Surface Casing 9-5/8" \$/Ft: 28 Feet: 1000   | \$ 28,000         |
| 930-002 Intermediate Csg 7" 26# \$/Ft: 29 Feet: 2900 | \$ 84,100         |
| " \$/Ft: Feet:                                       | \$ -              |
| " \$/Ft: Feet:                                       | \$ -              |
| 930-009 Wellhead                                     | \$ 9,000          |
| 931-003 Cattle Guards                                | \$ -              |
| Contingency (5%)                                     | \$ 6,055          |
| <b>TOTAL EQUIPMENT</b>                               | <b>\$ 127,155</b> |

|                         |                     |
|-------------------------|---------------------|
| <b>TOTAL DRILLING</b>   | <b>\$ 1,295,988</b> |
| <b>TOTAL INTANGIBLE</b> | <b>\$ 2,352,813</b> |

| 924-000 Intan. Comp. Costs ACP                                 | COSTS               |
|----------------------------------------------------------------|---------------------|
| 951-000 Abandonment & Cleanup                                  | \$ (30,000)         |
| 921-003 Daywork Days: 2 \$/Day: 17000                          | \$ 34,000           |
| 921-003 Rig Fuel Days: 2 \$/Day: 3000                          | \$ 6,000            |
| 924-008 Drilling Rig Supervision Days: 2 \$/Day: 650           | \$ 1,300            |
| 924-004 Production Casing Crews                                | \$ 15,000           |
| 924-004 Production Casing Cement & Services                    | \$ -                |
| 924-004 Prod. Float Equipment & Centralizers                   | \$ -                |
| 924-001 Completion / Swab Unit Days: 10 \$/Day: 3000           | \$ 30,000           |
| 924-008 Compl. Rig Supervision Days: 12 \$/Day: 650            | \$ 7,800            |
| 924-008 Administrative Services                                | \$ -                |
| 924-003 Mud & Chemicals                                        | \$ 2,400            |
| 924-003 Water                                                  | \$ 30,000           |
| 924-005 Logging, Perforations & Wireline                       | \$ -                |
| 924-006 Rentals Subsurface                                     | \$ -                |
| 924-006 Rentals Surface                                        | \$ 20,000           |
| 924-006 Nitrogen Service & Coiled Tubing Days: 2 \$/Day: 28000 | \$ 56,000           |
| 924-006 Fishing                                                | \$ -                |
| 924-007 Stimulation                                            | \$ 900,000          |
| 924-007 Transportation                                         | \$ 8,000            |
| 924-009 Contract Labor & Roustabout                            | \$ 12,000           |
| 925-001 Bits & Reamers                                         | \$ 7,500            |
| 925-001 Couplings & Fittings                                   | \$ 9,500            |
| 925-003 Location & Road Expense                                | \$ 10,000           |
| 925-003 Miscellaneous IDC                                      | \$ -                |
| 925-003 Pipe Inspection & Recondition                          | \$ -                |
| 925-003 Pumping Services (Kill Truck)                          | \$ 8,000            |
| 925-003 Testing                                                | \$ -                |
| 925-003 Well Control Insurance Days: 6 \$/Day: 350             | \$ 2,100            |
| Contingency (5%)                                               | \$ 56,380           |
| <b>TOTAL</b>                                                   | <b>\$ 1,183,980</b> |

| 930-000 Tangible Well Equipment ACP                  | COSTS             |
|------------------------------------------------------|-------------------|
| 930-003 Prod. Csg / Liners 4.5" \$/Ft: 15 Feet: 4400 | \$ 66,000         |
| " \$/Ft: Feet:                                       | \$ -              |
| 930-004 Tubing 2-7/8" \$/Ft: 6.5 Feet: 2300          | \$ 14,950         |
| 930-009 Wellhead                                     | \$ 5,000          |
| 931-000 Rods & Pump, Moyno Pump                      | \$ 85,000         |
| 931-000 Subsurface Equipment- Packers Plus           | \$ 300,000        |
| Contingency (5%)                                     | \$ 22,548         |
| <b>TOTAL EQUIPMENT</b>                               | <b>\$ 473,498</b> |

| 940-000 Tangible Lease & Battery Equipment ACP | COSTS             |
|------------------------------------------------|-------------------|
| 940-001 Pumping Units & Engines                | \$ -              |
| 940-002 Gas Processing & Dehy                  | \$ -              |
| 940-002 Heater Treaters & Separators           | \$ 20,000         |
| 940-005 Tanks & Accessory Equipment            | \$ 90,000         |
| 941-001 Pipeline                               | \$ -              |
| 941-001 Flowline                               | \$ 2,500          |
| 941-001 Controllable Valves                    | \$ 9,000          |
| 941-001 Misc. Controllable Equipment           | \$ 6,000          |
| Contingency (5%)                               | \$ 6,375          |
| <b>TOTAL EQUIPMENT</b>                         | <b>\$ 133,875</b> |

|                         |                     |
|-------------------------|---------------------|
| <b>TOTAL COMPLETION</b> | <b>\$ 1,791,363</b> |
| <b>TOTAL TANGIBLE</b>   | <b>\$ 734,628</b>   |

Joint Interest Approval

Company:

Company: Nadel and Gussman Heyco, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_

Oil Conservation Division  
Case No. \_\_\_\_\_  
Exhibit No. **4**

|                            |                     |
|----------------------------|---------------------|
| <b>TOTAL DRY HOLE COST</b> | <b>\$ 1,339,363</b> |
| <b>TOTAL WELL COST</b>     | <b>\$ 3,087,340</b> |