

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

Date: 10/31/2012

Prepared By: Jason Goss

Prospect Name: Bridgestone Prospect

County, State: Eddy County, New Mexico

Projected Total Depth: 7150' MD 3,000' TVD (3,200 Pilot Hole)

Lease / Well Number: Super Chief #1H

Location: Sec. 24- T18S - R26E

SHL: 250' FSL, 1650' FWL

BHL: 330' FNL, 1650' FWL

Primary Objectives: Yeso

**\*NOTES\*****Daywork Contract - Horiz Oil Well - Closed Loop Mud System- Moyno**

Packers Plus OH completion, pilot hole and logs, use frac pit in sec 16

Assumes regulatory agent approves casing program.

\*Note\* all pipe prices may be subject to increase due to market fluctuations.

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.

Intan. Drilling Costs BCP		COSTS
4-02 Abandonment & Cleanup		\$ 30,000
1-10 Abstracts & Title Opinions		\$ 25,000
4-87 Well Control Insurance	7150' MD \$/Ft: 0.684	\$ 4,891
4-01 Legal, Permits & Fees		\$ 5,000
4-67 Staking Location & Surveys		\$ 1,250
4-36 Location, Road & ROW		\$ 70,000
4-15 IDC Daywork	Days: 17 \$/Day: 14000	\$ 238,000
4-14 Mobilization / Demobilization		\$ 65,000
4-66 Rig Fuel	Days: 17 \$/Day: 3000	\$ 51,000
4-24 IDC Footage	\$/Ft:	\$ -
4-72 Supervision	Days: 17 \$/Day: 650	\$ 11,050
4-18 Drilling Overhead (Administrative Services)		\$ 10,000
4-03 Bits & Reamers		\$ 28,180
4-61 Rentals Surface		\$ 68,480
4-62 Rentals Sub-Surface		\$ 15,000
4-62 Drill Pipe Rental	Days: 13 \$/Day: 1800	\$ 12,000
4-16 Directional Drilling Expense	Days: 10 \$/Day: 12500	\$ 125,000
4-31 Inspection - Drill String		\$ 10,000
4-04 Well Control & Testing		\$ 5,000
4-45 Miscellaneous IDC		\$ 5,000
4-52 Mud Logging & Geo Steering	Days: 13 \$/Day: \$ 2,567	\$ 33,375
4-08 Contract Labor		\$ 8,000
4-78 Transportation		\$ 30,000
4-05 Surface Casing Crews		\$ 4,500
4-06 Surface Cement and Cement Services & possible 1"		\$ 30,000
4-23 Surface Float Equipment & Centralizers		\$ 2,000
4-05 Intermediate Casing Crews		\$ 6,500
4-06 Intermediate Cement and Cement Services, kick off plug		\$ 30,000
4-23 Intermediate Float Equipment & Centralizers		\$ 5,000
4-51 Mud & Additives		\$ 55,000
4-12 Corrosion Control & Chem.		\$ 5,000
4-84 Water		\$ 7,500
4-85 Water / Mud Disposal CRI		\$ 80,000
Contingency (5%)		\$ 53,836
<b>TOTAL</b>		<b>\$ 1,130,562</b>

Intan. Formation Testing BCP		COSTS
4-39 Logging & Wireline		\$ 25,000
4-21 Drill Stem - Formation Tests		\$ -
4-12 Coring & Analysis (Sidewall Cores)		\$ 10,000
Contingency (5%)		\$ 1,750
<b>TOTAL</b>		<b>\$ 36,750</b>

Tangible Lease & Well Equipment BCP		COSTS
6-72 Surface Casing	9-5/8" \$/Ft: 26 Feet: 1200	\$ 31,200
6-32 Intermediate Csg	7" 26# \$/Ft: 28 Feet: 3350	\$ 93,800
	" \$/Ft: Feet:	\$ -
	" \$/Ft: Feet:	\$ -
6-84 Wellhead		\$ 9,000
6-76 Cattle Guards, Gates, Fences		\$ -
Contingency (5%)		\$ 6,700
<b>TOTAL EQUIPMENT</b>		<b>\$ 140,700</b>

<b>TOTAL DRILLING</b>	<b>\$ 1,308,012</b>
<b>TOTAL INTANGIBLE</b>	<b>\$ 2,262,042</b>

Intan. Comp. Costs ACP		COSTS
5-02 Abandonment & Cleanup		\$ (30,000)
5-12 IDC Daywork	Days: 2 \$/Day: 13500	\$ 27,000
4-66 Rig Fuel	Days: 2 \$/Day: 3000	\$ 6,000
5-84 Drilling Rig Supervision	Days: 2 \$/Day: 650	\$ 1,300
5-05 Production Casing Crews		\$ 12,000
5-08 Production Casing Cement & Services		\$ -
5-08 Prod. Float Equipment & Centralizers		\$ -
5-09 Completion / Swab Unit	Days: 10 \$/Day: 2500	\$ 25,000
5-84 Compl. Rig Supervision	Days: 12 \$/Day: 650	\$ 7,800
5-18 Administrative Services		\$ -
5-48 Mud & Chemicals		\$ 2,400
5-66 Water		\$ 55,000
5-32 Logging, Perforations & Wireline		\$ -
5-62 Rentals Subsurface		\$ 7,500
5-61 Rentals Surface, Frac Tanks, Transfer Svcs		\$ 20,000
5-53 Nitrogen Service & Coiled Tubing	Days: 2 \$/Day: 28000	\$ 56,000
5-22 Fishing		\$ -
5-80 Stimulation		\$ 800,000
5-92 Transportation		\$ 8,000
5-77 Contract Labor & Roustabout		\$ 12,000
5-04 Bits & Reamers		\$ 5,000
5-11 Couplings & Fittings		\$ 9,500
5-28 Location & Road Expense		\$ 10,000
5-40 Miscellaneous IDC		\$ -
5-31 Pipe Inspection & Recondition		\$ -
5-68 Pumping Services; Kill Truck set OH packers, open toe sub		\$ 6,000
5-21 Testing		\$ -
5-40 Well Control Insurance	Days: 6 \$/Day: 350	\$ 2,100
Contingency (5%)		\$ 52,130
<b>TOTAL</b>		<b>\$ 1,094,730</b>

Tangible Well Equipment ACP		COSTS
6-60 Prod. Csg / Liners	4.5" \$/Ft: 13.5 Feet: 4400	\$ 59,400
	" \$/Ft: Feet:	\$ -
6-80 Tubing	2-7/8" \$/Ft: 6.5 Feet: 2300	\$ 14,950
6-84 Wellhead		\$ 2,500
6-68 Rods and Pump, Moyno		\$ 65,000
6-56 Packers Plus Tools		\$ 270,000
Contingency (5%)		\$ 20,593
<b>TOTAL EQUIPMENT</b>		<b>\$ 432,443</b>

Tangible Lease & Battery Equipment ACP		COSTS
6-64 Pumping Units & Engines		\$ -
6-16 Gas Processing & Dehy		\$ -
6-24 Heater Treater		\$ 20,000
6-76 Tanks & Accessory Equipment		\$ 90,000
6-40 Pipeline		\$ -
6-42 Flowline		\$ 2,500
6-12 Controllable Valves		\$ 9,000
6-44 Misc. Controllable Equipment		\$ 6,000
Contingency (5%)		\$ 6,375
<b>TOTAL EQUIPMENT</b>		<b>\$ 133,875</b>

<b>TOTAL COMPLETION</b>	<b>\$ 1,661,048</b>
<b>TOTAL TANGIBLE</b>	<b>\$ 707,018</b>

**Joint Interest Approval**

Company:

Oil Conservation Division

Case No.

By:

Da Exhibit No.

J Gussman Permian, LLC

Date: 10/31/2012

<b>TOTAL DRY HOLE COST</b>	<b>\$ 1,344,027</b>
<b>TOTAL WELL COST</b>	<b>\$ 2,969,059</b>