

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

Lease / Well Number: Hermes Fee #1

Location: Sec. 30 T23S R28E

660' FNL and 1.980' FEL

Field: Loving Morrow

Primary Objectives: Morrow

Daywork Contract - Straight Well - Lined Reserve Pit
Single Sand Completion (One Frac)
Assumes regulatory agent approves CSG program and allows reserve pit
Note all pipe prices are subject to increase due to market fluctuation partners will be billed for actual cost

Intan. Drilling Costs BCP 4-				COSTS
1 Legal, Permits & Fees				10000
2 Abandonment & Cleanup				2500
3 Bits				75000
4 Well Control & Testing				5520
5 Casing Crews				12500
6 Cement and Cement Services				35000
8 Contract Labor / Roustabout				5000
12 Corrosion Control & Chem.				3500
14 Mobilization / Demobilization				57000
15 IDC Daywork	DRLG	\$ Day		
	38	15000		570000
16 Directional Drilling Expense				0
21 Drill Stem - Formation Tests				0
22 Fishing Tools & Service				0
23 Float Equipment & Centralizers				8000
24 IDC Footage				0
31 Inspection - Drill String				2890
36 Location & Road Expense				41000
39 Logging & Wireline				27500
45 Miscellaneous				9000
51 Mud				65000
52 Mud Logging	DRLG	\$ Day		
	30	925		27750
60 Pumping Services				0
61 Rentals Surface				19500
62 Rentals Sub-Surface				18900
Drill Pipe / Motors	DRLG	\$ Day		
	0	0		0
66 Rig Fuel	DRLG	\$ Day		
	38	1200		45600
67 Staking Location & Surveys				1200
72 Supervision	DRLG	\$ Day		
	38	950		36100
78 Transportation				9000
81 IDC Turnkey				0
84 Water				25000
85 Water / Mud Disposal				9500
Insurance	DRLG	\$ Foot		
	12900	1.75		22575
ROW				15000
Squeeze CMT				15000
Administrative Services				9800
Contingency 10%				115954
TOTAL				1300289
Lease & Well Equipment 6-				COSTS
4 Conductor Casing			Included in Location Cost	
72 Surface Casing	13 3/8"	\$ Foot	Depth	
		33.5	330	11055
32 Intermediate Casing	9 5/8"	\$ Foot	Depth	
		35	4500	157500
84 Wellhead				11500
Cattle guards				1500
Contingency 10%				18155.5
TOTAL EQUIPMENT				199710.5
ADDITIONAL COST				COSTS
				0
				0
				0
				0
				0
				0
				0
				0
Contingency 10%				0
TOTAL ADDITIONAL COST				0

[illegible]

TOTAL COMPLETION	924608
TOTAL TANGIBLE	636746

TOTAL WELL COST	2424607
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Company:

Company: Nadel and Gussman

By: H. Fenn Date: 12/09/05