

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

PROSPECT NAME: Doral FIELD: DATE: 10/16/03
 LEASE/WELL NUMBER: Apollo Fee #1 PREPARED BY: J F Martin
 LOCATION: SW/4 of Sec. 4-23s-28e
 COUNTY, STATE: EDDY, NM daywork contract
 PRIMARY OBJECTIVES: Morrow, ATOKA, DST IN ATOKA SAND ASSUMED
 PROJECTED TOTAL DEPTH: 12700 SINGLE MORROW SAND COMPL ASSUMED

ASSUMES OCD APPROVES CSG PROGRAM AND PROTECTION LINER NOT NEEDED

INTANGIBLE COSTS	CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING	2000	500
ROW/DAMAGES	10000	500
SITE PREPARATION/CLEAN-UP	35000	10000
RIG MOVES	30000	5000
DRILLING TURN-KEY		
DRILLING DAYWORK	42 3 7700 /DAY	23100
DRILLING FOOTAGE	FT. @ /FT	0
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID	0 /DAY	0
BITS	40000	500
WATER	25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)	0 250 /DAY	0
MUD/CHEMICALS/PKR FLUID	65000	2000
MUD LOGGING	25 DAYS @ 550 /DAY	13750
OPEN HOLE LOGGING	27500	
STABILIZERS/SHOCK SUBS/ROTATING HEAD		
DIESEL - INCL IN BID	42 3 1000 /DAY	3000
DST'S 1 @ \$4000/TEST	0	
WELDING	2000	2000
CASING CREW/TOOLS	4000	5000
CASING CEMENTING	25000	20000
SQUEEZE CMTG/PLUGGING	10000	-10000
TRANSPORTATION	2500	2500
RENTAL TOOLS/EQUIP	5000	5000
COMPLETION RIG	8 DAYS @ 1850 /DAY	14800
PERFORATING/CASED HOLE LOGGING/CIBP/CMT		15000
BREAKDOWN		10000
FRACTURING/STIMULATION		100000
FRAC TANKS/WATER TRANSPORTS		5000
PIT LINER	3500	
LABOR/ROUSTABOUT CREWS	2500	5000
INSURANCE	20000	
BOP TESTING - 3RD PARTY	3000	
COLLAR INSPECTION/DAMAGES		
TREATING PACKER		
FIELD SUPERVISION	42 14 750 /DAY	10500
ADMINISTRATIVE SERVICES/OVERHEAD	1000	1000
CONTINGENCY	72365	23190
TOTAL INTANGIBLE COSTS	796015	257090

TANGIBLE COSTS	DRLG	COMPL	DAYS		
20" CONDUCTOR	40 FT @	40.13 /FT	1605		
13-3/8" SURFACE	400 FT @	15.65 /FT	6260		
9-5/8" INTERMEDIATE	6000 FT @	17.05 /FT	102300		
7-0" 2nd INTERMEDIATE	0 FT @	10.00 /FT	0		
5-1/2" PRODUCTION	12700 FT @	7.50 /FT	95250		
2-7/8" TUBING	12400 FT @	3.50 /FT	43400		
RODS	0 FT @	0 /FT	0		
FLOAT EQUIP, DV TOOL, ETC					
CATTLEGUARDS/GATES					
WELLHEAD			5000		10000
PACKER					7000
DOWNHOLE PUMP/TAC					
FORKLIFT/PIPE RACKS			1500		1500
STOCK TANKS/WATER TANKS					12000
SEPARATORS					
GPU/TREATER					10000
VALVES/FITTINGS					5000
FLOWLINE					25000
METER RUN, ETC.					2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)					3000
CONTINGENCY			650		21465
TOTAL TANGIBLE			117315		236115
TOTAL TANGIBLE/INTANGIBLE			913330		493205

TOTAL WELL COST 1406535

JOINT INTEREST APPROVAL
 COMPANY: _____
 BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN
 BY: *Jal Martin*
 DATE: 10/16/03