

NADEL AND GUSSMAN PERMIAN, LLC
601 NORTH MARIENFELD, SUITE 508
MIDLAND, TEXAS
PHONE: (915) 682-4429
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FACSIMILE TRANSMITTAL

DATE: 12-16-2002

TO: OIL CONSERVATION DIVISION FAX: 1-505-476-3462

FROM: NADEL AND GUSSMAN
SAM H. JOLLIFFE IV

SUBJECT: COMPULSORY POOLING ORDER R-11748

MESSAGE: COST OF DRILLING AND COMPLETING THE
NADEL AND GUSSMAN PERMIAN, LLC - KODIAK STATE
COM. WELL. NO. 1.

NO. OF PAGES 5 (INCLUDING TRANSMITTAL PAGE)

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Midland, Texas 79701

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December 16, 2002

FACSIMILE AND
CERTIFIED MAIL.

State Of New Mexico
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery
Director

Re: Compulsory Pooling Order R-11748
Case No. 12827
Nadel and Gussman Permian, LLC
Kodiak State Com. Well No.1
E/2 Section 36, T-17-S, R-29-E, NMPM
Eddy County, New Mexico

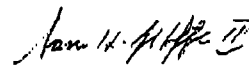
Gentlemen:

The subject well has been completed as a Morrow Gas Well and started selling gas September 26, 2002.

In compliance with the subject Pooling Order, we have enclosed a copy of our Original Authority For Expenditure. The actual cost for the drilling and completion of the Kodiak State Com. Well No.1 was a total of \$1,029,989.37, as shown on the attached Joint Interest Billing.

All parties subject to this Pooling Order have been advised of the cost for drilling and completion of the Kodiak State Com. Well No.1, and that they have 45 days to file any objections with the Oil Conservation Division of New Mexico.

Sincerely,



Sam H. Jolliffe IV
Land Manager

AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, L.L.C. MIDLAND, TX

PROSPECT NAME: BEAR CREEK FIELD: SAND TANK DATE: 04/17/02
 LEASE/WELL NUMBER: KODIAK STATE #1 PREPARED BY: JF MARTIN
 LOCATION: 660' FSL, 660' FEL, SEC. 28-17S-29E
 COUNTY, STATE: EDDY, NM
 PRIMARY OBJECTIVES: MORROW/ATOKA SINGLE ZONE COMPLETION ASSUMED
 PROJECTED TOTAL DEPTH: 11500'

INTANGIBLE COSTS					CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING					1000	500
ROW/DAMAGES					5000	
SITE PREPARATION/SITE RESTORATION/SET CONDUCTORMOUSE & RAT HOLE					27000	12500
RIG MOVES					20000	
DRILLING TURN-KEY						
DRILLING DAYWORK						
DRILLING FOOTAGE						
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID						
BITS						
WATER						
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)						
MUD/CHEMICALS/PKR FLUID - NO PROBLEMS/LOST CIRC ASSUMED						
MUD LOGGING						
OPEN HOLE LOGGING						
STABILIZERS/SHOCK SUBS/ROTATING HEAD						
DIESEL - INCL IN BID						
DSTS						
WELDING						
CASING CREW/TOOLS						
CASING CEMENTING						
SQUEEZE CMTG/PLUGGING						
TRANSPORTATION						
RENTAL TOOLS/EQUIP						
COMPLETION RIG						
PERFORATING/CASED HOLE LOGGING/CISP/CMT						
ACID STIMULATION						
FRACTURING - SMALL FRAC						
FRAC TANKS/WATER TRANSPORTS						
FIT LINER						
LABOR/ROUSTABOUT CREWS						
INSURANCE						
BOP TESTING - 3RD PARTY						
COLLAR INSPECTION/DAMAGES						
TREATING PACKER						
FIELD SUPERVISION						
ADMINISTRATIVE SERVICES/OVERHEAD						
CONTINGENCY/TAXES						
TOTAL INTANGIBLE COSTS						
TANGIBLE COSTS						
CONDUCTOR						
SURFACE						
INTERMEDIATE						
PRODUCTION						
LINER						
TUBING						
RODS						
FLOAT EQUIP, DV TOOL, ETC						
CATTLE GUARDS/GATES						
WELLHEAD						
PACKER						
DOWNHOLE PUMP/TAC						
FORKLIFT/PIPE RACKS						
STOCK TANKS/WATER TANKS						
SEPARATORS						
GPU/TREATER						
VALVES/FITTINGS						
FLOWLINE						
METER RUN, ETC						
MISCELLANEOUS (ROCK FIREWALL, ETC)						
CONTINGENCY/TAXES						
TOTAL TANGIBLE						
TOTAL TANGIBLE/INTANGIBLE						
TOTAL WELL COST						

JOINT INTEREST APPROVAL

COMPANY:

BY: DATE: / /

NADEL AND GUSSMAN

BY: Jaela
DATE: 4.17.02

ADEL AND GUSMAN PERMIT, LLC

1004 JIS BILLED ITEMS HISTORY BY PROPERTY/CATEGORY

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PROPERTY	PROPERTY NAME	JIS CATEGORY	CATEGORY DESCRIPTION	COST AMOUNT	CENTER
0213H 011	KODIAK STATE #1	1-21	Acquisition & Landman Overhead	693.03	0
		1-77	Leasehold Title/Legal Costs	11,677.32	0
		1-96	Associated Cost - Producing WI	8,166.67	U
			TOTAL LEASEHOLD COST	20,477.02	
		4-01	Legal, Permits & Fees	30.00	0
		4-03	Bits & Reamers	46,718.50	0
		4-04	BOP & Wellhead Test	1,873.45	0
		4-05	Casing Crews	5,176.51	0
		4-06	Cement & Cement Services	22,686.31	0
		4-12	Corrosion Control & Safety	4,653.89	0
		4-14	Mobilization/Demobilization	25,908.75	0
		4-15	Daywork	264,823.72	0
		4-16	Directional Drilling Expense	50,127.00	0
		4-18	Drilling Overhead	8,600.00	0
		4-21	Drill Stem-Formation Tests	21,352.12	0
		4-22	Fishing Tools & Service	128.70	0
		4-23	Float Equipment & Centralizers	6,721.74	0
		4-31	Inspection - Tubular Goods	1,498.84	U
		4-33	Location & Road Damages	1,200.00	0
		4-36	Location & Road Expense	25,336.87	0
		4-39	Logging (Wireline)	30,730.82	0
		4-45	Miscellaneous I. D. C.	10,072.89	0
		4-51	Mud & Chemicals	34,642.85	0
		4-56	Pickup Laydown Charges	8,279.33	0
		4-63	Rentals	8,561.73	0
		4-66	Rig Fuel	8,694.65	0
		4-70	Roustabout Service	4,981.81	0
		4-72	Supervision	30,828.33	0
		4-75	Surveys	1,833.08	0
		4-78	Transportation	10,853.07	0
		4-84	Water	1,775.00	0
		4-87	Well Control Insurance	5,793.41	0
			TOTAL INTANGIBLE DRILLING COST -DCP	635,605.09	
		5-03	Acidizing Service & Material	620.10	0
		5-04	Bits & Reamers	1,085.37	0
		5-05	Casing Crews	415.72	0
		5-09	Completion Unit (SERVICE UNIT)	15,047.97	0
		5-15	Frac Service & Materials	44,990.18	0
		5-18	Completion Overhead	4,477.38	0
		5-21	Testing	1,866.11	0
		5-28	Location & Road Expense	8,076.86	0
		5-32	Logging	7,558.48	0
		5-40	Miscellaneous I. D. C.	10,338.90	0
		5-44	Miscellaneous Labor	9,358.78	0
		5-53	Nitrogen Service & Coil Test	48,082.02	0
		5-66	Water Hauling	2,976.98	0
		5-72	Rentals	7,196.20	0
		5-77	Roustabout Service	4,389.71	0

NADEX AND GUSMAN PERMIAN, LLC

1004 JIB BILLED ITEMS HISTORY BY PROPERTY/CATEGORY

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DATE	PROPERTY NAME	JIB CATEGORY	CATEGORY DESCRIPTION	AMOUNT	COST CENTER
02-11-001	KODIAK STATE #1	1-84	Supervision	15,370.36	0
		5-98	Welding	861.14	0
			TOTAL INTANGIBLE COMPLETION COST-ACP	162,938.84	
		4-02	Casing	153,603.36	0
		8-16	Gas Processing & Dehydration	9,335.75	0
		6-36	Lease & Well Equipment - Signs	47.74	0
		6-42	Flowline	6,250.35	0
		6-56	Packers & Weld Down	4,722.08	0
		6-76	Tanks & Accessory Equipment	5,687.85	0
		6-84	Wellhead	17,566.01	0
			TOTAL LEASE & WELL EQUIPMENT	197,215.14	
		6-12	Dirt & Road Expense	955.71	0
		8-15	Administrative Overhead	1,200.00	0
		8-16	Insurance	39.98	0
		8-30	Operating Parts & Supplies	2,206.13	0
		8-31	Misc. Operating Expenses	1,526.41	0
		8-51	Pumper Expenses	624.50	0
		8-56	Reconnect - Labor	3,214.56	0
		8-73	Production Foreman	1,402.10	0
		8-78	Supervisory/Engineering	345.73	0
		8-79	Compression-Rental	2,488.96	0
		8-80	Testing	196.10	0
			TOTAL LEASE OPERATING EXPENSE	14,130.30	
			TOTAL PROPERTY	1,050,466.39	
			RECAP TOTAL	1,050,466.39	