

Case No. 12829  
Brooks

**NADEL AND GUSSMAN PERMIAN, L.L.C.**  
**601 N. Marienfeld, Suite 508**  
**Midland, TX 79701**  
**Office: (915)682-4429**  
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02 APR 22 PM 3:11

April 18, 2002

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762

Southwestern Energy Production Company  
2350 N. Sam Houston Parkway East  
Suite 300  
Houston, Texas 77032-3126

EOG Resources, Inc.  
P.O. Box 2267  
Midland, Texas 79702

Westway Petroleum  
Lock Box 70  
500 North Akard Street  
Dallas, Texas 75201

Re: Kodiak State #1  
E/2 Section 36, T-17-S, R-29-E  
Eddy County, New Mexico  
Case No. 12829  
NMOCD Pooling Order No. 11748

Gentlemen:

Please find enclosed a copy of the State of New Mexico Oil Conservation Pooling Order No. R-11748. Pursuant to the provisions of the Order, we have enclosed our AFE for this well for your evaluation. The approximate location of said well is 660' FSL & 660' FEL Section 36. Said location may be moved slightly due to facility and/or surface restrictions. Per the Order, please advise within thirty (30) days from receipt of this letter as to whether or not you elect to participate in this well proposal. We will also consider a farm-in of your interest on terms acceptable to Nadel and Gussman Permian.

Sincerely,

  
Sam H. Jolliffe IV  
Land Manager

C: NMOCD  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

**AUTHORITY FOR EXPENDITURE**  
**NADEL AND GUSSMAN PERMIAN, LLC 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. 36-17S-29E  
 COUNTY, STATE: EDDY, NM  
 PRIMARY OBJECTIVES: MORROW/ATOKA SINGLE ZONE COMPLETION ASSUMED  
 PROJECTED TOTAL DEPTH: 11500'

				CASING POINT	COMPLETION COSTS
<b>INTANGIBLE COSTS</b>					
LEGAL WORK/PERMITTING/SURVEY/STAKING				1000	500
ROW/DAMAGES				5000	
SITE PREPARATION/SITE RESTORATION/SET CONDUCTOR/MOUSE & RAT HOLE				27000	12500
RIG MOVES				20000	
DRILLING TURN-KEY DRLG COMPL DAYS					
DRILLING DAYWORK 30 3 7400 /DAY				222000	22200
DRILLING FOOTAGE 0 FT. @ 25 /FT				0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID 0 1500 /DAY				0	
BITS				25000	500
WATER				18000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT) 0 250 /DAY				0	
MUD/CHEMICALS/PKR FLUID - NO PROBLEMS/LOST CIRC ASSUMED				30000	1000
MUD LOGGING 10 DAYS @ 500 /DAY				5000	
OPEN HOLE LOGGING				18000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD					
DIESEL - INCL IN BID 0 0 850 /DAY				0	0
DST'S 0 @ 3500 /ea				0	
WELDING					
CASING CREW/TOOLS				3500	3000
CASING CEMENTING				12000	16000
SQUEEZE CMTG/PLUGGING				15000	-15000
TRANSPORTATION				1000	2000
RENTAL TOOLS/EQUIP					3000
COMPLETION RIG 8 DAYS @ 1500 /DAY					12000
PERFORATING/CASED HOLE LOGGING/CIBP/CMT					9000
ACID/STIMULATION					7500
FRACTURING - SMALL FRAC					55000
FRAC TANKS/WATER TRANSPORTS					
PIT LINER				3000	
LABOR/ROUSTABOUT CREWS					5000
INSURANCE				11500	
BOP TESTING - 3RD PARTY				1500	
COLLAR INSPECTION/DAMAGES				3500	
TREATING PACKER DRLG COMPL DAYS					
FIELD SUPERVISION 30 15 500 /DAY				15000	7500
ADMINISTRATIVE SERVICES/OVERHEAD				5000	2500
CONTINGENCY/TAXES				33150	11078
<b>TOTAL INTANGIBLE COSTS</b>				<b>475150</b>	<b>158778</b>
<b>TANGIBLE COSTS</b>					
20"	"	CONDUCTOR	40 FT @ 40.13 /FT		IN LOCATION COSTS
13 3/8"	"	SURFACE	400 FT @ 15.00 /FT	6000	
8 5/8"	"	INTERMEDIATE	4000 FT @ 9.50 /FT	38000	
5 1/2"	"	PRODUCTION	11500 FT @ 7.00 /FT		80500
	"	LINER	FT @ /FT		0
2 -7/8"	"	TUBING	11200 FT @ 3.00 /FT		33600
	"	RODS	0 FT @ 0 /FT		0
FLOAT EQUIP, DV TOOL, ETC					
CATTLEGUARDS/GATES					
WELLHEAD				5500	8500
PACKER					6000
DOWNHOLE PUMP/TAC					
FORKLIFT/PIPE RACKS					
STOCK TANKS/WATER TANKS					8000
SEPARATORS					
GPU/TREATER					9000
VALVES/FITTINGS					5000
FLOWLINE					7500
METER RUN, ETC.					0
MISCELLANEOUS (ROCK, FIREWALL, ETC)					3000
CONTINGENCY/TAXES				3713	12083
<b>TOTAL TANGIBLE</b>				<b>53213</b>	<b>173183</b>
<b>TOTAL TANGIBLE/INTANGIBLE</b>				<b>528363</b>	<b>331960</b>

**TOTAL WELL COST** **860323**

JOINT INTEREST APPROVAL \_\_\_\_\_  
 COMPANY: \_\_\_\_\_  
 BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

NADEL AND GUSSMAN  
 BY: *Joel Martin*  
 DATE: 4, 17, 02