

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (915)682-4429
Fax: (915)682-4325

November 14, 2001

Phillips Petroleum Company
P.O. Box 1967
Houston, Texas 77251

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

Gentlemen:

Nadel and Gussman Permian, LLC ("NGP") as majority working interest owner under the captioned acreage, hereby proposes the drilling of the Kodiak State #1 to be drilled at a legal location in the SE/4SE/4 Section 36, T-17-S, R-29-E. Said well will be drilled to an approximate depth of 11,500 feet to test the Atoka and Morrow Formations. The E/2 Section 36 will be the designated spacing unit for the well.

An AFE is enclosed for your evaluation. We will also attempt to enter into a mutually acceptable Operating Agreement. In the event you elect not to participate, NGP will consider a farm-in of your interest with mutually acceptable terms. Please advise if you have any questions or need further information at this time.

Sincerely,

Sam H. Jolliffe IV

Sam H. Jolliffe IV
Land Manager

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT ✓

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
☒ Complete items 1, 2, & 3. Also complete item 4 if Restricted Delivery is desired.		A. Received by (Please Print) <u>Ameyan</u>	B. Date of Delivery <u>NOV 10 2001</u>
☒ Print your name and address on the reverse so that we can return the card to you.		C. Signature <u>[Signature]</u>	☐ Agent ☐ Addressee
☒ Attach this card to the back of the mailpiece, or on the front if space permits.		D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No	
1. Article Addressed to:			
Southwestern Energy Production Company 2350 N. Sam Houston Parkway East Suite 300 Houston, TX 77032-3126			
3. Service Type ☒ Certified Mail ☐ Registered ☐ Insured Mail ☐ Express Mail ☒ Return Receipt for Merchandise ☐ C.O.D.		4. Restricted Delivery? (Extra Fee) ☐ Yes	

2. Article Number (Copy from service label)	<u>7099 3400 0016 0163 0955</u>	Domestic Return Receipt	102595-99-M-1789
PS Form 3811, July 1999			

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
☒ Complete items 1, 2, & 3. Also complete item 4 if Restricted Delivery is desired.		A. Received by (Please Print) <u>GEE</u>	B. Date of Delivery <u>NOV 19 2001</u>
☒ Print your name and address on the reverse so that we can return the card to you.		C. Signature <u>X</u>	☐ Agent ☐ Addressee
☒ Attach this card to the back of the mailpiece, or on the front if space permits.		D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No	
1. Article Addressed to:			
Phillips Petroleum Company P.O. Box 1967 Houston, TX 77251			
3. Service Type ☒ Certified Mail ☐ Registered ☐ Insured Mail ☐ Express Mail ☒ Return Receipt for Merchandise ☐ C.O.D.		4. Restricted Delivery? (Extra Fee) ☐ Yes	

2. Article Number (Copy from service label)	<u>7099 3400 0016 0163 0948</u>	Domestic Return Receipt	102595-99-M-1789
PS Form 3811, July 1999			

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
☒ Complete items 1, 2, & 3. Also complete item 4 if Restricted Delivery is desired.		A. Received by (Please Print) <u>[Signature]</u>	B. Date of Delivery <u>NOV 16 2001</u>
☒ Print your name and address on the reverse so that we can return the card to you.		C. Signature <u>[Signature]</u>	☐ Agent ☐ Addressee
☒ Attach this card to the back of the mailpiece, or on the front if space permits.		D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No	
1. Article Addressed to:			
EOG Resources P.O. Box 2267 Midland, TX 79702			
3. Service Type ☒ Certified Mail ☐ Registered ☐ Insured Mail ☐ Express Mail ☒ Return Receipt for Merchandise ☐ C.O.D.		4. Restricted Delivery? (Extra Fee) ☐ Yes	

2. Article Number (Copy from service label)	<u>7099 3400 0016 0163 0962</u>	Domestic Return Receipt	102595-99-M-1789
PS Form 3811, July 1999			

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
☒ Complete items 1, 2, & 3. Also complete item 4 if Restricted Delivery is desired.		A. Received by (Please Print) <u>Gathyn</u>	B. Date of Delivery <u>NOV 19 2001</u>
☒ Print your name and address on the reverse so that we can return the card to you.		C. Signature <u>X</u>	☐ Agent ☐ Addressee
☒ Attach this card to the back of the mailpiece, or on the front if space permits.		D. Is delivery address different from item 1? ☐ Yes If YES, enter delivery address below: ☐ No	
1. Article Addressed to:			
Westway Petroleum Lock Box 70 500 North Akard Street Dallas, Texas 75201			
3. Service Type ☒ Certified Mail ☐ Registered ☐ Insured Mail ☐ Express Mail ☒ Return Receipt for Merchandise ☐ C.O.D.		4. Restricted Delivery? (Extra Fee) ☐ Yes	

2. Article Number (Copy from service label)	<u>7099 3400 0016 0163 0979</u>	Domestic Return Receipt	102595-99-M-1789
PS Form 3811, July 1999			

AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, LLC MIDLAND, TX

PROSPECT NAME: BEAR CREEK FIELD: SAND TANK DATE: 11/07/01
 LEASE/WELL NUMBER: KODIAK STATE #1 PREPARED BY: JF MARTIN
 LOCATION: SE/4 36-17S-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 CONDUCTOR/MOUSE & RAT HOLE					35000	5000
RIG MOVES					20000	
DRILLING TURN-KEY DRLG COMPL DAYS						
DRILLING DAYWORK 37 3 9000 /DAY					333000	27000
DRILLING FOOTAGE 0 FT. @ 25 /FT					0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID 0 1500 /DAY					0	
BITS					25000	500
WATER					20000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT) 0 250 /DAY					0	
MUD/CHEMICALS/PKR FLUID					40000	1000
MUD LOGGING 20 DAYS @ 500 /DAY					10000	
OPEN HOLE LOGGING					25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD						
DIESEL - INCL IN BID 37 3 850 /DAY					31450	2550
DST'S 0 @ 3500 /ea					0	
WELDING						
CASING CREW/TOOLS					3000	3000
CASING CEMENTING					25000	20000
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						75000
FRAC TANKS/WATER TRANSPORTS						
PIT LINER					3000	
LABOR/ROUSTABOUT CREWS						3500
INSURANCE					11500	
BOP TESTING - 3RD PARTY					1500	
COLLAR INSPECTION/DAMAGES					3500	
TREATING PACKER DRLG COMPL DAYS						
FIELD SUPERVISION 40 15 500 /DAY					20000	7500
ADMINISTRATIVE SERVICES/OVERHEAD					5000	2500
CONTINGENCY/TAXES					63395	17005
TOTAL INTANGIBLE COSTS					697345	187055
TANGIBLE COSTS						
20" "	CONDUCTOR	40 FT @	40.13 /FT			IN LOCATION COSTS
13 3/8" "	SURFACE	400 FT @	13.50 /FT	5400		
8 5/8" "	INTERMEDIATE	4000 FT @	9.50 /FT	38000		
5 1/2" "	PRODUCTION	11500 FT @	6.50 /FT			74750
" "	LINER	FT @	/FT			0
2 -3/8" "	TUBING	11200 FT @	2.75 /FT			30800
	RODS	0 FT @	0 /FT			0
FLOAT EQUIP, DV TOOL, ETC						
CATTLEGUARDS/GATES						
WELLHEAD					5500	7500
PACKER						7000
DOWNHOLE PUMP/TAC						
FORKLIFT/PIPE RACKS						
STOCK TANKS/WATER TANKS						8000
SEPARATORS						
GPU/TREATER						8000
VALVES/FITTINGS						5000
FLOWLINE						15000
METER RUN, ETC.						2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)						3000
CONTINGENCY/TAXES					2445	8078
TOTAL TANGIBLE					51345	169628
TOTAL TANGIBLE/INTANGIBLE					748690	356683

OIL CONSERVATION DIVISION
CASE NUMBER

EXHIBIT

TOTAL WELL COST 1105373

JOINT INTEREST APPROVAL _____

COMPANY: _____

BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN

BY: *JF Martin*

DATE: 11, 7, 01