

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

PROSPECT NAME: Lobo Draw FIELD: DATE: 05/18/04
 LEASE/WELL NUMBER: Quick-draw Federal #1 PREPARED BY: Josh Fernau
 LOCATION: 990' FNL, 660' FWL, Sec. 23-7s-26e
 COUNTY, STATE: CHAVES, NM DAYWORK CONTRACT
 PRIMARY OBJECTIVES: Montoya Dolomite, Wolcamp Lime and Abo Sands

PROJECTED TOTAL DEPTH: 6400'

ASSUMES OCD APPROVES CSG PROGRAM AND PROTECTION LINER NOT NEEDED

INTANGIBLE COSTS	CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING	2300	500
ROW	5000	500
SITE PREPARATION/CLEAN-UP	25000	10000
RIG MOVES	30000	
DRILLING TURN-KEY		
DRILLING DAYWORK	DRLG 20 2 8500 /DAY	170000
DRILLING FOOTAGE	0 FT. @ 18 /FT	0
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID	0 /DAY	0
BITS	15000	500
WATER	15000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)	0 250 /DAY	0
MUD/CHEMICALS/PKR FLUID	30000	1000
MUD LOGGING	15 DAYS @ 750 /DAY	11250
OPEN HOLE LOGGING FORMATION EVALUATION	18000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD		
DIESEL - INCL IN BID	20 2 1000 /DAY	20000
DST'S 1 @ \$4000/TEST	0	2000
WELDING		
CASING CREW/TOOLS	4000	2000
CASING CEMENTING	15000	15000
SQUEEZE CMTG/PLUGGING	15000	-15000
TRANSPORTATION	2500	2500
RENTAL TOOLS/EQUIP		2000
COMPLETION RIG	10 DAYS @ 2000 /DAY	20000
PERFORATING/CASED HOLE LOGGING/CIBP/CMT		7500
BREAKDOWN		20000
FRACTURING/STIMULATION		0
FRAC TANKS/WATER TRANSPORTS		2500
PIT LINER	3000	
LABOR/ROUSTABOUT CREWS	1500	5000
INSURANCE	6500	
BOP TESTING - 3RD PARTY	1200	
COLLAR INSPECTION/DAMAGES	1500	
TREATING PACKER	DRLG 22 10 805 /DAY	17710
FIELD SUPERVISION		8050
ADMINISTRATIVE SERVICES/OVERHEAD	1000	1000
CONTINGENCY	41046	10355
TOTAL INTANGIBLE COSTS	461506	115905

TANGIBLE COSTS					
20" "	CONDUCTOR	0 FT @	40.13 /FT	0	INCL IN LOCATION COS
13-3/8" "	SURFACE	400 FT @	28.25 /FT	11300	
9 5/8" "	INTERMEDIATE	1350 FT @	28.00 /FT	37800	
7-0" "	2 nd INTERMEDIATE	0 FT @	14.00 /FT	0	
5-1/2" "	PRODUCTION CASING	6400 FT @	12.00 /FT		76800
2-7/8" "	TUBING	6000 FT @	6.00 /FT		36000
	RODS	0 FT @	0 /FT		0
	FLOAT EQUIP, DV TOOL, ETC				
	CATTLEGUARDS/GATES				
	WELLHEAD - 3000 PSI TREE			5000	6000
	PACKER				0
	DOWNHOLE PUMP/TAC				
	FORKLIFT/PIPE RACKS			1500	1500
	STOCK TANKS/WATER TANKS				8000
	SEPARATORS				
	GPU/TREATER				8500
	VALVES/FITTINGS				5000
	FLOWLINE				15000
	METER RUN, ETC.				2500
	MISCELLANEOUS (ROCK, FIREWALL, ETC)				3000
	CONTINGENCY			650	16230
TOTAL TANGIBLE				56250	178630
TOTAL TANGIBLE/INTANGIBLE				507756	294435

TOTAL WELL COST 802191

JOINT INTEREST APPROVAL

COMPANY: _____

BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN

BY: *PL Fernau*

DATE: 05/18/04