

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (432) 682-4429
Fax: (432) 682-4325

September 23, 2004

Via Certified Mail

TO: Artemis Fed Com #1 Working Interest Owners
Address List Attached

FROM: Sam Jolliffe *Sam Jolliffe*
Nadel and Gussman Permian, LLC

RE: Artemis Fed Com #1
S/2 Section 33, T-22-S, R-28-E
Eddy County, New Mexico

Nadel and Gussman Permian, LLC ("NGP"), as majority working interest owner under the captioned acreage, hereby proposes the drilling of the Artemis Fed Com #1. Said well will be drilled at a legal location in the SW/4 Section 33, and will be drilled to test the Morrow Formation at an approximate depth of 12, 850 feet. The S/2 Section 33 will be the designated spacing unit for the well. An AFE is enclosed for your evaluation.

If you elect to participate in this drilling proposal, please return an executed copy of the AFE to the undersigned at the captioned address. In the event you elect not to participate, NGP will consider a farm-in of your interest on terms acceptable to NGP.

Please advise if you have any questions. Thank you for your attention to this matter.

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

3

ADDRESS LIST
ARTEMIS FED COM #1

Unit Petroleum Company
P.O. Box 702500
Tulsa, OK 74170

Martha Rouse Schalk, Trustee of the Schalk Family Trust
P.O. Box 25825
Albuquerque, New Mexico 87125

Eastland Exploration, Inc.
Eastland Resources, Inc.
Spinnaker Oil & Gas, L.P.
Robert R. Donnelly Children's trust
G. Arthur Donnelly III Children's Trust
Jan Donnelly O'Neill Children's Trust
c/o Robert R. Donnelly
P.O. Drawer 3488
Midland, Texas 79702

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

PROSPECT NAME: CYPRESS POINT FIELD: LOVING N. MORROW DATE: 09/16/04
 LEASE/WELL NUMBER: ARTEMIS FED COM #1 PREPARED BY: JOSH FERNAU
 LOCATION: SW 1/4, SEC 33 T22S & R28E
 COUNTY, STATE: EDDY, NM DAYWORK CONTRACT - STRAIGHT WELL - LINED RESERVE PIT
 PRIMARY OBJECTIVES: MORROW SINGLE SAND COMPLETION (ONE FRAC)
ATOKA

PROJECTED TOTAL DEPTH: 12,850'

ASSUMES BLM APPROVES CSG PROGRAM, ASSUMES OCD ALLOWS RESERVE PIT				CASING POINT	COMPLETION COSTS
INTANGIBLE COSTS					
LEGAL WORK/PERMITTING/SURVEY/STAKING				4000	500
ROW				2000	500
SITE PREPARATION/CLEAN-UP				38000	60000
RIG MOVES				40000	10000
DRILLING TURN-KEY				0	0
DRILLING DAYWORK				432000	27000
DRILLING FOOTAGE				0	0
DRILL PIPE/TOOL RENTAL				0	0
BITS				70000	500
WATER				40500	5500
DOWNHOLE MOTOR / MWD				0	0
MUD/CHEMICALS/PKR FLUID				90000	2000
MUD LOGGING				30400	0
OPEN HOLE LOGGING FORMATION EVALUATION				42000	0
LINER HANGER				0	0
DIESEL - 1000 hp rig				52800	3300
DST'S 1 @ \$4000/TEST				0	0
WELDING				9000	5000
CASING CREW/TOOLS				18000	4000
CASING CEMENTING				52000	20000
SQUEEZE CMTG/PLUGGING				15000	-15000
TRANSPORTATION				15000	2700
RENTAL TOOLS/EQUIP				50000	3000
COMPLETION RIG				0	50000
PERFORATING/CASED HOLE LOGGING/CIBP/CMT				0	25000
BREAKDOWN				0	10000
FRACTURING/STIMULATION				0	100000
FRAC TANKS/WATER TRANSPORTS				0	8000
PIT LINER / FENCE				9000	0
LABOR/ROUSTABOUT CREWS				15000	6500
INSURANCE				20000	0
BOP TESTING - 3RD PARTY				5000	0
COLLAR INSPECTION/DAMAGES				14000	0
TREATING PACKER				0	15000
FIELD SUPERVISION				39600	10725
ADMINISTRATIVE SERVICES/OVERHEAD				9950	3000
CONTINGENCY				111325	35723
TOTAL INTANGIBLE COSTS				1224575	382848

Note ALL PIPE PRICES ARE SUBJECT TO INCREASE DUE TO MARKET FLUCTUATION PARTNERS WILL BE BILLED FOR ACTUAL COST

TANGIBLE COSTS						
20"	"	CONDUCTOR	60 FT @	40.25 /FT	0	Incl in location costs
13-3/8"	"	SURFACE	300 FT @	30.15 /FT	9045	0
9-5/8"	"	INTERMEDIATE	6100 FT @	30.00 /FT	183000	0
7-0"	"	2 nd INTERMEDIATE	0 FT @	15.00 /FT	0	0
5 1/2"	"	PRODUCTION CASING	12900 FT @	15.00 /FT	0	193500
2 7/8"	"	TUBING	12750 FT @	6.00 /FT	0	76500
		RODS	0 FT @	0 /FT	0	0
		FLOAT EQUIP, DV TOOL, ETC			8000	1500
		CATTLEGUARDS/GATES			3000	1500
		WELLHEAD			11000	7500
		PACKER			0	14000
		DOWNHOLE PUMP/TAC			0	0
		FORKLIFT/PIPE RACKS			2500	1500
		STOCK TANKS/WATER TANKS			0	14000
		SEPARATORS			0	12000
		GPU/TREATER			0	12000
		VALVES/FITTINGS			0	9000
		FLOWLINE			0	15000
		METER RUN, ETC.			0	2500
		MISCELLANEOUS (ROCK, FIREWALL, ETC)			0	6000
		CONTINGENCY			2450	36650
TOTAL TANGIBLE					218995	403150
TOTAL TANGIBLE/INTANGIBLE					1443570	786098

TOTAL WELL COST **2239868**

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

NADEL AND GUSSMAN
 BY: *JL Fernau*
 DATE: 09 / 16 / 04