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

Date: 7/21/2006
Prepared By: Joel Martin
Prospect Name: Firefox
County, State: Eddy, NM
Projected Total Depth: 8,500'

Lease / Well Number: Major Gant Federal #1
Location: Sec. 12 T21S R21E
SW/4
Field: Little Box Canyon (Morrow)
Primary Objectives: Morrow

NOTES

Daywork Contract - Straight Well - Lined Reserve Pit
Single Sand Completion (One Frac)
Assumes regulatory agent approves CSG program and allows reserve pit
Note all pipe prices are subject to increase due to market fluctuation partners will be billed for actual cost

Intan. Drilling Costs BCP 4-				COSTS
1 Legal, Permits & Fees				1000
2 Abandonment & Cleanup				5000
3 Bits				50000
4 Well Control & Testing				5000
5 Casing Crews				15000
6 Cement and Cement Services				45000
8 Contract Labor / Roustabout				3900
12 Corrosion Control & Chem.				4500
14 Mobilization / Demobilization				70000
15 IDC Daywork	DRLG	$ Day		
	25	18000		450000
16 Directional Drilling Expense				0
21 Drill Stem - Formation Tests				0
22 Fishing Tools & Service				0
23 Float Equipment & Centralizers				1850
24 IDC Footage				0
31 Inspection - Drill String				0
36 Location & Road Expense				65000
39 Logging & Wireline				30000
45 Miscellaneous				11500
51 Mud				41500
52 Mud Logging	DRLG	$ Day		
	18	1000		18000
60 Pumping Services				1500
61 Rentals Surface				12000
62 Rentals Sub-Surface				13500
Drill Pipe / Motors	DRLG	$ Day		
	16	1400		22400
66 Rig Fuel	DRLG	$ Day		
	25	1550		38750
67 Staking Location & Surveys				1200
72 Supervision	DRLG	$ Day		
	25	1000		25000
78 Transportation				11500
81 IDC Turnkey				0
84 Water				25000
85 Water / Mud Disposal				3500
Insurance	DRLG	$ Foot		
	8500	1.75		14875
ROW				5000
Squeeze CMT				12500
Administrative Services				1500
Contingency 10%				99148
TOTAL				1104623

Lease & Well Equipment 6-				COSTS
4 Conductor Casing				Included in Location Cost
72 Surface Casing	13 3/8"	$ Foot	Depth	
		35	500	17500
32 Intermediate Casing	9 5/8"	$ Foot	Depth	
		35	2000	70000
84 Wellhead				7500
Cattle guards				1500
Contingency 10%				9650
TOTAL EQUIPMENT				106150

ADDITIONAL COST	COSTS
	0
	0
	0
	0
	0
	0
	0
	0
	0
Contingency 10%	0
TOTAL ADDITIONAL COST	0

Intan. Comp. Costs ACP 5-				COSTS
2 Abandonment & Cleanup				11500
4 Bits & Reamers				2500
5 Casing Crews				12500
8 Cement & Services				32500
9 Completion / Swab Unit	Days	$ Day		
	15	2000		30000
11 Couplings & Fittings				2500
12 IDC Daywork	COMP	$ Day		
	2	17000		34000
21 Testing				12500
22 Fishing				0
28 Location & Road Expense				1000
31 Pipe Inspection & Recondition				1000
32 Logging, Perforations & Wireline				20000
40 Miscellaneous IDC				4500
48 Mud & Chemicals				1500
53 Nitrogen Service & Coiled Tubing				0
61 Rentals Surface				7500
62 Rentals Subsurface				13500
66 Water Hauling				7500
68 Pumping Services				5000
77 Contract Labor & Roustabout				5000
80 Stimulation				100000
84 Supervision	COMP	$ Day		
	15	875		13125
92 Transportation				9000
Float Equipment & Centralizers				2500
Rig Fuel	COMP	$ Day		
	2	1550		3100
Squeeze CMT				-12500
Insurance	COMP	$ Day		
	17	452		7684
Administrative Services				7850
Contingency 10%				31973
TOTAL				367232

Lease & Well Equipment 6-				COSTS
12 Controllable Valves				3500
16 Gas Processing & Dehy				8500
24 Heaters, Treaters & Separators				12500
40 Pipeline				20000
42 Flowline				3500
44 Misc. Controllable Equipment				1500
56 Subsurface Equipment				10500
64 Pumping Units & Engines				0
68 Rods & Pump				0
60 Production Casing / Liners	5 1/2"	$ Foot	Depth	
		18.75	8500	159375
76 Tanks & Accessory Equipment				20000
80 Tubing	2 7/8"	$ Foot	Depth	
		5.75	8500	48875
84 Wellhead				7500
Contingency 10%				29575
TOTAL EQUIPMENT				325325

ADDITIONAL COST	COSTS
	0
	0
	0
	0
	0
	0
	0
	0
	0
Contingency 10%	0
TOTAL ADDITIONAL COST	0

Oil Conservation Division
Case No. 4
Exhibit No. 4

TOTAL DRILLING	1210773
TOTAL INTANGIBLE	1471854

TOTAL COMPLETION	692557
TOTAL TANGIBLE	431475

TOTAL WELL COST	1903329

Joint Interest Approval

Company:

By: _____ Date: _____

Company: Nadel and Gussman Permian LLC

By: _____ Date: 7/21/06