

NADEL AND GUSSMAN PERMIAN, LLC

601 North Marienfeld, Suite 508
Midland, Texas 79701
Phone: (915) 682-4429
Fax: (915) 682-4325

RECEIVED

JAN 10 2003

**OIL CONSERVATION
DIVISION**

January 6, 2003

CERTIFIED MAIL

State Of New Mexico
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery
Director

Re: Compulsory Pooling Order R-11748
Case No. 12827
Nadel and Gussman Permian, LLC
Kodiak State Com. Well No.1
E/2 Section 36, T-17-S, R-29-E, NMPM
Eddy County, New Mexico

Gentlemen:

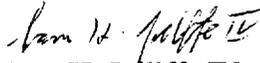
With reference to the captioned Pooling Order, we inadvertently sent our drilling cost letter to the OCD prior address, and later returned to us. A copy of our original letter is enclosed.

The subject well has been completed as a Morrow Gas Well and started selling gas September 26, 2002.

In compliance with the subject Pooling Order, we have enclosed a copy of our Original Authority For Expenditure. The actual cost for the drilling and completion of the Kodiak State Com. Well No.1 was a total of \$1,029,989.37, as shown on the attached Joint Interest Billing.

All parties subject to this Pooling Order have been advised of the cost for drilling and completion of the Kodiak State Com. Well No.1, and that they have 45 days to file any objections with the Oil Conservation Division of New Mexico.

Sincerely,


Sam H. Jolliffe IV
Land Manager

NADEL AND GUSSMAN PERMIAN, LLC

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

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December 16, 2002

FACSIMILE AND
CERTIFIED MAIL

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Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attn: Ms. Lori Wrotenbery
Director

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Sam H. Jolliffe IV
Land Manager

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'

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	27000	12500
RIG MOVES	20000	
DRILLING TURN-KEY	DRLG COMPL DAYS	
DRILLING DAYWORK	30 3 7400 /DAY	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
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
ADMINISTRATIVE SERVICES/OVERHEAD		5000
CONTINGENCY/TAXES		33150
TOTAL INTANGIBLE COSTS	475150	158778
TANGIBLE COSTS		
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
TOTAL TANGIBLE	53213	173183
TOTAL TANGIBLE/INTANGIBLE	528363	331960

TOTAL WELL COST 860323

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

NADEL AND GUSSMAN
 BY: *Joel Gussman*
 DATE: 4/17/02

PROPERTY	PROPERTY NAME	JIB		COST		
		CATEGORY	CATEGORY DESCRIPTION	AMOUNT	CENTER	
0233H 011	XODIAK STATE #1	1-21	Acquisition & Landman Overhead	693.03	0	
		1-77	Leasehold Title/Legal Costs	11,677.32	0	
		1-95	Associated Cost - Producing WI	8,106.67	0	
		TOTAL LEASEHOLD COST			20,477.02	
		4-01	Legal, Permits & Fees	30.00	0	
		4-03	Bits & Reamers	46,718.50	0	
		4-04	BOP & Wellhead Test	1,873.45	0	
		4-05	Casing Crews	5,176.51	0	
		4-06	Cement & Cement Services	22,686.31	0	
		4-12	Corrosion Control & Safety	4,653.89	0	
		4-14	Mobilization/Demobilization	25,908.75	0	
		4-15	Daywork	264,823.72	0	
		4-16	Directional Drilling Expense	50,127.00	0	
		4-18	Drilling Overhead	6,600.00	0	
		4-21	Drill Stem-Formation Tests	21,352.12	0	
		4-22	Fishing Tools & Service	128.70	0	
		4-23	Float Equipment & Centralizers	6,721.74	0	
		4-31	Inspection - Tubular Goods	1,498.84	0	
		4-33	Location & Road Damages	1,200.00	0	
		4-36	Location & Road Expense	25,338.87	0	
		4-39	Logging (Wireline)	30,730.82	0	
		4-45	Miscellaneous I. D. C.	10,072.59	0	
		4-51	Mud & Chemicals	34,642.85	0	
		4-56	Pickup Laydown Charges	5,279.33	0	
4-63	Rentals	8,561.75	0			
4-66	Rig Fuel	5,694.65	0			
4-70	Roustabout Service	4,981.81	0			
4-72	Supervision	30,828.33	0			
4-75	Surveys	1,553.08	0			
4-78	Transportation	10,853.07	0			
4-84	Water	1,775.00	0			
4-87	Well Control Insurance	5,793.41	0			
TOTAL INTANGIBLE DRILLING COST -BCP			635,605.09			
5-03	Acidizing Service & Material	620.10	0			
5-04	Bits & Reamers	1,085.37	0			
5-05	Casing Crews	415.72	0			
5-09	Completion Unit (SERVICE UNIT)	15,047.97	0			
5-15	Frac Service & Materials	44,990.16	0			
5-18	Completion Overhead	6,522.58	0			
5-21	Testing	1,866.11	0			
5-28	Location & Road Expense	8,076.86	0			
5-32	Logging	7,558.48	0			
5-40	Miscellaneous I. D. C.	10,338.30	0			
5-44	Miscellaneous Labor	9,358.78	0			
5-53	Nitrogen Service & Coil Test	46,062.02	0			
5-66	Water Hauling	2,978.98	0			
5-72	Rentals	7,196.20	0			
5-77	Roustabout Service	4,589.71	0			

PROPERTY	PROPERTY NAME	JIB CATEGORY	CATEGORY DESCRIPTION	AMOUNT	COST CENTER
02-10-0011	KODIAK STATE #1	5-84	Supervision	15,370.36	0
		5-98	Welding	861.14	0
		TOTAL INTANGIBLE COMPLETION COST-ACP		182,938.84	
		6-02	Casing	153,605.36	0
		6-16	Gas Processing & Dehydration	9,335.75	0
		6-36	Lease & Well Equipment - Signs	47.74	0
		6-42	Flowline	6,250.35	0
		6-56	Packers & Hold Down	4,722.08	0
		6-76	Tanks & Accessory Equipment	5,687.85	0
		6-84	Wellhead	17,566.01	0
		TOTAL LEASE & WELL EQUIPMENT		197,215.14	
		6-12	Dirt & Road Expense	965.71	0
		8-15	Administrative Overhead	1,200.00	0
		8-16	Insurance	39.98	0
		8-30	Operating Parts & Supplies	2,206.25	0
		8-31	Misc. Operating Expenses	1,526.41	0
		8-51	Pumper Expenses	634.50	0
		8-58	Reoustabout - Labor	3,224.56	0
		8-75	Production Foreman	1,402.10	0
		8-78	Supervisory/Engineering	345.73	0
		8-79	Compression-Rental	2,488.96	0
		8-80	Testing	196.10	0
		TOTAL LEASE OPERATING EXPENSE		14,230.30	
		TOTAL PROPERTY		1,050,466.39	
		RECAP TOTAL		1,050,466.39	