

AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, LLC

Date: 1/13/2011

Prepared By: Joel Martin

Prospect Name: Long Branch

County, State: Eddy, New Mexico

Projected Total Depth: 7120' No Pilot Hole

Lease / Well Number: Long Branch #2-H

Location: Sec. 7-19s-26e

SHL: 330' FNL, 2310' FWL

BHL: 330' FSL, 2310' FWL

Primary Objectives: Yeso

NOTES

Daywork Pilot Hole Logged, then Kick Off Horiz Oil Well - Closed-Loop Moyno Packers Plus Type Completion

TVD @ EOC = 2850' +/-

TVD @ EOL = 2785' +/-

It is recognized that the amounts provided here are estimates only and approval of this authorization shall extend to actual costs incurred in conducting the operations specified, whether more or less than estimated.

Intan. Drilling Costs BCP	COSTS
4-02 Abandonment & Cleanup	\$ 30,000
1-10 Abstracts & Title Opinions	\$ -
4-87 Well Control Insurance 7120' \$/Ft: 0.684	\$ 4,870
4-01 Legal, Permits & Fees	\$ 2,500
4-67 Staking Location & Surveys	\$ 1,000
4-36 Location, Road & ROW	\$ 50,000
4-15 IDC Daywork Days: 17 \$/Day: 12000	\$ 204,000
4-14 Mobilization / Demobilization	\$ 55,000
4-66 Rig Fuel Days: 17 \$/Day: 2783	\$ 47,303
4-24 IDC Footage \$/Ft:	\$ -
4-72 Supervision Days: 17 \$/Day: 1000	\$ 17,000
4-18 Drilling Overhead (Administrative Services)	\$ 3,967
4-03 Bits & Reamers	\$ 21,000
4-61 Rentals Surface	\$ 56,435
4-62 Rentals Sub-Surface	\$ 9,350
4-62 Drill Pipe / Motors Days: 12 \$/Day: 4000	\$ 48,000
4-16 Directional Drilling Expense 12 \$/day 8500	\$ 102,000
4-31 Inspection - Drill String	\$ -
4-04 Well Control & Testing	\$ 5,000
4-45 Miscellaneous IDC	\$ 5,000
4-52 Mud Logging Days: 12 \$/Day: \$ 948	\$ 11,375
4-08 Contract Labor	\$ 8,000
4-78 Transportation	\$ 10,500
4-05 Surface Casing Crews	\$ -
4-06 Kick Off Plug	\$ -
4-23 Surface Float Equipment & Centralizers	\$ -
4-05 Intermediate Surface Casing Crews	\$ 6,000
4-06 Intermediate Cement and Cement Services	\$ 12,000
4-23 Intermediate Float Equipment & Centralizers	\$ 1,700
4-51 Mud & Additives	\$ 20,000
4-12 Corrosion Control & Chem.	\$ 5,000
4-84 Water	\$ 15,767
4-85 Water / Mud Disposal	\$ 39,429
Contingency (10%)	\$ 79,220
TOTAL	\$ 871,415

Intan. Formation Testing BCP	COSTS
4-39 Logging & Wireline	\$ -
4-21 Drill Stem - Formation Tests	\$ -
4-12 Coring & Analysis (Sidewall Cores)	\$ -
Contingency (10%)	\$ -
TOTAL	\$ -

Tangible Lease & Well Equipment BCP	COSTS
6-72 Surface Casing 13-3/8" \$/Ft: 0 Feet: 1400	\$ -
6-32 Intermediate Csg 9 5/8" \$/Ft: 25 Feet: 1400	\$ 34,300
" \$/Ft: Feet:	\$ -
" \$/Ft: Feet:	\$ -
6-84 Wellhead	\$ 4,000
6-76 Cattle Guards	\$ 1,500
Contingency (10%)	\$ 3,980
TOTAL EQUIPMENT	\$ 43,780

TOTAL DRILLING	\$ 915,195
TOTAL INTANGIBLE	\$ 1,489,283

Intan. Comp. Costs ACP	COSTS
5-02 Abandonment & Cleanup	\$ (30,000)
5-12 IDC Daywork Days: 2 \$/Day: 12000	\$ 24,000
4-66 Rig Fuel Days: 2 \$/Day: 2783	\$ 5,565
5-84 Drilling Rig Supervision Days: 2 \$/Day: 1000	\$ 2,000
5-05 Production Casing Crews	\$ 8,000
5-08 Production Casing Cement & Services	\$ 12,000
5-08 Prod. Float Equipment & Centralizers	\$ 9,000
5-09 Completion / Swab Unit Days: 2 \$/Day: 28000	\$ 56,000
5-84 Compl. Rig Supervision Days: 8 \$/Day: 650	\$ 5,200
5-18 Administrative Services	\$ 2,333
5-48 Mud & Chemicals	\$ 2,400
5-66 Water Hauling	\$ 8,000
5-32 Logging, Perforations & Wireline	\$ -
5-62 Rentals Subsurface	\$ 7,500
5-61 Rentals Surface	\$ 5,400
5-53 Nitrogen Service & Coiled Tubing	\$ -
5-22 Fishing	\$ -
5-80 Stimulation	\$ 400,000
5-92 Transportation	\$ 8,000
5-77 Contract Labor & Roustabout	\$ 9,000
5-04 Bits & Reamers	\$ -
5-11 Couplings & Fittings	\$ 9,500
5-28 Location & Road Expense	\$ 5,000
5-40 Miscellaneous IDC	\$ 5,000
5-31 Pipe Inspection & Recondition	\$ -
5-68 Pumping Services (Kill Truck)	\$ -
5-21 Testing	\$ 5,000
5-40 Well Control Insurance Days: 8 \$/Day: 350	\$ 2,800
Contingency (10%)	\$ 56,170
TOTAL	\$ 617,868

Tangible Well Equipment ACP	COSTS
6-60 Prod' Csg / Liners 5-1/2" \$/Ft: 14 Feet: 7120	\$ 99,680
" \$/Ft: Feet:	\$ -
6-80 Tubing 2-7/8" \$/Ft: 6 Feet: 2000	\$ 12,000
6-84 Wellhead	\$ 5,000
6-68 Rods and Pump, Moyno	\$ 40,000
931-000 Subsurface Equipment	\$ 180,000
Contingency (10%)	\$ 33,668
TOTAL EQUIPMENT	\$ 370,348

Tangible Lease & Battery Equipment ACP	COSTS
6-64 Pumping Units & Engines	\$ -
6-16 Gas Processing & Dehy	\$ -
6-24 Heaters, Treators & Separators	\$ 15,000
6-76 Tanks & Accessory Equipment	\$ 25,000
6-40 Pipeline	\$ 10,000
6-42 Flowline	\$ 5,000
6-12 Controllable Valves	\$ 9,000
6-44 Misc. Controllable Equipment	\$ 6,000
Contingency (10%)	\$ 7,000
TOTAL EQUIPMENT	\$ 77,000

TOTAL COMPLETION	\$ 1,065,216
TOTAL TANGIBLE	\$ 491,128

Joint Interest Approval

Company:

Company: Nadel and Gussman Permian, LLC

TOTAL DRY HOLE COST	\$ 949,916
TOTAL WELL COST	\$ 1,980,411

Before the Oil Conservation Division

Case 14624

Hearing November 10, 2011

Nadel and Gussman Permian

Exhibit No. 12

By: Joel Marti

Date: 1/13/2011