

AUTHORITY FOR EXPENDITURE**NADEL AND GUSSMAN PERMIAN, LLC**

Date: 9/19/2011

Prepared By: Jason Goss

Prospect Name: Gunsmoke Prospect

County, State: Eddy County, New Mexico

Projected Total Depth: 7054' MD 2,760' TVD (2,960 Pilot Hole)

Lease / Well Number: Long Branch #2H

Location: Sec. 7 - T19S - R26E

SHL: 330' FNL, 2310' FWL

BHL: 330' FSL, 2310' FWL

Primary Objectives: Yeso

NOTES

Daywork Contract - Horiz Oil Well - Closed Loop Mud System- Moyno Pump
Assumes Packers Plus type Installation, pilot hole and logs
Assumes regulatory agent approves casing program

Note all pipe prices may be subject to increase due to market fluctuations.

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	7054' MD \$/Ft: 0.684	\$ 4,825
4-01 Legal, Permits & Fees		\$ 5,000
4-67 Staking Location & Surveys		\$ 1,250
4-36 Location, Road & ROW, Frac Pit		\$ 105,000
4-15 IDC Daywork	Days: 17 \$/Day: 13500	\$ 229,500
4-14 Mobilization / Demobilization		\$ 85,000
4-66 Rig Fuel	Days: 17 \$/Day: 3000	\$ 51,000
4-24 IDC Footage	\$/Ft:	\$ -
4-72 Supervision	Days: 17 \$/Day: 650	\$ 11,050
4-18 Drilling Overhead (Administrative Services)		\$ 10,000
4-03 Bits & Reamers		\$ 28,180
4-61 Rentals Surface		\$ 68,480
4-62 Rentals Sub-Surface		\$ 29,400
4-62 Drill Pipe Rental	Days: 13 \$/Day: 1700	\$ 22,100
4-16 Directional Drilling Expense	Days: 10 \$/Day: 12500	\$ 125,000
4-31 Inspection - Drill String		\$ 10,000
4-04 Well Control & Testing		\$ 5,000
4-45 Miscellaneous IDC		\$ 5,000
4-52 Mud Logging & Geo Steering	Days: 13 \$/Day: \$ 2,567	\$ 33,375
4-08 Contract Labor		\$ 8,000
4-78 Transportation		\$ 10,500
4-05 Surface Casing Crews		\$ 3,500
4-06 Surface Cement and Cement Services & possible 1"		\$ 30,000
4-23 Surface Float Equipment & Centralizers		\$ 2,000
4-05 Intermediate Casing Crews		\$ 6,000
4-06 Intermediate Cement and Cement Services, kick off plug		\$ 30,000
4-23 Intermediate Float Equipment & Centralizers		\$ 5,000
4-51 Mud & Additives		\$ 55,000
4-12 Corrosion Control & Chem.		\$ 5,000
4-84 Water		\$ 15,693
4-85 Water / Mud Disposal CRI		\$ 60,000
Contingency (5%)		\$ 54,493
TOTAL		\$ 1,144,345

Intan. Formation Testing BCP		COSTS
4-39 Logging & Wireline		\$ 15,000
4-21 Drill Stem - Formation Tests		\$ -
4-12 Coring & Analysis (Sidewall Cores)		\$ 10,000
Contingency (5%)		\$ 1,250
TOTAL		\$ 26,250

Tangible Lease & Well Equipment BCP		COSTS
6-72 Surface Casing	9-5/8" \$/Ft: 25 Feet: 1000	\$ 25,000
6-32 Intermediate Csg	7" 26# \$/Ft: 28 Feet: 3050	\$ 85,400
	" \$/Ft: Feet:	\$ -
	" \$/Ft: Feet:	\$ -
6-84 Wellhead		\$ 9,000
6-76 Cattle Guards, Gates, Fences		\$ 10,000
Contingency (5%)		\$ 6,470
TOTAL EQUIPMENT		\$ 135,870

TOTAL DRILLING	\$ 1,306,465
TOTAL INTANGIBLE	\$ 2,299,415

Intan. Comp. Costs ACP		COSTS
5-02 Abandonment & Cleanup		\$ (30,000)
5-12 IDC Daywork	Days: 2 \$/Day: 13500	\$ 27,000
4-66 Rig Fuel	Days: 2 \$/Day: 3000	\$ 6,000
5-84 Drilling Rig Supervision	Days: 2 \$/Day: 650	\$ 1,300
5-05 Production Casing Crews		\$ 12,000
5-08 Production Casing Cement & Services		\$ -
5-08 Prod. Float Equipment & Centralizers		\$ -
5-09 Completion / Swab Unit	Days: 4 \$/Day: 2500	\$ 10,000
5-84 Compl. Rig Supervision	Days: 6 \$/Day: 650	\$ 3,900
5-18 Administrative Services		\$ 1,867
5-48 Mud & Chemicals		\$ 2,400
5-66 Water		\$ 40,000
5-32 Logging, Perforations & Wireline		\$ -
5-62 Rentals Subsurface		\$ -
5-61 Rentals Surface, Frac Tanks, Transfer Svcs		\$ 40,000
5-53 Nitrogen Service & Coiled Tubing	Days: 2 \$/Day: 28000	\$ 56,000
5-22 Fishing		\$ -
5-80 Stimulation		\$ 850,000
5-92 Transportation		\$ 8,000
5-77 Contract Labor & Roustabout		\$ 9,000
5-04 Bits & Reamers		\$ 7,500
5-11 Couplings & Fittings		\$ 9,500
5-28 Location & Road Expense		\$ 10,000
5-40 Miscellaneous IDC		\$ -
5-31 Pipe Inspection & Recondition (inspect rental drill pipe)		\$ 2,500
5-68 Pumping Services; Kill Truck set OH packers, open toe sub		\$ 6,000
5-21 Testing		\$ -
5-40 Well Control Insurance	Days: 6 \$/Day: 350	\$ 2,100
Contingency (5%)		\$ 53,753
TOTAL		\$ 1,128,820

Tangible Well Equipment ACP		COSTS
6-60 Prod. Csg / Liners	4.5" \$/Ft: 13.5 Feet: 4404	\$ 59,454
	" \$/Ft: Feet:	\$ -
6-80 Tubing	2-7/8" \$/Ft: 6.5 Feet: 2300	\$ 14,950
6-84 Wellhead		\$ 2,500
6-68 Rods and Pump, Moyno		\$ 65,000
6-56 Packers Plus Tools		\$ 250,000
Contingency (5%)		\$ 19,595
TOTAL EQUIPMENT		\$ 411,499

Tangible Lease & Battery Equipment ACP		COSTS
6-64 Pumping Units & Engines		\$ -
6-16 Gas Processing & Dehy		\$ -
6-24 Heater Treater		\$ 15,000
6-76 Tanks & Accessory Equipment		\$ 86,000
6-40 Pipeline		\$ -
6-42 Flowline		\$ 5,000
6-12 Controllable Valves		\$ 9,000
6-44 Misc. Controllable Equipment		\$ 6,000
Contingency (5%)		\$ 6,050
TOTAL EQUIPMENT		\$ 127,050

TOTAL COMPLETION	\$ 1,667,369
TOTAL TANGIBLE	\$ 674,419

Joint Interest Approval

Company:

Company: Nadel and Gussman Permian, LLC

Before the Oil Conservation Division
Case 14624

By: Jason Goss

Date: 9/19/2011

Hearing November 10, 2011
Nadel and Gussman Permian
Exhibit No. 13

TOTAL DRY HOLE COST	\$ 1,342,480
TOTAL WELL COST	\$ 2,973,834