AUTHORITY FOR EXPENDITURE — NADEL AND GUSSMAN HEYCO, LLC

Date:	2/8/2012	Lease / Well Number:	Iron Duke #2H
Prepared By:	Jason Goss	Location:	Sec. 9 - T18S - R26E
Prospect Name:	Dayton Prospect		SHL: 2310' FSL, 330' FEL
County, State:	Eddy County, New Mexico		BHL: 2310' FSL, 330' FWL
Projected Total Depth:	6950' MD 2,600' TVD 3,000' pilot hole	Primary Objectives:	Yeso

NOTES

Daywork Contract - Horiz Oil Well - Closed Loop Mud System- Moyno Art Lift
Assumes Packers Plus OH Completion, w/ pilot hole, use Frac pit in section 16
Assumes regulatory agent approves casing program
Casing prices based on direct purchase for this well.

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.

920-000 Intan. Drilling Costs BCP			COSTS
951-000 Abandonment & Cleanup		$	30,000
920-009 Abstracts & Title Opinions		$	-
920-009 Well Control Insurance	6950' MD $/Ft: 0.684	$	4,754
921-000 Legal, Permits & Fees		+	
921-000 Staking Location & Surveys		$	1,250
921-001 Location, Road & ROW		$	100,000
921-003 IDC Daywork	Days: 17 $/Day: 17000	$	289,000
921-003 Mobilization / Demobilization		$	85,000
921-003 Rig Fuel	Days: 17 $/Day: 3000	$	51,000
921-002 IDC Footage	$/Ft:	$	-
922-001 Supervision	Days: 17 $/Day: 650	$	11,050
922-001 Drilling Overhead (Administrative Services)		$	10,000
922-004 Bits & Reamers		$	28,180
922-000 Rentals Surface		$	65,000
922-000 Rentals Sub-Surface		$	15,000
922-000 Drill Pipe / Motors	Days: 10 $/Day: 1800	$	18,000
922-000 Directional Drilling Expense	Days: 10 $/Day: 12500	$	125,000
921-008 Inspection - Drill String		$	10,000
921-008 Well Control & Testing		$	5,000
921-008 Miscellaneous IDC		$	5,000
921-006 Mud Logging	Days: 11 $/Day: $ 2,580	$	28,375
922-003 Contract Labor		$	8,000
922-002 Transportation		$	30,000
921-004 Surface Casing Crews		$	4,500
921-004 Surface Cement and Cement Services & possible 1"		$	30,000
921-004 Surface Float Equipment & Centralizers		$	2,000
921-007 Intermediate Casing Crews		$	6,500
921-007 Intermediate Cement and Kick off Plug		$	30,000
921-007 Intermediate Float Equipment & Centralizers		$	5,000
921-005 Mud & Additives		$	55,000
921-011 Corrosion Control & Chem.		$	5,000
921-010 Water		$	15,664
921-010 Water / Mud Disposal		$	80,000
Contingency (5%)		$	57,664
TOTAL		$	1,210,936

923-000 Intan. Formation Testing BCP	$	COSTS
923-003 Logging & Wireline	$	35,000
923-003 Drill Stem - Formation Tests	$	-
923-001 Coring & Analysis (Sidewall Cores)	$	10,000
Contingency (5%)	$	2,250
TOTAL	$	47,260

930-000 Tangible Lease & Well Equipment BCP						COSTS
930-001 Surface Casing	9-5/8'	$/Ft: 26	Feet:	1000	$	26,000
930-002 Intermediate Csg	7" 26#'	$/Ft: 28	Feet:	2900	$	79,750
	"	$/Ft:	Feet:		$	-
	"	$/Ft:	Feet:		$	-
930-009 Wellhead					$	9,000
931-003 Cattle Guards					$	-
Contingency (5%)					$	5,738
TOTAL EQUIPMENT					$	120,488

924-000 Intan. Comp. Costs ACP			COSTS
951-000 Abandonment & Cleanup		$	(30,000)
921-003 Daywork	Days: 2 $/Day: 17000	$	34,000
921-003 Rig Fuel	Days: 2 $/Day: 3000	$	6,000
924-008 Drilling Rig Supervision	Days: 2 $/Day: 650	$	1,300
924-004 Production Casing Crews		$	15,000
924-004 Production Casing Cement & Services		$	-
924-004 Prod. Float Equipment & Centralizers		$	-
924-001 Completion / Swab Unit	Days: 10 $/Day: 3000	$	30,000
924-008 Compl. Rig Supervision	Days: 12 $/Day: 650	$	7,800
924-008 Administrative Services		$	-
924-003 Mud & Chemicals		$	2,400
924-003 Water		$	15,000
924-005 Logging, Perforations & Wireline		$	-
924-006 Rentals Subsurface		$	-
924-006 Rentals Surface		$	20,000
924-006 Nitrogen Service & Coiled Tubing	Days: 2 $/Day: 28000	$	56,000
924-006 Fishing		$	-
924-007 Stimulation		$	900,000
924-007 Transportation		$	8,000
924-009 Contract Labor & Roustabout		$	12,000
925-001 Bits & Reamers		$	-
925-001 Couplings & Fittings		$	9,500
925-003 Location & Road Expense		$	10,000
925-003 Miscellaneous IDC		$	-
925-003 Pipe Inspection & Recondition		$	-
925-003 Pumping Services (Kill Truck)		$	6,000
925-003 Testing		$	-
925-003 Well Control Insurance	Days: 6 $/Day: 350	$	2,100
Contingency (5%)		$	55,255
TOTAL		$	1,160,366

930-000 Tangible Well Equipment ACP						COSTS
930-003 Prod. Csg / Liners	4.5'	$/Ft: 13.5	Feet:	4400	$	59,400
	"	$/Ft:	Feet:		$	-
930-004 Tubing	2-7/8'	$/Ft: 6.5	Feet:	2300	$	14,950
930-009 Wellhead					$	2,500
931-000 Rods & Pump, Moyno					$	65,000
931-000 Subsurface Equipment					$	300,000
Contingency (5%)					$	22,093
TOTAL EQUIPMENT					$	463,943

940-000 Tangible Lease & Battery Equipment ACP	$	COSTS
940-001 Pumping Units & Engines	$	-
940-002 Gas Processing & Dehy	$	-
940-002 Heaters, Treaters & Separators	$	20,000
940-005 Tanks & Accessory Equipment	$	90,000
941-001 Pipeline	$	-
941-001 Flowline	$	2,500
941-001 Controllable Valves	$	9,000
941-001 Misc. Controllable Equipment	$	6,000
Contingency (5%)	$	6,375
TOTAL EQUIPMENT	$	133,875

TOTAL DRILLING	$ 1,378,673
TOTAL INTANGIBLE	$ 2,418,541

TOTAL COMPLETION	$ 1,758,173
TOTAL TANGIBLE	$ 718,305

TOTAL DRY HOLE COST	$ 1,422,038
TOTAL WELL COST	$ 3,136,846

Joint Interest Approval

Company: Nadel and Gussman Heyco, LLC

By: Jason Goss Date: 2/8/2012

Oil Conservation Division
Case No. 4
Exhibit No. 4