

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF NADEL AND GUSSMAN
PERMIAN, L.L.C. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

Case No. 13,649

VERIFIED STATEMENT OF SAM H. JOLLIFFE IV

Sam H. Jolliffe IV, being duly sworn upon his oath, deposes and states:

1. I am a landman for Nadel and Gussman Permian, L.L.C., and have personal knowledge of the matters stated herein.
2. Pursuant to Division Rule 1207.A(1)(b), the following information is submitted in support of the compulsory pooling application filed herein:
 - (a) No opposition is expected because the only working interest owner being pooled is unlocatable.
 - (b) A plat outlining the spacing unit being pooled, and marking the location of the subject well, is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 30, Township 23 South, Range 28 East, NMPM, and in the following morning: The E/2 to form a standard 320-acre gas spacing and proration unit for any and all formations or pools developed on 320-acre spacing within that vertical extent, including the North Loving-Morrow Gas Pool; the NE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations or pools developed on 160-acre spacing within that vertical extent; and the NW/4NE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations or pools developed on 40-acre spacing within that vertical extent, including the Undesignated South Loving-Delaware Pool. The units are to be designated to the Hermes Fee Well No. 1, to be located at an orthodox location in the NW/4NE/4 of Section 30.
 - (c) The party being pooled, his interest in the well units, and his last known address, are as follows:

James Edwin Brown
Pecos County, Texas

4/24 interest in NE/4NE/4 and E/2E/2NW/4NE/4

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CASE NUMBER 13649

EXHIBIT NUMBER 1

4.1667% interest in NW/4NE/4
5.2083% interest in NE/4
2.6042% interest in E/2

(d) Mr. Brown acquired his interest in 1968, and there have been no instruments recorded in Eddy County regarding his interest since that date. His last known address was in Pecos County, Texas, and the records of Pecos County have been checked, in addition to telephone and internet directories. Phone calls have been made to a person named "J. Brown" in Fort Stockton, Texas, in an attempt to locate Mr. Brown, but the phone calls have not been returned.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit B. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Eddy County.

(g) Overhead charges of \$7000/month for a drilling well, and \$700/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for well of this depth.

(h) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Sam H. Jolliffe IV, being duly sworn upon his oath, deposes and states that: He is a landman for Nadel and Gussman Permian, L.L.C.; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

Sam H. Jolliffe IV
Nadel and Gussman Permian, L.L.C.

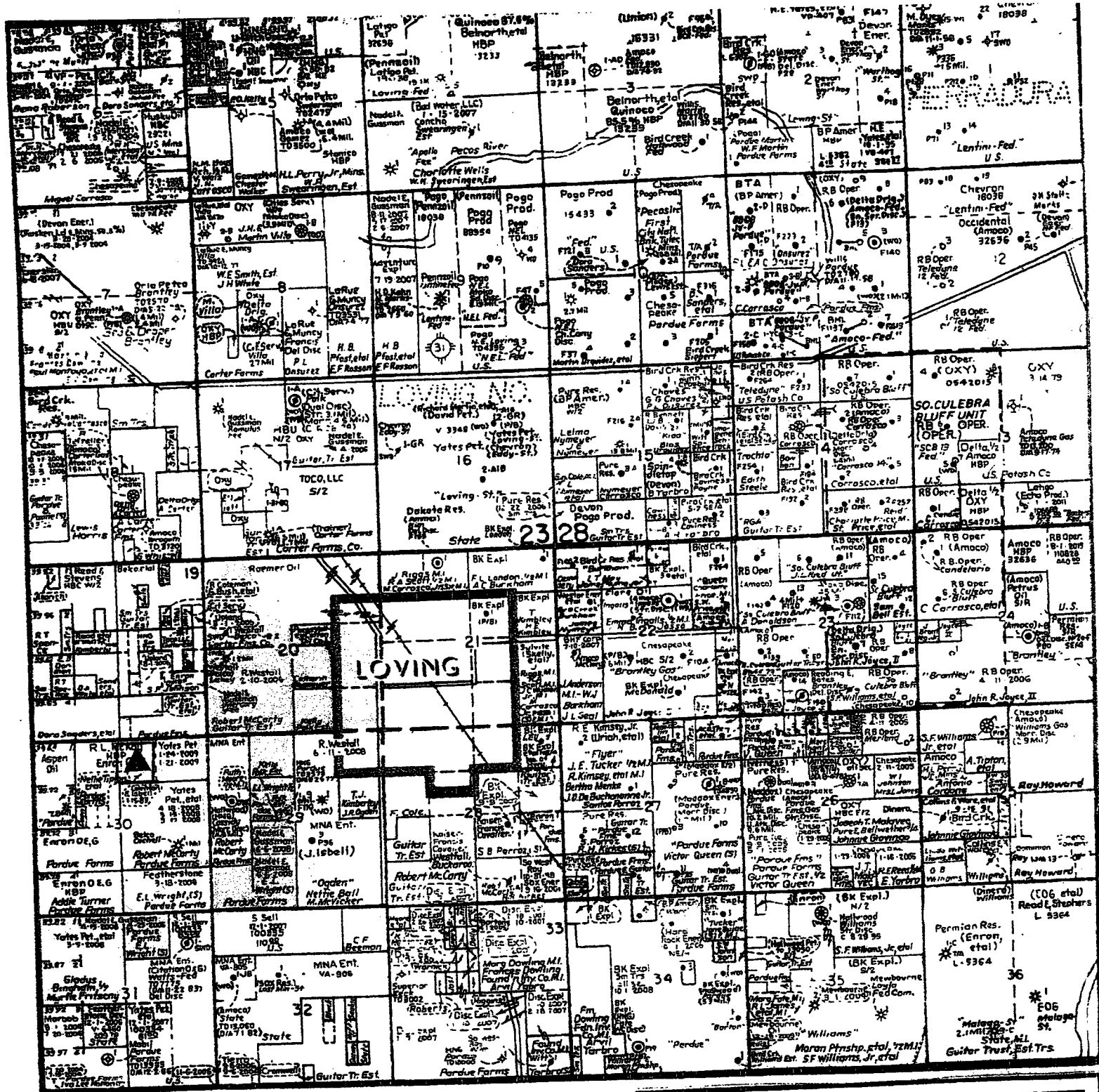
SUBSCRIBED AND SWORN TO before me this 28th day of February, 2006 by
Sam H. Jolliffe IV

My Commission Expires:

8-27-07



Nestora German
Notary Public



NADEL AND GUSSMAN PERMIAN, LLC

Acropolis Prospect

T23S-R28E

EDDY CO, NM

KEL/SHG



AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, LLC MIDLAND, TX

Date: 12/9/2005
 Prepared By: Josh Fernau
 Prospect Name: Acropolis
 County, State Eddy, New Mexico
 Projected Total Depth: 12,900'

Lease / Well Number: Hermes Fee #1
 Location: Sec. 30 T23S R28E
 660' FNL and 1,980' FEL
 Field: Loving Morrow
 Primary Objectives: Morrow

NOTES

Daywork Contract - Straight Well - Lined Reserve Pit
 Single Band 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				10000
2 Abandonment & Cleanup				2500
3 Bits				75000
4 Well Control & Testing				5520
5 Casing Crews				12500
6 Cement and Cement Services				35000
8 Contract Labor / Roustabout				5000
12 Corrosion Control & Chem.				3500
14 Mobilization / Demobilization				57000
15 IDC Daywork	DRLG	\$ Day		
	38	15000		570000
16 Directional Drilling Expense				0
21 Drill Stem - Formation Tests				0
22 Fishing Tools & Service				0
23 Float Equipment & Centralizers				8000
24 IDC Footage				0
31 Inspection - Drill String				2890
36 Location & Road Expense				41000
39 Logging & Wireline				27500
45 Miscellaneous				9000
51 Mud				65000
52 Mud Logging	DRLG	\$ Day		
	30	925		27750
60 Pumping Services				0
61 Rentals Surface				19500
62 Rentals Sub-Surface				18900
Drill Pipe / Motors	DRLG	\$ Day		
	0	0		0
66 Rig Fuel	DRLG	\$ Day		
	38	1200		45600
67 Staking Location & Surveys				1200
72 Supervision	DRLG	\$ Day		
	38	950		36100
78 Transportation				9000
81 IDC Turnkey				0
84 Water				25000
85 Water / Mud Disposal				9500
Insurance	DRLG	\$ Foot		
	12900	1.75		22575
ROW				15000
Squeeze CMT				15000
Administrative Services				9800
Contingency 10%				115954
Lease & Well Equipment 6-				COSTS
4 Conductor Casing	Included in Location Cost			
72 Surface Casing	13 3/8"	\$ Foot	Depth	
		33.5	330	11055
32 Intermediate Casing	9 5/8"	\$ Foot	Depth	
		35	4500	157500
84 Wellhead				11500
Cattle guards				1500
Contingency 10%				18155.5
ADDITIONAL COST				COSTS
				0
				0
				0
				0
				0
				0
				0
				0
				0
Contingency 10%				0

TOTAL DRILLING 1499999
 TOTAL INTANGIBLE 1787861

TOTAL WELL COST
 Joint Interest Approval
 Company:

By: _____ Date: _____

Intan. Comp. Costs ACP 5-				COSTS
2 Abandonment & Cleanup				50000
4 Bits & Reamers				3000
5 Casing Crews				17500
8 Cement & Services				42000
9 Completion / Swab Unit	Days	\$ Day		
	18	2000		36000
11 Couplings & Fittings				9800
12 IDC Daywork	COMP	\$ Day		
	3	13500		40500
21 Testing				8500
22 Fishing				0
28 Location & Road Expense				4200
31 Pipe Inspection & Recondition				2500
32 Logging, Perforations & Wireline				25000
40 Miscellaneous IDC				14500
48 Mud & Chemicals				2500
53 Nitrogen Service & Coiled Tubing				0
61 Rentals Surface				13500
62 Rentals Subsurface				15000
66 Water Hauling				10200
68 Pumping Services				5800
77 Contract Labor & Roustabout				9500
80 Stimulation				100000
84 Supervision	COMP	\$ Day		
	21	770		16170
92 Transportation				9000
Float Equipment & Centralizers				2500
Rig Fuel	COMP	\$ Day		
	3	1200		3600
Squeeze CMT				-15000
Insurance	COMP	\$ Day		
	21	475		9975
Administrative Services				8700
Contingency 10%				42627
Lease & Well Equipment 6-				COSTS
12 Controllable Valves				9500
16 Gas Processing & Dehy				11500
24 Heaters, Treaters & Separators				19800
40 Pipeline				9000
42 Flowline				10000
44 Misc. Controllable Equipment				1500
56 Subsurface Equipment				14000
64 Pumping Units & Engines				0
68 Rods & Pump				0
60 Production Casing / Liners	5 1/2"	\$ Foot	Depth	
		17.5	12900	225750
76 Tanks & Accessory Equipment				10580
80 Tubing	2 7/8"	\$ Foot	Depth	
		5.75	12900	74175
84 Wellhead				11500
Contingency 10%				39730.5
ADDITIONAL COST				COSTS
				0
				0
				0
				0
				0
				0
				0
				0
				0
Contingency 10%				0

TOTAL COMPLETION 924608
 TOTAL TANGIBLE 636746

2424607

Company: Nadel and Gussman

By: *H. Fernau* Date: 12/09/05