

# AUTHORITY FOR EXPENDITURE

# NADEL AND GUSSMAN HEYCO, LLC

Date: 2/26/2008

Prepared By: Terry West

Prospect Name: Golden Lane

County, State: Eddy, New Mexico

Projected Total Depth: 12675'

Lease / Well Number: Heyco State #2

Location: Sec. 32, T20S R30E

1980' FWL, 1850' FNL

Field:

Primary Objectives: Middle Morrow

\*NOTES\*: Extra casing string is required for Capitan Reef water protection. Costs for contingency well control casing string are not included.

Daywork Contract - Straight Well - Lined Reserve Pit - 4 Casing Strings  
Single Sand Completion (One Frac)

Assumes regulatory agent approves casing program and allows reserve pit

\*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.

920-000 Intan. Drilling Costs BCP	COSTS
951-000 Abandonment & Cleanup	\$ 30,000
920-009 Abstracts & Title Opinions	\$ -
920-009 Well Control Insurance 12675' \$/Ft: 1.539	\$ 19,507
921-000 Legal, Permits & Fees	\$ 2,500
921-000 Staking Location & Surveys	\$ 1,600
921-001 Location, Road & ROW	\$ 76,280
921-003 IDC Daywork Days: 44 \$/Day: 16000	\$ 704,000
921-003 Mobilization / Demobilization	\$ 85,000
921-003 Rig Fuel Days: 44 \$/Day: 1350	\$ 59,400
921-002 IDC Footage \$/Ft:	\$ -
922-001 Supervision Days: 44 \$/Day: 1150	\$ 50,600
922-001 Drilling Overhead (Administrative Services)	\$ 10,733
922-004 Bits & Reamers	\$ 66,700
922-000 Rentals Surface	\$ 43,010
922-000 Rentals Sub-Surface	\$ 13,860
922-000 Drill Pipe / Motors Days: 28 \$/Day: 3335	\$ 93,380
922-000 Directional Drilling Expense	\$ -
921-008 Inspection - Drill String	\$ 10,000
921-008 Well Control & Testing	\$ 6,000
921-008 Miscellaneous IDC	\$ 10,000
921-006 Mud Logging Days: 32 \$/Day: 975	\$ 31,200
922-003 Contract Labor	\$ 5,000
922-002 Transportation	\$ 5,000
921-004 Surface Casing Crews	\$ 4,000
921-004 Surface Cement and Cement Services	\$ 10,000
921-004 Surface Float Equipment & Centralizers	\$ 2,000
921-007 Intermediate Casing Crews	\$ 10,000
921-007 Intermediate Cement and Cement Services	\$ 30,000
921-007 Intermediate Float Equipment & Centralizers	\$ 4,000
921-005 Mud & Additives	\$ 60,000
921-011 Corrosion Control & Chem.	\$ 8,000
921-010 Water	\$ 30,000
921-010 Water / Mud Disposal	\$ 10,000
Contingency 10%	\$ 149,177
<b>TOTAL</b>	<b>\$ 1,640,947</b>

923-000 Intan. Formation Testing BCP	COSTS
923-003 Logging & Wireline	\$ 50,000
923-003 Drill Stem - Formation Tests	\$ -
923-001 Coring & Analysis (Sidewall Cores)	\$ -
Contingency 10%	\$ 5,000
<b>TOTAL</b>	<b>\$ 55,000</b>

930-000 Tangible Lease & Well Equipment BCP	COSTS
930-001 Surface Casing 18" \$/Ft: 34 Feet: 450	\$ 15,300
930-002 Intermediate Csg 13-3/8" \$/Ft: 34 Feet: 1700	\$ 57,800
9-5/8" \$/Ft: 33 Feet: 3500	\$ 115,500
" \$/Ft: Feet:	\$ -
930-009 Wellhead	\$ 15,000
931-003 Cattle Guards	\$ 1,500
Contingency 10%	\$ 20,510
<b>TOTAL EQUIPMENT</b>	<b>\$ 225,610</b>

<b>TOTAL DRILLING</b>	<b>\$ 1,921,557</b>
<b>TOTAL INTANGIBLE</b>	<b>\$ 2,245,782</b>

924-000 Intan. Comp. Costs BCP	COSTS
951-000 Abandonment & Cleanup	\$ (30,000)
921-003 Daywork Days: 2 \$/Day: 16000	\$ 32,000
921-003 Rig Fuel Days: 2 \$/Day: 1350	\$ 2,700
924-008 Drilling Rig Supervision Days: 2 \$/Day: 1150	\$ 2,300
924-004 Production Casing Crews	\$ 12,000
924-004 Production Casing Cement & Services	\$ 50,000
924-004 Prod. Float Equipment & Centralizers	\$ 2,500
924-001 Completion / Swab Unit Days: 15 \$/Day: 4000	\$ 60,000
924-008 Compl. Rig Supervision Days: 15 \$/Day: 650	\$ 9,750
924-008 Administrative Services	\$ 7,000
924-003 Mud & Chemicals	\$ 2,500
924-003 Water Hauling	\$ 9,500
924-005 Logging, Perforations & Wireline	\$ 27,500
924-006 Rentals Subsurface	\$ 7,850
924-006 Rentals Surface	\$ 5,600
924-006 Nitrogen Service & Coiled Tubing	\$ -
924-006 Fishing	\$ -
924-007 Stimulation	\$ 200,000
924-007 Transportation	\$ 15,000
924-009 Contract Labor & Roustabout	\$ 20,000
925-001 Bits & Reamers	\$ 2,500
925-001 Couplings & Fittings	\$ 9,800
925-003 Location & Road Expense	\$ 5,000
925-003 Miscellaneous IDC	\$ 13,500
925-003 Pipe Inspection & Recondition	\$ 9,500
925-003 Pumping Services (Kill Truck)	\$ 5,600
925-003 Testing	\$ 12,500
925-003 Well Control Insurance Days: 15 \$/Day: 350	\$ 5,250
Contingency 10%	\$ 49,985
<b>TOTAL</b>	<b>\$ 549,835</b>

930-000 Tangible Well Equipment ACP	COSTS
930-003 Prod. Csg / Liners 5-1/2" \$/Ft: 17 Feet: 12675	\$ 215,475
" \$/Ft: Feet:	\$ -
930-004 Tubing 2-7/8" \$/Ft: 6 Feet: 12475	\$ 74,850
930-009 Wellhead	\$ 10,000
931-000 Rods & Pump	\$ -
931-000 Subsurface Equipment	\$ 12,500
Contingency 10%	\$ 31,283
<b>TOTAL EQUIPMENT</b>	<b>\$ 344,108</b>

940-000 Tangible Lease & Battery Equipment ACP	COSTS
940-001 Pumping Units & Engines	\$ -
940-002 Gas Processing & Dehy	\$ 17,500
940-002 Heaters, Treaters & Separators	\$ 25,000
940-005 Tanks & Accessory Equipment	\$ 10,580
941-001 Pipeline	\$ 9,000
941-001 Flowline	\$ 10,000
941-001 Controllable Valves	\$ 9,000
941-001 Misc. Controllable Equipment	\$ 13,000
Contingency 10%	\$ 9,408
<b>TOTAL EQUIPMENT</b>	<b>\$ 103,488</b>

<b>TOTAL COMPLETION</b>	<b>\$ 997,431</b>
<b>TOTAL TANGIBLE</b>	<b>\$ 673,206</b>

Joint Interest Approval

Company:

Company: Nadel and Gussman Heyco

By: \_\_\_\_\_ Date: \_\_\_\_\_

By: *Terry West* Date: 2-26-08

TOTAL DRY HOLE COST \$ 1,962,257

TOTAL WELL COST \$ 2,918,988

Oil Conservation Division  
Case No. **7**  
Exhibit No. \_\_\_\_\_