

Brooks

NADEL AND GUSSMAN PERMIAN, L.L.C.
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Midland, TX 79701
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RECEIVED

OCT 4 - 2001

**OIL CONSERVATION
DIVISION**

October 2, 2001

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702
Attn: Mr. Joe Rusnak

Oxy USA Inc.
P.O. Box 50250
Midland, Texas 79710-0252
Attn: Mr. David Evans

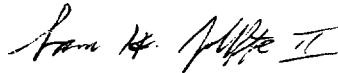
Devon Energy Production Company, L.P.
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102
Attn: Mr. Ken Gray

Re: T-19-S, R-24-E, NMPM
Section 17: S/2
Case No. 12706
NMOCD Pooling Order No. R-11658

Gentlemen:

Please find enclosed a copy of the State of New Mexico Oil Conservation Division Order No. R-11658. Pursuant to the provisions of the Order, we have enclosed an AFE for your evaluation. Per the Order, please advise within thirty (30) days from receipt of this letter as to whether or not you elect to participate in this well proposal.

Sincerely,



Sam H. Jolliffe IV
Land Manager

C: NMOCD
1220 So. St. Francis Dr.
Santa Fe, New Mexico 87505

Mr. James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504

AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, LLC MIDLAND, TX

PROSPECT NAME: IMA HOAG FIELD: HOAG TANK DATE: 09/25/01
 LEASE/WELL NUMBER: ANCELL #1 PREPARED BY: JF MARTIN
 LOCATION: 1980' FSL, 990' FEL, 17-29S-24E
 COUNTY, STATE: EDDY, NM DAY WORK CONTRACT
 PRIMARY OBJECTIVES: CANYON/WOLF/STRAWN 2 DST'S INCLUDED
 PROJECTED TOTAL DEPTH: 8700' SINGLE COMPLETION IN PENN (NO FRAC) ASSUMED

INTANGIBLE COSTS					CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING					2000	0
ROW					2000	2000
SITE PREPARATION/CLEAN-UP					25000	5000
RIG MOVES					20000	
DRILLING TURN-KEY						
					DRLG COMPL DAYS	
DRILLING DAYWORK					28 2 9000 /DAY	18000
DRILLING FOOTAGE					0 FT. @ 0 /FT	0
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID					0 1500 /DAY	0
BITS					18000	500
WATER					9000	5000
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)					0 250 /DAY	0
MUD/CHEMICALS/PKR FLUID					30000	2000
MUD LOGGING					18 DAYS @ 550 /DAY	9900
OPEN HOLE LOGGING					25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD					2500	
DIESEL					25 800 /DAY	20000
DST'S 2 @ \$3500/TEST					7000	
WELDING						
CASING CREW/TOOLS					3000	3000
CASING CEMENTING					20000	25000
SQUEEZE CMTG/PLUGGING					10000	-10000
TRANSPORTATION					2000	2000
RENTAL TOOLS/EQUIP						2500
COMPLETION RIG					10 DAYS @ 1850 /DAY	18500
PERFORATING/CASED HOLE LOGGING/CIBP/CMT						10000
NITROGEN POWER PERF						
FRACTURING/STIMULATION						20000
FRAC TANKS/WATER TRANSPORTS						5000
PIT LINER					3000	
LABOR/ROUSTABOUT CREWS					0	3500
INSURANCE					8000	
BOP TESTING - 3RD PARTY					1200	
COLLAR INSPECTION/DAMAGES						
TREATING PACKER					DRLG COMPL DAYS	
FIELD SUPERVISION					26 15 550 /DAY	14300
ADMINISTRATIVE SERVICES/OVERHEAD					5500	2500
CONTINGENCY					48940	11825
TOTAL INTANGIBLE COSTS					538340	134575
TANGIBLE COSTS						
20"	"	CONDUCTOR	40 FT @	40.13 /FT	0	IN LOCATION CO
13-3/8"	"	SURFACE	400 FT @	14.00 /FT	5600	
8-5/8"	"	INTERMEDIATE	1500 FT @	9.00 /FT	13500	
5-1/2"	"	PRODUCTION	8700 FT @	6.00 /FT		52200
	"	LINER	FT @	/FT		0
2 3/8"	"	TUBING	8500 FT @	3.00 /FT		25500
		RODS	0 FT @	0 /FT		0
FLOAT EQUIP, DV TOOL, ETC						
CATTLEGUARDS/GATES					1000	
WELLHEAD					7000	7000
PACKER						5000
DOWNHOLE PUMP/TAC						0
FORKLIFT/PIPE RACKS					1000	1000
STOCK TANKS/WATER TANKS						7500
SEPARATORS						
HEATER-TREATER/GPU						7500
VALVES/FITTINGS						7500
FLOWLINE/GATHERING LINE						15000
METER RUN, ETC.						2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)						2500
CONTINGENCY					506	5550
TOTAL TANGIBLE					28606	138750
TOTAL TANGIBLE/INTANGIBLE					566946	273325

TOTAL WELL COST 840271

JOINT INTEREST APPROVAL _____

COMPANY: _____

BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN

BY: Jed Carter

DATE: 9, 25, 01