

**NADEL AND GUSSMAN PERMIAN, LLC**

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

**RECEIVED**

JAN 10 2003

**OIL CONSERVATION  
DIVISION**

January 6, 2003

CERTIFIED MAIL

State Of New Mexico  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505  
Attn: Ms. Lori Wrotenbery  
Director

Re: Compulsory Pooling Order R-11748  
Case No. 12827  
Nadel and Gussman Permian, LLC  
Kodiak State Com. Well No.1  
E/2 Section 36, T-17-S, R-29-E, NMPM  
Eddy County, New Mexico

Gentlemen:

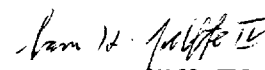
With reference to the captioned Pooling Order, we inadvertently sent our drilling cost letter to the OCD prior address, and later returned to us. A copy of our original letter is enclosed.

The subject well has been completed as a Morrow Gas Well and started selling gas September 26, 2002.

In compliance with the subject Pooling Order, we have enclosed a copy of our Original Authority For Expenditure. The actual cost for the drilling and completion of the Kodiak State Com. Well No.1 was a total of \$1,029,989.37, as shown on the attached Joint Interest Billing.

All parties subject to this Pooling Order have been advised of the cost for drilling and completion of the Kodiak State Com. Well No.1, and that they have 45 days to file any objections with the Oil Conservation Division of New Mexico.

Sincerely,

  
Sam H. Jolliffe IV  
Land Manager

**NADEL AND GUSSMAN PERMIAN, LLC**

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Midland, Texas 79701

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December 16, 2002

FACSIMILE AND  
CERTIFIED MAIL

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Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505  
Attn: Ms. Lori Wrotenbery  
Director

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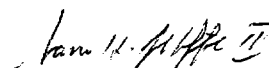
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Sam H. Jolliffe IV  
Land Manager

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

PROSPECT NAME: BEAR CREEK FIELD: SAND TANK DATE: 04/17/02  
LEASE/WELL NUMBER: KODIAK STATE #1 PREPARED BY: JF MARTIN  
LOCATION: 660' FSL, 660' FEL, SEC. 36-17S-29E  
COUNTY, STATE: EDDY, NM  
PRIMARY OBJECTIVES: MORROW/ATOKA SINGLE ZONE COMPLETION ASSUMED  
PROJECTED TOTAL DEPTH: 11500'

INTANGIBLE COSTS					CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING					1000	500
ROW/DAMAGES					5000	
SITE PREPARATION/SITE RESTORATION/SET CONDUCTOR/MOUSE & RAT HOLE					27000	12500
RIG MOVES					20000	
DRILLING TURN-KEY DRLG COMPL DAYS						
DRILLING DAYWORK 30 3 7400 /DAY					222000	22200
DRILLING FOOTAGE 0 FT. @ 25 /FT					0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID 0 1500 /DAY					0	
BITS					25000	500
WATER					18000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT) 0 250 /DAY					0	
MUD/CHEMICALS/PMR FLUID - NO PROBLEMS/LOST CIRC ASSUMED					30000	1000
MUD LOGGING 10 DAYS @ 500 /DAY					5000	
OPEN HOLE LOGGING					18000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD						
DIESEL - INCL IN BID 0 0 850 /DAY					0	0
DST'S 0 @ 3500 /ea					0	
WELDING						
CASING CREW/TOOLS					3500	3000
CASING CEMENTING					12000	16000
SQUEEZE CMTG/PLUGGING					15000	-15000
TRANSPORTATION					1000	2000
RENTAL TOOLS/EQUIP						3000
COMPLETION RIG 8 DAYS @ 1500 /DAY						12000
PERFORATING/CASED HOLE LOGGING/CIBP/CMT						9000
ACID/STIMULATION						7500
FRACTURING - SMALL FRAC						55000
FRAC TANKS/WATER TRANSPORTS						
PIT LINER					3000	
LABOR/ROUSTABOUT CREWS						5000
INSURANCE					11500	
BOP TESTING - 3RD PARTY					1500	
COLLAR INSPECTION/DAMAGES					3500	
TREATING PACKER DRLG COMPL DAYS						
FIELD SUPERVISION 30 15 500 /DAY					15000	7500
ADMINISTRATIVE SERVICES/OVERHEAD					5000	2500
CONTINGENCY/TAXES					33150	11078
<b>TOTAL INTANGIBLE COSTS</b>					<b>475150</b>	<b>158778</b>
<b>TANGIBLE COSTS</b>						
20" "	CONDUCTOR	40 FT @	40.13 /FT			IN LOCATION COSTS
13 3/8" "	SURFACE	400 FT @	15.00 /FT	6000		
8 5/8" "	INTERMEDIATE	4000 FT @	9.50 /FT	38000		
5 1/2" "	PRODUCTION	11500 FT @	7.00 /FT			80500
" "	LINER	FT @	/FT			0
2 -7/8" "	TUBING	11200 FT @	3.00 /FT			33600
	RODS	0 FT @	0 /FT			0
FLOAT EQUIP, DV TOOL, ETC						
CATTLEGUARDS/GATES						
WELLHEAD					5500	8500
PACKER						6000
DOWNHOLE PUMP/TAC						
FORKLIFT/PIPE RACKS						
STOCK TANKS/WATER TANKS						8000
SEPARATORS						
GPU/TREATER						9000
VALVES/FITTINGS						5000
FLOWLINE						7500
METER RUN, ETC.						0
MISCELLANEOUS (ROCK, FIREWALL, ETC)						3000
CONTINGENCY/TAXES					3713	12083
<b>TOTAL TANGIBLE</b>					<b>53213</b>	<b>173183</b>
<b>TOTAL TANGIBLE/INTANGIBLE</b>					<b>528363</b>	<b>331960</b>

**TOTAL WELL COST 860323**

JOINT INTEREST APPROVAL \_\_\_\_\_

COMPANY: \_\_\_\_\_

BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

NADEL AND GUSSMAN

BY: *Joel Nadel*

DATE: 4, 17, 02

PROPERTY	PROPERTY NAME	JIB CATEGORY	DESCRIPTION	AMOUNT	COST CENTER
0233H 001	XODIAK STATE #1	1-21	Acquisition & Landman Overhead	693.03	0
		1-77	Leasehold Title/Legal Costs	11,677.32	0
		1-95	Associated Cost - Producing WI	8,106.67	0
			TOTAL LEASEHOLD COST	20,477.02	
		4-01	Legal, Permits & Fees	30.00	0
		4-03	Bits & Reamers	46,718.50	0
		4-04	BOP & Wellhead Test	1,873.45	0
		4-05	Casing Crews	5,176.51	0
		4-06	Cement & Cement Services	22,686.31	0
		4-12	Corrosion Control & Safety	4,653.89	0
		4-14	Mobilization/Demobilization	25,908.75	0
		4-15	Daywork	264,823.72	0
		4-16	Directional Drilling Expense	50,127.00	0
		4-18	Drilling Overhead	6,600.00	0
		4-21	Drill Stem-Formation Tests	21,352.12	0
		4-22	Fishing Tools & Service	128.70	0
		4-23	Float Equipment & Centralizers	6,721.74	0
		4-31	Inspection - Tubular Goods	1,498.84	0
		4-33	Location & Road Damages	1,200.00	0
		4-36	Location & Road Expense	25,338.87	0
		4-39	Logging (Wireline)	30,730.82	0
		4-45	Miscellaneous I. D. C.	10,072.59	0
		4-51	Mud & Chemicals	34,642.85	0
		4-56	Pickup Laydown Charges	5,279.33	0
		4-63	Rentals	8,561.75	0
		4-66	Rig Fuel	5,694.65	0
		4-70	Roustabout Service	4,981.81	0
		4-72	Supervision	30,828.33	0
		4-75	Surveys	1,553.08	0
		4-78	Transportation	10,853.07	0
		4-84	Water	1,775.00	0
		4-87	Well Control Insurance	5,793.41	0
			TOTAL INTANGIBLE DRILLING COST -BCP	635,605.09	
		5-03	Acidizing Service & Material	620.10	0
		5-04	Bits & Reamers	1,085.37	0
		5-05	Casing Crews	415.72	0
		5-09	Completion Unit (SERVICE UNIT)	15,047.97	0
		5-15	Frac Service & Materials	44,990.16	0
		5-18	Completion Overhead	6,522.58	0
		5-21	Testing	1,866.11	0
		5-28	Location & Road Expense	8,076.86	0
		5-32	Logging	7,558.48	0
		5-40	Miscellaneous I. D. C.	10,338.30	0
		5-44	Miscellaneous Labor	9,358.78	0
		5-53	Nitrogen Service & Coil Test	46,062.02	0
		5-66	Water Hauling	2,978.98	0
		5-72	Rentals	7,196.20	0
		5-77	Roustabout Service	4,589.71	0

PROPERTY	PROPERTY NAME	JIB CATEGORY CATEGORY DESCRIPTION	COST AMOUNT CENTER
02-10-0011	KODIAK STATE #1	5-84 Supervision	15,370.36 0
		5-98 Welding	861.14 0
		TOTAL INTANGIBLE COMPLETION COST-ACP	182,938.84
		6-02 Casing	153,605.36 0
		6-16 Gas Processing & Dehydration	9,335.75 0
		6-36 Lease & Well Equipment - Signs	47.74 0
		6-42 Flowline	6,250.35 0
		6-56 Packers & Hold Down	4,722.08 0
		6-76 Tanks & Accessory Equipment	5,687.85 0
		6-84 Wellhead	17,566.01 0
		TOTAL LEASE & WELL EQUIPMENT	197,215.14
		8-12 Dirt & Road Expense	965.71 0
		8-15 Administrative Overhead	1,200.00 0
		8-16 Insurance	39.98 0
		8-30 Operating Parts & Supplies	2,206.25 0
		8-31 Misc. Operating Expenses	1,526.41 0
		8-51 Pumper Expenses	634.50 0
		8-58 Roustabout - Labor	3,224.56 0
		8-75 Production Foreman	1,402.10 0
		8-78 Supervisory/Engineering	345.73 0
		8-79 Compression-Rental	2,488.96 0
		8-80 Testing	196.10 0
		TOTAL LEASE OPERATING EXPENSE	14,130.30
		TOTAL PROPERTY	1,050,466.39
		RECAP TOTAL	1,050,466.39