

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 12957 (Reopened)

AFFIDAVIT OF SAM H. JOLLIFFE IV

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

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

1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am a landman for applicant.

3. As I testified in the original hearing in this case, applicant has conducted a good faith, diligent effort to find the names and correct addresses of the unleased mineral interest owners in the NE $\frac{1}{4}$ of Section 35, Township 23 South, Range 27 East, N.M.P.M.

4. in addition to the unlocatable interest owners, we have located the following interest owners: Mary and William Bright, Danny Yost, Dale Yost, Francis Guernsey, and Dr. Deborah Yarrow. Although applicant offered to lease their interests, we ultimately could not obtain oil and gas leases from them.

5. On November 21, 2002, at my direction, applicant mailed well proposals to the above-named people. Copies of the proposal letters are attached hereto as Exhibit A.

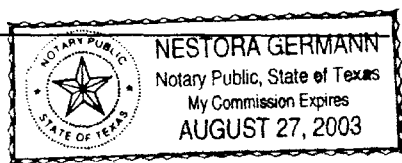
6. Applicant has made a good faith effort to obtain the voluntary joinder of the above-name persons in its proposed well.

Sam H. Jolliffe IV
Sam H. Jolliffe IV

SUBSCRIBED AND SWORN TO before me this 19th day of February, 2003, by Sam H. Jolliffe IV.

Nestora Guernsey
Notary Public

My Commission Expires:



OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT A

NADEL AND GUSSMAN PERMIAN, LLLC

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

November 21, 2002

CERTIFIED MAIL

Dr. Deborah Yarrow
121 Harvey Road
Central, South Carolina 29630

Re: NE/4 Section 35, T-23-S, 27-E, NMPM
Eddy County, New Mexico

Dear Dr. Yarrow:

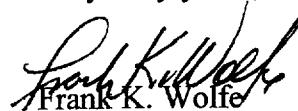
We are nearing the completion of our leasing efforts for the captioned acreage, and are now proposing the drilling of a well in the near future.

We have enclosed our AFE (Authorization for Expenditure) for the drilling and completion of this well. The estimated cost for drilling and completion is \$ 1,300,399.00.

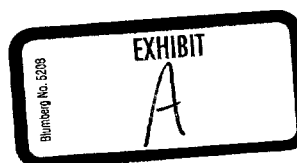
You own a .425 mineral acre under the captioned land. You still have the option of leasing your interest under the terms set out in my letter of July 29, 2002. However, you may choose to join in the drilling as a working interest owner and pay your share of the drilling and completion cost, or the plugging and abandonment cost if the well is a dry hole. If you choose not to join or lease, your interest will be "Forced Pooled". Therefore you will receive no revenue if the well is successful until 300% of the cost of drilling, completing and operating the well has been recovered by the operator.

Your timely attention to this matter is important to you. Your early reply will be appreciated. Time is of the essence.

Very truly yours,


Frank K. Wolfe

cc: Mr. James Bruce, Attorney
Santa Fe, New Mexico



AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, LLC MIDLAND, TX

PROSPECT NAME: Palo Duro FIELD: Black River Morrow DATE: 08/16/02
 LEASE/WELL NUMBER: Palo Duro No. 1 PREPARED BY: K E McCready
 LOCATION: 1980 FSL, 660 FEL Sec 35, T23S, R27E
 COUNTY, STATE: EDDY, NM daywork contract
 PRIMARY OBJECTIVES: Morrow, ATOKA, DST IN ATOKA SAND ASSUMED
 PROJECTED TOTAL DEPTH: 12800 SINGLE MORROW SAND COMPL ASSUMED

ASSUMES OGD APPROVES CSG PROGRAM AND PROTECTION LINER NOT NEEDED					CASING POINT	COMPLETION COSTS
INTANGIBLE COSTS						
LEGAL WORK/PERMITTING/SURVEY/STAKING					2000	500
ROW					5000	500
SITE PREPARATION/CLEAN-UP					30000	10000
RIG MOVES					20000	
DRILLING TURN-KEY						
DRILLING DAYWORK						
	40	3	8000 /DAY		320000	24000
DRILLING FOOTAGE						
		FT. @	/FT		0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID						
	0		/DAY		0	
BITS					50000	500
WATER					25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)					0	250 /DAY
MUD/CHEMICALS/PIR FLUID					60000	2000
MUD LOGGING					25 DAYS @	500 /DAY
OPEN HOLE LOGGING					25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD						
DIESEL - INCL IN BID					40	850 /DAY
DST'S 1 @ \$4000/TEST					4000	
WELDING						
CASING CREW/TOOLS						5000
CASING CEMENTING					40000	25000
SQUEEZE CMTG/PLUGGING					15000	-15000
TRANSPORTATION					2500	2500
RENTAL TOOLS/EQUIP						5000
COMPLETION RIG					10 DAYS @	1850 /DAY
PERFORATING/CASED HOLE LOGGING/CIBP/CMT						7500
BREAKDOWN						10000
FRACTURING/STIMULATION						100000
FRAC TANKS/WATER TRANSPORTS						5000
FIT LINER					4000	
LABOR/ROUSTABOUT CREWS					1500	5000
INSURANCE					12000	
BOP TESTING - 3RD PARTY					1200	
COLLAR INSPECTION/DAMAGES					3000	
TREATING PACKER						
FIELD SUPERVISION					43	10 500 /DAY
ADMINISTRATIVE SERVICES/OVERHEAD					1000	1000
CONTINGENCY					68920	21350
TOTAL INTANGIBLE COSTS					758120	236850
TANGIBLE COSTS						
20"	CONDUCTOR	40 FT @	40.13 /FT	1605		
13-3/8"	SURFACE	500 FT @	17.23 /FT	8614		
9-5/8"	INTERMEDIATE	4000 FT @	13.00 /FT	52000		
7-0"	2nd INTERMEDIATE	10400 FT @	10.00 /FT	104000		
4-1/2"	LINER	2800 FT @	7.00 /FT		19600	
2-7/8"	TUBING	12000 FT @	3.50 /FT		42000	
	RODS	0 FT @	0 /FT		0	
FLOAT EQUIP, DV TOOL, ETC						
CATTLEGUARDS/GATES						
WELLHEAD					5000	7500
PACKER						7000
DOWNHOLE PUMP/TAC						
FORKLIFT/PIPE RACKS					1500	1500
STOCK TANKS/WATER TANKS						10000
SEPARATORS						
GPU/TREATER						10000
VALVES/FITTINGS						5000
FLOWLINE						2500
METER RUN, ETC.						2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)						3000
CONTINGENCY					11050	11060
TOTAL TANGIBLE					183769	121660
TOTAL TANGIBLE/INTANGIBLE					941889	358510

TOTAL WELL COST 1300399

JOINT INTEREST APPROVAL _____

COMPANY: _____

BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN

BY: K E McCready

DATE: 8/16/02

NADEL AND GUSSMAN PERMIAN, LLLC

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

November 21, 2002

CERTIFIED MAIL

Mr. Francis Guernsey
U. S. Hwy. ALA South, Lot #5
St. Augustine, FL 32086

Re: NE/4 Section 35, T-23-S, 27-E, NMPM
Eddy County, New Mexico

Dear Mr. Guernsey:

We are nearing the completion of our leasing efforts for the captioned acreage, and are now proposing the drilling of a well in the near future.

We have enclosed our AFE (Authorization for Expenditure) for the drilling and completion of this well. The estimated cost for drilling and completion is \$ 1,300,399.00.

You own 1.54 mineral acres under the captioned land. You still have the option of leasing your interest under the terms set out in my letter of July 2, 2002. However, you may choose to join in the drilling as a working interest owner and pay your share of the drilling and completion cost, or the plugging and abandonment cost if the well is a dry hole. If you choose not to join or lease, your interest will be "Forced Pooled". Therefore you will receive no revenue if the well is successful until 300% of the cost of drilling, completing and operating the well has been recovered by the operator.

Your timely attention to this matter is important to you. Your early reply will be appreciated. Time is of the essence.

Very truly yours,


Frank K. Wolfe

cc: Mr. James Bruce, Attorney
Santa Fe, New Mexico

AUTHORITY FOR EXPENDITURE

NADEL AND GUSSMAN PERMIAN, LLC MIDLAND, TX

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ASSUMES OCD APPROVES CSG PROGRAM AND PROTECTION LINER NOT NEEDED

INTANGIBLE COSTS				CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING				2000	500
ROW				5000	500
SITE PREPARATION/CLEAN-UP				30000	10000
RIG MOVES				20000	
DRILLING TURN-KEY					
DRILLING DAYWORK					
	DRLG	COMPL	DAYS		
	40	3	8000 /DAY	320000	24000
DRILLING FOOTAGE					
	FT. @		/FT	0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID				0	
	0		/DAY	0	
BITS				50000	500
WATER				25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)				0	0
	0		250 /DAY	0	
MUD/CHEMICALS/PKR FLUID				60000	2000
MUD LOGGING				25 DAYS @	500 /DAY
				25000	
OPEN HOLE LOGGING				25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD					
DIESEL - INCL IN BID				40	850 /DAY
	40		850 /DAY	34000	
DST'S 1 @ \$4000/TEST				4000	
WELDING					
CASING CREW/TOOLS					5000
CASING CEMENTING				40000	25000
SQUEEZE CMTG/PLUGGING				15000	-15000
TRANSPORTATION				2500	2500
RENTAL TOOLS/EQUIP					5000
COMPLETION RIG				10 DAYS @	1850 /DAY
				18500	
PERFORATING/CASED HOLE LOGGING/CIBP/CMT					7500
BREAKDOWN					10000
FRACTURING/STIMULATION					100000
FRAC TANKS/WATER TRANSPORTS					5000
FIT LINER				4000	
LABOR/ROUSTABOUT CREWS				1500	5000
INSURANCE				12000	
BOP TESTING - 3RD PARTY				1200	
COLLAR INSPECTION/DAMAGES				3000	
TREATING PACKER					
	DRLG	COMPL	DAYS		
FIELD SUPERVISION				43	10
	43	10	500 /DAY	21500	5000
ADMINISTRATIVE SERVICES/OVERHEAD				1000	1000
CONTINGENCY				68920	21350
TOTAL INTANGIBLE COSTS				758120	236850
TANGIBLE COSTS					
20"	CONDUCTOR	40 FT @	40.13 /FT	1605	
13-3/8"	SURFACE	500 FT @	17.23 /FT	8614	
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4-1/2"	LINER	2800 FT @	7.00 /FT		19600
2-7/8"	TUBING	12000 FT @	3.50 /FT		42000
	RODS	0 FT @	0 /FT		0
FLOAT EQUIP, DV TOOL, ETC					
CATTLEGUARDS/GATES					
WELLHEAD				5000	7500
PACKER					7000
DOWNHOLE PUMP/TAC					
FORKLIFT/PIPE RACKS				1500	1500
STOCK TANKS/WATER TANKS					10000
SEPARATORS					
GPLU/TREATER					10000
VALVES/FITTINGS					5000
FLOWLINE					2500
METER RUN, ETC.					2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)					3000
CONTINGENCY				11050	11060
TOTAL TANGIBLE				183769	121660
TOTAL TANGIBLE/INTANGIBLE				941889	358510

TOTAL WELL COST **1300399**

JOINT INTEREST APPROVAL _____

COMPANY: _____

BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN

BY: K E McCready

DATE: 8/16/02

NADEL AND GUSSMAN PERMIAN, LLLC

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

November 21, 2002

CERTIFIED MAIL

Mr. Dale Yost
1801 Winged Foot Court
Jeffersonville, Indiana 74130

Re: NE/4 Section 35, T-23-S, 27-E, NMPM
Eddy County, New Mexico

Dear Mr. Yost:

We are nearing the completion of our leasing efforts for the captioned acreage, and are now proposing the drilling of a well in the near future.

We have enclosed our AFE (Authorization for Expenditure) for the drilling and completion of this well. The estimated cost for drilling and completion is \$ 1,300,399.00.

You own a .64 mineral acre under the captioned land. You still have the option of leasing your interest under the terms set out in my letter of August 14, 2002. However, you may choose to join in the drilling as a working interest owner and pay your share of the drilling and completion cost, or the plugging and abandonment cost if the well is a dry hole. If you choose not to join or lease, your interest will be "Forced Pooled". Therefore you will receive no revenue if the well is successful until 300% of the cost of drilling, completing and operating the well has been recovered by the operator.

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Very truly yours,


Frank K. Wolfe

cc: Mr. James Bruce, Attorney
Santa Fe, New Mexico

THORITY FOR EXPENDITURE

NADEL AND

SSMAN PERMIAN, LLC MIDLAND, TX

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ASSUMES OCD APPROVES CSG PROGRAM AND PROTECTION LINER NOT NEEDED

INTANGIBLE COSTS				CASING POINT	COMPLETION COSTS
LEGAL WORK/PERMITTING/SURVEY/STAKING				2000	500
ROW				5000	500
SITE PREPARATION/CLEAN-UP				30000	10000
RIG MOVES				20000	
DRILLING TURN-KEY					
DRILLING DAYWORK					
	DRLG	COMPL	DAYS		
	40	3	8000 /DAY	320000	24000
DRILLING FOOTAGE					
		FT. @	/FT	0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID				0	
			/DAY	0	
BITS				50000	500
WATER				25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)				0	
			250 /DAY	0	
MUD/CHEMICALS/PKR FLUID				60000	2000
MUD LOGGING				12500	
	25 DAYS @		500 /DAY		
OPEN HOLE LOGGING				25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD					
DIESEL - INCL IN BID				34000	
	40		850 /DAY		
DST'S 1 @ \$4000/TEST				4000	
WELDING					
CASING CREW/TOOLS					5000
CASING CEMENTING				40000	25000
SQUEEZE CMTG/PLUGGING				15000	-15000
TRANSPORTATION				2500	2500
RENTAL TOOLS/EQUIP					5000
COMPLETION RIG				10 DAYS @	1850 /DAY
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FRAC TANKS/WATER TRANSPORTS					5000
PIT LINER				4000	
LABOR/ROUSTABOUT CREWS				1500	5000
INSURANCE				12000	
BOP TESTING - 3RD PARTY				1200	
COLLAR INSPECTION/DAMAGES				3000	
TREATING PACKER					
	DRLG	COMPL	DAYS		
FIELD SUPERVISION				21500	5000
	43	10	500 /DAY		
ADMINISTRATIVE SERVICES/OVERHEAD				1000	1000
CONTINGENCY				68920	21350
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20"	CONDUCTOR	40 FT @	40.13 /FT	1605	
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FLOAT EQUIP, DV TOOL, ETC					
CATTLEGUARDS/GATES					
WELLHEAD				5000	7500
PACKER					7000
DOWNHOLE PUMP/TAC					
FORKLIFT/PIPE RACKS				1500	1500
STOCK TANKS/WATER TANKS					10000
SEPARATORS					
GPU/TREATER					10000
VALVES/FITTINGS					5000
FLOWLINE					2500
METER RUN, ETC.					2500
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CONTINGENCY				11050	11060
TOTAL TANGIBLE				183769	121660
TOTAL TANGIBLE/INTANGIBLE				941889	358510

TOTAL WELL COST 1300399

JOINT INTEREST APPROVAL

COMPANY: _____

BY: _____ DATE: ____/____/____

NADEL AND GUSSMAN

BY: *K E McCready*

DATE: 8/16/02

NADEL AND GUSSMAN PERMIAN, LLLC

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

November 21, 2002

CERTIFIED MAIL

Mr. Danny Yost
601 Nevada Drive
Sellersburg, Indiana 74172

Re: NE/4 Section 35, T-23-S, 27-E, NMPM
Eddy County, New Mexico

Dear Mr. Yost:

We are nearing the completion of our leasing efforts for the captioned acreage, and are now proposing the drilling of a well in the near future.

We have enclosed our AFE (Authorization for Expenditure) for the drilling and completion of this well. The estimated cost for drilling and completion is \$ 1,300,399.00.

You own a .64 mineral acre under the captioned land. You still have the option of leasing your interest under the terms set out in my letter of August 14, 2002. However, you may choose to join in the drilling as a working interest owner and pay your share of the drilling and completion cost, or the plugging and abandonment cost if the well is a dry hole. If you choose not to join or lease, your interest will be "Forced Pooled". Therefore you will receive no revenue if the well is successful until 300% of the cost of drilling, completing and operating the well has been recovered by the operator.

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Very truly yours,


Frank K. Wolfe

cc: Mr. James Bruce, Attorney
Santa Fe, New Mexico

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PROSPECT NAME: Palo Duro FIELD: Black River Morrow DATE: 08/16/02
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 PRIMARY OBJECTIVES: Morrow, ATOKA, DST IN ATOKA SAND ASSUMED
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INTANGIBLE COSTS						
LEGAL WORK/PERMITTING/SURVEY/STAKING					2000	500
ROW					5000	500
SITE PREPARATION/CLEAN-UP					30000	10000
RIG MOVES					20000	
DRILLING TURN-KEY						
					DRLG COMPL DAYS	
DRILLING DAYWORK					40 3 8000 /DAY	24000
DRILLING FOOTAGE					FT. @ /FT	0
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID					0 /DAY	0
BITS					50000	500
WATER					25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)					0 250 /DAY	0
MUD/CHEMICALS/PKR FLUID					60000	2000
MUD LOGGING					25 DAYS @ 500 /DAY	12500
OPEN HOLE LOGGING					25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD						
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2-7/8"					TUBING 12000 FT @ 3.50 /FT	42000
					RODS 0 FT @ 0 /FT	0
					FLOAT EQUIP, DV TOOL, ETC	
					CATTLEGUARDS/GATES	
					WELLHEAD	5000
					PACKER	7000
					DOWNHOLE PUMP/TAC	
					FORKLIFT/PIPE RACKS	1500
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TOTAL TANGIBLE					183769	121660
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COMPANY: _____

BY: _____ DATE: ____ / ____ / ____

NADEL AND GUSSMAN

BY: K E McCready

DATE: 8/16/02

NADEL AND GUSSMAN PERMIAN, LLLC

601 North Marienfeld, Suite 508

Midland, Texas 79701

Phone: (915) 682-4429

Fax: (915) 682-4325

November 21, 2002

CERTIFIED MAIL

Mr. and Mrs. Bright
815 East County Road, 55 South
North Vernon, Indiana 47256

Re: NE/4 Section 35, T-23-S, 27-E, NMPM
Eddy County, New Mexico

Dear Mr. and Mrs. Bright:


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We have enclosed our AFE (Authorization for Expenditure) for the drilling and completion of this well. The estimated cost for drilling and completion is \$ 1,300,399.00.

You own 1.276 mineral acres under the captioned land. You still have the option of leasing your interest under the terms set out in my letter of June 12, 2002. However, you may choose to join in the drilling as a working interest owner and pay your share of the drilling and completion cost, or the plugging and abandonment cost if the well is a dry hole. If you choose not to join or lease, your interest will be "Forced Pooled". Therefore you will receive no revenue if the well is successful until 300% of the cost of drilling, completing and operating the well has been recovered by the operator.

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ROW				5000	500
SITE PREPARATION/CLEAN-UP				30000	10000
RIG MOVES				20000	
DRILLING TURN-KEY					
DRILLING DAYWORK					
	DRLG	COMPL	DAYS		
	40	3	8000 /DAY	320000	24000
DRILLING FOOTAGE					
	FT. @		/FT	0	
DRILL PIPE/TOOL RENTAL - INCL IN DAYWORK BID					
	0		/DAY	0	
BITS				50000	500
WATER				25000	3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)				0	
	0		250 /DAY	0	
MUD/CHEMICALS/PPK FLUID				60000	2000
MUD LOGGING				25 DAYS @ 500 /DAY	12500
OPEN HOLE LOGGING				25000	
STABILIZERS/SHOCK SUBS/ROTATING HEAD					
DIESEL - INCL IN BID				40	850 /DAY
	40		850 /DAY	34000	
DST'S 1 @ \$4000/TEST				4000	
WELDING					
CASING CREW/TOOLS					5000
CASING CEMENTING				40000	25000
SQUEEZE CMTG/PLUGGING				15000	-15000
TRANSPORTATION				2500	2500
RENTAL TOOLS/EQUIP					5000
COMPLETION RIG				10 DAYS @ 1850 /DAY	18500
PERFORATING/CASED HOLE LOGGING/CB/PCMT					7500
BREAKDOWN					10000
FRACTURING/STIMULATION					100000
FRAC TANKS/WATER TRANSPORTS					5000
PIT LINER				4000	
LABOR/ROUSTABOUT CREWS				1500	5000
INSURANCE				12000	
BOP TESTING - 3RD PARTY				1200	
COLLAR INSPECTION/DAMAGES				3000	
TREATING PACKER					
FIELD SUPERVISION					
	43	10	500 /DAY	21500	5000
ADMINISTRATIVE SERVICES/OVERHEAD				1000	1000
CONTINGENCY				68920	21350
TOTAL INTANGIBLE COSTS				756120	236850
TANGIBLE COSTS					
20"	CONDUCTOR	40 FT @	40.13 /FT	1605	
13-3/8"	SURFACE	500 FT @	17.23 /FT	8614	
9-5/8"	INTERMEDIATE	4000 FT @	13.00 /FT	52000	
7-0"	2nd INTERMEDIATE	10400 FT @	10.00 /FT	104000	
4-1/2"	LINER	2800 FT @	7.00 /FT		19600
2-7/8"	TUBING	12000 FT @	3.50 /FT		42000
	RODS	0 FT @	0 /FT		0
FLOAT EQUIP, DV TOOL, ETC					
CATTLEGUARDS/GATES					
WELLHEAD				5000	7500
PACKER					7000
DOWNHOLE PUMP/TAC					
FORKLIFT/PIPE RACKS				1500	1500
STOCK TANKS/WATER TANKS					10000
SEPARATORS					
GPU/TREATER					10000
VALVES/FITTINGS					5000
FLOWLINE					2500
METER RUN, ETC.					2500
MISCELLANEOUS (ROCK, FIREWALL, ETC)					3000
CONTINGENCY				11050	11060
TOTAL TANGIBLE				183769	121660
TOTAL TANGIBLE/INTANGIBLE				941889	358510

TOTAL WELL COST

1300399

JOINT INTEREST APPROVAL

COMPANY:

BY:

DATE:

NADEL AND GUSSMAN

BY:

DATE: