

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 dsywork contract
 PRIMARY OBJECTIVES: Morrow, ATOKA, DST IN ATOKA SAND ASSUMED
 PROJECTED TOTAL DEPTH: 12800 SINGLE MORROW SAND COMPL ASSUMED

ASSUMES OCD 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						
					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						500
WATER						3500
DIRECTIONAL EQUIP (MONEL COLLAR/ SINGLE SHOT)					0 250 /DAY	0
MUD/CHEMICALS/PKR FLUID						2000
MUD LOGGING					25 DAYS @ 500 /DAY	12500
OPEN HOLE LOGGING						25000
STABILIZERS/SHOCK SUBS/ROTATING HEAD						
DIESEL - INCL IN BID					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
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					43 10 500 /DAY	21500
ADMINISTRATIVE SERVICES/OVERHEAD					1000	1000
CONTINGENCY					68920	21350
TOTAL INTANGIBLE COSTS					768120	236860
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"	2 nd 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

OIL CONSERVATION DIVISION
CASE NUMBER

EXHIBIT