

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No.
NM-27634
6. If Indian, Allottee or Tribe Name

1a. Type of work: ☒ DRILL ☐ REENTER
1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
Quick Draw Federal Com #1

2. Name of Operator
Nadel and Gussman Permian, LLC

9. API Well No.
30-005-63716

3a. Address **601 N. Marienfeld Midland, TX 79701
Suite 508**

3b. Phone No. (include area code)
432-682-4429

10. Field and Pool, or Exploratory
Wildcat ; Pre-Cambrian

4. Location of Well (Report location clearly and in accordance with any State requirements:*)
At surface **UL D Sec. 23 T7S R26E 990' FNL & 660' FWL**
At proposed prod. zone **UL D Sec. 23 T7S R26E 990' FNL & 660' FWL**

RECEIVED

DEC 10 2004

11. Sec., T. R. M. or Blk. and Survey or Area

UL D Sec. 23 T7S R26E

14. Distance in miles and direction from nearest town or post office*
20 miles Northeast Roswell, NM

ODD-ARTESIA

12. County or Parish
Chaves

13. State
NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)
660' FWL

16. No. of acres in lease
320 acres

17. Spacing Unit dedicated to this well
West 1/2 Stand-Up

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.
2640' Due East

19. Proposed Depth
6,500'

20. BLM/BIA Bond No. on file
NM 2812

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL 3,767'

22. Approximate date work will start*
01/05/2005

23. Estimated duration
20 Days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature **[Signature]**
Title **Staff Engineer**

Name (Printed/Typed)
Josh Fernau

Date
11/08/2004

Approved by (Signature) **/S/LARRY D. BRAY**

Name (Printed/Typed) **/S/LARRY D. BRAY**

Date **DEC 09 2004**

Title **Assistant Field Manager,
Lands And Minerals**

Office **ROSWELL FIELD OFFICE**
APPROVED FOR 1 YEAR

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES : 1. a.; G l o r i e r a

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
June 1, 2004

1501 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to
appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe
office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Nadel and Gussman Permian, LLC Telephone: 432-682-4429 e-mail address: joshf@naguss.com

Address: 601 N. Marienfeld Suite 508 Midland, TX 79701

Facility or well name: Quick Draw Federal Com #1 API #: _____ or Qtr/Qtr D Sec 23 T 7S R 26E

County: Chaves Latitude N33deg 41' 50.9" Longitude W104deg 16'25.9" NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☒ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐

Pit Volume 20,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high
water elevation of ground water.)

Less than 50 feet	(20 points)
50 feet or more, but less than 100 feet	(10 points)
100 feet or more	(0 points)0

Wellhead protection area: (Less than 200 feet from a private domestic
water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)
No	(0 points)0

Distance to surface water: (horizontal distance to all wetlands, playas,
irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
200 feet or more, but less than 1000 feet	(10 points)
1000 feet or more	(0 points)0

Ranking Score (Total Points)	0
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If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if
you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including
remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5)

Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has
been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 11/08/04

Printed Name/Title Josh Fernau Staff Engineer Signature Josh Fernau

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or
otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or
regulations.

Approval:

Printed Name/Title Field Rep

Signature [Signature]

Date:

DEC 15 2004

UNITED STATES DEPARTMENT OF INTERIOR

Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: Nadel and Gussman Permian, L.L.C.
Address: 601 N. Marienfeld, Suite 508
City, State: Midland, Texas
Zip Code: 79701

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease Name: Quick Draw Federal Com #1

Lease Number: NM 27634

Legal Description of Land: (SHL) 990' FNL & 660' FWL, Sec. 23, T7S-R26E, Chaves Co., NM

Lease Covers: North ½ 320 acres

Spacing Unit: West ½ standup 320 acres

Formations: San Andres, Abo, Canyon and Montoya

Bond Coverage: State Wide

BLM Bond File Number: NM 2812

Land is privately owned.

Authorized Signature: _____



Name: Josh Fernau

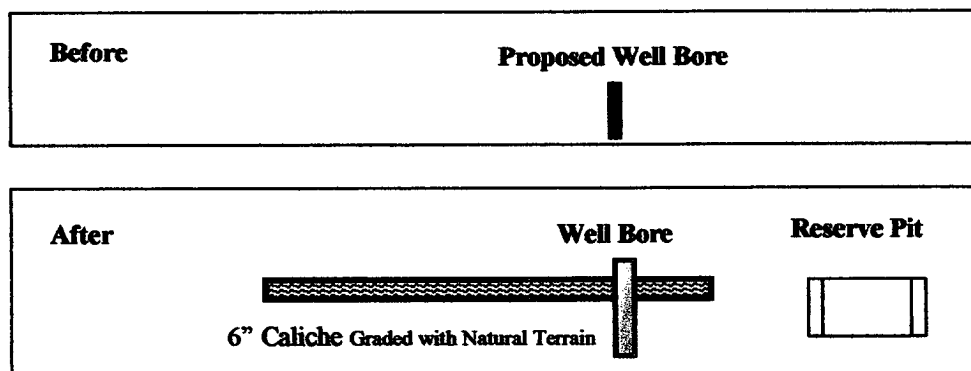
Title: Staff Engineer

Date: 11/08/04

13 Point Land Use Plan

1. **Existing Roads** - A small scale vicinity map is attached (**Exhibit #3**) which shows the location of this well in relation to an aerial view of surrounding townships and ranges. A larger scale topographical map is (**Exhibit #5**) shows the location of the well.
2. **Planned Access Roads** - There is an existing access road from the location to the nearest exit leaving the lease, which is shown on (**Exhibit #4**). The lease is fenced and a cattle guard or gate will not be needed.
3. **Location of Existing Wells** - The Hanagan Federal #2, operated by Stevens Operating Corp. is located in Section 23, T7S-R26E, 990' FNL & 1980' FEL.
4. **Location of Tank Batteries, Production Facilities & Lines** -
 - We anticipate gas production from the Montoya and Abo, with possible volumes of produced oil or water. We will build a battery with a minimum of two 210 Bbl steel tanks, one for oil and one for water.
 - We will also have a line heater and separator on location. All produced fluids from the Montoya or Abo will be hauled off lease by road. There are no initial plans for oil pipelines, LACT units or SWD lines.
 - We do not anticipate a need for electrical service on the lease at this time.
5. **Location & Type- of Water Supply** - Fresh and salt water will be trucked from the most economical location by a third- party contractor.
6. **Source of Construction Material** - Primary source of caliche will be the closest most economical existing pit preceded by the proper documentation and approval.
7. **Methods of Handling Waste Disposal** - A lined reserve pit will be dug to handle drill cuttings and fluids. The pit will be lined in accordance with BLM specifications. After sufficient time has elapsed to allow drilling fluids to dry, all pits will be closed and leveled. All trash and debris will be removed from the location.
8. **Ancillary Facilities** - There are no camps or airstrips planned.
9. **Well Site Layout** - The well site (see NMOCD C-102 Form) has been staked and is also indicated on the enclosed maps (**Exhibits #1, #2, #3, #4 & #5**). The drilling site is mainly caliche rock and some soil, covered by sparse native vegetation. The drilling pad will be graded and cut to the north and to the south and covered by 6" caliche and native rock from grade cut. The drilling pad will blend in with the terrain since the topography is generally flat.

Cross section – Before and after is shown below:



10. Plans for Restoration of Surface – Commercial Well:

- Reshaped Topography – Rubbish will be hauled off upon completion of drilling operations. All future rubbish will be removed by the subcontractor generating same.
- Caliche Pad – Caliche drilling pad will remain intact until well is abandoned.
- Road – The road will remain intact as long as there is production on the lease.
- Timetable – This well is expected to produce for several years.
- Plans for Restoration of Surface – Plugged and Abandoned Well:
Surface will be restored in accordance with all regulations in effect at the time of abandonment.

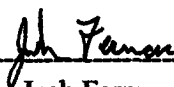
11. Other Information –

- Topography – The proposed well location is on a west-sloping plain in an area of low coppice dunes and an area of larger dunes is to the northwest.
- Soil Characteristics – The area is eroded by sheet wash. Soils are classified as Holmex series. Observed soils are loose tan Aeolian sands in the dunes with red brown snads intermixed with sparse caliche fragments.
- Flora – Vegetation includes mesquite, sand sage, yucca, prickly pear, cholla, snakeweed and mixed grasses.
- Fauna – rabbits, mice, rats, birds, deer and snakes
- Other Surface Use Activities – Ranching
- Surface Ownership – Private (Fee)
- Water Wells – No windmills within 1000' of the location.
- Lakes, Streams, Ponds – There are several draws (Exhibit #5).
- Dwellings – There are no inhabited structure within 1000' of the location.
- Archeological Summary – It is recommended that construction of the proposed well location and access road precede without any additional cultural resource investigations.

12. Operator's Representative -

Joel Martin	Office Phone	(432) 682-4429
	Home Phone	(432) 694-2569
	Mobile Phone	(432) 238-9969
Josh Fernau	Office Phone	(432) 682-4429
	Home Phone	(806) 978-1523
	Mobile Phone	(432) 238-2874
Lee Ledbetter	Office Phone	(505) 746-1428
	Home Phone	(505) 887-0866
	Mobile Phone	(505) 631-6071

13. **Certification** - I hereby certify that I, or persons under my direct supervision, have inspected the proposed drilling site and access route; that I am familiar with the condition which presently exists; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by a construction company or their contractors and sub-contractors in conformity with this plan.



Josh Fernau
Staff Engineer
Date: 11/08/04

13 Point Drilling Plan:

1. **Location:** (SHL) 990' FNL & 660' FWL, Sec. 23, T-7-S, R-26-E, Eddy County, New Mexico
(Form C-102)
2. **Elevation:** 3767' GL
3. **Geological Name of Surface Formation:** Holomex series
4. **Type of Drilling Tools to be utilized:** Rotary Tools
5. **Proposed Drilling Depth:** 6,500'
6. **Tops of Important Geological Markers:**

San Andres	860'	Wolfcamp	4,840'	Strawn	5,620'
Glorieta	2,100'	Cisco	5,265'	Montoya	5,975'
Abo	4,180'	Canyon	5,450'	Pre Cambrian	6,130'

7. **Estimated Depth of Anticipated Water, Oil or Gas:**

Oil and Gas	-San Andres	860'
Gas	-Abo	4,180'
Gas	-Canyon	5,450'
Gas	-Montoya	5,975'

8. **Casing Program:**

- 8 5/8" 36# J-55 @ 920' circulated to surface
- 5 1/2" 17# N-80 @ 6,500' to be determined by
Open hole logs

The 8 5/8" casing strings will be cemented to the surface. The TOC on the 5 1/2" casing will be determined based upon open hole logs.

9. **Specifications for Pressure Control Equipment: (Exhibit #6)**

This rig will have a 11" 5M BOP with pipe rams and blind rams, kill line, choke manifold, Komey hydraulic controls, and accumulator with remote controls. When nipping up, will test BOP and choke to 1000 psi, will operate BOP once a day or as directed by the company representative.

10. **Mud Program:**

Spud and drill with fresh water or air to a depth of approx 920'. Control lost circulation with paper and LCM pills and maintain a Ph of 10. Drill from 920' to 6,500' with cut brine at approximately 9.2 PPG. Use starch and gel for filtrate control and mix pre-hydrated gel slurry to clean and condition hole prior to running electric logs.

11. **Testing, Logging & Coring Program:**

- a. Testing: No DST's are expected.
- b. Coring: no coring is planned.
- c. Logging: open hole logs will be run prior to running production casing. The standard suite will be a Dual Lateral/ ML and GR/Density/Neutron combination.
- d. Depending on the sand quality, a FMI and/or formation tester may be run.
- e. Open hole logs will not be run through the surface hole section.

12. **Potential Hazards:**

No significant hazards are expected. Lost circulation may occur, no H₂S expected, but the operator will utilize a 3rd party H₂S monitoring package from 920' to TD.

13. **Anticipated Starting Date & Duration:**

Plans are to begin drilling operations about January 5, 2005; approximately 20 days will be required to drill the well and 10 days will be needed for the completion.

Hydrogen Sulfide Drilling Operations Plan

1. Company and Contract personnel admitted on location should be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S.
 - B. Physical Effects and Hazards.
 - C. Proper Use of Safety Equipment and Life Support Systems.
 - D. Principle and Operation of H₂S Detectors, Warning System and Briefing.
 - E. Evacuation Procedure, Routes and First Aid.
 - F. Proper Use of 30 minute Pressure Demand Air Pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S Detectors and Audio Alarm System to be Located at Bell Nipple, End of Blooie Line (mud pit) and on Derrick floor or doghouse.
3. Windsock and/or Wind Streamers
 - A. Windsock at Mud Pit Area Should be High Enough to be Visible.
 - B. Windsock at Briefing Area Should be High Enough to be Visible.
 - C. There Should be a Windsock at Entrance to Location.
4. Condition Flags and Signs
 - A. Warning Sign on Access Road to Location.
 - B. Flags to be Displayed on Sign at Entrance to Location.
 1. Green Flag, Normal Safe Condition.
 2. Yellow Flag, Indicates Potential Pressure and Danger.
 3. Red Flag, Danger H₂S Present in Dangerous Concentration
Only Emergency Personnel Admitted to Location.
5. Well Control Equipment
 - A. See Exhibit #6.
6. Communication
 - A. While Working Under Masks Chalkboards Will be Used for Communication.
 - B. Hand Signals will be Used Where Chalk Board is Inappropriate.
 - C. Two Way Radio or Cell Phone will be Used to Communicate off Location in Case of Available at Most Drilling Foreman's Trailer or Living Quarters.
7. Drillstem Testing
 - A. Exhausts will be Watered.
 - B. Flare Line will be Equipped with an Electric Igniter or a propane pilot light in case gas reaches the surface.
 - C. If Location is near any Dwelling a Closed DST will be Performed.
8. Drilling Contractor Supervisor will be Required to be Familiar with the Effects H₂S has on tubular goods and other mechanical equipment.
9. If H₂S Encountered, Mud system will be Altered if Necessary to Maintain Control of Formation. A Mud Gas Separator will be Brought into Service Along with H₂S Scavengers if Necessary.

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name QUICK DRAW FEDERAL COM	Well Number 1
OGRID No.	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 3767'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	23	7 S	26 E		990	NORTH	660	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>Josh Fernan</u> Signature <u>Josh Fernan</u> Printed Name <u>Staff Engineer</u> Title <u>11/03/04</u> Date	
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. <u>OCTOBER 20, 2004</u> Date Surveyed <u>[Signature]</u> Signature & Seal Professional Surveyor <u>7977</u> Certificate No. 4738 PROFESSIONAL LAND SURVEYOR BASIN SURVEYS	
	Date Surveyed Signature & Seal Professional Surveyor	
	Certificate No. 4738 PROFESSIONAL LAND SURVEYOR BASIN SURVEYS	

SECTION 23, TOWNSHIP 7 SOUTH, RANGE 26 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

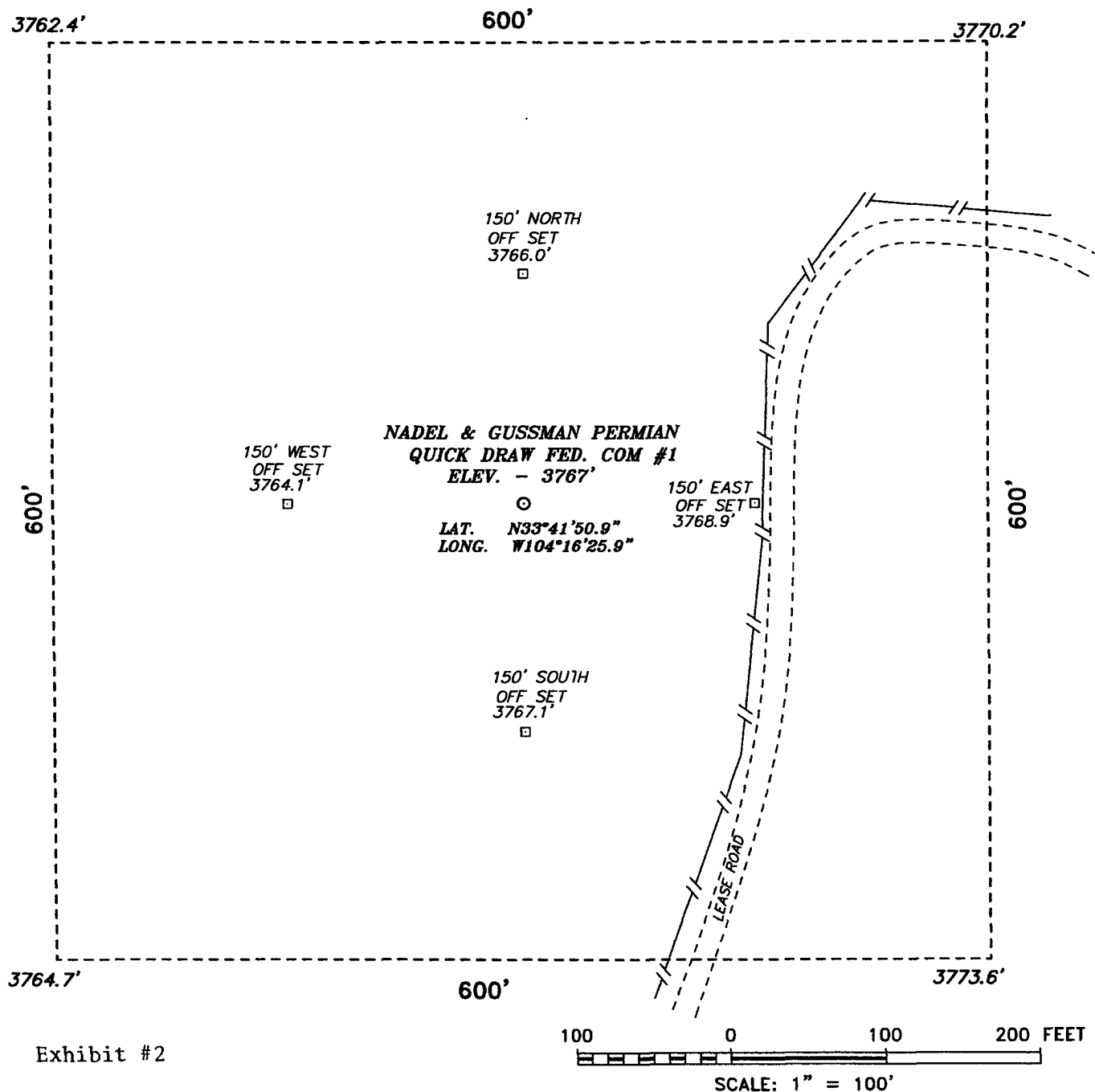


Exhibit #2

Directions to Location:

ON STATE HWY 70, GO EAST 13.2 MILES FROM ROSWELL TO CO. RD. C-1; THENCE NORTH 7.2 MILES TO LEASE ROAD; THENCE EAST 1.6 MILE TO LEASE ROAD AND CATTLE GUARD; THENCE GO SOUTHERLY FOR APPROX. 0.2 MILE TO PROPOSED LOCATION

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 4739 Drawn By: K. GOAD

Date: 10-26-2004 Disk: KJG #9 - 4739A.DWG

NADEL AND GUSSMAN PERMIAN

REF: QUICK DRAW FEDERAL COM No. 1 / Well Pad Topo

QUICK DRAW FEDERAL COM No. 1 LOCATED 990' FROM THE NORTH LINE AND 660' FROM THE WEST LINE OF SECTION 23, TOWNSHIP 7 SOUTH, RANGE 26 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 10-20-2004

Sheet 1 of 1 Sheets

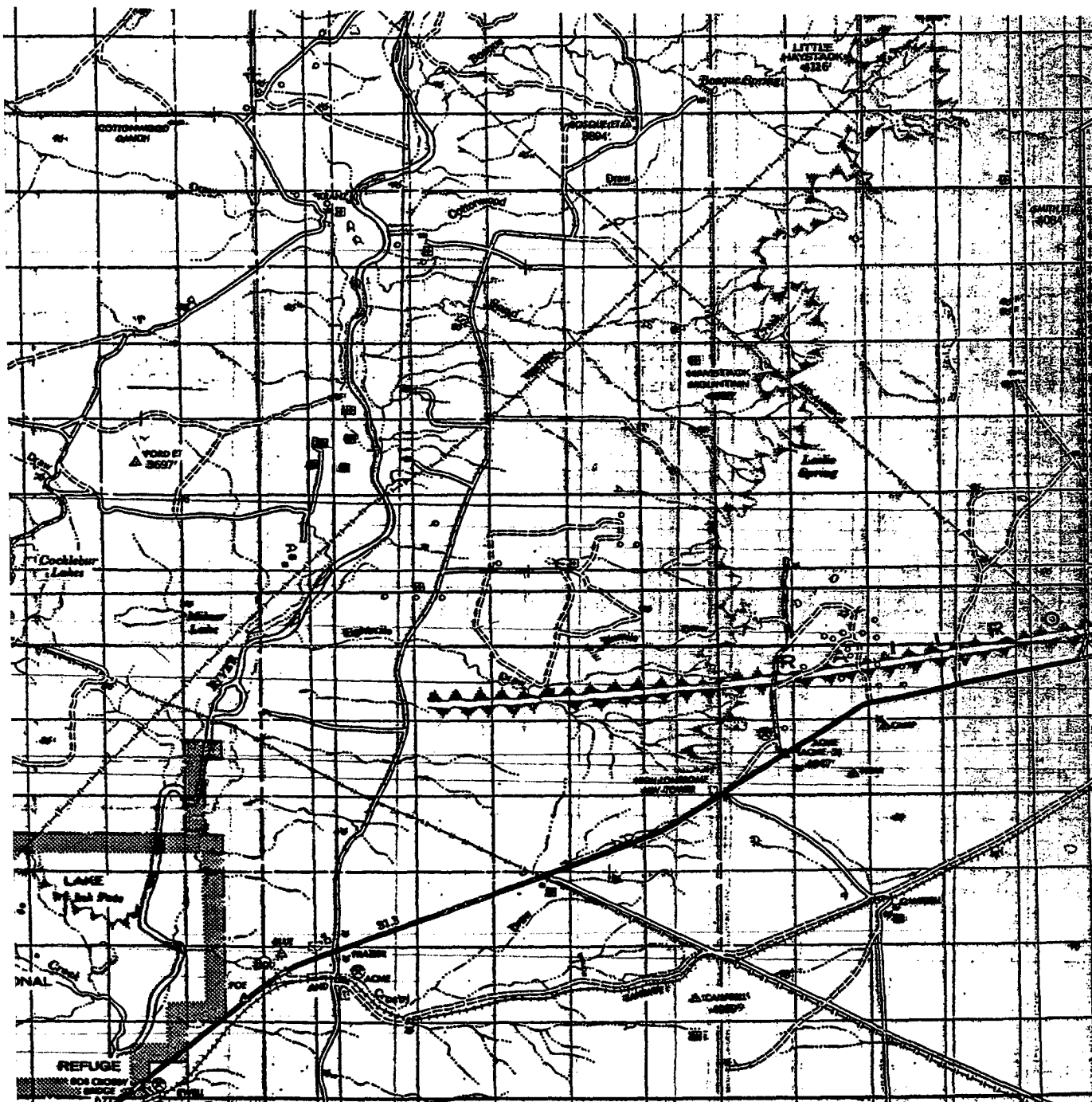


Exhibit #3

QUICK DRAW FEDERAL COM #1
 Located at 990' FNL and 660' FWL
 Section 23, Township 7 South, Range 26 East,
 N.M.P.M., Chaves County, New Mexico.

basin
surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
basinsurveys.com

W.O. Number: 4739AA - KJG #1

Survey Date: 10-20-2004

Scale: 1" = 2 miles

Date: 10-26-2004

NADEL AND
GUSSMAN PERMIAN,
L.L.C.

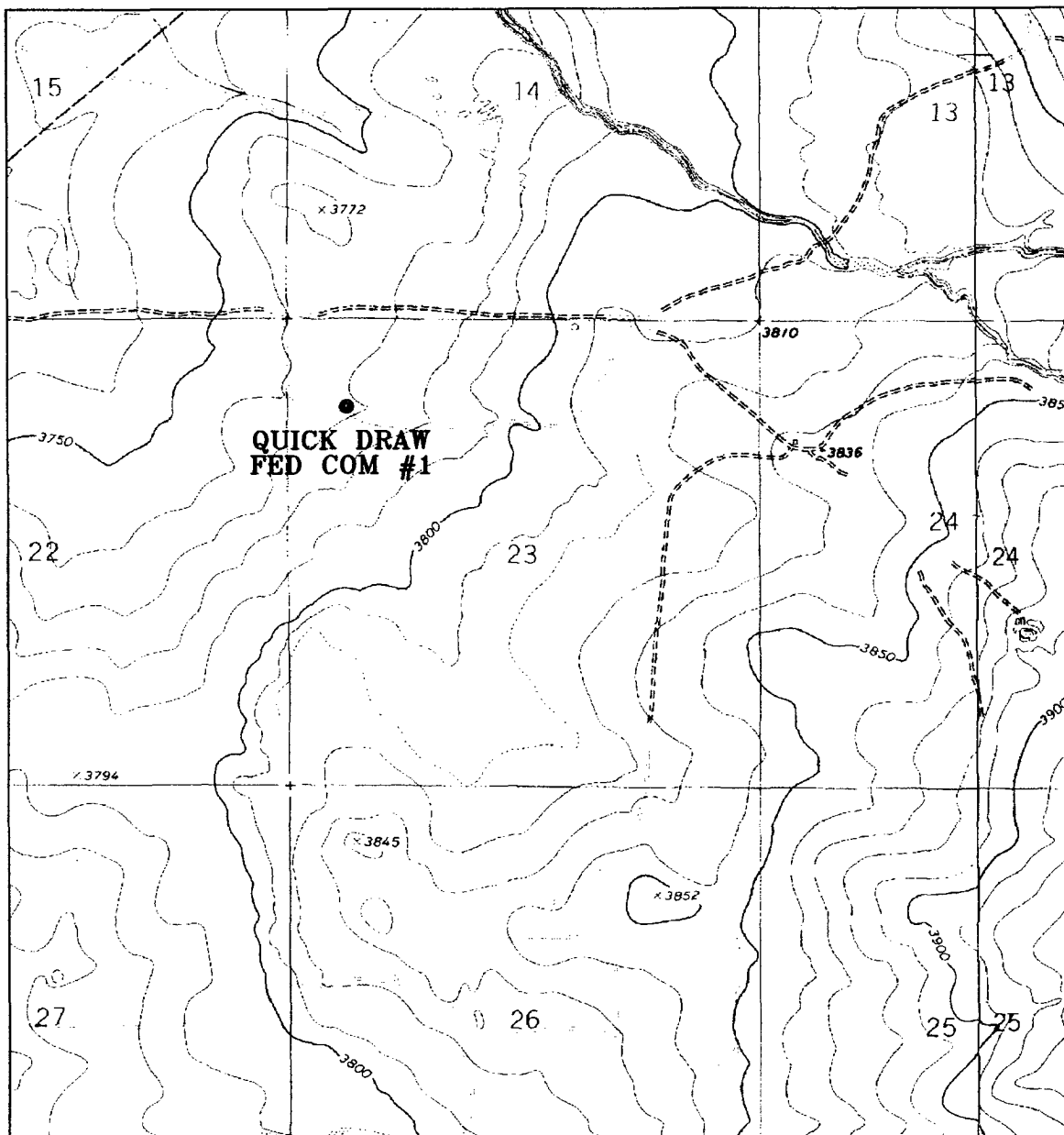
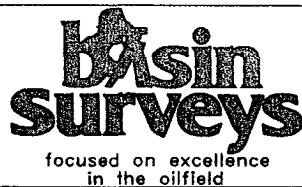


Exhibit #5

QUICK DRAW FEDERAL COM #1

Located at 990' FNL and 660' FWL

Section 23, Township 7 South, Range 26 East,
N.M.P.M., Chaves County, New Mexico.



P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number: 4739AA - KJG #1

Survey Date: 10-20-2004

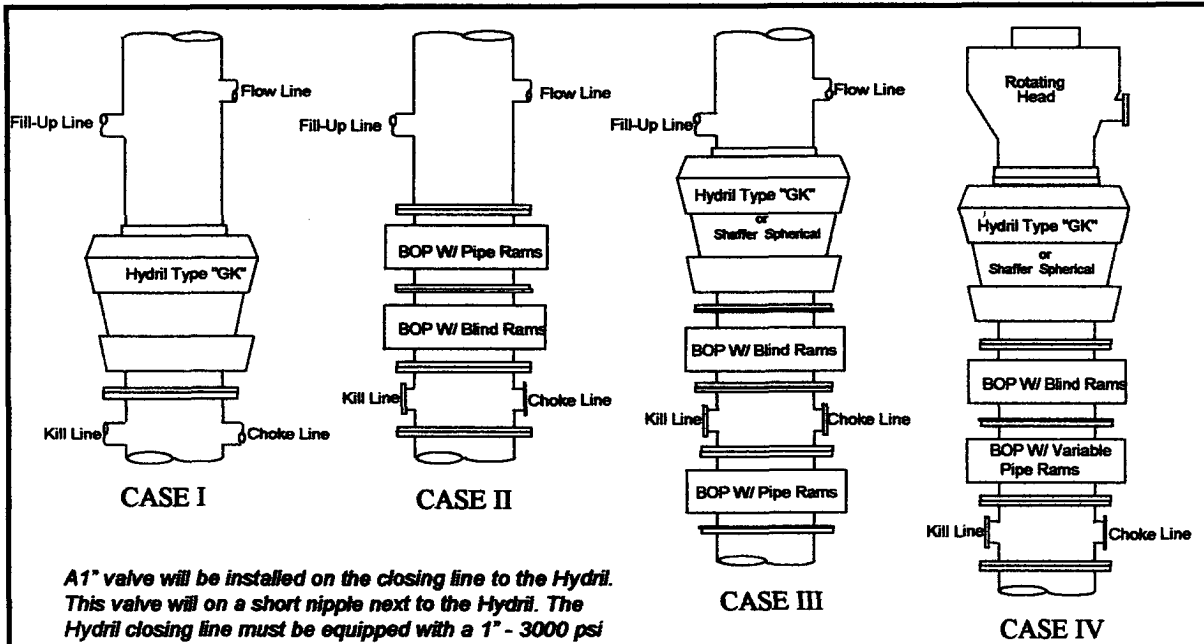
Scale: 1" = 2000'

Date: 10-26-2004

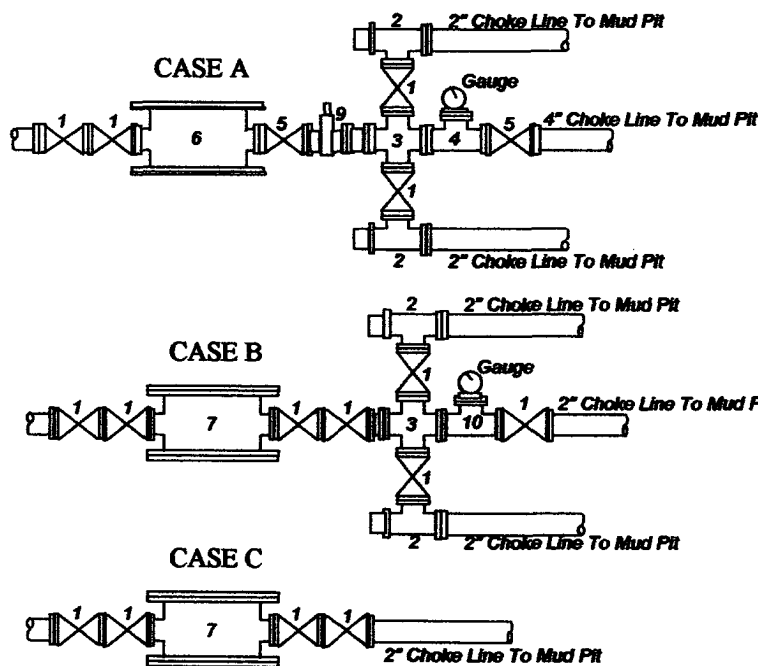
**NADEL AND
GUSSMAN PERMIAN,
L.L.C.**

Nadel and Gussman Permian

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



A1" valve will be installed on the closing line to the Hydriil. This valve will be on a short nipple next to the Hydriil. The Hydriil closing line must be equipped with a 1" - 3000 psi WP plug valve on the nipple into the Hydriil.



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
11"	IV	5,000	A

***Rotating head required**

Bradenhead : _____
Mfr. : _____
Size: _____ Type: _____

Exhibit #6

Legend

1. 2" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shafter Flo-Seal.
2. 2" flanged adjustable chokes, min. 1" full opening & equipped with hard trim.
3. 4" x 2" flanged steel cross.
4. 4" flanged steel tee.
5. 4" flanged all steel valve (Type as in no. 1).
6. Drilling Spool with 2" x 4" flanged outlet.
7. Drilling Spool with 2" x 2" flanged outlet.
8. 2" x 2" flanged steel cross.
9. 4" pressure operated gate valve.
10. 2" flanged steel tee.

Notes

Choke manifold may be located in any convenient position. Use all steel fittings throughout. Make 90° turns with bull plugged tees only. No field welding will be permitted on any of the components of the choke manifold and related equipment upstream of the chokes. The choke spool and all lines and fittings must be at least equivalent to the test pressure of the preventers required. Independent closing control unit with clearly marked controls to be located on derrick floor near driller's position.

Exhibit #7

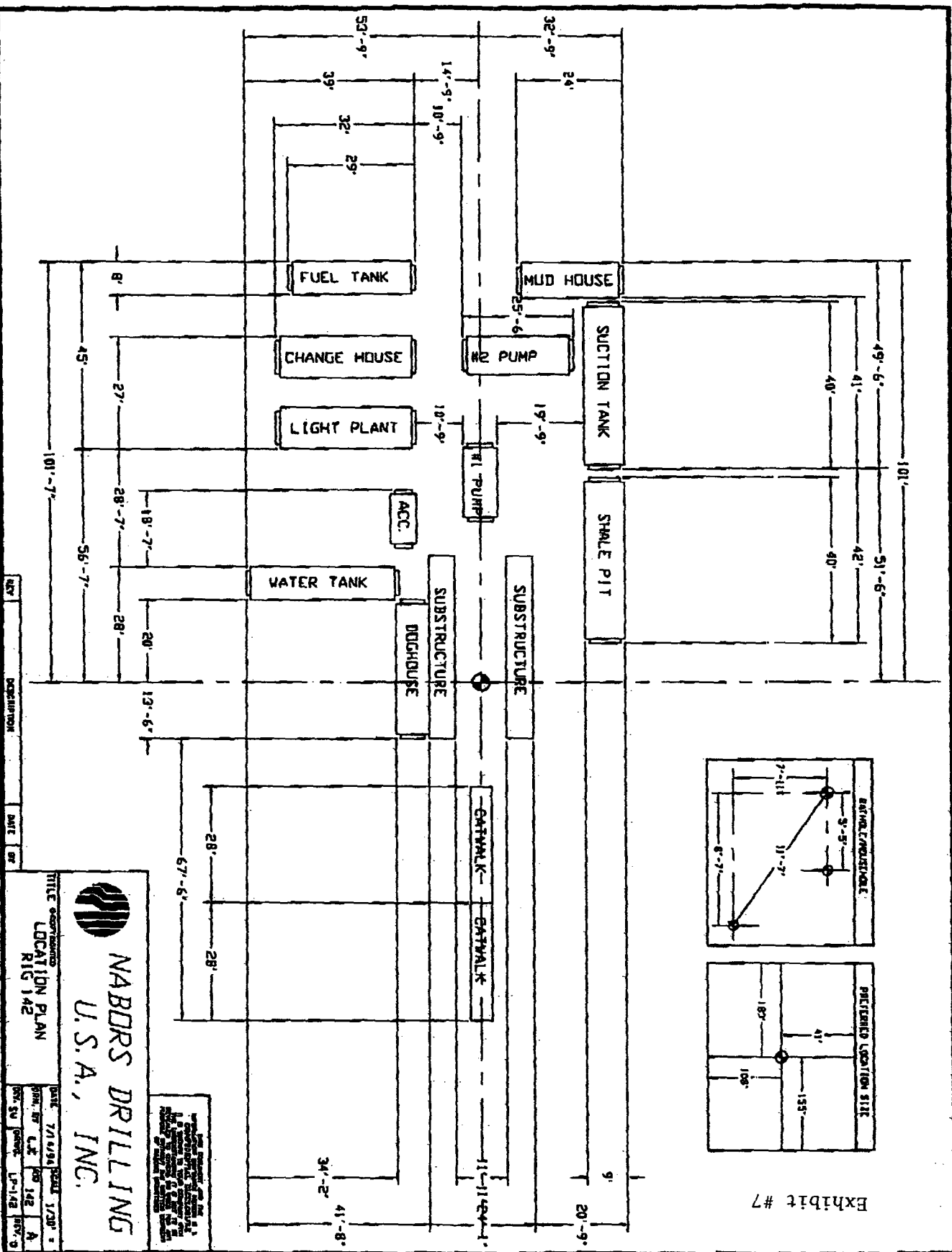
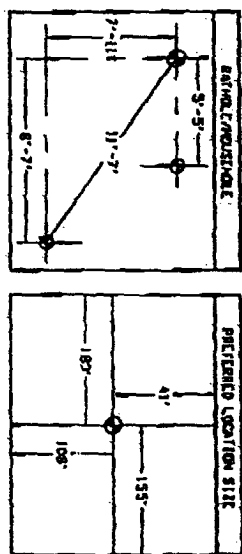


Exhibit # 8
Not to Scale

