

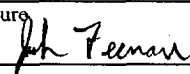
OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM NM 98795 & NM NM 96814	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Nadel and Gussman Permian, L.L.C. 155615		7. If Unit or CA Agreement, Name and No.	
3a. Address 601 N. Marienfeld Suite 508, Midland, TX 79701		8. Lease Name and Well No. Callahan Federal #1	
3b. Phone No. (include area code) (432) 682-4429 96070		9. API Well No. 30-015-34739	
4. Location of Well (Report location clearly and in accordance with any State requirement) At surface UL I Sec. 26 T20S R23E 1,980' FSL & 660' FEL At proposed prod. zone		10. Field and Pool, or Exploratory Wildcat B, Morrow	
14. Distance in miles and direction from nearest town or post office* 28 miles South of Hope, NM		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 26, T20S-R23E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660' FEL		12. County or Parish Eddy County	
16. No. of Acres in lease 1,400 acres		13. State NM	
17. Spacing Unit dedicated to this well 320 (E/2)			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A		20. BLM/BIA Bond No. on file NM 2812	
19. Proposed Depth 9,400'		21. Estimated duration 30	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL4,093'		22. Approximate date work will start* June 1, 2006	
23. Attachments The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:		24. Attachments Roswell Controlled Water Basin	

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 	Name (Printed Typed) Josh Fernau	Date 02/09/06
Title Staff Engineer		
Approved by (Signature) /s/ James Stovall		
Name (Printed Typed) /s/ James Stovall		
Date MAR 24 2006		
Title ACTING FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

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.

APPROVAL FOR 1 YEAR

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 reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHEDIf earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

Exhibit #1

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

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96070	Pool Name Wildcat, Morrow
Property Code	Property Name CALLAHAN FEDERAL	Well Number 1
OGRID No.	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 4093'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	26	20 S	23 E		1980	SOUTH	660	EAST	EDDY

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

<p>NM NM 96814</p>	<p>NM NM 98795</p>	<p>Lat.: N32°32'33.5" Long.: W104°39'18.8" N 561296.858 E 442149.906 (NAD 83)</p>	<p>4087.0' 4077.9' 4108.1' 4093.7' 1980'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>Josh Fernau</u> Signature Josh Fernau Printed Name Staff Engineer Title 02/09/06 Date</p>
				<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>NOVEMBER 29, 2005 Date Surveyed</p> <p><u>GARY JONES</u> Signature & Seal of Professional Surveyor 7977 W.O. No. 5899 Certificate No. Gary Jones 7977</p> <p>BASIN SURVEYS</p>

Avenue, Artesia, NM 88210

Brazos Road, Aztec, NM 87410

S. St. Francis Dr., Santa Fe, NM 87505

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505For 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.comAddress: 601 N. Marienfeld, Suite 508 Midland, TX 70701Facility or well name: Callahan Federal #1 API #: U/L or Qtr/Qtr I Sec 26 T 20S R 23ECounty: Eddy, NM Latitude N32 deg 32' 33.3" Longitude W104 deg 39' 18.8" NAD: 1927 ☐ 1983 ☒ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐**Pit**Type: Drilling ☒ Production ☐ Disposal ☐Workover ☐ Emergency ☐Lined ☒ Unlined ☐Liner type: Synthetic ☒ Thickness 20 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.

RECEIVED

MAR 28 2006

JUU-ANTEAM

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)X

100 feet or more

(0 points)

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)X

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)X

Ranking Score (Total Points)

10

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: 02/09/06Printed Name/Title Josh Fernau Staff EngineerSignature 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 Signature

MAR 28 2006

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (432) 682-4429

Fax: (432) 682-4325

02/09/06

Bureau of Land Management
Lands & Minerals
620 W. Greene St.
Carlsbad, NM 88220
Attn: Ms. Linda Denniston

Dear Ms. Denniston,

Nadel and Gussman Permian, LLC, as operator, requests permission to drill the Callahan Federal #1, (SHL) 1,980' FSL & 660' FEL, UL I Sec. 26, T20S-R23E, Eddy Co., NM. We plan to develop a production pad for our surface location. The following items are attached:

Form 3160-3

C-144

Lease Responsibility Statement

13 Point Surface Use and Operation Plan

13 Point Drilling Plan

Hydrogen Sulfide Drilling Operations Plan

Exhibits:

1. C-102
2. Directions to Location
3. Lease (Aerial View)
4. Topographical Maps
5. BOP and Choke Diagrams
6. Pad Size
7. Rig Plat
8. Reserve Pit Size
9. A Cultural Resource Survey

This surface location was approved by Barry Hunt of the BLM on an on-site staking meeting with NGP Teddy Rowland and Basin Surveyors on 11/29/05. A Cultural Resource Survey has been performed and the report was negative. The permit holder recommends clearance for this operation. If you have any questions, contact Josh Fernau at the letterhead telephone number. **Plan to spud June 1, 2006.**

Your prompt attention to this APD will be greatly appreciated.

Sincerely,



Josh Fernau
Staff Engineer

UNITED STATES DEPARTMENT OF INTERIOR

Bureau of Land Management
Carlsbad Field Office
620 W. Greene St.
Carlsbad, New Mexico 88220

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: Callahan Federal #1

Lease Number: NM NM 96814 and NM NM 98795

Legal Description of Land: (SHL) 1,980' FSL & 660' FEL, Sec. 26, T20S-R23E, Eddy Co., NM

Lease Covers: NM NM 96814, T20S R23E, Eddy Co., NM Sec. 25 All & Sec. 26 N/2-N/2,
SW/4NE/4 and S/2NW/4
NM NM 98795, T20S R23E, Eddy Co., NM Sec. 24 N/2S/2, S/2SE/4 & Sec. 26
SE/4NE/4, N/2S/2 & SE/4SE/4

Formations: Wolfcamp, Strawn, Atoka, and Morrow

Bond Coverage: Statewide

BLM Bond File Number: NM 2812

Land is federally owned.

Authorized Signature: _____

Name: Josh Fernau

Title: Staff Engineer

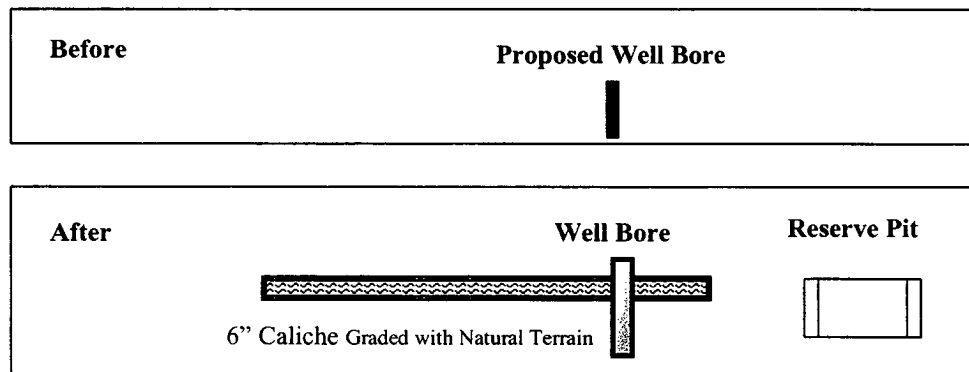
Date: 02/09/06

13 Point Land Use Plan

1. **Existing Roads** – This location is located in UL I Sec. 26 T20S R23E, SHL 1,980' FSL & 660' FEL. 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 #4**) shows the location of the well. From the junction of CO. RD. 12 and CO. RD. 25, Go southeast for 3.8 miles to the end; thence drive through gate and continue southeast for +/- 200'; thence left by pins and follow 2 track road to proposed location.
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 #2 –A, B & C**). The parts of the lease are fenced and a cattle guard or gate may be needed.
3. **Location of Existing Wells** –The Foster Unit #1, drilled by Magnolia Petroleum Company is located in Section 26, T20S-R23E, 660' FSL & 1,880' FWL well is P & A'd.
4. **Location of Tank Batteries, Production Facilities & Lines** –
 - We anticipate gas production from the Morrow, Atoka and Strawn, 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.
 - Pipe lines will be used to transport the sales of natural gas using the permitted access road to location.
 - We will also have a Stack-Pack separator or line heater and separator on location. All produced fluids from the Morrow, Atoka or Strawn 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 Carlsbad by a third-party contractor.
6. **Source of Construction Material** - Primary source of caliche will be the closed most economical existing pit used followed by the proper documentation and approval.
7. **Methods of Handling Waste Disposal** – A 20 mil 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 **Exhibit #1 NMOCD C-102 Form**) has been staked and is also indicated on the enclosed maps (**Exhibits #1, #2, #3 & #4**). The drilling site is mainly limestone 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 hilly.

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 – A north/south trending ridge that overlooks North Prong Long Draw to the north.
- Soil Characteristics – The surface is limestone w/ little soil development.
- Flora – Vegetation includes scattered juniper, soto, creosote, little leaf sumac, acacia, bear-grass, yucca prickly pear cactus and mixed grasses.
- Fauna – rabbits, mice, rats, birds, deer and snakes.
- Other Surface Use Activities – Ranching.
- Surface Ownership – Federal.
- 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 1,000' of the location.

- Archeological Summary – Drilling location and lease roads are covered under sent BLM report completed by Don Clifton. The report was negative and the cultural resource use permit holder recommends clearance for this operation. Drilling and production will be conducted in a manner so as not to disturb the surrounding environment.

12. Operator's Representative -

Josh Fernau	Office Phone	(432) 682-4429
	Home Phone	(806) 978-1523
	Mobile Phone	(432) 238-2874

Teddy Rowland	Office Phone	(505) 746-1428
	Home Phone	(505) 746-4970
	Mobile Phone	(505) 513-1499

Joel Martin	Office Phone	(432) 682-4429
	Home Phone	(432) 694-2569
	Mobile Phone	(432) 238-9969

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 Diamond Back Disposal Company or their contractors and sub-contractors in conformity with this plan.



Josh Fernau
Staff Engineer
Date: 02/09/06

13 Point Drilling Plan:

1. Location: (SHL) 1,980' FSL & 660' FEL, UL I Sec. 26, T-20-S, R-23-E, Eddy County, New Mexico (Exhibit #1 Form C-102).
2. Elevation: 4,093' GL.
3. Geological Name of Surface Formation: Limestone Rock.
4. Type of Drilling Tools to be utilized: Rotary Tools.
5. Proposed Drilling Depth: 9,400' TVD.
6. Tops of Important Geological Markers: TVD

Glorieta	1,680'	Wolfcamp	5,200'	Atoka	8,420'
Clearfork	1,990'	Cisco	6,230'	Morrow	8,700'
B /Abo Shale	4,210'	Strawn	7,230'	Chester	9,000'

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

Oil and Gas	-Wolfcamp	5,200'
Gas	-Strawn	7,230'
Gas	-Atoka	8,420'
Gas	-Morrow	8,700'

8. Casing Program:

- 9 5/8" 40# N-80 @ 2,000' 2000 sx, circulated to surface
- 5 1/2" 17# P-110 @ 9,400' TOC to be determined

The 9 5/8" casing strings will be cemented to the surface. The TOC on the 5 1/2" casing will be determined after running open hole logs.

9. Specifications for Pressure Control Equipment: (Exhibit #5)

This rig will have a 13 5/8" 5M BOP Shaffer with pipe rams and blind rams, kill line, 5,000 psi choke manifold, Camron hydraulic controls, and accumulator with remote controls. When setting up, will test casing, BOP and choke to 1,500psi with 3rd party tester, will operate BOP once a day or as directed by the company representative. The surface and intermediate will be witnessed by a BLM representative.

10. Mud Program:

Spud and drill with **fresh water or air** to a depth of approx 2,000'. Control lost circulation with paper and LCM pills and maintain a Ph of 10. Drill from 2,000' to 9,200' with cut brine at approximately 9.2 to 10 PPG. Use starch and XCD polymer for filtrate control and mix pre-hydrated freshwater gel slurry to clean and condition hole prior to running electric logs.

11. Testing, Logging & Coring Program:

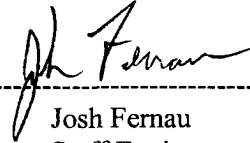
- a. Testing: No DST's are expected.
- b. Coring: no coring is planned.
- c. Logging: open hole logs will be run prior to running production casing. The standard suite will be a Dual Lateral/ ML and GR/Density/Neutron combination.
- d. Depending on the sand quality, a FMI and/or formation tester may 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 2,000' to TD.

13. Anticipated starting date & duration:

Plans are to begin drilling operations about June 1, 2006; approximately 30 days will be required to drill the well and 10 days will be needed for the completion.

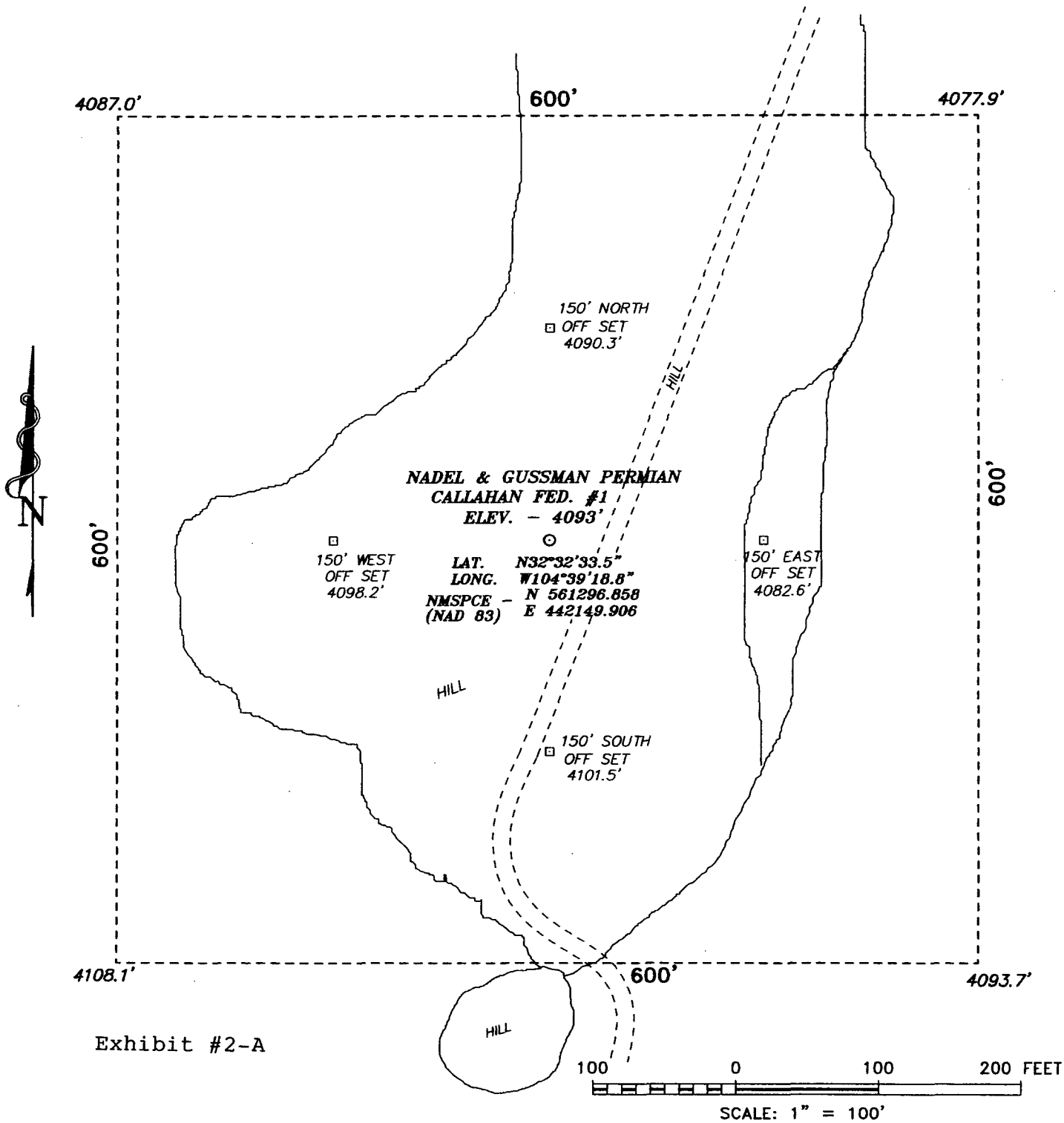


Josh Fernau
Staff Engineer
Date: 02/09/06

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 #5.
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.

SECTION 26, TOWNSHIP 20 SOUTH, RANGE 23 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF CO. RD. 12 AND CO. RD. 25, GO SOUTHEAST FOR 3.8 MILES TO THE END; THENCE DRIVE THROUGH GATE AND CONTINUE SOUTHEAST FOR $\pm 200'$; THENCE LEFT BY PINS AND FOLLOW 2-TRACK ROAD TO PROPOSED LOCATION.

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

W.O. Number: 5999

Drawn By: K. GOAD

Date: 12-06-2005	Disk: KJG #9 - 5999A.DWG
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NADEL AND GUSSMAN PERMIAN

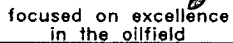
REF: CALLAHAN FED. No. 1 / Well Pad Topo

CALLAHAN FED. No. 1 LOCATED 1980' FROM
THE SOUTH LINE AND 660' FROM THE EAST LINE OF
SECTION 26, TOWNSHIP 20 SOUTH, RANGE 23 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 11-29-2005

Sheet 1 of 1 Sheets

Section 26, Township 20 South, Range 23 East,
N.M.P.M., Eddy County, New Mexico.

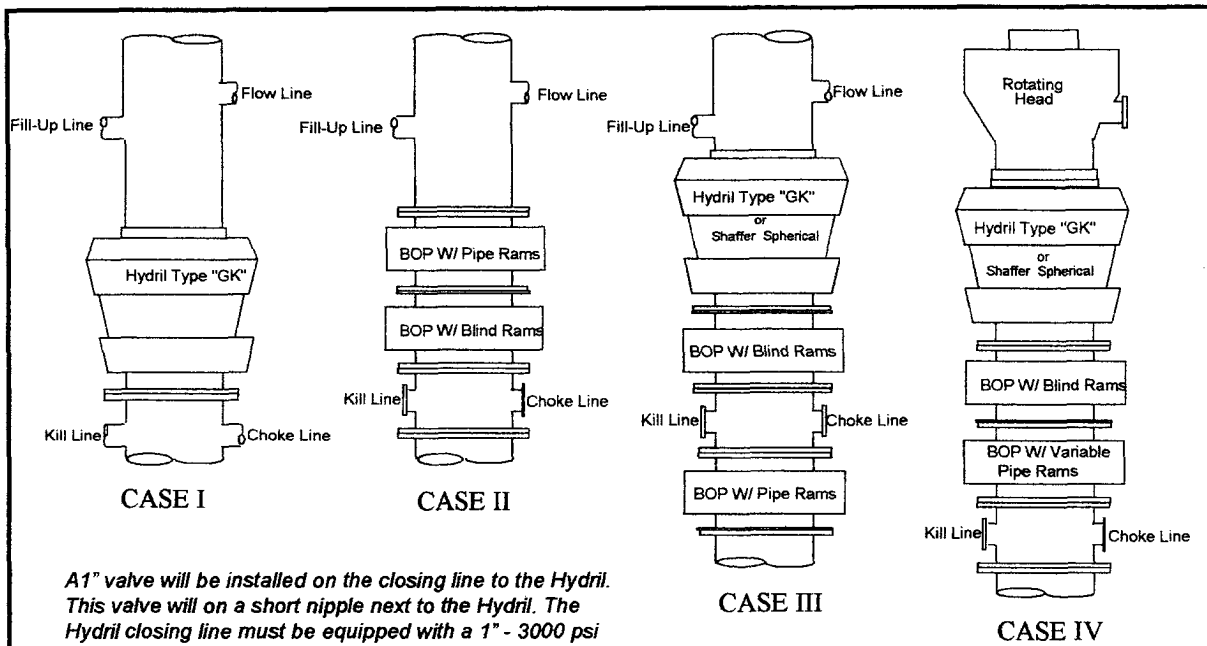


Date: 12-06-2005

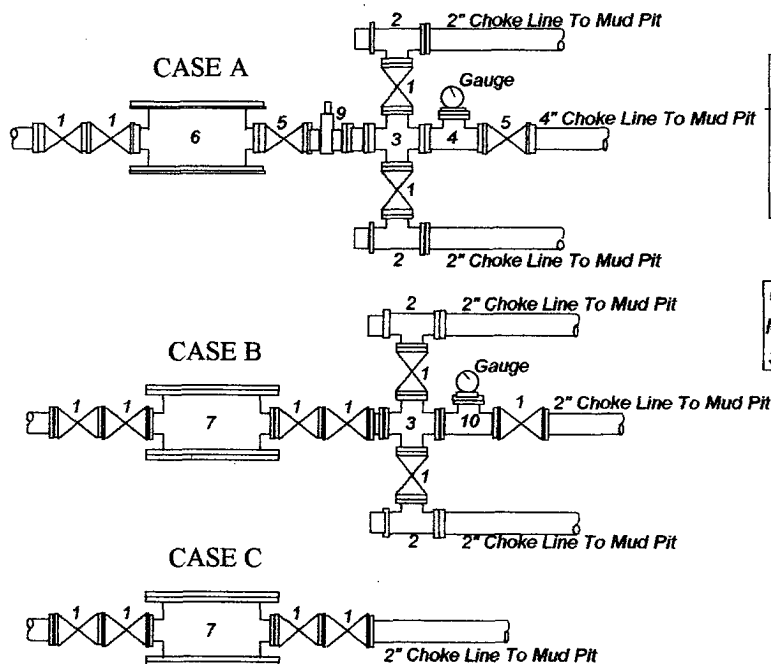
**NADEL AND
GUSSMAN PERMIAN,
L.L.C.**

Nadel and Gussman Permian

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



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



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
18 5/8"	IV	5000#	A

**Rotating head required*

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

Exhibit #5

Legend

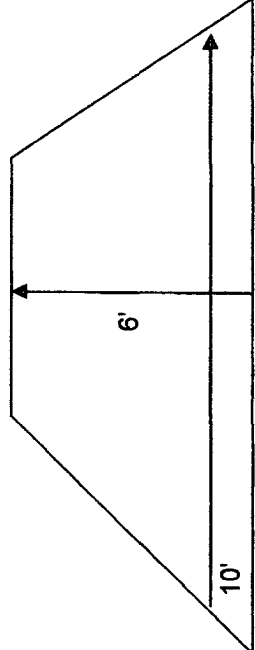
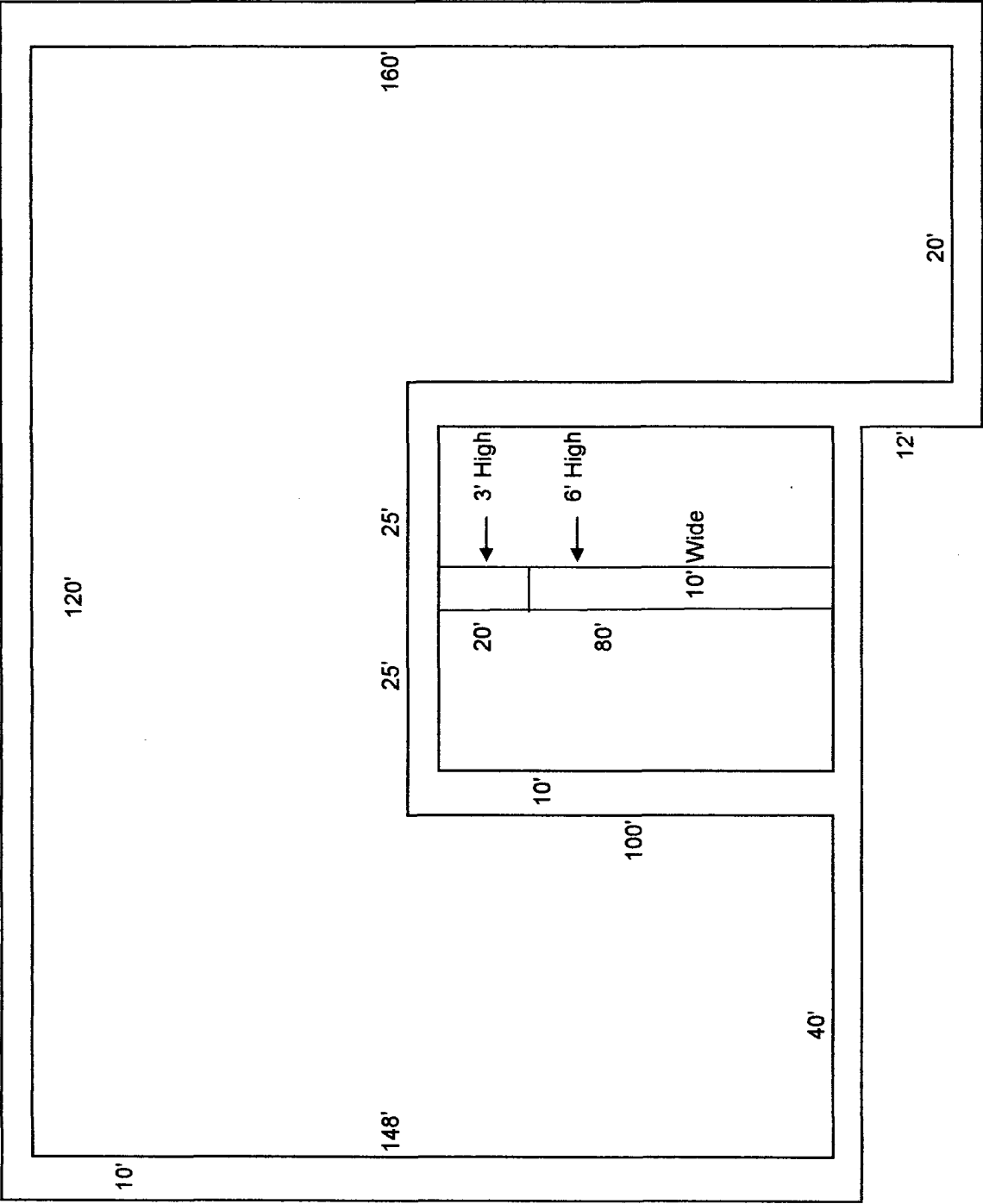
1. 2" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.
2. 2" flanged adjustable chokes, min. 1" full opening & equipped with hard trim.
3. 4" x 2" flanged steel cross.
4. 4" flanged steel tee.
5. 4" flanged all steel valve (Type as in no. 1).
6. Drilling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

(10-31-96) WTXBOPS.PPT

Exhibit #8
Not to Scale



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nadel & Gussman Permian LLC

Well Name & No: Callahan Fed Com No. 01

Location: Surface: 1980' FSL & 660' FEL, Sec.26, T. 20 S. R. 23 E.

Lease: NMNM ~~2812~~ 98795 Eddy County, New Mexico

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 9 5/8 inch; 5 1/2 inch;

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan shall be in operations from 2000 ft of depth to TD..

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCDC shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement shall be approved by this office prior to any sales from this office.

II. CASING:

1. The 9 5/8 inch shall be set at 2000 Feet with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to Place TOC at least 200 feet above the top of the Wolf amp; estimation, 5000 ft.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 9 5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3 M psi.

III. Pressure Control Con't:

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.