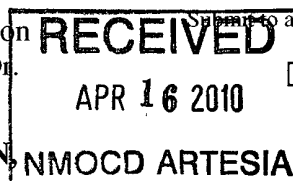


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
June 16, 2008

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



Submit to appropriate District Office
☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN,
PLUGBACK, OR ADD A ZONE

| | | |
|---|---|---|
| ¹ Operator Name and Address Nadel and Gussman HEYCO, LLC P.O. Box 1936 Roswell N.M. 88202 | | ² OGRID Number 258462 |
| ³ Property Code 305002 | ⁵ Property Name Aid State | ³ API Number 30 - 015 - 37790 |
| ⁹ Proposed Pool 1 Blinebry | | ⁶ Well No. #4 |
| ⁹ Proposed Pool 1 Blinebry | | ¹⁰ Proposed Pool 2 Grayburg |

⁷ Surface Location

| | | | | | | | | | |
|--------------------|---------------|-----------------|--------------|---------|------------------------|---------------------------|-----------------------|------------------------|----------------|
| UL or lot no. 1 | Section 13 | Township 17S | Range 28E | Lot Idn | Feet from the 1650' | North/South line SOUTH | Feet from the 330' | East/West line EAST | County EDDY |
|--------------------|---------------|-----------------|--------------|---------|------------------------|---------------------------|-----------------------|------------------------|----------------|

⁸ Proposed Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|--------------------|---------------|-----------------|--------------|---------|------------------------|---------------------------|-----------------------|------------------------|----------------|
| UL or lot no. 1 | Section 13 | Township 17S | Range 28E | Lot Idn | Feet from the 1650' | North/South line SOUTH | Feet from the 330' | East/West line EAST | County EDDY |
|--------------------|---------------|-----------------|--------------|---------|------------------------|---------------------------|-----------------------|------------------------|----------------|

Additional Well Information

| | | | | |
|-----------------------------------|--------------------------------------|---------------------------------|------------------------------------|--------------------------------------|
| ¹¹ Work Type Code N | ¹² Well Type Code O | ¹³ Cable/Rotary R | ¹⁴ Lease Type Code S | ¹⁵ Ground Level Elevation |
| ¹⁶ Multiple Y | ¹⁷ Proposed Depth 5400 | ¹⁸ Formation TUBB | ¹⁹ Contractor | ²⁰ Spud Date |

²¹ Proposed Casing and Cement Program

| | | | | | |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
| 12 1/4" | 9 5/8" | 36# | 300' | 169 sx | Surface |
| 7 7/8" | 5 1/2" | 15.5# | 5400' | 850 sx | 1542' |
| | | | | | |
| | | | | | |
| | | | | | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Mud Program:

0' to 300': 8.4 to 8.8 ppg, 80 - 55 visc w/ Fresh water spud mud
300' to 5400': 8.8 to 10.0 ppg, 28-30 visc, w/ brine / cut brine water

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Keith Cannon

Printed name:
Keith Cannon

Title:
Drilling Superintendent

E-mail Address:
kcannon@heycoenergy.com

Date:
April 14, 2010

Phone:
575 - 623-6601

OIL CONSERVATION DIVISION

Approved by:

Argin Kraws
Geologist

Title:

Approval Date:

5/3/2010

Expiration Date:

5/3/2012

Conditions of Approval Attached ☒ BOP test must be performed by 3rd party.

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
11885 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|-----------------------------------|--|--|
| API Number 30-015-37790 | Pool Code 96210 | Pool Name Empire Glorieta-Yeso |
| Property Code 305002 | Property Name AID STATE | Well Number 4 |
| OGRID No. 258462 | Operator Name NADEL AND GUSSMAN HEYCO, LLC | Elevation 3692' |

Surface Location

| | | | | | | | | | |
|---------------------------|----------------------|-------------------------|----------------------|---------|------------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|
| UL or lot No. I | Section 13 | Township 17-S | Range 28-E | Lot Idn | Feet from the 1650 | North/South line SOUTH | Feet from the 330 | East/West line EAST | County EDDY |
|---------------------------|----------------------|-------------------------|----------------------|---------|------------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|

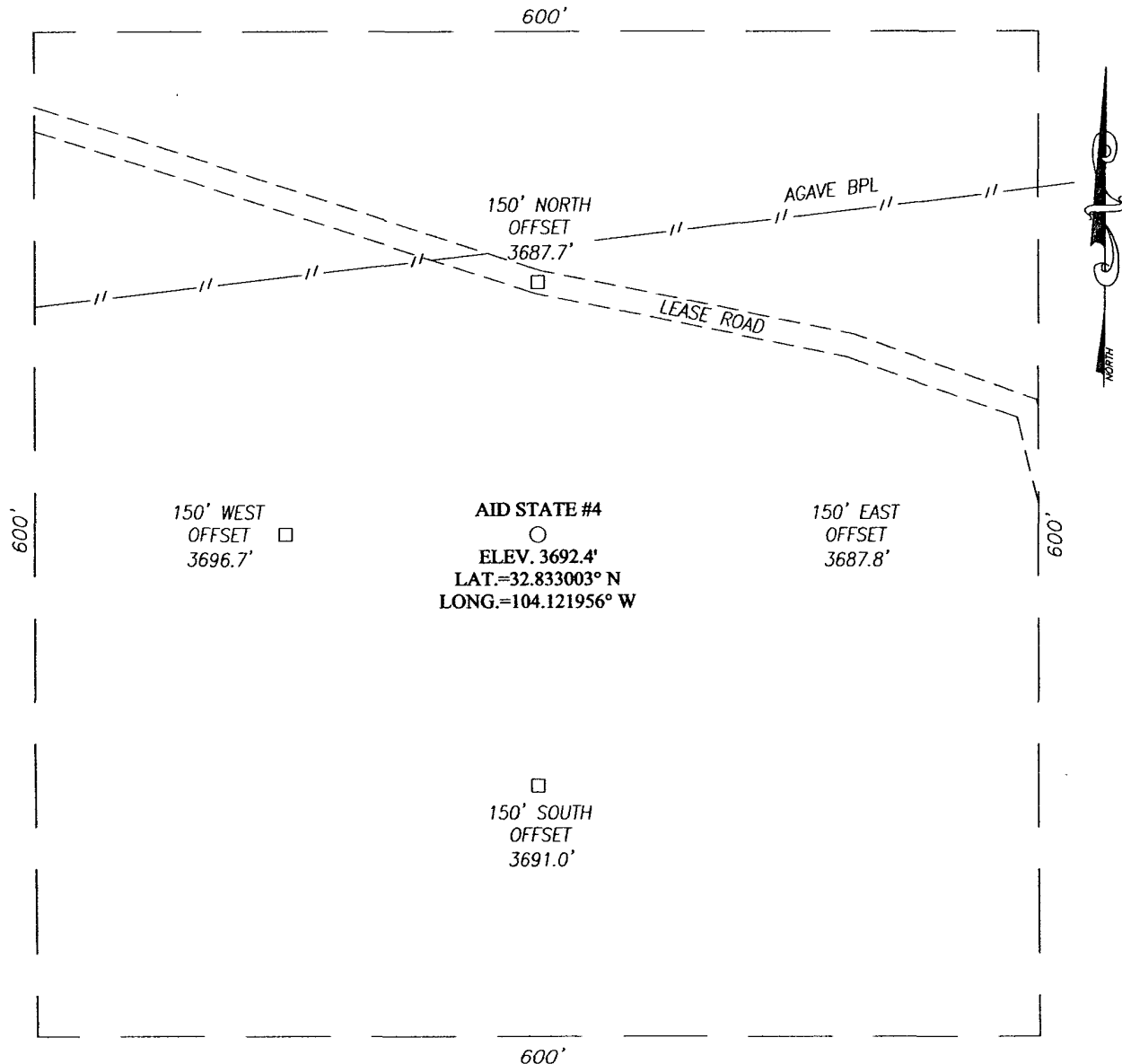
Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------------|----------------------|-------------------------|----------------------|---------|------------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|
| UL or lot No. I | Section 13 | Township 17-S | Range 28-E | Lot Idn | Feet from the 1650 | North/South line South | Feet from the 330 | East/EAST line East | County Eddy |
| Dedicated Acres 40 | Joint or Infill | Consolidation Code | Order No. | | | | | | |

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

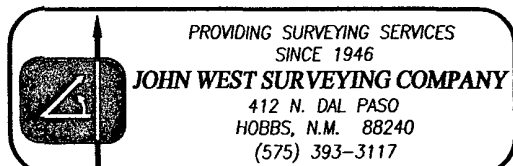
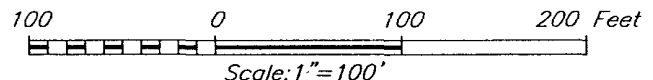
| | | | | | | |
|--|--|--|--|---|--|--|
| <p>GEODETIC COORDINATES NAD 27 NME Y=666822.7 N X=564926.5 E LAT.=32.833003° N LONG.=104.121956° W</p> | | | | <p>LG-3782</p> <p>330'</p> <p>1650'</p> | | <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><i>Keith Cannon</i> 4/13/10 Signature Date</p> <p>Keith Cannon Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>DATE SURVEYED Signature & Seal of Professional Surveyor <i>GARY G. EIDSON</i> 10.11.0397</p> <p>Certificate No. GARY G. EIDSON 12641 RONALD J. EIDSON 3239</p> |
|--|--|--|--|---|--|--|

SECTION 13, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND COUNTY ROAD #211 (OLD LOCO ROAD), GO SOUTHWEST ON U.S. HWY. #82 FOR APPROX. 0.8 MILES. TURN RIGHT AND GO NORTH APPROX. 1.9 MILES. TURN LEFT AND GO WEST APPROX. 300 FEET. THIS LOCATION IS APPROX. 160 FEET SOUTH.

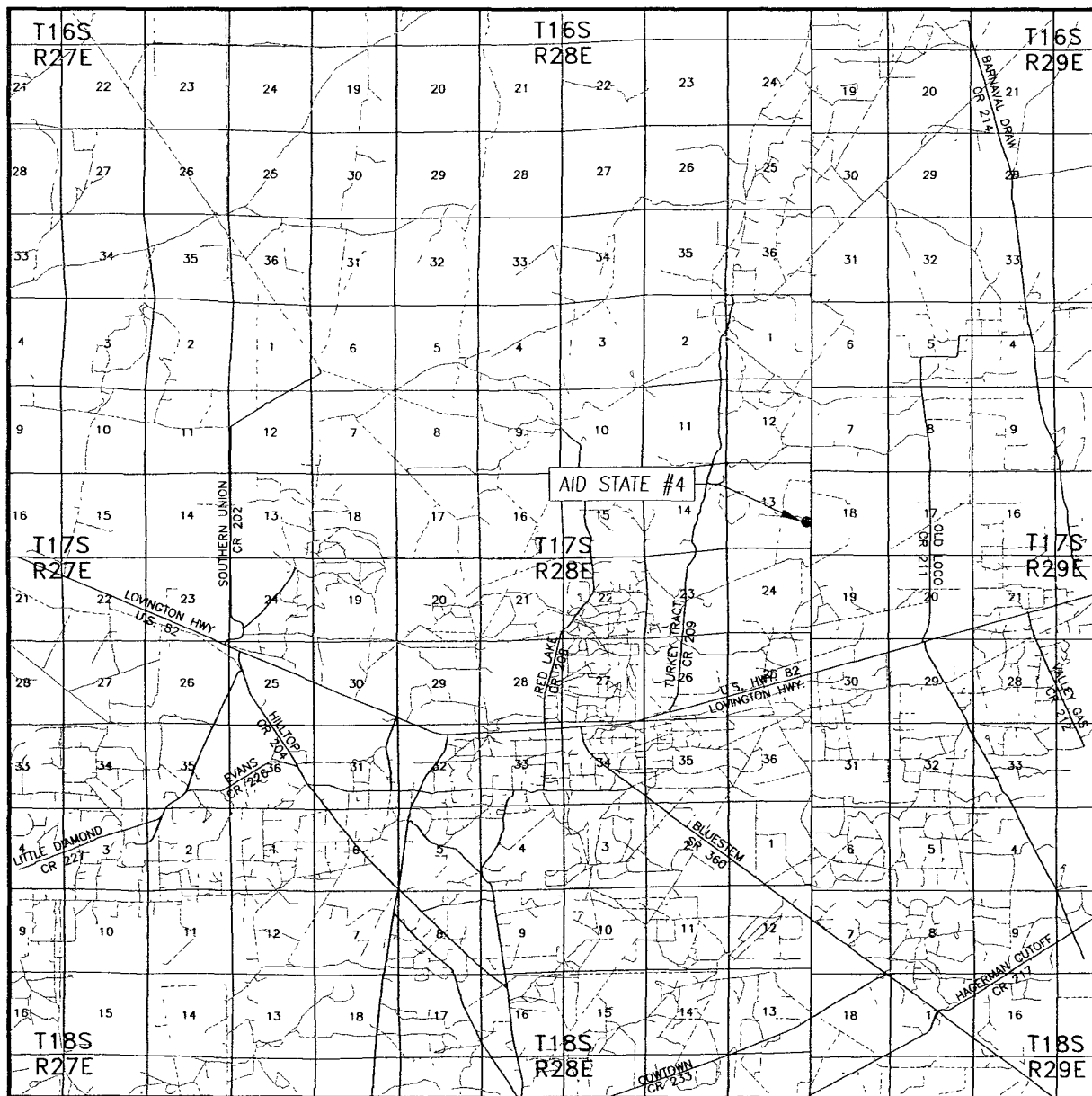


NADEL AND GUSSMAN HEYCO, LLC

AID STATE #4 WELL
 LOCATED 1650 FEET FROM THE SOUTH LINE
 AND 330 FEET FROM THE EAST LINE OF SECTION 13,
 TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.


| | |
|-------------------------|---------------------|
| Survey Date: 3/26/10 | Sheet 1 of 1 Sheets |
| W.O. Number: 10.11.0397 | Dr By: LA |
| Date: 3/31/10 | 10110397 |
| | Scale: 1"=100' |

VICINITY MAP



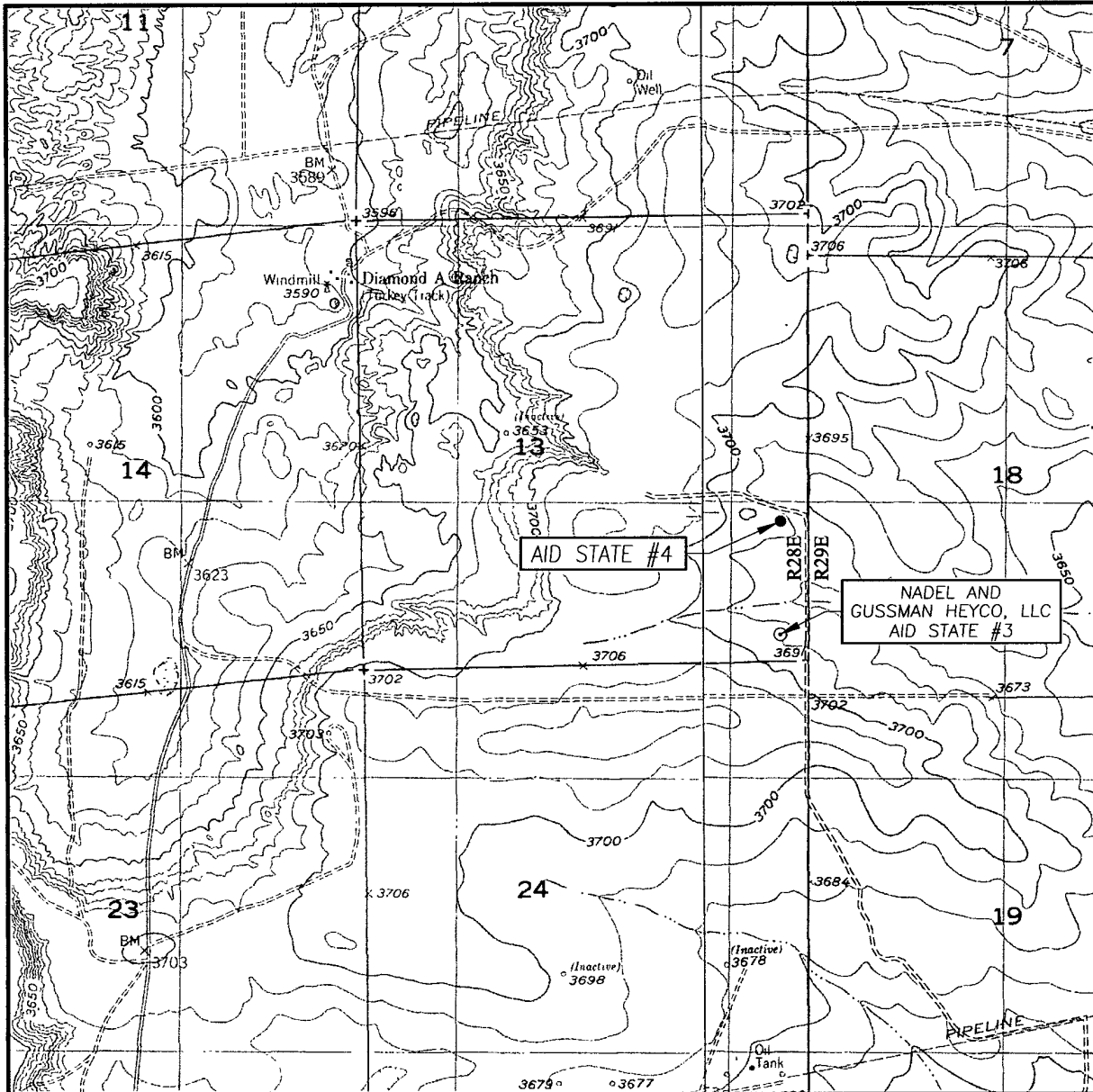
SCALE: 1" = 2 MILES

SEC. 13 TWP. 17-S RGE. 28-E
 SURVEY _____ N.M.P.M.
 COUNTY EDDY STATE NEW MEXICO
 DESCRIPTION 1650' FSL & 330' FEL
 ELEVATION 3692'
 OPERATOR NADEL AND GUSSMAN HEYCO, LLC
 LEASE AID STATE



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (575) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
RED LAKE, N.M. - 10'
RED LAKE SE, N.M. - 10'

SEC. 13 TWP. 17-S RGE. 28-E

SURVEY _____ N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

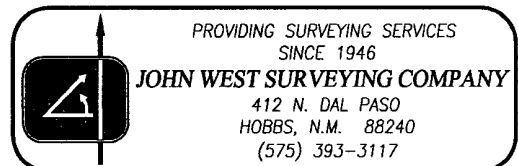
DESCRIPTION 1650' FSL & 330' FEL

ELEVATION 3692'

OPERATOR NADEL AND GUSSMAN HEYCO, LLC

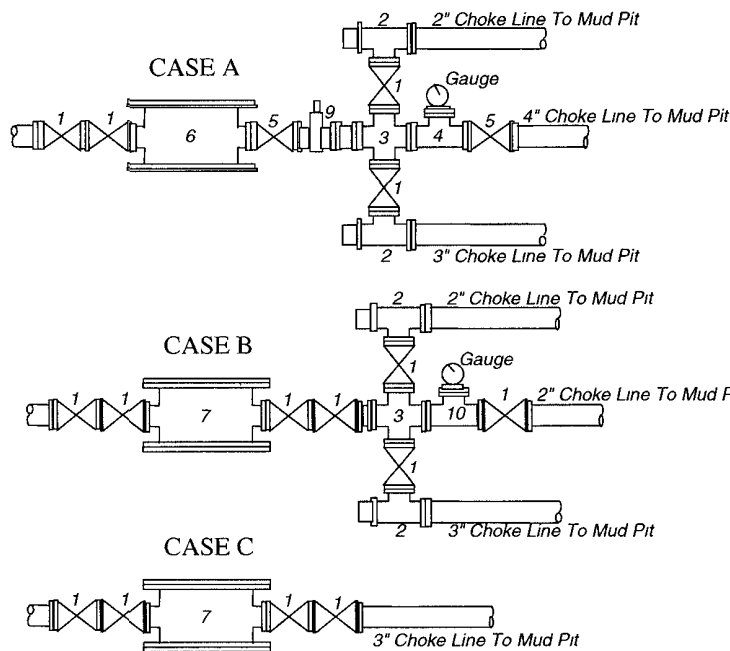
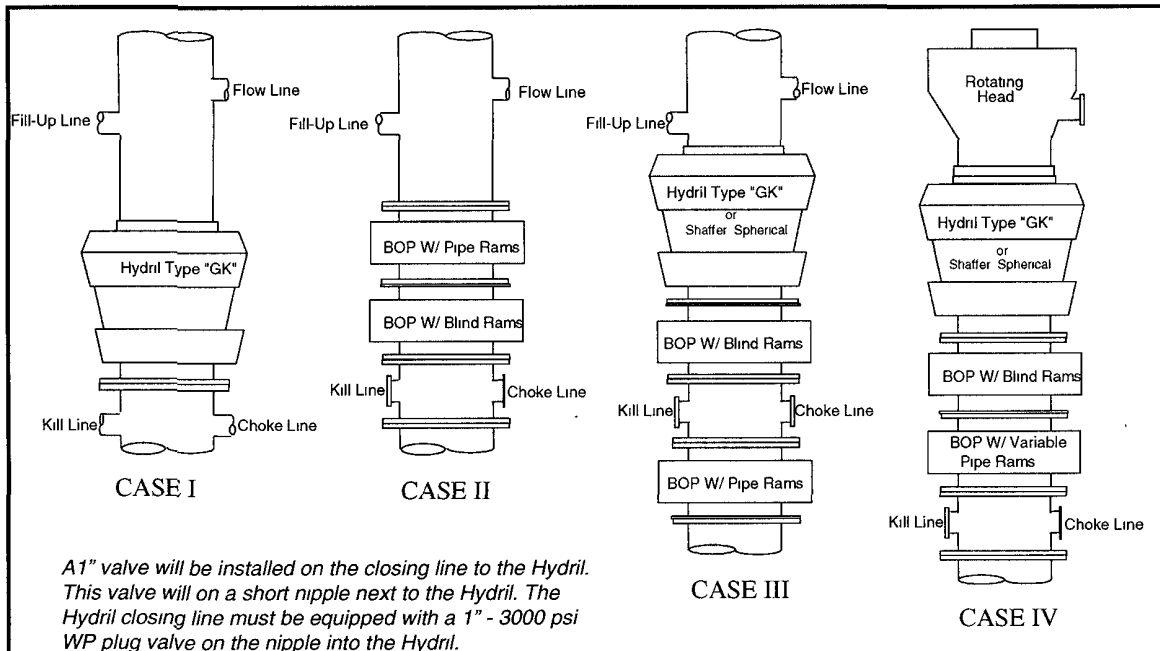
LEASE AID STATE

U.S.G.S. TOPOGRAPHIC MAP
RED LAKE, N.M.



Nadel and Gussman Heyco, LLC

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



| BOP SIZE | BOP CASE | WORKING PRESSURE | CHOKE CASE |
|-----------|----------|------------------|------------|
| 13 - 5/8" | II | 2000 psi | B |
| 9" | III | 3000 psi | B |

***Rotating head required**

| |
|-------------------------|
| Bradenhead . |
| Mfr: _____ |
| Size: _____ Type: _____ |

Legend

- 1 3" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.
- 2 3" 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

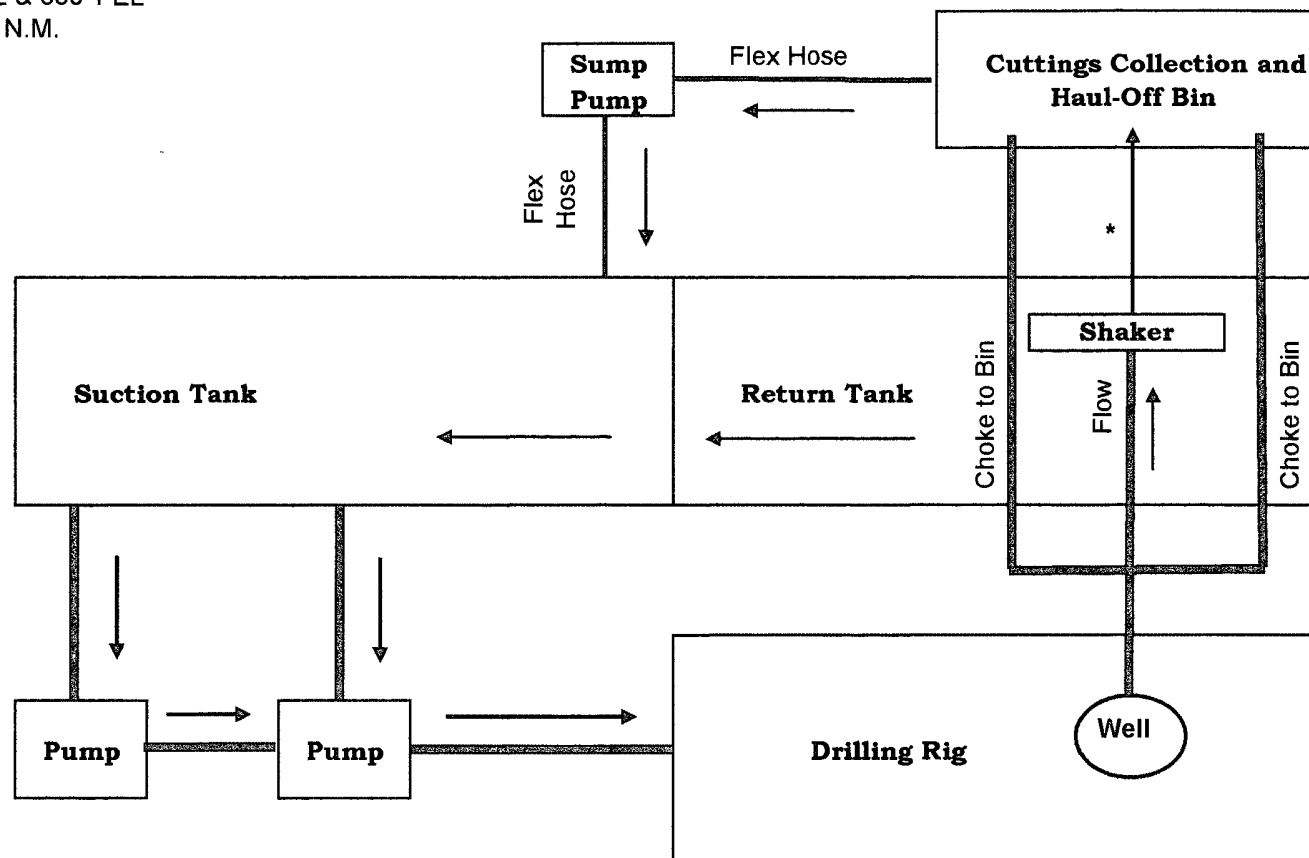
Choke Manifold Schematic for Closed Loop System

Aid State #4

Unit I, Sec 13, T17S, R28E

1650' FSL & 330' FEL

Eddy Co. N.M.



* No pipe manifold from shaker to haul-off bin.

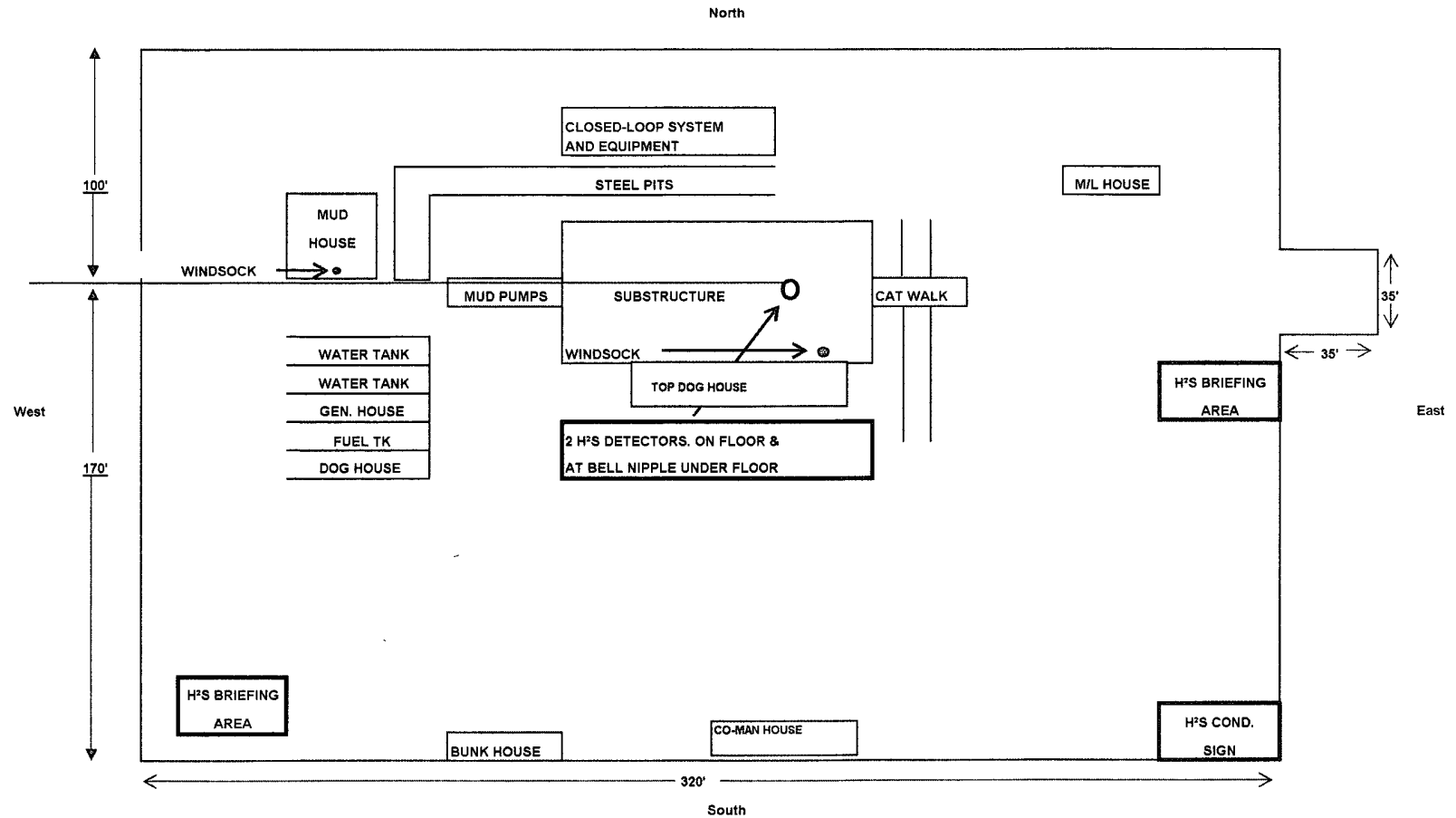
EXHIBIT "D" LOCATION DIAGRAM

Aid State #4

1650' FSL & 330' FEL

UNIT I, SEC 13, T17S, R28E

EDDY COUNTY, NM



NADEL AND GUSSMAN HEYCO, L.L.C.
P.O. BOX 1936
ROSWELL N.M. 88202
(575) 623-6601 (Office)
(575) 624-5321 (Fax)

4/14/10

Miss Reeves
District 2 Geologist
New Mexico Oil and Gas Division
1301 West Grand Avenue
Artesia, NM 88210

Re: Aid State #4
1650' FSL & 330' FEL
Unit Letter I, Sec. 13, T17S, R28E
Eddy, NM
Rule 118 H2S Exposure

Dear Miss Reeves

Nadel and Gussman Heyco, LLC have evaluated this well and we do not expect to encounter hydrogen sulfide. However, we will employ a third party monitoring system. We will begin monitoring prior to drilling out the intermediate casing and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,

Keith Cannon
Drilling superintendent

Hydrogen Sulfide Drilling Operations Plan
Aid State #4
UNIT I, Sec 13, T17S, R28E
1650' FSL & 330' FEL
Eddy Co. N.M.

1. Company and contract personnel admitted on location should be trained by a qualified H₂S safety instructor to the recognize and handle following:
 - A. Characteristics of H₂S gas
 - 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 knowledge
 - E. Evacuation procedure, routes and first aid support
 - F. Proper use of 30 minutes Pressure-on-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 (high enough to be visible)
 - B. Windsock at briefing area (high enough to be visible)
 - C. Windsock at location entrance
4. Condition Flags and Signs
 - A. H₂S warning signs on lease access road into location
 - B. Flags displayed on sign at location entrance
 1. Green flag indicates "Normal Safe Conditions"
 2. Yellow Flag indicates "Potential Pressure and Danger"
 3. Red Flag indicates "Danger - H₂S Present in High Concentrations" *admit only emergency personnel*
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 radios or cell phones used to communicate off location or minimally in Drilling Foreman's trailer or living quarters
7. Drillstem Testing
 - A. Exhausts watered
 - B. Flare line equipped with electric igniter/propane pilot light in case gas reaches surface
 - C. If location near dwelling closed DST will be performed
8. Drilling Supervisor required to be familiar with effects of H₂S on tubular goods/mechanical equipment
9. If H₂S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers, if necessary.

PUBLIC PROTECTION PLAN FOR EMERGENCY CONTACTS

NADEL AND GUSSMAN HEYCO, LLC

(575) 623-6601

Company Personnel

| | | |
|--------------|-------------------|------------------------------|
| Terry West | Drilling Enrineer | 432-682-4429 432-238-2874 |
| Keith Cannon | Drilling Supt. | 575-623-6601 575-626-1936 |

ARTESIA N.M.

| | |
|------------------|------------------------------|
| Ambulance | 911 |
| State Police | 575-746-5000 |
| City Police | 575-746-5000 |
| Sheriff's Office | 575-746-9888 |
| Fire Department | 575-746-5050 or 575-746-5051 |
| N.M.O.C.D | 575-748-1283 |

CARLSBAD N.M.

| | |
|------------------|------------------------------|
| Ambulance | 911 |
| State Police | 575-885-3137 |
| City Police | 575-885-2111 |
| Sheriff's Office | 575-887-7551 |
| Fire Department | 575-885-3125 or 575-885-2111 |
| Carlsbad BLM | 575-887-6544 |

HOBBS N.M.

| | |
|------------------|--------------|
| Ambulance | 911 |
| State Police | 575-392-5588 |
| City Police | 575-397-9265 |
| Sheriff's Office | 575-396-3611 |
| Fire Department | 575-397-9308 |
| N.M.O.C.D | 575-393-6161 |
| Hobbs BLM | 575-393-3612 |

| | |
|-------------------------------------|--------------|
| Flight for Life (Lubbock Tx) | 806-743-9911 |
| Aerocare (Lubbock Tx) | 806-747-8923 |
| Med flight air Ambulance (Albuq NM) | 505-842-4433 |
| SB air Med Services (Albuq NM) | 505-842-4949 |

| | |
|--------------------------|------------------------------|
| Boots & Coots IWC | 800-256-9688 or 281-931-8884 |
| Cudd Pressure Control | 915-699-0139 or 915-563-3356 |
| BJ Services (Artesia NM) | 575-746-3569 |
| (Hobbs NM) | 575-392-5556 |

| | |
|---|--------------|
| New Mexico Emergency Response Commission (Santa Fe) | 505-476-9600 |
| 24 Hour | 505-827-9126 |
| New Mexico State Emergency Operations Center | 505-476-9635 |