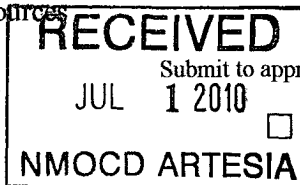


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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



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

¹ Operator Name and Address NADEL AND GUSSMAN PERMIAN, LLC 601 N. MARIENFELD, STE 508 MIDLAND, TX 79701		² OGRID Number 155615
³ Property Code 33082	⁴ Property Name GRANDE STATE	⁵ API Number 30-05-38034
⁹ Proposed Pool 1 Cedar Canyon		¹⁰ Proposed Pool 2

⁷ Surface Location									
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	32	23S	29E		1980	SOUTH	330	EAST	EDDY

⁸ Proposed 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
L	32	23S	29E		1980	SOUTH	330	WEST	EDDY

Additional Well Information				
¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary Rotary	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 2988'
¹⁶ Multiple No	¹⁷ Proposed Depth 12340' MD (8000 TVD)	¹⁸ Formation Bone Spring	¹⁹ Contractor (To Be Determined)	²⁰ Spud Date +/- 8/01/10

²¹ Proposed Casing and Cement Program					
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
24"	20"	94#	40'	50	Surface
17-1/2"	13-3/8"	48#	400'	400	Surface
12-1/4"	8-5/8"	40#	2700'	1600	Surface
7-7/8"	5-1/2"	17#	12340'	1700	2500'

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.

Drill and complete well. No H2S is expected, but an H2S contingency letter and plan is attached. A BOP will be installed. Will cement to cover all water, oil and gas producing zones.

Mud Program:
0' to 400': 8.4 to 8.8 FW Spud Mud
400' to 2700': 9.8 to 10.2 BW
2700' to 11845': 8.5 to 10.2 FW/Cut BW/BW

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

Signature:

Printed name: BRITTANY HULL

Title: Land Technician

E-mail Address: bhull@naguss.com

OIL CONSERVATION DIVISION

Approved by:

Title:

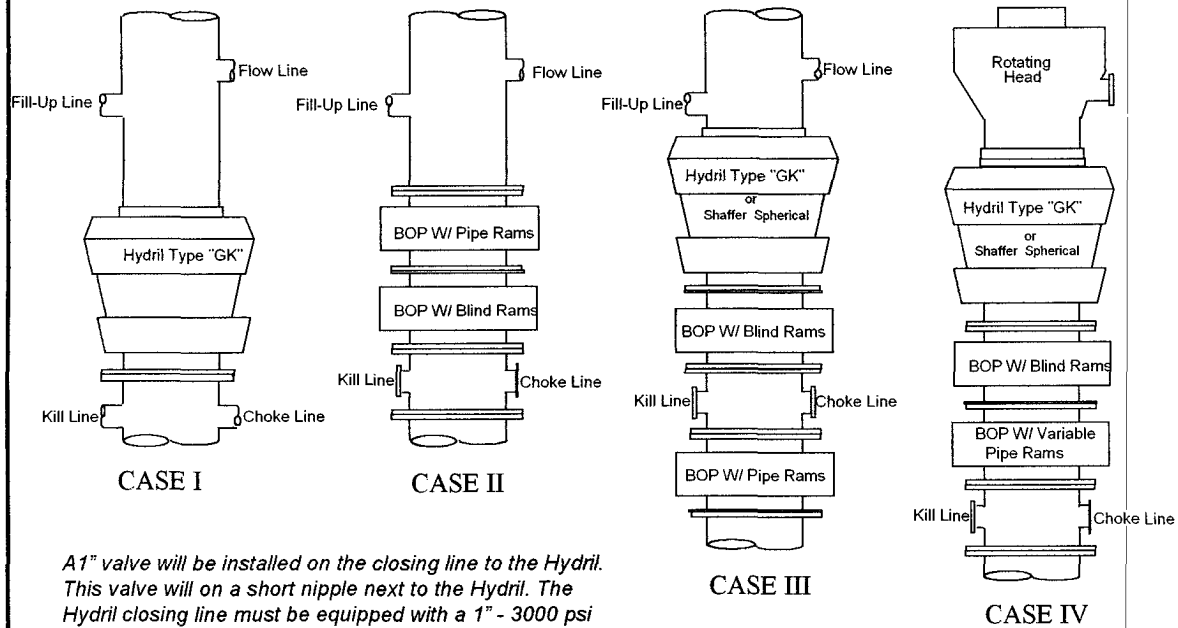
Approval Date:

Expiration Date:

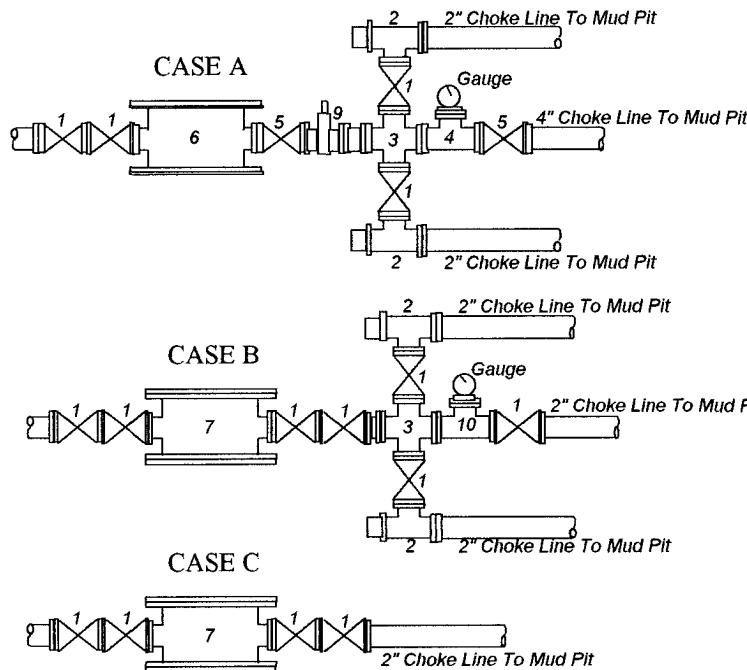
Geologist
7/23/2010 7/23/2012

Nadel and Gussman Permian

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



A 1" 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
11"	III	3000 psi	B

**Rotating head required*

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

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.