

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
1301 W. Grand Avenue
Artesia, NM 88210

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER		5. Lease Serial No. NM 28641	
1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Nadel Gussman Permian, L.L.C.		7. If Unit or CA Agreement, Name and No.	
3a. Address 601 N. Marienfeld, TX 79701		8. Lease Name and Well No. Big Apple Fed #1	
3b. Phone No. (include area code) (432) 682-4429		9. API Well No. 30-015-33304	
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 685' FSL & 2140' FEL At proposed prod. zone 660' FSL & 1600' FWL		10. Field and Pool, or Exploratory White Oak, Morrow	
14. Distance in miles and direction from nearest town or post office* 11 Miles Southwest Carlsbad		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 5, T24S-R26E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660' FSL		12. County or Parish Eddy County	
16. No. of Acres in lease 640		13. State NM	
17. Spacing Unit dedicated to this well 160			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 40		20. BLM/BIA Bond No. on file NM 2812	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL3507		22. Approximate date work will start* March 15, 2004	
		23. Estimated duration 47	

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 	Name (Printed/Typed) Josh Fernau	Date 01/26/04
Title Staff Engineer		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 8 MAR 2004
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
ATTACHED

CARLSBAD CONTROLLED WATER BASIN

RECEIVED

MAR 10 2004

OCD-ARTESIA

Talked to Mr. Fernau on 2/6/04; to change 2000' on 9 5/8"

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: Big Apple Federal #1

Lease Number: Federal Lease NM 28641
Federal Lease NM 31203

Legal Description of Land: (SHL) 685' FSL & 2140' FEL, Sec. 5, T24S-R26E, Eddy Co., NM
(BHL) 660' FSL & 1600' FWL, Sec. 5, T24S-R26E, Eddy Co., NM

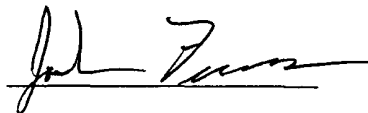
Formations: Morrow, Atoka, Strawn, and Delaware

Bond Coverage: Statewide

BLM Bond File Number: NM2812

Land is Federally owned.

Authorized Signature: _____



Name: Josh Fernau

Title: Staff Engineer

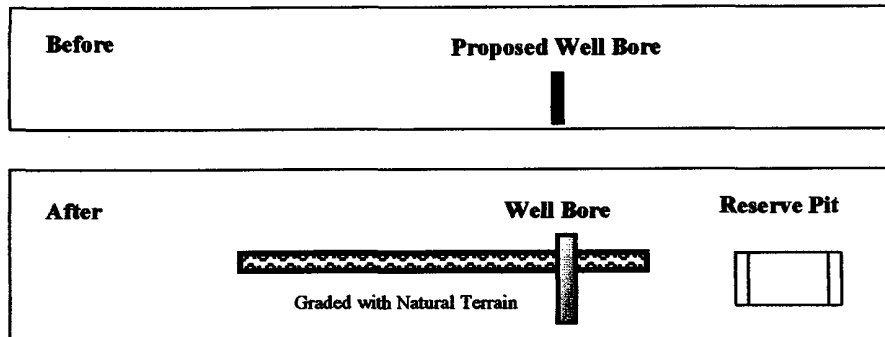
Date: 01/26/04

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 Carlsbad, New Mexico down U.S. 62-180 11 miles southwest of Carlsbad. 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 not fenced and a cattle guard or gate will not be needed.
3. **Location of Existing Wells** –The Manzano Grande Federal #1, operated by Nadel and Gussman Permian, L.L.C. is located in Section 5, T24S-R26E, 660' FSL & 2140' FEL.
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.
 - 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 an existing Fee pit 5 mile to SE of the drilling location.
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.
6. **Ancillary Facilities** – There are no camps or airstrips planned.
7. **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 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:



8. 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.

9. Other Information –

- Topography – sandy, flat plain.
- Soil Characteristics – Karro fine sandy loam
- Flora – scrub mesquite and weeds
- Fauna – rabbits, mice, rats, birds and snakes
- Other Surface Use Activities – none
- Surface Ownership – Federal
- Water Wells – No windmills within 1000' of the location.
- Lakes, Streams, Ponds – There are no bodies of water within five miles of this location. There are several draws (Exhibit #3).
- Dwellings – There are no inhabited structure within 1000 feet of the location.

- Archeological Summary – Drilling location and lease roads are covered under attached BLM report titled “A Cultural Resource Survey of the Manzano Grande Federal #1, Eddy County, New Mexico” by Don Clifton. The report was Positive, but 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 existing site (adjacent to the existing lease road), that will be fenced off.

10. Operator's Representative -

Joel Martin	Office Phone	(432) 682-4429
	Home Phone	(432) 694-2569
	Mobile Phone	(432) 238-9969
Gordon Barker	Office Phone	(432) 682-4429
	Home Phone	(432) 699-0018
	Mobile Phone	(432) 238-1269
Lee Ledbetter	Office Phone	(505) 746-1428
	Home Phone	(505) 887-0866
	Mobile Phone	(505) 631-6071
Josh Fernau	Office Phone	(432) 682-4429
	Home Phone	(806) 928-5213
	Mobile Phone	(432) 238-2874

11. Other facets: none

12. 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 B&H Construction Company or their contractors and sub-contractors in conformity with this plan.


Josh Fernau
Staff Engineer
Date: 01/26/04

13 Point Drilling Plan:

1. Location: (SHL) 685' FSL & 2140' FEL, Sec. 5, T-24-S, R-26-E, Eddy County, New Mexico (**Form C-102**)
(BHL) 660' FSL & 1600' FWL, Sec. 5, T-24-S, R-26-E, Eddy County, New Mexico (**Form C-102**)
2. Elevation: 3507' GL
3. Geological Name of Surface Formation: Quaternary Rock
4. Type of Drilling Tools to be utilized: Rotary Tools

5. Proposed Drilling Depth: 12,500'6. Tops of Important Geological Markers:

Delaware	2,010'	Canyon	10,100'	Morrow	11,319'
Bone Springs Lime	5,480'	Strawn	10,440'	Morrow clastics	11,490'
1" BS Sand	6,095'	Atoka	10,910'	Lower Morrow	11,825'

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

Oil and water	- Delaware	2,010'
Gas	- Strawn	10,440'
Gas	- Morrow	11,319'

8. Casing Program:

• 13 3/8"	48#	H-40	@ 500'	* 510 sx, circulated to surface *
• 9 5/8"	40#	N-80	@ 3000' 2000'	2000 sx, circulated to surface
• 5 1/2"	17#	P-110	@ 12,500'	TOC to be determined

* Witness
13 3/8"

Cement
Job

The 13 3/8" and 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 #6)

This rig will have a 13 5/8" 5M BOP with pipe rams and blind rams, kill line, choke manifold, Koomey 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 to a depth of approx. 500'. Drill out from under surface casing with fresh water. Control lost circulation with paper and LCM pills. Drill out from under the intermediate casing and drill to 8700' with fresh water while maintaining a Ph of 10. Drill from 8,700' to 10,400' 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. Drill from 10,400' to TD with a cut brine system utilizing starch, SCD, and barite as needed for viscosity and weight.

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 17 ½" or 12 ¼" 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 3000' to TD.

13. Anticipated starting date & duration:

Plans are to begin drilling operations about March 15, 2004; approximately 40 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.

EXHIBIT #1

DISTRICT I

P.O. Box 1080, Hobbs, NM 88241-1080

DISTRICT II

P.O. Box 50, Artesia, NM 88211-0050

DISTRICT III

1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV

P.O. Box 2080, Santa Fe, N.M. 87504-2080

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Form C-102

Revised February 18, 1994

Submit to Appropriate District Office

State Loans - 4 Copies

Fee Loans - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name BIG APPLE FEDERAL	Well Number 1
OCRD No.	Operator Name NADEL & GUSSMAN	Elevation 3505'

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
7	5	24-S	26-E		685	SOUTH	2140	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
N	5	24-S	26-E		660	SOUTH	1600	WEST	EDDY

Dedicated Acres	Initial ~ to Well	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

LOT 4	LOT 3	LOT 2	LOT 1
GEODETIC COORDINATES NAD 27 NME BH. LOC. Y = 451339.4 N X = 504646.9 E			
SURFACE LOC. Y = 451435.9 N X = 506158.7 E LAT. 32°14'28.01"N LONG. 104°18'48.28"W			
38.55 AC. LOT 7		38.13 AC. LOT 8	
3506.9'		3484.4'	
1600'		2140'	
3515.1'		3496.6'	
38.40 AC.		37.86 AC.	

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Josh Fernau
Signature
Josh Fernau
Printed Name
Staff Engineer
Title
02/06/04
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.

JANUARY 20, 2004

Date Surveyed: 02/06/04
Signature: G. ELDSON
Professional Surveyor
NEW MEXICO
04.11.00426
Certificate No. GARY ELDSON 18841

EXHIBIT #1

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	White City, Morrow	Pool Name
Property Code	Property Name BIG APPLE FEDERAL			Well Number 1
OGRID No.	Operator Name NADEL & GUSSMAN			Elevation 3505'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
7	5	24-S	26-E		685	SOUTH	2140	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
7	5	24-S	26-E		660	SOUTH	1600	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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

LOT 4	LOT 3	LOT 2	LOT 1
GEODETIC COORDINATES NAD 27 NME Y = 451435.9 N X = 506158.7 E LAT. 32°14'28.01"N LONG. 104°18'48.29"W			
		LOT 6	LOT 5
		38.55 AC. LOT 7	38.13 AC. LOT 8
		3506.9' 600' 3484.4' 3515.1' 600' 3496.6' 685' 2140' 38.40 AC. 37.98 AC.	

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Josh Fernau
Signature
Josh Fernau

Printed Name
Staff Engineer

Title
01/26/04
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.

JANUARY 20, 2004

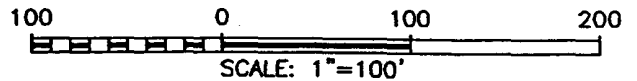
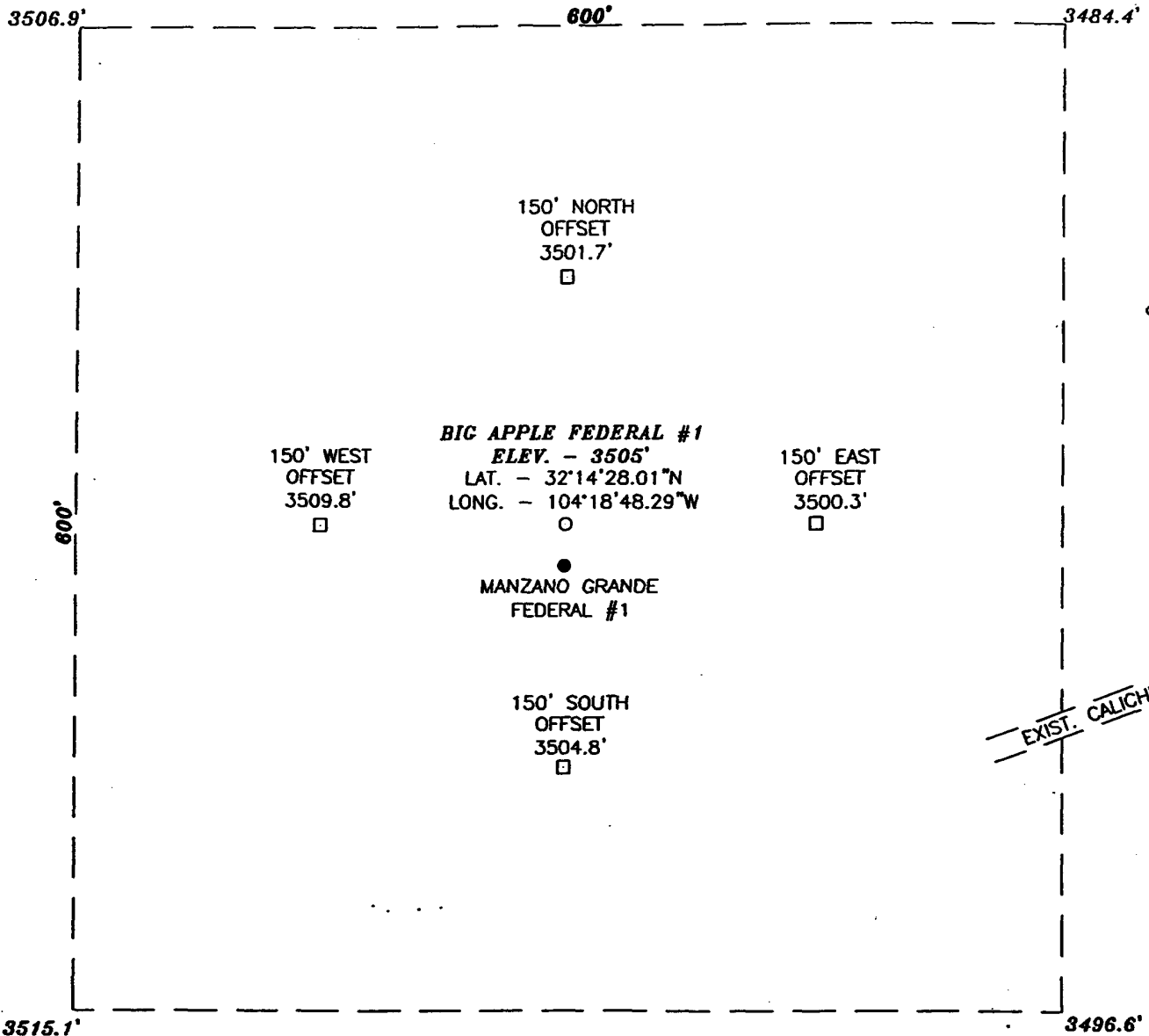
Date Surveyed L.A.

Signature & Seal of Professional Surveyor
Gary E. Eason 1/22/04
04.11.0042

Certificate No. GARY EASON 12641

EXHIBIT #2

SECTION 5, TOWNSHIP 24 SOUTH, RANGE 26 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

SOUTHBOUND ON U.S. HWY. #62-180 TURN RIGHT 400' PAST MILEPOST 22 ONTO CALICHE ROAD. TAKE A RIGHT AT THE FORK IN ROAD AND GO NORTHWEST 0.3 MILES TO A ROAD ON THE LEFT. TURN LEFT (SOUTHWEST) 0.3 MILES TO PAD AND LOCATION.

NADEL & GUSSMAN

THE BIG APPLE FEDERAL #1 LOCATED 685 FEET FROM THE SOUTH LINE AND 2140 FEET FROM THE EAST LINE SECTION 5, TOWNSHIP 24 SOUTH, RANGE 26 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

JOHN WEST SURVEYING COMPANY
412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

Survey Date: 1/20/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.0042	Drawn By: L.A.
Date: 1/21/04	DISK:CD#3
	04110042



SEC. 5 TWP. 24-S RGE. 26-E
SURVEY N.M.P.M.
COUNTY EDDY
DESCRIPTION 685' FSL & 2140' FEL
ELEVATION 3505'
OPERATOR NADEL & GUSSMAN
LEASE BIG APPLE FEDERAL

**JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117**

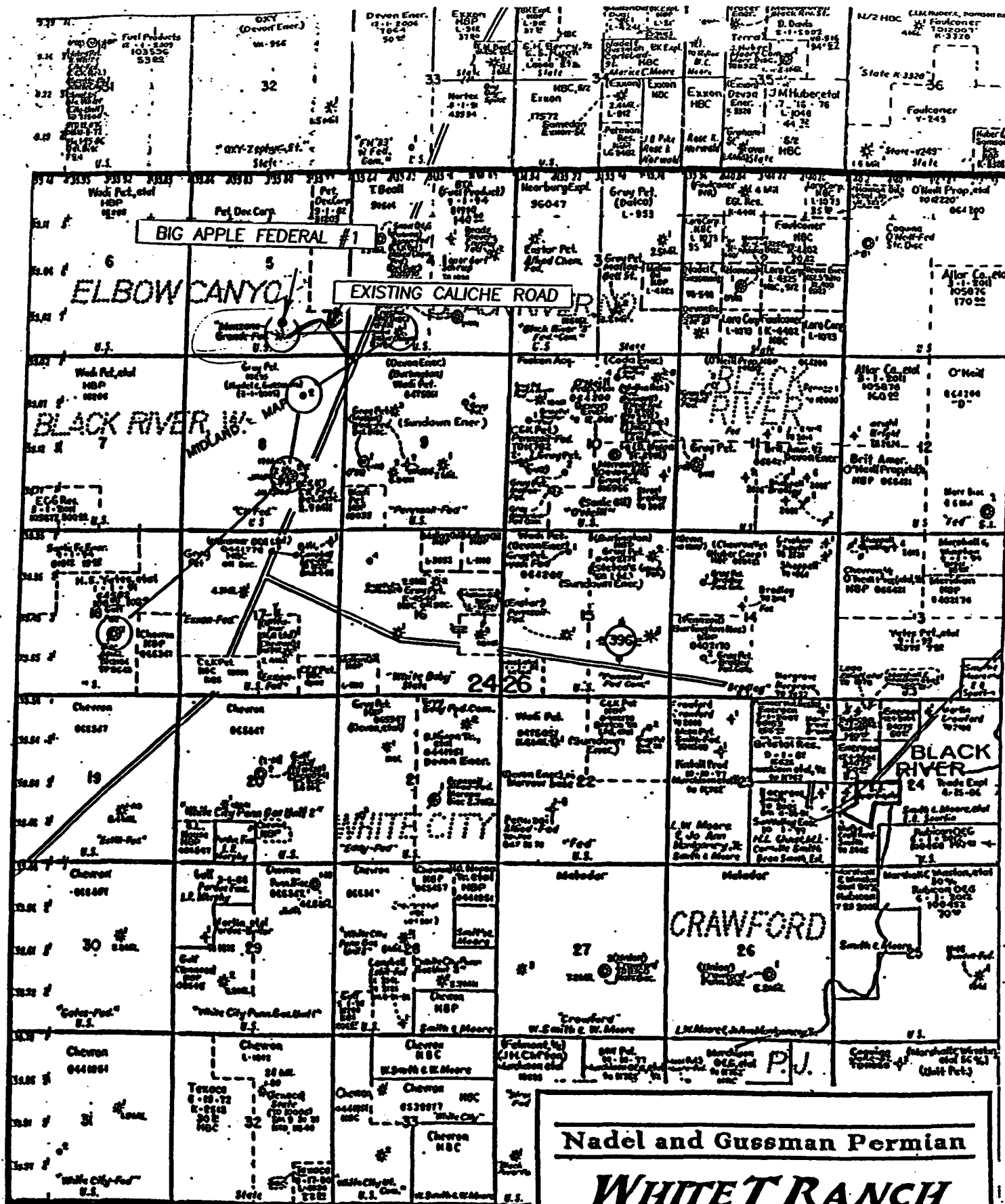


EXHIBIT #4

Nadel and Gussman Permian, L.L.C.
 Big Apple Federal No. 1
 (SHL) 2140' FEL & 685' FSL
 (BHL) 1600' FWL & 660 FSL
 Sec. 5 T24S-R26E
 Eddy County, NM
 JBF 01/21/04

Nadel and Gussman Permian

WHITE T RANCH

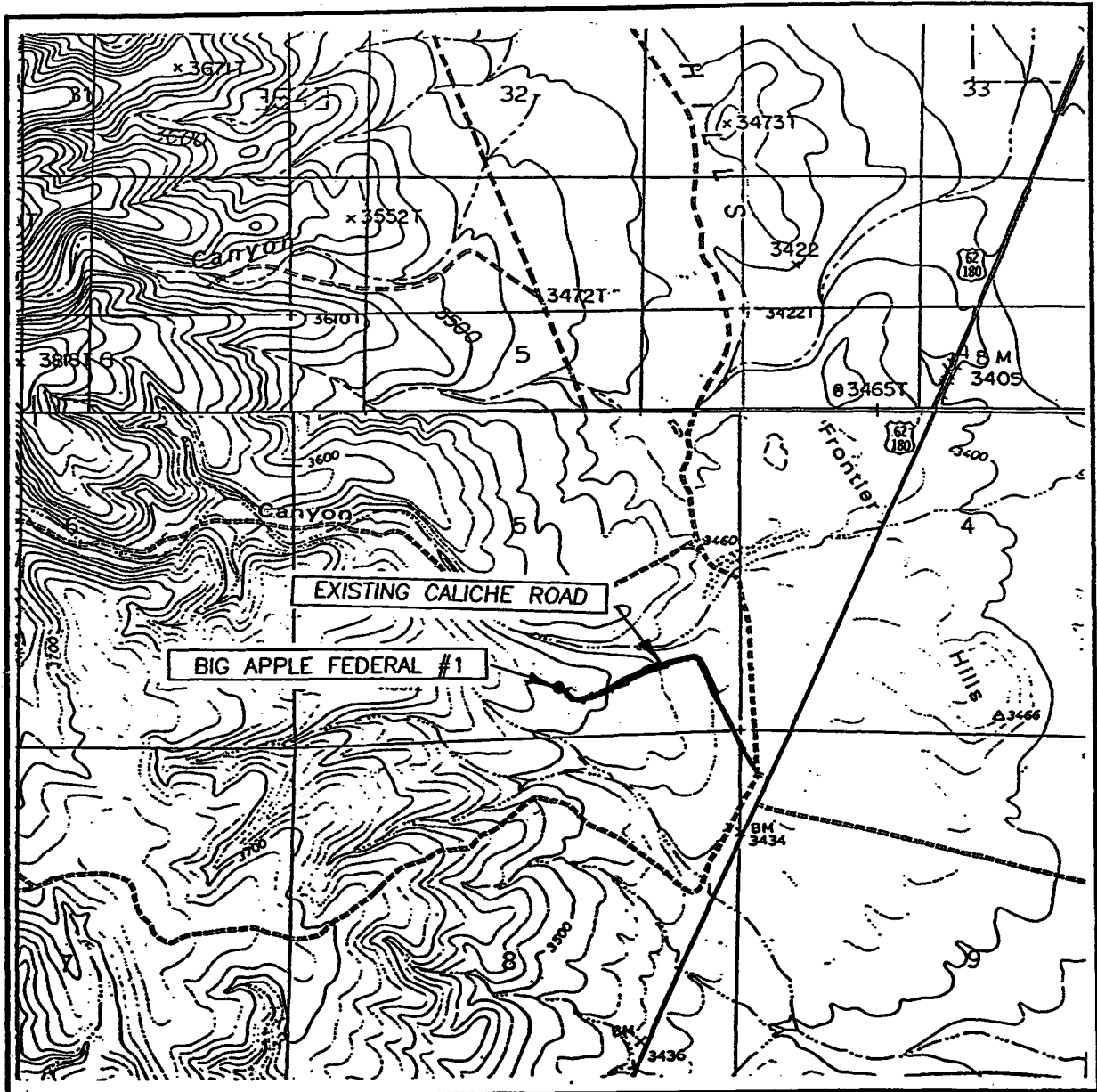
Sec 8, T24E-R26S
 Eddy County, New Mexico

29 AUGUST 2003

SH.G/J.D.R.B

LOCATION VERIFICATION MAP

EXHIBIT #5



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
BLACK RIVER VILLAGE, N.M.

SEC. 5 TWP. 24-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 685' FSL & 2140' FEL

ELEVATION 3505'

OPERATOR NADEL & GUSSMAN

LEASE BIG APPLE FEDERAL

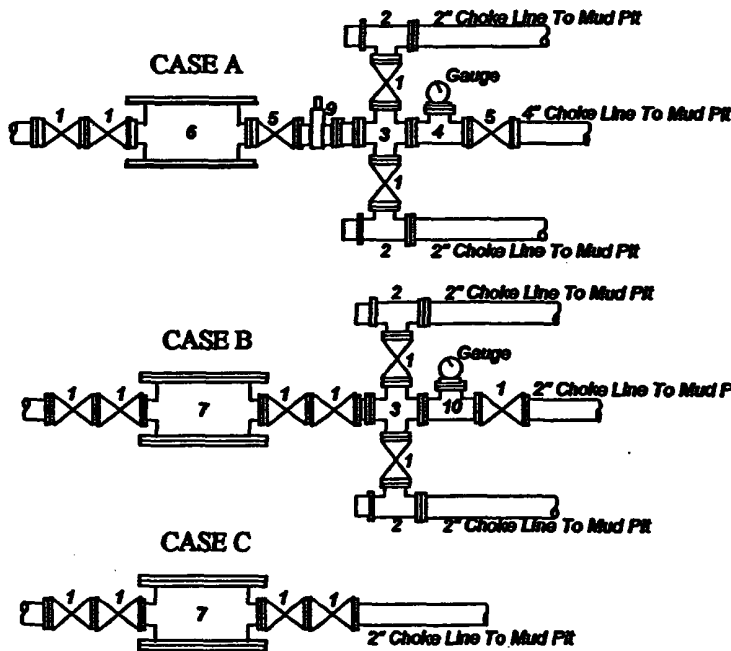
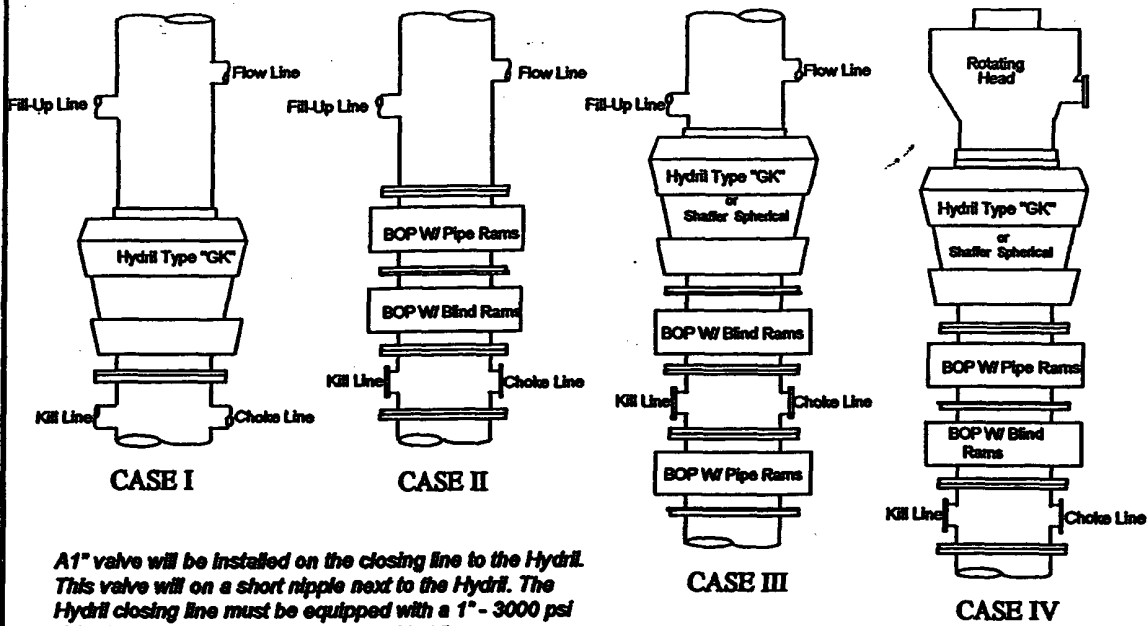
U.S.G.S. TOPOGRAPHIC MAP
BLACK RIVER VILLAGE, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

EXHIBIT #6

Nadel and Gussman Permain
Big Apple Federal No. 1

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
13 5/8"	III	5000	A

*Rotating head required

Bradenhead : _____
Mtr: _____
Size: _____ Type: _____

Legend

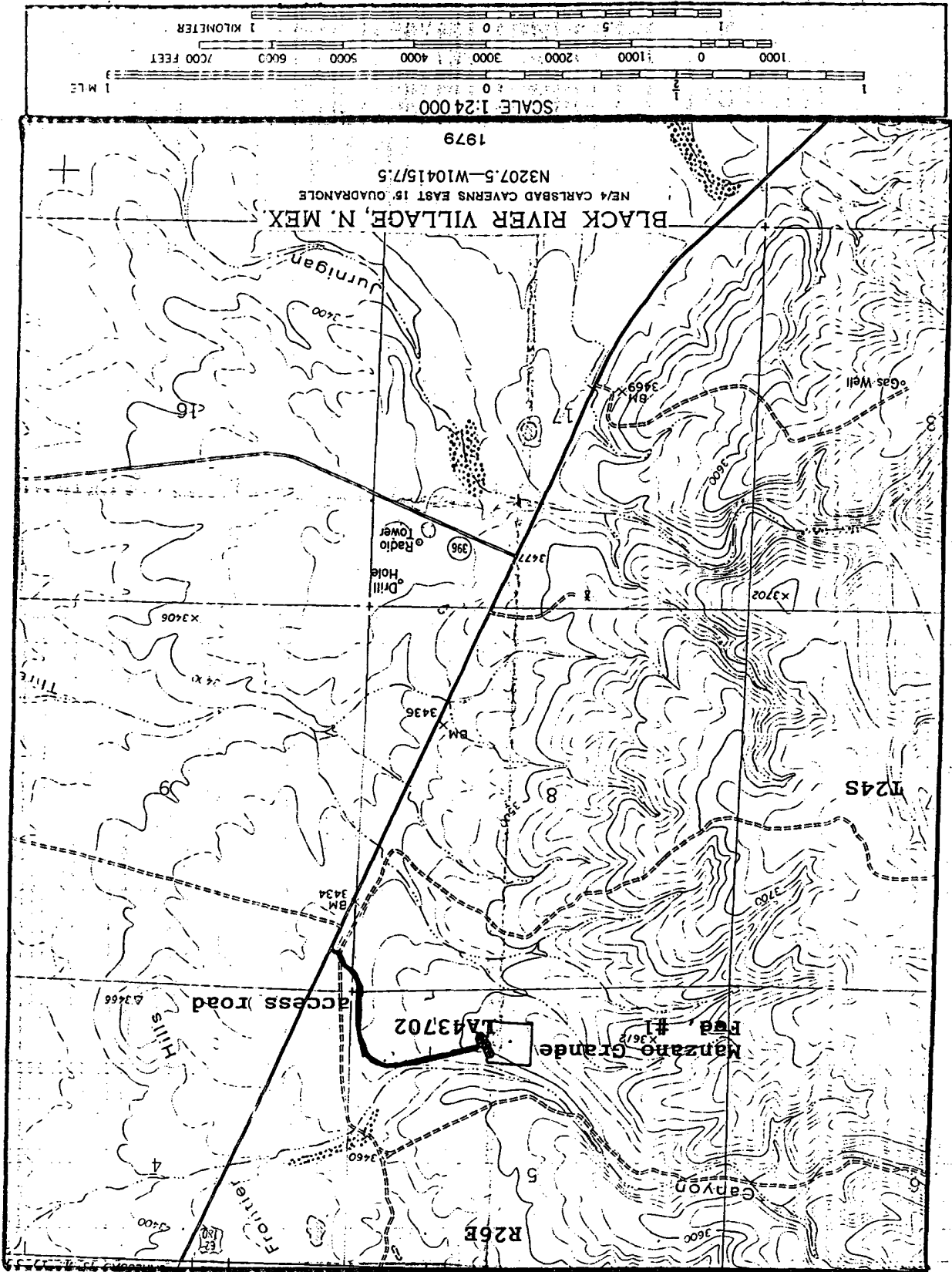
- 2" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.
- 2" flanged adjustable chokes, min. 1" full opening & equipped with hard trim.
- 4" x 2" flanged steel cross.
- 4" flanged steel tee.
- 4" flanged all steel valve (Type as in no. 1).
- Drilling Spool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

(10-31-00) WTXBOPS.PPT

FIGURE 1. MAP OF PROJECT





**Nadel and Gussman
New Mexico
Eddy, Co.
Sec. 05-T24S-R26E
Big Apple Fed #1 - Plan 01-19-04**

Revised: 22 January, 2004

Sperry-Sun

Proposal Report

22 January, 2004

Surface Coordinates: 451439.82 N, 516464.74 E (32° 14' 28.0100" N, 104° 16' 48.2900" W)
Grid Coordinate System: NAD27 New Mexico State Planes, Eastern Zone

Surface Coordinates relative to Global Coordinates: 0.00 N, 0.00 E (Grid)
Surface Coordinates relative to S E Corner of Sec. 5: 0.00 N, 0.00 E (True)
Kelly Bushing Elevation: 3507.00ft above Mean Sea Level
Kelly Bushing Elevation: 0.00ft above Ground Level

Proposal Ref: pro8

HALLIBURTON

**Proposal Report for Sec. 05-T24S-R26E - Big Apple Fed #1 - Plan
01-19-04****Revised: 22 January, 2004**

Measured Depth (ft)	Incl.	Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00	
100.00	0.000	0.000	100.00	0.00 N	0.00 E	0.00	0.000
200.00	0.000	0.000	200.00	0.00 N	0.00 E	0.00	0.000
300.00	0.000	0.000	300.00	0.00 N	0.00 E	0.00	0.000
400.00	0.000	0.000	400.00	0.00 N	0.00 E	0.00	0.000
500.00	0.000	0.000	500.00	0.00 N	0.00 E	0.00	0.000
600.00	0.000	0.000	600.00	0.00 N	0.00 E	0.00	0.000
700.00	0.000	0.000	700.00	0.00 N	0.00 E	0.00	0.000
800.00	0.000	0.000	800.00	0.00 N	0.00 E	0.00	0.000
900.00	0.000	0.000	900.00	0.00 N	0.00 E	0.00	0.000
1000.00	0.000	0.000	1000.00	0.00 N	0.00 E	0.00	0.000
1100.00	0.000	0.000	1100.00	0.00 N	0.00 E	0.00	0.000
1200.00	0.000	0.000	1200.00	0.00 N	0.00 E	0.00	0.000
1300.00	0.000	0.000	1300.00	0.00 N	0.00 E	0.00	0.000
1400.00	0.000	0.000	1400.00	0.00 N	0.00 E	0.00	0.000
1500.00	0.000	0.000	1500.00	0.00 N	0.00 E	0.00	0.000
1600.00	0.000	0.000	1600.00	0.00 N	0.00 E	0.00	0.000
1700.00	0.000	0.000	1700.00	0.00 N	0.00 E	0.00	0.000
1800.00	0.000	0.000	1800.00	0.00 N	0.00 E	0.00	0.000
1900.00	0.000	0.000	1900.00	0.00 N	0.00 E	0.00	0.000
2000.00	0.000	0.000	2000.00	0.00 N	0.00 E	0.00	0.000
2100.00	0.000	0.000	2100.00	0.00 N	0.00 E	0.00	0.000
2200.00	0.000	0.000	2200.00	0.00 N	0.00 E	0.00	0.000
2300.00	0.000	0.000	2300.00	0.00 N	0.00 E	0.00	0.000
2400.00	0.000	0.000	2400.00	0.00 N	0.00 E	0.00	0.000
2500.00	0.000	0.000	2500.00	0.00 N	0.00 E	0.00	0.000
2600.00	0.000	0.000	2600.00	0.00 N	0.00 E	0.00	0.000
2700.00	0.000	0.000	2700.00	0.00 N	0.00 E	0.00	0.000
2800.00	0.000	0.000	2800.00	0.00 N	0.00 E	0.00	0.000
2900.00	0.000	0.000	2900.00	0.00 N	0.00 E	0.00	0.000
3000.00	0.000	0.000	3000.00	0.00 N	0.00 E	0.00	0.000
3100.00	0.000	0.000	3100.00	0.00 N	0.00 E	0.00	0.000
3200.00	0.000	0.000	3200.00	0.00 N	0.00 E	0.00	0.000
3300.00	0.000	0.000	3300.00	0.00 N	0.00 E	0.00	0.000
3400.00	0.000	0.000	3400.00	0.00 N	0.00 E	0.00	0.000
3500.00	0.000	0.000	3500.00	0.00 N	0.00 E	0.00	0.000
3600.00	0.000	0.000	3600.00	0.00 N	0.00 E	0.00	0.000
3700.00	0.000	0.000	3700.00	0.00 N	0.00 E	0.00	0.000
3800.00	0.000	0.000	3800.00	0.00 N	0.00 E	0.00	0.000
3900.00	0.000	0.000	3900.00	0.00 N	0.00 E	0.00	0.000

**Proposal Report for Sec. 05-T24S-R26E - Big Apple Fed #1 - Plan
01-19-04****Revised: 22 January, 2004**

Measured Depth (ft)	Incl.	Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
4000.00	0.000	0.000	4000.00	0.00 N	0.00 E	0.00	0.000
4100.00	0.000	0.000	4100.00	0.00 N	0.00 E	0.00	0.000
4200.00	0.000	0.000	4200.00	0.00 N	0.00 E	0.00	0.000
4300.00	0.000	0.000	4300.00	0.00 N	0.00 E	0.00	0.000
4400.00	0.000	0.000	4400.00	0.00 N	0.00 E	0.00	0.000
4500.00	0.000	0.000	4500.00	0.00 N	0.00 E	0.00	0.000
4600.00	0.000	0.000	4600.00	0.00 N	0.00 E	0.00	0.000
4700.00	0.000	0.000	4700.00	0.00 N	0.00 E	0.00	0.000
4800.00	0.000	0.000	4800.00	0.00 N	0.00 E	0.00	0.000
4900.00	0.000	0.000	4900.00	0.00 N	0.00 E	0.00	0.000
5000.00	0.000	0.000	5000.00	0.00 N	0.00 E	0.00	0.000
5100.00	0.000	0.000	5100.00	0.00 N	0.00 E	0.00	0.000
5200.00	0.000	0.000	5200.00	0.00 N	0.00 E	0.00	0.000
5300.00	0.000	0.000	5300.00	0.00 N	0.00 E	0.00	0.000
5400.00	0.000	0.000	5400.00	0.00 N	0.00 E	0.00	0.000
5500.00	0.000	0.000	5500.00	0.00 N	0.00 E	0.00	0.000
5600.00	1.500	269.070	5599.99	0.02 S	1.31 W	1.31	1.500
5700.00	3.000	269.070	5699.91	0.08 S	5.23 W	5.23	1.500
5800.00	4.500	269.070	5799.69	0.19 S	11.77 W	11.77	1.500
5900.00	6.000	269.070	5899.27	0.34 S	20.92 W	20.92	1.500
6000.00	7.500	269.070	5998.57	0.53 S	32.67 W	32.68	1.500
6100.00	9.000	269.070	6097.54	0.76 S	47.02 W	47.03	1.500
6200.00	10.500	269.070	6196.09	1.04 S	63.95 W	63.96	1.500
6300.00	12.000	269.070	6294.16	1.35 S	83.46 W	83.47	1.500
6400.00	13.500	269.070	6391.70	1.71 S	105.53 W	105.54	1.500
6500.00	15.000	269.070	6488.62	2.11 S	130.14 W	130.15	1.500
6600.00	16.500	269.070	6584.86	2.55 S	157.28 W	157.30	1.500
6700.00	18.000	269.070	6680.36	3.03 S	186.93 W	186.95	1.500
6800.00	19.500	269.070	6775.05	3.56 S	219.06 W	219.09	1.500
6900.00	21.000	269.070	6868.86	4.12 S	253.67 W	253.70	1.500
7000.00	22.500	269.070	6961.74	4.72 S	290.72 W	290.76	1.500
7100.00	24.000	269.070	7053.62	5.36 S	330.19 W	330.23	1.500
7200.00	25.500	269.070	7144.43	6.04 S	372.05 W	372.10	1.500
7254.48	26.317	269.070	7193.44	6.43 S	395.85 W	395.90	1.500
7300.00	26.317	269.070	7234.24	6.75 S	416.03 W	416.08	0.000
7400.00	26.317	269.070	7323.87	7.47 S	460.36 W	460.42	0.000
7500.00	26.317	269.070	7413.51	8.19 S	504.68 W	504.75	0.000
7600.00	26.317	269.070	7503.14	8.91 S	549.01 W	549.08	0.000
7700.00	26.317	269.070	7592.78	9.63 S	593.34 W	593.42	0.000
7800.00	26.317	269.070	7682.41	10.35 S	637.67 W	637.75	0.000

Proposal Report for Sec. 05-T24S-R26E - Big Apple Fed #1 - Plan 01-19-04

Revised: 22 January, 2004

Measured Depth (ft)	Incl.	Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
7900.00	26.317	269.070	7772.05	11.07 S	682.00 W	682.09	0.000
8000.00	26.317	269.070	7861.68	11.79 S	726.32 W	726.42	0.000
8100.00	26.317	269.070	7951.32	12.51 S	770.65 W	770.75	0.000
8200.00	26.317	269.070	8040.96	13.23 S	814.98 W	815.09	0.000
8300.00	26.317	269.070	8130.59	13.95 S	859.31 W	859.42	0.000
8400.00	26.317	269.070	8220.23	14.67 S	903.64 W	903.76	0.000
8500.00	26.317	269.070	8309.86	15.39 S	947.97 W	948.09	0.000
8600.00	26.317	269.070	8399.50	16.11 S	992.29 W	992.42	0.000
8700.00	26.317	269.070	8489.13	16.83 S	1036.62 W	1036.76	0.000
8800.00	26.317	269.070	8578.77	17.55 S	1080.95 W	1081.09	0.000
8900.00	26.317	269.070	8668.40	18.27 S	1125.28 W	1125.43	0.000
8942.57	26.317	269.070	8706.56	18.57 S	1144.15 W	1144.30	0.000
9000.00	25.456	269.070	8758.23	18.98 S	1169.22 W	1169.37	1.500
9100.00	23.956	269.070	8849.07	19.66 S	1211.01 W	1211.17	1.500
9200.00	22.456	269.070	8940.98	20.30 S	1250.41 W	1250.57	1.500
9300.00	20.956	269.070	9033.88	20.90 S	1287.38 W	1287.55	1.500
9400.00	19.456	269.070	9127.73	21.46 S	1321.92 W	1322.09	1.500
9500.00	17.956	269.070	9222.44	21.98 S	1353.98 W	1354.16	1.500
9600.00	16.456	269.070	9317.97	22.46 S	1383.56 W	1383.74	1.500
9700.00	14.956	269.070	9414.23	22.90 S	1410.62 W	1410.81	1.500
9800.00	13.456	269.070	9511.17	23.30 S	1435.16 W	1435.35	1.500
9900.00	11.956	269.070	9608.72	23.66 S	1457.15 W	1457.34	1.500
10000.00	10.456	269.070	9706.81	23.97 S	1476.58 W	1476.78	1.500
10100.00	8.956	269.070	9805.37	24.24 S	1493.44 W	1493.64	1.500
10200.00	7.456	269.070	9904.35	24.48 S	1507.71 W	1507.91	1.500
10300.00	5.956	269.070	10003.66	24.67 S	1519.38 W	1519.58	1.500
10400.00	4.456	269.070	10103.24	24.81 S	1528.46 W	1528.66	1.500
10500.00	2.956	269.070	10203.03	24.92 S	1534.92 W	1535.12	1.500
10600.00	1.456	269.070	10302.96	24.98 S	1538.77 W	1538.97	1.500
10697.06	0.000	0.000	10400.00	25.00 S	1540.00 W	1540.20	1.500
10700.00	0.000	0.000	10402.94	25.00 S	1540.00 W	1540.20	0.000
10800.00	0.000	0.000	10502.94	25.00 S	1540.00 W	1540.20	0.000
10900.00	0.000	0.000	10602.94	25.00 S	1540.00 W	1540.20	0.000
11000.00	0.000	0.000	10702.94	25.00 S	1540.00 W	1540.20	0.000
11100.00	0.000	0.000	10802.94	25.00 S	1540.00 W	1540.20	0.000
11200.00	0.000	0.000	10902.94	25.00 S	1540.00 W	1540.20	0.000
11300.00	0.000	0.000	11002.94	25.00 S	1540.00 W	1540.20	0.000
11400.00	0.000	0.000	11102.94	25.00 S	1540.00 W	1540.20	0.000
11500.00	0.000	0.000	11202.94	25.00 S	1540.00 W	1540.20	0.000
11600.00	0.000	0.000	11302.94	25.00 S	1540.00 W	1540.20	0.000

**Proposal Report for Sec. 05-T24S-R26E - Big Apple Fed #1 - Plan
01-19-04****Revised: 22 January, 2004**

Measured Depth (ft)	Incl.	Azim.	Vertical Depth (ft)	Northings (ft)	Eastings (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)
11700.00	0.000	0.000	11402.94	25.00 S	1540.00 W	1540.20	0.000
11800.00	0.000	0.000	11502.94	25.00 S	1540.00 W	1540.20	0.000
11900.00	0.000	0.000	11602.94	25.00 S	1540.00 W	1540.20	0.000
11925.00	0.000	0.000	11627.94	25.00 S	1540.00 W	1540.20	0.000

All data is in Feet (US Survey) unless otherwise stated. Directions and coordinates are relative to True North.
Vertical depths are relative to RKB. Northings and Eastings are relative to Wellhead.

The Dogleg Severity is in Degrees per 100 feet (US Survey).
Vertical Section is from Wellhead and calculated along an Azimuth of 269.070° (True).

Based upon Minimum Curvature type calculations, at a Measured Depth of 11925.00ft.,
The Bottom Hole Displacement is 1540.20ft., in the Direction of 269.070° (True).

Comments

Measured Depth (ft)	Station Coordinates			Comment
	TVD (ft)	Northings (ft)	Eastings (ft)	
5500.00	5500.00	0.00 N	0.00 E	Kick-Off at 5500.00ft
7254.48	7193.44	6.43 S	395.85 W	End of Build at 7254.48ft
8942.57	8706.56	18.57 S	1144.15 W	Drop to Vertical at 8942.57ft
10697.06	10400.00	25.00 S	1540.00 W	End of Drop at 10697.06ft
11925.00	11627.94	25.00 S	1540.00 W	Total Depth at 11925.00ft

North Reference Sheet for Sec. 05-T24S-R26E - Big Apple Fed #1

Coordinate System is NAD27 New Mexico State Planes, Eastern Zone, US Foot
Source: Snyder, J.P., 1987, Map Projections - A Working Manual

Datum is North American Datum of 1927 (US48, AK, HI, and Canada)

Spheroid is Clarke - 1866

Equatorial Radius: 6,378,206.400m., Polar Radius: 6,356,583.800m., Inverse Flattening: 294.97869821388m.

Projection method is Transverse Mercator or Gauss Kruger Projection

Central Meridian is -104.333°, Longitude Origin: 0.000°, Latitude Origin: 31.000°

False Easting: 500,000.000ft., False Northing: 0.000ft., Scale Reduction: 0.99990909

Datum is North American Datum of 1927 (US48, AK, HI, and Canada)

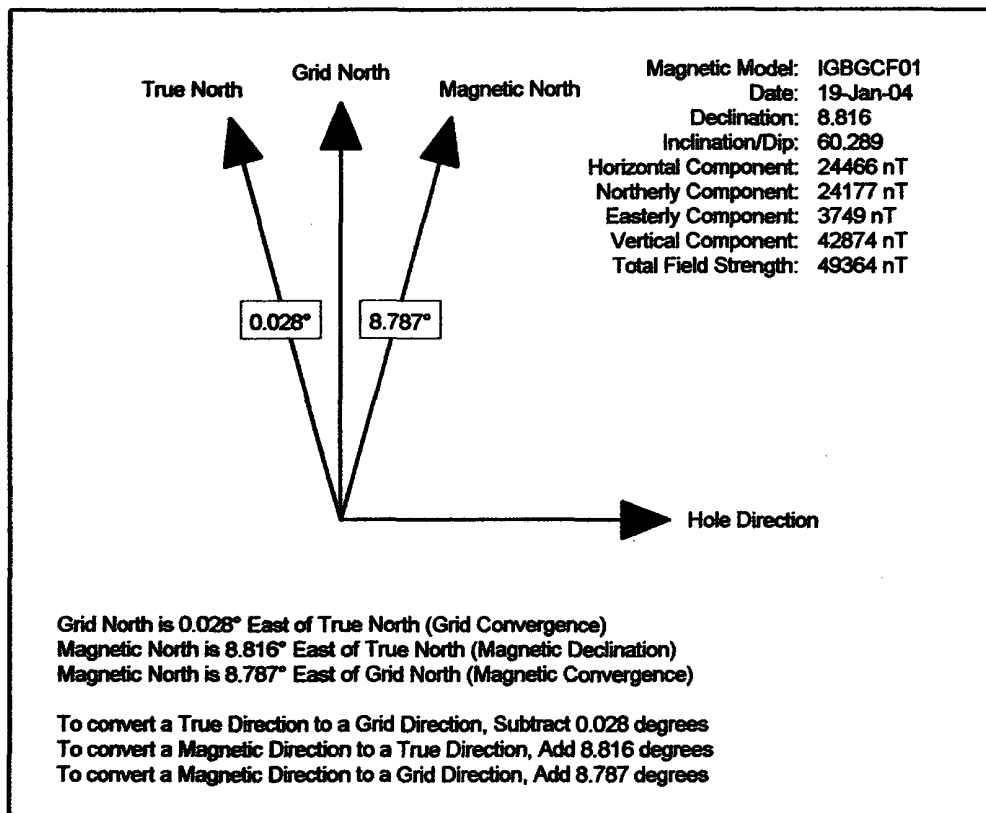
Spheroid is Clarke - 1866, Equatorial Radius: 6,378,206.400m., Polar Radius: 6,356,583.800m.

Grid Coordinates of Well: 451439.82 N, 516464.74 E

Geographical Coordinates of Well: 32° 14' 28.0100" N, 104° 16' 48.2900" W

Surface Elevation of Well: 3507.00ft

Grid Convergence at Surface is 0.028°, Magnetic Declination at Surface is 8.816° (19 January, 2004)



New Mexico
Eddy, Co.
Sec. 05-T24S-R26E
Jig Apple Fed #1
Plan 01-19-04

Northings

Eastings



Strawn
Point Target
10400.00 TVD, 25.00 S, 1540.00 W

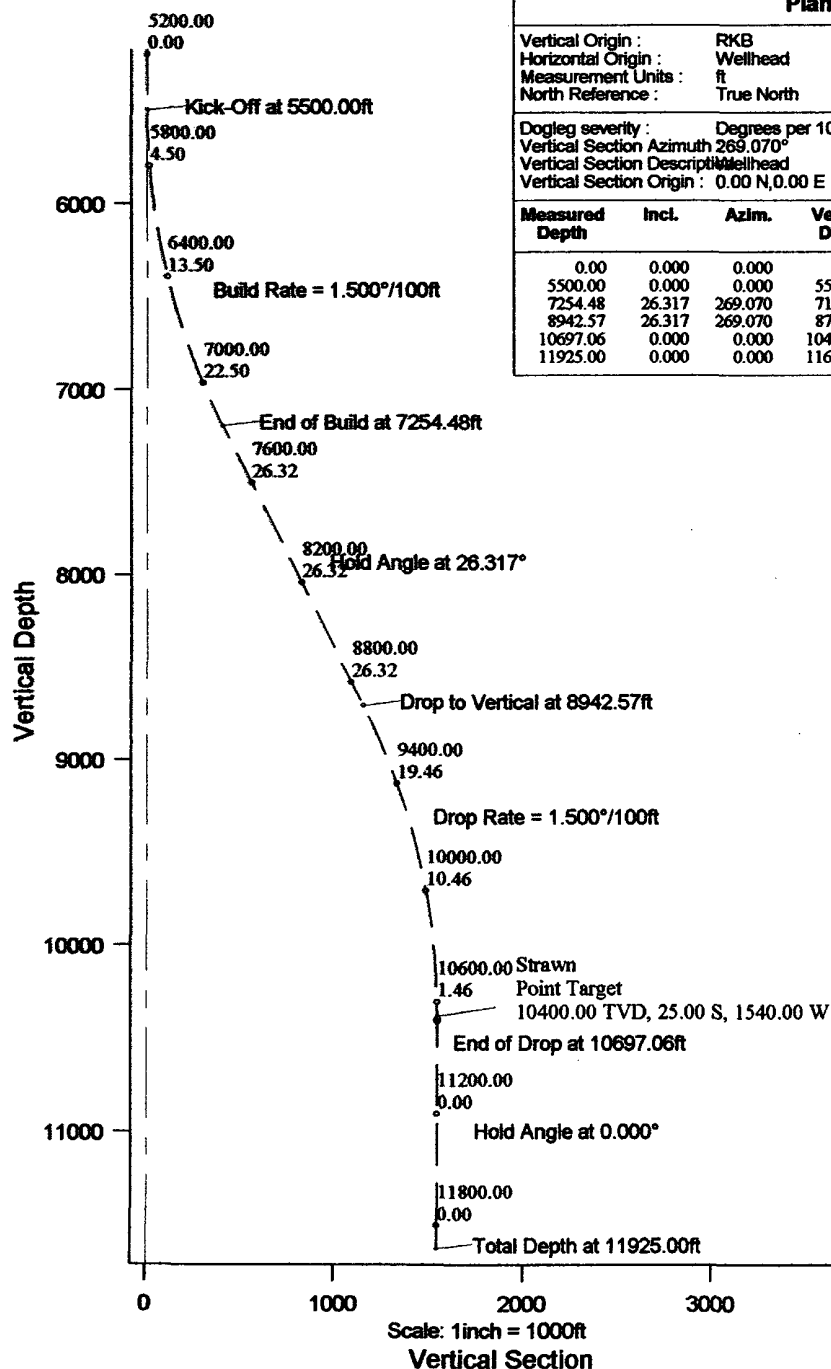
Scale: 1 inch = 500ft

Plan 01-19-04 Proposal Data

Vertical Origin : RKB
Horizontal Origin : Wellhead
Measurement Units : ft
North Reference : True North

Dogleg severity : Degrees per 100 feet (US Survey)
Vertical Section Azimuth 269.070°
Vertical Section Description Wellhead
Vertical Section Origin : 0.00 N, 0.00 E

Measured Depth	Incl.	Azlm.	Vertical Depth	Northings	Eastings	Vertical Section	Dogleg Rate
0.00	0.000	0.000	0.00	0.00 N	0.00 E	0.00	
5500.00	0.000	0.000	5500.00	0.00 N	0.00 E	0.00	0.000
7254.48	26.317	269.070	7193.44	6.43 S	395.85 W	395.90	1.500
8942.57	26.317	269.070	8706.56	18.57 S	1144.15 W	1144.30	0.000
10697.06	0.000	0.000	10400.00	25.00 S	1540.00 W	1540.20	1.500
11925.00	0.000	0.000	11627.94	25.00 S	1540.00 W	1540.20	0.000



Section Azimuth: 269.070° (True North)

Prepared by:
AdminDate/Time:
22 January, 2004 - 13:12

Checked:

Approved:

**Big Apple Federal #1
(SHL) 685' FSL & 2140' FEL
(BHL) 660' FSL & 1600' FWL
Sec. 5, T24S-R26E
Eddy County, NM**

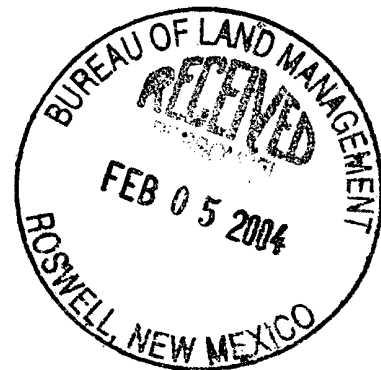
RECEIVED
JAN 28 2004
OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL
BUREAU OF LAND MANAGEMENT

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite #508
Midland, TX 79701
Office: (432) 682-4429
Fax: (432) 682-4325

01/26/04



NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (432) 682-4429

Fax: (432) 682-4325

January 26, 2004

RECEIVED

JAN 28 2004

OCD-ARTESIA

Bureau of Land Management
Lands & Minerals
2909 W. Second St.
Roswell, NM 88201
Attn: Ms. Linda Askwig

Dear Ms. Askwig,

Nadel and Gussman Permian, as operator, requests permission to directionally drill the Big Apple Federal #1, (SHL) 685' FSL & 2140' FEL, (BHL) 660' FSL & 1600' FWL, Sec.5, T24S-R26E, Eddy Co., NM. We plan to use the existing Manzano Grande Federal #1 Production pad for our surface location. The following items are attached:

1. Form 3160-3
2. Lease Responsibility Statement
3. 13 Point Surface Use and Operation Plan
4. 13 Point Drilling Plan
5. Hydrogen Sulfide Drilling Operations Plan
6. Lease and Topographical Maps
7. BOP and Choke Diagrams
8. A Cultural Resource Survey of the Manzano Grande Federal No.1
9. Sperry-Sun Proposal

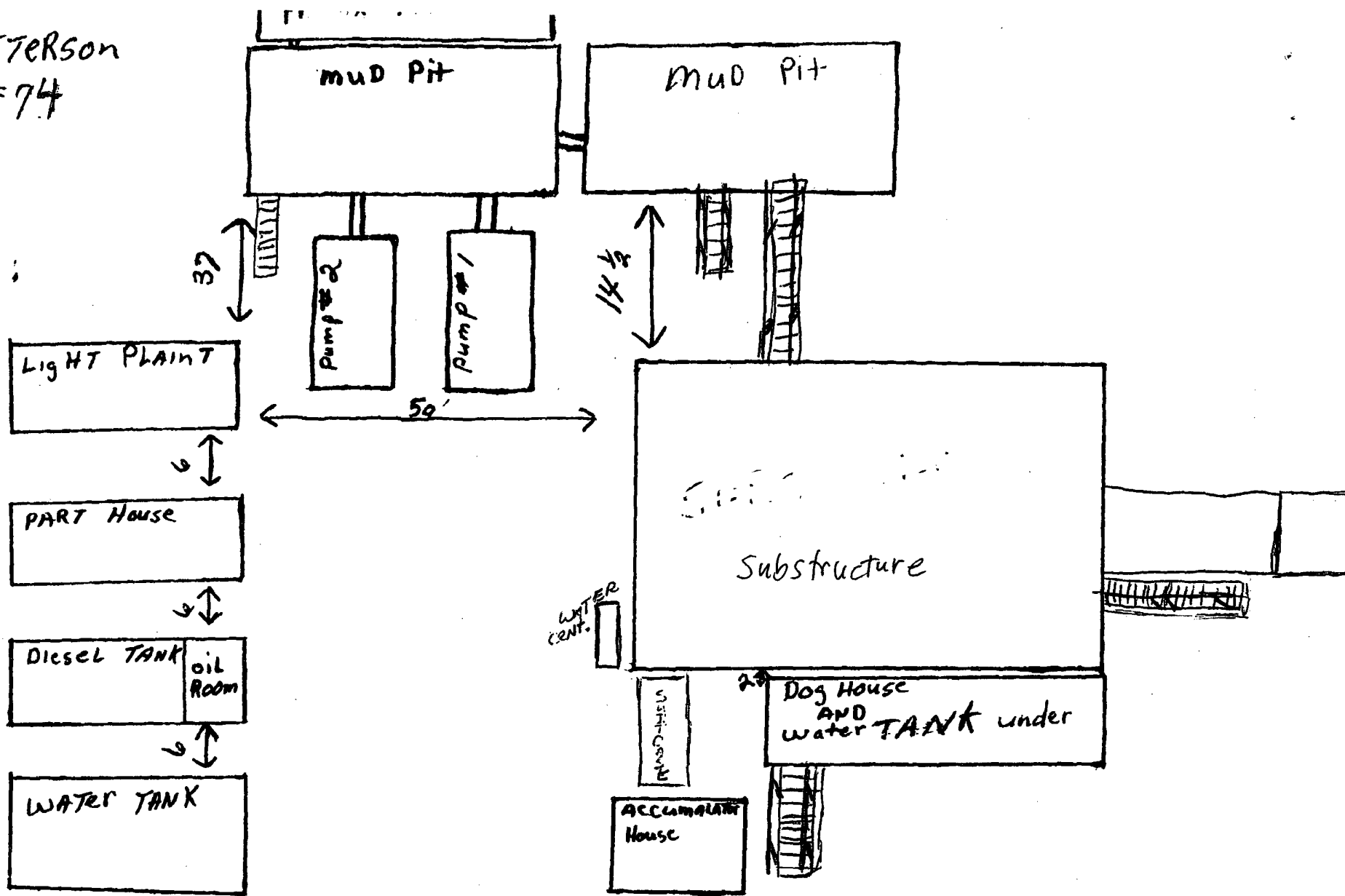
There are archeological issues at this site that have been handled. If you have any questions, contact Gordon Barker or Josh Fernau at the letterhead telephone number.

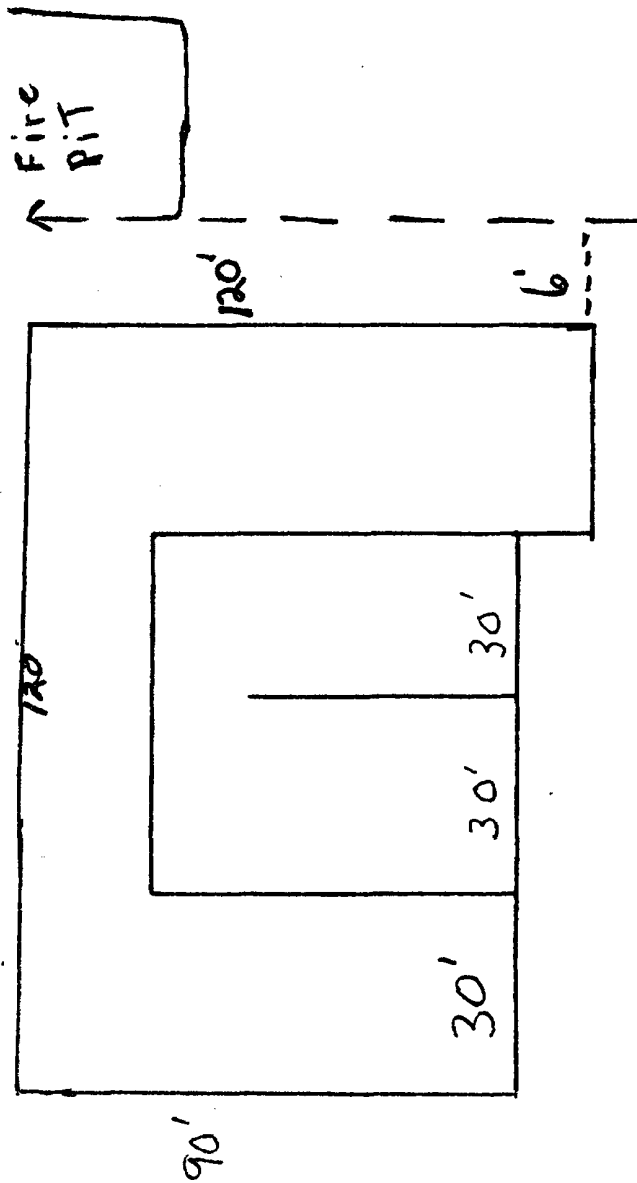
Sincerely,



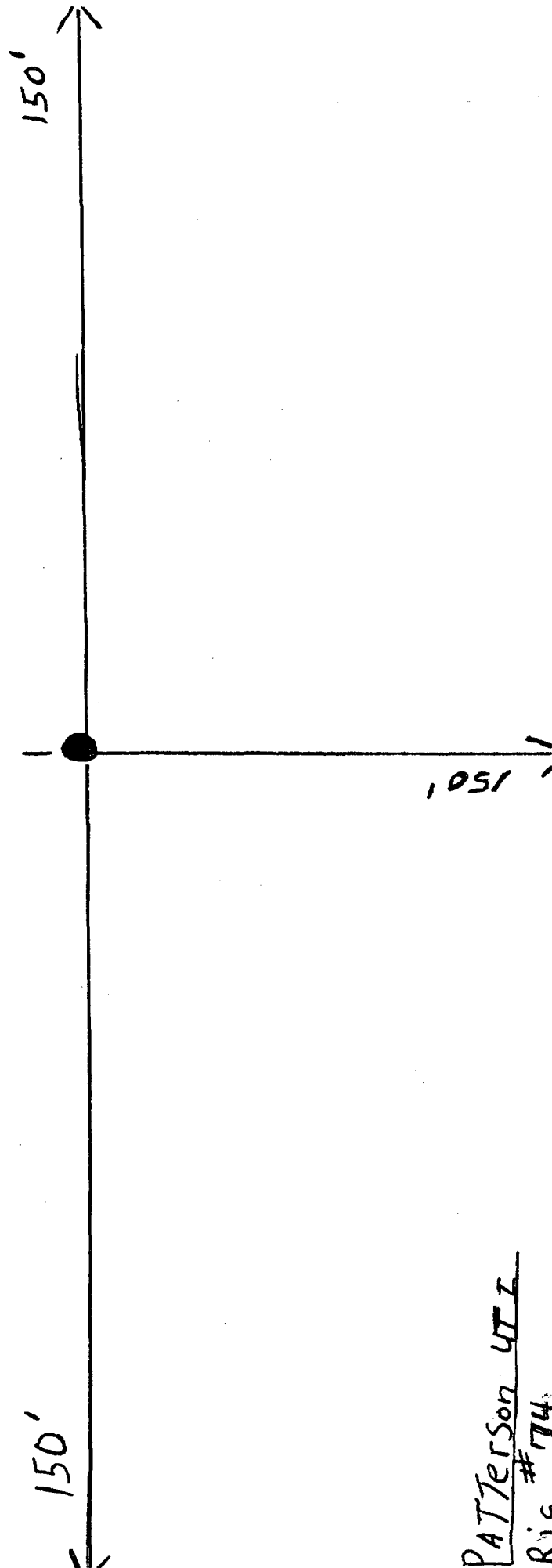
Josh Fernau
Staff Engineer

PATTERSON
Rig #74





142'



PATTERSON UTI
Rice # 174