

NADEL AND GUSSMAN HEYCO, LLC
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Roswell, New Mexico 88202-1936
(575) 623-6601 – Fax (575) 627-2427

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2012 MAR -6 P 12: 46

February 29, 2012

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

Attention: Deputy Minerals Manager for Oil and Gas

Re: Young Deep Unit
Contract #14-08-0001-18042
T-18S, R-32E, N.M.P.M.
Lea County, New Mexico
2012 Plan of Development
and Operation

Ladies & Gentlemen:

Nadel and Gussman HEYCO, LLC (NGH) as Unit Operator, submits its 2012 Plan of Development and Operation (in triplicate) as prescribed by Section 10 of the Young Deep Unit Agreement. This plan covers the Bone Spring, Delaware, Wolfcamp and Morrow Formations and Participating Areas within the Young Deep Unit.

In this regard, we are enclosing a current unit map showing all existing wells, roads and flowlines, and maps showing the current participating area boundaries. **Confidential** maps showing geologic data pertinent to the producing formations are also enclosed. A complete well listing showing the status of all wells thru 2011 is also included. NGH has also submitted the correct documentation and is currently waiting on approval for a power line to be constructed from the YDU #5 well to the YDU #39 well to electrify the pumpjack on the YDU #39.

Nearly all of the Young Deep Unit wells produce from the Bone Spring Fm. in the Young, North Pool. Exceptions are the three water injection wells (YDU #5, YDU 3 Fed. #1 and YDU #16 (currently inactive)) utilized for Bone Spring Carbonate pressure maintenance, two wells producing from the Delaware Mountain Group (YDU #28 and #34), one current Wolfcamp producer (YDU #1). The following unit wells have been permanently plugged: YDU #3 (12/4/1984), YDU #19 (6/16/1986), YDU #35 (6/12/1992), YDU 3 Fed. #3 in (8/6/1993), YDU #27 (12/15/1993), YDU 4 Fed. #1 (8/8/1996), and the YDU #2 (8/17/2005). NGH has also plugged and abandoned the YDU #4 well as well as the YDU 3 #4 well, as previously discussed in the plan development submitted for the year 2011. See the enclosed status list of Unit wells.

NGH is currently evaluating recent technological advances in stimulation and horizontal drilling and is establishing a new internal economic guideline for successful economic well completions utilizing such technology. The tight Bone Spring Sands in the northern Delaware Basin of Southeast New Mexico, which produce in the Unit, have seen aggressive industry activity in the last 2 years, driven by horizontal drilling and fracture stimulation advances. NGH is hesitant to proceed quickly with horizontal drilling plans because of the results from the re-entry of the plugged YDU #14 in 2005. This horizontal lateral (the #14H) in the Bone Spring 2nd Sand (see attached Unit Type Log) was drilled as a slim hole out of the existing 5 1/2" casing. A thorough review of the drilling and completion operations and production data has determined that drilling new laterals in old wells is unsuitable for infill development of the Young Deep Unit because of mechanical and pressure limitations, therefore, NGH will not be re-entering additional YDU wells for the drilling of slimhole horizontal laterals in 2012. NGH has, however, internally proposed a horizontal test in the S/2S/2 of Section 10 for a late 2012 or 2013 drilling program. Devon has drilled a horizontal 2nd Bone Spring Sand offset location to the Unit in the N/2N/2 of Section 15, T18S-R32E. A successful economic completion in this test would compel NGH to drill the YDU #40H sooner to minimize possible competitive drainage.

In January, 2012, NGH successfully completed a workover of the YDU #39 well into the Bone Spring 2nd Sand, and it is currently producing from that zone. Originally completed in 2007 as a 12,500' Morrow producer in the SE/4 of Section 10, T18S-R32E, this workover supports the proposed horizontal well. Additionally, in 2012 NGH will continue to evaluate the Young Deep Unit #14, #16, #33 wells, which are currently inactive, for possible workovers or ultimate plugging.

Based on the information submitted herewith, NGH respectfully requests the Bureau of Land Management approve this 2012 Plan of Development and Operation. We will be glad to supply further information if such is required.

Respectfully submitted,



Colby Booth, Landman
Nadel and Gussman HEYCO, LLC

CSB/GKY/vr
Enclosures

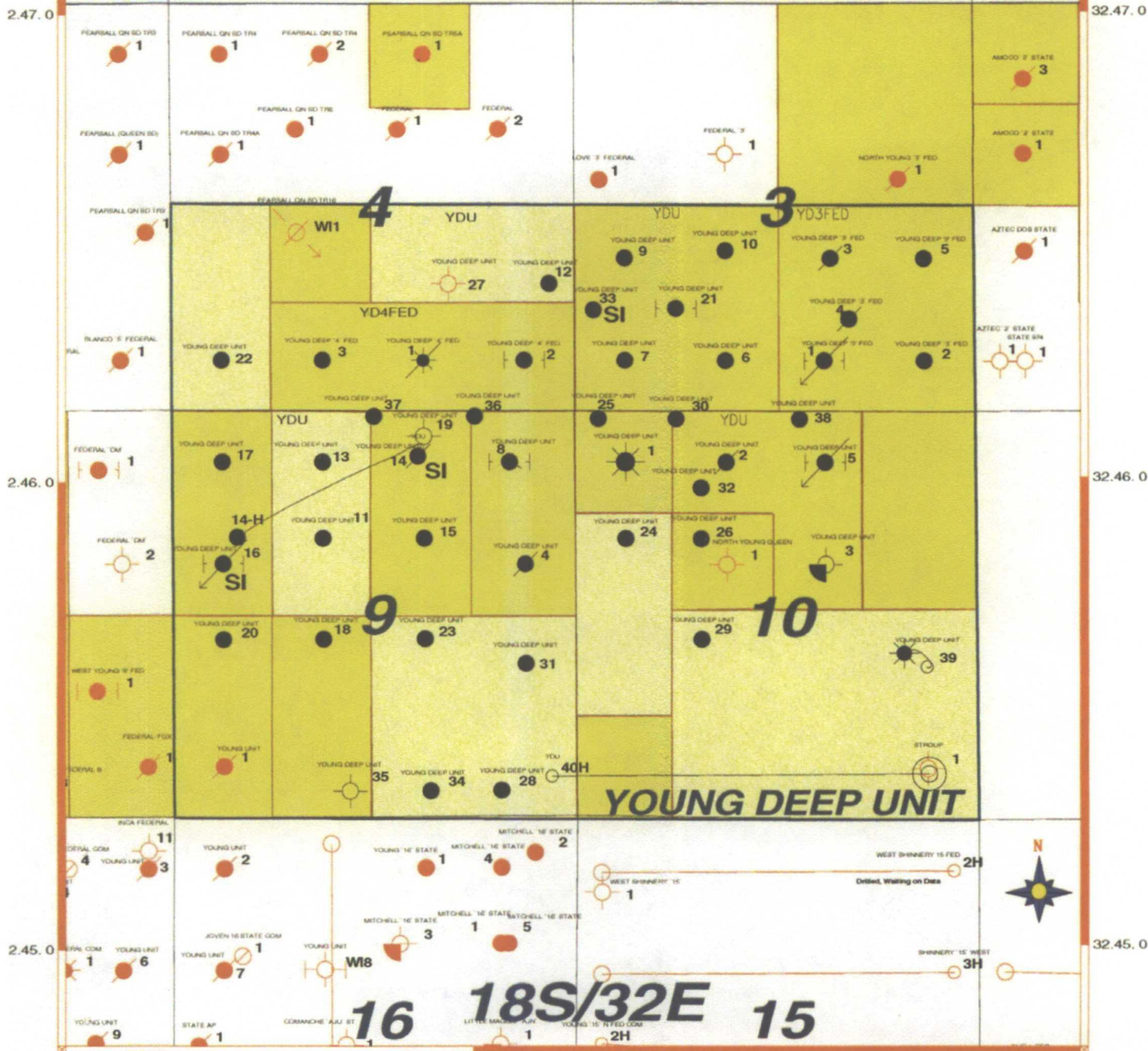
YDUPOD2012.doc/Land:YDU#3

✓xc: Oil Conservation Division (w/encl.)
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87505
Attn: Sr. Petroleum Geologist

**DOI Bureau of Land Management - CARLSBAD FIELD OFFICE
YOUNG DEEP UNIT POD ATTACHMENTS**

Status of all Wells within the Unit					
#	WELL NAME AND NUMBER	API NUMBER	COMP DATE	PROD ZONE	STATUS
1.	YOUNG DEEP UNIT 1	30025266400003	10/30/1990	WOLFCAMP	ACTIVE
2.	YDU 2	30025271210000	8/17/2005	BONE SPRING	P&A
3.	YDU 3	30025272290000	12/04/1984		D&A - PLUGGED
4.	YDU 4	30025273000000	7/2/1981	BONE SPRING	PLUGGED 2011
5.	YDU 5	30025273360000	10/31/1983		ACTIVE-WIW
6.	YDU 6	30025274770001	4/21/1994	BONE SPRING	ACTIVE
7.	YDU 7	30025275470001	11/29/1994	BONE SPRING	ACTIVE
8.	YDU 8	30025275350201	11/19/1987	BONE SPRING	ACTIVE
9.	YDU 9	30025284000001	10/23/2009	BONE SPRING	ACTIVE
10.	YDU 10	30025284730000	2/3/1984	BONE SPRING	ACTIVE
11.	YDU 11	30025287930001	12/25/1993	BONE SPRING	ACTIVE
12.	YDU 12	30025308660000	4/6/1990	BONE SPRING	ACTIVE
13.	YDU 13	30025289660000	12/20/1985	BONE SPRING	ACTIVE
14.	YDU 14H	30025290150101	12/16/2005	BONE SPRING	INACTIVE - UNDER EVAL
15.	YDU 15	30025290460000	7/5/1985	BONE SPRING	ACTIVE
16.	YDU 16	30025290470000	3/30/1993	BONE SPRING	INACTIVE-WIW
17.	YDU 17	30025290600000	4/17/1985	BONE SPRING	ACTIVE
18.	YDU 18	30025313590000	9/27/1991	BONE SPRING	ACTIVE
19.	YDU 19	30025292780000	6/16/1986		D&A - PLUGGED
20.	YDU 20	30025309240000	11/21/1990	BONE SPRING	ACTIVE
21.	YDU 21	30025322880001	9/4/2009	BONE SPRING	ACTIVE
22.	YDU 22	30025292530000	7/6/1985	BONE SPRING	ACTIVE
23.	YDU 23	30025298960000	1/9/1988	BONE SPRING	ACTIVE
24.	YDU 24	30025307830000	7/26/1990	BONE SPRING	ACTIVE
25.	YDU 25	30025331730000	1/22/1996	BONE SPRING	ACTIVE
26.	YDU 26	30025309520000	10/5/1990	BONE SPRING	ACTIVE
27.	YDU 27	30025309760000	12/15/1993		D&A - PLUGGED
28.	YDU 28	30025310480000	4/3/1992	DELAWARE	ACTIVE
29.	YDU 29	30025312990000	9/12/1991	BONE SPRING	ACTIVE
30.	YDU 30	30025331740000	12/22/1995	BONE SPRING	ACTIVE
31.	YDU 31	30025310930000	5/13/1991	BONE SPRING	ACTIVE
32.	YDU 32	30025333150000	4/14/1996	BONE SPRING	ACTIVE
33.	YDU 33	30025334620000	8/24/1996	BONE SPRING	INACTIVE - UNDER EVAL
34.	YDU 34	30025314670000	12/24/1991	DELAWARE	ACTIVE
35.	YDU 35	30025315960000	6/12/1992		D&A - PLUGGED
36.	YDU 36	30025336420000	11/28/1996	BONE SPRING	ACTIVE
37.	YDU 37	30025336430000	12/14/1996	BONE SPRING	ACTIVE
38.	YDU 38	30025338640000	12/25/1997	BONE SPRING	ACTIVE
39.	YDU 39	30025381790000	4/6/2007	BONE SPRING	ACTIVE - RECOMPL 2012
40.	YDU 40	30025-		BONE SPRING	PROPOSED NEW DRILL
41.	YOUNG DEEP UNIT 3 FED 1	30025273690000	12/1/1990	BONE SPRING	ACTIVE-WIW
42.	YDU 3 FED-2	30025289070000	11/19/1984	BONE SPRING	ACTIVE
43.	YDU 3 FED-3	30025275340000	8/6/1993	BONE SPRING	P&A
44.	YDU 3 FED-4	30025284810000	4/18/1984	BONE SPRING	PLUGGED 2011
45.	YDU 3 FED-5	30025287180000	6/30/1984	BONE SPRING	ACTIVE
46.	YDU 4 FED-1	30025268130000	8/8/1996	BONE SPRING	P&A
47.	YDU 4 FED-2	30025276790102	5/7/1995	BONE SPRING	ACTIVE
48.	YDU 4 FED-3	30025292680000	10/3/1985	BONE SPRING	ACTIVE

-103.46.0



UNIT WELLS IN BLACK
NON-UNIT WELLS IN RED

Scale 1:24000.



LEGEND

- Abandoned Location
- ✦ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- * Plugged and Abandoned Oil Well
- ✦ Oil Well converted to water injector
- Oil Well Workover
- * Gas Well Plugged and Abandoned
- ✦ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E
LEA COUNTY, NEW MEXICO

Suzi Yahney

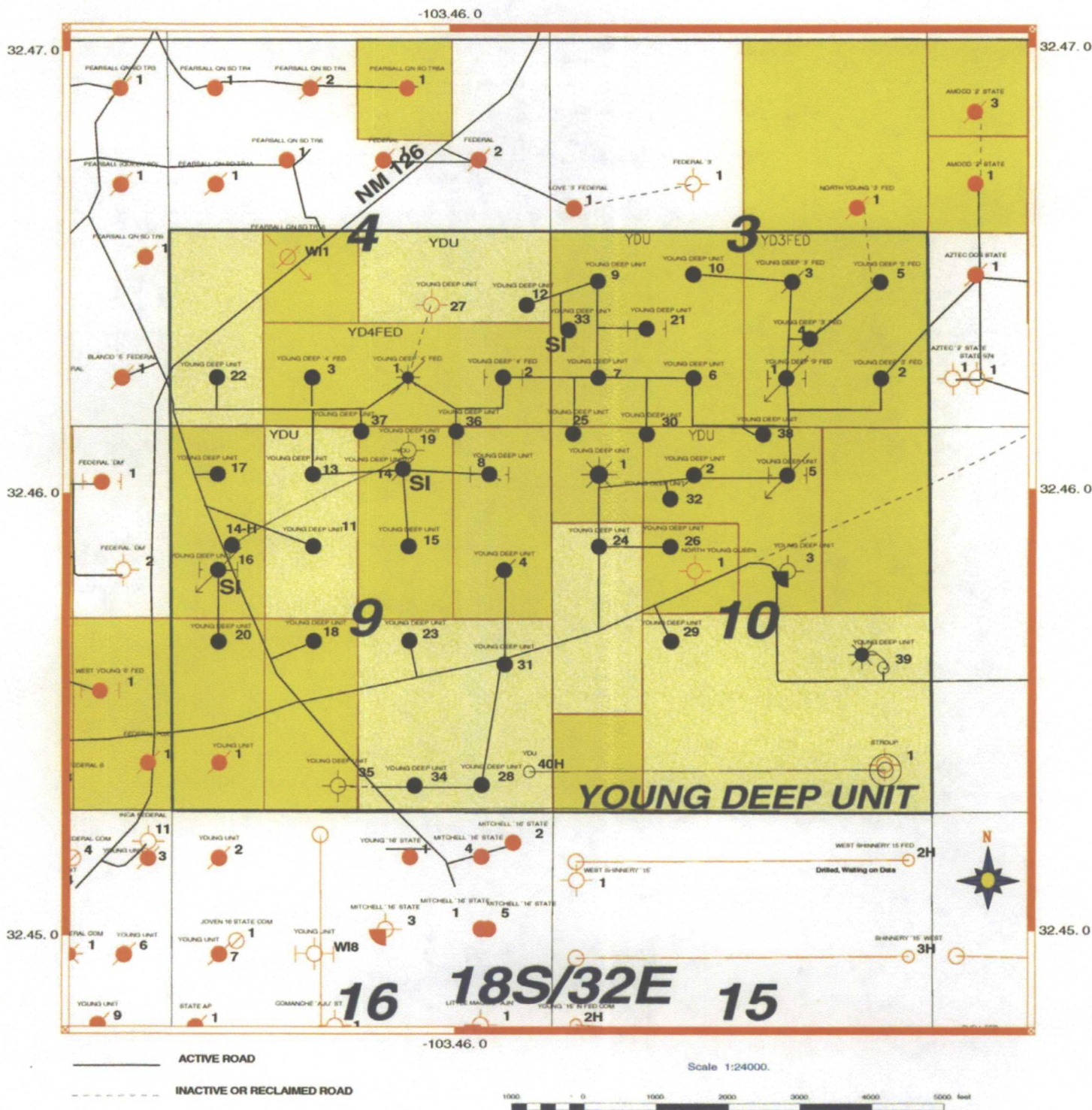
1" = 2,000 ft.

2/29/2012

UNIT Wells BLACK

Scale 1:24000.

YDU_POD.gpf



LEGEND

- Abandoned Location
- ◊ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- Plugged and Abandoned Oil Well
- ◊ Oil Well converted to water injector
- Oil Well Workover
- * Gas Well Plugged and Abandoned
- ◊ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E, LEA COUNTY, NM
Roads

Suzi Yahney

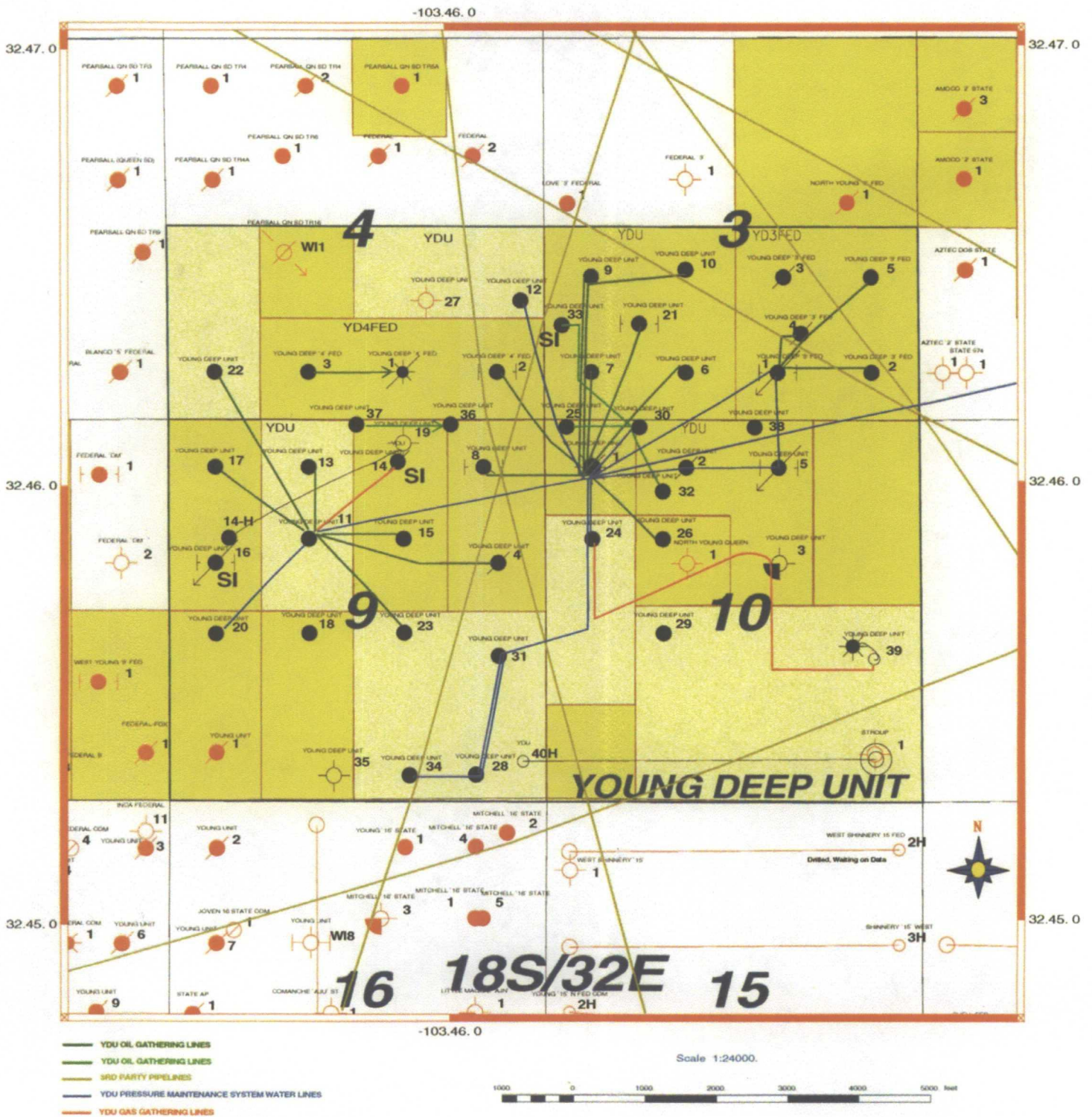
1" = 2,000 ft.

2/29/2012

YDU_YDROADS

Scale 1:24000.

YDU_POD3.gpf



NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT T-18-S, R-32-E, LEA COUNTY, NM Pipelines and Flowlines

Suzi Yahney

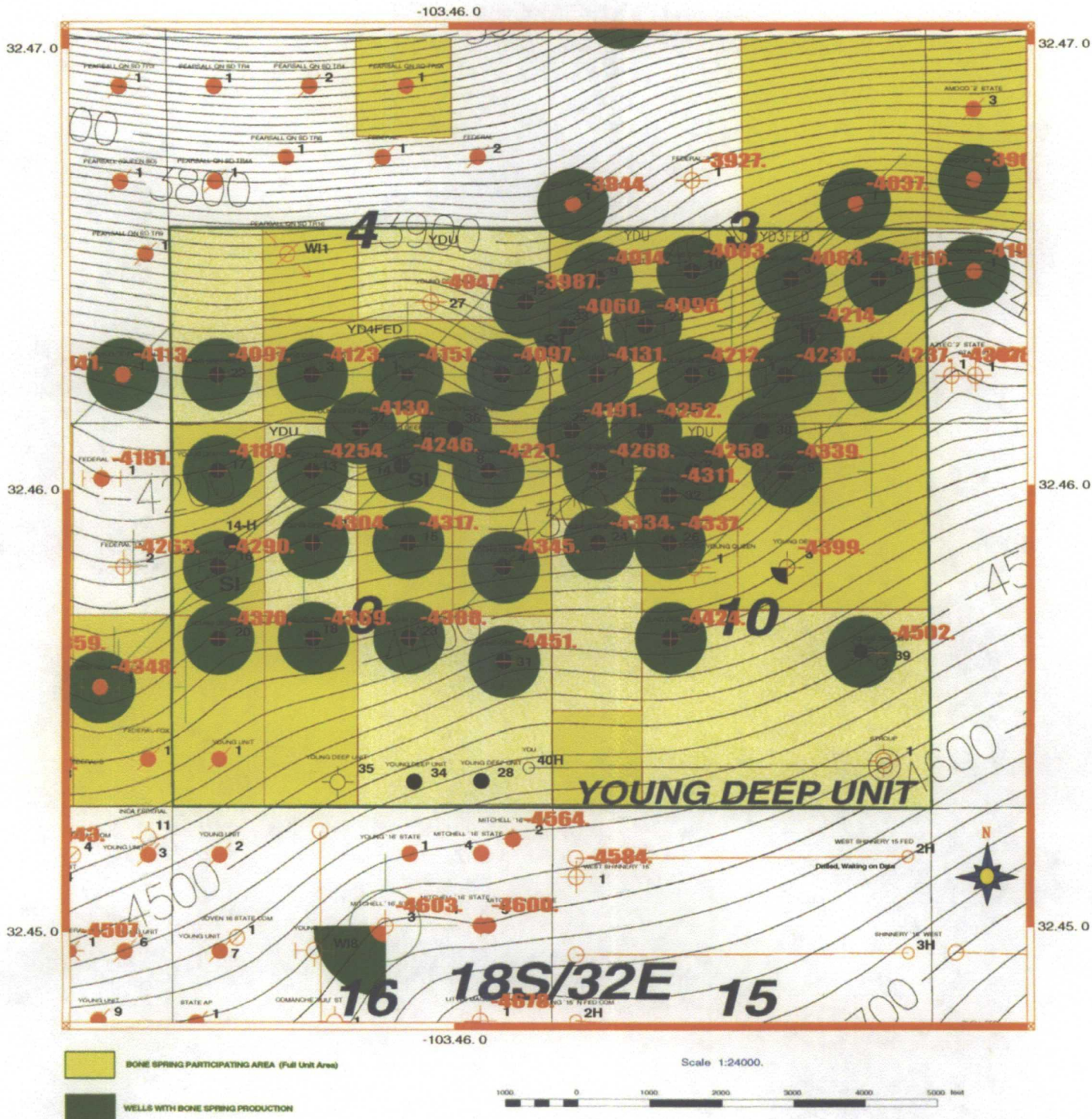
1" = 2,000 ft.

2/29/2012

YDU_YDUPIPE

Scale 1:24000.

YDU_POD4.gpf



LEGEND

- Abandoned Location
- ✧ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- ✧ Plugged and Abandoned Oil Well
- ✧ Oil Well converted to water injector
- Oil Well Workover
- ✧ Gas Well Plugged and Abandoned
- ✧ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E - LEA COUNTY, NM
T/BONE SPRING "B" CARBONATE

C I = 20 FT.

1" = 2,000 ft.

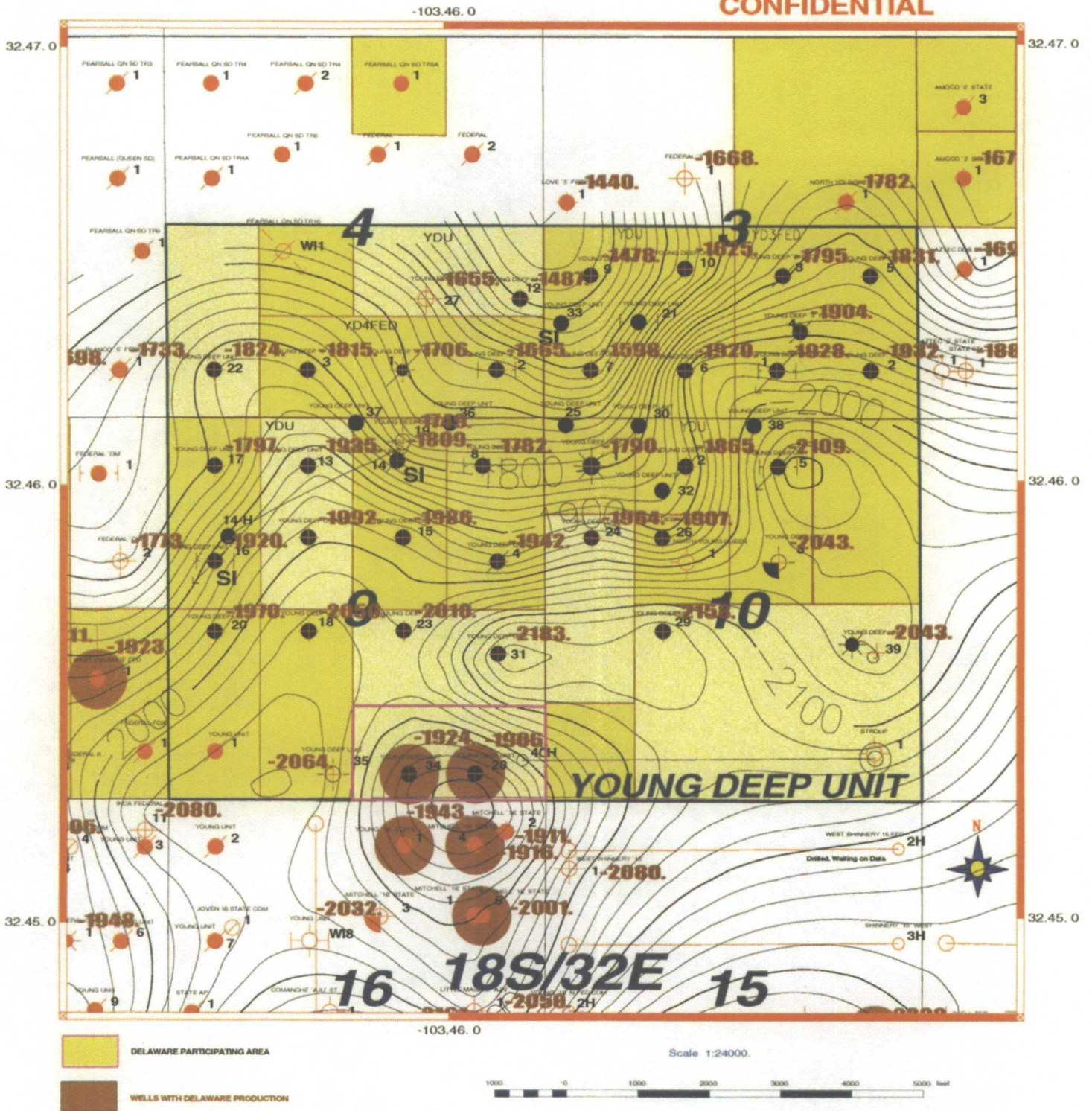
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YDU_BSPG

Scale 1:24000.

YDU_POD6.gpf

CONFIDENTIAL



LEGEND

- Abandoned Location
- ✧ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- # Plugged and Abandoned Oil Well
- ✧ Oil Well converted to water injector
- Oil Well Workover
- ✧ Gas Well Plugged and Abandoned
- ✧ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E - LEA COUNTY, NM
T/U. BRUSHY CANYON DLWR MARKER

C I = 20 FT.

1" = 2,000 ft.

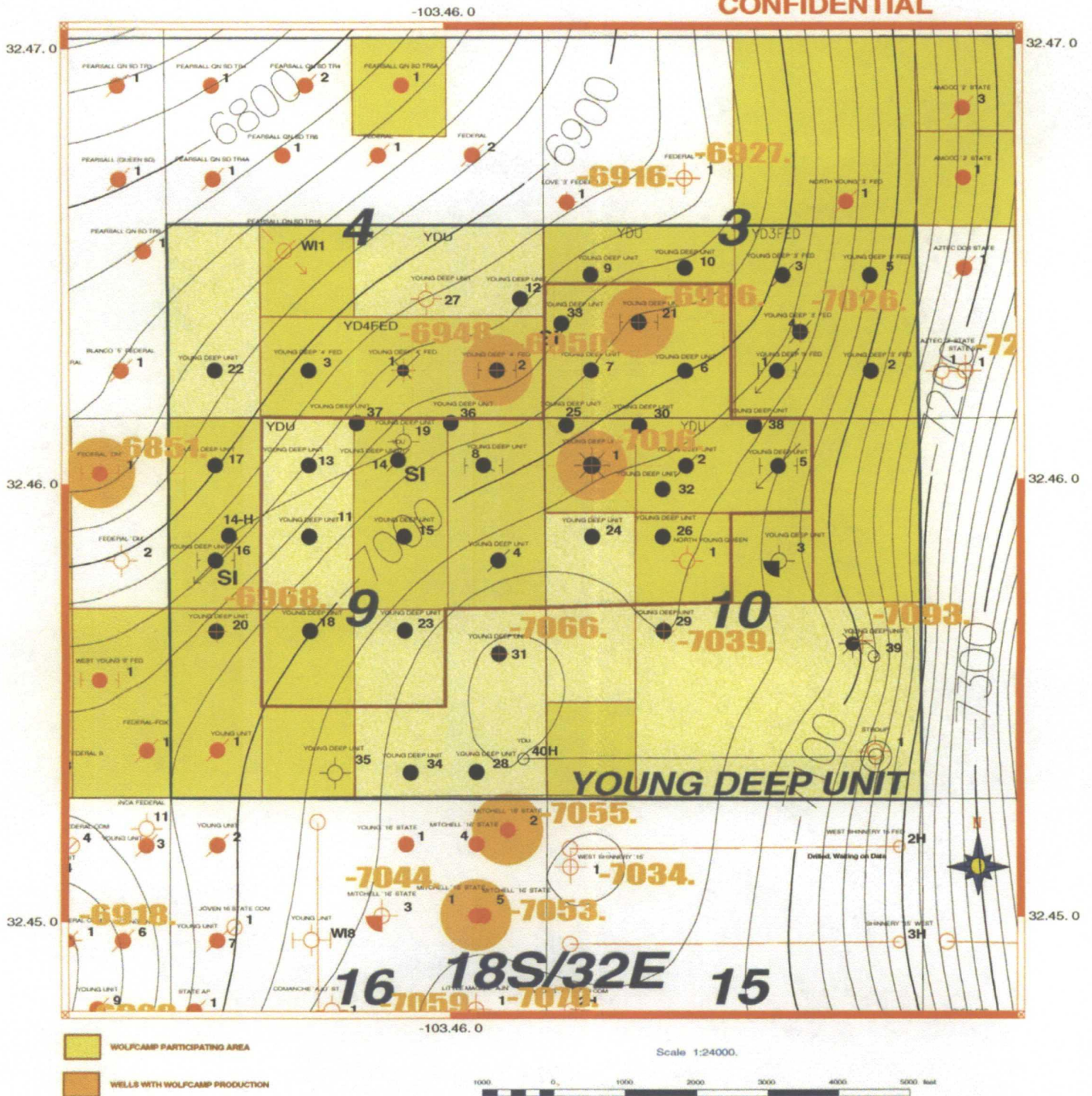
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YDU_DLWR

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YDU_POD5.gpf

CONFIDENTIAL



LEGEND

- Abandoned Location
- ◊ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- ✕ Plugged and Abandoned Oil Well
- ✕ Oil Well converted to water injector
- Oil Well Workover
- ✕ Gas Well Plugged and Abandoned
- ✕ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E - LEA COUNTY, NM
STRUCTURE AT BASE WOLFCAMP FM.

C I = 20 FT

1" = 2,000 ft.

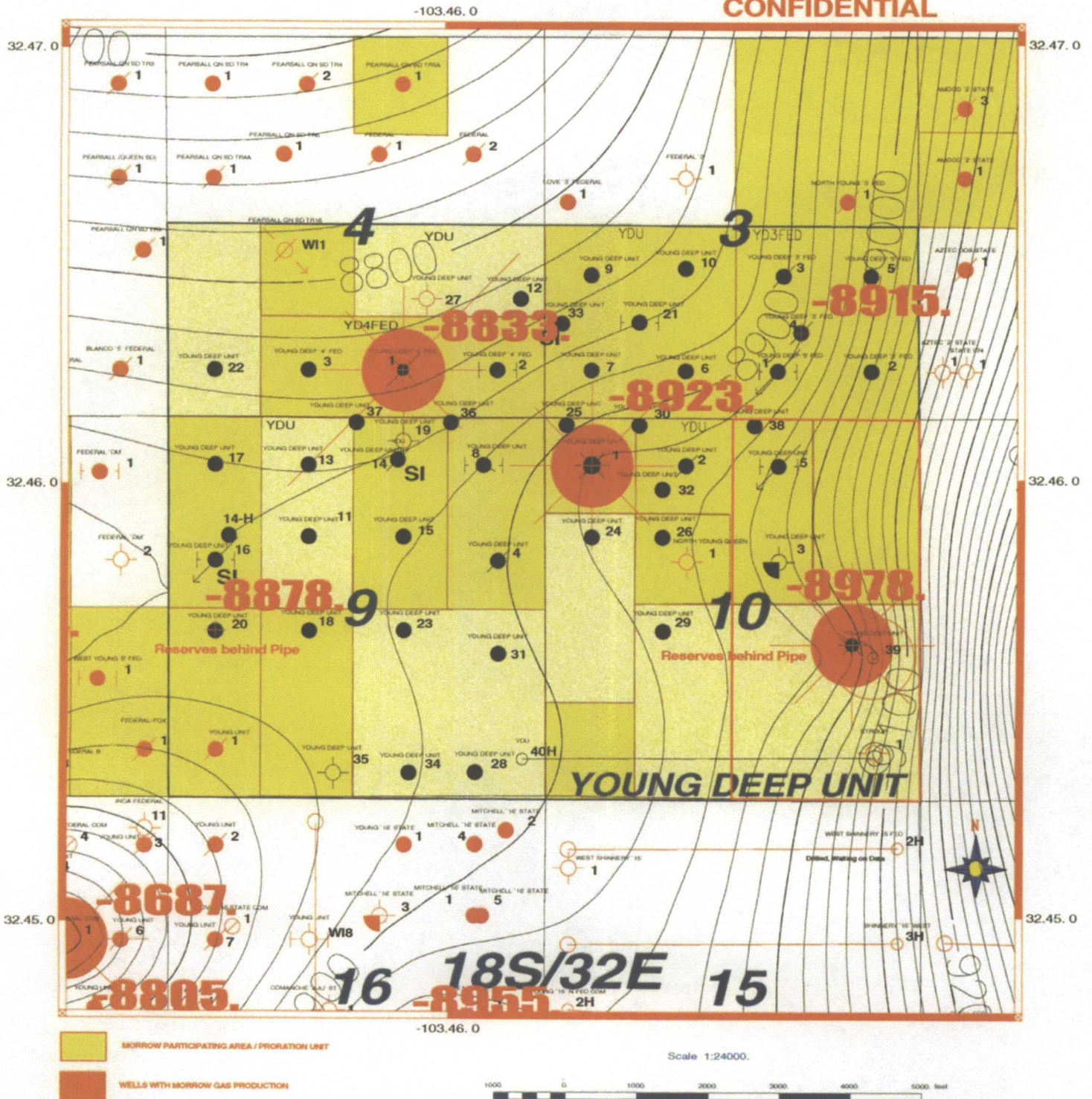
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YDU_PLVS

Scale 1:24000.

YDU_POD7.gpf

CONFIDENTIAL



LEGEND

- Abandoned Location
- ✧ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- * Plugged and Abandoned Oil Well
- ✧ Oil Well converted to water injector
- Oil Well Workover
- * Gas Well Plugged and Abandoned
- ✧ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

**YOUNG DEEP UNIT
T-18-S, R-32-E - LEA COUNTY, NM
STRUCTURE T/ LOWER MORROW**

C I = 20 FT.

1" = 2,000 ft.

2/29/2012

YDU_MRRWL

Scale 1:24000.

YDU_POD8.gpf

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CONFIDENTIAL

32.47.0

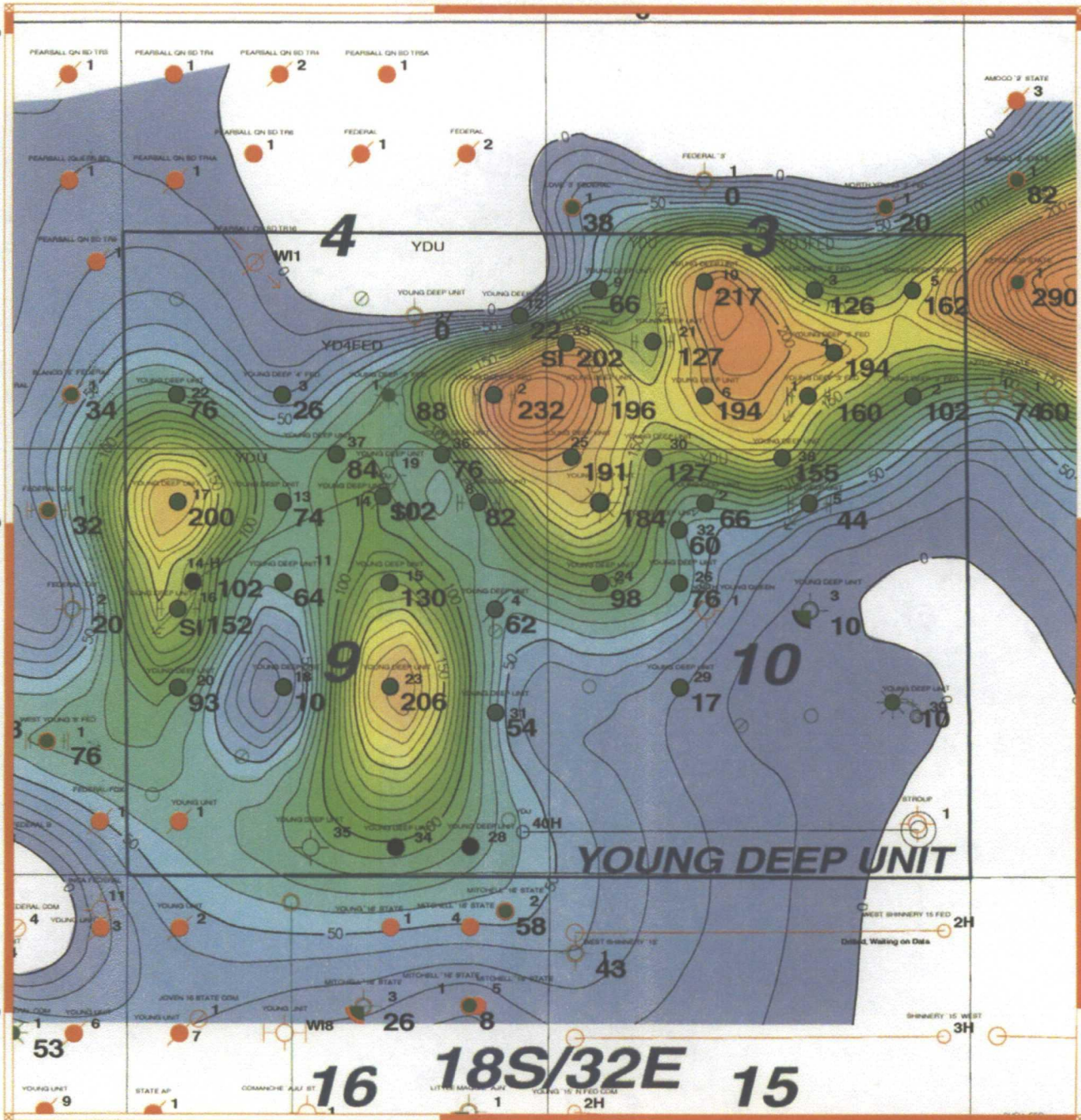
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Scale 1:24000.



LEGEND

- Abandoned Location
- ✧ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- ✧ Plugged and Abandoned Oil Well
- ✧ Oil Well converted to water injector
- Oil Well Workover
- ✧ Gas Well Plugged and Abandoned
- ✧ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E, LEA COUNTY, NM
Bone Spring "B" Carbonate Porosity >6%

C I = 10 FT.

1" = 2,000 ft.

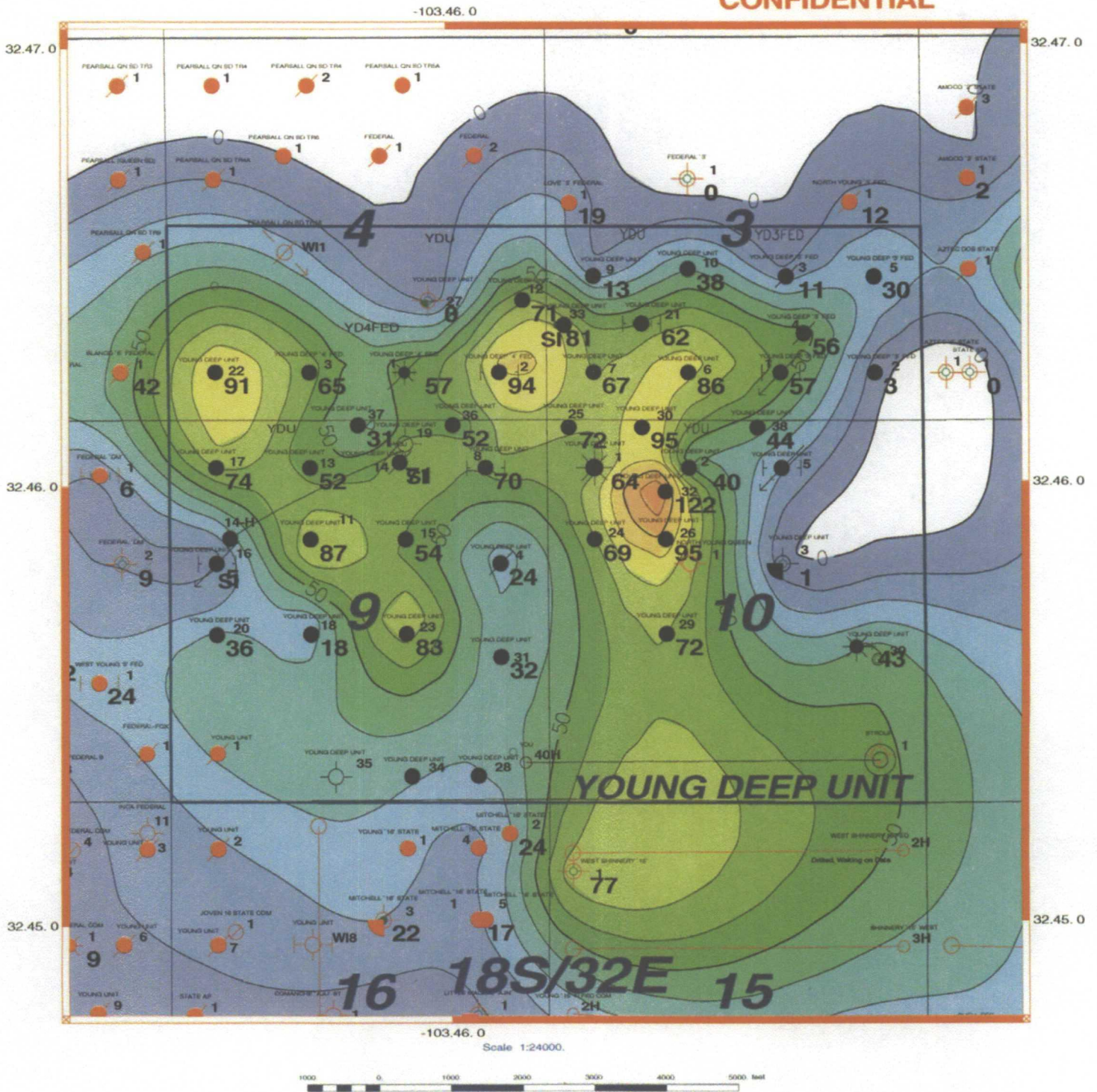
2/29/2012

YDU_BSPGB

Scale 1:24000.

YDU_POD9.gpf

CONFIDENTIAL



LEGEND

- Abandoned Location
- ✦ Dry and Abandoned
- * Gas Well
- Location - Active or Proposed
- Oil Well
- ✦ Plugged and Abandoned Oil Well
- ✦ Oil Well converted to water injector
- ✦ Oil Well Workover
- ✦ Gas Well Plugged and Abandoned
- ✦ Injector - Plugged

NADEL and GUSSMAN HEYCO, LLC

YOUNG DEEP UNIT
T-18-S, R-32-E, LEA COUNTY, NM
Bone Spring 2nd Sd Pay - Porosity >10%

C I = 10 FT.

1" = 2,000 ft.

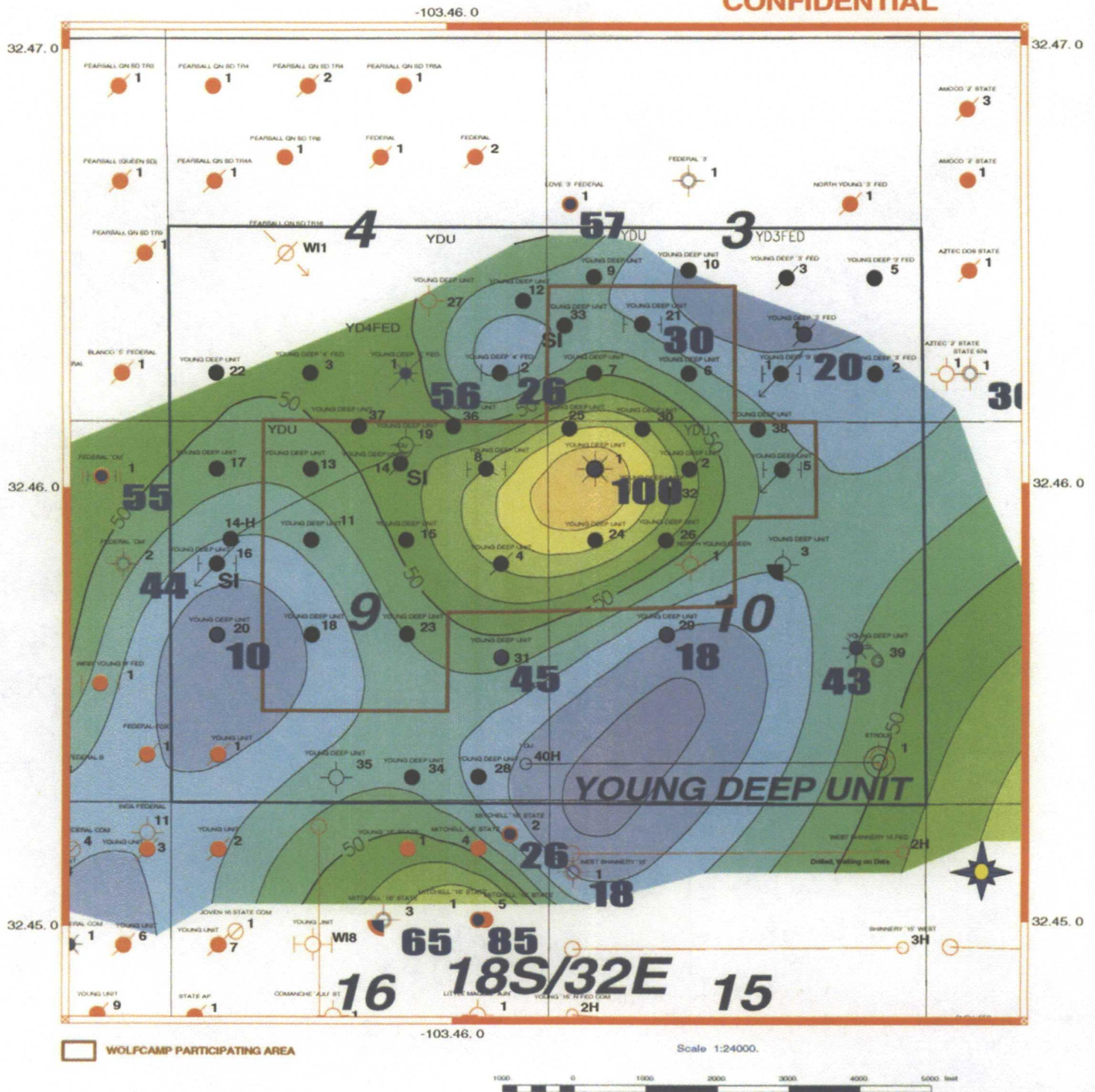
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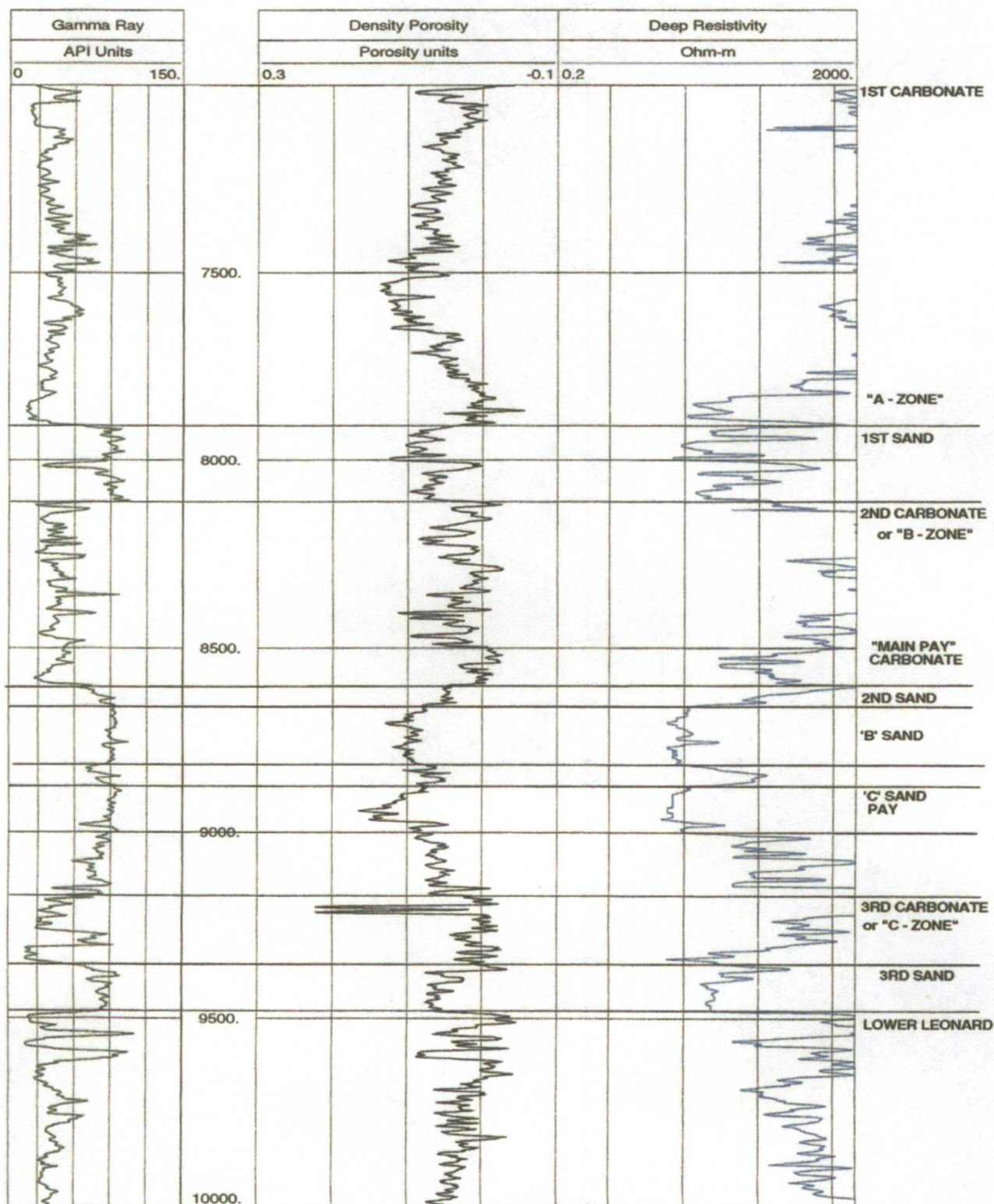
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CONFIDENTIAL



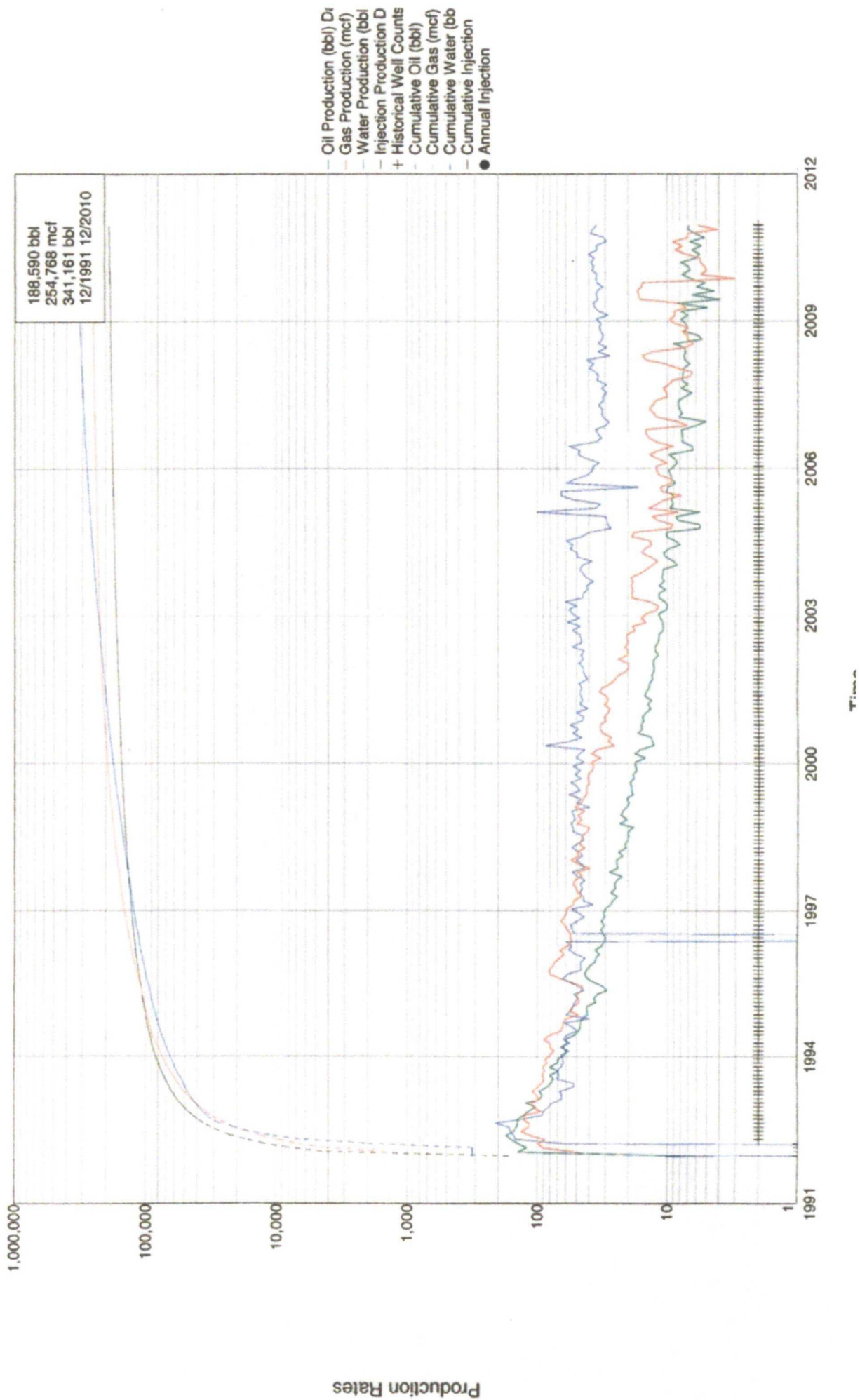
<div>LEGEND</div> <ul style="list-style-type: none">• Abandoned Location✧ Dry and Abandoned* Gas Well◦ Location - Active or Proposed• Oil Well✧ Plugged and Abandoned Oil Well✧ Oil Well converted to water injector• Oil Well Workover✧ Gas Well Plugged and Abandoned✧ Injector - Plugged	NADEL and GUSSMAN HEYCO, LLC		
	YOUNG DEEP UNIT T-18-S, R-32-E - LEA COUNTY, NM GROSS ISOPACH LOWER WOLFCAMP PAY		
	CI = 10 FT.	1" = 2,000 ft.	2/29/2012
	YDU_WFMPAF	Scale 1:24000.	YDU_POD11.gpf

NADEL and GUSSMAN HEYCO YOUNG DEEP UNIT #1



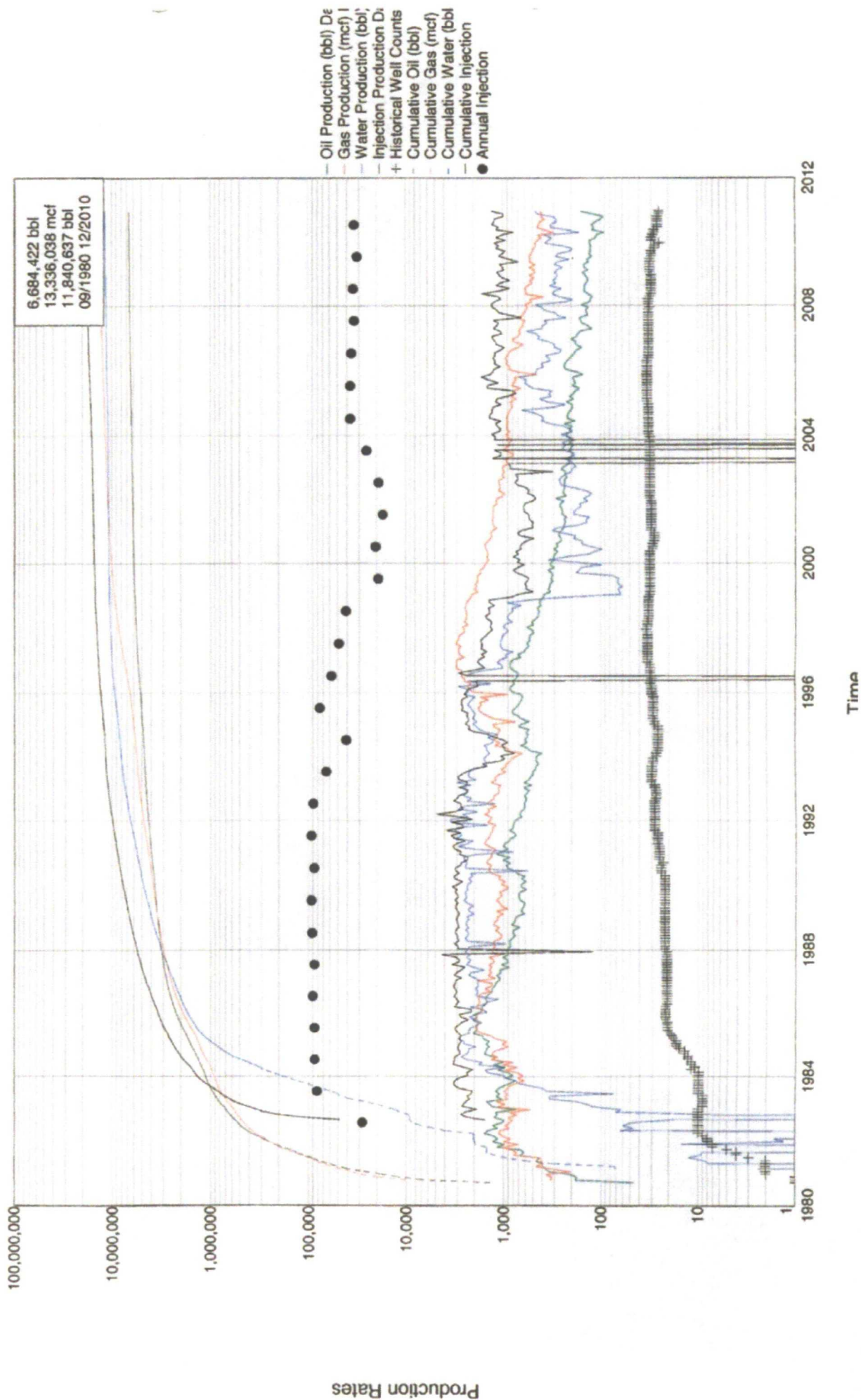
Lease Name: YOUNG DEEP UNIT
 County, State: LEA, NM
 Operator: NADEL & GUSSMAN HEYCO LLC
 Field: YOUNG NORTH
 Reservoir: DELAWARE
 Location:

YOUNG DEEP UNIT NADEL & GUSSMAN HEYCO LLC YOUNG NORTH DELAWARE



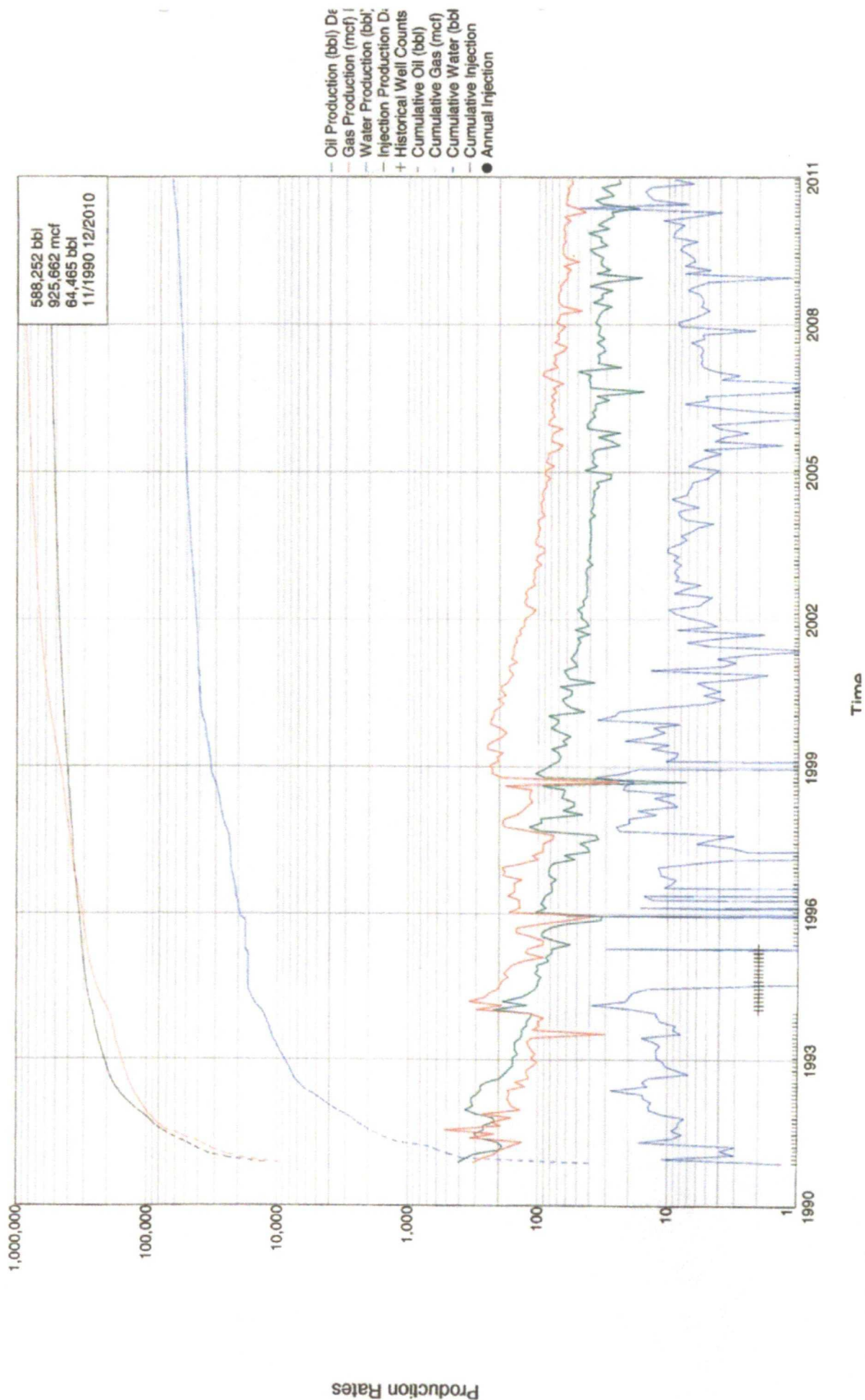
Lease Name: YOUNG DEEP UNIT
 County, State: LEA, NM
 Operator: NADEL & GUSSMAN HEYCO LLC
 Field: YOUNG NORTH
 Reservoir: BONE SPRING
 Location: 9 18S 32E

YOUNG DEEP UNIT NADEL & GUSSMAN HEYCO LLC YOUNG NORTH BONE SPRING



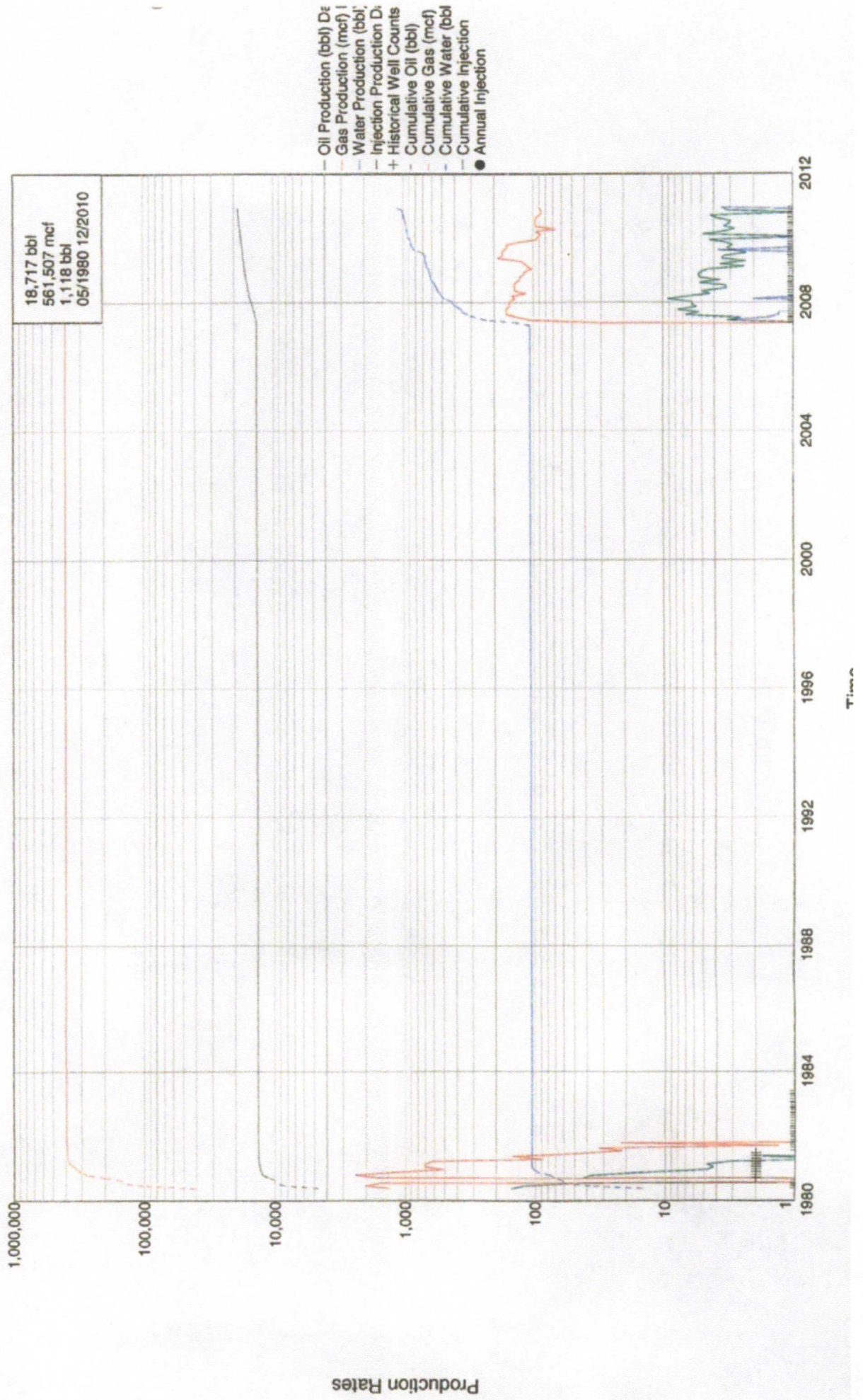
Lease Name: YOUNG DEEP UNIT
 County, State: LEA, NM
 Operator: NADEL & GUSSMAN HEYCO LLC
 Field: YOUNG
 Reservoir: WOLFCAMP
 Location: 10 18S 32E NW NW

YOUNG DEEP UNIT NADEL & GUSSMAN HEYCO LLC YOUNG WOLFCAMP



Lease Name: YOUNG DEEP UNIT
 County, State: LEA, NM
 Operator: NADEL & GUSSMAN HEYCO LLC
 Field: YOUNG
 Reservoir: MORROW
 Location: 10 18S 32E C NE SE

YOUNG DEEP UNIT NADEL & GUSSMAN HEYCO LLC YOUNG MORROW



Lease Name: YOUNG DEEP UNIT
 County, State: LEA, NM
 Operator: NADEL & GUSSMAN HEYCO LLC
 Field: YOUNG
 Reservoir: MORROW
 Location: 10 18S 32E C NE SE

YOUNG DEEP UNIT NADEL & GUSSMAN HEYCO LLC YOUNG MORROW

