Distrigt 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

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

RECEIVED

Form C-101 March 4, 2004

APR 2 6 200 Submit to appropriate District Office State Lease - 6 Copies

OOD-ARTESIA

Fee Lease - 5 Copies

☐ AMENDED REPORT APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE Operator Name and Address
NADEL AND GUSSMAN PERMIAN, L.L.C
601 N. MARIENFELD, SUITE 508
MIDLAND, TEXAS 79701 OGRID Number 155614 30 - 015 Property Name ROMULUS FEE Property Code ⁷ Surface Location Feet from the North/South line Feet from the East/West line County UL or lot no. Section Township Range Lot Idn EDDY 840 NORTH 660 WEST Ð 17 23-S 28-E 8 Proposed Bottom Hole Location If Different From Surface East/West line Township Lot Idn Feet from the North/South line Feet from the County UL or lot no. Section Range 10 Proposed Pool 2 9 Proposed Pool 1 LOVING MORROW (NORTH) (80695) Drilling Pit Location and Other Information Feet from the North/South line Feet from the East/West line County UL or lot no. Section Township Range Lot Idn 23-S 840' NORTH 660' WEST **EDDY** 28-E Depth to ground water Distance from nearest fresh water well Distance from nearest surface water **BETWEEN 100' TO 50'** 200' OR MORE BUT LESS THAN 1000' FEET MORE THAN 1000 Work Type Code Well Type Code Cable/Rotary Lease Type Code 15 Ground Level Elevation ROTARY 3032 Ν 18 Formation 19 Contractor 20 Spud Date 16 Multiple Proposed Depth MORROW **PATTERSON** +/~ 05/01/04 NO 13,000 ²¹ Proposed Casing and Cement Program Casing weight/foot Hole Size Setting Depth Sacks of Cement Estimated TOC Casing Size 17-1/2" CIRC. TO SURFACE 13-3/8" 42# 4003 450 SX CIRC. TO SURFACE 12-1/4" 9-5/8" 40# 3000 1200 SX 8-3/4" 7" 26# 10,5003 1000 SX +/-7,000' 6-1/8" 4 1/2" 13.5# 10,000' TO TD 500 SX TOC @10,000' 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 IN THE MORROW WITH A PROJECTED TD OF 13,000°. NO H2S IS EXPECTED, BUT AN H2S CONTINGENCY LETTER IS ATTACHED. THE 4 1/2" LINER WILL BE CEMENTED TO THE LINER TOP @ +/- 10,000'. ²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according OIL CONSERVATION DIVISION to NMOCD guidelines , a general permit , or an (attached) alternative OCD-Litiet Signier approved plan . Approved by: Signature: Printed name: JOSH FERNAU Title Title: STAFF ENGINEER Approval Date: E-mail Address: joshf@naguss.com Date: 04/26/04 Phone: (432) 682-4429 Conditions of App

Attached 🗹

District I .

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State of New Mexico Energy Minerals and Natural Resources

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505 For drilling and production facilities, submit to appropriate NMOCD District

Office.

For downstream facilities, submit to Santa
Fe office

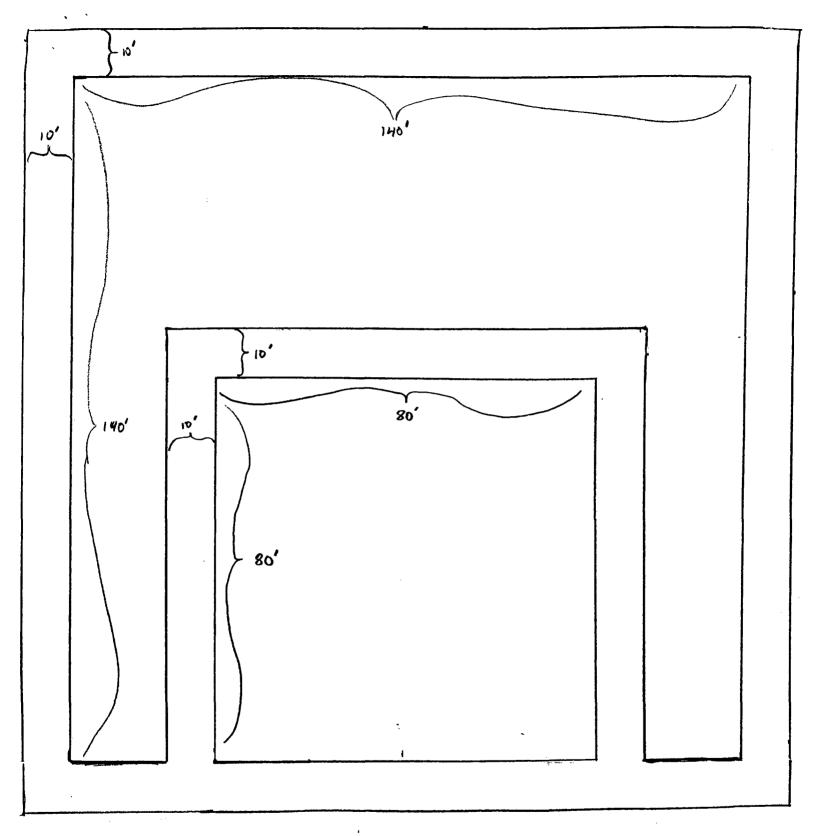
Pit or Below-Grade Tank Registration or Closure

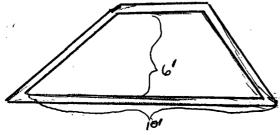
Is pit or below-grade tank covered by a "general plan"? Yes No M

Is pit or below-grade tank of Type of action: Registration of a pit or be	covered by a "general plan"? Yes 🔀 No 🔀 elow-grade tank 🏿 Closure of a pit or below-grade t	lank 🗌
Operator: NADEL AND GUSSMAN PERMIAN Telep		•
Address: 601 N. Marienfeld, Suite 508 Midland, TX 79701		
Facility or well name: Romulus Fee #1API		
County: Eddy Latitude: 32 18'36.45"N Longitude: 104 06'56.10"	WNAD: 1927 ∐ 1983 ∐ Surface Owner Federa	I State Private Indian
Pit	Below-grade tank	
Type: Drilling ☑ Production ☐ Disposal ☐	Volume:bbl Type of fluid:	RECEIVED
Workover Emergency	Construction material:	
Lined ☑ Unlined □	Double-walled, with leak detection? Yes If not,	, explain why not. APR 2 8 2004
Liner type: Synthetic ☑ Thickness ★12_mil Clay ☐		
Volume 20,000_bbl		a old with BON
	Less than 50 feet	(20 points)
Depth to ground water (vertical distance from bottom of pit to seasonal high	50 feet or more, but less than 100 feet	(10 points) 10
water elevation of ground water.)	100 feet or more	(0 points)
William and the same of the sa	Yes	(20 points)
Wellhead protection area: (Less than 200 feet from a private domestic	No	(0 points) 0
water source, or less than 1000 feet from all other water sources.)		
Distance to surface water: (horizontal distance to all wetlands, playas,	Less than 200 feet	(20 points)
irrigation canals, ditches, and perennial and ephemeral watercourses.)	200 feet or more, but less than 1000 feet	(10 points) 10
migation canais, dicoics, and percinitia and epitemetal watercourses.	1000 feet or more	(0 points)
	Ranking Score (Total Points)	20
If this is a pit closure: (1) attach a diagram of the facility showing the pit's onsite offsite If offsite, name of facility and end date. (4) Groundwater encountered: No Yes If yes, show de	(3) Attach a general description of remedial action	on taken including remediation start date
results and a diagram of sample locations and excavations. 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 guideli Date: _04/26/04	nes 🗵, a general permit 🔲 or an (attached) altern	ative OCD-approved plan .
Printed Name/TitleJosh Fernau , Staff Engineer	Signature	f
Your certification and NMOCD approval of this application/closure does not water or otherwise endanger public health or the environment. Nor does it rel laws and/or regulations.	relieve the operator of liability should the contents of	
Approved Y 13 200 - 11 April 10 10 10 10 10 10 10 10 10 10 10 10 10	120	
Printed Name/Title	Signature // Signature	
Please see	attached	
stipulation		

requirements:

Form C-144 March 12, 2004





DISTRICT I P.O. Box 1980, Hobbs, NM 68241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102 APR 0 6 2004 topoza gentuaty 10, 1994 Submit to Appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

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

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

OIL CONSERVATION DIVISION

P.O. Box 2088

DISTRICT IV P.O. BOX 2088, SANTA PE, N.M. 87504-2088 Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code		Pool Name
Property Code	Property Name ROMULUS FEE		Well Number
OGRID No.		perator Name & GUSSMAN	Elevation 3032'

Surface Location

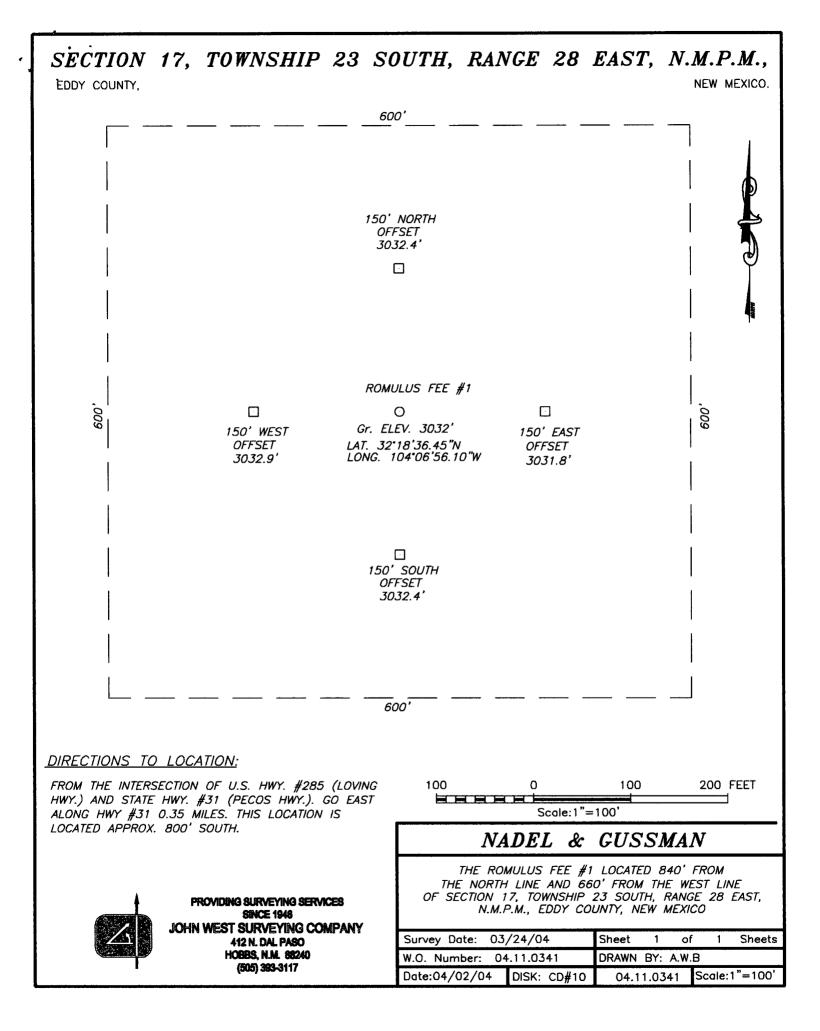
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	23-S	28-E		840	NORTH	660	WEST	EDDY

Bottom Hole Location If Different From Surface

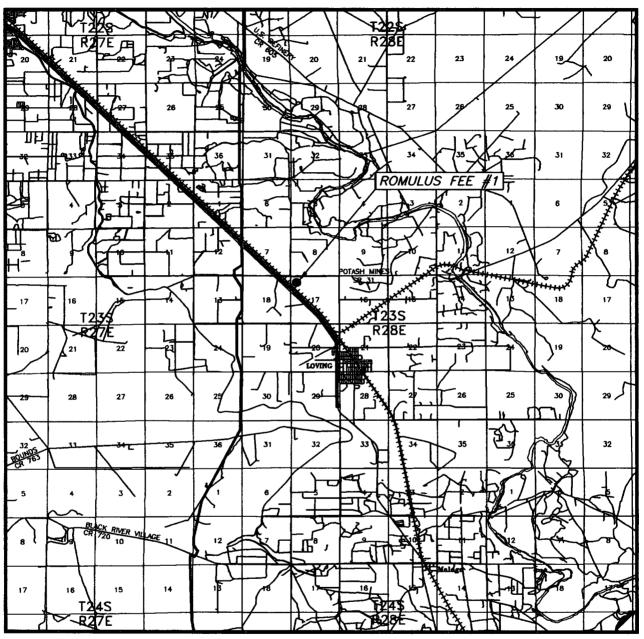
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint o	r Infill Co	nsolidation (Code Or	der No.				

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD LINIT HAS BEEN APPROVED BY THE DIVISION

······································		
660'0	GEODETIC COORDINATES NAD 27 NME Y = 476608.5 N X = 567273.0 E LAT. 32'18'36.45"N LONG. 104'06'56.10"W	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Josh Fernau Printed Name Staff Engineer Title 04/16/04 Date SURVEYOR CERTIFICATION
	RECEIVED APR 2 8 7004 BEARTESIA	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 supervison, and that the same is true and correct to the best of my belief. March 24, 2004 Date Surveyed A.W.B Signature to Sealford Professional Surveyor 04.11.0341 Certificate No. GARY EDSON 12641



VICINITY MAP



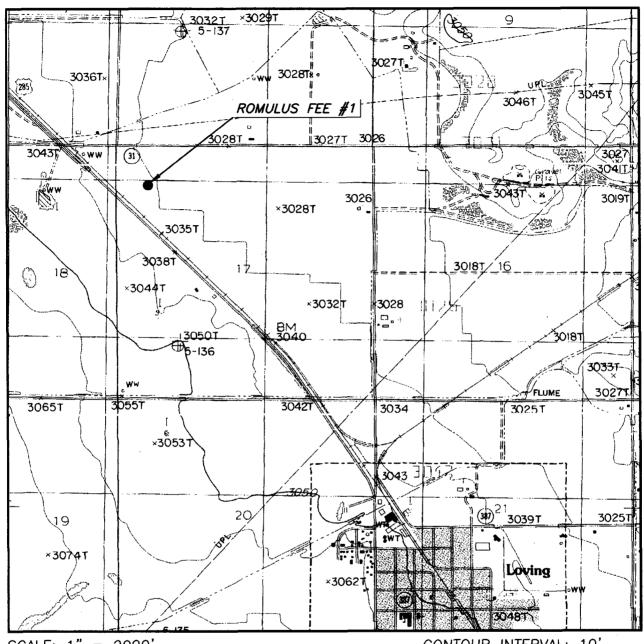
SCALE: 1" = 2 MILES

SEC. <u>17</u>	TWP. <u>23-S</u>	RGE. <u>28-E</u>
SURVEY	N.M.P.M.	
COUNTY	EDDY	
DESCRIPTION	840' FNL &	660' FWL
ELEVATION	3032'	
ODERATOR	NADEL P	CUCCHAN

LEASE ROMULUS FEE

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000"

CONTOUR INTERVAL: 10' LOVING, N.M. SUP. 5'

SEC. <u>17</u>	TWP. <u>23-S</u>	RGE. <u>28-E</u>
SURVEY	N.M.P.M.	
	EDDY	
		660' FWL
_	3032'	
OPERATOR	NADEL &	<u>GUSSMAN</u>
LEASE	ROMULUS	FEE

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

U.S.G.S. TOPOGRAPHIC MAP LOVING, N.M.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

13 May 2004

Nadel & Gussman Permian 601 N Marienfeld Ste 508 Midland, TX 79701

RE:

Permit Stipulations - Romulus Fee # 1

840'FNL & 660'FEL

Unit D SEC-17 T-23S R-28E

The Oil Conservation Division of Artesia is in receipt of your application to construct a pit for the purpose of drilling. The request is hereby accepted and approved with the following provisions:

- 1. Construction and closing of pit(s) must meet the criteria of Rule 19.15.2.50 and the Pit Guidelines.
- 2. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
- 3. Notice is to be given to the OCD prior to construction of the pit(s).
- 4. Upon cessation of drilling the freestanding fluid will be removed and disposed of in an OCD approved facility.
- 5. Due to liner choice, the pit's contents and the liner shall be removed and disposed of in a manner approved by the Division.
- 6. The pit will not be used for any additional storage of fluids.
- 7. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)
- 8. Re-seeding mixture will must be approved or authorized by surface owner.

Please note that the original C-144 was altered. This was done under the authority of, and with the permission of, Josh Fernau via phone on 5-13-04.

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,

Van Barton

NADEL AND GUSSMAN PERMIAN, L.L.C. 601 N. Marienfeld, Suite 508 Midland, TX 79701 (432) 682-4429 (Office) (432) 682-4325 (Fax)

04/26/04

Mr. Bryan Arrant
District 2 Geologist
New Mexico Oil and Gas Division
1301 West Grand
Artesia, NM 88210

Re: Romulus Fee #1 840'FNL, 660' FWL Unit Letter D, Sec. 17-T23S-R28E Eddy, NM RECEIVED

APR 2 8 2004

96B-ARTESIA

Application for Permit to Drill

Dear Mr. Arrant,

Attached you will find an original and 6 copies of a C-101, C-102, C-144 and H2S contingency letter for the referenced well. Drilling operations are scheduled to begin approximately on 05/01/04.

Please contact me if you have any additional questions.

Sincerely,

Josh Fernau Staff Engineer

NADEL AND GUSSMAN PERMIAN, L.L.C.

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

04/26/04

Mr. Bryan Arrant
District 2 Geologist
New Mexico Oil and Gas Division
1301 West Grand
Artesia, NM 88210

Re: Romulus Fee #1 840' FNL, 660' FWL Unit Letter D, Sec. 17-T23S-R28E Eddy, NM Rule 118 H2S Exposure

Dear Mr. Arrant,

Nadel and Gussman Permian 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,

Josh Fernau Staff Engineer RECEIVED

APR 2 8 2004

OGD-ARTESIA

NADEL AND GUSSMAN PERMIAN, L.L.C. 601 N. Marienfeld, Suite 508 Midland, TX 79701 (432) 682-4429 (Office) (432) 682-4325 (Fax)

05/13/04

Mr. Bryan Arrant
District 2 Geologist
New Mexico Oil and Gas Division
1301 West Grand
Artesia, NM 88210

Re: Romulus Fee #1 840'FNL, 660' FWL Unit Letter D, Sec. 17-T23S-R28E Eddy, NM

Application for Permit to Drill

Dear Mr. Arrant,

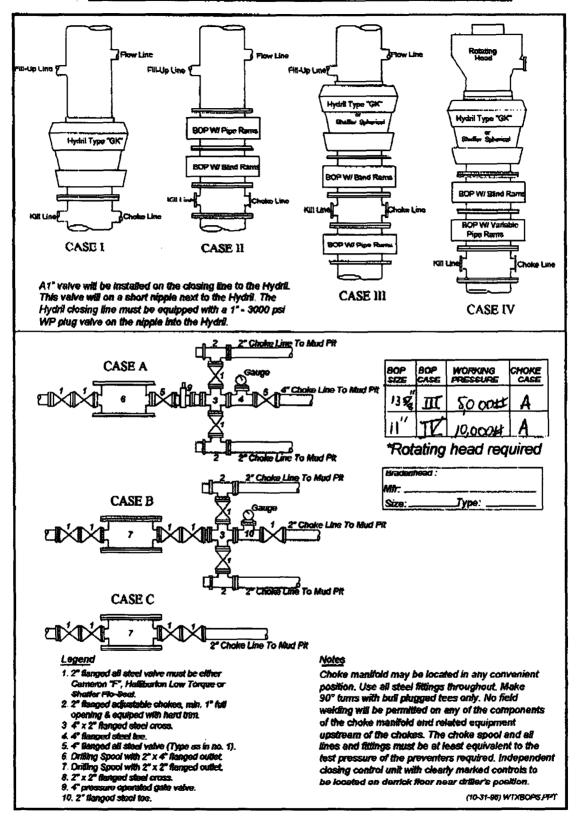
I have faxed two copies of the BOP and mud program designed for the Romulus Fee #1.

Please contact me if you have any additional questions.

Sincerely.

Josh Fernau Staff Engineer

Nadel and Gussman Permian Remidus FEE # 1 MINIMUM BLOWOUT PREVENTER REQUIREMENTS



PROPOSED MUD PROGRAM

CASING DESIGN

13 3/8"	Surface Casing	at	400°
9 5/8"	Intermediate Casing	at	3,000°
7"	Intermediate Casing	at	10,500°
6 1/4"	Open Hole	to	13,000

RECOMMENDED MUD PROPERTIES

<u>DEPTH</u>	MUD WEIGHT	VISCOSITY	FLUID LOSS
Spud	8.6- 8.7	32-36	No Control
400'	8.8- 9.0	32-36	No Control
Set 13 3/8" Surfa	ce Casing at 500'. Drill or	nt with Brine water.	
500'	10.0-10.1	28-30	No Control
1,000'	10.0-10.1	28-30	No Control
2,000'	10.0-10.1	28-30	No Control
3,000	10.0-10.1	28-30	No Control
Set 9 5/8" Interm	ediate Casing at 3,000'. I	Frill out with a Fresh	Water.
3,100'	8.4- 8.5	28-29	No Control
4,000'	8.4- 8.5	28-29	No Control
5,000'	8.4- 8.5	28-29	No Control
7,000'	8.4- 8.5	28-29	No Control
8,500'	8,4- 8,5	28-29	No Control
9,200'	9.0- 9.2	28-29	No Control
10,500'	9.0- 9.2	28-29	No Control

Set 7" Intermediate Casing at 10,500'. Drill out with Brine Water.

10,500'	10.0-10. I	34-36	<12
10,900'	10.1-10.2	34-36	< 12
11,300'	10.3-12.0	36-40	< 12
12,000'	10.3-12.0	45-48	<12
13,000'	10.3-12.0	45-48	<12

RECOMMENDED MUD PROGRAM BY CASING INTERVAL

Surface Hole 0-400'

Spud with a Horizon Gel/Lime slurry, mixing one Lime per ten Gel for a 32-36 viscosity. This fluid should be sufficient to clean the shallow, poorly consolidated surface formations and provided good conditions for smooth casing operations. If lost circulation occurs and cannot be regained with one or two LCM pills, we recommended blind drilling to total depth.

Intermediate Hole 400'-3,000'

Drill out from under the surface casing with brine water, circulating through the reserve pit to allow maximum time for settling drilled-solids. Lost circulation is possible while drilling this interval. Seepage can be controlled with additions of **Paper**. Should complete loss of returns occur while drilling, we recommend pulling up above the loss zone to avoid differential sticking and spotting a 100-200 barrel pill containing 15-25 lb/bbl lost circulation material. Spot the pill from above at a reduced pump rate before returning to bottom to commence drilling operations. Note: If partial returns are maintained, use only brine for volume to avoid severe washouts.

Consider, based on specific hole conditions and economic considerations, the possibility of mudding up the entire system with Salt Gel to combat losses and minimize the cost of hauling water.

Attention should be paid to the possibility of crooked hole problems in this general area.

Allow hole conditions to dictate the need for any additional viscosity or hole sweeps at total depth to clean the hole and insure smooth casing operations.

Open Hole 3,000'-10,500'

Drill out from under the intermediate casing with fresh water and circulate through the outer reserve pit to, once again, minimize solids build-up.

Utilize DCS Surfactant to increase the penetration rate. Discontinue if losses are severe.

Minor to severe lost circulation is possible in this general area to encounter losses in the **Delaware** and **Bone Springs** formations. Minor seepage should be able to be controlled with **Paper**. Should a complete loss of returns occur while drilling, we recommend following the same procedure described in the previous section. Severe seepage may require alternative methods of combating loses such as:

- ⇒ Heavy bentonite pills
- ⇒ Diesel/LoLosa pills
- ⇒ Drill-out pills spotted or squeezed

We recommend maintaining an 9.0-9.5 pH with Caustic.

Crooked hole can be a problem in this area past 8,000'.

We recommend that the surface pit system include the following:

- ⇒ <u>Pit Volume Totalizer</u>—This will monitor pit gains for kick control as well as pit losses for lost circulation control.
- Flo-Line Cleaner—This will allow removal of a wider range of solids that will eliminate the need for a conventional shale shaker, and increase the efficiency of the de-sander and de-silter.
- ⇒ Centrifuge This will allow for fine solids removal and barite recovery.
- ⇒ 100-200 barrel Slug Pit—For mixing LCM pills and pre-hydrating Gel.
- ⇒ Shale and Settling Pit By-Pass Canal—To reduce volumes when conditioning mud for DST's or added hole cleaning at total depth.

⇒ 1-1000 sack Barite Bins

By a depth of approximately 9,200', we recommend returning to the working pits and adding brine to increase the mud weight to 9.0-9.2 ppg for the Wolfcamp. Cut brine should be sufficient to drill to total depth.

Open Hole 10,500'-13,000'

Drill out from under casing with 10.0 ppg brine circulating through the working pits. By a depth of 10,900', or the top of the Strawn mud-up with a XCD Polymer/MF-55 system to achieve the following properties:

Mud Weight 10.1-10.2 Viscosity 34-36 Fluid Loss <12

The superior "shear thinning" properties of the XCD Polymer system will provide maximum penetration rates as well as excellent Barite suspension should it be necessary.

MF-55 is a non-ionic emulsion polymer that will chemically tie-up water. This "taking-on of water" effect has proven to minimize the depth of fluid invasion. MF-55 is also a selective flocculent and will aid in maintaining a cleaner fluid.

XC-102 is a biocide that will be required to prevent biodegradation of the XCD Polymer.

As drilling progresses to 11,200', formation pressure from the Atoka or Morrow could require mud weights from 10.5-12.0 ppg to control.

Consideration should be given to drilling slightly under-balanced (approximately .5 ppg) to maximize penetration rates. When drilling under-balanced, always have a heavy pill mixed for spotting on bottom for trips.

REDUCED FORMATION DAMAGE WITH XCD POLYMER

At 12,000', we recommend increasing the concentration of XCD Polymer to 1 3/4 to 2 ppb to achieve low shear-rate viscosity (LSRV). This concentration of XCD Polymer is necessary to accomplish the networking effect of the polymers. It is this networking effect of the Zanthan Gum polymer that gives it its unique ability to increase the LSRV.

By achieving elevated viscosity in the low shear region of the flow profile, lateral penetration of fluid into the formation is reduced. This will minimize damage to the Morrow formation caused by the migration of clays once the kaolinite booklets have been broken. Also, an additional benefit of reaching this flow profile is that hole cleaning is maximized.

LSRV is monitored by measuring the gel strength and the relaxation time of the fluid. Minimum gel strength values of 40-60 (.2 spring) and a relaxation measurement of 3 to 4 minutes are essential to provide the proper flow profile. The "relaxation measurement" directly measures the LSRV of the fluid. The **Brookfield Reometer** is also used in the field to correlate with the relaxation measurement.

Again, pull a few stands off bottom to avoid differential sticking should lost returns occur while drilling. Acid-soluble LCM materials may be used in potential pay zones.

This fluid, adjusted as shown in the "Recommended Mud Properties" section, or as hole conditions dictate, should provide good hole conditions for any testing, logging and casing operations.