

Submit To Appropriate District Office  
State Lease - 6 copies  
Fee Lease - 5 copies  
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  
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

Form C-105  
Revised June 10, 2003

WELL API NO.  
30-015-33154

5. Indicate Type of Lease  
STATE ☐ FEE ☒

State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well:  
OIL WELL ☐ GAS WELL ☒ DRY ☐ OTHER \_\_\_\_\_  
b. Type of Completion:  
NEW ☒ WORK ☐ DEEPEN ☐ PLUG ☐ DIFF.  
WELL OVER BACK RESVR. ☐ OTHER \_\_\_\_\_

7. Lease Name or Unit Agreement Name

Zeus #1

2. Name of Operator  
Nadel and Gussman Permian, L.L.C

8. Well No.  
1

3. Address of Operator  
601 N. Marienfeld, Suite 508  
Midland, TX 79701

9. Pool name or Wildcat

Undesignated Morrow  
S Culebra Bluff Atoka  
75740

4. Well Location

Unit Letter E : 1809 Feet From The N Line and 805 Feet From The W Line

Section 5 Township 23S Range 28E NMPM Eddy County

|                             |                                  |                                             |                                                              |                                  |
|-----------------------------|----------------------------------|---------------------------------------------|--------------------------------------------------------------|----------------------------------|
| 10. Date Spudded<br>1/15/04 | 11. Date T.D. Reached<br>3/19/04 | 12. Date Compl. (Ready to Prod.)<br>4/30/04 | 13. Elevations (DF& RKB, RT, GR, etc.)<br>3015' GL, KB 3034' | 14. Elev. Casinghead<br>3015' GL |
| 15. Total Depth<br>12,675'  | 16. Plug Back T.D.<br>12,370'    | 17. If Multiple Compl. How Many<br>Zones?   | 18. Intervals<br>Drilled By<br>100%                          | Cable Tools                      |

19. Producing Interval(s), of this completion - Top, Bottom, Name  
12,454' - 12,462' Morrow

20. Was Directional Survey Made  
NO

21. Type Electric and Other Logs Run  
CNDL, DLL

22. Was Well Cored  
NO

23. CASING RECORD (Report all strings set in well)

| CASING SIZE | WEIGHT LB./FT. | DEPTH SET | HOLE SIZE | CEMENTING RECORD | AMOUNT PULLED |
|-------------|----------------|-----------|-----------|------------------|---------------|
| 13-3/8"     | 48# H-40       | 400'      | 17-1/2"   | 350 SX Circ.     |               |
| 9-5/8"      | 40# I-80 LTC   | 5968'     | 12-1/4"   | 2603 SX Circ.    |               |
| 5-1/2"      | 20# L-80 LTC   | 12,675'   | 7-7/2"    | 1600 SX POZ      |               |

24. LINER RECORD

| SIZE | TOP | BOTTOM | SACKS CEMENT | SCREEN |
|------|-----|--------|--------------|--------|
|      |     |        |              |        |
|      |     |        |              |        |

25. TUBING RECORD

| SIZE   | DEPTH SET | PACKER SET |
|--------|-----------|------------|
| 2-7/8" | 11,213'   | 11,213'    |
|        |           |            |

26. Perforation record (interval, size, and number)

11,320 - 11,328 48 holes

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

| DEPTH INTERVAL | AMOUNT AND KIND MATERIAL USED |
|----------------|-------------------------------|
|                | None                          |

28. PRODUCTION

|                                  |                      |                                                                                |                           |                |                                         |                             |                 |
|----------------------------------|----------------------|--------------------------------------------------------------------------------|---------------------------|----------------|-----------------------------------------|-----------------------------|-----------------|
| Date First Production<br>4/30/04 |                      | Production Method (Flowing, gas lift, pumping - Size and type pump)<br>Flowing |                           |                | Well Status (Prod. or Shut-in)<br>Prod. |                             |                 |
| Date of Test<br>5/1/04           | Hours Tested<br>24   | Choke Size<br>10/64                                                            | Prod'n For<br>Test Period | Oil - Bbl<br>0 | Gas - MCF<br>746                        | Water - Bbl.<br>0           | Gas - Oil Ratio |
| Flow Tubing<br>Press.<br>5000#   | Casing Pressure<br>0 | Calculated 24-<br>Hour Rate                                                    | Oil - Bbl.                | Gas - MCF      | Water - Bbl.                            | Oil Gravity - API - (Corr.) |                 |

29. Disposition of Gas (Sold, used for fuel, vented, etc.)  
Sold

Test Witnessed By  
Ernie Little

30. List Attachments  
Wellbore Schematic, Deviation Report

31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief

Signature Kem McCreedy Printed Name Kem McCreedy Title Operations Engineer  
E-mail Address kemm@naguss.com

Date 5/24/04

# INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

## INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

| Southeastern New Mexico |                           | Northwestern New Mexico |                  |
|-------------------------|---------------------------|-------------------------|------------------|
| T. Anhy                 | T. Canyon 10,060'         | T. Ojo Alamo            | T. Penn. "B"     |
| T. Salt                 | T. Strawn 10,754'         | T. Kirtland-Fruitland   | T. Penn. "C"     |
| B. Salt                 | T. Atoka                  | T. Pictured Cliffs      | T. Penn. "D"     |
| T. Yates                | T. Miss                   | T. Cliff House          | T. Leadville     |
| T. 7 Rivers             | T. Devonian               | T. Menefee              | T. Madison       |
| T. Queen                | T. Silurian               | T. Point Lookout        | T. Elbert        |
| T. Grayburg             | T. Montoya                | T. Mancos               | T. McCracken     |
| T. San Andres           | T. Simpson                | T. Gallup               | T. Ignacio Otzte |
| T. Glorieta             | T. McKee                  | Base Greenhorn          | T. Granite       |
| T. Paddock              | T. Ellenburger            | T. Dakota               | T.               |
| T. Blinebry             | T. Gr. Wash               | T. Morrison             | T.               |
| T. Tubb                 | T. Delaware Sand 2425'    | T. Todilto              | T.               |
| T. Drinkard             | T. Bone Springs 5930'     | T. Entrada              | T.               |
| T. Abo                  | T. Atoka Clastics 11,275' | T. Wingate              | T.               |
| T. Wolfcamp 9425'       | T. Morrow 11,392'         | T. Chinle               | T.               |
| T. Penn                 | T. M. Clastics 11,932'    | T. Permian              | T.               |
| T. Cisco (Bough C)      | T. L. Morrow 12,310'      | T. Penn "A"             | T.               |

## OIL OR GAS SANDS OR ZONES

No. 1, from.....to.....  
 No. 2, from.....to.....  
 No. 3, from.....to.....  
 No. 4, from.....to.....

## IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from.....to.....feet.....  
 No. 2, from.....to.....feet.....  
 No. 3, from.....to.....feet.....

## LITHOLOGY RECORD (Attach additional sheet if necessary)

| From   | To     | Thickness<br>In Feet | Lithology    | From | To | Thickness<br>In Feet | Lithology |
|--------|--------|----------------------|--------------|------|----|----------------------|-----------|
| 3000'  | 5930'  | 2930'                | LS, SS, SH   |      |    |                      |           |
| 5930'  | 7680'  | 1750'                | LS, SH       |      |    |                      |           |
| 7680'  | 7980'  | 300'                 | LS, SS       |      |    |                      |           |
| 7980'  | 8960'  | 980'                 | LS, SH       |      |    |                      |           |
| 8960'  | 9430'  | 470'                 | LS, SS, SH   |      |    |                      |           |
| 9430'  | 11820' | 2390'                | LS, SH, CHRT |      |    |                      |           |
| 11820' | 12680' | 860'                 | LS, SS, SH   |      |    |                      |           |

MAR 19 2004

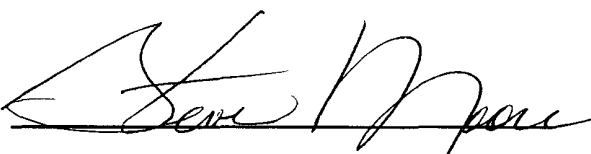
OPERATOR: NADEL & GUSSMAN  
WELL/LEASE: ZEUS #1  
COUNTY: EDDY

511-5040

STATE OF NEW MEXICO  
DEVIATION REPORT

|       |       |       |       |
|-------|-------|-------|-------|
| 117   | 3/4   | 6,159 | 1/2   |
| 363   | 3/4   | 6,271 | 3/4   |
| 701   | 3/4   | 6,303 | 3/4   |
| 1,021 | 3/4   | 6,398 | 3/4   |
| 1,305 | 1/2   | 6,587 | 6 1/4 |
| 1,525 | 3/4   | 6,618 | 7     |
| 1,620 | 1 1/4 |       |       |
| 1,714 | 1 1/2 |       |       |
| 1,809 | 2     |       |       |
| 1,908 | 1 3/4 |       |       |
| 2,037 | 2 1/4 |       |       |
| 2,097 | 2 1/2 |       |       |
| 2,160 | 2 3/4 |       |       |
| 2,223 | 2 1/4 |       |       |
| 2,286 | 2 1/4 |       |       |
| 2,348 | 2     |       |       |
| 2,411 | 1/2   |       |       |
| 2,505 | 1 1/4 |       |       |
| 2,600 | 1 1/2 |       |       |
| 2,852 | 1     |       |       |
| 3,134 | 3/4   |       |       |
| 3,497 | 1     |       |       |
| 3,731 | 3/4   |       |       |
| 3,982 | 3/4   |       |       |
| 4,267 | 3/4   |       |       |
| 4,550 | 3/4   |       |       |
| 4,846 | 3/4   |       |       |
| 5,161 | 1/2   |       |       |
| 5,445 | 3/4   |       |       |
| 5,740 | 3/4   |       |       |
| 5,932 | 1/2   |       |       |
| 6,145 | 2 3/4 |       |       |

RECEIVED  
MAY 21 2004  
OCD-ARTESIA

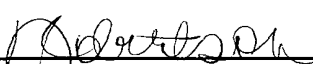
By: 

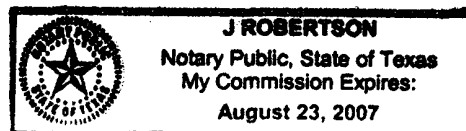
STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me on this 18th day of March, 2004, by Steve Moore on behalf of Patterson-UTI Drilling Company LP, LLLP.

My Commission Expires: 8/23/2007

  
Notary Public for Midland County, Texas



# NADEL AND GUSSMAN PERMIAN

## Zeus No. 1

Surf 1809' FNL, 805' FWL BHL 1980 FNL 660 FWL Sec 5, 23S, 28E, Eddy County, NM  
API # 30 - 015 - 33154-00

Elev: 3015', KB: 3034'

Current

13-3/8", 48#, H-40 @ 400'  
350 sx, cement circulated 50 sxs  
17-1/2" hole

9-5/8", 40#, L-80 LTC @ 5968'  
2603 sx, cement circulate 158 sxs  
12-1/4" hole

TOC @ 5750' CBL

RECEIVED  
MAY 21 2004  
OOP-ARTESIA

2-7/8" 6.5#, L-80 tbg  
w/ 2.25" F profile  
Arrow Smith 10 K packer @ 11,213'  
2 jts 2-7/8" tbg 11,221'  
Ported under balanced sub @ 11,283'  
Tbg release @ 11,284' (EOT)

Atoka Perfs 11,320-11,328 48 holes  
FISH 1 jt 2-7/8" tbg; mechanical firing head  
3' blank gun.  
8' perf gun; BP; propellant sleeve

CIBP set @ 12,400' capped w/ 30' cmt  
Morrow Perfs: 12,454' - 12,462' MD 48 holes

5-1/2", 20#, L-80 LTC @ 0-12,675' MD  
12,665 TVD  
1600 sxs POZ:H 14 ppg  
Est TOC NA'  
7-7/8" hole

PBTD @ 12,370' MD

TD @ 12,675' MD 12,665 TVD



# SURVEY CALCULATION PROGRAM

DIRECTIONAL DRILLING CONTRACTORS, LLC.

v1.00.02

|                                                      |                             |                         |      |
|------------------------------------------------------|-----------------------------|-------------------------|------|
| <b>OPERATOR:</b>                                     | NADEL&GUSSMANN PERMIAN,LLC. | <b>Supervisors:</b>     |      |
| <b>WELL:</b>                                         | ZEUS #1                     | TERRY PEARCY            |      |
| <b>LOCATION:</b>                                     | EDDY COUNTY, NEW MEXICO     |                         |      |
| <b>JOB NUMBER:</b>                                   | MDR-4026                    |                         |      |
| <b>COMMENTS:</b> RECEIVED                            |                             |                         |      |
| TIE-IN TO GYRO SURVEY<br>JUN 0 8 2004<br>OOP-ARTESIA |                             | <b>MAG DEC.(-/+)</b>    | 8.90 |
|                                                      |                             | <b>GRID CORR.(-/+)</b>  | 0.00 |
|                                                      |                             | <b>TOTAL CORR.(-/+)</b> | 8.90 |
| <b>DATE: 06/01/04</b>                                |                             | <b>TIME: 10:38 AM</b>   |      |
|                                                      |                             | TRUE TO GRID            |      |

| MINIMUM CURVATURE CALCULATIONS(SPE-3362) |      |      |             |      | PROPOSED DIRECTION |      |     | 220.3 | TARGET TRACKING      |                     |
|------------------------------------------|------|------|-------------|------|--------------------|------|-----|-------|----------------------|---------------------|
| SVY<br>NUM                               | MD   | INC  | TRUE<br>AZM | TVD  | SECT               | N-S  | E-W | DLS/  | TO CENTER            |                     |
|                                          |      |      |             |      |                    |      |     | 100   | ABOVE(+)<br>BELOW(-) | RIGHT(+)<br>LEFT(-) |
| TIE                                      | 6625 | 7.23 | 191.3       | 6621 | 41                 | -68  | 17  |       | 6279                 | -57                 |
| 1                                        | 6668 | 7.90 | 187.9       | 6664 | 46                 | -74  | 16  | 1.9   | 6236                 | -60                 |
| 2                                        | 6700 | 7.50 | 185.2       | 6695 | 50                 | -78  | 15  | 1.7   | 6205                 | -62                 |
| 3                                        | 6730 | 7.20 | 182.5       | 6725 | 53                 | -82  | 15  | 1.5   | 6175                 | -64                 |
| 4                                        | 6762 | 6.90 | 177.9       | 6757 | 56                 | -86  | 15  | 2.0   | 6143                 | -67                 |
| 5                                        | 6793 | 6.90 | 174.9       | 6788 | 58                 | -89  | 15  | 1.2   | 6112                 | -69                 |
| 6                                        | 6825 | 6.60 | 170.4       | 6819 | 61                 | -93  | 16  | 1.9   | 6081                 | -72                 |
| 7                                        | 6856 | 6.30 | 169.6       | 6850 | 63                 | -97  | 16  | 1.0   | 6050                 | -75                 |
| 8                                        | 6888 | 5.70 | 170.4       | 6882 | 65                 | -100 | 17  | 1.9   | 6018                 | -77                 |
| 9                                        | 6951 | 4.80 | 178.4       | 6945 | 69                 | -106 | 17  | 1.8   | 5955                 | -82                 |
| 10                                       | 6983 | 4.30 | 180.2       | 6977 | 71                 | -108 | 17  | 1.6   | 5923                 | -83                 |
| 11                                       | 7014 | 4.10 | 187.7       | 7008 | 73                 | -110 | 17  | 1.9   | 5892                 | -85                 |
| 12                                       | 7046 | 3.70 | 194.8       | 7040 | 75                 | -113 | 17  | 2.0   | 5860                 | -86                 |
| 13                                       | 7077 | 3.40 | 196.6       | 7070 | 77                 | -114 | 16  | 1.0   | 5830                 | -86                 |
| 14                                       | 7109 | 3.20 | 203.8       | 7102 | 78                 | -116 | 16  | 1.4   | 5798                 | -87                 |
| 15                                       | 7141 | 3.00 | 210.4       | 7134 | 80                 | -118 | 15  | 1.3   | 5766                 | -87                 |
| 16                                       | 7172 | 2.80 | 219.4       | 7165 | 82                 | -119 | 14  | 1.6   | 5735                 | -88                 |
| 17                                       | 7204 | 2.50 | 217.6       | 7197 | 83                 | -120 | 13  | 1.0   | 5703                 | -88                 |
| 18                                       | 7235 | 2.60 | 219.5       | 7228 | 85                 | -121 | 12  | 0.4   | 5672                 | -88                 |
| 19                                       | 7267 | 2.60 | 228.2       | 7260 | 86                 | -122 | 11  | 1.2   | 5640                 | -88                 |
| 20                                       | 7298 | 2.30 | 222.1       | 7291 | 87                 | -123 | 10  | 1.3   | 5609                 | -87                 |
| 21                                       | 7330 | 2.60 | 221.6       | 7323 | 89                 | -124 | 9   | 0.9   | 5577                 | -87                 |
| 22                                       | 7362 | 2.60 | 229.9       | 7355 | 90                 | -125 | 8   | 1.2   | 5545                 | -87                 |
| 23                                       | 7393 | 3.00 | 231.6       | 7386 | 92                 | -126 | 7   | 1.3   | 5514                 | -87                 |
| 24                                       | 7456 | 2.40 | 242.4       | 7449 | 94                 | -128 | 5   | 1.2   | 5451                 | -86                 |
| 25                                       | 7487 | 2.20 | 259.5       | 7480 | 95                 | -128 | 4   | 2.3   | 5420                 | -86                 |
| 26                                       | 7519 | 2.30 | 269.0       | 7512 | 96                 | -128 | 2   | 1.2   | 5388                 | -85                 |
| 27                                       | 7550 | 1.70 | 275.6       | 7543 | 97                 | -128 | 1   | 2.1   | 5357                 | -84                 |
| 28                                       | 7582 | 1.50 | 260.0       | 7575 | 98                 | -128 | 0   | 1.5   | 5325                 | -83                 |
| 29                                       | 7614 | 2.00 | 257.1       | 7607 | 98                 | -128 | -1  | 1.6   | 5293                 | -83                 |
| 30                                       | 7645 | 1.90 | 263.9       | 7638 | 99                 | -129 | -2  | 0.8   | 5262                 | -82                 |



# SURVEY CALCULATION PROGRAM

DIRECTIONAL DRILLING CONTRACTORS, LLC.

v1.00.02

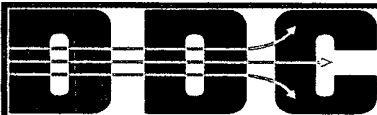
|                       |                             |                  |
|-----------------------|-----------------------------|------------------|
| OPERATOR:             | NADEL&GUSSMANN PERMIAN,LLC. | Supervisors:     |
| WELL:                 | ZEUS #1                     | TERRY PEARCY     |
| LOCATION:             | EDDY COUNTY, NEW MEXICO     |                  |
| JOB NUMBER:           | MDR-4026                    |                  |
| COMMENTS:             |                             |                  |
| TIE-IN TO GYRO SURVEY |                             | MAG DEC.(-/+)    |
|                       |                             | 8.90             |
|                       |                             | GRID CORR.(-/+)  |
|                       |                             | 0.00             |
|                       |                             | TOTAL CORR.(-/+) |
|                       |                             | 8.90             |

DATE: 06/01/04

TIME: 10:38 AM

TRUE TO GRID

| MINIMUM CURVATURE CALCULATIONS(SPE-3362) |      |      |             |      | PROPOSED DIRECTION |      |     | 220.3 | TARGET TRACKING      |                     |
|------------------------------------------|------|------|-------------|------|--------------------|------|-----|-------|----------------------|---------------------|
| SVY<br>NUM                               | MD   | INC  | TRUE<br>AZM | TVD  | SECT               | N-S  | E-W | DLS/  | TO CENTER            |                     |
|                                          |      |      |             |      |                    |      |     | 100   | ABOVE(+)<br>BELOW(-) | RIGHT(+)<br>LEFT(-) |
| 31                                       | 7676 | 2.10 | 253.6       | 7669 | 100                | -129 | -3  | 1.3   | 5231                 | -81                 |
| 32                                       | 7708 | 2.70 | 254.9       | 7701 | 101                | -129 | -4  | 1.9   | 5199                 | -80                 |
| 33                                       | 7740 | 2.20 | 263.0       | 7733 | 102                | -129 | -5  | 1.9   | 5167                 | -80                 |
| 34                                       | 7771 | 2.50 | 261.6       | 7764 | 103                | -130 | -7  | 1.0   | 5136                 | -79                 |
| 35                                       | 7805 | 2.40 | 253.0       | 7798 | 104                | -130 | -8  | 1.1   | 5102                 | -78                 |
| 36                                       | 7834 | 1.80 | 257.0       | 7827 | 105                | -130 | -9  | 2.1   | 5073                 | -77                 |
| 37                                       | 7866 | 2.20 | 264.3       | 7859 | 106                | -130 | -10 | 1.5   | 5041                 | -77                 |
| 38                                       | 7897 | 1.90 | 254.8       | 7890 | 107                | -131 | -11 | 1.5   | 5010                 | -76                 |
| 39                                       | 7929 | 2.50 | 260.6       | 7922 | 108                | -131 | -12 | 2.0   | 4978                 | -75                 |
| 40                                       | 7960 | 2.80 | 264.0       | 7953 | 109                | -131 | -14 | 1.1   | 4947                 | -74                 |
| 41                                       | 7992 | 2.80 | 264.1       | 7985 | 110                | -131 | -15 | 0.0   | 4915                 | -73                 |
| 42                                       | 8023 | 2.40 | 257.2       | 8016 | 111                | -131 | -17 | 1.6   | 4884                 | -72                 |
| 43                                       | 8055 | 2.70 | 258.6       | 8048 | 112                | -132 | -18 | 1.0   | 4852                 | -71                 |
| 44                                       | 8084 | 2.50 | 251.7       | 8077 | 113                | -132 | -19 | 1.3   | 4823                 | -71                 |
| 45                                       | 8116 | 2.40 | 262.2       | 8108 | 114                | -132 | -21 | 1.4   | 4792                 | -70                 |
| 46                                       | 8147 | 2.20 | 250.3       | 8139 | 115                | -133 | -22 | 1.7   | 4761                 | -69                 |
| 47                                       | 8179 | 1.90 | 249.7       | 8171 | 116                | -133 | -23 | 0.9   | 4729                 | -68                 |
| 48                                       | 8211 | 2.20 | 252.4       | 8203 | 117                | -133 | -24 | 1.0   | 4697                 | -68                 |
| 49                                       | 8242 | 2.50 | 240.0       | 8234 | 119                | -134 | -25 | 1.9   | 4666                 | -67                 |
| 50                                       | 8273 | 2.70 | 242.8       | 8265 | 120                | -135 | -27 | 0.8   | 4635                 | -67                 |
| 51                                       | 8305 | 2.70 | 240.6       | 8297 | 121                | -135 | -28 | 0.3   | 4603                 | -66                 |
| 52                                       | 8336 | 2.20 | 232.7       | 8328 | 123                | -136 | -29 | 1.9   | 4572                 | -66                 |
| 53                                       | 8368 | 2.20 | 242.8       | 8360 | 124                | -137 | -30 | 1.2   | 4540                 | -66                 |
| 54                                       | 8399 | 2.00 | 260.0       | 8391 | 125                | -137 | -31 | 2.1   | 4509                 | -65                 |
| 55                                       | 8431 | 2.30 | 269.9       | 8423 | 126                | -137 | -32 | 1.5   | 4477                 | -64                 |
| 56                                       | 8462 | 1.90 | 269.9       | 8454 | 126                | -137 | -33 | 1.3   | 4446                 | -63                 |
| 57                                       | 8494 | 2.00 | 264.1       | 8486 | 127                | -137 | -35 | 0.7   | 4414                 | -62                 |
| 58                                       | 8525 | 2.50 | 260.0       | 8517 | 128                | -137 | -36 | 1.7   | 4383                 | -62                 |
| 59                                       | 8557 | 2.80 | 255.4       | 8549 | 129                | -138 | -37 | 1.1   | 4351                 | -61                 |
| 60                                       | 8589 | 2.80 | 248.3       | 8581 | 130                | -138 | -39 | 1.1   | 4319                 | -60                 |
| 61                                       | 8620 | 3.00 | 249.0       | 8612 | 132                | -139 | -40 | 0.7   | 4288                 | -59                 |



# SURVEY CALCULATION PROGRAM

DIRECTIONAL DRILLING CONTRACTORS, LLC.

v1.00.02

|                       |                             |                  |
|-----------------------|-----------------------------|------------------|
| OPERATOR:             | NADEL&GUSSMANN PERMIAN,LLC. | Supervisors:     |
| WELL:                 | ZEUS #1                     | TERRY PEARCY     |
| LOCATION:             | EDDY COUNTY, NEW MEXICO     |                  |
| JOB NUMBER:           | MDR-4026                    |                  |
| COMMENTS:             |                             |                  |
| TIE-IN TO GYRO SURVEY |                             | MAG DEC.(-/+)    |
|                       |                             | 8.90             |
|                       |                             | GRID CORR.(-/+)  |
|                       |                             | 0.00             |
|                       |                             | TOTAL CORR.(-/+) |
|                       |                             | 8.90             |

DATE: 06/01/04

TIME: 10:38 AM

TRUE TO GRID

| MINIMUM CURVATURE CALCULATIONS(SPE-3362) |      |      |       |      | PROPOSED DIRECTION |      | 220.3 | TARGET TRACKING |          |
|------------------------------------------|------|------|-------|------|--------------------|------|-------|-----------------|----------|
|                                          |      |      |       |      |                    |      |       | TO CENTER       |          |
| SVY                                      | MD   | INC  | TRUE  |      |                    |      | DLS/  | ABOVE(+)        | RIGHT(+) |
| NUM                                      |      |      | AZM   | TVD  | SECT               | N-S  | E-W   | 100             | BELOW(-) |
| 62                                       | 8652 | 2.90 | 246.3 | 8644 | 133                | -139 | -42   | 0.5             | 4256     |
| 63                                       | 8683 | 2.90 | 246.1 | 8675 | 135                | -140 | -43   | 0.0             | 4225     |
| 64                                       | 8715 | 2.60 | 236.7 | 8707 | 136                | -141 | -44   | 1.7             | 4193     |
| 65                                       | 8746 | 3.00 | 243.3 | 8738 | 138                | -142 | -46   | 1.7             | 4162     |
| 66                                       | 8778 | 2.50 | 248.1 | 8770 | 139                | -142 | -47   | 1.7             | 4130     |
| 67                                       | 8809 | 3.00 | 258.7 | 8801 | 140                | -143 | -49   | 2.3             | 4099     |
| 68                                       | 8841 | 3.00 | 257.1 | 8833 | 141                | -143 | -50   | 0.3             | 4067     |
| 69                                       | 8872 | 3.10 | 259.9 | 8864 | 143                | -143 | -52   | 0.6             | 4036     |
| 70                                       | 8904 | 3.00 | 261.7 | 8896 | 144                | -144 | -53   | 0.4             | 4004     |
| 71                                       | 8936 | 2.90 | 258.2 | 8928 | 145                | -144 | -55   | 0.6             | 3972     |
| 72                                       | 8967 | 2.80 | 259.3 | 8959 | 147                | -144 | -57   | 0.4             | 3941     |
| 73                                       | 8999 | 2.70 | 260.5 | 8991 | 148                | -144 | -58   | 0.4             | 3909     |
| 74                                       | 9030 | 2.80 | 259.4 | 9022 | 149                | -145 | -60   | 0.4             | 3878     |
| 75                                       | 9061 | 3.10 | 261.9 | 9053 | 150                | -145 | -61   | 1.1             | 3847     |
| 76                                       | 9093 | 3.00 | 261.6 | 9084 | 151                | -145 | -63   | 0.3             | 3816     |
| 77                                       | 9124 | 3.00 | 263.9 | 9115 | 153                | -145 | -64   | 0.4             | 3785     |
| 78                                       | 9156 | 3.10 | 265.1 | 9147 | 154                | -146 | -66   | 0.4             | 3753     |
| 79                                       | 9187 | 3.30 | 261.6 | 9178 | 155                | -146 | -68   | 0.9             | 3722     |
| 80                                       | 9219 | 3.60 | 253.6 | 9210 | 157                | -146 | -70   | 1.8             | 3690     |
| 81                                       | 9250 | 3.60 | 255.0 | 9241 | 158                | -147 | -72   | 0.3             | 3659     |
| 82                                       | 9282 | 3.20 | 251.4 | 9273 | 160                | -147 | -73   | 1.4             | 3627     |
| 83                                       | 9313 | 2.90 | 243.7 | 9304 | 161                | -148 | -75   | 1.6             | 3596     |
| 84                                       | 9345 | 3.00 | 246.0 | 9336 | 163                | -149 | -76   | 0.5             | 3564     |
| 85                                       | 9376 | 2.90 | 241.6 | 9367 | 164                | -149 | -78   | 0.8             | 3533     |
| 86                                       | 9408 | 2.40 | 249.7 | 9399 | 166                | -150 | -79   | 1.9             | 3501     |
| 87                                       | 9439 | 2.20 | 261.7 | 9430 | 167                | -150 | -80   | 1.7             | 3470     |
| 88                                       | 9471 | 2.30 | 263.7 | 9462 | 167                | -150 | -82   | 0.4             | 3438     |
| 89                                       | 9502 | 2.40 | 266.8 | 9493 | 168                | -150 | -83   | 0.5             | 3407     |
| 90                                       | 9534 | 2.30 | 260.5 | 9525 | 169                | -151 | -84   | 0.9             | 3375     |
| 91                                       | 9565 | 2.50 | 250.3 | 9556 | 170                | -151 | -85   | 1.5             | 3344     |
| 92                                       | 9597 | 2.80 | 249.3 | 9588 | 172                | -151 | -87   | 0.9             | 3312     |



DIRECTIONAL DRILLING CONTRACTORS, LLC.

# SURVEY CALCULATION PROGRAM

v1.00.02

|                                                 |           |                             |             |                           |             |                         |            |                        |                 |                 |
|-------------------------------------------------|-----------|-----------------------------|-------------|---------------------------|-------------|-------------------------|------------|------------------------|-----------------|-----------------|
| <b>OPERATOR:</b>                                |           | NADEL&GUSSMANN PERMIAN,LLC. |             |                           |             | <b>Supervisors:</b>     |            |                        |                 |                 |
| <b>WELL:</b>                                    |           | ZEUS #1                     |             |                           |             | <b>TERRY PEARCY</b>     |            |                        |                 |                 |
| <b>LOCATION:</b>                                |           | EDDY COUNTY, NEW MEXICO     |             |                           |             |                         |            |                        |                 |                 |
| <b>JOB NUMBER:</b>                              |           | MDR-4026                    |             |                           |             |                         |            |                        |                 |                 |
| <b>COMMENTS:</b>                                |           |                             |             |                           |             |                         |            |                        |                 |                 |
| TIE-IN TO GYRO SURVEY                           |           |                             |             |                           |             | <b>MAG DEC.(-/+)</b>    |            | 8.90                   |                 |                 |
|                                                 |           |                             |             |                           |             | <b>GRID CORR.(-/+)</b>  |            | 0.00                   |                 |                 |
|                                                 |           |                             |             |                           |             | <b>TOTAL CORR.(-/+)</b> |            | 8.90                   |                 |                 |
| <b>DATE: 06/01/04</b>                           |           |                             |             | <b>TIME: 10:38 AM</b>     |             | TRUE TO GRID            |            | ▼                      |                 |                 |
| <b>MINIMUM CURVATURE CALCULATIONS(SPE-3362)</b> |           |                             |             | <b>PROPOSED DIRECTION</b> |             | 220.3                   |            | <b>TARGET TRACKING</b> |                 |                 |
|                                                 |           |                             |             |                           |             |                         |            | <b>TO CENTER</b>       |                 |                 |
| <b>SVY</b>                                      | <b>MD</b> | <b>INC</b>                  | <b>TRUE</b> | <b>TVD</b>                | <b>SECT</b> | <b>N-S</b>              | <b>E-W</b> | <b>DLS/</b>            | <b>ABOVE(+)</b> | <b>RIGHT(+)</b> |
| <b>NUM</b>                                      |           |                             | <b>AZM</b>  |                           |             |                         |            | <b>100</b>             | <b>BELOW(-)</b> | <b>LEFT(-)</b>  |
| 93                                              | 9628      | 2.80                        | 240.6       | 9619                      | 173         | -152                    | -88        | 1.4                    | 3281            | -31             |
| 94                                              | 9660      | 3.20                        | 243.8       | 9651                      | 175         | -153                    | -90        | 1.4                    | 3249            | -30             |
| 95                                              | 9692      | 2.80                        | 249.2       | 9683                      | 176         | -153                    | -91        | 1.5                    | 3217            | -30             |
| 96                                              | 9723      | 2.90                        | 243.7       | 9714                      | 177         | -154                    | -93        | 0.9                    | 3186            | -29             |
| 97                                              | 9755      | 2.70                        | 243.1       | 9746                      | 179         | -155                    | -94        | 0.6                    | 3154            | -28             |
| 98                                              | 9786      | 2.60                        | 250.1       | 9777                      | 180         | -155                    | -95        | 1.1                    | 3123            | -28             |
| 99                                              | 9816      | 2.30                        | 249.6       | 9807                      | 181         | -156                    | -97        | 1.0                    | 3093            | -27             |
| 100                                             | 9850      | 2.40                        | 258.8       | 9841                      | 182         | -156                    | -98        | 1.1                    | 3059            | -26             |
| 101                                             | 9879      | 2.00                        | 260.4       | 9870                      | 183         | -156                    | -99        | 1.4                    | 3030            | -26             |
| 102                                             | 9911      | 2.20                        | 254.4       | 9901                      | 184         | -157                    | -100       | 0.9                    | 2999            | -25             |
| 103                                             | 9942      | 2.50                        | 261.8       | 9932                      | 185         | -157                    | -101       | 1.4                    | 2968            | -24             |
| 104                                             | 9974      | 2.60                        | 261.5       | 9964                      | 186         | -157                    | -103       | 0.3                    | 2936            | -23             |
| 105                                             | 10005     | 2.60                        | 259.6       | 9995                      | 187         | -157                    | -104       | 0.3                    | 2905            | -22             |
| 106                                             | 10036     | 2.30                        | 257.6       | 10026                     | 188         | -158                    | -105       | 1.0                    | 2874            | -21             |
| 107                                             | 10068     | 2.20                        | 256.9       | 10058                     | 189         | -158                    | -107       | 0.3                    | 2842            | -21             |
| 108                                             | 10100     | 2.40                        | 255.4       | 10090                     | 190         | -158                    | -108       | 0.7                    | 2810            | -20             |
| 109                                             | 10131     | 2.50                        | 255.0       | 10121                     | 192         | -159                    | -109       | 0.3                    | 2779            | -19             |
| 110                                             | 10163     | 2.70                        | 254.3       | 10153                     | 193         | -159                    | -111       | 0.6                    | 2747            | -18             |
| 111                                             | 10194     | 2.40                        | 254.3       | 10184                     | 194         | -159                    | -112       | 1.0                    | 2716            | -18             |
| 112                                             | 10226     | 2.40                        | 248.6       | 10216                     | 195         | -160                    | -113       | 0.7                    | 2684            | -17             |
| 113                                             | 10257     | 2.20                        | 252.0       | 10247                     | 196         | -160                    | -114       | 0.8                    | 2653            | -16             |
| 114                                             | 10289     | 2.20                        | 250.9       | 10279                     | 197         | -161                    | -116       | 0.1                    | 2621            | -16             |
| 115                                             | 10321     | 2.80                        | 254.4       | 10311                     | 198         | -161                    | -117       | 1.9                    | 2589            | -15             |
| 116                                             | 10352     | 2.90                        | 258.4       | 10342                     | 200         | -161                    | -118       | 0.7                    | 2558            | -14             |
| 117                                             | 10383     | 3.10                        | 259.0       | 10373                     | 201         | -162                    | -120       | 0.7                    | 2527            | -13             |
| 118                                             | 10415     | 3.10                        | 263.4       | 10405                     | 202         | -162                    | -122       | 0.7                    | 2495            | -12             |
| 119                                             | 10445     | 2.90                        | 255.4       | 10435                     | 203         | -162                    | -123       | 1.5                    | 2465            | -11             |
| 120                                             | 10476     | 2.60                        | 254.4       | 10466                     | 205         | -163                    | -125       | 1.0                    | 2434            | -10             |
| 121                                             | 10508     | 2.90                        | 249.0       | 10498                     | 206         | -163                    | -126       | 1.2                    | 2402            | -9              |
| 122                                             | 10539     | 3.30                        | 250.4       | 10529                     | 207         | -164                    | -128       | 1.3                    | 2371            | -8              |
| 123                                             | 10571     | 3.50                        | 255.9       | 10561                     | 209         | -164                    | -130       | 1.2                    | 2339            | -7              |



# SURVEY CALCULATION PROGRAM

DIRECTIONAL DRILLING CONTRACTORS, LLC.

v1.00.02

|                       |                             |                  |              |
|-----------------------|-----------------------------|------------------|--------------|
| OPERATOR:             | NADEL&GUSSMANN PERMIAN,LLC. | Supervisors:     |              |
| WELL:                 | ZEUS #1                     | TERRY PEARCY     |              |
| LOCATION:             | EDDY COUNTY, NEW MEXICO     |                  |              |
| JOB NUMBER:           | MDR-4026                    |                  |              |
| COMMENTS:             |                             |                  |              |
| TIE-IN TO GYRO SURVEY |                             | MAG DEC.(-/+)    | 8.90         |
|                       |                             | GRID CORR.(-/+)  | 0.00         |
|                       |                             | TOTAL CORR.(-/+) | 8.90         |
| DATE: 06/01/04        |                             | TIME: 10:38 AM   | TRUE TO GRID |

| MINIMUM CURVATURE CALCULATIONS(SPE-3362) |       |      |       |       |      |      |      |     |      | PROPOSED DIRECTION  220.3 |  | TARGET TRACKING |          |
|------------------------------------------|-------|------|-------|-------|------|------|------|-----|------|---------------------------|--|-----------------|----------|
|                                          |       |      |       |       |      |      |      |     |      |                           |  | TO CENTER       |          |
| SVY                                      | MD    | INC  | TRUE  |       |      |      |      |     |      | DLS/                      |  | ABOVE(+)        | RIGHT(+) |
| NUM                                      |       |      | AZM   | TVD   | SECT | N-S  | E-W  |     | 100  |                           |  | BELOW(-)        | LEFT(-)  |
| 124                                      | 10602 | 3.20 | 250.7 | 10592 | 210  | -165 | -131 | 1.4 | 2308 | -6                        |  |                 |          |
| 125                                      | 10665 | 2.20 | 254.1 | 10655 | 213  | -166 | -134 | 1.6 | 2245 | -5                        |  |                 |          |
| 126                                      | 10697 | 2.50 | 247.2 | 10687 | 214  | -166 | -135 | 1.3 | 2213 | -4                        |  |                 |          |
| 127                                      | 10728 | 2.00 | 251.2 | 10718 | 215  | -166 | -136 | 1.7 | 2182 | -4                        |  |                 |          |
| 128                                      | 10760 | 1.90 | 245.5 | 10750 | 216  | -167 | -137 | 0.7 | 2150 | -3                        |  |                 |          |
| BIT                                      | 10827 | 1.70 | 245.0 | 10817 | 218  | -168 | -139 | 0.3 | 2083 | -2                        |  |                 |          |

Get Projection to TD  
1977' FNL / 670' FWL

**NADEL AND GUSSMAN PERMIAN, L.L.C.**

601 N. Marienfeld, Suite #508

Midland, Texas 79701

(915) 682-4429

Fax (915) 682-4325

Mr. Bryan Arrant - Geologist  
New Mexico Oil Conservation Division  
District II  
1301 West Grand, Artesia, NM 87210

Zeus Fee

Well #1

1809' FNL, 805' FWL Sec. 5, T 23S, R 28E  
API 30-015-33154

RECEIVED

JUN 08 2004

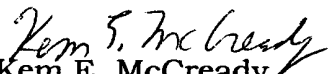
OCD-ARTESIA

Dear Bryan,

I have enclosed the survey calculations from Directional Drilling Contractors. We kicked this well off at 6145' MD. At 10827' MD we brought the well back to vertical. Shortly after we brought the well back to vertical we drilled through the Atoka and had to increase our mud weight due to formation pressure. After we increased our mud weight we encountered some lost circulation and the well started getting sticky. At this point from 10,827 to TD we determined that well conditions did not allow us to run additional inclination surveys.

Please contact me if you have any questions.

Yours truly,

  
Kem E. McCready  
Operations Engineer  
Nadel and Gussman Permian