

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

|   |  |   |
|---|--|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER  |  | 5. Lease Serial No.<br>NM 19842A  |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone          |  | 6. If Indian, Allottee or Tribe Name  |
| 2. Name of Operator<br>Nadel Gussman Permian, L.L.C. 155615   |  | 7. If Unit or CA Agreement, Name and No.  |
| 3a. Address<br>601 N. Marienfeld, TX 79701  |  | 8. Lease Name and Well No.<br>Artemis Federal Com #2 34713                            |
| 3b. Phone No. (include area code)<br>(432) 682-4429   |  | 9. API Well No.<br>30-015- 34391  |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *)<br>At surface 1,200' FSL & 1,400' FEL <b>SUBJECT TO LIKE APPROVAL BY STATE</b><br>At proposed prod. zone 1,500' FSL & 1,980' FEL |  | 10. Field and Pool, or Exploratory<br>Dublin Ranch Morrow (76140)                     |
| 14. Distance in miles and direction from nearest town or post office*<br>South East of Carlsbad 7 miles.  |  | 11. Sec., T., R., M., or Blk. and Survey or Area<br>Sec. 33 T22S R28E<br>UL O<br>UL J |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,200' FSL  |  | 12. County or Parish<br>Eddy County   |
| 16. No. of Acres in lease<br>320 acres  |  | 13. State<br>NM   |
| 17. Spacing Unit dedicated to this well<br>320 acres South 1/2 Sec. 33  |  |   |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3,251'   |  | 20. BLM/BIA Bond No. on file<br>NM 2812   |
| 19. Proposed Depth<br>12,900'   |  | 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br>3,044'                         |
| 22. Approximate date work will start*<br>October 15, 2005   |  | 23. Estimated duration<br>47  |

24. Attachments

CARLSBAD CONTROLLED WATER BASIN

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.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification.   |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

|                                     |                                     |                  |
|-------------------------------------|-------------------------------------|------------------|
| 25. Signature<br><i>Josh Fernau</i> | Name (Printed Typed)<br>Josh Fernau | Date<br>09/21/05 |
|-------------------------------------|-------------------------------------|------------------|

Title

Staff Engineer

|   |                                     |                  |
|---|-------------------------------------|------------------|
| Approved by (Signature)<br><i>Joe G. Lara</i> | Name (Printed Typed)<br>Joe G. Lara | Date<br>10/21/05 |
|---|-------------------------------------|------------------|

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)

WITNESS: 13 3/8" Cement Job

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

*7.5*  
*2.6*

# Exhibit #1

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

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

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico  
Energy, Minerals and Natural Resources Department

## OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

### WELL LOCATION AND ACREAGE DEDICATION PLAT

|               |  |                    |
|---------------|--|--------------------|
| API Number    | Pool Code                                  | Pool Name          |
| Property Code | Property Name<br>ARTEMIS FEDERAL COM       | Well Number<br>2   |
| OGRID No.     | Operator Name<br>NADEL AND GUSSMAN PERMIAN | Elevation<br>3044' |

#### Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| O             | 33      | 22 S     | 28 E  |         | 1200          | SOUTH            | 1400          | 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J             | 33      | 22 S     | 28 E  |         | 1500          | SOUTH            | 1980          | EAST           | EDDY   |

|                                |                 |                    |           |
|--------------------------------|-----------------|--------------------|-----------|
| Dedicated Acres<br><b>3.20</b> | Joint or Infill | 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

|  |   |
|--|---|
| <p><b>BOTTOM HOLE</b><br/>Lat.: N32°20'45.8"<br/>Long.: W104°05'25.3"<br/>N 489709.423<br/>E 616376.532<br/>(NAD 83)</p> <p><b>SURFACE LOCATION</b><br/>Lat.: N32°20'42.8"<br/>Long.: W104°05'18.5"<br/>N 489409.423<br/>E 616956.532<br/>(NAD 83)</p> <p>B.H. 3055.8'<br/>3046.1'<br/>3046.4'<br/>3042.8'</p> | <p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Josh Fernau</i><br/>Signature<br/>Josh Fernau<br/>Printed Name<br/>Staff Engineer<br/>Title<br/>09/21/05<br/>Date</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>SEPTEMBER 10, 2005<br/>Date Surveyed<br/>Signature of Professional Surveyor<br/>Professional Surveyor<br/>No. 5785<br/>Certificate No. Gary L. Jones 7977</p> <p><b>Basin Surveys</b></p> |
|--|---|

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

State of New Mexico  
Energy Minerals and Natural Resources

Form C-144  
June 1, 2004

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 ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Nadel and Gussman Permian, LLC Telephone: 432-682-4429 e-mail address: joshf@naguss.com  
Address: 601 N. Marienfeld, Suite 508 Midland, TX 70701  
Facility or well name: Artemis Federal Com #2 API #: 30-015- U/L or Qtr/Qtr O Sec 33 T 22S R 28E  
County: Eddy, NM Latitude N32 deg 20' 42.8" Longitude W104 deg 05' 18.5" NAD: 1927 ☐ 1983 ☒ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

**Pit**

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐

Pit Volume 20,000 bbl

**Below-grade tank**

Volume:        bbl Type of fluid:                                 

Construction material:                                 

Double-walled, with leak detection? Yes ☐ If not, explain why not.                                 

|   |   |              |
|---|---|--------------|
| Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)                                  | Less than 50 feet                         | (20 points)  |
|   | 50 feet or more, but less than 100 feet   | (10 points)  |
|   | 100 feet or more                          | ( 0 points)X |
| Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)       | Yes                                       | (20 points)  |
|   | No  | ( 0 points)X |
| Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.) | Less than 200 feet                        | (20 points)  |
|   | 200 feet or more, but less than 1000 feet | (10 points)X |
|   | 1000 feet or more                         | ( 0 points)  |
| Ranking Score (Total Points)  |   | 10           |

**If this is a pit closure:** (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility                                 . (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface                                  ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

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 guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 09/21/05

Printed Name/Title Josh Fernau Staff Engineer

Signature 

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Field Supervisor

Printed Name/Title

Signature 

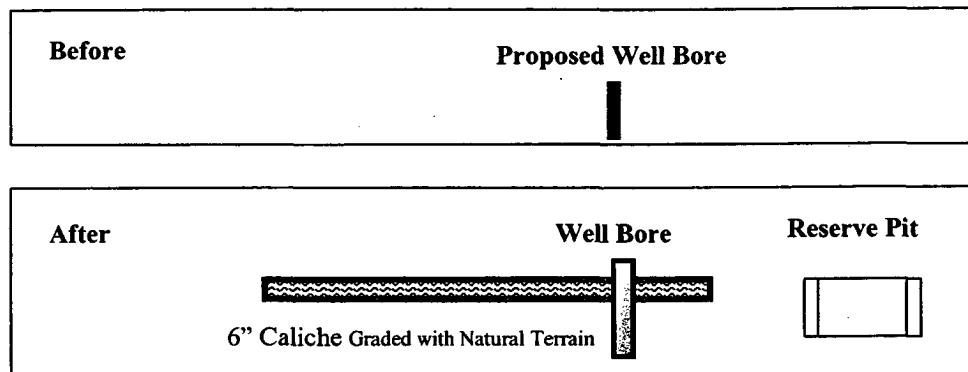
OCT 21 2005

### **13 Point Land Use Plan**

1. **Existing Roads** - A small scale vicinity map is attached (**Exhibit #4**) which shows the location of this well in relation to an aerial view of surrounding townships and ranges. A larger scale topographical map is (**Exhibit #5**) shows the location of the well. From the junction of Co. Rd. 605 and Co. Rd. 607, go southeast on 605 for 1.4 mile to lease road; thence southwest on lease road for 0.8 mile; thence southwest on lease for 0.5 mile to proposed lease road.
2. **Planned Access Roads** – An access road from the location to the nearest exit leaving the lease, which is shown on (**Exhibit #3**), will have to be constructed. The lease is not fenced and a cattle guard or gate may not be needed.
3. **Location of Existing Wells** –The Artemis Federal #1, operated by Nadel and Gussman Permian, LLC is located in Section 33, T22S-R28E, 1,650' FSL & 660' FWL. The Harroun Com #1, operated by Unit Petroleum is located in Section 33, T22S-R28E 660' FNL & 1,980' FEL. The Harroun Com #2, operated by Unit Petroleum is located in Section 33, T22S-R28E 660' FNL & 1,000' FWL. The Schalk Federal Com 33 #1 is located in Section 33, T22S-R28E 660' FSL and 1,980' FEL, which is P & A.
4. **Location of Tank Batteries, Production Facilities & Lines** –
  - We anticipate gas production from the Atoka and Morrow, 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.
  - Pipe lines will be used to transport the sales of the natural gas using the access road to location.
  - We will also have a line heater and separator on location. All produced fluids from the Atoka or Morrow 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 water will be supplied by neighboring water well and salt water will be trucked from the most economical location by a third- party contractor.
6. **Source of Construction Material** - Primary source of caliche will be the closest most economical existing federal pit preceded by the proper documentation and approval.

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.
8. Ancillary Facilities – There are no camps or airstrips planned.
9. Well Site Layout – The well site (see **Exhibit #1 NMOCD C-102 Form**) has been staked and is also indicated on the enclosed maps (**Exhibits #1, #3, #4 & #5**). The drilling site is mainly Upton soils with gray sandy loams intermixed with gravels and cobbles. The drilling pad will be graded covered by 6" caliche and 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:



10. 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.

11. Other Information –

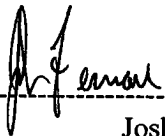
- Topography – The proposed well location is on a bluff overlooking the Pecos River.
- Soil Characteristics – Upton soils with gray sandy loams intermixed with gravels and cobbles.
- Flora – Vegetation is scrub mesquite, four-wing saltbush, creosote bush, prickly pear cactus, snakeweed, and sparse grasses. There is an estimated 70% surface visibility.
- Fauna – rabbits, mice, rats, birds, deer and snakes
- Other Surface Use Activities – N/A

- Surface Ownership – BLM.
- Water Wells – No water wells within 1000' of the location.
- Lakes, Streams, Ponds – The Pacos River is at an average distance of less than 1,000' (**Exhibit #5**).
- Dwellings – There are no inhabited structure within 1000' of the location.
- Archeological Summary – It is recommended that construction of the proposed well location and access road precede without any additional cultural resource investigations.

12. Operator's Representative -

|               |              |                |
|---------------|--------------|----------------|
| Joel Martin   | Office Phone | (432) 682-4429 |
|               | Home Phone   | (432) 694-2569 |
|               | Mobile Phone | (432) 238-9969 |
| Josh Fernau   | Office Phone | (432) 682-4429 |
|               | Home Phone   | (806) 978-1523 |
|               | Mobile Phone | (432) 238-2874 |
| Teddy Rowland | Office Phone | (505) 746-1428 |
|               | Home Phone   | (505) 746-4970 |
|               | Mobile Phone | (505) 513-1499 |

13. 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 a construction company or their contractors and sub-contractors in conformity with this plan.

  
-----  
Josh Fernau  
Staff Engineer  
Date: 09/21/05

## **13 Point Drilling Plan:**

1. Location: (SHL) 1,200' FSL & 1,400' FEL, UL O Sec. 33, T-22-S, R-28-E, (BHL) (BHL) 1,500' FSL & 1,980' FEL, UL J Sec. 33, T-22-S, R-28-E, Eddy County, New Mexico (**Form C-102**).
2. Elevation: 3,044' GL.
3. Geological Name of Surface Formation: Upton Soils located on a bluff overlooking the Pecos River.
4. Type of Drilling Tools to be utilized: Rotary Tools.
5. Proposed Drilling Depth: 12,900'.
6. Tops of Important Geological Markers:

|              |        |        |         |                |         |
|--------------|--------|--------|---------|----------------|---------|
| Delaware     | 2,620' | Canyon | 10,074' | Atoka Clastics | 11,396' |
| Bone Springs | 6,030' | Strawn | 10,884' | Morrow         | 11,519' |
| Wolfcamp     | 9,529' | Atoka  | 11,154' | Lower Morrow   | 12,433' |

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

|     |                 |         |
|-----|-----------------|---------|
| Oil | -Delaware       | 2,620'  |
| Oil | -Bone Spring    | 0,030'  |
| Oil | -Wolfcamp       | 9,529'  |
| Gas | -Atoka Clastics | 11,396' |
| Gas | -Lower Morrow   | 12,433' |

8. Casing Program:

| <u>Hole Size</u> | <u>Interval</u> | <u>OD Casing</u> | <u>Weight Grade Jt.</u> | <u>Cement</u> |
|------------------|-----------------|------------------|-------------------------|---------------|
| 17 ½"            | 0-300'          | 13 3/8"          | 48# H-40                | Surface       |
| 12 ¼"            | 0-6,100'        | 9 5/8"           | 40# N-80 and P-110      | Surface       |
| 8 3/4"           | 0-12,900'       | 5 ½"             | 17# S-95 and 20# P-110  | TOC 4,500'    |

9. Specifications for Pressure Control Equipment: (Exhibit #6)

This rig will have a 13 5/8" 5M BOP Shaffer with pipe rams and blind rams, kill line, 10,000 psi choke manifold, Camron hydraulic controls, and accumulator with remote controls. When setting up, will test BOP and choke to 1,500psi with 3<sup>rd</sup> party tester, will operate BOP once a day or as directed by the company representative. The surface and intermediate will be witnessed by a BLM representative.

**10. Mud Program:**

The well will be drilled to TD with a combination of brine, cut brine, and XCD Polymer mud system.

| <u>Depth</u> | <u>Type</u> | <u>Wt</u> | <u>Viscosity</u> | <u>Waterloss</u> |
|--------------|-------------|-----------|------------------|------------------|
| 0-300'       | FW          | 8.5#      | 40-45            | NC               |
| 300'-6,100'  | CB          | 10.0#     | 30-32            | NC               |
| 6,100'-TD    | CB/XCDPLY   | 8.8-10.0# | 32-45            | 10               |

**11. Testing, Logging & Coring Program:**

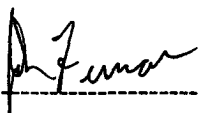
- a. Testing: No DST's are expected.
- b. Coring: no coring is planned.
- c. Logging: open hole logs will be run prior to running production casing. The standard suite will be a Dual Lateral/ ML and GR/Density/Neutron combination.
- d. Depending on the sand quality, a FMI and/or formation tester may be run.
- e. Open hole logs will not be run through the surface hole section.

**12. Potential Hazards:**

No significant hazards are expected. Lost circulation may occur, no H<sub>2</sub>S expected, but the operator will utilize a 3<sup>rd</sup> party H<sub>2</sub>S monitoring package from 6,100' to TD.

**13. Anticipated Starting Date & Duration:**

Plans are to begin drilling operations about October 15, 2005, approximately 47 days will be required to drill the well and 10 days will be needed for the completion.



Josh Fernau  
Staff Engineer  
Date: 09/21/05



## **Hydrogen Sulfide Drilling Operations Plan**

1. Company and Contract personnel admitted on location should be trained by a qualified H<sub>2</sub>S safety instructor to the following:
  - A. Characteristics of H<sub>2</sub>S.
  - B. Physical Effects and Hazards.
  - C. Proper Use of Safety Equipment and Life Support Systems.
  - D. Principle and Operation of H<sub>2</sub>S Detectors, Warning System and Briefing.
  - E. Evacuation Procedure, Routes and First Aid.
  - F. Proper Use of 30 minute Pressure Demand Air Pack.
2. H<sub>2</sub>S Detection and Alarm Systems
  - A. H<sub>2</sub>S 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 H<sub>2</sub>S 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 H<sub>2</sub>S has on tubular goods and other mechanical equipment.
9. If H<sub>2</sub>S Encountered, Mud system will be Altered if Necessary to Maintain Control of Formation. A Mud Gas Separator will be Brought into Service Along with H<sub>2</sub>S Scavengers if Necessary.

## Exhibit #2

| <b>Company:</b> Nadel & Gussman<br><b>Field:</b> Artemis Fed. Com #2<br><b>Site:</b> Artemis Federal Com #2<br><b>Well:</b> 2<br><b>Wellpath:</b> 1 | <b>Date:</b> 9/20/2005<br><b>Co-ordinate(NE) Reference:</b> Well: 2, Grid North<br><b>Vertical (TVD) Reference:</b> SITE 0.0<br><b>Section (VS) Reference:</b> User (0.00N,0.00E,297.35Azi)<br><b>Plan:</b> Plan #3 | <b>Time:</b> 09:20:26<br><b>Page:</b> 1   |           |             |             |                  |                    |                    |                   |            |
|---|---|---|-----------|-------------|-------------|------------------|--------------------|--------------------|-------------------|------------|
| <b>Field:</b> Artemis Fed. Com #2   |   |   |           |             |             |                  |                    |                    |                   |            |
| <b>Map System:</b> US State Plane Coordinate System 1983<br><b>Geo Datum:</b> GRS 1980<br><b>Sys Datum:</b> Mean Sea Level                          |   | <b>Map Zone:</b> New Mexico, Eastern Zone<br><b>Coordinate System:</b> Well Centre<br><b>Geomagnetic Model:</b> igrf2005  |           |             |             |                  |                    |                    |                   |            |
| <b>Site:</b> Artemis Federal Com #2<br>Sec 33, T22S, R28E   |   |   |           |             |             |                  |                    |                    |                   |            |
| <b>Site Position:</b><br><b>From:</b> Geographic<br><b>Position Uncertainty:</b> 0.00 ft<br><b>Ground Level:</b> 0.00 ft                            | <b>Northing:</b> 489411.21 ft<br><b>Easting:</b> 616957.08 ft   | <b>Latitude:</b> 32 20 42.800 N<br><b>Longitude:</b> 104 5 18.500 W<br><b>North Reference:</b> Grid<br><b>Grid Convergence:</b> 0.13 deg  |           |             |             |                  |                    |                    |                   |            |
| <b>Well:</b> 2  |   |   |           |             |             |                  |                    |                    |                   |            |
| <b>Slot Name:</b>   |   |   |           |             |             |                  |                    |                    |                   |            |
| <b>Well Position:</b> +N/-S 0.00 ft<br>+E/-W 0.00 ft<br><b>Position Uncertainty:</b> 0.00 ft  | <b>Northing:</b> 489411.21 ft<br><b>Easting:</b> 616957.08 ft   | <b>Latitude:</b> 32 20 42.800 N<br><b>Longitude:</b> 104 5 18.500 W   |           |             |             |                  |                    |                    |                   |            |
| <b>Wellpath:</b> 1  |   |   |           |             |             |                  |                    |                    |                   |            |
| <b>Current Datum:</b> SITE<br><b>Magnetic Data:</b> 9/14/2005<br><b>Field Strength:</b> 49245 nT<br><b>Vertical Section:</b> Depth From (TVD) ft    | <b>Height:</b> 0.00 ft<br>+N/-S ft  | <b>Drilled From:</b> Surface<br><b>Tie-on Depth:</b> 0.00 ft<br><b>Above System Datum:</b> Mean Sea Level<br><b>Declination:</b> 8.50 deg<br><b>Mag Dip Angle:</b> 60.35 deg<br>+E/-W ft<br><b>Direction:</b> deg |           |             |             |                  |                    |                    |                   |            |
| 0.00  | 0.00  | 0.00 297.35   |           |             |             |                  |                    |                    |                   |            |
| <b>Plan:</b> Plan #3<br><b>Principal:</b> No  |   | <b>Date Composed:</b> 9/20/2005<br><b>Version:</b> 1<br><b>Tied-to:</b> User Defined  |           |             |             |                  |                    |                    |                   |            |
| <b>Plan Section Information</b>   |   |   |           |             |             |                  |                    |                    |                   |            |
| MD<br>ft  | Incl<br>deg   | Azim<br>deg   | TVD<br>ft | +N/-S<br>ft | +E/-W<br>ft | DLS<br>deg/100ft | Build<br>deg/100ft | Turn<br>deg/100ft  | TFO<br>deg        | Target     |
| 8700.00   | 0.00  | 297.35  | 8700.00   | 0.00        | 0.00        | 0.00             | 0.00               | 0.00               | 0.00              |            |
| 8750.00   | 0.00  | 297.35  | 8750.00   | 0.00        | 0.00        | 0.00             | 0.00               | 0.00               | 0.00              |            |
| 9296.44   | 9.56  | 297.35  | 9293.90   | 20.90       | -40.41      | 1.75             | 1.75               | 0.00               | 297.35            |            |
| 12953.35  | 9.56  | 297.35  | 12900.00  | 300.00      | -580.01     | 0.00             | 0.00               | 0.00               | 0.00              | BHL        |
| <b>Section 1 : Start Hold</b>   |   |   |           |             |             |                  |                    |                    |                   |            |
| MD<br>ft  | Incl<br>deg   | Azim<br>deg   | TVD<br>ft | +N/-S<br>ft | +E/-W<br>ft | VS<br>ft         | DLS<br>deg/100ft   | Build<br>deg/100ft | Turn<br>deg/100ft | TFO<br>deg |
| 8700.00   | 0.00  | 297.35  | 8700.00   | 0.00        | 0.00        | 0.00             | 0.00               | 0.00               | 0.00              | 0.00       |
| 8750.00   | 0.00  | 297.35  | 8750.00   | 0.00        | 0.00        | 0.00             | 0.00               | 0.00               | 0.00              | 297.35     |
| <b>Section 2 : Start Build 1.75</b>   |   |   |           |             |             |                  |                    |                    |                   |            |
| MD<br>ft  | Incl<br>deg   | Azim<br>deg   | TVD<br>ft | +N/-S<br>ft | +E/-W<br>ft | VS<br>ft         | DLS<br>deg/100ft   | Build<br>deg/100ft | Turn<br>deg/100ft | TFO<br>deg |
| 8800.00   | 0.88  | 297.35  | 8800.00   | 0.18        | -0.34       | 0.38             | 1.75               | 1.75               | 0.00              | 0.00       |
| 8900.00   | 2.63  | 297.35  | 8899.95   | 1.58        | -3.05       | 3.44             | 1.75               | 1.75               | 0.00              | 0.00       |
| 9000.00   | 4.38  | 297.35  | 8999.76   | 4.38        | -8.47       | 9.54             | 1.75               | 1.75               | 0.00              | 0.00       |
| 9100.00   | 6.13  | 297.35  | 9099.33   | 8.59        | -16.60      | 18.69            | 1.75               | 1.75               | 0.00              | 0.00       |
| 9200.00   | 7.88  | 297.35  | 9198.58   | 14.19       | -27.42      | 30.88            | 1.75               | 1.75               | 0.00              | 0.00       |
| 9296.44   | 9.56  | 297.35  | 9293.90   | 20.90       | -40.41      | 45.49            | 1.75               | 1.75               | 0.00              | 0.00       |
| <b>Section 3 : Start Hold</b>   |   |   |           |             |             |                  |                    |                    |                   |            |
| MD<br>ft  | Incl<br>deg   | Azim<br>deg   | TVD<br>ft | +N/-S<br>ft | +E/-W<br>ft | VS<br>ft         | DLS<br>deg/100ft   | Build<br>deg/100ft | Turn<br>deg/100ft | TFO<br>deg |
| 9300.00   | 9.56  | 297.35  | 9297.42   | 21.17       | -40.93      | 46.09            | 0.00               | 0.00               | 0.00              | 0.00       |
| 9400.00   | 9.56  | 297.35  | 9396.03   | 28.81       | -55.69      | 62.70            | 0.00               | 0.00               | 0.00              | 0.00       |

Company: Nadel & Gussman  
Field: Artemis Fed. Com #2  
Site: Artemis Federal Com #2  
Well: 2  
Wellpath: 1

Date: 9/20/2005  
Co-ordinate(NE) Reference: Well: 2, Grid North  
Vertical (TVD) Reference: SITE 0.0  
Section (VS) Reference: User (0.00N,0.00E,297.35Azi)  
Plan: Plan #3

Page: 2

Section 3 : Start Hold

| MD<br>ft | Incl<br>deg | Azim<br>deg | TVD<br>ft | +N/-S<br>ft | +E/-W<br>ft | VS<br>ft | DLS<br>deg/100ft | Build<br>deg/100ft | Turn<br>deg/100ft | TFO<br>deg |
|----------|-------------|-------------|-----------|-------------|-------------|----------|------------------|--------------------|-------------------|------------|
| 9500.00  | 9.56        | 297.35      | 9494.64   | 36.44       | -70.45      | 79.31    | 0.00             | 0.00               | 0.00              | 0.00       |
| 9600.00  | 9.56        | 297.35      | 9593.25   | 44.07       | -85.20      | 95.92    | 0.00             | 0.00               | 0.00              | 0.00       |
| 9700.00  | 9.56        | 297.35      | 9691.86   | 51.70       | -99.96      | 112.54   | 0.00             | 0.00               | 0.00              | 0.00       |
| 9800.00  | 9.56        | 297.35      | 9790.47   | 59.33       | -114.71     | 129.15   | 0.00             | 0.00               | 0.00              | 0.00       |
| 9900.00  | 9.56        | 297.35      | 9889.08   | 66.97       | -129.47     | 145.76   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10000.00 | 9.56        | 297.35      | 9987.69   | 74.60       | -144.22     | 162.37   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10100.00 | 9.56        | 297.35      | 10086.30  | 82.23       | -158.98     | 178.99   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10200.00 | 9.56        | 297.35      | 10184.91  | 89.86       | -173.73     | 195.60   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10300.00 | 9.56        | 297.35      | 10283.52  | 97.50       | -188.49     | 212.21   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10400.00 | 9.56        | 297.35      | 10382.13  | 105.13      | -203.25     | 228.82   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10500.00 | 9.56        | 297.35      | 10480.74  | 112.76      | -218.00     | 245.44   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10600.00 | 9.56        | 297.35      | 10579.35  | 120.39      | -232.76     | 262.05   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10700.00 | 9.56        | 297.35      | 10677.96  | 128.02      | -247.51     | 278.66   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10800.00 | 9.56        | 297.35      | 10776.57  | 135.66      | -262.27     | 295.27   | 0.00             | 0.00               | 0.00              | 0.00       |
| 10900.00 | 9.56        | 297.35      | 10875.18  | 143.29      | -277.02     | 311.89   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11000.00 | 9.56        | 297.35      | 10973.80  | 150.92      | -291.78     | 328.50   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11100.00 | 9.56        | 297.35      | 11072.41  | 158.55      | -306.53     | 345.11   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11200.00 | 9.56        | 297.35      | 11171.02  | 166.19      | -321.29     | 361.72   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11300.00 | 9.56        | 297.35      | 11269.63  | 173.82      | -336.05     | 378.34   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11400.00 | 9.56        | 297.35      | 11368.24  | 181.45      | -350.80     | 394.95   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11500.00 | 9.56        | 297.35      | 11466.85  | 189.08      | -365.56     | 411.56   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11600.00 | 9.56        | 297.35      | 11565.46  | 196.71      | -380.31     | 428.17   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11700.00 | 9.56        | 297.35      | 11664.07  | 204.35      | -395.07     | 444.79   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11800.00 | 9.56        | 297.35      | 11762.68  | 211.98      | -409.82     | 461.40   | 0.00             | 0.00               | 0.00              | 0.00       |
| 11900.00 | 9.56        | 297.35      | 11861.29  | 219.61      | -424.58     | 478.01   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12000.00 | 9.56        | 297.35      | 11959.90  | 227.24      | -439.33     | 494.62   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12100.00 | 9.56        | 297.35      | 12058.51  | 234.88      | -454.09     | 511.24   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12200.00 | 9.56        | 297.35      | 12157.12  | 242.51      | -468.85     | 527.85   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12300.00 | 9.56        | 297.35      | 12255.73  | 250.14      | -483.60     | 544.46   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12400.00 | 9.56        | 297.35      | 12354.34  | 257.77      | -498.36     | 561.07   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12500.00 | 9.56        | 297.35      | 12452.95  | 265.40      | -513.11     | 577.69   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12600.00 | 9.56        | 297.35      | 12551.56  | 273.04      | -527.87     | 594.30   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12700.00 | 9.56        | 297.35      | 12650.17  | 280.67      | -542.62     | 610.91   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12800.00 | 9.56        | 297.35      | 12748.78  | 288.30      | -557.38     | 627.53   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12900.00 | 9.56        | 297.35      | 12847.39  | 295.93      | -572.13     | 644.14   | 0.00             | 0.00               | 0.00              | 0.00       |
| 12953.35 | 9.56        | 297.35      | 12900.00  | 300.00      | -580.01     | 653.00   | 0.00             | 0.00               | 0.00              | 0.00       |

Survey

| MD<br>ft | Incl<br>deg | Azim<br>deg | TVD<br>ft | +N/-S<br>ft | +E/-W<br>ft | VS<br>ft | DLS<br>deg/100ft | Build<br>deg/100ft | Turn<br>deg/100ft | Tool/Comment |
|----------|-------------|-------------|-----------|-------------|-------------|----------|------------------|--------------------|-------------------|--------------|
| 8700.00  | 0.00        | 297.35      | 8700.00   | 0.00        | 0.00        | 0.00     | 0.00             | 0.00               | 0.00              |              |
| 8750.00  | 0.00        | 297.35      | 8750.00   | 0.00        | 0.00        | 0.00     | 0.00             | 0.00               | 0.00              |              |
| 8800.00  | 0.88        | 297.35      | 8800.00   | 0.18        | -0.34       | 0.38     | 1.75             | 1.75               | 0.00              |              |
| 8900.00  | 2.63        | 297.35      | 8899.95   | 1.58        | -3.05       | 3.44     | 1.75             | 1.75               | 0.00              |              |
| 9000.00  | 4.38        | 297.35      | 8999.76   | 4.38        | -8.47       | 9.54     | 1.75             | 1.75               | 0.00              |              |
| 9100.00  | 6.13        | 297.35      | 9099.33   | 8.59        | -16.60      | 18.69    | 1.75             | 1.75               | 0.00              |              |
| 9200.00  | 7.88        | 297.35      | 9198.58   | 14.19       | -27.42      | 30.88    | 1.75             | 1.75               | 0.00              |              |
| 9296.44  | 9.56        | 297.35      | 9293.90   | 20.90       | -40.41      | 45.49    | 1.75             | 1.75               | 0.00              |              |
| 9300.00  | 9.56        | 297.35      | 9297.42   | 21.17       | -40.93      | 46.09    | 0.00             | 0.00               | 0.00              |              |
| 9400.00  | 9.56        | 297.35      | 9396.03   | 28.81       | -55.69      | 62.70    | 0.00             | 0.00               | 0.00              |              |
| 9500.00  | 9.56        | 297.35      | 9494.64   | 36.44       | -70.45      | 79.31    | 0.00             | 0.00               | 0.00              |              |
| 9600.00  | 9.56        | 297.35      | 9593.25   | 44.07       | -85.20      | 95.92    | 0.00             | 0.00               | 0.00              |              |
| 9700.00  | 9.56        | 297.35      | 9691.86   | 51.70       | -99.96      | 112.54   | 0.00             | 0.00               | 0.00              |              |
| 9800.00  | 9.56        | 297.35      | 9790.47   | 59.33       | -114.71     | 129.15   | 0.00             | 0.00               | 0.00              |              |
| 9900.00  | 9.56        | 297.35      | 9889.08   | 66.97       | -129.47     | 145.76   | 0.00             | 0.00               | 0.00              |              |
| 10000.00 | 9.56        | 297.35      | 9987.69   | 74.60       | -144.22     | 162.37   | 0.00             | 0.00               | 0.00              |              |
| 10100.00 | 9.56        | 297.35      | 10086.30  | 82.23       | -158.98     | 178.99   | 0.00             | 0.00               | 0.00              |              |
| 10200.00 | 9.56        | 297.35      | 10184.91  | 89.86       | -173.73     | 195.60   | 0.00             | 0.00               | 0.00              |              |
| 10300.00 | 9.56        | 297.35      | 10283.52  | 97.50       | -188.49     | 212.21   | 0.00             | 0.00               | 0.00              |              |
| 10400.00 | 9.56        | 297.35      | 10382.13  | 105.13      | -203.25     | 228.82   | 0.00             | 0.00               | 0.00              |              |

Company: Nadel & Gussman  
 Field: Artemis Fed. Com #2  
 Site: Artemis Federal Com #2  
 Well: 2  
 Wellpath: 1

Date: 9/20/2005 Time: 09:20:26  
 Co-ordinate(NE) Reference: Well: 2, Grid North  
 Vertical (TVD) Reference: SITE 0.0  
 Section (VS) Reference: User (0.00N,0.00E,297.35Azi)  
 Plan: Plan #3

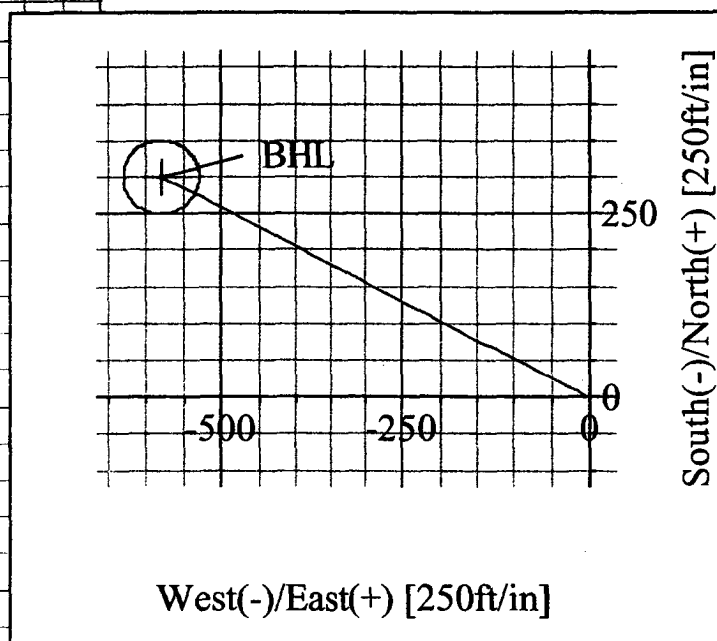
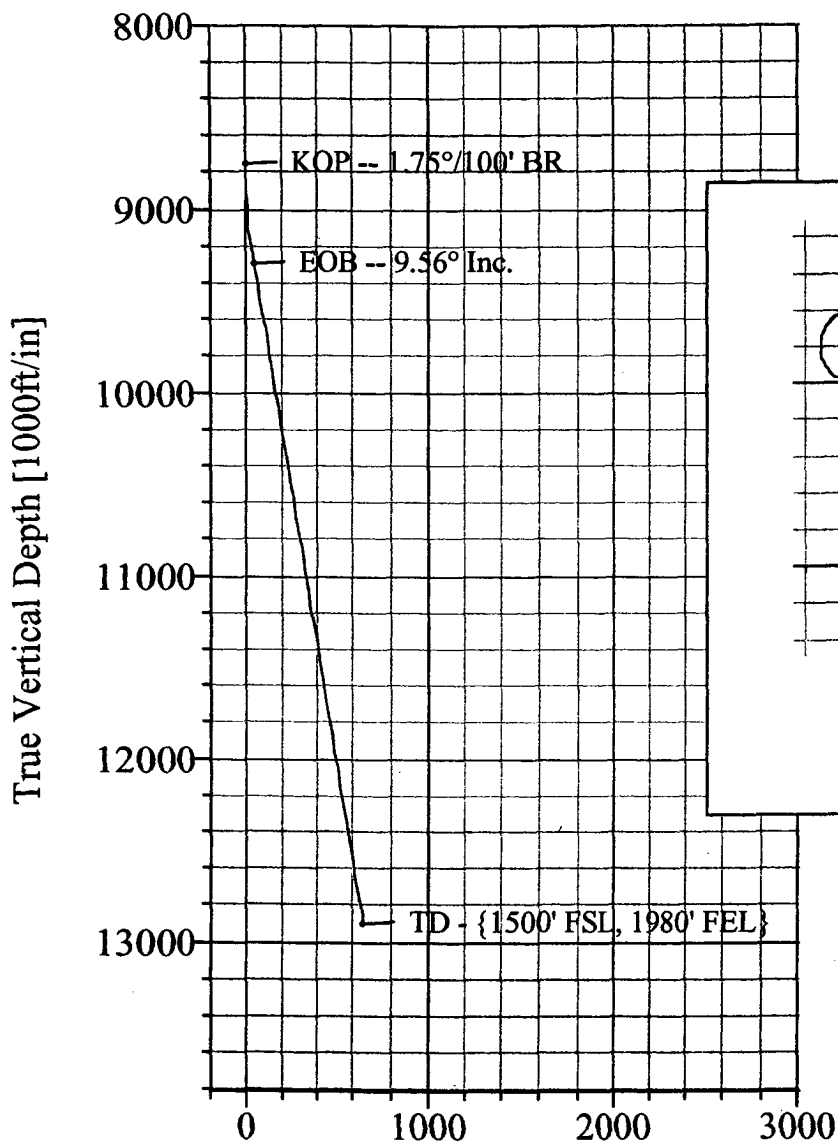
Page: 3

Survey

| MD<br>ft | Incl<br>deg | Azim<br>deg | TVD<br>ft | +N-S<br>ft | +E-W<br>ft | VS<br>ft | DLS<br>deg/100ft | Budd<br>deg/100ft | Turn<br>deg/100ft | Tool/Comment |
|----------|-------------|-------------|-----------|------------|------------|----------|------------------|-------------------|-------------------|--------------|
| 10500.00 | 9.56        | 297.35      | 10480.74  | 112.76     | -218.00    | 245.44   | 0.00             | 0.00              | 0.00              |              |
| 10600.00 | 9.56        | 297.35      | 10579.35  | 120.39     | -232.76    | 262.05   | 0.00             | 0.00              | 0.00              |              |
| 10700.00 | 9.56        | 297.35      | 10677.96  | 128.02     | -247.51    | 278.66   | 0.00             | 0.00              | 0.00              |              |
| 10800.00 | 9.56        | 297.35      | 10776.57  | 135.66     | -262.27    | 295.27   | 0.00             | 0.00              | 0.00              |              |
| 10900.00 | 9.56        | 297.35      | 10875.18  | 143.29     | -277.02    | 311.89   | 0.00             | 0.00              | 0.00              |              |
| 11000.00 | 9.56        | 297.35      | 10973.80  | 150.92     | -291.78    | 328.50   | 0.00             | 0.00              | 0.00              |              |
| 11100.00 | 9.56        | 297.35      | 11072.41  | 158.55     | -306.53    | 345.11   | 0.00             | 0.00              | 0.00              |              |
| 11200.00 | 9.56        | 297.35      | 11171.02  | 166.19     | -321.29    | 361.72   | 0.00             | 0.00              | 0.00              |              |
| 11300.00 | 9.56        | 297.35      | 11269.63  | 173.82     | -336.05    | 378.34   | 0.00             | 0.00              | 0.00              |              |
| 11400.00 | 9.56        | 297.35      | 11368.24  | 181.45     | -350.80    | 394.95   | 0.00             | 0.00              | 0.00              |              |
| 11500.00 | 9.56        | 297.35      | 11466.85  | 189.08     | -365.56    | 411.56   | 0.00             | 0.00              | 0.00              |              |
| 11600.00 | 9.56        | 297.35      | 11565.46  | 196.71     | -380.31    | 428.17   | 0.00             | 0.00              | 0.00              |              |
| 11700.00 | 9.56        | 297.35      | 11664.07  | 204.35     | -395.07    | 444.79   | 0.00             | 0.00              | 0.00              |              |
| 11800.00 | 9.56        | 297.35      | 11762.68  | 211.98     | -409.82    | 461.40   | 0.00             | 0.00              | 0.00              |              |
| 11900.00 | 9.56        | 297.35      | 11861.29  | 219.61     | -424.58    | 478.01   | 0.00             | 0.00              | 0.00              |              |
| 12000.00 | 9.56        | 297.35      | 11959.90  | 227.24     | -439.33    | 494.62   | 0.00             | 0.00              | 0.00              |              |
| 12100.00 | 9.56        | 297.35      | 12058.51  | 234.88     | -454.09    | 511.24   | 0.00             | 0.00              | 0.00              |              |
| 12200.00 | 9.56        | 297.35      | 12157.12  | 242.51     | -468.85    | 527.85   | 0.00             | 0.00              | 0.00              |              |
| 12300.00 | 9.56        | 297.35      | 12255.73  | 250.14     | -483.60    | 544.46   | 0.00             | 0.00              | 0.00              |              |
| 12400.00 | 9.56        | 297.35      | 12354.34  | 257.77     | -498.36    | 561.07   | 0.00             | 0.00              | 0.00              |              |
| 12500.00 | 9.56        | 297.35      | 12452.95  | 265.40     | -513.11    | 577.69   | 0.00             | 0.00              | 0.00              |              |
| 12600.00 | 9.56        | 297.35      | 12551.56  | 273.04     | -527.87    | 594.30   | 0.00             | 0.00              | 0.00              |              |
| 12700.00 | 9.56        | 297.35      | 12650.17  | 280.67     | -542.62    | 610.91   | 0.00             | 0.00              | 0.00              |              |
| 12800.00 | 9.56        | 297.35      | 12748.78  | 288.30     | -557.38    | 627.53   | 0.00             | 0.00              | 0.00              |              |
| 12900.00 | 9.56        | 297.35      | 12847.39  | 295.93     | -572.13    | 644.14   | 0.00             | 0.00              | 0.00              |              |
| 12953.35 | 9.56        | 297.35      | 12900.00  | 300.00     | -580.01    | 653.00   | 0.00             | 0.00              | 0.00              |              |



NADEL & GUSSMAN  
ARTEMIS FEDERAL COM #2  
Eddy County, NM  
10° Max Angle



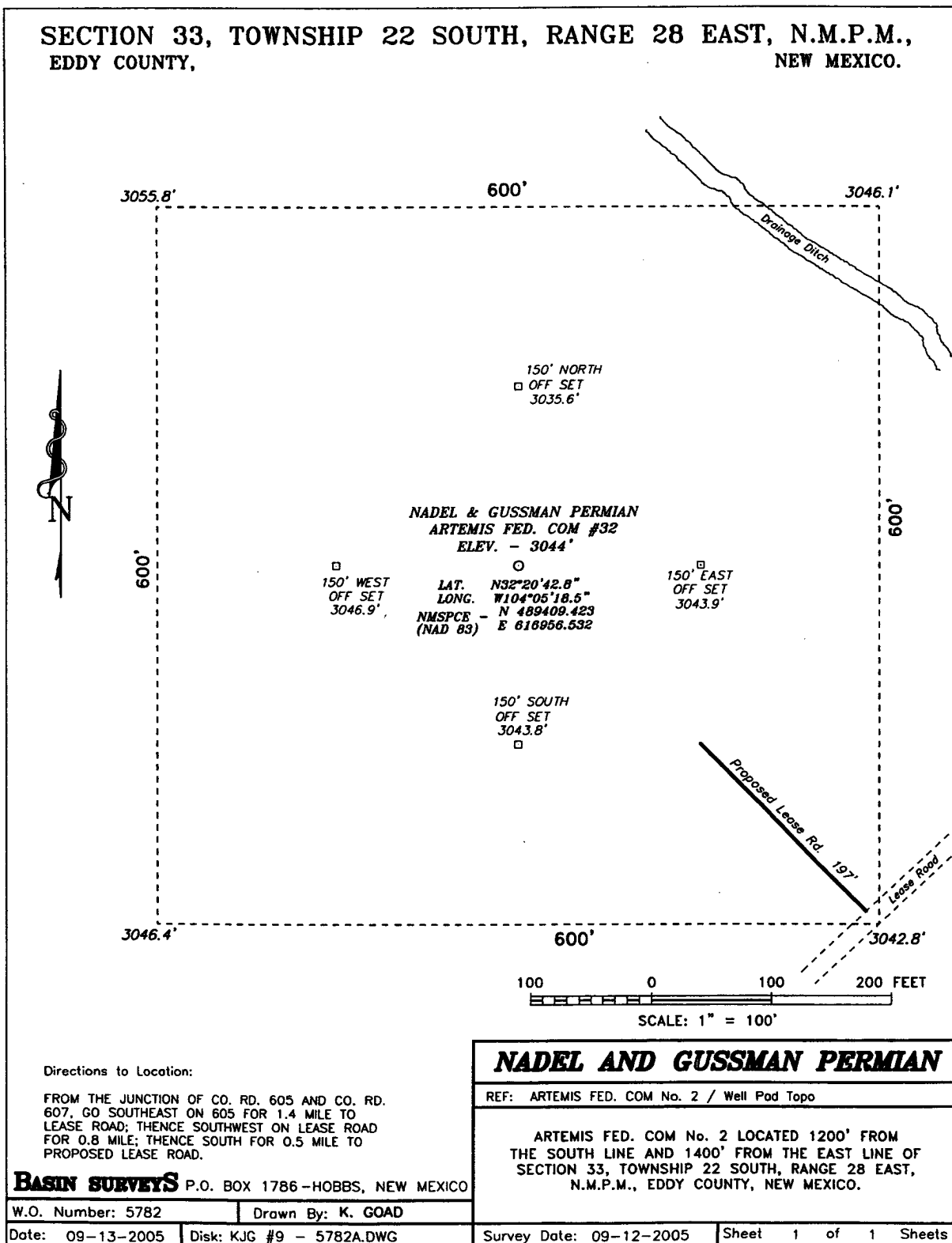
Azimuths to Grid North  
True North: -0.13°  
Magnetic North: 8.37°

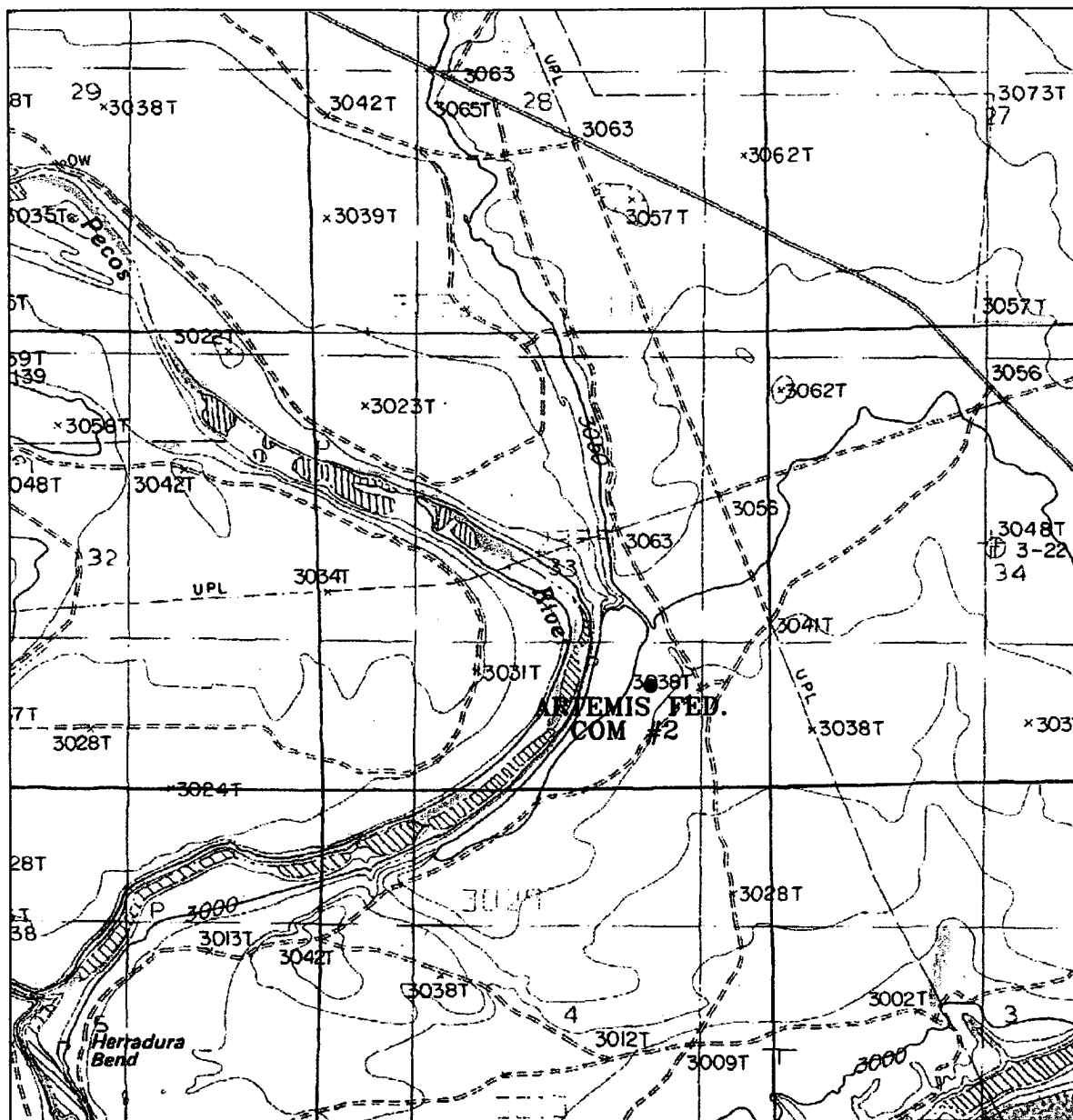
Magnetic Field  
Strength: 49245nT  
Dip Angle: 60.35°  
Date: 9/20/2005  
Model: igrf2005

SECTION DETAILS

| Sec | MD       | Inc  | Azi    | TVD      | +N/-S  | +E/-W   | DLeg | TFace  | VSec   | Target |
|-----|----------|------|--------|----------|--------|---------|------|--------|--------|--------|
| 1   | 8700.00  | 0.00 | 297.35 | 8700.00  | 0.00   | 0.00    | 0.00 | 0.00   | 0.00   |        |
| 2   | 8750.00  | 0.00 | 297.35 | 8750.00  | 0.00   | 0.00    | 0.00 | 0.00   | 0.00   |        |
| 3   | 9296.44  | 9.56 | 297.35 | 9293.90  | 20.90  | -40.41  | 1.75 | 297.35 | 45.49  |        |
| 4   | 12953.35 | 9.56 | 297.35 | 12900.00 | 300.00 | -580.01 | 0.00 | 0.00   | 653.00 | BHL    |

# Exhibit #3





**ARTEMIS FEDERAL COM #2**  
 Located at 1200' FSL and 1400' FEL  
 Section 33, Township 22 South, Range 28 East,  
 N.M.P.M., Eddy County, New Mexico.

**basin  
surveys**  
 focused on excellence  
 in the oilfield

P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
 basinsurveys.com

W.O. Number: 5782AA - KJG #1

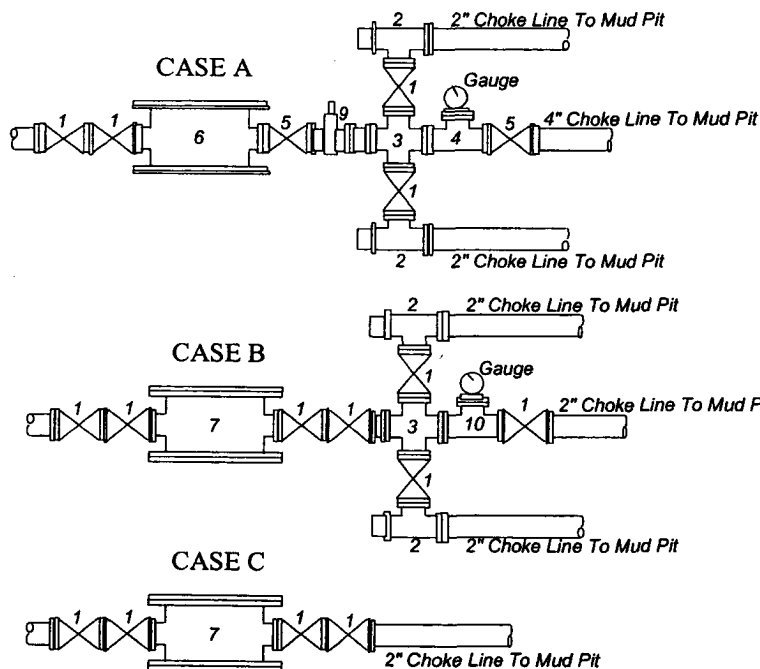
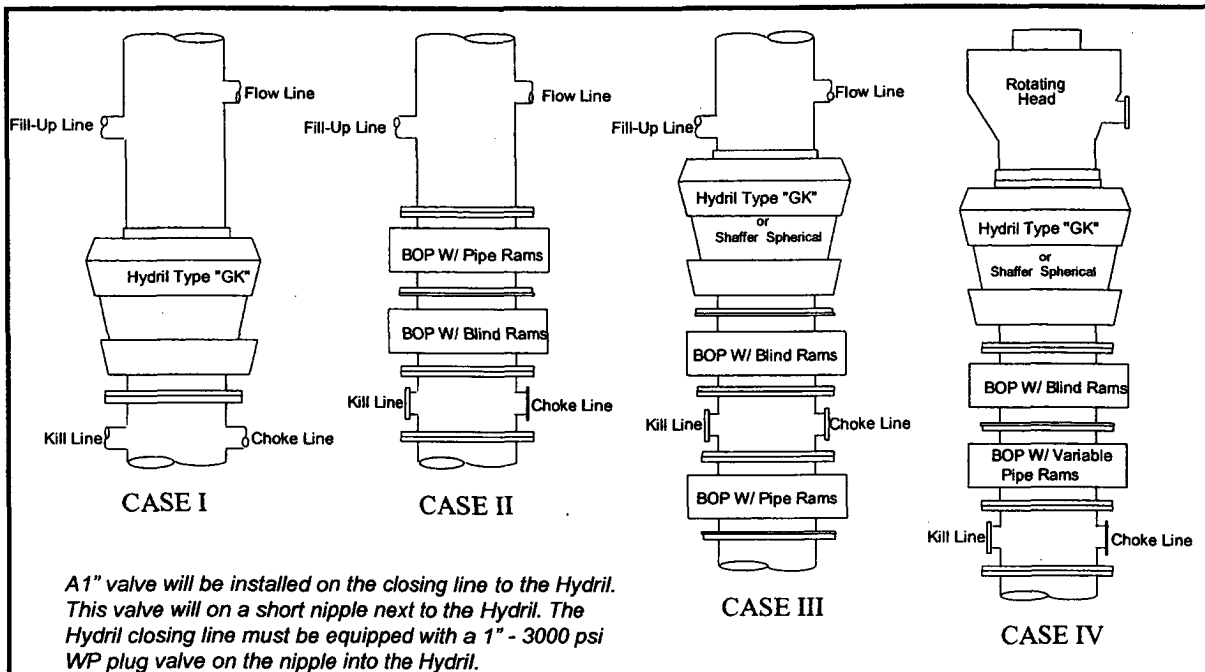
Survey Date: 09-12-2005

Scale: 1" = 2000'

Date: 09-13-2005

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

# Nadel and Gussman Permian MINIMUM BLOWOUT PREVENTER REQUIREMENTS



| BOP SIZE | BOP CASE | WORKING PRESSURE | CHOKE CASE |
|----------|----------|------------------|------------|
| 13 5/8"  | IV       | 5,000#           | A          |
|          |          |                  |            |

*\*Rotating head required*

Bradenhead : \_\_\_\_\_  
 Mfr: \_\_\_\_\_  
 Size: \_\_\_\_\_ Type: \_\_\_\_\_

### Legend

1. 2" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.
2. 2" flanged adjustable chokes, min. 1" full opening & equipped with hard trim.
3. 4" x 2" flanged steel cross.
4. 4" flanged steel tee.
5. 4" flanged all steel valve (Type as in no. 1).
6. Drilling Spool with 2" x 4" flanged outlet.
7. Drilling Spool with 2" x 2" flanged outlet.
8. 2" x 2" flanged steel cross.
9. 4" pressure operated gate valve.
10. 2" flanged steel tee.

### Notes

Choke manifold may be located in any convenient position. Use all steel fittings throughout. Make 90° turns with bull plugged tees only. No field welding will be permitted on any of the components of the choke manifold and related equipment upstream of the chokes. The choke spool and all lines and fittings must be at least equivalent to the test pressure of the preventers required. Independent closing control unit with clearly marked controls to be located on derrick floor near driller's position.



Exhibit #8

Not to Scale

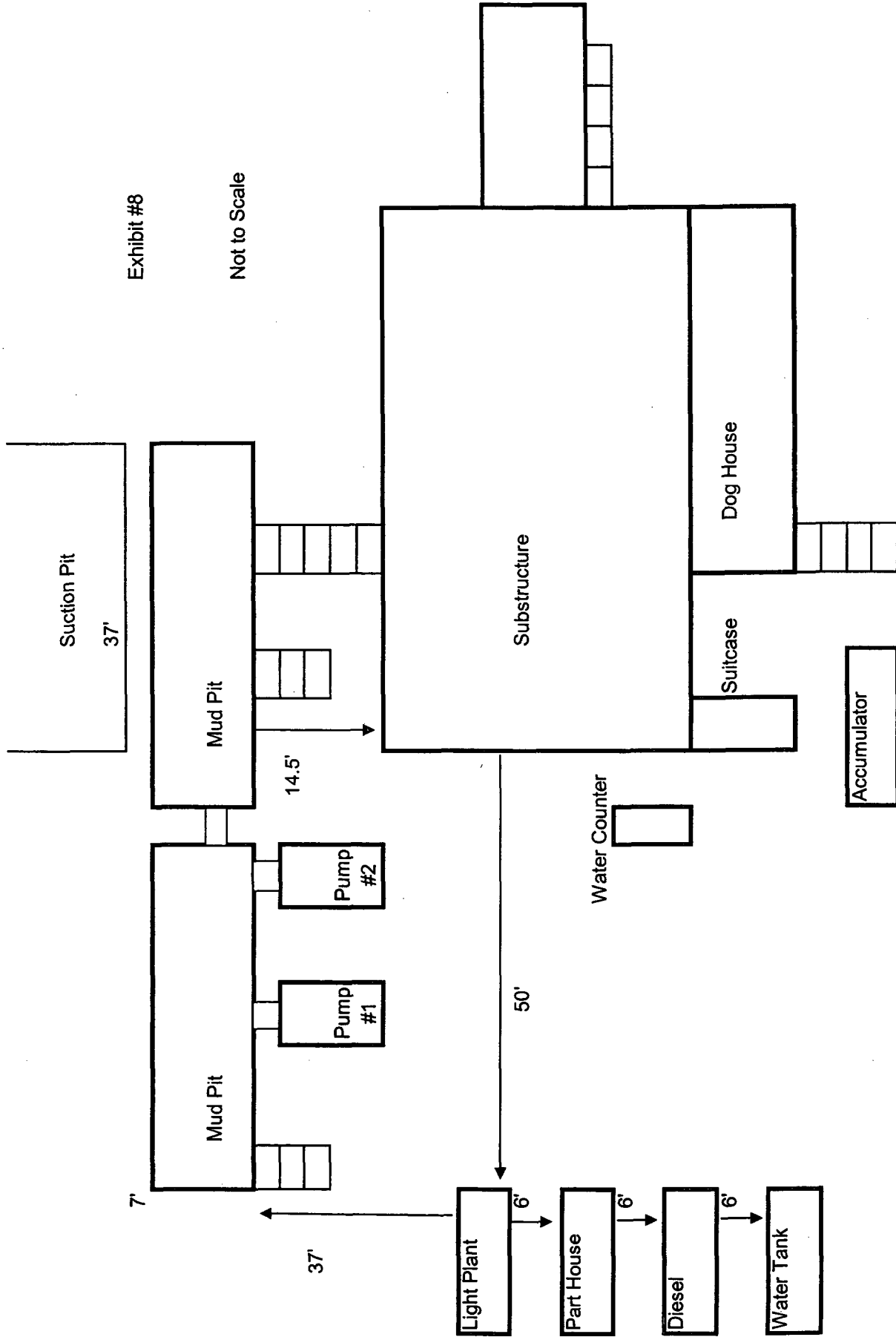
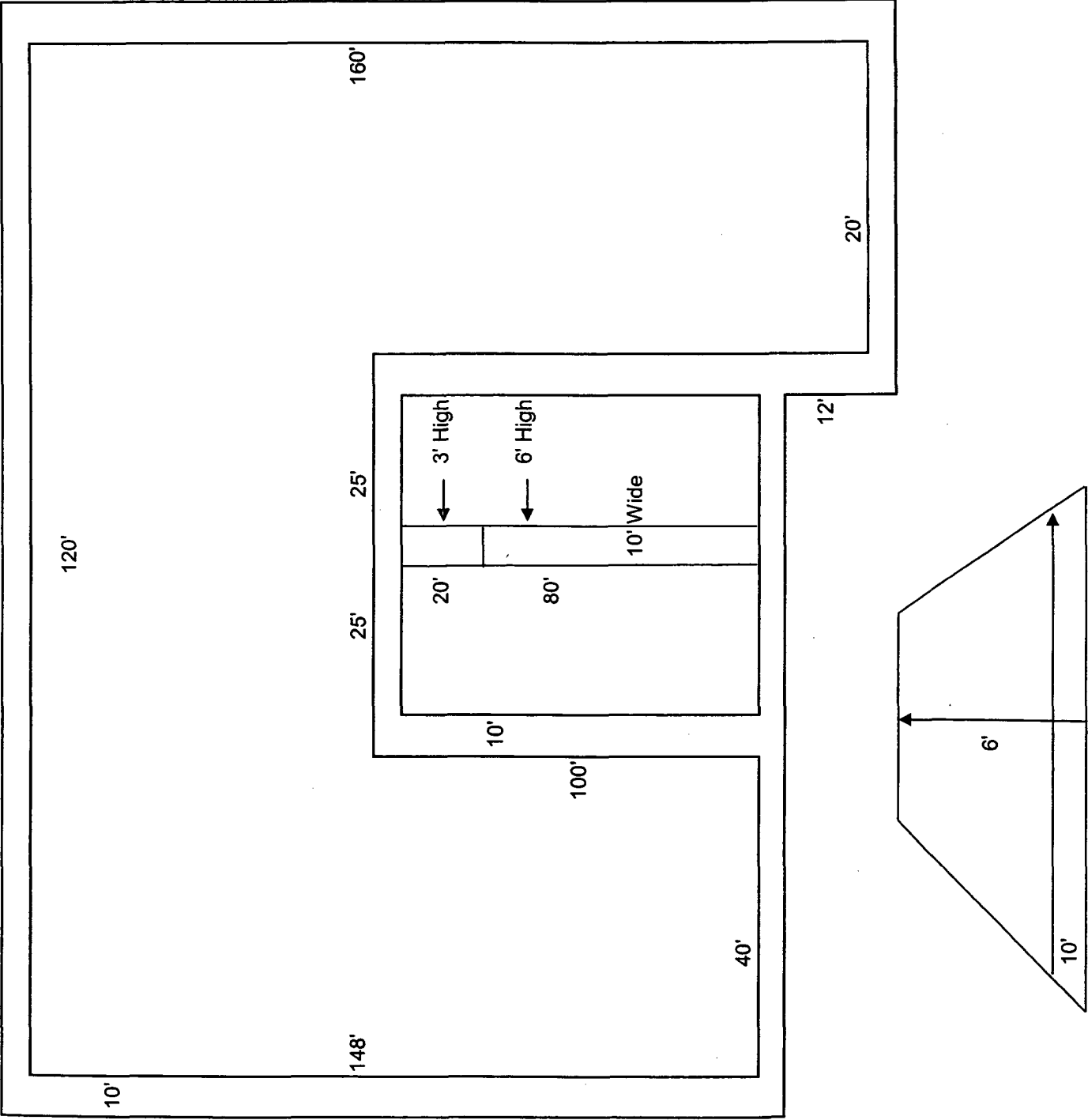
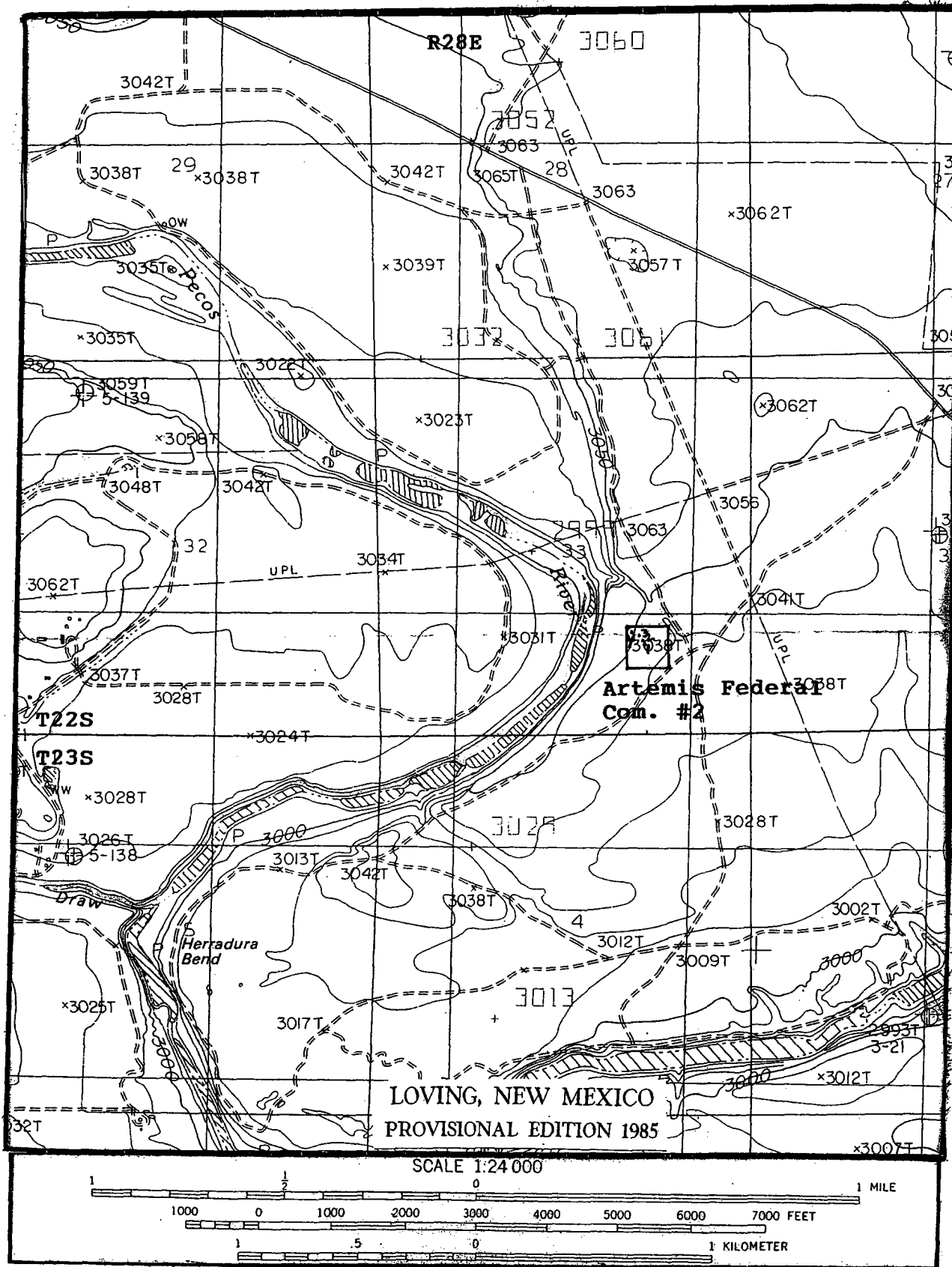


Exhibit #9  
Not to Scale





## CONDITIONS OF APPROVAL - DRILLING

**Operator's Name:** NADEL GUSSMAN PERMIAN, L.L.C.  
**Well Name & No.** 2 - ARTEMIS FEDERAL COM  
**Location:** 1200' FSL & 1400' FEL - SEC 33 - T22S - R28E - EDDY COUNTY (SHL)  
1500' FSL & 1980' FEL - SEC 33 - T22S - R28E - EDDY COUNTY (BHL)  
**Lease:** NM-19842-A

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch

C. BOP tests

2 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at 300 feet below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is circulate cement to the surface.

4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

ORIG. SGL. LES BABYAT

### **III. PRESSURE CONTROL:**

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 3-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch casing shall be 5000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
  - The tests shall be done by an independent service company.
  - The results of the test shall be reported to the appropriate BLM office.
  - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
  - Testing must be done in a safe workman-like manner. Hard line connections shall be required.
  - BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

### **IV. DRILLING MUD:**

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.