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OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

I-06-25

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

JUL 18 2006

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator

Nadel and Gussman Permian, L.L.C.

155615

3a. Address

601 N. Marienfeld Suite 508, Midland, TX 79701

3b. Phone No. (include area code)

(432) 682-4429

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface UL M Sec. 22 T24S R28E 660' FSL & 660' FWL

At proposed prod. zone

CARLSBAD CONTROLLED WATER BASIN

14. Distance in miles and direction from nearest town or post office*

2 Miles SW of Malaga

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

660' FWL

16. No. of Acres in lease

320 acres

17. Spacing Unit dedicated to this well

320 (S/2)

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

1,683' FWL

19. Proposed Depth

12,900'

20. BLM/BIA Bond No. on file

NM 2812

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

GL 3,008'

22. Approximate date work will start*

11/01/06

23. Estimated duration

45 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.

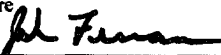
2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the
SUPO shall be filed with the appropriate Forest Service Office).4. Bond to cover the operations unless covered by an existing bond on file (see
Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the
authorized officer.

25. Signature



Name (Printed/Typed)

Josh Fernau

Date

06/14/06

Title

Staff Engineer

Approved by (Signature)

/s/ Tony J. Herrell

Name (Printed/Typed)

/s/ Tony J. Herrell

Date

JUL 17 2006

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct
operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United
States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHEDIf earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.Sg 17
59.5

Exhibit #1

State of New Mexico

Form C-102

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

Revised March 17, 1999

DISTRICT II
811 South First, Artesia, NM 88210

Energy, Minerals and Natural Resources Department

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

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

OIL CONSERVATION DIVISION

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 80920	Pool Name Malaga : Mcraew
Property Code	Property Name AMINOIL FEDERAL	Well Number 3
OGRID No.	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 3008'

Surface Location

UL or lot No. M	Section 22	Township 24 S	Range 28 E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 660	East/West line WEST	County EDDY
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	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>Lat.: N32°11'52.3" Long.: W104°04'55.1"</p> <p>NM 20360</p> <p>3010.7' 3004.5'</p> <p>660'</p> <p>3004.7' 2999.9'</p>	<p>OPERATOR CERTIFICATION</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>[Signature]</i> Signature Josh Fernau Printed Name Staff Engineer Title 06/14/06 Date</p>			
	<p>SURVEYOR CERTIFICATION</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>FEBRUARY 21, 2006 Date Surveyed</p> <p><i>[Signature]</i> Signature & Seal of Professional Surveyor W.O. No. 6269 Certificate No. Gary L. Jones 7977</p> <p>Basin Surveys</p>			
	<p>NM NM 0556542</p> <p>V 471</p>			
	<p>NM 20360</p> <p>3010.7' 3004.5'</p> <p>660'</p> <p>3004.7' 2999.9'</p>			

**Aminoil Federal #3
(SHL) 660' FSL & 660' FWL
UL M Sec. 22, T24S-R28E
Eddy County, NM**

APPLICATION FOR PERMIT TO DRILL
BUREAU OF LAND MANAGEMENT

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite #508

Midland, TX 79701

Office: (432) 682-4429

Fax: (432) 682-4325

06/14/06

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (432) 682-4429

Fax: (432) 682-4325

06/14/06

Bureau of Land Management
Lands & Minerals
620 W. Greene St.
Carlsbad, NM 88220
Attn: Ms. Linda Denniston

Dear Ms. Denniston,

Nadel and Gussman Permian, LLC, as operator, requests permission to drill the Aminoil Federal #3, (SHL) 660' FSL & 660' FWL, UL M Sec. 22, T24S-R28E, Eddy Co., NM. We plan to develop a production pad for our surface location. The following items are attached:

Form 3160-3

C-144

Lease Responsibility Statement

13 Point Surface Use and Operation Plan

13 Point Drilling Plan

Hydrogen Sulfide Drilling Operations Plan

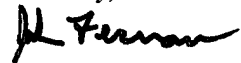
Exhibits:

1. C-102
2. Directions to Location
3. Lease (Aerial View)
4. Topographical Maps
5. BOP and Choke Diagrams
6. Pad Size
7. Rig Plat
8. Reserve Pit Size
9. Surface Use Agreement
10. A Cultural Resource Survey

This surface location was approved by Barry Hunt of the BLM on an on-site staking meeting with NGP Teddy Rowland and Basin Surveyors on 02/21/06. A Cultural Resource Survey has been performed and the report was negative. The permit holder recommends clearance for this operation. If you have any questions, contact Josh Fernau at the letterhead telephone number. **Plan to spud November 1, 2006.**

Your prompt attention to this APD will be greatly appreciated.

Sincerely,



Josh Fernau
Staff Engineer

UNITED STATES DEPARTMENT OF INTERIOR

Bureau of Land Management

Carlsbad Field Office

620 W. Greene St.

Carlsbad, New Mexico 88220

Statement Accepting Responsibility for Operations

Operator Name: Nadel and Gussman Permian, L.L.C.
Address: 601 N. Marienfeld, Suite 508
City, State: Midland, Texas
Zip Code: 79701

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease Name: Aminoil Federal #3

Lease Number: NM NM 0556542, NM NM 20360, V4/71

Legal Description of Land: (SHL) 660' FSL & 660' FWL, Sec. 22, T24S-R28E, Eddy Co., NM

Lease Covers: NM NM 0556542 – S/2 22, N/2 of S/2 160 acres
NM NM 20360 – SW/4 of SW/4 40 acres
V 471 – S/2 of SE, SE of SW 120 acres

Formations: Strawn, Atoka and Morrow

Bond Coverage: Statewide

BLM Bond File Number: NM 2812

Land is privately owned.

Authorized Signature: _____



Name: Josh Fernau

Title: Staff Engineer

Date: 06/14/06

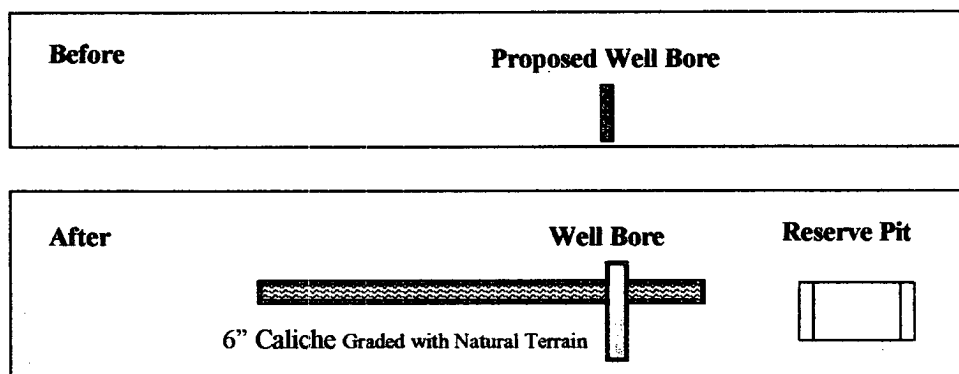
13 Point Land Use Plan

1. **Existing Roads** – This location is located in UL M Sec. 22 T24S R28E, SHL 660' FSL & 660' FWL. A small scale vicinity map is attached (**Exhibit #3**) 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 #4**) shows the location of the well. From the junction of US HWY 285 and Co. Rd. 720 in Malaga, go West on 720 for 0.2 mile to Co. Rd. 719; thence South on 719 for 0.4 mile staying right another 0.4 mile, staying left another 0.9 mile to proposed lease road.
2. **Planned Access Roads** – There is an existing access road from the location to the nearest exit leaving the lease, which is shown on (**Exhibit #2**). The parts of the lease are fenced and a cattle guard or gate may be needed.
3. **Location of Existing Wells** – The Willow Lake #1 operated by Mesquite SWD 660 FNL & 1,980' FWL, Aminoil Federal #1 operated by Dinero Operating Co. 2,030 FSL & 990 FEL and Willow Lake 22 #2 operated by Griffin Petroleum Company 990 FNL and 1,980' FEL all in Sec. 22 T24S R28E.
4. **Location of Tank Batteries, Production Facilities & Lines** –
 - We anticipate gas production from the Morrow, Atoka and Strawn, with possible volumes of produced oil or water. We will build a battery with a minimum of two 210 Bbl steel tanks, one for oil and one for water.
 - Pipe lines will be used to transport the sales of natural gas using the permitted access road to location.
 - We will also have a Stack-Pack separator or line heater and separator on location. All produced fluids from the Morrow, Atoka or Strawn will be hauled off lease by road. There are no initial plans for oil pipelines, LACT units or SWD lines.
 - We do not anticipate a need for electrical service on the lease at this time.
5. **Location & Type- of Water Supply** - Fresh and salt water will be trucked from Carlsbad by a third-party contractor.
6. **Source of Construction Material** - Primary source of caliche will be the closed most economical existing pit used followed by the proper documentation and approval.
7. **Methods of Handling Waste Disposal** – A 20 mil 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, #2, #3 & #4). The drilling site is mainly loamy, sandy soil w/ caliche clasts, covered by sparse native vegetation. The drilling pad will be graded and cut to the north and to the south and covered by 6" caliche and native rock from grade cut. The drilling pad will blend in with the terrain since the topography is generally hilly.

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 – Loamy, sandy soil w/ caliche clasts, generally flat, to a small rise, approximately 0.25 east of former Willow Lake.
- Soil Characteristics – The surface is Loamy, sandy soil w/ caliche clasts.
- Flora – Vegetation includes Mesquite, creosote, tar bush acucia, yucca, crucifix bush, prickly pear, pencil cholla, and various grasses.
- Fauna – rabbits, mice, rats, birds, deer and snakes.
- Other Surface Use Activities – Ranching and Hunting.
- Surface Ownership – Private.

- Water Wells – No windmills within 1,000' of the location.
- Lakes, Streams, Ponds – There are several draws (**Exhibit #4**).
- Dwellings – There are no inhabited structure within 1,000' of the location.
- Archeological Summary – Drilling location and lease roads are covered under sent BLM report completed by Stephen Smith. The report was negative and the cultural resource use permit holder recommends clearance for this operation. Drilling and production will be conducted in a manner so as not to disturb the surrounding environment.

12. Operator's Representative -

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

Joel Martin	Office Phone	(432) 682-4429
	Home Phone	(432) 694-2569
	Mobile Phone	(432) 238-9969

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 Diamond Back Disposal Company or their contractors and sub-contractors in conformity with this plan.



Josh Fernau
Staff Engineer
Date: 06/14/06

Exhibit #9

Surface Use Agreement

This Surface Use Agreement (the "Agreement") is entered into this 29th day of March, 2006, by and between Nadel and Gussman Permian, LLC ("Operator") and Mosaic Potash Carlsbad Inc. ("Mosaic") whereby Operator and Mosaic agree to the following terms and conditions concerning any new oil and gas drilling and production activity conducted by Operator on surface owned by Mosaic and further described in Exhibits attached hereto and made a part hereof:

1. Operator shall pay Mosaic (\$3500.00) per drilling location.
2. Operator shall bury all flowlines and pay Five Dollars (\$5.00) per rod for all flowlines install off the drill pad. When practical, the flowlines will be located along the road right of way.
3. New roads and power lines constructed will be located so as to cause the least interference with Mosaic and other surface operators' use of the surface. The fee for new roads and or power lines will be Five Dollars (\$5.00) per rod. If available from a nearby source on Mosaic lands, Operator shall pay Two Dollars and Fifty Cents (\$2.50) per cubic yard of caliche for constructing roads and locations. The sale of caliche shall be contingent on available quantity and at the discretion of Mosaic. Payment shall be within 30 days of the date of the agreement.
4. Operator shall consult with Mosaic and obtain Mosaic's agreement regarding the location of roads, locations and flowlines prior to commencement of construction. By its execution hereof, Mosaic is approving the location of roads, flowlines and power lines as described in the attached exhibits, and construction may proceed.
5. Operator shall repair at operator's sole cost any damages to improvements of Mosaic, including but not limited to roads, fences gates and cattle guards caused by Operators operations.
6. Operator shall be responsible for maintaining existing and newly constructed lease roads hereunder and keeping same in good condition for the duration of drilling and production. The Operator will not be held accountable for roads exclusive used by Mosaic personnel.
7. Operator (including its employees, agents, contractors or other invitees) shall have no right to use the surface of Mosaic lands for any purposes other than what is reasonably necessary to conduct oil and gas drilling and production operations.
8. Operator agrees to indemnify and hold harmless Mosaic for all liability, loss, damages and obligations resulting from injury to (including death of) persons or damage to property, pollution, environment, air space, surface, subsurface, of any kind arising out of or in conjunction with Operator's (including its employees, agents,

contractors or other invitees) operations on Mosaic lands and Operator's drilling location and related facilities.

9. Mosaic agrees to indemnify and hold Operator harmless for all liability, loss, damages and obligations resulting from injury to (including death of) persons or damage to property, pollution, environment, air space, surface, subsurface, of any kind arising out of or caused by Mosaic's operations (including its employees, agents, contractors or other invitees) on Operator's drilling location and related facilities, providing Mosaic (and/or any of its officers, directors or employees) was actively involved in the event or events giving rise to the injury or damage and under the circumstances Mosaic (and/or any of its officers, directors or employees) failed to exercise reasonable care to prevent the event or events giving rise to injury or damage. For the purposes of this paragraph, Mosaic's status as the owner of the surface estate does not constitute "active" involvement sufficient to support a claim for indemnification.
10. This Surface Use Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, executors, successors and assigns.
11. Operator agrees not to convert any well drilled on Mosaic property into a salt water disposal well.
12. Operator shall perform reclamation on each location or other facility constructed on Mosaic property. Drill cuttings may be disposed of in the reserve pit. Oil and condensate produced will be put in storage tanks and sold. The remaining drilling fluids in the reserve pits will be allowed to evaporate until dry enough to be broken out for further drying. If the drilling fluids do not evaporate in a reasonable time, they will be hauled off to a state approved disposal site. The pit area will then be leveled and contoured to conform to the original and surrounding area. The pad and road will be taken up, if requested by Mosaic. All reclamation shall conform to BLM standards for well location reclamation. Reclamation shall be completed within two-years of drilling a dry hole or when the well ceases production.
13. Operator agrees to keep any drillsite constructed hereunder clear of debris, trash and weeds.
14. This agreement shall be governed and construed under the laws of the State of New Mexico, notwithstanding its conflict of laws provisions.
15. It is specifically understood by the parties hereto that this agreement as written herein constitutes the entire agreement between the parties, supersedes, voids and replaces all other previous agreements of any kind between the parties dealing with the subject matter herein, and cannot be changed and /or amended unless such change and/or amendment be made in writing and signed by all parties hereto.

16. The following plats are attached hereto as Exhibits for construction governed under this agreement:

In Witness Whereof, the parties have executed this Agreement the day and year first above written.

Mosaic Potash Carlsbad Inc.

By: 

Printed Name: Don J Parvis

Title: V.P. Operations

Nadel and Gussman Permian, LLC (Operator)

By: 

Printed Name: Josh Fernau

Title: Staff Engineer

13 Point Drilling Plan:

1. Location: (SHL) 660' FSL & 660' FWL, UL M Sec. 22, T-24-S, R-28-E, Eddy County, New Mexico
(Exhibit #1 Form C-102).
2. Elevation: 3,008' GL.
3. Geological Name of Surface Formation: Loamy, sandy soil w/ caliche clasts.
4. Type of Drilling Tools to be utilized: Rotary Tools.
5. Proposed Drilling Depth: 12,900' TVD.
6. Top of Important Geological Markers: TVD

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

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

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

8. Casing Program:

• 13 3/8"	48#	H-40	@ 500'	510 sx, circulated to surface
• 9 5/8"	40#	N-80	@ 6,200'	2000 sx, circulated to surface
• 5 1/2"	17#	P-110	@ 12,900'	TOC to be determined

The 13 3/8" and 9 5/8" casing strings will be cemented to the surface. The TOC on the 5 1/2" casing will be determined after running open hole logs.

9. Specifications for Pressure Control Equipment: (Exhibit #5)

This rig will have a 13 5/8" 5M BOP Shaffer with pipe rams and blind rams, kill line, 5,000 psi choke manifold, Camron hydraulic controls, and accumulator with remote controls. When setting up, will test casing, BOP and choke to 1,500 psi with 3rd 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:

Spud and drill with fresh water to a depth of approx. 500'. Drill out from under surface casing with brine water. Control lost circulation with paper and LCM pills. Drill out from under the intermediate casing and drill to 8700' with fresh water while maintaining a Ph of 10. Drill from 8,700' to 10,400' with cut brine at approximately 9.2 to 10 PPG. Use starch and XCD polymer for filtrate control and

mix pre-hydrated freshwater gel slurry to clean and condition hole prior to running electric logs. Drill from 10,400' to TD with a cut brine system utilizing starch, SCD, and barite as needed for viscosity and weight.

11. Testing, Logging & Coring Program:


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

12. Potential Hazards:

No significant hazards are expected. Lost circulation may occur, no H₂S expected, but the operator will utilize a 3rd party H₂S monitoring package from 6,200' to TD.

13. Anticipated starting date & duration:

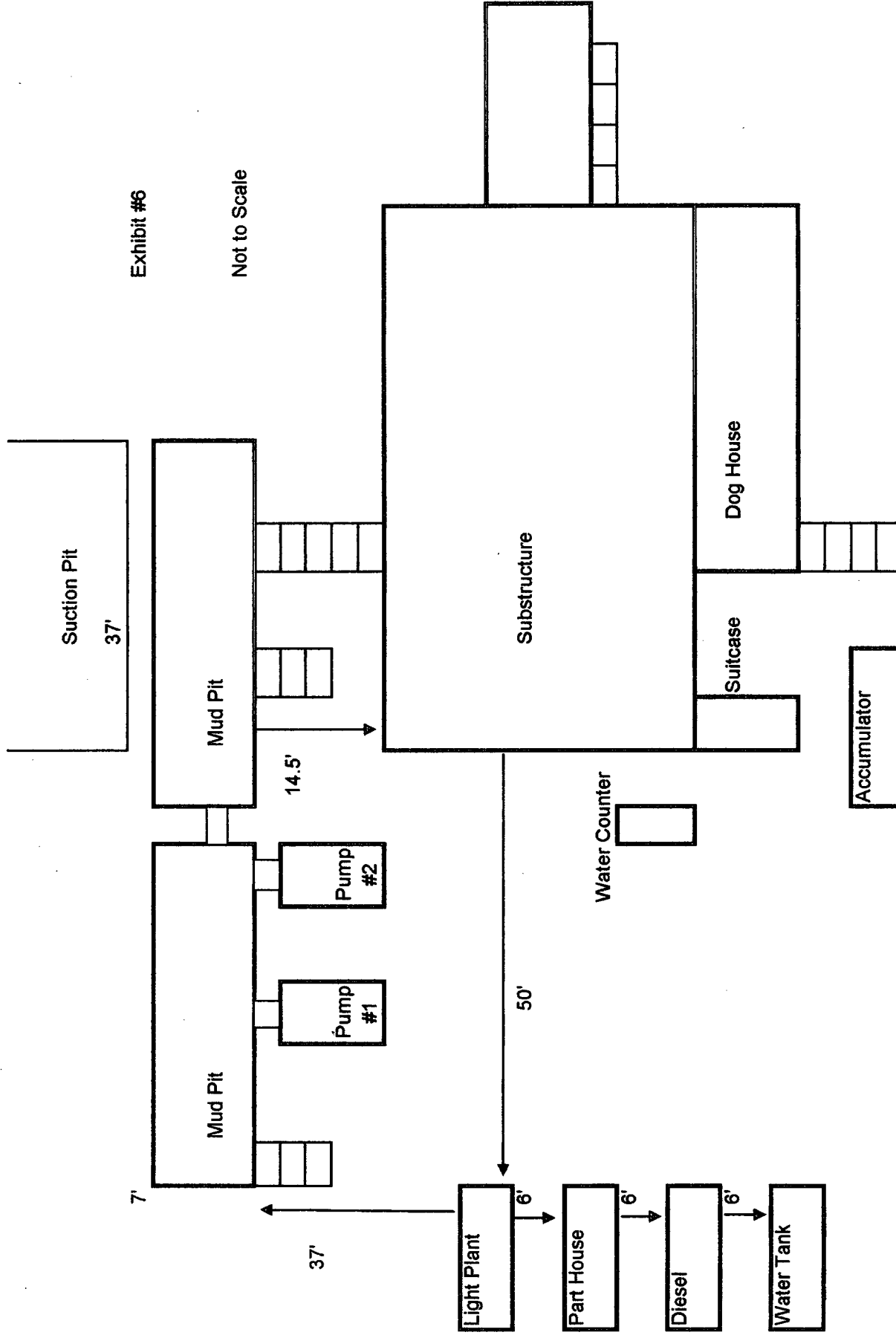
Plans are to begin drilling operations about November 1, 2006; approximately 45 days will be required to drill the well and 10 days will be needed for the completion.



Josh Fernau
Staff Engineer
Date: 06/14/06

Exhibit #6

Not to Scale



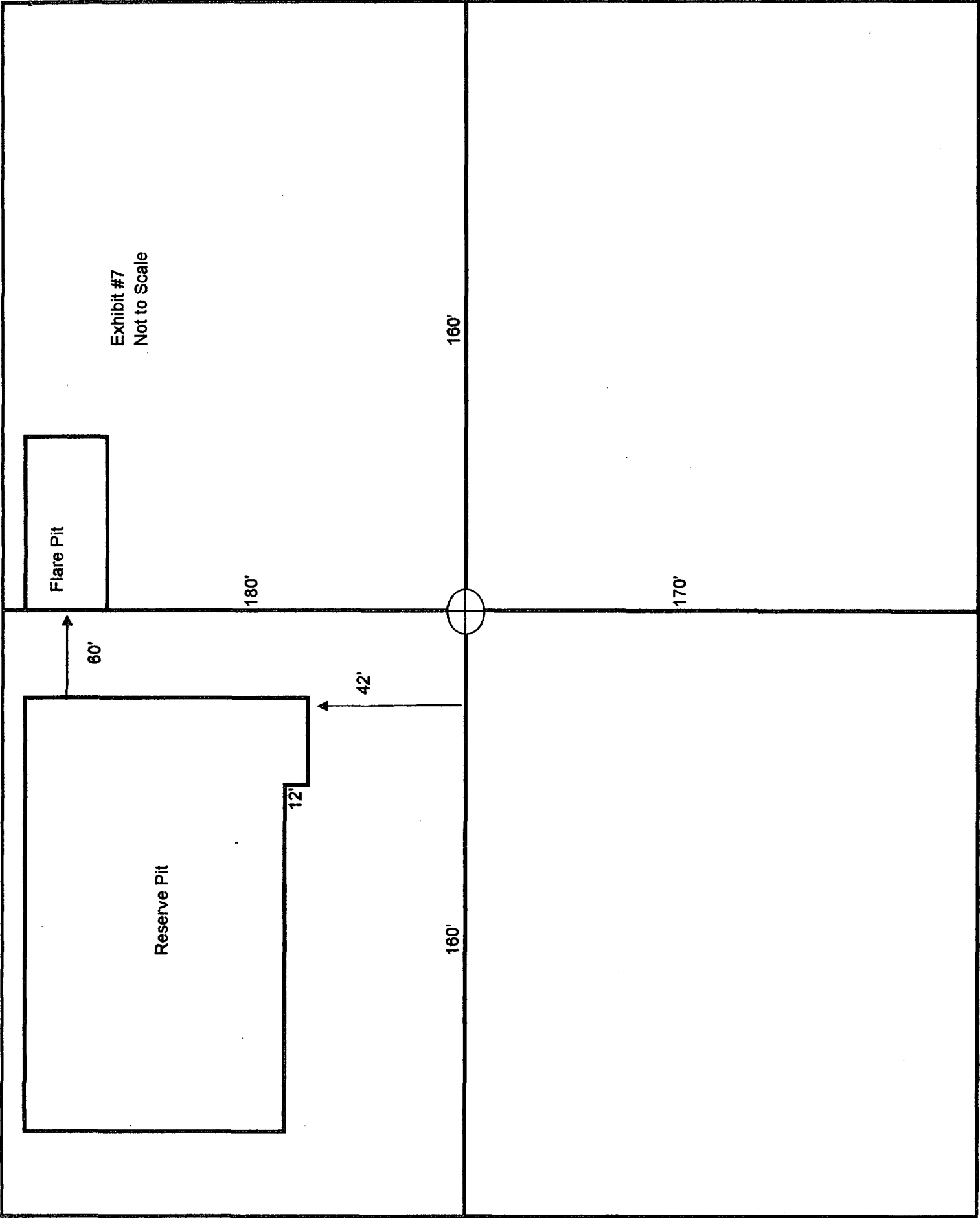
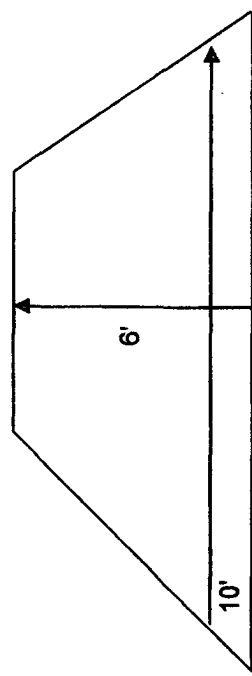
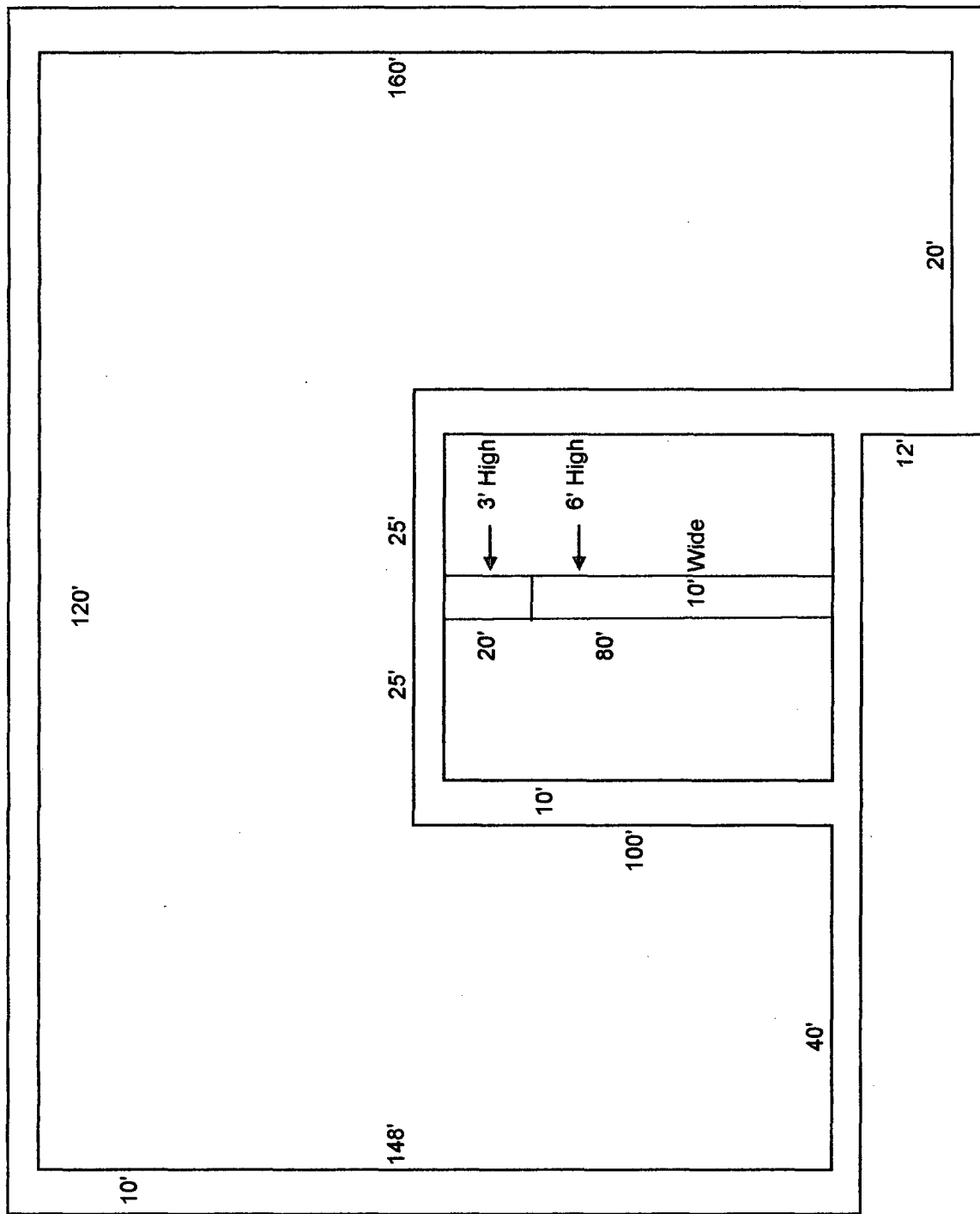


Exhibit #8
Not to Scale



SECTION 22, TOWNSHIP 24 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

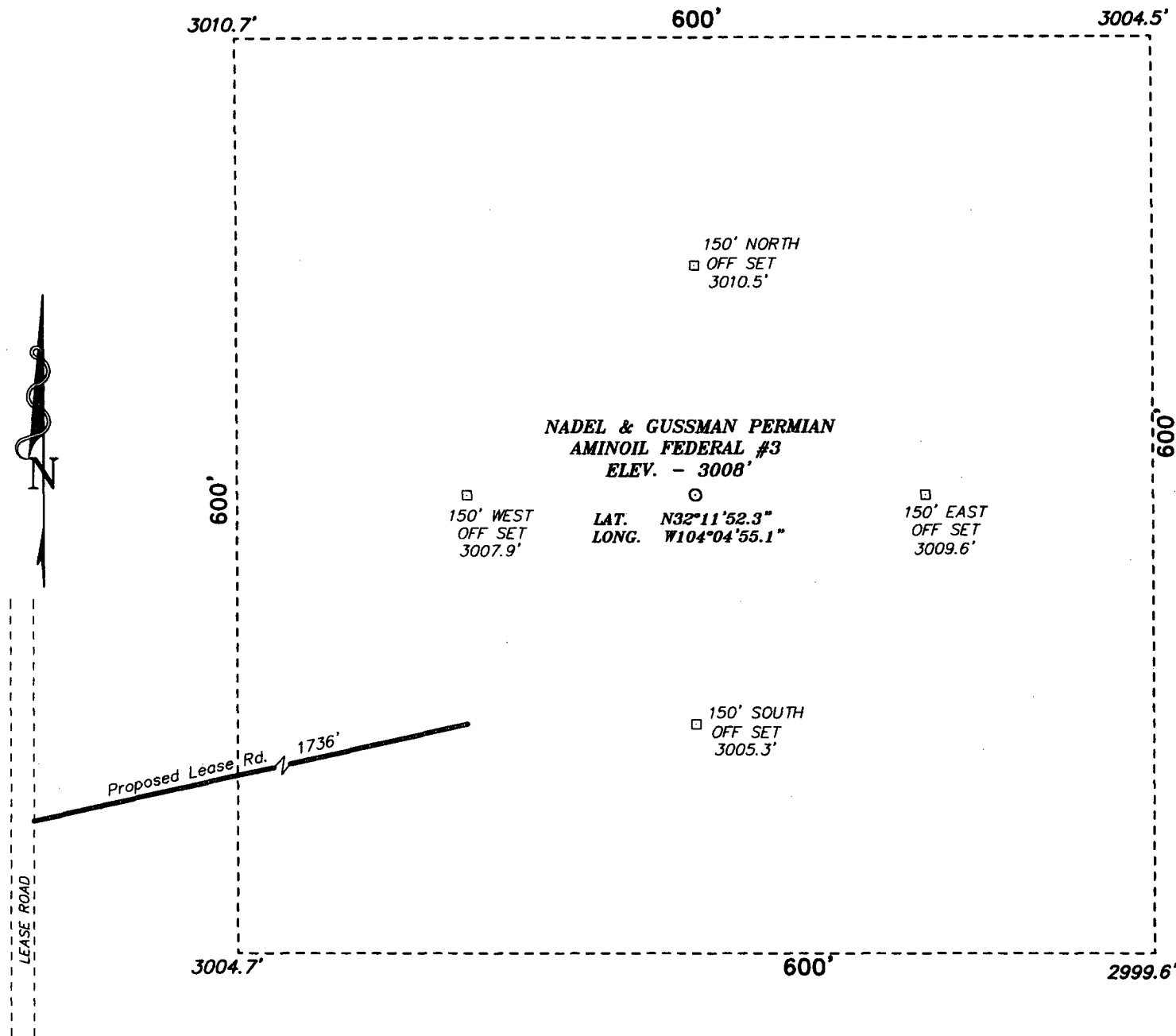
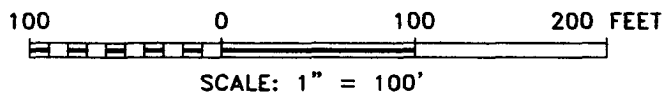


Exhibit #2



Directions to Location:

FROM THE JUNCTION OF US HWY 285 AND CO. RD. 720 IN MALAGA, GO WEST ON 720 FOR 0.2 MILE TO CO. RD. 719; THENCE SOUTH ON 719 FOR 0.4 MILE STAYING RIGHT ANOTHER 0.4 MILE, STAYING LEFT ANOTHER 0.9 MILE TO PROPOSED LEASE ROAD.

NADEL AND GUSSMAN PERMIAN

REF: AMINOIL FED. No. 3 / Well Pad Topo

AMINOIL FED. No. 3 LOCATED 660' FROM THE SOUTH LINE AND 660' FROM THE WEST LINE OF SECTION 22, TOWNSHIP 24 SOUTH, RANGE 28 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 6269

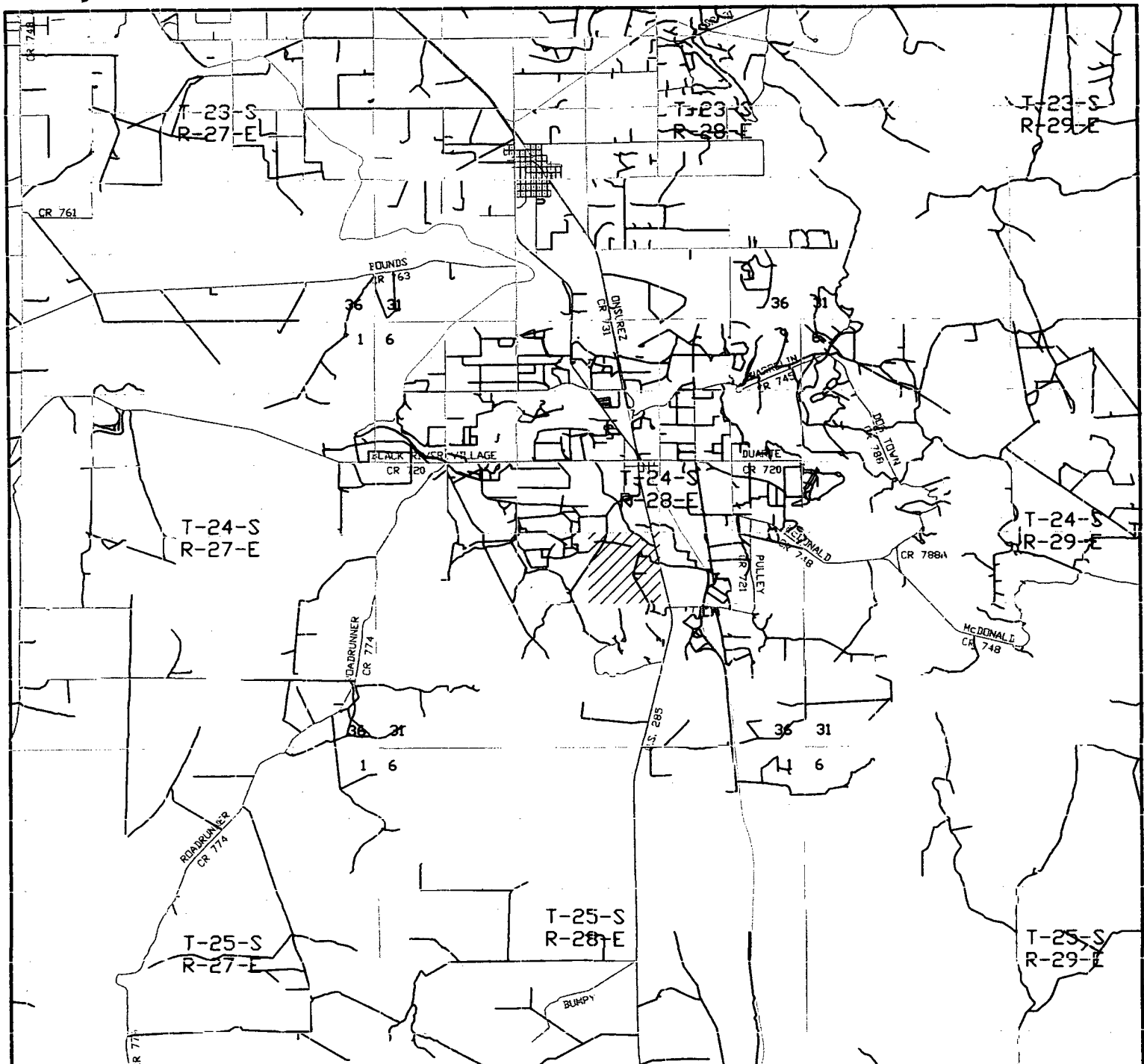
Drawn By: K. GOAD

Date: 02-22-2006

Disk: KJG #9 - 6269A.DWG

Survey Date: 02-21-2006

Sheet 1 of 1 Sheets



AMINOIL FEDERAL #3

Located at 660' FSL and 660' FWL
 Section 22, Township 24 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
 basin-surveys.com

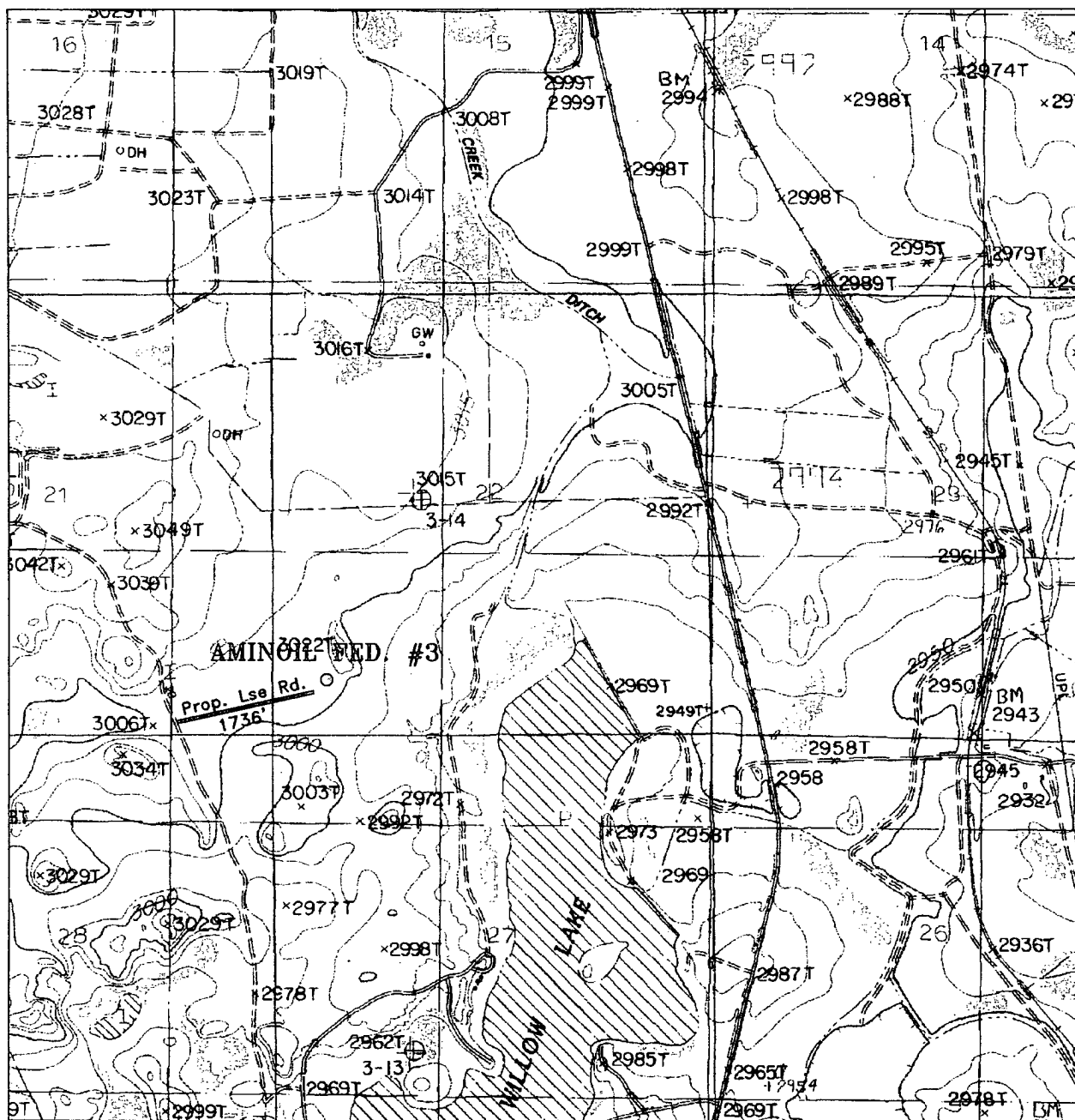
W.O. Number: 6269AA - KJG #1

Survey Date: 02-21-2006

Scale: 1" = 2 MILES

Date: 02-22-2006

NADEL AND
GUSSMAN PERMIAN,
L.L.C.



AMINOIL FEDERAL #3

Located at 660' FSL and 660' FWL
 Section 22, Township 24 South, Range 28 East,
 N.M.P.M., Eddy County, New Mexico.



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: 6269AA - KJG #1

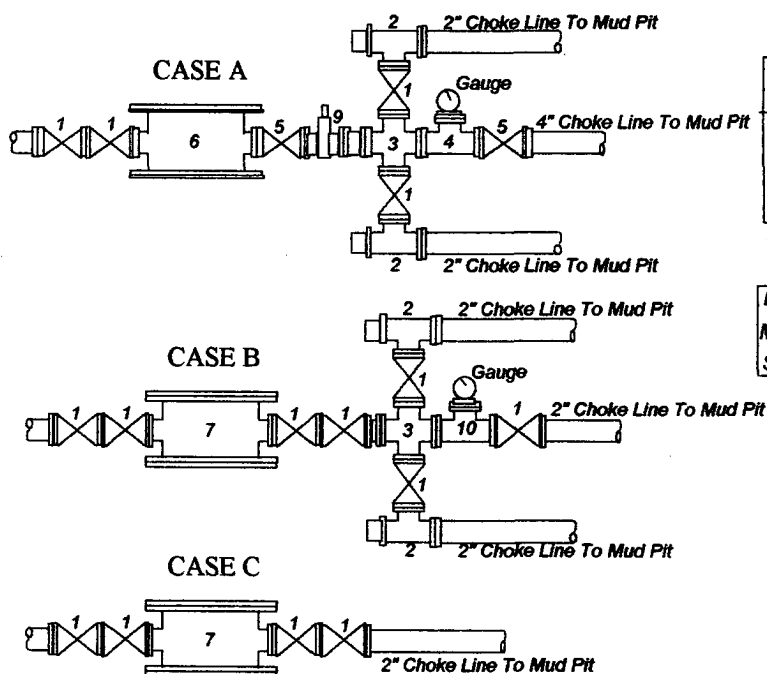
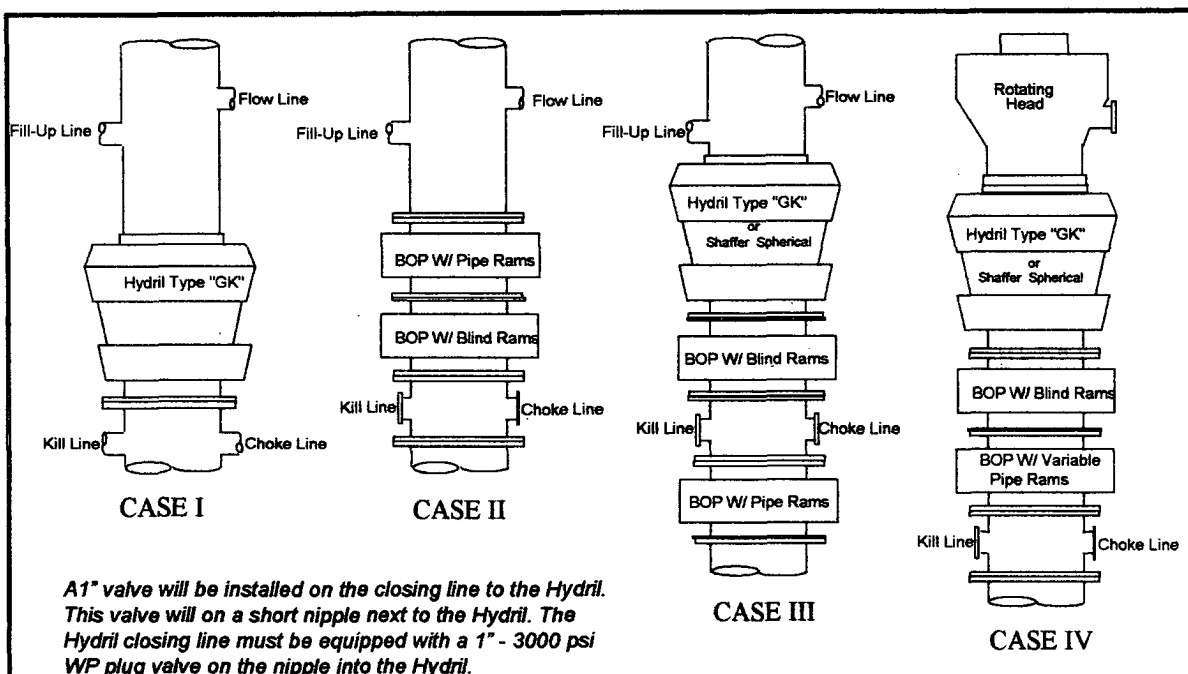
Survey Date: 02-21-2006

Scale: 1" = 2000'

Date: 02-22-2006

**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	5000#	A

**Rotating head required*

Bradenhead : _____

Mfr: _____

Size: _____ Type: _____

Exhibit #5

Legend

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

Notes

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

(10-31-96) WTXBOPS.PPT

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nadel and Gussman Permian LLC
Well Name & No: Aminoil Federal No 03
Location: Surface 660' FSL & 660' FWL, Sec.22, T. 24 S. R. 28 E.
Lease: NMNM 20360
Eddy County, New Mexico

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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) 361-2822 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. A Hydrogen Sulfide (H₂S) Drilling Plan is not required for this well bore.
3. 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.
4. 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.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A communitization agreement shall be submitted to the this office for approval prior to any sales from this well.

II. CASING:

1. The 13 3/8 inch shall be set at 500 Feet with 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 to circulate to surface.
3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to place TOC above any hydrocarbon bearing zones by at least 200 ft.

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 13 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.

(III Cont):

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **5 M psi**. The operator plans to test the BOPE to 1500 psig upon installation on the 13 3/4 inch casing and is approved. The BOPE shall be tested to the 5 M BOPE requirements prior to drilling below the 9 3/4 inch intermediate shoe to be set at about 6200 feet.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test 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 safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.