

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

## DISTRICT I

4625 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 Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

## OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 80240	Pool Name LITTLE BOX CANYON (MORROW)
Property Code	Property Name MAJOR GANT FEDERAL	Well Number 1
OGRID No.	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 4447'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	12	21 S	21 E		660	SOUTH	2160	WEST	EDDY

## Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 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><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><u>Terry R. West</u> 11-30-06 Signature Date</p> <p><u>TERRY R. WEST</u> Printed Name</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 13, 2006</p> <p>Date Surveyed <u>GARY L. JONES</u> Signature &amp; Seal of Professional Surveyor</p> <p></p> <p>Certificate No. <u>7977</u> Professional Surveyor</p> <p><b>BASIN SURVEYS</b></p>

Nadel and Gussman Permian, L.L.C.  
601 N. Marienfeld, Suite 508  
Midland, Texas 79701

December 1, 2006

**UNITED STATES DEPARTMENT OF INTERIOR**

Bureau of Land Management  
Carlsbad Field Office  
620 E. Greene Street  
Carlsbad, NM 88220

**RE: STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS**

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: Major Gant Federal No. 1

Lease Number: Federal Lease NM 886

Legal Description of Land: S12, T21S R21E, (SHL) 660' FSL and 2160' FWL, Eddy County, NM

Lease Covers: SW4, W/2 SE/4, SE/4 SE/4 of Section 12 of T21S R21E in Eddy County, NM

Formations: Morrow

Bond Coverage: Blanket Statewide

BLM Bond File Number: NM2812

Land ownership: Federal

  
Terry West  
Senior Drilling Engineer

# 13 POINT DRILLING PLAN MAJOR GANT FEDERAL NO. 1

**LOCATION:** UL N S12 T21S R21E, 660' FSL & 2160' FWL, Eddy County, New Mexico.

**ELEVATION:** GL 4,447'

**GEOLOGICAL NAME OF SURFACE FORMATION:** QUATERNARY ROCK

**TYPE OF DRILLING TOOLS TO BE UTILIZED:** Rotary tools

**PROPOSED DRILLING DEPTH:** 8700'

**TOPS OF IMPORTANT GEOLOGICAL MARKERS:** TVD

Clearfork	2,800'	Canyon	6,300'	Morrow	7,980'
Abo	3,380'	Strawn	7,480'	Chester	8,280'
Wolfcamp	4,800'	Atoka	7,820'		

**ESTIMATED DEPTH OF ANTICIPATED WATER, OIL OR GAS:**

Oil and Gas	Canyon	6,300'
Oil and Gas	Strawn	7,480'
Gas	Morrow	7,980'

**CASING PROGRAM:**

- 20" 94# H-40 @ 80' Redi-Mix
- 13 3/8" 48# J-55 H-40 @ 400' 250 sx, circulated to surface, if string is ran
- 9 5/8" 36# J-55 @ 1,800' 425 sx circulated to surface
- 5 1/2" 17# P-110 @ 9,600' TOC to be determined

The 20" conductor will be cemented to the surface. The 13 3/8" casing string will only be ran if severe lost circulation or hole problems are encountered. If it is ran, it will be cemented to surface. The 9 5/8" casing string will be ran and cemented to surface. The TOC on the 5 1/2" production casing will be determined after running open hole logs.

**SPECIFICATIONS FOR PRESSURE CONTROL EQUIPMENT: (EXHIBIT #9)**

The rig will be equipped with a 13 5/8" 5M BOP Shaffer with pipe and blind rams, kill line, 10,000 psi choke manifold, Camron hydraulic controls, and accumulator with remote controls. When setting up, the unit will test for casing, BOP and choke to 1,500 psi with 3rd party tester, operate BOP daily or as directed by the company representative. A BLM representative will witness both surface and intermediate zones.

**MUD PROGRAM:**

Spud and drill 17 1/2" surface hole with **fresh water or air** to a depth of approx 400'. Control lost circulation with paper and LCM pills.

Drill 12 1/4" hole from 400' to 1,800' with **fresh water or air**. Control lost circulation with paper and LCM pills.

Drill 8 3/4" production hole from 1800' to 6300' with **fresh water or cut brine**. Control lost circulation with paper and LCM pills. From 6300' to TD, control filtrate with starch and water loss additives. Clean hole with pre-hydrated freshwater gel slurry sweeps, as necessary.

1800'-6300' mud wt. 8.4-8.7 PP6  
6300'-TD " " 8.7-9.0 PP6

**TESTING, LOGGING & CORING PROGRAM:**

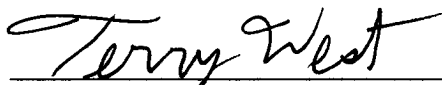
- a. Testing: No DST's are expected.
- b. Coring: no coring is planned.
- c. Logging: The standard suite of open hole logs will be run, Dual Lateral/ ML and GR/Density/Neutron combination.
- d. Depending on the sand quality, a FMI and/or formation tester may be run.
- e. Open hole logs will not be run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

**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 2,000' to TD.

**ANTICIPATED STARTING DATE & DURATION:**

Nadel & Gussman Permian, LLC anticipates drilling operations to begin around February 1, 2007 and complete in approximately 30 days. An additional 15 days will be needed for completion activities.

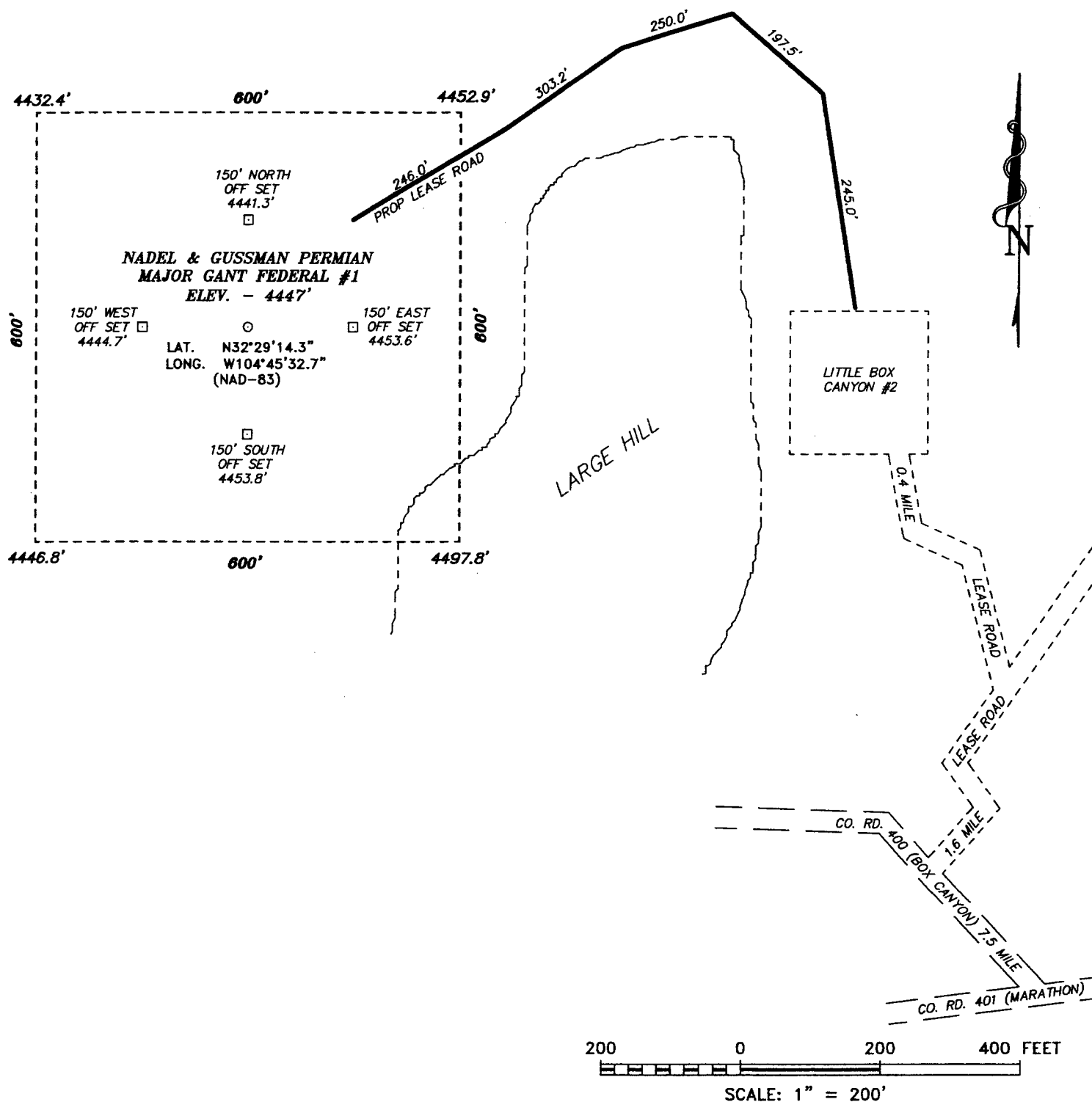
  
Terry West, Senior Drilling Engineer  
Nadel & Gussman Permian, LLC

12-1-06  
Date

## Hydrogen Sulfide Drilling Operations Plan Major Gant Federal No. 1

1. Company and contract personnel admitted on location should be trained by a qualified H<sub>2</sub>S safety instructor to the recognize and handle following:
  - A. Characteristics of H<sub>2</sub>S gas
  - 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 knowledge
  - E. Evacuation procedure, routes and first aid support
  - F. Proper use of 30 minutes Pressure-on-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 (high enough to be visible)
  - B. Windsock at briefing area (high enough to be visible)
  - C. Windsock at location entrance
4. Condition Flags and Signs
  - A. H<sub>2</sub>S warning signs on lease access road into location
  - B. Flags displayed on sign at location entrance
    1. Green flag indicates "Normal Safe Conditions"
    2. Yellow Flag indicates "Potential Pressure and Danger"
    3. Red Flag indicates "Danger - H<sub>2</sub>S Present in High Concentrations" *admit only emergency personnel*
5. Well Control Equipment
  - A. See Exhibit #5.
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 radios or cell phones used to communicate off location or minimally in Drilling Foreman's trailer or living quarters
7. Drillstem Testing
  - A. Exhausts watered
  - B. Flare line equipped with electric Igniter/propane pilot light in case gas reaches surface
  - C. If location near dwelling closed DST will be performed
8. Drilling Supervisor required to be familiar with effects of H<sub>2</sub>S on tubular goods/mechanical equipment
9. If H<sub>2</sub>S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H<sub>2</sub>S scavengers, if necessary.

SECTION 12, TOWNSHIP 21 SOUTH, RANGE 21 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF CO. RD. 401 (MARATHON) AND CO. RD. 400 (BOX CANYON) PROCEED NORTHWEST ON CO. RD. 400 FOR 7.5 MILE TO LEASE ROAD, ON LEASE ROAD PROCEED NORTHEAST 1.6 MILE TO LEASE ROAD, ON LEASE ROAD PROCEED NORTH BY NORTHWEST 0.4 MILE TO LITTLEBOX CANYON #2 WELL AND PROPOSED LEASE ROAD.

**Basin Surveys** P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 7061 Drawn By: J. M. SMALL

Date: 09-14-2006 Disk: JMS 7061W

**NADEL AND GUSSMAN PERMIAN**

REF: MAJOR GANT FEDERAL #1/ Well Pad Topo

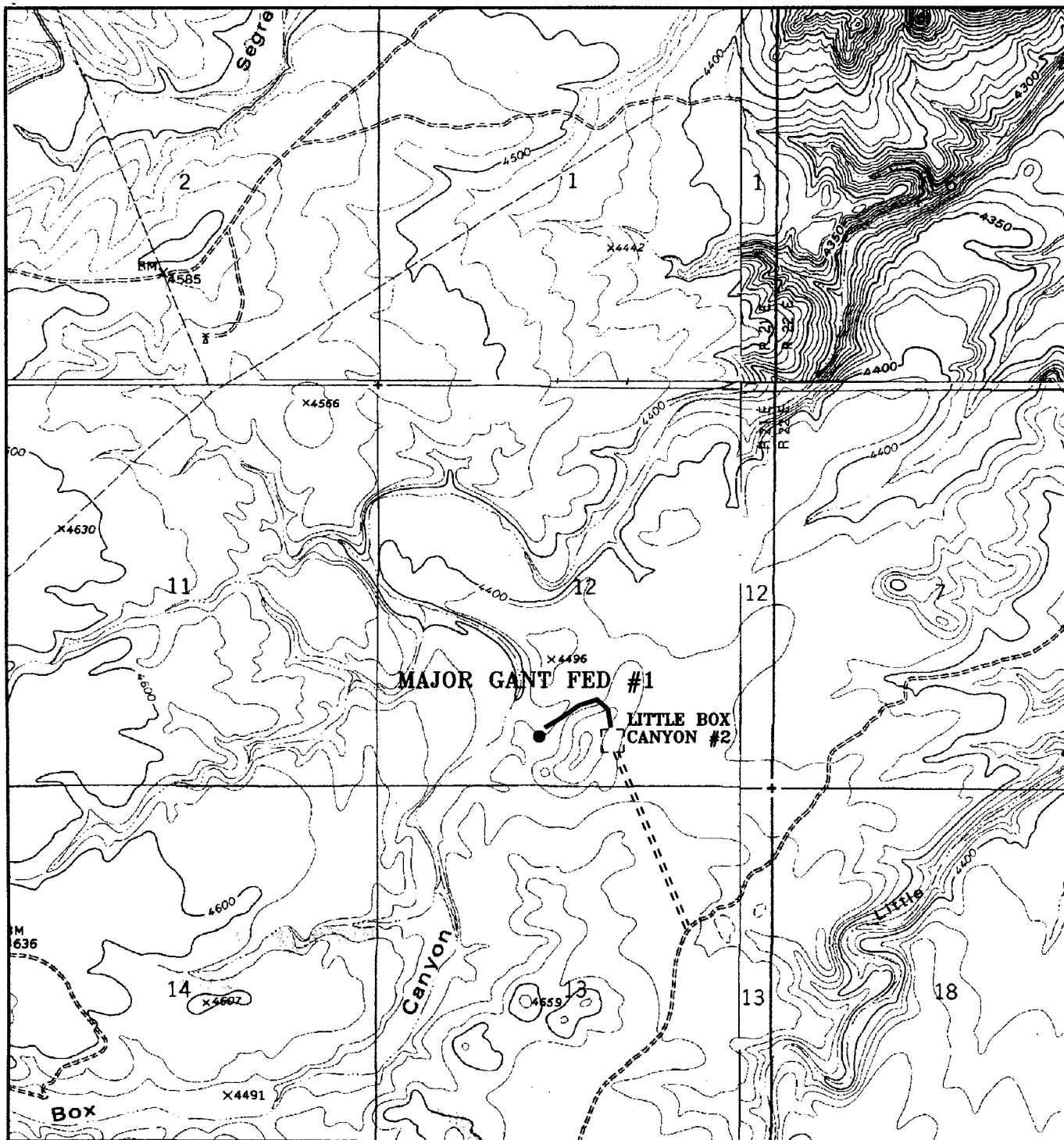
MAJOR GANT FEDERAL NO. 1 LOCATED 660' FROM

THE SOUTH LINE AND 2160' FROM THE WEST LINE OF  
SECTION 12, TOWNSHIP 21 SOUTH, RANGE 21 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

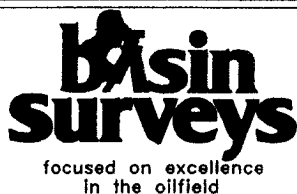
Survey Date: 09-13-2006 Sheet 1 of 1 Sheets

# EXHIBIT 4



## MAJOR GANT FEDERAL #1

Located at 660' FSL & 2160' FWL  
 Section 12, Township 21 South, Range 21 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: JMS 7061T

Survey Date: 09-13-2006

Scale: 1" = 2000'

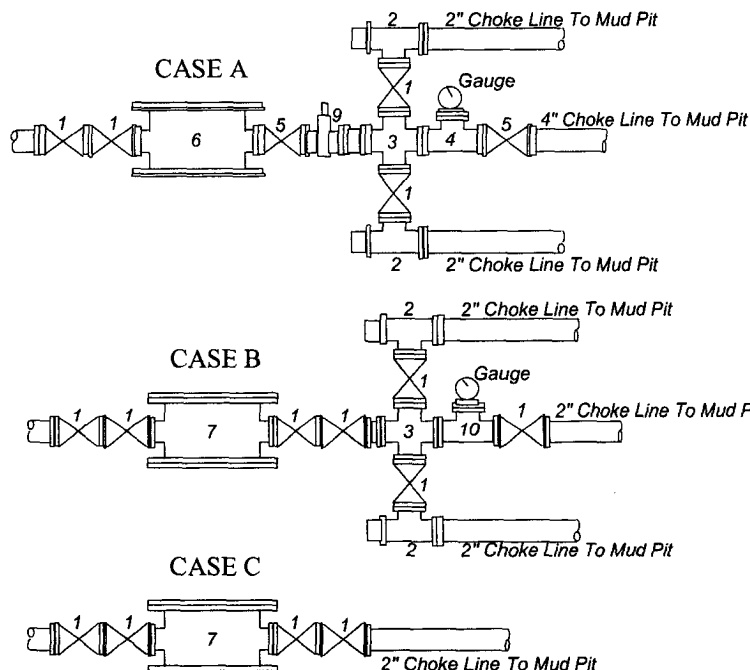
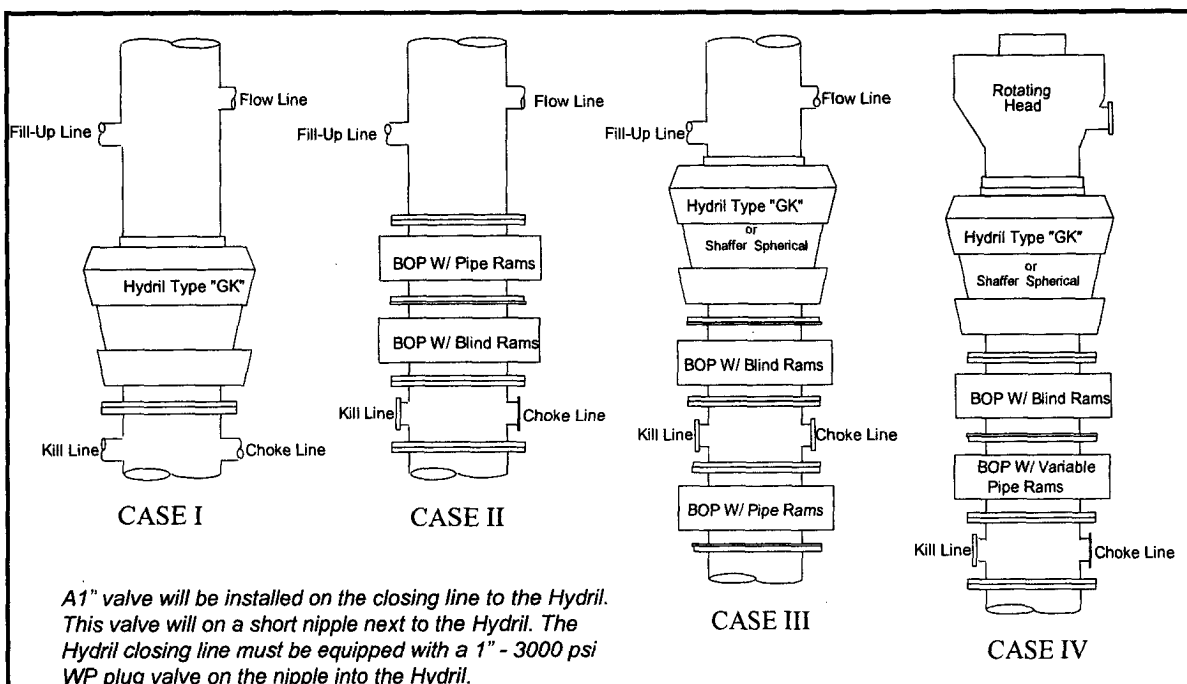
Date: 09-14-2006

**NADEL AND  
 GUSSMAN  
 PERMIAN**



# EXHIBIT 5

## Nadel and Gussman Permian MINIMUM BLOWOUT PREVENTER REQUIREMENTS



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
13 3/8	IV	5M	A

**\*Rotating head required**

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

### 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.
- 2" 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.

- **Nadel & Gussman Permian, LLC Representatives:**

Terry West	Office Phone	(432) 682-4429
	Home Phone	(432) 897-1472
	Mobile Phone	(432) 238-2874
Kurt Hood	Office Phone	(505) 746-1428
	Home Phone	(505) 234-2747
	Mobile Phone	(505) 513-1499
Joel Martin	Office Phone	(432) 682-4429
	Home Phone	(432) 694-2569
	Mobile Phone	(432) 238-9969

**Certification:** I hereby certify that I, Terry West, Senior Drilling Engineer for Nadel & Gussman Permian, LLC or persons under my direct supervision have (1) inspected the proposed drilling site and access route and are familiar with the conditions which presently exist; (2) that the statements made in this plan are to the best of my knowledge, true and correct; and (3) 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.



Terry West, Senior Drilling Engineer  
Nadel & Gussman Permian, LLC

12-1-06

Date

## CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 1-Major Gant Federal  
Operator's Name: Nadel and Gussman Permian, L.L.C.  
Location: 0660FSL, 2160FWL, Section 12, T-21-S, R-21-E  
Lease: NM886

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy 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. **Only minor concentrations of Hydrogen Sulfide have been measured in the area. H<sub>2</sub>S is always a potential hazard.**

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 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.

7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

### II. CASING:

1. The 13-3/8 inch surface casing (**will be run only if severe lost circulation or hole problems are encountered**) shall be set at 400 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.

**Possible lost circulation in the San Andres, Glorieta, and Wolfcamp formations.  
Potential for karst type features in the area.**

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

3. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend a minimum of 200 feet into the 9-5/8 inch casing.**

### **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 (if run) and 9-5/8 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 below the 9-5/8 inch casing shall be 3M psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
  - A variance to test the 13-3/8 inch casing (if run), BOP, and BOPE to the reduced pressure of 1000 psi is approved.
  - 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.

**Engineer on call phone: 505-706-2779**

**WWI 010907**



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

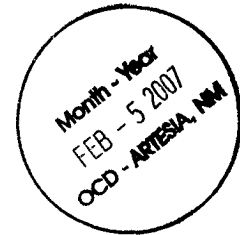
Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

29 January 2007



Nadel and Gussman Permian, L.L.C.  
Attn: Mr. Sam Jolliffe, Land Manager  
601 N. Marienfeld, Suite 508  
Midland, TX 79701

## Administrative Order NSL-5555

Re: Major Gant Fed. Well No. 1  
N-12-21S -21E  
Eddy County

Dear M:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-01140122**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 11, 2007, and

(b) the Division's records pertinent to this request.

Nadel and Gussman Permian, L.L.C. (Nadel and Gussman) has requested to drill its proposed Major Gant Fed. Well No. 1 at an unorthodox Morrow gas well location, 660 feet from the South line and 2160 feet from the West line (Unit N) of Section 12, Township 21 South, Range 21 East, N.M.P.M., in Eddy County, New Mexico. The S/2 of Section 12 will be dedicated to this well in order to form a standard 320-acre spacing unit in the Little Box Canyon-Morrow Gas Pool (80240). This pool is governed by statewide Rule 104.C(2), which provides for 320-acres units, with wells located at least 660 feet from a quarter section boundary. This location is approximately 480 feet from the nearest quarter section boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).


It is our understanding that Nadel and Gussman is seeking this location for topographic reasons and to avoid interference with an archeological site located to the immediate west of the proposed location.

Since this location encroaches only toward an internal quarter section boundary, within the spacing unit, there are no affected persons to whom notice is required.

Pursuant to the authority granted me by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.  
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia  
United States Bureau of Land Management - Carlsbad