Form 3160-5
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JUL 17 2009
OCD-ARTESIA

FORM APPROVED
OM B No 1004-0137
Expires March 31, 2007

RM

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160 - 3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

5 Lease Serial No NMNM-89879

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

1. Type of Well: Oil Well X Gas Well Other

8 Well Name and No
Mesquite 3 Federal #4

2 Name of Operator: Nadel and Gussman HEYCO, LLC

9. API Well No
30-015-36439

3a Address: 601 N. Marienfeld, Suite 508, Midland, TX 797001

3b Phone No *(include area code)*: 432-682-4429

10 Field and Pool, or Exploratory Area
Shugart;
Bone Spring North

4 Location of Well (Footage, *Sec., T., R., M., or Survey* Description)
Unit Letter M: 330 feet from the South line and 330 feet from the West line of Section 3, Township 18S, Range 31E

11. County or Parish, State
Eddy County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
X Notice of Intent	Acidize	Deepen	Production (Start/Resume)	Water Shut-Off
	Alter Casing	Fracture Treat	Reclamation	Well Integrity
Subsequent Report	Casing Repair	New Construction	Recomplete	
Final Abandonment Notice	X Change Plans	Plug and Abandon	Temporarily Abandon	Other
	Convert to Injection	Plug Back	Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection)

Variance for flex hose (specifications attached) from BOP to choke manifold.

Variance to drill 7-7/8" production hole rather than 8-3/4".

Variance to change BOPs from 13-5/8", 3000 psi, case III to the following (see attached BOP diagrams):

13-5/8", 2000 psi, case II for use while drilling the 12-1/4" intermediate hole to 2030'.

9", 3000 psi, cas III for use while drilling the 7-7/8" production hole to 9075'.

SEE ATTACHED FOR CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)* Terry West — Title Engineer

Signature Terry R. West — Date 7/7/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by Ryan D. Hall — Title Petroleum Engineer — Date JUL 14 2009

Conditions of approval, if any, are attached. Approval of this notice 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

Office CFO

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

(Instructions on page 2)

MR

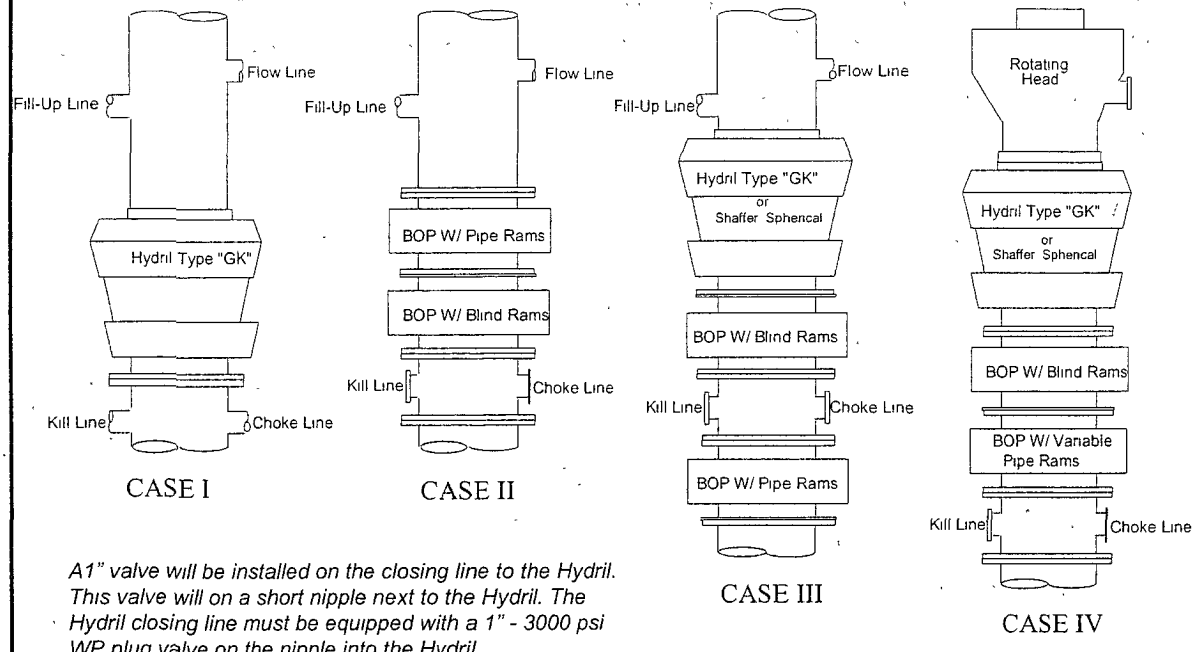
MIDWEST

HOSE AND SPECIALTY INC.

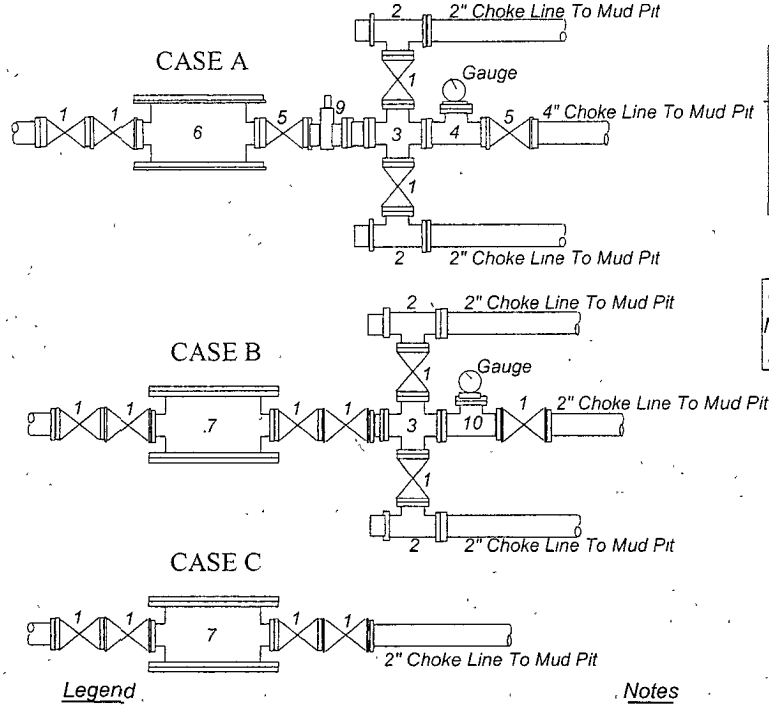
INTERNAL HYDROSTATIC TEST REPORT		
Customer: BURNSCO BOP/CAMERON		P.O. Number: 11142
HOSE SPECIFICATIONS		
Type: CHOKE & KILL		Length: 15'
I.D. 3" INCHES		O.D. 6"
WORKING PRESSURE 5,000 PSI	TEST PRESSURE 10,000	BURST PRESSURE
COUPLINGS		
Stem Part No. D3.0X48BW		Ferrule No. D3.0X48BW
Type of Coupling: 3-1/8 5K FLANGE (R-35)		Die Size:
PROCEDURE		
Hose assembly pressure tested with water at ambient temperature.		
TIME HELD AT TEST PRESSURE 1 MIN.		ACTUAL BURST PRESSURE: 0 PSI
COMMENTS: INV#00030		
Date: 10/21/2008	Tested By: BOBBY FINK	Approved: BRENT BURNETT

Eagle Rock

Nadel and Gussman ~~Permian~~ HEYCO, LLC
MINIMUM BLOWOUT PREVENTER REQUIREMENTS



A1" valve will be installed on the closing line to the Hydril. This valve will on a short nipple next to the Hydril. The Hydril closing line must be equipped with a 1" - 3000 psi WP plug valve on the nipple into the Hydril



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE	
13 5/8"	II	2000psi	B	(1)
9"	III	3000psi	B	(2)

**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 & equiped 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.

(10-31-96) WTXBOPS PPT

(1) Nipple up on 13 3/8" casing for drilling 12 1/4" Intermediate hole.
(2) Nipple up on 9 5/8" casing for drilling 7 7/8" Production hole.

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	**Nadel and Gussman HEYCO, LLC**
LEASE NO.:	**NMNM-89879**
WELL NAME & NO.:	**Mesquite 3 Federal #4**
SURFACE HOLE FOOTAGE:	**330' FSL & 330' FWL**
BOTTOM HOLE FOOTAGE	**330' FSL & 330' FWL**
LOCATION:	**Section 03, T. 18 S., R 31 E., NMPM**
COUNTY:	**Eddy County, New Mexico**

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings
c. BOPE tests

☒ **Eddy County**
Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Queen** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**

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. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possible lost circulation in the Grayburg and San Andres formations.
Possible water flows in the Salado group and the Premier member of the Grayburg formation.

1. The **13-3/8** inch surface casing shall be set at approximately **830 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.**

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

    d. If cement falls back, remedial cementing will be done prior to drilling out that string.

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

   ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **This casing is to be set in the Tansill formation at approximately 2030' in order to separate the salt from the hydrocarbon bearing formations and because it is a more competent formation than the Yates.**

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

   ☒ Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification.

4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. **Variance approved to use flex line from BOP to choke manifold. Check condition of 3" flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends.**

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi.

4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8 inch** intermediate casing shoe shall be **3000 (3M)** psi. **The choke manifold as pictured in the APD does not conform to Onshore Order No. 2 requirements. The valves on the choke line side need to be a minimum size of 3 inches.**

   a. The results of the test shall be reported to the appropriate BLM office.

   b. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.

c. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

d. **Effective November 1, 2008, no variances will be granted on reduced pressure tests on the surface casing and BOP/BOPE. Onshore Order 2 requirements will be in effect.**

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

RGH 071309