

NADEL AND GUSSMAN HEYCO, L.L.C.

P.O. BOX 1936

ROSWELL N.M. 88202

(575) 623-6601 (Office)

(575) 624-5321 (Fax)

30-015-38464

Re: Taylor Deep 12 Federal 7H

SHL: 330' FSL & 800' FEL

BHL: 1650' FNL & 510' FEL

Unit , Sec. 12, T18S, R31E

Eddy, NM

Rule 118 H2S Exposure

Dear Mr. Ingram

Nadel and Gussman Heyco, LLC have evaluated this well and we do not expect to encounter hydrogen sulfide. However, we will employ a third party monitoring system. We will begin monitoring prior to drilling out the intermediate casing and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,

Keith Cannon

Drilling superintendent

8/27/2010

Hydrogen Sulfide Drilling Operations Plan

Taylor Deep 12 Federal #7H

Sec 12, T18S, R31E

SHL: 330' FSL & 800' FEL

BHL: 1650' FNL & 510' FEL

Eddy Co. N.M.

1. Company and contract personnel admitted on location should be trained by a qualified H₂S safety instructor to the recognize and handle following:
 - A. Characteristics of H₂S gas
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems
 - D. Principle and operation of H₂S 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. H₂S Detection and Alarm Systems
 - A. H₂S 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. H₂S 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 - H₂S 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 H₂S on tubular goods/mechanical equipment
9. If H₂S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers, if necessary.

PUBLIC PROTECTION PLAN FOR EMERGENCY CONTACTS

NADEL AND GUSSMAN HEYCO, LLC (575) 623-6601

Company Personnel

Terry West	Drilling Enrineer	432-682-4429 432-238-2874
Keith Cannon	Drilling Supt.	575-623-6601 575-626-1936

ARTESIA N.M.
Ambulance 911
State Police 575-746-5000
City Police 575-746-5000
Sheriff's Office 575-746-9888
Fire Department 575-746-5050 or 575-746-5051
N.M.O.C.D 575-748-1283

CARLSBAD N.M.
Ambulance 911
State Police 575-885-3137
City Police 575-885-2111
Sheriff's Office 575-887-7551
Fire Department 575-885-3125 or 575-885-2111
Carlsbad BLM 575-887-6544

HOBBS N.M.
Ambulance 911
State Police 575-392-5588
City Police 575-397-9265
Sheriff's Office 575-396-3611
Fire Department 575-397-9308
N.M.O.C.D 575-393-6161
Hobbs BLM 575-393-3612

Flight for Life (Lubbock Tx) 806-743-9911
Aerocare (Lubbock Tx) 806-747-8923
Med flight air Ambulance (Albuq NM) 505-842-4433
SB air Med Services (Albuq NM) 505-842-4949

Boots & Coots IWC 800-256-9688 or 281-931-8884
Cudd Pressure Control 915-699-0139 or 915-563-3356
BJ Services (Artesia NM) 575-746-3569
(Hobbs NM) 575-392-5556

New Mexico Emergency Response Commission (Santa Fe) 505-476-9600
24 Hour 505-827-9126
New Mexico State Emergency Operations Center 505-476-9635

Surface Use Plan
Nadel and Gussman Heyco, LLc
Taylor Deep 12 Federal 7H
Section 12, T18S, R31E
SHL; 330' FSL & 800' FEL
BHL; 1650' FNL & 510' FEL
Eddy County, New Mexico

1. **Existing Roads:**

Exhibit A is a portion of a New Mexico map showing the location of the proposed location. The location is approximately 10 miles South of Maljamar, NM.

From the intersection of US 82 and Cord 222 (Shugart rd) Go southeast on Co rd 222 approx 4.0 miles. Turn left onto Co rd 249 (Westall rd) and go 1.5 Miles. Turn left and go northeast 1.5 miles. Turn right and go east approx 1.7 miles. Location just east of road about 285'

2. **Planned Access Roads:**

No new road will be built to access this location come in from the Northeast corner

3. **Location of Existing Wells:**

See EXHIBIT B From the surveying company / vicinity map

4. **Location of Tank Batteries, Electric Lines, Etc:**

a. In the event the well is found productive, the tank battery would be utilized and the necessary production equipment

b. Tank battery will be located on the north side of the well pad.

5. **Location and Type of Water Supply:**

This location will be drilled using a combination of water mud systems (out line in the drilling program). Water will be obtained from commercial water stations in the area and hauled in by transport truck using the existing and proposed roads shown in the C-102.

6. **Source of Construction Material:**

All caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM / State approved pit

Or from prevailing deposits found under the location. All roads will be constructed of 6" rolled and compacted caliche. Top soil will

Stock pile on the south side of location.

7. **Methods of Handling Waste Disposal:**

a. All trash, junk, and other waste material will be contained in trash cages or trash bin to prevent scattering. When the job is completed, all contents will be removed and

disposed of in an approved sanitary landfill. The wellsite will be cleaned of all waste within 30 days of final completion of the well.

b. A porto-john will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.

c. Disposal of fluids to be transported by trucks to a nearby approved disposal.

8. **Ancillary Facilities:**

N/A

9. **Wellsite Layout:**

a. EXHIBIT D shows the relative location and dimensions of the well pad, closeloop sys, and major rig components.

b. The land is relatively flat with sandy soil

c. The well site area have been staked.

10. Plan for Restoration of the Surface:

a. After drilling and completion operations are completed, all equipment and other materials not needed for further operations will be removed. The location cleaned of all trash to leave the wellsite as pleasant in appearance as possible.

b. If the proposed operation is nonproductive, all restoration and/or vegetation requirements of the BLM will be complied with, and will be accomplished as quickly as possible.

c. Interim reclamation consists of minimizing the footprint of disturbance by reclaiming all portions of the well site not needed for production operations. Topsoil is respread over areas not needed for production operations and recontoured to the surrounding area and reseeded

11. Other Information:

a. The mineral and surface owner is the Federal Government, Land and Grazing leasing Fay Klein Hobbs N.M. has been contacted

b. The topography consists of sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.

c. There are no ponds, lakes, or rivers in this area.

d. An Archaeological Survey has been made and a copy has been sent to the Carlsbad BLM office. There is no evidence of any significant archaeological, historical, or cultural sites in the area. Further, there are no occupied dwellings or windmills in the area.

e. Should any incidental oil be recovered during testing of this well, this oil will be considered waste oil and not sellable due to contamination by drilling and/or completion fluids.

12. Operator's Representative:

The Nadel and Gussman HEYCO, LLC Company representatives responsible for ensuring compliance of the surface

Use plan are listed below.

Keith Cannon, Drilling Superintendent
Nadel and Gussman Heyco, LLC
P.O. Box 1936
Roswell, NM 88202
(575) 623-6601

Terry West, Drilling Engineer
Nadel and Gussman Permian
601 N. Marienfeld Suite 508
Midland, Tx 79701
(432) 682-4429

August 27, 2010

United States Department of the Interior

**BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857**

Statement Accepting Responsibilities for Operations

**Operator Name: Nadel and Gussman Heyco, LLC
Street or Box: P.O. Box 1936
City, State: Roswell, New Mexico
Zip Code: 88202**

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

**Lease No.: NMLC-047800
NMNM-106718**

**Lease Name: Taylor Deep 12 Federal 7H
Legal description of land: UL- P, Sec 12, T18S, R31E, Eddy County, New Mexico**

Formation(s) (if applicable): Bone Spring 2nd Sands & Bone Spring "C" Branch

Bond Coverage: Statewide Bond

BLM Bond File No.: NM B 000520

Authorized Signature:



Title: Drilling Superintendent

Date: 8/27/2010

OPERATOR CERTIFICATION

I certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal Laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true, and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements. Executed this 27 day of August 2010.

Name: Keith Cannon

Position: Drilling Superintendent

Address: P.O. Box 1936, Roswell, NM 88202

Telephone: 575-623-6601

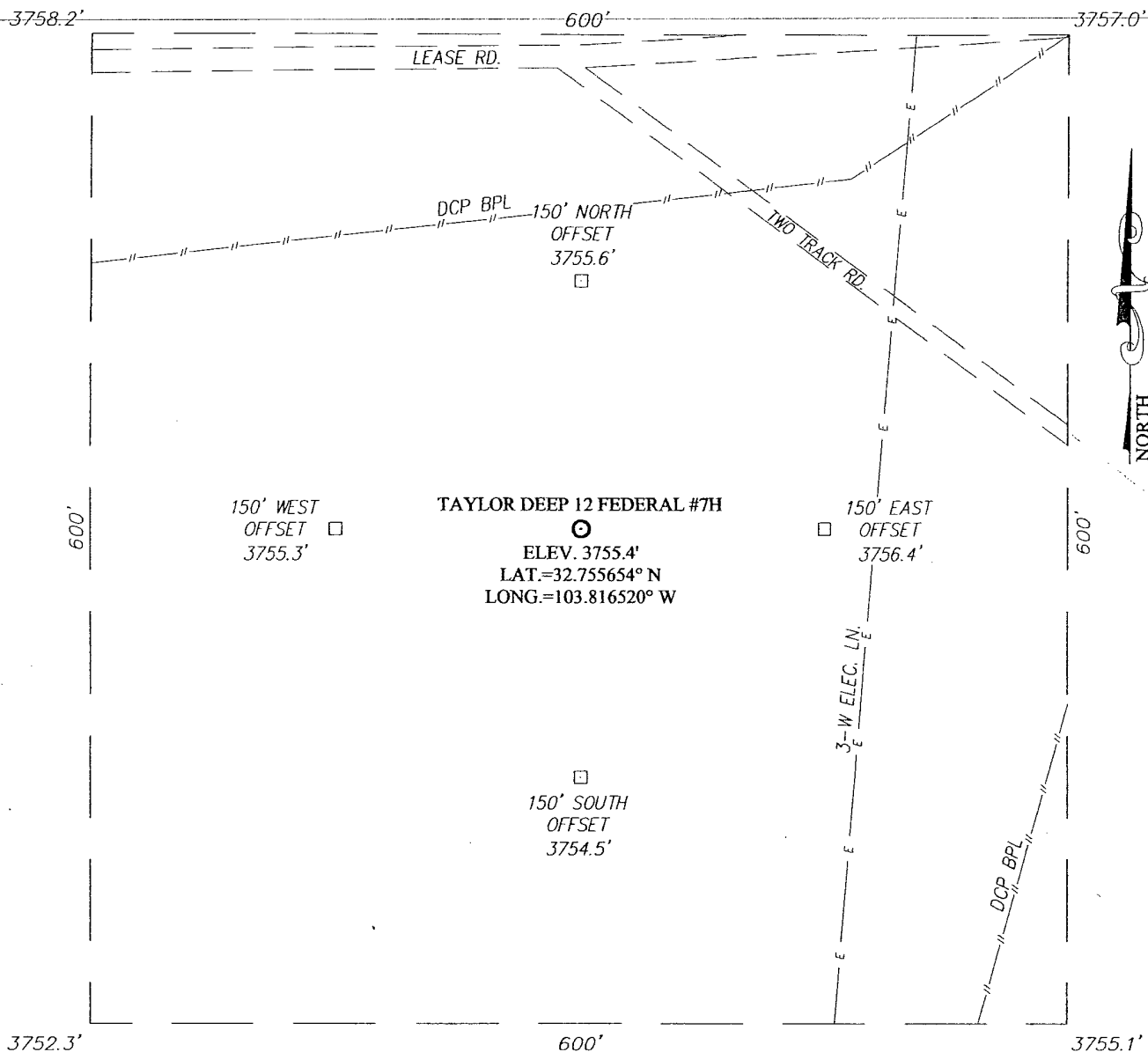
Email: kcannon@heycoenergy.com

Signed: 

SECTION 12, TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M.

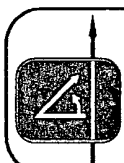
EDDY COUNTY

NEW MEXICO

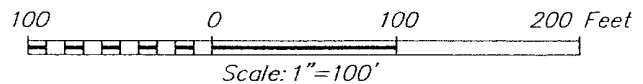


DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CO. RD. #222 (SHUGART RD.) AND CO. RD. #249 (WESTALL RD.), GO SOUTHEAST ON CO. RD. #249 APPROX. 1.5 MILES. TURN LEFT AND GO NORTHEAST APPROX. 1.2 MILES. TURN RIGHT AND GO EAST APPROX. 1.7 MILES. THIS LOCATION STAKE IS APPROX. 285 FEET SOUTH OF LEASE RD.



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

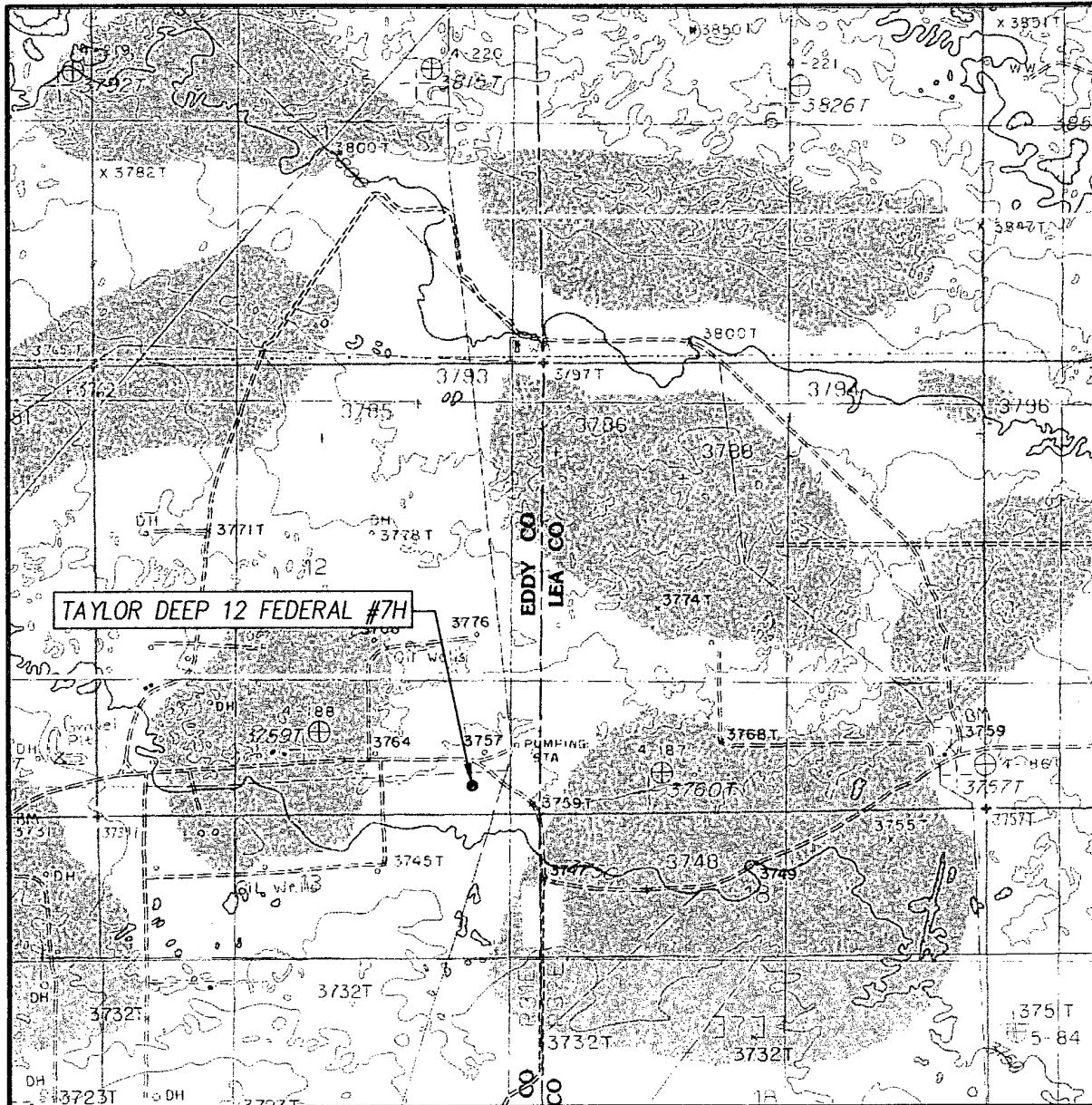


NADEL AND GUSSMAN HEYCO, LLC

TAYLOR DEEP 12 FEDERAL #7H WELL
LOCATED 330 FEET FROM THE SOUTH LINE
AND 800 FEET FROM THE EAST LINE OF SECTION 12,
TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 7/13/10	Sheet 1 of 1 Sheets
W.O. Number: 10.11.0494	Dr By: DSS
Date: 7/19/10	Rev 1:
10110494	Scale: 1"=100'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALJAMAR, N.M. - 10'
GREENWOOD LAKE, N.M. - 10'

SEC. 12 TWP. 18-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FSL & 800' FEL

ELEVATION 3755'

OPERATOR NADEL AND GUSSMAN HEYCO, LLC

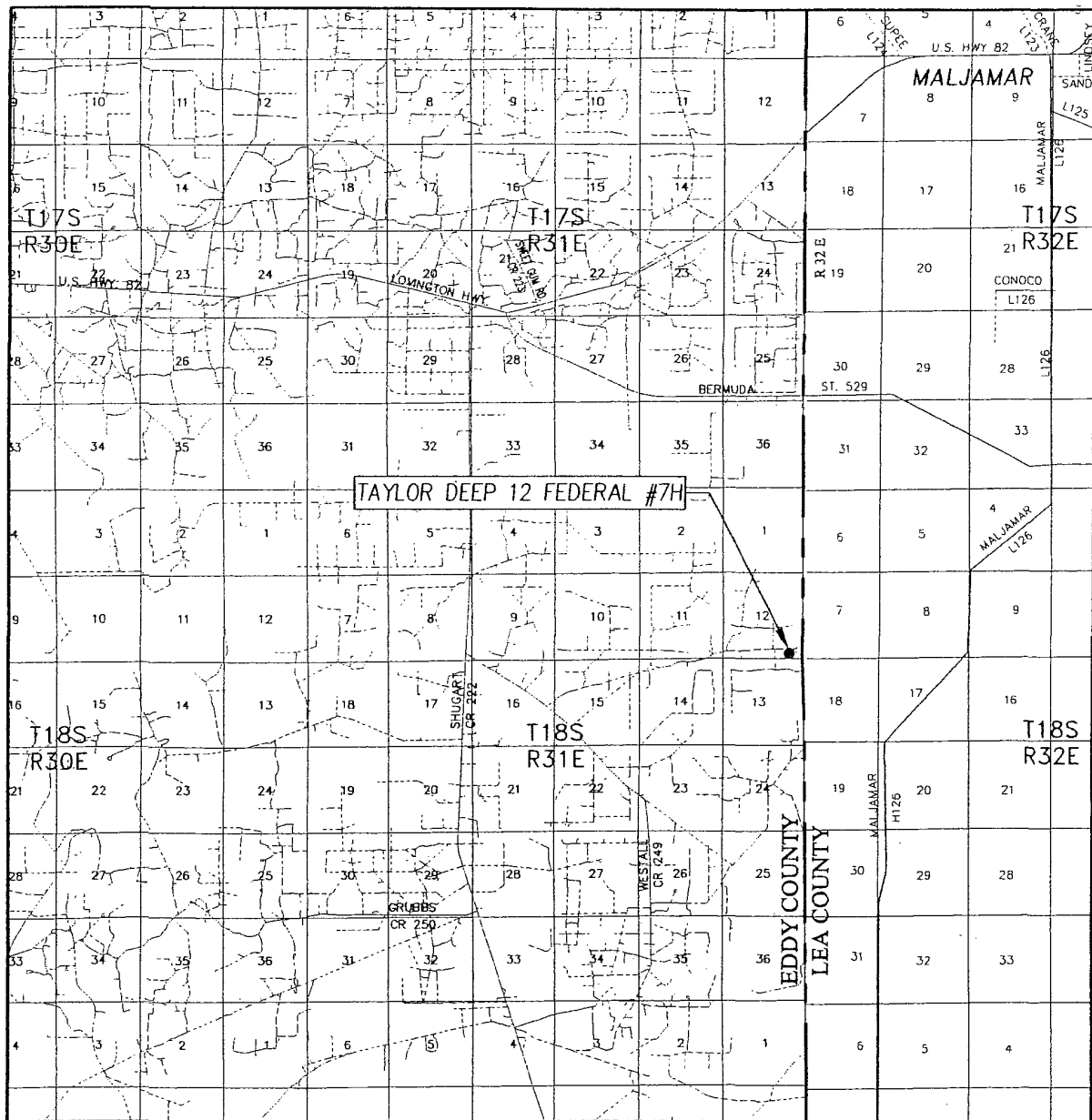
LEASE TAYLOR DEEP 12 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MALJAMAR, N.M.



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VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 12 TWP. 18-S RGE. 31-E

SURVEY N.M.P.M.


COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FSL & 800' FEL

ELEVATION 3755'

OPERATOR NADEL AND GUSSMAN HEYCO, LLC

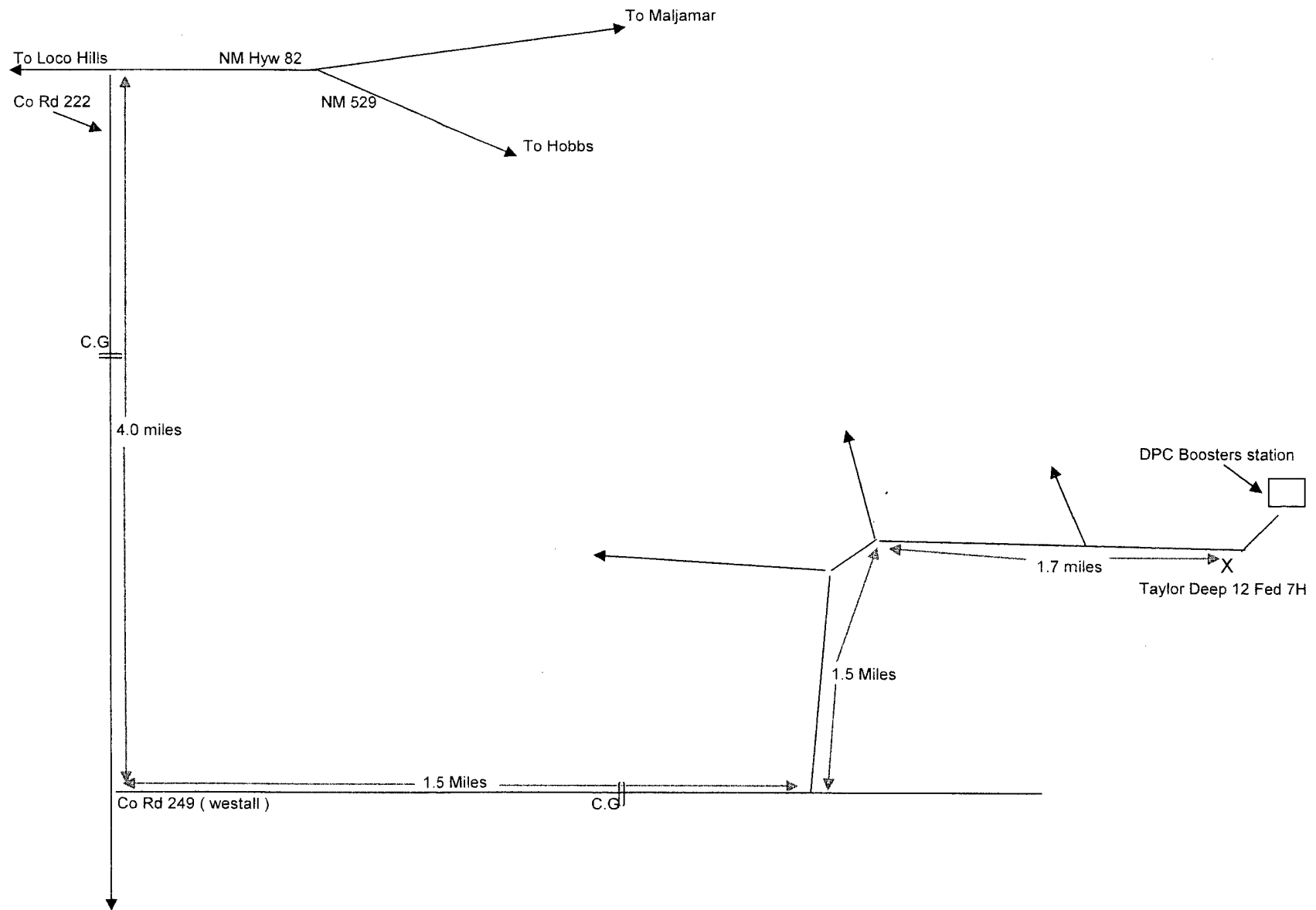
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Taylor Deep 12 Federal 7H



LOCATION DIAGRAM

Taylor Deep 12 Federal 7H

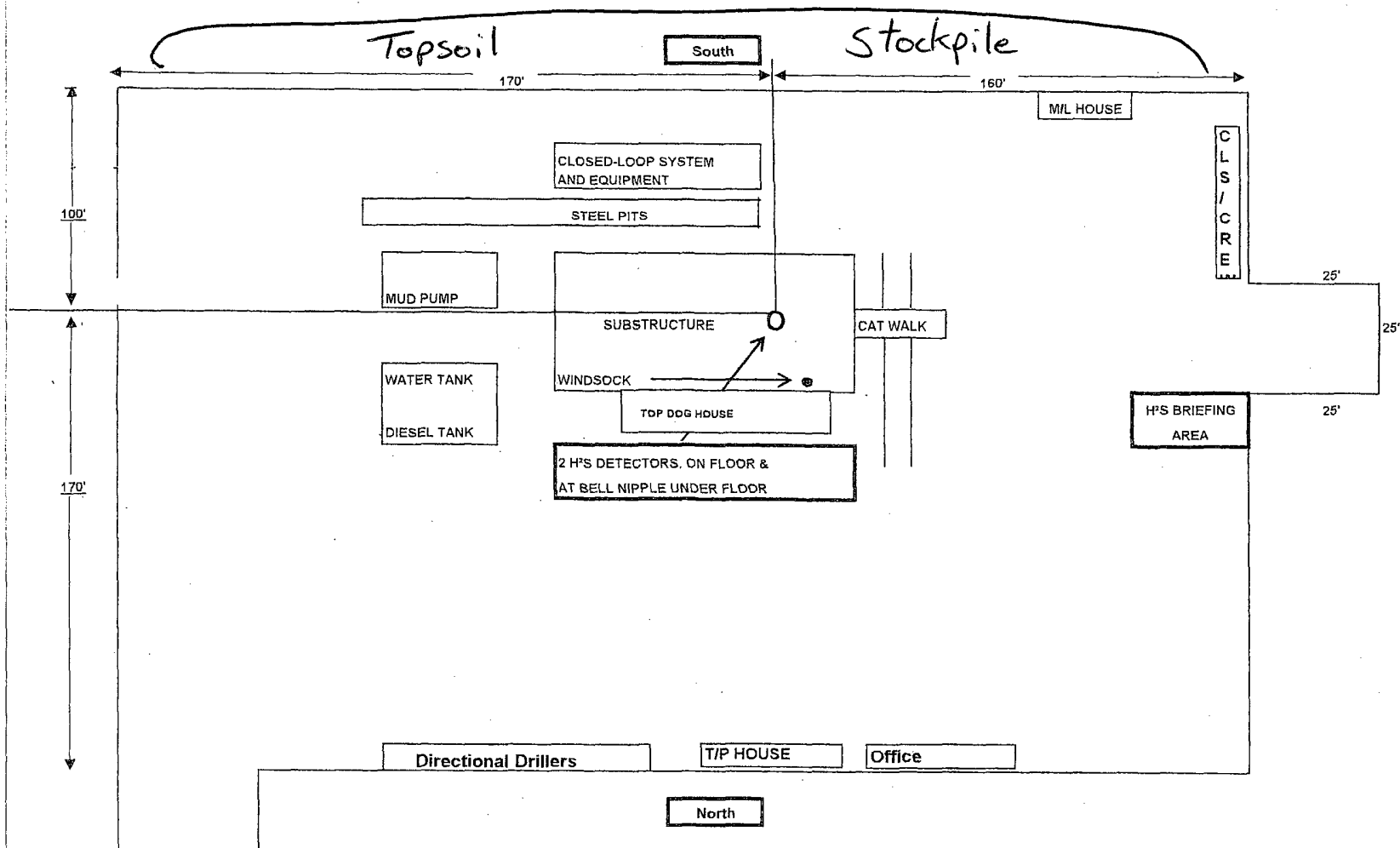
SHL: 330' FSL & 800' FEL

BHL: 1650' FNL & 510' FEL

SEC 12, T18S, R31E

Eddy Co, NM

TEN
9/13/10



Production Facility Layout

Taylor Deep 12 Federal 7H
330' FNL & 800' FEL
SEC 12, T18S, R31E
Eddy Co, NM

NADEL AND GUSSMAN HEYCO, LLC
500 NORTH MAIN SUITE ONE
ROSWELL, NM

➔ DIRECTION OF FLOW



PRODUCTION VALVE



SALES VALVE



CIRCULATING VALVE



EQUALIZING VALVE



FILL LINE



OIL LINE



GAS LINE



WATER LINE



VENT VALVE



LOAD LINE

PRODUCTION LINE VALVES
SEALED OPEN WHILE PRODUCING
SEALED CLOSED DURING SALES

SALES LINE VALVES
SEALED CLOSED WHILE PRODUCING
OPEN DURING SALES

CIRCULATING LINE VALVES
SEALED OPEN WHILE PRODUCING
SEALED CLOSED DURING SALES

