

OPERATOR'S COPY

Form 3160-3
(September 2001)

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

RECEIVED

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JUL 12 2006

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM - 25336

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
Ranch Hand Federal #1 35870

9. API Well No.
30-015-30691

1a. Type of Work: DRILL REENTER

1b. 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 Undes. Little Box Canyon Marrow

10. Field and Pool, or Exploratory

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface UL N Sec. 23 T20S R21E 660' FSL & 1,800' FWL
At proposed prod. zone **ROSWELL CONTROLLED WATER BASIN**

11. Sec., T., R., M., or Blk. and Survey or Area
UL N Sec. 23 T20S-R21E

14. Distance in miles and direction from nearest town or post office*
28 miles South of Hope, NM

12. County or Parish
Eddy County

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660' FSL

16. No. of Acres in lease
760 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. N/A

19. Proposed Depth
6,500'

20. BLM/BIA Bond No. on file
NM 2812

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL4,447'

22. Approximate date work will start*
07/01/06

23. Estimated duration
12

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 *[Signature]*

Name (Printed/Typed)
Josh Fernau

Date
06/06/06

Title
Staff Engineer

Approved by (Signature) *[Signature]*

Name (Printed/Typed)
Russ Svendsen

Date
7/11/06

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.

APPROVAL FOR 1 YEAR

Conditions of approval, if any, are attached.

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
ATTACHED**

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

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 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 80240	Pool Name Unders. Little Box Canyon, Morrow
Property Code	Property Name RANCHHAND 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	23	20 S	21 E		660	SOUTH	1800	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>NM-25336</p>	<p>320 acres</p>		<p>Lat.: N32°33'05.0" Long.: W104°46'03.6" (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Josh Fernau</i> Signature</p> <p>Josh Fernau Printed Name</p> <p>Staff Engineer Title</p> <p>04/01/06 Date</p>
	<p>320 acres</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>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor 7977</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

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: Ranch Hand Federal #1

Lease Number: NM - 25336

Legal Description of Land: (SHL) 660' FSL & 1,800' ^WFEL, Sec. 23, T20S-R21E, Eddy Co., NM

Lease Covers: NM - 25336 T20S R21E, Eddy Co., NM Sec. 23 440 acres & Sec. 26 W/2

Formations: Cisco, and Abo

Bond Coverage: Statewide

BLM Bond File Number: NM 2812

Land is federally owned.

Authorized Signature: _____

Name: Josh Fernau

Title: Staff Engineer

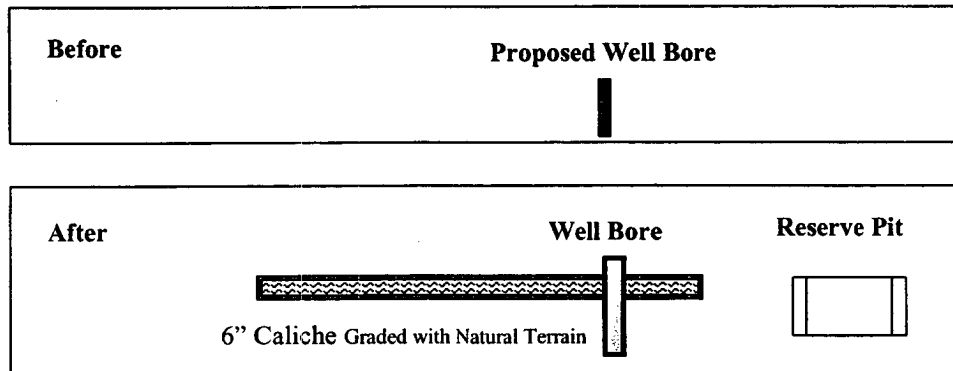
Date: 06/06/06

13 Point Land Use Plan

1. **Existing Roads** – This location is located in UL N Sec. 23 T20S R21E, SHL 660' FSL & 1,800' 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 CO. RD. 12 (Armstrong RD) and CO. RD. 24 (Deer Canyon), Go West on Deer Canyon for 4.4 miles to the Lease Road; thence drive south on lease road for 1.7 mile to old lease road; thence west for 0.1 mile to location.
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**).
3. **Location of Existing Wells** –The Leggett Federal #1, drilled by Exxon Corporation is located in Section 22, T20S-R21E, 551' FEL & 1,497' FSL.
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. The **old** reserve pit **will not** be reentered or disturbed.
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 limestone rock and some soil, 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. This well is a reentry and needs vary little construction work on the existing well site.

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 – A north/south trending ridge that overlooks North Prong Long Draw to the north.
- Soil Characteristics – The surface is limestone w/ little soil development.
- Flora – Vegetation includes scattered juniper, soto, creosote, little leaf sumac, acacia, bear-grass, yucca prickly pear cactus and mixed grasses.
- Fauna – rabbits, mice, rats, birds, deer and snakes.
- Other Surface Use Activities – Ranching.
- Surface Ownership – Federal.
- Water Wells – No windmills within 1,000’ of the location.
- Lakes, Streams, Ponds – There are several draws (**Exhibit #5**).
- 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 Don Clifton. 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.

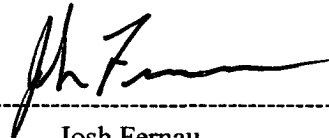
12. Operator's Representative -

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: 06/06/06

13 Point Drilling/Reentry Plan:

1. Location: (SHL) 1,880' FWL & 660' FSL, UL N Sec. 23, T-20-S, R-21-E, Eddy County, New Mexico
(Exhibit #1 Form C-102).
2. Elevation: 4,447' GL.
3. Geological Name of Surface Formation: Limestone Rock.
4. Type of Drilling Tools to be utilized: Rotary Tools.
5. Proposed Reentry Depth: 6,500' TVD.
6. Tops of Important Geological Markers: TVD

San Andres	866'	Abo Shale	3,484'	Atoka	7,780'
Glorieta	1,888'	Wolfcamp	4,407'		
Tubb	2,843'	Upper Penn	5,912'		

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

Oil and Gas	-Abo Shale	3,484'
Oil and Gas	-Wolfcamp	5,200'
Gas	-Upper Penn	7,230'
Gas	-Atoka	7,780'

8. Casing Program:

- 9 5/8" 36# N-80 @ 1,450' 2000 sx, circulated to surface
- 5 1/2" 17# N-80 @ 6,500' TOC to be determined

The 9 5/8" casing string was 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 1,500psi 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:

Drill from 1,400' to 9,200' 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.

11. Testing, Logging & Coring Program:

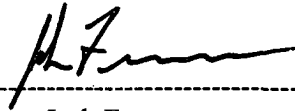
- a. Testing: No DST's are expected.
- b. Coring: no coring is planned.
- c. Logging: open hole logs will be run prior to running production casing. The standard suite will be a Dual Lateral/ ML and GR/Density/Neutron combination.
- d. Depending on the sand quality, a FMI and/or formation tester may 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 1,400' to TD.

13. Anticipated starting date & duration:

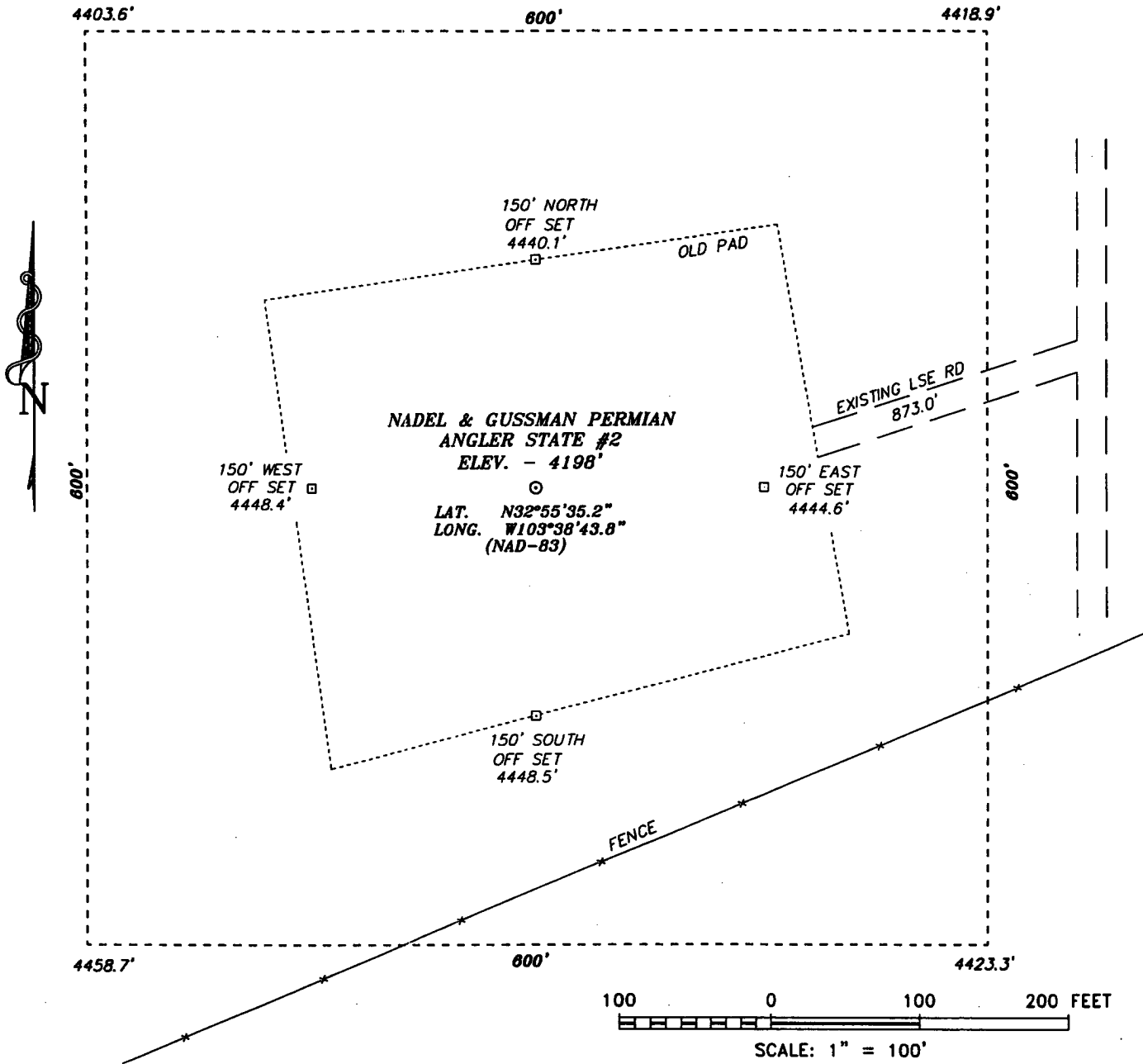
Plans are to begin drilling operations about July 1, 2006; approximately 12 days will be required to drill the well and 10 days will be needed for the completion.



Josh Fernau
Staff Engineer
Date: 06/06/06

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 21 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Exhibit #2



Directions to Location:

FROM JUNCTION OF CO. RD 12 (ARMSTRONG) AND CO. RD. 24 (DEER CANYON), GO WEST ON DEER CANYON FOR 4.4 MILE TO LEASE ROAD; THENCE SOUTH ON LEASE ROAD FOR 1.7 MILE TO OLD LEASE ROAD; THENCE WEST FOR 0.1 MILE TO LOCATION.

NADEL AND GUSSMAN PERMIAN

REF: RANCHHAND FEDERAL #1 / Well Pad Topo

RANCHHAND FEDERAL NO. 1 LOCATED 660' FROM THE SOUTH LINE AND 1800' FROM THE WEST LINE OF SECTION 23, TOWNSHIP 20 SOUTH, RANGE 21 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

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

W.O. Number: 6712

Drawn By: J. M. SMALL

Date: 05-30-2006

Disk: JMS 6712W

Survey Date: 05-25-2006

Sheet 1 of 1 Sheets

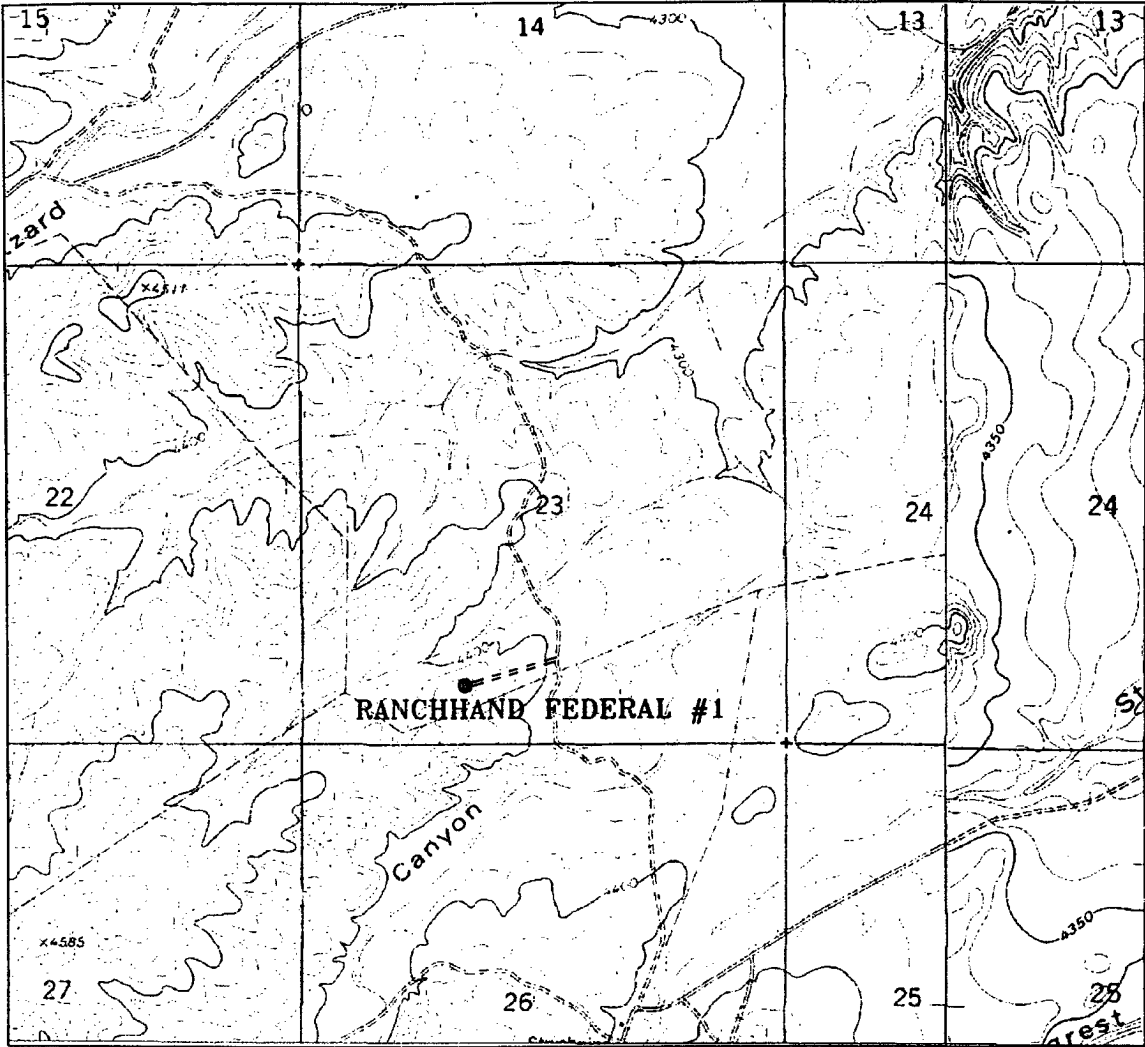
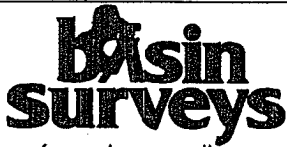


Exhibit #4

RANCHHAND FEDERAL #1
 Located at 660' FSL & 1800' FWL
 Section 23, Township 20 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 6712T

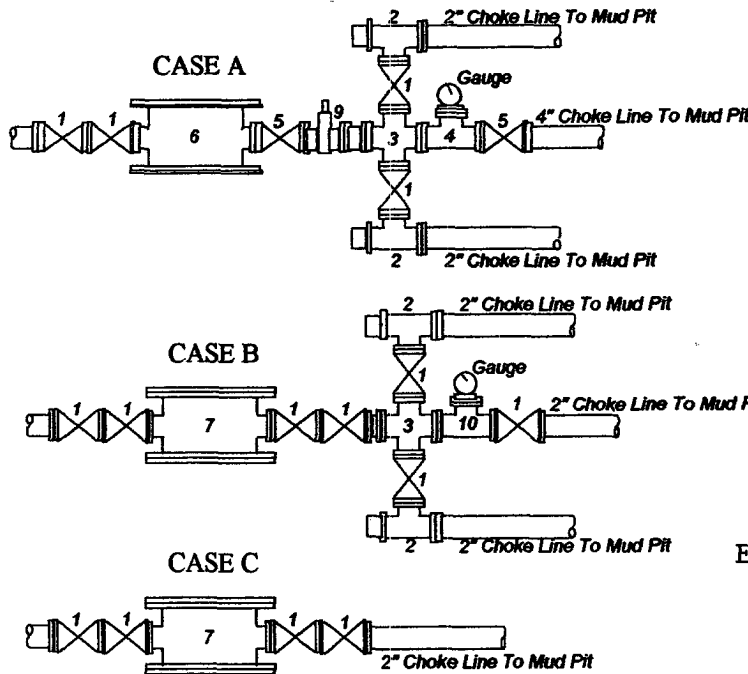
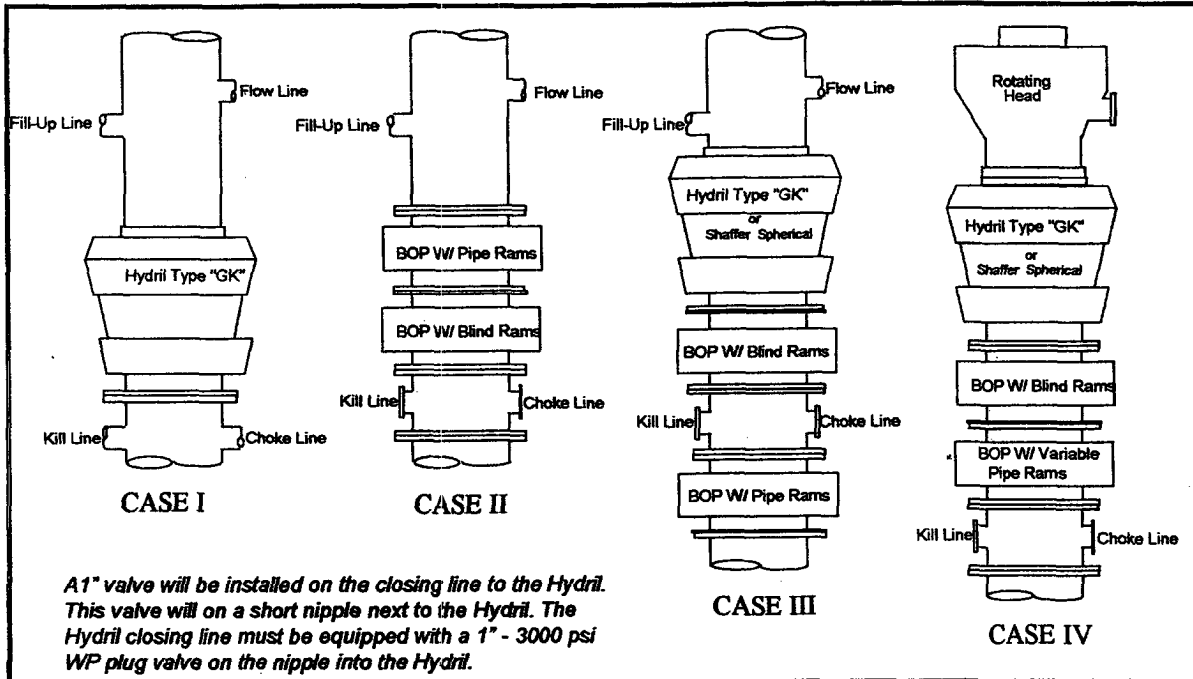
Survey Date: 05-25-2006

Scale: 1" = 2000'

Date: 05-30-2006

**NADEL AND GUSSMAN
 PERMIAN**

Nadel and Gussman Permian MINIMUM BLOWOUT PREVENTER REQUIREMENTS



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
10 3/4"	II	5000 ±	A

***Rotating head required**

Bradenhead : _____
Mfr. : _____
Size: _____ Type: _____

Exhibit #5

- 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.

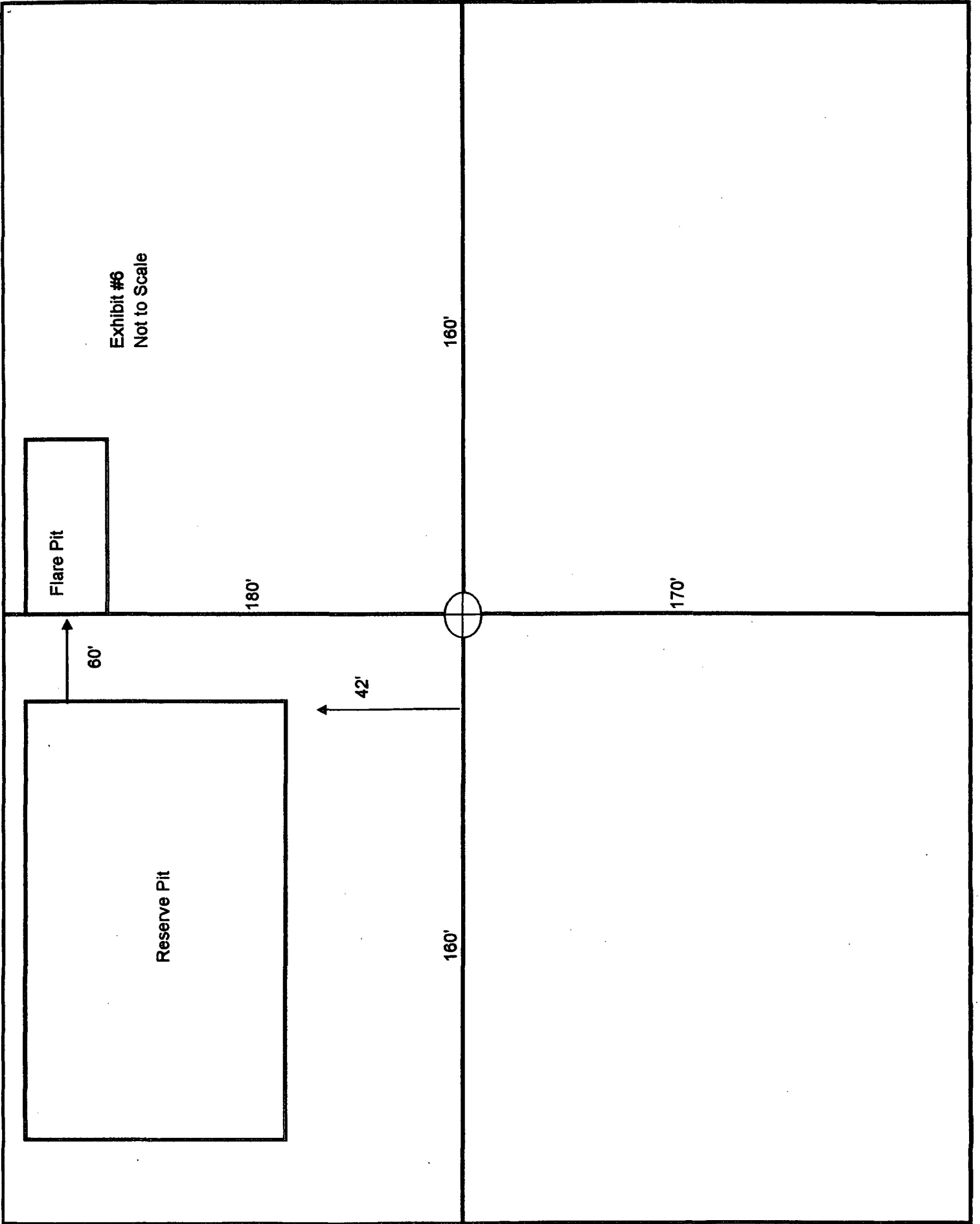


Exhibit #6
Not to Scale

Flare Pit

60'

Reserve Pit

42'

160'

160'

170'

Exhibit #7

Not to Scale

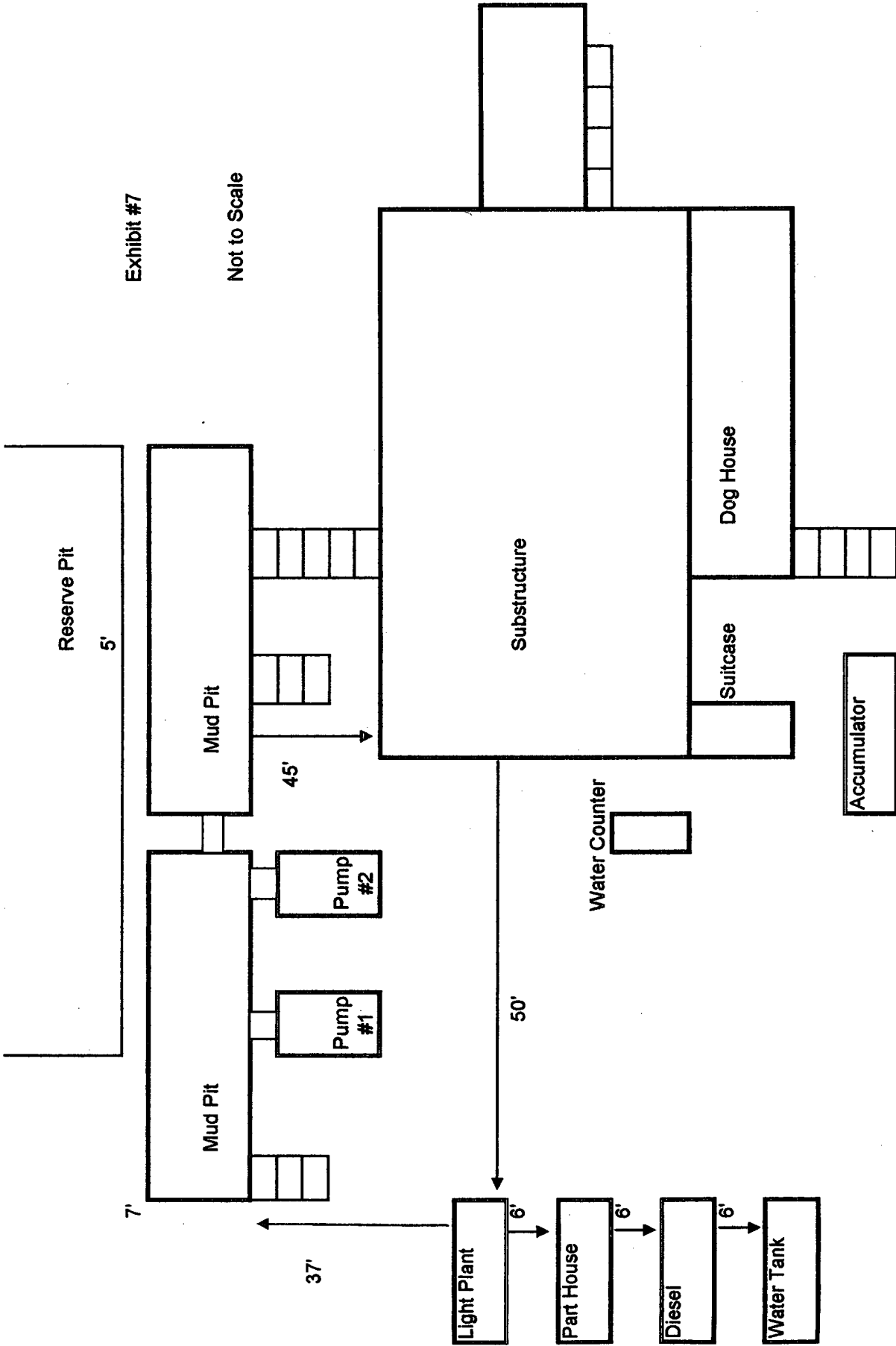
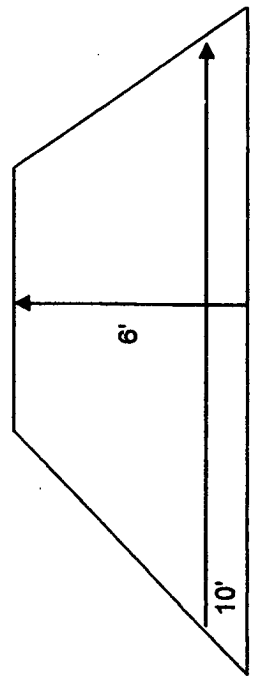
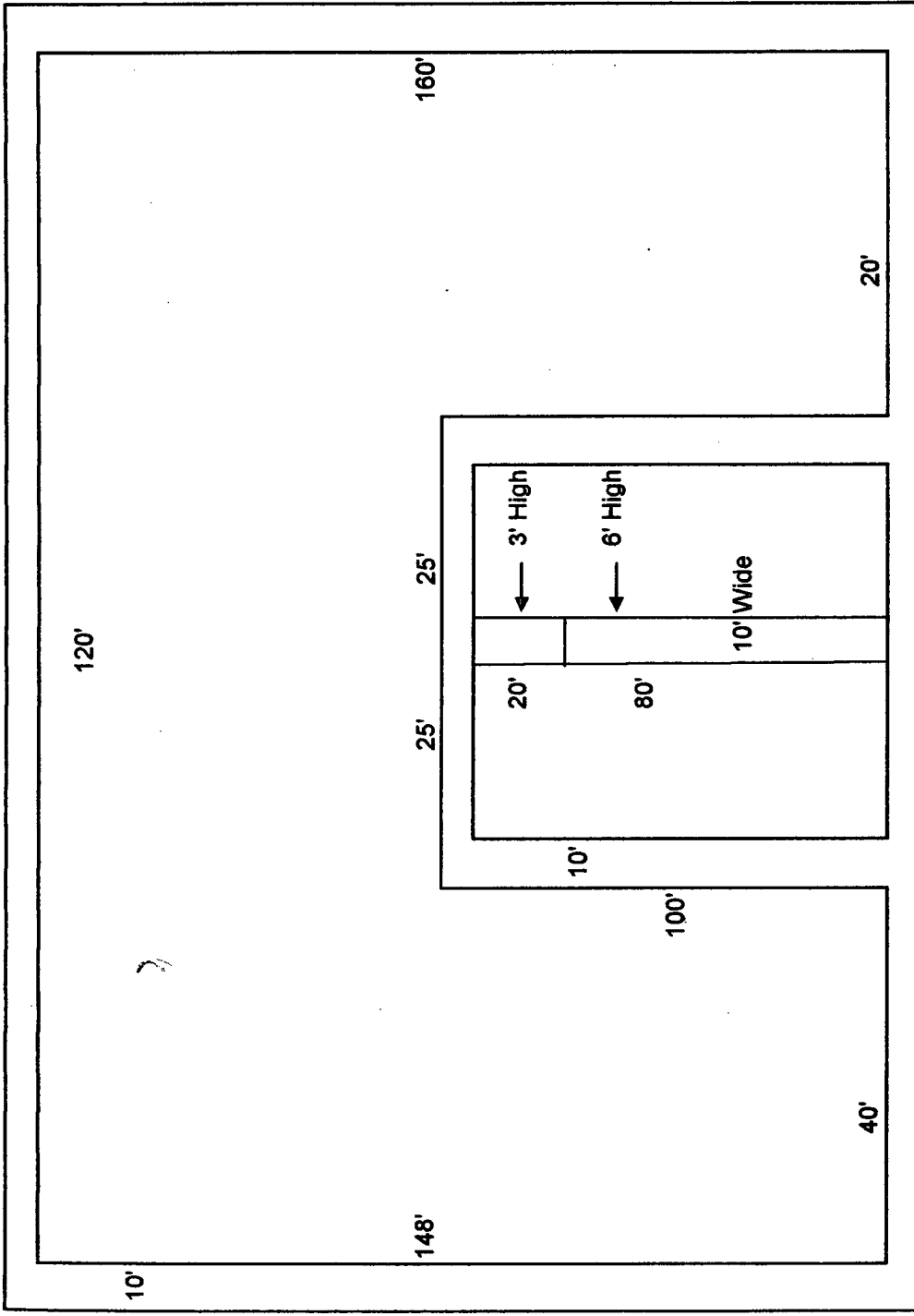


Exhibit #8
Not to Scale



**Ranch Hand Federal #1
(SHL) 660' FSL & 1,800' FWL
UL N Sec. 23, T20S-R21E
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

06/06/06

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (432) 682-4429

Fax: (432) 682-4325

06/06/06

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 Re-Enter the Zeta Federal "23" #1, UL N Sec. 23 T20S R21E (SHL) 660' FSL & 1,800' FWL. The name will be changed to the Ranch Hand Federal #1, UL N Sec. 23 T20S R21E (SHL) 660' FSL & 1,800' FWL, Eddy Co., NM. We plan to redevelop 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. A Cultural Resource Survey

This surface location was cleared on an on-site staking meeting with NGP Teddy Rowland and Basin Surveyors on 05/30/06. 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 July 1, 2006.**

Your prompt attention to this APD will be greatly appreciated.

Sincerely,



Josh Fernau
Staff Engineer

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nadel and Gussman Permian LLC
Well Name & No: Ranch hand Fed No 01
Location: Surface 660' FSL & 1800' FWL, Sec.23, T. 20 S., R. 21 E.
Lease: NMNM 25336
Eddy County, New Mexico

.....

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: **There are three existing and cemented casing strings.**

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.

II. CASING:

1. The 13 3/8 inch is set and cemented, the BOPE shall be nipped up on the 13 3/8 and tested to 1500 psi.

2. The 9 5/8 inch casing is set at 1450 ft and cemented in place.

3. The 5 1/2 inch long string is set at 6500 ft and cemented in place.

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 2 M psi.

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.

G Gourley RFO 06/13/2006