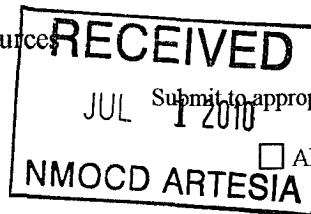


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505



Form C-101
June 16, 2008

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address NADEL AND GUSSMAN PERMIAN, LLC 601 N. MARIENFELD, STE 508 MIDLAND, TX 79701		² OGRID Number 155615
³ Property Code 33082	⁴ Property Name GRANDE STATE	⁵ API Number 30-06-38032
⁹ Proposed Pool 1 Cedar Canyon		¹⁰ Proposed Pool 2

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	32	23S	29E		660	SOUTH	330	EAST	EDDY

Proposed 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
A	32	23S	29E		330	NORTH	330	EAST	EDDY

Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary Rotary	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 2973'
¹⁶ Multiple No	¹⁷ Proposed Depth 12,325 MD (8000 TVD)	¹⁸ Formation Bone Spring	¹⁹ Contractor (To Be Determined)	²⁰ Spud Date +/- 8/01/10

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
24"	20"	94#	40'	50	Surface
17-1/2"	13-3/8"	48#	400'	400	Surface
12-1/4"	8-5/8"	40#	2700'	1600	Surface
7-7/8"	5-1/2"	17#	12325'	1700	2500'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drill and complete well. No H2S is expected, but an H2S contingency letter and plan is attached. A BOP will be installed. Will cement to cover all water, oil and gas producing zones.

Mud Program:

0' to 400': 8.4 to 8.8 FW Spud Mud
400' to 2700': 9.8 to 10.2 BW
2700' to 11845': 8.5 to 10.2 FW/Cut BW/BW

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Brittany Hull*
Printed name: BRITTANY HULL

Title: Land Technician

E-mail Address: bhull@naguss.com

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

Jaqui Reavy
Geologist
7/23/2010 7/23/2012