Form 3160-3
(September 2001)

OCD
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JUL 21 2006
OCD-ARTESIA

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM NM 98795 & NM NM 96814

6. If Indian, Allottee or Tribe Name

1a. Type of Work: ☑ DRILL ☐ REENTER

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

1b. Type of Well: ☐ Oil Well ☑ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
Callahan Federal #1-Y 35550

2. Name of Operator
Nadel and Gussman Permian, L.L.C. 155615

9. API Well No.
30-015-35049

3a. Address
601 N. Marienfeld Suite 508, Midland, TX 79701

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

10. Field and Pool, or Exploratory
Wildcat Morrow

4. Location of Well *(Report location clearly and in accordance with any State requirements. *)*
At surface UL I Sec. 26 T20S R23E 1,969.4' FSL & 670.6' FEL
At proposed prod. zone

11. Sec., T., R., M., or Blk. and Survey or Area
Sec. 26, T20S-R23E

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) 670.6' FEL

16. No. of Acres in lease
1,400 acres

17. Spacing Unit dedicated to this well
320 (E/2)

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
N/A

19. Proposed Depth

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
GL4,093'

22. Approximate date work will start*
June 1, 2006

23. Estimated duration
30

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 — Name *(Printed/Typed)*: Josh Fernau — Date: 06/27/06

Title: Staff Engineer

Approved by *(Signature)*: (ORIG. SGD.) ALEXIS C. SWOBODA — Name *(Printed/Typed)* — Date: JUL 18 2006

Title: PETROLEUM ENGINEER — Office: ROSWELL 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.
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)*

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

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

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	96070	Wildcat; Morrow

Property Code	Property Name	Well Number
	CALLAHAN FEDERAL	1Y

OGRID No.	Operator Name	Elevation
	NADEL AND GUSSMAN PERMIAN	4093'

Surface Location

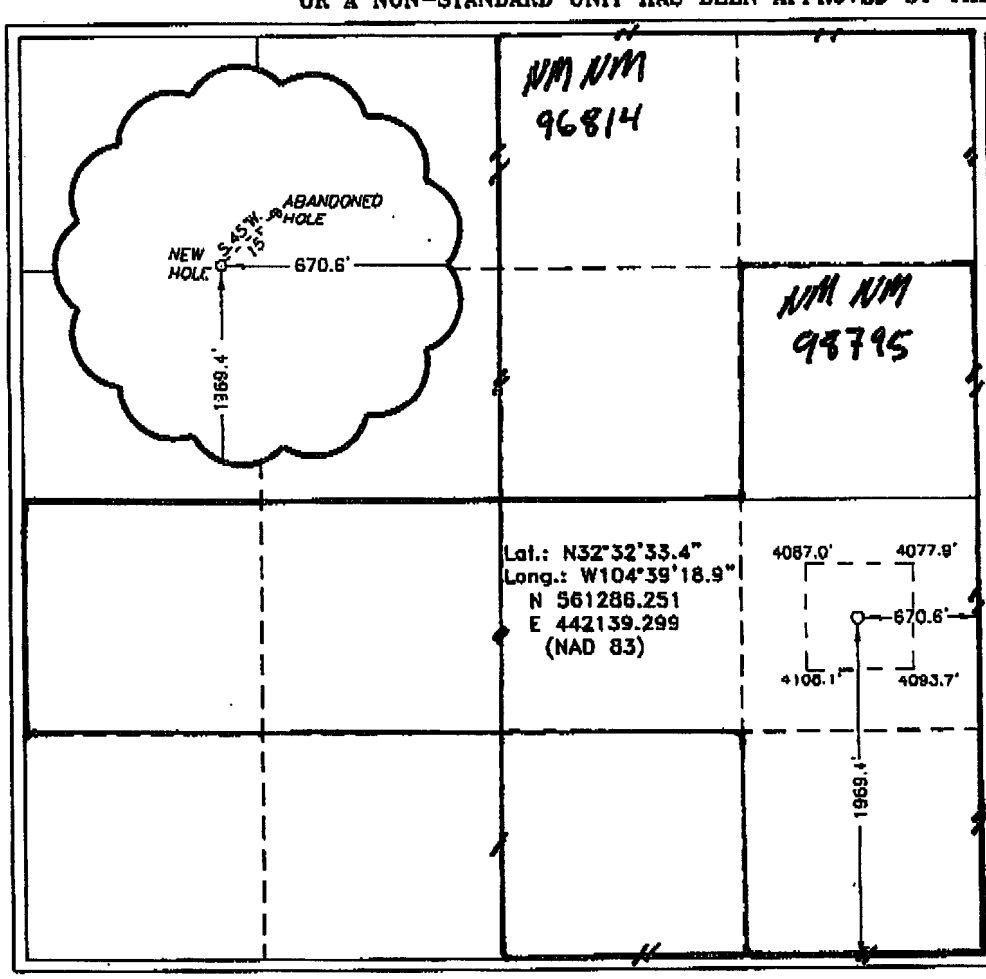
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	26	20 S	23 E		1969.4	SOUTH	670.6	EAST	EDDY

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	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Josh Ferman
Printed Name: Josh Ferman
Title: Staff Engineer
Date: 06/06/06

SURVEYOR CERTIFICATION

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.

Date Surveyed: JUNE 1, 2006
Signature & Seal of Professional Surveyor
NEW MEXICO 7977 REGISTERED PROFESSIONAL SURVEYOR
No. 7977
Certificate No. Gary L. Jones 7977

BASIN SURVEYS

., Hobbs, NM 88240

.1 Avenue, Artesia, NM 88210

, Brazos Road, Aztec, NM 87410

.t IV

.v 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-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: __Nadel and Gussman Permian, LLC ____Telephone: __432-682-4429_____e-mail address: ____joshf@naguss.com_____
Address: ___601 N. Marienfeld, Suite 508 Midland, TX 70701_____
Facility or well name: __Callahan Federal #1__API #: 30-015-35049 U/L or Qtr/Qtr __I____ Sec __26___ T __20S__ R __23E_____
County: __Eddy, NM__ Latitude ___N32 deg 32' 33.3" Longitude W104 deg 39' 18.8" NAD: 1927 ☐ 1983 ☒ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness __20__mil Clay ☐ Pit Volume __20,000____bbl	Volume: ____bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

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MAR 28 2006
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Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points)X (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points)X
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)X
	Ranking Score (Total Points)	10

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if your are burying in place) onsite ☐ offsite ☐ If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface_____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.**

Date: __02/09/06_____
Printed Name/Title __Josh Fernau Staff Engineer _____ Signature _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Printed Name/Title _____ Signature _____ Date: MAR 28 2006

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
Office: (432) 682-4429
Fax: (432) 682-4325

02/09/06

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 drill the Callahan Federal #1, (SHL) 1,980' FSL & 660' FEL, UL I Sec. 26, T20S-R23E, Eddy Co., NM. We plan to develop 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 (Arial 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 approved by Barry Hunt of the BLM on an on-site staking meeting with NGP Teddy Rowland and Basin Surveyors on 11/29/05. 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 June 1, 2006.**

Your prompt attention to this APD will be greatly appreciated.

Sincerely,

Josh Fernau
Staff Engineer

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: Callahan Federal #1

Lease Number: NM NM 96814 and NM NM 98795

Legal Description of Land: (SHL) 1,980' FSL & 660' FEL, Sec. 26, T20S-R23E, Eddy Co., NM

Lease Covers: NM NM 96814, T20S R23E, Eddy Co., NM Sec. 25 All & Sec. 26 N/2-N/2, SW/4NE/4 and S/2NW/4
NM NM 98795, T20S R23E, Eddy Co., NM Sec. 24 N/2S/2, S/2SE/4 & Sec. 26 SE/4NE/4, N/2S/2 & SE/4SE/4

Formations: Wolfcamp, Strawn, Atoka, and Morrow

Bond Coverage: Statewide

BLM Bond File Number: NM 2812

Land is federally owned.

Authorized Signature: Josh Fernau

Name: Josh Fernau

Title: Staff Engineer

Date: 02/09/06

13 Point Land Use Plan

1. Existing Roads – This location is located in UL I Sec. 26 T20S R23E, SHL 1,980' FSL & 660' FEL. 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 and CO. RD. 25, Go southeast for 3.8 miles to the end; thence drive through gate and continue southeast for +/- 200'; thence left by pins and follow 2 track road to proposed 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 –A, B & C)**. The parts of the lease are fenced and a cattle guard or gate may be needed.

3. Location of Existing Wells –The Foster Unit #1, drilled by Magnolia Petroleum Company is located in Section 26, T20S-R23E, 660' FSL & 1,880' FWL well is P & A'd.

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.

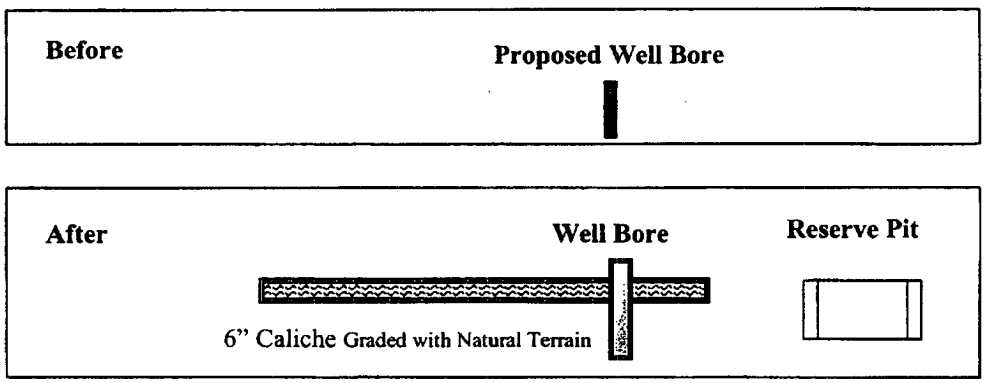
6. Source of Construction Material - Primary source of caliche will be the closed most economical existing pit used followed by the proper documentation and approval.

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.

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.

   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 1000' 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: 02/09/06

13 Point Drilling Plan:

1. Location: (SHL) 1,980' FSL & 660' FEL, UL I Sec. 26, T-20-S, R-23-E, Eddy County, New Mexico (Exhibit #1 **Form C-102**).
2. Elevation: 4,093' GL.
3. Geological Name of Surface Formation: Limestone Rock.
4. Type of Drilling Tools to be utilized: Rotary Tools.
5. Proposed Drilling Depth: 9,400' TVD.
6. Tops of Important Geological Markers: TVD

Glorieta	1,680'	Wolfcamp	5,200'	Atoka	8,420'
Clearfork	1,990'	Cisco	6,230'	Morrow	8,700'
B /Abo Shale	4,210'	Strawn	7,230'	Chester	9,000'

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

Oil and Gas	-Wolfcamp	5,200'
Gas	-Strawn	7,230'
Gas	-Atoka	8,420'
Gas	- Morrow	8,700'

8. Casing Program:

• 9 5/8"	40#	N-80	@	2,000'	2000 sx, circulated to surface
• 5 1/2"	17#	P-110	@	9,400'	TOC to be determined

The 9 5/8" casing strings will be 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:

Spud and drill with **fresh water or air** to a depth of approx 2,000'. Control lost circulation with paper and LCM pills and maintain a Ph of 10. Drill from 2,000' 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 H_2S expected, but the operator will utilize a 3rd party H_2S monitoring package from 2,000' to TD.

13. Anticipated starting date & duration:

    Plans are to begin drilling operations about June 1, 2006; approximately 30 days will be required to drill the well and 10 days will be needed for the completion.

Josh Fernau
Staff Engineer
Date: 02/09/06

Hydrogen Sulfide Drilling Operations Plan

1. Company and Contract personnel admitted on location should be trained by a qualified H_2S safety instructor to the following:
   A. Characteristics of H_2S.
   B. Physical Effects and Hazards.
   C. Proper Use of Safety Equipment and Life Support Systems.
   D. Principle and Operation of H_2S Detectors, Warning System and Briefing.
   E. Evacuation Procedure, Routes and First Aid.
   F. Proper Use of 30 minute Pressure Demand Air Pack.

2. H_2S Detection and Alarm Systems
   A. H_2S 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 Should be High Enough to be Visible.
   B. Windsock at Briefing Area Should be High Enough to be Visible.
   C. There Should be a Windsock at Entrance to Location.

4. Condition Flags and Signs
   A. Warning Sign on Access Road to Location.
   B. Flags to be Displayed on Sign at Entrance to Location.
      1. Green Flag, Normal Safe Condition.
      2. Yellow Flag, Indicates Potential Pressure and Danger.
      3. Red Flag, Danger H_2S Present in Dangerous Concentration Only Emergency Personnel Admitted to Location.

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 Radio or Cell Phone will be Used to Communicate off Location in Case of Available at Most Drilling Foreman's Trailer or Living Quarters.

7. Drillstem Testing
   A. Exhausts will be Watered.
   B. Flare Line will be Equipped with an Electric Igniter or a propane pilot light in case gas reaches the surface.
   C. If Location is near any Dwelling a Closed DST will be Performed.

8. Drilling Contractor Supervisor will be Required to be Familiar with the Effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S Encountered, Mud system will be Altered if Necessary to Maintain Control of Formation. A Mud Gas Separator will be Brought into Service Along with H_2S Scavengers if Necessary.

SECTION 26, TOWNSHIP 20 SOUTH, RANGE 23 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

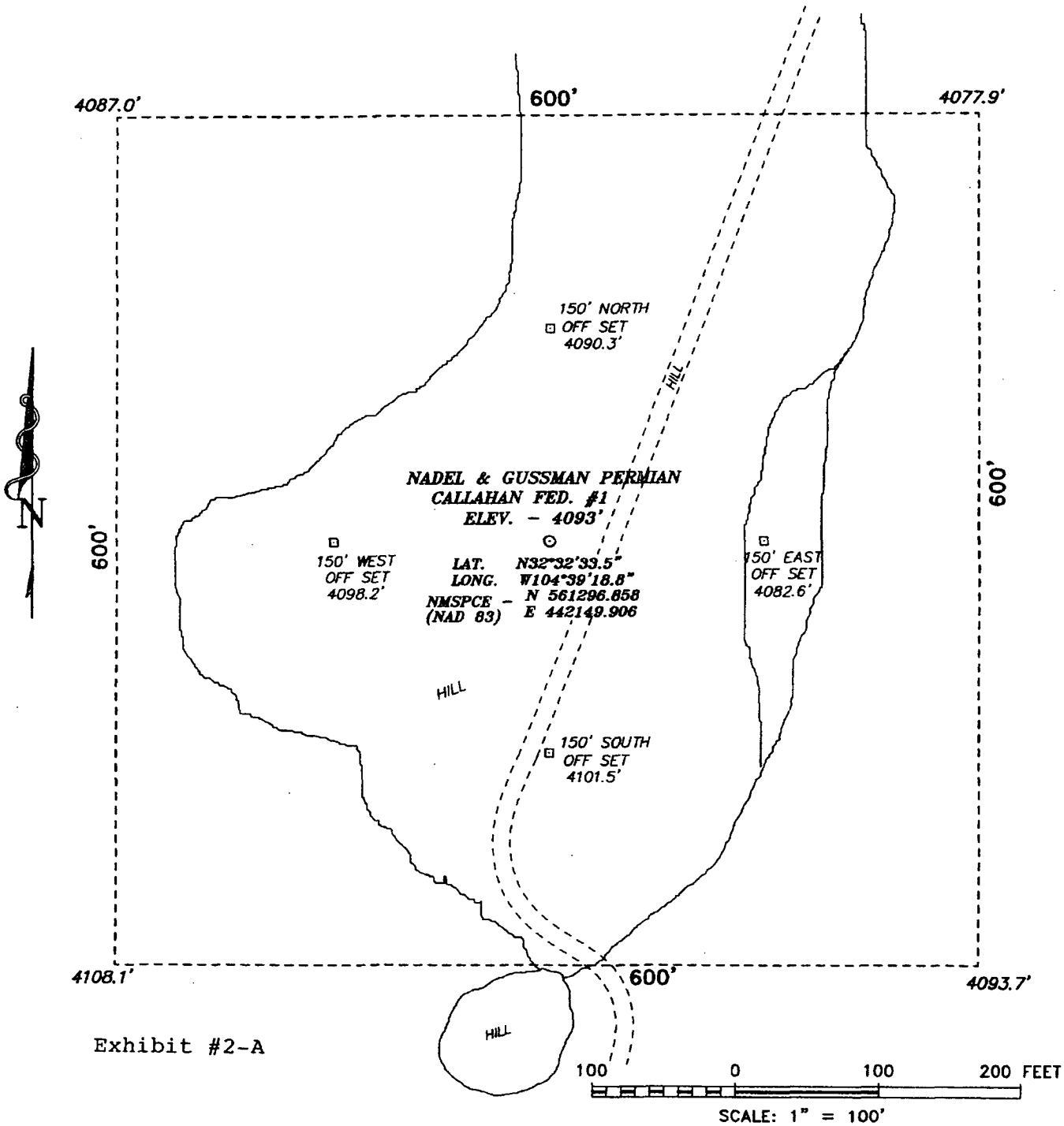


Exhibit #2-A

Directions to Location:

FROM THE JUNCTION OF CO. RD. 12 AND CO. RD. 25, GO SOUTHEAST FOR 3.8 MILES TO THE END; THENCE DRIVE TRHOUGH GATE AND CONTINUE SOUTHEAST FOR ±200'; THENCE LEFT BY PINS AND FOLLOW 2-TRACK ROAD TO PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 5999	Drawn By: K. GOAD
Date: 12-06-2005	Disk: KJG #9 - 5999A.DWG

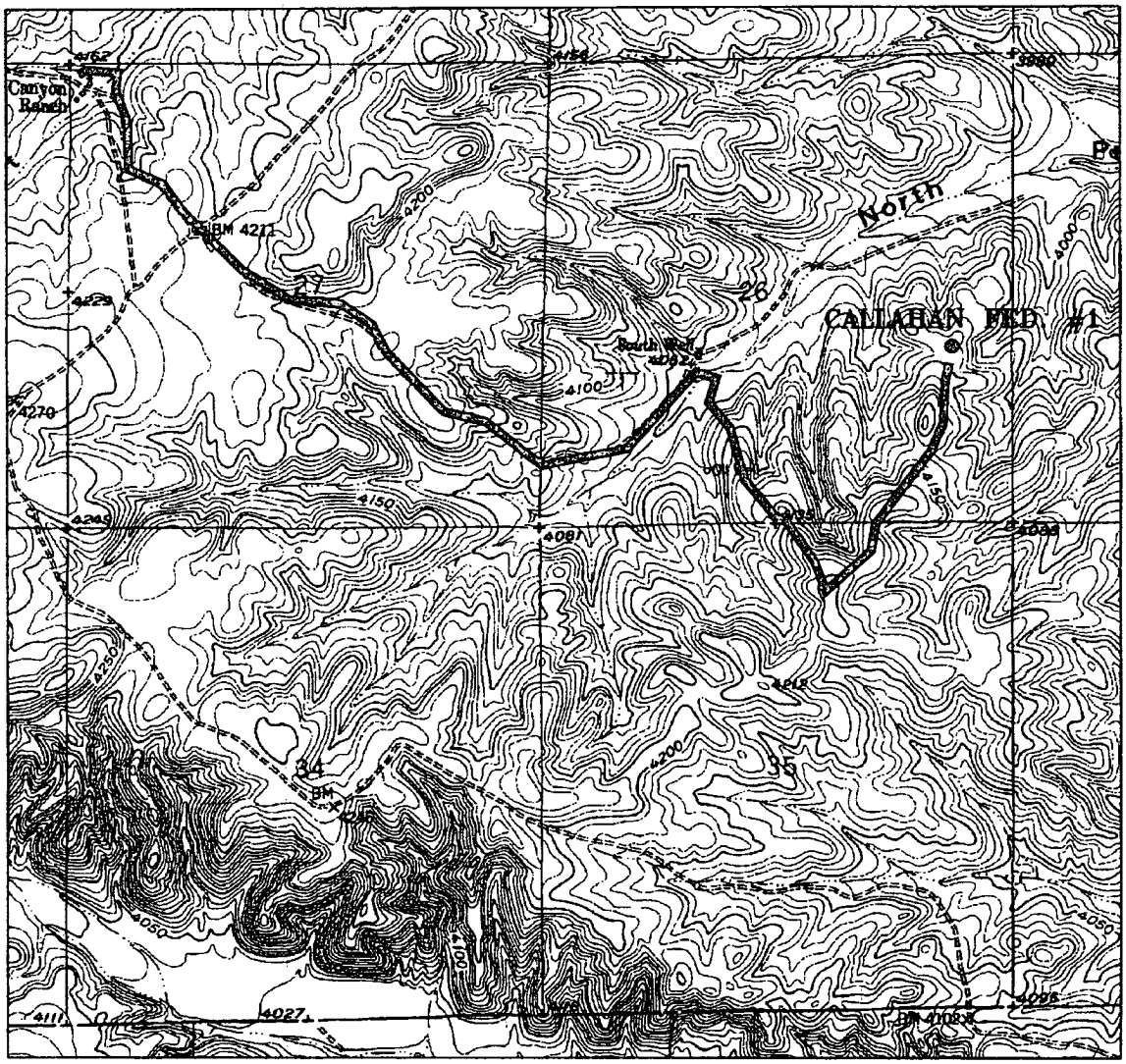
NADEL AND GUSSMAN PERMIAN

REF: CALLAHAN FED. No. 1 / Well Pad Topo

CALLAHAN FED. No. 1 LOCATED 1980' FROM THE SOUTH LINE AND 660' FROM THE EAST LINE OF SECTION 26, TOWNSHIP 20 SOUTH, RANGE 23 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 11-29-2005 | Sheet 1 of 1 Sheets

Exhibit #4-B



LEASE ROAD TO THE CALLAHAN FEDERAL #1
Located at 1980' FSL and 660' FEL
Section 26, Township 20 South, Range 23 East,
N.M.P.M., Eddy County, New Mexico.

basin surveys
focused on excellence in the oilfield

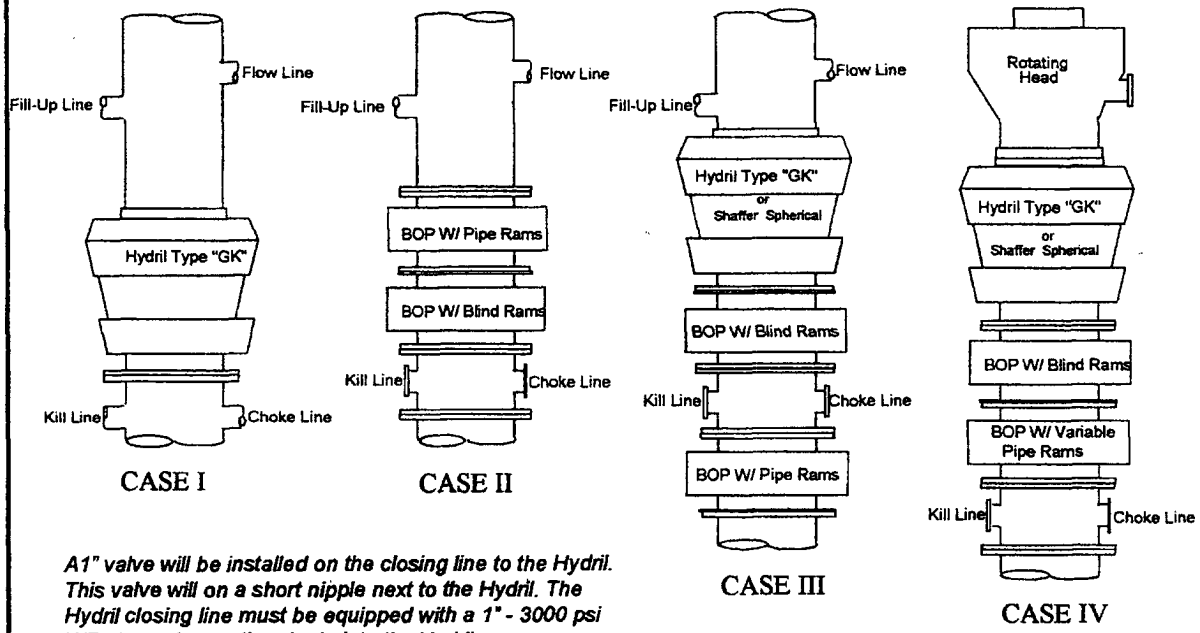
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number:	5999BB - KJG #1
Survey Date:	11-29-2005
Scale:	1" = 2000'
Date:	12-06-2005

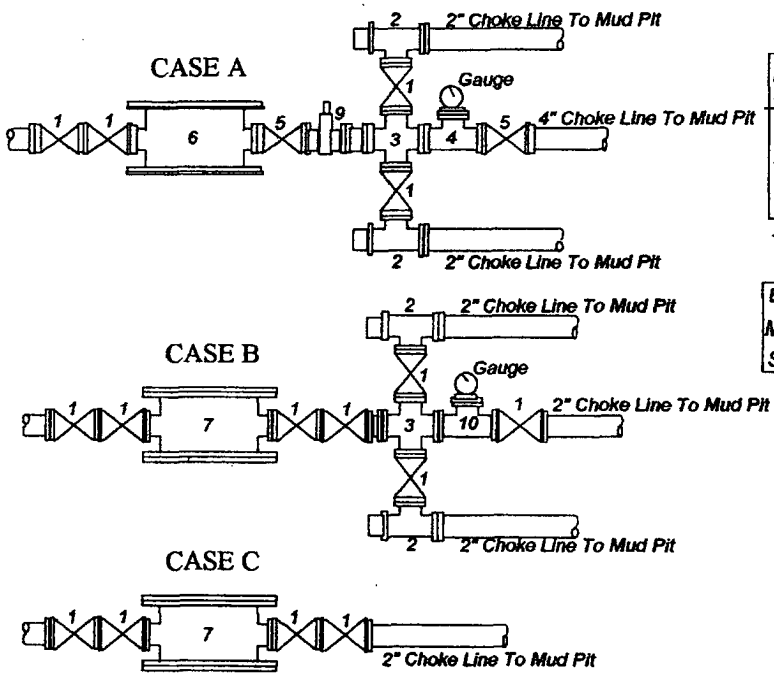
NADEL AND GUSSMAN PERMIAN, L.L.C.

Nadel and Gussman Permian _____

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	5000#	A

*Rotating head required

Bradenhead :
Mfr: _____
Size: _____ Type: _____

Exhibit #5

Legend

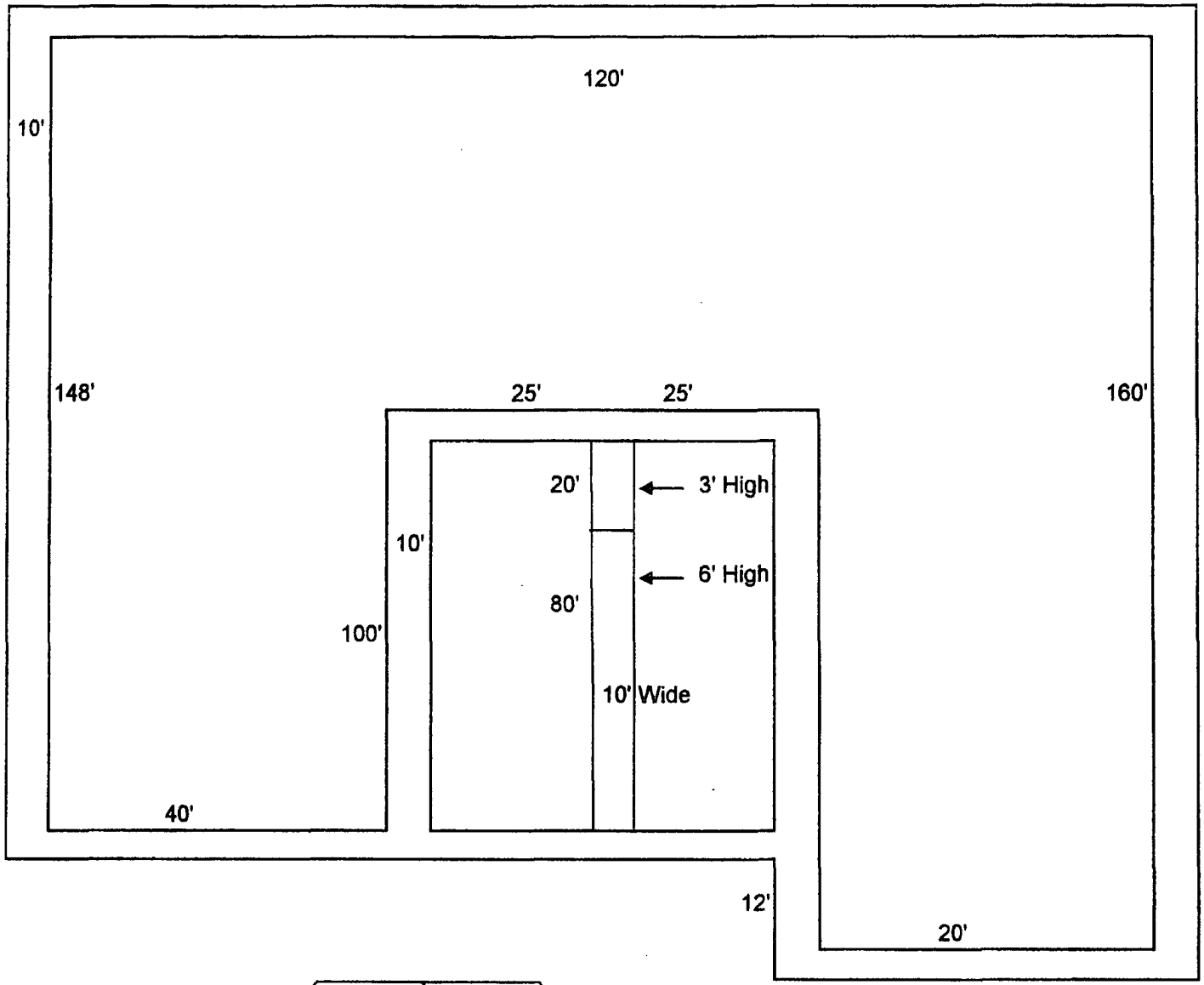
1. *2" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.*
2. *2" flanged adjustable chokes, min. 1" full opening & equiped with hard trim.*
3. *4" x 2" flanged steel cross.*
4. *4" flanged steel tee.*
5. *4" flanged all steel valve (Type as in no. 1).*
6. *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.*

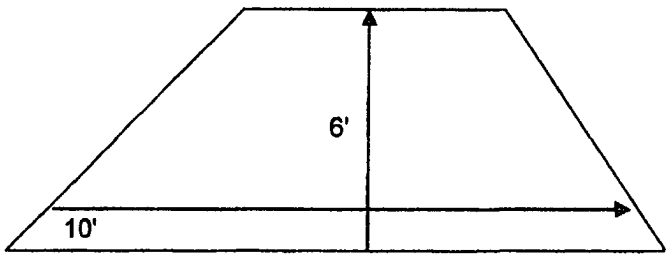
Notes

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

Exhibit #8
Not to Scale





CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nadel & Gussman Permian LLC
Well Name & No: Callahan Fed Com No. 01
Location: Surface: 1980' FSL & 660' FEL, Sec.26, T. 20 S. R. 23 E.
Lease: NMNM ~~2812~~ 98795 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: 9 ⅝ inch; 5 ½ inch;

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan shall be in operations from 2000 ft of depth to TD..

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 shall be approved by this office prior to any sales from this office.

II. CASING:

1. The 9 ⅝ inch shall be set at 2000 Feet with 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.

3. The minimum required fill of cement behind the 5 ½ inch Production casing is to **Place TOC at least 200 feet above the top of the Wolf amp; estimation, 5000 ft .**

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 9 ⅝ 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) shall be 3 M psi.

III. Pressure Control Con't:

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.