

Form 3160-3
(April 2004)

8098
6479

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-19186
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Nadel and Gussman Permian, LLC		7. If Unit or CA Agreement, Name and No.
3a. Address 601 N. Martenfeld, Suite #508 Midland, TX 79701		8. Lease Name and Well No. Artemis Federal Com #1
3b. Phone No. (include area code) 432-682-4429		9. API Well No. 30-015-34011
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface UL L Sec. 33, T22S - R28E 1,650' FSL and 660' FWL At proposed prod. zone UL L Sec. 33, T22S - R28E 1,650' FSL and 660' FWL		10. Field and Pool, or Exploratory Duhon River Morrow
11. Sec., T. R. M. or Blk. and Survey or Area Sec. 33 T22S R28E		
14. Distance in miles and direction from nearest town or post office* East of Ods 3.5 miles		12. County or Parish Eddy
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'		13. State NM
16. No. of acres in lease 320 acres		17. Spacing Unit dedicated to this well 320 acres South 1/2 Sec. 33
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 12,800'		20. BLM/BIA Bond No. on file NM 2812
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,629'		22. Approximate date work will start* 04/12/2005
		23. Estimated duration 45

24. Attachments

CARLSBAD CONTROLLED WATER BASIN

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature Josh Fernan	Name (Printed/Typed) Josh Fernan	Date 02/07/2005
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Title

Staff Engineer

Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date MAR 16 2005
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Title FOR FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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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.

APPROVAL FOR 1 YEAR

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 page 2)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

WITNESS 13 3/8" Cement Job

UNITED STATES DEPARTMENT OF INTERIOR

Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-1287

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: Artemis Federal Com #1

Lease Number: NM 19186
NM 19842-A
NM 33278

Legal Description of Land: 1,650' FSL & 660' FWL, UL L Sec.33, T22S-R28E, Eddy Co., NM

Lease Covers: South ½ Sec. 33 in addition to other acreage outside Sec. 33

Spacing Unit: South ½ Sec. 33 320 acres

Formations: Delaware, Bone Spring, Wolfcamp, Atoka Clastics, and Morrow Clastics

Bond Coverage: State Wide

BLM Bond File Number: NM 2812

Land is federally owned.

Authorized Signature: _____

Josh Fernau

Name: Josh Fernau

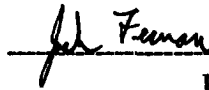
Title: Staff Engineer

Date: 02/07/05

12. Operator's Representative -

Joel Martin	Office Phone	(432) 682-4429
	Home Phone	(432) 694-2569
	Mobile Phone	(432) 238-9969
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

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 a construction company or their contractors and sub-contractors in conformity with this plan.


 Josh Fernau
 Staff Engineer
 Date: 02/07/05

13 Point Drilling Plan:

1. Location: (SHL) 1,650' FSL & 660' FWL, Sec. 33, T-22-S, R-28-E, Eddy County, New Mexico
(Form C-102)
2. Elevation: 3,027' GL
3. Geological Name of Surface Formation: West floodplain of the Pecos River
4. Type of Drilling Tools to be utilized: Rotary Tools
5. Proposed Drilling Depth: 12,800'
6. Tops of Important Geological Markers:

Delaware	2,520'	Canyon	9,974'	Atoka Clastics	11,296'
Bone Springs	5,930'	Strawn	10,784'	Morrow	11,419'
Wolfcamp	9,429'	Atoka	11,054'	Lower Morrow	12,333'

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

Oil	-Delaware	2,520'
Oil	-Bone Spring	5,930'
Oil	-Wolfcamp	9,429'
Gas	-Atoka Clastics	11,296'
Gas	-Lower Morrow	12,333'

8. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OD Casing</u>	<u>Weight Grade Jt.</u>	<u>Cement</u>
17 1/2"	0-300'	13 3/8"	48# H-40	Surface
12 1/4"	0-6,100'	9 5/8"	40# N-80 and P-110	Surface
8 3/4"	0-12,800'	5 1/2"	17# S-95 and 20# P-110	TOC 4,500'

9. Specifications for Pressure Control Equipment: (Exhibit #6)

This rig will have a 13 5/8" 5M BOP Shaffer with pipe rams and blind rams, kill line, 10,000 psi choke manifold, Camron hydraulic controls, and accumulator with remote controls. When nipping up, will test BOP and choke to 1,000 psi, will operate BOP once a day or as directed by the company representative.

10. Mud Program:

The well will be drilled to TD with a combination of brine, cut brine, and XCD Polymer mud system.

<u>Depth</u>	<u>Type</u>	<u>Wt</u>	<u>Viscosity</u>	<u>Waterloss</u>
0-300'	CB FW	8.5#	40-45	NC
300'-6,100'	CB	10.0#	30-32	NC
6,100'-TD	CB/XCDPLY	8.8-10.0#	32-45	10

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 6,100' to TD.

13. Anticipated Starting Date & Duration:

Plans are to begin drilling operations about April 12, 2005, approximately 45 days will be required to drill the well and 10 days will be needed for the completion.

Hydrogen Sulfide Drilling Operations Plan

1. Company and Contract personnel admitted on location should be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S.
 - 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.
 - E. Evacuation Procedure, Routes and First Aid.
 - F. Proper Use of 30 minute Pressure 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 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 H₂S Present in Dangerous Concentration
Only Emergency Personnel Admitted to Location.
5. Well Control Equipment
 - A. See **Exhibit #6**.
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 H₂S has on tubular goods and other mechanical equipment.
9. If H₂S Encountered, Mud system will be Altered if Necessary to Maintain Control of Formation. A Mud Gas Separator will be Brought into Service Along with H₂S Scavengers if Necessary.

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	Pool Name
Property Code	Property Name ARTEMIS FEDERAL COM	Well Number 1
OGRID No.	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 3027'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	33	22 S	28 E		1650	SOUTH	660	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

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Josh Fernau Printed Name Staff Engineer Title 02/07/05 Date
	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. December 09, 2004 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. 4885 JLP BASIN SURVEYS

SECTION 33, TOWNSHIP 22 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

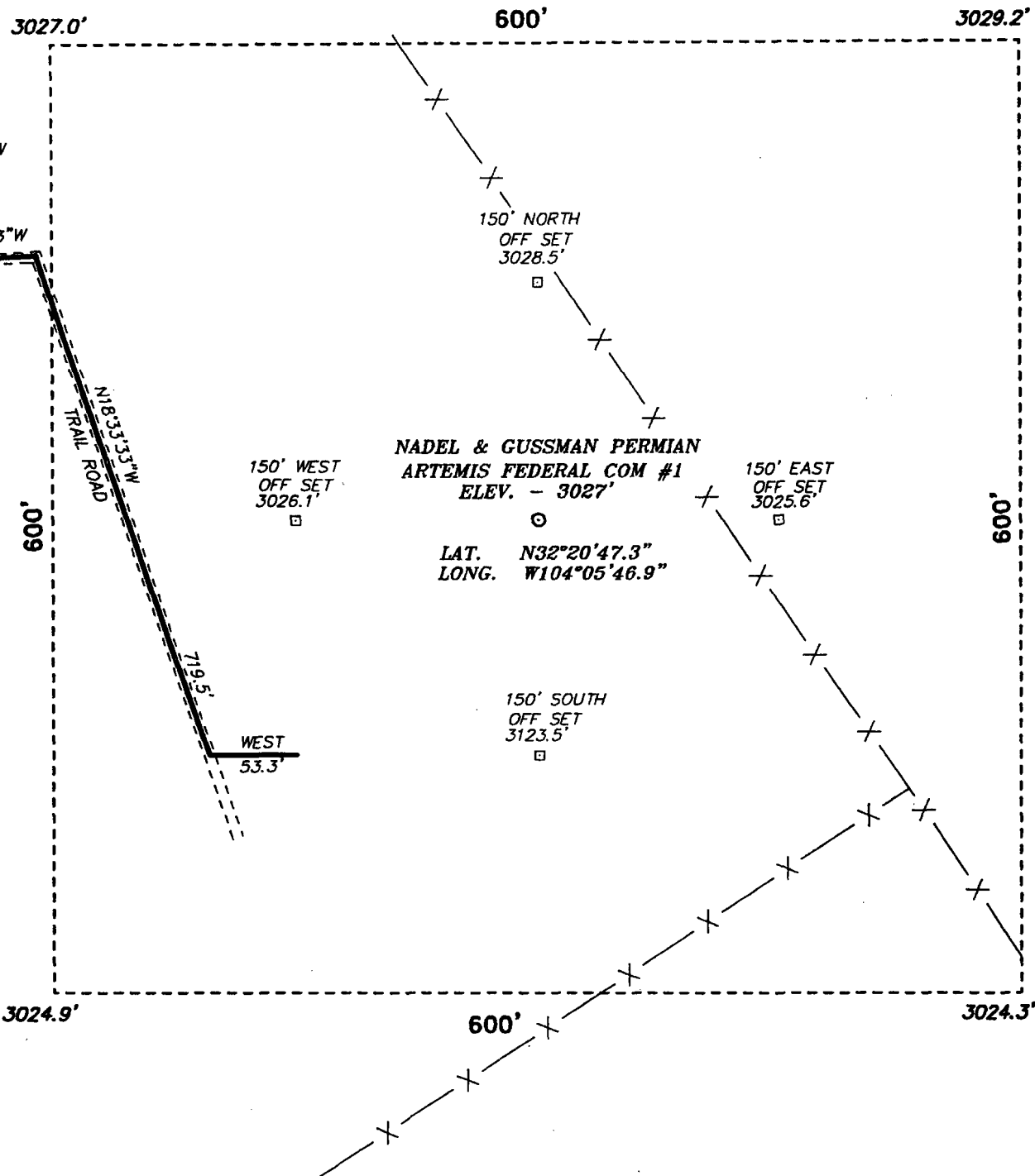
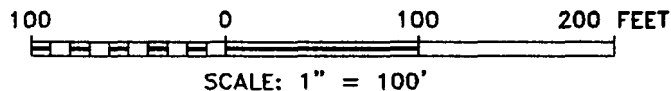


Exhibit #2



Directions to Location:

FROM THE JUNCTION OF US 285 AND STATE HWY.
31 GO EAST 0.2 MILES ON 31 TO CO. RD. 729
THEN N. ON 729 APPROX 2.1 MILES TO LEASE ROAD
NE., THEN NE 0.6 MILES TO A LEASE ROAD EAST,
THEN EAST 0.55 MILES TO PROPOSED ROAD TO
LOCATION.

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

W.O. Number: 4885

Drawn By: JAMES PRESLEY

Date: 12/13/04

Disk: JLP #1 - 4885A

NADEL AND GUSSMAN PERMIAN

REF: ARTEMIS FEDERAL COM #1 / Well Pad Topo

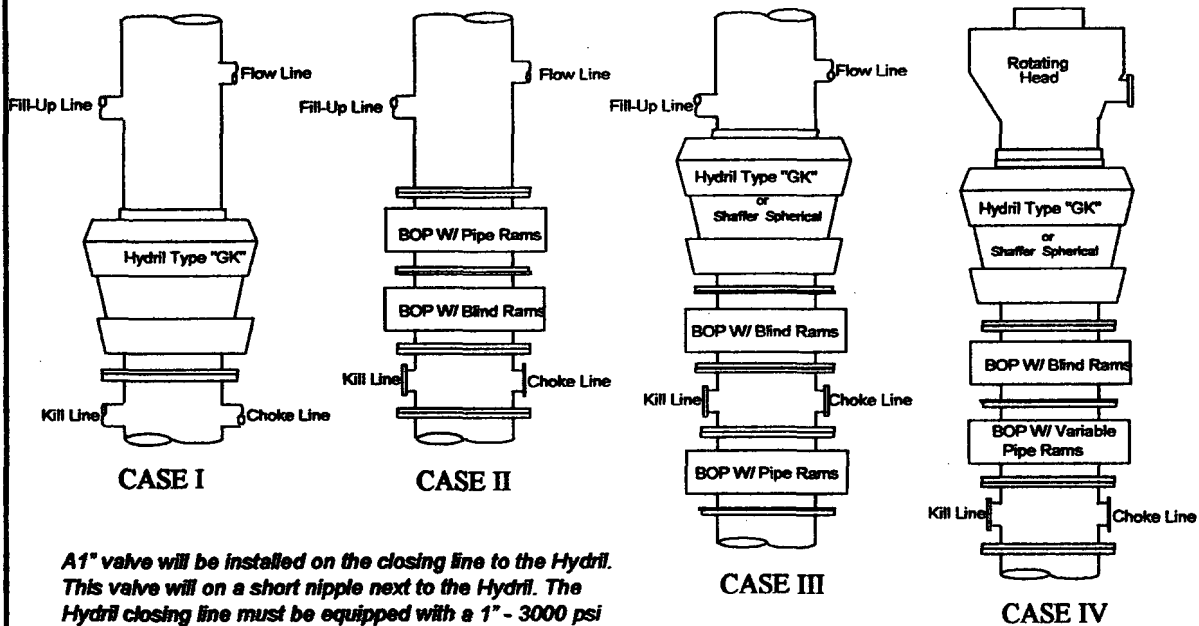
ARTEMIS FEDERAL COM #1 LOCATED 1650' FROM THE
SOUTH LINE AND 660' FROM THE WEST LINE OF
SECTION 33, TOWNSHIP 22 SOUTH, RANGE 28 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 12/09/04

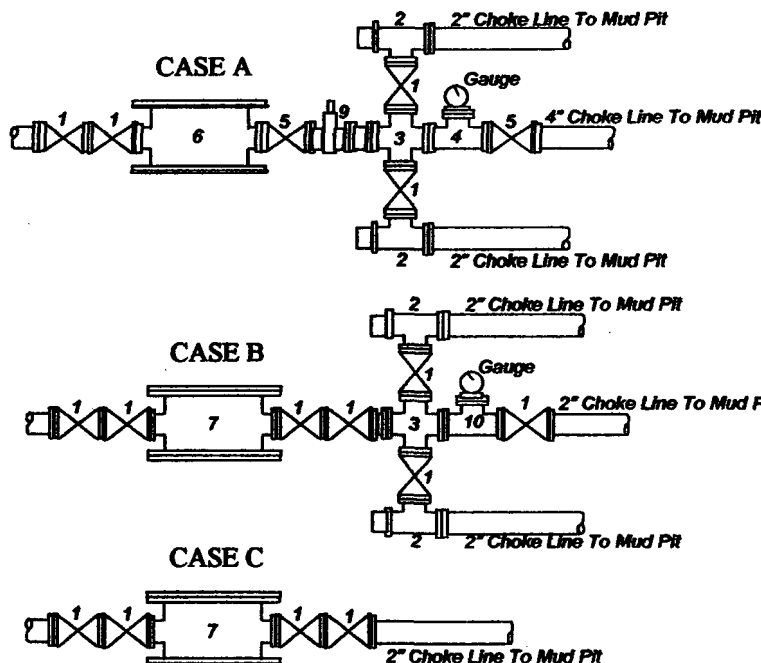
Sheet 1 of 1 Sheets

Nadel and Gussman Permian

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



A1" valve will be installed on the closing line to the Hydril. This valve will be 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"	IV	5,000 #	A

**Rotating head required*

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

Exhibit #6

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.

(10-31-96) WTXBOPS.PPT

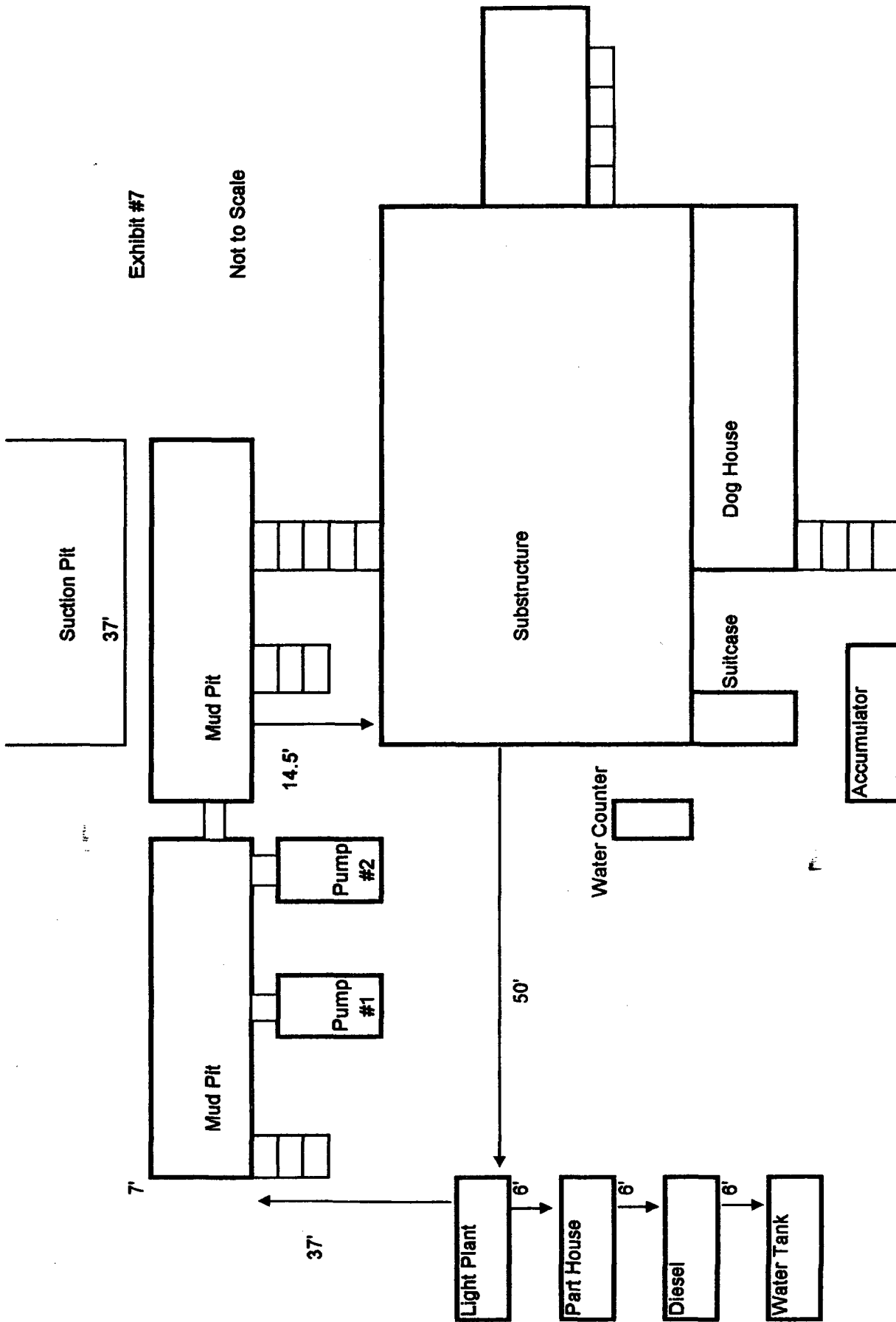


Exhibit #7

Not to Scale

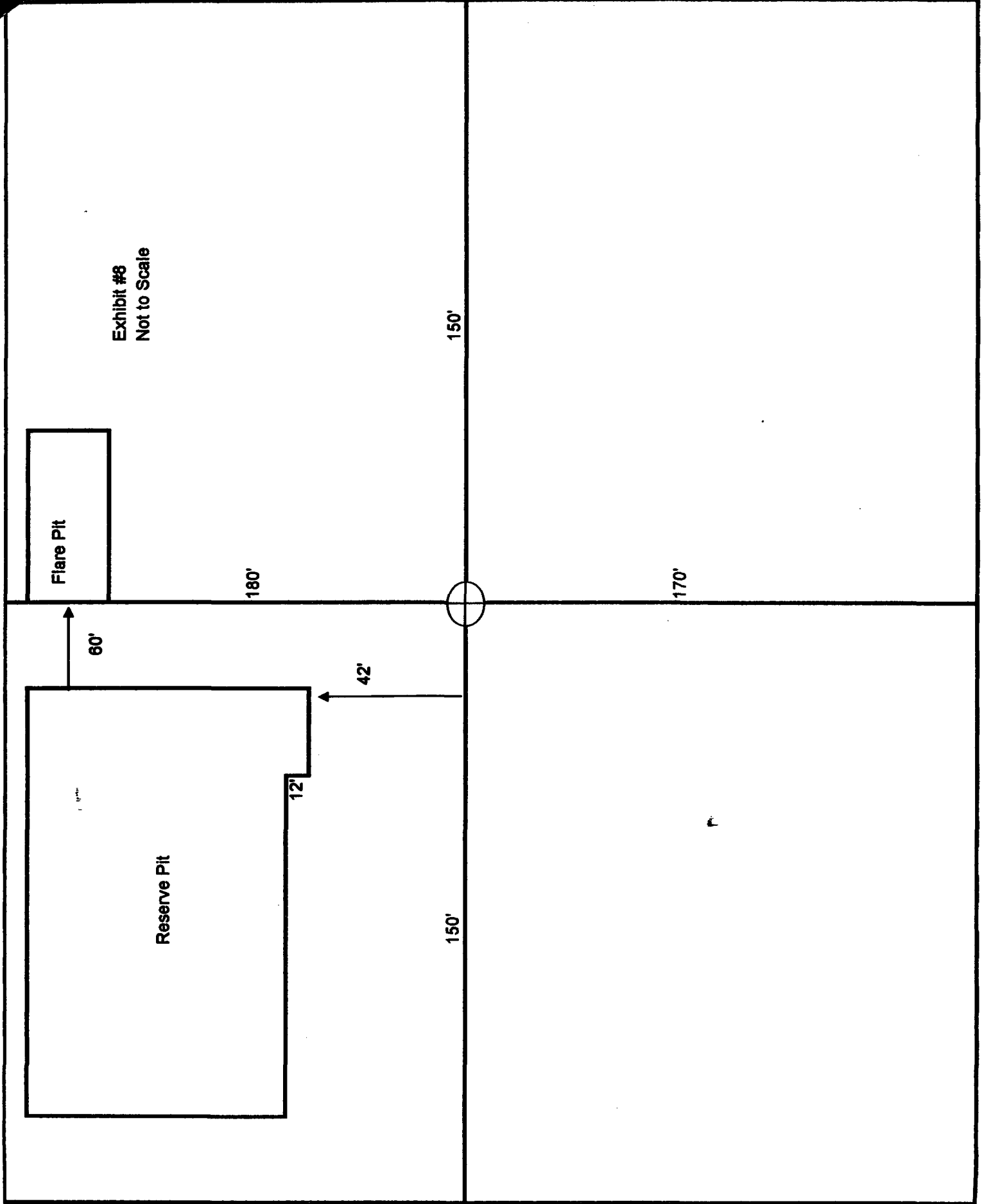


Exhibit #8
Not to Scale

Flare Pit

Reserve Pit

60'

180'

42'

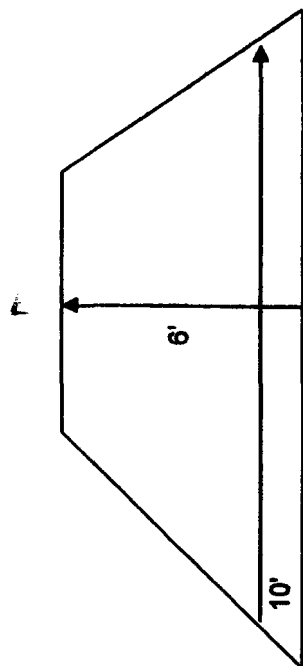
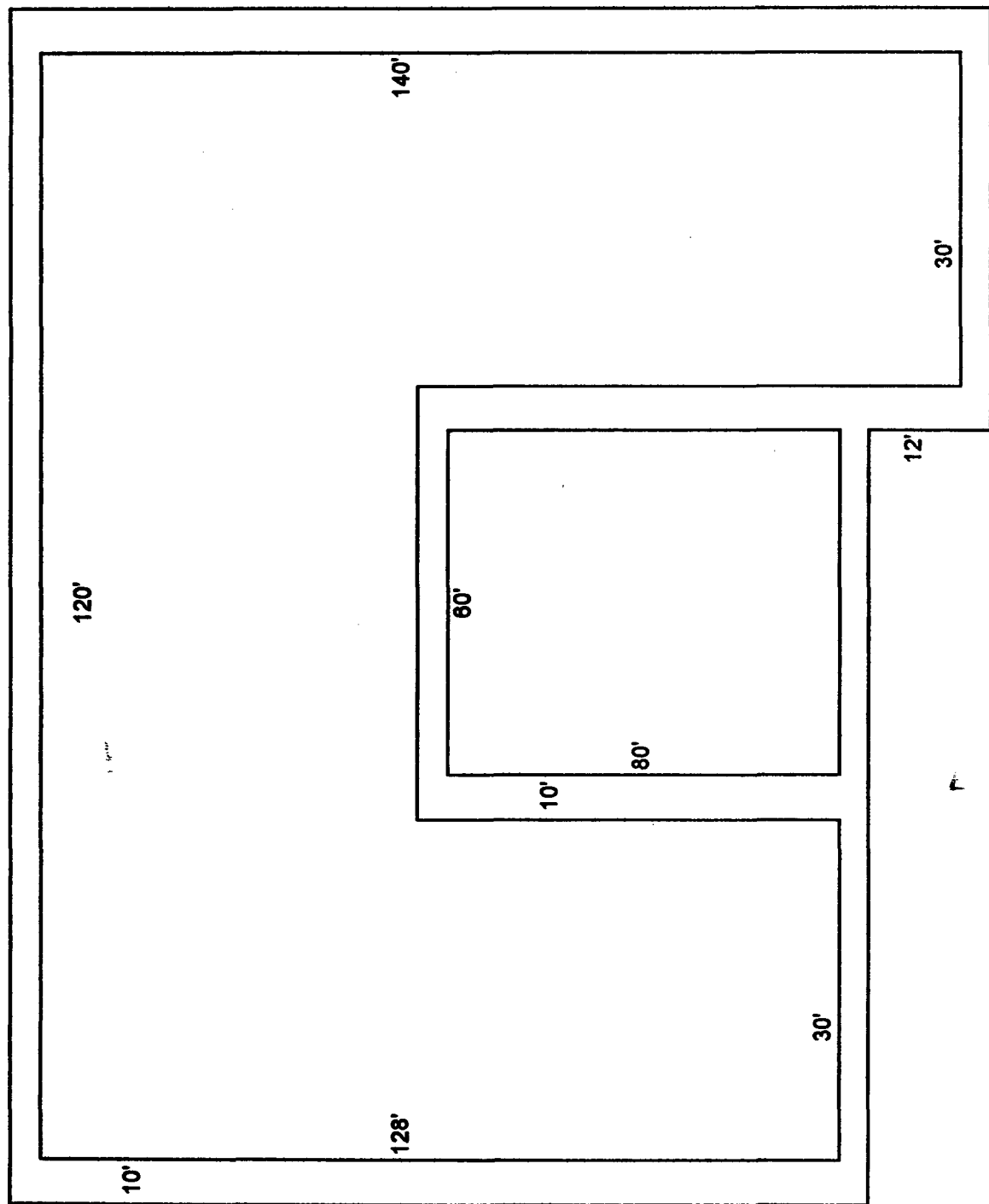
12'

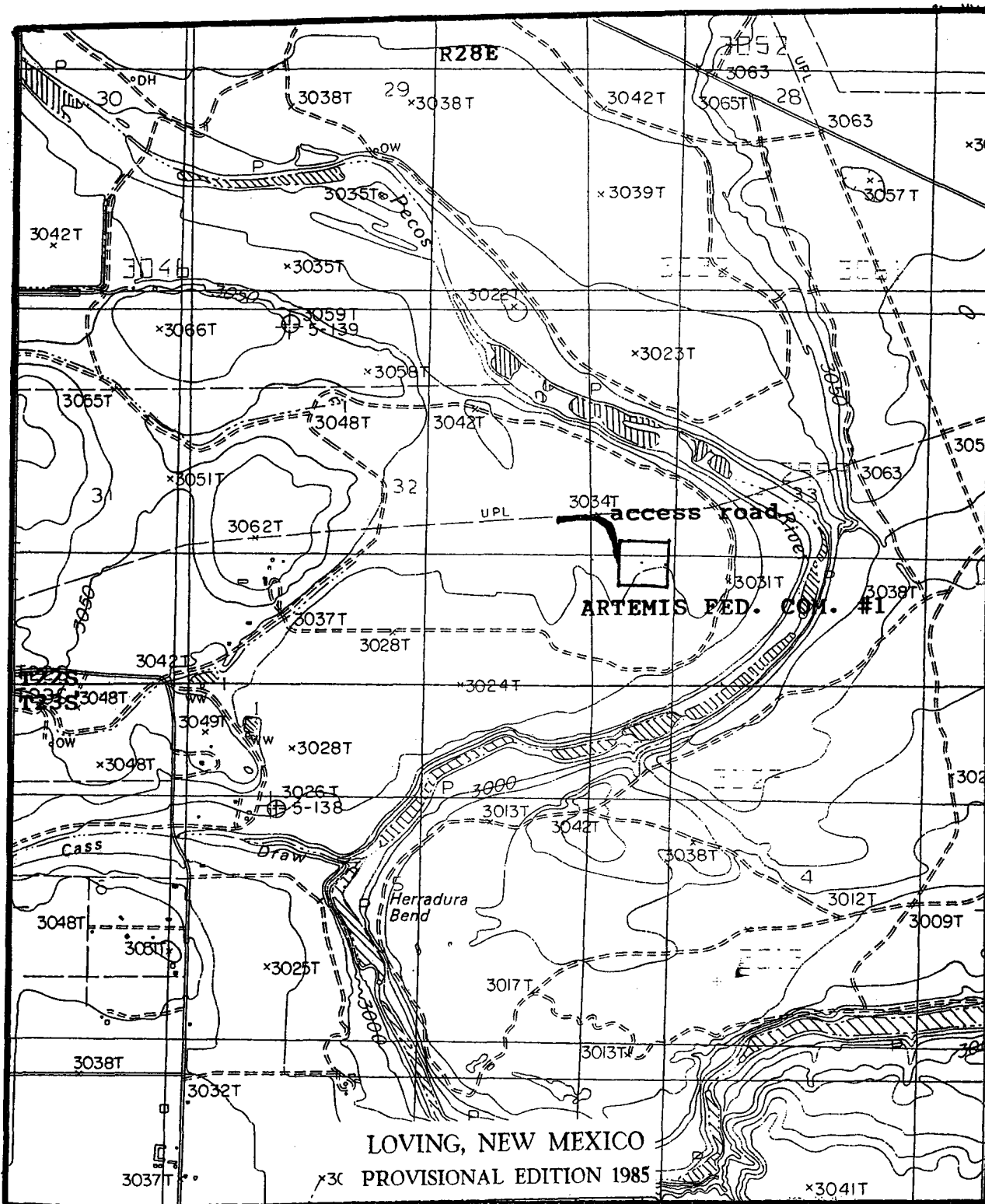
150'

150'

170'

Exhibit #9
Not to Scale





SCALE 1:24 000

