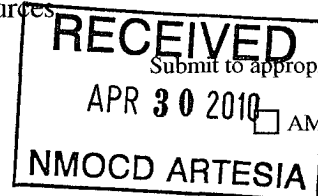


District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources

Form C-101  
June 16, 2008

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



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

<sup>1</sup> Operator Name and Address Nadel and Gussman HEYCO, LLC P.O. Box 1936 Roswell N.M. 88202	<sup>2</sup> OGRID Number 258462
<sup>3</sup> Property Code 305002	<sup>3</sup> API Number 30 - 015 - 37846

<sup>5</sup> Property Name Aid State	<sup>6</sup> Well No. # 7
---	------------------------------

<sup>9</sup> Proposed Pool 1 EMPIRE; GLOBETA - YESO (96210)	<sup>10</sup> Proposed Pool 2 RED LAKE; GRAYBURG EAST (51340)
--	--

<sup>7</sup> Surface Location									
UL or lot no. G	Section 13	Township 17S	Range 28E	Lot Idn	Feet from the 2310'	North/South line NORTH	Feet from the 1650'	East/West line EAST	County EDDY

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface									
UL or lot no. G	Section 13	Township 17S	Range 28E	Lot Idn	Feet from the 2310'	North/South line NORTH	Feet from the 1650'	East/West line EAST	County EDDY

**Additional Well Information**

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code O	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type Code S	<sup>15</sup> Ground Level Elevation 3701'
<sup>16</sup> Multiple Y	<sup>17</sup> Proposed Depth 5450	<sup>18</sup> Formation TUBB	<sup>19</sup> Contractor N/A	<sup>20</sup> Spud Date 7/15/10

**<sup>21</sup> Proposed Casing and Cement Program**

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	9 5/8"	36#	300'	169 sx	Surface
7 7/8"	5 1/2"	15.5#	5450'	875 sx	1542'

<sup>22</sup> 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.

**Mud Program:**

0' to 300': 8.4 to 8.8 ppg, 80 - 55 visc w/ Fresh water spud mud  
300' to 5450': 8.8 to 10.0 ppg, 28-30 visc, w/ brine / cut brine water

**Permit Expires 2 Years From Approval  
Date Unless Drilling Underway**

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

Signature:

Printed name:  
Keith Cannon

Title:  
Drilling Superintendent

E-mail Address:  
kcannon@heycoenergy.com

Date:  
4/30/2010

Phone:  
575 - 623-6601

**OIL CONSERVATION DIVISION**

Approved by:

Title:

**Geologist**

Approval Date:

05/26/2010

Expiration Date:

05/26/2012

**CONDITION OF APPROVAL FOR APD'S**

"Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string"

DISTRICT I  
1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

11885 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

DISTRICT III  
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV  
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number <b>70-015-37846</b>	Pool Code <b>96210</b>	Pool Name <b>Empire Glorieta-Yeso</b>
Property Code <b>305002</b>	Property Name <b>AID STATE</b>	Well Number <b>7</b>
OGRID No. <b>258462</b>	Operator Name <b>NADEL AND GUSSMAN HEYCO, LLC</b>	Elevation <b>3715'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	13	17-S	28-E		2310	NORTH	1650	EAST	EDDY

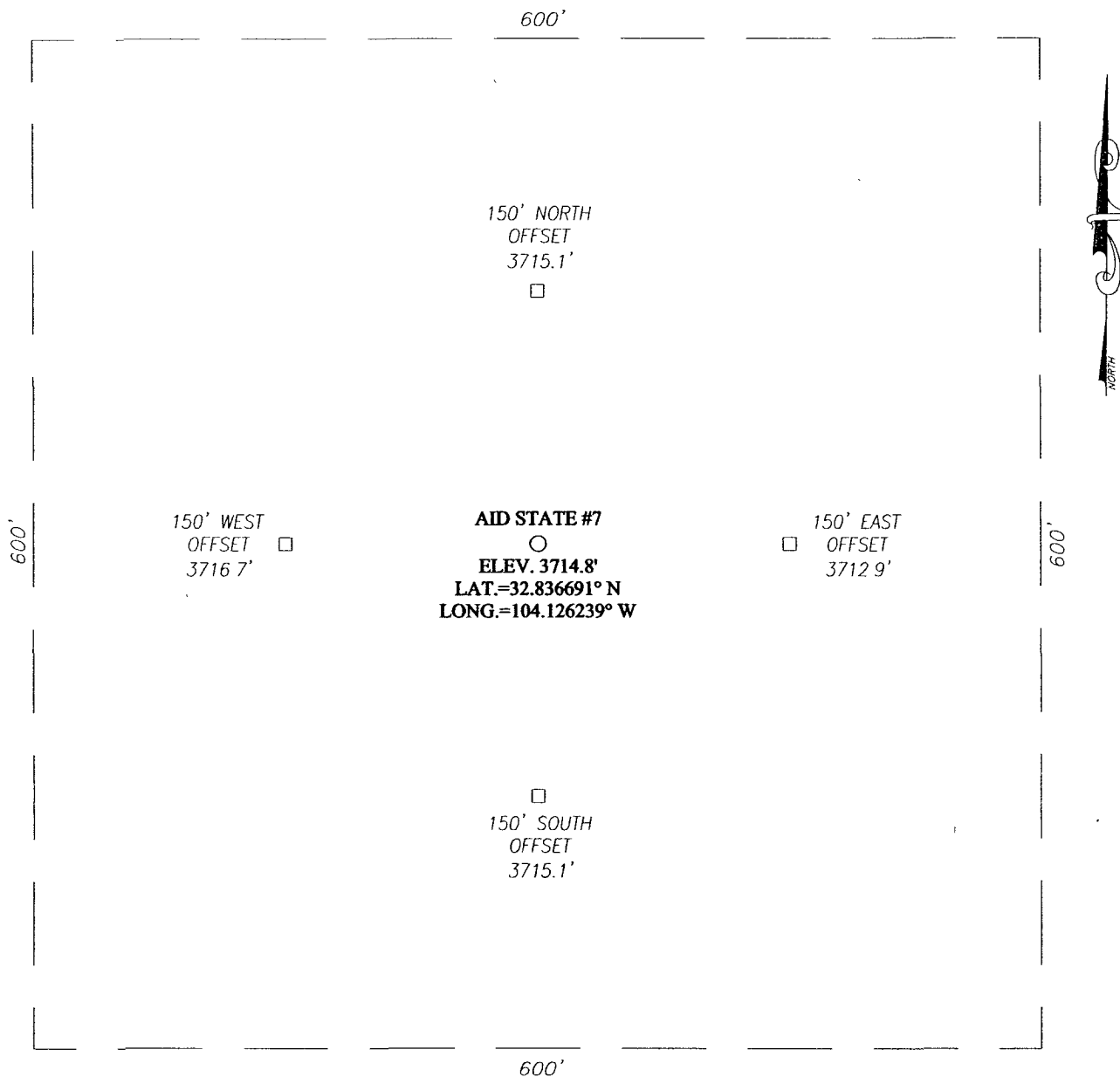
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/EAST line	County
G	13	17S	28E		2310	North	1650	East	Eddy
Dedicated Acres	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

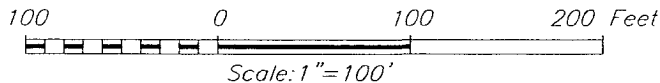
<p>GEODETIC COORDINATES NAD 27 NME  Y=668161.6 N X=563608.3 E  LAT.=32.836691° N LONG.=104.126239° W</p> <p><b>K-3630-2</b></p> <p>2310'</p> <p>1650'</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><i>Keith Cannon</i> Signature Date <b>4/30/10</b></p> <p><b>Keith Cannon</b> Printed Name</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p><i>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.</i></p> <p><b>RONALD J. EIDSON</b> Date Surveyed Signature &amp; Seal of <b>3239</b> Professional Surveyor</p> <p><i>Ronald J. Eidson</i> Date <b>4/26/2010</b></p> <p>Certificate No. <b>GARY G. EIDSON</b> 12641 <b>RONALD J. EIDSON</b> 3239</p>
---	--

**SECTION 13, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.,**  
 EDDY COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF U.S. HWY. #82 AND COUNTY ROAD #211 (OLD LOCO ROAD), GO SOUTHWEST ON U.S. HWY. #82 APPROX. 0.8 MILES. TURN RIGHT AND GO NORTH APPROX. 2.1 MILES. THIS LOCATION IS APPROX. 1650 FEET WEST.



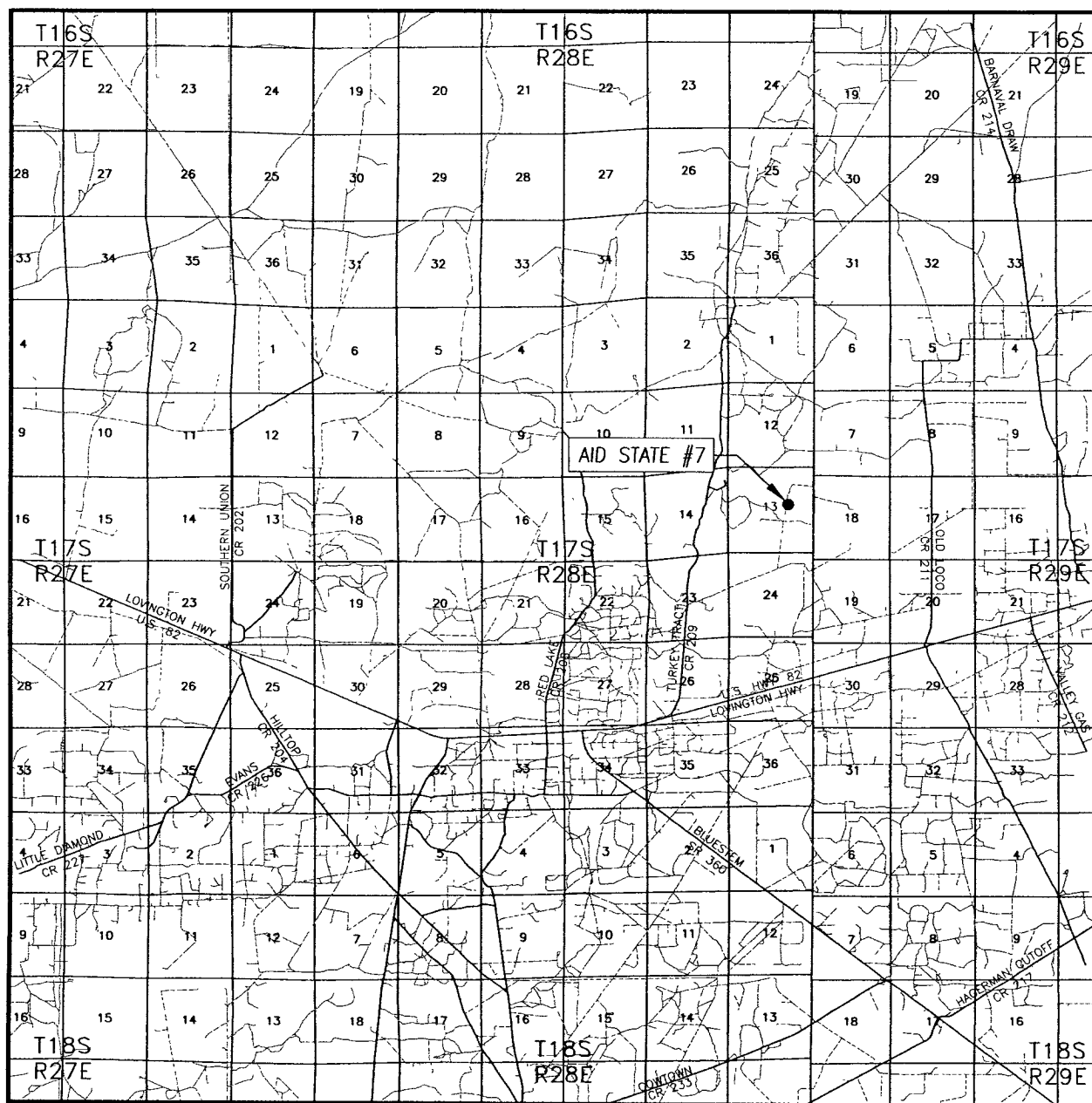
**NADEL AND GUSSMAN HEYCO, LLC**

AID STATE #7 WELL  
 LOCATED 2310 FEET FROM THE NORTH LINE  
 AND 1650 FEET FROM THE EAST LINE OF SECTION 13,  
 TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.

Survey Date: 4/20/10	Sheet 1 of 1 Sheets
W.O. Number: 10.11.0564	Dr By: LA
Date: 4/26/10	10110564
	Scale: 1"=100'


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

# VICINITY MAP



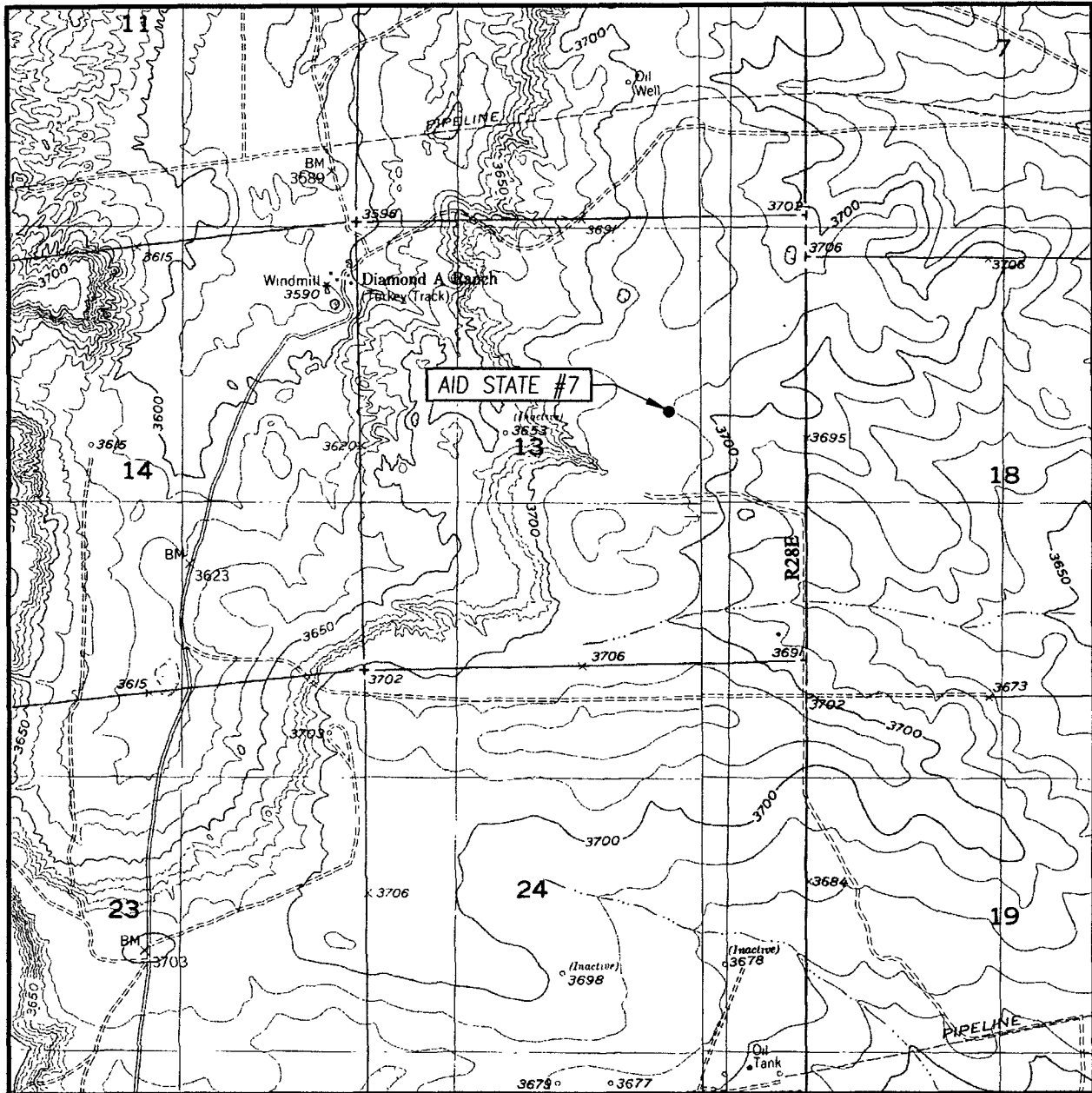
SCALE: 1" = 2 MILES

SEC. 13 TWP. 17-S RGE. 28-E  
 SURVEY N.M.P.M.  
 COUNTY EDDY STATE NEW MEXICO  
 DESCRIPTION 2310' FNL & 1650' FEL  
 ELEVATION 3715'  
 OPERATOR NADEL AND GUSSMAN HEYCO, LLC  
 LEASE AID STATE



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

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
RED LAKE, N.M. - 10'  
RED LAKE SE, N.M. - 10'

SEC. 13 TWP. 17-S RGE. 28-E

SURVEY \_\_\_\_\_ N.M.P.M. \_\_\_\_\_

COUNTY EDDY STATE NEW MEXICO

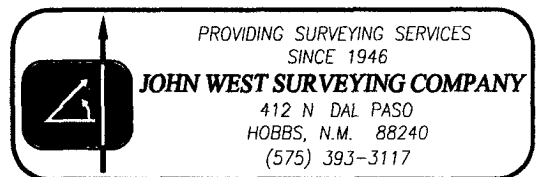
DESCRIPTION 2310' FNL & 1650' FEL

ELEVATION 3715'

OPERATOR NADEL AND GUSSMAN HEYCO, LLC

LEASE AID STATE

U.S.G.S. TOPOGRAPHIC MAP  
RED LAKE, N.M.



**NADEL AND GUSSMAN HEYCO, L.L.C.**  
**P.O. BOX 1936**  
**ROSWELL N.M. 88202**  
**(575) 623-6601 (Office)**  
**(575) 624-5321 (Fax)**

4/30/10

Miss Reeves  
District 2 Geologist  
New Mexico Oil and Gas Division  
1301 West Grand Avenue  
Artesia, NM 88210

**Re: Aid State #7**  
**2310' FNL & 1650' FEL**  
**Unit Letter G, Sec. 13, T17S, R28E**  
**Eddy, NM**  
**Rule 118 H2S Exposure**

Dear Miss. Reeves

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

**Hydrogen Sulfide Drilling Operations Plan**  
**Aid State #7**  
**UNIT H, Sec 13, T17S, R28E**  
**2310' FNL & 1650' FEL**  
**Eddy Co. N.M.**

1. Company and contract personnel admitted on location should be trained by a qualified H<sub>2</sub>S safety instructor to the recognize and handle following:
  - A. Characteristics of H<sub>2</sub>S gas
  - B. Physical effects and hazards
  - C. Proper use of safety equipment and life support systems
  - D. Principle and operation of H<sub>2</sub>S 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. H<sub>2</sub>S Detection and Alarm Systems
  - A. H<sub>2</sub>S 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. H<sub>2</sub>S 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 - H<sub>2</sub>S 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 H<sub>2</sub>S on tubular goods/mechanical equipment
9. If H<sub>2</sub>S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H<sub>2</sub>S 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