

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

Submit to appropriate District Office

RECEIVED

MAY 25 2010

NMOC D ARTESIA

AMENDED REPORT

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

¹ Operator Name and Address Nadel and Gussman HEYCO, LLC P.O. Box 1936 Roswell N.M. 88202		² OGRID Number 258462
³ Property Code 305002 38190	⁵ Property Name Hillybilly Cave 8 State	³ API Number 30-015-37906
⁹ Proposed Pool 1 EMPIRE; GLORIETH Tubb (96610)		¹⁰ Proposed Pool 2 Grayburg

⁷ Surface Location									
UL or lot no. M	Section 8	Township 17S	Range 29E	Lot Idn	Feet from the 330'	North/South line South	Feet from the 330'	East/West line West	County EDDY

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no. M	Section 8	Township 17S	Range 29E	Lot Idn	Feet from the 330'	North/South line South	Feet from the 330'	East/West line West	County EDDY
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Additional Well Information

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

²¹ Proposed Casing and Cement Program

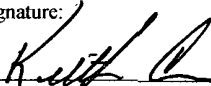
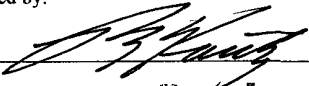
Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	9 5/8"	36#	300'	169 sx	Surface
7 7/8"	5 1/2"	17#	5450'	875 sx	1542'

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.

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

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION	
Signature: 		Approved by: 	
Printed name: Keith Cannon		Title: Geologist	
Title: Drilling Superintendent		Approval Date: 06/10/10	
E-mail Address: kcannon@heycoenergy.com		Expiration Date: 06/10/12	
Date: 5/24/2010	Phone: 575 - 623-6601	Conditions of Approval Attached <input type="checkbox"/>	

RECEIVED MAY 17 2010

DISTRICT I

1220 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

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

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 70-015-37906	Pool Code 96210 96610	Pool Name Empire Glorieta-Yesso, EAST
Property Code -38190	Property Name HILLBILLY CAVE 8 STATE	Well Number 1
OGRID No. 258462	Operator Name NADEL AND GUSSMAN HEYCO, LLC	Elevation 3636'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	8	17-S	29-E		330	SOUTH	330	WEST	EDDY

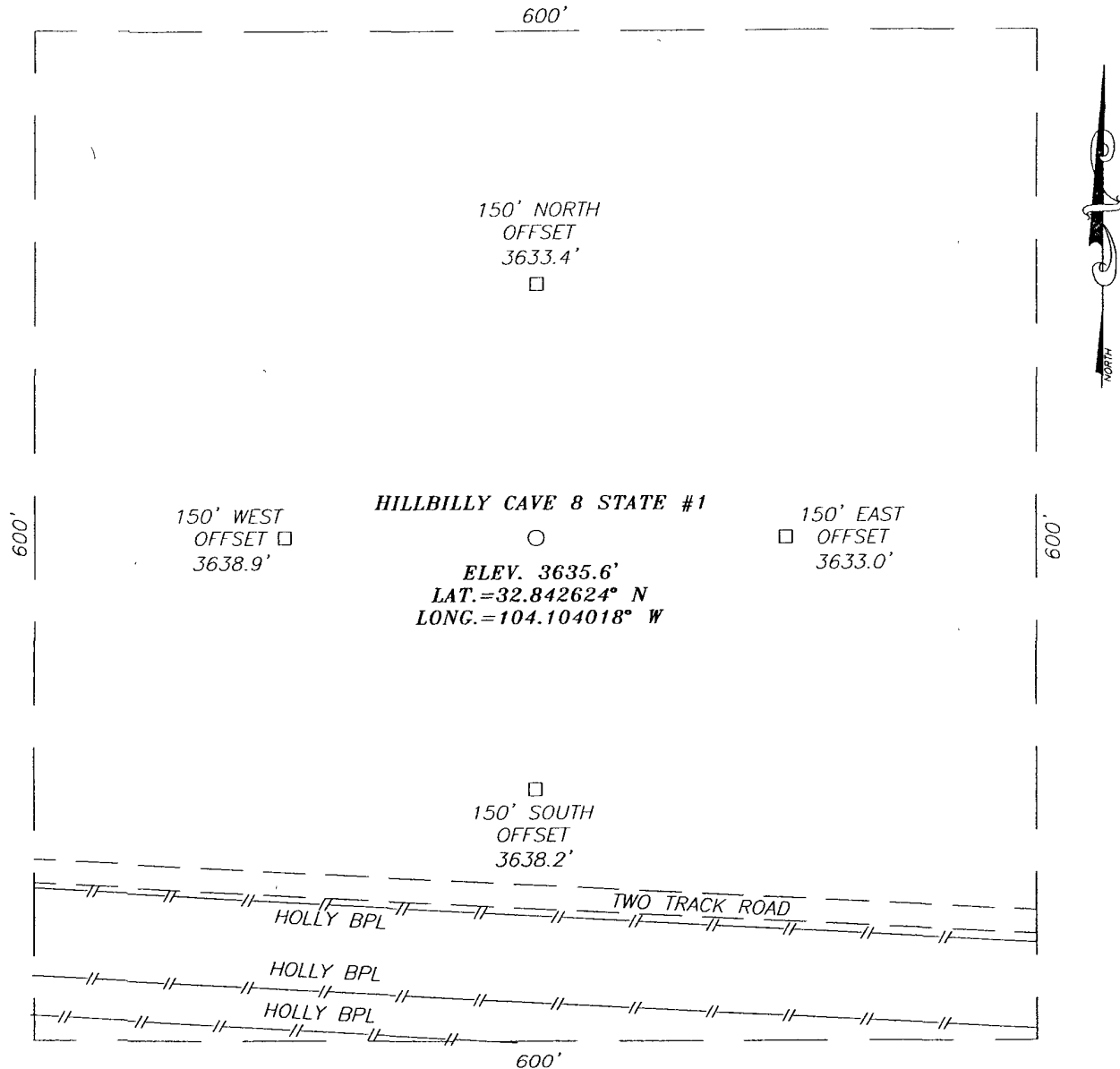
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	8	17-S	29-E		330	South	330	West	Eddy
Dedicated Acres 40	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

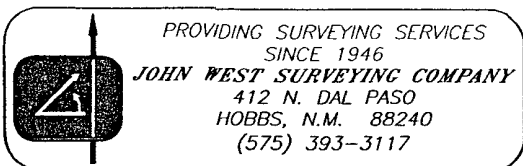
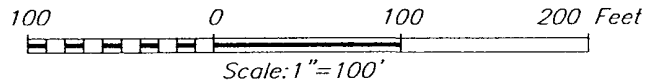
	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=670334.4 N X=570428.9 E</p> <p>LAT.=32.842624° N LONG.=104.104018° W</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working 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.</p> <p><i>Keith Cannon</i> 4/24/10 Signature Date</p> <p>Keith Cannon Printed Name</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> MAY 6 2010</p> <p>Date Surveyed 5/13/10 Signature & Seal of Professional Surveyor GARY A. EIDSON</p> <p>10.11.0682</p>		<p>Certificate No. GARY EIDSON 12641</p>

SECTION 8, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #211 (OLD LOCO RD.), GO NORTH ON CO. RD. #211 APPROX. 2.0 MILES. TURN LEFT AND GO WEST-NORTHWEST ON TWO TRACK ROAD APPROX. 0.45 MILES. THIS LOCATION IS APPROX. 215 FEET NORTH OF TWO TRACK ROAD.

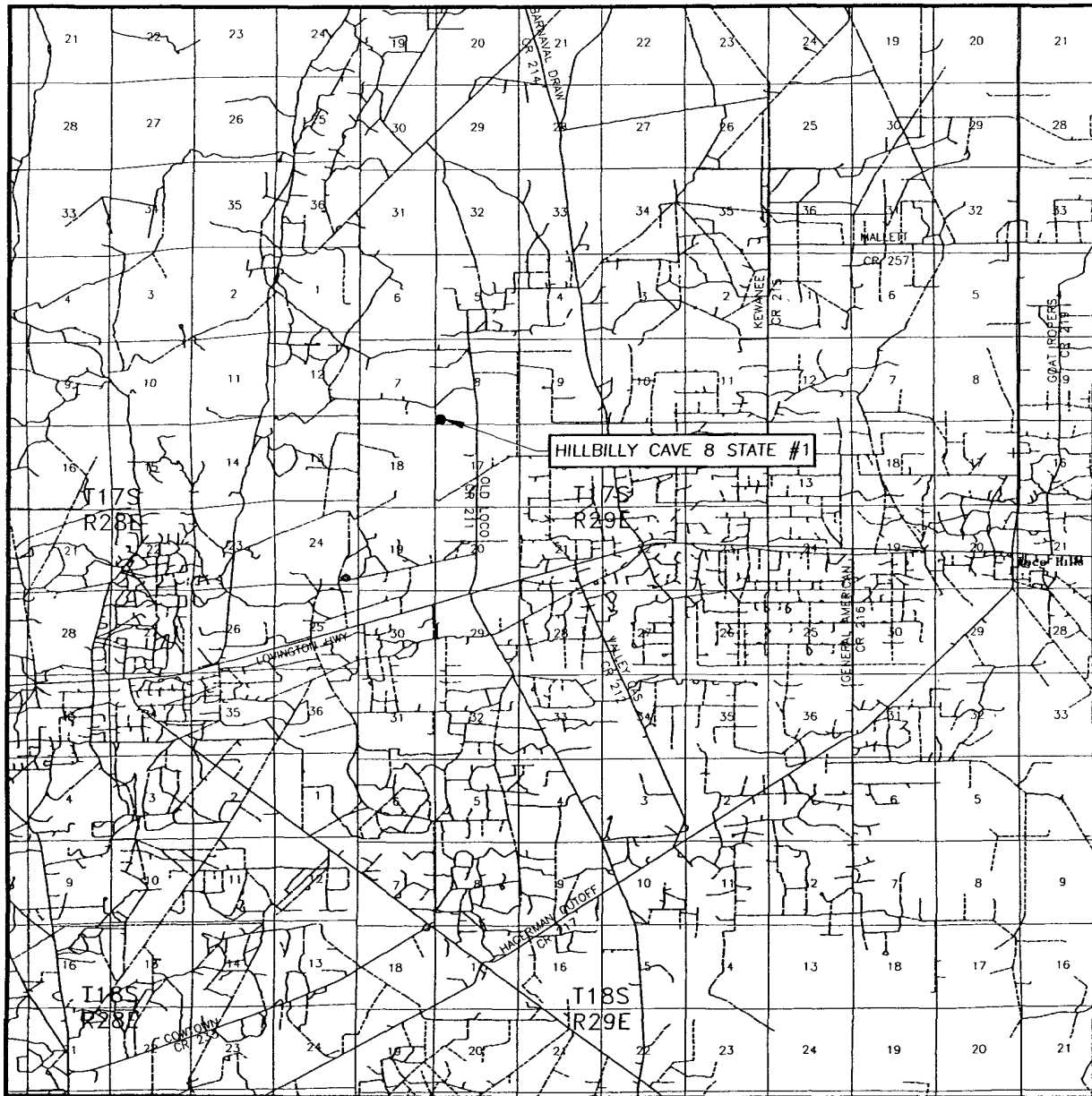


NADEL AND GUSSMAN HEYCO, LLC

HILLBILLY CAVE 8 STATE #1 WELL
 LOCATED 330 FEET FROM THE SOUTH LINE
 AND 330 FEET FROM THE WEST LINE OF SECTION 8,
 TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO

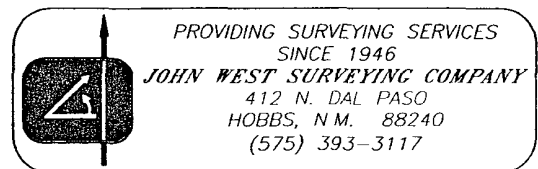
Survey Date: 5/6/10	Sheet 1 of 1 Sheets
W.O. Number: 10.11.0682	Dr By: LA
Date: 5/12/10	10110682
	Rev 1: N/A
	Scale: 1"=100'

VICINITY MAP

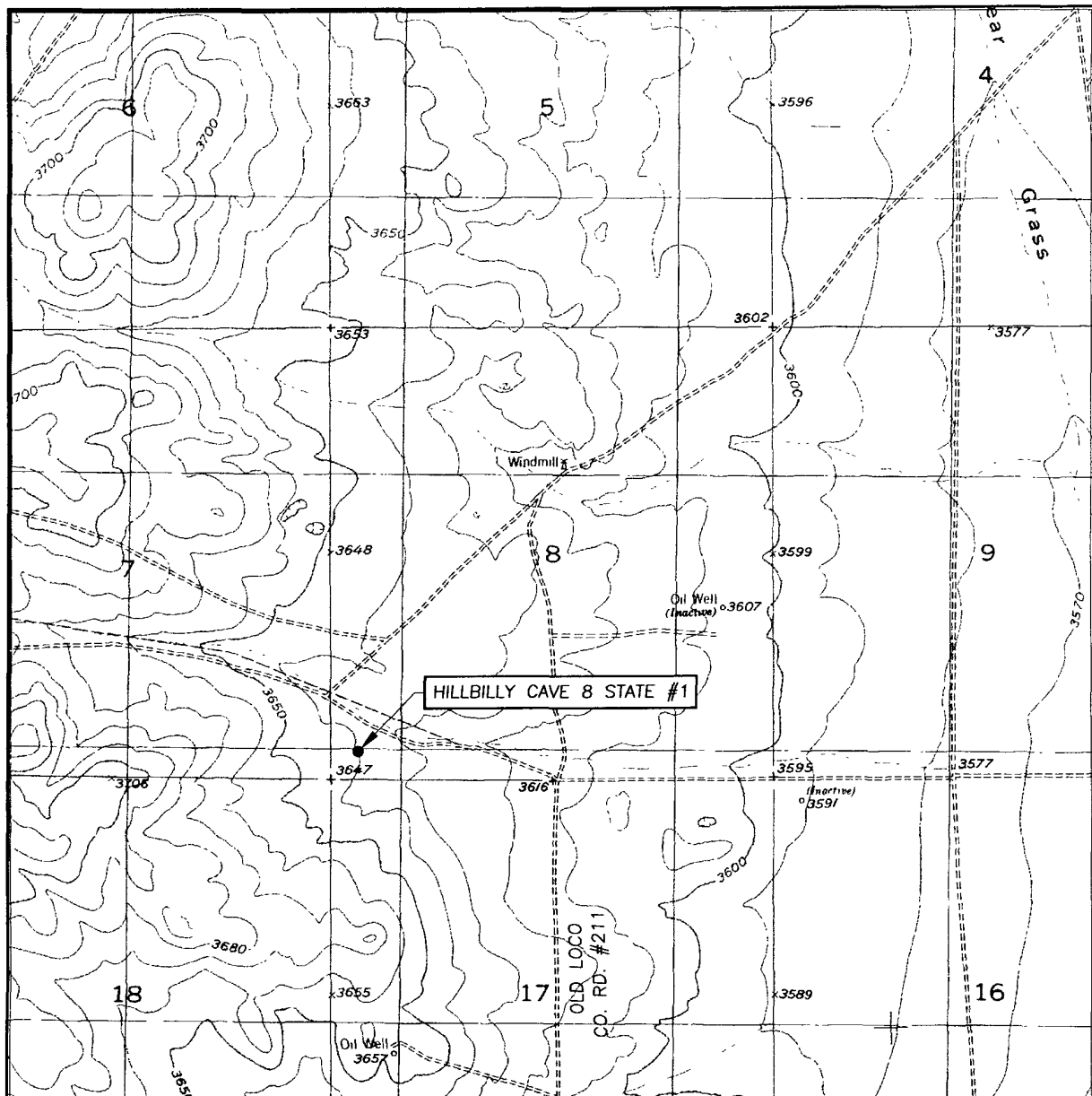


SCALE: 1" = 2 MILES

SEC. 8 TWP. 17-S RGE. 29-E
 SURVEY N.M.P.M.
 COUNTY EDDY STATE NEW MEXICO
 DESCRIPTION 330' FSL & 330' FWL
 ELEVATION 3636'
 OPERATOR NADEL AND GUSSMAN HEYCO, LLC
 LEASE HILLBILLY CAVE 8 STATE



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 8 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

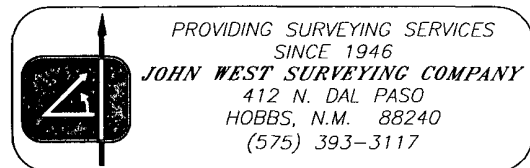
DESCRIPTION 330' FSL & 330' FWL

ELEVATION 3636'

OPERATOR NADEL AND GUSSMAN HEYCO, LLC

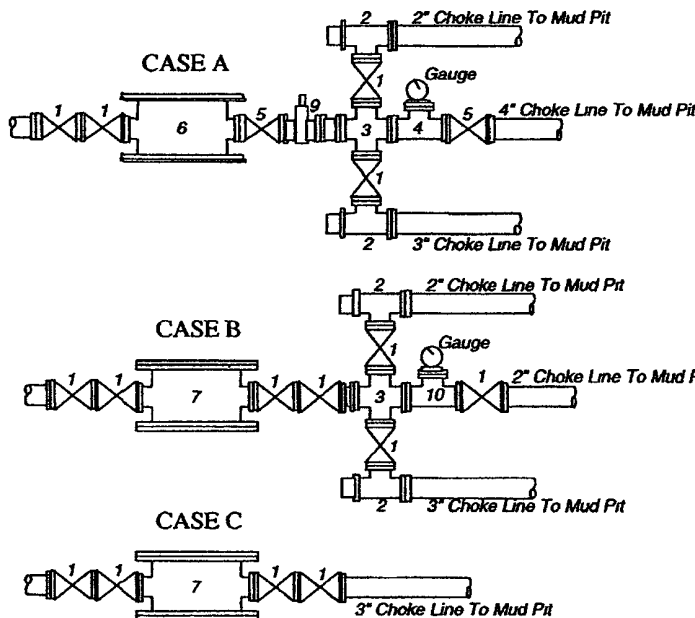
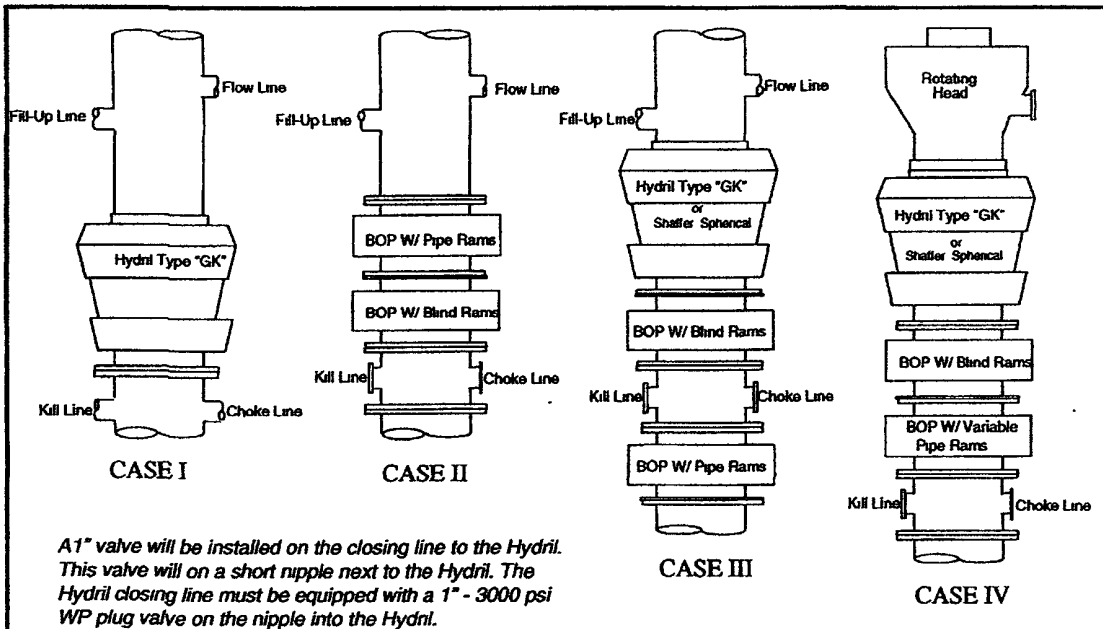
LEASE HILLBILLY CAVE 8 STATE

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



Nadel and Gussman Heyco, LLC

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
13-5/8"	II	2000 psi	B
9"	III	3000 psi	B

***Rotating head required**

Bradenhead .
Mfr: _____
Size: _____ Type: _____

Legend

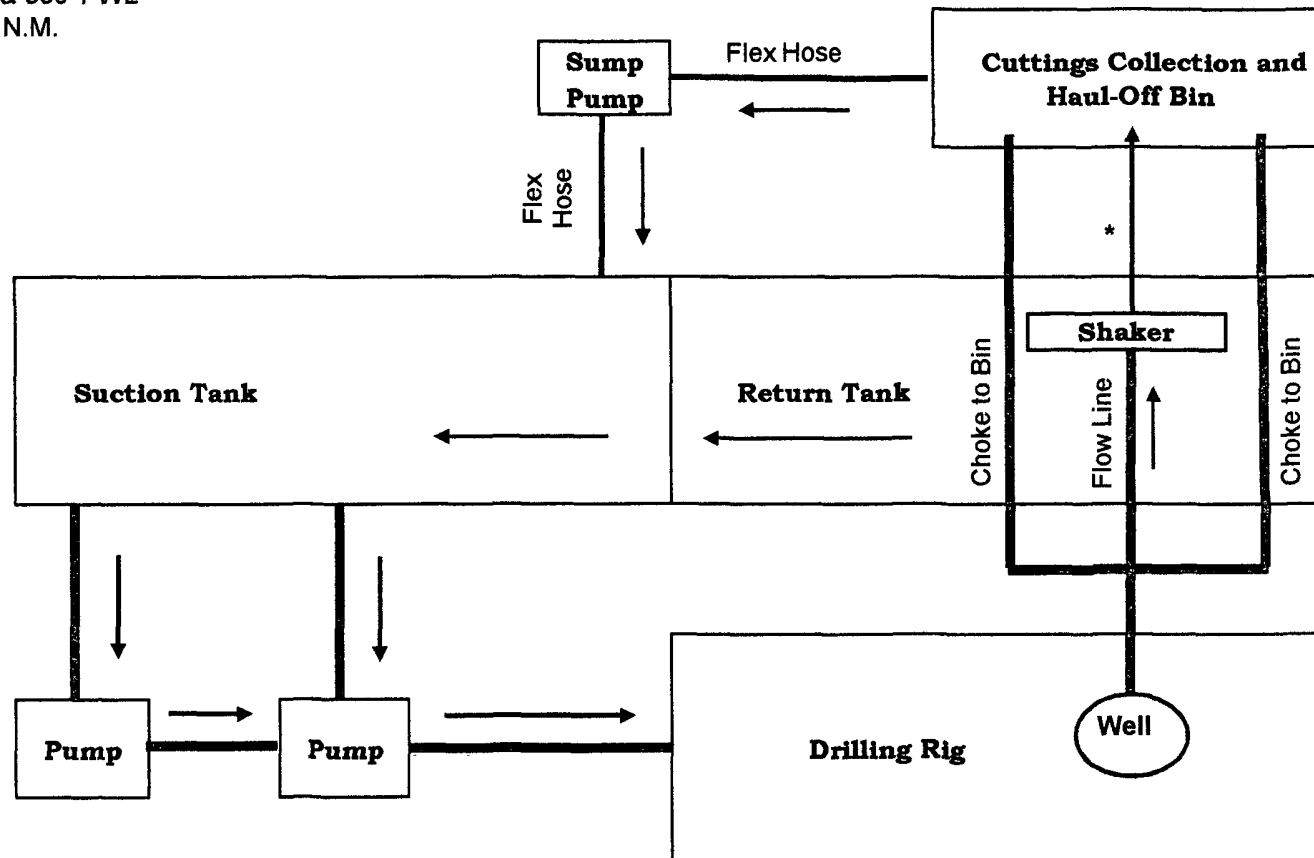
1. 3" flanged all steel valve must be either Cameron F", Halliburton Low Torque or Shaffer Flo-Seal.
2. 3" flanged adjustable chokes, min. 1" full opening & equipped with hard trim.
3. 4" x 2" flanged steel cross.
4. 4" flanged steel tee.
5. 4" flanged all steel valve (Type as in no. 1).
6. Drilling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

Choke Manifold Schematic for Closed Loop System

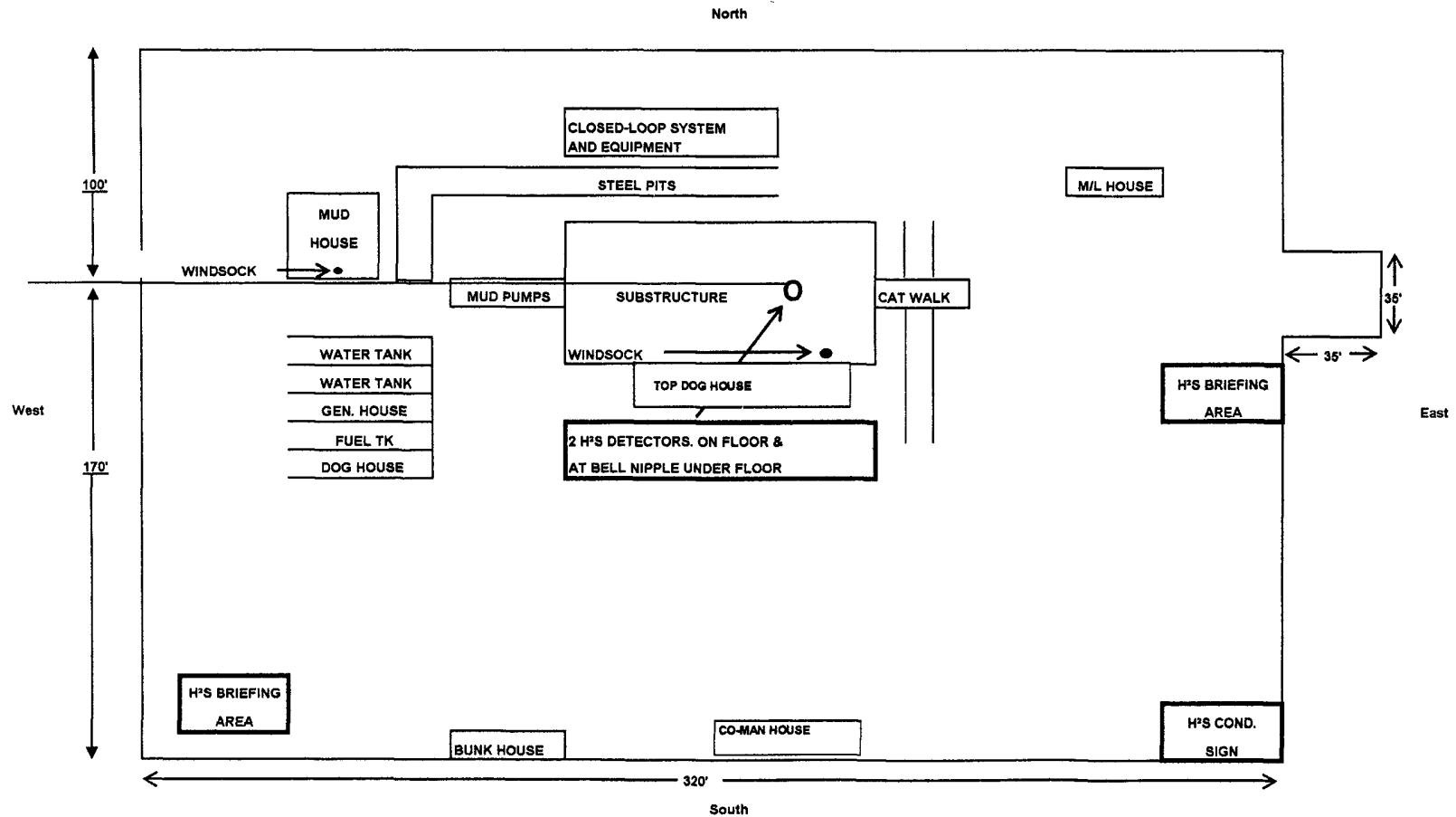
Hillbilly Cave 8 State #1
Unit M , Sec 8, T17S, R29E
330' FSL & 330' FWL
Eddy Co. N.M.



* No pipe manifold from shaker to haul-off bin.

EXHIBIT "D" LOCATION DIAGRAM

Hillbilly Cave 8 State #1
330' FSL & 330' FWL
UNIT M, SEC 8, T17S, R29E
EDDY COUNTY, NM



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

5/24/10

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

Re: Hillbilly Cave 8 State #1
330' FSL & 330' FWL
Unit Letter M, Sec. 8, T17S, R29E
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
Hillbilly Cave 8 State #1
UNIT M, Sec 8, T17S, R29E
330' FSL & 330' FWL
Eddy Co. N.M.

1. Company and contract personnel admitted on location should be trained by a qualified H₂S safety instructor to the recognize and handle following:
 - A. Characteristics of H₂S gas
 - 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 knowledge
 - E. Evacuation procedure, routes and first aid support
 - F. Proper use of 30 minutes Pressure-on-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 (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. H₂S 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 - H₂S 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 H₂S on tubular goods/mechanical equipment
9. If H₂S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H₂S 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