

New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.
JM 063530

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
Korczak Federal #1 *34565*

9. API Well No.
30-025-37060

10. Field and Pool, or Exploratory
Lusk Morrow, Gas *East* *80770*

11. Sec., T. R. M. or Blk. and Survey or Area
Sec. 14 T19S R32E

12. County or Parish
Lea Co.

13. State
NM

1a. Type of work: ☒ DRILL ☐ REENTER

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

2. Name of Operator
Nadel and Gussman Permian, LLC *155615*

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

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

4. Location of Well (Report location clearly and in accordance with any State requirements.)
At surface UL K Sec. 14-T19S R32E 1980 FSL & 1980 FWL
At proposed prod. zone UL K Sec. 14-T19S R32E 1980 FSL & 1980 FWL

14. Distance in miles and direction from nearest town or post office*
23 miles West Jai NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drg. unit line, if any)
1980'

16. No. of acres in lease
640 acres

17. Spacing Unit dedicated to this well
320 acres South 1/2 Sec. 14

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

19. Proposed Depth
13,800'

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*
01/18/2005

23. Estimated duration
50

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 *Joe G. Lara*
Title Staff Engineer

Name (Printed/Typed)
Josh Fernau

Date
01/10/2005

Approved by (Signature) */s/ Joe G. Lara*

Name (Printed/Typed) */s/ Joe G. Lara*

Date
JAN 18 2005

Title
ACTING FIELD MANAGER

Office
CARLSBAD 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.

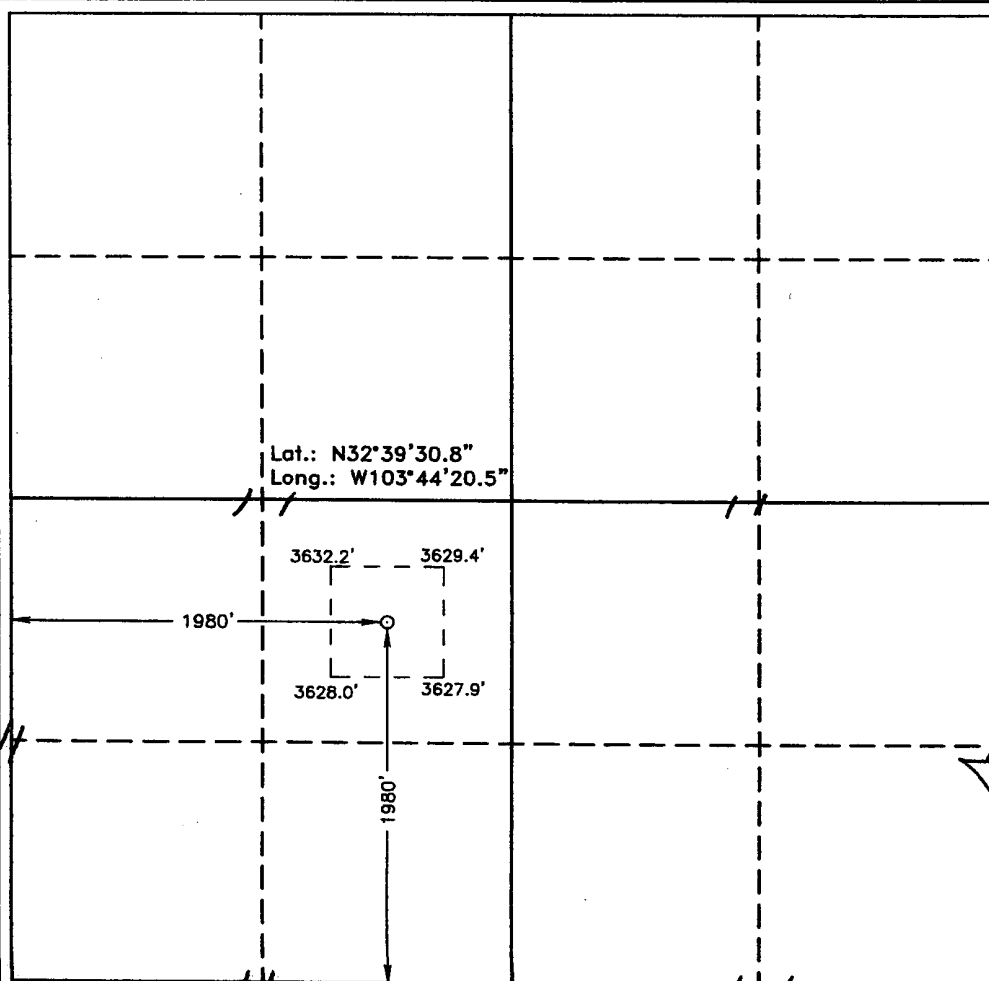
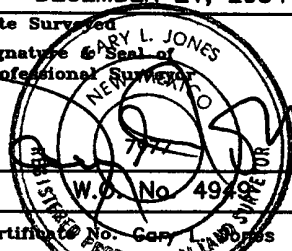
APPROVAL FOR 1 YEAR

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)*
DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/4"
CASING MUST BE CIRCULATED
WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

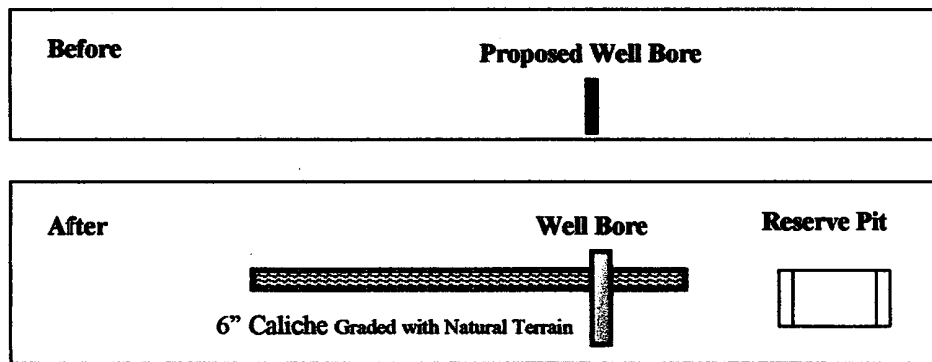
DECLARED WATER BASIN
CEMENT BEHIND THE 9 5/8"
CASING MUST BE CIRCULATED
WITNESS

	OPERATOR CERTIFICATION <i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i> <u><i>Josh Fernau</i></u> Signature <u>Josh Fernau</u> Printed Name <u>Staff Engineer</u> Title <u>01/10/05</u> Date
	SURVEYOR CERTIFICATION <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> DECEMBER 21, 2004 Date Surveyed <u><i>GARY L. JONES</i></u> Signature & Seal of Professional Surveyor  <u>W.C. No. 4940</u> Certification No. <u>7977</u> BASIN SURVEYS

13 Point Land Use Plan

1. **Existing Roads** - 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 #5**) shows the location of the well.
2. **Planned Access Roads** - An access road from the location to the nearest exit leaving the lease, which is shown on (**Exhibit #4**), will have to be constructed. The lease is not fenced and a cattle guard or gate will not be needed.
3. **Location of Existing Wells** - The Hess & Peterson Federal #1, owned by Me Tex Pipe and Federal is located in Section 14, T19S-R32E, 2,310' FSL & 990' FEL.
4. **Location of Tank Batteries, Production Facilities & Lines** -
 - We anticipate gas production from the Atoka and Morrow, 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.
 - We will also have a line heater and separator on location. All produced fluids from the Atoka or Morrow 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 the most economical location by a third- party contractor.
6. **Source of Construction Material** - Primary source of caliche will be the closest most economical existing federal pit preceded by the proper documentation and approval.
7. **Methods of Handling Waste Disposal** - A 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 NMOCD C-102 Form) has been staked and is also indicated on the enclosed maps (**Exhibits #1, #2, #3, #4 & #5**). The drilling site is mainly Pyote and Maljamar fine sands, covered by sparse native vegetation. The drilling pad will be graded covered by 6" caliche and native rock from grade cut. The drilling pad will blend in with the terrain since the topography is generally flat.

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 – The proposed well location is on a flat plain.
- Soil Characteristics – The soils are classified as Pyote and Maljamar fine sands. Observed soils are loose tan surface sands with red brown sands exposed in eroded areas.
- Flora – Vegetation includes dominant grasslands with scattered mesquite, narrow leaf yucca, sparse shinnery oak and snakeweed.
- Fauna – rabbits, mice, rats, birds, and snakes.
- Other Surface Use Activities – N/A.
- Surface Ownership – BLM.
- Water Wells – No water wells within 1000' of the location.
- Lakes, Streams, Ponds – There are none (Exhibit #5).
- Dwellings – There are no inhabited structure within 1000' of the location.
- Archeological Summary – It is recommended that construction of the proposed well location and access road precede without any additional cultural resource investigations.

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: 01/10/05

13 Point Drilling Plan:

1. Location: (SHL) 1980' FSL & 1980' FWL, Sec. 14, T-19-S, R-32-E, Lea County, New Mexico (Form C-102),
2. Elevation: 3,629' GL.
3. Geological Name of Surface Formation: Pyote and Maljamar fine sands.
4. Type of Drilling Tools to be utilized: Rotary Tools.
5. Proposed Drilling Depth: 13,800'.
6. Tops of Important Geological Markers:

Yates	2,950'	Wolfcamp	10,900'	Morrow Clastics	13,100'
Delaware	5,100'	Strawn	12,160'	Lower Morrow	13,624'
Bone Springs	7,700'	Atoka Clastics	12,600'	Mississippian	13,745'

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

Oil	-Delaware	5,100'
Oil	-Bone Spring	7,700'
Oil	-Wolfcamp	10,900'
Gas	-Atoka Clastics	12,600'
Gas	-Morrow Clastics	13,100'

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"	0-400'	13 3/8"	48# H-40	Surface
12 1/4"	0-5,000'	9 5/8"	40# N-80 or P-110	Surface
8 3/4"	0-13,800'	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>
0-400'	FW	8.5#	40-45	NC
400'-1200'	FW			
1200'-4000'	CB	10.0#	30-32	NC
4000'-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 5,000' to TD.

13. Anticipated Starting Date & Duration:

Plans are to begin drilling operations about January 18, 2005, approximately 50 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.

SECTION 14, TOWNSHIP 19 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

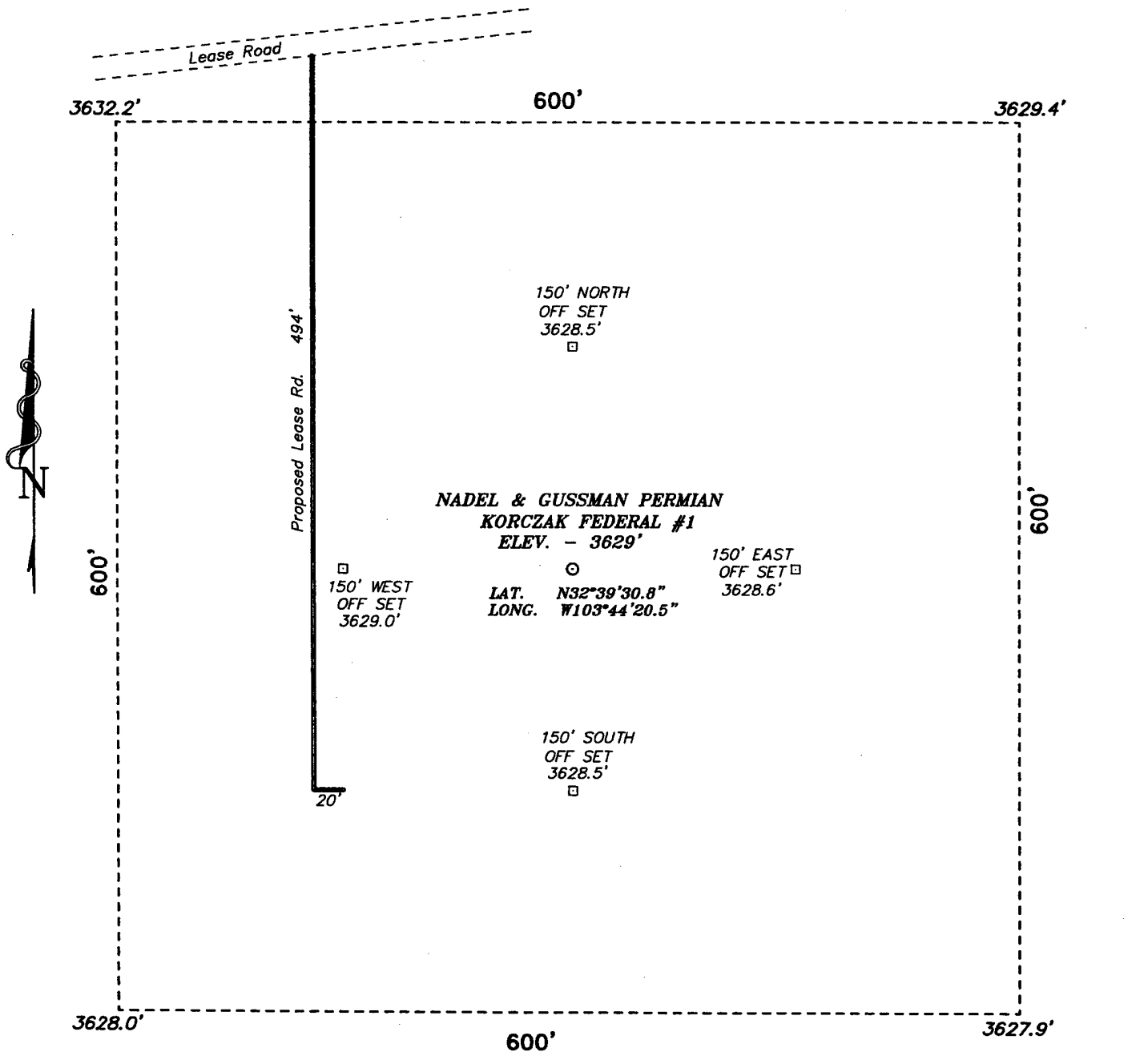


Exhibit #2

Directions to Location:

FROM THE JUNCTION OF US HWY 62/180 AND THE TRUCK BY-PASS IN HOBBS, GO WEST ON 62/180 FOR 32.7 MILES TO STATE HWY 243; THENCE 4.2 MILES TO CO. RD. 126; THENCE NORTH FOR 5.7 MILES TO LEASE ROAD; THENCE EAST ON LEASE ROAD FOR 3.0 MILES TO PROPOSED LEASE ROAD.

NADEL AND GUSSMAN PERMIAN

REF: KORCZAK FEDERAL No. 1 / Well Pad Topo

KORCZAK FEDERAL No. 1 LOCATED 1980' FROM THE SOUTH LINE AND 1980' FROM THE WEST LINE OF SECTION 14, TOWNSHIP 19 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

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

W.O. Number: 4949 Drawn By: K. GOAD

Date: 12-22-2004 Disk: KJG #9 - 4949A.DWG

Survey Date: 12-21-2004 Sheet 1 of 1 Sheets

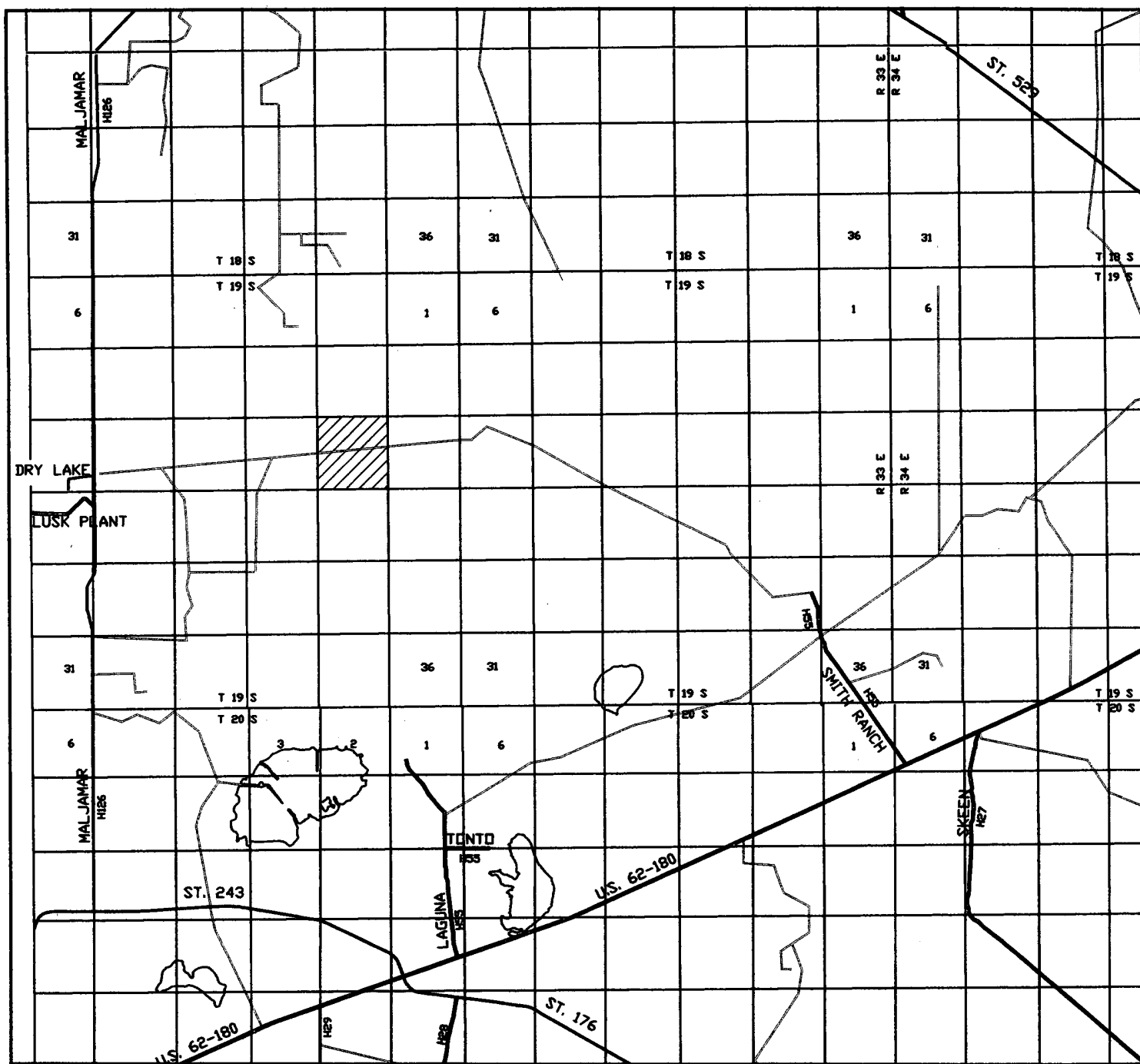


Exhibit #3

KORCZAK FEDERAL #1
 Located at 1980' FSL and 1980' FWL
 Section 14, Township 19 South, Range 32 East,
 N.M.P.M., Lea 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: 4949AA - KJG #1

Survey Date: 12-21-2004

Scale: 1" = 2 miles

Date: 12-22-2004

NADEL AND
GUSSMAN PERMIAN,
L.L.C.



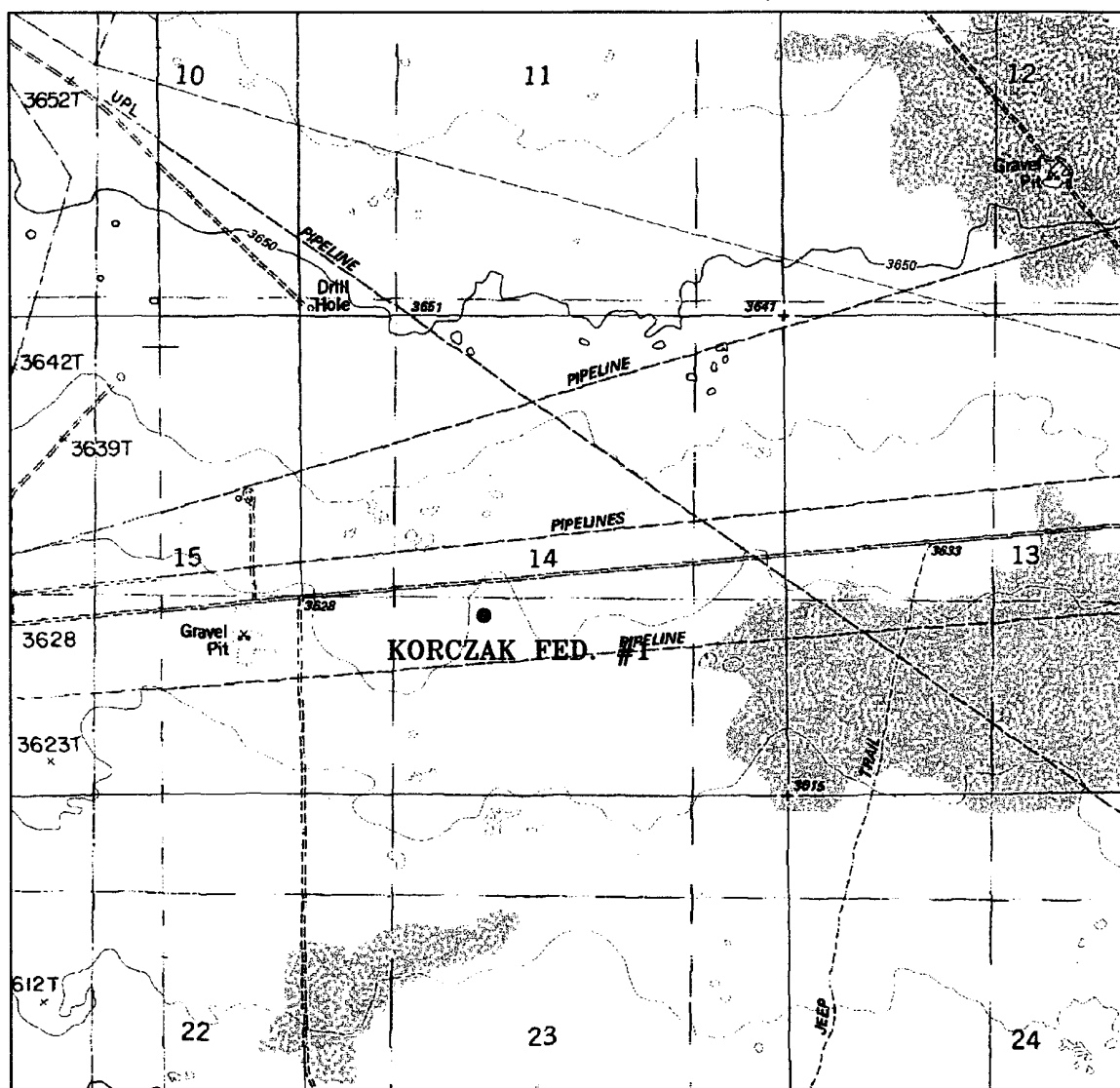


Exhibit #5

KORCZAK FEDERAL #1

Located at 1980' FSL and 1980' FWL
 Section 14, Township 19 South, Range 32 East,
 N.M.P.M., Lea County, New Mexico.

**basin
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W.O. Number: 4949AA - KJG #1

Survey Date: 12-21-2004

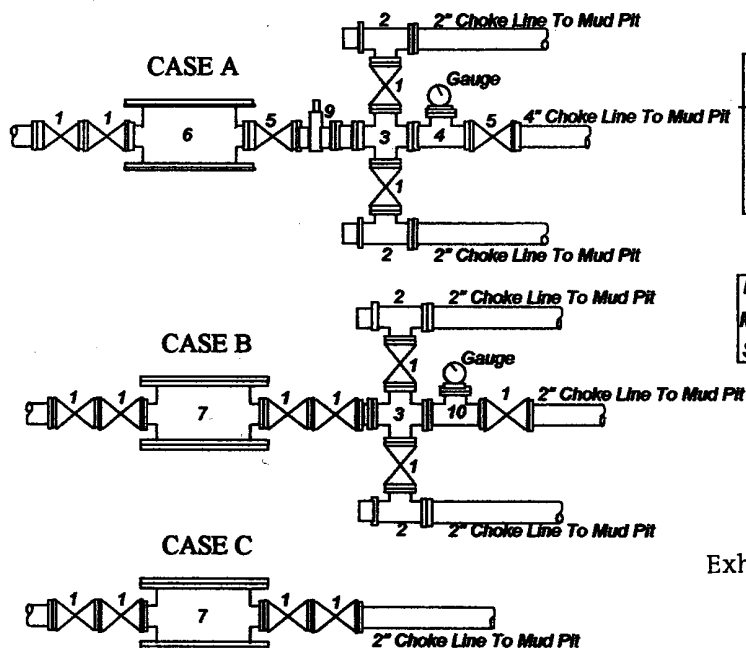
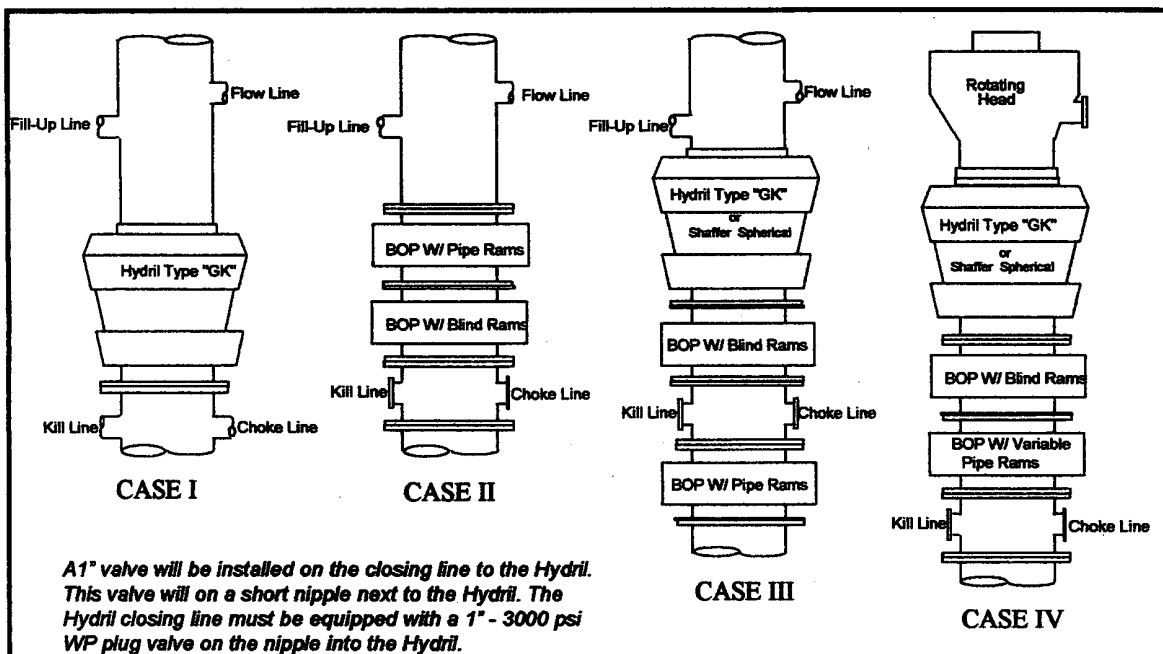
Scale: 1" = 2000'

Date: 12-22-2004

**NADEL AND
GUSSMAN PERMIAN,
L.L.C.**

Nadel and Gussman Permian

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
13 5/8"	II	5,080	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.

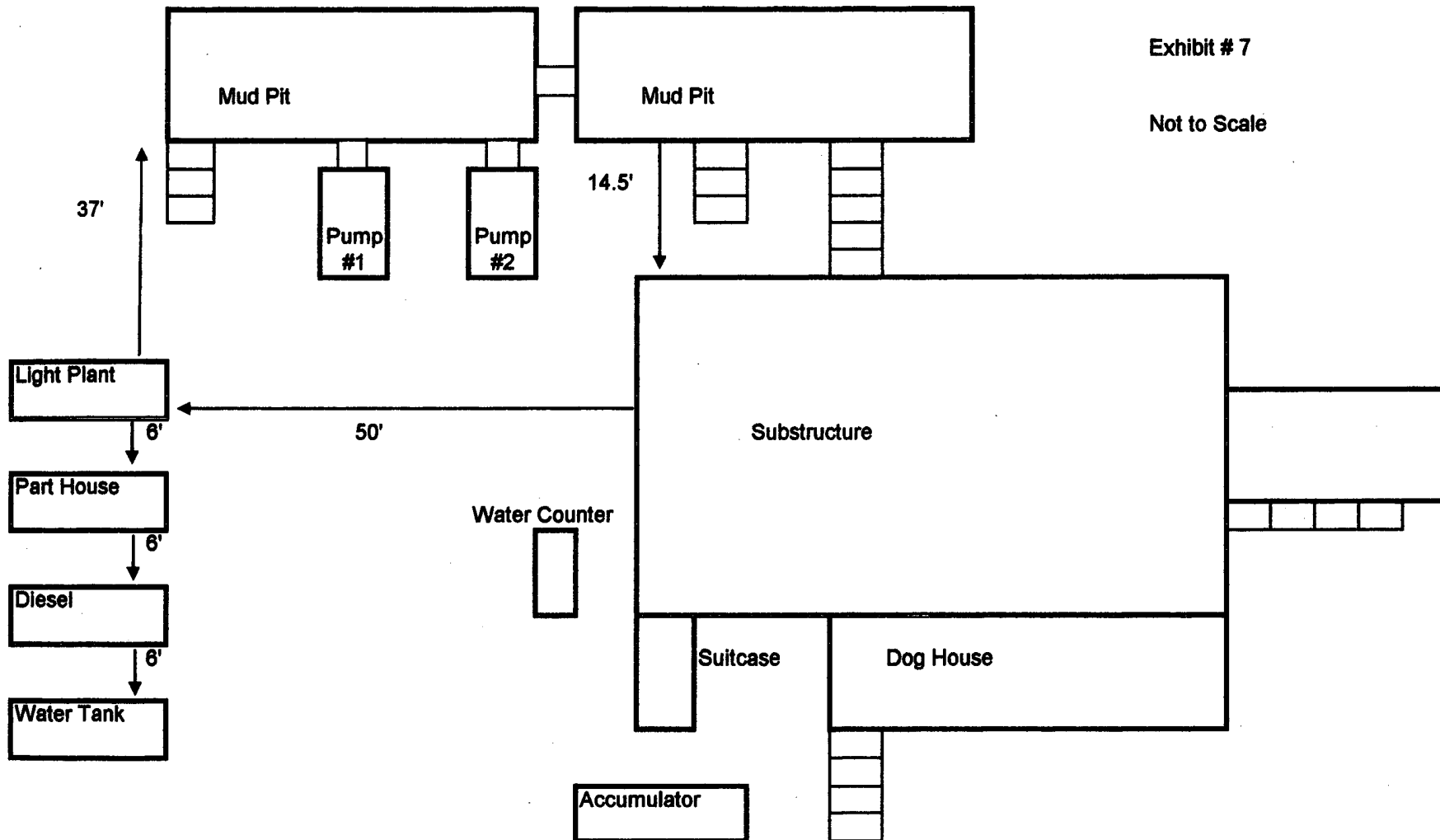
Notes

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



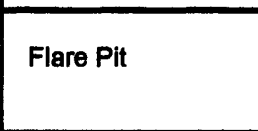
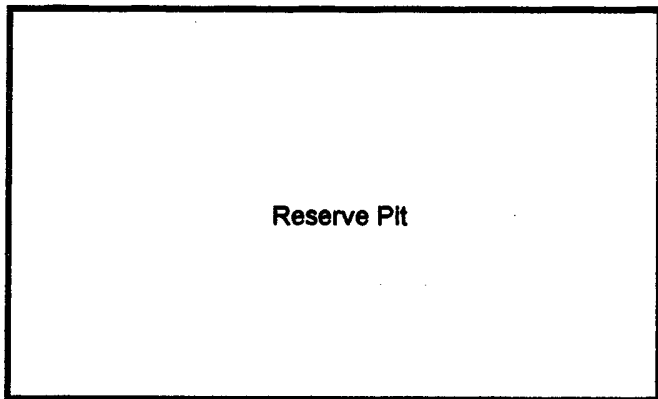
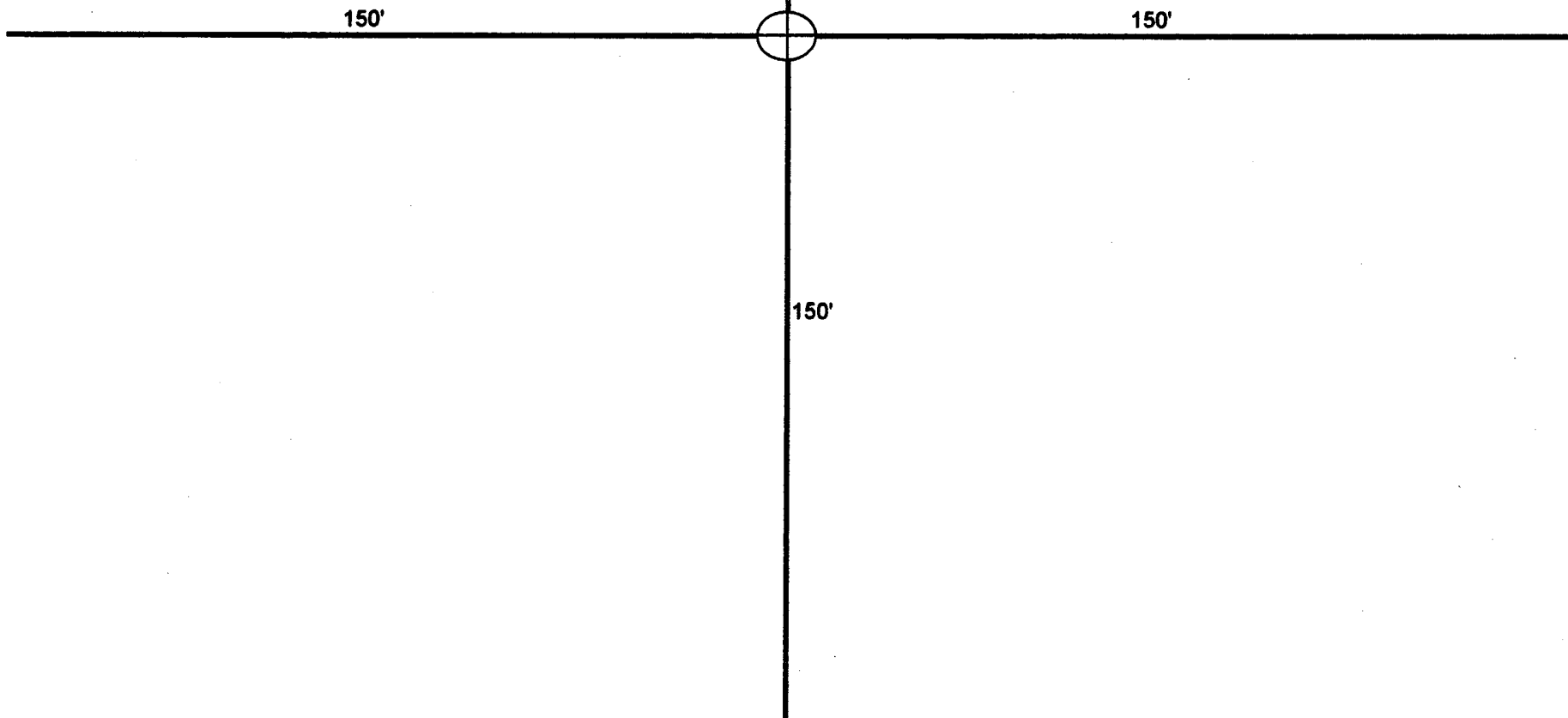


Exhibit # 8
Not to Scale



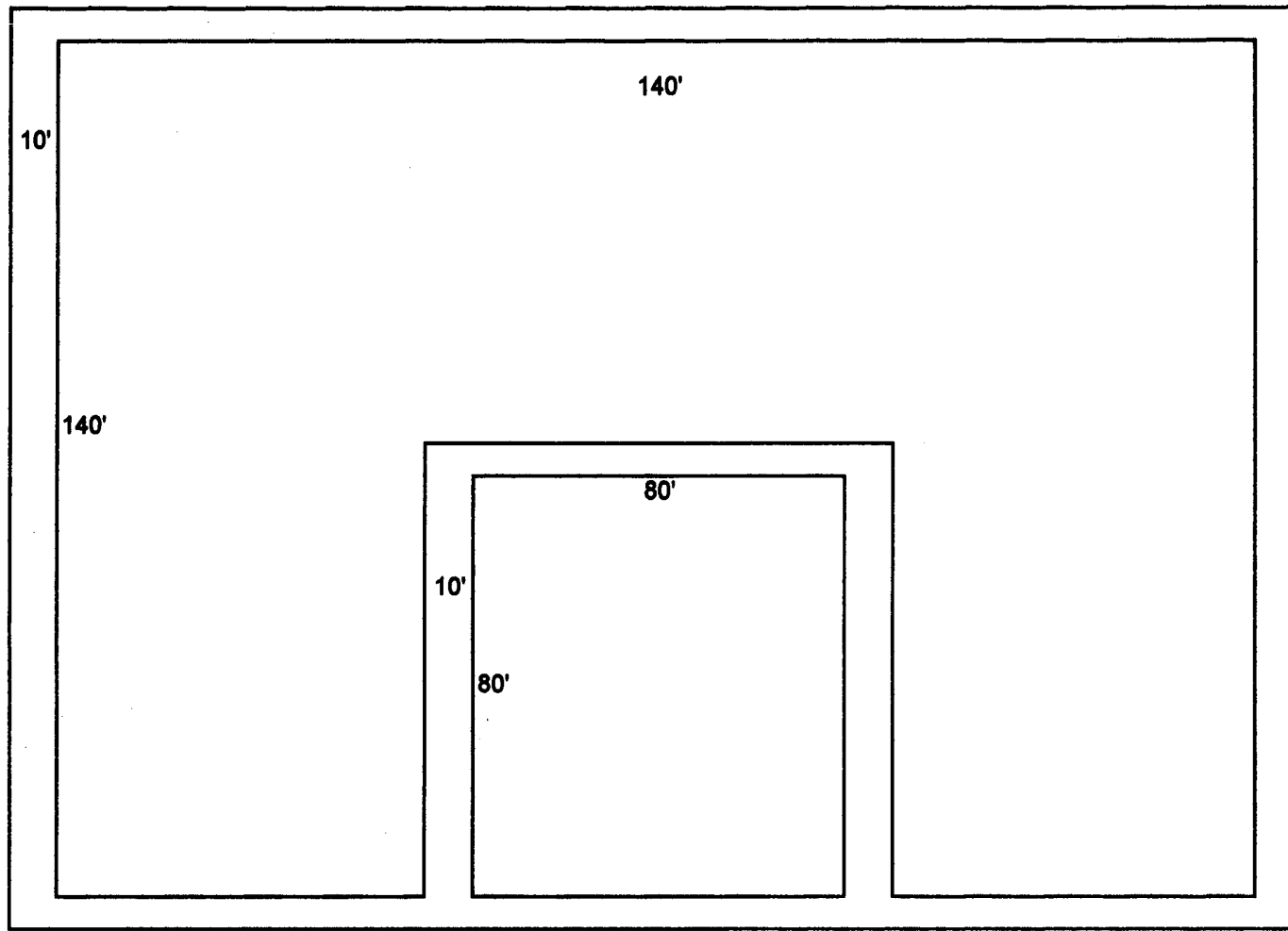


Exhibit # 9
Not to Scale

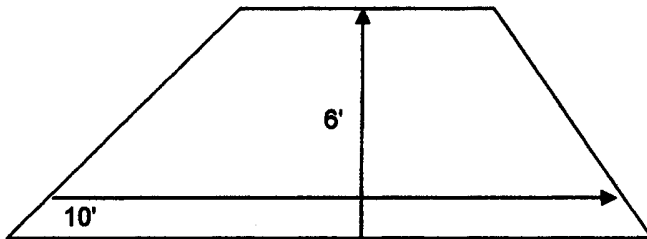


Exhibit #10

TITLE PAGE/ABSTRACT/NEGATIVE SITE REPORT

1. BLM Report No. 2. Reviewer's Initials/Date.....3. NMCRIS Number
Accepted () Rejected () 91224

4. Type of Report: Negative (X) Positive ()

5. Title of Report: **A CULTURAL RESOURCE SURVEY OF THE KORCZAK FED. #1 WELL LOCATION, LEA COUNTY NEW MEXICO** 6. Fieldwork Date(s)
28Dec2004

Author: **Don Clifton**

7. Report Date
03Jan2005

8. Consultant Name and Address: 9. Cultural Resource Permit No.:
Direct Charge: **Don Clifton** **83-2920-02-O**
Field Personnel: **Don Clifton** 10. Consultant Report Number
Address: **P.O. Box 30, Pep, N.M. 88126** **552**
Phone: **(505)675-2360**

11. Client Name: **Nadel and Gussman Permian, LLC.**
Responsible Individual: **Josh Fernau**
Address: **601 N. Marienfeld, Suite 508, Midland, Tx 79701**
Phone: **432-682-4325**

13. Land Status	BLM	State	Private	Other	Total
a. Area Surveyed	8.3				8.3 acres
b. Area of Effect	1				1 acre

14. Linear Length: 50' Width: 100'

15. Location:

a. State: **New Mexico**

b. County: **Lea**

c. BLM Office: **Carlsbad**

d. Nearest City or Town: **Hobbs**

e. Legal Description: **T19S R32E Section 14 NE1/4 SW1/4**

f. Well Pad Footages: **1980'fsl/1980'fwl**

g. USGS 7.5' Map: **Laguna Gatuna NW, N.M. 191984 32103 F6**

16. Project Data:

a. Records Search:

Date of BLM Review: **28Dec2004** Name of Reviewer: **Don Clifton**

Date of ARMS Data Review: **23Dec2004** Name of Reviewer: **Don Clifton**

Findings: There are two previously recorded sites within one mile of the project. Both are Jornada Mogollon artifact scatters with hearths. Neither of the sites are in the vicinity of the project.

b. Description of Undertaking. Nadel and Gussman Permian propose to construct the Korczak Fed. #1 well location. A 50' long access road will connect the location to a county road.

c. Environmental Setting: The proposed well location is on a flat plain at an elevation of 3640'. Soils are classified as Pyote and Maljamar fine sands. Observed soils are loose tan surface sands with red brown sands exposed in eroded areas. Vegetation is a dominant grasslands with scattered mesquite, narrow-leaf yucca, sparse shinny oak, and snakeweed. There is an estimated 60-70% surface visibility.

d. Field Methods: The proposed well location was examined by walking a series of linear transects spaced no wider than 50' apart.

e. Artifacts Collected: None

17. Cultural Resource Findings: No cultural resources were discovered within the areas examined.

a. Location and Identification of each resource:

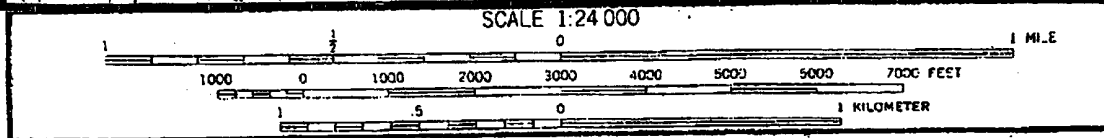
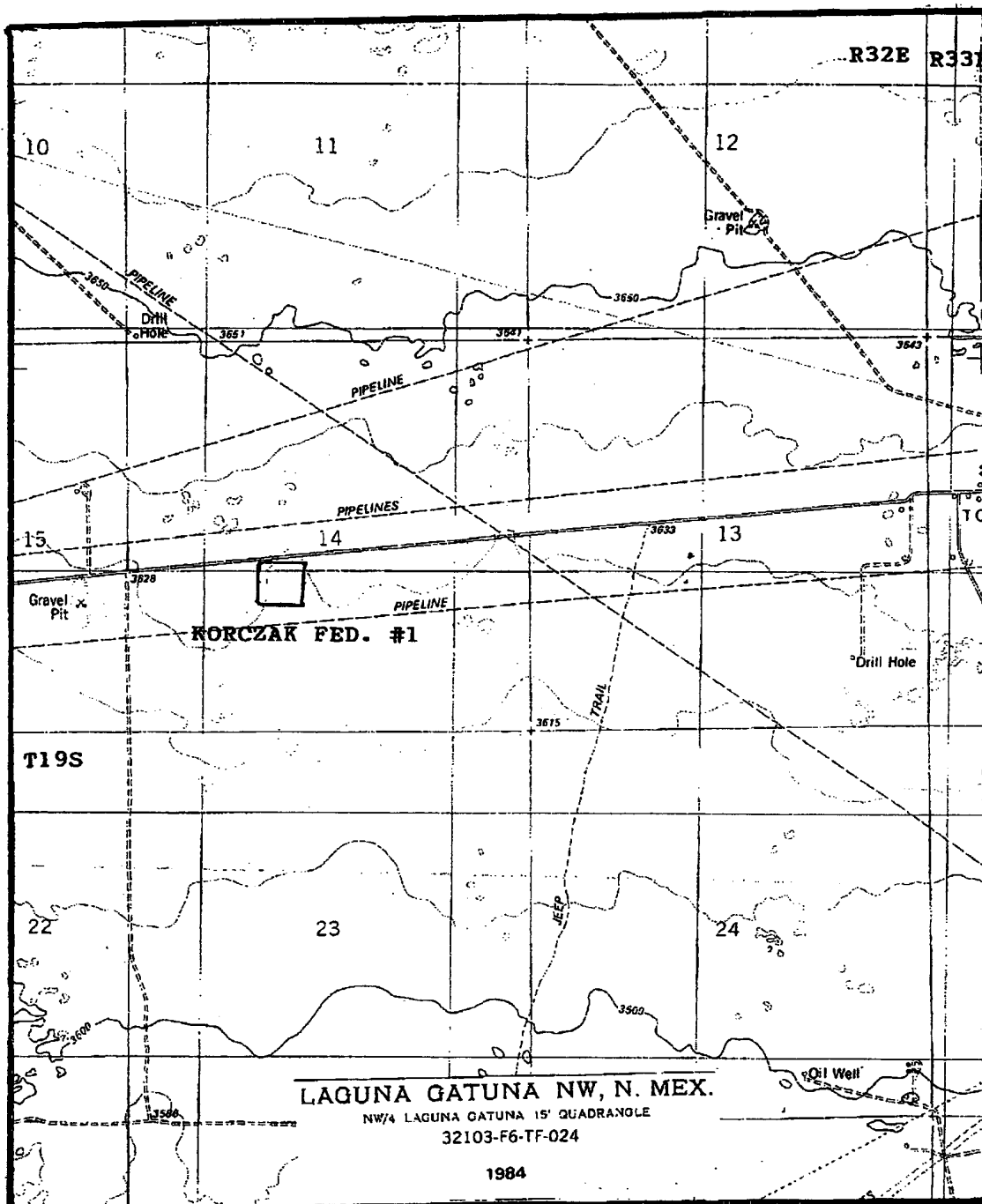
b. Evaluation of significance of each resource:

18. Management Summary: It is recommended that construction of the Korczak Fed. #1 well location and access road proceed without any further cultural resource investigations.

19. I certify the information provided is correct and accurate to my knowledge and meets all applicable BLM standards.

Responsible Archaeologist: *Don Elifan*

Date: *Jan. 3, 2005*



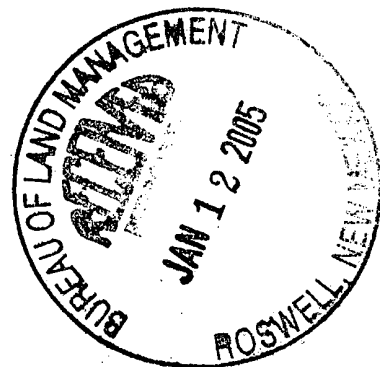
**Korczak Federal #1
(SHL) 1980' FSL & 1980' FWL
UL K Sec. 14, T19S-R32E
Lea County, NM**

APPLICATION FOR PERMIT TO DRILL
BUREAU OF LAND MANAGEMENT

NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite #508
Midland, TX 79701
Office: (432) 682-4429
Fax: (432) 682-4325

01/10/05



NADEL AND GUSSMAN PERMIAN, L.L.C.

601 N. Marienfeld, Suite 508

Midland, TX 79701

Office: (432) 682-4429

Fax: (432) 682-4325

01/10/05

Bureau of Land Management
Lands & Minerals
2909 W. Second St.
Roswell, NM 88201
Attn: Ms. Linda Askwig

Dear Ms. Askwig,

Nadel and Gussman Permian, as operator, requests permission to drill the Korczak Federal #1, (SHL) 1980' FSL & 1980' FWL, UL K Sec.14, T19S-R32E, Eddy Co., NM. We plan to develop a production pad for our surface location. The following items are attached:

1. Form 3160-3
2. C-144
3. Lease Responsibility Statement
4. 13 Point Surface Use and Operation Plan
5. 13 Point Drilling Plan
6. Hydrogen Sulfide Drilling Operations Plan
7. Lease and Topographical Maps
8. BOP and Choke Diagrams
9. Pad Size
10. Rig Plat
11. Reserve Pit Size
12. A Cultural Resource Survey

The surface location was approved by Don Peterson of the BLM. 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.

Your prompt attention to this APD will be greatly appreciated.

Sincerely,



Josh Fernau
Staff Engineer

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: Korczak Federal #1

Lease Number: NM 025497
NM 063530
NM 112933

Legal Description of Land: 1980' FSL & 1980' FWL, UL K Sec.14, T19S-R32E, Lea Co., NM

Lease Covers: Sec.14 in addition to other acreage outside of Sec. 14

Spacing Unit: South ½ Sec. 14 320 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: _____

Name: Josh Fernau

Title: Staff Engineer

Date: 01/10/05

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-144
June 1, 2004

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

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@maguss.com
Address: 601 N. Marienfeld Suite 508 Midland, TX 79701
Facility or well name: Korczak Federal #1 API #: _____ or Qtr/Qtr K Sec 14 T 19S R 32E
County: Chaves Latitude N32deg 39' 30.8" Longitude W103deg 44' 20.5" NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☒ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined ☒ Unlined ☐
Liner type: Synthetic ☒ Thickness 12 mil Clay ☐
Pit Volume 20,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet	(20 points)
50 feet or more, but less than 100 feet	(10 points)
100 feet or more	(0 points)0

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)
No	(0 points)0

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
200 feet or more, but less than 1000 feet	(10 points)
1000 feet or more	(0 points)0

Ranking Score (Total Points)

0

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 you 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: 01/10/05

Printed Name/Title Josh Fernau Staff Engineer Signature [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:

PETROLEUM ENGINEER

Printed Name/Title

Signature

Date:

JAN 21 2005