

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

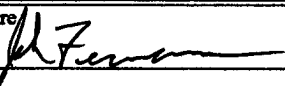
1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No.	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Nadel Gussman Permian, L.L.C. 155615		7. If Unit or CA Agreement, Name and No.	
3a. Address 601 N. Marienfeld, TX 79701 Suite 508		8. Lease Name and Well No. 35059 Tornillo "18" Federal Com #1	
3b. Phone No. (include area code) (432) 682-4429		9. API Well No. 30-015- 34306	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL & 660' FEL At proposed prod. zone 660' FSL & 660' FEL		10. Field and Pool, or Exploratory Cemetery Morrow	
14. Distance in miles and direction from nearest town or post office* 14 Miles West of Carlsbad, NM		11. Sec., T., R., M., or Blk. and Survey or Area UL P - Sec. 18, T21S-R24E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660' FSL		12. County or Parish Eddy County	
16. No. of Acres in lease 320		13. State NM	
17. Spacing Unit dedicated to this well 320			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A		20. BLM/BIA Bond No. on file NM 2812	
19. Proposed Depth 9,800' TVD		21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL 3,847'	
22. Approximate date work will start* June 15, 2005		23. Estimated duration 33	

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 	Name (Printed/Typed) Josh Fernau	Date 05/09/05
Title Staff Engineer		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date AUG 26 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 reverse)

79.5

Witness Surface Casing

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

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

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 74640	Pool Name Cemetery; Manna
Property Code	Property Name TORNILLO "18" FEDERAL	Well Number 1
OGRID No.	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 3847'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	18	21 S	24 E		660	SOUTH	660	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 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

LOT 5					
LOT 6					
LOT 3					
LOT 4					

Lat.: N32°28'24.9"
Long.: W104°31'55.8"

3807.8' 3832.3'
3799.2' 3828.3'
660' 660'

OPERATOR CERTIFICATION

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

[Signature]
Signature
Josh Fernau
Printed Name
Staff Engineer
Title
05/09/05
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.

MARCH 24, 2005
Date Surveyed

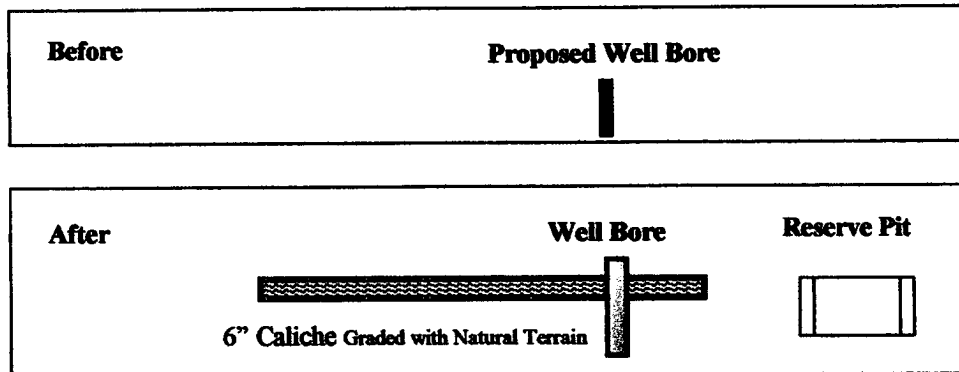
[Signature]
Signature
Professional Surveyor
Seal of Professional Surveyor
W.O. No. 5237
Certificate No. Gary L. Jones 7977

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 #4**) 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 #2**), 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 Archimedes SWD #1, owned by Yates Petroleum Corp. is located in Section 18, T21S-R24E, 660' FSL & 660' FEL.
4. **Location of Tank Batteries, Production Facilities & Lines** -
 - We anticipate gas production from the Strawn, 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.
 - Pipe lines will be used to transport the sales of the natural gas using the access road / location to a commercial pipe line for sales.
 - 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 from the reserve pit area. If the reserve pit does not have sufficient amounts of caliche we will purchase the material from the most economical location followed by the proper documentation.
7. **Methods of Handling Waste Disposal** - A lined reserve pit will be dug to handle drill cuttings and fluid. 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**). 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 west-facing slope of a mountain.
- Soil Characteristics – The soils are classified as Reagan Upton association. The observed soils are rocky with areas of sandy loams.
- Flora – Vegetation is composed of mesquite, narrow leaf yucca, snakeweed, and mixed grasses.
- Fauna – The wildlife consists of rabbits, antelope, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semiarid desert land.
- Other Surface Use Activities – N/A.
- Surface Ownership – BLM.
- Water Wells – No water wells within 1,000' of the location.
- Lakes, Streams, Ponds – There is a pit +/-160' west of the location (Exhibit #2). A dike will be constructed between the location and the wellhead. The pits will be to the east of the location into the side of the hill this was agreed upon by Barry Hunt of the BLM.
- 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 -**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 a construction company or their contractors and sub-contractors in conformity with this plan.



**Josh Fernau
Staff Engineer
Date: 05/09/05**

13 Point Drilling Plan:

1. **Location:** (SHL) 660' FSL & 660' FEL, Sec. 18, T-21-S, R-24-E, Eddy County, New Mexico
(Form C-102)
2. **Elevation:** 3,847' GL
3. **Geological Name of Surface Formation:** The soils are classified as Reagan Upton association.
4. **Type of Drilling Tools to be utilized:** Rotary Tools
5. **Proposed Drilling Depth:** 9,900'
6. **Tops of Important Geological Markers:**

San Andres	642'	Wolfcamp	6,556'	Atoka	9,029'
Glorieta	2,234'	Canyon	7,604'	Morrow	9,425'
Bone Springs	2,836	Strawn	8,024'		

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

Gas	- Strawn	8,024'
Gas	-Atoka	9,029'
Gas	-Morrow	9,425'

8. **Casing Program:**

<u>Hole Size</u>	<u>Interval</u>	<u>OD Casing</u>	<u>Weight Grade Jt.</u>	<u>Cement</u>
26"	0-40'	20"	48# H-40	Surface
12 1/4"	0-1,200'	9 5/8"	40# N-80	Surface
8 3/4"	0-9,900'	7"	17# N-80 or P-110	TOC 1,100'

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

This rig will have a 11" 3M BOP Shaffer with pipe rams and blind rams, kill line, Komey hydraulic controls, and accumulator with remote controls. When setting up, will test 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:

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>
0-40'	FW	8.4#	28-34	NC
40'-1,200'	CB	8.4#	30-32	NC
9,900'-TD	CB/XCD-PLY	8.8-10.0#	32-45	10

11. Testing, Logging & Coring Program:

- Testing: No DST's are expected.
- Coring: no coring is planned.
- 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.
- Depending on the sand quality, a FMI and/or formation tester may be run.
- 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 1,200' to TD.

13. Anticipated Starting Date & Duration:

Plans are to begin drilling operations about June 15, 2005, approximately 30 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 #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 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 18, TOWNSHIP 21 SOUTH, RANGE 24 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

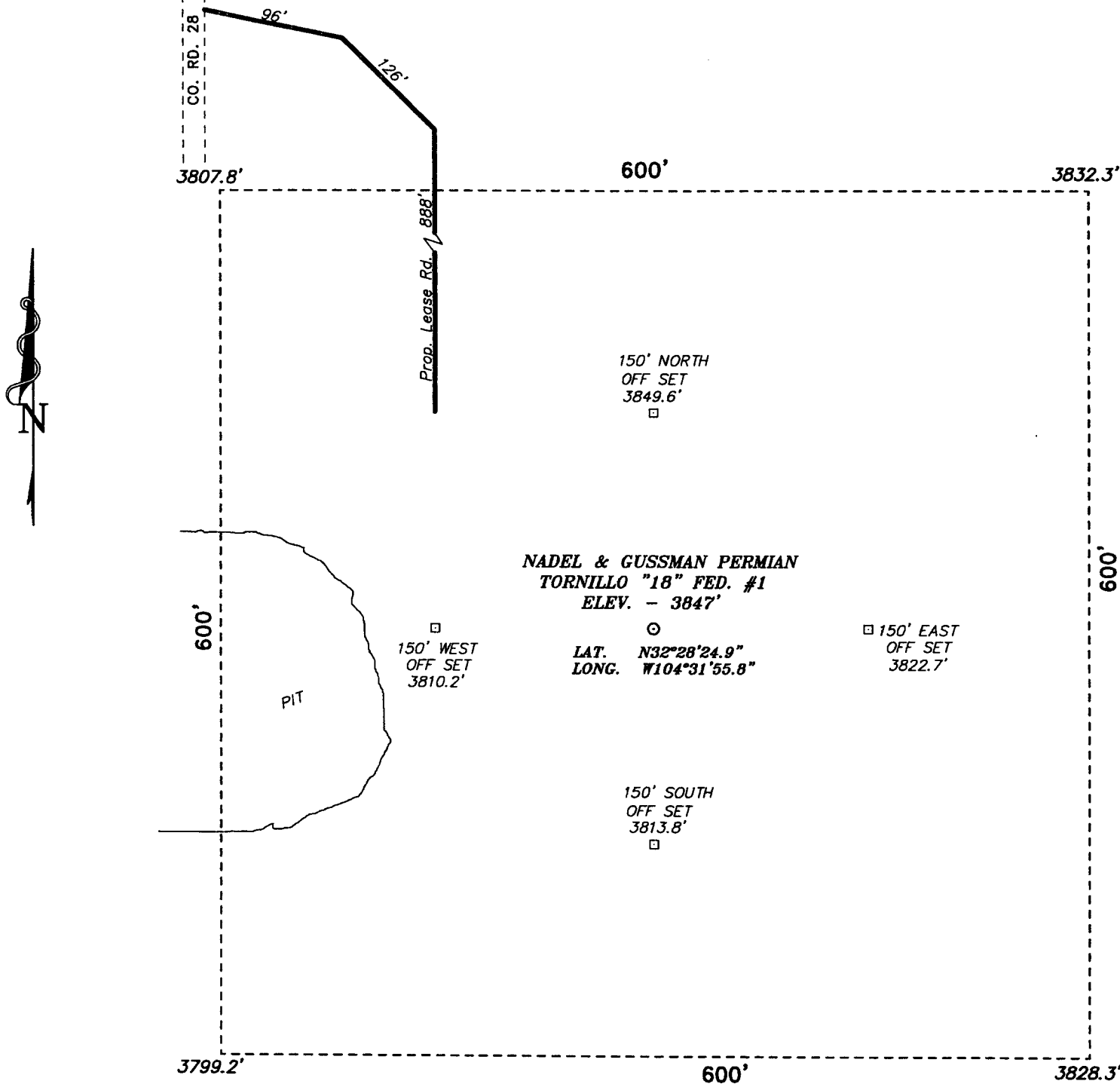
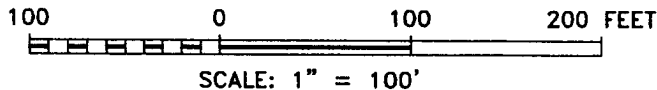


Exhibit #2



Directions to Location:

FROM THE JUNCTION OF US HWY 285 AND STATE ROAD 137, GO SOUTHWESTERLY 8.6 MILES TO CO. RD. 401; THENCE WESTERLY FOR 2.2 MILES TO CO. RD. 28; THENCE NORTH ON CO. RD. 28 FOR 0.8 MILE TO PROPOSED LEASE ROAD.

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

W.O. Number: 5237

Drawn By: K. GOAD

Date: 03-28-2005

Disk: KJG #9 - 5237A.DWG

NADEL AND GUSSMAN PERMIAN

REF: TORNILLO "18" FEDERAL No. 1 / Well Pad Topo

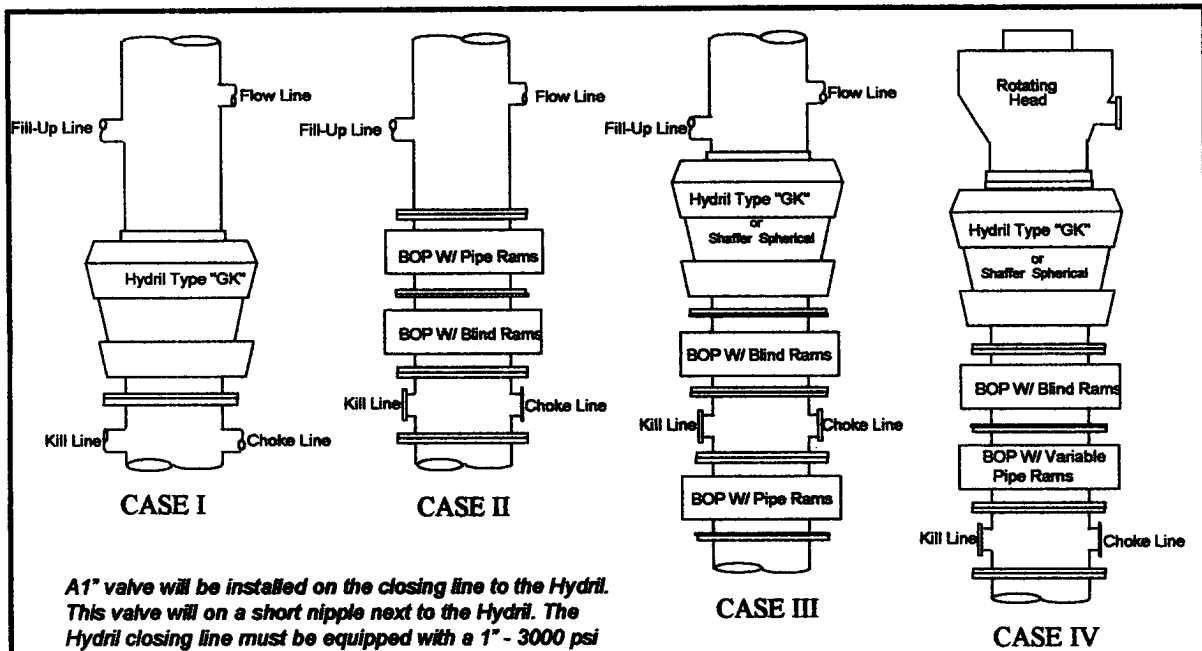
TORNILLO "18" FED. No. 1 LOCATED 660' FROM THE SOUTH LINE AND 660' FROM THE EAST LINE OF SECTION 18, TOWNSHIP 21 SOUTH, RANGE 24 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 03-24-2005

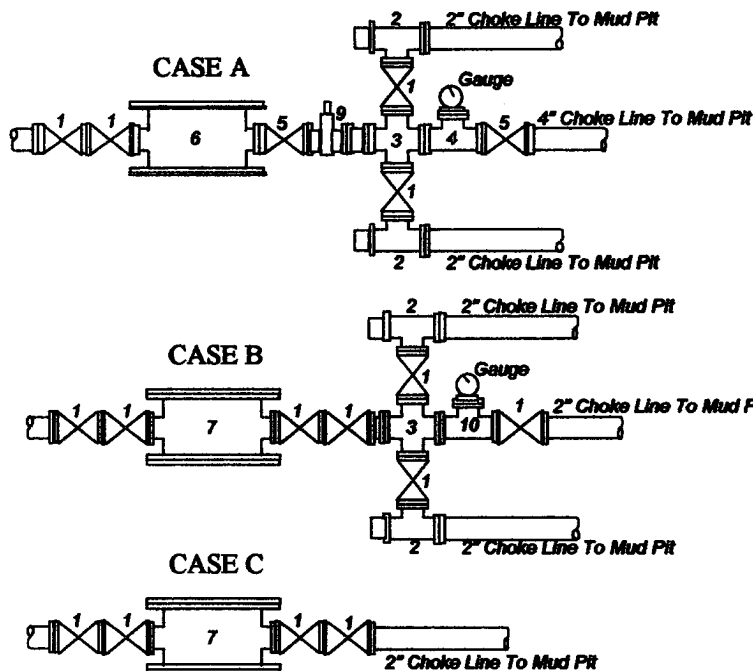
Sheet 1 of 1 Sheets

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
11"	IV	5,000	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 & 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.

(10-31-98) WTXBOPS.PPT

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Nadel Gussman Permian, L.L.C.
Well Name & No. Tornillo 18 Federal Com #1
Location: 660' FSL, 660' FEL, Section 18, T. 21 S., R. 24 E., Eddy County, New Mexico
Lease: NM-0330449

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 9-5/8 inch 5-1/2 inch

C. BOP tests

2. 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.

3. 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.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. The 9-5/8 inch surface casing shall be set at approximately 1200 feet and 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.

2. The minimum required fill of cement behind the 7 inch production casing is to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

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 9-5/8 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 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests 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 a safe workman-like manner. Hard line connections shall be required.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

5/12/05

acs