

SEP 19 2012

Form 3160-3
(April 2004)

OCD Hobbs

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

APPLICATION FOR PERMIT TO DRILL OR REENTER

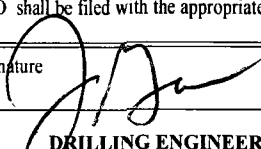
FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM-18302
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input 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 N/A
2. Name of Operator NADEL AND GUSSMAN PERMIAN, L.L.C.		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 601 N. MARIENFELD, SUITE 508 MIDLAND, TEXAS 79701		8. Lease Name and Well No. Scarecrow 34 Federal #1H 39609
3b. Phone No. (include area code) 432-682-4429		9. API Well No. 30-025-40908
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 760' FNL, 430' FWL - UL D At proposed prod. zone @ BHL 660' FNL, 330' FEL - UL A		10. Field and Pool, or Exploratory QUERECHO PLA. BONE SPRING
14. Distance in miles and direction from nearest town or post office* 8 MILES SOUTH OF MALJAMAR NEW MEXICO		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 34, T-18-S, R-32-E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 430ft	16. No. of acres in lease 400	17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1320 = Lion Fed com #1H	19. Proposed Depth Pilot hole = 9800 TVD 9500; 13,780 MD	20. BLM/BIA Bond No. on file NM# 2812
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3709	22. Approximate date work will start* 08/15/2012	23. Estimated duration 45 DAYS

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. | 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) JASON GOSS	Date 05/25/2012
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Title
DRILLING ENGINEER

Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed) /s/ Don Peterson	Date SEP 17 2012
---	--	---------------------

Title
FIELD MANAGEROffice
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 TWO YEARS

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)

Capitan Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld, Suite 508
Midland, Texas 79701

May 25, 2012

UNITED STATES DEPARTMENT OF INTERIOR

Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220

RE: STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

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: Scarecrow 34 Federal #1H

Lease Number: Federal Lease NM NM-18302; NM-0556094

Legal Description of Land: S34, T-18-S R-32-E,

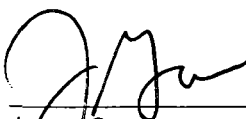
Lease Covers: NM-18302 covers 400 acres in section 34, T-19-S, R-32-E, Lea County, NM

Formations: Bone Springs

Bond Coverage: Blanket Statewide

BLM Bond File Number: NM2812

Land ownership: Federal



Jason Goss
Drilling Engineer

SCARECROW 34 FED COM #1H

SHL 760' FNL & 430' FWL, UL D

BHL 660' FNL & 330' FEL, UL A

SECTION 34, T-18-S, R-32-E

LEA COUNTY, NEW MEXICO

APPLICATION FOR PERMIT TO DRILL

BUREAU OF LAND MANAGEMENT

APRIL 23, 2012

NADEL & GUSSMAN PERMIAN, LLC

601 MARIENFELD SUITE 508

MIDLAND, TEXAS 79701

432-682-4429 (OFFICE)

432-682-4325 (FAX)

DRILLING AND OPERATIONS PLAN
NADEL AND GUSSMAN PERMIAN, L.L.C.
SCARECROW 34 FEDERAL #1H

Surface: 760' FNL & 430' FWL, UL D

BHL: 660' FNL & 330' FEL, UL A

Sec 34, T-18-S, R-32-E

Lea County, New Mexico.

1. Geological Surface Formation: **Qal/Vegitated Dunes at surface. Drill with rotary tools.**

2. **TOPS OF IMPORTANT GEOLOGICAL MARKERS: TVD**

Rustler	1180'
Salado-Top Salt	1400'
BX (base salt)	2605'
Yates	2810'
Seven Rivers	3290'
Queen	3933'
Grayburg	4550'
Delaware	5150'
Bone Springs Ls	7090'
1 st Bone Springs Sand	8410'
2 nd Bone Springs Sand	8890'
Bone Springs (Target)	9500'
TD Vertical Pilot Hole	9800'

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

Chinle Fm., Santa Rosa	0-800'	Fresh Water
Queen	3850'	Oil
Grayburg	4550'	Oil
Delaware	5100'	Oil
Bone Springs	8400'-9,500'	Oil

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water will be protected by setting 13 3/8" casing at 1200' and circulating cement back to surface, all other intervals will be isolated by the 9 5/8" intermediate and 7" production casing.

4. Proposed Casing Program

HOLE SIZE	CASING SIZE	WT./GRADE	THREAD/COLLAR	SETTING DEPTH (MD)	TOP CEMENT
Conductor	20"	94# H-40	8rd STC	120'	Surface
17.5"	13 3/8" (new)	54.5# J-55	8rd STC	1,200 1295'	Surface
12.25"	9 5/8" (new)	40# J-55	8rd LTC	3,300'	Surface
8.75"	7" (new)	26# P-110HC	8rd BTC	9,700'	2,800'
6.125"	4 1/2" (new)	13.5# P-110HC	8rd BTC & LTC*	9,500'-13,779'	N/A**

* 4.5" casing: 450ft BTC 8rd in curve (9,500' – 9,950') and LTC 8rd in Lateral 9,950' - 13,779ft.

** Packer Plus completion 20 stages: No cement, packers and frac port open hole completion with liner hanger.

MINIMUM SAFETY FACTORS:**BURST 1.125****COLLAPSE 1.125****TENSION 1.8****ALL CASING WILL BE NEW API APPROVED**See
COA

Pilot hole plug back procedure: Vertical hole has been drilled to a TD of 9,800ft. Well will be logged with Halliburton Triple Combo (GR, CNL, Resistivity, Caliper) and Horizontal target will be revised. Spot 200ft plug on bottom 100 sacks Class H cement. WOC 12 hours or until 500 psi compressive strength and tag plug to verify depth. Pull up hole to KOP and spot 225 sacks Class H plug 100ft above and 200ft below KOP at 8,927'. Kick off and continue with directional plan.

CEMENT PROGRAM-ALL CEMENT BLENDS WILL BE TESTED TO BLM MINIMUM REQUIREMENTS.**A. 13 3/8"****SURFACE****CEMENT TO SURFACE****100% EXCESS OVER CALCULATED**

LEAD 800 SACKS CLASS "C" +4% BENTONITE +2% CACL +.25# CELLO-FLAKE+.25% DEFOAMER, 13.5 PPG, 1.75 YIELD

TAIL: 200 SACKS CLASS "C"+2%CACL+.25# CELLO-FLAKE+.25% DEFOAMER, 14.8 PPG, 1.35 YIELD

B. 9 5/8"**INTERMEDIATE****CEMENT TO SURFACE****50% EXCESS OVER CALCULATED**

LEAD 700 SACKS CLASS "C" 35/65 +6% BENTONITE+5% SALT+.25% DEFOAMER 12.8 PPG, 1.9 YIELD

TAIL 200 SACKS CLASS "C" + .25% DEFOAMER, 14.8 PPG, 1.33 YIELD

C. 7"**PRODUCTION**

CEMENT TO 2,800' (WILL RUN FLUID CALIPER) 25% EXCESS OVER FLUID CALIPER, OR 50% OVER CALCULATED.

LEAD 750 SACKS CLASS C 50/50 +10% BENTONITE +.15% C-20 RETARDER +3# STAR SEAL +.3% C-12 FLUID LOSS+3% SALT+.25% DEFOAMER, 11.8 PPG, 2.37 YIELD

TAIL 250 SACKS CLASS "H" STAR BOND+.5% FL-10+.2%C-20,
+3# GILSONITE+.25% DEFOAMER+3% SALT 13.2 PPG, 1.6 YIELD

PILOT HOLE CEMENT:

- D. **BOTTOM HOLE PLUG:** 100 SACKS CLASS H, 16.9 PPG, 1.0 YIELD, **50% EXCESS**,
- E. **KICK OFF PLUG** 225 SACKS CLASS H, 16.9 PPG, 1.0 YIELD. **100% EXCESS**

*** ADDITIVES ON BOTH PLUGS AS RECOMMENDED BY CEMENT COMPANY**

SPECIFICATIONS FOR PRESSURE CONTROL EQUIPMENT: (EXHIBIT #5)

A 2000# WP Annular will be installed after running the 13-3/8" casing. A 3,000# WP Double Ram BOP and 3,000 annular will be installed after running the 9-5/8" and 7" casing. Pressure test will be conducted prior to drilling out under all casing strings. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOP's will be inspected and operated as recommended in Onshore Order #2. A Kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the Kelly is not in use. 7" and 9-5/8" BOP will be tested to 3000# and the annular to 1500# with a third party testing company before drilling below each shoe. If operations last more than 30 days from 1st test, will test again as per BLM Onshore Oil and Gas order #2.

MUD PROGRAM:

Spud and drill 17 1/2" surface hole with **fresh water (8.4 to 8.7 ppg)** to a depth of approx ¹²⁴⁵1,200'. Control lost circulation with paper and LCM pills. Viscosity 28-55, no fluid loss control. Fresh water gel sweeps.

Drill 12 1/4" hole from 1,200' to 3,300' with **Brine (9.5 to 10.0 ppg)**. Control lost circulation with paper and LCM pills. Viscosity 28-30, no fluid loss control. Salt water gel sweeps.

Drill 8 3/4" production hole from 3,300' to **9,800'** (9,800 TD of Pilot hole) with **fresh water (8.4 to 8.7 ppg) or cut brine (8.4 to 9.0 ppg)**. Control lost circulation with paper and LCM pills. From 6300' to TD (8.4 to 8.9 ppg), control filtrate with starch and water loss additives. Clean hole with pre-hydrated freshwater bentonite sweeps as necessary. System properties: viscosity 32-24, fluid loss <20 ml/30min.

Drill 6 1/8" horizontal production hole from 9,800'-13,708' with **fresh water (8.4-8.7 ppg)**, control filtrate and increase viscosity with Xanthan gum and Poly Anionic Cellulose. Clean hole with high viscosity sweeps and lubricants as necessary. System Properties viscosity 32-34, fluid loss <20 ml/30min.

All necessary mud products for weight addition and fluid loss control will be on location at all times. Mud program subject to change due to hole conditions.

Auxiliary Equipment

- A. A Kelly cock will be in the drill string at all times.
- B. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times
- C. Hydrogen Sulfide detection equipment will be in operation after drilling out the 13 3/8" casing shoe until the 4 1/2" liner is run and set and rigging down operations have begun.

TESTING, LOGGING & CORING PROGRAM:

- a. Testing: No DST's will be conducted.

- 2cc
COA
- b. Open hole logs and Coring are planned for TD of vertical hole.
 - 1. Dual lateral log and gamma ray, compensated neutron, caliper log.
 - c. Mud logging will take place from 3,300ft to TD 10ft samples
 - d. Gyro survey will be run at KOP of 8929'
 - e. MWD (directional) and LWD (gamma) surveys will be taken from KOP (8929') to TD

POTENTIAL HAZARDS:

No significant hazards are expected, no abnormal pressures or temperatures are expected, **Expected pressure gradient will be that of .433 psi/ft (8.33 PPG FW) or less.** Lost circulation may occur, no H₂S is expected, but the operator will utilize a 3rd party H₂S monitoring package from 1,200' to TD. If H₂S is encountered the operator will comply with the provisions of onshore oil and gas order no 6. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well.

ANTICIPATED STARTING DATE & DURATION:

Nadel & Gussman Permian, LLC anticipates drilling operations to begin around August 15, 2012 and completed in approximately 45 days. An additional 15 days will be needed for completion activities. Road and location construction will begin after the BLM has approved the APD.

Jason Goss, Drilling Engineer
Nadel & Gussman Permian, LLC

Date

Nadel & Gussman Permian, LLC

Eddy County, NM (NAD-83)

Sec 34, T18S, 32E

Scarecrow 34 Fed #1H

Wellbore #1

Plan: Design #1

DDC Well Planning Report

27 April, 2012



DDC
Well Planning Report



Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Scarecrow 34 Fed #1H
Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 3709.0usft (Original Well Elev)
Project:	Eddy County, NM (NAD-83)	MD Reference:	WELL @ 3709.0usft (Original Well Elev)
Site:	Sec 34, T18S, 32E	North Reference:	Grid
Well:	Scarecrow 34 Fed #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Project:	Eddy County, NM (NAD-83)		
Map System:	US State Plane 1983	System Datum:	Mean Sea Level
Geo Datum:	North American Datum 1983		
Map Zone:	New Mexico Eastern Zone		

Site:	Sec 34, T18S, 32E		
Site Position:		Northing:	622,189.42 usft
From:	Map	Easting:	717,272.08 usft
Position Uncertainty:	0.0 usft	Slot Radius:	13-3/16 "
		Latitude:	32° 42' 32.888 N
		Longitude:	103° 45' 40.818 W
		Grid Convergence:	0.31 °

Well:	Scarecrow 34 Fed Com #1H		
Well Position	+N/-S	0.0 usft	Northing: 622,189.42 usft
	+E/-W	0.0 usft	Easting: 717,272.08 usft
Position Uncertainty	0.0 usft	Wellhead Elevation:	Latitude: 32° 42' 32.888 N
			Longitude: 103° 45' 40.818 W
			Ground Level: 3,709.0 usft

Wellbore	Wellbore #1				
Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF2010	4/27/2012	7.60	60.58	48,799

Design	Design #1			
Audit Notes:				
Version:	Phase:	PLAN	Tie On Depth:	0.0
Vertical Section:	Depth From (TVD) (usft)	+N/-S (usft)	+E/-W (usft)	Direction (°)
	0.0	0.0	0.0	88.23

Plan Sections										
Measured Depth	Inclination	Azimuth	Vertical Depth	+N/-S	+E/-W	Dogleg Rate	Build Rate	Turn Rate	TFO	Target
(usft)	(°)	(°)	(usft)	(usft)	(usft)	(°/100usft)	(°/100usft)	(°/100usft)	(°)	
0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
8,927.0	0.00	0.00	8,927.0	0.0	0.0	0.00	0.00	0.00	0.00	
9,827.0	90.00	88.23	9,500.0	17.6	572.7	10.00	10.00	9.80	88.23	
13,779.7	90.00	88.23	9,500.0	139.4	4,523.5	0.00	0.00	0.00	0.00	PBHL Scarecrow 34

DDC
Well Planning Report



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Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 3709.0usft (Original Well Elev)
Project:	Eddy County, NM (NAD-83)	MD Reference:	WELL @ 3709.0usft (Original Well Elev)
Site:	Sec 34, T18S, 32E	North Reference:	Grid
Well:	Scarecrow 34 Fed #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	0.00	0.00
100.0	0.00	0.00	100.0	0.0	0.0	0.0	0.00	0.00	0.00
200.0	0.00	0.00	200.0	0.0	0.0	0.0	0.00	0.00	0.00
300.0	0.00	0.00	300.0	0.0	0.0	0.0	0.00	0.00	0.00
400.0	0.00	0.00	400.0	0.0	0.0	0.0	0.00	0.00	0.00
500.0	0.00	0.00	500.0	0.0	0.0	0.0	0.00	0.00	0.00
600.0	0.00	0.00	600.0	0.0	0.0	0.0	0.00	0.00	0.00
700.0	0.00	0.00	700.0	0.0	0.0	0.0	0.00	0.00	0.00
800.0	0.00	0.00	800.0	0.0	0.0	0.0	0.00	0.00	0.00
900.0	0.00	0.00	900.0	0.0	0.0	0.0	0.00	0.00	0.00
1,000.0	0.00	0.00	1,000.0	0.0	0.0	0.0	0.00	0.00	0.00
1,100.0	0.00	0.00	1,100.0	0.0	0.0	0.0	0.00	0.00	0.00
1,200.0	0.00	0.00	1,200.0	0.0	0.0	0.0	0.00	0.00	0.00
1,300.0	0.00	0.00	1,300.0	0.0	0.0	0.0	0.00	0.00	0.00
1,400.0	0.00	0.00	1,400.0	0.0	0.0	0.0	0.00	0.00	0.00
1,500.0	0.00	0.00	1,500.0	0.0	0.0	0.0	0.00	0.00	0.00
1,600.0	0.00	0.00	1,600.0	0.0	0.0	0.0	0.00	0.00	0.00
1,700.0	0.00	0.00	1,700.0	0.0	0.0	0.0	0.00	0.00	0.00
1,800.0	0.00	0.00	1,800.0	0.0	0.0	0.0	0.00	0.00	0.00
1,900.0	0.00	0.00	1,900.0	0.0	0.0	0.0	0.00	0.00	0.00
2,000.0	0.00	0.00	2,000.0	0.0	0.0	0.0	0.00	0.00	0.00
2,100.0	0.00	0.00	2,100.0	0.0	0.0	0.0	0.00	0.00	0.00
2,200.0	0.00	0.00	2,200.0	0.0	0.0	0.0	0.00	0.00	0.00
2,300.0	0.00	0.00	2,300.0	0.0	0.0	0.0	0.00	0.00	0.00
2,400.0	0.00	0.00	2,400.0	0.0	0.0	0.0	0.00	0.00	0.00
2,500.0	0.00	0.00	2,500.0	0.0	0.0	0.0	0.00	0.00	0.00
2,600.0	0.00	0.00	2,600.0	0.0	0.0	0.0	0.00	0.00	0.00
2,700.0	0.00	0.00	2,700.0	0.0	0.0	0.0	0.00	0.00	0.00
2,800.0	0.00	0.00	2,800.0	0.0	0.0	0.0	0.00	0.00	0.00
2,900.0	0.00	0.00	2,900.0	0.0	0.0	0.0	0.00	0.00	0.00
3,000.0	0.00	0.00	3,000.0	0.0	0.0	0.0	0.00	0.00	0.00
3,100.0	0.00	0.00	3,100.0	0.0	0.0	0.0	0.00	0.00	0.00
3,200.0	0.00	0.00	3,200.0	0.0	0.0	0.0	0.00	0.00	0.00
3,300.0	0.00	0.00	3,300.0	0.0	0.0	0.0	0.00	0.00	0.00
3,400.0	0.00	0.00	3,400.0	0.0	0.0	0.0	0.00	0.00	0.00
3,500.0	0.00	0.00	3,500.0	0.0	0.0	0.0	0.00	0.00	0.00
3,600.0	0.00	0.00	3,600.0	0.0	0.0	0.0	0.00	0.00	0.00
3,700.0	0.00	0.00	3,700.0	0.0	0.0	0.0	0.00	0.00	0.00
3,800.0	0.00	0.00	3,800.0	0.0	0.0	0.0	0.00	0.00	0.00
3,900.0	0.00	0.00	3,900.0	0.0	0.0	0.0	0.00	0.00	0.00
4,000.0	0.00	0.00	4,000.0	0.0	0.0	0.0	0.00	0.00	0.00
4,100.0	0.00	0.00	4,100.0	0.0	0.0	0.0	0.00	0.00	0.00
4,200.0	0.00	0.00	4,200.0	0.0	0.0	0.0	0.00	0.00	0.00
4,300.0	0.00	0.00	4,300.0	0.0	0.0	0.0	0.00	0.00	0.00
4,400.0	0.00	0.00	4,400.0	0.0	0.0	0.0	0.00	0.00	0.00
4,500.0	0.00	0.00	4,500.0	0.0	0.0	0.0	0.00	0.00	0.00
4,600.0	0.00	0.00	4,600.0	0.0	0.0	0.0	0.00	0.00	0.00
4,700.0	0.00	0.00	4,700.0	0.0	0.0	0.0	0.00	0.00	0.00
4,800.0	0.00	0.00	4,800.0	0.0	0.0	0.0	0.00	0.00	0.00
4,900.0	0.00	0.00	4,900.0	0.0	0.0	0.0	0.00	0.00	0.00
5,000.0	0.00	0.00	5,000.0	0.0	0.0	0.0	0.00	0.00	0.00
5,100.0	0.00	0.00	5,100.0	0.0	0.0	0.0	0.00	0.00	0.00
5,200.0	0.00	0.00	5,200.0	0.0	0.0	0.0	0.00	0.00	0.00
5,300.0	0.00	0.00	5,300.0	0.0	0.0	0.0	0.00	0.00	0.00

DDC
Well Planning Report



Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Scarecrow 34 Fed #1H
Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 3709.0usft (Original Well Elev)
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Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
5,400.0	0.00	0.00	5,400.0	0.0	0.0	0.0	0.00	0.00	0.00
5,500.0	0.00	0.00	5,500.0	0.0	0.0	0.0	0.00	0.00	0.00
5,600.0	0.00	0.00	5,600.0	0.0	0.0	0.0	0.00	0.00	0.00
5,700.0	0.00	0.00	5,700.0	0.0	0.0	0.0	0.00	0.00	0.00
5,800.0	0.00	0.00	5,800.0	0.0	0.0	0.0	0.00	0.00	0.00
5,900.0	0.00	0.00	5,900.0	0.0	0.0	0.0	0.00	0.00	0.00
6,000.0	0.00	0.00	6,000.0	0.0	0.0	0.0	0.00	0.00	0.00
6,100.0	0.00	0.00	6,100.0	0.0	0.0	0.0	0.00	0.00	0.00
6,200.0	0.00	0.00	6,200.0	0.0	0.0	0.0	0.00	0.00	0.00
6,300.0	0.00	0.00	6,300.0	0.0	0.0	0.0	0.00	0.00	0.00
6,400.0	0.00	0.00	6,400.0	0.0	0.0	0.0	0.00	0.00	0.00
6,500.0	0.00	0.00	6,500.0	0.0	0.0	0.0	0.00	0.00	0.00
6,600.0	0.00	0.00	6,600.0	0.0	0.0	0.0	0.00	0.00	0.00
6,700.0	0.00	0.00	6,700.0	0.0	0.0	0.0	0.00	0.00	0.00
6,800.0	0.00	0.00	6,800.0	0.0	0.0	0.0	0.00	0.00	0.00
6,900.0	0.00	0.00	6,900.0	0.0	0.0	0.0	0.00	0.00	0.00
7,000.0	0.00	0.00	7,000.0	0.0	0.0	0.0	0.00	0.00	0.00
7,100.0	0.00	0.00	7,100.0	0.0	0.0	0.0	0.00	0.00	0.00
7,200.0	0.00	0.00	7,200.0	0.0	0.0	0.0	0.00	0.00	0.00
7,300.0	0.00	0.00	7,300.0	0.0	0.0	0.0	0.00	0.00	0.00
7,400.0	0.00	0.00	7,400.0	0.0	0.0	0.0	0.00	0.00	0.00
7,500.0	0.00	0.00	7,500.0	0.0	0.0	0.0	0.00	0.00	0.00
7,600.0	0.00	0.00	7,600.0	0.0	0.0	0.0	0.00	0.00	0.00
7,700.0	0.00	0.00	7,700.0	0.0	0.0	0.0	0.00	0.00	0.00
7,800.0	0.00	0.00	7,800.0	0.0	0.0	0.0	0.00	0.00	0.00
7,900.0	0.00	0.00	7,900.0	0.0	0.0	0.0	0.00	0.00	0.00
8,000.0	0.00	0.00	8,000.0	0.0	0.0	0.0	0.00	0.00	0.00
8,100.0	0.00	0.00	8,100.0	0.0	0.0	0.0	0.00	0.00	0.00
8,200.0	0.00	0.00	8,200.0	0.0	0.0	0.0	0.00	0.00	0.00
8,300.0	0.00	0.00	8,300.0	0.0	0.0	0.0	0.00	0.00	0.00
8,400.0	0.00	0.00	8,400.0	0.0	0.0	0.0	0.00	0.00	0.00
8,500.0	0.00	0.00	8,500.0	0.0	0.0	0.0	0.00	0.00	0.00
8,600.0	0.00	0.00	8,600.0	0.0	0.0	0.0	0.00	0.00	0.00
8,700.0	0.00	0.00	8,700.0	0.0	0.0	0.0	0.00	0.00	0.00
8,800.0	0.00	0.00	8,800.0	0.0	0.0	0.0	0.00	0.00	0.00
8,900.0	0.00	0.00	8,900.0	0.0	0.0	0.0	0.00	0.00	0.00
Build 10°/100' @ 8927' MD									
8,927.0	0.00	0.00	8,927.0	0.0	0.0	0.0	0.00	0.00	0.00
9,000.0	7.30	88.23	8,999.8	0.1	4.6	4.6	10.00	10.00	0.00
9,100.0	17.30	88.23	9,097.4	0.8	25.9	25.9	10.00	10.00	0.00
9,200.0	27.30	88.23	9,189.8	2.0	63.8	63.8	10.00	10.00	0.00
9,300.0	37.30	88.23	9,274.2	3.6	117.1	117.2	10.00	10.00	0.00
9,400.0	47.30	88.23	9,348.1	5.7	184.3	184.4	10.00	10.00	0.00
9,500.0	57.30	88.23	9,409.2	8.1	263.3	263.4	10.00	10.00	0.00
9,600.0	67.30	88.23	9,455.6	10.8	351.7	351.8	10.00	10.00	0.00
9,700.0	77.30	88.23	9,485.9	13.8	446.8	447.0	10.00	10.00	0.00
9,800.0	87.30	88.23	9,499.3	16.8	545.7	546.0	10.00	10.00	0.00
EOB @ 9827' MD / 90° Inc / 88.23° Azm / 9500' TVD									
9,827.0	90.00	88.23	9,500.0	17.6	572.7	573.0	10.00	10.00	0.00
9,900.0	90.00	88.23	9,500.0	19.9	645.7	646.0	0.00	0.00	0.00
10,000.0	90.00	88.23	9,500.0	23.0	745.6	746.0	0.00	0.00	0.00
10,100.0	90.00	88.23	9,500.0	26.1	845.6	846.0	0.00	0.00	0.00
10,200.0	90.00	88.23	9,500.0	29.1	945.5	946.0	0.00	0.00	0.00

DDC Well Planning Report



Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Scarecrow 34 Fed #1H
Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 3709.0usft (Original Well Elev)
Project:	Eddy County, NM (NAD-83)	MD Reference:	WELL @ 3709.0usft (Original Well Elev)
Site:	Sec 34, T18S, 32E	North Reference:	Grid
Well:	Scarecrow 34 Fed #1H	Survey Calculation Method:	Minimum Curvature
Wellbore Design:	Wellbore #1 Design #1		

Planned Survey

Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
10,300.0	90.00	88.23	9,500.0	32.2	1,045.5	1,046.0	0.00	0.00	0.00
10,400.0	90.00	88.23	9,500.0	35.3	1,145.4	1,146.0	0.00	0.00	0.00
10,500.0	90.00	88.23	9,500.0	38.4	1,245.4	1,246.0	0.00	0.00	0.00
10,600.0	90.00	88.23	9,500.0	41.5	1,345.3	1,346.0	0.00	0.00	0.00
10,700.0	90.00	88.23	9,500.0	44.5	1,445.3	1,446.0	0.00	0.00	0.00
10,800.0	90.00	88.23	9,500.0	47.6	1,545.2	1,546.0	0.00	0.00	0.00
10,900.0	90.00	88.23	9,500.0	50.7	1,645.2	1,646.0	0.00	0.00	0.00
11,000.0	90.00	88.23	9,500.0	53.8	1,745.1	1,746.0	0.00	0.00	0.00
11,100.0	90.00	88.23	9,500.0	56.9	1,845.1	1,846.0	0.00	0.00	0.00
11,200.0	90.00	88.23	9,500.0	59.9	1,945.0	1,946.0	0.00	0.00	0.00
11,300.0	90.00	88.23	9,500.0	63.0	2,045.0	2,046.0	0.00	0.00	0.00
11,400.0	90.00	88.23	9,500.0	66.1	2,144.9	2,146.0	0.00	0.00	0.00
11,500.0	90.00	88.23	9,500.0	69.2	2,244.9	2,246.0	0.00	0.00	0.00
11,600.0	90.00	88.23	9,500.0	72.3	2,344.8	2,346.0	0.00	0.00	0.00
11,700.0	90.00	88.23	9,500.0	75.3	2,444.8	2,446.0	0.00	0.00	0.00
11,800.0	90.00	88.23	9,500.0	78.4	2,544.7	2,546.0	0.00	0.00	0.00
11,900.0	90.00	88.23	9,500.0	81.5	2,644.7	2,646.0	0.00	0.00	0.00
12,000.0	90.00	88.23	9,500.0	84.6	2,744.7	2,746.0	0.00	0.00	0.00
12,100.0	90.00	88.23	9,500.0	87.7	2,844.6	2,846.0	0.00	0.00	0.00
12,200.0	90.00	88.23	9,500.0	90.7	2,944.6	2,946.0	0.00	0.00	0.00
12,300.0	90.00	88.23	9,500.0	93.8	3,044.5	3,046.0	0.00	0.00	0.00
12,400.0	90.00	88.23	9,500.0	96.9	3,144.5	3,146.0	0.00	0.00	0.00
12,500.0	90.00	88.23	9,500.0	100.0	3,244.4	3,246.0	0.00	0.00	0.00
12,600.0	90.00	88.23	9,500.0	103.1	3,344.4	3,346.0	0.00	0.00	0.00
12,700.0	90.00	88.23	9,500.0	106.1	3,444.3	3,446.0	0.00	0.00	0.00
12,800.0	90.00	88.23	9,500.0	109.2	3,544.3	3,546.0	0.00	0.00	0.00
12,900.0	90.00	88.23	9,500.0	112.3	3,644.2	3,646.0	0.00	0.00	0.00
13,000.0	90.00	88.23	9,500.0	115.4	3,744.2	3,746.0	0.00	0.00	0.00
13,100.0	90.00	88.23	9,500.0	118.5	3,844.1	3,846.0	0.00	0.00	0.00
13,200.0	90.00	88.23	9,500.0	121.5	3,944.1	3,946.0	0.00	0.00	0.00
13,300.0	90.00	88.23	9,500.0	124.6	4,044.0	4,046.0	0.00	0.00	0.00
13,400.0	90.00	88.23	9,500.0	127.7	4,144.0	4,146.0	0.00	0.00	0.00
13,500.0	90.00	88.23	9,500.0	130.8	4,243.9	4,246.0	0.00	0.00	0.00
13,600.0	90.00	88.23	9,500.0	133.9	4,343.9	4,346.0	0.00	0.00	0.00
13,700.0	90.00	88.23	9,500.0	136.9	4,443.8	4,446.0	0.00	0.00	0.00
TD @ 13780' MD / 9500' TVD									
13,779.7	90.00	88.23	9,500.0	139.4	4,523.5	4,525.7	0.00	0.00	0.00

Design Targets

Target Name	Dip Angle (°)	Dip Dir (°)	TVD (usft)	+N/-S (usft)	+E/-W (usft)	Northing (usft)	Easting (usft)	Latitude	Longitude
- hit/miss target									
- Shape									
PBHL Scarecrow 34 F	0.00	0.00	9,500.0	139.4	4,523.5	622,328.82	721,795.58	32° 42' 34.022 N	103° 44' 47.867 W
- plan hits target center									
- Point									

DDC
Well Planning Report



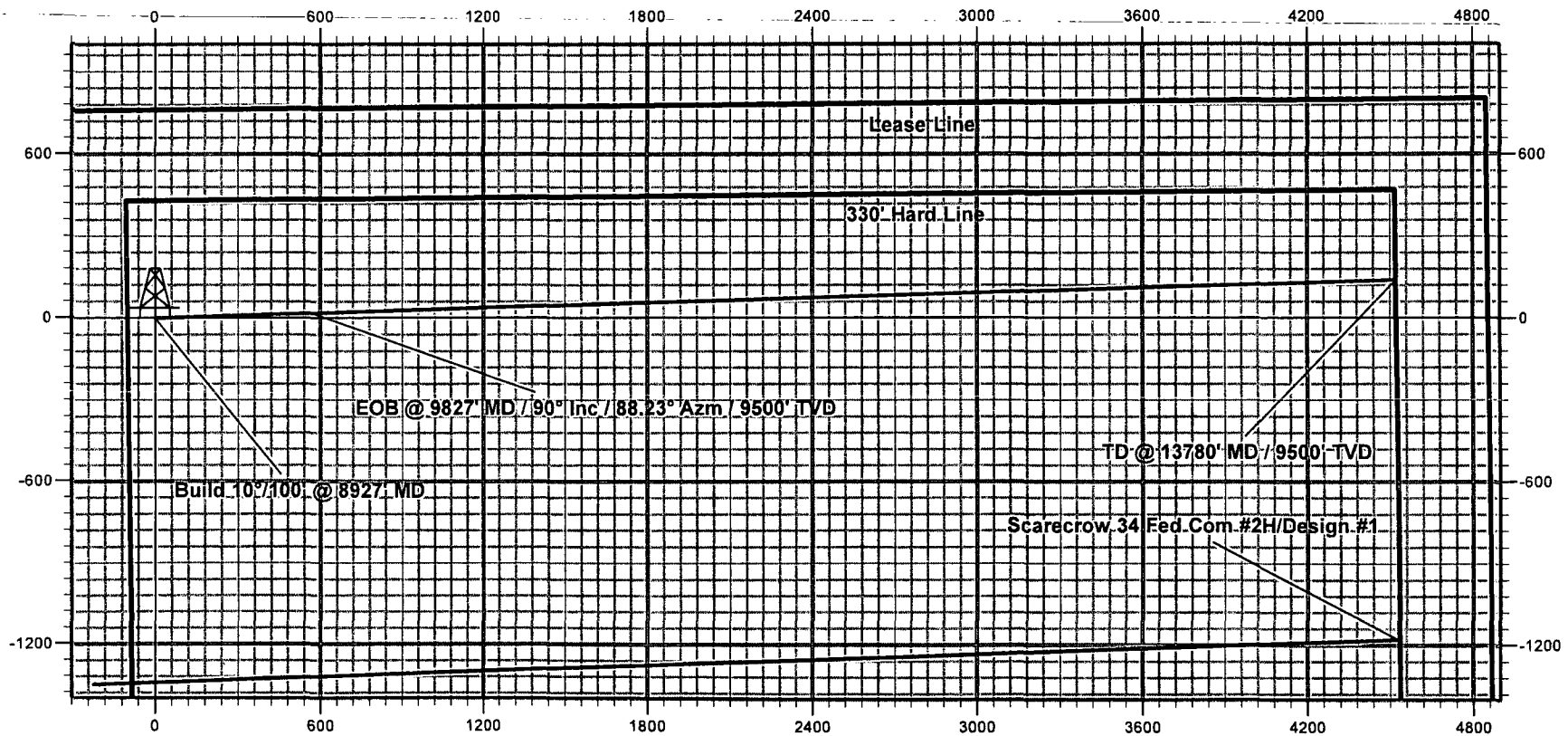
Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Scarecrow 34 Fed ' #1H
Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 3709.0usft (Original Well Elev)
Project:	Eddy County, NM (NAD-83)	MD Reference:	WELL @ 3709.0usft (Original Well Elev)
Site:	Sec 34, T18S, 32E	North Reference:	Grid
Well:	Scarecrow 34 Fed #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Plan Annotations				
Measured Depth (usft)	Vertical Depth (usft)	Local Coordinates		Comment
		+N/-S (usft)	+E/-W (usft)	
8,927.0	8,927.0	0.0	0.0	Build 10°/100' @ 8927' MD
9,827.0	9,500.0	17.6	572.7	EOB @ 9827' MD / 90° Inc / 88.23° Azm / 9500' TVD
13,779.7	9,500.0	139.4	4,523.5	TD @ 13780' MD / 9500' TVD

Nadel & Gussman Permian



Eddy County, NM (NAD-83)
Scarecrow 34 Fed #1H
Quote 120319



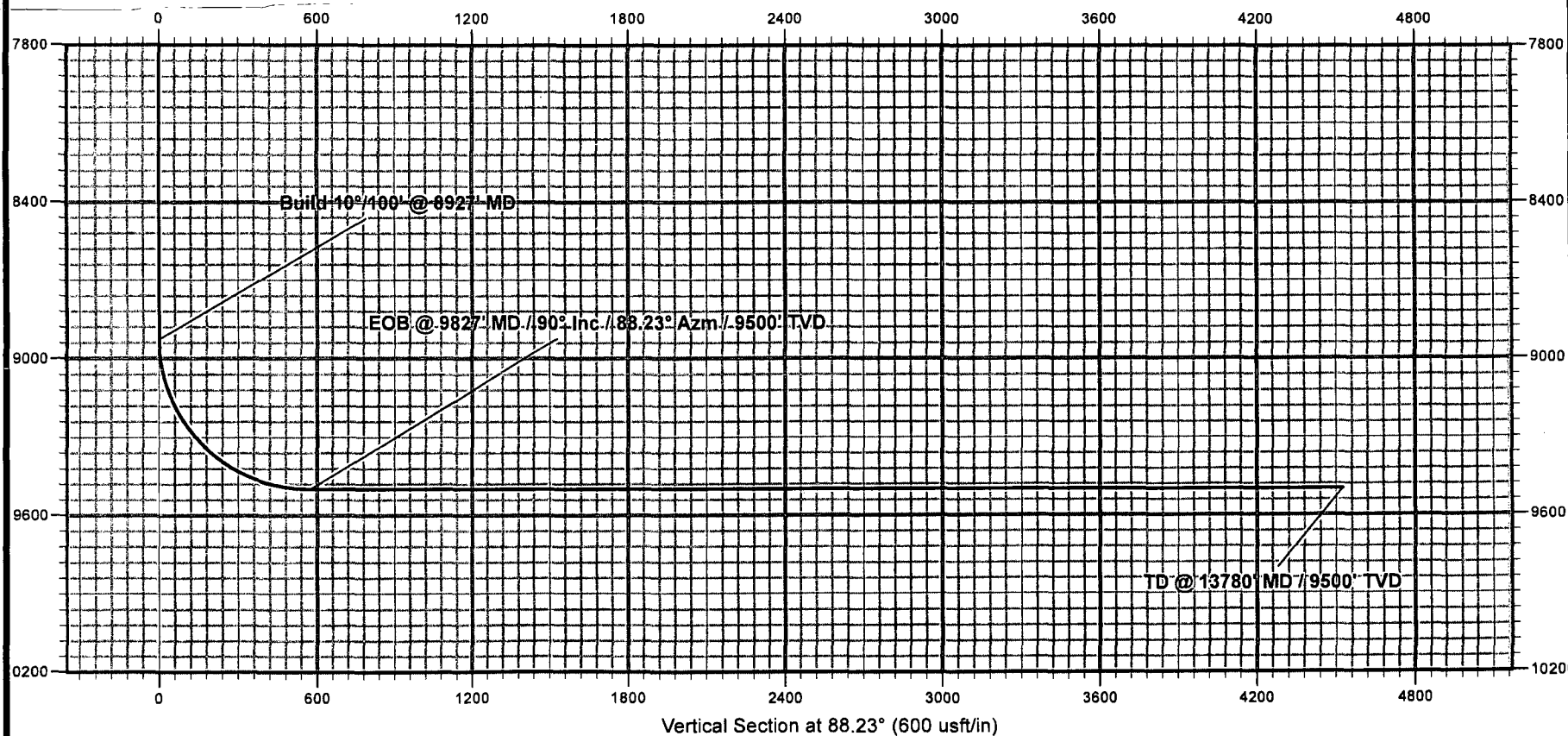
Nadel & Gussman Permian



Eddy County, NM (NAD-83)

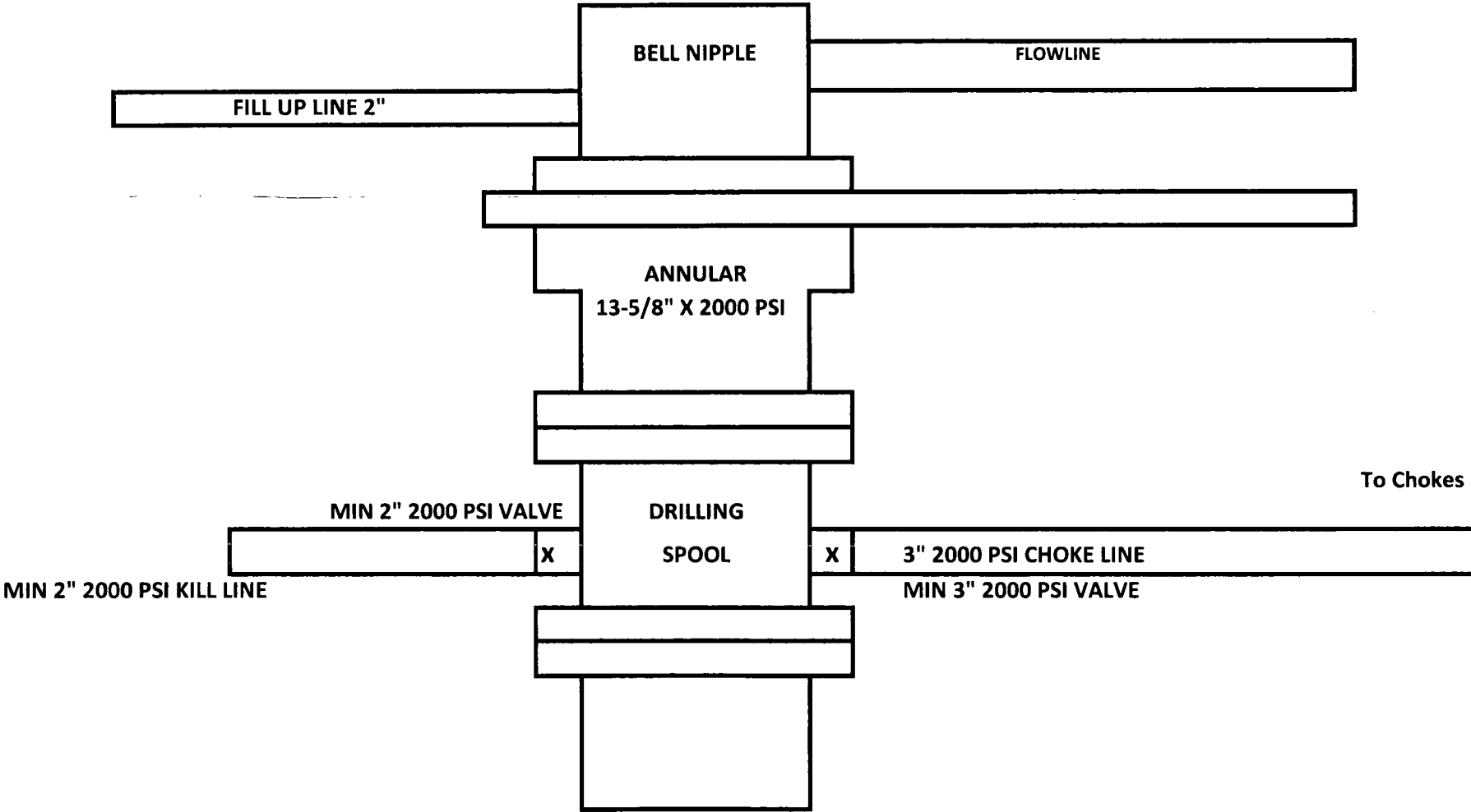
Scarecrow 34 Fed #1H

Quote 120319



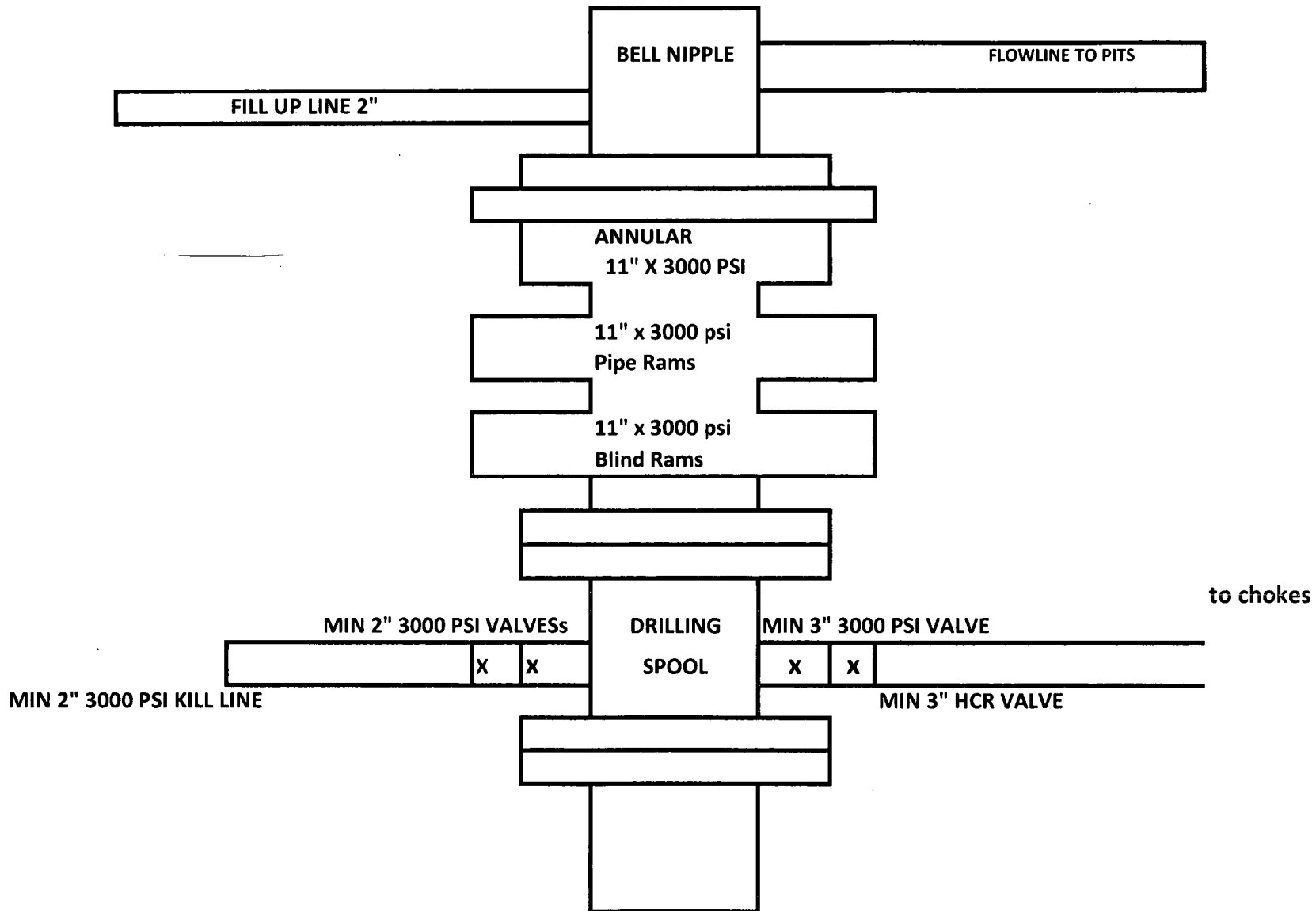
Well Scarecrow 34 Federal #1H
760 FNL, 430 FWL, Sec. 34, 19S, 32E
Lea County New Mexico

Nadel and Gussman Permian, L.L.C.
BOP Scematic 12.25" hole

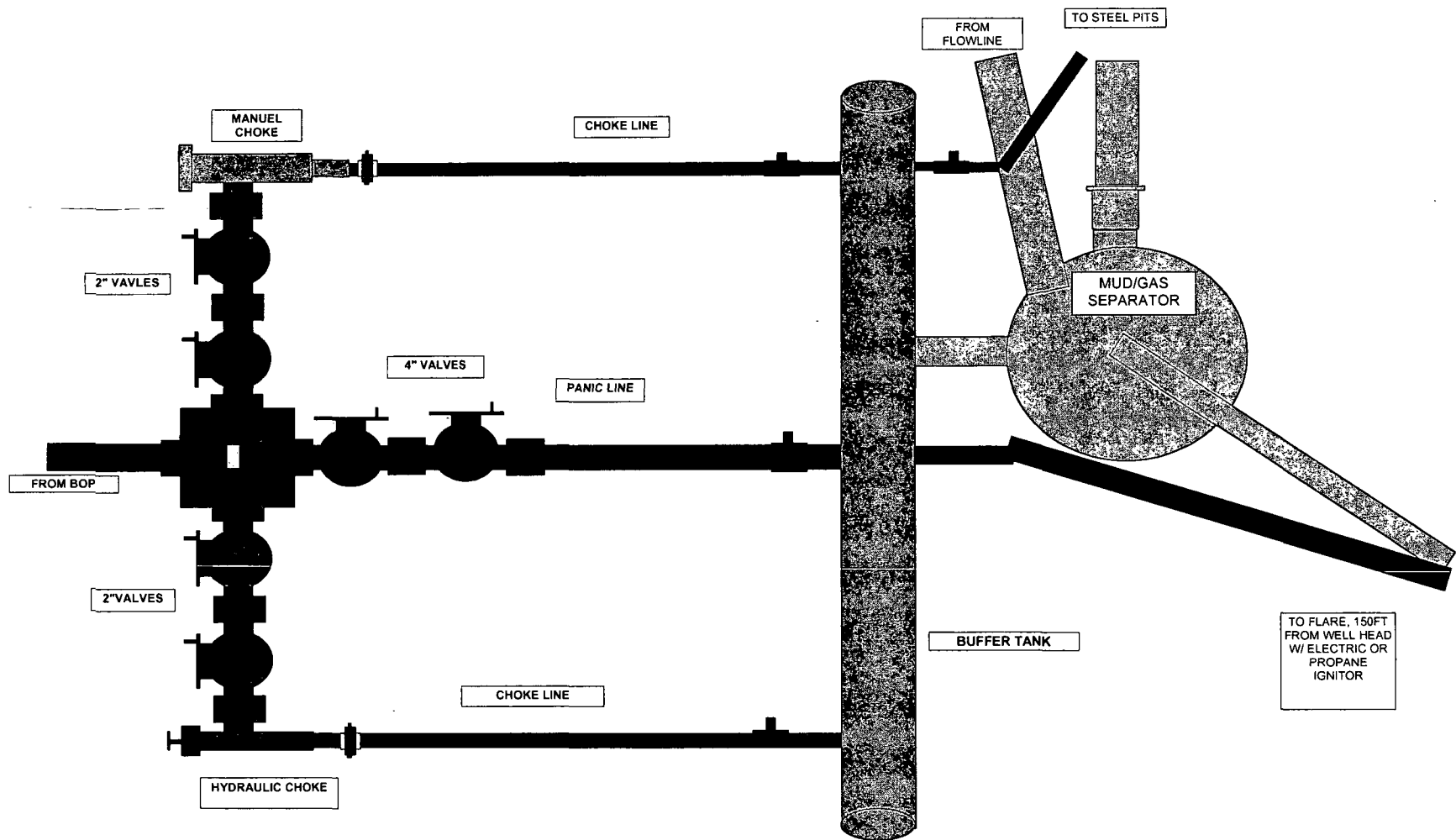


Well Scarecrow 34 Federal #1H
760 FNL, 430 FWL, Sec. 34, 18S, 32E
Lea County New Mexico

**Nadel and Gussman Permian, L.L.C.
BOP Scematic 8.75" & 6.125" hole**



**Scarecrow 34 Federal #1H
3000 psi BOP Manifold System**



NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. MARIENFELD STE. 508
MIDLAND, TX 79701
(432) 682-4429 (Office)
(432) 682-4325 (Fax)

5/25/12

Mr. Ingram
Carlsbad BLM Field Office
620 E. Greene St.
Carlsbad, NM 88220

Re: Scarecrow 34 Federal #1H
SHL: 660' FNL & 330 FWL UL D
Sec. 34, T18S, R32E
Lea, NM
Rule 118 H2S Exposure

Dear Mr. Ingram,

Nadel and Gussman Permian, 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 surface casing and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,

Jason Goss
Drilling Engineer