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

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

Form C-101
March 4, 2004

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

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

[1] Operator Name and Address	[2] OGRID Number
NADEL AND GUSSMAN PERMIAN, L.L.C 601 N. MARIENFELD, SUITE 508 MIDLAND, TEXAS 79701	155615
	[3] API Number 30 - 025 - 38015
[4] Property Code 35726	[5] Property Name TEMPLAR STATE
	[6] Well No. 1

[7] Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	17	21S	35E		1680'	NORTH	1880'	EAST	LEA

[8] Proposed 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

[9] Proposed Pool 1	[10] Proposed Pool 2
OSUDO (MORROW)	

Drilling Pit Location and Other Information

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	17	21S	35E		1680'	NORTH	1880'	EAST	LEA

Depth to ground water	Distance from nearest fresh water well	Distance from nearest surface water
130' TO 150'	MORE THAN 1000'	MORE THAN 1000'

[11] Work Type Code	[12] Well Type Code	[13] Cable/Rotary	[14] Lease Type Code	[15] Ground Level Elevation
N	G	ROTARY	S	3,634'

[16] Multiple	[17] Proposed Depth	[18] Formation	[19] Contractor	[20] Spud Date
NO	12,800'	Morrow	PATTERSON	+/- 08/1/06

[21] Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 ½"	13 3/8"	54.5#	1450'	1150	SURFACE
12 ¼"	9 5/8"	40#	6000'	2000	SURFACE
8 ¾"	5 ½"	17#	12,800'	1000	500' ABOVE WC

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.

DRILL AND COMPLETE WELL IN THE MORROW WITH A PROJECTED TD OF 12,800'. NO H2S IS EXPECTED, BUT AN H2S CONTINGENCY LETTER AND PLAN IS ATTACHED. A MUD GAS SEPERATOR WILL BE INSTALLED & TESTED PROIR TO DRILLING WOLFCAMP. A BOP WILL BE INSTALLED ON THE 9 5/8" TESTER CEMENT TO COVER ALL WATER, OIL & GAS PRODUCING ZONES.

[23] I hereby certify that the information given above is true and complete to the best of my knowledge and belief. **I further certify that the drilling pit will be constructed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.**

Signature: Josh Fernau

Printed name: JOSH FERNAU

Title: STAFF ENGINEER

E-mail Address: joshf@naguss.com

Date: 5/24/06 Phone: (432) 682-4429

OIL CONSERVATION DIVISION

Approved by:

Title: PETROLEUM ENGINEER

Approval Date: JUL 19 2006 Expiration Date:

Conditions of Approval:

Attached ☐

Received
MAY 2006
Hobbs
OCD

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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-38015	82120	Osudo Morrow

Property Code	Property Name	Well Number
35726	TEMPLAR STATE	1

OGRID No.	Operator Name	Elevation
155615	NADEL AND GUSSMAN PERMIAN	3634'

Surface Location

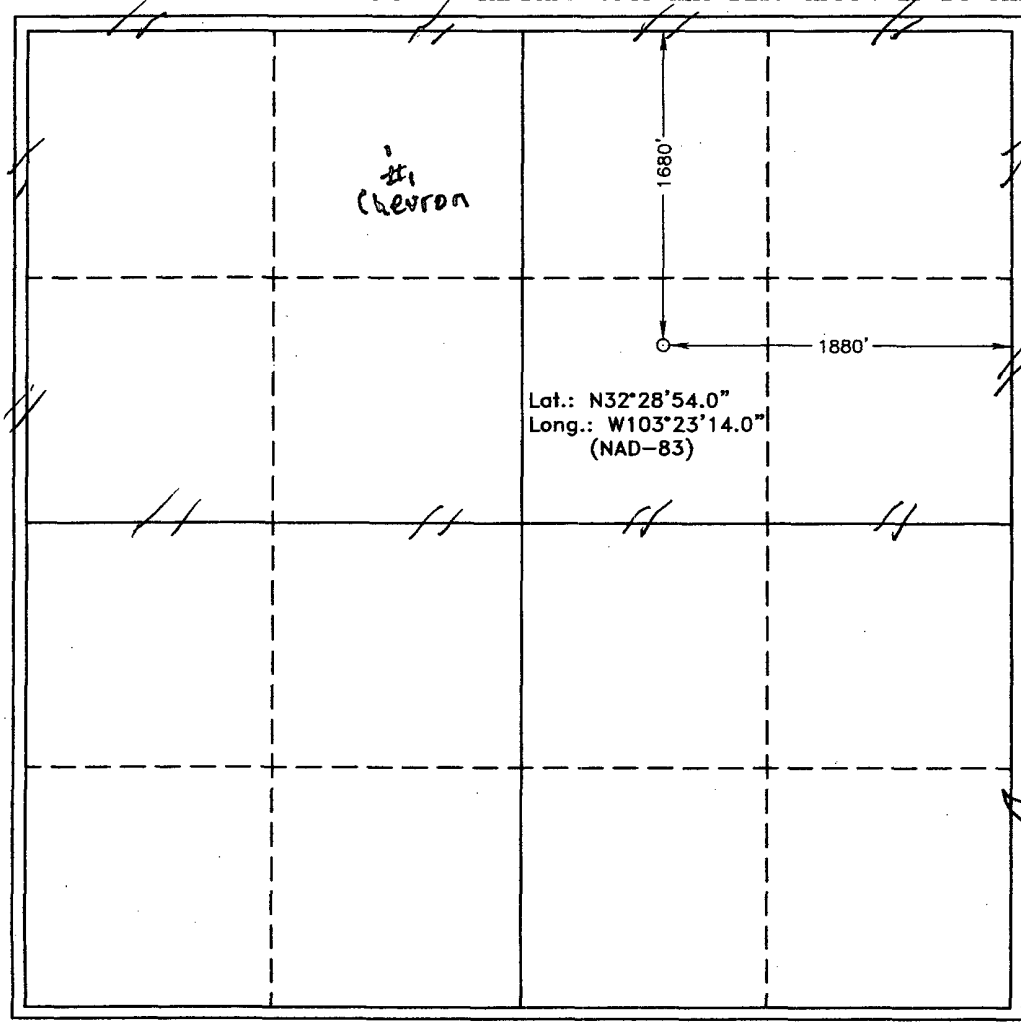
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	17	21 S	35 E		1680	NORTH	1880	EAST	LEA

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	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION

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

Signature

Josh Farmer
Printed Name

Staff Engineer
Title

05/24/06
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 supervison, and that the same is true and correct to the best of my belief.

APRIL 28, 2006
Date Surveyed

Signature & Seal of Professional Surveyor

NEW MEXICO 7977 PROFESSIONAL

W.O. No. 6536

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
(432) 682-4429 (Office)
(432) 682-4325 (Fax)

May 24, 2006

Ms. Donna Mull
District 1 Staff Specialist
New Mexico Oil and Gas Division
1625 N. French Dr.
Hobbs, NM 88240

Re: Templar State #1
1680' FNL, 1880' FEL
UL G, Sec. 17-T21S-R35E
Lea Co., NM
Rule 118 H2S Exposure

Dear Ms. Mull,

Nadel and Gussman Permian 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 intermediate and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,

Josh Fernau
Staff Engineer

Hydrogen Sulfide Drilling Operations Plan

1. Company and Contract personnel admitted on location should be trained by a qualified H_2S safety instructor to the following:
    A. Characteristics of H_2S.
    B. Physical Effects and Hazards.
    C. Proper Use of Safety Equipment and Life Support Systems.
    D. Principle and Operation of H_2S Detectors, Warning System and Briefing.
    E. Evacuation Procedure, Routes and First Aid.
    F. Proper Use of 30 minute Pressure Demand Air Pack.

2. H_2S Detection and Alarm Systems
    A. H_2S 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 H_2S Present in Dangerous Concentration Only Emergency Personnel Admitted to Location.

5. Well Control Equipment
    A. See Attached Diagram.

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.

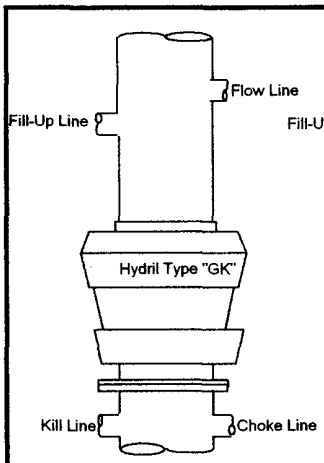
7. Drillstem Testing
    A. Exhausts will be Watered.
    B. Flare Line will be Equipped with an Electric Igniter or a propane pilot light in case gas reaches the surface.
    C. If Location is near any Dwelling a Closed DST will be Performed.

8. Drilling Contractor Supervisor will be Required to be Familiar with the Effects H_2S has on tubular goods and other mechanical equipment.

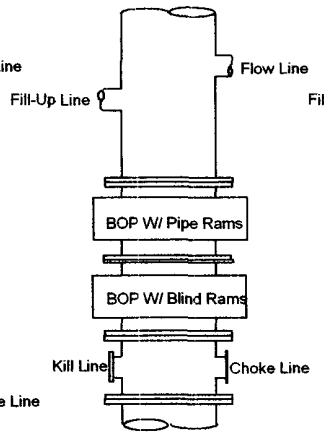
9. If H_2S Encountered, Mud system will be Altered if Necessary to Maintain Control of Formation. A Mud Gas Separator will be Brought into Service Along with H_2S Scavengers if Necessary.

Nadel and Gussman Permian _____

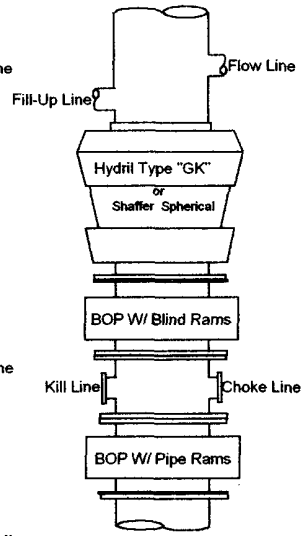
MINIMUM BLOWOUT PREVENTER REQUIREMENTS



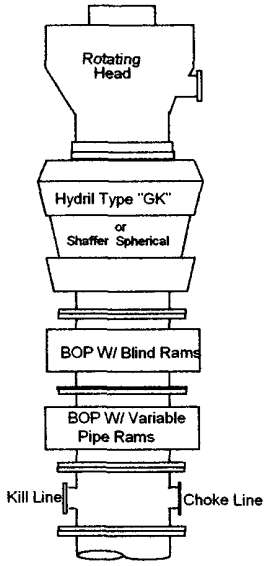
CASE I



CASE II



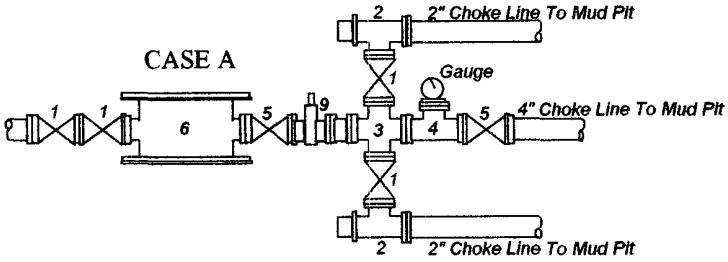
CASE III



CASE IV

A1" valve will be installed on the closing line to the Hydril. This valve will 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.

CASE A

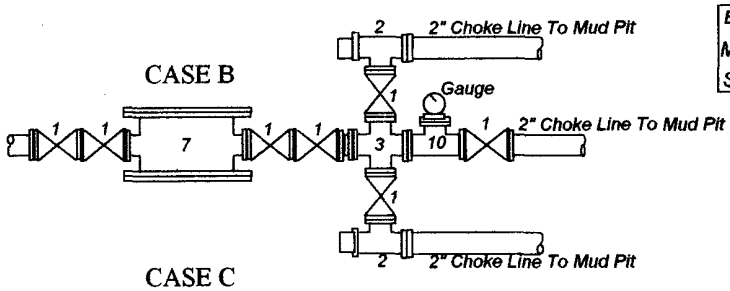


BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
13 5/8"	III	5,000 #	A

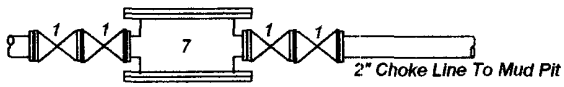
**Rotating head required*

Bradenhead :
Mfr: _____
Size: _____ *Type:* _____

CASE B



CASE C



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 & equiped 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

Proposed Mud Program
Casing Design

13 3/8" Surface Casing	@	1,450'
9 5/8" Intermediate Casing	@	6,000'
5 ½" Production Casing	@	12,800'

Recommended Mud Properties

Depth	Mud Weight	Viscosity	Fluid Loss
Spud	8.6 – 8.7	32 – 34	No Control
1,450'	8.7 – 9.1	23 – 34	No Control

Set 13 3/8" Surface Casing at 1,450'. Drill out w/ Fresh Water

1,450'	9.1 – 9.8	28 – 30	No Control
6,000'	10.0 – 10.1	28 – 30	No Control

Set 9 5/8" Intermediate Casing at 6,000'. Drill out with Fresh Water.

6,000'	8.4 – 8.4	28 – 29	No Control
6,100'	8.4 – 8.5	28 – 29	No Control
9,000'	8.4 – 8.5	28 – 29	No Control
9,500'	9.2 – 9.4	28 – 29	No Control
10,000'	9.4 – 9.6	28 – 29	No Control
10,700'	9.4 – 10.1	45 – 50	< 12
12,800'	10.4 – 12.1	45 – 50	< 12

Recommended Mud Program By Casing Interval

Surface Hole 0 – 1,450'

Spud w/ Gel / Lime slurry, mixing for a 32 – 34 viscosity. Lost circulation is common in this area. Should lost circulation occur and cannot be re-gained w/ one LCM pill, dry drill to total depth.

Intermediate Hole 1,450' – 6,000'

Drill out f/ under the surface casing w/ brine water, circulating through the inner reserve pit to allow maximum time for settling drilled-solids.

Severe lost circulation is possible while drilling this interval. Seepage can be controlled q/ addition of paper. Should complete loss of returns occur while drilling, we recommend pulling up above the loss zone to avoid differential sticking and spotting a 100 to 200 barrel pill containing 15 – 25 lb / bbl lcm material. Spot the pill f/ above at a reduced pump rate before returning to bottom to commence drilling operations. If lost circulation is not regained w/ one or two lcm pills, some blind drilling may be required. If partial returns are maintained, use only brine f/ volume to avoid severe washouts.

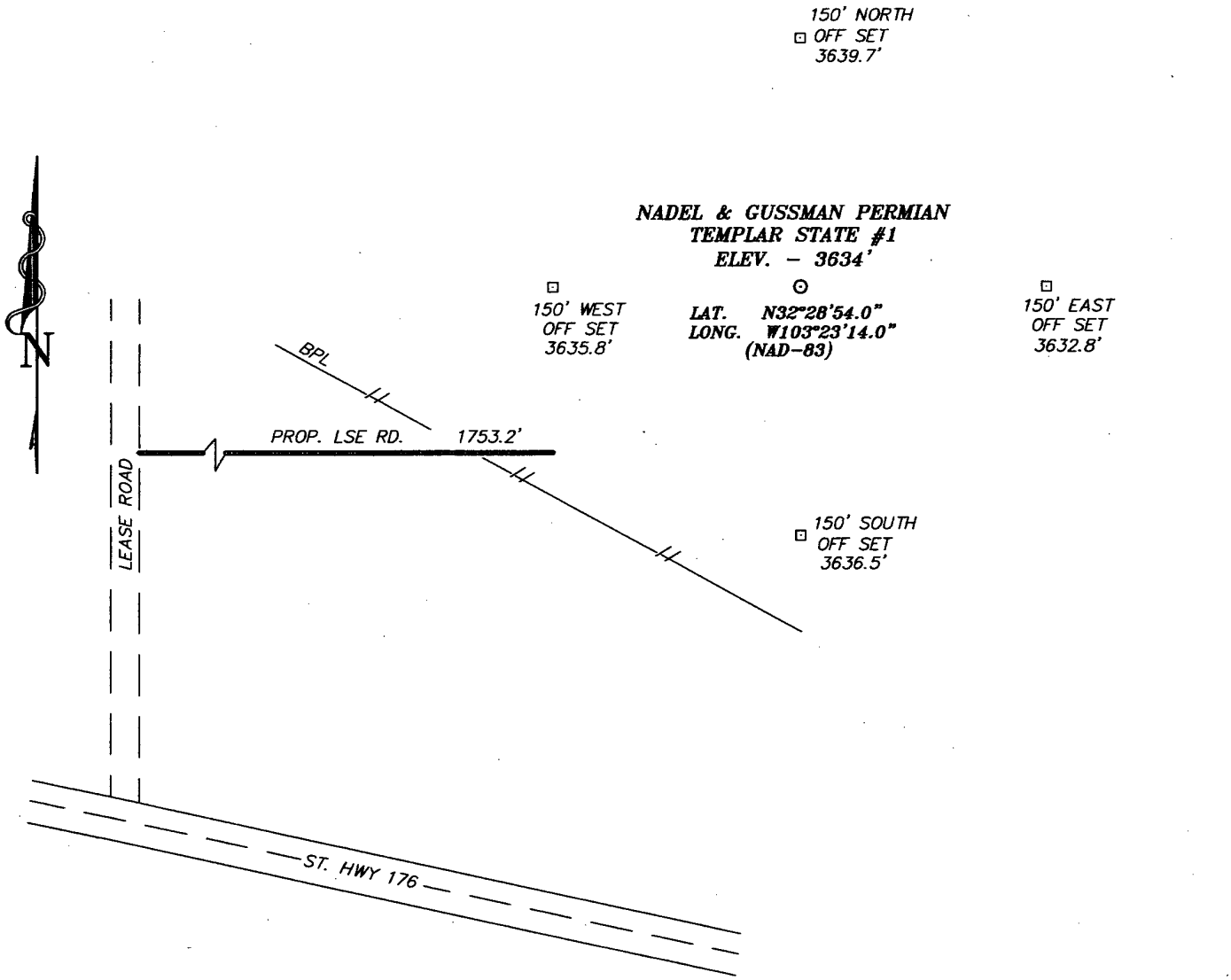
Open Hole 6,000' – 12,800'

Drill out f/ under the intermediate casing w/ fresh water, circulating through the outer reserve pit to, once again, allow maximum time f/ settling drilled – solids. A flocculent MF – 55 can be used to aid in dropping solids, providing a clear fluid and maximum penetration rates.

At a depth 10,600' or the top of the Strawn, we recommend displacing w/ brine and mudding – up w/ an XCD Polymer / MF – 55 system to achieve the following properties:

Mud Weight 9.2 – 9.4
Viscosity 32 – 34
Fluid Loss < 12

SECTION 17, TOWNSHIP 21 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, **NEW MEXICO.**



Directions to Location:

FROM JUNCTION OF STATE HWY #8 AND STATE HWY 176, GO WEST ON ST. HWY 176 FOR 7.5 MILE TO A LEASE ROAD; THENCE NORTH ON LEASE ROAD FOR 0.5 TO PROPOSED LEASE ROAD.

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

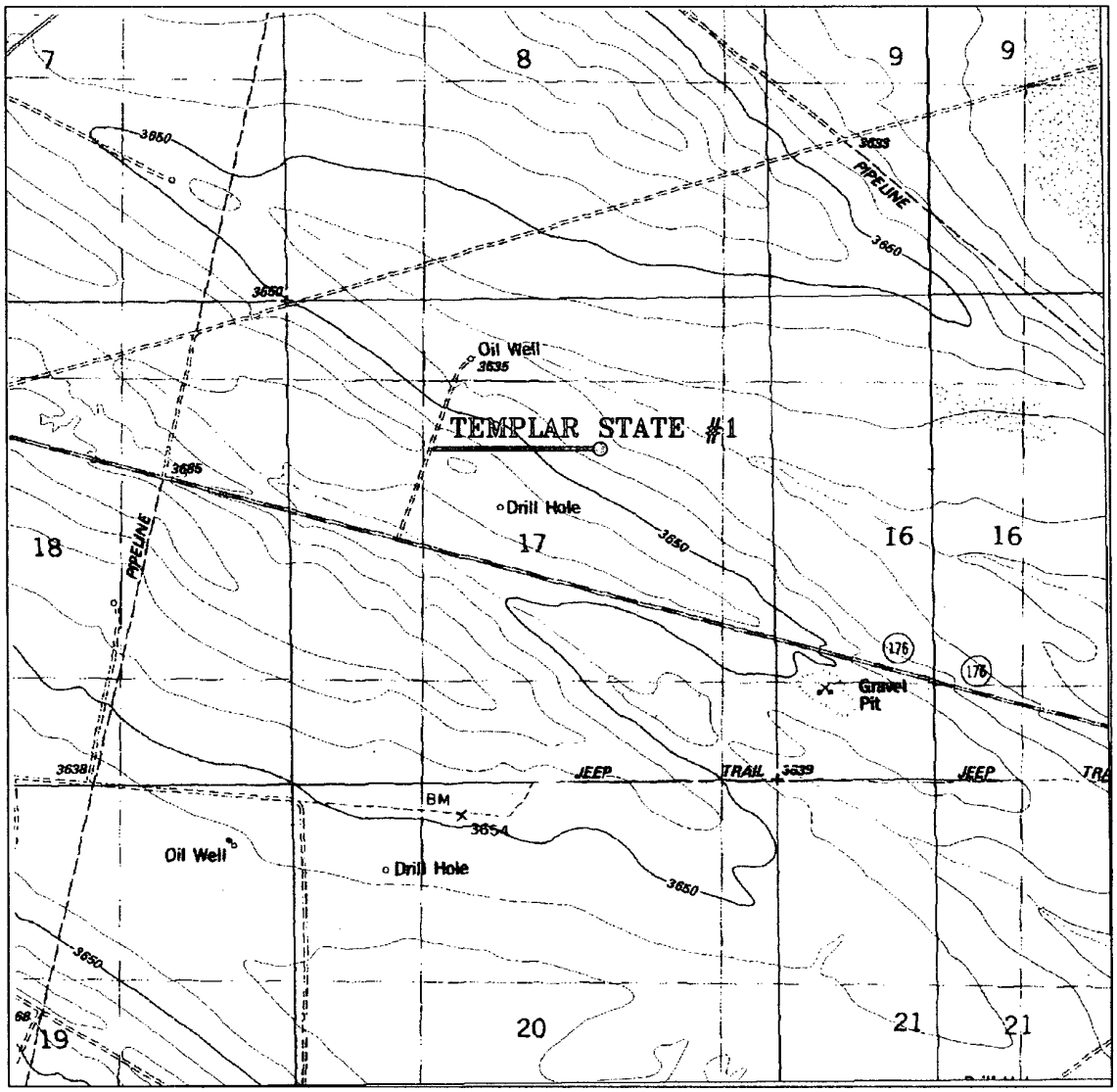
W.O. Number: 6536	Drawn By: J. SMALL
Date: 04-28-2006	Disk: JMS 6536W.DWG

NADEL AND GUSSMAN PERMIAN

REF: TEMPLAR STATE #1 / Well Pad Topo

TEMPLAR STATE NO. 1 LOCATED 1680' FROM THE NORTH LINE AND 1880' FROM THE EAST LINE OF SECTION 17, TOWNSHIP 21 SOUTH, RANGE 35 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 04-27-2006	Sheet 1 of 1 Sheets

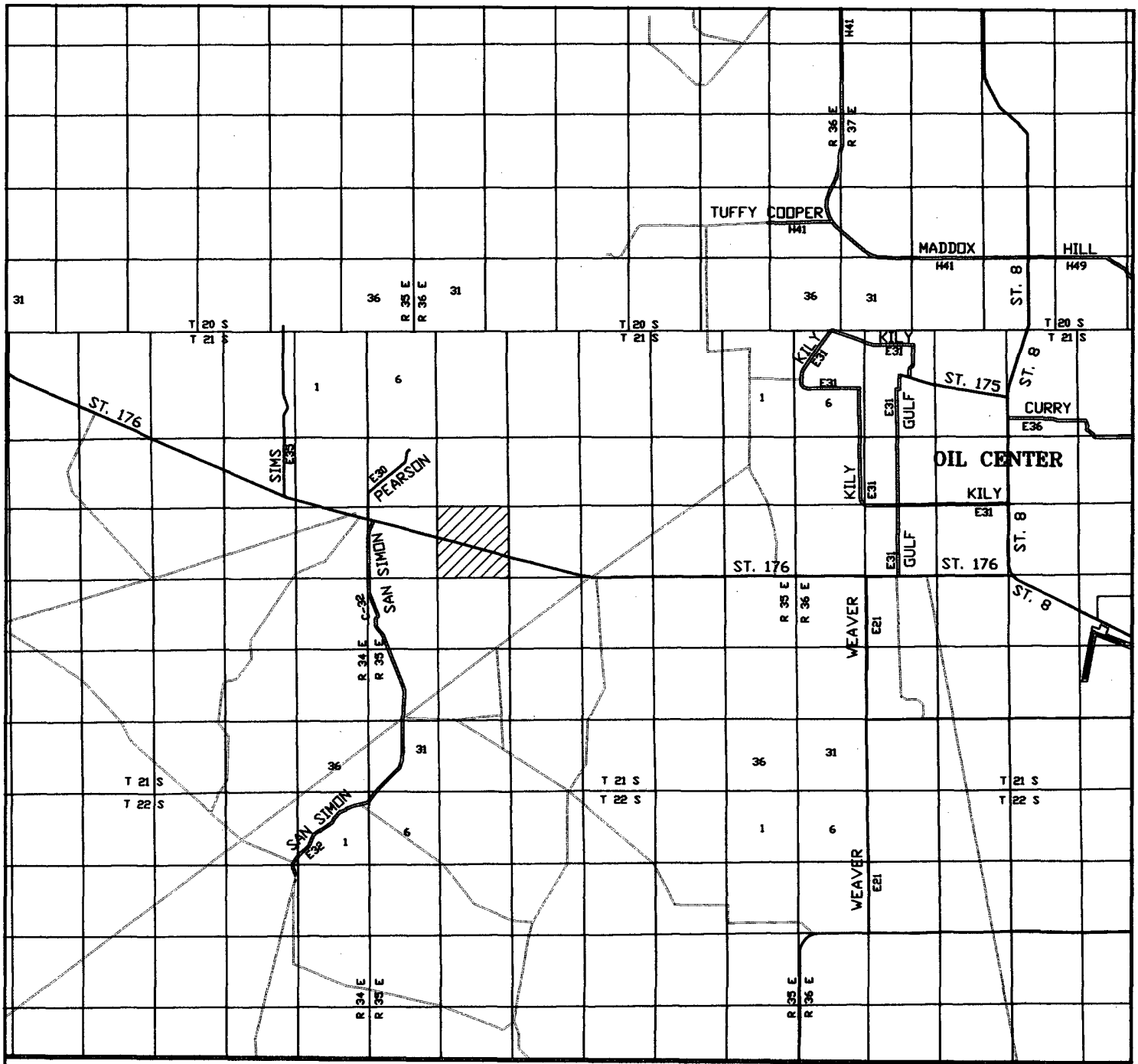


TEMPLAR STATE #1
Located at 1680' FNL & 1880' FEL
Section 17, Township 21 South, Range 35 East,
N.M.P.M., LEA County, New Mexico.

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:	JMS 6536T
Survey Date:	04-27-2006
Scale:	1" = 2000'
Date:	04-28-2006

NADEL AND GUSSMAN PERMIAN



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Located at 1680' FNL & 1880' FEL
Section 17, Township 21 South, Range 35 East,
N.M.P.M., LEA County, New Mexico.

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NADEL AND GUSSMAN
PERMIAN

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
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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

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

Form C-144
March 12, 2004

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@naguss.com
Address: 601 N. Marienfeld, Suite 508 Midland, TX 79701
Facility or well name: TEMPLAR STATE # 1 API #: 30-025- 38015 U/L or Qtr/Qtr: G Sec: 17 T: 21S R: 35E
County: LEA Latitude: N32° 28' 54.0" Longitude: W103°23'14.0" NAD: 1927 ☐ 1983 ☒ Surface Owner Federal ☐ State ☒ Private ☐ Indian ☐

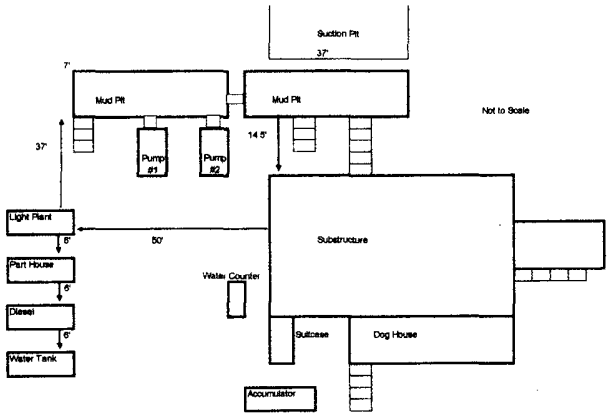
Pit	**Below-grade tank**	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 20 mil Clay ☐ Volume 20,000 bbl	Volume: bbl Type of fluid: Construction material: Double-walled, with leak detection? Yes ☐ If not, explain why not.	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) 0 (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (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 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) 0 (0 points)
	Ranking Score (Total Points)	0

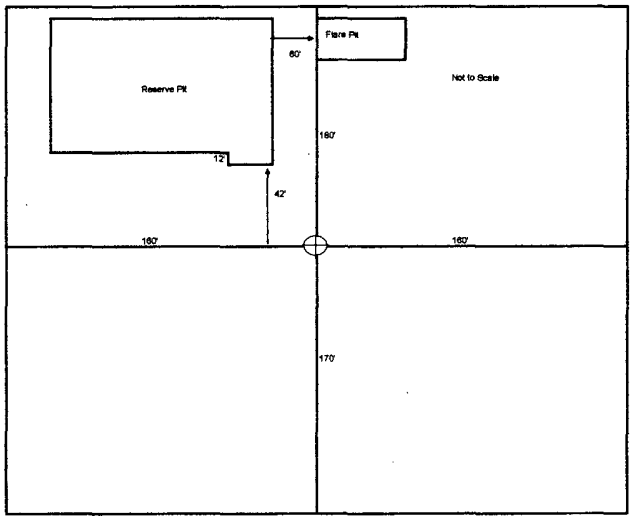
If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility. (3) Attach a general description of remedial action taken including remediation start date and end 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.

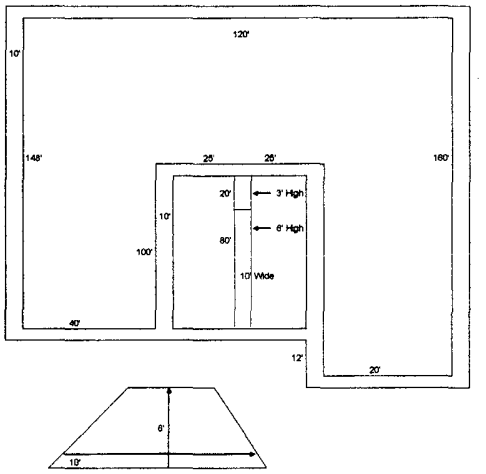
I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.**
Date: 5/24/06
Printed Name/Title Josh Fernau , Staff Engineer 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:
Date: JUL 19 2006
Printed Name/Title PETROLEUM ENGINEER Signature


Suction Pit
37'
7'
Mud Pit
Mud Pit
Not to Scale
37'
Pump #1
Pump #2
14.5'
Light Plant
6'
50'
Substructure
Part House
6'
Water Counter
Diesel
6'
Water Tank
Suitcase
Dog House
Accumulator


Reserve Pit
Flare Pit
60'
Not to Scale
180'
12'
42'
160'
160'
170'


120'
10'
Not to Scale
148'
25'
26'
160'
20'
3' High
6' High
10'
100'
80'
10' Wide
40'
12'
20'
6'
10'

Charles D. Frisbie
Land Consultant

Midcontinent SBU
Chevron North America
Exploration and Production
11111 S. Wilcrest
Houston, Texas 77099
Tel 281.561.3507
Fax 281.561.4874
cdfr@chevron.com

July 14, 2006

New Mexico Oil Conversation Division
District 1
1625 N. French Dr.
Hobbs, New Mexico 88240
Attn: Ms. Donna Mull

Re: Templar State #1
N/2 Section 17, T-21-S, R-35-E
Lea County, New Mexico

Dear Ms. Mull:

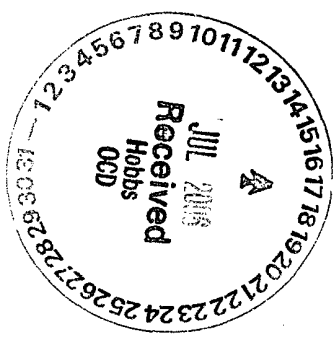
Please be advised that Chevron U.S.A. Inc. ("Chevron") is entering into a Farmout Agreement, dated effective July 1, 2006, with Nadel and Gussman Permian, LLC ("NGP") covering the captioned acreage. NGP has applied for a permit to drill the Templar State #1, located approximately 1,680' FNL & 1,880' FEL Section 17, T-21-S, R-35-E, Lea County, New Mexico. Pursuant to NMOCD regulations, Chevron and NGP will be sharing the N/2 spacing unit, with NGP's Templar State well being drilled as an increased density well under NMOCD regulations.

If you have any concerns, please feel free to contact Mayan Marshall at (281)381-3919.

Yours truly,

C.D. Frisbie

C.D. Frisbie



CC: Sam Jolliffe – Nadel & Gussman Permian, LLC