

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

RECEIVED

Form C-101
March 4, 2004

Submit to appropriate District Office
MAY 29 2008 State Lease - 6 Copies
Fee Lease - 5 Copies

HOBBS OGD AMENDED REPORT

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

Operator Name and Address NADEL AND GUSSMAN PERMIAN, L.L.C. 601 N. MARIENFELD, SUITE 508 MIDLAND, TEXAS 79701		OGRID Number 155615
Property Code 37182	Property Name CEBO STATE	API Number 30 - 025 - 38954 Well No 1

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	10	16S	33E		660'	SOUTH	990'	EAST	LEA

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
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Proposed Pool 1

Hume Grayburg West

<97444>

Proposed Pool 2

Hume Queen West

<33560>

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
P	10	16S	33E		660'	SOUTH	990'	EAST	LEA
Depth to ground water 166'				Distance from nearest fresh water well More than 1000'			Distance from nearest surface water More than 1000'		
Work Type Code N		Well Type Code O		Cable/Rotary ROTARY		Lease Type Code S		Ground Level Elevation 4202'	
Multiple NO		Proposed Depth 4800'		Formation Queen/Grayburg		Contractor (To Be Determined)		Spud Date +/- 06/09/08	

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
20"	16"	65#	40'	35	SURFACE
12 1/4"	8 5/8"	24#	1400'	220	SURFACE
7 7/8"	4 1/2"	10.5#	4800'	690	SURFACE

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 Queen/Grayburg with a projected TD of 4,800'. No H2S is expected, but an H2S contingency letter and plan is attached. A BOP will be installed on the 8 5/8" casing. Will cement to cover all water, oil and 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.

Michelle Sena

Printed name. Michelle Sena

Title. Regulatory Analyst

E-mail Address msena@naguss.com

Date. 05/21/08

Phone. (432) 682-4429

OIL CONSERVATION DIVISION

Approved by:

Chris Williams

Title. DISTRICT SUPERVISOR GENERAL MANAGER

Approval Date. MAY 29 2008

Expiration Date.

Oil Conservation Division

Conditions of approval: Approval for drilling/workover ONLY--- CANNOT produce Downhole Commingled until DHC is approved in Santa Fe.

Permit Expires 2 Years From Approval
Date Unless Drilling Underway

RECEIVED Form C-102
Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies
Federal Lease - 3 Copies

HOBBS OGD

☒ AMENDED REPORT

				<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><u>Michelle Sena</u> 5/21/08</p> <p>Signature Date</p> <p><u>Michelle Sena</u></p> <p>Printed Name</p>
				<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 9, 2008</p> <p>Date Surveyed</p> <p><u>Gary L. Jones</u> 7977</p> <p>Signature State of Professional Surveyor</p> <p><u>NO. 19700</u></p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>
			<p><u>SURFACE LOCATION</u> Lat.: N32°55'51.08" Long.: W103°38'44.40" N.: 703066.770 E.: 752328.348 (NAD-83)</p>	

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State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

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MAY 2 2008
HOBBS OCD
AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-38954	Pool Code 33560	Pool Name Hume Queen West
Property Code 37182	Property Name CEBO STATE	Well Number 1
OGRID No. 155615	Operator Name NADEL AND GUSSMAN PERMIAN	Elevation 4202'

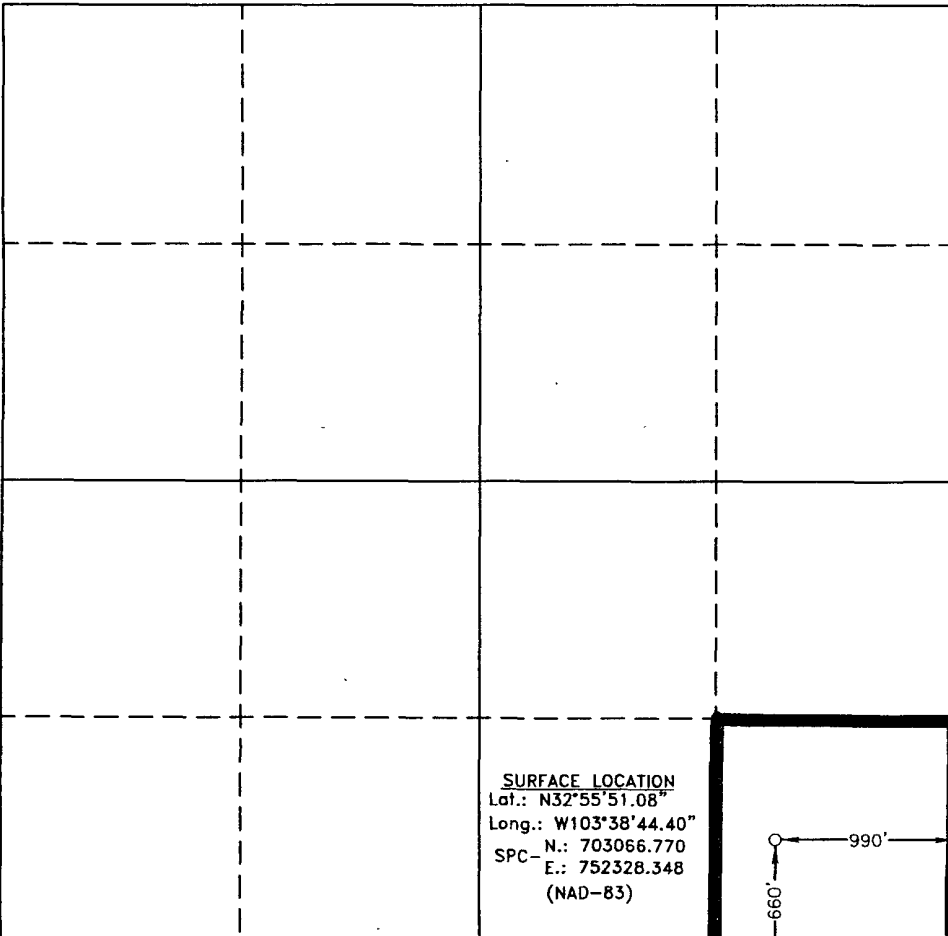
Surface Location

UL or lot No. P	Section 10	Township 16 S	Range 33 E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 990	East/West line EAST	County LEA
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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 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>SURFACE LOCATION Lat.: N32°55'51.08" Long.: W103°38'44.40" SPC-N.: 703066.770 E.: 752328.348 (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Michelle Sena</i> 5/21/08 Signature Date</p> <p>Michelle Sena Printed Name</p>
		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MAY 9 2008 Date Signed</p> <p><i>Gary L. Jones</i> Signature of Professional Surveyor</p> <p>7977 Professional Surveyor No.</p> <p>7977 Certificate No.</p>
		<p>Basin Surveys</p>

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

May 21, 2008

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

Re: Cebo State #1
660' FSL, 992' FEL
UL P, Sec. 10-T16S-R33E
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,



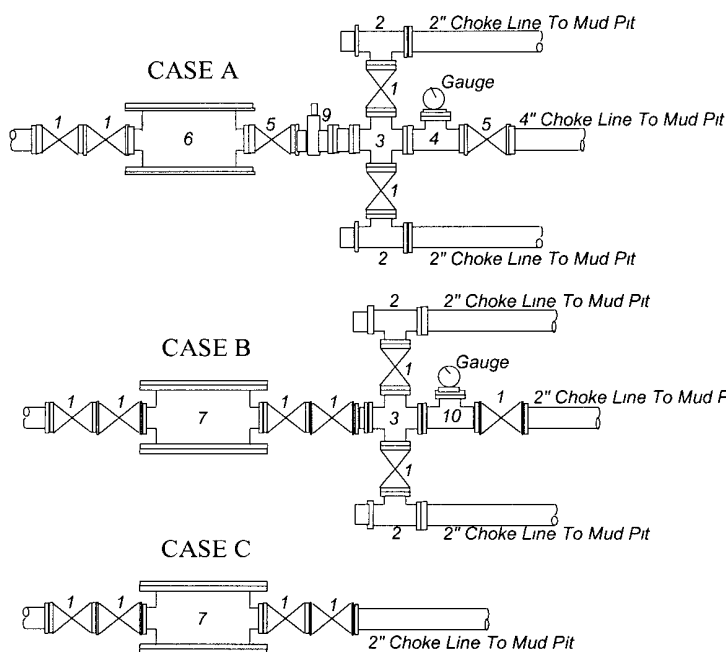
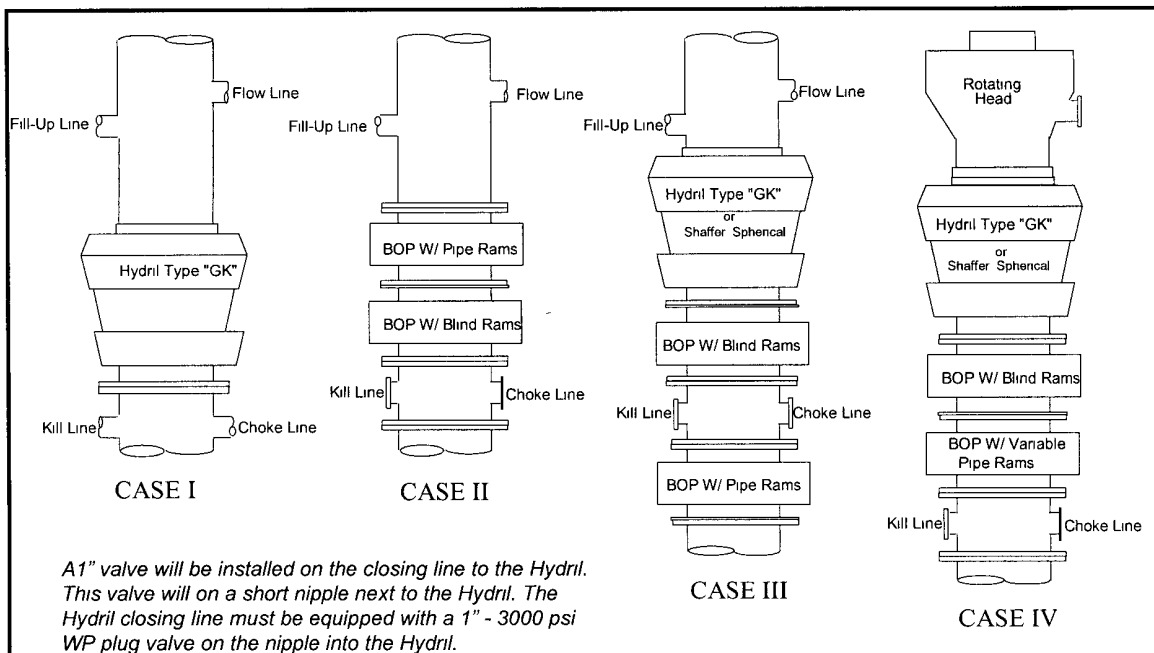
Michelle Sena
Regulatory Analyst

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 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 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.

Nadel and Gussman Permian

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
11"	I	3000 psi	C

***Rotating head required**

Bradenhead

Mfr: _____

Size: _____ Type: _____

Legend

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

Proposed Mud Program

Casing Design

0' – 400'	12 ¼" hole	8 5/8" Surface Casing
400' - 4,800'	7 7/8" hole	4 1/2" Production Casing

Recommended Mud Program

<u>Depth</u>	<u>Mud Type</u>	<u>Mud Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0 to 400'	FW	8.5 – 9.0	30 – 36	No Control
400' to 4800'	Cut Brine	8.9 – 10.4	28 – 34	No Control

- Hole Cleaning: Use high vis sweeps every 200' or as needed for fill or drag.
- Mud Up: Use Starch Gel w/ fluid loss additives w/ mud weight between 9.6# - 10.1# per gal.
- Mud system: Use caustic soda to maintain the pH above 10.
- Lost Returns / Seepage: Pull up 5 to 10 stands if loss circulation occurs and pump 10 to 20 lbs per barrel. Seepage requires 3 to 4 sacks per hour.

SECTION 10, TOWNSHIP 16 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

150' NORTH
OFF SET
4194.1'
□

NADEL & GUSSMAN PERMIAN
CEBO STATE #1
ELEV. - 4202'

150' WEST
OFF SET □
4194.9'

150' EAST
□ OFF SET
4193.5'

LAT. N: 32°55'51.08"
LONG. W: 103°38'44.40"
(NAD-83)

□
150' SOUTH
OFF SET
4194.3'

PROPOSED LEASE ROAD 507.0'

2-TRACK

929.4'

ANGLER ST #2

200 0 200 400 FEET

SCALE: 1" = 200'

Directions to Location:

FROM THE JUNCTION OF HWY 82 AND CO. RD. L118,
GO NORTH 0.8 MILES, TURN LEFT ON LEASE ROAD
0.5 MILES, TURN RIGHT 0.5 MILES TO PROPOSED
LEASE ROAD.

NADEL AND GUSSMAN PERMIAN

REF: CEBO STATE #1 / Well Pad Topo

CEBO STATE #1 LOCATED 660' FROM

THE SOUTH LINE AND 990' FROM THE EAST LINE OF
SECTION 10, TOWNSHIP 16 SOUTH, RANGE 33 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

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

W.O. Number: 19700

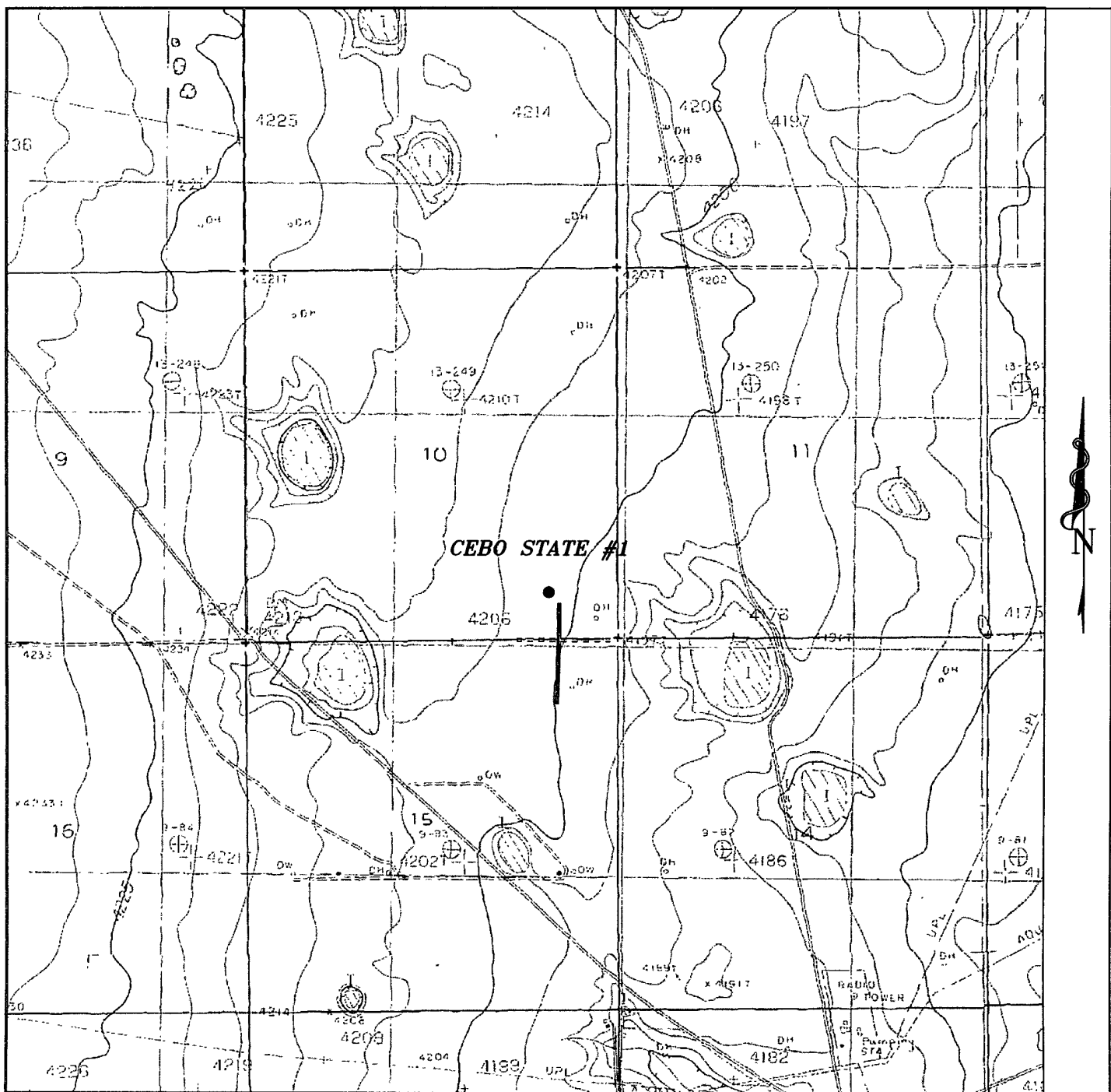
Drawn By: J. M. SMALL

Date: 05-12-2008

Disk: JMS 19700W

Survey Date: 05-09-2008

Sheet 1 of 1 Sheets



CEBO STATE #1

Located at 660' FSL & 990' FEL
Section 10, Township 16 South, Range 33 East,
N.M.P.M., Eddy County, New Mexico.



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: 19700

Survey Date: 05-09-2008

Scale: 1" = 2000'

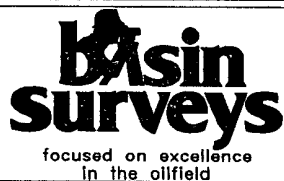
Date: 05-12-2008

**NADEL AND
GUSSMAN
PERMIAN**



CEBO STATE #1

Located at 660' FSL & 990' FEL
Section 10, Township 16 South, Range 33 East,
N.M.P.M., Lea County, New Mexico.



P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
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(505) 392-3074 - Fax
basinsurveys.com

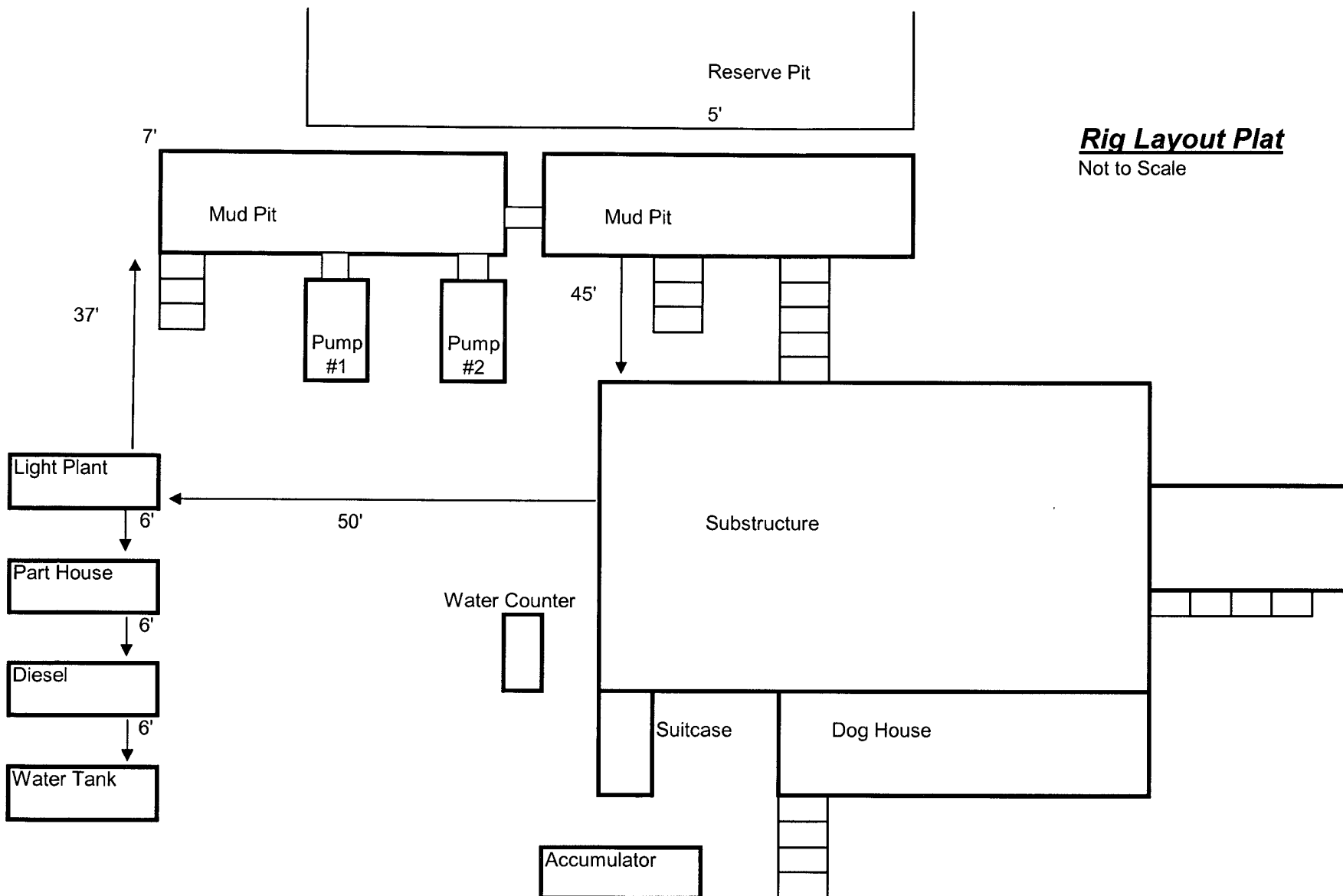
W.O. Number: JMS 19700

Survey Date: 05-09-2008

Scale: 1" = 2 MILES

Date: 05-12-2008

*NADEL AND
GUSSMAN
PERMIAN*



Rig Layout Plat

Not to Scale

