

DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

Operator Nadel & Gussman LLC

OGRID # 258462

Well Name & # Pearson b Fed # 11

Surface Type F : S : P

Location P. b - 185 - 320

Sub-Surface Type F : S : P

A. DATE C101 rec'd 8/12/09

C101 reviewed 8/12/09

B. Put Check Mark if OK on Form:

OGRID ✓, BONDING ✓, PROP CODE ✓, WELL # ✓,

Signature ✓

Inactive Well list as of: 8/12/09 # well 177, # inactive wells 5

1. District Grant APD but see number of inactive wells:

NO Letter required ✓; Sent Letter to Operator ✓, to Santa Fe ✓

Additional Bonding as of: 8/12/09

2. District Denial because operator needs addition bonding:

NO Letter required ✓; Sent Letter to Operator ✓, To Santa Fe ✓

3. District Denial because of Inactive Well list and Financial Assurance:

NO Letter required ✓; Sent Letter to Operator ✓, To Santa Fe ✓

C. C-102 YES ✓, NO ✓, Signature ✓

1. Pool Young Bone Spring North, code 65350

a. Dedicated acreage 40, What Units P

b. SUR. Location Standard ✓; Non-Standard Location ✓

2. 2nd Operator in same acreage, Yes ✓, No ✓

If Yes, Name of 2nd Oper. ✓

Agreement Letter ✓, Disagreement letter ✓

3. Intent to Directional Drill YES____, NO ☒

a. Dedicated acreage____, What Units____

b. Bottomhole Location Standard ____; Non-Standard____

4. POTASH Area YES____, NO ☒

D. Blowout Preventer YES ☒, NO____

E. H2S YES ☒, NO____

F. C-144 Pit Registration YES ☒, NO____

G. Does APD require Santa Fe Approval:

Non-Standard location: YES____, NO ☒, ORDER # NSL-

Non-Standard proration: YES____, NO ☒, ORDER # NSP -

Simultaneous Dedication (share acreage) YES____, NO ☒, ORDER # SD -

Number of wells____, Plus #____

Injection order YES____, NO ☒,

ORDER # PMX - or ORDER # WFX

SWD order YES____, NO ☒, ORDER # SWD -

H. Holding for:

I. OCD Approval Date 8/12/09

API # 30-025-39487