

RECEIVED

AT5-10-537

Form 3160-3
(August 2007)

JUL 22 2010

OCD-HOBBS

HOBBSOCD UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT


FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No <305015> Bola 7 Federal #5	
2. Name of Operator Nadel and Gussman HEYCO, LLC <258462>		9. API Well No. 30-025-39841	
3a. Address P.O. Box 1936 Roswell N.M. 88202		3b. Phone No. (include area code) (575) 623-6601	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 360' FNL & 330' FWL Unit D At proposed prod. zone Same		10. Field and Pool, or Exploratory Pearshall? Driven per Keith Cannon Tamano Bone Spring 52-10-254	
11. Sec, T, R. M. or Blk and Survey or Area Sec 7, T18S, R32E		12. County or Parish Lea	
13. State NM		14. Distance in miles and direction from nearest town or post office* 10 miles South of Maljamar N.M.	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'		16. No. of acres in lease 40	
17. Spacing Unit dedicated to this well 40		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 330'	
19. Proposed Depth 5500'		20. BLM/BIA Bond No. on file NMB000520	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3789'		22. Approximate date work will start* 07/28/2010	
23. Estimated duration 30 days		24. Attachments	

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must 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 must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature 	Name (Printed/Typed) Keith Cannon	Date 05/04/2010
---	--------------------------------------	--------------------

Title
Drilling Superintendent

Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed)	Date JUL 20 2010
--	----------------------	----------------------------

Title 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 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.

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

PETROLEUM ENGINEER

JUL 26 2010

Approval Subject to General Requirements
& Special Stipulations Attached

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

RECEIVED

State of New Mexico

DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

JUL 22 2010

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88201

HOBBSCOCH

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

Revised October 12, 2005
Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 3D-D25-39841	Pool Code 49970	Pool Name Pearsall; Queen
Property Code 30714	Property Name BOLA 7 FEDERAL	Well Number 5
OGRID No. 258462	Operator Name NADEL AND GUSSMAN HEYCO, LLC.	Elevation 3789'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	7	18-S	32-E		360	NORTH	330	WEST	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
1	7	18S	32E		360	North	330	West	Lea
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

				OPERATOR CERTIFICATION I hereby certify that the information 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 or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature Date 5/4/10 Keith Cannon Printed Name
LOT 2				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.
40.97 AC LOT 3				Date Surveyed Signature & Seal of Professional Surveyor Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239
40.95 AC LOT 4				
40.95 AC				

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857

Statement Accepting Responsibilities for Operations

Operator Name: Nadel and Gussman Heyco, LLC
Street or Box: P.O. Box 1936
City, State: Roswell, New Mexico
Zip Code: 88202

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below.


Lease No.: NMNM - 40450

Lease Name: Bola 7 Federal #5
Legal description of land: Sec 7, T18S, R32E, Lea County, New Mexico

Formation(s) (if applicable): Brushy Canyon, Delaware, San Andres, & Grayburg

Bond Coverage: Statewide Bond

BLM Bond File No.: NM B 000520

Authorized Signature: 

Title: Drilling Superintendent

Date: 3/20/2009

Application
Nadel and Gussman Heyco, LLC
Bola 7 Federal #5
Sec 7, T18S, R32E
360' FNL & 330' FWL
Lea County, New Mexico

In conjunction with Form 3160-3, Application For Permit To Drill Or Deepen subject well, Nadel and Gussman Heyco, LLC submits the following ten items of pertinent information in accordance with Onshore Oil & Gas Order No. 10.

1. Geologic Name of Surface Formation:
PERMIAN

2. Estimated Tops of Significant Geologic Markers:

<u>Formation</u>	<u>Depth</u>	
Rustler	960'	Water
BX (BASE OF SALT)	2,220'	
Yates	2,380'	Oil
Seven Rivers	2,850'	Oil
Bowers	3,310'	Oil
Queen	3,555'	Oil
Penrose	3,780'	Oil
Grayburg	4,070'	Oil
Loco Hills	4,180'	Oil
Metex	4,360'	Oil
Premier Sand	4,440'	Oil
Upper San Andres	4,500'	Oil
Cherry Canyon Tongue	4,620'	Oil
Brushy Canyon	4,970'	Oil
PTD	5,500'	

No other formations are expected to yield oil, gas, or fresh water in measurable volumes.
The surface fresh water sands will be protected by setting 9 5/8" casing at 895' and circulating Cement back to surface. All other intervals will be isolation by setting 5 1/2" Casing to total depth and circulating cement up into the 9 5/8" casing.

3. Proposed Casing Program:

<u>Hole size</u>	<u>Depth</u>	<u>OD Csg</u>	<u>Weight</u>	<u>Collar</u>	<u>Grade</u>	<u>New/Used</u>
11"	0' – 1005'	8 5/8"	24#	ST&C	J-55	NEW
7 7/8"	0' – 5500'	5 1/2"	17#	ST&C	J-55	NEW

Safety Factors: Burst 1.0 Collapse 1.125 Tension 1.8
All casing is new and API approved

4. Cement Program: (Note yields; and DV tool depths if multiple stages)

- a. 8 5/8" Surface

Cement to surface with:

Lead - 150 sx 35:65 Poz C, 5% Salt, 0.25% Celloflake, 6% Bentonite, 12.8ppg, and 0.25% defoamer, 1.89cu.ft/sk yield, TOC @ Surface

Tail – 200 sx C, 0.25% Dfoamer, 14.8ppg, 1.32cu.ft/sk Yield, TOC @ 550'

- b. 5 1/2" Production

Cement to 695' with:

Lead - 280 sx 50:50 Poz C, 5% Salt, 10% Bentonite and 0.2% AntiFoamer, 11.9 ppg, 2.37 cu.ft./sk yield, TOC @ 670' w/ 30% excess.

Tail – 340 sx C, 1% CaCl, 14.8 ppg, 1.33 cu.ft./sk yield, TOC @ 3570'. w/ 30% excess.

The above volumes, additives and depths may be revised based on open hole logs, conditions encountered while drilling and on cement field blend tests. The top of cement for the production string is designed to reach approximately 200' above the 8 5/8" casing shoe.

5. Pressure Control Equipment:

The blowout preventor equipment (BOPE) shown in Exhibit #1 will consist of a (3m system) Double ram type (3000psi WP) preventor and a bag type (hydril) preventor (3000psi WP) Both unit will be hydraulically operated and the ram type preventor will be equipped with blind rams on top 4 1/2" drill pipe rams on bottom. The BOP's and Hydrill will be tested as per BLM Drilling Operations Order #2. Pipe rams will be Operated and checked each 24hr period and each time drill pipe is out of the hole. These functional Test will be documented on the daily driller log. A 2" kill line and 3" choke line will be incorporated In the drilling spool below the ram-type BOP. Other accessory BOP equipment will include a Kelly Cock, floor safety valve, choke line and choke manifold having a 3000psi wp rating.

6. Drilling Fluid Program:

Depth	Mud Wt.	Visc	Fluid Loss	Type System
0' - 1005'	8.4 - 8.8	80 - 55	NC	Fresh Water
1005' - 5500'	8.8 - 10.0	28 - 30	NC	Brine / Cut Brine

The 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.

7. Auxiliary Equipment:

- A Kelly Cock will be in the drill string at all times.
- A full opening drill pipe stabbing valve having the appropriate Connections will be on the rig floor at all times.
- Hydrogen Sulfide detection equipment will be in operation after drilling Out the 8 5/8" casing shoe unit the 5 1/2" casing is cemented. Breathing Equipment will be on location upon drilling the 8 5/8" shoe unit total Depth is reached.

8. Testing, Logging, & Coring Program: *See COA*

- Mud logging unit from 2250' to depth
10' samples will be caught by loggers
- Possible rotary sidewall cores
- Drill stem test None Planned
- Platform express (GR / LDT - CNL - PE / DLL - MCFL / NGT)

9. Abnormal Conditions, Pressures, Temperature, or Potential Hazards:

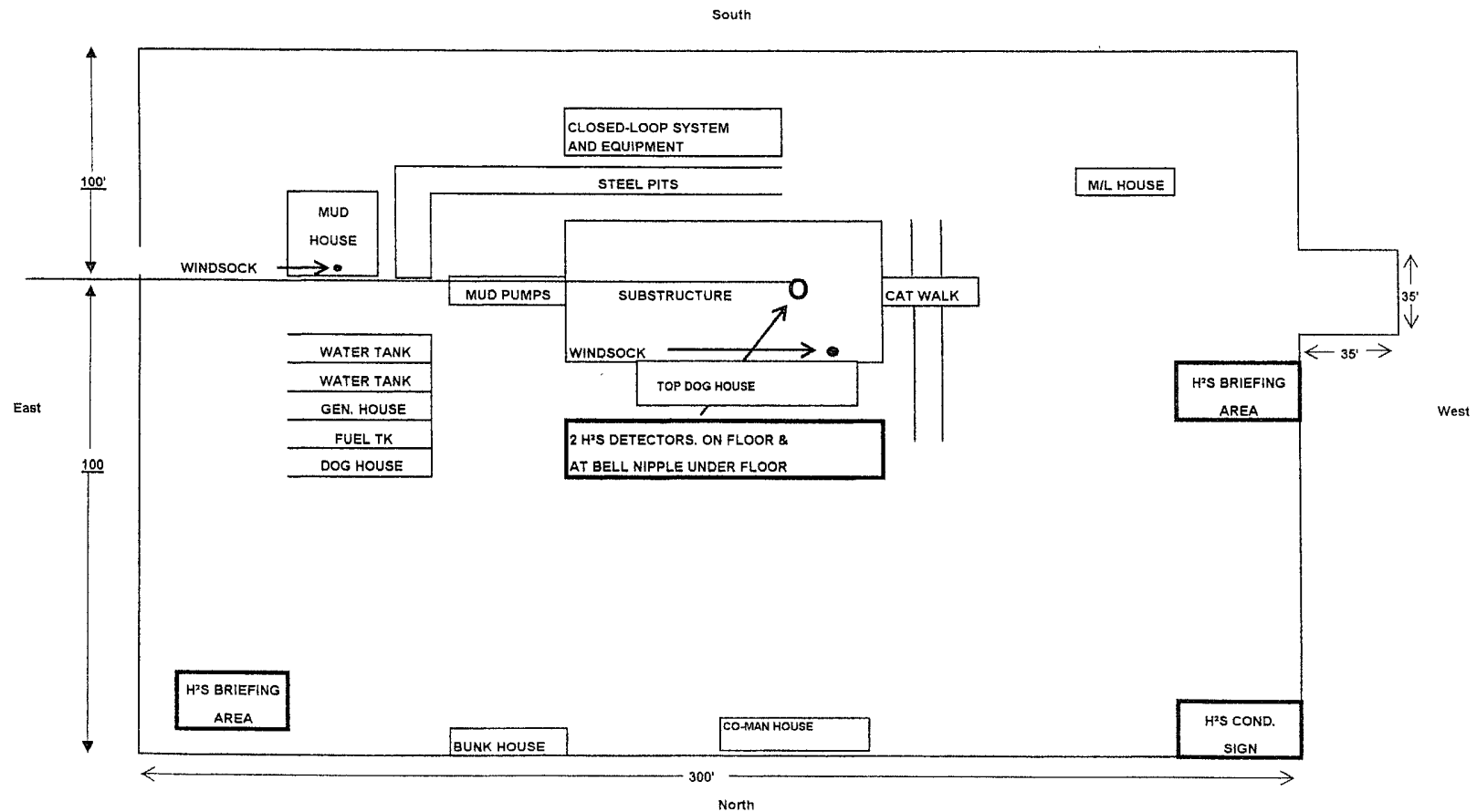
No abnormal conditions are expected. There is no known presence of H2S in this area. If H2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No 6. Lost circulation might occur in the Capitan Reef. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2100 psi and estimated BHT 110 F. No H2S is anticipated to be encountered.

9. Anticipated Starting Date & Duration of Operation:

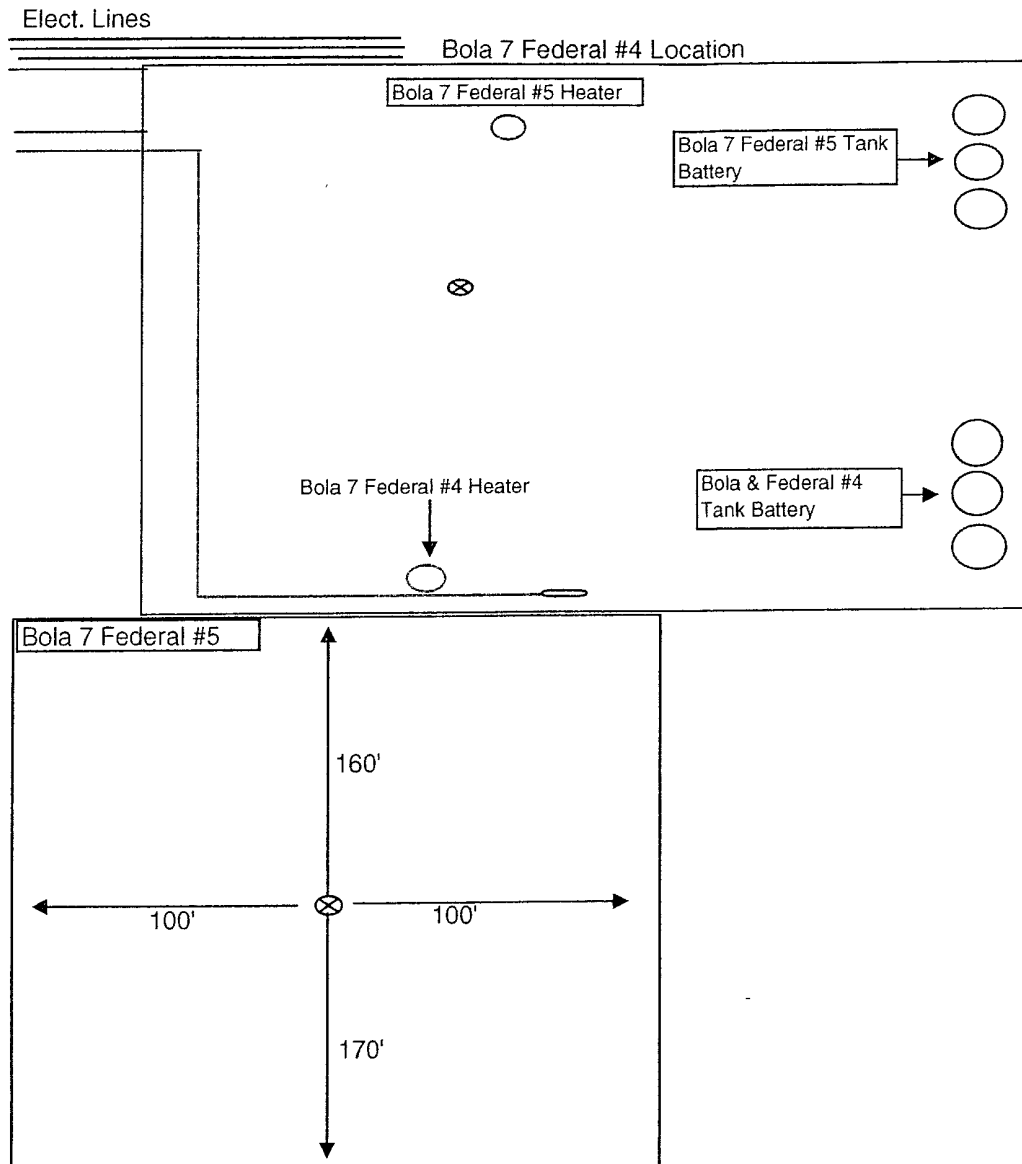
Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon as possible after BLM approval and as soon as a rig will be available. Move in operations and drilling is expected to take 15 days. If production casing is run then an additional 15 days will be needed to complete well And construct surface facilities and/or lay flow line in order to place well on production.

EXHIBIT "D" LOCATION DIAGRAM

Bola 7 Federal #5
360' FNL & 330' FWL
SEC 7, T18S, R32E
Lea COUNTY, NM



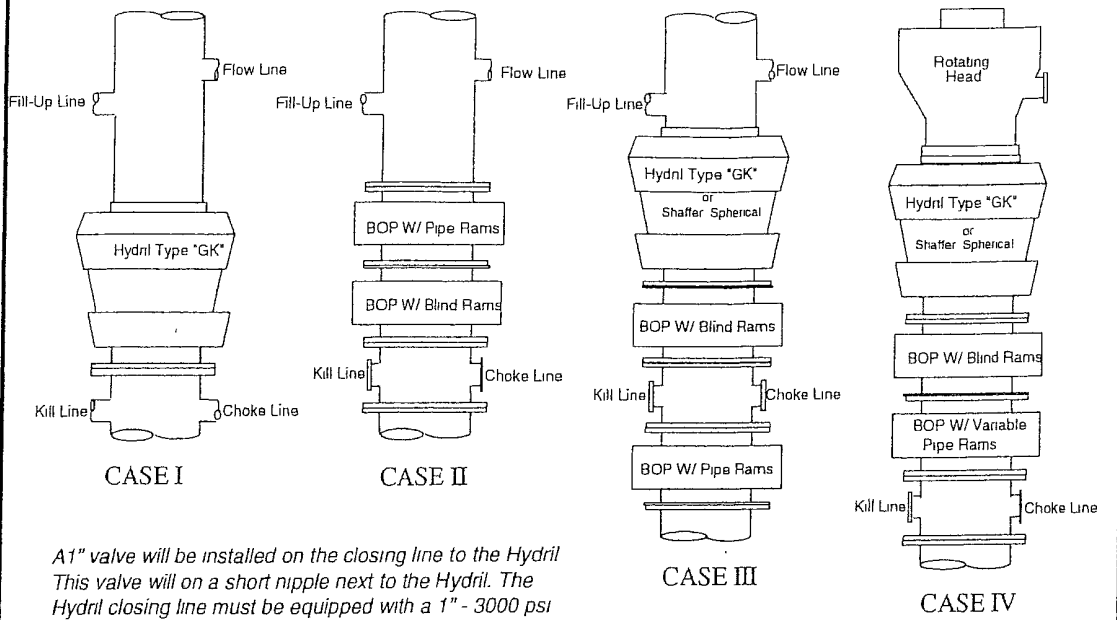
PRODUCTION FACILITY LAYOUT



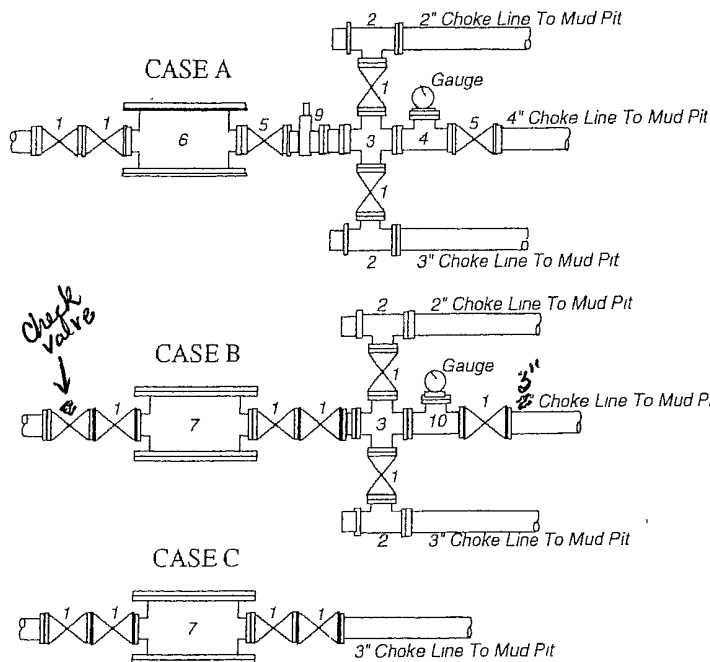
After drilling and completion operation are completed. This location will be down sized more since the tank battery will be on the Bola 7 Federal #4 wll pad. After interim reclamation the size of pad will be 200' x 200'.

Nadel and Gussman Heyco, LLC

MINIMUM BLOWOUT PREVENTER REQUIREMENTS



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.



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
13-5/8"	II	2000 psi	B
9"	III	3000 psi	B

**Rotating head required*

Bradenhead
Mfr: _____
Size: _____ Type: _____

Legend

- 1 3" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.
- 2 3" 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.

(10-31-96) WTXBOPS PPT