

~~6444~~ N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-93472
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator JTD Resources, LLC		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 3422 Midland, TX 79702	3b. Phone No. (include area code) (432) 682-3712	8. Lease Name and Well No. Lakeview Federal Com., #1
4. Location of Well (Report location clearly and in accordance with any State requirements. At surface 1980' FNL & 1742' FEL At proposed prod. zone same (c)		9. API Well No. 30-013-33576
14. Distance in miles and direction from nearest town or post office* 5.2 miles south of Malaga, NM		10. Field and Pool, or Exploratory Undesignated Salt Draw Morrow
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 898'	16. No. of Acres in lease 600	11. Sec., T., R., M., or Blk. and Survey or Area Sec. 33- T24S-R28E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 13,415'	12. County or Parish
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 2998' GL	22. Approximate date work will start* August 20, 2004	13. State
24. Attachments CARLSBAD CONTROLLED WATER BASIN		17. Spacing Unit dedicated to this well 320
20. BLM/BIA Bond No. on file NMB-000209		23. Estimated duration 45 days

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 <i>George R. Smith</i>	Name (Printed/Typed) George R. Smith	Date 7/21/04
Title Agent for JTD Resources, LLC		
Approved by (Signature) <i>Russ Sorensen</i>	Name (Printed/Typed) Russ Sorensen	Date 8/18/04
Title ACTING 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 1 YEAR

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 reverse)

Lease Responsibility Statement: JTD Resources, LLC accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

George R. Smith
George R. Smith, agent

Witness Surface Casing

District I
1625 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Grande Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

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 Undesignated Salt Draw Morrow
Property Code	Property Name LAKEVIEW FEDERAL COM	Well Number 1
OGRID No.	Operation Name JTD RESOURCES	Elevation 2998

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
C	33	24-S	28-E		1980	NORTH	1742	EAST	EDDY

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 320	Joint or Infill	Consolidation Code Com	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>	
	<p>Signature <i>George R. Smith</i></p>	
	<p>Printed Name George R. Smith</p>	
	<p>Title Agent</p>	
<p>Date July 21, 2004</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 KNOWLEDGE AND BELIEF.</p>	
	<p>JULY 17, 2004</p>	
	<p>Date of Survey</p>	
	<p>Signature and Seal of Professional Surveyor</p>	
<p>5412</p>		
<p>NM PROFESSIONAL SURVEYOR</p>		
<p>Certificate Number</p>		

APPLICATION FOR DRILLING

JTD RESOURCES, LLC
 Lakeview Federal Com., Well No. 1
 1980 FNL & 1742' FEL, Sec. 33-T24S-R28E
 Eddy County, New Mexico
 Lease No.: NM-93472
 (Exploratory Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, JTD Resources submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Castile Anhydrite	2440'	Atoka zone #1	11,715'
Delaware	2510'	Atoka " #2	11,775'
Top Bone Spring	6190'	Atoka " #3	11,905'
1st Bone Spring Sand	7080'	Atoka Shale	11,975'
Base 1st Bone Spring Sand	7365'	Atoka zone #4	11,985'
Wolfcamp	9590'	Morrow Clastic	12,355'
Strawn	11,665'	Barnett Shale	13,355'
		T.D	13,415'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.

Oil: Possible in the Bone Spring formation at approximately 7100'.

Gas: Possible in the Atoka below 11,715' and the Morrow below 12,355'.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48.0#	H-40	STC	WITNESS 450'	Circ. 340 sx HLC & Prem Plus
12 1/4"	9 5/8"	40.0#	K-55	LTC	2,490'	Circ. 1000 sx HLC & Prem Plus.
8 3/4"	5 1/2"	17.0#	N-80	LTC	0 - 10,400'	
	5 1/2"	17.0#	P-110	Hyd511	10,400 - 13,415'	1700 sx 50/50/POZ TOC 2300'
Optional: If pressure encountered in Wolfcamp will run 7" string to surface as stated below and then run a 5" liner to T.D.						
8 3/4"	7"	29#	N-80	Hyd511	0' - 11,665'	1300 sx 50/50 Poz, TOC 2300'
6 1/4"	5"	20#	P-110	Hyd511	11,300 - 13,415'	200 sx "H" to top of liner

5. Proposed Control Equipment: A 13 5/8" 10,000 psi wp Shaffer Type LWS Double Gate BOP will be installed on the 13 3/8" casing and operated as a 3000 psi system. Casing and BOP will be tested as per Onshore Oil & Gas Order #2. Casing and BOP will be tested before drilling out with the 12 1/4" and 8 3/4". See Exhibit "E".

6. MUD PROGRAM:	MUD WEIGHT	VIS.	W/L CONTROL
0' - 450': Fresh water mud:	8.4 - 9.0ppg	32 - 36	No W/L control
450' - 2,490': Brine mud:	9.5 - 10.0 ppg	32 - 36	No W/L control
2,490' - 11,500': Cut Brine mud:	9.0 - 10.0 ppg	28 - 32	No W/L control
11,500' - 13,415': Cut Brine W/polymer	10.0 - 10.3 ppg	32 - 36	W/L control <10 cc

7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging, and Coring Program:
 - Drill Stem Tests: Non unless deemed necessary.
 - Logging: T.D.to 2490':DLL, GR-CNL-HDT, GR
2490' to Surface: GR/CNL
 - Coring: Rotary Sidewall as dictated by logs.

9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated evacuated BHP = 5896 psi and surface Pressure of 2948 psi with a temperature of 194°.
10. H₂S: None expected. The Mud Log Unit will be cautioned to use a gas trap to detect H₂S and if any is detected the mud weight will be increased along with H₂S inhibitors sufficient to control the gas.
11. Anticipated starting date: August 20, 2004. The lease is expiring on 9/1/04.
Anticipated completion of drilling operations: Approximately 45 days.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

JTD RESOURCES, LLC
Lakeview Federal Com., Well No. 1
1980' FNL & 1742' FEL, Sec. 33-T24S-R28E
Eddy County, New Mexico
Lease No.: NM-93472
(Exploratory Well)

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a USGS/BLM Topo map showing the location of the proposed well as staked. The well site location is approximately 20 road miles southeast of Carlsbad, New Mexico. Traveling south from Carlsbad there will be approximately 19 miles of paved highway and 1.2 miles of gravel oil field road.
- B. Directions: Travel south from Carlsbad, NM on U.S. Highway 285 for approximately 19 miles; turn west, .5 mile south of MM #13 onto oil field road. Continue west for approximately .9 mile to a pipeline road. Turn northwest on pipeline road for .3 mile to staked location 160 feet west of the pipeline. The proposed access road will cross the pipeline and access the southeast corner of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The proposed access road will be constructed to a width of 12 feet and will be approximately 10 feet in length. The proposed access road is color coded red on Exhibit "B".
- B. Construction: The existing access roads will be repaired and constructed by grading and topping with compacted caliche and will be properly drained.
- C. Turnouts: There could be at least 3 turnouts increasing the width to 20 feet for passing.
- D. Culverts: None required.
- E. Cuts and Fills: None.
- F. Gates, Cattle guards: None required.
- G. Off Lease R/W: This road is on fee surface of the Pardue Farms and IMC. An off lease agreement has been negotiated.

3. LOCATION OF EXISTING WELLS:

- A.. Existing wells within a two mile radius are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. JTD Resources, LLC has no production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas production-process equipment and tank battery, if required, will be installed on the drilling pad..

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing access roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and well site pad will be obtained on location, if available, or from an approved State pit in the NE¼NE¼ of Section 22-T25S-R28E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock and wildlife from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area have been staked and flagged 500' X 500'.
- B. Mat Size: 192' X 285', plus 150' X 125' reserve pits. The pits will be on the southwest
- C. Cut & Fill: There will be a 2-foot cut in the center and north with fill to the south and southeast.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not required for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Surface Owner will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as they are dry enough to work after abandonment.

11. OTHER INFORMATION:

- A. Topography: The proposed well site and access road are located in area of uneven terrain south and southwest of Willow Lake. The location and vicinity has a southwesterly slope of 1-2.5% and a 3% slope to the northeast toward Willow Lake from an elevation of 2998'.
- B. Soil: The topsoil at the well site is a light colored gypsiferous soil of the Gypsum Land series. The soil is quite salty and shallow.
- C. Flora and Fauna: The vegetation cover has a poor grass cover of three-awn, gyp grama, gyp grass, and other miscellaneous native grasses along with plants of mesquite, yucca, salt cedar, broomweed, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: The Willow Lake and miscellaneous playas (ponds) are 3-4,000 feet to the east and northeast of the location. The ponds and lake (now) only have water when it rains and the lake is drying up since IMC no longer feeds water into it.
- E. Residences and Other Structures: None, but existing oil field facilities and picnic areas at the lake.
- F. Land Use: Cattle grazing.

11. OTHER INFORMATION; cont.....

- G.. Surface Ownership: The proposed well site and access road in Sec. 33-T24S-R28E are on Fee surface owned by Pardue Ltd. Co. Phone No. (505) 887-4525. An existing access road in Sec. 34 T24S-R28E in on fee surface owned by IMC Potash Co. Ph. No (505) 887-2871. See exhibit letter from JTD Resources, LLC. See JTD Resources, LLC letter concerning surface agreement.
- H. There is no evidence of archaeological, historical or cultural sites on the proposed 500' X 500' location or access road and pipeline R/W. Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, is conducting an archaeological survey and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

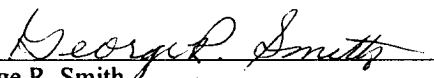
- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

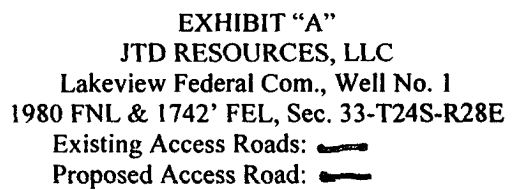
Dan Leonard
JTD Resources, LLC
P. O. Box 3422
Midland, TX 79702
Office Phone: (432) 682-3712

13. CERTIFICATION:

I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by JTD Resources, LLC and his contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

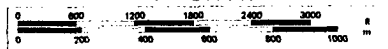
July 21, 2004


George R. Smith
Agent for: JTD Resources, LLC



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www.delorme.com

1" = 2000 ft



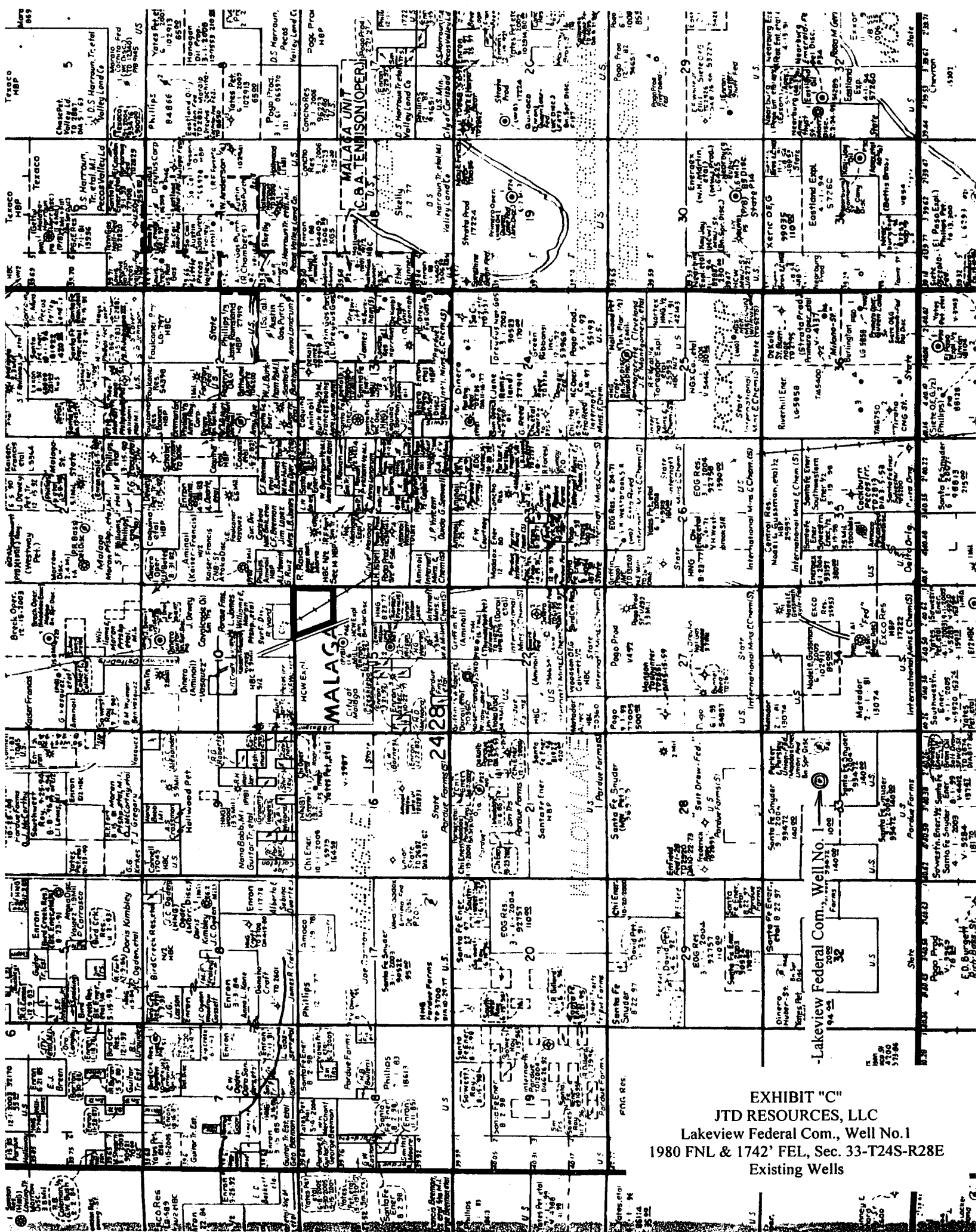
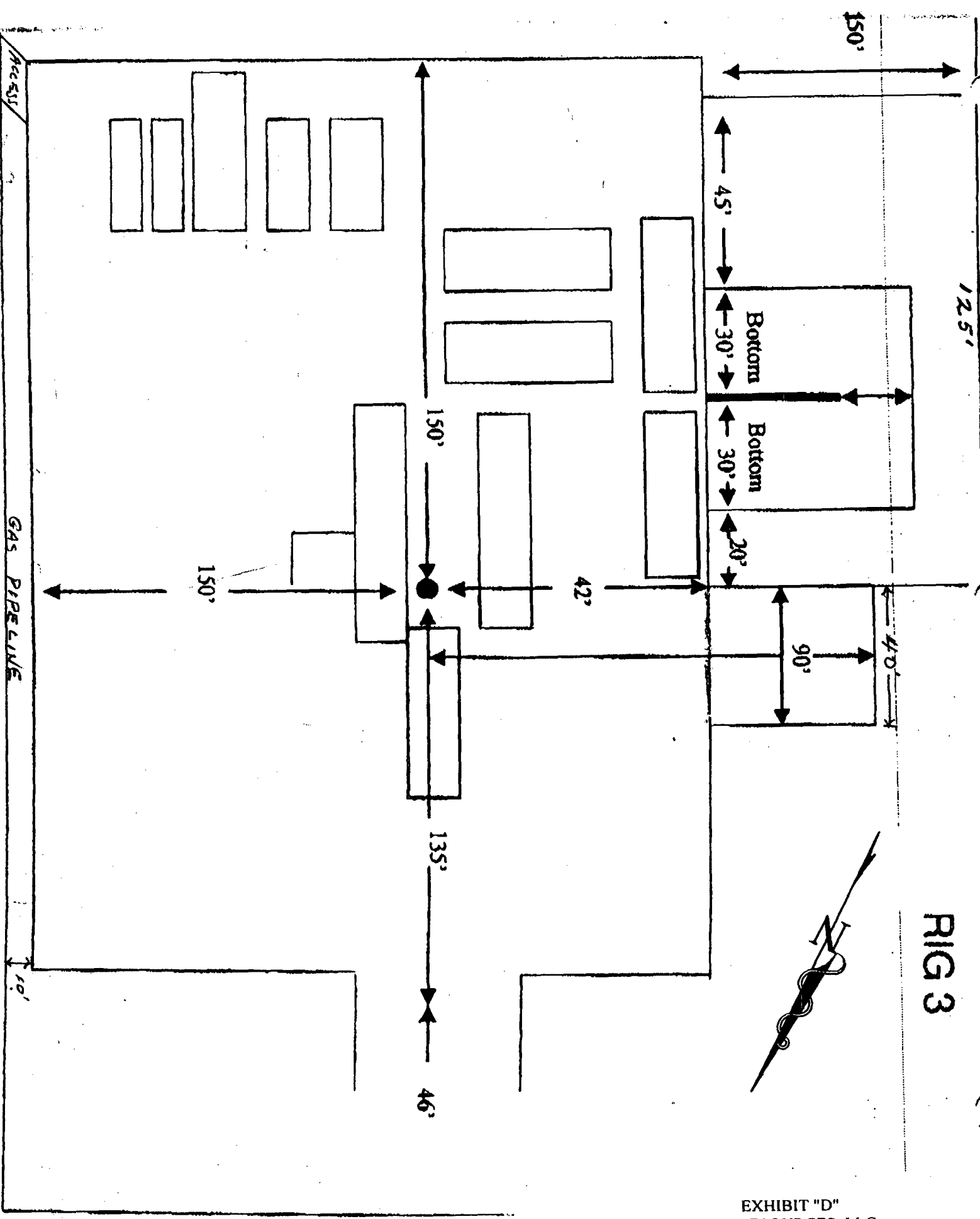


EXHIBIT "C"
JTD RESOURCES, LLC
Lakeview Federal Com., Well No.1
1980 FNL & 1742' FEL, Sec. 33-T24S-R28E
Existing Wells

RIG 3

EXHIBIT "D"
JTD RESOURCES, LLC
Lakeview Federal Com., Well No. 1
Pad & Pit Layout



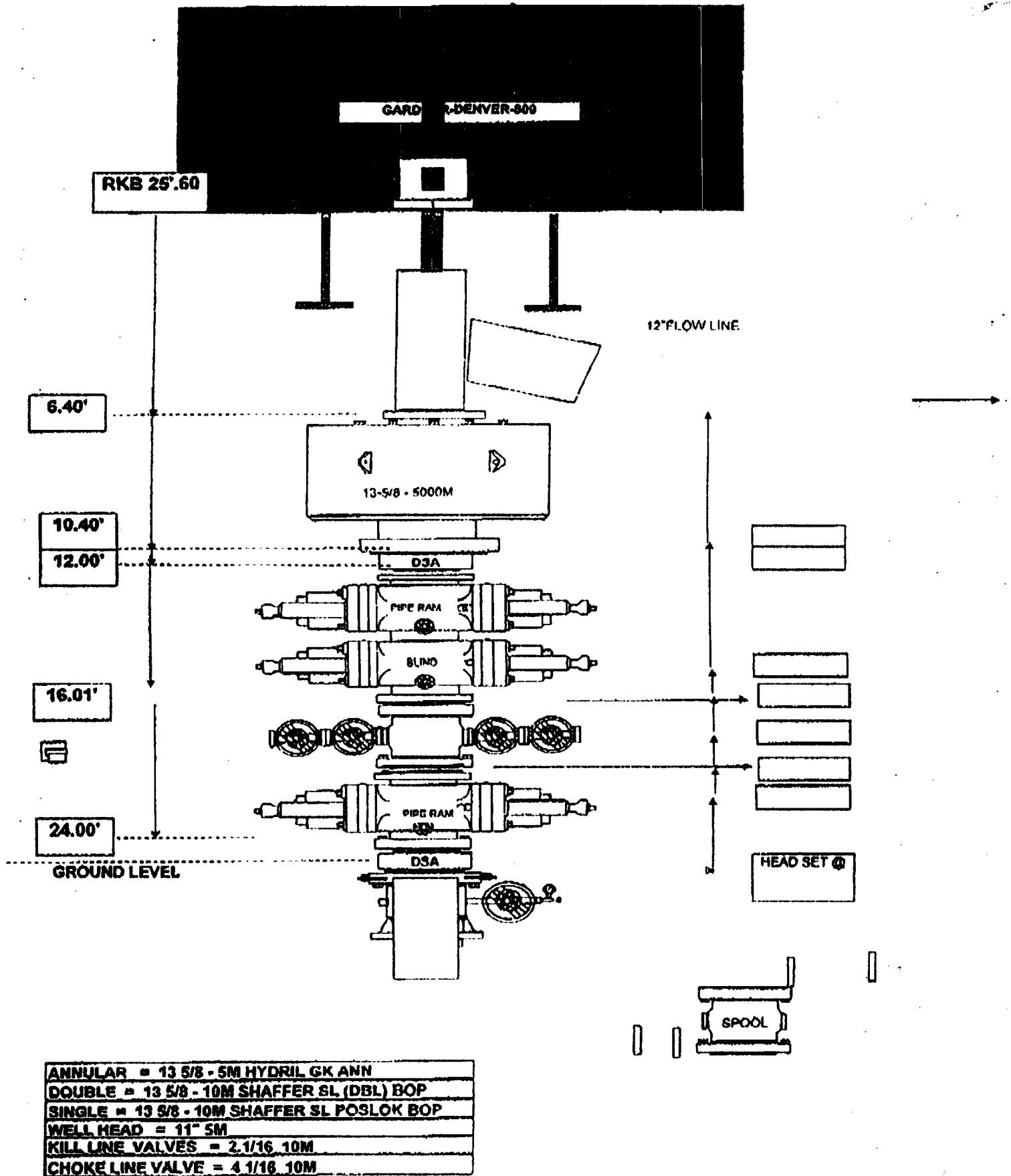
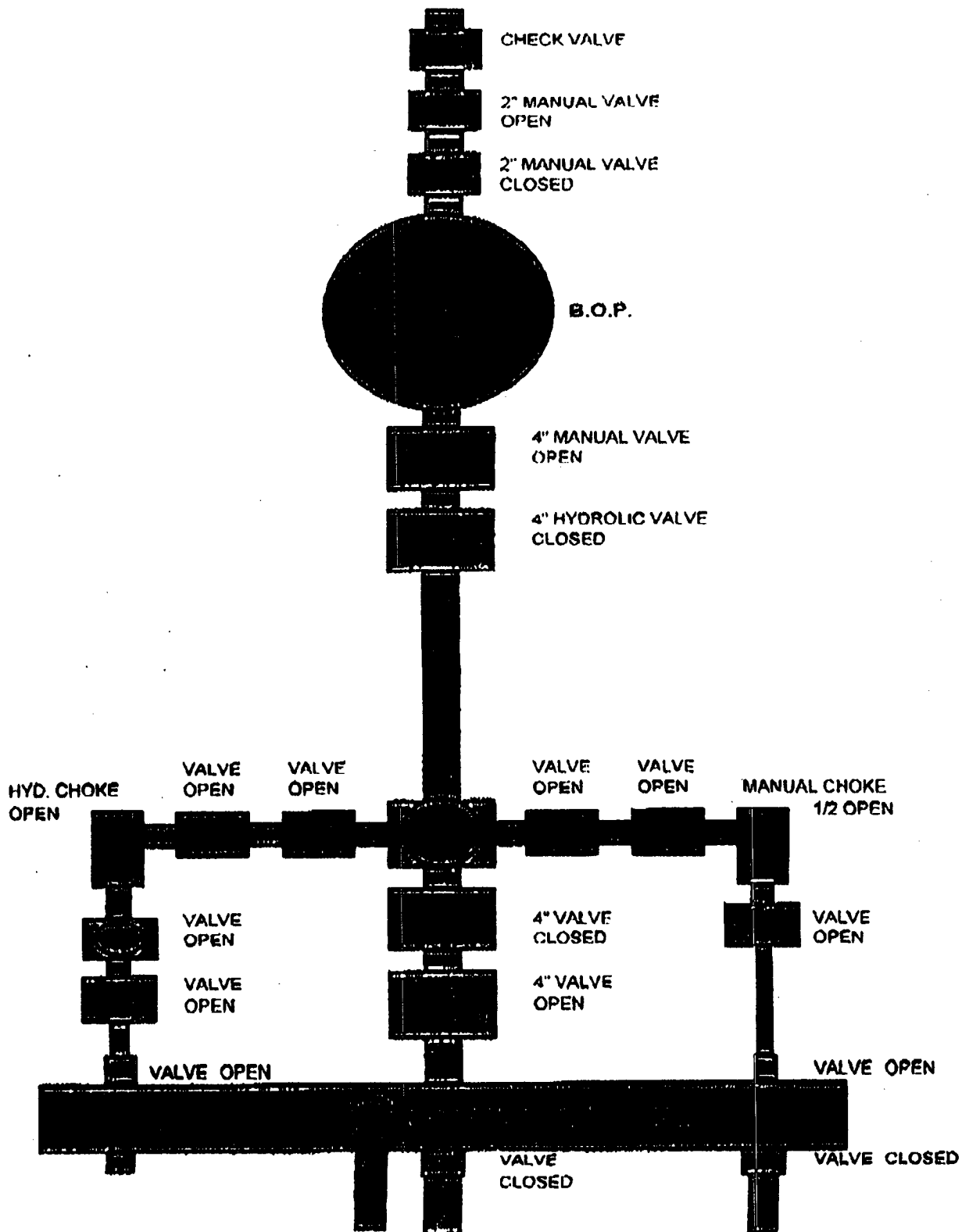


EXHIBIT "E"
JTD RESOURCES, LLC
Lakeview Federal Com., Well No. 1
BOP Specifications

N.D.U.S.A.

MANIFOLD SETUP



JTD RESOURCES, LLC
P. O. BOX 3422
MIDLAND, TEXAS 79702

OIL AND GAS INVESTMENTS

(432) 682-3712 OFFICE
(432) 682-8652 FAX

July 13, 2004

Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220-6292

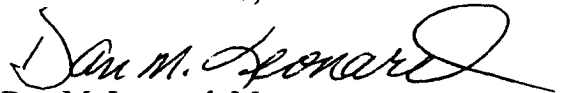
Re: T-24-S, R-28-E
Sections 33 and 34
Eddy County, New Mexico

Gentlemen:

Please be advised that JTD Resources, LLC has an agreement with Mr. Bruce Pardue of Pardue Ltd. Company, P. O. Box 2018, Carlsbad, New Mexico 88221-2018, whose telephone number is (505) 887-4525, regarding the use and occupancy of its surface and an existing road in Section 33, T-24-S, R-28-E, and with Mr. Scott Vail, Environmental Manager of IMC Kaluim Carlsbad Potash Company, P. O. Box 71, Carlsbad, New Mexico 88221-0071, whose telephone number is (505) 887-2871, Ext. 313, regarding the use of an existing road across its surface in Section 34, T-24-S, R-28-E, all in Eddy County, New Mexico.

Very truly yours,

JTD RESOURCES, LLC


Dan M. Leonard, Manager