(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] OTHER 168489 SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR
RICKS EXPLORATION, INC. (GREG WILKES 915-683-7443)

3. ADDRESS AND TELEPHONE NO.
110 WEST LOUISIANA SUITE 410 MIDLAND, TEXAS 79701 (915-683-7443)

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface
1650' FWL & 1760' FNL SECTION 27 T18S-R31E EDDY CO. NM
At proposed prod. zone SAME

5. LEASE DESIGNATION AND SERIAL NO.
LC-029392 B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
---

7. UNIT AGREEMENT NAME
---- 32502

8. FARM OR LEASE NAME, WELL NO.
PRINCIPLE FEDERAL # 2

9. API WELL NO.
30-015-32843

10. FIELD AND POOL, OR WILDCAT
SHUGART-DELAWARE

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
SECTION 27 T18S-R31E

12. COUNTY OR PARISH: EDDY CO.
13. STATE: NEW MEXICO

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 12 miles Southeast of Loco Hills New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
1650'	520	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
560'	6500'	ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3630' GR.

22. APPROX. DATE WORK WILL START*
WHEN APPROVED

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25"	Conductor	NA	40'	Cement to surface with Redi-mix.
12¼ WITNESS	J-55 9 5/8"	40	650 WITNESS	600 Sx. circulate cement to surface
8 3/4"	N-80 5½"	17	6500'	1000 Sx. 3500'±

1. Drill 25" hole to 40'. Set 40' of 20" conductor and cement to surface with Redi-mix.

2. Drill 12¼" hole to 650'. Run and set 650' of 9 5/8" 40# J-55 ST&C casing. Cement with 600 Sx. of Class "C" cement + 2% CaCl, + ¼# Flocele/Sx. circulate cement to surface.

3. Drill 83/4" hole to 6500'. Run and set 6500' of 5½" N-80 17# LT&C casing. Cement with 300 Sx. of 50/50 Class "C" POZ cement + 5% Salt, + 2% CD-2, + 5#/Sx. of LCM-1, tail in with 700 Sx. of 50/50 POZ Class "C" cement + 5% Salt, + .4% FL-52, + 3% SMS cement. Top of cement to be at least 500' above the top of uppermost productive interval. Estimate top of cement 3500' from surface.

CAPITAN CONTROLLED WATER BASIN

JUN 2003 RECEIVED OCD - ARTESIA

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED Joel Ramirez TITLE Agent DATE 05/12/03

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY /s/ Leslie A. Theiss TITLE FIELD MANAGER DATE 16 JUN 2003

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes 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.

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 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
	56410	SHUGART-DELAWARE

Property Code	Property Name	Well Number
	PRINCIPLE FEDERAL	2

OGRID No.	Operator Name	Elevation
168489	RICKS EXPLORATION INC.	3630'

Surface Location

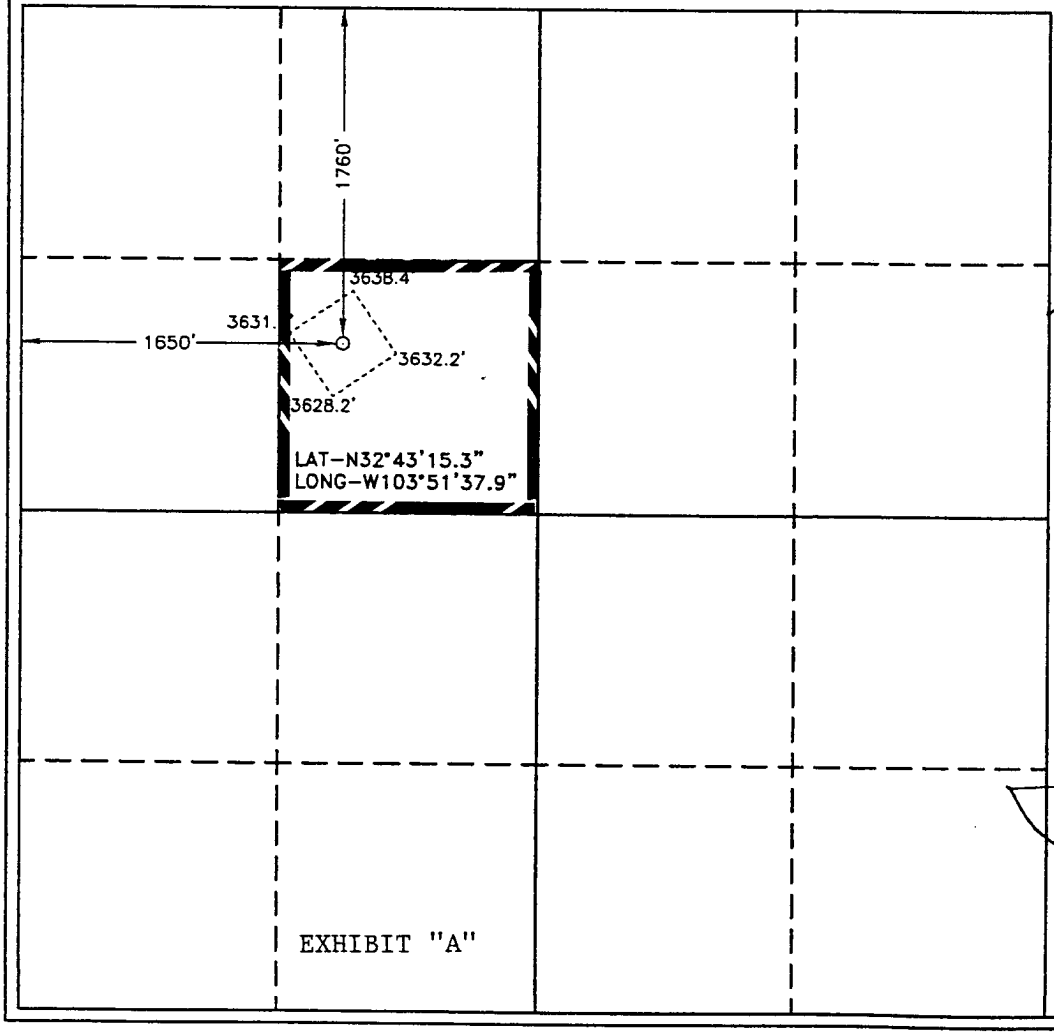
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	27	18 S	31 E		1760	NORTH	1650	WEST	EDDY

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	Joint or Infill	Consolidation Code	Order No.
40			

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

Joe T. Janica
Printed Name

Agent
Title

05/12/03
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 25, 2003
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL LAND SURVEYOR

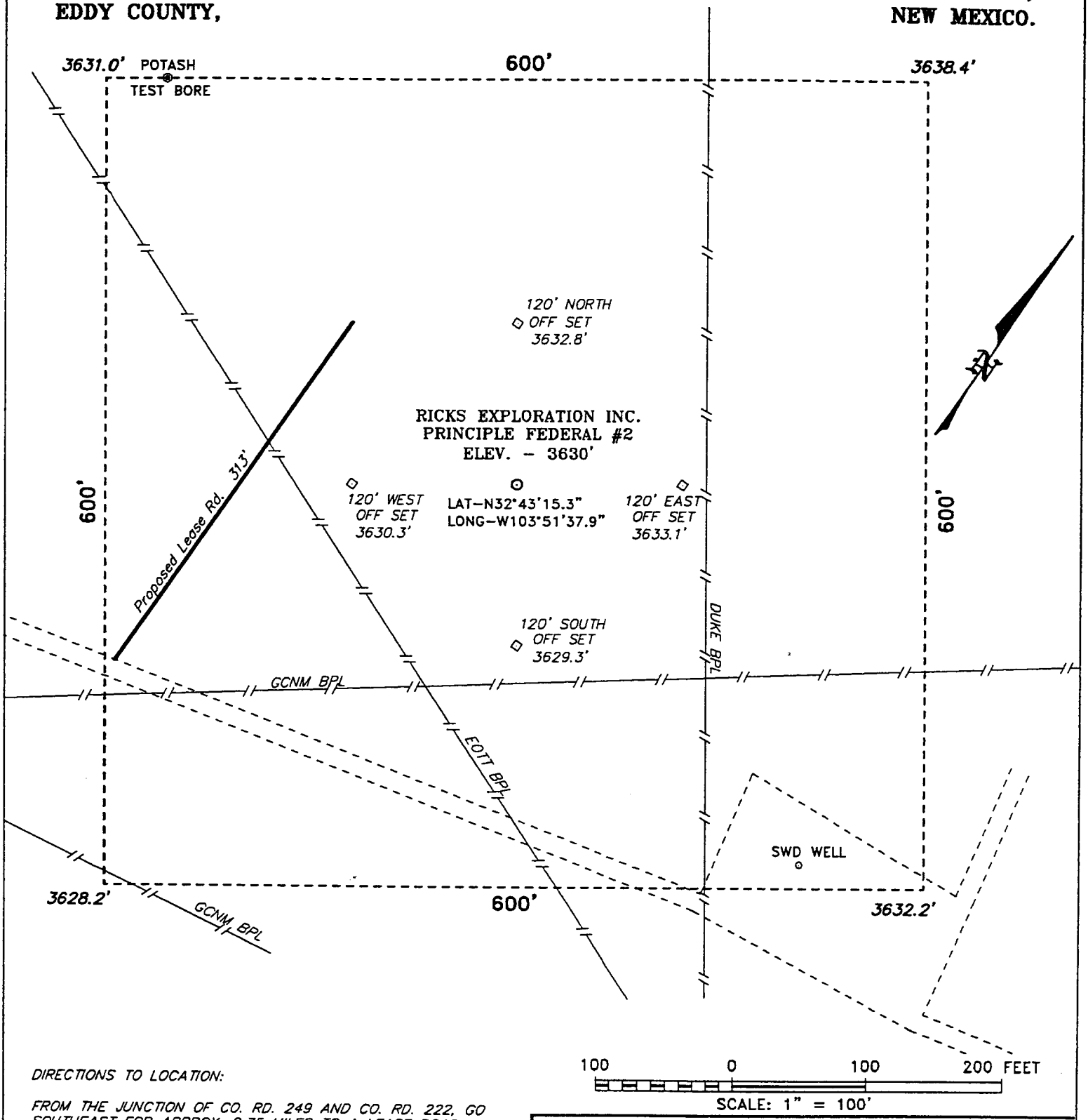
W.O. No. 3241

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

SECTION 27, TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M.,

EDDY COUNTY, **NEW MEXICO.**



100 0 100 200 FEET

SCALE: 1" = 100'

DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF CO. RD. 249 AND CO. RD. 222, GO SOUTHEAST FOR APPROX. 2.75 MILES TO A LEASE ROAD; THENCE SOUTH ON LEASE ROAD FOR APPROX. 0.5 MILE; 0.75 MILE; THENCE WEST ON LEASE ROAD FOR 0.5 MILE TO A TRAIL ROAD; THENCE SOUTH TRAIL ROAD FOR 0.2 MILE TO AN EXISTING PAD ON THE SOUTHEAST CORNER OF THE PROPOSED WELL LOCATION.

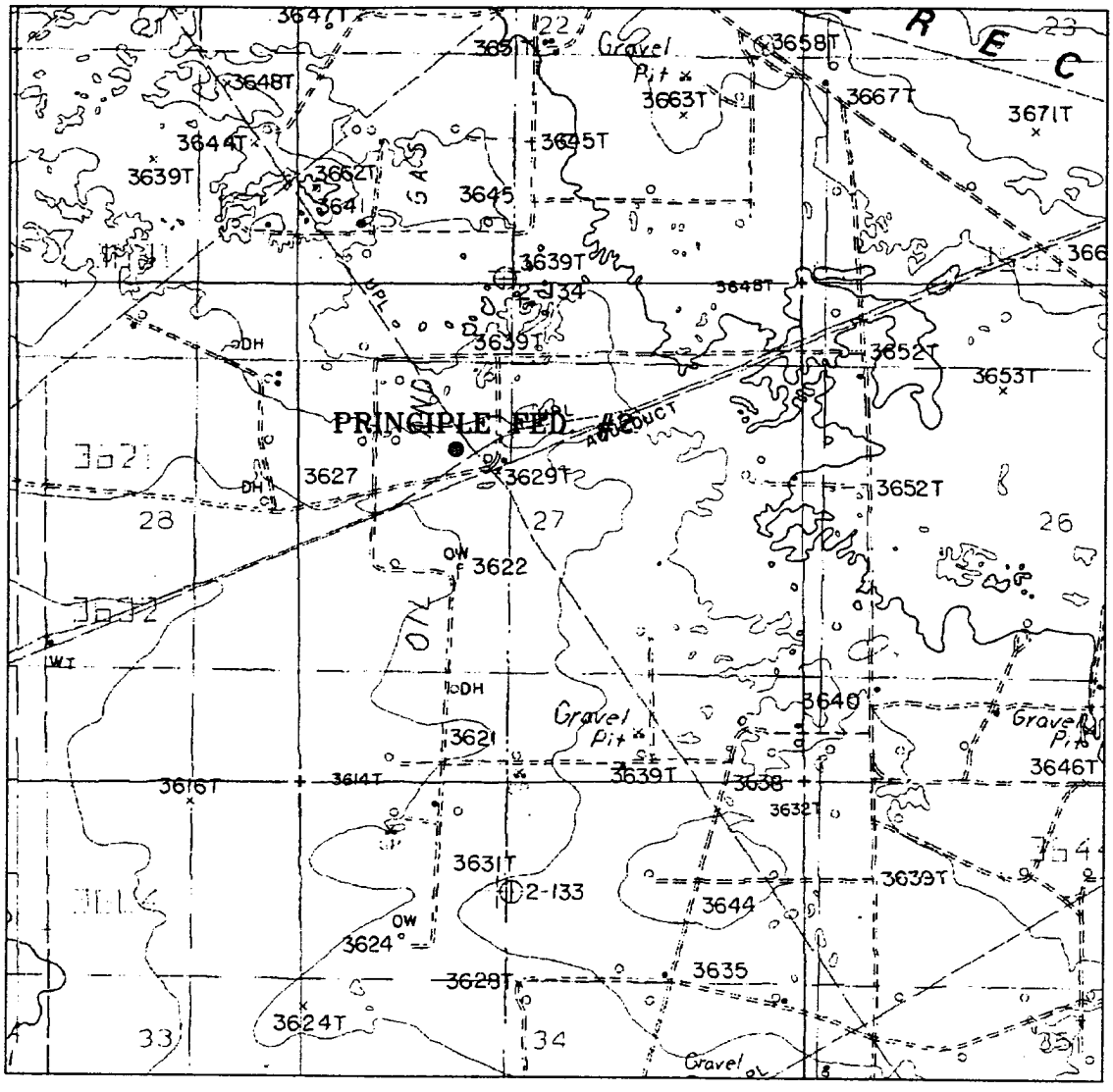
RICKS EXPLORATION INC.

REF: PRINCIPLE FEDERAL No. 2 / Well Pad Topo

THE PRINCIPLE FED. No. 2 LOCATED 1760' FROM THE NORTH LINE AND 1650' FROM THE WEST LINE OF SECTION 27, TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 3241	Drawn By: K. GOAD		
Date: 04-28-2003	Disk: KJG CD#4 - 3241A.DWG	Survey Date: 04-25-2003	Sheet 1 of 1 Sheets

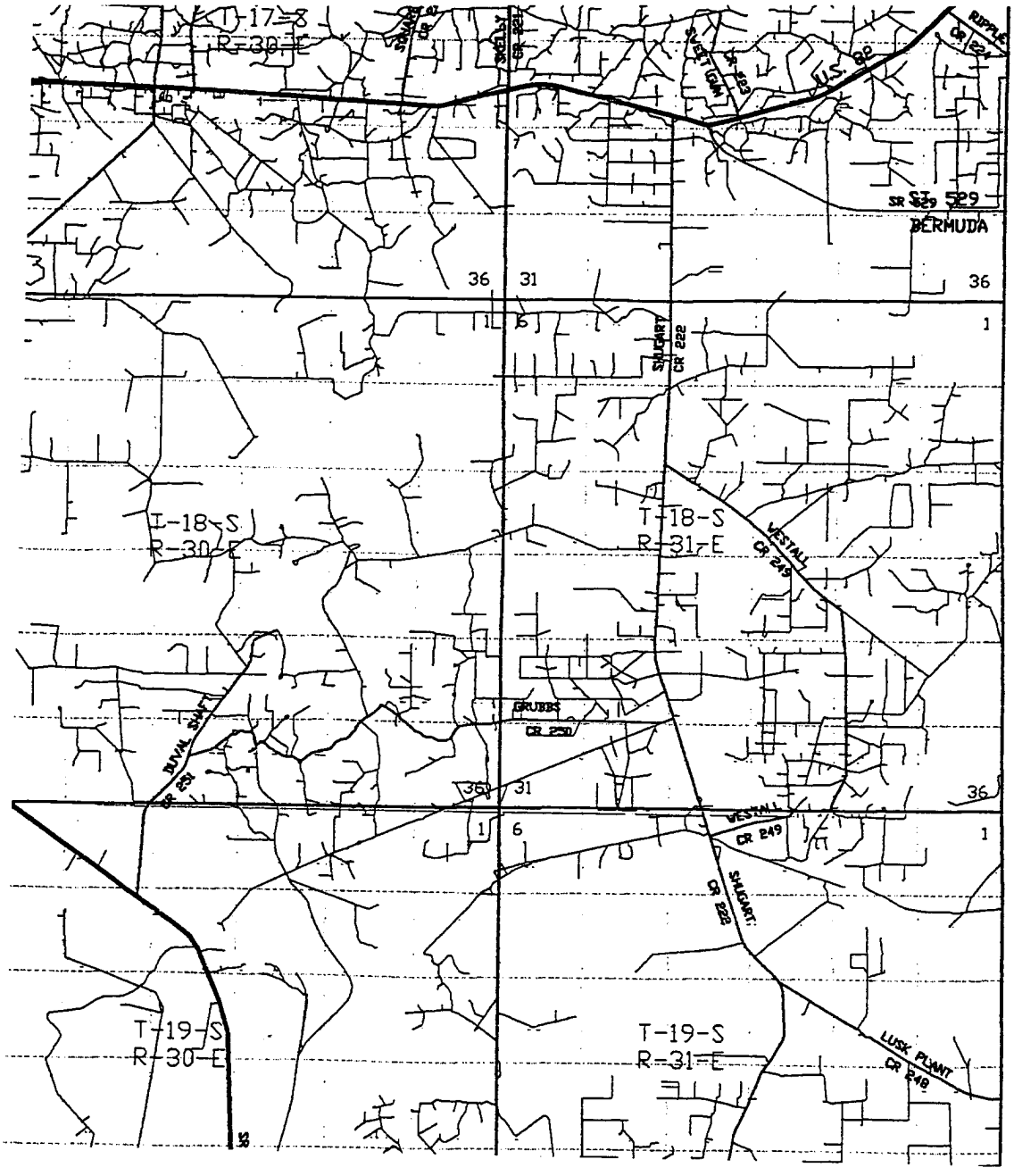


PRINCIPLE FEDERAL #2
Located at 1760' FNL and 1650' FWL
Section 27, Township 18 South, Range 31 East,
N.M.P.M., Lea County, New Mexico.

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:	3241AA - KJG CD#5
Survey Date:	04-25-2003
Scale:	1" = 2000'
Date:	04-28-2003

RICKS EXPLORATION INC.



PRINCIPLE FEDERAL #2
Located at 1760' FNL and 1650' FWL
Section 27, Township 18 South, Range 31 East,
N.M.P.M., Lea County, New Mexico.

basin surveys
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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:	3241AA - KJG CD#5
Survey Date:	04-25-2003
Scale:	1" = 2 MILES
Date:	04-28-2003

RICKS EXPLORATION INC.

APPLICATION TO DRILL

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is providedfor your consideration.

1. Location of well: 1760' FNL & 1650' FWL SECTION 27 T18S-R31E EDDY CO. NM

2. Ground Elevation above Sea Level: 3630' GR.

3. Geological age of surface formation: Quaternary

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium to remove solids from hole.

5. Proposed drilling depth: 6300'

6. Estimated tops of geological markers:

Rustler Anhydrite	600'	Bell Canyon	4390'
Castile	2310'	Cherry Canyon	4880'
Delaware	4320'	Brushy Canyon	5900'

7. Possible mineral bearing formations:

Delaware	Oil
Brushy Canyon	Oil

8. Casing Program:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
25"	0-40	20"	NA	NA	NA	Conductor
12¼"	0-650'	9 5/8"	40	8-R	ST&C	J-55
8 3/4"	0-6500'	5½"	17	8-R	LT&C	N-80

APPLICATION TO DRILL

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM

9. CASING CEMENTING & SETTING DEPTHS:

25"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
12¼"	Surface	Set 650' of 9 5/8" 40# J-55 ST&C casing. Cement with 600 Sx. of Class "C" cement + 2% CaCl, + ¼# Flocele/Sx. Circulate cement to surface.
8 3/4"	Production	Run and set 6500' of 5½" 17# N-80 LT&C casing. Cement with 300 Sx. of Class "C" 50/50 POZ cement + 5% Salt, + 2% CD-2, + 5# LCM-1, tail in with 700 Sx. of 50/50 POZ cement + 5% Salt, + .4% FL-52, + 3% SMS. Top of cement to be at least 500' above uppermost pay interval, estimate top of cement 3500' from surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor, middle blind rams and bottom pipe rams. The B.O.P. will be nippled up on the 9 5/8" casing and tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period and the blind rams will be operated when drill pipe is out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 2" 3000 PSI choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-650'	8.4-8.7	29-34	NC	Fresh water spud mud add paper to control seepage.
650-6500'	9.9-10.2	29-38	*	Brine water use high viscosity sweeps to clean Hole.

* If water loss control is needed to log well, run casing or run DST's use a Polymer system. Water loss control may be desired while drilling through the pay interval.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's , open hole logs, and casing viscosity and/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

A. Open hole logs: Dual Laterolog, SNP, LDT, Gamma Ray, Caliper from TD back to 9 5/8" casing shoe.

B. Cased hole logs: Run Gamma Ray, Neutron logs from 9 5/8" casing shoe to surface.

C. Mud logger may be placed on hole at the request of the Geologist.

D. No cores or DST's are plnned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 3500 PSI, and Estimated BHT 160°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 18 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Delaware formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialed as an oil well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   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 mudpit 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. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H_2S present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

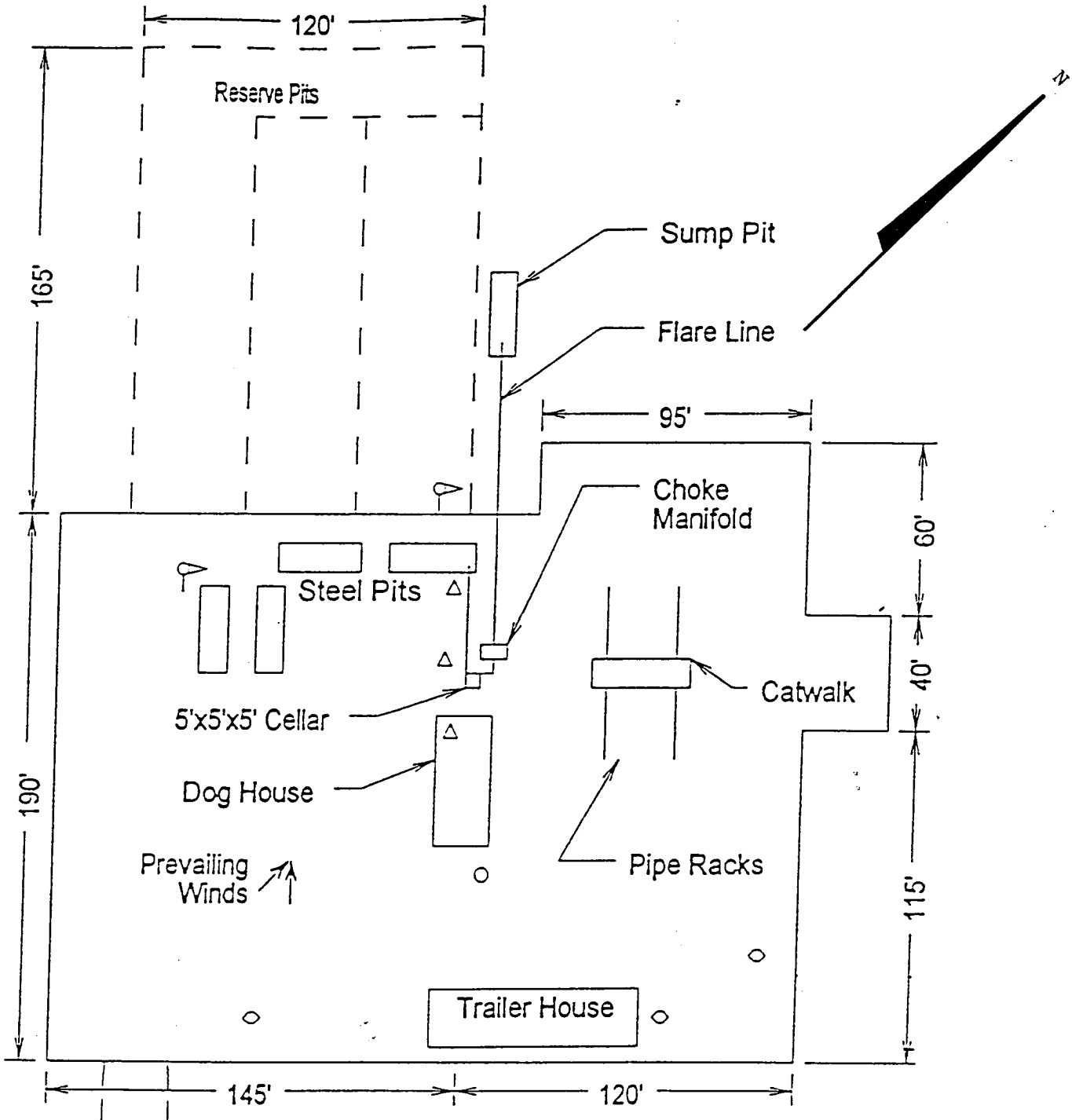
   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. 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.

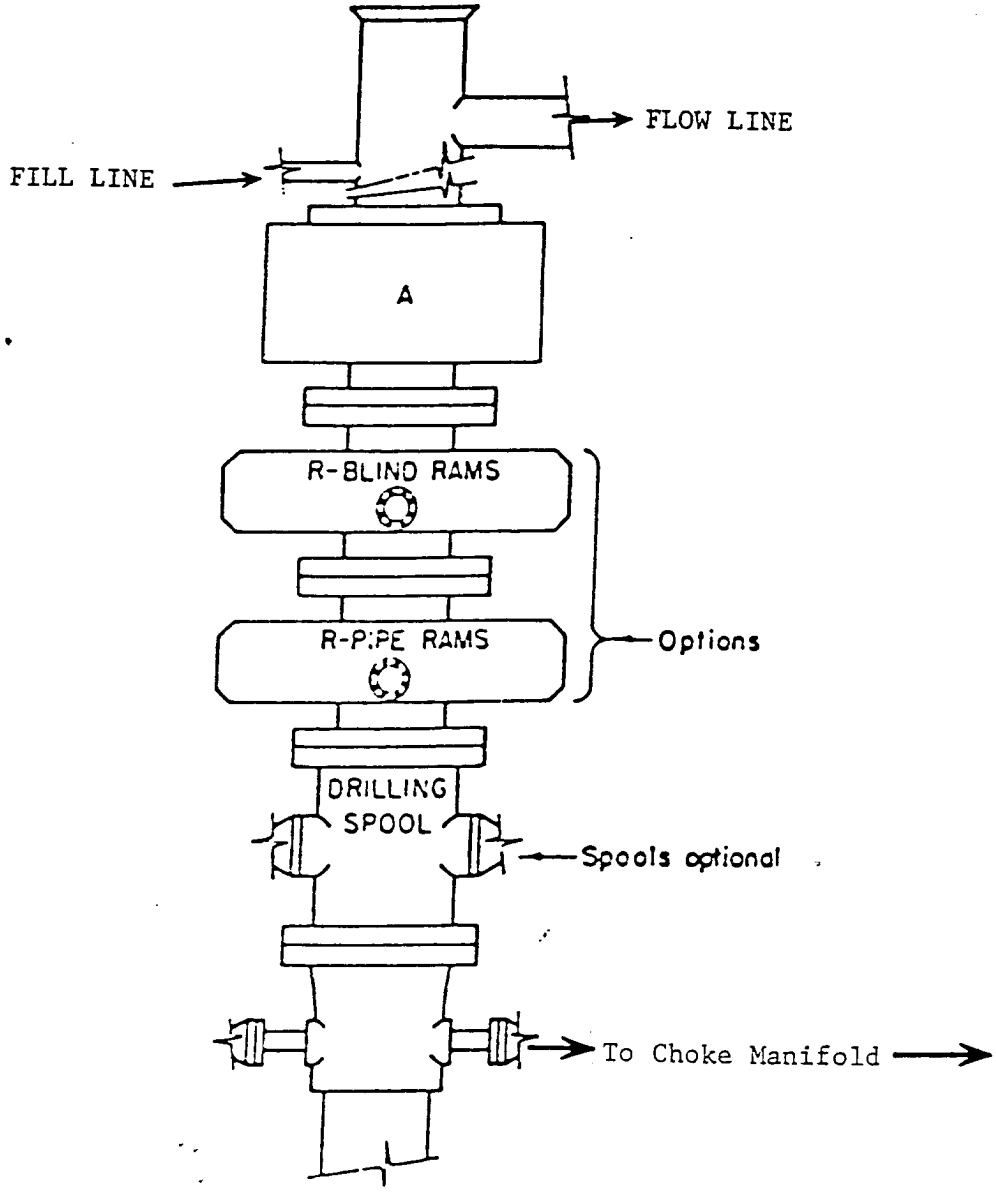
9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H_2S scavengers if necessary.



- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- ◇ Briefing Areas
- ○ Remote BOP Closing Unit
- □ Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM



ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM

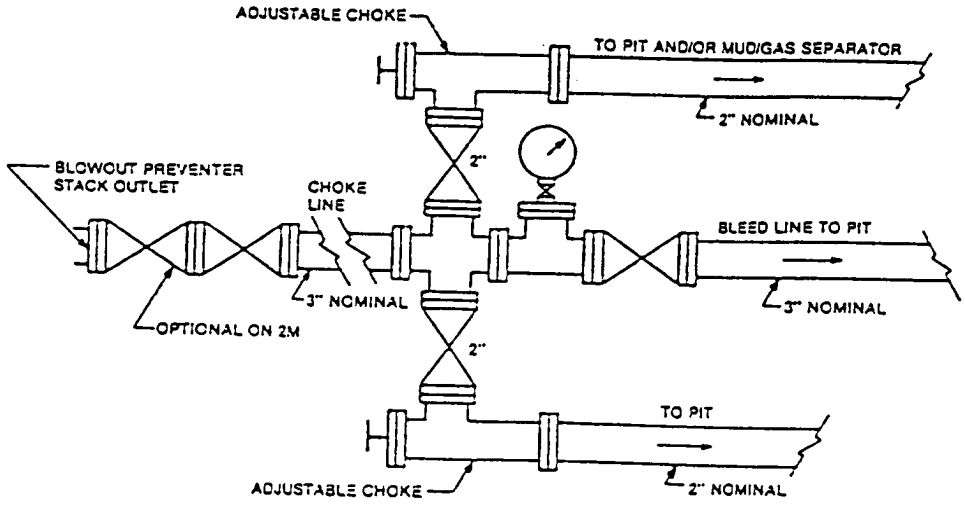


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

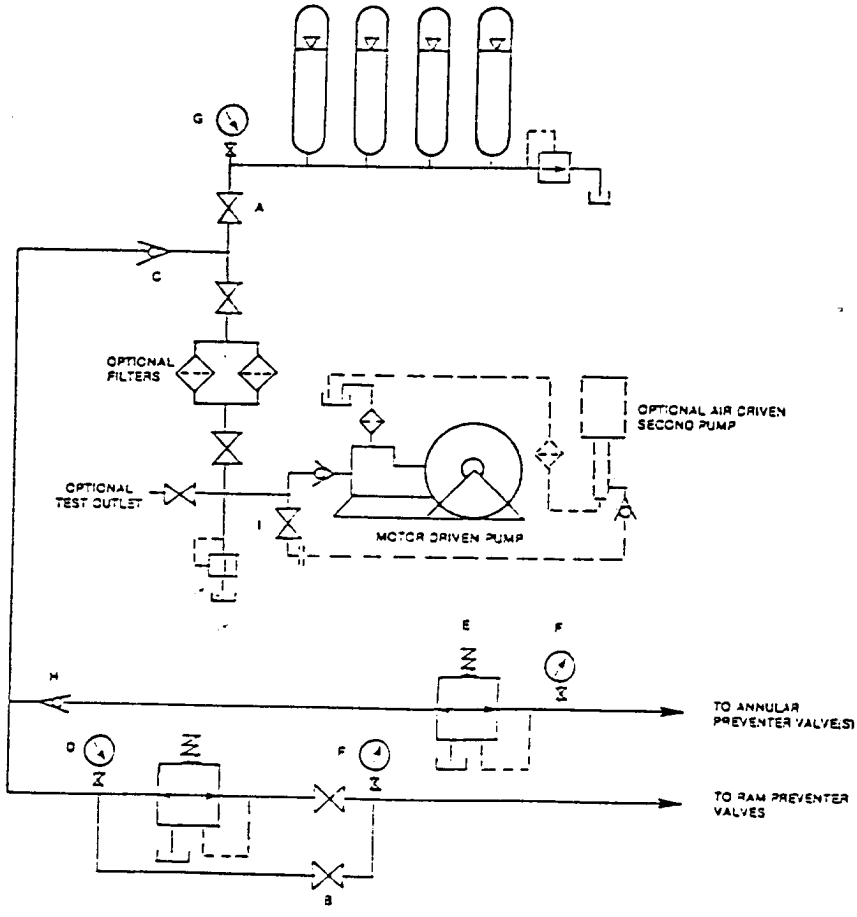


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM

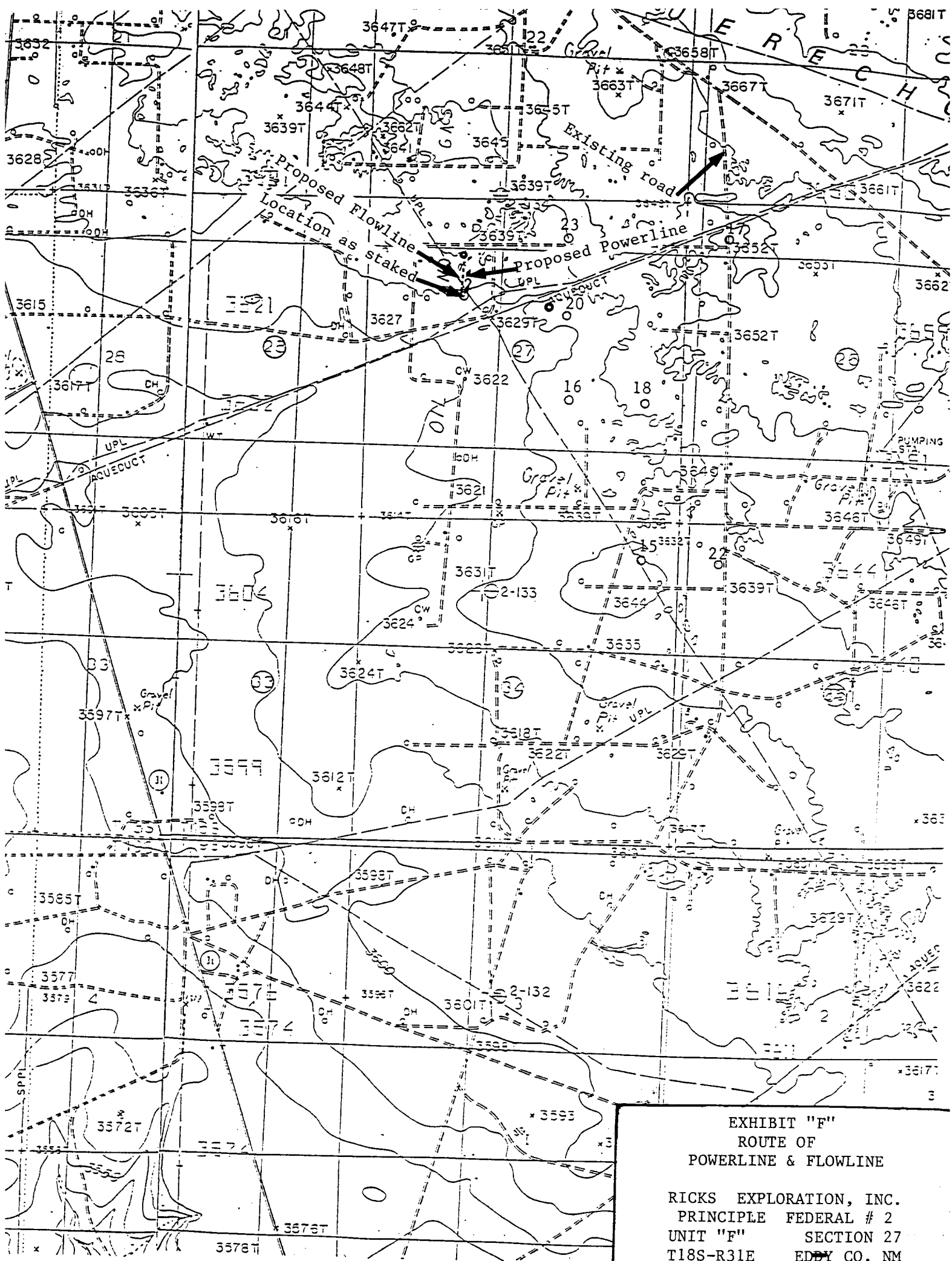


EXHIBIT "F"
ROUTE OF
POWERLINE & FLOWLINE

RICKS EXPLORATION, INC.
PRINCIPLE FEDERAL # 2
UNIT "F" SECTION 27
T18S-R31E EDDY CO. NM