

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER		5. Lease Serial No. NMNM-045254
1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Read & Stevens, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 1518 Roswell, NM 88202	3b. Phone No. (include area code) 505/622-3770	8. Lease Name and Well No. Lotsa Luck Federal, Well No. 2
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1650' FNL & 660' FEL At proposed prod. zone same		9. API Well No. 30-015-33020
14. Distance in miles and direction from nearest town or post office* 18 road miles NE of Artesia, NM		10. Field and Pool, or Exploratory Crow Flats Morrow
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 28-T16S-R27E
16. No. of Acres in lease 960		12. County or Parish Eddy
17. Spacing Unit dedicated to this well 320		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1361'		20. BLM/BIA Bond No. on file NM-2310
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3499' GL		22. Approximate date work will start* October 1, 2003
23. Estimated duration 4 weeks		24. Attachments ROSSELL CONTROLLED WATER BASIN

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 9/5/03
Title Agent for: Read & Stevens, Inc.		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 22 SEP 2003
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.

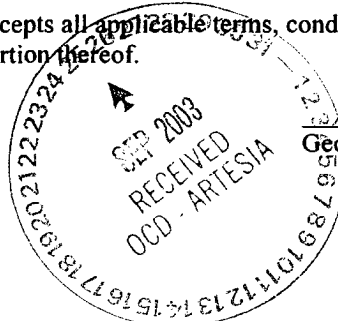
APPROVAL FOR 1 YEAR

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: Read & Stevens, Inc. 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



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 & 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

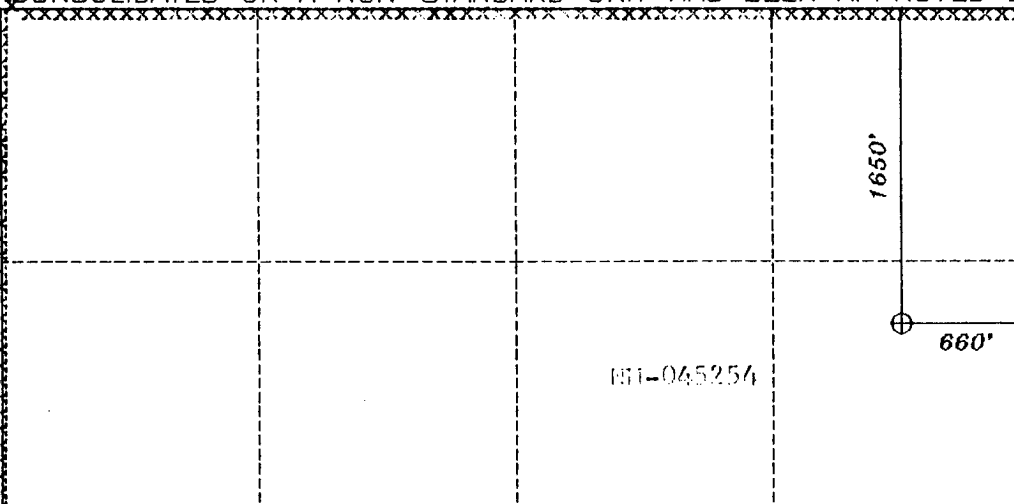
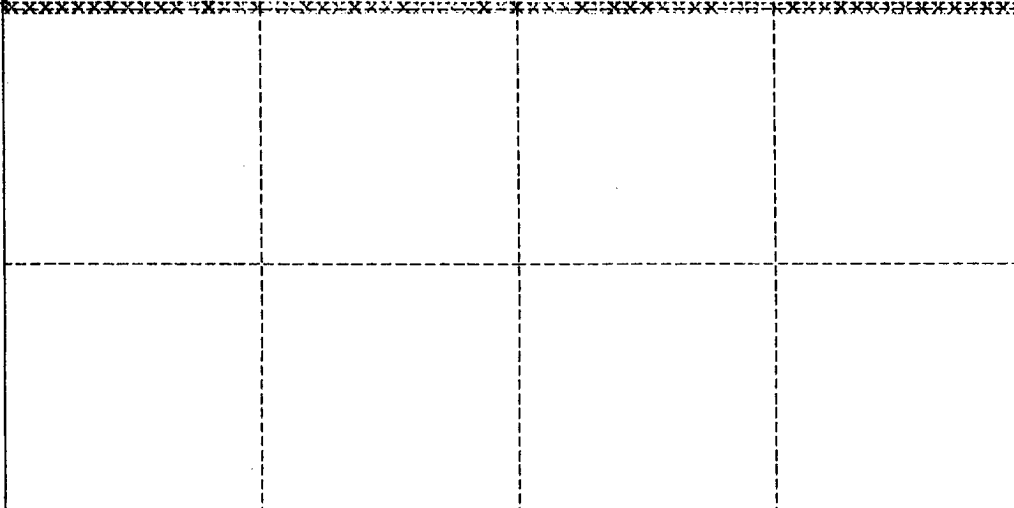
WELL LOCATION AND ACREAGE DEDICATION PLAT

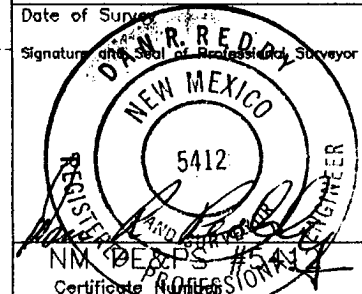
API Number	Pool Code	Pool Name
		Crow Flats Morrow
Property Code	Property Name	Well Number
	LOTS A LUCK 28 FEDERAL	2
OGRID No.	Operation Name	Elevation
	READ & STEVENS INC.	3499

Surface Location									
UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
H	28	16-S	27-E		1650	NORTH	660	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	Joint or Infill	Consolidation Code	Order No.						
320									

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

	OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.
	Signature <i>George R. Smith</i>
	Printed Name George R. Smith
	Title Agent
Date 9/5/03	
	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 KNOWLEDGE AND BELIEF.
	AUGUST 23, 2003
	Date of Survey
	Signature and Seal of Professional Surveyor



APPLICATION FOR DRILLING
 READ & STEVENS, INC.
 Lotsa Luck 28 Federal, Well No. 2
 1650' FNL & 660' FEL, Sec. 28-T16S-R27E
 Eddy County, New Mexico
 Lease No.: NM-045254
 (Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Read & Stevens, Inc. 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:

San Andres	1,280'	Strawn	8,026'
Glorieta	2,710'	Morrow	8,584'
Abo	4,727'	T.D.	9,000'

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

Water: Surface water in the Triassic between 80' - 230'.
 Oil: Possible in the San Andres & Premier below 1,280'.
 Gas: In the Morrow below 8,584'.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
1/4"	9 5/8"	36.0#	J-55	ST&C	1,350'	Circ. 800 sx lite + 200 sx "C"
7 7/8"	5 1/2"	15.5#	J-55	ST&C	6,000'	
7 7/8"	5 1/2"	17.0#	N-80	LT&C	9,000'	400 sx Super "C" modified TOC 7,500'

5. Proposed Control Equipment: A 10" 3000 psi wp Shaffer Type "E" BOP will be installed on the 9 5/8" casing and will be operated as a 2M system. Casing and BOP will be tested as per Onshore Oil & Gas Order No. 2 before drilling out with 7 7/8". See Exhibit "E".

MUD PROGRAM:	MUD WEIGHT	VIS.	W/L CONTROL
0' - 1,350': Fresh water mud:	8.4 - 8.8 ppg	28	No W/L control
1,350' - 4,700': Fresh water/gel mud	8.4 - 8.6 ppg	28	No W/L control
4,700' - 8,000': Cut Brine mud:	8.6 - 9.1 ppg	28	No W/L control
8,000' - 9,000': Salt gel:	9.5 - 10.0 ppg	30 - 34	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: None planned.

Logging: T.D -Int. Casing: GR/ND, DLL, MSFL. LDT
 T.D. to surface: G/R, CNL

Coring: None planned.

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 Surface Pressure = 1980 psi (evac. hole) and BHP of 3860 psi (evac) with temperature of 150°.

WITNESS

WITNESS

9/10/03
 verified
 with Read &
 Stevens
 John Maxey

Read & Stevens, Inc.
Lotsa Luck 28 Federal, Well No. 2
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10. H₂S: None expected. None encountered in previously drilled wells.

11. Anticipated starting date: October 1, 2003.

Anticipated completion of drilling operations: Approx. 4 weeks.

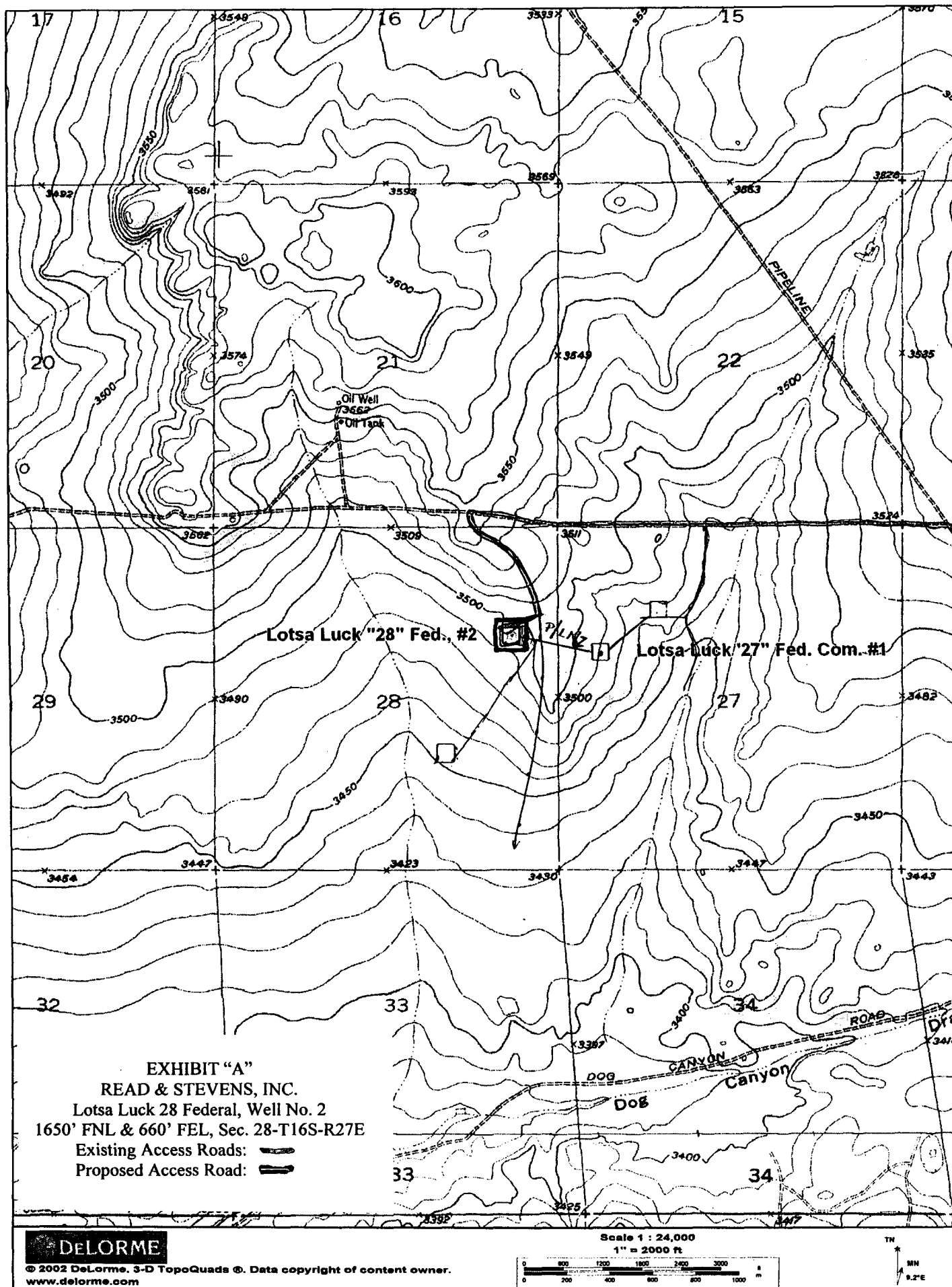




EXHIBIT "C"
 READ & STEVENS, INC.
 Lotsa Luck 28 Federal, Well No. 2
 1650' FNL & 660' FEL, Sec. 28-T16S-R27E
 Existing Wells

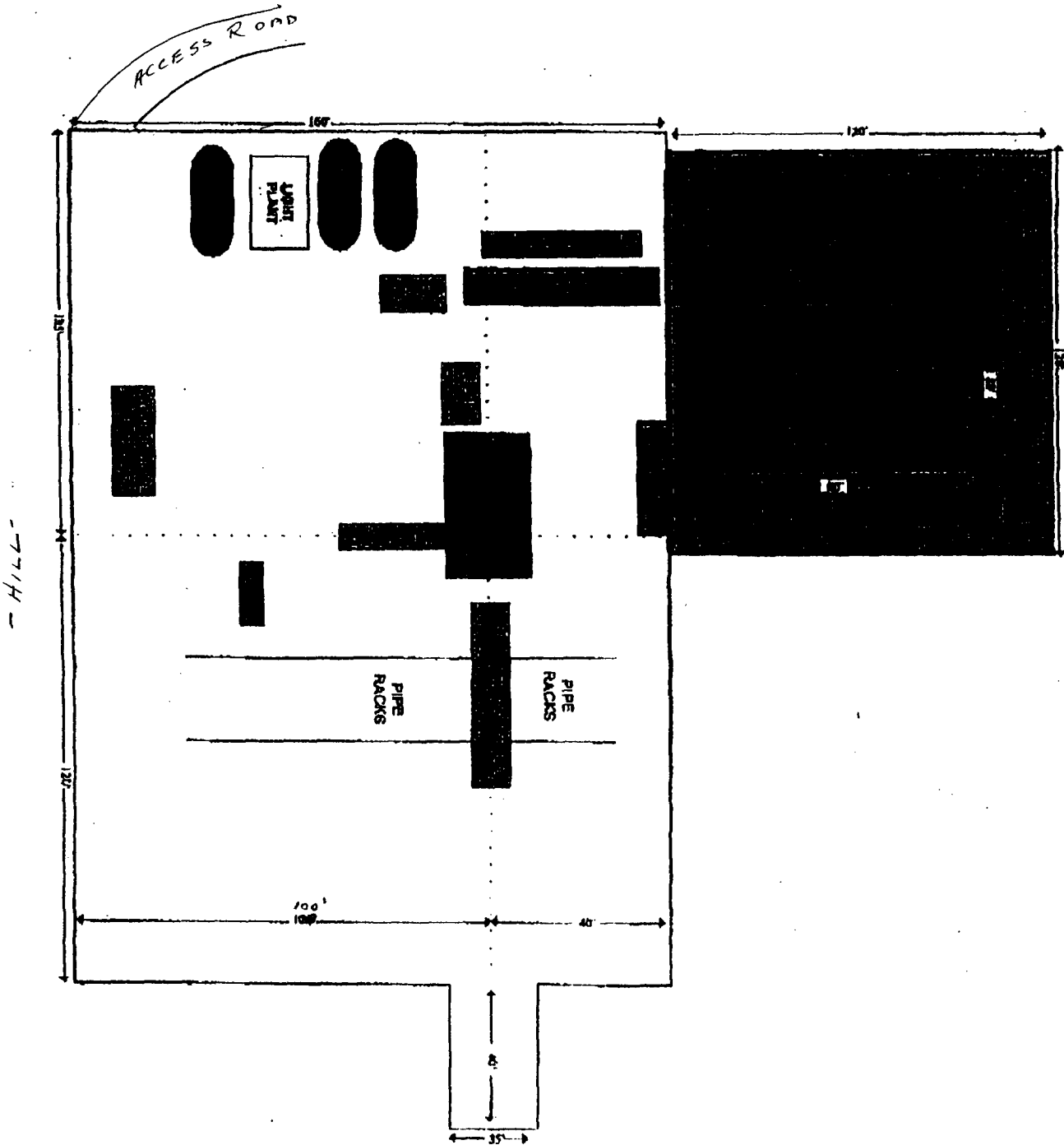


EXHIBIT "D"
READ & STEVENS, INC.
Lotsa Luck 28 Federal, Well No. 2
Pad & Pit Layout

RIG #

BLOWOUT PREVENTOR ARRANGEMENT

2M SYSTEM

10" SHAFFER TYPE "E", 3000 psi WP

80 GALLON, 4 STATION KOOMEY ACCUMULATOR

3000 psi WP CHOKE MANIFOLD

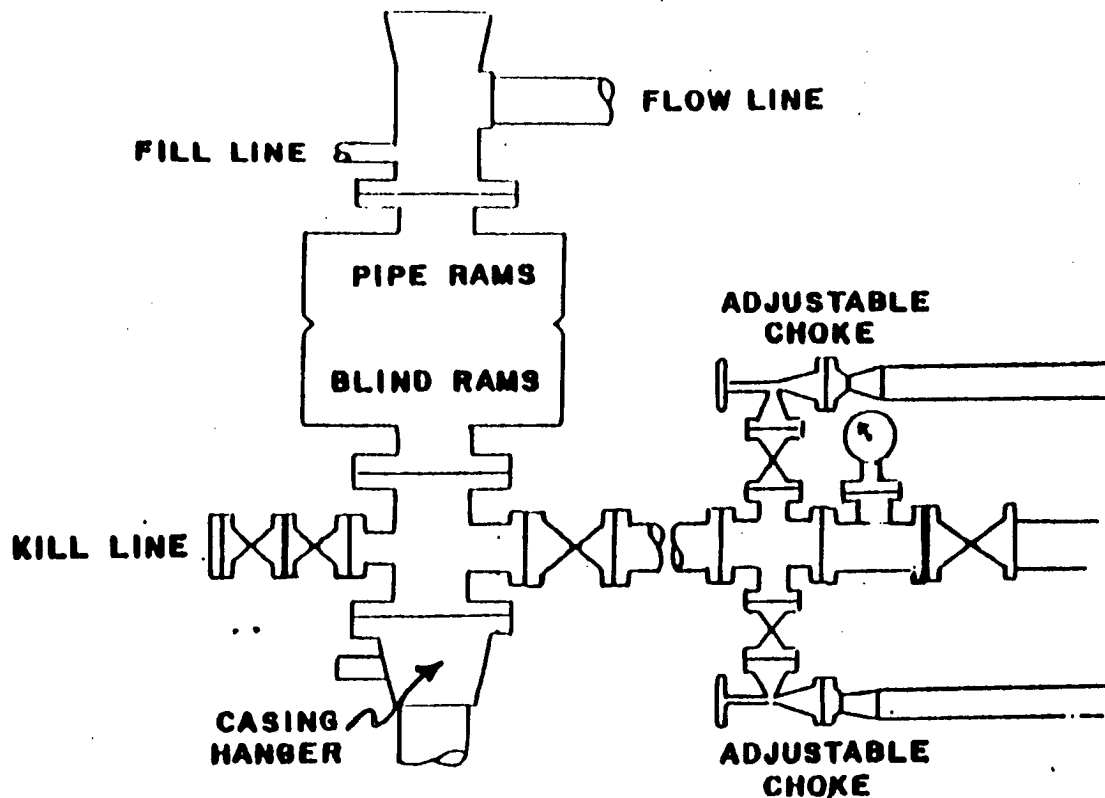


EXHIBIT "E"
READ & STEVENS, INC.
Lotsa Luck 28 Federal, Well No. 2
BOP Specifications