RCVD JUL 14 '08
OIL CONS. DIV.
DIST. 3

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Bureau of Land Management
Farmington Field Office

Form 3160-3
(August 1999)

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

5. Lease Serial No.: NMNM 101989

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA Agreement, Name and No.:

1a Type of Work: [X] DRILL [ ] REENTER

b Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No: Woody Federal 31 #2

2. Name of Operator: Westerly Exploration, Inc.

9. API Well No: 30-043-21061

3A Address: c/o Walsh Engineering,7415 E. Main, Farmington, NM 87402

3b Phone No. *(include area code)*: (505) 327-4892

10. Field and Pool, or Exploratory: South Blanco Pictured Cliffs

4 Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At surface: 790' FSL and 1600' FEL

At proposed prod. Zone:

11. Sec , T., R., M , or Blk, and Survey or Area: O Sec. 31, T23N, R1W

14 Distance in miles and direction from nearest town or post office*: 2 miles Northwest of Regina, NM

12. County or Parish: Sandoval

13. State: NM

15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
790'	634.44	SE/4 160 Acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	**19 Proposed Depth**	**20. BLM/BIA Bond No. on file**
None	3000' +/-	

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
7299' GL	June 1, 2008	2 weeks

24. Attachments

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.
2 A Drilling Plan.
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
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5 Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized office.

25 Signature	Name *(Printed/Typed)*	Date
Paul C. Thompson	Paul C. Thompson, P.E.	4/11/2008

Title: Agent

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
		7/16/08

Title: Acting AFM Minerals

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.

Title 18 U.S.C. Section 1001and 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 statemer[illegible] any matter within its jurisdiction.

**(Instructions on reverse)*

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

NOTIFY AZTEC OCD 24 HRS. PRIOR TO CASING & CEMENT

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

This action is subject to technical and procedural review pursuant to 43 CFR [illegible] and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

NMOCD

JUL 17 2008

Exhibit "A-2"

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

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

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

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Farmington Field Office

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

Form C-102
Revised February 21, 1994
Instructions on back

[ ] AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-043-21061	72439	BLANCO PICTURED CLIFFS, SOUTH

4 Property Code	5 Property Name	6 Well Number
37256	WOODY FEDERAL 31	2

7 OGRID No.	8 Operator Name	9 Elevation
22568	WESTERLY EXPLORATION, INC.	7299'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	31	23N	1W		790	SOUTH	1600	EAST	SANDOVAL

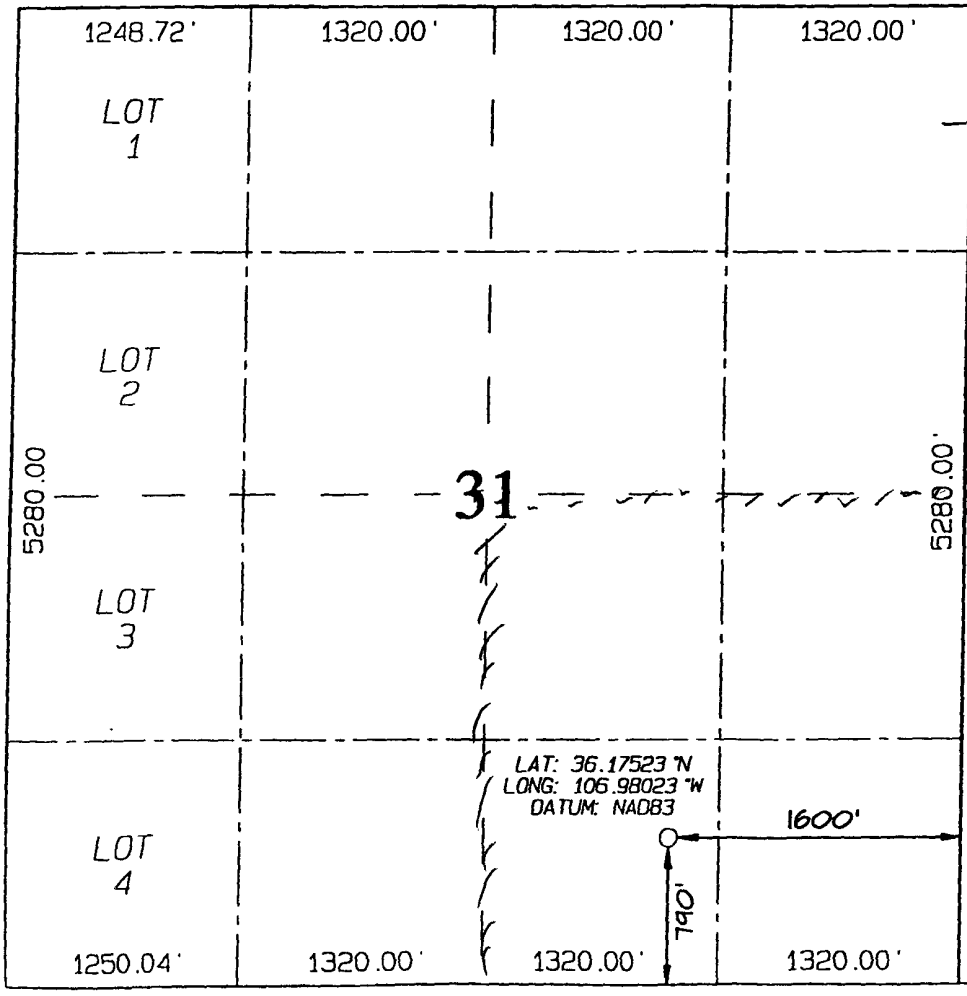
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160 ACRES SE/4			

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

16



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Paul C. Thompson
Signature

PAUL C. THOMPSON
Printed Name

AGENT
Title

4/12/08
Date

18 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.

Survey Date: JANUARY 18, 2006

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
15269
REGISTERED PROFESSIONAL SURVEYOR

JASON C. EDWARDS
Certificate Number 15269

WESTERLY EXPLORATION, Inc.
OPERATIONS PLAN
Woody Federal 31 #2

I. Location: 790' FSL & 1600' FEL Date: April 11, 2008
Sec 31 T23N R1W
Sandoval County, NM

Field: Blanco Pictured Cliffs Elev: 7299' GL
Surface: Fee Prendergast
Minerals: BLM NM 101989

II. Geology: Surface formation _ Naciemiento

A.

Formation Tops	Depths
Ojo Alamo	2600'
Kirtland	2790'
Pictured Cliffs	2868'
Total Depth	3000'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:

Water and gas - 2868'

B. Logging Program: FDC/CNL/GR/SP and DIL logs at TD.

C. No over pressured zones are anticipated. No H_2S zones will be penetrated in this well. Max. BHP = 800 psig.

III. Drilling
A. Contractor:

B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The production hole will be drilled with a fresh water polymer mud. The weighting material will be drill solids or if conditions dictate, barite. The maximum mud weight expected is 8.7 ppg.

C. Minimum Blowout Control Specifications:

Double ram type 2000 psi working pressure BOP or an annular preventer. See the attached Exhibit #1 testing procedure for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1000 psi.

The blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a floor safety valve and choke manifold all rated to 2000 psi.

IV. Materials

A. Casing Program:

Hole Size	Depth	Casing Size	Wt. & Grade
12-1/4"	120'	8-5/8"	32# J-55
7-7/8"	3000'	5-1/2"	15.5# J-55

B. Float Equipment:

a) Surface Casing: Notched collar and 3 centralizers on the bottom 3 collars.

b) Production Casing: Production Casing: 5-1/2" cement guide shoe and self fill insert float collar. Place float one joint above shoe. Place four centralizers spaced every other joint above the shoe and five turbolizers every third joint starting at the base of the Ojo Alamo formation.

V. Cementing:

Surface casing: 8-5/8" - Use 85 sx (100 cu. ft.) of Type 5 with ¼ #/sk. celloflake and 3% $CaCl_2$ (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG). 100% excess to circulate cement to surface. WOC 12 hours. NU BOP and pressure test the surface casing to 1000 psi for 30 min.

Production Casing: 5-1/2" - Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 10 bbls of gel water and 10 bbls of fresh water. Lead with 385 sx (793 cu.ft) of Type 5 with 2% SMS, ¼#/sk. celloflake and 5 #/sk gilsonite. (Yield = 2.06 cu.ft./sk; slurry weight = 12.5 PPG). Tail with 100 sx (118 cu.ft.) of Type 5 with, 5 #/sk gilsonite and ¼#/sk. celloflake/sk. (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG) Total cement volume is 911 cu.ft. (75% excess to circulate cement to surface.

Paul C. Thompson

Paul C. Thompson, P.E.

BOP Testing Procedure.

Refer to the attached diagram for the bradenhead and BOP configuration. No mud cross will be utilized. The choke manifold will be connected to one side of the bradenhead. Connect the third-party testing company's test truck to the opposite side of the bradenhead.

Kill Line Valve:
Connect the test truck to the kill line valve and pressure test the valve to 250 psig low and 1,000 psig high. Test each pressure for 10 minutes.

Blind Rams:
Close the blind rams and open the bradenhead valve to the choke manifold. Have all three of the choke manifold valves closed. Pressure test the blind rams, casing, bradenhead, and choke manifold to 250 psig low and 1,000 psig high. Test each pressure for 30 minutes. A successful test will not have more than a 10% drop during the 30 minute test period.

If the test is successful proceed with the pipe ram test.

If the test is not successful, open the blind rams and install the test plug at the bottom of the bradenhead (the test plug seal is below the two valves on the bradenhead). Close the bradenhead valve to the choke manifold. Pressure test the blind rams and bradenhead to 250 psig low and 1,000 psig high. Open the bradenhead valve to the choke manifold and repeat the test. If theses test fail with no obvious leaks at either the blind rams or the choke manifold, remove the test plug and run a 7" packer into the first joint of casing and repeat both tests. Use caution when pulling the test plug if pressure is trapped below the plug. Recommend closing the pipe rams and opening the bradenhead valve to the choke manifold before trying to pull the test plug.

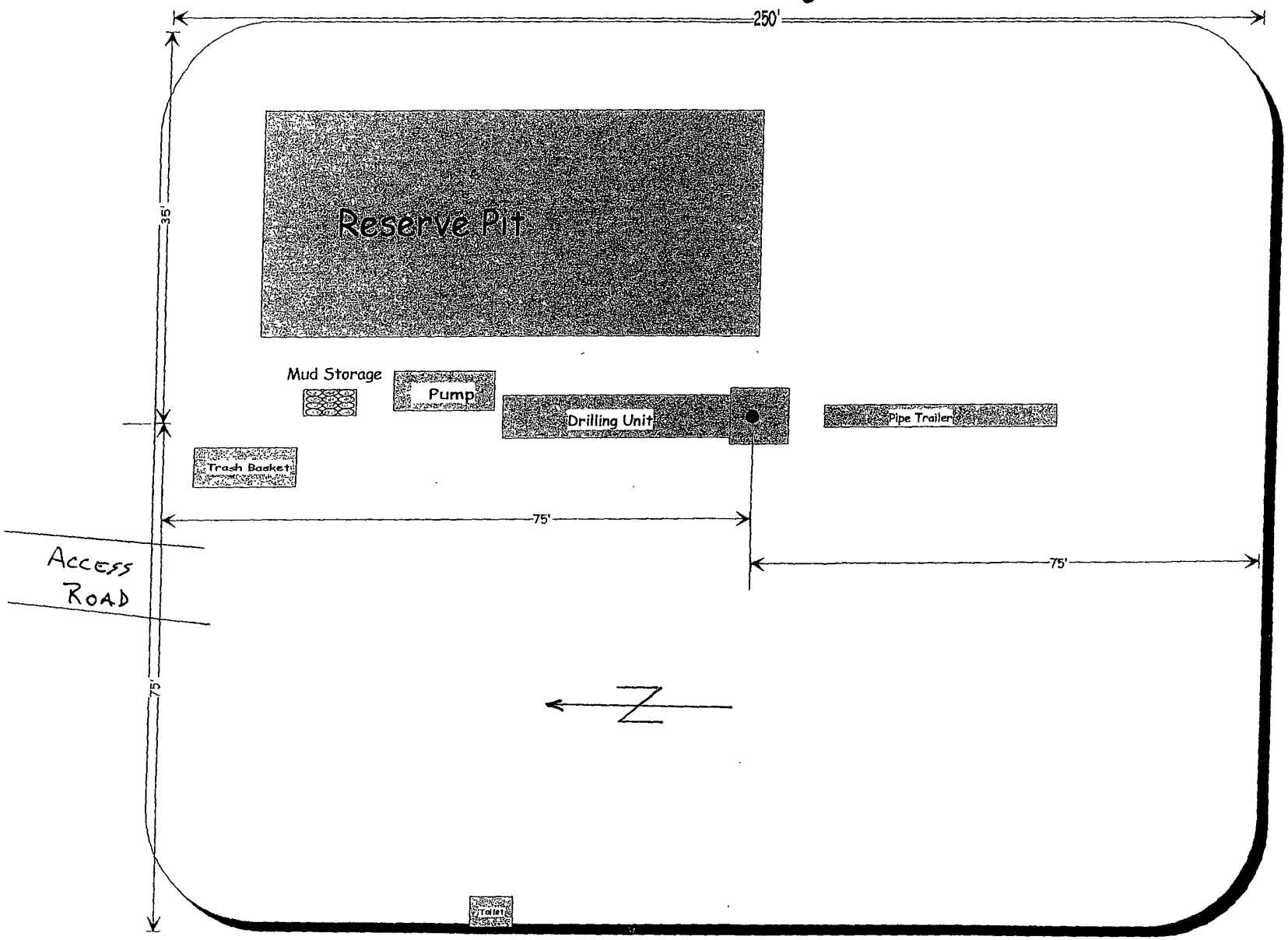
Pipe Rams:
Install the TIW valve on the bottom of one joint of drill pipe. Run the one joint into the well and close the pipe rams. Chain down the joint of drill pipe but leave the top of the pipe open. With the bradenhead valve open and the test truck still connected to the other side of the bradenhead, test the pipe rams to 250 psig low and 1,000 psig high. Hold each pressure for 30 min with no more than a 10% drop during the test period.

Upper Kelly Cock:
Install the TIW valve to the bottom of the Kelly. Install the test truck to the TIW Valve. With the TIW valve closed, pressure test the TIW valve to 250 psig low and 1,000 psig high for 10 minutes. Open and the TIW valve and close the upper Kelly cock. Pressure test the Kelly and upper Kelly cock to 250 psig low and 1,000 psig high. Hold each pressure for 10 minutes with 0% drop during the test.

March, 2003
John Thompson

Plat #3
Location Diagram

Location Dimensions 150' X 105'



Typical Location Layout

"2M" BLOWOUT PREVENTER SYSTEM