Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 89210
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

RECEIVED

HOBBS OCD

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
June 19, 2008

| WELL API NO. |
| 30-025-39241 |

5. Indicate Type of Lease
  STATE X   FEE ☐

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well X   Gas Well ☐   Other

2. Name of Operator
   Caza Operating, LLC

3. Address of Operator
   200 N. Loraine, Suit 1550, Midland, Texas 79701

7. Lease Name or Unit Agreement Name

   Lucky Penny 10 State

8. Well Number **#1**

9. OGRID Number 249099

10. Pool name or Wildcat
    Caprock Penn, East <9120>
    Upper

4. Well Location

   Unit Letter **P** : **660** feet from the **South** line and **990** feet from the **East** line

   Section **10**   Township **12S**   Range **32 E**   NMPM   County **LEA**

| 11. Elevation (Show whether DR, RKB, RT, GR, etc.) |
| 4384 GR |

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:			SUBSEQUENT REPORT OF:		
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐		REMEDIAL WORK ☐	ALTERING CASING ☐	
TEMPORARILY ABANDON ☐	CHANGE PLANS X		COMMENCE DRILLING OPNS. ☐	P AND A ☐	
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐		CASING/CEMENT JOB ☐		
DOWNHOLE COMMINGLE ☐					
OTHER: ☐			OTHER: ☐		

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Caza Operating request the following APD change. We propose to Drill the production casing portion of hole using a 8.75 inch bit to 8750 ft. We will then log and run a Gyro. We will plug back to ± 7800 ft and drill the curve for our planned horizontal test. Upon curve completion we will run & Cement 7 inch casing. We will reduce bit size to 6.125 inches and drill the lateral to our previous described location. We will run a Peak "Pkr – Sleeve" open hole completion assembly on 4.5 inch 11.6# P-110 Casing with a Packer type liner hanger assembly. A RBP will be run and set prior to _rig release_ for secondary well control insurance. Kill weight fluid will be in the 7 inch above the RBP and Liner Packer before Rig Release.

Attachments:
Casing Design 4.5 & 7inch. Note Peak system will be incorporated into 4.5 string.
Cement plan for 7 inch Casing

SEE CONDITIONS OF APPROVAL BELOW

Spud Date:

Rig Release Date:

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

SIGNATURE _____   TITLE **Operation Manager**   DATE **04/2/2009**

Type or print name **Richard L. Wright**   E-mail address: **rwright@cazapetro.com**   PHONE: **432 682 7424**

For State Use Only

APPROVED
BY: _____   TITLE **PETROLEUM ENGINEER**   DATE _____   APR 13 2009

Conditions of Approval (if any): *SURFACE CASING MUST BE SET @ TOP RUSTLER FORMATION APPROXIMATE DEPTH OF RUSTLER 1440'*

Lucky Penny Prospect
LUCKY PENNY 10 STATE # 1 H
PRODUCTION CASING CEMENT PROPOSAL

WELL DATA:

JOB TYPE	PRIMARY PRODUCTION STRING CEMENT, **HORIZONTAL**
TOTAL MEASURED DEPTH	8,625 FT
TOTAL VERTICAL DEPTH	± 8352 FT
KOP	± 7875 FT
EOC	± 8625 FT
HOLE SIZE	8.75 INCHES THROUGH CURVE @ 8625.
LAST CASING SIZE	9.625 40 LB N-80

SYSTEM DATA:

TOC CALCULATION	4500 FT FS
WASHOUT CALCULATION	50% or 1.5 times the volume
9.625 inch Csg X 7 inch Csg volume	.1585 cu ft / ft
HYDRAULIC DIAMETER 8.75 INCH HOLE	.4176 CU FT / FT
7 INCH CSG OD HYDRAULICS	.267 CU FT / FT
7 INCH CSG ID HYDRAULICS	.2148 CU FT/FT
9.625 csg X 7 inch Csg Volume	500 ft X .1585 = 79.25 Cu Ft
8.75 inch hole X 7 inch Csg volume	3625 ft X (.4176-.267) = 546 Cu Ft X 1.5 WASHOUT = 820
SHOE JOINT	45 ft X .2148 = 9.7 Cu Ft
TOTAL VOLUME NEEDED	(79.25 + 820 + 9.7) = **909 CU FT**

CEMENT DATA: LEAD SLURRY

TYPE	TXI LIGHT
YIELD	1.25 CU FT/ SK
WEIGHT	13.5 PPG
MIX WTR	6.150 GAL/SK
THICKENING TIME EST	4 hrs 6 minutes
12/72 HR COMPRESSIVE STRENGTH EST	50 psi 1790 psi
FREE WATER	Zero in 2 hrs
FLUID LOSS EST	82 ml in 19minutes @ 137° and 1000 psi.
CEMENT NEED LEAD JOB =	**909 cu ft / 1.25 cu ft/ Sk = 727 Sacks Concrete**

CEMENT DATA: TAIL SLURRY

TYPE	TXI "H"
YIELD	1.18 CU FT/ SK
WEIGHT	15.6 PPG
MIX WTR	5.2 GAL/SK
THICKENING TIME EST	2 hrs 36 minutes
12/24 HR COMPRESSIVE STRENGTH EST	90 psi 2100
FREE WATER	Zero in 2 hrs
FLUID LOSS EST	NA
CEMENT NEED TAIL JOB =	**200 Sacks Concrete "NOT IN CALCULATIONS ABOVE"**

Well name:		**Lucky Penny**
Operator:	**Caza Operating, LLC**	
String type:	Production: Frac	
Location:	New Mexico, Lea County	

Design parameters:

Collapse
Mud weight:	10.000 ppg

Design is based on evacuated pipe.

Burst
Max anticipated surface pressure:	5,446 psi
Internal gradient:	0.120 psi/ft
Calculated BHP	6,448 psi

No backup mud specified.

Minimum design factors:

Collapse:
Design factor	1.125

Burst:
Design factor	1.10

Tension:
8 Round STC:	1.80 (J)
8 Round LTC:	1.80 (J)
Buttress:	1.60 (J)
Premium:	1.50 (J)
Body yield:	1.50 (B)

Tension is based on buoyed weight.
Neutral point: 7,093 ft

Environment:
H2S considered?	No
Surface temperature:	75 °F
Bottom hole temperature:	125 °F
Temperature gradient:	0.60 °F/100ft
Minimum section length:	1,500 ft
Minimum Drift:	6.250 in
Cement top:	1,120 ft

Directional Info - Build & Hold
Kick-off point	7875 ft
Departure at shoe:	472 ft
Maximum dogleg:	12 °/100ft
Inclination at shoe:	89.4 °

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
2	7500	7	26.00	P-110	LT&C	7500	7500	6.151	1611.2
1	1120	7	26.00	P-110	Buttress	8352	8620	6.151	240.6

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
2	3896	6230	1.599	6346	9950	1.57	184	693	3.76 J
1	4339	5879	1.355	6448	9950	1.54	-11	830	-78.40 B

Prepared by:	Richard Wright Pillips	Phone: 432 682 7424 FAX: (281) 447-8933	Date: March 30,2009 Midland, Texas

Remarks:
Collapse is based on a vertical depth of 8352 ft, a mud weight of 10 ppg The casing is considered to be evacuated for collapse purposes.
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.
Collapse strength is (biaxially) derated for doglegs in directional wells by multiplying the tensile stress by the cross section area to calculate a tensile

Engineering responsibility for use of this design will be that of the purchaser.

Well name:		**Lucky Penny**
Operator:	**Caza Operating, LLC**	
String type:	Production Liner	
Location:	New Mexico, Lea County	

Design parameters:

Collapse
Mud weight:	10.000 ppg

Design is based on evacuated pipe.

Burst
Max anticipated surface pressure:	3,336 psi
Internal gradient:	0.120 psi/ft
Calculated BHP	4,338 psi

No backup mud specified.

Minimum design factors:

Collapse:
Design factor	1.125

Burst:
Design factor	1.00

Tension:
8 Round STC:	1.80 (J)
8 Round LTC:	1.80 (J)
Buttress:	1.60 (J)
Premium:	1.50 (J)
Body yield:	1.60 (B)

Tension is based on buoyed weight.
| Neutral point: | 8,312 ft |

Environment:
H2S considered?	No
Surface temperature:	75 °F
Bottom hole temperature:	125 °F
Temperature gradient:	0.60 °F/100ft
Minimum section length:	1,000 ft
Minimum Drift:	3.875 in

Liner top:	7,700 ft

Directional Info - Build & Hold
Kick-off point	7875 ft
Departure at shoe:	3972 ft
Maximum dogleg:	12 °/100ft
Inclination at shoe:	90.04 °

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Est. Cost ($)
1	4420	4.5	11.60	P-110	Buttress	8350	12120	3.875	22783

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (kips)	Tension Strength (kips)	Tension Design Factor
1	4338	7580	1.747	4338	10690	2.46	6.4	367.2	57.26 B

Prepared by:	Richard Wright Pillips	Phone: 432 682 7424 FAX: 432 682 7425	Date: March 31,2009 Midland, Texas

Remarks:
For this liner string, the top is rounded to the nearest 100 ft.Collapse is based on a vertical depth of 8350 ft, a mud weight of 10 ppg The casing is
Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.
Collapse strength is (biaxially) derated for doglegs in directional wells by multiplying the tensile stress by the cross section area to calculate a tensile

Engineering responsibility for use of this design will be that of the purchaser.