

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|-------------------------------|
| 1. Operator Name and Address WESTERN RESERVES OIL CO INC PO BOX 993 MIDLAND , TX 79702 | | 2. OGRID Number 24987 |
| | | 3. API Number 30-015-35444 |
| 4. Property Code 36339 | 5. Property Name LAKE MCMILLAN "21" | 6. Well No. 001 |

7. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot C | Section 21 | Township 19S | Range 26E | Lot Idn C | Feet From 660 | N/S Line N | Feet From 1980 | E/W Line W | County EDDY |
|---------------|---------------|-----------------|--------------|--------------|------------------|---------------|-------------------|---------------|----------------|

8. Pool Information

| | |
|----------------|-------|
| WC; UPPER PENN | 97519 |
|----------------|-------|

Additional Well Information

| | | | | |
|---|--|--------------------------------|---|------------------------------------|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type Private | 13. Ground Level Elevation 3343 |
| 14. Multiple N | 15. Proposed Depth 9800 | 16. Formation Pennsylvanian | 17. Contractor | 18. Spud Date 3/15/2007 |
| Depth to Ground water 90 | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 | |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 20 _____ mils thick Clay <input type="checkbox"/> Pit Volume: 3800 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input checked="" type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5 | 13.375 | 48 | 350 | 390 | 0 |
| Int1 | 12.25 | 9.625 | 36 | 1360 | 450 | 0 |
| Prod | 8.75 | 5.5 | 17 | 9800 | 1200 | 1200 |

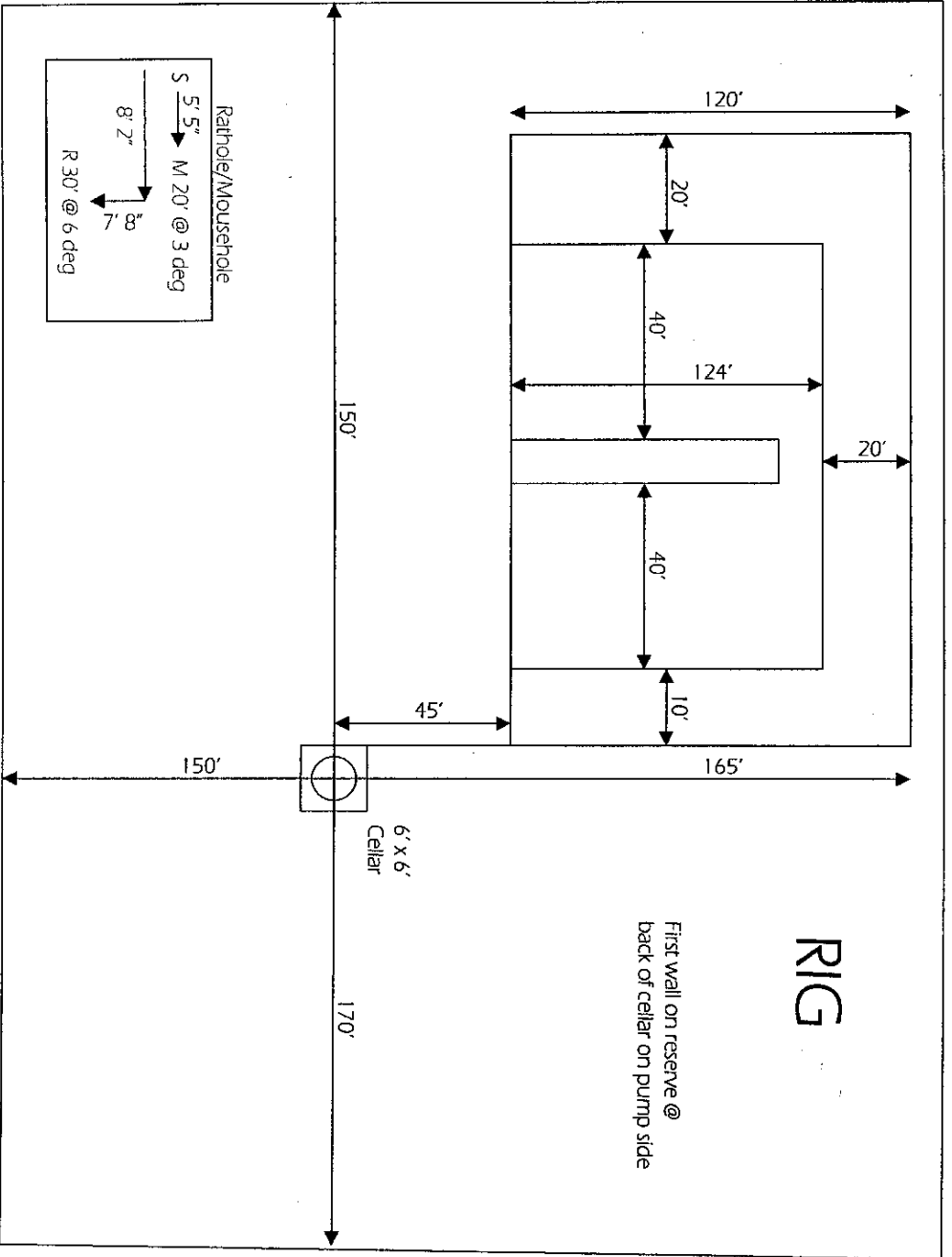
Casing/Cement Program: Additional Comments

0-350', mud weight 8.6-9; vis. 32-34;spud mud. 350-7500, mud weight 8.4-8; vis. 28-29; fresh water. 7500-9100, mud weight 8.8-9.4; vis 30-38, cut brine. Will submit BOP, maps & H2S data by e-mail.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 5000 | 5000 | Weatherford |

| | | |
|---|----------------------------------|----------------------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> . | OIL CONSERVATION DIVISION | |
| | Approved By: Bryan Arrant | |
| | Title: Geologist | |
| | Approved Date: 2/27/2007 | Expiration Date: 2/27/2008 |
| | Conditions of Approval Attached | |
| Printed Name: Electronically filed by Bonnie Carter | | |
| Title: Manager | | |
| Email Address: bmcbeth@westernreserves.com | | |
| Date: 2/20/2007 | Phone: 432-683-5533 | |



RIG

First wall on reserve @
back of cellar on pump side

6' x 6'
Cellar

Rathole/Mousehole

S 5' 5" M 20' @ 3 deg

8' 2"

7' 8"

R 30' @ 6 deg

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
1525 N. FRANCH DR., HOBER, NM 88240

DISTRICT II
1501 W. GRAND AVENUE, ARTESIA, NM 88210

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

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT IV
1520 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|------------------------------|---|--|
| API Number <i>30-015-</i> | Pool Code | Pool Name <i>Wildcat (Upper Penn)</i> |
| Property Code | Property Name LAKE McMILLAN 21 | Well Number 1 |
| OGRID No. <i>024987</i> | Operator Name WESTERN RESERVES OIL COMPANY INC. | Elevation 3343' |

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 | 21 | 19-S | 26-E | | 660 | NORTH | 1980 | 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 <i>320</i> | Joint or Infill | Consolidation Code | Order No. |
|-------------------------------|-----------------|--------------------|-----------|

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

| | |
|--|--|
| | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>[Signature]</i> <i>2-15-07</i> Signature Date Ann E. Ritchie, Agent Printed Name</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 belief.</p> <p>FEBRUARY 06, 2007</p> <p>Date Surveyed LA</p> <p>Signature & Seal of Professional Surveyor <i>[Signature]</i> 07.11.0148</p> |
| | <p>Certificate No. GARY EDSON 12841</p> |

GEODETIC COORDINATES
NAD 27 NME
Y=600659.7 N
X=483057.6 E
LAT.=32.651303° N
LONG.=104.388380° W

Permit Conditions of Approval

Operator: WESTERN RESERVES OIL CO INC , 24987

Well: LAKE MCMILLAN "21" #001

API: 30-015-35444

| OCD Reviewer | Condition |
|--------------|---|
| BArrant | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |
| BArrant | Operator to submit a h2s well contingency plan that meets the requirements of NMOCD Rule 118. Or if in review such a plan does not meet the requirements of NMOCD 118, please submit a letter of statement. |
| BArrant | As noted, operator to drill surface and intermediate hole sections with fresh water mud. |
| BArrant | Please notify OCD time of spud and time to witness the cementing of the surface and intermediate strings of casing. |