

**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 KERNS PETROLEUM, INC. 1777 NE LOOP 410, SUITE 930 SAN ANTONIO, TX 78217		2. OGRID Number 250384
		3. API Number 30-025-38769
4. Property Code 36717	5. Property Name EUMONT STATE	6. Well No. 003

**7. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
F	36	21S	35E	F	2190	N	1980	W	LEA

**8. Pool Information**

WILDCAT BONE SPRING	0
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**Additional Well Information**

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3588
14. Multiple N	15. Proposed Depth 9000	16. Formation Bone Spring	17. Contractor	18. Spud Date
Depth to Ground water 190		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ mils thick Clay <input type="checkbox"/> Pit Volume: 10000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input 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	17.25	13.375	54.5	350	280	0
Prod	12.25	5.5	20	9000	6200	0

**Casing/Cement Program: Additional Comments**

Kerns Petroleum proposes to drill a 9,000-foot wildcat to test a deep seismic feature. Approximately 350 feet of surface casing will be set and cement circulated. If commercial, approximately 7,000-9,000 feet of production casing will be run and cemented back to surface.

**Proposed Blowout Prevention Program**

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	2000	2000	

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 NMOCB guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: Electronically filed by Kerry A Johnston	Approved By: Paul Kautz	
Title: Vice President	Title: Geologist	
Email Address: kjohnston@kernspetro.com	Approved Date: 2/19/2008	Expiration Date: 2/19/2010
Date: 2/18/2008	Phone: 210-829-7881	Conditions of Approval Attached

**District I**  
 1625 N. French Dr., Hobbs, NM 88240  
 Phone:(505) 393-6161 Fax:(505) 393-0720

**District II**  
 1301 W. Grand Ave., Artesia, NM 88210  
 Phone:(505) 748-1283 Fax:(505) 748-9720

**District III**  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 Phone:(505) 334-6178 Fax:(505) 334-6170

**District IV**  
 1220 S. St Francis Dr., Santa Fe, NM 87505  
 Phone:(505) 476-3470 Fax:(505) 476-3462

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Form C-102  
 Permit 68695

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-025-38769	2. Pool Code	3. Pool Name WILDCAT BONE SPRING
4. Property Code 36717	5. Property Name EUMONT STATE	6. Well No. 003
7. OGRID No. 250384	8. Operator Name KERNS PETROLEUM, INC.	9. Elevation 3588

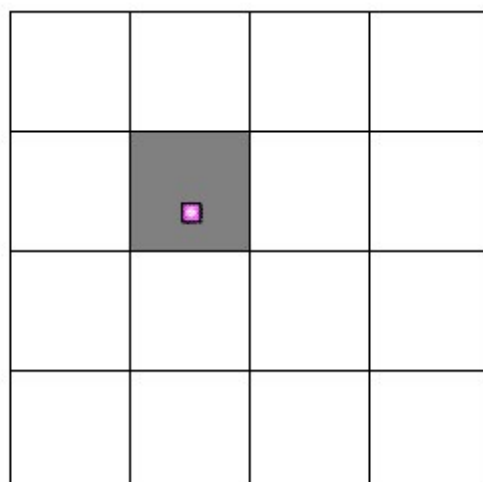
**10. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
F	36	21S	35E		2190	N	1980	W	LEA

**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00		13. Joint or Infill		14. Consolidation Code		15. 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**



**OPERATOR CERTIFICATION**

*I hereby certify that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

E-Signed By: Kerry A Johnston  
 Title: Vice President  
 Date: 2/18/2008

**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.*

Surveyed By: Gary Jones  
 Date of Survey: 12/20/2007  
 Certificate Number: 7977

# Permit Conditions of Approval

Operator: KERNS PETROLEUM, INC. , 250384

Well: EUMONT STATE #003

API: 30-025-38769

OCD Reviewer	Condition
pkautz	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
DMULL	Approval for drilling only. At this time the operator is out of compliance with the inactive well list per Rule 40. Operator has 26 wells and 4 wells are on the inactive well list. Operator is allow only to have 2 inactive wells.