

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 CANO PETRO OF NEW MEXICO, INC. 801 CHERRY STREET FORT WORTH, TX 76102 | | 2. OGRID Number 248802 |
| | | 3. API Number 30-05-28031 |
| 4. Property Code 303560 | 5. Property Name CATO SAN ANDRES UNIT | 6. Well No. 584 |

7. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| G | 15 | 08S | 30E | G | 2499 | N | 1385 | E | CHAVES |

8. Pool Information

| | |
|-----------------|-------|
| CATO SAN ANDRES | 10540 |
|-----------------|-------|

Additional Well Information

| | | | | |
|---|----------------------------|--|---------------------------|---|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type Private | 13. Ground Level Elevation 4092 |
| 14. Multiple N | 15. Proposed Depth 4500 | 16. Formation San Andres | 17. Contractor | 18. Spud Date |
| Depth to Ground water 500 | | 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: 2000 _____ 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 | 12.25 | 8.625 | 24 | 500 | 450 | 0 |
| Prod | 7.875 | 5.5 | 15.5 | 4500 | 700 | 400 |

Casing/Cement Program: Additional Comments

| |
|--|
| |
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Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|--------|------------------|---------------|--------------|
| Hydril | 2000 | 300 | HYDRIL |

| | | |
|---|---------------------------------|----------------------------|
| 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"/> . Printed Name: Electronically filed by Cynthia Chavez Title: Email Address: cindy@canopetro.com Date: 5/8/2008 Phone: 817-698-0900 | OIL CONSERVATION DIVISION | |
| | Approved By: Paul Kautz | |
| | Title: Geologist | |
| | Approved Date: 5/12/2008 | Expiration Date: 5/12/2010 |
| | Conditions of Approval Attached | |

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals, and Natural Resources Department

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|---------------------------------|
| ¹ API Number | ² Pool Code | ³ Pool Name |
| ⁴ Property Code | ⁵ Property Name C.S.A.U. | ⁶ Well Number 584 |
| ⁷ OGRID No. | ⁸ Operator Name CANO PETROLEUM, INC. | ⁹ Elevation 4092' |

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 |
|---------------|---------|----------|-------------------|---------|---------------|------------------|---------------|----------------|--------|
| G | 15 | 8 SOUTH | 30 EAST, N.M.P.M. | | 2499' | NORTH | 1385' | EAST | CHAVES |

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 | ¹³ | | ¹⁴ Consolidation Code | ¹⁵ Order No. | | | | | |

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | |
|--|--|
| <div><p>¹⁶</p><p>NAD 27 NM E ZONE X = 643180 Y = 953458 LAT.: N 33.6201198 LONG.: W 103.8629991</p></div> | <p>OPERATOR CERTIFICATION</p> <p>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 undivided 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Cynthia Chavez</i> 5/6/08 Signature Date CYNTHIA CHAVEZ 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 survey made by me or under my supervision, and that the same are true and correct to the best of my belief.</p> <p>APR 21, 2008 Date of Survey Signature and Seal of Professional Surveyor</p> <p><i>Michael Blake Brown</i> Michael Blake Brown P.S. #18329 JOB #134115 / 173 NE / L.A.S.</p> |
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Permit Conditions of Approval

Operator: CANO PETRO OF NEW MEXICO, INC. , 248802

Well: CATO SAN ANDRES UNIT #584

API: 30-05-28031

| 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 |