

| | | | | | |
|------------------------|----------|---------------------|--------------------------|-----------------|---------------------------|
| DATE IN 9-14-10 | SUSPENSE | ENGINEER DR. | LOGGED IN 9.14.10 | TYPE NSL | APP NO. 1025749236 |
|------------------------|----------|---------------------|--------------------------|-----------------|---------------------------|

PTG-w

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Paladin Energy
 South Vacuum Unit
 SVU # 275

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-37299

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

6284

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

David Plaisance

V.P. Exploration & Production 9/1/2010

Print or Type Name

Signature

Title

dplaisance@paladinenergy.com

Date

e-mail Address

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

District II
811 South First, 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 & Natural Resources Department

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

Form C-102
Revised August 15, 2000

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|--|--|--|---------------------------------|
| ¹ API Number 30-025-27299 | | ² Pool Code 62010 | | ³ Pool Name Vacuum Devonian, South | |
| ⁴ Property Code 22557 | | ⁵ Property Name South Vacuum Unit | | | ⁶ Well Number 275 |
| ⁷ OGRID No. 164070 | | ⁸ Operator Name Paladin Energy Corp. | | | ⁹ Elevation 3907' |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| H | 27 | 18-S | 35-E | | 1700 | North | 760 | East | Lea |

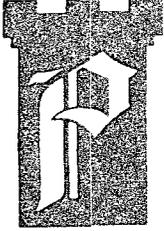
¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| G | 27 | 18-S | 35-E | | 1371 | North | 1916 | East | Lea |

| | | | |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 80 | 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

| | | | |
|---------------------------------|---|--|--|
| <p>Sec 27, T18S, 35E</p> | <p>PP DevonianMD:11567' 1378 FNL 1924 FEL</p> | | <p>¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>David Plasiance</i> Signature</p> |
| | | | <p>David Plasiance Printed Name</p> <p>VP Exploration & Production Title</p> <p>7/20/2010 Date</p> |
| | | | <p>¹⁸ SURVEYOR CERTIFICATION <i>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.</i></p> |
| | | | <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p> |



PALADIN ENERGY CORP.

July 20, 2010

VIA CERTIFIED MAIL

Exxon Mobil Corporation
Attn.: Land Supervisor
P.O. Box 4697
Houston, TX 77210-4697

Re: Notice of application for an unorthodox well location.
SV 27-5 wellbore, Devonian Unit
S/2NE/4 of Section 27, T18S- R35E,
South Vacuum Field, Lea County, NM

Gentlemen:

As previously discussed in a letter dated July 1, 2010, to Exxon Mobil Corporation ("Exxon"), which is attached hereto for your reference, Paladin Energy Corp., ("Paladin") requested Exxon's consent to both the formation of an eighty (80) acre Devonian Unit and an unorthodox well location with regard to the current SV 27-5 wellbore located on the S/2 of the NE/4 of Section 27, Township 18 South, Range 35 East, in Lea County, New Mexico.

In accordance with Paladin's desire to plug back to the Devonian Formation in the above referenced well, please also find attached, for your notification, a copy of the NMOCD Forms C-101 and C-102, that will be submitted in support of our request for an administrative approval by the State of New Mexico for this unorthodox well location in the SV 27-5 wellbore. These forms outline the subject area, the eighty (80) acre Devonian spacing unit we wish to retain, and, the proposed unorthodox surface and bottom hole locations.

Interested parties must file objections or requests for a hearing with the Oil and Gas Conservation Division, at 1220 South St. Francis Dr., Santa Fe, NM 87505, within 15 days from the date of receipt of this application.

If you should have any questions regarding this matter, please contact the undersigned at (214) 654-0132 extension 6.

Sincerely,
Paladin Energy Corp.

Charles R. Stephenson, RPL
Landman

Enclosures

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

District II
811 South First, 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 & Natural Resources Department

Form C-102
Revised August 15, 2000

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

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

AMENDED REPORT

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|---|--|--|--|--|---------------------------------|
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| ⁴ Property Code 22557 | | ⁵ Property Name South Vacuum Unit | | | ⁶ Well Number 275 |
| ⁷ OGRID No. 164070 | | ⁸ Operator Name Paladin Energy Corp. | | | ⁹ Elevation 3907' |

¹⁰ Surface Location

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|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| H | 27 | 18-S | 35-E | | 1700 | North | 760 | East | Lea |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| G | 27 | 18-S | 35-E | | 1371 | North | 1916 | East | Lea |

| | | | |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 80 | 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

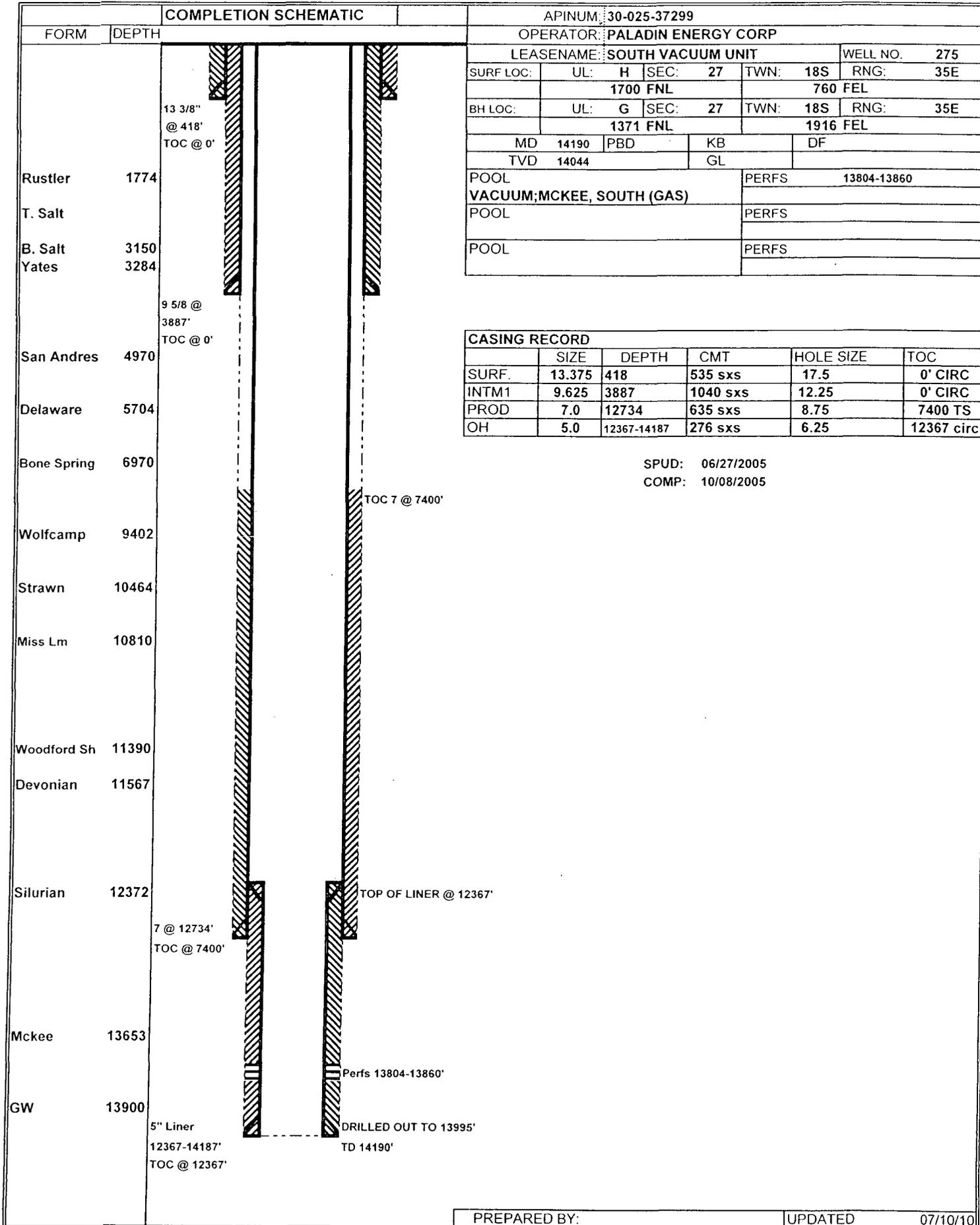
| | | | |
|---------------------------------|---|--|---|
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| | | | <p>David Plasiance Printed Name</p> <p>VP Exploration & Production Title</p> <p>7/20/2010 Date</p> |
| | | | <p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location 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.</i></p> |
| | | | <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> |
| | | | <p>Certificate Number</p> |

South Vacuum 27 #5
Re-complete in Devonian Formation
Sec 27, T18S, R35E
Lea County, New Mexico

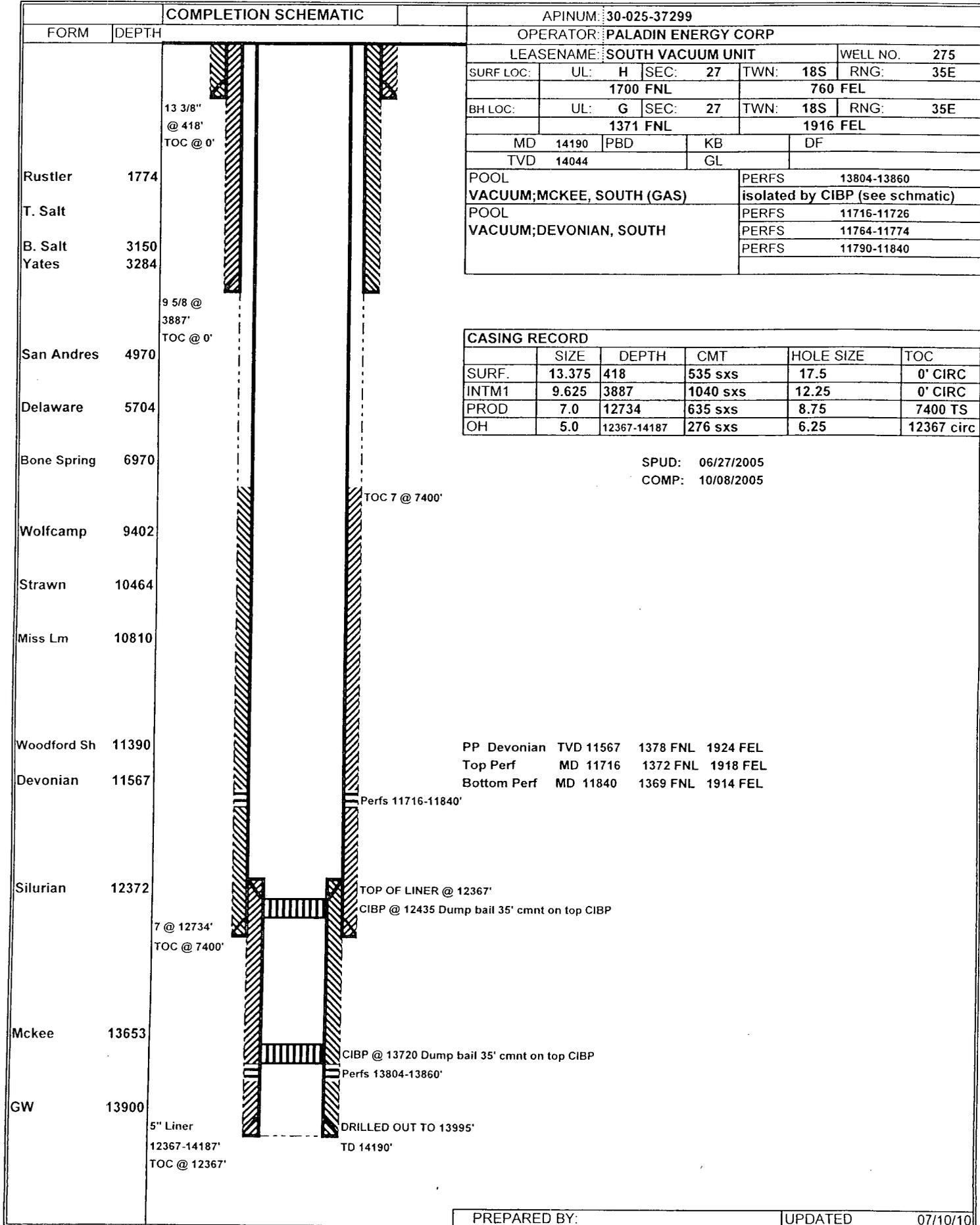
Completion Procedure

1. Rig up pulling unit, POOH with tubing and packer. GBIH with 5" CIBP and set at 13,720' (isolate Mckee Sd. perms from 13,804-860'). Dump bail 35' of class H cement on top of bridge plug.
2. GBIH with 5" CIBP and set at 12,435' inside 5" casing (top of 5" liner at 12,367'). Dump bail 35' of class H cement on top of bridge plug. POOH.
3. R/U e-line and perforate 7" casing for production in Devonian formation from 11,716-26', 11,764-74' and 11,790-840', 2SPF. R/D e-line, GIH with 2-7/8" workstring and packer.
4. Acidize Devonian perforations with 5000 gallons of 15% NEFE acid. Swab back acid. POOH with workstring and packer. GIH with electrical submersible pump assembly and set according to design.
5. Place and connect additional tanks and vessels on location, install electrical panel.
6. Place well on production.

WELLBORE SCHEMATIC AND HISTORY



WELLBORE SCHEMATIC AFTER



COMPLETION SCHEMATIC

APINUM: 30-025-37299

FORM DEPTH

OPERATOR: PALADIN ENERGY CORP

LEASENAME: SOUTH VACUUM UNIT

WELL NO. 275

SURF LOC: UL: H SEC: 27 TWN: 18S RNG: 35E

1700 FNL 760 FEL

BH LOC: UL: G SEC: 27 TWN: 18S RNG: 35E

1371 FNL 1916 FEL

MD 14190 PBD KB DF

TVD 14044 GL

POOL VACUUM;MCKEE, SOUTH (GAS) PERFS 13804-13860
isolated by CIBP (see schmatic)

POOL VACUUM;DEVONIAN, SOUTH PERFS 11716-11726

PERFS 11764-11774

PERFS 11790-11840

CASING RECORD

| | SIZE | DEPTH | CMT | HOLE SIZE | TOC |
|-------|--------|-------------|----------|-----------|------------|
| SURF. | 13.375 | 418 | 535 sxs | 17.5 | 0' CIRC |
| INTM1 | 9.625 | 3887 | 1040 sxs | 12.25 | 0' CIRC |
| PROD | 7.0 | 12734 | 635 sxs | 8.75 | 7400 TS |
| OH | 5.0 | 12367-14187 | 276 sxs | 6.25 | 12367 circ |

SPUD: 06/27/2005

COMP: 10/08/2005

PP Devonian TVD 11567 1378 FNL 1924 FEL

Top Perf MD 11716 1372 FNL 1918 FEL

Bottom Perf MD 11840 1369 FNL 1914 FEL

TOC 7 @ 7400'

Perfs 11716-11840'

TOP OF LINER @ 12367'

CIBP @ 12435 Dump bail 35' cmnt on top CIBP

7 @ 12734'
TOC @ 7400'

CIBP @ 13720 Dump bail 35' cmnt on top CIBP

Perfs 13804-13860'

5" Liner
12367-14187'
TOC @ 12367'

DRILLED OUT TO 13995'
TD 14190'

PREPARED BY:

UPDATED

07/10/10

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Exxon Mobil Corporation
Attn.: Land Supervisor
P.O. Box 4697
Houston, TX 77210-4697

COMPLETE THIS SECTION ON DELIVERY

A. Signature *James Felder* Agent
X Addressee

B. Received by (Printed Name) *James Felder* C. Date of Delivery *7/23/04*

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7005 1820 0006 5435 8752

UNITED STATES POSTAL SERVICE

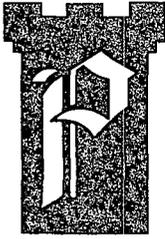


First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

PALADIN ENERGY CORP.
10290 Monroe Drive
Suite 301
Dallas, Texas 75229





PALADIN ENERGY CORP.

RECEIVED OCD

September 1, 2010

2010 SEP -7 P 1:10

Engineering Bureau
New Mexico Oil Conservation Division
1220 South St. Francis Drive.
Santa Fe, New Mexico 87505

Re: Application for Non-Standard Location
South Vacuum 27-5 Well
Sec 27, T18S, R35E
Lea County, New Mexico

Paladin Energy Corp. is the operator of the South Vacuum 27 #5 well in the South Vacuum Field. The well was originally drilled and completed on a 320 acre unit in the McKee Sand formation with perforations from 13,804 to 13,860 feet, and began production on 10/12/2005. The McKee is now uneconomical and Paladin would like to plug back to the Devonian formation and form a laydown 80 acre unit around the wellbore. Although the well was drilled in a standard location for the McKee perforations, the location for the Devonian perforations will be unorthodox in its proximity to the North Lease Line only, and will require a non-standard location approval.

Please find attached, the accompanying documentation supporting our request. Exxon Mobil is the only affected Offset Operator (they are also an Overriding Royalty Owner), and as such have been notified of our intent. They have communicated to us that they have no objections to our intent to re-complete to the Devonian in this wellbore. The Forms C-101, C102 and C-144 have been filed with the District Office in Hobbs.

If you have any question or need further information please give a call or you can e-mail me at dplaisance@paladinenergy.com.

Thank you,

David Plaisance
V.P. Exploration & Production