

7012
F-04-23
0484

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

POTASH

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		R-111-POTASH	5. Lease Serial No. LC-029096C
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		<input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone	6. If Indian, Allottee or Tribe Name
2. Name of Operator V-F Petroleum, Inc.			7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 1889 Midland, TX 79702	3b. Phone No. (include area code) 432-687-0008		8. Lease Name and Well No. Budge Federal Com., Well No. 1
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1336' FSL & 2160' FWL At proposed prod. zone 1650' FSL & 1650' FWL		9. API Well No. 30-015-33437	
14. Distance in miles and direction from nearest town or post office* 18 miles east of Carlsbad, NM		10. Field and Pool, or Exploratory Dos Hermanos Morrow	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 480' (330")		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 21-T20S-R30E	
16. No. of Acres in lease 320		12. County or Parish Eddy	
17. Spacing Unit dedicated to this well 640		13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A		20. BLM/BIA Bond No. on file NM-2246	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3350' GL		22. Approximate date work will start* April 21, 2004	
		23. Estimated duration 6 weeks	
24. Attachments CAPITAN CONTROLLED WATER BASIN			

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>George R. Smith</i>	Name (Printed Typed) George R. Smith	Date 3/16/04
Title Agent for: V-F Petroleum, Inc.		
Approved by (Signature) <i>William S. Condit</i>	Name (Printed Typed) William S. Condit	Date 4/21/04
Title ACTING STATE DIRECTOR		
Office NM STATE OFFICE		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Lease Responsibility Statement: V-F Petroleum, Inc. accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

RECEIVED

APR 26 2004

000-ARTESIA

George R. Smith
George R. Smith, agent

District I
1825 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
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 76080	Pool Name Dos Hermanos Morrow
Property Code	Property Name BUDGE FEDERAL COM	Well Number 1
OGRID No. 24010	Operation Name V F PETROLEUM INC.	Elevation 3350

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
J	21	20-S	30-E		1336	SOUTH	2160	EAST	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
K	21	20-S	30-E		1650	SOUTH	1650	WEST	EDDY
Dedicated Acres 640	Joint or Infill	Consolidation Code com	Order No.						

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

	<p>OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>
	<p>Signature: <i>George R. Smith</i></p>
	<p>Printed Name: George R. Smith</p>
	<p>Title: agent for V-F Pet. Inc.</p>
	<p>Date: 3/16/04</p>
<p>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 KNOWLEDGE AND BELIEF.</p>	
<p>MARCH 6, 2004</p>	
<p>Date of Survey</p>	
<p>Signature and Seal of Professional Surveyor</p>	
<p>REGISTERED PROFESSIONAL SURVEYOR NEW MEXICO 5412 NM PE&C OFF 5412 Certificate Number</p>	

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: V-F Petroleum, Inc. Telephone: 432 683-3344 e-mail address: tom@vfpetroleum.com
Address: P. O. Box 1889; Midland, Texas 79702-1889
Facility or well name: Budge Fed, Com. #1 API #: _____ U/L or Qtr/Qtr J Sec 21 T 20S R 30E
County: Eddy Latitude N32° 30' 19.0" Longitude W103° 58' 32.1" NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>20</u> mil Clay <input type="checkbox"/> Volume <u>5000</u> bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) <u>100 feet or more</u> (0 points) <u>0</u>
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (20 points) <u>No</u> (0 points) <u>0</u>
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet (20 points) 200 feet or more, but less than 1000 feet (10 points) <u>1000 feet or more</u> (0 points) <u>0</u>
	Ranking Score (Total Points) <u>0</u>

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 05/18/04

Printed Name/Title Tom Beall

Signature Tom Beall

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval Date: MAY 19 2004

Printed Name/Title Gail Sep

Signature Gail Sep

Please see attached stipulations and/or requirements:



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

19 May 2004

V-F Petroleum, Inc.
P.O. Box 1889
Midland, Texas 79702-1889

RE:

Permit Stipulations - Budge Federal Com # 1

Unit J SEC-21 T-20S R-30E

The Oil Conservation Division of Artesia is in receipt of your application to construct a pit for the purpose of drilling. The request is hereby accepted and approved with the following provisions:

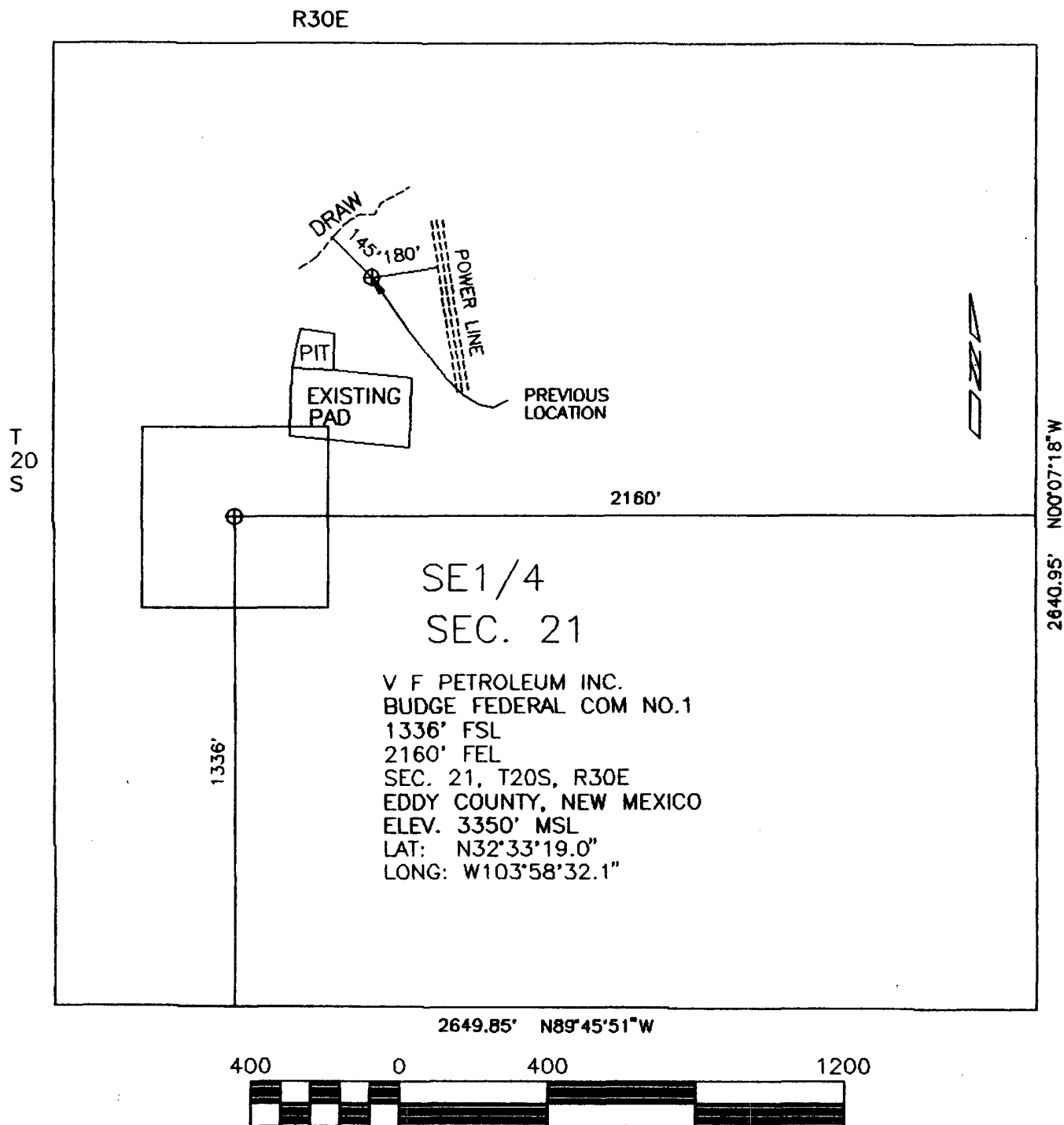
1. Construction and closing of pit(s) must meet the criteria of Rule 19.15.2.50 and the Pit Guidelines.
2. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
3. Notice is to be given to the OCD prior to construction of the pit(s).
4. Pit encapsulations must meet all specific criteria including, but not limited to:
 - A. Site evaluation
 - B. Liner thickness and type must meet requirements as per guidelines.
 - C. Amount of and type of cover
 - D. Drill cuttings will be sampled as per guidelines. Notify OCD 48 hours prior to any sampling event
 - E. In the event that the integrity of the pit lining is breached in a manner such that soil contamination would result, the contents of the pit will have to be disposed of in an approved OCD facility.
5. The integrity of the bottom liner may not be breached at any time for any reason.
6. The pit will not be used for any additional storage of fluids.
7. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)
8. Re-seeding mixture will must be approved or authorized by surface owner.

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,

Van Barton

WELL LOCATION SKETCH



Scale 1" = 400 ft

PREPARED BY: DAN R. REDDY NM PE&PS
PREPARED FOR: V F PETROLEUM INC.
MARCH 10, 2004

APPLICATION FOR DRILLING

V-F PETROLEUM, INC.

Budge Federal Com., Well No. 1

Surface: 1336 FSL & 2160' FEL, Sec. 21-T20S-R30E

Production: 1650' FSL & 1650' FWL, Sec. 21-T20S-R30E

Eddy County, New Mexico

Lease No.: LC-029096C

(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, V-F Petroleum, Inc. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Rustler	80'	Wolfcamp Limestone	10,293'
Yates	1,755'	Middle Strawn Limestone	10,953'
Capitan Reef	2,282'	Atoka	11,243'
Delaware	3,578'	Morrow	11,688'
Bone Spring	6,450'	Lower Morrow	12,168'
Wolfcamp	10,124'	T.D	12,500'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.

Oil: None expected.

Gas: Possible in the Strawn below 10,953', Atoka below 11,243' and the Morrow below 11,688'.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT	
26"	20"	94.0#	H-40	ST&C	200'	Circ. 550 sx HL & 150"C to surface.	WITNESS
17 1/2"	13 3/8"	48.0#	H-40	ST&C	750'		
17 1/2"	13 3/8"	54.5#	K-55	ST&C	2,260'	Circ. 1000 sx HL & 150"C to surface	WITNESS
12 1/4"	9 5/8"	36.0#	K-55	ST&C	1,950'		
12 1/4"	9 5/8"	40.0#	K-55	ST&C	3,525'	Circ. 900 sx HL & 300 "C" to surface.	WITNESS
8 3/4"	5 1/2"	17.0#	N-80	LT&C	6,150'		
8 3/4"	5 1/2"	20.0#	N-80	LT&C	12,500'	750 sx "H" returned to 8,000' for TOC.	

NOTE: Deviation Requirements: Commencing at 5,100': Kick off and build angle at 2.5 degrees per 100 feet. Drill and build curve section at 11.29 degrees to T.D. See Exhibit "F".

5. Proposed Control Equipment: A 12' 5000 psi wp Shaffer Type LWS Double Gate BOP will be installed on the 13 3/8' casing. Casing and BOP will be tested according to Onshore Oil & Gas Order #2, not to exceed maximum surface estimated pressures of 2800 psi wp, before drilling out with 12 1/4' and will be tested regularly. See Exhibit "E".

6. MUD PROGRAM:	MUD WEIGHT	VIS.	W/L CONTROL
0' - 200':	Fresh water mud:	8.6 - 9.2 ppg	32 - 40
200' - 2260':	Brine water mud	10.0 - 10.1 ppg	28 - 29
2260' - 3550':	Fresh water mud:	10.0 - 10.1 ppg	28 - 29
3550' - 10,600':	Brine water mud:	8.3 - 8.4 ppg	28 - 29
10,600' - 12,500':	Cut Brine mud:	9.8 - 10.0 ppg	36 - 40
			W/L cont. 12-to 6 cc in Morrow

7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, and stabbing valve.

V-F PETROLEUM, Inc.

Budge Federal Com., Well No. 1

Page 2

8. Testing, Logging, and Coring Program:

Drill Stem Tests: None.

Logging: T.D. to 3600': GR-DNL-DLL

3600' to Surface: GR-

Coring: None planned

9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated maximum BHP = 5544 and Surface Pressure = 2772 with a temperature of 186°.

10. H₂S: None expected.

11. Anticipated starting date: April 21 2004

Anticipated completion of drilling operations: Approximately 30 - 40 days.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

V-F PETROLEUM INC.

Budge Federal Com., Well No. 1

Surface: 1336' FSL & 2160' FEL, Sec. 21-T20S-R30E

Production: 1650' FSL & 1650' FWL, Sec. 21-T20S-R30E

Eddy County, New Mexico

Lease No.: LC-029096C

(Development Well)

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a USGS/BLM Topo map showing the location of the proposed well as staked. The well site location is approximately 18 road miles northeast of Carlsbad, New Mexico. Traveling east from Carlsbad there will be approximately 17.6 miles of paved highway and .7 miles of gravel ranch/oilfield roads.
- B. Directions: Travel east from Carlsbad, NM on U.S. Highway 62/180 for approximately 15 miles to the NM Highway 360 turnoff. Turn north on Highway 360 for 2.4 miles to a cattle guard on the east side of highway. Turn east for .7 mile. The location is staked just south of the road and west of an existing well site with tank battery. The existing road will access the pad on the northeast corner of the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The proposed pad will parallel the existing access road on the north side and entry to the well will be from this road.
- B. Construction: The proposed access from the existing road will be constructed by grading and topping with compacted caliche and will be properly drained.
- C. Turnouts: None required.
- D. Culverts: None required.
- E. Cuts and Fills: None required except the leveling and filling for ease of access from existing road..
- F. Gates, Cattle guards: None required.
- G. Off Lease R/W: None required.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two-mile radius are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. There are no production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas production-process equipment and tank battery, if required, will be installed on the drilling pad. A Sundry Report will be submitted for a gas pipe line when the access location is determined.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing and proposed access roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and well site pad will be obtained on location, if available, or from a Federal pit in the SE¼NW¼ of Section 5-T21S-R29E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock and wildlife from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components.
- B. Mat Size: 192' X 285', plus 150' X 125' reserve pits. The pits will be on the southwest.
- C. Cut & Fill: A 4 - 5 foot cut on the south with fill to the south, east and north.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not required for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as they are dry enough to work after abandonment.

11. OTHER INFORMATION:

- A. Topography: The proposed well site and access road is located on the north side of an northeast/southwest running small hill. The location has a northeasterly slope of 3 - 4% from an elevation of 3350'.
- B. Soil: The topsoil at the well site is a moderately dark brown colored, calcareous soil with caliche outcrops. The soil is of the Largo loam soils series.
- C. Flora and Fauna: The vegetation cover is a sparse to fair grass cover of three-awn, grama, dropseed and other miscellaneous native grasses along with plants of mesquite, yucca, creosote bush, sage, javellina brush, broomweed, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None except potash disposal ponds 1 - 1.5 miles to the east.
- E. Residences and Other Structures: None, but existing oil field facilities.
- F. Land Use: Cattle grazing and potash mines.
- G. Surface Ownership: The proposed well site and access road are on Federal surface.
- H. There is no evidence of archaeological, historical or cultural sites on the proposed 500' X 500' site. Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, are conducting an archaeological survey and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

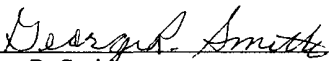
Tom Beall
V-F Petroleum Inc.
P.O. Box 1889
Midland, TX 79702
Office Phone: (432) 687-0008

Larry Brazile
V-F Petroleum, Inc.
P.O. Box 1889
Midland, TX 79702
Office Phone: (432) 687-0008

13. CERTIFICATION:

I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by V-F Petroleum Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

March 16, 2004



George R. Smith
Agent for: V-F Petroleum Inc.

RIG 3

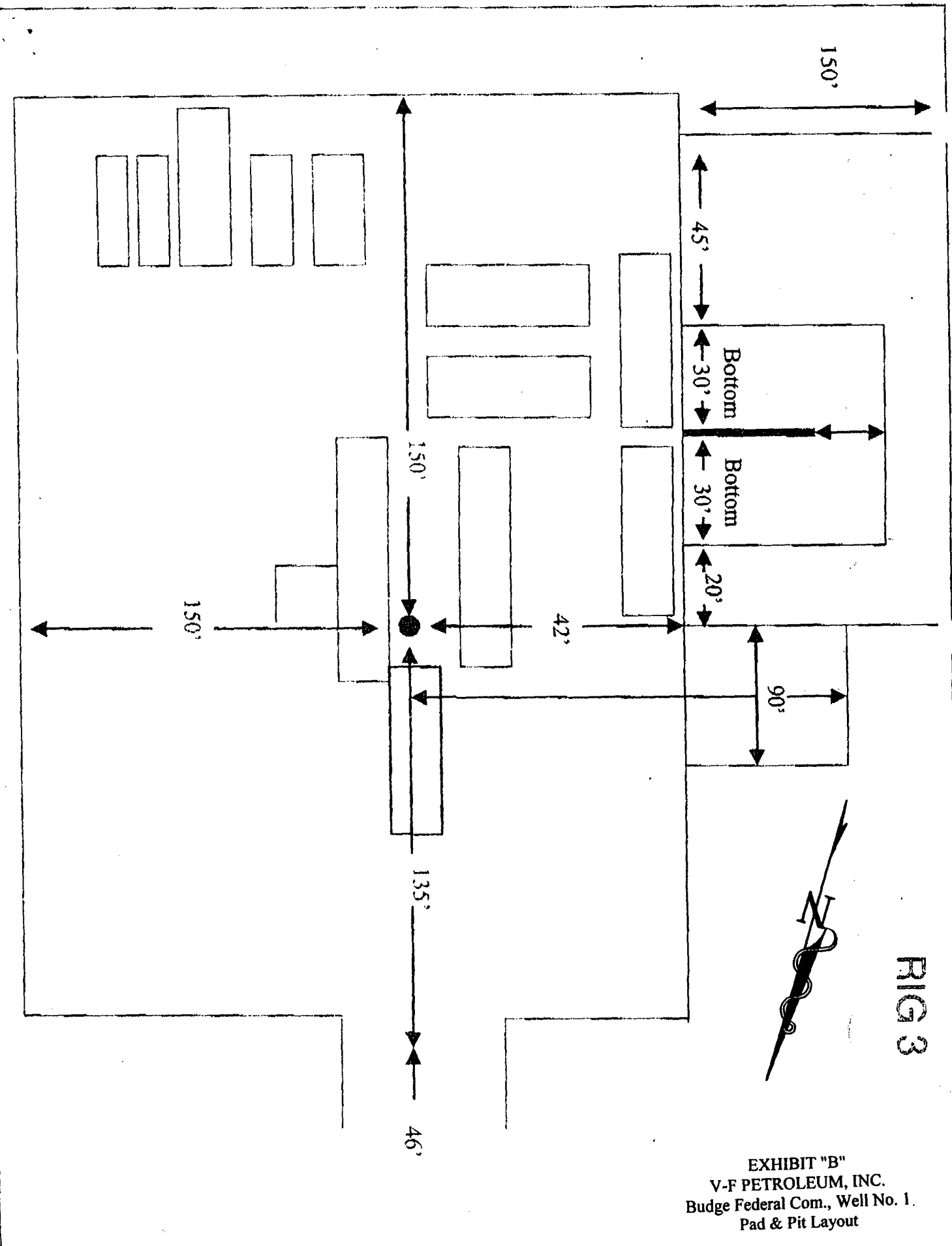


EXHIBIT "B"
V-F PETROLEUM, INC.
Budge Federal Com., Well No. 1.
Pad & Pit Layout

Mar-01-2004 12:28 From-PATTERSON DRILLING

4326821565

T-101 P 003/003 F-959



RIG #3

BLOWOUT PREVENTOR ARRANGEMENT

11" SHAFFER TYPE LWS, 5000 psi WP

11" GK HYDRIL, 5000 psi WP

80 GALLON, 4 STATION PAYNE ACCUMULATOR

3000 psi WP CHOKE MANIFOLD

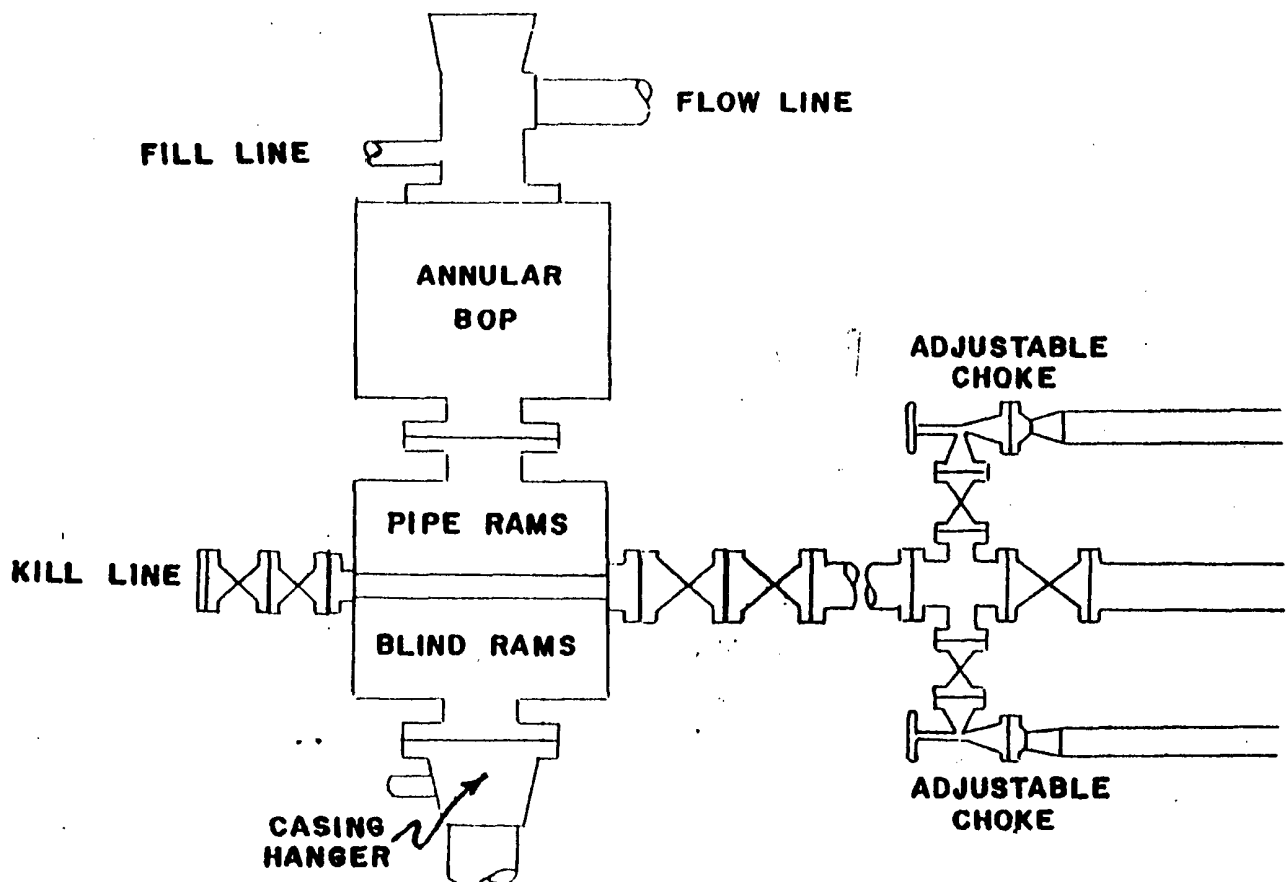


EXHIBIT "E"
V-F PETROLEUM, INC.
Budge Federal Com., Well No. 1
BOP Specifications



V-F Petroleum Inc.

Structure : Budge Federal COM

Slot : slot #1

Field : INDIAN BASIN

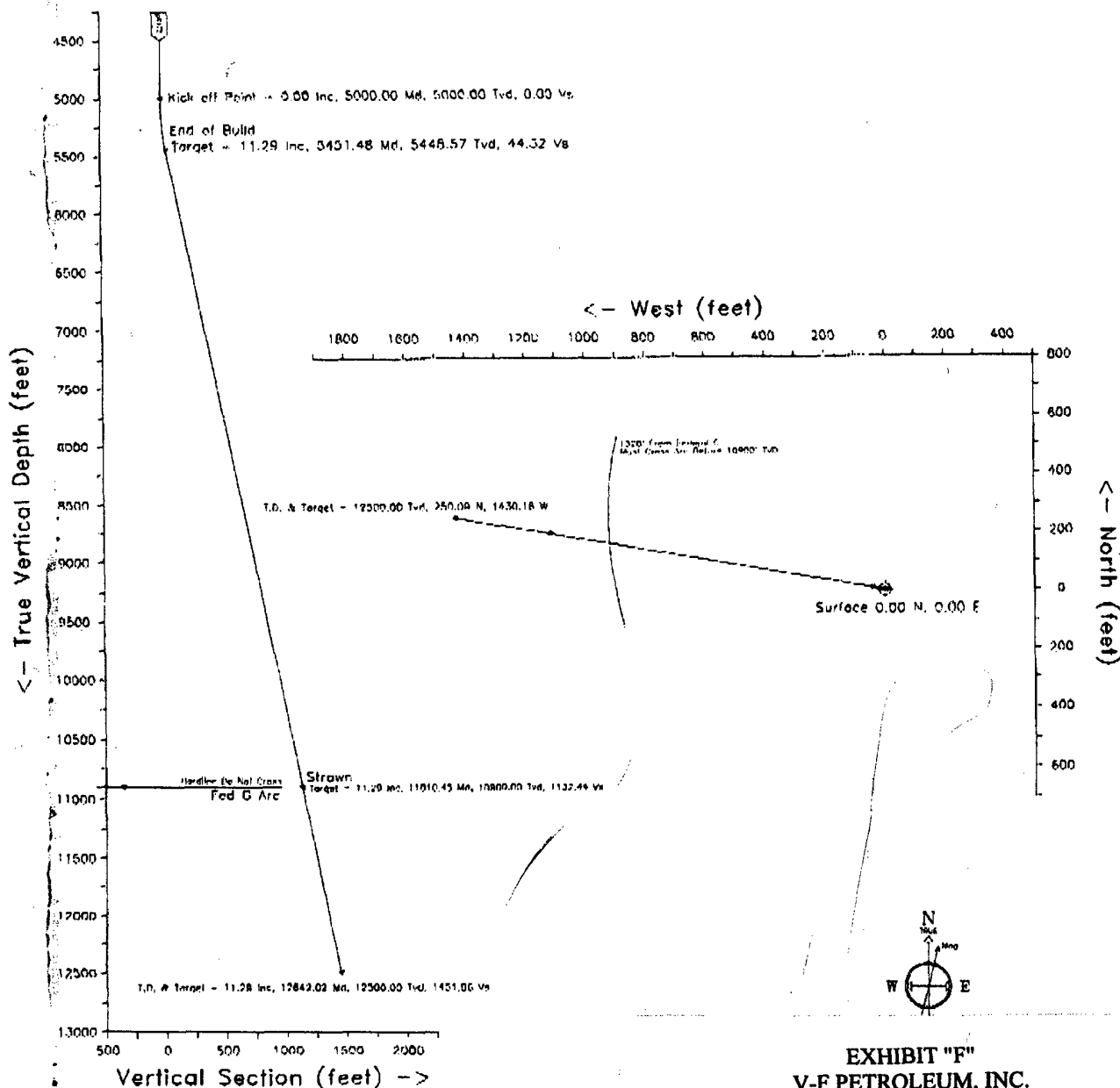
Location : Eddy County New Mexico

Created By: Aant
 Date plotted : 27-Feb-2004
 Plot Reference is Plot #1.
 Coordinates are in feet reference slot #1.
 True Vertical Depths are reference rotary table.
 Surface
 --- Baker Hughes INTEQ ---

INTEQ

WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Deg/100
Tile on	0.00	0.00	279.92	0.00	0.00	0.00	0.00	0.00
KOP	5000.00	0.00	279.92	5000.00	0.00	0.00	0.00	0.00
Target End of Build	5451.48	11.29	279.92	5448.57	7.64	-43.66	44.32	2.50
Target Strawn	11010.45	11.29	279.92	10900.00	195.07	-1115.51	1132.44	0.00
T.D. & Target BHU	12642.02	11.29	279.92	12500.00	250.09	-1430.16	1451.86	0.00



Azimuth 279.92 with reference 0.00 N, 0.00 E from slot #1

EXHIBIT "F"

V-F PETROLEUM, INC.

Budge Federal Com., Well No. 1

Directional Drilling Program

Surface: 1336' FSL & 2160' FEL, Sec. 21-T20S-R30E

Production: 1650 FSL & 1650' FWL, Sec. 21-T20S-R30E

V-F Petroleum Inc.
Budge Federal COM

slot #1
INDIAN BASIN
Eddy County New Mexico

P R O P O S A L L I S T I N G

by
Baker Hughes INTEQ

Your ref : Plan 4
Our ref : prop4173
License :

Date printed : 27-Feb-2004
Date created : 27-Feb-2004
Last revised : 27-Feb-2004

Field is centred on 445535.500,521332.200,-105.00000,N
Structure is centred on n32 33 25.500,w103 58 27.8

Slot location is n32 33 25.500,w103 58 27.800
Slot Grid coordinates are N 566565.364, E 610593.183
Slot local coordinates are 0.00 N 0.00 E

Projection type: mercator - New Mexico East (3001), Spheroid: Clarke - 1866

Reference North is True North

03/01/2004

10:57

432-683-3352

V F PETROLEUM

PAGE 02

V-F Petroleum Inc.
 Budge Federal COM, slot #1
 INDIAN BASIN, Eddy County New Mexico

PROPOSAL * LISTING Page 1
 Your ref : Plan 4
 Last revised : 27-Feb-2004

Measured Depth	Inclin. Degrees	Azimuth Degrees	True Vert Depth	R E C T A N G U L A R C O O R D I N A T E S		Dogleg Deg/100ft	Vert Sect	
0.00	0.00	279.92	0.00	0.00 N	0.00 E	0.00	0.00	
500.00	0.00	279.92	500.00	0.00 N	0.00 E	0.00	0.00	
1000.00	0.00	279.92	1000.00	0.00 N	0.00 E	0.00	0.00	
1500.00	0.00	279.92	1500.00	0.00 N	0.00 E	0.00	0.00	
2000.00	0.00	279.92	2000.00	0.00 N	0.00 E	0.00	0.00	
2500.00	0.00	279.92	2500.00	0.00 N	0.00 E	0.00	0.00	
3000.00	0.00	279.92	3000.00	0.00 N	0.00 E	0.00	0.00	
3500.00	0.00	279.92	3500.00	0.00 N	0.00 E	0.00	0.00	
4000.00	0.00	279.92	4000.00	0.00 N	0.00 E	0.00	0.00	
4500.00	0.00	279.92	4500.00	0.00 N	0.00 E	0.00	0.00	
5000.00	0.00	279.92	5000.00	0.00 N	0.00 E	0.00	0.00	
5100.00	2.50	279.92	5099.97	0.38 N	2.15 W	2.50	2.18	
5200.00	5.00	279.92	5199.75	1.50 N	8.59 W	2.50	8.72	
5300.00	7.50	279.92	5299.14	3.38 N	19.31 W	2.50	19.61	
5400.00	10.00	279.92	5397.97	6.00 N	34.29 W	2.50	34.81	
5451.48	11.29	279.92	5448.57	7.64 N	43.66 W	2.50	44.32	End of Build
11010.45	11.29	279.92	10900.00	195.07 N	1115.51 W	0.00	1132.44	Strawn
11100.00	11.29	279.92	10987.82	198.09 N	1132.78 W	0.00	1149.97	
11200.00	11.29	279.92	11085.88	201.46 N	1152.07 W	0.00	1169.55	
11300.00	11.29	279.92	11183.95	204.83 N	1171.35 W	0.00	1189.13	
11400.00	11.29	279.92	11282.01	208.21 N	1190.64 W	0.00	1208.70	
11500.00	11.29	279.92	11380.08	211.58 N	1209.92 W	0.00	1228.28	
11600.00	11.29	279.92	11478.14	214.95 N	1229.21 W	0.00	1247.86	
11700.00	11.29	279.92	11576.21	218.32 N	1248.49 W	0.00	1267.44	
11800.00	11.29	279.92	11674.27	221.70 N	1267.78 W	0.00	1287.01	
11900.00	11.29	279.92	11772.34	225.07 N	1287.06 W	0.00	1306.59	
12000.00	11.29	279.92	11870.40	228.44 N	1306.35 W	0.00	1326.17	
12100.00	11.29	279.92	11968.47	231.81 N	1325.63 W	0.00	1345.75	
12200.00	11.29	279.92	12066.53	235.18 N	1344.92 W	0.00	1365.32	
12300.00	11.29	279.92	12164.60	238.56 N	1364.20 W	0.00	1384.90	

03/01/2004

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432-683-3362

V F PETROLEUM

PAGE 03

12400.00	11.29	279.92	12262.66	241.93 N	1383.49 W	0.00	1404.48
12500.00	11.29	279.92	12360.73	245.30 N	1402.77 W	0.00	1424.06
12600.00	11.29	279.92	12458.79	248.67 N	1422.06 W	0.00	1443.63
12642.02	11.29	279.92	12500.00	250.09 N	1430.16 W	0.00	1451.86 BHL

All data is in feet unless otherwise stated.
 Coordinates from slot #1 and TVD from rotary table.
 Bottom hole distance is 1451.86 on azimuth 279.92 degrees from wellhead.
 Vertical section is from N 0.00 E 0.00 on azimuth 279.92 degrees.
 Calculation uses the minimum curvature method.
 Presented by Baker Hughes INTEQ

V-F Petroleum Inc.
 Budge Federal COM, slot #1
 INDIAN BASIN, Eddy County New Mexico

PROPOSAL LISTING Page 2
 Your ref : Plan 4
 Last revised : 27-Feb-2004

Comments in wellpath			
MD	TVD	Rectangular Coords.	Comment
5451.43	5448.57	7.64 N 43.66 W	End of Build
11010.45	10900.00	195.07 N 1115.51 W	Strawn
12642.02	12500.00	250.09 N 1430.16 W	BHL

Targets associated with this wellpath				
Target name	Geographic Location	T.V.D.	Rectangular Coordinates	Revised
End of Build		5448.57	7.63N 43.66W	27-Feb-2004
Strawn		10900.00	195.07N 1115.51W	27-Feb-2004
BHL		12500.00	250.09N 1430.16W	27-Feb-2004



United States Department of the Interior

Bureau of Land Management
New Mexico State Office
1474 Rodeo Road
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov

IN REPLY REFER TO:
3160 (08200)
LC-029096-C

April 21, 2004

CERTIFIED--RETURN RECEIPT REQUESTED
7003 1680 0004 2112 1424

V-F Petroleum Inc.
P. O. Box 1889
Midland, TX 79702

RE: LC-029096-C
Budge Federal Com #1
SHL: 1336'/S & 2160'/E, Sec. 21, T.20S, R.30E
BHL: 1650'/S & 1650'/W, Sec. 21, T.20S, R.30E
Eddy County, New Mexico

30-015-33437
Gentlemen:

RECEIVED

JUN 03 2004

OFF-ARTESIA

I have approved your application at the well location requested. A copy of the approved application with stipulations is enclosed. Please contact our Carlsbad Field Office at (505) 234-5972, should you have any questions or if we can be of any additional help.

Sincerely,

FOR Linda S. C. Rundell
State Director

1 Enclosure

COPY

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: V-F PETROLEUM, INC. FEL (SL)
Well Name & No. 1 - BUDGE FEDERAL COM
Location: 1336' FSL & 2160' FWL - SEC 21 - T2oS - R3oE - EDDY COUNTY (SHL)
1650' FSL & 1650' FWL - SEC 21 - T2oS - R3oE - EDDY COUNTY (BHL)
Lease: LC-029096-C

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at 2260 feet below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is circulate cement to the surface.

4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

(ORIG. SGD.) LES BABYAK

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch casing shall be 5000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.
- BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name V-F PETROLEUM INC Well Name & No. 1-BUDGE FEDERAL COM
 SHL: Location 1336 F S L & 2160 F E L Sec. 21, T. 20 S, R. 30 E.
 Lease No. LC-029096-C County EDDY State New Mexico
 BHL: LOCATION 1650'/s & 1650'/w

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
 () San Simon Swale (stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(☒) The BLM will monitor construction of this drill site. Notify the (☒) Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(☒) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

(☒) Other. V-Door West Southwest (Reserve pits to the South Southeast).

III. WELL COMPLETION REQUIREMENTS

() A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- | | |
|---|---|
| () A. Seed Mixture 1 (Loamy Sites) | () B. Seed Mixture 2 (Sandy Sites) |
| Side Oats Grama (<i>Bouteloua curtipendula</i>) 5.0 | Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 |
| Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 | Sand Lovegrass (<i>Eragostis trichodes</i>) 1.0 |
| | Plains Bristlegrass (<i>Setaria magrostachya</i>) 2.0 |
| (<input checked="" type="checkbox"/>) C. Seed Mixture 3 (Shallow Sites) | () D. Seed Mixture 4 (Gypsum Sites) |
| Side oats Grama (<i>Boute curtipendula</i>) 1.0 | Alkali Sacaton (<i>Sporobolus airoides</i>) 1.0 |
| | Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |

() OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

() Other.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.