

OCD-ARTESIA

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007 **EA662**

1a Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No. NM-93469
1b Type of Well <input checked="" type="checkbox"/> Oil Well <input 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 Read & Stevens, Inc. <18917>		7 If Unit or CA Agreement, Name and No
3a Address P.O. Box 1518 Roswell, NM 88202		8 Lease Name and Well No Hot Dog 23 Federal, Well No. 3 <38435>
3b Phone No. (include area code) 575-622-3770- Ext 305		9 API Well No 30-015-39190
4 Location of Well (Report location clearly and in accordance with any State requirements *) At surface 2310' FSL & 1650' FWL At proposed prod zone same		10 Field and Pool, or Exploratory Dog Canyon, Grayburg <17940>
11 Sec, T R M or Blk and Survey or Area Sec. 23-T16S-R27E		12 County or Parish Eddy
13 State NM		14 Distance in miles and direction from nearest town or post office* 20 miles NE of Artesia, NM
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg unit line, if any) 1650' 330'	16 No of acres in lease 960	17 Spacing Unit dedicated to this well 40
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 990'	19 Proposed Depth 1600'	20 BLM/BIA Bond No on file NM-2310
21 Elevations (Show whether DF, KDB, RT, GL, etc) 3564.5' GL	22 Approximate date work will start* 04/26/2011	23 Estimated duration 2-3 weeks

24. Attachments

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 03/24/2011
Title POA agent for Read & Stevens, Inc.		

Approved by (Signature) /s/ Don Peterson	Name (Printed Typed)	Date MAY 23 2011
Title FIELD MANAGER	Office CARLSBAD FIELD 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

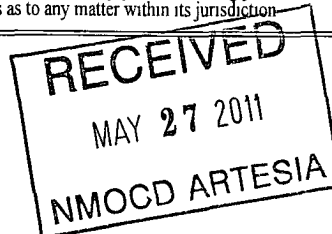
Conditions of approval, if any, are attached

APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC 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 page 2)

Roswell Controlled Water Basin



Approval Subject to General Requirements
& Special Stipulations Attached

KZ 07/06/11

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPLICATION FOR DRILLING**READ & STEVENS, INC.**

Hot Dog 23 Federal, Well No. 3
2310' FSL & 1650' FWL, Sec. 23-T16S-R27E
Eddy County, New Mexico
Lease No.: NMNM-93469
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Read & Stevens, 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:

Yates	119'	Premier Sand	1,450'
Queen	792'	T.D.	1,600'
Grayburg	1,175'		

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

Water: Surface water possible between 80' - 375'.
Oil: Possible in the Premier below 1,450'
Gas: None expected.

4. Casing Program: New

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	COLLAPSE DESIGN FACTOR	BURST DESIGN FACTOR	TENSION DESIGN FACTOR
12 1/4"	8 5/8"	24.0#	J-55	STC	600'	5.3	2.5	3.0
7 7/8"	5 1/2"	15.5#	J-55	LTC	1,600'	2.1	1.9	4.1

5. Proposed Control Equipment

Annular LWS

Proposed Control Equipment: A 2 M 11" Annular BOP will be installed on the 8 5/8" casing. Casing and BOP will be tested as a 2M system as per Onshore Oil & Gas Order #2 before drilling out with the 7 7/8". The annular will be operated and checked daily, plus each time drill pipe is out of hole. This will be documented on driller's log. See Exhibit "E".

6. Cement Program

CASING	DEPTH	QUANTITY OF CEMENT	TOC	YEILD
8 5/8"	800'	Lead: 300 sx ExtendaCem-CZ, 53 salt, 125 poly flake 100% excess Tail: 120 sx HalCem-C 3#/sk dsalt, 0.5% LAP-1	Surface	1.75
5 1/2"	1600'	Lead: 90 sx EconoCem-HLC w/5#/sk salt, 0.125 #/sk LC (12.5# 50%excess Tail: 145 sx HalCem C 3#/sk salt, 0.5% LAP-1	surface	1.37
			surface	2.05

7. Mud Program:

MUD PROGRAM				
DEPTH		Mud Weight	Vis	W/L Control
0' - 600'	Fresh water mud	8.5 ppg	35	No W/L control
300' - 1,600'	Cut Brine mud	9.0 - 9.5 ppg	28 - 29	No W/L control

READ & STEVENS, INC.

Hot Dog 23 Federal, Well No. 3

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8. Auxiliary Equipment:

Blowout Preventer, gas detector, Kelly cock, flow sensors and stabbing valve.

9. Testing, Logging, and Coring Program: *See COA*

Drill Stem Tests: None required.

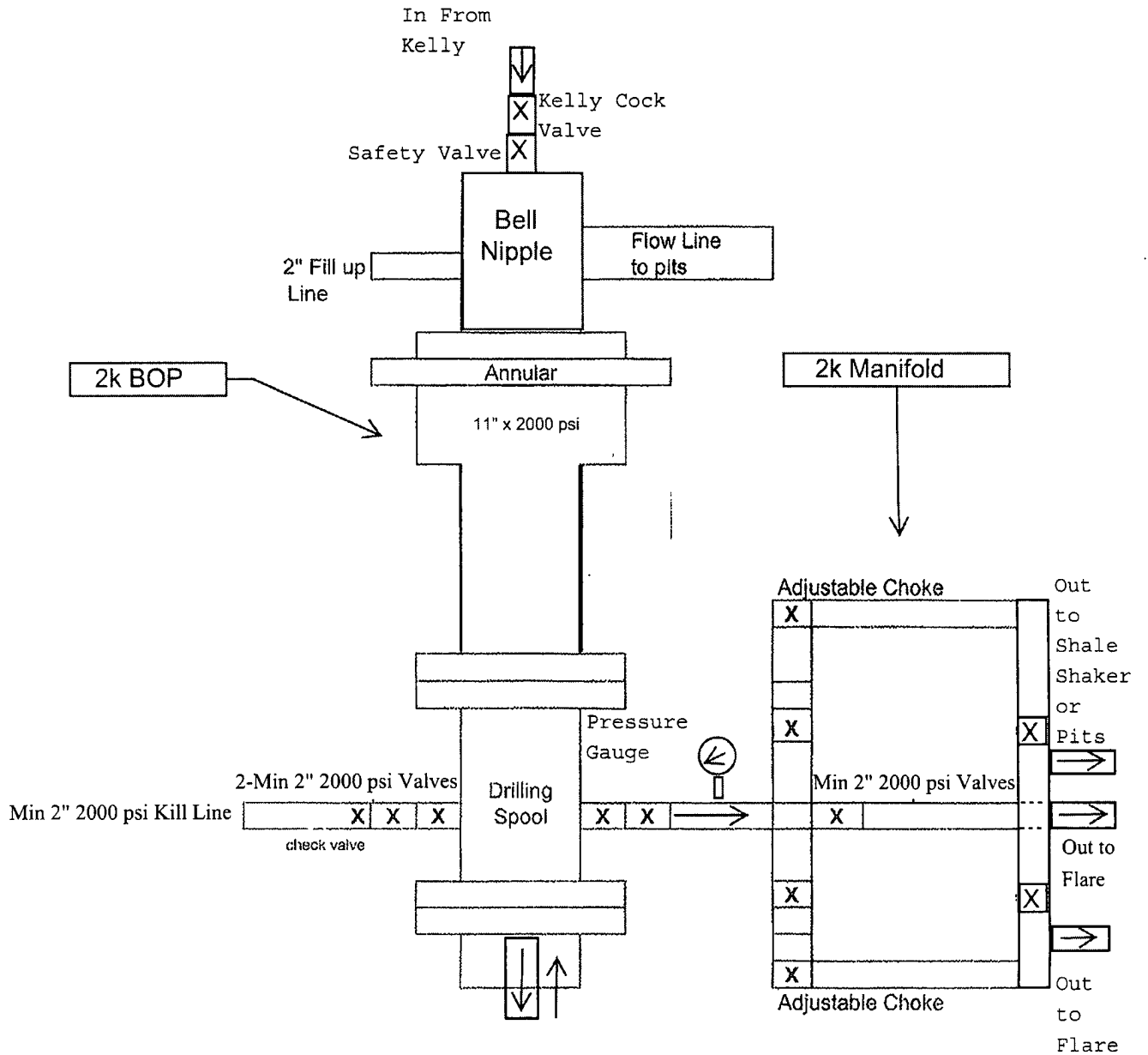
Logging: T.D thru pay: Schlumberger PEX-HRLA.

T.D. to surface: GR-Neutron

Coring: None required.

- 10.** 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. The estimated evacuated BHP =832 psi with a temperature of 76°.
- 11.** H₂S: None expected. None in the previous drilling of wells in the area. See attached Gas Analysis Report, Exhibit "B". No H₂S gas was detected in the Hot Dog 22 Federal, Well No. 1.
- 12.** Anticipated starting date: April 26, 2011.
Anticipated completion of drilling operations: Approximately 2-3 weeks.

2k Annular & Manifold Schematic



Read & Stevens, Inc.
Hot Dog 23 Federal #3
BOP & Manifold Specifications

POWER OF ATTORNEY
DESIGNATION OF AGENT

READ & STEVENS, INC., hereby names the following person as its agent

Name of Agent: George R. Smith d/b/a Energy Administrative Services Company

Agents Address: P.O. Box 458, Roswell, NM 88202

Agent's Telephone Number: (575) 623-4940

GRANT OF SPECIAL AUTHORITY

READ & STEVENS, INC., grants its agent the authority to act for it with respect to the following only:

- 1 Executing forms required to be filed with the Bureau of Land Management of the Department of Interior of the United States of America.
2. Executing forms required to be filed with the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department.

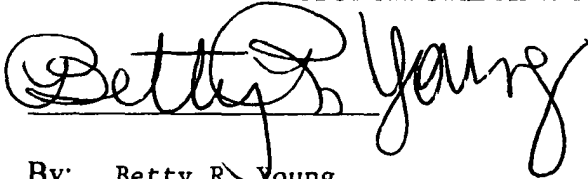
EFFECTIVE DATE

This power of attorney is effective immediately.

RELIANCE ON THE POWER OF ATTORNEY

Any person, including the agent, may rely upon the validity of this power of attorney or a copy of it unless that person knows it has terminated or is invalid.

SIGNATURE AND ACKNOWLEDGMENT



By: Betty R. Young

Title: Vice President of Read & Stevens, Inc.

Date: August 30, 2010

Address: P.O. Box 1518, Roswell, NM 88202

Telephone: 575-622-3770

STATE OF NEW MEXICO

COUNTY OF CHAVES

This instrument was acknowledged before me on 8-30-10 by
Betty R. Young, ~~of~~ as Vice President of Read & Stevens, Inc.
, acting on behalf of said corporation.

Signatory of notary: 

My commission expires: 11-4-13

DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

Operator READ + STEVENS INC OGRID # 18917
 Well Name & # HOTDOG 23 FED # 3 Surface Type (F) (S) (P)
 Location: UL K Sect 23 Township 16 s, RNG 27 e, Sub-surface Type (F) (S) (P)

A. Date C101 rec'd / / C101 reviewed / /

B. 1. Check mark, Information is OK on Forms:

OGRID X BONDING FED PROP CODE X WELL # X SIGNATURE X

2. Inactive Well list as of: 7/6/14 # wells 118, # Inactive wells 1

a. District Grant APD but see number of inactive wells:

No letter required X; Sent Letter to Operator , to Santa Fe

3. Additional Bonding as of: / /

a. District Denial because operator needs addition bonding:

No Letter required X; Sent Letter to Operator , To Santa Fe

b. District Denial because of Inactive well list and Financial Assurance:

No Letter required X; Sent Letter to Operator , To Santa Fe

C. C102 YES X, NO , Signature X

1. Pool DOG CANYON; GRAYHIRE, Code 17940

a. Dedicated acreage 40, What Units K

b. SUR. Location Standard X; Non-Standard Location

c. Well shares acres: Yes , No , # of wells plus this well #

2. 2nd. Operator in same acreage, Yes , No X

Agreement Letter , Disagreement letter

3. Intent to Directional Drill Yes , No X

a. Dedicated acreage , What Units

b. Bottomhole Location Standard , Non-Standard Bottomhole

4. Downhole Commingle: Yes , No X

a. Pool #2 , Code , Acres

Pool #3 , Code , Acres

Pool #4 , Code , Acres

5. POTASH Area Yes , No X

D. Blowout Preventer Yes X, No

E. H2S Yes , No X need

F. C144 Pit Registration Yes , No X need

G. Does APD require Santa Fe Approval:

1. Non-Standard Location: Yes , No X, NSL #

2. Non-Standard Proration: Yes , No X, NSP #

3. Simultaneous Dedication: Yes , No X, SD #

Number of wells Plus #

4. Injection order Yes , No X; PMX # or WFX #

5. SWD order Yes , NO X; SWD #

6. DHC from SF ; DHC-HOB ; Holding

7. OCD Approval Date 7/6/14

API #30-015-- 39190

8. Reviewers KZ