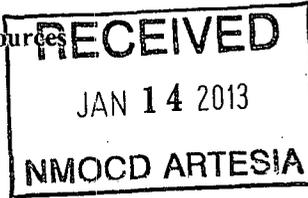


District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised December 16, 2011



Permit

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address LRE Operating, LLC 1111 Bagby Street, Suite 4600 Houston, Texas 77042		OGRID Number 281994
Property Code 309874		API Number 30-015-70988
Property Name Staley State		Well No. #26

7 Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
L	30	17S	28E		1655	S	990	W	Eddy

8 Pool Information

Redlake: Glorieta-Yeso ; N.E. 96836
-5TT20

Additional Well Information

Work Type N	Well Type O	Cable/Rotary R	Lease Type S	Ground Level Elevation 3598.2
Multiple N	Proposed Depth 4900	Formation Yeso	Contractor United Drilling, Inc.	Spud Date After 2/6/2013
Depth to Ground water: 40 Feet		Distance from nearest fresh water well: 0.74 Miles		Distance to nearest surface water: 5.91 Miles

19 Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Conductor	26"	20"	91.5	40	Ready Mix	Surface
Surface	12-1/4"	8-5/8"	24	425	280	Surface
Production	7-7/8"	5-1/2"	17	4900	955	Surface

Casing/Cement Program: Additional Comments

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
XLT 11"	5000	2000	National Varco

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 , a general permit , or an (attached) alternative OCD-approved plan .

Signature: *Eric P. McClusky*
Printed name: Eric McClusky
Title: Production Engineer
E-mail Address: emcclusky@limerockresources.com

Date: 1/10/13 Phone: 713-360-5714

OIL CONSERVATION DIVISION

Approved By:

J.C. Shepard

Title:

Geologist

Approved Date:

1/18/2013

Expiration Date:

1/18/2015

Conditions of Approval Attached

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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 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

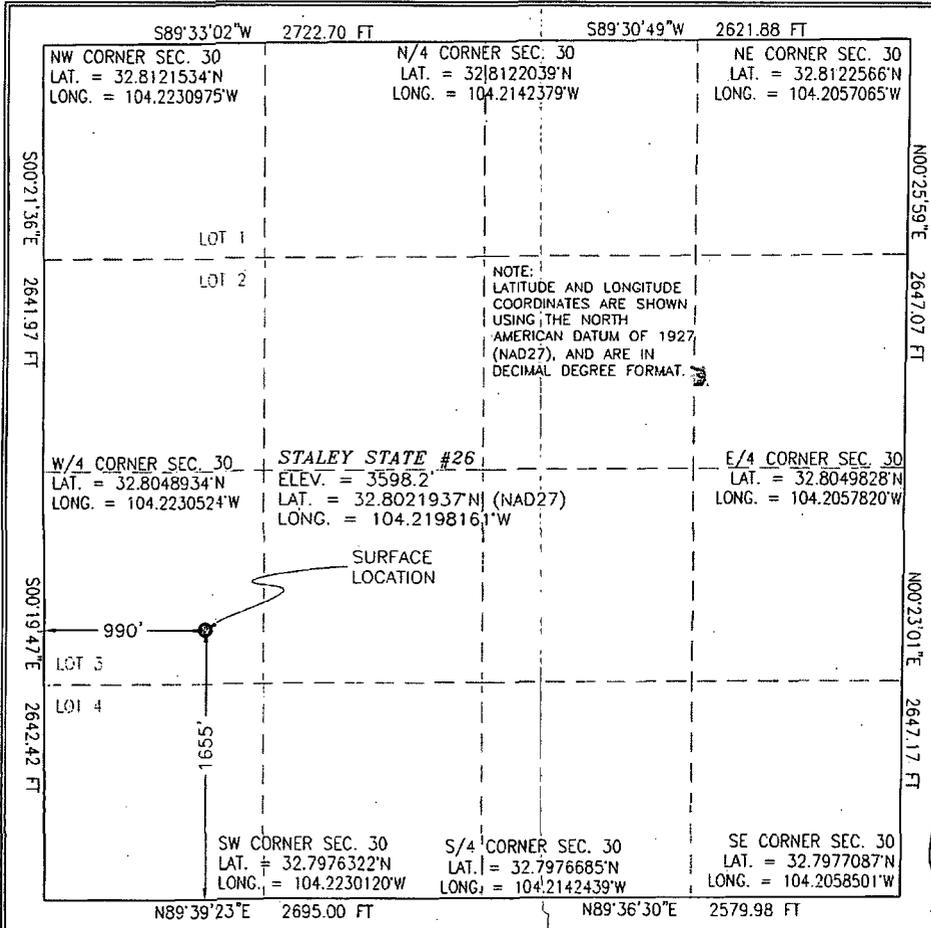
¹ API Number 30-015-40988		² Pool Code 96836		³ Pool Name Red Lake; GL-4850, N.E.	
⁴ Property Code 309874		⁵ Property Name STALEY STATE		⁶ Well Number 26	
⁷ OGRID No. 281994		⁸ Operator Name LRE OPERATING, LLC		⁹ Elevation 3598.2	

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
3	30	17 S	28 E		1655	SOUTH	990	WEST	EDDY

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 Dedicated Acres 40	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.



¹⁷ 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 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.

Eric P. McClosky 11/10/13
Signature Date

Eric McClosky
Printed Name

Emcclusky@linerockresources.com
E-mail Address

¹⁸ 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.

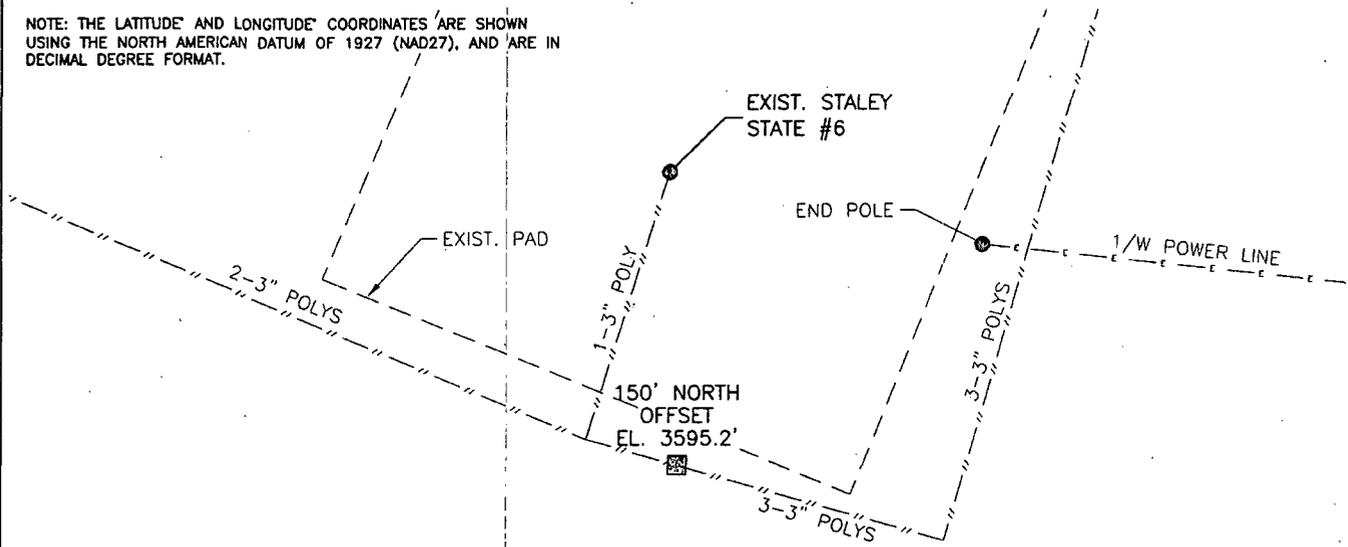
DECEMBER 27, 2012 A
Date of Survey

[Signature]
Signature and Seal of Professional Surveyor

Certificate Number: 1145808 J. JARAMILLO, PLS 12797
SURVEY NO. 1420

SECTION 30, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

NOTE: THE LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.



STALEY STATE #26
 ELEV. = 3598.2'

150' WEST
 OFFSET
 ELEV. 3595.6'

150' EAST
 OFFSET
 ELEV. 3600.6'

LAT. = 32.8021937°N (NAD27)
 LONG. = 104.2198161°W

150' SOUTH
 OFFSET
 ELEV. 3602.5'



0 10 50 100 200

SCALE 1" = 100'

DIRECTIONS TO LOCATION

FROM STATE HIGHWAY 82 AND PAVED CR 205 (TV TOWER ROAD) GO SOUTH ON CR 205 170 FT, TURN RIGHT ON CALICHE LEASE ROAD AND GO WEST THEN NORTHWEST 0.9 MILES, TURN LEFT ON TO EXISTING PAD FOR STALEY STATE #6 WELL AND FROM THIS WELL LOCATION IS 307 FT SOUTH.

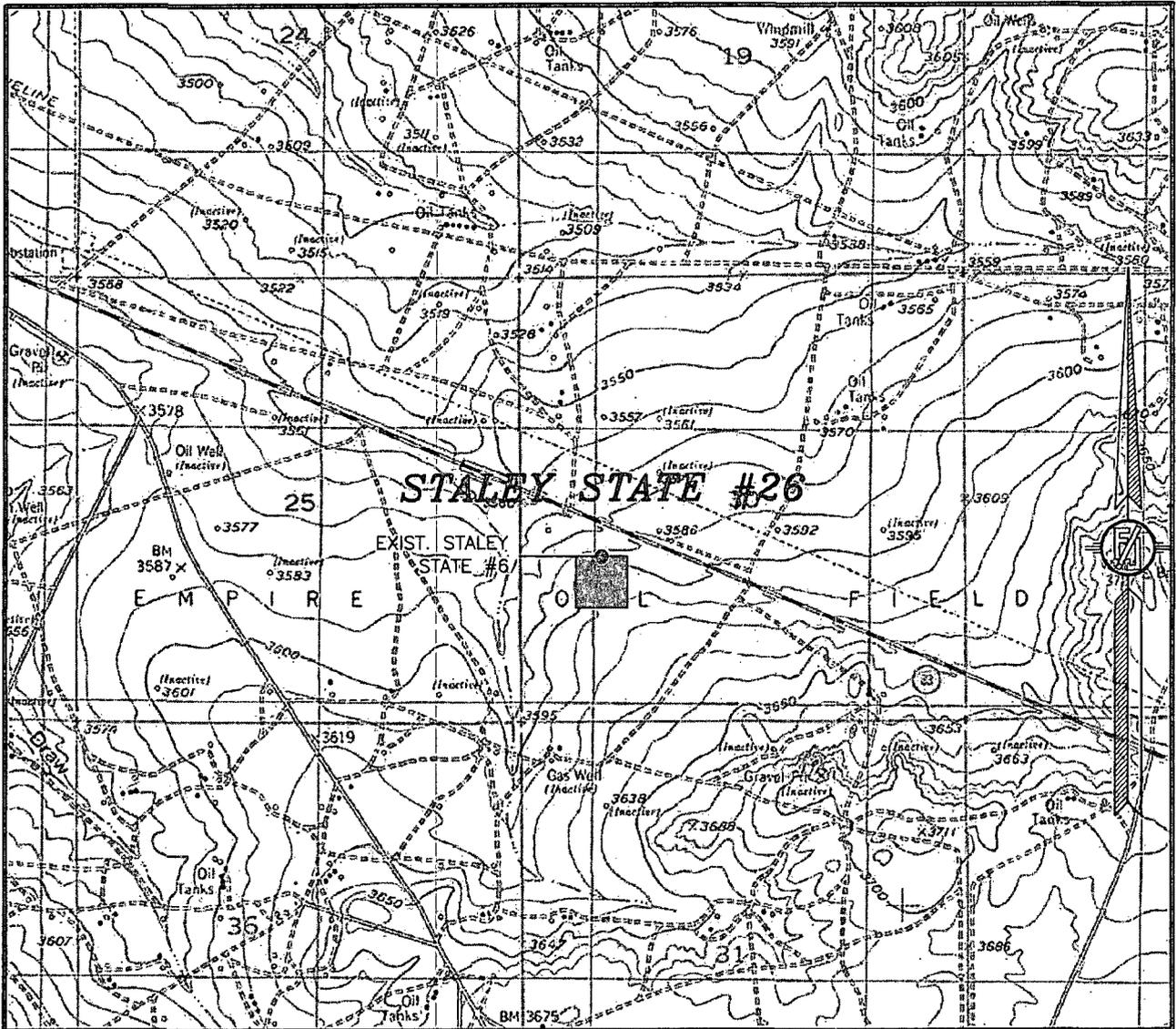
LRE OPERATING, LLC
STALEY STATE #26
 LOCATED 1655 FT. FROM THE SOUTH LINE
 AND 990 FT. FROM THE WEST LINE OF
 SECTION 30, TOWNSHIP 17 SOUTH,
 RANGE 28 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

DECEMBER 27, 2012

SURVEY NO. 1420

MADRON SURVEYING, INC. 301 SOUTH CANAL CARLSBAD, NEW MEXICO
 (575) 234-3341

SECTION 30, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO
 LOCATION VERIFICATION MAP



USGS QUAD MAP:
 RED LAKE

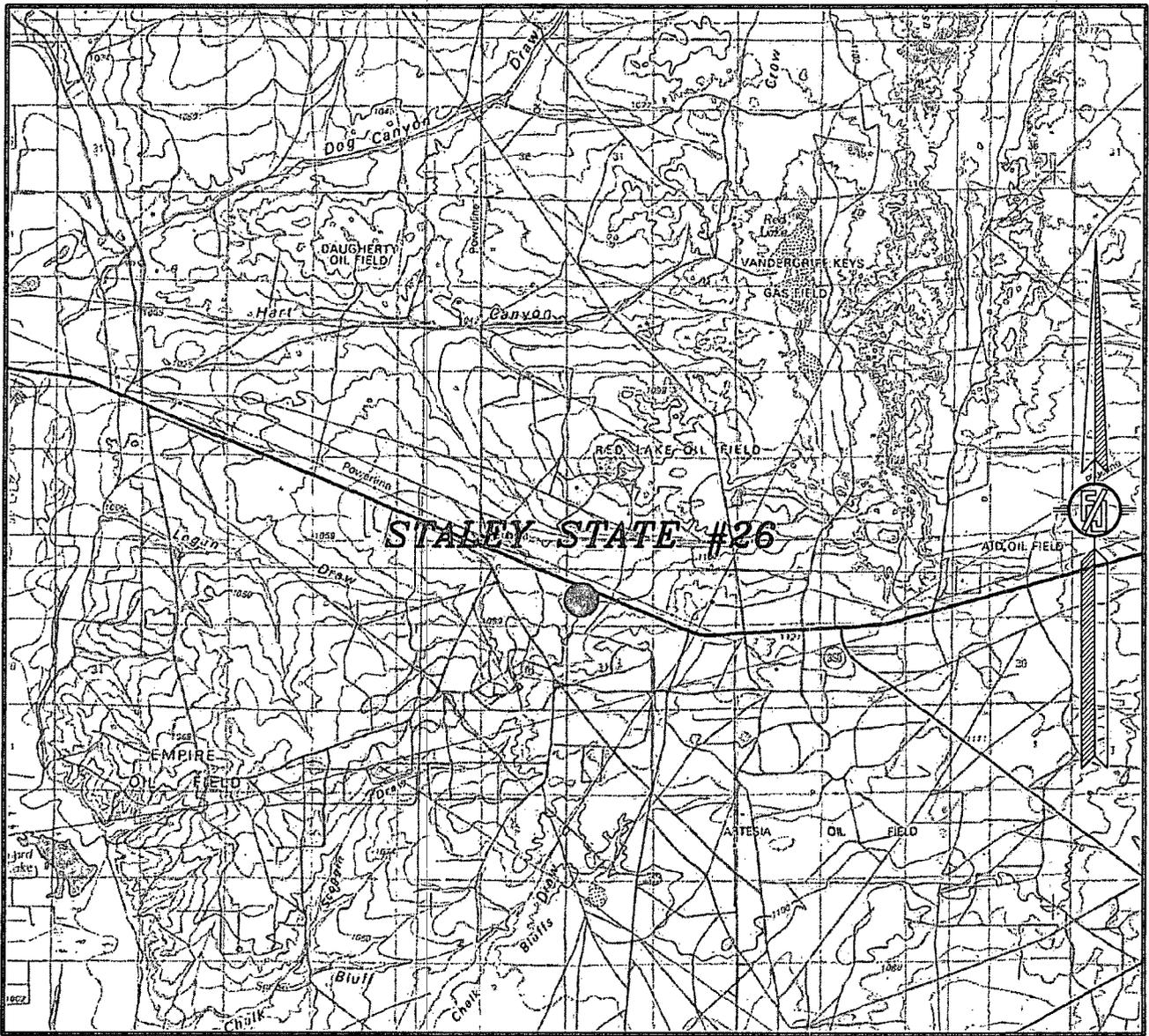
NOT TO SCALE

LRE OPERATING, LLC
STALEY STATE #26
 LOCATED 1655 FT. FROM THE SOUTH LINE
 AND 990 FT. FROM THE WEST LINE OF
 SECTION 30, TOWNSHIP 17 SOUTH,
 RANGE 28 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

DECEMBER 27, 2012

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO SURVEY NO. 1420

SECTION 30, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
VICINITY MAP



NOT TO SCALE

LRE OPERATING, LLC
STALEY STATE #26
LOCATED 1655 FT. FROM THE SOUTH LINE
AND 990 FT. FROM THE WEST LINE OF
SECTION 30, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

DECEMBER 27, 2012

MADRON SURVEYING, INC. 301 SOUTH CANAL CARLSBAD, NEW MEXICO
(575) 234-3341 SURVEY NO. 1420

**LRE Operating, LLC
Drilling Plan**

**Staley State #26
1655' FSL 990' FWL
L-S30-T17S-R28E
Eddy County, NM**

1. The elevation of the unprepared ground is 3598.2' feet above sea level.
2. The geologic name of the surface formation is Quaternary – Alluvium.
3. A rotary rig will be utilized to drill the well to 4900' and run casing. This equipment will be rigged down and the well will be completed with a workover rig.
4. Proposed total depth is 4900'.
5. Estimated tops of geologic markers:
6. Estimated depths at which anticipated oil, gas, or other mineral bearing formations are expected to be encountered:

Quaternary – Alluvium	Surface
Yates	242'
7 Rivers	464'
Queen	1013
Grayburg	1452
Premier	1713
San Andres	1752
Glorieta	3151
Yeso	3263
Tubb	4635
TD	4900'

Yates	242
7 Rivers	464
Queen	1013
Grayburg	1452
Premier	1713
San Andres	1752
Glorieta	3151
Yeso	3263
Tubb	4635
TD	4900'

7. Proposed Casing and Cement program is as follows:

Type	Hole Size	Casing Size	Wt	Grade	Thread	Depth	Sx	Density	Yield	Components
Conductor	26"	20"	91.5	B	Welded	40				Ready Mix
Surface	12-1/4"	8-5/8"	24	J-55	ST&C	425	280	14.8	1.35	Cl C Cmt + 0.25 lbs/sk Cello Flake + 2% CaCl2
Production	7-7/8"	5-1/2"	17	J-55	LT&C	4900	330	12.8	1.903	(35:65) Poz/Cl C Cmt + 5% NaCl + 0.125 lbs/sk Cello Flake + 5 lbs/sk LCM-1 + 0.2% R-3 + 6% Gel
							625	14.8	1.330	Class C w/ 0.6% R-3 and 1/4 pps cello flake

8. Proposed Mud Program is as follows

Depth	0-425	425-4750	4750-4900
Mud Type	Fresh Water Mud	Brine	Brine, Salt Gel, & Starch
Properties			
MW	8.5-9.9	9.8-10.7	9.9-10.8
pH	17	10-11.11	11/18/2012
WL	NC	NC	20-36
Vis	28-41	29-38	32-41
MC	NC	NC	<2
Solids	NC	<7	<3
Pump Rate	300-357	375-431	400-457
Special		Use Poymers sticks and MF-55 Hi-Vis Sweeps as necessary	Hi Vis Sweeps, add acid and starch as req. Raise Vis to 35 for log.

9. Pressure Control Equipment: See Attached Description and diagram of Pressure Control Equipment.

10. Testing, Logging and Coring Program

Testing Program: No drill stem tests are anticipated

Electric Logging Program: SGR-DLL-CDL-CNL Quad Combo from 4900 to surf. Csg. SGR-CNL to Surf.

Coring Program: No full or sidewall cores are anticipated.

11. Potential Hazards:

No abnormal temperatures or pressures are expected. There is no known presence of H₂S in this area. If H₂S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2156 psi based on 0.44 x TD. The estimated BHT is 125 degrees F.

12. Duration of Operations:

Anticipated spud date will be soon after approval and as soon as a rig will be available. Move in operations and drilling is expected to take 10 days. An additional 14 days will be needed it complete the well and to construct surface facilities.

Pressure Control Equipment

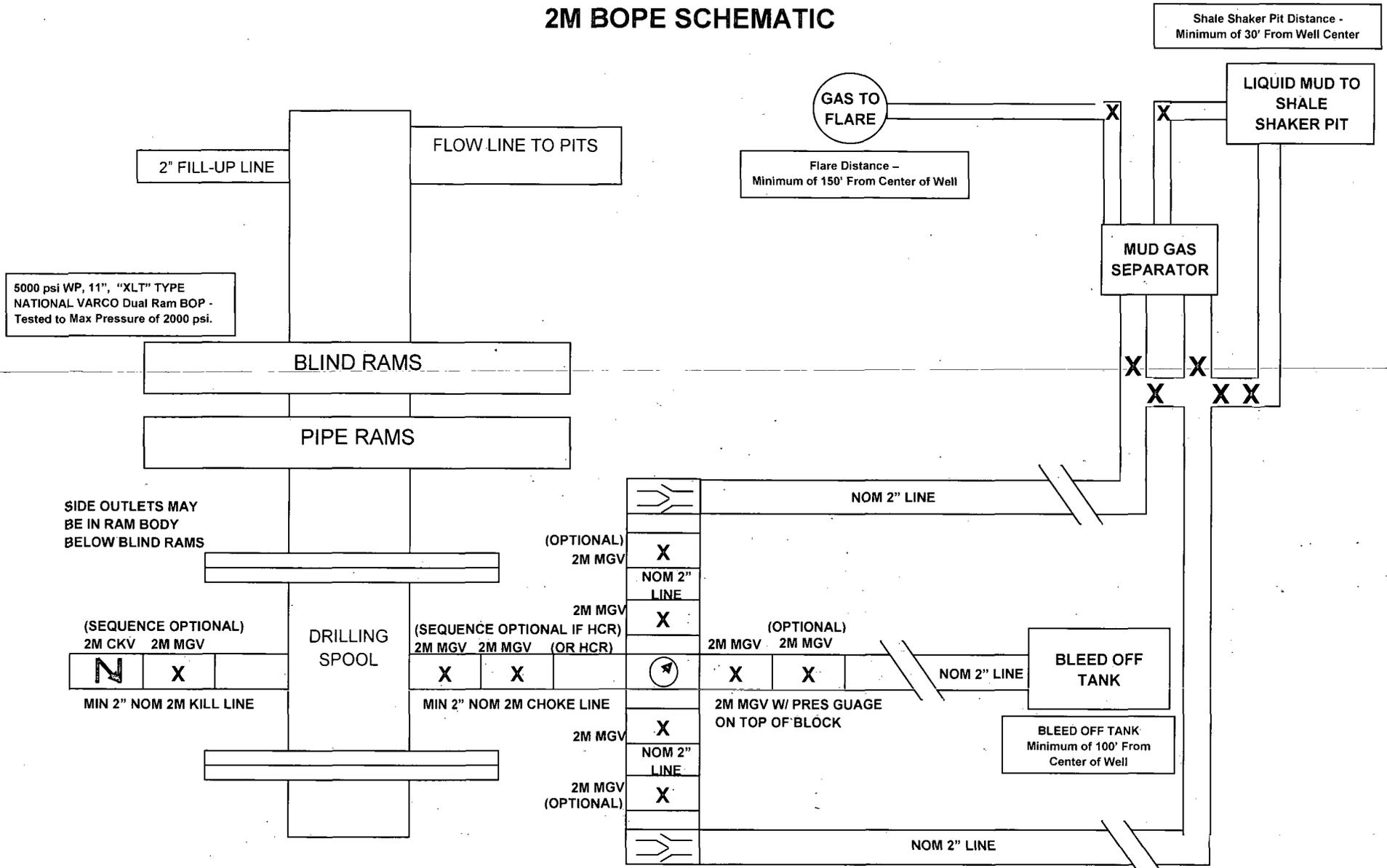
The blowout preventer equipment (BOP) will consist of a 5000 psi rated, "XLT" type, National VARCO double ram preventer that will be tested to a maximum pressure of 2000 psi. The unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top and drill pipe rams on bottom. The 2M BOP will be installed on the 8 5/8" surface casing and utilized continuously until total depth is reached. All casing strings will be tested as per Onshore Order #2. This also includes a thirty day (30) test, should the rig still be operating on the same well in thirty days.

Pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drilling logs.

The BOP equipment will consist of the following:

- Double ram with blind rams (top) and pipe rams (bottom),
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 2" minimum diameter, kill side will be at least 2 inch diameter),
- Kill line (2 inch minimum),
- A minimum of 2 choke line valves (2 inch minimum),
- 2 inch diameter choke line,
- 2 kill valves, one of which will be a check valve (2 inch minimum),
- 2 chokes, one of which will be capable of remote operation,
- pressure gauge on choke manifold,
- Upper Kelly cock valve with handle available,
- Safety valve and subs to fit all drill string connections in use,
- All BOPE connections subjected to well pressure will be flanged, welded, or clamped,
- A Fill-up line above the uppermost preventer.

2M BOPE SCHEMATIC



5000 psi WP, 11", "XLT" TYPE
NATIONAL VARCO Dual Ram BOP -
Tested to Max Pressure of 2000 psi.

2" FILL-UP LINE

FLOW LINE TO PITS

BLIND RAMS

PIPE RAMS

SIDE OUTLETS MAY
BE IN RAM BODY
BELOW BLIND RAMS

(SEQUENCE OPTIONAL)
2M CKV 2M MGVS

N **X**

MIN 2" NOM 2M KILL LINE

DRILLING
SPOOL

(SEQUENCE OPTIONAL IF HCR)
2M MGVS 2M MGVS (OR HCR)

X **X**

MIN 2" NOM 2M CHOKE LINE

(OPTIONAL)
2M MGVS

X

NOM 2" LINE

2M MGVS

X

(OPTIONAL)
2M MGVS 2M MGVS

X **X**

2M MGVS W/ PRES GUAGE
ON TOP OF BLOCK

2M MGVS

X

NOM 2" LINE

2M MGVS (OPTIONAL)

X

NOM 2" LINE

NOM 2" LINE

NOM 2" LINE

BLEED OFF
TANK

BLEED OFF TANK
Minimum of 100' From
Center of Well

MUD GAS
SEPARATOR

LIQUID MUD TO
SHALE
SHAKER PIT

GAS TO
FLARE

Flare Distance -
Minimum of 150' From Center of Well

Shale Shaker Pit Distance -
Minimum of 30' From Well Center

2M ADJUSTABLE CHOKE
(REMOTE OPERATED CHOKE
OPTIONAL FOR ONE SIDE ONLY)

MGV = Manual Gate Valve
CKV = Check Valve
HCR = Hydraulically Controlled Remote Valve

NOTE: All lines, valves and chokes are shown
at the minimum size allowed, but may be
larger.

LRE Operating, LLC

Staley State #26

HYDROGEN SULFIDE (H₂S) CONTINGENCY DRILLING PLAN

Assumed 100 ppm ROE = 3000'

100 ppm H₂S concentration shall trigger activation of this plan.

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be rigged up and in use when the company drills out from under surface casing. H₂S monitors, warning signs, wind indicators and flags will be in use.

EMERGENCY PROCEDURES

Escape

Crews shall escape upwind of escaping gas in the event of an emergency release of gas, or if monitors indicate H₂S is present. Escape will take place via the entry road away from the flare stack, or a foot path marked and designated before the well is spud by on site personnel. Once crews and other personnel are a safe distance, the crews will move to evacuate any persons in the Radius of Exposure; followed by blocking access to the Radius of Exposure.

There are no homes or buildings within the Radius of Exposure ("ROE"), so efforts will be concentrated on evacuating any third parties within the ROE. Immediate response will include evacuation of any persons potentially affected by toxic or flammable gasses. Once evacuation is under way, perimeter monitoring and control of access will be executed to ensure safe areas and stage areas.

In the event of a release of gas containing H₂S, the first responder(s) must

- Isolate the area and prevent entry by other persons into the 100 ppm ROE.
- Evacuate any public places encompassed by the 100 ppm ROE.
- Be equipped with H₂S monitors and air packs in order to control the release.
- Use the "buddy system" to ensure no injuries occur during the response
- Take precautions to avoid personal injury during this operation.
- Contact operator and/or local officials to aid in operation. See list of phone numbers attached.
- Have received training in the
 - o Detection of H₂S, and
 - o Measures for protection against the gas,
 - o Equipment used for protection and emergency response.

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever this is an ignition of the gas.

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air= 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air= 1	2ppm	N/A	1000 ppm

Contacting Authorities

Lime Rock Resources personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. Lime Rock Resources response must be in coordination with the State of New Mexico's "Hazardous Materials Emergency Response Plan" (HMER) and BLM Onshore Order #6.

H₂S Operations

Though no H₂S is anticipated during the drilling operation, this contingency plan will provide for methods to ensure the well is kept under control in the event an H₂S reading of 100 ppm or more are encountered. Once personnel are safe and the proper protective gear is in place and on personnel, the operator and rig crew essential personnel will ensure the well is under control, suspend drilling operations and shut-in the well (unless pressure build up or other operational situations dictate suspending operations will prevent well control), increase the mud weight and circulate all gas from the hole utilizing the mud/gas separator downstream of the choke, the choke manifold and the emergency flare system located 150' from the well. Bring the mud system into compliance and the H₂S level below 10 ppm, then notify all emergency officers that drilling ahead is practical and safe.

Proceed with drilling ahead only after all provisions of Onshore Order 6, Section III.C. have been satisfied.

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Company Offices - Lime Rock Houston Office 713-292-9510
 Answering Service(After Hours) 713-292-9555
 Artesia, NM Office 575-748-9724
 Roswell, NM 575-623-8424

KEY PERSONNEL

Name	Title	Location	Office #	Cell #	Home #
SID ASHWORTH	PRODUCTION ENGINEER	HOUSTON	713-292-9526	713-906-7750	713-783-1959
JERRY SMITH	ASSISTANT PRODUCTION SUPERVISOR	ARTESIA	575-748-9724	505-918-0556	575-746-2478
MICHAEL BARRETT	PRODUCTION SUPERVISOR	ROSWELL	575-623-8424	505-353-2644	575-623-4707
GARY FATHEREE	WELL SITE SUPERVISOR	ROTATES ON SITE	NA	940-389-6044	NA
GARY MCCCELLAND	WELL SITE SUPERVISOR	ROTATES ON SITE	NA	903-503-8997	NA

Agency Call List

City	Agency or Office	Telephone Number
Artesia	Ambulance	911
Artesia	State Police	575-746-2703
Artesia	Sheriff's Office	575-746-9888
Artesia	City Police	575-746-2703
Artesia	Fire Department	575-746-2701
Artesia	Local Emergency Planning Committee	575-746-2122
Artesia	New Mexico OCD District II	575-748-1283
Carlsbad	Ambulance	911
Carlsbad	State Police	575-885-3137
Carlsbad	Sheriff's Office	575-887-7551
Carlsbad	City Police	575-885-2111
Carlsbad	Fire Department	575-885-2111
Carlsbad	Local Emergency Planning Committee	575-887-3798
Carlsbad	US DOI Bureau of Land Management	575-887-6544
State Wide	New Mexico Emergency Response Commission ("NMERC")	505-476-9600
State Wide	NMERC 24 hour Number	505-827-9126
State Wide	New Mexico State Emergency Operations Center	505-476-9635
National	National Emergency Response Center (Washington, D.C.)	800-424-8802

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Emergency Services				
Name	Service	Location	Telephone Number	Alternate Number
Boots & Coots International Well Control	Well Control	Houston / Odessa	1-800-256-9688	281-931-8884
Cudd Pressure Control	Well Control & Pumping	Odessa	915-699-0139	915-563-3356
Baker Huges Inc.	Pumping Service	Artesia, Hobbs and Odessa	575-746-2757	SAME
Total Safety	Safety Equipment and Personnel	Artesia	575-746-2847	SAME
Cutter Oilfield Services	Drilling Systems Equipment	Midland	432-488-6707	SAME
Assurance Fire & Safety	Safety Equipment and Personnel	Artesia	575-396-9702	575-441-2224
Flight for Life	Emergency Helicopter Evacuation	Lubbock	806-743-9911	SAME
Aerocare	Emergency Helicopter Evacuation	Lubbock	806-747-8923	SAME
Med Flight Air Ambulance	Emergency Helicopter Evacuation	Albuquerque	505-842-4433	SAME
Artesia General Hospital	Emergency Medical Care	Artesia	575-748-3333	702 North 13 Street