

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 PRESTON EXPLORATION, LLC P.O. BOX 7520 THE WOODLANDS , TX 77387		2. OGRID Number 212226
		3. API Number 30-015-35029
4. Property Code 35873	5. Property Name RENATA 16 STATE	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	16	23S	24E	A	660	N	660	E	EDDY

8. Pool Information

WC: MISSISSIPPIAN GAS	97338
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Additional Well Information

9. Work Type New Well	10. Well Type GAS	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4065
14. Multiple N	15. Proposed Depth 10800	16. Formation Chester	17. Contractor	18. Spud Date 8/15/2006
Depth to Ground water 175		Distance from nearest fresh water well 300		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 2000 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input 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	17.5	13.375	48	700	450	0
Int1	12.25	8.625	24	2600	900	0
Prod	7.875	5.5	17	10800	850	6500

Casing/Cement Program: Additional Comments

Mud Program: 0'-400' Mud Wt. 8.4-8.6, Viscosity 34-36, FL N/C, PH N/C; 400'-2600' Mud Wt. 8.4-8.5, Vis. 29, FL N/C, PH 9-10; 2600'-8200' Mud Wt. 9.0-9.5, Vis. 28-29, FL N/C, PH 9-10; 8200'-10800' Mud Wt. 9.0-9.5, Vis. 34-36, FL 6-10, PH 9-10.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Hydril	3000	3000	

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"/> .	OIL CONSERVATION DIVISION
Printed Name: Electronically filed by Ronald Gentzler	Approved By: Bryan Arrant
Title: General Manager	Title: Geologist
Email Address: rgentzler@prestonexpl.com	Approved Date: 7/26/2006 Expiration Date: 7/26/2007
Date: 7/25/2006 Phone: 281-367-8697	Conditions of Approval Attached

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
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Form C-102
 Permit 32776

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-35029	2. Pool Code 97338	3. Pool Name WC: MISSISSIPPIAN GAS
4. Property Code 35873	5. Property Name RENATA 16 STATE	6. Well No. 001
7. OGRID No. 212226	8. Operator Name PRESTON EXPLORATION, LLC	9. Elevation 4065

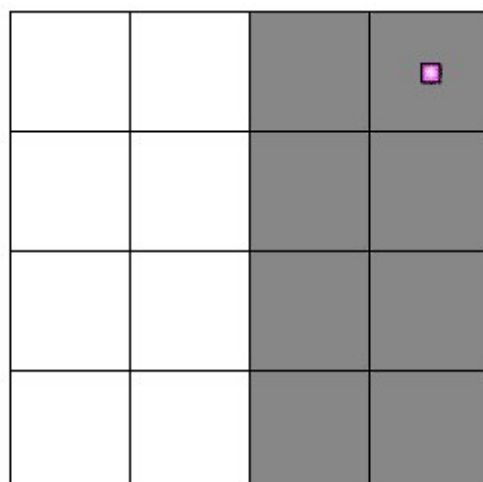
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	16	23S	24E		660	N	660	E	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00		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



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(s) 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.

E-Signed By: Ronald Gentzler
 Title: General Manager
 Date: 7/25/2006

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.

Surveyed By: Gary Eidson
 Date of Survey: 6/23/2006
 Certificate Number: 12641

Permit Comments

Operator: PRESTON EXPLORATION, LLC , 212226

Well: RENATA 16 STATE #001

API: 30-015-35029

Created By	Comment	Comment Date
RGGENTZLER	Sources at Preston Exploration advised me that they do not anticipate enough H2S from the surface to TD to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118, however H2S monitoring equipment will be on location from below surface casing to TD.	7/18/2006

Permit Conditions of Approval

Operator: PRESTON EXPLORATION, LLC , 212226

Well: RENATA 16 STATE #001

API: 30-015-35029

OCD Reviewer	Condition
BArrant	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
BArrant	Please notify OCD time of spud and time to witness the cementing of the surface and intermediate strings of casing.
BArrant	As noted, operator to drill surface and intermediate holes with fresh water mud.
BArrant	Cement to cover all oil, gas and water bearing zones.
BArrant	Operator to set surface casing @ 700' to protect water bearing zones.
BArrant	Please note change in your lease name.