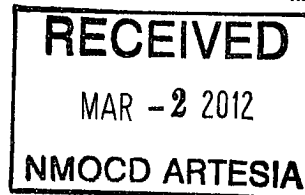


District I
1625 N French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax (575) 393-0720
District II
811 S First St., Artesia, NM 88210
Phone (575) 748-1283 Fax (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone (505) 334-6178 Fax (505) 334-6170
District IV
1220 S St Francis Dr., Santa 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 August 1, 2011



Permit

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

¹ Operator Name and Address LRE OPERATING, LLC. 1111 BAGBY STREET, SUITE 4600, HOUSTON TX 77002		² OGRID Number 281994
		³ API Number 30-015-40026
⁴ Property Code 309874	⁵ Property Name STALEY STATE	⁶ Well No. 17

⁷ Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
N	30	17	28		330	S	2410	W	EDDY

⁸ Pool Information

RED LAKE; GLORIETA - YESO, NORTHEAST	96836
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Additional Well Information

⁹ Work Type N	¹⁰ Well Type O	¹¹ Cable/Rotary R	¹² Lease Type S	¹³ Ground Level Elevation 3879.7'
¹⁴ Multiple NO	¹⁵ Proposed Depth 5100	¹⁶ Formation GLORIETA YESO NE	¹⁷ Contractor UNITED	¹⁸ Spud Date
Depth to Ground water 200		Distance from nearest fresh water well 2 MILES		Distance to nearest surface water 6 MILES

¹⁹ Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
	20"	14"	64.3#	40	Cmt. ready mix	SURFACE
	12 1/4"	8 5/8"	24#	425	280	SURFACE
	7 7/8"	5 1/2"	17#	5108	910	SURFACE

Casing/Cement Program: Additional Comments

See attached BOP & Drilling plan

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
XLT 11"	5,000#	2,000#	NATIONAL BARCO

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 ☒ (CLOSED LOOP)		OIL CONSERVATION DIVISION	
Printed name: BARRY W. HUNT <i>Barry W. Hunt</i>		Approved By: <i>T. C. Shepard</i>	
Title: PERMIT AGENT FOR LRE OPERATING, LLC.		Title: <i>Geologist</i>	
E-mail Address: specialpermitting@gmail.com		Approved Date: <i>3/8/2012</i>	Expiration Date: <i>3/8/2014</i>
Date: 03/01/12	Phone: (575) 361-4078	Conditions of Approval Attached	

SIGNATURE AND ACKNOWLEDGEMENT

LRE Operating, LLC

By: [Signature]

Name: Charles Adcock

Title: Co-Chief Executive Officer

Date: 12/05/2011

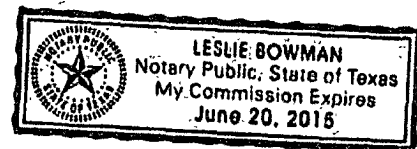
Address: 1111 Bagby Street, Suite 4600, Houston, TX 77002

State of TEXAS

County of HARRIS

This instrument was acknowledged before me on December 5, 2011 by Charles Adcock,
CEO of LRE Operating, LLC acting on behalf of said limited liability corporation.

Signature of notarial officer: Leslie Bowman
My commission expires: June 20, 2015



POWER OF ATTORNEY

DESIGNATION OF AGENT

LRE Operating, LLC hereby names the following person as its agent:

Name of Agent: Barry W. Hunt d/b /a/ Special T Permitting

Agent's Address: 1403 Springs Farm Place, Carlsbad, NM 88220

Agent's Telephone Number: (575) 885-1417

GRANT OF SPECIAL AUTHORITY

LRE Operating, LLC grants its agent the authority to act for it with the respect to the following only:

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

EFFECTIVE DATE

This power of attorney is effective immediately.

RELIANCE ON THIS 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.

Form C-102
Revised October 15, 2009
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

NW CORNER SEC. 30 LAT. = 32.8121534°N LONG. = 104.2230975°W	NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.
SW CORNER SEC. 30 LAT. = 32.7976322°N LONG. = 104.2230120°W	NE CORNER SEC. 30 LAT. = 32.8122566°N LONG. = 104.2057065°W

BOTTOM OF HOLE
 LAT. = 32.7986525°N
 LONG. = 104.2155976°W

STALEY STATE #17
 ELEV. = 3642.9'
 LAT. = 32.7985717°N (NAD27)
 LONG. = 104.2151760°W

2410'

2280'

BOTTOM OF HOLE

SE CORNER SEC. 30
 LAT. = 32.7977087°N
 LONG. = 104.2058501°W

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 undivided 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.

Barry W. Hunt

Signature
Date

Printed Name Barry W. Hunt

"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.

SEPTEMBER 23 2011

Date of Survey

Barry W. Hunt

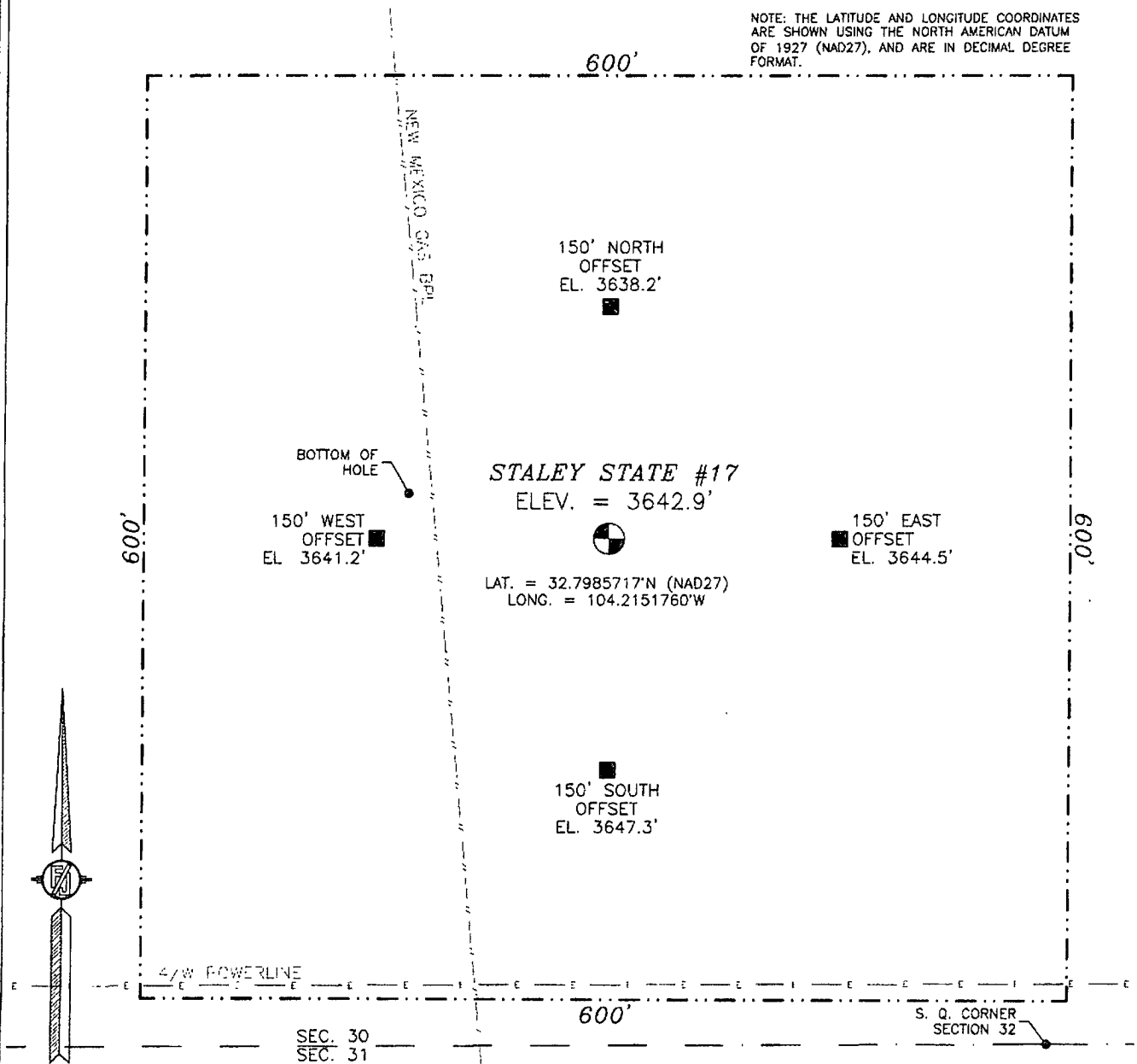
Signature and Seal of Professional Surveyor

Certificate Number: FIRMONE, JARVISVILLE, PI S 12797

SURVLY NO. 580

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.



010 50 100 200

SCALE 1" = 100'

DIRECTIONS TO LOCATION

FROM U.S. HWY 82 AND PAVED CR. #205 (TV TOWER RD) GO SOUTH
ON CR 205 200' TURN RIGHT ON CALICHE LEASE ROAD AND GO
SOUTHWEST 340' BEND RIGHT AND GO NORTHWEST 0.32 MILES TO
ROAD INTERSECTION AND LOCATION IS 970' SOUTHWEST

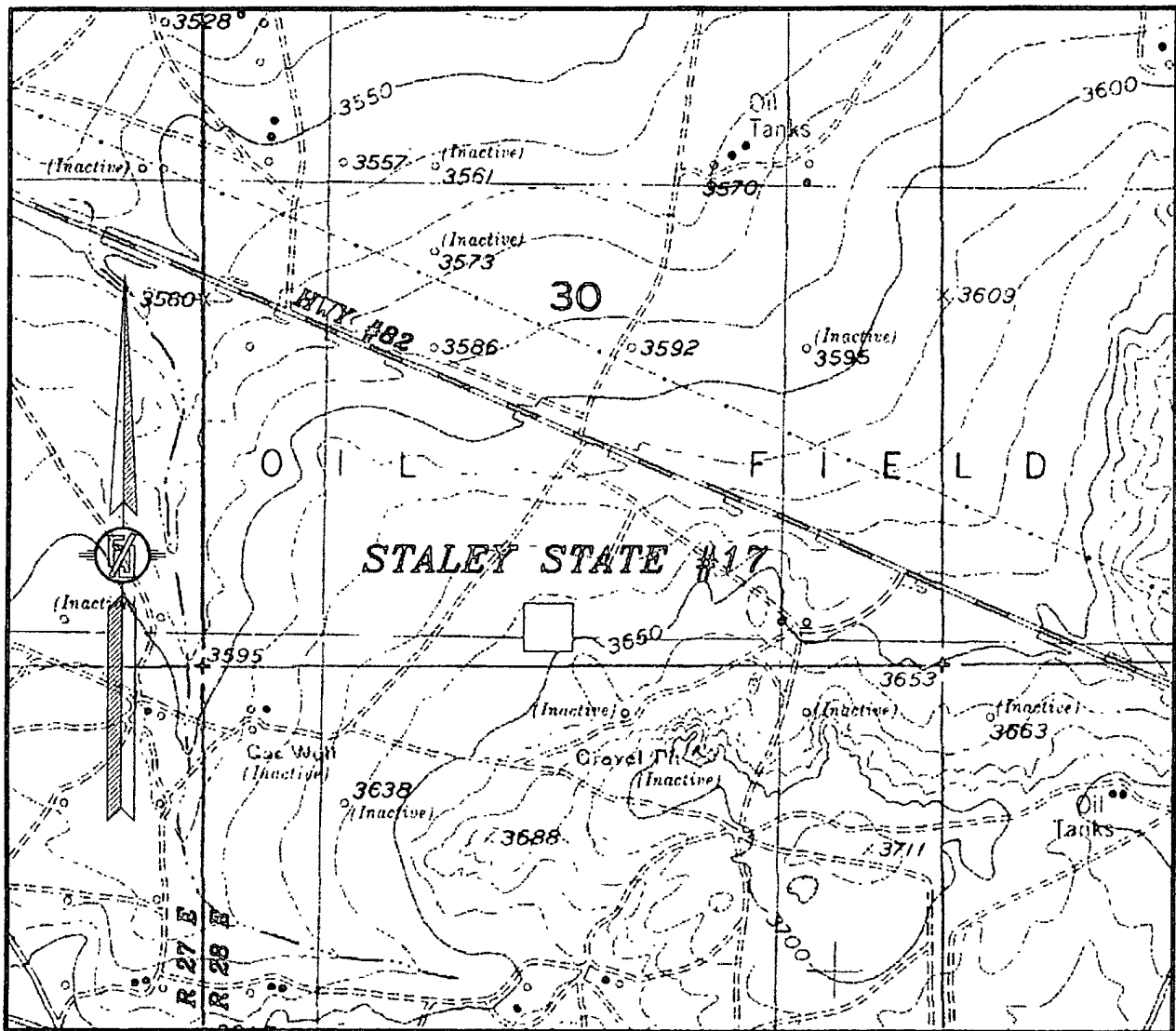
LIME ROCK RESOURCES A.L.P.
STALEY STATE #17
LOCATED 330 FT. FROM THE SOUTH LINE
AND 2410 FT. FROM THE EAST LINE OF
SECTION 30, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

SEPTEMBER 2, 2011

SURVEY NO. 580

MADRON SURVEYING, INC. 29 SOUTH CANAL (755) 234-3341 CARLSBAD, NEW MEXICO

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



CONTOUR INTERVAL:
 RED LAKE, NM

NOT TO SCALE

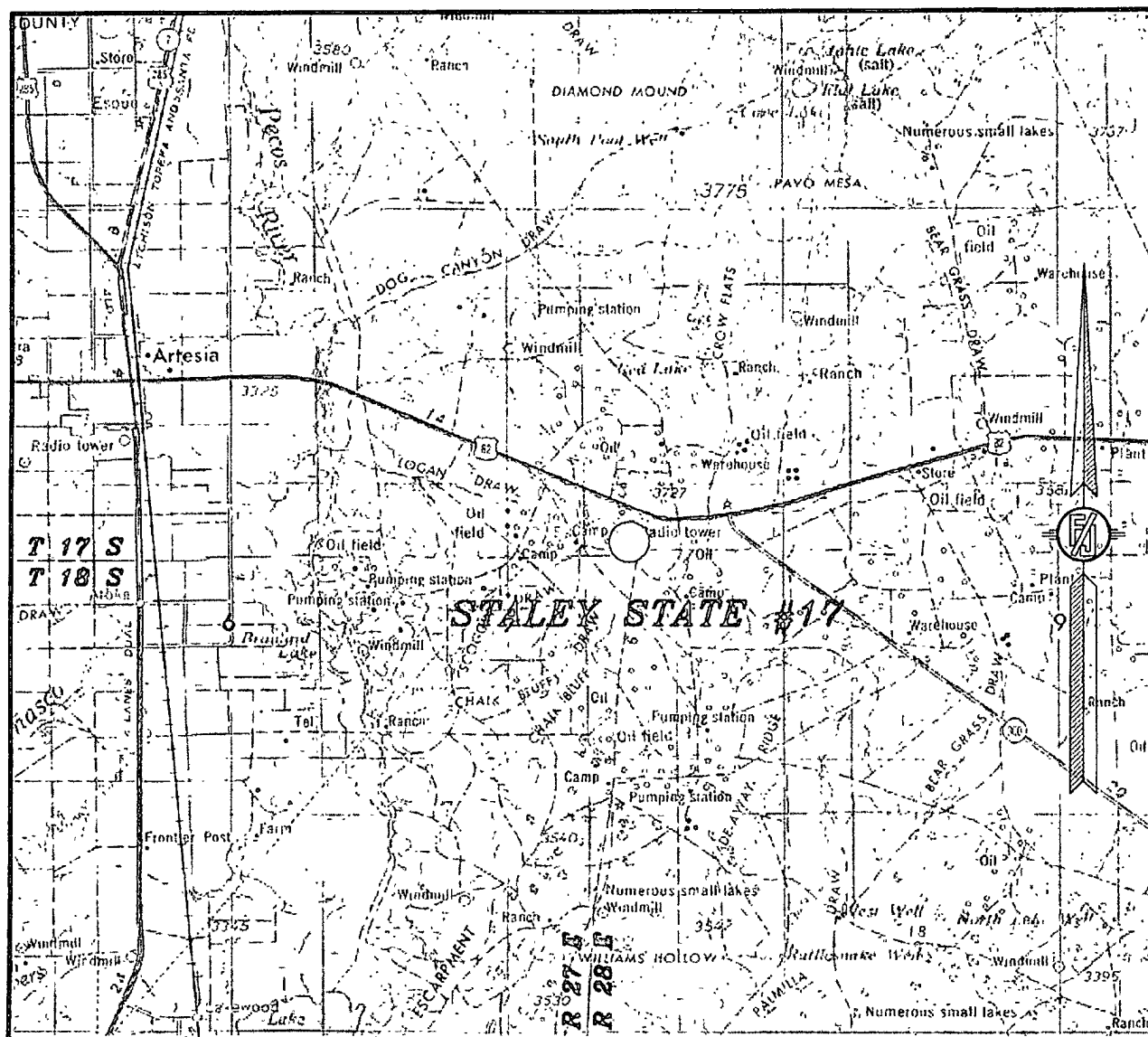
LIME ROCK RESOURCES A.L.P.
 STALEY STATE #17
 LOCATED 330 FT. FROM THE SOUTH LINE
 AND 2410 FT. FROM THE WEST LINE OF
 SECTION 30, TOWNSHIP 17 SOUTH,
 RANGE 28 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

SEPTEMBER 2, 2011

SURVEY NO. 580

MADRON SURVEYING, INC. 301 SOUTH CAROLINA CARLSBAD, NEW MEXICO
 (505) 706-5679

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



NOT TO SCALE

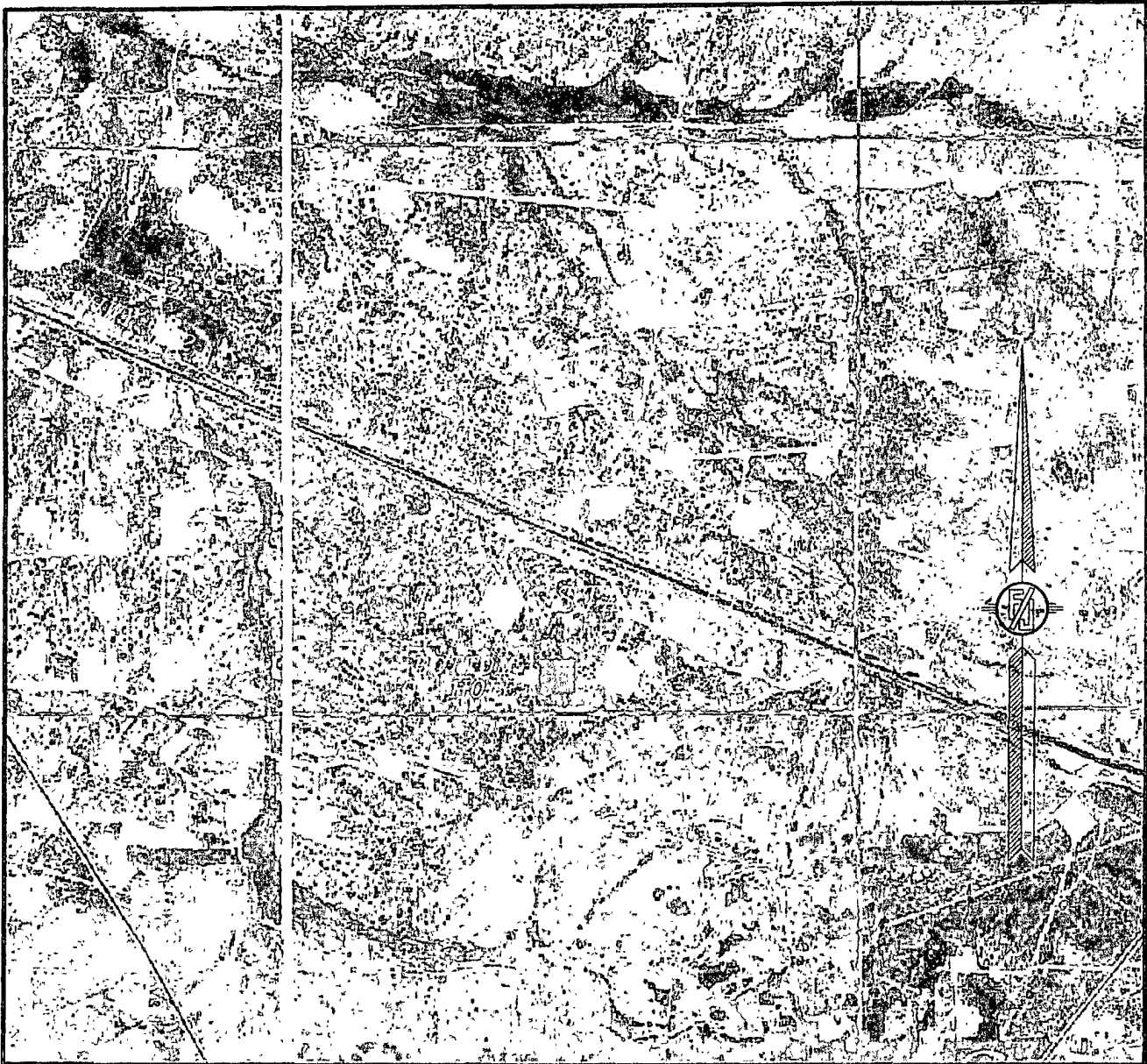
LIME ROCK RESOURCES A.L.P.
STALEY STATE #17
LOCATED 330 FT. FROM THE SOUTH LINE
AND 2410 FT. FROM THE WEST LINE OF
SECTION 30, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

SEPTEMBER 2, 2011

SURVEY NO. 580

MADRON SURVEYING, INC. 361 SOUTH CANAL CARLSBAD, NEW MEXICO
(575) 706-9672

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



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
USDA-AUG, 2009

LIME ROCK RESOURCES A.L.P.
STALEY STATE #17
LOCATED 330 FT. FROM THE SOUTH LINE
AND 2410 FT. FROM THE WEST LINE OF
SECTION 30, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

SURVEY NO. 580

SEPTEMBER 2, 2011

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 706-9677 CARLSBAD, NEW MEXICO

LIME ROCK RESOURCES

EDDY COUNTY, NM (NAD 27)

SEC. 30 T17S RGE. 28E

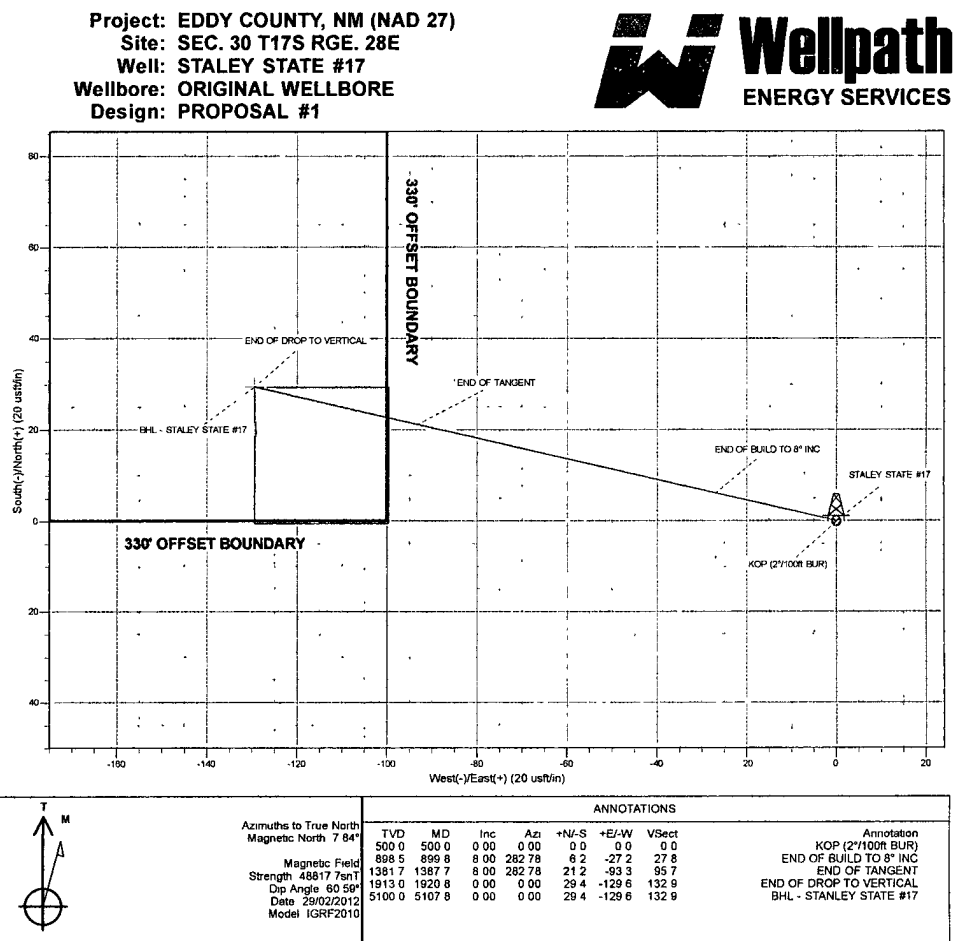
STALEY STATE #17

ORIGINAL WELLBORE

01 March, 2012

Plan: PROPOSAL #1





Planning Report



Database:	EDM_5000_1_7	Local Co-ordinate Reference:	Well STALEY STATE #17
Company:	LIME ROCK RESOURCES	TVD Reference:	KB-EST @ 3656.3usft (Original Well Elev)
Project:	EDDY COUNTY, NM (NAD 27)	MD Reference:	KB-EST @ 3656.3usft (Original Well Elev)
Site:	SEC. 30 T17S RGE. 28E	North Reference:	True
Well:	STALEY STATE #17	Survey Calculation Method:	Minimum Curvature
Wellbore:	ORIGINAL WELLBORE		
Design:	PROPOSAL #1		

Project	EDDY COUNTY, NM (NAD 27)		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		Using geodetic scale factor

Site	SEC. 30 T17S RGE. 28E		
Site Position:		Northing:	654,361.60 usft
From:	Map	Easting:	538,476.50 usft
Position Uncertainty:	0.0 usft	Slot Radius:	13-3/16"
		Latitude:	32° 47' 55.921 N
		Longitude:	104° 12' 29.217 W
		Grid Convergence:	0.07 °

Well	STALEY STATE #17		
Well Position	+N/-S	-107.4 usft	Northing:
	+E/-W	-2,169.7 usft	Easting:
Position Uncertainty	0.0 usft	Wellhead Elevation:	usft
		Latitude:	32° 47' 54.858 N
		Longitude:	104° 12' 54.634 W
		Ground Level:	3,642.9 usft

Wellbore	ORIGINAL WELLBORE		
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Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF2010	29/02/2012	7.84	60.59	48,818

Design	PROPOSAL #1		
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Audit Notes:				
Version:	Phase:	PROTOTYPE	Tie On Depth:	0.0
Vertical Section:	Depth From (TVD) (usft)	+N/-S (usft)	+E/-W (usft)	Direction (°)
	0.0	0.0	0.0	282.78

Plan Sections											
MD (usft)	Inc (°)	Azi (°)	Vertical Depth	SS (usft)	+N/-S (usft)	+E/-W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
0.0	0.00	0.00	0.0	-3,656.3	0.0	0.0	0.00	0.00	0.00	0.00	
500.0	0.00	0.00	500.0	-3,156.3	0.0	0.0	0.00	0.00	0.00	0.00	
899.8	8.00	282.78	898.5	-2,757.8	6.2	-27.2	2.00	2.00	0.00	282.78	
1,387.7	8.00	282.78	1,381.7	-2,274.6	21.2	-93.3	0.00	0.00	0.00	0.00	
1,920.8	0.00	0.00	1,913.0	-1,743.3	29.4	-129.6	1.50	-1.50	0.00	180.00	
5,107.8	0.00	0.00	5,100.0	1,443.7	29.4	-129.6	0.00	0.00	0.00	0.00	BHL - STALEY ST/

Planning Report



Database:	EDM_5000_1_7	Local Co-ordinate Reference:	Well STALEY STATE #17
Company:	LIME ROCK RESOURCES	TVD Reference:	KB-EST @ 3656.3usft (Original Well Elev)
Project:	EDDY COUNTY, NM (NAD 27)	MD Reference:	KB-EST @ 3656.3usft (Original Well Elev)
Site:	SEC. 30 T17S RGE. 28E	North Reference:	True
Well:	STALEY STATE #17	Survey Calculation Method:	Minimum Curvature
Wellbore:	ORIGINAL WELLBORE		
Design:	PROPOSAL #1		

Planned Survey

MD (usft)	Inc (°)	Azi (°)	TVD (usft)	SS (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
0.0	0.00	0.00	0.0	3,656.30	0.0	0.0	0.0	0.00	0.00	0.00
100.0	0.00	0.00	100.0	3,556.30	0.0	0.0	0.0	0.00	0.00	0.00
200.0	0.00	0.00	200.0	3,456.30	0.0	0.0	0.0	0.00	0.00	0.00
300.0	0.00	0.00	300.0	3,356.30	0.0	0.0	0.0	0.00	0.00	0.00
400.0	0.00	0.00	400.0	3,256.30	0.0	0.0	0.0	0.00	0.00	0.00
KOP (2°/100ft BUR)										
500.0	0.00	0.00	500.0	3,156.30	0.0	0.0	0.0	0.00	0.00	0.00
7 RIVERS										
531.0	0.62	282.78	531.0	3,125.30	0.0	-0.2	0.2	2.00	2.00	0.00
600.0	2.00	282.78	600.0	3,056.32	0.4	-1.7	1.7	2.00	2.00	0.00
700.0	4.00	282.78	699.8	2,956.46	1.5	-6.8	7.0	2.00	2.00	0.00
800.0	6.00	282.78	799.5	2,856.85	3.5	-15.3	15.7	2.00	2.00	0.00
END OF BUILD TO 8° INC.										
899.8	8.00	282.78	898.5	2,757.82	6.2	-27.2	27.8	2.00	2.00	0.00
900.0	8.00	282.78	898.7	2,757.60	6.2	-27.2	27.9	0.00	0.00	0.00
1,000.0	8.00	282.78	997.7	2,658.57	9.2	-40.8	41.8	0.00	0.00	0.00
QUEEN										
1,080.0	8.00	282.78	1,077.0	2,579.30	11.7	-51.6	52.9	0.00	0.00	0.00
1,100.0	8.00	282.78	1,096.8	2,559.54	12.3	-54.3	55.7	0.00	0.00	0.00
1,200.0	8.00	282.78	1,195.8	2,460.51	15.4	-67.9	69.6	0.00	0.00	0.00
1,300.0	8.00	282.78	1,294.8	2,361.49	18.5	-81.4	83.5	0.00	0.00	0.00
END OF TANGENT										
1,387.7	8.00	282.78	1,381.7	2,274.61	21.2	-93.3	95.7	0.00	0.00	0.00
1,400.0	7.81	282.78	1,393.8	2,262.46	21.6	-95.0	97.4	1.50	-1.50	0.00
GRAYBURG										
1,465.7	6.83	282.78	1,459.0	2,197.30	23.4	-103.2	105.8	1.50	-1.50	0.00
1,500.0	6.31	282.78	1,493.1	2,163.22	24.3	-107.0	109.7	1.50	-1.50	0.00
1,600.0	4.81	282.78	1,592.6	2,063.69	26.4	-116.4	119.4	1.50	-1.50	0.00
1,700.0	3.31	282.78	1,692.4	1,963.95	28.0	-123.3	126.5	1.50	-1.50	0.00
PREMIER										
1,782.7	2.07	282.78	1,775.0	1,881.30	28.8	-127.1	130.4	1.50	-1.50	0.00
1,800.0	1.81	282.78	1,792.3	1,864.05	29.0	-127.7	130.9	1.50	-1.50	0.00
SAN ANDRES										
1,813.8	1.61	282.78	1,806.0	1,850.30	29.1	-128.1	131.4	1.50	-1.50	0.00
1,900.0	0.31	282.78	1,892.2	1,764.07	29.4	-129.5	132.8	1.50	-1.50	0.00
END OF DROP TO VERTICAL										
1,920.8	0.00	0.00	1,913.0	1,743.30	29.4	-129.6	132.9	1.50	-1.50	371.80
2,000.0	0.00	0.00	1,992.2	1,664.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,100.0	0.00	0.00	2,092.2	1,564.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,200.0	0.00	0.00	2,192.2	1,464.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,300.0	0.00	0.00	2,292.2	1,364.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,400.0	0.00	0.00	2,392.2	1,264.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,500.0	0.00	0.00	2,492.2	1,164.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,600.0	0.00	0.00	2,592.2	1,064.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,700.0	0.00	0.00	2,692.2	964.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,800.0	0.00	0.00	2,792.2	864.07	29.4	-129.6	132.9	0.00	0.00	0.00
2,900.0	0.00	0.00	2,892.2	764.07	29.4	-129.6	132.9	0.00	0.00	0.00
3,000.0	0.00	0.00	2,992.2	664.07	29.4	-129.6	132.9	0.00	0.00	0.00
3,100.0	0.00	0.00	3,092.2	564.07	29.4	-129.6	132.9	0.00	0.00	0.00
3,200.0	0.00	0.00	3,192.2	464.07	29.4	-129.6	132.9	0.00	0.00	0.00
GLORIETA										
3,221.8	0.00	0.00	3,214.0	442.30	29.4	-129.6	132.9	0.00	0.00	0.00
3,300.0	0.00	0.00	3,292.2	364.07	29.4	-129.6	132.9	0.00	0.00	0.00

Planning Report



Database:	EDM_5000_1_7	Local Co-ordinate Reference:	Well STALEY STATE #17
Company:	LIME ROCK RESOURCES	TVD Reference:	KB-EST @ 3656.3usft (Original Well Elev)
Project:	EDDY COUNTY, NM (NAD 27)	MD Reference:	KB-EST @ 3656.3usft (Original Well Elev)
Site:	SEC. 30 T17S RGE 28E	North Reference:	True
Well:	STALEY STATE #17	Survey Calculation Method:	Minimum Curvature
Wellbore:	ORIGINAL WELLBORE		
Design:	PROPOSAL #1		

Planned Survey

MD (usft)	Inc (°)	Azi (°)	TVD (usft)	SS (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
YESO										
3,334.8	0.00	0.00	3,327.0	329.30	29.4	-129.6	132.9	0.00	0.00	0.00
3,400.0	0.00	0.00	3,392.2	264.07	29.4	-129.6	132.9	0.00	0.00	0.00
3,500.0	0.00	0.00	3,492.2	164.07	29.4	-129.6	132.9	0.00	0.00	0.00
3,600.0	0.00	0.00	3,592.2	64.07	29.4	-129.6	132.9	0.00	0.00	0.00
3,700.0	0.00	0.00	3,692.2	-35.93	29.4	-129.6	132.9	0.00	0.00	0.00
3,800.0	0.00	0.00	3,792.2	-135.93	29.4	-129.6	132.9	0.00	0.00	0.00
3,900.0	0.00	0.00	3,892.2	-235.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,000.0	0.00	0.00	3,992.2	-335.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,100.0	0.00	0.00	4,092.2	-435.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,200.0	0.00	0.00	4,192.2	-535.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,300.0	0.00	0.00	4,292.2	-635.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,400.0	0.00	0.00	4,392.2	-735.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,500.0	0.00	0.00	4,492.2	-835.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,600.0	0.00	0.00	4,592.2	-935.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,700.0	0.00	0.00	4,692.2	-1,035.93	29.4	-129.6	132.9	0.00	0.00	0.00
TUBB										
4,701.8	0.00	0.00	4,694.0	-1,037.70	29.4	-129.6	132.9	0.00	0.00	0.00
4,800.0	0.00	0.00	4,792.2	-1,135.93	29.4	-129.6	132.9	0.00	0.00	0.00
4,900.0	0.00	0.00	4,892.2	-1,235.93	29.4	-129.6	132.9	0.00	0.00	0.00
5,000.0	0.00	0.00	4,992.2	-1,335.93	29.4	-129.6	132.9	0.00	0.00	0.00
5,100.0	0.00	0.00	5,092.2	-1,435.93	29.4	-129.6	132.9	0.00	0.00	0.00
BHL - STANLEY STATE #17										
5,107.8	0.00	0.00	5,100.0	-1,443.70	29.4	-129.6	132.9	0.00	0.00	0.00

Formations

MD (usft)	TVD (usft)	Name	Lithology	Dip (°)	Dip Direction (°)
531.0	531.0	7 RIVERS		0.00	
1,080.0	1,077.0	QUEEN		0.00	
1,465.7	1,459.0	GRAYBURG		0.00	
1,782.7	1,775.0	PREMIER		0.00	
1,813.8	1,806.0	SAN ANDRES		0.00	
3,221.8	3,214.0	GLORIETA		0.00	
3,334.8	3,327.0	YESO		0.00	
4,701.8	4,694.0	TUBB		0.00	

Plan Annotations

MD (usft)	TVD (usft)	Local Coordinates		Comment
		+N/-S (usft)	+E/-W (usft)	
500.0	500.0	0.0	0.0	KOP (2°/100ft BUR)
899.8	898.5	6.2	-27.2	END OF BUILD TO 8° INC
1,387.7	1,381.7	21.2	-93.3	END OF TANGENT
1,920.8	1,913.0	29.4	-129.6	END OF DROP TO VERTICAL
5,107.8	5,100.0	29.4	-129.6	BHL - STANLEY STATE #17

LRE OPERATING, LLC.
DRILLING PLAN

STALEY STATE #17
SHL: 340' FSL & 2410' FWL
BHL: 360 FSL & 2280 FWL
Unit "N" Section 30-17S-28E
Eddy County, NM

1. The elevation of the unprepared ground is 3,879.7' 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 on a shallow S directional to 5,108' and run casing. This equipment will then be rigged down and the well will be completed with a workover rig.
4. Proposed total depth is TVD: 5,100' and MD: 5,108.
5. Estimated tops of geologic markers:

Quaternary – Alluvium	Surface
Seven rivers	531'
Queen	1,080'
Grayburg	1,466'
Premier	1,783'
San Andres	1,814'
Glorieta	3,222'
Yeso	3,335'
Tubb	4,702'
TD	5,108'

6. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

Triassic	Water	80'-230'
Seven Rivers	Oil	531'
Queen	Oil	1080'
Grayburg	Oil	1466'
San Andres	Oil	1814'
Glorieta	Oil	3222'
Yeso	Oil	3335'
TD		5108'

7. The proposed casing program is as follows:

Surface: 12 1/4" Hole. 8/5/8" Casing, 24# J-55 ST&C, new casing set from
0' – 425'
Tension SF 2.0, Collapse SF 1.2, Burst SF 1.18.

Production: 7 7/8" Hole. 5-1/2" Casing, 17# J-55 LT&C, new casing set from 0' – 5108'

Tension SF 2.0, Collapse SF 1.2, Burst SF 1.18.

8. Casing setting depth and cementing program:

- a. 8-5/8" surface casing set at 425'. Circulate cement to surface with 280 sx Class "C" cement + 0.25 lbs/sk Cello Flake + 2% CaCl₂. 14.8 ppg, 1.35 cf/sk yield. TOC Surface. 150 % excess.
- b. 5-1/2" production casing set at 5,108'. Stage 1: Lead: 330 sx (35:65) Poz/CL C cement + 5% NaCl + 0.125 lbs/sk Cello Flake + 5 lbs/sk LCM-1 + 0.2% R-3 + 6% Gel. 12.8 ppg, Yield 1.903 cf/sk.
Stage 2: Tail: 580 sx Class C with 0.25% R-3 + ¼ pps Cello Flake. 14.8 ppg. Yield 1.33. TOC Surface. 100 % excess.

9. Pressure Control Equipment

The blowout preventor equipment (BOP) will consist of a 2000 psi double ram type preventor, a bag-type (Hydril) preventor, and rotating head. Both units will be hydraulically operated and the ram type preventor will be equipped with blind rams on top and drill pipe rams on bottom. A 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.

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 drillers log.

The BOP equipment will consist of the following:

- Annular preventers
- Double ram with blind rams and pipe rams
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 3-inch minimum diameter, kill side shall be at least 2-inch diameter)
- Kill line (2 inch minimum)
- A minimum of 2 choke line valves (2 inch minimum)
- 3 inch diameter choke line
- 2 kill line valves, one of which shall be a check valve (2 inch minimum)
- 2 chokes
- 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 shall be flanged, welded, or clamped
- Fill-up line above the uppermost preventer.

10. Mud Program:

0' – 425'	Fresh Water mud. 8.5 to 9.2 ppg Mud weight, Vis 28 to 34, pH 10, WL NC. Pump rate: 300-350 gpm. LCM as required.
425' - 4,800'	Brine water. 9.9 to 10.2 ppg, Mud weight, Vis 30 to 32, pH 10 to 11.5, WL NC. Solids less than 1%. Pump rate: 350-400 gpm. Salt gel, & MF as required. Pmp Hi Vis sweeps to control solids.
4,800' – 5,100'	Brine, Salt Gel and Starch. 9.9 to 10.2 ppg, Mud Weight, Vis 32 to 35, pH 10 to 11.5, WL control 15-20 cc with starch. Solids less than 1%. Pump rate: 400-450 gpm. Salt gel, acid & MF as required. Pmp Hi Vis sweeps to control solids.

11. Testing, Logging and Coring Program:

Testing program: No drillstem tests are anticipated.

Electric logging program: TD – Surface Casing: GR-DLL, GR-CND. 425' to surface: G/R/Neutron.

Coring program: None.

12. Potential Hazards:

No abnormal pressures or temperatures 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 2247 psi based on 0.44 x TD. The estimated BHT 105 degree F.

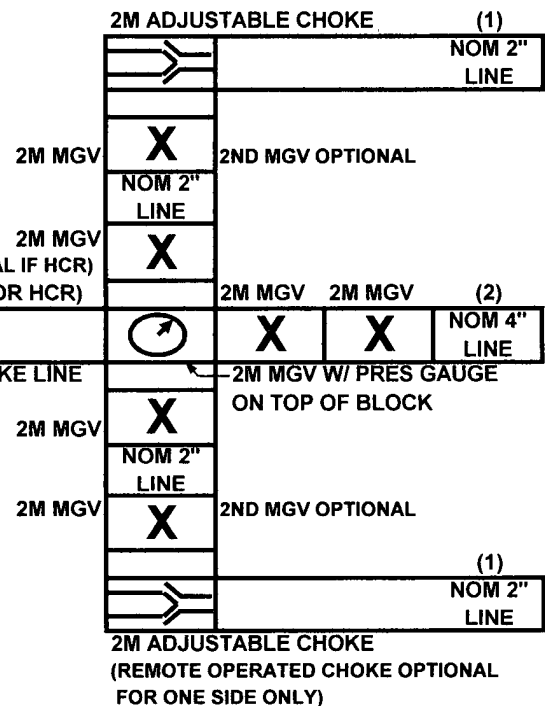
13. Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be soon after BLM approval and as soon as a rig will be available.

Move in operations and drilling is expected to take 32 days. An additional 30 days will be needed to complete the well and to construct surface facilities.

The diagram illustrates a wellhead assembly with the following components and connections:

- ROTATING HEAD (OPTIONAL)**: Located at the top center.
- 2" FILL-UP LINE**: A line on the left side.
- FLOW LINE TO PITS**: A line on the right side.
- BLIND RAMS**: A horizontal bar across the middle.
- PIPE RAMS**: A horizontal bar below the blind rams.
- DRILLING SPOOL**: A vertical component in the center.
- 2M MGVS**: Two 2-inch medium gate valves, one on each side of the drilling spool.
- 2M MGVS (SEQUENCE OPTIONAL IF HCR)**: Two 2-inch medium gate valves, one on each side of the drilling spool.
- 2M MGVS (OR HCR)**: Two 2-inch medium gate valves, one on each side of the drilling spool.
- MIN 3" NOM 2M CHOKE LINE**: A line on the right side.
- 2M MGVS**: Two 2-inch medium gate valves, one on each side of the drilling spool.
- 2M MGVS**: Two 2-inch medium gate valves, one on each side of the drilling spool.



- MGV - Manual Gate Valve**
CKV - Check Valve
HCR - Hydraulically Controlled Remote Valve

HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN

Assumed 100 ppm ROE = 3000'

100 ppm H₂S concentration shall trigger activation of this plan.

Emergency Procedures

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
 - Detection of H₂S, and
 - Measures for protection against the gas,
 - Equipment used for protection and emergency response.

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	2 ppm	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 México's "Hazardous Materials Emergency Response Plan" (HMER).

H₂S CONTINGENCY PLAN EMERGENCY CONTACTS

Company Office –Lime Rock Resources	713-292-9510
Answering Service (During Non-Office Hours)	713-292-9555

Key Personnel

Name	Title	Phone Number
Richard Ghiselin.	Production Engineer	713-345-2136 Cell: 218-507-0386
Mike Barrett	Production Supervisor	575-623-8424 Cell: 505-353-2644

Ambulance	911
State Police	575-746-2703
City Police	575-746-2703
Sheriff's Office	575-746-9888
Fire Department	575-746-2701
Local Emergency Planning Committee	575-746-2122
New Mexico Oil Conservation Division	575-748-1283

Carlsbad

Ambulance	911
State Police	575-8885-3137
City Police	575-885-2111
Sheriff's Office	575-887-7551
Fire Department	575-887-3798
Local Emergency Planning Committee	575-887-6544
US Bureau of Land Management	575-887-6544

New Mexico Emergency Response Commission (Santa Fe)	505-476-9600
24 Hour	505-827-9126
New Mexico State Emergency Operations Center	505-476-9635
National Emergency Response Center (Washington, DC)	800-424-8802

Other

Boots & Coots IWC	800-256-9688 or 281-931-8884
Cudd PressureControl	915-699-0139 or 915-563-3356
Halliburton	575-746-2757
B. J. Services	575-746-3569
Flight For Life – 4000 24 th St. Lubbock, Texas	806-743-9911
Aerocare – R3, Box 49F, Lubbock, Texas	806-747-8923
Med Flight Air Amb – 2301 Yale Blvd SE #D3, Albuquerque, NM	505-842-4433
S B Air Med Service – 2505 Clark Carr Loop SE, Albuquerque, NM	505-842-4949