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

RECEIVED
MAY 08 2013
NMOCD ARTESIA

Form C-101
Revised December 16, 2011

Permit

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

[1] Operator Name and Address	[2] OGRID Number
LRE Operating, LLC 1111 Bagby Street, Suite 4600 Houston, Texas 77002	281994 [3] API Number 30-015-41371

[4] Property Code	[5] Property Name	[6] Well No.
39003	ARCO ST	#3

[7] Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
L	24	17S	28E		2310	S	330	W	Eddy

[8] Pool Information

Empire; Glorieta-Yeso	96210

Additional Well Information

[9] Work Type	[10] Well Type	[11] Cable/Rotary	[12] Lease Type	[13] Ground Level Elevation
N	O	R	S	3702.3
[14] Multiple	[15] Proposed Depth	[16] Formation	[17] Contractor	[18] Spud Date
N	5400	Yeso	United Drilling, Inc.	After 7/1/2013

Depth to Ground Water:	Distance from nearest fresh water well:	Distance from nearest surface water:
55 Ft.	1.09 Miles	10.73 Miles

[19] Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Conductor	20"	14"	68.7	40	40	Surface
Surface	11"	8-5/8"	24	490	200	Surface
Production	7-7/8"	5-1/2"	17#	5400	975	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: 5/6/2013 Phone: 713-360-5714

OIL CONSERVATION DIVISION

Approved By: A Dade

Title: Dist II Supervisor

Approved Date: 5/15/2013 Expiration Date: 5/15/2015

Conditions of Approval Attached

District I
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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	[2] Pool Code	[3] Pool Name
30-015-41371	96210	Empire, Glorieta-Yeso

[4] Property Code	[5] Property Name	[6] Well Number
39003	ARCO STATE	3

[7] OGRID No.	[8] Operator Name	[9] Elevation
281994	LRE OPERATING, LLC	3702.3

[10] Surface Location

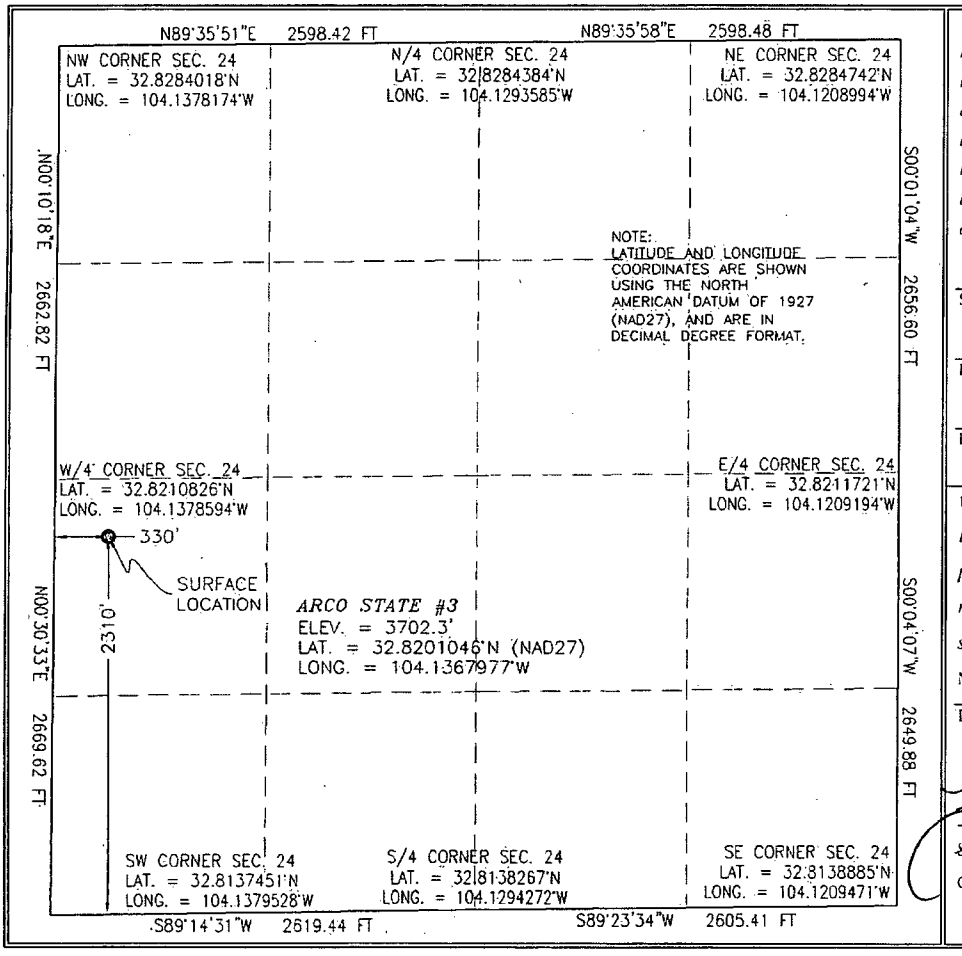
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	24	17 S	28 E		2310	SOUTH	330	WEST	EDDY

[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	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
10			

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 A. McClusky 5/1/13
Signature Date

Eric McClusky
Printed Name

Emcclusky@limerockresources.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.

MARCH 21, 2013
Date of Survey

FRONTIER NEW MEXICO 12797 LAND SURVEYING

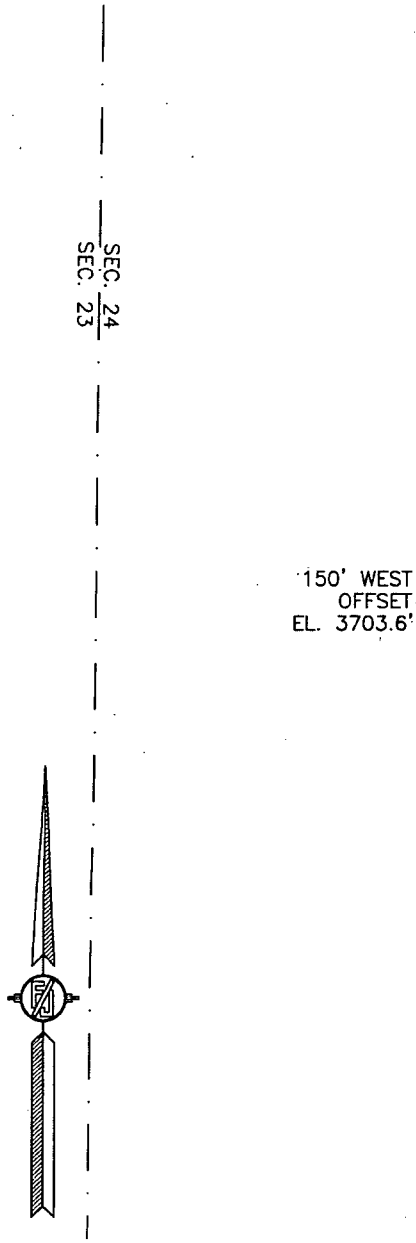
Signature and Seal of Professional Surveyor

Certificate Number: FELIMON E. JARAMILLO, PLS 12797

SURVEY NO. 1696

SECTION 24, 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.



150' NORTH
OFFSET
EL. 3702.5'

ARCO STATE #3
ELEV. = 3702.3'

150' WEST
OFFSET
EL. 3703.6'

150' EAST
OFFSET
EL. 3702.3'

LAT. = 32.8201046°N (NAD27)
LONG. = 104.1367977°W

150' SOUTH
OFFSET
EL. 3702.8'

010 50 100 200
SCALE 1" = 100'

DIRECTIONS TO LOCATION

FROM STATE HIGHWAY 82 AND CR 209 (TURKEY TRACK), GO EAST ON STATE HIGHWAY 82 1.1 MILES, TURN LEFT ON CALICHE ROAD AND GO NORTH 0.6 MILES, TURN LEFT AND GO NORTHWEST 0.45 MILES, TURN LEFT AND GO WEST 0.2 MILES TO THE EXISTING ARCO STATE #1 WELL AND LOCATION IS NORTH-NORTHWEST 687 FT.

LRE OPERATING, LLC

ARCO STATE #3

LOCATED 2310 FT. FROM THE SOUTH LINE AND 330 FT. FROM THE WEST LINE OF SECTION 24, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M. EDDY COUNTY, STATE OF NEW MEXICO

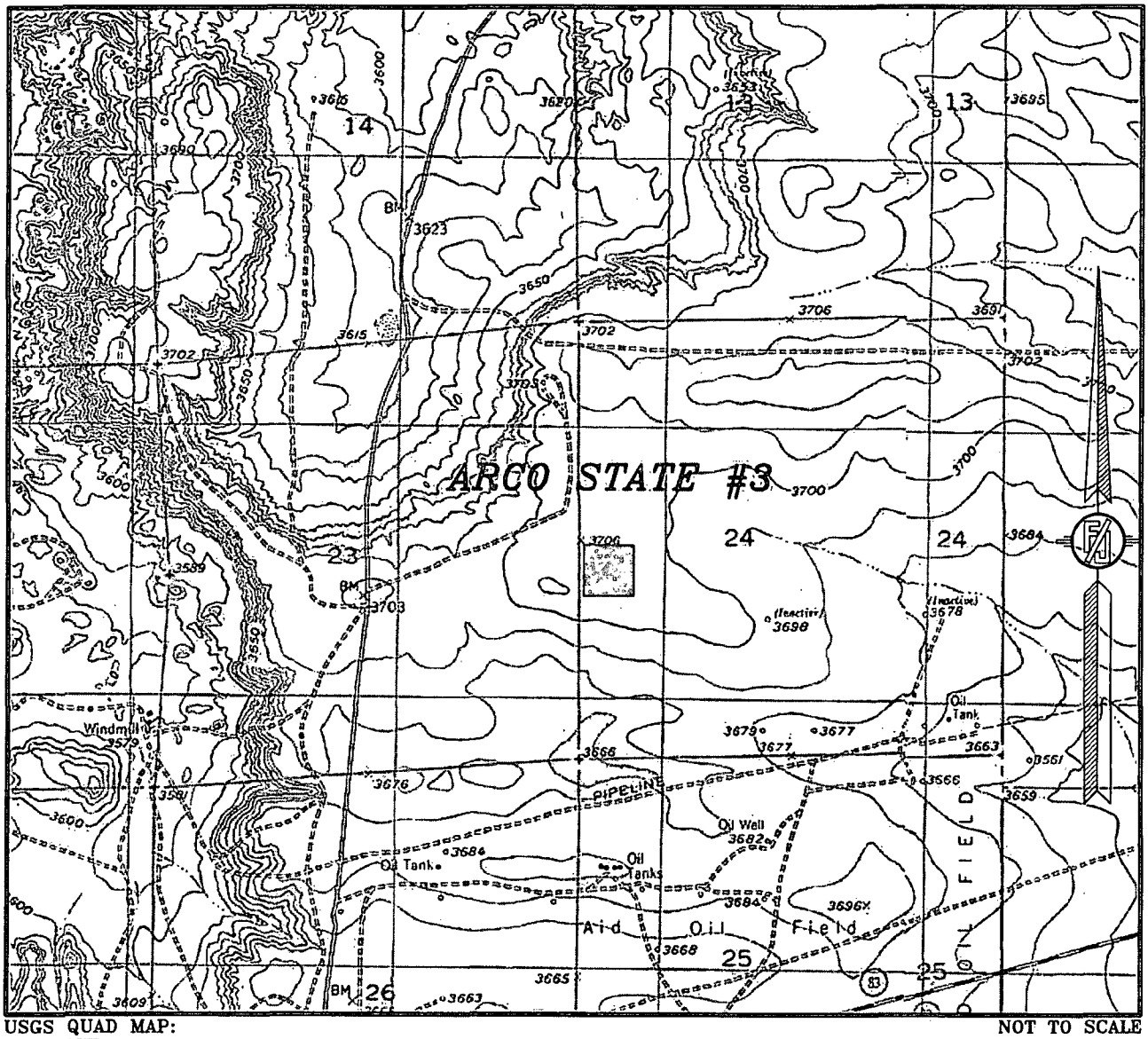
MARCH 21, 2013

SURVEY NO. 1696

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

SECTION 24, 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

ARCO STATE #3

LOCATED 2310 FT. FROM THE SOUTH LINE
AND 330 FT. FROM THE WEST LINE OF
SECTION 24, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

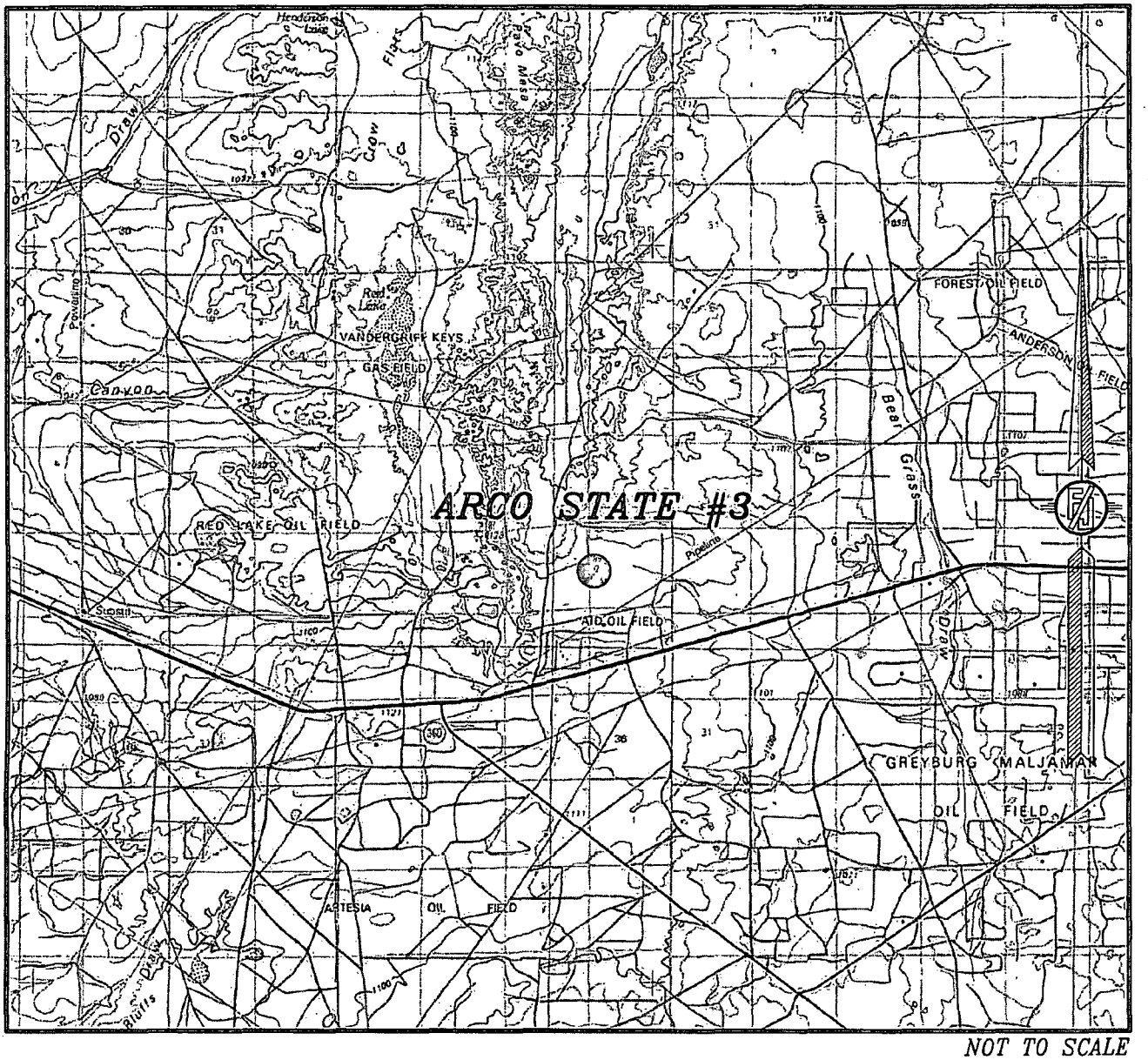
MARCH 21, 2013

SURVEY NO. 1696

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

SECTION 24, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

VICINITY MAP



NOT TO SCALE

LRE OPERATING, LLC
ARCO STATE #3
LOCATED 2310 FT. FROM THE SOUTH LINE
AND 330 FT. FROM THE WEST LINE OF
SECTION 24, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

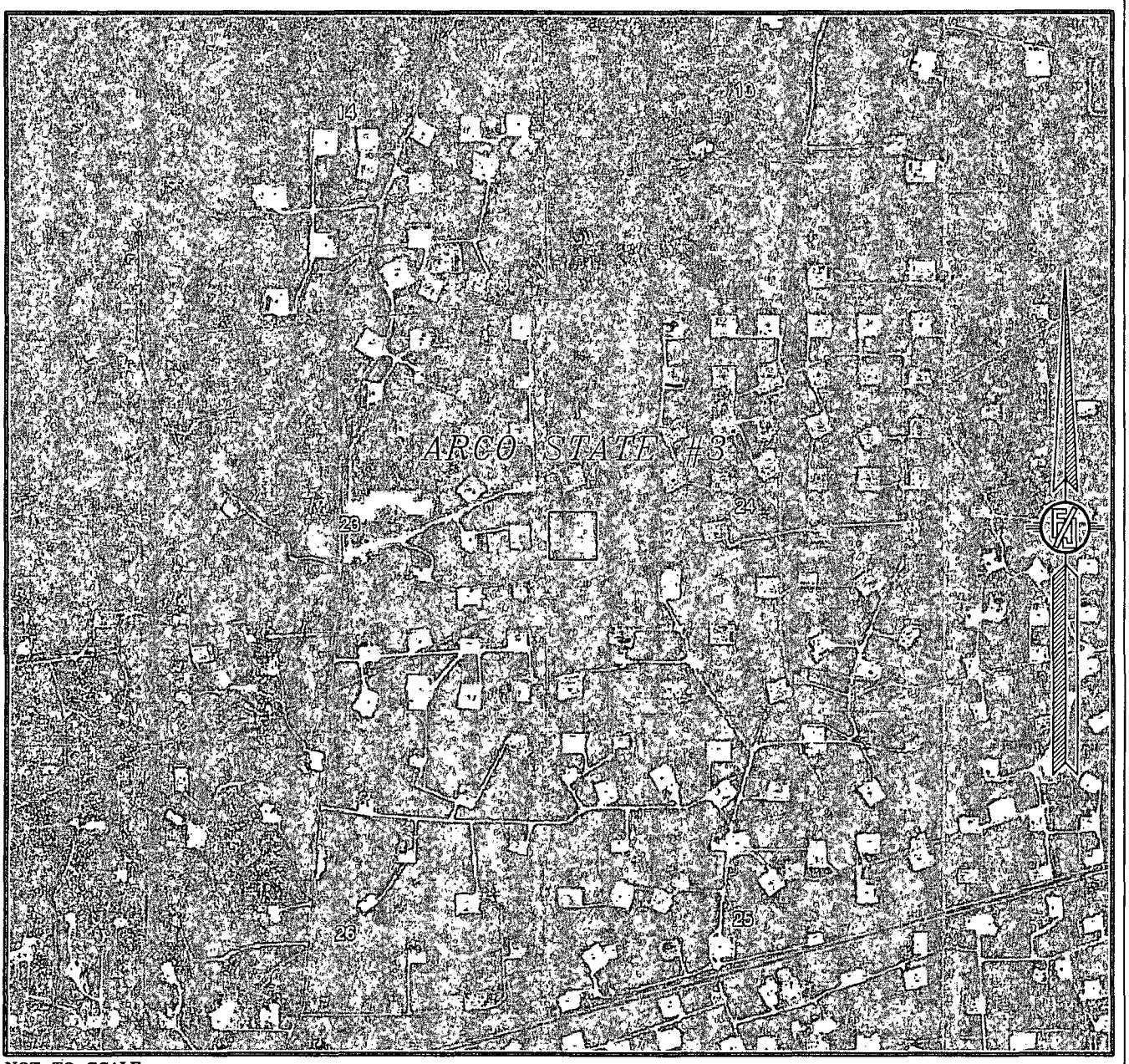
MARCH 21, 2013

SURVEY NO. 1696

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

SECTION 24, 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
JUNE 2011

LRE OPERATING, LLC

ARCO STATE #3

LOCATED 2310 FT. FROM THE SOUTH LINE
AND 330 FT. FROM THE WEST LINE OF
SECTION 24, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

MARCH 21, 2013

SURVEY NO. 1696

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

Drilling Plan

ARCO ST #3
2310' FSL 330' FWL
(L) 24-17S-28E
Eddy County, NM

1. The elevation of the unprepared ground is 3702.3 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 5400' and run casing. This equipment will be rigged down and the well will be completed with a workover rig.
4. Well will be drilled to a total proposed depth of 5400' MD.

5. Estimated tops of geologic markers:

	MD	TVD
Quaternary – Alluvium	Surface	Surface
Yates	NA	NA
7 Rivers	981	981
Queen	1550	1550
Grayburg	1950	1950
Premier	2156	2156
San Andres	2259	2259
Glorieta	3646	3646
Yeso	3746	3746
Tubb	5172	5172
TD	5400	5400

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

	MD	TVD
Yates	NA	NA
7 Rivers	981	981
Queen	1550	1550
Grayburg	1950	1950
Premier	2156	2156
San Andres	2259	2259
Glorieta	3646	3646
Yeso	3746	3746
Tubb	5172	5172
TD	5400	5400

7. Proposed Casing and Cement program is as follows:

Type	Hole	Casing	Wt	Grade	Thread	Depth	Sx	Density	Yield	Components
Conductor	20"	14"	68.7	B	Welded	40	40			Ready Mix
Surface	11"	8-5/8"	24	J-55	ST&C	490	200	14.8	1.35	Cl C Cmt + 0.25 lbs/sk Cello Flake + 2% CaCl2
Intermediate										
Production	7-7/8"	5-1/2"	17#	J-55	LT&C	5400	350	12.6	1.903	(35:65) Poz/Cl C Cmt + 5% NaCl + 0.25 lbs/sk Cello Flake + 5 lbs/sk LCM-1 +0.2% R-3 + 6% Gel
							625	14	1.33	Class C w/ 0.6% R-3 and 1/4 pps cello flake

8. Proposed Mud Program is as follows

Depth	0-490	490-5250	5250-5400
Mud Type	Fresh Water Mud	Brine	Brine, Salt Gel, & Starch
Properties			
MW	8.4-9.2	9.8-10.1	9.9-10.1
pH	9.0-10.5	10.0-12.0	10.0-12.0
WL	NC	NC	20-30
Vis	28-34	28-29	32-34
MC	NC	NC	<2
Solids	NC	<2	<3
Pump Rate	300-350	375-425	400-425
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 5400 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 2376 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.

ARCO ST #3

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. H_2S monitoring equipment and emergency response equipment will be rigged up and in use when the company drills out from under surface casing. H_2S monitors, warning signs, wind indicators and flags will be in use.

EMERGENCY PROCEEDURES

Escape

Crews shall escape upwind of escaping gas in the event of an emergency release of gas, or if monitors indicate H_2S 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.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (S02). 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 S02

Common Name	Cemical Formula	Specific Gravity	Threshhold Limit	Hazerdous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	1.189 Air=1	10 ppm	100 ppm/hour	600 ppm
Sulfur Dioxide	SO_2	2.21 Air=1	2 ppm	NA	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.

H_2S 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 #
Tim Miller	Operations Manager/COO	Houston	713-292-9514	281-467-0916	281-360-2795
Spencer Cox	Production Engineer	Houston	713-292-9528	432-254-5140	Same as Cell
Eric McClusky	Production Engineer	Houston	713-360-5714	405-821-0534	832-491-3079
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
Dalw Kennard	Well Site Supervisor	Rotates on Site	NA	575-420-1651	NA
Gary McCelland	Well Site Supervisor	Rotates on Site	NA	903-503-8997	NA
Brad Tate	Well Site Supervisor	Rotates on Site	NA	575-441-1966	NA
Dave Williamson	Well Site Supervisor	Rotates on Site	NA	575-308-9980	NA

Agency Call List		
City	Agency or Office	Telephone #
Artesia	Ambulance	911
Artesia	State Police	575-746-2703
Artesia	Sherriff'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	Sherriff'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 Commisssion ("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

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 Hughes Inc.	Pumping Services	Artesia, Hobbs & Odessa	575-746-2757	Same
Total Safety	Safety Equipment & Personnel	Artesia	575-746-2847	Same
Cutter Oilfirld Services	Drilling Systems Equipment	Midland	432-488-6707	Same
Assurance Fire & Safety	Safety Equipment & Personnel	Artesia	575-396-9702	575-441-2224
Fighting 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	Alburquerque	505-842-4433	Same
Artesia General Hospital	Emergency Medical Care	Artesia	575-748-3333	702 North 13th Street

Pressure Control Equipment

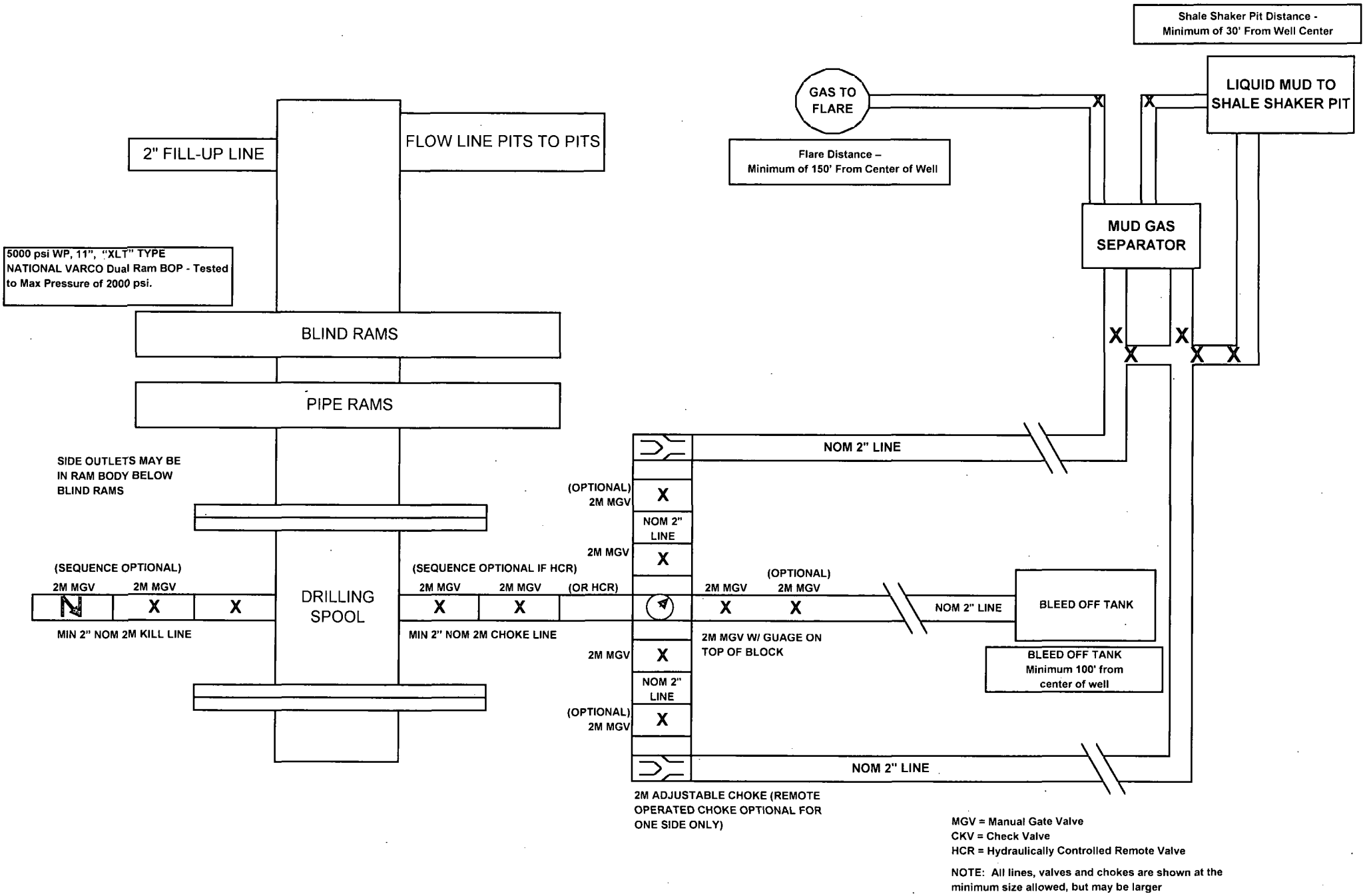
The blowout preventer equipment (BOP) will consist of a 5000 psi rated, "XLT" type, National VARCO double ram preventer that will be tested to a maximum pressure of 2000 psi. The unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top and drill pipe rams 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 BOP SCHEMATIC



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