IN. MI. LES COMS. SEVEROM 811 S. 1ST : ARTESIA, HM C3210-2834 SUBMIT IN TRIPLA FORM APPROVED Form 3160-3 UNITED STATES (Other instructions on OMB NO. 1004-0136 (July 1992) DEPARTMENT OF THE INTERIOR reverse side) Expires February 28, 1995 BUREAU OF LAND MANAGEMENT 5. LEASE DESIGNATION AND SERIAL NO. APPLICATION FOR PERMIT TO DRILL OR DEEPEN NM 0467934 6. IF INDIAN, ALLOTTEE OR TRIBE NAME 1a. TYPE OF WORK X Drill Deepen 7. UNIT AGREEMENT NAME b. TYPE OF WELL Grayburg Jackson WFU X Gas Well Other Multiple Zone Oil Well Single Zone 8. FARM OR LEASE NAME, WELL NO. 2 NAME OF OPERATOR Tract MB No. 16 Shahara Oil, LLC <u> 148 1998</u> 3. ADDRESS AND TELEPHONE NO. 9. API WELL NO. RECEIVED 207 W McKay, Carlsbad, NM 88220 30-015- *31129* Fax: 505-885 4989 505-885-5433 10, FIELD AND POOL, OR WILDCAT - ARTE Grayburg Jackson, 7R-QN-GB-SA 4. LOCATION OF WELL (Report location clearly and in accordance with any State requireme N./SEC., T., R., M., OR BLK. At surface 330' FSL & 430' FEL. Unit P AND SURVEY OR AREA Sec. 27, T17S, R30E At proposed prod. zone Same 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE 1 12. COUNTY OR PARISH 13. STATE 2.5 miles southwest of Loco Hills, NM **Eddy County** NM 15. DISTANCE FROM PROPOSED 1 16. NO. OF ACRES IN LEASE 17. NO. OF ACRES ASSIGNED Post IN-1 1-36-98 TO THIS WELL LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. 430' 1000 40 (Also to nearest drlg. unit line, if any) HPTY LOC 18. DISTANCE FROM PROPOSED LOCATION 19. PROPOSED DEPTH 20. ROTARY OR CABLE TOOLS TO NEAREST WELL, DRILLING, COMPLETED, 3700' OR APPLIED FOR, ON THIS LEASE, FT. 866 Rotary 22. APPROX. DATE WORK WILL START 21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3569' GR January 15, 1997 PROPOSED CASING AND CEMENTING PROGRAM 23. SIZE OF HOLE GRADE, SIZE OF CASING WEIGHT PER FOOT SETTING DEPTH QUANTITY OF CEMENT 12 1/4" 8 5/8" 24# K-55 500 250 sx - circulate 7 7/8" 5 1/2" 17# J-55 4000 600 sx 3700 100' above 8 5/8" csg shoe The operator proposes to drill to a depth sufficient to test the Queen and Yates for oil. Specific programs are outlined in the following attachments: DRILLING PROGRAM APPROVAL SUBJECT TO SURFACE USE AND OPERATING PLAN GENERAL REQUIREMENT # A - ROAD MAP ËXHIBIT B - EXISTING WELL MAP SPECIAL STIPULATIONS EXHIBIT C - LOCATION AND ACREAGE DEDICATION PLAT LITACHED EXHIBIT C-1 - TOPO MAP EXHIBIT D - DRILLING AND RIG LAYOUT **EXHIBIT E - 3M BOP EQUIPMENT** EXHIBIT F-TOP OF SALT MAP

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone; iff proposal is to deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED Villane States TITLE Agent DATE 12/19/97

(This space for Federal or State office use)

PERMIT NO.

APPROVED BY

APPROVAL DATE

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:

(ORIG. SGD.) ARMANDO A 1909.

TITLE TOTAL MINERALS DATE

1-20-91

\*See Instructions On Reverse Side