

THRESHOLD DEVELOPMENT COMPANY  
Conoco 10 State #1  
Section 10-T19S-R29E  
Eddy County, New Mexico

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK CONTINUED:

4. Perforate 9130-9170', acidize as necessary for production.
5. Swab test/pump test.
6. Place well into production.

If decision is made to add more perforations, will be as follows:

7. Pump 2% KCL as necessary. Release packer. TOOH with packer and tubing.
8. Perforate 9612-9679', acidize as necessary for production.
9. Swab test/pump test.
10. Place well into production.

A handwritten signature in cursive script, appearing to read "Rusty Klein", is written over a horizontal line.

Rusty Klein

Agent for Threshold Development Company  
July 30, 2002