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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Split Estate

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-78273
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name -----
2. Name of Operator READ AND STEVENS, INC.		7. If Unit or CA Agreement, Name and No. -----
3a. Address 400 PENN PLAZA SUITE 1000 ROSWELL, NEW MEXICO 88201		8. Lease Name and Well No. <9545> LUCY FEDERAL # 2
3b. Phone No. (include area code) <18917> 575-622-3770		9. API Well No. 30-025-40055
4. Location of Well (Report location clearly and in accordance with any State requirements.) Unit L At surface 1980' FSL & 330' FWL SECTION 14 T20S-R34E LEA CO. NM At proposed prod. zone SAME		10. Field and Pool, or Exploratory LEA-YATES <37620>
14. Distance in miles and direction from nearest town or post office* Approximately 30 miles Southwest of Hobbs, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 14 T20S-R34E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 400	12. County or Parish LEA CO.
17. Spacing Unit dedicated to this well... 40	13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 990'	19. Proposed Depth 3760'	20. BLM/BIA Bond No. on file STATEWIDE NM-2310
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3648' GL	22. Approximate date work will start* WHEN APPROVED	23. Estimated duration 10 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Joe T. Janica</i>	Name (Printed/Typed) Joe T. Janica	Date 11/09/10
Title Permit Eng.		
Approved by (Signature) <i>/s/ Don Peterson</i>	Name (Printed/Typed) <i>/s/ Don Peterson</i>	Date FEB - 4 2011
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

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, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

PETROLEUM ENGINEER FEB 14 2011

**CAPTAN CONTROLLED WATER BASIN
SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Kz 02/11/11

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
1660 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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OIL CONSERVATION DIVISION
HOBBS, NM

OIL CONSERVATION DIVISION
1660 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-025-40055	Pool Code 37620	Pool Name LEA-YATES
Property Code 9545	Property Name LUCY FEDERAL	Well Number 2
OGRID No. 18917	Operator Name READ & STEVENS, INC.	Elevation 3648'

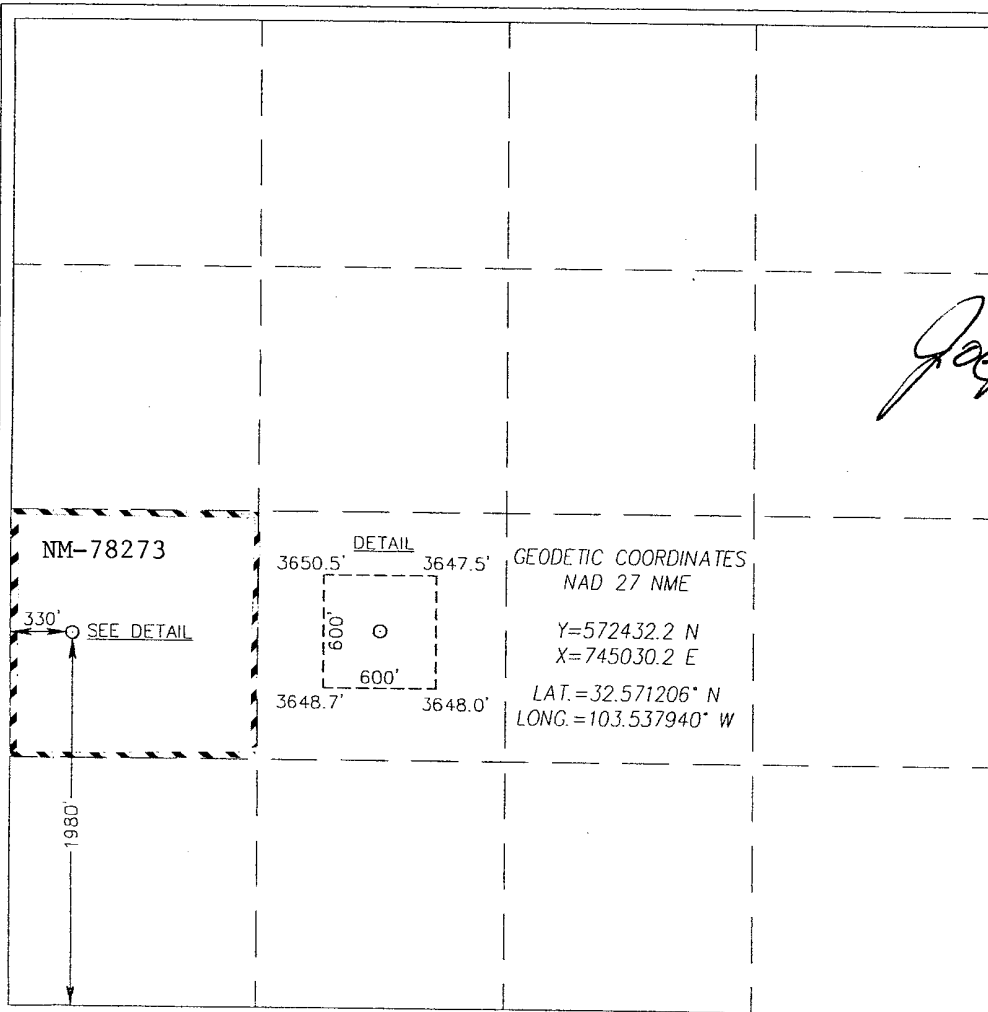
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	14	20-S	34-E		1980	SOUTH	330	WEST	LEA

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
Dedicated Acres 40	Joint or Infill	Consolidation Code	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



GEODETIC COORDINATES
NAD 27 NME
Y=572432.2 N
X=745030.2 E
LAT.=32.571206° N
LONG.=103.537940° W

OPERATOR CERTIFICATION

I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature: *Joe Janica*
Date: 11/09/10
Printed Name: Joe T. Janica

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.

Date Surveyed: OCTOBER 19, 2010
Signature & Seal of Professional Surveyor: *Ronald J. Eidson*
Certificate No. GARY G. EIDSON 12641
RONALD J. EIDSON 3239

APPLICATION TO DRILL

READ & STEVENS, INC.
 LUCY FEDERAL # 2
 UNIT "L" SECTION 14
 T20S-R34E LEA CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above well will be provided.

1. LOCATION: 1980' FSL & 330' FWL SECTION 14 T20S-R34E LEA CO. NM.
2. ELEVATION ABOVE SEA LEVEL:
3. GEOLOGICAL NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits;
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for the removal of solids from the hole.
5. PROPOSED DRILLING DEPTH: 3760'
6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	1590'	Base of Salt	3210'
Top of Salt	1720'	Yates	3424'
		TD	3760'

7. POSSIBLE MINERAL BEARING FORMATIONS:

Yates Oil, Gas & water

8. CASING PROGRAM:

*See
COA*

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40'	20"	NA	NA	NA	Conductor	New
12 1/4"	0-1625'	8 5/8"	32#	8-R	ST&C	J-55	New
7 7/8"	0-3760'	5 1/2"	15.5#	8-R	ST&C	J-55	New

CASING SAFETY FACTORS: Collapse 1.125 Burst 1.00 Body Yield 1.5
 Joint Strength 8-Round 1.8
 Buttress 1.6

APPLICATION TO DRILL

READ & STEVENS, INC.
 LUCY FEDERAL # 2
 UNIT "L" SECTION 14
 T20S-R34E LEA CO. NM

9. CASING SETTING DEPTHS & CEMENTING:

20'	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
8 5/8"	Surface	Run and set 1625' ^{See COA} of 8 5/8" 32# J-55 ST&C casing. Cement with 660 Sx of ExtendaCem-CZ cement Yield 1.75, tail in with 150 Sx. of HalCem-class "C" + 2% CaCl Yield 1.35, circulate cement to surface.
5 1/2"	Production	Run and set 3760' of 5 1/2" 15.5# J-55 ST&C casing. Cement with 330 Sx. of Econo-Cem-HLC + 5# Salt, + 0.125# Poly-E-flakes/Sx Yield 2.04, tail in with 150 Sx. of HalCem-Glass "C" cement + 0.5% LAP-1, + 0.4% CFR-3, + 3# Salt/Sx. + 0.25# D-AIR-3000/Sx. Yield 1.37. Circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor, top pipe rams and bottom blind rams. the B.O.P. will be nipped upon the 8 5/8" surface casing. Included on this schematic is a 3000PSI choke manifold with adjustable chokes. The B.O.P. will be operated at least once each 48 hour period, and the blind rams will be operated when the drill pipe is out of the hole on trips. Full opening stabbing valve and kelly cock will be available on the derrick floor at all times. No abnormal pressures or temperatures are expected during the drilling of this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-1625'	8.5	29-35	NC	Fresh water Spud Mud add paper to control seepage, use high viscosity sweeps to clean hole.
1625-3760'	10.0-10.1	28-34	NC	Brine water use paper to control seepage and high viscosity sweeps to clean hole.

THIS WELL WILL BE DRILLED USING A CLOSED MUD SYSTEM.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and/or water loss may have to be adjusted in order to meet these needs.

APPLICATION TO DRILL

READ & STEVENS, INC.
LUCY FEDERAL # 2
UNIT "L" SECTION 14
T20S-R34E LEA CO. NM

* 12. LOGGING, CORING, AND TESTING PROGRAM:

- See
COA
- A. Open hole logs consisting of PEX-HRLA-NGT will be run from TD back to the 8 5/8" casing shoe, Gamma Ray Neutron run from 8 5/8" casing shoe to surface.
 - B. No cores or DST's are planned at this time.
 - C. Mud logger will be rigged up on well at 1625±'.

13. 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. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 1300 PSI, and Estimated BHT 95°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 10 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Yates formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

READ & STEVENS, INC
Drilling and Completion Prognosis

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WELL NAME: Lucy Federal #2
API NUMBER: 30-025-?
FIELD/POOL: Lea, Yates
POOL CODE: 37620
LEASE CODE: NM-78273 (400 acres)
LOCATION: Lea County, New Mexico
 Sec. 14 T20S-R34E, 1980' FSL & 330' FWL
TD: 3760'
CONTRACTOR: Western Drilling
MUD LOGGER: Start at 1625'. Catch 10' samples
ELEVATIONS: GL ?? KB ?? (??)
CSG: 8 5/8' 32# J-55 STC@ 1625', 5 1/2' 15.5# J-55 LTC@ 3760'
 (TOC @ surface)(40' of 20" conductor)

MUD: Brine

HOLE & CASING DESIGN:

0'-1625'	12 1/4" hole	8 5/8" csg	8.6# Fresh Water (Native Mud)	34 vis
1625'-3760'	7 7/8" hole	5 1/2" csg	10.0# Brine	29 vis

CEMENT DESIGN:

8 5/8" csg.	100% Excess	660 sks	ExtendaCem - CZ	Lead
		150 sks	Hal Cem-C	Tail
5 1/2" csg.	50% Excess	330 sks	EconoCem - HLC	Lead
		150 sks	Hal Cem-C	Tail

*See
COA*

FORMATION	Laurie D #1	Lucy #1	Lauri D #2
Rustler	1596'	1582'	1590'
Top of Salt	1728'	1713'	1720'
Base of Salt	3217'	3205'	3210'
Yates	3420'	3403'	3424'
TD	3760'		

CONTACT LIST

Operator: Read & Stevens, Inc. 575 622-3770 8-5 M-F Office
 400 Penn Plaza, Suite 1000 Roswell, NM 88201 575 622-8643 fax

Geologist: Jim Brannigan 575 420-3438 cellular
benben@dfn.com 575 625-1516 Office
 575 623-0831 home

Engineer: David Luna 575 626-9395 cellular
dluna@read-stevens.com Ext. 305 Office
 575 625-0666 home

Drilling Consultant: Bud Thorp 575 691-8520 cellular
budwjt@yahoo.com 575 392-7282 home

Western Drilling Rig #4: Drilling Super (RC Costello) cell 631-2919 or 432-683-1700 Office
 Tool Pushers: Joel Black 441-1708, Travis Mann 513-2934 Dog House: 441-1903

DST's: Bulldog Testers 575 390-3070 or Rig Testers 432-570-0421
Mudlogger: Selman & Associates 432 563-8851
Mud Co.: Newpark Drilling Fluids 432-697-8661
Dirt Contractor: South Environmental 910-6120 or 441-4159 575 677-2148
Closed Loop: CLS, Mike Harrington, 432-296-0513 or 575-885-3996
Bins, Rails, Disposal: CRI, Laura Sooter, 393-1079, or 631-9829
Casing Co.: DRM, Don Meeks, 432-682-5084. Scooter, 432-620-8400
Electric Logs: Schlumberger. 622-9080. Pex-HRLA-NGT

Directions to Well:

West of Hobbs on Hwy. 62/180. South on Marathon Road for 3.3 miles. West around 2 miles.
South at Read & Stevens sign. Follow to location.

Completion Procedure:

1. TIH w/ 4 3/4" bit and scraper.
2. Clean out to 3689' (FC). Displace hole w/ 2% KCL.
3. Run Bond Log w/ 1000 psi.
4. **Perf 3491-97, 3502-08, 3512-16, 3602-07, 3613-18, & 3622-3626. 66 Total holes. 4" casing guns at 2 spf, 120 phasing.**
5. Acidize: 2500 gals 7 1/2 % NEFe HCl . Swab test.
6. Put on pump if swab test warrants.
7. Frac down casing: 18,000# 20/40, and 62000# 16/20 . Tag with 3 isotopes.
8. Run after Frac Multi Isotope Log.
9. Put on pump.

Drilling Plan
 Lucy Federal #2
 1980' FSL & 330' FWL
 Sec 14 -T20S - R34E, Lea Co., NM
 API: 30-025-?
 Lease Number: NM-78273 (400 acres)
 Field/Pool: Lea, Yates (#37620)

Tops:

Formation	Depth below Ground level (ft)
DTW (Exhibit "F")	270
Rustler	1590
TOS	1720
BOS	3210
Yates	3410
TD	3760

Pay info: Yates (Oil), 3500', Pressure=1300 psi, Temp=95 deg F

Potential Hazards/Abnormal Conditions: None expected (None in previously drilled wells). If Loss-circulation zone, or over pressured zone, is encountered, approved LCM and mud additives will be mixed in mud to control losses.

Casing Program:

Depth (ft)	Hole Size (in)	Casing Size/Wt/Grade/Thds	Coll	Burst	Tens	Cement
0'-1625'	12 1/4	8 5/8 32# J-55, STC (new)	5.3	2.5	30	Lead: 660 sx ExtendaCem-CZ (1.75 yield). Tail: 150 sx HalCem-C, 2% CACL (1.35 yield), TOC=Surf.
0'-3760'	7 7/8"	5 1/2 15.5# J-55, LTC (new)	2.1	1.9	4.1	Lead: 330sx EconoCem-HLC (2.04 yield) 5# salt. Tail: 150 sx HalCem-C (1.37 yield) 3# salt, TOC=Surf.

See COA

Mud Program:

Depth (ft)	Mud Type	Weight (ppg)	Vis (sec)	Fluid Loss (cc)
0-1625	Fresh	8.5	35	NC
1625-3760	Brine	10.0	28	NC

See COA

BOP Equipment: Exhibit "E"

BOPE to be installed on 8 5/8" casing, rated to 3,000 psi working pressure, and pressure tested prior to drilling out of casing shoe per BLM.

No Testing or Coring.

Logging: Schlumberger PEX-HRLA

Other Information:

Read & Stevens Drilling & Completion Procedure (includes wellbore schematic): Exhibit "G"

Western Drilling Rig # 4

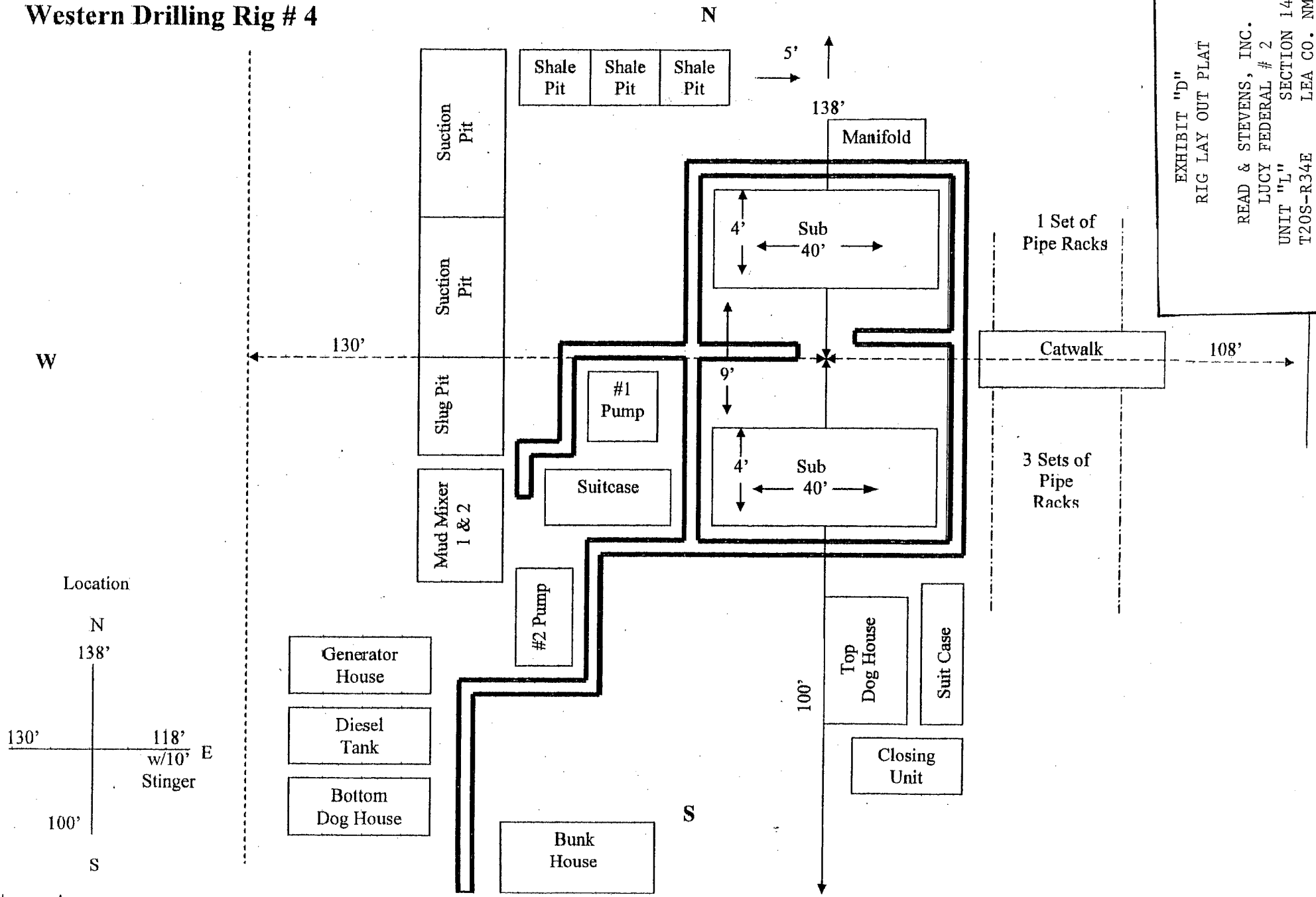
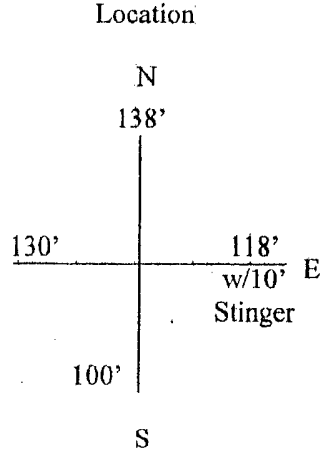
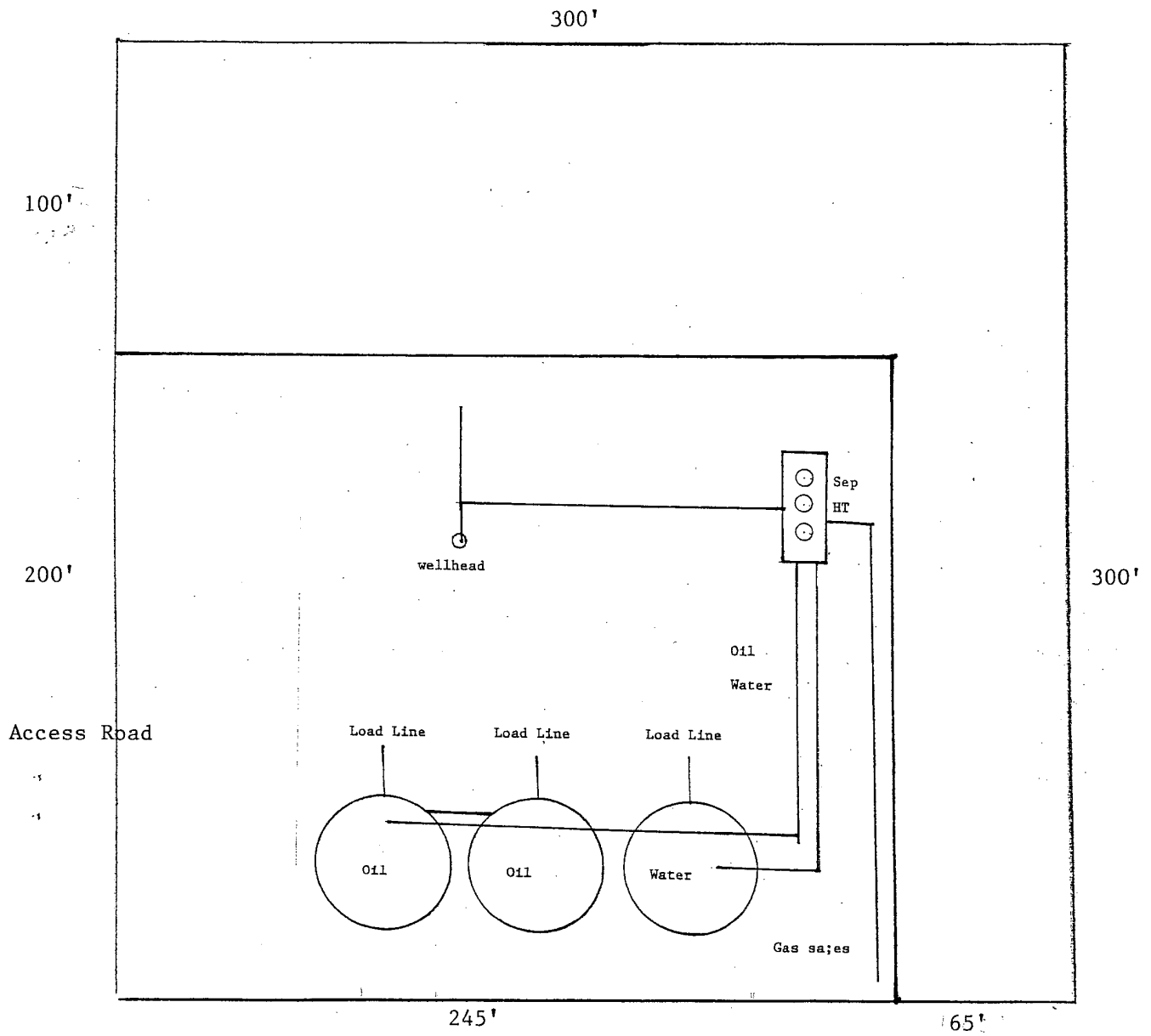


EXHIBIT "D"
 RIG LAY OUT PLAT
 READ & STEVENS, INC.
 LUCY FEDERAL, # 2
 UNIT "L" SECTION 14
 T20S-R34E LEA CO. NM





PROPOSED PRODUCTION FACILITY

READ & STEVENS, INC.
 LUCY FEDERAL # 2
 UNIT "L" SECTION 14
 T20S-R34E LEA CO. NM

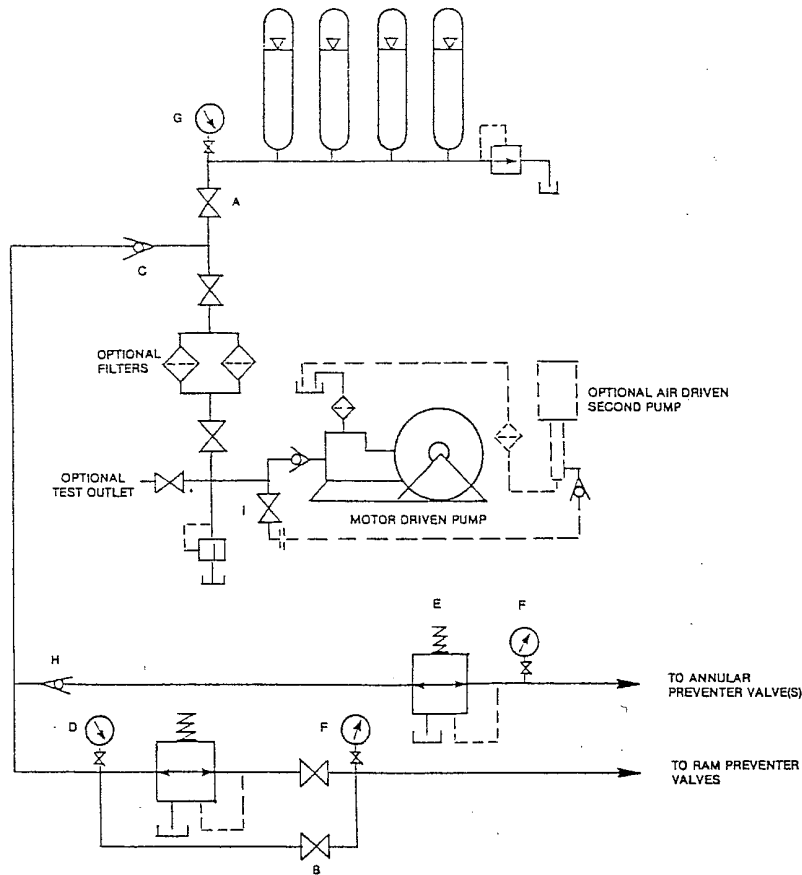


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

