

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

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

1. Operator Name and Address AMERISTATE EXPLORATION, L.L.C. 111 CONGRESS AVE., STE. 2700 AUSTIN , TX 78701		2. OGRID Number 158898
		3. API Number 30-015-34762
4. Property Code 302255	5. Property Name EAST MILLMAN UNIT	6. Well No. 229

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
C	14	19S	28E	C	1261	N	1330	W	EDDY

8. Pool Information

MILLMAN;YATES-SR-QN-GB-SA, EAST	46555
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3438
14. Multiple N	15. Proposed Depth 3000	16. Formation San Andres Formation	17. Contractor	18. Spud Date 4/15/2006
Depth to Ground water 105		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ mils thick Clay <input type="checkbox"/> Pit Volume: 6500 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input checked="" type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	8.625	24	375	350	0
Prod	7.875	5.5	14	3000	700	0

Casing/Cement Program: Additional Comments

Plan to drill 12 1/4" hole to approx 375' using native water & set 8 5/8" surf casing. Circ C1C cmt. Drill 7 7/8" hole to TD 3000' using brine water. Run OH logs. Run 5 1/2" csg & circ cmt. Perf the QN-GB-SA zone & stimulate as necessary for optimum production. Anticipated H2S levels are not expected to be high enough to require H2S Contingency Plan.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Annular	2000	1600	Hydrill

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 <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> , or an (attached) alternative OCB-approved plan <input type="checkbox"/> . Printed Name: Electronically filed by Mark Nearburg Title: President Email Address: maryd@ameristate.net Date: 4/4/2006	<div style="text-align: center; border-bottom: 1px solid black; padding-bottom: 5px;">OIL CONSERVATION DIVISION</div> Approved By: Bryan Arrant Title: Geologist Approved Date: 4/4/2006 Expiration Date: 4/4/2007 Conditions of Approval Attached
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District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

District II

1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources

Oil Conservation Division**1220 S. St Francis Dr.****Santa Fe, NM 87505**

Form C-102
Permit 26453

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number	2. Pool Code 46555	3. Pool Name MILLMAN;YATES-SR-QN-GB-SA, EAST
4. Property Code 302255	5. Property Name EAST MILLMAN UNIT	6. Well No. 229
7. OGRID No. 158898	8. Operator Name AMERISTATE EXPLORATION, L.L.C.	9. Elevation 3438

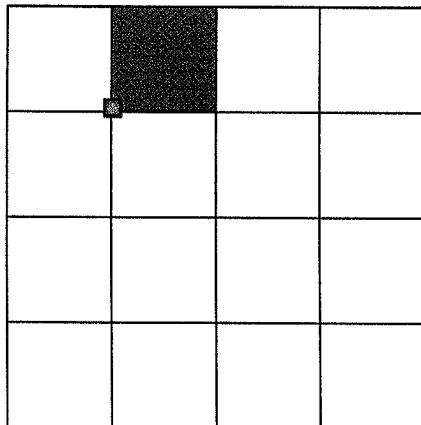
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
C	14	19S	28E		1261	N	1330	W	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00		13. Joint or Infill		14. Consolidation Code			15. 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

**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(s) 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.

E-Signed By:

Title:

Date:

Michael Hager
Vice President
22 April 06

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.

Surveyed By: Dan Reddy

Date of Survey: 3/24/2006

Certificate Number: 5412

Permit Comments

Operator: AMERISTATE EXPLORATION, L.L.C. , 158898

Well: EAST MILLMAN UNIT #229

API: 30-015-34762

Created By	Comment	Comment Date
MKNEARBURG	This well is part of E. Millman Unit and there are no other operators in the unit.	3/31/2006
MKNEARBURG	Surveyor has stated that the section is only 5194' east to west corners	3/31/2006
MKNEARBURG	Plan to drill 12 1/4" hole to approx 350' & set 8 5/8" surf casing. Circ CI C omt. Drill 7 7/8" hole to TD 3000'. Run OH logs. Run 5 1/2" csg & circ omt. Perf the QN-GB-SA zone & stimulate as necessary for optimum production. Anticipated H2S levels are not expected to be high enough to require H2S Contingency Plan.	4/3/2006
MKNEARBURG	Please note that per your request, mud type and the previous comment above have been added to Sect 19 "Additional Comments" and a previous error in the comments was corrected so that surface casing will be run to 375' not 350'	4/4/2006

Permit Conditions of Approval

Operator: AMERISTATE EXPLORATION, L.L.C. , 158898

Well: EAST MILLMAN UNIT #229

API: 30-015-34762

OCD Reviewer	Condition
BArrant	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
BArrant	As noted, operator to drill surface hole with 'fresh water' mud.