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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. Lease Serial No. NM-108024
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		7. If Indian, Allottee or Tribe Name -----
2. Name of Operator: ECHO PRODUCTION, COMPANY		8. Lease Name and Well No. STILETTO "21" FEDERAL COM.
3a. Address: P. O. Box 1210 GRAHAM, TEXAS 76450		9. API Well No. 30-015-39138
3b. Phone No. (include area code) 940-549-3292		10. Field and Pool, or Exploratory CEMETERY-YESO
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 380' FNL & 2260' FEL SECTION 21 T20S-R25E EDDY CO. NM At proposed prod. zone 380' FSL & 2260' FEL SECTION 21 T20S-R25E		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 21 T20S=R25E
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles Northwest of carlsbad New Mexico		12. County or Parish EDDY CO.
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 380'		13. State MN
16. No. of acres in lease 160		17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2000'		20. BLM/BIA Bond No. on file NM-2692 STATEWIDE
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3457' GL <input checked="" type="checkbox"/>		22. Approximate date work will start* WHEN APPROVED
		23. Estimated duration 28 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 03/30/11
Title Permit Eng.		
Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed)	Date MAY 26 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)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Roswell Controlled Water Basin



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

APPLICATION TO DRILL

ECHO PRODUCTION, INC.
 STILETTO "21" FEDERAL COM. #3H
 UNIT "B" SECTION 21
 T20S-R25E EDDY 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: 380' FNL & 2260' FEL SECTION 21 T20S-R25E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3457' GL
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 hole.
5. PROPOSED DRILLING DEPTH: 6923'-MD TVD- 2720'

6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Grayburg	340'	Glorietta	2330'
San Andres	730'	Yeso	2502'

7. POSSIBLE MINERAL BEARING FORMATIONS:

San Andres	Possible water
Yeso	Oil, Gas, Water

8. CASING PROGRAM:

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40'	20"	NA	NA	NA	Conductor	New
12 1/4"	0-900'	9 5/8"	36#	8-R	ST&C	J-55	New
8-3/4"	0-6923'	5 1/2"	17#	8-R	LT&C	N-80	New

CASING SAFETY FACTORS:

Collapse	1.25	Burst	1.00	Body Yield	1.5	Joint strength
						8-R 1.8
						buttress 1.6

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9. CASING SETTING DEPTHS AND CEMENTING:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
9 5/8"	Surface	Run and set 900' of 9 5/8" 36# J-55 ST&C casing. Cement with 400 Sx. of Class "C" Premium Plus cement 0.25# Flocele/Sx, + 2% CaCl, Yield 1.34. 100% Excess. Circulate cement to surface.
5 1/2"	Production	Run and set 6923' of 5 1/2" 17# N-80 LT&C casing with a DV Tool at 2550±'. The section from 6923' back to 2550 will not be cemented but will have open hole packers with Frac sleeves to control Frac treatments. The interval from 2550' will be cemented with 600 Sx. of Class "C" Premium Plus cement + 0.25# Flocele/Sx. + 2% CaCl, Yield 1.34. 25% Excess circulate cement to surface

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a 2000 PSI B.O.P. consisting of an annular bag type preventor drillong spool, and drilling nipple. Which will be nipped up on the 9 5/8" casing and remain on the hole till production casing is cemented. Upper kelly cock valvewit handles available, safety valves and subs to fit all drilling strings in use. No abnormal pressures or temperatures are expected during the drilling of this well. Other wells in the area have not encountered any unusual pressures or temperatures. The BOP is a 13 5/8" Shaffer style and will be tested according to OnShore Order # 2 and API specifications.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE SYSTEM
40-900'	8.4-8.6	28-30	NC	Fresh water spud mud add paper for seepage control
900-6923'	8.4-8.6	28-30	NC	Fresh water add paper to control seepage, if use high viscosity sweeps to clean hole.

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, cut cores and casing, the viscosity, water loss and other properties may have to be altered to meet these requirements.

THIS WELL WILL BE DRILLED USING A CLOSED MUD SYSTEM.

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12. LOGGING, CORING, AND TESTING PROGRAM:

see COA

- A. No open hole logs will be run on this well
- B. A cased hole Gamma Ray, Neutron log will be run in the vertical part of the hole.
- C. No DST's or Cores are planned at this time.
- D. No mud logger is planned at this time.

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 1500 PSI, and Estimated BHT 130°.

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 22 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 YESO formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

Echo Production Inc.
 Stillers Fed. 21 Com. # 3 H
 Eddy County
 Directional Plan

KOP 1910' MD 0° INC 1910' TVD

EOC 3145' MD 90° INC 2730' TVD

Sec	MD	INC	TVD	HH/S	HE/W	M.Deg
1	0.0	0.0	0.0	0.0	0.0	0.0
2	1910.0	0.0	1910.0	0.0	0.0	0.0
B	3145.0	90.0	2730.0	1300.0	0.0	755.0
A	6023.0	90.0	2730.0	4523.0	0.0	1523.0

True Vertical Depth (1000 ft/in)

Vertical Section (1000 ft/in)

West (-) East (+) (1000 ft/in)

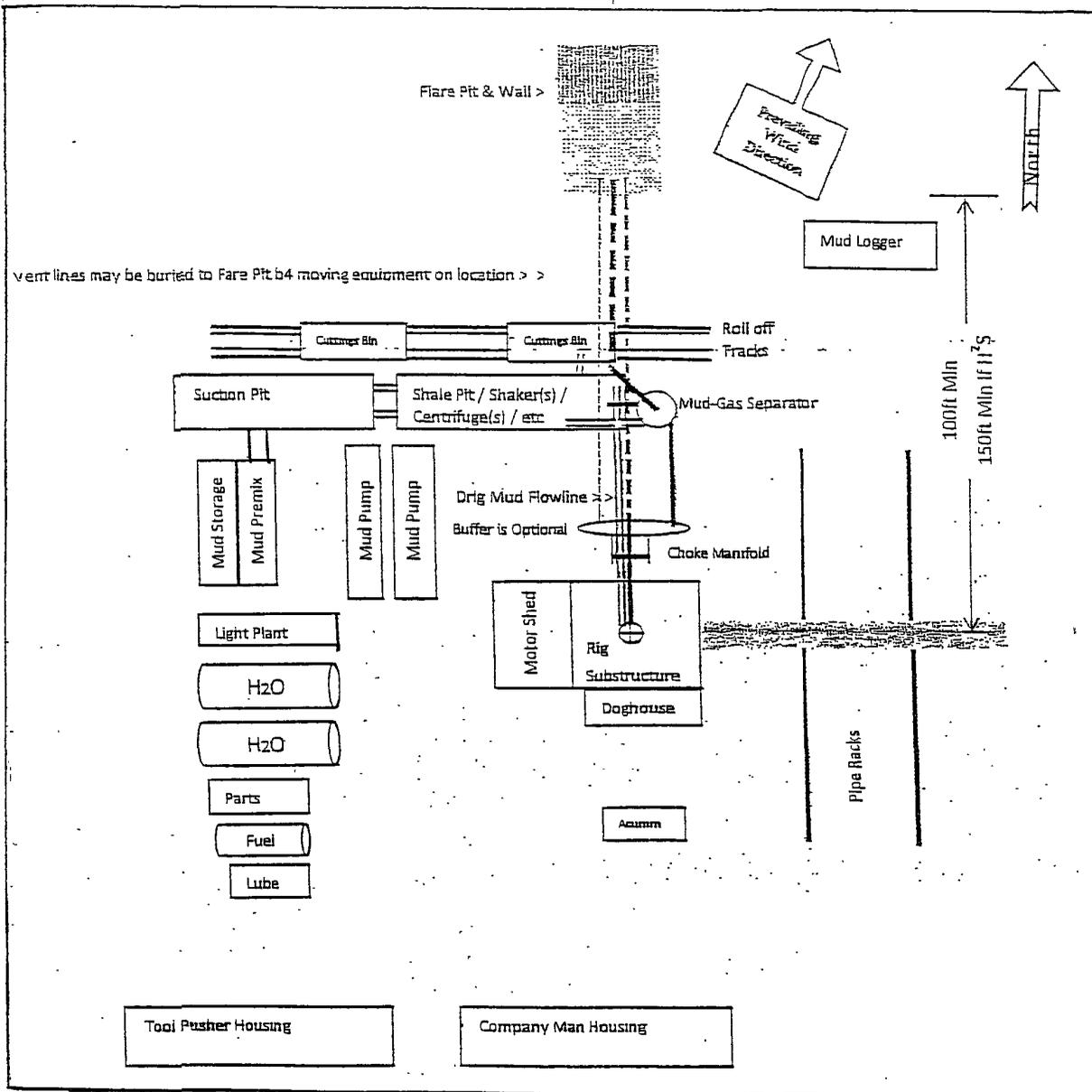
South (-) North (+) (1000 ft/in)

Lease Line

330' ORISAT HIL

Lease Line

Golden Bles 11



SPOIL PILE NORTHEAST

270

Generic Drill Site Layout

ACCESS ROAD

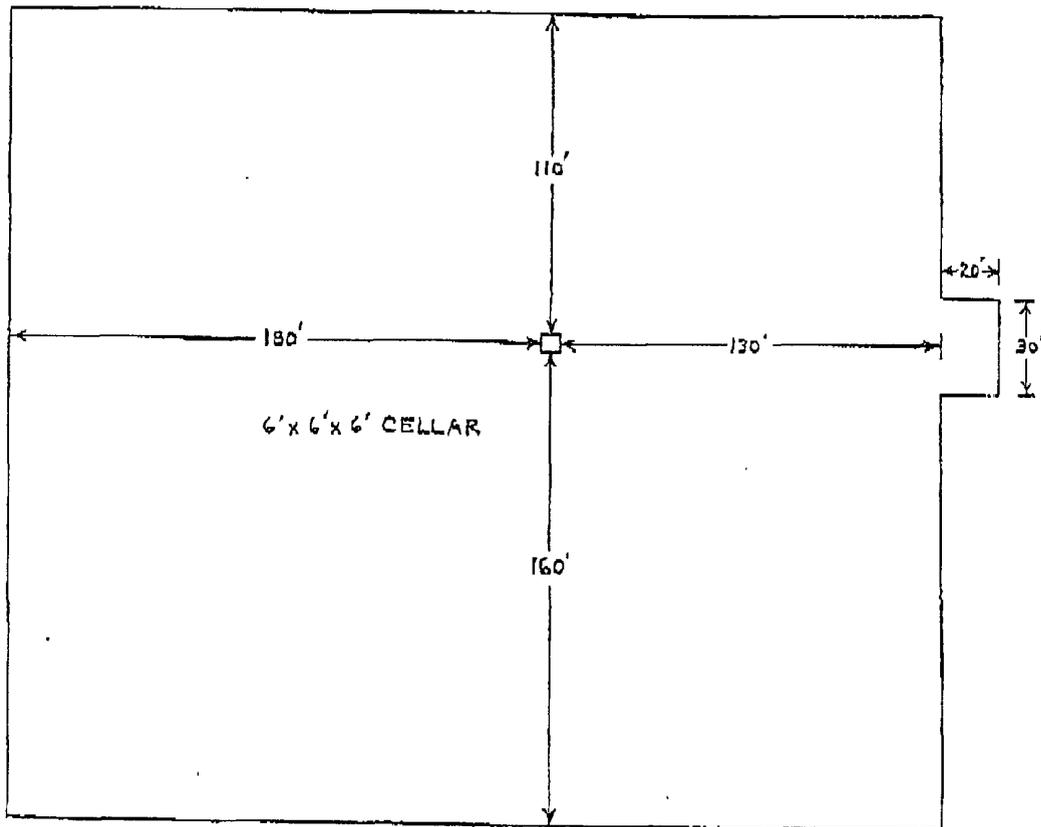
Preplanning reasonable spacing accommodations for a useable "Closed Loop" drillsite layout is challenging. Particular site specific conflicts need to be resolved. This generic APD plat was prepared to demonstrate several necessary elements. The plat should include: a north arrow, prevailing wind direction, spacing access for truck removal of cutting bins, flare pit location, and piping provision to vent all combustible gas to the flare pit. Include the choke manifold and mud-gas separator location and their connection routing.

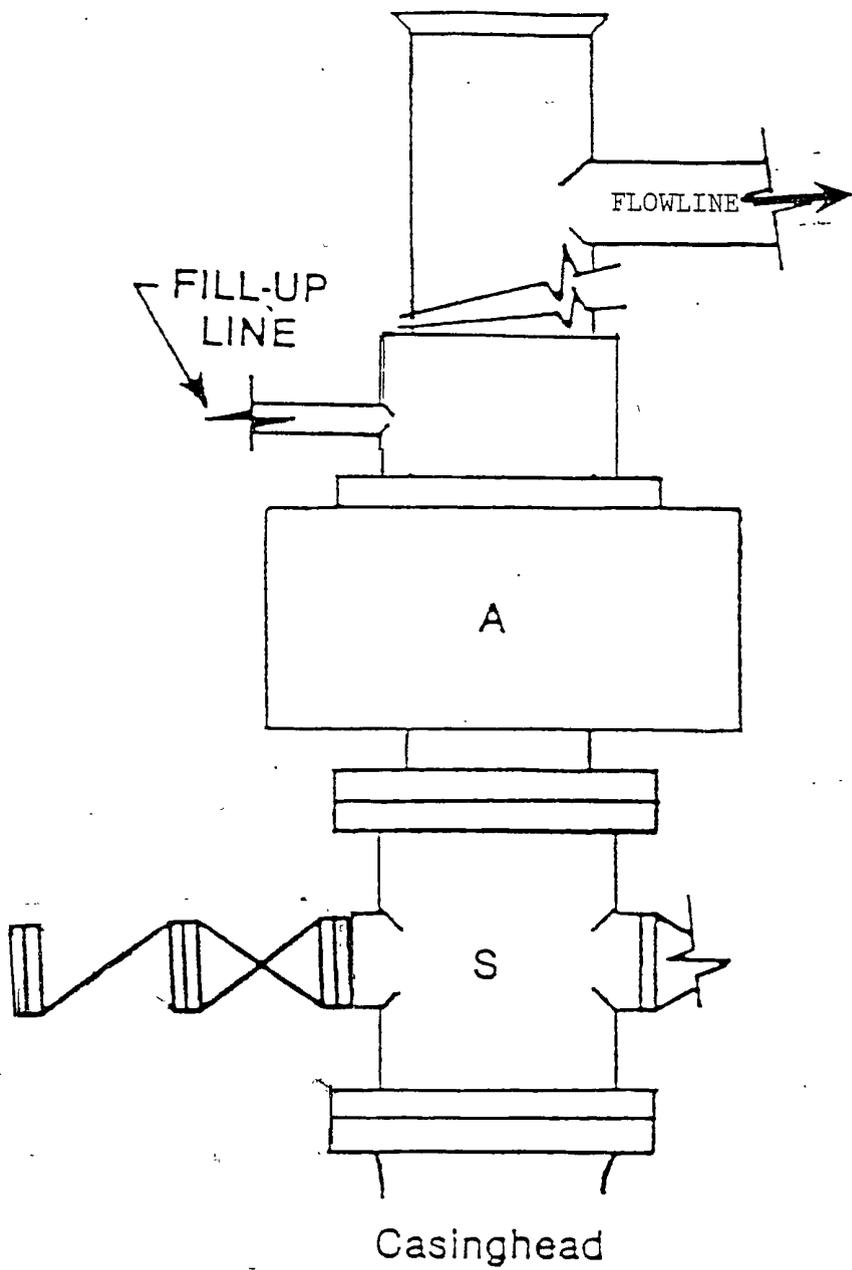
EXHIBIT "D"
 RIG LAY OUT PLAT
 ECHO PRODUCTION, INC.
 STILETTO "21" FEDERAL COM. #3H
 UNIT "B" SECTION 21
 T20S-R25E EDDY CO. NM

JW DRILLING INC. Oil Well Drilling Contractor

Post Office Box 160 Artesia, New Mexico 88211-0160 Office (575) 748-8704 Fax (575) 748-8719

RIGS 1,2,3, & 5 WITH CLOSED LOOP





RECOMMENDED IADC CLASS 2 B.O.P. STACK
2000 PSI WORKING PRESSURE

EXHIBIT "E"
 SKETCH OF B.O.P. TO BE USED ON
 ECHO PRODUCTION, INC.
 STILETTO "21" FEDERAL COM. #3H
 UNIT "B" SECTION 21
 T20S-R25E EDDY CO. NM

BLOWOUT PREVENTION
EQUIPMENT
Choke Manifolds

DRILLING MANUAL

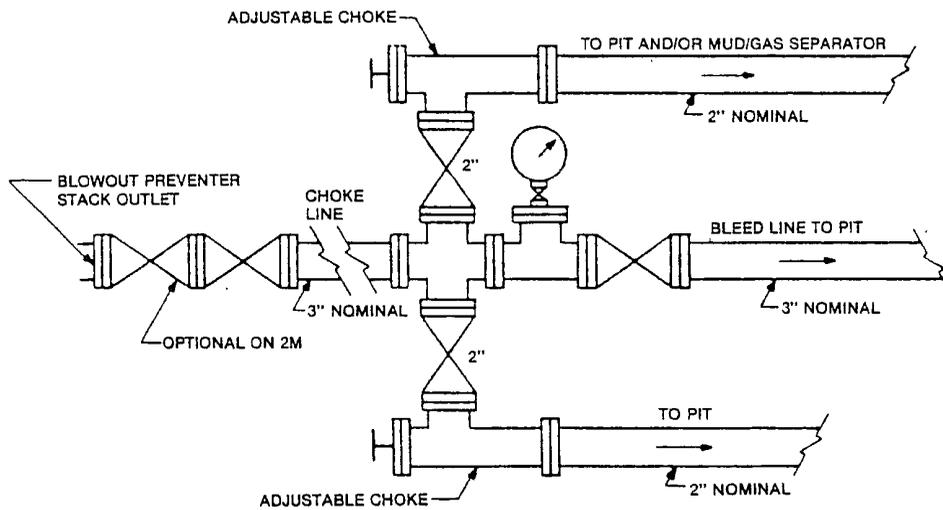


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD

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