

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(August 1999)

RECEIVED

NOV 23 2005

UUL-ARTESIA

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

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		7. If Unit or CA Agreement, Name and No. 35256
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		8. Lease Name and Well No. Shearn Becky Federal #1
2. Name of Operator C & D Management Company 231382		9. API Well No. 30-015-34440
3a. Address 513 Don Lyle Road Edmonton, KY 42129	3b. Phone No. (include area code) 270-565-46299 22230	10. Field and Pool, or Exploratory Empire Yates 7 Rivers
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FNL & 1650' FEL (Unit B, NWNE) At proposed prod. zone		11. Sec., T., R., M., or Blk. and Survey or Area Section 14-T17S-R27E
14. Distance in miles and direction from nearest town or post office* Approximately 10 miles east of Artesia, New Mexico		12. County or Parish Eddy
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'		13. State NM
16. No. of Acres in lease 160		17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file NMB0002485
19. Proposed Depth Approx. 750'		21. Estimated duration 15-20 days
22. Approximate date work will start* ASAP after approval		23. Estimated duration 15-20 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>Barla Jeffries</i>	Name (Printed/Typed) Barla Jeffries	Date 16-Aug-05
Title President		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date NOV 21 2005
Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the 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 1 YEAR

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 reverse).

Roswell Controlled Water Basin

WITNESS: 8 3/8" CEMENT JDB

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1525 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 22230	Pool Name Undes. Empire; Yates-Seven Rivers
Property Code	Property Name SHEARN <i>Betty</i> FEDERAL	Well Number 1
OGRID No.	Operator Name CD MANAGEMENT	Elevation 3470'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	14	17 S	27 E		660	NORTH	1650	EAST	EDDY

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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Darla Jeffries</i> Signature Darla Jeffries Printed Name President Title 16-Aug-05 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>JUNE 17, 2005 Date Surveyed GARY L. JONES Signature & Seal of Professional Surveyor 7977 Certificate No. 5525 BASIN SURVEYS</p>
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C & D MANAGEMENT COMPANY

Shearn Becky Federal #1
660' FNL & 1650' FEL of
Section 14-T17S-R27E
Eddy County, New Mexico

1. The estimated tops of geological markers are as follows:

Red Shale	72'
Blue Shale	365'
Seven Rivers	400'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered are:

Water: Approx. 250'

Oil or Gas: 400'

3. Pressure Control Equipment: Will request a variance for this, as this well will be drilled with a cable tool rig.

Auxiliary Equipment:

4. Proposed Casing and Cementing Program:

12-1/4" hole with 8-5/8" 32# J-55 casing set at ~~15~~^{300'} with Ready Mix to surface.
7-7/8" hole with 5-1/2" 15.5# J-55 casing set at 750' with 125 sacks of cement

Cementing Program:

Surface Casing: Ready Mix to surface

Production Casing: 125 sacks Class C with additives based on hole conditions. Circulate to surface.

5. Mud Program and Auxiliary Equipment:

6. Evaluation Program:

Samples: 1 wet cut sample every 20' to TD

Logging: Electric gamma log

Coring: None

DST's: None

6. Abnormal Conditions: No abnormal pressure is expected.

Lost circulation zones anticipated: None

H2S zones anticipated: Local industry info indicates no H2S will be encountered during the drilling of this well.

Maximum Bottom Hole Temperature:

7. Anticipated Starting Date: Plans are to begin drilling this well as soon as possible after approval. Drilling should take approximately 15-20 days.

MULTI-POINT SURFACE USE AND OPERATIONS
PLAN

C & D MANAGEMENT COMPANY

Shearn Becky Federal #1
660' FNL & 1650' FEL of
Section 14-T17S-R27E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 10 miles east of Artesia, New Mexico. The access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From Artesia, New Mexico, proceed east on U. S. Highway 82 for approximately 8 miles to the intersection of Highway 82 and County Road 202. Turn south on County Road 202 for approximately 2 miles to the new proposed lease road. The new lease road will start here and go west for approximately 690' to the southeast corner of the location.

2. PLANNED ACCESS ROAD

A. The proposed new access will be approximately 690' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a westerly direction.

B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.

3. LOCATION OF EXISTING WELLS:

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

A. There are no production facilities on the well site at this time.

B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the well with a cable tool rig. If needed, water will be obtained from a commercial source and trucked to

location over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

It is planned to use the material in place for construction. If other materials are needed, the dirt contractor will locate the nearest pit and obtain permits as needed.

7. METHODS OF WASTE DISPOSAL

A. Drill cuttings will be disposed of in a steel pit and hauled to a "dirt farm"..

B. Drilling fluids will be contained in a steel pit and hauled to an approved disposal after drilling operations are complete.

C. Water producing during operations will be collected in tanks and hauled to an approved disposal. Oil produced during operations will be stored in test tanks until sold.

D. Current laws and regulations pertaining to the disposal of human waste will be complied with.

E. Trash, waste paper, garbage and junk will be contained in trash trailers to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

F. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLIARY FACILITIES: None

9. WELL SITE LAYOUT:

A. The well will be drilled with a cable tool rig. Exhibit C shows the relative location of the drilling equipment and steel pits and the access road approach.

B. A 400' X 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

A. After finishing drilling and/or completion operations, all equipment and other materials not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.

B. Steel pits will be emptied at an approved disposal site or land farm.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. SURFACE OWNERSHIP: Federal – administered by the Bureau of Land Management.

GRAZING LESEE: Bogle Farms
Dexter, New Mexico

12. OTHER INFORMATION:

A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.

B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

Darla Jeffries
C & D Management Company
513 Don Lyle Road
Edmonton, KY 42129
O: 270-565-4629
Fax: 267-821-8544
Cell: 270-590-3418

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed well site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by C & D Management Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Darla Jeffries
Signature

President
Title

16-Aug-05
Date

SECTION 14, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

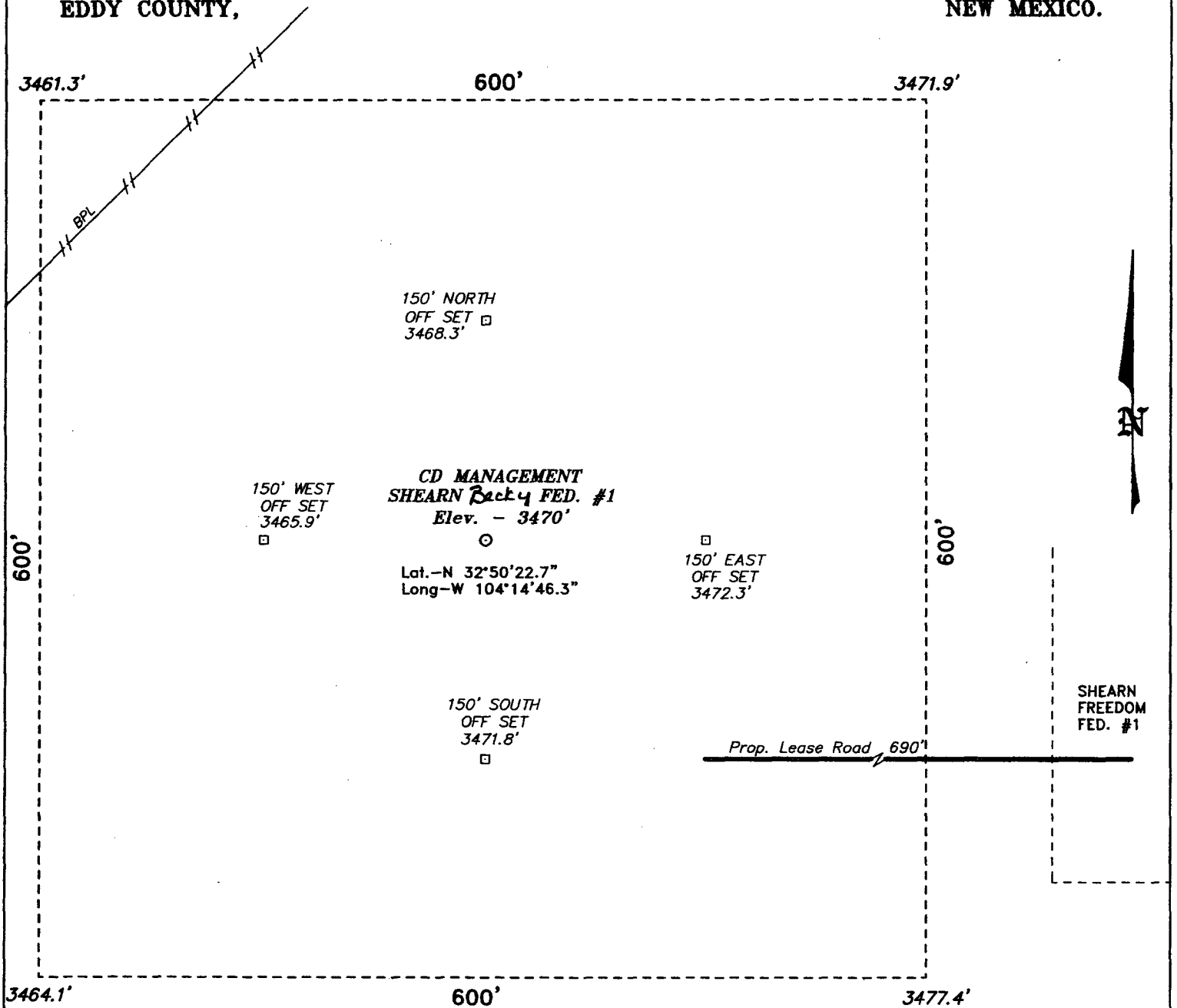
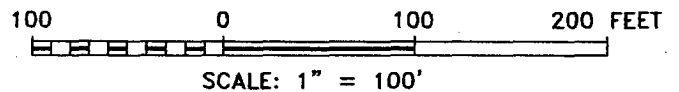


Exhibit B



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 83 AND CO. RD.
202, GO SOUTH ON CO. RD. 202 FOR 2.0 MILES
PROPOSED LEASE ROAD.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 5525 Drawn By: K. GOAD

Date: 06-20-2005 Disk: KJG #122 - 5525A.DWG

CD MANAGEMENT

REF: SHEARN SHILO FED. No. 1 / Well Pad Topo

THE SHEARN ~~Backy~~ FED. No. 1 LOCATED 660' FROM
THE NORTH LINE AND 1650' FROM THE EAST LINE OF
SECTION 14, TOWNSHIP 17 SOUTH, RANGE 27 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 06-17-2005 Sheet 1 of 1 Sheets

NEW MEXICO OIL CONSERVATION DIVISION

RULE 118

**LOCAL INDUSTRY INFORMATION INDICATES NO H2S WILL
BE ENCOUNTERED DURING THE DRILLING OF THIS WELL.**

C & D Management Company
Shearn Becky Federal #1
660' FNL & 1650' FEL of
Section 14-T17S-R27E
Eddy County, New Mexico
Lease No.: NM-070603

Exhibit C

C & D Management Company
Shearn Becky Federal #1
660' FNL & 1650' FEL of
Section 14-T17S-R27E
Eddy County, New Mexico

- | | |
|-----------|------------------------------------------------------------------------------------------------------------|
| Exhibit A | Copy of BLM map showing route to proposed location. Existing road in red and proposed new access in green. |
| Exhibit B | Staking plat showing 600' X 600' area |
| Exhibit C | H2S Notification |

Statement Accepting Responsibility for Operations

Operator Name: C & D Management Company
Street or Box: City, 513 Don Lyle Road : Edmonton
State: Zip Code: Kentucky 42129

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below,

Lease No. NM070603

Legal Description of Land: Section 14 - T1B - R27E

Formation(s): Morrow Bond Empire Yates T Rivers

Coverage: Statewide BLM

Bond File No.: NMB000245

EAH

Authorized Signature: Darla Jeffries

Title: President

Date: 16 - Nov - 05

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NM070603
7. Lease Name or Unit Agreement Name Shearn Bocky Federal #1
8. Well Number 1
9. OGRID Number 231382
10. Pool name or Wildcat Empire Yates 7 Rivers
11. Elevation (Show whether DR, RKB, RT, GR, etc.)
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

SUNDY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other ☐

2. Name of Operator
C3D Management Company

3. Address of Operator
533 Don Lyle Road
Edmonton Ky 42129

4. Well Location
Unit Letter B : 1660 feet from the North line and 1650 feet from the East line
Section 14 Township 17S Range 27E NMPM County Eddy

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Exception <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

No abnormal pressures have been encountered
at this depth in this field. We are
requesting exception to a blowout preventer.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Darla Jeffries TITLE President DATE 10/26/05
Type or print name Darla Jeffries E-mail address: cdmanagementcompany@yahoo.com Telephone No. 210-565-4629

For State Use Only

APPROVED BY: /s/ Joe G. Lara TITLE ACTING FIELD MANAGER DATE NOV 21 2005
Conditions of Approval (if any):

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 1 - SHEARN BECKY FEDERAL
Operator's Name: C&D MANAGEMENT COMPANY
Location: 660' FNL & 1650' FEL - SEC 14 - T17S - R27E - EDDY COUNTY
Lease: NM-070603

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 8-5/8 inch 5-1/2 inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 8-5/8 inch surface casing shall be set at 300 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The 5-1/2 inch production casing shall be set at 750 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

III. PRESSURE CONTROL:

1. Well will be drilled with a cable tool rig. An Annular Preventor w/pressure control valve and diverter capable of handling 500 psi MASP (Max Anticipated Surface Pressure) will be required.

(ORIG. SGD.) LES BABYAK