F-06-55
3/23/06

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

RECEIVED
JUN 15 2006
OCD-ARTESIA

068 1

Form 3160-3
(August 1999)

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

5. Lease Serial No.: NMNM0490017

6. If Indian, Allottee or Tribe Name:

1a. Type of Work: ☒ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.: 35778

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.: NoAgua Federal "7" No. 1

2. Name of Operator: Lynx Petroleum Consultants, Inc. 175071

9. API Well No.: 30-015-34956

3a. Address: P.O. Box 1708, Hobbs, NM 88241

3b. Phone No. (include area code): (505) 392-6950

10. Field and Pool, or Exploratory: Undes. Avalon; Morrow

4. Location of Well (Report location clearly and in accordance with any State requirements.*)
At surface: 660' FNL & 660' FWL
At proposed prod. zone: same

11. Sec., T., R., M., or Blk. and Survey or Area: Section 7, T-21S, R-26E

14. Distance in miles and direction from nearest town or post office*: 4 miles west-northwest of Carlsbad, NM

12. County or Parish: Eddy

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any): 660'

16. No. of Acres in lease:

17. Spacing Unit dedicated to this well: 323.04 ~~320~~ acres

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.:

19. Proposed Depth: 10,700' TVD

20. BLM/BIA Bond No. on file: BO2099

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 3245' GL

22. Approximate date work will start*: May 1, 2006

23. Estimated duration: 40 days

24. Attachments — Carlsbad Controlled Water Basin

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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature: Larry R. Scott — Name (Printed/Typed): Larry R. Scott — Date: 3-21-06

Title: President

Approved by (Signature): /s/ James Stovall — Name (Printed/Typed): /s/ James Stovall — Date: JUN 13 2006

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)

DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/8
CASING MUST BE CIRCULATED
WITNESS

DECLARED WATER BASIN
CEMENT BEHIND THE 9 5/8
CASING MUST BE CIRCULATED
WITNESS

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Oper. To catch loc. samples from Sfc to 1950' & test for chlorides. Results are to be submitted to OCD office in Artesia.

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
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 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	Pool Code	Pool Name
	70920	Undes. Avalon; Morrow

Property Code	Property Name	Well Number
	NO AGUA FEDERAL 7	1

OGRID No.	Operator Name	Elevation
	LYNX PETROLEUM CONSULTANTS, INC.	3245'

Surface Location

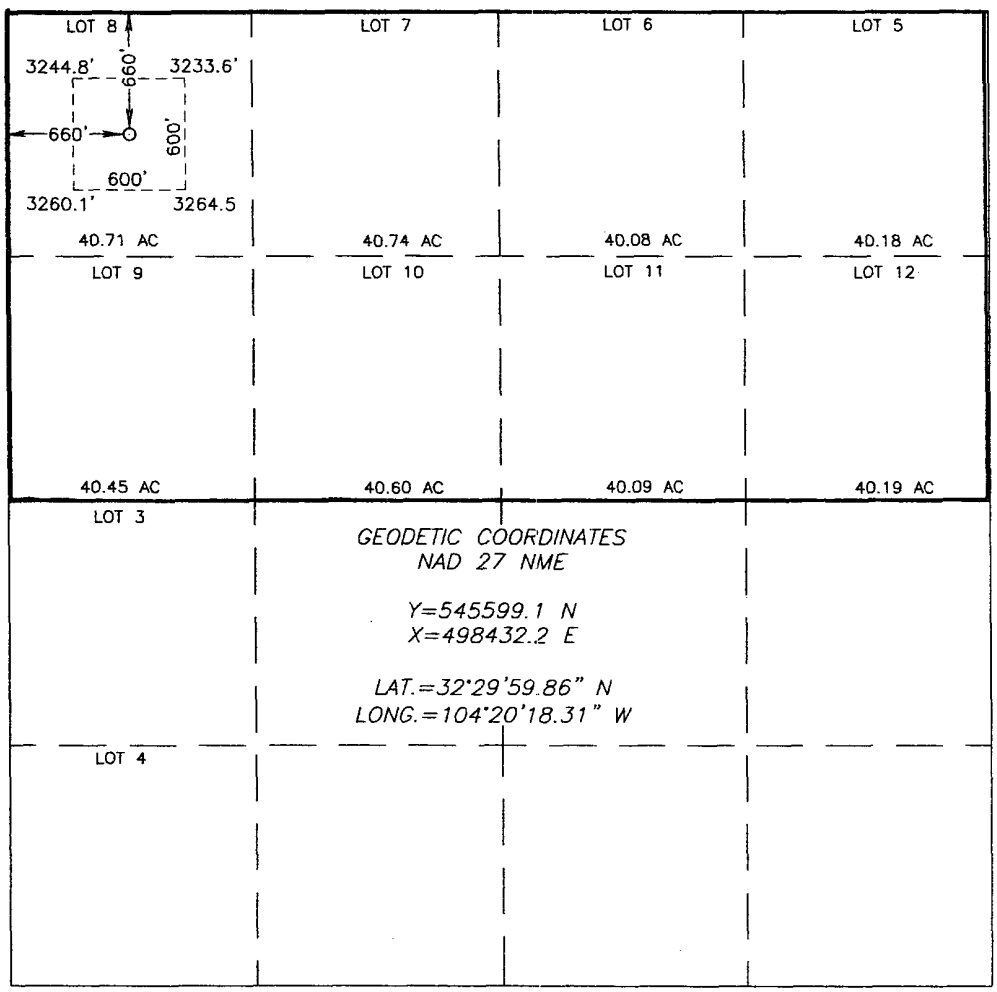
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
8	7	21-S	26-E		660	NORTH	660	WEST	EDDY

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	Joint or Infill	Consolidation Code	Order No.
320			

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 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.

Larry R. Scott 3-31-06
Signature Date

Larry R. Scott
Printed Name

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.

FEBRUARY 27, 2006
Date Surveyed LA

Signature & Seal of Professional Surveyor

Gary R. Eidson 3/10/06

06.11.0400

Certificate No. GARY EIDSON 12641

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Application for Permit to Drill
NoAgua Federal '7' No. 1
660' FNL & 660'FWL
Section 7, T-21S, R-26E
Eddy County, New Mexico

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. : NMNM 0490017 A

Location Legal Description: NW/4 NW/4 (Lot 8) Section 7, T-21S, R-26E
Eddy County, New Mexico
Proration Unit: N/2 (Lots 5 through 12 inclusive), Section 7, T-21S, R-26E
Eddy County, New Mexico

Formation : Surface to Base of Morrow

Bond Coverage : $25,000 Statewide

BLM Bond File No. : NM-1694 (BO2099)

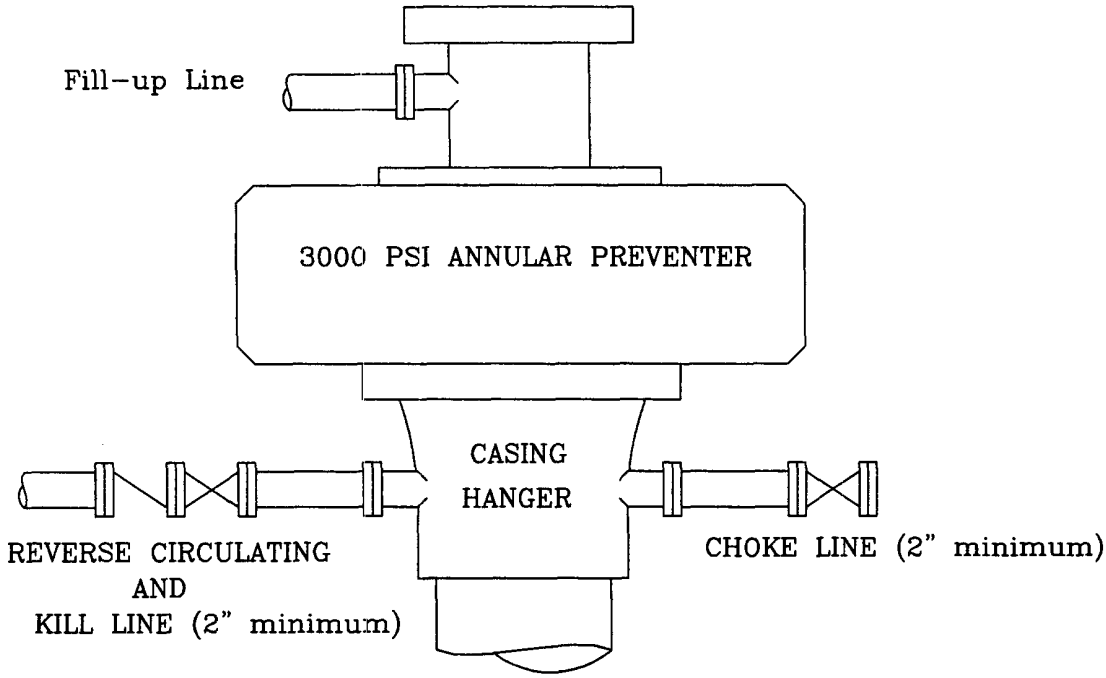
Operator : LYNX PETROLEUM CONSULTANTS, INC.

Authorized Signature : Larry B. Scott

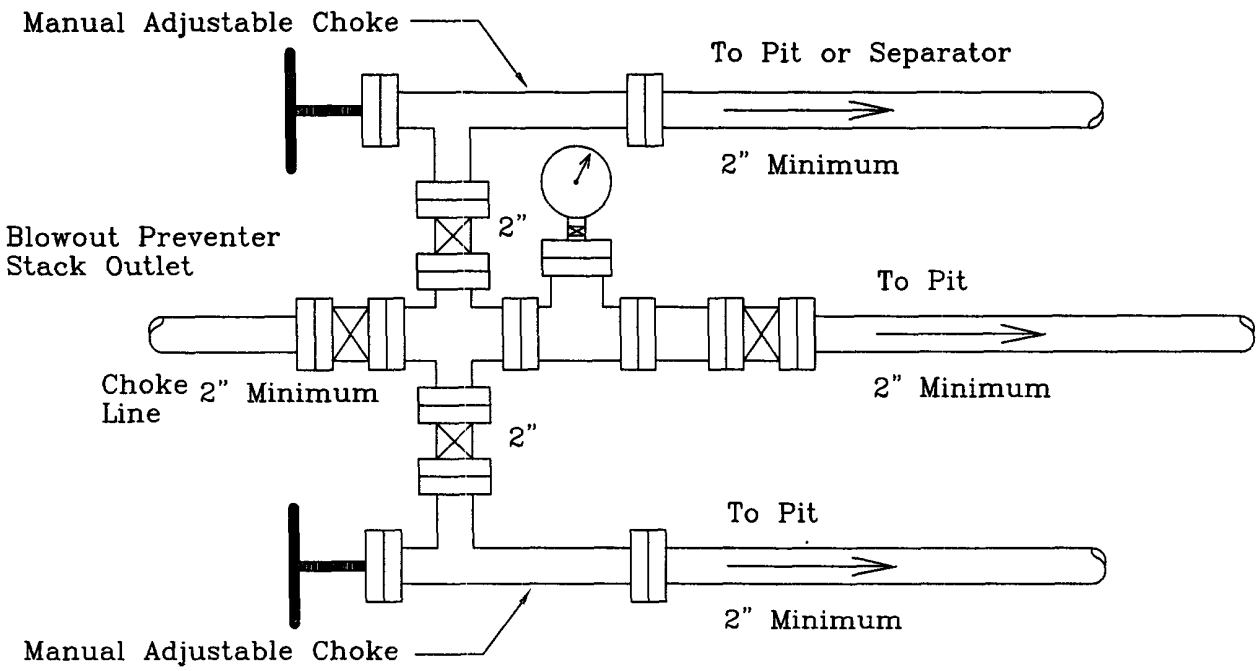
Title : President

Date : 4/4/06

INTERMEDIATE HOLE SECTION



3000 PSI WORKING PRESSURE

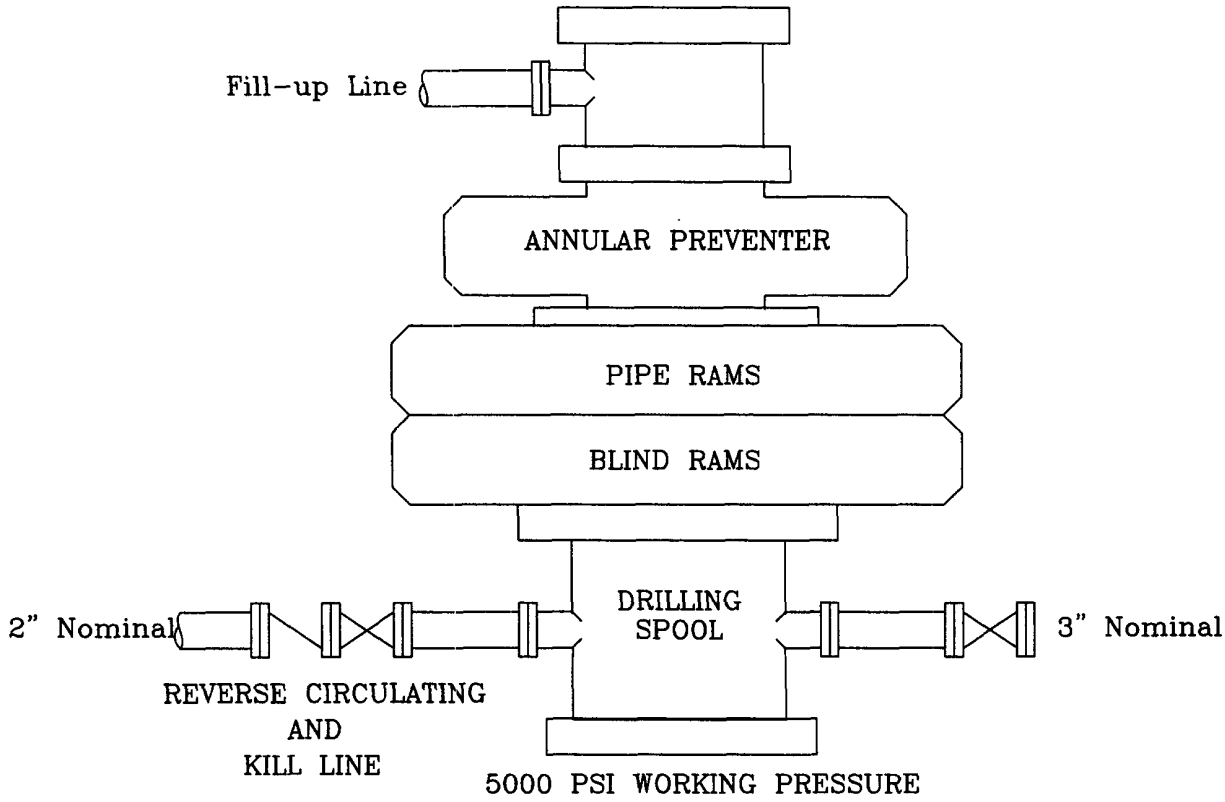


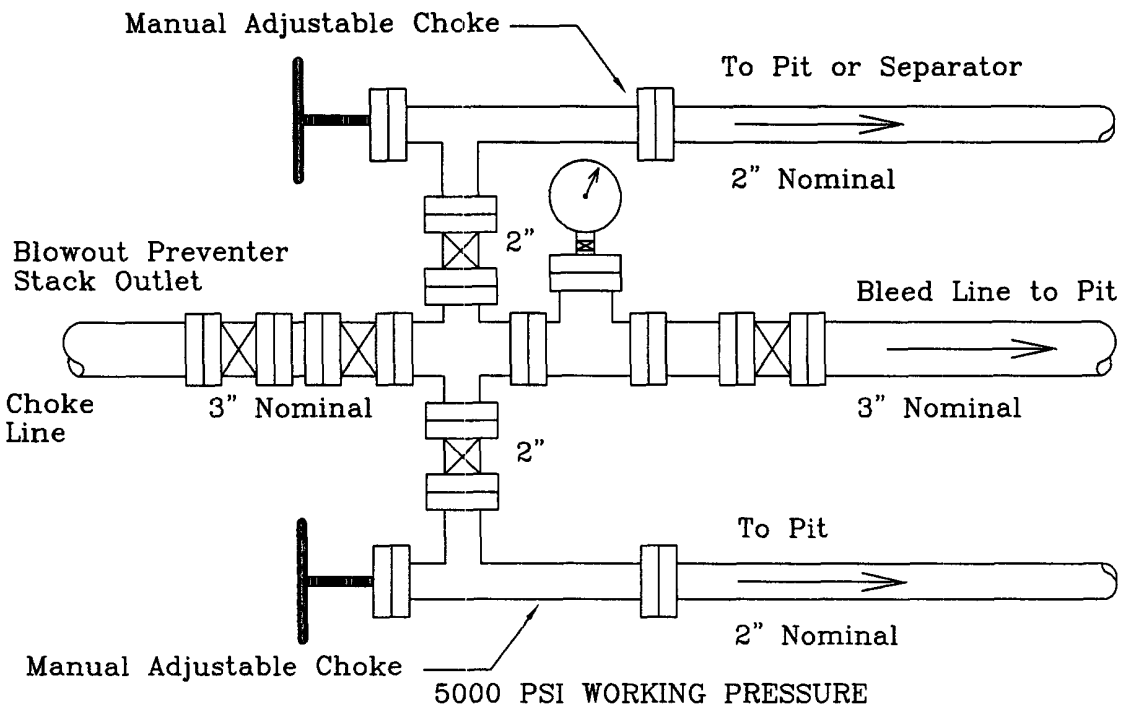
3000 PSI WORKING PRESSURE

TEST CASING AND ANNULAR PREVENTOR TO (0.70 X 1730=1211 psig)

Location: NE/4 NE/4 Sec. 7, T-21S, R-26E Eddy County, NM	NoAgua Federal '7' No. 1 BLOWOUT PREVENTER AND CHOKE MANIFOLD		2/27/06
		Scale: None	

PRODUCTION HOLE SECTION





TEST STACK WITH TEST PLUG TO 5000 psig

TEST CASING TO 1500 psig

Location: NE/4 NE/4 Sec. 7, T-21S, R-26E Eddy County, NM	NoAgua Federal '7' No. 1 BLOWOUT PREVENTER AND CHOKE MANIFOLD		2/27/06
		Scale: None	

DRILLING PROGRAM

Lynx Petroleum Consultants, Inc.
NoAgua Federal '7' No. 1

Section 7, T-21S, R-26E
Eddy County, NM

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Orders #1 and #2, and all other applicable federal and state regulations.

1. SURFACE FORMATION : Sandy Soil of Quaternary Age

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS :

Delaware	-	1885'
Bone Spring	-	3720'
Bone Spring 1st Sd	-	5290'
Bone Spring 3rd Sd	-	7375'
Wolfcamp	-	7720'
Penn	-	8300'
Strawn	-	8960'
Atoka	-	9680'
Morrow	-	10100'
Barnett Shale	-	10600'

3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS :

Fresh Water	-	178' to 322'
Oil, Gas, & Water	-	Delaware, Wolfcamp, Strawn, Morrow

* Productive horizons to be protected by 4 ½" casing and cement.

4. PROPOSED CASING PROGRAM :

13 3/8"	0' - 1950' 500' (J55)	48.0#	J-55	ST&C
9 5/8"	0' - ~~2100'~~	36.0#	J-55	Buttress
4 1/2"	0' - 10700'	11.6#	N-80	LT&C

5. PROPOSED CEMENT PROGRAM :

20" Conductor	- Cemented with ready mix to surface.
13 3/8" Surface	- 300 sxs Class "C" + 4% Gel + 2% $CaCl_2$ followed by 250 sxs Class "C" + 2% $CaCl_2$.

T.O.C. @ surface.

9 5/8" Intermediate - First stage 800 sxs Class "C" Poz followed by 200 sxs Class "C". TOC @ surface.

4 1/2" Production - Stage collar at 9700'. First stage 500 sxs Super "H" modified. Second stage 750 sxs Class "C" Poz followed by 250 sxs Class "H". T.O.C. @ 6800'.

6. PRESSURE CONTROL EQUIPMENT : A blowout preventer stack for the intermediate hole will consist of at least an annular preventer rated to 3000 psi working pressure. The blowout preventer stack for the production hole will consist of at least a double-ram blowout preventer and an annular preventer rated to 5000 psi working pressure. A sketch of the B.O.P.'s and Choke Manifold are attached.

7. CIRCULATING MEDIUMS : Fresh water spud mud 0' – 500'. Fresh water 500' – 2100'. Cut brine mud system 8.8 – 9.3 ppg with 29 viscosity will be used 2100' – 10700'.

8. AUXILIARY EQUIPMENT : Full opening Kelly cock valve to fit the drill string in use, will be kept on the rig floor at all times.

9. TESTING, LOGGING, AND CORING PROGRAM :

Samples	- 2100' – 10700'
D.S.T.'s	- Morrow Possible
Logging	- Gamma Ray – CNL – FDC – DLL
Coring	- No coring is planned

10. ABNORMAL PRESSURES AND TEMPERATURES : None anticipated. Maximum bottom hole pressure should not exceed 5000 psi.

11. ANTICIPATED STARTING DATE : Drilling will commence about May 1, 2006. Drilling should be complete within 30 days. Completion operations (perforations and stimulation) will follow drilling operations.

LYNX PETROLEUM CONSULTANTS, INC.
HYDROGEN SULFIDE DRILLING OPERATIONS
NOAGUA FEDERAL '7' NO. 1

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H_2S).

2. The proper use and maintenance of personal protective equipment and life support systems.

3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.

4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H_2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

3. The contents and requirements of the H_2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site.

II. H_2S SAFETY EQUIPMENT AND SYSTEMS

Note : All H_2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H_2S.

1. Well Control Equipment :

   A. Flare line with electronic igniter or continuous pilot.

   B. Choke manifold with a minimum of one remote choke.

   C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

   D. Auxiliary equipment to include : annular preventer, mud-gas separator, and flare gun with flares.

2. Protective equipment for essential personnel :

   A. 30-minute air units located in the dog house and at briefing areas, as indicated on well site diagram.

3. H_2S detection and monitoring equipment :

   A. 2 – portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 20 ppm are reached.

   B. 1 – portable SO_2 monitor positioned near flare line.

4. Visual warning systems :

   A. Wind direction indicators as shown on well site diagram.

   B. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs well be used when appropriate. See example on page 3.

5. Mud program :

   A. The mud program has been designed to minimize the volume of H_2S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H_2S scavengers will minimize hazards when penetrating H_2S bearing zones.

   B. A mud-gas separator will be utilized if needed.

6. Metallurgy :

   A. All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H_2S service.

   B. All elastomers used for packing and seals shall be H_2S trim.

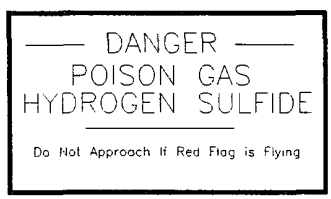
7. Communication :

   A. Communications in company vehicles are provided by cellular telephones.

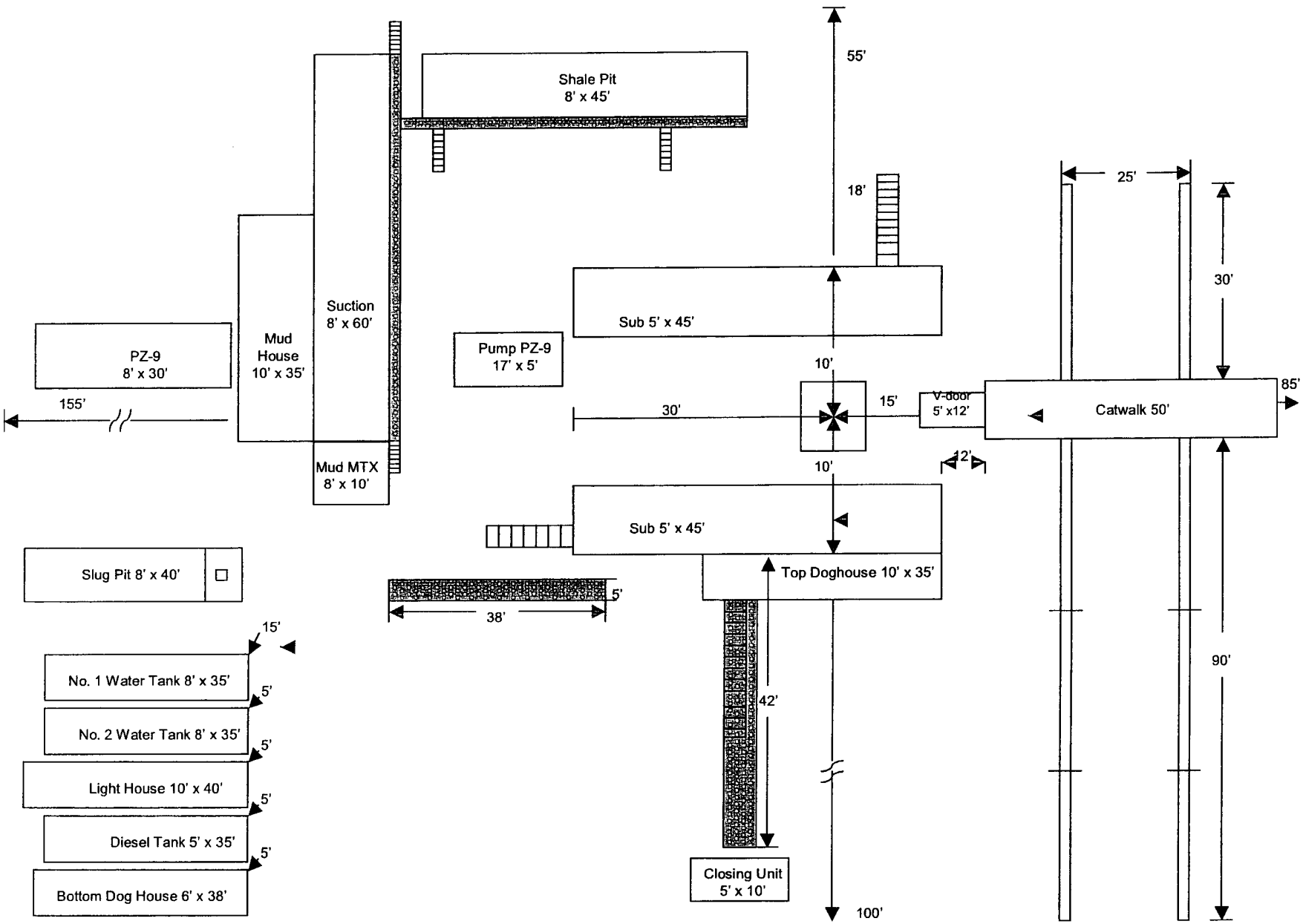
   B. Land line (telephone) communications at Hobbs office.

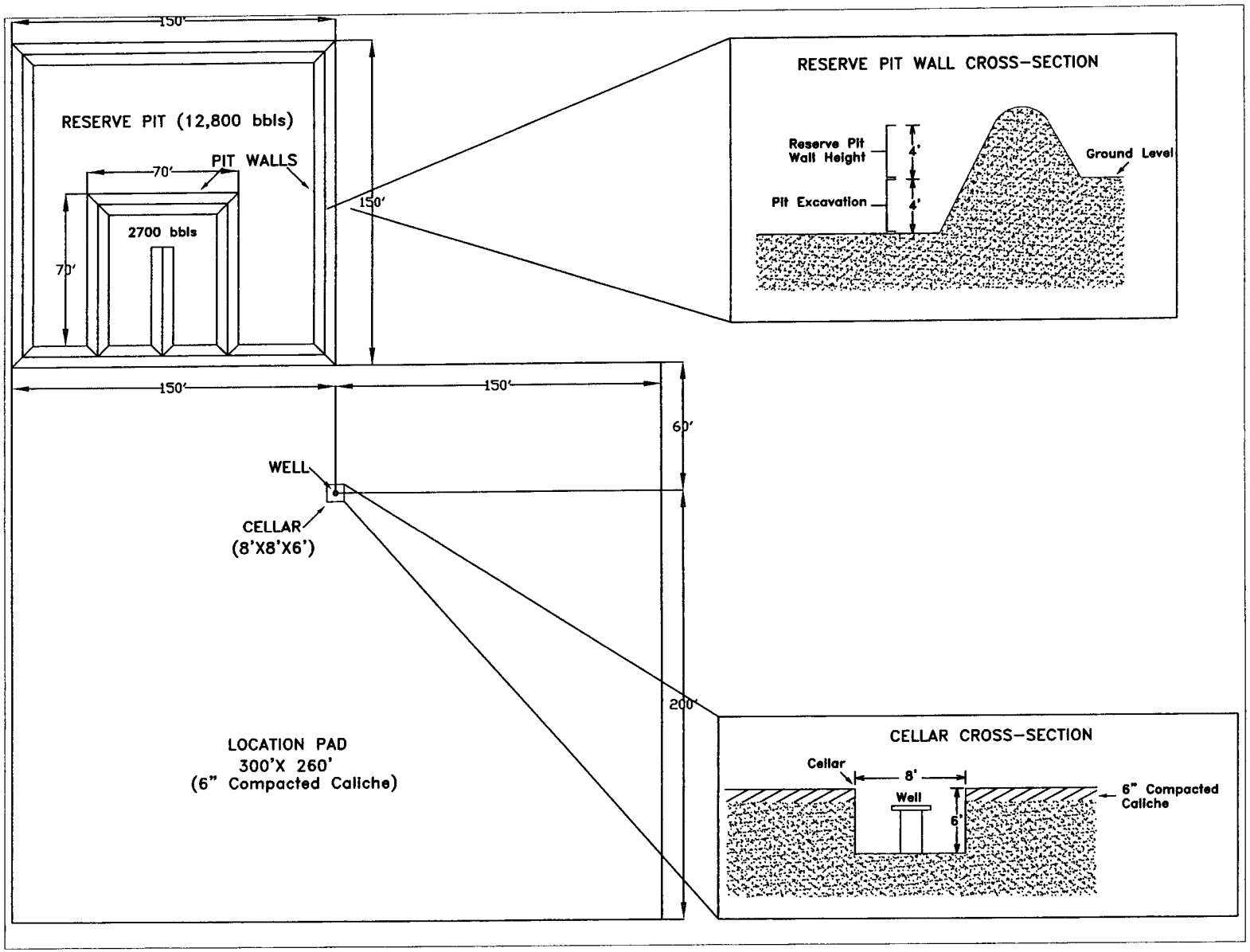
8. Well testing :

   A. Drill stem testing will be preformed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. All drill stem testing operations conducted in an H_2S environment will use the closed chamber method of testing.



McVay Drilling Rig No. 4




150'
RESERVE PIT (12,800 bbls)
PIT WALLS
70'
2700 bbls
70'
150'
RESERVE PIT WALL CROSS-SECTION
Reserve Pit Wall Height
4'
Pit Excavation
4'
Ground Level
150'
150'
60'
WELL
CELLAR
(8'X8'X6')
200'
LOCATION PAD
300'X 260'
(6" Compacted Caliche)
CELLAR CROSS-SECTION
Cellar
8'
Well
6'
6" Compacted Caliche

SURFACE USE PLAN

Lynx Petroleum Consultants, Inc.
NoAgua Federal '7' No. 1
660' FNL and 660' FWL
Section 7, T-21S, R-26E
Eddy County, NM

This plan is submitted with the "Application for Permit to Drill" the subject well. The purpose of the plan is to determine the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of the operation, so that a complete appraisal can be made of the environmental effects associated with the operation.

LOCATED :	4 air miles west northwest of Carlsbad, New Mexico
OIL & GAS LEASE :	NMNM 0490017-A
ACRES IN LEASE :	1478.72
RECORD LESSEE :	Roy L. McKay, P.O. Box 2014, Roswell, NM 88202 And others
BOND COVERAGE :	$25,000 statewide bond.
SURFACE OWNER :	U. S. Government with grazing rights allotted to Wilma Truitt, 35 Queen Route, Carlsbad, New Mexico 88220
WELL SPACING :	320 acres. (Morrow Gas)

1. EXISTING ROADS :

   A. The wellsite is 660' FNL and 660' FWL of Section 7, T-21S, R-26E, Eddy County, NM.

   B. Attached is a road map showing the proposed location, existing roads, and the proposed access road. The well is approximately 4 miles west northwest of Carlsbad, NM.

   C. Directions : Drive northwest from Carlsbad on Hwy 285 to its intersection with Hwy 524. Continue northwest for 1.3 miles. Turn right onto a lease road for 0.1 miles, left for 0.2 miles, right for 0.6 miles(northeast) into the location.

2. PLANNED ACCESS ROAD :

   A. Length and Width : Access from existing roads will necessitate 3165 feet of new road. The road will be bladed 12' wide with 2' shoulders.

   B. Turnouts : Up to 3 depending on visibility.

   C. Drainage Design : Road will have a drop of 2" from the center line on each side.

   D. Culverts, Cuts, and Fills : None.

   E. Surfacing Material : Four inches of caliche, bladed, watered, and compacted.

   F. Gates, Cattleguards, and Fences : None.

   G. The proposed road is staked.

3. LOCATION OF EXISTING WELLS :

   A. Existing wells are shown on the attached Lease Plat

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES :

   A. Existing Facilities : None
   B. New Facilities : On wellsite pad.

5. LOCATION AND TYPE OF WATER SUPPLY :

   A. Fresh water will be piped in via a temporary plastic line from a water well located in the NW/4 SE/4 of section 7, T-21S, R-26E. Brine water will be purchased from a commercial source and transported over existing roads and the new access road to the wellsite.

6. SOURCE OF CONSTRUCTION MATERIAL :

   A. Caliche will be hauled from the nearest approved pit.

7. METHODS OF HANDLING WASTE DISPOSAL :

   A. Drill cuttings will be disposed of in the drill pit.

B. Drilling fluids will be allowed to evaporate in the drill pits until the pits are dry.

C. Water produced during testing well be disposed of in the drill pits. Oil produced during testing will be stored in the test tanks until sold.

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

E. Trash, waste paper and garbage will be contained in a fenced trash trailer and disposed of in an approved landfill.

8. ANCILLARY FACILITIES :

A. None required.

9. WELLSITE LAYOUT :

A. The attached rig layout plat indicates the relative location and dimensions of the well pad, mud pits, reserve pit and major rig equipment.

B. The reserve pit will be lined with plastic to prevent loss of water and contain the drilling mud.

10. PLANS FOR RESTORATION OF THE SURFACE :

A. After completion of drilling and/or completion operations all equipment and other material not needed for producing operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing condition as possible.

B. Any unguarded pits containing fluids will be fenced until they are backfilled.

C. If the well is non-productive, the disturbed area will be rehabilitated to Federal Agency requirements, and will be accomplished as expeditiously as possible.

11. OTHER INFORMATION :

A. Terrain : Low rolling hills.

B. Soil : Sandy.

C. Vegetation : Mesquite, creosote, and grasses.

D. Surface Use : Grazing.

E. Ponds and Streams : Pecos River 4200' north.

F. Water Wells : 4 within 1 mile; 180'-250' depth.

G. Residences and Buildings : None within 1.0 mile.

H. Arroyos, Canyons, Etc. : Spencer Draw 1250' northwest; Soapberry Draw 4000' east.

I. Well Sign : A sign identifying and locating the well will be maintained at the wellsite.

J. Archeological, Historical and Other Cultural Sites : An agent with the Archaeological Survey Consultants conducted an archeological survey of the access road, powerline, well pad and gas pipelines. They will furnish a report and recommendation to the B. L. M. in Carlsbad, NM.

K. Surface Ownership : The access road and wellsite are located on Public surface.

12. OPERATOR'S REPRESENTATIVE :

Larry R. Scott
P. O. Box 1708
Hobbs, NM 88241
Phone – (505) 392-6950 Fax – (505) 392-7886

13. CERTIFICATION :

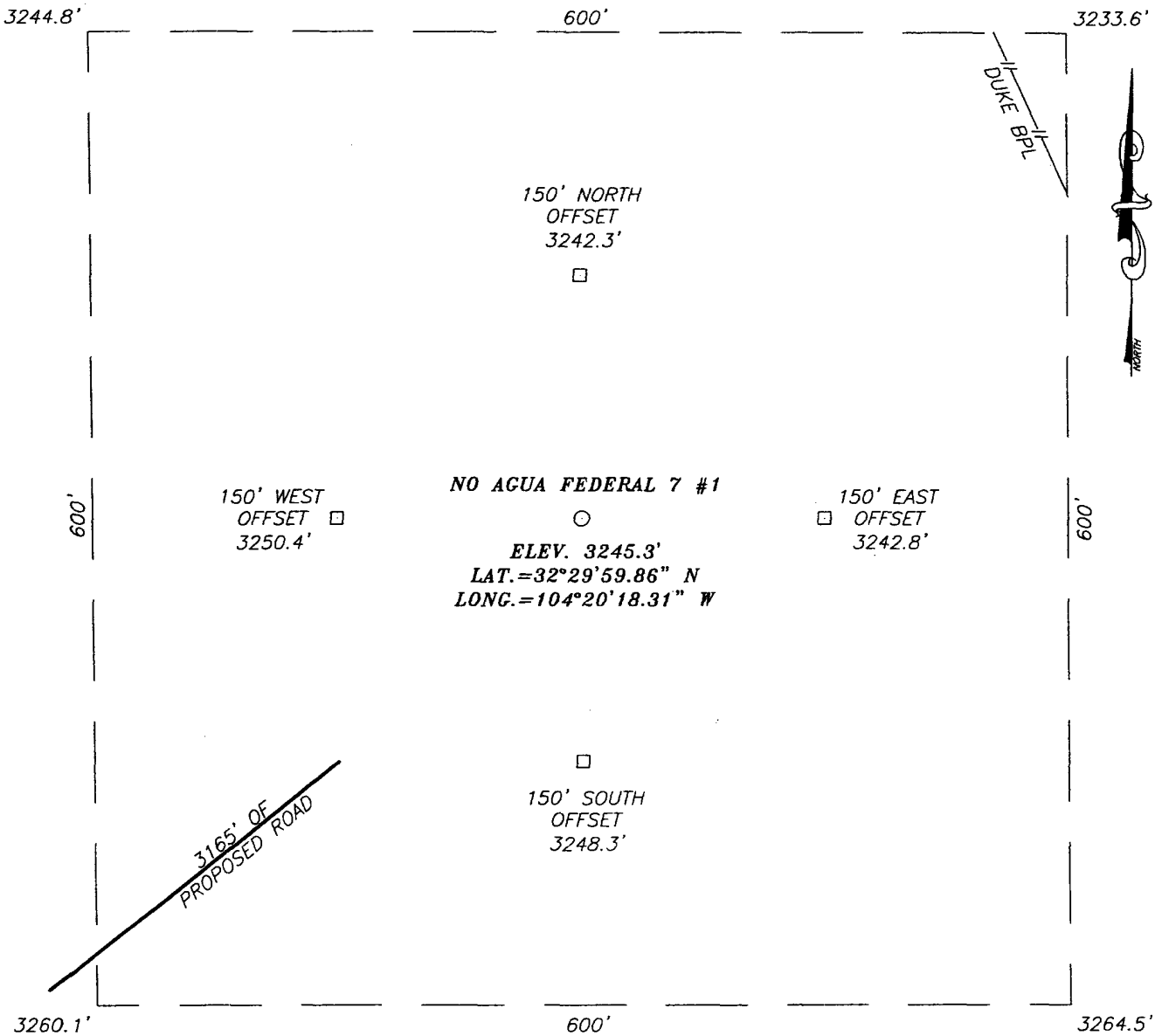
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route ; that I am familiar with the conditions which presently exist ; that the statements made in this plan are, to the best of my knowledge, true and correct ; that the work associated with the operations proposed herein will be performed by LYNX PETROLEUM CONSULTANTS, INC. and its sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

5-21-06
DATE

Larry R. Scott
LARRY R. SCOTT – PRESIDENT

SECTION 7, TOWNSHIP 21 SOUTH, RANGE 26 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF US HWY. 285 AND STATE RD. 524 (HAPPY VALLEY) GO WEST–NORTHWEST ON US HWY. 285 APPROX. 1.2 MILES. TURN RIGHT AND GO NORTHWEST TO A BEND IN THE ROAD TO THE LEFT. FOLLOW ROAD FLAGS NORTH APPROX. 705 FEET TO AN EXISTING TWO TRACK DIRT ROAD. TURN RIGHT AND GO EAST APPROX. 0.1 MILES TO A BEND TO THE RIGHT. FOLLOW TRAIL ROAD APPROX. 0.6 MILES. TURN RIGHT @ DUKE BPL ROAD AND GO APPROX. 0.4 MILES. THIS LOCATION IS APPROX. 350 FEET RIGHT.

100 0 100 200 Feet

Scale: 1"=100'

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

LYNX PETROLEUM CONSULTANTS, INC.

NO AGUA FEDERAL 7 #1
LOCATED 660 FEET FROM THE NORTH LINE
AND 660 FEET FROM THE WEST LINE OF SECTION 7,
TOWNSHIP 21 SOUTH, RANGE 26 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 02/27/06	Sheet 1 of 1 Sheets		
W.O. Number: 06.11.0400	Dr By: L.A.	Rev 1:3/16/06	
Date: 03/02/06	Disk: CD#5	06110400	Scale: 1"=100'

PROPOSED WELL PLAN OUTLINE

WELL NAME: NoAgua Federal "7" No. 1 COUNTY: Eddy STATE: NM

LOCATION: 660' FNL & 660' FWL EST. KB:

Section 7, T-21-S, R-26-E EST. GL:

DEPTH	FORMATION TOPS	DRILLING PROBLEMS	TYPE OF FORMATION EVALUATION	HOLE SIZE	CASING SIZE	CASING DEPTH	(PPG) FRAC GRADIENT	(PPG) FORMATION PRESSURE GRADIENT	MUD (PPG) WEIGHT	MUD TYPE
		Possible Lost Circulation		17 1/2"	13 3/8"	500'			8.5	Spud
1000					9 5/8"				8.5	Fresh
	Delaware 1885'			12 1/4		2100'		8.3		
2000							12.5			
			Mudlogger on @ 2100'						8.8-9.3 2100'-9600'	Cut Brine
3000										
	Bone Spring 3720'									
4000										
5000	1st Sand 5290'									
					4 1/2"					
6000										
7000										
	3rd Sand 7375'									
	Wolfcamp 7720'									
8000									9.3-10.1 9600'-TD	
										Begin mud-up @ 9,600'
9000			Possible DST							

PROPOSED WELL PLAN OUTLINE

WELL NAME: NoAgua Federal "7" No. 1 COUNTY: Eddy STATE: NM

LOCATION: 660' FNL & 660' FWL EST. KB:

Section 7, T-21-S, R-26-E EST. GL:

DEPTH	FORMATION TOPS	DRILLING PROBLEMS	TYPE OF FORMATION EVALUATION	HOLE SIZE	CASING SIZE	CASING DEPTH	(PPG) FRAC GRADIENT	(PPG) FORMATION PRESSURE GRADIENT	MUD (PPG) WEIGHT	MUD TYPE
		Possible Lost Circulation		17 1/2"	13 3/8"	500'			8.5	Spud
1000					9 5/8"				8.5	Fresh
	Delaware 1885'			12 1/4		2100'		8.3		
2000							12.5			
			Mudlogger on @ 2100'						8.8-9.3 2100'-9600'	Cut Brine
3000	Bone Spring 3720'									
4000										
5000	1st Sand 5290'									
6000					4 1/2"					
7000	3rd Sand 7375'									
	Wolfcamp 7720'									
8000									9.3-10.1 9600'-TD	
9000			Possible DST							Begin mud-up @ 9.600'
	Atoka 9675'									
10000	Morrow 10.160'		GR-CNL-FDC							
	Barnett 10.600'		DLL	8 3/4"		10.700'		8.3		
11000										
12000										
13000										
14000										
15000										

EST. CEMENT VOLUMES:	CSG.	SXS.
	13 2/8"	550
	9 5/8"	1000
	4 1/2"	1500

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Lynx Petroleum Consultants, Inc. **Well No.** 1 – No Agua Federal 7
Location: 660' FNL & 660' FWL sec. 7, T. 21 S., R. 26 E.
Lease: NM-0490017-A

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: **13-3/8** inch **9-5/8** 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. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

4. A Hydrogen Sulfide Contingency Plan should be activated prior to drilling in the **Delaware** formation. A copy of the plan shall be posted at the drilling site.

II. CASING:

1. **13-3/8** inch surface casing should be set **at approximately 500 feet**, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field office shall be notified at (505) 234-5972 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. **9-5/8** inch intermediate casing must be set **at approximately 1950 feet below the Base of the Capitan Reef and above the top of the Delaware Sandstone** and the minimum required fill of cement behind the **9-5/8** inch intermediate casing is **sufficient circulate to the surface.** If cement does not circulate to the surface, 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. Fresh water mud shall be used to drill the hole for the **9-5/8 inch intermediate casing set at approximately 1950 feet.**

3. Minimum required fill of cement behind the **5-1/2** inch production casing is **sufficient to tie back 500 feet above the uppermost perforation in the pay zone.**

III. PRESSURE CONTROL:

1. Before drilling below the **13-3/8** inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the **9-5/8** inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the **13-3/8** inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi. Before drilling below the **9-5/8** inch intermediate casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **3000** psi.

CONDITIONS OF APPROVAL - DRILLING (CONTINUED)

Operator's Name: Lynx Petroleum Consultants, Inc. **Well No.** 1 – No Agua Federal 7
Location: 660' FNL & 660' FWL sec. 7, T. 21 S., R. 26 E.
Lease: NM-0490017-A

III. PRESSURE CONTROL:

3. After setting the **9-5/8** intermediate string and before drilling into the **Wolfcamp** formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The BLM Carlsbad Field Office shall be notified at (505) 234-5972 in sufficient time for a representative to witness the tests.

B. The tests shall be done by an independent service company.

C. The results of the test shall be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

D. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

E. Testing must be done in a safe workman like manner. Hard line connections shall be required.

IV. DRILLING MUD:

1. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.

B. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.