

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

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

MAR 27 2006

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 NM 98791	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" 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 Parallel Petroleum Corporation		7. If Unit or CA Agreement, Name and No.	
3a. Address 1004 North Big Spring, Suite 400 Midland, Texas		8. Lease Name and Well No. Strong Box Federal #1 36045	
3b. Phone No. (include area code) 432/684-3727		9. API Well No. 30-015-35136	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 300' FSL and 2230' FWL At proposed prod. zone PP 660' FSL and 2230' FWL, BHL 660' FNL and 2230' FWL		10. Field and Pool, or Exploratory Four Mile Draw; Wolfcamp, SW	
11. Sec., T. R. M. or Blk. and Survey or Area 11-19S-21E		12. County or Parish Eddy	
13. State NM		14. Distance in miles and direction from nearest town or post office* 9 miles south of Hope, New Mexico	
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 1,922.48	
17. Spacing Unit dedicated to this well 320		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 6800'	
19. Proposed Depth 5500' TVD, 8491 MD		20. BLM/BIA Bond No. on file NMB000265	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GL 4256'		22. Approximate date work will start* 04/15/2005	
23. Estimated duration 30 days		24. Attachments Roswell 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 *Deane Durham* Name (Printed/Typed) Deane Durham Date 1/MAR 2006
Title Drilling Engineer, Parallel Petroleum Corporation

Approved by (Signature) James A. Ames Name (Printed/Typed) James A. Ames Date MAR 23 2006
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 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 page 2)

DECLARED WATER BASIN 5'
CEMENT BEHIND THE 9' 8"
CASING MUST BE CIRCULATED

WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

NSL-5449(BHL)

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 97553	Pool Name Four Mile Draw; Wolfcamp, Southwest
Property Code	Property Name STRONG BOX FEDERAL	Well Number 1
OGRID No.	Operator Name PARALLEL PETROLEUM CORPORATION	Elevation 4256'

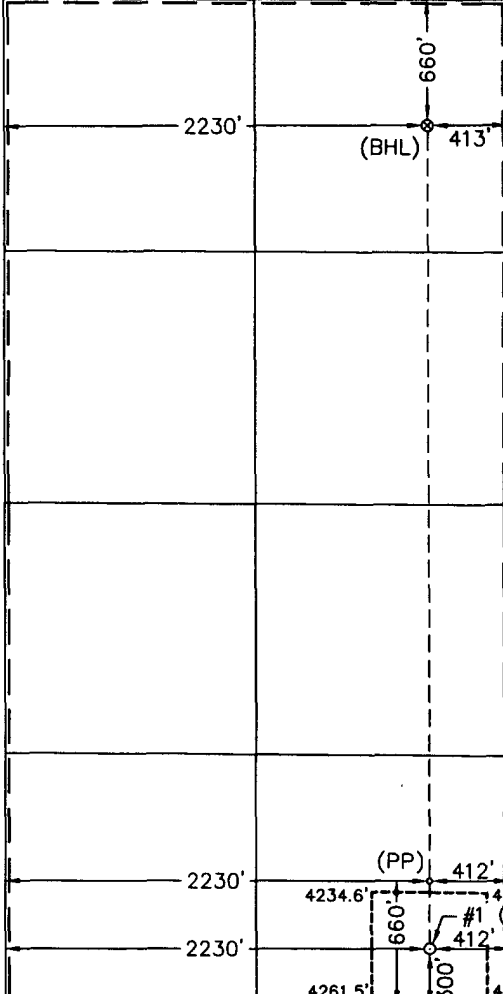
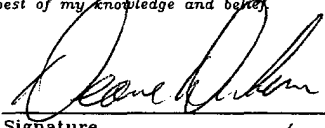
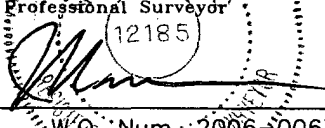
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	11	19 S	21 E		300	SOUTH	2230	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
C	11	19 S	21 E		660	NORTH	2230	WEST	EDDY
Dedicated Acres 320	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>Diagram showing well location with dimensions: 2230' (horizontal), 660' (vertical), 413' (horizontal), 412' (horizontal), 4234.6' (horizontal), 4253.2' (horizontal), 4261.5' (horizontal), 4252.6' (horizontal), 300' (vertical), 412' (horizontal), 412' (horizontal), 412' (horizontal).</p>	<p>NOTE:</p> <p>1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.</p> <table><tr><th>Description</th><th>Plane Coordinate</th></tr><tr><td>Strong Box Federal #1</td><td>X = 366,946.0</td></tr><tr><td>Surface Location</td><td>Y = 607,155.8</td></tr><tr><td>Strong Box Federal #1</td><td>X = 366,946.4</td></tr><tr><td>Penetration Point</td><td>Y = 607,515.9</td></tr><tr><td>Strong Box Federal #1</td><td>X = 366,950.4</td></tr><tr><td>Bottom Hole Location</td><td>Y = 611,479.6</td></tr></table>	Description	Plane Coordinate	Strong Box Federal #1	X = 366,946.0	Surface Location	Y = 607,155.8	Strong Box Federal #1	X = 366,946.4	Penetration Point	Y = 607,515.9	Strong Box Federal #1	X = 366,950.4	Bottom Hole Location	Y = 611,479.6	<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> Signature</p> <p>Deane Darham Printed Name</p> <p>ENGINEER Title</p> <p>10 FEB 2006 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 upervision and that the same is true and correct to the best of my belief.</p> <p>February 12, 2006 Date Surveyed</p> <p> Signature & Seal of Professional Surveyor</p> <p>12185 Professional Surveyor</p> <p>W.O. Num.: 2006-0067 Certificate No.: MACON McDONALD 12185</p> <p>Exhibit G</p>
Description	Plane Coordinate															
Strong Box Federal #1	X = 366,946.0															
Surface Location	Y = 607,155.8															
Strong Box Federal #1	X = 366,946.4															
Penetration Point	Y = 607,515.9															
Strong Box Federal #1	X = 366,950.4															
Bottom Hole Location	Y = 611,479.6															

**SURFACE AND OPERATIONS PLAN FOR
DRILLING, COMPLETION, AND PRODUCING**

**PARALLEL PETROLEUM CORPORATION
STRONG BOX FEDERAL #1
SHL: 300' FSL AND 2230' FWL, SEC 11, T19S, R21E
EDDY COUNTY, NEW MEXICO**

LOCATED:

9 miles South of Hope, New Mexico

OIL & GAS LEASE:

NM NM 98791

RECORD LESSEE:

Nearburg Exploration Company, LLC
3300 N. A Street, Bldg. 2 #120
Midland, Texas 79705

BOND COVERAGE:

\$25,000 statewide bond # NMB000265 of Parallel Petroleum Corporation

ACRES IN LEASE:

1922.48

SURFACE OWNER:

Federal

SURFACE TENANT:

Barbra Runyon Ranch
P.O. Box 2468
Roswell, NM 88202
Jim Bob Burnet, Ranch Manager, 505-484-3141

POOL:

Primary Objective - Wolfcamp

STRONG BOX FEDERAL #1

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EXHIBITS:

- A. Area Road Map
- B. Drilling Rig Layout
- C. Pad Elevation Plat
- D. Vicinity Map
- E. Area Production Map
- F. Topographic & Location Verification Map
- G. Well Location & Acreage Dedication Map (NMOCD Form C-102)
- H. NMOCD Form C-144, Pit Registration (Original forwarded to NMOCD)
- I. Blow Out Preventer (BOP) Schematic
- J. Choke Manifold Schematic
- K. Estimated Horizontal Survey Calculation Program
- L. Estimated Wellbore Plot

1. EXISTING ROADS

- A. Exhibits A and D are area road maps showing existing roads in the vicinity of the site.
- B. Exhibit F is a topographic map of the location showing existing roads and the proposed new access road.

2. ACCESS ROADS

A. Length and Width

The access road will be built as shown on Exhibit D. The access road will come off County Road 20 and go east on an existing 2 track road that runs along side an H-Frame power line. This portion of the access road may be utilized for as many as four drill sites including this one. The access road will go east 1000' and then turn left (north) 200' onto the wellsite. Both the improved two track and new access road will be surfaced with caliche and will be 16' to 24' wide with a total length of 1200''. A 75' wide turn in will be constructed onto the access road at County Road 20.

B. Surface Material

Caliche from a commercial source.

C. Maximum Grade

Less than five percent.

STRONG BOX FEDERAL #1

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D. Turnouts

No turnouts will be constructed on this section of the access road.

E. Drainage Design

No low water crossings will be constructed on this section of the access road.

F. Culverts

It is not anticipated that any culverts will be needed on the access road at this time.

G. Gates and Cattle Guards

No gates or cattle guards will be installed as no fences will be crossed for this location or access road.

3. LOCATION OF EXISTING WELLS

Existing wells in the immediate area are shown in Exhibit "E".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

Necessary production facilities for this well will be located on the well pad.

5. LOCATION AND TYPE OF WATER SUPPLY

A water well may be drilled on this location for water supply for both drilling and completion. Upon completion of operations on this site the well may be used for drilling of additional wells on this lease. The well will be made available for the surface tenant upon completion of drilling in this area for use as stock water. A permit will be secured from the New Mexico Office of the State Engineer for this water well.

6. METHODS OF HANDLING WASTE DISPOSAL

A. Drilling fluids will be allowed to dry in the drilling pits until the pits are closed.

B. Water produced during tests will be disposed of in the drilling pits.

C. Oil produced during tests will be stored in test tanks.

D. Trash will be contained in a trash trailer and removed from well site.

STRONG BOX FEDERAL #1

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E. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

F. The reserve pit will be closed as per BLM and NMOCD regulations and guidelines. This will include leaving the drill cuttings in place in the pit, allowing them to dry, and covering the pit with at least 3' of backfill while not disturbing the pit liner. The cuttings may also be placed in a lined trench along side the drilling pit for disposal. If this disposal method is used the cuttings will be covered with a plastic liner and then covered with a minimum of 3' of backfill.

7. ANCILLARY FACILITIES

None required.

8. WELL SITE LAYOUT

Exhibit B shows the relative location and dimensions of the well pad, mud pits, reserve pit, and the location of major rig components.

9. PLANS FOR RESTORATION OF THE SURFACE

A. After completion of drilling and/or completion operations, all equipment and other material that will not be used lease for operations will be removed from the site.

B. After abandonment, all equipment, trash, and debris will be removed and the site will be reclaimed as per BLM permit stipulations.

10. OTHER INFORMATION

A. Topography

The project is located on open, rolling ridge slopes, with west/northwest exposure. The regional drainage of the site being to the north and east toward Catclaw Draw.

B. Soil

Soils are very thin and shallow, tan/pink/grey loamy sandy silts, overlying limestone bedrock.

C. Flora and Fauna

The location is located on a ridge and the vegetation consist of broom snakeweed, grasses, creosote, cholla, yucca catclaw, prickly pear, beargrass and various species of cacti.

STRONG BOX FEDERAL #1

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D. Ponds and Streams

Catclaw Draw, an intermittent stream which flows west to east, is located ½ mile north of the site. A small drainage that flows north and east into Catclaw Draw is located 600' north west and down slope from this location. There are no other rivers, lakes, ponds, or streams in the area.

E. Residences and Other Structures

The Barbra Runyon Ranch house is located 2 miles northeast of the proposed well site

F. Archaeological, Historical, and Cultural Sites

See archaeological report # SNMAS-06NM-2083

submitted by: Southern New Mexico Archaeological Services, Inc.,
P.O. Box 1
Bent, New Mexico 88314 Phone 505-671-4797

G. Land Use

Grazing

H. Surface Ownership

Federal

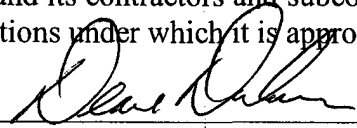
11. OPERATOR'S REPRESENTATIVE

Deane Durham, Engineer
Parallel Petroleum Corporation
1004 North Big Spring Street, Suite 400
Midland, Texas 79701
Office: (432) 684-3727

12. 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; and, that the work associated with the operations proposed herein will be performed by Parallel Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

10 FEB 2006
Date


Name: Deane Durham
Title: Engineer

ATTACHMENT TO FORM 3160-3
STRONG BOX FEDERAL #1
Surface Hole Location
300 FSL AND 2230 FWL, SEC 11, 19S, 21E
Bottom Hole Location
660 FNL AND 2230 FWL, SEC 11, 19S, 21E
EDDY COUNTY, NEW MEXICO

DRILLING PROGRAM

This well is designed as a horizontal test in the Wolfcamp formation.

1. GEOLOGIC NAME OF SURFACE FORMATION

San Andres

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Glorieta 1739'(+2517')
Tubb 2745'(+1511')
Yeso 2885' (+1371')
Abo Shale 3385' (+871')
Abo Carbonate 3499' (+757')
Wolfcamp 4337' (-81')
Wolfcamp Shale 4430'(-174')

3. ESTIMATED DEPTHS OF ANTICIPATED FRESH WATER, OIL, OR GAS

Fresh water 790'
Oil and Gas Wolfcamp 4337' (-81')
No H₂S gas should be encountered

4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u> <u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
20" conductor	0'-40'			
9 5/8"	0' - 1300'	36#	J-55	LTC
5 1/2"	0' - 9,325'	17#	N-80	LTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability.

STRONG BOX FEDERAL #1

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9-5/8" slurry: Lead: 125 sacks (50:50) Poz (Fly Ash): Class C + 5% bwow Sodium Chloride + 10% bwoc Bentonite + 151.7% fresh water. Tail: 200 sacks Class C + 1% bwoc Calcium Chloride + 56.3% fresh water

Note: If cement does not circulate to surface, notify BLM. A temperature survey will most likely be required. Top out to surface with 1" pipe in the annulus.

Note: 5-1/2" Cement per completion procedure.

Drilling Procedure

- a. Set 20" conductor pipe at 40' with a rathole unit.
- b. Drill 12 1/4" surface hole to an approximate depth of 1300', using fresh water and viscous sweeps for hole cleaning. Set 9 5/8", 36# J-55 casing with 460 sx, Class C cement (lead will be 50/50 Poz, circulate to surface, 1" if necessary).
- c. Set slips on 9 5/8" CSG. Cut 9 5/8" CSG and NU & test BOP.
- d. Drill 8 3/4" production hole to 5500', using cut brine to an approximate depth of 3400' and a starch mud system to TD.
- e. Run open-hole logs
- f. Plug lower portion of the hole, per OCD/BLM specifications.
- g. Set CMT kick-off plug.
- h. Dress CMT to kick off point at approximately 4100', oriented at 0 degree (grid) azimuth.
- i. Build angle at 14 degrees per 100' to 90 degrees and hold.
- j. Drill 7 7/8" horizontal drain hole to a terminus of 660' FNL.
- k. Run 5 1/2" 17# N-80 CSG to TD. Cement with 500 sx Class C
- l. Rig Down Rotary Tools

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. TYPES AND CHARACTERS OF THE PROPOSED MUD SYSTEM

- a. Spud and drill to 1,300' with 8.3 ppg Fresh Water system and viscous sweeps for hole cleaning.
- c. The production section from 1,300' to 4,300' will utilize a cut brine mud system.
- d. The remaining production section from 4,300' to TD will be a starch mud system with mud weight sufficient to control formation pressures.

STRONG BOX FEDERAL #1

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7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

Mud logs as well as DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests, cores and sidewall cores are possible.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

BHP expected to be 1,100 psi.

10. ANTICIPATED STARTING DATE:

It is planned that operations will commence around third quarter of 2006 with drilling and completion operation lasting about 35 days.

SECTION 11, TOWNSHIP 19 SOUTH, RANGE 21 EAST, N.M.P.M.

L-2006-0067-A

EDDY COUNTY

NEW MEXICO

4234.6'

600'

4253.2'

150' NORTH
OFFSET
Elev. 4253.1'

STRONG BOX FEDERAL #1
Gr. El. 4225.7'

150' WEST
OFFSET
Elev. 4253.1'

150' EAST
OFFSET
Elev. 4257.3'

150' SOUTH
OFFSET
Elev. 4257.5'



11

11

4261.5'

4252.6'

14

SECTION LINE

600'

14

Exhibit C

5995 L.F. OF NEW ACCESS ROAD



Graphic Scale in Feet

DRIVING DIRECTIONS

FROM THE INTERSECTION OF U.S. HIGHWAY 82 AND STATE HIGHWAY 449 IN HOPE, NM GO SOUTH ON SAID STATE HIGHWAY 449 2.2 MILES TO THE END OF SAID STATE HIGHWAY 449 AND THE BEGINNING OF COUNTY ROAD 12, THEN CONTINUE SOUTH ANOTHER 4.8 MILES (7.0 TOTAL) TO A FORK IN THE ROAD, THE INTERSECTION OF SAID COUNTY ROAD 12 AND COUNTY ROAD 20 (BRONC ROAD), THEN GO SOUTHWEST ALONG SAID COUNTY ROAD 20 (BRONC ROAD) 3.5 MILES TO A POINT WHERE A PROPOSED ACCESS ROAD BEGINS ON EAST (LEFT) SIDE OF SAID COUNTY ROAD 20, THEN GO SOUTHEAST ALONG SAID ACCESS ROAD 0.2 MILE TO THE PROPOSED LOCATION.

PARALLEL PETROLEUM CORPORATION

STRONG BOX FEDERAL #1

Located 300' FSL & 2230' FWL, Section 11
Township 19' South, Range 21 East, N.M.P.M.
Eddy County, New Mexico

Drawn By: LVA

Date: February 10, 2006

Scale: 1"=100'

Field Book: 326 / 25-27, 30-31

Revision Date:

Quadrangle: Holt Tank

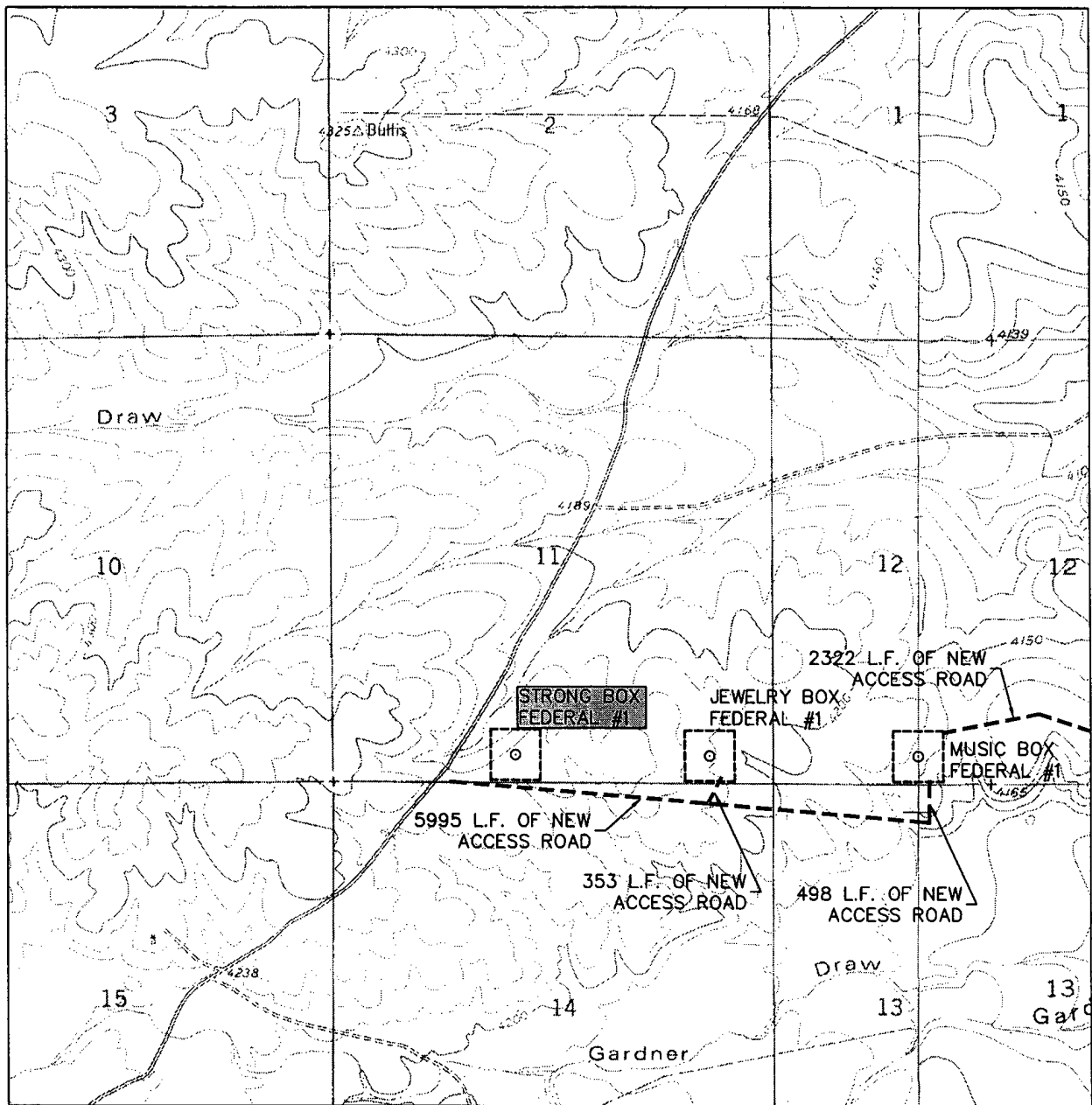
W.O. No: 2006-0067

Dwg. No.: L-2006-0067-A

**WEST
COMPANY**
of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HOLT TANK - 20'

SEC. 11 TWP. 19-S RGE. 21-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 300' FSL & 2230' FWL

ELEVATION 4256'

OPERATOR PARALLEL PETROLEUM CORPORATION

LEASE STRONG BOX FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
HOLT TANK, N.M.



Exhibit F

WEST
COMPANY
of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

MINIMUM BOP SCHEMATIC

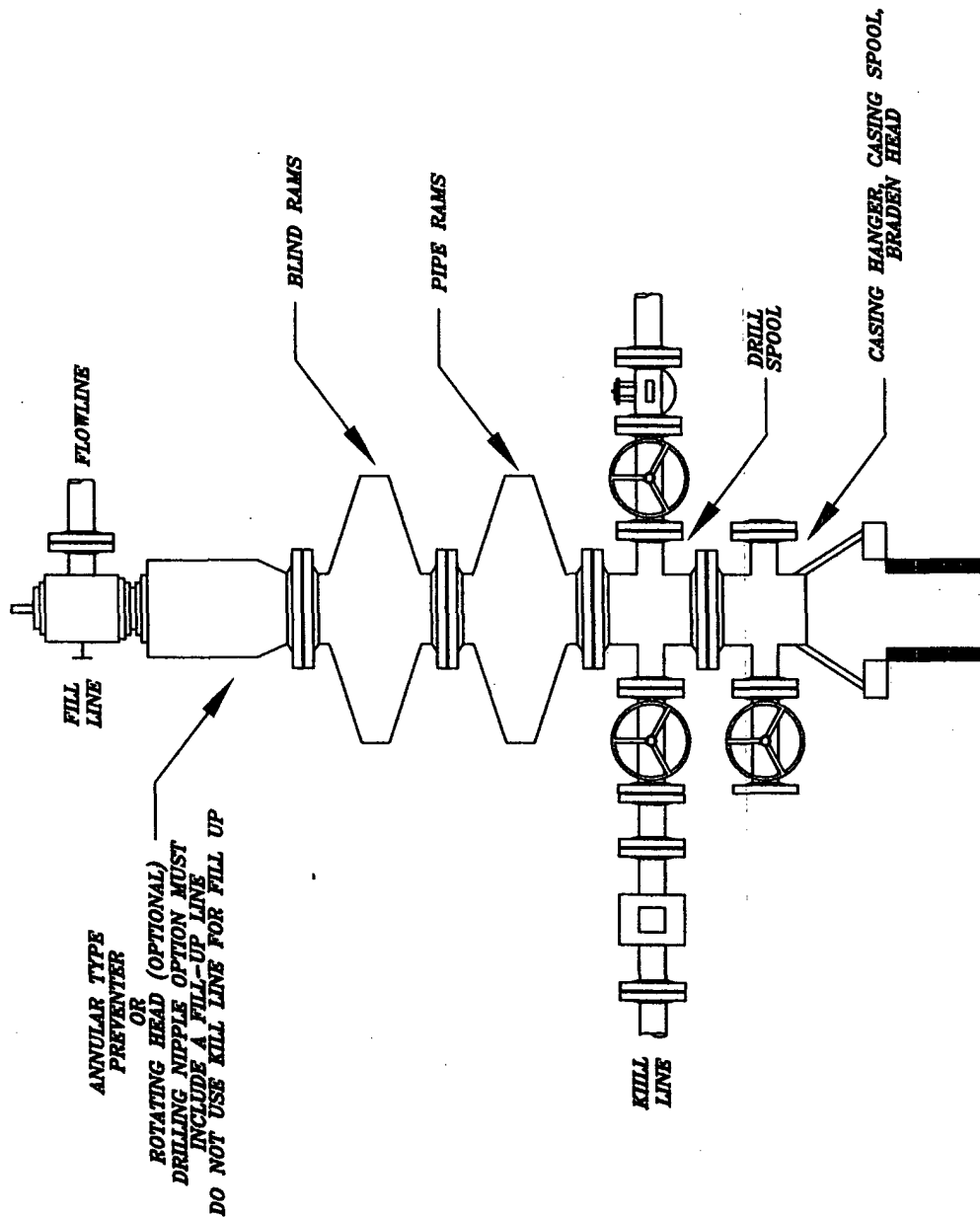


EXHIBIT I

PARALLEL PETROLEUM
BOP SCHEMATIC

HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

DATE	7/26/05
OWN. BY	JJ
FILE	C:\P\H\H\BOP SCHEMATIC

NOT TO SCALE

**BOP
OUTLET**

**3" NOMINAL
CHOKE
LINE**

**HCR (OPTIONAL)
MANUAL VALVE OK**

**CHOKE ISOLATION VALVE
REQUIRED FOR MMS
APPLICATIONS**

2" NOMINAL

**CHOKE ISOLATION VALVE
REQUIRED FOR MMS
APPLICATIONS**

2" NOMINAL

**PANIC LINE TO PIT
3" NOMINAL**

**MANUAL
ADJUSTABLE
CHOKE**

**CHOKE ISOLATION VALVE
REQUIRED FOR MMS
APPLICATIONS**

2" NOMINAL

**MANUAL
ADJUSTABLE
CHOKE
(OR POSITIVE)**

NOT TO SCALE

EXHIBIT 1

**PARALLEL PETROLEUM
CHOKE MANIFOLD**

HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

DATE: 8/17/05
DRA. BY: JJ
FILE: C:\VOLUME1\305A
PAGE: 11

OPERATOR:		Parallel Petroleum Corporation		Supervisors:		
WELL:		Strong Box Federal #1				
LOCATION:		Sec. 11 T-19-S R-21-E				
API NUMBER:						
COMMENTS:						
				MAG DEC. (-/+)		
				GRID CORR. (-/+)		
				TOTAL CORR. (-/+)		
DATE: 02/09/06		TIME: 6:16 PM		TRUE TO GRID		0.0

KOP @ 3955' MD
BUR = 15 DEG per 100 FT
End Curve @ 4553' MD, 4334.1' TVD
BHL @ 8491' MD, 4306.6' TVD, 4319.5' VS

STRONG BOX FEDERAL #1
SECTION 11 T-19-S, R-21-E
EDDY COUNTY, NEW MEXICO

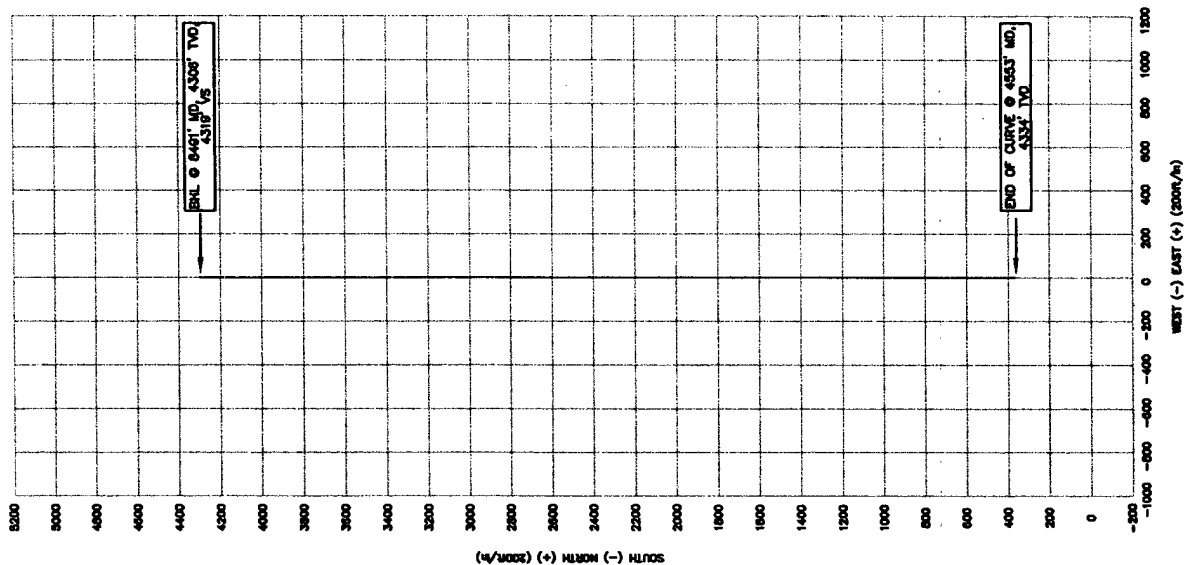
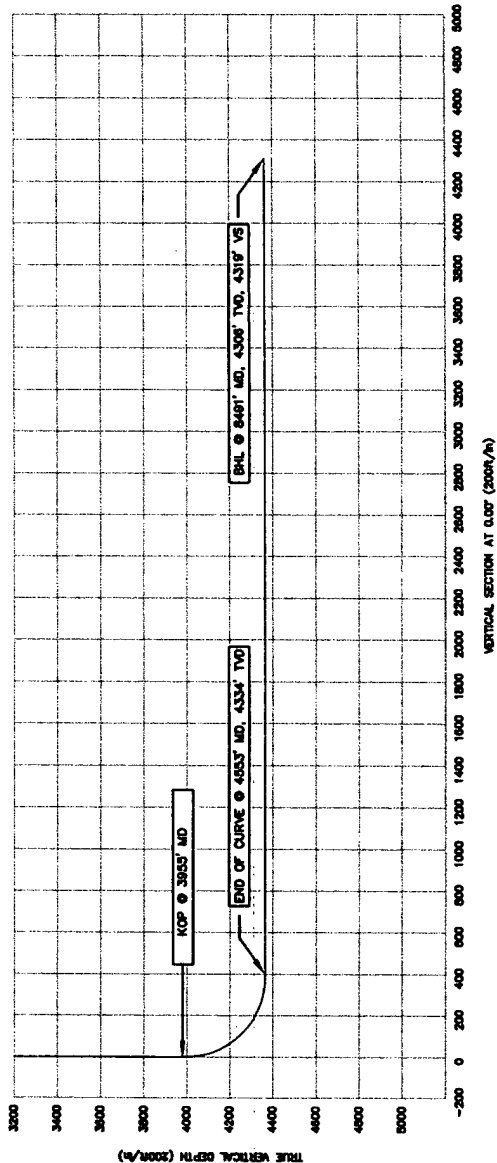


EXHIBIT L

DATE: 2/10/06
DRAWN BY: JJ
FILE: 130515000
COMMIT DETAILS

PARALLEL PETROLEUM

HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

NOT TO SCALE

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Parallel Petroleum Corporation Well No. 1 - Strong Box Federal

Location: SH: 300' FSL & 2230' FWL BH: 660' FNL & 2230' FWL sec. 11, T. 19 S., R. 21 E.

Lease: NM-98791

.....

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: 9-5/8 inch 5-1/2 inch

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.

II. CASING:

1. 9-5/8 inch surface casing should be set at approximately 1300 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the 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. 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 9-5/8 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.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling below the 9-5/8 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

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

B. 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.

C. Testing must be done in a safe workman like manner. Hard line connections shall be required. mud returns from the well.