AT5-10-193

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Form 3160-3
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-14847

6. If Indian, Allotee or Tribe Name:

1a. Type of work: ☑ DRILL ☐ REENTER

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

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

8 Lease Name and Well No.: Phillips -19- Federal #22 (26582)

2. Name of Operator: Clayton Williams Energy, Inc. (ant 25706)

9 API Well No.: 30-015- 38157

3a. Address: Suite 3000, 6 Desta Drive, Midland, Texas 79705

3b Phone No. (include area code): (432) 682-6324

10 Field and Pool, or Exploratory: Empire, Glorieta-Yeso (96210)

4 Location of Well (Report location clearly and in accordance with any State requirements *)

At surface: 1825' FNL, 1760' FEL, Unit Letter G

At proposed prod. zone:

11. Sec., T. R. M. or Blk. and Survey or Area: Section 19, T-17-S, R-29-E

14 Distance in miles and direction from nearest town or post office*: 7 miles NW of Loco Hills, New Mexico

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)	16 No. of acres in lease	17 Spacing Unit dedicated to this well
815'	1054.42	40 acres
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	**19 Proposed Depth**	**20 BLM/BIA Bond No. on file**
497'	6,000	NM 2787
21 Elevations (Show whether DF, KDB, RT, GL, etc.)	**22 Approximate date work will start***	**23 Estimated duration**
3691' GL	06/30/2010	20 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must 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 must 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 BLM.

25 Signature	Name (Printed/Typed)	Date
Matt Swierc	Matt Swierc	5/19/10

Title: Production Superintendent

Approved by (Signature)	Name (Printed/Typed)	Date
/s/ James Stovall		AUG 24 2010

Title	Office
FIELD MANAGER	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

(Continued on page 2)

*(Instructions on page 2)

KZ 09/13/10

Roswell Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

EXHIBIT 1

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
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
11885 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
30-015-38157	96210	Empire, Glorieta - Yeso

Property Code	Property Name	Well Number
26582	PHILLIPS 19 FEDERAL	22

OGRID No.	Operator Name	Elevation
25706	CLAYTON WILLIAMS ENERGY, INC.	3691'

Surface Location

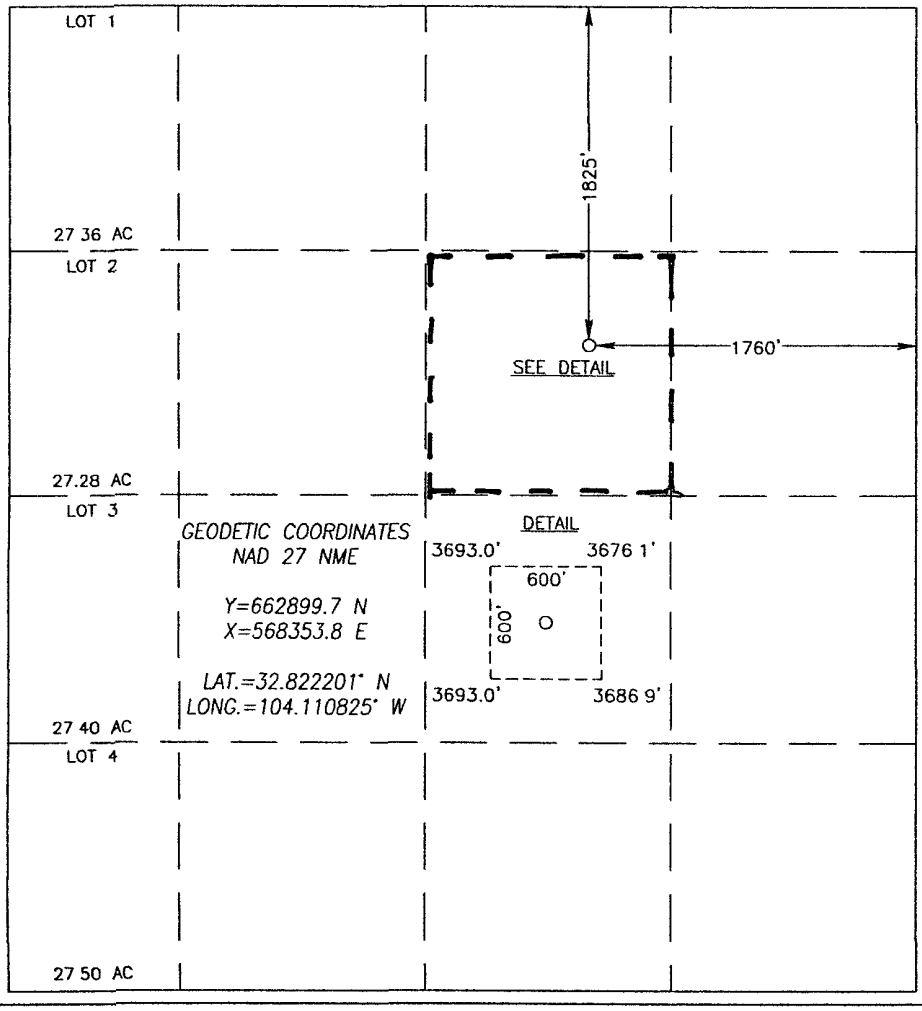
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	19	17-S	29-E		1825'	NORTH	1760	EAST	EDDY

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	Joint or Infill	Consolidation Code	Order No.
40	Y		

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.

James C. Hunnicutt 5/14/2010
Signature Date

James C. Hunnicutt
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.

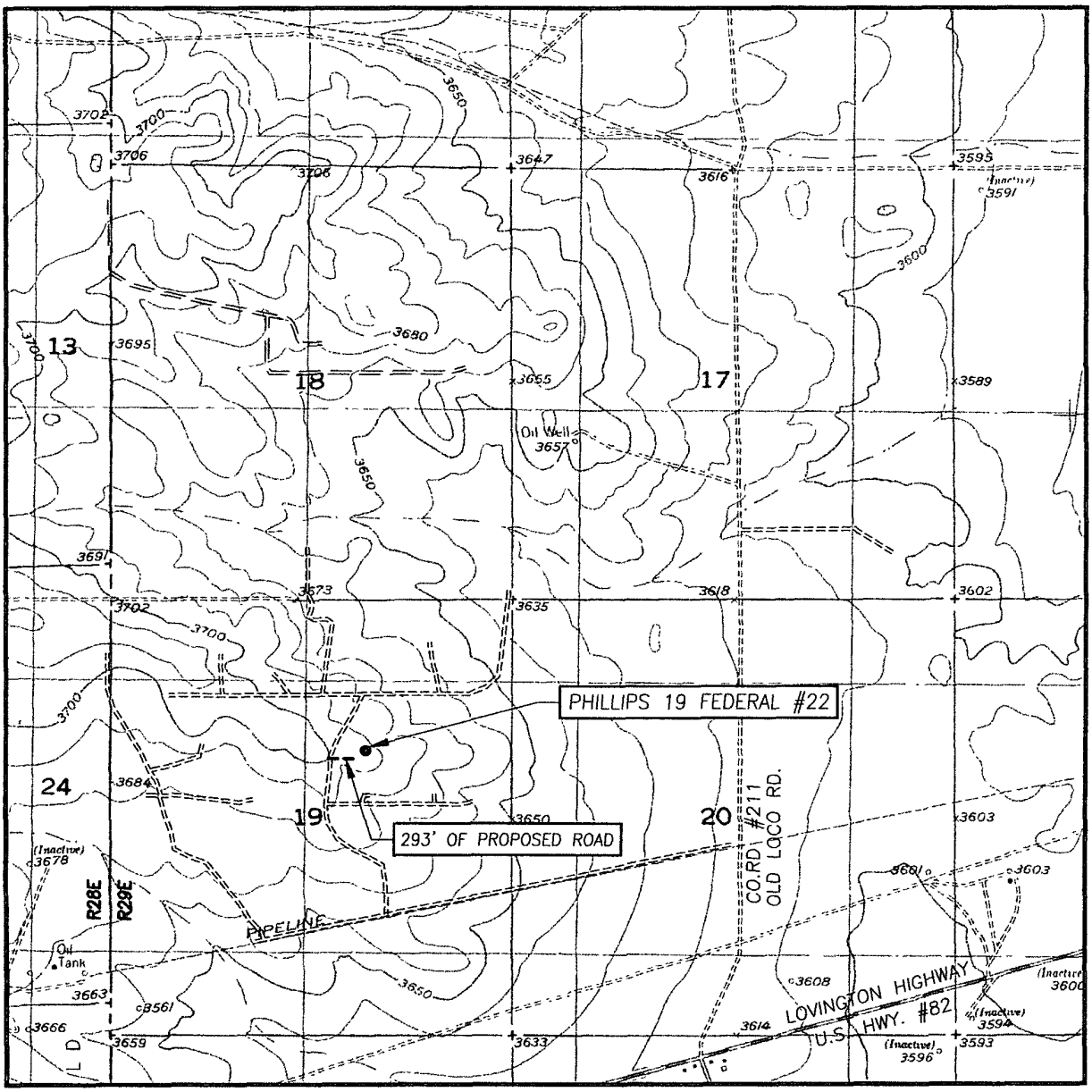
GARY G. EIDSON
JANUARY 28, 2010
NEW MEXICO
12641
REGISTERED PROFESSIONAL SURVEYOR

Date Surveyed
Signature & Seal of Professional Surveyor
Gary G. Eidson 2/5/10
09.11.1133

Certificate No. GARY G. EIDSON 12641
RONALD J. EIDSON 3239

EXHIBIT 2

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
RED LAKE SE, N.M. – 10'

SEC. 19 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 1825' FNL & 1760' FEL

ELEVATION 3691'

OPERATOR CLAYTON WILLIAMS ENERGY, INC.

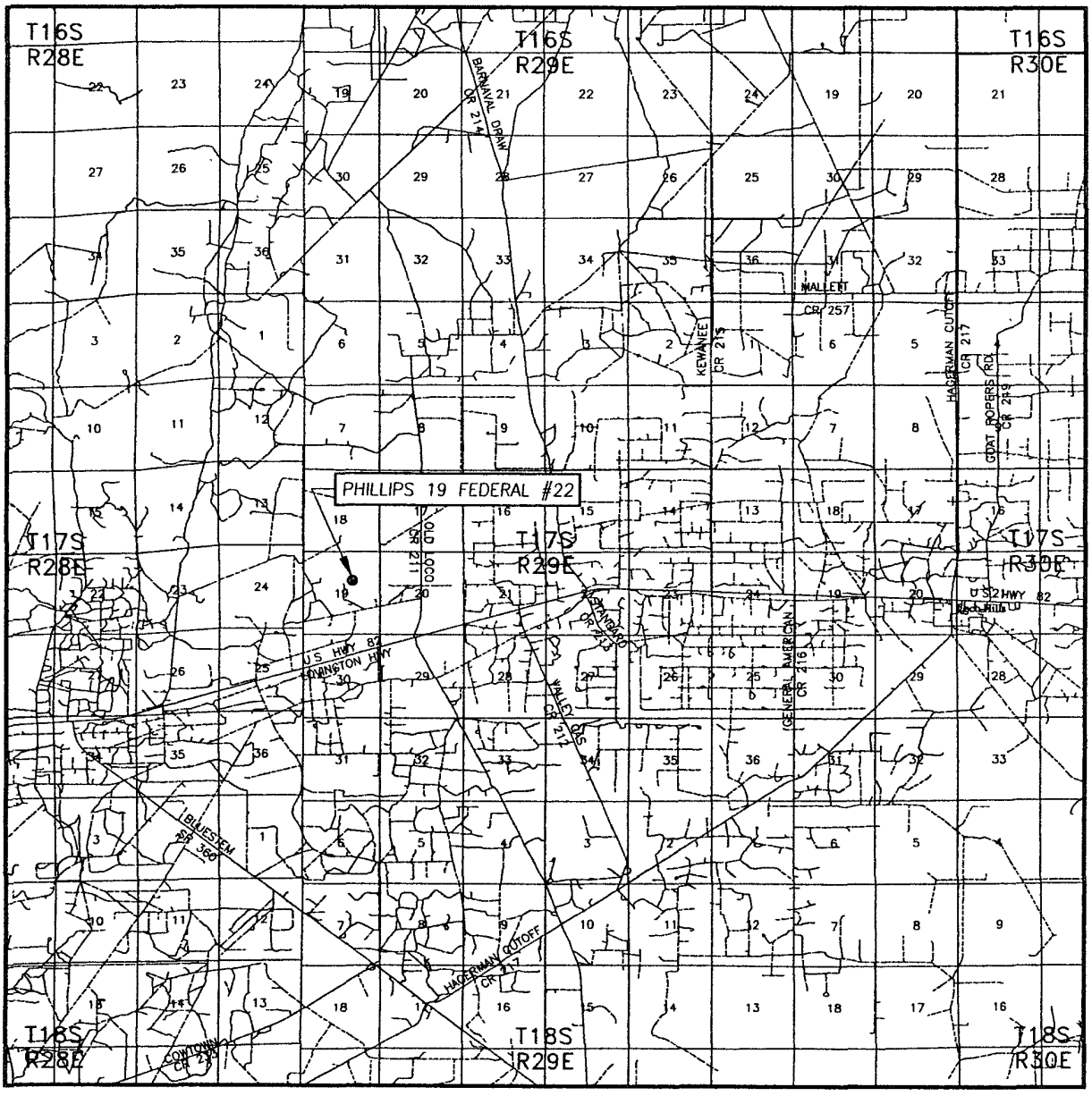
LEASE PHILLIPS 19 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
RED LAKE SE, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N DAL PASO
HOBBS, N.M 88240
(575) 393-3117

EXHIBIT 3

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 1825' FNL & 1760' FEL

ELEVATION 3691'

OPERATOR CLAYTON WILLIAMS ENERGY, INC.

LEASE PHILLIPS 19 FEDERAL

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.

EDDY COUNTY NEW MEXICO

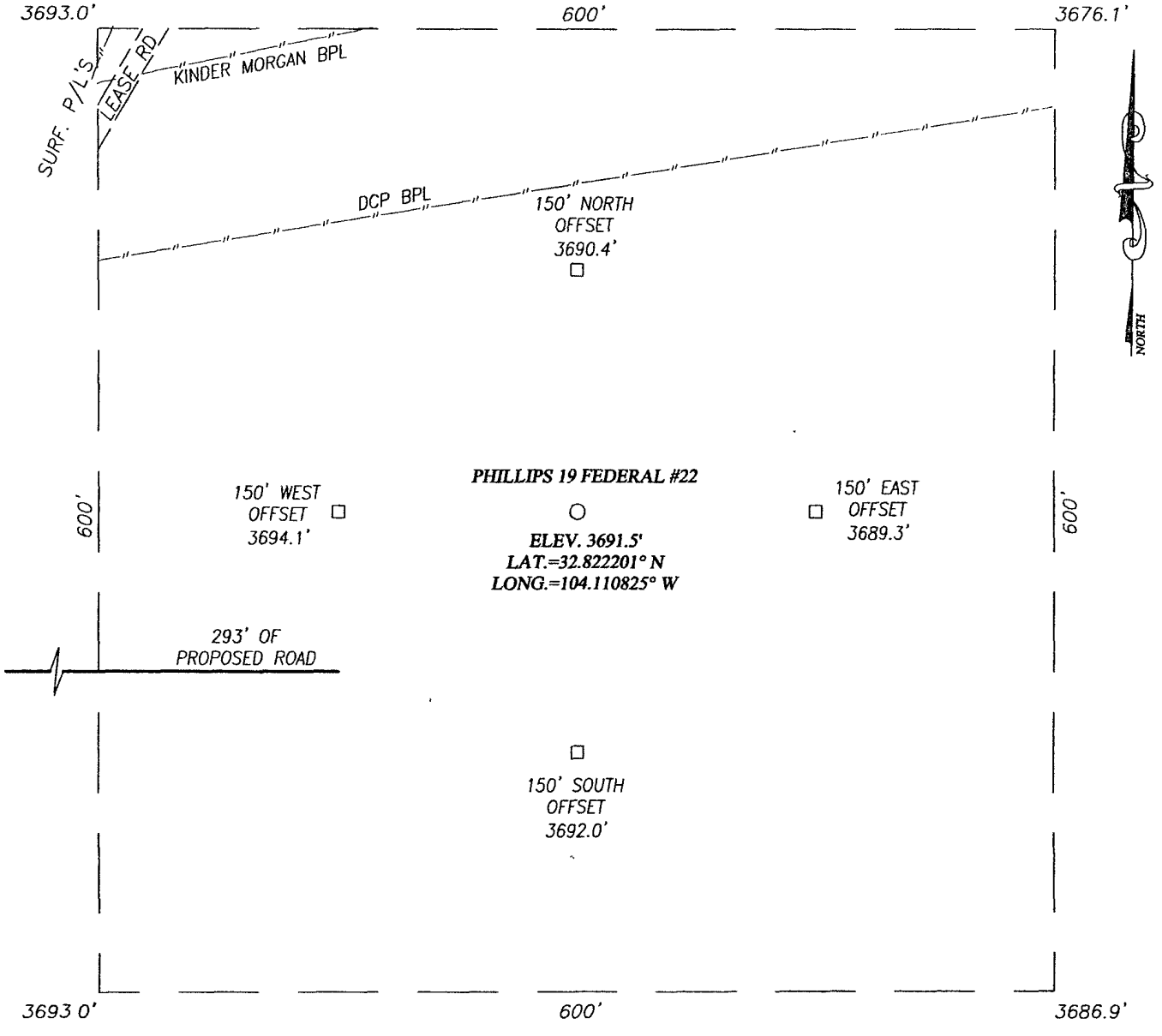


EXHIBIT 4

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #211 (OLD LOCO RD.), GO NORTH ON CO. RD. #211 APPROX. 0.5 MILES. TURN LEFT AND GO WEST APPROX. 0.8 MILES. TURN RIGHT AND GO NORTH APPROX. 0.1 MILE. VEER LEFT AND GO NORTHWEST APPROX. 0.2 MILES. VEER RIGHT AND GO NORTH APPROX. 0.1 MILE TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY EAST APPROX. 450 FEET TO THIS LOCATION.

100 0 100 200 Feet

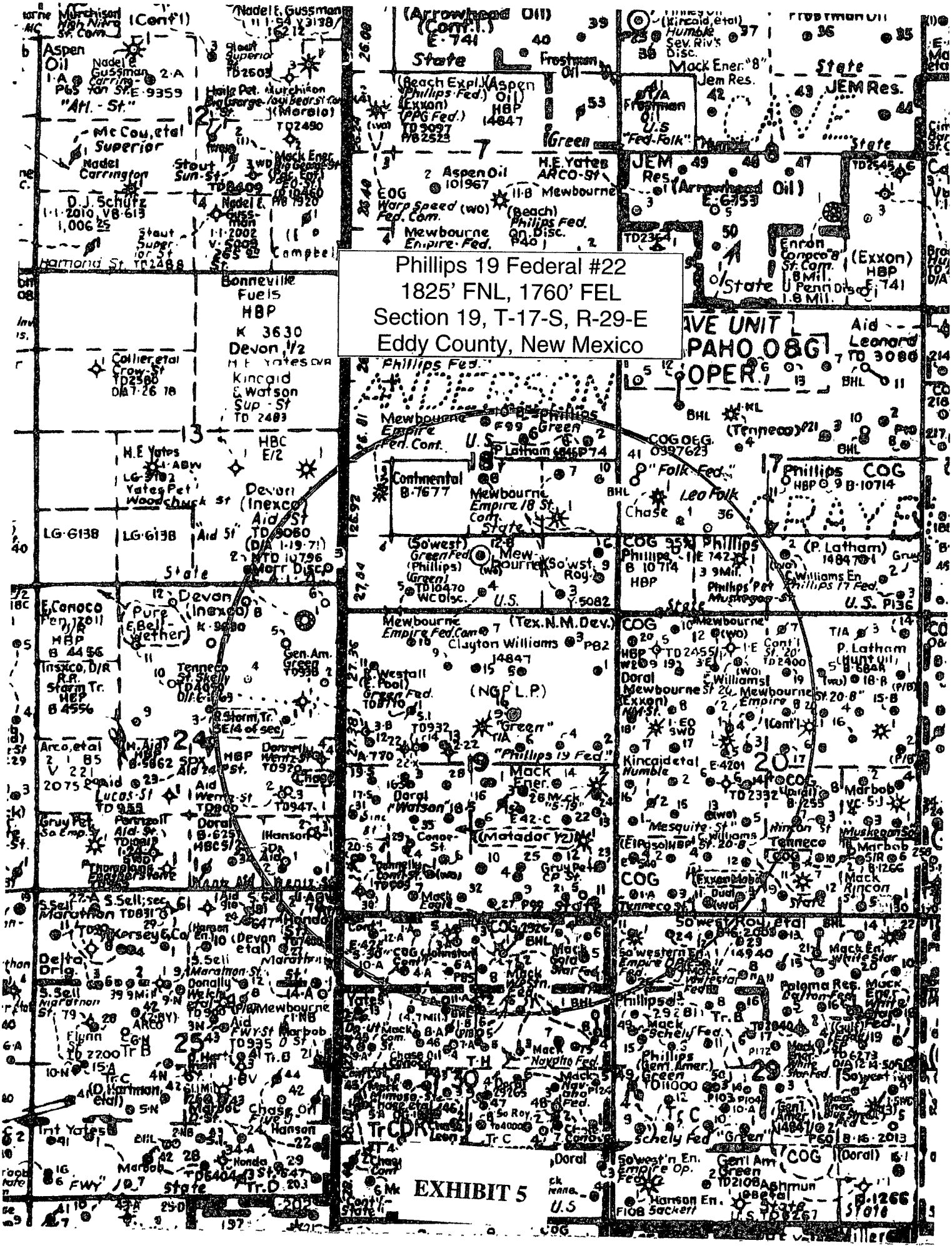
Scale: 1"=100'

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

CLAYTON WILLIAMS ENERGY, INC.

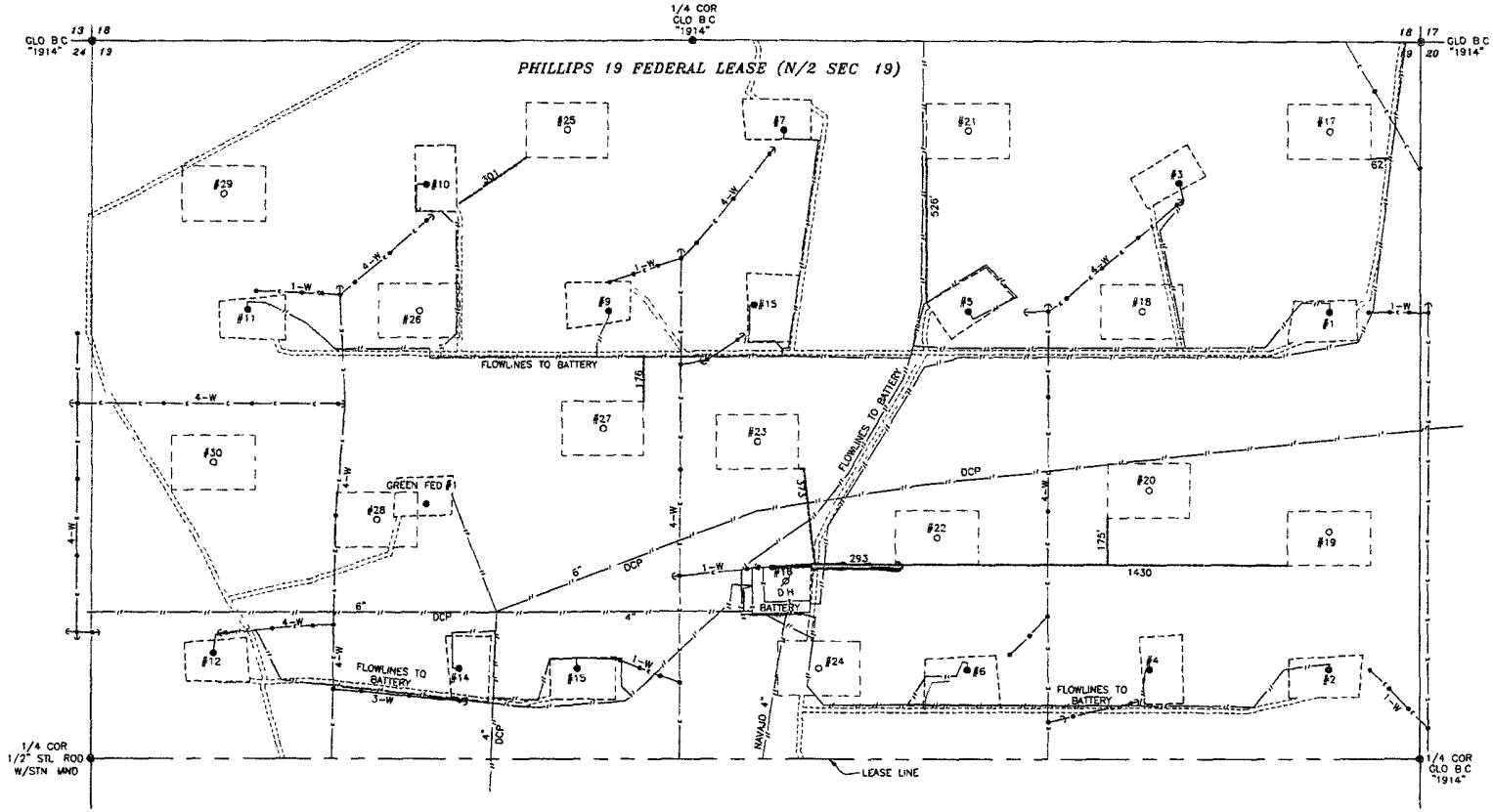
PHILLIPS 19 FEDERAL #22 WELL
LOCATED 1825 FEET FROM THE NORTH LINE
AND 1760 FEET FROM THE EAST LINE OF SECTION 19
TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO

Survey Date: 1/28/10	Sheet 1 of 1 Sheets		
W.O. Number: 09.11.1133	Dr By: LA	Rev 1: N/A	
Date: 2/3/10		09111133	Scale: 1"=100'


Phillips 19 Federal #22
1825' FNL, 1760' FEL
Section 19, T-17-S, R-29-E
Eddy County, New Mexico
EXHIBIT 5

SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N M P M ,
EDDY COUNTY, NEW MEXICO

EXHIBIT 6



300 0 300 600 FEET
Scale 1"=300

LEGEND

- DENTOES FENCE LINE
- DENTOES SURFACE/BURIED PIPELINE
- DENOTES LEASE ROAD
- DENOTES ELECTRIC LINE
- DENOTES UTILITY POLE & ANCHOR
- DENOTES EXISTING WELL LOCATION
- DENOTES FOUND MONUMENT AS NOTED
- DENOTES PROPOSED WELL
- DENOTES PROPOSED ROAD

NOTE THIS SURVEY DOES NOT SHOW ALL PIPELINES

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS N.M. 88240
(575) 393-3117

CLAYTON WILLIAMS ENERGY, INC

SURVEY OF EXISTING WELLS, ROADS AND PIPELINES IN THE PHILLIPS 19 FEDERAL LEASE (N/2) SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N M P M , EDDY COUNTY NEW MEXICO

Survey Date 2/12/10		Sheet 1 of 1 Sheets	
W O Number 10 11 0107		Drawn By LA	D-1064
Date 2/22/10		10110107	REV 2/17/10

CLAYTON WILLIAMS ENERGY, INC.
DRILLING PROGRAM

Attached to BLM Form 3160-3

Lease Name: **Phillips Federal 19**
Well No: **22**
Location: Sec. 19, T-17-S, R-29-E
Eddy Co., NM

1. Geological name of surface location: Triassic

2. Estimated tops of important geological markers:

Name	Depth(MD)	Depth(SS)	Rock Type
Rustler	300	3390	Red Bed Evaporites
Yates	820'	2870	Limestone
Seven Rivers	1080'	2610	Dolomite
Queen	1660'	2030	Dolomite/Sandstone
Grayburg	2055'	1635	Dolomite/Sandstone
San Andres	2350'	1340	Dolomite/Anhydrite
Glorieta	3790'	-100	Dolomite/Sandstone
Yeso	3860'	-170	Dolomite
Base of Yeso	6000'	-1970	

3. Estimated name of anticipated fresh water, oil and gas.

Formation	Depth(MD)	Depth(SS)	Fresh Water/Oil/Gas
Rustler	100	3390	Fresh Water
Yates	820'	2870	Oil
Seven Rivers	1146'	2610	Oil
Queen	1724'	2030	Oil
Grayburg	2105'	1635	Oil
San Andres	2414'	1340	Oil
Glorieta	3841'	-100	Oil
Yeso	3860'	-170	Oil

No other formations expected to produce fresh water or hydrocarbons Surface casing set at 300' and circulating cement to surface will protect the surface fresh water sand. Production casing cemented back to surface will isolate intervals capable of producing oil and gas

4. CASING PROGRAM

Hole Size	Interval	OD Csg	Weight	Grade	Conn	BUR/COL/TENS
11"	300'	8-5/8"	24#	J-55	STC/New	2.86/4.57/33.89
7-7/8"	6000'	5-1/2"	17#	J-55	LTC/New	2.65/1 30/2.56

5. CEMENT PROGRAM

See COA

8-5/8" Surface Casing
125 SX Cl "C" + 2% $CaCl_2$: 1.35ft3/sx yield – circulated to surface. 100% excess.

5-1/2" Production Casing:
Stage tool @ +/-2600'

1st Stage: Lead. 215 sx EconoCem C, 2.42 ft3/sx yield
Tail: 325 sx Class VersaCem "C"+ 0.4% LAP1+0.4%CFR3+0.25lb/sx D-AIR3000; 1.22 ft3/sx yield– circulated to above DV Tool; 50% excess

2nd Stage: Lead: 230 sx EconoCem C; 2 42 ft3/sx yield
Tail: 100 sx HalCem C + 2% CaCl2; 1.35 ft3/sx yield -circulated to surface, 50% excess

EXHIBIT 7

6. Minimum Specifications for Pressure Control·

The blowout preventer equipment (BOP) schematic attached will consist of a double ram-type (3000 psi WP) preventer and/or a bag-type (hydril) preventer (3000 psi WP). BOP will be hydraulically operated and the ram-type preventer will be equipped with blind rams and appropriate pipe rams. The BOP will be nippled up on the surface casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested before drilling out of surface casing. Before drilling out of surface casing, the ram-type BOP and accessory equipment will be tested to 3000 psi and the hydril to 50% of rated working pressure (1500 psi). Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 3" choke line will be attached to a drilling spool or BOP side outlets Other accessories to the BOP equipment will include a Kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating

7. Type & Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of Fresh Water Gel/Brine System

The applicable depths and properties of this system are as follows

Depth	Type	Weight (ppg)	Viscosity (sec)	Water Loss (cc)
300'	FW Gel	8.6-9.0	34-45	N/C
6000'	Brine	9.8-10.1	28-30	12

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

8. Auxiliary Well Control and Monitoring Equipment

A. A Kelly cock will be kept in the drill string at all times.
B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.
C. The drilling fluids system will be visually monitored at all times.
D. A mudlogging unit will be continuously monitoring drilling penetration rate and hydrocarbon shows from surface to casing to TD.
E. A fixed electronic H_2S monitoring system, including alarms with monitors at the shaker and the bell nipple, will be in operation from surface to TD.

9. Logging, Testing & Coring Program. See COA

A. Drill stem tests. None anticipated.
B. Electronic logging program: DSN, MSFL, DLL, FMI (optional) from TD to surface casing
C. Coring None

10. Abnormal Conditions, Pressures, Temperatures & Potential Hazards.

Possible sulfur water flows in the Queen/Grayburg intervals. Estimated bottom hole temp of 110 deg. F, and maximum bottom hole pressure of 2500 psi.

11. Anticipated Starting Date & Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is upon approval of APD. Once commenced, the drilling operations should be finished within approximately 10 days. If the well is productive, an additional 10 days will be required for completion and testing.

12. Safety

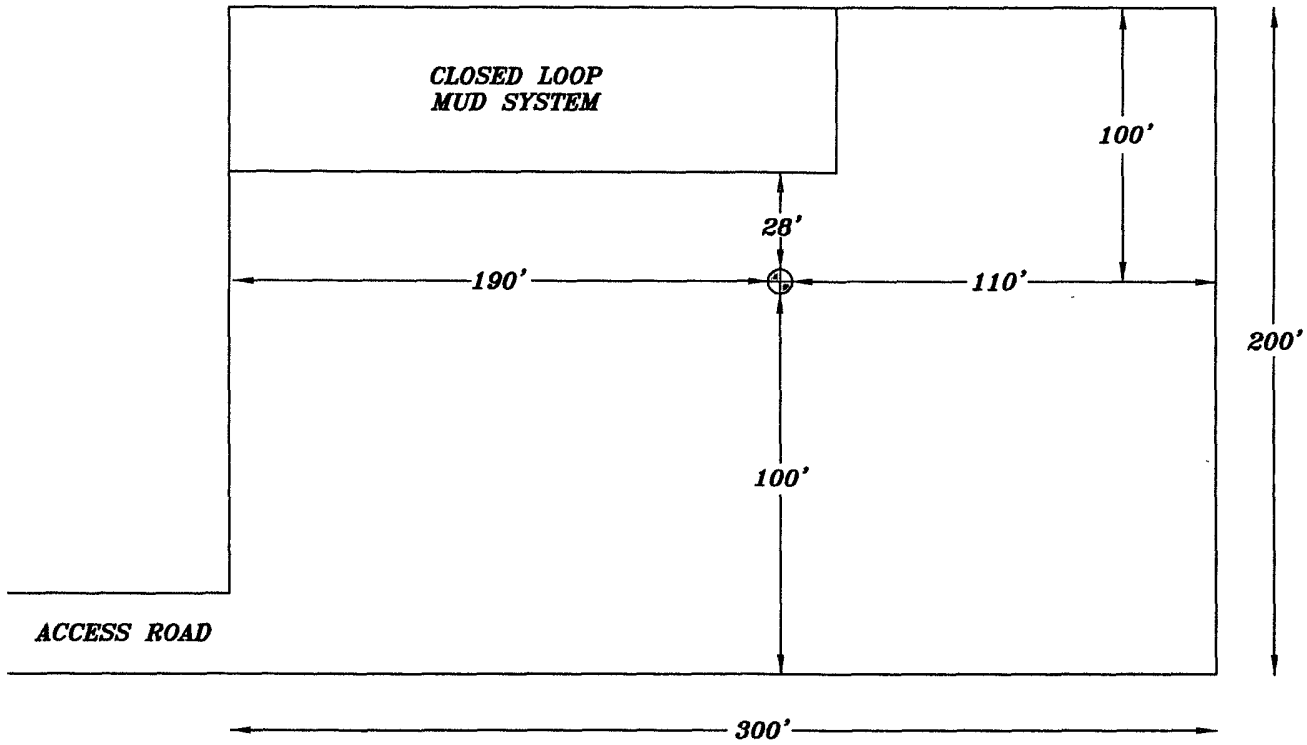
Tour Safety Meeting will be conducted with all crews and reported on IADC morning report. Topics and attendance will be recorded for each meeting and kept on file in company representatives office for inspection.

Well: Phillips Federal 19 Type Well; Clayton Williams Energy, Inc.

Type Vertical	RIG: TBD	DATE: May 13, 2010
Field Loco Hills	County: Eddy	Elevation: Varies
Gas/Oil: Oil	Mud Company: TBD	Cement: Halliburton
Location: Section 19, T17S, R29E Eddy County, NM		
Comments:		

Mud Logger	Surveys	WOB/GPM Bit Type	Formantion Tops Hole Sizes		Mud Weight	Open Hole Logs	Cement	Wellhead	Remarks
		5K-15K 300GPM Rock Bit			Fresh water Native Mud 8.4 to 8 6 ppg	No Open Hole Logs			
No Mudlogger	Inclinations 200' and 400'		**RED BEDS** 11" Hole		125 sxs "C" + 25 Calcium Chloride	Top Out as Needed			
			8-5/8", 24#, J55 STC	300 400'					
Mudlogger on at drill out surface	Inclinations Every 500'	30K-40KWOB 300GPM Rock/PDC bits	7-7/8" Hole		9 8 to 10.1 ppg Brine w/ Poly Sweeps as needed				
			Grayburg	2055	**POTENTIAL WATER FLOWS in Grayburg**				
			San Andres	2350					
				DV Tool 2600'					
			Glorieta	3790	**CEMENT:** Stage 1 Lead: 215 sxs EconoCem C Tail. 325 sxs Versa Cem "C" + 0.4% LAP1+ 0 4% CFR3 + 0.25lb/sx D-AIR3000 Stage 2 Lead: 230 sxs EconoCem C Tail: 100 sxs HalCem "C" + 2% Calcium Chlor				
			Top Yeso	3860					
			Base of Yeso	6000'	**OPEN HOLE LOGS** - from TD to surf casing Density/Neutron/Microlog/Dual Induction FMI Optional				

EXHIBIT 8



NOT TO SCALE

DATE: 2/4/10
DRWL BY: JJ
FILE:

CLAYTON WILLIAMS ENERGY, INC.
RIG LAYOUT

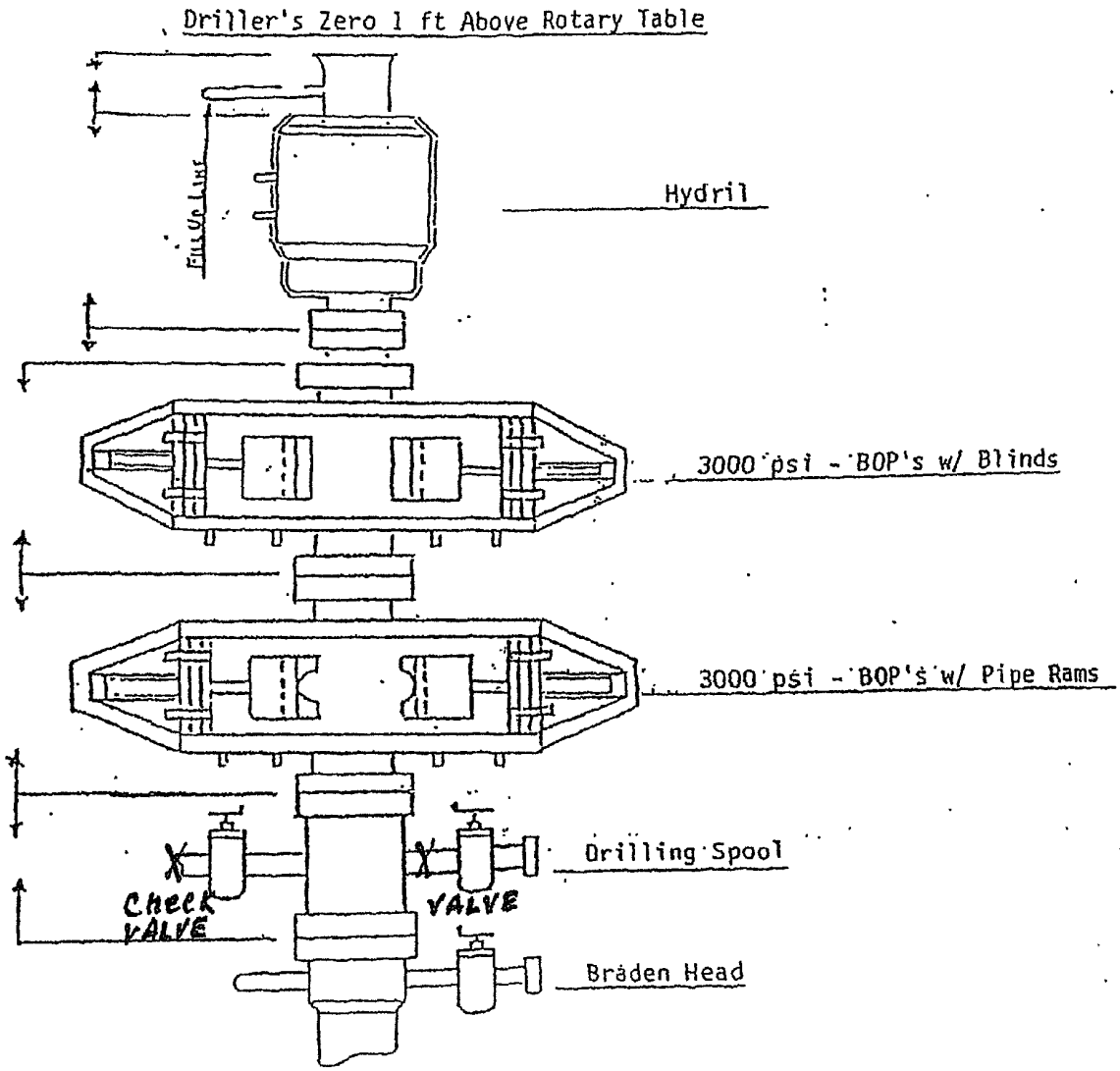
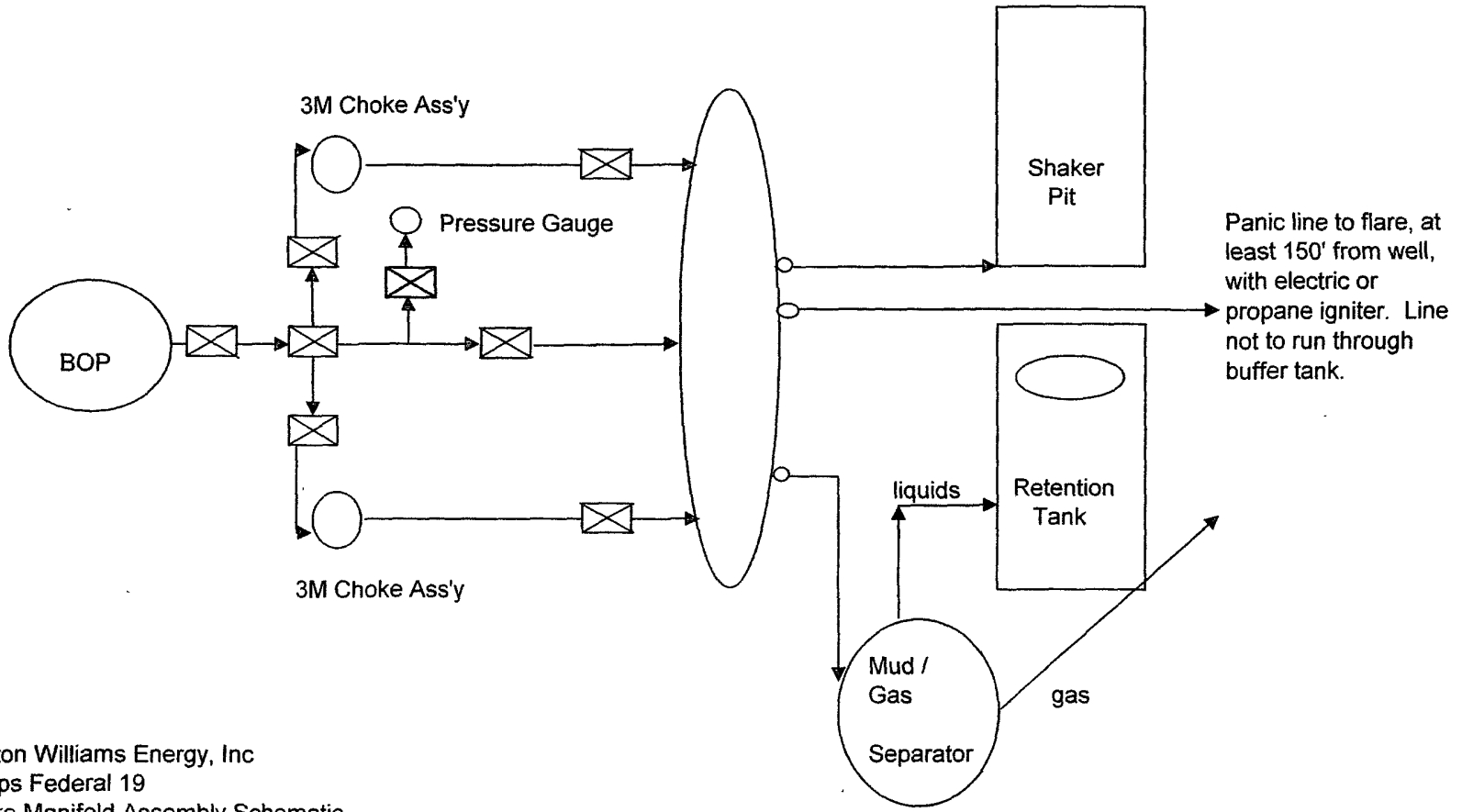

Driller's Zero 1 ft Above Rotary Table
Fill Up Line
Hydril
3000 psi - BOP's w/ Blinds
3000 psi - BOP's w/ Pipe Rams
Drilling Spool
Check Valve
Valve
Bräden Head

EXHIBIT 9



Clayton Williams Energy, Inc
Phillips Federal 19
Choke Manifold Assembly Schematic
Connection to Closed Looping Mud System
3M psi Rating

CLAYTON WILLIAMS ENERGY INC.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

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:

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

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

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

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

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

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

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

C. 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 and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

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.

A. Well Control Equipment:

Flare line.

Choke manifold.

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

Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.

B. Protective equipment for essential personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas.

C. H2S detection and monitoring equipment:

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.

D. Visual warning systems:

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 will be used, when appropriate. See example attached.

E. Mud Program:

The mud program has been designed to minimize the volume of H_2S circulated to the surface.

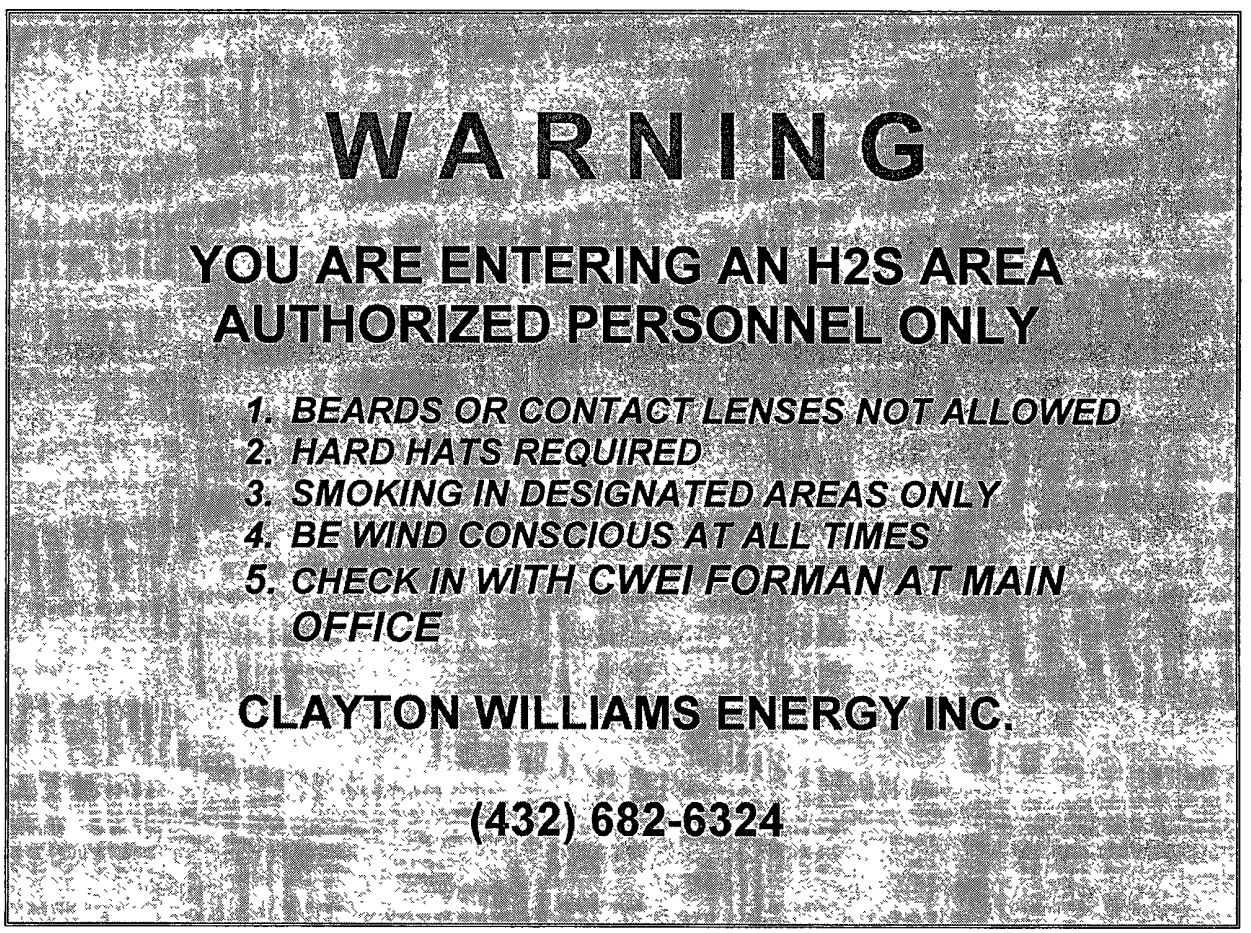
F. Metallurgy:

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.

G. Communication:

Company vehicles equipped with cellular telephone and 2-way radio.

If H_2S is encountered in quantities under 10 ppm fans will be placed in the substructure, rig floor and possum belly area of drilling rig to prevent accumulation of gas. If higher levels of H_2S are detected the well will be shut in and a gas separator installed with a flare line.



SURFACE USE PLAN OF OPERATIONS

Clayton Williams Energy, Inc.
Phillips 19 Federal Lease
Well # 22
Section 19
T-17-S, R-29-E, NMPM, Eddy County, New Mexico

1. Existing Access Roads

A. The well site survey and elevation plat for the proposed well is shown in Exhibit 4. It was staked by John West Surveying Company, Hobbs, NM.

B. All existing roads to the location are shown in the topographic map (Exhibit 2) and/or the plan of development (POD) plat (Exhibit 6). The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.

C. Directions to Location:

> From the intersection of Highway 82 and County Road 211 (Old Loco Road), go north on CR 211 approximately 0.4 mile. Turn left and go west approximately 0.8 mile. Turn right and go north approximately 0.1 mile. Veer left and go northwest approximately 0.2 mile. Veer right and go north approximately 0.1 mile. Turn right and go east approximately 450' to the location..

D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

The elevation plat (Exhibit 4) shows that 293 feet of new road will be required for this location, to be constructed from a point at the well site as indicated on Exhibit 2. This would be the correct distance if well # 22, which will utilize the same new access road as wells # 19 and 20, were drilled first. However, well #19 is to be drilled first, and as a result, no new road construction for this well will be required. Further, should the order of drilling change, any new road that is required will be constructed as follows:

A. The maximum width of the running surface will be 14 feet. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and be consistent with local drainage patterns.

B. The average grade will be less than 1%.

EXHIBIT 12

C. No turnouts are planned.

D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.

E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit or from a private source.

3. Locations of Existing Wells:

Exhibit 5 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

A. Clayton Williams Energy, Inc. ("CWEI") will use its existing production facility located on the surface of Section 19, as shown in Exhibit 6. If the well is productive, contemplated facilities will be as follows:

1) Production will be sent to the existing production facility described in "A" above.

2) Additions, if needed, to the existing tank battery and facilities including any piping will be installed according to API specifications.

3) Any additional caliche will be obtained from a BLM-approved caliche pit or from a private source. Any additional construction materials will be purchased from contractors.

4) 393' of flow line will be constructed to this well from the existing tank battery and will be laid alongside the access road and/or existing flow lines. The flow line will be constructed of a 4" SDRIL poly line which will be laid on the surface. The proposed route is shown in red on Exhibit 6. Flow lines will be kept at least 3' apart.

5) Electric service will be provided from a power line owned by Central Valley Electric Cooperative, Inc., which will be responsible for ROW and construction. Power lines will be constructed alongside access roads existing at the time of construction. The existing and proposed access roads are included in Exhibit 6.

6) Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown on the Plan of Development map. If a commercial fresh water source is nearby, temporary "fast line" may be laid alongside access roads existing at the time the line is laid and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and proposed new access road (approximately 1833 cubic yards) will be obtained from a BLM-approved caliche pit or from a private source.

7. Methods of Handling Waste:

A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in rolloff style mud boxes and taken to an NMOCD-approved disposal site.

B. Drilling fluids will be contained in steel mud pits.

C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD-approved commercial disposal facility.

D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole, only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

A. The drill pad layout, with elevations staked by John West Surveying Company, is shown in Exhibit 4. Dimensions of the pad, including the closed loop mud system, are shown on Exhibit 8. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level, no major cuts will be required.

B. Exhibit 8 also shows the proposed orientation of the closed loop mud system, and access road. No permanent living facilities are planned; however, a temporary foreman/toolpusher trailer and crew quarters trailers will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

A. If the well is found to be non-commercial upon completion of the drilling and/or completion operations, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations in the area. The road will be reclaimed as directed by the BLM. The original top soil will be returned to the pad and contoured, as close as possible to the original topography, and reseeded as per BLM specifications.

B. Upon completion of drilling and completion operations, the well pad will be reduced to a size suitable for continued operations, including workovers and other well servicing activities. The pad will be scraped such that the only portion of the pad remaining will be: (i) the area inside the anchors; and (ii) an area outside the anchors 50 feet in width. The caliche removed during the scraping operation will be stockpiled and either saved for use on future roads or pads, or returned to the pit from which it was originally removed.

11. Surface Ownership:

A. The surface at this location is owned by the Federal government. The minerals are owned by the Federal government and are administered by the Bureau of Land Management. The surface has multiple uses, which are primarily grazing of livestock and the production of oil and gas.

B. The surface tenant for this site is:

Bogle Ltd.
P.O. Box 460
Dexter, NM 88231-0460

C. The proposed road routes and surface location will be restored as directed by the BLM.

12. Other Information:

A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.

B. There is no permanent or live water in the immediate area.

C. There are no dwellings within two (2) miles of this location.

D. This project is being administered by a MOA with the Carlsbad, New Mexico Bureau of Land Management office.

13. Bond Coverage:

Bond Coverage is Nationwide Bond # NM 2787.

CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Clayton Williams Energy, Inc., am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 19th day of May, 2010.

Signed: Matt Swierc

Printed Name: Matt Swierc
Position: Production Superintendent
Address: Suite 3000, 6 Desta Drive, Midland, Texas 79705
Telephone: (432) 682-6324
Field Representative (if not above signatory): Mike Langford, Sierra Engineering
E-mail: MSwierc@claytonwilliams.com

EXHIBITS AND ATTACHMENTS

Exhibit 1	**Plat Page (Form C-102)**
Exhibit 2	**Topographic Map**
Exhibit 3	**Vicinity Map and Area Roads**
Exhibit 4	**Elevation Plat**
Exhibit 5	**Ownership Map with Well Location and Wells in 1-mile Radius**
Exhibit 6	**Plan of Development (Roads, Flow Lines, Power Lines and Tank Battery)**
Exhibit 7	**Drilling Plan**
Exhibit 8	**Rig Layout**
Exhibit 9	**BOP, Choke Manifold and Closed Loop Schematics**
Exhibit 10	**C-144 CLEZ, Closed Loop System Permit Application**
Exhibit 11	**H2S Plan**
Exhibit 12	**Surface Use Plan of Operations and Operator Certification**

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	CLAYTON WILLIAMS ENERGY, INC
LEASE NO.:	NM14847
WELL NAME & NO.:	22- PHILLIPS 19 FEDERAL
SURFACE HOLE FOOTAGE:	1825' FNL & 1760' FEL
BOTTOM HOLE FOOTAGE	
LOCATION:	Section 19, T. 17 S., R 29 E., NMPM
COUNTY:	Eddy County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. V-DOOR DIRECTION: NORTHEAST

C. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 6 inches in depth. The topsoil will be used for interim and final reclamation.

D. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

E. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call theCarlsbad Field Office at (575) 234-5972.

F. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.