

OCD-ARTESIA Split Estate

11-4/99

Form 3160-3
(April 2004)FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007UNITED 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 <i>NOS RCVD 3/2/11</i>		5. Lease Serial No. LC-029415-B	
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		6. If Indian, Allottee or Tribe Name -----	
2. Name of Operator HUDSON OIL COMPANY OF TEXAS (RANDALL HUDSON 817-336-7190) (TONY TUCKER 575-676-2266 <i>825117</i>)		7. If Unit or CA Agreement, Name and No. -----	
3a. Address 616 TEXAS STREET FORT WORTH, TEXAS 76102-4612		8. Lease Name and Well No. PUCKETT NORTH # 14 <i>[35554]</i>	
3b. Phone No. (include area code) 817-336-7190		9. API Well No. <i>36-015-3583</i>	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1857' FSL & 493' FEL SECTION 12 T17S-R31E At proposed prod. zone SAME		10. Field and Pool, or Exploratory <i>[43329]</i> MALJAMAR-GRAYBURG SAN ANDRE	
14. Distance in miles and direction from nearest town or post office* Approximately 6 miles Northwest of Maljamar, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 12 T17S-R31E	
15. Distance from proposed* location to nearest property or lease line, ft. 493' (Also to nearest drig. unit line, if any)		12. County or Parish EDDY CO.	
16. No. of acres in lease 1920		13. State NM	
17. Spacing Unit dedicated to this well 40		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1200'	
19. Proposed Depth 4300'		20. BLM/BIA Bond No. on file BLM NM-1055 STATEWIDE	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3983' GL		22. Approximate date work will start* WHEN APPROVED	
23. Estimated duration 15 Days		24. Attachments	

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Joe T. Janica</i>	Name (Printed/Typed) Joe T. Janica	Date 08/19/11
Title Permit Eng.		
Approved by (Signature) <i>/s/ Don Peterson</i>	Name (Printed/Typed) <i>/s/ Don Peterson</i>	Date OCT 27 2011
Title FOR FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

ROSWELL CONTROLLED WATER BASIN
SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECEIVED

OCT 31 2011

NMOCD ARTESIA

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

STATE OF TEXAS

AFFIDAVIT OF SURFACE
USE AGREEMENT

COUNTY OF TARRANT

Before me, the undersigned authority on this day personally appeared E. Randall Hudson III who, having first been sworn by me to tell the truth, did depose and state as follows:

My name is E. Randall Hudson III, and I am President of Hudson Oil Company of Texas, the Operator of the Puckett A and B Leases covering all of Sections 12, 13, 24 and 25, T-17-S, R-31-E, NMPM, Eddy County, New Mexico;

Hudson Oil Company of Texas has filed an APD for a well in Section 12 on the Puckett "B" Lease, the Puckett North # 14, located in the NE/4 of the SE/4 of said Section 12.

The surface owner of the lands upon which these two wells will be located is: Olan Caswell, whose address is: 1702 Gillham, Brownfield, Texas 79361; and

Hudson Oil Company of Texas has contacted Mr. Caswell and has reached a mutual agreement with respect to the payment to him of surface damages for the well location and its associated access road.

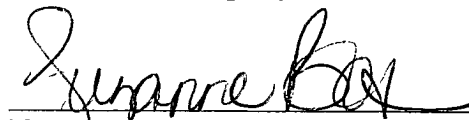
Further Affiant sayeth not.


E. Randall Hudson III, Affiant

State of Texas §
 §
County of Tarrant §

This instrument was acknowledged before me on the 17th day of August, 2011 by E. Randall Hudson III as President of Hudson Oil Company of Texas.




Notary Public

State of New Mexico

DISTRICT I

1625 N. FRENCH DR., HOBBES, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-39583	Pool Code 43329	Pool Name MALJAMAR-GRAYBURG--SAN ANDRES
Property Code 35554	Property Name PUCKETT NORTH	Well Number 14
OGRID No. 25111	Operator Name HUDSON OIL COMPANY OF TEXAS	Elevation 3983'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	12	17-S	31-E		1857	SOUTH	493	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			

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>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=672213.8 N X=658999.7 E</p> <p>LAT.=32.846930° N LONG.=103.815610° W</p> <p>DETAIL 3989.4' 3981.8' 3980.7' 3984.3' 493' 1857'</p> <p>LC-029415-B SEE DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p>Signature: <i>Joe T. Janica</i> Date: 08/19/11 Printed Name: Joe T. Janica</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>DATE: MARCH 17, 2011 Date Surveyed: _____ Signature: <i>Ronald J. Eidson</i> Professional Surveyor: _____ LA</p>
	<p>3239 11.054 3/29/2011</p>
	<p>Certificate No. _____ RONALD J. EIDSON 12641 3239</p>

EXHIBIT "A"

APPLICATION TO DRILL

HUDSON OIL COMPANY OF TEXAS
PUCKETT NORTH # 14
UNIT "I" SECTION 12
T17S-R31E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above well will be provided.

1. LOCATION: 1857' FSL & 493' FEL SECTION 12 T17S-R31E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3983' GL
3. GEOLOGICAL NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits;
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for the removal of solids from the hole.

5. PROPOSED DRILLING DEPTH: 4300'

6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	685'	Base of Yates/7 Rivers	2980'
Top of Salt	850'	Queen	3135'
Base of Salt	1850'	Grayburg	3640'
Top Yates/7 Rivers	2200'	San Andres	3950'

7. POSSIBLE MINERAL BEARING FORMATIONS:

Queen	Oil, Gas, Water	Possible Water 250'
Grayburg	Oil, Gas, Water	
San Andres	Oil, Gas, Water	

8. CASING PROGRAM:

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40	20"	NA	NA	NA	Conductor	New
12 1/2"	0-725	8 5/8"	24#	8-R	ST&C	J-55	New
7 7/8"	0-4300'	5 1/2"	17#	8-R	ST&C	J-55	New

Casing Design Factors:

Collapse	1.25	Burst	1.0	Body Yield	1.5	Joint Strength 8-R	1.8
						Buttress	1.6

APPLICATION TO DRILL

HUDSON OIL COMPANY OF TEXAS
 PUCKETT NORTH # 14
 UNIT "I" SECTION 12
 T17S-R31E EDDY CO. NM

9. CASING CEMENTING & SETTING DEPTHS:

20" Conductor Set 40' of 20" conductor pipe and cement to surface with Redi-mix.

8 5/8" * Surface Run and set 125' of 8 5/8" 25# J-55 ST&C casing. Cement with 200 Sx. of Premium Plus cement + 2% CaCl₂ + 4% Bentonite, + 0.125#/Sx Polyflakes, Yield 1.75, tail in with 250 Sx. of Premium Plus cement + 2% CaCl₂, Yield 1.35, circulate cement. 100% Excess

5 1/2" Production Run and set 4300' of 5 1/2" 17# J-55 ST&C casing. Cement with 600 Sx. of Halliburton Light Premium Plus cement + 0.125#/? Sx. Yield 1.87, tail in with 350 Sx. of Premium Plus 50/50 POZ, + 0.4% LAP-1 + 0.4% CFR-3, + 0.25 LBMD-AIR 3000, + 1 LBM Salt, Yield 1.4, circulate cement to surface. 100% Excess

See COA

Exhibit "E" shows a 2000 PSI working pressure B.O.P. with an annular bag type preventor, with 2" inlets and 2" outlets to the choke manifold. This B.O.P. will be nipped up on the 8 5/8" casing. The B.O.P. will be tested to the pressures acceptable to the BLM. Exhibit "E-1" shows a 2-3M PSI choke manifold with two adjustable chokes and a 3" blow down line to the pit. No abnormal pressures or abnormal temperatures are expected while drilling this well. Other wells drilled in this section and area have not encountered any problems while drilling. B.O.P. is a 13 3/8" and will be tested according to Onshore Order #2 and API specifications.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-725'	8.4-8.7	29-32	NC	Fresh water Spud Mud use paper to control seepage.
725-TD	10.1-10.2	29-38		Brine water add Salt Water Gel if native mud does not have the desired viscosity. Use paper to control seepage. If water loss control is needed use starch to accomplish these needs.

See COA

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks. In order to run logs and casing the mud system may have to be altered to meet these needs,

** See COA*

- 13A. If H₂S is encountered in concentrations of less than 10 PPM, fans will be placed in work areas to prevent the accumulations of hazardous amounts of poisonous gas. If higher concentrations of H₂S are detected the well will be shut in and a rotating head , Mud/Gas separator , and flare line with igniter will be installed. *IN Accordance with Onshore Order #6*
- 13B. If the concentration of H₂S meets the requirement of Onshore Order # 6 a Mud/Gas separator and other necessary equipment will be rented and installed.

APPLICATION TO DRILL

HUDSON OIL COMPANY OF TEXAS
PUCKETT NORTH # 14
UNIT "I" SECTION 12
T17S-R31E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

* See COA

- A. Open hole logs: Dual Laterolog, SNP, MSFL, LDT, Caliper and Gamma Ray log from TD back to the 8 5/8" casing shoe.
- B. Cased hole log: Gamma Ray, Neutron from the 8 5/8" casing shoe to the surface.
- C. No DST's, Cores, or Mud Logger is planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2150± PSI, and Estimated BHT 135°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 15 days days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The GRBG-SAN ANDRES formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

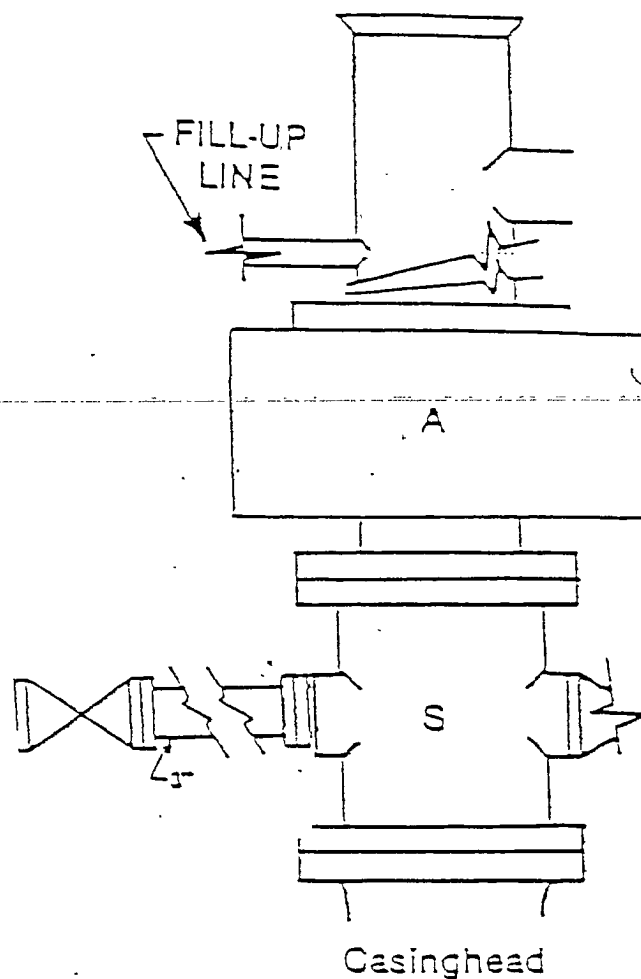


FIGURE K1-1. Recommended LADC Class 2 BOP stack, 2000 psi WP. Either SRd (left) or SA (right) arrangement is acceptable and drilling spool is optional

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

HUDSON OIL COMPANY OF TEXAS
PUCKETT NORTH # 14
UNIT "I" SECTION 12
T17S-R31E EDDY CO. NM

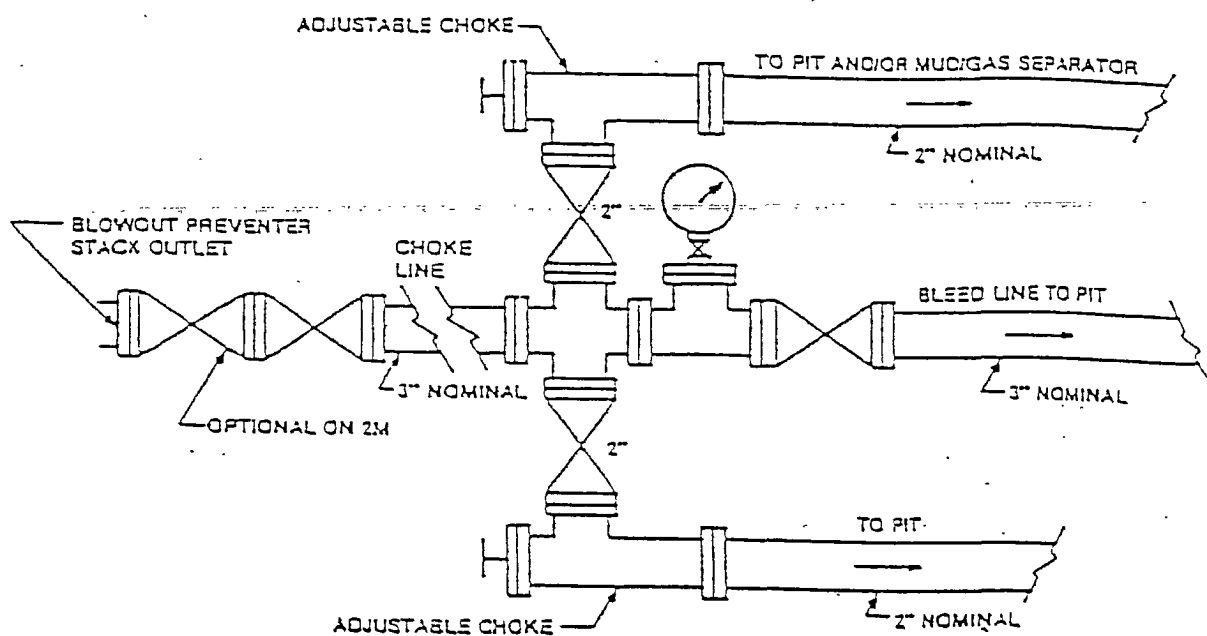


FIGURE K-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

EXHIBIT "E-1"
SKETCH OF CHOKE MANIFOLD

HUDSON OIL COMPANY OF TEXAS
PUCKETT NORTH # 14
UNIT "I" SECTION 12
T17S-R31E EDDY CO. NM

ACCESS ROAD

EPS PROJECT NUMBER - 10-028
DATE: JANUARY 29, 2010

DRILLING OPERATIONS
WELL PAD PLAN LAYOUT
NOT TO SCALE

300'

DRAWING: 2010-09-10-028-02 d-9

WELLHEAD

FLOW LINE TO SHALE
SHAKER & CLOSED LOOP

CHOKER FLOW LINE

CHOKER
MANIFOLD

150'-0"

BUFFER TANK

(BURIED)
TO FLARE

TO CLOSED LOOP SYSTEM STEEL PIPE
TO CLOSED LOOP SYSTEM STEEL PIPE
FLOW LINE TO SHALE
SHAKER & CLOSED LOOP

SHALE SHAKER

STEEL MUD PIT

TOP
SOIL

300'

EXHIBIT "D"
RIG LAY OUT PLAT

HUDSON OIL COMPANY OF TEXAS
PUCKETT NORTH # 15
UNIT "P" SECTION 12
T17S-R31E EDDY CO. NM

DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

35554

Operator Hudson Oil OGRID # 25111
 Well Name & # POCKET NORTH #14 Surface Type (F) (S) (P)
 Location: UL I Sect 12 Township 17 s, RNG 31 e, Sub-surface Type (F) (S) (P)

A. Date C101 rec'd 10/31/2011 C101 reviewed 11/2/2011

- B. 1. Check mark, Information is OK on Forms:
 OGRID , BONDING ✓, PROP CODE , WELL # , SIGNATURE
 2. Inactive Well list as of: 11/2/2011 # wells 88, # Inactive wells 0
 a. District Grant APD but see number of inactive wells:
 No letter required ✓, Sent Letter to Operator , to Santa Fe
 3. Additional Bonding as of: 11/2/2011
 a. District Denial because operator needs addition bonding:
 No Letter required ✓, Sent Letter to Operator , To Santa Fe
 b. District Denial because of Inactive well list and Financial Assurance:
 No Letter required ✓, Sent Letter to Operator , To Santa Fe

- C. C102 YES ✓, NO , Signature ✓
 1. Pool MATAMAJAMAR, Code 43329
 a. Dedicated acreage 40, What Units I
 b. SUR. Location Standard ✓: Non-Standard Location
 c. Well shares acres: Yes , No , # of wells plus this well #
 2. 2nd. Operator in same acreage, Yes , No
 Agreement Letter , Disagreement letter
 3. Intent to Directional Drill Yes , No
 a. Dedicated acreage , What Units
 b. Bottomhole Location Standard , Non-Standard Bottomhole
 4. Downhole Commingle: Yes , No ✓
 a. Pool #2 , Code , Acres
 Pool #3 , Code , Acres
 Pool #4 , Code , Acres

5. POTASH Area Yes , No ✓

D. Blowout Preventer Yes ✓, No

E. H2S Yes ✓, No

F. C144 Pit Registration Yes , No

G. Does APD require Santa Fe Approval:

1. Non-Standard Location: Yes , No , NSL #
 2. Non-Standard Proration: Yes , No , NSP #
 3. Simultaneous Dedication: Yes , No , SD #
 Number of wells Plus #
 4. Injection order Yes , No ✓; PMX # or WFX #
 5. SWD order Yes , NO ✓; SWD #
 6. DHC from SF ; DHC-HOB ; Holding

7. OCD Approval Date 11/2/2011

API #30-0 15-39883

8. Reviewers tes

EXT.

Funny Location