

S
(February 23, 2007)
451

OCD-ARTESIA

Month - Year
MAR - 5 2007
OCD - ARTESIA, NM

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

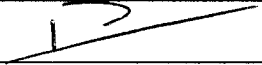
APPLICATION FOR PERMIT TO DRILL OR REENTER

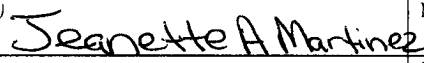
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-77042
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Primero Operating, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address P.O.Box 1433 Roswell, NM 88202		8. Lease Name and Well No. Ford Federal #2 303184
3b. Phone No. (include area code) 505-622-1001		9. API Well No. 30-015-35462
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 990' FNL - 330' FWL At proposed prod. zone 990' FNL - 330' FWL		10. Field and Pool, or Exploratory Square Lake Grayburg/San Andres
14. Distance in miles and direction from nearest town or post office* 10 miles from Loco Hills, NM		11. Sec., T. R. M. or Blk. and Survey or Area Unit D, Section 20, T-16S, R-31E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330 Ft	16. No. of acres in lease 320.0	17. Spacing Unit dedicated to this well 40.0
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 890 Ft	19. Proposed Depth 4500 Ft	20. BLM/BIA Bond No. on file NM2677
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start* 03/01/2007	23. Estimated duration 15 - 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. | 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 must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature 	Name (Printed Typed) Phelps White	Date 01/29/2007
Title President		

Approved by (Signature) 	Name (Printed Typed) JEANETTE A. MARTINEZ	Date 2-23-07
Title ACTING 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 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)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Roswell Controlled Water Basin

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

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

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 E. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 57570	³ Pool Name SQUARE LAKE, 6B/5A
⁴ Property Code	⁵ Property Name Ford Federal	⁶ Well Number 2
⁷ OGRID No.	⁸ Operator Name Primero Operating, Inc.	⁹ Elevation 3941

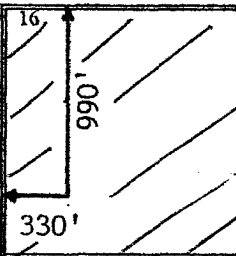
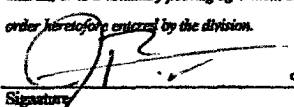
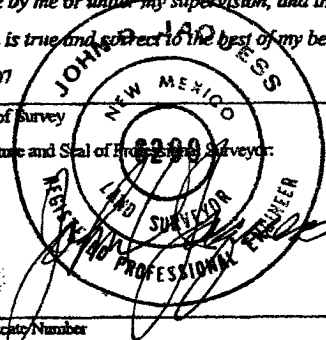
¹⁰ Surface Location

UL or lot no. D	Section 20	Township 16S	Range 31E	Lot Idn	Feet from the 990	North/South line North	Feet from the 330	East/West line West	County Eddy
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¹¹ 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
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  2-21-07 Signature _____ Date _____ J. Phelps White, Jr. Printed Name PRESIDENT	
					¹⁸ 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. 1/31/07 Date of Survey Signature and Seal of Registered Surveyor:  6290 Certificate Number

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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
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Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name Square Lake Grayburg/San Andres
⁴ Property Code	⁵ Property Name Ford Federal	⁶ Well Number 2
⁷ OGRID No.	⁸ Operator Name Primero Operating, Incl	⁹ Elevation 3941

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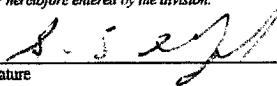
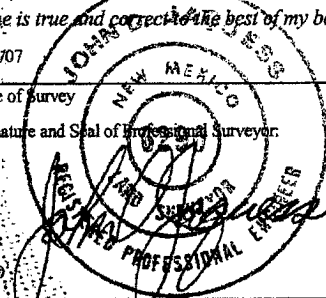
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¹² Dedicated Acres 40.0	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶ 990' 330'				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature Date 2-10-07 Sam L. Shackelford Printed Name
	NM-77042			¹⁸ 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. 1/31/07 Date of Survey Signature and Seal of Professional Surveyor:  6290 Certificate Number

SUPPLEMENTAL DRILLING DATA

FORD FEDERAL #2
990' FNL & 330' FWL,
Sec. 20, T-16S, R-31E, NMPM

Eddy County, New Mexico

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Order No.1:

1. SURFACE FORMATION: Red Beds, Sand and Sandstone

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Base/Salt	-	1570'
Grayburg	-	3000'
Premier	-	3210'
San Andres	-	3295'
Lovington	-	3400'

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

Fresh Water	-	300' or less in sandstone Triassic Duckum Group
Oil	-	Premier - 3230' Lovington - 3390' San Andres - 3900'
Gas	-	Penrose - 2880'

4. PROPOSED CASING PROGRAM:

	8 5/8" J-55	
12 1/4" Hole	8 5/8" X-42	24# 400'
7 7/8" Hole	5 1/2" J-55	17# 4000' 15.5 # 4500'

5. PROPOSED CEMENTING PROGRAM:

Surface to 400'	250 sx Premium Plus, circulated
Production casing	400 sx HLC w/flocele
	300 sx Premium Plus Circulate to surface

6. PROPOSED DRILLING PROGRAM:

Primero Operating, Inc. proposes to drill and test the San Andres Formation. Approximately 400' of surface casing will be set and cemented to surface. 5 1/2" production casing will be set and cemented with adequate cover, perforated and stimulated as needed for production.

7. PRESSURE CONTROL EQUIPMENT:

Blowout preventer will consist of 2 ram, 2M system. A sketch of the BOP is attached.

8. CIRCULATION MEDIUM:

Mud Drilling

See
COA

9. AUXILIARY EQUIPMENT:

Full opening drill string safety valve fit for the drill string in use, will be kept on the rig floor at all times.

10. TESTING, LOGGING AND CORING PROGRAM:

Samples: Catch samples from surface to TD.
DST's: None anticipated
Logging: Open Hole Logging: 400' to 4000'
Platform Express Three Detector Litho-Density,
Compensated Neutron/GR
Platform Express Azimuthal Laterlog Micro-CFL/GR

11. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:

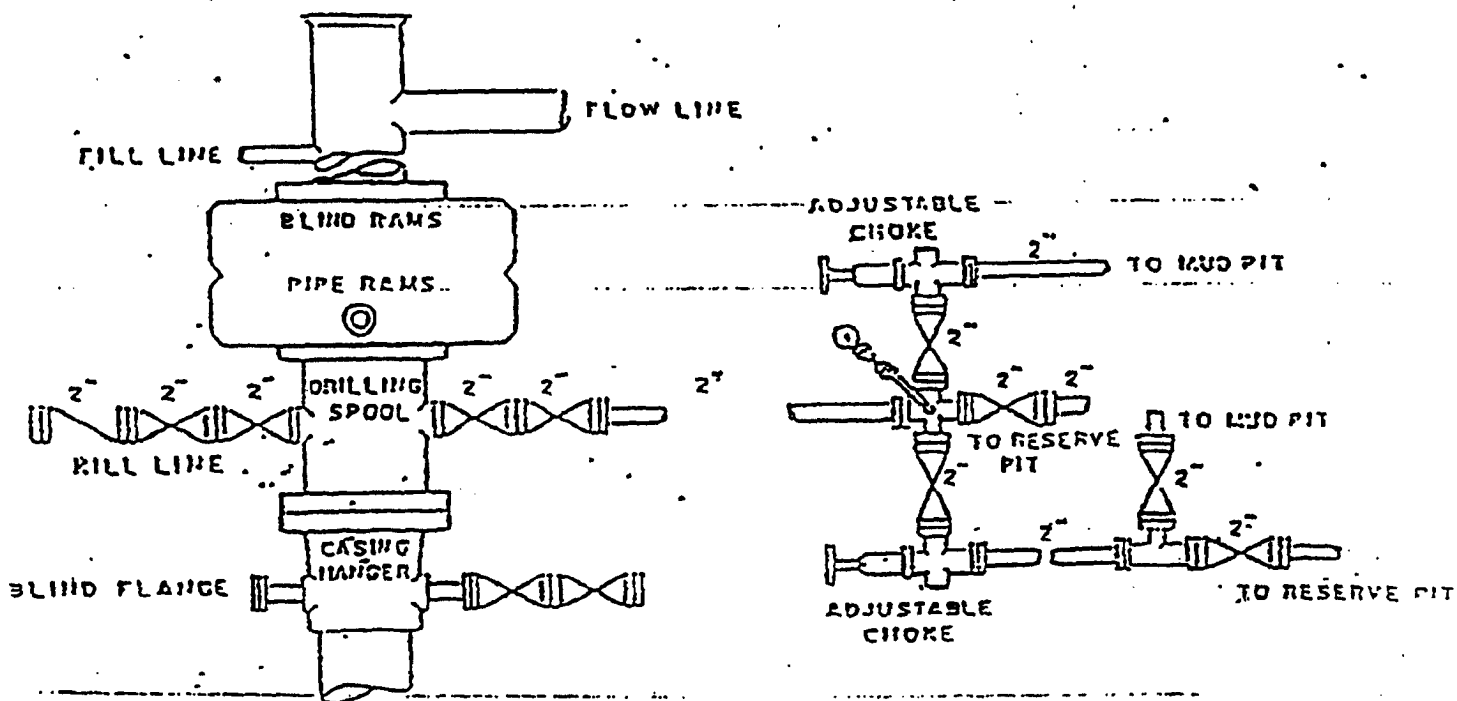
None Anticipated

12. ANTICIPATED STARTING DATE:

On or before 3-1-07. Drilling should be completed within 20 days. Completion operations will follow the drilling operations.

Ford Federal #2
990' FNL - 330' FWL
Section 20, T-16S, R-31E, NMPM
Eddy County, New Mexico

EXHIBIT "D"



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: **Primero Operation, Inc.**
Well Name & No. **Ford Federal # 2**
Location: **990'FNL, 330'FWL, SEC20, T16S, R31E, Eddy County, NM**
Lease: **NM-77042**

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance, at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

1. Spudding
2. Cementing casing: 8.625 inch 5.5 inch
3. BOP tests

B. A Hydrogen Sulfide (H₂S) Drilling Plan is N/A. A copy of the plan shall be posted at the drilling site.

C. 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.

D. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute. (R-111-P area only)

E. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The 8.625 inch surface casing shall be set at 575 feet and cement circulated to the surface.

1. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on Cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 5.5 inch production casing is **cement shall circulate to the surface.**

D. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

- A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. and in API RP53.
- B. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 8.625 inch casing shall be 2000 psi.
- C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
1. The tests shall be done by an independent service company.
 2. The results of the test shall be reported to the appropriate BLM office.
 3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of the independent service company test will be submitted to the appropriate BLM office.
 4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if the test is done with a test plug and 30 minutes without a test plug.
 5. A variance to test the _____ to the reduced pressure of ____psi with the rig pumps is approved the BOP/BOPE must be tested by an independent service company.

IV. Mud

1. Fresh water based mud with a weight of approximately 8.4 ppg will be used to drill the well bore for the surface casing.
2. A brine based mud will be used to drill the well bore for the production casing, with a maximum mud weight of approximately 9.8 ppg.

V. Hazards:

1. Our geologist has identified the potential for lost circulation in the Redbeds, Grayburg and San Andres as well as Karst features.
2. Our geologist has identified the potential for flows in the Artesia and Salado groups.

Engineering may be contacted at 505-706-2779 for variances if necessary.

FWright 2/21/07