

Form 3160-3
(August 1999) - Yock
FEB - 5 2007
OCD - ARTESIA, NM

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

ATS-07-133
FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.
LC-070286

If Indian, Allottee or Tribe Name

1a. Type of Work: ☒ DRILL

☒ REENTER

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

☐ Single Zone ☐ Multiple Zone

2. Name of Operator

V-F Petroleum, Inc.

3a. Address

P.O. Box 1889 Midland, TX 79702

3b. Phone No. (include area code)

432-687-0008

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

1650' FSL & 1800' FEL

At proposed prod. zone 990' FSL & 1650' FWL

CAPTAN CONTROLLED WATER BASIN

14. Distance in miles and direction from nearest town or post office*

17 miles NE of Carlsbad, NM

15. Distance from proposed*

location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

SL = 1650'

BHL = 990'

16. No. of Acres in lease

320

17. Spacing Unit dedicated to this well

320

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

150'

19. Proposed Depth

12,700' TVD

20. BLM/BIA Bond No. on file

NM-2246

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

3375' GL

22. Approximate date work will start*

1/15/07

23. Estimated duration

40-50 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.

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

George R. Smith

Name (Printed Typed)

George R. Smith

Date

11/28/06

Title

Agent for: V-F Petroleum, Inc.

Approved by (Signature)

/s/ Linda S.C. Rundell

Name (Printed Typed)

/s/ Linda S.C. Rundell

Date

JAN 26 2007

Title

STATE DIRECTOR

Office

NM STATE 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 reverse)

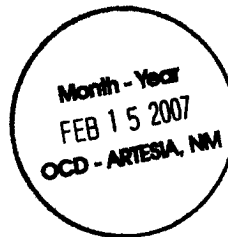
Lease Responsibility Statement: V-F Petroleum, Inc. accepts all applicable terms, conditions, stipulations, and restrictions
concerning operations conducted on the leased land or portion thereof.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

George R. Smith, agent

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Refer to R-3022.0



ENERGY ADMINISTRATIVE SERVICES CO.

OIL and GAS

P. O. BOX 458

ROSWELL, NEW MEXICO 88202

TELEPHONE (505) 623-4940

STATEMENT

Date: February 14, 2007

To: New Mexico Oil Conservation Div.
1301 W. Grand Ave.
Artesia, NM 88210

Attn: Bryan Arrant

Re: Hudson Federal (BB)., Well No. 2, Eddy County, NM
Surface Location: 1650' FSL & 1800' FEL, Sec. 29-T20S-R30E

Dear Bryan:

Enclosed is the corrected copy of the current Survey Plat Form #C-102, as you requested. I was not sure exactly what else to put on the plat, but you can add anything that might be required. The well appears to comply with OCD Order No. R-3022-D, copy is enclosed.

If there is anything else or any questions, please call me.

Yours truly,


George R. Smith

Encl.

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.
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

API Number		Pool Code 76080	Pool Name Dos-Hermanos-Morrow Gas
Property Code	Property Name Hudson Federal (BB)		Well Number 2
GRID No. 24010	Operator Name V-F Petroleum, Inc.		Elevation 3375'

10 Surface Location

UL or lot no. J	Section 29	Township 20S	Range 30E	Lot Idn	Feet from the 1650'	North/South line South	Feet from the 1800'	East/West line East	County Eddy
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11 Bottom Hole Location If Different From Surface

UL or lot no. N	Section 29	Township 20S	Range 30E	Lot Idn	Feet from the 990'	North/South line South	Feet from the 1650'	East/West line West	County Eddy
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No. R-3022-D						

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		State	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 undivided 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. <u>George R. Smith</u> 11/28/06 Signature Date George R. Smith, agent Printed Name
		LC-070286	

P.P. = 1038' FSL / 2185' FWL

Producing Area

MEXICO OIL CONSERVATION COMMISS
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-1
Supersedes C-1-1
Effective 1-1-65

All distances must be from the outer boundaries of the Section

V-F Petroleum, Inc. Texas International Pet. Corp.		(76080) Hudson STATE Federal (BB)		Page 2
J	29	20 South	30 East	Eddy
1800		East	1650	South
3375.0	STRAWN / Morrow	Golden Lane / Dos Hermanos	Dedicated Acreage: 320 / 640	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

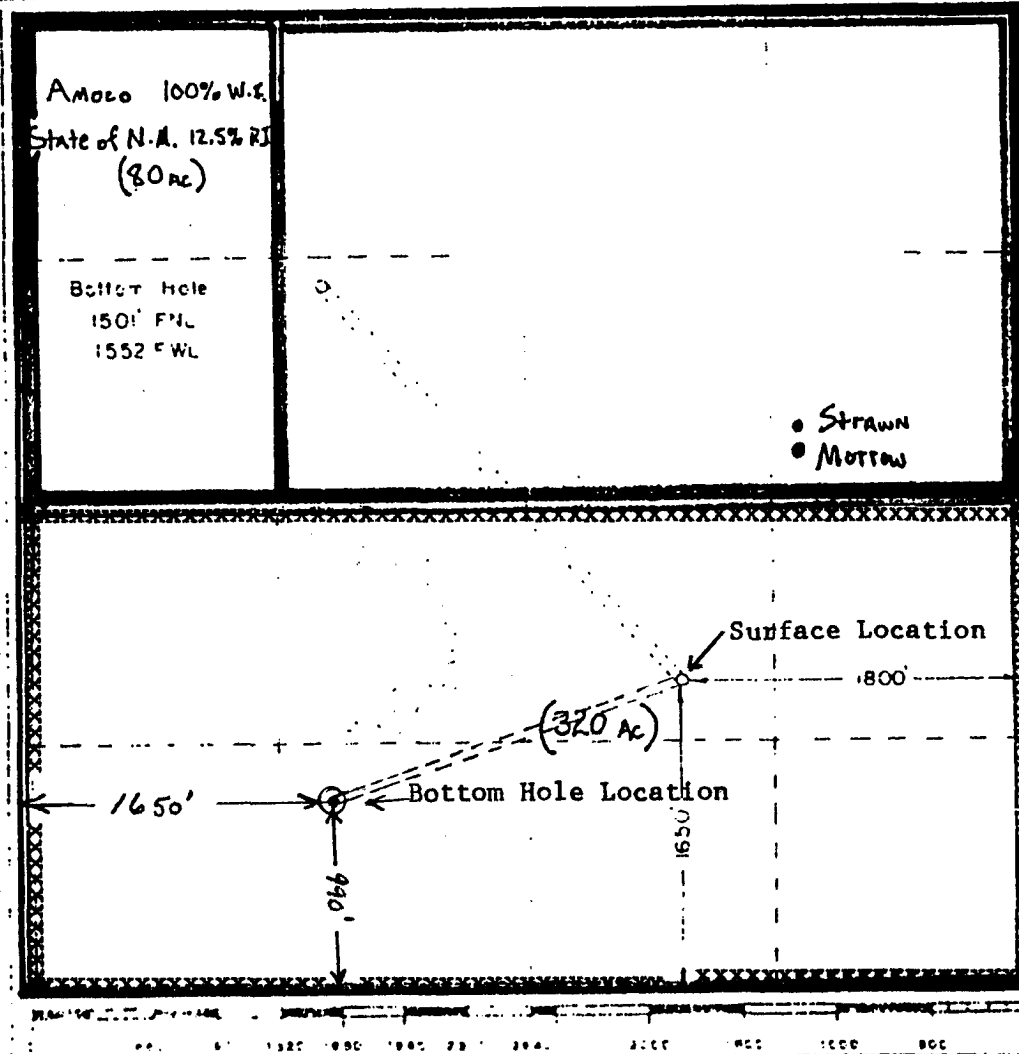
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests been consolidated by communitization, unitization, lease-pooling, etc?

Yes ☐ No ☒ If answer is "yes" type of consolidation O. C. C. ARTEBIA, OFFICE

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) NONE

No additional will be assigned to the well until all interests have been consolidated (by communitization, unitization, lease-pooling, or otherwise) until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Scott Sanders

Drig. Engr.

TIPCO

3-14-78

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 knowledge and belief.

Date Certified

3/9/78

Certified by Registered Engineer
W. A. J. and Surveyor

John W. West

Certificate No. John W. West 676
Ronald J. Eldson 3239

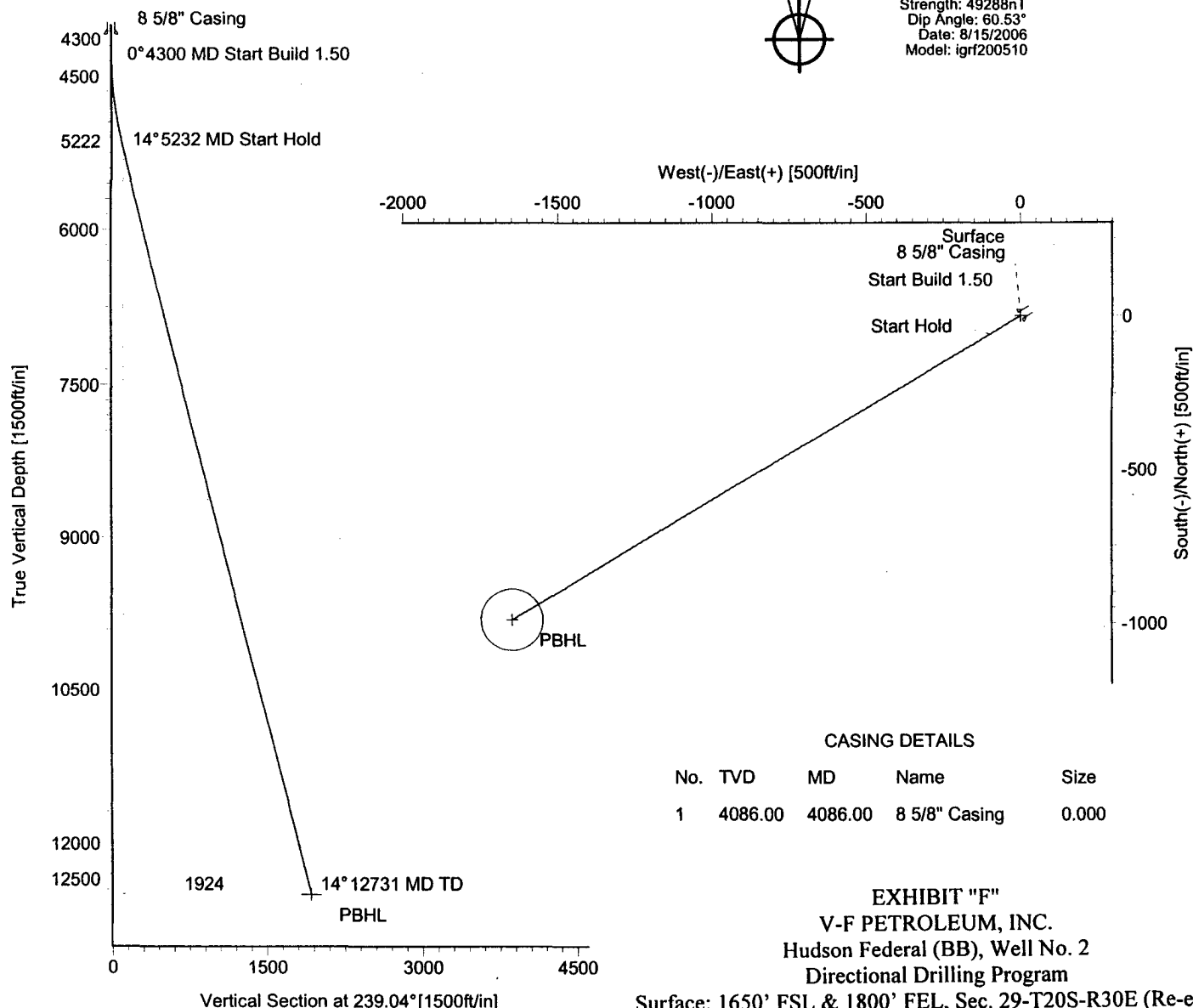
V-F Petroleum

Field: Eddy County, New Mexico
Site: Hudson State #1
Well: Well #1
Wellpath: RE
Plan: Plan #3



Azimuths to Grid North
True North: -0.18°
Magnetic North: 8.18°

Magnetic Field
Strength: 49288nT
Dip Angle: 60.53°
Date: 8/15/2006
Model: igrf200510



CASING DETAILS

No.	TVD	MD	Name	Size
1	4086.00	4086.00	8 5/8" Casing	0.000

EXHIBIT "F"

V-F PETROLEUM, INC.
Hudson Federal (BB), Well No. 2
Directional Drilling Program

Surface: 1650' FSL & 1800' FEL, Sec. 29-T20S-R30E (Re-entry)
Production: 990 FSL & 1650' FWL, Sec. 29-T20S-R30E

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
Surface	0.00	0.00	0.00	560879.60	605544.75	32°32'29.400N	103°59'27.000W	Point
PBHL	12500.00	-990.00	-1650.00	559889.60	603894.75	32°32'19.655N	103°59'46.312W	Circle (Radius: 100)

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.00	0.00	239.04	0.00	0.00	0.00	0.00	0.00	0.00	
2	4300.00	0.00	239.04	4300.00	0.00	0.00	0.00	0.00	0.00	
3	5231.68	13.98	239.04	5222.47	-58.17	-96.95	1.50	239.04	113.06	
4	12731.19	13.98	239.04	12500.00	-990.00	-1650.00	0.00	0.00	1924.21	PBHL



Drilling Systems, Inc.

LEAM DRILLING SYSTEMS, INC.
101 Industrial Court Conroe, Texas 77301
Phone: 936-756-7577 Fax: 936-756-7595

Plan: Plan #3 (Well #1/RE)

Created By: Nora Tucker Date: 11/3/2006
Checked: _____ Date: _____
Reviewed: _____ Date: _____
Approved: _____ Date: _____

LEAM Drilling Systems, Inc.

Planning Report

Company: V-F Petroleum Field: Eddy County, New Mexico Site: Hudson State #1 Well: Well #1 Wellpath: RE Field: Eddy County, New Mexico	Date: 11/3/2006 Time: 10:23:25 Page: 1 Co-ordinate(NE) Reference: Well: Well #1, Grid North Vertical (TVD) Reference: SITE 0.0 Section (VS) Reference: Well (0.00N,0.00E,239.04Azi) Survey Calculation Method: Minimum Curvature Db: Sybase
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Map System: US State Plane Coordinate System 1927 Geo Datum: NAD27 (Clarke 1866) Sys Datum: Mean Sea Level	Map Zone: New Mexico, Eastern Zone Coordinate System: Well Centre Geomagnetic Model: igrf200510
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Site: Hudson State #1

Site Position:	From: Geographic	Northing: 560879.60 ft	Latitude: 32 32 29.400 N
		Easting: 605544.75 ft	Longitude: 103 59 27.000 W
Position Uncertainty:	0.00 ft		North Reference: Grid
Ground Level:	3375.00 ft		Grid Convergence: 0.18 deg

Well: Well #1

Slot Name:

Well Position:	+N/-S 0.00 ft	Northing: 560879.60 ft	Latitude: 32 32 29.400 N
	+E/-W 0.00 ft	Easting: 605544.75 ft	Longitude: 103 59 27.000 W
Position Uncertainty:	0.00 ft		

Wellpath: RE

Current Datum: SITE	Height 0.00 ft	Drilled From: Surface	
Magnetic Data: 8/15/2006		Tie-on Depth: 0.00 ft	
Field Strength: 49288 nT		Above System Datum: Mean Sea Level	
Vertical Section: Depth From (TVD)		Declination: 8.37 deg	
		Mag Dip Angle: 60.53 deg	
		+E/-W	Direction
		ft	deg
	0.00	0.00	0.00
			239.04

Plan: Plan #3

Date Composed: 11/3/2006
Version: 1
Tied-to: From Surface

Principal: No

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
0.00	0.00	239.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4300.00	0.00	239.04	4300.00	0.00	0.00	0.00	0.00	0.00	0.00	
5231.68	13.98	239.04	5222.47	-58.17	-96.95	1.50	1.50	0.00	239.04	
12731.19	13.98	239.04	12500.00	-990.00	-1650.00	0.00	0.00	0.00	0.00	PBHL

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
4300.00	0.00	239.04	4300.00	0.00	0.00	0.00	0.00	0.00	0.00	
4400.00	1.50	239.04	4399.99	-0.67	-1.12	1.31	1.50	1.50	0.00	
4500.00	3.00	239.04	4499.91	-2.69	-4.49	5.23	1.50	1.50	0.00	
4600.00	4.50	239.04	4599.69	-6.06	-10.10	11.77	1.50	1.50	0.00	
4700.00	6.00	239.04	4699.27	-10.77	-17.94	20.92	1.50	1.50	0.00	
4800.00	7.50	239.04	4798.57	-16.81	-28.02	32.68	1.50	1.50	0.00	
4900.00	9.00	239.04	4897.54	-24.20	-40.33	47.03	1.50	1.50	0.00	
5000.00	10.50	239.04	4996.09	-32.91	-54.85	63.96	1.50	1.50	0.00	
5100.00	12.00	239.04	5094.16	-42.94	-71.57	83.47	1.50	1.50	0.00	
5200.00	13.50	239.04	5191.70	-54.30	-90.50	105.54	1.50	1.50	0.00	
5231.68	13.98	239.04	5222.47	-58.17	-96.95	113.06	1.50	1.50	0.00	
5300.00	13.98	239.04	5288.77	-66.66	-111.10	129.56	0.00	0.00	0.00	
5400.00	13.98	239.04	5385.81	-79.08	-131.81	153.71	0.00	0.00	0.00	
5500.00	13.98	239.04	5482.85	-91.51	-152.52	177.86	0.00	0.00	0.00	
5600.00	13.98	239.04	5579.89	-103.93	-173.22	202.01	0.00	0.00	0.00	
5700.00	13.98	239.04	5676.93	-116.36	-193.93	226.16	0.00	0.00	0.00	
5800.00	13.98	239.04	5773.97	-128.79	-214.64	250.31	0.00	0.00	0.00	

LEAM Drilling Systems, Inc.

Planning Report

Company: V-F Petroleum
Field: Eddy County, New Mexico
Site: Hudson State #1
Well: Well #1
Wellpath: RE

Date: 11/3/2006 Time: 10:23:25 Page: 2
Co-ordinate(NE) Reference: Well: Well #1, Grid North
Vertical (TVD) Reference: SITE 0.0
Section (VS) Reference: Well (0.00N,0.00E,239.04Azi)
Survey Calculation Method: Minimum Curvature Db: Sybase

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
5900.00	13.98	239.04	5871.01	-141.21	-235.35	274.46	0.00	0.00	0.00	
6000.00	13.98	239.04	5968.05	-153.64	-256.06	298.61	0.00	0.00	0.00	
6100.00	13.98	239.04	6065.09	-166.06	-276.77	322.76	0.00	0.00	0.00	
6200.00	13.98	239.04	6162.13	-178.49	-297.48	346.91	0.00	0.00	0.00	
6300.00	13.98	239.04	6259.17	-190.91	-318.19	371.06	0.00	0.00	0.00	
6400.00	13.98	239.04	6356.21	-203.34	-338.89	395.21	0.00	0.00	0.00	
6500.00	13.98	239.04	6453.25	-215.76	-359.60	419.36	0.00	0.00	0.00	
6600.00	13.98	239.04	6550.29	-228.19	-380.31	443.52	0.00	0.00	0.00	
6700.00	13.98	239.04	6647.33	-240.61	-401.02	467.67	0.00	0.00	0.00	
6800.00	13.98	239.04	6744.37	-253.04	-421.73	491.82	0.00	0.00	0.00	
6900.00	13.98	239.04	6841.41	-265.46	-442.44	515.97	0.00	0.00	0.00	
7000.00	13.98	239.04	6938.45	-277.89	-463.15	540.12	0.00	0.00	0.00	
7100.00	13.98	239.04	7035.49	-290.31	-483.85	564.27	0.00	0.00	0.00	
7200.00	13.98	239.04	7132.53	-302.74	-504.56	588.42	0.00	0.00	0.00	
7300.00	13.98	239.04	7229.57	-315.16	-525.27	612.57	0.00	0.00	0.00	
7400.00	13.98	239.04	7326.61	-327.59	-545.98	636.72	0.00	0.00	0.00	
7500.00	13.98	239.04	7423.65	-340.01	-566.69	660.87	0.00	0.00	0.00	
7600.00	13.98	239.04	7520.69	-352.44	-587.40	685.02	0.00	0.00	0.00	
7700.00	13.98	239.04	7617.73	-364.86	-608.11	709.17	0.00	0.00	0.00	
7800.00	13.98	239.04	7714.77	-377.29	-628.82	733.32	0.00	0.00	0.00	
7900.00	13.98	239.04	7811.81	-389.71	-649.52	757.47	0.00	0.00	0.00	
8000.00	13.98	239.04	7908.85	-402.14	-670.23	781.62	0.00	0.00	0.00	
8100.00	13.98	239.04	8005.89	-414.56	-690.94	805.77	0.00	0.00	0.00	
8200.00	13.98	239.04	8102.93	-426.99	-711.65	829.92	0.00	0.00	0.00	
8300.00	13.98	239.04	8199.97	-439.42	-732.36	854.07	0.00	0.00	0.00	
8400.00	13.98	239.04	8297.01	-451.84	-753.07	878.22	0.00	0.00	0.00	
8500.00	13.98	239.04	8394.05	-464.27	-773.78	902.37	0.00	0.00	0.00	
8600.00	13.98	239.04	8491.09	-476.69	-794.48	926.52	0.00	0.00	0.00	
8700.00	13.98	239.04	8588.13	-489.12	-815.19	950.67	0.00	0.00	0.00	
8800.00	13.98	239.04	8685.17	-501.54	-835.90	974.82	0.00	0.00	0.00	
8900.00	13.98	239.04	8782.21	-513.97	-856.61	998.97	0.00	0.00	0.00	
9000.00	13.98	239.04	8879.25	-526.39	-877.32	1023.12	0.00	0.00	0.00	
9100.00	13.98	239.04	8976.29	-538.82	-898.03	1047.27	0.00	0.00	0.00	
9200.00	13.98	239.04	9073.33	-551.24	-918.74	1071.42	0.00	0.00	0.00	
9300.00	13.98	239.04	9170.37	-563.67	-939.45	1095.57	0.00	0.00	0.00	
9400.00	13.98	239.04	9267.41	-576.09	-960.15	1119.72	0.00	0.00	0.00	
9500.00	13.98	239.04	9364.45	-588.52	-980.86	1143.87	0.00	0.00	0.00	
9600.00	13.98	239.04	9461.49	-600.94	-1001.57	1168.02	0.00	0.00	0.00	
9700.00	13.98	239.04	9558.53	-613.37	-1022.28	1192.17	0.00	0.00	0.00	
9800.00	13.98	239.04	9655.57	-625.79	-1042.99	1216.32	0.00	0.00	0.00	
9900.00	13.98	239.04	9752.61	-638.22	-1063.70	1240.47	0.00	0.00	0.00	
10000.00	13.98	239.04	9849.65	-650.64	-1084.41	1264.62	0.00	0.00	0.00	
10100.00	13.98	239.04	9946.69	-663.07	-1105.11	1288.77	0.00	0.00	0.00	
10200.00	13.98	239.04	10043.73	-675.49	-1125.82	1312.92	0.00	0.00	0.00	
10300.00	13.98	239.04	10140.77	-687.92	-1146.53	1337.07	0.00	0.00	0.00	
10400.00	13.98	239.04	10237.81	-700.34	-1167.24	1361.22	0.00	0.00	0.00	
10500.00	13.98	239.04	10334.85	-712.77	-1187.95	1385.37	0.00	0.00	0.00	
10600.00	13.98	239.04	10431.89	-725.19	-1208.66	1409.53	0.00	0.00	0.00	
10700.00	13.98	239.04	10528.93	-737.62	-1229.37	1433.68	0.00	0.00	0.00	
10800.00	13.98	239.04	10625.97	-750.05	-1250.08	1457.83	0.00	0.00	0.00	
10900.00	13.98	239.04	10723.01	-762.47	-1270.78	1481.98	0.00	0.00	0.00	
11000.00	13.98	239.04	10820.05	-774.90	-1291.49	1506.13	0.00	0.00	0.00	
11100.00	13.98	239.04	10917.09	-787.32	-1312.20	1530.28	0.00	0.00	0.00	

LEAM Drilling Systems, Inc.

Planning Report

Company: V-F Petroleum
Field: Eddy County, New Mexico
Site: Hudson State #1
Well: Well #1
Wellpath: RE

Date: 11/3/2006 **Time:** 10:23:25 **Page:** 3
Co-ordinate(NE) Reference: Well: Well #1, Grid North
Vertical (TVD) Reference: SITE 0.0
Section (VS) Reference: Well (0.00N,0.00E,239.04Azi)
Survey Calculation Method: Minimum Curvature **Db:** Sybase

Survey

MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	Tool/Comment
11200.00	13.98	239.04	11014.13	-799.75	-1332.91	1554.43	0.00	0.00	0.00	
11300.00	13.98	239.04	11111.17	-812.17	-1353.62	1578.58	0.00	0.00	0.00	
11400.00	13.98	239.04	11208.21	-824.60	-1374.33	1602.73	0.00	0.00	0.00	
11500.00	13.98	239.04	11305.25	-837.02	-1395.04	1626.88	0.00	0.00	0.00	
11600.00	13.98	239.04	11402.29	-849.45	-1415.74	1651.03	0.00	0.00	0.00	
11700.00	13.98	239.04	11499.33	-861.87	-1436.45	1675.18	0.00	0.00	0.00	
11800.00	13.98	239.04	11596.37	-874.30	-1457.16	1699.33	0.00	0.00	0.00	
11900.00	13.98	239.04	11693.41	-886.72	-1477.87	1723.48	0.00	0.00	0.00	
12000.00	13.98	239.04	11790.45	-899.15	-1498.58	1747.63	0.00	0.00	0.00	
12100.00	13.98	239.04	11887.49	-911.57	-1519.29	1771.78	0.00	0.00	0.00	
12200.00	13.98	239.04	11984.53	-924.00	-1540.00	1795.93	0.00	0.00	0.00	
12300.00	13.98	239.04	12081.57	-936.42	-1560.71	1820.08	0.00	0.00	0.00	
12400.00	13.98	239.04	12178.61	-948.85	-1581.41	1844.23	0.00	0.00	0.00	
12500.00	13.98	239.04	12275.65	-961.27	-1602.12	1868.38	0.00	0.00	0.00	
12600.00	13.98	239.04	12372.69	-973.70	-1622.83	1892.53	0.00	0.00	0.00	
12700.00	13.98	239.04	12469.73	-986.12	-1643.54	1916.68	0.00	0.00	0.00	
12731.19	13.98	239.04	12500.00	-990.00	-1650.00	1924.21	0.00	0.00	0.00	PBHL

Targets

Name	Description Dip.	Dir.	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	<--- Latitude ---> Deg Min Sec			<--- Longitude ---> Deg Min Sec		
Surface			0.00	0.00	0.00	560879.60	605544.75	32	32	29.400 N	103	59	27.000 W
PBHL			12500.00	-990.00	-1650.00	559889.60	603894.75	32	32	19.655 N	103	59	46.312 W
-Circle (Radius: 100)													
-Plan hit target													

Casing Points

MD ft	TVD ft	Diameter in	Hole Size in	Name
4086.00	4086.00	0.000	0.000	8 5/8" Casing

Formations

MD	TVD	Formations	Lithology	Dip Angle	Dip Direction
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APPLICATION FOR DRILLING

V-F PETROLEUM, INC.

Hudson Federal (BB), Well No. 2

Surface: 1650' FSL & 1800' FEL, Sec. 29-T20S-R30E (Re-entry)

Production: 990' FSL & 1650' FWL, Sec. 29-T20S-R30E

Eddy County, New Mexico

Lease No.: LC-070286

(Development Well)

In conjunction with Form C-101, Application for Permit to Drill subject well, V-F Petroleum, Inc. submits the following items of pertinent information in accordance with NMOCD request:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

	Vertical Depth		
Rustler	160'	Wolfcamp	9,900'
Top of salt	450'	Cisco	10,650'
Base of salt	1000'	Strawn	11,000'
Yates	1,562'	Middle Strawn Limestone	11,200'
Capitan Reef	2,037'	Atoka	11,450'
Base of Reef	3,823'	Upper Morrow	11,675'
Delaware	3,874'	Middle Morrow	12,050'
Bone Spring	6,525'	Lower Morrow	12,375'
		Chester	12,560'
		T.D.	12,700'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.

Oil: None expected.

Gas: Possible in the Strawn below 11,000', Atoka below 11,450' and the Morrow below 11,675'.

4. Proposed Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	QUANTITY OF CEMENT
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EXISTING CASING IN HOLE:

26"	20"	94.0#	H-40	ST&C	521'	Circ. 1185 sx "C"/lite POZ to surface.
17 1/2"	13 3/8"	54.5#	K-55	ST&C	1,655'	Circ. 1150 sx "C"/lite POZ to surface
12 1/4"	8 5/8"	24.0#	K-55	ST&C	4,033'	Circ. 1496 sx "C"/lite POZ to surface.

NEW CASING PROGRAM TO TOTAL VERTICAL DEPTH:

7 7/8"	5 1/2"	17.0#	P110	LT&C	12,700'	750 sx "H" returned to 8,000' for TOC.
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NOTE: Deviation Requirements: Commencing at 4,300': Kick off and build angle at 1.5 degrees per 100 feet. Drill and build curve section to 13.98 degrees to T.D. See Exhibit "F".

5. Proposed Control Equipment: A 12" 5000 psi wp Shaffer Type LWS Double Gate BOP will be installed on the 13 3/8" casing. The existing 8 5/8" casing and BOP will be tested according to Onshore Oil & Gas Order #2, not to exceed maximum surface estimated pressures of 2800 psi wp, before drilling out with 8 3/4" and will be tested regularly. See Exhibit "E".

7 7/8"

V-F PETROLEUM, Inc.

Hudson Federal (BB), Well No. 2

Page 2

6. MUD PROGRAM:		MUD WEIGHT	VIS.	W/L CONTROL
0' - 4,300':	Fresh water mud:	8.4 - 8.5 ppg	28 - 29	No W/L control
4,300' - 8,000':	Fresh water mud	8.4 - 9.5 ppg	28 - 29	No W/L control
8,000' - 10,000':	FW Plus brine mud:	9.4 - 9.5 ppg	29 - 30	No W/L control
10,000' - 12,700':	Brine mud:	9.6 - 10.0 ppg	34 - 36	W/L cont. 8 - 10 cc in Morrow

Note: Drill out plugs at surface, 521' - 1655', and 4000' - 4083'.

7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, and stabbing valve.

8. Testing, Logging, and Coring Program:

Drill Stem Tests: Possible multiple DST's in Strawn for pressure data. Possible RFT's @ TD

Logging: T.D. to 4033': GR-Calip.-Comp. Neutron - Pe-Density, DLL w/MSFL

4033' to Surface: GR-Comp. Neutron

Coring: None planned

9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated maximum BHP = 5588 and Surface Pressure = 2794 with a temperature of 187.

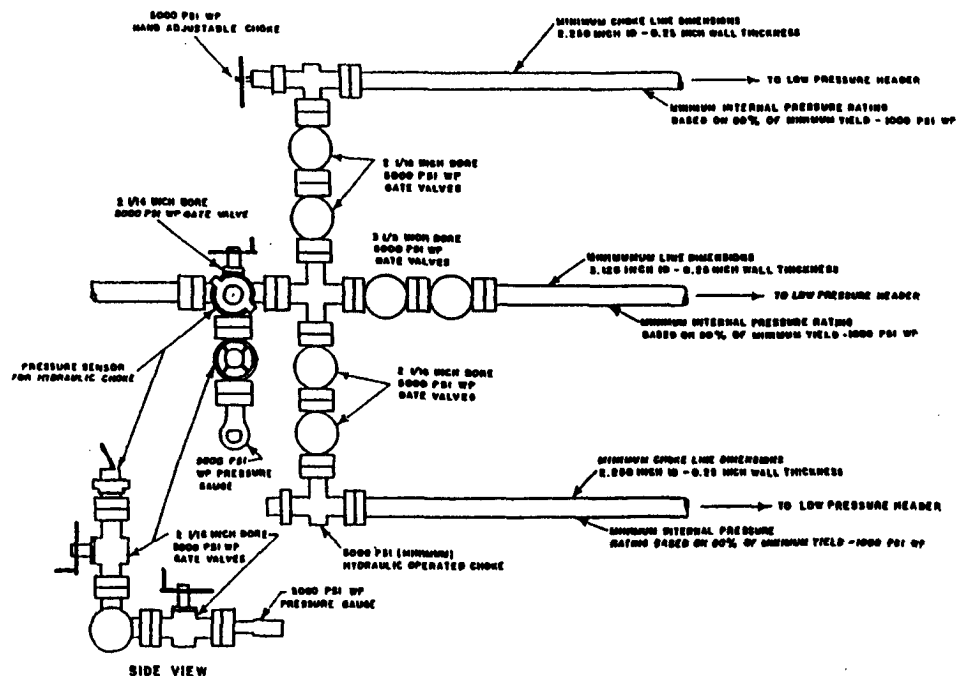
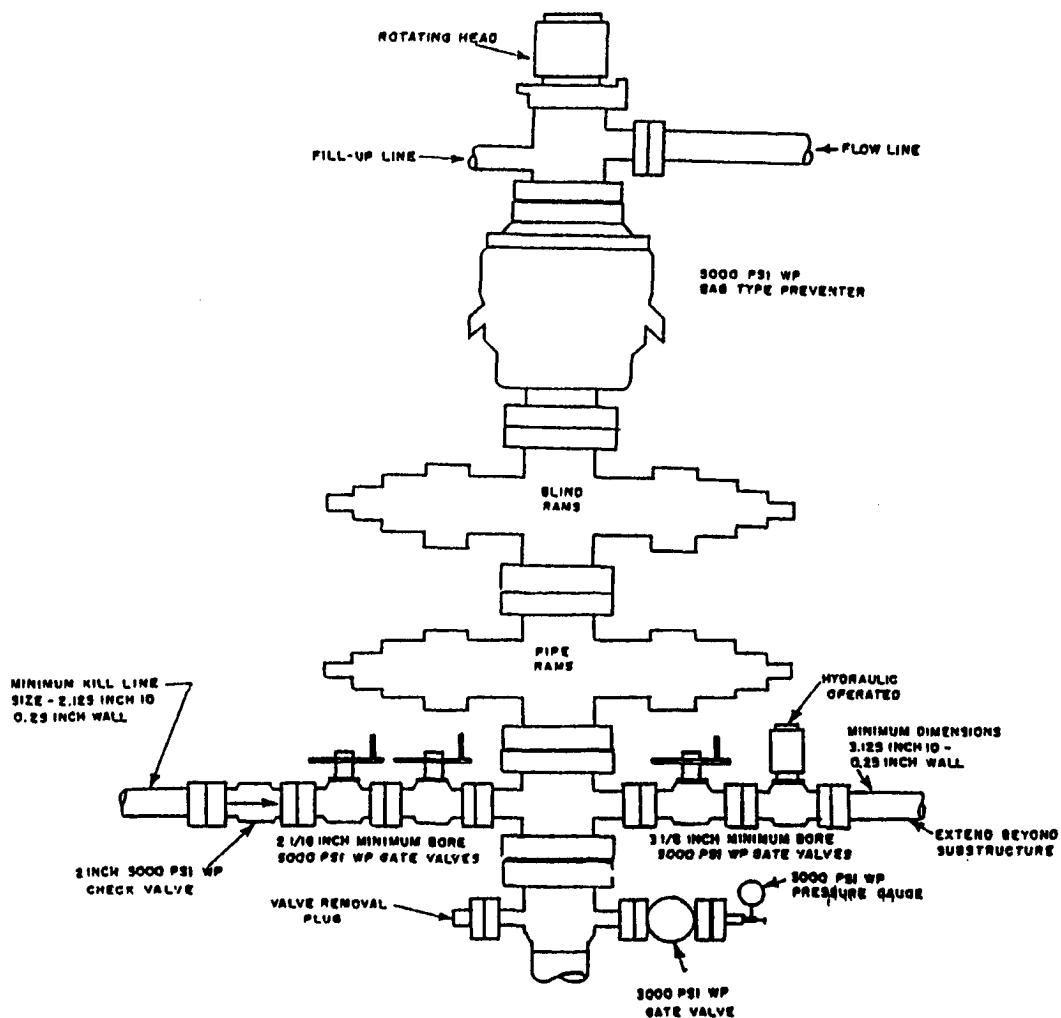
10. H₂S: None expected. None in Hudson Federal (BB) #1 drilled in Sec. 29-T20S-R30E. The Mud Log Unit will be cautioned to use a gas trap to detect H₂S and if any is detected the mud weight will be increased along with H₂S inhibitors sufficient to control the gas.

11. Anticipated starting date: January 15, 2007

Anticipated completion of drilling operations: Approximately 40-50 days.

5000 PSI WORKING PRESSURE BLOWOUT PREVENTER STACK

EXHIBIT C-1



5000 PSI WORKING PRESSURE CHOKE MANIFOLD

EXHIBIT C-2

EXHIBIT "E"
V-F PETROLEUM, INC.
Hudson Federal (BB), Well No. 2
BOP Specifications

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 2-Hudson Federal (BB)
Operator's Name: V-F Petroleum, Inc.
Location SHL : 1650FSL, 1800FEL, Section 29, T-20-S, R-30-E
Location BHL: 0990FSL, 1650FWL, Section 29, T-20-S, R-30-E
Lease: LC-070286

I. DRILLING OPERATIONS REQUIREMENTS:

RE-ENTRY

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5972 or (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:

A. Spudding

B. Cementing casing: 20 inch 13-5/8 inch 8-5/8 inch EXISTING CASING
5-1/2 inch casing to be run to 12,700' TVD.

C. BOP tests

2. **Although no Hydrogen Sulfide has been reported in this section, it is always a possible hazard.**

3. 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.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

7. 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.

II. CASING:

1. The 20 inch surface casing set at 521 feet and circulated to surface.

**Possible lost circulation in Artesia Group, Delaware, and Bone Spring formations.
High probability of karst features.**

2. The 13-3/8 inch intermediate casing is set at 1655 feet with cement circulated to surface.

3. The 8-5/8 inch intermediate casing is set at 4033 feet with cement circulated to surface.

4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 200 feet into the intermediate casing.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 5M psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- 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.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.
- BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

IV. DRILLING MUD:

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

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

Engineer on call phone: 505-706-2779

WWI 122606