

OCD-ARTESIA 11-0093

ATS-10-796

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SECRETARY'S POTASH

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NA NM 01877
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Mesquite SWD, Inc. 161968		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 1479 Carlsbad, NM 88221		8. Lease Name and Well No. Big Eddy SWD #1 38571
3b. Phone No. (include area code) 575-706-1840		9. API Well No. 30-015-05819
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 660' FSL & 660' FEL (P) At proposed prod. zone Same		10. Field and Pool, or Exploratory NA
14. Distance in miles and direction from nearest town or post office* 17 miles SSE from Loco Hills, NM		11. Sec., T. R. M. or Blk. and Survey or Area Sec. 3, T20S-R31E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease NA	12. County or Parish Eddy
17. Spacing Unit dedicated to this well NA	13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. None	19. Proposed Depth Orig TD 14,205'	20. BLM/BIA Bond No. on file NMB000389
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3494' GL	22. Approximate date work will start* 09/30/2010	23. Estimated duration 15 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 Kay Havenor	Name (Printed/Typed) Kay Havenor	Date 09/07/2010
Title Agent 575-622-0283		
Approved by (Signature)	Name (Printed/Typed)	Date
Title 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.

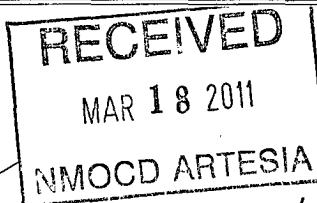
APPROVAL FOR TWO YEARS

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.

(Continued on page 2)

*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL



NM-125702
SWD-1186-0

K2 orloshi

Approval Subject to General Requirements
& Special Stipulations Attached

Capitan Controlled Water Basin

DRILLING/RE-ENTRY PROGRAM

1. Geologic Name of Surface Formation

C-5 Soil map attached. Kermit-Berino fine sands and Wink loamy fine sands overlying Holocene to middle Pleistocene eolian and piedmont deposits.

2. Formation Tops and estimated fresh water: (Note: this well is cased and cemented from surface to 12,970' then open hole to TD 14,205'. The casing will not be perforated for injection.)

Base of potential fresh water bearing Quaternary is estimated at 150 ft. No wells are known or reported by the New Mexico Office of the State Engineer in a 2-mile radius. Ground examination has not found water supply wells or livestock windmill wells.

a. T/Permian (spl's)	390'
b. Salado	724'
c. Estimated T/salt	812'
d. Base of salt	2,077'
e. Yates	2,400'
f. Delaware Mtn Group	4,410'
g. Bone Springs	7,710'
h. Wolfcamp	10,832'
i. Miss Lime	13,280'
j. Woodford	13,782'
k. Siluro-Devonian	13,930'

3. Casing: (Currently in hole)

<u>Hole size</u>	<u>Interval</u>	<u>Casing</u>	<u>Weight</u>	<u>Grade</u>
17-1/2"	0 - 440' 412'	13-3/8"	48#	H-40
12-1/4"	0 - 2365'	9-5/8"	32.5 & 36#	H-40 & J-55
8-3/4"	0 - 11345' 11354'	7-5/8"	26.4, 29.7, 33.7#	N-80
6-5/8"	11345' - 12970'	5-1/2"	20#	N-80
	11247' per well file			

4. Cement Program: (Original completion)

13-3/8" Surface 750 sxs Circ to surface

9-5/8" Intermediate 750 sxs calculates circ to surface

7-5/8" 1st production string cement reported w/5-1/2" as 835 sxs. TOC ≈ 8410'.

5-1/2" Liner w/cement as above item. Perf 8409-8410' sqzd w/600 sxs, reported surface.

circulated to

5. Pressure Control Equipment: *See COA*

The BOP and Manifold, shown on the following diagram. The BOP is a Townsend 81 5000# double ram, manual shut-off, 8" bore. The BOP and manifold test will be to pressure casing/tubing to 2000 psi for 30 minutes prior to reaching 9-5/8" casing shoe at 2365'. BOP equipment will be tested daily during re-entry. Additionally, BOP and equipment will also be tested prior to drilling-out the 5-1/2" casing shoe at 12,970'.

6. Proposed Mud Circulation System:

Fresh water will be used for the re-entry mud system. Drilling and returned circulation will be from and to screened surface tanks. No earthen mud or reserves pits will be constructed or used for this re-entry. Drilling fluids will be trucked to a certified disposal facility upon completion of re-entry operations. Cement cuttings will be removed to a certified disposal facility.

7. Auxiliary Well Control and Monitoring Equipment:

While H₂S monitoring equipment will be on location, the entire cased hole to 12,970' is known not to contain H₂S, it is also cased and cemented with no perforations.

8. Logging, Coring, and Testing Program:

See COA

No logging, coring, perforating, or testing is anticipated.

9. Potential Hazards:

No abnormal pressures or temperatures were encountered in the original drilling. No H₂S was reported in the original drilling. Original BHP was not reported. BHT is estimated at 170°.

*Anticipated BHP = 6620 psi Per Kay Haver 9-9-10
DNW*

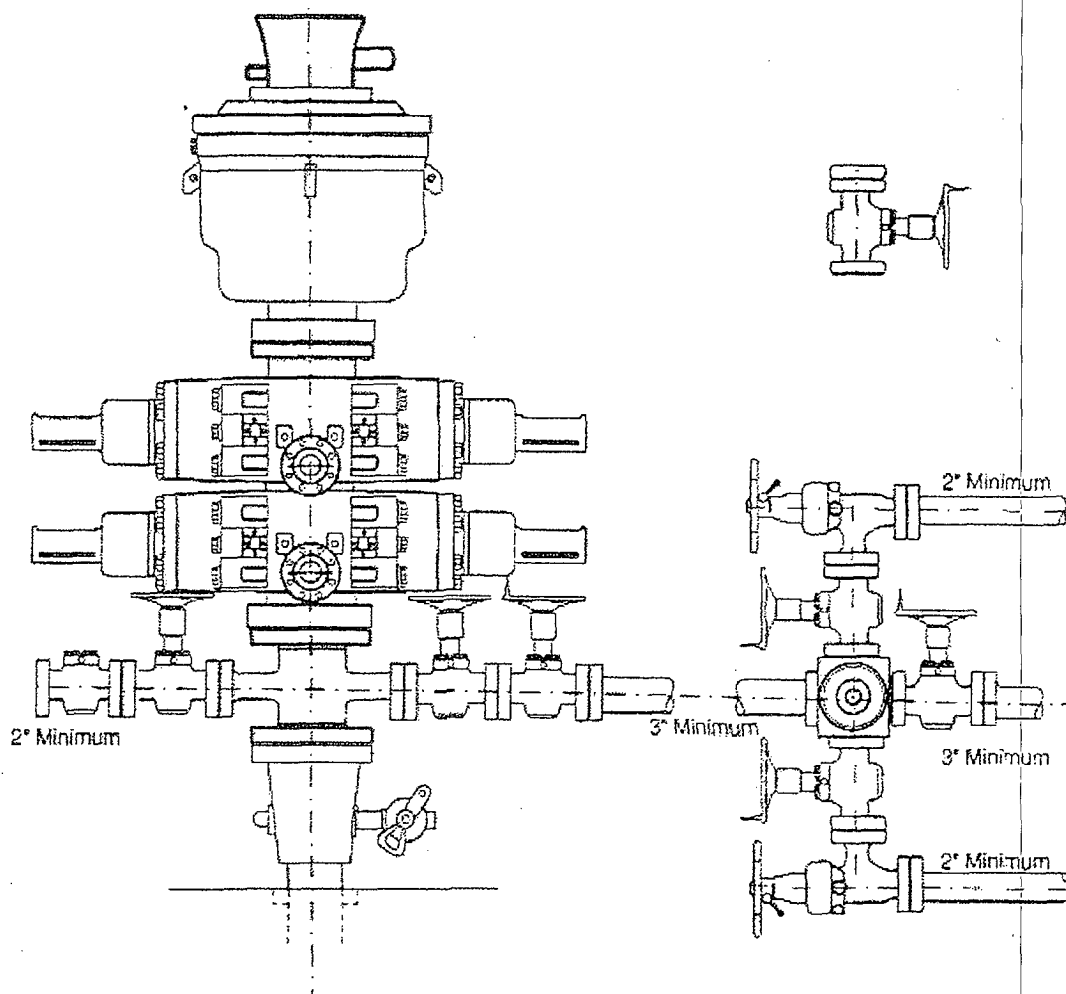
10. Anticipated Starting Date and Duration of Operations:

Road and location repair will begin after the BLM has approved the APD. Re-entry date will follow as soon as deep work-over unit and equipment are available. Re-entry, well preparation for injection, and lease clean-up are expected to require approximately 15 days.

5000 psi BOP and Manifold

Schematic using Townsend 81 Series

Mesquite SWD, Inc. Big Eddy SWD #1
Sec. 3, T20S-R31E Eddy Co. NM



See
COA

DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

38571 Operator MESQUITE SWD INC OGRID # 161968
Well Name & # BIG EDDY SWD #1 Surface Type (F) (S) (P)
Location: UL P, Sect 3, Township 20 s, RNG 31 e, Sub-surface Type (F) (S) (P)

A. Date C101 rec'd / / C101 reviewed / /

B. 1. Check mark, Information is OK on Forms:

OGRID ☒ BONDING FED PROP CODE ☒ WELL # ☒ SIGNATURE

2. Inactive Well list as of: 4/5/11 # wells 18, # 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: 4/5/11

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 SWD; MISSISSIPPIAN - DEVONIAN, Code 96317

a. Dedicated acreage 0, What Units P

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 NA
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 FED

D. Blowout Preventer Yes ☒ No

E. H2S Yes , No

F. C144 Pit Registration Yes , No ☒ need

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 # 1186-0

6. DHC from SF ; DHC-HOB ; Holding

7. OCD Approval Date 04/05/11

API #30-015-05819

8. Reviewers KB