

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

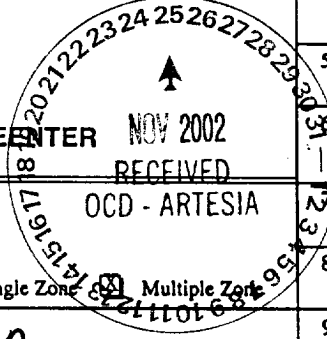
C19F

Form 3160-3
(August 1999)

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

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-99009
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zones		If Indian, Allottee or Tribe Name 30902
2. Name of Operator Threshold Development Company 23032		If Unit or CA Agreement, Name and No. 30902
3a. Address 777 Taylor St. - Penthouse II Fort Worth, TX 76102	3b. Phone No. (include area code) 817-870-1483	8. Lease Name and Well No. Chiricahua R 21 Federal #1
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1115' FNL & 660' FWL (Unit D, NWNW) At proposed prod. zone		9. API Well No. 30-035-20034
14. Distance in miles and direction from nearest town or post office* Approx. 28 miles northwest of Dell City, Texas		10. Field and Pool, or Exploratory Exploratory
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 1943.48	11. Sec., T., R., M., or Blk. and Survey or Area Section 21-T24S-R18E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 5419'	12. County or Parish Otero
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3716' GR	22. Approximate date work will start* ASAP after approval	13. State NM
17. Spacing Unit dedicated to this well 160		
20. BLM/BIA Bond No. on file 0679796 - statewide		
23. Estimated duration 3 weeks		

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>Rusty Klein</i>	Name (Printed/Typed) Rusty Klein	Date <i>Aug. 9, 2002</i>
Title Agent for Threshold Development Company		
Approved by (Signature) <i>Leonard T. Bacca</i>	Name (Printed/Typed) LEONARD T. BACCA	Date <i>Nov 21, 2002</i>
Title ASST FIELD MGR	Office LCFO	

APPROVED FOR 1 YEAR

Application approval does not warrant or certify the 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.

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)

Cement to cover all oil, gas and water bearing zones.

OCD

SURFORD TOWN AND TOWNSHIP
ROSBELL OFFICE

2002 AUG 13 PM 1:52

RECEIVED

DISTRICT I
1625 N. French Dr., Hobbs, NM 58240

DISTRICT II
511 S-uth First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87605

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
			Wildcat
Property Code	Property Name		Well Number
	CHIRICAHUA R 21 Federal		1
OGRID No.	Operator Name		Elevation
23032	THRESHOLD DEVELOPMENT COMPANY		3716

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	21	24 S	18 E		1115'	NORTH	660'	WEST	OTERO

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.				
160									

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>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Rusty Klein</i> Signature</p> <p>Rusty Klein Printed Name</p> <p>Agent f/Threshold Dev. Title</p> <p>Aug. 9, 2002 Date</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>MARCH 8, 2002 Date Surveyed</p> <p>GARY L. JONES Signature & Seal of Professional Surveyor</p>	
	<p>W.O. No. 23728 Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>	

THRESHOLD DEVELOPMENT COMPANY
 Chiricahua R 21 Federal #1
 1115' FNL & 660' FWL
 Section 21-T24S-R18E
 Otero County, New Mexico

1. The estimated tops of geological markers are as follows:

San Andres	Surface
Abo	3220'
Basement	3919'

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

Water: Nearest well is 6 miles north - reported fresh water at
 268-278'

Oil or Gas: Oil 3220'; Gas below 3220'

3. Pressure Control Equipment: See Exhibit B

Shaffer 11" 3000 psi Type B with 2-3" openings below the rams; pipe rams and blind rams, choke manifold with 2-2" adjustable chokes plus 2" flow lines.

Shaffer 11" 3000 psi spherical annular preventor. Float in drillpipe, TIW valve on floor

Auxiliary Equipment:

A. kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drillpipe and collars will be available on the rig floor in the open position at all times for use when kelly is not is use.

4. Proposed Casing and Cementing Program: See Exhibit F

A. Casing Program: (New or Used)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft.</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>
14-3/4"	11-3/4"	42#	H-40	ST&C	Surface-600'
11"*	8-5/8"	32#/24#	J-55	ST&C	Surface-2000'
7-7/8"	5-1/2"	17#/15.5#	J-55	LT&C	Surface-5419'

*Contingency for loss circulation possibilities

B. Minimum Casing Design Factors: Collapse 4910 psi; Burst 5320 psi; Tensile Strength 55

C. Cementing Program:

Surface Casing: Lead - 65-35-6 Poz C + 1/4# celloflake + 2% CaCl2 (13.2#/gal); Tail - 250 sacks Class C + 1/4# celloflake + 2% CaCl2 (14.8#/gal) - 150% excess over hole volume - Circulate to surface.

Intermediate Casing: Lead - 65-35-6 Poz H + additives based on hole conditions. Tail - 250 sacks "H" + additives based on hole conditions. Fill to inside of surface casing.

Proposed Casing and Cementing Program Continued:

Production Casing: Class "H" + 10% salt + additives based on hole conditions (16.0#/gal). Cement volume based on caliper + 25% excess. Cement top based on potential pay zones.

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-600'	Water	8.4	Water	No Control
600-2000'	Fresh	9.0	35 sec/qt	No Control
2000-4000'	Cut Brine	9.5	45 sec/qt	14 ml
4000-TD	Brine	9.9+	55 sec/qt	10 ml

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the wellsite during drilling operations. Mud will be checked hourly by rig personnel.

6. Evaluation Program:

Samples: 1 dry cut, 1 wet cut every 30' to geologist's request, then every 10' to TD
Logging: FDC/CNL (Schlumberger platform express triple combo), Gamma Ray, Sonic long space full wave form induction log, PE, Dual Laterolog, SP if fresh mud
Coring: Side-wall core at direction of wellsite geologist
DST's: DST as needed to evaluate shows. RT after logging to evaluate reservoir

7. Abnormal Conditions, Bottom Hole Pressure and Potential Hazards:

Anticipated BHP:

From 3200' to 5200', anticipated max BHP - 1100 psig - 1750 psig
From 5200' to 5419', anticipated max BHP - 2080 psig - 2165 psig

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possibly at 1850'

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 175°F

8. Anticipated Starting Date:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 30 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Threshold Development Company
Chiricahua R 21 Federal #1
1115' FNL & 660' FWL
Section 21-T24S-R18E
Otero County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately twenty eight (28) miles northwest of Dell City, Texas. The access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From the intersection of 62/180 (Greene Street) & Highway 285 (Canal Street) in Carlsbad, New Mexico, proceed south on Highway 62/180 for approximately 77.1 miles to Texas Farm Road 1576. Turn north (right) on Farm Road 1576 and proceed north for approximately 20.3 miles. Pavement will turn east (right). Continue east on pavement for 1 mile. Turn north (left - Snodgrass Road) and continue north for .9 of a mile. Pavement will fork. Take right fork and continue east on FR 1576 for 1.3 miles. Turn north (right). NOTE: You will cross the state line here - Highway 506/FR 1576. Continue north/northeast on Hwy 506 for approx. 14.6 miles to intersection of Highway 506/County Road G-4. (NOTE: Highway 506 will turn to dirt after crossing cattleguard). Turn west (left) on CR G-4 and continue west for approximately 1.7 miles. The new road will start here going north for approximately 3/4 of a mile to southeast edge of location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 3/4 miles in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a southwest to northwest direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. Existing road will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is no drilling activity within a one-mile radius of the wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are no production facilities on the wellsite at this time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will locate the nearest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. Drilling fluids will be allowed to evaporate in the reserve pit until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' X 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other materials not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have been dried and been levelled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

THRESHOLD DEVELOPMENT COMPANY
Chiricahua R 21 Federal #1
Surface Use & Operations Plan
Page 3:

11. SURFACE OWNERSHIP: Federal - administered by the Bureau of Land Management

GRAZING LESSEE: Jane Shafer
P. O. Box 316
Dell City, TX 79837

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

A. Through APD approval:

Rusty Klein, Consultant
Koyote Konsulting Services
Agent for Threshold Development Company
P. O. Box 1491
Artesia, NM 88211-1491
Office: 505-746-6565
Cellular: 505-365-4245

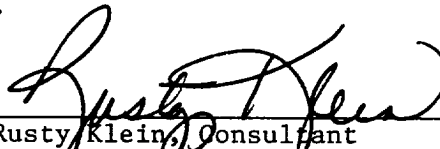
B. Through Drilling, Completions and Production:

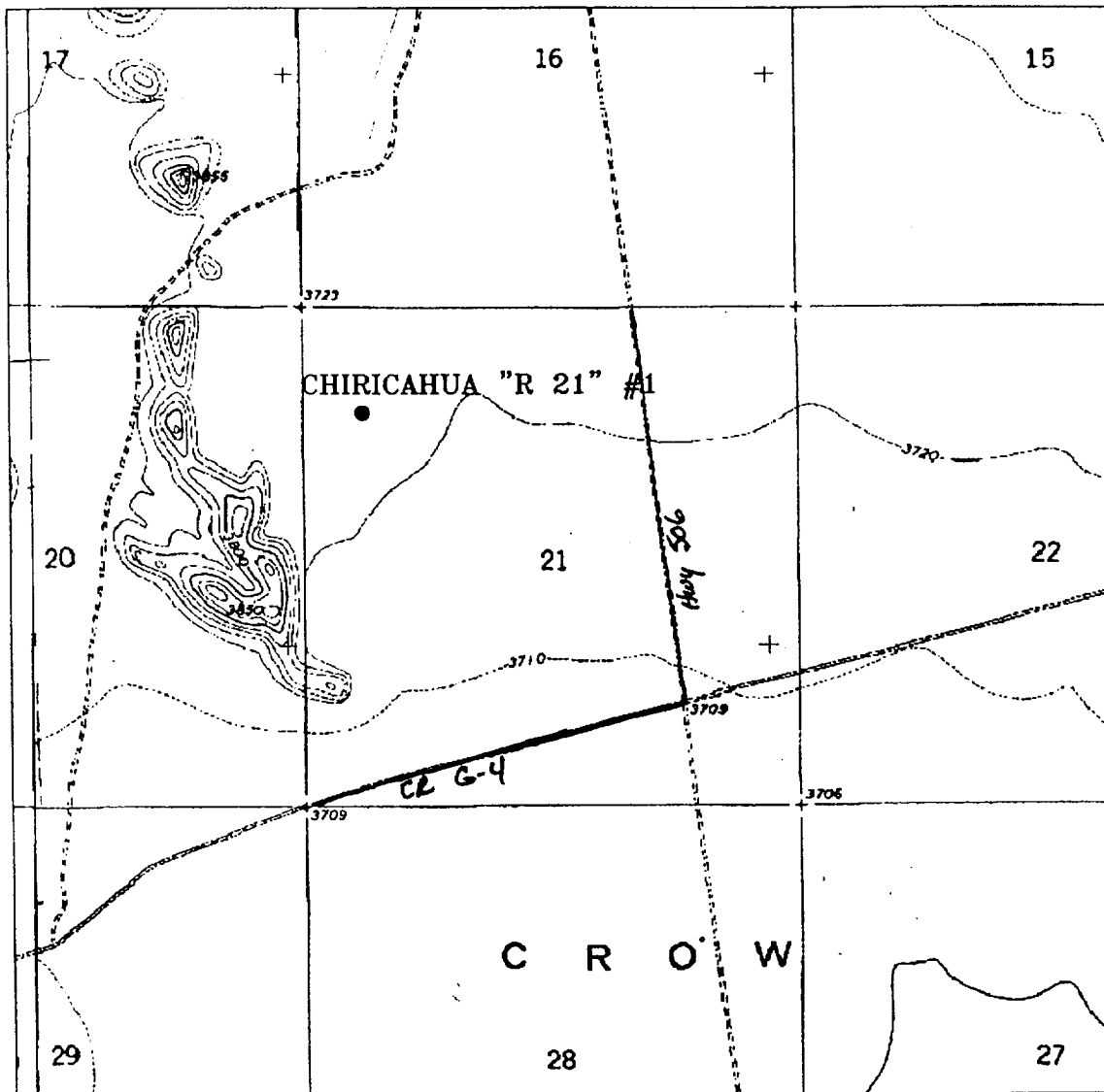
Gary Tidmore, Land Manager
Threshold Development Company
777 Taylor Street - Penthouse II
Fort Worth, TX 76102
Office: 817-870-1483

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Threshold Development Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

August 9, 2007
Date


Rusty Klein, Consultant
Koyote Konsulting Services
Agent for Threshold Development Company

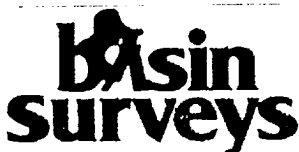


THRESHOLD DEVELOPMENT COMPANY
 Chiricahua R 21 Federal #1
 1115' FNL & 660' FWL of
 Section 21-T24S-R18E
 Otero County, New Mexico

Exhibit A1

CHIRICAHUA "R 21" #1

Located at 1115' FNL and 660' FWL
 Section 21, Township 24 South, Range 18 East,
 N.M.P.M., Otero County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basin-surveys.com

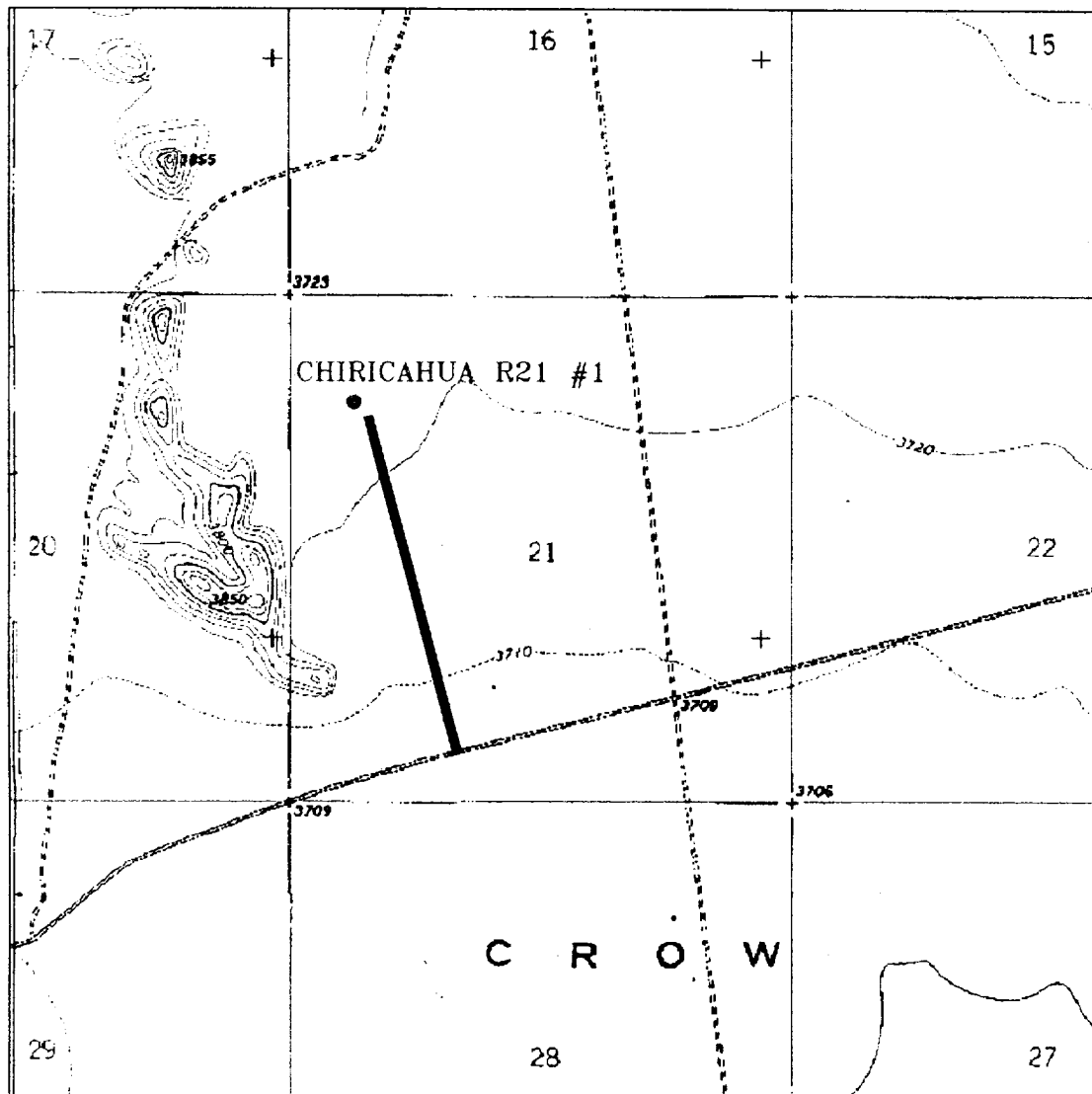
W.O. Number: 2372AA - KJG CD#5

Survey Date: 03-08-2002

Scale: 1" = 2000'

Date: 03-14-2002

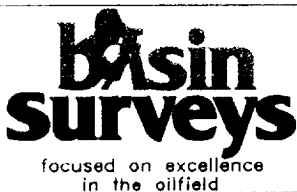
**THRESHOLD
 DEVELOPEMENT
 COMPANY**



THRESHOLD DEVELOPMENT COMPANY
 Chiricahua R 21 Federal #1
 1115' FNL & 660' FWL of
 Section 21-T24S-R18E
 Otero County, New Mexico

Exhibit A2

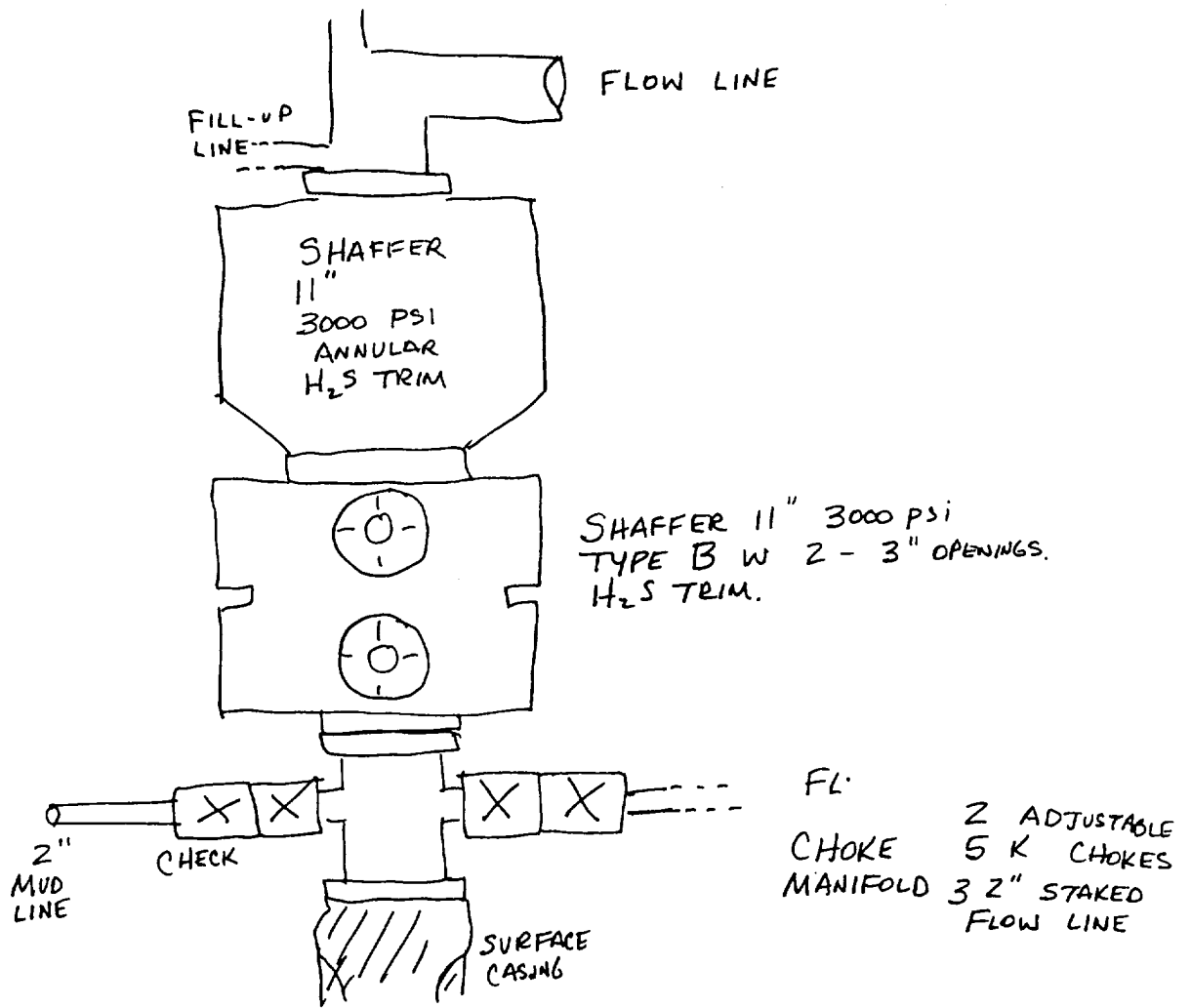
CHIRICAHUA R21 #1
 Located at 1115' FNL and 660' FWL of
 Section 21, Township 24 South, Range 18 East,
 N.M.P.M., Otero County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number:	2372AA - KJG CD#5
Survey Date:	06-06-2002
Scale:	1" = 2000'
Date:	06-05-2002

**THRESHOLD
 DEVELOPEMENT
 COMPANY**

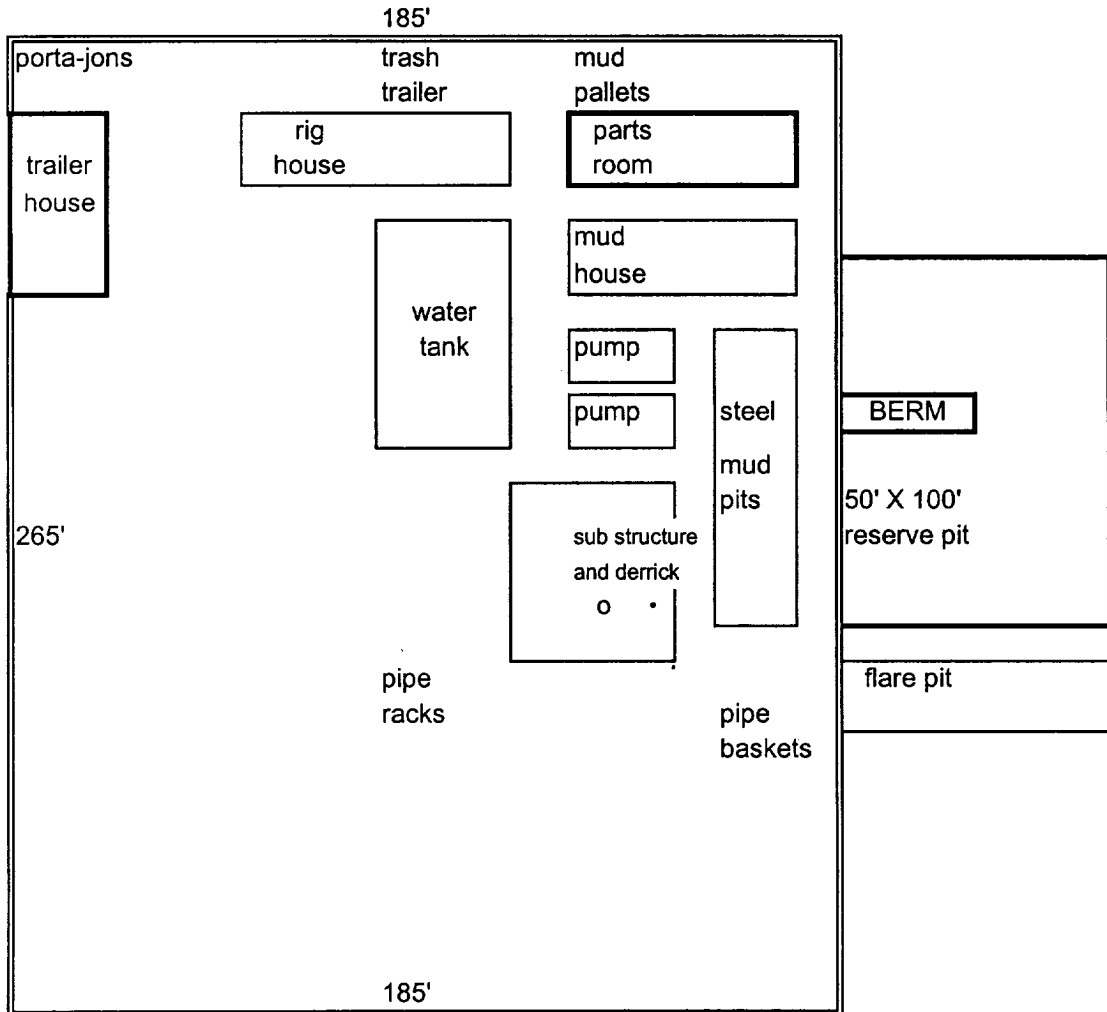


THRESHOLD DEVELOPMENT COMPANY
 Chiricahua R 21 Federal #1
 1115' FNL & 660' FWL of
 Section 21-T24S-R18E
 Otero Co., NM

Exhibit B

Chiricahua R 21 Federal #1
1115' FNL & 660' FWL
Sec 21 T24S R18E
Otero County, New Mexico

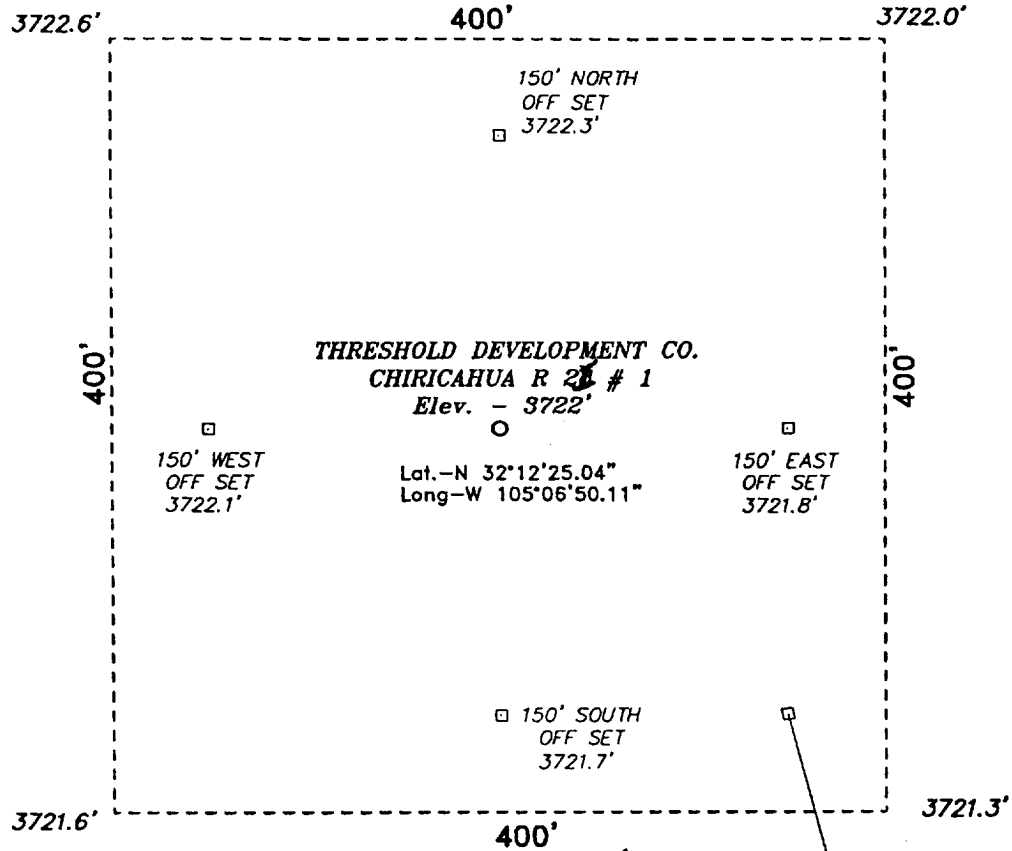
Drilling Rig Location Schematic



THRESHOLD DEVELOPMENT COMPANY
Chiricahua R 21 Federal #1
1115' FNL & 660' FWL of
Section 21-T24S-R18E
Otero Co., NM

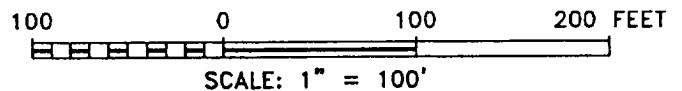
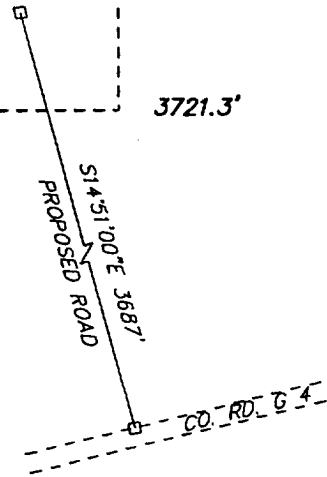
Exhibit C

SECTION 21, TOWNSHIP 24 SOUTH, RANGE 18 EAST, N.M.P.M.,
OTERO COUNTY, NEW MEXICO.



THRESHOLD DEVELOPMENT COMPANY
Chiricahua R 21 Federal #1
1115' FNL & 660' FWL of
Section 21-T24S-R18E
Otero County, New Mexico

Exhibit D



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 506 AND CO. RD. G 4,
GO SOUTHWEST ON CO. RD. G 4 APPROX. 1.9 MILES TO
PROPOSED ROAD TO LOCATION RIGHT.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 2372

Drawn By: **G. SHOULTS**

Date: 03-14-2002

Disk: GWS # 1 - CHIRIC R21 1 B

THRESHOLD DEVELOPMENT COMPANY

REF: CHIRICAHUA R 21 No. 1 / Well Pad Topo

THE CHIRICAHUA R 21 No.1 LOCATED 1115'' FROM THE NORTH
LINE AND 660' FROM THE WEST LINE OF SECTION 21,
TOWNSHIP 24 SOUTH, RANGE 18 EAST, N.M.P.M.,
OTERO COUNTY, NEW MEXICO.

Survey Date: 03-08-2002

Sheet 1 of 1 Sheets

21S 18E

16

17

18

21

NM-99009

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NM-99009

+

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19

NM-99009

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THRESHOLD DEVELOPMENT COMPANY
CHIRICAHUA R 21 FEDERAL #1
LEASE MAP

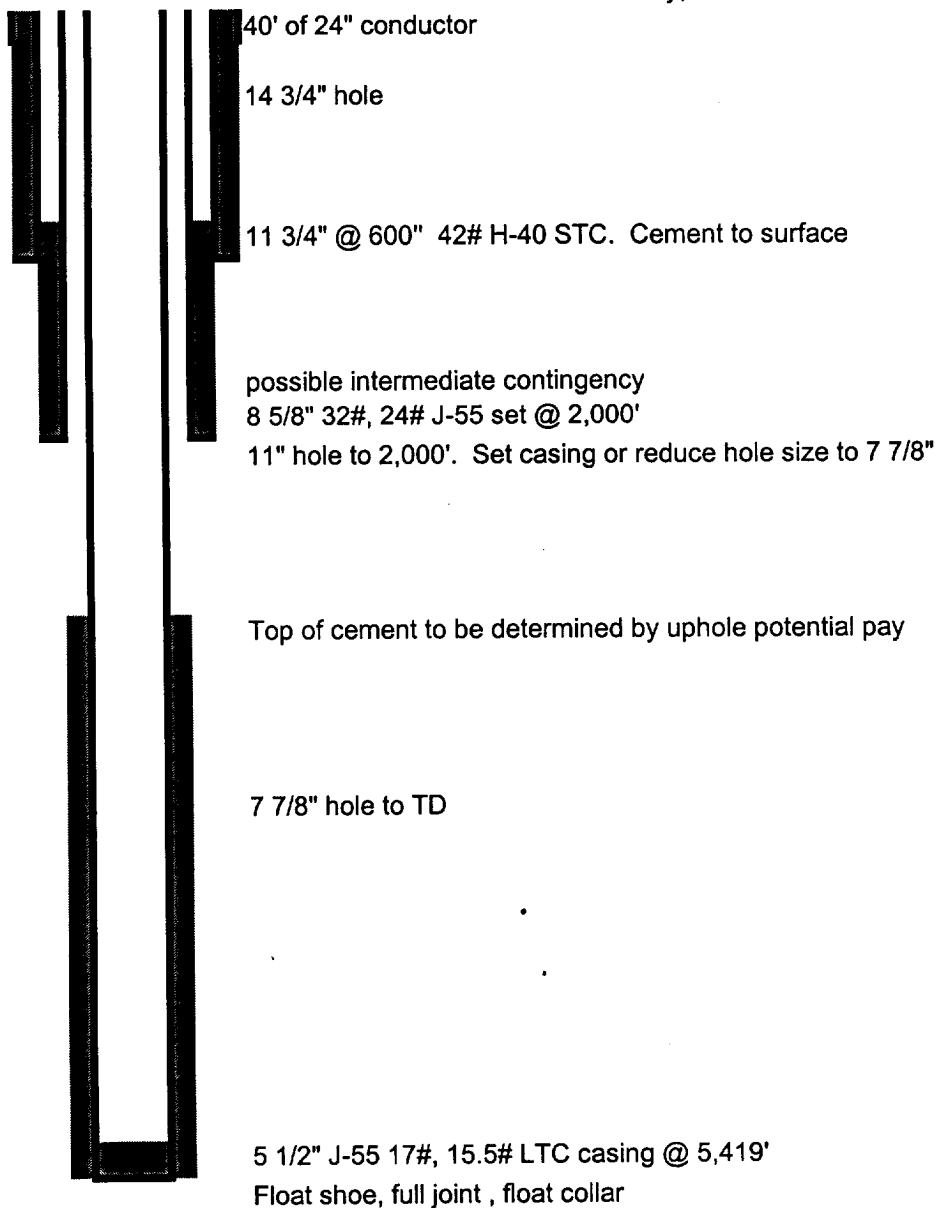
SECTIONS 19, 20 AND 21
TOWNSHIP 24 SOUTH - RANGE 18 EAST
OTERO COUNTY, NEW MEXICO

Exhibit E

Threshold Development Company

Chiricahua R 21 Federal #1

1115" FNL, 660' FWL
Sec 21 T24S R18E
Ortero County, New Mexico



Anticipated tops:

not to scale

THRESHOLD DEVELOPMENT COMPANY
Chiricahua R 21 Federal #1
1115' FNL & 660' FWL of
Section 21-T24S-R18E
Otero Co., NM

Exhibit F

LIST OF ATTACHMENTS

THRESHOLD DEVELOPMENT COMPANY
Chiricahua R 21 Federal #1
1115' FNL & 660' FWL
Section 21-T24S-R18E
Otero County, New Mexico

Exhibit A1	BLM map showing area of location
Exhibit A2	BLM map showing proposed road
Exhibit B	BOP Diagram
Exhibit C	Location and Rig Layout
Exhibit D	Survey Diagram
Exhibit E	Lease Map
Exhibit F	Diagrammatic of casing strings