

JUN 13 2012

RECEIVED

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTOCD-HOBBS
SECRETARY'S POTASHFORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

1a Type of work. <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5. Lease Serial No NM-99048
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 CAZA OPERATING, LLC (RICHARD WRIGHT 432-682-7424) 2490997			7. If Unit or CA Agreement, Name and No -----
3a Address 200 NORTH LORAIN SUITE 1550 MIDLAND, TEXAS 79701		3b. Phone No. (include area code) 432-682-7424	8. Lease Name and Well No. 39275 MUD SLIDE SLIM "15" FED.#2
4 Location of Well (Report location clearly and in accordance with any State requirements *) A: surface 330' FNL & 1500' FWL SECTION 15 T20S-R34E LEA CO. At proposed prod zone SAME			9. API Well No. 30-025; 40636
10. Field and Pool, or Exploratory LEA-BONE SPRING 37570			11. Sec., T R M. or Blk. and Survey or Area SECTION 15 T20S-R34E
12. County or Parish LEA CO.			13 State NM
14 Distance in miles and direction from nearest town or post office* Approximately 40 miles Southwest of Hobbs New Mexico			
15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	330'	16. No. of acres in lease 160	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	1500'	19. Proposed Depth 8500'	20. BLM/BIA Bond No. on file NMB-000471
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3639' GL	22. Approximate date work will start* WHEN APPROVED		23. Estimated duration Est 28 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 <i>Joe T. Janica</i>	Name (Printed/Typed) Joe T. Janica	Date 01/12/12
Title Permit Eng.		
Approved by (Signature) <i>/s/ Jesse J. Juen</i>	Name (Printed/Typed) <i>/s/ Jesse J. Juen</i>	Date JUN - 4 2012
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 for Non-Standard Location Intents of drill ONLY- CANNOT produce until the Non Standard Location has been approved by OCD Santa Fe Office	APPROVAL FOR TWO YEARS time for any person knowingly and willfully to make to any department or agency of the United to any matter within its jurisdiction.
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*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

CAPTAN CONTROLLED WATER BASIN

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

APPLICATION TO DRILL

CAZA OPERATING, LLC.
MUD SLIDE SLIM "15" FEDERAL # 2
UNIT "C" SECTION 15
T20S-R34E LEA 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: 330' FNL & 1500' FWL SECTION 15 T20S-R34E
2. ELEVATION ABOVE SEA LEVEL: 3639' 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: 8500'
6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	1590'	Yates	3500'
Top of Salt	1800'	Delaware	5380'
Base of Salt	3325'	Bone Spring	8330'
		TD	8500'
7. POSSIBLE MINERAL BEARING FORMATIONS:

Possible Fresh Water 150'±

Delaware Oil/Gas/Formation Water

Bone Spring Oil/Gas/Formation Water
8. CASING PROGRAM:

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40'	20"	NA	NA	NA	Conductor	New
<i>See</i> <i>COA</i> 17½"	<i>1680</i> 0-1625'	13 3/8"	54.5#	8-R	ST&C	J-55	New
12½"	0- 4500 <i>5200</i>	8 5/8"	32#	8-R	LT&C	J-55 & HCK-55 (0-4100')	New
7 7/8"	0-8500'	5½"	17#	8-R	LT&C	J-55 & L-80	New

CASING SAFETY FACTORS: Collapse 1.125 Burst 1.00 Body Yield 1.5
Joint Strength 8-Round 1.8
Buttress 1.6

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9. CASING CEMENTING & SETTING DEPTHS:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Run and set ^{1625' per operator} 1650' of 13 3/8" 54.5# J-55 ST&C casing. Cement with 792 Sx. of 35/65 Class "C" POZ cement + 5% Salt, Yield 1.89, tail in with 200 Sx. of Class "C" cement + 2% CaCl Yield 1.32 50% Excess, circulate cement
8 5/8"	Intermediate	Run and set 4500' of 8 5/8" 32# LT&C casing as follows: ^{bottom} 1100' of 8 5/8" 32# N-80 LT&C, ^{4100'} 3400' of 8 5/8" 32# J-55 LT&C casing. Cement with 477 Sx. of 35/65 Class "C" POZ cement + 5% Salt, + 6% Gel, Yield 2.09, tail in with 200 Sx. of Class "C" cement + 2% CaCl, Yield 1.32 50% excess Circulate cement to surface. <i>See COA</i>
5 1/2"	Production	Run and set 8500' of 5 1/2" 17# LT&C casing as follows; 1100' of 5 1/2" 17# LT&C HCR-55, ^{7400'} 3400' of 5 1/2" 17# LT&C J-55. Cement with 723 Sx. of Class "H" Cement 50/50 POZ cement + 5# Gilsonite/Sx. + 0.25% Econolite. Yield 1.3, 35% Excess Estimate TOC 4300 <i>see COA</i>

11. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a 900 Series 3000 PSI working pressure B. O. P. consisting of an annular bag type preventor with middle blind rams and bottom pipe rams. The B.O.P. will be nipped up on the 13 3/8" casing and tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period and the blind rams will be operated when the drill pipe is out of the hole on trips. Full opening stabbing valve and upper kelly cock will be available at all times in case of need. Exhibit "E-1" shows a hydraulically operated closing unit and a 3" 5000 PSI working pressure choke manifold with dual adjustable chokes. No abnormal pressures or abnormal temperatures are expected during the drilling of this well. B.O.P. will be a 13 5/8" X 13 3/8" SOW.

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11. PROPOSED MUD CIRCULATING SYSTRM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-1625' 1680	8.6-8.8	29-34	NC	Fresh water spud mud add paper to control seepage. High viscosity sweeps to clean hole.
1625'-4500' 5200	10.0-10.2	29-34	NC	Brine water mud system use paper to control seepage. use high viscosity sweeps to clean hole.
4500'-8500'	8.6-9.0	30-38	NC	Drill with fresh water mud system, use high viscosity sweeps to clean hole. No fluid loss control is planned at this time.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, cut cores and casing, the viscosity, water loss and other properties may have to be altered to meet these requirements.

THIS WELL WILL BE DRILLED USING A CLOSED MUD SYSTEM.

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12. LOGGING, CORING, AND TESTING PROGRAM:

See COA

- A. Open hole logs. Dual Laterolog, Neutron Density, Gamma Ray, Caliper from TD back to 8 5/8" casing shoe. Run Gamma RAY, Neutron/Density from 8 5/8" casing shoe back to surface.
- B. Imaging tool may be used as well as side wall rotary cores.
- C. DST's may be run over all possible Delaware Zones.

13. POTENTIAL HAZARDS:

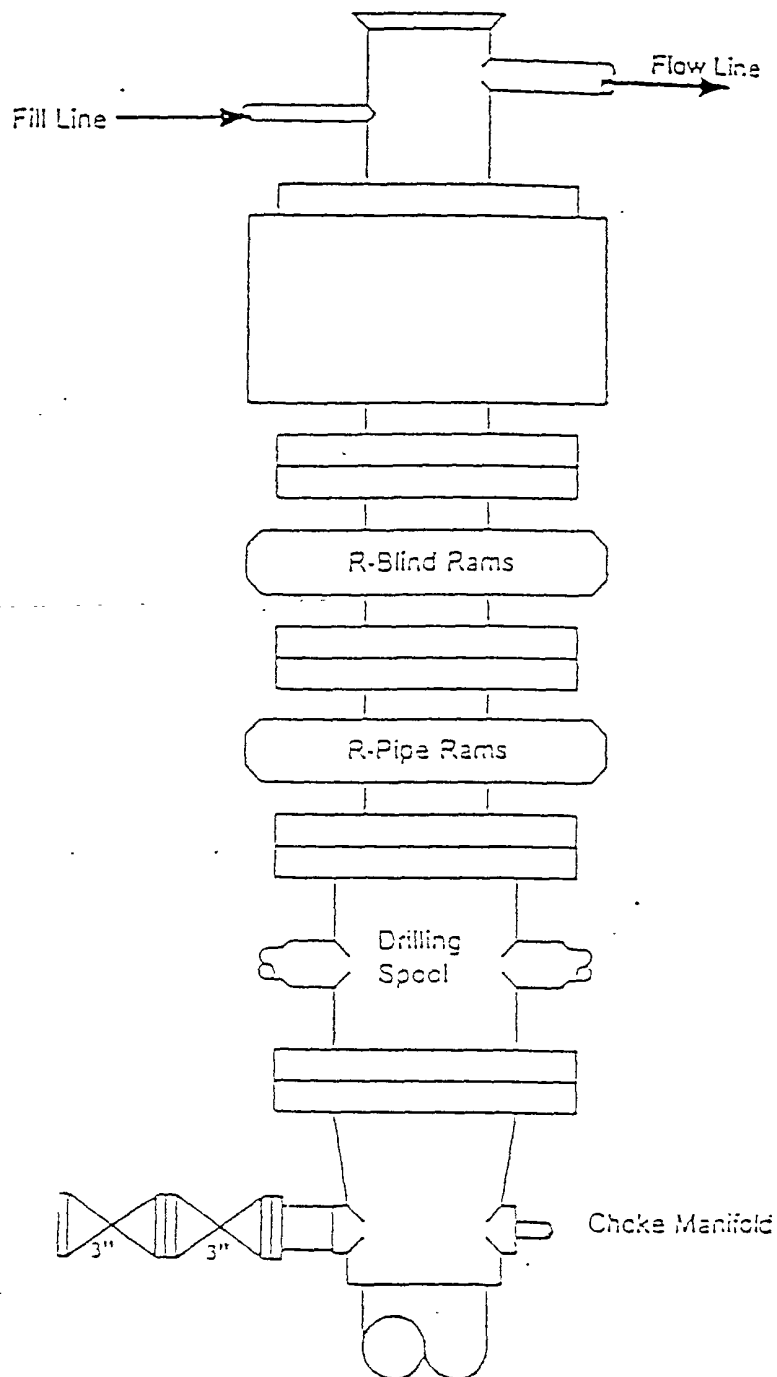
No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 4250 PSI, and Estimated BHT 165°.

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 28 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 Bone Spring formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.



Type 900 Series
3000 psi WP

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

CAZA OPERATING, LLC.
MUD SLIDE SLIM "15" FEDERAL # 2
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T20S-R34E LEA CO. NM

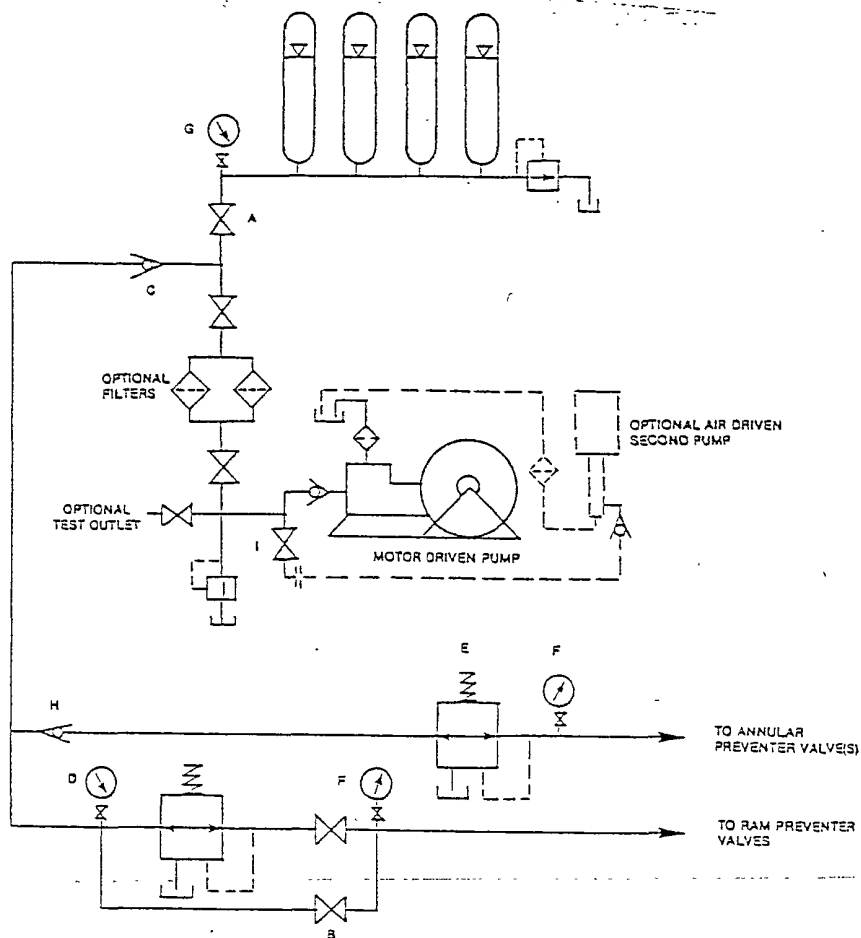


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

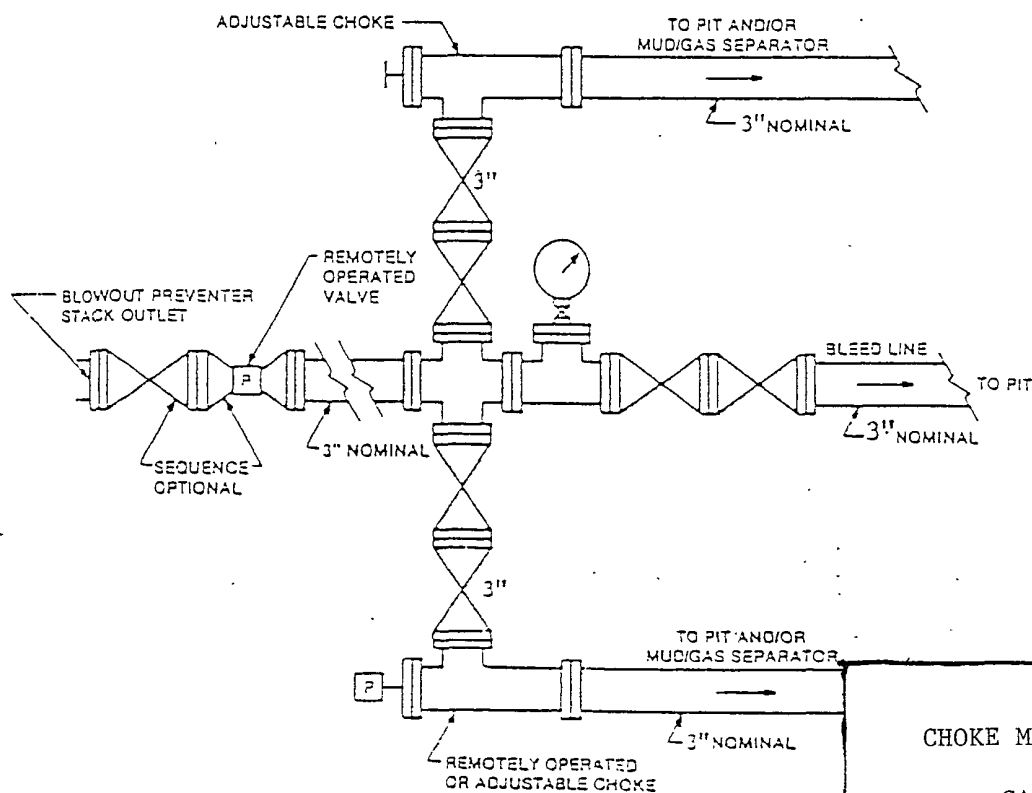
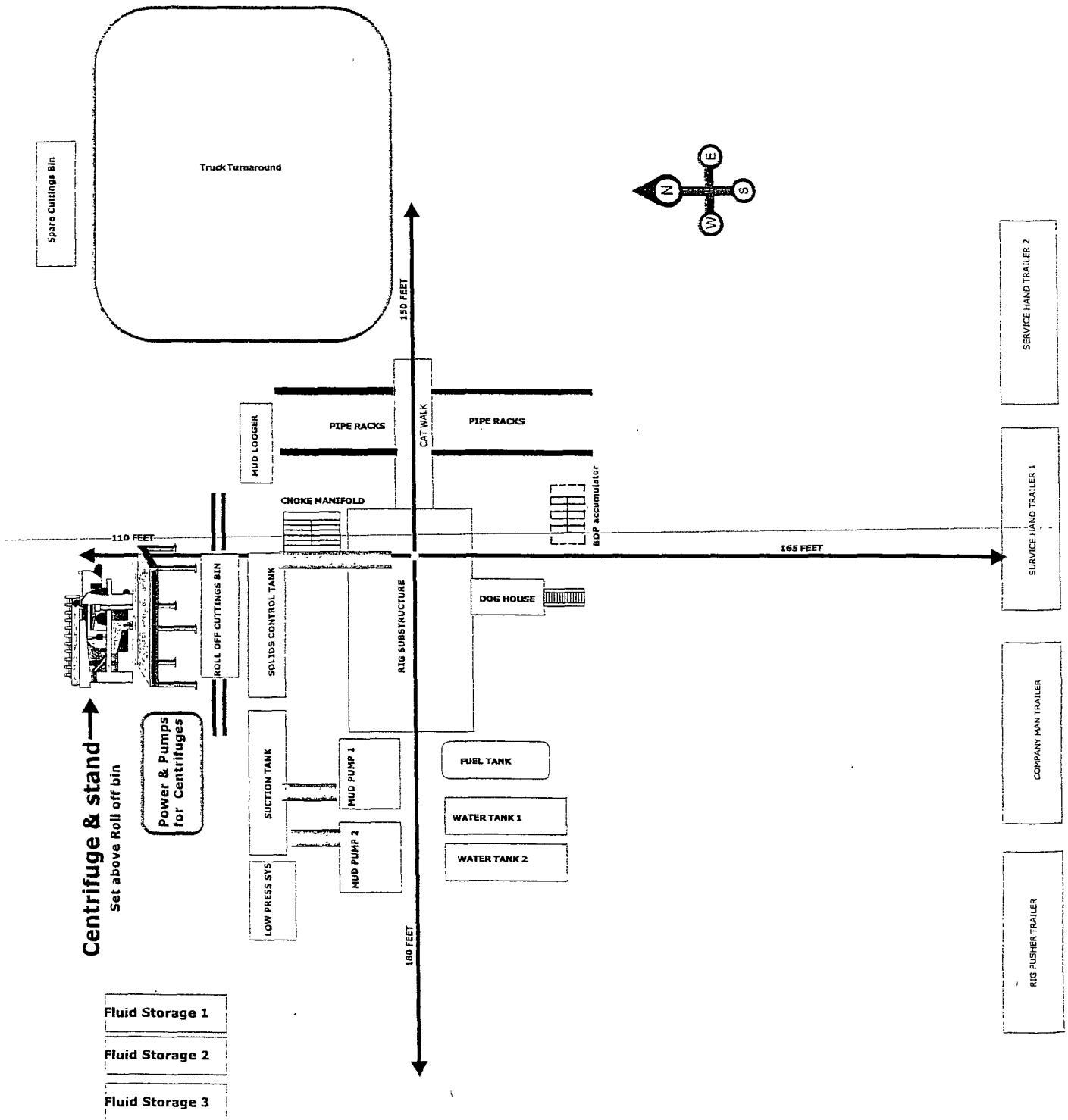


FIGURE K4-2. Typical choke manifold assembly for 5M rated work pressure service — surface installation.

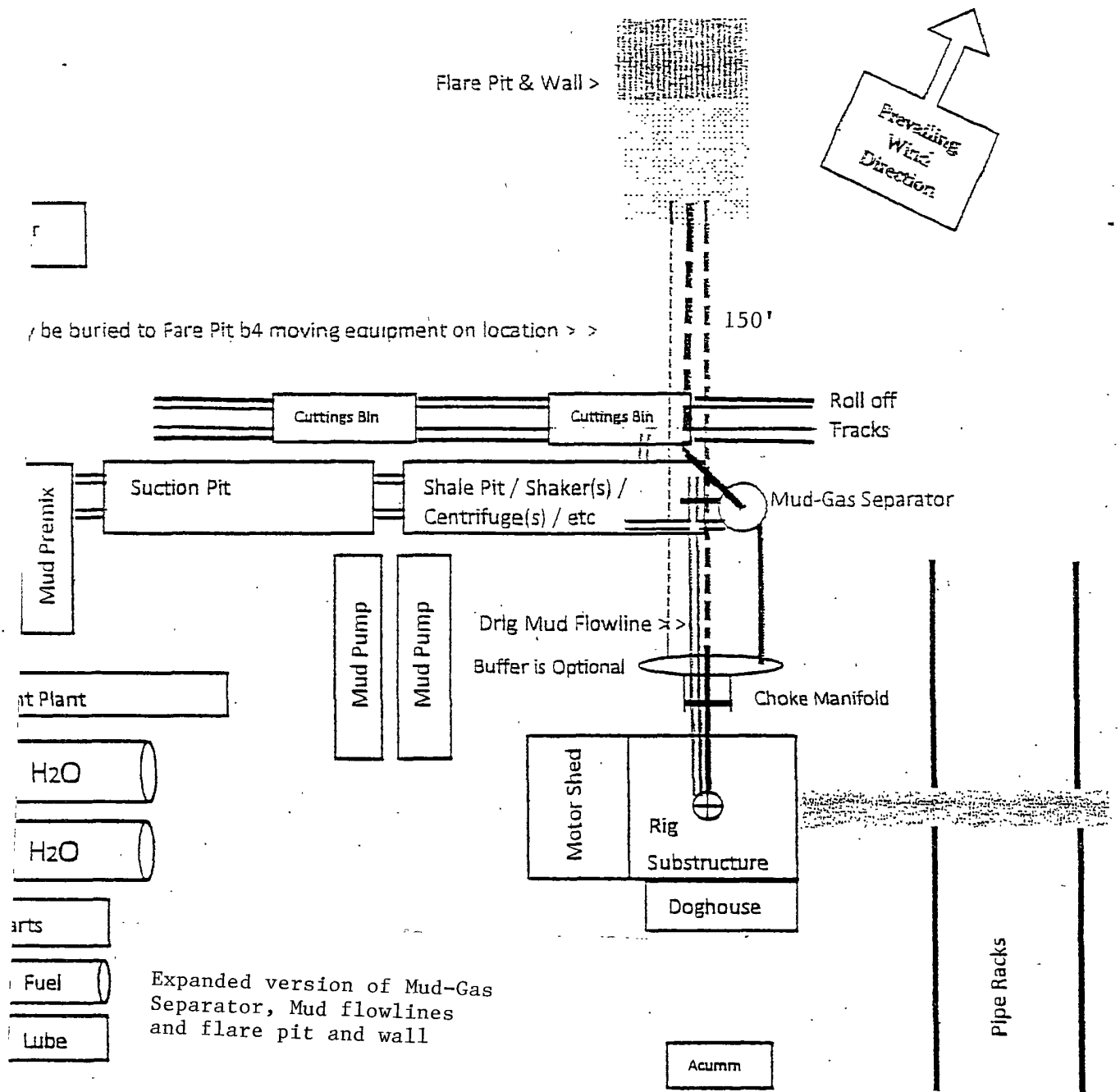
EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

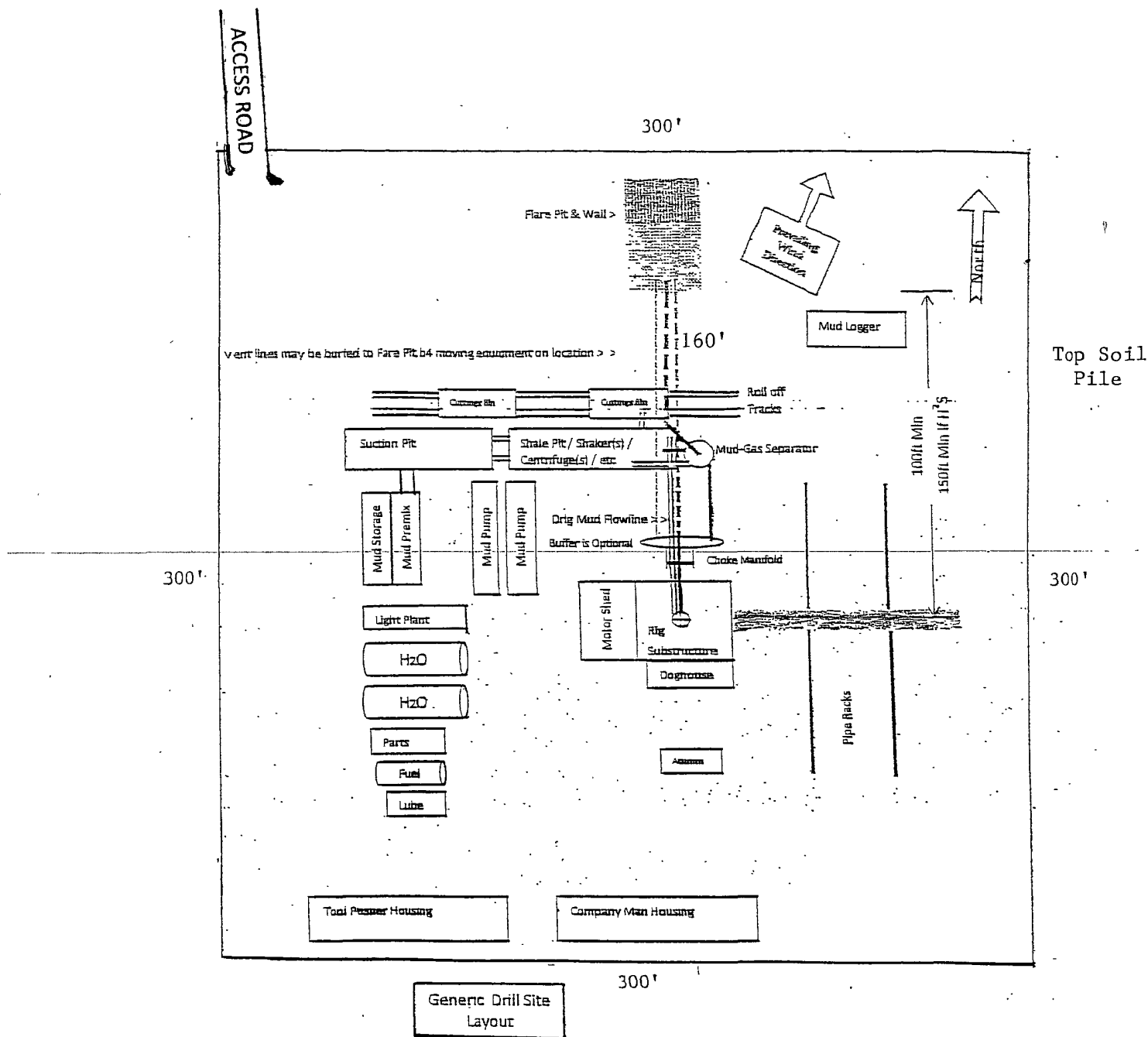
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Closed Loop Oil Well Mud Slide Slim 15 Fed # 2



Note: The Rig and Closed System Company for this well have not been selected thus the set up shown is simply generic.





Preplanning reasonable spacing accommodations for a useable "Closed Loop" drillsite layout is challenging. Particular site specific conflicts need to be resolved. This generic APD plat was prepared to demonstrate several necessary elements. The plat should include: a north arrow, prevailing wind direction, spacing access for truck removal of cutting bins, flare pit location, and piping provision to vent all combustible gas to the flare pit. Include the croke manifold and mud-gas separator location and their connection routing.

EXHIBIT "D" RIG LAY OUT PLAT

CAZA OPERATING, LLC.
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CAZA OPERATING, LLC.

Hydrogen Sulfide contingency plan For drilling/workover/facility

This well and it's anticipated facility are not expected to have Hydrogen Sulfide releases. However, there may be Hydrogen Sulfide production in the nearby area. There are no dwellings in the area but a contingency plan has been orchestrated. CAZA OPERATING, LLC. Will have a Company representative available to Rig personnel throughout the drilling or production operations. If Hydrogen Sulfide is detected or suspected, monitoring equipment will be available for monitoring and/or testing.
