

HOBBS OCD

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD DEC 30 2013

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-92199
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name _____
2. Name of Operator CAZA OPERATING, LLC. <249099>		7. If Unit or CA Agreement, Name and No. _____
3a. Address 200 NORTH LORAIN SUITE 1550 MIDLAND, TEXAS 79701		8. Lease Name and Well No. <40064> WEST COPPERLINE 29 FED/STATE COM. # 3H
3b. Phone No. (include area code) 432-682-7424		9. API Well No. 30-021-41536
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 150' FNL & 1980' FWL SECTION 29 T23S-R34E At proposed prod. zone 330' FSL & 1980' FWL SECTION 29 T23S-R34E		10. Field and Pool, or Exploratory ANTELOPE RIDGE <2209> 11. Sec., T. R. M. or Blk. and Survey or Area SECTION 29 T23S-R34E
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles Northwest of Jal New Mexico		12. County or Parish LEA CO.
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 150'		13. State NM
16. No. of acres in lease 560	17. Spacing Unit dedicated to this well 160	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 180'	19. Proposed Depth NO PILOT HOLE MD- 16,209' TVD-11,631'	20. BLM/BIA Bond No. on file NMB-000471
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3539' GL	22. Approximate date work will start* WHEN APPROVED	23. Estimated duration APP. 35 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 12/18/13
Title Permit Eng.		

Approved by (Signature) <i>/s/George MacDonell</i>	Name (Printed/Typed) _____	Date DEC 23 2013
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)

Carlsbad Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

DEC 30 2013



December 15, 2013

HOBBS OCD

DEC 30 2013

Bureau of Land Management-Carlsbad Office
620 E Green Street
Carlsbad, New Mexico

RECEIVED

Attn: Mr. Wesley Ingram

Re: BLM APD dated November 23, 2013
Caza Petroleum-W. Copperline 29 No. 3H
E/2 W/2 Section 29, T23S-R34E
Lea County, New Mexico

Gentlemen:

Caza Petroleum is preparing to drill its W. Copperline 29 No. 3H well in the E/2 of the W/2 of Section 29, T23S-R34E, Lea County, New Mexico. This 160 acre project area includes portions of State Lease VB 2228 and BLM Lease NM 092199, respectively. In support of drilling this well, Caza:

- (1) has received NMOCD compulsory pooling Order No. R-13723 covering this project area and both of the above referenced leases;
- (2) is named Farmee/Operator in that certain Farmout Agreement dated July 1, 2013, between Caza and Devon Energy Production Company covering operating rights in SW/4 of Section 29 under NM 092199; and
- (3) Caza is named Operator in that certain Operating Agreement dated May 30, 2013, executed by First Roswell Company and Chevron Energy covering all of Section 29, including the 160 acre project area under NM 091299.

If you have any questions, please call me at 832-381-3854 or email me at jbrown@cazapetro.com.

Very truly yours,
Caza Petroleum, Inc.

A handwritten signature in black ink, appearing to read 'John E. Brown'.

John E. Brown, CPL
Land Manager

APPLICATION TO DRILL

CAZA OPERATING, LLC.
WEST COPPERLINE 29 STATE COM. #3H
UNIT "C" SECTION 29
T23S-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: SHL: 150' FNL & 1980' FWL SECTION 29 T23S-R34E LEA CO. NM
BHL: 330' FSL & 1980' FWL SECTION 29 T23S-R34E LEQ CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3539' 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 hole.
5. PROPOSED DRILLING DEPTH: MD-16,209'
TVD-11,631'
6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	1024'	Cherry Canyon	6004'
Top of Salt	1267'	Brushy Canyon	7301'
Castile	3199'	Bone Spring	8678'
Base of Salt	4787'	1st Bone Spring	9771'
Bell Canyon	5212'	2nd Bone Spring	10,286'
		3rd Bone Spring	11,266'
		Red Hills Sand	11,398'
7. POSSIBLE MINERAL BEARING FORMATIONS:

Bell Canyon	Oil/Water/Gas	2nd Bone Spring	Oil/Water/Gas
Cherry Canyon	Oil/Water/Gas	3rd Bone Spring	Oil/Water/Gas
Brushy Canyon	Oil/Water/Gas	Possible Fresh Water	250±'
1st Bone Spring	Oil/Water/Gas		
8. CASING PROGRAM:

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-140'	20"	NA	NA	NA	NA	New
17½"	0-1060'	13 3/8"	54.5#	8-R	ST&C	J-55	New
12½"	0-5085'	9 5/8"	40#	8-R	LT&C	J-55 HCK-55	New
8 3/4"	0-16,209'	5½"	20#	8-R	LT&C	P-110	New

CASING SAFETY FACTORS: Collapse 1.125 Burst 1.00 Body Yield 1.5
Joint Strength 8-Round 1.3
Buttress 1.6

CAZA OPERATING, LLC.
 WEST COPPERLINE 29 FED/STATE COM. #3H
 UNIT "C" SECTION 29
 T23S-R34E LEA CO. NM

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Lamar	4950'	2nd Bone Spring	10,286'
Bell Canyon	5177'	3rd Bone Spring	11,266'
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7. POSSIBLE MINERAL BEARING FORMATIONS:

Bell Canyon	Oil/Water/Gas	2nd Bone Spring	Oil/Water/Gas
Cherry Canyon	Oil/Water/Gas	3rd Bone Spring	Oil/Water/Gas
Brushy Canyon	Oil/Water/Gas	Possible Fresh Water	250±'
1st Bone Spring	Oil/Water/Gas		
8. CASING PROGRAM:

See
COA

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-140'	20"	NA	NA	NA	NA	New
17½"	0-1150'	13 3/8"	54.5#	8-R	ST&C	J-55	New
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APPLICATION TO DRILL

CAZA OPERATING, LLC.
WEST COPPERLINE 29 FED/STATE COM. #3H
UNIT "C" SECTION 29
T23S-R34E LEA CO. NM

9. CASING SETTING DRPTHS AND CEMENTING:

20"	Conductor	Set 140' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Run and set 1060' ^{1150'} of 13 3/8" 54.5# J-55 ST&C casing. Cement with 674 Sx of Class "C" cement + 4% Gel, + 2% CaCl, Yield 1.74, tail in with 200 Sx. of Class "C" cement + 2% CaCl, Yield 1.32. 50% Excess circulate cement to surface.
9 5/8"	Intermediate	Run and set 5085' of 9 5/8" 40# casing as follows" 3185-1100' 5085 40# J-55 LT&C casing. Cement with 1053 Sx. of 35/65 Class "C" POZ cement + 5% Salt, + 6% Gel, Yield 2.09, Tail in with 200 Sx. of Class "C" cement + 1% CaCl, Yield 1.32. 75% Excess, circulate cement to surface.
5 1/2"	Production	Run and set 16,209' of 5 1/2" 20# P-110 LT&C casing. Cement with 1429 Sx. of 35/65 Class "H" POZ cement + 1# / Sx. of KolSeal, + retarder, Yield 1.93, tail in with 621 Sx. of Class "H" SoluGem cement, # fluid loss control + defoamer, Yield 2.61, 50% Excess top of cement 4500'.

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a 5000 PSI working pressure B.O.P. consisting of a packoff an annular bag type preventor, blind rams. and pipe rams. A 13 5/8" B.O.P. will be nipped up on the 13 3/8" surface casing and will remain on the well to TD. The B.O.P. will be tested by a third party testing company to 5000 PSI. The B.O.P. will be operated at least once in each 25 hour period and the blind rams will be operated when the drill pipe is out of the hole on trips. A full opening stabbing valve and an upper kelly cock will be available on the derrick floor at all times and will be compatible with the drill pipe being used to drill this well. Exhibit "E-1" shows a 3" 5000 PSI choke manifold with a manual choke and a hydraulically remote choke. The choke manifold will be rigid connection to the B.O.P. No abnormal pressures or abnormal temperatures are expected in this well during drilling operations, other wells drilled in the area did not encounter high temperatures or pressures.

CAZA OPERATING, LLC.
 WEST COPPERLINE 29 FED/STATE COM. #3H
 UNIT "C" SECTION 29
 T23S-R34E LEA CO. NM

11. PROPOSED MUD CIRCULATING SYSTRM:

see COA

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
<i>1150'</i> 40-1060'	8.6-8.9	29-32	NC	Fresh water spud mud. use paper to control seepage, and high viscosity to clean hole.
<i>1150'</i> 1060-5085'	10.0- 10.2	29-36	NC	Brine water using paper to control seepage and high viscosity sweeps to clean hole.
5085-16,209'	8.6-9.2	29-38	NC	Fresh water with the possibility of going to cut brine system, using high viscosity sweeps to clean hole.

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. Pit level will be monitored visually and electronic pit level monitor will be used.

THIS WELL WILL BE DRILLED USING A CLOSED MUD SYSTEM.

APPLICATION TO DRILL

CAZA OPERATING, LLC.
WEST COPPERLINE 29 FED/STATE COM. #3H
UNIT "C" SECTION 29
T23S-R34E LEA CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Run Dual Laterolog, CNL, LDT, Gamma Ray FMI Sonic, from End of verticle hole (11,900±") back to Intermediate casing (5085')
Run Gamma Ray, Neutron from intermediate casing shoe back to surface.
- B. Rig up mud logger on hole at 5085' and remain on hole to TD.
- C. No DST's or cores are planned at this time unless Geologist requests one to determine quality of reservoir.

13. POTENTIAL HAZARDS:

*See
COP*
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 Est. 5350 PSI, and Estimated BHT Est. 195°. The well 180' South of this location did not encounter any H₂S during the drilling operation.

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 35 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 potentialied as a Bone Spring producer.

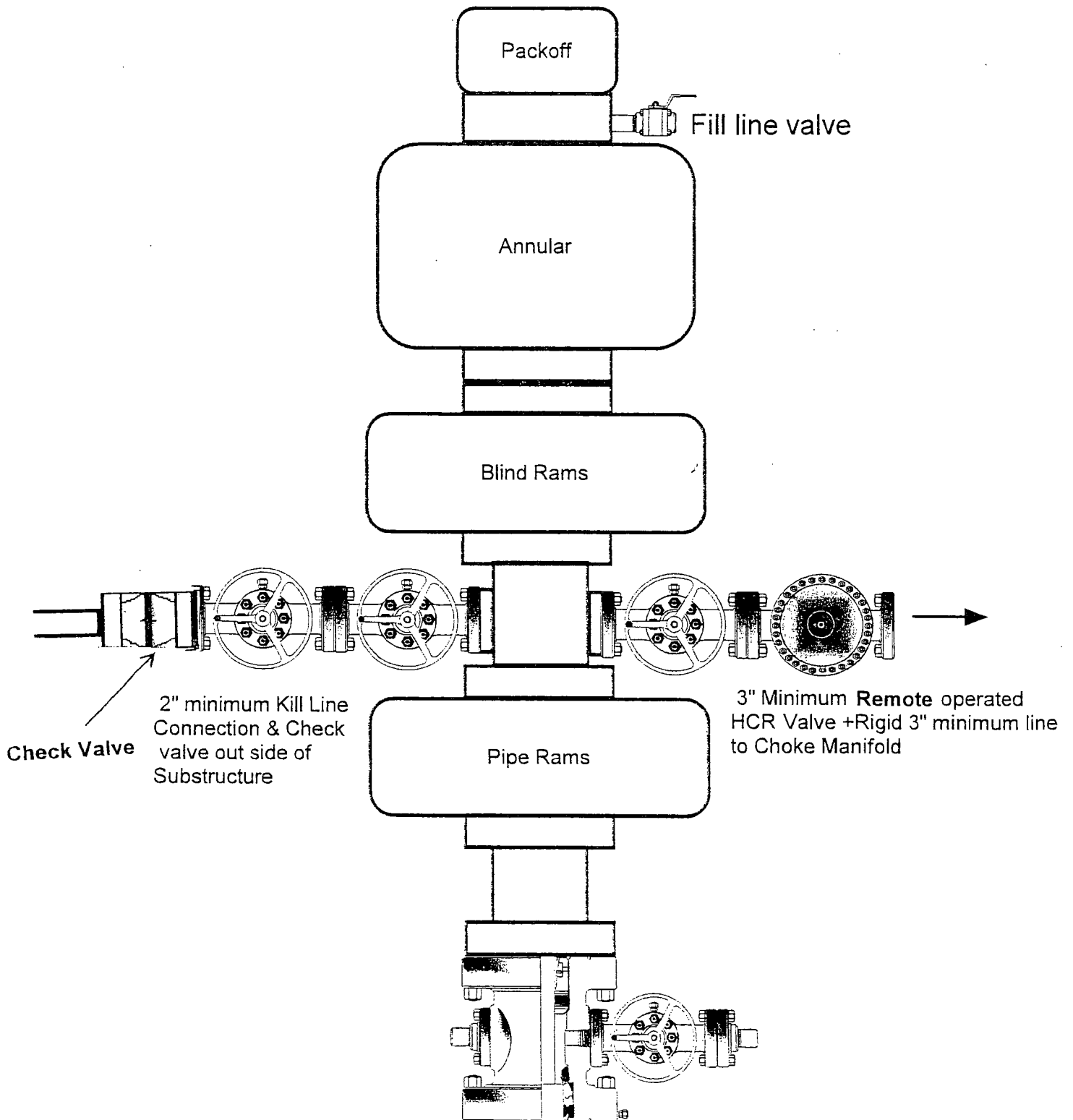
Caza Operating, LLC
West Copperline Fed/State Com # 3H
Hydrogen Sulfide Contingency Plan
For Drilling/Workover/Facility

150 FNL & 1980 FWL, SEC 29, T23S, R34E, LEA COUNTY, NEW MEXICO

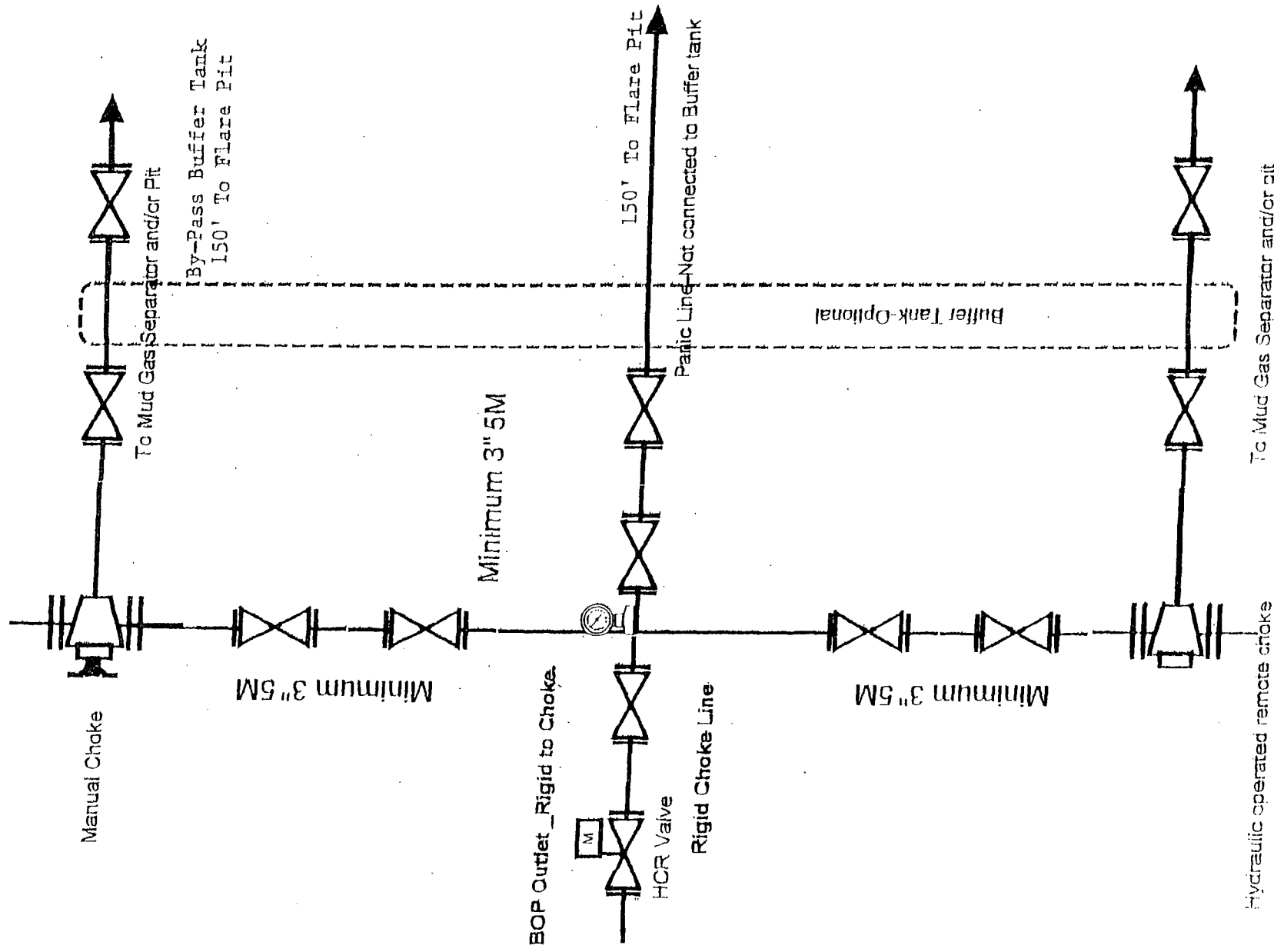
See WPA

This well and its anticipated facility are not expected to have Hydrogen Sulfide releases. However, there may be Hydrogen Sulfide production in the nearby area. There are no occupied dwellings in the area but a contingency plan has been orchestrated. Caza Operating, LLC will have a Company Representative living on location through out the drilling and completion of this well. If Hydrogen Sulfide is detected or suspected, monitoring equipment will be available for monitoring and/or testing. An un-man H₂S safety trailer and monitoring equipment will also be station on location during the drilling operation below the Surface Casing depth of ± 1060 ft. to total drilling depth of ²⁰²16,060 ft MD & TVD of $\pm 11,470$ ft.

West Copperline 29 Fed/State Com # 3H
5000 PSI BOP Schematic
Minimum requirement 11 inch



5,000 psi Manifold Equipment- Configuration of chokes may vary



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



West Copperline 29 State Com # 3H

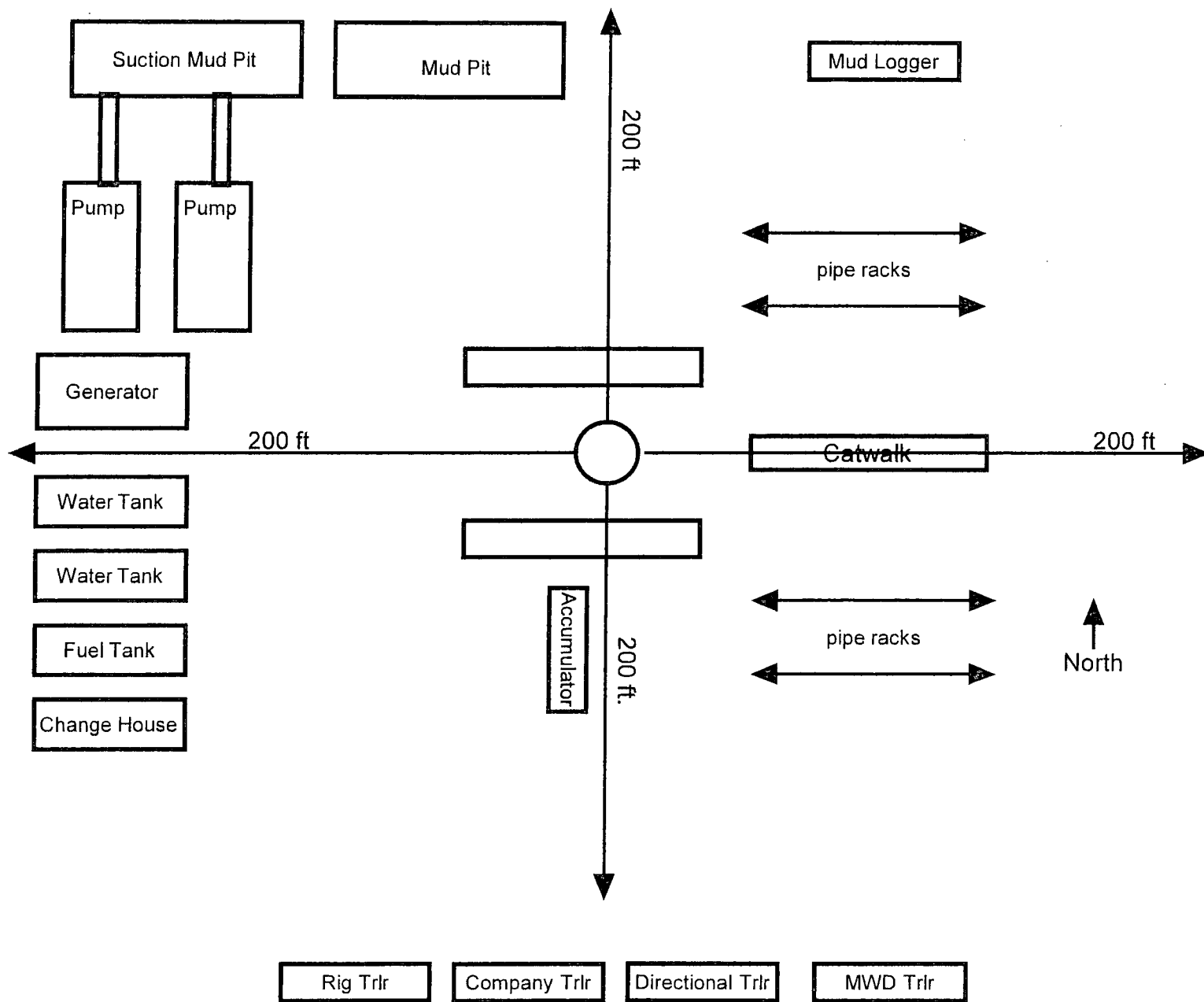
Closed Loop Drilling System

Operations and Maintenance Plan

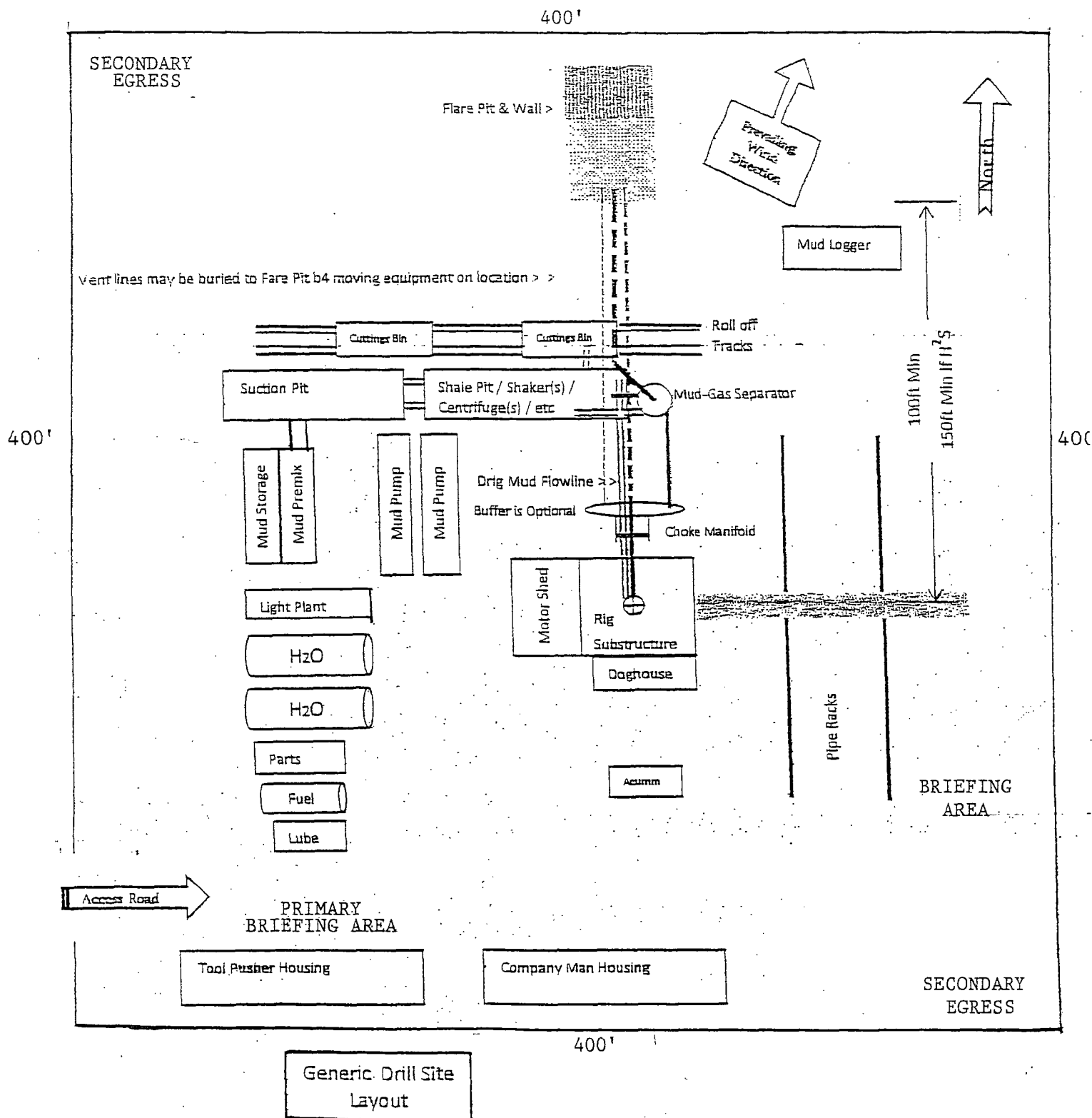
Closed Loop equipment will be inspected and monitored closely on a daily basis by each drilling rig Tour and by those hired specifically to operate the equipment. Any leak or release detected will be repaired immediately and the proper NMOCD official will be notified within the 48 hr requirement. A large release will require Caza Operating, LLC representatives to contact BLM immediately at the Carlsbad office "575 234 5972" Hobbs "575 393 3612" as well as the NMOCD @ 575 393 6161 as stated by NMOCD rule 116.

Closure Plan

During and after drilling operations, liquids (which apply), all drill cuttings and drilling fluids will be hauled and disposed of at the R-360 disposal (permit number NM 01-0006) located about 30 miles East of Carlsbad, New Mexico. An alternate approved disposal site has been selected Parabo disposal "Sundance" which is 4 miles East of Eunice (permit number NM 01-0003). The Second site would be used in the event of economics or physical problems with R-360 disposal.



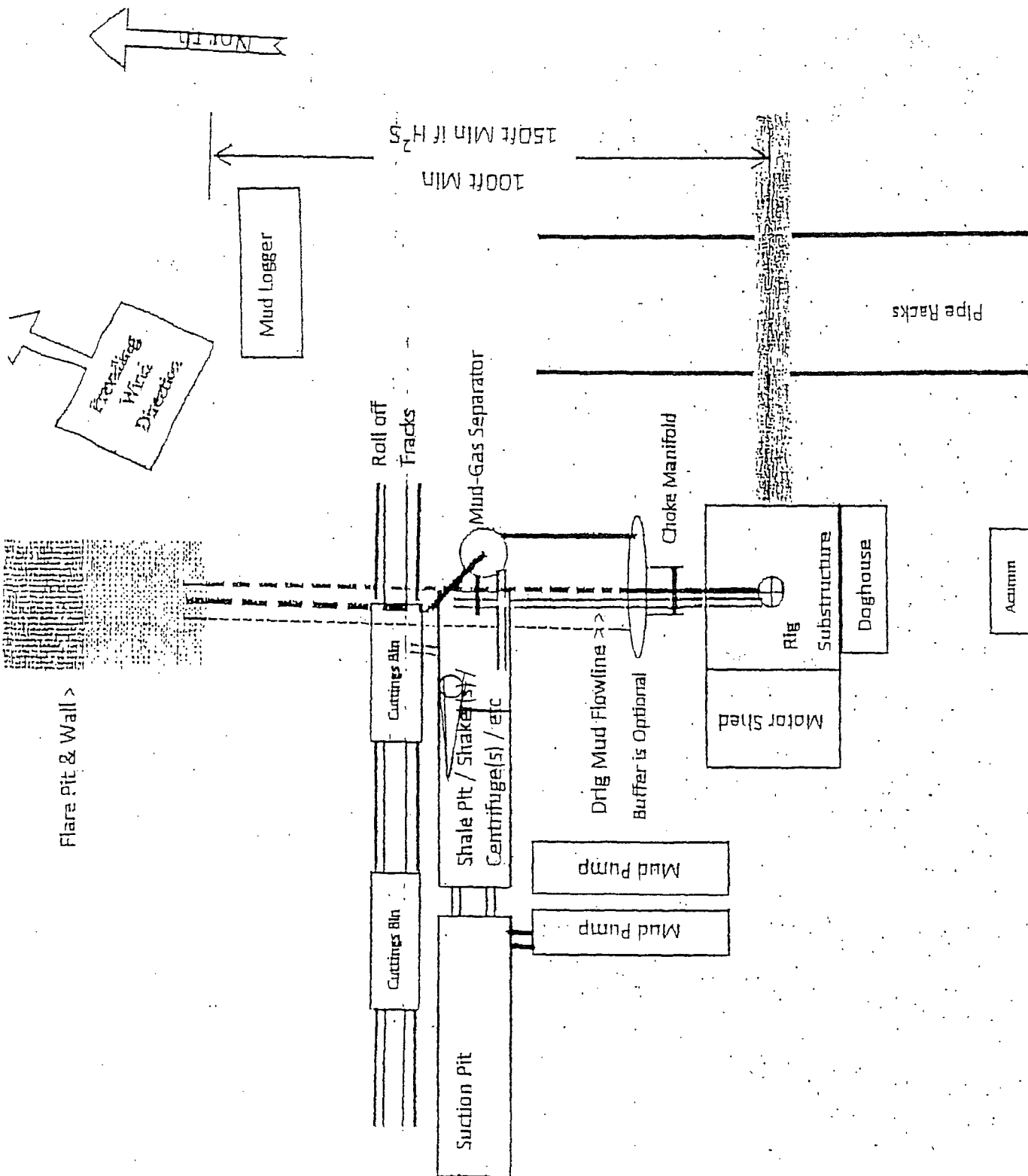
Generic Rig plat Location



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 choke manifold and mud-gas separator location and their connection routing.

EXHIBIT "D" RIG LAYOUT PLAT

CAZA OPERATING, LLC.
WEST COPPERLINE 29 STATE COM. #3H
UNIT "C" SECTION 29
T23S-R34E LEA CO. NM



EXPANDED VIEW OF
FLOW LINE TO MUD-GAS
SEPERATOR & BLOW DOWN
LINES TO FLARE PIT

**Caza Operating, LLC
West Copperline 29 State Com # 3H
Hydrogen Sulfide Contingency Plan
For Drilling/Workover/Facility**

150 FNL & 1980 FWL, SEC 29, T23S, R34E, LEA COUNTY, NEW MEXICO

This well and its anticipated facility are not expected to have Hydrogen Sulfide releases. However, there may be Hydrogen Sulfide production in the nearby area. There are no occupied dwellings in the area but a contingency plan has been orchestrated. Caza Operating, LLC will have a Company Representative living on location through out the drilling and completion of this well. If Hydrogen Sulfide is detected or suspected, monitoring equipment will be available for monitoring and/or testing. An un-man H₂S safety trailer and monitoring equipment will also be station on location during the drilling operation below the Surface Casing depth of \pm 800 ft. to total drilling depth of 15,880 ft.