

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

R-III-POTASH

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

JTD RESOURCES, LLC. (DAN LEONARD 432-682-3712)

3. ADDRESS AND TELEPHONE NO.

P.O. BOX 3422 MIDLAND, TEXAS 79702 (432-682-3712)

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

990' FNL & 990' FEL SECTION 23 T21S-R32E LEA CO. NM

At proposed prod. zone SAME

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. 990'

(Also to nearest drlg. unit line, if any)

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED, NA

OR APPLIED FOR, ON THIS LEASE, FT.

16. NO. OF ACRES IN LEASE

640

19. PROPOSED DEPTH

14,900'

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3815' GR.

22. APPROX. DATE WORK WILL START*
WHEN APPROVED

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	Conductor 20"	NA	40" 555	Cement to surface W/Redi-mix
18 1/2"	H-40 16"	65#	175' 1540'	650 Sx. Circulate cement
14 3/4"	K-55 11 3/4"	54#	3200'	1400 Sx. " "
10 5/8"	K-55 8 5/8"	36#	4735' 5235'	1100 Sx. " "
7 7/8"	S-95, N-80 5 1/2"	17#	14,900' 555	2700 Sx. " "

SEE ATTACHED SHEET FOR DETAIL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

Jesse J. Juen

TITLE Agent

DATE 06/30/06

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

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:

/s/ Jesse J. Juen

ACTING

APPROVED BY

TITLE

STATE DIRECTOR

DATE

SEP 11 2006

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

APPLICATION TO DRILL

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM

1. Drill 26" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 18½" hole to ~~1175~~ ^{1540 JSS}'. Run and set 1175' of 16" 65# H-40 ST&C casing. Cement with 650 Sx. of Class "C" cement + 2% CaCl, + ½# Flocele/Sx. , circulate cement to surface.
3. Drill 14 ¾" hole to 3200'. Run and set 3200' of 11 ¾" 54# K-55 ST&C casing. Cement with 900 Sx. of Class "C" Halco Light weight cement + additives, tail in with 500 Sx. of Class "C" cement + 2% CaCl, circulate cement to surface.
4. Drill 10 5/8" hole to ~~4735~~ ^{5235 JSS}'. Run and set 4735' of 8 5/8" 36# K-55 ST&C casing. Cement with 650 Sx. of Class "C" Halco Light weight cement + additives, tail in with 500 Sx. of Class "C" cement + 1% CaCl, circulate cement to surface.
5. Drill 7 7/8" hole to 14,900'. Run and set 14,900' of 5½" casing as follows:
4400' of 5½" 17# S-95 LT&C casing, 6900' of 5½" 17# N-80 LT&C casing, 3600' of 5½" 17# N-80 BT&C casing. Cement in 2 stages, DV Tool at 8900'±. Cement 1st stage with 400 Sx. of Class "H" Light weight cement + additives, tail in with 650 Sx. of Class "H" Premeium Plus cement + additives, cement 2nd stage with 950 Sx. of Class "C" Light weight cement + additives, tail in with 700 Sx. of Class "H" cement + additives, circulate cement to surface.
6. Cement volumes and classes may be altered if fluid caliper logs show an increase or decrease volumes are required.

DISTRICT I
1625 N. FRENCH DR., BOBBS, NM 86240

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 and Natural Resources Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-38131	Pool Code 72124 78240	Pool Name Hat Mesa BILBRET-MORROW (GAS)
Property Code 36026	Property Name PAPA JOE "23" FEDERAL	Well Number 1
OGRID No. 230426	Operator Name JTD RESOURCES LLC	Elevation 3815'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	23	21-S	32-E		990	NORTH	990	EAST	LEA

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 320	Joint or Infill	Consolidation Code	Order No.						

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

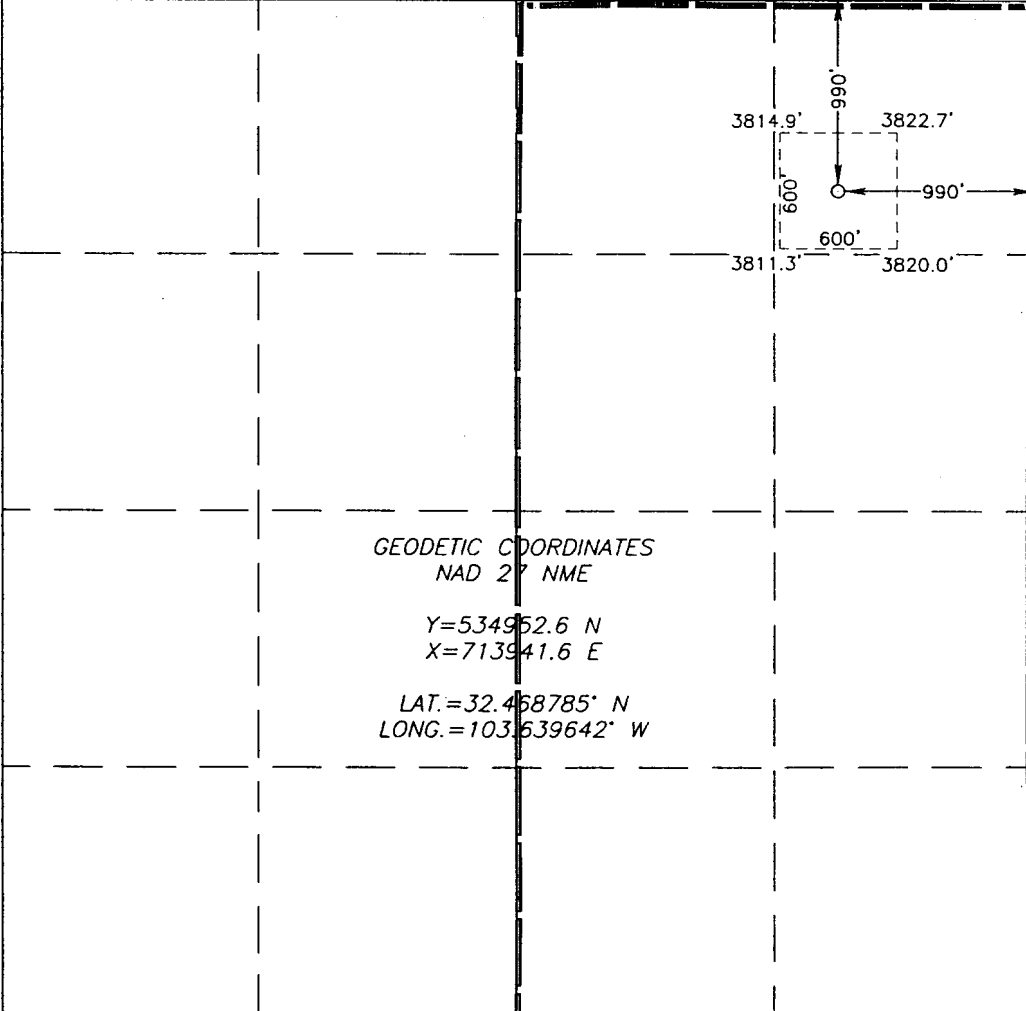
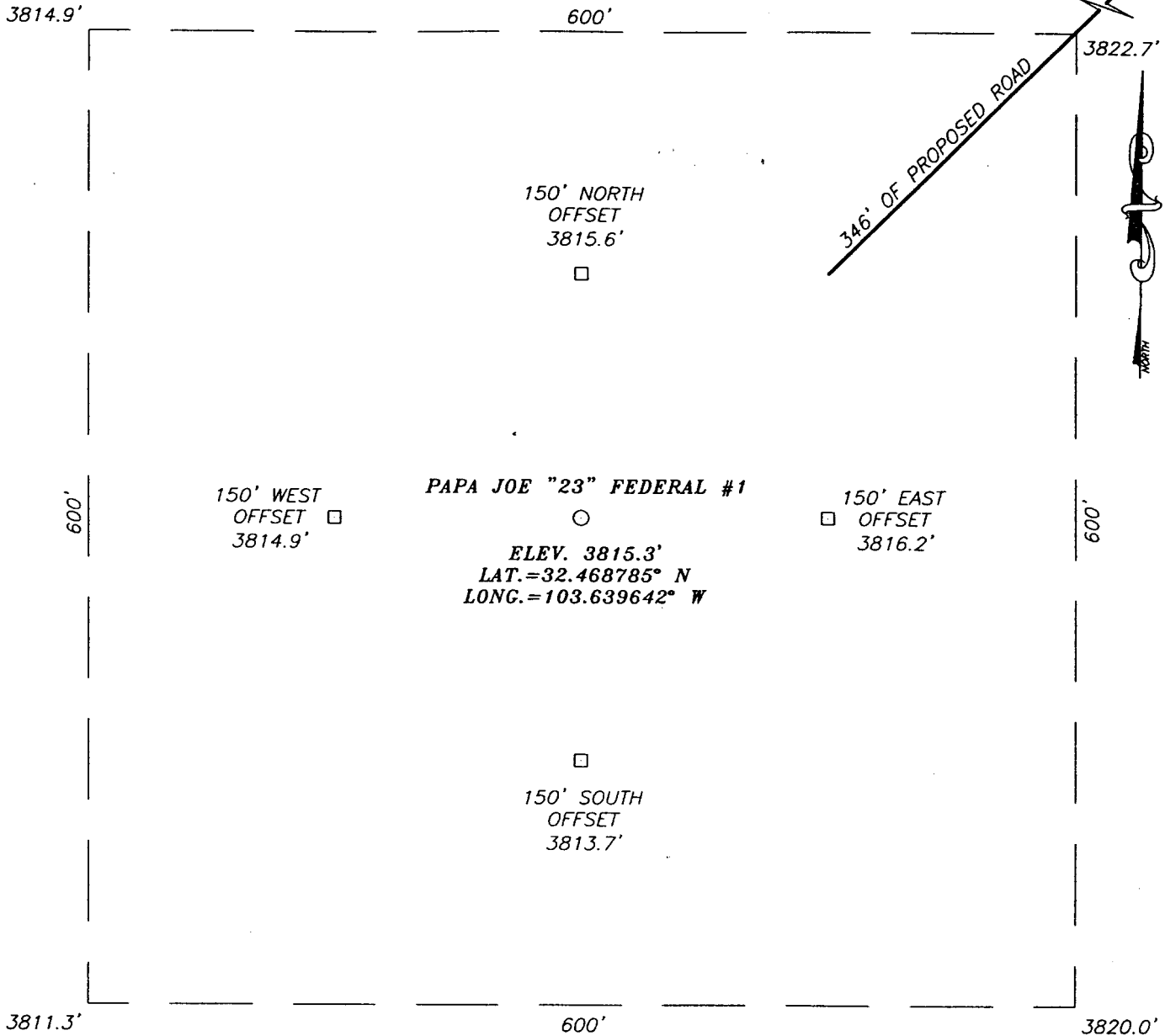
 <p>GEODETIC COORDINATES NAD 27 NME Y=534952.6 N X=713941.6 E LAT.=32.468785° N LONG.=103.639642° W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Joe T. Janica</i> Signature Date Joe T. Janica 06/30/06 Printed Name Agent</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><i>Ronald J. Eidson</i> Date Surveyed Signature & Seal Professional Surveyor 06/20/06 06.17.1019</p> <p>Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12641</p>
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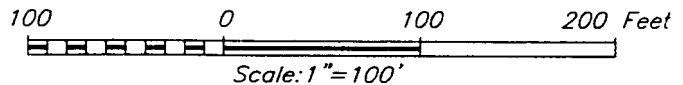
EXHIBIT "A"

SECTION 23, TOWNSHIP 21 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

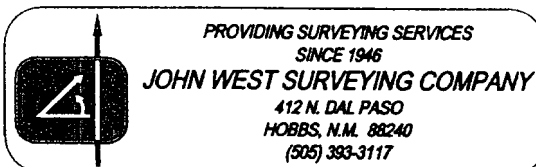
FROM THE INTERSECTION OF ST. HWY. #176 AND LEA CO. RD. #27 (SKEEN RD.) GO WEST ON ST. HWY. #176 APPROX. 4.9 MILES. TURN LEFT AND GO SOUTH APPROX. 0.6 MILES TO A "Y" INTERSECTION. TURN RIGHT AND GO SOUTHWEST APPROX. 1.6 MILES TO A ROAD INTERSECTION. TURN LEFT AND GO SOUTHEAST APPROX. 0.9 MILES TO A "Y" INTERSECTION. TURN RIGHT AND GO SOUTH APPROX. 0.2 MILES, BEND RIGHT AND GO SOUTHWEST APPROX. 0.2 MILES. TURN LEFT AND GO SOUTHEAST APPROX. 0.2 MILES, VEER LEFT AND GO SOUTH-SOUTHWEST APPROX. 0.5 MILES TO A PROPOSED ROAD SURVEY FOLLOW PROPOSED ROAD SURVEY SOUTHWEST APPROX. 346 FEET TO THIS LOCATION.



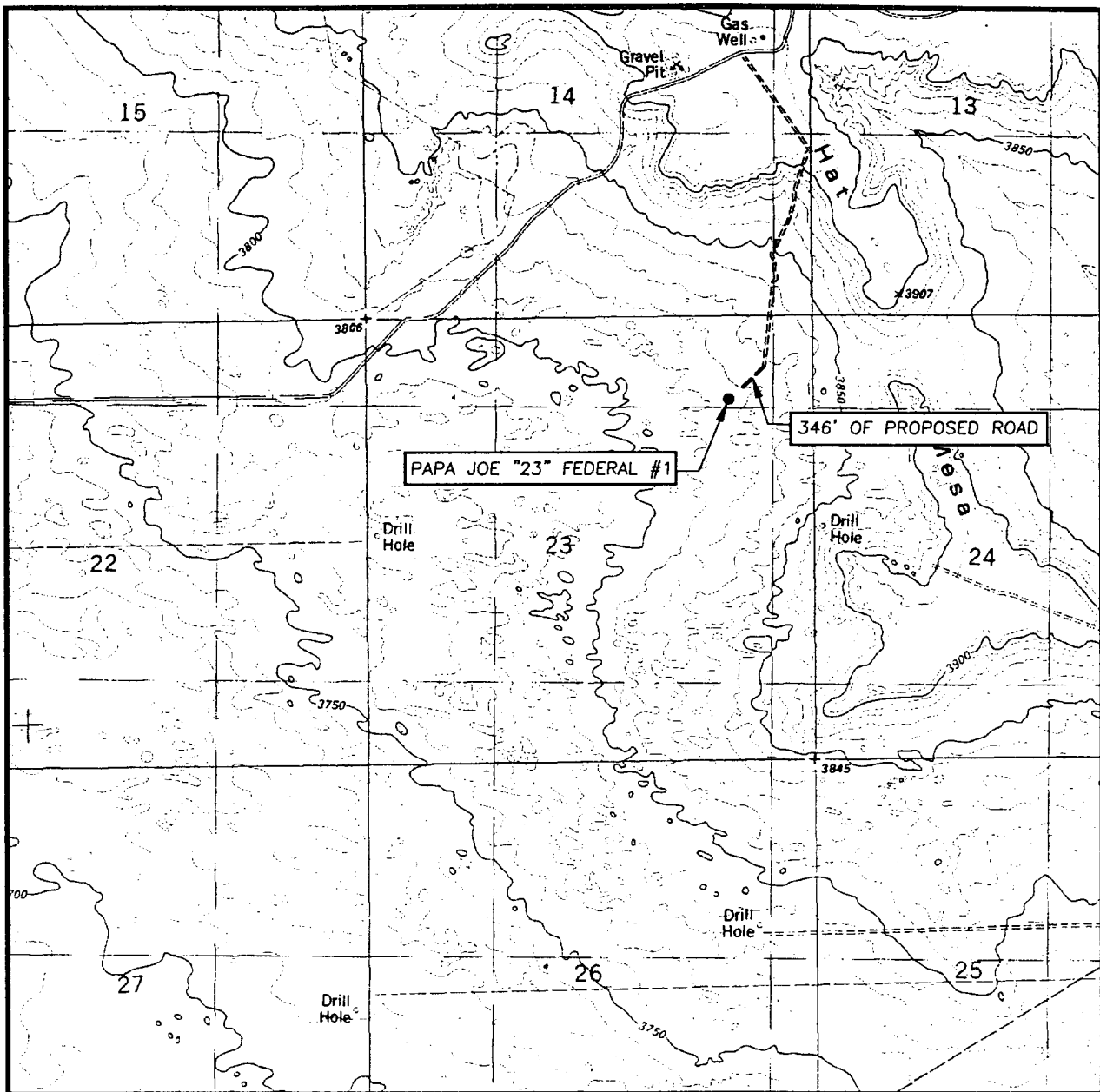
JTD RESOURCES LLC

PAPA JOE "23" FEDERAL #1 WELL
LOCATED 990 FEET FROM THE NORTH LINE
AND 990 FEET FROM THE EAST LINE OF SECTION 23,
TOWNSHIP 21 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 06/15/06		Sheet 1 of 1 Sheets	
W.O. Number: 06.11.1019		Dr By: J.R.	Rev 1:N/A
Date: 06/20/06	Disk: CD#6	06111019	Scale: 1"=100'



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
THE DIVIDE, N.M. - 10'

SEC. 23 TWP. 21-S RGE. 32-E

SURVEY _____ N.M.P.M.

COUNTY _____ LEA

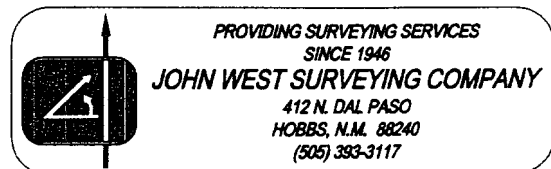
DESCRIPTION 990' FNL & 990' FEL

ELEVATION _____ 3815'

OPERATOR _____ JTD RESOUCES LLC

LEASE _____ PAPA JOE "23" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
THE DIVIDE, N.M.

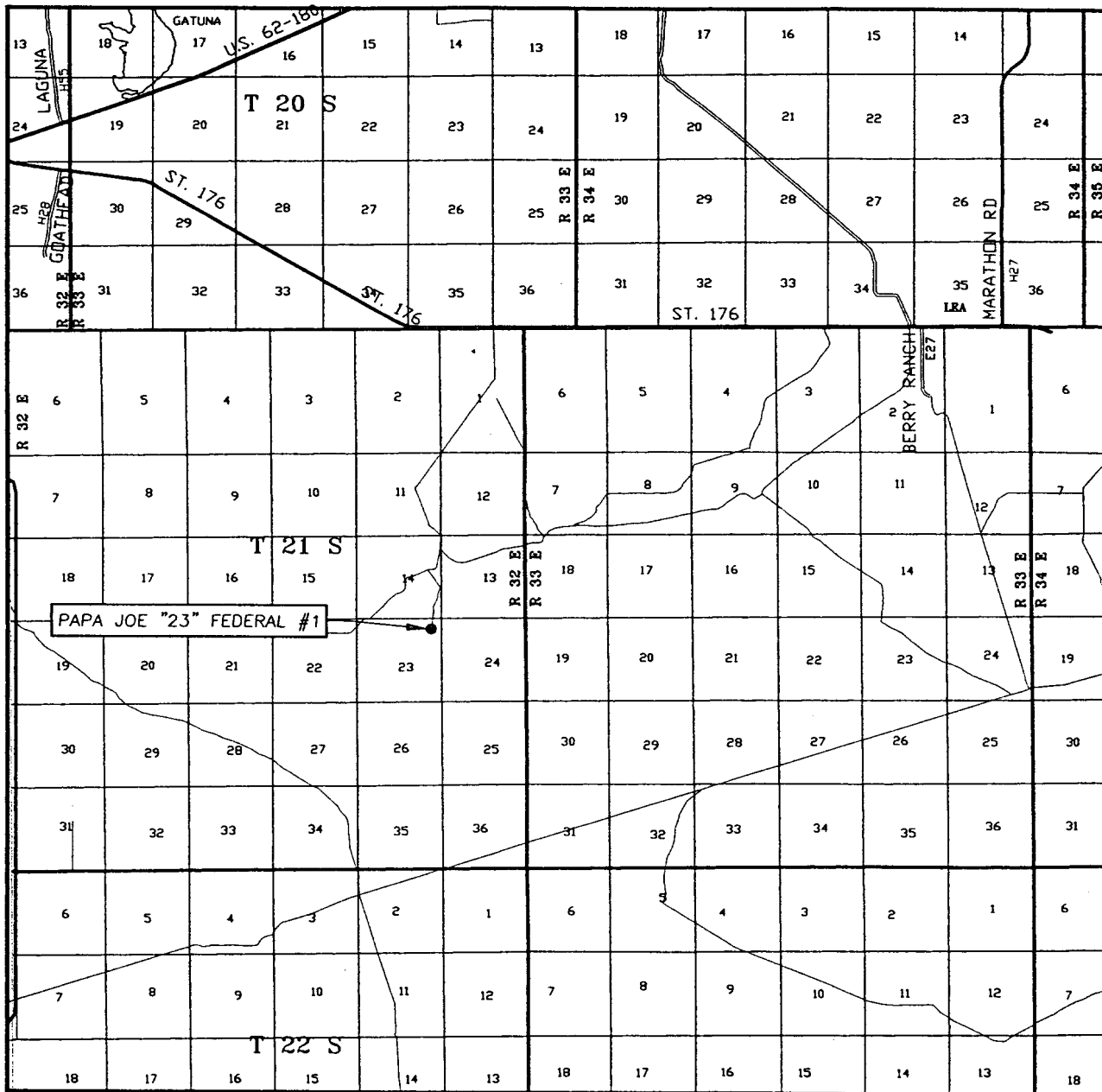


PROVIDING SURVEYING SERVICES
SINCE 1946

JOHN WEST SURVEYING COMPANY

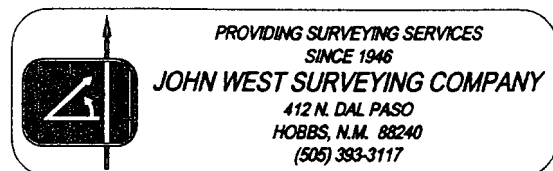
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 23 TWP. 21-S RGE. 32-E
 SURVEY N.M.P.M.
 COUNTY LEA
 DESCRIPTION 990' FNL & 990' FEL
 ELEVATION 3815'
 OPERATOR JTD RESOURCES LLC
 LEASE PAPA JOE "23" FEDERAL



APPLICATION TO DRILL

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S--R32E LEA CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location of well: 990' FNL & 990' FEL SECTION 23 T21S-R32E LEA CO. NM.

2. Ground Elevation above Sea Level: 3815' GR.

3. Geological age of surface formation: Quaternary Deposits:

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium to remove solids from hole.

5. Proposed drilling depth: 14,900'

6. Estimated tops of geological markers:

Rustler Anhydrite	1125'	Strawn	13,125'
Bell Canyon	4715'	Atoka	13,330'
Bone Spring	8715'	Morrow	13,980'
Wolfcamp	11,775'	TD	14,900'

7. Possible mineral bearing formations:

Bone Spring	Oil	Atoka	Gas
Wolfcamp	Gas	1st Morrow Sand	Gas
Strawn	Gas	Lower Morrow	Gas

8. Casing Program:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
26"	0-40' <i>525</i>	20"	NA	NA	NA	Conductor
18 1/2"	0-1175' <i>1540'</i>	16"	65#	8-R	ST&C	H-40
14 3/4"	0-3200'	11 3/4"	54#	8-R	ST&C	K-55
10 5/8"	0-4735' <i>5235'</i>	8 5/8"	36#	8-R	ST&C	K-55
7 7/8"	0-14,900'	5 1/2"	17#	8-R Butress	LT&C BT&C	S-95 N-80

APPLICATION TO DRILL

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM

9. CASING CEMENTING & SETTING DEPTHS:

20"	Conductor	Set 40' of 20" conductor and cement to surface with Redi-mix.
16"	Surface	Set 1175' of 16" 65# H-40 ST& C casing. Cement with 650 Sx. of Class "C" cement + 2% CaCl, + 1/2# Flocele/Sx. Circulate cement to surface.
11 3/4"	1st Intermediate	Set 3200' of 11 3/4" 54# K-55 ST&C casing. Cement with 900 Sx. of Halco Light cement + additives, tail in with 500 Sx. of Class "C" cement + 2% CaCl, circulate cement.
8 5/8"	2nd Intermediate	Set 4735' of 8 5/8" 36# K-55 ST&C casing. Cement with 650 Sx. of Class "C" Light weight cement + additives, tail in with 500 Sx. of Class "C" + 1% CaCl. Circulate.
5 1/2"	Production	Set 14,900' of 5 1/2" casing as follows: 4400' of 5 1/2" 17# S-95 LT&C, 6900' of 5 1/2" 17# N-80 LT&C, 3600' of 5 1/2" 17# N-80 BT&C. Cement in 2 stages with DV Tool at 8900'±. Cement 1st stage with 400 Sx. of Class "H" Light + additives, tail in with 650 Sx. of Class "H" Premium Plus cement + additives, cement 2nd stage with 950 Sx. of Class "C" Light weight + additives, tail in with 700 Sx. of Class "C" cement + additives, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 1500 Series 5000 PSI working pressure B.O.P., consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nipped up on the 16" casing and will be tested to API specifications by a qualified 3rd party B.O.P. tester. 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. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 3" 5000PSI choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected while drilling this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40- 1175 ¹⁵⁴⁰ 1540'	8.4-8.7	29-32	NC	Fresh water spud mud add paper to control seepage.
1175 1175-3200'	10.0-10.2	29-36	NC	Brine water add paper to control seepage and high viscosity sweeps to clean hole.
⁵⁵⁵ 3200- 4735 ⁵²³⁵ 5235'	10.0-10.2 ^{8.4-8.7}	29-38	NC	Same as above. FRESH WATER
⁵²³⁵ 4735-12,100	9.3-9.8	29-40	NC	Cut Brine use paper to control seepage and use high viscosity sweeps to clean hole.

continue on page 3

APPLICATION TO DRILL

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM

11. Continued from page 2

12,100-14,900'	9.8-10.1	38-40	10cc or less	Cut brine use a use a Polymer system control water loss.
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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 run casing the water loss and viscosity may have to be changed.

12. LOGGING CORING AND TESTING PROGRAM:

- A. Open hole logs: Dual Laterolog, MSFL, SNP, LDT, CNL, SONIC, Gamma Ray & Caliper from TD back to 8 5/8" casing shoe.
- B. Cased hole logs; Gamma Ray, Neutron from 8 5/8" casing shoe back to surface.
- C. Mud logger may be rigged up on the hole at 3200' or 4735'.
- D. DST's, wireline formation tests may be taken where shows are encountered.
- E. Side wall cores may be taken in the Morrow interval.

13. POTENTIAL HAZARDS:

No abnormal pressures or abnormal temperatures are expected. There is no known presence of H_2S in this area. If H_2S is encountered the operator will comply with the provisions of Onshore Oil & Gas Order # 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 7500 PSI and Estimated BHT 205°.

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 the APD is approved and a rig to drill well is available. Move in and drilling operation is expected to take approximately 60 days. If production casing is run the completion and surface facility construction and pipeline connection is expected to take approximately 30 days.

15. OTHER FACETS OF OPERATION:

After running production casing cased hole logs will be run from TD back over potential pay zones. Cement Bond logs may be run in order to determine if there are any holidays in the cement job. The Morrow formation will be perforated and stimulated as necessary to establish production. This completion is expected to be a Gas well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of blosie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location:
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H_2S scavengers if necessary.

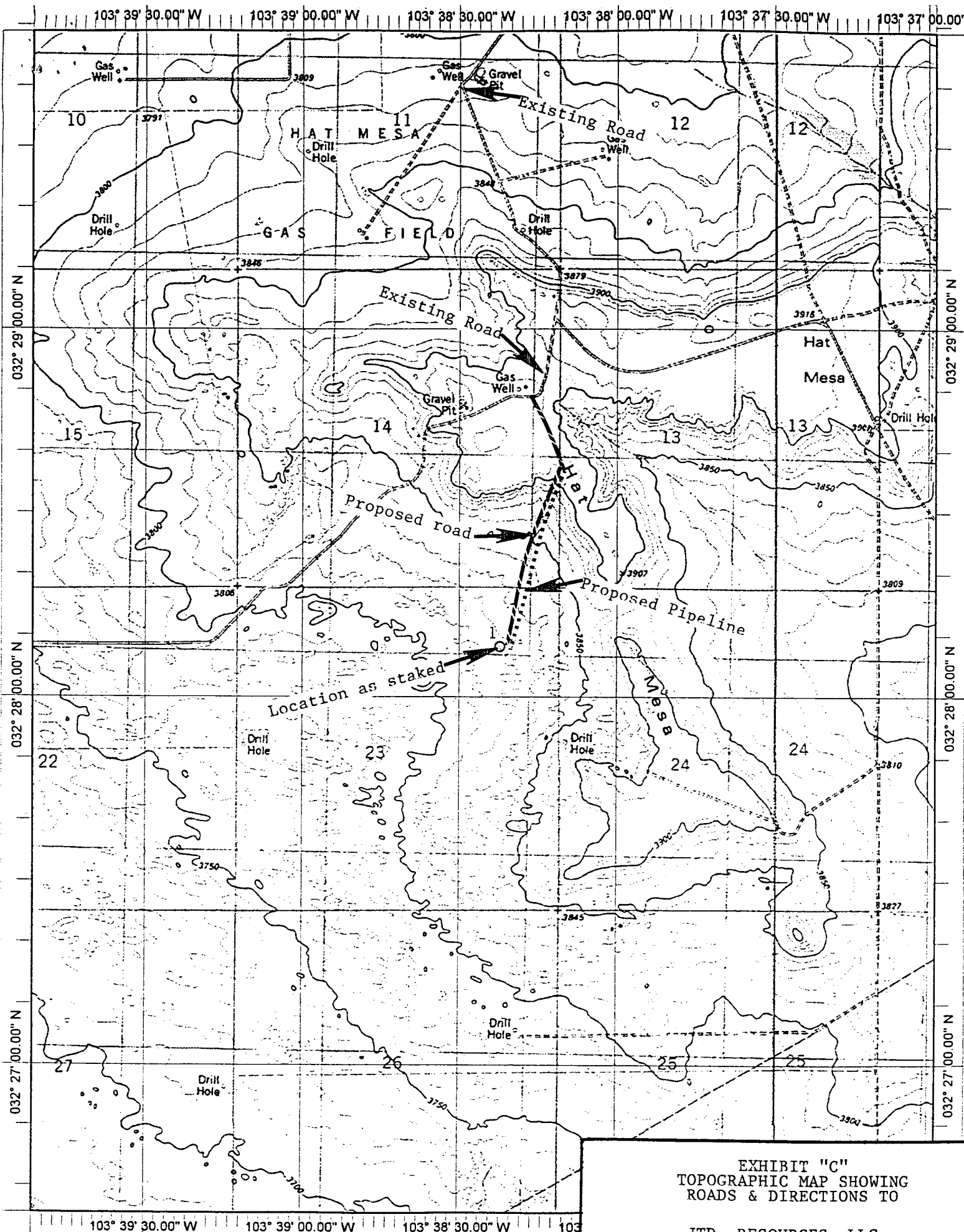
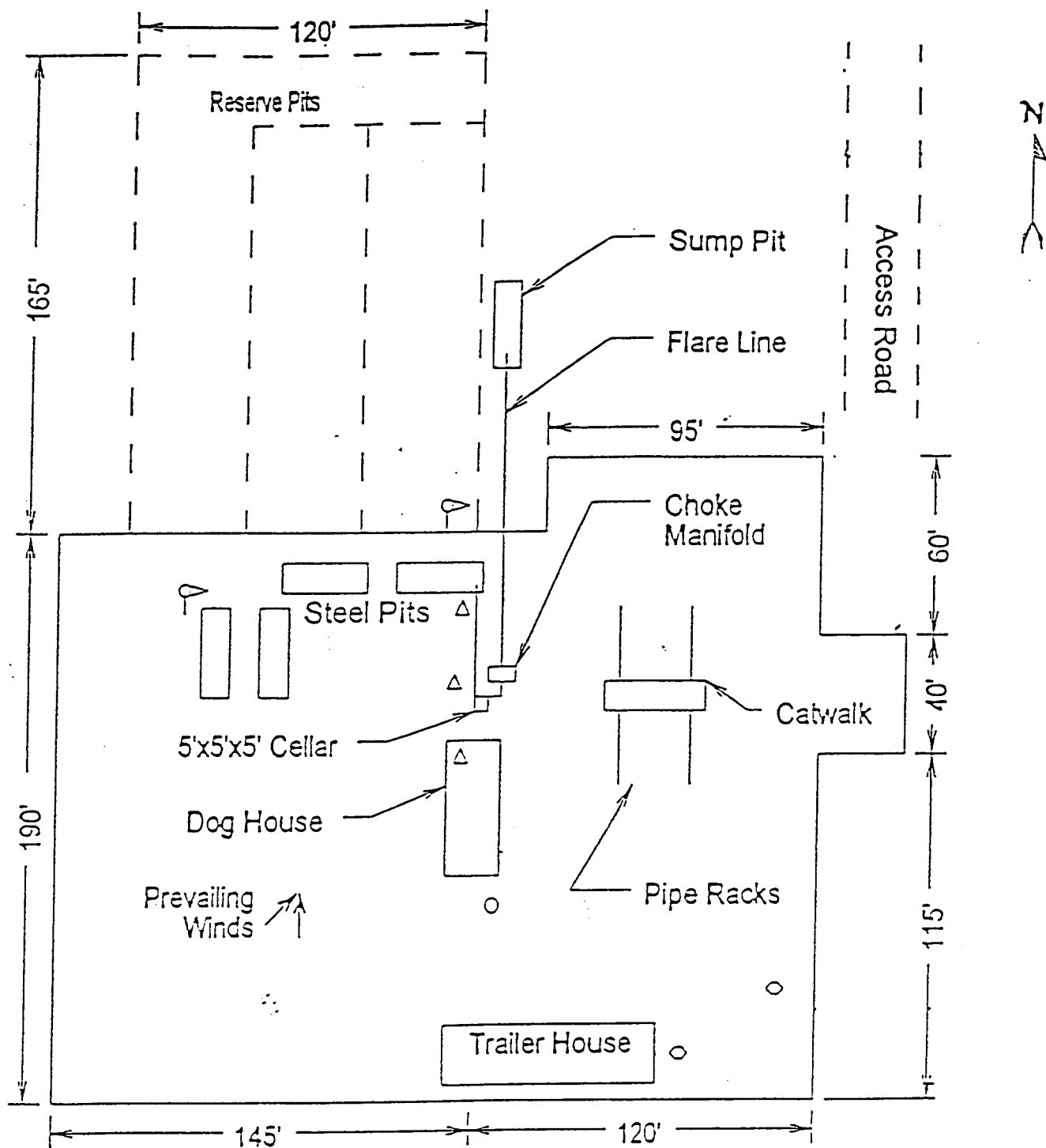


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

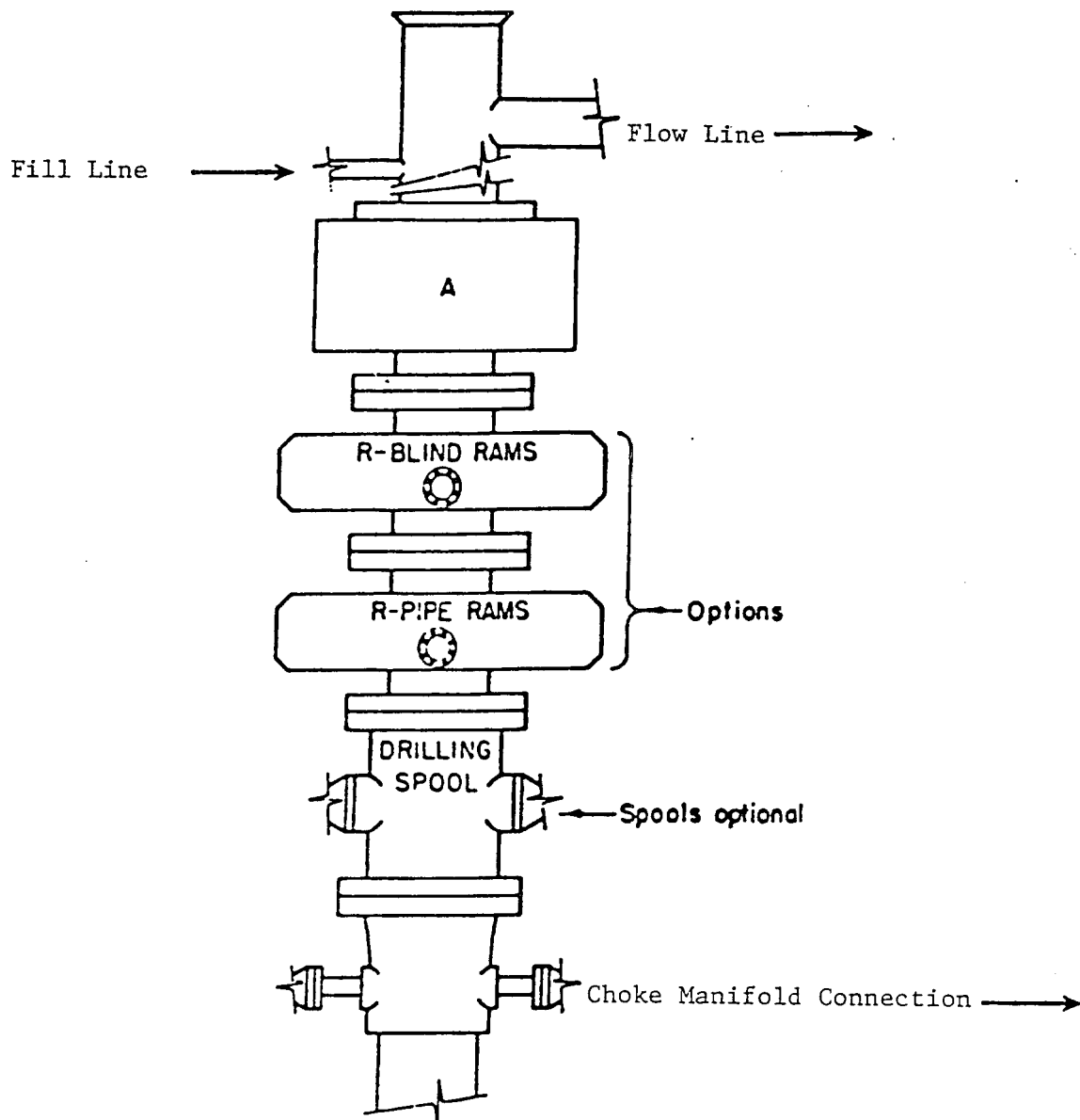
JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM



- Wind Direction Indicators
(wind sock or streamers)
- H2S Monitors
(alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM



ARRANGEMENT SRRA

1500 Series
5000 PSI WP

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

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM

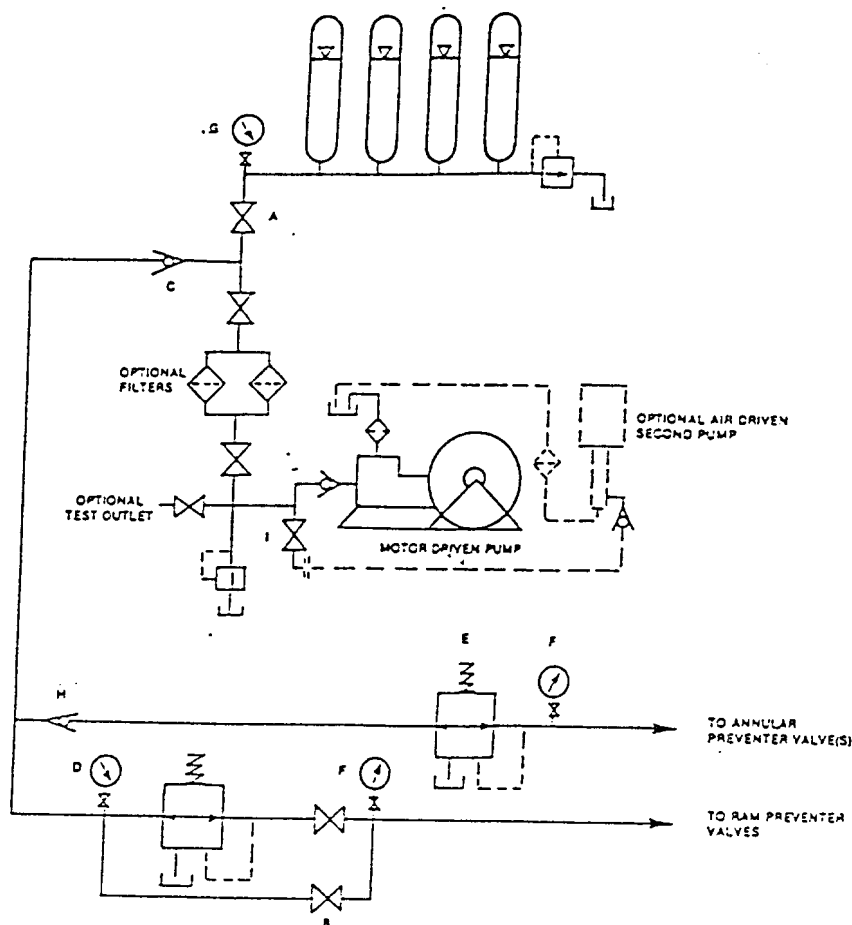


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

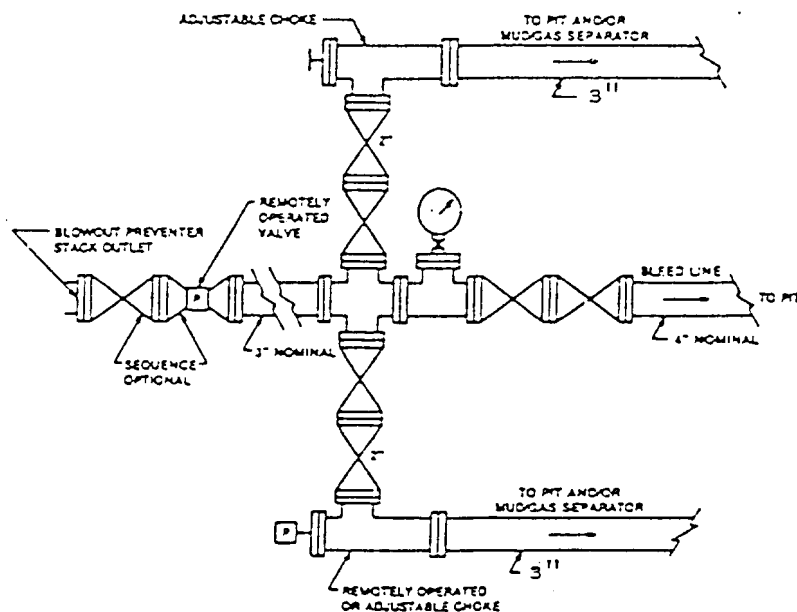


FIGURE K4-2. Typical choke manifold assembly for SM rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

JTD RESOURCES, LLC.
PAPA JOE "23" FEDERAL #1
UNIT "A" SECTION 23
T21S-R32E LEA CO. NM

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: JTD RESOURCES, LLC
Well Name & No. 1 – PAPA JOE 23 FEDERAL
Location: 990' FNL & 990' FEL – SEC 23 – T21S – R32E – LEA COUNTY
Lease: NM-2518

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - 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: 16 inch 11-3/4 inch 8-5/8 inch 5-1/2 inch

C. BOP tests

2. **No Hydrogen Sulfide (H₂S) gas has been reported in Sec 23, although it has been reported in Secs 29, 31 and 34 of T21S – R32E. The operator will have an H₂S Drilling Plan in effect and posted at the drilling site should H₂S gas be encountered.**

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 16 inch surface casing shall be set at 1540 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 11-3/4 inch salt protection casing is **circulate cement to the surface.**

3. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is **circulate cement to the surface.**

4. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall tieback a minimum of 200 feet into the 8-5/8 inch casing.**

5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

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 16 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) required for drilling the surface and intermediate casing strings shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 8-5/8 inch casing shall be 5000 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:

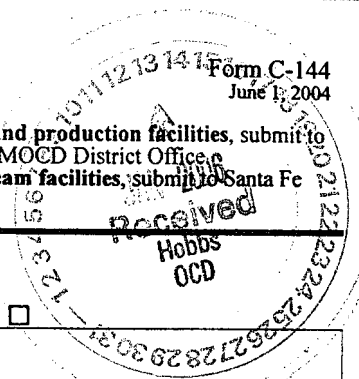
1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 1, 2004
For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office



Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☐
Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☐

Operator: JTD RESOURCES, LLC. Telephone: 432-682-3712 e-mail address: _____							
Address: P.O. BOX 3422 MIDLAND, TEXAS 79701 (DAN LEONARD)							
Facility or well name: PAPA JOE FEDERAL # 1 API # 30-025-38131 U/L or Qtr/Qtr A-N Sec 23 T 21S R 32E							
County: LEA Latitude 32° 27' 31.61" Longitude 103° 38' 53.51" NAD: 1927 <input checked="" type="checkbox"/> 1983 <input type="checkbox"/>							
Surface Owner: Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Indian <input type="checkbox"/>							
Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness 12 mil Clay <input type="checkbox"/> Pit Volume 1.8M bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not: _____						
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 100' +	<table border="1"><tr><td>Less than 50 feet</td><td>(20 points)</td></tr><tr><td>50 feet or more, but less than 100 feet</td><td>(10 points)</td></tr><tr><td>100 feet or more</td><td>(0 points)</td></tr></table>	Less than 50 feet	(20 points)	50 feet or more, but less than 100 feet	(10 points)	100 feet or more	(0 points)
Less than 50 feet	(20 points)						
50 feet or more, but less than 100 feet	(10 points)						
100 feet or more	(0 points)						
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	<table border="1"><tr><td>Yes</td><td>(20 points)</td></tr><tr><td>No</td><td>(0 points)</td></tr></table>	Yes	(20 points)	No	(0 points)		
Yes	(20 points)						
No	(0 points)						
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	<table border="1"><tr><td>Less than 200 feet</td><td>(20 points)</td></tr><tr><td>200 feet or more, but less than 1000 feet</td><td>(10 points)</td></tr><tr><td>1000 feet or more</td><td>(0 points)</td></tr></table>	Less than 200 feet	(20 points)	200 feet or more, but less than 1000 feet	(10 points)	1000 feet or more	(0 points)
Less than 200 feet	(20 points)						
200 feet or more, but less than 1000 feet	(10 points)						
1000 feet or more	(0 points)						
Ranking Score (Total Points) 0							

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 01/12/06

Printed Name/Title: Joe T. Janica/Agent

Signature

Joe T. Janica

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Printed Name/Title: GARY W. WINK / STAFF MGR

Signature

Gary W. Wink

Date:

9/21/06