

New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 022636
1b. Type of Well: <input checked="" 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 Cano Petro Of New Mexico		7. If Unit or CA Agreement, Name and No
3a. Address 801 Cherry Street Unit #25, Suite 3200 Fort Worth Texas 76102		8. Lease Name and Well No. Cato San Andres Unit
3b. Phone No. (include area code) 817-698-0900		9. API Well No. CSAU Fedcal 404
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface Sec. 27-T08S-R30E 660-N-1980-W CHAVES CO. At proposed prod. zone San Andres Unit C		10. Field and Pool, or Exploratory Cato San Andres Field
14. Distance in miles and direction from nearest town or post office* 48 miles SW of Roswell New Mexico		11. Sec., T R. M. or Blk and Survey or Area C-27-08S-30E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig unit line, if any) 7353'	16. No of acres in lease 15,332	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1887'	19. Proposed Depth 4000	20. BLM/BIA Bond No. on file NMB000465
21. Elevations (Show whether DF, KDB, RT, GL, etc) 4152.8	22. Approximate date work will start* 09/25/2007	23. Estimated duration 30 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>Cindy Chavez</i>	Name (Printed/Typed) Cindy Chavez	Date 8-22-07
Title Regulatory Coordinator		

Approved by (Signature) <i>IS/ Angel Mayes</i>	Name (Printed/Typed) Angel Mayes	Date OCT 05 2007
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

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.

Title 18 USC Section 1001 and Title 43 USC 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 page 2)

CEMENT BEHIND THE **85"**
CASING MUST BE **CIRCULATED**

WITNESS

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED**

DISTRICT I
1025 N. FRENCH DR., HOHOBOK, NJ 07030

DISTRICT II
1301 W. GRAND AVENUE, ARTERIA, NJ 08010

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 30-005-27969	Pool Code 10540	Pool Name Cato San Andres
Property Code 303560	Property Name Cato San Andres CSAU Unit	Well Number 404
GRID No. 248802	Operator Name CANO PETRO OF NEW MEXICO	Elevation 4153'

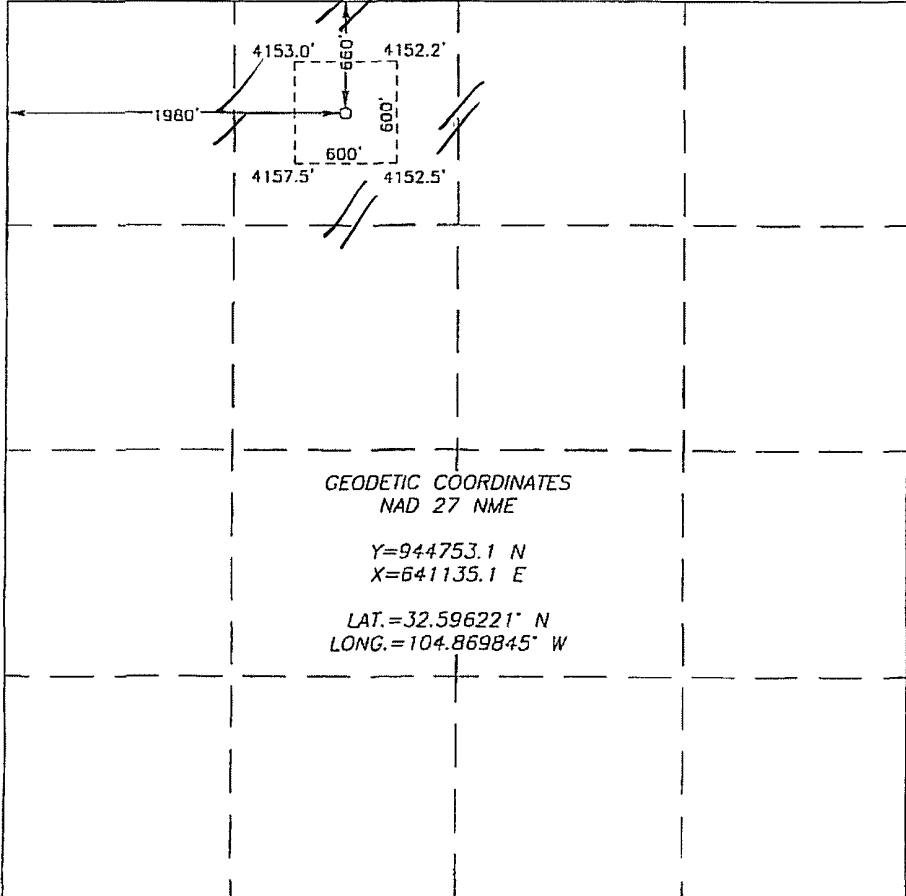
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	8-S	30-E		660	NORTH	1980	WEST	CHAVES

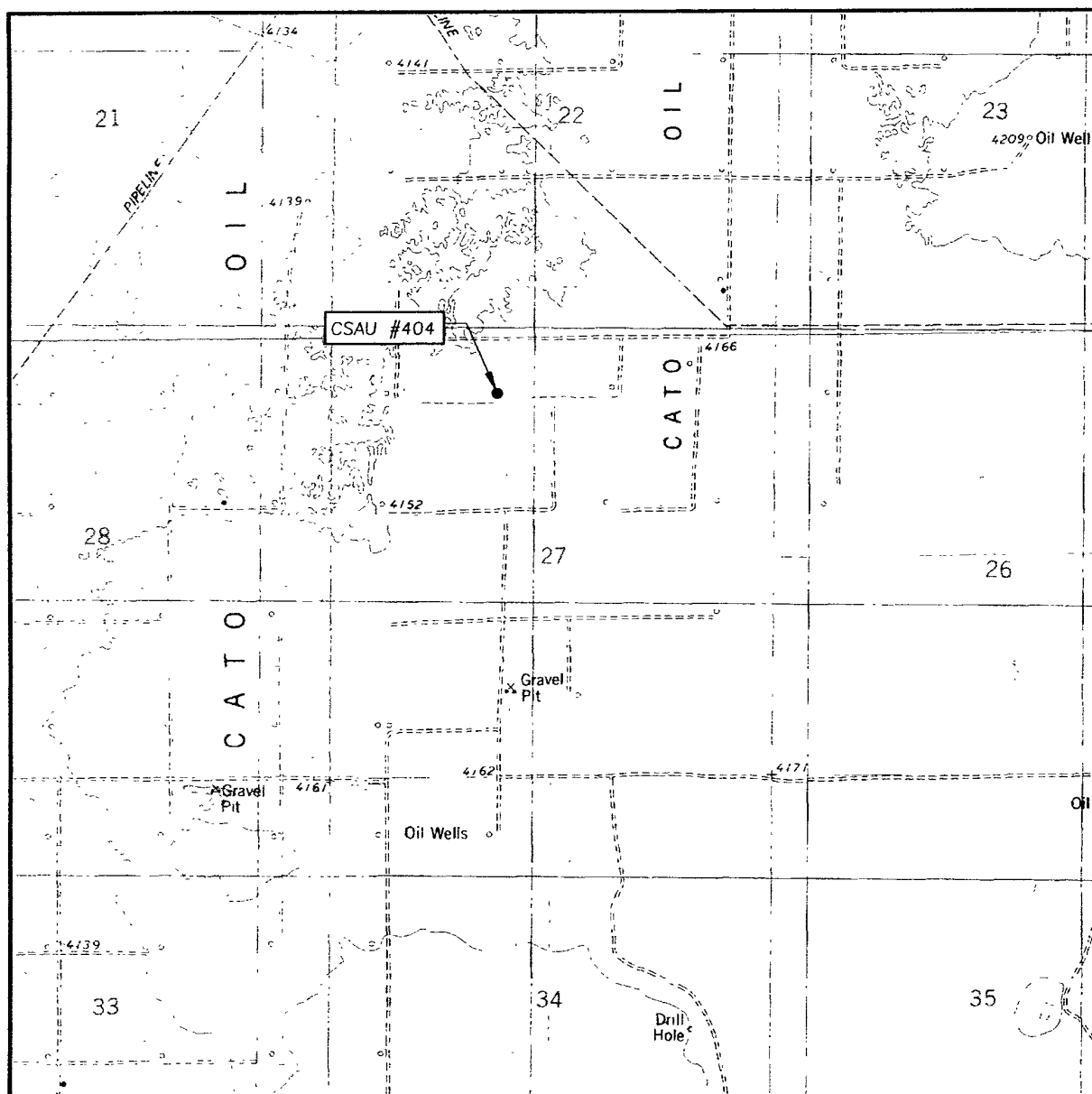
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	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=944753.1 N X=641135.1 E LAT.=32.596221° N LONG.=104.869845° 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>[Signature]</i> 10/15/07 Signature Date CINDY CHAVEZ Printed Name</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>[Signature]</i> 10/27/07 Date Surveyed Signature and Seal of Professional Surveyor RONALD J. EIDSON PROFESSIONAL SURVEYOR</p> <p>Certificate No. GARY EIDSON 12841 RONALD J. EIDSON 3239</p>
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LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CURLEW LAKE SE, N.M. - 10'
PRESLER LAKE, N.M. - 10'

SEC. 27 TWP. 8-S RGE. 30-E

SURVEY _____ N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

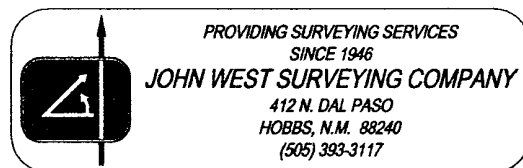
DESCRIPTION 660' FNL & 1980' FWL

ELEVATION 4153'

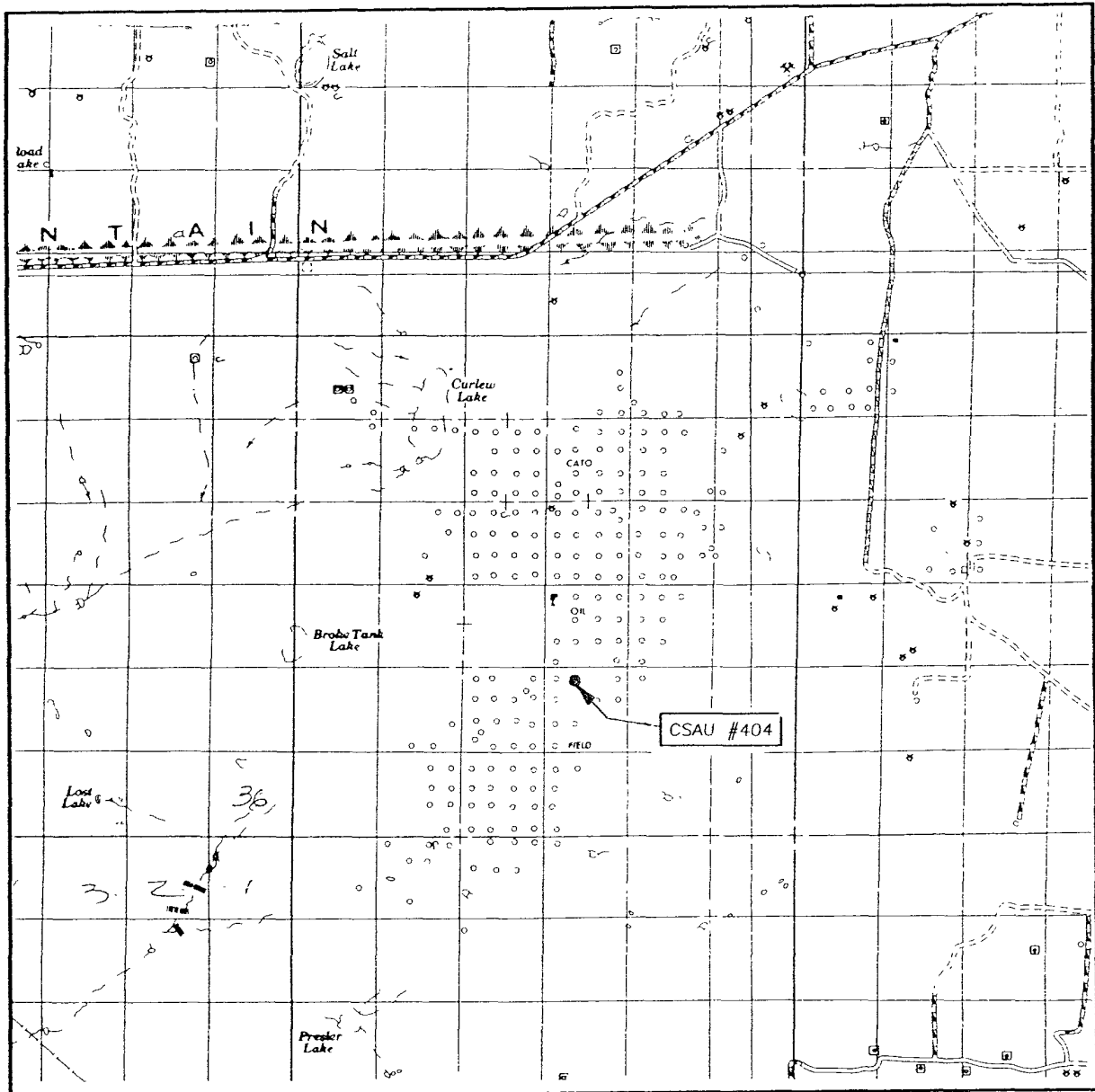
OPERATOR CANO PETRO
OF NEW MEXICO

LEASE CSAU

U.S.G.S. TOPOGRAPHIC MAP
CURLEW LAKE SE, N.M.



VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 27 TWP. 8-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FNL & 1980' FWL

ELEVATION 4153'

OPERATOR CANO PETRO
OF NEW MEXICO

LEASE CSAU



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

APPLICATION TO PERMIT TO DRILL

FOR

CANO PETRO OF NEW MEXICO

LOCATION:	Cato San Andres Unit Federal 404 660 North & 1980 West Sec. 27-T08S-R30E Chaves County, New Mexico
DRILLING CONTRACTOR:	UNION DRILING, INC. 4725 Loop 322, Abilene Texas 79602
FEDERAL LEASE NUMBER:	NM-82050X
LEASE ISSUED:	February 1, 2007
ACRES IN LEASE:	15,322
AUTHORITY TO OPERATE:	Cano Petro of New Mexico 801 Cherry Street, Unit #25 Suite 3200 Fort Worth, Texas 76102
BOND COVERAGE:	\$25,000.00 S/W BLM Bond No. NMB000465
SURFACE & MINERAL OWNERSHIP:	Bureau of Land Management, Roswell, New Mexico

APPLICATION TO PERMIT TO DRILL

Drilling Plan

**Cato San Andres Unit Federal 404
660 North & 1980 West
Sec. 27-T08S-R30E
Chaves County, New Mexico**

In conjunction with Form 3160-3, Application for Permit to Drill, Cano Petro of New Mexico submits the following items of pertinent information in accordance with Onshore Oil & Gas Order No 1, and with all other applicable federal, state and fee regulations.

The Drilling Plan consists of the following:

1. Estimated tops of geologic markers are as follows:

Rustler	1,047 ft
Yates	1409 ft
Seven Rivers	1,580 ft
Queen	2,073 ft
San Andres	2,543 ft

2. Depths and thickness of:

Fresh water- 500'
Oil or Gas - San Andres

3. BOPE diagram showing:

Press Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report . **SEE EXHIBIT A**

4. Casing program:

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Setting Depth	Length
12 1/4"	8 5/8"	24#	J55	ST&C	0-950'	500	950'
7 7/8	5 1/2	15.5	J55	ST&C	0-4990'	4000	4990"

5. Cement (amount and type):

Min 200 sx 50 / 50 pos

6: Drilling Mud (amount, type weight material, and monitoring equipment)

Monitor with Drilling Mud Consultant.
Fresh water to 2000-2500'
Convert to fresh water mud
Weight 9.5-10.0 ppg with water loss
Set @ 10.
Convert to gel
When chlorides reach 20,000 ppm
Finish well with salt gel/ starch system

7. Testing, Logging, and Coring:

Testing: Baker Atlas
Logging: Baker Atlas
Coring: not determined

8. Expected bottom hole pressure and temperatures.

Bottom hole pressure 300 psi
Temperatures 100°

9. Additional information:

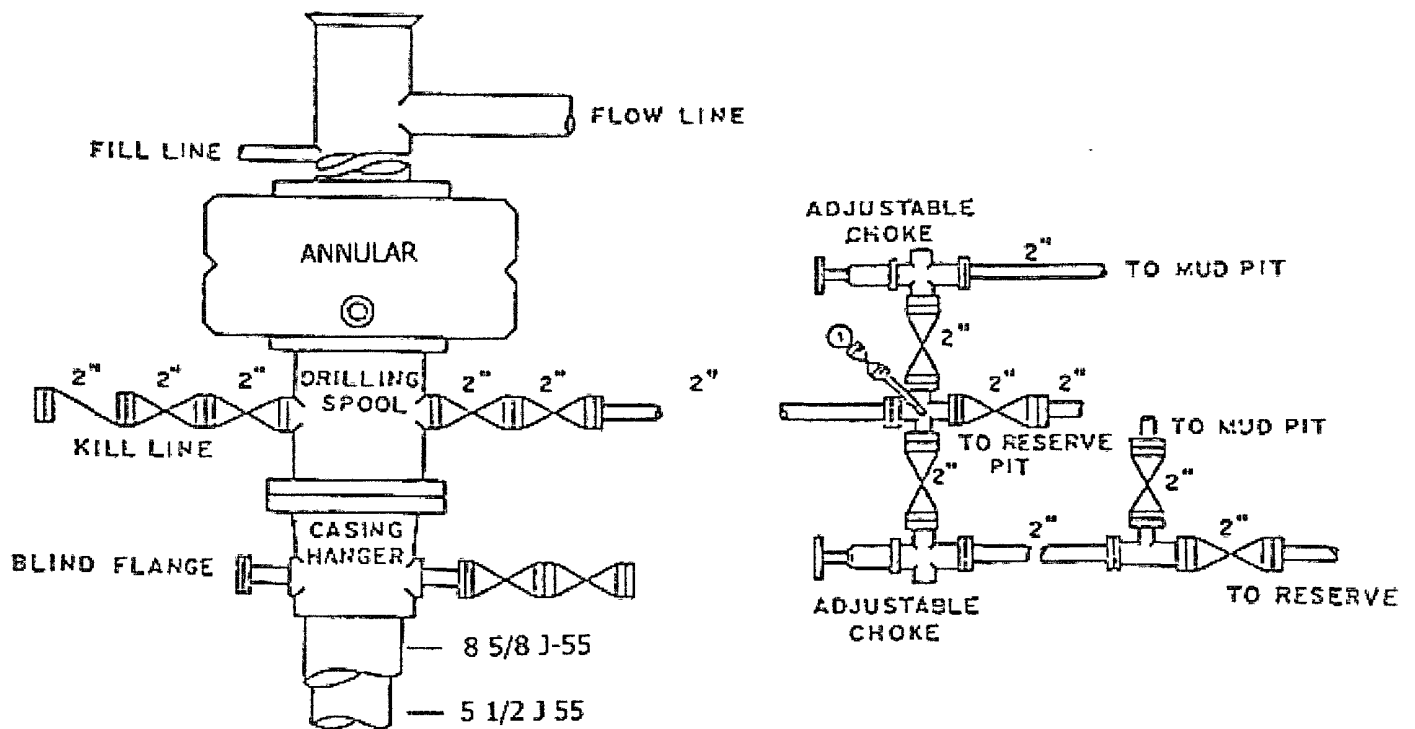
None

CANO PETRO OF NEW MEXICO

Fort Worth, Texas

Cato San Andres unit Federal 404
660 North & 1980 West
Sec. 27-T08S-R30E
Chaves County, New Mexico

Exhibit A



BOP DIAGRAM
2000# Working Pressure
Rams Operation Daily

New Mexico Oil Conservation Division, District I

1625 N. French Drive

Hobbs, NM 88240

Form 3160-5
(August 2007)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.5. Lease Serial No.
NM022636

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE – Other instructions on page 2.7. If Unit of CA/Agreement, Name and/or No.
NM-82050X8. Well Name and No.
CSAU Federal 404

9. API Well No.

30-005-27969

10. Field and Pool or Exploratory Area
CATO SAN ANDRES FIELD11. Country or Parish, State
New Mexico

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
Cano Petro of New Mexico, Inc.3a. Address
801 Cherry Street, Unit #25 Suite 3200, Fort Worth, Texas 761023b. Phone No. (include area code)
817-698-09004. Location of Well (Footage, Sec., T., R., M., or Survey Description)
27-08S-30E 660-N-1980-W

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

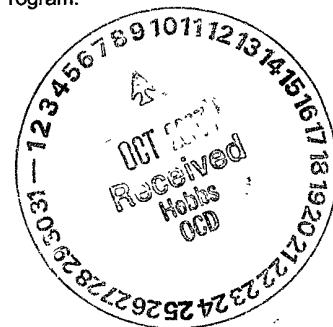
TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other revise ADP
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Attached is a revised coverletter. The drilling contractor has changed. The revised coverletter demonstrates the new drilling contractor.

There are a total of 5 revisions on the 12 Point Surface Use Program. Attached is a revised 12 Point Surface Use Program.

- No.(1) Directions to well was revised
- Exhibit B is also revised
- No.(2) Exhibit C was include as an exhibit
- No.(7) Methods for handling waste: G. is also revised.
- No (9) Well site layout. A through D are revised and so were the exhibits



14. I hereby certify that the foregoing is true and correct.

Name (Printed/Typed)

Cindy Chavez

Title Regulatory Coordinator

Signature

Date 9/17/07

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Angel Mayes

Assistant Field Manager
Lands And Minerals

OCT 05 2007


Conditions of approval, if any, are attached Approval of this notice 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.


Office ROSWELL FIELD OFFICE

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 page 2)

CSAU #404

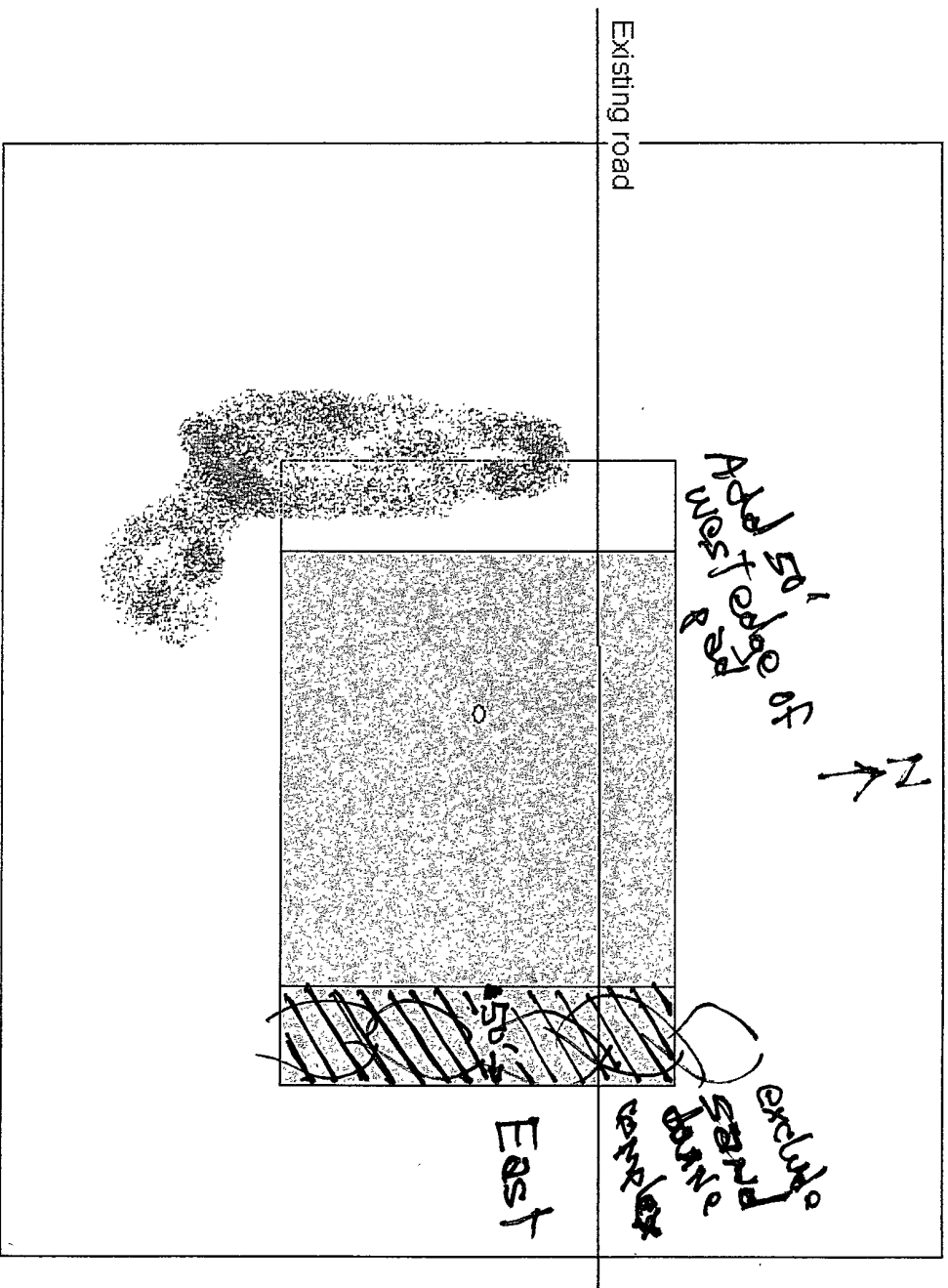
 new pad

 Sand dunes

will move pad 50' west

EXHIBIT C

N
V



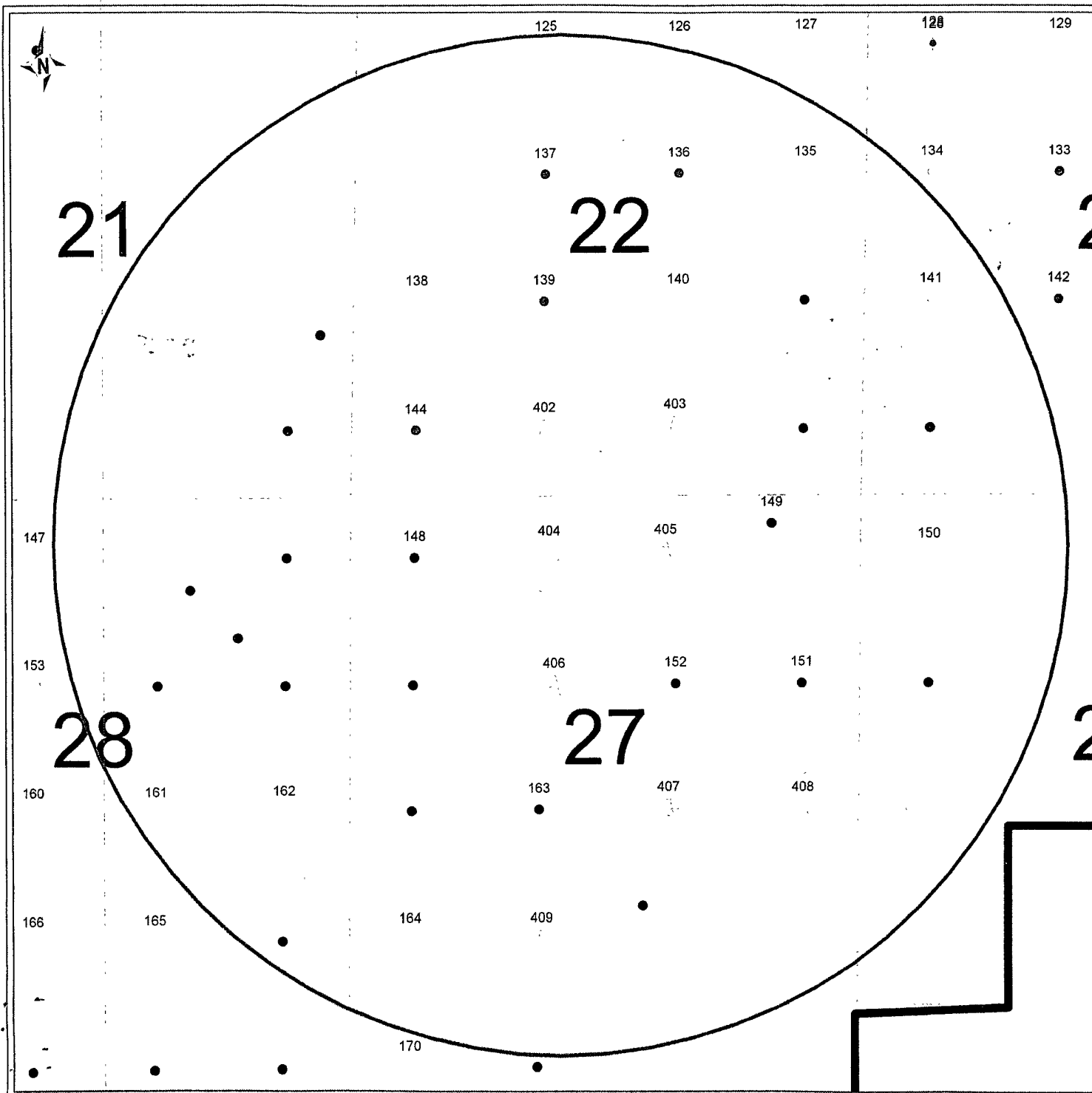


Exhibit D

Cano Petroleum, Inc of New Mexico

Cato San Andres Unit

One Mile Radius

Proposed New Drill No 404

0 1,436
FEET

POSTED WELL DATA

WELL NAMING CONVENTION: WELL NUMBER{EGGEE}

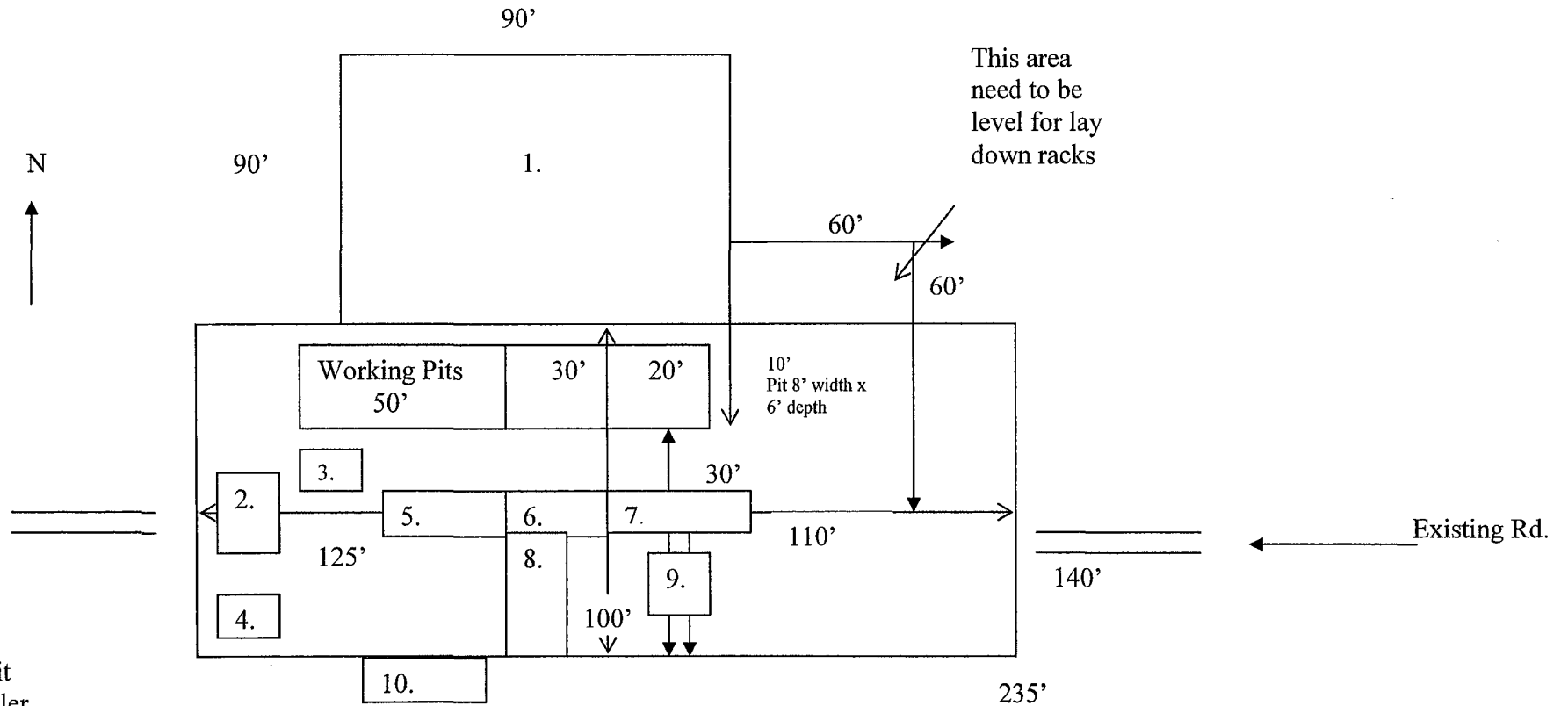
DRILLING INFO - DRILLING_ORDER{ALW-AA}

August 27, 2007

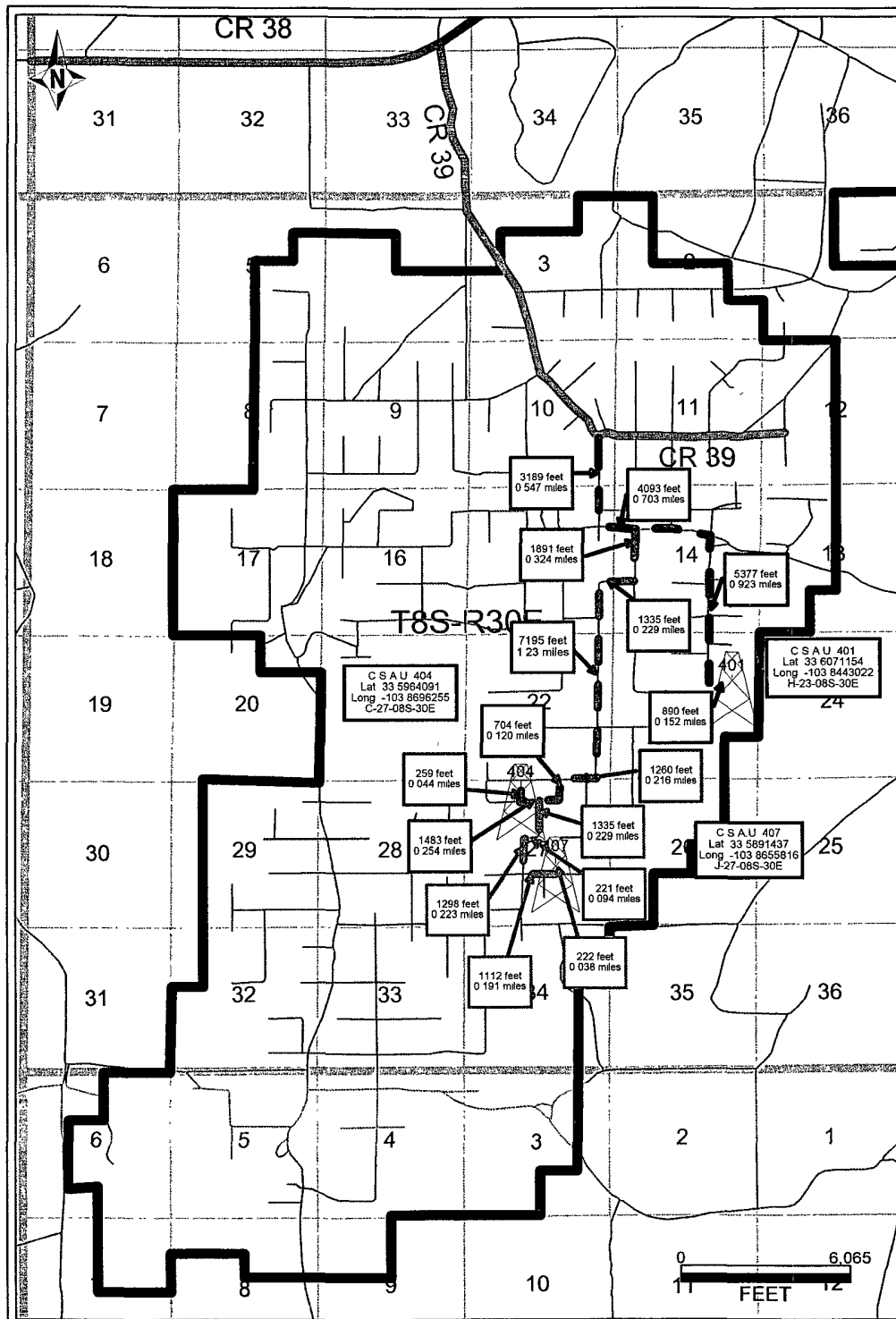
UNION DRILLING, LLC

LOCATION PLAT

RIG 33



1. Reserve Pit
2. Trash Trailer
3. Pump
4. Generator
5. Rig
6. Sub
7. Catwalk
8. Doghouse
9. Pipe Rack
10. Crew Quarters



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 <u>Cano Petro of New Mexico, Inc.</u> Telephone <u>817-698-0900</u> e-mail address <u>cindy@canopetro.com</u>		
Address <u>801 Cherry Street, Unit #25 Suite 3200, Fort Worth, Texas 76102</u>		
Facility or well name: <u>CSAU 404</u>	API # <u>30-005-27269</u>	U/L or Qtr/Qtr <u>C</u> Sec <u>27</u> T <u>8S</u> R <u>30E</u>
County <u>Chaves</u>	Latitude <u>32.596221 N</u>	Longitude <u>104.869845 W</u> AD 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 type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Pit Volume <u>2000</u> bbl	Below-grade tank Volume _____ bbl Type of fluid _____ Construction material _____ Double-walled, with leak detection? Yes <input checked="" type="checkbox"/> If not, explain why not _____ <u>Will use a pit and not a below-grade tank.</u>	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet <input checked="" type="checkbox"/>	(10 points) <input checked="" type="checkbox"/>
	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)	Yes	(20 points)
	No <input checked="" type="checkbox"/>	(0 points) <input checked="" type="checkbox"/>
Distance to surface water (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more <input checked="" type="checkbox"/>	(0 points) <input checked="" type="checkbox"/>
Ranking Score (Total Points)		20 points

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 8/22/07

Printed Name/Title Cindy Chavez, Regulatory Coord.

Signature Cindy Chavez

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 CARIS WILLIAMS DIST. SUPERVISOR

Signature Caris Williams

Date 10/16/07