

THIS IS A RE-SUBMITTAL
ORIGINAL APD APPROVED 02/07/06
FOR ONE YEAR.

ATS-07-654

Form 3160-3
(April 2004)

HOBBS

SECRETARY'S POTASH

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

1239

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

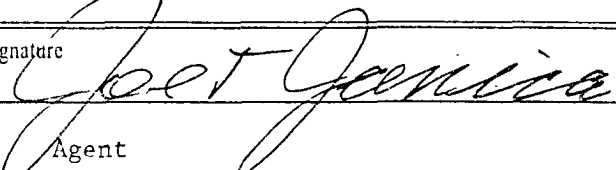
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-01135
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 PURE ENERGY OPERATING, INC. (LARRY RISLEY 210-226-6700)		7. If Unit or CA Agreement, Name and No. -----
3a. Address 153 TREELINE PARK SUITE 220 SAN ANTONIO, TEXAS 79802		8. Lease Name and Well No. <302324> LUSK "33" FEDERAL # 7
3b. Phone No. (include area code) 210-226-6700		9. API Well No. 30-025-39745
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1650' FNL & 660' FEL SECTION 33 T19S-R32E LEA CO. At proposed prod. zone SAME Unit H Capitan Controlled Water Basin		10. Field and Pool, or Exploratory EAST LUSK-DELAWARE <41520>
14. Distance in miles and direction from nearest town or post office* Approximately 40 miles West Southwest of Hobbs, New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 33 T19S-R32E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease 1280	17. Spacing Unit dedicated to this well 40 acres SE/4 of SE/4 UNIT "H"
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 7500' 7800	20. BLM/BIA Bond No. on file NMB-000315
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3552' GL	22. Approximate date work will start* WHEN APPROVED	23. Estimated duration 40 Days

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 	Name (Printed/Typed) Joe T. Janica	Date 08/24/07
Title Agent		
Approved by (Signature) Is/ Linda S.C. Rundell	Name (Printed/Typed)	Date AUG 4 2007
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, 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.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL
(Instructions on page 2)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

State of New Mexico

DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

RECEIVED

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-39745	Pool Code 41520	Pool Name LUSK EAST-DELAWARE
Property Code 302324	Property Name LUSK 33 FEDERAL	Well Number 7
OGRID No. 236435	Operator Name PURE ENERGY OPERATING, INC.	Elevation 3552'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	33	19-S	32-E		1650	NORTH	660	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	Joint or Infill	Consolidation Code	Order No.
40			

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>Joe T. Janica</i> Signature</p> <p>Joe T. Janica Printed Name</p> <p>Agent</p> <p>Title</p> <p>08/24/07 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>ALL INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT TO THE BEST OF MY BELIEF. Date Surveyed: 8/8/07</p> <p>Signature of Professional Surveyor: <i>Ronald Eidson</i> Professional Surveyor</p> <p>3239</p> <p>8/8/07</p> <p>Certificate No. 12641 RONALD EIDSON 3239</p>

GEODETIC COORDINATES
NAD 27 NME

Y=589541.5 N
X=675222.0 E

LAT = 32°37'10.07" N
LONG. = 103°45'51.25" W

EXHIBIT "A"

APPLICATION TO DRILL

PURE ENERGY OPERATING, INC.
LUSK "33" FEDERAL #7
UNIT "H" SECTION 33
T19S-R32E LEA CO. NM

DRILLING PROCEDURE

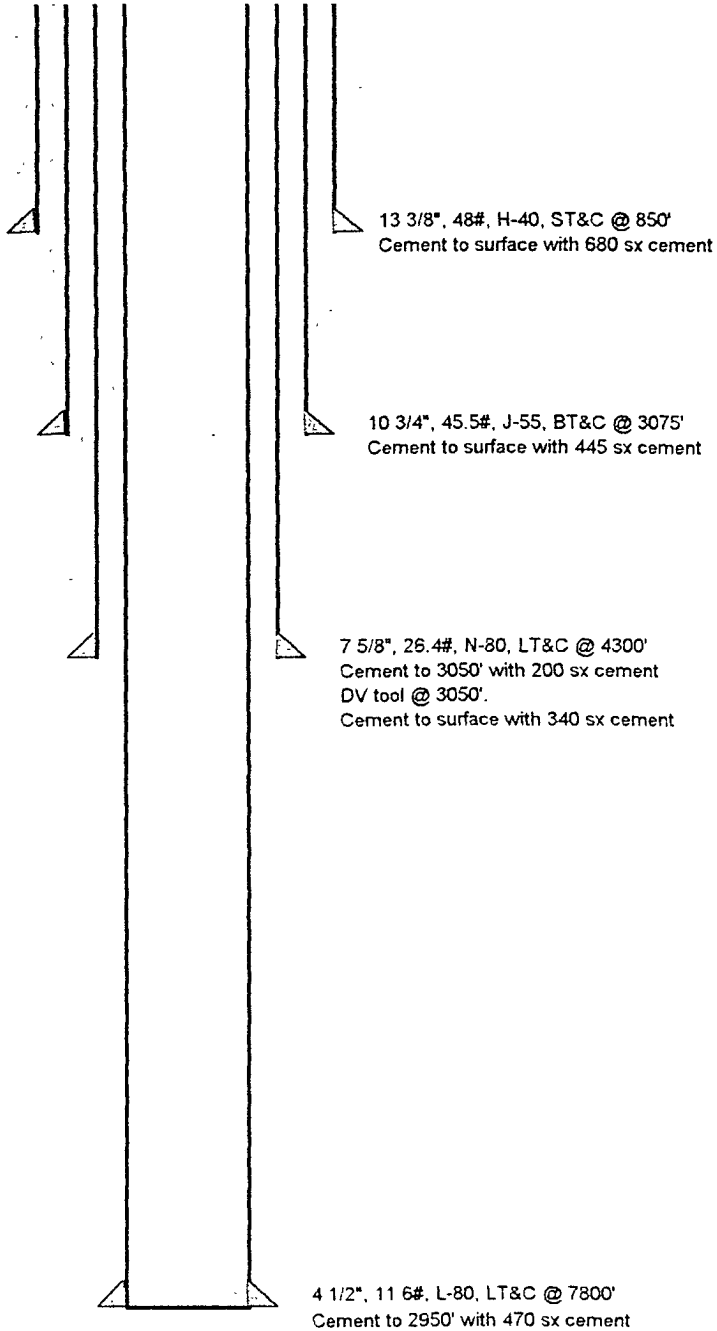
1. Drill 26" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix cement
2. Drill 17½" hole to 850'. Run and set 850' of 13 3/8" 48# H-40 ST&C casing. Collapse 1.76, burst 3.46, joint 7.89, body 13.26. Cement with 480 Sx. of 35/65 POZ Premium Plus Class "C" cement + 2% CaCl, + ½# flocele/Sx, + 6% Bentonite! 100% excess yield 1.97, tail in with 200 Sx. of Premium Plus Class "C" cement + 2% CaCl, 100 % excess Yield 1.34 circulate cement to surface.
3. Drill 12½" hole to 3075'. Run and set 3075' of 10 3/4" 45.5# J-55 BTC. Collapse 1.31 Burst 3.58, Joint 5.69, Body 5.11. Cement with 245 Sx. of 50/50 POZ Premium Plus Class "C" cement + 5% Na Cl, + 0.125# celoflakes/Sx., + 10% Bentonite, + 5# LCM/Sx. Yield 2.45 50% Excess, Tail in with 200 Sx. Premium Plus Class "C" cement + 1% CaCl, Yield 1.34 50% Excess, circulate cement to surface.
4. Drill 9½" hole to 4300'. Run and set 4300' of 7 5/8" 26.4# N-80 LT&C casing. Collapse 1.79, Joint 4.32, Body 5.3, Yield 3.0. Cement in 2 stages with DV Tool at 3050±'. cement 1st stage with 100 Sx. of 50/50 Premium Plus Class "C" cement + 10% Bentonite, + 5% NaCl, + 3#/Sx LCM, Yield 2.45 50% excess, tail in with 100 Sx. of 60/40 POZ Premium Plus Clsss "C" cement + 5% NaCl, + .5% Metasilicate + 4% MPA-1, + 5#/Sx. LCM. Yield 1.37 50% Excess. Cement 2nd stage with 240 Sx. of 50/50 POZ Premium Plus Class "C" cement + 5% NaCl, + 3#/Sx LCM, + 10% Bentonite, Yield 2.45, 50% Excess, tail in with 100 Sx. of Premium Plus Class "C" cement + 1% CaCl, Yield 1.34 50% excess.
5. Drill 6½" hole to 7800'. Run and set 7800' of 4½" 11.6# L-80 LT&C casing, Collapse 1.74, Yield 2.13, Joint 2.34, Body 2.95. Cement with 210 Sx. of 50/50 POZ; Premium Plus Class "C" cement + 10% Bentonite, + 0.3% FL-52A, 50% excess Yield 2.29. Tail in with 260 Sx. of Premium Plus Class "C" cement + 2% NaCl, + 0.5 % FL-25, + 2% Bentonite, 35% Excess Yield 1.27.

PURE ENERGY

RKB
GL

API #
NM

Spud
Completed



LUSK 33 FEDERAL # 7

East Lusk Field

530' FNL & 660' FEL, Sec 33

T-19-S, R-32-E

Lea County, New Mexico

Proposed Well

DLT 8/17/07

APPLICATION TO DRILL

PURE ENERGY OPERATING, INC.

LUSK "33" FEDERAL #7

UNIT "H"

SECTION 33

T19S-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 information.

1. LOCATION: 1650' FNL & 660' FEL SECTION 33 T19S-R32E LEA CO. NEW MEXICO
2. ELEVATION ABOVE SEA LEVEL: 3552' GL.
3. GEOLOGIC 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 solids removal from hole.
5. PROPOSED DRILLING DEPTH: 7800'

6. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Rustler Anhydrite	880'	Delaware	4270'
Yates	2695'	Cherry Canyon	4755'
Capitan	3062'	Brushy Canyon	6580'
		TD.	7800'

7. POSSIBLE MINERAL BEARING FORMATION:

100+'	Water
Delaware Sands	Oil

8. CASING PROGRAM:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade	
26"	0-40'	20"	NA	NA	NA	Conductor	New
17½"	0-850'	13 3/8"	48#	8-R	ST&C	H-40	New
12½"	0-3075'	10 3/4"	45.5#	BT	BTC	K-55	New
9½"	0-4300'	7 5/8"	26.4#	8-R	LT&C	N-80	New
6½"	0-7800'	4½"	11.6#	8-R	LT&C	1-80	New

APPLICATION TO DRILL

PURE ENERGY OPERATING, INC.

LUSK "33" FEDERAL #7

UNIT "H"

SECTION 33

T19S-R32E

LEA CO. NM

9. CEMENTING AND CASING SETTING DEPTHS:

20" Conductor Set 40' of 20" conductor pipe and cement to surface with Redi-mix.

13 3/8" Surface Set 850' of 13 3/8" 48# H-40 ST&C casing, Cement with 680 Sx. of Class "C" cement + additives, circulate cement to surface. For more detail see drilling procedure.

10 3/4" 1st Intermediate Set 3075' of 10 3/4" 45.5# J-55 BT&C. Cement with 445 Sx of Class "C" cement + additives circulate cement to surface. For more detail see drilling procedure.

7 5/8" 2n Intermediate Set 4300' of 7 5/8" 26.4# N-80 LT&C casing. Cement with 540 Sx. of Class "C" cement + additives, circulate cement to surface. For more detail see drilling procedure.

4 1/2" Production Set 7800' of 4 1/2" 11.6# L-80 LT&C casing. Cement with 470 Sx. of Class "C" cement. Estimate top of cement 2950±'. for more detail see drilling procedure.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 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 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 utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 3" 5000 PSI working pressure choke manifold with dual adjustable chokes. No abnormal pressure or temperatures are expected while drilling this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-850'	8.4-8.9	29-34	NC	Fresh water spud mud add paper to control seepage.
850-3075'	10.0-10.2	29-38	NC	Brine water add paper to control seepage, use high viscosity sweeps to clean hole.
3075-4300'	8.4-8.7	29-38	NC	Fresh water use paper to control seepage and use high viscosity sweeps to clean hole.
4300-7800'	9.0-10.0	29-38	6-8 cc	Cut brine use a Dris-Pac mud system to control WL and 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, and casing the viscosity and/or the water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

PURE ENERGY OPERATING, INC.

LUSK "33" FEDERAL #7

UNIT "H"

SECTION 33

T19S-R32E

LEA CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Laterolog, SNP, CNL, LDT, Gamma Ray, Caliper from TD back to 4300±' (7 5/8" casing shoe.)
- B. Cased hole logs: Neutron, Gamma Ray from 7 5/8" casing shoe back to surface.
- C. No DST's planned at this time
- D. Mud logger on hole at 4300'
- E. Sidewall cores possible.

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 185°.

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