

RECEIVED

ATS-10-601
FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

Split Estate

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS
AUG 26 2010
HOBBSOCD

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7 If Unit or CA Agreement, Name and No.	
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		8. Lease Name and Well No. Paddy 24 Federal, Well No. 2	
2. Name of Operator CML Exploration, LLC		9 API Well No. 30-025-38228 39886	
3a. Address P.O. Box 890 Snyder, TX 79550	3b. Phone No. (include area code) 325-574-6295	10 Field and Pool, or Exploratory Wildcat Yeso	
4 Location of Well (Report location clearly and in accordance with any State requirements *) At surface 2095' FNL & 330' FEL Unit H At proposed prod. zone same		11. Sec., T. R. M. or Blk and Survey or Area Sec. 24-T17S-R32E	
14 Distance in miles and direction from nearest town or post office* 40 miles SE of Maljamar, NM		12 County or Parish Lea	13 State NM
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 480	17 Spacing Unit dedicated to this well 40	
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1,435'	19 Proposed Depth 7,500'	20 BLM/BIA Bond No on file NMB000359	
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 4,089' GL	22 Approximate date work will start* 07/08/2010	23. Estimated duration 4-5 weeks	

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 <i>George R. Smith</i>	Name (Printed/Typed) George R. Smith	Date 06/03/2010
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Title POA agent for CML Exploration, LLC	
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Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed) Don Peterson	Date AUG 24 2010
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.

*(Instructions on page 2)

Roswell Controlled Water Basin

PETROLEUM ENGINEER
KZ 08/31/10

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88241

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87412

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

State of New Mexico

Energy, Minerals and Natural Resources Department

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HOBBSOCD

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 30-025-38228 39886	Pool Code 97727	Pool Name WILDCAT G-03 S173318N; YESO
Property Code 304000	Property Name PADDY 24 FEDERAL	Well Number 2
OGRID No. 256512	Operator Name CML EXPLORATION, LLC	Elevation 4089'

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	24	17-S	32-E		2095	NORTH	330	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.						

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</p> <p>Y=663099.3 N X=690917.2 E</p> <p>LAT.=32.821404° N LONG.=103.711862° W</p> <p>DETAIL</p> <p>4090.9' 4097.5' 600' 600' 4078.4' 4086.5'</p> <p>SEE DETAIL</p> <p>2095' 330'</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>Nolan von Roeder</i> 11/4/09 Signature Date</p> <p>Nolan von Roeder 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>OCTOBER 16, 2006</p> <p>Date Surveyed LA</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary E. Eidson</i> 10/27/06 06.11.1639</p> <p>Certificate No. GARY EIDSON 12641</p>
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RECEIVED**AUG 26 2010****HOBBSOCD****APPLICATION FOR DRILLING**

CML EXPLORATION, LLC
 Paddy 24 Federal, Well No. 2
 2095' FNL & 330' FEL, Sec. 24-T17S-R32E
 Lea County, New Mexico
 Lease No.: LC-059152b
 (Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, CML Exploration, LLC submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.

2. The estimated tops of geologic markers are as follows:

Rustler	1,135'	Queen	3,400'
Top of salt	1,150'	Grayburg	4,200'
Tansill	2,160'	San Andres	4,450'
Yates	2,410'	Paddock	5,800'
7 Rivers	2,630'	T.D.	7,500'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water between 100' - 300'.

Oil and Gas: Possible in the Yezo below 5,800'.

Gas: Possible in the Yezo below 5,800'.

4. Proposed New Casing Program:

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH FACTOR	COLLAPSE DESIGN FACTOR	BURST DESIGN FACTOR	TENSION DESIGN FACTOR
17 1/2"	13 3/8"	54.5#	J-55	STC	0'-1,200'	1.42	3.18	7.86
12 1/4"	8 5/8"	32.0#	J-55	STC	0'-4,800'	2.55	3.84	2.42
7 7/8"	5 1/2"	17.0#	N-80	LTC	0'-7,500'	4.79	3.62	2.73

Replaced 8-19-10 DW

5. Minimum Specifications for Pressure Control Equipment:

An 11" 3M Shaffer Type E Double Gate BOP over single 3M annular preventer will be installed on the 13 3/8" before drilling the 12 1/4". Will perform a test on the casing and BOP before drilling below with the 12 1/4" and the 7 7/8" as per Onshore Order No. 2. The pipe rams will be operated and checked daily, plus each time drill pipe is out of hole. This will be documented on driller's log. See Exhibit "E".

per operator 8-16-10 DW

6. MUD PROGRAM

MUD PROGRAM		MUD WEIGHT	VIS.	W/L CONTROL
DEPTH	MUD			
0'-1,200'	Fresh water mud:	8.5 ppg	32 - 36	No W/L control
1,200'-4,800'	Brine, paper, lime	10 ppg	28 - 32	NC
4,800'-7,500'	FW, PAC, caustic	8.4 - 9.2 ppg	32 - 50	W/L control 8- 15 cc

3255730749

Line 1 CML Exploration, L

FAX: 325-573-0749

01:42:25 p.m. 08-19-2010

2/4

CML EXPLORATION, LLC

PADDY 24 FEDERAL NO. 2

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	COUPLING	SETTING DEPTH	COLLAPSE DESIGN FACTOR	BURST DESIGN FACTOR	TENSION DESIGN FACTOR
17½"	13 3/8"	54.5#	J-55	STC	1200'	2.13	1.09	7.86
12¼"	8 5/8"	32#	J-55	LTC	3800'	1.28	1.10	3.06
12¼"	8-5/8"	32#	HCK-55	LTC	3800' - 4800'	1.65	1.10	3.62
7 7/8"	5½"	17#	N-80	LTC	7500'	1.75	2.16	2.73

FOR: DUSTIN WINKLER

CME EXPLORATION, LLC

Paddy Federal, Well No. 2

Page 2

7. Cement Program

CASING	SETTING DEPTH	QUANTITY OF CEMENT	TOC	YIELD
13 3/8"	1,200'	Lead-1000 sx "C" + 4% gel + 2% CaCl ₂ 1/8 lb/k celloflake & .004 gps CF-41L	Surface	1.84
13 3/8"	1,200'	Tail-250 sx "C" w 2% CaCl ₂ & .004 gps CF-41L	"	1.34
8 5/8"	4,800'	Lead: 1750 sx 50/50/10 Poz/ "C" + 5% salt, 1/8 lb/sk celloflake & .004 gps CF-41L	"	2.45
8 5/8"		Tail 250 sx "C" w/ 1% CaCl ₂ .004 gps CF-41L	"	1.34
5 1/2"	7,500'	700 sx "C" 50/50/2 Poz w/ .3/10% C-12, 5% salt 1/8#/sk celloflake & .004 gps CF-41L	4,000'	1.3

8. **Auxiliary Equipment:** Blowout Preventer, flow sensors, kelly cock and stabbing valve.

9. **Testing, Logging, and Coring Program:** See COA

Drill Stem Tests: None unless conditions warrant.

Logging: 4,800' to T.D.: GR-Array Induction log, GR-CND.
4,800' to Surface: GR-CNL

Coring: Rotary sidewall in select intervals, if dictated by logs.

Further testing procedures will be determined after the production casing has been cemented at TD; based on drill shows and log evaluations.

10. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated evacuated BHP = 3588 psi and surface pressure of 1938 psi with a temperature of 135°.

11. **H₂S:** No problem expected during drilling well. None in previously drilled wells in close vicinity, but the Mud Log Unit will be cautioned to use a gas trap to detect H₂S and if any is detected the mud weight will be increased along with H₂S inhibitors sufficient to control the gas. This well will be shut down until a mud separator and flare line can be installed on the choke manifold if H₂S continues to rise and before it reaches 10 on the monitor

12. Anticipated starting date: July 8 2010.

Anticipated completion of drilling operations: Approximately 4-5 weeks.

**POWER OF ATTORNEY
DESIGNATION OF AGENT**

CML Exploration, LLC, hereby names the following person as its agent

Name of Agent: George R. Smith d/b/a Energy Administrative Services Company

Agents Address: P.O. Box 458, Roswell, NM 88202

Agent's Telephone Number: (575) 623-4940

GRANT OF SPECIAL AUTHORITY

CML Exploration, LLC, grants its agent the authority to act for it with respect to the following only:

- 1 Executing forms required to be filed with the Bureau of Land Management of the Department of Interior of the United States of America.
2. Executing forms required to be filed with the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department.

EFFECTIVE DATE

This power of attorney is effective immediately.

RELIANCE ON THE POWER OF ATTORNEY

Any person, including the agent, may rely upon the validity of this power of attorney or a copy of it unless that person knows it has terminated or is invalid.

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SIGNATURE AND ACKNOWLEDGMENT

Nolan von Roeder

By: Nolan von Roeder

Title: Area Engineer

Date: May 18, 2010

Address: P.O. Box 890
Snyder, TX 79550

Telephone: 325-574-6295

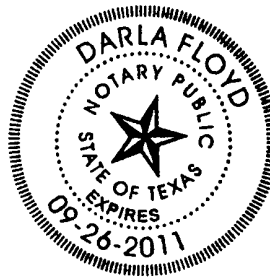
STATE OF Texas

COUNTY OF Scurry

This instrument was acknowledged before me on May 18, 2010 by
Darla Floyd, of CML Exploration, LLC
, acting on behalf of said corporation.

Signatory of notary: Darla Floyd

My commission expires: 09/26/2011



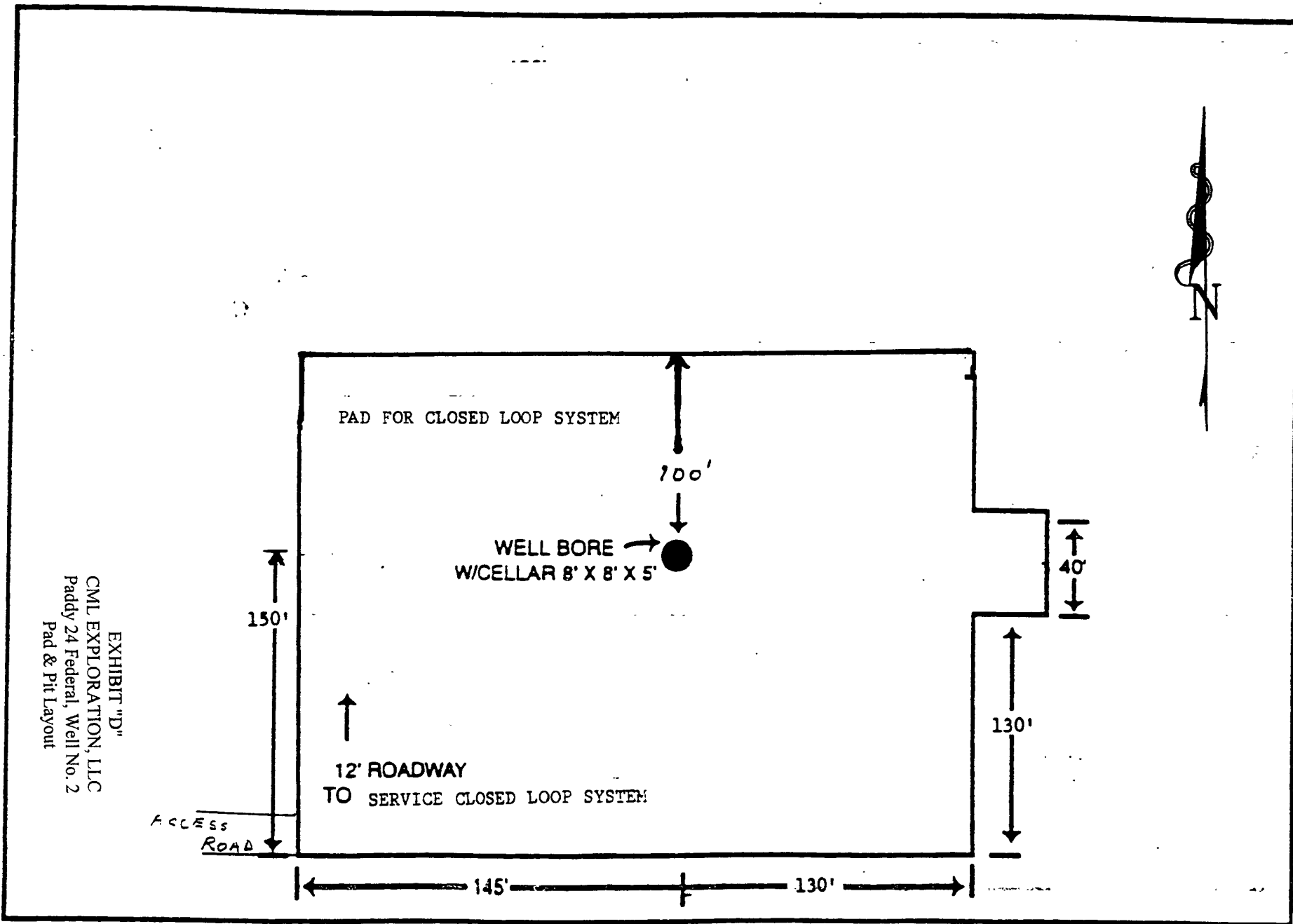


EXHIBIT "D"
CML EXPLORATION, LLC
Paddy 24 Federal, Well No. 2
Pad & Pit Layout

Rig 48

BOP DIAGRAM 3000# SYSTEM

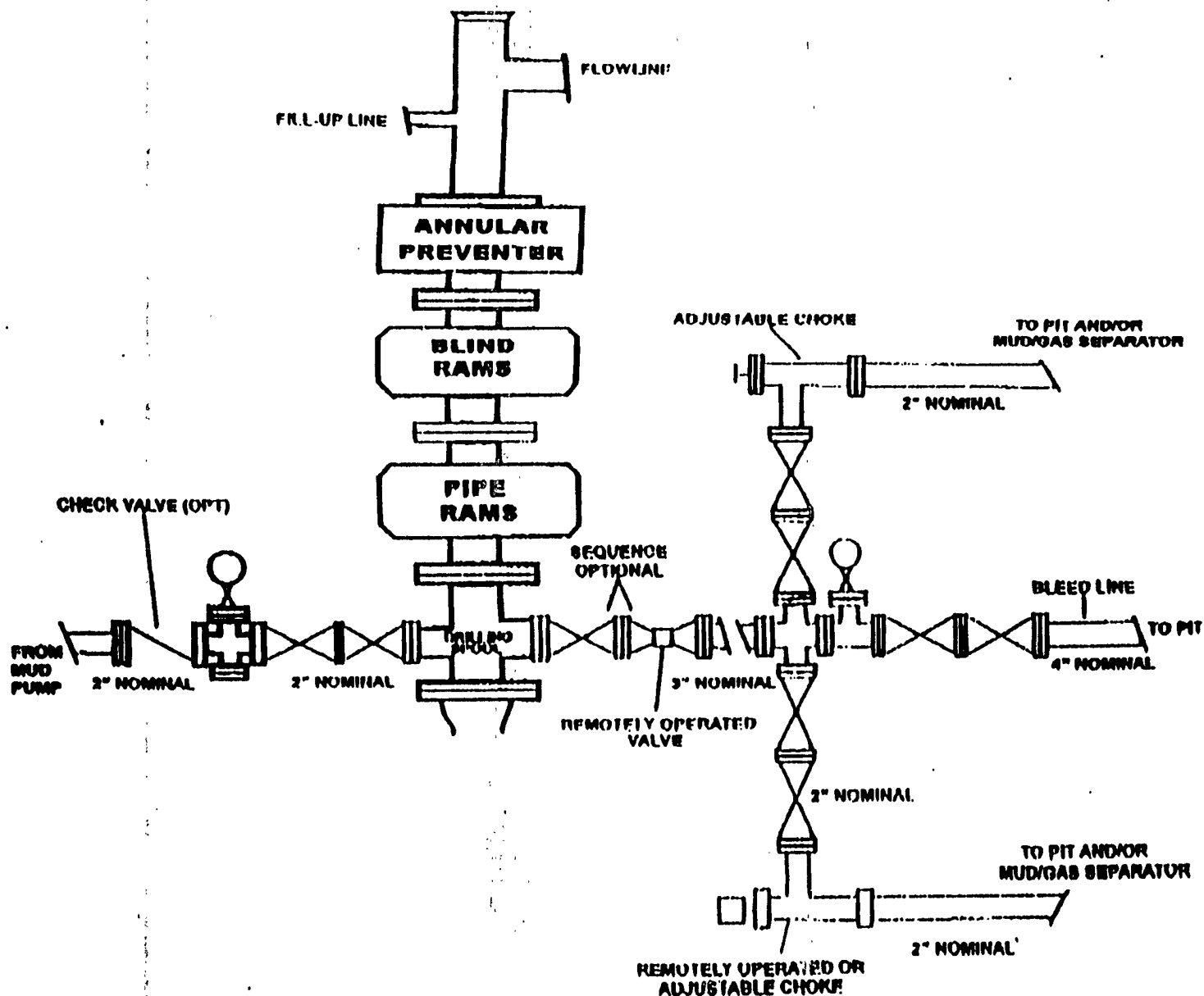


EXHIBIT "E"
CML EXPLORATION, LLC
Paddy 24 Federal, Well No. 2
BOP Specifications