

OCD-HOBBS

ATS-10-590

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

SEP 21 2010

HOBBSOCD

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-056264
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 READ & STEVENS, INC.		7. If Unit or CA Agreement, Name and No. -----
3a. Address 400 PENN PLAZA SUITE 1000 ROSWELL, NEW MEXICO 88201		8. Lease Name and Well No. <9553> NORTH LEA FEDERAL #12
3b. Phone No. (include area code) 575-622-3770		9. API Well No. 3D-025-39939
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1330' FWL & 1550' FNL SECTION 10 T20S-R34E LEA CO. NM At proposed prod. zone SAME Unit E		10. Field and Pool, or Exploratory <37584> LEA DELAWARE-NORTHEAST
14. Distance in miles and direction from nearest town or post office* Approximatley 30 miles Southwest of Hobbs New Mexico		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 10 T20S-R34E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1330'	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. 990'	19. Proposed Depth 6500'	20. BLM/BIA Bond No. on file STATEWIDE NM-2310
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3635' GL	22. Approximate date work will start* WHEN APPROVED	23. Estimated duration 30 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 <i>Joe T. Janica</i>	Name (Printed/Typed) Joe T. Janica	Date 06/17/10
Title Permit Eng.		

Approved by (Signature) <i>Robert A. Casias</i>	Name (Printed/Typed)	Date SEP 14 2010
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
States any false, fictitious or
OCD CONDITION OF APPROVAL of Drilling
Intent to drill ONLY -- CANNOT produce until the Non-Standard
Location has been approved by OCD Santa Fe office
and willfully to make to any department or agency of the United
on.

*(Instructions on page 2)

CAPTAN CONTROLLED WATER BASIN

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

KE 10/18/10
PETROLEUM ENGINEER

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

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

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

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
1660 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1660 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

RECEIVED

SEP 21 2010

HOBBSOCD

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 30-025-39939	Pool Code 37584	Pool Name LEA DELAWARE NORTHEAST
Property Code 9553	Property Name NORTH LEA FEDERAL	Well Number 12
OGRID No. 18917	Operator Name READ & STEVENS, INC.	Elevation 3635'

Surface Location

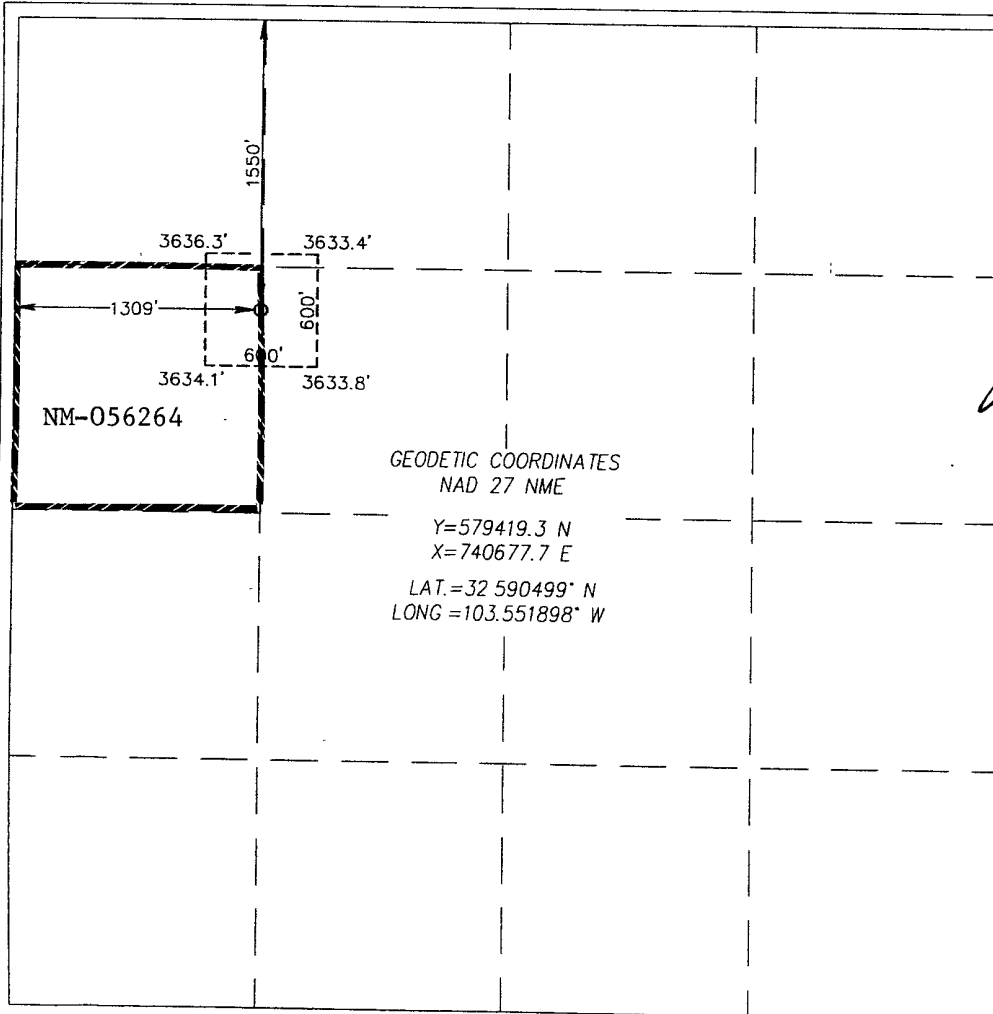
UL or lot No. E	Section 10	Township 20-S	Range 34-E	Lot Idn	Feet from the 1550	North/South line NORTH	Feet from the 1309	East/West line WEST	County LEA
--------------------	---------------	------------------	---------------	---------	-----------------------	---------------------------	-----------------------	------------------------	---------------

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 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



OPERATOR CERTIFICATION

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.

Signature: *Joe T. Janica*
Date: 06/17/10
Printed Name: Joe T. Janica

SURVEYOR CERTIFICATION

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.

Date Surveyed: 06/10/2010
Signature & Seal of Professional Surveyor: *Ronald J. Eidson*

Certificate No. GARY G. EIDSON 12641
RONALD J. EIDSON 3239

EXHIBIT "A"

APPLICATION TO DRILL

READ & STEVENS, INC.
NORTH LEA FEDERAL #12
UNIT "E" SECTION 10
T20S-R34E LEA CO. NM

RECEIVED
SEP 21 2010
HOBBSOCD

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above well will be provided.

1. LOCATION: ⁰⁴ 1350' FWL & 1550' FNL SECTION 10 T20S-R34E (UNIT "E") LEA CO. NM
per Joe Gamm 8/31/11
2. ELEVATION ABOVE SEA LEVEL:
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: 6500'
6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	1550'	Queen	3670'
Top of Salt	1770'	Seven Rivers	3870'
Base of Salt	3150'	Delaware	5450'
Yates	3395'	TD	6500'

7. POSSIBLE MINERAL BEARING FORMATIONS:

Delaware Oil

8. CASING PROGRAM:

HOLE SIZE	INTERVAL	CASING OD	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40' ^{1675'}	20"	NA	NA	NA	Conductor	New
17½"	0-1600' ^{5,300'}	13 3/8"	54.5#	8-R	ST&C	J-55	New
11"	0-5000'	8 5/8"	32#	8-R	ST&C	S-80 Hcr-55	New <i>per operator 8/25/10</i>
7 7/8"	0-6500'	5½"	15.5# 17	8-R	LT&C	J-55	New

CASING SAFETY FACTORS:

Collapse	1.125	Burst	1.0	Body Yield	1.5	Joint Strength	Buttress 1.6
							8-Round 1.8

APPLICATION TO DRILL

READ & STEVENS, INC.
NORTH LFA FEDERAL #12
UNIT "E" SECTION 10
T20S-R34E LEA CO. NM

9. CASING SETTING AND CEMENTING:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Run and set 1600' of 13 3/8" 54.5# J-55 ST&C casing. Cement with 1000 Sx. of Econo cement-HLC + additives Yield 1.77, tail in with 200 Sx. of class "C" cement + additives, Yield 1.33, circulate cement to surface.
8 5/8"	Intermediate	Run and set 5000' of 8 5/8" 32# 8-80 ST&C casing with DV tool at 3800'±. Cement 1st stage with Econo Class "C" cement + additives, Yield 1.4, tail in with 200 Sx. of Class "C" cement + additives, Yield 1.33, cement 2nd stage with 500 Sx. of Econo Class "C" cement + additives, Yield 1.73, tail in with 200 Sx. of Class "C" cement + additives, Yield 1.36, circulate cement to surface.
5 1/2"	Production	Run and set 6500' of 5 1/2" 17# J-55 LT&C casing. Cement with 300 Sx. of Versa Cement-PBSH2 + additives, Yield 1.64, tail in with 500 Sx. of Econo Class "C" cement, + additives, Yield 1.34, circulate cement to surface.

see COA

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. Full opening stabbing valve and upper kelly cock will be available at all times on the derrick floor. Exhibit "E-1" shows a hydraulically operate closing unit and a 3" 3000 PSI working pressure 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
40-1600'	8.4-8.9	32-36	NC	Fresh water Spud mud add paper to control seepage
1600-5000'	10.0-10.2	29-38	NC	Brine water use paper to control seepage and high viscosity sweeps to clean hole.
5000-6500'	8.8-9.2	32-40	15 cc or less	Cut brine use paper to control seepage and high viscosity sweeps to clean hole and starch for WL.

(A closed mud system will be used.)

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 water loss may have to be adjusted in order to meet these needs.

APPLICATION TO DRILL

READ & STEVENS, INC.
NORTH LEA FEDERAL #12
UNIT "E" SECTION 10
T20S-R34E LEA CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

See CoA

- A. Open hole logs: Dual Laterolog, MSFL, FDC, CNL, Gamma Ray-Caliper from TD back to 8 5/8" casing shoe.
- B. Cased hole log: Gamma Ray-Neutron from 8 5/8" casing shoe back to surface.
- C. No Cores, DST's, or ~~Mudlogger~~ is planned at this time.

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 3000 PSI, and Estimated BHT 110°.

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 20 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.

Joe Janica

From: David Luna [dluna@read-stevens.com]
 Sent: Thursday, June 03, 2010 11:20 AM
 To: Joe Janica
 Subject: NLF #12 Cement

Attachments: Exhibit G, NLF 12 Procedure.doc

We will go with 1310' FWL & 1550' FNL. The battery will be located on the same well location.
 The attached has the Cement data.

WELL NAME: North Lea Federal #12
API NUMBER: 30-025-?
FIELD/POOL: NE Lea Delaware
POOL CODE: 37584
LEASE CODE: NM-56264
LOCATION: Lea County, New Mexico
 Sec. 10 T20S-R34E, 1550' FNL & 1310' FWL
TD: 6500'

CONTRACTOR:

GEOLOGICAL INFORMATION

MUD LOGGER: Start at 1600'. Catch 10' samples

ELEVATIONS: GL ?' KB ?' (?)

CSG: 13 3/8" 54.5# J55 1600', 8 5/8" 32# S-80 STC@ 5000' (DV @ 3800'), 5
 1/2" 17# J-55 LTC@ 6500' (40' of 20" conductor)

MUD: Brine

HOLE & CASING DESIGN:

0'-1600' 17 1/2" hole 13 3/8" csg 8.5# Fresh Water (Native Mud) 32 vis
 1600'-5000' 11" hole 8 5/8" csg 10.1# Brine 29 vis
 5000'-6500' 7 7/8" hole 5 1/2" csg 8.8# Fresh mud w/ starch WL-15 33-39

CEMENT DESIGN:

13 3/8" csg.	100% Excess	1000sks	Econo Cem-HLC	Lead 1.77 yld
		200 sks	Hal Cem-C	Tail 1.33 yld
8 5/8" csg.	50% Excess	200 sks	Econo Cem-C	1 st stg Lead 1.4 yld
		200 sks	Hal Cem-C	1 st stg Tail 1.35 yld
		500 sks	Econo Cem-C (Lite)	2 nd stg Lead 1.73 yld
		200 sks	Hal Cem-C	2 nd stage Tail 1.36 yld
5 1/2" csg.	50% Excess	300 sks	VersaCem-PBSH2	1 st stage 1.64 yld
		500 sks	Econo-Cem-C	2 nd stage 1.34 yld

Electric Logs: Schlumberger. 622-9080. Pex-HRLA-NGT

No DSTs.

David Luna
 Operations Engineer
 P.O. Box 1518
 Roswell, NM 88202
 O: 522-3770 ext 305
 C: 626-9395
 dluna@read-stevens.com

6/4/2010

Western Drilling Rig # 4

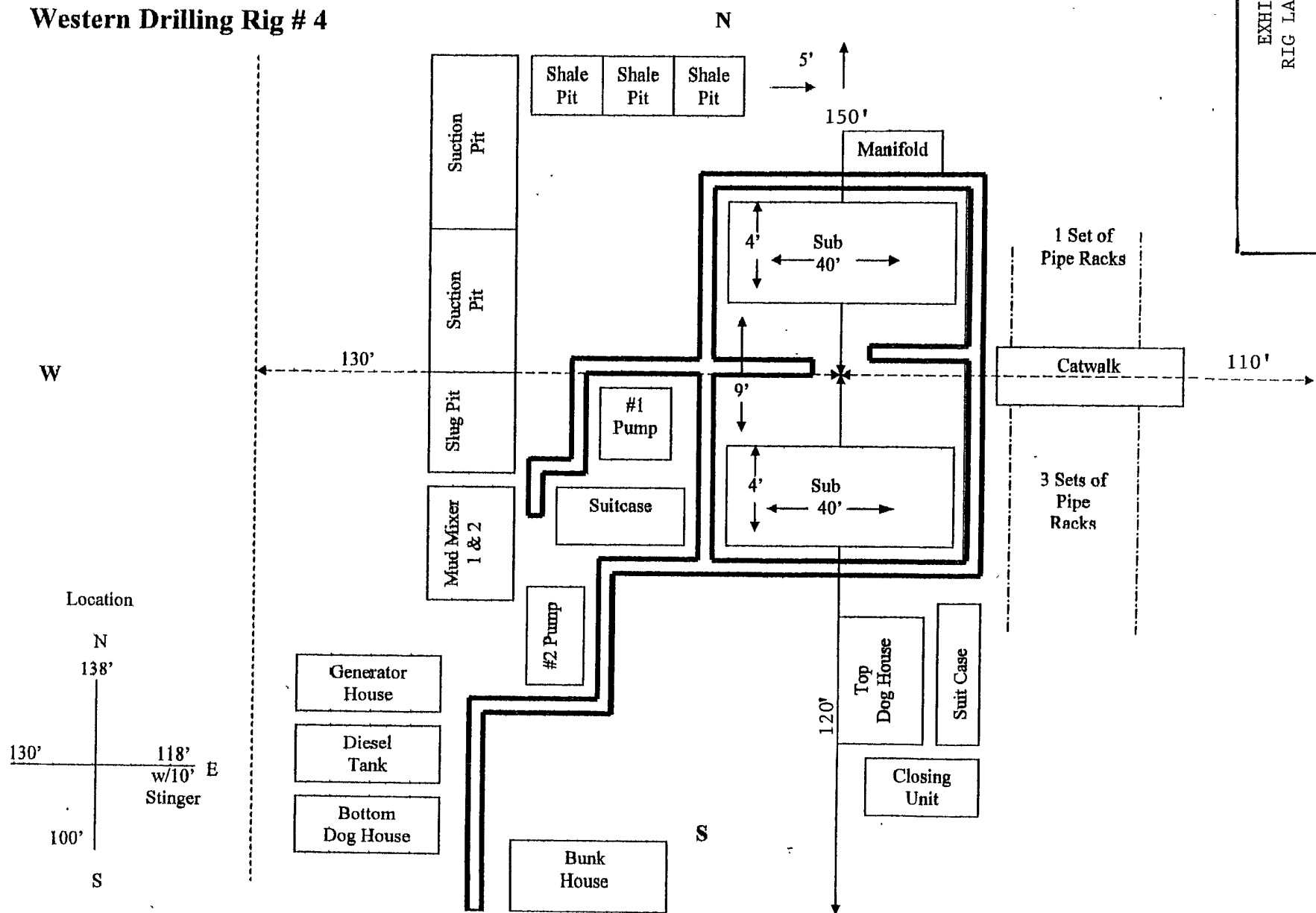
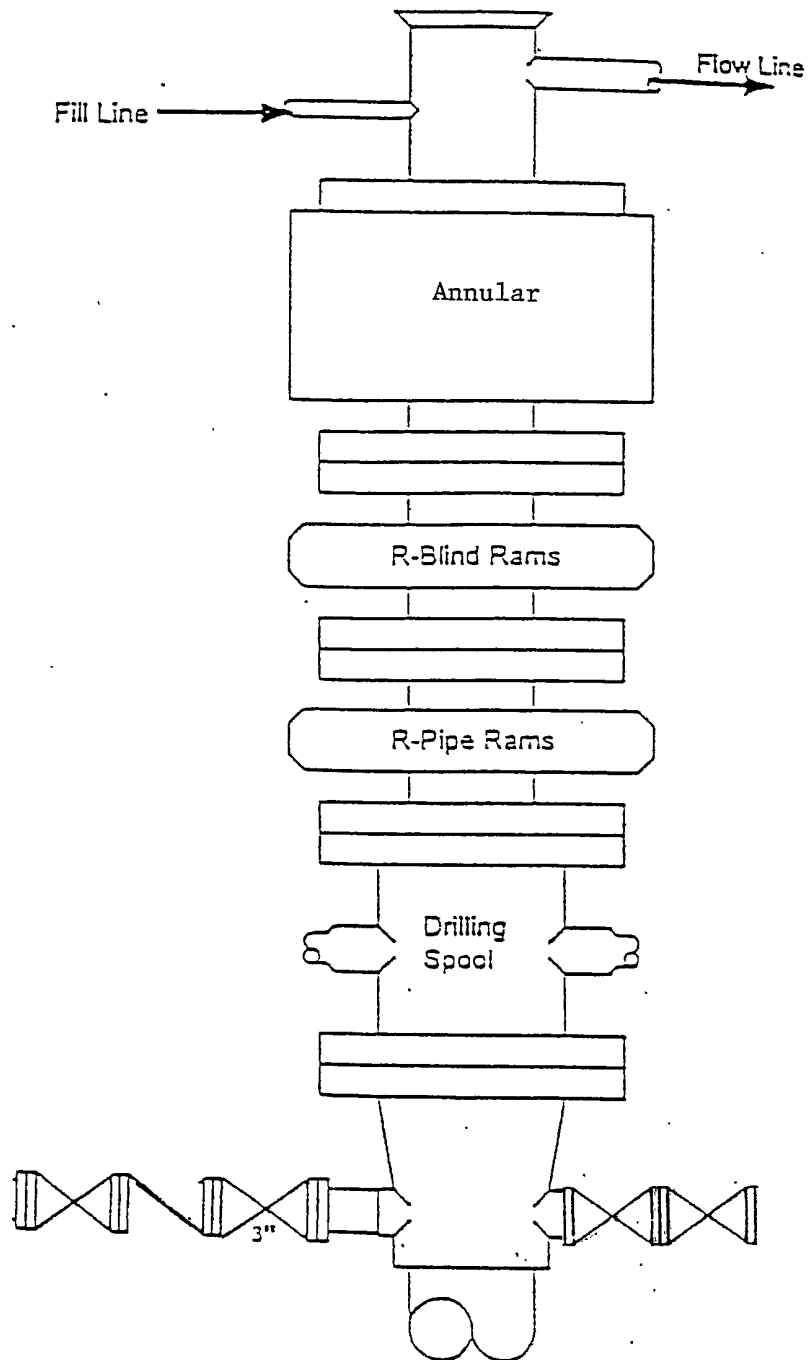


EXHIBIT "D"
RIG LAYOUT PLAT

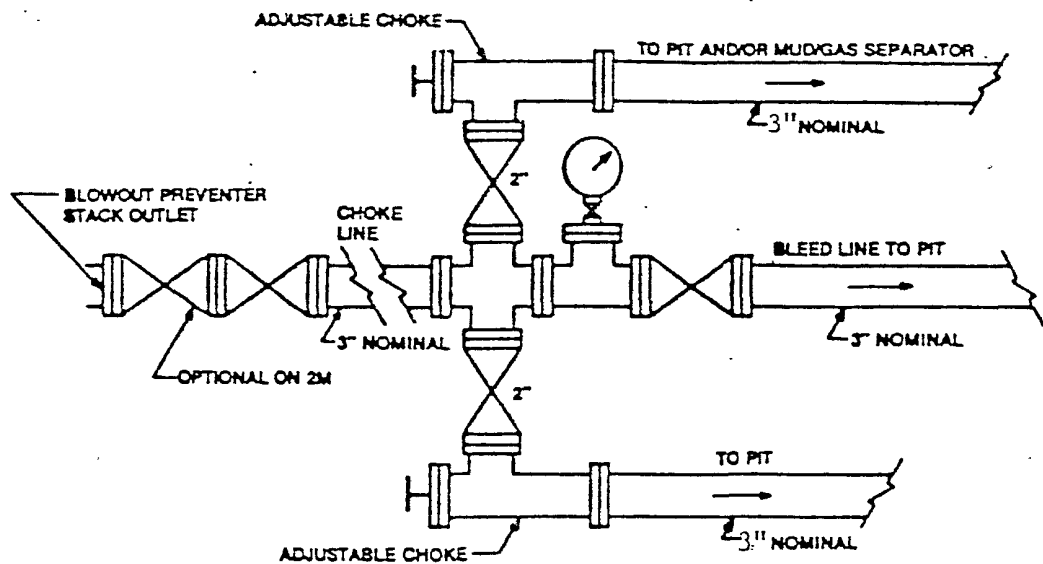
READ & STEVENS, INC.
NORTH LEA FEDERAL #12
UNIT "E" SECTION 12
T20S-R34E LEA CO. NM



Type 900 Series
3000 psi WP

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

READ & STEVENS, INC
NORTH LEA FEDERAL #12
UNIT "E" SECTION 10
T20S-R34E LEA CO. NM



Typical choke manifold assembly for 3M WP system

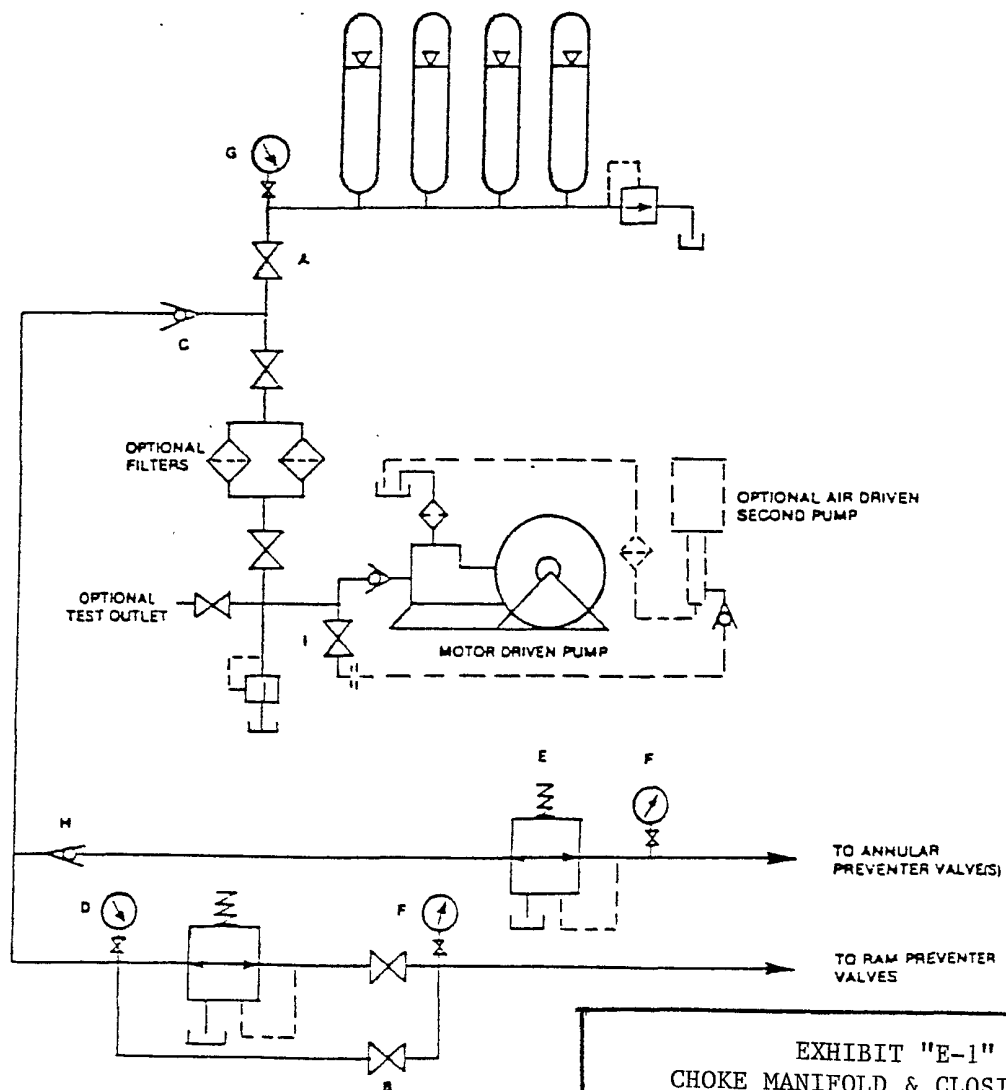
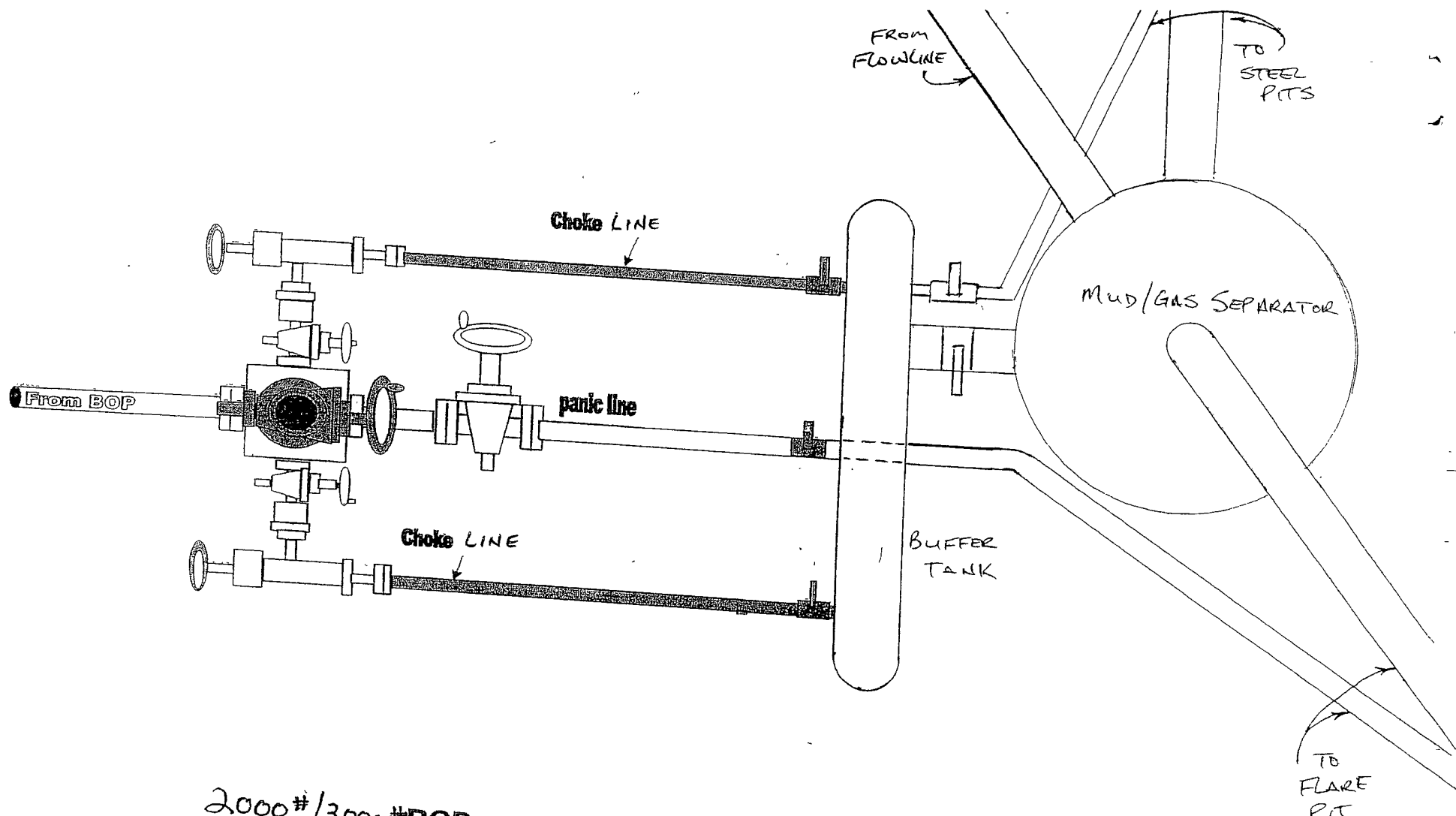


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

READ & STEVENS, INC
NORTH LEA FEDERAL #12
UNIT "E" SECTION 10
T20S-R34E LEA CO. NM



2000#/3000# BOP manifold system
FOR POTENTIAL H₂S ENVIRONMENT