AT5-11-126

Secretary's Potash

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MAR 18 2011

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Form 3160-3
(April 2004)

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

5. Lease Serial No.
NMNM-105221

6. If Indian, Allotee or Tribe Name

7. If Unit or CA Agreement, Name and No.

1a. Type of work: ☐ DRILL ☑ REENTER

1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No. (37846)
Coyote 10 Federal, Well No. 2

2. Name of Operator
Read & Stevens, Inc. (18917)

9. API Well No.
30-025-26675

3a. Address **P.O. Box 1518**
Roswell, NM 88202

3b. Phone No. *(include area code)*
575-622-3770

10. Field and Pool, or Exploratory
Lea; Bone Springs

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface **660' FSL & 660' FWL** Unit M
At proposed prod. zone **same**

11. Sec., T. R. M. or Blk. and Survey or Area
Sec. 10-T20S-R34E

14. Distance in miles and direction from nearest town or post office*
30 miles SW of Hobbs, 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) **660' / N/A**

16. No. of acres in lease
160

17. Spacing Unit dedicated to this well
40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
1980'

19. Proposed Depth
11,000'

20. BLM/BIA Bond No. on file
NM-2310

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3644.4 GL

22. Approximate date work will start*
01/15/2011

23. Estimated duration
2-3 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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature George R. Smith — Name *(Printed Typed)* **George R. Smith** — Date **12/06/2010**

Title **POA agent for Read & Stevens, Inc.**

Approved by *(Signature)* **/s/ Jesse J. Juen** — Name *(Printed/Typed)* **/s/ Jesse J. Juen** — Date MAR 07 2011

Title FOR 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.

*(Instructions on page 2)

03/29/11 MAR 29 2011

CAPITAN CONTROLLED WATER BASIN

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720
District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 129293

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-025-41675	37570	LEA;BONE SPRING
4 Property Code	5 Property Name	6 Well No.
37846	COYOTE 10 FEDERAL	002
7 OGRID No.	8 Operator Name	9 Elevation
18917	READ & STEVENS INC	3644

10. Surface Location

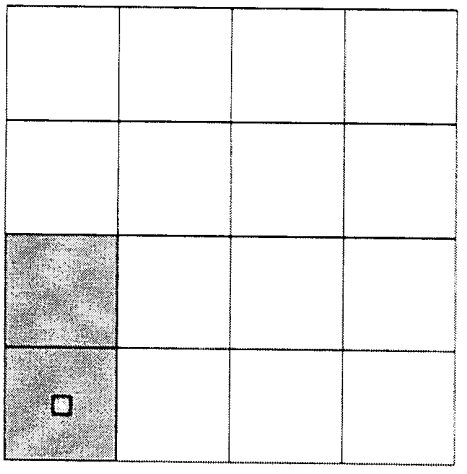
UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
M	10	20S	34E		660	S	660	W	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County

12. Dedicated Acres	13. Joint or Infill	14. Consolidation Code	15. Order No.
80.00			

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 contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: David Lewis
Title: Operations Manager
Date: March 28, 2011

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.

Surveyed By: John W. West
Date of Survey: 11/9/1979
Certificate Number: 676

Read & Stevens, Inc, Re-entry of COYOTE 10 FEDERAL, Well No. 2
API: 30-025-26675-

Sec. 10, T20-R34E: 660' FSL & 660' FWL LEA Co., NM

DESIGN: Closed Loop System with steel bins (pits) Workover Rig –Lucky Well Service

Lucky Well Service will supply the following tanks and transportation relating to the Close Loop system. Specifications of Close Loop System attached.

Contacts: David Luna: 575-622-3770 Ext 305 Cell # 575-626-9395
Will Palmer: 575-390-2424
Joe Tovar: 575-390-2425

Lucky Well Service: Supervisor: Robert Reyes: 575-370-8502 -
Monitoring 24 hour service
Equipment:
1-250 BBL tank to hold fluid
2-Above ground steel tanks
1-500 BBL frac tank for fresh water
1-500 BBL frac tank for brine water
Air pumps on location for immediate remediation process
Layout of Close Loop System with bins, centrifuges and shakers attached.

Cuttings and associated liquids will be hauled to a State regulated third party disposal site

OPERATIONS:

Closed Loop equipment will be inspected daily by each tour and any necessary maintenance performed.
Any leak in system will be repaired and or/contained immediately
OCD will be notified within 48 hours of the spill.
Remediation process started immediately

CLOSURE:

During drilling operations and closure all liquids, drilling fluids and cuttings will be hauled off by Lucky Well Service to a State authorized disposal facility.

APPLICATION FOR DRILLING
READ & STEVENS, INC.
Re-entry: Coyote 10 Federal, Well No.2
660' FSL & 660' FWL, Sec. 10-T20S-R34E
Lea County, New Mexico
Lease No.: NMNM-105221
(Exploratory Well)

In conjunction with Form 3160-3, Application for Permit to Drill (re-enter) subject well, READ & STEVENS,INC. 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:

Anhydrite	270'	Yates	3,410'
Rustler	1,590'	3rd Bone Springs	10,880'
Top of Salt	1,720'	T.D.	11,000'
Base of Salt	3,210'		

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

Water: Surface water between 50' - 230' Behind casing
Oil: Possible in the, 3rd Bone Spring below 10,880'.
Gas: None expected.

4. **Proposed New Casing Program:**

HOLE SIZE	CASING SIZE	WEIGHT	GRADE	JOINT	SETTING DEPTH	COLLAPSE DESIGN FACTOR	BURST DESIGN FACTOR	TENSION DESIGN FACTOR
17 1/2"	13 3/8"	54.5#	J-55	STC	844'	Existing in	hole with	760 sx cmt
12 7/8"	9 5/8"	47.0#	N-80	8 Rnd	~~4,045'~~ 4862'	"	"	1925 sx
8 3/4"	5 1/2"	20 & 17#	N-80	LTC	13,600'	In hole from	4510'-TD	1427 sx
8 3/4"	5 1/2"new	17.0	J-55	LTC	4,510'	1.8	1.9	3.2

5. **Cement Program**

CASING	SETTING DEPTH	QUANITY OF CEMENT	YEILD
13 3/8"	844'	Casing existing in hole and cemented : Circ. 760 sacks	N/A
9 5/8"	4,862'	Casing existing in hole and cemented with 1925 sacks TOC surf	N/A
5.1/2"	13,600'	Existing csg- 4510' – 13,600' 1,427 sx to TOC = 4510'	N/A
5 1/2"	4.510'	~~New Csg- 0' – 4510' 210 sx Hal-C, .3%LAP, 1.5%CFR-3, 25%D-Air~~ 3000	~~1.33~~

Removed Per Operator 2-11 DW Replaced 2-9-11

6. **Proposed Control Equipment: See Exhibit "E":**
BOP Program:
A 10" 3000 psi wp, double ram BOPE, will be installed on the 9 5/8" casing. Casing and BOP will be tested as described in Onshore Order No. 2 before drilling out cement plugs. During completion a 5M BOPE will be installed on the 5 ½" casing and tested before drilling out to the 4510' casing patch. 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".

7. Mud Program

MUD PROGRAM DEPTH	MUD	MUD WEIGHT	VIS.	W/L CONTROL
0 –11,000'	Brine water mud	10.0 ppg	28	No W/L control

8. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock,.

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

Drill Stem Tests: None unless warranted.
Logging: T.D. to surface: Cement Bond Log
Coring: None

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 (evac) BHP=5720, surface pressure = 3300 psi (part. evac. hole) with BH temperature of 170°.

11. H_2S: None expected. None in previously drilled well and surrounding wells, but the Mud Log Unit will be cautioned to use a gas trap to detect H_2S and if any is detected the mud weight will be increased along with H_2S inhibitors sufficient to control the gas. The well will be shut down until a mud separator and flare line can be installed on the choke manifold, if the gas monitor approaches 10.

12. Anticipated starting date: January 15, 2011.
Anticipated completion of drilling operations: Approx. 2 –3 weeks

READ & STEVENS, INC – PROGNOSIS
3rd Bone Springs Re-Entry

API NUMBER: 30-025-26675
WELL NAME: Coyote 10 Federal #2
FIELD/POOL: Lea: Bone Springs
POOL CODE: 37570
LOCATION: Lea County, New Mexico
Sec 10 T20S-R34E , 660 FNL & 660 FWL
TD: 13600' PBTD: 11000'
CONTRACTOR: **Lucky Well Service**
ELEVATIONS: GL 3644' KB 3663' (19')
CSG: 13 3/8" 54.5# @ 844', 9 5/8" 47# J-55 STC@ 4862', 5 ½" 17# (Surface to 9360') & 20# (9360-13600) top cut at 4510'
P&A INFO: Plugs: 895-775, 1565-1445, 4612-4395, 4910-4721, 8085-7896, 11030-10841, 12985-12551, (15 sacks @ surface)
PROPOSED PERFS: Bone Springs: **10875-10905** (30 shots)
Wellbore: Exhibit A: Current Exhibit B: Proposed

CONTACT LIST

Operator:	Read & Stevens, Inc.	575 622-3770 8-5 M-F Office
400 Penn Plaza, Suite 1000	Roswell, NM 88201	575 622-8643 fax
Engineer:	David Luna	575 626-9395 cellular
	dluna@read-stevens.com	Ext. 305 Office
Superintendent:	Will Palmer	575 390-2424
	Joe Tovar	575 390-2425

Directions to Well:

Procedure:

Before moving in:

a) Level road. Level location.
b) Keep Approved BLM APD on location at all time.
c) Test and install guyline anchors as needed
d) Locate electrical lines and supplier along with gas sales lines and purchaser

Day 1) MIRU completion unit. NU BOP (9 5/8" x 5 ½" x 2 7/8") Receive and rack 2 7/8" workstring. RU reverse unit. RIH w/8 3/4" OD milled tooth bit, (6) 4 ½" drill collars, 2 7/8" tubing drilling cement plugs to 4395'.

Day 2) Drill cement plug to top of 5 ½" at 4510'. POOH w/tubing, tools. RIH w/8 3/4" concave mill, collars, tubing. Tag top of 5 ½" casing. Dress top of casing with mill for casing bowl. POOH w/tubing, tools.

Day 3) RIH w/5 ½" casing bowl/patch, 5 ½" 17# casing. Tag and catch top of 5 ½" casing at 4510'. Establish seal by pressuring casing to 500# holding for 15 minutes. Release pressure. Open DV tool just above patch and pump 275 sacks of class H. This would put the top of cement at 3000' (1862'

overlap). Cut casing. ND BOP. Weld on bell nipple. Install tubing head. Plumb to surface. NU BOP (5 ½" x 2 7/8"). **Note: Due to potential Morrow pressure below cement plugs, properly test (mechanically and with pressure) all BOP components. Do not take any chances or short cuts.**

Day 4) RIH w/4 ¾" OD milled tooth bit, (6) 3 ½" drill collars, 2 7/8" tubing. Drill DV & cement plugs to 11000'. Circulate hole clean. POOH w/tubing, tools.

Day 5) RU wireline. Run bond log from 11000' to 5000'. **Perf 3rd Bone Springs from 10875-905(1 spf, 30 holes, 120 degree phasing)**. Set CIBP @ 10990' +/- (a foot above where you tag). Dump 30' cement. POOH & RDWL. RIH w/5 ½" packer, 3 ½" rental frac tubing. Set packer ~?'. Swab test.

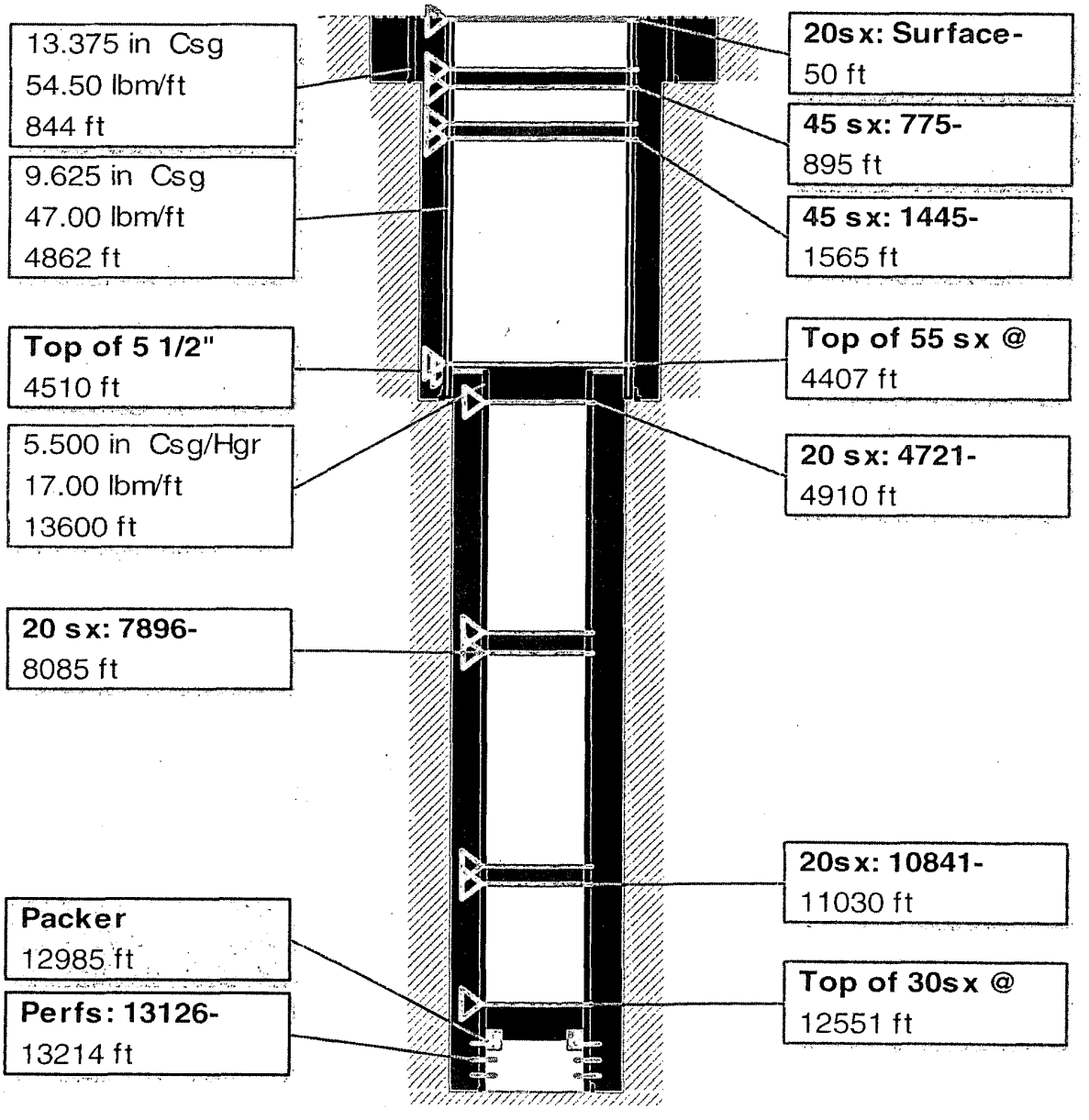
Day 6) RU acid crew. Pressure casing to 500# and hold. Acidize well by pumping 1500 gallons 15% HCl via tubing spacing 26 ball sealers. Attempt ball out. RD acid crew. Swab test.

Day 7) Swab test. RD swab. Fracture stimulate well down tubing(see comments below). Swab load.

Day 8) Swab load. Once oil cut established; RD swab. Release packer. POOH laying down packer. RIH w/BHA, tubing. ND BOP. Land EOT ~10900'. Land seating nipple ~?'. Set TAC ~?'. NU wellhead.

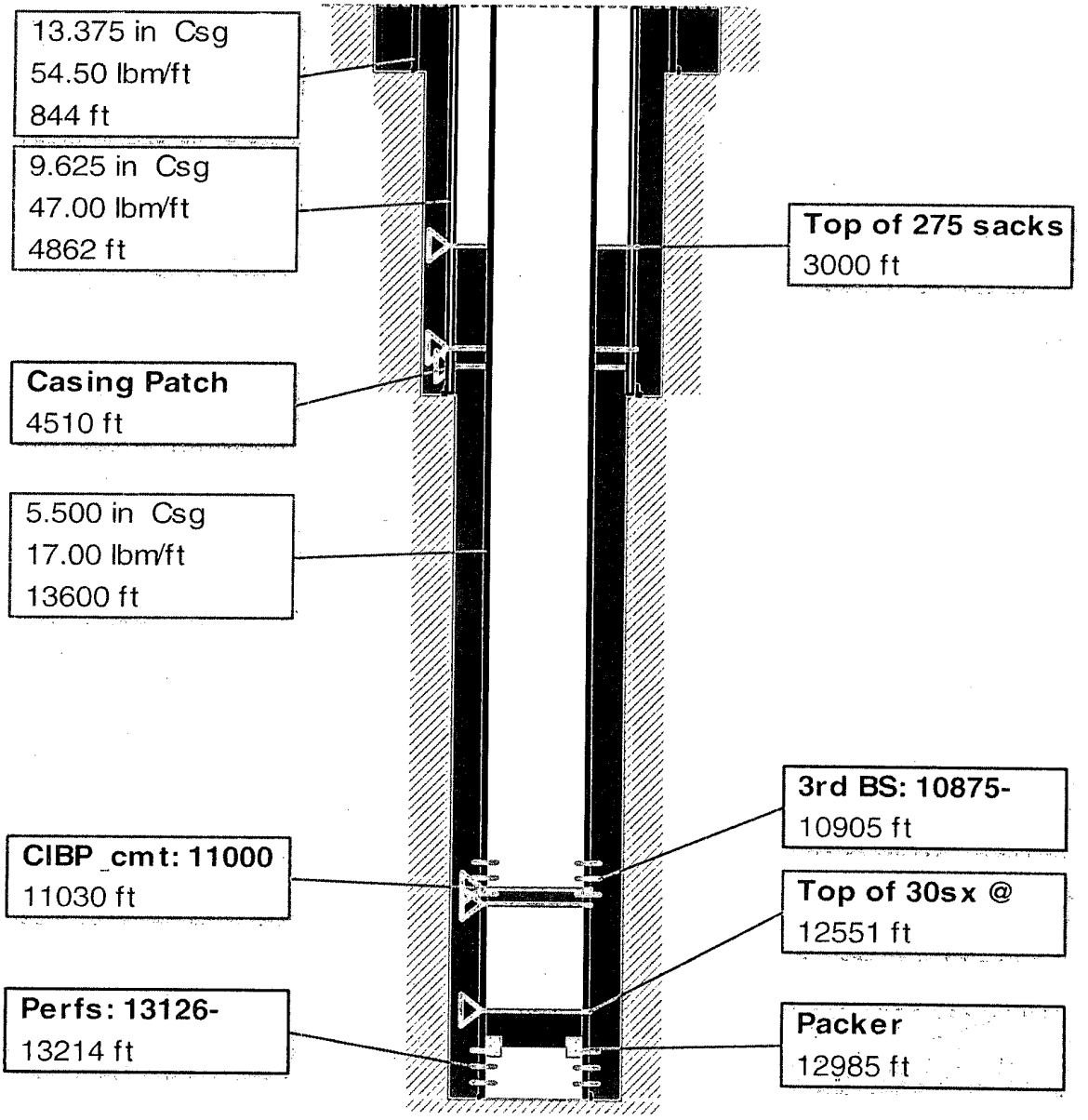
Day 9) RIH with pump, rods. Clamp off. RDMOCU. Move in and erect pumping unit. Build and plumb tank battery. Start unit. Test to tanks.

Coyote 10 Federal #2
Read Stevens, Inc.
Sec. 10 20S 34E, 660 FSL 660 FWL Unit M
API: 30-025-26675, Lease: NM-105221
Lea Co., GL 3644 KB 3663 (19')
Original: Estoril Prod. Union A Federal #1
Exhibit A: PAed Wellbore

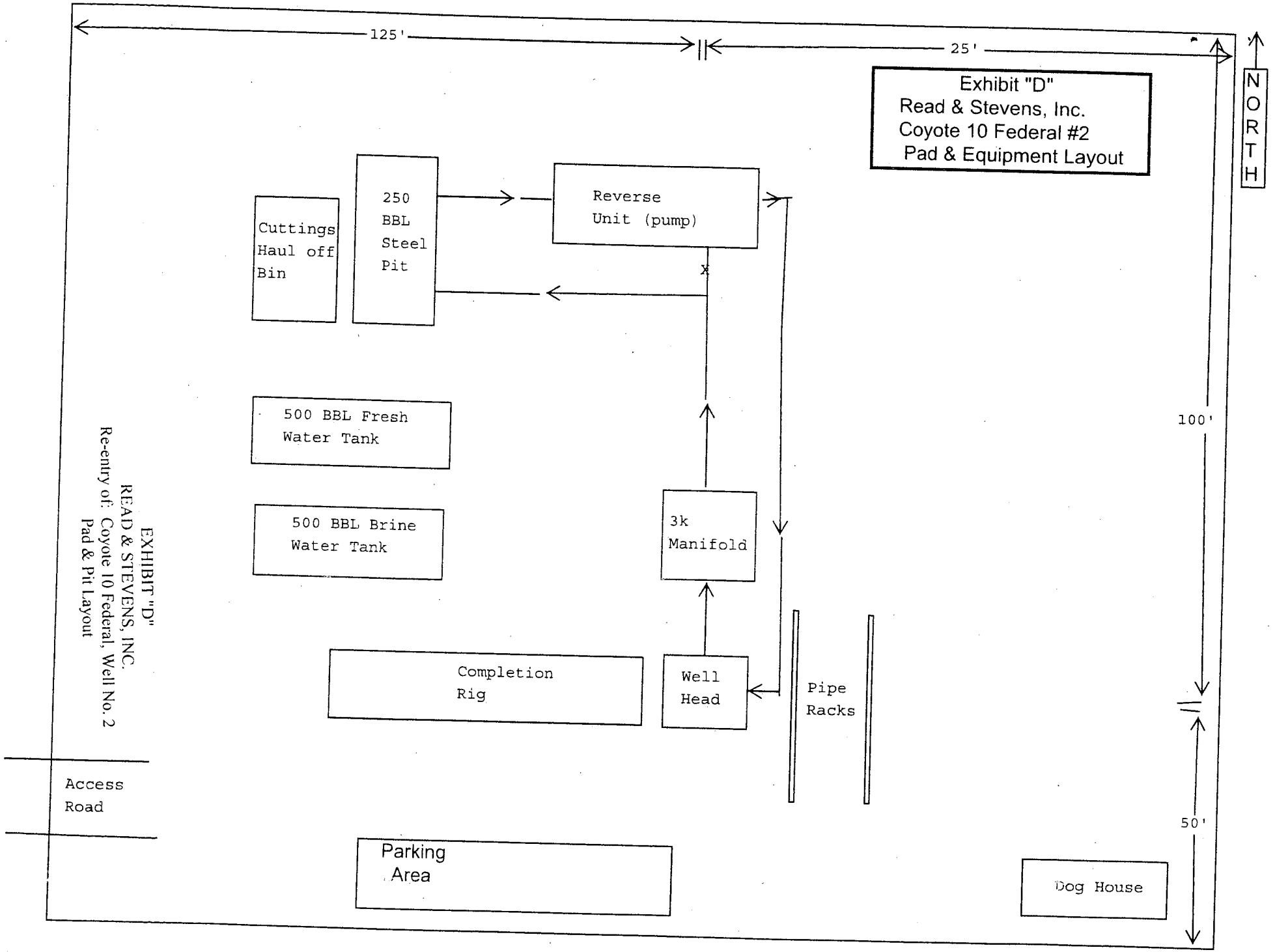


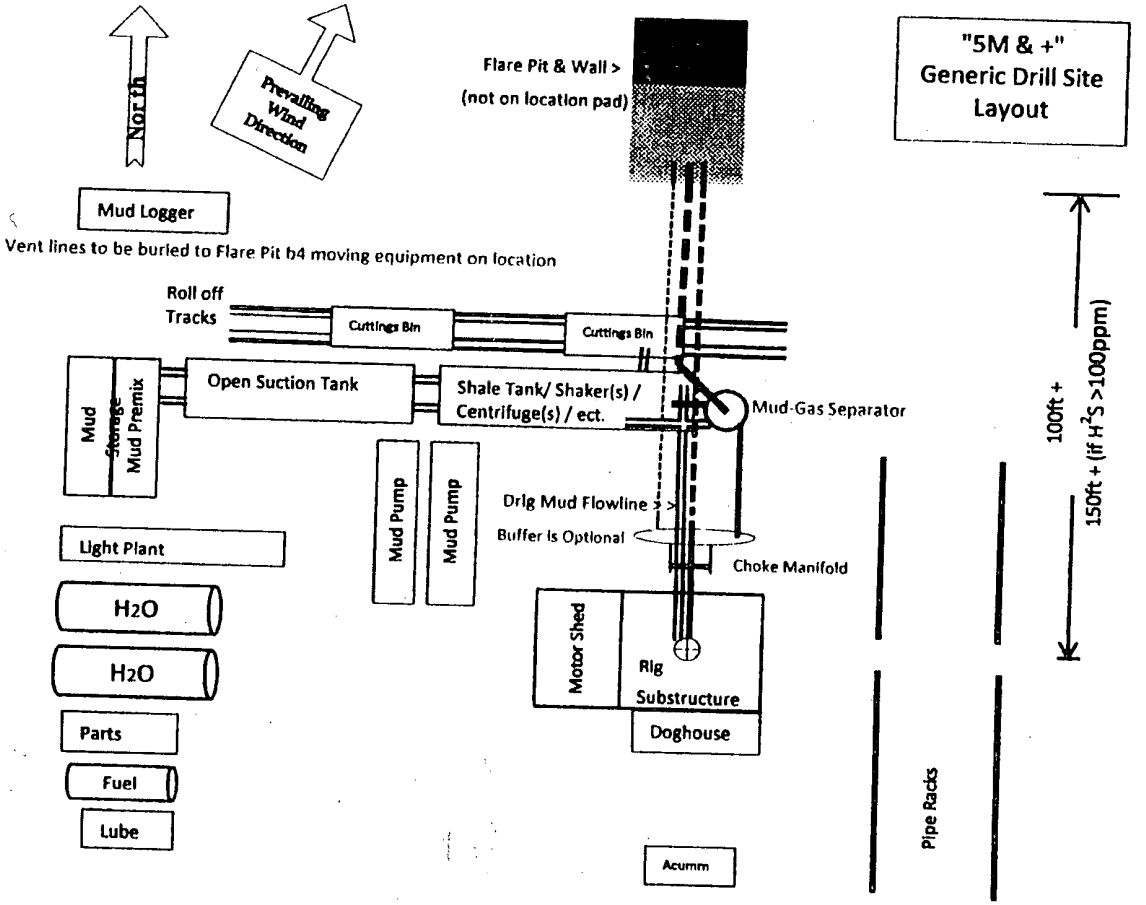
i-Handbook* - *a mark of Schlumberger

Coyote 10 Federal #2
Read _Stevens, Inc.
Sec. 10 20S 34E, 660 FSL 660 FWL Unit M
API: 30-025-26675, Lease: NM-105221
Lea Co., GL 3644 KB 3663 (19')
Exhibit B: Proposed ReEntry



i-Handbook* - *a mark of Schlumberger


125'
25'
Exhibit "D"
Read & Stevens, Inc.
Coyote 10 Federal #2
Pad & Equipment Layout
NORTH
Cuttings Haul off Bin
250 BBL Steel Pit
Reverse Unit (pump)
500 BBL Fresh Water Tank
500 BBL Brine Water Tank
3k Manifold
Completion Rig
Well Head
Pipe Racks
100'
50'
Access Road
Parking Area
Dog House
EXHIBIT "D"
READ & STEVENS, INC.
Re-entry of: Coyote 10 Federal, Well No. 2
Pad & Pit Layout



Preplanning reasonable accommodations to achieve necessary and useable "Closed Loop" drillsite features is challenging. Specific considerations must be custom fitted to each well site. This generic plat was prepared to emphasize desired planning elements for some APDs. As a minimum the location plat should show: a north arrow, prevailing wind direction, access road and flare pit location. Include truck routing for removal of cuttings bins. Consider an overpressured situation, with the BOPE & mud flowline being closed. Show locations for choke manifold, mud gas separator, and a piping system to vent overpressured fluid and all gas to the flare pit.

Access Road

Tool Pusher Housing

Company man Housing

3000 psi System

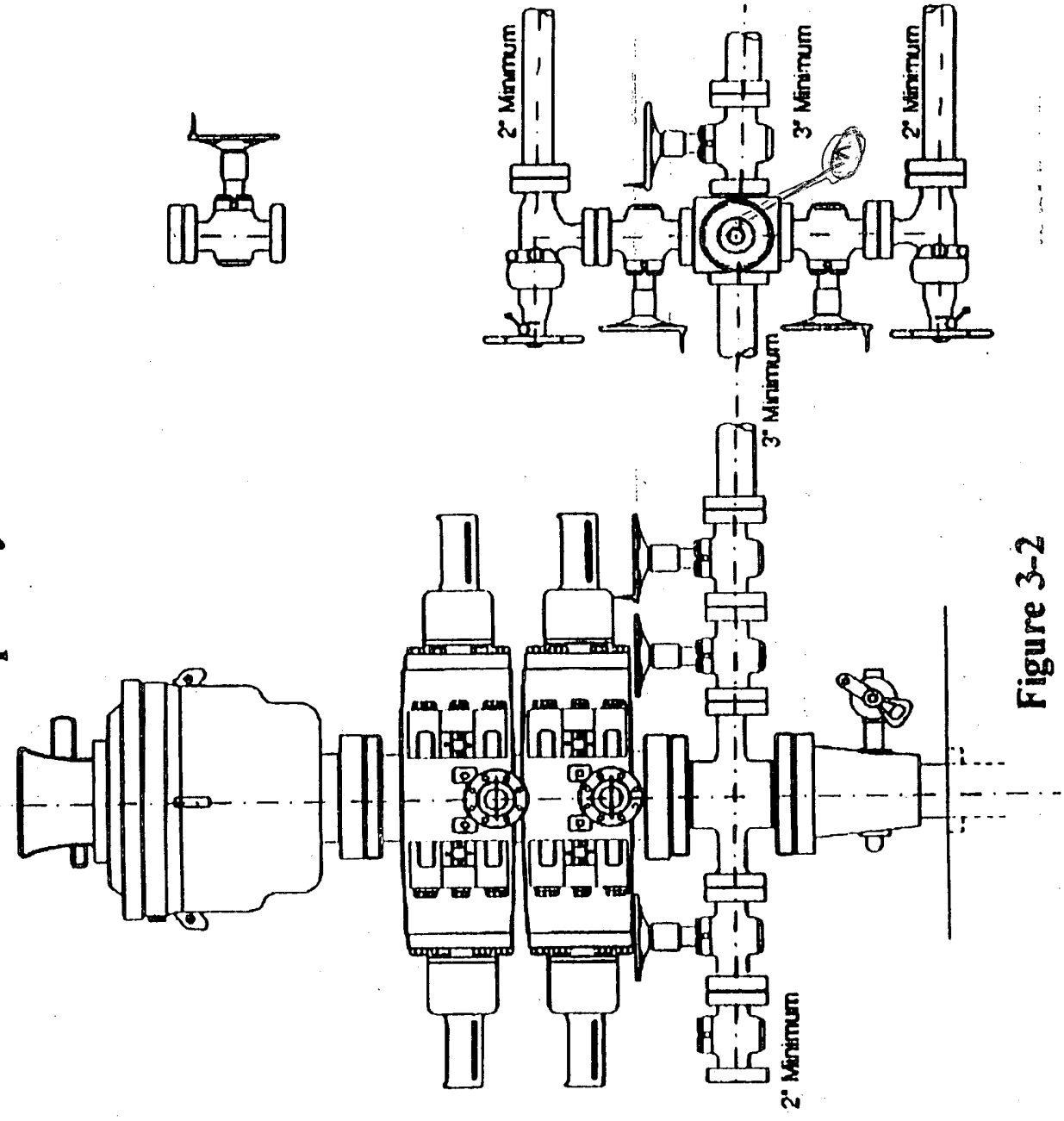


Figure 3-2

EXHIBIT "E"
READ & STEVENS, INC.
Re-entry of : Coyote 10 Federal, Well No. 2
BOP Specification for Re-entry

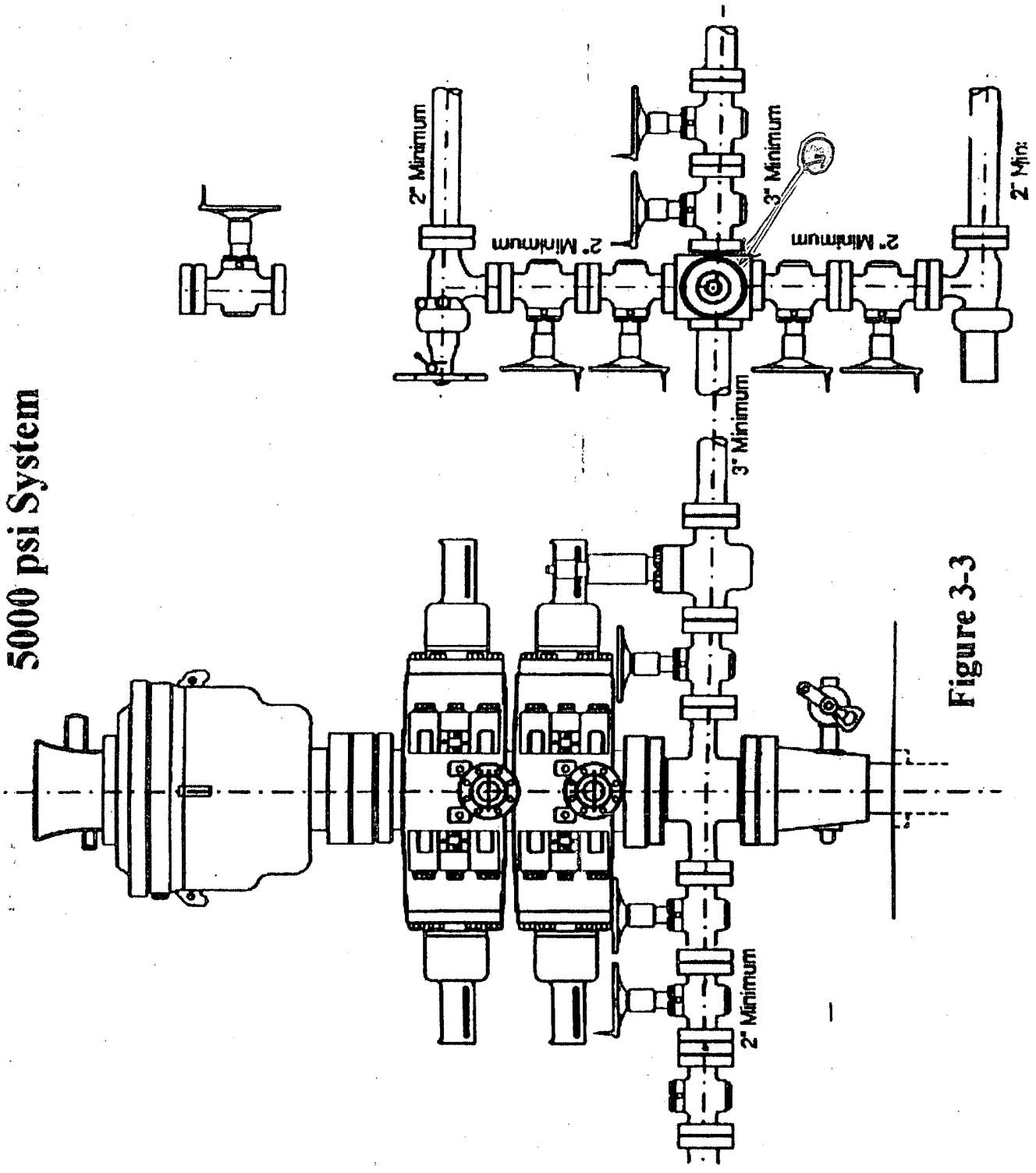
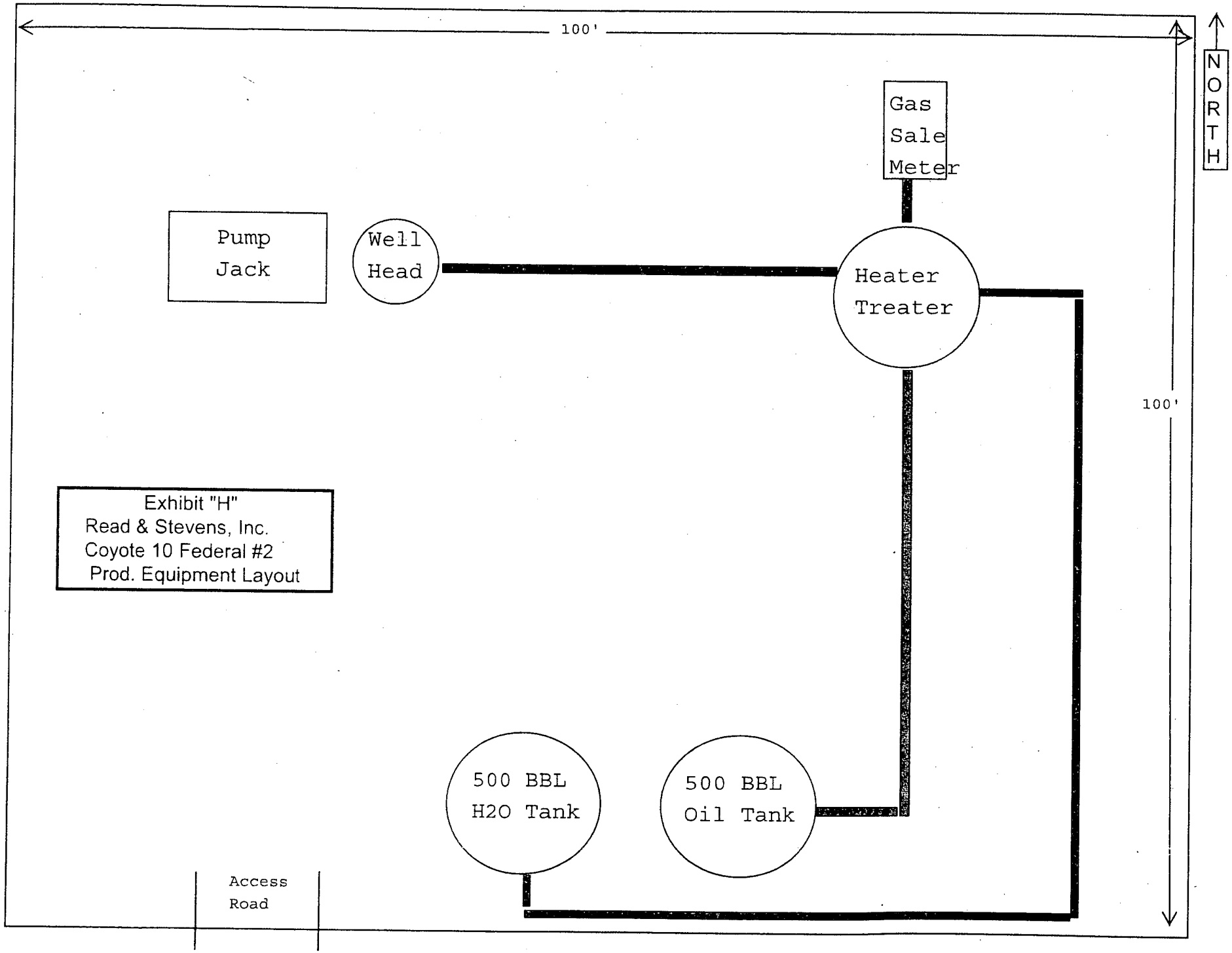


Figure 3-3

EXHIBIT "E"
READ & STEVENS, INC.
Re-entry of : Coyote 10 Federal, Well No. 2
BOP Specification for Completion


100'
NORTH
Gas
Sale
Meter
Pump
Jack
Well
Head
Heater
Treater
100'
Exhibit "H"
Read & Stevens, Inc.
Coyote 10 Federal #2
Prod. Equipment Layout
500 BBL
H2O Tank
500 BBL
Oil Tank
Access
Road