

No. Mexico Oil Co., Inc.
1625 N. 1st St.
Hobbs, NM 88240

Form 3160-3
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

282.

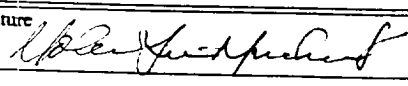
1a. Type of Work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM 96248
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name -
2. Name of Operator PENROC OIL CORPORATION		7. If Unit or CA Agreement, Name and No. -
3a. Address P.O. BOX 2769, HOBBS, NM 88241		8. Lease Name and Well No. BARNES FEDERAL NO. 2
3b. Phone No. (include area code) (505) 492-1236		9. API Well No. 30-025-02664 TO BE ASSIGNED BY OGD
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FNL 660' FWL At proposed prod. zone SAME AS SURFACE D		10. Field and Pool, or Exploratory WILDCAT ABO
14. Distance in miles and direction from nearest town or post office* 1.5 MILES NORTHEAST OF CROSSROADS, NM		11. Sec., T., R., M., or Blk. and Survey or Area 24. 09 S R 35 E
15. Distance from proposed* location to nearest property or lease line, ft. 660' (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 280	12. County or Parish LIA
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' EAST	13. State NM
19. Proposed Depth 9000'	20. BLM/BIA Bond No. on file 58 44 25	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4123' GL	22. Approximate date work will start* FEBRUARY 17, 2003	23. Estimated duration 2 WEEKS

24. Attachments

NO WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature  Name (Printed/Typed) M. Y. (MERCH) MERCHANT Date JAN. 15, 2003
Title PRESIDENT

Approved by (Signature) /S/ JOE G. LARA Name (Printed/Typed) /S/ JOE G. LARA Date FEB 18 2003
Title FIELD MANAGER Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify the 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 1 YEAR

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 reverse)

OPER. OGD NO. 17213
PROPOSED NO. 27862
POOL NO. 1
EFFECTIVE DATE 2-21-03
API NO. 30-025-02664

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

KE

NEW MEXICO
OIL CONSERVATION COMMISSION

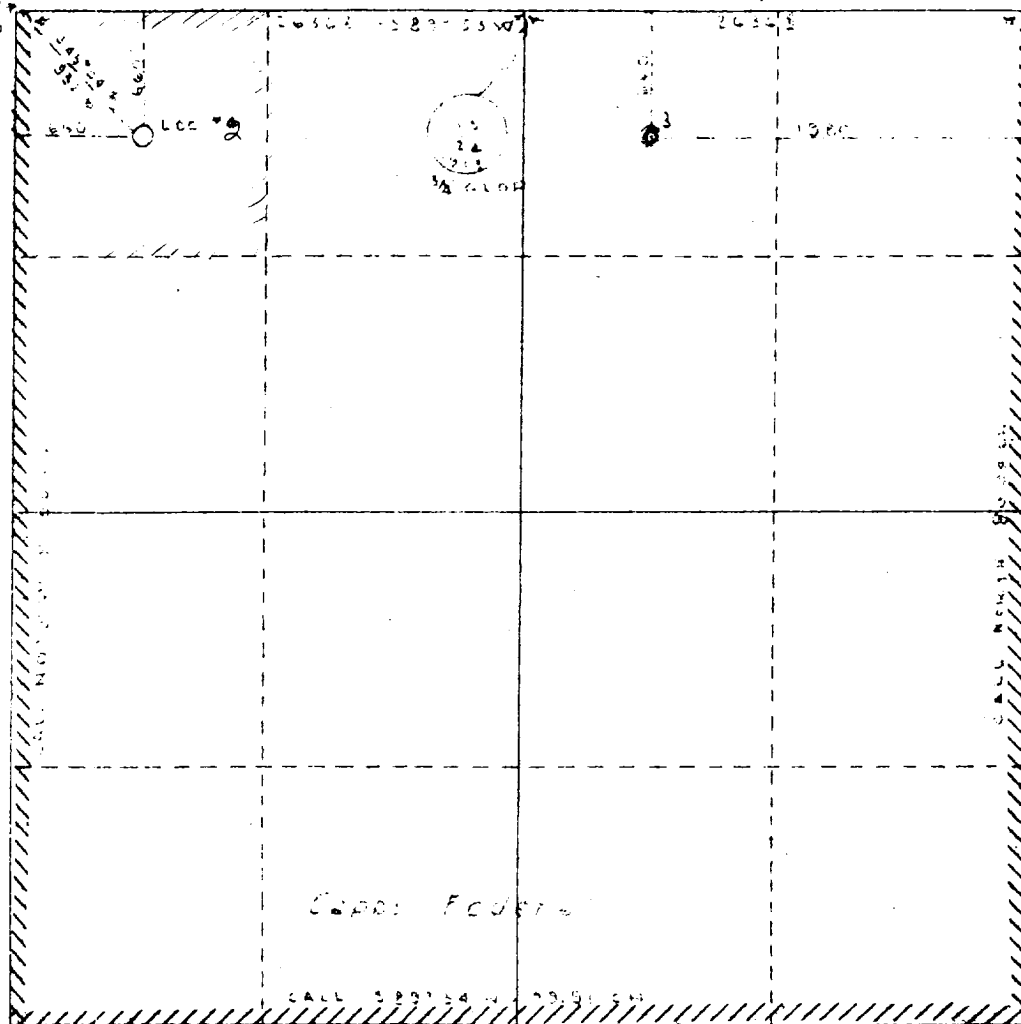
Form C-128

Well Location and/or Gas Proration Plat

Operator PENROC OIL CORPORATION MAGNOLIA PETROLEUM COMPANY Date NOV 28 1956
Lease BARNES FEDERAL CAPPS FEDERAL
Well No. Four (4) 2 Section 24 Township 9 S Range 35 E NMPM
Located 600 Feet From West Line, 600 Feet From North Line,
Lea County, New Mexico. G. L. Elevation 4110'
Name of Producing Formation Bough Line Pool Bough Field Dedicated Acreage 40

(Note: All distances must be from outer boundaries of Section)

30-025-02664



Scale: 1" = 1000'

LEGEND

Lease
Boundary

1. Is this Well a Dual Comp.? Yes No X

2. If the answer to Question 1 is yes, are there any other
dually completed wells within the dedicated acreage?

Yes No

This is to certify that the above plat was prepared from
field notes of actual surveys made by me or under my
supervision and that the same are true and correct to the
best of my knowledge and belief.

Name HARVE H. MAYFIELD, Assoc. Div. Supt.
Position Magnolia Petroleum Co.
Representing Box 633 - Midland, Texas
Address

Date Surveyed November 28, 1956

W. D. Gier
Registered Professional Engineer and/or Land Surveyor
#7425

Attachment to Form 3160-3
BARNES FEDERAL NO. 2
SEC.24, T-9-S, R-35-E
LEA COUNTY, NEW MEXICO

24.2 DRILLING AND RE-ENTRY PLAN

10 3/4", 32.75# CASING @ 420' W/ 425 SACKS. CEMENT CIRCULATED.
7 5/8" 24 & 26.4# CASING @ 4188' W/1400 SXS. CEMENT CIRCULATED.
CEMENT PLUGS SET DURING PLUGGING-DEPTHS UNKOWN.

WILL SET 4 1/2", 13.5#, N-80 CSG. AT 9000' W/ 225 SXS. 36/65 POZ CLASS H
FOLLOWED W/ 115 SXS. CLASS H W/ ADDITIVES.

AFTER APPROVAL FROM BLM, BLADE ROAD AND LOCATION.
REMOVE DRY HOLE MARKER AND BUILD CELLAR. INSTALL WELL HEAD.
RU WORKOVER RIG UNIT, REVERSE UNIT W/ TRIPLEX PUMP. INSTALL BOP.
DRILL OUT SURFACE PLUG.

TIH W/ 6 3/4" BIT AND CLEAN OUT TO 9000 FEET. USE 6% OIL FROM 5600'
DOWN TO CONTROL ABO SHALE.

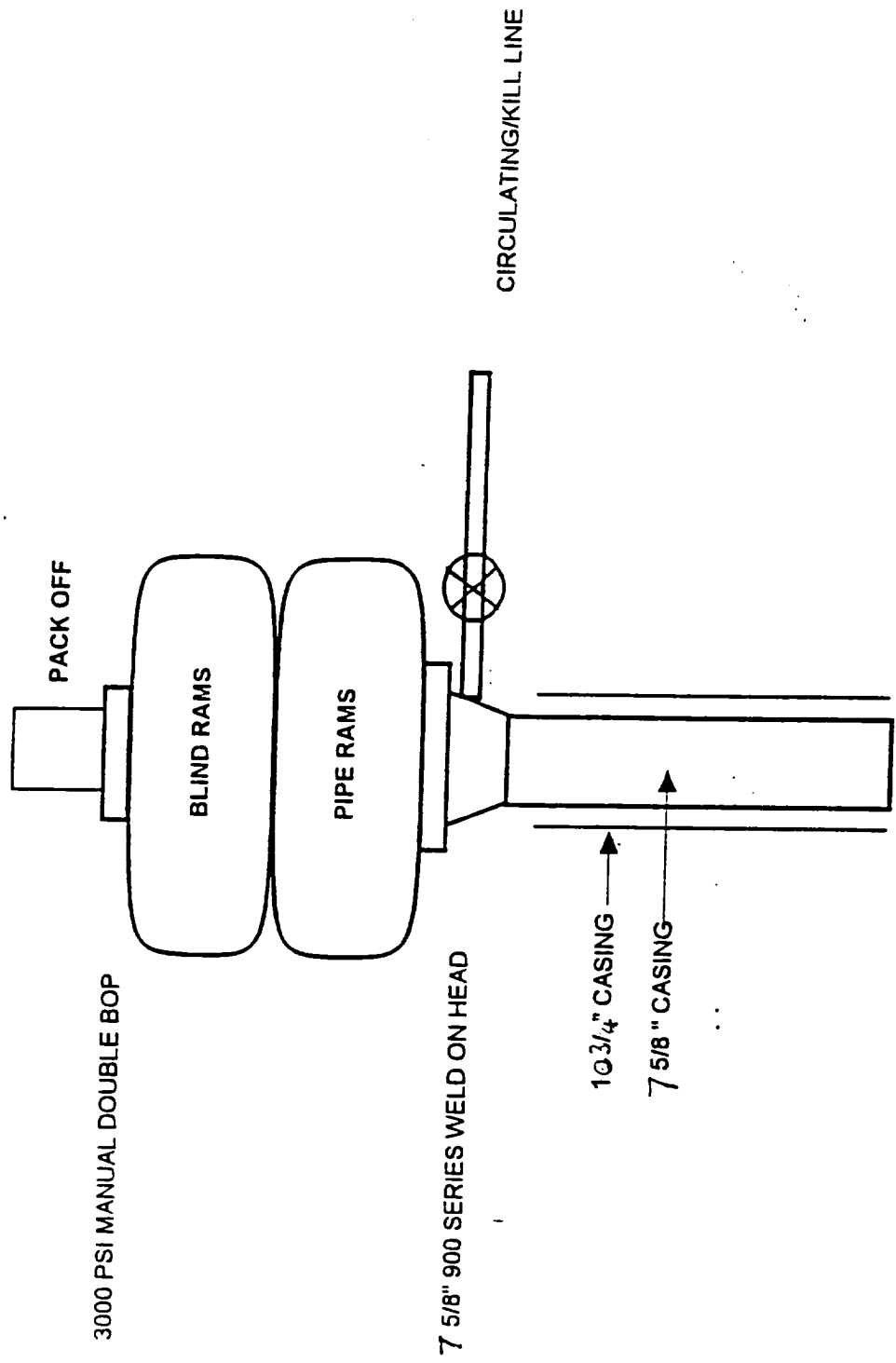
IF POSSIBLE, RUN OPEN HOLE LOGS (CDL,DLL,GR) FROM 9000-8000'.
CIRCULATE HOLE CLEAN W/ CHEMICAL SWEEP. RUN 4 1/2" PRODUCTION
CASING BY CENTRALINZING EVERY OTHER JOINT FOR THE BOTTOM 400
FEET (DEPENDING ON THE HOLE CONDITIONS). RUN MUD SWEEP AND
CEMENT 4 1/2" CASING AS SHOWN ABOVE.

W.O.C. TIH W/ 3 7/8" BIT AND CLEAN OUT TO 8950'.
RUN CBL FROM PBTD TO 8000'.

PERFORATE 4 SPF 8850-75' & 8892-96'.

SPOT ACID AND PUT ACID AWAY IN THE FORMATION. SWAB TEST.
ACIDIZE WITH LARGER VOLUME IF NECESSARY. IF COMMERCIAL, INSTALL
PRODUCTION EQUIPMENT AND PRODUCE WELL TO EXISTING BARNES FED.
NO. TANK BATTERY.

RECEIVED
FEB 21
2001



BOP SCHEMATIC

PERROC OIL CORPORATION
BARNES FEDERAL NO. 2
NW/4, NW/4, SEC 24, T9S, R35E
LEA COUNTY, NEW MEXICO

Exhibit B

**SUPPLEMENTAL DRILLING DATA
PENROC OIL CORPORATION
BARNES FEDERAL NO. 2**

1. SURFACE FORMATION:

Caliche & Sand

2. TOPS OF GEOLOGIAL MARKERS:

Anhydrite: 2190', Yates: 2758', San Andre: 4022', Glorieta: 5455', Abo: 7625,

3. POSSIBLE HYDROCARBON BEARING ZONES:

ABO (8816-79') & SAN ANDRES (4022'-4100')

4. CASING AND CEMENTING PROGRAM:

WELL IS A RE-ENTRY. PLANS ARE TO DRILL OUT CEMENT PLUGS AND TEST THE PROSPECTIVE ZONES FOR COMMERCIAL PRODUCTION. CASING AND CEMENTING PROGRAM IS THE SAME AS SHOWN ON THE APPLICATION TO DRILL.

5. PRESSURE CONTROL EQUIPMENT:

THE BOP STACK WILL CONSIST OF A 3,000-PSI WORKING PRESSURE, DUAL PREVENTER. A BOP SKETCH IS ATTACHED.

6. CIRCULATING MEDIUM:

WILL USE CLEAN FRESH WATER TO DRILL OUT CEMENT PLUG. WILL DISPLACE THE HOLE WITH 2% KCL WATER PRIOR TO PERFORATING THE EXPECTED PAYS.

7. AUXILIARY EQUIPMENT: NONE

8. TESTING, LOGGING AND CORING PROGRAM:

A CASED HOLE COMPENSATED LOG AND A CEMENT BOND LOG IS ANTICIPATED.

9. ABNORMAL PRESSURES, TEMPERATURES OR H₂S GAS: NONE

10. ANTICIPATED STARTING DATE: FEBRUARY 20, 2003