N.M. OIL COME, COM OPER. OGRID NO. P.O. BOX 196 re• Form approved. Form 3160-3 PROPERTY NO. HOBBS, NEWUMENID Budget Bureau No. 1004-0136 (December 1990) Expires: December 31, 1991 POOL CODE DEPARTMENT OF 5. LEASE DESIGNATION AND SERIAL NO. EFF. DATE 1-**BUREAU OF LAN** LC-065607 6. IF INDIAN, ALLOTTER OR TRIBE NAME APPLICATION FOR PERN APINO. 3/2-/22 1a. TYPE OF WORK UDITE 7. DATE AGREEMENT NAME DRILL XX DEEPEN [CLb. TYPE OF WELL OIL | SPACE [MULTIPLE C S. FARM OR LEASE NAME WELL NO WELL XX OTHER 2. NAME OF OPERATOR **Hudson Federal** 9. API WELL NO. Read & Stevens. Inc. 505/622-3770 3. ADDRESS AND THE HEHONE NO. X 10. FIBLD AND POOL, OR WILDCAT P. O. Box 1518 Roswell. NM 88202 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*) North Lea Penn. At surface 1980' FNL & 660' FEL 11. SBC., T., B., M., OR BLE. AND SURVEY OR ARRA At proposed prod. sone Sec. 4-T20S-R34E Same 12. COUNTY OR PARISH | 18. STATE 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST 30 miles SW of Hobbs. Lea New Mexico 17. NO. OF ACRES ASSIGNED TO THIS WELL 15. DISTANCE PROM PROPUSED* 16. NO. OF ACRES IN LEASE LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig, unit line, if any) 660' 322.3 160 19. PROPOSED DEPTH 20. ROTART OR CABLE TOOLS 18. DISTANCE FROM PROPOSED LOCATIONS TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 990' 14,000' Rotary 22. APPROX. DATE WORK WILL START* 21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3641' GLDecember 20, 1994 43 PROPOSED CASING AND CEMENTING PROGRAM Secretary's Poteil SETTING DEPTH QUANTITY OF CEMENT WEIGHT PER FOOT SIZE OF HOLE GRADE SIZE OF CASING 17 1/2" 13 3/8"J-5 54.5# 1600' Circ 1100 sx Lite + 200 11" Circ 1100 sx* 5/8"S-8¢ 32.0# 5000' 500 Sx "H" w/50/50 POZ E BACK ABOVE FLUID BEARING ZONES) 7/8" 5 1/2"N-80 17 & 20# 14,000' Vis. Mud Wt. W/L Control Mud Program: 34 - 360' -1,600': Fresh water Gel/Lime: 8.7- 9.0 ppg No W/L control 1,600' - 5,000': Brine water mud: 28 - 29No W/L control 10.0-10.3 ppg 28 - 29 5,000' - 10,900': Cut brine mud w/starch: 8.7 - 9.2 ppgNo W/L control 10,900' - 12,000': Brine Water: 9.8-10.2 ppg 28 - 34No W/L control 32 - 50 W/L control 3-10cc 12,000' - T.D. : Brine water mud: 10.3-10.6 ppg 1600' - 6600': Gel & lost circulation material will be added as needed. BOP Program: A 11" 5000 psi wp Shaffer Type LWS BOP will installed on the 13 3/8" casing. Casing and BOP will be tested before drilling out with 11". BOP will tested daily. 8 5/8": Cement with DV tool in two stages starting at 3800': Lead 200 sx lite, tail in w/200 sx "C". 1st stage: 2nd stage: Lead 500 sx lite cement, tail w/200 sx neat. Cement to surface. IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any. 14. 1994 Agent for: Oct. & Stevens, Inc. DATE RIGNED APPROVAL SUBJECT TO (This space for Federal or State office use) GENERAL REQUIREMENTS AND APPROVAL DATE . 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 operate thereon ATTACHED CONDITIONS OF APPROVAL IF ANY:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the

*See Instructions On Reverse Side