OPER. OGRID NO. 16852 — DIVISION

PROPERTY NO. 16852 — DATE* — Form approved.

Form 3160-3 (December 1990) — UNITED — POOL CODE 96040 — Budget Bureau No. 1004-0136

DEPARTMENT O — EFF. DATE 3/22/95 — Expires: December 31, 1991

BUREAU OF LAI — API NO. 30-025-32894

APPLICATION FOR PERI

5. LEASE DESIGNATION AND SERIAL NO.: NM NM 60584

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

8. FARM OR LEASE NAME, WELL NO.: Madera 12 Fed. No. 1

2. NAME OF OPERATOR: Dusty Mac Resources Inc.

9. API WELL NO.:

3. ADDRESS AND TELEPHONE NO.: 550 W. Texas, Ste. 1303, Midland, Texas 79701

10. FIELD AND POOL, OR WILDCAT: Wildcat SW Jabalina Bone Springs

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1980' FSL & 1980' FWL of Sec. 12
At proposed prod. zone: 1980' FSL & 1980' FWL of Sec. 12

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 12, T-26-S, R-34-E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 13 miles west-southwest of Jal, New Mexico

12. COUNTY OR PARISH: Lea — 13. STATE: N.M.

BUREAU OF LAND MANAGEMENT RECEIVED FEB 10 1995 DIST. 6 N.M. Carlsbad, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
1980'	640	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
NA	13,000'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.) (See design eval. enclosed): 3,277' GR

22. APPROX. DATE WORK WILL START*: 3/31/95

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17.50"	J-55 13.375"	~~54.5~~ #48	~~1,000~~ 600'	CIRCULATE 950 sacks
12.25"/11"	N-80/J-55 ~~10.75~~ 8 5/8"	~~32.0~~ #24/32	5,300'	(tie back) 1350 sacks
~~9.50~~ "7 7/8"	~~P-110 7.625~~ 5 1/2" N80/S95	~~15.5~~ #17	13,000' SJS	(tie back) 1425 sacks in two stages

Operator proposes to drill to the Wolfcamp to test for possible commercial production of oil and gas in the Bone Springs zone. If productive, ~~7 5/8~~" casing will be set and cemented to total depth. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal and State regulations and according to good engineering practice. Specific programs according to Onshore Oil & Gas Order #1 are outlined in the following attachments:

1.) Well Location & Acreage Dedication Plat
2.) Drilling Program
Exhibits Nos. #1 & 1A - Blowout Preventers
3.) Surface Use and Operating Plan
Exhibit #2 - Existing Roads
Exhibit #2A - Planned Access Roads
Exhibit #3 - One Mile Radius Map with Lease Boundry
Exhibit #3A - Well Status Within One Mile Radius
Exhibit #4 - Drilling Rig Layout
Exhibit #5 - Production Facilities Layout

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.

24.

SIGNED G. Thane Akins — TITLE Agent — DATE 2/7/95

(This space for Federal or State office use)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

PERMIT NO. _____ 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 operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ Richard L. Manus — TITLE Area Manager — DATE 3/17/95

*See Instructions On Reverse Side

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 States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

5. Lease Designation and Serial No.: NM NM 60584

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA, Agreement Designation:

1. Type of Well: [XX] Oil Well [ ] Gas Well [ ] Other

8. Well Name and No.: Madera 12 Federal No. 1

2. Name of Operator: Dusty Mac Resources Inc.

9. API Well No.:

3. Address and Telephone No.: 550 W. Texas, Ste 1303, Midland, TX 79701 (915) 682-6495

10. Field and Pool, or Exploratory Area: SW Jabalina Bone Springs

4. Location of Well (Footage, Sec., T., R., M., or Survey Description): 1980' FSL & 1980' FWL of Sec. 12, T-26-S, R-34-E

11. County or Parish, State: Lea County, New Mexico

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
[X] Notice of Intent	[ ] Abandonment	[XX] Change of Plans
[ ] Subsequent Report	[ ] Recompletion	[ ] New Construction
[ ] Final Abandonment Notice	[ ] Plugging Back	[ ] Non-Routine Fracturing
	[ ] Casing Repair	[ ] Water Shut-Off
	[ ] Altering Casing	[ ] Conversion to Injection
	[ ] Other _____	[ ] Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

We were advised by the BLM to revise our planned access road to the proposed well location. The attacheddiscussion and exhibits to the APD reflect these revisions.

BUREAU OF LAND MANAGEMENT
RECEIVED
MAR 14 1995
DIST. 5 N.M.
Roswell, New Mexico

14. I hereby certify that the foregoing is true and correct

Signed G. THane Akins Title Agent Date 3/10/95

(This space for Federal or State office use)

Approved by /s/ Richard L. Manus Title Area Manager Date 3/17/95

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 States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator	Lease	Well No.
DUSTY MAC RESOURCES, INC.	MADERA-FEDERAL 12	1

Unit Letter	Section	Township	Range	County
"K"	12	26-S	34-E NMPM	LEA

Actual Footage Location of Well:
1980 feet from the SOUTH line and 1980 feet from the WEST line

Ground level Elev.	Producing Formation	Pool	Dedicated Acreage:
3277	BONE SPRING	~~SW JABALINA~~ Wildcat	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

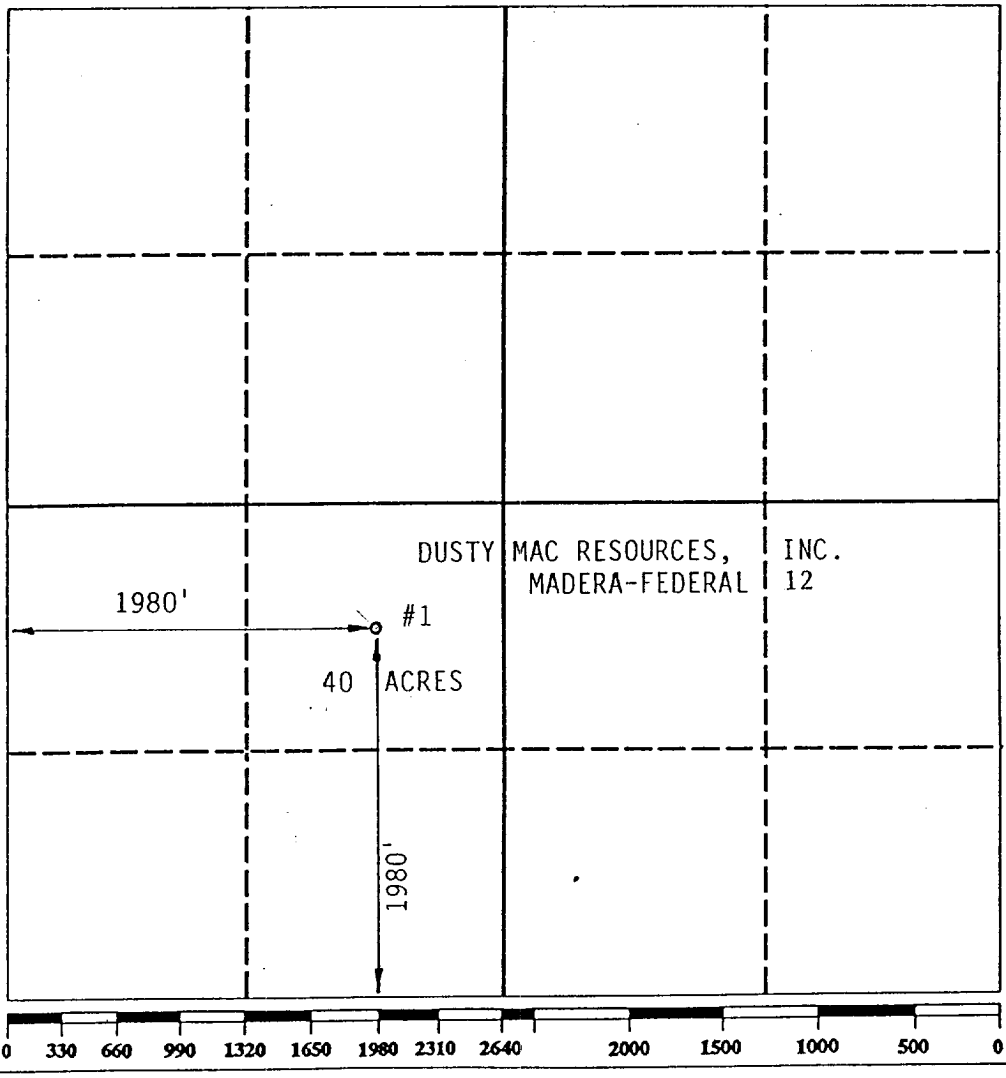
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes ☐ No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary. _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein in true and complete to the best of my knowledge and belief.

Signature: G. Thane Akins

Printed Name: G. Thane Akins

Position: Agent

Company: Dusty Mac Resources, Inc.

Date: February 8, 1995

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 supervison, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: JANUARY 28, 1995

Signature & Seal of Professional Surveyor: Max A. Schumann, Jr.

MAX A. SCHUMANN, JR.

Certificate No. 1510

NEW MEXICO 1510 REGISTERED LAND SURVEYOR

DRILLING PROGRAM
DUSTY MAC RESOURCES INC.
MADERA 12 FEDERAL WELL NO. 1
1980' FSL & 1980' FWL Sec. 12, T26S, R34E, Lea County, NM

The following information is filed in accordance with New Mexico Oil Conservation Rules and Regulations:

1. SURFACE FORMATION: Alluvium

2. ESTIMATED TOPS OF GEOLOGIC MARKERS:

Rustler	950'	Delaware Sd (Ramsey)	5408'
Top Yates	2940'	Brushy Canyon Sd	8802'
Top Queen	4075'	Bone Springs Lm	9480'
Top San Andres	4990'	Bone Springs Sd (1st)	12400'
Delaware Lm	5380'	Wolfcamp Sh	12550'

3. ESTIMATED DEPTH TO FRESH WATER:
None expected.

ANTICIPATED POSSIBLE HYDROCARBON BEARING ZONES:
Delaware (below 5500') Oil Brushy Canyon (below 8802') Oil
Bone Springs (below 9480') Oil

No other formations are anticipated to give up commercial quantities of hydrocarbons.

Zones from the surface to ~~1000'~~ 600' will be protected by setting 13 3/8" casing and cemented with 950 sacks circulating back to surface. A ~~10 3/4~~ 8 5/8" intermediate string will be run to 5300' and cemented with 1350 sacks circulating back to surface. A 5 1/2" production string will be run from surface to total depth and cemented with 1425 sacks back to 5000'.

4. PROPOSED CASING AND CEMENTING PROGRAM: (See Form 3160-3 & Csg. Design Evaluation) SOS
Casing:

~~Hole Size~~	Interval	Casing OD	Weight, Grade, Joint, Condition
17.5"	0-~~1000'~~	13.375"	54.5#, J-55, ST&C, New
12.25"	0-5300'	~~10.75~~"	51#, N-80/J-55, LT&C, New & Used
9.5"	0-13000'	7.625"	~~33.7~~#, P-110, LT&C, New

Cement:
13 3/8" Surface: Cemented with 950 sacks of Class C cement with 2% CaCl2 to circulate.
10 3/4" Intermediate: Cemented with 1350 sacks of Class C with Premium Plus cement to circulate.
7 5/8" Production: Cement with 1425 sacks of Premium Trinity & Premium ~~Lite~~ cement in two stages with DV tool set at 7500'. Cement to fill back to 5000'.

5. PRESSURE CONTROL EQUIPMENT:
Blowout prevention equipment, while drilling below surface casing depth to the setting of the 8 5/8" ~~10 3/4"~~ casing will be a 1500 psi working pressure BOP stack. A 5000 psi WP BOP stack will be installed below the ~~10 3/4~~ 8 5/8" to TD with a Hydril and rotating head on the ~~7 5/8"~~ casing. The BOP sketches are shown as Exhibits 1 and 1A.

6. CIRCULATING MEDIUM:

Surface to 1000' : Fresh water spud mud - Viscosity 30 to 36 as required for hole cleaning.
1000' to 5300' : Fresh water/cut brine base drilling fluid conditioned as necessary for control of viscosity, pH, and water loss. Wt 9.4-10#, pH 9-10, vis. 38-45, filtrate 6-15.
5300' to TD : Water based drilling fluid conditioned as necessary for control of viscosity, pH, and water loss, weighted as necessary for well control.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT:

A. A geolograph will be in use from surface to total depth.
B. The drilling fluids system will be visually monitored at all times with PVT and Flosho below intermediate casing.
C. Drill cuttings analysis equipment will be in use below the surface casing with a mud logger below 5300'.

8. TESTING, LOGGING, AND CORING PROGRAMS:

A. Drill stem tests will be made if samples and other data indicate a test is warranted.
B. Compensated Neutron/LDT Log - GR and Dual Induction. The Gamma Ray log will be continued back to surface.
C. No coring is anticipated.
D. Other testing procedures may be used after the production casing has been set depending on shows and other testing indicators.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES, & POTENTIAL HAZARDS:

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 180 F and the estimated maximum bottom hole pressure (BHP) is about 5800 psi. No hydrogen sulphide (H2S) or other hazardous fluids are known to exist at this depth and area. No lost circulation zones are anticipated.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

It is planned that operations will commence shortly after approval of this application, with drilling and completion operations lasting about 30 days. A decision as to design and installation of permanent facilities will be made after adequate testing of the well.

TO: SHANNON SHAW 3/10/ 1995, 8.30 AM

8.625" CASING

Burst	1.0)0
Tension	1.8)0
Collapse	1.1 25

	32 M 80 S	32 J S	32 HCK9-55	24 J S
Jt Strength, #M	497	372	497	244
Body Yield, #M	503	503	503	381
Collapse, psi	4130	2530	4130	1370
Internal Yield, psi	3930	3930	3930	2950

CLIENT: *DUSTY MACK RESOURCES INC.*

WELL: MADERA FEDERAL 12 NO. 1
LEA COUNTY, NEW MEXICO

Casing setting depth: 5,300' KB
Mud Wt.= 10.5 #/g

Case#1

Interval (Top to Bottom) From	To	Footage	Weight per foot	Grade	Type of Joint	Weight Of Section	Weight Cumulative	Calculated Design Factors Tension Joint	Tension Body	Collapse	Internal Press.-psig	Footage	Supplier	COST Per Foot	COST TOTAL
0	2,000	2,000	32	M-80	ST&C	64,000	169,600	2.93	2.97	3.782	3.60	2,000'			
2,000	4,100	2,100	32	J-55	ST&C	67,200	105,600	3.52	4.76	1.130	1.76	2,100'			
4,100	5,300	1,200	32	M-80	ST&C	38,400	38,400	12.94	13.10	1.427	1.36	1,200'			
	Totals	5,300	—	—	—	169,600	—				Totals	5,300'			

AVERAGE COST PER FOOT—>>

5.50" CASING

Burst	1.000
Tension	1.800
Collapse	1.125

	17 N B	17 N L	17 S L
Jt Str ength, #M	446	348	392
Body Yield, #M	397	397	471
Coll apse, psi	6280	6280	8580
Intern al Yield, psi	7740	7740	9190

CLIENT: DUSTY MACK RESOURCES INC.

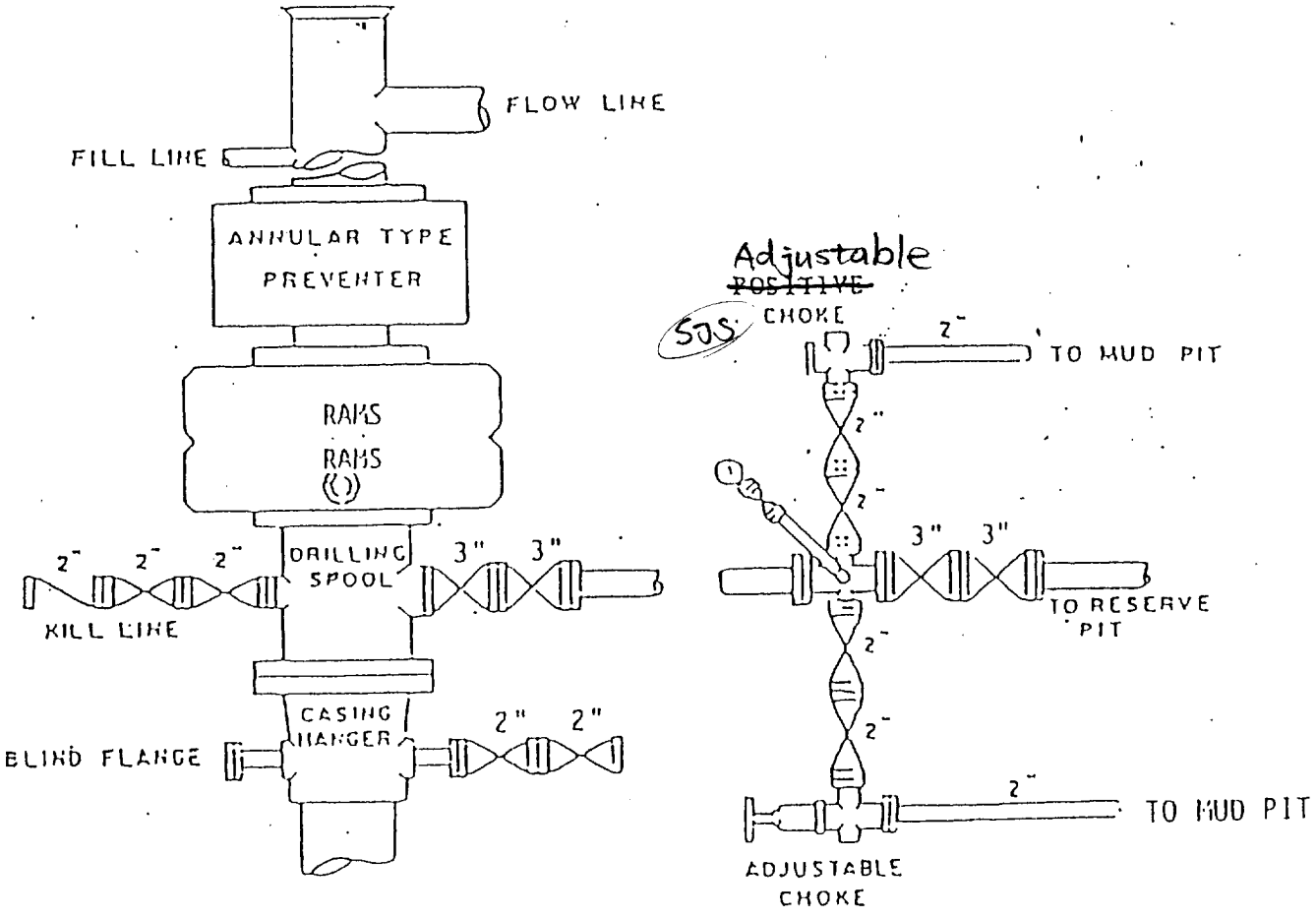
WELL: MADERA FED. "12" NO. 1

Casing setting depth: 13,000' KB
Mud Wt.= 8.8 #/g

Case #1

Interval (Top to Bottom) From	To	Footage	Weight per foot	Grade	Type of Joint	Weight Of Section	Weight Cumulative	Calculated Design Factors Tension Joint	Tension Body	Collapse	Internal Press.-psig	Footage	Supplier	COST Per Foot	COST TOTAL
0	1,600	1,600	17	17 N B	BUT.	27,200	221,000	2.02	1.80	8.577	10.57	1,600'			
1,600	10,800	9,200	17	17 N L	LT&C	156,400	193,800	1.80	2.05	1.271	1.57	9,200'			
10,800	13,000	2,200	17	17 S L	LT&C	37,400	37,400	10.48	12.59	1.442	1.54	2,200'			
	Totals	13,000	--	--	--	221,000	--				Totals	13,000'			

O'B&ASSOC.. I -->> 12:00 PM. 3/10/95



BOP STACK

5000 PSI WORKING PRESSURE

IN USE WHILE DRILLING BELOW
10 3/4" CASING SEAT

Exhibit No. 1A
BOP ARRANGEMENT

DUSTY MAC RESOURCES, INC.
MADERA 12 FEDERAL WELL NO. 1