

API No. <u>42-383-38045</u> Drilling Permit # <u>749029</u> SWR Exception Case/Docket No. <u>0278673</u> (R37)		<b>RAILROAD COMMISSION OF TEXAS</b> <b>OIL &amp; GAS DIVISION</b> <b>APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER</b> <i>This facsimile W-1 was generated electronically from data submitted to the RRC.</i> <i>A certification of the automated data is available in the RRC's Austin office.</i>				<b>FORM W-1</b> 07/2004 Permit Status: <b>Approved</b>	
1. RRC Operator No. <u>480113</u>		2. Operator's Name (as shown on form P-5, Organization Report) <b>L &amp; M OPERATING, INC.</b>		3. Operator Address (include street, city, state, zip):  <b>P O BOX 846 BIG LAKE, TX 76932</b>			
4. Lease Name <b>TEXAS Z</b>		5. Well No. <u>13</u>					
<b>GENERAL INFORMATION</b>							
6. Purpose of filing (mark ALL appropriate boxes): <input checked="" type="checkbox"/> New Drill <input type="checkbox"/> Recompletion <input type="checkbox"/> Reclass <input type="checkbox"/> Field Transfer <input type="checkbox"/> Re-Enter <input type="checkbox"/> Amended <input type="checkbox"/> Amended as Drilled (BHL) (Also File Form W-1D)							
7. Wellbore Profile (mark ALL appropriate boxes): <input checked="" type="checkbox"/> Vertical <input type="checkbox"/> Horizontal (Also File Form W-1H) <input type="checkbox"/> Directional (Also File Form W-1D) <input type="checkbox"/> Sidetrack							
8. Total Depth <u>2650</u>		9. Do you have the right to develop the minerals under any right-of-way ? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
<b>SURFACE LOCATION AND ACREAGE INFORMATION</b>							
11. RRC District No. <u>7C</u>		12. County <b>REAGAN</b>		13. Surface Location <input checked="" type="checkbox"/> Land <input type="checkbox"/> Bay/Estuary <input type="checkbox"/> Inland Waterway <input type="checkbox"/> Offshore			
14. This well is to be located <u>4</u> miles in a <u>SE</u> direction from <u>BIG LAKE</u> which is the nearest town in the county of the well site.							
15. Section <u>1</u>	16. Block <u>49</u>	17. Survey <u>UL</u>		18. Abstract No. <u>A-</u>	19. Distance to nearest lease line: <u>343</u> ft.	20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>334.04</u>	
21. Lease Perpendiculars: <u>343</u> ft from the <u>E</u> line and <u>1490</u> ft from the <u>S</u> line.							
22. Survey Perpendiculars: <u>2310</u> ft from the <u>W</u> line and <u>1490</u> ft from the <u>S</u> line.							
23. Is this a pooled unit? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		24. Unitization Docket No:		25. Are you applying for Substandard Acreage Field? <input type="checkbox"/> Yes    (attach Form W-1A) <input checked="" type="checkbox"/> No			
<b>FIELD INFORMATION    List all fields of anticipated completion including Wildcat. List one zone per line.</b>							
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)		29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	
<u>7C</u>	<u>73085500</u>	<u>PRICE (GRAYBURG)</u>		<u>Oil Well</u>	<u>2650</u>	<u>887.00</u>	
<b>BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS</b>							
<b>Remarks</b> [FILER Sep 28, 2012 12:21 PM]: REQUESTING BETWEEN WELL SPACING EXCEPTION. SEE ADJACENT OPERATOR LIST.; [RRC STAFF Oct 29, 2012 3:59 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Jan 25, 2013 7:44 AM]: Problems identified with this permit are resolved.				<b>Certificate:</b> I certify that information stated in this application is true and complete, to the best of my knowledge.  <div style="display: flex; justify-content: space-between;"> <div> <u>&lt; Mail in Application &gt;</u>            Name of filer         </div> <div> <u>Sep 28, 2012</u>            Date submitted         </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>           Phone _____         </div> <div>           E-mail Address (OPTIONAL) _____         </div> </div>			
<b>RRC Use Only</b>							
Data Validation Time Stamp: Feb 5, 2013 4:11 PM( Current Version )							

# RAILROAD COMMISSION OF TEXAS

## OIL & GAS DIVISION

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER  
ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 749029	DATE PERMIT ISSUED OR AMENDED 1/25/2013	DISTRICT 7C
API NUMBER 42 383 38045	FORM W-1 RECEIVED 9/28/2012	COUNTY REAGAN
TYPE OF OPERATION DRILL		ACRES 334.04
OPERATOR 480113  L & M OPERATING, INC. P O BOX 846 BIG LAKE TX 76932		NOTICE  This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No.: 325 657-7450
LEASE NAME TEXAS Z		WELL NUMBER 13
LOCATION 4.00 MILES SE FROM BIG LAKE		TOTAL DEPTH 2,650
SECTION, BLOCK and/or SURVEY SECTION => 1 BLOCK => 49 ABSTRACT =>  SURVEY ==> UL		
DISTANCE--LEASE LINES 343.00 F E - 1,490.00 F S		DISTANCE--NEAREST WELL ON LEASE 887.0
DISTANCE--SURVEY LINES 2,310.00 F W - 1,490.00 F S		

### READ IMPORTANT CONDITIONS AND INSTRUCTIONS ON THE BACK OF THIS FORM

#### FIELD(S) AND LIMITATIONS

\*\* THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE 37(H) (2) (A) . \*\*  
\*\* CASE NO. 0278673 \*\*

#### \*PRICE (GRAYBURG)

"\*" PRECEDING FIELD NAME INDICATES RULE 37

#### \*\* LIMITATIONS \*\*

THIS WELL SHALL BE COMPLETED AND PRODUCED IN COMPLIANCE WITH APPLICABLE SPECIAL FIELD OR STATEWIDE SPACING AND DENSITY RULES. IF THIS WELL IS TO BE USED FOR BRINE MINING, UNDERGROUND STORAGE OF LIQUID HYDROCARBONS IN SALT FORMATIONS, OR UNDERGROUND STORAGE OF GAS IN SALT FORMATIONS, A PERMIT FOR THAT SPECIFIC PURPOSE MUST BE OBTAINED FROM ENVIRONMENTAL SERVICES PRIOR TO CONSTRUCTION, INCLUDING DRILLING, OF A WELL IN ACCORDANCE WITH STATEWIDE RULES 81, 95, AND 97.

#### THE FOLLOWING RESTRICTIONS APPLY TO THE FIELDS SPECIFIED

THIS IS A HYDROGEN SULFIDE FIELD. THIS WELL SHALL BE DRILLED IN ACCORDANCE WITH STATEWIDE RULE 36.  
PRICE (GRAYBURG)

