

Railroad Commission of Texas

PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the permit unless actual drilling operations have begun. The permit period will not be extended. If a permit is materially amended, the expiration date is two (2) years from the time the amended permit is issued.

Drilling Permit Number. The drilling permit number shown on the permit MUST be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Tx Natural Resource Conservation Commission. Before drilling a well, the operator must obtain a letter from the Texas Natural Resource Conservation Commission stating the depth to which water needs protection. Write: Texas Natural Resource Conservation Commission (Surface Casing-MC151), P.O. Box 13087, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion of Drilling

Producing Well. Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s (if required) must be submitted with no double assignment of acreage.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Tx Natural Resource Conservation Commission letter.

*NOTIFICATION

The operator is REQUIRED to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. Time requirements are given above. The drilling permit number MUST be given with such notifications.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

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

PERMIT NUMBER 640145	DATE PERMIT ISSUED OR AMENDED Jun 05, 2007	DISTRICT * 04															
API NUMBER 42-273-32420	FORM W-1 RECEIVED Jun 04, 2007	COUNTY KLEBERG															
TYPE OF OPERATION RECOMPLETION	WELLBORE PROFILE(S) Directional	ACRES 5666.15															
OPERATOR BNP PETROLEUM CORPORATION 500 N WATER ST STE. 412 1ST CAPITAL BANK BLDG. CORPUS CHRISTI, TX 78471		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: (361) 242-3113															
LEASE NAME DUNN-PEACH		WELL NUMBER 7															
LOCATION 34 miles SE direction from KINGSVILLE		TOTAL DEPTH 10500															
Section, Block and/or Survey SECTION ◀ BLOCK ◀ ABSTRACT ◀ 10 SURVEY ◀ NICHOLAS & JUAN JOSE BALI																	
DISTANCE TO SURVEY LINES 3215 ft. W (BAY) 131071 ft. NE		DISTANCE TO NEAREST LEASE LINE 3048 ft.															
DISTANCE TO LEASE LINES 3215 ft. W 8793 ft. N		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below															
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES * <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:60%;">FIELD NAME LEASE NAME</th> <th style="width:10%;">ACRES NEAREST LEASE</th> <th style="width:10%;">DEPTH NEAREST LEASE</th> <th style="width:10%;">WELL # NEAREST WELL</th> <th style="width:10%;">DIST</th> </tr> </thead> <tbody> <tr> <td>WILDCAT</td> <td>5666.15</td> <td>10,500</td> <td>7</td> <td>04</td> </tr> <tr> <td>DUNN-PEACH</td> <td>3048</td> <td>0</td> <td></td> <td></td> </tr> </tbody> </table>			FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST LEASE	WELL # NEAREST WELL	DIST	WILDCAT	5666.15	10,500	7	04	DUNN-PEACH	3048	0		
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WELLBORE PROFILE(S) FOR FIELD: Directional																	
RESTRICTIONS: Bottom Hole: BH1 BH County: KLEBERG Section: Block: Abstract: 10 Survey: NICHOLAS & JUAN JOSE BALI Lease Lines: 3048.0 F W L 3272.0 F N L Survey Lines: 3048.0 F W (BAY) L 125656.0 F N L																	
THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS 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 the well in accordance with Statewide Rules 81, 95, and 97.																	