District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. 1st Street, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Oil Conservation Divsiion
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

RECEIVED
MAR 1 5 2004
OCD-ARTESIA

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

[1] Operator Name and Address	[2] OGRID Number
KERR McGEE OIL & GAS ONSHORE LLC 16666 NORTHCHASE HOUSTON, TX 77060	012558 [3] API Number 30- 015- 33513

[4] Property Code	[5] Property Name	[6] Well No.
~~008561~~ 24520	LOWE STATE	6

[7] Surface Location

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
M	36	21 S	23 E		660	SOUTH	990	WEST	EDDY

[8] Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County

[9] Proposed Pool 1	[10] Proposed Pool 2
INDIAN BASIN (UPPER ~~PENN~~ PENN ASSOC. ~~77080~~ 33685	

[11] Work Type Code	[12] Well Type Code	[13] Cable/Rotary	[14] Lease Type Code	[15] Ground Level Elevation
N	G	ROTARY	S	3875'
[16] Multiple	**[17] Proposed Depth**	**[18] Formation**	**[19] Contractor**	**[20] Spud Date**
NO	8200	UPPER PENN	NOT YET AWARDED	

[21] Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4	9 5/8	36#	1300	1250	SURFACE
8 3/4	7	23# & 26#	8200	360	5000

[22] Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

See Attached Drilling Program.

Cement to cover all oil, gas and water bearing zones.

NOTIFY OCD SPUD & TIME TO WITNESS 9 5/8" CASING

[23] I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: Rod L. Bailey

Printed name: ROD L. BAILEY

Title: PRORATION MANAGER

Date:

Phone: 281 673-6590

OIL CONSERVATION DIVISION

Approved by: Lewis B. Gibson

Title: District Supervisor

Approval Date: MAR 1 5 2004

Expiration Date: MAR 1 5 2005

Conditions of Approval:

Attached ☐

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
	33685	INDIAN BASIN UPPER PENN

Property Code	Property Name	Well Number
24520	LOWE STATE GAS COM	6

OGRID No.	Operator Name	Elevation
012558	KERR-McGEE OIL & GAS ONSHORE, LLC	3860'

Surface Location

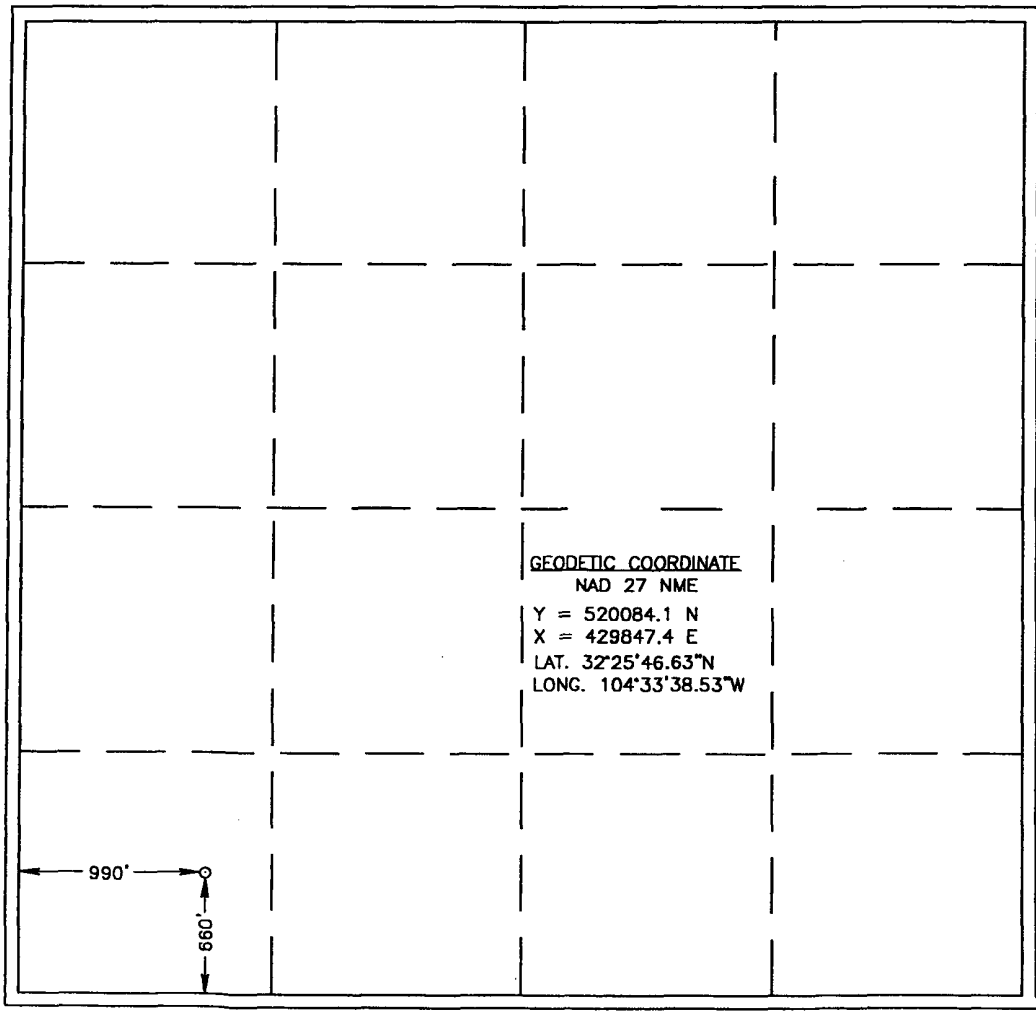
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	36	21-S	23-E		660'	SOUTH	990'	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

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

Signature

Rod L Bailey
Printed Name

Proration Manager
Title

3/10/04
Date

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 belief.

June 23, 2003
Date Surveyed AWB

Signature & Seal of Professional Surveyor

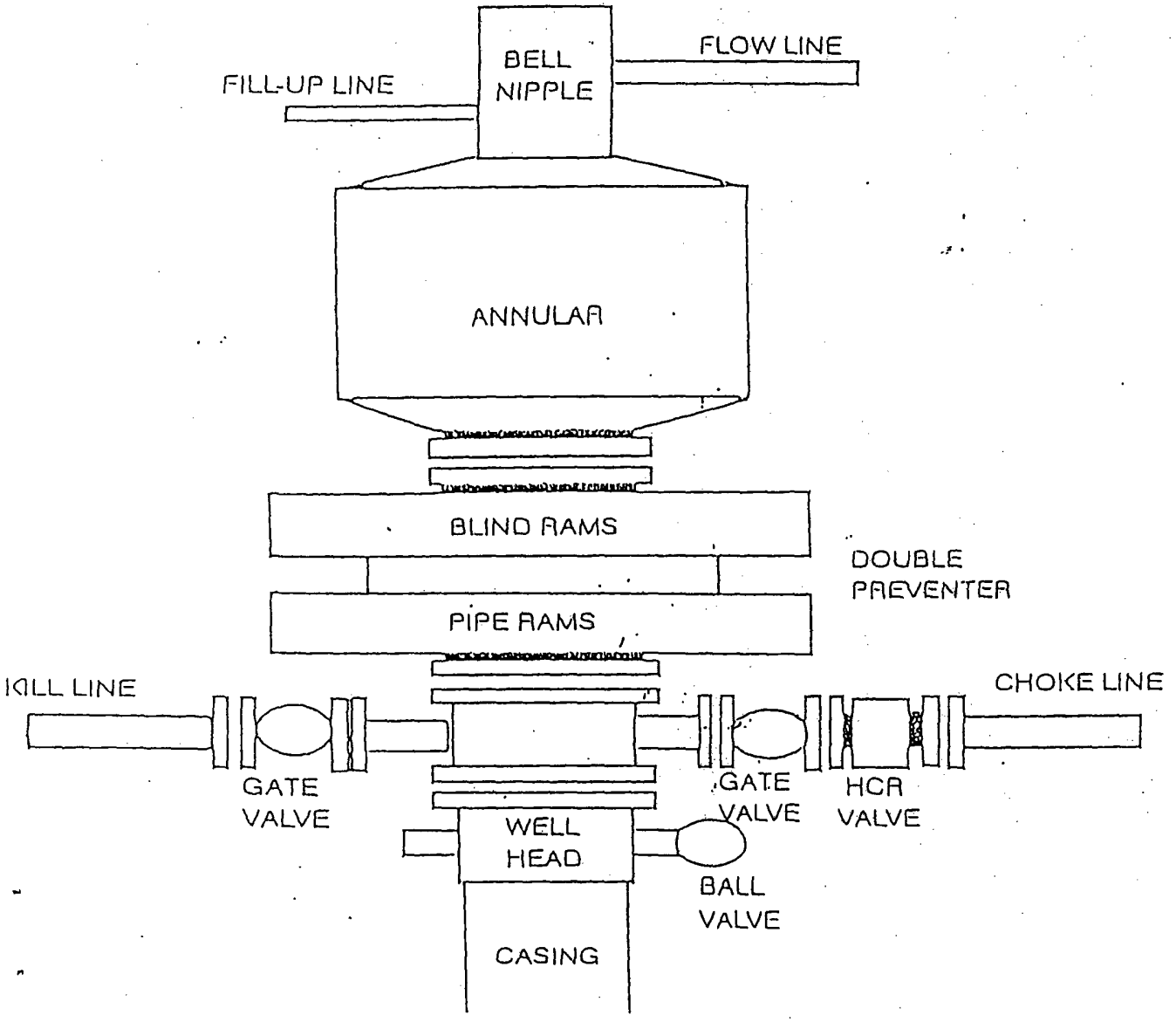
RONALD J. EIDSON
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR

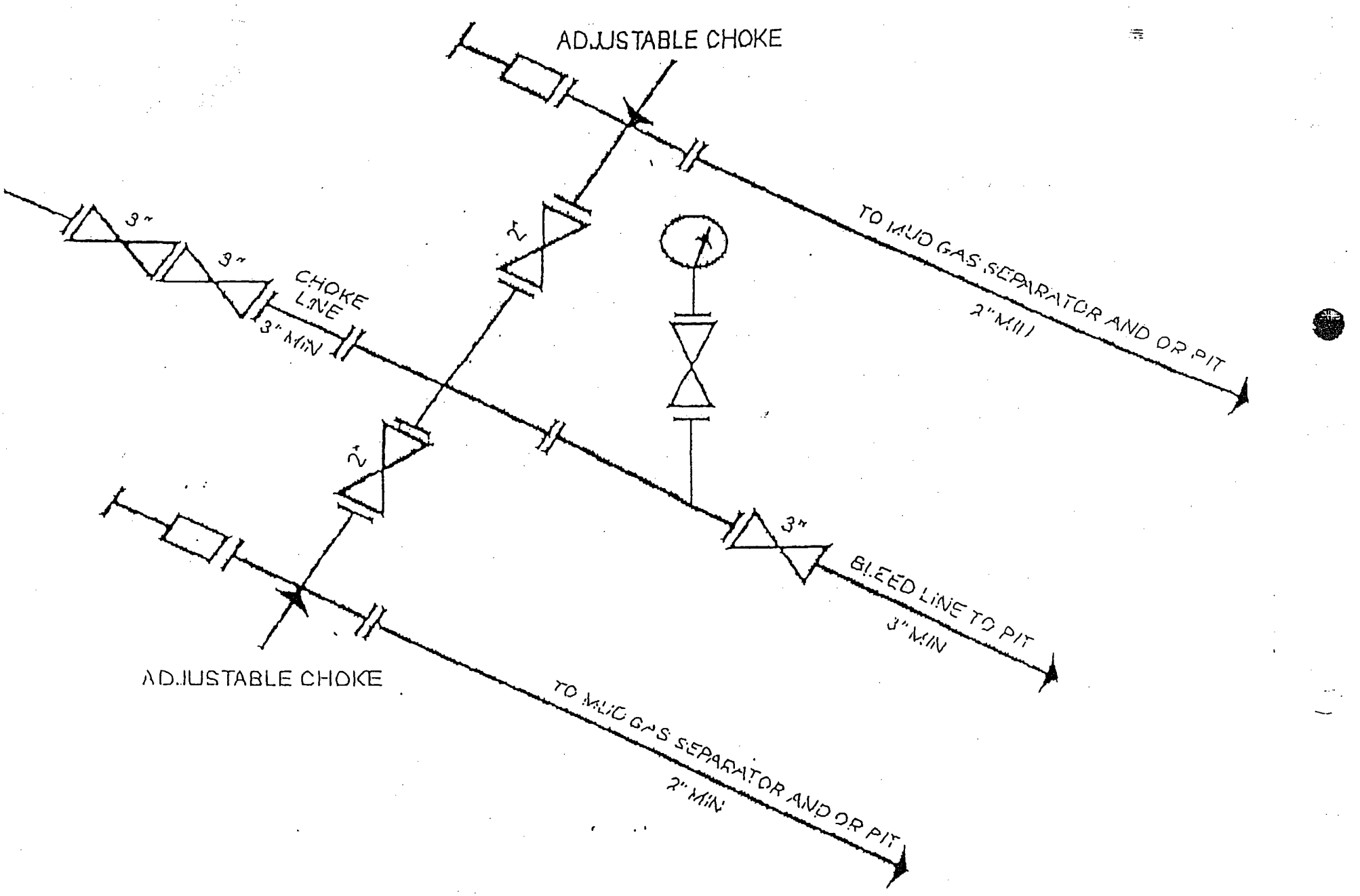
Gary L. Eidson 6/24/03
03.11.0437

Certificate No. RONALD J. EIDSON 3239
GARY L. EIDSON 12641

KERR McGEE CORPORATION

BOP STACK FOR A 3,000 PSI WORKING PRESSURE FOR SURFACE USE





-2 3M Choke Manifold Equipment -- Configuration of chokes may vary

Kerr-McGee Oil & Gas Onshore

16666 Northchase
Houston, Texas 77060

Hydrogen Sulfide (H_2S) Contingency Plan

For

Lowe State #6
660 Feet From South Line
990 Feet From West Line
Section-36, Township-21South, Range-23East
Eddy County, New Mexico

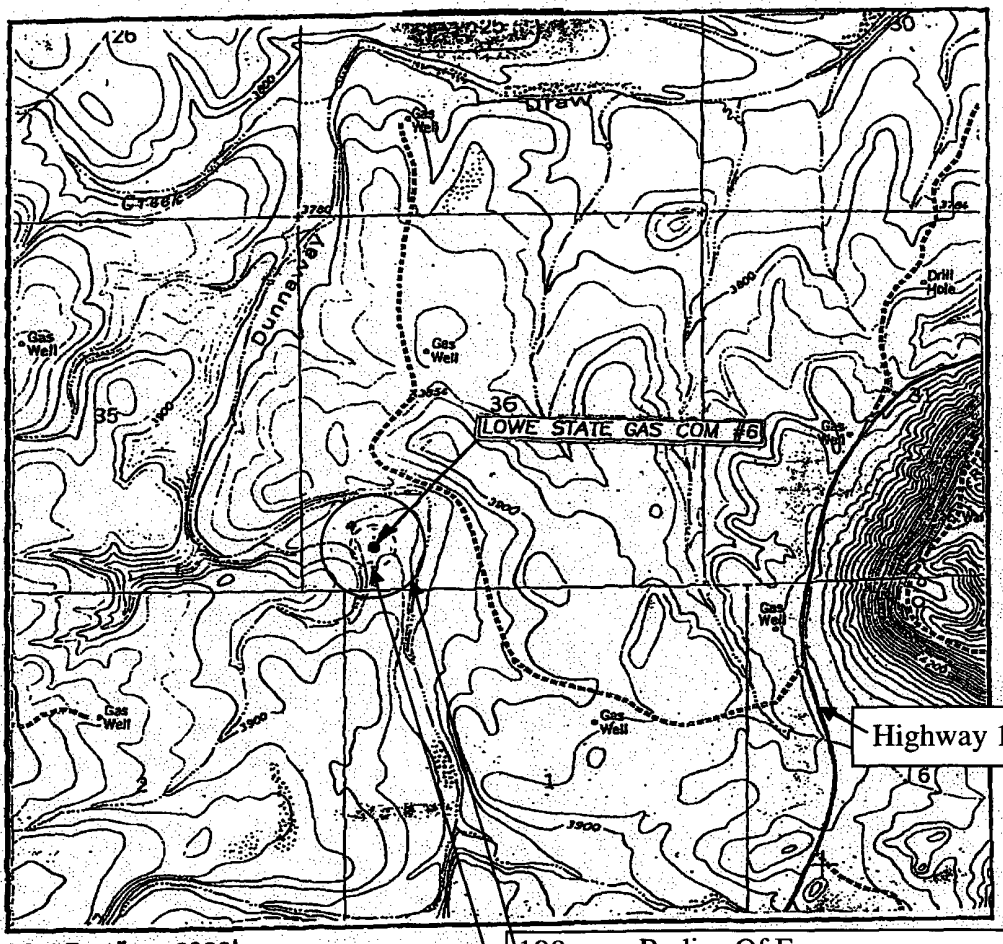
And

Patterson Drilling Rig #500

Lowe State #6

Latitude 32° 25' 47.1" Longitude 104° 33' 40.4"

This is an open drilling site. H_2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H_2S, including warning signs, wind indicators and H_2S monitor.



SCALE: 1" = 2000'

SEC. 36 TWP. 21-S RGE. 23-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FSL & 990' FWL

ELEVATION 3860'

OPERATOR KERR-McGEE OIL & GAS ONSHORE,

LEASE LOWE STATE GAS COM

U.S.G.S. TOPOGRAPHIC MAP
MARTHA DREEK, N.M.

100 ppm Radius Of Exposure = 736 Feet.

500 ppm Radius Of Exposure = 336 Feet

100 ppm H2S concentration shall trigger activation of this plan.

Lease:	Lowe State			
County:	Eddy			
State:	New Mexico			
Radius of Exposures				
Well	H2S(ppm)	Volume mmcf	100ppm ROE	500ppm ROE
# 6	6000	4	736.21	336.42

Emergency Procedures

In the case of a release of gas containing H_2S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm Radius Of Exposure. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm Radius Of Exposure. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm Radius Of Exposure.

All responders must have training in the detection of H_2S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system' to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the New Mexico Oil Conservation Division and local officials. Additionally, the New Mexico State Police may become involved. In the event of a major release, a Kerr-McGee Supervisor shall be designated as the Incident Commander and will request and/or direct the New Mexico State Police to assist in securing the area. Take care to protect downwind whenever there is an ignition of the gas.

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	1.189 Air = 1	10 ppm[4]	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

Kerr-McGee personnel will liaison with local and state agencies to ensure a proper response to a major release. Additionally, the Oil Conservation Division will be notified of the release as soon as possible but no later than 4 hours. Agencies will be provided information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. Kerr-McGee's response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER).

Company Call List

	Office	Cell Phone	Home
Ronnie Hawkins	N/A	432-208-2061	N/A
Tommie Deese	505-234-2703 X23	505-7063423	505-628-0212
Andy Chalker	505-234-2703 X22	505-706-3722	505-628-1971
Johnny Johnson	281-673-6068	713-805-9809	713-466-7841

Agency Call List

Carlsbad State Emergency Operations Center 505 476 9635

State Police 505-885-3137
City Police 505-885-2111
Sheriff's Office 505-887-7551
Ambulance.....911
Carlsbad Hospital 505-887-4100
Fire Department.....505-885-3125
LEPC (Local Emergency Planning Committee) 505-887-9511
NMOCD 505-748-1283

Other

Patterson Drilling, Midland, TX	432-682-9401
Patterson Drilling, Snyder, TX	915-574-6300
Wild Well Control	281-353-5481
Cudd Pressure Control	915-699-0139 or 915-563-3356
Halliburton	505-746-2757
B. J. Services	505-746-3569

Aerocare -RR 3 Box 49F , Lubbock, TX	806-725-1100
Med Flight Air Amb -2301 Yale Blvd SE #D3, Albuquerque, NM	505-842-4433
S B Air Med Svc -2505 Clark Carr Loop SE, Albuquerque, NM	505-842-4949

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 13202
ORDER NO. R-12121

APPLICATION OF KERR-MCGEE OIL & GAS ONSHORE L.L.C. FOR AN EXCEPTION TO THE SPECIAL RULES AND REGULATIONS FOR THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL AND FOR SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 8, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 10th day of March, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Kerr-McGee Oil & Gas Onshore L.L.C. ("Kerr-McGee"), seeks an exception to the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*" to allow both its existing Lowe State Well No. 5 (API No. 30-015-30583) located 1650 feet from the South line and 2540 feet from the West line (Unit K) of Section 36, and its proposed Lowe State Gas Com Well No. 6 to be located 660 feet from the South line and 990 feet from the West line (Unit M) of Section 36, both in Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, to be located in the same quarter section.

(3) The applicant further seeks authority to simultaneously dedicate the Lowe State Well No. 5 and the Lowe State Gas Com Well No. 6 to a standard 320-acre spacing and proration unit comprising the W/2 of Section 36, Township 21 South, Range 23 East, NMPM.

(4) The subject wells and proration unit are located within the Indian Basin-Upper Pennsylvanian Associated Pool. This pool is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*," as established by Division Order No. R-9722, as amended, which provide that:

(a) a standard oil proration unit shall comprise 320 acres. A standard gas proration unit shall comprise 320 acres;

(b) no more than one well per 80-acre tract shall be drilled or produced on a standard proration unit; provided however, that pursuant to Division Order No. R-9922-E, certain acreage within the pool, including the W/2 of Section 36, Township 21 South, Range 23 East, is limited to a well density of no more than one well per quarter section, and no more than two wells per standard proration unit;

(c) each well shall be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary; and

(d) the special depth bracket allowable for a standard 320-acre proration unit is 1,400 barrels of oil per day. The limiting gas-oil ratio is 7,000 cubic feet of gas per barrel of oil.

(5) The evidence presented by Kerr-McGee and Division records demonstrate that:

(a) the Lowe State Well No. 5 was drilled in 1999 by Kerr-McGee and was completed in the Pennsylvanian (Cisco) formation through the perforated interval from 7,421 feet to 7,559 feet;

(b). the Lowe State Well No. 5 initially produced at a test rate of 4.2 MMCF of gas, 5 barrels of oil, and 2,417 barrels of water per day. The well currently produces at a rate of approximately 3.8 MMCF of gas, 30 barrels of oil, and 282 barrels of water per day;

(c) the Lowe State Well No. 5 has cumulatively produced 6.56 BCF of gas, 18,874 barrels of oil and 901,695 barrels of water from the Pennsylvanian (Cisco) interval;

(d) the NW/4 of Section 36 has been previously produced in this Pennsylvanian (Cisco) reservoir by the existing Kerr-McGee Lowe State Gas Com Well No. 1 (API No. 30-015-10342) located 1995 feet from the North line and 1712 feet from the West line (Unit F). This well, which is currently shut-in due to mechanical problems, cumulatively produced 16.89 BCF of gas, 144,267 barrels of oil and 796,700 barrels of water from this reservoir; and

(e) one additional well previously produced from this Pennsylvanian (Cisco) reservoir within the W/2 of Section 36, the Kerr McGee Lowe State Gas Com Well No. 2 (API No. 30-015-25654) located 330 feet from the South and West lines (Unit M). This well, which has been abandoned in the Pennsylvanian (Cisco) interval and recompleted to the Morrow formation, cumulatively produced 1.89 BCF of gas, 3,560 barrels of oil, and 2,184 barrels of water from this reservoir.

(6) Kerr-McGee presented geologic evidence that demonstrates that:

(a) although the Cisco dolomite is present throughout the W/2 of Section 36, there is a thickening of this dolomite within the SW/4 of this section; and

(b) the SW/4 of Section 36 is structurally higher in the Pennsylvanian (Cisco) reservoir than the NW/4 of Section 36. In terms of producing the remaining gas reserves within the W/2 of Section 36, the SW/4 is geologically favorable to the NW/4 due to the presence of water in the reservoir.

(7) Kerr-McGee testified that due to the extensive depletion in this reservoir that has already occurred within the NW/4 of Section 36 by virtue of the production from the Lowe State Gas Com Well No. 1, it may not be economic to drill an additional well in this quarter section to replace the Lowe State Gas Com Well No. 1.

(8) The majority of the remaining gas reserves in the Pennsylvanian (Cisco) reservoir within the W/2 of Section 36 are located within the SW/4.

(9) The Lowe State Gas Com Well No. 2 produced only from the upper portion of this Pennsylvanian (Cisco) reservoir. In its Lowe State Gas Com Well No. 6, Kerr-McGee proposes to perforate an additional 200 feet of dolomite that was not produced within the Lowe State Gas Com Well No. 2.

(10) The proposed Lowe State Gas Com Well No. 6 may recover gas reserves from the Pennsylvanian (Cisco) interval that may otherwise not be recovered by the existing Lowe State Well No. 5, thereby preventing waste.

(11) The combination of geologic and engineering circumstances existing within the W/2 of Section 36 provide sufficient justification to approve Kerr-McGee's application.

(12) Kerr-McGee has notified all offset operators of its application in this case. Kerr-McGee presented waivers of objection to the application from Marathon Oil Company, Devon Energy Production, L.P. and Yates Petroleum Corporation, being the three affected offset operators. The waiver of objection from Marathon Oil Company is conditioned upon Kerr-McGee not drilling an additional well within the NW/4 of Section 36, and only producing a total of two wells within the W/2 of Section 36. Kerr-McGee has consented to Marathon Oil Company's stipulations.

(13) Approval of the subject application will afford Kerr-McGee the opportunity to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Pool underlying the W/2 of Section 36, will result in the recovery of additional gas reserves from this pool that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Kerr-McGee Oil & Gas Onshore L.L.C., is hereby granted an exception to the *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool"* and the provisions of Division Order No. R-9922-E, to allow both its existing Lowe State Well No. 5 (API No. 30-015-30583) located 1650 feet from the South line and 2540 feet from the West line (Unit K) of Section 36, and its proposed Lowe State Gas Com Well No. 6 to be located 660 feet from the South line and 990 feet from the West line (Unit M) of Section 36, both in Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, to be located in the same quarter section. The applicant is further authorized to simultaneously dedicate the Lowe State Well No. 5 and the Lowe State Gas Com Well No. 6 to a standard 320-acre spacing and proration unit comprising the W/2 of Section 36, Township 21 South, Range 23 East, NMPM, and to produce both wells concurrently.

(2) No additional well shall be drilled, recompleted or produced in the Indian Basin-Upper Pennsylvanian Associated Pool within the W/2 of Section 36 during the time period in which the Lowe State Well No. 5 and Lowe State Gas Com Well No. 6 are both being produced. The Division may allow the drilling, recompletion or production of an additional well in the Indian Basin-Upper Pennsylvanian Associated Pool within the W/2 of Section 36 in the event that either the Lowe State Well No. 5 or the Lowe State Gas Com Well No. 6 ceases producing from the Indian Basin-Upper Pennsylvanian Associated Pool.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

SEAL

DRILLING PROGRAM

Kerr-McGee Oil & Gas Onshore LLC.
Lowe State Gas Com #6
Sec. 36, T21S, R23E
660' FSL & 990' FWL
Eddy County, New Mexico

1) **Estimated Tops of Important Geologic Markers:**

Quaternary	surface
Base Bone Springs	5,625'
Wolfcamp	6,575'
Upper Penn (Cisco)*	7,400'

2) **Estimated Depth of Anticipated Water, Oil, Gas, or Minerals:**
Formations possibly productive with oil or gas are indicated with an asterisk(*) in above section.

3) **Minimum Specifications for Pressure Control Equipment:**
All equipment will be consistent with OOGO No.2 and API RP 53.

BOP and Auxiliary Equipment:

BOP & choke manifold will be 3M systems and will be setup as indicated on attached exhibits.

Accumulator volume will be sufficient to provide an open and closing of preventers with 50% reserve.

A drill pipe full opening safety valve will be kept on the rig floor in the open position at all times during drilling operations.

An upper and lower kelly cock will be used.

Test Procedure and Drills:

Ram type preventers will be tested to 70 % of casing burst pressure.

Annular preventer will be tested to 1500 psi

Approved close-in procedure to be posted on the rig floor.

Each rig crew will hold a weekly bop drill.

4) **Casing and Cementing Program:**

Casing size	interval	weight	grade	connection	Design Factors Coll.,Burst,Ten.

9-5/8"	0-1,300'	36 #	J-55	ST&C	3.57, 22.55, 5.77
7"	0-5,500'	23#	J-55	LT&C	1.36, 4.51, 1.76
	5,500'-8,075'	26#	J-55	LT&C	1.29, 5.01, 5.22

Collapse design considers maximum anticipated mud weight at string T.D. with casing fully evacuated. Burst design uses 0.4 psi/ft for bottom hole pressure and assumes maximum surface pressure as .45 times this number. Tension design considers weight of string in air.

Cementing

9-5/8" Attempt to cement to surface in one stage using:

1st Lead:	200 sx Class H + 5 pps gilsonite + 12% CalSeal + 1% CC		
2nd Lead:	1090 sx Light C + 5 pps gilsonite + 2% CC		
Tail:	205 sx class C + 2% CC		
Hole size	14-3/4"		
cmt yield/wt:	1st lead	1.56 cu.ft./sk	14.5 ppg
cmt yield/wt:	2nd lead	1.92 cu.ft./sk	12.6 ppg
cmt yield/wt:	tail	1.34 cu. Ft./sx.	14.8 ppg
excess:	100%		

7" Cement in two stages as follows:

Stage 1 consisting of 200 sx 65:35:6 Poz:H:Gel + 8% gilsonite + 1% Sodium Chloride

Hole size	8-3/4"		
cmt yield/wt:	lead	2.23 cu.ft./sk	13.2 ppg
top of cmt:	7000' (excess: 50%)		

Stage Tool Set at 6975'

Stage 2 consisting of Lead CMT of 100 sx 65:35:6 Poz:H:Gel + 5#/sx Sodium Chloride + 5#/sx Gilsonite + 0.25#/sx Celloflake and Tail Cmt of 100 sx Class C

Hole size	8-3/4"		
cmt yield/wt:	lead	2.09 cu.ft./sk	12.4 ppg
cmt yield/wt:	tail	1.33 cu. Ft./sx.	14.8 ppg
excess:	50%		

note: cement volumes will be adjusted by fluid caliper on the 9-5/8" and electric caliper on the 7" casing string. Cement types and additives may change based on actual downhole conditions.

5) Type and Characteristics Proposed Circulating Medium:

from	to	type	wt.	Vis	wl
0	6,000'	fw/gel/lime	8.4-8.6	28-30	nc
6,000'	8,075'	fw/gel/LSND	8.5-8.7	32-34	<15

No abnormal pressures are anticipated, however, sufficient quantities of mud materials shall be maintained for the purpose of assuring well control. Loss of circulation will be the primary concern, thus an adequate store of lost circulation material shall be maintained. Visual monitoring equipment shall be in place in the pits to detect volume changes.

6) Anticipated Testing, Logging and Coring

No drill stem tests are planned but tests could be run if determined necessary to evaluate the well.

Open Hole Logging Program:

Intermediate Run:	(DLL/MSFL/GR , Den-Neu/Cal/PE/GR)	Surface casing to -7,700'
	Imaging Tool	6,897' – 7,700'
Production Run	(DLL/MSFL/GR, Den-Neu/Cal/PE/GR)	7,725' – (T.D.)

Mud logging unit to be in service from 5,000' to T.D.

7) Expected Bottom Hole Pressure and Potential Hazards

Expected BHP = 3600 psi (per offset well information)

No abnormal temperatures or pressures are anticipated.
Potential H2S in Upper Penn. An H2S Drilling Operations Plan has been attached.

8) Additional Information

Anticipate starting operations on or before May 1, 2004

SURFACE USE PROGRAM

Kerr-McGee Oil & Gas Onshore LLC.
Lowe State Gas Com #6
Sec. 36, T21S, R23E
660' FSL & 990' FWL
Eddy County, New Mexico

1) Existing Roads

The proposed wellsite and existing roads to proposed location are shown in Exhibit #1. The directions to this well are as follows:

From Carlsbad, New Mexico proceed north on US hwy 285 for 12.3 miles to the intersection of State highway 137 (Sitting Bull Falls Rd). Take Hwy 137 west, proceed 8.8 miles to a fork in the road. This will be Queen City Rd. on the left and County Road 401 also known as Marathon road on the right. Turn right on Eddy CR 401 and go ~ 6 1/2 miles west to lease road. This is approximately 2 miles past gas plant. Go past Ponderosa Pine Rd on the right and the next left will be the entrance to the Federal 28 section. Follow the road to the #1 well.

2) Planned Access Roads

3) Location of Existing Wells

Existing wells within a one-mile radius are shown on exhibit #2

4) Location of Existing and/or Proposed Facilities

A. Existing facilities within a one-mile radius of the proposed location can be seen on exhibit #1. These existing facilities include oil and gas wells and their respective batteries.

B. If the proposed well is completed and productive, plans are to construct a production facility at the well pad and no additional surface disturbance will occur.

5) Location and Type of Water Supply

Water will be purchased from a commercial water hauler and trucked to the proposed wellsite.

6) Source of Construction Materials

Calcite for construction the proposed well location and access road will be determined and discussed during onsite with the BLM.

7) Methods of Handling Waste Disposal

A. Drill cuttings will be disposed of in the reserve pit.

B. Drilling fluids will be allowed to evaporate.

C. Water produced during tests will be disposed of in the reserve pits. Oil produced during tests will be stored in a test tank until sold. Gas will be flared.

D. Salts and chemicals will be deposited in the reserve pit.

E. A portable septic tank will be used at the location for the disposal of human waste. Waste will be disposed of at an approved site.

F. Thrash, waste paper, garbage and junk will be contained in trash trailer and hauled to an approved land fill.

G. All trash and debris will be buried or removed from the wellsite after finishing drilling and/or completion operations.

8) Ancillary Facilities

none required

9) Wellsite Layout

A. Exhibit #1 shows the general location and dimensions of the well location, mud pits, and reserve pit.

B. Leveling of the wellsite will be required, no significant cut or fills will be necessary.

C. The reserve pit will be plastic lined.

10) Plans for Reclamation of the Surface:

A. After completion of drilling and testing program, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all thrash and junk.

B. Any unguarded pits containing fluids will be fenced until they are filled.

C. Agreement between drilling contractor and BLM to stack the drilling rig on location will be the responsibility of the drilling contractor.

D. After abandonment of the well, surface restoration will be in accordance with the requirements of the surface management agency. Pits will be filled and location will be cleaned. The pit area, well pad surface location will be ripped to promote re-vegetation.

11) Surface Ownership

Mineral Owner:
Bureau of Land Management
P.O. Box 1778
Carlsbad, NM 88220

Surface Owner:
Bureau of Land Management

12) Other Information

A. Topography: land surface is gently sloping with silty clay loam and sporadic limestone outcrops. Vegetation consists of yucca, desert sumac, juniper, prickly pear, and various grama.

The ground level elevation of the wellsite is 3,931'.

B. Soil: silty clay loam.

C. Ponds and streams: None

D. Archaeological Survey: A cultural resource inventory has been conducted by an investigator from Mesa Field Services, Inc. The archaeological clearance report is attached.

E. Land use: grazing

13) Lessee's or Operator's Representative and Certification

Mike Miles

281.683.6069 (office)

281.686.9710 (cell)

Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by **Kerr-McGee Corporation** and it's contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Mike Miles
Drilling Engineer

03/12/2004
date