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CARLSBAD DISTRICT
AREA HEADQUARTERS

NM-24160
3162.41 (065)

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DEC 05 '88

D. C. D.
ARTESIA OFFICE

Siete Oil & Gas Corporation
P. O. Box 2523
Roswell, NM 88202-2523

Gentlemen:

Your application for Permit to Drill the Osage Federal No. 5 well in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 35, T. 19 S., R. 29 E., Eddy County, New Mexico, lease NM-24160, to a depth of 3,000 feet to test the Delaware formation in the oil-potash area, is hereby approved as amended by stipulations attached to the application.

One copy of the application is returned herewith. Please notify the Bureau of Land Management office checked on the attached special stipulation, in sufficient time for a representative to witness all cementing operations.

Approval of this application 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.

Sincerely,

Francis R. Cherry, Jr.
District Manager

1 Enclosure

cc:

✓ NMOCB - Artesia - 2
NM (067) - 2
NM (065) - 1

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D. C. D.
INTERNAL OFFICE

30-015-26829
Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985
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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER
 SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Siete Oil & Gas Corporation

3. ADDRESS OF OPERATOR
 P.O. Box 2523 Roswell, NM 88202-2523

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface: 1980' FSL & 760' FWL, NW $\frac{1}{4}$ SW $\frac{1}{4}$, Unit Letter L
 At proposed prod. zone: Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 17 miles Northeast of Carlsbad, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 760'

16. NO. OF ACRES IN LEASE 1320

17. NO. OF ACRES ASSIGNED TO THIS WELL 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1220'

19. PROPOSED DEPTH 5000'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 3319' GR

22. APPROX. DATE WORK WILL START*
 ASAP

5. LEASE DESIGNATION AND SERIAL NO.
 NM-24160

6. INDIAN, ALLIGATOR, OR TREE NAME
 DEC 2 10 44 AM '88

7. CEMENT AGREEMENT NAME AND AREA
 CEMENT AGREEMENT NAME AND AREA

8. FARM OR LEASE NAME
 Osage Federal

9. WELL NO.
 5

10. FIELD AND POOL, OR WILDCAT
 JPP Parkway Delaware

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 35: T19S, R29E

12. COUNTY OR PARISH 13. STATE
 Eddy NM

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	54.0#	350'	500 sks. <u>circ.</u>
12 1/4"	8 5/8"	24.0#	2500'	1200 sks. <u>circ.</u>
7 7/8"	5 1/2"	17.0#	5000'	1500 sks.

Selectively perforate and treat pay zones.

Attachments:

- Survey plat (C-102)
- Supplemental drilling data
- Surface use plan

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 CARLSBAD AREA

Post ID-1
 NLR API
 12-9-88

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 [Signature] TITLE V.P. Drilling/Production DATE 11/02/88

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side



SIETE OIL & GAS CORPORATION

Petroleum Building Suite 200
P.O. Box 2523 Roswell, New Mexico 88202
Telephone (505) 622-2202

May 31, 1988

Amax Chemical Corporation
Minesite
Carlsbad, NM 88220

Re: Notice of Intent to Drill
Township 19 South, Range 29 East, NMPM
Section 35: SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
Eddy County, New Mexico

Gentlemen:

In a conversation this morning with Lundeburg, we were notified that Amax Chemical was the operator of the Potash lease on State of New Mexico lands in the above described area. We have been notified by the Bureau of Land Management that the above location lies within a restricted potash area under which you have ongoing operations. Pursuant to potash stipulations referred to in NMOCD R-111-A, we are hereby giving you notice of our intent to drill at a location within the SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ Section 35, T-19-S, R-29-E, Eddy County, New Mexico.

The test well would be drilled to a depth of 6200' to adequately test the Delaware formation, which if completed as a producer, would be classified as an oil well. The test well is located at a legal location on the above described property.

Pursuant to such regulations, we would respectfully request that you respond favorably to us within 10 days. For your convenience we have added at the end of this letter an approval for execution by an officer of your company. You may execute one copy and return it to us, keeping the other copy for your records. For your information we have under separate letter notified Lundeburg Ind. of our intent to drill in the area.

If you have any questions in regard to this matter, please do not hesitate to call.

Very truly yours,

SIETE OIL & GAS CORPORATION

GENE SHUMATE
Vice President Land

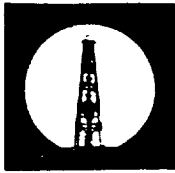
The undersigned has no objections and approves the request by Siete Oil & Gas Corporation to drill an oil well to a depth of approximately 6200 feet at a legal location within the property referenced above.

AMAX CHEMICAL CORPORATION

June 2, 1988

Date

Robert J. Kelly
By:
CHIEF MINE ENGINEER



SIETE OIL & GAS CORPORATION

JUN 3 1988

Petroleum Building Suite 200
P.O. Box 2523 Roswell, New Mexico 88202
Telephone (505) 622-2202

May 31, 1988

Lundeburg Ind.
P. O. Box 31
Carlsbad, NM 88220

Attention: Mr. Bob Krul

Re: Notice of Intent to Drill
Township 19 South, Range 29 East, NMPM
Section 35: SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
Eddy County, New Mexico

Dear Mr. Krul:

As per our conversation this morning, we have been notified by the Bureau of Land Management that the above location lies within a restricted potash area under which you have a lease on adjoining lands. Pursuant to potash stipulations referred to in NMOCD R-111-A, we are hereby giving you notice of our intent to drill at a location within the SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ Section 35, T-19-S, R-29-E, Eddy County, New Mexico.


The test well would be drilled to a depth of 6200' to adequately test the Delaware formation, which if completed as a producer, would be classified as an oil well. The test well is located at a legal location on the above described property.

Pursuant to such regulations, we would respectfully request that you respond favorably to us within 10 days. For your convenience we have added at the end of this letter an approval for execution by an officer of your company. You may execute one copy and return it to us, keeping the other copy for your records.

If you have any questions in regard to this matter, please do not hesitate to call.

Very truly yours,

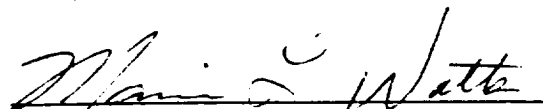
SIETE OIL & GAS CORPORATION


GENE SHUMATE
Vice President Land

The undersigned has no objections and approves the request by Siete Oil & Gas Corporation to drill an oil well to a depth of approximately 6200 feet at a legal location within the property referenced above.

LUNDEBURG IND.

6-2-88
Date


By:

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

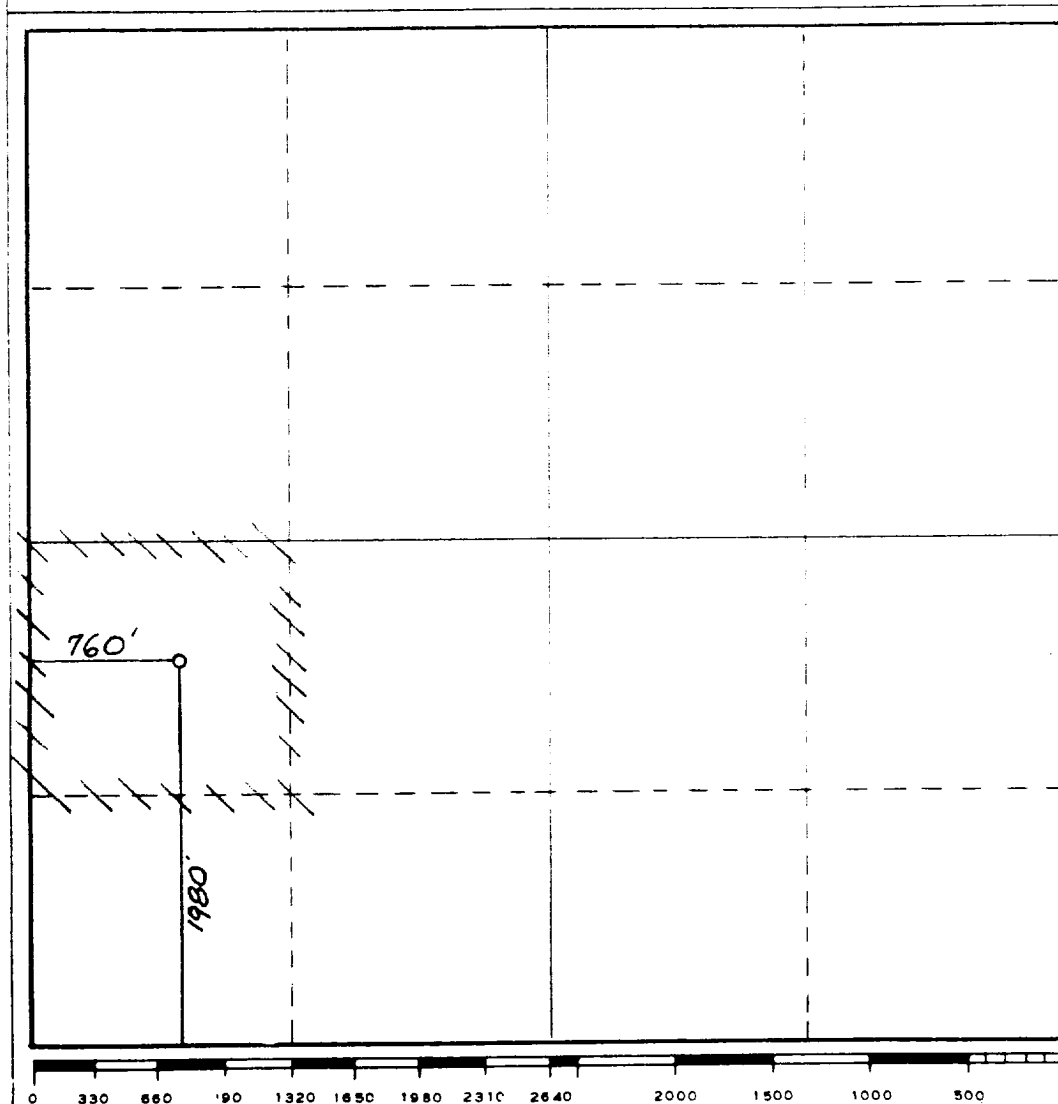
Operator SIETE OIL & GAS CORPORATION			Lease Osage Federal		Well No. 5
Tract Letter L	Section 35	Township 19 South	Range 29 East	County Eddy County, N.M.	
Actual Footage Location of Well: 1980 feet from the South line and 760 feet from the West line					
Ground Level Elev. 3319.	Producing Formation Delaware		Pool Parkway Delaware	Dedicated Acreage 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 interests 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 interests, has been approved by the Commission.



CERTIFICATION

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

Harold D. Justice
Name

Harold D. Justice

Position

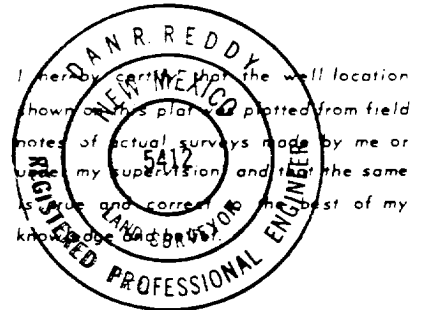
V.P. Drilling & Production

Company

Siete Oil & Gas Corporation

Date

November 2, 1988



Date Surveyed

October 24, 1988

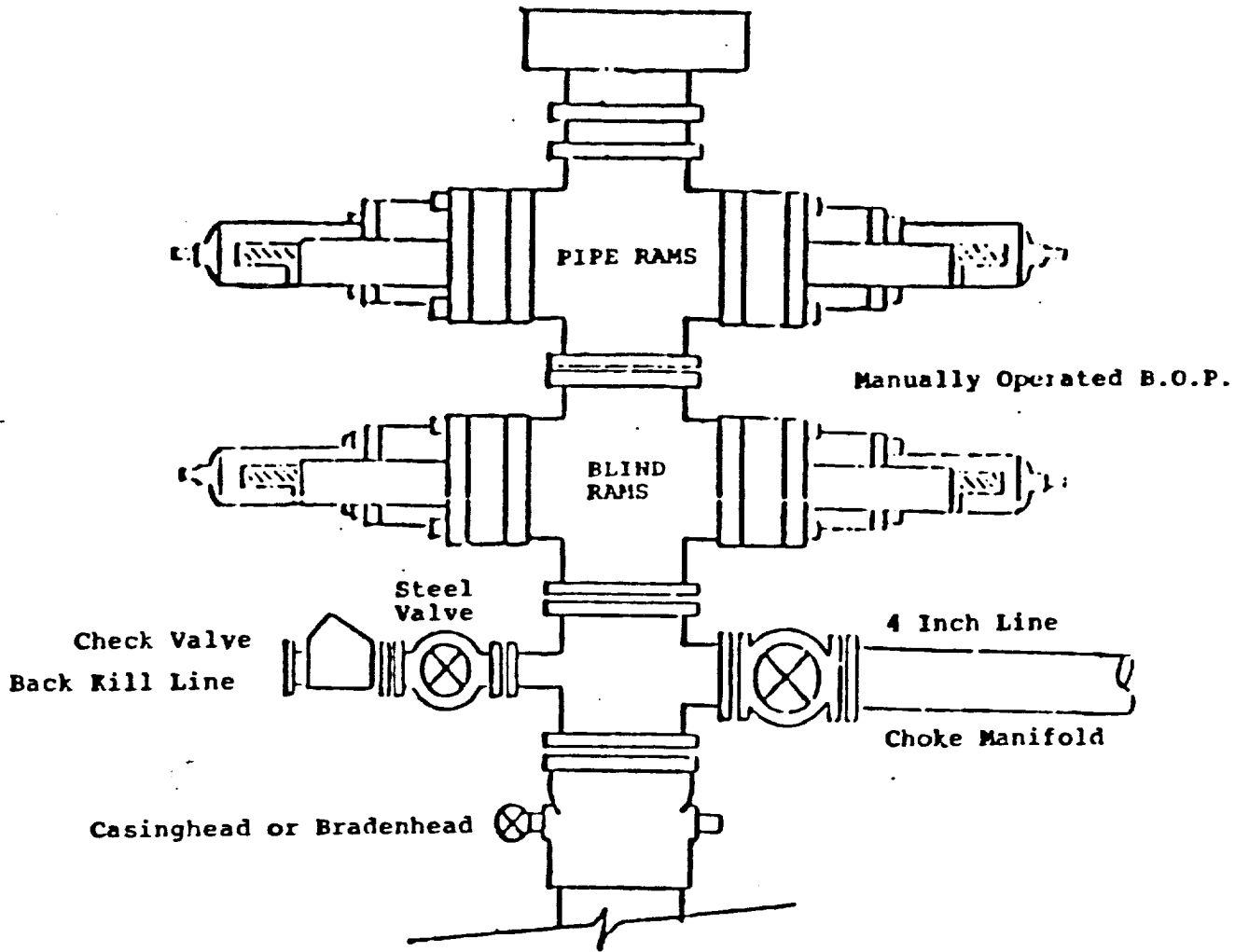
Registered Professional Engineer and/or Land Surveyor

Dan R. Reddy

Certificate No.

NM PE&LS NO. 5412

BOP DIAGRAM
RATED 30000



SUPPLEMENTAL DRILLING DATA
SIETE OIL AND GAS CORPORATION
OSAGE FEDERAL NO. 5
1980' FSL & 760' FWL
Section 35: T19S, R29E
Eddy County, New Mexico
Lease Number: NM-24160

The following items supplement "Onshore Oil and Gas Order No. 1":

1. The geologic surface is quaternary.
2. The estimated geological marker tops:

B/Salt	1300'
Queen	2500'
T/Del.	3200'

3. Estimated depths to water, oil or gas:

Water: Approximately 220'
Oil or Gas: 3300' - 5000'

4. Proposed casing program:

<u>Size</u>	<u>Interval</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>	<u>New or Used</u>
13 3/8"	0 - 350'	54.5#	J-55	ST&C	New
8 5/8"	0 - 2500'	24 & 32#	J-55	ST&C	New
5 1/2"	0 - T.D.'	15.5#	J-55	ST&C	New

5. Pressure Control Equipment: The blowout preventer will be a double ram type preventer. A sketch is attached.
6. Mud Program:
 - 0-350': Native mud adding gel and lime for sufficient viscosity to insure clean hole for running casing.
 - 350' - 2500': Drill out with native becoming brine.
 - 2500' - T.D.: Drill out of intermediate with a cut brine system to T.D.
7. Auxiliary Equipment: A kelly cock will be installed on the rig floor while drilling operations are in progress.
8. Testing, Logging and Coring Programs: Possible drill stem tests and/or coring is not planned.
 - Logging: Compensated Neutron - Formation Density - Gamma Ray - Caliper Dual Laterolog - RXO.
9. No abnormal pressures or temperature zones are anticipated.
10. Anticipated starting date: Commence drilling operations ASAP.

**SURFACE USE PLAN
FOR
DRILLING, COMPLETING AND PRODUCING**

**SIETE OIL AND GAS CORPORATION
Osage Federal No. 5
1980' FSL & 760' FWL
Section 35: T19S, R29E
Eddy County, New Mexico
Lease Number: NM-24160**

LOCATED: 17.0 miles Northeast of Carlsbad, New Mexico

FEDERAL LEASE NUMBER: NM-24160

LEASE ISSUED: February 1, 1975

RECORD LESSEE: Conoco, Inc.

BOND COVERAGE: \$25,000 Bond of Siete Oil and Gas Operator

ACRES IN LEASE: 1320

SURFACE OWNERSHIP: Federal

GRAZING PERMITTEE: Snyder Ranches
c/o Larry Squires
P.O. Box 726
Lovington, NM 88260
Telephone: 393-7544

POOL: Undesignated Parkway Delaware

EXHIBITS:

- A. Area Road Map
- B. Topographic Map Showing Access Route
- C. Lease Map Showing Well Tests
- D. Sketch of Well Pad

ROAD LOG TO PROPOSED DRILLSITE

Starting point being Pecos River Bridge - Carlsbad, New Mexico on Highway 62-180:

- 0.0 Proceed East-Northeast on Highway 62-180 for 13.5 miles.
- 13.50 Turn North (4/10 mile past mile marker 49) on County Road 238 and proceed North for 2.1 miles (end of County Road North).
- 15.60 Proceed North off County Road (Conoco - Tuesday Federal Sign) and proceed 4.1 miles.
- 19.70 Turn East and proceed 1/2 mile.
- 20.20 Location.

THIRTEEN POINT PROGRAM

1. EXISTING ROADS:

- A. Existing roads, which lead to the proposed drillsite, are shown on Exhibits "A" & "B".

2. PROPOSED NEW ROAD:

- A. No New access road will be necessary. Will use existing roads in their present state.
- B. Surfacing Materials: Caliche
- C. Maximum Grade: Less than 1%
- D. Turnouts: None required
- E. Drainage Design: None required
- F. Culverts: None required
- G. Cuts and Fills: Less than 3'
- H. Gates, Cattleguards: None required

3. LOCATION OF EXISTING WELLS:

- A. Existing wells are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. If the well is productive, we will construct a flowline parallel to the access road to a tank battery located at the Osage Federal No. 1 (NW $\frac{1}{4}$ SE $\frac{1}{4}$).

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. A water supply well is not planned. Water will be purchased and hauled to the well site over existing and proposed roads.

6. SOURCE OF CONSTRUCTION MATERIALS

- A. Construction material will be obtained from an existing federal pit in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 3: T20S, R29E.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the drilling pits.
- B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- C. Water produced during tests will be disposed of in the drilling pits.
- D. Oil produced during tests will be produced into temporary test tanks.

- E. Trash, waste paper, garbage and junk will be buried in a trash pit and covered with a minimum of 24" of dirt. All waste material will be contained to prevent scattering by the wind. Location of the trash pit is shown on Exhibit "D".

8. ANCILLARY FACILITIES:

- A. None anticipated.

9. WELLSITE LAYOUT:

- A. The drill site has been surveyed, staked and flagged.
- B. The dimensions and relative location of the drill pad, mud pits and the trash pits with respect to the wellbore are shown on Exhibit "D".
- C. The wellsite is nearly level and will not require any cut or fill. The drill pad will be surfaced with caliche.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other materials not needed for operations will be removed. Pits will be filled and the location cleansed of all trash and junk to leave the wellsite in an aesthetically pleasing condition as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. After abandonment, all equipment, trash and junk will be removed and the location cleaned. Any special rehabilitation and/or special revegetation requirements of the surface management agency will be complied with and accomplished as expeditiously as possible.

11. OTHER INFORMATION:

- A. Topography: The surface is relatively flat. Drainage to the East.
- B. Soil: Kermit Berino fine sands.
- C. Flora and Fauna: Vicinity surrounding the drillsite is semi-arid desert rangeland. Vegetation is thinly scattered with desert shrubs interspersed with a small amount of native grasses. No wildlife was observed, rodents, coyotes, dove or quail.
- D. Ponds and Streams: None
- E. Residences and other Structures: A ranch house is located approximately 1 3/4 miles Northeast of location.
- F. Archaeological, Historical and Other Cultural Sites: None were observed in this area. The pad area was archaeologized on October 24, 1988.
- G. Land Use: Grazing and occasional hunting.

12. OPERATOR'S REPRESENTATIVE:

Representative responsible for assuring compliance with the approved Surface Use Plan:

Harold D. Justice
Petroleum Building, Suite 200
200 West First
Roswell, New Mexico 88202
Office: 622-2202
Home: 625-0072

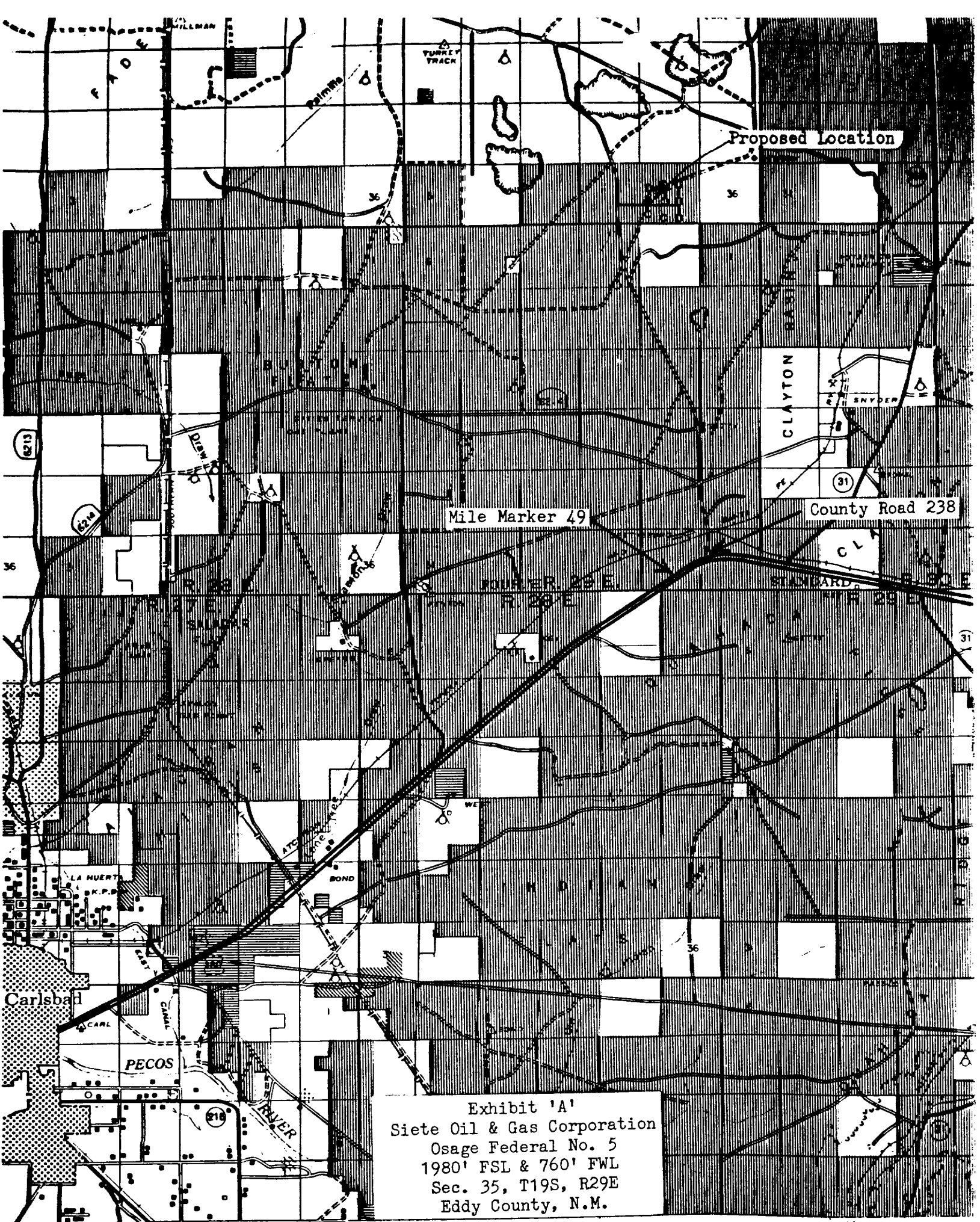
13. CERTIFICATION:

I hereby certify that I, or persons under my supervision have inspected the proposed drillsite and access road; that I am familiar with the conditions which presently 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 SIETE OIL AND GAS CORPORATION, and its subcontractors in conformity with this plan and the terms and conditions under which it is approved.

SIETE OIL AND GAS CORPORATION

Date: 11/02 '88

BY: Harold D. Justice
Harold D. Justice
V.P. Drilling & Production



Proposed Location

Mile Marker 49

County Road 238

Exhibit 'A'
Siete Oil & Gas Corporation
Osage Federal No. 5
1980' FSL & 760' FWL
Sec. 35, T19S, R29E
Eddy County, N.M.

ILLINOIS CAMP
NEW MEXICO
7.5 MINUTE SERIES

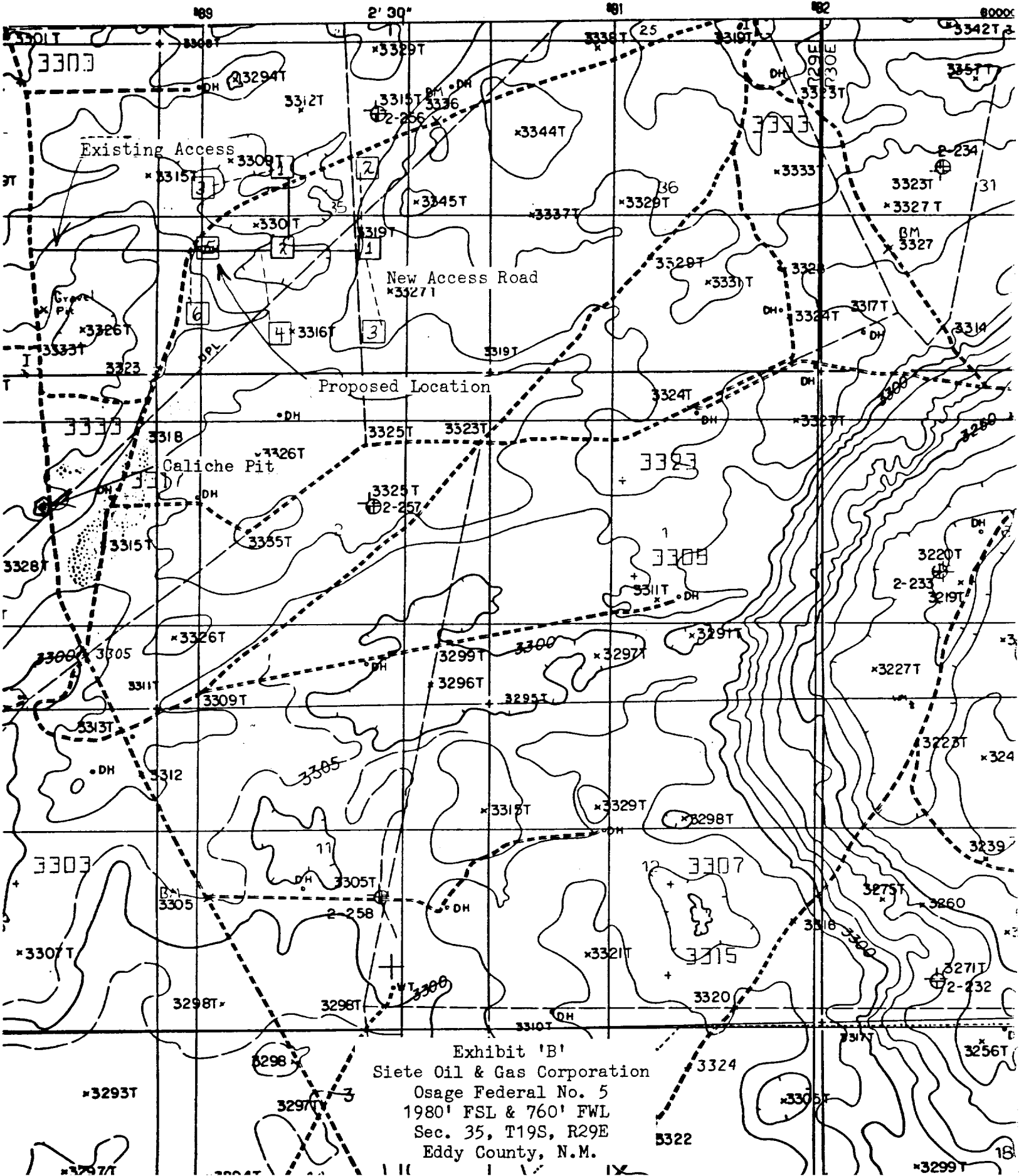


Exhibit 'B'
Siete Oil & Gas Corporation
Osage Federal No. 5
1980' FSL & 760' FWL
Sec. 35, T19S, R29E
Eddy County, N.M.

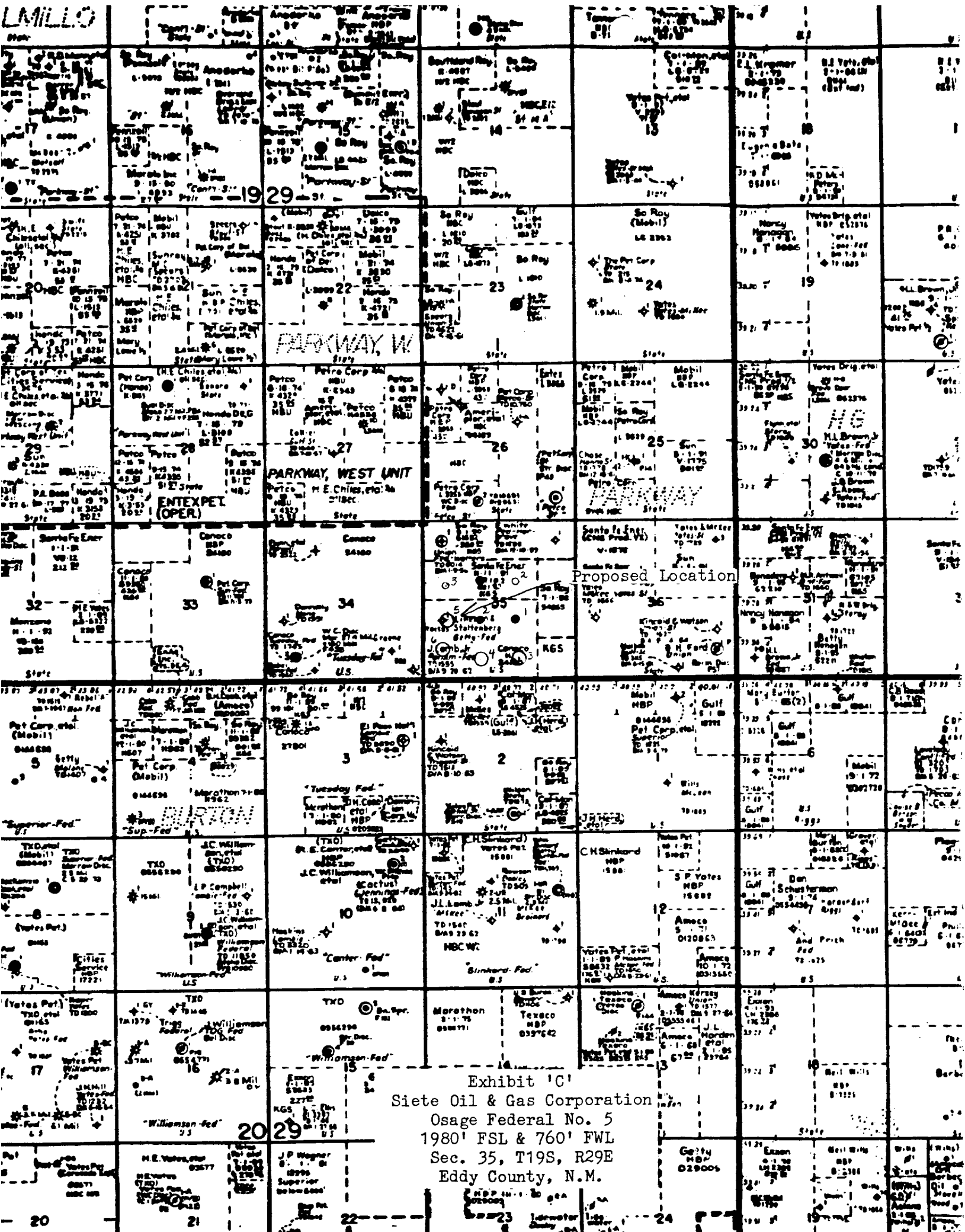


Exhibit 'C'
 Siete Oil & Gas Corporation
 Osage Federal No. 5
 1980' FSL & 760' FWL
 Sec. 35, T19S, R29E
 Eddy County, N.M.

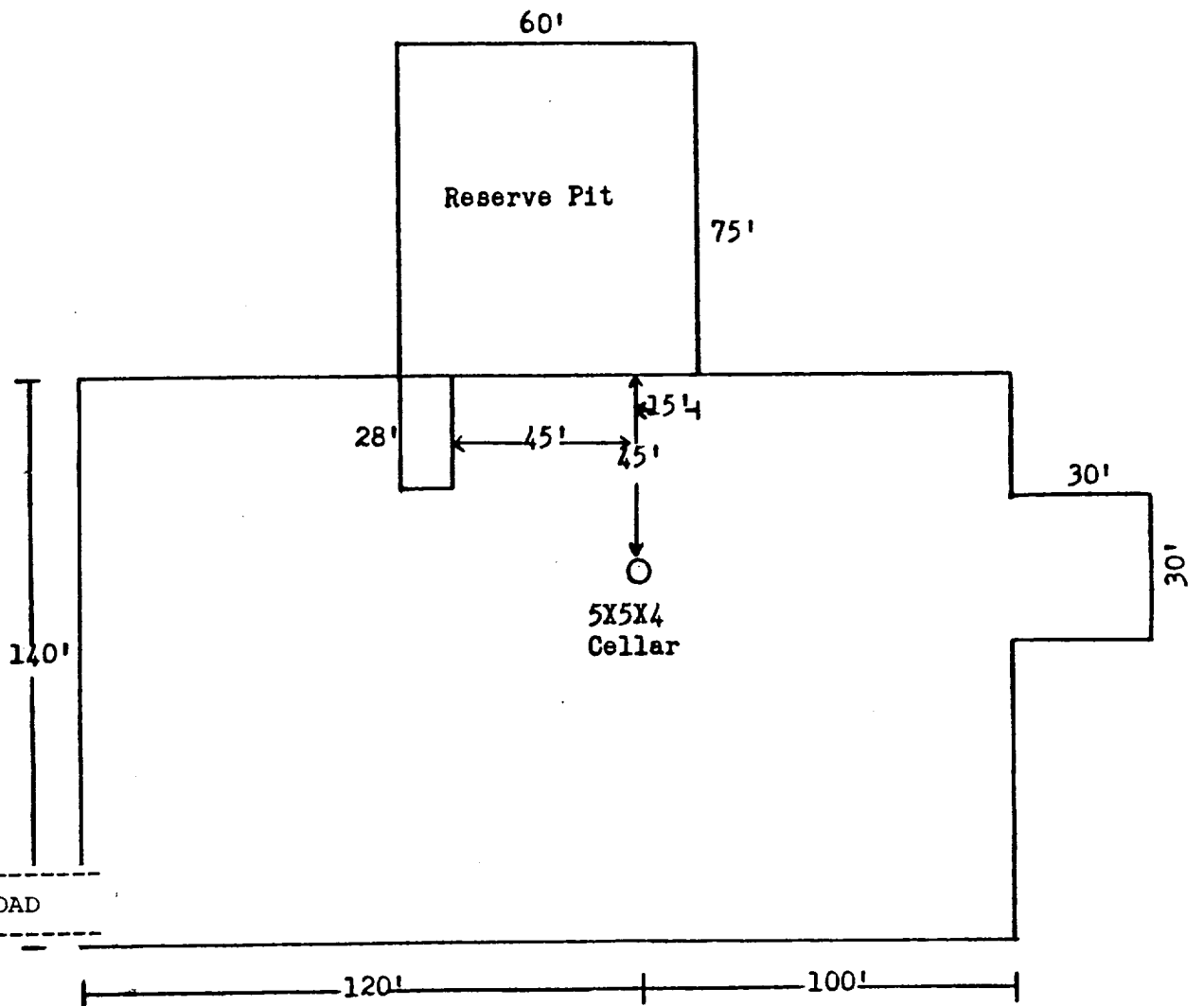
Proposed Location

PARKWAY, W.
State

PARKWAY, WEST UNIT
M.E. CHILES, et al.
State

ENTEXPET
(OPER.)

LMILLO



I&M Drilling Rig No. 1

Exhibit 'D'
Siete Oil & Gas Corporation
Osage Federal No. 5
1980' FSL & 760' FWL
Sec. 35, T19S, R29E
Eddy County, N.M.