

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

E.G.L. Resources, Inc.

3. ADDRESS AND TELEPHONE NO.

P.O. Box 371, Midland, Texas 79702 (915) 682-3502

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

660 FWL 1980 FSL

At proposed prod. zone same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 10 miles North East of Carlsbad, New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any) 660'

16. NO. OF ACRES IN LEASE

640.0

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

950

17. NO. OF ACRES ASSIGNED
TO THIS WELL

160.0

20. ROTARY OR CABLE TOOLS

Rotary

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

3227' GR

22. APPROX. DATE WORK WILL START*

3/1/99

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
7 7/8"	5 1/2 J-55	15.5	750	see below

5 1/2" casing - circulate to surface with 525 sk Class C 2% CaCl₂

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

R. C. Schlegel

TITLE

Engineer

DATE

1/29/99

(This space for Federal or State office use)

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:

Acting

[s] Gary A. StephensAssistant Field Office Manager,
Lands and Minerals

MAR 08 1999

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

INSTRUCTIONS

GENERAL: This form is designed for submitting proposals to perform certain well operations, as indicated, on all types of lands and leases for appropriate action by either a Federal or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office.

ITEM 1: If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations. Consult applicable State or Federal regulations concerning subsequent work proposals or reports on the well.

ITEM 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

ITEM 14: Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on this reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal or State agency offices.

ITEMS 15 AND 18: If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective production zone.

ITEM 22: Consult applicable Federal or State regulations, or appropriate officials, concerning approval of the proposal before operations are started.

NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 181 et seq., 25 U.S.C. 396; 43 CFR Part 3160.

PRINCIPAL PURPOSE: The information is to be used to process and evaluate your application for permit to drill or deepen an oil or gas well.

ROUTINE USES: (1) The analysis of the applicant's proposal to discover and extract the Federal or Indian resources encountered. (2) The review of procedures and equipment and the projected impact on the land involved. (3) The evaluation of the effects of proposed operation on surface and subsurface water and other environmental impacts. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

EFFECT OF NOT PROVIDING INFORMATION: Filing of this application and disclosure of the information is mandatory only if the operator elects to initiate drilling operation on an oil and gas lease.

BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, (Alternate) Bureau Clearance Officer, (WO-771), 1849 C Street, N.W., Washington, D.C. 20240, and the Office of Management and Budget, Paperwork Reduction Project (1004-0136), Washington, D.C. 20503.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq) requires us to inform you that:

This information is being collected to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases.

This information will be used to analyze and approve applications.

Response to this request is mandatory only if the operator elects to initiate drilling operations on an oil and gas lease.

QSWB
B
5050

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

EGL Resources, Inc.

P.O. Box 371
Midland, Texas 79702

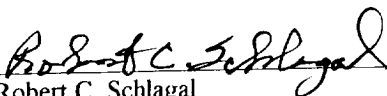
The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No. : NMO528964

Formation: Yates

Bond Coverage: \$25,000

BLM Bond File No.: NM 2693


Robert C. Schlagal
Engineer

Date: 1/29/99

SURFACE USE PLAN

EGL Resources, Inc.
Federal Oxy Yates 23 #4
660' FWL & 1980' FSL
Section 23, T-20-S, R-28-E
NMPM

1. **EXISTING ROADS:** Area map, Exhibit "A", is a reproduction of the U.S.G.S. New Mexico 15 minutes quadrangle. Existing and proposed roads are shown on the exhibit. All roads shall be maintained in a condition equal to that which existed prior to the start of construction.
 - A. Exhibit "A" shows the proposed development well site as staked.
 - B. From Pecos River in Carlsbad, New Mexico, travel 8 miles on U.S. Highway #62 & 180 to County Road # 243. Go West on #243 for 7.5 miles. Turn South on dirt road, go 1.2 miles, then turn West on dirt road for .2 miles. Well is on the North side of road.
2. **PLANNED ACCESS ROADS:** None required
3. **LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS:**
 - A. Water wells - None known
 - B. Disposal wells- None known
 - C. Drilling wells- None
 - D. Abandoned wells- As shown on Exhibit "C"
 - E. Producing wells as shown on Exhibit "C".
4. If upon completion, the well is a producer, EGL Resources Inc. will furnish maps or plats showing On Well Pad facilities and Off Well Pad facilities (if needed) on a Sundry Notice before construction of these facilities starts.
5. **LOCATION AND TYPE OF WATER SUPPLY:** Water will be purchased locally from a private source and trucked over the access roads.
6. **SOURCE OF CONSTRUCTION MATERIALS:** If needed, construction materials will be obtained from the drill site's excavations or from a local source. These materials will be transported over the access route as shown on Exhibit "A".
7. **METHODS FOR HANDLING WASTE DISPOSAL:**
 - A. 1. Drill cuttings will be disposed of in the pit.
 2. Trash, waste paper, and garbage will either be contained in a fenced trash trailer or in a trash pit, fenced with mesh wire to prevent wind-scattering during storage. When the rig moves out, all trash and debris left at the site will be contained to prevent scattering and will be removed from location.
 3. Salts remaining after completion of the well will be picked up by the supplier, including broken sacks.

4. A "porta John" will be provided for the personnel on location. This will be properly maintained during the drilling operations and removed upon completion of the well.
5. Chemicals remaining after completion of the well will be stored in the manufacturers containers and picked up by the supplier.
- B. Remaining drilling fluids will be allowed to evaporate in the cuttings pit until the pit is dry enough for backfilling. In the event drilling fluids will not evaporate in a reasonable period of time they will be transported by tank truck to a state approved disposal site.

Water produced during testing of the well will be disposed of in the reserve pit. Oil produced during testing of the well will be stored in test tanks until sold and hauled from the site.

8. **ANCILLARY FACILITIES:** No camps or airstrips will be constructed.

9. **WELL SITE LAYOUT:**

- A. Exhibit "B" shows the proposed well site layout.
- B. This exhibit indicates proposed location of cutting and trash pits.
- C. Pits are proposed to be unlined, unless subsurface conditions encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, pits are to be lined with PVC or polyethylene liner. The pit liner will be 6 mils thick. Pit liner will extend a minimum, 2'-00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with three strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. **PLANS FOR RESTORATION OF SURFACE**

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.8 as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recontoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

11. **OTHER INFORMATION**

- A. The topography is of a rolling terrain with vegetation of sagebrush and native grass. The soils are clayey sand over caliche base.
- B. The surface is used to mainly access producing wells in the area and minimal grazing for livestock. It is administered by the BLM and is being leased to _____
- C. An archeological study has been completed, a copy of which is attached.
- D. There are no buildings of any kind in the area.

12. **OPERATOR'S REPRESENTATIVE** - Robert C. Schlagal is field representative for contact regarding compliance with the Surface Use Plan is:

Before and during construction:

Robert C. Schlagal
202 N. Eisenhower
Midland, TX 79703
(915)697-2775

After Construction:

Robert C. Schlagal
202 N. Eisenhower
Midland, TX 79703
(915)697-2775

13. **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 the operations proposed herein will be performed by EGL Resources, Inc. and its contractor/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.

NAME: _____

DATE: _____

TITLE: Petroleum Engineer

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

OIL CONSERVATION DIVISION

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code	Property Name OXY FEDERAL YATES "23"				Well Number 4
OGRID No.	Operator Name EGL RESOURCES				Elevation 3227'

Surface Location

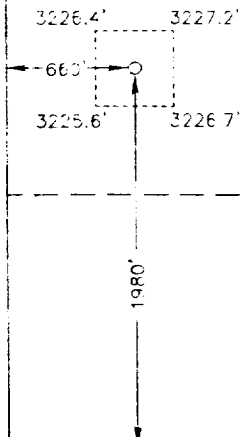
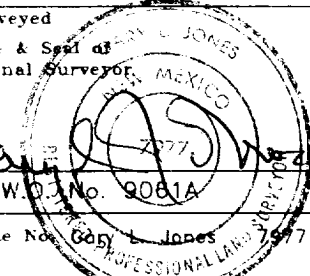
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	23	20 S	28 E		1980	SOUTH	660	WEST	EDDY

Bottom Hole Location If Different From Surface

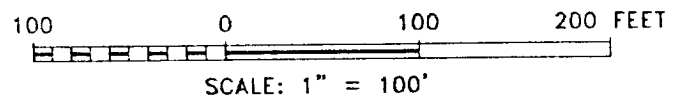
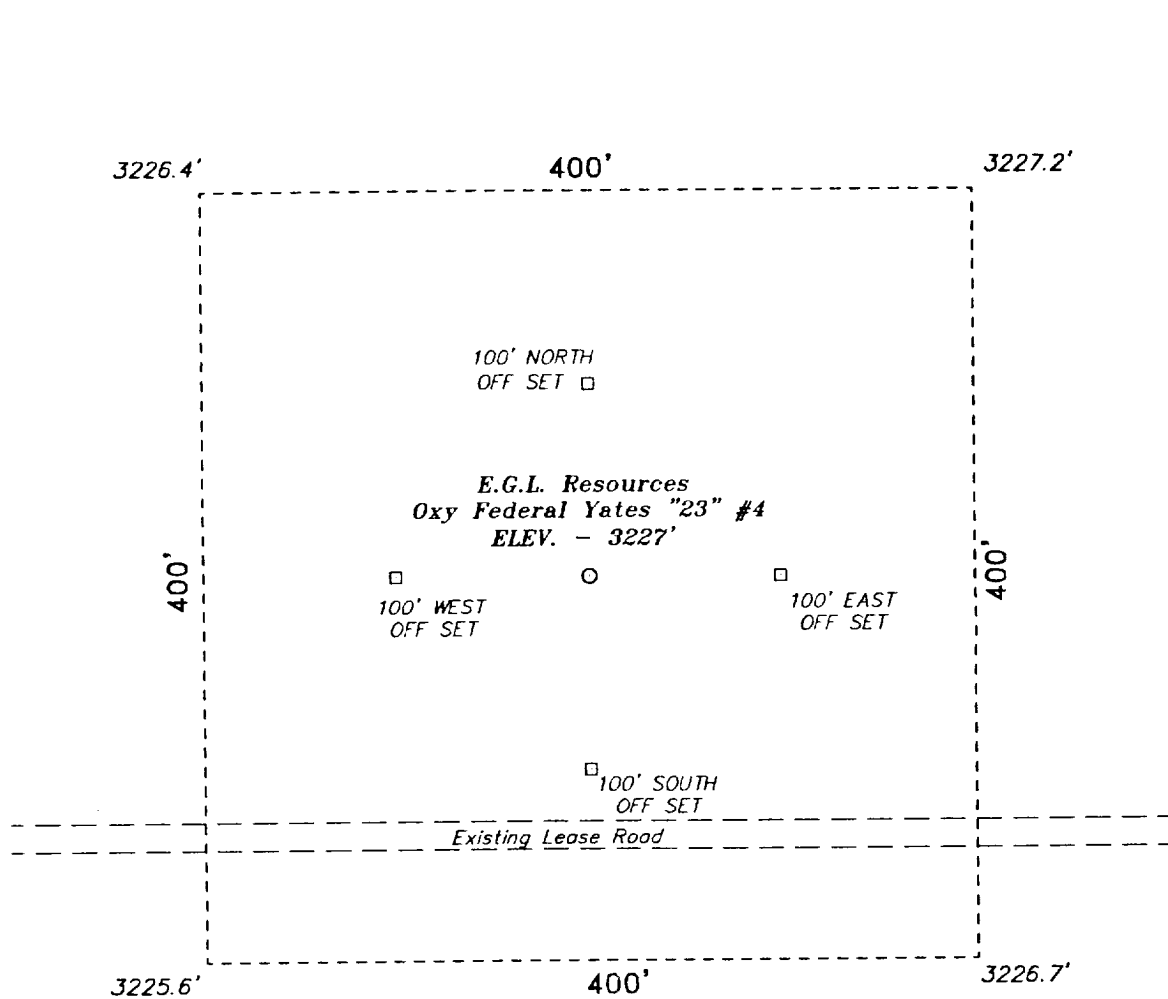
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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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>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i> _____ Signature _____ Printed Name _____ Title _____ Date			
	SURVEYOR CERTIFICATION <i>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 supervision, and that the same is true and correct to the best of my belief.</i> January 25, 1999 Date Surveyed _____ Signature & Seal of Professional Surveyor  _____ Certificate No. 9061A BASIN SURVEYS			

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 9061 Drawn By: K. GOAD

Date: 01-26-99 Disk: KJG #119 - 9061A.DWG

E.G.L. Resources

REF: Oxy Federal Yates "23" No. 4 / Well Pad Topo

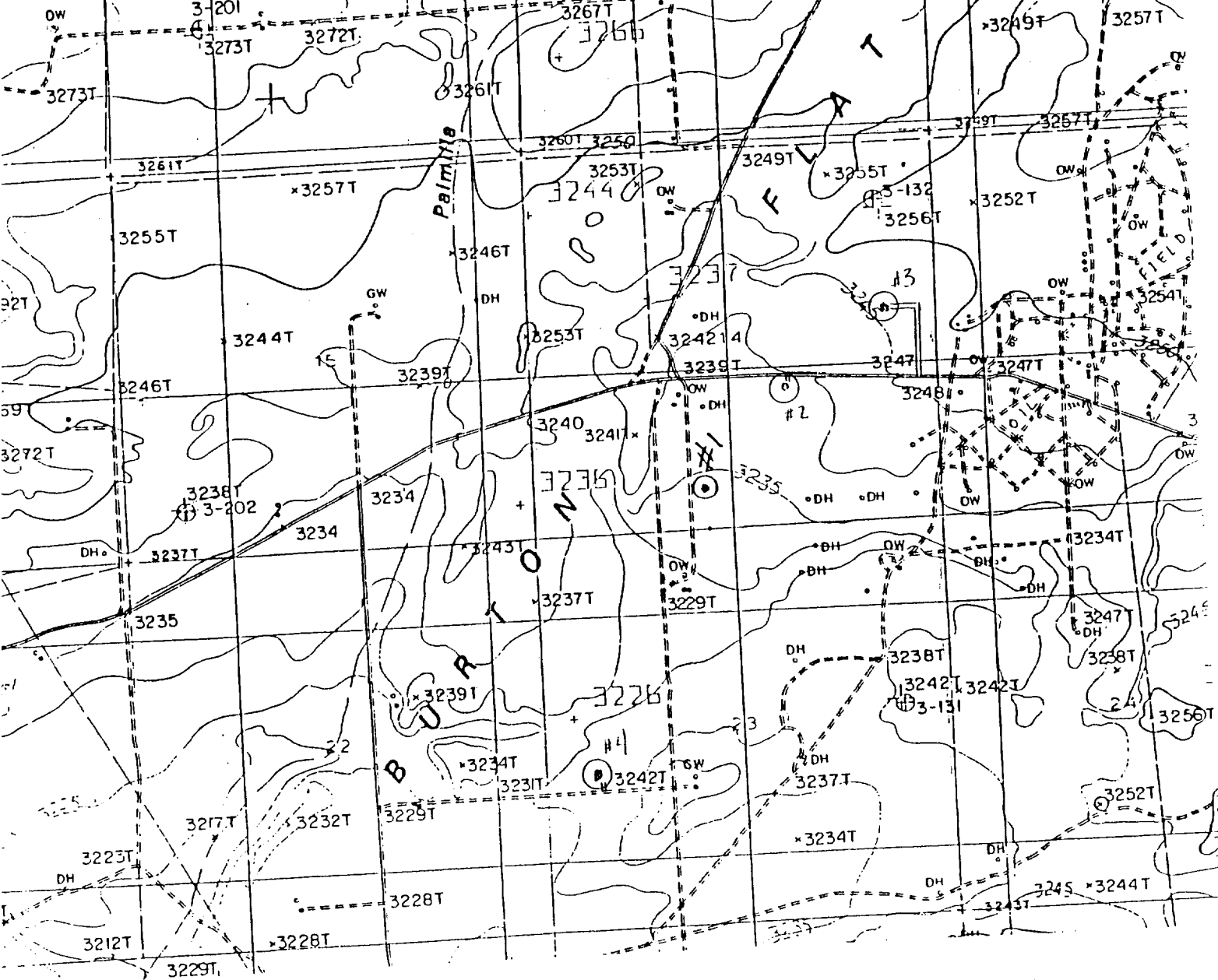
THE OXY FED. YATES "23" No. 4 LOCATED 1980' FROM THE
SOUTH LINE AND 660' FROM THE WEST LINE OF
SECTION 23, TOWNSHIP 20 SOUTH, RANGE 28 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 01-25-99 Sheet 1 of 1 Sheets

3279T

EXHIBIT A

3279T

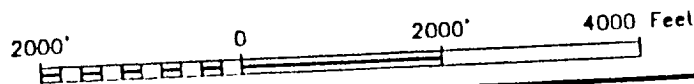
**E.G.L. RESOURCES INC**

TOPO MAP

OXY YATES FED 23 #4
 660 FWL, 1980 FSL
 20S 28E SEC 23

DATE: 1/21/99

SCALE: 1"=2000'

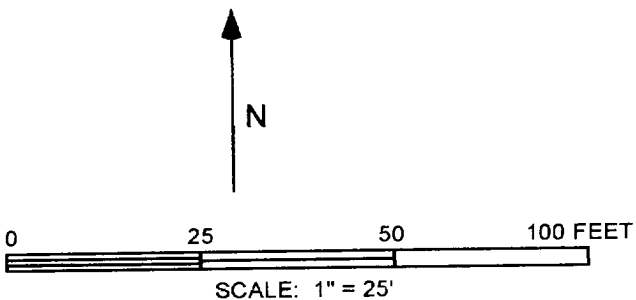
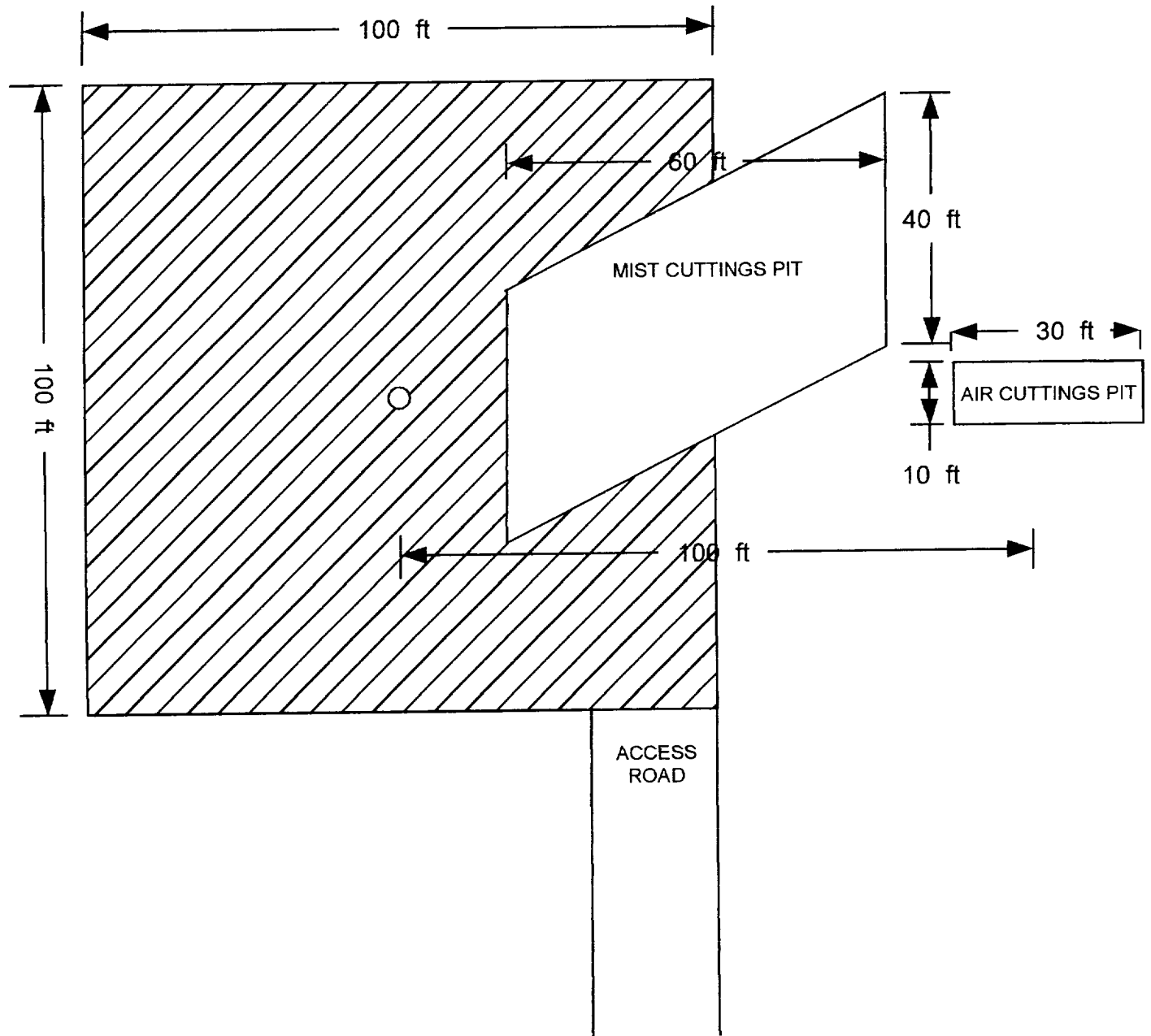
**BASIN SURVEYS**

P.O. BOX 1786 - HOBBS, NEW MEXICO

Survey Date: 10-01-98

Sheet 1 of 1 Sheets

WELL SITE PLAT OXY YATES FED 23 #4



E.G.L. RESOURCES INC

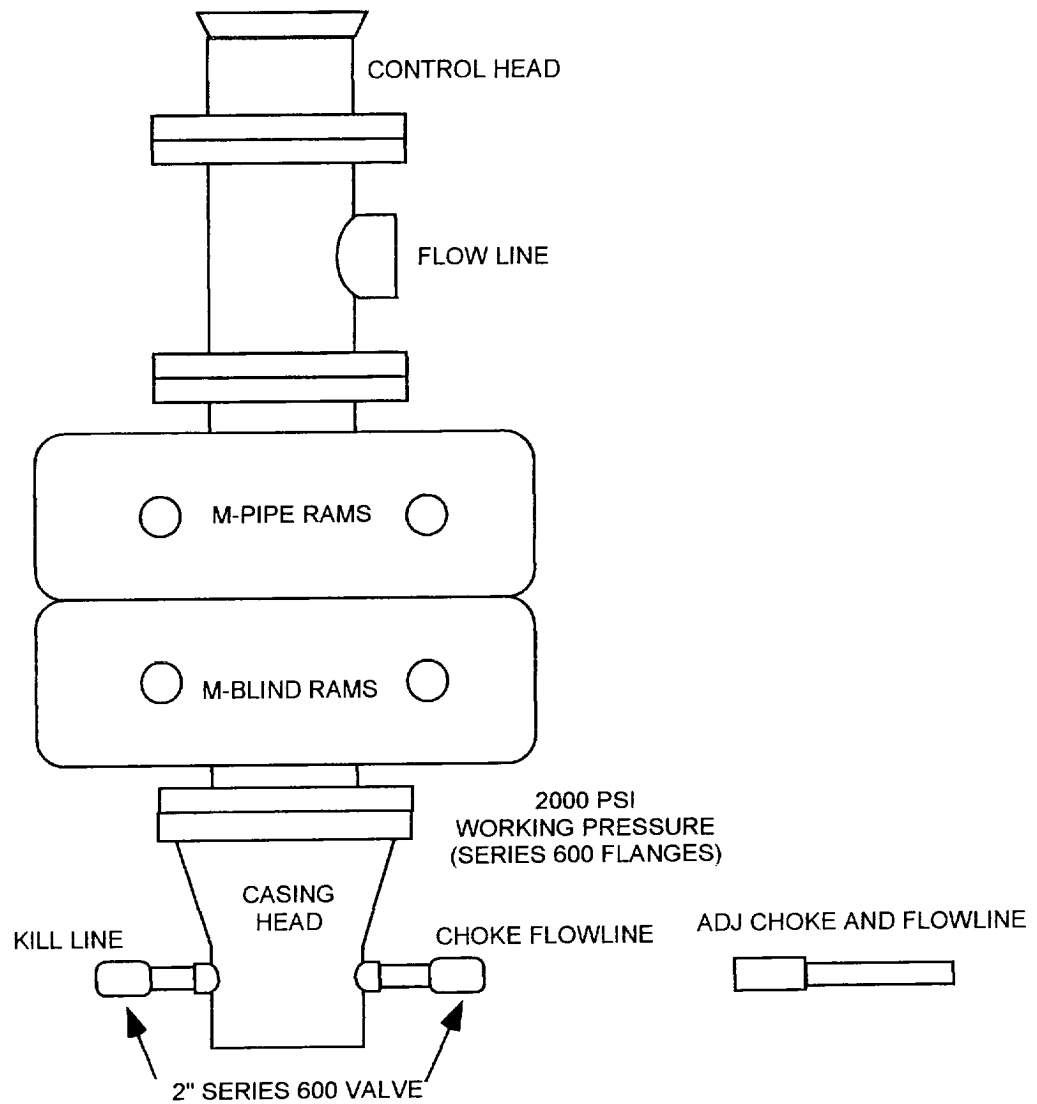
WELL SITE LAYOUT

OXY YATES FED 23 #4
660 FWL, 1980 FSL
20S 28E SEC 23

DATE: 1/21/99

BY: DARREN PRINTZ

<i>E.G.L. RESOURCES INC</i>	
WELL HEAD & BOP CONFIGURATION	
OXY YATES FED 23 #4 660 FWL, 1980 FSL 20S 28E SEC 14	
DATE: 1/27/99	BY: DARREN PRINTZ



APPLICATION FOR PERMIT TO DRILL

EGL Resources, Inc.
Federal Oxy Yates 23 #4
660' FWL & 1980' FSL
Section 23, T-20-S, R-28-E
NMPM

In conjunction with Form 3160-3, Application for Permit to Drill, EGL Resources, Inc. submits the following items of pertinent information in accordance with Onshore Oil & Gas Order Nos. 1&2, and with all other applicable federal and state regulations.

1. The geologic surface formation is of Permian Age.
2. Estimated top of geologic markers are as follows:
Yates 750'
3. The estimated depths at which water, oil, or gas formations are expected to be encountered:

Water: 150' to 300'
Gas: Yates 800' to 850'

Groundwater to be protected by 5 1/2" surface casing with cement circulated to the surface.
4. Proposed Casing Program: See Form 3160-3
5. Pressure Control Equipment: [Maximum surface pressure will be 250 psi.] Double ram manual BOP will be installed prior to drilling surface casing shoe. Surface casing will be tested to 600 psi prior to drilling surface casing shoe.
6. Mud Program: See Exhibit G
7. Auxiliary Equipment: None required for shallow Yates well.
8. Testing, Logging, and Coring Programs: None anticipated
9. Abnormal Pressures, Temperatures, or Other Hazards: None anticipated
- 10 Anticipated Starting Date: March 1, 1999

SUMMARY
DRILLING, DRILL STEM TESTS, CASING AND CEMENTING PROGRAM

1. Drill 7 7/8" hole to 750'+/-.
2. Cement 5 1/2", 15.5# J-55 Casing with 525 sx. Class "C" containing 2% CACL₂. Run Texas Pattern Guide Shoe with an insert float valve in top of guide shoe. Use thread lock on btm. two joints. Use one wooden plug to displace cement. Drop plug on fly.
3. If cement does not circulate, pump cement down backside with 1" tubing to bring cement to surface.
4. Nipple up and install BOP. Test casing to 2000 psi after 12 hours and drill out cement.
5. Drill 4 3/4" hole with air to 950'. Test Yates for a natural completion.

EXHIBIT F

EGL Resources, Inc.
Federal Oxy Yates 23 #4
660' FWL & 1980' FSL
Section 23, T-20-S, R-28-E
NMPM

DRILLING FLUID PROGRAM

Surface: Drill with air to 750'.

Production: Drill with air.

EXHIBIT G

EGL Resources, Inc.
Federal Oxy Yates 23 #4
660' FWL & 1980' FSL
Section 23, T-20-S, R-28-E
NMPM