| · · · · · · · · · · · · · · · · · · · | | 15-897 |
|---|--|---|
| HOBBS COD | OCD Hobbs | FORM APPROVED OMB No. 1004-0137 |
| March 2012) APR 21 2016 | | Expires October 31, 2014 |
| UNITED STATES CRECEIVED DEPARTMENT OF THE INTERIC BUREAU OF LAND MANAGEME APPLICATION FOR PERMIT TO DRILL | ENT | 5. Lease Serial No. SHL: NMNM043564 BHL: NMNM043565 6. If Indian, Allotee or Tribe Name |
| a. Type of Work: | | 7. If Unit or CA Agreement, Name and No. |
| 1b. Type of Well: 🔽 Oil Well 🗍 Gas Well 🗍 Other | Single Zone Multipl | 8. Lease Name and Well No. 71610 e Zone Squints Federal Com #7H |
| 2. Name of Operator | | 9. API Well No. |
| | 9131) | 30-025-73161 |
| Ba. Address 3b. Phone No. (inclu 2208 West Main Street Artesia, NM 88210 | 575-748-6940 | 10. Field and Pool, or Exploratory OJO Chiso; Bone Spring |
| 4. Location of Well (Report location clearly and in accordance with any State requirement | | 11. Sec., T.R.M. or Blk and Survey or Area |
| At surface 190' FSL & 2010' FWL Unit Letter N (S | | |
| At proposed prod. Zone 330' FNL & 1980' FWL Unit Letter C (f 14. Distance in miles and direction from nearest town or post office* | NENW) Sec 22.1225.R34E | Sec. 27 - T22S - R34E 12. County or Parish 13. State |
| About 17 miles from Eunice | | Lea County NM |
| Distance from proposed* location to nearest property or lease line, ft. | 16. No. of acres in lease NMNM043565: 640 NMNM043564: 1,920 | 17. Spacing Unit dedicated to this well |
| (Also to nearest drig. Unit line, if any) 190' 18. Distance from location* | 19. Proposed Depth | 320 20. BLM/BIA Bond No. on file |
| to nearest well, drilling, completed, SHL: 30' (Prop. Squints #3H) | | |
| applied for, on this lease, ft. BHL: 6608' 21. Elevations (Show whether DF, KDB, RT, GL, etc.) | TVD: 10,380 MD: 20,217' 22. Approximate date work will s | NMB000740 &NMB000215 start* 23. Estimated duration |
| 3404.4' GL | 10/1/201 | 5 30 days |
| 24 | . Attachments | |
| Fhe following, completed in accordance with the requirements of Onshore Oil and Well plat certified by a registered surveyor. A Drilling Plan A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | Bond to cover the operation Item 20 above). Operator certification | to this form: ons unless covered by an existing bond on file (see ormation and/or plans as may be required by the |
| 25. Signature A P . Name (Prin | ted/Typed) | Date |
| - TI ale Las | Mayte Reyes | 7-20-15 |
| | | |
| Regulatory Analyst Approved by (Signo /S/STEPHEN J. CAFFEY Name (Prin | ted/Typed) | Date |
| For the There with a | | APR 1 4 2018 |
| Title FOR FIFID MANAGER Office | ALM-CARLSBAD FI | ELD OFFICE |
| Application app conduct operat Conditions of a Application app the NMOCD <u>Gas Capture Plan</u> notice has been posted on the web site under Announcements/Notice to Operators. A copy of | f the APPROVAL FO | subject lease which would entitle the applicant to |
| GCPform is included with the notice and is alsoTitle 18 U.S.C. SForms section under Unnumbered forms. PleasStates any falsesubmit accordingly in a timely manner. | o in the | make to any department or agency of the United |
| (Continued on page 2) | EMED FOR | *(Instructions on page |
| Witness Surface & CONDIT Intermediate Casing | TIONS OF APPRO | VALAPPROVAL SUBJECT TO GENERAL REQUIREMENTS SPECIAL STIPULATIONS ATTACHED APR 2.5.2 |

APR 2 5 2016

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1. Geologic Formations

| TVD of target | 10380' | Pilot hole depth | NA |
|---------------|--------|-------------------------------|------|
| MD at TD: | 20217' | Deepest expected fresh water: | 605' |

Basin

| Formation | Depth (TVD) from KB | Water/Mineral Bearing/ Target Zone? | Hazards* |
|----------------------------------|------------------------|--|--------------------|
| Quaternary Fill | Surface | Water | |
| Rustler | 1687' | Water | |
| Top of Salt | 1883' | Salt | |
| Tansill | 3623' | Barren | |
| Yates | 3702' | Oil/Gas | |
| Capitan Reef | 4031' | Water | Possible lost circ |
| Delaware Group | 5299' | Oil/Gas | Possible lost circ |
| Bone Spring | 8520' | Oil/Gas | |
| 2 nd Bone Spring Sand | 10087' | Target Zone | |
| Wolfcamp | 11329' | Oil/Gas | |

2. Casing Program

| Hole | Casing | Interval | Csg. | Weight | Grade | Conn. | SF | SF | SF |
|--------|--------|-----------|---------|----------|-----------|----------|----------|-------|---------|
| Size | From | То | Size | (lbs) | | | Collapse | Búršt | Tension |
| 17.5" | 0' | , 1840' | 13.375" | 54.5 | J55 | STC | 1.30 | 1.03 | 5.13 |
| 12.25" | 0' | 5420-5600 | 9.625" | 40 | L80 | BTC | 1.17 | 1.17 | 4.09 |
| 8.75" | 0' | 20217' | 5-1/2" | 17 | P110 | BTC | 1.52 | 2.17 | *1.59D |
| | | | - | BLM Mini | mum Safet | y Factor | 1.125 | 1.00 | 1.6 Dry |
| | | | | | | | | | 1.8 Wet |

- All casing strings will be tested in accordance with Onshore Oil and Gas Order #2 III.B.1.h
- BLM standard formulas were used on all SF calculations.
- Used 9.1 PPG for pore pressure calculations
- Will set DV tool within 100' of the top of the Capitan Reef. Estimated setting depth is 3940'.
- *Explanation for SF's below BLM's minimum standards:
 - 5-1/2" 17# P110 BTC SF Tension = 1.59D.

More than half of the string length is below the KOP; therefore most of the string weight below the KOP will be supported by the bottom of the hole. The net effect on tension for this portion of the string would be the friction factor ($\sim 0.30 - 0.45$) of the lateral times the supported string weight.

| | 9 4 4 4 C 4 4 4 5 | | |
|---|-------------------|--|--|
| | Y or N | | |
| Is casing new? If used, attach certification as required in Onshore Order #1 | Y | | |
| Does casing meet API specifications? If no, attach casing specification sheet. | | | |
| Is premium or uncommon casing planned? If yes attach casing specification sheet. | Ν | | |
| Does the above casing design meet or exceed BLM's minimum standards? If not provide | N | | |
| justification (loading assumptions, casing design criteria). | | | |
| Will the intermediate pipe be kept at a minimum 1/3 fluid filled to avoid approaching | Y | | |
| the collapse pressure rating of the casing? | | | |
| | | | |
| Is well located within Capitan Reef? | <u>Y</u> | | |
| If yes, does production casing cement tie back a minimum of 50' above the Reef? | Y | | |
| Is well within the designated 4 string boundary. | N | | |
| | 12.0.07.2.45.7 | | |
| Is well located in SOPA but not in R-111-P? | <u>N</u> | | |
| If yes, are the first 2 strings cemented to surface and 3 rd string cement tied back | | | |
| 500' into previous casing? | | | |
| | | | |
| Is well located in R-111-P and SOPA? | N | | |
| If yes, are the first three strings cemented to surface? | | | |
| Is 2 nd string set 100' to 600' below the base of salt? | | | |
| | et. Status | | |
| Is well located in high Cave/Karst? | <u>N</u> | | |
| If yes, are there two strings cemented to surface? | | | |
| (For 2 string wells) If yes, is there a contingency casing if lost circulation occurs? | | | |
| | | | |
| Is well located in critical Cave/Karst? | N | | |
| If yes, are there three strings cemented to surface? | | | |

2. Cementing Program

| Casing | # Sks | 19 Mar 19 Mar 19 Mar | Yld ft3/ sack | H20 gal/sk | 500# Comp. Strength (hours) | Slurry Description |
|--------|-------|----------------------|---------------------|---------------|--------------------------------------|--|
| Surf. | 790 | 13.5 | 1.75 | 9.2 | 13 | Lead: Class C + 4% Gel + 2% CaCl2 |
| | 275 | 14.8 | 1.34 | 6.4 | 6 | Tail: Class C + 2% CaCl2 |
| Inter. | 280 | 12.9 | 1.92 | 10.0 | 12 | Lead: Class C Lite (65:35:6) + 4% Salt + 5# Kolseal |
| Stg 1 | 200 | 14.8 | 1.34 | 6.4 | 6 | Tail: Class C |
| Inter. | 970 | 12.9 | 1.92 | 10.0 | 12 | Lead: Class C Lite (65:35:6) + 4% Salt + 5# Kolseal |
| Stg 2 | 200 | 14.8 | 1.34 | 6.4 | 6 | Tail: Class C |
| Prod. | 1010 | 10.3 | 3.52 | 21.3 | 75 | Lead: Halliburton Tuned Lite w/ 2# kolseal, 1.5# salt, 1/4# D-Air 5000, 1/8# PEF, etc |
| | 2470 | 14.4 | 1.25 | 5.7 | 22 | Tail:50:50:2 H blend (FR, Retarder, FL adds as necessary) |

,

Lab reports with the 500 psi compressive strength time for the cement will be onsite for review.

| Casing String | TOC | % Excess |
|------------------------|-------|----------|
| Surface | 0' | 36% |
| Intermediate – Stage 1 | 3940' | 51% |
| Intermediate – Stage 2 | 0' | 124% |
| Production | 0' | 39% |

Pilot hole depth: <u>NA</u> KOP: <u>9903'</u>

4. Pressure Control Equipment

| BOP installed and tested before drilling which hole? | Size? | Min. Required WP | Type | | V | Tested to: |
|---|---------|------------------------|------------|---|---|-------------------------|
| | | | Annular | 2 | x | 50% of working pressure |
| | | | Blind Ran | n | | |
| 12-1/4" | 13-5/8" | 2M | Pipe Ram | | | 2M |
| | | | Double Ram | | | 2111 |
| | | | Other* | | | |
| | | | Annular | 2 | x | 50% testing pressure |
| | | 3М | Blind Ram | | | |
| 8-3/4" | 13-5/8" | | Pipe Ram | | | |
| 0-514 | | | Double Ram | | x | 3M |
| | | | Other * | | | |

* Actual equipment is 13-5/8" 5M Hydril Annular, will use for 2M WP System.

** - Actual equipment is 13-5/8" 5M Hydril Annular & 13-5/8" 10M Cameron triple ram, will use for 3M WP System.

BOP/BOPE will be tested by an independent service company to 250 psi low and the high pressure indicated above per Onshore Order 2 requirements. The System may be upgraded to a higher pressure but still tested to the working pressure listed in the table above. If the system is upgraded all the components installed will be functional and tested.

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment will include a Kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold. See attached schematics.

λ.

| | N | Formation integrity test will be performed per Onshore Order #2. On Exploratory wells or on that portion of any well approved for a 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Will be tested in accordance with Onshore Oil and Gas Order #2 III.B.1.i. | | | | | |
|-----|---|---|--|--|--|--|--|
| Sel | Y | A variance is requested for the use of a flexible choke line from the BOP to Choke Manifold. See attached for specs and hydrostatic test chart. | | | | | |
| | N | Are anchors required by manufacturer? No. A multibowl wellhead is being used. The BOP will be tested per Onshore Order #2 after installation on the surface casing which will cover testing requirements for a maximum of | | | | | |
| | 30 days. If any seal subject to test pressure is broken the system must be tested. See attached schematic. | | | | | | |

5. Mud Program

| | L. S. | Depth | Туре | Weight (ppg) | Viscosity | Water Loss |
|------|---|------------|------------------|--------------|-----------|------------|
| al | From | То | | | | |
| Sea | 0 | Surf. shoe | FW Gel | 8.6 - 9.0 | 28-34 | N/C |
| (Dr) | Surf csg | Int shoe | *Saturated Brine | 10.0 - 10.2 | 28-34 | N/C |
| - | Int shoe | TMD | Cut Brine | 8.6 - 9.3 | 28-34 | N/C |

*If lost circulation is encountered, will switch to fresh water.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept on location at all times.

| What will be used | | 1 6 6 1 10 | Pason PVT | |
|-----------------------|---------------------|---------------------|-----------|--|
| 1 M/bot will be used | to monitor the look | or com of thudy | | |
| I What which he used | to manual the loss | | | |
| i mat mat office abea | to moment me tob. | , or guill or mana, | | |
| | | | | |

6. Logging and Testing Procedures

| Logg | ing, Coring and Testing. |
|------|---|
| v | Will run GR/CNL from TD to surface (horizontal well – vertical portion of hole). Stated |
| Λ | logs run will be in the Completion Report and submitted to the BLM. |
| | No Logs are planned based on well control or offset log information. |
| | Drill stem test? If yes, explain |
| | Coring? If yes, explain |

| Add | tional logs planned | Interval |
|-----|---------------------|------------|
| X | Mud log | Production |

7. Drilling Conditions

| Condition | Specify what type and where? |
|----------------------------|--|
| BH Pressure at deepest TVD | 4911 psi – 2 nd Bone Spring Sand (10380' TVD) |
| Abnormal Temperature | No |

Mitigation measure for abnormal conditions.

- Lost circulation material/sweeps/mud scavengers.
- Maintain stock of LCM and weighting materials onsite.



Hydrogen Sulfide (H2S) monitors will be installed prior to drilling out the surface shoe. If H2S is detected in concentrations greater than 100 ppm, the operator will comply with the provisions of Onshore Oil and Gas Order #6. If Hydrogen Sulfide is encountered, measured values and formations will be provided to the BLM.

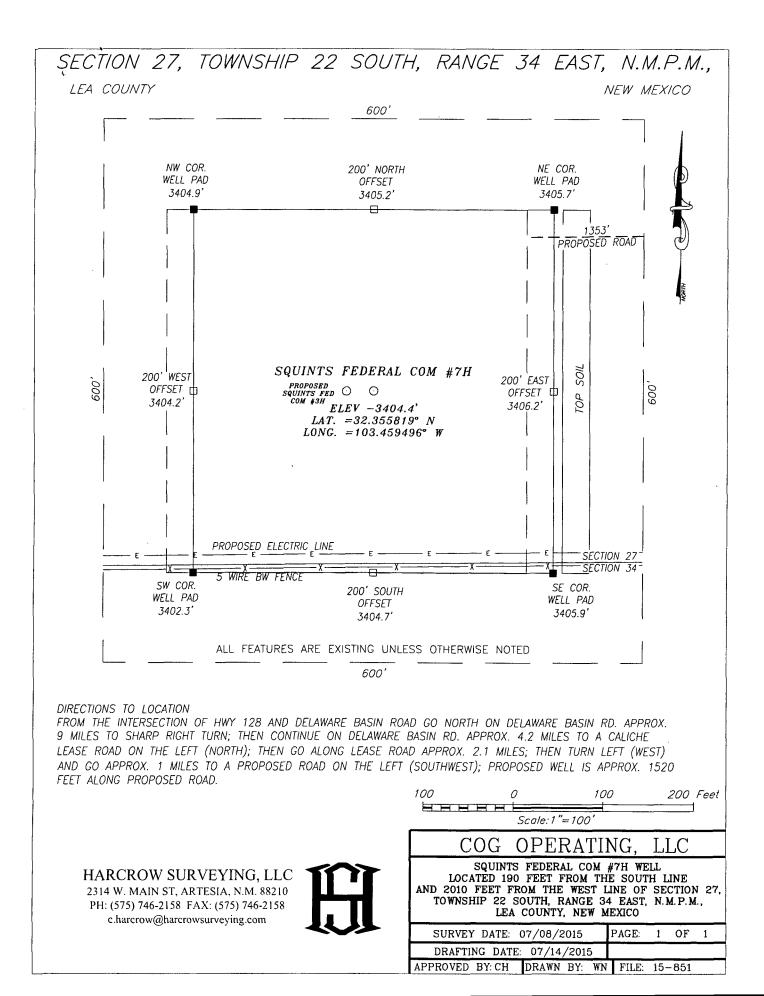
NH2S is presentyH2S Plan attached

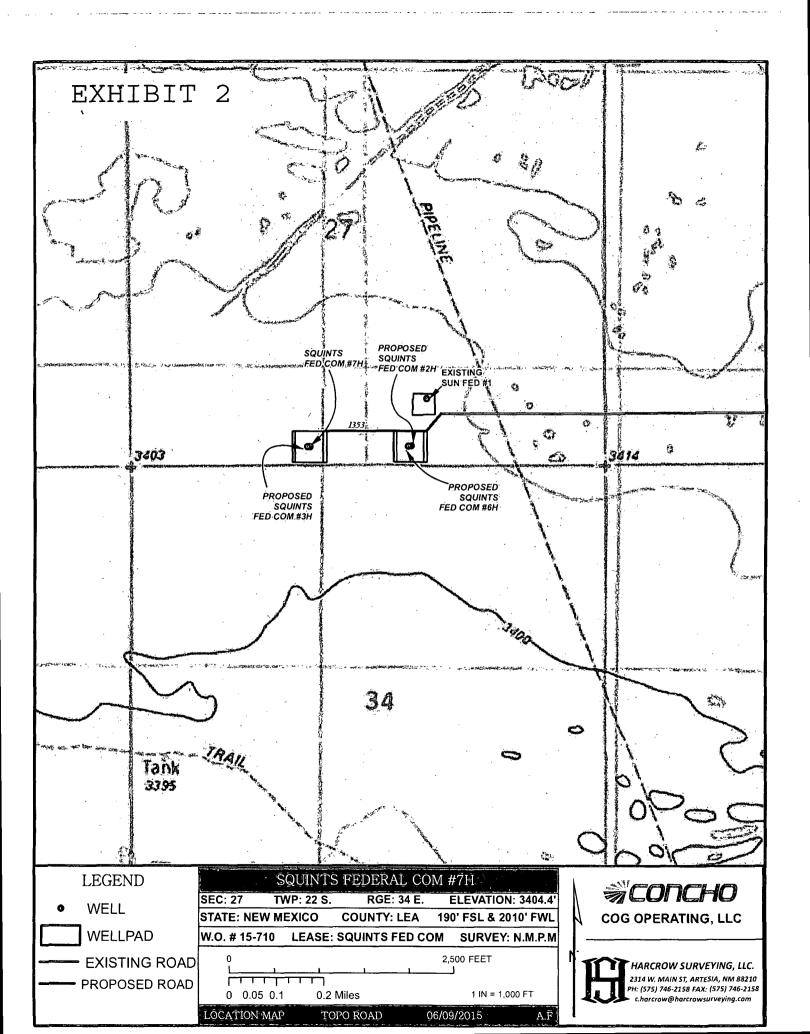
8. Other facets of operation

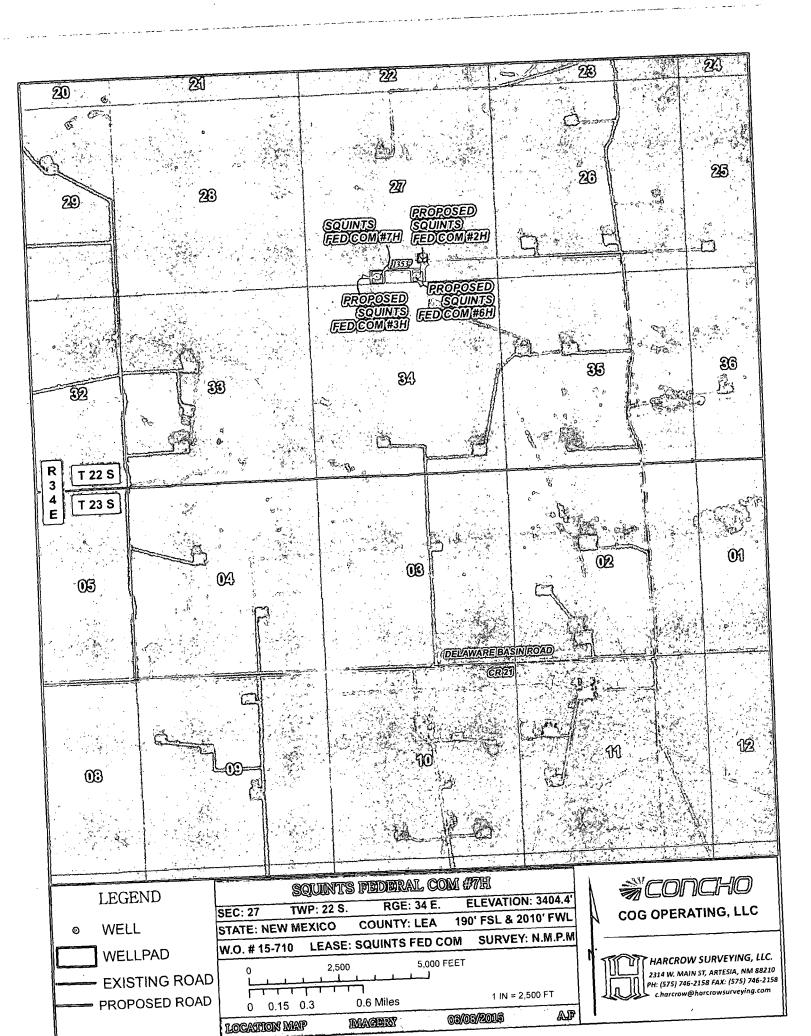
Is this a walking operation? <u>Yes.</u> See CoA Will be pre-setting casing? <u>No.</u> Will well be hydraulically fractured? <u>Yes.</u>

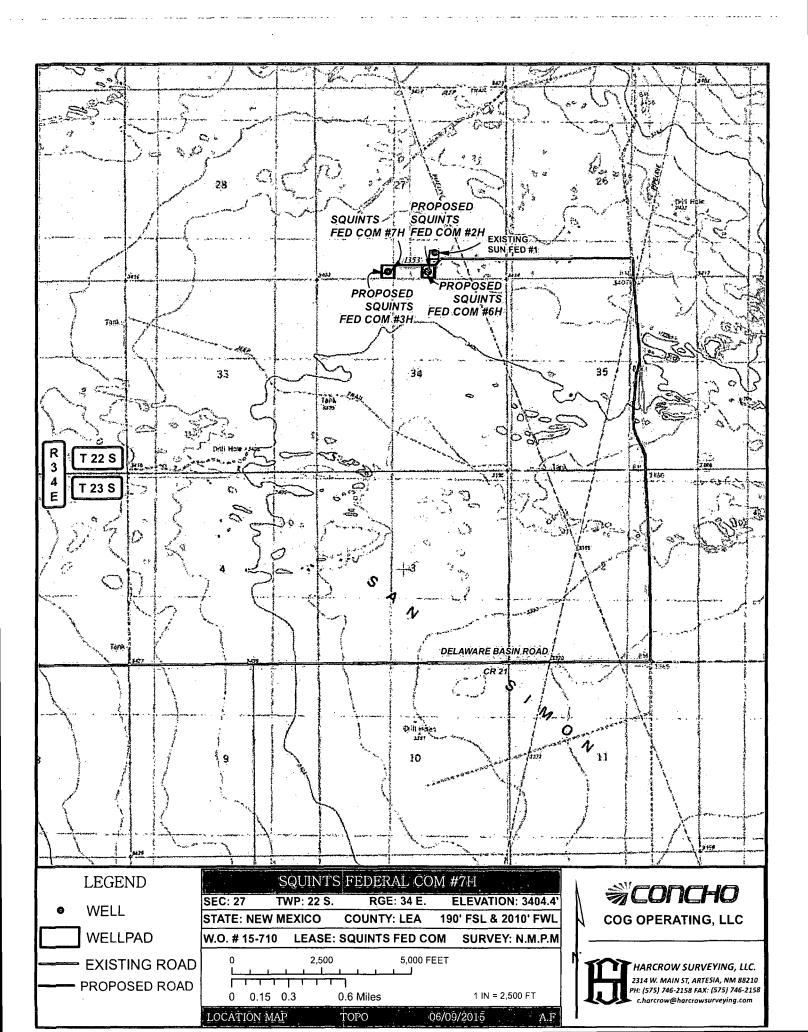
Attachments

- Directional Plan
- Anticollision Report
- BOP & Choke Schematics
- C102 and supporting maps
- Rig plat
- H2S schematic
- H2S contingency plan
- Interim reclamation plat









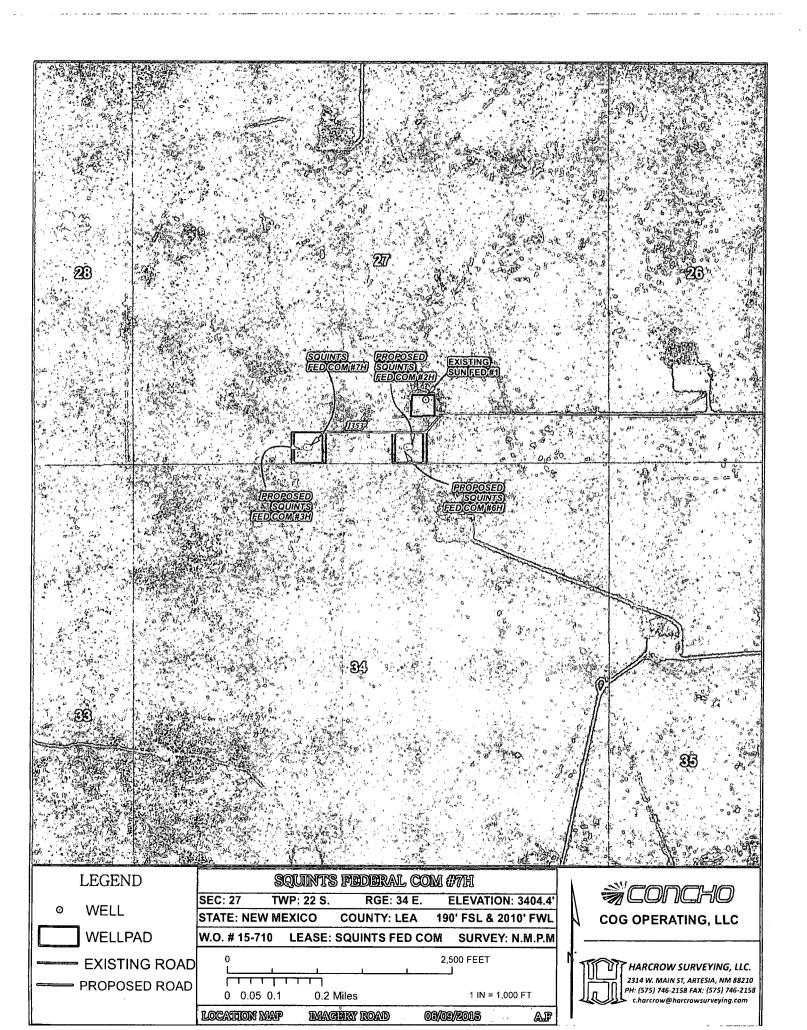
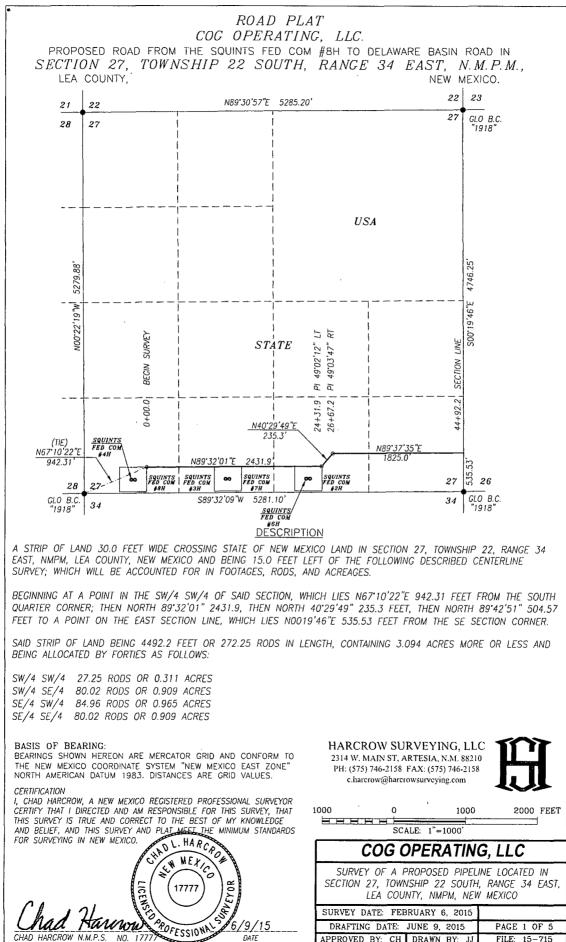


EXHIBIT 2A



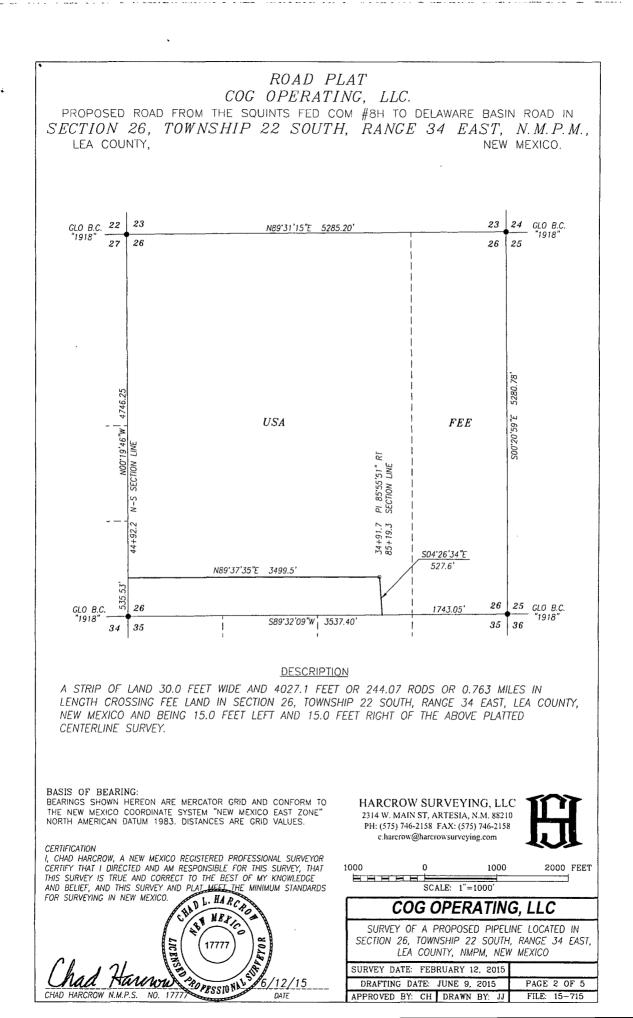
CHAD HARCROW NMPS

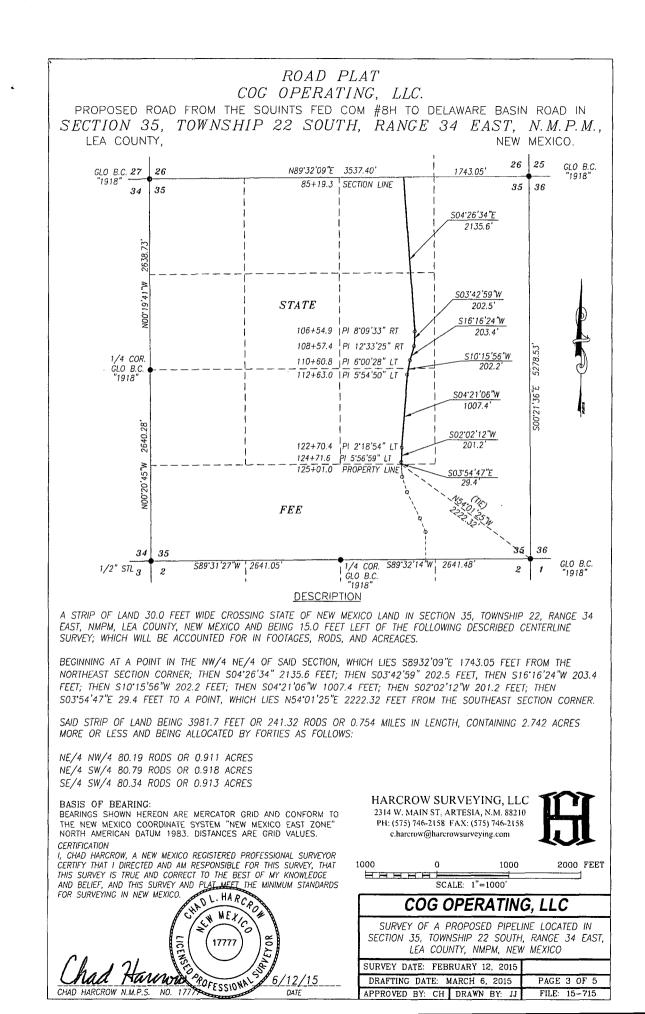
NO 1777

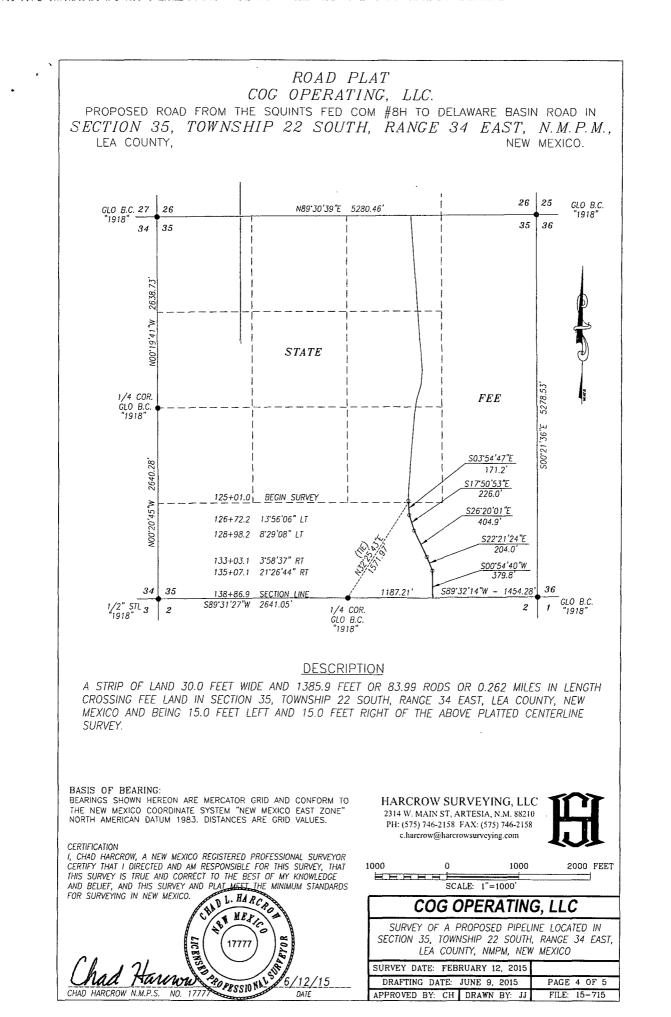
DATE

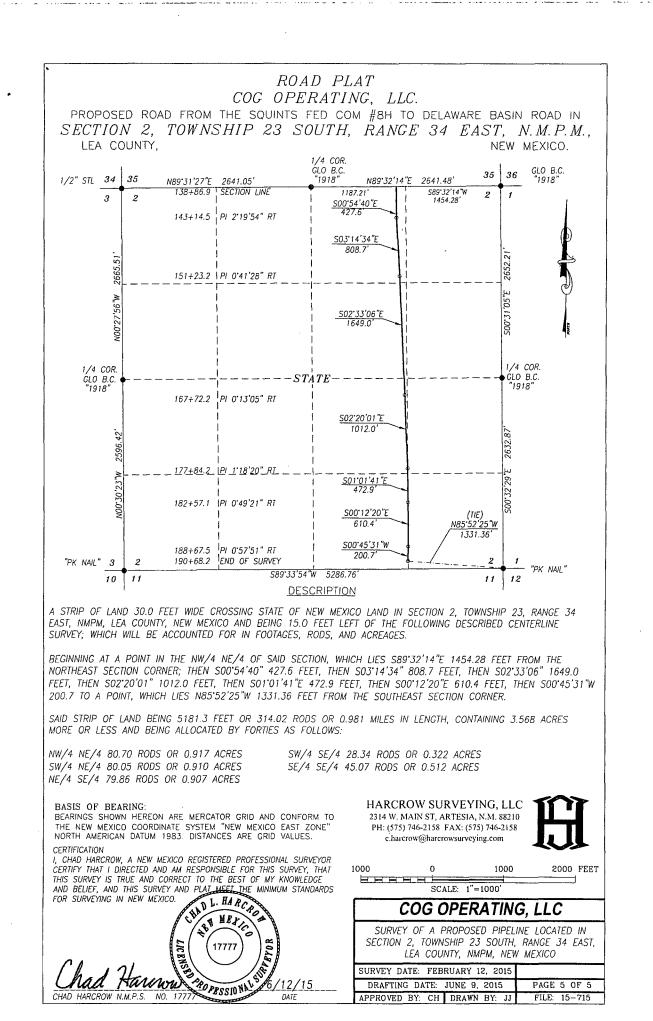
APPROVED BY: CH DRAWN BY: JJ

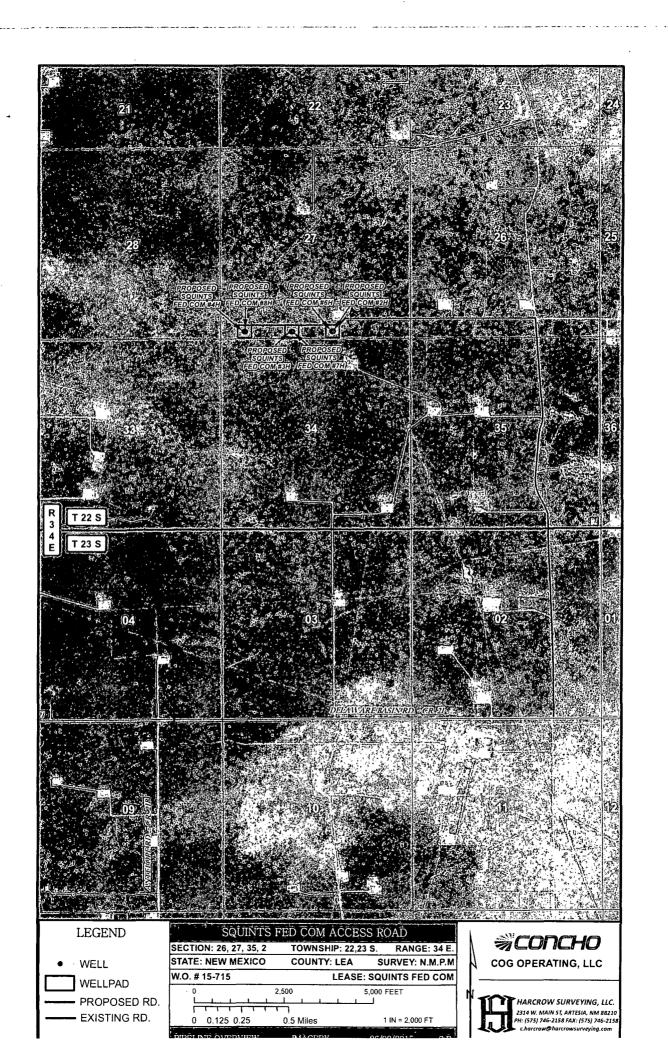
FILE: 15-715

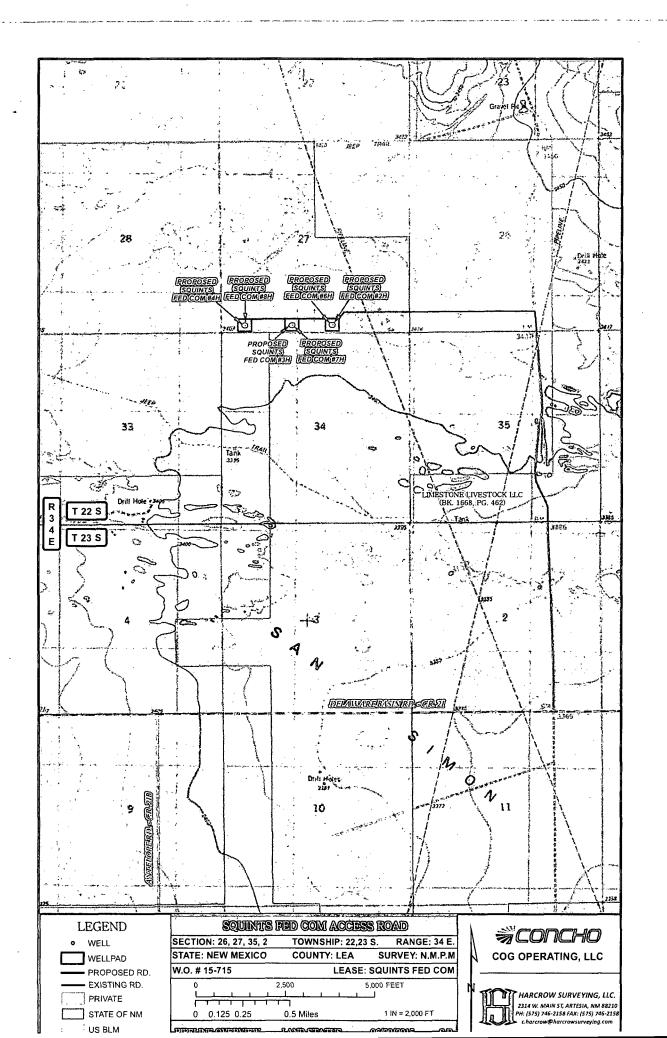




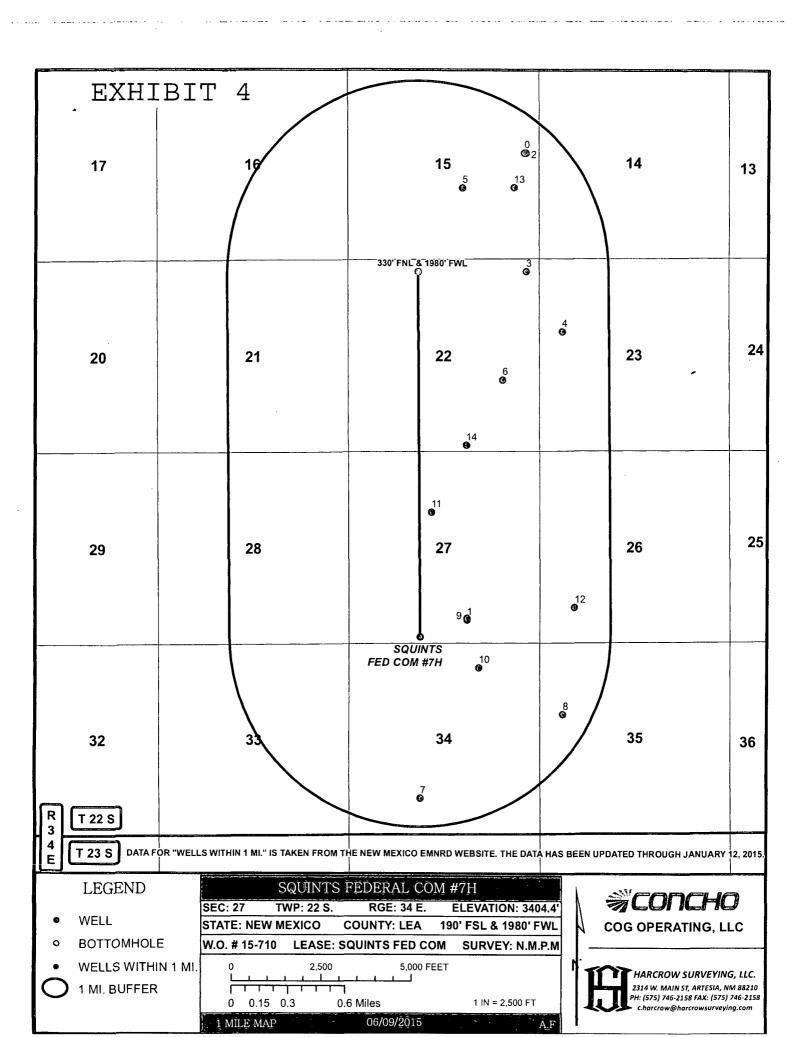








| 22 | .23 | 24 | 19 | 20 | 21 | 22 | 23 | 24 | 19 | 20 21 |
|----------|--------------------------|--------------|---|--|---|--|--|------------|--|--------------------------------------|
| 27 | 26 | 25 | 30 | 29 | 28 | 27 PROPOSE SQUINTS #7H FED COM | ^D 26 | 25 | 30 | 28 29 |
| 34 | 35 | 36 | 31 | 32 | PROPO | SED PROPO | SED | 36 | 31 | 32 33 |
| 03 | 02 | 01 | 06 | 05 | 04 DELAWARE B | 03 ASIN ROAD | 02 | 01 | 06 | 04 05 |
| 10 | 11 | 12 | 07 | 08 | CR 09 | | 11 | | 07 | 08 |
| 15 | 14 | 13 | 18 | 17 | 16 | 15 | 14 | 13 | 18 | 17 |
| 22 | 23 | 24 | 19 | 20 | 21 | 22 | 23 | 24 | 19 | 20 |
| 27 | 26 | 25 | 30 | 29 | 28 | 27 | 26 | 25 | 30 | 29 |
| 34 | 35 | 36 | 31 | 32 | 33 | 34 | 35 | 36 | 31 | 32 |
| 03 | 02 | 01 | 06 | 05 | 04 | 03 | 02 | 01 | 06 | 05 |
| 10 | 11 | 12 | 07 | 08 | 09 | 10 | 11 | 12 | 07 | 08 |
| 15 | 14 M 3 0 | 13 | 18 | 17 | 16 | 15 | 14 | 13 | 18 | 17 |
| <u> </u> | | 128 | | | | | A REAL PROPERTY OF | | | |
| • V | EGEND VELL VELLPAD | W.O . | 27 TW E: NEW ME # 15-710 0 2,500 5,0 | P: 22 S. XICO CO LEASE: SQL | DERAL CO RGE: 34 E. UNTY: LEA JINTS FED CO | ELEVATIO 190' FSL & OM SURVE 00 17,500 FEET | ON: 3404.4' 2010' FWL Y: N.M.P.M | COG | | IG, LLC |
| | XISTING F ROPOSED F | | 0 0.5 | <u>L, , , , , , , , , , , , , , , , , , , </u> | 7 2 Miles 06/09/2015 | | 7,000 FT A.F | ▕▕▕▌▙▙▃▄▋▖ | HARCROW SUR 2314 W. MAIN ST, AR 'H: (575) 746-2158 FA c.harcrow@harcrov | TESIA, NM 88210 X: (575) 746-2158 |



| TVD DEPTH COMPL STAT | 4053 Plugged | 4202 Plugged | 690 Plugged | 3881 Plugged | 14739 Plugged | 13575 Plugged | 13435 Plugged | 13428 Active | 12500 Active | 12780 Active | 13500 Plugged | 13530 Plugged | 13572 Active | 0 | 0 New (Not drilled or compl) |
|--|-------------------------|------------------------|-------------------------|------------------------|------------------------|-----------------------|------------------------|--------------------------|--------------------------------|------------------------|------------------------|--------------------------|---------------------------|--------------------------|---------------------------------|
| FTG EW EW CD | 380 E | 1980 E | 330 E | 330 E | 660 W | 2080 E | 3066 | 1980 W | 660 W | 1980 E | 1650 E | 2310 W | M 066 | 661 E | 1980 E |
| FTG NS NS CD | 2340 N | 660 S | 2340 N | 330 N | N 0861 | 1980 S | 1980 S | S 066 | 1980 N | 710 S | 660 N | 1650 N | S 066 | 1981 5 | 185 S |
| IIF RANGE | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E | 34E |
| SECTION TOWNSHIF RANGE | 15 22.05 | 27 22.05 | 15 22.05 | 22 22.05 | 23 22.05 · | 15 22.0S | 22 22.0S | 34 22.0S | 35 22.05 | 27 22.0S | 34 22.0S | 27 22.0S | 26 22.0S | 15 22.05 | 22 22.05 |
| LONGITUDE API S | -103.450437 3002508479 | -103.455758 3002508481 | -103.450274 3002512566 | -103.450303 3002524146 | -103.447096 3002524459 | -103.45598 3002524780 | -103.452478 3002529795 | -103.460025 3002530032 | -103.44719 3002530128 | -103.455757 3002530603 | -103.454695 3002530661 | -103.45889 3002530687 | -103.446089 3002530733 | -103.45136 3002538747 | -103.455715 3002542288 |
| LATITUDE | 32.392497 | 32.357233 | 32.392497 | 32.383521 | 32.378983 | 32.38987 | 32.375364 | 32.343644 | 32.349969 | 32.35737 | 32.353603 | 32.365388 | 32.358133 | 32.389873 | 32.370431 |
| WELL NAME | L B MERCHANT PERMIT 001 | SORRELLS 001 | L B MERCHANT PERMIT 001 | JACQUIE ANN 001 | OJO CHISO 001 | OJO CHISO UNIT 002 | FEDERAL 22 001 | MAXUS B 8026 JV-P 002 | MADDOX FEDERAL B 8016 JV-P 002 | SUN FEDERAL COM 001 | MAXUS B 8026 JV-P 003 | ANTELOPE FEDERAL COM 001 | OJO CHISO FED. 003 | FEDERAL 15-43 001! | PERRO LOCO 22 B30B FEDERAL 001H |
| Squints Fed Com #7H FID OPERATOR | 0 MAREAND OIL CO | 1 J W SORRELLS | 2 MARLAND OIL CO | 3 BYRON, MCKNIGHT & NO | 4 AMERICAN QUASAR PET | 5 AMERICAN QUASAR PET | 6 APACHE CORP | 7 BTA OIL PRODUCERS, LLC | 8 BTA OIL PRODUCERS, LLC | 9 COG OPERATING LLC | 10 BTA OIL PRODUCERS | 11 ORYX ENERGY CO | 12 BTA OIL PRODUCERS, LLC | 13 PETROGULF CORPORATION | 14 MEWBOURNE OIL CO |
| Squints FID | | | | | | | | | | | | | | | |