

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

R. Mark Galloway
Print or Type Name

R. Mark Galloway
Signature

Sr. Regulatory Specialist/
Attorney
Title

Date



KERR-MCGEE OIL & GAS ONSHORE LLC

P.O. BOX 809004 • DALLAS, TEXAS 75380-9004 • PH (972) 715-4000
14311 WELCH ROAD • DALLAS, TEXAS 75244-3934 • FAX (972) 715-4069

January 31, 2003

MR MICHAEL E STOGNER
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
1220 ST FRANCIS DR
SANTA FE NM 87504

FEB - 3 2003

**Re: Conoco State Well No. 8
Section 2, T22S, R23E, NMPM, Eddy County, New Mexico**

(30-015-32413)

Dear Mr. Stogner:

On behalf of Kerr-McGee Oil & Gas Onshore LLC, please find enclosed our administrative application for approval of an unorthodox gas well location for its Conoco State Well No. 8 which has been spudded at an orthodox surface location but which deviated to an unorthodox bottom hole location, being 1591 feet FSL and 1049 feet FEL, Section 2, T22S, R23E, NMPM, Eddy County, New Mexico, in and dedicated to a standard 320 acre oil and gas proration and spacing unit consisting of E/2 of said Section 2 for the production of oil and gas from the Cisco Canyon formations and currently within the boundary of the Indian Basin-Upper Pennsylvanian Associated Pool.

If you should need any further information, please contact me at the address on this letter or by telephone at 972 715-4249. I will be out of the office for the majority of the week beginning February 3, 2003. In my absence, please contact Mrs. Beverly Hoffman at 972 715-4830, as she is familiar with the issues involved with this Application.

Thank you for your consideration in getting this matter resolved.

Very truly yours,

R. Mark Galloway
Sr. Regulatory Specialist/Attorney

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

**IN THE MATTER OF THE ADMINISTRATIVE APPLICATION OF KERR-
MCGEE OIL & GAS ONSHORE LLC FOR APPROVAL OF AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Kerr-McGee Oil & Gas Onshore LLC (Kerr-McGee), in accordance with Division General Rule 104 F applies to the New Mexico Oil Conservation Division for administrative approval of an unorthodox gas well location for its Conoco State Well No.8, which was spudded at an orthodox location of 1710' FSL and 880' FEL of Section 2, T22S, R23E, Eddy County, NMPM, New Mexico but which bottom hole location resulted in an unorthodox location of 1591 feet FSL and 1049 feet FEL of Section 2, T22S, R23E, Eddy County, NMPM, New Mexico, and to be dedicated to a standard 320 acre, more or less, oil and gas spacing and proration unit consisting of E/2 of said Section 2 for oil and gas production from the Indian Basin-Upper Pennsylvanian Associated Pool.

and in support thereof states:

1. Kerr-McGee is a working interest owner in and the operator for E/2 of Section 2, T22S, R23E, NMPM, Eddy County, New Mexico which is located within the current boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool. (See Exhibit #1-Plat)

2. The E/2 of Section 2, T22S, R23E, NMPM, Eddy County, New Mexico was dedicated to the Indian Basin-Upper Pennsylvanian Associated Pool under Division Order No. R-9922-E, which provided for the contraction of E/2 of Section 2, T22S, R23E, from the Indian Basin-Upper Pennsylvania Gas Pool and the extension of Division Orders N. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D.

3. The Indian Basin-Upper Pennsylvanian Associated Pool's principal productive formations are the Cisco/Canyon formations, and its pooling rules provide for 320 acre oil and gas spacing and proration units, with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary and allow no more than one well per quarter section under Division Order N. R-9922-E.

4. The Conoco State No. 8 Well was spudded by Kerr-McGee at an orthodox location of 1710' FSL and 880' FEL of said Section 2. The Upper Penn was entered at a depth of 7430' at a location of 1600 FSL and 1026' FEL of Section 2. The bottom hole is

located at 1591' FSL and 1049' FEL of Section 2 with a total depth of 7974'. (See Exhibit #2 -Directional Survey & Exhibit #3-Drilling Narrative)

5. Therefore, the Kerr-McGee Conoco State No. 8 Well is at an unorthodox location because it is 266', more or less, from the south quarter- quarter line and 272', more or less, from the west quarter-quarter line within the 320 acre spacing unit.

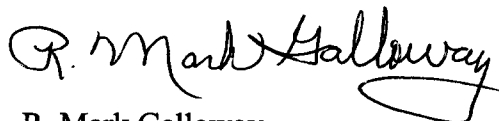
6. Kerr-McGee's conclusion is that no drainage will result from the deviated bottom hole location. The bottom hole is still 1591' from the south line of the Section and 1049' from the east line of the section, being the nearest outer boundary lines of the proration unit, and being much greater distances than the 660' requirement. The only factor requiring this Application for an unorthodox location is that the well now is located closer than 330' to quarter-quarter lines within the inner boundary of the spacing and proration unit.

7. Kerr-McGee further submits that it would cause waste and not protect correlative rights for the well, which is producing gas in commercial quantities, to be shut-in due to the unorthodox location of the bottom hole.

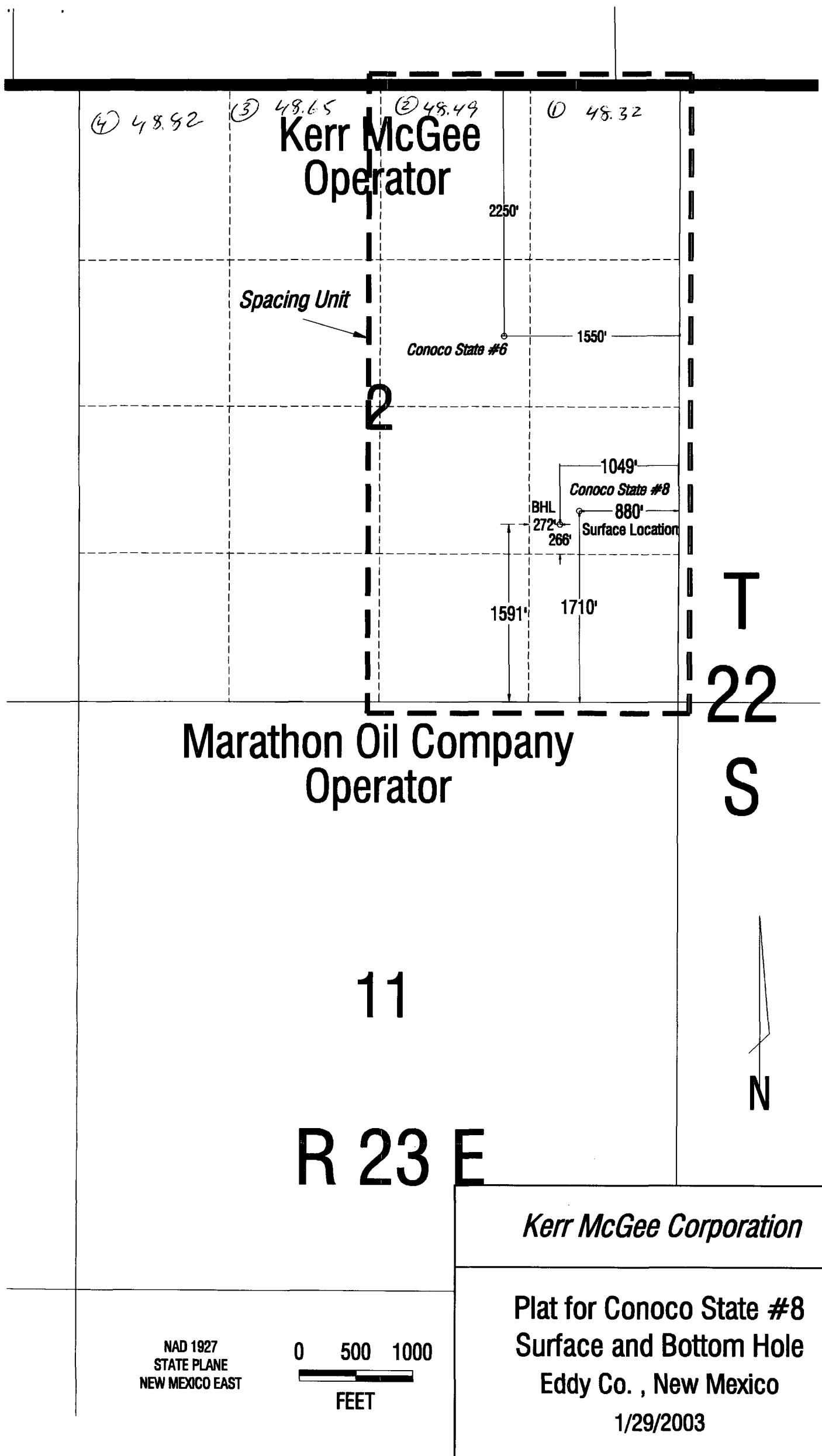
8. Applicant attests that on or before the date this Application was submitted to the Division that notice was sent along with a copy of this Application to all Affected Parties required to receive notice in accordance with Rule 1207 (A) (5). The only party which qualifies under the definition of "Affected Party" is Marathon Oil Company, who is the operator of a producing well to the adjoining and diagonal spacing units to the southwest, the direction in which the bottom hole moved. (See Exhibit #4-Certificate of Service)

WHEREFORE, Kerr-McGee requests that this matter be approved administratively by the Division.

Respectfully submitted,

A handwritten signature in black ink, reading "R. Mark Galloway". The signature is fluid and cursive, with a large, stylized "G" at the end.

R. Mark Galloway
Sr. Regulatory Specialist/Attorney
Kerr-McGee Oil & Gas Onshore LLC



Computalog Drilling Services

Client : KERR McGEE CORPORATION
 Well : CONOCO STATE WELL NO. 8
 Location : EDDY COUNTY, NEW MEXICO
 License :
 Comment : (POOL PULLING UNIT 1106)

Page: 1
 Date: 1/21/03
 File :

UWI #:

Vertical Section Calculated Along Azimuth 0.00°

KB Elevation = 0.00ft GR. Elevation = 3933.00ft

| | MD | Inc | Azi | TVD | North | East | V'Sect | D'Leg | Build | Turn |
|---|------|------|------|------|-------|------|--------|-------|-------|-------|
| | ft | deg | deg | ft | ft | ft | ft | °/100 | °/100 | °/100 |
| 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

CDS SURFACE RECORDING GYROSCOPIC MULTISHOT SURVEY FROM SURFACE TO 7840 FT MD

DATE(S): JANUARY 21, 2003

CORRECTION IS 9.15 DEGREES EAST

ALL DIRECTIONS ARE FROM TRUE NORTH

| | | | | | | | | | | |
|----|---------|------|--------|---------|--------|-------|--------|------|-------|---------|
| 1 | 100.00 | 0.17 | 110.69 | 100.00 | -0.05 | 0.14 | -0.05 | 0.17 | 0.17 | 110.69 |
| 2 | 200.00 | 0.37 | 313.12 | 200.00 | 0.12 | 0.04 | 0.12 | 0.53 | 0.20 | -157.57 |
| 3 | 300.00 | 1.08 | 355.10 | 299.99 | 1.28 | -0.27 | 1.28 | 0.84 | 0.71 | 41.98 |
| 4 | 400.00 | 1.65 | 24.66 | 399.96 | 3.52 | 0.25 | 3.52 | 0.89 | 0.57 | 29.56 |
| 5 | 500.00 | 1.26 | 51.03 | 499.93 | 5.52 | 1.70 | 5.52 | 0.76 | -0.39 | 26.37 |
| 6 | 600.00 | 1.64 | 60.41 | 599.90 | 6.92 | 3.80 | 6.92 | 0.45 | 0.38 | 9.38 |
| 7 | 700.00 | 1.27 | 55.58 | 699.87 | 8.25 | 5.96 | 8.25 | 0.39 | -0.37 | -4.83 |
| 8 | 800.00 | 0.64 | 93.05 | 799.85 | 8.85 | 7.43 | 8.85 | 0.86 | -0.63 | 37.47 |
| 9 | 900.00 | 1.15 | 112.28 | 899.84 | 8.44 | 8.92 | 8.44 | 0.59 | 0.51 | 19.23 |
| 10 | 1000.00 | 1.43 | 113.79 | 999.82 | 7.56 | 10.99 | 7.56 | 0.28 | 0.28 | 1.51 |
| 11 | 1100.00 | 1.07 | 128.03 | 1099.79 | 6.48 | 12.86 | 6.48 | 0.47 | -0.36 | 14.24 |
| 12 | 1200.00 | 0.72 | 124.47 | 1199.78 | 5.55 | 14.12 | 5.55 | 0.35 | -0.35 | -3.56 |
| 13 | 1300.00 | 0.98 | 138.53 | 1299.77 | 4.55 | 15.20 | 4.55 | 0.33 | 0.26 | 14.06 |
| 14 | 1400.00 | 0.77 | 105.74 | 1399.76 | 3.73 | 16.42 | 3.73 | 0.53 | -0.21 | -32.79 |
| 15 | 1500.00 | 1.16 | 115.30 | 1499.74 | 3.11 | 17.98 | 3.11 | 0.42 | 0.39 | 9.56 |
| 16 | 1600.00 | 1.12 | 111.37 | 1599.72 | 2.32 | 19.80 | 2.32 | 0.09 | -0.04 | -3.93 |
| 17 | 1700.00 | 1.16 | 119.35 | 1699.70 | 1.47 | 21.60 | 1.47 | 0.16 | 0.04 | 7.98 |
| 18 | 1800.00 | 0.62 | 137.14 | 1799.69 | 0.58 | 22.85 | 0.58 | 0.60 | -0.54 | 17.79 |
| 19 | 1900.00 | 1.01 | 141.84 | 1899.68 | -0.51 | 23.76 | -0.51 | 0.40 | 0.39 | 4.70 |
| 20 | 2000.00 | 1.00 | 136.00 | 1999.67 | -1.83 | 24.91 | -1.83 | 0.10 | -0.01 | -5.84 |
| 21 | 2100.00 | 0.60 | 133.54 | 2099.66 | -2.82 | 25.89 | -2.82 | 0.40 | -0.40 | -2.46 |
| 22 | 2200.00 | 0.92 | 137.92 | 2199.65 | -3.78 | 26.81 | -3.78 | 0.32 | 0.32 | 4.38 |
| 23 | 2300.00 | 1.01 | 136.87 | 2299.63 | -5.01 | 27.95 | -5.01 | 0.09 | 0.09 | -1.05 |
| 24 | 2400.00 | 1.07 | 133.38 | 2399.62 | -6.30 | 29.23 | -6.30 | 0.09 | 0.06 | -3.49 |
| 25 | 2500.00 | 0.60 | 138.51 | 2499.61 | -7.33 | 30.26 | -7.33 | 0.48 | -0.47 | 5.13 |
| 26 | 2600.00 | 0.65 | 124.99 | 2599.60 | -8.05 | 31.07 | -8.05 | 0.16 | 0.05 | -13.52 |
| 27 | 2700.00 | 1.12 | 141.80 | 2699.59 | -9.14 | 32.14 | -9.14 | 0.53 | 0.47 | 16.81 |
| 28 | 2800.00 | 1.18 | 145.38 | 2799.57 | -10.76 | 33.33 | -10.76 | 0.09 | 0.06 | 3.58 |
| 29 | 2900.00 | 0.72 | 151.66 | 2899.55 | -12.16 | 34.21 | -12.16 | 0.47 | -0.46 | 6.28 |
| 30 | 3000.00 | 0.68 | 151.94 | 2999.55 | -13.24 | 34.79 | -13.24 | 0.04 | -0.04 | 0.28 |

Computalog Drilling Services

Client : KERR McGEE CORPORATION
Well : CONOCO STATE WELL NO. 8
Location : EDDY COUNTY, NEW MEXICO
License :
Comment : (POOL PULLING UNIT 1106)

Page: 2
Date: 1/21/03
File :

UWI #:

Vertical Section Calculated Along Azimuth 0.00°

KB Elevation = 0.00ft

GR. Elevation = 3933.00ft

| | MD ft | Inc deg | Azi deg | TVD ft | North ft | East ft | V'Sect ft | D'Leg °/100 | Build °/100 | Turn °/100 |
|----|----------|------------|------------|-----------|-------------|------------|--------------|----------------|----------------|---------------|
| 31 | 3100.00 | 0.60 | 157.50 | 3099.54 | -14.24 | 35.27 | -14.24 | 0.10 | -0.08 | 5.56 |
| 32 | 3200.00 | 0.59 | 164.16 | 3199.54 | -15.22 | 35.61 | -15.22 | 0.07 | -0.01 | 6.66 |
| 33 | 3300.00 | 0.60 | 184.91 | 3299.53 | -16.24 | 35.71 | -16.24 | 0.21 | 0.01 | 20.75 |
| 34 | 3400.00 | 0.55 | 151.19 | 3399.52 | -17.18 | 35.89 | -17.18 | 0.34 | -0.05 | -33.72 |
| 35 | 3500.00 | 0.41 | 227.95 | 3499.52 | -17.84 | 35.86 | -17.84 | 0.61 | -0.14 | 76.76 |
| 36 | 3600.00 | 0.27 | 156.83 | 3599.52 | -18.30 | 35.69 | -18.30 | 0.41 | -0.14 | -71.12 |
| 37 | 3700.00 | 0.56 | 211.70 | 3699.52 | -18.93 | 35.52 | -18.93 | 0.46 | 0.29 | 54.87 |
| 38 | 3800.00 | 0.64 | 214.77 | 3799.51 | -19.81 | 34.95 | -19.81 | 0.09 | 0.08 | 3.07 |
| 39 | 3900.00 | 0.37 | 253.54 | 3899.51 | -20.36 | 34.32 | -20.36 | 0.42 | -0.27 | 38.77 |
| 40 | 4000.00 | 1.04 | 255.16 | 3999.50 | -20.68 | 33.13 | -20.68 | 0.67 | 0.67 | 1.62 |
| 41 | 4100.00 | 1.23 | 252.72 | 4099.48 | -21.23 | 31.23 | -21.23 | 0.20 | 0.19 | -2.44 |
| 42 | 4200.00 | 1.49 | 258.01 | 4199.45 | -21.82 | 28.93 | -21.82 | 0.29 | 0.26 | 5.29 |
| 43 | 4300.00 | 1.38 | 256.00 | 4299.42 | -22.38 | 26.49 | -22.38 | 0.12 | -0.11 | -2.01 |
| 44 | 4400.00 | 2.01 | 252.04 | 4399.38 | -23.21 | 23.66 | -23.21 | 0.64 | 0.63 | -3.96 |
| 45 | 4500.00 | 2.31 | 251.04 | 4499.31 | -24.41 | 20.08 | -24.41 | 0.30 | 0.30 | -1.00 |
| 46 | 4600.00 | 2.67 | 248.61 | 4599.21 | -25.91 | 16.01 | -25.91 | 0.38 | 0.36 | -2.43 |
| 47 | 4700.00 | 3.02 | 241.74 | 4699.09 | -28.01 | 11.52 | -28.01 | 0.49 | 0.35 | -6.87 |
| 48 | 4800.00 | 3.40 | 240.29 | 4798.93 | -30.73 | 6.62 | -30.73 | 0.39 | 0.38 | -1.45 |
| 49 | 4900.00 | 3.87 | 234.98 | 4898.73 | -34.13 | 1.28 | -34.13 | 0.58 | 0.47 | -5.31 |
| 50 | 5000.00 | 4.15 | 237.15 | 4998.49 | -38.03 | -4.52 | -38.03 | 0.32 | 0.28 | 2.17 |
| 51 | 5100.00 | 4.40 | 240.63 | 5098.21 | -41.88 | -10.90 | -41.88 | 0.36 | 0.25 | 3.48 |
| 52 | 5200.00 | 4.53 | 239.54 | 5197.90 | -45.76 | -17.65 | -45.76 | 0.16 | 0.13 | -1.09 |
| 53 | 5300.00 | 4.50 | 244.22 | 5297.59 | -49.47 | -24.59 | -49.47 | 0.37 | -0.03 | 4.68 |
| 54 | 5400.00 | 4.27 | 243.21 | 5397.30 | -52.85 | -31.44 | -52.85 | 0.24 | -0.23 | -1.01 |
| 55 | 5500.00 | 4.42 | 239.67 | 5497.01 | -56.48 | -38.09 | -56.48 | 0.31 | 0.15 | -3.54 |
| 56 | 5600.00 | 4.54 | 238.37 | 5596.71 | -60.50 | -44.79 | -60.50 | 0.16 | 0.12 | -1.30 |
| 57 | 5700.00 | 4.87 | 236.84 | 5696.37 | -64.89 | -51.71 | -64.89 | 0.35 | 0.33 | -1.53 |
| 58 | 5800.00 | 4.90 | 236.65 | 5796.01 | -69.56 | -58.83 | -69.56 | 0.03 | 0.03 | -0.19 |
| 59 | 5900.00 | 5.09 | 234.72 | 5895.63 | -74.47 | -66.02 | -74.47 | 0.25 | 0.19 | -1.93 |
| 60 | 6000.00 | 5.03 | 241.59 | 5995.24 | -79.12 | -73.50 | -79.12 | 0.61 | -0.06 | 6.87 |
| 61 | 6100.00 | 3.98 | 229.20 | 6094.93 | -83.48 | -79.98 | -83.48 | 1.43 | -1.05 | -12.39 |
| 62 | 6200.00 | 3.76 | 225.99 | 6194.70 | -88.02 | -84.97 | -88.02 | 0.31 | -0.22 | -3.21 |
| 63 | 6300.00 | 3.10 | 234.20 | 6294.52 | -91.88 | -89.52 | -91.88 | 0.82 | -0.66 | 8.21 |
| 64 | 6400.00 | 2.67 | 235.66 | 6394.40 | -94.78 | -93.63 | -94.78 | 0.44 | -0.43 | 1.46 |

Computalog Drilling Services

Client : KERR McGEE CORPORATION
 Well : CONOCO STATE WELL NO. 8
 Location : EDDY COUNTY, NEW MEXICO
 License :
 Comment : (POOL PULLING UNIT 1106)

UWI #:

Page: 3
 Date: 1/21/03
 File :

| Vertical Section Calculated Along Azimuth 0.00° | | | | | | | | | | |
|---|---------|------|--------|---------------------------|---------|---------|---------|-------|-------|--------|
| KB Elevation = 0.00ft | | | | GR. Elevation = 3933.00ft | | | | | | |
| | MD | Inc | Azi | TVD | North | East | V'Sect | D'Leg | Build | Turn |
| | ft | deg | deg | ft | ft | ft | ft | °/100 | °/100 | °/100 |
| 65 | 6500.00 | 2.48 | 233.21 | 6494.30 | -97.39 | -97.29 | -97.39 | 0.22 | -0.19 | -2.45 |
| 66 | 6600.00 | 2.17 | 231.27 | 6594.21 | -99.87 | -100.50 | -99.87 | 0.32 | -0.31 | -1.94 |
| 67 | 6700.00 | 2.58 | 261.39 | 6694.13 | -101.39 | -104.20 | -101.39 | 1.30 | 0.41 | 30.12 |
| 68 | 6800.00 | 4.30 | 260.85 | 6793.95 | -102.32 | -110.13 | -102.32 | 1.72 | 1.72 | -0.54 |
| 69 | 6900.00 | 5.04 | 255.82 | 6893.62 | -103.99 | -118.09 | -103.99 | 0.85 | 0.74 | -5.03 |
| 70 | 7000.00 | 4.54 | 256.30 | 6993.27 | -106.01 | -126.19 | -106.01 | 0.50 | -0.50 | 0.48 |
| 71 | 7100.00 | 2.92 | 270.37 | 7093.05 | -106.93 | -132.59 | -106.93 | 1.85 | -1.62 | 14.07 |
| 72 | 7200.00 | 2.80 | 279.00 | 7192.93 | -106.53 | -137.55 | -106.53 | 0.45 | -0.12 | 8.63 |
| 73 | 7300.00 | 2.41 | 247.52 | 7292.83 | -106.95 | -141.90 | -106.95 | 1.46 | -0.39 | -31.48 |
| 74 | 7400.00 | 2.93 | 239.30 | 7392.72 | -109.06 | -146.04 | -109.06 | 0.64 | 0.52 | -8.22 |
| 75 | 7500.00 | 2.85 | 244.50 | 7492.60 | -111.44 | -150.48 | -111.44 | 0.27 | -0.08 | 5.20 |
| 76 | 7600.00 | 2.22 | 245.26 | 7592.50 | -113.32 | -154.49 | -113.32 | 0.63 | -0.63 | 0.76 |
| 77 | 7700.00 | 2.41 | 245.37 | 7692.42 | -115.00 | -158.16 | -115.00 | 0.19 | 0.19 | 0.11 |
| 78 | 7800.00 | 1.83 | 244.23 | 7792.35 | -116.57 | -161.51 | -116.57 | 0.58 | -0.58 | -1.14 |
| 79 | 7840.00 | 1.81 | 243.60 | 7832.33 | -117.13 | -162.65 | -117.13 | 0.07 | -0.05 | -1.58 |

Bottom Hole Closure 200.43ft Along Azimuth 234.24°

DRILLING NARRATIVE

During the drilling of the Conoco State #8 below surface casing in the 8-3/4" hole, deviation of the well bore was monitored by mechanical surveys run through the drill pipe and retrieved on wireline. These surveys only recorded inclination. Deviation was monitored to be less than 3 degrees to +/- 5000'. From 5000' on, the deviation of the well bore gradually increased to 4.5 degrees by 5600'. At that point, weight on bit and other drilling parameters were adjusted in an attempt to control deviation. Deviation increased to a maximum of 5.75 degrees by 6000' and then started to decrease. By 6500' the deviation was back down to 3 degrees and normal drilling parameters were resumed. The inclination surveys below this depth varied from a high of 5 degrees to a low of 2 degrees at the total depth of the well (7974'). This variance was most probably caused by the cavernous sections encountered and enlarged well bore diameter.

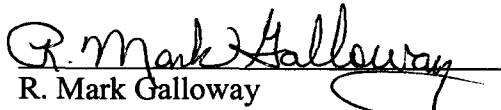


Al Ramos
Drilling Manager
Kerr-McGee Oil & Gas Onshore LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Administrative Application by Kerr-McGee Oil & Gas Onshore LLC, including a Plat of the spacing and proration unit in question, has been served by facsimile and registered U. S. mail-return receipt on the 31st day of January, 2003, to:

Mr. John Kloosterman
Marathon Oil Company
Box 552
Midland, TX 79702


R. Mark Galloway
Sr. Regulatory Specialist/Attorney
Kerr-McGee Oil & Gas Onshore LLC

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

Form C-101
Revised March 17, 1999

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

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 KERR-McGEE OIL & GAS ONSHORE LLC P.O. Box 809004 DALLAS, TX 75380-9004 | | ² OGRID Number 012558 |
| | | ³ API Number 30- |
| ⁴ Property Code | ⁵ Property Name CONOCO STATE | ⁶ Well No. 8 |

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 |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| I | 2 | 22 S | 23 E | | 1710' | SOUTH | 880' | EAST | 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 |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| I | 2 | 22S | 23E | | 1591 | SOUTH | 1049 | EAST | EDDY |

| | |
|--|-------------------------------|
| ⁹ Proposed Pool 1 INDIAN BASIN (UPPER PENN) ASSOCIATED | ¹⁰ Proposed Pool 2 |
|--|-------------------------------|

| | | | | |
|-----------------------------------|---------------------------------------|---------------------------------------|---|---|
| ¹¹ Work Type Code N | ¹² Well Type Code G | ¹³ Cable/Rotary ROTARY | ¹⁴ Lease Type Code S | ¹⁵ Ground Level Elevation 3933' |
| ¹⁶ Multiple NO | ¹⁷ Proposed Depth 8200' | ¹⁸ Formation UPPER PENN | ¹⁹ Contractor NOT YET AWARDED | ²⁰ Spud Date 09-01-02 |

²¹ Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 18 1/2" | 16" | 84# | + - 40' | GROUTED IN | SURFACE |
| 14 3/4" | 9 5/8" | 36# | 1347' | 1230 SXS | SURFACE |
| 8 3/4" | 7" | 23# & 26# | 7975' | 450 SXS | 6500' |
| | | | | | |
| | | | | | |

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.

BOP & choke manifold will be 3M systems. 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: Ram type preventers will be tested to 70% of casing burst pressure. Annular preventer will be tested to 1500 psi.

| | | | |
|--|---------------------|--|------------------|
| ²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. | | OIL CONSERVATION DIVISION | |
| Signature: <i>R. Mark Galloway</i> | | | |
| Printed name: R. MARK GALLOWAY | | Approved by: | |
| Title: REGULATORY SPECIALIST | | Title: | |
| Date: 01-31-03 | Phone: 972 715-4249 | Approval Date: | Expiration Date: |
| | | Conditions of Approval: Attached <input type="checkbox"/> | |

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 |
| Property Code | Property Name CONOCO STATE | Well Number 8 |
| OGRID No. | Operator Name KERR-McGEE OIL & GAS ONSHORE, LLC | Elevation 3933' |

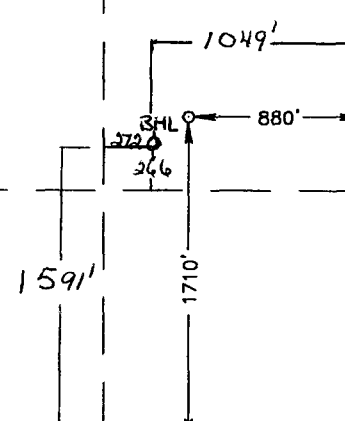
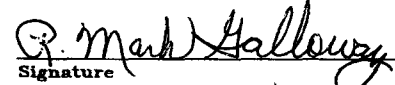
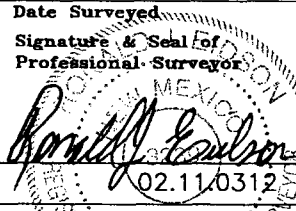
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| I | 2 | 22-S | 23-E | | 1710 | SOUTH | 880 | EAST | 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 |
|-----------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| I | 2 | 22S | 23E | | 1591 | South | 1049 | EAST | EDDY |
| 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

| | | | |
|---|----------|----------|----------|
| LOT 4 | LOT 3 | LOT 2 | LOT 1 |
| 48.82 ac | 48.65 ac | 48.49 ac | 48.32 ac |
|  | | | |
| 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 R. Mark Galloway Printed Name Regulatory Specialist Title 1-31-03 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> APRIL 26, 2002 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. RONALD J. EDSON 3239 GARY EIDSON 12841 | | | |

★ REVISED ★

Ref File

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
811 South First, Artesia, NM 87210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-103
Revised March 25, 1999

| | | |
|--|--|---|
| SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) | | WELL API NO. 30-015-32413 |
| 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other | | 5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/> |
| 2. Name of Operator KERR-MCGEE OIL & GAS ONSHORE LLC | | 6. State Oil & Gas Lease No. 012558 |
| 3. Address of Operator P.O. Box 809004, Dallas, TX 75380-9004 | | 7. Lease Name or Unit Agreement Name: CONOCO STATE |
| 4. Well Location Unit Letter I : 1710' feet from the SOUTH line and 880 feet from the EAST line Section 2 Township 22 S Range 23 E NMPM County EDDY | | 8. Well No. 8 |
| 10. Elevation (Show whether DR, RKB, RT, GR, etc.) 3933' | | 9. Pool name or Wildcat INDIAN BASIN (UPPER PENN) |

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
 COMMENCE DRILLING OPNS. ☒ PLUG AND ABANDONMENT ☐
 CASING TEST AND CEMENT JOB ☒

OTHER: ☐ OTHER: ☒ **X DRILLED, COMPLETED, PLACED ON PRODUCTION**

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

10/03/2002 Spud well
 10/09/2002 Ran and Cemented 9-5/8" surface pipe, csg seat @ 1347'
 Halliburton cemented w/ 1230 sx Class C Cmt.
 10/15/2002 DRILL OUT CEMENT*, FLOAT EQUIPMENT, & SHOE JOINT TO 1,347'.
 10-29-2002 Reached TD of production hole @ 7975', Deviation Survey - 2 Deg.
 10-30-2002 Ran and cemented 7" csg Casing seat at 7975'
 10-30-2002 Halliburton cmt'd first stage w/190 sx Class H; DV Tool @ 7107'
 10-30-2002 Drop opening Bomb for DV tool; Halliburton cmt'd second stage w/260 sx Class C; Released Rig

*Waiting time prior to drill out of surface pipe was 130 hours.
 Continued on next page.

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

SIGNATURE Beverly Hoffman TITLE Proration Analyst DATE 12-10-02

Type or print name Beverly Hoffman Telephone No. _____

(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____
Conditions of approval, if any:

New Mexico Form C-103 continued

Conoco State #8

1710' from South line and 880' from the East line

Section 2 Township 22S Range 23E, Eddy County, New Mexico

11-07-2002 RU Schlumberger, Ran CCL-CBL-GR. RAN BOND LOG TOC @ APPROX. 6500'.

11-07-2002 PERF UPPER PENN @ 7626-7646, 7568-7600, 7496-7534

11-12-2002 Frac perfs with 3498 bbls fluid (Frac fluid, 20% HCL gelled acid and foamed w/nitrogen 30 Q BH, 20% HCL slick Acid)

11-13-2002 Run in hole w/238 JTS 2-7/8" TBG; tbg seat @ 7733'

11-15-2002 Rig down, realease rig; switched down flowline to Conoco Facility

The maximum possible horizontal displacement of the hole is 303.05'. See the attached Record of Inclination.