Form 3160-3 FORM APPROVED OMB No. 1004-0137 Expires October 31, 2014 (March 2012) HOBBS OCD UNITED STATES Lease Serial No. DEPARTMENT OF THE INTERIOR NMNM128929 & NMNM120910 BUREAU OF LAND MANAGEMENT MAY 0.5 2016 6. If Indian, Allotee or Tribe Name APPLICATION FOR PERMIT TO DRILL OR REENTER RECEIVED 7 If Unit or CA Agreement, Name and No. DRILL REENTER la. Type of work: 8. Lease Name and Well No. lb. Type of Well: ✓ Oil Well Gas Well ✓ Single Zone Multiple Zone Paduca 7/6 B2ED Fed Com #2H Name of Operator Mewbourne Oil Company 9. API Well No. 3b. Phone No. (include area code) 3a. Address PO.Box 5270 575-390-6838 WC-025 6-06 525320 Hobbs, NM 88241 11. Sec., T. R. M. or Blk. and Survey or Area Location of Well (Report location clearly and in accordance with any State requirements.*) At surface 2455' FNL & 660' FWL, Sec 7 T26S R32E Sec 7 T26S R32E At proposed prod. zone 330' FNL & 660' FWL, Sec 6 T26S R32E 12. County or Parish 13. State 14. Distance in miles and direction from nearest town or post office* NM 31 miles SW of Jal, NM 15. Distance from proposed* 16. No. of acres in lease NMNM128929-760.71 17. Spacing Unit dedicated to this well location to nearest 240 property or lease line, ft. (Also to nearest drig. unit line, if any) NMNM120910-80 20. BLM/BIA Bond No. on file 19. Proposed Depth 18. Distance from proposed location* Distance from proposed location* 330' - Paduca 7/6 A2ED to nearest well, drilling, completed, #1H 10.376' - TVD NM1693 nationwide, NMB-000919 applied for, on this lease, ft. 17,620 - MD 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 22. Approximate date work will start* Estimated duration 03/22/2016 60 days 24. Attachments The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form: 1. Well plat certified by a registered surveyor. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). 2. A Drilling Plan. 3. A Surface Use Plan (if the location is on National Forest System Lands, the Operator certification SUPO must be filed with the appropriate Forest Service Office). Such other site specific information and/or plans as may be required by the 25. Signature Name (Printed/Typed) 1-22-16 Bradlev Bishop Title Approved by (Signature) Name (Printed/Typed) /s/George MacDonell Office Title **CARLSBAD FIELD OFFICE** FIELD MANAGER

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, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

Carlsbad Controlled Water Basin

SEE ATTACHED FOR CONDITIONS OF APPROVAL

05/06/16

Approval Subject to General Requirements & Special Stipulations Attached

SL: 2455' FNL & 660' FWL, Sec 7 BHL: 330' FNL & 660' FWL, Sec 6

1. Geologic Formations

TVD of target	10376'	Pilot hole depth	NA
MD at TD:	17620'	Deepest expected fresh water:	275'

Basin

Depth (TVD)	Water/Mineral Bearing/	Hazards*
from KB	Target Zone?	A Company of the Comp
Surface		
1056		
1408		
4167		
4369	Oil/Gas	
4446		
5401		
5547		
6894		
8356	Oil/Gas	•;
9331		
9990	Target Zone	
		·
	Will Not Penetrate	
	From KB Surface 1056 1408 4167 4369 4446 5401 5547 6894 8356 9331	Surface 1056 1408 4167 4369 Oil/Gas 4446 5401 5547 6894 8356 Oil/Gas 9331 Target Zone

^{*}H2S, water flows, loss of circulation, abnormal pressures, etc.

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2. Casing Program

See

Hole	Casin	g Interval	Csg.	Weight	Grade	Conn.	SF	SF	SF
Size	From	To	Size	(lbs)			Collapse	Burst	Tension
17.5"	0'	1085 1210	13.375"	48	H40	STC	1.31	3.07	6.18
12.25"	0'	3453'	9.625"	36	J55	LTC	1.13	1.96	2.87
12.25"	3453'	4295'	9.625"	40	J55	LTC	1.15	1.77	15.44
8.75"	0'	3110'	5.5"	17	P110	BTC	4.62	4.62	1.82
8.75"	3110'	9884'	5.5"	17	P110	LTC	1.46	2.07	1.80
8.75"	9884'	10633'	5.5"	17	P110	BTC	1.39	1.97	.4.15
8.75"	10633'	17620'	5.5"	17	P110	LTC	1.39	1.97	3.74
				BLM Min	imum Safet	y Factor	1.125	1	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

Must have table for contingency casing

	Y or N	
Is casing new? If used, attach certification as required in Onshore Order #1		
Is casing API approved? If no, attach casing specification sheet.	Y	
Is premium or uncommon casing planned? If yes attach casing specification sheet.	N	
Does the above casing design meet or exceed BLM's minimum standards? If not provide justification (loading assumptions, casing design criteria).	Y	
Will the pipe be kept at a minimum 1/3 fluid filled to avoid approaching the collapse pressure rating of the casing?	Y	
Is well located within Capitan Reef?	N	
	N	
If yes, does production casing cement tie back a minimum of 50' above the Reef?		
Is well within the designated 4 string boundary.		
Is well located in SOPA but not in R-111-P?	N	
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?		
Is well located in high Cave/Karst?	Y	
	<u>.</u>	
If yes, are there two strings cemented to surface?	<u>Y</u>	
(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?		

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3. Cementing Program

J. Cem	5. Cementing Flogram						
Casing	#Sks	Wt. lb/ gal	Yld ft3/ sack	H₂0 gal/ sk	500# Comp. Strength (hours)	Slurry Description	
Surf.	590	14.8	2.12	6.3	8	Class C + 0.005pps Static Free + 1% CaCl2 + 0.25 pps CelloFlake + 0.005 gps FP-6L	
	200	14.8	1.34	6.3	8	Tail: Class C + 0.25 lb/sk Cello Flake + 0.005 lb/sk Static Free	
Inter.	665	12.5	2.12	11	10	Lead: Class C (35:65:4) + 5% Sodium Chloride +5#/sk LCM +0.25lb/sk Cello-Flake	
	200	14.8	1.34	6.3	8	Tail: Class C + 0.25 lb/sk Cello Flake + 0.005 lb/sk Static Free	
Prod.	1440	11.2	2.97	18	16	Class C (60:40:0)+4% MPA5+1.2% BA10A+10#/sk BA90+5%A10+0.65%ASA301+1.5%SMS+1.2%R21	

A copy of cement test will be available on location at time of cement job providing pump times & compressive strengths.

Casing String	TOC	% Excess
Surface	0'	100%
Intermediate	0'	25%
Production	4095'	25%

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4. Pressure Control Equipment

<u>. </u>		 	
Variance N	Jone		į
Variance: I	None	4.5	

BOP installed and tested before drilling which hole?	Size?	System Rated WP	T	ype		Tested to:				
			Anı	nular	X	1500#				
	}		Bline	l Ram						
12-1/4"	13-5/8"	3M	Pipe	Pipe Ram		·				
			Doub	Double Ram						
			Other*							
			Anı	nular	X	2500#				
		·	Bline	d Ram	X					
8-3/4"	8-3/4" 13-5/8" 5M Pipe Ram Double Ram	13-5/8"	13-5/8"	13-5/8" 5M	Pipe Ram		5M Pipe Ram		X	5000#
		Double Ram		Double Ram			3000#			
			Other*	-						

^{*}Specify if additional ram is utilized.

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.

X	On Ex	tion integrity test will be performed per Onshore Order #2. ploratory wells or on that portion of any well approved for a 5M BOPE system or r, a pressure integrity test of each casing shoe shall be performed. Will be tested in lance with Onshore Oil and Gas Order #2 III.B.1.i.				
	1	ance is requested for the use of a flexible choke line from the BOP to Choke				
Y	Y Manifold. See attached for specs and hydrostatic test chart.					
	N Are anchors required by manufacturer?					

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- N 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.
 - Provide description here

See attached schematic.

5. Mud Program

De	pth	Type	Weight (ppg)	Viscosity	Water Loss
From	To				
0	1085 1210	FW Gel	8.6-8.8	28-34	N/C
1085	4295	Saturated Brine	10.0	28-34	N/C
4295	9884	Cut Brine	8.6-9.5	28-34	N/C
9884	17620	FW w/ Polymer	8.6-9.5	30-40	<20cc

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 to monitor the loss or gain	Visual Monitoring
of fluid?	

6. Logging and Testing Procedures

Logg	ing, Coring and Testing.
X	Will run GR/CNL from KOP (9884') to surface (horizontal well – vertical portion of
}	hole). Stated 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

Additional logs planned		Interval	
X	Gamma Ray	9884'(KOP) to TD	
	Density		
	CBL		
	Mud log		
	PEX		

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7. Drilling Conditions

Condition	Specify what type and where?
BH Pressure at deepest TVD	5126 psi
Abnormal Temperature	No

Mitigation measure for abnormal conditions. Describe. Lost circulation material/sweeps/mud scavengers in surface hole.

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.		
	H2S is present	
X	H2S Plan attached	

8. Other facets of operation

Is this a walking operation? If yes, describe. Will be pre-setting casing? If yes, describe.

Attachments		
	Directional Plan	
	Other, describe	

