

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

N. M. OIL GONG SUBMIT IN TRIPLICATE  
P. O. BOX 1600 (Other Instruc on reverse side)  
MUSKIE NEW MEXICO 88240

FORM APPROVED  
OMB NO. 1004-0136  
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK  
 DRILL  DEEPEN

b. TYPE OF WELL  
 OIL WELL  GAS WELL  OTHER

2. NAME OF OPERATOR  
 OGS Operating Co., Inc.

3. ADDRESS AND TELEPHONE NO.  
 550 W. Texas, Suite 1140; Midland, Texas 79701 (915)682-6373

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)\*  
 At surface  
 (G) 1650' FNL & 2080' FEL  
 At proposed prod. zone

5. LEASE DESIGNATION AND SERIAL NO.  
 NM-100565

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.  
 GOB "33" Fed #1

9. AM WELL NO.  
 30-025-34627

10. FIELD AND POOL, OR WILDCAT  
 Lynch Yates - 7 Rivers

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA  
 Sec. 33, T-20-S, R-34-E

12. COUNTY OR PARISH | 13. STATE  
 Lea | New Mexico

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
 27 miles NW of Eunice, New Mexico

15. DISTANCE FROM PROPOSED\* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit lbe, if any)  
 650'

16. NO. OF ACRES IN LEASE  
 400

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.  
 NA

19. PROPOSED DEPTH  
 3850'

20. ROTARY OR CABLE TOOLS  
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)  
 3762 GR

22. APPROX. DATE WORK WILL START\*  
 May 17, 1999

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
11"	8 5/8"	24 #	1620'	500 sx to circulate
7 7/8"	5 1/2"	17 #	3850'	525 sx to circulate

We propose to drill to a depth sufficient to test the Yates/Seven Rivers formation for oil. If productive, 5 1/2" casing will be run and cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

- Drilling Program
- Exhibit A - Operations Plan
  - Exhibit B - BOP and Choke Manifold
  - Exhibit C - Drilling Fluid Program
  - Exhibit D - Auxiliary Equipment
  - Exhibit E - Topo Map of Location
  - Exhibit F - Map Showing Existing Wells
  - Exhibit G - Well Site Layout
  - Surface Use and Operations Plan
  - H2S Drilling Operations

OGS Operating Co., Inc. accepts all applicable terms, conditions, stipulations, restrictions concerning operations conducted on the leased land or portion thereof as described above.

**APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED**

Bond Coverage: Statewide Bond BLM Bond File No.: NM 1373

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 James P. Johnston TITLE Drilling Superintendent DATE 4-21-99

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:

APPROVED BY GWW TITLE Acting DATE 5-11-99

\*See Instructions On Reverse Side

DISTRICT I  
 P. O. Box 1980  
 Hobbs, NM 88241-1980

State of New Mexico  
 Energy, Minerals, and Natural Resources Department

Form C-102  
 Revised 02-10-94

Instructions on back

DISTRICT II  
 P. O. Drawer DD  
 Artesia, NM 87411-0719

**OIL CONSERVATION DIVISION**  
 P. O. Box 2088  
 Santa Fe, New Mexico 87504-2088

Submit to the Appropriate  
 District Office  
 State Lease - 4 copies  
 Fee Lease - 3 copies

AMENDED REPORT

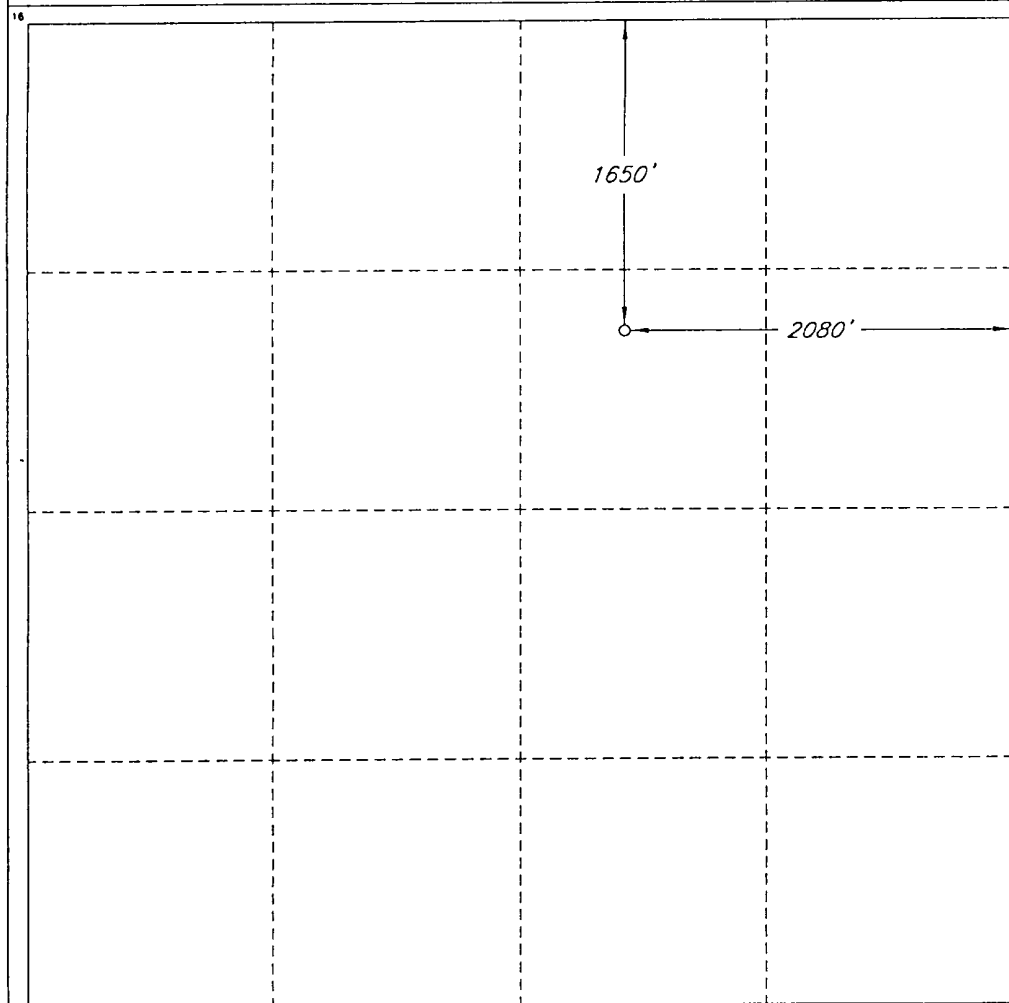
DISTRICT III  
 1000 Rio Brazos Rd.  
 Aztec, NM 87410

DISTRICT IV  
 P. O. Box 2088  
 Santa Fe, NM 87507-2088

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

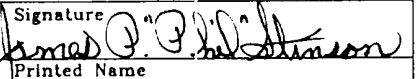
1 API Number <b>30-025-34627</b>		2 Pool Code 42370		3 Pool Name Lynch Yates/Seven Rivers					
4 Property Code <b>24624</b>		5 Property Name G.O.B. '33' FEDERAL						6 Well Number 1	
7 OGRID No. 16367		8 Operator Name OGS OPERATING						9 Elevation 3762'	
10 SURFACE LOCATION									
UL or lot no. G	Section 33	Township 20 SOUTH	Range 34 EAST, N.M.P.M.	Lot Ida	Feet from the 1650'	North/South line NORTH	Feet from the 2080'	East/West line EAST	County LEA
11 BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE									
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres 40		13 Joint or Infill		14 Consolidation Code		15 Order No.			

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



**OPERATOR CERTIFICATION**

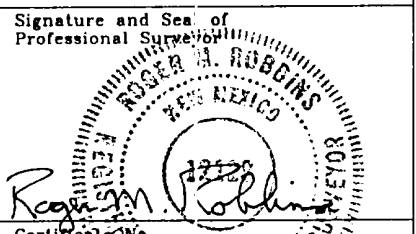
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature  
  
 Printed Name  
 James P. "Phil" Stinson  
 Title  
 Drilling Superintendent  
 Date  
 4-21-99

**SURVEYOR CERTIFICATION**

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.

Date of Survey  
 APRIL 9, 1999

Signature and Seal of Professional Surveyor  
  
 Certificate No.  
 ROGER M. ROBBINS P.S. #12128  
 JOB #631327725SE V.H.B.

5

**DRILLING PROGRAM**  
OGS OPERATING CO., INC.  
GOB "33" Fed No. 1

In conjunction with Form 3160-3, Application For Permit to Drill the subject well, OGS Operating, Co., Inc. submits the following ten items of pertinent information in accordance with Onshore Oil & Gas Order No. 1.

1. **Geologic Name of Surface Formation:** Alluvium
  
2. **Estimated Tops of Significant Geologic Markers:**

Rustler Anhydrite	1,600'
Top of Salt	1,750'
Base of Salt	3,275'
Yates	3,500'
Total Depth	3,850'
  
3. **The estimated depths at which water, oil, or gas formations are expected:**

Water	None expected in area
Oil	Yates/Seven Rivers 3500' - 3800'
  
4. **Proposed Casing Program:** See Form 3160-3 and Exhibit A.
  
5. **Pressure Control Equipment:** See Exhibit B.
  
6. **Drilling Fluid Program:** See Exhibit C.
  
7. **Auxiliary Equipment:** A mud logging unit will be utilized to monitor penetration rate and hydrocarbon shows while drilling 3200' - 3800'.
  
8. **Testing, Logging, and Coring Program:**

Drill Stem Tests: (all DST's to be justified on the basis of a valid show of oil or gas):

Seven Rivers	3730'-TD (3800')
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Logging:

Dual Laterolog W/MSFL and Gamma Ray	1620'-T.D.(3850')
Compensated Neutron/Litho-Density/Gamma Ray	1620'-T.D.(3850')

Coring: No conventional cores are planned.
  
9. **Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:**

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature is 105 degrees Fahrenheit and the estimated bottom hole pressure is 1550 psi. No Hydrogen Sulfide or other hazardous gases

or fluids have been encountered in offset wells, but it is reported to exist in the Yates formation, therefore we are submitting a Hydrogen Sulfide Drilling Operations Plan to cover the unlikely event. No major lost circulation zones have been reported in the offsetting wells.

**10. Anticipated Starting Date and Duration of Operations:**

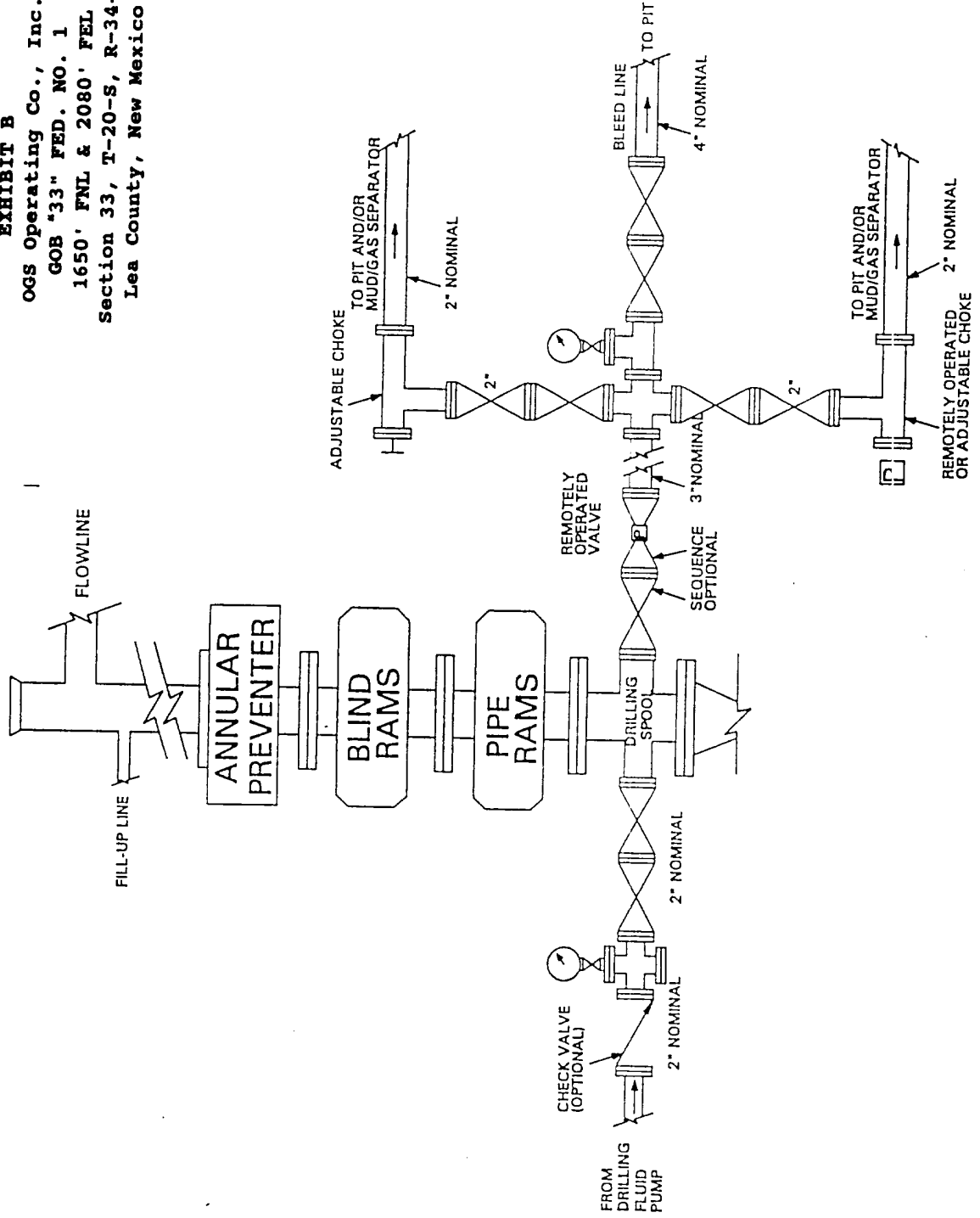
Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is May 17, 1999. Once spudded the drilling operation should be completed in approximately 10 days. If the well is productive, an additional 7 days will be required for completion and testing before permanent facilities are installed.

**EXHIBIT A  
OPERATIONS PLAN**

OGS Operating Co., Inc.  
GOB "33" FED. NO. 1  
Section 33, T-20-S, R-34-E  
Lea County, New Mexico

1. Drill a 11" hole to approximately 1620'.
2. Run 8 5/8" 24.0 ppf J-55 ST&C casing. Cement with 300 sx Class "C" Lite + 2% CaCl<sub>2</sub> and tail-in with 200 sx Class "C" + 2% CaCl<sub>2</sub>. Run 6 centralizers on every third joint starting with the shoe joint.
3. Wait on cement for twelve hours prior to cutting off.
4. Nipple up and install a 3000 psi double ram and annular BOP system with choke manifold. Test BOP system and casing to 1000 psi with rig pump. Wait on cement twenty-four hours prior to drilling out.
5. Drill 7-7/8" hole to 3850'. Run logs.
6. Run and cement 3850' of 5-1/2" 17.0 ppf J-55 LT&C casing. Cement with 400 sx 50/50 POZ "C" with 10% gel, 5 pps salt followed by 125 sx 50/50 POZ with 2% gel. If logs indicate the well to be non-productive, well will be plugged and abandon as per BLM requirements.

**EXHIBIT B**  
**OGS Operating Co., Inc.**  
**GOB "33" FED. NO. 1**  
**1650' FNL & 2080' FEL**  
**Section 33, T-20-S, R-34-E**  
**Lea County, New Mexico**



**EXHIBIT C**  
**DRILLING FLUID PROGRAM**  
OGS Operating Co., Inc.  
GOB "33" FED. NO. 1  
Section 33, T-20-S, R-34-E  
Lea County, New Mexico

0-1620'

Spud mud consisting of fresh water gel flocculated with lime. Use ground paper for seepage control and to sweep the hole. MW-8.5 ppg, Vis-40.

1620'-3850'

Drill out with brine water circulating the inner portion of the reserve pit. Utilize ground paper mixed in prehydrated fresh gel to sweep the hole. MW-10.0 ppg, Vis-28.

**EXHIBIT D**  
**AUXILIARY EQUIPMENT**  
OGS Operating Co., Inc.  
GOB "33" FED. NO. 1  
Section 33, T-20-S, R-34-E  
Lea County, New Mexico

**DRAWWORKS**    BDW 650M 650 HP, with Parmac Hydromatic brake

**ENGINES**        Two Caterpillar D-353 diesels rated at 425 HP each

**ROTARY**         Ideco 23", 300 ton capacity

**MAST/SUB**      Ideal 132', 550,000 lb rated static hook load with 10 lines, Wagner  
15' high substructure

**TRAVELLING**    Gardner-Denver, 300 ton, 5 sheave w/BJ 250 ton hook.  
**EQUIPMENT**    Brewster Model 7 SX 300 ton swivel

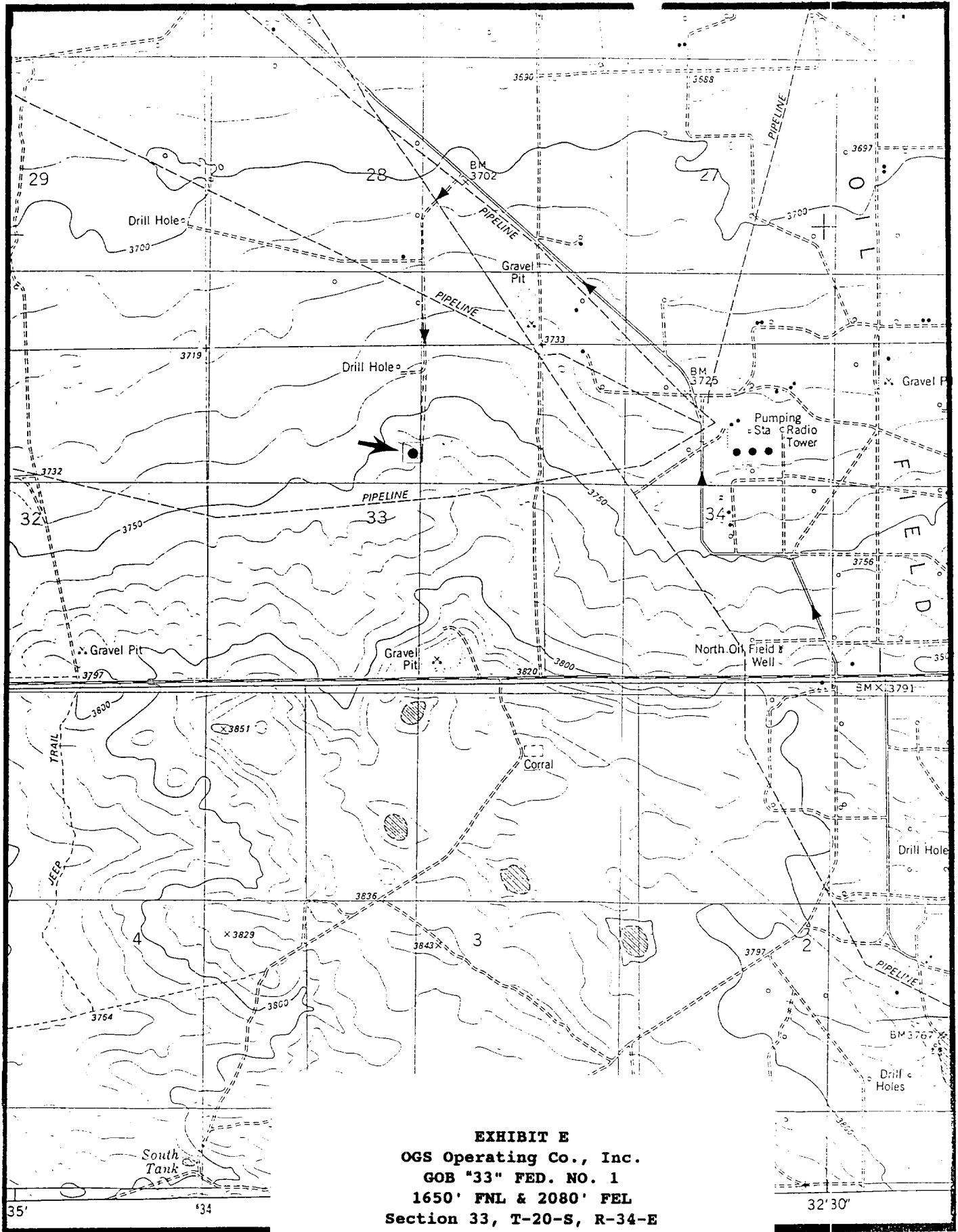
**PUMPS**          Continental-EMSCO DC-700 and DB-550, 5 1/2" x 16" Duplex, Compound  
driven

**PIT SYSTEM**    1-Shale Pit 6X7X35', 1-Setting Pit 6X7X38', 1-Suction Pit 6X7X34' w/5  
mud agitators. Two centrifugal mud mixing pumps and a Double Screen  
Shale Shaker.

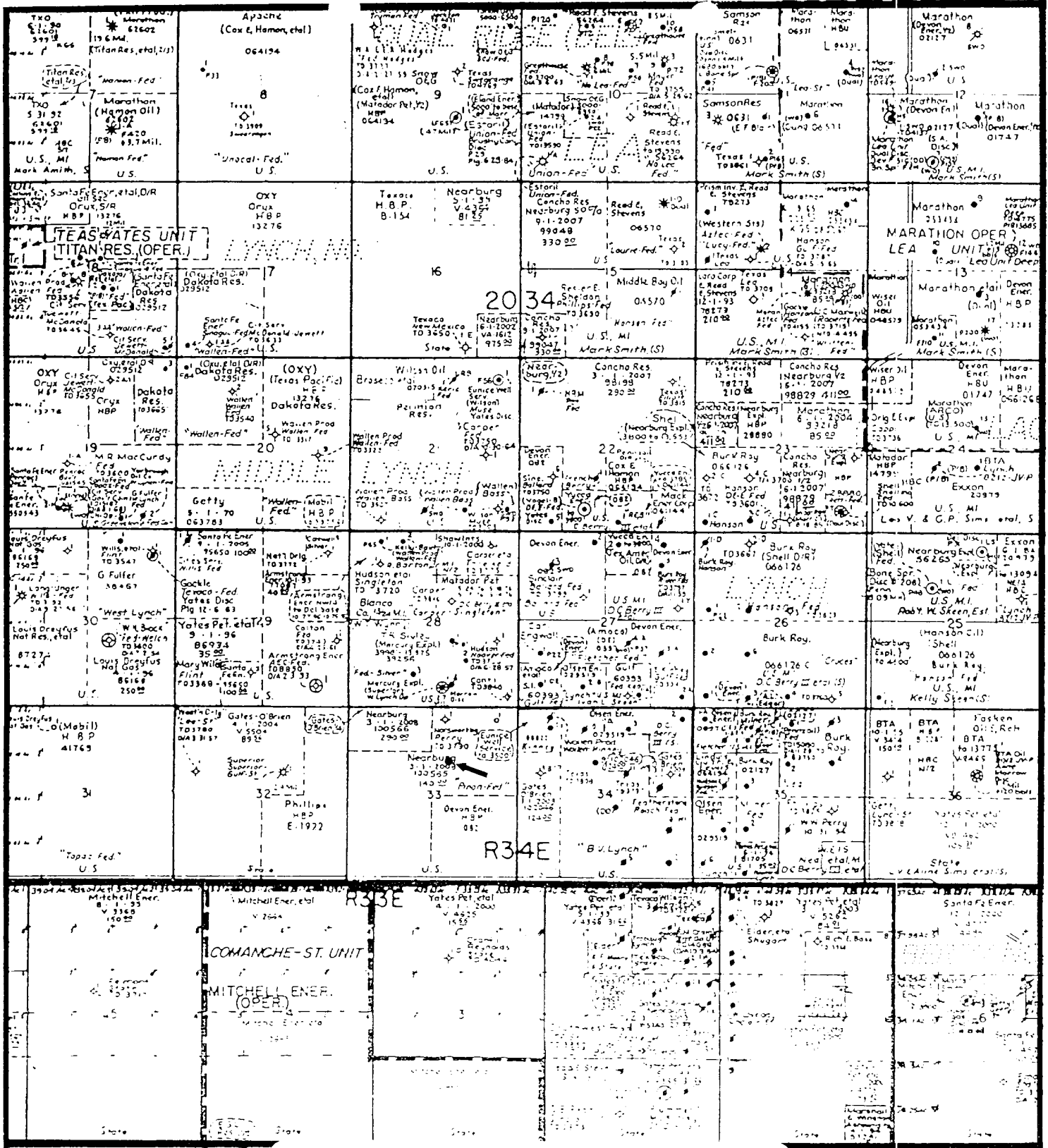
**LIGHT**            Two CAT 3306 diesel electric sets 180 KW prime power  
**PLANT**

**BOP**             11" 3000 psi WP double ram and 11" 3000 psi WP Shaffer  
**EQUIP**           Annular Preventer. Choke manifold rated at 3000 psi. Valvcon 5-  
station 80 gallon closing unit

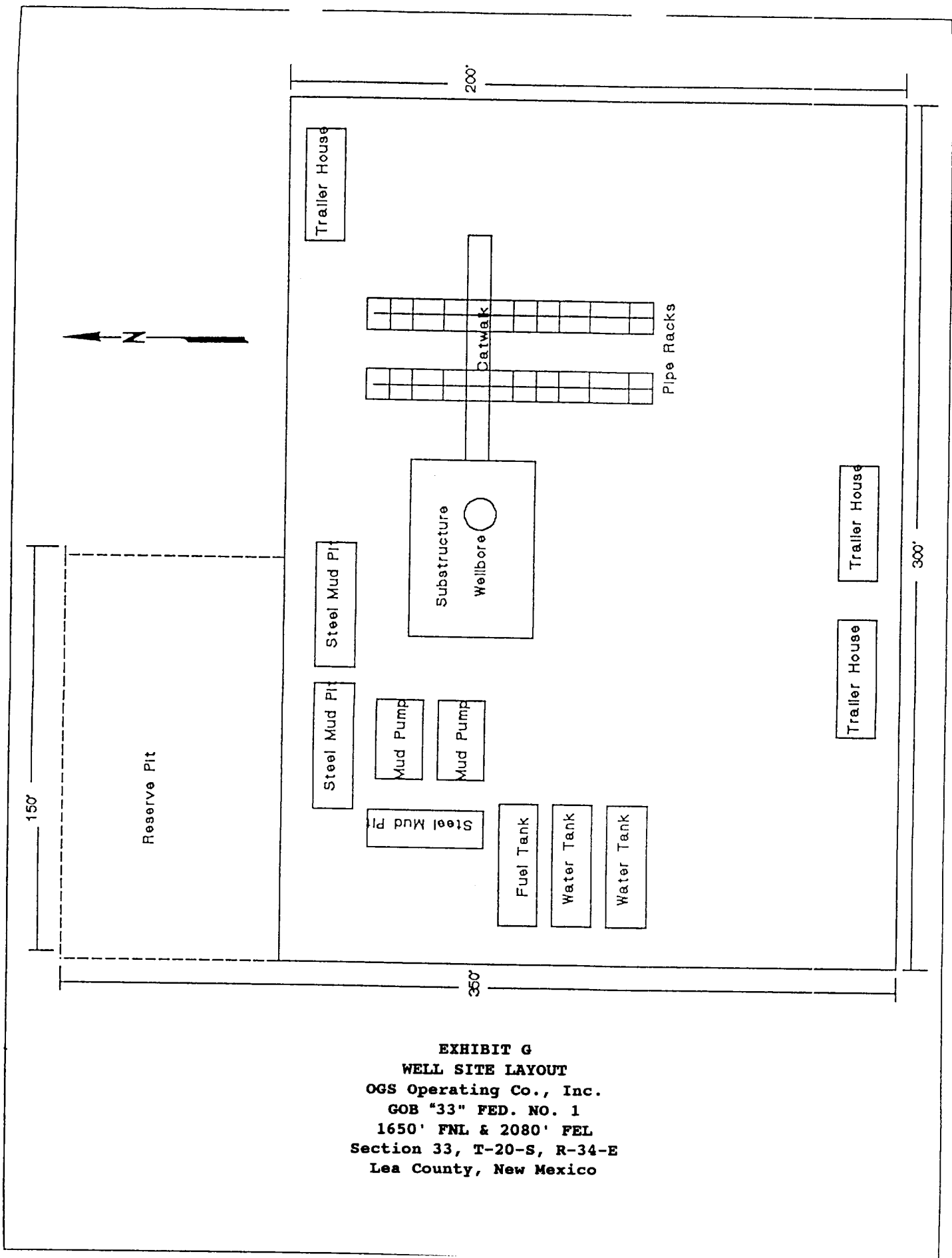




**EXHIBIT E**  
**OGS Operating Co., Inc.**  
**GOB "33" FED. NO. 1**  
**1650' FNL & 2080' FEL**  
**Section 33, T-20-S, R-34-E**  
**Lea County, New Mexico**



**EXHIBIT F**  
**EXISTING WELLS**  
**OGS Operating Co., Inc.**  
**GOB "33" FED. NO. 1**  
**1650' FNL & 2080' FEL**  
**Section 33, T-20-S, R-34-E**  
**Lea County, New Mexico**



**EXHIBIT G**  
**WELL SITE LAYOUT**  
 OGS Operating Co., Inc.  
 GOB "33" FED. NO. 1  
 1650' FNL & 2080' FEL  
 Section 33, T-20-S, R-34-E  
 Lea County, New Mexico

**MULTI-POINT SURFACE USE AND OPERATION PLAN**

OGS Operating Co., Inc.

GOB "33" FED. NO. 1

Section 33, T-20-S, R-34-E

Lea County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effects associated with the operation.

**1. EXISTING ROADS.**

- A. Exhibit E is a 7.5 minute topographic map which shows the location of the proposed wellsite and roads in the vicinity. The proposed location is situated approximately 27 miles northwest of Eunice, New Mexico.

**DIRECTIONS:**

1. From Eunice go westerly 23.5 miles on State Hwy 176, then northwesterly 2.0 miles on caliche lease road, then south 0.4 mile on lease road, continue south 0.2 mi on abandoned lease road to a point  $\pm$  1200' north of the proposed location.

**2. PLANNED ACCESS ROAD.**

- A. Approximately 0.6 miles of existing road will be repaired and rebuilt as necessary and  $\pm$  1200' of new road will be constructed for access to the proposed location.

**3. LOCATION OF EXISTING WELLS.**

- A. The well locations in the vicinity of the proposed well are shown in Exhibits E & F. There are no producing wells in this section.

**4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES.**

- A. In the event the well is productive, the necessary production equipment will be installed on the drilling pad.

**5. LOCATION AND TYPE OF WATER SUPPLY**

- A. It is planned to drill the well with both fresh water and brine water systems. Both types of waters will be hauled to the location by truck over existing roads. Both types will be obtained from commercial sources.

OGS Operating Co., Inc.  
HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

GOB "33" FED. NO. 1  
Section 33, T-20-S, R-34-E  
Lea County, New Mexico

In drilling to the Yates/Seven Rivers formation there is very remote possibility that H<sub>2</sub>S will be encountered in the Yates formation below the Salt Section. It is our understanding that hydrogen sulfide is expected by the BLM in one of the shallower formations, the Yates. Our drilling fluid hydrostatic head will prevent fluid entry due to the reservoir being overbalanced. The following is our plan for drilling to the Morrow formation.

1. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on the well:

1. The hazards and characteristics of hydrogen sulfide (H<sub>2</sub>S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H<sub>2</sub>S detectors, alarms, warning systems, briefing areas, evacuations procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H<sub>2</sub>S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the Hydrogen Sulfide Drilling Operations Plan.

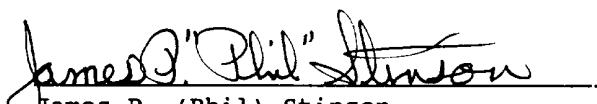
There will be an initial training session prior to encountering the Yates (training will take place within 3 days or 500 feet) and we will have weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific Hydrogen Sulfide Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

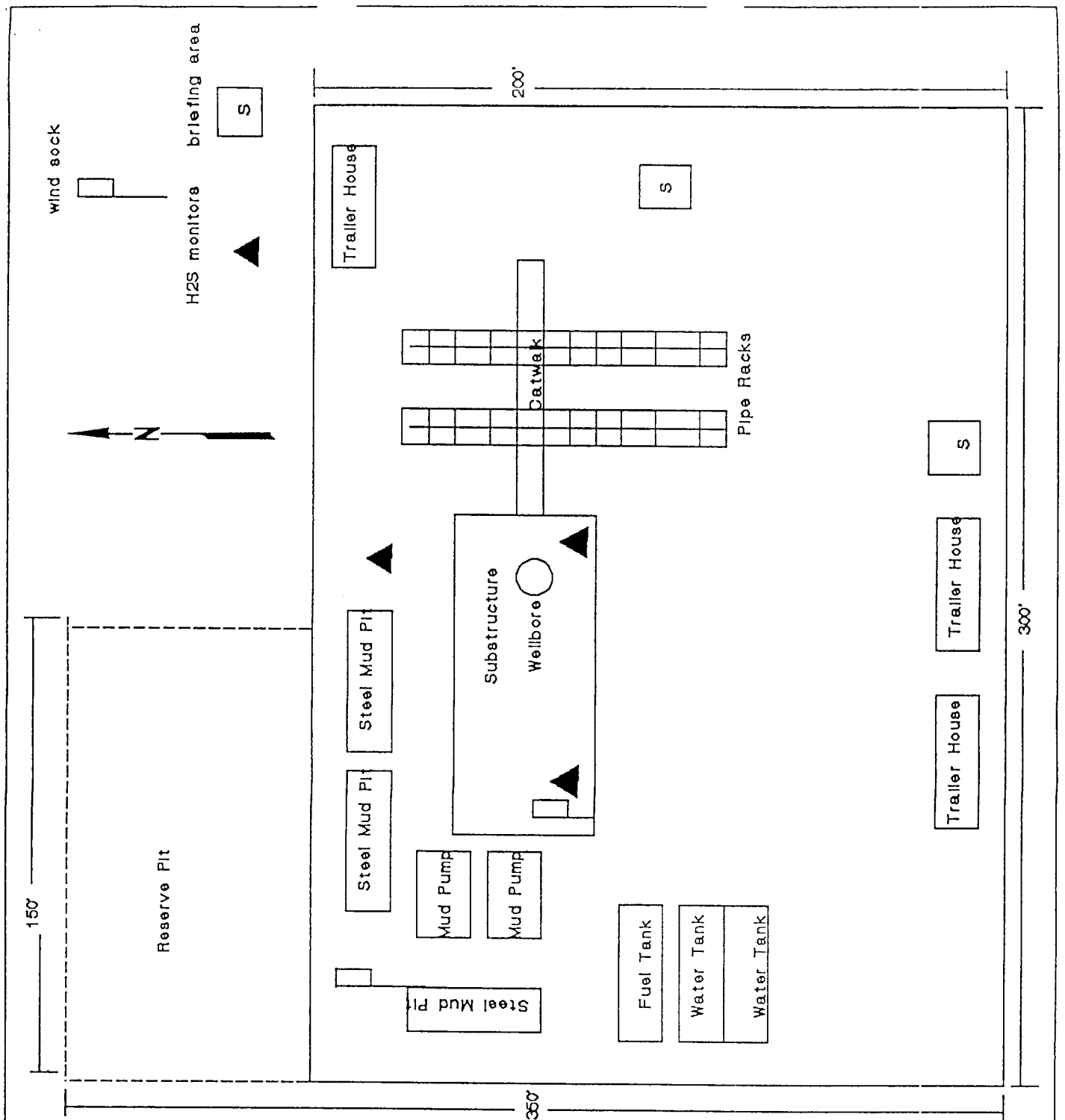
**2. H<sub>2</sub>S Safety Equipment and Systems**

Note: All H<sub>2</sub>S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to drilling the Yates @ 3500'.

1. **Well Control Equipment:**
  - A. An annular preventer capable of accommodating all pipe sizes with properly sized closing unit.
2. **Protective Equipment for Personnel:**
  - A. Scott Air-Pack Units located on the rig floor and at briefing areas, as indicated on well site diagram.
3. **H<sub>2</sub>S Detection and Monitoring Equipment:**
  - A. 2-portable H<sub>2</sub>S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H<sub>2</sub>S levels of 200 ppm are reached.
4. **Visual Warning Systems:**
  - A. Wind direction indicators as shown on well site diagram.
  - B. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. See Example Attached.
5. **Mud Program:**
  - A. The mud program is designed to minimize any H<sub>2</sub>S circulated to the surface. Proper mud weight and safe drilling practices will be used to minimize hazards when penetrating H<sub>2</sub>S bearing zones (San Andres).
6. **Metallurgy:**
  - A. All of the drill string, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H<sub>2</sub>S service.

- B. All elastomers used for packing and seals shall be H<sub>2</sub>S trim.
7. **Communication:**
- A. Cellular phone communications in company vehicles.
  - B. Radio communications on the drilling rig.
8. **Well Testing:**
- A. No drill stem tests are planned.

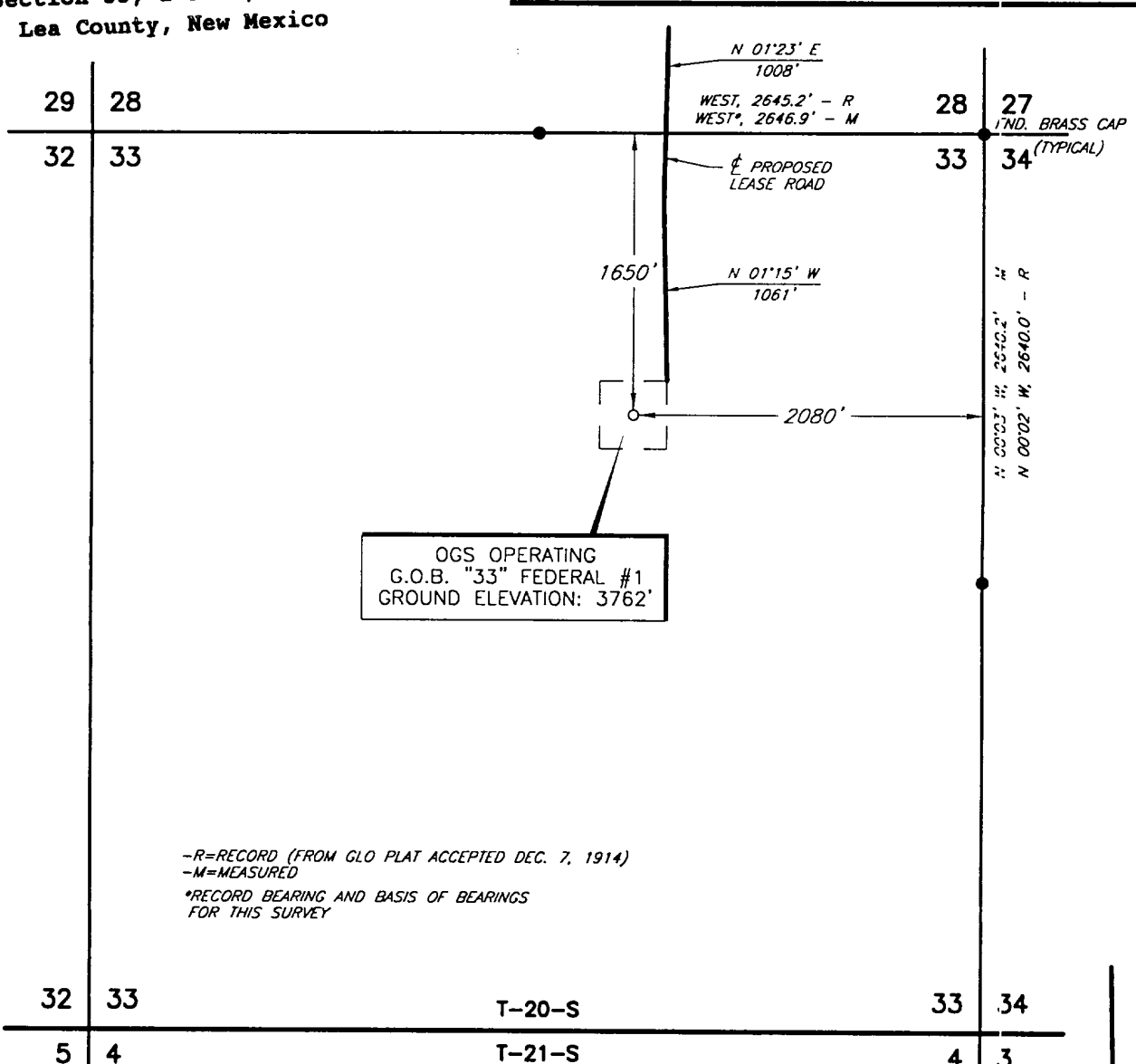
  
James P. (Phil) Stinson  
Agent for OGS Operating Co., Inc.



**H<sub>2</sub>S DRILLING PLAN**  
**WELL SITE LAYOUT**  
 OGS Operating Co., Inc.  
 GOB "33" FED. NO. 1  
 1650' FNL & 2080' FEL  
 Section 33, T-20-S, R-34-E  
 Lea County, New Mexico

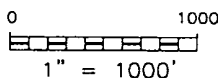


EXHIBIT F(A)  
 PLAT OF LOCATION  
 OGS Operating Co., L.P.  
 GOB "33" FED. NO. 1  
 1650' FNL & 2080' FEL  
 Section 33, T-20-S, R-34-E  
 Lea County, New Mexico



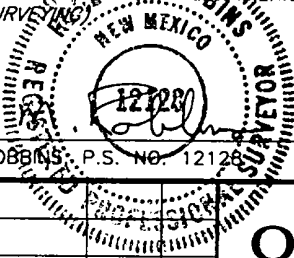
-R=RECORD (FROM GLO PLAT ACCEPTED DEC. 7, 1914)  
 -M=MEASURED  
 \*RECORD BEARING AND BASIS OF BEARINGS FOR THIS SURVEY

PLAN VIEW  
 1" = 1000'

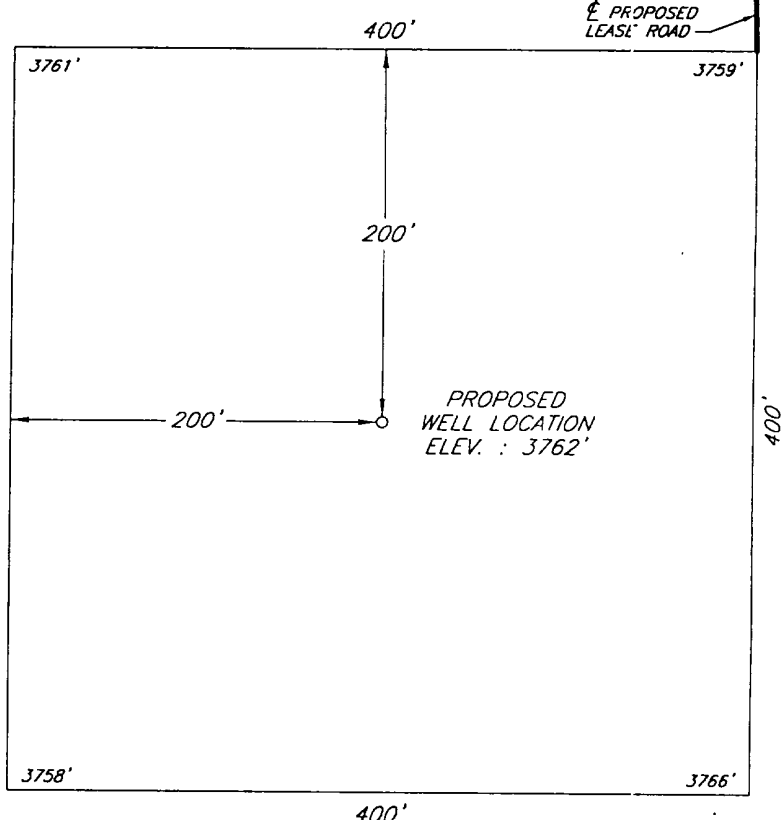


DATE OF FIELD WORK: APRIL 9, 1999

I, ROGER M. ROBBINS, A PROFESSIONAL SURVEYOR IN THE STATE OF NEW MEXICO AND AUTHORIZED AGENT OF TOPOGRAPHIC LAND SURVEYORS, HEREBY CERTIFY THIS PLAT TO BE A TRUE REPRESENTATION OF A SURVEY PERFORMED IN THE FIELD UNDER MY SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND THAT THIS PLAT AND FIELD SURVEY UPON WHICH IT IS BASED, MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO. (RULE 500.6 EASEMENT SURVEYING)



ROGER M. ROBBINS, P.S. NO. 12128



DETAIL VIEW  
 1" = 100'

**OGS OPERATING**

NO.	REVISION	DATE	BY

SURVEYED BY: R.J.O.  
 DRAWN BY: V.H.B.  
 APPROVED BY: R.M.R.

SURVEYING AND MAPPING BY  
**TOPOGRAPHIC LAND SURVEYORS**  
 2903 N. BIG SPRING MIDLAND, TEXAS 79705

SCALE:	AS SHOWN
DATE:	APRIL 9, 1999
JOB NO.:	63132-F
QUAD NO.:	72 SE
SHEET :	1 OF 1