

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

Read & Stevens, Inc.

505/622-3770

3. ADDRESS AND TELEPHONE NO.

P. O. Box 1518

Roswell, NM 88202

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

At surface

2310' FSL & 700' FEL

At proposed prod. zone

Same

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

30 miles SW of Hobbs, NM

16. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any)

700'

16. NO. OF ACRES IN LEASE

480

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.

471'

19. PROPOSED DEPTH

7000'

20. ROTARY OR CABLE TOOLS

Rotary

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

3639' GL

22. APPROX. DATE WORK WILL START*

October 15, 1999

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8" J-55	54.5#	1600'	Circ 1000 sx Lite + 200 "C"
11"	8 5/8" S-80	32.0#	5000'	Circ 1100 sx **See Note
7 7/8"	5 1/2" N-80	17.0#	7000'	Tieback w/500 or 975 sx*

Mud Program:

	Mud Wt.	Vis.	W/L Control
0' - 1600': Fresh water native mud:	8.4 ppg	32	No W/L control
600' - 5000': Brine mud:	10.0 ppg	28-32	No W/L control
3000' - 7000': Fresh water mud w/starch:	8.8 ppg	32-40	W/L control 15 cc

BOP Program:

A 11" 5000 psi wp Shaffer Type LWS BOP, with a 5000 psi wp 11" GK Hydril, will be installed on the 13 3/8" casing. Casing and BOP will be tested before drilling out with 11". BOP will be tested daily as 3000 psi wp system.

* NOTE: If severe lost circulation is not encountered, hole will be reduced at 5000' and 7000' and drilled ahead WITHOUT setting the 8 5/8" casing.

** 8 5/8": Cement with DV tool in two stages starting at 3800':

1st stage: Lead 200 sx lite, tail in w/200 sx "C".

2nd stage: Lead 500 sx lite cement, tail w/200 sx "C". Cement to surface.

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 George P. Smith TITLE Agent for: Read & Stevens, Inc. DATE Sept. 25, 1999

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

(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:

APPROVED BY Carsten F. Golf TITLE Acting STATE DIRECTOR DATE OCT 26 1999

*See Instructions On Reverse Side

APPROVED FOR 1 YEAR

MP

OPER. OGRID NO. 18917
PROPERTY NO. 9553
BLOCK CODE 37584
DATE 11-1-99
ATTN NO. 30-025-34748

DISTRICT I
P.O. Box 1960, Hobbs, NM 88241-1960

State of New Mexico
Energy, Minerals and Natural Resources Department

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

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34748	Pool Code 37584	Pool Name NE Lea Delaware
Property Code 9553	Property Name NORTH LEA FEDERAL	Well Number 11
OGRID No. 18917	Operator Name READ & STEVENS INC.	Elevation 3639

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	10	20 S	34 E		2310	SOUTH	700	EAST	LEA

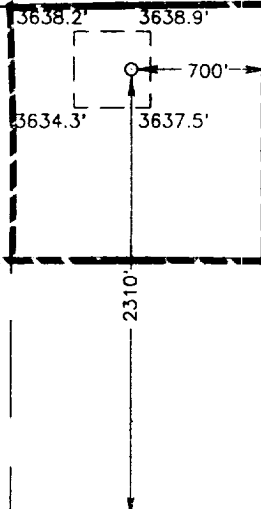
Bottom Hole Location If Different From Surface

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

Dedicated Acres 40	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

<p>NM-56264 Read & Stevens, Inc.</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>George R. Smith</i> Signature</p> <p>George R. Smith, agent for Printed Name</p> <p>Read & Stevens, Inc. Title</p> <p>September 24, 1999 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p style="text-align: center;">SEPTEMBER 15, 1999</p> <p>Date Surveyed _____ DMCC</p> <p>Signature & Seal Professional Surveyor <i>Ronald J. Eidson</i></p> <p style="text-align: center;"> </p> <p>Certificate No. RONALD J. EIDSON 3239 CAROL EIDSON 12641 RONALD J. McDONALD 12185</p>



APPLICATION FOR DRILLING

READ & STEVENS, INC.
North Lea Federal, Well No. 11
2310' FSL & 700' FEL, Sec. 10-T20S-R34E
Lea County, New Mexico
Lease No.: NM-56264
(Development Well)

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Read & Stevens, Inc. submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
2. The estimated tops of geologic markers are as follows:

Rustler	1550'	Queen	3670'
Top of Salt	1770'	Seven Rivers	3870'
Base of Salt	3150'	Delaware	5450'
Yates	3395'	T.D	7000'
3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Surface water in the Triassic between 80' - 230'.
Oil: Possible in the Delaware below 5620'
Gas: None expected.
4. Proposed Casing Program: See Form 3160-3.
5. Proposed Control Equipment: See Form 3160-3 and Exhibit "E".
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Blowout Preventer, gas detector, Kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging, and Coring Program:

Drill Stem Tests: None unless warranted.
Logging: T.D. to 5000': G/R, CNL-FDC, DLL, MSFL
T.D. to surface: G/R, Neutron
Coring: None planned.
9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered the proposed mud program will be modified to increase the mud weight. Estimated BHP = 3000 psi with temperature of 130°.
10. H₂S: None expected, but a Drilling Operations Plan, Exhibit "F", is being submitted to cover this contingency.
11. Anticipated starting date: October 15, 1999.
Anticipated completion of drilling operations: Approx. 3 weeks.

MULTI POINT SURFACE USE AND OPERATIONS PLAN

READ & STEVENS, INC.
North Lea Federal, Well No. 11
2310' FSL & 700' FEL, Sec. 10-T20S-R34E
Lea County, New Mexico
Lease No. NM-56264
(Development Well)

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a USGS/BLM Topo map showing the location of the proposed well as staked. The well site location is approximately 51 road miles northeast of Carlsbad, New Mexico or 30 road miles southwest of Hobbs, NM. Traveling east from Carlsbad there will be approximately 48 miles of paved highway and 2.5 miles of gravel ranch/oilfield roads.
- B. Directions: Travel east from Carlsbad, NM on U.S. Highway 62/180 for approximately 42 miles; turn south .3 mile east of MM 78 at a cattle guard with a steel unlocked gate. Continue south for .4 mile, then east for .4 mile; then southeast for .6 and then south for 1.1 miles to a crossroad. The NW corner of the 400 and the start of the access road will be at this point, which will follow the existing access road. The drill site pad will be on the south side of and parallel to the existing access road. .

2. PLANNED ACCESS ROAD:

- A. Length and Width: The proposed access road will be constructed to a 12 foot width (24' Max.) and will be approximately 50 foot in length. The proposed access road is color coded red on Exhibit "A".
- B. Construction: The proposed access road will be constructed by grading and topping with compacted caliche and will be properly drained.
- C. Turnouts: None required.
- D. Culverts: None.
- E. Cuts and Fills: None required
- F. Gates, Cattle guards: None required.
- G. Off Lease R/W: There is an existing off lease R/W No. NM-70565 that has been amended to cover all existing off lease roads on Federal surface back to U.S. Highway 62/180. See Exhibit "B".

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two mile radius are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are gas and oil production facilities on the lease at this time at the North Lea Fed. #1 - 10 well sites, in Sec. 10-T20S-R34E.
- B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and tank battery will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing access roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed well site pad will be obtained from an approved Federal pit in the SW¼SW¼ of Section 26-T20S-R34E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced and screened with normal fencing and screening materials to prevent livestock and wildlife from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or a separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering and will be removed for deposit in an approved sanitary land fill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged, 400' X 400'.
- B. Mat Size: 180' X 245', plus 125' X 125' reserve pits.
- C. Cut & Fill: There will be some minor leveling and filling of 2-3 foot sand dunes and adjacent deflation basins.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled as soon as dry enough to be worked.

11. OTHER INFORMATION:

- A. Topography: The proposed well site and access road is located in an area of level to undulating terrain of 2-3 foot sand dunes and deflation basins which is part of the Querecho Plains. The location has a southwesterly slope of .25% from an elevation of 3639'.
- B. Soil: The topsoil at the well site is a light brown fine to course loamy sand of the Pyote and Malajamar fine sands Soils Series.
- C. Flora and Fauna: The vegetation cover is a fair grass cover of three-awn, sand and spike dropseed, bluestem, grama and other miscellaneous native grasses along with plants of mesquite, yucca, shinnery oak brush, sage, buckwheat, broomweed, croton, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in area.
- E. Residences and Other Structures: None in the immediate area, except oil production facilities.
- F. Land Use: Cattle grazing.

11. OTHER INFORMATION; cont.....

- G. Surface Ownership: The proposed well site and access road is on Federal surface and minerals.
- H. There is no evidence of any archaeological, historical or cultural sites in the immediate area. An archaeological survey is being conducted by Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

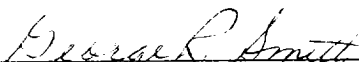
- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

John Maxey
Read & Stevens, Inc.
P.O. Box 1518
Roswell, NM 88202
Office Phone: (505) 622-3770

13. CERTIFICATION:

I hereby certify that I have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in the 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 Read & Stevens, Inc. and its contractors and 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.

September 24, 1999



George R. Smith, Agent for: Read & Stevens, Inc.

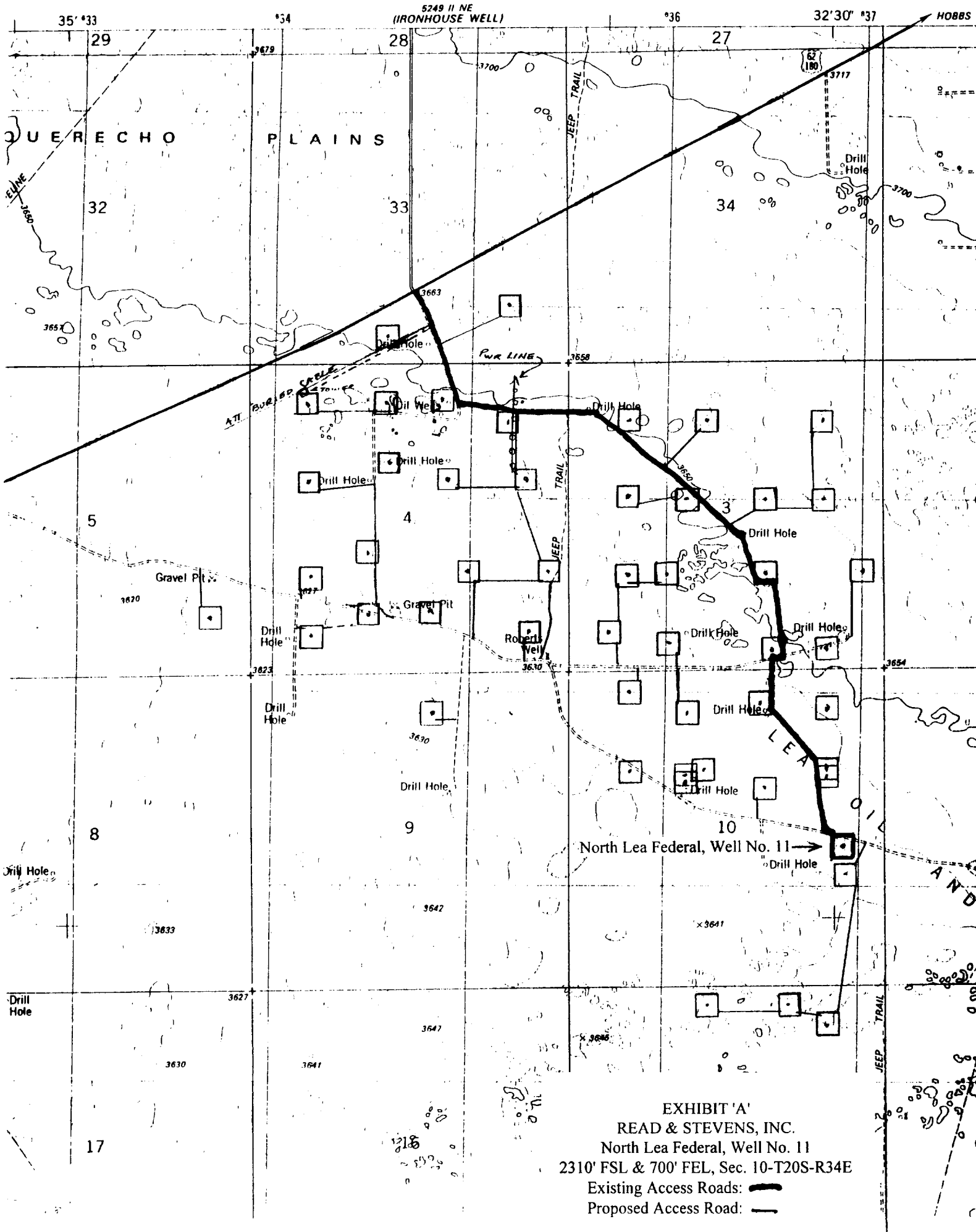


EXHIBIT 'A'
 READ & STEVENS, INC.
 North Lea Federal, Well No. 11
 2310' FSL & 700' FEL, Sec. 10-T20S-R34E
 Existing Access Roads: **—**
 Proposed Access Road: **—**

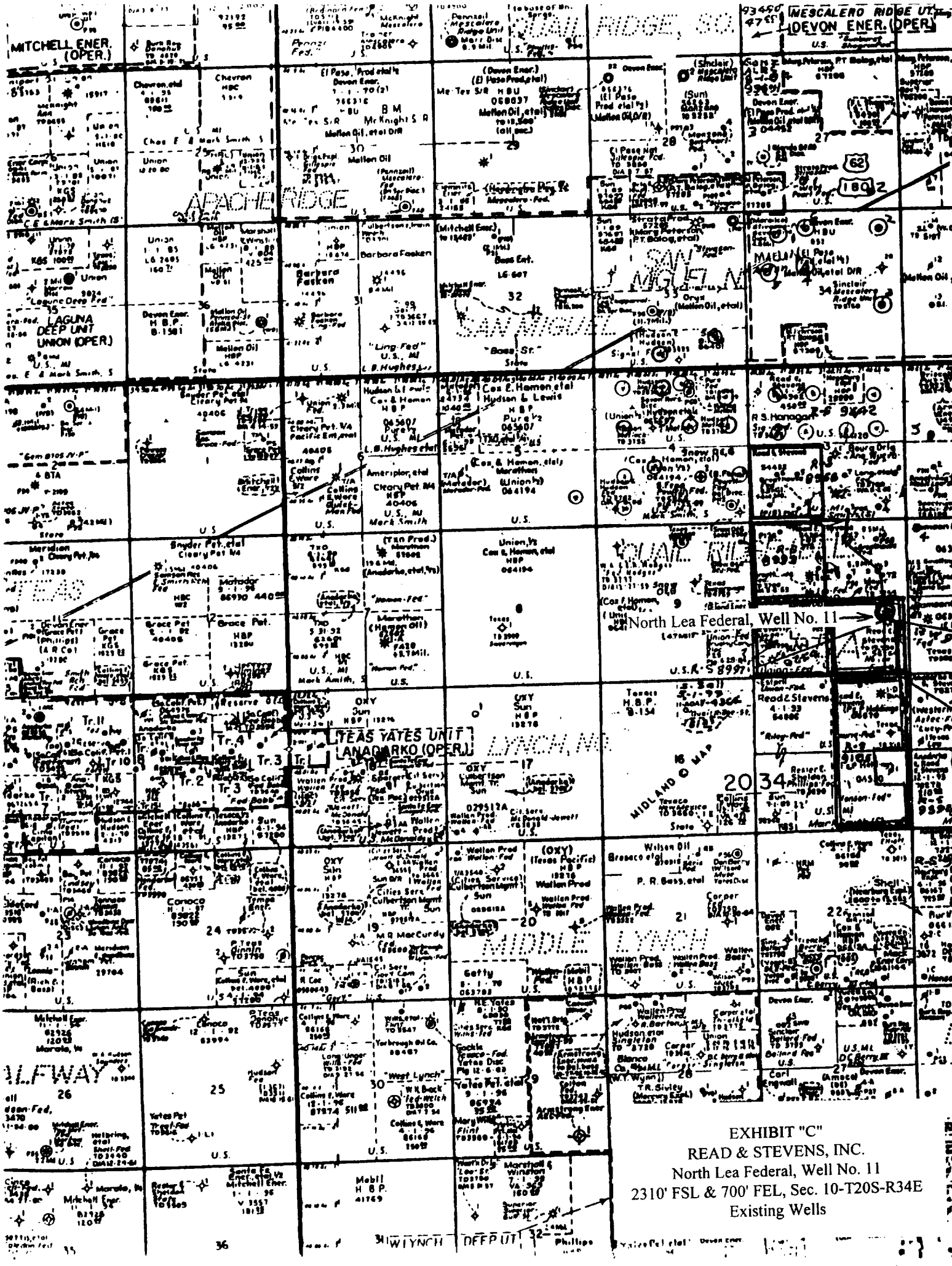


EXHIBIT "C"
 READ & STEVENS, INC.
 North Lea Federal, Well No. 11
 2310' FSL & 700' FEL, Sec. 10-T20S-R34E
 Existing Wells

WEK ORLE

RIG 3 AND 1

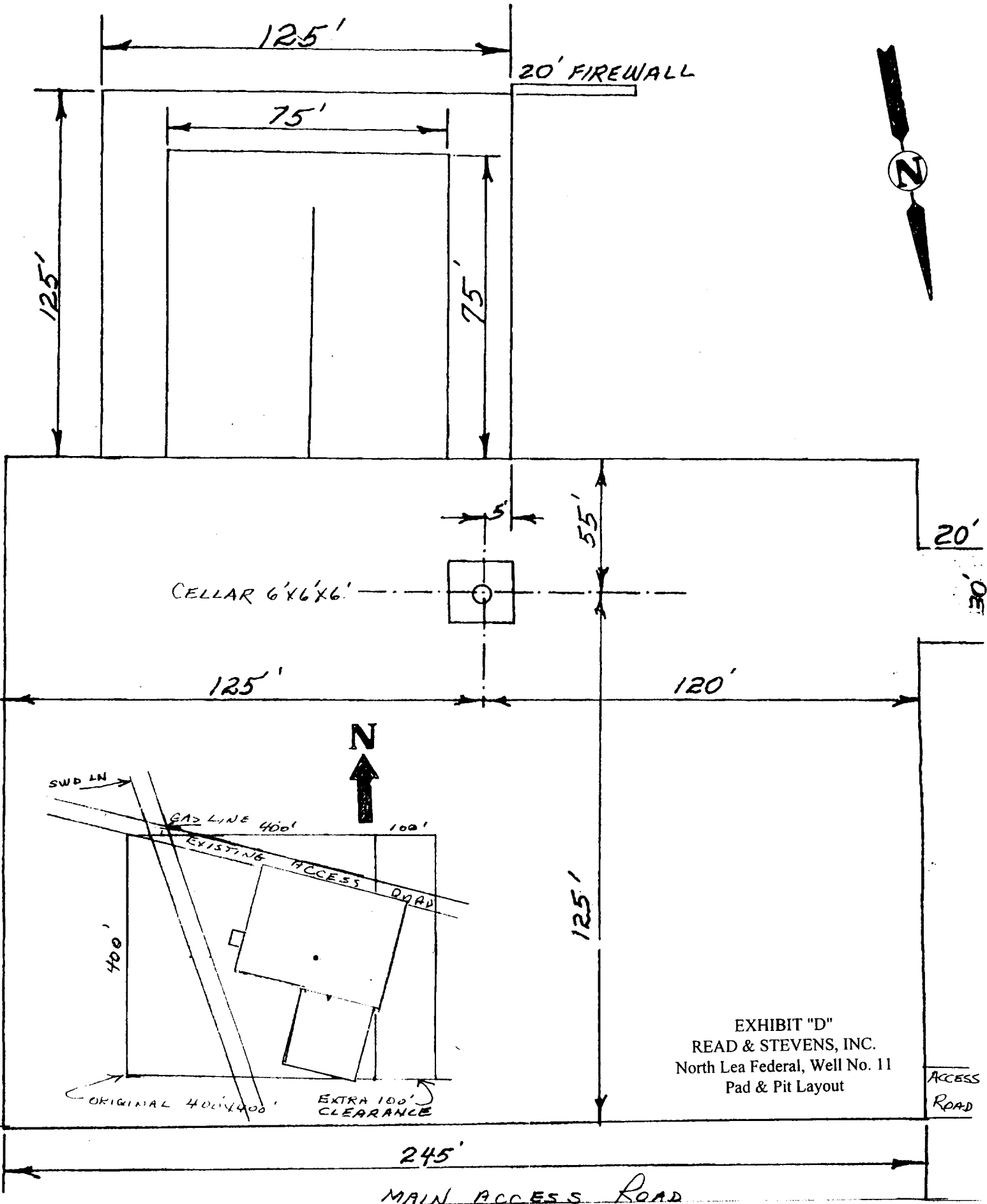


EXHIBIT "D"
 READ & STEVENS, INC.
 North Lea Federal, Well No. 11
 Pad & Pit Layout

ACCESS
 ROAD



KEN REYNOLDS—PRESIDENT
ARNIE NEWKIRK—VICE-PRESIDENT

DRILLING CO., INC. — OIL WELL DRILLING CONTRACTORS

P. O. Box 1498 ROSEWELL, NEW MEXICO 88202-1498
805/623-5070 505/746-2719
ROSEWELL, NM ARTEBIA, NM

RIG # 1

BLOWOUT PREVENTOR ARRANGEMENT

- 11" SHAFFER TYPE LWS, 5000 psi WP
- 11" GK HYDRIL, 5000 psi WP
- 80 GALLON, 4 STATION PAYNE ACCUMULATOR
- 3000 psi WP CHOKE MANIFOLD

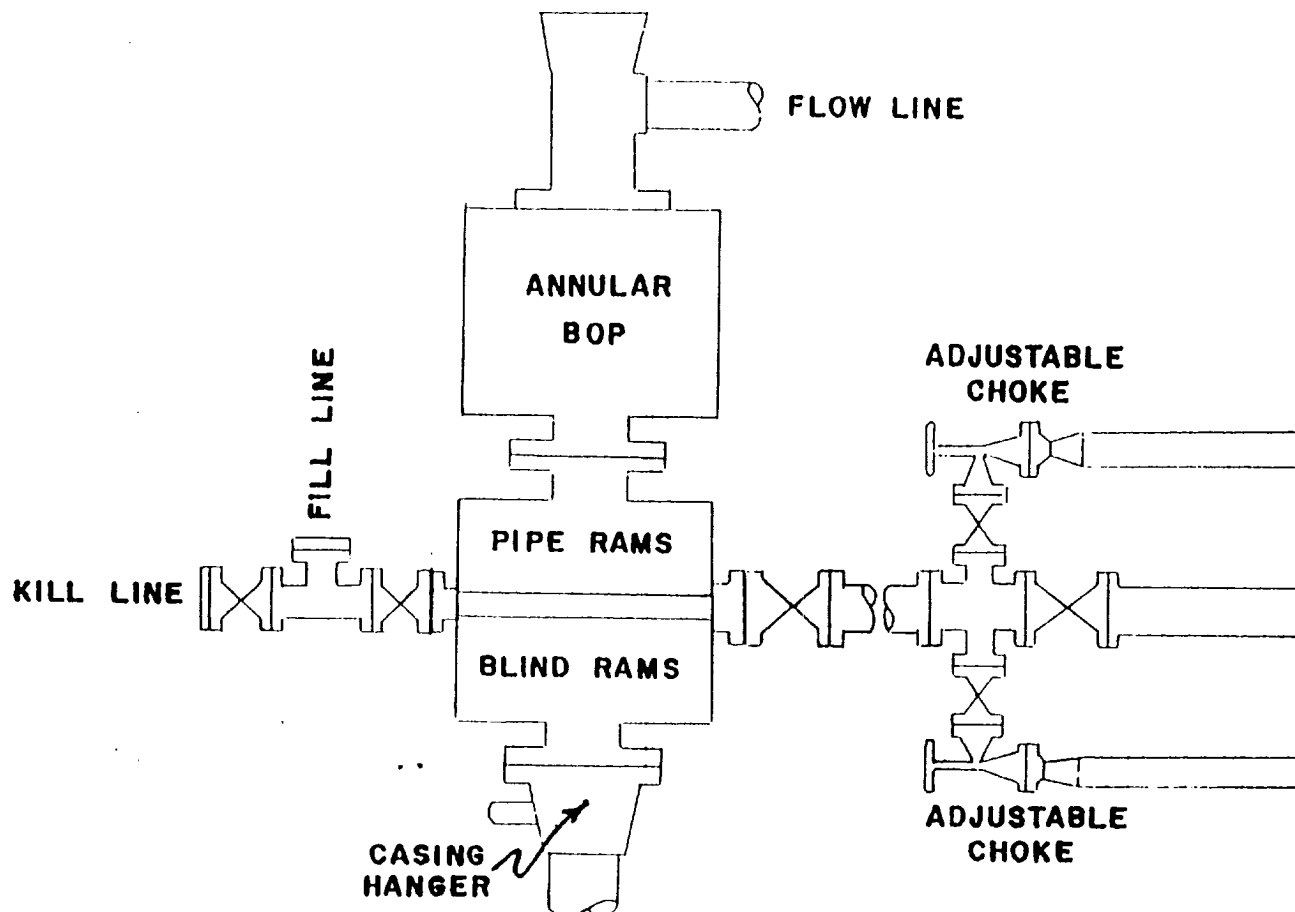


EXHIBIT "E"
READ & STEVENS, INC.
North Lea Federal, Well No. 11
BOP Specifications

EXHIBIT "F"

READ & STEVENS, INC.

H₂S DRILLING OPERATIONS PLAN

For:

North Lea Federal, Well No. 11
2310' FSL & 700' FEL, Sec. 10-T20-R34E

I. HYDROGEN SULFIDE TRAINING

All key personnel whether regularly assigned, contracted or employed on an unscheduled basis will receive or represent that they have received training in accordance with the general training requirements outlined in the API RP49 for safe drilling of wells containing hydrogen sulfide, Section 2.

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

1. The corrective action and shut-in procedures when drilling or reworking a well, and blowout prevention in well control procedures.
2. The contents and requirements of the H₂S drilling operations plan.

II. H₂S SAFETY EQUIPMENT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500' above the first zone containing or reasonably expected to contain 100 ppm or more hydrogen sulfide.

1. Well Control Equipment:
 - a. Flare line with a continuous pilot.
 - b. Choke manifold with a minimum of one choke.
 - c. Blind rams and pipe rams to accommodate all drill pipe sizes with a properly sized closing unit.
 - d. Auxiliary equipment to include an annular preventer and a rotating head.
2. Protective Equipment:
 - a. Proper protective breathing apparatus shall be readily accessible to all essential personnel on the drill site
3. H₂S and Monitoring Equipment:
 - a. Three portable H₂S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens.
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.

5. Mud Program:
 - a. The mud program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weight and safe drilling practices will minimize hazards when penetrating H₂S bearing zones.

6. Communications:
 - a. Radio communications are available in company vehicles and at the rig site.
 - b. Land line "telephone" communications at field office.

7. Well Testing:
 - a. Drillstem testing will be performed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. When drillstem testing intervals known to or reasonably expected to contain 100 ppm or more H₂S, the drillstem test will be conducted during daylight hours and formation fluids will not be flowed to the surface.

WILL BE RELEASED
CONFIDENTIAL LOGS
INDICATE WHEN
ABOVE DATE DOES NOT

ELF 2/1/2000