

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTOCD Hobbs
HOBBS
OCD

APPLICATION FOR PERMIT TO DRILL OR REENTER

ATS-13-224

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 20075. Lease Serial No.
NM-23020

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No. **40194**
State Line Federal, Well No. 1

9. API Well No.

10. Field and Pool, or Exploratory
Sawyer, San Andres **Assac**11. Sec., T. R. M. or Blk. and Survey of Area
Sec. 33, T9S-R38E **55480**12. County or Parish
Lea13. State
NM1a. Type of work: ☒ DRILL ☐ REENTER1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone2. Name of Operator
Primero Operating, Inc.3a. Address P.O. Box 1433
Roswell, NM 882023b. Phone No. (include area code)
575-622-1001

4. Location of Well (Report location clearly and in accordance with any State requirements.)

At surface 990' FNL & 2228 FWL

At proposed prod. zone same

14. Distance in miles and direction from nearest town or post office*
16.73 miles north of Bronco, TX.15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) 330'16. No. of acres in lease
304.98217. Spacing Unit dedicated to this well
37.2118. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. 1600'19. Proposed Depth
6,000'20. BLM/BIA Bond No. on file
NM-267721. Elevations (Show whether DF, KDB, RT, GL, etc.)
3918' GL

22. Approximate date work will start*

23. Estimated duration
3-4 weeks

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

George R. Smith

Name (Printed/Typed)

George R. Smith

Date

12/10/2012

Title

POA Agent for Primero, Inc.

Approved by (Signature) */s/ James A. Amos*

Name (Printed/Typed)

Date SEP 30 2013

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

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.

*(Instructions on page 2)

Lea County Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVALApproval Subject to General Requirements
& Special Stipulations Attached

NOV 04 2013

DRILLING PROGRAM
Primero Operating
State Line Federal, Well No. 01
990'FNL & 2228'FEL
Sec 33, T9S, R38E, Lea County, NM

1. Geological Name of Surface Formation:

a. Permian Quaternary Alluvium Deposits

2. Anticipated Tops of Geological Markers & Depth of anticipated Fresh Water, Oil or Gas:

Surface water	100 to 200'	possible water
Anhydrite Top	2300'	
Yates	2923'	non bearing oil, gas or water
Queen	3660'	non bearing oil, gas or water
San Andres top	4193'	non bearing oil, gas or water
P1 Marker	4762'	n/a
Slaughter Z1	4916'	n/a
Slaughter Z2	4956'	n/a
San Andres porosity	4930 to 5000'	oil
Glorietta (scattered)	5558'	non bearing oil, gas or water
TD	6000'	

No other formations are anticipated to yield oil, gas or water in measureable volumes.

3. Casing Program:

All casing is new and API approved. The minimum safety factors required according to Onshore Order No. 2 are: Collapse 1.125, Burst 1.0, Tension 1.8. The design factors for the casing strings are:

Hole"	Casing"	Depth	Wt.	Grade	Type	PSI		Safety Factors			
						Collapse	Burst	Joint	Cllps.	Brst.	Jt.Yield
12¼	8¾	2327'	24	J-55	STC	1370	2950	244 kips	1.22	2.4	4.35
7¾	5 ½	6,000'	15.5	J-55	STC	4040	8810	202 kips	1.27	3.6	2.17

The surface casing shall be tested to 1500 psi, promptly after installing the annular and BOPs in conjunction with the annular test. See No. 5 Pressure Control.

Bureau of Land Management
RECEIVED

AUG 2 2013

Carlsbad Field Office
Carlsbad, NM

4.1 Cementing Program:

a. 13 $\frac{3}{8}$ " Surface Casing:

The 13 $\frac{3}{8}$ " surface casing shall be set at 2327', a minimum of 25ft into the top of the anhydrite formation with a sufficient amount of cement circulated back to the surface, TOC at 0'. (cmt 100% excess).

Lead slurry: **875 sacks 13.5 ppg**, Class C cement + 4% Bentonite, 1% CaCl⁻, 0.13 lbs/sk Cello Flake, 3 lbs/sk LCM, **Yield 1.74 cf/sack**.

Tail slurry: **300 sacks 14.8 ppg**, Class C cement +0.5% CaCl⁻, 0.125lbs/sk Cello Flake, .005% bwoc Static Free. **Yield 1.33 cf/sack**. 500psi compressive strength @ 11 hrs.

b. 5 $\frac{1}{2}$ " Production String:

The 5 $\frac{1}{2}$ " long string will be set at 6000' with sufficient amount of cement circulated back to surface, TOC at 0'. (cmt 60% excess).

Lead slurry: **525 sacks 12.5 ppg**, Class C cement, 35:65 Pozalene, 5% NaCl⁻, 5lbs/sk LCM Cello Flake, 1% Sodium Metasilicate, 0.005% bwoc Static Free. **Yield 2.05 cf/sack**.

Tail slurry: **255 sacks 14.8 ppg**, Class C cement, 0.005% bwoc Static Free, **Yield 1.33 cf/sack**. 500 psi compressive strength @ 16 hrs.

5. Pressure Control:

An 10", 3000 psi working pressure Shaffer Type "E" BOP, one annular preventer and a double stack pipe/blind rams will be installed on the 8 5/8" casing. The double rams will be tested to the working pressure, utilizing a test plug when initially installed, prior to drilling below the surface casing shoe and tested at least once a day. The blind rams shall be activated each trip thereafter. The annular type preventer shall be tested to 50% of the rated working pressure, without a test plug, upon initially installed. The annular will be functionally operated at least weekly. The test pressures shall be maintained for at least 10 minutes for each test. Test shall be performed by a third party and the BLM will be notified at least 48 hours prior to testing. The test results will be recorded in the driller's daily log. The BOPE and drilling rig shall remain in operations until the well is completed or abandoned. The BOPE shall be consistent with API RP 53. The test shall be conducted in accordance with BLM Onshore Oil and Gas Order No. 02.

6. Drilling Fluid Program:

Depth	Mixture	Viscosity	Weight ppg	Water Loss
0' - 2327'	Fresh water spud mud: Gel / Paper,	29-31	8.4 - 9.4	NC
2337'-6000'	Brine water / Gel / Starch	30-32	9.8 - 10.1	<20cc @ TD

Brine water will be introduced into drilling fluid of the 7½" hole to obtain optimum hole stability by inhibiting the swelling of shale and utilizing the weight gradient of .52 to aid in suppressing any invasion of unexpected oil or gas. Mud materials shall be readily available should the need arise for lost circulation or well control purposes. H2S scavengers will be used if any signs of H2S presence. There has been no H2S encountered or reported during the drilling operations in any offset wells on this lease.

See COA - mud monitoring

7. Auxillary Equipment:

Additional BOP accessories include an upper and lower kelly cock with the locking handle readily available on the rig floor at all times, the choke operating controls and floor safety valves are on the rig floor and pit fluid level sensors are used to monitor pit levels.

Mud monitoring equipment shall be placed on the circulating tanks to detect any abnormal volume changes, (i.e. loss or gain) of the mud system as stated in Onshore Order 2. This equipment shall be made of a pit level indicator and flow line sensor.

*See
COA*

The H2S Contingency Plan will include placement of H2S and SO2 gas sensor equipment is to be mounted at the return flow line, bell nipple and rig floor by an independent contractor. Derrick floor indicators with audio/visual alarms shall be installed and operative 500 ft or 3 days prior to drilling into the San Andres formation.

A gas separator shall be installed as required by the BLM. A flare system shall be designed to gather and burn all gas. The discharge shall be no less than 150 feet from the well head, downwind from the prevailing wind direction. A single choke line may be diverted to the separator to vent gas or circulated to mud tanks when and where deemed necessary. The secondary gas vent line shall be buried from separator to the flare area. The bleed line shall remain independent and shall be buried after the choke to the flare area which will be 150 feet minimum from the cellar. A third choke line shall run to the return mud tank. All choke lines can be controlled independently.

8. Testing, Logging and Coring Program:

Drill Stem Tests: None anticipated.

Electrical Logging: TD to Surface Casing: GR/ND, DLL, MSFL, LDT
TD to the Surface: GR/R/CNL

Mud Logging: A mud logging contractor is anticipated to be in operations within a reasonable amount of time upon drilling below the surface casing cement plug.

9. Potential Hazards

No abnormal pressures or temperatures are anticipated. The BHP pressure is not expected to exceed 2640 psi, (6000' x .44 psi/ft). Estimated BHT is 130° F.

There is no H2S encountered or reported in area wells on the lease. The operator will however have an H2S Contingency Plan set up by a third party. The H2S Contingency Plan is attached.

10. Anticipated Start Date:

We plan to start as soon as possible once the APD is approved. It is anticipated to begin drilling as soon as possible once the APD is approved. It should take approximately 14 days to drill the well. This well is in the Lesser Prairie Chicken known habitat.

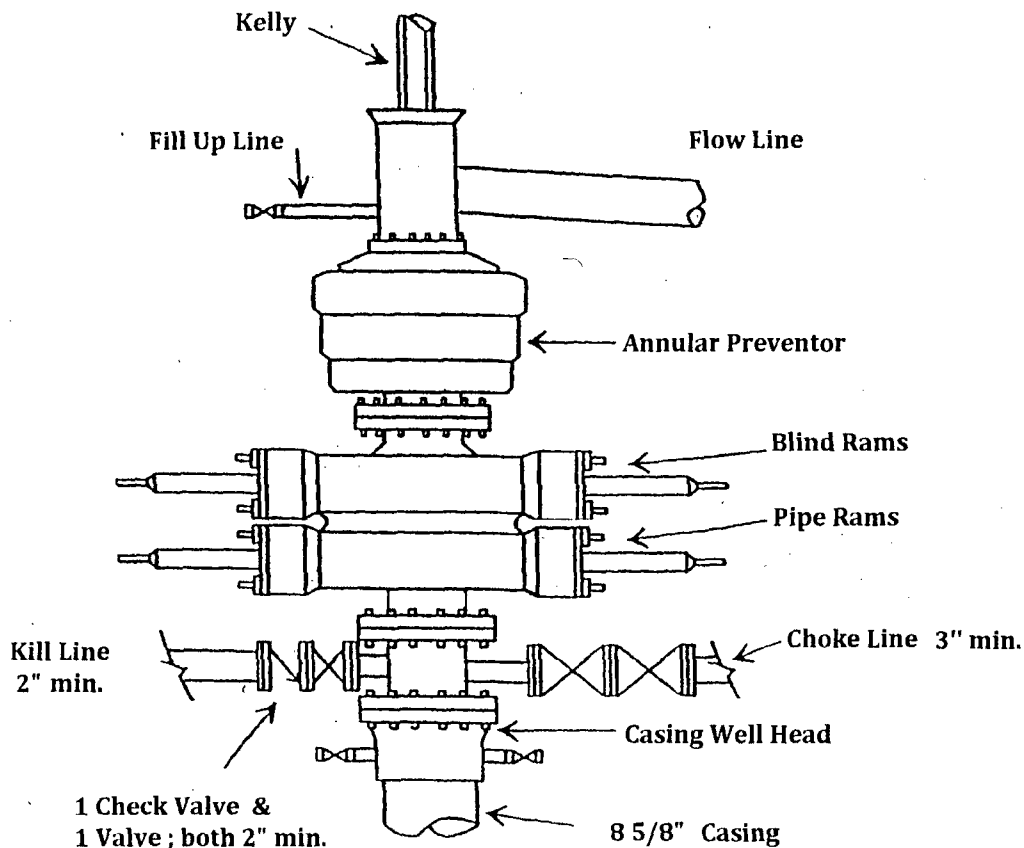
11. Surface & Minerals Ownership:

The surface is private land owned Teddy and Alma Gandy, 1308 E. Birch St., Lovington, NM, (575) 408-0443. The mineral ownership is USA and managed by the Bureau of Land Management.

THE OPERATOR HAS A SURFACE USE LAND AGREEMENT WITH THE PRIVATE LAND OWNER.

AN ONSITE INSPECTION MEETING WAS DONE ON 1/15/2013 WITH THE BLM REPRESENTATIVE TRISHIA BADBEAR.

10" 3,000 BOP installed on the 8 5/8" Surface Casing.



Anticipated 3,000 psi Choke Manifold System

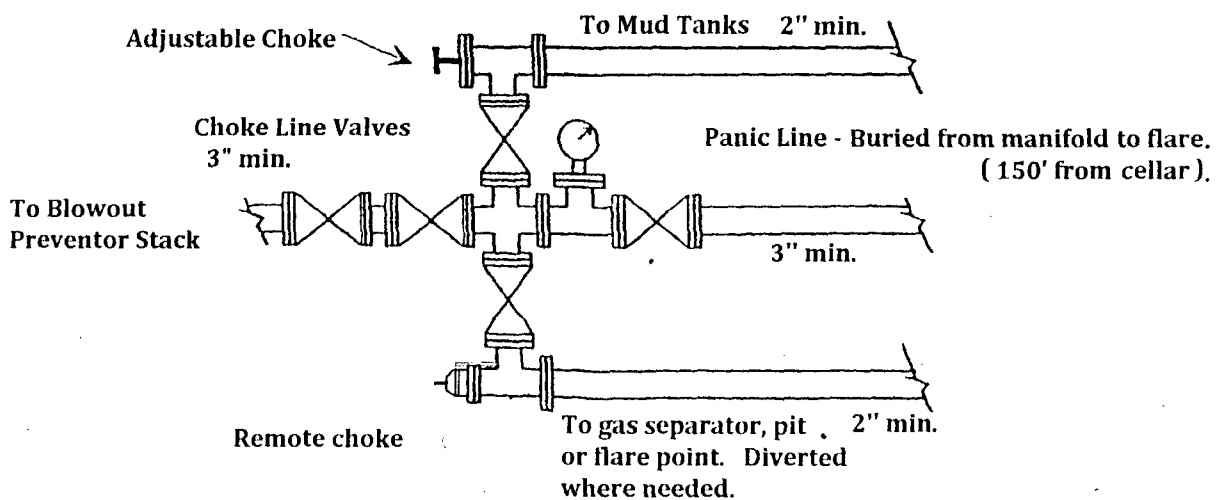


Exhibit 1.0 (10" BOP) &
Exhibit 2.0 3M Choke:

**3,000 psi BOPE &
3M Choke Manifold System
Primero Operating
State Line Federal # 1
Sec 33 T9S R38E, Lea Co.**

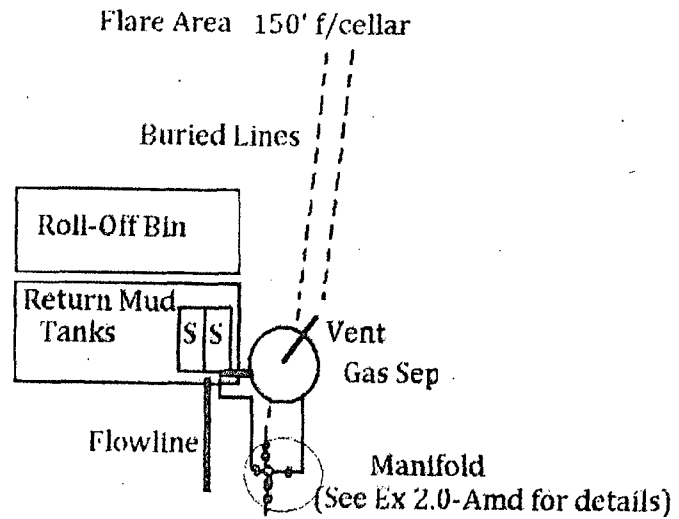


Exhibit 2.2
Manifold lines to mud tanks, gas buster and flare area.
Primero Operating State Line Federal 1