HOBBS OCD	0	CD Hobbs				
Orm 3160-3 March 2012) SEP 2 8 2016				FORM OMB 1	APPROVED No. 1004-0137	
RECEIVATION OF THE I	NTERIOR			5. Lease Serial No. NMLC065710A	Joctober 31, 2014	
APPLICATION FOR PERMIT TO I	DRILL OR	REENTER		6. If Indian, Allotee	or Tribe Name	
a. Type of work: DRILL REENTE	R			7. If Unit or CA Agr	eement, Name and No.	
lb. Type of Well: 🔽 Oil Well 🗌 Gas Well 🗌 Other	ple Zone	8. Lease Name and LUSK FEDERAL	Well No. # 313			
2. Name of Operator SHACKELFORD OIL COMPANY		9. API Well No.	-30523			
Ba. Address 203 W. Wall St., Ste 200 Midland TX 79701	3b. Phone No. (432)682-97	(include area code) 84 L	USK:	10. Field and Pool, or DELAWARE /	Exploratory (4	
4. Location of Well (Report location clearly and in accordance with any At surface NWNE / 335 FNL / 1656 FEL / LAT 32.39 / LC At proposed prod. zone. NIMINE / 335 FNL / 1656 FEL / LAT 32.39 / LC		11. Sec., T. R. M. or I SEC 20 / T19S / F	Blk. and Survey or Area			
 Distance in miles and direction from nearest town or post office* 40 miles 	02.09 / LON	G - 103.47		12. County or Parish LEA	13. State NM	
5. Distance from proposed* location to nearest 330 feet property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of act 640	res in lease	17. Spacin 40	ing Unit dedicated to this well		
 Distance from proposed location* to nearest well, drilling, completed, 1326 feet applied for, on this lease, ft. 	19. Proposed Depth 20. BLM 7200 feet / 7200 feet FED: N			BIA Bond No. on file M2156		
 Elevations (Show whether DF, KDB, RT, GL, etc.) 3582 feet 	22. Approxim	ate date work will st	art*	23. Estimated durati 22 days	on	
	24. Attacl	iments	1			
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest System SUPO must be filed with the appropriate Forest Service Office). 5. Signature 	Lands, the Name (Bond to cover Item 20 above) Operator certif Such other site BLM. Printed/Typed)	the operation ication e specific inf	ons unless covered by a formation and/or plans a	n existing bond on file (see as may be required by the Date	
itle	BARR	Y W. HUNT			04/20/2016	
PERMIT AGENT						
pproved by Bratury Aant	Name (Printed/Typed)	chonel	11	Date 9/19/16	
FIELD MANAGER	Office HOBB	S			, ,	
pplication approval does not warrant or certify that the applicant hold onduct operations thereon. onditions of approval, if any, are attached.	s legal or equita	ble title to those rig	hts in the sub	bject lease which would	entitle the applicant to	
tle 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a cr ates any false, fictitious or fraudulent statements or representations as t	ime for any per o any matter wi	son knowingly and thin its jurisdiction.	willfully to n	nake to any department	or agency of the United	
Continued on page 2)		12.19		*(Ins	tructions on page 2)	
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Proposed

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Well Name Change

Lusk West Delaware Unit #2 B-Sec. 20-T19S-R32E 330' FNL & 1656' FEL API# 3002530523

1. Proposed zones to be tested:

7122'-7154' Basal Brushy Canyon (Non-unitized zone) 5135'-5176' Cherry Canyon (Non-unitized zone) 4886'-5009' Cherry Canyon (Non-unitized zone) 4934'-4957' Cherry Canyon (Non-unitized zone)

The Lusk West Delaware Unit #2 re-entry will be a non-unit well, the proposed well name change will be the Lusk Federal #2-A.

DRILLING PLAN:

SHACKELFORD OIL COMPANY, INC. (RE-ENTRY) LUSK FEDERAL #2-A 330' FNL & 1656' FEL, SECTION 20, T19S, R32E Lea County, NM

1. GEOLOGIC NAME OF SURFACE FORMATION:

A. Recent Permian with quaternary alluvium and other surficial deposits.

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS & DEPTHS OF ANTICIPATED FRESH WATER, OIL OR GAS:

Formation	Subsea Depth	Well Depth	Water / Oil / Gas
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Anhydrite		790'	Salt
Tansil		2463'	Water/Oil/Gas
Yates		2632'	Water/Oil/Gas
Seven Rivers		2843'	Water/Oil/Gas
Top Capitan Reef		2931'	Water/Oil/Gas
Base Capitan Reef		4567'	Water/Oil/Gas
Delaware		4760'	Water/Oil/Gas
TD		7200'	Water/Oil/Gas

Water : Surface water between $50^{\circ} - 230^{\circ}$ behind casing. Oil : Possible in the Yates below 2,600' and the Delaware below 4,820 Gas: None expected.

This project will involve re-entering the plugged and abandoned #2 well, drilling out cement and plugs, using a workover rig, and proposing to tie-in to existing casing at 1622' (Cimarex Energy had cut off the casing from 7220' to 1622' and set a plug). This vertical oil well will be re-entered for the Delaware.

3. CASING PROGRAM: EXISTING IN WELL

Hole Size	Depth	Casing	Weight	Joint	Grade	New/Used	SF Burst	SF Collapse	SF Tension
17 ½"	0' - 870'	13 3/8"	54.5#	STC	K-55	New	N/A	N/A	N/A
12-1/4"	0'-4500'	8-5/8"	24#	STC	J-55	New	N/A	N/A	N/A
7-7/8"	0'-7220'	5 1/2"	15.5#	LTC	J-55	New	N/A	N/A	N/A

Plan on running new 5 1/2" casing (15.5#, J-55, LTC) from 0' to 1622'. SF (Burst 1.35) (Collapse 1.13) (Tension 2.27).

4. CEMENT PROGRAM: EXISTING

- A. Surface Casing: Existing. 13 3/8", 54.4#, K-55, @870' cmtnd w 1000 sx circ to surface.
- B. <u>Intermidiate Casing:</u> Existing. 8 5/8", 24#, J-55, @ 4500' cmtnd w 3230 sx, circ to surface. (DV TOOL @2622')
- C. Production Casing: Existing. 5 1/2", 15.5#, J-55 @ 7220' cmtnd w 900 sx, circ to surface.

NEW 5 ½" CEMENT PROGRAM: 5 ½", 15.5, J-55 @ 0'-1622' cmtnd w 272.69 sx. cl "C" Circ to surface.

5. PRESSURE CONTROL EQUIPMENT:

The blow out preventer equipment (BOP) for this well consists of a 10" 3M Cameron Space Saver, double ram BOP with choke manifold. The BOP will be installed on the 8 5/8" casing. Casing and BOP will be tested as described in Onshore Order No. 2. The pipe rams will be operated and checked daily, plus each time drill pipe is out of hole. This will be documented on drillers log. (See Exhibits).

6. PROPOSED MUD CIRCULATION SYSTEM: In lateral hole

INTERVAL	Mud Type	MW (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
0 – 7200'	Brine water mud	9.5	29	NC

If needed, the necessary mud products for weight addition and fluid loss control will be on location at all times.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT:

- A. A Kelly cock will be in the drill string at all times.
- B. A full opening drill pipe stabbing valve having appropriate connections will be on the rig floor at all times.
- C. H2S monitors will be on location.

8. LOGGING, CORING AND TESTING PROGRAM:

Drill Stem Tests :	None.
Logging:	Bond Log was previously run.
Coring:	None.

9. ABNORMAL PRESSURES AND TEMPERATURES / POTENTIAL HAZARDS:

None anticipated. In the event abnormal pressures are encountered, the proposed mud program will be modified to increase the mud weight. Max bottom hole pressure should not exceed 3,168 psi., surface pressure 1,856 psi (part. Evac. Hole) with BHT of 122 F anticipated.

H2S: None expected. None in the previously drilled well, but the Mud Log Unit will be cautioned to use a gas trap to detect H2S and if any is detected the mud weight will be increased along with H2S inhibitors sufficient to control the gas. The well will be shut down until a mud separator and flare line can be installed on the choke manifold, if the gas monitor approaches 10.

The operator and drilling contractor are prepared to take all necessary steps to ensure safety of all personnel and environment.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

A. Road and location construction will begin after BLM has approved APD. Anticipated spud date will be as soon after BLM approval and as soon as rig will be available. Move in operations and drilling is expected to take 25 days. An additional 30 days will be needed to complete the well and construct surface facilities and/or lay flow lines in order to place well on production.





SHACKELFORD OIL COMPANY

203 W. Wall STE 200

Midland, TX 79701

DESIGN: Closed Loop system with roll-off steel bin (pits)

Contacts: Bob Shackelford - Office: 432-682-9784 Cell: 432-813-7090

Art Marguez - Office: 432-682-9784 Cell: 575-405-1334

Monitoring: 12 hour service

Equipment:

500 bbl waste fluid tank

500 bbl brine water tank

500 bbl 2% KCL Water Tank

Pump, swivel manifold

Reverse tank

1 CRI Bin with track system

Air pumps on location for immediate remediation process

Layout of Closed Loop System with bin, attached

Cuttings and associated liquids will be hauled to a State regulated third party disposal site, via CRI (Controlled Recovery, Inc.) Disposal Facility Permit # R9166

OPERATIONS:

Closed Loop equipment will be inspected daily by each tour and any necessary maintenance performed.

Any leak in system will be repaired and/or contained immediately.

OCD will be notified within 48 hours of the spill.

Remediation process started immediately.

CLOSURE;

During drilling operations all liquids, drilling fluids and cuttings will be hauled off via CRI (Controlled Recovery Incorporated) Disposal Facility Permit # R9166

