

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised July 18, 2013

HOBBS OCD

☐ AMENDED REPORT

APR 06 2017

RECEIVED

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|--|---|--|
| ¹ Operator Name and Address Steward Energy II, LLC 3211 Internet Blvd., Suite 150 Frisco, TX 75034 | | ² OGRID Number 371682 |
| ⁴ Property Code 317585 | ³ Property Name Pollos Hermanos State COM | ⁵ API Number 30-025-43735 ⁶ Well No. 5H |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet from | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| N | 10 | 14S | 38E | | 225 | South | 1350 | West | Lea |

*** Proposed Bottom Hole Location**

| UL - Lot | Section | Township | Range | Lot Idn | Feet from | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| K | 3 | 14S | 38E | | 2569 | South | 1350 | West | Lea |

9. Pool Information

| | |
|--|--------------------|
| Pool Name Bronco; San Andres, South | Pool Code 07500 |
|--|--------------------|

Additional Well Information

| | | | | |
|-------------------------------------|---------------------------------------|--|-------------------------------------|--|
| ¹¹ Work Type New Well | ¹² Well Type Oil | ¹³ Cable/Rotary Rotary | ¹⁴ Lease Type Private | ¹⁵ Ground Level Elevation 3789 |
| ¹⁶ Multiple N | ¹⁷ Proposed Depth 13000 | ¹⁸ Formation San Andres | ¹⁹ Contractor | ²⁰ Spud Date 05/15/2017 |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |

☒ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 12.25 | 9.625 | 36 | 2400 | 900 | 0 |
| Prod | 7.875 | 5.5 | 20 | 13000 | 2000 | 0 |

Casing/Cement Program: Additional Comments

Propose to drill a pilot hole to 6400' and run logs. Set cmt plug at 4800', kick off and drill 7 7/8" lateral to 13000' MD.

22. Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|------------|------------------|---------------|--------------|
| Annular | 3000 | 1500 | Schafer |
| Double Ram | 3000 | 1500 | Schafer |

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

I further certify that I have complied with 19.15.14.9 (A) NMAC ☒ and/or 19.15.14.9 (B) NMAC ☒, if applicable.

Signature: *Melanie J. Wilson*

Printed name: Melanie J. Wilson

Title: Agent

E-mail Address: mjp1692@gmail.com

Date: 04/05/2017

Phone: 575-914-1461

OIL CONSERVATION DIVISION

Approved By:

Title:

Approved Date: 04/06/17

Expiration Date: 04/06/19

Conditions of Approval Attached

**See Attached
Conditions of Approval**

CONDITIONS OF APPROVAL

| API # | Operator | Well name & Number |
|--------------|-----------------------|----------------------------------|
| 30-025-43735 | STEWARD ENERGY II LLC | POLLOS HERMANOS STATE COM # 005H |

Applicable conditions of approval marked with XXXXXX

Administrative Orders Required

| | |
|--|---|
| | Must apply for an Administrative Order for NSL before this well can be produced |
|--|---|

Other wells

| | |
|--|--|
| | |
|--|--|

Drilling

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| XXXXXXX | Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string |
| | |

Casing

| | |
|-----------|--|
| XXXXXXX | SURFACE & PRODUCTION CASING - Cement must circulate to surface -- |
| XXXXXXXXX | If cement does not circulate to surface, must run temperature survey or other log to determine top of cement |
| XXXXXXX | Surface casing must be set 25' below top of Rustler Anhydrite in order to seal off protectable water |
| | |

Lost Circulation

| | |
|---------|---|
| XXXXXXX | Must notify OCD Hobbs Office if lost circulation is encountered at 575-370-3186 |
| | |

Water flows

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|---------|---|
| XXXXXXX | Must notify OCD Hobbs Office of any water flow in the Salado formation at 575-370-3186. Report depth and flow rate. |
| | |

Stage Tool

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|---------|---|
| XXXXXXX | Must notify OCD Hobbs Office prior to running Stage Tool at 575-370-3186 |
| XXXXXXX | If using Stage Tool on Surface casing, Stage Tool must be greater than 350' and a minimum 200 feet above surface shoe. |
| XXXXXXX | When using a Stage Tool on Intermediate or Production Casing Stage must be a minimum of 50 feet below previous casing shoe. |
| | |

Pits

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|---------|--|
| XXXXXXX | If using a pit for drilling and completions, must have an approved pit form prior to spudding the well |
| | |