

ATS-11-586

OCD-ARTEZIA

Form 3160-3
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

5. Lease Serial No.
LC-029419

6. If Indian, Allottee or Tribe Name
NA

7. If Unit or CA Agreement, Name and No
29742

8. Lease Name and Well No
SKELLY UNIT #51

9. API Well No.
30-015-05348

10. Field and Pool, or Exploratory
SWD
FREN, WOLFCAMP-CISCO

11. Sec., T, R M or Blk. and Survey or Area
SEC 22, T17S, R31E, UL: I

12. County or Parish
EDDY

13. State
NM

1a. Type of work. ☐ DRILL ☒ REENTER

1b. Type of Well: ☐ Oil Well ☐ Gas Well ☒ Other SWD ☒ Single Zone ☐ Multiple Zone

2. Name of Operator CHEVRON U.S.A. INC.

3a. Address 15 SMITH ROAD
MIDLAND, TEXAS 79705

3b. Phone No. (include area code)
432-687-7375

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

At surface 1980' FSL & 660' FEL

At proposed prod. zone WOLFCAMP/CISCO FORMATION, N.M.P.M. SURVEY

14. Distance in miles and direction from nearest town or post office*
6 MILES SW OF MALJAMAR, NM

15. Distance from proposed* location to nearest property or lease line, ft
(Also to nearest drig. unit line, if any)
3420'

16. No. of acres in lease
5120

17. Spacing Unit dedicated to this well

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft
NA

19. Proposed Depth
9430'-9470'; 9550'-9650'

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc)
3851' DF

22. Approximate date work will start*
06/01/2011

23. Estimated duration
17 DAYS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must 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 must 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 BLM.

25. Signature

Denise Pinkerton

Name (Printed/Typed)

DENISE PINKERTON

Date

02/25/2011

Title

REGULATORY SPECIALIST

Approved by (Signature)

/s/ Don Peterson

Name (Printed/Typed)

/s/ Don Peterson

Date

AUG - 9 2011

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 USC Section 1001 and Title 43 USC 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

(Continued on page 2)

Roswell Controlled Water Basin

WITNESS CIT *(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

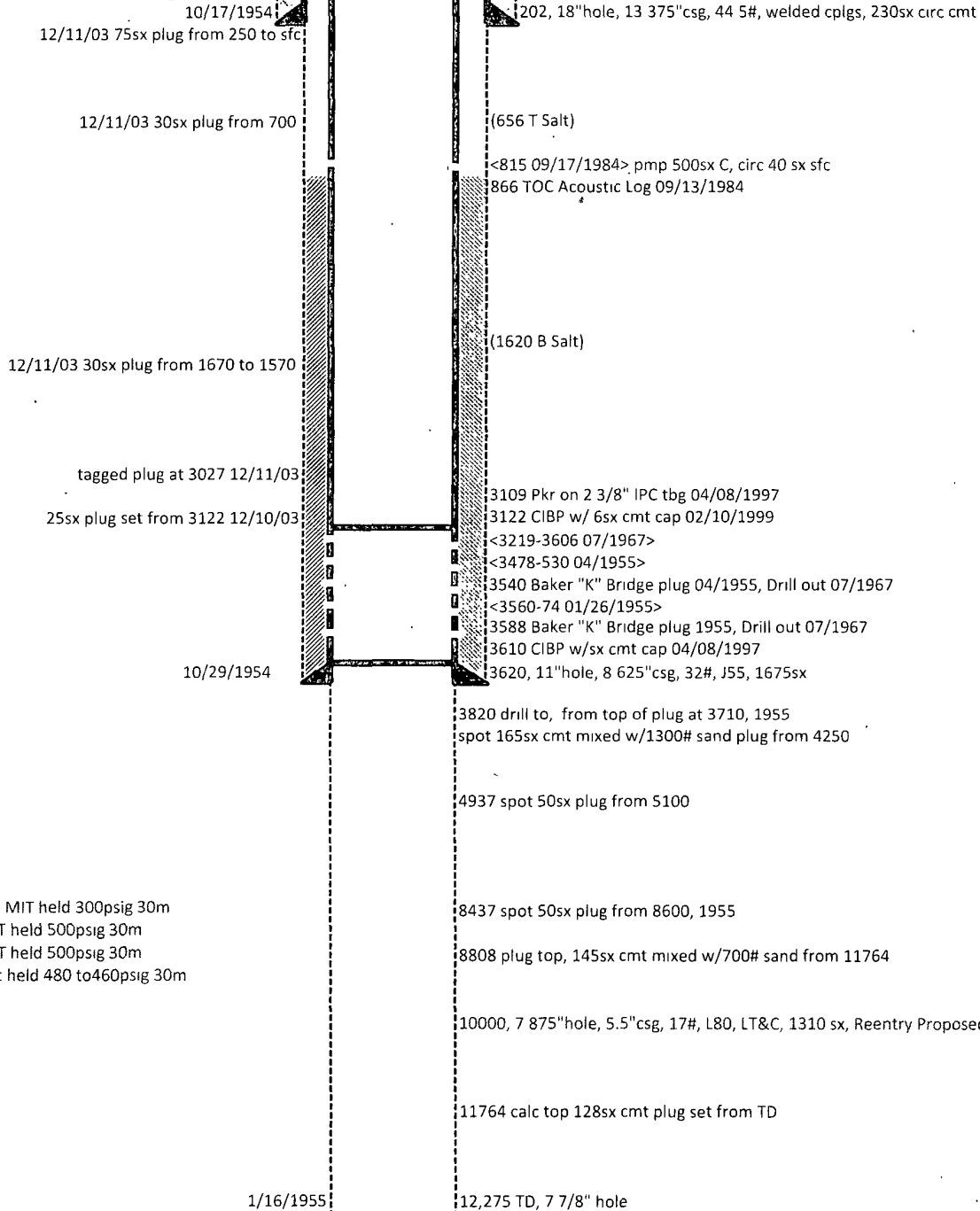
Operator: Chevron U.S.A. Inc.
 Surface Lease: LC029419A
 Producing Lse No: LC029419A
 Unit or CA No: N. A.

Well: Skelly Unit - 51
 API: 3001505348
 @ Srfce: T17S-R31E, Sec 22, 1980FSL & 660FEL
 @ MTD: N. A.

Subsurface Concerns for Casing Designs:

Well Status: P&A
 Spud date: 10/17/1954
 Max Inj psig: 1,886
 Admn Order: SWD-1270
 O O 2.III.B h MIT: 1171
 Last WK inspc:
 Inspec Tbg psig: no gauge
 Inspec Csg psig: no gauge

KB: 3861
 GL: 3851
 Corr: 10



04/09/1997 CTI
 02/11/1999 TA, MIT held 300psig 30m
 04/17/2001 MIT held 500psig 30m
 06/27/2001 MIT held 500psig 30m
 02/13/2002 Mit held 480 to 460psig 30m

BLM 9 Point Drilling Plan

Chevron U.S.A.

Skelly Unit #51

Eddy County, New Mexico

Lot I, Section 22, T17S, R31E

1980 FSL, 660' FEL

(1) Formation Tops

<u>Formation</u>	<u>Tops</u>
Anhydrite	474
Salt	656-1620
Yates	1780
Seven Rivers	2110
Grayburg	3132
San Andres	3523
Glorieta	5016
Yeso	5120
Clearfork	5822
Tubbs	6450
Abo	7110
Wolfcamp	8710
Hueco	8964
Penn	10173
Des Moines	11114
Atoka	11394

(2) Zones Containing Oil, Gas, Water, and Other Minerals

Formation	Top	Bottom	Properties
Yeso	5,120'	5,822'	Oil & Gas
Wolfcamp	8,710'	8,964"	Oil & Gas

Shallow water sands may contain fresh water. Sands are currently protected by surface casing set at 250' with cement to surface.

(3) Blow-Out Prevention

Surface Casing	Previously set.
Intermediate Casing	Previously set.
Production Casing	3000 psi test pressure

Casing Head 8 5/8" SOW x 11" 3M
Tubing Head: 11" 3M x 7-1/16" 5M

BOPE: 7 1/16" 5M Double Ram Hydraulic
7 1/16" 5M Annular
Choke Manifold: 2" 5M with 2 – 2" manual chokes.
Testing: 250/3000 psi for production hole
Test upon installation and every 14 days
BOP will be tested in accordance to Onshore Order 2.

(4) Casing Design

The surface and intermediate string are already in place. There is currently a 7 7/8" hole from the 8 5/8" shoe at 3,620' - 12,275' that has been plugged. We will drill out and clean out the plugs to 10,000', run new 5 1/2" casing, and cement. New 5 1/2", 17#, L-80 safety factors are as follows:

- Collapse: 2 47
- Burst: 1 48
- Tension: 1.98 Air and 2.32 Buoyant with 10 ppg MW using 0.85 buoyancy factor

Hole Size	Casing Size	Wt/Ft	Grade	Joint	Depth Set
18"	13 3/8" (set)	54.5#	J-55	STC	205
11"	8-5/8" (set)	32#	J-55	STC	3620
7-7/8"	New 5-1/2"	17#	L-80	LTC	10,000

(5) Cementing

Casing	Slurry	Sacks	Density (ppg)	Yield (cf/sx)	% Excess
5-1/2"	EconoCem "C" and ¼ pps Poly-E-Flake	457	12 4	2.42	25
	VersaCem "H" and ¼ pps Poly-E-Flake	853	14 2	1.25	25

See
GA

The surface casing was set in 1954 with cement to surface. The intermediate casing was set in 1954 with TOC at 660'. In 1984, 2 holes were perforated at 815', a squeeze cement job was performed with 500 sacks of class C cement + 2% cc, and 40 sacks of cement was circulated.

The production casing is designed to be cemented to surface. Casing will be centralized on the bottom 2 joints and across pass as required.

The above cement volumes are approximate and are calculated on the assumption of a gauge hole being drilled. Actual cement volumes may vary due to hole conditions and/or caliper logs

(6) Circulating Medium

Visual monitoring will be used from casing shoe to TD. Sufficient materials to maintain mud properties will be available on location while drilling. The cut brine will be mudded up near TD to a starch/XCD mud for running casing.

Interval	Mud Type	Density	Viscosity	Fluid Loss
3,620 – 10,000	Brine	9.0-10.0	26-34	NC-20

(7) Testing, Logging, and Coring

Logs

None planned

DST's

None planned

Core's

None planned

(8) Anticipated Pressures, Abnormal/Hazardous Drilling Conditions

Normal pressures and temperatures are expected to TD.

Losses and/or flares may be encountered from intermediate casing to TD.

Maximum anticipated bottom-hole pressure is 4600 psi at +/- 9400'. (Injection interval in offset wells.)

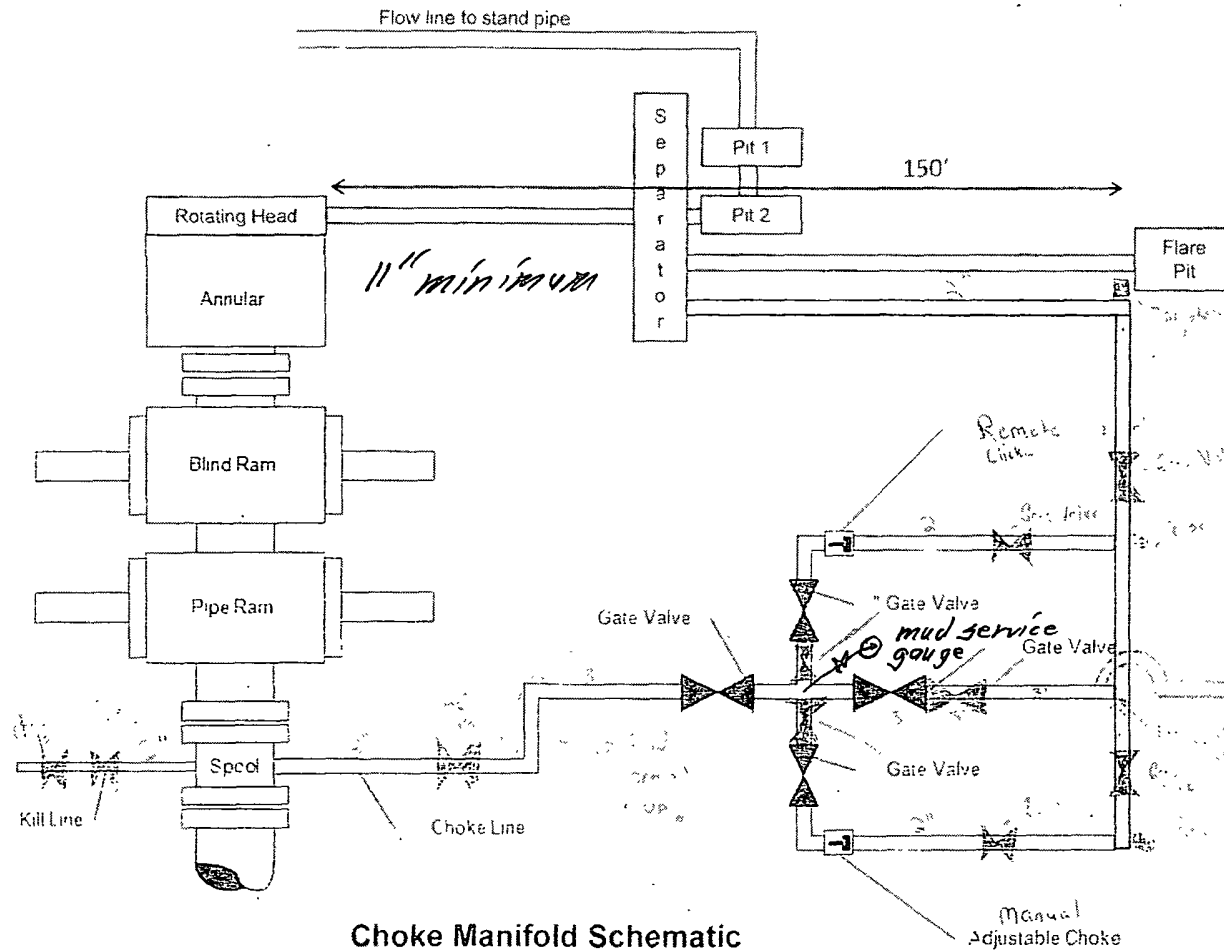
H₂S is possible in Permian Basin drilling; therefore safety monitoring will be in place.

Salt section and Yates are covered by existing intermediate casing set at 3620'.

(9) Other Facets of the Proposal

Anticipated Start Date: August 2011

Drilling Days: 8

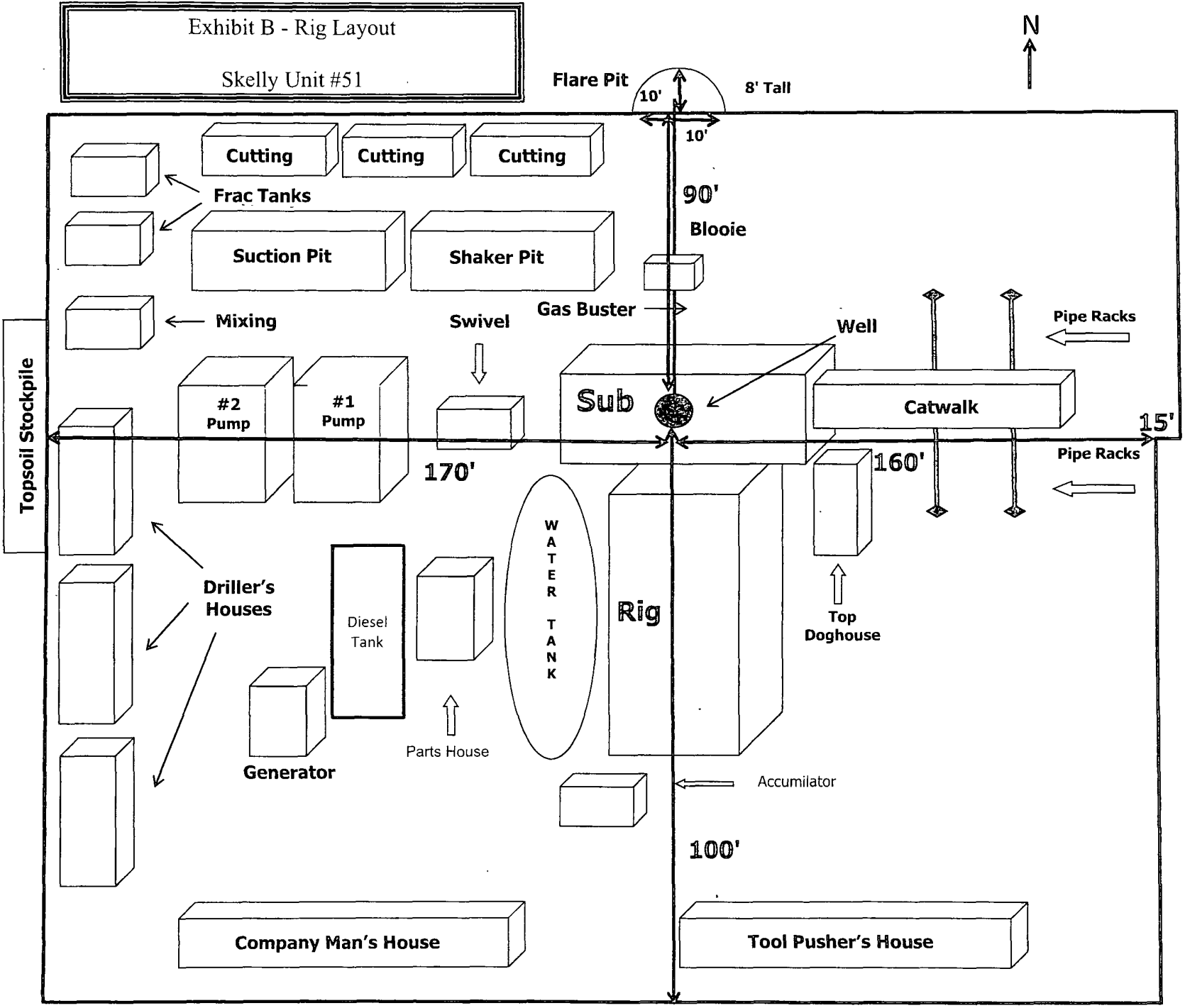


Choke Manifold Schematic

K ————— 150' —————>

Exhibit B - Rig Layout

Skelly Unit #51



Access Road Entry Point