AFS-10-180

RECEIVED
AUG 25 2010
NMOCD ARTESIA

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Form 3160-3
(August 2007)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No.
NM-14847

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

7 If Unit or CA Agreement, Name and No.

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

8 Lease Name and Well No
Phillips -19- Federal #25 (26582)

2. Name of Operator Clayton Williams Energy, Inc. (25706)

9 API Well No.
30-015- 38159

3a. Address Suite 3000, 6 Desta Drive
Midland, Texas 79705

3b Phone No. *(include area code)*
(432) 682-6324

10 Field and Pool, or Exploratory
Empire, Glorieta-Yeso (96210)

4. Location of Well *(Report location clearly and in accordance with any State requirements *)*
At surface 330' FNL, 1750' FWL, Unit Letter C
At proposed prod. zone

11. Sec., T. R. M. or Blk. and Survey or Area
Section 19, T-17-S, R-29-E

14 Distance in miles and direction from nearest town or post office*
7 miles NW of Loco Hills, New Mexico

12 County or Parish
Eddy

13 State
NM

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 1054.42	17 Spacing Unit dedicated to this well 10 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 587'	19. Proposed Depth 6,000	20 BLM/BIA Bond No. on file NM 2787
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 3696' GL	22. Approximate date work will start* 06/30/2010	23. Estimated duration 20 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 Matt Swierc	Name *(Printed/Typed)* Matt Swierc	Date 5/19/10

Title
Production Superintendent

Approved by *(Signature)* /s/ Don Peterson	Name *(Printed/Typed)*	Date AUG 24 2010
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.

(Continued on page 2)

*(Instructions on page 2)

KZ 09/13/10

Roswell Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

EXHIBIT 1

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 RIO BRAZOS RD., AZTEC, NM 87410

DISTRICT IV
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
11885 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-015-38159	96210	Empire, Glorieta - Yeso

Property Code	Property Name	Well Number
26582	PHILLIPS 19 FEDERAL	25

OGRID No	Operator Name	Elevation
25706	CLAYTON WILLIAMS ENERGY, INC.	3696'

Surface Location

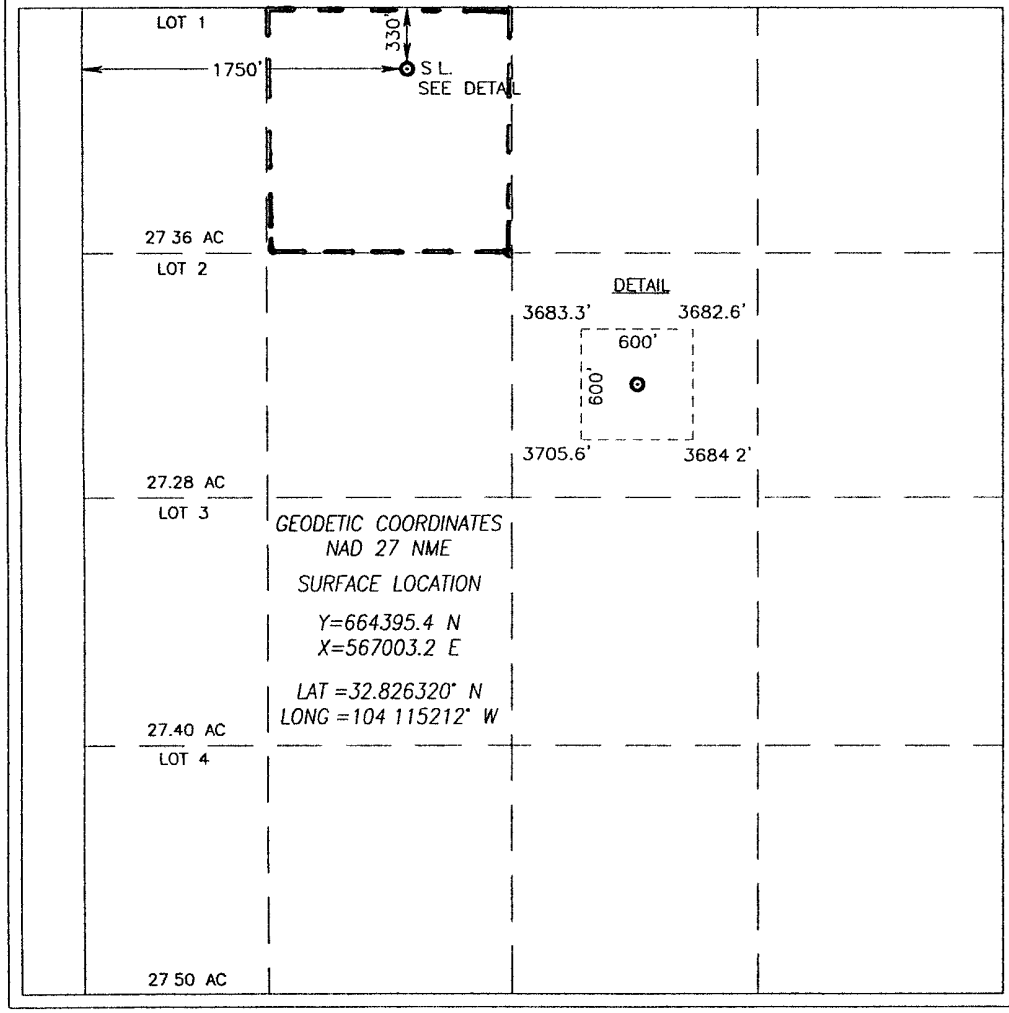
UL or lot No	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	19	17-S	29-E		330	NORTH	1750	WEST	EDDY

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	Joint or Infill	Consolidation Code	Order No.
40	Y		

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



OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

James C. Hunnicutt 5/18/2010
Signature Date

James C. Hunnicutt
Printed Name

SURVEYOR CERTIFICATION

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.

GARY G. EIDSON
NEW MEXICO
12641
REGISTERED PROFESSIONAL SURVEYOR

FEBRUARY 5, 2010
Date Surveyed DSS
Signature & Seal of Professional Surveyor

Gary G. Eidson 2/11/10

09.11.1136

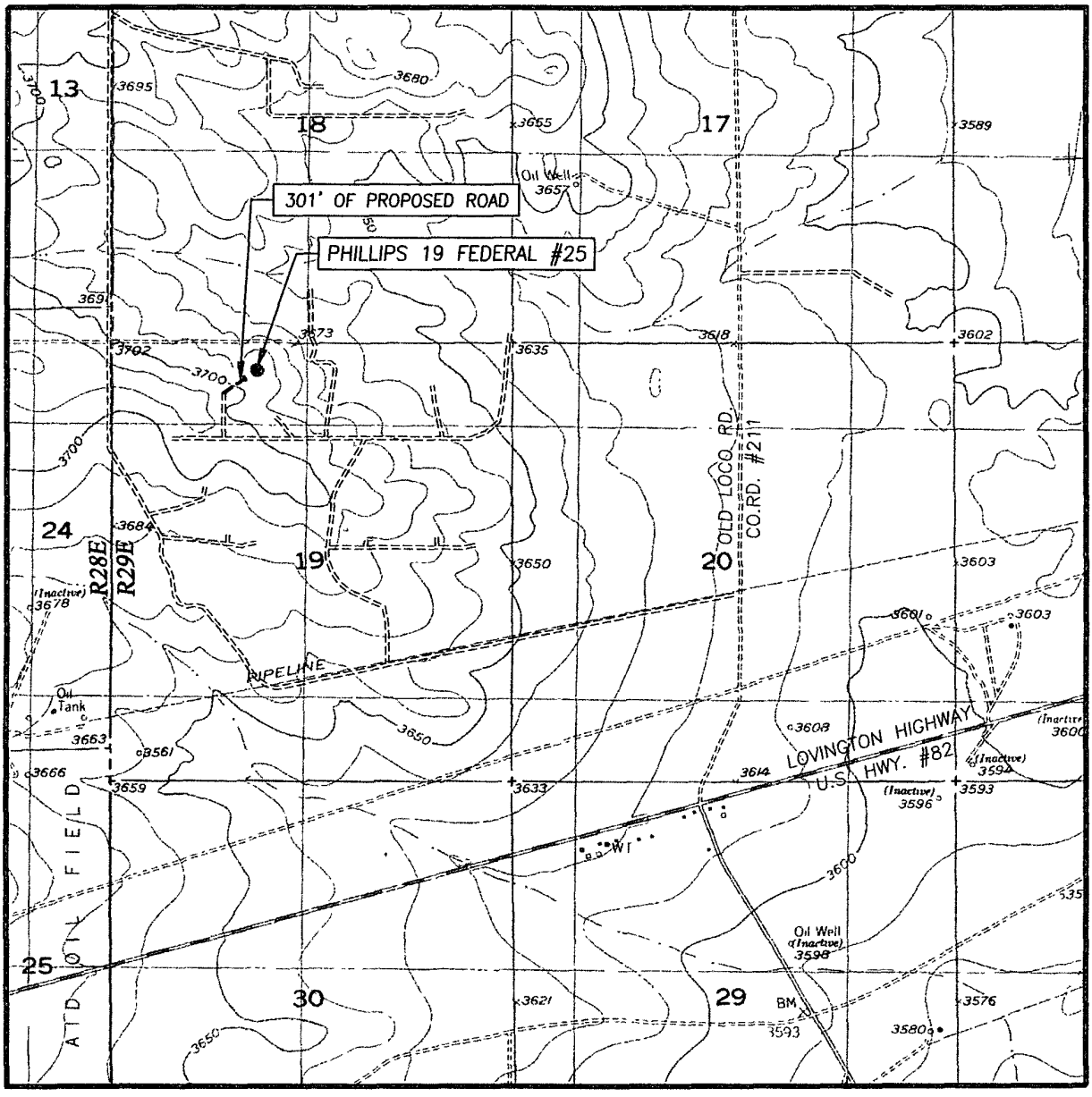
Certificate No. GARY G EIDSON 12641
RONALD J. EIDSON 3239

EXHIBITS AND ATTACHMENTS

Exhibit 1	Plat Page (Form C-102)
Exhibit 2	Topographic Map
Exhibit 3	Vicinity Map and Area Roads
Exhibit 4	Elevation Plat
Exhibit 5	Ownership Map with Well Location and Wells in 1-mile Radius
Exhibit 6	Plan of Development (Roads, Flow Lines, Power Lines and Tank Battery)
Exhibit 7	Drilling Plan
Exhibit 8	Rig Layout
Exhibit 9	BOP, Choke Manifold and Closed Loop Schematics
Exhibit 10	C-144 CLEZ, Closed Loop System Permit Application
Exhibit 11	H2S Plan
Exhibit 12	Surface Use Plan of Operations and Operator Certification

EXHIBIT 2

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
RED LAKE SE, N.M. – 10'

SEC. 19 TWP. 17-S RGE 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FNL & 1750' FWL

ELEVATION 3696'

OPERATOR CLAYTON WILLIAMS ENERGY, INC

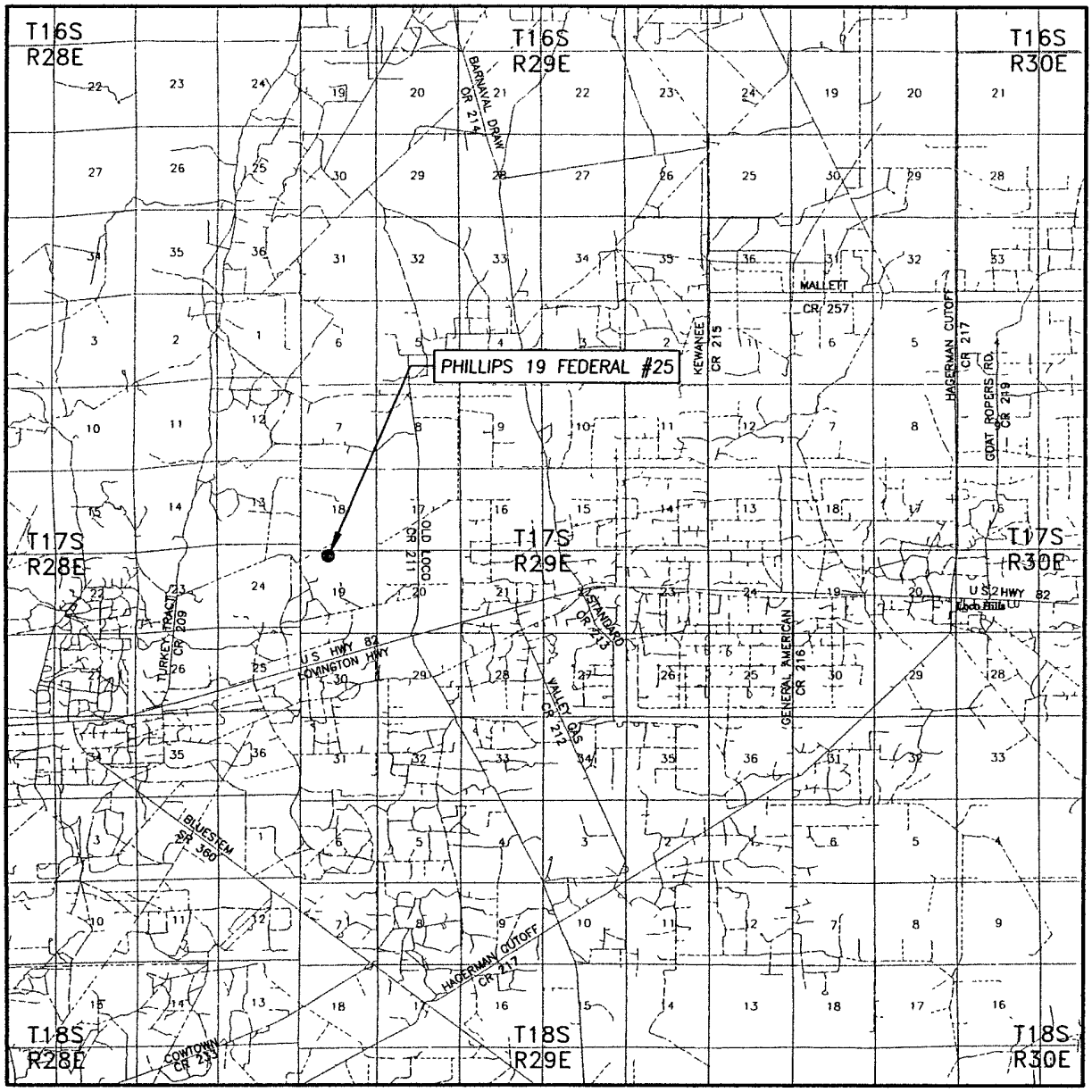
LEASE PHILLIPS 19 FEDERAL

U.S.G.S TOPOGRAPHIC MAP
RED LAKE SE, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

EXHIBIT 3

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FNL & 1750' FWL

ELEVATION 3696'

OPERATOR CLAYTON WILLIAMS ENERGY, INC.

LEASE PHILLIPS 19 FEDERAL

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.

EDDY COUNTY NEW MEXICO

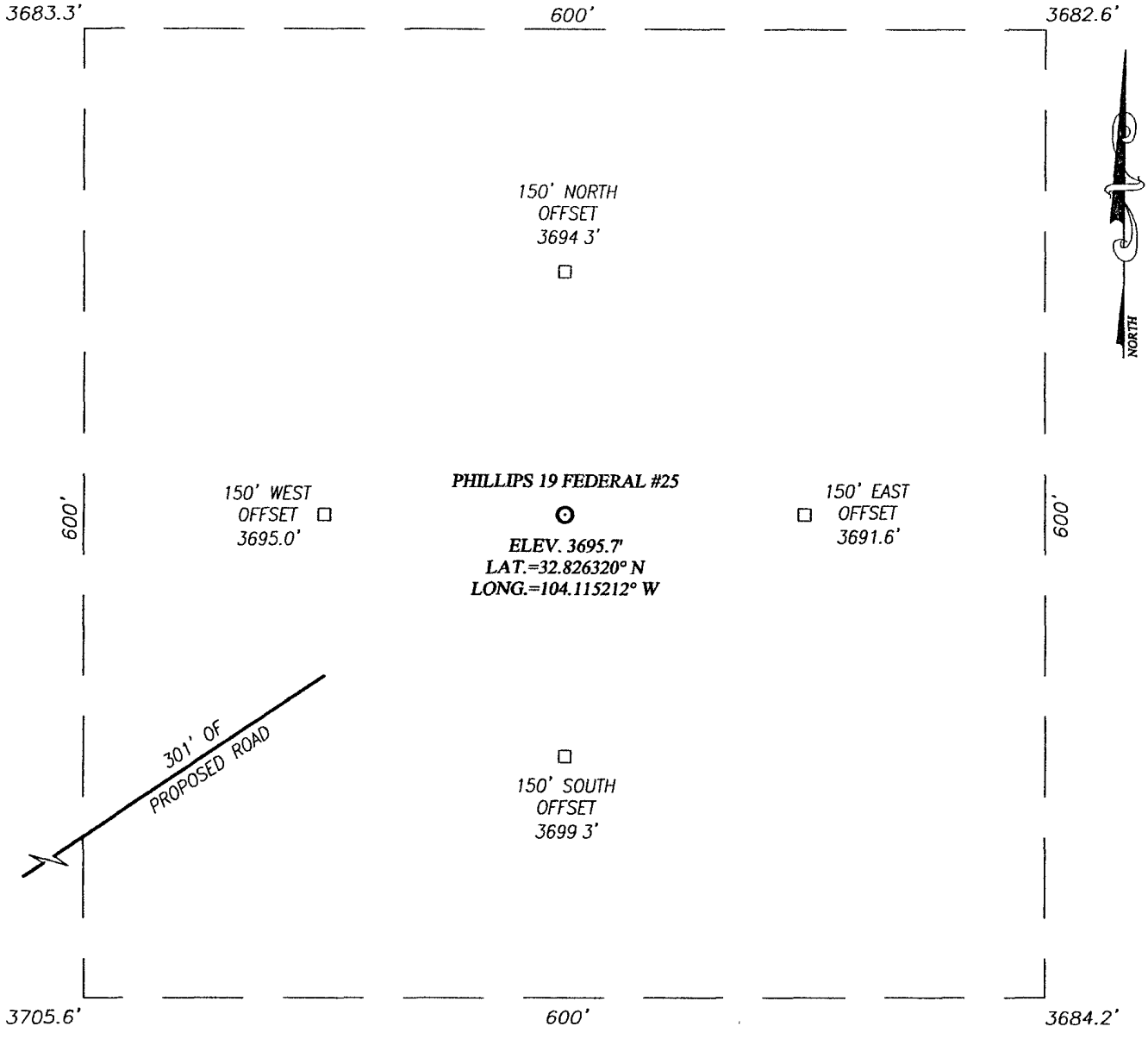


EXHIBIT 4

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #211 (OLD LOCO RD.), GO NORTH ON CO. RD. #211 APPROX. 0.5 MILES. TURN LEFT AND GO WEST APPROX. 0.8 MILES. TURN RIGHT AND GO NORTH APPROX. 0.1 MILE. VEER LEFT AND GO NORTHWEST APPROX. 0.2 MILES. VEER RIGHT AND GO NORTH APPROX. 0.1 MILE. VEER RIGHT AND GO NORTHEAST APPROX. 0.2 MILES. TURN LEFT AND GO WEST APPROX. 0.3 MILES. TURN RIGHT AND GO NORTH APPROX. 0.1 MILE TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY NORTHEAST APPROX. 301 FEET. THIS LOCATION STAKE IS APPROX. 212 FEET NORTHEAST.

100 0 100 200 Feet

Scale: 1"=100'

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

CLAYTON WILLIAMS ENERGY, INC.

PHILLIPS 19 FEDERAL #25 WELL
LOCATED 330 FEET FROM THE NORTH LINE
AND 1750 FEET FROM THE WEST LINE OF SECTION 19,
TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO

Survey Date: 02/05/10	Sheet 1 of 1 Sheets		
W.O. Number: 09 11.1136	Dr By: DSS	Rev 1: N/A	
Date: 02/08/10		09111136	Scale: 1"=100'

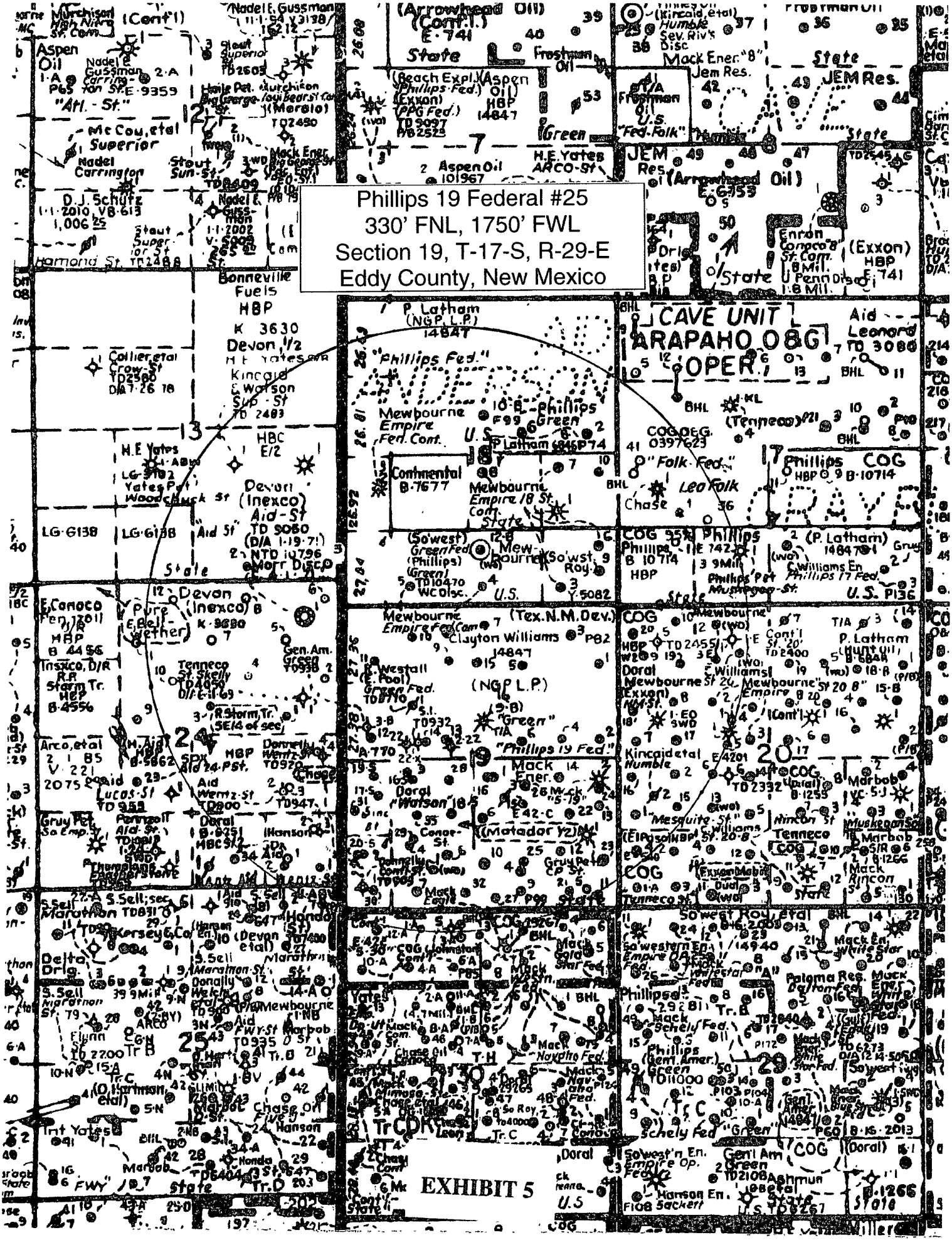
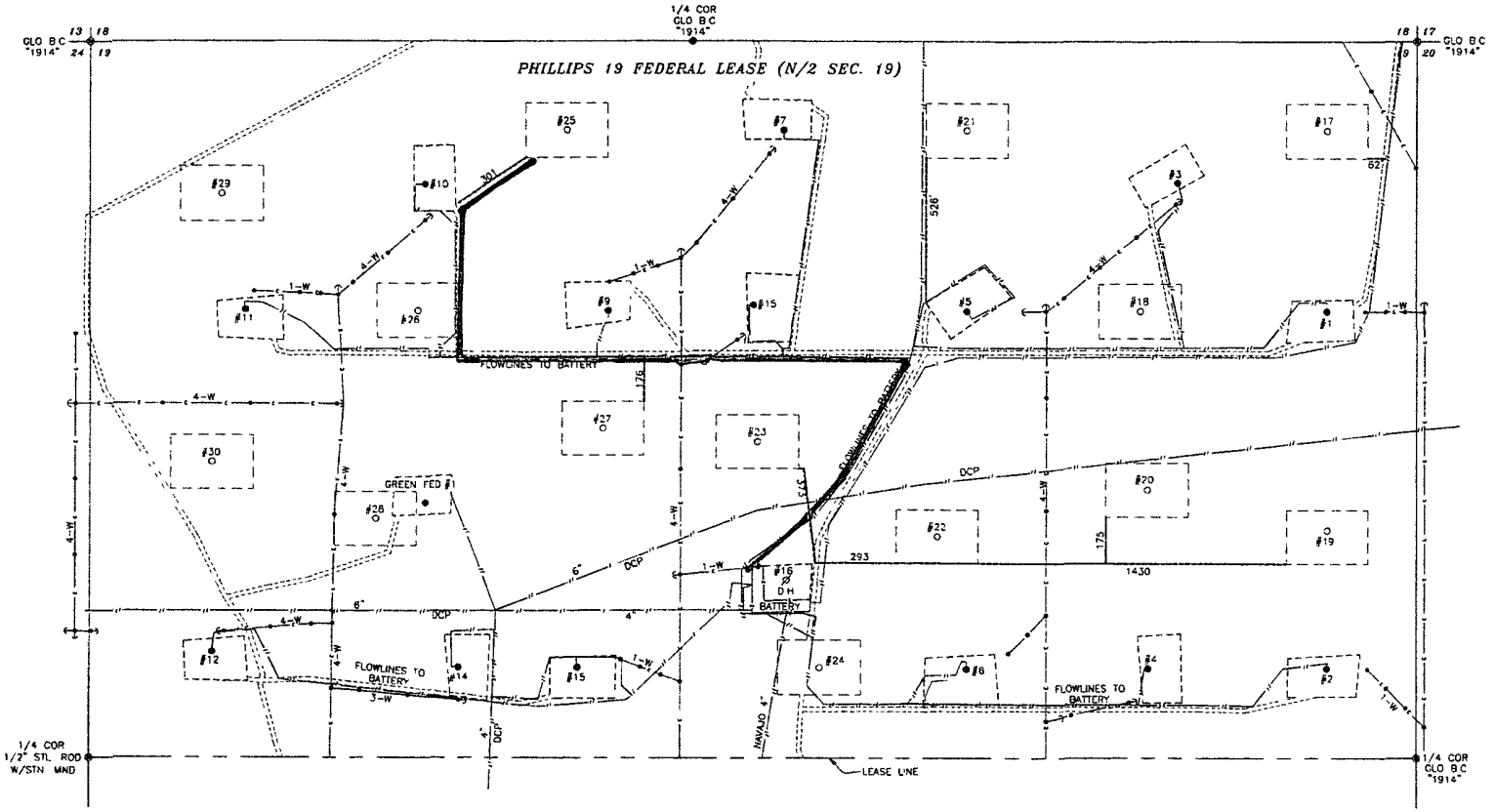

Phillips 19 Federal #25
330' FNL, 1750' FWL
Section 19, T-17-S, R-29-E
Eddy County, New Mexico
EXHIBIT 5

EXHIBIT 6

SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



300 0 300 600 FEET
Scale 1"=300

LEGEND

- DENTOES FENCE LINE
- DENTOES SURFACE/BURIED PIPELINE
- DENOTES LEASE ROAD
- DENOTES ELECTRIC LINE
- DENOTES UTILITY POLE & ANCHOR
- DENOTES EXISTING WELL LOCATION
- DENOTES FOUND MONUMENT AS NOTED
- DENOTES PROPOSED WELL
- DENOTES PROPOSED ROAD

NOTE THIS SURVEY DOES NOT SHOW ALL PIPELINES

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

CLAYTON WILLIAMS ENERGY, INC

SURVEY OF EXISTING WELLS, ROADS AND PIPELINES IN THE PHILLIPS 19 FEDERAL LEASE (N/2) SECTION 19, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO

Survey Date 2/12/10		Sheet 1 of 1 Sheets	
W.O. Number 10.11.0107		Drawn By LA	D-1064
Date 2/22/10		10110107	REV 2/17/10

CLAYTON WILLIAMS ENERGY, INC.
DRILLING PROGRAM

Attached to BLM Form 3160-3

Lease Name: **Phillips Federal 19**
Well No: **25**
Location: Sec 19, T-17-S, R-29-E
Eddy Co , NM

1. Geological name of surface location: Triassic

2. Estimated tops of important geological markers:

Name	Depth(MD)	Depth(SS)	Rock Type
Rustler	300	3390	Red Bed Evaporites
Yates	820'	2870	Limestone
Seven Rivers	1080'	2610	Dolomite
Queen	1660'	2030	Dolomite/Sandstone
Grayburg	2055'	1635	Dolomite/Sandstone
San Andres	2350'	1340	Dolomite/Anhydrite
Glorieta	3790'	-100	Dolomite/Sandstone
Yeso	3860'	-170	Dolomite
Base of Yeso	6000'	-1970	

3. Estimated name of anticipated fresh water, oil and gas.

Formation	Depth(MD)	Depth(SS)	Fresh Water/Oil/Gas
Rustler	100	3390	Fresh Water
Yates	820'	2870	Oil
Seven Rivers	1146'	2610	Oil
Queen	1724'	2030	Oil
Grayburg	2105'	1635	Oil
San Andres	2414'	1340	Oil
Glorieta	3841'	-100	Oil
Yeso	3860'	-170	Oil

No other formations expected to produce fresh water or hydrocarbons Surface casing set at 300' and circulating cement to surface will protect the surface fresh water sand. Production casing cemented back to surface will isolate intervals capable of producing oil and gas.

4. CASING PROGRAM

Hole Size	Interval	OD Csg	Weight	Grade	Conn	BUR/COL/TENS
11"	300'	8-5/8"	24#	J-55	STC/New	2.86/4.57/33.89
7-7/8"	6000'	5-1/2"	17#	J-55	LTC/New	2.65/1 30/2.56

5. CEMENT PROGRAM

See COA

8-5/8" Surface Casing
125 SX Cl "C" + 2% $CaCl_2$: 1.35ft3/sx yield – circulated to surface 100% excess.

5-1/2" Production Casing:
Stage tool @ +/-2600'

1st Stage: Lead. 215 sx EconoCem C; 2.42 ft3/sx yield
Tail. 325 sx Class VersaCem "C"+ 0.4% LAP1+0.4%CFR3+0.25lb/sx D-AIR3000, 1.22 ft3/sx yield– circulated to above DV Tool, 50% excess

2nd Stage: Lead. 230 sx EconoCem C, 2.42 ft3/sx yield
Tail 100 sx HalCem C + 2% CaCl2, 1 35 ft3/sx yield -circulated to surface, 50% excess

EXHIBIT 7

6. Minimum Specifications for Pressure Control

The blowout preventer equipment (BOP) schematic attached will consist of a double ram-type (3000 psi WP) preventer and/or a bag-type (hydril) preventer (3000 psi WP). BOP will be hydraulically operated and the ram-type preventer will be equipped with blind rams and appropriate pipe rams. The BOP will be nippled up on the surface casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested before drilling out of surface casing. Before drilling out of surface casing, the ram-type BOP and accessory equipment will be tested to 3000 psi and the hydril to 50% of rated working pressure (1500 psi). Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole These checks will be noted on the daily tour sheets. A 2" kill line and 3" choke line will be attached to a drilling spool or BOP side outlets. Other accessories to the BOP equipment will include a Kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

7. Type & Characteristics of the Proposed Mud System.

The well will be drilled to TD with a combination of Fresh Water Gel/Brine System.

The applicable depths and properties of this system are as follows

Depth	Type	Weight (ppg)	Viscosity (sec)	Water Loss (cc)
300'	FW Gel	8.6-9.0	34-45	N/C
6000'	Brine	9.8-10.1	28-30	12

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the well site at all times.

8. Auxiliary Well Control and Monitoring Equipment

A. A Kelly cock will be kept in the drill string at all times.
B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.
C. The drilling fluids system will be visually monitored at all times.
D. A mudlogging unit will be continuously monitoring drilling penetration rate and hydrocarbon shows from surface to casing to TD.
E. A fixed electronic H_2S monitoring system, including alarms with monitors at the shaker and the bell nipple, will be in operation from surface to TD.

9. Logging, Testing & Coring Program: See COA

A. Drill stem tests: None anticipated.
B. Electronic logging program. DSN, MSFL, DLL, FMI (optional) from TD to surface casing
C. Coring None

10. Abnormal Conditions, Pressures, Temperatures & Potential Hazards.

Possible sulfur water flows in the Queen/Grayburg intervals. Estimated bottom hole temp of 110 deg. F, and maximum bottom hole pressure of 2500 psi.

11. Anticipated Starting Date & Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is upon approval of APD. Once commenced, the drilling operations should be finished within approximately 10 days. If the well is productive, an additional 10 days will be required for completion and testing.

12. Safety

Tour Safety Meeting will be conducted with all crews and reported on IADC morning report. Topics and attendance will be recorded for each meeting and kept on file in company representatives office for inspection.

13. Miscellaneous Notes

H2S Contingency plan attached
Totco inclination surveys every 500' or bit trip.
Mud Disposal: closed loop system, haul off all cuttings and fluids.

BHA – Surface and Production hole; slick assembly, no stabilizers or reamers

Bit Program

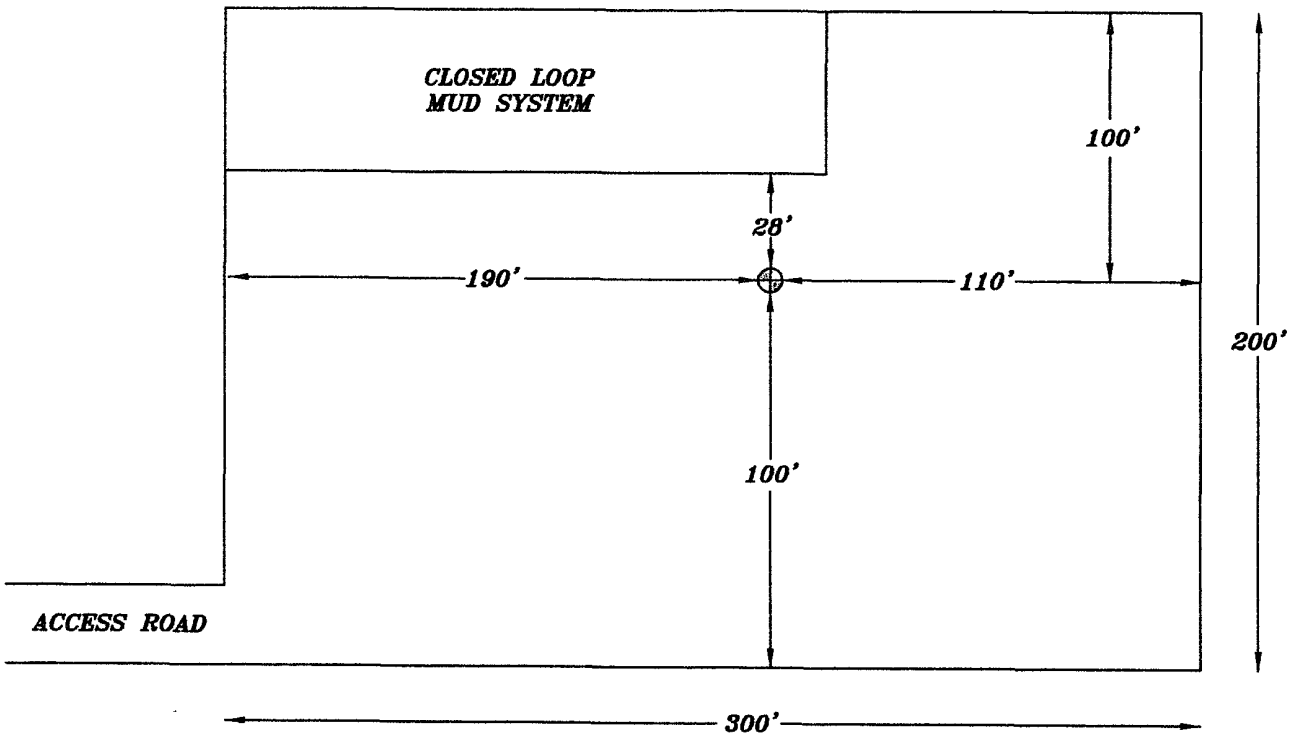
Surface	11"	Tri-Cone	60-100 RPM	25-35K WOB
Production	7-7/8"	PDC/Tri-Cone	60-90 RPM	30-40K WOB

Well: Phillips Federal 19 Type Well; Clayton Williams Energy, Inc.

Type Vertical	RIG: TBD	DATE: May 13, 2010
Field Loco Hills	County: Eddy	Elevation: Varies
Gas/Oil: Oil	Mud Company: TBD	Cement: Halliburton
Location: Section 19, T17S, R29E Eddy County, NM		
Comments:		

Mud Logger	Surveys	WOB/GPM Bit Type	Formantion Tops Hole Sizes		Mud Weight	Open Hole Logs	Cement	Wellhead	Remarks
		5K-15K 300GPM Rock Bit			Fresh water Native Mud: 8.4 to 8 6 ppg	No Open Hole Logs			
No Mudlogger	Inclinations 200' and 400'		**RED BEDS** 11" Hole		125 sxs "C" + 25 Calcium Chloride	Top Out as Needed			
			8-5/8", 24#, J55 STC	200 400'					
Mudlogger on at drill out surface	Inclinations Every 500'		7-7/8" Hole		9.8 to 10.1 ppg Brine w/ Poly Sweeps as needed				
		30K-40KWOB 300GPM Rock/PDC bits	Grayburg	2055	**POTENTIAL WATER FLOWS in Grayburg**				
			San Andres	2350					
				DV Tool 2600'					
					CEMENT: Stage 1 Lead: 215 sxs EconoCem C Tail: 325 sxs Versa Cem "C" + 0.4% LAP1+ 0.4% CFR3 + 0.25lb/sx D-AIR3000 Stage 2: Lead. 230 sxs EconoCem C Tail· 100 sxs HalCem "C" + 2% Calcium Chlor.				
			Glorieta	3790					
			Top Yeso	3860					
					OPEN HOLE LOGS - from TD to surf casing Density/Neutron/Microlog/Dual Induction FMI Optional				
			Base of Yeso	6000'					

EXHIBIT 8



NOT TO SCALE

DATE: 2/4/10
DRN. BY: JJ
FILE:

CLAYTON WILLIAMS ENERGY, INC.
RIG LAYOUT

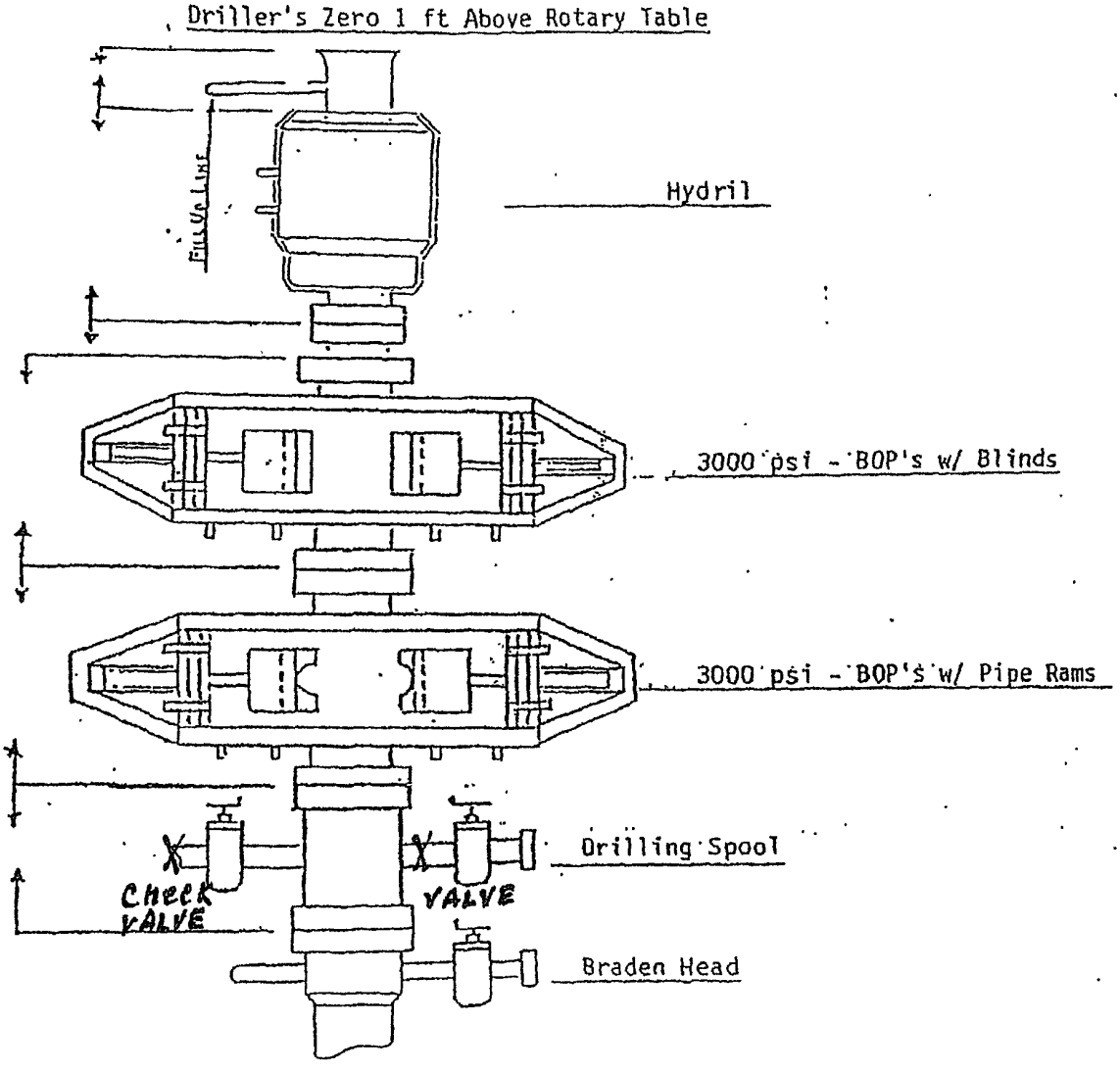
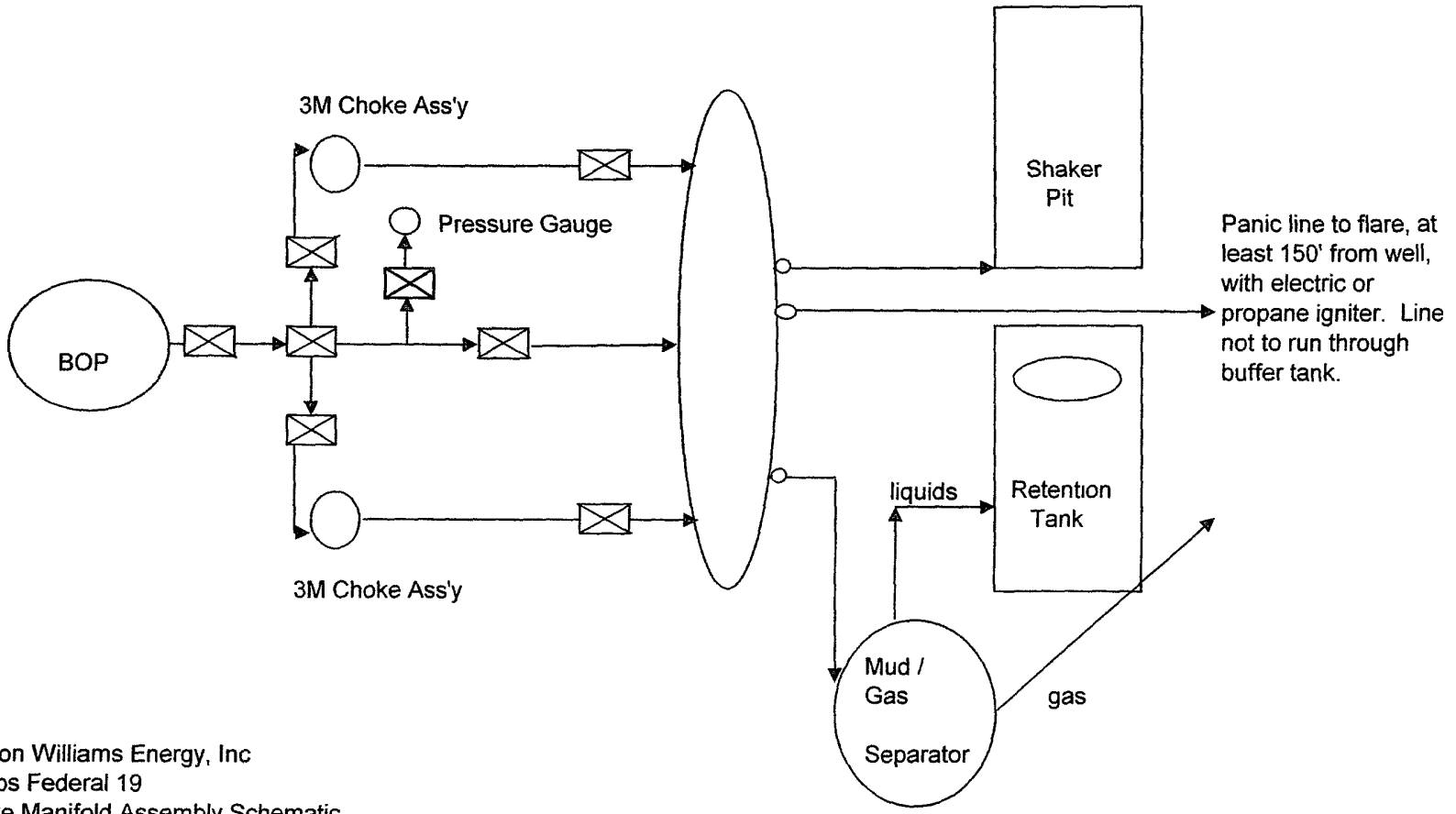

Driller's Zero 1 ft Above Rotary Table
Fill Up Line
Hydril
3000 psi - BOP's w/ Blinds
3000 psi - BOP's w/ Pipe Rams
Drilling Spool
CHECK VALVE
VALVE
Braden Head

EXHIBIT 9



Clayton Williams Energy, Inc
Phillips Federal 19
Choke Manifold Assembly Schematic
Connection to Closed Looping Mud System
3M psi Rating

CLAYTON WILLIAMS ENERGY INC.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

A. The hazards and characteristics of hydrogen sulfide (H_2S).

B. The proper use and maintenance of personal protective equipment and life support systems.

C. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.

D. The proper techniques for first aid and rescue procedures.

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

A. The effects of H_2S on metal components. If high tensile tubulars are used, personnel will be trained in their special maintenance requirements.

B. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

C. The contents and requirements of the H_2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H_2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H_2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H_2S.

A. Well Control Equipment:

Flare line.

Choke manifold.

Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.

B. Protective equipment for essential personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas.

C. H2S detection and monitoring equipment:

2 – portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 20 ppm are reached.

D. Visual warning systems:

Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

E. Mud Program:

The mud program has been designed to minimize the volume of H_2S circulated to the surface.

F. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H_2S service.

G. Communication:

Company vehicles equipped with cellular telephone and 2-way radio.

If H_2S is encountered in quantities under 10 ppm fans will be placed in the substructure, rig floor and possum belly area of drilling rig to prevent accumulation of gas. If higher levels of H_2S are detected the well will be shut in and a gas separator installed with a flare line.

WARNING

YOU ARE ENTERING AN H2S AREA
AUTHORIZED PERSONNEL ONLY

1. *BEARDS OR CONTACT LENSES NOT ALLOWED*
2. *HARD HATS REQUIRED*
3. *SMOKING IN DESIGNATED AREAS ONLY*
4. *BE WIND CONSCIOUS AT ALL TIMES*
5. *CHECK IN WITH CWEI FORMAN AT MAIN OFFICE*

CLAYTON WILLIAMS ENERGY INC.

(432) 682-6324

Emergency Assistance Telephone List

PUBLIC SAFETY:	***911 or***
Eddy County Sheriff	(575) 887-7551
Dispatch Direct Line	(575) 616-7155
New Mexico State Police	(575) 622-7200
Fire Department – Dispatch through Sheriff's Office	(575) 746-5050
Artesia General Hospital	(575) 748-3333
Life Flight:	
Arrow Care – Lubbock	(806) 744-5055
Southwest Air – Med E Vac	(800-242-6199
New Mexico D.O.T. – Roswell	(505) 637-7201 (800) 432-7845
Bureau of Land Management – Carlsbad	(575) 234-5972
U.S. Department of Labor	(806) 472-7681
New Mexico Oil Conservation Division	(575) 393-6161
New Mexico Oil Conservation Division/After Hours	(575) 370-3186

SURFACE USE PLAN OF OPERATIONS

Clayton Williams Energy, Inc.
Phillips 19 Federal Lease
Well # 25
Section 19
T-17-S, R-29-E, NMPM, Eddy County, New Mexico

1. Existing Access Roads

A. The well site survey and elevation plat for the proposed well is shown in Exhibit 4. It was staked by John West Surveying Company, Hobbs, NM.

B. All existing roads to the location are shown in the topographic map (Exhibit 2) and/or the plan of development (POD) plat (Exhibit 6). The existing lease roads are illustrated and are adequate

C. for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.

D. Directions to Location:

From the intersection of Highway 82 and County Road 211 (Old Loco Road), go north on CR 211 approximately 0.4 mile. Turn left and go west approximately 0.8 mile. Turn right and go north approximately 0.1 mile. Veer left and go northwest approximately 0.2 mile. Veer right and go north approximately 0.1 mile. Veer right and go northeast approximately 0.2 mile. Turn left and go west 0.3 mile. Turn right and go north approximately 0.1 mile to a proposed road survey. Follow proposed road survey approximately 301 feet to the location.

E. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

The elevation plat (Exhibit 4) shows that 301 feet of new road will be required for this location, to be constructed from a point on the existing lease road as indicated on Exhibits 2 and/or 6. Any new road that is required will be constructed as follows:

A. The maximum width of the running surface will be 14 feet. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and be consistent with local drainage patterns.

B. The average grade will be less than 1%.

EXHIBIT 12

C. No turnouts are planned.

D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.

E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit or from a private source.

3. Locations of Existing Wells:

Exhibit 5 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

A. Clayton Williams Energy, Inc. ("CWEI") will use its existing production facility located on the surface of Section 19, as shown in Exhibit 6. If the well is productive, contemplated facilities will be as follows:

1) Production will be sent to the existing production facility described in "A" above.

2) Additions, if needed, to the existing tank battery and facilities including any piping will be installed according to API specifications.

3) Any additional caliche will be obtained from a BLM-approved caliche pit or from a private source. Any additional construction materials will be purchased from contractors.

4) 3480' of flow line will be constructed to this well from the existing tank battery and will be laid alongside the access road and/or existing flow lines. The flow line will be constructed of a 4" SDRIL poly line which will be laid on the surface. The proposed route is shown in red on Exhibit 6. Flow lines will be kept at least 3' apart.

5) Electric service will be provided from a power line owned by Central Valley Electric Cooperative, Inc., which will be responsible for ROW and construction. Power lines will be constructed alongside access roads existing at the time of construction. The existing and proposed access roads are included in Exhibit 6.

6) Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown on the Plan of Development map. If a commercial fresh water source is nearby, temporary "fast line" may be laid alongside access roads existing at the time the line is laid and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and proposed new access road (approximately 1962 cubic yards) will be obtained from a BLM-approved caliche pit or from a private source.

7. Methods of Handling Waste:

A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in rolloff style mud boxes and taken to an NMOCD-approved disposal site.

B. Drilling fluids will be contained in steel mud pits.

C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD-approved commercial disposal facility.

D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole, only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

A. The drill pad layout, with elevations staked by John West Surveying Company, is shown in Exhibit 4. Dimensions of the pad, including the closed loop mud system, are shown on Exhibit 8. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level, no major cuts will be required.

B. Exhibit 8 also shows the proposed orientation of the closed loop mud system, and access road. No permanent living facilities are planned; however, a temporary foreman/toolpusher trailer and crew quarters trailers will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

A. If the well is found to be non-commercial upon completion of the drilling and/or completion operations, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations in the area. The road will be reclaimed as directed by the BLM.

The original top soil will be returned to the pad and contoured, as close as possible to the original topography, and reseeded as per BLM specifications.

B. Upon completion of drilling and completion operations, the well pad will be reduced to a size suitable for continued operations, including workovers and other well servicing activities. The pad will be scraped such that the only portion of the pad remaining will be: (i) the area inside the anchors; and (ii) an area outside the anchors 50 feet in width. The caliche removed during the scraping operation will be stockpiled and either saved for use on future roads or pads, or returned to the pit from which it was originally removed.

11. Surface Ownership:

A. The surface at this location is owned by the Federal government. The minerals are owned by the Federal government and are administered by the Bureau of Land Management. The surface has multiple uses, which are primarily grazing of livestock and the production of oil and gas.

B. The surface tenant for this site is:

Bogle Ltd.
P.O. Box 460
Dexter, NM 88231-0460

C. The proposed road routes and surface location will be restored as directed by the BLM.

12. Other Information:

A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.

B. There is no permanent or live water in the immediate area.

C. There are no dwellings within two (2) miles of this location.

D. This project is being administered by a MOA with the Carlsbad, New Mexico Bureau of Land Management office.

13. Bond Coverage:

Bond Coverage is Nationwide Bond # NM 2787.

14. Lessee's and Operator's Representative:

The CWEI representatives responsible for assuring compliance with the surface use plan are as follows:

John F. Kennedy
Drilling Manager
Suite 3000, 6 Desta Drive
Midland, Texas 79705
(432) 682-6324

Matt Swierc
Production Superintendent
Suite 3000, 6 Desta Drive
Midland, Texas 79705
(432) 682-6324

CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Clayton Williams Energy, Inc., am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 19th day of May, 2010.

Signed: Matt Swierc

Printed Name: Matt Swierc
Position: Production Superintendent
Address: Suite 3000, 6 Desta Drive, Midland, Texas 79705
Telephone: (432) 682-6324
Field Representative (if not above signatory): Mike Langford, Sierra Engineering
E-mail: MSwierc@claytonwilliams.com

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	CLAYTON WILLIAMS ENERGY, INC
LEASE NO.:	NM14847
WELL NAME & NO.:	25- PHILLIPS 19 FEDERAL
SURFACE HOLE FOOTAGE:	330' FNL & 1750' FWL
BOTTOM HOLE FOOTAGE	
LOCATION:	Section 19, T. 17 S., R 29 E., NMPM
COUNTY:	Eddy County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.