

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, 20101248  
EA 10-1248

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMLC029339A	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator BURNETT OIL CO., INC.		7. If Unit or CA Agreement, Name and No.	
3a. Address 801 Cherry St., Ste. 1500 Fort Worth, Texas 76102		8. Lease Name and Well No. Jackson A 38	
3b. Phone No. (include area code) 817-332-5108		9. API Well No. 30-015- 38372	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 2310' FSL 2160' FEL At proposed prod. zone		10. Field and Pool, or Exploratory Cedar Lake (Glorieta Yeso)	
11. Sec., T. R. M. or Blk. and Survey or Area SEC. 12 T17S, R30E		12. County or Parish EDDY	
13. State NM		14. Distance in miles and direction from nearest town or post office* 6 miles East & North of Loco Hills, New Mexico	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease 560	17. Spacing Unit dedicated to this well 40	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 6100'	20. BLM/BIA Bond No. on file NMB # 00197	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3742' GL	22. Approximate date work will start* 11/20/2010	23. Estimated duration 15 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.   | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan.  | 5. Operator certification   |
| 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). | 6. Such other site specific information and/or plans as may be required by the BLM.             |

25. Signature <i>Mary Carter Starkey</i>	Name (Printed/Typed) Mary Carter Starkey	Date 09/01/2010
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Approved by (Signature) <i>/s/ Don Peterson</i>	Name (Printed/Typed)	Date NOV 29 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)

ROSWELL CONTROLLED WATER BASIN

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

RECEIVED  
DEC 01 2010  
NMOCD ARTESIA

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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

**SUNDRY NOTICES AND REPORTS ON WELLS**  
**Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.**

5. Lease Serial No.  
NMNM029339A

6. If Indian, Allottee or Tribe Name

**SUBMIT IN TRIPLICATE – Other instructions on page 2.**

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator  
BURNETT OIL CO., INC.

3a. Address  
801 Cherry St Ste 1500 Fort Worth, Tx 76102

3b. Phone No. (include area code)  
817-312-5108

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

8. Well Name and No.  
JACKSON A #38

9. API Well No.  
30-015-

10. Field and Pool or Exploratory Area  
CEDAR LAKE (GLOR. YESO)

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
SEC 12 T17S, R30E  
2310' FSL, 2160' FEL

11. Country or Parish, State  
EDDY, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>AMEND APD</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Burnett Oil Co., respectfully requests to amend the APD submitted for the above mentioned well. The corrections are under the Surface Use Program as follows:

Add paragraph 2c. Flag South, Southeast corner forty feet (40') in to avoid existing chinaberry trees and root system.

Paragraph 4 and 4a. should read as follows:

See Surface Exhibit B and C1 for the location of nearest existing Tank Battery facility for this Federal lease. The existing Jackson A2 Tank Battery is south of the well on this Federal lease.

4a. This Battery is on Federal lease NMNM029339A

Amend paragraph 4a. as follows: Flag South, Southeast corner forty feet (40') in to avoid exiting chinaberry trees and root system.

Surface exhibit D should reflect the Drill Site measurement as 245' x 300' reflecting the restriction of 95' to the west.

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Mary Carter Starkey

Title Regulatory Coordinator

Signature 

Date 09/20/2010

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

/s/ Don Peterson

FIELD MANAGER

Date NOV 29 2010

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

CARLSBAD FIELD OFFICE

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)

**MASTER DEVELOPMENT PLAN**  
**BURNETT OIL CO., INC.**  
**ALL VERTICAL CEDAR LAKE YESO/ LOCO HILLS PADDOCK WELLS**  
 FEDERAL LEASE LC029338A, LC029339A, LC030570A, LC055264, LC055958, NM2746,  
 NM2747, NM2748, NM 05067 & NM 074939.  
 Section 1, 8, 11, 12, 13, 14, 23, 24 & 25, Township 17 South, Range 30 East, Eddy County, N.M.

**A: DRILLING PROGRAM**

**1. Geological Name of Formation with Estimated Depth:**

- a. Alluvium..... Surface
- b. Anhydrite..... 390'
- c. Salt..... 530'
- d. Base Salt.....1290'
- e. Yates.....1450'

**2. Estimated tops of Geologic Markers & Depths of Anticipated Fresh Water, Oil or Gas:**

- a. Seven Rivers.....1604' Oil
- b. Queen..... 2222' Oil
- c. Grayburg..... 2670' Oil
- d. San Andres..... 2985' Oil
- e. Glorieta..... 4460' Oil
- f. Total Depth 6100'

*YESO??*

No other formations are expected to yield oil, gas or fresh water in measurable volumes. We will set 10-3/4" casing @ approx. +/- 400' in the Anhydrite, above the Salt and circulate cement to surface. We will isolate the oil zones by running 7" casing to total depth and circulating cement to surface.

**3. Casing Program: (ALL CASING WILL BE NEW API APPROVED MATERIAL.)**

<u>Hole</u> <u>Size</u>	<u>Interval</u>	<u>OD Csg</u>	<u>Weight</u>	<u>Collar</u>	<u>Grade</u>	<u>Collapse</u> <u>Design</u> <u>Factor</u>	<u>Burst</u> <u>Design</u> <u>Factor</u>	<u>Tension</u> <u>Design</u> <u>Factor</u>
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*See COA*

(MW = 10 PPG IN DESIGN FACTOR CALCULATIONS.)

14-3/4"	0'-400' <del>400'</del> 10-3/4"	32.75#	ST&C	H40	1.125	1.00	1.80
8-3/4"	0'-6100' 7"	23.00#	LT&C	J55	* 1.125	1.00	1.80

\* The 7" production casing will kept full of water while running into hole.

**4. Cementing Program (Note Yields and DV Tool Depth if Multiple Stage.)**

**BLM WILL BE NOTIFIED TO HAVE THE OPTION TO WITNESS ALL CEMENTING AND TAG OPERATIONS.**

- a. **10-3/4" Surface** Cement to surface. Lead with 150 sx Class C cement +10% A-10, + 10#/sx LCM-1 1% CaCl, 0.01 gps FP-6L, 14.6 ppg, 1.67 CF/Sk Yield. Tail with 500 sks Class C cement + 2% CaCl + 0.01 gps FP-6L, 14.8 ppg, 1.35 CF/Sx yield. **TOC Surface.**

*See COA*

If cement does not circulate to surface, BLM will be notified of same, plus the plans to bring the cement to surface so BLM may witness tagging and cementing. The plan to bring the cement to surface will be to run 1" and tag top of cement at four positions 90° apart to verify cement depth.

Appropriate cement volumes will be pumped through 1" to bring cement to surface. In rare situations where severe lost circulation may exist, BLM may be requested to approve dumping pea gravel then cementing on top of it to the surface through 1".

b. 7" Production Casing

**Stage 1 Cement:** 550 sks (50:50) Poz (Fly Ash): Class C cement + 2% Bentonite + 0.01 gps FP-6L + 0.3% FL-52A + 1.2% CD-32 + 5% Sodium Chloride. Yield 1.27 CF/Sx. **DV @ approx. 2600'**

**Stage 2 Cement:** Lead with 1800 sks (35:65) Poz (Fly Ash): Class C cement + 6% Bentonite + 5 lbs/sx LCM-1 + 0.125 lbs/sx Cello Flake + .01 gps FP-6L + 5% Sodium Chloride, Yield 1.89 CF/Sx. Tail with 100 sx Class C + 1% CaCl + 0.01 gps FP-6L. 14.8 ppg, Yield 1.62 CF/Sx, **TOC Surface.**

The above cement volumes may be revised pending the caliper measurement from the open hole logs. **Casing design is to bring all cement to the surface.**

5. **Pressure Control Equipment:**

The blowout prevention equipment (BOPE) shown in **Drilling Exhibit E** and **E1** will consist of a 2000 PSI Hydril Unit (annular) with hydraulic closing equipment. The equipment will comply with Onshore Order #2 and will be tested to 50% of rated working pressure (RWP), and maintained for at least 10 Minutes. The 10-3/4" drilling head will be installed on the surface casing and in use continuously until total depth is reached. An independent testing company will be used for the testing. Other accessory BOP equipment will include a Kelly cock, floor safety valve, choke lines and choke manifold having 2000 PSI WP rating.

6. **Proposed Mud Circulation System**

<u>Depth</u>	<u>Mud Wt</u>	<u>Visc</u>	<u>Fluid Loss</u>	<u>Type System</u>
0'-400'	8.6-9.5			Fresh Water
400' - TD' MD	10.0 max.			Brine Water

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 Kelly cock will be in the drill string at all times.
- A full opening drill pipe stabbing valve with the appropriate connections on the rig floor at all times.
- Hydrogen Sulfide detection and breathing equipment will be installed and in operation at drilling depth of 1800' (which is more than 500' above top of Grayburg) until 7" casing is cemented. An H2S compliance package will be on all sites while drilling.

8. **Hydrogen Sulfide Plan and Training:**

Based on our area testing H2S at 100 PPM has a radius of 139' and does not get off our well sites. There are no schools, residences, churches, parks, public buildings, recreation area or public within 2+ miles of our area.

**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 each well:**

- The hazards and characteristics of Hydrogen Sulfide (H2S).
- The proper use and maintenance of personal protective equipment and life support systems.
- The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures and the prevailing wind.
- The proper techniques for first aid and rescue procedures.
- ATTACHED HYDROGEN SULFIDE (H2S) CONTINGENCY PLAN DRILLING EXHIBIT A**
- ATTACHED EMERGENCY CALL LIST FOR ANY ON SITE EMERGENCY DRILLING EXHIBIT B.**

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

- The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in special maintenance requirements.
- Corrective action and shut-in procedures when drilling or reworking a well, blowout prevention and well control procedures.
- The contents and requirements of the H2S Drilling Operations Plan and the Public Protection Plan (if applicable.)

There will be an initial training session just prior to encountering a known or probable H<sub>2</sub>S zone (within 3 days or 500 feet) and weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H<sub>2</sub>S Drilling Operations Plan and the Public Protection Plan (if applicable). This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

## **I. DRILLING OPERATIONS – H<sub>2</sub>S**

### **a. Protective equipment for essential personnel:**

1. Mark II Surviveair (or equivalent) 30 minute units located in the dog house and at the primary briefing area (to be determined.)

### **b. H<sub>2</sub>S detection and monitoring equipment:**

1. Three (3) portable H<sub>2</sub>S monitors positioned on location for best coverage and response. These units have warning lights at 10 PPM and warning lights and audible sirens when H<sub>2</sub>S levels of 15 PPM is reached. A digital display inside the doghouse shows current H<sub>2</sub>S levels at all three (3) locations.
2. An H<sub>2</sub>S Safety compliance set up is on location during all operations.

### **c. Visual warning systems:**

1. Wind direction indicators will be positioned for maximum visibility.
2. Caution/Danger signs will 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 reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

### **d. Mud program:**

The mud program has been designed to minimize the volume of H<sub>2</sub>S circulated to the surface. Proper mud weight, safe drilling practices and the use of H<sub>2</sub>S scavengers will minimize hazards when penetrating H<sub>2</sub>S bearing zones.

### **e. Communication:**

1. Cellular Telephone and/or 2-way radio will be provided at well site.
2. Landline telephone is located in our field office.

### **f. Metallurgy:**

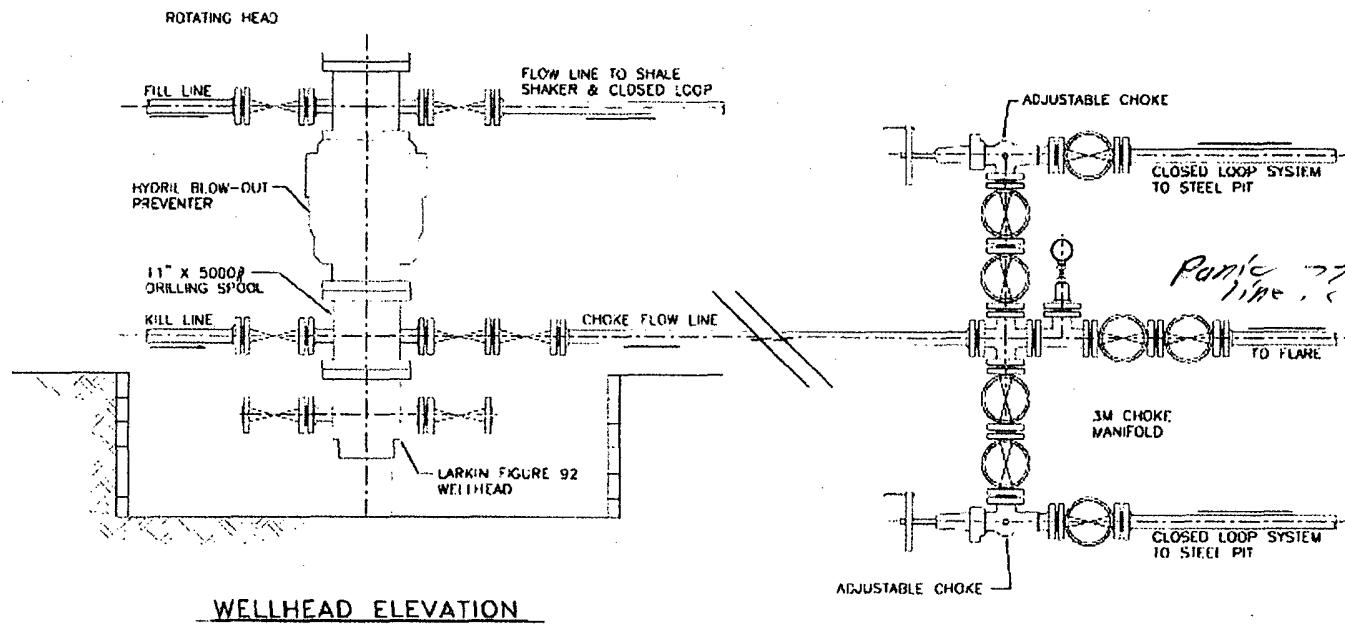
1. All drill strings, casings, tubing, wellheads, Hydril BOPS, drilling spools, kill lines, choke manifold, valves and lines will be suitable for H<sub>2</sub>S service.
2. All elastomers used for packing and seals shall be H<sub>2</sub>S trim.

## **9. Logging, Coring and testing program: *See COA***

- a. Any drill stem tests will be based on geological sample shows and planned before spudding.
- b. The openhole electrical logging program will be:
  1. Total depth to 1000': Dual Laterolog-Micro Laterolog with Compensated Neutron, Spectral Density log with Spectral Gamma Ray and Caliper.
  2. Total depth to Surface: Compensated Neutron with Gamma Ray.
  3. Coring program will be planned and submitted on a well by well basis.
  4. Additional testing will be done subsequent to setting the 7" production casing. The specific intervals will be based on log evaluation, geological sample shows and drill stem tests.

## **10. Potential Hazards:**

No abnormal pressures or temperatures are expected. There is known H<sub>2</sub>S in this area. The operator will comply with the provisions of Onshore Oil and Gas Order #6. No lost circulation is expected to occur. All personnel will be familiar with the safe operation of the equipment being used to drill this



WELLHEAD ELEVATION

CHOKE MANIFOLD PLAN

BUNETT OIL COMPANY, INC.  
BLOWOUT PREVENTER &  
CHOKE MANIFOLD DIAGRAM  
2000 PSI WORKING PRESSURE

JACKSON-A 38  
DRAWING  
EXHIBIT ~~1~~

Please place this letter in the Jackson A #38 APD  
file being sent to OCD.

New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Jim Noel**  
Cabinet Secretary

**Karen W. Garcia**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



September 9, 2010

Burnett Oil Company, Inc.  
C/O Mary Starkey  
801 Cherry St., Suite 1500  
Fort Worth, TX 76102

Email: [mcstarkey@burnettoil.com](mailto:mcstarkey@burnettoil.com)

**Rebuttal of presumption of inactivity as to one well**  
**Effective through November 3, 2011**

Re: Burnett Oil Company, Inc. (OGRID 3080)  
Well: Jackson B #41, 30-015-33133

Dear Operator:

Subsection (F)(2) of Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC provides that the listing of a well on the OCD's inactive well list as a well inactive for more than one year plus 90 days creates a "rebuttable presumption" that the well is out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule).

An operator may rebut that presumption by providing evidence that the well is in compliance with OCD Rule 19.15.25.8 NMAC.

The well identified above currently appears on the OCD's inactive well list as a well operated by Burnett Oil Company, Inc. (Burnett) that has been inactive for more than one year plus 90 days. However, Burnett has provided documentation that the well was worked over, with the most recent repair work on the well done on September 3, 2010. OCD Rule 19.15.2.7.1 (4) NMAC defines an inactive well, in relevant part, as a well that "is not being ... repaired or worked over."

Burnett has rebutted the presumption created by OCD Rule 19.15.5.9.F.2 that the well identified above is in violation of OCD Rule 19.15.25.8 NMAC because the well has been "active" as defined by OCD rules within the past year plus 90 days.




Although the above-named well appears on Burnett's inactive well list, the OCD should not consider the well as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Burnett's compliance with OCD Rule 19.15.5.9 NMAC.

Because Burnett indicates that the well was being repaired as recently as September 3, 2010, the presumption that the well is not inactive will remain until November 3, 2011: one year and ninety days from the most recent day of activity.

**On November 3, 2011 if the well identified above appears on the inactive well list the presumption that the well is inactive will return.**

As stated above, the OCD should not consider the Jackson B #41 as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Burnett's compliance with OCD Rule 19.15.5.9 NMAC. However, until Burnett files a C-115 report for production of the Jackson B #41, the well will remain on the inactive well list. Burnett should attach a copy of this letter to any applications for a drilling permit, requests for allowable and authorization to transport, change of operator, or injection permits that Burnett might file with the OCD.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dan Sanchez', with a long, sweeping horizontal line extending to the right.

Daniel Sanchez  
Compliance and Enforcement Manager

Ec: Larry Hill, District I  
Randy Dade, District II  
Charlie Perrin, District III  
Sonny Swazo, OCD General Counsel