NM OIL CONS. COMMISSION
Drawer DD
Artesia, NM 88210

30-015-27588

Form 3160-3
(November 1983)
(formerly 9-331C)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

RECEIVED
JUL 26 1993
O. C. D.
Artesia, Office

BUREAU OF LAND MANAGEMENT
ROSWELL, NEW MEXICO
MAR 29 1993
DISTRICT ENGINEER

5. LEASE DESIGNATION AND SERIAL NO.: NM-45236
6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
7. UNIT AGREEMENT NAME:
8. FARM OR LEASE NAME: Sterling Silver 33 Federal
9. WELL NO.: 7
10. FIELD AND POOL, OR WILDCAT: Sand Dunes, West (Delaware)
11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 33, T-23S, R-31E
12. COUNTY OR PARISH: Eddy
13. STATE: New Mexico

1a. TYPE OF WORK: DRILL [XX] DEEPEN [ ] PLUG BACK [ ]

b. TYPE OF WELL: OIL WELL [XX] GAS WELL [ ] OTHER [ ] SINGLE ZONE [ ] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: Santa Fe Energy Operating Partners, L.P.

3. ADDRESS OF OPERATOR: 550 W. Texas, Suite 1330, Midland, Texas 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: (L), 1980' FSL and 660' FWL, Sec. 33, T-23S, R-31E
At proposed prod. zone:

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 18 miles East of Loving, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660'	640	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
1320'	8100'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3385' GR
22. APPROX. DATE WORK WILL START*: April 20, 1993

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48.0	600'	600 sx to circulate
12-1/4"	8-5/8"	32.0	4150'	2000 sx to circulate
7-7/8"	5-1/2"	15.5	8100'	To tie back to 4150'

We propose to drill to a depth sufficient to test the Delaware foramtion for oil. If productive, 5-1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program
Exhibit A - Operations Plan
Exhibit B - BOP and Choke
Exhibit C - Drilling Fluid Program
Exhibit D - Auxiliary Equipment
Exhibit E - Topo Map of Location
Exhibit F - Plat Showing Existing Wells
Exhibit G - Well Site Layout
Surface Use and Operations Plan

DD-1
7-30-93
NL9AM

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED Darrell Roberts TITLE Sr. Drilling Engineer DATE 3/26/93

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY /s/ Kathy Eaton TITLE Acting State Director DATE 7-16-93

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

Submit to the Appropriate
District Office
State Lease – 4 copies
Fee Lease – 3 copies

State of New Mexico
Energy, Minerals, and Natural Resources Department

Form C-102
Revised 1-1-89

DISTRICT I
P. O. Box 1980
Hobbs, NM 88240

DISTRICT II
P. O. Drawer DD
Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd
Aztec, NM 87410

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the section.

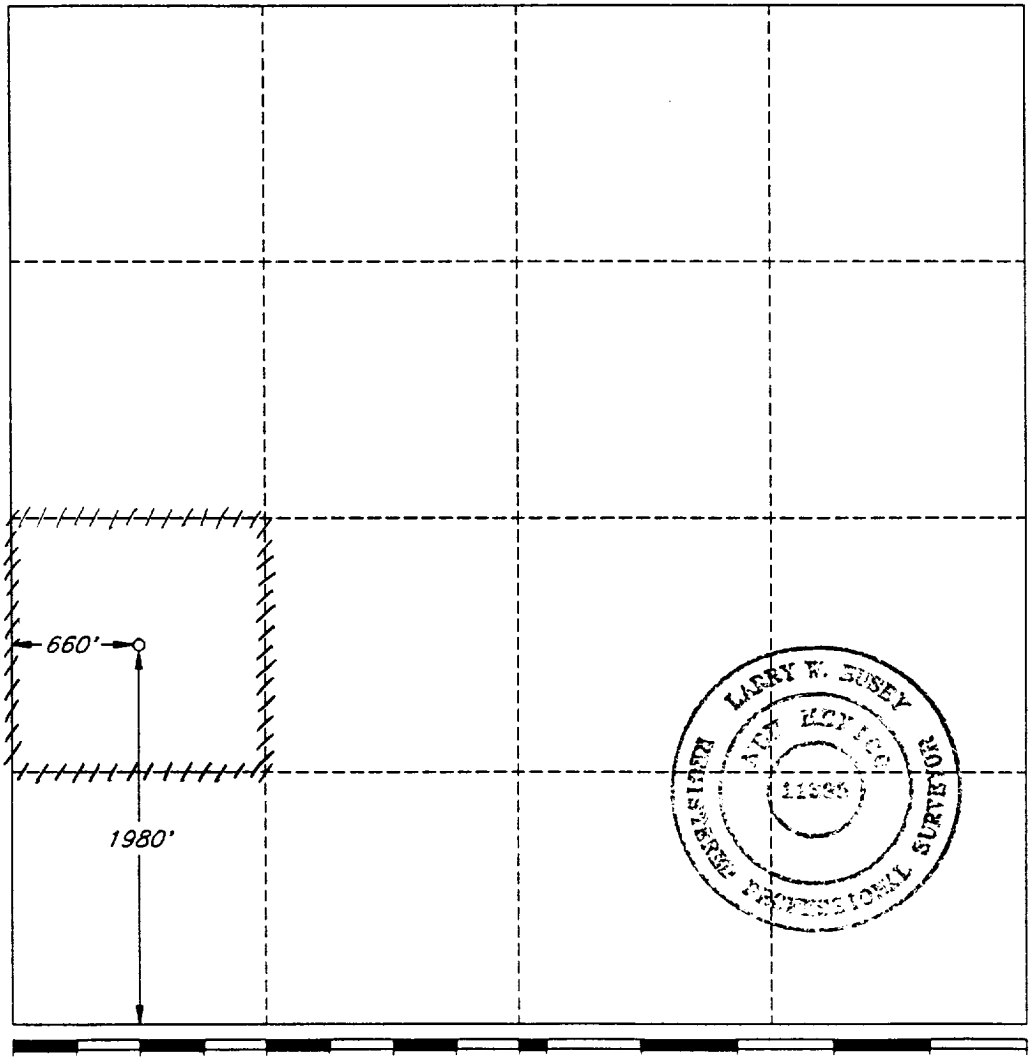
Operator	Lease	Well No.
SANTA FE ENERGY OPER. PART., L.P.	STERLING SILVER "33" FEDERAL	7

Unit Letter	Section	Township	Range	County
L	33	23 SOUTH	31 EAST, N.M.P.M.	EDDY

Actual Footage Location of Well: 1980 feet from the SOUTH line and 660 feet from the WEST line

Ground Level Elev.	Producing Formation	Pool	
3385'	Delaware	Sand Dunes, West (Delaware)	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all the owners been consolidated by communitization, unitization, forced-pooling, etc.?
   ☐ Yes ☐ No If answer is "yes", type of consolidation _____
   If the answer is "no", list the owners and tract descriptions which have actually been consolidated. (Use the reverse side of this form if neccessary.) _____
   No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, 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.

Signature: Darrell Roberts
Printed Name: Darrell Roberts
Position: Sr. Drilling Engineer
Company: Santa Fe Energy Operating Partners, L.P.
Date: 3/26/93

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 knowledge and belief.

Date Surveyed: MARCH 3, 1993
Signature and Seal of Professional Surveyor: Larry W. Busby
Certificate No.: LARRY W. BUSBY R.P.S. #11398

JOB NO. 94634 V.H.B.

125630

DRILLING PROGRAM
SANTA FE ENERGY OPERATING PARTNERS, L.P.
Sterling Silver "33" Federal No. 7

In conjunction with Form 3160-3, Application to Drill the subject well, Santa Fe Energy Operating Partners,L.P., submits the following ten items of pertinent information in accordance with Onshore Oil & Gas Order No. 10.

1. **Geologic Name of Surface Formation:** Alluvium

2. **Estimated Tops of Significant Geologic Markers:**

Rustler Anhydrite	700'
Base of Salt	3980'
Delaware Lime	4150'
Cherry Canyon	5050'
Brushy Canyon	6350'
Bone Spring	7960'
Total Depth	8100'

3. **The estimated depths at which water, oil, or gas formations are expected:**

Water	None expected in area
Oil	Lower Brushy Canyon @ 7800'

4. **Proposed Casing Program:** See Form 3160-3 and Exhibit A.

5. **Pressure Control Equipment:** See Exhibit B.

6. **Drilling Fluid Program:** See Exhibit C.

7. **Auxiliary Equipment:** A mud logging unit will be utilized to monitor penetration rate and hydrocarbon shows while drilling below the intermediate casing at 4150'.

8. **Testing, Logging and Coring Program:**

   Drill Stem Tests: (all DST's to be justified on the basis of a valid show of oil or gas):
   Lower Brushy Canyon 7800'-7930'

Logging:

Dual Laterolog w/MSFL and Gamma Ray 4150'-8100'
Compensated Neutron/Litho-Density/Gamma Ray 4150'-8100'
Compensated Neutron/Gamma Ray (thru csg) Surface-4150'

Coring: None planned.

9. **Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:**

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature is 135 °F and the estimated bottom hole pressure is 3500 psi. No Hydrogen Sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. No major lost circulation zones have been reported in the offsetting wells.

10. **Anticipated Starting Date and Duration of Operations:**

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is April 20, 1993. Once spud, the drilling operation should be completed in approximately 15 days. If the well is productive, an additional 30 days will be required for completion and testing before permanent facilities are installed.

SANTA FE ENERGY OPERATING PARTNERS,L.P.
OPERATIONS PLAN
Sterling Silver "33" Federal No. 7

1. Drill a 17 1/2" hole to approximately 600'.

2. Run 13 3/8" 48.0 ppf H-40 ST&C casing. Cement with 600 sx Class "C" cement containing 2% $CaCl_2$. Run centralizers on every other joint above the shoe. Apply thread lock to bottom two joints and guide shoe.

3. Wait on cement four hours prior to cutting off.

4. Nipple up a annular BOP system and test casing to 600 psi. WOC 18 hours prior to drilling out.

5. Drill a 12 1/4" hole to approximately 4150'.

6. Run 8 5/8" 32.0 ppf K-55 ST&C casing. Cement with 1750 sx Cl "C" Lite containing 12 pps salt and 1/4 pps celloflake followed by 250 sx Class "C" with 2% $CaCl_2$. Run guide shoe on bottom and float collar two joints of bottom. Centralize every other joint for bottom 400' of casing and place two centralizers in surface casing. Thread lock bottom 2 joints.

7. Wait on cement for six hours prior to cutting off.

8. Nipple up and install a 3000 psi. Double Ram and Annular BOP system with choke manifold. WOC 18 hours prior to drilling out.

9. Test BOP system to 3000 psi. Test casing to 1500 psi.

10. Drill 7 7/8" hole to 8100'. Run logs.

11. Either run and cement 5 1/2" 15.50 ppf K-55 LT&C casing or plug and abandon as per BLM requirements.

Exhibit A
Santa Fe Energy Operating Partners,L.P.
Sterling Silver "33" Federal No. 7
Section 33, T-23S, R-31E
Eddy County, New Mexico

TJM:SS337

PROPOSED 3-M BOPE AND CHOKE ARRANGEMENT

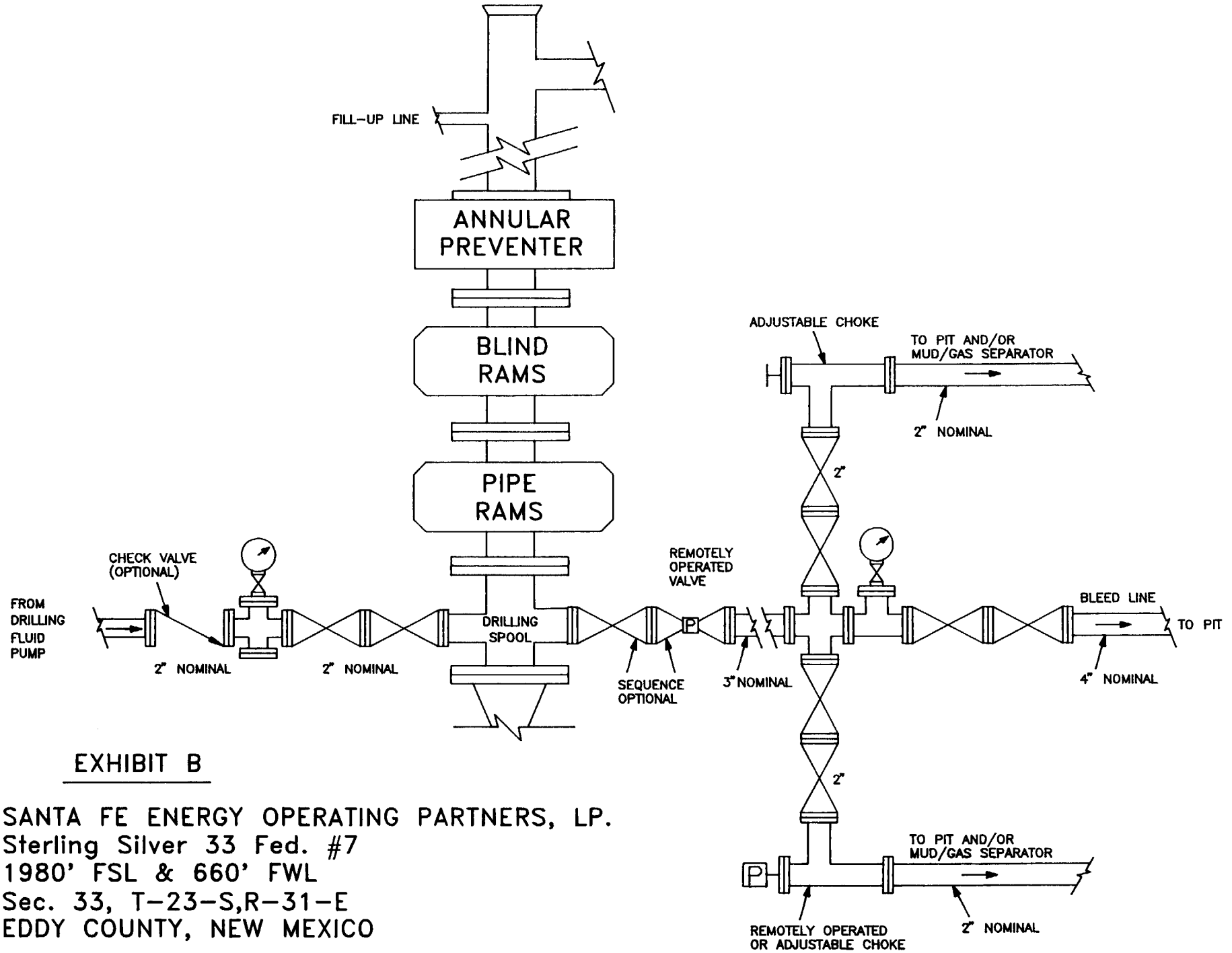


EXHIBIT B

SANTA FE ENERGY OPERATING PARTNERS, LP.
Sterling Silver 33 Fed. #7
1980' FSL & 660' FWL
Sec. 33, T-23-S,R-31-E
EDDY COUNTY, NEW MEXICO

PROPOSED DRILLING FLUID PROGRAM

0 - 600'

Spud mud consisting of fresh water gel flocculated with Lime. Use ground paper for seepage control and to sweep the hole. MW-8.5 ppg and Vis-40.

600-4150'

Drill out with brine water circulating the inner portion of the reserve pit. Utilize ground paper mixed in prehydrated fresh gel to sweep the hole. MW-10.0 ppg and Vis-28.

4150-8100'

Drill out with cut brine (30,000 ppm chlorides minimum) circulating the outer portion of the reserve pit. Maintain pH at 8.5-9.5 with caustic and sweep the hole as necessary with ground paper. If it becomes necessary to mud up due to hole conditions, utilize a cut brine/Drispac system for 15-20 WL and a Vis of 30-32. MW-8.5/8.9 ppg.

Exhibit C
Santa Fe Energy Operating Partners,L.P.
Sterling Silver "33" Federal No. 7
Section 33, T-23S, R-31E
Eddy County, New Mexico

TJM:SS337

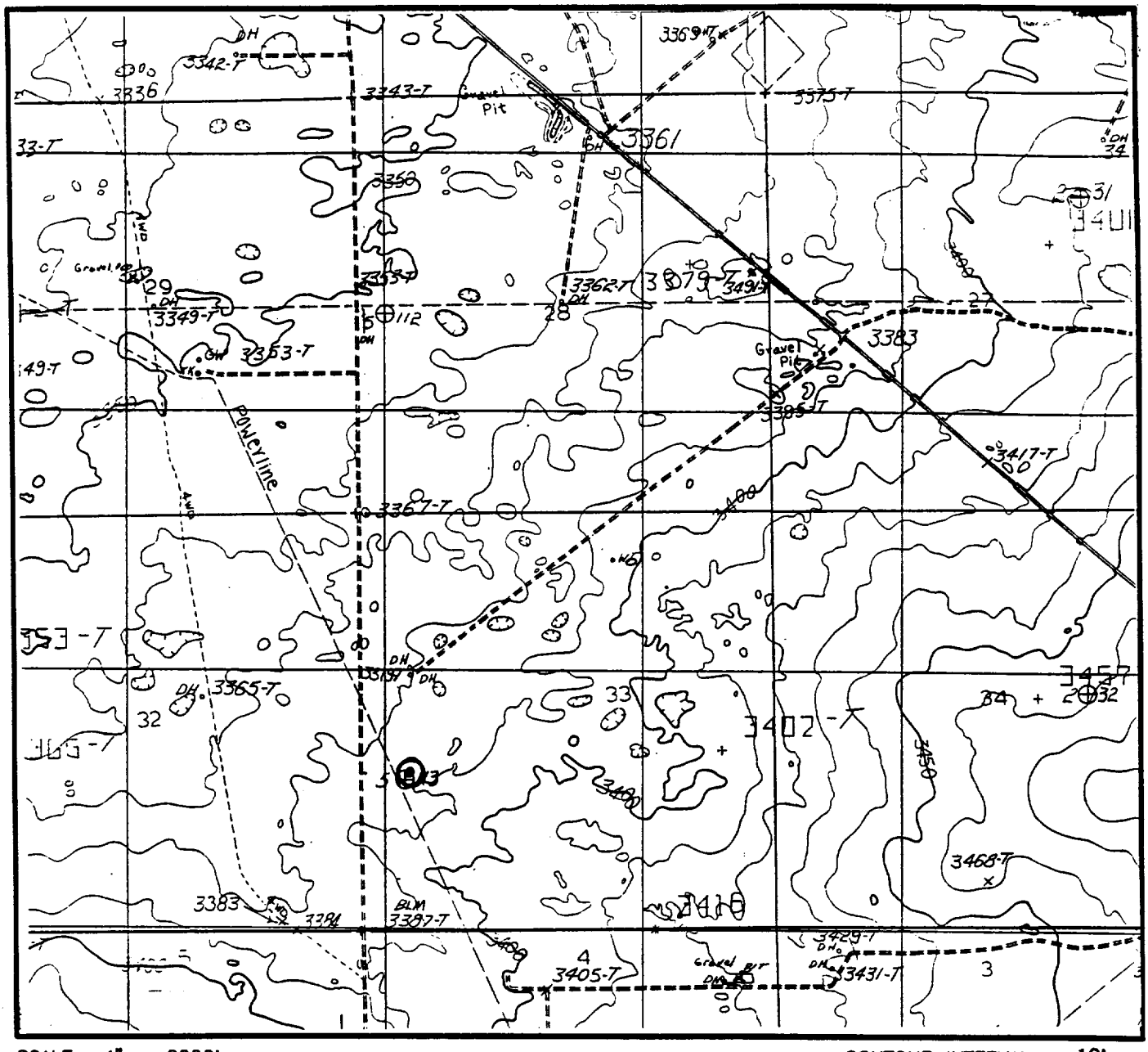
AUXILIARY EQUIPMENT

DRAWWORKS	BDW 650M 650 HP, with Parmac Hydromatic brake
ENGINES	Two Caterpillar D-353 diesels rated at 425 HP each
ROTARY	Ideco 23", 300 ton capacity
MAST/SUB	Ideal 132',550,000 lb rated static hook load with 10 line Wagner 15' high substructure
TRAVELLING EQUIPMENT	Gardner-Denver,300 ton,5 sheave w/ BJ 250 ton hook. Brewster Model 7 SX 300 ton swivel.
PUMPS	Continental-EMSCO DC-700 and DB-550, 5 1/2 X 16" Duplex, Compound driven.
PIT SYSTEM	1-Shale Pit 6X7X35',1-Settling Pit 6X7X38', 1-Suction Pit 6X7X34' w/ 5 mud agitators. Two centrifugal mud mixing pumps and a Double Screen Shale Shaker.
LIGHT PLANT	Two CAT 3306 diesel electric sets 180 KW prime power.
BOP EQUIP	13 5/8" 5000 psi WP double ram and 13 5/8" 5000 psi WP Shaffer Annular Preventer. Choke manifold rated at 5000 psi. Valvcon 5-station 80 gallon closing unit.

Exhibit D
Santa Fe Energy Operating Partners,L.P.
Sterling Silver "33" Federal No. 7
Section 33, T-23S, R-31E
Eddy County, New Mexico

DDR/tjm
SS337

LOCATION & ELEVATION VERIFICATION MAP



SCALE : 1" = 2000'

CONTOUR INTERVAL 10'

EXHIBIT E

SANTA FE ENERGY OPERATING PARTNERS, LP.
Sterling Silver 33 Fed. #7
1980' FSL & 660' FWL
Sec. 33, T-23-S,R-31-E
EDDY COUNTY, NEW MEXICO

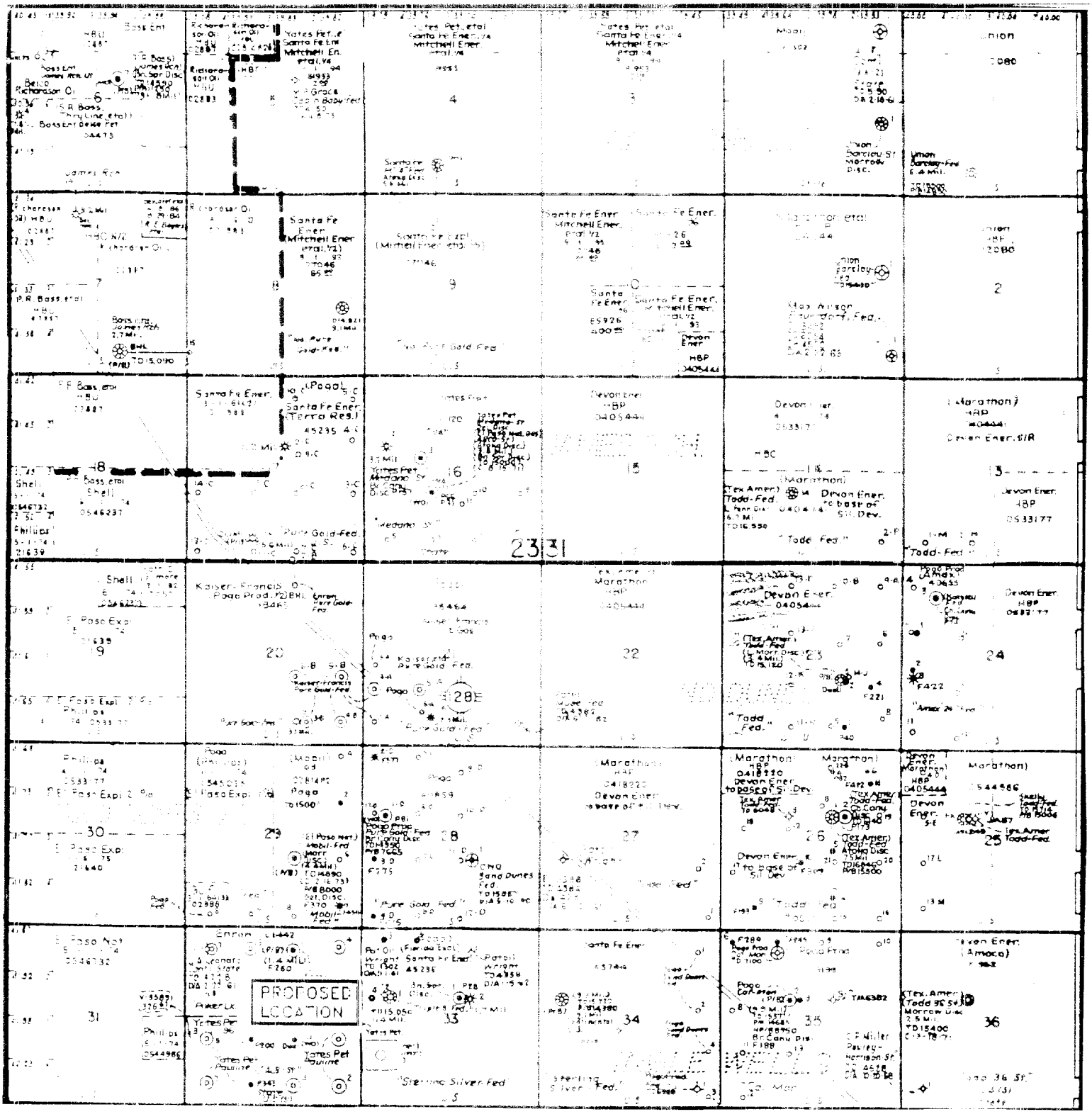


EXHIBIT F

SANTA FE ENERGY OPERATING PARTNERS, LP.
Sterling Silver 33 Fed. #7
1980' FSL & 660' FWL
Sec. 33, T-23-S.R-31-E
EDDY COUNTY, NEW MEXICO

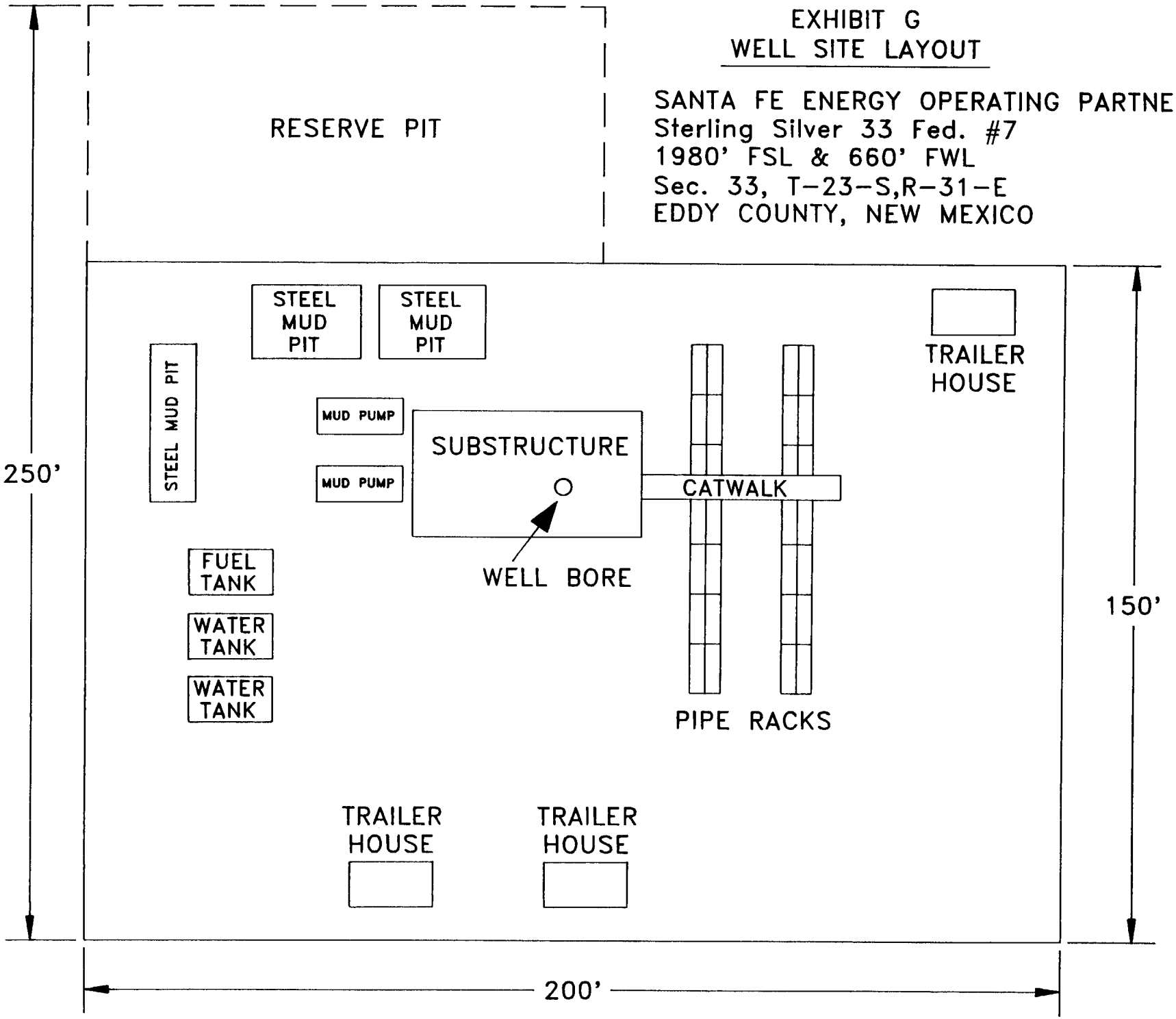


EXHIBIT G
WELL SITE LAYOUT
SANTA FE ENERGY OPERATING PARTNERS, LP.
Sterling Silver 33 Fed. #7
1980' FSL & 660' FWL
Sec. 33, T-23-S,R-31-E
EDDY COUNTY, NEW MEXICO
RESERVE PIT
STEEL MUD PIT
STEEL MUD PIT
STEEL MUD PIT
TRAILER HOUSE
MUD PUMP
MUD PUMP
SUBSTRUCTURE
CATWALK
WELL BORE
FUEL TANK
WATER TANK
WATER TANK
PIPE RACKS
TRAILER HOUSE
TRAILER HOUSE
250'
150'
200'

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
SANTA FE ENERGY OPERATING PARTNERS,L.P.
Sterling Silver "33" Federal No. 7
1980' FSL & 660' FWL
Section 33, T-23S, R-31E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed by rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS.

   A. Exhibit E is a 15 minute topographic map which shows location of the proposed wellsite and roads in the vicinity. The proposed location is situated approximately 18 miles east of Loving, New Mexico.

      DIRECTIONS:

      1. From the junction State Highway 128 and the Lea/Eddy County line, go 4.6 miles west on Highway 128, then south 2.8 miles on lease road to a point 600' west of the location.

2. PLANNED ACCESS ROAD.

   A 14' wide access road will extend from the existing lease road 660' east to the location.

3. LOCATION OF EXISTING WELLS.

   A. The well Locations in the vicinity of the proposed well are shown Exhibits E & F.

4. LOCATION OF EXISTING AND/ OR PROPOSED FACILITIES.

   A. There are two producing gas wells (Sterling Silver "33" Federal No. 1 and No. 2) and a temporarily abandoned oil well on this lease at this time.

   B. In the event the well is productive, the necessary production equipment will be installed on the drilling pad. If the well is productive of oil, a gas or diesel self-contained unit will be used to the necessary power.

5. LOCATION AND TYPE OF WATER SUPPLY

   A. It is planned to drill the well with both fresh water and brine water systems. Both types of waters will be hauled to the location by truck over existing roads. Both types will be obtained from commercial sources.

6. SOURCES OF CONSTRUCTION MATERIALS.

   A. Any caliche required for construction of the drilling pad will be obtained from a pit located off the wellsite.

7. METHODS OF HANDLING WASTE DISPOSAL

   A. Drill cuttings will be disposed of in the reserve pits.

   B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.

   C. Water produced during operations will be either placed in the reserve pits and allowed to evaporate or collected in tanks until hauled to an approved disposal system or a separate disposal application will be submitted to the BLM for appropriate approval.

   D. Oil produced during operations will be stored in tanks until sold.

   E. Human waste will be disposed of per current standards.

   F. Trash, waste paper, garbage, and junk will be collected in trash trailers and disposed of in an approved waste facility such as a land fill. The trash trailers contain all of the material to prevent scattering by the wind.

   G. All debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES.

   None required

9. WELLSITE LAYOUT

   A. Exhibit G shows the dimensions of the well pad and reserve pits, and the location of major rig components.

B. The ground surface of the location is located among several sand dunes with vegetation growing on them. The location will constructed by leveling the necessary dune and covering the sand with at least six inches of compacted caliche.

C. The reserve pits will be plastic lined.

D. A 400' X 400' work area which will contain the pad and pit area has been staked and flagged.

10. PLAN FOR RESTORATION OF THE SURFACE.

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleared of all trash and junk, to leave the wellsite in an aesthetically pleasing a condition as possible.

B. Unguarded pits, if any, containing fluid will be fenced until they have been filled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management and the United States Geological Survey will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and levelled within 300 days after abandonment.

11. TOPOGRAPHY

A. The wellsite and access route are located in a relatively flat area.

B. The top soil at the wellsite is sandy.

C. The vegetation cover at the wellsite is moderately sparse, with prairie grasses, some mesquite bushes, and shinnery oak.

D. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.

E. There are no ponds, lakes, streams, or rivers within one mile of the wellsite.

F. There is no evidence of any archaeological, historical, or cultural sites in the vicinity of the location.

12. OPERATOR'S REPRESENTATIVES.

A. The field representatives responsible for assuring compliance with the approved surface use plan are:

Michael R. Burton	Darrell Roberts
Division Operations Manager	Senior Drilling Engineer
Santa Fe Energy Operating	Santa Fe Energy Operating
Partners, L.P.	Partners, L.P.
550 W. Texas, Suite 1330	550 W. Texas, Suite 1330
Midland, Texas 79701	Midland, Texas 79701
915-686-6616 - office	915-686-6614 - office
915-699-1260 - home	915-684-4130 - home
915-559-6842 - cellular	915-553-1214 - cellular

13. CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Santa Fe Energy Operating Partners, L.P., and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

SIGNED this 26th day of March, 1993. Darrell Roberts

Darrell Roberts, Senior Drilling Engineer

DDR/tjm
SS337