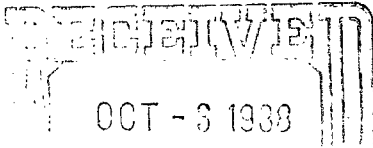




Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

R. C. Anderson
Division Manager
Production Department
Hobbs Division



September 29, 1988

LEE K FEDERAL #1
1780 FSL & 2080 FEL
SECTION 21, T22S, R26E
EDDY COUNTY, NEW MEXICO

Energy, Minerals and Natural
Resources Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: Bill Lemay

Gentlemen:

Enclosed is an application drill Chevron's Lee K Federal #1. This NSL is located 1780 FSL & 2080 FEL of Sec. 21, T22S, R26E, of Eddy County, New Mexico.

Only one well is located within a 1 mile radius, the Happy Valley Fed Com #1 and is operated by Exxon.

I have enclosed copies of the letters sent via registered mail to Exxon and Amoco notifying them of Chevron's Application to drill and a copy of the pre-printed "Waiver of Objection" Form, sent to expedite the approval process, to ensure timely response to our request.

If you have any questions concerning these applications, please contact me at (505) 393-4121.

Yours very truly,

M. E. AKINS
Staff Drilling Engineer

LKE/jc

Enclosures

cc: Jerry Sexton - OCD, Hobbs w/attachments

- Amoco
- Exxon
- Jerry
- Bureau 10/24/88



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
CARLSBAD RESOURCE AREA HEADQUARTERS
P.O. BOX 1778
CARLSBAD, NEW MEXICO 88220



IN REPLY REFER TO:

Chevron U.S.A., Inc.
F. H. Smith
P. O. Box 670
Hobbs, NM 88240

Dear Mr. Smith:

In regards to our telephone conversation of September 28, 1988, the following is the information you requested.

On September 20, 1988, the Bureau of Land Management met with Hal Smith of Chevron U.S.A., Inc., to look at the staking of the Lee "K" Federal No. 1 location in Section 21, T. 22 S., R. 26 E. The original footage was 1980 feet from the South line and 1980 feet from the East line. This location is situated on a side slope of limestone hills and would require a great deal of cut involving blasting. The alternate location being considered is a t 1780 feet from the South line and 2080 feet from the East line and reduces more than half the amount of cut and fill. The only blasting involved at this location will be for the reserve pit area and cellar.

Therefore, due to the cut and fill problem, visual impacts and amount of blasting involved, the Bureau of Land Management requested the move of the location to the unorthodox footage of the alternate.

If any additional information is needed or if you have any questions, please feel free to contact Barry Hunt at our office (505) 887-6544.

Sincerely,

Richard L. Manus
Area Manager



Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

Production Department
Hobbs Division

September 29, 1988

Bureau of Land Management
P.O. Box 1778
Carlsbad, NM 88220

Gentlemen:

The following is Chevron U.S.A. Inc.'s plan for surface use restoration associated with the drilling of our Lee "K" Federal #1, to be located 1,780 feet from the South line and 2,080 feet from the East line of Section 21, T22S, R26E, Eddy County, New Mexico.

After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in as aesthetically pleasing condition as possible. Any unguarded pits containing fluids will be fenced until they are filled.

After abandonment of the well, surface restoration will be in accordance with the agreement with the surface owner. Pits will be filled and the location will be cleaned. The pit area, well pad, and all unneeded access road will be ripped to promote revegetation. Rehabilitation should be accomplished within ninety (90) days after abandonment.

Yours very truly,

M. E. AKINS
Staff Drilling Engineer

MEA/cjw

* MULTI-POINT SURFACE USE PLAN LEE "K" FEDERAL #1

1. Existing Roads

Go 2½ miles south of Carlsbad on Hwy 62-180. Turn west and go 3.3 miles on County Road 672. Turn northwest on County 429 and go 0.7 mile. Turn east 0.4 mile and north 0.7 mile to Exxon's #1 Happy Valley Fed. Comm. Follow new road 1 mile north to new location. EXHIBIT A

2. Planned Access Roads

Approximately 4500 feet of new access road will be built to location. This required access road will be constructed from Exxon's #1 Happy Valley Fed. Comm. north to the Lee "K" Federal #1. This is shown on Exhibit B.

3. Location of Existing Wells

Exhibit C shows existing wells within a one mile radius of proposed well. The nearest well is Exxon's #1 Happy Valley Fed Comm. 3,600' south.

4. Location of Production Facilities

In the event of production, a gas production unit and two tanks (water & condensate) will be required on location. A pipeline will be laid to an existing network, although this has not yet been finalized.

To protect livestock and wildlife, the reserve pit will be fenced.

Upon completion of drilling, the location and surrounding area will be cleared of all debris. All trash will be disposed of in the trash pit.

5. Water Supply

Water for drilling and completion operations will be purchased from a supplier and transported to the wellsite by truck.

6. Source of Construction Materials

Caliche will be hauled from Federal Pit No. 22262015 located in Section 20, T20S, R26E, Eddy County, NM.

7. Methods of Handling Waste Disposal

- A. The drill cuttings, fluids, and completion fluids will be placed in the reserve pit. The reserve pit will be fenced on three sides away from the pad during drilling and the fourth side as soon as the rig moves out. The reserve pit will be allowed to dry and materials remaining in the reserve pit buried. The reserve pit will be backfilled, leveled, and contoured so as to prevent any materials being carried into the watershed.

Upon completion, the pad will be leveled, contoured, and reseeded with the appropriate seed mixture.

- B. All garbage and trash will be placed in a burn pit, as shown on Exhibit D. This earthen pit will be four to six feet deep with small mesh wire fencing to prevent scattering of trash. Upon cleanup, any refuse in the burn pit will be buried at least three feet deep.

- C. Chemical toilets will be provided and maintained during drilling operations. See Exhibit D for location.

8. Ancillary Facilities

No ancillary facilities are planned.

9. Well Site Layout

Location of drilling equipment, rig orientation, and access road is shown on Exhibit D.

The reserve pit will be lined with plastic to prevent liquids from soaking into the surrounding soil.

10. Plans for Restoration of Surface

When well is abandoned, the location and access road will be cleaned and restored to the original topographical contours as much as possible. The area will be reseeded with the appropriate seed mixture.

If the well is productive, areas not used in production will be contoured and seeded with stipulated seed mixture. Production equipment will be painted the color designated by the surface managing agency.

11. Surface Ownership

The wellsite is on federal land under the Bureau of Land Management.

12. Other Information


Refer to archaeological report, ACA Report F89-120 dated September 23, 1988 for a description of the topography, flora, fauna, soil characteristics, dwellings, historical, and cultural sites.

13. Lessee's or Operators Representative

M. E. Akins
P.O. Box 670
Hobbs, NM 88240

14. Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; 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 Chevron U.S.A. Inc., and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.


M. E. AKINS
Staff Drilling Engineer

LGK/cjw

Attachments



Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

Production Department
Hobbs Division

September 29, 1988

APPLICATION FOR PERMIT TO DRILL
PROPOSED LEE "K" FEDERAL #1
EDDY COUNTY, NEW MEXICO

Bureau of Land Management
P.O. Box 1778
Carlsbad, NM 88220

Gentlemen:

We are submitting the information requested in NTL-6 which should accompany application for permit to drill.

Well: Lee "K" Federal #1

1. Location: 1,780' FSL & 2,080' FEL Section 21, T21S, R26E, Eddy County, New Mexico 22
2. Elevation of Unprepared Ground: 3,345.9
3. Geologic Name of Surface Formation: Quaternary-Alluvium
4. Type Drilling Tools: Rotary
5. Proposed Drilling Depth: 12,000'
6. Estimated Top of Geologic Markers:

Delaware	2,650'	Strawn	10,000'
Bone Springs	5,100'	Morrow	11,010'
Wolfcamp	8,600		

7. Estimated Depths at which Anticipated Gas or Oil-Bearing Formations Expected:

Strawn	10,000
Upper Morrow	11,010
Lower Morrow	11,360

8. Casing Program and Setting Depths:

	Size	Weight	Grade	Setting Depth
Surface	13 3/8"	48#	H40	500'
Intermediate	9 5/8"	40#	K55	2,800'
Production	5 1/2"	17#	L80	12,000'

9. Casing Setting Depths and Cementing Program:

A. Surface and intermediate casing will be cemented to surface using Class "C" cement. Exact volumes and additives will be based on severity of lost returns historically experienced in this area. Top jobs will be performed as necessary to bring cement to surface.

B. Production casing will be cemented to surface with Class "H" cement using a stage collar around 9500'.

10. Pressure Control Equipment:

Prior to drilling below surface and intermediate casing, a BOP hook-up for 5000 psi will be installed.

11. Circulating Media:

0 - 500'	FW Spud Mud	10,000-12,000 CBW/Gel/KCL
500 - 2,800	FW/Gel Sweeps	
2,800 - 10,000	Cut Brine Water	

Severe lost returns are anticipated on the surface hole. Many holes in the area are "dry-drilled". Moderate lost returns are expected in the intermediate hole which should be successfully treated with LCM.

12. Testing, Logging, and Coring Program:

A. No drill stem tests are planned.

B. Open hole logs will be run at total depth.

C. No cores are planned.

13. Abnormal Pressure or Temperature and Hydrogen Sulfide Gas:

A. No abnormal pressure or temperature is anticipated; however, BOP's, as specified in item 10 above will be installed.

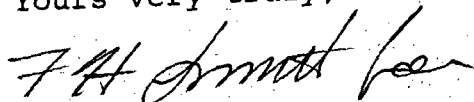
B. The presence of 400 ppm Hydrogen Sulfide is anticipated in the Bone Springs. Gas monitors will be installed and fresh air equipment will be on location before drilling below intermediate casing. An H₂S contingency plan is attached.

14. Anticipated Starting Date:

Drilling operations should begin approximately December 1, 1988.

15. Other Facets of the Proposed Operation: None.

Yours very truly,

A handwritten signature in dark ink, appearing to read "M. E. Akins", written in a cursive style.

M. E. AKINS
Staff Drilling Engineer

LKE/cjw

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Chevron U.S.A. Inc.

3. ADDRESS OF OPERATOR

P.O. Box 670, Hobbs, NM 88240

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1780' FSL & 2080' FEL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest dric. unit line, if any)18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

3600'

16. NO. OF ACRES IN LEASE

1800

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320±

19. PROPOSED DEPTH

12,000'

20. ROTARY OR CABLE TOOLS

rotary

21. ELEVATIONS (Show whether DF, RT, CR, etc.)

3345.9

22. APPROX. DATE WORK WILL START

ASAP

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#	500'	500sx Cl H - circ. surf.
14 3/4"	9 5/8"	40#	2800'	1500sx Cl H - circ. surf.
7 7/8"	5 1/2"	17#	12,000'	2300sx Cl H - circ. surf.

MUD PROGRAM:

0 - 500' FW Spud Mud
500' - 2800' FW/Gel Sweeps
2800' - 10,000' Cut Brine Water
10,000 - 12,000' CBW/Gel/KCL

BOP:

Attached BOP Drawing, Class III Preventer.

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

TITLE Staff Drilling Engineer

DATE Sept. 29, 1988

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-65

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

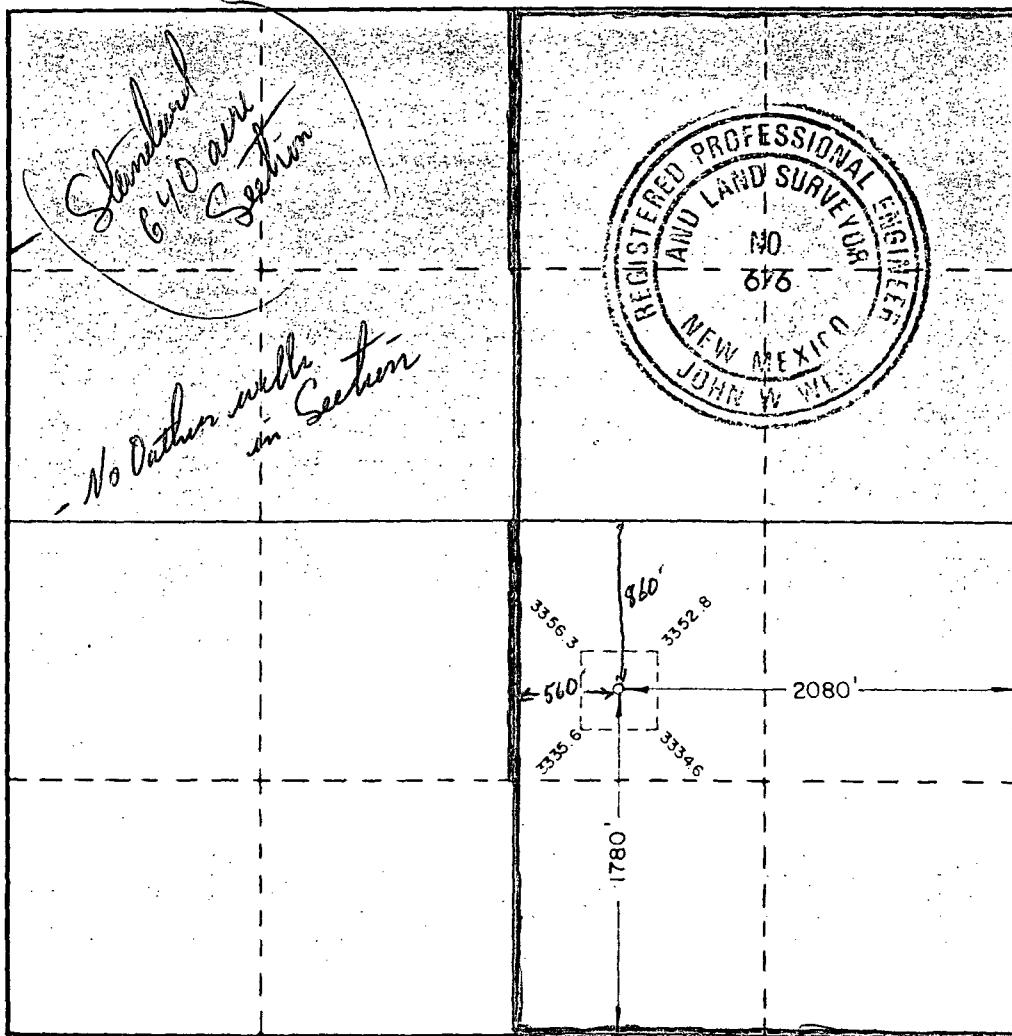
Operator Chevron USA, Inc.			Lease Lee K Federal		Well No. 1
Unit Letter J	Section 21	Township 22 South	Range 26 East	County Eddy	
Actual Footage Location of Well: 1780 feet from the South line and 2080 feet from the East line					
Ground Level Elev. 3345.9	Producing Formation MORROW		Pool MORROW	Dedicated Acreage: 320+ 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 interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

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 interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

[Signature]
Name

M.E. AKINS

Position

STAFF DRILLING ENGINEER

Company

CHEVRON U.S.A. INC.

Date

SEPTEMBER 29, 1988

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

September 12, 1988

Registered Professional Engineer and/or Land Surveyor

[Signature]

Certificate No. **JOHN W. WEST, 676**
RONALD J. EIDSON, 3239

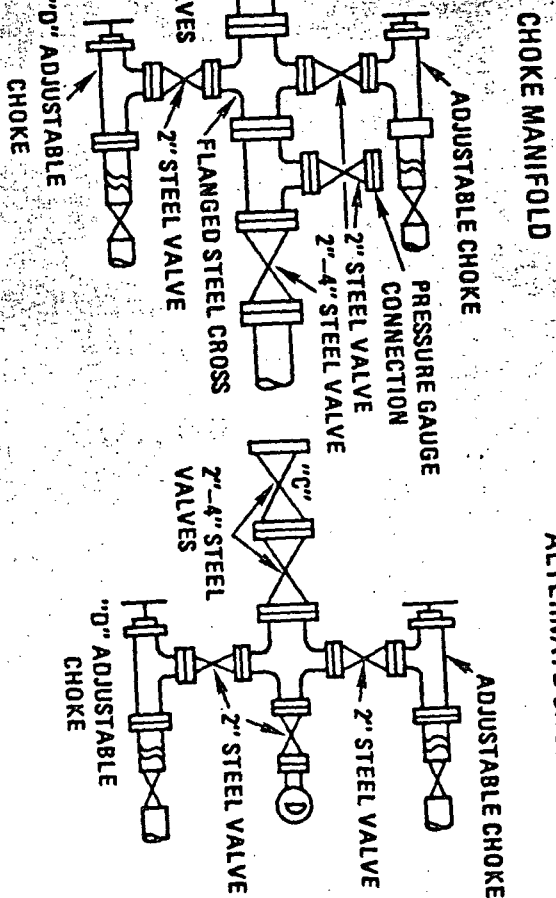
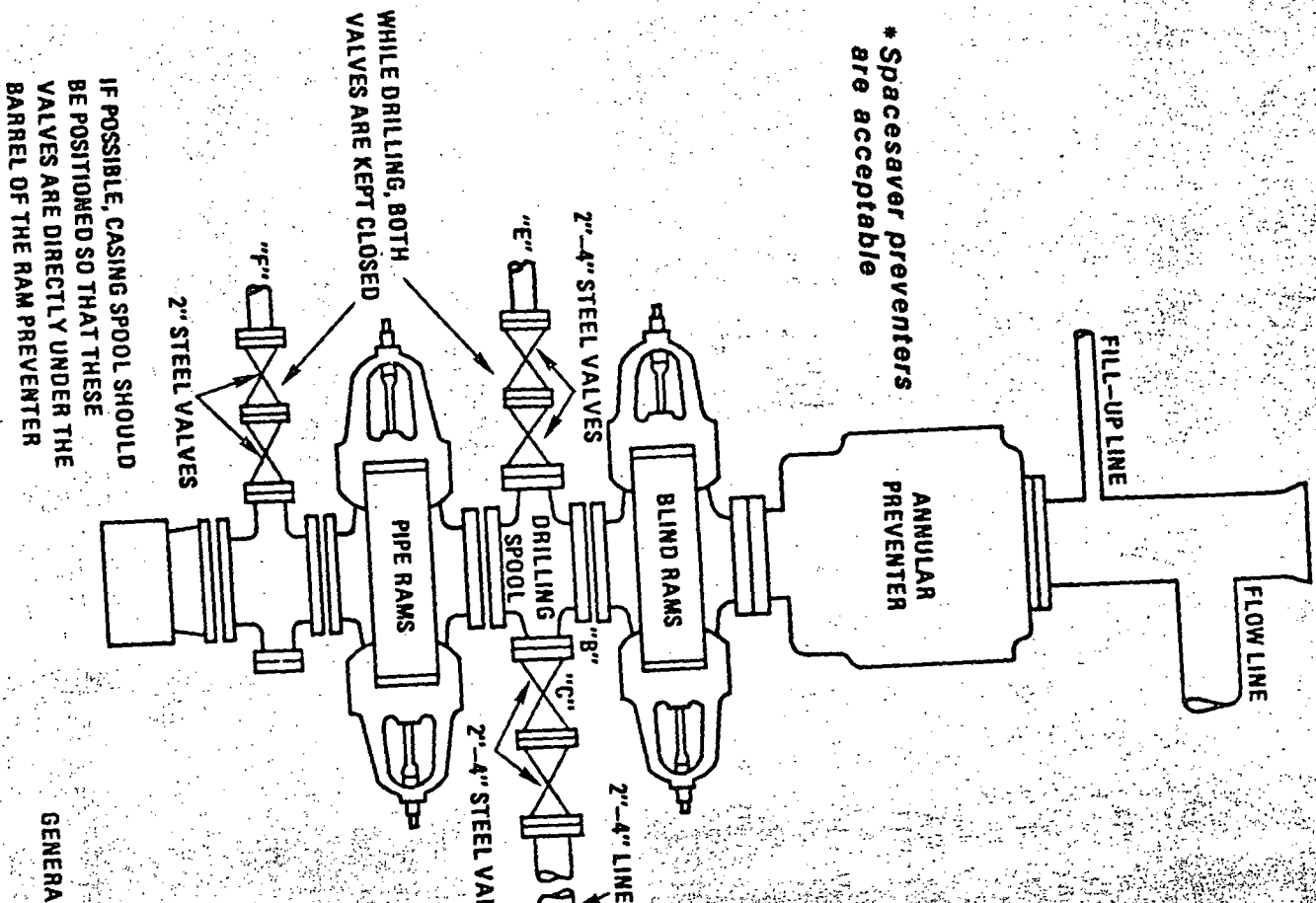


FIGURE III-4
THREE PREVENTER HOOKUP
CLASS III

GENERAL INSTRUCTIONS ON PAGE FOLLOWING FIGURE III-7

— OVER —



Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

September 29, 1988

R. C. Anderson
Division Manager
Production Department
Hobbs Division

LEE K FEDERAL #1
SECTION 21, T22S, R26E
LEA COUNTY, NEW MEXICO

Exxon Company USA
P.O. Box 1700
Midland, Texas 79702-1700

Gentlemen:

Enclosed is Chevron's Application to drill the Lee K Federal #1 well. Since Exxon is an offset, we are sending this information as requested by New Mexico Energy and Minerals Department regulations.

If Exxon does not have any objection to this application, we request that Exxon sign the enclosed "Waiver of Objection" forms sent for your convenience and return one to the Energy and Minerals Department in Santa Fe, New Mexico and the other to Chevron U.S.A. Inc. in the enclosed postage paid envelopes.

If you have any questions concerning this application, please contact me at (505) 393-4121.

Yours very truly,

M. E. AKINS
Staff Drilling Engineer

LKE/jc

Enclosure



Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

R. C. Anderson
Division Manager
Production Department
Hobbs Division

September 29, 1988

WAIVER OF OBJECTION
TO UNORTHODOX LOCATION

Energy, Minerals and Natural
Resources Department
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Gentlemen:

This is to advise that the undersigned was given due notice that Chevron U.S.A. Inc. has made application for permit to drill the Lee K Federal #1 well.

We hereby waive any objection to the granting of the permit to drill. This well is to be located 1780 FSL and 2080 FEL, Section 21, T22S, R26E, Eddy County, New Mexico.

Executed this _____ day of _____, 1988.

Yours very truly,

EXXON COMPANY U.S.A.
(Name of Company)

By: _____

Title: _____

LKE/jc



Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

R. C. Anderson
Division Manager
Production Department
Hobbs Division

September 29, 1988

LEE K FEDERAL #1
SECTION 21, T22S, R26E
LEA COUNTY, NEW MEXICO

Amoco Production Co.
P.O. Box 4072
Odessa, Texas 79762

Gentlemen:

Enclosed is Chevron's Application to drill the Lee K Federal #1 well. Since Amoco is an offset, we are sending this information as requested by New Mexico Energy and Minerals Department regulations.

If Amoco does not have any objection to this application, we request that Amoco sign the enclosed "Waiver of Objection" forms sent for your convenience and return one to the Energy and Minerals Department in Santa Fe, New Mexico and the other to Chevron U.S.A. Inc. in the enclosed postage paid envelopes.

If you have any questions concerning this application, please contact me at (505) 393-4121.

Yours very truly,

M. E. AKINS
Staff Drilling Engineer

LKE/jc

Enclosure



Chevron U.S.A. Inc.
P.O. Box 670, Hobbs, NM 88240

September 29, 1988

Production Department
Hobbs Division

WAIVER OF OBJECTION
TO UNORTHODOX LOCATION

Energy, Minerals and Natural
Resources Department
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Gentlemen:

This is to advise that the undersigned was given due notice that Chevron U.S.A. Inc. has made application for permit to drill the Lee K Federal #1 well.

We hereby waive any objection to the granting of the permit to drill. This well is to be located 1780 FSL and 2080 FEL, Section 21, T22S, R26E, Eddy County, New Mexico.

Executed this _____ day of _____, 1988.

Yours very truly,

AMOCO PRODUCTION CO.
(Name of Company)

By: _____

Title: _____

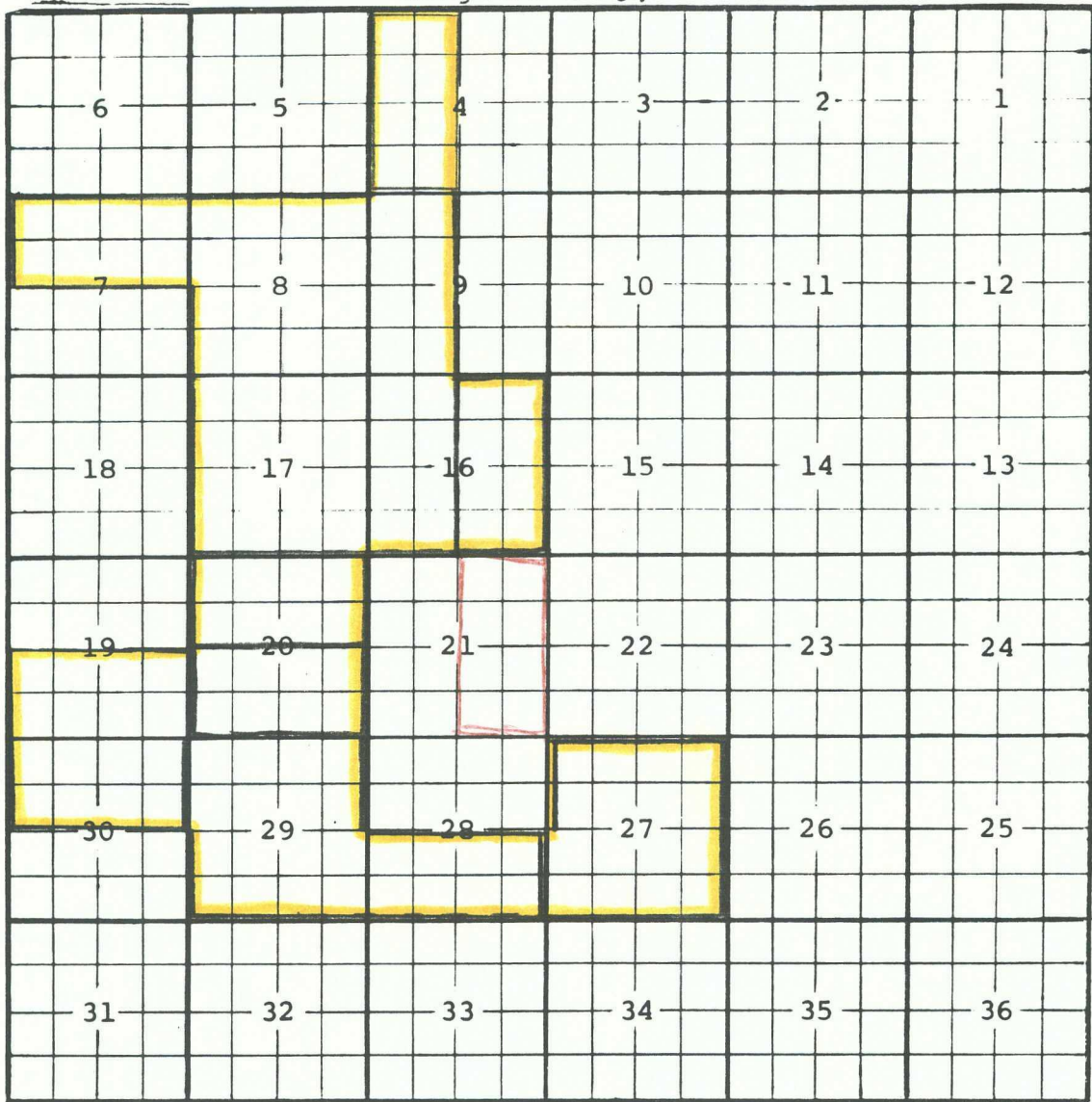
LKE/jc

9

T-225

County EddyPool Happy Valley - Morrow GasTOWNSHIP 22 SouthRange 26 East

NMPM

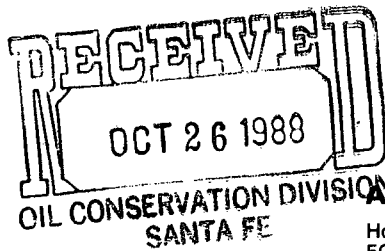


Description: $\frac{w}{2}$ Sec 4 (R-5609, 1-1-78)

Ext: $\frac{N}{2}$ Sec 7, All Sec 8, $\frac{W}{2}$ Sec 9, $\frac{W}{2}$ Sec 16, and All Sec 17 (R-6623, 4-7-81)

Ext: $\frac{N}{2}$ Sec 20, $\frac{E}{2}$ Sec 16 (R-6724, 7-16-81) Ext: $\frac{S}{2}$ Sec 20 (R-6923, 3-9-82) Ext: $\frac{S}{2}$ Sec. 19, $\frac{N}{2}$ Sec. 30 (R-7668, 9-21-84)

Ext: $\frac{S}{2}$ Sec. 28, All Sec. 29 (R-8229, 5-19-86) Ext: All Sec. 27 (R-8391, 1-22-87)



Amoco Production Company
Houston Region
501 WestLake Park Boulevard
Post Office Box 3092
Houston, Texas 77253

James F. Trickett
Regional Environmental, Safety &
Regulatory Affairs Manager

October 19, 1988

Energy, Minerals and Natural Resources Department
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

File: JFT-6352-LF

Gentlemen:

Waiver of Objection
to Unorthodox Location
Lee K. Federal Well No. 1
Eddy County, New Mexico

This is to advise that Amoco Production Company was given due notice that Chevron U.S.A. Inc. has made application for permit to drill the Lee K. Federal #1 well.

We hereby waive any objection to the granting of the permit to drill. This well is to be located 1780' FSL and 2080' FEL, Section 21, T22S, R26E, Eddy County, New Mexico.

MLC/jd

cc: Chevron U.S.A. Inc.
P. O. Box 670
Hobbs, New Mexico 88240