

**N.M. Oil Cons. DIV-Dist. 2**  
**1301 W. Grand Avenue**  
**Artesia, NM 88210**

Form 3160-3  
 (April 2004)

UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT

**APPLICATION FOR PERMIT TO DRILL OR REENTER**

FORM APPROVED  
 OMB No. 1004-0137  
 Expires March 31, 2007

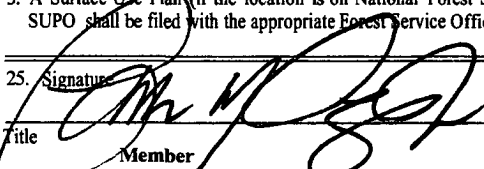
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-92757</b>
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator <b>OGX Resources LLC</b>		7. If Unit or CA Agreement, Name and No.
3a. Address <b>P.O. Box 2064 Midland, Texas 79702</b>	3b. Phone No. (include area code) <b>432-685-1287</b>	8. Lease Name and Well No. <b>New Man Federal Com #1</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface <b>990 FSL, 660 FEL</b> At proposed prod. zone		9. API Well No. <b>30-015- 33848</b>
11. Sec., T. R. M. or Blk. and Survey or Area <b>Sec. 20, T24S, R28E</b>		10. Field and Pool, or Exploratory <b>Undsg. Malaga Morrow</b>
14. Distance in miles and direction from nearest town or post office* <b>5 miles southwest of Loving, New Mexico</b>		12. County or Parish <b>Eddy</b>
13. State <b>NM</b>		15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>660'</b>
16. No. of acres in lease <b>320</b>		17. Spacing Unit dedicated to this well <b>320</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>NA</b>		19. Proposed Depth <b>13000</b>
20. BLM/BIA Bond No. on file <b>NMB000244</b>		21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3040' GR</b>
22. Approximate date work will start* <b>01/01/2005</b>		23. Estimated duration <b>55 days</b>

24. Attachments

**CARLSBAD CONTROLLED WATER BASIN**

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall 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 shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) <b>Frank M. Agar Jr.</b>	Date <b>11/05/2004</b>
Title <b>Member</b>		
Approved by (Signature) <b>/s/ Joe G. Lara</b>	Name (Printed/Typed) <b>/s/ Joe G. Lara</b>	Date <b>7 DEC 2004</b>
Title <b>FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>	

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.

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)

**APPROVAL SUBJECT TO  
 GENERAL REQUIREMENTS  
 AND SPECIAL STIPULATIONS  
 ATTACHED**

**Witness Surface Casing**

**If earthen pits are used in  
 association with the drilling of thi  
 well, an OCD pit permit must be  
 obtained prior to pit construction**

DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name NEW MAN FEDERAL COM	Well Number 1
OGRID No. 217955	Operator Name OGX RESOURCES, LLC	Elevation 3040'

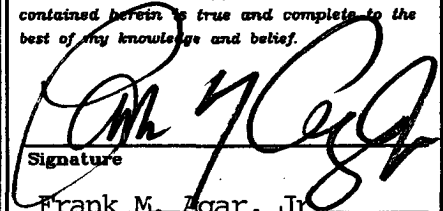
Surface Location

UL or lot No. P	Section 20	Township 24 S	Range 28 E	Lot Idn	Feet from the 990	North/South line SOUTH	Feet from the 660	East/West line EAST	County EDDY
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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 320	Joint or Infill	Consolidation Code	Order No.						

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	
				<p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature Frank M. Agar, Jr. Printed Name Member Title 11-11-2004 Date</p>	
				SURVEYOR CERTIFICATION	
				<p>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.</p> <p>October 26, 2004 Date Surveyed Signature of Seal of Professional Surveyor GARY L. JONES 7977 W.C. No. 4761 Certificate No. Gary L. Jones 7977 JLP BASIN SURVEYS</p>	
				Lat.: N32°11'55.1" Long.: W104°06'12.0"	
				<p>3044.3' 3049.5' 3032.6' 3037.0' 990'</p>	

# OGXResources LLC

P.O. Box 2064 • Midland, TX 79702 • (432) 685-1287 Fax (432) 685-1320

RECEIVED

2004 NOV 16 AM 11:16

BUREAU OF LAND MGMT.  
ROSWELL OFFICE

November 12, 2004

United States Department of the Interior  
Bureau of Land Management  
Roswell District Office  
2909 West Second Street  
Roswell, New Mexico 88201

Re: Application for Permit to Drill  
OGX Resources LLC  
New Man Federal Com #1  
Lease No. NM-92757

Gentlemen:

OGX Resources LLC, respectfully request permission to drill our New Man Federal Com #1, located 990 FSL and 660 FEL of Section 20, T24S, R 28E, Eddy County, New Mexico, Federal Lease No. NM- 92757. The proposed well will be drilled to a depth of approximately 13000'. The location and work area has been staked. It is approximately 5 miles Southwest of Loving, New Mexico.

In accordance with requirements stipulated in Federal Onshore Oil and Gas Order No. 1, our Application for Permission to Drill and supporting evidence is hereby submitted:

I. Application for Permit to Drill

1. Form 3160.3 Application for Permit to Drill
2. Form C-102 Location and Acreage Dedication Plat
3. The elevation of the unprepared ground is 3040 ft above sea level.
4. The geologic name of the surface formation is Permian Rustler.

5. Rotary drilling equipment will be utilized to drill the well to TD of 13000' (TVD), and run casing. This equipment will then be rigged down and the well will be completed with a pulling unit.

6. Proposed total depth is 13000' TVD

7. Estimated tops of important geologic markers (all TVD):

- |             |       |
|-------------|-------|
| 1. Wolfcamp | 9400' |
| 2. Strawn   | 11600 |
| 3. Atoka    | 11800 |
| 4. Morrow   | 12400 |

8. Estimated depths at which we anticipate water, oil, gas or other mineral bearing formations are expected to be encountered:

Primary Objective:	Morrow	12400' TVD
Secondary Objective:	Atoka	11800' TVD

9. The proposed casing program is as follows:

Surface: 13 3/8" 48# H40 ST&C new casing set at 650'. WITNESS

Intermediate: 9 5/8" 36# K55 ST&C new casing from 0-2600'.

Production: 7" 26#, P-110, LT&C, new casing from 0-10000'.

Liner: 4 1/2", 11.6#, P-110, LT&C, casing from 9600'-13000'

10. Casing setting depth and cementing program:

- a. 13 3/8 surface casing set at 650', in 17 1/2" hole.  
Circulate cement with 400 sx 35:65 POZ/C w/6%  
Bentonite + 2% CaCl<sub>2</sub> + .25#/sx Cello-Seal followed  
by 300sx Class C w/ 2% CaCl<sub>2</sub>.

If cement does not circulate, a temperature survey will  
be run to find TOC and then finish cementing to surface  
through 1" using Class C with 2% CaCl<sub>2</sub>.

- b. 9 5/8" intermediate casing set at 2600' in 12 1/4" hole.

Circulate cement with 700 sx 35:65 POZ/C w/ 6% Bentonite = 2% CaCl<sub>2</sub> = .25# Cello-Seal followed by 220 sx Class C w/ 2% CaCl<sub>2</sub>.

If cement does not circulate, a temperature survey will be run to find TOC and then finish cementing to surface through 1" using Class C with 2% CaCl<sub>2</sub>.

- c. 7" production casing set at 10000', cement w/ DV tool set @ +/- 5000', cement 1<sup>st</sup> stage with 560 sx IFH cement with .1% HR-7 followed by 300 sx PP cement. Cement 2<sup>nd</sup> stage with 340 sx IFH cement with .25#/sx Flowcele followed by 240 sx PP cement.

- c. 4 1/2" Liner casing set @ 13000', cement with 250 sx Super H cement with .5% LFLC + .4% CFR-3 + 5#/sx + 1#/sx salt+ .2# HR-7

Note: Cement volumes may need to be adjusted to hole caliper.

#### 11. Pressure Control Equipment

0-650'	None
650'-2600'	13 3/8" 3M annular preventer, to be used as only. Exhibit #1.
2600'-13000'	11" 5000# ram type preventers with one set blind ram and one set pipe rams and a 5000# annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 8500'. Exhibit #1.

A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor.

After setting the 9 5/8" casing, the blowout preventers and related control equipment shall

be pressure tested to 5000 psi. Any equipment failing to test satisfactory shall be repaired or replaced. Results of the BOP test will be recorded in the driller's log. The BOP's will be maintained ready for use until drilling operations are completed.

BOP drills will be conducted as necessary to assure that equipment is operational and each crew is properly trained to provide for the close-open-close sequence of the blind and the pipe rams of the hydraulic preventers.

Accumulator shall maintain a pressure capacity Reserve at all times to provide for the close-open-Close sequence of the blind and pipe rams of the hydraulic preventers.

## 12. Mud Program

0-650'	Fresh water/native mud. Lime for pH control (9-10). Paper for seepage. Wt. 8.7-9.2 ppg, vis 32-34 sec.
650-2600'	Fresh/brine water. Lime for pH control. (10-10.5). Paper for seepage. Wt. 8.3-9.0/10.0-10.1 ppg. Vis 28-29 sec.
2600-10000'	Cut brine. Lime for pH control (10-10.5) Wt 8.3-10.0 ppg. Vis 28-29 sec.
10000-13000'	Mud up with an duo Vis/Flo Trol system. Wt. 9.6-10.0 ppg, Vis 32-36 sec, WL<10cc.

Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until the production casing is run and cemented. Monitoring equipment shall consist of the following:

1. A recording pit level indicator.
2. A pit volume totalizer.
3. A flowline sensor.

13. Testing, Logging, and Coring Program:

- a. Testing program: No DST's are anticipated.
- b. Mud logging program: One man unit from 650' to TD
- c. Electric logging program: CNL/LDT/CAL/GR, DLL/CAL/GR.
- d. Coring program: No coring anticipated.

No abnormal temperatures, or H<sub>2</sub>S gas are anticipated. The highest anticipated pressure gradient would be .55psi/ft. Adequate flare lines will be installed of the mud/gas separator where gas may be flared safely.

14. Anticipated starting date is January 2, 2005. It should take approximately 55 days to drill the well and another 10 days to complete.
15. The Multi-Point Surface Use and Operation Plan is attached.
16. Please advise if you need any additional information.

Yours truly,

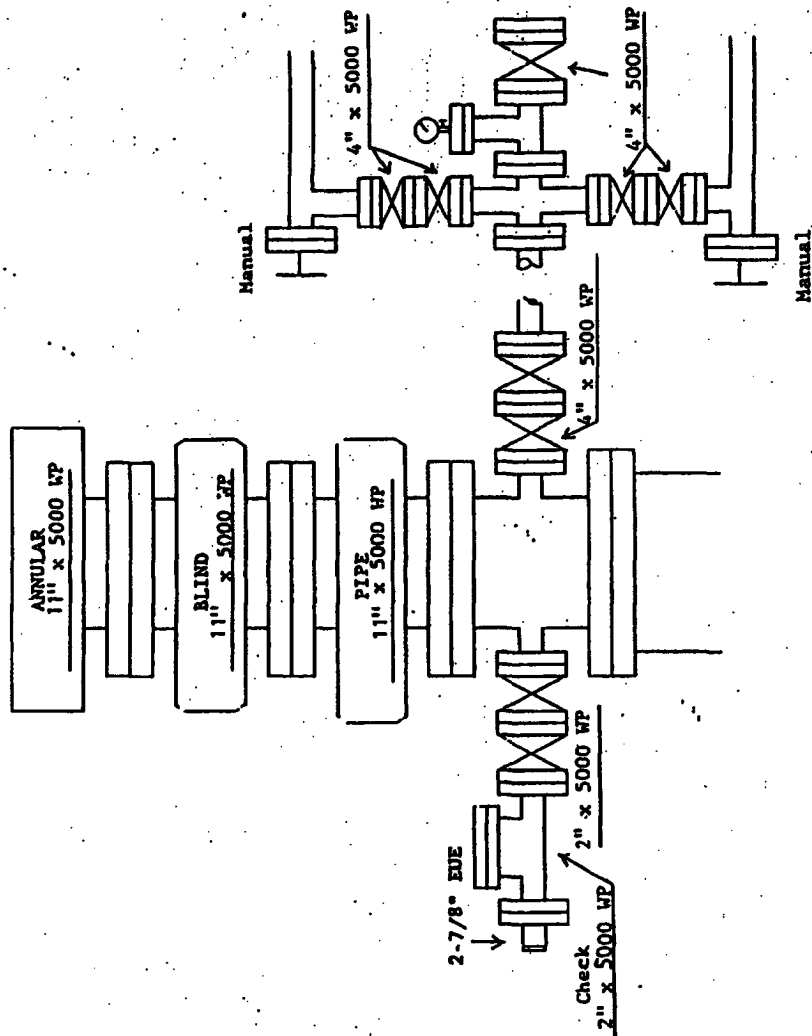


Frank M. Agar, Jr.  
Member

Exhibit #1

OGX Resources LLC

New Man Federal Com #1





OGX RESOURCES LLC  
New Man Federal Com No. 1  
Eddy Co., NM

ATTACHMENT TO EXHIBIT #1

1. Wear ring to be properly installed in head.
2. Blow out preventer and all fittings must be in good condition, 5000 psi W.P. minimum. Exhibit #1.
3. All fittings to be flanged.
4. Safety valve must be available on rig floor at all times with proper connections, value to be full bore 5000 psi W.P. minimum.
5. All choke and fill lines to be securely anchored especially ends of choke lines.
6. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.
7. Kelly cock on Kelly.
8. Extension wrenches and hand wheels to be properly installed.
9. Blow out preventer control to be located as close to driller's position as possible.
10. Blow out preventer closing equipment to include minimum 40-gallon accumulator, two independent sources of pump power on each closing unit installation, and meet all API specifications.

OGRID No.	Operator Name <b>OGX RESOURCES, LLC</b>	Elevation <b>3040'</b>
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**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	20	24 S	28 E		990	SOUTH	660	EAST	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.

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OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

	<p align="center"><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p align="center"><b>SURVEYOR CERTIFICATION</b></p> <p><i>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.</i></p> <p align="center"><b>October 26, 2004</b></p> <p>Date Surveyed _____</p> <p>Signature _____ Seal _____</p> <p>Professional Surveyor</p> <p align="center"><b>NEW MEXICO</b></p> <p align="center"><b>W.Q. No. 4781</b></p> <p>Certificate No. Gary Jones 7977</p> <p align="center"><b>JLP</b></p> <p align="center"><b>PLANNED SURVEYS</b></p>

EXHIBIT #2a

Statement Accepting Responsibility For Operations

Operator Name: OGX Resources LLC  
Street or Box: P.O. Box 2064  
City, State: Midland, Texas  
Zip Code: 79702

The undersign accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No: NM 92757

Legal Description of Land: S/2NE/4; SE/4 Section 20  
T-24-S; R-28-E  
Eddy County, NM

Formations: Wolfcamp, Strawn, Atoka, Morrow

Bond Coverage: Individually

BLM Bond File No.: NMB000244

Authorized Signature

Frank M. Agar, Jr.

Title: Member

Date: 11/15/2004