Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

# UNITED STATES
# DEPARTME OF THE INTERIOR
## BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER 166111 SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR
CONCHO RESOURCES, INC. (ERICK NELSON) 915-683-7443

3. ADDRESS AND TELEPHONE NO.
110 WEST LOUISIANA SUITE 410 MIDLAND, TEXAS 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface
660' FSL & 660' FWL SEC. 11 T16S-R27E EDDY CO. NM
At proposed prod. zone SAME Unit M

RECEIVED
OCD - ARTESIA

5. LEASE DESIGNATION AND SERIAL NO.
NM-7066

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
---

7. UNIT AGREEMENT NAME
--- 32689

8. FARM OR LEASE NAME, WELL NO.
FARGO "11" FEDERAL # 1

9. API WELL NO.
30-015-31646

10. FIELD AND POOL, OR WILDCAT
DIAMOND MOUND-MORROW

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
SEC. 11 T16S-R27E

12. COUNTY OR PARISH: Eddy
13. STATE: NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 12 miles Northeast of Artesia 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' | 960 | 320 |
| **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** |
| 3800' | 9200' | ROTARY |

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3592'

22. APPROX. DATE WORK WILL START*
When approved

23. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE, SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|---|---|---|---|---|
| 25" | 20" conductor | NA | 40' | Cement to surface with Redi-mix |
| 12¼" | J-55 8 5/8" | 32 | 1500' | 800 Sx. circulate to surface |
| 7 7/8" | N-80 4½" | 11.6 | 9200' | 800 Sx. estimate top of cem. 5500' |

1. Drill 25" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.

2. Drill 12¼' hole to 1500'. Run and set 1500' of 8 5/8" J-55 32# ST&C casing. Cement with 600 Sx. of Class "C" Light + additives, tail in with 200 Sx. of Class "C" + 2% CaCl, + ¼# Flocele/Sx., circulate cement to surface.

3. Drill 7 7/8" hole to 9200'. Run and set 9200' of 4½" N-80 11.6# LT&C casing. Cement with 300 Sx. of Class "H" Light + additives, tail in with 500 Sx. of Class "H" Premium Plus cement + additives, estimate top of cement 5500' from surface.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, 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 Joel Janicia TITLE Agent DATE 01/15/01

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY _____ TITLE _____ DATE Mar 8 2001

*See Instructions On Reverse Side

tle 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 ited States any false, fictitious or fraudulent statements

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

| API Number | Pool Code | Pool Name |
|---|---|---|
| | 76079 | DIAMOND MOUND- MORROW |

| Property Code | Property Name | Well Number |
|---|---|---|
| | FARGO "11" FEDERAL | 1 |

| OGRID No. | Operator Name | Elevation |
|---|---|---|
| 166111 | CONCHO RESOURCES, INC. | 3592 |

### Surface Location

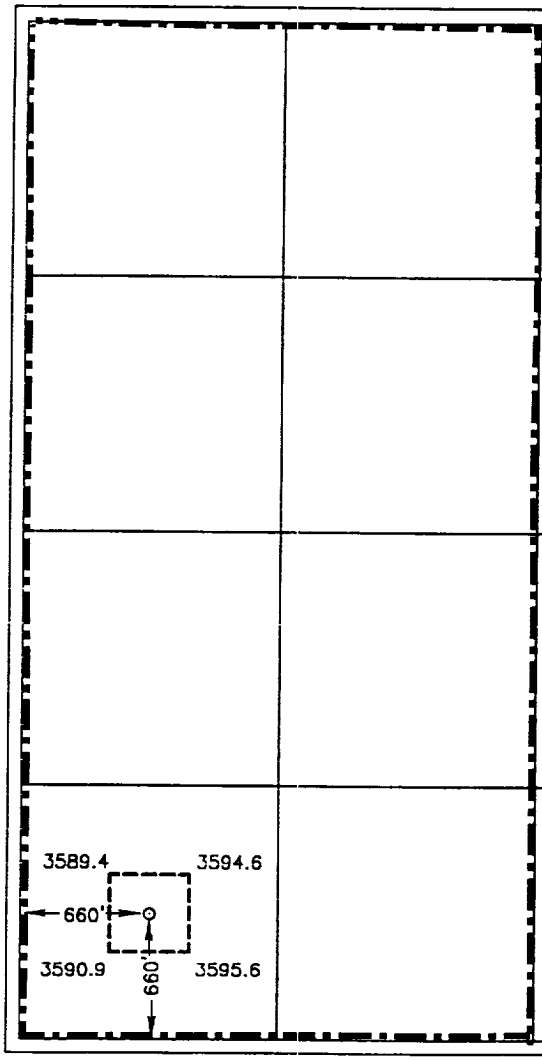
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---|---|---|---|---|---|---|---|---|---|
| M | 11 | 16-S | 27-E | | 660 | SOUTH | 660 | WEST | EDDY |

### 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. |
|---|---|---|---|
| 320 | | | |

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 the the information contained herein is true and complete to the best of my knowledge and belief.*

Joe T. Janica
Signature

Joe T. Janica
Printed Name

Agent
Title

01/15/01
Date

### 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 supervison, and that the same is true and correct to the best of my beiief.*

JANUARY 4, 2001
Date Surveyed AWB

Signature & Seal of Professional Surveyor

Ronald J. Eidson 01/05/01

00-11-0009

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

EXHIBIT "A"

# VICINITY MAP


SCALE: 1" = 2 MILES

SEC. 11 TWP. 16-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660'FSL & 660'FWL

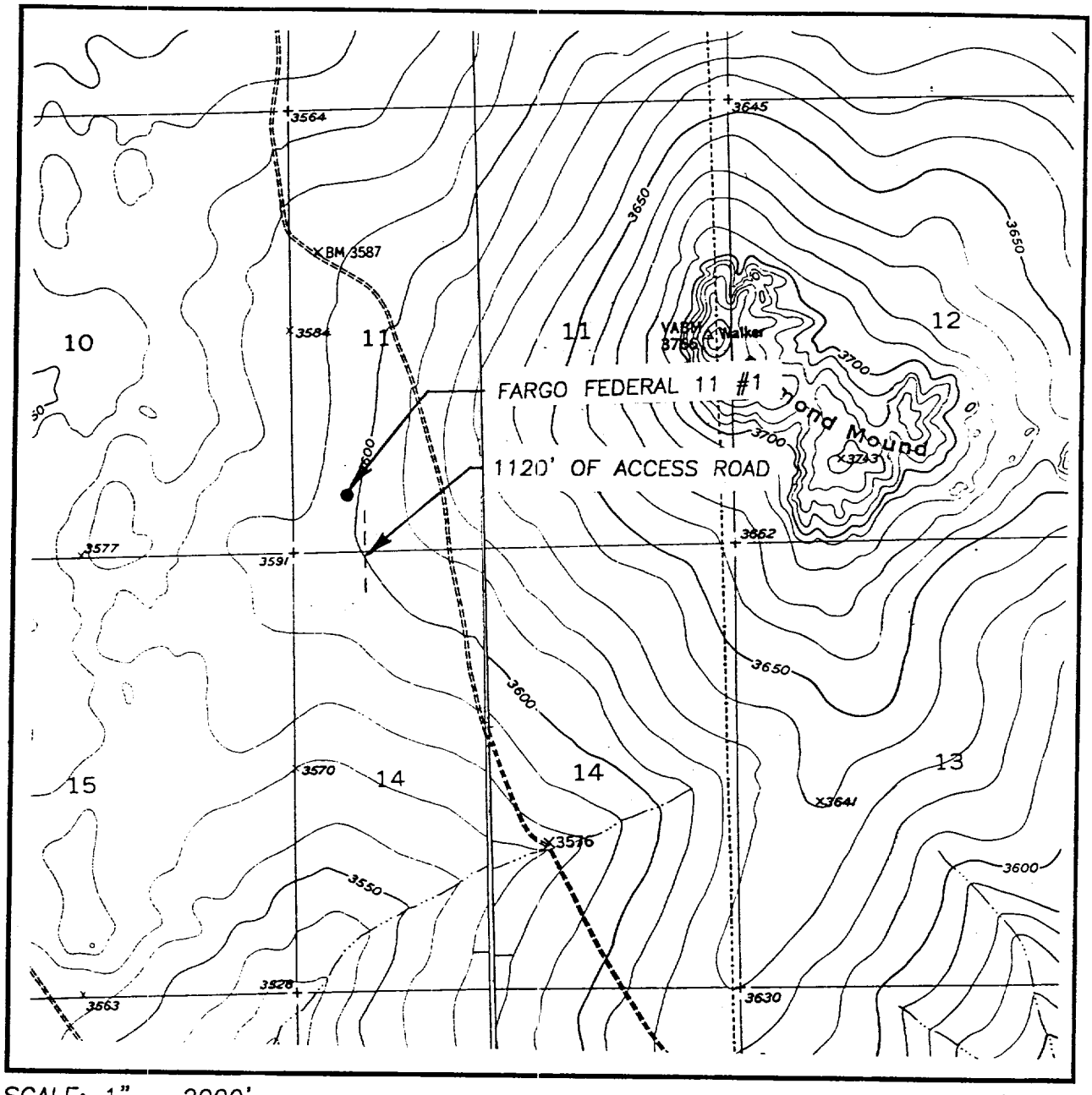
ELEVATION 3592

OPERATOR CONCHO RESOURCES, INC.

LEASE FARGO FEDERAL 11

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

# LOCATION VERFICATION MAP




SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

ARTESIA NE & DIAMOND MOUND

SEC. 11 TWP. 16-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660'FSL & 660'FWL

ELEVATION 3592

OPERATOR CONCHO RESOURCES, INC.

LEASE FARGO FEDERAL 11

U.S.G.S. TOPOGRAPHIC MAP
ARTESIA NE & DIAMON MOUND


JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 3
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location: 660' FWL & 660' FSL SEC. 11 T16S-R27E EDDY CO. NM

2. Elevation above Sea Level: 3592'

3. Geologic name of surface formation: Quaternery Aeolian Deposits.

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.

5. Proposed drilling depth: 9200'

6. Estimated tops of geological markers:

| | | | |
|---|---|---|---|
| SEVEN RIVERS | 250' | WOLFCAMP | 7290' |
| GRAYBURG | 1160' | STRAWN | 8200' |
| SAN ANDRES | 1460' | MORROW | 9050' |

7. Possible mineral bearing formations:

| | | | |
|---|---|---|---|
| WOLFCAMP | OIL | MORROW | GAS |
| STRAWN | OIL | | |

8. Casing program:

| Hole size | Interval | OD of casing | Weight | Thread | Collar | Grade |
|---|---|---|---|---|---|---|
| 25" | 0-40' | 20 | NA | NA | NA | Conductor |
| 12¼" | 0-1500' | 8 5/8" | 32 | 8-R | ST&C | J-55 |
| 7 7/8" | 0-9200' | 4½" | 11.6 | 8-R | LT&C | N-80 |

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 3
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

9. Cementing and Setting Depth:

| | | |
|---|---|---|
| 20" | Conductor | Set 40' of 20" conductor pipe and cement to surface with Redi-mix. |
| 8 5/8" | Surface | Set 1500' of 8 5/8" J-55 32# ST&C casing. Cement with 600 Sx. of Class "C" Light cement + additives, tail in with 200 Sx. of Class "C" cement + 2% CaCl, + ¼# Flocele /Sx. circulate cement to surface. |
| 4½" | Production | Set 9200' of 4½" N-80 11.6# LT&C casing. Cement with 300 Sx. of Class "H" Light cement + additives, tail in with 500 Sx. of Class "H" Premium Plus cement + additives, esitmate top of cement 5500' from surface. |

10. Pressure Control Equipment: Exhibit "E". A 900 Series 3000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP un-t will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. BOP will be nippled up on 8 5/8" casing and will be operated at least once each 24 Hr. period while drilling and blind rams will be operated when out of hole during trips. Flow sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. Proposed Mud Circulating System:

| Depth | Mud Wt. | Visc, | Fluid Loss | Type Mud |
|---|---|---|---|---|
| 40-1500' | 8.5-8.6 | 29-36 | NC | Fresh water Spud Mud add paper to control seepage. |
| 1500-8500' | 10.2-10.4 | 29-37 | NC | Brine water add paper to control seepage and high viscosity sweeps to clean hole and Soda Ash to control pH. |
| 8500-9200' | 10.2-10.4 | 34-40 | 10 cc or less | Brine water system use Salt Gel for viscosity control, Dris-pac fro water loss control. |

Sufficient mud materials to maintain mud properties, meet lost circulation and weight increase requirements will be kept at well site at all times. In order to log well and run casing the viscosity may have to be raised and the water loss lowered in order to do so.

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 3
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

12. Testing, Logging and Coring Program:

A. Open hole logs: Dual Laterolog, CNL, LDT, Density, Gamma Ray Caliper from TD to 1500', Gamma Ray, Neutron from 1500' to surface.

B. Mud logger will be placed on hole at 1500' and remain on hole to TD.

C. No DST's are planned at this time but may be run if necessary.

D. No cores are planned.

13. Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, $H_2S$ detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 4200 PSI, estimated BHT 160° .

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 26 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Morrow pay will be perforated and stimulated. The well will be swab tested and potentialed as a gas well.

# HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified $H_2S$ safety instructor to the following:

   A. Characteristics of $H_2S$
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of $H_2S$ detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. $H_2S$ Detection and Alarm Systems

   A. $H_2S$ detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.

3. Windsock and/or wind streamers

   A. Windsock at mudpit area should be high enough to be visible.
   B. Windsock at briefing area should be high enough to be visible.
   C. There should be a windsock at entrance to location.

4. Condition Flags and Signs

   A. Warning sign on access road to location.
   B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, $H_2S$ present in dangerous concentration. Only emergency personnel admitted to location.

5. Well control equipment

   A. See exhibit "E"

6. Communication

   A. While working under masks chalkboards will be used for communication.
   B. Hand signals will be used where chalk board is inappropriate.
   C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.

7. Drillstem Testing

   A. Exhausts will be watered.
   B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
   C. If location is near any dwelling a closed D.S.T. will be performed.

8. Drilling contractor supervisor will be required to be familiar with the effects $H_2S$ has on tubular goods and other mechanical equipment.

9. If $H_2S$ is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with $H_2S$ scavengers if necessary.

SURFACE USE PLAN

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

1. EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existings roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than of construction.

A. Exhibit "A" shows the proposed well as staked.

B. From junction of U.S Hi-way 285 and U.S. Hi-way 83 in Artesia New Mexico go East on U.S. Hi-way 82 9.2 miles to power sub-station turn North on Co. Road 202 follow road 3 miles turn Northeast go 1.3 miles turn Northwest go 2.8 miles turn Left go Northeast .7 miles turn North go 1.8 miles turn West go .6 miles to well # 2 continue on to Concho Resources, Inc. Carbon Valley "14" Federal # 3 turn North go ,25 miles to location.

2. PLANNED ACCESS ROADS : Approximately .25 miles of new road will be constructed.

A. The access road will be crowned and ditched to a 12'00" wide travel surface with 40' right-of-way.

B. Gradient on all roads will be less than 5.00%.

C. No turnouts will be necessary.

D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.

E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.

F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

A. Water wells - None known

B. Disposal wells - None known

C. Drilling wells - None known

D. Producing wells - As shown on Exhibit "A-1"

E. Abandoned wells - As shown on Exhibit "A-1"

4. If, upon completion this well is a producer Concho Resources Inc. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

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

B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.

C. Salts remaining after completion of well will be picked up by supplier including broken sacks.

D. Sewage from living quarters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Ports-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.

E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITIES:

A. No camps or airstrips to be constructed.

9. WELL SITE LAYOUT

A. Exhibit "D" shows the proposed well site layout.

B. This exhibit indicated proposed location of reserve and sump pits and living facilities.

C. Mud pits in the active circulating system will be steel pits & the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.

D. If needed, the reserve pit is to be lined with polyethelene. The pit liner will be 6 mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.

E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

11. OTHER INFORMATION:

A. Topography consists of rolling plains with limestone and caliche hills, drainage is toward Dog Canyon. Vegetation consists of mesquite, snakeweed javelina bush, cholla, acacia, tarbush , and other native grasses.

B. The surface is owned by The U.S. Department of Interior and administered by The Bureau of Land Management. Surface is used to graze livestock and for oil & gas production.

C. An archaeological survey will be conducted of the location and road. This report will be submitted to the Carlsbad Field Office when it is completed.

D. There are no dwellings within two miles of this location.

12. OPERATORS REPRESENTIVE:

Before construction:

TIERRA EXPLORATION INC.
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
OFFICE PHONE 505-391-8503
JOE T. JANICA

During and after construction:

CONCHO RESOURCES, INC.
110 WEST LOUISIANA SUITE 410
MIDLAND, TEXAS 79701
OFFICE PHONE 915-683-7443
ERICK NELSON

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 currently 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 proposedherein will be performed by Concho Resources, Inc. & it's contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T Janica
DATE : 01/15/01
TITLE : Agent

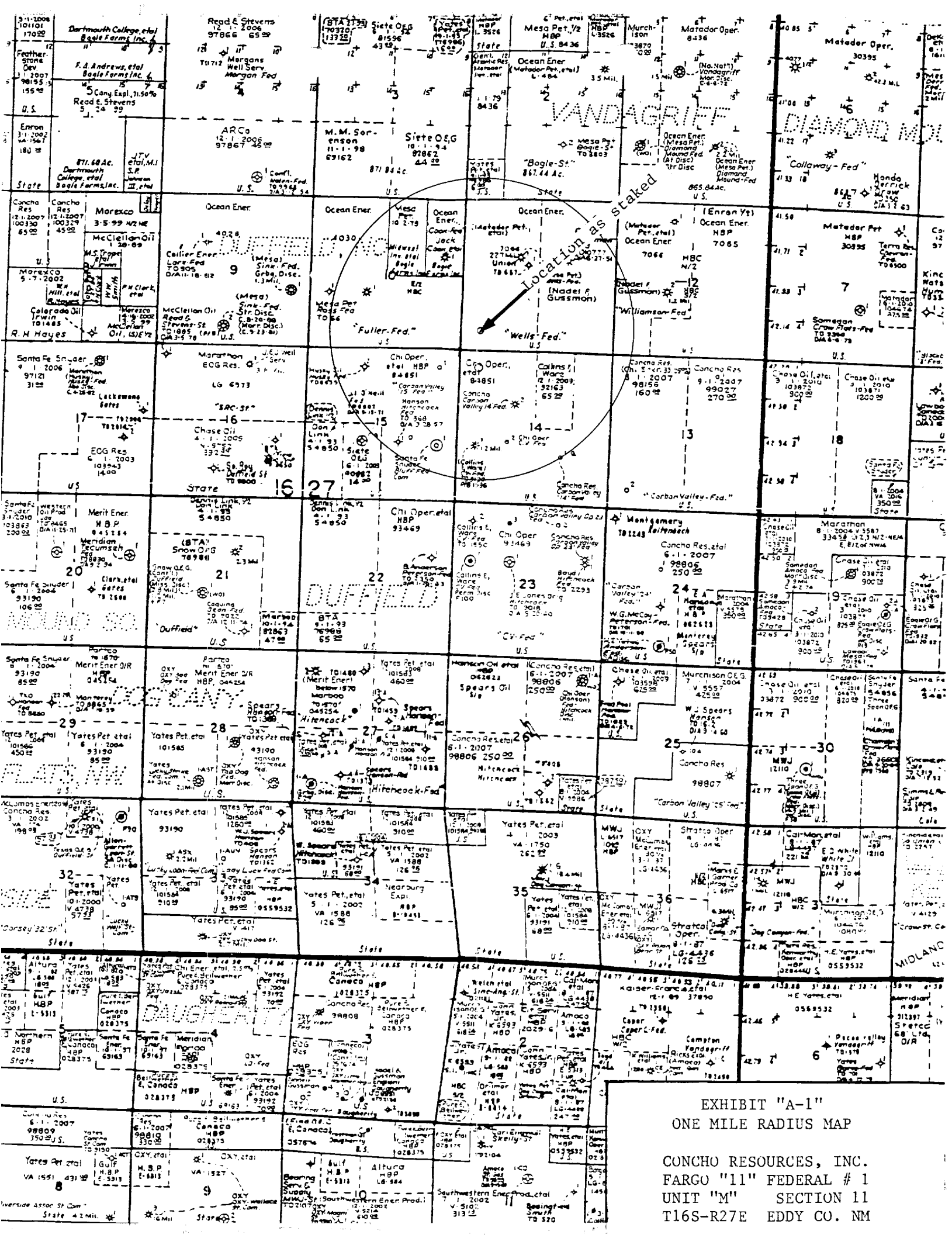



EXHIBIT "A-1"
ONE MILE RADIUS MAP

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

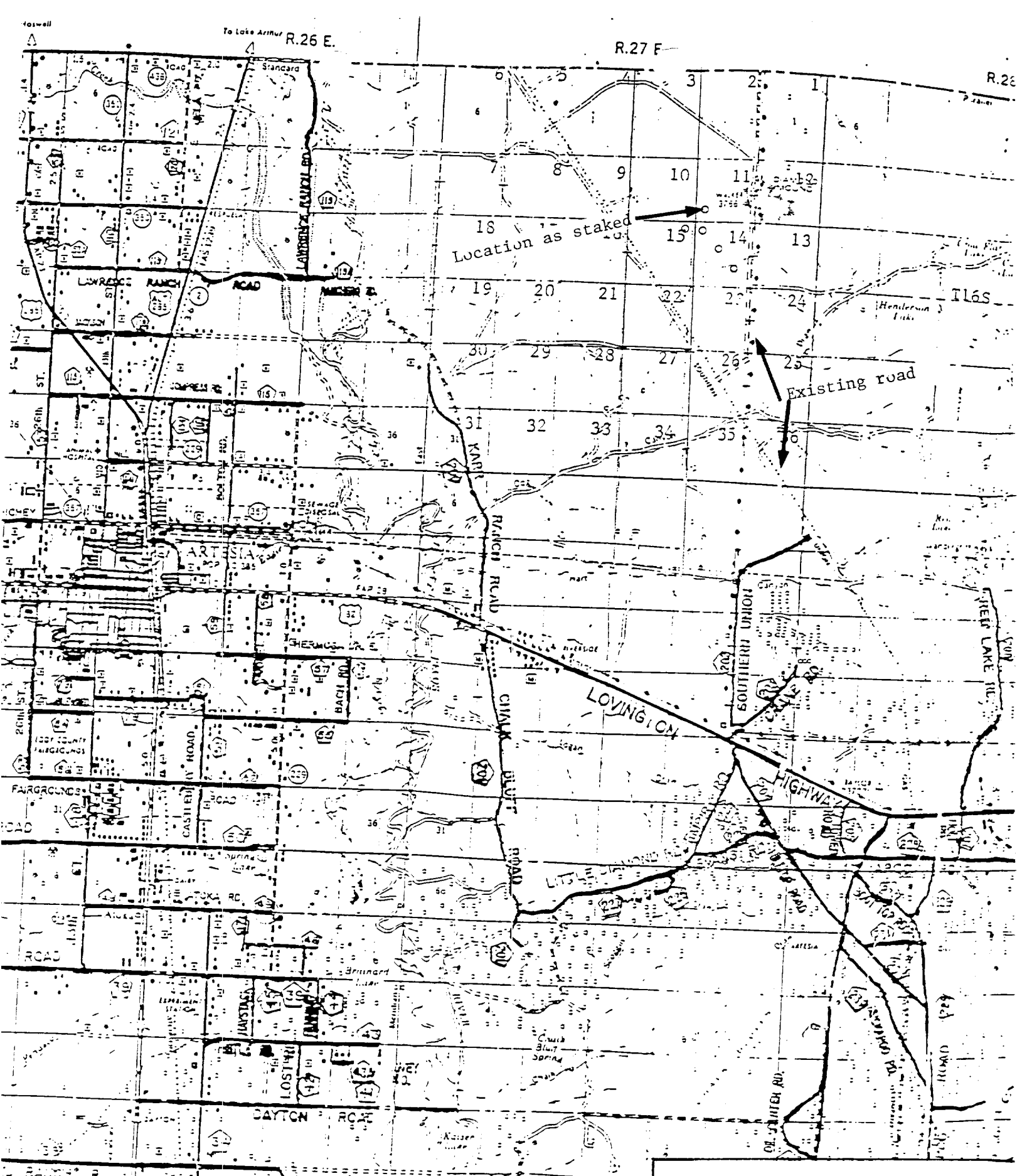



EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

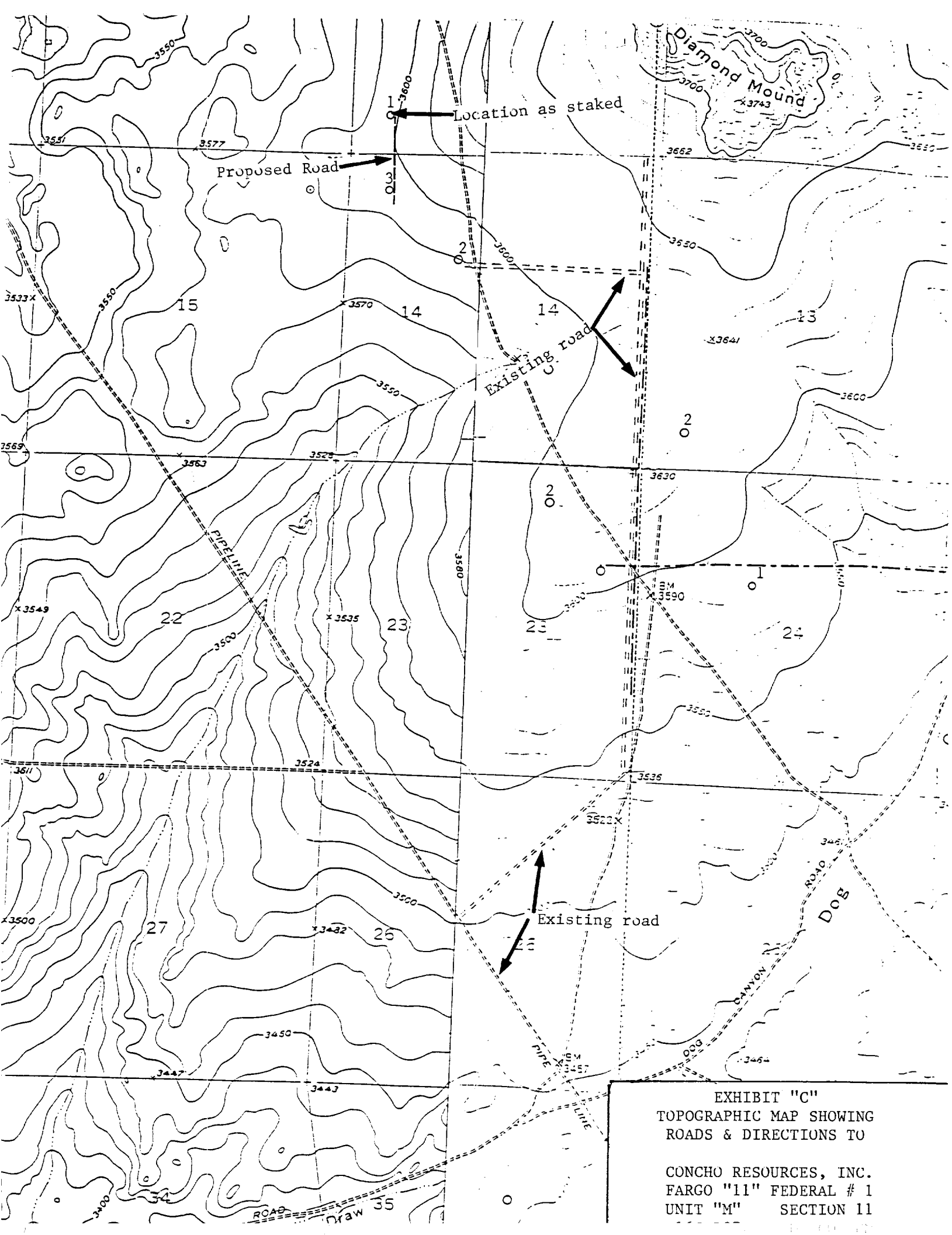
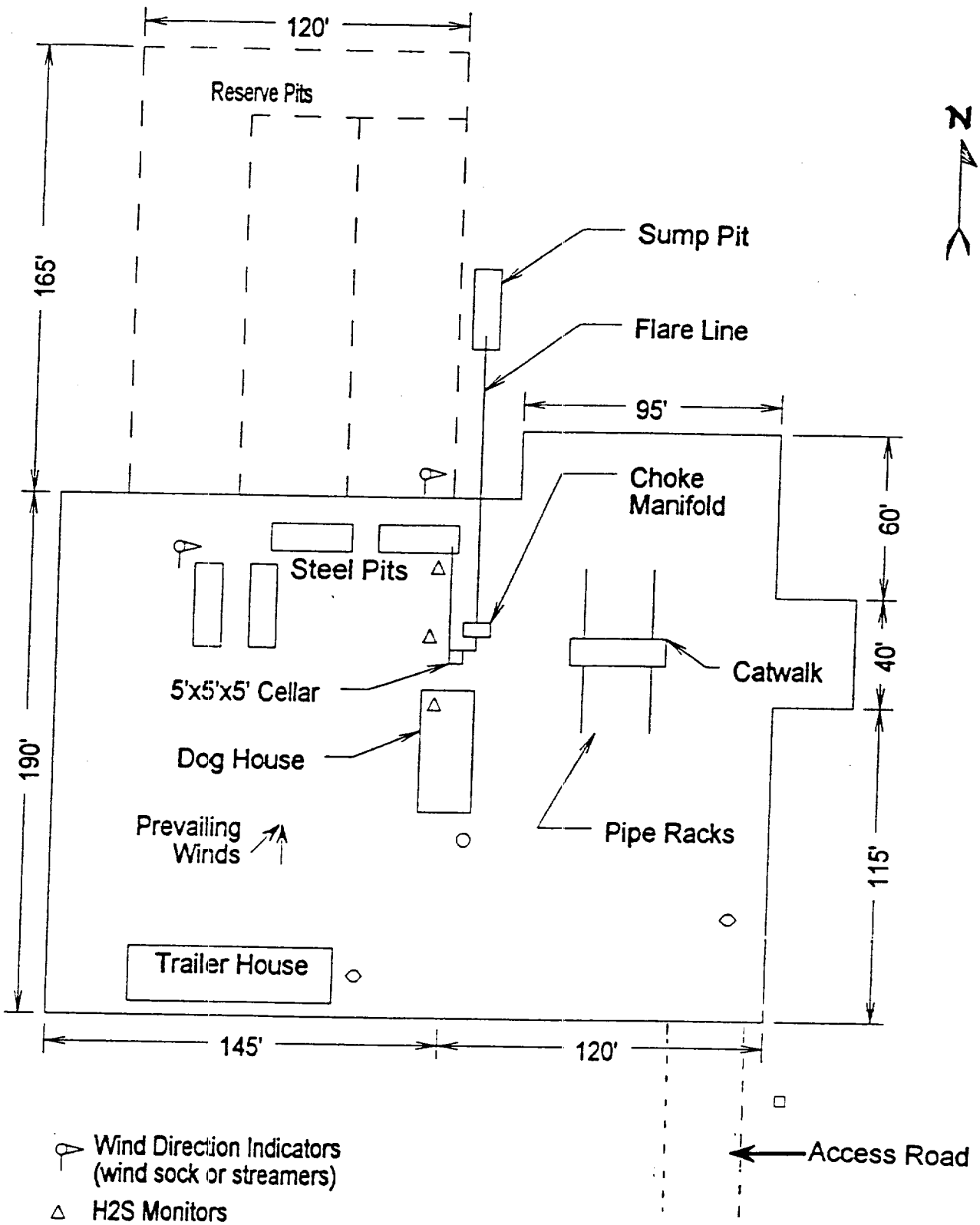



EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

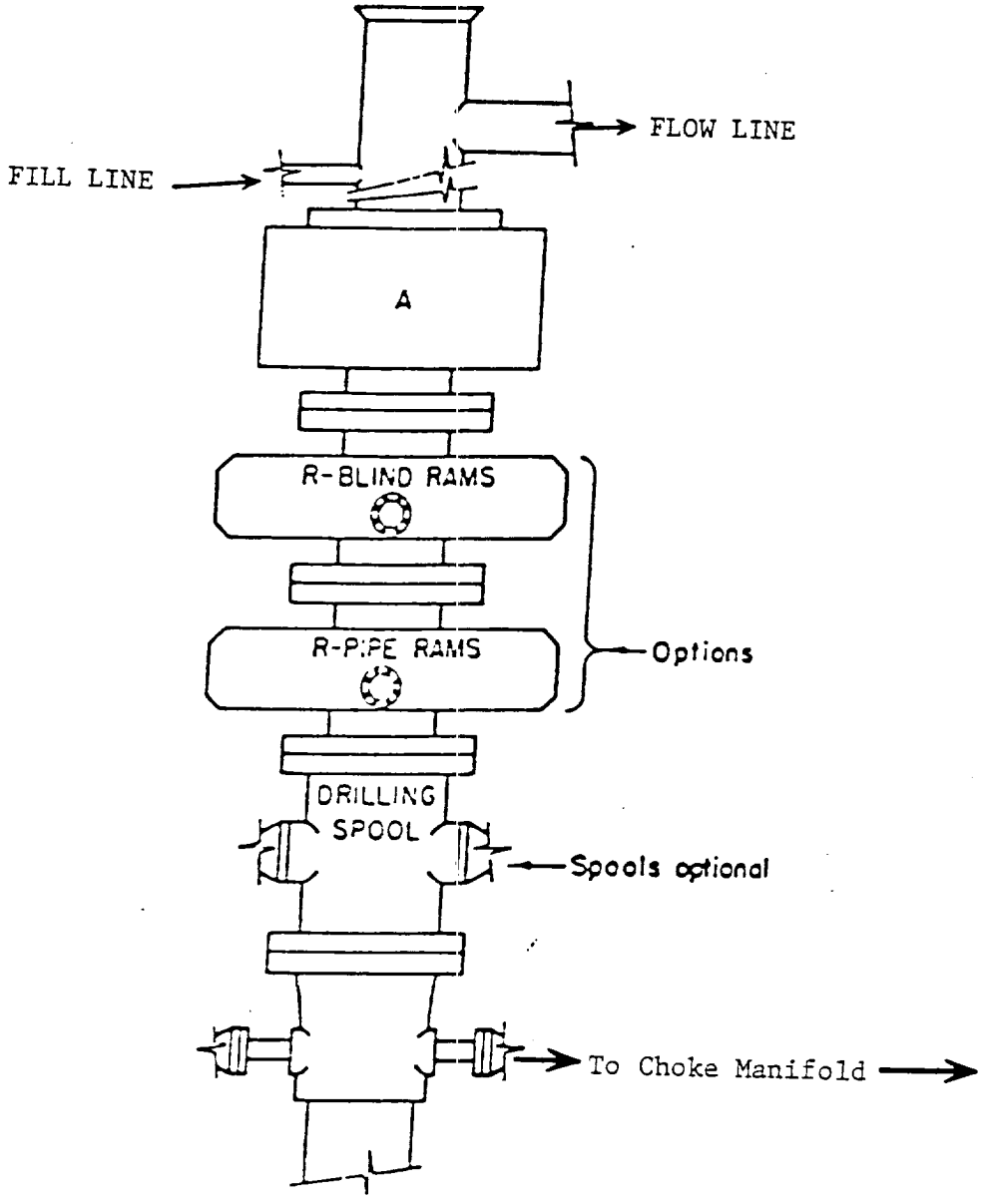
CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11




- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- ⬭ Briefing Areas
- ○ Remote BOP Closing Unit
- □ Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM

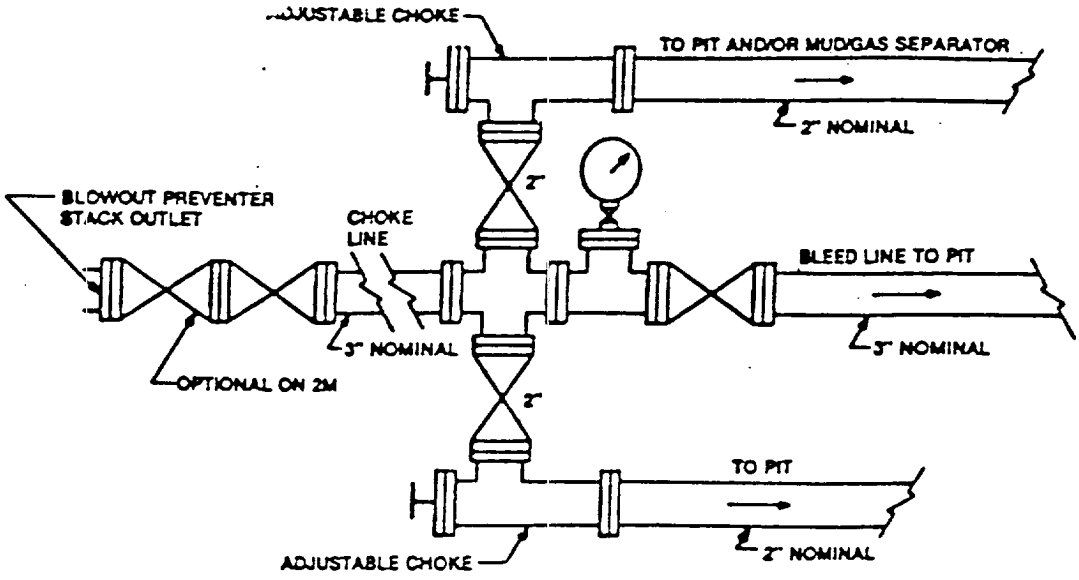



**ARRANGEMENT SRRA**

900 Series
3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM




Typical choke manifold assembly for 3M WP system

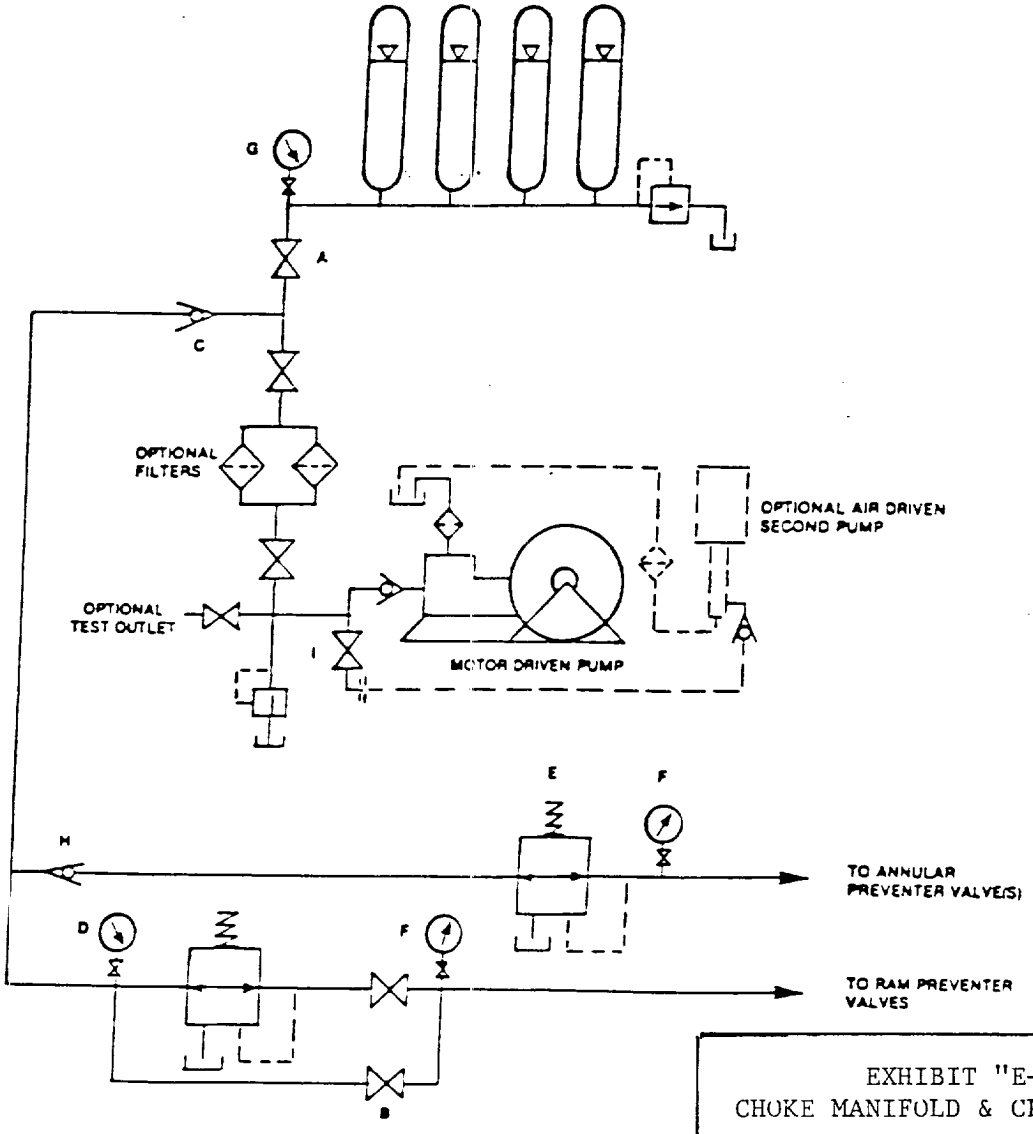



EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

CONCHO RESOURCES, INC.
FARGO "11" FEDERAL # 1
UNIT "M" SECTION 11
T16S-R27E EDDY CO. NM