Form 3160-3 (July 1992)

15 16 17 18 78 ZONE

JUL 2002

1E 0E 6

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

5. LEASE DESIGNATION AND SERIAL NO.

NM-0467933

DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

1a. TYPE OF WORK DRILL X

b. TYPE OF WELL OIL X

WELL

OTHER

23101

2. NAME OF OPERATOR

PREMIER OIL & GAS, INC.

3. ADDRESS AND TELEPHONE NO.

PO BOX 1246, ARTESIA, NM 88211-1246

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*) At surface 2310 FNL 2310 FEL, UNIT G

At proposed prod. zone

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

SEE SURFACE USE PLAN

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT
(Also to nearest drig. unit line, if any)

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

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

DEEPEN

(505)

48-20 RECEIVED 8

SINGLE ZONE

OCD - ARTESIA

16. NO. OF ACRES IN LEASE

160 19. PROPOSED DEPTH

60001

7. UNIT AGREEMENT NAME

DALE H. PARKE "B" TR C #11 9. API WELL NO.

30-015-10. FIELD AND POOL.

LOCO HILLS PADDOCK 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA

SEC. 15-T17S-R30E 12. COUNTY OR PARISH 13. STATE

EDDY

NM

17. NO. OF ACRES ASSIGNED TO THIS WELL

40

20. ROTARY OR CABLE TOOLS

ROTARY

22. APPROX. DATE WORK WILL START

3696' GL				JULY 7, 2002
23.		PROPOSED CASING AND	CEMENTING PROGRAM	vi
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2" 12 1/4" 7 7/8"	13 3/8" J55 8 5/8" J55 5 1/2" J55	48# 24# 17#	450' 1250' 6000'	300 SX SUFFICIENT TO TIE IN SUFFICIENT TO COVER 200' ABOVE ALL KNOWN OIL & GAS HORIZONS

PAY ZONE WILL BE SELECTIVELY STIMULATED AND PERFORATED AS NEEDED FOR OPTIMUM PRODUCTION.

ATTACHED ARE:

- WELL LOCATION AND ACREAGE DEDICATION PLAT
- SURFACE USE PLAN 2.
- SUPPLEMENTAL DRILLING DATA

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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

SIGNED

JULY 10, 2002

(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

/s/ Mary J. Rugwell

JUL 16 2002 DATE

*See Instructions On Reverse Side

*See Instructions On Reverse Side

APPROVAL 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 YEAR United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

2005 7FM 1 1 PM 8: 02

BECEINED

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102 Revised February 10, 1994 Submit to Appropriate District Office

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

OIL CONSERVATION DIVISION

State Lease - 4 Copies Fee Lease - 3 Copies

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

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

. BOX 2088, SANTA FE, N.M. 87504-2088	WELL LOCATION AND	ACREAGE DEDICATION	PLAT	AMENDED REPORT
API Number	Pool Code		Pool Name	
30-015-	96718	LOCO	HILLS PADDOCK	
Property Code		erty Name KE "B" TRACT C		Well Number 11
OGRID No.	Oper	ator Name		Elevation
17985	PREMIER OII	L & GAS, INC.		3696

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	15	17-S	30-E		2310	NORTH	2310	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 o	r Infill Co	nsolidation (Code Or	der No.				
40									

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

NMSPC EZ 1927 Y = 667795.5 X = 615225.6 LAT. 32750'07.06'N LONG. 103'57'29.49"W 3697.2' 3700.6'	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature DIANA J. CANNON Printed Name AGENT Title JUNE 10, 2002 Date SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field nates of actual surveys made by me or under my supervison and that the same is true and correct to the best of my belief. JANUARY 8, 2002 Date Surveyed Signature & Seal of Professional Surveyor MANUARY BELIESON 3239 GARY EIDSON 12641

DRILLING PROGRAM

Attached to Form 3160-3 Premier Oil and Gas, Inc. Dale H. Parke "B" Tract C No. 11 2310' FNL and 2310' FEL Section 15-17S-30E Eddy County, New Mexico

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

Permian	Surface	Seven Rivers	1145'
Salt	475'	Queen	1815'
Base of Salt	780'	Grayburg	2140'
Yates	930'	San Andres	2510'
		Glorietta	3900'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Upper Permian Sands	100'	Fresh Water
Yates	930'	Oil
Seven Rivers	1145'	Oil
Queen	1815'	Oil
Grayburg	2140'	Oil
San Andres	2510'	Oil
Glorietta	3900'	Oil

No other formations are expected to give up oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 8 5/8 casing at 425' and circulating cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across them by inserting a float shoe joint into the 5 1/2" production casing which will be run at TD.

4. Casing Program:

Hole Size	Interval	OD csg	Weight	t, Grad	e, Jt. Cond.	<u>Type</u>
12 1/4"	0 - 425'	8 5/8"	24#	J-55	LTC NEW	R-3
	0 - TD	5 1/2"	17#	J-55	LTC NEW	R-3

DRILLING PROGRAM PAGE 3

8. Logging, Testing, and Coring Program:

- (A) No Drillstem tests are anticipated.
- (B) The electric logging program will consist of Dual Laterolog Micro SFL, Spectral Density Dual Spaced Neutron Csng Log, and Depth Control Log.
- (C) No conventional coring is anticipated.
- (D) Further testing procedures will be determined after the 5 1/2" production casing has been cemented at TD based on drill shows, and log evaluation, and drill stem test results.

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

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 105° and estimated bottom hole pressure (BHP) is 2218 psig.

10. Anticipated Starting Date and Duration of Operations:

Location and road work will not begin until approval has been received from the BLM. The anticipated spud date is July 7, 2002. Once commenced, the drilling operation should be finished in approximately 21 days. If the well is productive, an additional 30 to 60 days will be required for completion and testing before a decision is made to install permanent facilities.

Attached to Form 3160-3 Premier Oil and Gas, Inc. Dale H. Parke "B" Tract C No. 11 2310' FNL and 2310' FEL Section 15-17S-30E Eddy County, New Mexico

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is attached.
- B. All roads to the location are shown in Exhibit #3. The existing roads are illustrated in red and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.
- C. Directions to location: From Loco Hills, proceed east on US 82 for 2.2 miles to mile marker 134. Turn north on lease road and proceed 1.5 miles. Turn west on lease road and proceed .1 mile. Access road and location are on the southwest corner of the old well pad.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

A new access road of 157' will be necessary. The new road will be constructed as follows:

- A. The maximum width of the running surface will be 10'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.
- B. The average grade will be less than 1%.

- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low-water crossings, or fence cuts are necessary. No new road will be built for this well. Existing roads will be used to access the proposed well.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM-approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.
- F. The proposed access road as shown in Exhibit #3.

3. Location of Existing Wells:

Exhibit #2 shows all existing wells within a one-half mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

- A. Premier Oil and Gas, Inc. will establish a collection facility for this lease located on this well pad.
- B. If the well is productive, a 3" plastic flowline (grade SDR 7 @ 265 psi) will be laid on the surface following the existing lease road or pipeline Right-of-Way to the tank battery as shown in blue on Exhibit #3. Anticipated pressures in the flowline should not exceed 75 psi.
- C. If the well is productive, power will be obtained from Central Valley Electric. Central Valley Electric will apply for ROW for their power lines.
- D. If the well is productive, rehabilitation plans are as follows:
 - (1) The reserve pit will be back-filled after the contents of the pit are dry (within 10 months after the well is completed).
 - (2) Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing and proposed access roads shown in Exhibit #3. If a commercial fresh water source is nearby, fasline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and the proposed new access road (approximately 1500 cubic yards) will be obtained from a BLM - approved caliche pit. All roads and pads will be constructed of 6" of rolled and compacted caliche.

7. Methods of Handling Water Disposal:

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- Drilling fluids will be contained in lined working pits. B. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing, and The reserve pit will be an completion operations. earthen pit, approximately 100' X 150' X 6' deep. A dike will be built across the pit, dividing it in half. One-half of the reserve pit will be plastic-lined to minimize loss of drilling fluids and saturation of the ground with brine water. The other half of the reserve pit will be lined with plastic and used only if we encounter a waterflow during drilling operations and find that we need additional space. This portion of the pit is a precautionary measure only. The portion of the pit that will be lined with plastic should be more than adequate for normal drilling operations. If a water flow in encountered, we should have ample time to line the other half of the pit with plastic before the water encroaches.
- C. Water produced from the well during completion may be disposed into the reserve pit.

- D. Garbage and trash produced during drilling or completion operations will be hauled off. All waste material will be contained to prevent scattering by the wind. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 30 days. No adverse materials will be left on location. The reserve pit will be completely fenced until it has dried. When the reserve pit is dry enough to breakout and fill, the reserve pit will be leveled and reseeded as per BLM specifications. In the event of a dry hole, the location will be ripped and seeded, as per BLM Specifications, and a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite, or other facilities will be built as a result of the operations on this well.

9. Well Site Layout:

- A. The drill pad layout, is shown in Exhibit #4. Dimensions of the pad and pits are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection.
- B. The reserve pit will be lined with a high-quality plastic sheeting.

10. Plans for Restoration of the Surface:

A. Upon finishing drilling and/or completion operations, all equipment and other material not needed for operations will be removed. All trash, garbage, and pit lining will be hauled away in order to leave the location in an aesthetically pleasing condition. All pits will be filled and the location leveled within 10 months after abandonment.

- B. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time that the rig is removed, the reserve pit will be fenced on the rig (fourth) side. The fencing will remain in place until the pit area is cleaned-up and leveled. No oil will be left on the surface of the fluid in the pit.
- C. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The wellsite and lease is located on Federal Surface.

- A. The area around the well site is grassland and the top soil is sandy. The vegetation is native scrub grasses with abundant oakbrush, sagebrush, yucca, and prickly pear.
- B. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

12. Lessee's and Operator's Representative:

The Premier Oil and Gas, Inc. representative responsible for assuring compliance with the surface use plan is as follows:

Rosalie Jones Premier Oil and Gas, Inc. Post Office Box 1246 Artesia, New Mexico 88211 Phone: 505/748-2093 (office)

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite 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 the work associate

with the operations proposed herein will be performed by Marbob Energy Corporation and its contractors and subcontractors in conformity with this plan and the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 67-2002

Signed:

Dean Chumbley
Authorized Agent

MARBOB ENERGY CORPORATION

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

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 this well:

- 1. The hazards and characteristics of hydrogen sulfide (H_2S) .
- 2. The proper use and maintenance of personal protective equipment and life support systems.
- 3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
- 4. The proper techniques for first aid and rescue procedures.

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

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

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial

training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

- 1. Well Control Equipment:
 - A. Flare line.
 - B. Choke manifold.
 - C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
 - D. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.
- 2. Protective equipment for essential personnel:
 - A. Mark II Surviveair 30-minute units located in the dog house and at briefing areas.
- 3. H₂S detection and monitoring equipment:
 - A. 2 portable H₂S monitor positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 20 ppm are reached.
 - B. 1 portable SO2 monitor positioned near flare line.

4. Visual warning systems:

- A. Wind direction indicators as shown on well site diagram.
- B. Caution/Danger signs shall 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 a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud Program:

- A. The mud program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.
- B. A mud-gas separator will be utilized.

6. Communication:

- A. Radio communications in company vehicles including cellular telephone and 2-way radio.
- B. Land line (telephone) communications at field office.

WARNING

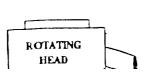
YOU ARE ENTERING AN H₂ S AREA AUTHORIZED PERSONNEL ONLY

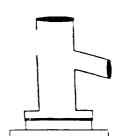
- 1. BEARDS OR CONTACT LENSES NOT ALLOWED
- 2. HARD HATS REQUIRED
- 3. SMOKING IN DESIGNATED AREAS ONLY
- 4. BE WIND CONSCIOUS AT ALL TIMES
- 5. CK WITH MARBOB FOREMAN AT MAIN OFFICE

MARBOB ENERGY CORPORATION

1-505-748-3303

DOLE SCHEMB I IC





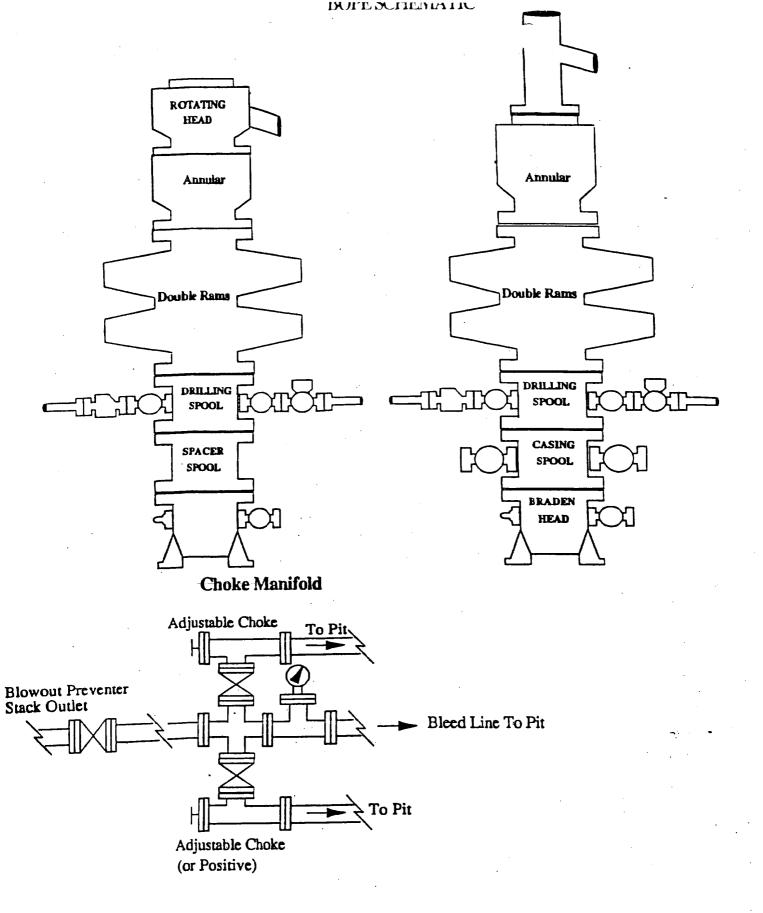


Exhibit One

Signature

From-MARBOB Jun-05-02 09:03am

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T-884 P.02/03 F-789

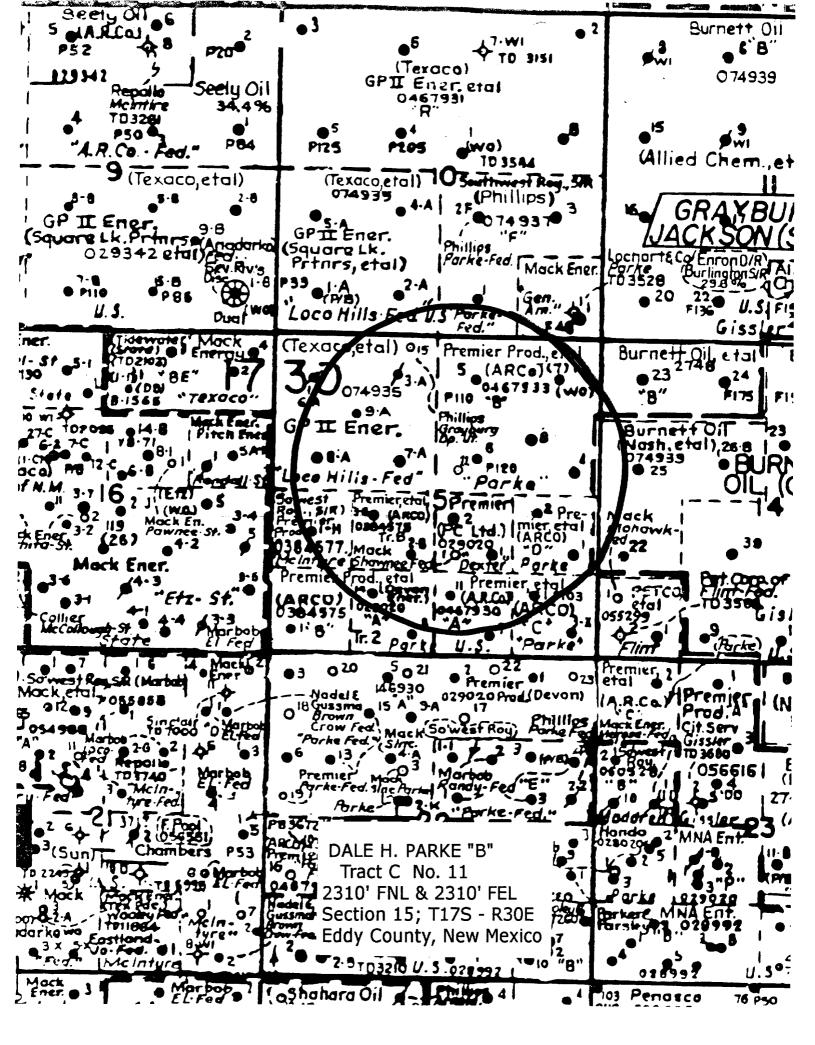
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1. Type of Well 4 Oil Well Gas	well 🗆	Other		6.			8.	Well Na	me and No.		
2. Name of Operator				•			-	450 116-1	131-		
PREMIER OIL 8	GAS,	INC.			4 1 2	(0)	^{9.}	API Wel	I NO.		
3a. Address				3b. Phone No	•		-	0. Field and	Pool, or Ex	ploratory (Arca
PO BOX 1246, 4. Location of Well (Foot	ARTES	TA M OF SUCH	Description	(505)	748-209	3				, , .	
4. Location of Well (Foot	age, Jet.,	In the tree, or comes,	:		•		1	1. County (or Parish, Su	alc	
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12. CHE	CK API	PROPRIATE BO	X(ES) TO	INDICATE	NATURE	OF NOTIO	CE, REP	ORT, OF	OTHER	DATA	
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— n —	1 1	Casing Repa	air 📜		rución C				(X) Other	TEST	BOPS
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Final Abandonment	Notice	Copycrt to I		Plug Back			•				
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Approved by

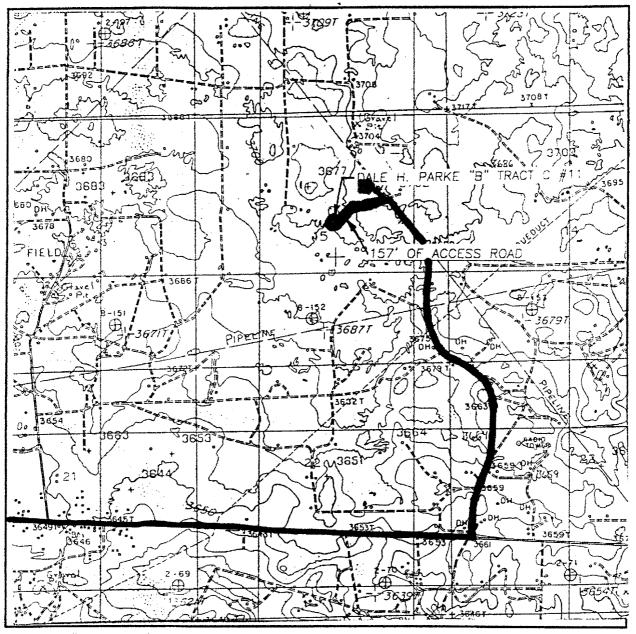
Conditions of opproval, if any, are attached. Approval of this notice does not warrant or cenify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Office Title 18 U.S.C. Section 1001 and Title 43 U.S.C. 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, fictinous or fraudulent statements or representations as to any matter within its jurisdiction.

Title

THIS SPACE FOR FEDERAL OR STATE OFFICE USE



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:

10'

SEC. 15 TWP. 17-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2310' FNL & 2310' FEL

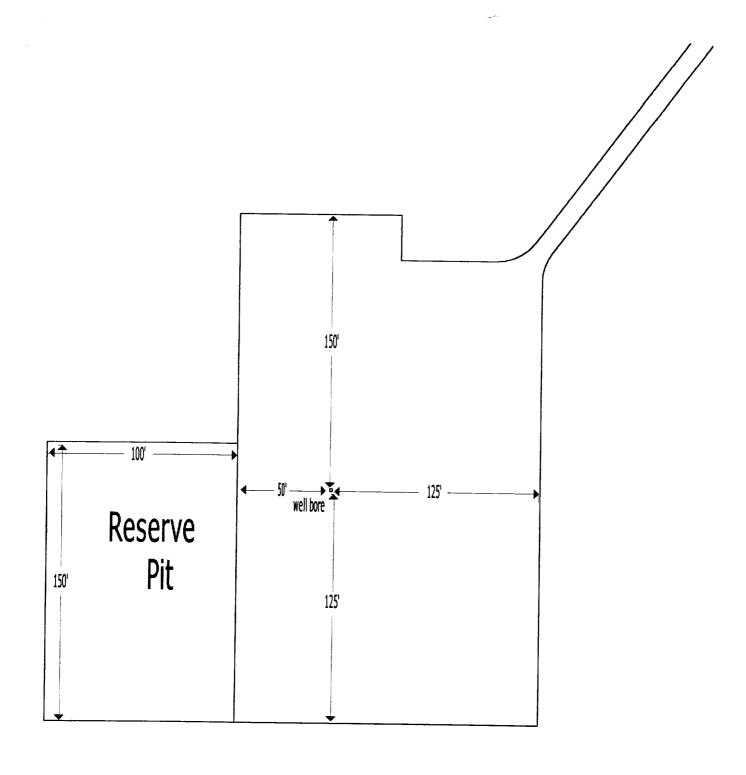
ELEVATION 3696'

OPERATOR PREMIER CIL & GAS

LEASE DALE H. PARKE "B" TRACT C

U.S.G.S. TOPOGRAPHIC MAP
LOCO HILLS

EXHIBIT THREE



DALE H. PARKE "B"
Tract C No. 11
2310' FNL & 2310' FEL
Section 15; T17S - R30E
Eddy County, New Mexico

Exhibit Four