

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CONTACT R' VING
OFFICE FOR MINER
OF COPIES REQUIRED
(Other instructions on
reverse side)

30-015-05520
BLM Roswell District
Modified Form No.
NMO60-3160-2

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☐ Re-entry DEEPEN ☐ PLUG BACK ☐

b. TYPE OF WELL

OIL WELL ☒ GAS WELL ☐ OTHER ☐ SINGLE ZONE ☒ MULTIPLE ZONE ☐

2. NAME OF OPERATOR

William A. & Edward R. Hudson

3a. Area Code & Phone No.
505-676-2266

3. ADDRESS OF OPERATOR

P.O. Box 9, Maljamar, New Mexico 88264

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

At surface

NW 1/4, SW 1/4

At proposed prod. zone

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

7.5 miles southwest of Maljamar, N.M.

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

40

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

4126'

20. ROTARY OR CABLE TOOLS

Reverse Circulating

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

3733' GL

22. APPROX. DATE WORK WILL START*

Dec. 1990

23.

SS ~~PROPOSED~~ CASING AND CEMENTING PROGRAM
existing

Copied Controlled Water Basin

HOLE SIZE	CASING SIZE	WEIGHT/FOOT	GRADE	THREAD TYPE	SETTING DEPTH	QUANTITY OF CEMENT
11"	8-5/8"	24#	J-55	8rd	795'	200 sx.
7-7/8"	5-1/2"	15.50#	J-55	8rd	4126'	1200 sx.

It is proposed to re-enter this well by drilling out all existing plugs in the 5-1/2" casing and perforating the 5-1/2" casing in the C-Zone of the Grayburg formation from approximately 4030' to 4042'. This zone will be stimulated using acid and frac.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

PxA 6-27-89
OTD-4147

Post ID-1
1-11-91
Re-entry

NOV 21 12 00 PM '90

RECEIVED

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 Dwaine Howard TITLE Prod. Supt. DATE 11/19/90

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE 12-14-90

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

NEW MEXICO OIL CONSERVATION COMMISSION
Well Location and Acreage Dedication Plat

Section A.

Date June 6th, 1957

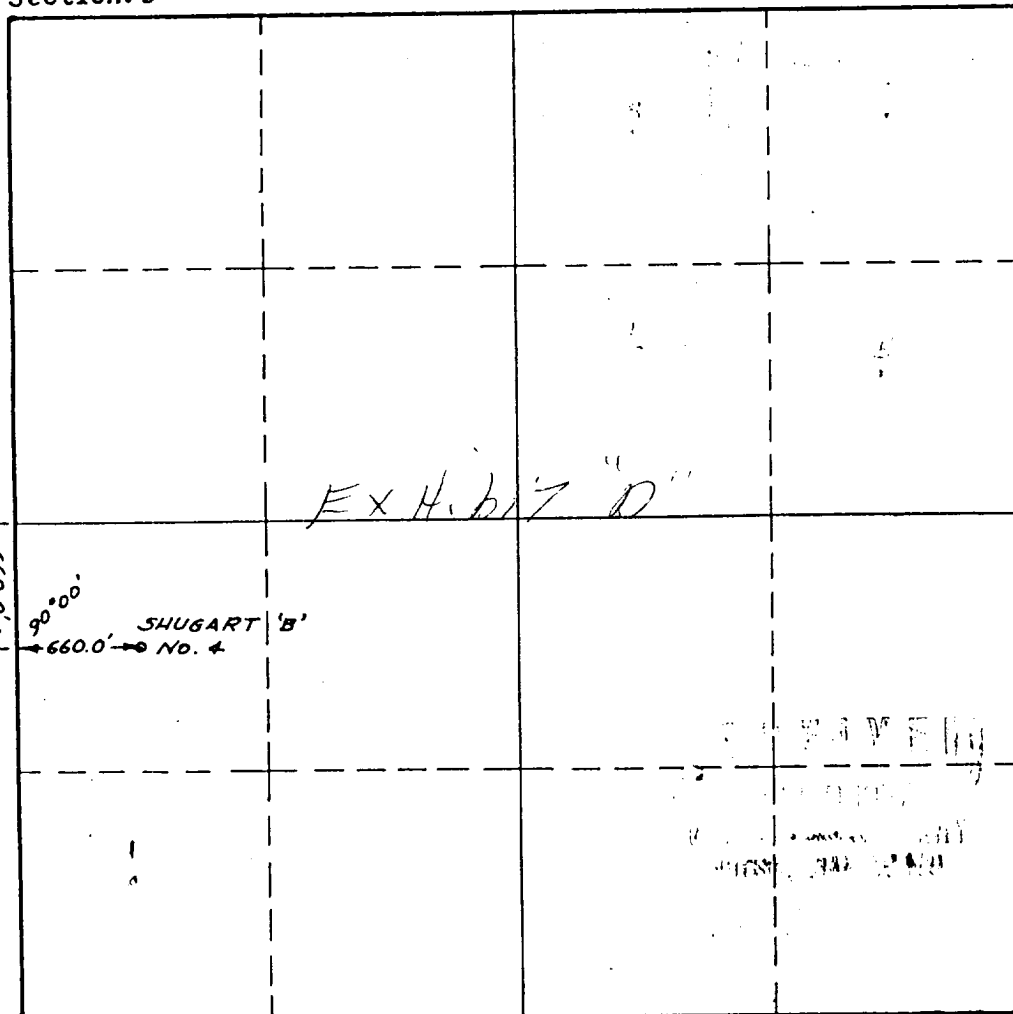
Operator Hudson & Hudson, Inc. Lease Shugart "B"
Well No. 4 Unit Letter L Section 11 Township 18N Range 31E NMPM
Located 1980 Feet From South Line, 660 Feet From West Line
County Eddy G. L. Elevation _____ Dedicated Acreage 40 Acres
Name of Producing Formation Queen Pool North Shugart

1. Is the Operator the only owner* in the dedicated acreage outlined on the plat below?
Yes X No _____.
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes _____ No _____. If answer is "yes," Type of Consolidation _____
3. If the answer to question two is "no," list all the owners and their respective interests below:

Owner

Land Description

Section B



This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

HUDSON & HUDSON, INC.

(Operator)

By: Edward H. Hudson
(Representative) Secy-Treas
1810 Electric Building
Fort Worth, Texas

Address

This is to certify that the well location shown on the plat in Section B 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 6-15-57

Ben T. Phillips, Jr.
Registered Professional
Engineer and/or Land Surveyor.

Certificate No. 1558 L.S.

SURFACE USE PLAN

FOR!

WILLIAM A. & EDWARD R. HUDSON
NO. 4, SHUGART B
NW 1/4, SW 1/4, SEC. 11, T-18-S, R-31-E
EDDY COUNTY, NEW MEXICO

LOCATED: 7.0 air miles southwest of Maljamar, New Mexico

FEDERAL LEASE NUMBER: LC-062052

LEASE ISSUED: August 14, 1945

RECORD LESSEE: Hudson & Hudson

ACRES IN LEASE: 720

SURFACE OWNERSHIP: Federal

GRAZING PERMITTEE: Virgil Linam Estates
P.O. Box 1503
Hobbs, New Mexico 88240

POOL: Yates, Seven Rivers, Queen, GR-SA

POOL RULES: 40 acre spacing for oil

EXHIBITS:

- A. Road Map
- B. Topography Map
- C. County Map
- D. Location Access Plat
- E. Location Dimensions, Pit and Access Road
- F. Pressure Control Equipment

MULTI-POINT SURFACE USE & OPERATIONS PLAN

William A. & Edward R. Hudson
Shugart -B-
Well No. 4

1. Existing Roads

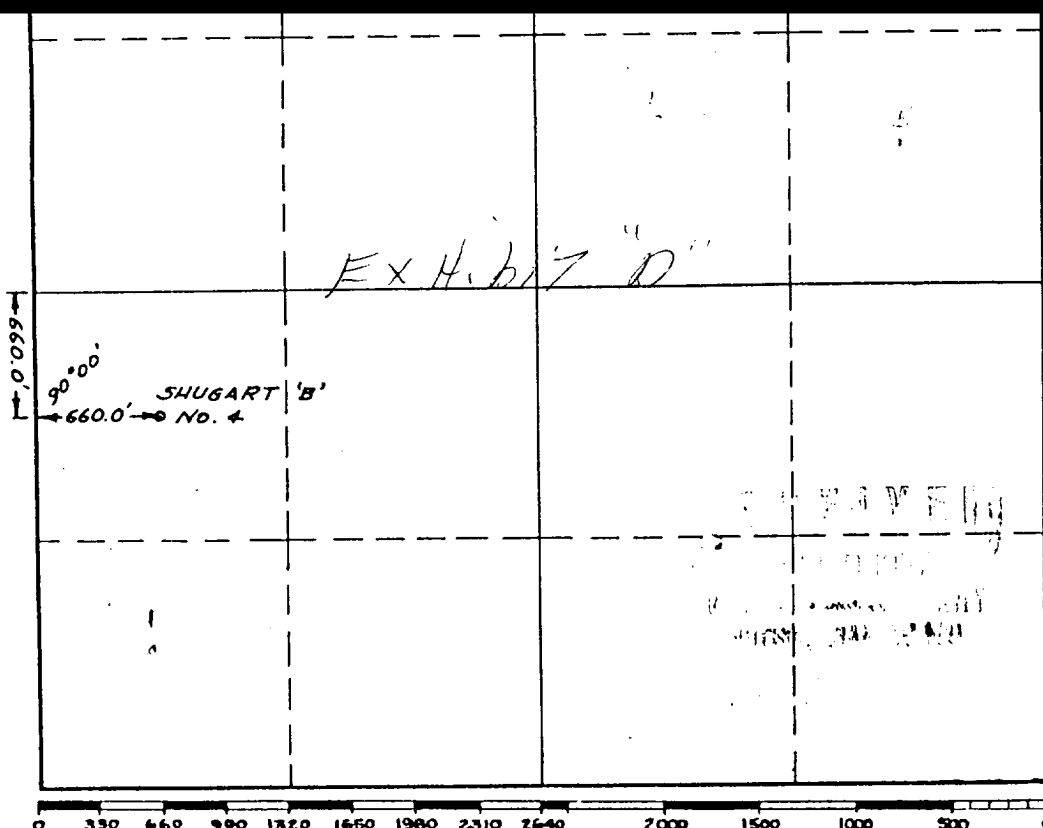
- A. Exhibit -A- is a portion of a road map showing the location of the well site as staked. Take U.S. Highway 62/180 east from Carlsbad to State Road 360, take State Road 360 north to County Road 222, take County road 222 north to County Road 249, turn right on County Road 249 and go 1.2 miles, turn left on existing lease road and go 1/2 mile northeast, turn left and go 1/2 mile to the Hudson & Marathon Waterflood Plant, go 1/2 mile east from the waterflood plant and turn left, go 1/4 mile north to the well site.
- B. Exhibit -B- show existing roads in the vicinity of the proposed well site.

2. Planned Access Road

- A. The existing lease road will join the well location pad on the northeast corner.
- B. Construction: No new roads will be built.

3. Location of Existing Wells:

- A. Existing wells are shown on Exhibit -C-.



HUDSON & HUDSON, INC.

(Operator)

By: Edward R. Hudson
(Representative) Secy-Treas
1810 Electric Building
Fort Worth, Texas

Address

This is to certify that the well location shown on the plat in Section B 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 6-15-57

Ben T. Phillips, Jr.
Registered Professional
Engineer and/or Land Surveyor.

Certificate No. 1558 L.S.

(See instructions for completing this form on the reverse side)

MULTI-POINT SURFACE USE & OPERATIONS PLAN

William A. & Edward R. Hudson
Shugart -B-
Well No. 4

1. Existing Roads

- A. Exhibit -A- is a portion of a road map showing the location of the well site as staked. Take U.S. Highway 62/180 east from Carlsbad to State Road 360, take State Road 360 north to County Road 222, take County road 222 north to County Road 249, turn right on County Road 249 and go 1.2 miles, turn left on existing lease road and go 1/2 mile northeast, turn left and go 1/2 mile to the Hudson & Marathon Waterflood Plant, go 1/2 mile east from the waterflood plant and turn left, go 1/4 mile north to the well site.
- B. Exhibit -B- show existing roads in the vicinity of the proposed well site.

2. Planned Access Road

- A. The existing lease road will join the well location pad on the northeast corner.
- B. Construction: No new roads will be built.

3. Location of Existing Wells:

- A. Existing wells are shown on Exhibit -C-.
- B. Marathon Oil Company operates four wells in this quarter section which produce from the Bone Springs Formation.

4. Location of Existing and/or Proposed Facilities:

- A. The existing facilities for this lease were abandoned and moved out in 1989. The old facilities was located in the center of the NE 1/4 of section 15. New facilities will be constructed on the same site.

5. Location and Type of Water Supply

- A. Water needed for drilling operations will be purchased and trucked to the well site.

6. Source of Construction Materials

- A. Caliche needed for construction work will be obtained from an existing quarry on Federal Land in Section 15 just to the southwest of our location, and will be trucked to the well site over existing roads.

Shugart -B-, Well No. 4

7. Waste Disposal

- A. Drill cuttings will be disposed of in the temporary workover pit.
- B. Remaining fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for backfilling.
- 5 C. Water produced during tests will be disposed of in the temporary workover pit.
- D. Oil produced during test will be stored in test tanks until transferred to the tank battery and sold.
- E. Trash, waste paper, garbage and junk will be transported from the location and disposed of in a legal trash dump.
- F. All trash and debris will be buried or removed from the the wellsite within 30 days after drilling and/or completion operations are finished.

8. Ancillary Facilities

- A. None Required.

9. Wellsite Layout

- A. Exhibit -E- shows the dimensions of the well pad, the pit and the road.
- B. The temporary workover pit will be unlined, a four strand barbed wire fence will be built around the pit to keep livestock out. The pit will be covered with a net to keep birds out of any Hydro-carbons that may accumulate in the pit.

10. Plans For Restoration of Surface

- A. Following re-entry and/or completion operations, all equipment and material not needed for further operations will be removed. Pits will be filled and the location will be cleaned of all trash and junk to leave the well site in an aesthetically pleasing condition as reasonably possible.
- B. After abandonment, all equipment, trash and junk will be removed and the well site cleaned. Any special rehabilitation and/or special revegetation requirements of the surface management agency will be complied with and will be accomplished as rapidly as is reasonable possible.

Shugart -B- Well No. 4

11. Other Information

- A. Topography: The surface is gently undulating with numerous dunes.
- B. Soil: Top soil in the area of the well site is fine sand.
- C. Flora and Fauna: Vegetation cover is moderate and include mesquite, shinnery oak, sand sage, yucca, weeds and range grasses. Wildlife consists of coyotes, rabbits, rodents, reptiles, dove and quail.
- D. Ponds and Streams: There are no rivers, lakes, ponds or streams in the area.
- E. Residences and Other Structures: There are no inhabited dwellings or other structures within one mile of the proposed well site.
- F. Archaeological, Historical, and Cultural: None observed in the area.
- G. Land Use: Oil and gas production, grazing, and wildlife habitat.
- H. Surface Ownership: Federal

12. Operator's Representative

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

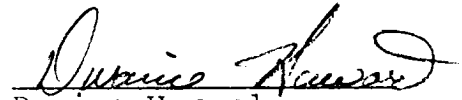
Dwaine Howard - Production Superintendent
P.O. Box 9, Maljamar, New Mexico 88264
Phone: 505/676-2266 (Office)
505/676-3338 (Mobile)
505/67604311 (Home)

Jimmy Smith - Field Foreman
#25 Halftrack Lane, Artesia, New Mexico 88210
Phone: 505-676-3339 (Mobile)
505-746-6263 (Home)

Shugart -B-, Well No. 4

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 and proposed herein will be performed by Hudson & Hudson Oil Producers and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved. A well location sign showing operators name, well no., section range and township will be installed at the well site prior to operations beginning.

November 20, 1990
Date


Dwaine Howard
Production Superintendent
Hudson & Hudson

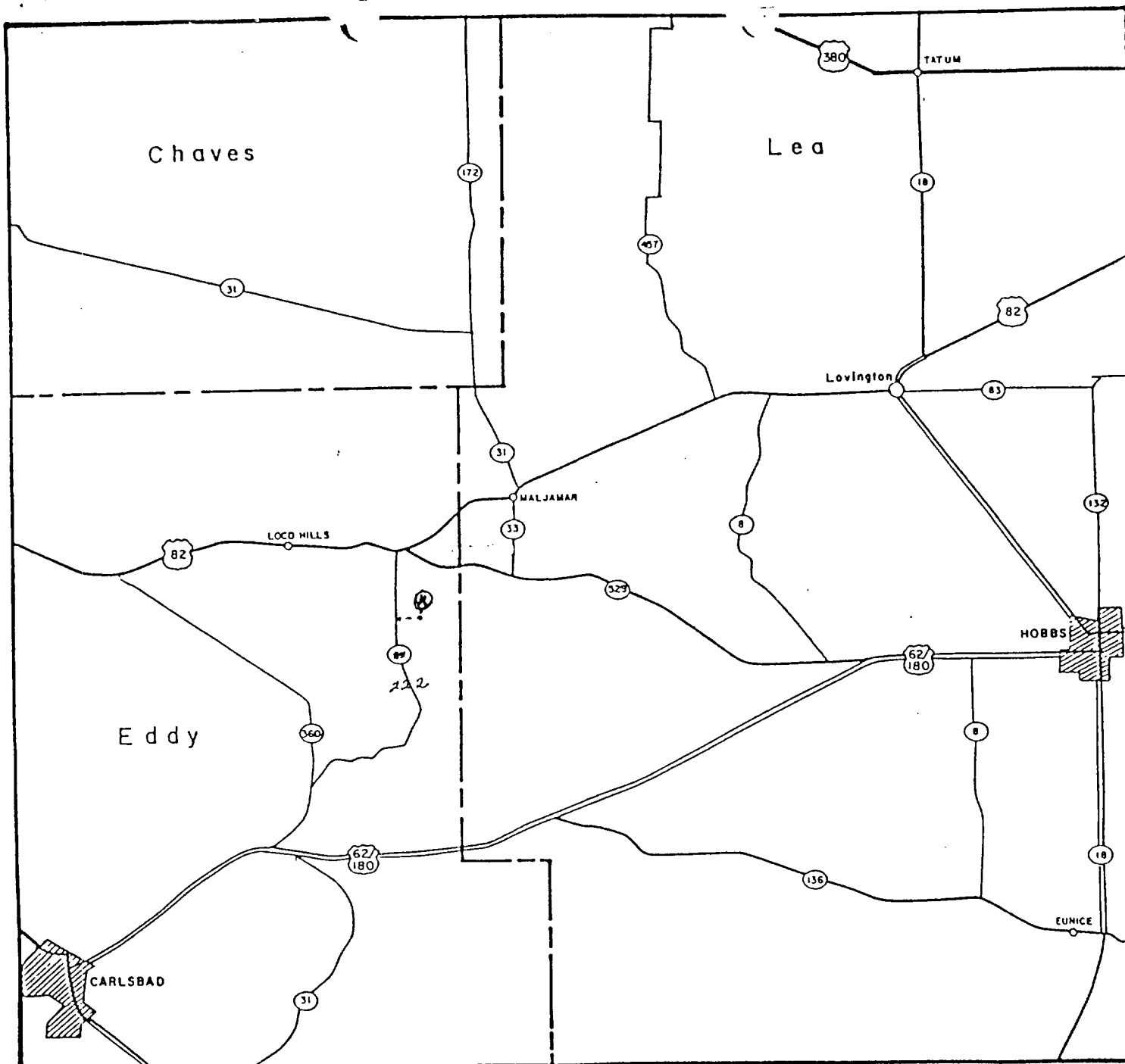


Figure 1

WILLIAM A. & EDWARD R. HUDSON
SHUGART -B- Well NO. 4

EDDY CO., NEW MEXICO

OIL & GAS FIELDS

EXHIBIT -A-
NW 1/4, SW 1/4
SEC. 11, T18S, R31E

- | | | |
|--------------------|---------------------------|---------------------|
| ===== DIVIDED HWY. | — CONNECTING ROAD | U.S. HIGHWAY |
| — PRIMARY ROAD | ----- UNIMPROVED ROAD | |
| — SECONDARY ROAD | *) 4 TA PROPOSED LOCATION | ○ STATE OR CO. ROAD |

Date:

Scale: 1" = Approx. 9 mi.

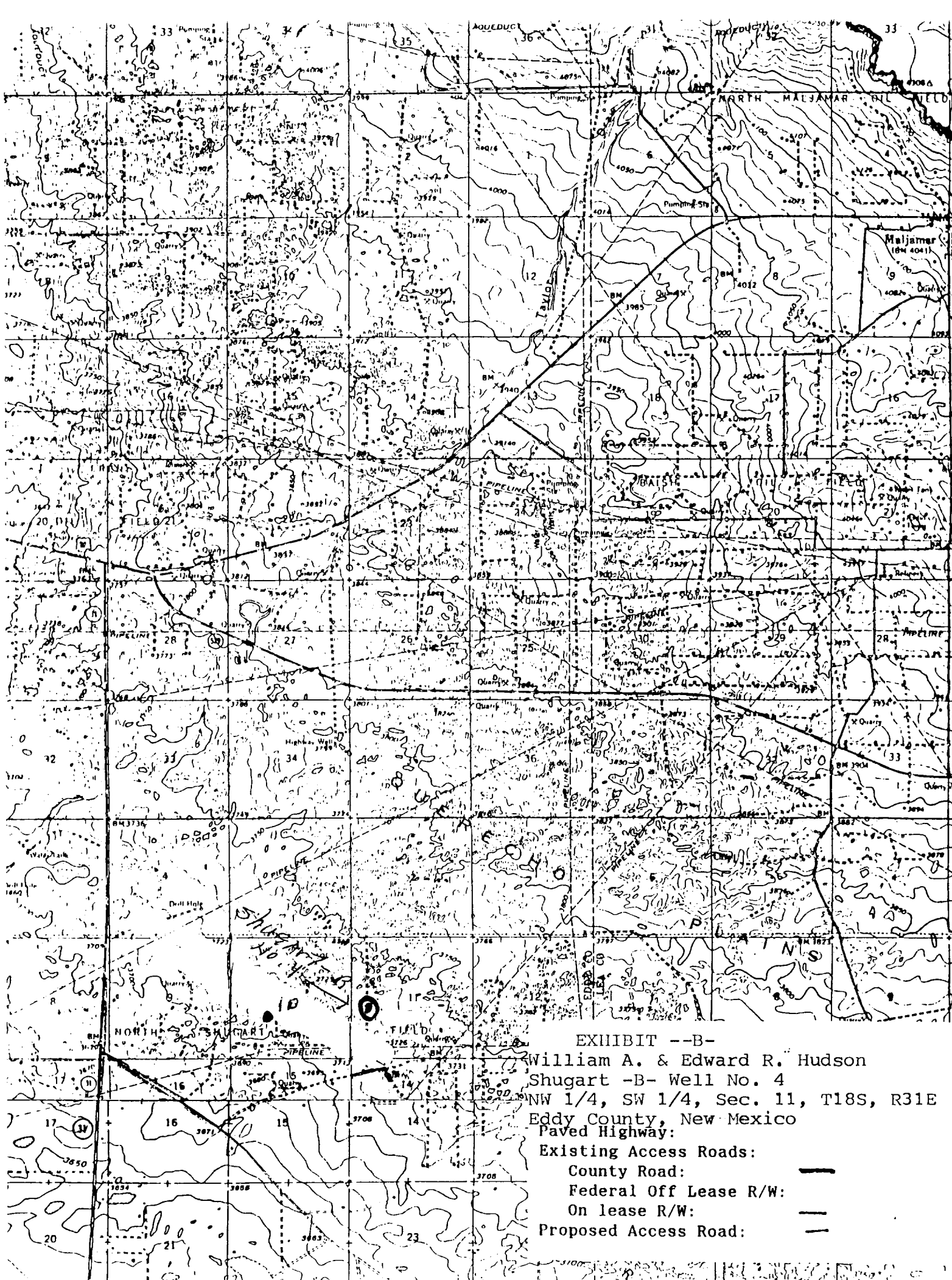


EXHIBIT --B-

William A. & Edward R. Hudson

Shugart -B- Well No. 4

NW 1/4, SW 1/4, Sec. 11, T18S, R31E

Eddy County, New Mexico

Paved Highway:

Existing Access Roads:

County Road:

Federal Off Lease R/W:

On lease R/W:

Proposed Access Road:

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Office New Mexico
Serial LC 062052

EXCHANGE LEASE OF OIL AND GAS LANDS UNDER THE ACT OF
FEBRUARY 25, 1920, AS AMENDED

THIS INDENTURE OF LEASE, entered into, as of **December 1, 1959**
by and between the UNITED STATES OF AMERICA, through the Bureau of Land Management, hereinafter called the lessor, and
Hudson & Hudson, Inc.
1810 Electric Building
Fort Worth, Texas

hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437, 80 U. S. C. sec. 181 et seq.), as amended, hereinafter referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force when not inconsistent with any express and specific provisions herein, which are made a part hereof,
WITNESSETH:

SECTION 1. *Rights of Lessee.*—That the lessor, in consideration of rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits except helium gas in or under the following-described tracts of land situated in the
partly in Shugart field:

T. 18 S., R. 31 E., NMPM
Sec. 3: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$
11: NE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$
15: NE $\frac{1}{4}$, SW $\frac{1}{4}$

*Orig agreement to Emperor Oil
Now N+H dated 8/15/45*

Subject to Public Law 555, 83rd Congress

containing **880.11** acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 5 years, and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistencies with the terms of this lease occur.

SEC. 2. In consideration of the foregoing, the lessee agrees:

(a) *Bonds.*—(1) To maintain any bond furnished by the lessee as a condition for the issuance of this lease.

(2) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$5,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted, or unless a bond has been filed under 43 CFR 192.100 (e) applicable to this lease.

(b) *Cooperative or unit plan.*—Within 30 days of demand, or, if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) *Wells.*—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount

be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties may be waived, suspended or reduced and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

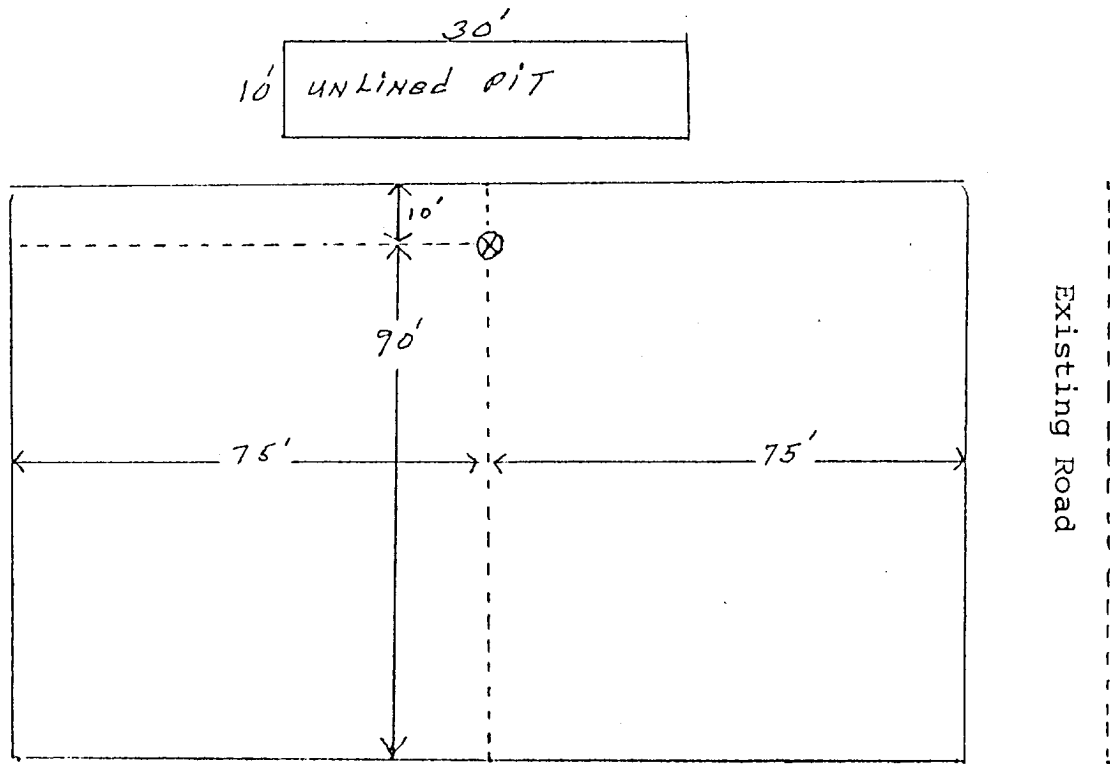
(e) *Payments.*—Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor, to the order of the Bureau of Land Management at the places mentioned in the regulation 43 CFR 191.12. If there is no well on the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time for payment falls on a day in which the proper office to receive payment is closed, payment shall be deemed timely if made on the next official working day.

(f) *Contracts for disposal of products.*—To file with the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or evidence of other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land: *Provided*, That nothing in any

WILLIAM A. & EDWARD R. HUDSON
Shugart B Lease
Well No. 4
Sec. 11, T-18-S, R-31-E
Eddy County, N.M.

MC-062052-1

EXHIBIT -E-



WILLIAM A. & EDWARD R. HUDSON

6" 400-900 Double w/ Rams & Blinds
3000 PSI. Test

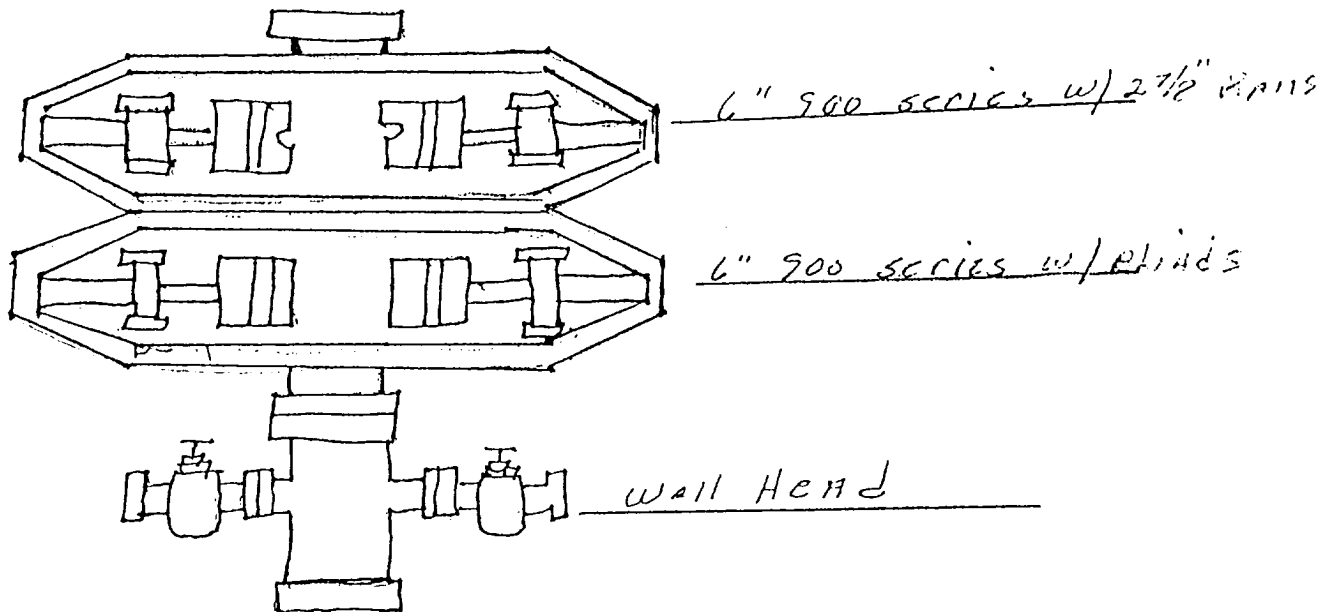


EXHIBIT -F-

Shugart -B- Well No. 4
NW 1/4, SW 1/4
Sec. 11, T18S, R31E
Eddy County, New Mexico