

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

Hondo Oil & Gas Company

3. ADDRESS OF OPERATOR

P. O. Box 2208, Roswell, NM 88202

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

At surface

2380' FSL & 1680' FWL
At proposed prod. zone

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

approximately 10 miles southeast of Loco Hills, NM

10. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

1680'

16. NO. OF ACRES IN LEASE

440

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

4000'

20. ROTARY OR CABLE TOOLS

Rotary

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

3619' GR

22. APPROX. DATE WORK WILL START*

9/18/90

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	950'	400 sx. Lite CIRCULATE
7 7/8"	5 1/2"	15.5#	4000'	200 sx. Class C w/calseal CIRCULATE

Mud Program:

0 - 950' Drill with fresh water spud mud
950 - 4000' Drill with cut brine water.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

BOP Program:

Will install on the 8 5/8" surface casing a 10" Series 900 Type "E" Shaffer
Double Hydraulic BOP and will test before drilling into the Queen formation.

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

Ron Gruen

TITLE Petroleum Engineer

DATE

9/5/90

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

AREA MANAGER

CARLSBAD RESOURCE AREA

APPROVED BY

TITLE

DATE

9-20-90

CONDITIONS OF APPROVAL, IF ANY:

GRANTING OF PERMIT IS SUBJECT TO
CERTEINED BY THE BUREAU OF LAND MANAGEMENT
AND ON A TEMPERATURE SURVEY OF THE AREA
AND APPROPRIATE TO THE APPLICANT TO
SEE INSTRUCTIONS ON REVERSE SIDE

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Hondo Oil & Gas Company			Lease East Shugart Unit		Well No. 33
Unit Letter K	Section 34	Township 18 South	Range 31 East	County Eddy	
Actual Footage Location of Well: 2380 feet from the South line and 1680 feet from the West line					
Ground level Elev. 3619.3	Producing Formation Queen		Pool Shugart		Dedicated Acreage: 40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

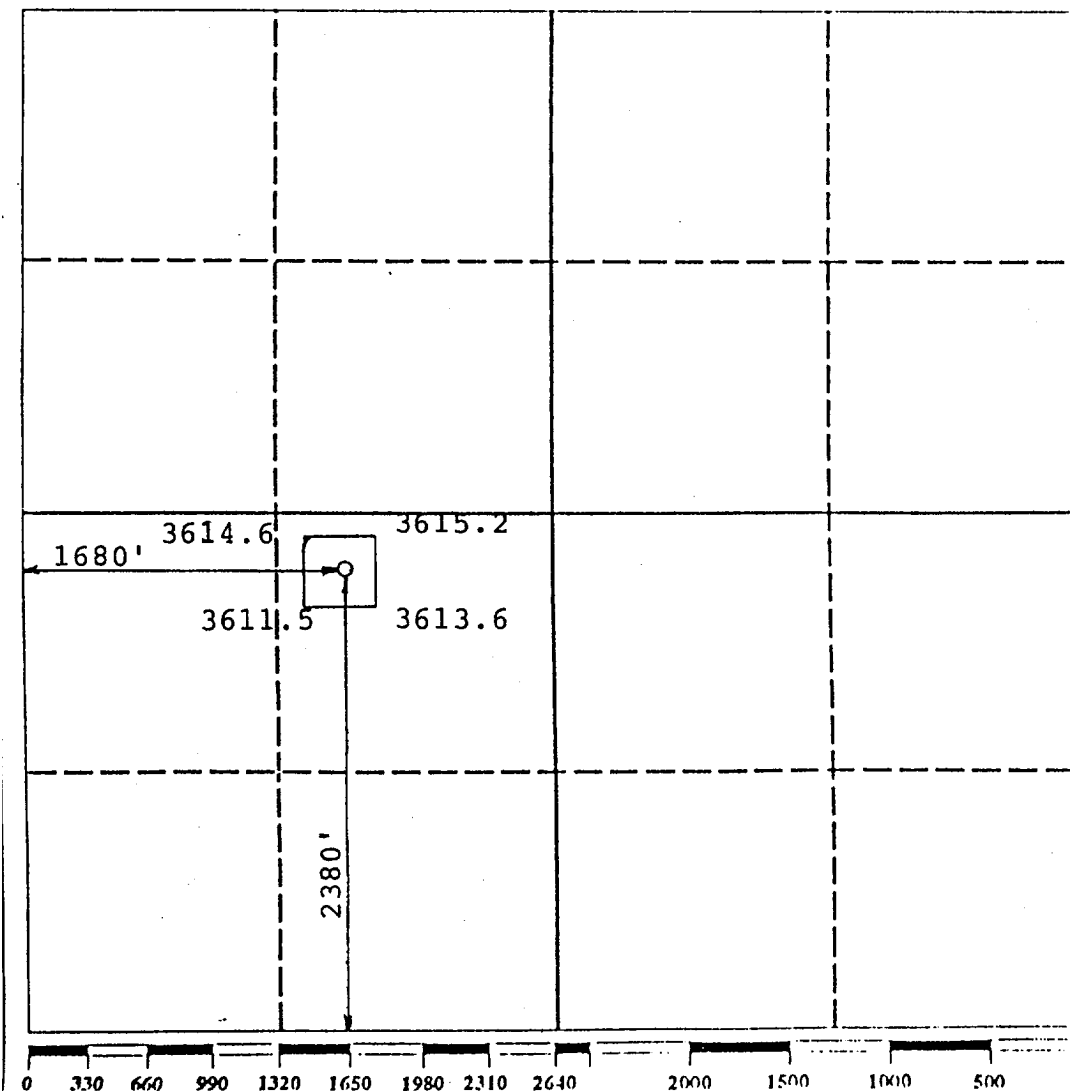
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes ☒ No If answer is "yes" type of consolidation unitization

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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature

Ron Brown

Printed Name

Ron Brown

Position

Petroleum Engineer

Company

Hondo Oil & Gas Company

Date

9/5/90

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 supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

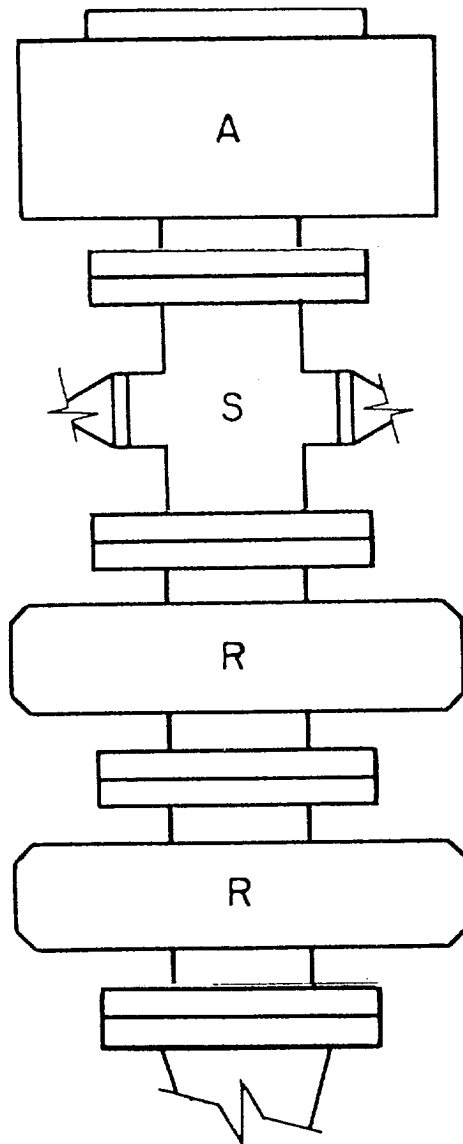
August 9, 1990

Signature & Seal of

Professional Surveyor R. Patton



Certificate No. 8112



A - Stripping Rubber

R - Blind and Pipe Rams

EXHIBIT "D"
Hondo Oil & Gas Company
East Shugart Unit #33
BOP Diagram

APPLICATION FOR DRILLING

HONDO OIL & GAS COMPANY
EAST SHUGART UNIT WELL NO. 33
2380' FSL & 1680' FWL, Sec.34-T18S-R31E
Eddy County, New Mexico
Lease No.: NM-10191

In conjunction with Form 9-331C, Application for Permit to Drill subject well, Hondo Oil & Gas Company submits the following items of pertinent information in accordance with BLM requirements:

1. The geologic surface formation is recent Permian quaternary alluvium and other surficial deposits.

2. The estimated tops of geologic markers are as follows:

Yates	2600'
Queen	3200'
Grayburg	3950'
T.D.	4000'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Random fresh water from surface to 300' +/-, and water flow from injection wells possible at around 3200'.

Oil: Queen at approximately 3200' or below.

Gas: None anticipated.

4. Proposed Casing Program: See Form 9-331C.
5. Proposed Control Equipment: See Form 9-331C and Exhibit "D".
6. Mud Program: See Form 9-331C.
7. Auxiliary Equipment: Blowout preventer, gas detector, kelly cock, pit level monitor, flow sensors and stabbing valve.
8. Testing, Logging and Coring Program:

Drill Stem Tests: None planned.

Logging: CNL/LDT/GR	T.D. - 950'
GR/CNL	T.D. - Surface
DLL/MSFL/GR	T.D. - 950'

Coring: None planned.

APD
Hondo Oil & Gas Company
East Shugart Unit Well No. 33
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9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, the proposed mud program will be modified to increase the mud weight.
10. Anticipated starting date: 9/18/90
Anticipated completion of drilling operations: approximately 20 days

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

HONDO OIL & GAS COMPANY
EAST SHUGART UNIT WELL NO. 33
2380' FSL & 1680' FWL, Sec.34-T18S-R31E
Eddy County, New Mexico
Lease No.: NM-10191

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and the operations plan to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a BLM Quad map showing the location of the proposed well and access road as staked, in relation to existing roads. The well is approximately 15 1/2 miles southeast of Loco Hills, New Mexico by road with 7/8 of the distance paved.
- B. Directions: Travel east of Loco Hills, New Mexico on U.S. Highway 82 for approximately 5 1/2 miles to the paved county road no. 222. Turn south on Shugart Road and go 8 miles. Go east on Westall County Road and go 1 1/2 miles. Turn north and go 1/2 mile and then go west 1/11 mile to location. (See Exhibit "A".)

2. PLANNED ACCESS ROAD:

- A. Length and Width: A 460' road 12' wide will be constructed at the last turn going west to location. (See Exhibit "A".)
- B. Construction: The new road will be 12' wide with a center crown, with 4 inches compacted caliche. The existing roads will be graded and topped with compacted caliche as needed.
- C. Turnouts: None required.
- D. Culverts: None required.
- E. Cut and Fill: The area has 1 to 2 foot sand dunes and deflation basins to be levelled.
- F. Gates, Cattleguards: None required.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two miles radius are shown on Exhibit "B".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on the lease at this time. See Exhibit "B".
- B. If the oil well proves to be commercial, the necessary production facilities will be installed on the drilling pad and flow lines will be installed along the existing and proposed access roads to the storage tanks.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh and brine water which will be obtained from commercial sources. The water will be transported over existing and proposed access roads.

6. SOURCES OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and wellsite pad will be obtained from a Federal pit in the NE4NW4 of Section 35-T18S-R31E. The pit has been staked and cleared by the archaeologist. The topsoil from the location will be stockpiled near the location for future rehabilitation use. No surface materials will be disturbed except those necessary for actual grading and levelling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.

- H. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELLSITE LAYOUT:

- A. Exhibit "C" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged.
- B. Mat Size: 140' x 210' plus reserve pits.
- C. Cut & Fill: The area has approximately 3 foot sand dunes and deflation basins to be levelled.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. 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 wellsite in as aesthetically pleasing a condition as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and levelled within 90 days after abandonment.

11. OTHER INFORMATION:

- A. Topography: The proposed wellsite and the proposed access road are situated on the Mescalero Pediment, Querecho Plains, in an area of shallow, relatively level aeolian deposits. The terrain, which slopes to the S/SW, has low relief; the area is mostly stabilized, and dune rises do not occur in the project-specified area; deflation processes are confined to relatively shallow blowouts, particularly in the NW quadrant.

- B. Soil: The topsoils at the wellsite are Berino Complex sands.
- C. Flora and Fauna: The vegetative cover is of grassland formation and scrub-grass scrub disclimax community. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in the area.
- E. Residences and Other Structures: There are flow lines to the south and an electric line 110' to the west of the proposed wellsite.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed wellsite and proposed access road are on Federal surface and minerals.
- H. Archaeological survey revealed no cultural materials and clearance was recommended. The survey was conducted by Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, and their report has been submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

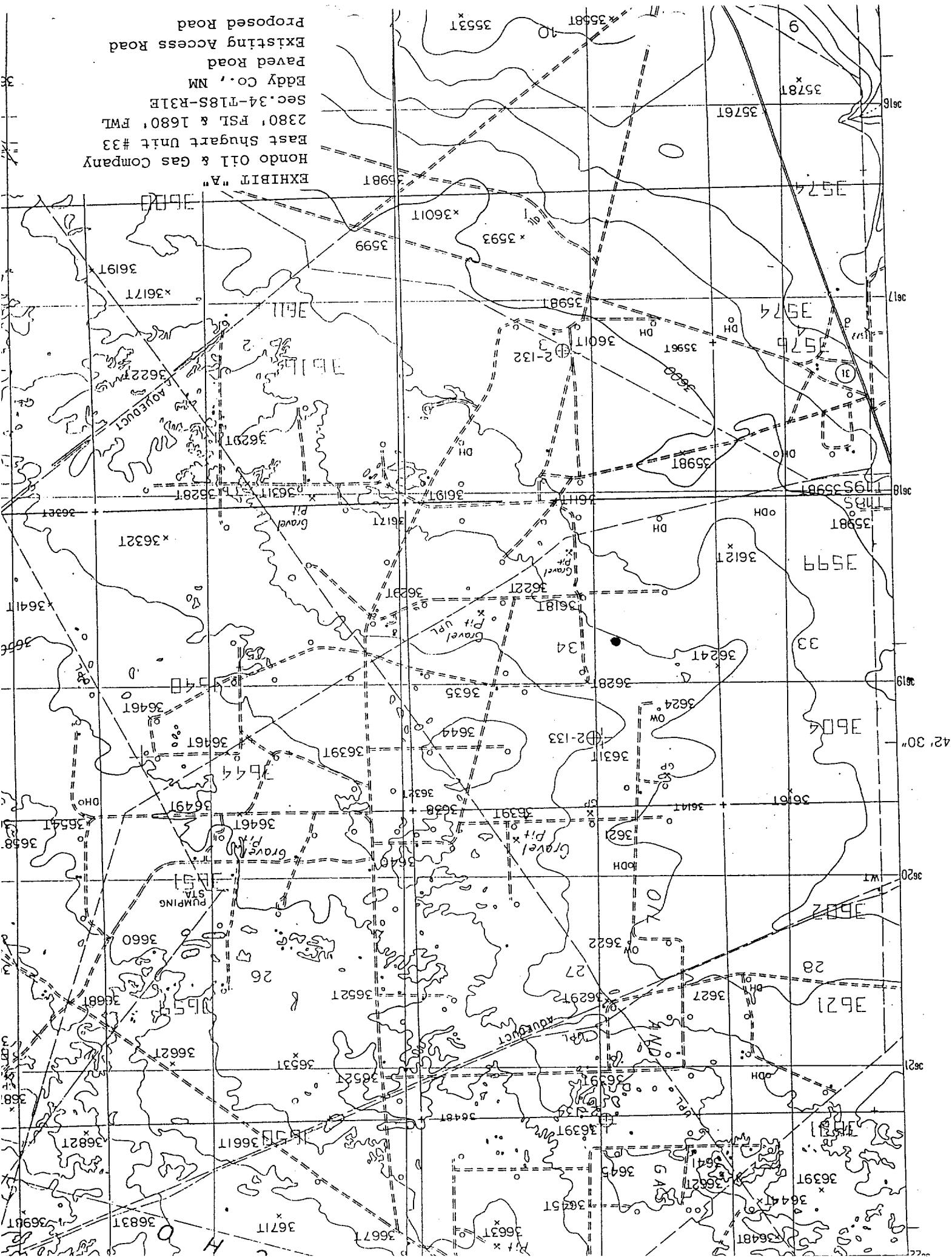
Bruce Stubbs
Hondo Oil & Gas Company
P. O. Box 2208
Roswell, NM 88202
Office phone: 505/625-6729
Home phone: 505/623-6466

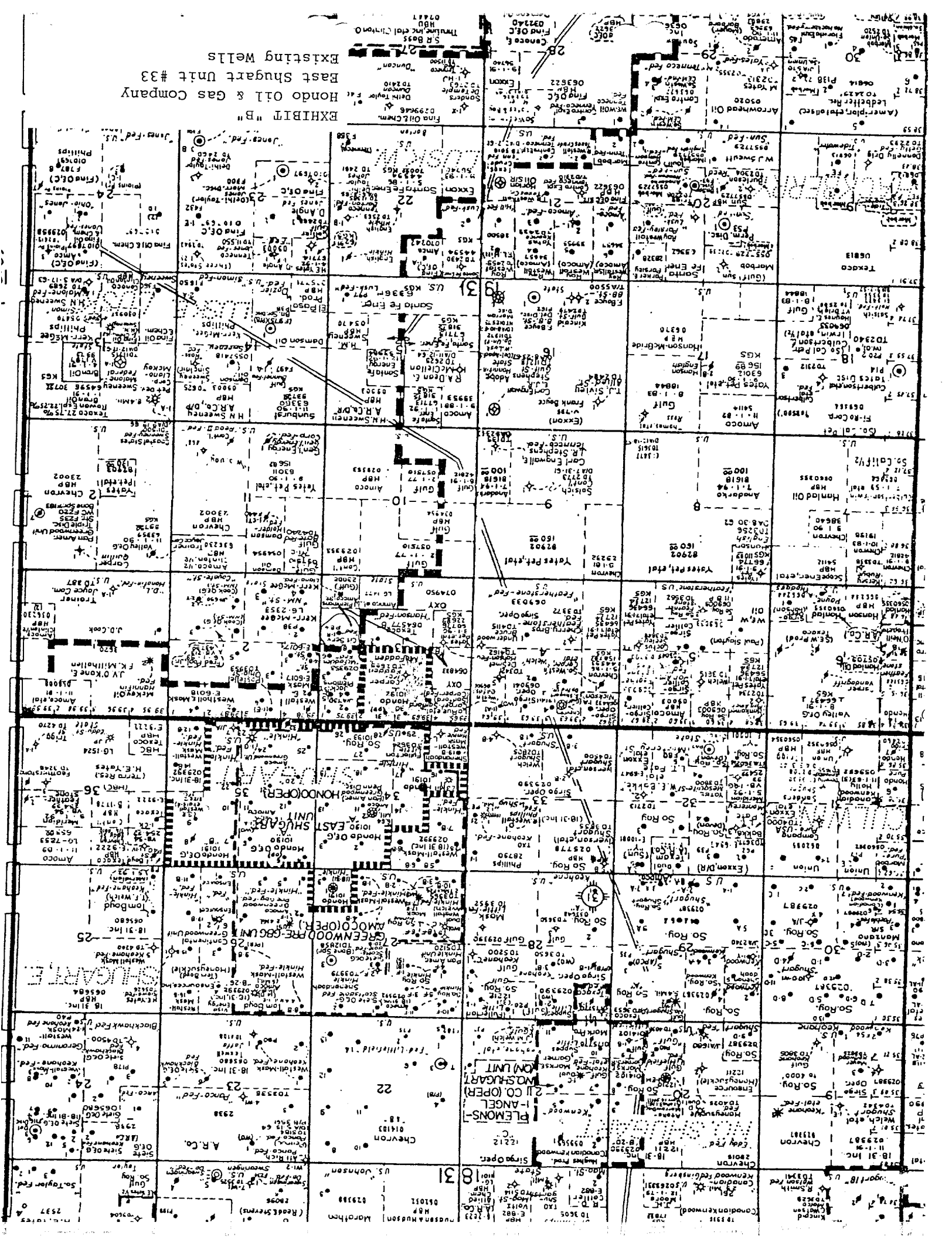
13. CERTIFICATION:

I hereby certify that I have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to be the best of my knowledge true and correct; and, that the work associated with the operations proposed herein will be performed by Hondo Oil & Gas Company and its contractors and subcontractors in conformity with this plan and their terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.


Hondo Oil & Gas Company

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CELLAR TO BE 5'X5'X5'
IF REQUIRED

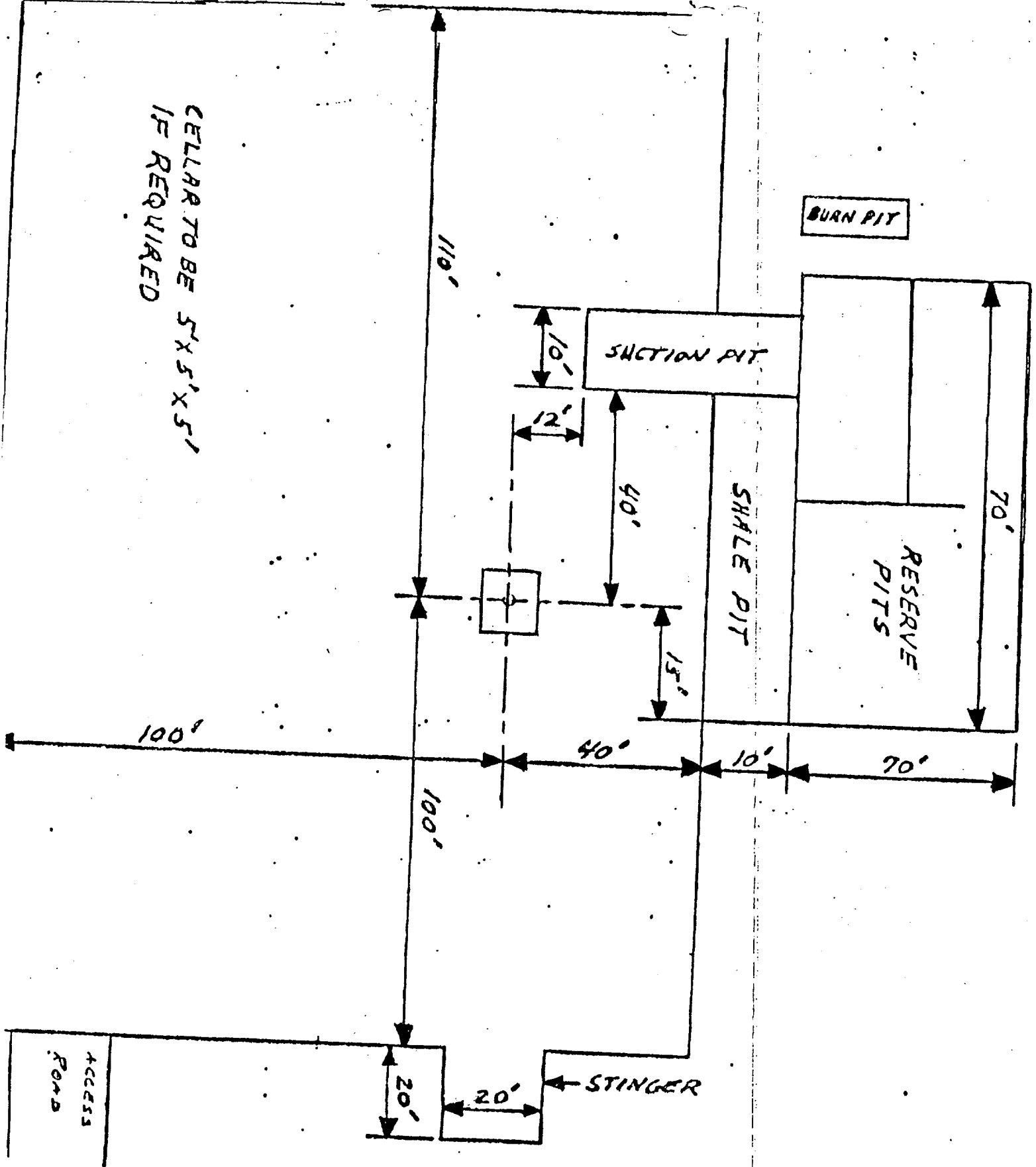


EXHIBIT "C"
Hondo Oil & Gas Company
East Shugart Unit #33
Rig Layout