Form 3160-3 (December 1990) RECEIVED	DEPARTMEN BUREAU OF	TED STATES TOF THE I	SCO S NTERIOI GEMENT		uctions on	30-015- Form approved. Budget Bureau N Erpires: Decemi 5. LEASE DEGIGNATION A NM-12212 6. IF INDIAN, ALLOTTEE	o. 1004-0136 ber 31, 1991 ND SERIAL NO.
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21.	the	<u> </u>	TTLE V.	C. Cpera	Tins	DATE 12/2	3/91
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USBNIT NO	not warrant or certify that the	applicant holds legal of				would entitle the applicant to α	onduct operations thereon.
PERMIT NO	not warrant or certify that the	applicant holds legal o	equitable title to	those rights in the sub	oject lease which	would entitle the applicant to α DATE	

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agen United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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APPLICATION FOR PERMIT TO DRILL

Paloma Resources, Inc. Keohane "C" Fed. #32 330' FSL & 330' FEL Sec. 21-T18S-R31E Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Paloma submits the following items of pertinent information in accordance with BLM requirements.

- 1. The geologic surface formation is sandy alluvium. The ground elevation is 3640' on the ground level.
- 2. The estimated tops of geologic markers are as follows:

 Anhydrite
 630'

 Salt
 860'

 Base of Salt
 1975'

 Yates
 2440'

 7-Rivers
 2675'

 Queen
 3166'

 Penrose
 3478'

3. Estimated depths at which water, oil, or gas formation are expected to be encountered are as follows:

Fresh Water 65'--150'

Oil & Gas 7-rivers, Queen, Penrose from 2675'--3500'

Fresh water zones will be protected by the 8 5/8" casing string which will be cemented back to the surface.

- 4. Proposed Casing Program: See Form 3160-3
- 5. Pressure Control Equipment: See Form 3160-3 and attached BOP diagram.
- 6. Mud Program: See Form 3160-3.
- 7. Auxilliary Equipment: Upper & lower Kelly cock valves, Full opening stabbing valve with drill pipe connection, flow sensor, PVT.

8. Testing, Logging, and Coring Program: Samples: From base of surface casing to TD. DST's: As warranted from shows in samples. Coring: None expected. Logging: CNL-FDC, Gamma Ray, Dual Laterolog, caliper.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated Starting Date: As soon as possible after approval of APD.



E FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

All preventers to be hydraulically operated with secondary manual controls installed prior to drilling out from under casing.

Choke outlet to be a minimum of 4" diameter. Kill line to be of all steel construction of 2" minimum diameter. All connections from operating manifolds to preventers to be all steel.

hole or tube a minimum of one inch in diameter. The available closing pressure shall be at least 15% in excess of that required with sufficient volume' to operate the B.O.P.'s.

All connections to and from preventer to have a pressure rating equivalent to that of the B.O.P.'s.

Inside blowout preventer to be available on rig floor.

Operating controls located a safe distance from the rig floor. Hole must be kept filled on trips below intermediate casing. Operator not responsible for blowouts resulting from not keeping hole full. D. P. float must be installed and used below zone of first gas intrusion.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN Paloma Resources, Inc. Keohane "C" Fed. #32 330' FSL & 330' FEL Sec. 21-T18S-R31E Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental affect associated with the operations.

EXISTING ROADS 1.

Exhibit A is a portion of the USGS Greenwood Lake Quadrangle showing the well area and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 10 miles southeast of Loco Hills, New Mexico and the access route to the location is indicated in red markings. All roads shall be maintained in a condition equal to that which existed before the start of construction.

From Loco Hills, NM, take Hwy 82 to intersection of Hwy 222. Take Hwy 222 south for approximately 6 miles to lease road. Follow existing lease road to beginning of new lease road south to new drill site. Approximately 330' of new road will be constructed south from the existing lease road to the new wellsite.

PLANNED ACCESS ROADS. 2.

••• e.e.

- The proposed new access road will be 330' in length from the existing road to the norhteastern corner of the drill pad. The road Α. will lie in the north-south direction.
- The access road will be crowned and ditched to a 12' wide travel Β. surface.
- The gradient on all road built will be less than 5%. No turnouts с. will be necessary on the new access road.
- If needed, the road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a nearby local source. D.
- The centerline for the new road has been flagged and is readily Ε. visible
- The road will be Culverts in the access road will not be used. constructed to utilize natural drainage of the topography. F.

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

B. C.	Water wells: Disposal Wells: Drilling wells: Producing Wells:	None Known. None Known. None within one mile being SeveralThe closest being	drilled. within 465'.
D.	Producing Wells:		, 112011200 400
Ε.	As shown on Exhibit	"A".	

- LOCATION OF EXISTING AND/OR PROPOSED FACILITIES. 4.
 - There are currently production facilities on the Keohane "C" Fed. #1 well Α, which is located 660' FSL & 660' FEL in the same SE/4.
 - If the well proves to be commercially productive, a flowline will be laid from the planned wellsite to the Keohane "C" Fed. #1 tank battery. This Β. line will be laid along the road right of way. A map or plat showing the well pad facilities and off pad facilities will be submitted.
 - 5. LOCATION AND TYPE OF WATER SUPPLY.

Water will be purchased locally from a private source and trucked over the access roads by a commercial trucking firm and stored in tanks on the wellsite.

6. SOURCE OF CONSTRUCTION MATERIALS.

If needed, construction materials will be obtained from the drill site's excavations or from a local source. These materials will be transported over the access route by truck.

- 7. MELHODS FOR HANDLING WASTE DISPOSAL
 - Drill cuttings will be disposed of in the reserve pit. Α.
 - Drilling fluids will be allowed to evaporate in the reserve pits until Β.
 - the pits are dry. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will C.
 - be submitted at a later date. Oil produced during operations will be stored in tanks until sold, & D.
 - hauled by authorized transporters. Current laws and regulations pertaining to the disposal of human waste Ε. will be complied with to the utmost.
 - Trash, waste paper, garbage and junk will be buried in a sperate trash
 - pit and covered with a minimum of 36 inches of dirt. All waste material F. will be contained to prevent scattering by the wind.
 - All trash and debris will be buried or removed from the wellsite within G.
 - 30 days after finishing drilling and /or completion operations.
 - 8. ANCILLARY FACILITIES.
 - None are required. Α.
 - 9. WELLSITE LAYOUT.
 - Exhibit C shows teh relative location and dimensions of the well pad, A. reserve pits, etc.
 - The location of the surface is slightly sloping. Β.
 - The reserve pits will be plastic lined. С.
 - A 400' X 400' area has been staked and flagged. D.
 - 10. PLANS FOR RESIDRATION OF THE SURFACE.
 - After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The A. location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.

Unguarded pits, if any containing fluids, will be fenced until they are

Β. dry and have been levelled.

If the proposed well is non-productive, all rehabilitation and/or Ç. vegetation requirements of the state will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment of the operations.

OTHER INFORMATION. 11.

1-1 i. ... J.F

- Topography: The land surface in the vacinity of the wellsite is sandy Α. alluvium. The immediate area of the wellsite is discussed in paragraph 9B above and also in the Archaeological Report.
- The vegetative cover on the wellsite consists of Flora & Fauna: в. mesquite, saltbrush, sand sage, shinnery oak, and miscellaneous desert growth. No wildlife was observed in the area but is probably those typical of semi-arid desert land. The area is used primarily for cattle grazing and access to other production facilities.
- Waterways: There are none in the area. С.
- There are no inhabited dwellings in the vicinity. D.

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An archeological study is attached for your information. The surface Ε. owner is being notified of our intentions to drill. The minerals are by the federal government.

OPERAIOR'S REPRESENTATIVE. 12.

The field representatives responsible for assuring compliance with the approved surface use plan are:

> Gene Lee Paloma Resources, Inc. 703 E. Berrendo Roswell, New Mexico 88201

(214) 871-5556

13. 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 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 proposed herein will be performed by Southwest Reserves Operating Co., Inc. and its contractors and subcontractors in conformity with this plan and conditions under which it is approved.

DATE: 1/27/91

C. Bruton Lynch Paloma Resources, Inc.

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Paloma Resources, Inc. 703 E. Berrendo Roswell, New Mexico 88201

07.5

RE: Keohane "C" Fed. #2 Sec. 21-T18S-R31E

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. Hydrogen Sulfide Training.

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor approved by the BLM and certified in the following areas prior to commencing drilling operations on this well:

1

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

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

- A. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in the special maintenance requirements. Use of chemicals to prevent H2S damage will be discussed also.
- B. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures will be emphasized and all personnel will be certified in these areas. Regular checks of all personnel will be done to keep only certified H2S trained employees on the wellsite.
- C. A copy of the contents and requirements that are contained in the H2S Drilling Operations Plan as well as the Public Protection Plan.

H2S Drilling Operations Plan Page --2--

There will be an initial training session just prior to encountering a known or portable H2S zone (within 3 days or 500') 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 eh wellsite. All personnel will be required to carry documentation that they have received the proper training.

2. H2S Safety Equipment and Systems

NOTE: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches of depth of 500' above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S gas. All equipment will be provided by certified companies with certified instructors.

A. Well Control Equipment

- 1. Flare line with electronic igniter or continuous pilot.
- 2. Choke manifold with a minimum of one remote choke.
- 3. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
- 4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head, and flare gun with flares.

B. Protective Equipment for Essential Personnel:

1. Mark II Surviveair 30 minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H2S Detection and Monitoring Equipment:

- 1. Two portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2s levels of 12 PPM are reached.
- 2. One portable SO2 monitor positioned near flare line.

D. Visual Warning Systems:

1. Wind direction indicators as shown on well site diagram.

H2S Drilling Operations Plan Page --3--

2. Caution and 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 examples.

E. Mud Program:

- 1. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud wight, safe drilling practices, and the use of H2S scavengers will minimize hazards when penetrating H2s bearing zones.
- 2. A mud-gas separator and an H2S gas buster will be utilized.

F. Metallurgy:

- 1. All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
- 2. All elastomers used for packing and seals shall be H2S trim.

G. Communications:

1. Radio communications in company vehicles including mobile, cellular and /or 2-way radios.

H. Well Testing:

1. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface.

