

NM OIL CONSERVATION COMMISSION
DEPARTMENT OF THE INTERIOR
ARTESIA, NM 88210
LAND MANAGEMENT

INMOCD

SUBMIT IN **DATE***
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

| | | | |
|---|--|--|--|
| 1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> | | 5. LEASE DESIGNATION AND SERIAL NO. NM 10190 | |
| b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME N/A | |
| 2. NAME OF OPERATOR Devon Energy Corporation (Nevada) 6137 | | 7. UNIT AGREEMENT NAME 14-08-001-11572 East Shugart Unit | |
| 3. ADDRESS AND TELEPHONE NO. 20 N. Broadway, Suite 1500, Oklahoma City, OK 73102-8260 | | 8. FARM OR LEASE NAME, WELL NO. East Shugart Unit #75 | |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 2560' FSL & 1350' FWL At proposed prod. zone (same) 56430 | | 9. API WELL NO. 30-015-28204 | |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE 15 1/2 miles southeast of Loco Hills, NM | | 10. FIELD AND POOL, OR WILDCAT Shugart (Y-SR-Q-G) | |
| 10. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line, if any) 2500' | | 11. SEC., T., R., M., OR B.L. AND SURVEY OR AREA Unit K Section 35-T 18S -R31E | |
| 18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 400' | | 12. COUNTY OR PARISH Eddy | |
| 16. NO. OF ACRES IN LEASE 560 | | 13. STATE NM | |
| 19. PROPOSED DEPTH 4200' | | 17. NO. OF ACRES ASSIGNED TO THIS WELL 40 | |
| 20. ROTARY OR CABLE TOOLS rotary | | 21. APPROX. DATE WORK WILL START 11-01-94 | |
| 21. ELEVATIONS (Show whether DF, RT, GR, etc.) GL 3630' | | 22. APPROX. DATE WORK WILL START 11-01-94 | |

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE, SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|-----------------------|-----------------|---------------|-------------------------------|
| 17 1/2" | 14" | | 40' | cmt with readi-mix to surface |
| 12 1/4" | 8 5/8" J-55 | 24# | 950' | 300 sx Lite + 200 sx Class C |
| 7 7/8" | 5 1/2" J-55 | 15.5# | 4200' | 550 sx Lite + 500 sx Class C |

We plan to circulate cement to surface on all casing strings.

Devon Energy proposes to drill to 4200' to test the Queen Sand formation for commercial quantities of oil. If the Queen is deemed noncommercial, the well bore will be plugged and abandoned per Federal regulations. Programs to adhere to onshore oil and gas regulations are outlined in the following exhibits and attachments.

Drilling Program

Surface Use and Operating Plan

Exhibits #1/1-A = Blowout Prevention Equipment

Exhibit #2 = Location and Elevation Plat

Exhibits #3/3-A = Road Map and Topo Map

Exhibit #4 = Wells Within 1 Mile Radius

Exhibits #5 = Production Facilities Plat

Exhibit #6 = Rotary Rig Layout

Exhibit #7 = Casing Design

H₂S Operating Plan

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portions thereof, as described below:

Lease #: NM 10190

Legal Description: Section 35-T18S-R31E

Formation: Queen Sand

Bond Coverage: Nationwide

BLM Bond #: CO-1104

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 prevention program, if any.

SIGNED E. L. Buttross, Jr. TITLE District Engineer DATE 09-19-94 /cg

(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/ Scott Powers TITLE AREA MANAGER DATE 11-18-94

*See Instructions On Reverse Side

MINIMUM BLOWOUT PREVENTER REQUIREMENTS

3,000 psi Working Pressure

3 MWP

EAST SHUGART UNIT
Eddy County, New Mexico

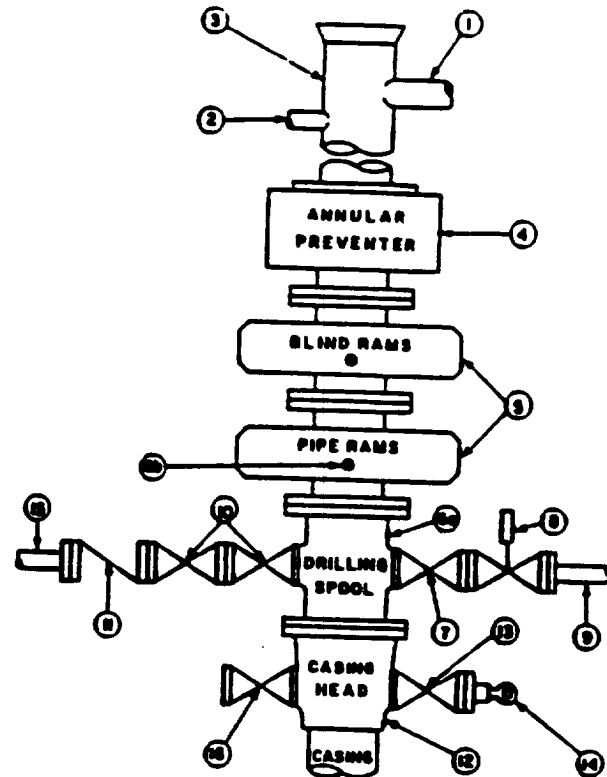
STACK REQUIREMENTS

| No. | Item | Min. I.D. | Min. Nominal |
|-----|---|-----------|--------------|
| 1 | Flowline | | |
| 2 | Fill up line | | 2" |
| 3 | Drilling nipple | | |
| 4 | Annular preventer | | |
| 5 | Two single or one dual hydraulically operated rams | | |
| 6a | Drilling spool with 2" min. kill line and 3" min choke line outlets | | |
| 6b | 2" min. kill line and 3" min. choke line outlets in ram. (Alternate to 6a above.) | | |
| 7 | Valve Gate <input type="checkbox"/> Plug <input type="checkbox"/> | 3-1/8" | |
| 8 | Gate valve—power operated | 3-1/8" | |
| 9 | Line to choke manifold | | 3" |
| 10 | Valves Gate <input type="checkbox"/> Plug <input type="checkbox"/> | 2-1/16" | |
| 11 | Check valve | 2-1/16" | |
| 12 | Casing head | | |
| 13 | Valve Gate <input type="checkbox"/> Plug <input type="checkbox"/> | 1-13/16" | |
| 14 | Pressure gauge with needle valve | | |
| 15 | Kill line to rig mud pump manifold | | 2" |

| OPTIONAL | | | |
|----------|---------------|----------|--|
| 16 | Flanged valve | 1-13/16" | |

EXHIBIT 1

CONFIGURATION A



CONTRACTOR'S OPTION TO FURNISH:

1. All equipment and connections above bradenhead or casinghead. Working pressure of preventers to be 3,000 psi, minimum.
2. Automatic accumulator (80 gallon, minimum) capable of closing BOP in 30 seconds or less and, holding them closed against full rated working pressure.
3. BOP controls, to be located near drillers position.
4. Kelly equipped with Kelly cock.
5. Inside blowout preventer or its equivalent on derrick floor at all times with proper threads to fit pipe being used.
6. Kelly saver-sub equipped with rubber casing protector at all times.
7. Plug type blowout preventer tester.
8. Extra set pipe rams to fit drill pipe in use on location at all times.
9. Type RX ring gaskets in place of Type R.

MEC TO FURNISH:

1. Bradenhead or casinghead and side valves.
2. Wear bushing, if required.

GENERAL NOTES:

1. Deviations from this drawing may be made only with the express permission of MEC's Drilling Manager.
2. All connections, valves, fittings, piping, etc., subject to well or pump pressure must be flanged (suitable clamp connections acceptable) and have minimum working pressure equal to rated working pressure of preventers up through choke. Valves must be full opening and suitable for high pressure mud service.
3. Controls to be of standard design and each marked, showing opening and closing position.
4. Chokes will be positioned so as not to hamper or delay changing of choke beams. Replaceable parts for adjustable choke, other beam sizes, retainers, and choke wrenches to be conveniently located for immediate use.
5. All valves to be equipped with handwheels or handles ready for immediate use.
6. Choke lines must be suitably anchored.

7. Handwheels and extensions to be connected and ready for use.
8. Valves adjacent to drilling spool to be kept open. Use outside valves except for emergency.
9. All seamless steel control piping (3000 psi working pressure) to have flexible joints to avoid stress. Hoses will be permitted.
10. Casinghead connections shall not be used except in case of emergency.
11. Do not use kill line for routine fill-up operations.

Attachment to Exhibit #1
NOTES REGARDING BLOWOUT PREVENTORS
Devon Energy Corporation (Nevada)
East Shugart Unit #75
2560' FSL & 1350' FWL
Section 35-T18S-R31E
Eddy County, New Mexico

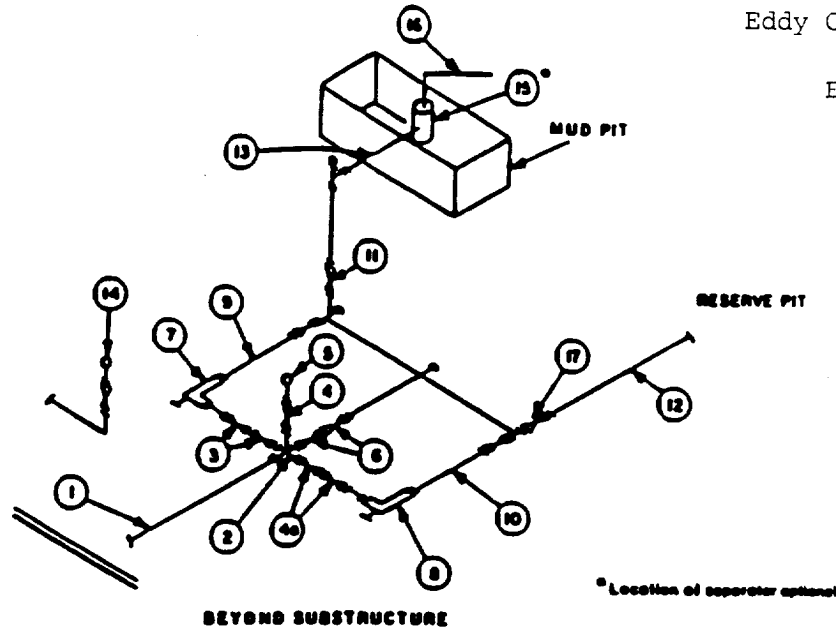
1. Drilling nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
2. Wear ring will be properly installed in head.
3. Blowout preventor and all associated fittings will be in operable condition to withstand a minimum 3000 psi working pressure.
4. All fittings will be flanged.
5. A full bore safety valve tested to a minimum 3000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
6. All choke lines will be anchored to prevent movement.
7. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
8. Will maintain a kelly cock attached to the kelly.
9. Hand wheels and wrenches will be properly installed and tested for safe operation.
10. Hydraulic floor control for blowout preventor will be located as near in proximity to driller's controls as possible.
11. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.

**MINIMUM CHOKE MANIFOLD
3,000, 5,000 and 10,000 PSI Working . . .**

3 MWP · 5 MWP · 10 MWP

EAST SHUGART UNIT
Eddy County, New Mexico

EXHIBIT 1-A



| MINIMUM REQUIREMENTS | | | | | | | | | | |
|----------------------|---|-----------|---------|--------|-----------|---------|--------|------------|---------|--------|
| No | | 3,000 MWP | | | 5,000 MWP | | | 10,000 MWP | | |
| | | I.D. | NOMINAL | RATING | I.D. | NOMINAL | RATING | I.D. | NOMINAL | RATING |
| 1 | Line from drilling spool | | 3" | 3,000 | | 3" | 5,000 | | 3" | 10,000 |
| 2 | Cross 3"x3"x3"x2" | | | 3,000 | | | 5,000 | | | |
| | Cross 3"x3"x3"x3" | | | | | | | | | 10,000 |
| 3 | Valves (1) Gate □ Plug □ (2) | 3-1/8" | | 3,000 | 3-1/8" | | 5,000 | 3-1/8" | | 10,000 |
| 4 | Valve Gate □ Plug □ (2) | 1-13/16" | | 3,000 | 1-13/16" | | 5,000 | 1-13/16" | | 10,000 |
| 4a | Valves (1) | 2-1/16" | | 3,000 | 2-1/16" | | 5,000 | 3-1/8" | | 10,000 |
| 5 | Pressure Gauge | | | 3,000 | | | 5,000 | | | 10,000 |
| 6 | Valves Gate □ Plug □ (2) | 3-1/8" | | 3,000 | 3-1/8" | | 5,000 | 3-1/8" | | 10,000 |
| 7 | Adjustable Choke (3) | 2" | | 3,000 | 2" | | 5,000 | 2" | | 10,000 |
| 8 | Adjustable Choke | 1" | | 3,000 | 1" | | 5,000 | 2" | | 10,000 |
| 9 | Line | | 3" | 3,000 | | 3" | 5,000 | | 3" | 10,000 |
| 10 | Line | | 2" | 3,000 | | 2" | 5,000 | | 3" | 10,000 |
| 11 | Valves Gate □ Plug □ (2) | 3-1/8" | | 3,000 | 3-1/8" | | 5,000 | 3-1/8" | | 10,000 |
| 12 | Lines | | 3" | 1,000 | | 3" | 1,000 | | 3" | 2,000 |
| 13 | Lines | | 3" | 1,000 | | 3" | 1,000 | | 3" | 2,000 |
| 14 | Remote reading compound standpipe pressure gauge | | | 3,000 | | | 5,000 | | | 10,000 |
| 15 | Gas Separator | | 2'x5' | | | 2'x5' | | | 2'x5' | |
| 16 | Line | | 4" | 1,000 | | 4" | 1,000 | | 4" | 2,000 |
| 17 | Valves Gate □ Plug □ (2) | 3-1/8" | | 3,000 | 3-1/8" | | 5,000 | 3-1/8" | | 10,000 |

(1) Only one required in Class 3M.

(2) Gate valves only shall be used for Class 10M.

(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling.

EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTIONS

- All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
- All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
- All lines shall be securely anchored.
- Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available.
- Choke manifold pressure and standpipe pressure gauges shall be available at the choke manifold to assist in regulating chokes. As an alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge.
- Line from drilling spool to choke manifold should be as straight as possible. Lines downstream from chokes shall make turns by large bends or 90° bends using bull plugged tees.
- Discharge lines from chokes, choke bypass and from top of gas separator should vent as far as practical from the well.

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

State of New Mexico
Department of Energy, Minerals and Natural Resources

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

EXHIBIT 2

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

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

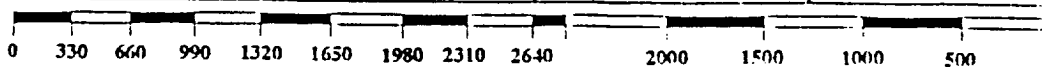
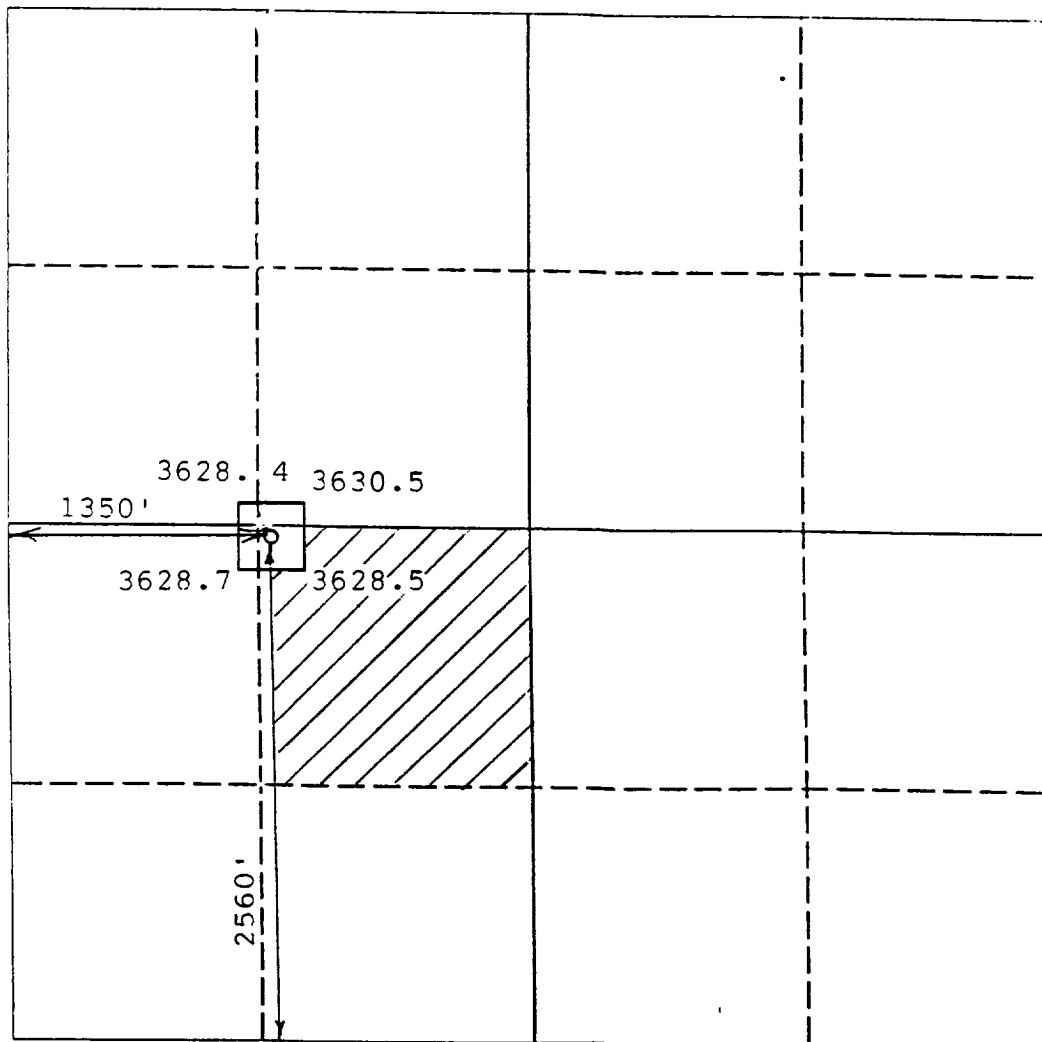
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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 Devon Energy Corporation (Nevada) | | | Lease East Shugart Unit | | Well No. 75 |
| Unit Letter K | Section 35 | Township 18 South | Range 31 East | County Eddy | |
| Actual Footage Location of Well: 2560 feet from the South line and 1350 feet from the West line | | | | | |
| Ground level Elev. 3630 | Producing Formation Yates-Queen | Pool Shugart (Y-SR-Q-G) | 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 _____
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, force-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

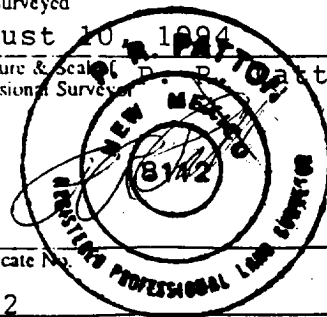
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
E. L. Buttross Jr.
Printed Name
E. L. Buttross, Jr.
Position
District Engineer
Company
Devon Energy Corporation
Date
September 15, 1994

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 10, 1994
Signature & Seal of Professional Surveyor
D. P. Patton



Certificate No.
8112