Farm 3160-3	<i>(</i>	~.	iN	M. Oil Cons.	Divisio	a Manage	11
(July 1992)	UN.	IED STATE	S	ARTESIA ENTESSA	u is on	FORM AP	
	DEPARTMEN			RIOR DOG	0-2004	5. LEASE DESIGNATION	ary 28, 100c \ 1
		F LAND MANA				LC-029393-B	
APPI	LICATION FOR F	PERMIT TO	DRIL	LORDEEPEN	1012	6. IF INDIAN, ALLOTTE	B OR TRIBE NAME
D	RILL 🖾	DEEPEN		A Trans		7. UNIT AGREEMENT N	423
b. TYPE OF WELL OIL WELL X	CAS	. )					
2. NAME OF OPERATOR	WELL OTHER	}{		CONTRACT RELIXONNE	ESIA LI	8. FARM OR LEASE NAME WE WEST SHUGART	17" FEDERAL # 1
CONCHO RESOU	RCES, INC.	(JIM BLOU	NT)	915-683-7443		9. API WELL NO.	# 1
						30-013-3	1505
4. LOCATION OF WELL ( At surface	ISIANA SUITE 41 Report location clearly and	in accordance wi	IEX. th any	AS 19/02 (9,1576) State requirements.	83-1443	SHUGART NORTH-	
1980' FNL & 6	60' FWL SEC. 17	T18S-R31E	UN	IT "E" EDDY CO	• NM	11. SEC., T., E., M., OR F AND SURVEY OR AR	LT. W
At proposed prod. zo	one SAME				) f		5-R31E
	AND DIRECTION FROM NEA			·z*		12. COUNTY OF PARISH	
Approximately	9 miles Southea	st of Loco			_	EDDY CO.	NM
LOCATION TO NEARES Property or lease	INE, FT.	60'	16. N	0. OF ACRES IN LEASE	17. NO. C TO T	OF ACRES ASSIGNED HIS WELL	
13. DISTANCE FROM PRO	lg. unit line, if any) FOSED LOCATION®		19. ri	80 WPOSED DEPTH	20. ROTA	40 RT OR CABLE TOULS	
OR APPLIED FOR, ON TH	AIS LEASE, FT.	A		8500'	ROT		
21. ELEVATIONS (Show wh	hether DF, RT, GR, etc.)	643' GR.				22. APPROX. DATE WOR When Approved	
23.	<u> </u>	BROBOSED CASE				Wilen Approved	
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT FER FO	·	SETTING DEPTH		CLED WATER	
25"	Conductor				Cement	to surface wit	
175"	<u>H-40 13 3/8"</u>	48		775		. circulate cem	
11"	J-55 8 5/8"	32		2800'	710 Sx	•	11 11
7_7/8''	J-55 5 <sup>1</sup> <sub>2</sub> "	17 & 15.5		8500'	770 Sx	. estimate top	of cement_2000'
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	hole to 775'. R						
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circulate	cement to surfac	e.					278 6461,
3. Drill 11"	hole to 2800'. R	un and set 2	2800'	of 8 5/8" J-55	5 <b>3</b> 2 <b># s</b> 1	T&C casing. Ceme	ent with
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LT&C, 6200	8" hole to 8500' ' of 15.5# J-55	. Run and se 15.5# LT&C.	et 85 700 <b>'</b>	o() of 5½" casi of 17# I-55 IT	ng as f. '&C casi	ing Cement with	of 17# J-55
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with 57() Sz .5% FL-25.	ג. of (15-68-11) estimate top of	POZ Class '	'H'' C אי ביי	CSE + 4.3% Salt	+ .3% 0	CD-32 + 5# Gils.	onite/Sx. +
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deepen directionally, give pertin	iont data on subsurface locations	and measured and true	vertical	depths. Give blowout prevent	er program, il	any.	
SIGNED	et Clan	the TITLE	A	Pent		09/21	/00
(This space for Federa					VAL SU	SIECT TO	
$\mathcal{O}$	at or Stare ouce use;			GENER	AL REQ	UHFEMENTS AND	)
PERMIT NO.				PPROVAL DATE SPECIA	LSTIPL	LATIONS	
Application approval does no CONDITIONS OF APPROVAL	x warrant or certify that the applie IF ANY:	ant holds legal or equit				ld entitle the applicant to condu	at operations thereon.
			î.	the last Ma	nager,		• ( <sup>1</sup> )
(OFICE S	isi), which a simi	For	••	e é stábi <b>eral</b>	5	<b>DEC 6 8 20</b>	
						APPROVED FOR 1 Y	 F 43

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 United States any false, flotificance invadulent statements of presentent atlend de to a committee within its periodiction.

DISTRICT I 1625 N. French Dr., Hobbe, NM 88240 DISTRICT II 811 South First, Artesia, NM 88210

DISTRICT III 1000 Rio Brazos Rd., Axtec, NM 87410 DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

#### State of New Mexico

- ·

Energy, Minerals and Natural Resources Department

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

# OIL CONSERVATION DIVISION

Santa Fe, New Mexico 87505

□ AMENDED REPORT

Aff Number         Poil Code         Poil Sole         Poil Sole           Property Code         WEST SHUGART NORTH-BONE SPRING         1         1           166111         CONCHO RESOURCES, INC.         3643'           166111         CONCHO RESOURCES, INC.         3643'           Surface Location           User Mans           Surface Location           Surface Location           Surface Location           Bottom Hole Location If Different From Surface           User Mans           Bottom Hole Location If Different From Surface           User Mans           Bottom Hole Location If Different From Surface           Bottom Fambles Mark South line           Betaked Avere           Anoneble Mark South Interests           Provide Mans           NO ALLOWABLE MILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNTIL HAS BEEN AFFROVED BY THE DIVISION           Sole of the Mark South A NON-STANDARD UNTIL HAS BEEN AFFROVED BY THE DIVISION           Sole of the Mark South A NON-STANDARD UNTIL HAS BEEN AFFROVED BY THE DIVISION           Sole of the Mark Southon Southon Sone mark South A NON-STANDARD <tr< th=""><th colspan="8">WELL LOCATION AND ACREAGE DEDICATION PLAT</th></tr<>	WELL LOCATION AND ACREAGE DEDICATION PLAT									
Property Code     Property Name     WEST SHUGART "17" FEDERAL     1       00EDD Ne.     Operator Name     Operator Name     Iteration       1661111     CONCHO RESOURCES, INC.     364.3"       Surface Location       HL er let Ne.     18 S 31 E     Iteration       Bottom Hole Location If Different From Surface     Genuty     EDDY       Bottom Hole Location If Different From Surface     County       UL er let Ne.     Section     Tomakip     Range       10     Iteration Council Science     Order No.     County       Detected Arene     Joint or Infill     Consclidation Code     Order No.       NO ALLOWABLE WILL HE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNTI HAS BEEN APPROVED BY THE DIVISION     OPERATOR CERTIFICATION       13647.3"     364.3"     Lat - N32*44'57.3"     Item of the science of the	API	Number	Pool Name							
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WEST SHUGART "17" FEDERAL #1 Located at 1980' FNL and 660' FWL Section 17, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

		W.O. Number: 0518AA - KJG #122	CONCHO
DASIN	1120 N. West County Rd. Hobbs, New Mexico 88241		RESOURCES,
Surveys	(505) 393-7316 - Office (505) 392-3074 - Fax	Scale: 1" = 2000'	INC.
focused on excellence in the olifieid	basinsurveys.com	Date: 09-18-2000	INC.



#### APPLICATION TO DRILL

CONCHO RESOURCES, INC. WEST SHUGART ".7" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

- 1. Location: 1980' FNL & 660' FWL SEC. 17 T18S-R31E EDDY CO. NM
- 2. Elevation above sea level: 3643' GR.

- 3. Geologic name of surface formation: Quaternery Aeolian Deposits.
- 4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5. Proposed drilling depth: 8500'
- 6. Estimated tops of geological markers:

Rustler Anhydrite	475 <b>'</b>	San Andres	3800'
Yates	1950'	Delaware	5775 <b>'</b>
Queen	3150'	Bone Spring	8150'

# 7. Possible mineral bearing formation:

San Andres	0i1	Bone Spring	0il
Delaware	011		

# 8. Casing program:

Hole size	Interval	Casing OD	Weight	Thread	Collar	Grade
25"	0-40	20"	NA	NA	NA	Conductor
17½"	0-775'	13 3/8"	48	8-R	ST&C	H-40
11"	0-2800'	8 5/8"	32	8-R	ST&C	J-55
7 7/8"	0-8500'	5½"	17 & 15.5	8-R	LT&C	J-55

APPLICATION TO DRILL

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

### 9. Cementing & Setting Depth:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Set 775' of 13 3/8" H-40 48# ST&C casing. Cement with 450 Sx. of Halco Light + additives, tail in with 200 Sx. of Class "C" + 2% CaCl, circulate cement to surface.
8 5/8"	Intermediate	Set 2800' of 8 5/8" $32\#$ J-55 ST&C casing. Cement with 510 Sx. of 36/65 Class "C" POZ + 12% Salt + $\frac{1}{2}\#$ Flocele/Sx., + 1# Gilsonite /Sx. + 6% Bentonite, tail in with 200 Sx. of Class "C" cement + 2% CaCl, circulate cement to surface.
5½"	Production	Set 8500' of $5\frac{1}{2}$ " casing as follows: 1600' of 17# J-55 LT&C, 6200' of 15.5# J-55 LT&C, 700' of 17# J-55 LT&C. Cement with 200 Sx. of Class "C" 35/65 POZ + 12% Salt + $\frac{1}{4}$ # Flocele /Sx. + 1# Gilsonite/Sx. + 6% Bentonite, tail in with 570 Sx. of (15-68-11) POZ Class "H"CSE + 4.3% Salt + .3% CD-32 + 5# Gilsonite/Sx. + .5% FL-25, estimate top of cement 2000' from surface.

- 10. Pressure Control Equipment: Exhibit "E". A series 900 3000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP unit will be hydraulically operated. Exhibit "E-1" is a Choke manifold and closing unit. BOP will be nippled up on the 13 3/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. Flo sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.
- 11. Proposed Mud Circulating System:

Depth	Mud Wt.	Viscosity	Fluid Loss	Type Mud
40 <b>-775'</b>	8.5-8.8	29-34	NC	Fresh water Spud mud add paper to control seepage& Lime for pH, Gel for Visc.
775-2800'	10-10.5	29-32	NC	Brine water using paper to control seepage and high viscosity sweeps to clean hole.
2800-8000'	8.7-9.5	29-36	NC	Cut brine using high visc sweeps to clean hole
8000-8500'	8.7-9	30-34	l0 cc or less	Cut Brine Gel/Pac system for water loss control.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and water loss may have to be adjusted in order to meet these needs.

tag i

#### APPLICATION TO DRILL

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

#### 12. <u>Testing</u>, Logging and Coring Program:

- A. Open hole logs: Gamma Ray, Neutron Density with caliper, Laterolog MSFL from TD to 2800'. Gamma Ray Neutron from 2800' to surface.
- B. Two man mud logging unit on hole from 4500' to TD.
- C. Side wall cores may be taken over possible productive intervals.
- D. DST's may be run if shows dictate.

#### 13. Potential Hazards:

- 14. Anticipated Starting Date and Duration of Operation: Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 28 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.
- 15. Other Facets of Operations: After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The <u>BONE SPRING</u> pay will be perforated and stimulated. The well will be swab tested and potentialed as an oil well.

- 1. All Company and Contract personnel admitted on location must be trained by a qualified  $\rm H_2S$  safety instructor to the following:
  - A. Characteristics of  $H_2S$
  - B. Physical effects and hazzards
  - C. Proper use of safety equipment and life support systems.
  - D. Principle and operation of  $H_2S$  detectors, warning system and briefing areas.
  - E. Evacuation procedure, routes and first aid.
  - F. Proper use of 30 minute pressure demand air pack.
- 2.  $H_2S$  Detection and Alarm Systems
  - A. H<sub>2</sub>S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
- 3. Windsock and/or wind streamers
  - A. Windsock at mudpit area should be high enough to be visible.
  - B. Windsock at briefing area should be high enough to be visible.
  - C. There should be a windsock at entrance to location.
- 4. Condition Flags and Signs
  - A. Warning sign on access road to location.
  - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H<sub>2</sub>S present in dangerous concentration. Only emergency personnel admitted to location.
- 5. Well control equipment
  - A. See exhibit "E"
- 6. Communication
  - A. While working under masks chalkboards will be used for communication.
  - B. Hand signals will be used where chalk board is inappropriate.
  - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
- 7. Drillstem Testing
  - A. Exhausts will be watered.
  - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
  - C. If location is near any dwelling a closed D.S.T. will be performed.

Page 3-A

#### HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1

- 8. Drilling contractor supervisor will be required to be familiar with the effects  $H_2S$  has on tubular goods and other mechanical equipment.
- 9. If  $H_2S$  is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with  $H_2S$  scavengers if necessary.

#### SURFACE USE PLAN

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

- 1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of Lea Co. General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
  - A. Exhibit "A" shows the proposed well site as staked.
  - B. From Loco Hills New Mexico go East on U.S. Hi-way 82 5.5 miles to CR-222 Turn Right (South) go 4.4 miles, turn Right (West) follow lease road .6 miles turn Left (South) go .2 miles turn Right (West) go .25 miles to location.
  - C. Construct powerlines and lay pipelines along access roads and existing R-O-W's that will allow this well to produce oil and gas, see Exhibit "F" attached to APD.
- 2. PLANNED ACCESS ROADS: Up grade existing lease road and construct .25 mi. of new road.
  - A. the access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
  - B. Gradient on all roads will be less tha 5.00%.
  - C. Turn outs will be constructed where necessary.
  - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
  - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
  - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.
- 3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

Α.	Water wells -	None known
в.	Disposal wells -	None known
с.	Drilling wells -	None known
D.	Producing wells -	As shown on Exhibit "A-1"
E.	Abandoned wells -	As shown on Exhibit "A-1"

#### SURFACE USE PLAN

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

4. If this well is completed as a producer Concho Resources, Inc. will furnish maps and/or plats showing on site facilities and if necessary off site facilities. Exhibit "F" shows existing roads known pipelines & powerlines. Pipelines and powerlines necessary to produce this well will be laid and constructed along these roads and R-O-W's.

# 5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

# 6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit"C".

# 7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
  - C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sawage from living quaters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be provided for the rig craws. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

### 8. ANCILLARY FACILITIES:

A. No camps or airstrips to be constructed.

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

- 9. WELL SITE LAYOUT
  - A. Exhibit "D" shows the proposed well site layout.
  - B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
  - C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
  - D. If needed, the reserve pit is to be lined with polyethlene. The pit liner will be 6 mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
  - E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.
- 10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

- 11. OTHER INFORMATION:
  - A. Topography consists of sand dunes, sandy soils with native grasses consisting of Sand Sage, Scrub Oak, Snakeweed and Mesquite. Drainage is Westerly toward the Querecho Plains.
  - B. The surface is owned by The Bureau of Land Management, U.S. Dept. of Interior.
  - C. An Archaeological survey will be conducted and the results will be submitted to the Bureau of Land Management, Carlsbad, New Mexico.
  - D. No dwellings within one mile of location.
- 12. OPERATORS REPRESENTATIVE:

Field representative to contact regarding compliance with Application to Drill and Surface Use Plan is:

Before APD is approved.	After APD is approved.
Tierra Exploration Inc.	Concho Resources, Inc.
P.O. Box 2188	110 West Louisiana
Hobbs, N.M. 88241	Suite 410
Joe T. Janica	Midland, Texas 79702
Office Phone: 505-392-2112	Jim Blount 915-683-7442

13. <u>CERTIFICATION</u>: I hereby certify that I, or persons under by direct supervision, have inspected the proposed drill site 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 that the work associated with the operations proposed herein will be performed by Concho Resources, Inc. it's contractors/subcontractors in conformity with this plan and the terms and the conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for filing a false statement.

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- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- $\circ$  Briefing Areas
- Remote BOP Closing Unit
- □ Sign and Condition Flags

EXHIBIT "D" RIG LAY OUT PLAT

CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM



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ARRANGEMENT SRRA

900 Series 3000 PSI WP

> EXHIBIT "E" SKETCH OF B.O.P. TO BE USED ON CONCHO RESOURCES, INC. WEST SHUGART "17" FEDERAL # 1 UNIT "E" SECTION 17 T18S-R31E EDDY CO. NM

EDDY CO. NM



Typical choke manifold assembly for 3M WP system





### UNITED STATES DEPARTMENT OF THE INTERIOR Bureau of Land Management Roswell Field Office 2909 West Second Street Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: Street of Box: City, State: Zip Code: Concho Resources Inc. 110 W. Louisiana, Suite 410 Midland, TX 79702

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

Lease No.: NM-14847

Legal Description of Land:

T-18-S, R-31-E, NMPM, Section 17: W/2 NW/4 Eddy County, New Mexico

Formation(s) (if applicable): N/A

Bond Coverage: Individually bonded

BLM Bond File No.: NM 2611

Authorized Signature:

Michael M. Gray

Title:

Senior Landman

Date:

October 5, 2000

 $P:\GinaZ\Mike\Correspondence\Bureau\Statement\ 1.doc$