

July 19, 1973

The location falls in rocky, hilly pasture land. The nearest inhabited dwelling is 900 feet southwest of our Cawley A No. 1, or 3300' in a southwesterly direction from the proposed Elizando-Federal location.

As shown on the attached plat, it is planned to rig up with the V-door to the east and reserve pit to the north.

The surface owner, at the proposed location, is Mr. Manuel Elizando, P.O. Box 548, Carlsbad, New Mexico 88220. Mr. Elizando has been notified by letter dated July 18, 1973 of our intent to drill and a damage settlement offer made. We are currently awaiting his reply to our offer.

The primary objective of the well is the Morrow zone with projected TD 11,800'.

If completed as a producer, production equipment will be set no closer than 150' from the well with tanks set to collect both oil and water which will be trucked to sale or disposal. The gas purchaser will install necessary gas measuring equipment and pipeline.

The reserve pit will be lined when it is built. Upon completion, the pits will be backfilled and levelled, debris removed and surface equipment fenced. If it is a dry hole, the well will be plugged as per USGS requirements, the pits backfilled and levelled and all debris removed.

The proposed casing program consists of:

16" set at 450' with cement to be circulated to protect any fresh water zones that may be in the area.

10-3/4" set at 3100' in top of the Delaware formation with DV tool at 900'. Cement to be circulated to surface.

A 9-1/2" hole will be drilled below the 10-3/4" casing so that a second string of 7-5/8" may be set if hole conditions dictate. This string of casing will not be set if it is not necessary.

If not necessary to set the 7-5/8", the well will be drilled to TD 11,800' with the 9-1/2" hole. If the well is productive, a full string of 5-1/2" casing will be run from surface to TD and cemented with sufficient volume of cement to cover all productive zones.

In the event the 7-5/8" casing is set, a 6-1/2" hole will be drilled to TD and a 5" liner will be run and cemented to tie back into the 7-5/8" casing.

In addition to the blow out prevention equipment shown on the attached plats, the following equipment will be in use before drilling out under the 10-3/4" intermediate casing:

1. Swaco adjustable choke in choke manifold.

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