

August 30, 1974

The State "CQ" No. 1 is located one mile due west of Southern Union's Avalon Gas Plant and is 500' north of the black topped road leading to the plant. Projected TD is 11,650'. The primary objective is the Morrow Sand. Secondary objectives are Wolfcamp, Canyon and Strawn.

The location is on State land leased to Mr. J. D. Spears, Box 1017, Carlsbad, New Mexico 88220, telephone no. 505/885-6641. Mr. Spears has been notified of our intent to drill.

The reserve pit will be lined when it is built. Upon completion of the well, the pits will be backfilled and levelled and debris removed.

If the well is 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.

If it is a dry hole, the well will be plugged in accordance with New Mexico Oil Conservation Commission requirements.

The proposed casing program consists of:

16" casing set at 350' with cement circulated to surface.

10-3/4" casing set at 3000' with cement circulated to surface.

5-1/2" casing set at TD 11,650' and cemented with sufficient volume to fill the annular space from TD to 8000'.

In the event abnormal pressures are encountered in the Wolfcamp, Canyon or Strawn formations, this casing design allows the flexibility of running a second intermediate string of 7-5/8" casing to case off the weak Bone Spring and Delaware Sandstone formations.

In addition to the blowout preventer equipment shown on the attached plat, the following equipment will be in use before drilling out from under the 10-3/4" intermediate casing:

1. Swaco adjustable choke.
2. Pit volume totalizer.
3. Flow line sensor.
4. Degasser.

Application for Permit to Drill State "CQ" No. 1  
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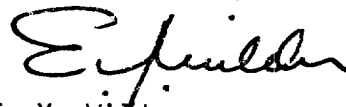
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Also, prior to drilling out under the 10-3/4", the BOP's and related control equipment will be pressure tested to rated working pressure by Yellow Jacket Tools and Services, Inc.

This well will be drilled in accordance with USGS requirements stated in their Order No. 30 CFR 221.24, 221.36 and 221.37.

Please contact me at the above address if further information is needed to properly evaluate this request.

Yours very truly,

A handwritten signature in dark ink, appearing to read "E. Y. Wilder". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

E. Y. Wilder  
Region Operations Manager  
Southwest Region  
E & P Division

EYW/lis

Attachments