

Application for Permit to Drill State "CW" No. 1

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August 31, 1976

The State "CW" No. 1 is approximately 10 miles north of Carlsbad, New Mexico. The location is 2000' west of State Highway 239 on State land that is leased for grazing purposes to Lois Fanning Clayton (Mrs. Carl Clayton), 902 W. Texas, Artesia, New Mexico 88210, telephone No. (505) 746-3982. Mrs. Clayton has been notified of our intent to drill and we are currently negotiating a damage settlement.

The well is projected to test the Morrow Sands with an anticipated T.D. of 11,400'. Other shallower zones will be tested if production is indicated as the well is being drilled.

If completed as a producer, producing 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 gas gathering line.

The reserve pit will be lined when it is built. If the well is a producer, the pits will be backfilled, levelled, debris removed and surface equipment fenced. If it is a dry hole, the well will be plugged as per New Mexico Oil Conservation Commission requirements, the pits backfilled and levelled and all debris removed.

The proposed casing program consists of:

13-3/8" casing set at 600' with cement circulated to surface.

8-5/8" casing set at 3000' with cement circulated to surface.

5-1/2" casing set at T.D. 11,400' and cemented with sufficient volume to fill the annular space from T.D. to 8000'.

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 8-5/8" intermediate casing:

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

Also, prior to drilling out under the 8-5/8", the BOP's and related control equipment will be pressure tested to rated working pressure by Yellow Jacket Tools and Services, Inc.