

Application for Permit to Drill Tracy "E" No. 1

Page No. 2

September 1, 1976

The Tracy "E" No. 1 is located in La Huerta adjacent to and north of Carlsbad, New Mexico. The location is on a 5.26 acre tract belonging to Mr. Francis Tracy, Jr., 1601 N. Guadalupe, Carlsbad, New Mexico 88220. Telephone No. (505) 885-4857. Mr. Tracy has been notified of our intent to drill and an amicable damage settlement has been made.

The location is in an open area of about 40 acres. There are houses on all sides but it is over 800' to the nearest inhabited residence. It is an ideal site for a drilling rig and the casing program we are proposing should minimize any danger of mishap.

The well is projected to test the Morrow Sands with an anticipated T.D. of 11,480'. The Wolfcamp and Strawn are secondary objectives.

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:

16" casing at 400' with cement circulated to surface.

10-3/4" casing at ~~1850'~~
2250' with cement circulated to surface.

7-5/8" casing at 8850' in top of Wolfcamp and cemented with 500 sacks.

5" liner 8600-11,480' and cemented with 430 sacks.

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" casing:

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