OFFICIAL FILE COPY

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DEC 3 1992

O. C. D.

NOV 24 1992 ARTESIA OFFICE

3160(067)
NM-89054
CCC 11-10-92
REM 11/12/92
DA Lopez 11/13/92
T.R. Kreager 11/17/92

CERTIFIED--RETURN RECEIPT REQUESTED
P 319 323 858

Maralo, Inc.
Attention: Joe T. Janica
P. O. Box 832
Midland, TX 79702

RE: MR "25" Federal Well No. 1
NM-89054
650' FSL and 790' FEL, Sec. 25, T21S, R31E
Eddy County, New Mexico

Dear Mr. Janica:

On October 14, 1992, Maralo, Inc. filed an Application for Permit to Drill (APD) at the above referenced location. I am happy to approve your Application for Permit to Drill (APD) at the present location. Your copy of the APD, with attached stipulations, is enclosed.

Through our analysis of the APD, we have determined that the well site is located a sufficient distance from the ore zones that potash resources should not be impacted.

If you have any additional information, please contact Tony Herrell at the Carlsbad Resource Area (505) 887-6544.

Sincerely,

Larry L. Woodard

Larry L. Woodard
State Director

1 Enclosure:

bcc:
NM (910, L. Woodard)
NM (920, R. Smith)
NM (060, L. Cone)
NM (065, A. Lopez)
NM (067, T. Herrell)

067:CCranston:er:11/6/92:A:\25MR#1.AL

30-015-27325

Form 3160-3
(December 1990)

NM OIL CONS. MISSION
Drawer DD
Artesia, NM 88210

SUBMIT IN PLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

DEC 3 1992
O. C. D.

5. LEASE DESIGNATION AND SERIAL NO.: NM-89054
6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
7. UNIT AGREEMENT NAME:
8. FARM OR LEASE NAME, WELL NO.: MR "25" Federal #1
9. API WELL NO.:
10. FIELD AND POOL, OR WILDCAT: Lost Tank - Delaware
11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Section 25, T21S-R31E

1a. TYPE OF WORK: DRILL [XX] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [XX] GAS WELL [ ] OTHER — SINGLE ZONE [ ] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: Maralo, Inc.

3. ADDRESS AND TELEPHONE NO.: P O Box 832, Midland, TX 79702 (915)684-7441

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 660' FSL & 790' FEL, Section 25, T21S-R31E
At proposed prod. zone: Same

12. COUNTY OR PARISH: Eddy
13. STATE: NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: Approximately 35 miles East of Carlsbad, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660'	40	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
N/A	8600'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): GL 3662.2

22. APPROX. DATE WORK WILL START*: 11/30/92

23. PROPOSED CASING AND CEMENTING PROGRAM — Secretary's Potash / R-111-P Potash

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8 8R H-40	54.5#	850'	900 sx Class "C" circulate
12 1/4"	8 5/8 8R J-55	32#	4300'	1750 sx circulate
7 7/8"	5 1/2 8R J-55	17#	8600'	1000 sx Top cement 4100' (200' into 8⅝") 25% excess (35%)

Post ID-1
12-11-92
New Loc + BPI

1. Set 40' of 20" conductor and cement to surface.
2. Drill 17 1/2" hole to 850'. Run new 13 3/8" 54.5# H-40 ST&C csg, cement with 900 sx Class "C" cement + 2% CaCl, circulate to surface.
3. Drill 12 1/4" hole to 4300'. Run new 8 5/8" 32# K-55 ST&C csg, cement with 1500 sx light cement, tail in with 250 sx premium neat, circulate cement to surface.
4. Drill 7 7/8" hole to 8600'. Run new 5 1/2" 17# K-55 LT&C csg, cement with 1000 sx premium 50/50 POz, mix cement volume to fill up to 4100' (35%) with 25% excess.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED Janet Janica TITLE Agent DATE 10/12/92

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

*See Instructions On Reverse Side

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, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator	Lease	Well No.
MARALO, INC.	MR 25 FEDERAL	1

Unit Letter	Section	Township	Range	County
P	25	21 SOUTH	31 EAST NMPM	EDDY

Actual Footage Location of Well:
660 feet from the SOUTH line and 790 feet from the EAST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3662.2'	Delaware	Lost Tank - Delaware	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

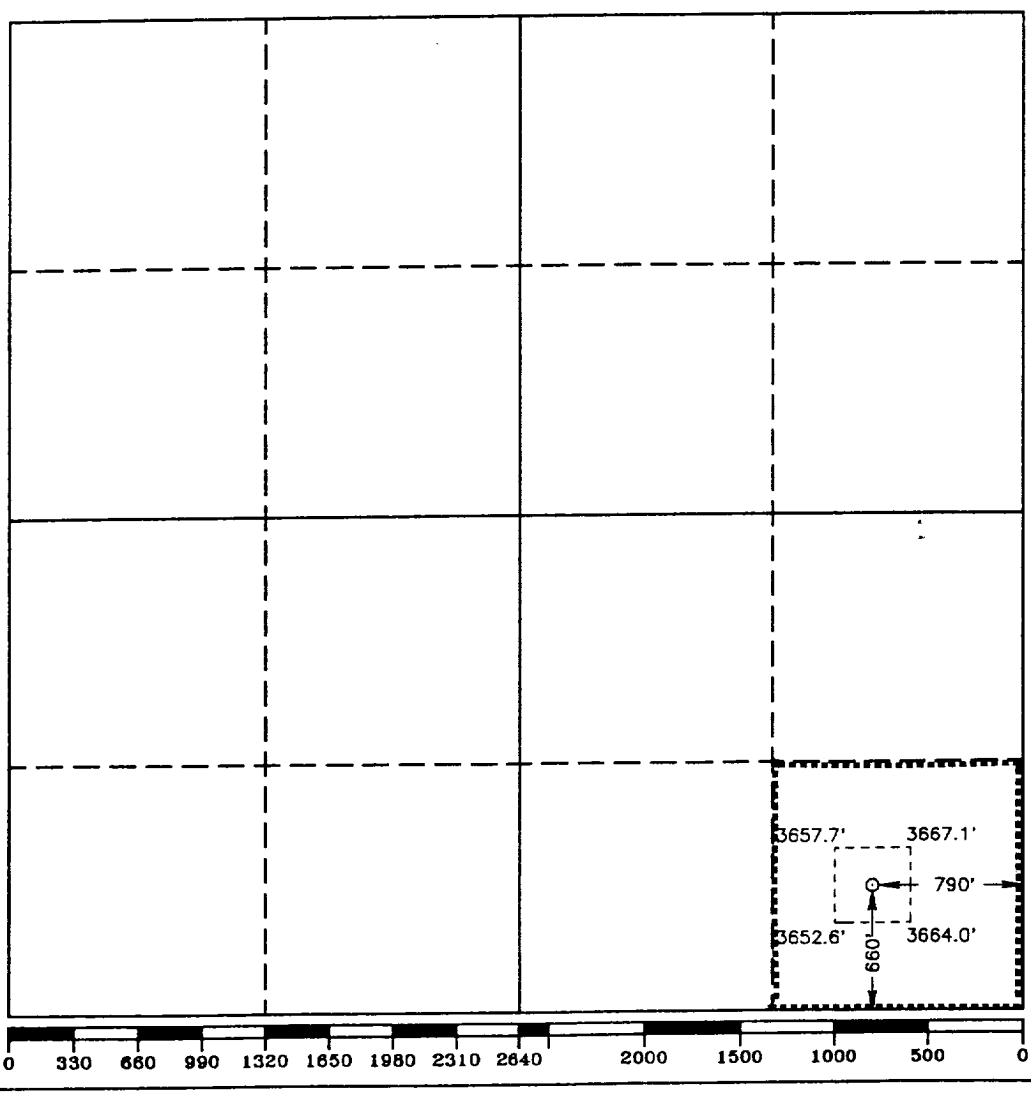
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes ☒ No If answer is "yes" type of consolidation _____

If answer is "no" list of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary. _____

No allowable will be assigned to the well unit all interests have been consolidated (by communitization, unitization, forced-pooling, otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Joe T. Janica

Printed Name: Joe T. Janica

Position: Agent for Maralo, Inc.

Company: Maralo, Inc.

Date: 09/30/92

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: SEPTEMBER 23, 1992

Signature & Seal of Professional Surveyor

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL SURVEYOR

Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239
GARY L. JONES, 7977

92-11-1413

EXHIBIT A

APPLICATION TO DRILL

Maralo, Inc.
MR "25" Federal #1
Section 25, Unit "P", T21S-R31E
Eddy County, New Mexico

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

1. Location: 790' FEL, & 660' FSL Section 25, T21S-R31E, Eddy County, New Mexico

2. Elevation Above Sea Level: 3662.2'

3. Geologic Name of Surface Formation: Pleistocene Aeolian deposit

4. Drilling Tools and Associated Equipment: Conventional rotary drilling rig using mud for the circulation medium.

5. Proposed Drilling Depth: 8600'

6. Estimated Geological Marker Tops:

Rustler Anhydrite	820'
Delaware	4000'
Cherry Canyon	5740'
Brushy Canyon	7120'
Bone Springs	8470'

7. Possible Mineral Bearing Formation:

Cherry Canyon	5740'	Oil
Brushy Canyon	7120'	Oil
Bone Springs	8470	Oil

8. Casing Program:

Hole Size	Interval	OD Csg	Weight Thread Grade Condition
25	0 - 40	20	Conductor .30 Wall New
17 1/2	0 - 850	13 3/8	54.5# 8R J-55 ST&C New
12 1/4	0 - 4300	8 5/8	32# 8R J-55 ST&C New
7 7/8	0 - 8600	5 1/2	17# 8R J-55 LT&C New

9. Cementing and Setting Depth:

20" Conductor	Set @ 40' cement with Readymix to surface.
13 3/8" Surface Casing	Set @ 850' cement with 900 sx Class "C" cement w/2% CaCl circulate to surface.
8 5/8" Intermediate Casing	Set @ 4300' cement with 1500 sx Light cement tail in with 250 sx of premium neat cement circulate to surface.
5 1/2" Production Casing	Set @ TD 8600' cement with 1000 sx premium 50/50 POz volume to fill up to 4100' 25% excess. SJS

10. Pressure Control Equipment: Exhibit "E". A Blow-out Preventer (no less than ~~1500~~ 900 series) consisting of double ram type preventer with bag type preventer. Both units will be hydraulically operated. Blind rams on top, pipe rams on bottom to correspond with size of drill pipe in use. BOP will be nippled up on 13 3/8" casing and remain on well until casing is run and cemented. BOP will be tested as well as choke manifold. BOP will be worked at least once each day while drilling and blind ram and Hydril will be worked on trips when no drill pipe is in hole. Flow sensor PVT, full opening stabbing valve and upper kelley cock will be utilized.

11. Proposed Mud Circulating System:

Depth	Mud Wt.	Mud Visc.	Fluid Loss	Type Mud
0- 850	8.6 - 9.0	34-36	NC	Spud Mud
850-4300	10.0 - 10.1	28-29	NC	Brine water w/lime for pH control and paper for seepage
4300-6000	9.0 - 9.2	28-29	20-30cc	Cut brine with starch lime for pH control and paper for seepage
6000-8600	9.0 - 9.5	29-32	10cc	Cut brine with starch lime for pH control and paper for seepage

To log well and run casing viscosity may have to be raised and water loss may be required to be lowered to 8cc or less depending on hole conditions.

12. Testing, Logging and Coring Programs:
(A) Possible D.S.T. if shows dictate.
(B) Open hole logs: DLL w/LDT-CNL w/PEF Cal-SFL from TD to 4300' with gamma ray to surface.
(C) No coring planned.
(D) Two man mud logging unit will start logging @ 4400' and log to TD.

13. Potential Hazards: No abnormal pressures or temperature zones are expected (nothing abnormal in offset wells). Hydrogen sulfide gas is not anticipated however, precautions for detection will be observed. * detectors @ flowline and cellar
No major lost circulation is expected (none reported in this area).

14. Anticipated Starting Date and Duration of Operation: Road and location construction will begin after BLM approval of APD. Anticipated spud date 11/30/92. Drilling expected to take 20 to 28 days. If production casing is run an additional 30 days to complete and construct surface facility and place well on production.

15. Other Facets of Operations: After running casing, cased hole gamma ray collar correlation logs will be run from total depth over possible pay intervals. The Delaware pay will be perforated and stimulated. The well will be swab tested and potentialed as an oil well.

SURFACE USE PLAN

Maralo, Inc.
MR "25" Federal #1
Section 25, Unit "P", T21S-R31E
Eddy County, New Mexico

1. EXISTING ROADS - Area map, Exhibit "B", is a reproduction of the New Mexico General Hi-Way Map. Existing and proposed roads are shown on the exhibit. All roads shall be maintained in a condition equal that which existed prior to the start of construction.

   A. Exhibit "A" shows the proposed development well site as staked.

   B. From Hobbs, New Mexico take U.S. Highway 62-180 toward Carlsbad, New Mexico, go 39 miles to County Road C-29. Turn south, go 7.6 miles to location on west side of road, turn west go 790' to location.

2. PLANNED ACCESS ROADS - Approximately 750' of new access road will be constructed.

   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 than 5.00%.

   C. No turnouts will be constructed.

   D. If needed, road will be surfaced with a minimum of 4" 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 Topography.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS - Exhibit "A-1"
   (A) Water wells - None known
   (B) Disposal wells - None known
   (C) Drilling wells - See Exhibit "A-1"
   (D) Producing wells- See Exhibit "A-1"
   (E) Abandoned wells- None known
   (F) Staked Location- See Exhibit "A-1"

4. If, upon completion, the well is a producer, Maralo, Inc. will furnish maps or plats showing On Well Pad facilities and Off Well Pad facilities (if needed) on a Sundry Notice before construction of these facilities starts.

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 MATERIALS

   If needed, construction materials will be obtained from the drill site's excavations or from a local source. These materials will be transported over the access route as shown on Exhibit "A".

7. METHODS FOR HANDLING WASTE DISPOSAL

   A. 1. Drill cuttings will be disposed of in the reserve pit.

      2. Trash, waste paper, and garbage will either be contained in a fenced trash trailer or in a trash pit, fenced with mesh wire to prevent wind-scattering during storage. When the rig moves out, all trash and debris left at the site will be contained to prevent scattering and will be buried at least 36" deep within a reasonable period of time. ↳ Burial on site is prohibited. (578)

      3. Salts remaining after completion of the well will be picked up by the supplier, including broken sacks.

      4. Sewage from trailer houses will drain into holes with minimum depth of 10'00". These holes will be covered during drilling and backfilled upon completion. A "porta John" will be provided for the rig crews. This will be properly maintained during the drilling operations and removed upon completion of the well.

   B. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for backfilling. In the event drilling fluids will not evaporate in a reasonable period of time they will be transported by tank truck to a state approved disposal site.

      Water produced during testing of the well will be disposed of in the reserve pit. Oil produced during testing of the well will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITILS

   No camps or airstrips will be constructed.

9. WELL SITE LAYOUT

A. Exhibit "D" shows the proposed well site layout.

B. This exhibit indicates proposed location of reserve and trash 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 polyethylene. 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.

11. OTHER INFORMATION

A. The topography is rather level with a dip to the east (approximately 25' per mile.) Sandy soil Pleistocene age aeolian deposits, native grass with mesquite.

B. The surface is used to mainly access producing wells in the area and grazing for livestock. It is administered by the New Mexico State Game Commission and is being leased to Kenneth Smith, P O Box 764, Carlsbad, NM 88221.

C. An archeological study is being conducted for the location and new access road. The report will be submitted separately when completed.

D. There are no buildings of any kind in the area.

12. OPERATOR'S REPRESENTATIVE - field representative for contact regarding compliance with the Surface Use Plan is:

Before and during construction:
Natural Resources Engineering, Inc.
P O Box 2188
Hobbs NM 88241
Office Phone (505)392-2112
Joe T. Janica

After construction:
Maralo, Inc.
P O Box 832
Midland TX 79702
Office Phone (915)684-7441
Dick Lowery

3. CERTIFICATION - I hereby certify that I, or persons under my 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 Maralo, Inc and its contractors/ subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

NAME : Joe T Janica

DATE : 10/12/92

TITLE : Agent.

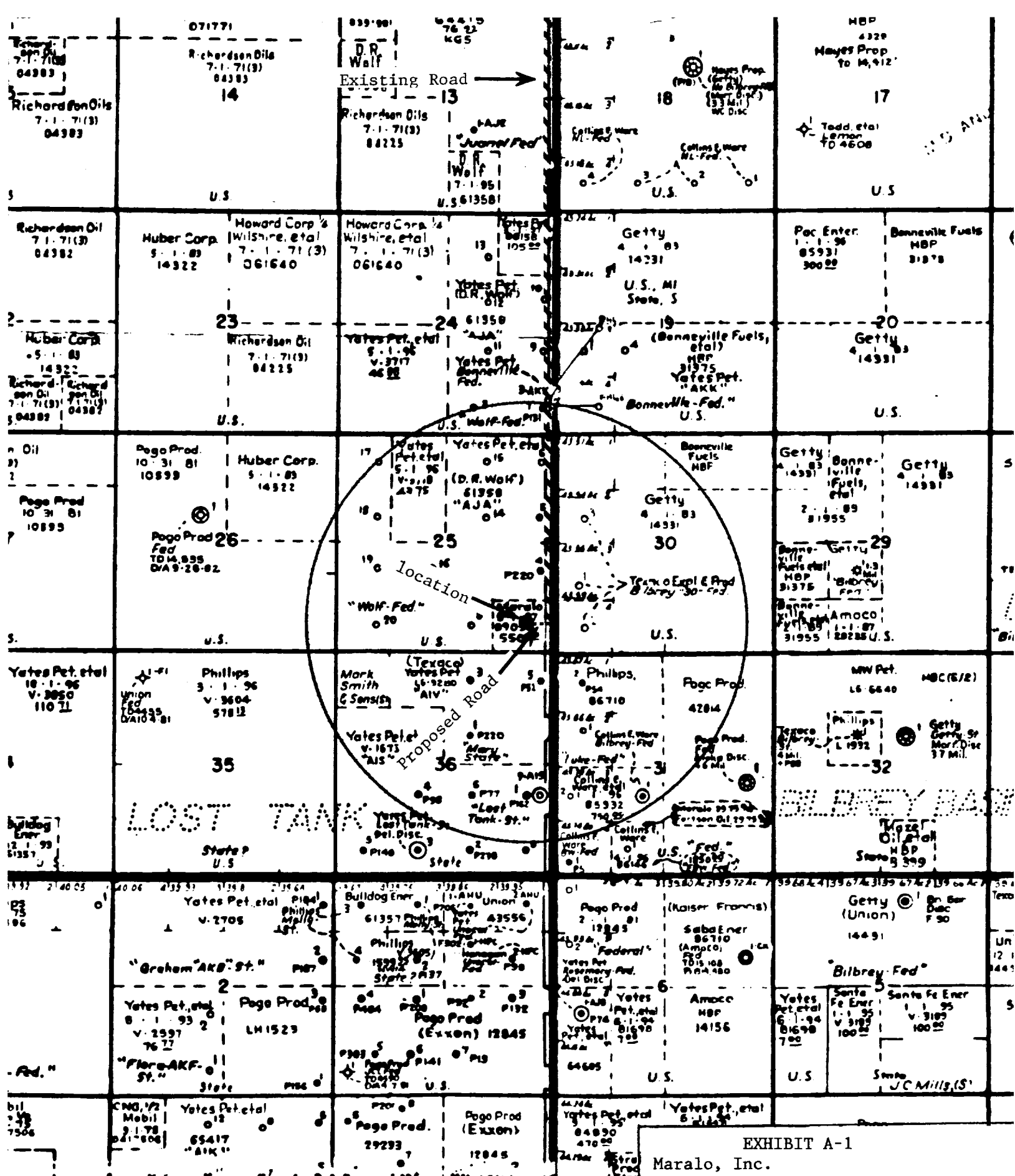


EXHIBIT A-1
Maralo, Inc.
One Mile Radius Map
MR "25" Federal #1
660' FSL & 790' FEL, Section 25
T21S-R31E Eddy Co., NM

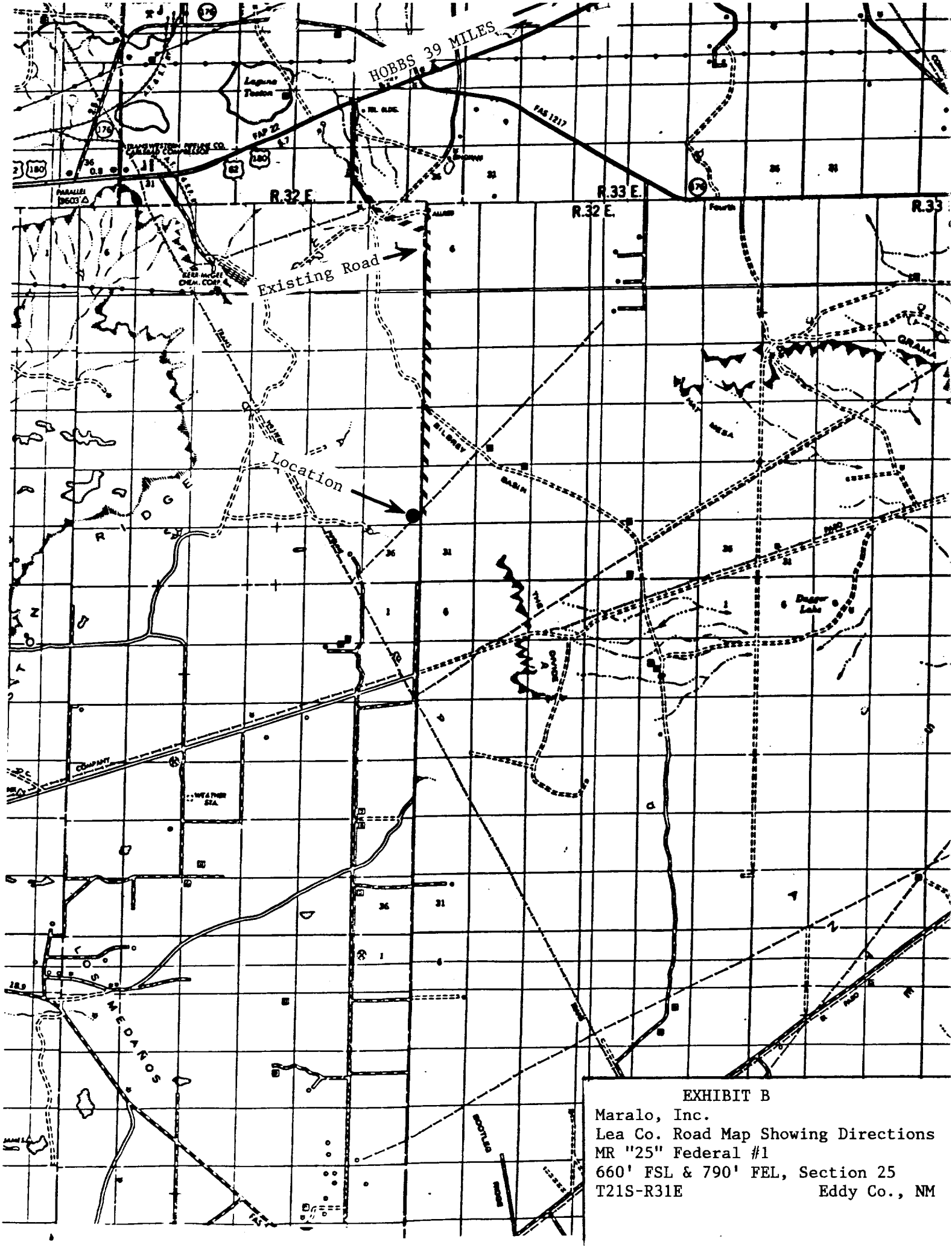


EXHIBIT B
Maralo, Inc.
Lea Co. Road Map Showing Directions
MR "25" Federal #1
660' FSL & 790' FEL, Section 25
T21S-R31E Eddy Co., NM

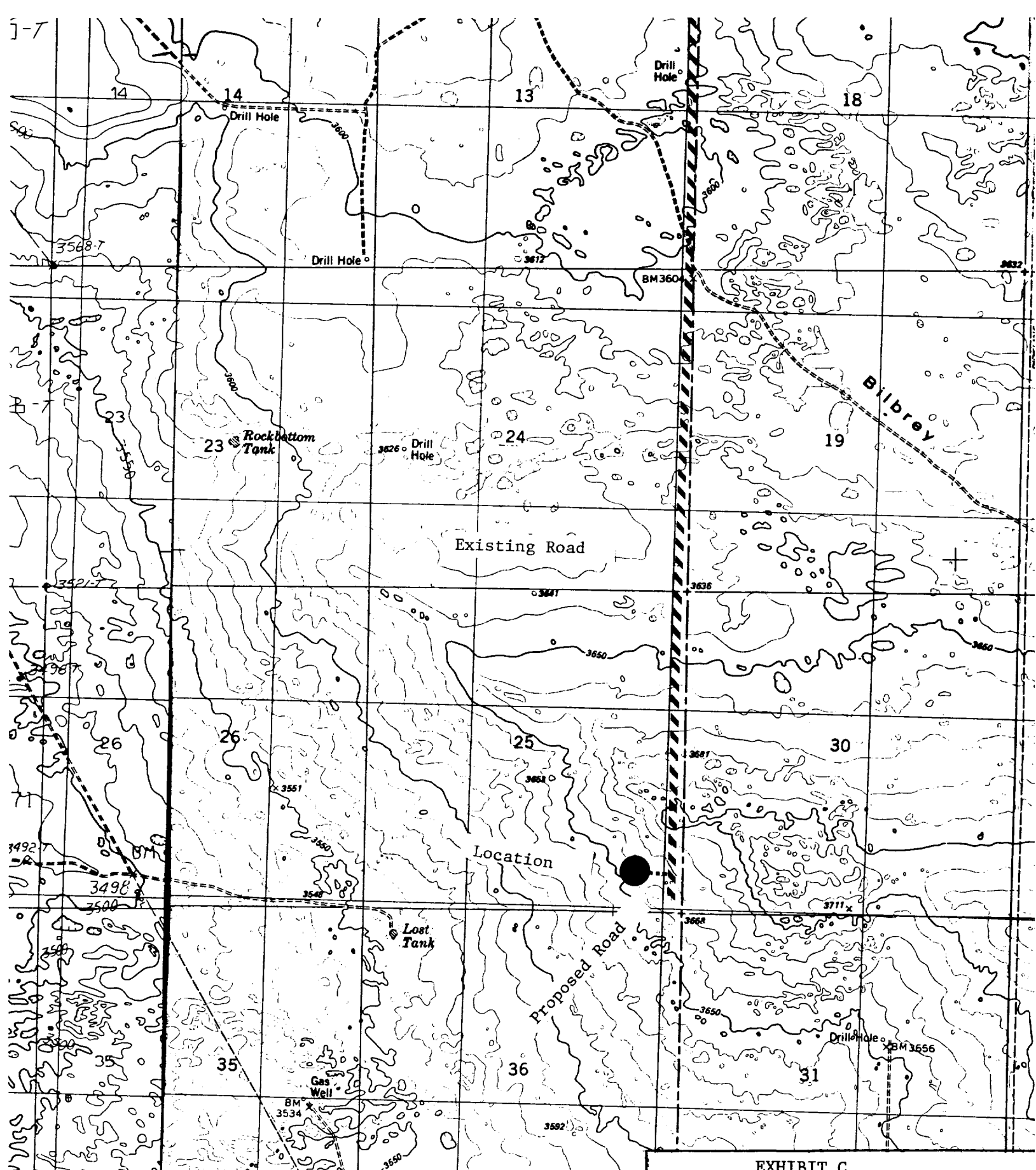


EXHIBIT C
Maralo, Inc.
Location & Access Road Map
MR "25" Federal #1
660' FSL & 790' FEL, Section 25
T21S-R31E Eddy Co., NM

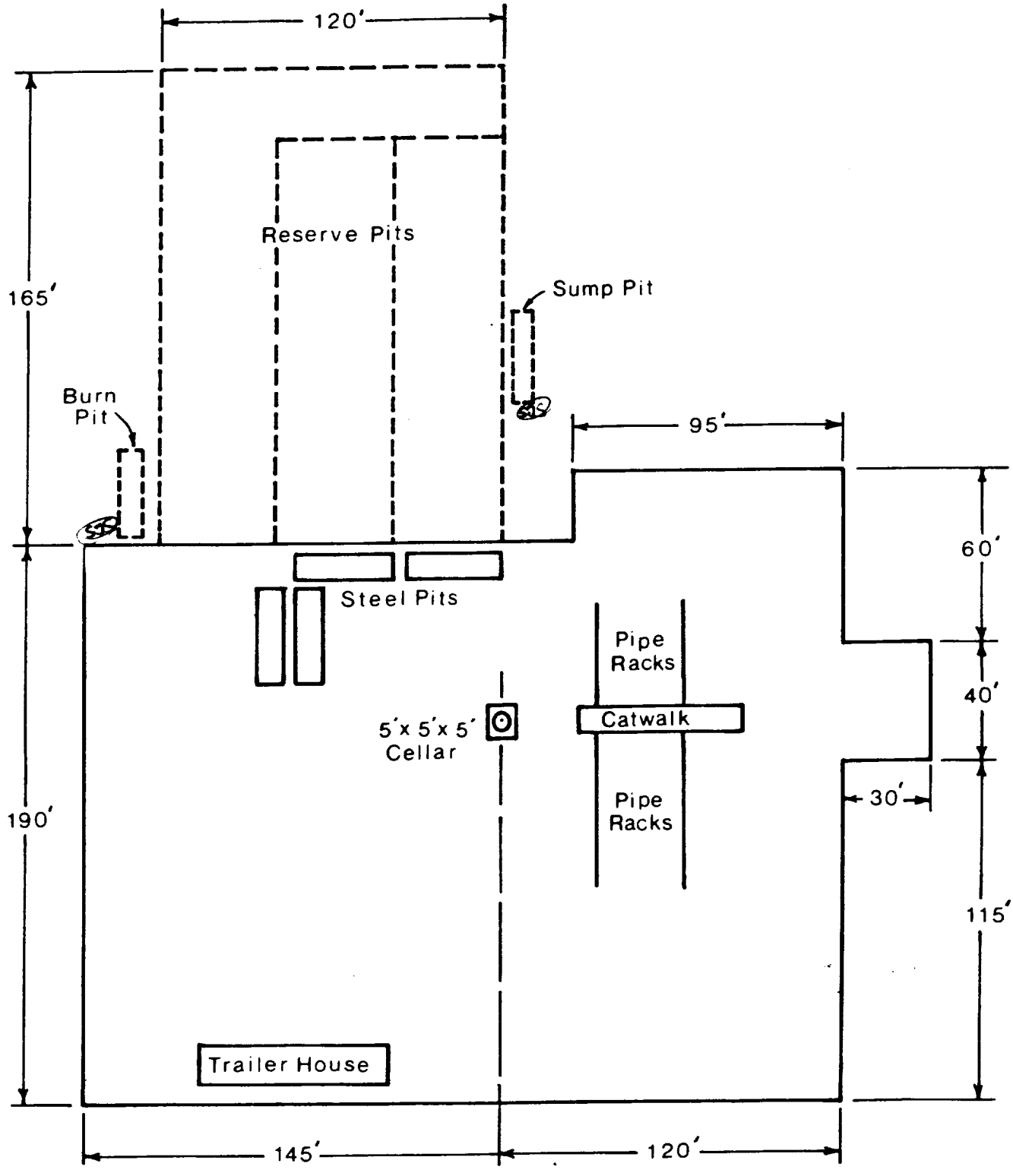


EXHIBIT D
Maralo, Inc.
Plat of Rig Layout
MR "25" Federal #1
660' FSL & 790' FEL, Section 25
T21S-R31E Eddy Co., NM

BLOWOUT PREVENTOR ARRANGEMENT

11" SHAFFER TYPE LWS, ~~5000~~ 3000 psi WP

11" CAMERON SPHERICAL, ~~5000~~ 3000 psi WP

120 GALLON, 5 STATION KOOMEY ACCUMULATOR

~~5000~~ 3000 psi WP CHOKE MANIFOLD

SJS

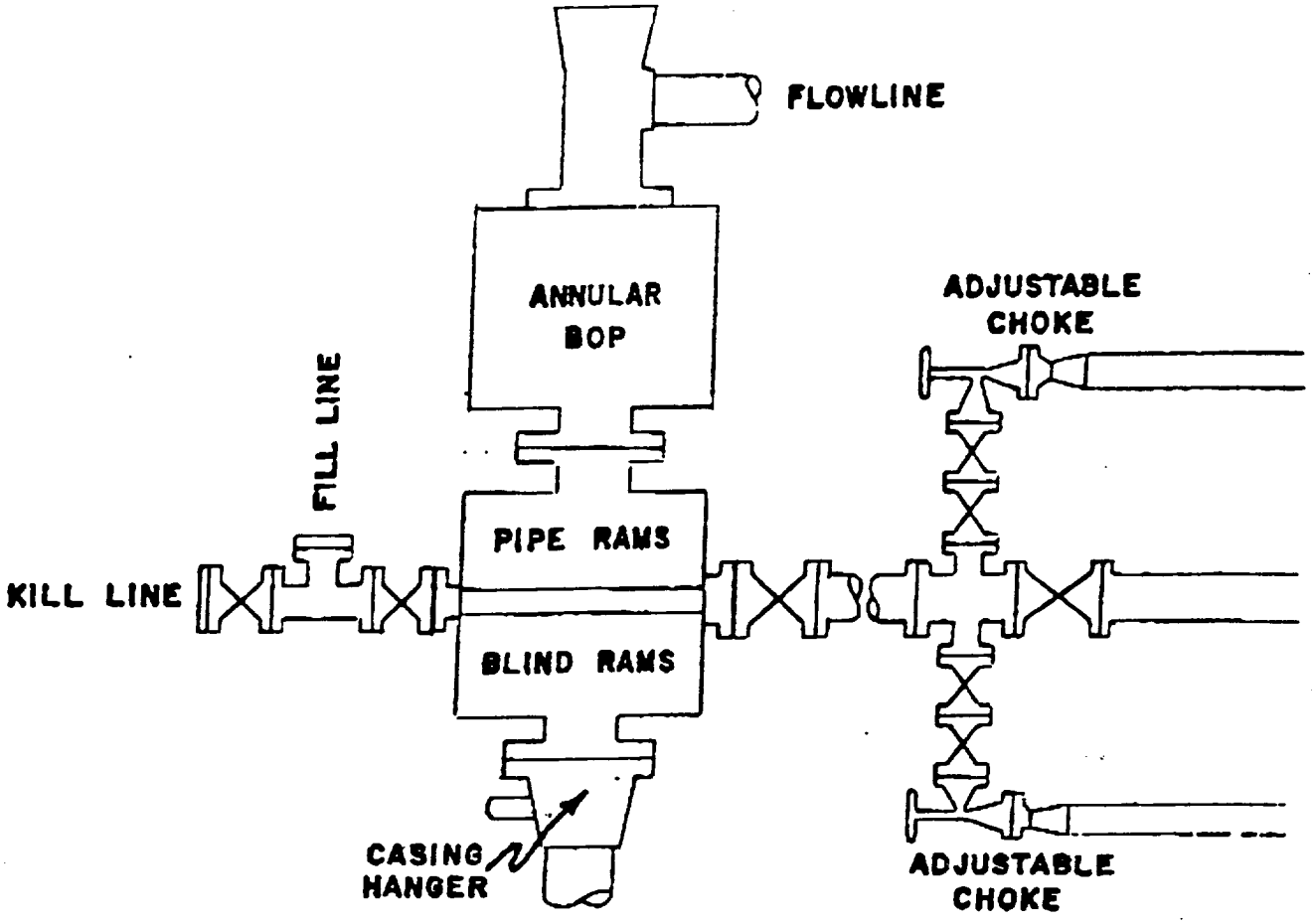


EXHIBIT E
Maralo, Inc.
BOP sketch of type to be used on
MR "25" Federal #1
660' FSL & 790' FEL, Section 25
T21S-R31E Eddy Co., NM

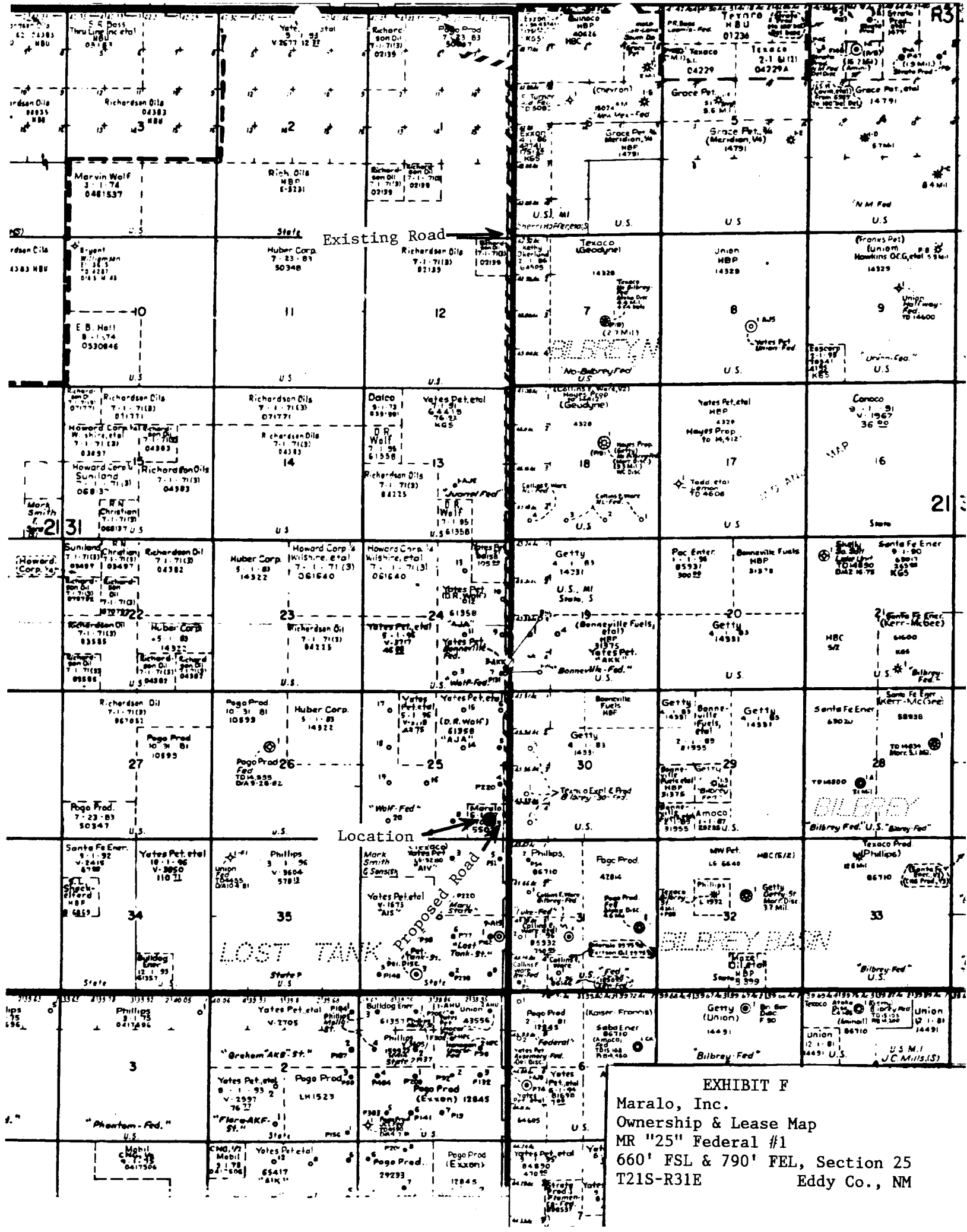


EXHIBIT F
Maralo, Inc.
Ownership & Lease Map
MR "25" Federal #1
660' FSL & 790' FEL, Section 25
T21S-R31E Eddy Co., NM