

# Application for Permit to Drill Colonia "A" No. 1

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The Colonia "A" No. 1 location is 548' west of the nearest inhabited dwelling on San Jose Street. It is 312' north of an E-W power line and 385' southeast of a baseball field. The remainder of the area to the west and south is predominately open pasture land.

In addition to the requirements of the New Mexico Oil Conservation Commission, the well will be drilled in compliance with the City of Carlsbad Ordinance No. 748 and USGS requirements stated in their Order No. 30 CFR 221.24, 221.36 and 221.37.

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. Surface equipment will be fenced and beautified to comply with the City of Carlsbad ordinance.

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

The proposed casing program consists of:

13-3/8" set at 350' with cement circulated to surface.

9-5/8" set at 5300' with cement circulated to surface.

5-1/2" set at TD 11,700' with sufficient cement to fill the annulus to 8000'.

In addition to the blow out preventer equipment shown on the attached plat, the following equipment will be in operation before drilling out from under the 9-5/8" casing:

1. Swaco adjustable choke in choke manifold.
2. Pit volume totalizer.
3. Trip tank.
4. Flow line sensor.
5. Degasser.

Also prior to drilling out under the 9-5/8" casing, the BOP's and related equipment will be pressure tested to rated working pressure by an independent