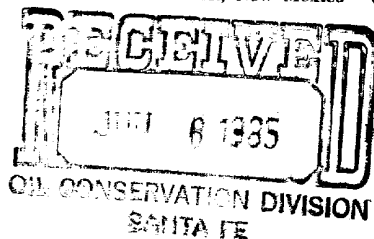




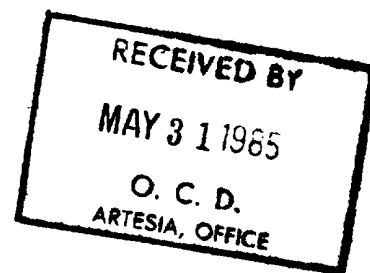
United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Box 1397, Roswell, New Mexico - 88201

NM-40655
3800 (060)

May 24, 1985

Kaneb Producing Company
400 Wilco Building
Midland, TX 79701-4466

Dear Sir:

Your application for Permit to Drill well No. 1 Federal 24 in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 24, T. 23 S., R. 31 E., Eddy County, New Mexico, lease NM-40655, to a depth of 6500 feet to test the Cherry Canyon formation in the oil-potash area, is hereby approved as amended by stipulations attached to the application.

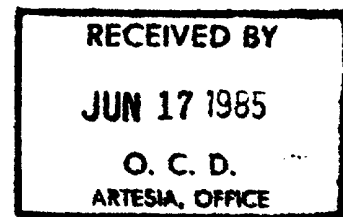
One copy of the application is returned herewith. Please notify the Bureau of Land Management office checked on the attached special stipulation in sufficient time for a representative to witness all cementing operations.

Sincerely yours,

Orig. Sgd. David L. Marl

Francis R. Cherry, Jr.
AssooTate District Manager

Enclosure

cc:
NMOC (2) 2

RECEIVED
JUN 17 1985
UNITED STATES
DEPARTMENT OF THE INTERIOR
ARTESIA, OFFICE
GEOLOGICAL SURVEY

30-015-25305

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

RECEIVED BY
PLUG BACK BY

b. TYPE OF WELL

OIL WELL ☒

GAS WELL ☐

OTHER ☐

SINGLE ZONE ☐

MAY 8 1985
MULTIPLE ZONE ☐

2. NAME OF OPERATOR

Producing
Kaneb Oil & Gas Company

3. ADDRESS OF OPERATOR

400 Wilco Building, Midland, Texas 79701-4466

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1980' FNL and 467' FWL

At proposed prod. zone

1980' FNL and 467' FWL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

21 miles East of Loving, New Mexico

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

467'

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

NA

16. NO. OF ACRES IN LEASE

320

19. PROPOSED DEPTH

6500'

17. NO. OF ACRES ASSIGNED TO THIS WELL

40

20. ROTARY OR CABLE TOOLS

Rotary

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

3496' GR

22. APPROX. DATE WORK WILL START*

June 1, 1985

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48#	500' C. DATE	See reverse and Exhibit H
12-1/4"	8-5/8"	24# & 32#	4300' C. DATE	
7-7/8"	4-1/2"	11.6#	6500'	

Mud Program: See Exhibit G.

Bop Program: See Exhibit E.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 L. D. Sorensen L. D. Sorensen TITLE Division Production Mgr. DATE May 6, 1985

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Instructions

General: This form is designed for submitting proposals to perform certain well operations, as indicated, on all types of lands and leases for appropriate action by either a Federal or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form, and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office.

Item 1: If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations. Consult applicable State or Federal regulations concerning subsequent work proposals or reports on the well.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 14: Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on this reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal or State agency offices.

Items 15 and 18: If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective production zone.

Item 22: Consult applicable Federal or State regulations, or appropriate officials, concerning approval of the proposal before operations are started.

★ U.S. GOVERNMENT PRINTING OFFICE : 1963-O-711-396

Cement Program (also see Exhibit F):

13-3/8" casing: 530 sx Class "C" containing 2% CaCl₂

8-5/8" casing: 1840 sx Pacemaker Lite containing 3% salt and 1 lb/sx Hiseal; tail in with 390 sx Class "C" neat.

4-1/2" casing: 660 sx 50-50 Pozmix "A" Class "C" containing 5 lb/sx salt.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

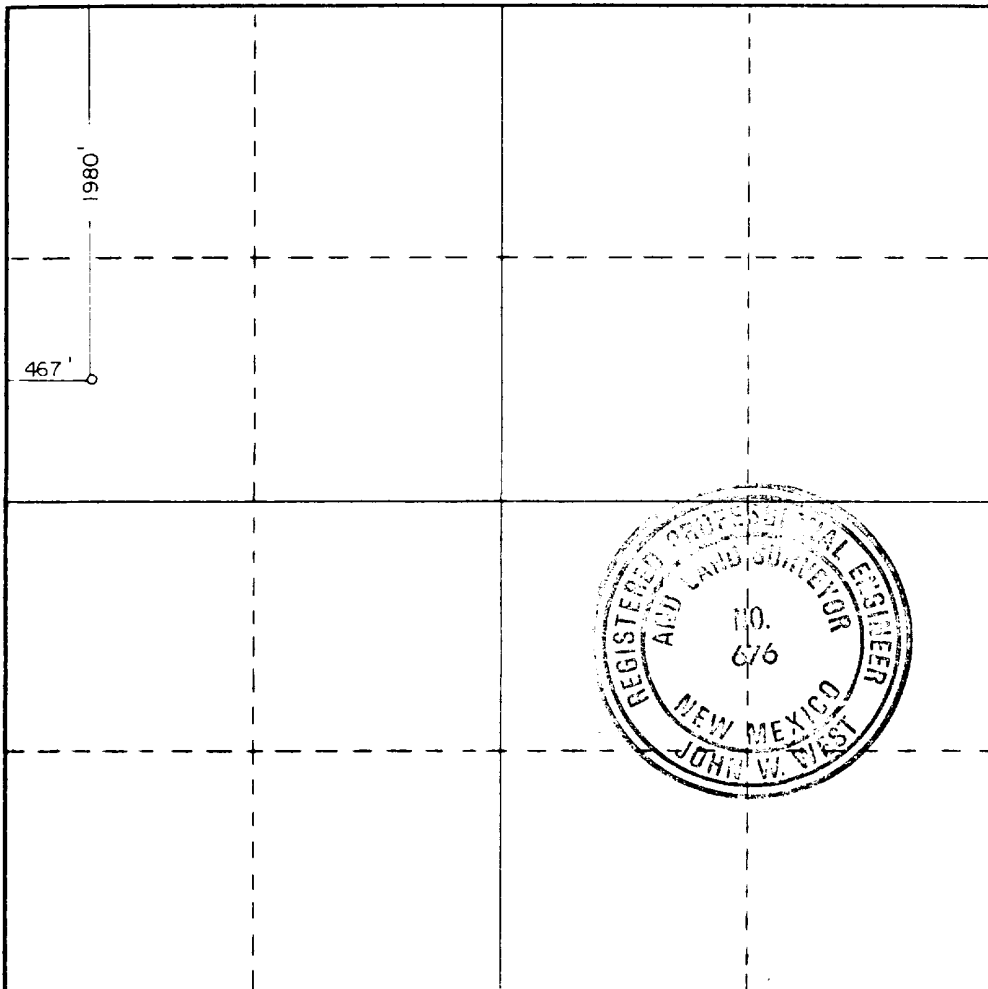
Operator Producing KANEB OIL & GAS CO.		Lease FED 24		Well No. 1
Unit Letter E	Section 24	Township 23S	Range 31E	County EDDY
Actual Footage Location of Well: 1980 feet from the NORTH line and 467 feet from the WEST line				
Ground Level Elev. 3496.0	Producing Formation Cherry Canyon	Pool Sand Dunes (Cherry Canyon)	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 interests 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 the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

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



CERTIFICATION

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

L. D. Sorensen

Name

L. D. Sorensen

Position

Division Production Manager

Company

Kaneb Oil & Gas Company

Date

May 6, 1985

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 supervision, and that the same is true and correct to the best of my knowledge and belief.

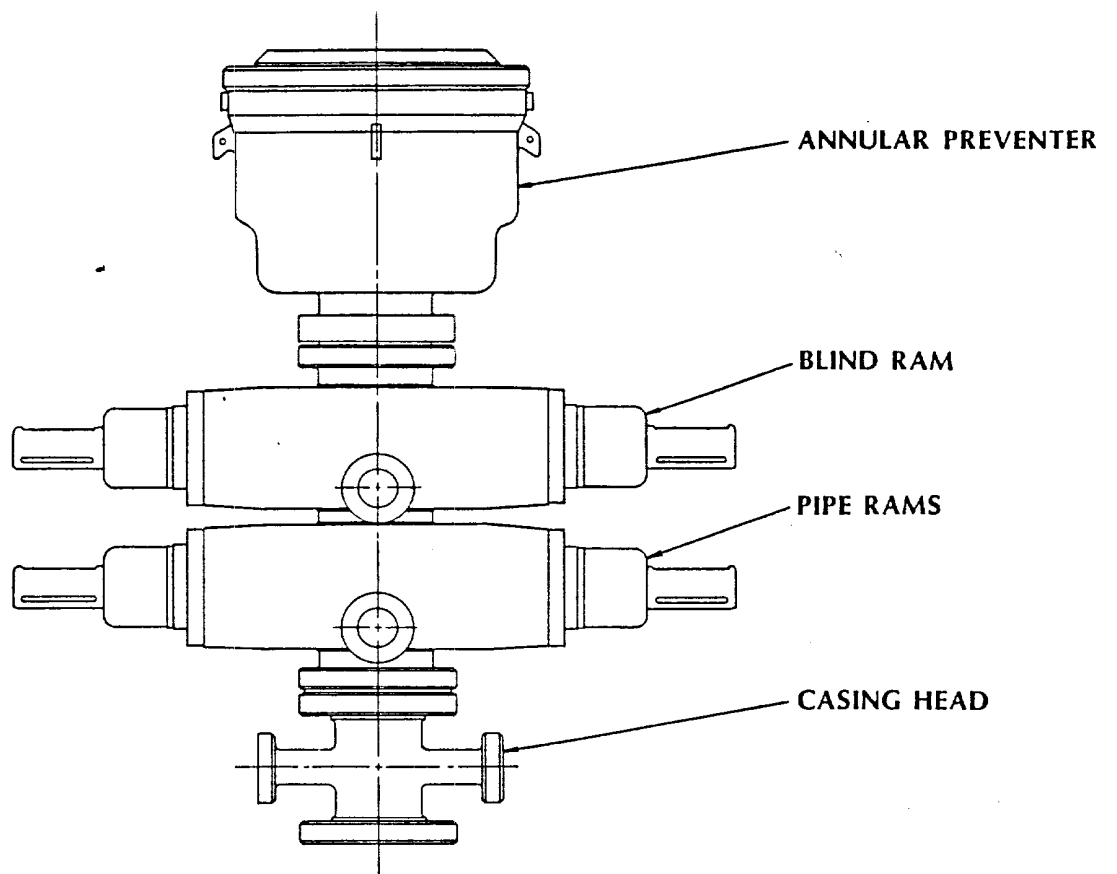
Date Surveyed

4/19/85

Registered Professional Engineer and/or Land Surveyor

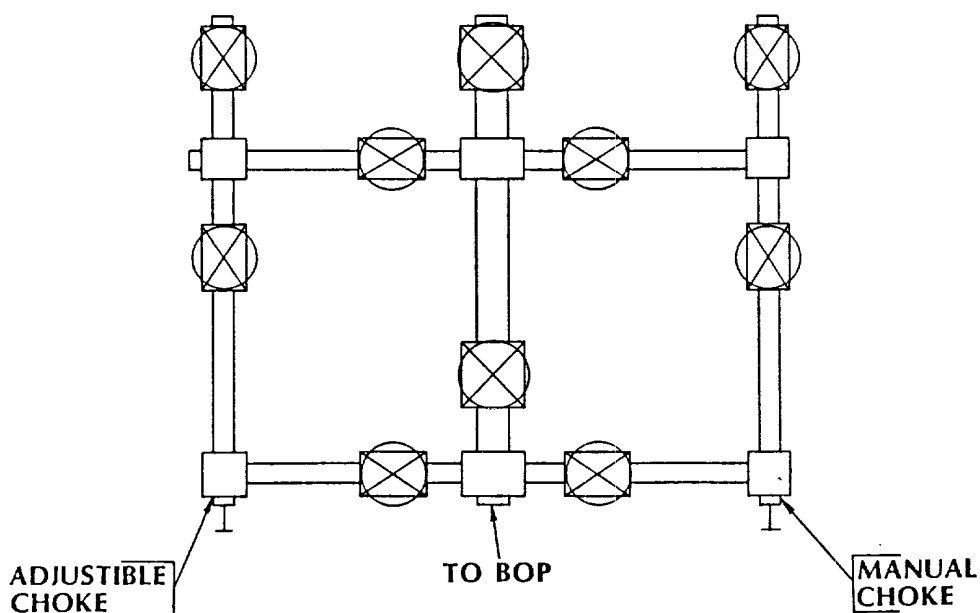
John W. West

Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239



BLOW OUT PREVENTER

CHOKE MANIFOLD



 Kaneb Oil & Gas Company

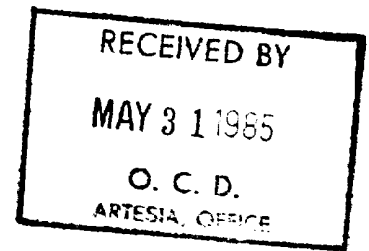
BLOW OUT PREVENTION EQUIPMENT
STACK ARRANGEMENT

SERIES 1500 FLANGES
OR BETTER

EXHIBIT E

Kaneb Oil & Gas Company
Federal Well #1-24
1980' FNL and 467' FWL
Section 24, T-23-S, R-31-E
Eddy County, New Mexico

Application for Drilling
Kaneb Oil and Gas Company
Federal Well #1-24
1980' FNL and 467' FWL
Section 24, T-23-S, R-31-E
Eddy County, New Mexico



In conjunction with Form 9-331C, Application for Permit to Drill subject well, Kaneb Oil and Gas Company submits the following items of pertinent information in accordance with MMS requirements:

1. The estimated tops of geologic markers are as follows:

Rustler	775'
Base of Salt	4195'
Delaware	4425'
Top Cherry Canyon	5530'
Top Todd Sand	6035'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Approximately 400 feet.
Oil or Gas: Delaware: Approximately 4425' to 4700'.
Cherry Canyon: Approximately 5530' to 5900'.
Todd Sand: Approximately 6035' to 6300'.

3. Proposed Casing Program: See Form 9-331C and Exhibit F.
4. Pressure Control Equipment: See Form 9-331C and Exhibit E.
5. Mud Program: See Exhibit G.
6. Testing, Logging and Coring Programs:

Drill Stem Test (all DST's to be justified by a valid show of oil or gas):

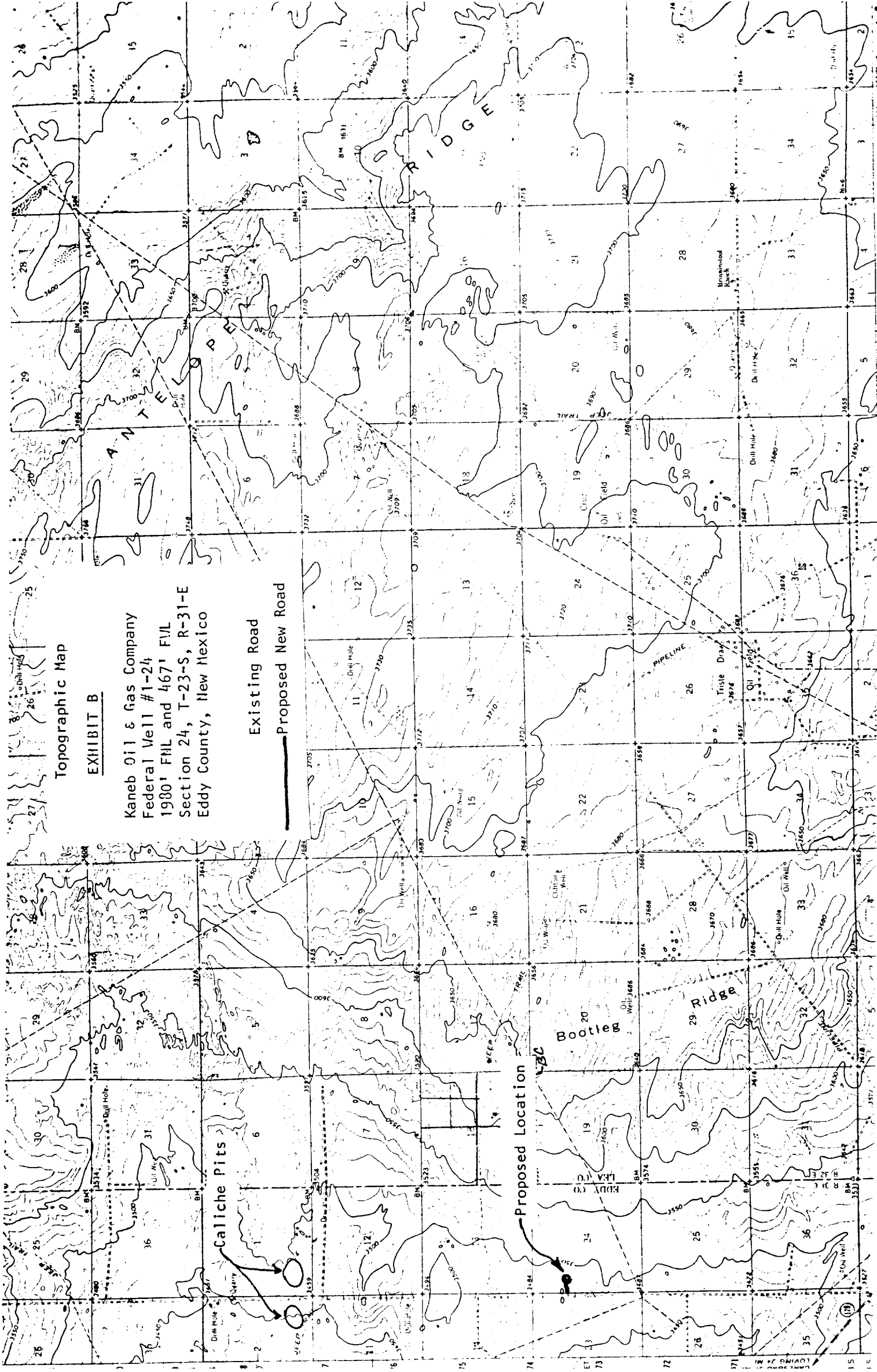
Delaware:	4425'
Cherry Canyon:	5530'
Todd Sand:	6035'

Logging unit from 500' to TD.

Electric Log Program:

Dual Induction Laterlog-Gamma Ray
Density-Neutron-Gamma Ray
Caliper Log

7. No abnormal pressures or temperatures are anticipated.
8. Anticipated starting date: June 1, 1985.



Topographic Map

EXHIBIT B

Kaneb Oil & Gas Company
Federal Well #1-24
1980' FNL and 467' FVL
Section 24, T-23-S, R-31-E
Eddy County, New Mexico

Existing Road

Proposed New Road

Proposed Location