30-015-26999

Form 3160-3
(November 1983)
(formerly 9-331C)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

Artesia, NM 88210

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM53373

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

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

RECEIVED
APR 24 1992
O. C. D.
ARTESIA, OFFICE

7. UNIT AGREEMENT NAME:

2. NAME OF OPERATOR: Vision Energy, Inc.

8. FARM OR LEASE NAME: H.B. 3 Federal

9. WELL NO.: #2

3. ADDRESS OF OPERATOR: P.O. Box 2459 Carlsbad, New Mexico 88220

10. FIELD AND POOL, OR WILDCAT: Cedar Canyon BS

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: Sec 3, T24S, R29E 1650' FWL & 660' FSL
At proposed prod. zone: Eddy County New Mexico Unit Letter (P) N

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec 3, t-24S, R-29E 1650' FWL & 660FSL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 6 Miles East of Malaga, New Mexico

12. COUNTY OR PARISH: Eddy

13. STATE: NM

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'	160	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**
1650'	8,000'	Rotarty

21. ELEVATIONS (Show whether DF, RT, GR, etc.): GR 3036.4' Carlsbad Controlled Water Basin

22. APPROX. DATE WORK WILL START*: May 1,1992

23. PROPOSED CASING AND CEMENTING PROGRAM — Secretary's Potash

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
24"	20"	Conductor	40'	Cmt to Surface W/Ready Mix
17-1/2"	13-3/8"	54.5#K-55	700'	Cir to sur Est 405 sx (C)
12-1/4"	8-5/8"	32# K-55	3,100'	Cir to sur Est 1125 sx (C)
7-7/8"	5-1/2"	17# N-80	0-8000 3050	Cmt W/ stage tool 445sx (H)

Drill 24" hole and set 40' 20" conductor and cmt with ready mix to surface
Drill 17-1/2" hole to 700' and set 13-3/8" pipe Cir cmt to surface
Drill 12-1/4" hole to 3100' or below Lamar Lime at Delaware Top and set 8-5/8" casing and Cmt to surface
Drill 7-7/8" hole to 8000' (test 1st Bone SpringsSand) and set 5-1/2" casing and bring cmt above any delaware potential zones Via stage tool estimated cmt top 4000'

Post ID-1
5-8-92
New Loc & API

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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 Tommy W Wilson TITLE General Manager DATE 3-17-92

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE 4-22-92

CONDITIONS OF APPROVAL, IF ANY:

*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

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

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator	Lease	Well No.
VISION ENERGY	H.B. FEDERAL "3"	2

Unit Letter	Section	Township	Range	County
N	3	24 SOUTH	29 EAST NMPM	EDDY

Actual Footage Location of Well:
660 feet from the SOUTH line and 1650 feet from the WEST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3036.4'	Bone Springs	Cedar Canyon Bone Springs	40 Acres

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

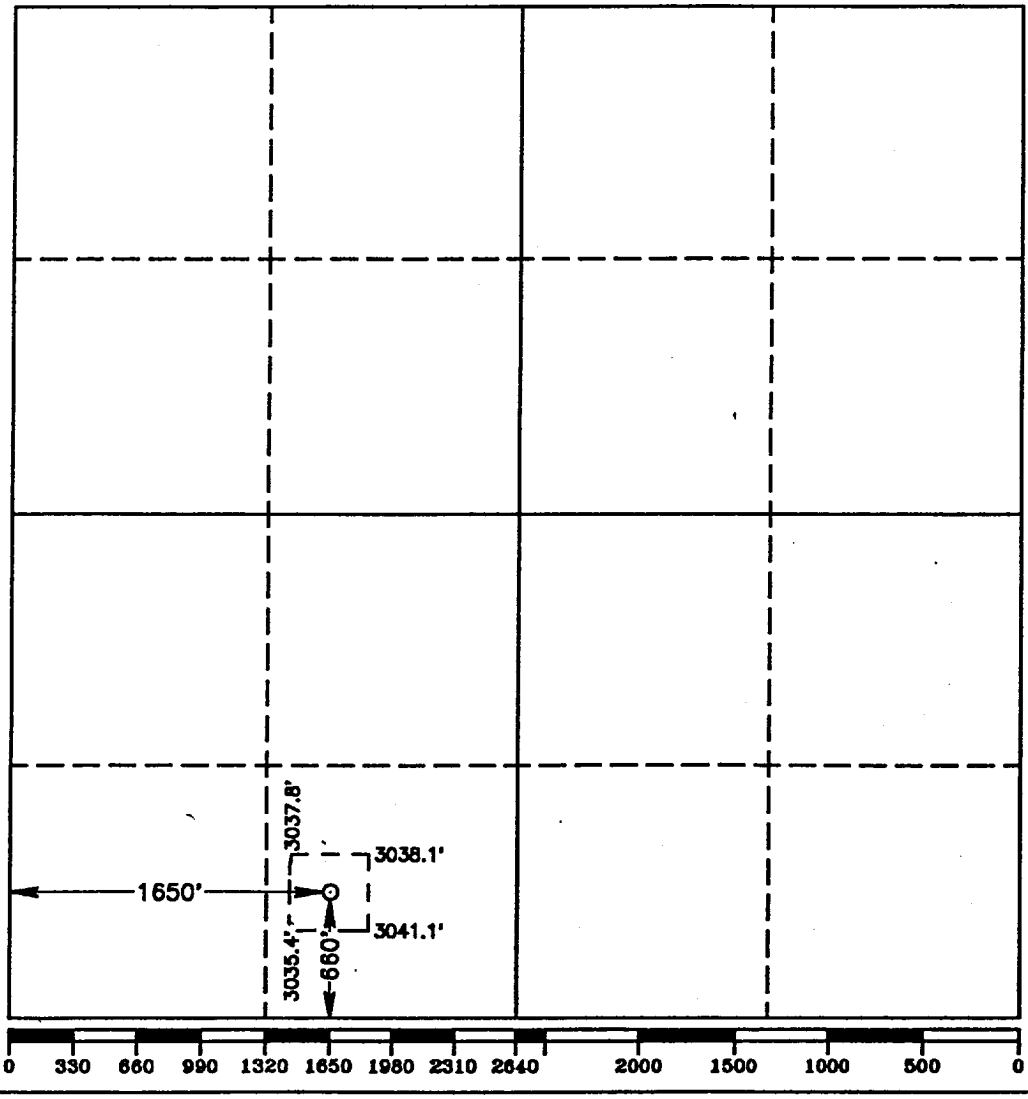
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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: Tommy W Folsom

Printed Name: Tommy W. Folsom

Position: General Manager

Company: Vision Energy, Inc.

Date: 3-17-92

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: MARCH 9, 1992

Signature & Seal of Professional Surveyor

REGISTERED LAND SURVEYOR. No. 3239 RONALD J. EIDSON

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

Drilling Program

Attached to Form 3160-3
Vision Energy, Inc.
H. B. 3 Federal No. 2
660' FSL & 1650' FWL
Sec. 3, T24S, R29E
Eddy Co., N.M.

1. Geologic Name of Surface Formation:

   Permian

2. Estimated Tops of Important Geologic Markers:

Permian	Surface
Delaware Lamar Lime	3030'
Delaware Sand	3090'
Bone Springs	6830'
1st Bone Springs SS	7860'

3. Estimated Depths of Anticipated Fresh water, Oil or Gas:

Water	Water is not expected to be encountered	
Oil or Gas	Delaware sand	3090'
	Cherry Canyon	4185'
	Brushy Canyon	5195
	1st Bone Springs	7860'

No other formations are expected to give up oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 13-3/8" csg at 700' and circulating cement back to surface. Intermediate csg will be 8-5/8" csg at 2900' with cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/ or gas will have cement circulated across them by inserting a cementing stage tool into the 5-1/2" production csg which will be run at TD.

4. Casing Program:

Hole Size	Interval	OD Csg	Weight,Grade,Jt. cond, Type
25"	0-40'	20"	Conductor, 0.30" wall thicknes
17-1/2"	0-700'	13-3/8"	54.5#, K-55, ST&C New
12-1/4"	0-3100'	8-5/8"	32#, K-55, LT&C, New
7-7/8"	0-TD	5-1/2"	17#, N-80, LT&C, New, R-3

Cement Program:

20" conductor csg: Cemented with ready-mix to surface.

13-3/8" surface casing: Cemented to surface with 405 sx pacesetter lite (C) containing 6. % Gel (Bentonite) + 2. % CACL2+ >25 PPS Cello- Seal and 200sx Class C containing 2.% cacl2 + .25 PPS Cello- seal

8-5/8" Intermediate casing: Cemented to Surface with 925 sx pacesetter lite (c) containing 6.% Gel (Bentonite) + 5.% salt + .25% PPS Cello-sea ,and 200sx class C + 1% cacl2 + .25 PPS Cello- seal

5-1/2" Production casing: Cemented with 220 sx class H + 8. % PPS CSE + .7 % CF-14 + .3% thrifty Lite. A second stage will be pumped through a stag tool to bring cmt to 4000' as follows. 225 sx pacesetter lite (H) + .6% Gell (Bentonite) + 3.% Salt , and 210 sx Class H + 8. % PPS cse + .6 % CF-14 + .3% thrifty lite.

5. Minmum Specifications for pressure control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will Consist of a Double ram-type (3000 psi Wp) preventer and a bag-tybe (hydril) preventer (3000 psi WP). Both units will be hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4-1/2" drill pipe rams on bottom. Both BOP's will be nippled up on the 13-3/8" surface csg and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of surface casing. Before drilling out of intermediate casing, the ram-type BOP and accessory equipment will be tested to 3000 psi and the hydrill to 70% of rated working pressure (2100psi). Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on daily tour reports. A 2" kill line and a 3" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP), and choke lines and choke manifold with 3000 psi rating.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of fresh water, cut brine,and polymer mud system. The applicable depths and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Water loss (cc)
0-700'	Fresh Water	8.5	30 - 40	N.C.
700-2900'	Cut Brine	9.7-10	28 - 30	N.C.
3100-8100'	Cut Brine	8.7-9.2	29 - 32	8-15

Sufficient mud materials to maintain mud properties and meet minimum lost circulation, and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

   (A) A kelly cock will be kept in the drill string at all times.

   (B) A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

   (C) The drilling fluid system will be visually monitored at all times.

   (D) A mud logging unit complete with H2S detector will be continuously monitoring drilling penetration rate and hydrocarbon shows from 2900' to TD.

8. Logging, testing and coring program:

   (A) Drillstem test will be run on the basis of drilling shows.

   (B) The electric logging program will consist of GR-Dual Laterolog, and GR- Neutron- Density from TD to 3100'. GR- log from 3100' to surface.

   (C) No conventional or SW coring is anticipated.

   (D) Further testing procedures will be determined after the 5-1/2" production casing has been cemented at TD based on drill shows, and log evaluation, and drill stem test results.

9. Abnormal Conditions, Pressures, Tempertures, & Potential Hazards:

   No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperture (BHT) at TD is 140 F and estimated maximum bottom-hole pressure (BHP) is 3786 psi. No hydrogen sulfide or other hazardous gases or fluids are expected, none have been encountered, reported or are known to exist at this depth in this area. No major loss circulation zones have been reported in offsetting wells.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is May, 1992. Once commenced, the drilling operation should be finished in approximately 20 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

Pump rate

Pump rate no more than 30 GPM per 1" of hole.

Deviation

Survey ran ever 250', deviation should be no more than 1.5 degrees ever 100', or more than 4 degrees ever 1000'.

SURFACE USE AND OPERATING PLAN

Attached to Form 3160-3

Vision Energy, Inc.
H.B. 3 Federal No. 2
660' FSL & 1650' FWL
Sec. 3, T24S, R29E
Eddy Co., N.M.

1. Existing Roads:

   A. The well site and elevation plat for the proposed well is shown in Exhibit #2. It was staked by John West Engineering, Hobbs, New Mexico.

   B. All roads to the location are shown in Exhibit #3. The existing roads are illustrated in solid lines and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary, as determined during the onsite inspection.

   C. Directions to location: From Carlsbad, New Mexico travel Southeast on State Hwy 285 to Malaga N.M. Turn East (left) on Duarte road. Go one mile turn South (right) on CR 746. Travel approx. ten miles to CR 746A. Turn North (left) follow to end of road, approx. twelve miles. Turn West (left), proceed west through Vision Energy, Inc. H.B. 3 Federal No.1 location to proposed new H.B. 3 Federal No. 2 location.

   D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit #3 shows the new access road to be constructed and is illustrated in dash line. The road will be constructed as follows:

A. The maximum width of the running surface will be 14'. The road will be crowned and constructed of 4" compacted caliche. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.

B. The average Grade will be less than 1%.

C. No turnouts are planned.

D. No culverts, cattleguard, gates, low-water crossings, or fence cuts are necessary.

E. Surfacing material will consist of native caliche. Caliche will be obtained from the H.B. 3 Federal no. 2 Drilling site.

F. The proposed access road as shown in Exhibit #3 has been centerline flagged by John West Engineering, Hobbs N.M.

3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well. As shown on this plat there is one abandoned oil well, one abandoned gas well, one producing Morrow gas well, and one producing Bone Springs. A list of these wells is shown on the Attachment to Exhibit #4. There are no disposal, drilling, SI, injection or observation wells within a one-mile radius.

4. Location of Existing and/or Proposed Facilities:

A. Vision Energy, Inc. operates one production facility on this lease. This lease is as follows:

H.B. 3 Federal No.1 (1st Bone Springs) Tank Battery- Unit Letter J

B. If the well is productive contemplated Facilities are as follows.

(1) BONE SPRINGS COMPLETION: a buried flowline will be laid along approved road ROW as shown in exhibit#3 to the HB 3 Federal #1(Bone Springs) Field Tank Battery in Unit J. An additional 4' x 20' heater treator will be installed as a test treator and a two phase seperator. The proposed facilities are show in Exhibit #5A.

(2) DELAWARE COMPLETION: production faclities are shown in Exhibit #5B and will be located on the drilling pad.

(3) The tank battery and facilities including all flowlines and piping will be installed according to API specifications.

(4) Any additional caliche which is required for firewalls, etc. will be obtained from the pit on the location.

(5) No power will be needed if the well is productive. Should the well have to be pumped a gas engine will be used.

C. If the well is productive, rehabilitation plans are as follows:

(1) The reserve pit will be pushed into the excavated caliche area, after the contents of the pit are dry (within 120 days after completion).

(2) Caliche from unused portions of the drill pad will be removed. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

D. In the invent that gas production is established, seperate metering will be set, and the gas will be sold down the exsiting gas pipeline.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the exisiting and proposed access roads shown in Exhibit #3. If a commercial fresh water source is nearby, fasline may be laided along existing road ROW's and fresh water pumped to the well. No water will be drilled on the location.

6. Methods of handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pits.

B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit, approx. 150' X 150' X 6' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be plastic-lined (5-7 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water.

C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending on the rates). After the well is permanently placed on production, produced water will be collected in tanks (fiberglass or steel) until hauled by transport to an approved disposal system; produced oil will be collected in steel tanks and sold.

D. Garbage and trash produced during drilling or completion operations will be placed in a trash trailer and contained to prevent scattering by the wind. The trash will be disposed of at an approved disposal. No toxic waste or hazardous chemicals will be produced by this operation.

F. After the rig is moved out and the well is either completed or abondoned, all waste materials will be cleaned-up within 30 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed untill it has dried. When the reserve pit is dry enough to breakout and fill and, as weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use.

7. Ancillary Facilities:

No airstrip, campsite, or other facilities will be built as a result of the operations on this well.

8. Well Site Layout:

A. The drill pad layout, with elevations staked by John West Engineering, is shown in Exhibit #6. Demensions of the pad and pits and location of major rig components are as shown.

B. Exhibit #6 shows the planned orientation for the rig and associated drilling equipment, reserve pit, trash trailer, pipe racks, turn around, and parking areas, and axcess road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailor will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

A. Upon Completion of the proposed operations, if the well is to be abondoned, the caliche will be ripped on the location and road and a burm will be pushed up at road entrance, to prevent travel. All trash, garbage, will be hauled away in order to leave the location in an aesthetically pleasing condition. Pit area will be returned to as near original contour as possible.

B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time that the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock or wildlife from being entrapped. The fencing will remain in place until the pit area is cleaned-up and leveled. No oil will be left on the surface of the fluid in the pit.

D. Upon completion of the proposed operations, if the well is completed, the reserve pit will be treated as outlined above within the same prescribed time. The caliche from any area of the original drillsite not needed for production operations or facilities will be removed and used for construction of thicker pads or firewalls for the tank battery installation. Topsoil removed from the drill site will be used to recountour the pit area and any unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The well site and lease is located entirely on Federal surface.

12. Other Information:

A. The vegetation around the well site is moderately sparse, with prairie grasses, some yucca, and miscellaneous weeds.

B. The top soil at the wellsite is sandy.

C. There is no permanent or live water in the immediate area.

D. No wildlife was observed but it is likely that rabbits, lizards, insects, and rodents traverse the area.

E. There is no evidence of any archaeological, histroical, or cultural sites in the vicinity of the location.

13. Lessee's and Operator's Representative:

Vision Energy, Inc. representative responsible for assuring compliance with the surface use plan is as follows:

David Maley,
President
Vision Energy, Inc.
P.O. Box 2459
2825 Pecos Hwy.
Carlsbad, N. M. 88220

Tommy W. Folsom,
Vice President Operations &
General Manager
Vision Energy, Inc.
P.O. Box 2459
2825 Pecos Hwy.
Carlsbad, N.M. 88220

Certification:

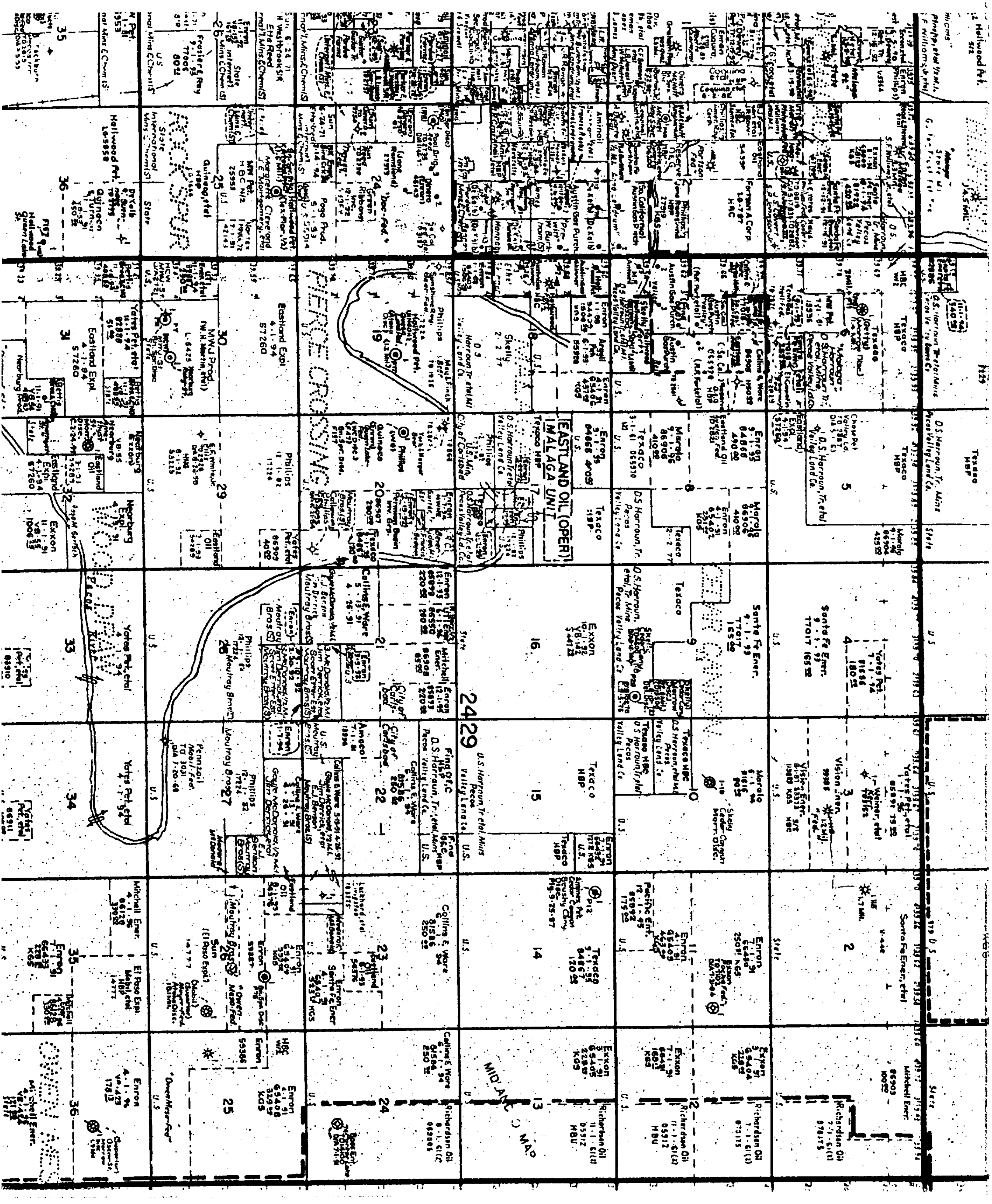
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Vision Energy, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved.

Date: 3/17/92

Signed: Tommy W Folsom

Tommy W. Folsom
Vice President and General Manager

Exhibir #4



VISION ENERGY, INC.

P.O. BOX 2459 • CARLSBAD, NM 88221-2459 • (505) 236-6041

Vision Energy, Inc.
Attachment to Exhibit #4

Wells with in one mile of proposed well.

Producing Bone Springs Sec 3, T-24S, R-29E
Operator- Vision Energy
Well Name- H.B. 3 Federal #1

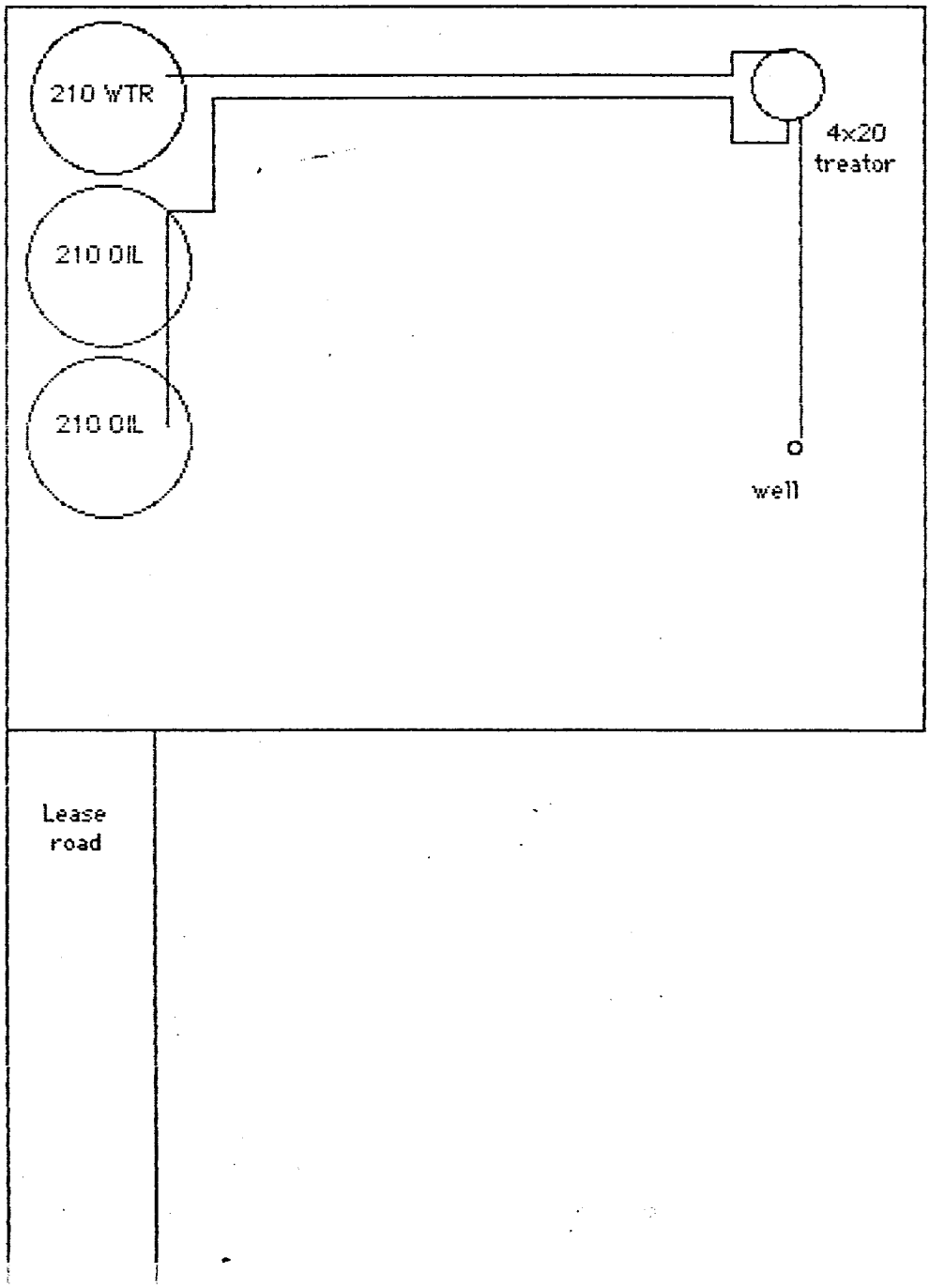
Producing Morrow Sec 2, T-24S, R-29E
Operator- Santa Fe Energy Resources
Well Name- H.B. 2 State #1

P&A oil well Sec 3, T-24S, R-29E
Well Name- Weiner,

P&A Morrow Sec 10, T-24S, R-29E
Well Name- 1-10

H.B. 3 Federal #2
Sec. 3, T-24S, R-29E
1650FWL & 660FSL
Eddy County, New Mexico

EXHIBIT 5B



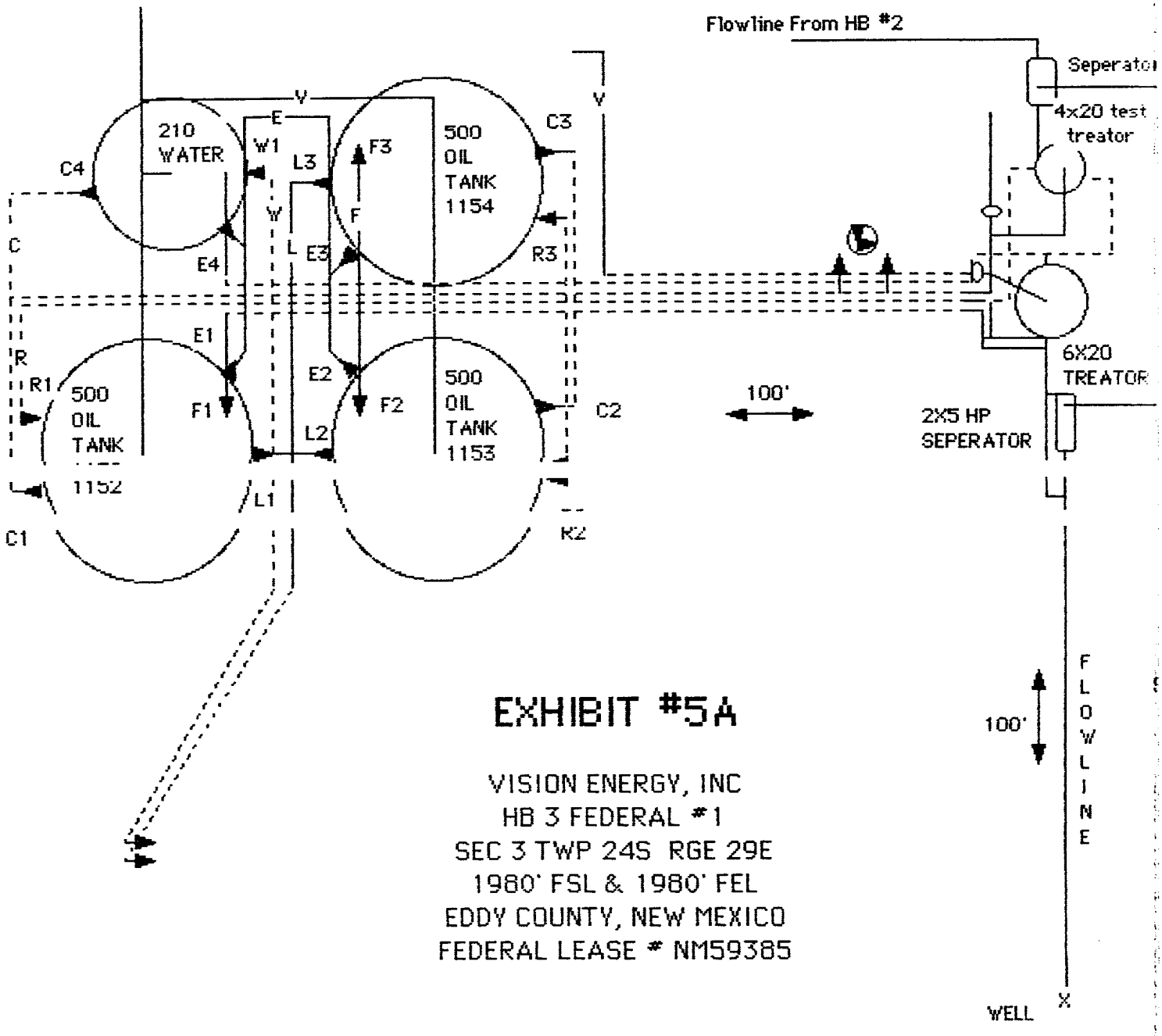


EXHIBIT #5A

VISION ENERGY, INC
HB 3 FEDERAL #1
SEC 3 TWP 24S RGE 29E
1980' FSL & 1980' FEL
EDDY COUNTY, NEW MEXICO
FEDERAL LEASE # NM59385

CIRCULATING PUMP

SEALED VALVE

BURIED LINE

ABOVE GROUND LINE

BACK PRESSURE VALVE

LOAD LINE _____ L

FILL LINE _____ F

CIRCULATING LINE___ C

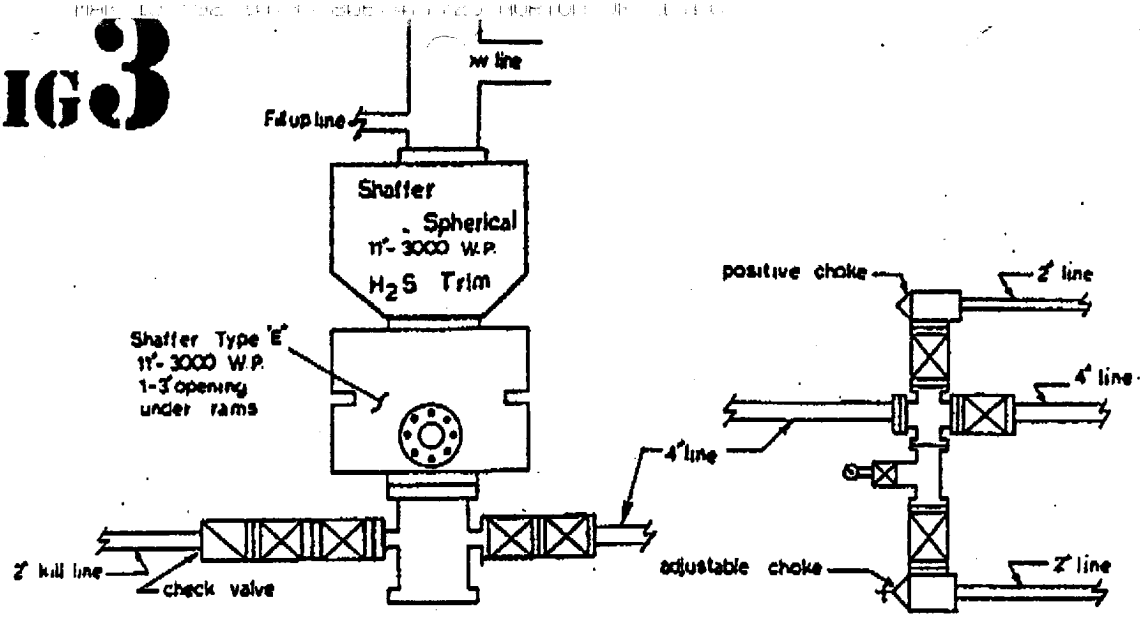
ROLL LINE _____ R

WATER LINE _____ W

VENT LINE V

PINNACLE METER RUN

RIG 3



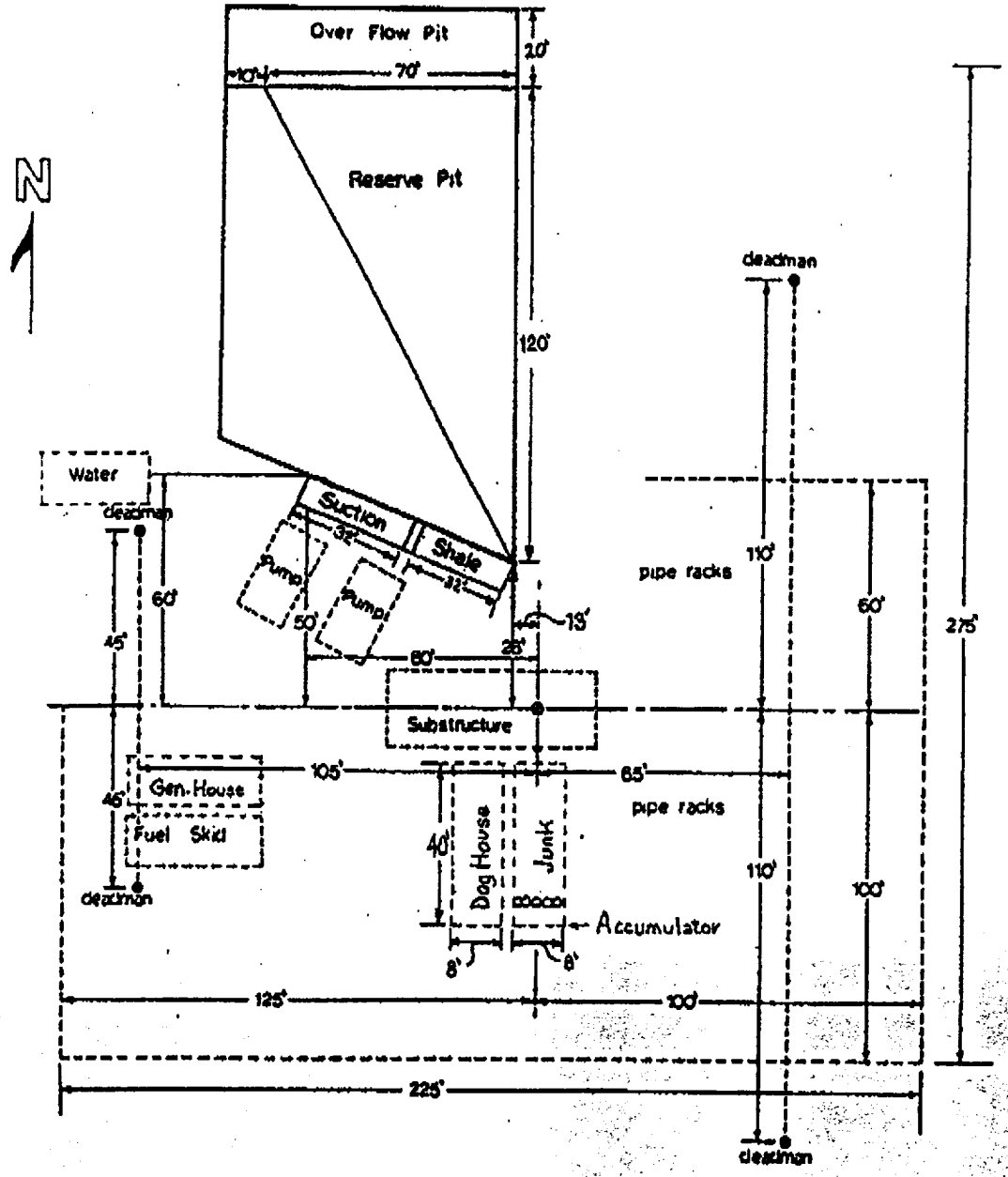


Exhibit #1 + Exhibit #6

Exhibit #3

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY