Form 3150-3
(December 1990)

SUBMIT IN TRIPLICATE*
NM OIL CONS COMMISSION
Drawer DD
Artesia, NM 88210

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

5. LEASE DESIGNATION AND SERIAL NO.: NM-14124

6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A

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

7. UNIT AGREEMENT NAME: N/A

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

8. FARM OR LEASE NAME, WELL NO.: MARQUARDT FEDERAL NO. 7 2679

2. NAME OF OPERATOR: CHEVRON U.S.A. INC. 4323

9. API WELL NO.: 30-015-28562

3. ADDRESS AND TELEPHONE NO.: P.O. BOX 1150, MIDALND, TX 79702 ATTN: RORY MATTHEWS (915) 687-7812

10. FIELD AND POOL, OR WILDCAT: EDDY UNDESIGNATED ; Grayburg 5

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1980' FSL & 330' FWL
At proposed prod. zone: Unit (L)

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DIST. 2

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: SEC. 1, T25S, R26E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 15 MILES SOUTH OF CARLSBAD, NEW MEXICO

12. COUNTY OR PARRISH: EDDY

13. STATE: NEW MEXICO

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 330'

16. NO. OF ACRES IN LEASE: 1280

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: 1,800'

19. PROPOSED DEPTH: 8,700'

20. ROTARY OR CABLE TOOLS: ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.): GLE: 3312'

22. APPROX. DATE WORK WILL START*: 06/10/95

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	WC-50, 8 5/8", ST&C	23 #	SURFACE TO 600'	CIRCULATED TO SURFACE
7 7/8"	K-55, 5 1/2", LT&C	15.5 # & 17.0#	SURFACE TO 8700'	CIRCULATED TO SURFACE (TIE BACK OK)

CHEVRON USA PROPOSES TO DRILL TO APPROXIMATELY 8700' TO TEST THE WOLFCAMP FOR COMMERCIAL QUANITIES OF OIL. IF WELL IS DEEMED TO NON-COMMERCIAL, THE WELLBORE WILL BE PLUGGED AND ABANDONED AS PER FEDERAL REGULATIONS. PROGRAMS TO ADHERE TO ONSHORE OIL AND GAS REGULATIONS ARE OUTLINED IN THE FOLLOWING EXHIBITS AND ATTACHMENTS.

Post ED-1
6-30-95
Newbox # PF

DRILLING PROGRAM:

SURFACE USE AND OPERATING PLAN

EXHIBIT 1 & 1A	BLOWOUT PREVENTION EQUIPMENT	EXHIBIT 5	ROTARY RIG LAYOUT
EXHIBIT 2	LOCATION AND ELEVATION PLAT		
EXHIBIT 3	PLANNED ACCESS ROADS		
EXHIBIT 4	WELLS WITHIN ONE MILE RADIUS		

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new production 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 Rory Matthews TITLE DRILLING TECHNICAL ASSISTANT DATE 5/16/95

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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.

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

DISTRICT IV
PO BOX 2088, SANTA FE, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-28582	66202	EDDY; UNDESIGNATED, Grayburg

Property Code	Property Name	Well Number
	MARQUARDT FEDERAL	7

OGRID No.	Operator Name	Elevation
	CHEVRON U.S.A. INC.	3312

Surface Location

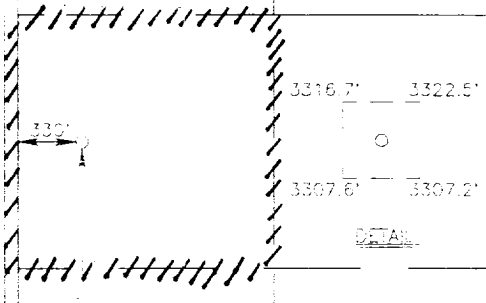
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	1	25 S	26 E		1980	SOUTH	330	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT 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.

Rory Matthews
Signature

RORY MATTHEWS
Printed Name

DRILLING TECH.
Title

5-16-95
Date

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 belief.

APRIL 11, 1995
Date Surveyed

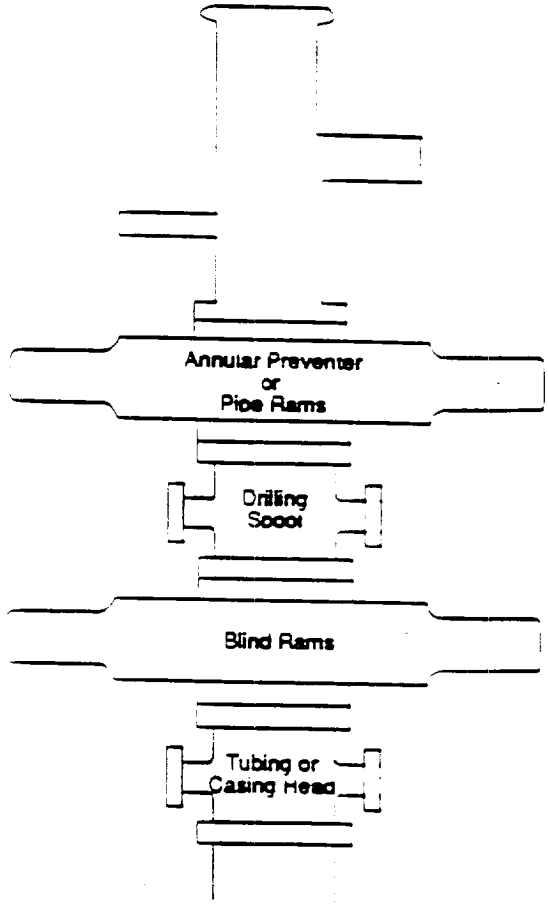
Signature & Seal of Professional Surveyor

Ronald J. Eidson 4-26-95

Certificate No. RONALD J. EIDSON 3239
GARY L. JONES 7977

D. CLASS II-B BLOWOUT PREVENTER STACK:

Figure 11J.3
Class II-B Blowout Preventer Stack



The Class II-B preventer stack is designed for drilling or workover operations. It is composed of a single hydraulically operated annular preventer on top, then a drilling spool, and a single blind ram preventer on bottom. In an alternate configuration, a single pipe ram preventer may be substituted for the annular preventer. The choke and kill lines are installed onto the drilling spool and must have a minimum internal diameter of 2". An emergency kill line may be installed on the wellhead. As the maximum anticipated surface pressure of this stack is less than 2000 psi, screwed connections may be used. All components must be of steel construction. The Class II-B blowout preventer stack is shown to the left in Figure 11J.3.

EXHIBIT # 1

C. CLASS II CHOKE MANIFOLD

The Class II choke manifold is suitable for all Class II workovers and drilling operations. The Class II choke manifold is shown below in Figure 11J.7. Specific design features of the Class II choke manifold include:

1. The manifold is attached to the tubing/casing head when a Class II-A preventer stack is use. This hook-up is only recommended for Class II workover operations.

2. The manifold is attached to a drilling spool or top ram preventer side outlets when a Class II-B preventer stack is in use.

3. The minimum internal diameter is 2" (nominal) for outlets, flanges, valves and lines.

4. Includes two steel gate valves in the choke line at the wellhead/drilling spool outlet. The inside choke line valve may be remotely controlled (HCR).

5. Includes one manually adjustable choke which is installed on the side of the manifold cross. Steel isolation gate valves are installed between the choke and the cross, and downstream of the choke.

6. Includes one bleed line installed on the side of the manifold cross which is isolated by a steel gate valve.

7. Includes a pressure gauge suitable for drilling service which can display the casing pressure within view of the choke operator.

8. Screwed connections may be used in lieu of flanges or clamps.

Figure 11J.7 - Class II Manifold

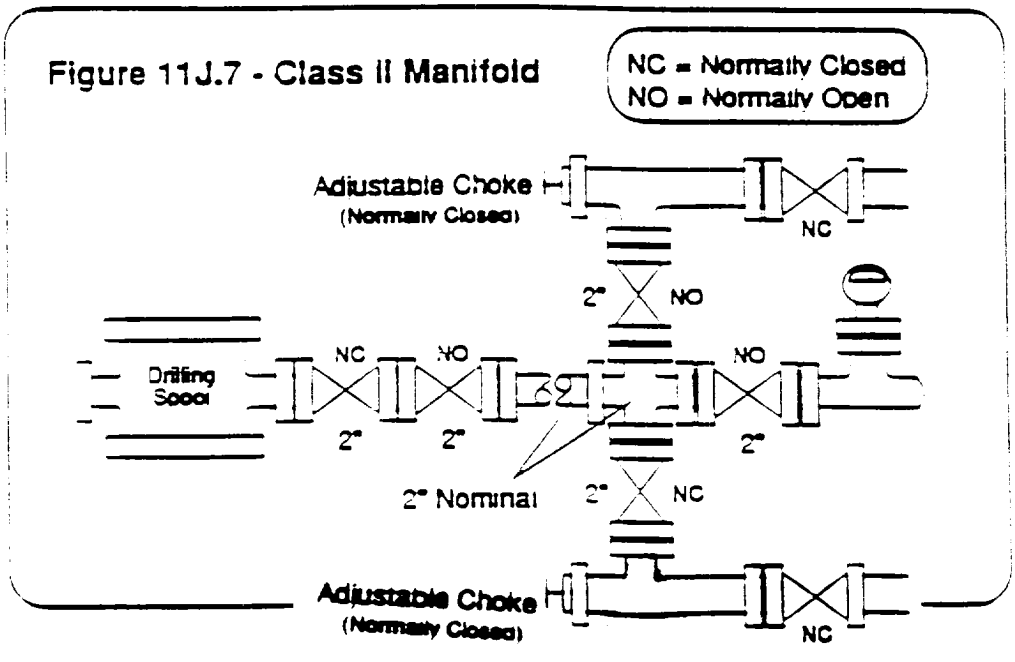


EXHIBIT # 1A

OPERATORS COPY

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

OPERATOR'S NAME CHEVRON U.S.A. INC. WELL NO. & NAME 7-MARQUARDT FEDERAL
LOCATION 1980' F S L & 330' F W L SEC. 1, T. 25S., R. 26E.
LEASE NO. NM-14124 COUNTY EDDY STATE NEW MEXICO

The special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 and 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

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I. SPECIAL ENVIRONMENT REQUIREMENTS

( ) Lesser Prairie Chicken (Stips attached)
( ) San Simon Swale (Stips attached)
( ) Floodplain (Stips attached)
( ) Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(✓) The BLM will monitor construction of this drill site. Notify the (✓) Carlsbad Resource Area Office at (505) 887-6544 ( ) Hobbs Office at (505) 393-3612, at least 3 working days prior to commencing construction.

(✓) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately ____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

( ) Other

III. WELL COMPLETION REQUIREMENTS

( ) A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(✓) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at a depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Side (PLS), per acre.

( ) A. Seed Mixture 1 (Loamy Site)
Lehmanns Lovegrass (Eragrostis lehmannlana) 1.0
Side Oats Grass (Bouteloua curtipendula) 5.0
Sand Dropseed (Sporobolus cryptandrus) 1.0

( ) B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (Sporobolus cryptandrus) 1.0
Sand Lovegrass (Eragrostis trichodes) 1.0
Plains Bristlegrass (Setaria magrostachya) 2.0

( ) C. Seed Mixture 3 (Shallow Sites)
Sideoats Grama (Boute curtipendula) 1.0
Lehmanns Lovegrass (Eragrostis lenmanniana) 1.0
or Boar Lovegrass (E. chloromalas)

(✓) D. Seed Mixture 4 ("Gyp" Sites)
Alkali Sacaton (Sporobolus airoides) 1.0
Four-Wing Saltbush (Atriplex canescens) 5.0

Seeding should be done either late in the fall (September 15 - November 15, before freeze up) or early as possible the following spring to take advantage of available ground moisture.

( ) Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

1) Lined as specified above and,

2) A borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and is capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from BLM prior to removal of the material.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to proceed by BLM.

TRASH PIT STIPS

All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

(Rev. 2/2/95)

CONDITIONS OF APPROVAL - DRILL

Operator's Name: CHEVRON U.S.A. INC. **Well Name & No:** 7-MARQUARDT FEDERAL
Location: 1980' F S L & 330' F W L; SEC. 1 ; T 25 S; R 26 E.
Lease No: NM-14124 ; **County:** EDDY

The conditions of approval (COA) check marked below are applicable to the above described well.

I. DRILLING OPERATIONS REQUIREMENTS: [Carlsbad Controlled Water Basin]

The Bureau of Land Management office is to be notified at (505) 887-6544 for wells in Eddy County, and at (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

[√] 1. Spudding [√] 2. Cementing casing: 8 5/8 inch 5 1/2 inch _____ inch
[ ] 3. BOP tests. **NOTE:** Whenever a casing string is cemented in the R-111-P Potash area, cement shall be allowed to stand a minimum of twelve hours under pressure and a total of twenty four (24) hours before drilling the plug or initiating tests.

II. CASING:

[√] 8 5/8 inch surface casing should be set at about 600 feet, below usable surface water, and cemented to the surface. If cement does not circulate to the surface the BLM office will be notified and a temperature survey or cement bond log will be run to verify the top of cement. Remedial cementing will be completed prior to resuming drilling operations.
[ ] Minimum required fill of cement behind the ____ inch intermediate casing is to _____
[√] Minimum required fill of cement behind the 5 1/2 inch production casing is to tie back 100' into 8 5/8" csg. @ ~600' — although circulation to surface is preferable.

III. PRESSURE CONTROL:

[√] Before drilling below the 8 5/8 inch surface casing, the blowout preventer assembly will consist of a minimum of:
[√] One annular Preventer ~~and~~/or [√] Two ram-type preventers or [√] blind rams & annular
[√] Kelly Cock/Stabbing Valve.
[√] Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi before drilling below the 8 5/8 inch casing.
[√] After setting the 8 5/8 inch casing string, and before drilling into the Delaware formation, the blowout preventers and related control equipment shall be pressure-tested as described in Onshore Oil and Gas Order No. 2. Any equipment failing to test will be repaired or replaced. The checked items apply:
[ ] The test will be conducted by an independent service company.
[√] The results of the test will be reported to the appropriate BLM office.
[ ] The Bureau of Land Management office is to be notified in sufficient time for a representative to witness the test.
[ ] Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, will be installed and operating before drilling into the _____ formation, and will be used until production casing is run and cemented. Monitoring equipment will consist of the following:
[ ] A recording pit level indicator to indicate volume gains and losses.
[ ] Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

IV. OTHER:

[ ] H2S Drilling Plan should be activated prior to drilling into the _____ formation. A copy of the plan shall be posted at the drilling site.
[ ] Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.
[ ] A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any oil/gas sales.