

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)

RECEIVED

SEP 23 1991

20-015-26842 clt

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

O. C. D.
ARTESIA OFFICE

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☐

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Dinero Operating Company

3. ADDRESS AND TELEPHONE NO.

P. O. Box 10505, Midland, Texas 79702 915/684-5544

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

At surface

1,650' FNL & 2,310' FEL

At proposed prod. zone

1,650' FNL & 2,310' FEL

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

3 miles southeast of Malaga, 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

120

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.

19. PROPOSED DEPTH

6,500'

20. ROTARY OR CABLE TOOLS

Rotary

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

2975.5 2,983 GR

22. APPROX. DATE WORK WILL START*

As soon as possible

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	500'	Circulated
7 7/8"	4 1/2"	11.6#	6,500'	(see slips)

8 5/8" Casing: Circulate 315 sacks of Class "C" to surface.

4 1/2" Casing: Bring cement up to cover all possible productive zones
in the Delaware formation. (see slips) SSS

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

Gerry Porter

TITLE

Production Clerk

DATE

8/22/91

(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

9-19-91

*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.

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.

NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 181 et seq., 25 U.S.C. 396; 43 CFR Part 3160.

PRINCIPAL PURPOSE: The information is to be used to process and evaluate your application for permit to drill or deepen an oil or gas well.

ROUTINE USES: (1) The analysis of the applicant's proposal to discover and extract the Federal or Indian resources encountered. (2) The review of procedures and equipment and the projected impact on the land involved. (3) The evaluation of the effects of proposed operation on surface and subsurface water and other environmental impacts. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

EFFECT OF NOT PROVIDING INFORMATION: Filing of this application and disclosure of the information is mandatory only if the operator elects to initiate drilling operation on an oil and gas lease.

BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, (Alcarnate) Bureau Clearance Officer, (WO-771), 1849 C Street, N.W., Washington, D.C. 20240, and the Office of Management and Budget, Paperwork Reduction Project (1004-0136), Washington, D.C. 20503.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq) requires us to inform you that:

This information is being collected to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases.

This information will be used to analyze and approve applications.

Response to this request is mandatory only if the operator elects to initiate drilling operations on an oil and gas lease.

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 2-1-89

OIL CONSERVATION DIVISION

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

RECEIVED

SEP 6 10 42 AM '91

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

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

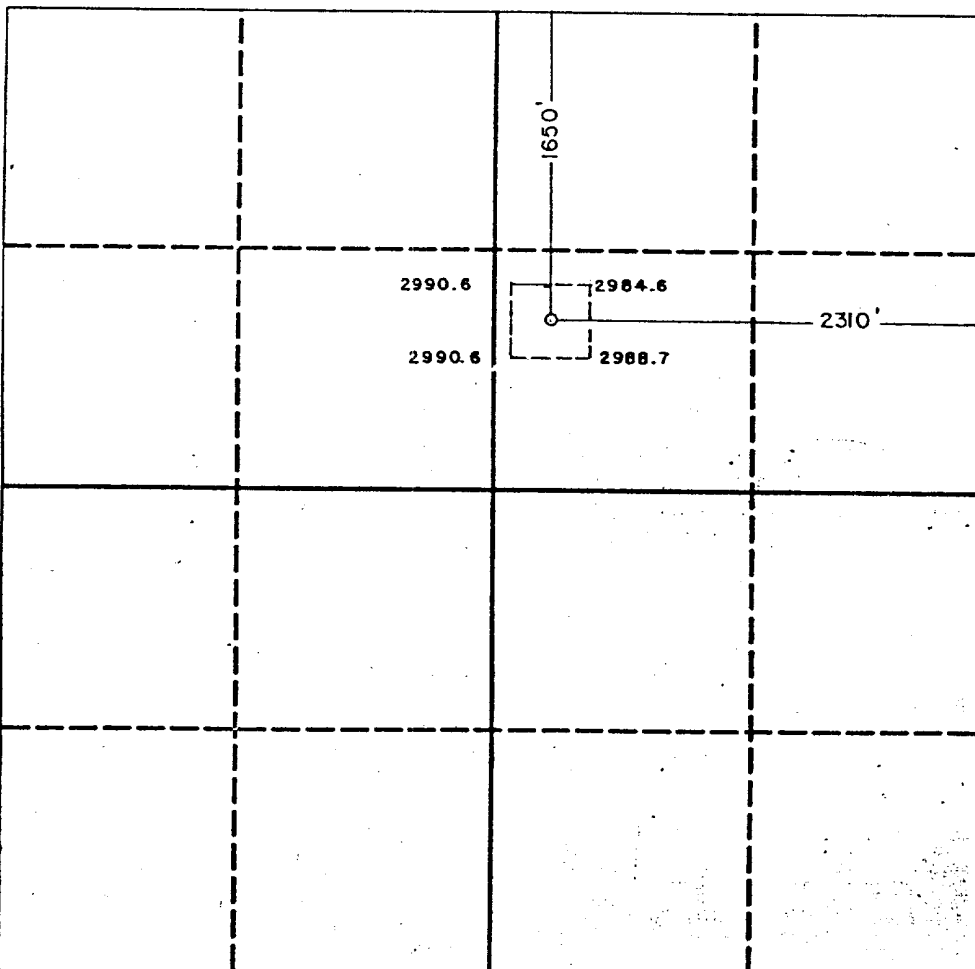
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator DINERO OPERATING CO.			Lease D.O.C.. FEDERAL		Well No. 1
Unit Letter G	Section 24	Township 24 SOUTH	Range 28 EAST	County NMPM	EDDY
Actual Footage Location of Well: 1650 feet from the NORTH line and 2310 feet from the EAST line					
Ground level Elev. 2975.5	Producing Formation Delaware	Pool Malaga	Dedicated Acreage: 40 Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 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 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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature: *Gerry Porter*
Printed Name: Gerry Porter
Position: Production Clerk
Company: Dinero Operating Co.
Date: 9/4/91

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

Date Surveyed: 8-26-91
Signature & Seal of Professional Surveyor: *[Signature]*
Certificate No. JOHN W. WEST, 676
RONALD J. EYSON, 3239

128830

APPLICATION FOR PERMIT TO DRILL
DINERO OPERATING COMPANY
DOC FEDERAL #1
1,650' FNL & 2,310' FEL
Section 24, T-24-S, R-28-E, N.M.P.M.
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill, Dinero Operating Company submits the following items of pertinent information in accordance with Onshore Oil & Gas Order Nos. 1 & 2, and with all other applicable federal and state regulations:

1. The geologic surface formation is of Permian Age.
2. Estimated tops of geologic markers are as follows:

Fresh Water	150' (Windmill only)
Salt-Anhydrite Redbeds	2,600'
Delaware	3,800'
3. The estimated depths at which water, oil, or gas formations are expected to be encountered:

Water	150'
Oil or Gas	2,750'
4. Proposed Casing Program: See Form 3160-3 and Exhibit F.
5. Pressure Control Equipment: See Exhibit E.
6. Mud Program: See Exhibit C.
7. Auxiliary Equipment: None
8. Testing, Logging, and Coring Programs

DST's :
1 in Delaware
Logging:
2-man Mudlogging unit from 2,750' to TD.
Electric Logs:
Compensated Neutron-Formation Density
Dual Laterlog-Gamma Ray
No Coring is anticipated.
9. Abnormal Pressures, Temperatures, or Other Hazards:

We will mud up at approximately 2,000' for sample control. Do not expect high pressure.
10. Anticipated Starting Date: As soon as possible.

SURFACE USE PLAN

Dinero Operating Company

DOC Federal #1

1,650' FNL & 2,310' FEL, Section 24, T-24-S, R-28-E,
Eddy County, New Mexico

1. EXISTING ROADS: Reference Exhibit "A"

DIRECTIONS: Reference Exhibit "A"
2. PLANNED ACCESS ROADS - Reference Exhibit "A"
3. LOCATION OF EXISTING WELLS IN A ONE MILE RADIUS:
 - A. Water wells - None
 - B. Disposal wells -
Dinero Guy Reed #2 - NW/4 SW/4 Section 24
 - C. Drilling wells - None
 - D. Producing wells -
Dinero Dewey #1 - NW/4 NW/4 Section 24
Dinero Dewey #2 - NW/4 NE/4 Section 24
Dinero Dewey #3 - NE/4 NW/4 Section 24 (Presently completing)
Dinero Guy Reed #1 - SW/4 NW/4 Section 24
Parker & Parsley Guitar #1 - E/2 Section 23
Hallwood Petroleum Craft 25 #3 - N/2 Section 25
Tennaco Harrison #1 - S/2 Section 13
DeKalb Pardue Unit (Delaware) - NE SE, SW SE, SE SE Section 13
Pogo Lightfoot #1 - SE/4 SE/4 Section 14
 - E. Abandoned wells -
Graham Royalty Harrison #2 - NW/4 SE/4 Section 13
Austin Gas Skinner #1 - NW/4 SW/4 Section 18, T-24S, R-29E
Sunshine Royalty Bear Fed #1 - NW/4 NW/4 Section 19, T-24S, R-29E
4. If, upon completion, the well is a producer, Dinero Operating Company, 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 private 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.
 - 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.
 - 5. Chemicals remaining after completion of the well will be stored in the manufacturers containers and picked up by the supplier.
- 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 FACILITIES

No camps or airstrips will be constructed.

9. WELL SITE LAYOUT

- A. Exhibit "B" (Scale 1" = 50') 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 PVC or polyethylene liner. 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 with 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 recontoured 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 of a rolling terrain with vegetation of sagebrush and native grass. The soils are clayey sand over caliche base.
- B. The surface is used to mainly access producing wells
- 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 REPRESENTATIVES:

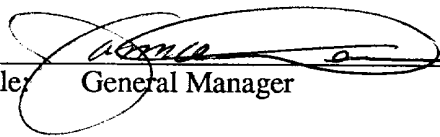
- A. DINERO OPERATING COMPANY
P. O. Box 10505, Midland, Texas 79702
Office Hours 8:30 a.m. to 5:00 p.m.
Telephone: (915) 684-5544 or 684-4292

Russell J. Ramsland	Home - (915) 682-1959
Charlie Williams	Home - (915) 699-0909
James C. Dewey	Home - (915) 682-6543

13. 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 presently 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 DINERO OPERATING COMPANY 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.

Date: August 21, 1991


Title: General Manager

/lgp

To LIVING N.M.

DOC FEDERAL #1
1650' FNL & 2310' FEL
Section 24, T-24-S, R-28-E
Eddy County, New Mexico

DINERO

SECTION 24
T-24-S, R-28-E
EDDY COUNTY, N.M.

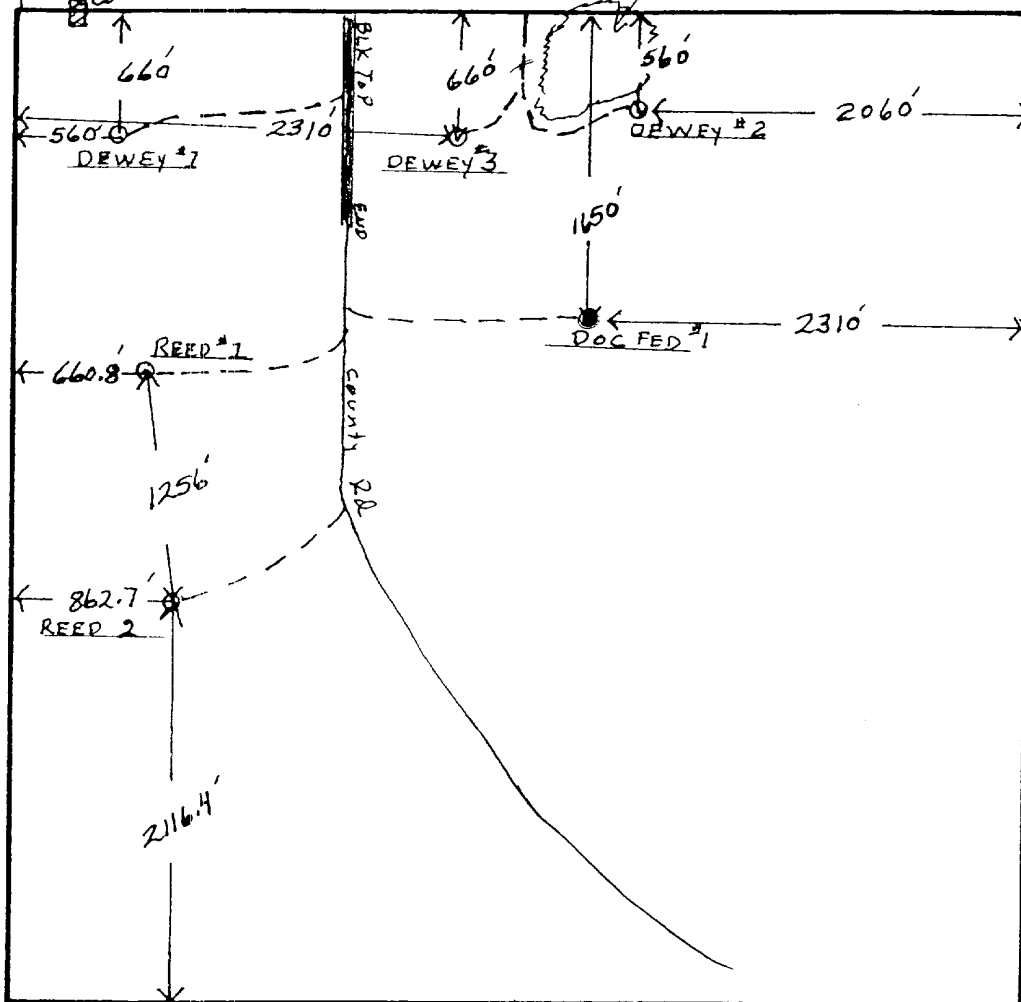
EXHIBIT "A"

MALAGA N.M.

1.3 mi

3/4 mi
Cattle Guard

CALICHE
Pt



County EDDY Block T-24S R-28E Section 24

Survey 285

SOLD BY MIDLAND MAP COMPANY

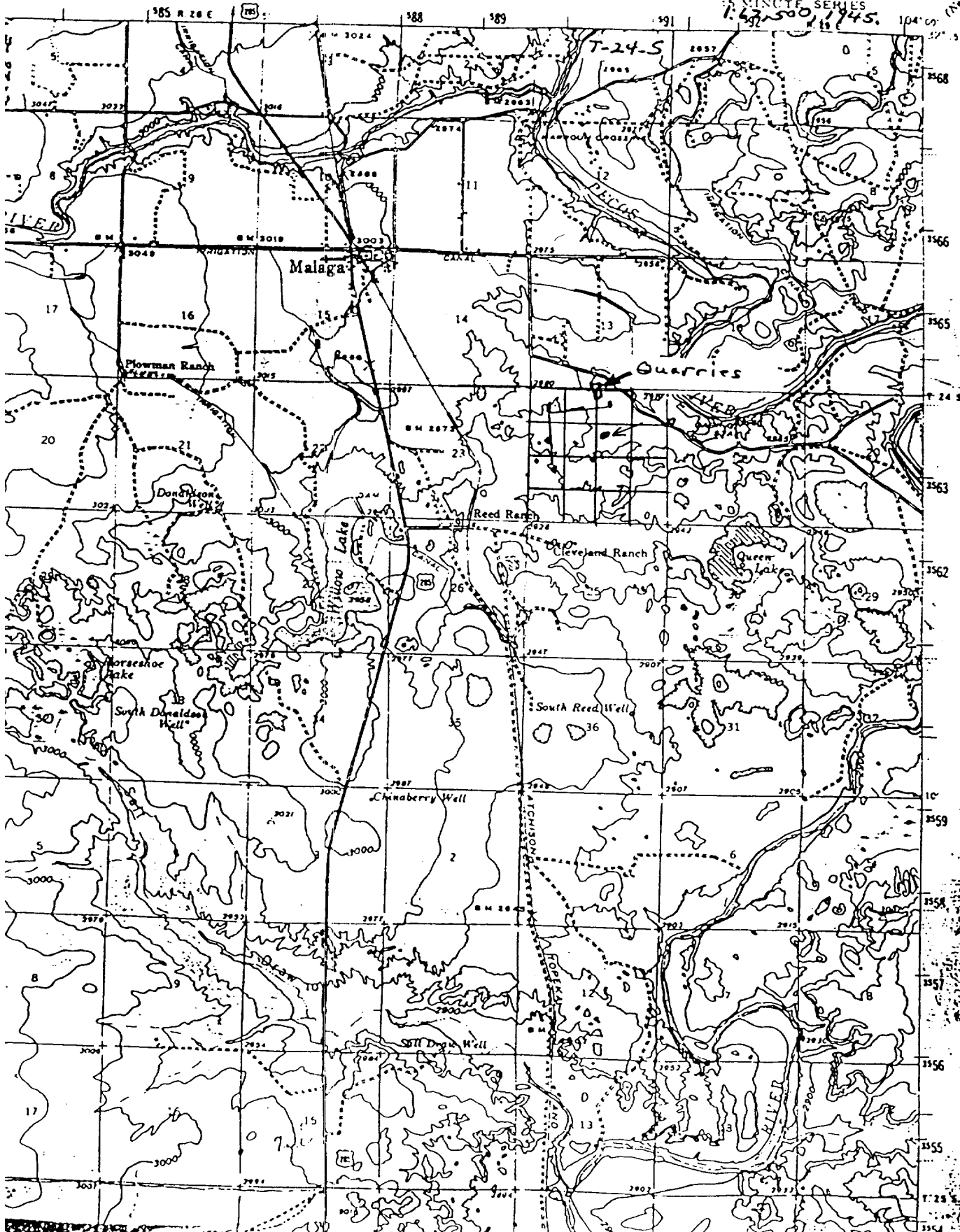
DINERO OPERATING COMPANY
DOC FEDERAL #1
1640' FNL & 2310' FEL
Section 24, T-24-S, R-28-E
Eddy County, New Mexico

EXHIBIT "B"

NEW MEXICO
EDDY COUNTY
MALAGA QUADRANGLE
15 MINUTE SERIES
1:42,500 11745

CARLSBAD 13 MI
LOVING 3 MI

2548 IV
(Near Irwin)



DINERO OPERATING COMPA.
DOC FEDERAL #1
1650' FNL & 2,310' FEL
Section 24, T-24-S, R-28-E
Eddy County,
New Mexico

EXHIBIT "C"

NEW MEXICO
EDDY COUNTY
MALAGA QUADRANGLE
15 MINUTE SERIES
1:62,500, 1945.

528 IV
(North Arrow)

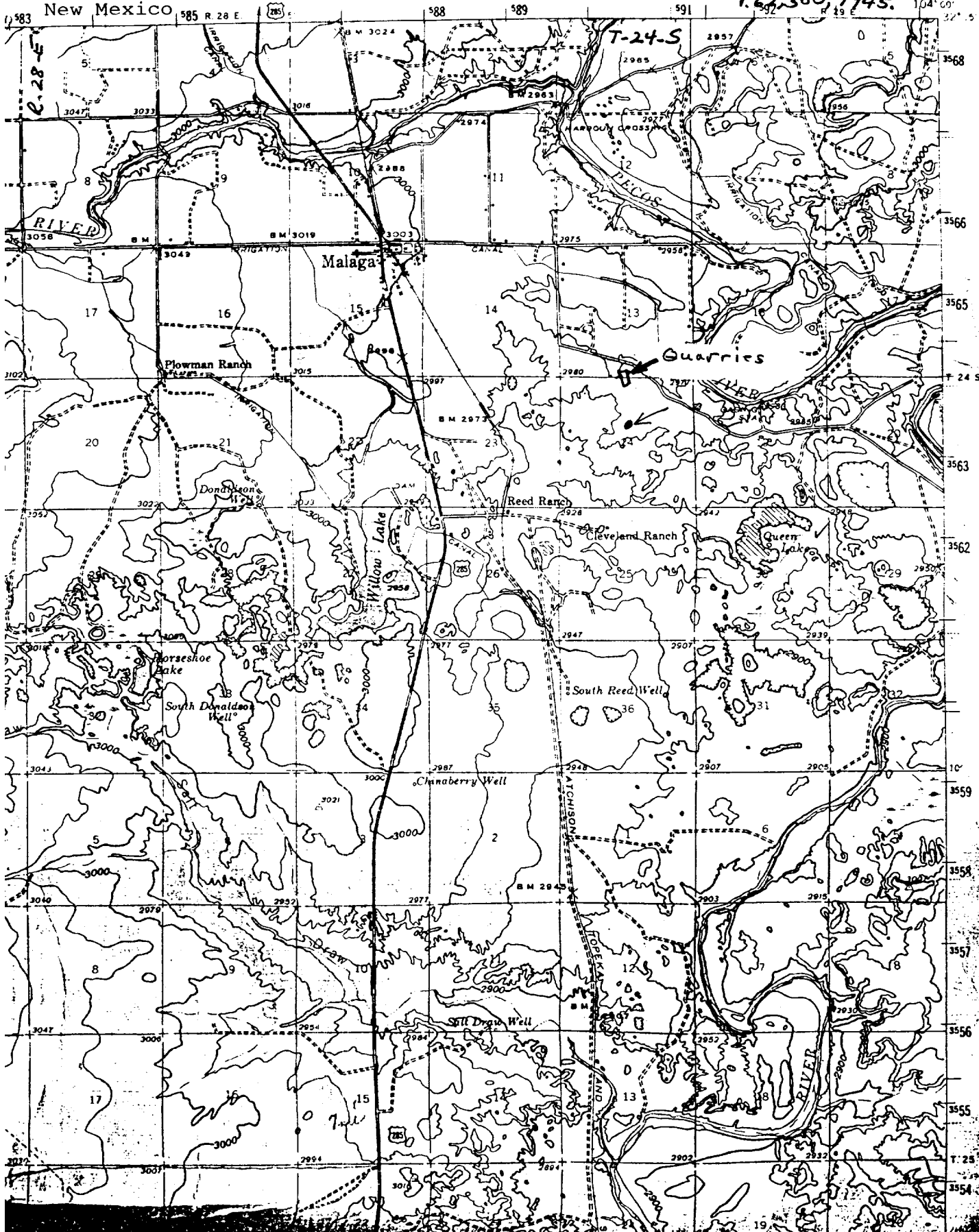
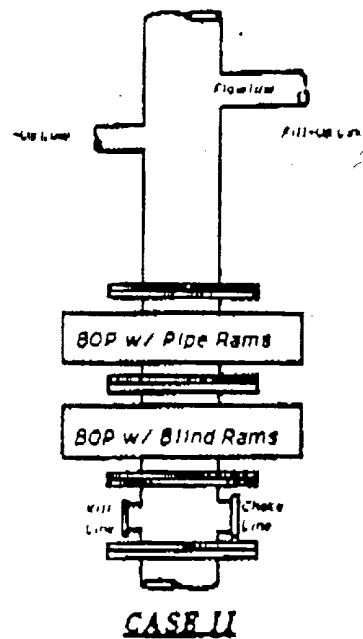


EXHIBIT "E"

BLOW-OUT PREVENTER



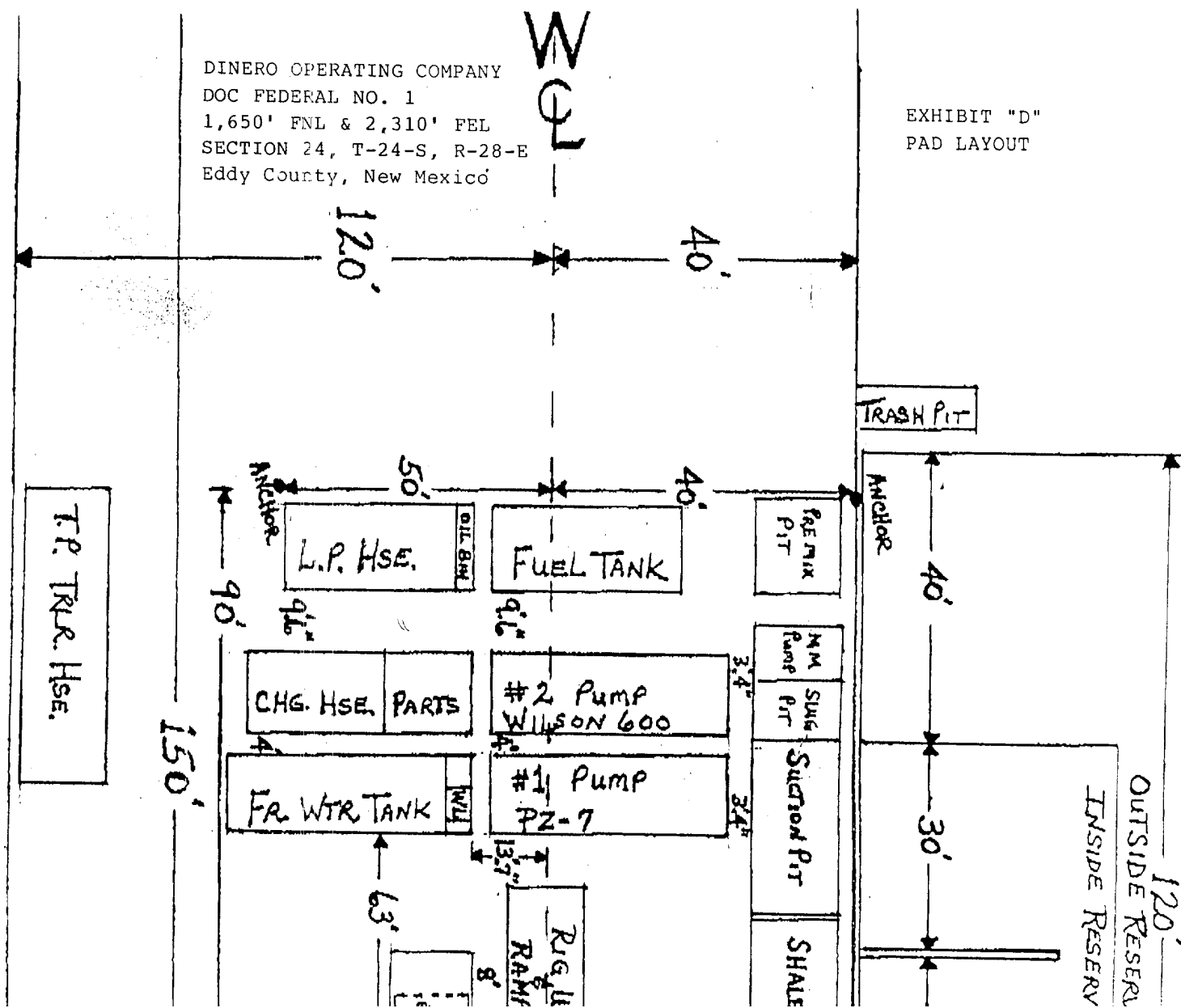
DINERO OPERATING COMPANY
DOC FEDERAL NO. 1
1,650' FNL & 2,310' FEL
Section 24, T-24-S, R-28-E
EDDY COUNTY, NEW MEXICO

OPERATOR GRACE DRILLING
WELL T/R BID
LOCATION SEC 24 - 24S - 28E
COUNTY, STATE EDDY, NM
PREPARED BY MORRIS KEITH
DATE

TYPE OF JOB: SURTACON CASING

ANNULAR I.D. (IN)	DEPTH (FEET)
12 1/4 HOLE	550

OUTER DIAMETER (IN)	DEPTH (FEET)
8 5/8	550



DINERO OPERATING COMPANY
DOC FEDERAL NO. 1
1,650' FNL & 2,310' FEL
SECTION 24, T-24-S, R-28-E
EDDY COUNTY, NEW MEXICO

THE WESTERN COMPANY
CEMENTING RECOMMENDATION

TYPE OF JOB: SURFACE CASING

VOLUME CALCULATIONS

229 FEET X 0.4127 CU.FT. X 2.00 WASH OUT FACTOR = 189 CU.FT.
321 FEET X 0.4127 CU.FT. X 2.00 WASH OUT FACTOR = 265 CU.FT.

TOTAL SLURRY VOLUME: 454 CU.FT.
81 BARRELS

SLURRY NO.	VOLUME CU.FT.	VOLUME FACTOR	AMOUNT AND TYPE OF CEMENT
1	189 /	1.76 =	110 SACKS PACESETTER LITE (C) + 6.000 % GEL (BENTONITE) + 2.000 % CaCl ₂ + 0.25 PPS CELLO-SEAL + 89.000 % WATER
2	265 /	1.33 =	200 SACKS CLASS O + 2.000 % CaCl ₂ + 56.000 % WATER

CEMENT PROPERTIES

	SLURRY NO. 1	SLURRY NO. 2
SLURRY WEIGHT (POUNDS PER GALLON)	12.90	14.79
SLURRY YIELD (CU. FT. PER SACK)	1.76	1.33
AMOUNT OF MIX WATER (GAL PER SACK)	9.30	6.32

EXHIBIT "F-1"

EXHIBIT G
DRILLING FLUID PROGRAM

DINERO OPERATING COMPANY
DOC FEDERAL NO.1
1,650' FNL & 2,310' FEL,
Section 24, T-24-S, R-28-E,
Eddy County, New Mexico

Surface:	Spud with fresh water natural mud. Add lime if necessary to attain a 36-38 second viscosity. Add paper and other non-toxic LCM to combat seepage and lost circulation.
Intermediate:	Drill out from under surface casing with fresh water adding lime and paper for seepage.
Production:	Drill out from under intermediate casing with fresh water using gel for viscosity. Mud up prior to drilling Delaware. Use Barite and starch for viscosity and + or - 10 cc water loss. Mud program may additionally be altered as conditions dictate.