

Form 3160-3
Bureau of Land Management
Received
JUN 13 2000
Carlsbad, N.M.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ARTESIA, NM 88001-2884

5. LEASE DESIGNATION AND SERIAL NO.
NM-029387A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
WEST SHUGART "29" FEDERAL # 7

9. WELL NO.
30-015-31239

10. FIELD AND POOL, OR WILDCAT
WEST SHUGART-DELAWARE

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA
SECTION 29 T18S-R31E

12. COUNTY OR PARISH
EDDY CO.

13. STATE
NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approximately 10 miles Southeast of Loco Hills New Mexico

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)
990'

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.
660'

19. PROPOSED DEPTH
6100'

20. ROTARY OR CABLE TOOLS
ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3603' GR.

22. APPROX. DATE WORK WILL START*
When approved

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25"	20" conductor	NA	40'	Cement to surface with Redi-mix
17 1/2"	H-40 13 3/8"	48	760'	700 Sx. cement to surface
11"	K-55 8 5/8"	32	2800'	750 Sx. " " "
7 7/8"	K-55 5 1/2"	15.5	6100'	550 Sx. Estimate top of cement 3400'

1. Drill 25" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 17 1/2" hole to 760'. Run and set 760' of 13 3/8" 48# H-40 ST&C casing. Cement with 700 Sx. of Class "C" cement + 2% CaCl, circulate cement to surface.
3. Drill 11" hole to 2800'. Run and set 2800' of 8 5/8" 32# K-55 ST&C casing. Cement with 550 Sx. of 35/65 POZ Class "C" + 12% Salt, + 1/4# Flocele/Sx., + 1# Gilsonite/Sx., + 6% Bentonite, tail in with 200 Sx. of Class "C" + 2% CaCl, circulate cement to surface.
4. Drill 7 7/8" hole to 6100'. Run and set 6100' of 5 1/2" 15.5# K-55 ST&C casing. Cement with 200 Sx. of 35/65 POZ +12% Salt, + 1/43 Flocele/Sx. + 1# Gilsonite/Sx. + 6% Bentonite, tail in with 350 Sx. of Class "C" Premium + additives. Estimate top of cement 3400' from surface.

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 [Signature] TITLE Agent DATE 06/10/00
(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:

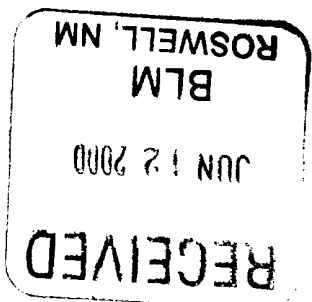
Assistant Field Manager,
Lands And Minerals

APPROVED BY _____ TITLE _____ DATE 06/10/2000

*See Instructions On Reverse Side

APPROVED FOR 1 YEAR

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 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1984
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

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 56410	Pool Name SHUGART-DELAWARE
Property Code 24317	Property Name WEST SHUGART "29" FEDERAL	Well Number 7
OGRID No. 166111	Operator Name CONCHO RESOURCES, INC	Elevation 3603

Surface Location

UL or lot No. P	Section 29	Township 18 S	Range 31 E	Lot Idn	Feet from the 990	North/South line SOUTH	Feet from the 990	East/West line EAST	County EDDY
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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 40	Joint or Infill	Consolidation Code	Order No.						

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>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i>	
				<i>Joe T. Janica</i> Signature	
				Joe T. Janica Printed Name Agent Title 06/10/00 Date	
				SURVEYOR CERTIFICATION	
				<i>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 belief.</i>	
				JUNE 2, 2000 Date Surveyed DC	
				Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 00-11-07305	
				Certificate No. RONALD J. EIDSON 3239 CARY EIDSON 12641 MACON WEDONALD 12185	

3601.1'

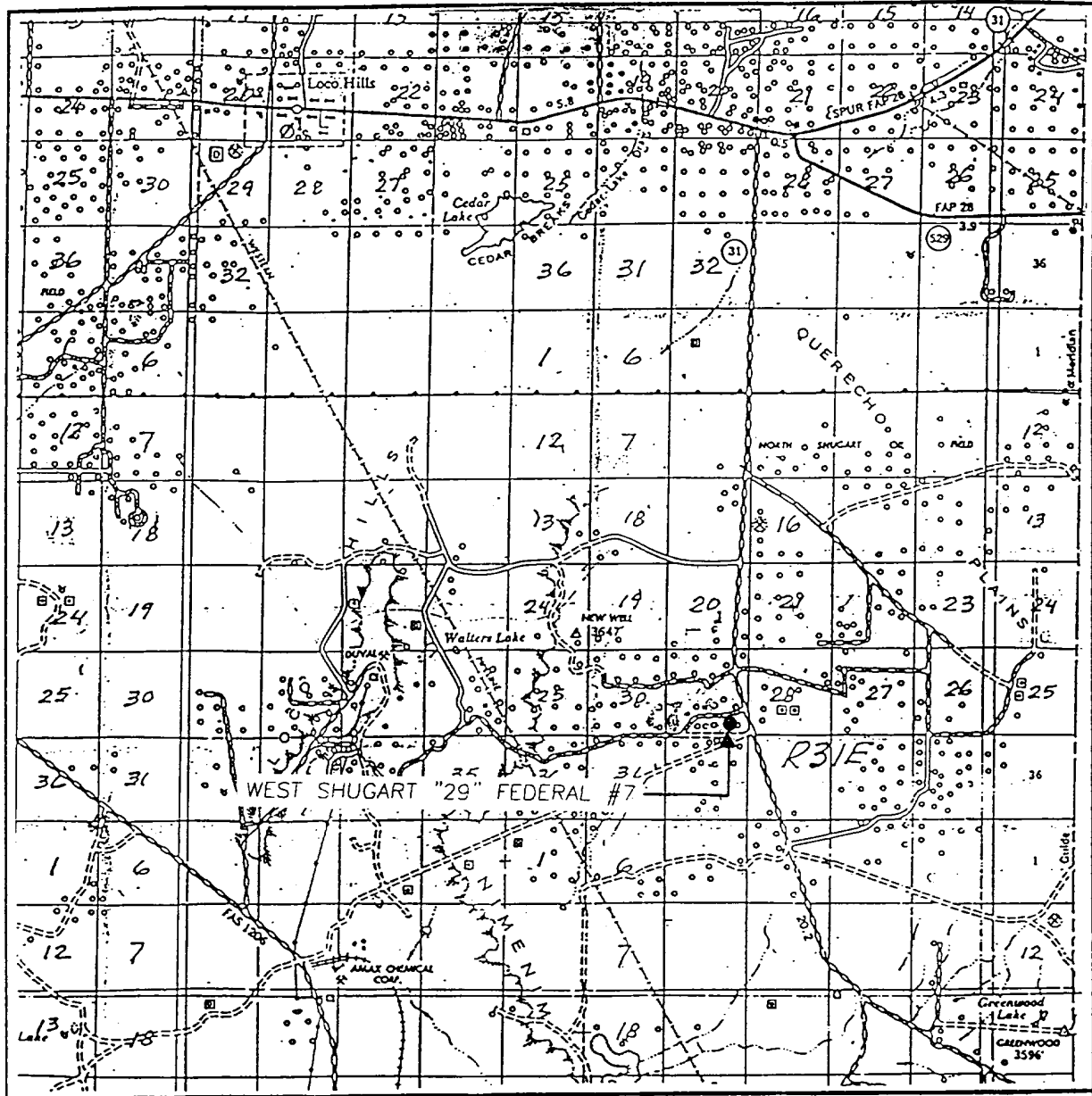
990'

3601.9'

990'

EXHIBIT "A"

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 29 TWP. 18-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 990' FSL & 990' FEL

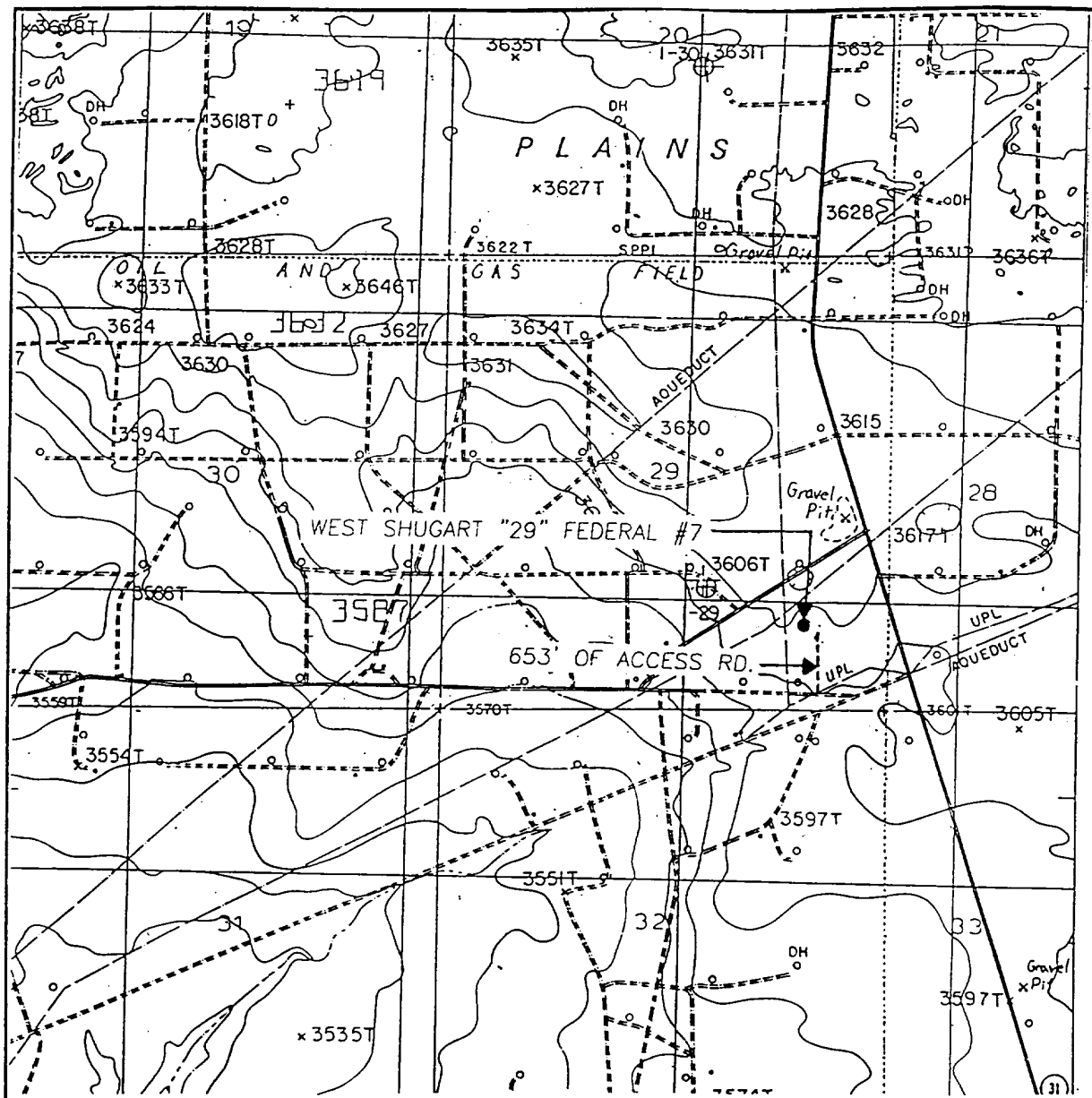
ELEVATION 3603

OPERATOR CONCHO RESOURCES, INC

LEASE WEST SHUGART "29" FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505 393-3117)

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HACKBERRY LAKE - 10'

SEC. 29 TWP. 18-S. RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 990' FSL & 990' FEL

ELEVATION 3603

OPERATOR CONCHO RESOURCES, INC.

LEASE WEST SHUGART "29" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

HACKBERRY LAKE, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
 WEST SHUGART "29" FEDERAL # 7
 UNIT "P" SECTION 29
 T18S-R31E EDDY CO. NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

1. Location: 990' FSL & 990' FEL SEC. 29 T18S-R31E EDDY CO. NM
2. Elevation above sea level: 3603' GR.
3. Geologic name of surface formation: Quaternary Aeolian Deposits.
4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
5. Proposed drilling depth: 6100'
6. Estimated tops of geological markers:

Queen	3200'
San Andres	3790'
Delaware	5975'
7. Possible mineral bearing formation:

San Andres	Oil
Delaware	Oil
8. Casing program:

Hole size	Interval	Casing OD	Weight	Thread	Collar	Grade
25"	0-40	20"	NA	NA	NA	Conductor
17½"	0-760'	13 3/8"	48#	8-R	ST&C	H-40
11"	0-2800'	8 5/8"	32#	8-R	ST&C	K-55
7 7/8"	0-6100'	5½"	15.5#	8-R	ST&C	K-55

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
 WEST SHUGART "29" FEDERAL # 7
 UNIT "P" SECTION 29
 T18S-R31E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Set 760' of 13 3/8" H-40 48# ST&C casing. Cement with 450 Sx. of Class "C" cement + 2% CaCl, circulate cement to surface.
8 5/8"	Intermediate	Set 2800' of 8 5/8" K-55 32# ST&C casing. Cement with 710 Sx. of cement. Lead 510 Sx. of 35/65 POZ Class "C" + 12% Salt + 1/4# flocele/Sx. + 1# Gilsonite/Sx. + 6% Bentonite, tail in with 200 Sx. of Class "C" + 2% CaCl circulate cement to surface.
5 1/2"	Production	Set 6100' of 5 1/2" K-55 15.5# ST&C casing. Cement with 200 Sx. of 35/65 POZ + 12% salt + 1/4# Celo flake/Sx. + 1# Gilsonite/Sx. + 6% Bentonite, tail in with 350 Sx. of Class "C" + additives, estimate top of cement 3400'.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E". A Series 900 3000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. The B.O.P. unit will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. The B.O.P. will be nipples up on 13 3/8" casing and will be operated at least once each 24 hour period while drilling and blind rams will be operated when out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11. PROPOSED MUD CIRCULATING SYSTEM:

Depth	Mud Wt.	Visc.	Fluid Loss	Type Mud System
40-760'	8.6-9	32-36	NC	Fresh water spud mud add Gel for visc. paper to control seepage & lime for pH control.
760'-2800'	10-10.2	32-36	NC	Brine water add paper to control seepage, use high viscosity sweeps to clean hole.
2800-5900'	8.7-9.0	28-30	NC	Cut brine paper to control seepage and sweep hole.
5900-6100	8.7-9.0	30-34	10 cc or less	Cut brine, Gel/Pac system

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and/or water loss may have to be adjusted to meet these needs.

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

12. Testing, Logging and Coring Program:
- A. Open hole logs: Gamma Ray - Neutron Density Caliper ; Laterolog-Micro SFL from TD to 2800'. Gamma Ray Neutron from 2800' to surface.
 - B. Mud logger will be placed on well at a depth of 4500' and remain on well to TD.
 - C. No DST's are planned, sidewall cores may be taken at thr discretion of the Geologist.
13. Potential Hazards:
- No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H₂S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 3500 PSI, estimated BHT 130° .
14. Anticipated Starting Date and Duration of Operation:
- Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 20 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.
15. Other Facets of Operations:
- After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Delaware pay will be perforated and stimulated. The well will be swab tested and potentialied as an Oil well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

1. EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existings roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than of construction.

- A. Exhibit "A" shows the proposed development well as staked.

- B. From Loco Hills New Mexico take U.S. Hi-way 82 East for 5.5 miles to junction with Co. Road 222 turn Left (South) go 7.3 miles turn West go .23 miles turn North go 650' to location.

- C. Lay 3" polyethelene pipeline to transport produced fluids to a common tank battery. Construct a 1250 KV electric power line along road ROW in order to produce oil and gas from this well.

2. PLANNED ACCESS ROADS: Approximately 650' of new road will be constructed.

- A. The access road will be crowned and ditched to a 12'00" wide travel surface with 40' right-of-way.

- B. Gradient on all roads will be less than 5.00%.

- C. No turnouts will be necessary.

- D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.

- E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.

- F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.

3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"

- A. Water wells - None known

- B. Disposal wells - None known

- C. Drilling wells - None known

- D. Producing wells - As shown on Exhibit "A-1"

- E. Abandoned wells - None known

SURFACE USE PLAN

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

4. If, upon completion this well is a producer Concho Resources, Inc. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quaters will drain into holes with a minium depth of 10'. These holes will be covered during drilling and will be back filled upon completion. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITIES:

- A. No camps or airstrips to be constructed.

SURFACE USE PLAN

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the proposed well site layout.
- B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
- C. Mud pits in the active circulating system will be steel pits & 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 polyethelena. The pit liner will be 6 mils thick. Pit liner will extend a minimum of 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 to 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 contoured 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.

SURFACE USE PLAN

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

11. OTHER INFORMATION:

- A. Topography consists of sand dunes, sandy soils with native grasses consisting of Sand Sage, Scrub Oak, Snakeweed and Mesquite. Drainage is Westerly toward the Querecho Plains.
- B. The surface is owned by The Bureau of Land Management, U.S. Dept. of Interior.
- C. An Archaeological survey will be conducted and the results will be submitted to the Bureau of Land Management, Carlsbad, New Mexico.
- D. No dwellings within one mile of location.

12. OPERATORS REPRESENTATIVE:

Field representative to contact regarding compliance with Application to Drill and Surface Use Plan is:

Before APD is approved.

Tierra Exploration Inc.
P.O. Box 2188
Hobbs, N.M. 88241
Joe T. Janica
Office Phone: 505-392-2112

After APD is approved.

Concho Resources, Inc.
110 West Louisiana
Suite 410
Midland, Texas 79702
Jim Blount 915-683-7442

13. CERTIFICATION: I hereby certify that I, or persons under by direct supervision, have inspected the proposed drill site 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 that the work associated with the operations proposed herein will be performed by Concho Resources, Inc. it's contractors/subcontractors in conformity with this plan and the terms and the conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for filing a false statement.

DATE: 06/10/00

NAME: JOE T. JANICA

TITLE: AGENT

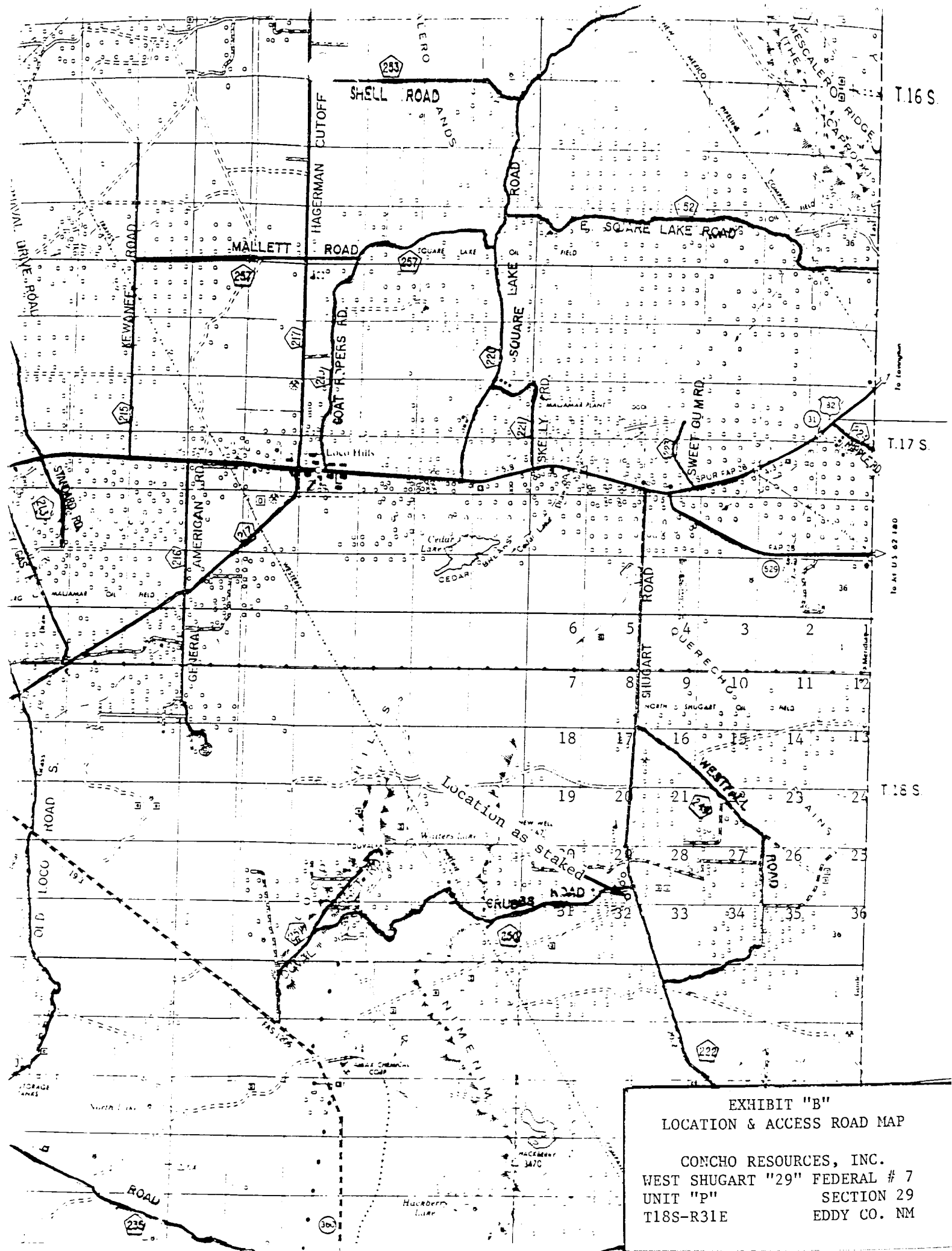
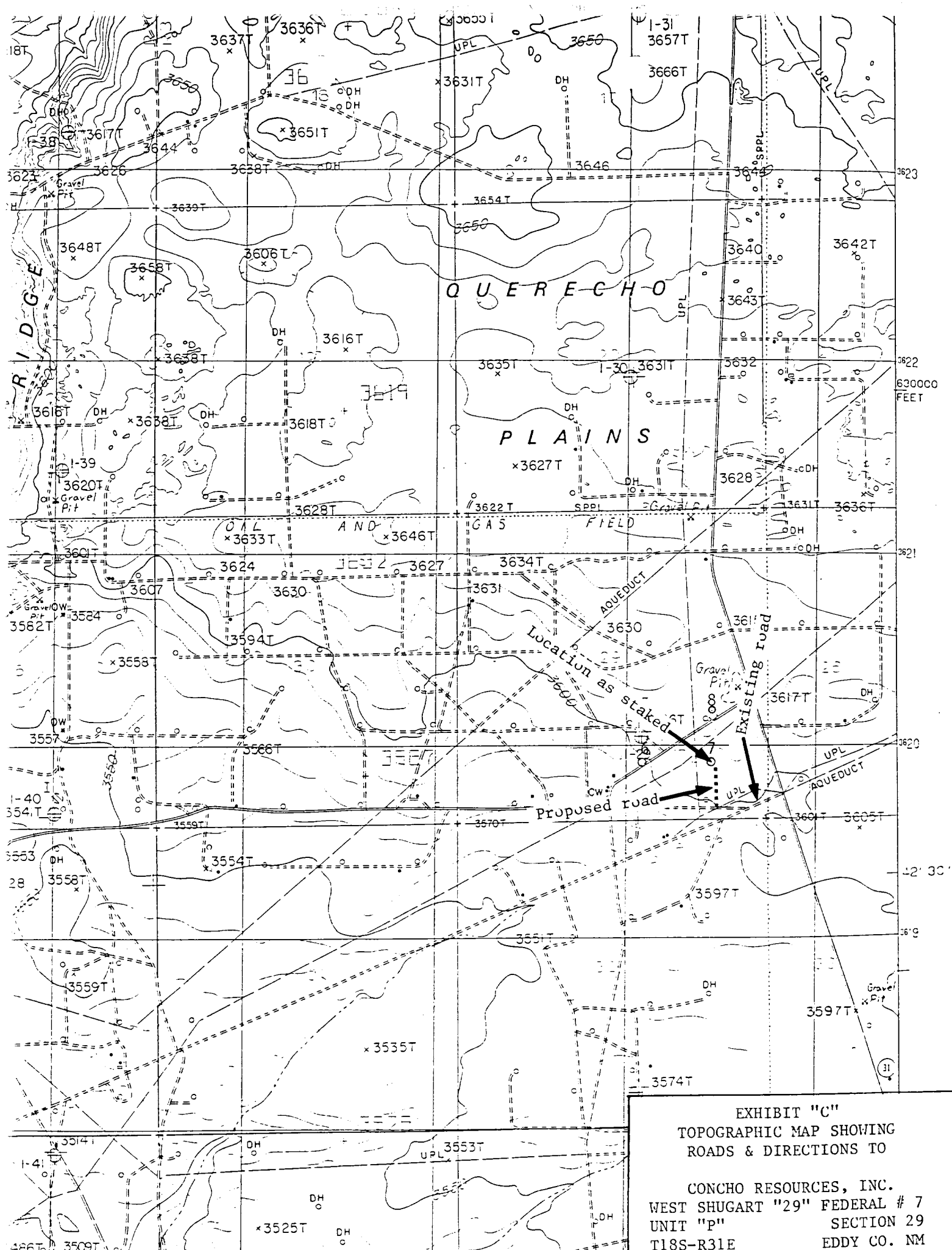
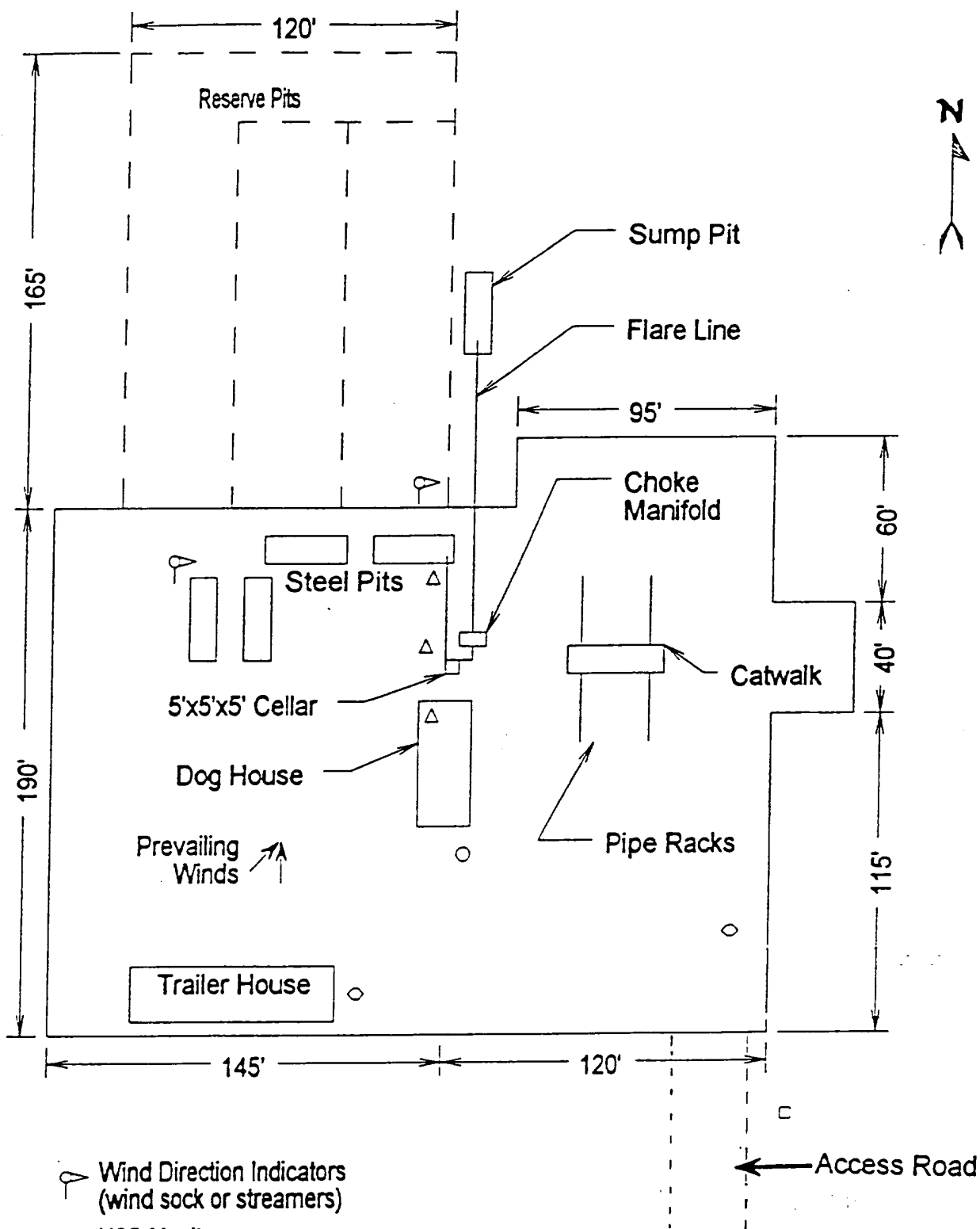


EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

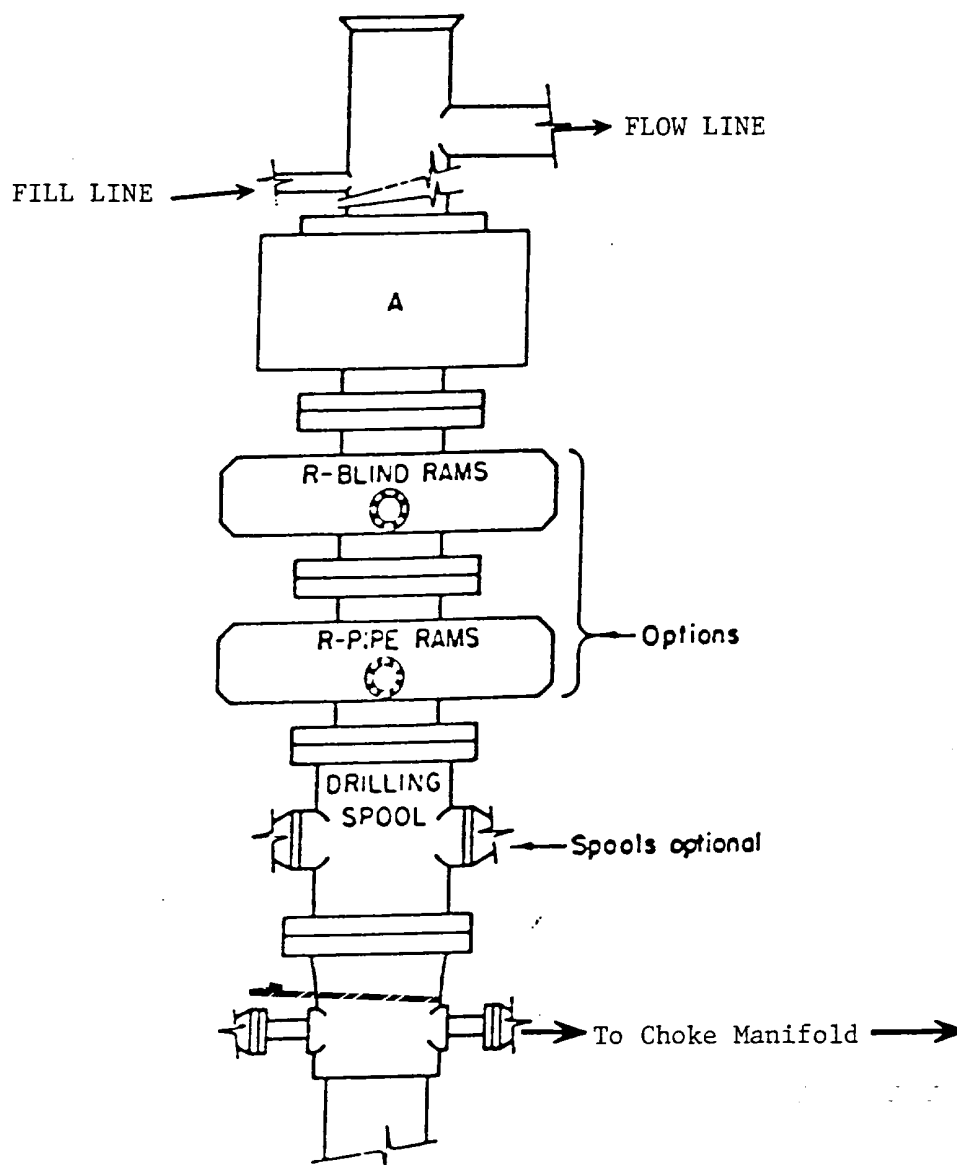




- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT "D"
RIG LAYOUT PLAT

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM

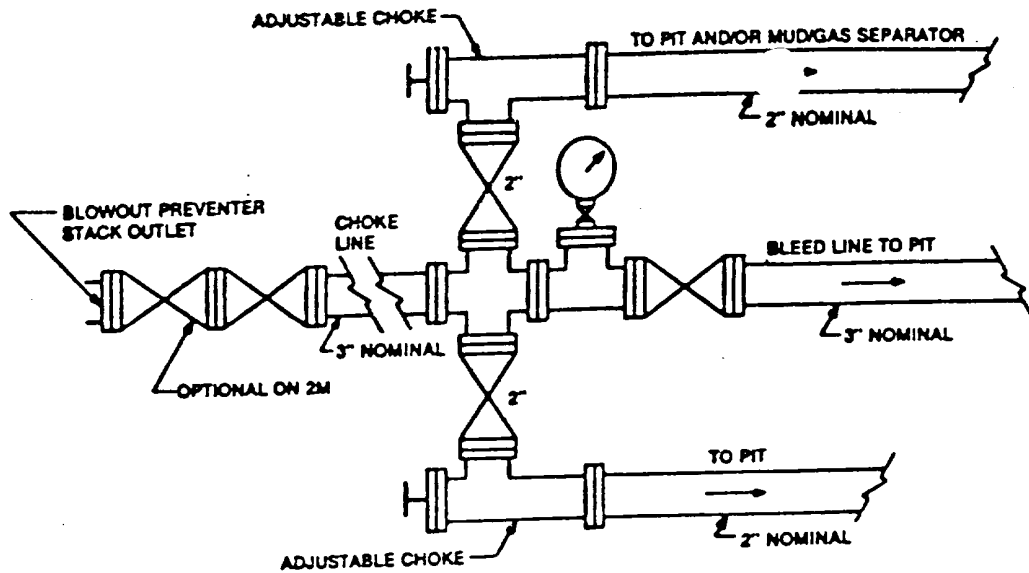


ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T18S-R31E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

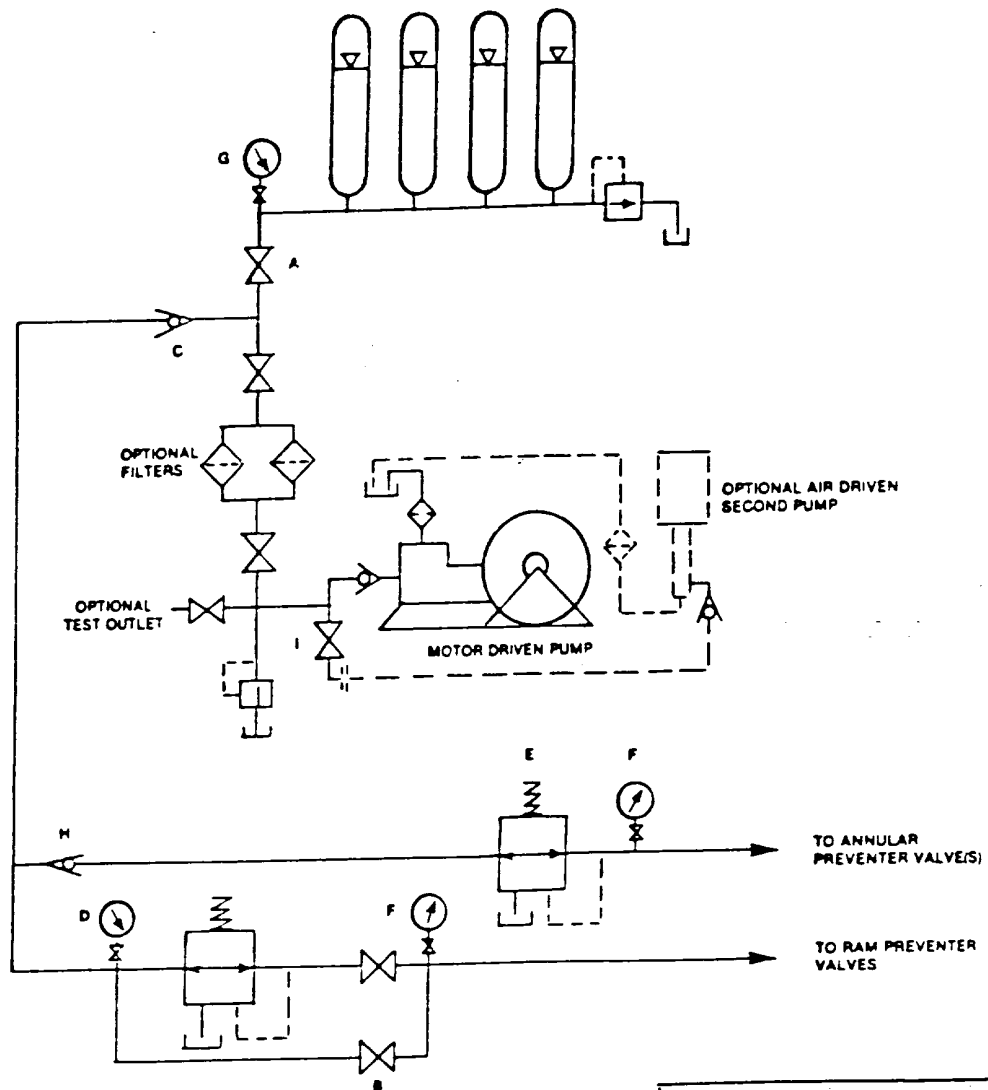


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

CONCHO RESOURCES, INC.
WEST SHUGART "29" FEDERAL # 7
UNIT "P" SECTION 29
T13S-R31E EDDY CO. NM