

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

RECEIVED

FEB 16 2005

Form 3160-3
(April 2004)

0283

OCB-ARTESIA
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM0558263A
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator MURCHISON OIL & GAS, INC.		7. If Unit or CA Agreement, Name and No.
3a. Address 1100 MIRA VISTA BLVD. PLANO, TX. 75093-4698		8. Lease Name and Well No. LINCOLN FED COM #2
3b. Phone No. (include area code) (972) 931-0700		9. API Well No. 30-015-33956
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1250' FSL & 1250' FEL At proposed prod. zone		10. Field and Pool, or Exploratory PENASCO DRAW MORROW
14. Distance in miles and direction from nearest town or post office*		11. Sec., T. R. M. or Blk. and Survey or Area SEC. 24, T18S, R24E
15. Distance from proposed* 70' TO NEAREST LEASE location to nearest property or lease line, ft. LINE & 1250' TO NEAREST DUL. (Also to nearest drig. unit line, if any)		12. County or Parish EDDY
16. No. of acres in lease 360 AC.		13. State NM
17. Spacing Unit dedicated to this well 320 AC.		
18. Distance from proposed location* 1st WELL ON LEASE to nearest well, drilling, completed, applied for, on this lease, ft. LEASE IN THIS SECTION.		19. Proposed Depth 9000'
20. BLM/BIA Bond No. on file		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3657 GL		22. Approximate date work will start* 04/01/2005
23. Estimated duration 30 DAYS		

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature <i>Michael S. Daugherty</i>	Name (Printed/Typed) MICHAEL S. DAUGHERTY	Date 12/14/2004
Title VICE PRESIDENT OPERATIONS		

Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) <i>/s/ Joe G. Lara</i>	Date FEB 11 2005
Title FIELD MANAGER		Office CARLSBAD FIELD OFFICE

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, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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 on page 2)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

Known Controlled Water Basin

District I
1825 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

Form C-102

Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name LINCOLN FED. COM	Well Number 2
OGRID No. 015363	Operation Name MURCHISON OIL & GAS, INC.	Elevation 3657

Surface Location

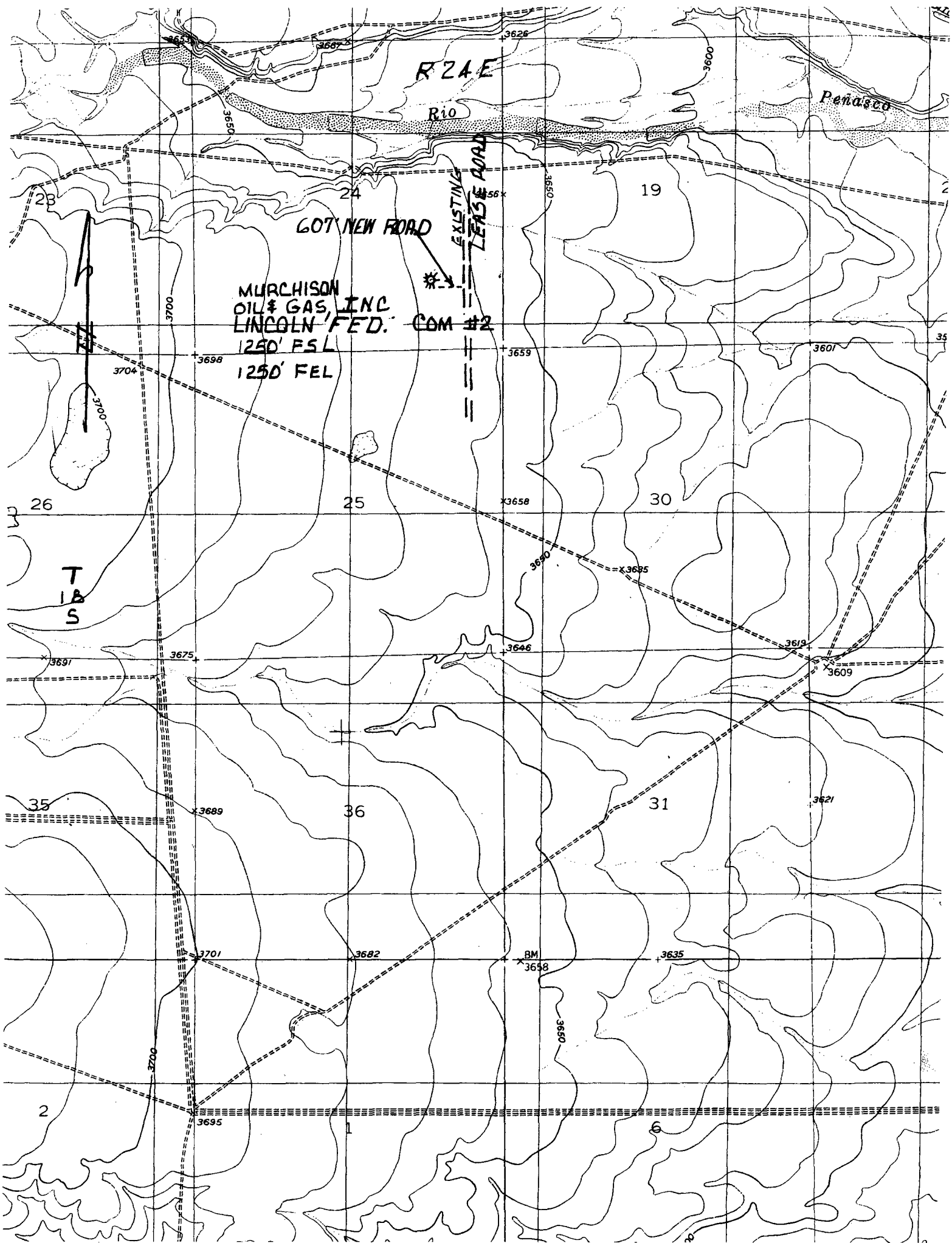
UL or Lot No. P	Section 24	Township 18-S	Range 24-E	Lot Idn.	Feet from the 1250	North/South line SOUTH	Feet from the 1250	East/West line EAST	County EDDY
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Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill INFILL	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.	
	Signature <i>Michael S. Daugherty</i>	Printed Name MICHAEL S. DAUGHERTY
	Title VICE PRESIDENT OPERATIONS	Date 12/14/2004
	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 of Survey OCTOBER 15, 2004		Signature and Seal of Professional Surveyor
		Certificate Number 5412





VIA FEDERAL EXPRESS

MURCHISON OIL & GAS, INC.
MURCHISON PROPERTIES, INC.

December 14, 2004

United States Department of the Interior
Bureau of Land Management
Roswell District Office
2909 West Second Street
Roswell, New Mexico 88201
Attn: Linda Askawik

**Re: Application for Permit to Drill
Murchison Oil & Gas, Inc.
Lincoln Federal Com #2
Eddy County, New Mexico
Lease No. NM0558263A**

Gentlemen:

Murchison Oil & Gas, Inc. "MOGI" respectfully requests permission to drill our Lincoln Federal Com #2 located 1250' FSL and 1250' FEL of Section 24, T18S, R24E, Eddy County, New Mexico, Federal Lease No. NM0558263A. The proposed well will be drilled to a TD of approximately 9000' (TVD). The location and work area have been staked. It is approximately 1250' FSL & 1250' FEL, Sec. 24, T18S, R24E.

In accordance with requirements stipulated in Federal Onshore Oil and Gas Order No. 1 under 43 CFR 3162.1, our Application for Permission to Drill and supporting evidence is hereby submitted.

I. Application for Permit to Drill:

1. Form 3160-3, Application for Permit to Drill.
2. Form C-102 Location and Acreage Dedication Plat certified by Dan R. Reddy Registered Land Surveyor No. 5412 in the State of New Mexico, dated 10/15/2004.
3. The elevation of the unprepared ground is 3657 feet above sea level.
4. The geologic name of the surface formation is Permian Rustler.
5. Rotary drilling equipment will be utilized to drill the well to TD 9000' (TVD), and run casing. This equipment will then be rigged down and the well will be completed with a pulling unit.
6. Proposed total depth is 9000' TVD.

7. Estimated tops of important geologic markers. (KDB EST @ 3657')

San Andres	668' TVD
Glorieta	1985' TVD
Yeso	2190' TVD
Abo	4030' TVD
Wolfcamp	5238' TVD
Cisco	6890' TVD
Canyon	7402' TVD
Strawn	7771' TVD
Atoka	8102' TVD
Morrow	8460' TVD
Mississippian	8630' TVD

8. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

Primary Objective: Morrow 8460' TVD

Secondary Objectives: Bursum 6338' TVD

9. The proposed casing program is as follows:

Surface: 13-3/8" OD 54.5# H40 BT&C casing set at 360'

1st Intermediate: 9-5/8" OD 43.5# N80 LT&C casing from 0 to 1150'

Production Liner: 5-1/2" OD 17# N-80 LT&C from surface to 9000'

10. Casing setting depth and cementing program:

WITNESS

- A. 13-3/8" surface casing set at 360' in 17-1/2" hole. Circulate cement with 375sx Class C with 2% CaCl₂.

If cement does not circulate, a temperature survey will be run to find the TOC and then finish cementing to surface through 1" using Class C with 2% CaCl₂.

- B. 9-5/8" intermediate casing set at 1150' in 12-1/4" hole. Circulate cement with 600sx Class C with 2% CaCl₂.

If cement does not circulate, a temperature survey will be run to find the TOC and then finish cementing to surface through 1" using Class C with 2% CaCl₂.

Note: Cement volumes may need to be adjusted to hole caliper.

- C. 5-1/2" Production Casing will be set if warranted from surface to TD in a 8-1/2" hole. Cement with 900sx of Class "H" + additives.

11. Pressure Control Equipment

0' – 360'	None
360' – 1150'	13-3/8" 3000# ram type preventers with one set blind rams and one set pipe rams and a 3000# annular preventer.
1150' – 9000'	11" 5000# ram type preventers with one set blind rams and one set pipe rams and a 3000# annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 1150'. See attached Sketch of BOP Equipment.

A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor.

After setting the 9-5/8" casing, the blowout preventers and related control equipment shall be pressure tested to 5000 psi and 3000 psi respectively. Any equipment failing to test satisfactorily shall be repaired or replaced. Results of the BOP test will be recorded in the Driller's Log. The BOP's will be maintained ready for use until drilling operations are completed.

BOP drills will be conducted as necessary to assure that equipment is operational and each crew is properly trained to carry out emergency duties.

Accumulator shall maintain a pressure capacity reserve at all times to provide for the close-open-close sequence of the blind and pipe rams of the hydraulic preventers.

12. Mud Program:

0 – 360'	Fresh water/native mud. Wt. 8.3-8.4 ppg, vis 32-34 sec, Lime for pH control (9-10). Paper for seepage. Lost circulation may be encountered.
360' – 1150'	Fresh water 8.4 ppg, vis 28-29 sec. Caustic for pH control (10-10.5). Paper for seepage.
1150' – 8000'	Cut brine. Wt. 8.4 – 9.0 ppg, vis 28-29 sec, caustic for pH control (10-10.5). Paper for seepage.

8000' – 9000'

Mud up with an XCD Polymer mud system with the following characteristics: Wt. 8.4 – 10.00 ppg, Vis 32-40 sec, WL 6-8cc.

Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until the production casing is run and cemented. Monitoring equipment shall consist of the following:

- 1) A recording pit level indicator.
 - 2) A pit volume totalizer.
 - 3) A flowline sensor.
13. Testing, Logging and Coring Program:
- A. Testing program: None.
 - B. Mud logging program: Two man unit from 1150' to TD.
 - C. Electric logging program: CNL/LDT/CAL/GR, DLL/CAL/GR.
 - D. Coring program: Possible sidewall rotary cores.
14. No abnormal temperatures, or H₂S gas are anticipated. Adequate flare lines will be installed off the mud/gas separator where gas may be flared safely.
15. Anticipated starting date is April 1, 2005. It should take approximately 30 days to drill the well and another 10 days to complete.
16. A statement accepting responsibility for operations is attached.
17. The Multi-Point Surface Use & Operation Plan is attached.
18. If the Bureau of Land Management needs additional information to evaluate this application, please advise.

Very truly yours,



Michael S. Daugherty
Vice President, Operations

MSD/ct/LincolnFdCm#2-BLM-APTD

Attachments

longer needed, will be ripped. Those areas will be reseeded with grass if, in the opinion of the land owner, it is required.

12. Operator's Representatives

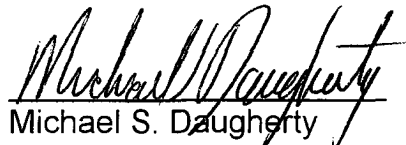
The Field representatives responsible for assuring compliance with the approved surface use and operations plan are as follows:

Michael S. Daugherty
1100 Mira Vista Blvd.
Plano, TX. 75093-4698
Office Phone: (972) 931-0700
Home Phone: (972) 618-0792

Randy Ford
201 W. Wall, Ste. 600
Wall Tower East
Midland, TX. 79701
Office Phone: (915) 682-0440
Cell Phone: (915) 559-2222

13. Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site 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 MOGI and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.


Michael S. Daugherty

12/14/04
Date

Vice President, Operations
Murchison Oil & Gas, Inc.

UNITED STATES DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: MURCHISON OIL & GAS, INC.
Street or Box: 1100 MIRA VISTA BLVD.
City, State: PLANO, TX.
Zip Code: 75093-4698

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: NM0558263A

Legal Description of Land: NW/4 SE/4, S/2 SE
SECTION 24, T18S, R24E

Formation (s) (if applicable): FROM THE SURFACE DOWN TO 9000'

Bond Coverage (State if individually bonded or another's bond):
PERSONAL STATEWIDE BOND

BLM Bond File No.: NM2163

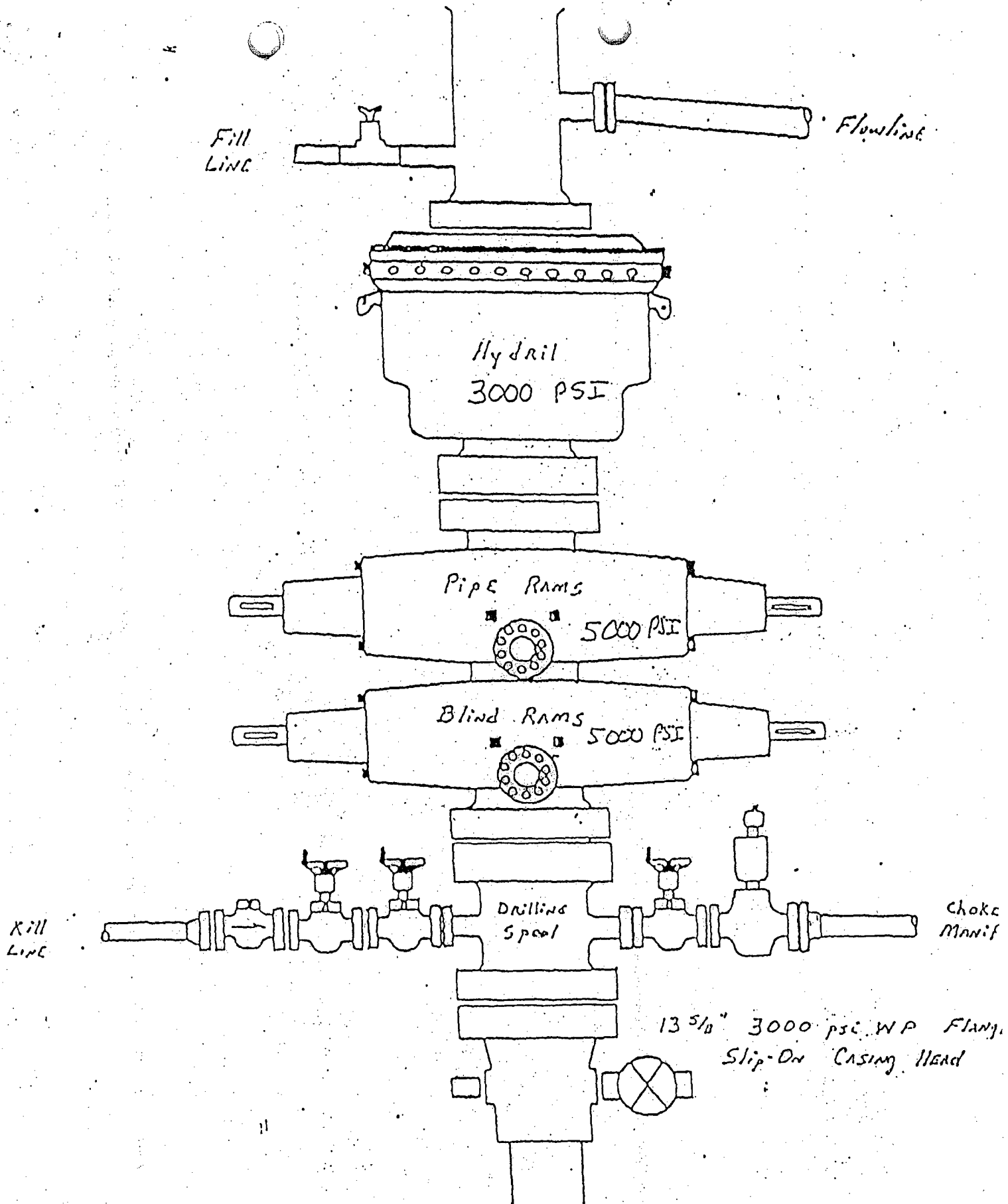
Authorized Signature: _____


MURCHISON OIL & GAS, INC.

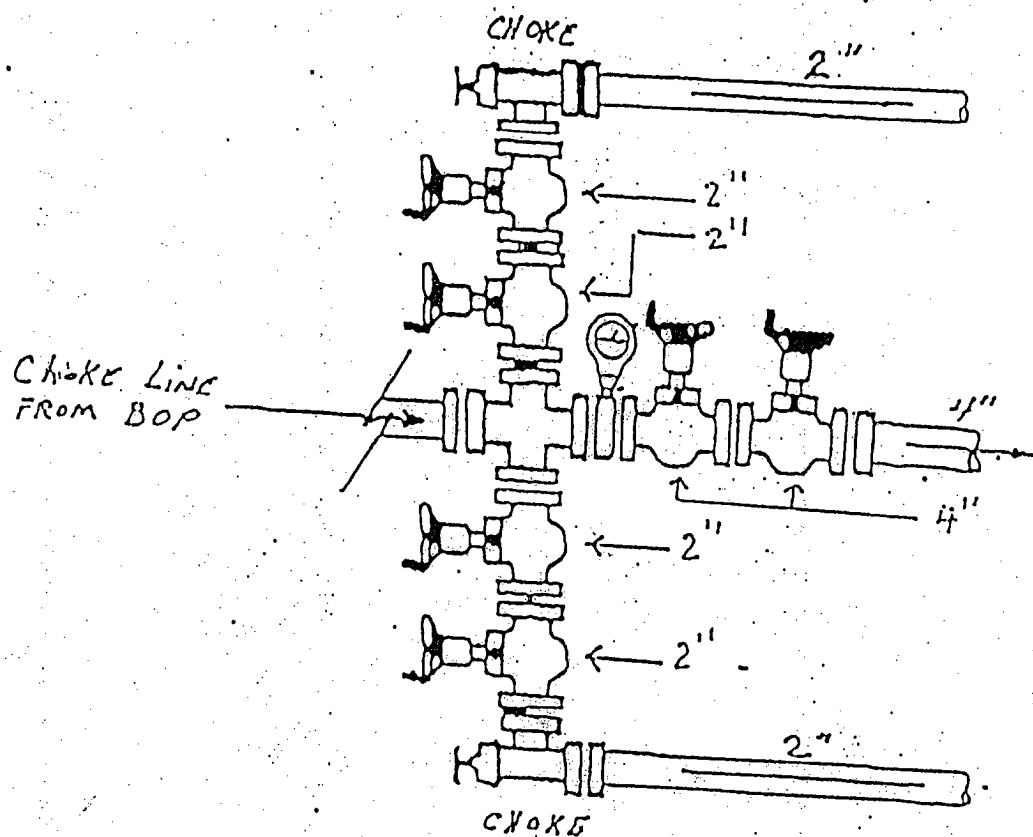
Title: MICHAEL S. DAUGHERTY
VICE PRESIDENT OPERATIONS

Date: _____

12/14/04



MURCHISON OIL & GAS, INC.
LINCOLN FEDERAL COM #2
1250' FSL & 1250' FEL
EDDY CO., NM.



MURCHISON OIL & GAS, INC.
 LINCOLN FEDERAL COM #2
 1250' FSL & 1250' FEL
 EDDY CO., NM.