Form 3160-3
(December 1990)

OCD-ARTESIA

SUBMIT IN TRIPLICATE*
(Other Instructions on reverse side)

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.: NMNM-98120

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME: NM-71030X

8. FARM OR LEASE NAME, WELL NO.: Skelly Unit #905

9. API WELL NO.: 30-015-31371

10. FIELD AND POOL, OR WILDCAT: SWD; Cisco

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 14 T17S R31E

1a. TYPE OF WORK: DRILL ☐ RE-ENTRY DEEPEN ☒

b. TYPE OF WELL: OIL WELL ☐ Gas Well ☐ OTHER SWD SINGLE ZONE ☐ MULTIPLE ZONE ☐

2. NAME OF OPERATOR: Chevron USA Inc. (Mack Energy Agent)

RECEIVED
JAN 11 2006
OCD-ARTESIA

3. ADDRESS AND TELEPHONE NO.: P.O. Box 960, Artesia, NM 88211-0960 (505) 748-1288

4. LOCATION OF WELL (Report location clearly and in accordance with any state requirements)
At surface: 1100 FNL & 660 FEL
At proposed prod. zone: SUBJECT TO LIKE APPROVAL BY STATE SWD

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 9 miles east of Loco Hills, NM

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)	660	16. NO. OF ACRES IN LEASE: 4160	17. NO OF ACRES IN LEASE TO THIS WELL: 40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED OR APPLIED FOR, ON THIS LEASE, FT.	330	19. PROPOSED DEPTH: 10565	20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3940' GR

22. APPROX. DATE WORK WILL START*: 12/15/2005

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14 3/4	H-40,11 3/4	42	750	440 sx, Circ IN PLACE
11	J-55, 8 5/8	32	4200	2081 sx, Circ IN PLACE
7 7/8	J-55, 5 1/2	17	12387	3170 sx, Circ IN PLACE

Chevron USA Inc. proposes to re-enter and drill out cement and CIBP to a total depth of 10,565', squeeze perfs with cement. Perforate from 9850-9902' for disposal. If non-productive, the well will be plugged and abandoned in a manner consistent with federal regulation.

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

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 Jerry W. Sherrell TITLE Production Clerk DATE 12/7/2005
Mack Energy Corporation (Agent for Chevron USA Inc.)

(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 /s/ Joe G. Lara TITLE ACTING FIELD MANAGER DATE JAN 10 2006

*See Instructions On Reverse Side

APPROVAL 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 88240

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

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

DISTRICT IV
P. O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 10, 1994
Instructions on back

Submit to Appropriate District Office
State Lease-4 copies
Fee Lease-3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
	96099	SWD; Cisco

4 Property Code	5 Property Name	6 Well Number
11091	Skelly Unit	905
7 OGRID No.	**8 Operator Name**	**9 Elevation**
4323	Chevron USA Inc.	3940'

10 Surface Location

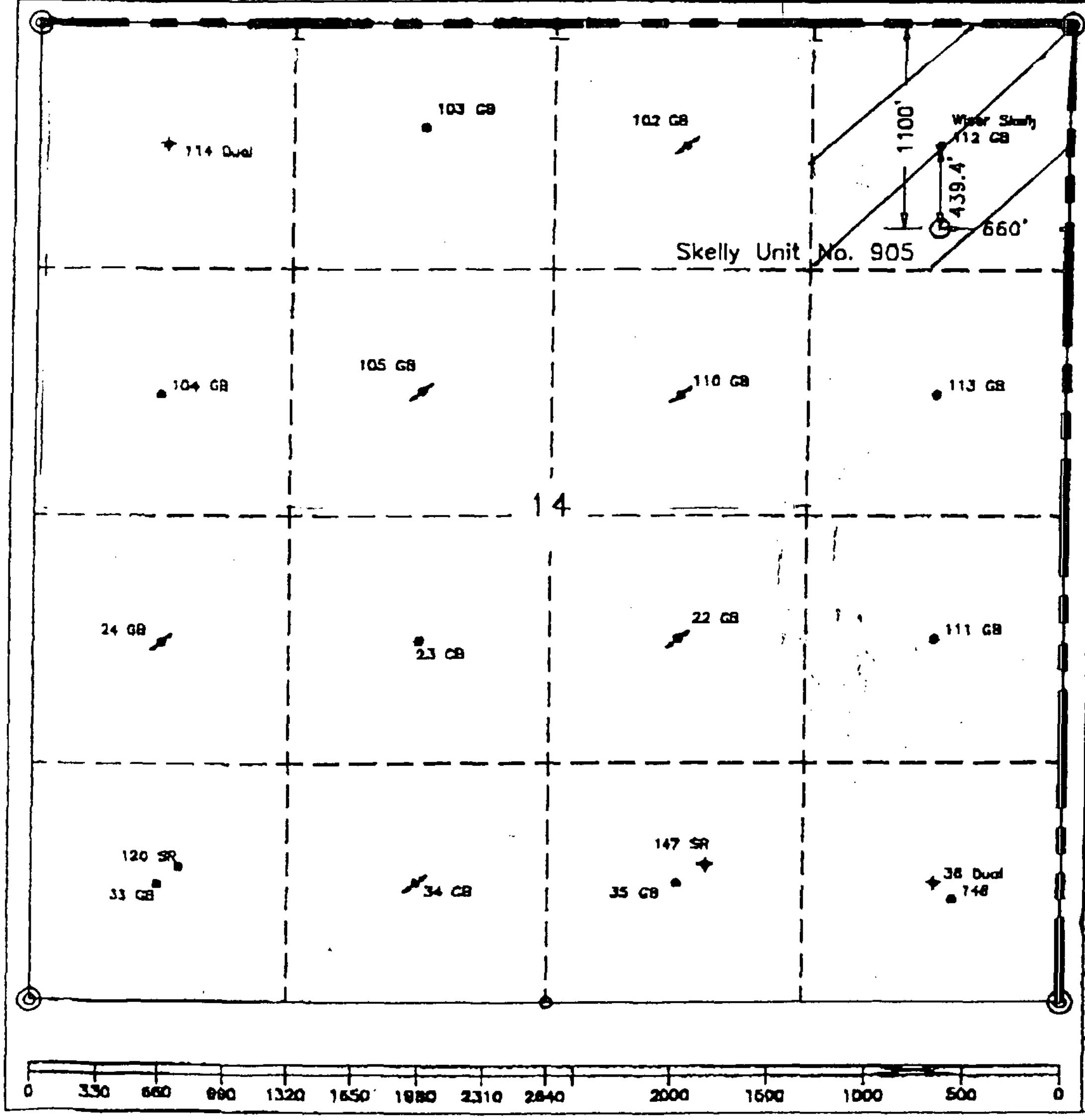
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	14	17-S	31-E		1100'	North	660'	East	Eddy

11 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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
~~40~~ (CAH)			

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.



17 OPERATOR CERTIFICATION

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

Signature: A. Phil Ryan

Printed Name: A. Phil Ryan

Position: Commissioner Coordinator

Company: Texaco Expl. & Prod. Inc.

Date: August 10, 2000

18 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: August 8, 2000

Signature & Seal of Professional Surveyor: [signature]

Certificate No. 7254 John S. Piper

Sheet

○ = Staked Location ● = Producing Well ⁄ = Injection Well ☼ = Water Supply Well ✦ = Plugged & Abandon Well

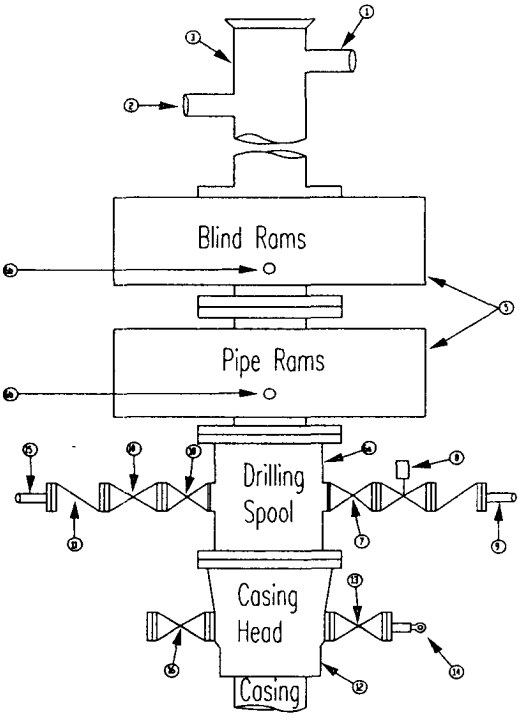
Mack Energy Corporation
Minimum Blowout Preventer Requirements
2000 psi Working Pressure
2 MWP
EXHIBIT #1-A

Stack Requirements

NO.	Items	Min. I.D.	Min. Nominal
1	Flowline		2"
2	Fill up line		2"
3	Drilling nipple		
4	Annular preventer		
5	Two single or one dual hydraulically operated rams		
6a	Drilling spool with 2" min. kill line and 3" min choke line outlets		2" Choke
6b	2" min. kill line and 3" min. choke line outlets in ram. (Alternate to 6a above)		
7	Valve Gate Plug	3 1/8	
8	Gate valve-power operated	3 1/8	
9	Line to choke manifold		3"
10	Valve Gate Plug	2 1/16	
11	Check valve	2 1/16	
12	Casing head		
13	Valve Gate Plug	1 13/16	
14	Pressure gauge with needle valve		
15	Kill line to rig mud pump manifold		2"

OPTIONAL

16	Flanged Valve	1 13/16	



CONTRACTOR'S OPTION TO FURNISH:

1. All equipment and connections above bradenhead or casinghead. Working pressure of preventers to be 2000 psi minimum.
2. Automatic accumulator (80 gallon, minimum) capable of closing BOP in 30 seconds or less and, holding them closed against full rated working pressure.
3. BOP controls, to be located near drillers' position.
4. Kelly equipped with Kelly cock.
5. Inside blowout preventer or its equivalent on derrick floor at all times with proper threads to fit pipe being used.
6. Kelly saver-sub equipped with rubber casing protector at all times.
7. Plug type blowout preventer tester.
8. Extra set pipe rams to fit drill pipe in use on location at all times.
9. Type RX ring gaskets in place of Type R.

MEC TO FURNISH:

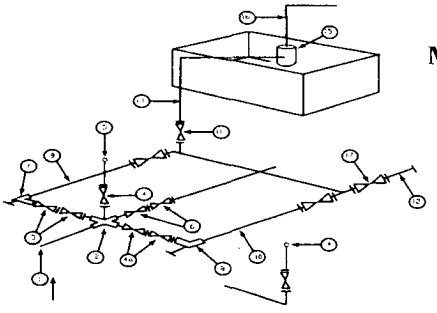
1. Bradenhead or casing head and side valves.
2. Wear bushing. If required.

GENERAL NOTES:

1. Deviations from this drawing may be made only with the express permission of MEC's Drilling Manager.
2. All connections, valves, fittings, piping, etc., subject to well or pump pressure must be flanged (suitable clamp connections acceptable) and have minimum working pressure equal to rated working pressure of preventers up through choke valves must be full opening and suitable for high pressure mud service.
3. Controls to be of standard design and each marked, showing opening and closing position
4. Chokes will be positioned so as not to hamper or delay changing of choke beans. Replaceable parts for adjustable choke, or bean sizes, retainers, and choke wrenches to be conveniently located for immediate use.
5. All valves to be equipped with hand-wheels or handles ready for immediate use.
6. Choke lines must be suitably anchored.
7. Handwheels and extensions to be connected and ready for use.
8. Valves adjacent to drilling spool to be kept open. Use outside valves except for emergency.
9. All seamless steel control piping (2000 psi working pressure) to have flexible joints to avoid stress. Hoses will be permitted.
10. Casinghead connections shall not be used except in case of emergency.
11. Do not use kill line for routine fill up operations.

Mack Energy Corporation

Exhibit #1-A
MIMIMUM CHOKE MANIFOLD
3,000, 5,000, and 10,000 PSI Working Pressure
2 M will be used or greater
3 MWP - 5 MWP - 10 MWP



Mud Pit

Reserve Pit

*** Location of separator optional**

Below Substructure

Mimimum requirements

		3,000 MWP			5,000 MWP			10,000 MWP		
No.		**I.D.**	**NOMINAL**	**Rating**	**I.D.**	**Nominal**	**Rating**	**I.D.**	**Nominal**	**Rating**
1	Line from drilling Spool		3"	3,000		3"	5,000		3"	10,000
2	Cross 3" x 3" x 3" x 2"			3,000			5,000			
2	Cross 3" x 3" x 3" x 2"									10,000
3	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000
4	Valve Gate Plug	1 13/16		3,000	1 13/16		5,000	1 13/16		10,000
4a	Valves (1)	2 1/16		3,000	2 1/16		5,000	2 1/16		10,000
5	Pressure Gauge			3,000			5,000			10,000
6	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000
7	Adjustable Choke (3)	2"		3,000	2"		5,000	2"		10,000
8	Adjustable Choke	1"		3,000	1"		5,000	2"		10,000
9	Line		3"	3,000		3"	5,000		3"	10,000
10	Line		2"	3,000		2"	5,000		2"	10,000
11	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000
12	Line		3"	1,000		3"	1,000		3"	2,000
13	Line		3"	1,000		3"	1,000		3"	2,000
14	Remote reading compound Standpipe pressure quage			3,000			5,000			10,000
15	Gas Separator		2' x5'			2' x5'			2' x5'	
16	Line		4"	1,000		4"	1,000		4"	2,000
17	Valve Gate Plug	3 1/8		3,000	3 1/8		5,000	3 1/8		10,000

(1) Only one required in Class 3M
(2) Gate valves only shall be used for Class 10 M
(3) Remote operated hydraulic choke required on 5,000 psi and 10,000 psi for drilling.

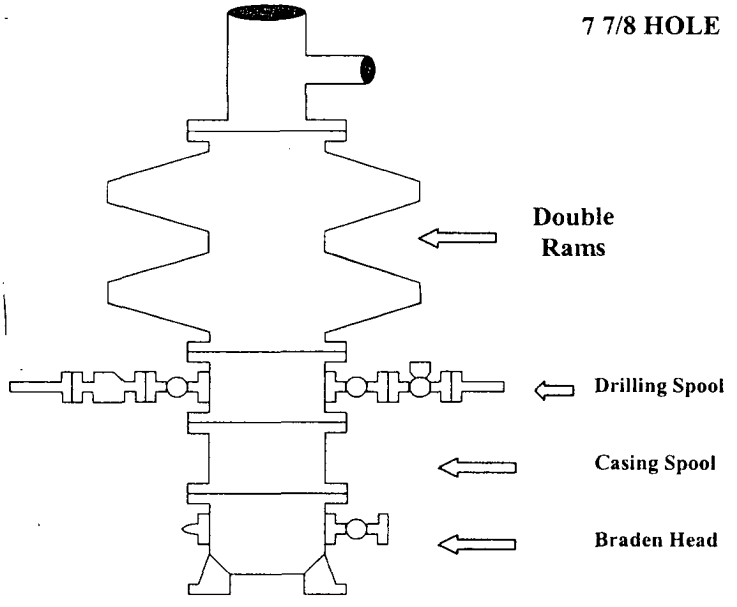
EQUIPMENT SPECIFICATIONS AND INSTALLATION INSTRUCTION

1. All connections in choke manifold shall be welded, studded, flanged or Cameron clamp of comparable rating.
2. All flanges shall be API 6B or 6BX and ring gaskets shall be API RX or BX. Use only BX for 10 MWP.
3. All lines shall be securely anchored.
4. Chokes shall be equipped with tungsten carbide seats and needles, and replacements shall be available.
5. Choke manifold pressure and standpipe pressure gauges shall be available at the choke manifold to assist in regulating chokes. As an alternate with automatic chokes, a choke manifold pressure gauge shall be located on the rig floor in conjunction with the standpipe pressure gauge.
6. Line from drilling spool to choke manifold should bee as straight as possible. Lines downstream from chokes shall make turns by large bends or 90 degree bends using bull plugged tees.

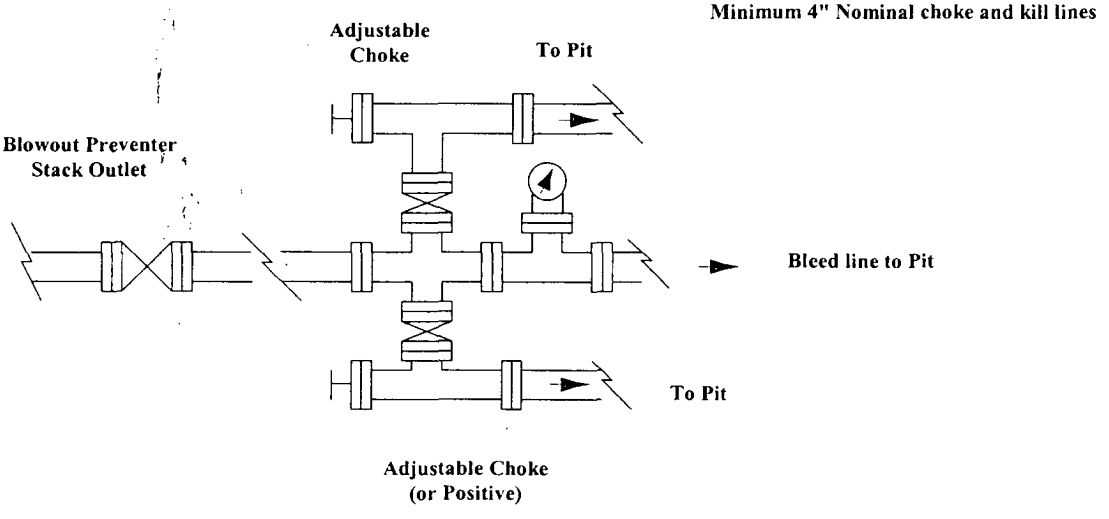
Mack Energy Corporation

Exhibit #1-A

BOPE Schematic



Choke Manifold Requirement (2000 psi WP)
No Annular Required



Attached to Form 3160-3
Chevron USA Inc. (Mack Energy Agent)
Skelly Unit #905
1100 FNL & 660 FEL
NE/4 NE/4, Sec 14 T17S R31E
Eddy County, NM

SURFACE USE AND OPERATING PLAN

1. Existing & Proposed Access Roads

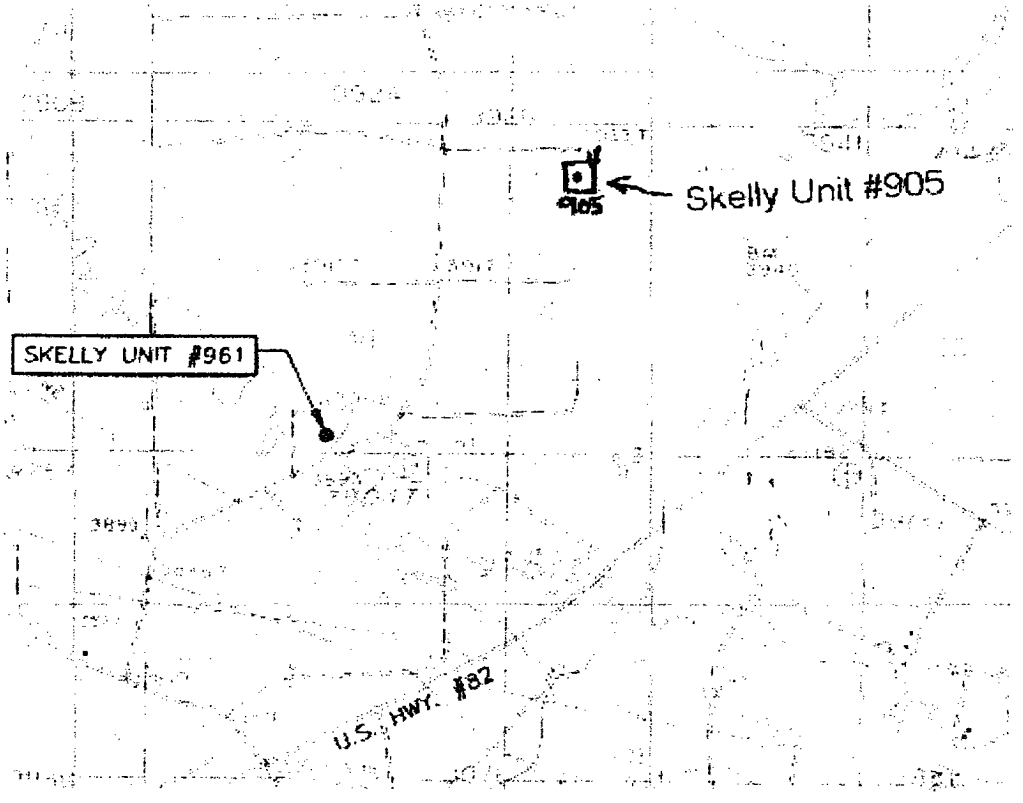
A. The well site and elevation plat for the proposed well is shown in Exhibit #1. It was staked by John West Engineering, Hobbs NM.

B. All roads to the location are shown in Exhibit below. The existing roads are illustrated in Blue and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling well will be done where necessary.

C. Directions to Location: Turn north 4/10 mile east of MM 140, then northwest 1/4 mile, turn north 2/10 mile, turn northeast 5/10 mile, turn north 5/10 then right 1/10 to an existing well then south to 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.

Exhibit #4



Attached to Form 3160-3
Chevron USA Inc. (Mack Energy Agent)
Skelly Unit #905
1100 FNL & 660 FEL
NE/4 NE/4, Sec 14 T17S R31E
Eddy County, NM

2. Proposed Access Road:

Exhibit #3 shows the 200' of new access road. The road will be constructed as follows:

A. The Maximum width of the running surface will be 14'. The road will be crowned and ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.

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 nearest BLM approved caliche pit or reserve pit area.

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

3. Location of Existing Wells & Proposed flow lines for New Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well. As shown on this plat there are numerous wells that are producing from the Grayburg San Andres and Paddock pool. **This will be a SWD well ROW will be applied for and will follow an archaeologically approved route.**

4. Location of Existing and/or Proposed Facilities:

A. Chevron USA Inc. does operate a production facility on this lease.

B. If the well is productive, contemplated facilities will be as follows:

1) Produced water will be stored at the Skelly Unit tank battery. The Facility is shown in Exhibit #5.

2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.

3) Any additional caliche will be obtained from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.

4) It will be necessary to run electric power if this well is productive. Power will be run by CVE and they will send in a separate plan for power.

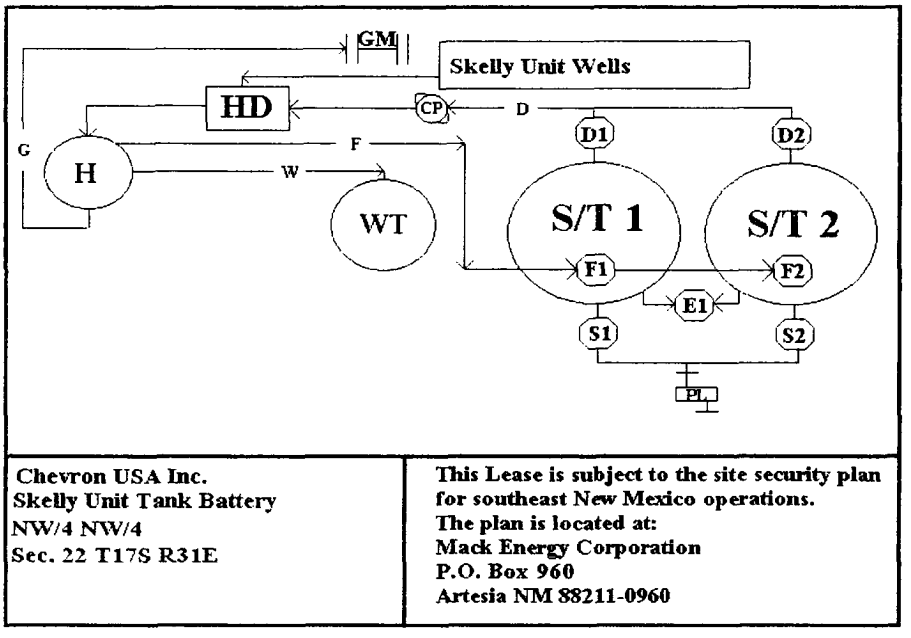


Exhibit #5

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

1) The workover pit will be back filled after the contents of the pit are dry (within 120 days after the well is completed).

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

5. Location and Type of Water Supply:

The well will be drilled with 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 location by transport truck over the existing and proposed access roads shown in Exhibit #4. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and proposed new access road (approximately 2500 cubic yards) will be obtained from a BLM approved caliche pit.

7. **Methods of Handling Water Disposal:**

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

B. Drilling fluids will be contained in a lined working pit. 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, approximately 40' X 40' X 10' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The workover pit will be lined 40' X 40' X 10' will be lined (12-mil thickness) to minimize loss of fluids and saturation of the ground with brine water.

C. After the well is permanently placed on production, produced water will be collected in tanks (fiberglass) until injected.

D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. The pit will be completely fenced and kept closed until it has dried. When the pit is dry enough it will be closed according to NMOCD pit rule 50. In the event of a dry hole only a dry hole marker will remain.

8. **Well Site Layout:**

A. The pad layout, is shown in Exhibit #6. Dimensions of the pad and pits are shown. Because the pad is almost level no major cuts will be required.

B. Diagram below shows the proposed orientation of working pit. No permanent living facilities are planned.

C. The working pit will be lined with high quality plastic sheeting (12 mil thickness).

Attached to Form 3160-3
Chevron USA Inc. (Mack Energy Agent)
Skelly Unit #905
1100 FNL & 660 FEL
NE/4 NE/4, Sec 14 T17S R31E
Eddy County, NM

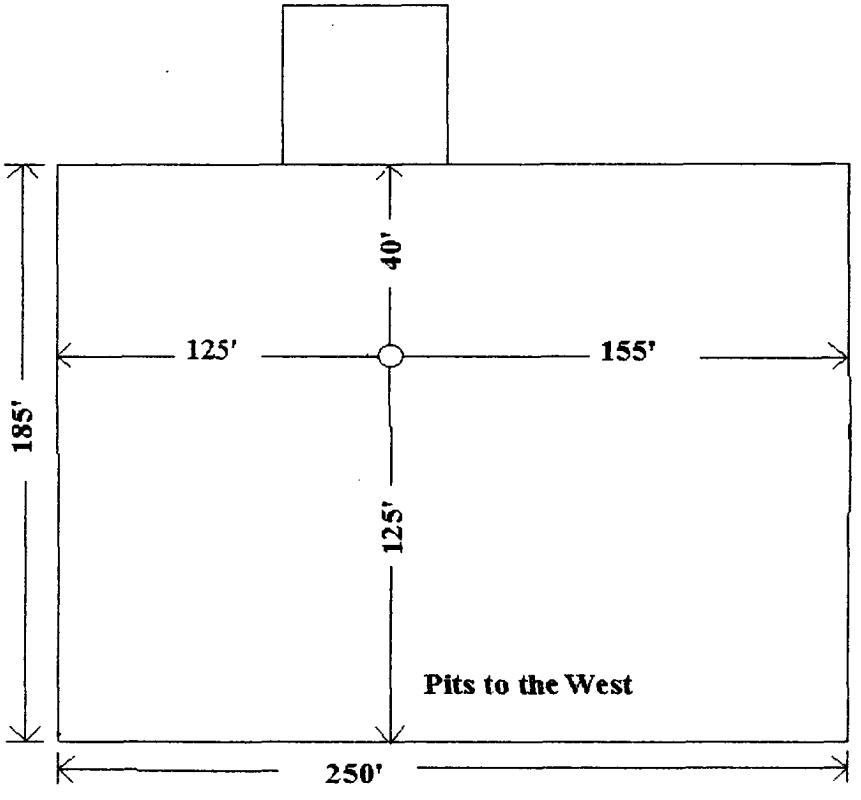


Exhibit #6

9. Plans for Restoration of the Surface:

A. Upon completion, the pit area, after allowing drying, will be broken out and leveled. The original topsoil will be returned to the pit area, which will be leveled and contoured to as nearly the original topography 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 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 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 proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. Any

additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area to its original natural level and reseeded as per BLM specifications.

10. Surface Ownership:

The well site and lease is located entirely on Federal surface. We have notified the surface lessee of the impending operations. According to BLM the lessee is Charles Martin, P.O. Box 706 Artesia, NM 88211.

11. Other Information:

A. The area around the well site is grassland and the topsoil is sandy. The vegetation is native scrub grass with sagebrush.

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

C. A Cultural Resources Examination has been done previously.

12. Lessee's and Operator's Representative:

The Mack Energy Corporation representative responsible for assuring compliance with the surface use plan is as follows:

Jerry W. Sherrell
Mack Energy Corporation (Agent for Chevron USA Inc.)
P.O. Box 960
Artesia, NM 88211-0960
Phone (505) 748-1288 (office)

CERTIFICATION

I hereby certify that I, or person under my 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 the work associated with the operations proposed herein will be performed by Mack Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions 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: 12-16-2005 Signed: Jerry W. Sherrell
Jerry W. Sherrell
Mack Energy Corporation (Agent for Chevron USA Inc.)

United State Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857

Statement Accepting Responsibility for Operations

Operator name: Chevron USA Inc. (Mack Energy Agent)
Street or box : P.O. Box 960
City, State : Artesia, NM
Zip Code, : 88211-0960

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.: NMNM-98120 Skelly Unit #905

Legal Description of land: Sec 14 T17S R31E NE/4 NE/4

Formation(s) (if applicable): SWD; Cisco

Bond Coverage: (State if individually bonded or another's bond)
Nationwide

BLM Bond File No.: ~~CO-0058~~ CA-0329 EAD per E-Mail from Jerry Sherrell 12/29/05

Authorized Signature: Jerry W. Sherrell

Jerry W. Sherrell Mack Energy Corporation
(Agent for Chevron USA Inc.)

Title: Production Clerk

Date: 12/7/2005

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**Chevron, Inc. (Mack Energy, Agent)**
Well Name & No.	**Skelly Unit # 905 - Reentry**
Location:	**1100' FNL, 660' FEL, Section 14, T. 17 S., R. 31 E., Eddy County, New Mexico**
Lease:	**NM-98120**

I. DRILLING OPERATIONS REQUIREMENTS:

The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: All casing strings are cemented in place

C. BOP tests

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The **11-3/4** surface casing is set at 750 feet with 440 sx. Cement circulated.

2. The **8-5/8** inch intermediate casing is set at 4200 feet. Cement circulated.

3. The **5-1/2** inch production casing is set at 12,387 feet. Cement circulated.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the **11-3/4** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi.

3. The requested variance to test the BOPE using the rig mud pumps is approved.

4. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

acs
1/4/2005

01/10/2006 12:45 FAX 505 627 0207 BUREAU OF LAND MGT → CFO T&E 002