

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

400

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

CONCHO RESOURCES, INC.

915-683-7443

3. ADDRESS AND TELEPHONE NO.

110 WEST LOUISIANA SUITE 410 MIDLAND, TEXAS 79702 (915-683-7443)

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

At surface

1780' FSL & 1650' FWL SEC. 31 T18S-R31E EDDY CO. NM

At proposed prod. zone SAME

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)

1650'

16. NO. OF ACRES IN LEASE

320

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR ON THIS LEASE, FT.

1250'

19. PROPOSED DEPTH

12,300'

17. NO. OF ACRES ASSIGNED
TO THIS WELL20. ROTARY OR CABLE TOOL
ROTARY

302.96

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

3528' 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"	Conductor	NA	40'	Cement to surface with Redi-mix
17 1/2"	H-40 13 3/8"	48	775'	650 Sx. circulate to surface
12 1/4"	J-55 8 5/8"	32	4000'	1100 Sx. " " "
7 7/8"	s-95, N-80 5 1/2"	17	12,300'	850 Sx. estimate top cement 6000'

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 775'. Run and set 775' of 13 3/8" H-40 48# ST&C casing. Cement with 650 Sx. of Class "C" cement + 2% CaCl + 1/4# Flocele/Sx. circulate cement to surface.
3. Drill 12 1/4" hole to 4000'. Run and set 4000' of 8 5/8" J-55 32# ST&C casing. Cement with 900 Sx. of Class "C" Light + additives, tail in with 200 Sx. of Class "C" cement + 2% CaCl, 1/4# Flocele/Sx. Circulate cement to surface.
4. Drill 7 7/8" hole to 12,300'. Run and set 12,300' of 5 1/2" casing as follows: 2200' of 5 1/2" 17# S-95 LT&C, 5300' of 5 1/2" 17# N-80 LT&C, 3200' of 5 1/2" 17# J-55 BUTTRESS, 1600' of 5 1/2" N-80 17# BUTTRESS. Cement with 600 Sx. of Class "H" Light + additives, tail in with 250 Sx. of Class "H" premium Plus + additives. Estimate top of cement 6000' 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

TITLE

Agent

DATE

02/07/01

(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

*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.



RECORDED
FEB 05 01
RECORDED

DISTRICT I

P.O. Box 1882, Hobbs, NM 88241-1882

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

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

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code	Pool Name
Property Code	Property Name WEST SHUGART 31 FEDERAL		Well Number 1
OGRID No. 166111	Operator Name CONCHO RESOURCES, INC.		Elevation 3528

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	31	18-S	31-E		1780	SOUTH	1650	WEST	EDDY

Bottom Hole Location If Different From Surface

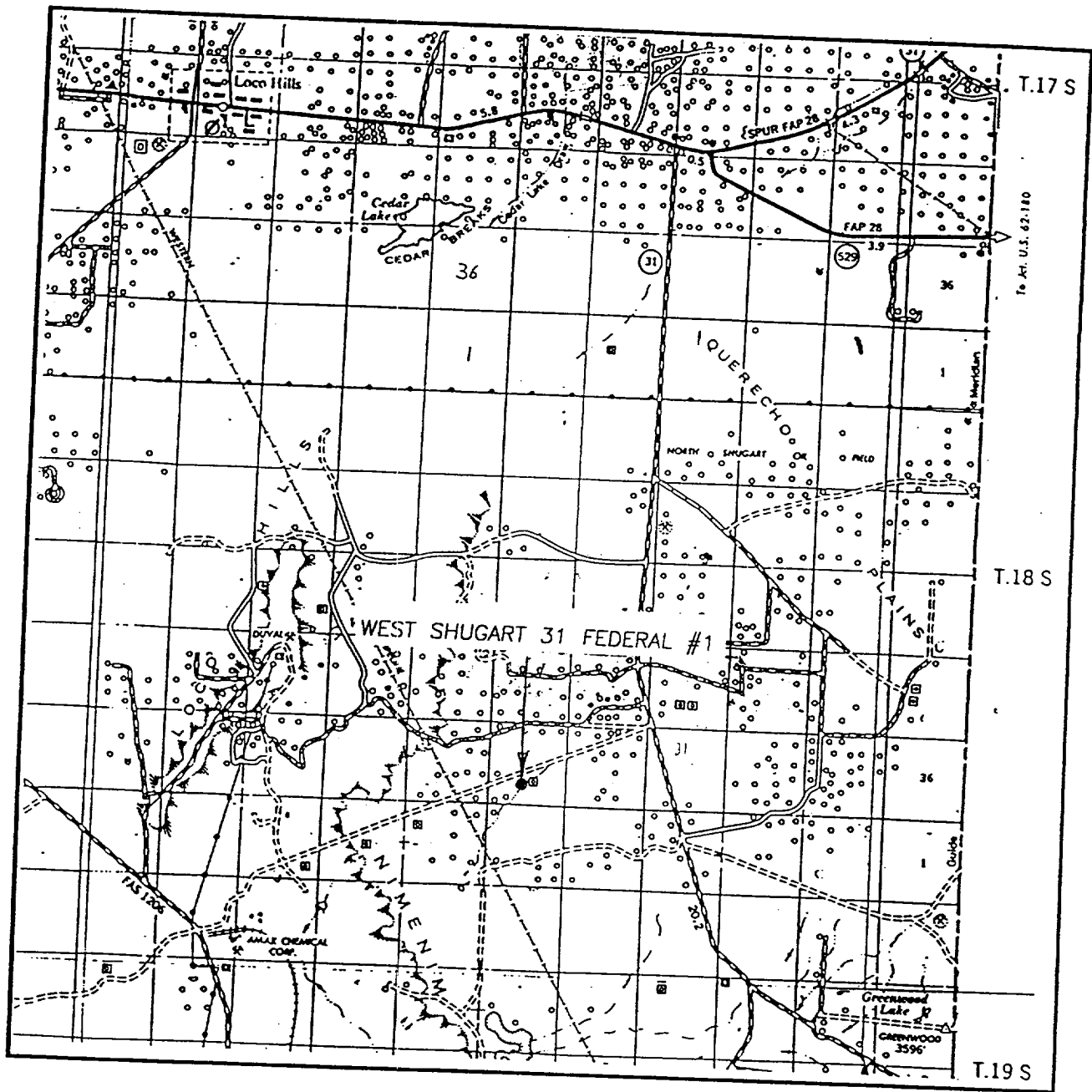
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 30 302.96		Joint or Infill		Consolidation Code		Order No.			

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 hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>Joe T. Sanica</i> Signature Joe T. Sanica Printed Name Agent Title 02/07/01 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 supervision, and that the same is true and correct to the best of my belief. JANUARY 09, 2001 Date Surveyed AWB Signature & Seal of Professional Surveyor <i>Ronald J. Edson</i> 01-11-0031				Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12841	

EXHIBIT "A"

VICINITY MAP



SCALE: 1" = 2 MILES

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

SURVEY N.M.P.M.

COUNTY EDDY

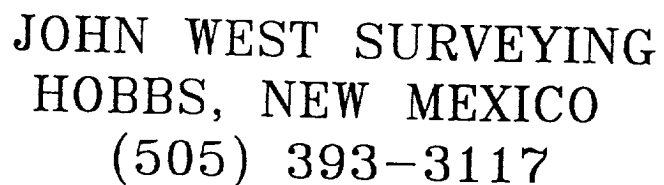
DESCRIPTION 1780' FSL & 1650' FWL

ELEVATION 3528

OPERATOR CONCHO RESOURCES, INC.

LEASE WEST SHUGART 31 FEDERAL

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



APPLICATION TO DRILL

CONCHO RESOURCES, INC.
 WEST SHUGART "31" FED. COM. # 1
 UNIT "K" SECTION 31
 T18S-R31E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location: 1780' FSL & 1650' FWL SEC. 31 T18S-R31E EDDY CO. NM
2. Elevation above Sea Level: 3528' GR.
3. Geologic name of surface formation: Quaternary Aeolian Deposits.
4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. Proposed drilling depth: 12,300'
6. Estimated tops of geological markers:

Rustler Anhydrite	600'	Strawn	10,730'
Delaware	3920'	Atoka	11,110'
Bone Spring	6220'	Morrow	
Wolfcamp	9685'	Mississippian	12,300'
7. Possible mineral bearing formations:

Delaware	Oil	Strawn	Gas
Bone Spring	Oil	Atoka	Gas
Wolfcamp	Oil	Morrow	Gas
8. Casing program:

Hole size	Interval	OD of casing	Weight	Thread	Collar	Grade
25"	0-40'	20"	NA	NA	NA	Conductor
17½"	0-636' 775'	13 3/8"	48	8-R	ST&C	H-40
12¼"	0-4000'	8 5/8"	32	8-R	ST&C	J-55
7 7/8"	0-12,300'	5½"	17	8-R	LT&C	S-95 N-80

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
 WEST SHUGART "31" FED. COM. # 1
 UNIT "K" SECTION 31
 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 650' ^{775'} of 13 3/8" 48# H-40 ST&C casing. Cement with 650 Sx. of Class "C" cement + 2% CaCl + 1/4# Flocele/Sx., circulate cement to surface.
8 5/8"	Intermediate	Set 4000' of 8 5/8" 32# J-55 ST&C casing. Cement with 1100 Sx. (900 Sx. of Class "C" cement + additives, tail in with 200 Sx. of Class "C" + 2% CaCl + 1/4# Flocele/Sx. circulate Cement to surface.)
5 1/2"	Production	Set 12,300' of 5 1/2" casing as follows: 2300' of 5 1/2" 17# S-95 LT&C, 9500' of 5 1/2" 17# N-80 LT&C, 500' of 5 1/2" 17# S-95 LT&C casing. Cement with 600 Sx. of Class "H" Light + additives, tail in with 250 Sx. of Class "H" Premium Plus cement + additives, estimate top of cement 6000'.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E". A Series 900 3000 PSI working pressure B.O.P. consting 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 nipped 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- 650 ⁷⁷⁵	8.4-8.7	29-34	NC	Fresh water spud mud add paper to control seepage.
650 ⁷⁷⁵ -4000'	10.1-10.4	29-36	NC	Brine water add paper to control seepage and high viscosity sweeps to clean hole lime for pH control.
4000-11,800'	10.2-10.5	30-38	NC	Same as above
11,800-12,300'	10.2-10.5	30-40	10 cc or less	Brine water usa a Polymer system for water loss control, clean hole with high viscosity sweeps.

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.

APPLICATION TO DRILL

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM

12. Testing, Logging and Coring Program:

- A. Open hole logs: Dual Laterolog, SNP, MSFL, Gamma Ray, Caliper from TD To 4000' Gamma Ray-Neutron from 4000' to surface.
- B. Place mud logger on hole from 4000' to TD.
- C. DST's and sidewall cores will be taken where shows dictate.

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 5000 PSI, estimated BHT 180° .

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 45 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 MORROW pay will be perforated and stimulated. The well will be swab tested and potentialized as a gas 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 "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM

1. EXISTING ROADS: Area maps, Exhibit "B" is a reproduction of a County General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From Hobbs New Mexico take U.S. Hi-way west 15 miles to junction with State Hi-way 529 turn right and go 22 miles to junction of 529 and U.S. Hi-way 82 turn West go .3 miles turn South on CR-222 go 7.3 miles, turn Southwest along pipeline road go 1.9 miles to location on the South side of road.
 - C. Lay necessary powerlines and flowlines along road R-O-W or existing R-O-W's. See Exhibit "F".
2. PLANNED ACCESS ROADS: No new roads are needed.
 - A. The access road will be crowned and ditched to a 12'00" wide travel surface with a 40' right-of-way.
 - B. Gradient on all roads will be less than 5.00%.
 - C. Turn outs will be constructed where 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 Topography.
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	-	As shown on Exhibit "A-1"

SURFACE USE PLAN

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
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 quarters 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 Ports-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 "31" FED. COM. # 1
UNIT "K" SECTION 31
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 polyethelene. 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 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 "31" FED. COM. # 1
UNIT "K" SECTION 31
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: 505-391-8503

After APD is approved.

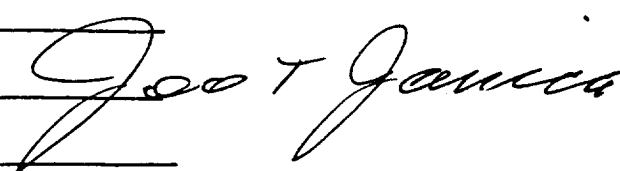
Concho Resources, Inc.
110 West Louisiana
Suite 410
Midland, Texas 79702
Erick Nelson 915-683-7443

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 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. its 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: 02/07/01

NAME: JOE T. JANICA

TITLE: AGENT



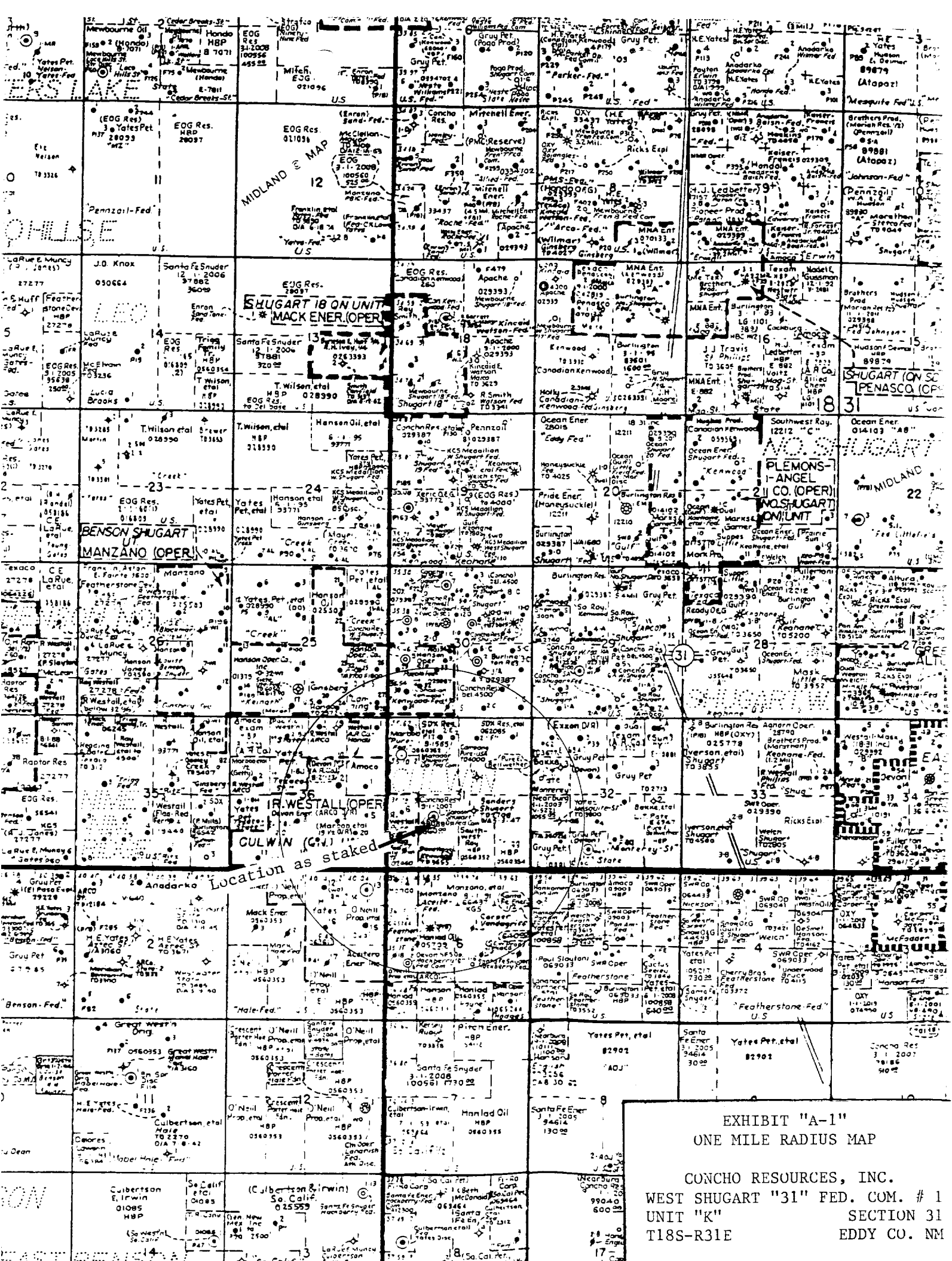


EXHIBIT "A-1"
ONE MILE RADIUS MAP

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. #1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM

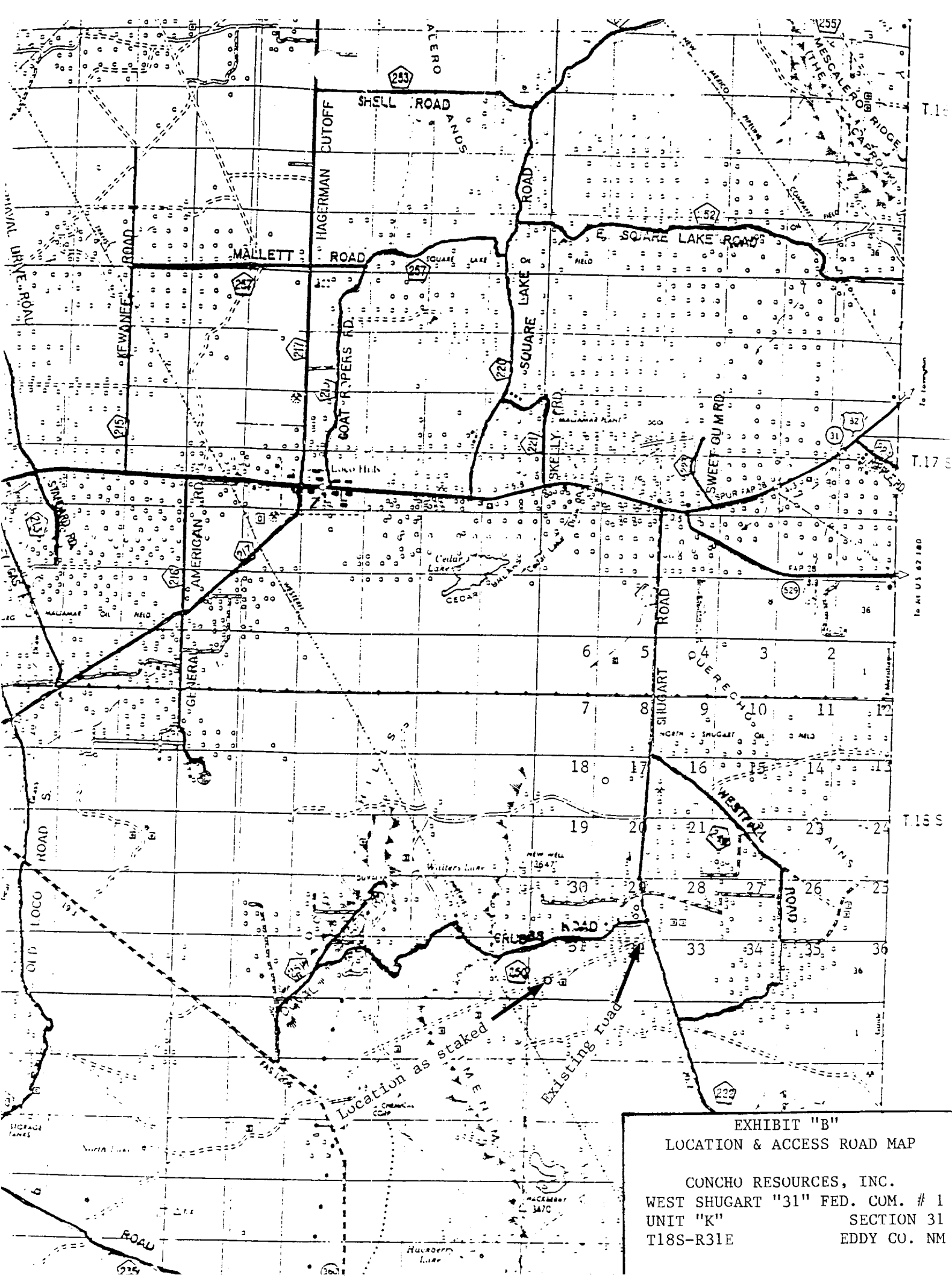


EXHIBIT "B"
LOCATION & ACCESS ROAD MAP

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM

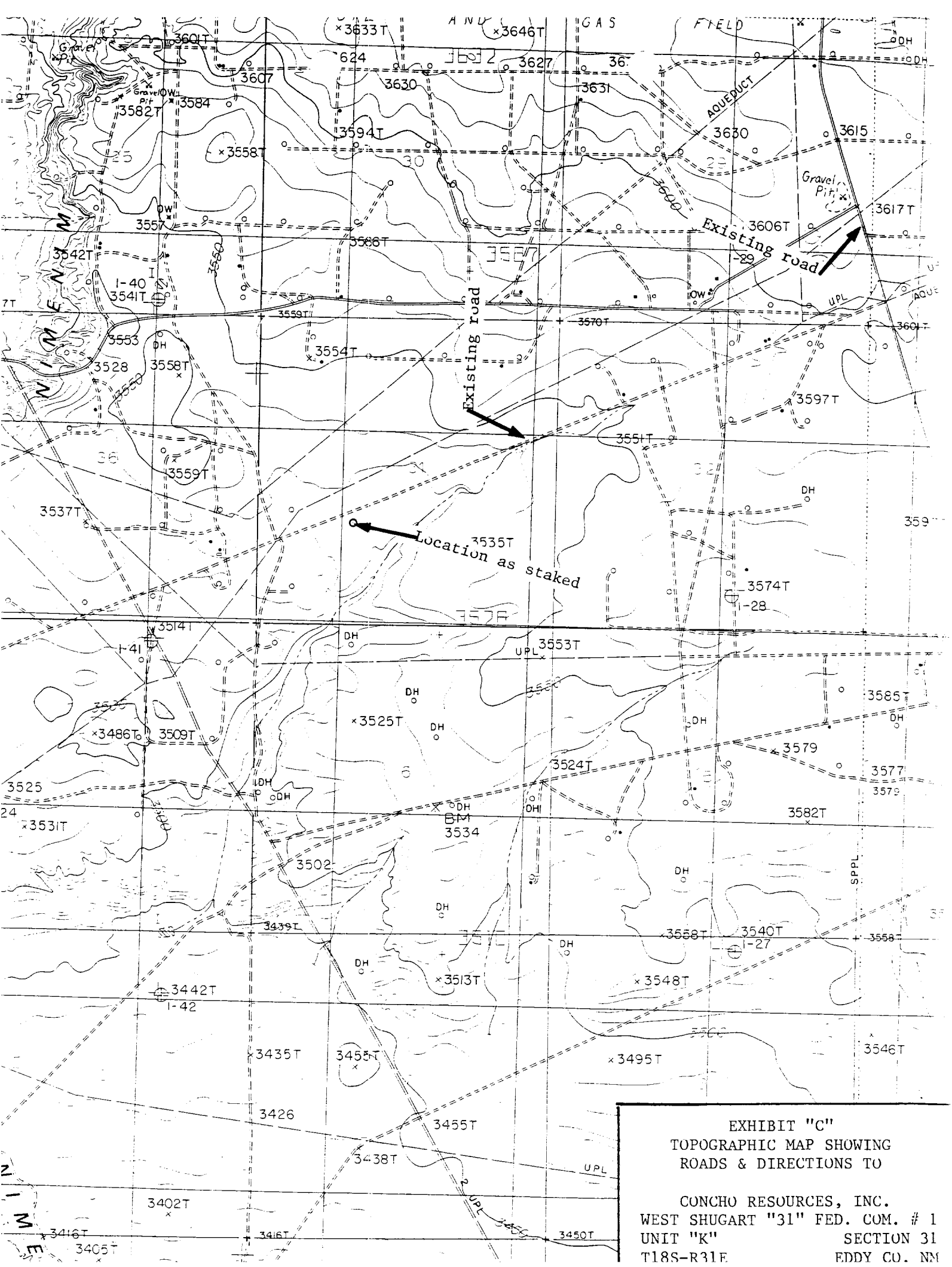
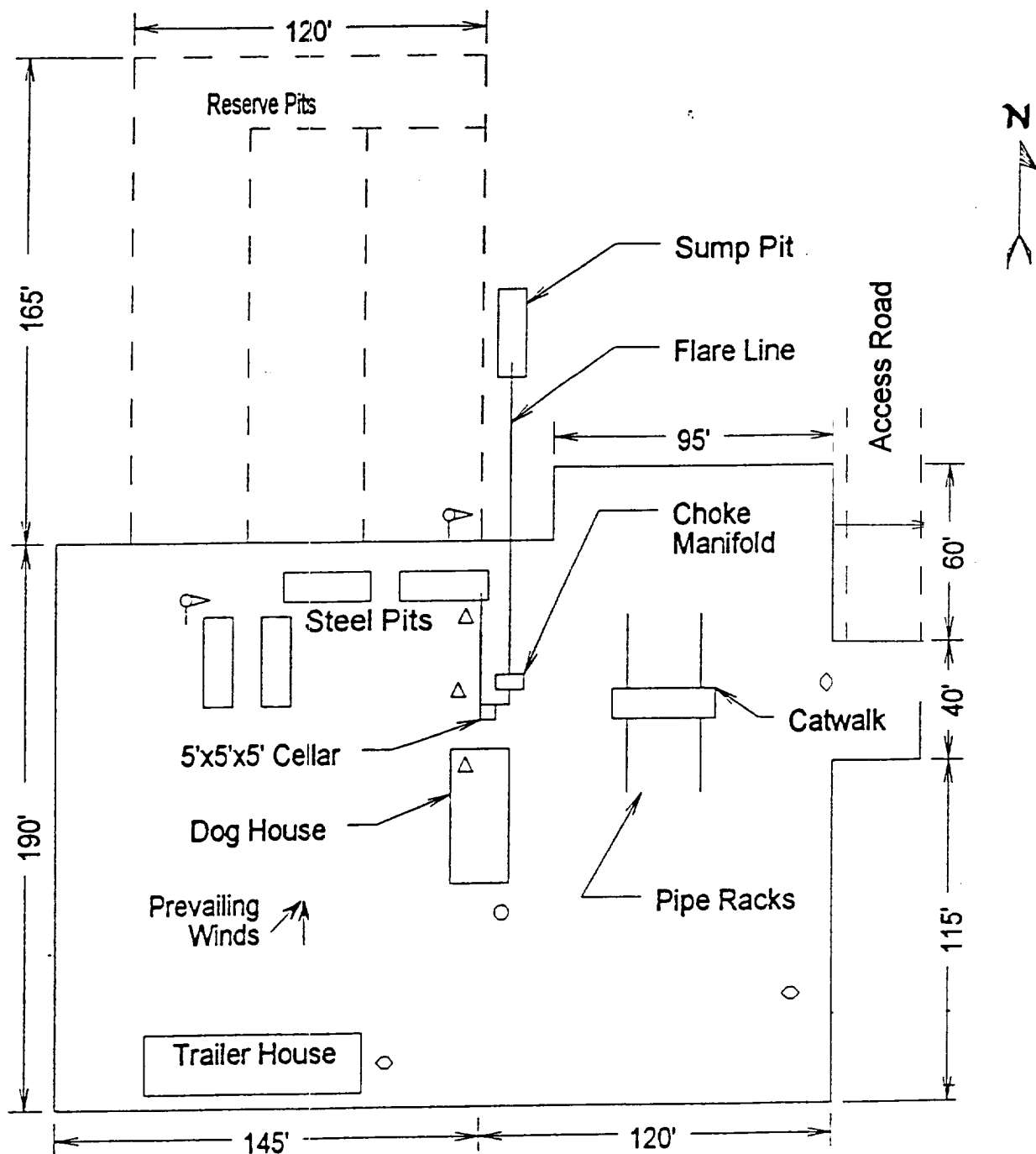


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

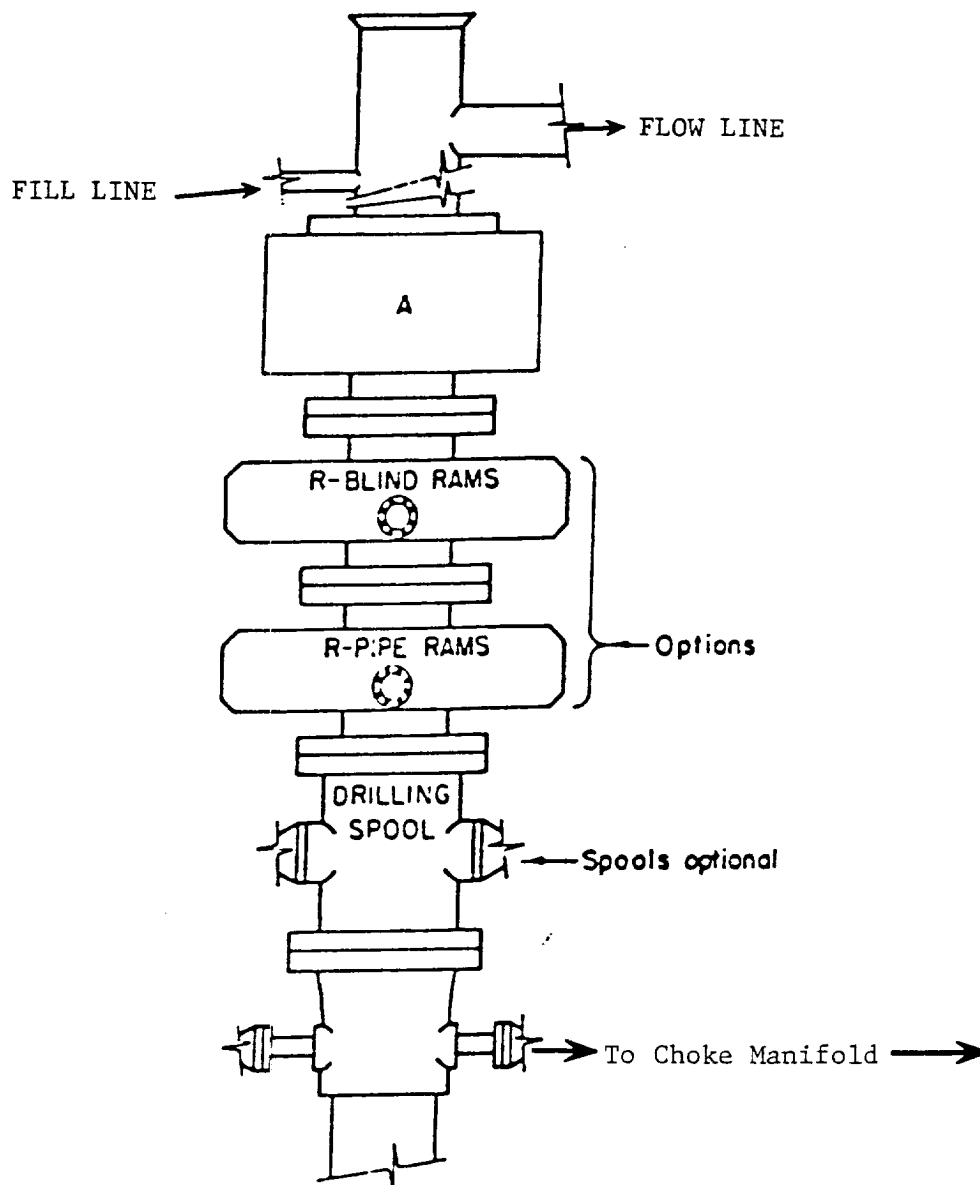
CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM



- 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 LAY OUT PLAT

CONCHO RESOURCES, INC.
WEST SHUGARG "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM

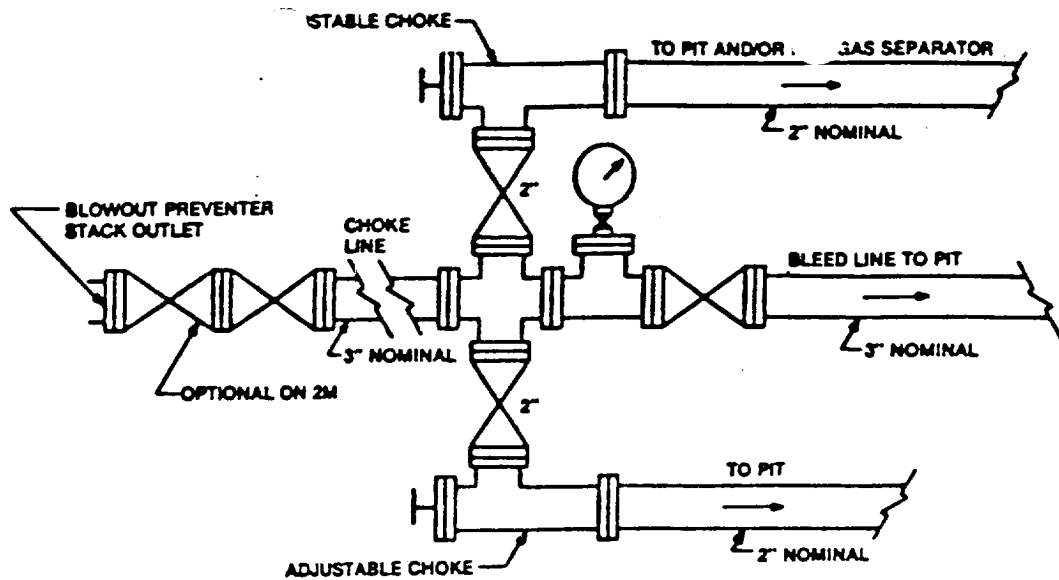


ARRANGEMENT SRRA

900 Series
3000 PSI WP

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

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

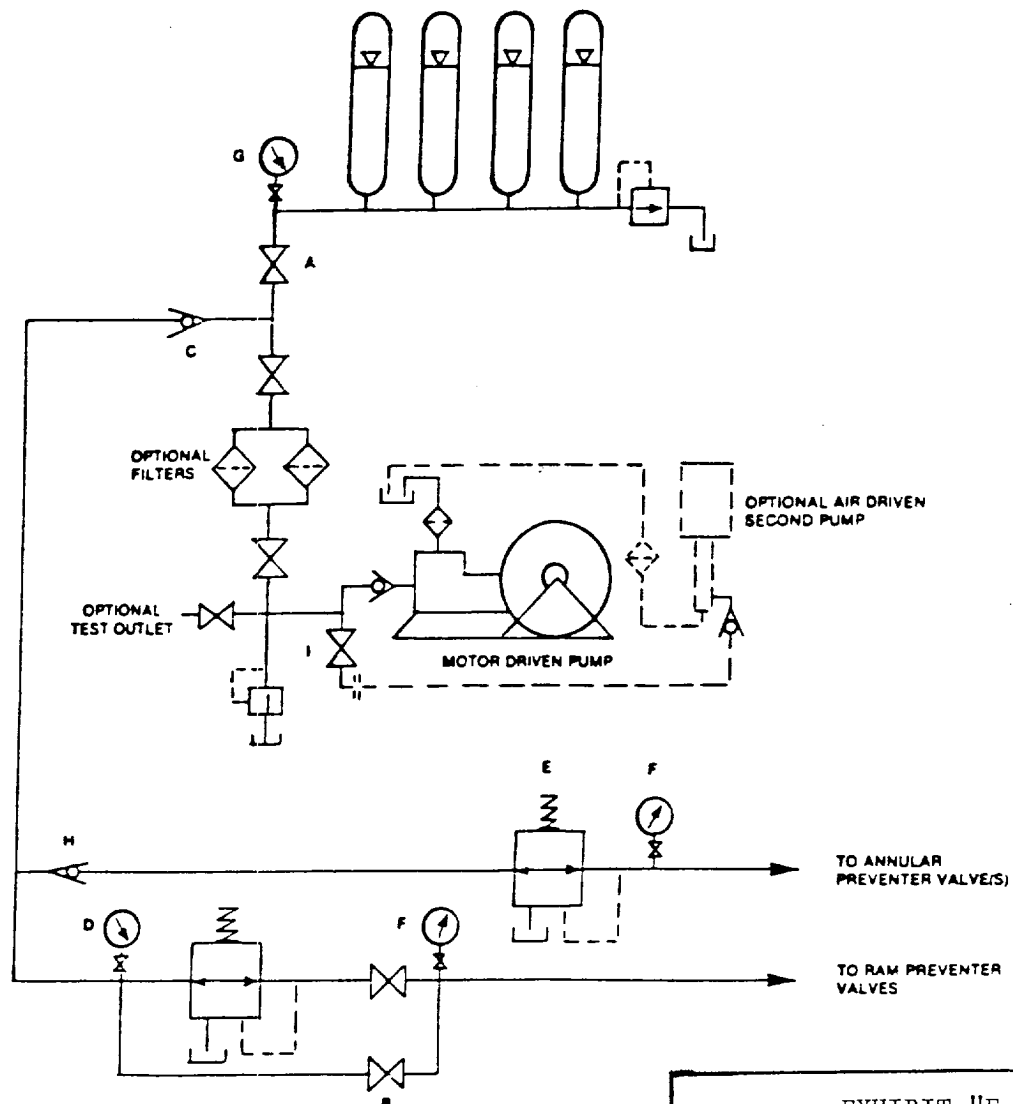


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO, NM

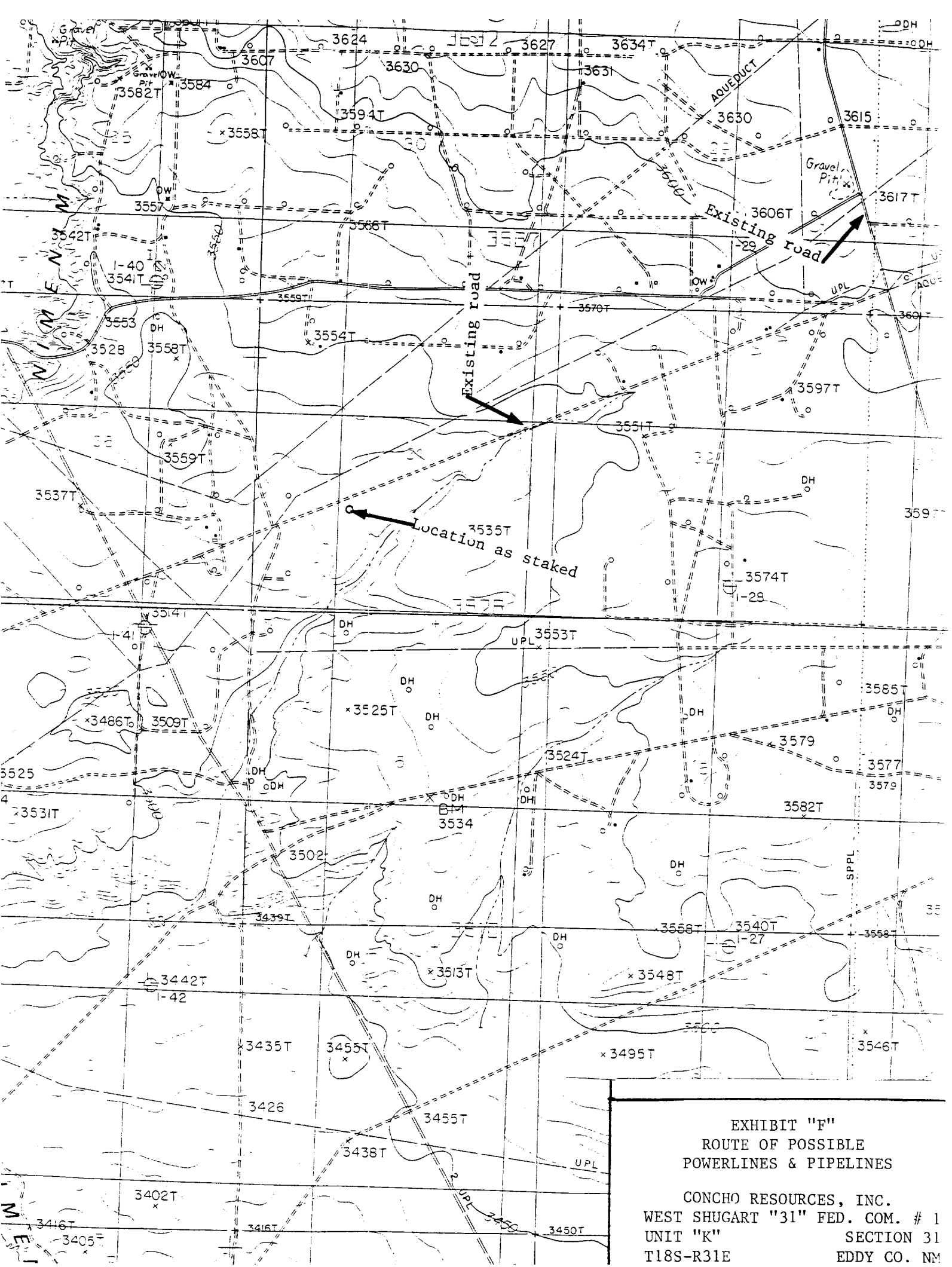


EXHIBIT "F"
ROUTE OF POSSIBLE
POWERLINES & PIPELINES

CONCHO RESOURCES, INC.
WEST SHUGART "31" FED. COM. # 1
UNIT "K" SECTION 31
T18S-R31E EDDY CO. NM