

Application for Permit to Drill State "CV" No. 1

September 29, 1976

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road and our planned access road is shown in red on the attached county road map.

The location was originally staked 660' FWL and 1980' FNL of Section 16. This site was only 92' west of a Southern Union Gas Company transmission line; so, the location was restaked 100' east. The new location is 760' FWL and 1980' FNL of Section 16. This alternate location can be drilled with no hazard to the gas line and is still orthodox.

The well site and 760' of access road is on a State of New Mexico surface lease to:

A. H. Rains
P. O. Box 927
Carlsbad, New Mexico 88220

The remaining 640' of access road is on a U. S. surface lease to:

Snyder Ranches
C/O Larry Squires
P. O. Box 726
Lovington, New Mexico 88260

Both of these lessees have been notified of our intent to drill.

The well is projected to test the Morrow Sands with an anticipated T.D. of 11,400'. Other shallower zones will be tested if production is indicated as the well is being drilled.

If completed as a producer, producing equipment will be set no closer than 150' from the well with tanks set to collect both oil and water which will be trucked to sale or disposal. The gas purchaser will install necessary gas measuring equipment and gas gathering line.

The reserve pit will be lined when it is built. If the well is a producer, the pits will be backfilled, levelled, debris removed and surface equipment fenced. If it is a dry hole, the well will be plugged as per New Mexico Oil Conservation Commission requirements, the pits backfilled and levelled and all debris removed.

The proposed casing program consists of:

13-3/8" casing set at 600' with cement circulated to surface.

8-5/8" casing set at 3000' with cement circulated to surface.

5-1/2" casing set at T.D. 11,400' and cemented with sufficient volume to fill the annular space from T.D. to 8000'.