Form 3160-3 (September 2001)	iobbs, N	M 88249		OMB	M APPROVE	6
UNITED STATES DEPARTMENT OF THE	INTERIOR	<u>.</u>		Expire 5. Lease Serial N NMNM9017	s January 31, 0.	2004
BUREAU OF LAND MAN APPLICATION FOR PERMIT TO				6. If Indian, Allot		Name
la. Type of work: DRILL REENTI	ER		·····	7 If Unit or CA A	greement, Na	ame and No.
Ib. Type of Well: X Oil Well X Gas Well Other	Si	ngle Zone Multi	ple Zone	8. Lease Name an Tyke Federa		
2. Name of Operator Pecos Production Company				9. API Well No.	- 210	na 81-1
3a. Address 400 W. Illinois, Suite 1070, Midland, TX 79701). (include area code) 2 0-8480	<u>-</u>	30 · 025 10. Field and Pool, o North Lusk	or Explorator	
4. Location of Well (Report location clearly and in accordance with an At surface 1940' FSL & 2040' FWL	y State requiren	nents.*)		11. Sec., T. R. M. or		rvey or Area
At proposed prod. zone Same				Sec 17, T 18	S, R32E	
 Distance in miles and direction from nearest town or post office* 8 Miles South Of Maljamar 		<u> </u>		12. County or Parish Lea	1	13. State NM
15. Distance from proposed* location to nearest property or lease line, ft.	16. No. of a	cres in lease		g Unit dedicated to thi	s well	
(Also incarest drig, unit line, if any) 600'	320	101	320			
 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. NA	19. Proposed 13,000'	Depin		BIA Bond No. on file 000020	1.0	2.13 14 15 10
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3757' GL	22. Approxin	mate date work will star	rt*	23. Estimated durat	ion	²
5151 GE	-	Approval		60 Days	/ (s) 72	- Cree
he following, completed in accordance with the requirements of Onshore	24. Attac			ntrolled Wster	r Basin	<u></u>
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest System I SUPO shall be filed with the appropriate Forest Service Office). 		 Bond to cover th Item 20 above). Operator certific 	ne operation ation	ns unless covered by a prmation and/or plans a		· · · · · · · · · · · · · · · · · · ·
25. Signature 23 0.01111	Name	authorized offic	er.			
Dill Make	1	(Printed/Typed) William R. Huck			Date 03/1	0/2004
itle VP- Engr. & Operations			•••			
sproved by (Signature) /s/ James A. Amos		(Printed/Typed) /S/ Jam	es A.	Amos	Date MA	Y 2 7 2004
OR FIELD MANAGER	Office	CARLS	BAD	FIELD OF	FICE	
pplication approval does not warrant or certify that the applicant holds onduct operations thereon. onditions of approval, if any, are attached.	legal or equit		1.1	VAL FOR		plicant to
itle 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a criates any false fictilities or fraudulant statements on any false	me for any pe any matter w	reon knowingly and w				f the United
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(Instructions on page 2)				715	n C M	
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EFF DATE 8-23-04 APINO. 30-025-

DRILLING PROGRAM

Attachment to Form 3160-3 Pecos Production Company **Tyke Federal Com No. 2** 1940' FSL & 2040' FWL Section 17, T18S, R32E Lea County, New Mexico

1. Geologic Name of Surface Formation

Quaternary Alluvium

2. Estimated Tops of Important Geological Formations

Top of Salt Section	1100'
Base of Salt Section	2700'
Yates	2700'
San Andres	4740'
Bone Spring	6350'
Wolfcamp	9800'
Strawn	11,380'
Atoka	11,850'
Morrow Clastics	12,200'
Lower Morrow	12,400'
Upper Mississippian Lime	12,850'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas

Water:	Approximately 200'
Oil:	3850', 6850', 10,100', 11,450'
Gas:	11,850'; 12,400'

No other formations are expected to yield oil, gas or fresh water in measurable volumes. Any surface fresh water sands will be protected by setting 13-3/8" casing at 625' and circulating cement back to surface. The Salt will be isolated with a 8-5/8" intermediate casing string set into the San Andres @ approximately 4500' and cement circulated to surface. The Strawn and Morrow will be isolated with 5-1/2" casing to total depth (13000'±) and cemented with cement back into the 8-5/8" intermediate casing.

4. Casing Program

Hole Size	Interval	<u>Casing</u> OD	<u>Weight</u>	Grade	Type
17-1/2"	0' - 625'	13-3/8"	48#	H-40	ST&C
12-1/4"	0' - 4500'	8-5/8"	32#	J-55 & HCI	K-55 ST&C
7-7/8"	0' - 13000'	5-1/2"	17#	N-80 & P-1	10 LT&C

Tyke Federal Com No. 2 Drilling Plan Page 2

Cementing Program*

625'	13-3/8" Surface Casing:	Cement to surface 400 sxs Class C containing 4% Gel, 2% Calcium Chloride, 0.25 pps Cello-flake, 5# Gilsonite followed by 150 sxs Class C containing 2% Calcium Chloride.
4500'	8-5/8" Intermediate Casing:	Cement to surface:
·	Lead Slurry:	1400 sxs 50:50:10 Poz C containing 10% bentonite, 6.0 pps salt, 0.2% Antifoam, 0.25 pps Cello-flake.
	Tail Slurry:	220 sxs Class C containing 0.25 pps Cello-flake. 1% CaCl.

13000' 5-1/2" Production Casing with DVT @ 10,000'

First Stage

Lead Slurry:	200 sxs 50:50:10 Poz H containing 10% bentonite, 0.5% FLAC, 0.25 pps Cello-Flake, 5 pps Gilsonite.
Tail Slurry:	400 sxs 15:61:11 Poz H containing 5% Salt, 0.5% FL- 52, 0.5% FL-25.

Second Stage DVT into 8-5/8" Intermediate Casing

Lead Slurry:	50:50:10 Poz H containing 10% bentonite, 0.1% FLAC, 0.25 pps Cello-flake – or equivalent.
Tail Slurry:	50:50:2 Poz H containing 2% bentonite, 5% (bwow) salt, 0.25 pps Cello-flake – or equivalent.
1 ' 1 '	The second data second state and the second s

*Cement designs may change as hole conditions dictate.

5. Minimum Specifications for Pressure Control

The blowout preventor equipment (BOP) shown in Exhibit #1 will consist of a (5M system) double ram type (5000# WP) preventor. This unit will be hydraulically operated. The BOP will be installed on the 8-5/8" intermediate casing and utilized continuously until total depth is reached. As per BLM Drilling Operatings Order #2, prior to drilling out of the 8-5/8" casing shoe, the BOP will be pressure tested.

Pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These function test will be documented on the daily driller's log. Other accessory BOP equipment will include a kelly cock, floor safety valve, choke lines and choke manifold having a 5000# WP rating.

Tyke Federal Com No. 2 Drilling Plan Page 3

6. Types and Characteristics of Proposed Mud System

This well will be drilled to total depth with fresh water, brine and Duo Vis/Polypac cut brine mud systems. Depths are as follows:

Depth	Type	Weight (ppg)	Viscosity	Water Loss
975 0' - 625 (555 Spud Mud	8.3 - 9.2	28 - 36	No control
a15 625 - 4500'	Brine	10.0 - 10.3	28 - 30	No control
4500' - 11200'	Cut Brine	8.6 - 9.8	29	No control
11200' - TD	Duo Vis/Poly	Pac 9.8 - 10.0	35 - 38	5 - 6 cc

7. Auxiliary Well Control and Monitoring Equipment

- A. A kelly cock will be in the drill string at all times.
- B. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.

8. Logging, Testing and Coring Program

- A. Possible of drill stem test of Strawn and Morrow.
- B. The open hole electrical logging program will be:
 - 1. DLL/MSFL/GR (TD-4500') Note: GR will be pulled to Ground Level
 - 2. DEN/NEU/CAL (TD to 4500') Note: Neutron log will be pulled to Ground Level
- C. No coring program is planned.
- D. No additional testing will be initiated subsequent to setting the 5-1/2" production casing.

9. Abnormal Pressures, Temperatures and Potential Hazards

No abnormal pressures or temperatures are expected. The anticipated bottom hole temperature at total depth is 180 degrees and maximum bottom pressure is 5000 psia. Lost circulation within the surface and intermediate intervals have been encountered in adjacent wells. Small quantities of hydrogen sulfide gas are associated with the Queen, Grayburg and San Andres formations in this area. Hydrogen sulfide monitoring and training program will be implemented.

Tyke Federal Com No.2 Drilling Plan Page 4

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10. Anticipated Starting Date and Duration of Operations

Archeological Survey Consultants has been requested to perform and submit a cultural resources examination to the BLM office in Carlsbad, New Mexico.

Road and location preparation will not be undertaken until approval has been received from the BLM. The anticipated spud date for this well is as soon as permitted. The drilling operation should require approximately 35 days. If the well is deemed productive, completion operations will require, at minimum, an additional 30 days for completion and testing.

SURFACE USE AND OPERATING PLAN

Attachment to Form 3160-3 Pecos Production Company **Tyke Federal Com No. 2** 1940' FSL & 2040' FWL Section 17, T18S, R32E Lea County, New Mexico

- 1. Existing Roads
 - A. The well site and elevation plat for the proposed Tyke Federal Com No. 2 are reflected on Exhibit #2. The well was staked by John West Engineering of Hobbs, New Mexico.
 - B. Approximately 100 feet of new road will be built from Hwy 126 to the NW corner of drilling pad on Exhibit #3.
 - C. Intersection of Hwy 529 and Hwy 126 in Lea County. South (on Hwy 126) 2.6 miles. Left Tyke Federal Com No. 2.
- 2. Proposed Access Road

Only 100 feet of new road will be built.

3. Location of Existing Wells

Exhibit #4 shows all existing wells within a one-mile radius of the proposed Tyke Federal Com No. 2.

- 4. Location of Existing and/or Proposed Facilities
 - A. If the well is productive in the Morrow or Strawn, a new facility will be built on well pad. Gas produced will be transported through a 3 or 4" line to be buried under Hwy 126 to existing facilities at the Tyke Federal No. 1.
 - B. New tank battery facility will consist of one high pressure 3 phase gas unit, one low pressure 3 phase gas unit, 300 barrel steel stock tanks, and one 300 barrel fiberglass water tank as reflected on Exhibit 6.
 - C. If the well produces from the Wolfcamp . All well fluids will flow to the Tyke Federal No. 1 battery.
 - D. If the well is productive, rehabilitation plans are as follows:
 - 1. Free water will be hauled to disposal and the reserve pit will be back-filled after the contents of the pit are dry, and topsoil replaced (within 120 days of completion, weather permitting).

Tyke Federal Com No. 2 Surface Use and Operating Plan Page 2

- 2. At abandonment caliche from the drill pad will be removed. The original topsoil from well site will be returned to the location. The drill site will then be contoured to the original natural state.
- 5. Location and Type of Water Supply

The Tyke Federal Com No. 2 will be drilled using a combination of brine and fresh water mud systems (outlined in Drilling Program). The water will be obtained from commercial sources and trucked to location.

6. Sources of Contruction Materials

All caliche utilized for the drilling pad will be obtained from the reserve pit area or an existing BLM approved pit.

- 7. Methods of Handling Water and Waste Disposal
 - A. Drill cuttings will be disposed into the reserve pit.
 - B. Drilling fluids will be contained in steel mud tanks or lined earthen pits and the reserve pit. After drilling operations are complete, free water will be hauled to disposal, the cuttings and mud allowed to dry, and the pit backfilled.
 - C. The reserve pit will be fenced on three sides throughout drilling operations and will be totally isolated upon removal of the rotary rig. The pit will be lined using a 5-7 mil plastic to minimize loss of drilling fluids.
 - D. Water produced from the well during completion operations will be disposed into a steel tank or reserve pit, if volumes prove excessive. After placing the well on production through the production facilities, all water will be collected in tanks, pumped to a nearby lease for injection or trucked to disposal.
 - E. Garbage, trash and waste paper produced during drilling operations will be collected in a contained trailer and disposed at an approved landfill. All waste material will be contained to prevent scattering by the wind. All water, fluids, salt or other chemicals will be disposed into the reserve pit. No toxic wast or hazardous chemicals will be generated by this operation.

8. Ancillary Facilities

No campsite or other facilities will be constructed as a result of this well.

Tyke Federal Com No. 2 Surface Use and Operating Plan Page 3

9. Well Site Layout

- A. The drill pad is shown on Exhibit #5. Approximate dimensions of the pad, pits and general location of the rig equipment are displayed. Top soil, if any found, will be stored adjacent to the pad until reclamation efforts are undertaken. Only modest cuts will be necessary to build the pad which will be covered with 6" compacted caliche.
- B. No permanent living facilities are planned, temporary trailers for the tool pusher, and company supervisors may be on location throughout drilling operations.
- C. The reserve pit and earthen pits will be lined using plastic sheeting of 5-7 mil thickness.

10. Plans for Restoration of Surface

- A. After concluding the drilling, completion and/or production operations, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The original top soil will again be returned to the pad and contoured, as close as possible, to the original topography.
- B. The pit lining will <u>remain intact during reclamation</u> in order to prvent leaching. All pits will be filled and location leveled, weather permitting, within 120 days after abandonment. Original topsoil will be returned to the pit area.
- C. The location will be rehabilitated as recommended by the BLM.
- 11. Surface Ownership

This well site is owned by the U.S.A. An agreement for surface orientation and use has been reached with the BLM Field Inspector during the onsite meeting.

12. Other Information

- A. The area surrounding the well site is gypsiferous and supportive of desert scrub and grassland formation. The vegetation is moderately sparse with desert scrub.
- B. No permanent water or water wells are within a 1 mile radius of this location.
- C. Archeological Survey Consultants has been requested to perform and submit a cultural resources examination to the BLM office in Carlsbad, New Mexico.

Tyke Federal Com No. 2 Surface Use and Operating Plan Page 4

13. Lessee's and Operator's Representative

The Pecos Production Company representative responsible for ensuring compliance of the surface use plan is:

William R. Huck VP – Engr. and Operations (432) 620-8480 Pecos Production Company 400 W. Illinois, Suite 1070 Midland, TX 79701

Certification

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I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access road, that I am familiar with the conditions that presently exsit; that the statements made in this plan are, to the best if my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Pecos Production Company and its contractors under which it is approved.

Signed: William R. Huck – VP-Engr. & Operations

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Date: <u>3-10-04</u>

BLOWOUT PREVENTOR ARRANGEMENT

11" SHAFFER TYPE LWS, 5000 psi WP 11" CAMERON SPHERICAL, 5000 psi WP 120 GALLON, 5 STATION KOOMEY ACCUMULATOR 5000 psi WP CHOKE MANIFOLD



Exhibit #1 Pecos Production Company Tyke Federal Com No. 2 1940' FSL & 2040' FWL Sec. 17, T-18-S, R-32-E Lea Co., NM Attachment to Exhibit #1 Attachment to Form 3160-3 Pecos Production Company **Tyke Federal Com No. 2** 1940' FSL & 2040' FWL Section 17, T18S, R32E Lea County, New Mexico

- 1. Drilling nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
- Blowout preventor and all associated fittings will be in operable condition to withstand a minimum 2000 psi working pressure.
- 3. A full bore safety valve tested to a minimum 3000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
- 4. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
- 5. Will maintain a kelly cock attached to the kelly.
- 6. Hand wheels and wrenches will be properly installed and tested for safe operation.
- 7. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.
- 8. BOP equipment will be tested to 1000 psi prior to drilling 11" hole. Equipment will be tested to 2500 psi prior to drilling 7 7/8" hole.
 5m



EXHIBIT 2

p.2

VICINITY MAP



SEC. <u>17</u> TWP. <u>18-S</u> RGE. <u>32-E</u>

SURVEY_____N.M.P.M. COUNTY_____LEA

DESCRIPTION 1940' FSL & 2040' FWL

ELEVATION ______ 3757'

OPERATOR PECOS PRODUCTION COMPANY LEASE TYKE FEDERAL

SCALE: 1" = 2 MILES

JOHN WEST SURVEYING HOBBS, NEW MEXICO (505) Exhibit #3 393 - 3117**Pecos Production Company** Tyke Federal Com No. 2

1940' FSL & 2040' FWL Sec. 17, T-18-S, R-32-E

Lea Co. NM

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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	:	Pecos Production Company
Street or Box	:	400 W. Illinois, Suite 1070
City, State	:	Midland, TX
Zip Code	:	79701

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.: NM NM 9017

Legal Description of Land: 1940' FSL & 2040' FWL of Section 17, T18S-R32E

Formation (s) (if applicable): Morrow / Strawn

Bond Coverage (State if individually bonded or another's bond): \$25,000 Statewide (NM)

BLM Bond File No.: NMB000020

Authorized Signature:

Will March

Title: VP-Engr & Operations

Date: 3-10-04

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District 1 1625 N. French Dr., Hobbs, NM 88240	ate of New Mexico		Form C-144
District II Energy Mi	nerals and Natural Resources		June 1, 2004
1301 W. Grand Avenue, Artesia, NM 88210 District III Oil (Conservation Division F	or drilling and production ppropriate NMOCD District	facilities, submit to
1000 Rio Brazos Road Aztec NM 87410	South St. Francis Dr.	ppropriate NMOCD District or downstream facilities, su	Office. ubmit to Santa Fe
1000 C C F F F F F F F F F F F F F F F F		ffice	
	de Tank Registration or Cl	osure	
Is pit or below-grade tan	k covered by a "general plan"? Yes	No 🛛	
Type of action: Registration of a pit o	r below-grade tank 🛛 Closure of a pit or belo	ow-grade tank	A
perator: _Pecos Production CompanyTelephone:	432-620-8480 e-mail address: billb	@pecosproduction.com	
ddress: _400 W. Illinois, Suite 1070, Midland, TX 79701	Main address		
acility or well name: _Tyke Federal #2API #: 30.00	25-36829 U/L or Qtr/Qtr K Sec 17	7 T_18S R_32E	
County: _Lea Latitude_32*44' 43.90" N Longitude_103*			Private 🔲 Indian 🗌
it	Below-grade tank		
ype: Drilling 🖾 Production 🗋 Disposal 🗌	Volume:bbl Type of fluid:		
Workover 🔲 Emergency 🛄	Construction material:		
ined 🛛 Unlined 🔲	Double-walled, with leak detection? Yes] If not, explain why not.	
iner type: Synthetic 🛛 Thickness _5 - 7mil 🛛 Clay 🗖			
it Volumebbl			
bepth to ground water (vertical distance from bottom of pit to seasonal high	Less than 50 feet	(20 points)	
vater elevation of ground water.)	50 feet or more, but less than 100 feet	(10 points)	0
-	100 feet or more - √	(0 points)	0
Vellhead protection area: (Less than 200 feet from a private domestic	Yes	(20 points)	
vater source, or less than 1000 feet from all other water sources.)	No - √	(0 points)	0
	Less than 200 feet	(20 points)	
Distance to surface water: (horizontal distance to all wetlands, playas,	200 feet or more, but less than 1000 feet	(10 points)	
rrigation canals, ditches, and perennial and ephemeral watercourses.)	1000 feet or more - $$	(0 points)	0
	Ranking Score (Total Points)		0
If this is a pit closure: (1) attach a diagram of the facility showing the pit's			
your are burying in place) onsite offsite If offsite, name of facility_ remediation start date and end date. (4) Groundwater encountered: No	. (3) Attach a ge	eneral description of remetial ac	920 27 ction taken including sample results. (5)
		1213 th	a cold
Attach soil sample results and a diagram of sample locations and excavation		Contraction Pr	J'nos
Attach soil sample results and a diagram of sample locations and excavation		CLUE FI	Hobbs 191
Attach soil sample results and a diagram of sample locations and excavation		CLUE FI	Hobbs 191
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