New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
(September 2001)

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-103887

6. If Indian, Allottee or Tribe Name:

1a. Type of Work: ☒ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.:

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.: Bluitt"7" Federal No.1

2. Name of Operator: OGS Operating Co., Inc.

9. API Well No.: 30-041-20909

3a. Address: 550 W. Texas, Suite 1140 Midland, TX 79701

3b. Phone No. *(include area code)*: 432-682-6373

10. Field and Pool, or Exploratory: Bluitt San Andres Assoc.

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At surface: 1980' FSL & 660' FEL

At proposed prod. zone: Unit I

11. Sec., T., R., M., or Blk. and Survey or Area: Sec.7,T-8-S,R-37-E

14. Distance in miles and direction from nearest town or post office*: 11 1/2 mileseast of Milnesand, New Mexico

12. County or Parish: Roosevelt

13. State: New Mexico

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any): 660'

16. No. of Acres in lease: 320

17. Spacing Unit dedicated to this well: 320

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.: NA

19. Proposed Depth: 4825

20. BLM/BIA Bond No. on file: NM-1373

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 4056 GL

22. Approximate date work will start*: Feb. 10, 2004

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:

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

25. Signature: James P. "Phil" Stinson — Name *(Printed/Typed)*: James P. "Phil" Stinson — Date: 1-6-2004

Title: Drilling Superintendent

Approved by *(Signature)*: /S/LARRY D. BRAY — Name *(Printed/Typed)*: /S/LARRY D. BRAY — Date: FEB 10 2004

Title: Assistant Field Manager, Lands And Minerals — Office: ROSWELL FIELD OFFICE

APPROVED FOR 1 YEAR

Application approval does not warrant or certify the 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.

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 reverse)*

OPER. OGRID NO. 16367
PROPERTY NO. 33433
POOL CODE 6880
EFF. DATE 2/20/04
API NO. 30-041-20909

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

KG

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

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

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

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

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-041-20989	6880	Bluitt San Andres Assoc.

Property Code	Property Name	Well Number
33433	BLUITT 7 FEDERAL	1

OGRID No.	Operator Name	Elevation
16367	OGS OPERATING COMPANY, INC.	4056'

Surface Location

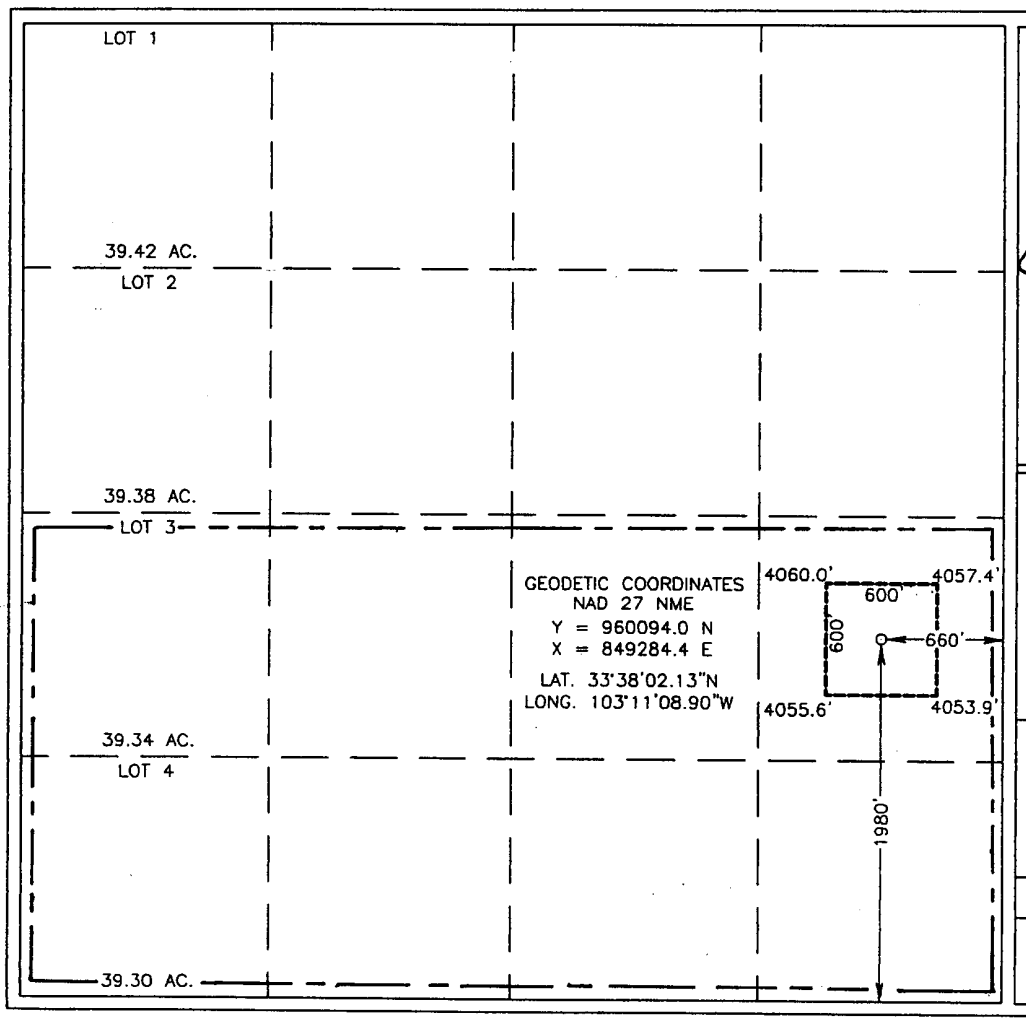
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	7	8-S	37-E		1980	SOUTH	660	EAST	ROOSEVELT

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	Joint or Infill	Consolidation Code	Order No.
320			NSL-5056

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.

James P. "Phil" Stinson
Signature

James P. "Phil" Stinson
Printed Name

Drilling Superintendent
Title

January 8, 2004
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 supervison, and that the same is true and correct to the best of my belief.

DECEMBER 16, 2003
Date Surveyed L.A.

Signature & Seal of Professional Surveyor
GARY G. EIDSON
NEW MEXICO
12641
Gary G. Eidson 12/23/03
03.11.1355

Certificate No. GARY EIDSON 12641

OGS OPERATING Co., Inc.
Bluitt "7" Federal No. 1
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

OGS Operating Co., Inc. Accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described above.

Bond Coverage: State Wide
BLM Bond File No.: NM-1373

James P. "Phil" Stinson

James P. "Phil" Stinson
Drilling Superintendent

DRILLING PROGRAM
OGS OPERATING CO., INC.
Bluitt "7" Fed #1

In conjunction with Form 3160-3, Application to Drill the subject well, OGS Operating Co., Inc. Submits the following ten items of pertinent information in accordance with Onshore Oil & Gas Order No. 1.

1. **Geologic Name of Surface Formation:** **Alluvium**

2. **Estimated Tops of Significant Geologic Markers:**

Anhydrite	2225'
Yates	2625'
San Andres	3870'
Total Depth	4825

3. **The estimated depths at which water, oil or gas formations are expected:**

Water:	None expected in area
Oil/Gas/Water:	San Andres 4380' - 4665'

4. **Proposed Casing Program:** Exhibit A

5. **Pressure Control Equipment:** See Exhibit B

6. **Drilling Fluid Program:** See Exhibit C

7. **Auxiliary Equipment:** A mud logging unit will be utilized to monitor penetration rate and hydrocarbon shows while drilling from 1500' to 4825'.

8. **Testing, Logging, and Coring Program:**

Drill Stem Tests: (No DST's are planned)

Logging: Compensated Neutron/Gamma Ray 3500'-4825'

9. **Abnormal Conditions, Pressures, Temperatures & Potential Hazards:**

No abnormal pressures or temperatures are anticipated. The bottom hole temperature is 110 degrees Fahrenheit and the estimated bottom hole pressure is 2100 psi. A Blow Out Preventer System as outlined in Exhibit B will be utilized should the need arise to shut the well in prior to running and cementing production casing. The San Andres zone is our primary objective. The zone is hydrogen sulfide productive in the area. Our plan is to have everyone on location trained in H_2S safety procedures and install monitors and

Scott Air Packs at strategic locations around the rig by 1500', prior to encountering the San Andres. It is our understanding that H_2S is only detected in the area whenever the reservoir fluids are produced up the wellbore. Our drilling fluid hydrostatic head will prevent fluid entry due to the reservoir being overbalanced. We will have monitors operational during the drilling of the Yates/Seven Rivers/San Andres zones. Due to the remote location of this drillsite, H_2S warning signs will be placed prior to entry of the drillsite, a public protection plan is not required for this location.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the B.L.M. The anticipated spud date is February 10, 2004. Once spudded, the drilling operation should be completed in approximately 10 days. If the well is productive, an additional 20 days will be required for completion and testing before permanent facilities are installed.

OPERATIONS PLAN
OGS OPERATING CO., INC.
Bluitt "7" Fed #1

1. Drill a 12 1/4" hole to approximately 475'

2. Run 8 5/8" 24.0 ppf K-55 ST & C casing. Cement with 275 sx Class "C" cement containing 2% $CaCl_2$. Run centralizers on every other joint above the shoe. Apply thread lock to bottom two joints and guide shoe. CIRC.

3. Wait on cement for six hours prior to cutting off.

4. Nipple up and install a 3000 si. Double Ram and Annular BOP system with choke manifold. WOC 18 hours prior to drilling out.

5. Test BOP system to 1000 psi with the rig pump. Test casing to 1500 psi.

6. Drill 7 7/8" hole to 4825'.

7. Either run 4825' of 4 1/2" 11.60 PPF K-55 LT & C casing and with DV tool @ ±1700', or plug and abandon as per BLM requirements. If casing is run, cement first stage with 265 sx 50/50 Poz and 2nd stage with 300 sx "Light" followed by 100 sx Class "C" cement.

Exhibit "A"
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

EXHIBIT B
OGS OPERATING CO., INC.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

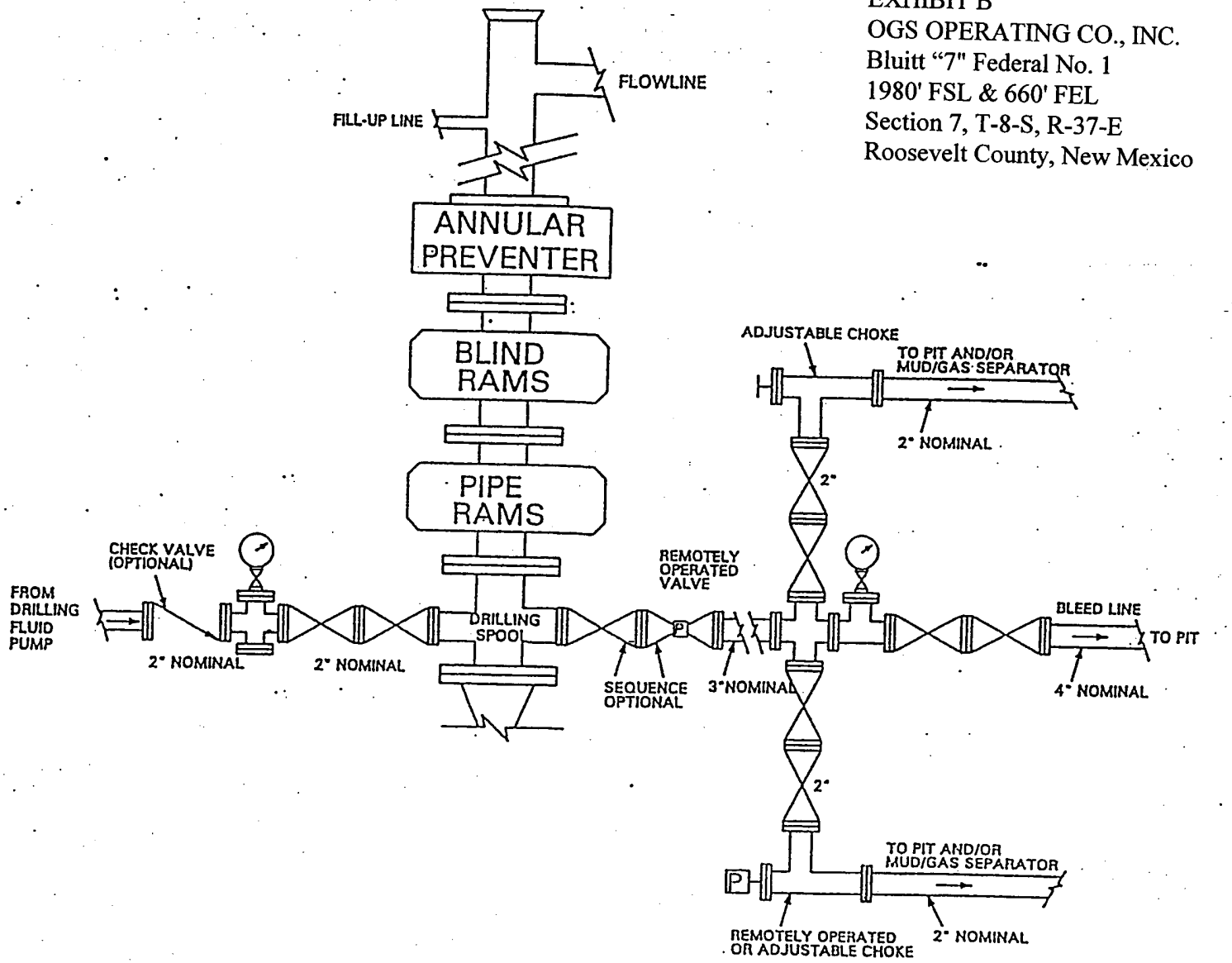


EXHIBIT C
DRILLING FLUID PROGRAM
OGS OPERATING Co., Inc.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

0 - 475'

Spud mud consisting of fresh water gel flocculated with lime. Use ground paper for seepage control and to sweep the hole. MW 8.5 ppg, Vis - 4.0.

475 - 4825'

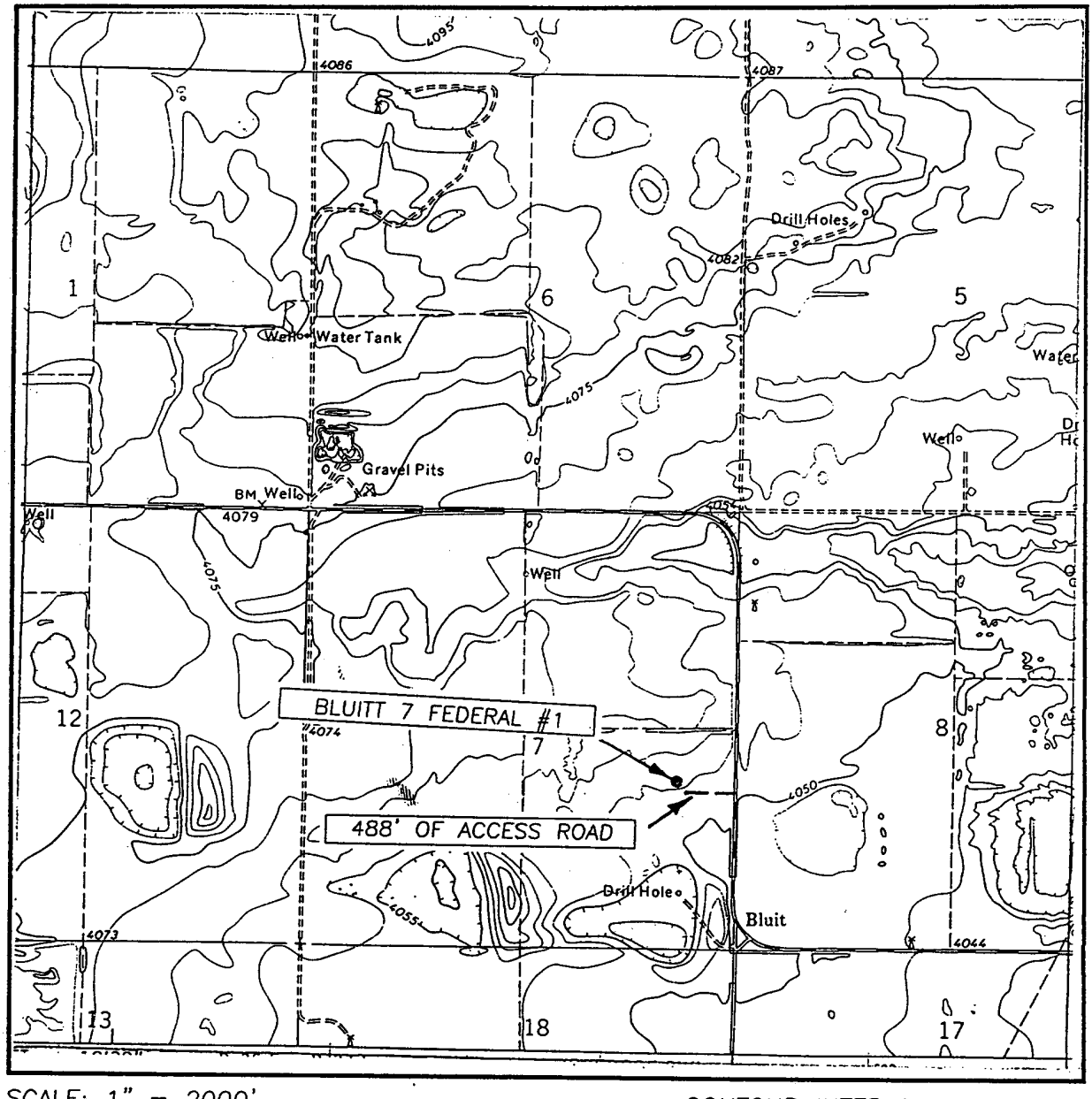
Drill out with cut brine (30,000 ppm chlorides minimum) circulating the outer portion of the reserve pit. Maintain pH at 8.5 - 9.5 with lime and sweep the hole as necessary with ground paper. If it becomes necessary to mud up due to hole conditions, utilize a cut brine/starch system for 15-20 WL and a Vis of 30-32. MW 8.5/8.9 ppg.

AUXILIARY EQUIPMENT

DRAWWORKS	BDW 650 HP, with Parmac Hydromatic brake
ENGINES	Two Caterpillar D-353 diesels rated at 425 HP each
ROTARY	Ideco 23", 300 ton capacity
MAST/SUB	Ideal 132', 550,000 lb. Rated static hook load with 10 lines. Wagner 15' high substructure
TRAVELLING EQUIPMENT	Gardner-Denver, 300 ton, 5 sheave w/BJ 250 ton hook
	Brewster Model 7 SX 300 ton swivel
PUMPS	Continental-EMSCO DC-700 and DB-550, 5-1/2 x 16" Duplex, Compound driven.
PIT SYSTEM	1-Shale Pit 6X7X35', 1-Setting Pit 6X7X38', 1-Suction Pit 6X7X34' w/5 mud agitators, Two Centrifugal mud mixing pumps and a Double Screen Shale Shaker.
LIGHT PLANT	Two CAT 3306 diesel electric sets 18 KW prime power
BOP EQUIP.	11" 3000 psi WP double ram and 11" 3000 psi WP Shaffer Annular Preventer. Choke manifold rated at 3000 psi Valvcon 5-station 80 gallon closing unit.

Exhibit "D"
OGS Operating Co., Inc.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 5'
BLUITT, N.M.

SEC. 7 TWP. 8-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY ROOSEVELT

DESCRIPTION 1980' FSL & 660' FEL

ELEVATION 4056'

OPERATOR OGS OPERATING COMPANY, INC.

LEASE BLUITT 7 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
BLUITT, N.M.

EXHIBIT E
TOPO MAP OF LOCATION AREA
OGS OPERATING CO., INC.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

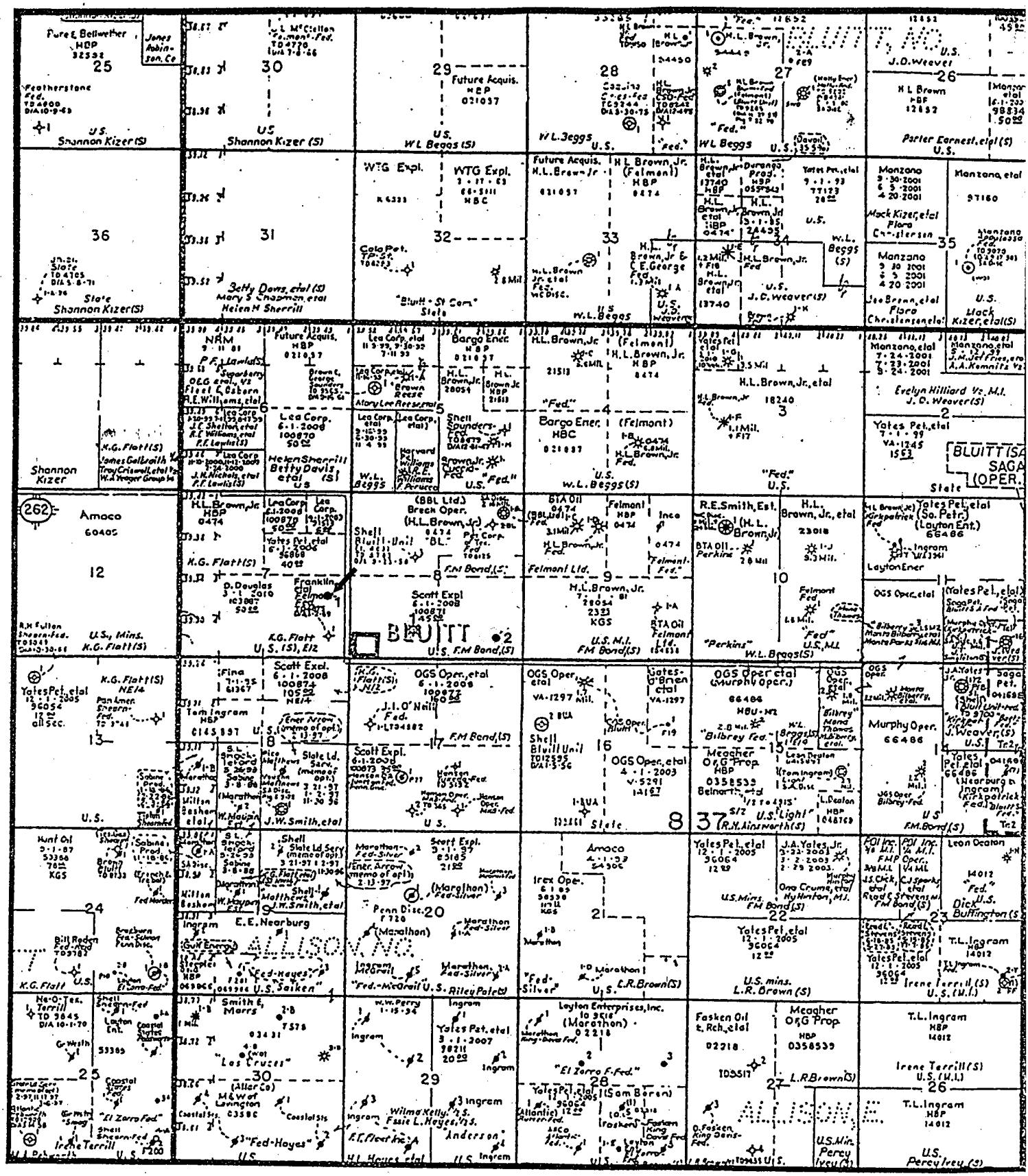
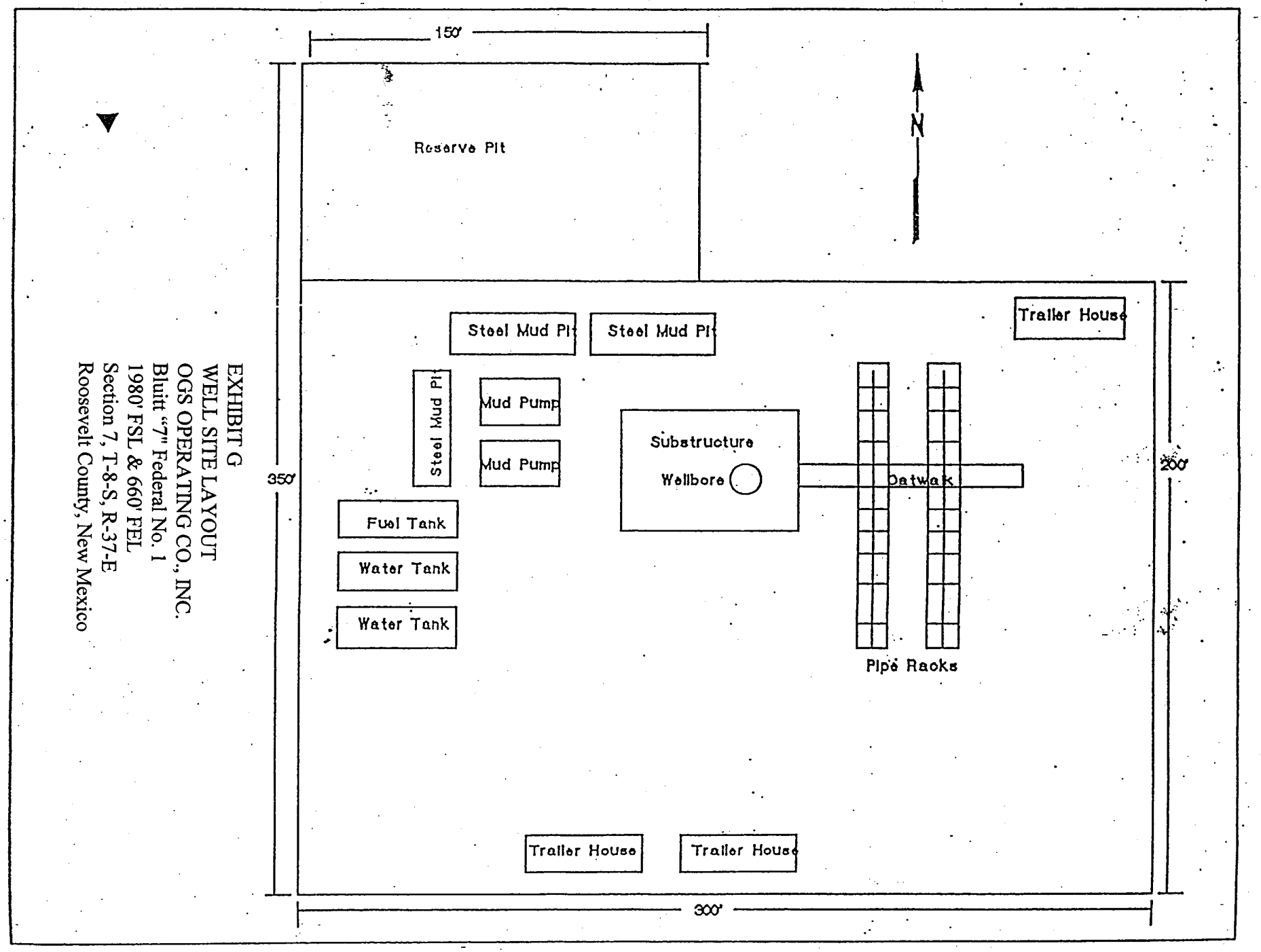


EXHIBIT F
EXISTING WELLS
OGS OPERATING CO., INC.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

EXHIBIT G
WELL SITE LAYOUT
OGS OPERATING CO., INC.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico



OGS Operating Co., Inc.
MULTI-POINT SURFACE USE AND OPERATION PLAN
Bluitt "7" Federal No. 1
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed by rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS.

A. Exhibit E is a 15 minute topo map which shows the location of the proposed wellsite and roads in the vicinity. The proposed location is situated approximately 10 1/2 miles east of Milnesand, New Mexico

DIRECTIONS

1. From Milnesand, go east 10 1/2 miles on Hwy 262 turn right (west) go 500' to the proposed location.

2. PLANNED ACCESS ROAD.

A. Build ±500' of new access road to the proposed location.

3. LOCATION OF EXISTING WELLS

A. There are no existing wells on this lease at this time.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

A. In the event the well is productive, the necessary production equipment will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY.

A. It is planned to drill the well with a fresh water system. The water will be hauled to the location by truck over existing roads. It will be obtained from commercial sources.

6. SOURCES OF CONSTRUCTION MATERIALS.

A. Any caliche required for construction of the drilling pad will be obtained from a pit located off the wellsite.

7. METHODS OF HANDLING WASTE DISPOSAL.

A. Drill cuttings will be disposed of in the reserve pits.

B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.

C. Water produced during operations will be either placed in the reserve pits and allowed to evaporate or collected in tanks until hauled to an approved disposal system or a separate disposal application will be submitted to the BLM for appropriate approval.

D. Oil produced during operations will be stored in tanks until sold.

E. Human waste will be disposed of per current standards.

F. Trash, waste paper, garbage, and junk will be collected in trash trailers and disposed of in an approved waste facility such as a land fill. The trash trailers will contain all of the material to prevent scattering by the wind.

G. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES

A. None required.

9. WELLSITE LAYOUT

A. Exhibit G shows the dimensions of the well pad and reserve pits, and the location of major rig components.

B. The private surface owner has requested a gate with no cattle guard be installed at the entrance from Hwy. 262. The owner has also requested the road and location not be surfaced with caliche until the well is established as a commercial producer. If the proposed well is a commercial producer, caliche will be put down where necessary to prevent erosion.

C. The reserve pits will be plastic lined.

D. A 600' x 600' work area which will contain the pad and pit area has been staked and flagged.

10. PLAN FOR RESTORATION OF THE SURFACE

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleared of all trash and junk, to leave the wellsite in as aesthetically pleasing a condition as possible.

B. Unguarded pits, if any, containing fluid will be fenced until they have been filled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management and the United States Geological Survey will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and leveled within 300 days after abandonment.

11. TOPOGRAPHY

A. The wellsite is located on a relatively flat area.

B. The top soil at the wellsite is alluvium.

C. The vegetation cover at the wellsite is moderately sparse, with prairie grasses, and miscellaneous weeds.

D. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.

E. There are no lakes, streams or rivers within one mile of the wellsite.

12. OPERATOR'S REPRESENTATIVES

A. The field representatives responsible for assuring compliance with the approved surface use plan are:

Mickey Dobson
OGS Operating Co., Inc.
550 W. Texas, Suite 1140
Midland, TX 79701
(432) 682-6373 - office
(432) 694-2747 - home

Phil Stinson
OGS Operating Co., Inc.
550 W. Texas, Suite 1140
Midland, TX 79701
(432) 682-6373 - office
(432) 362-6240 - home

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 OGS Operating Co., Inc., and its contractors and subcontractors in conformity with this plan and the terms and conditions under which is approved.

OGS Operating Co., Inc., accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land of portion thereof, as described above.

SIGNED this 8 Th day of January 2004.

James P. (Phil) Stinson
OGS Operating Co., Inc.

OGS Operating Co., Inc.
HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
Bluitt "7" Federal No. 1
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico

In drilling the San Andres formation, there is very remote possibility that H_2S will be encountered. The zone is hydrogen sulfide productive in the area. It is our understanding that hydrogen sulfide is only detected in the area whenever the reservoir fluids are produced up the wellbore. Our drilling fluid hydrostatic head will prevent fluid entry due to the reservoir being overbalanced. The following is our plan for drilling the San Andres formation.

1. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on the well:

1. The hazards and characteristics of hydrogen sulfide (H_2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H_2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the Hydrogen Sulfide Drilling Operations Plan.

There will be an initial training session prior to encountering the San Andres training will take place within 3 days or 500 feet) and will have weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific Hydrogen Sulfide Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

2. H_2S Safety Equipment and Systems

Note: All H_2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the Yates zone at 2625'.

1. Well Control Equipment:

A. An annular preventer capable of accommodating all pipe sizes with properly sized closing unit.

2. Protective Equipment for Personnel:

A. Scott Air-Pack Units located on the rig floor and at briefing areas, as indicated on well site diagram.

3. H_2S Detection and Monitoring Equipment:

A. 2-portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 200 ppm are reached.

4. Visual Warning Systems:

A. Wind direction indicators as shown on well site diagram.

B. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. See Example Attached.

5. Mud Program:

A. The mud program is designed to minimize any H_2S circulated to the surface. Proper mud weight and safe drilling practices will be used to minimize hazards when penetrating H_2S bearing zones (San Andres)

6. Metallurgy:

A. All of the drill string, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H_2S service.

B. All elastomers used for packing and seals shall be H_2S trim.

7. Communication:

A. Cellular phone communications in company vehicles.

B. Radio communications on the drilling rig.

8. Well Testing

A. No drill stem tests are planned.

James P. "Phil" Stinson
OGS Operating Co., Inc.

H2S DRILLING PLAN
WELL SITE LAYOUT
OGS OPERATING CO., INC.
Bluitt "7" Federal No. 1
1980' FSL & 660' FEL
Section 7, T-8-S, R-37-E
Roosevelt County, New Mexico