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

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Form 3160-3				FOR	M APPROVE	D				
(September 2001) UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT APPLICATION FOR PERMIT TO DRILL OR REENTER				OMB No. 1004-0136 Expires January 31, 2004 5. Lease Serial No. NM-103887						
							6. If Indian, Allo		Name	
				la. Type of Work: 🔄 DRILL 🔲 REEN	la. Type of Work: It DRILL I 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		Jamal No. 1				
2. Name of Operator			Bluitt"7" Federal No. 1 9. API Well No. ()							
OGS Operating Co., Inc.				30-041-20909						
3a. Address		o. (include area code)		10. Field and Pool, or Exploratory						
<u>550 W. Texas, Suite 1140</u> 4. Michawa RepTX location Clearly and in accordance w	43	2-682-6373	•	Bluitt San Andres Assoc 11. Sec., T., R., M., or Blk. and Survey or Area						
		uirements.*)				-				
At surface 1980' FSL & 660' FE At proposed prod. zone	Ľ	T tin		Sec.7, T-8-S, R-37-E						
14. Distance in miles and direction from nearest town or post office				12. County or Paris		13. State				
<u>11 1/2 mileseast of Milnesa</u> 15. Distance from proposed*		Mexico		Rooseve		New Mexico				
location to nearest property or lease line, ft. 660 '	16. No. of 32	Acres in lease		ig Unit dedicated to th 320	us well					
(Also to nearest drig, unit line, if any)				520						
 18. Distance from proposed location* to nearest well, drilling, completed, 	19. Propos	19. Proposed Depth 20. BLM		BIA Bond No. on file						
applied for, on this lease, ft. NA	4825	5	NM	-1373						
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approx	timate date work will sta	art*	23. Estimated dura		252623				
4056 GL	Feb.	10, 2004		30 d						
		chments		201	~ SO	030 50				
The following, completed in accordance with the requirements of On	shore Oil and Ga	s Order No.1, shall be at	tached to thi	s form:	UJA:	VOL DU				
1. Well plat certified by a registered surveyor.			he operatio	ns unless covered by	an existing					
 A Drilling Plan. A Surface Use Plan (if the location is on National Forest Syst 	····· • • • • • •	Item 20 above). 5. Operator certific	cation.	15	- 0,	y N				
SUPO shall be filed with the appropriate Forest Service Office).	tem Lands, the	 Such other site authorized offic 	specific inf	ormation and or plan	s as≱may be	e required by the				
26 Signature	New		ei.			68t99				
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The										
Drilling Superintendent					1					
Approved by (Signature) /S/LARRY D. BRAY	Nam	e (Printed/Typed) SIL	ARRY). BRAY	FEI	<u>3 1 0 20</u> 04				
Title Assistant Field Manager,	Offic	* ROSWELL I	FIELD O	FFICE A	PPROVE	D FOR 1 YEAR				
Application approval does not warrant or certify the the applicant holoperations thereon.	ds legal or equital	ble title to those rights in	the subject							
Conditions of approval, if any, are attached.										
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, mak States any false, fictitious or fraudulent statements or representations	te it a crime for a as to any matter v	ny person knowingly ar vithin its jurisdiction.	nd willfully t	o make to any depart	ment or age	ncy of the United				
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State of New Mexico DISTRICT I Form C-102 P.O. Box 1980, Hobbs, NM 88241-1980 Energy, Minerals and Natural Resources Department Revised February 10, 1994 Submit to Appropriate District Office DISTRICT II OIL CONSERVATION DIVISION State Lease - 4 Copies P.O. Drawer DD, Artesia, NM 88211-0719 Fee Lease - 3 Copies P.O. Box 2088 DISTRICT III Santa Fe, New Mexico 87504-2088 1000 Rio Brazos Rd., Aztec, NM 87410 DISTRICT IV WELL LOCATION AND ACREAGE DEDICATION PLAT P.O. BOX 2088, SANTA FE, N.M. 87504-2088 □ AMENDED REPORT API Number Pool Code Pool Name 30-041-20 6880 Bluitt San Andres Assoc. **Property** Code **Property** Name Well Number **BLUITT 7 FEDERAL** 3343 3 1 OGRID No. **Operator** Name Elevation OGS OPERATING COMPANY, INC. 4056 16367 Surface Location UL or lot No. Section Township Range Lot Idn Feet from the North/South line Feet from the East/West line County 7 T 8-S 37-E 1980 SOUTH 660 EAST ROOSEVELI Bottom Hole Location If Different From Surface UL or lot No. Section Range Lot Idn Township Feet from the North/South line Feet from the East/West line County Dedicated Acres Joint or Infill **Consolidation** Code Order No. NSL-5056 320 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 LOT 1 OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Imen on. 39.42 AC. Signature LOT 2 James P. "Phil" Stinsor Printed Name Drilling Superintenden Title January 8, 2004 Date 39.38 AC. SURVEYOR CERTIFICATION LOT 3-I hereby certify that the well location shown on this plat was plotted from field notes of 4060.0 4057.4 GEODETIC COORDINATES 600 actual surveys made by me or under my NAD 27 NME supervison, and that the same is true and Y = 960094.0 N600 660' correct to the best of my belief. X = 849284.4 ELAT. 33'38'02.13"N DECLAS DECEMBER 16, 2003 LONG. 103'11'08.90"W 4053.9 4055.6 L.A. 39.34 AC. Signature al Seal 500 Professional Surveyor O LOT 4 ME 980 23/03 1355 03.11

Certificate No. GARY. EIDSON

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12641

39.30 AC.

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: BLM Bond File No.:

State Wide NM-1373

mon

Games 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% CaCl₂ Run centralizers on every other joint above the shoe. Apply thread lock to bottom two joints and guide shoe.
- 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'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.

K-55

Exhibit "A" 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

<u>0 - 475'</u>

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	Gardner-Denver, 300 ton, 5 sheave w/BJ 250 ton hook		
EQUIPMENT	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'

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. CONTOUR INTERVAL: 5' 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

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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



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

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 $\pm 500'$ 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.

Bluitt "7" Federal No. 1 Multi-Point Surface Use and Operations Plan Page 3

- **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.

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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 <u>8</u> day of <u>January</u> 2004.

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

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

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. <u>Hydrogen Sulfide Training</u>

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_0 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. <u>H₂S Safety Equipment and Systems</u>

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. H₂S 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.

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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.

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

