District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised July 18, 2013

☐ AMENDED REPORT

HOBBS OCD
FEB 19 2020
RECEIVED

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address	2. OGRID Number
V-F PETROLEUM, INC. P.O.Box 1889, Midland, TX 79702	24010
	3. API Number 30-~~015~~ 025-46899

4. Property Code	5. Property Name	6. Well No.
316206	DMT 7 FEE	3

7. Surface Location — NSL-7689

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County
F	7	15S	38E		1350	NORTH	2300	WEST	LEA

8. Proposed Bottom Hole Location

UL - Lot	Section	Township	Range	Lot Idn	Feet from	N/S Line	Feet From	E/W Line	County

9. Pool Information

Pool Name	Pool Code
Denton, Wolfcamp	17290

Additional Well Information

11. Work Type	12. Well Type	13. Cable/Rotary	14. Lease Type	15. Ground Level Elevation
N	O	R	P	3778'
16. Multiple	**17. Proposed Depth**	**18. Formation**	**19. Contractor**	**20. Spud Date**
N	9625'	Wolfcamp		3/1/2020

Depth to Ground water 45 Ft	Distance from nearest fresh water well 2418 Ft	Distance to nearest surface water 3 Miles

☐ **We will be using a closed-loop system in lieu of lined pits**

21. Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Conductor	26"	20"	94#	40'	50	Surface
Surface	17-1/2"	13-3/8"	54.5#	400'	400	Surface
Intermediate	12-1/4"	9-5/8"	40#	4700'	1000	Surface
Production	8-3/4"	5-1/2"	17*	9625'	600	4400'

Casing/Cement Program: Additional Comments

Cmt will be circulated as required.

22. Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
XLT 13-5/8"	5000	5000	Cameron

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. **I further certify that I have complied with 19.15.14.9 (A) NMAC ☐ and/or 19.15.14.9 (B) NMAC ☒, if applicable.** Signature: Mike Pippin	OIL CONSERVATION DIVISION Approved By:
Printed name: Mike Pippin	Title:
Title: Petroleum Engineer	Approved Date: 02/23/2020 Expiration Date: 02/23/2022
E-mail Address: mike@pippinllc.com	
Date: 2/10/2020 Phone: 505-327-4573	Conditions of Approval Attached **See Attached Conditions of Approval**

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division

Receipt of Fee Application Payment

PO Number: 68QKM-200218-APD000

Payment Date:	2/18/2020 2:58:39 PM
Payment Amount:	$500.00
Payment Type:	Credit Card
Application Type:	Application for a permit to drill, deepen, plug back or reenter a non-federal and non-indian well.
Fee Amount:	$500.00
Application Status:	Pending Document Delivery
OGRID:	24010
First Name:	Eric
Last Name:	Sprinkle
Email:	eric@vfpetroleum.com

IMPORTANT: If you are mailing or delivering your application, you must prin and include your receipt of payment as the first page on your application. All nailed and delivered applications must be sent to the following address: 1220 S. St. Francis Dr., Santa Fe, NM 87505. For inquiries, reference the PO Number listed above.

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

HOBBS OCD
FEB 19 2020
RECEIVED

Form C-102
Revised August 1, 2011
Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-	17290	DENTON; WOLFCAMP

Property Code	Property Name	Well Number
316206	DMT 7 FEE	3

OGRID No.	Operator Name	Elevation
24010	V-F PETROLEUM	3778'

Surface Location

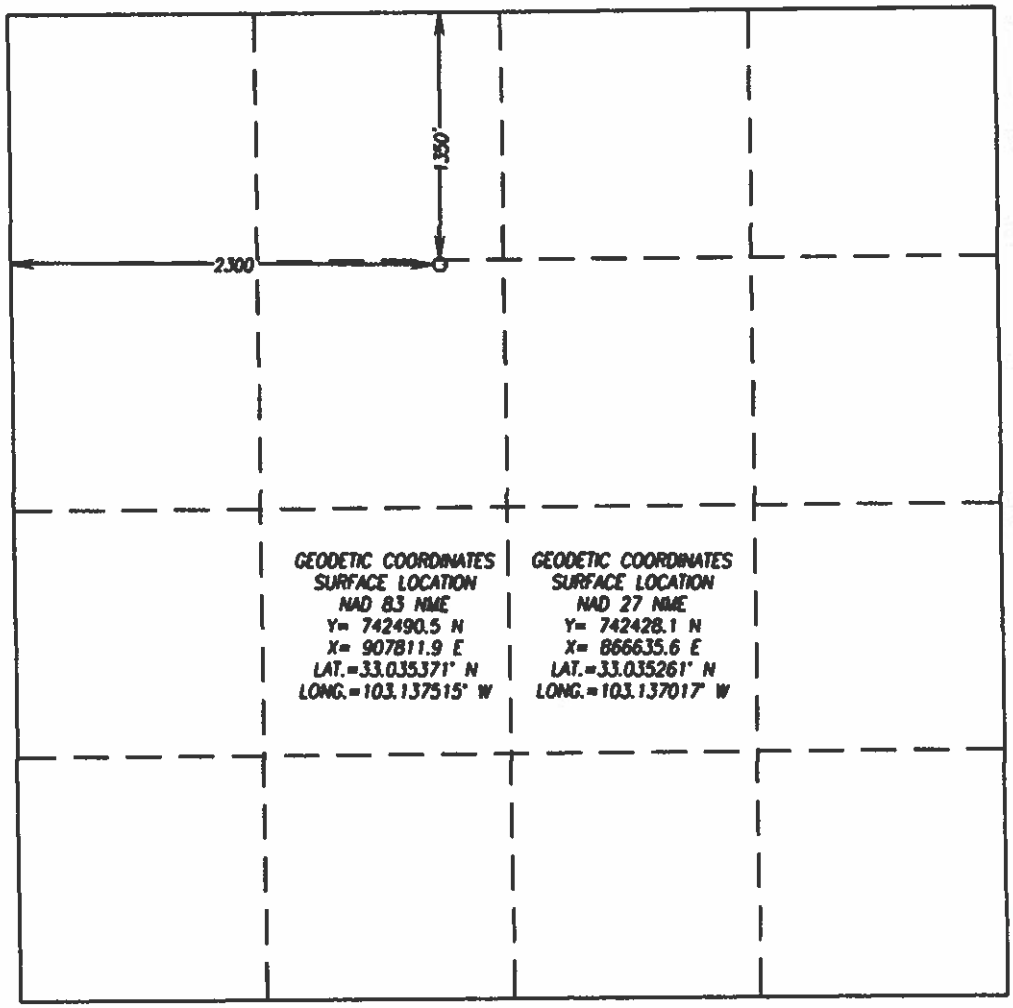
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	7	15-S	38-E		1350	NORTH	2300	WEST	LEA

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.
40	N		NSL-7689

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 that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature 2/8/20 Date

MIKE PIPPIN
Printed Name

MIKE@PIPPINLLC.COM
E-mail Address

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 20, 2020
Date of Survey

3239
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR

Signature & Seal of Professional Surveyor:

Ronald J Eidson 02/04/2020

Certificate Number	Gary G. Eidson	12641
	Ronald J. Eidson	3239

LSL REL: 15110114 JWSC W.O.: 20.11.0027

V-F Petroleum Inc.

500 W. Texas, Suite 350, Midland, Texas 79701
Mailing Address: P.O. Box 1889, Midland, TX 79702
432-683-3344
E-mail: bill@vfpetroleum.com
FAX:432-683-3352
www.vfpetroleum.com

WELL DRILLING & EVALUATION PROGRAM

January 20, 2020
V-F Petroleum Inc.
DMT 7 Fee #3
1,350' FNL & 2,300' FWL
Section 7, T-15-S, R-38-E
Lea County, New Mexico
API Number: 30-025-43232

1. The elevation of the unprepared ground is 3778' above sea level.
2. The geological name of the surface information is Quanternery – Alluvium.
3. A rotary rig will be utilized to drill the well to a vertical depth of 9,625' MD & 9,625' TVD and run casing to TVD. The drilling equipment will be rigged down and the well completed with a well service unit.
4. The well is located in the following **Field:** Denton; Wolfcamp.
5. The following are estimated formation **Tops:**

	Est. Drill Depth	Est. Subsea	Denton 7 #1 Log Depth
Rustler	2,170'	1,623'	2,168'
Yates	3,200'	593'	3,200'
7 Rivers	3,360'	433'	3,367'
Queen	3,925'	(-132')	3,979'
Grayburg	4,275'	(-482')	4,278'
**San Andres	4,450'	(-657')	4,461'
Glorieta	6,700'	(-2,907')	6,696'
**Blinebry	6,925'	(-3,132')	6,934'
Tubb	7,500'	(-3,707')	7,502'
Drinkard	7,610'	(-3,817')	7,616'
*Abo	8,210'	(-4,417')	8,214'
Abo Porosity	9,340'	(-5,547')	9,348'
*Wolfcamp	9,380'	(-5,587')	9,390'
TD	9,625'	(-5,832')	9,625'

* = Primary objective
** = Potential Oil or Gas bearing formations

6. The Proposed Casing and Cement Program is as follows:

20", 94#, J-55 ERW	40'	Conductor set at 40' and grouted with 50 sacks of Redi-Mix.
13 3/8", 54.5#, J-55, STC	400'	Surface Casing in 17 ½" hole cemented with 400 sacks Class C containing 2% $CaCL_2$ + ¼#/sack cellophane flakes mixed @ 14.8 ppg w/yield of 1.35ft^3/sack. Circulate to surface.
9 5/8", 40#, N-80, LTC	4,700'	Intermediate Casing in 12 ¼" hole cemented with lead slurry of 800 sacks of Class "C" 65-35 Pozmix Lite containing ½#/sack cellophane flakes mixed @ 12.5 ppg w/yield of 1.7972ft^3/sack followed by tail slurry of 200 sacks of Class C containing 1% $CaCl_2$ mixed @ 14.8 ppg w/yield of 1.32ft^3/sack. Circulate to surface.

5 ½", 17#, L-80, LTC	9,625'	Production hole in 8 ¾" hole cemented with cemented with lead slurry of 400 sacks of Class "H" 50-50 Pozmix Lite containing ½#/sack cellophane flakes + .3% dispersant + .4% fluid loss additive + 10% bentonite mixed @ 11.5 ppg w/yield of 2.2374 ft^3/sack followed by tail slurry of 200 sacks of Class H containing 15% anti-settling agent + .25% cement retarder + .5% fluid loss additive mixed @ 14.8 ppg w/yield of 1.32 ft^3/sack. Tie back into 9 5/8" intermediate casing 200'+/-.

7. **Mud Program:**

This well will be drilled with fresh water (8.33 ppg) from surface to a depth of 400'+/-. Surface hole Mud properties of pH 9.0 – 10.5, no control of WL, Viscosity of 28 – 34 cp, no control of filter cake. Pump rates of 300 – 500 GPM.

The Intermediate hole interval from 400'+/- to 4,700'+/- will be drilled with Salt Gel & Starch brine water (9.8 - 10.0 ppg). Intermediate hole Mud properties of pH 10.0 – 12.0, no control of WL, Viscosity of 28 – 29 cp, filter cake no control. Pump rates of 375 – 425 GPM. Other: utilize polymer sticks and MF-55 high viscosity sweeps as needed to clean hole.

The Production hole interval from 4,700'+/- to 9,625' will be drilled with Salt Gel & Starch cut-brine water (9.8 – 10.1 ppg). Production hole Mud properties pH 10.0 – 12.0, WL 20 – 30 cc's, Viscosity of 32 – 34 cp, filter cake less than 2. Pump rates of 400 – 425 GPM. Other: utilize MF-55 high viscosity sweeps as needed to clean hole and starch as needed to raise viscosity and control fluid loss.

8. **Mud Loggers:**
On at 4,700' to TD 9,625', 2-man unit. The drilling fluid should be able to deliver excellent samples from 4,700' to TD. One set of ten (10) foot dry samples, including all circulating samples, shall be caught by the mud logger from surface to TD. Mud logger samples will be caught in all significant drilling breaks of 5 feet or more from 4,700' to TD.

9. **Testing, Logging & Coring Program**

Run One:	GR – Comp. Neutron	4,700' to surface
	GR – Caliper – Comp. Neutron – PE- Density	9,625' to 4,700'
	GR – Caliper – Dual Laterlog w/MLL	9,625 to 4,700'

No testing or coring are anticipated.

10. **Potential Hazards:**
No abnormal pressures or temperatures are anticipated. If H_2S is encountered the operator will comply with all NMOCD rules and regulations regarding same. All personnel will be familiar with all aspects of safe operations and of all equipment being utilized to drill the well. Estimated BHP is 4,235 psi based on 0.44 x TVD. The estimated BHT is 165 degrees F. (See attached H_2S site plan.)

11. **Pressure Control Equipment:**
See attached description and diagram of Pressure Control Equipment.

12. Duration of Operations:
Anticipated spud date will be March 1, 2020 to meet lease expiration and deadline. Move in operations and drilling are expected to require 25 days. Completion operations will require an additional 10 days. Production facilities already exist on the lease.

HYDROGEN SULFIDE (H_2S) DRILLING PLAN SUMMARY

A. All personnel shall receive proper H_2S training in accordance with all NMOCD rules.

B. Briefing Area: Two perpendicular areas will be designated by signs and readily accessible.

C. Required Emergency Equipment:

Well Control Equipment:

a. Flare line 150' from wellhead to be ignited by flare gun.
b. Choke manifold with a remotely operated choke.
c. Mud / gas separator.

Protective Equipment for Essential Personnel:

Breathing Apparatus

a. Rescue Packs (SCBA) – 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
b. Work / Escape Packs – 4 shall be stored on the rig floor and contain sufficiently long air hoses as not to restrict work activities.
c. Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.

Auxiliary Rescue Equipment:

a. Stretcher
b. Two OSHA full body harness
c. 100' of 5/8" OSHA approved rope
d. 1 – 20# class ABC fire extinguisher

H2S Detection & Monitoring Equipment:

The stationary detector with three sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible @ 14 ppm. Calibrate a minimum of every 30 days or as needed. The sensors will be placed in the following places; Rig floor / bell nipple / end of flowline or where well bore is being discharged. (Gas sample tubes will be stored in safety trailer).

Visual Warning Systems:

a. One color condition sign will be placed at the entrance to the site reflecting the possible conditions at the sight.
b. A colored flag will be displayed reflecting the current condition at the site at the time.
c. Two wind socks will be placed in strategic locations, visible from all angles.

Mud Program:

The mud program has been designed to minimize the volume of H_2S circulated to the surface. The operator will have the necessary mud products to minimize hazards while drilling in H_2S bearing zones.

Metallurgy:

a. All drill strings, casings, tubing, wellhead, blowout preventer, 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.

Communication:

Communication will be via two way radio in emergency and police vehicles. Cell phones will be utilized for company personnel and all other personnel.

EMERGENCY ASSISTANCE TELEPHONE LIST

PUBLIC SAFETY: 911 or see below

Lea County Sheriff's Department~~~~~~ (575) 396-3611

Fire Department~~~~~~ (575) 397-9308

Hospital~~~~~~ (575) 492-5000

Ambulance~~~~~~ 911

New Mexico State Police~~~~~~ (575) 392-5588

New Mexico Oil Conservation Division Hobbs Office~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~ (575) 393-6161

Operator Contacts:

V-F Petroleum, Inc.~~~~~~ (432) 683-3344

Rick Massey, Consultant~~~~~~ (575) 942-4035

Bill Pierce, VP of Operations~~~~~~ (432) 683-3344

Tom Beall, President (432) 683-3344

Wayne Luna, Production Superintendent (432) 557-2688

PRESSURE CONTROL EQUIPMENT

The blowout preventer equipment (BOP) will consist of a 5,000 psi rated, double "U" ram Cameron or Schaffer type that will be tested by and independent third party
to a maximum of 5,000 psi. The BOP's will be hydraulically operated and the ram type will be equipped with blind rams on bottom and pipe rams on top. An annular (Hydril) type preventer will be mounted on top of the double "U" ram type preventer and will be rated to 3000 psi. The annular preventer will be tested to a maximum of 2,500 psi. The 3M annular preventer will be installed on the 13 3/8" surface casing and utilized while drilling the intermediate hole. The double ram preventer and the annular preventer will be installed on the 9 5/8" intermediate casing and will remain in place until drilling operations have been completed. All casing strings will be tested to 50% of rated burst prior to drilling out. Should drilling operations extend beyond 30 days, the BOP will be tested by an independent third party.

Pipe rams will be operated and checked daily and each time the drill string is removed from the borehole. These function tests will be recorded on the IADC daily drilling sheet.

The BOP equipment will consist of the following:

-Double ram with blind rams (bottom) and pipe rams (top),
-Drilling spool or BOP with two side outlets (choke side and kill side shall be a minimum 2" diameter),
-Kill line (2 inch minimum),
-Minimum of two choke line valves with diameters of at least 2 inches,
-2 inch diameter choke line,
-two chokes one of which shall be capable of remote operations,
-pressure gauge on choke manifold,
-upper kelly cock valve with handle available,
-Safety valve and subs to fit all drill string connections in use,
-All BOPE connections subjected to well pressure will be flanged, welded or clamped,
-A fill-up line above the uppermost preventer.

V-F Petroleum Inc.

500 W. Texas, Suite 350, Midland, Texas 79701 432/683-3344 432/683-3352FAX
Mailing Address: P.O. Box 1889, Midland, TX 79702 E-mail: sandy@vfpetroleum.com www.vfpetroleum.com

January 21, 2020

State of New Mexico
Energy, Minerals and Natural Resources
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Lease Name or Unit Agreement Name **DMT 7 Fee**
Well Number **3**
OGRID Number **24010**
Pool name or Wildcat **Denton: Wolfcamp**

Unit Letter **F** : **1350** feet from the **North** line and **2300** feet from the **West** line, Sec **7** Township **15-S** Rge **38-E** NMPM **Lea** County

Gentlemen:

Please be advised that a Surface and Ranch Disturbance Agreement dated July 29, 2014 has been executed by V-F Petroleum Inc. (Operator) and Angell #2 Family Limited Partnership, P.O. Box 190, Lovington, NM 88260-0190.

Very truly yours,

Sandy Lawlis

Sandra K. Lawlis
Vice President & Controller

SKL/as

S:\M D\land\surf damages\ denton east DMT lea co\ DMT # 3OCD ltr agmt w surf owner 200121

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State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit Original to Appropriate District Office

GAS CAPTURE PLAN

Date: 2/10/2020

☒ Original
☐ Amended - Reason for Amendment:

Operator & OGRID No.: **V-F PETROLEUM, INC.**

This Gas Capture Plan outlines actions to be taken by the Operator to reduce well/production facility flaring/venting for new completion (new drill, recomplete to new zone, re-frac) activity.

Note: Form C-129 must be submitted and approved prior to exceeding 60 days allowed by Rule (Subsection A of 19.15.18.12 NMAC).

Well(s)/Production Facility – Name of facility

The well(s) that will be located at the production facility are shown in the table below.

Well Name	API	Well Location (ULSTR)	Footages	Expected MCF/D	Flared or Vented	Comments
DMT 7 FEE #3	30-015-	F 7 15S 38E	1350'FNL 2300' FWL	35	Vented	

Gathering System and Pipeline Notification

Following this well's drilling & completion operations, we anticipate that all produced natural gas will be used on the lease.

Flowback Strategy

After the fracture treatment operations, well will be produced to temporary production tanks and gas will be flared or vented. During flowback, the fluids and sand content will be monitored. When the produced fluids contain minimal sand, the wells will be turned to production facilities. We anticipate that all produced natural gas will be used on the lease.

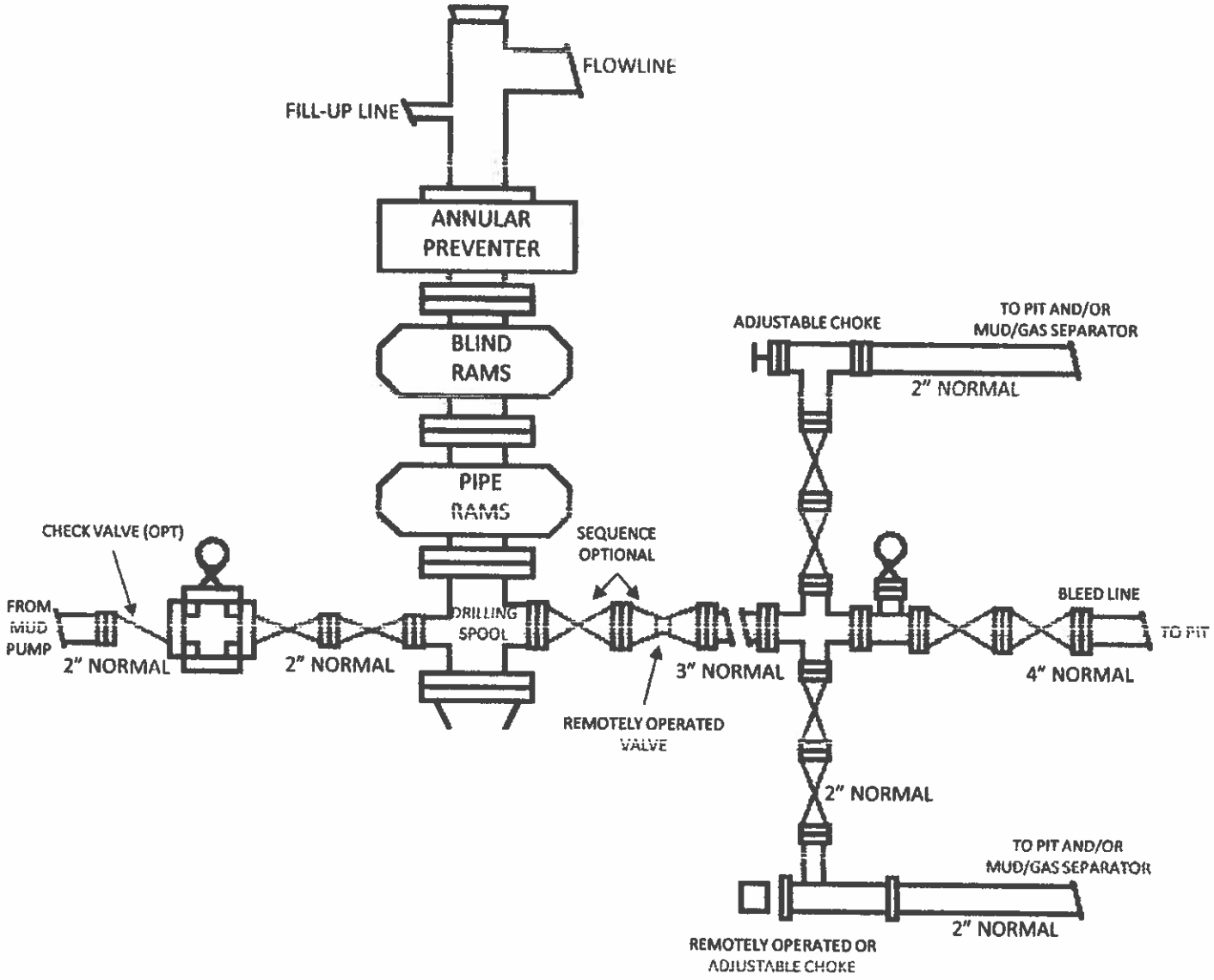
Safety requirements during cleanout operations from the use of underbalanced air cleanout systems may necessitate that sand and non-pipeline quality gas be vented and/or flared.

Alternatives to Reduce Flaring

Below are alternatives considered from a conceptual standpoint to reduce the amount of gas flared.

- Power Generation – On lease
  - Only a portion of gas is consumed operating the generator, remainder of gas will be flared
- Compressed Natural Gas – On lease
  - Gas flared would be minimal, but might be uneconomical to operate when gas volume declines
- NGL Removal – On lease
  - Plants are expensive, residue gas is still flared, and uneconomical to operate when gas volume declines

BOP DIAGRAM
5000# SYSTEM



VF Petroleum Inc.
DMT 7 Fee #3
BOP Schematic

CONDITIONS OF APPROVAL

API #	Operator	Well name & Number
30-025-46899	V-F PETROLEUM Inc.	DMT 7 FEE # 003

Applicable conditions of approval marked with XXXXXX

Drilling

XXXXXXX	Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string

Casing

XXXXXXX	SURFACE & INTERNEMIATE(1) CASING - Cement must circulate to surface --
XXXXXXX	PRODUCTION CASING - Cement must tie back into intermediate casing --
XXXXXXX	If cement does not circulate to surface, must run temperature survey or other log to determine top of cement

Lost Circulation

XXXXXXX	Must notify OCD Hobbs Office if lost circulation is encountered at 575-370-3186

Stage Tool

XXXXXXX	Must notify OCD Hobbs Office prior to running Stage Tool at 575-370-3186
XXXXXXX	If using Stage Tool on Surface casing, Stage Tool must be greater than 350' and a minimum 200 feet above surface shoe.
XXXXXXX	When using a Stage Tool on Intermediate or Production Casing Stage must be a minimum of 50 feet below previous casing shoe.