ATS-16-534

HOBBS OCD

OCD Hobbs

R-111-POTASH

SEP 12 2016

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Form 3160-3
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
SHL: NMNM086168/BHL:NM041769

6. If Indian, Allotee 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.
Severus 31 Federal Com 1H (316800)

2. Name of Operator XTO Energy, Inc (5380)

9. API Well No.
30-025-43415

3a. Address
500 W. Illinois St Ste 100
Midland, Texas 79701

3b. Phone No. *(include area code)*
432-620-6714

10. Field and Pool, or Exploratory
WC-025 G-08 S213304D; Bone Spring (97895)

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface 130'FSL & 2175'FEL, Sec 30-20S-34E
At proposed prod. zone 330'FNL & 990'FEL, Sec 31-20S-34E

11. Sec., T. R. M. or Blk. and Survey or Area
O-30-20S-34E

14. Distance in miles and direction from nearest town or post office*
28 Miles Southwest of Hobbs, NM

12. County or Parish
~~Eddy~~ LEA

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
130'

16. No. of acres in lease
640.32

17. Spacing Unit dedicated to this well
160

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
0' - 1st Well on Lease

19. Proposed Depth
TVD: 11,347'
MD: 16,622'

20. BLM/BIA Bond No. on file
UTB000138

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3700'

22. Approximate date work will start*

23. Estimated duration
90 Days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must 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 must 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 BLM.

25. Signature Stephanie Rabadue
Name *(Printed/Typed)* Stephanie Rabadue
Date 01/08/2016

Title
Regulatory Analyst

Approved by *(Signature)* /s/George MacDonell
Name *(Printed/Typed)*
Date SEP 8 – 2016

Title FIELD MANAGER
Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that 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.

APPROVAL FOR TWO YEARS

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.

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

KZ 09/12/16

Approval Subject to General Requirements & Special Stipulations Attached

SEE ATTACHED FOR CONDITIONS OF APPROVAL

DRILLING PLAN: BLM COMPLIANCE
(Supplement to BLM 3160-3)

XTO Energy Inc.
Severus 31 Federal Com 1H
Projected TD: 16622' MD / 11347' TVD
SHL: 130' FSL & 2175' FEL, SECTION 31, T20S, R34E
BHL: 200' FSL & 400' FEL, SECTION 31, T20S, R34E
Lea County, NM

1. GEOLOGIC NAME OF SURFACE FORMATION:

A. Quaternary

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS & DEPTHS OF ANTICIPATED FRESH WATER, OIL OR GAS:

Formation	Well Depth (TVD)	Water / Oil / Gas
Rustler	1570'	Water
Top of Salt	1704'	Water
Base of Salt	3095'	Water
Yates	3371'	Water/Oil/Gas
Seven Rivers	3603'	Water/Oil/Gas
Delaware	5868'	Water/Oil/Gas
Brushy Canyon	7026'	Water/Oil/Gas
Bone Spring	8685'	Water/Oil/Gas
1st Bone Spring Ss	9684'	Water/Oil/Gas
2nd Bone Spring Ss	10206'	Water/Oil/Gas
3rd Bone Spring Ss	11046'	Water/Oil/Gas
Target/Land Curve	11243'	Water/Oil/Gas

*** Hydrocarbons @ Brushy Canyon
*** Groundwater depth 260'.

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 13-3/8" casing @ 1675' above the salt and circulating cement back to surface. The salt will be isolated by setting 9-5/8" casing at 5450' and circulating cement to surface. An 8-3/4" curve and lateral hole will be drilled to MD/TD and 5-1/2" casing will be set at TD and cemented back up to the ~~9-5/8" casing shoe.~~ surface

3. CASING PROGRAM:

Hole Size	Depth	OD Csg	Weight	Collar	Grade	New/Used	SF Burst	SF Collapse	SF Tension
17-1/2"	0' – 1675'	13-3/8"	54.5#	STC	J-55	New	4.2	1.4	5.63
12-1/4"	0' – 5450'	9-5/8"	40#	LTC	J-55	New	1.68	1.22	2.39
8-3/4"	0' – 16622'	5-1/2"	17#	BTC	P-110	New	1.12	1.41	2.01

WELLHEAD:

A. Starting Head: 13-5/8" 3M top flange x 13-3/8" SOW bottom
B. 'B' Section/ Drilling Spool: 13-5/8" 3M bottom flange x 11" 5M top flange
C. Tubing Head: 11" 5M bottom flange x 7-1/16" 10M top flange

4. CEMENT PROGRAM: See COA

A. **Surface Casing:** 13-3/8", 54.5#, NEW J-55, STC casing to be set at ± 1675'.

Lead: 20 bbls FW, then 1112 sx ExtendaCem-CZ (mixed at 13.7 ppg, 1.68 ft^3/sk, 8.72 gal/sx wtr)

Tail: 340 sx HalCem-C + 2% CaCl (mixed at 14.8 ppg, 1.35 ft^3/sk, 6.39 gal/sx wtr)
***All volumes 100% excess in open hole. Cement to surface.

B. **Intermediate Casing:** 9-5/8", 40#, NEW J-55, LTC casing to be set at ± 5450'.

First Stage

Lead: 20 bbls FW, then 425 sx EconoCem-HLC + 5% salt + 5 lbm/sk Kol-Seal (mixed at 12.9 ppg, 1.88 ft^3/sk, 9.61 gal/sx wtr)

Tail: 235 sx HalCem-C (mixed at 14.8 ppg, 1.33 ft^3/sk, 6.34 gal/sx wtr)
***All volumes 100% excess in open hole

DV Tool placed at + / - 3678' (75' into Seven Rivers) If losses are severe, ECP would be run immediately below the DV Tool.

Second Stage

Lead: 20 bbls FW, then 735 sx EconoCem-HLC + 5% salt + 5 lbm/sk Kol-Seal (mixed at 12.9 ppg, 1.88 ft^3/sk, 9.61 gal/sx wtr)

Tail: 235 sx HalCem-C (mixed at 14.8 ppg, 1.33 ft^3/sk, 6.34 gal/sx wtr)
***All volumes 100% excess in open hole. Cement to surface.

C. **Production Casing:** 5-1/2", 17#, NEW P-110, BTC casing to be set at ± 16622'. Casing will be cemented back to the 9 5/8" intermediate casing.

Low Cement - See COA

Lead: 20 bbls FW, then 645 sx Tuned Light + 0.5 lbm/sk CFR-3 + 1.5 lbm/sk salt + 0.1% HR601 (mixed at 10.5 ppg, 2.69 ft^3/sk, 12.26 gal/sx wtr)

Tail: 1305 sx VersaCem PBHS2 + 0.5% LAP-2 + 0.25 lbm/sk D-air 5000 + 0.2% HR 601 (mixed at 13.2 ppg, 1.59 ft^3/sk, 8.29 gal/sx wtr)
***All volumes 30% excess in open hole. Planned top of cement ~~500' into intermediate casing shoe~~ TOC @ surface due to R-111-P Potash

5. PRESSURE CONTROL EQUIPMENT: See COA

The blow out preventer equipment (BOP) for this well consists of a 13-5/8" minimum ~~3M~~ 5M Hydril and a 13-5/8" minimum 3M Double Ram BOP. Max bottom hole pressure should not exceed 5441 psi.

All BOP testing will be done by an independent service company. Annular pressure tests will be limited to 50% of the working pressure. When nippling up on the 13-5/8" ~~3M~~ 5M bradenhead and flange, the BOP test will be limited to ~~3000~~ 5000psi. When nippling up on the 9-5/8", the BOP will be tested to a minimum of ~~3000~~ 5000 psi. All BOP tests will include a low pressure test as per BLM regulations. The ~~3M~~ 5M BOP diagrams are attached. Blind rams will be functioned tested each trip, pipe rams will be functioned tested each day.

See COA A variance is requested to allow use of a flex hose as the choke line from the BOP to the Choke Manifold. If this hose is used, a copy of the manufacturer's certification and pressure test chart will be kept on the rig. Attached is an example of a certification and pressure test chart. The manufacturer does not require anchors.

6. PROPOSED MUD CIRCULATION SYSTEM:

INTERVAL	Hole Size	Mud Type	MW (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
0' to 1675'	17-1/2"	FW/Native	8.5 - 8.8	35 - 40	NC
1675' to 5450'	12-1/4"	Brine/Gel Sweeps	9.8 - 10.2	30 - 32	NC
5450' to 16622'	8-3/4"	FW / Cut Brine / Poly-Sweeps	8.6 - 9.2	28 - 32	NC - 20

The necessary mud products for weight addition and fluid loss control will be on location at all times.

Spud with fresh water/native mud. Drill out from under 13-3/8" surface casing with brine solution. A 9.8ppg - 10.2ppg brine mud will be used while drilling through the salt formation. Use fibrous materials as needed to control seepage and lost circulation. Pump viscous sweeps as needed for hole cleaning. Pump speed will be recorded on a daily drilling report after mudding up. A Pason or Totco will be used to detect changes in loss or gain of mud volume. A mud test will be performed every 24 hours to determine: density, viscosity, strength, filtration and pH as necessary. Use available solids controls equipment to help keep mud weight down after mud up. Rig up solids control equipment to operate as a closed loop system.

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 appropriate connections will be on the rig floor at all times.
C. H2S monitors will be on location when drilling below the 13-3/8" casing.

8. LOGGING, CORING AND TESTING PROGRAM: See COA

Mud Logger: Mud Logging Unit (2 man) on @ 5450'.

Catch 20' samples from 5450' to landing point
Catch 30' samples from landing point to TD/MD.
Send 1 set of dry samples to Midland Sample Library.

Open hole logging to include Density/Neutron/PE/Dual Laterlog/Spectral Gamma from kick-off point to intermediate casing shoe.

9. ABNORMAL PRESSURES AND TEMPERATURES / POTENTIAL HAZARDS: See COA

H_2S might be present - See COA

None anticipated. Max bottom hole pressure should not exceed 5441 psi. BHT of 175 F is anticipated. ~~No H2S~~ is expected but monitors will be in place to detect any H2S occurrences. Should these circumstances be encountered the operator and drilling contractor are prepared to take all necessary steps to ensure safety of all personnel and environment. Lost circulation is possible in the intermediate hole section but is not expected to be a serious problem in this area. Losses will be treated with LCM as needed. Hole seepage will be compensated for by additions of small amounts of LCM in the drilling fluid.

10. ANTICIPATED STARTING DATE AND DURATION OF OPERATIONS:

Road and location construction will begin after Santa Fe and BLM have approved the APD. Anticipated spud date will be as soon after Santa Fe and BLM approval and as soon as a rig will be available. Move in operations and drilling is expected to take 40 days. If production casing is run, an additional 30 days will be needed to complete well and construct surface facilities and/or lay flow lines in order to place well on production.

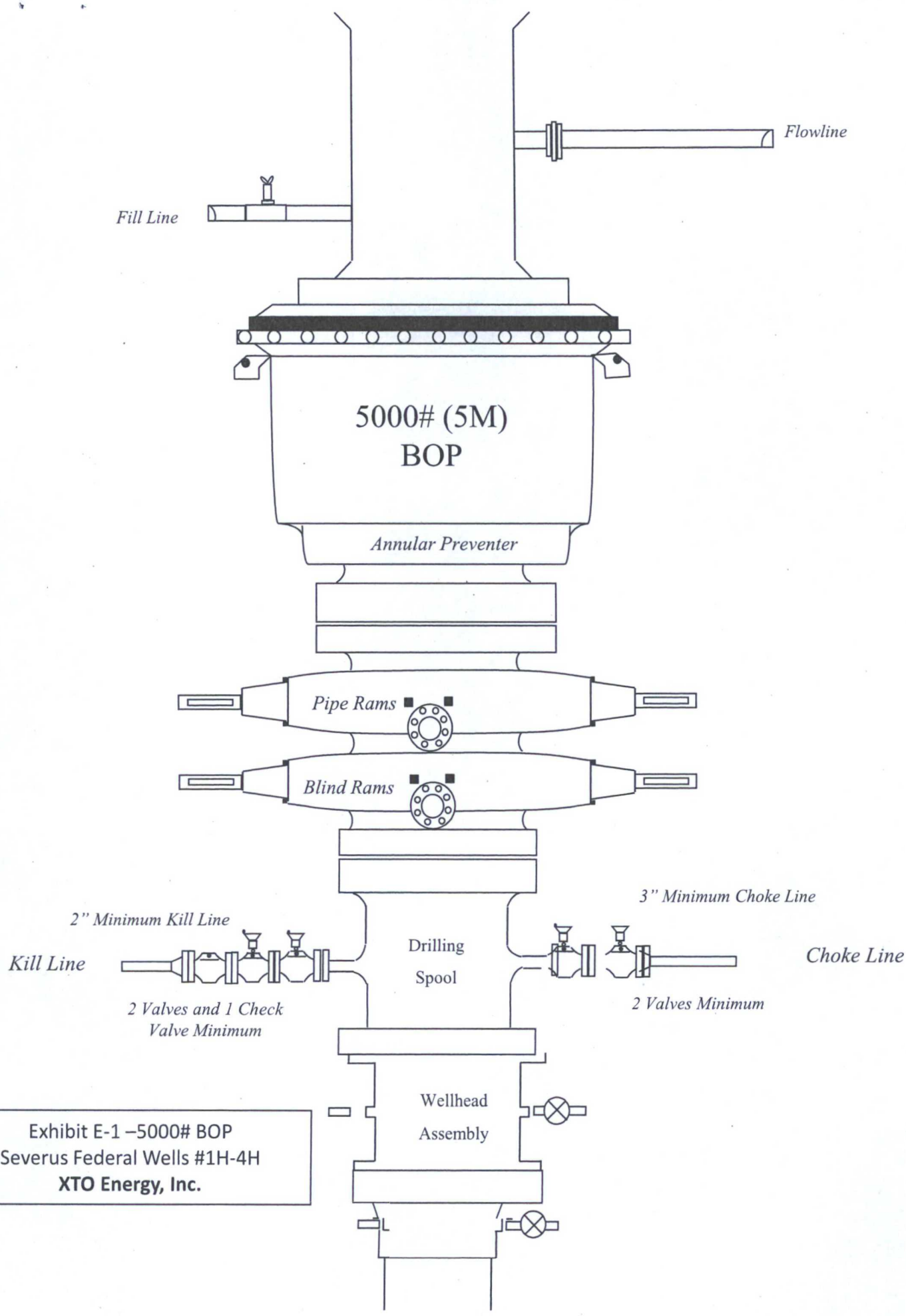
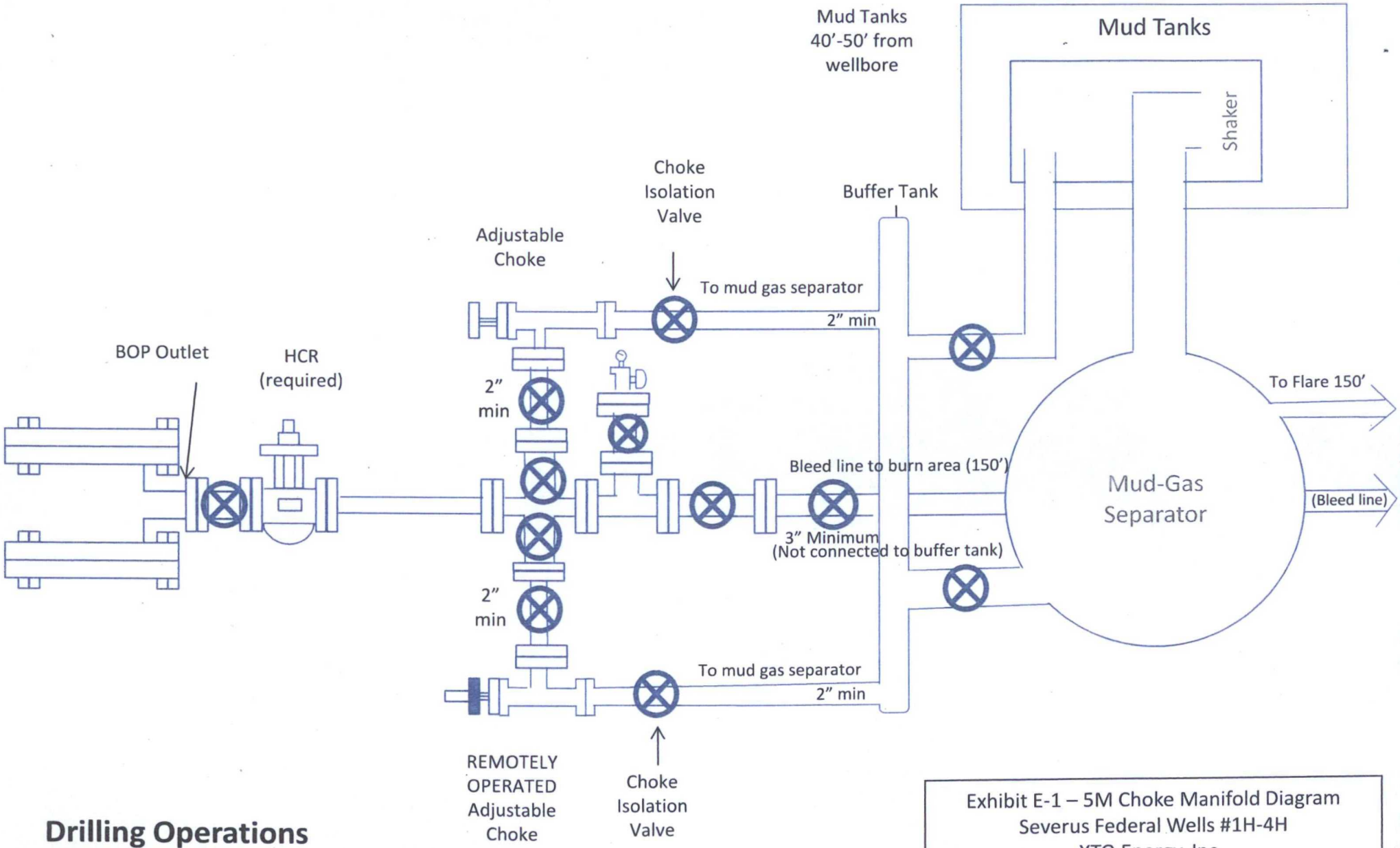
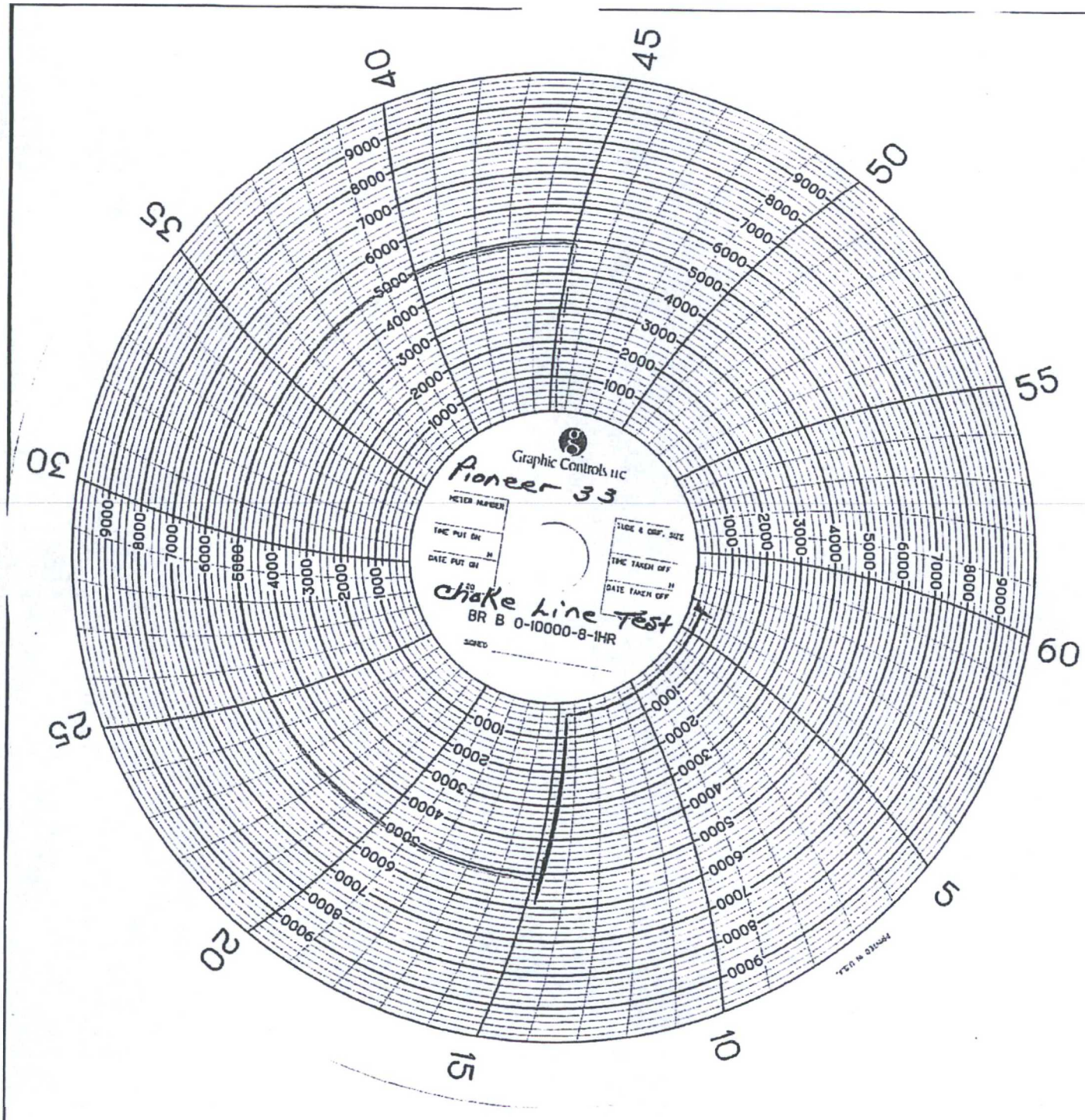


Exhibit E-1 –5000# BOP
Severus Federal Wells #1H-4H
XTO Energy, Inc.



Drilling Operations
Choke Manifold

Exhibit E-1 – 5M Choke Manifold Diagram
Severus Federal Wells #1H-4H
XTO Energy, Inc..


Graphic Controls LLC
Pioneer 33
METER NUMBER
TIME PUT ON
DATE PUT ON
TIME TAKEN OFF
DATE TAKEN OFF
Chake Line Test
BR B 0-10000-8-1HR
SIGNED
40
45
50
55
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6000
7000
8000
9000

GATES E & S NORTH AMERICA, INC
DU-TEX
134 44TH STREET
CORPUS CHRISTI, TEXAS 78405

PHONE: 361-887-9807
FAX: 361-887-0812
EMAIL: crpe&s@gates.com
WEB: www.gates.com

GRADE D PRESSURE TEST CERTIFICATE

Customer :	AUSTIN DISTRIBUTING	Test Date:	6/8/2014
Customer Ref. :	PENDING	Hose Serial No.:	D-060814-1
Invoice No. :	201709	Created By:	NORMA

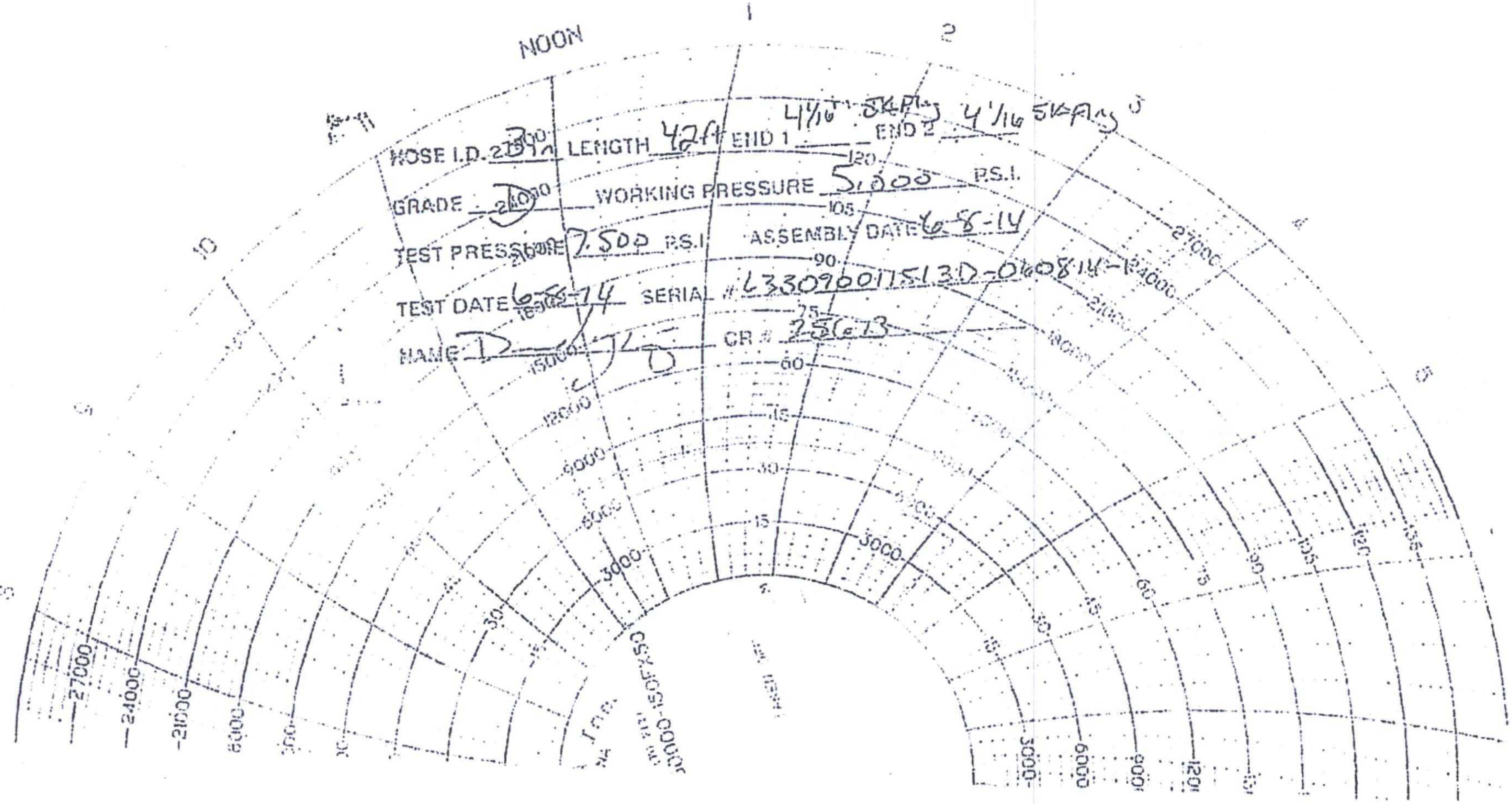
Product Description:	FD3.042.0R41/16.5KFLGE/E LE

End Fitting 1 :	4 1/16 in.5K FLG	End Fitting 2 :	4 1/16 in.5K FLG
Gates Part No. :	4774-6001	Assembly Code :	L33090011513D-060814-1
Working Pressure :	5,000 PSI	Test Pressure :	7,500 PSI

Gates E & S North America, Inc. certifies that the following hose assembly has been tested to the Gates Oilfield Roughneck Agreement/Specification requirements and passed the 15 minute hydrostatic test per API Spec 7K/Q1, Fifth Edition, June 2010, Test pressure 9.6.7 and per Table 9 to 7,500 psi in accordance with this product number. Hose burst pressure 9.6.7.2 exceeds the minimum of 2.5 times the working pressure per Table 9.

Quality:	QUALITY	Technical Supervisor :	PRODUCTION
Date :	6/8/2014	Date :	6/8/2014
Signature :		Signature :	

Form PTC - 01 Rev.0 2



HOSE I.D. 3 in LENGTH 42 ft END 1 4 1/16" 5K Flg END 2 4 1/16 5K Flg

GRADE D WORKING PRESSURE 5,000 P.S.I.

TEST PRESSURE 7,500 P.S.I. ASSEMBLY DATE 6-8-14

TEST DATE 6-8-14 SERIAL # L330960175130-060814-1

NAME [signature] CR # 25673

H_2S Briefing Areas and Alarm Locations