N. M. OIL CONS. COMMISSION
P. O. BOX 1980
HOBBS, NEW MEXICO 88240

Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE* (Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: NM-0338A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME, WELL NO.: Peery Fed. #5

9. API WELL NO.:

10. FIELD AND POOL, OR WILDCAT: Little Lucky Lake Devonian

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 29-T15S-R30E

12. COUNTY OR PARISH: Chaves

13. STATE: NM

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]

b. TYPE OF WELL: OIL WELL [X] GAS WELL [ ] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: Paloma Resources, Inc.

3. ADDRESS AND TELEPHONE NO.: P.O. Box 1814 Roswell, N.M. 622-0770

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 760' FNL & 1775' FEL
At proposed prod. zone: Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 27 Miles Southeast of Hagerman, N.M.

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
760'	600	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
	11,400'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3982' GR

22. APPROX. DATE WORK WILL START*: ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8" J-55	48#	450'	450 Sx. Circ.
11 "	8 5/8" K-55	24# & 32#	3000'	1000 Sx. Circ.
7 7/8"	5 1/2" N-80	17# & 20#	11,400'	1000 Sx. Tie Back.

MUD PROGRAM:

0----------450' Fresh Water, Gel, & Native Mud
450'-------3000' Brine Water
3000'------11,400' Fresh Water, KCL, Polymer

BOP PROGRAM:

BOP's will be used and installed at the onset of drilling. They will consist of a double ram hydraulic BOP, a hydraulic annular BOP, both rated for 5000# working pressure and a rotating assembly. BOP's will be tested prior to drilling below the 8 5/8" casing. BOP drills will be conducted daily. See attached diagram.

PLEASE BE ADVISED THAT THERE WILL BE NO EXCAVATION OF FEDERALLY OWNED MINERAL MATERIAL FOR CONSTRUCTION OF THE ACCESS ROAD OR PAD WITHOUT PAYMENT IN ADVANCE.

OPERATOR NO. 16918
PROPERTY NO. 8690
POOL CODE 39230
EFF. DATE 8-5-94
API NO. 30-005-21129

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED W. E. Bonner Lee TITLE Agent DATE 5-2-94

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY David Stout TITLE Asst. Area Manager DATE 8/3/94

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

Submit to Appropriate District Office
State Lease - 4 copies
Fee Lease - 3 copies

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

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 1-1-89

RECEIVED
JUL 28 1 40 PM '94
BUR... ROSW... AREA

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator			Lease		Well No.
Paloma Resources			Peery Federal		5
Unit Letter	Section	Township	Range	County	
B	~~20~~ 29	15 South	30 East NMPM	Chaves	

Actual Footage Location of Well: 760 feet from the North line and 1775 feet from the East line

Ground level Elev.	Producing Formation	Pool	Dedicated Acreage:
3982	Devonian	Little Lucky Lake	40 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

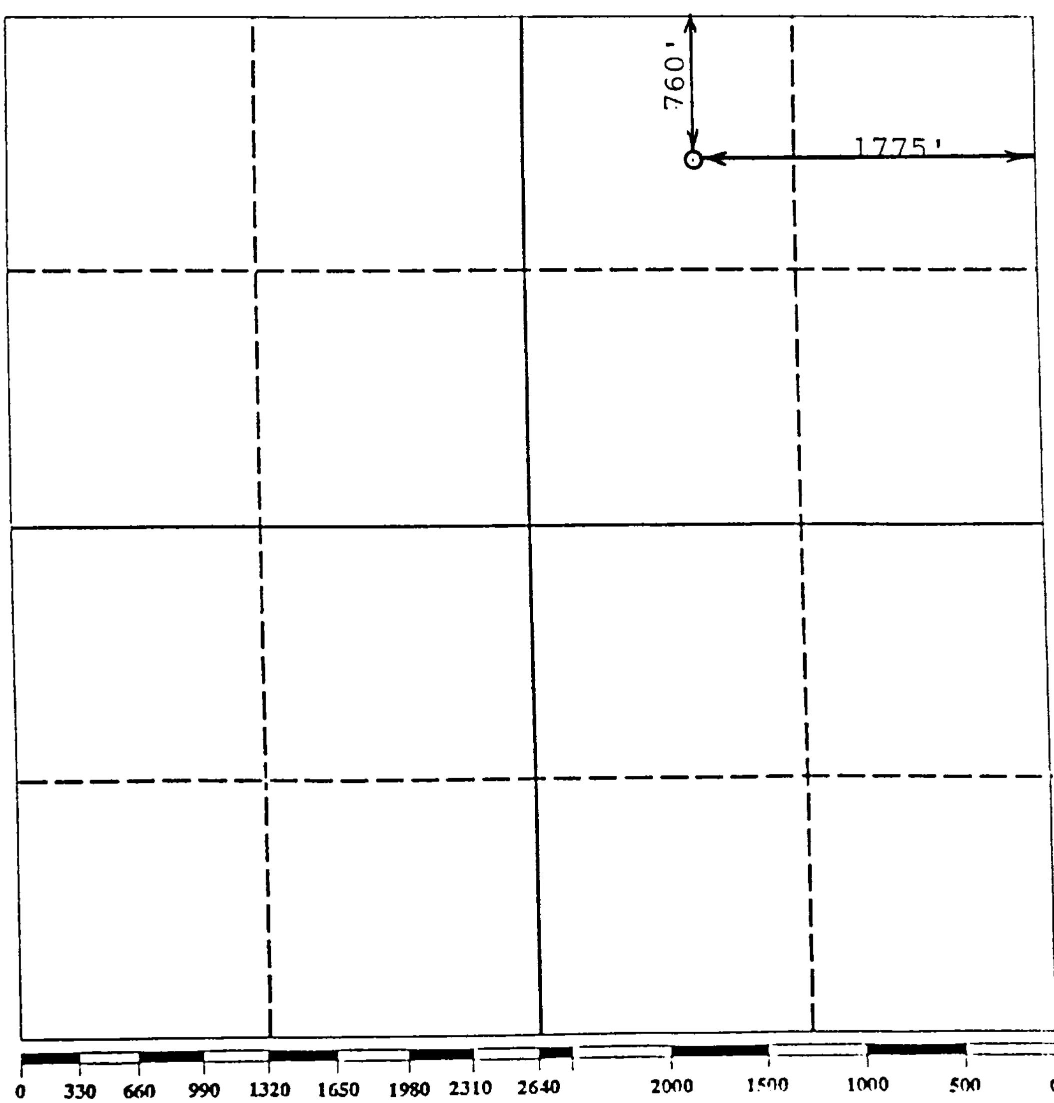
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes ☐ No If answer is "yes" type of consolidation ______

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if neccessary. ______

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein in true and complete to the best of my knowledge and belief.

Signature: H. E. Gene Lee

Printed Name: H. E. GENE LEE

Position: AGENT

Company: PALOMA RESOURCES, INC.

Date: 7-25-94

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 knowledge and belief.

Date Surveyed: July 22, ...

Signature & Seal of Professional Surveyor: P.R. Patton

R. PATTON NEW MEXICO 8112 REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. 8112

PALOMA RESOURCES, INC.

Peery Fed. #5
660' FNL & 2100' FEL
Sec. 29-T15S-R30E
Chaves County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill, Paloma Resources, Inc. submits the following items of pertinent information in accordance with Onshore Oil and Gas Orders, and with all other applicable federal and state regulations.

1. The location is a new well and will require new construction. The surface formation is Sandy Alluvium.

2. The estimated tops of geologic markers are as follows:

Anhydrite	440'	Abo	6424'
Salt	1400'	Wolfcamp	7740'
Yates	1464'	Pennsylvanian	8460'
San Andres	2897'	Mississsippian	10210'
Glorieta	4350'	Devonian	10960'
Tubb	5650'		

3. The estimated depths at which anticipated water, oil, or gas formations are expected to be encountered are:
   Water: None. Possibly above 300' from surface.
   Oil or Gas: Devonian at 10,960', Morrow at 9960'.

4. Pressure Control Equipment:
   Blow Out Preventers will be installed on the 9 5/8" casing cemented in place. This will be rated for 5000# working pressure and will be consistent with API RP 53. Pressure tests will be conducted before drilling below the 9 5/8" casing in accordance with BLM requirements. BOP's will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least once daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See BOP Diagram.

5. Auxilliary Equipment:
   This shall consist of an upper and lower kelly cock and sub with full opening valve to fit the drill pipe and collars. This will be on the floor of the rig at all times in the open position. Pit levels and monitors will be installed prior to drilling into the Wolfcamp formation.

6. The Proposed Casing and Cementing Program:

   See Form 3160-3

7. Mud Program & Auxiliary Equipment:

Fresh water will be used from the onset of drilling until the 13 3/8" casing is run and cement circulated to surface. Brine water will be used from approx. 300' to 3000'. A cut brine system will be used from 3000' to TD. Sufficient mud materials to maintain well control or loss of circulation will be available at the rig at all times. Mud properties will be checked hourly by rig personnel and recorded on the daily reports.

8. Evaluation Program:

Samples will be caught every 10' from the base of the 13 3/8" casing to TD. Electric Logs will be run as follows: Dual Laterolog w/ MSFL, Compensated Neutron Density w/LDT & Gamma Ray. No cores will be run. Possible DST in the Devonian Formation.

9. Abnormal Conditions:

No abnormal pressures, or H2S are anticipated. Maximum pressure anticipated will be 4472 which is easily contained by 10# brine. No lost circulation is anticipated.

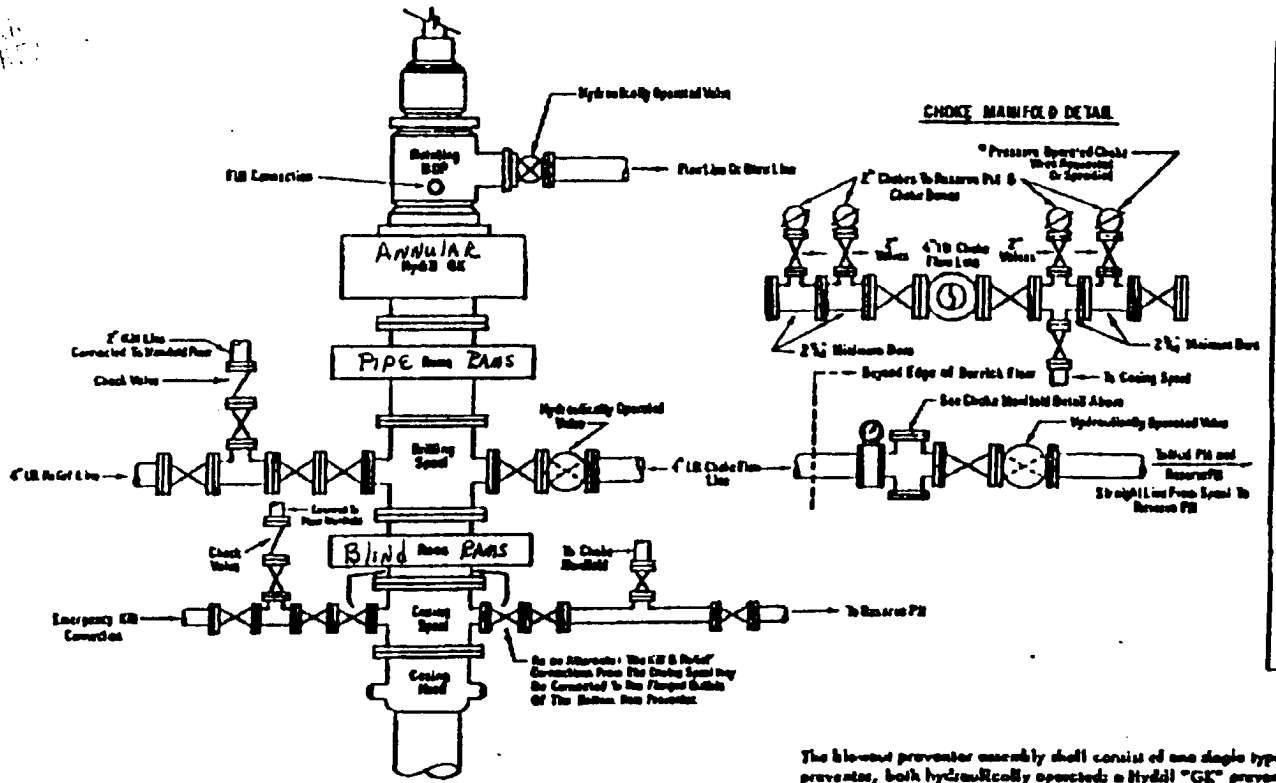
10. Anticipated Starting Date:

Plans are to start construction of the location and drilling this well as soon as possible upon approval of this permit. It should take approximately 35 days to drill the well with another 10 days expected to complete or plug the well.

EXHIBIT A

BLOWOUT PREVENTER

Peery Fed. #5
660' FNL & 2100' FEL
Sec. 29-T15S-R30E



5000# PSI WORKING PRESSURE
BLOWOUT PREVENTER HOOK-UP

The blowout preventer assembly shall consist of one single type blind ram preventer and one single type pipe ram preventer, both hydraulically operated; a Hydril "GK" preventer; a rotating blowout preventer; valves; choke and connections, as illustrated. If a tapered drill string is used, a ram preventer must be provided for each size of drill pipe. Casing and tubing rams to fit the preventers are to be available as needed. If correct in size, the flanged outlets of the ram preventer may be used for connecting to the 4-inch I.D. choke flow line and 4-inch I.D. relief line, except when air or gas drilling. All preventer connections are to be open-face flanged.

Minimum operating equipment for the preventers and hydraulically operated valves shall be as follows: (1) Multiple pumps, driven by a continuous source of power, capable of fluid charging the total accumulator system from the nitrogen precharge pressure to its rated pressure within _____ minutes. Also, the pumps are to be connected to the hydraulic operating system which is to be a closed system. (2) Accumulators with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulators must be sufficient to close all the pressure-operated devices simultaneously within _____ seconds after closure, the remaining accumulator pressure shall be not less than 1000 PSI with the remaining accumulator fluid volume at least _____ percent of the original. (3) When requested, an additional source of power, remote and equivalent, is to be available to operate the above pumps or there shall be additional pumps operated by separate power and equal in performance capabilities.

The closing manifold and remote closing manifold shall have a separate control for each pressure-operated device. Controls are to be labeled, with control handles indicating open and closed positions. A pressure reducer and regulator must be provided for operating the Hydril preventer. When requested, a second pressure reducer shall be available to limit operating fluid pressure to ram preventers. Gulf Legion No. 38 hydraulic oil, an equivalent or better, is to be used as the fluid to operate the hydraulic equipment.

The choke manifold, choke flow line, relief line, and choke lines are to be supported by metal stands and adequately anchored. The choke flow line, relief line, and choke lines shall be constructed as straight as possible and without sharp bends. Easy and safe access is to be maintained to the choke manifold. If deemed necessary, walkways and stairways shall be erected in and around the choke manifold. All valves are to be selected for operation in the presence of oil, gas, and drilling fluids. The choke flow line valves and relief line valves connected to the drilling spool and all ram type preventers must be equipped with stem extensions, universal joints if needed, and hand wheels which are to extend beyond the edge of the derrick substructure. All other valves are to be equipped with handles.

To include derrick floor mounted controls.