

Unite States Department of the Int or

BUREAU OF LAND MANAGEMENT Roswell Field Office 2909 West Second Street Roswell, New Mexico 88202

IN REPLY REFER TO 3162.4 LC-069276

SEP 1 8 2000

Concho Resources Inc. Attn: Terri Stathem 110 W. Louisiana, Ste 410 Midland, TX 79701

Dear Ms. Stathem:

Your Application for Permit to Drill (APD), approved June 4, 1997, along with the extension approved May 18, 1999, for the West Corbin "19" Federal #5, located 1980' FSL & 1830' FWL, Section 19, T18S-R33E, Lea County, New Mexico, Lease No. LC-069276 has expired because drilling has not commenced within one year of the approval date as stated in the General Requirements for Oil and Gas Operations on Federal Leases.

If drilling operations have commenced on the referenced well, please contact this office at (505) 627-0272 and send all necessary reports (spud, casing/cementing, etc., 1 original and 5 copies) so we may correct our records.

If the well has not been spudded, but site construction activities have occurred, please contact this office at the above telephone number for surface reclamation instructions.

If you wish to drill this well at a later date, please submit a complete application (l original and 5 copies). Since the original APD has expired, the resubmitted APD will be subject to all the processing requirements including the 30-day posting requirement. Please note on the resubmitted APD that it was previously approved and we will review the expired file for information which will help expedite the processing.

Sincerely,

Ici Linda A. Askwiz

Linda A. Askwig Legal Instruments Examiner

cc: BLM-I&E (Hobbs) NMOCD (Hobbs) L Denniston (CFO)

VDID 10/3/00

Form 3160-5		
(June 1990) DEPARTI	JNITED STATES MENT OF THE INTERIOR OF LAND MANAGEMENT	FORM APPROVED Budget Bureau No. 1004-0135 Expires: March 31, 1993
	ES AND REPORTS ON WELLS	5. Lease Designation and Serial No. LC 069276
Do not use this form for proposals to Use "APPLICATION	6. If Indian, Allottee or Tribe Name	
SUBA	IIT IN TRIPLICATE	7. If Unit or CA, Agreement Designation
1. Type of Well Oil Gas Well Well Other		
2. Name of Operator		8. Well Name and No.
CONCHO RESOURCES INC.		WEST CORBIN '19' FEDERAL #5
3. Address and Telephone No.		9. API Well No. 30025-34006
110 W LOUISIANA, STE 410; MIDLAND T		10. Field and Pool, or Exploratory Area
 Location of Well (Footage, Sec., T., R., M., or Survey 1830 ' FWL & 1980' FSL, SEC 19, 18S, 33 		CORBIN SOUTH WOLFCAMP
1000 T WE & 1900 PSE, SEC 19, 183, 33	ν	11. County or Parish, State
	\sim	
12. CHECK APPROPRIATE BOX	(s) TO INDICATE NATURE OF NOTICE, REPORT, O	LEA COUNTY, NM
TYPE OF SUBMISSION	TYPE OF ACTION	
Notice of Intent		
		Change of Plans New Construction
🔀 Subsequent Report		Non-Routine Fracturing
		Water Shut-Off
Final Abandonment Notice	Altering Casing	Conversion to Injection
	Other DRILLING EXTENSION	Dispose Water
		(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)
DUE TO OUR RECENT ACQUISITION OF	Pasured and true vertical depths for all markders and zones pertinent to this w THIS PROPERTY, CONCHO RESOURCES INC. RESPECTFU ATION FOR PERMIT TO DRILL FOR THE ABOVE WELL.	ILLY REQUESTS AN
	Approved For <u>12</u> Month Period Ending <u>6/4/2000</u>	

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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.

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D Box 1980, Hobbs, NM 88	241-1980			ite of Ne als & Natura		XICO ces Departmen	t			October 18, 199
strict II 1 South First, Artesia, NM 3	88210		OIL CONS	SERVA		DIVISIC	N	Submit		tructions on bac ate District Offic
strict III 00 Rio Brazos Rd., Aztec, 5	NM 87410		20	40 Sout	h Pach	есо	•••	0021111	·	5 Copie
strict IV 40 South Pacheco, Santa I				inta Fe,						MENDED REPOR
RE				E AND	AUTI	HORIZA		N TO TRA		
oncho Resourses, Inc	.	Operator nam	ne and Address						166111	
l0 W. Lou <mark>isiana,</mark> Suite idland, TX 79701	e 410						<u> </u>	3 R	eason for Filing	g Code
								СН	02	/01/99
4 API Number 0 - 0 25-34006		Corbin S. W	lolfcamp	5 P	ool Name		· · ·		13	*Pool Code
⁷ Property Code				* Prop	perty Nam	e	<u> </u>			Well Number
18972 2	4227 v	Vest Corbin	n "19" federal							5
10 Surface L	ocation Tewnship	Range	Lot Idn	Feet from 1	the	North/South I	ine	Feet from the	East/West lin	e County
K 19	18S	33E	Lotion	198		S		1830	W	Lea
¹¹ Bottom H	ole Loca	tion	_							
lorlotno. Section K 19	Township 18S	Range 33E	Lot Idn	Feet from 1 198		North/South I S	_ine	Feet from the 1830	East/West lin W	e County Lea
	Method Cod		Connection Date			it Number	16	C-129 Effective [<u> </u>	C-129 Expiration Date
F Neu	2 Dr	: <u>N</u>								
I. Oil and Gas T		ELS			20 PO	D 21 (7	2 POD ULSTR	
OGRID		and Address					<i>"</i> G		and Descrip	
	·									
V. Produced Wat	er								- <u></u>	
23 POD				2	* POD UL	STR Location	and De	escription		·····
 Well Completi ²⁵ Spud Date 		Ready Date		27 TD		28 PBTD		²⁹ Perfor	ations	30 DHC, DC, MC
			*							
³¹ Hole Size		32 C	asing & Tubing S	ize		³³ Dej	oth Set	t	34 5	Sacks Cement
		+								
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/I. Well Test Da	ta				1					
		elivery Date	³⁷ Test D	Date	3	⁸ Test Length		³⁹ Tbg. Pre	ssure	⁴⁰ Csg. Pressure
³⁵ Date New Oil			(3) (4)			40		45 AOI		
³⁵ Date New Oil		² Oil	⁴³ Wat	ter		44 Gas		* ³ AUI	-	⁴⁶ Test Method
	43			een						
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³⁵ Date New Oil ⁴¹ Choke Size	ules of the Oi ne ipformation	n given above								
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³⁵ Date New Oil ⁴¹ Choke Size ⁴⁷ I hereby certify that the ri- complied with anythat ti to the best of my growle signature: Printed name: Terri Sta itle: Production Anal	ules of the Oil the ipformation doc and bein doc and bein then		is true and comp			FIELD	FEB		ATIVE II	
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(June 1990) DEPARTMEI	TED STATES NT OF THE INTERIOR LAND MANAGEMENT	N.M. Oil Gons. (** P.O. Cox 1. 280 Hobbs, NM 8824†	FORM APPROVED Budget Bureau No. 1004-0135 Expires: March 31, 1993 5. Lease Designation and Serial No. LC-069276	
Do not use this form for proposals to dr	and REPORTS ON WEL ill or to deepen or reentry DR PERMIT-" for such pr	v to a different reservoir.	6. If Indian, Allottee or Tribe Name	
	IN TRIPLICATE		7. If Unit or CA, Agreement Designation	
1. Type of Well Ol Gas Well Other		<u></u>	8. Well Name and No. W. Corbin "19" Fed. #5	
2. Name of Operator Penwell Energy, Inc. 3. Address and Telephone No.		· · · · · · · · · · · · · · · · · · ·	9. API Well No. 30-025-34006	
600 N. Marienfeld, Suite 1100, Midland, TX 7 4. Location of Well (Footage, Sec., T., R., M., or Survey De	79701, 915-683-2534 scription)		10. Field and Pool, or Exploratory Area Corbin South Wolfcamp	
1830' FSL & 1980' FSL, Sec. 19, T-18S, R-			11. County or Parish, State Lea County, NM	
12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE	OF NOTICE, REPORT, C		
TYPE OF SUBMISSION		TYPE OF ACTION		
Notice of Intent	Abandonme Recompletio		Change of Plans New Construction	
Subsequent Report	Plugging Bad	ir	Non-Routine Fracturing Water Shut-Off	
Final Abandonment Notice	Altering Casi X Other Other	ng ling Extension Request	Conversion to Injection Dispose Water (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)	

13. Describe Proposed or Completed Operations (Clearly state all pertinet details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markders and zones pertinent to this work.)*

Penwell Energy, Inc. hereby requests a 1 year drilling extension on the approved APD for the above mentioned well. This request is made due to scheduling problems during 1997.

APPROVED	FOR	1	2	MONTH	PERIOC
ENDING	JUN	04	199	9	the second second second

14. I hereby certify that the foregoing is true and correct				
signed Binda Welker		Regulatory Analyst	Date	03/06/98
(This space for Federal or State office use) Approved by(ORIG. SGD.) LES BABYAK Conditions of approval, if any:	Title	PETROLEUM ENGINEER	Date	APR 2 9 1998

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.

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Form 3160-3		~ K049	PERTYN	10. 18	97:	`E'	FORM APPROVED
(July 1992)	UN	ITED ST POO		133	320		OMB NO. 1004-0136 Expires: February 28, 1995
	DEPARTME	TOF T		<u> </u>	IM	1	J. LEASE DEBIGNATION AND SERIAL NO.
	BUREAU C		DATE_	010	17/		LC-069276
	ICATION FOR	AD1 0	VO. 31	2.02	5-3400	16-	6. IF INDIAN, ALLOTTEE OR TRIBE NAME
AFFL	ICATION FOR					-	
	ILL X	DEEPEN L	J				7. UNIT AGREEMENT NAME
b. TIPE OF WELL OIL C	AS []		SINGL		MULTIPLE		8. FARM OR LEASE HAME WELL NO.
	TELL OTHER		ZONE		ZONE	<u></u>	WEST CORBIN "19" FED: # 5
PENWELL ENERGY	Y INC. (BII	L PIERCE)		Ph. 91	5-683-25	34	9. AT WELL NO.
3. ADDRESS AND TELEPHONE NO.					<u></u>		·
600 NORTH MAR							10. FIELD AND FOOL, OE WILDCAT CORBIN SOUTH WOLFCAMP
4. LOCATION OF WELL (R At surface						1	11. SBC., T., R., M., OR BLE.
1830' FWL & 1		19 T18S-R33E	LEA (CO. WEW	MEXICOD		SEC. 19 TI8S-R33E
At proposed prod. zon	e SAME	mit K		A 3400	• ** • • • •		SEC. 19 1103-K55E
14. DISTANCE IN MILES	AND DIRECTION FROM NI	AREST TOWN OR POST	OFFICE*	AR	12.81		12. COUNTY OF PARISH 13. STATE
Approximately	35 miles East	of Hobbs New 1	Mexico				LEA CO. NEW MEXICO
15. DISTANCE FROM PROPU- LOCATION TO NEAREST	DEED*			ACEES IN E	5485 17 Elso (11)		ACRES ASSIGNED
PROPERTY OR LEASE L (Also to nearest drig	, unit line, if any)	1830'	19. PROPOS			80718	Y OR CABLE TOOLS
13. DISTANCE FROM FROP TO NEAREST WELL, D	RILLING, COMPLETED.	1500' ±	11,4		20		TARY
OR APPLIED FOR, ON THE		1300 - 1			1		22. APPROX. DATE WORK WILL START*
		3805' GR.					As soon as approved
23.		PROPOSED CASIN	G AND CE	MENTING P	ROGRAM		
SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOO	<u> </u>	SETTING DEP			QUANTITY OF CEMENT
25"	20" conductor			40'	Cen	nent	to surface with Redi-mix
<u> </u>	H-40 13 3/8	-	VITNES	S 450'	350) S <u>x</u>	
124"	J-55 8 5/8"	32		2850	100	<u>00_Sx</u>	
7 7/8"	N-80 5 ¹ 2"	17		1,450'	105	o0 Sx	2 stage Est TC 2650'
·					AANTE		199 Red 1986 Bill Children 199
1. Drill 25" hol	e to 40'. Set 4	+0' of 20" con	ductor	cement	to surfa	ace w	ith Redi-mix.
400 Sx. Class	"C" + 3% CaCl	, circulate ce	ment to	o surrac	e.		casing. Cement with
3. Drill 12¼" ho 700 Sx. Class	le to 2850'. Ru "C" light, ta:	n and set 285 11 in with 300	0' of Sx. C	8 5/8" J 1ass "C"	-55 32# 'neat +	ST&C 2% C	casing. Cement with aCl circulate cement
to surface.							
4. Drill 7 7/8"	hole to 11,450	. Run and set	11,45	0'of 5½"	' N-80 17	7# LT つつ!+	&C casing. Cement 1st
stage with 45	0 Sx. Class "H	' cement + add	itives	n with 2	01 at 600 00 Sv. (JU ⊥ Class	cement 2nd stage "C" + additives
with 400 Sx. bring cement	back to 2650'±	- + additives		n wren z			6/3/97- acs
IN ABOVE SPACE DESCRIBE	E PROPOSED PROGRAM:	f proposal is to deepen, giv	e data on pr	esent producti	ve zone and pr	oposed n	new productive zone. If proposal is to drill or
deepen directionally, give pertir	nent data on subsurface locati	ons and measured and true	vertical dept		ver hievenner bu	ograut, it	
	or Con		Agent				04/12/97
SIGNED	- Ann	CA TITLE			APPRC	WAL S	SUBJECT TO
(This spuce for Feder	al or State office use)				GENEF	RAL R	EQUIREMENTS AND
/ PERMIT NO			_ APPR	OVAL DATE	SPECI	AL ST	IDHI ATIONS
Application approval does n CONDITIONS OF APPROVAL	or warrant or certify that the a	pplicant holds legal or equit	abie title to th	ose rights in the	SUD AT TAC	HED	Id entitle the applicant to conduct operations thereon.
		ETTENGILL	Acti.	N, ADM	, MINERA	LS	DATE 6-4-97
APPROVED BY		*See Instructi	ons On	Reverse Sid	de		



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								~ 5	Shoote I
WO Number	7117	Drawn By:	S.C. Nichols	Survey Date	03-31-97	Sheet	1	QI .	Sheets
W.O. Number:	7113	Drawn by.	3.C. MICHOIS	Survey Dure	00 01 01				
		the second s							

APPLICATION TO DRILL

	PENWELI	L ENER	RGΥ,	INC	,
WEST	CORBIN	"19"	FEDE	ERAL	<i></i> #5
UNIT	''K''		SECT	TON	19
T18S-	-R33E		LEA	CD.	NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

- 1. Location: 1830' FWL & 1980' FSL SEC. 19 T18S-R33E LEA CO. NEW MEXICO.
- 2. Elevation above sea level:
- 3. Geologic name of surface formation: Quaternery Aeolian Deposits.
- 4. <u>Drilling tools and associated equipment:</u> Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5. Proposed drilling depth: 11,450'

6. Estimated tops of geo	logical markers:		
Rustler Anhydrite	1250'	San Andres	4860'
Yates	2850'	Bone Spring	8660'
Seven Rivers	3340'	Wolfcamp	11,150'
Queen	3790'		

7. Possible mineral bearing formation: Yates Oil Queen 7 Rivers Oil Bone Spring Oil Wolfcamp Oil

8. Casing program:

<u>Hole size</u>	Interval	OD casing	Weight	Thread	Collar	Grade	Condition
25"	0-40	20"	NA	NA	NA	NA	New
17½''	0-450'	13 3/8"	48	8–R	ST&C	H-40	New
125"	0-2850'	8 5/8"	32	8-R	ST&C	J-55	New
7 7/8"	0-11,450'	5½"	17	8-R	LT&C	N-80	New

APPLICATION TO DRILL

PENWELL ENERGY, INC. WEST CORBIN "19" FEDERAL #5 UNIT "K" SECTION 19 T18S-R33E LEA CD. NM

9. <u>Cementing and Setting Depth:</u>

20"	Conductor	Set 40' of 20" Conductor cement to surface with Redi-mix.
13 3/8"	Surface	Set 450' of 13 3/8" 48# H-40 ST&C casing. Cement with 400 Sx. Class "C" + 3% CaCl, circulate cement to surface.
8 .9 /8"	Intermediate	Set 2850' of 8 5/8 " 32# J-55 ST&C casing. Cement with 700 Sx. Class "C" Light, tail in with 300 Sx Class "C" neat + 3% CaCl, circulate cement to surface.
5½"	Production	Set 11,450' of 5½" 17# N-80 LT&C casing. Cement in two stages. DV tool at 6800'±. Ist stage with 450 SX. Class "H" cement + additives. 2nd stage with 400 Sx. Class "C" Light + additives, tail in with 200 Sx. Class "C" + additives. Estimated top of cement 2650'

10. Pressure Control Equipment: Exhibit "E". A 1500 Series 5000 PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP un-t will be hydraulically operated. Exhibit "E-1". Choke manifold and closing unit. BOP will be nippled up on 13 3/8" casing and will be operated at least once each 24 Hr. period while drilling and blind rams will be operated when out of hole during trips. Flow sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11	L.	Proposed	Mud	Circulating	Svstem:

11+	Proposed Mud Circulating System:					
	Depth	Mud Wt.	Visc,	Fluid Los	3	Type Mud
	C-450'	8.6-9	28-40	NC		esh water Spud mud use per for seepage control
	450 - 2850 -	10-10.5	28-32	NC	co	ine water use lime for pH ntrol and paper for seepag ntrol.
	2850-10,500'	8.8-9.5	28-32	NC		t Brine and lime for pH ntrol.
	10,500-11,450'	9-9.8	34-40	10 cc or 1	So	t Brine adding Drispac da Ash, Gel and starch control water loss.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, unexpected kicks. In order to run DST'S, open hole logs, and casing the viscosity and water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

PENWELL ENERGY, INC.

WEST	CORBIN	"19"	FEDI	ERAL	#5
UNIT				CION	
T185-	R33E		LEA	cd.	NM

Testing, Logging and Coring Program: 12.

- A. Open Hole Logs: Gamm Ray-Caliper from TD To Surface. CNL-LDT, Dual Laterolog MSFL from TD to Intermediate casing shoe.
- B. No coreing is planned at this time.
- C. No DST'S are planned.

Potential Hazards: 13.

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H_2S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP

Anticipated Starting Date and Duration of Operation: Road and location construction will begin after BLM approval of APD. 14. Anticipated spud date as soon as approved. Drilling expected to take 28-35 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15. Other Facets of Operations: After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Wolfcamp pay will be perforated and stimulated. The well will be swab tested and potentialed as an oil well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

- 1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:
 - Characteristics of H_2S Α.
 - B. Physical effects and hazzards
 - C. Proper use of safety equipment and life support systems. D. Principle and operation of H2S detectors, warning system

 - and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
- 2. H₂S Detection and Alarm Systems
 - H_2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse. Α.
- 3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - There should be a windsock at entrance to location.
 - C.
- 4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - Flags to be displayed on sign at entrance to location. Green flag,
 - normal safe condition. Yellow flag indicates potential pressure and в. danger. Red flag, danger, H2S present in dangerous concentration. Only emergency personnel admitted to location.
- 5. Well control equipment
 - See exhibit "E" Α.
- 6. Communication
 - A. While working under masks chalkboards will be used for communication.

 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
- 7. Drillstem Testing
 - A. All testing will be done in daylight hours.
 - B. Exhausts will be watered
 - C. Flare line will be equipped with an electric ignitor or a propane
 - pilot light in case gas reaches the surface. D. If location is near any dwelling a closed D.S.T. will be performed.

13-A

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

- 8. Drilling contractor supervisor will be required to be familiar with the effects H2S has on tubular goods and other mechanical equipment.
- 9. If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas seperator will be brought into service along with H₂S scavengers if necessary.

PENWELL ENERGY, INC. WEST CORBIN "19 FEDERAL # 5 UNIT "K" SECTION 19 T18S-R33E LEA CO. NM

- EXISTING ROADS. Area map, Exhibit "B" is a reproduction of the New Mexico General Hi-way Co. Map. Exhibit "C" is a reproduction of a topographic map. Existings roads and proposed roads are shown on each exhibit. All roads will be maintained in a condition equal to or better than of construction.
 - A. Exhibit "A" shows the proposed development well as staked.
 - B. From Hobbs New Mexico take U.S. Hi-way 62-180 West for 15 miles to junction with State Hi-way 529 turn Right on 529 and follow for 20 miles to milepost 11, turn South and follow calicne road for miles turn Right (South) go .25 miles turn Right (South) go 1100' to location.
 - C. Lay 3" polyethelene pipeline to transport produced fluids to a common tank battery. Construct a 1250 KV electric power line along road ROW in order to produce oil and gas from this well.
- 2. PLANNED ACCESS ROADS: Approximately 1100'of new road will be constructed.
 - A. The access road will be crowned and ditched to a 12'00" wide travel surface with 40' right-of-way.
 - B. Gradient on all roads will be less than 5.00%.
 - C. No turnouts will be necessary.
 - D. If needed, road will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Centerline for the new access road has been flagged. Earthwork will be as required by field conditions.
 - F. Culverts in the access road will not be used. The road will be constructed to utilize low water crossings for drainage as required by the Lopography.
- 3. LOCATION OF EXISTING WELLS IN A ONE-MILE RADIUS EXHIBIT "A-1"
 - A. Water wells -None knownB. Disposal wells -None knownC. Drilling wells -None known
 - D. Producing wells As shown on Exhibit "A-1"
 - E. Abandoned wells None known

PENWELL ENERGY, INC. WEST CORBIN "19 FEDERAL # 5 SECTION 19 UNIT "K" LEA CO. NM T18S-R33E

- 4. If, upon completion this well is a producer Penwell Energy Inc. will furnish maps and/or plats showing on site facilities or off site facilities if needed. This will be accompanied with a Sundry Notice.
- 5. LOCATION AND TYPE OF WATER SUPPLY

Water will be purchased locally from a private source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIALS

If needed, construction materials will be obtained from the drill site's excavations or from a local source. These materials will be transported over the access route as shown on Exhibit "A".

7. METHODS FOR HANDLING WASTE DISPOSAL

Α.

- 1. Drill cuttings will be disposed of in the reserve pit.
 - 2. Trash, waste paper, and garbage will either be contained in a fenced trash trailer or in a trash pit, fenced with mesh wire to prevent wind-scattering during storage. When the rig moves out, all trash and debris left at the site will be contained to prevent scattering and will be buried at least 36" deep within a reasonable period of time.
 - 3. Salts remaining after completion of the well will be picked up by the supplier, including broken sacks.
 - 4. Sewage from trailer houses will drain into holes with minimum depth of 10'00". These holes will be covered during drilling and backfilled upon completion. A "porta John" will be provided for the rig crews. This will be properly maintained during the drilling operations and removed upon completion of the well.
- Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for backfilling. In the Β. event drilling fluids will not evaporate in a reasonable period of time they will be transported by tank truck to a state approved disposal site.

Water produced during testing of the well will be disposed of in the reserve pit. Oil produced during testing of the well will be stored in test tanks until sold and hauled from the site.

8. ANCILLARY FACILITILS

No camps or airstrips will be constructed.

PENWELL ENERGY, INC. WEST CORBIN "19 FEDERAL # 5 UNIT "K" SECTION 19 T18S-R33E LEA CO. NM

- 9. WELL SITE LAYOUT
 - A. Exhibit "D" shows location and rig layout.
 - B. This exhibit indicates proposed location of reserve and trash pits; and living facilities.
 - C. Mud pits in the active circulating system will be steel pits and the reserve pit is proposed to be unlined, unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
 - D. If needed, the reserve pit is to be lined with PVC or polyethylene line. The pit liner will be 6 mils thick. Pit liner will extend a minimum, 2'00" over the reserve pits dikes where the liner will be anchored down.
 - E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recountered to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

PENWELL ENERGY, INC. WEST CORBIN "19 FEDERAL # 5 UNIT "K" SECTION 19 T18S-R33E LEA CO. NM

11. OTHER INFORMATION:

- A. Topography as shown on topographic map consists of sand dunes with a Westerly dip toward the Pecos River. The surface is used mainly for live stock grazing and access to Oil & Gas production. Surface vegetation consists of native grasses, shinnery oak, mesquite, sandsage and snake weed.
- B. The surface is owned by The Dept. of Interior, Bureau of Land Management.
- C. An archaeological survey will be conducted of the location and road. This will be submitted separately to the BLM when it is completed.
- D. There are no dwellings within 2 miles of this location.

12. OPERATORS REPRESENTIVE:

Before construction:

TIERRA EXPLORATION INC. P.O. BOX 2188 HOBBS, NEW MEXICO 88241 OFFICE PHONE 505-392-2112 JOE T. JANICA

During and after construction:

PENWELL ENERGY INC. 1100 ARCO BUILDING 600 NORTH BIG SPRING MIDLAND, TEXAS 79701 BILL PIERCE PHONE 915-683-2534

13. <u>CERTIFICATION:</u> - 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 currently 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 proposedherein will be performed by Penwell Energy Inc., its contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

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FIGURE K4-2. Typical choke manifold assembly for 5M rated working pressure service — surface installation.

EXHIBIT "1-E" CHOKE MANIFOLD & CLOSING UNIT									
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