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			T OF THE					5. LEASE DESIGNATION	AND BERIAL NO.		
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APPL	ICATION	FOR P	ERMIT TO	DRIL	L OR DEI	EPEN		6. IF INDIAN, ALLOTTE	B OR TRIBE NAME		
1a. TYPE OF WORK											
DRILL DEEPEN D								7. UNIT AGREEMENT NAME Gaucho			
WELL .	WELL X	OTHER			NGLE .	MULTII ZONE	LLE	8. FARM OR LEASE NAME, WE	IL NO.		
2. NAME OF OPERATOR	Gaucho Ur	nit #8									
Santa Fe Sny	der Corp.	··· <u> </u>						9. API WELL NO.			
3. ADDRESS AND TELEPHONE NO		220 - 241 -	–					30-025-3	4793		
550 W. Texas 4. LOCATION OF WELL (I	, Suite 1.	clearly and			•	6) 682-6	_	10. FIELD AND POOL, C			
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14. DISTANCE IN MILES	AND DIRECTION	FROM NEA	REST TOY		ATE /2.	15-9	9	12. COUNTY OR PARISH	112		
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15. DISTANCE FROM PROP LOCATION TO NEARES	USED*	<u>-</u>			OF ACRES IN			F ACRES ASSIGNED			
PROPERTY OR LEASE (Also to nearest dr)	LINE, FT.	007)	660'		960			HR WELL	20		
18. DISTANCE FROM PROD TO NEAREST WELL, I	COSED LOCATIO	N *		19. PROPOSED DEPTH 20. ROTA			ARY OR CABLE TOOLS				
OR APPLIED FOR, ON TH	IS LEASE, FT.		NA	13600'				Rotary			
21. ELEVATIONS (Show wh	ether DF, RT,	GR, etc.)	33.11		······································		·	22. APPROX. DATE WO	RK WILL START*		
3555' GR								January	15, 2000		
23.			PROPOSED CASI	NG AND	CEMENTING	PROGRAM	Л	·			
SIZE OF HOLE	GRADE, SIZE	OF CASING	WEIGHT PER FO	007	SETTING D	EPTH	<u> </u>	QUANTITY OF CEMEN			
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12 1/4"	K-55	9 5/8"	40.0		5000	01	1	0 sx to circula			
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6 1/8"	S-95	4 1/2"	13.5	l	13600	יכ	22	25 sx (circ to]	.iner top)		
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Drilling P	rogram A - Oper	ations T	11								
Exhibit	B - BOP	arions :	rian Le Schematic	5M				Topo Map at Loc			
Exhibit	B(A) - B	OP and C	hoke Schema	tic 1)-M			Map Showing Existing Wells A) - Plat of Location			
Exhibit	C - Dril	ling Fly	id Program					Well Site Layout			
Exhibit	D - Auxi	liary Eq	uipment					and Operations			
Santa Fe S restrictio described Bond Cover	ns concer: above.	ning ope	rations con	ducted	on the l	eased.	land or	ipulations and portion thereo	f, as		
	-				Bond Fil		UT-085	-			
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SIGNED AMU)	J. "Phil	Ilm	Tow TITL	E_Age	nt for Sa	nta Fe	Snyder	Corp. 11-22-0	79		
(This space for Federa	ıl or State offi	ce use)						PPROVAL SU	D IEAT TA		
PERMIT NO.			·	^I	PROVAL DATE _			GENERAL REC			
Application approval does no	t warrant or certif	v that the applie	ant holds legal or equi				ce tubiek wew	SECULIA TO	TONIEMEN I		

Assistant Field Office Manager. Lands and Minerals

*See Instructions On Reverse Side

TITLE

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10 10 12 <u>DISTRICT I</u>
P. O. Box 1980
Hobbs, NM 88241-1980

State of New Mexico Ener- Minerals, and Natural Resources Der-tment

Form C-102 Revised 02-10-94 Instructions on back

Submit to the Appropriate District Office State Lease — 4 copies Fee Lease — 3 copies

DISTRICT II
P. O. Drawer DD Artesia, NM 88211-0719 DISTRICT III 1000 Rio Brazos Rd. Aztec, NM 87410

OIL CONSERVATION DIVISION P. O. Box 2088 Santa Fe, New Mexico 87504-2088

AMENDED REPORT

P. O. Box 2088
Santa Fe, NM 87507-2088 WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number			² Pool Code	3 Poc	l Name			 			
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4 Property Cod	ie_	5 Property N				<u> </u>	LOLLOW/	• Well Number	•		
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'OGRID No.		* Operator N						* Elevation	. •		
20305			SANIA	-F ZW	DER CORF	PURATION	3555'				
			10 SU	RFACE	LOCATION	•					
UL or lot no.	Sectio	n Township									
I	19	22 SOUTH	34 EAST, N.M.P.M.		1980'	SOUTH	660'	EAST	LEA		
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!						3	Agent for Santa Fe Snyder				
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DRILLING PROGRAM

SANTA FE SNYDER CORP.

Gaucho Unit No. 8

In conjunction with Form 3160-3, Application to Drill the subject well, Santa Fe Snyder Corp. 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:

1050'
1400'
5000'
8450'
10900'
11900'
12100'
12700'
13600'

3. The estimated depths at which water, oil or gas formations are expected:

Water	None expected in are	a
Oil	Bone Spring @ 9100'	
Gas	Upper Morrow @ 13100	•

- 4. Proposed Casing Program: See Form 3160-3 and 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 below 4600' to TD.
- 8. Testing, Logging and Coring Program:

Drill Stem Test: None Planned

Logging:

Dual Laterolog W/MSFL and Gamma Ray 11850'-13600'
Compensated Neutron/Litho-Density/Gamma Ray 5000'-11850' & 11850'- 13600'
Compensated Neutron/Gamma Ray (thru csg) Surface-5000'

Coring: No conventional cores are planned.

9. Abnormal Conditions, Pressures, Temperatures & Potential Hazards:

Abnormally high pressured zones with a bottomhole pressure of approximately 7500 psi could possibly be encountered while drilling the Pennsylvanian interval. Sufficient barite will be on location to enable the weighting up to the estimated 11.5 ppg to control any high pressure zone encountered. Along with the above mentioned primary control, 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 the drilling liner. The estimated bottom hole temperature is 170°F. No Hydrogen Sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. No major lost circulation zones have been reported in the offsetting wells.

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 <u>January 15, 2000</u>. Once spudded, the drilling operation should be completed in approximately 70 days. If the well is productive, an additional 30 days will be required for completion and testing before permanent facilities are installed.

EXHIBIT A OPERATIONS PLAN SANTA FE SNYDER CORP. GAUCHO UNIT No. 8 Section 19, T-22-S, R-34-E Lea County, New Mexico

- 1. Drill a 26" hole to approximately 800'.
- 2. Run 20" 94.0 ppf H-40 ST&C casing. Cement with 775 sx 35/65 POZ w 6% gel & 1/4 pps Cello-Flake followed by 250 sx Class "C" cement containing 2% CaCl₂. Run centralizers on every other joint above the shoe. Apply thread lock to bottom two joints and quide shoe.
- 3. Wait on cement twelve hours prior to cutting off.
- 4. Nipple up an annular BOP system and test casing to 600 psi. WOC twenty-four (24) hours prior to drilling out.
- 5. Drill a 12-1/4" hole to approximately 5000'.
- 6. Run 9-5/8" 40.0 ppf K-55 ST&C casing. Cement with 1150sx Cl "C" Lite containing 12 pps salt and 1/4 pps celloflake followed by 400 sx Class "C" with 2% CaCl₂. Run guide shoe on bottom and float collar two joints from bottom. Centralize every other joint for bottom 400' of casing and place two centralizers in surface casing. Thread lock bottom 2 joints.
- 7. Wait on cement for twelve hours prior to cutting off.
- 8. Nipple up and install a Double Ram and Annular BOP system with choke manifold.
- 9. Test BOP system to 3000 psi. Test casing to 1500 psi.
- 10. Drill 8-3/4" hole to the first good lime section after drilling into the Wolfcamp, which is anticipated to be at approximately ±11850'. Run logs.
- 11. Run 11850' of 7" 26.0 ppf S-95 & P-110 LT&C casing set @ 11850'. Cement with 500 sx "Light" cement followed with 300 sx Class "H". Run guide shoe on bottom and float collar two joints off bottom. Centralize bottom 1000' of casing with one centralizer on every other joint. Thread lock bottom two joints. Our plan is to bring the top of cement to ±6000'.
- 12. Nipple down BOP. Set slips. Cut off casing. Nipple up 10000 psi BOP Stack. Test to 10000 psi.
- 13. Test casing to 2500 psi.
- 14. Drill a 6-1/8" hole to ±13600. Log. Run and cement a 4-1/2" 13.5 ppf s-95 flush joint liner from 11650'-13600'. Cement with 225 sx Class "H" containing necessary additives. Lay down setting tool and RIH with a 6-1/8" bit to dress off the liner top. Perform negative test on liner top.
- 15. Clean out inside of 4-1/2" liner.
- 16. Run production equipment and test well as necessary.

TIO DIT Section 19, T-22-S, R-34-E Lea County, New Mexico 1- NOWINAL 1980' FSL & 660' FEL BLEED LINE Santa Fe Snyder Corp. GAUCHO UNIT NO. 8 PROPOSED 5-M BOPE AND CHOKE ARRANGEMENT TO PIT AND/OR MUD/GAS SEPARATOR EXHIBIT B TO PIT AND/OR MUD/GAS SEPARATOR 2- NOMINAL 2. NOMINAL REMOTELY OPERATED OR ADJUSTABLE CHOKE ADJUSTABLE CHOKE 3-NOMINA PH REMOTELY DPERATED VALVE FLOWLINE PREVENTER ANNULAR BLIND RAMS PIPE RAMS DRILLING FILL-UP LINE X 2. NOMINAL 2. NOMINAL CHECK VALVE (OPTIONAL) FROM DRILLING FLUID PUMP

Section 19, T-22-8, R-34-E Lea County, New Mexico 1980' FSL & 660' FEL Santa Fe Snyder Corp. GAUCHO UNIT NO. 8 EXHIBIT B (A) TO PIT 4- NOMINAL BLEED LINE TO PIT AND/OR MUD/GAS SEPARATOR TO PIT AND/OR MUD/GAS SEPARATQR 4. NOMINAL . 4 NOMINAL PROPOSED 10-M BOPE AND CHOKE ARRANGEMENT REMOTELY OPERATED CHOKE REMOTELY OPERATED CHOKE 4-NOMINA **PREVENTER** ANNULAR BLIND RAMS PIPE RAMS RAMS ROTATING PIPE HEAD 3. NOMINAL 3. NOMINAL CHECK VALVE FROM DRILLING FLUID PUMP

EXHIBIT C
DRILLING FLUID PROGRAM
SANTA FE SNYDER CORP.
GAUCHO UNIT NO. 8
Section 19, T-22-S,R-34-E
Lea County, New Mexico

0 - 800'

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 and Vis-40.

800 - 5000'

Drill out with fresh water circulating the reserve pit. Utilize ground paper mixed in prehydrated fresh gel to sweep the hole. MW-8.5 - 8.8 ppg and Vis-28.

5000 - 11850'

Drill out with fresh water circulating the outer portion of the reserve pit. Maintain pH at 8.5-9.5 with caustic and sweep the hole as necessary with ground paper. Keep mud weight as low as possible. MW-8.4/8.6 ppg and Vis-28.

11850'-13600'

Drill out with brine containing MF-55, circulating the steel pits. At 12000' mud up existing brine with XCD polymer/Drispac Plus mud system to an initial mud weight of 11.0 ppg with a 38-40 VIs. Add barite as required to control formation pressures and shale.

EXHIBIT D AUXILIARY EQUIPMENT SANTA FE SNYDER CORP. GAUCHO UNIT NO. 8 Section 19, T-22-S, R-34-E Lea County, New Mexico

DRAWWORKS

National 80-B

ENGINES

National 3 Section Compound w/3 Caterpillar D379 diesel

engines

ROTARY

27-1/2" National C-275

MAST/SUB

Derrick Service International 142' jackknife. 25' high

substructure

TRAVELLING EQUIPMENT

National 545-G 350 ton hook and block. National P-400 ton

swivel

PUMPS

Two National 8-P-80,6-1/4" x 8-1/2" 800 HP triplex pumps

charged by 6" x 8" centrifugal pump

PIT SYSTEM

BOP EQUIP.

Three steel mud pits with lightning mixers. Two 6" x 8"

centrifugal pumps each driven by a 75 HP electric motor

LIGHT

Two 320 KW AC generators each powered by a turbocharged diesel engine

PLANT

13-5/8" 5000 psi WP double ram and 13-5/8" 5000 psi WP

Shaffer Annular Preventer. Choke manifold rated at 5000

psi. Valvcon 5-station 80 gallon closing unit.

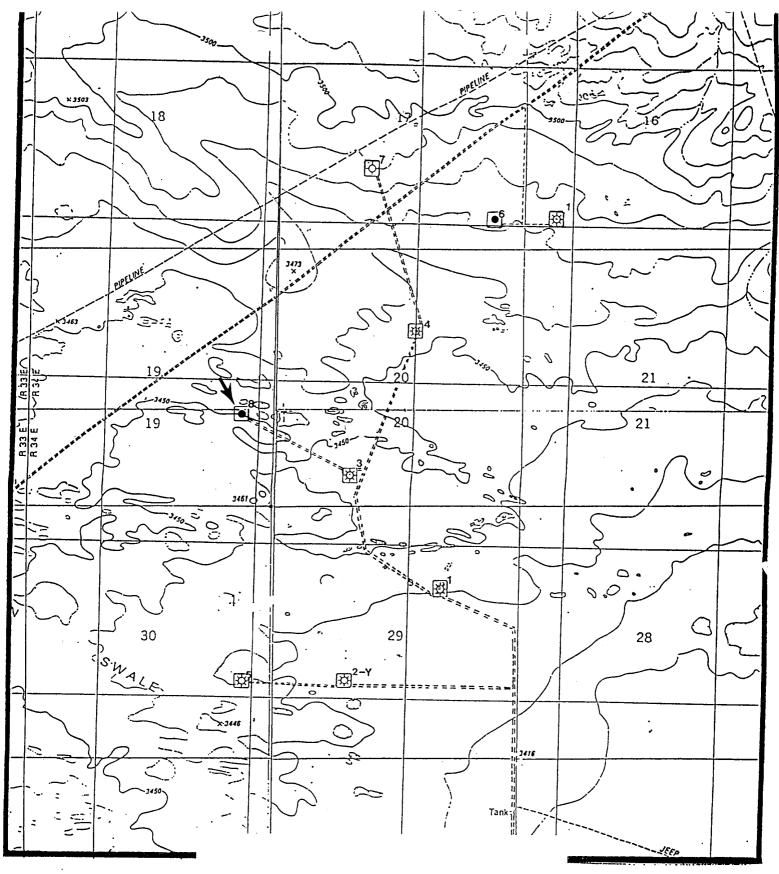


EXHIBIT E
TOPO MAP OF LOCATION AREA
Santa Fe Snyder Corp.
GAUCHO UNIT NO. 8
1980' FSL & 660' FEL
Section 19, T-22-S, R-34-E
Lea County, New Mexico

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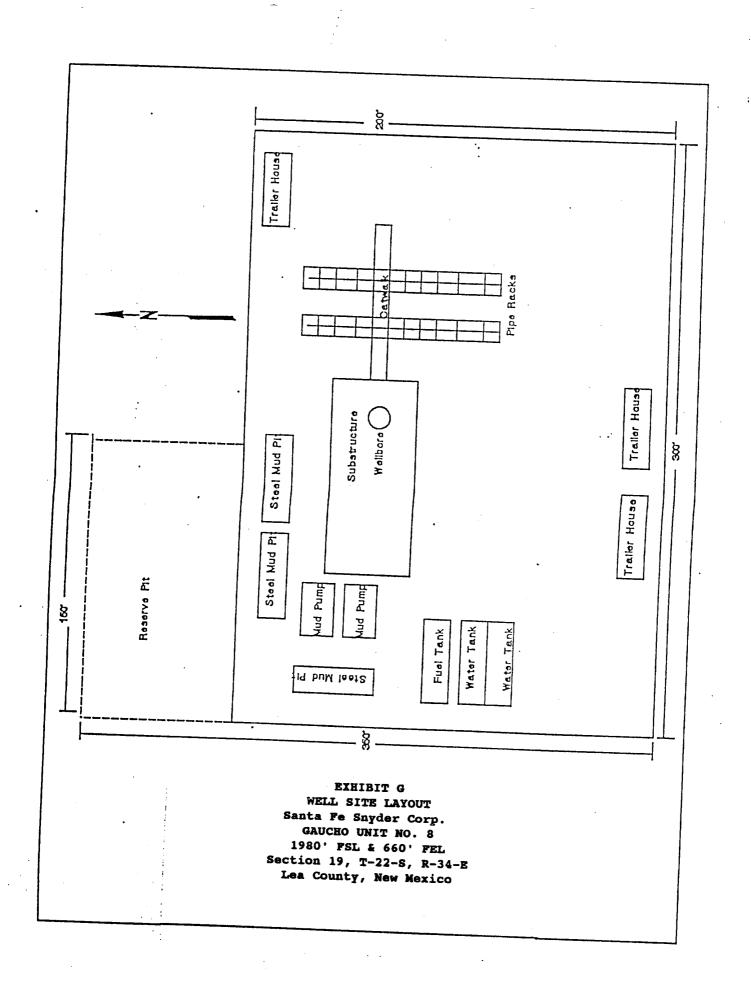
GAUCHO UNIT NO. 8 1980' FSL & 660' FEL Section 19, T-22-S, R-34-E Lea County, New Mexico

PLAT OF LOCATION Santa Fe Snyder Cor GAUCHO UNIT NO. 8 1980' FSL & 660' FEL

Lea County, New Mexico 13 18 18 17 24 19 19 20 BEARINGS BASED ON NEW MEXICO STATE PLANE GRID - EAST ZONE, NAD 27 SANTA FE SNYDER CORP. 19 20 1/4 1/*9* FND. BRASS CAP GAUCHO UNIT #8
GROUND ELEVATION: 3555' R-33-E R-34-E 2641.9 660 00.50 1980' É PROPOSED LEASE ROAD 19 19 20 S 89'33' W, 2642.5 30 30 FNO. BRASS CAP (19 1/4) U.S. G.L.O. SUR. 30 FNO. BRASS CAP 19 20 U.S. G.L.O. SUR. 30 29 1918 PLAN VIEW 1" = 1000' 400' J455' 200 1000 BBBB PROPOSED 1'' = 1000'WELL LOCATION ELEV. : 3555' 200 DATE OF FIELD WORK: OCTOBER 29, 1999 I, V. L. BEZNER, A PROFESSIONAL SURVEYOR IN THE STATE OF NEW MEXICO AND AUTHORIZED AGENT OF TOPOGRAPHIC LAND SURVEYORS, HEREBY CERTIFY THIS PLAT TO BE A TRUE REPRESENTATION OF A SURVEY PERFORMED IN THE FIELD UNDER MY SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY. KNOWLEDGE AND BELIEF AND THAT THIS PLAT AND FIELD SURVEY UPON WHICH IT IS BASED MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO. (RULE 500.6 EASEMENT SURVEYING BEZNICH NO.7920 A Continue 400' DETAIL VIEW 1" = 100' mn È PROPOSED LEASE ROAD BEZNER, P.S. NO. 7920 SCALE: AS SHOWN SANTA FE SNYDER CORPORATION DATE: OCTOBER 29, 1999 REVISION

JOB NO.:

65959-F



SANTA FE SNYDER CORP. MULTI-POINT SURFACE USE AND OPERATIONS PLAN GAUCHO UNIT NO 8 Section 19, T-22-S,R-34-E Lea County, New Mexico

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 7.5 minute topographic map which shows the location of the proposed wellsite and roads in the vicinity. The proposed location is situated approximately 20 miles West of Jal, New Mexico.

DIRECTIONS

1. From the intersection of State Hwy 128 & CR-21, go North and back East 9.6 miles, turn North 2.8 miles to the Gaucho Unit No. 1 location, continue northwest 0.3 miles, and turn right (north) 0.3 miles to Gaucho Unit No. 3 location, turn left, (northwest) 0.5 miles to the proposed location.

2. PLANNED ACCESS ROAD.

- A. Build ±0.5 miles of new road from the existing road to the proposed location.
- LOCATION OF EXISTING WELLS.
 - A. The well locations in the vicinity of the proposed well are shown in Exhibits E.
- 4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES
 - A. There are five producing gas wells within the Gaucho Unit at this time.
 - B. In the event the well is productive, the necessary production equipment will be installed on the drilling pad.
- LOCATION AND TYPE OF WATER SUPPLY.
 - A. It is planned to drill the well with both fresh water and brine water systems. Both types of waters will be hauled to the location by truck over existing roads. Both types will be obtained from commercial sources.

GAUCHO UNIT No. 8 Multi-point Surface Use and Operations Plan Page 2

- 6. SOURCES OF CONSTRUCTION MATERIALS.
 - A. Any caliche required for construction of the drilling pad will be obtained from a pit approved by the BLM.

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

None Required at this time.

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 ground surface of the location is relatively flat. Minor cutting will be required to level the pad area, which will be covered with at least six inches of compacted caliche.
- C. The reserve pits will be plastic lined.
- D. A 400' X 400' 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

GAUCHO UNIT No. 8 Multi-Point Surface Use and Operations Plan Page 3

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.

- 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 levelled within 300 days after abandonment.

11. TOPOGRAPHY

- A. The wellsite and access route are located in a relatively flat area.
- B. The top soil at the wellsite and access route is sandy.
- C. The vegetation cover at the wellsite is moderately sparse, with prairie grasses, some mesquite bushes, and shinnery oak.
- D. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.

12. OPERATOR'S REPRESENTATIVES

A. The field representatives responsible for assuring compliance with the approved surface use plan are:

Michael R. Burton
Division Manager - Drilling
Santa Fe Snyder Corp.
550 W. Texas, Suite 1330
Midland, Texas 79701
915-686-6616 - office
915-556-7063 - cellular

GAUCHO UNIT No.8 Multi-Point Surface Use and Operations Plan Page 4

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 Santa Fe Energy Resources, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which is approved.

SIGNED this 22 nd day of November , 1999

ames P. (Phil) Stinson

Agent for Santa Fe Snyder Corp.