

RECEIVED
Form 3160-3
(July 1992)

JAN 31 11 33 AM '96
OIL
AND
GAS

OIL
P.O. BOX
HOBBINS
DEPARTMENT

OPER. OGRID NO. 14735
PROPERTY NO. 15681
POOL CODE 72124

PLICATE
ions on
e)

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

BUREAU OF

EFF. DATE 3/8/96

APPLICATION FOR P

API NO. 30-025-33520

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

SINGLE ZONE ☒

MULTIPLE ZONE ☐

2. NAME OF OPERATOR

PENWELL ENERGY INC.

(GORDON BARKER)

3. ADDRESS AND TELEPHONE NO.

1100 ARCO BUILDING 600 N MERINFELD MIDLAND, TEXAS 79701

Phone 915-683-2534

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

T21S-R32E EDDY CO. NM

1980' FSL & 660' FWL SEC. 22

At proposed prod. zone Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 26 miles West of Oil Center New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.

660'

(Also to nearest drlg. unit line, if any)

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

NA

16. NO. OF ACRES IN LEASE

640

19. PROPOSED DEPTH

15,000

17. NO. OF ACRES ASSIGNED TO THIS WELL

320

20. ROTARY OR CABLE TOOLS

Rotary

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

3711'

22. APPROX. DATE WORK WILL START*

As soon as approved

23.

PROPOSED CASING AND CEMENTING PROGRAM

R-111-P Potash

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	J-55 13 3/8	54.5	650	700 Sx. Circulate cement to surface
12 1/4"	N-80 9 5/8	40 55	4750	810 Sx. Circulate to surface
8 1/2"	N-80 7	26	12000	640 Sx. (DE BACK)
6"	P-110 5	23	11800-15000	400 Sx.

1. Drill 17 1/2" hole to 650'. Run and set 650' of 13 3/8" J-55 54.5# ST&C casing. Cement with 700 Sx. Class "C" + 2% CaCl + 1/4# flocele/Sx. Circulate cement to surface.
2. Drill 12 1/4" hole to 4750'. Run and set 4750' of 9 5/8" N-80 40# Buttress casing. Cement with 510 Sx. Halco Light + 2% CaCl + 1/4# flocele/Sx. tail in with 300 Sx. Class "C" + 1% CaCl + 5% salt. Circulate cement to surface.
3. Drill 8 1/2" hole to 12000'. Run and set 12000' of 7" N-80 26# LT&C casing. Cement with 140 Sx. Halco Light + 1/4# flocele/Sx. = .27% retarder, tail in with 200 Sx. 50/50 POZ + 3% salt + .2% retarder.
4. Drill 6" hole to 15000'. Run and set 3200' of 5" P110 23# STL liner. Cement with 400 Sx. Class "H" + .2% retarder.

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 Joe T. Jancic TITLE Agent

DATE 01/29/96

(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 FRANK SPLENDORA TITLE Acting State Director DATE 2-29-96

*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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 72124	Pool Code 72124	Pool Name BILBREY MORROW
Property Code 13035	Property Name BILBREY NORTH "22" FEDERAL	Well Number 1
OGRID No. 147380	Operator Name PENWELL ENERGY, INC.	Elevation 3711

Surface Location

UL or lot No. L	Section 22	Township 21 S	Range 32 E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 660	East/West line WEST	County LEA
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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 320	Joint or Infill	Consolidation Code	Order No.						

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

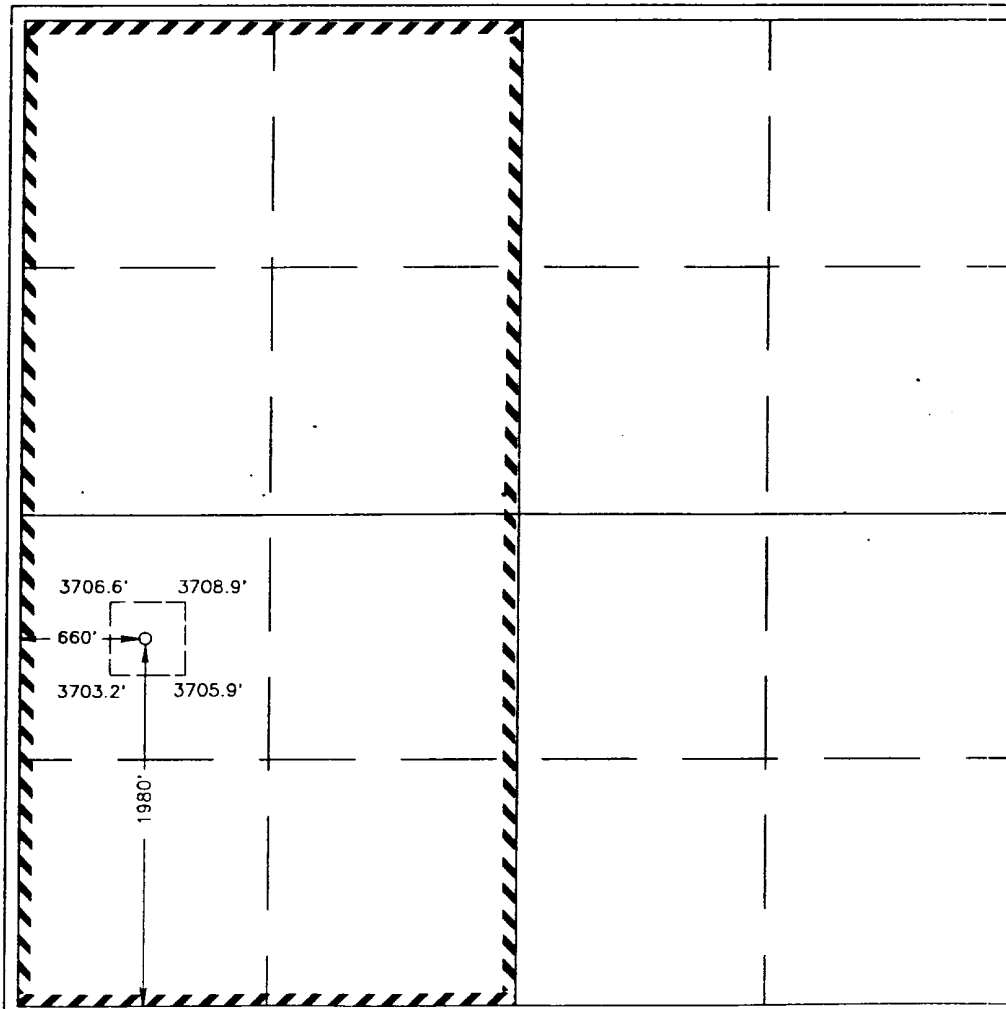
	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature Joe T. Janica Printed Name Agent Title 01/29/96 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the 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.</p> <p>JANUARY 4, 1996</p> <p>Date Surveyed Signature & Seal of Professional Surveyor NEW MEXICO 1-08-96 W.G. 96-14-0016 Certificate No. JOHN W. GREST 676 RONALD E. EIDSON 3239 EIDSON 12641</p>
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EXHIBIT "A"

APPLICATION TO DRILL

PENWELL ENERGY, INC.
BILBREY NORTH "22" FEDERAL # 1
1980' FSL & 660' FWL SEC. 22
T21S-R32E LEA CO. NM

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

1. Location: 1980' FSL & 660' FWL SEC. 22 T21S-R32E LEA CO. NM
New Mexico
2. Elevation Above Sea Level: 3711' GR
3. Geologic Name of Surface Formation: Quaternary Aeolian Deposits
4. Drilling Tools and Associated Equipment: Conventional rotary drilling rig using mud for the circulation medium.
5. Proposed Drilling Depth: 15,000'
6. Estimated Geological Marker Tops:

Lamar	4750'	Strawn	13150'
Delaware	4850'	Atoka	13300'
Bone Spring	8750	Morrow	13800'
Wolfcamp	11800'	Barnett	14800'

7. Possible Mineral Bearing Formation:

Bone Spring	Oil	Atoka	Gas
Delaware	Oil	Morrow	Gas

8. Casing Program:

Hole Size	Interval	OD Csg	Weight	Thread	Collar	Grade	Cond.
26"	0-40	20"	NA	NA	NA	NA	New
17½"	40-650	13 3/8"	54.5	8-R	ST&C	J-55	New
12¼"	650-4750'	9 5/8"	40 ⁵¹⁵	Buttress	LT&C	N-80	New
8½"	4750-12000'	7"	26	Buttress	LT&C	N-80	New
6"	12000-15000'	5"	23	STL	STL	P-110	New

APPLICATION TO DRILL

PENWELL ENERGY INC, INC.

BILBREY NORTH "22" FEDERAL # 1
1980' FSL & 660' FWL SEC. 22
T21S-R32E LEA CO. NM

9. Casing:

Setting Depth & Cementing:

20"	Conductor	Set 40' of 20" conductor cement to surface with Redi-mix.
13 3/8"	Surface	Set 650' of 13 3/8" 54.5# J-55 ST&C Casing. Cement 700 Sx Class "C" +2% CaCl + 1/4# flocele/Sx. Circulate cement to surface. <i>CS</i>
9 5/8"	Intermediate	Set 4750' of 9 5/8" 40# N-80 Buttress casing. Cement With 510 Sx. Halco Light + Additives Tail in with 300 Sx Class "C" + Additives. circulate cement TS. <i>CS</i>
7"	Liner	Set 7500' of 7" 26# N-80 LT&C liner. Cement 1 st stage 140 Sx. + additives, tail in with 200 Sx. 50/50 POZ + additives 2nd stage 300 Sx. Halco Light + additives top of cement 4500' from surface. <i>3200' CS Liner</i>
5"	Production	Set 15000' 3200' of 5" 23# P-110 STL casing. Cement with 400 Sx. Class "H" + additives.

10. Pressure Control Equipment: Exhibits "E", "E-1", "E-2", "E-3", show skematics of BOP equipment to be used. A series 1500 5000 PSI WP BOP consisting of double ram type and annular preventor will be nipped up on 13 3/8" casing. Change BOP to 10,000 PSI WP after 9 5/8" casing is run and cemented. Test BOP, casing, and choke manifold to API specs. BOP pipe ram should be worked once each 24 hours and blind rams to be worked when drill pipe is out of hole on trips. Flow sensor, PVT, full opening stabbing valve and upper kelley cock will be utilized. No abnormal pressure or temperature is expected. Estimated BHP 6500 PSI and 190° BHT.

11. Proposed Mud Circulating System:

DEPTH	MUD WEIGHT	MUD VISC.	FLUID LOSS	TYPE MUD
40-650'	8.6-9	32-34	NC	Fresh water Spud mud
650-4750'	9-9.4	28-30	NC	Brine water add paper to control seepage.
4750-12000'	8.4-10	28-29	NC	Fresh water going to brine add paper to control seepage.
12000-15000'	10 -10.6	28-40	NC to 6CC	Brine Polymer

Sufficient mud materials to maintain mud properties to meet lost circulation and weight increase requirements will be kept at wellsite at all times. In order to DST, log well and/or run casing the water loss may have to be lowered and the viscosity raised.

APPLICATION TO DRILL

PENWELL ENERGY, INC.
BILBREY NORTH "22" FEDERAL # 1
1980' FSL & 660' FWL SEC. 22
T21S-R32E LEA CO. NM

12. Testing, Logging and Coring Program:

- A. Rig up mud logger on hole at 4600'.
- B. Sidewall cores in Delaware (4850'-8750').
- C. Open hole logs: AIT/Dual Laterolog-MSFL, CNL-FDC, BHC-SONIC from TD. to surface casing shoe. Run Gamma Ray - Caliper - Neutron from TD. to surface.
- D. DST'S May be run as shows dictate.

13. Potential Hazards:

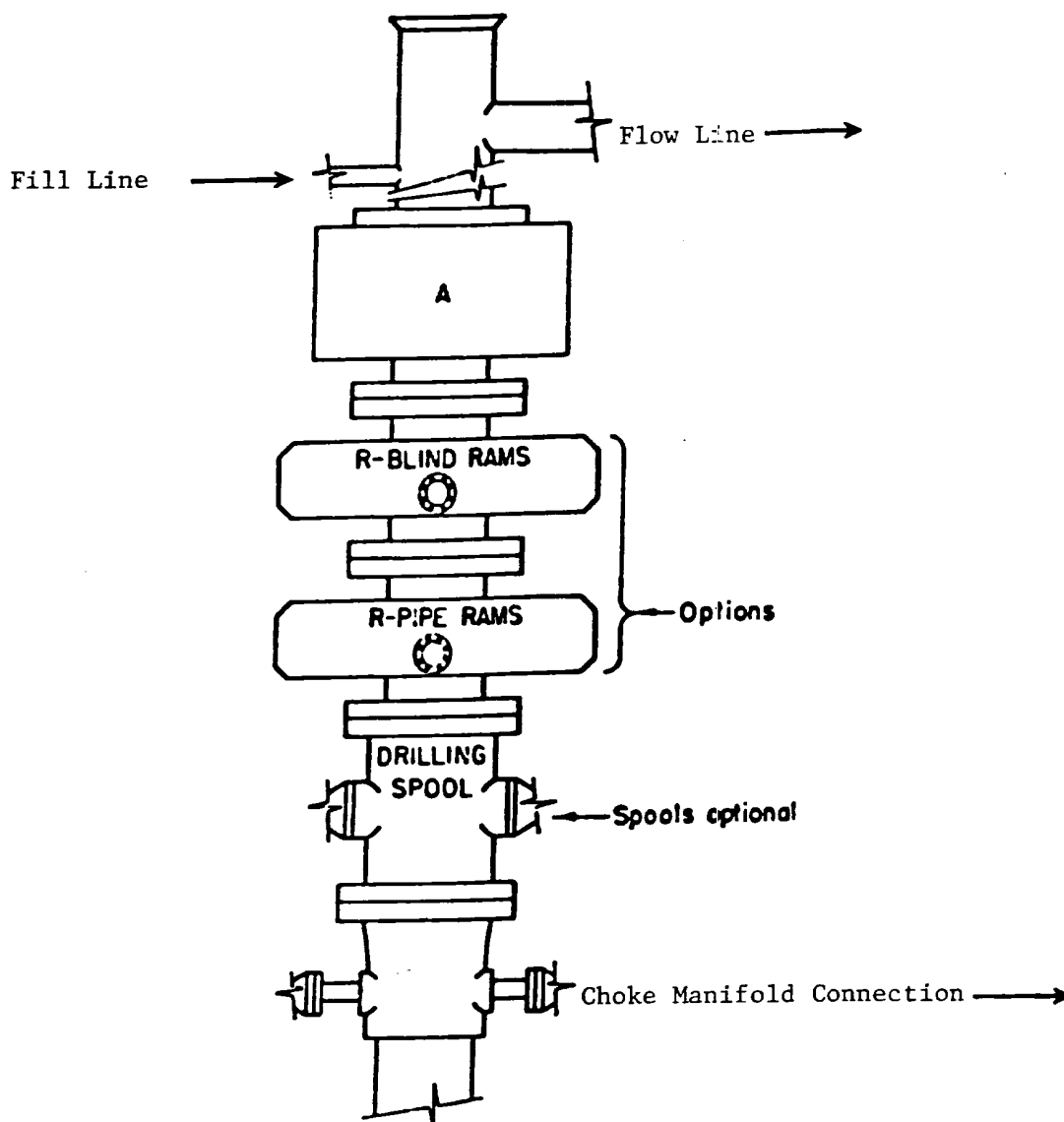
No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H₂S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 7500 PSI, estimated BHT 190°. Possible high pressures in the Wolfcamp and/or Atoka. Lost circulation in the Capitan Reef (3700-4700).

14. Anticipated Starting Date and Duration of Operation:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 75 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 Morrow pay will be perforated and stimulated. The well will be swab tested and potentialized as a gas well.



ARRANGEMENT SRRA

1500 Series
5000 PSI WP

EXHIBIT "E"
B.O.P. SKETCH TO BE USED ON
PENWELL ENERGY, INC.
BILBREY NORTH "22" FEDERAL #1
1980' FSL & 660' FWL SEC. 22
T21S-R32E LEA CO. NM