30-025-32167

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

Form 3160-3
(November 1983)
(formerly 9-331C)

IN TRIPLICATE*

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM 30400

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

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

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

7. UNIT AGREEMENT NAME:

2. NAME OF OPERATOR: Enron Oil & Gas Company

8. FARM OR LEASE NAME: Hallwood 12 Federal

3. ADDRESS OF OPERATOR: P. O. Box 2267, Midland, Texas 79702

9. WELL NO.: 2

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 330' FSL & 1980' FEL
At proposed prod. zone: 330' FSL & 1980' FEL

10. FIELD AND POOL, OR WILDCAT: Red Hills (Bone Spring)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec 12, T25S, R33E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 29 miles west from Jal

12. COUNTY OR PARISH: Lea | 13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 660 / 660

16. NO. OF ACRES IN LEASE: 1399.89

17. NO. OF ACRES ASSIGNED TO THIS WELL: 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: 1320' to #1 Gas/Oil

19. PROPOSED DEPTH: 12,600'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3367.1 GR

22. APPROX. DATE WORK WILL START*: August 1, 1993

23. PROPOSED CASING AND CEMENTING PROGRAM

No Water Basin

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14-3/4	11-3/4	42# H-40 A ST&C	650'	250 sx CIRCULATED
11	8-5/8	24# & 32# J-55 ST&C	5200'	1100 sx CIRCULATED
7-7/8	5-1/2	17# J-55 & N-80 ST&C	12600'	1200 sx Est TOC to 7500'

SEE STIPS.

Acreage is dedicated

Approval Subject to General Requirements and Special Stipulations Attached

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 Betty Gildon — TITLE Regulatory Analyst — DATE 6/4/93

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY /S/ Gary Bowels — TITLE AREA MANAGER — DATE AUG 3 - 1993

CONDITIONS OF APPROVAL, IF ANY:

*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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

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

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator	Lease	Well No.
ENRON OIL AND GAS company	HALLWOOD "12" FEDERAL	2

Unit Letter	Section	Township	Range	County
O	12	25 SOUTH	33 EAST NMPM	LEA

Actual Footage Location of Well:
330 feet from the SOUTH line and 1980 feet from the EAST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3367.1'	Bone Spring	Red Hills	40 Acres

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

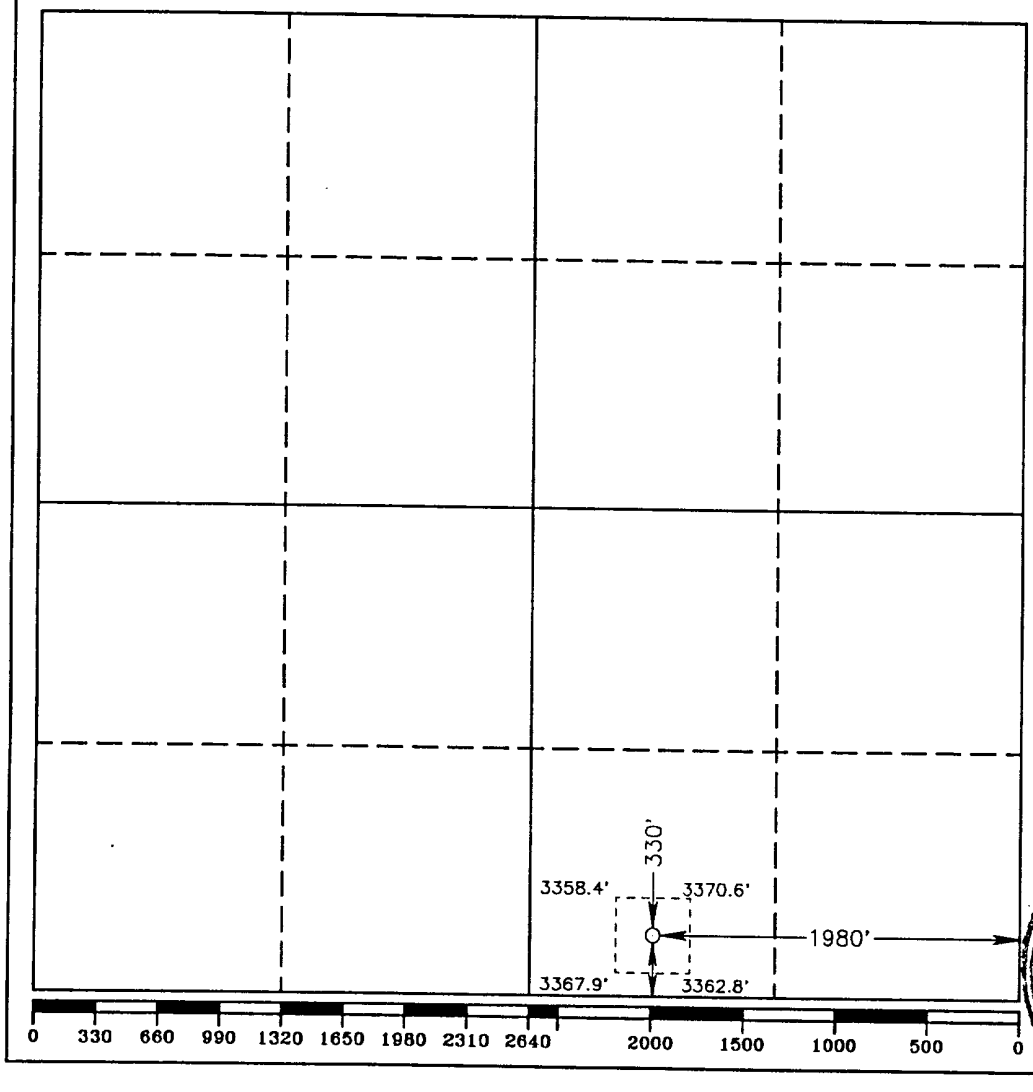
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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 of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary. _____

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



OPERATOR CERTIFICATION

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

Signature

Printed Name
Betty Gildon

Position
Regulatory Analyst

Company
Enron Oil & Gas Company

Date
6/3/93

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
MAY 27, 1993

Signature & Seal of
Professional Surveyor

GARY L. JONES
NEW MEXICO
REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239
GARY L. JONES, 7977

93-11-0986

DRILLING PROGRAM

Enron Oil & Gas Company
Hallwood "12" Federal, Well No. 2
330' FSL & 1980' FEL
Sec. 12, T25S, R33E
Lea County, New Mexico

1. Geologic Name of Surface Formation:

   Permian

2. Estimated Tops of Inportant Geologic Markers:

Rustler	850'
Delaware Mt. Group	5175'
Bone Spring Lime	9275'
Bone Spring Pay	12225'
TD	12600'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Upper Permian Sands	100'	Fresh Water
3rd Bone Spring Sand	12225'	Oil

No other formations are expected to give up oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 11-3/4" casing at 650' and circulating cement back to surface, and 8-5/8" casing will be set at 5200' with cement circulated back to surface.

Enron Oil & Gas Company
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4. Casing Program:

Hole Size	Interval	OD csg	Weight Grade Jt. Cond. Type
14-3/4	0- 650'	11-3/4	42# H-40 A ST&C
11	0- 5200'	8-5/8	24# & 32# J-55 ST&C
7-7/8	0- 12600'	5-1/2	17# J-55 & N-80 ST&C

Cementing Program:

11-3/4" Surface casing: Cement to surface with 250 sx of Class C + 2% CaCl2 + 1/4#/sx flocele.

8-5/8" Intermediate: Cement to surface with 800 sx of Premium Plus lite + 15#/sx salt + 1/4#/sx Flocele and 300 sx Cl C + 2% CaCl2

5-1/2" Prod. Casing: Cement with 1200 sx 50/50 Cl H/Poz + 2% Gel + .4% CF-14, .1% Diacel LWL. This cement slurry is designed to bring TOC to 7500'.

5. Minimum Specifications for Pressure Control:

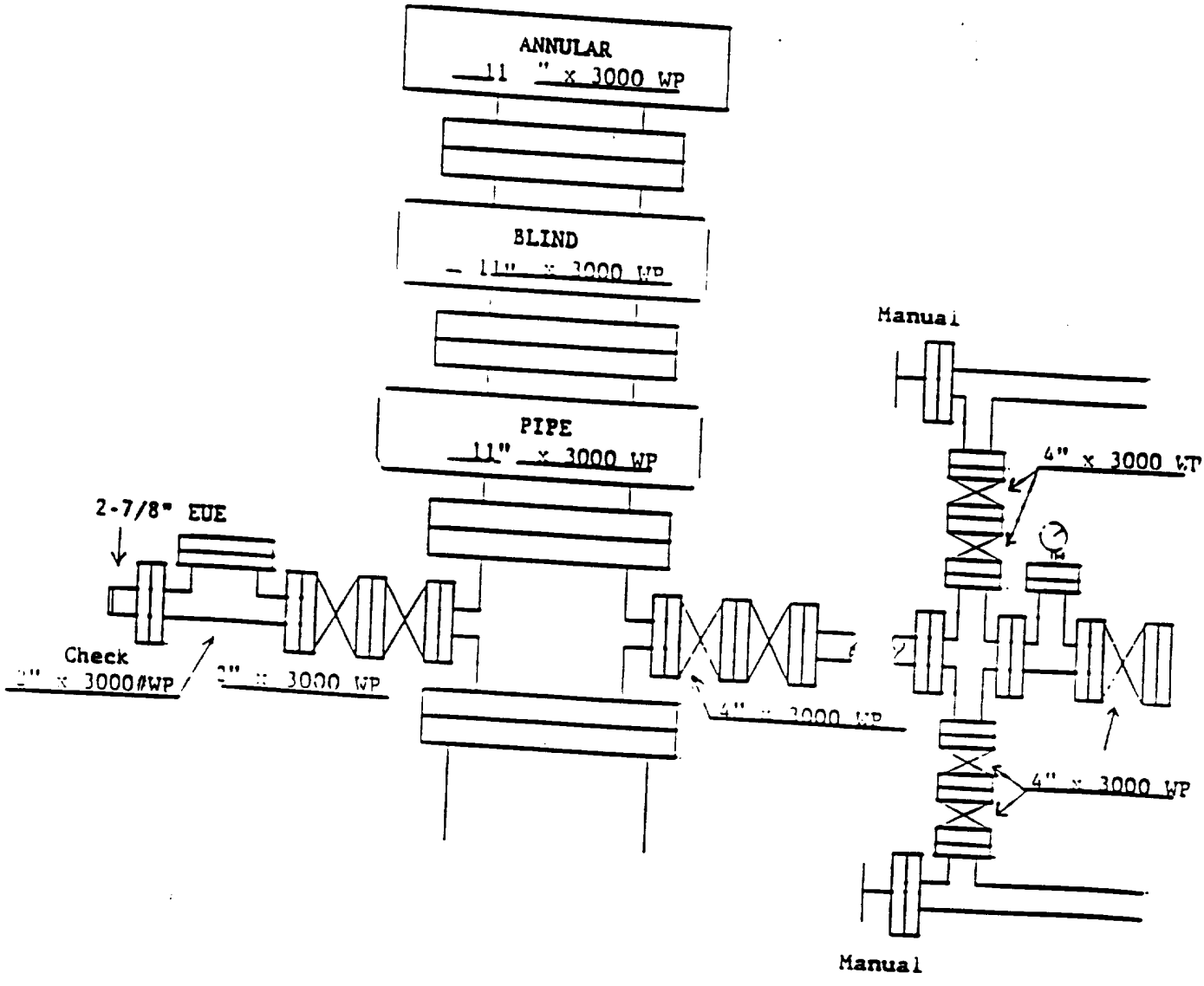
The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a double ram-type (3000 psi WP) preventer and an annular preventer (3000 psi WP). Units will be hydraulically operated and the ram-type will be equipped with blind rams on top and drill pipe rams on bottom. All will be installed on the 11-3/4" surface casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 600 psi before drilling out of surface casing. Before drilling out of intermediate casing, the ram-type BOP and accessory equipment will be tested to 3000 psi and the annular to 70% of rated working pressure (2100 psi).

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 4" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

EXHIBIT 1

ENRON OIL & GAS COMPANY

ATTACHMENT



Attachment to Exhibit #1
ENRON OIL & GAS COMPANY
Hallwood "12" Federal, Well No. 2

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.

2. Wear ring to be properly installed in head.

3. Blow out preventer and all fittings must be in good condition, 3000 psi W.P. minimum.

4. All fittings to be flanged.

5. Safety valve must be available on rig floor at all times with proper connections, valve to be full bore 3000 psi W.P. minimum.

6. All choke and fill lines to be securely anchored, especially ends of choke lines.

7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.

8. Kelly cock on kelly.

9. Extension wrenches and hand wheels to be properly installed.

10. Blow out preventer control to be located as close to driller's position as feasible.

11. Blow out preventer closing equipment to include minimum 40 gallon accumulator, two independent sources of pump power on each closing unit installation, and meet all API specifications.

Enron Oil & Gas Company
Hallwood "12" Federal, Well No. 2
330' FSL & 1980' FEL
Sec. 12, T25S, R33E
Lea County, New Mexico

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of brine, cut brine, and fresh water. The applicable depths and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0-650'	Fresh water (spud)	8.5	40-45	N.C.
650'-5200'	Brine water	10.0	30	N.C.
5200'-12600'	Cut Brine	8.8-9.2	28	N.C.

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

(A) A kelly cock will be kept in the drill string at all times.

(B) A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

(C) An electronic pit-volume-totalizer system will be used continously below 12000' to monitor the mud and pump system. The drilling fluids system will also be visually monitored at all times.

(D) A mud logging unit complete with H2S detector will be continuously monitoring drilling penetration rate and hydrocarbon shows from 4500' to TD.

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Lea County, New Mexico

8. Logging, Testing and Coring Program:

(A) The electric logging program will consist of GR-Dual Laterolog-MSFL and GR-Compensated Density-Neutron from TD to intermediate casing with a GR-Compensated Neutron ran from intermediate casing to surface.

(B) Possible side wall cores based on shows.

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

The estimated bottom hole temperature (BHT) at TD is 175 degrees F with an estimated maximum bottom-hole pressure (BHP) of 9400 psig. 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 loss circulation zones have been reported in offsetting wells.

Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. Anticipated spud date is unknown at the present time. Once drilling has commenced, the drilling operation should be finished in approximately 38 days. If the well is productive, an additional 30 to 45 days will be required for completion and testing before a decision is made to install permanent facilities.