New Mexico Oil Conservation Division, Artesia
1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
(August 1999)

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER 1082.

1a. Type of Work: ☒ DRILL ☐ REENTER	5. Lease Serial No. LC-055546
1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone	6. If Indian, Allottee or Tribe Name
2. Name of Operator KENSON OPERATING COMPANY, INC.	7. If Unit or CA Agreement, Name and No. LANGLIE JAL UNIT
3a. Address P O BOX 3531 MIDLAND TX 79702	3b. Phone No. (include area code) 915/685.0878
4. Location of Well (Report location clearly and in accordance with any State requirements.*) At surface 990' FNL & 990' FWL D/4 At proposed prod. zone same	8. Lease Name and Well No. LANGLIE JAL UNIT 126
	9. API Well No. 30-025-35681
	10. Field and Pool, or Exploratory LANGLIE MATTIX 7R-Qn-GB
	11. Sec., T., R., M., or Blk. and Survey or Area Sec. 5 T25S, R37E
14. Distance in miles and direction from nearest town or post office* 3 miles north of Jal, New Mexico	12. County or Parish LEA
	13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 4200' from east unit boundary	16. No. of Acres in lease 3760
	17. Spacing Unit dedicated to this well 40 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. approx 880'	19. Proposed Depth 3800'
	20. BLM/BIA Bond No. on file Statewide RLB0001609
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3239' GL	22. Approximate date work will start* August13, 2001
	23. Estimated duration 30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature M. A. Sirgo III	Name (Printed/Typed) M. A. Sirgo, III	Date 7-30-01
Title Engineer		
Approved by (Signature) /S/ JOE G. LARA	Name (Printed/Typed) /S/ JOE G. LARA	Date AUG 28 2001
Title Act'g FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the 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, are attached. APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

*(Instructions on reverse)

Capitan Control

OPER. OGRID NO. 185433
PROPERTY NO. 25415
POOL CODE 37240
EFF. DATE 8-30-01
API NO. 30-025-35681

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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

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

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

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

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 February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-025-35681	37240	LANGLIE MATTIX SEVEN RIVERS-QUEEN-GB

Property Code	Property Name	Well Number
25415	LANGLIE JAL UNIT	126

OGRID No.	Operator Name	Elevation
185433	KENSON OPERATING COMPANY, INC.	3239'

Surface Location

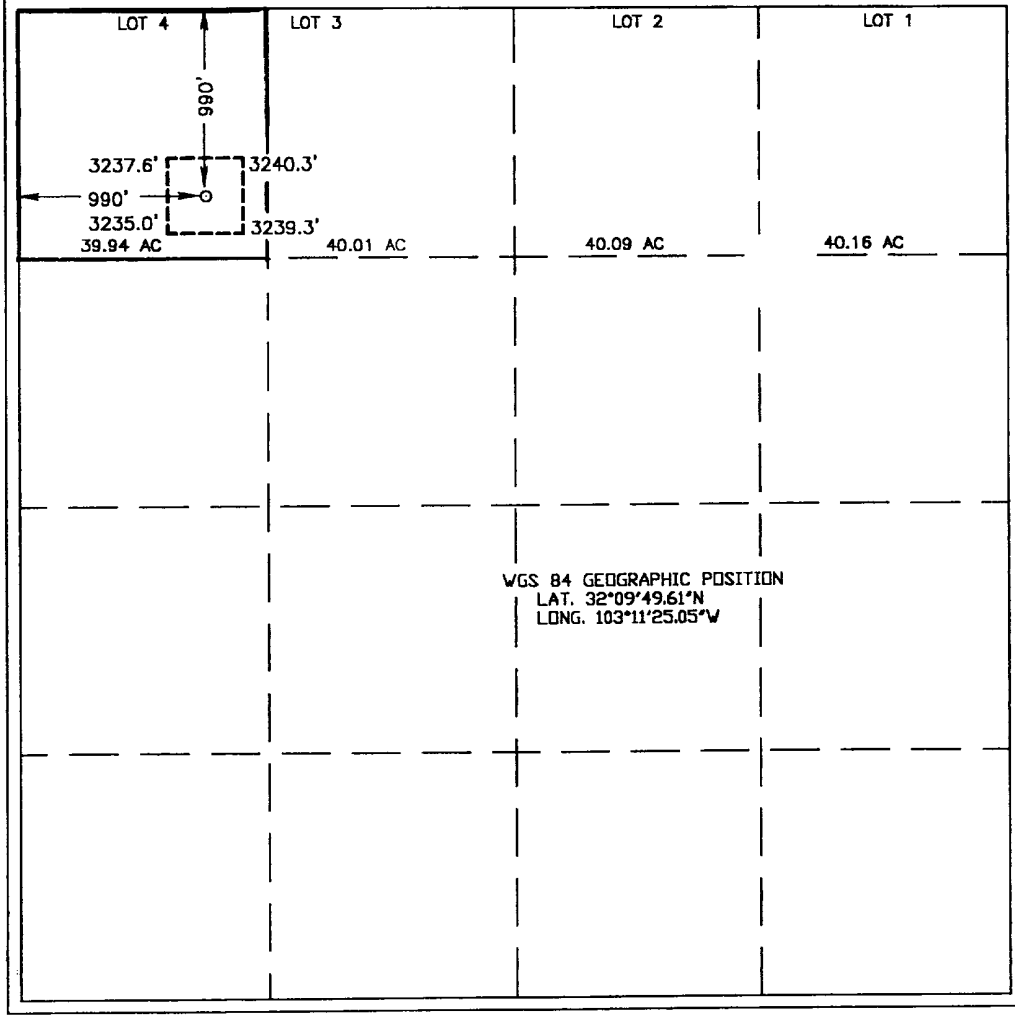
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
4	5	25-S	37-E		990	NORTH	990	WEST	LEA

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	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

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

M. A. SIRGO, III
Printed Name

ENGINEER
Title

AUGUST 2, 2001
Date

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 belief.

JULY 27, 2001
Date Surveyed AWB

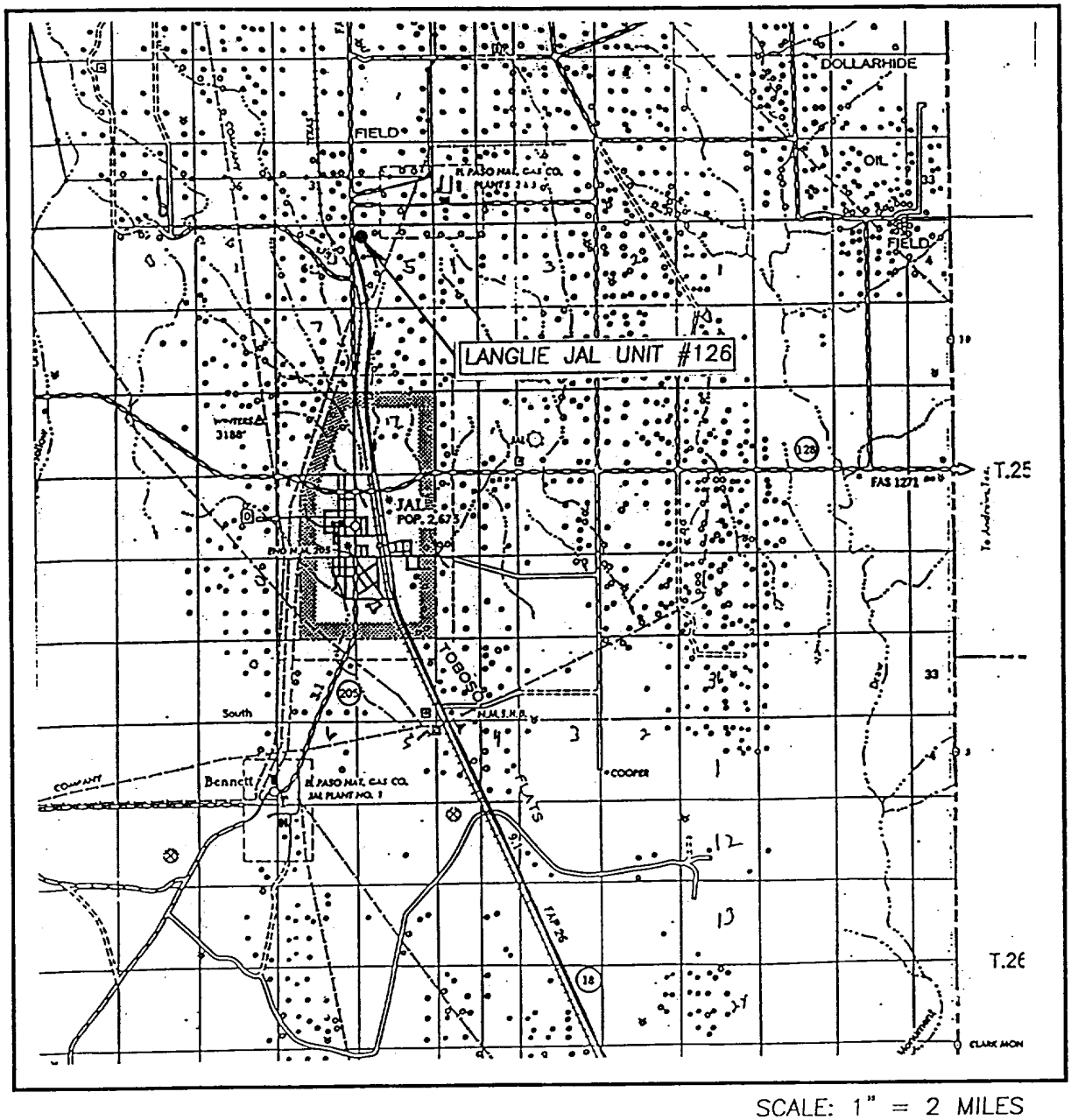
Signature & Seal of Professional Surveyor

7/31/01

01.11.0908

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 5 TWP. 25-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 990' FNL & 990' FWL

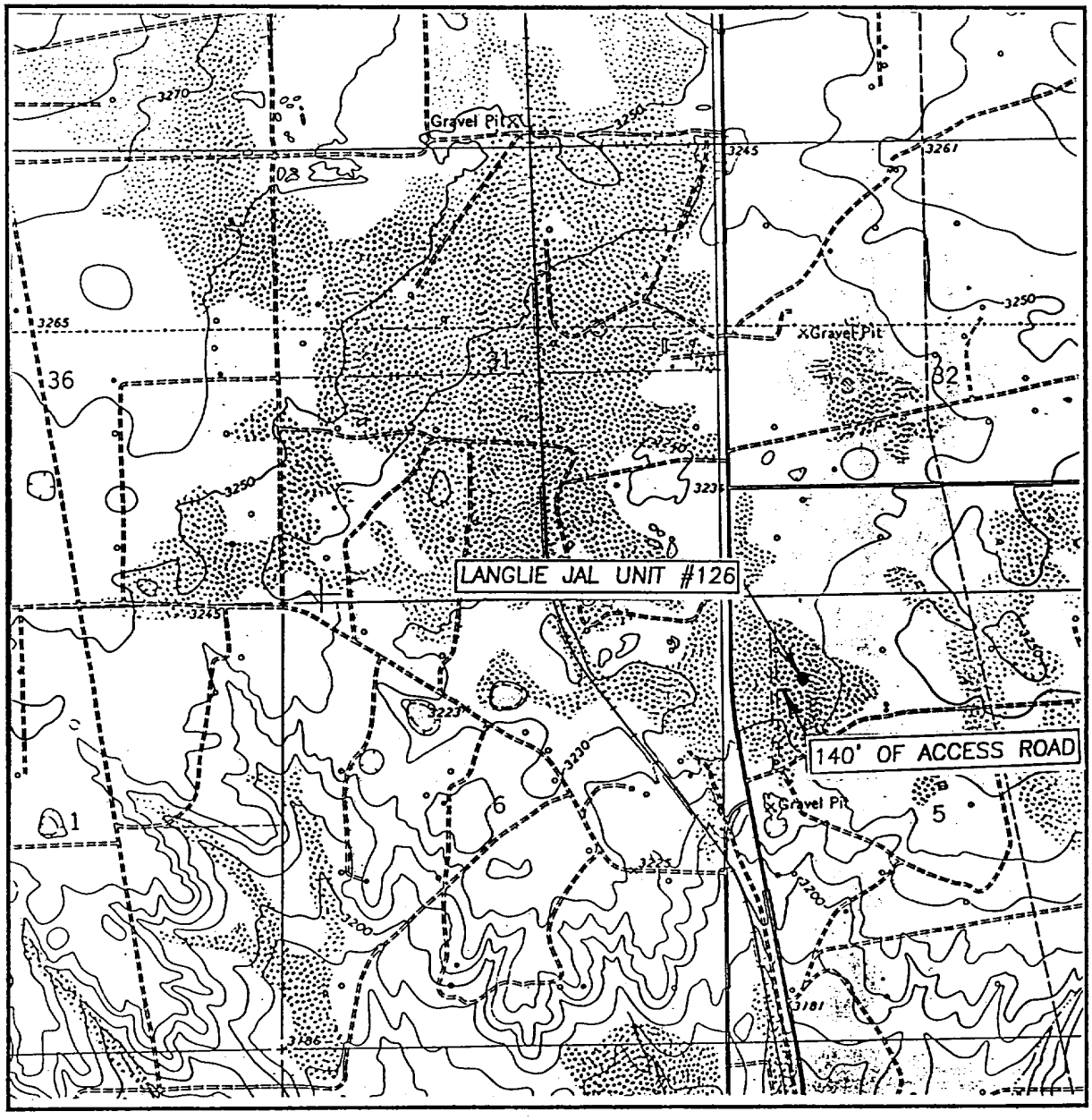
ELEVATION 3239'

OPERATOR KENSON OPERATING COMPANY, INC.

LEASE LANGLIE JAL UNIT

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
JAL NW, N.M.

SEC. 5 TWP. 25-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 990' FNL & 990' FWL

ELEVATION 3239'

OPERATOR KENSON OPERATING COMPANY, INC.

LEASE LANGLIE JAL UNIT

U.S.G.S. TOPOGRAPHIC MAP
JAL NW, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

PERTINENT INFORMATION

For

KENSON OPERATING COMPANY, INC.
No. 126 Langlie Jal Unit
990' FNL & 990' FWL, Sec. 5, T25S, R37E
Lea County, New Mexico
Federal Lease No. LC-055546

LOCATED: Three (3) miles north of Jal, New Mexico

FEDERAL LEASE NUMBER: LC-055546

DATE ISSUED: August 1, 1962

ACRES IN LEASE: 3760

RECORD LESSEE: E. J. Wells

BOND COVERAGE: State of New Mexico – RLB0001849
BLM Statewide – RLB0001609

AUTHORITY TO OPERATE: Transfer of Operating Rights to Kenson Operating Company, Inc.

SURFACE OWNERSHIP: Federal

GRAZING PERMITTEE: Jal Public Library Trust/Woolworth Trust

POOL RULES: Langlie Mattix Seven-Rivers/Queen/Grayburg

EXHIBITS: A. Road and Contour Map
B. Lease and Well Map
C. Drill Pad Layout
D. BOP Diagram
E. Flow Line/Power Map

SUPPLEMENTAL DRILLING DATA

KENSON OPERATING COMPANY, INC.
No. 126 LANGLIE JAL UNIT

Lea County, New Mexico
Federal Lease No. LC-055546

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Order No. 1:

1. SURFACE FORMATION: Current

2. ESTIMATED TOPS OF GEOLOGIC MARKERS:

Yates	2850	Queen	3475
Seven Rivers	3100	Penrose	3620

3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATION:

Water - Possible ground water from 0' to 50'
Oil - 3220' to TD
Gas - 2900' to 3150'

4. PROPOSED CASING PROGRAM:

Capitan Controlled Water Basin

WITNESS 8-5/8" Casing – Set at ~~800'~~ 1150' Surface casing Circulate.
5-1/2" Casing – Set at 3800' Production casing Circulate.
All strings of casing will be satisfactorily tested to 1000 psi

5. PRESSURE CONTROL EQUIPMENT:

Install a 2000# 8" manual double ram BOP on the 8-5/8" casing prior to drilling into the Yates. Due to depleted nature of the reservoir, it is requested that a waiver be granted to test pressure control equipment to 1000 psi, using rig pump, instead of the normal 2000 psi test. Exhibit D is a diagrammatic sketch of the BOP equipment.

6. CIRCULATING MEDIUM:

Drill with fresh water from surface to setting depth of surface casing. Drill remainder of hole with brine water, using additives to control water loss, viscosity and mud weight.

7. AUXILIARY EQUIPMENT:

Equipment will include a gas detector, pit level monitor and a full-opening safety valve.

8. TESTING, LOGGING AND CORING PROGRAM:

Samples: Samples will be caught at 10' intervals from below the surface casing to total depth.

DST and Cores: None anticipated

Logging: Density-Neutron Log, Gamma Ray-Neutron Log

9. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:

No abnormal pressure or temperatures anticipated. Precautions will be taken to monitor possible traces of hydrogen sulfide gas in the Grayburg. See H2S Plan attachment.

10. ANTICIPATED STARTING DATE:

Drilling will commence upon Federal and State approval. Drilling and completion will require about 30 days. Drilling contractor is available to start on August 13, 2001.

KENSON OPERATING COMPANY, INC.

ATTACHMENT

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H2S).

2. The proper use and maintenance of person protective equipment and life support systems.

3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.

4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

3. The contents and requirements of the H2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probably H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonable expected to contain H2S.

1. Well Control Equipment:

   A. Flare line with electronic igniter or continuous pilot.
   B. Choke manifold with a minimum of one remote choke.
   C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
   D. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head, and flare gun with flares.

2. Protective Equipment for Essential Personnel:

   A. Mark II Surviveair 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S Detection and Monitoring Equipment:

   A. Two portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 PPM are reached.
   B. One portable SO2 monitor positioned near flare line.

4. Visual Warning Systems:

   A. Wind direction indicators as shown on well site diagram.
   B. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud Program:

   A. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.
   B. A mud-gas separator and an H2S gas buster will be utilized.

6. Metallurgy:

   A. All drill strings, casings, tubing, wellhead, blowout preventors, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
   B. All elastomers used for packing and seals shall be H2S trim.

7. Communication:

   A. Radio communications in company vehicles including cellular telephone and two-way radio.
   B. Land line (telephone) communications at field office.

8. Well Testing:

   A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill stem-testing operations conducted in an H2S environment will use the closed chamber method of testing.

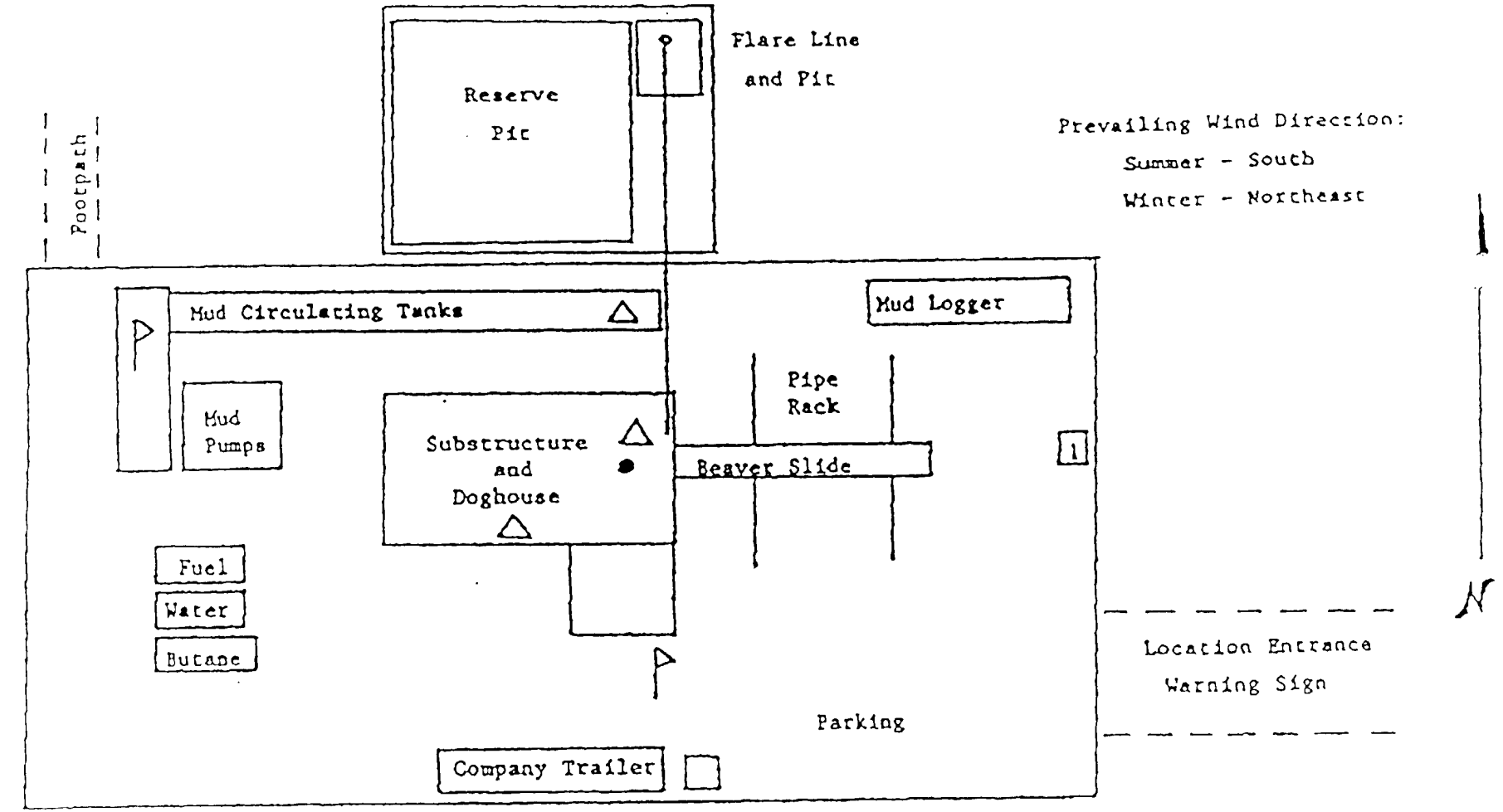
WARNING

YOU ARE ENTERING AN H_2S AREA
AUTHORIZED PERSONNEL ONLY

1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. *CHECK WITH KENSON BEFORE ENTERING*

KENSON OPERATING COMPANY, INC.

1-915-685-0878



△ — H2S Monitors with alarms at the bell nipple and shale shaker

— Wind Direction Indicators

□ — Safe Briefing areas with caution signs and protective breathing equipment Min. 150 feet from wellhead. 1 designates primary area

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

KENSON OPERATING COMPANY, INC.
No. 126 Langlie Jal Unit
990' FNL & 990' FWL Sec. 5, T25S, R37E
Lea County, New Mexico
Federal Lease No. LC-055546

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the 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 in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS:

   A. Exhibit A is a portion of a road map showing the location of the proposed well as staked. The well is approximately three (3) air miles north of Jal, New Mexico.

   B. Directions: Travel north out of Jal, New Mexico on State Highway 18 approximately 3 miles. Turn east on caliche lease road. Travel east ¼ mile and turn north into location.

2. PLANNED ACCESS ROAD:

   A. Length and Width: The new road will be about 100' long and about 12' wide.
   B. Surfacing Material: The new road and well pad will be surfaced with 6" of existing surface material supplemented with caliche where necessary.
   C. Maximum Grade: Less than 1%.
   D. Turnouts: No traffic turnouts are necessary.
   E. Drainage Design: The road will be constructed with a 6" crown to provide proper drainage.
   F. Culverts: None necessary.
   G. Cuts and Fills: Construction of the drill pad will require 2' of cut with 2' of fill. Surface soil will be stockpiled on the edge of the location for use in rehabilitating the disturbed area.
   H. Gates, Cattle Guards: None necessary.

3. LOCATION OF EXISTING WELLS:

   A. See Exhibit B

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

A. The flow line for the Langlie Jal Unit No. 126 well will travel down existing lease roads east and south where the existing Langlie Jal Unit Production Satellite #1 is located.

B. The power line will be constructed from the langlie Jal Unit No. 126 well, to the existing lease power line located north of the pad. See Exhibit E.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. Fresh water for drilling from surface to 500'+- will be obtained from a commercial source and trucked over existing roads. Lease brine water will be used to finish drilling and completing.

6. SOURCE OF CONSTRUCTION MATERIALS:

A. Any caliche necessary for surfacing the road and pad will be purchased from a federal pit located

7. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the drilling pits.

B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.

C. Water produced during test will be disposed of in the drilling pits. Oil produced during test will be stored in test tanks until sold.

D. Current laws and regulations pertaining to the disposal of human waste will be compiled with.

E. Trash, waste paper, garbage, debris or junk will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

A. None required.

9. WELL SITE LAYOUT:

A. The wellsite, surrounded by a 400' x 400' area has been surveyed and flagged.
B. Dimensions and relative location of the drill pad and pit are shown on Exhibit C.

10. PLANS FOR RESTORATION OF THE SURFACE:

A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the wellsite in an aesthetically pleasing condition as possible.
B. Any unguarded pits containing fluids will be fenced until they are filled.
C. If the well is nonproductive, the disturbed area will be rehabilitated to surface owner requirements and will be accomplished as expeditiously as possible.

11. OTHER INFORMATION:

A. Topography: The wellsite and access road are flat.
B. Soil: The surface soil is fine with occasional caliche and chert inclusions.
C. Flora and Fauna: Vegetation consists of oak shinnery, mesquite, sagebrush, yucca, and various weeds and grasses. Ground cover is about 15%. Wildlife in the area is that typical of semiarid desert land, such as coyotes, rodents, reptiles and birds.
D. Ponds or Streams: None.
E. Residences and Other Structures: None in this area.
F. Archaeological, Historical and Other Cultural Sites: An Archaeological report is being furnished to BLM under separate cover directly from an Archaeological Survey Consultant..
G. Land Use: The surface is used for cattle grazing.
H. Surface Ownership: The drillsite and access road are located on federal surface. The grazing lessee is Jal Public Library Trust/Woolworth Trust.

12. OPERATOR'S REPRESENTATIVE:

Representative responsible for assuring compliance with the approved Surface Use Plan: M. A. Sirgo, III

No. 126 Langlie Jal Unit

13. CERTIFICATION:

I hereby certify that I, or person under my direct supervision, have inspected the proposed drillsite 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; that the work associated with the operations proposed herein will be performed by Kenson Operating Company, Inc. and its sub-contractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 8-1-01

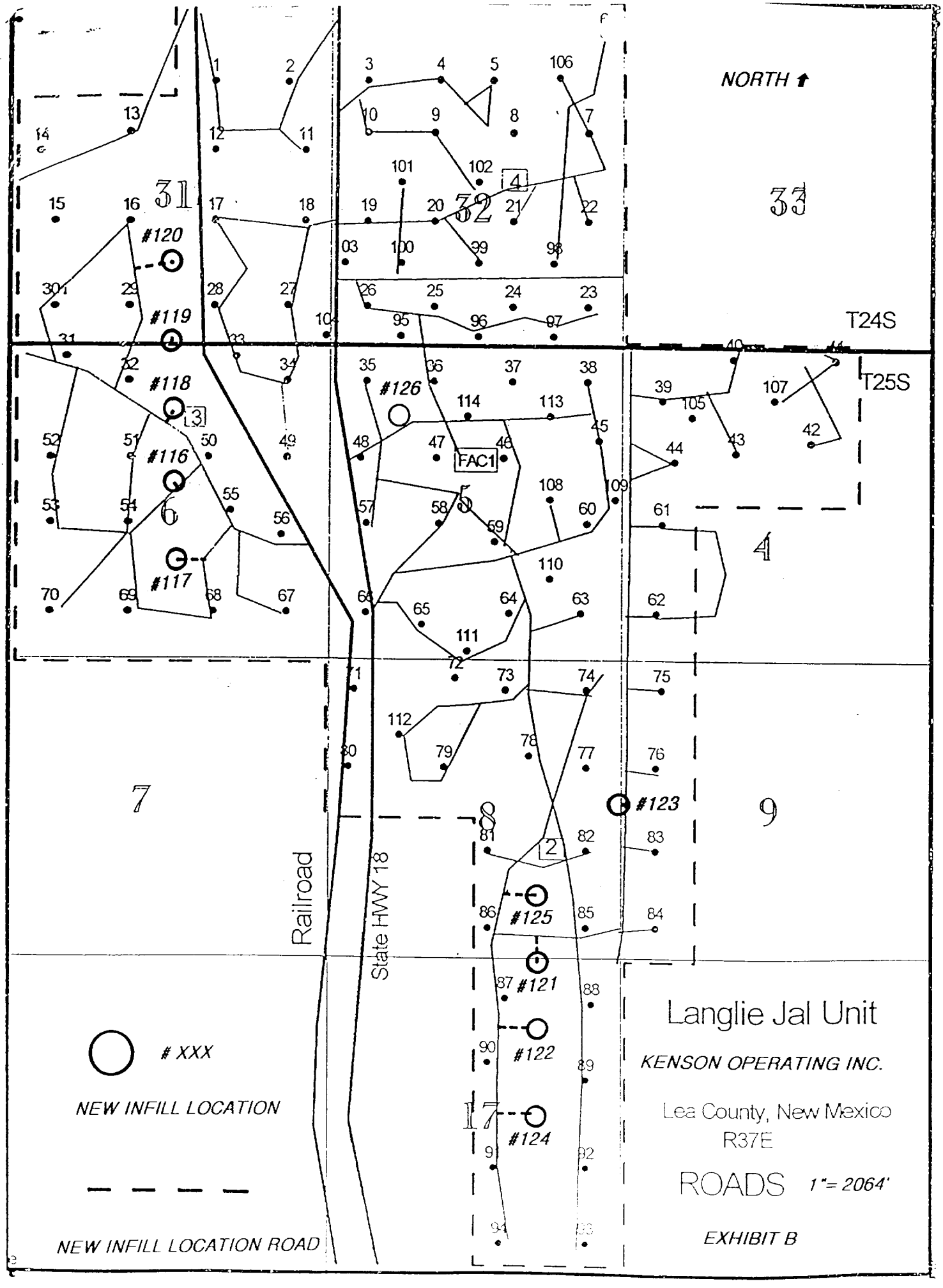
M. A. Sirgo, III Permit Agent for:
Kenson Operating Company, Inc.

LANGLIE JAL UNIT BOUNDARY

#120 #119 #118 #116 #117 #126 #123 #125 #121 #122 #124

KENSON OPERATING INC.

EXHIBIT A


NORTH
T24S
T25S
#120
#119
#118
#116
#117
#126
#123
#125
#121
#122
#124
FAC1
Railroad
State HWY 18
Langlie Jal Unit
KENSON OPERATING INC.
Lea County, New Mexico
R37E
ROADS 1"= 2064'
EXHIBIT B
XXX
NEW INFILL LOCATION
NEW INFILL LOCATION ROAD

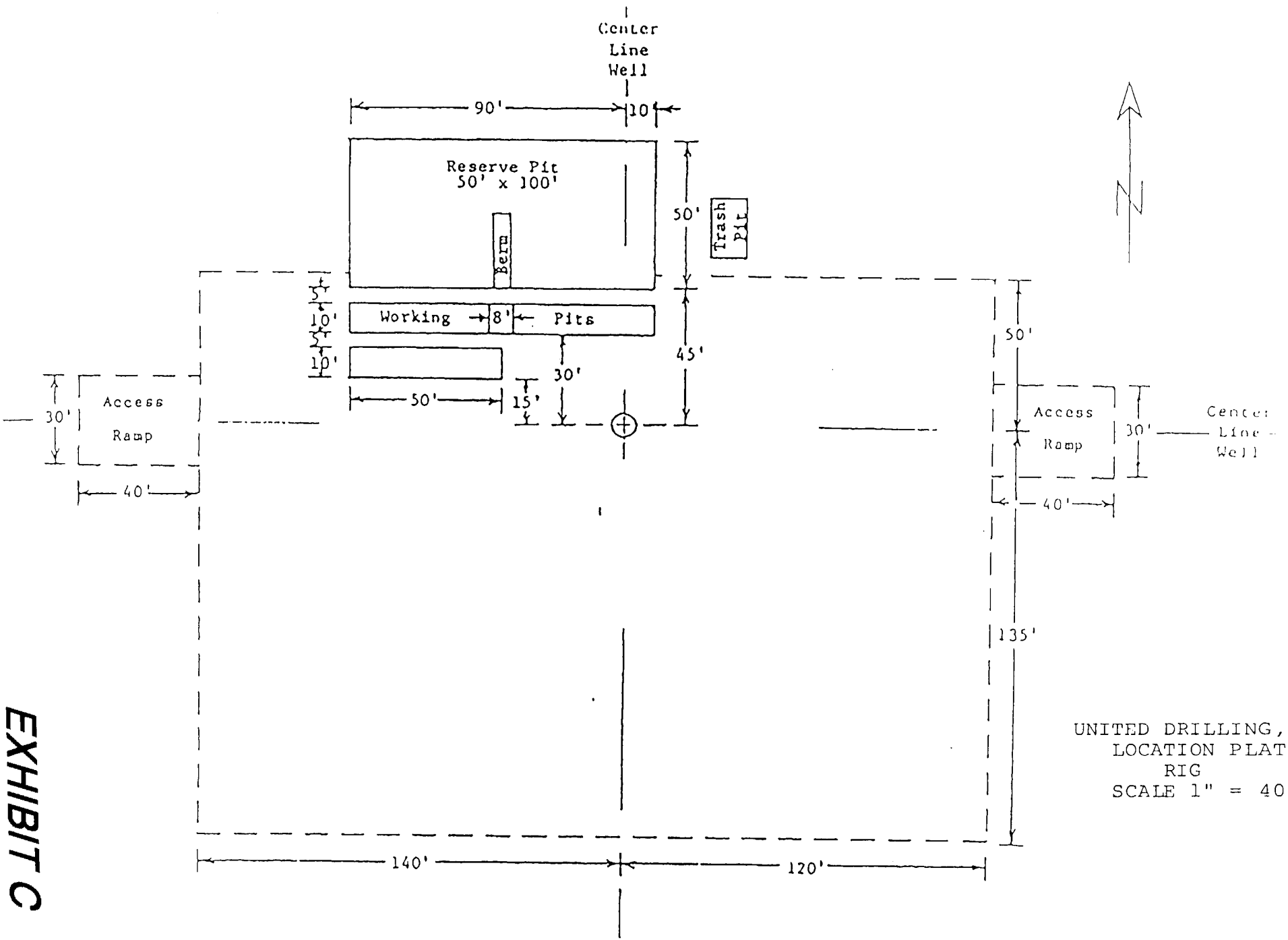
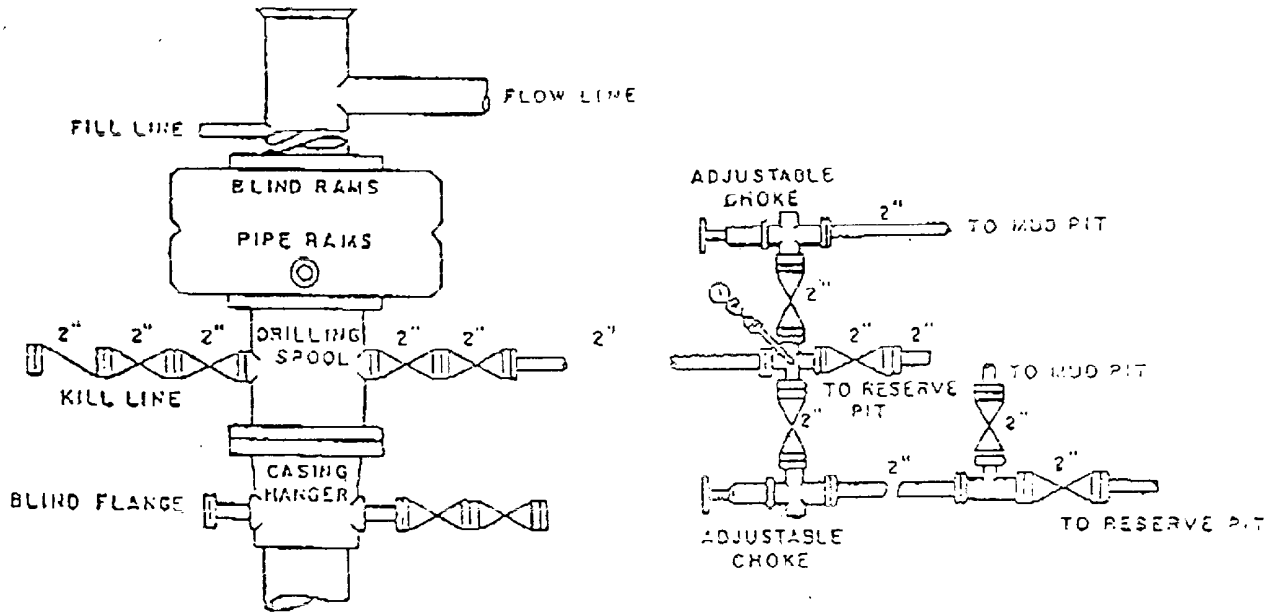


EXHIBIT C

UNITED DRILLING, INC.
LOCATION PLAT
RIG
SCALE 1" = 40'



8" Manual Double Ram BOP

2000# working Pressure
Rams Operated Daily

EXHIBIT D

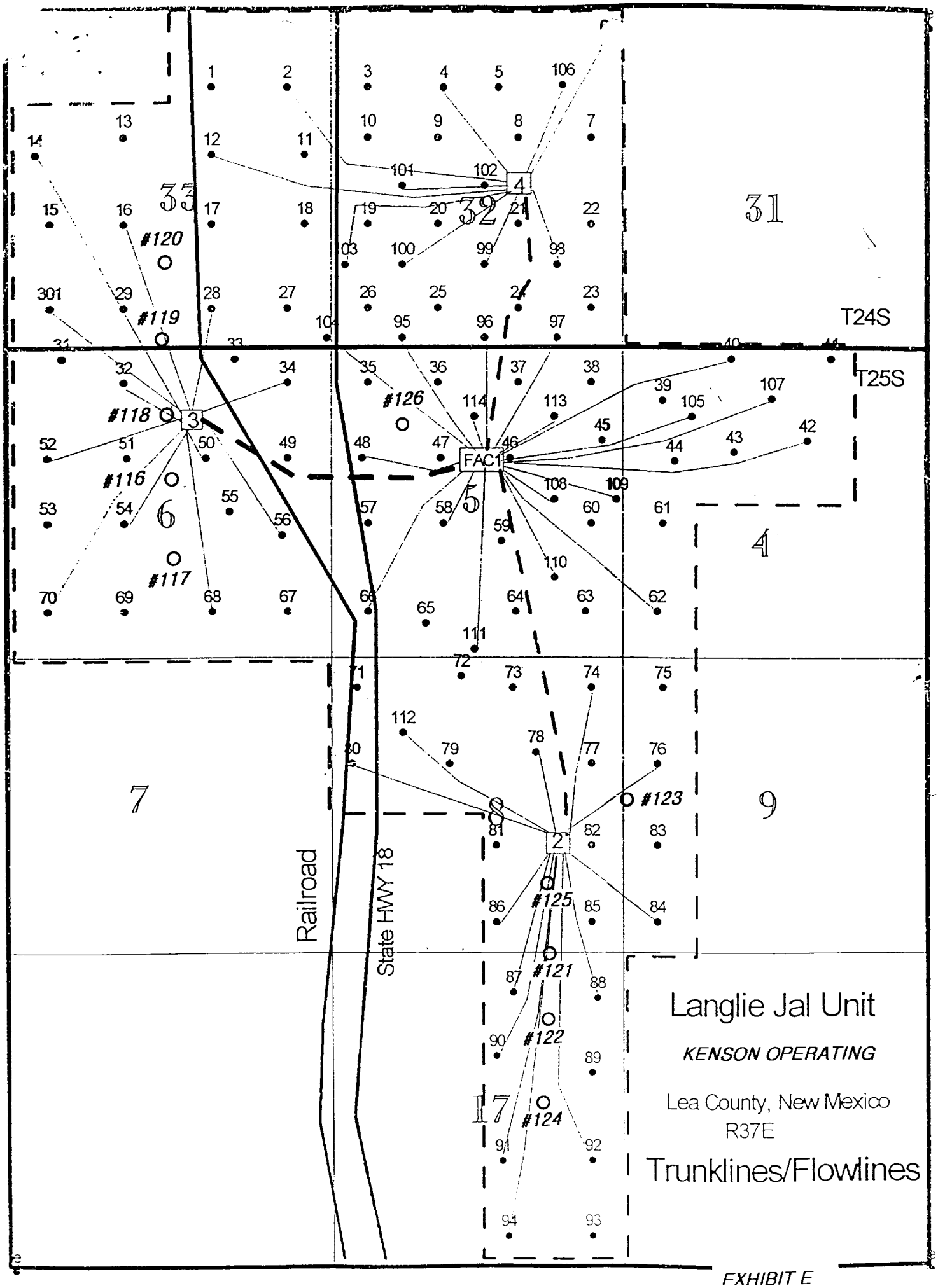

33
32
31
T24S
T25S
4
3
FAC1
5
6
4
7
9
8
2
17
#120
#119
#118
#116
#117
#126
#123
#125
#121
#122
#124
Railroad
State HWY 18
Langlie Jal Unit
KENSON OPERATING
Lea County, New Mexico
R37E
Trunklines/Flowlines

EXHIBIT E

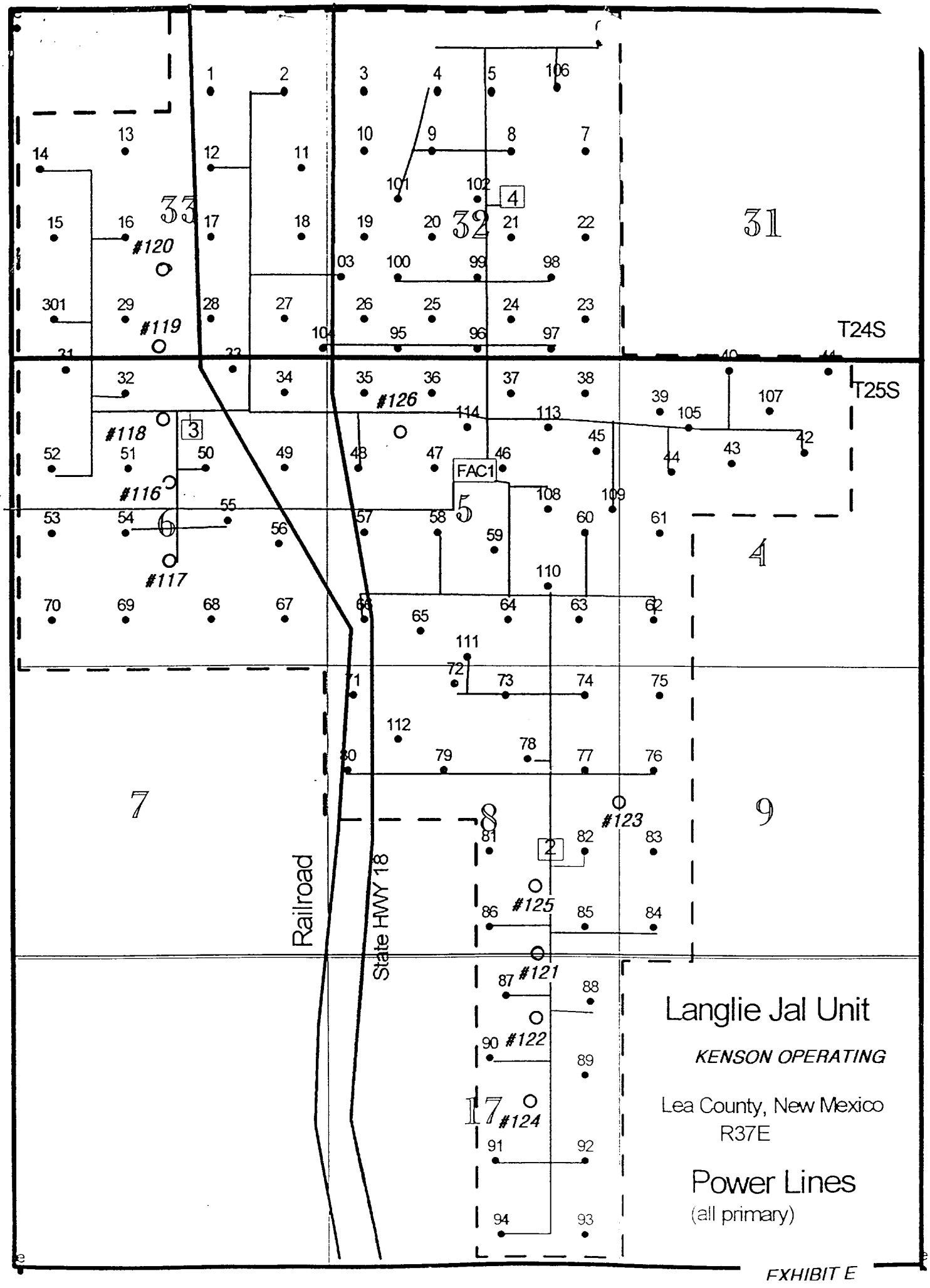

T24S
T25S
Railroad
State HWY 18
FAC1
#116
#117
#118
#119
#120
#121
#122
#123
#124
#125
#126
Langlie Jal Unit
KENSON OPERATING
Lea County, New Mexico
R37E
Power Lines
(all primary)

EXHIBIT E

ELF 1/23/02

ABOVE DATE DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED