

Form 3160-3
(August 1999)

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

185 433
25415
37240
EFF. DATE 10-23-01
API NO. 30-025-35749

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

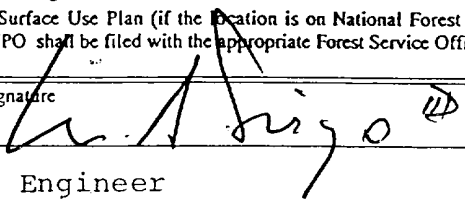
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-055546
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> 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		8. Lease Name and Well No. LANGLIE JAL UNIT 127
3b. Phone No. (include area code) 915/685.0878		9. API Well No. 30-025-35749
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1270' FSL & 1370' FWL UL N At proposed prod. zone same		10. Field and Pool, or Exploratory LANGLIE MATTIX
14. Distance in miles and direction from nearest town or post office* Approximately 2.2 miles north of Jal, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 5, T25S, R37E
15. Distance from proposed* 1955' from unit location to nearest property or lease line, ft. boundary (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 3760	12. County or Parish. LEA
17. Spacing Unit dedicated to this well 40 acres	13. State NM	
18. Distance from proposed location* 860' from unit to nearest well, drilling, completed, applied for, on this lease, ft. well	19. Proposed Depth 3800'	20. BLM/BIA Bond No. on file Statewide RLB0001609
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3194' GL	22. Approximate date work will start* Oct. 20, 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) M. A. Sirgo, III	Date 9-27-01
Title Engineer		
Approved by (Signature) /s/ LESLIE A. THEISS	Name (Printed/Typed) /s/ LESLIE A. THEISS	Date OCT 22 2001
Title 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 Controlled Water Basin

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

USA

MP

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., Axtec, NM 87410

DISTRICT IV

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

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-35749	Pool Code 37240	Pool Name LANGLIE MATTIX SEVEN RIVERS-QUEEN-GB
Property Code 25415	Property Name LANGLIE JAL UNIT	Well Number 127
OGRID No. 185433	Operator Name KENSON OPERATING COMPANY, INC.	Elevation 3194'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	5	25-S	37-E		1270	SOUTH	1370	WEST	LEA

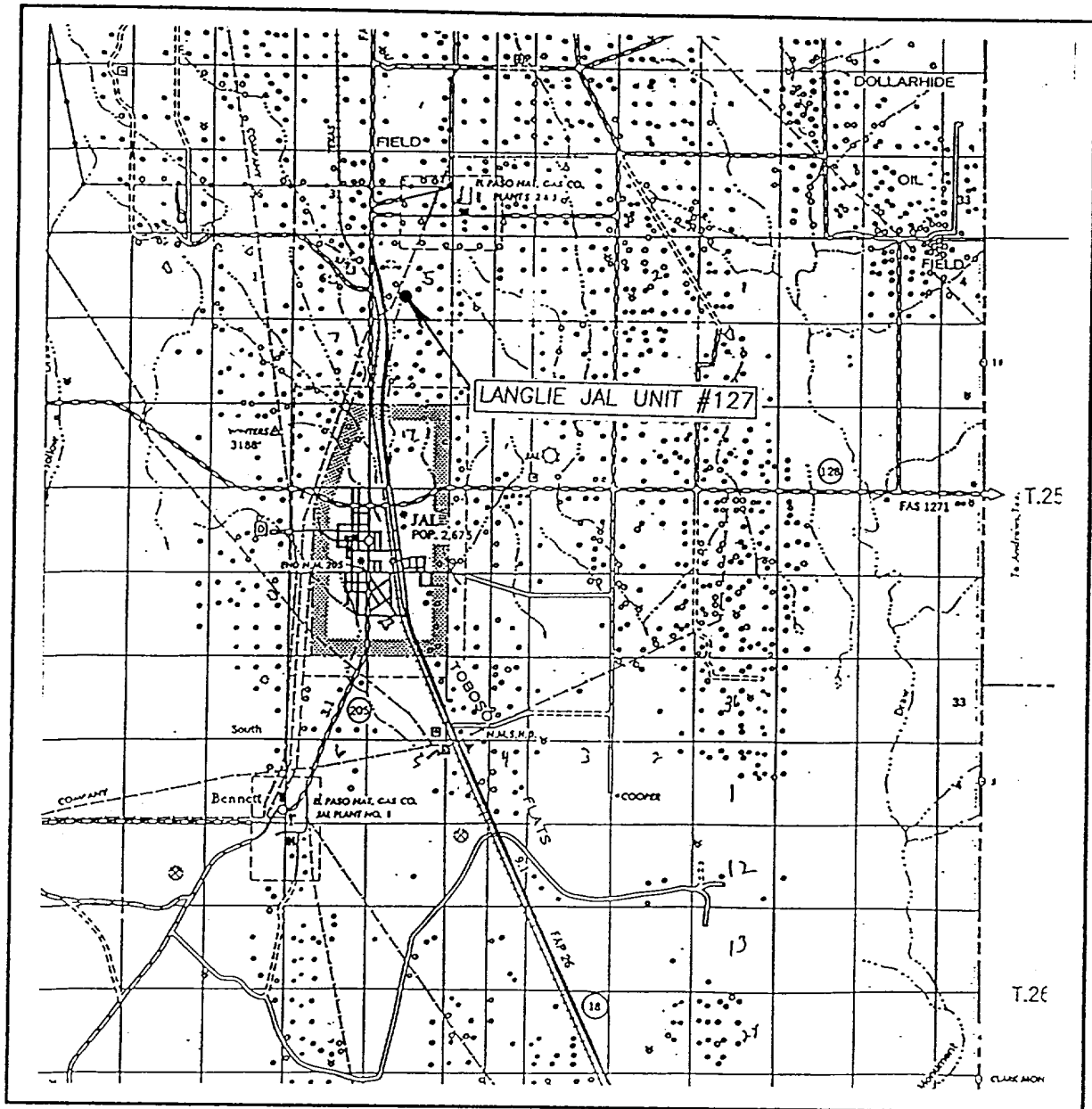
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	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

LOT 4	LOT 3	LOT 2	LOT 1
39.94 AC	40.01 AC	40.09 AC	40.16 AC
SPC NME NAD 1927 Y=422155.0 X=854296.0 GEODETTIC COORDINATE NAD 1927 LAT. 32°09'19.59"N LONG. 103°11'18.68"W			
OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature M. A. SIRGO, III Printed Name ENGINEER Title SEPTEMBER 27, 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 supervision, and that the same is true and correct to the best of my belief. SEPTEMBER 21, 2001 Date Surveyed AWB Signature & Seal of Professional Surveyor 01.11.1063 Certificate No. RONALD G. EDSON 3239 GARY EDSON 12641			

VICINITY MAP



SCALE: 1" = 2 MILES

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

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1270' FSL & 1370' FWL

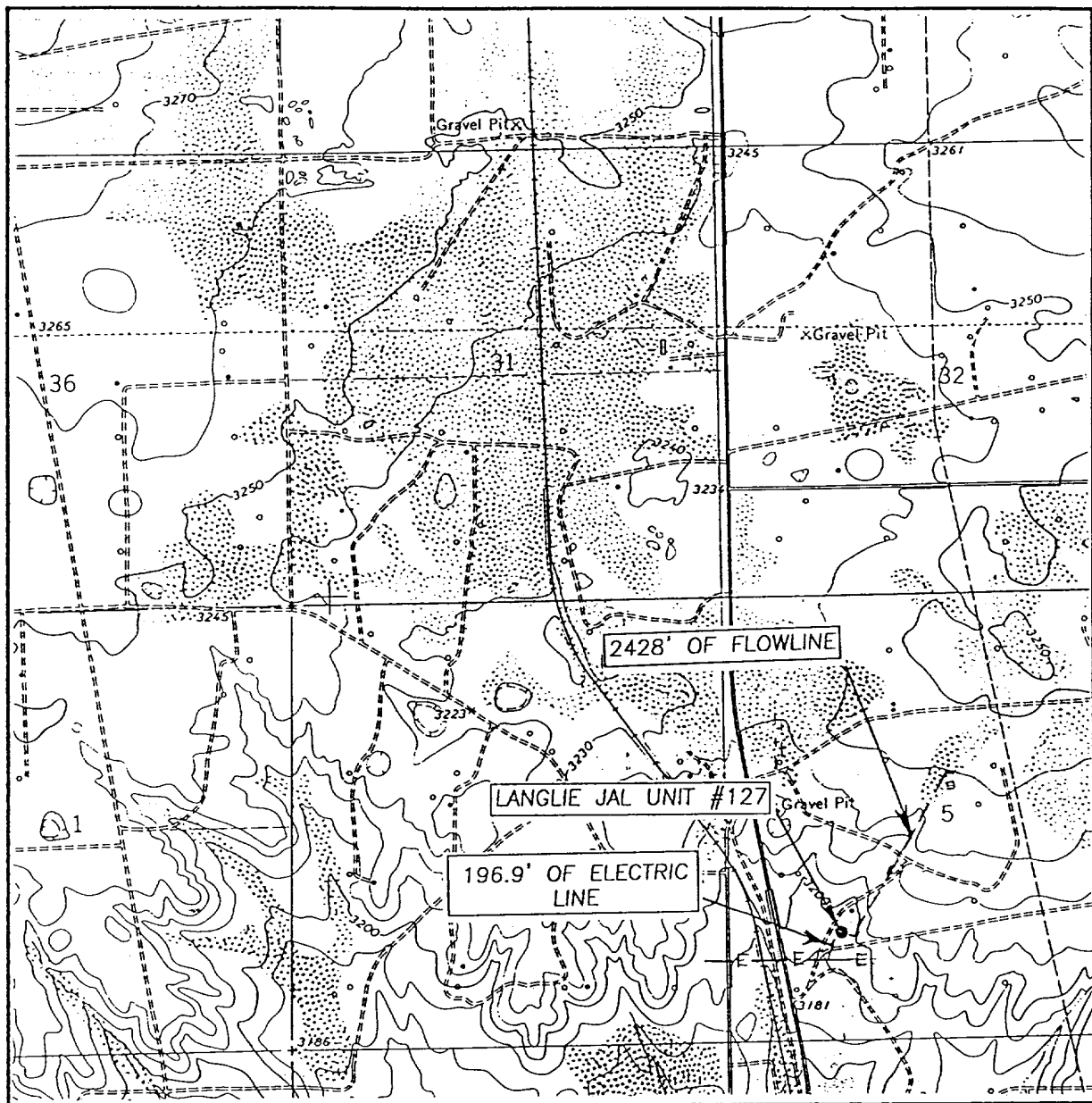
ELEVATION 3194'

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 1270' FSL & 1370' FWL

ELEVATION 3194'

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. 127 Langlie Jal Unit
1270' FSL & 1370' FWL, Sec. 5, T25S, R37E
Lea County, New Mexico
Federal Lease No. LC-055546

LOCATED: 2.2 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. 127 LANGLEIE 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	3420
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:

Captain Controlled Water Basin

8-5/8" Casing – Set at 800' 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.

No. 127 Langlie Jal Unit

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: Gamma Ray/Density-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 October 20, 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.

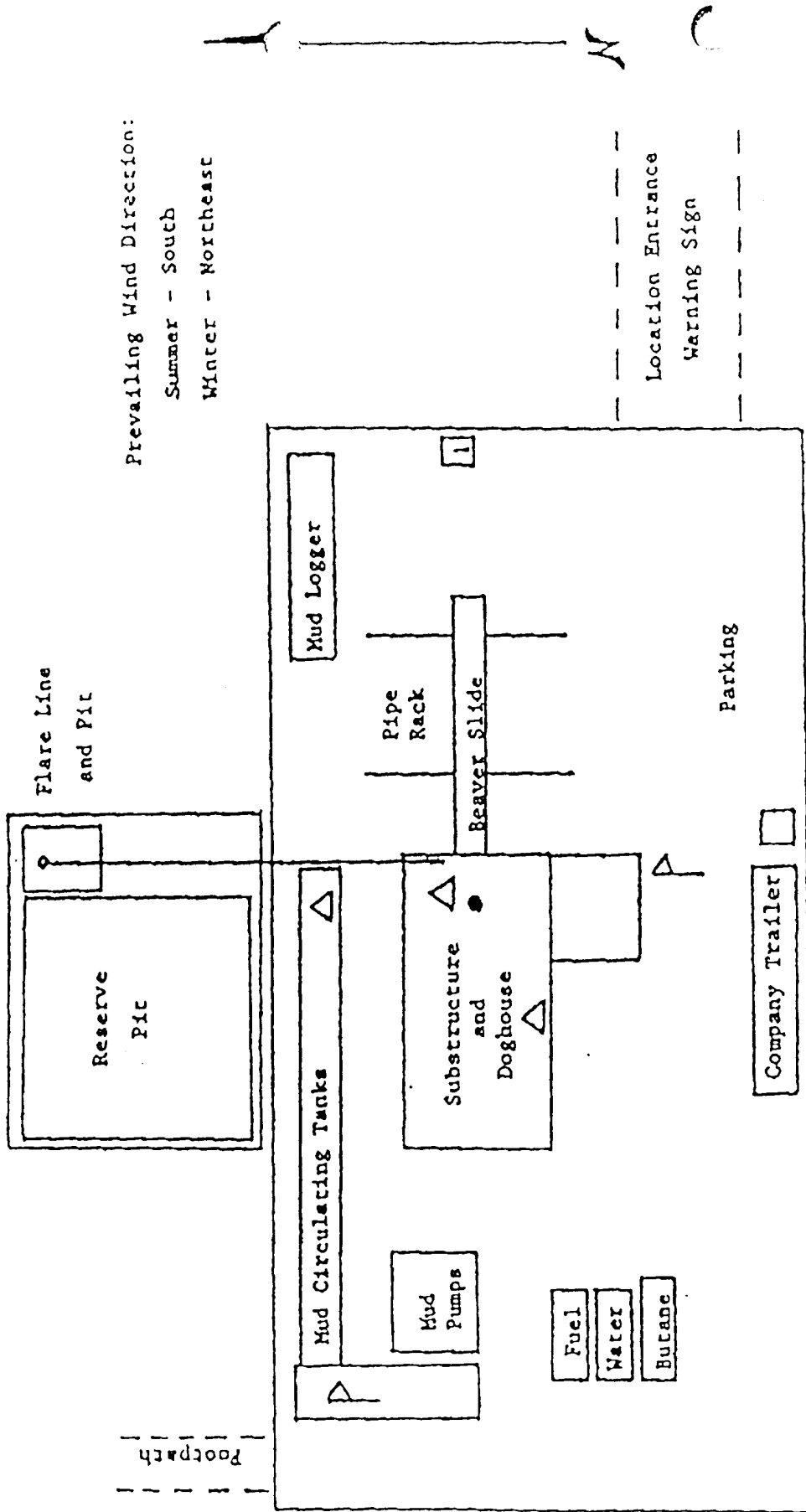
WARNING

YOU ARE ENTERING AN H₂S 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 Refuge 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. 127 Langlie Jal Unit
1270' FSL & 1370' 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 2.2 air miles north of Jal, New Mexico.
- B. Directions: Travel north out of Jal, New Mexico on State Highway 18 approximately 2.1 miles. Turn east on caliche lease road. Travel .1 mile north and turn east into location.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The new road will be about 70' 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

No. 127 Langlie Jal Unit

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. The flow line for the Langlie Jal Unit No. 127 well will travel down existing lease roads north and east where the existing Langlie Jal Unit Production Satellite #1 is located.
- B. The power line will be constructed from the Langlie Jal Unit No. 127 well, to the existing lease power line located south 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 in the NW/4 of Sec. 6, T25S, R37E.

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.

No. 127 Langlie Jal Unit

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. 127 Langlie Jal Unit

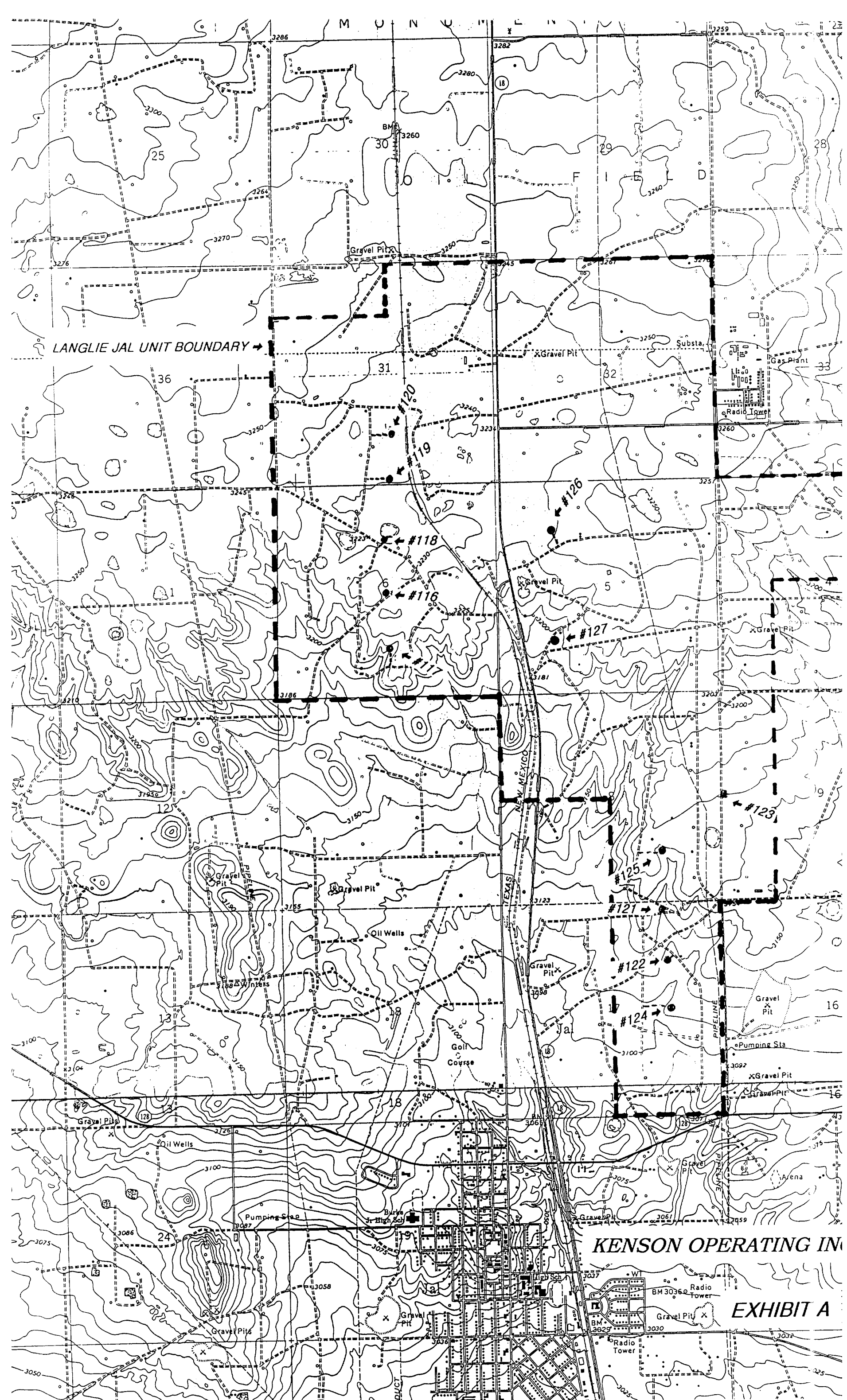
13. CERTIFICATION:

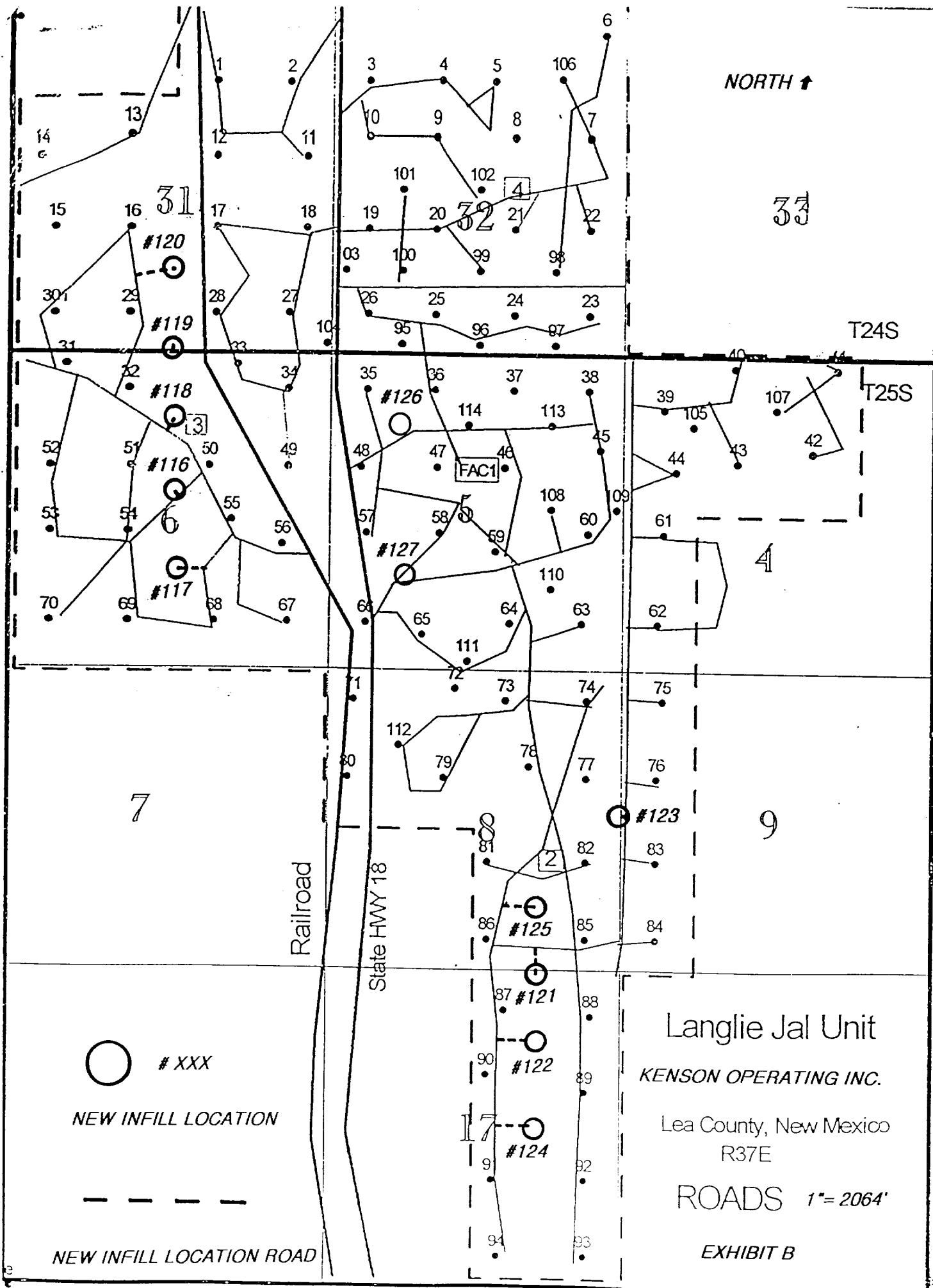
I hereby certify that I, or person under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge true and correct; that the work associated with 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.

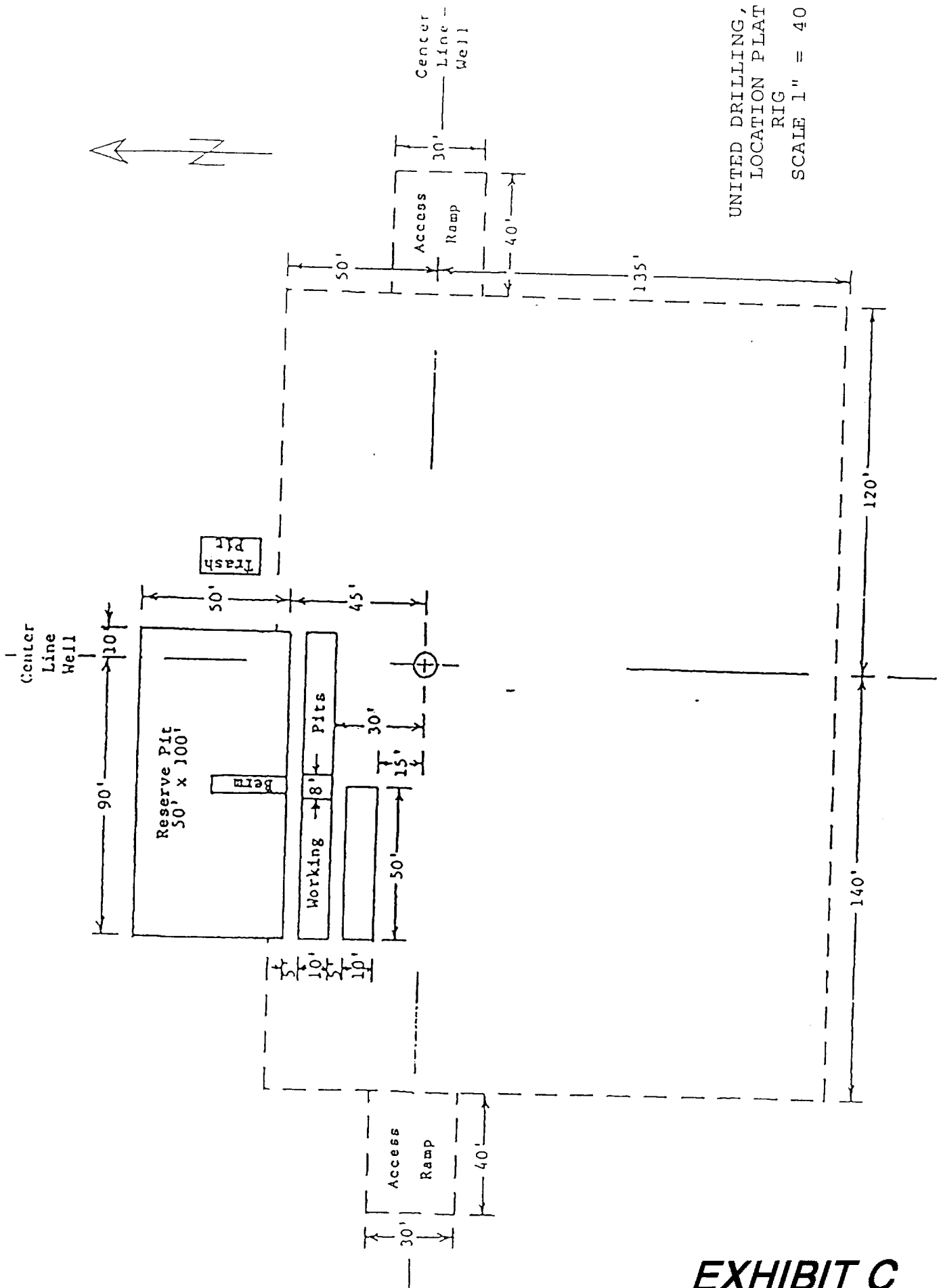
Date: 9-27-01



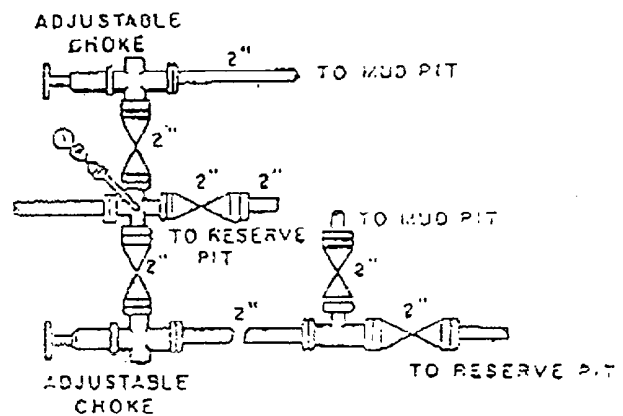
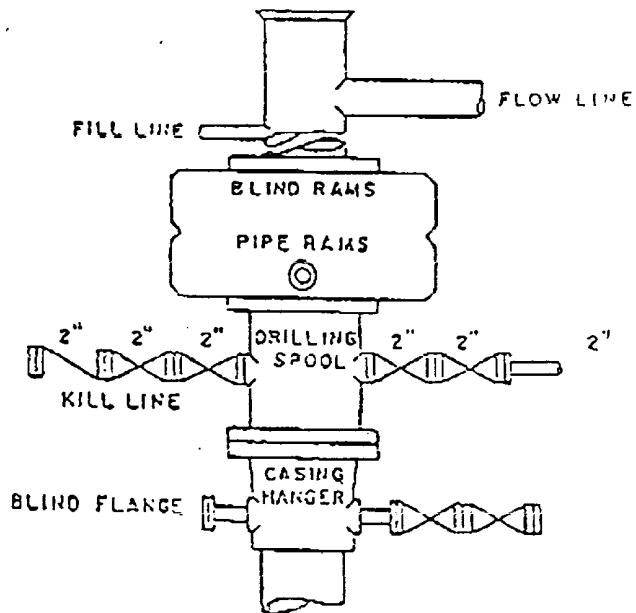
M. A. Sirgo, III Permit Agent for:
Kenson Operating Company, Inc.





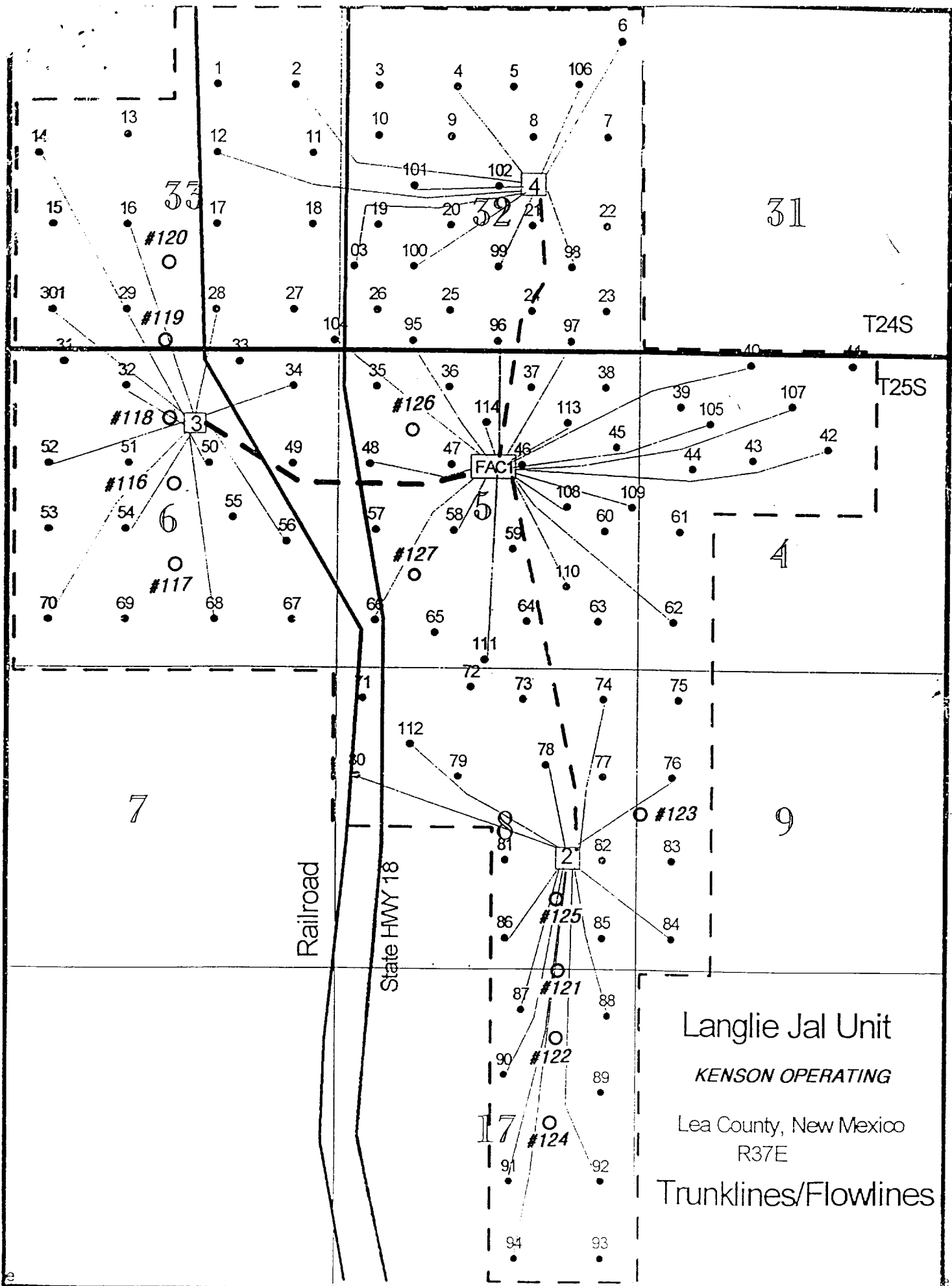


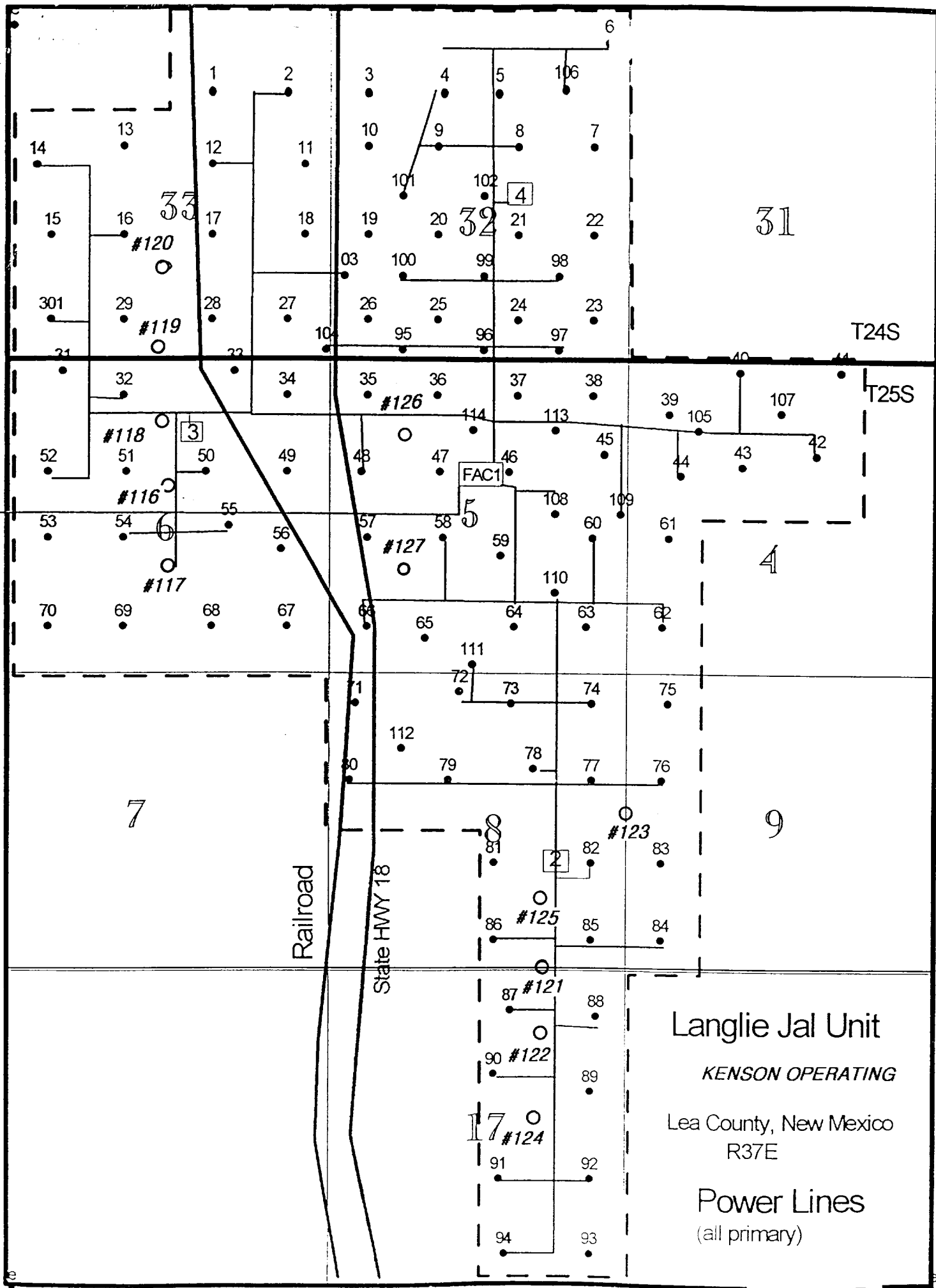
UNITED DRILLING, INC.
 LOCATION PLAT
 RIG
 SCALE 1" = 40'



8" Manual Double Ram BOP

2000# working Pressure
Rams Operated Daily





ELF 1/23/02
ABOVE DATE DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED

