

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIP
(Other instructions on reverse side)

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

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

SINGLE ZONE ☐

MULTIPLE ZONE ☐

2. NAME OF OPERATOR

Santa Fe Snyder Corp.

3. ADDRESS AND TELEPHONE NO.

550 W. Texas, Suite 1330; Midland, Texas 79701 (915) 682-6373

4. LOCATION OF WELL (Report location clearly and in accordance with BLM Form 3160-3)

(L) 1980' FSL & 660' FWL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TO

20 miles west of Jal, New Mexico

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drilg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

320

17. NO. OF ACRES ASSIGNED TO THIS WELL

320

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

NA

19. PROPOSED DEPTH

14000'

20. ROTARY OR CABLE TOOLS

Rotary

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

346' 3470' GR

22. APPROX. DATE WORK WILL START*

May 15, 2000

23. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE, SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|-----------------------|-----------------|---------------|----------------------------|
| 17 1/2" | H-40 13 3/8" | 48.0 | 1000' | 650 sx to circulate |
| 12 1/4" | K-55 9 5/8" | 40.0 | 5000' | 1450 sx to circulate |
| 8 3/4" | S-95 & P-110 7" | 26.0 | 11800' | 800 sx to TOC @ 6000' |
| 6 1/8" | S-95 4 1/2" | 13.5 | 14000' | 250 sx (circ to liner top) |

We propose to drill to a depth sufficient to test the Morrow formation for gas. If productive, a 4 1/2" liner will be run to TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program

Exhibit A - Operations Plan
Exhibit B - BOP and Choke Schematic 5-M
Exhibit B(A) - BOP and Choke Schematic 10-M
Exhibit C - Drilling Fluid Program
Exhibit D - Auxiliary Equipment

Exhibit E - Topo Map at Location
Exhibit F - Map Showing Existing Wells
Exhibit G - Well Site Layout
Surface Use and Operations Plan

Santa Fe Snyder Corp. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described above.

Bond Coverage: Blanket Bond

BLM Bond File No.: UT-0855

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 James P. Phil Stinson

TITLE Agent for Santa Fe Snyder Corp. DATE 4-17-2000

(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 land, water, or minerals to conduct operations thereon. CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

Assistant Field Manager,
Lands And Minerals

DATE

*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.

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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
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

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------------------------|---|--|
| API Number 30-025-35034 | Pool Code 70360/71920 | Pool Name Antelope Ridge (Atoka)/N. Bell Lake (Morrow) |
| Property Code 25899 | Property Name PALOMA BLANCO 17 FEDERAL | Well Number 2 |
| OGRID No. 20305 | Operator Name SANTA FE SNYDER CORPORATION | Elevation 3467 |

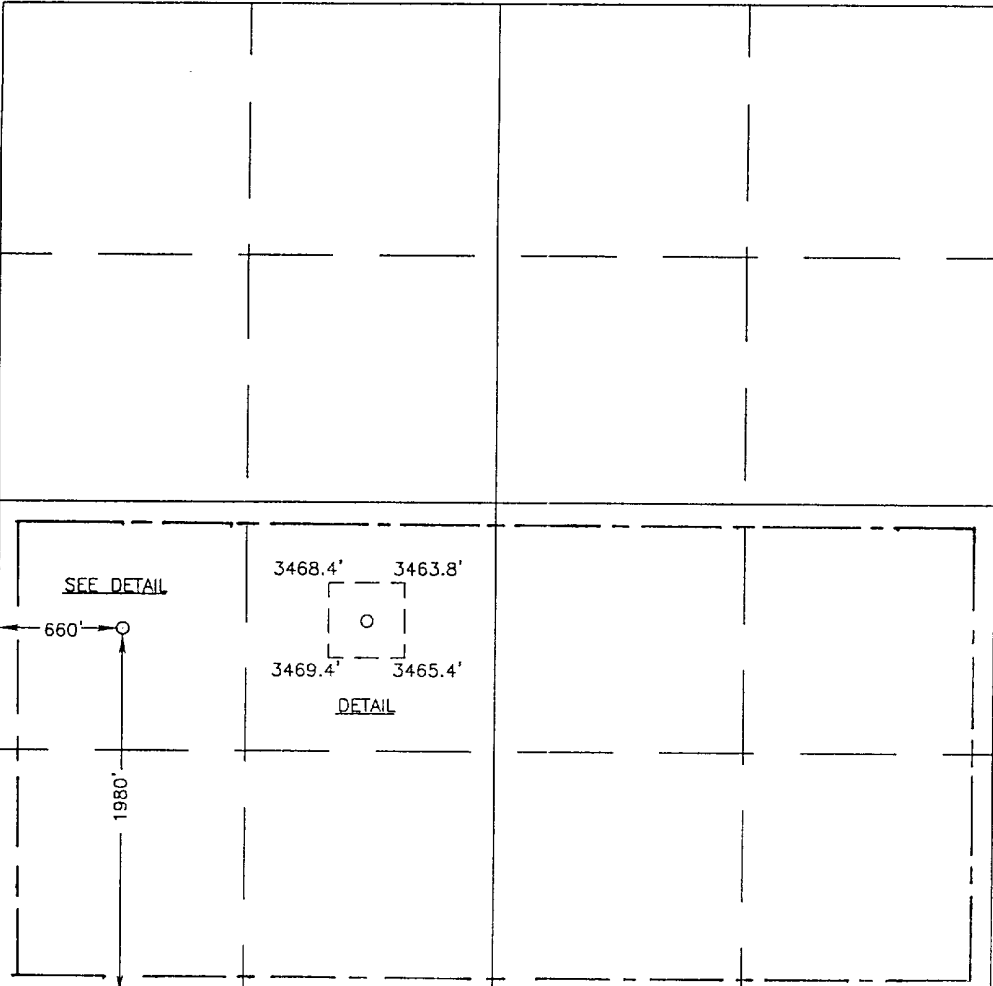
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| L | 17 | 23 S | 34 E | | 1980 | SOUTH | 660 | 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 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>James P. "Phil" Stinson</i> Signature</p> <p>James P. "Phil" Stinson Printed Name</p> <p>Agent for Santa Fe Snyder Title</p> <p>4-17-2000 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>APRIL 6, 2000</p> <p>Date Surveyed Signature of Surveyor Professional Surveyor</p> <p><i>Ronald J. Edson</i> Professional Surveyor</p> <p>APRIL 6, 2000</p> <p>Certificate No. RONALD J. EDSON 3239 TERRY EDSON 12641 DAVID MCDONALD 12185</p> |

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DRILLING PROGRAM

SANTA FE SNYDER CORP.

Paloma Blanco "17" Fed #2

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:**

| | |
|-------------|--------|
| Rustler | 1050' |
| Salt | 4454' |
| Delaware | 5000' |
| Bone Spring | 8600' |
| Wolfcamp | 10600' |
| Strawn | 11900' |
| Atoka | 12300' |
| Morrow | 12900' |
| Total Depth | 14000' |

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

| | |
|-------|-----------------------|
| Water | None expected in area |
| Oil | Bone Spring @ 9100' |
| Gas | Atoka @ 12300' |
| 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 11800'-14000'

Compensated Neutron/Litho-Density/Gamma Ray 5000'-11800' & 11800'-14000'

Compensated Neutron/Gamma Ray (thru csg) Surface-5000'

Coring: No conventional cores are planned.

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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 May 15, 2000. Once spudded, the drilling operation should be completed in approximately 50 days. If the well is productive, an additional 30 days will be required for completion and testing before permanent facilities are installed.

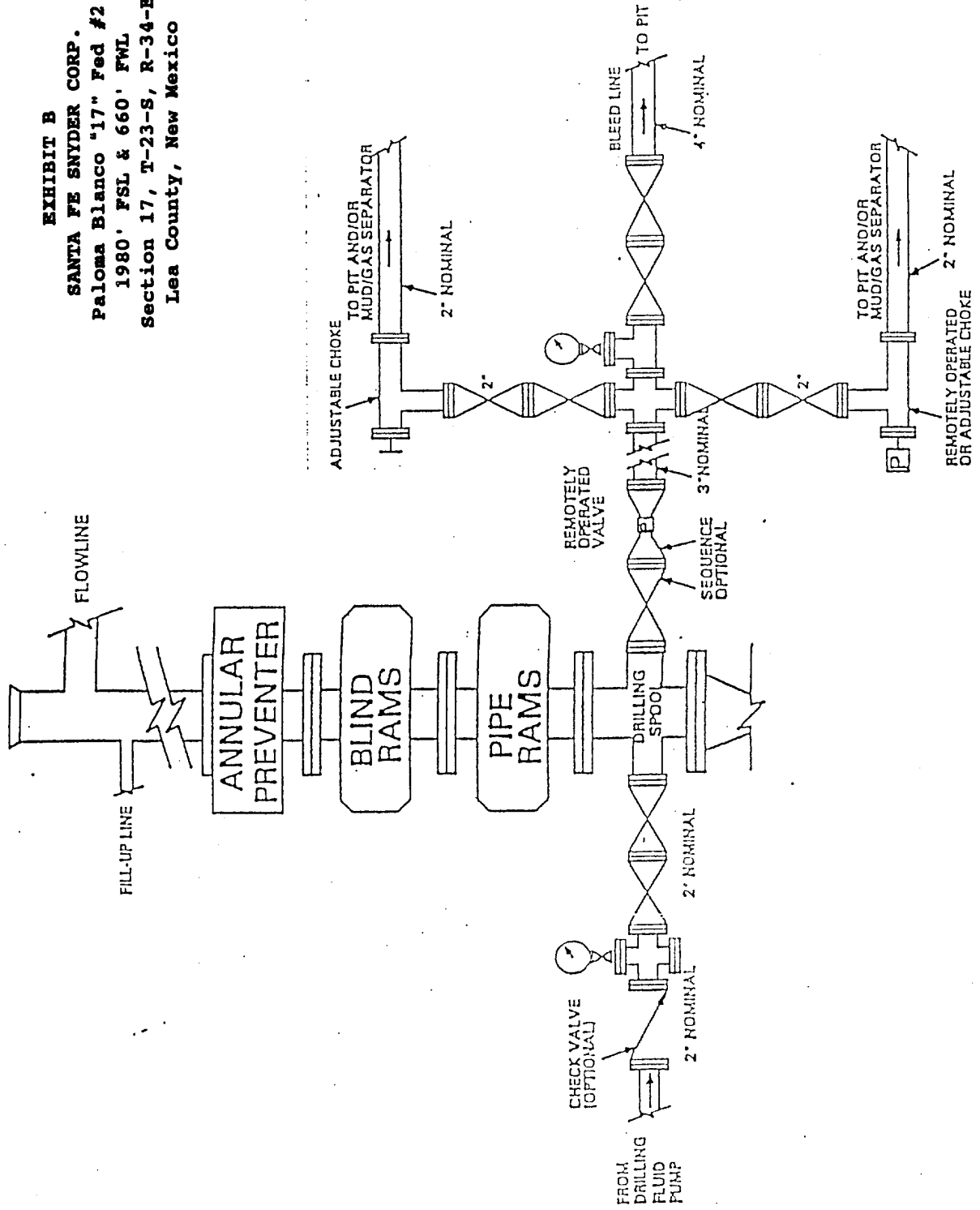
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EXHIBIT A
OPERATIONS PLAN
SANTA FE SNYDER CORP.
Paloma Blanco "17" Fed #2
Section 17, T-23-S, R-34-E
Lea County, New Mexico

1. Drill a 17 1/2" hole to approximately 1000'.
2. Run 13 3/8" 48.0 ppf H-40 ST&C casing. Cement with 450 sx 35/65 POZ w 6% gel & 1/4 pps Cello-Flake followed by 200 sx Class "C" cement containing 2% CaCl₂. Run centralizers on every other joint above the shoe. Apply thread lock to bottom two joints and guide 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 1200sx 50/50 POZ "C" w/ 10% gel 5% salt and 1/4 pps celloflake followed by 250 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 ±11800'. Run logs.
11. Run 11800' of 7" 26.0 ppf S-95 & P-110 LT&C casing set @ 11800'. 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 ±14000. Log. Run and cement a 4-1/2" 13.5 ppf S-95 flush joint liner from 11650'-14000'. Cement with 250 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.

PROPOSED 5-M BOPE AND CHOKE ARRANGEMENT

EXHIBIT B
SANTA FE SNYDER CORP.
 Paloma Blanco "17" Fed #2
 1980' FSL & 660' FWL
 Section 17, T-23-S, R-34-E
 Lea County, New Mexico



PROPOSED 10-M BOPE AND CHOKE ARRANGEMENT

EXHIBIT B (A)
SANTA FE SNYDER CORP.
 Paloma Blanco "17" Fed #2
 1980' FSL & 660' FWL
 Section 17, T-23-S, R-34-E
 Lea County, New Mexico

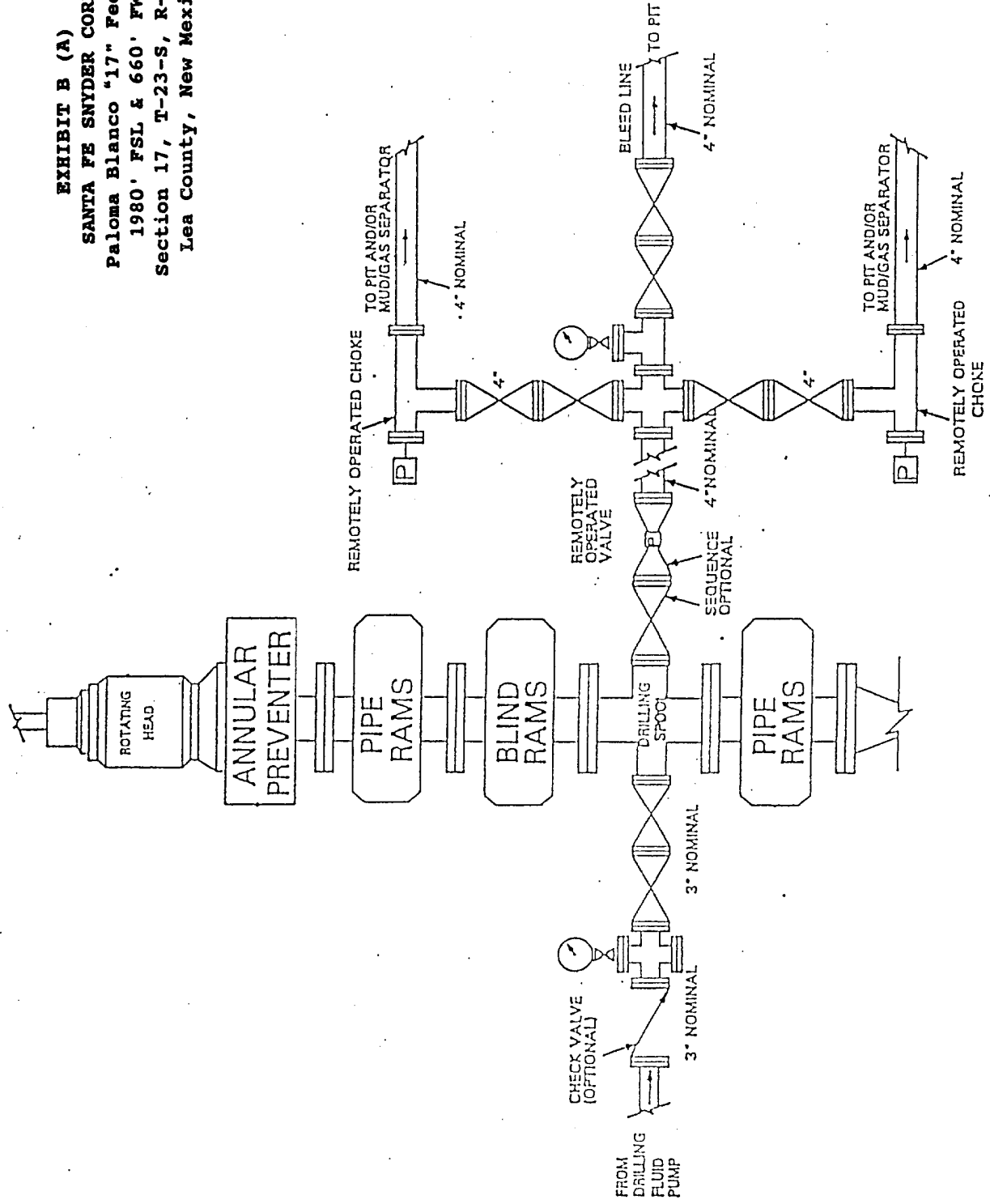


EXHIBIT C
DRILLING FLUID PROGRAM
SANTA FE SNYDER CORP.
Paloma Blanco "17" Fed #2
Section 17, T-23-S,R-34-E
Lea County, New Mexico

0 - 1000'

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.

1000' - 5000'

Drill out with brine water circulating the reserve pit. Utilize ground paper mixed in prehydrated fresh gel to sweep the hole. MW 10.0 ppg and Vis-28.

5000' - 11800'

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.

11800'-14000'

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.
Paloma Blanco "17" Fed #2
Section 17, T-23-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 | Three steel mud pits with lightning mixers. Two 6" x 8" centrifugal pumps each driven by a 75 HP electric motor |
| LIGHT PLANT | Two 320 KW AC generators each powered by a turbocharged diesel engine |
| BOP EQUIP. | 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. |

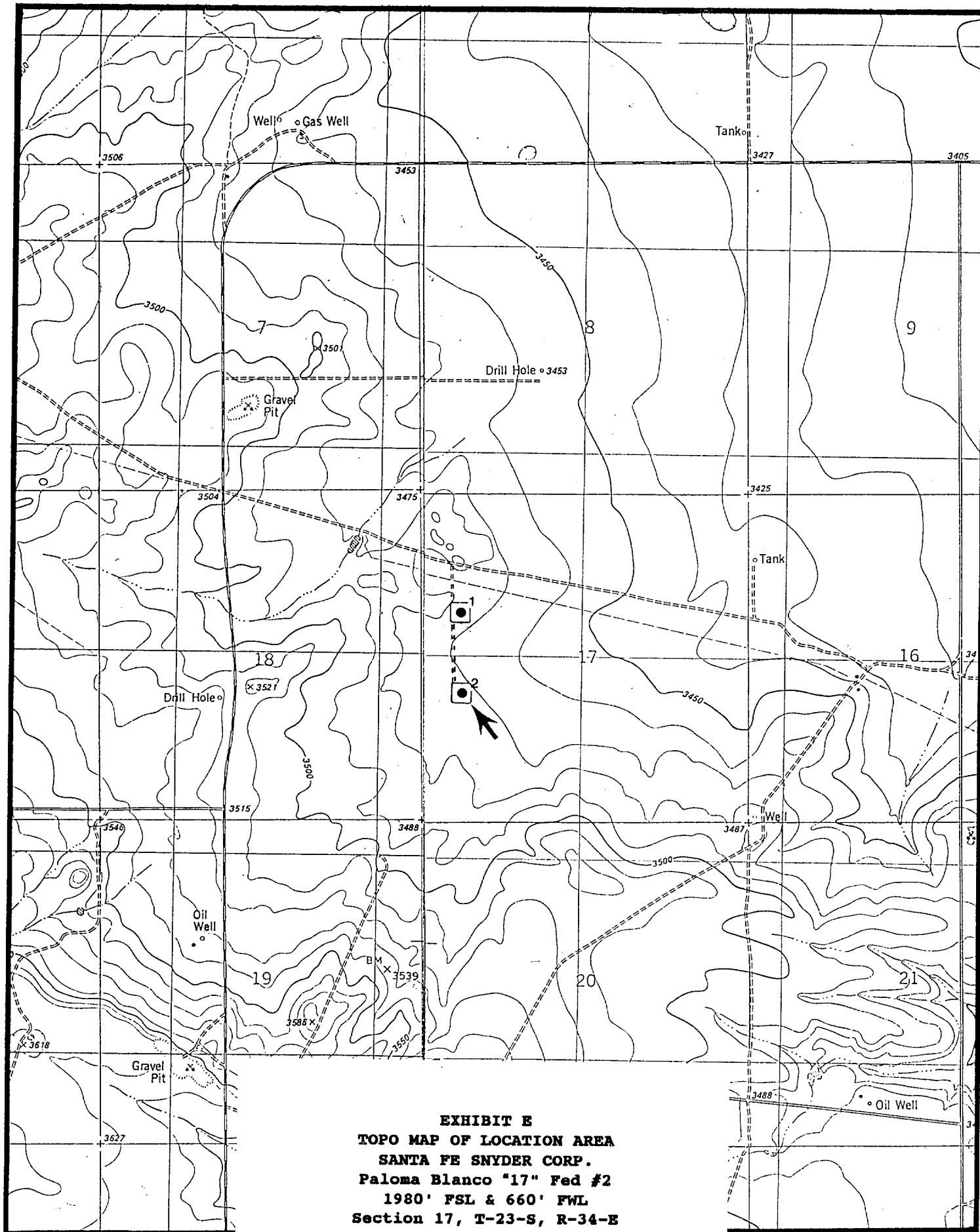
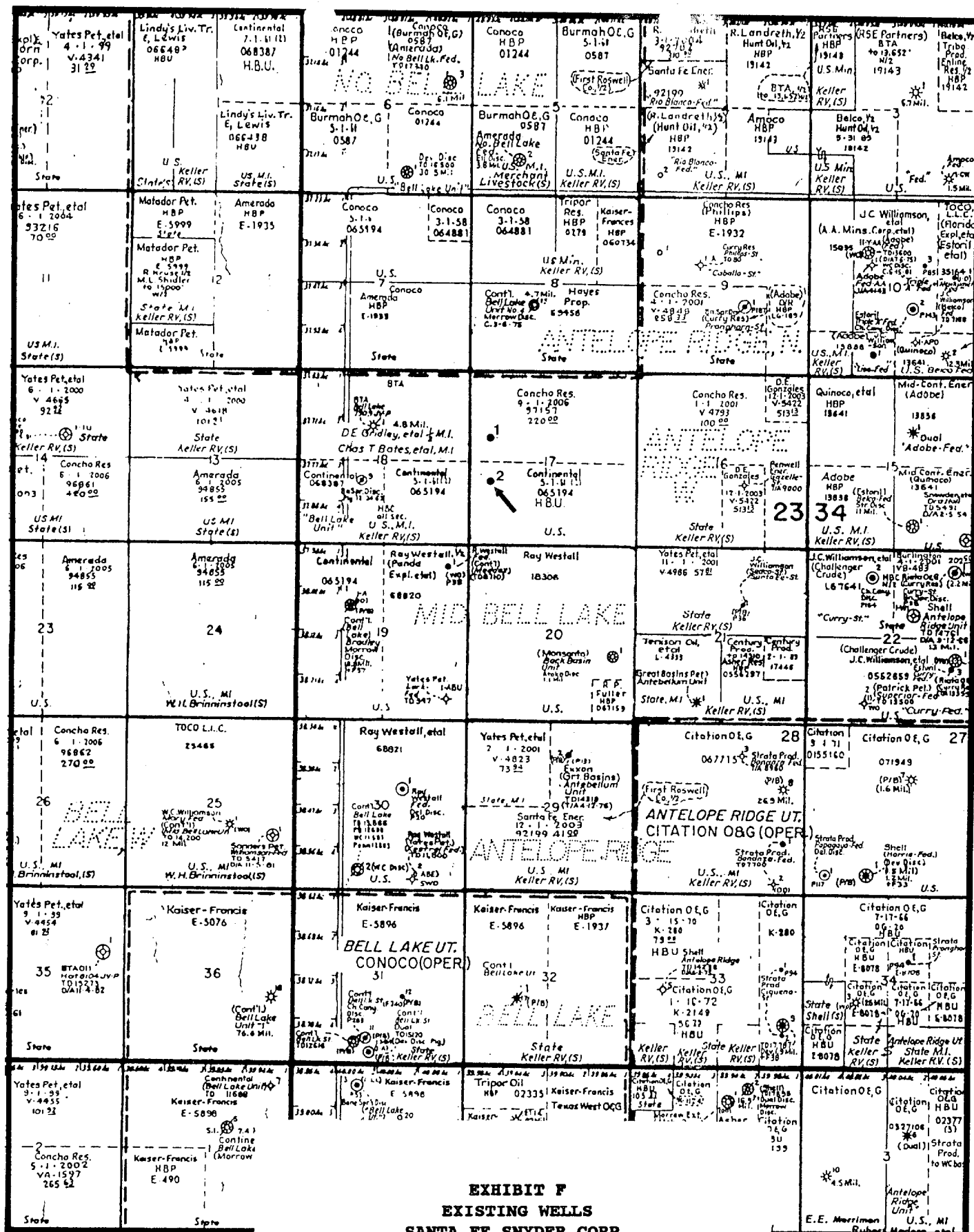


EXHIBIT E
TOPO MAP OF LOCATION AREA
SANTA FE SNYDER CORP.
Paloma Blanco "17" Fed #2
1980' FSL & 660' FWL
Section 17, T-23-S, R-34-E
Lea County, New Mexico



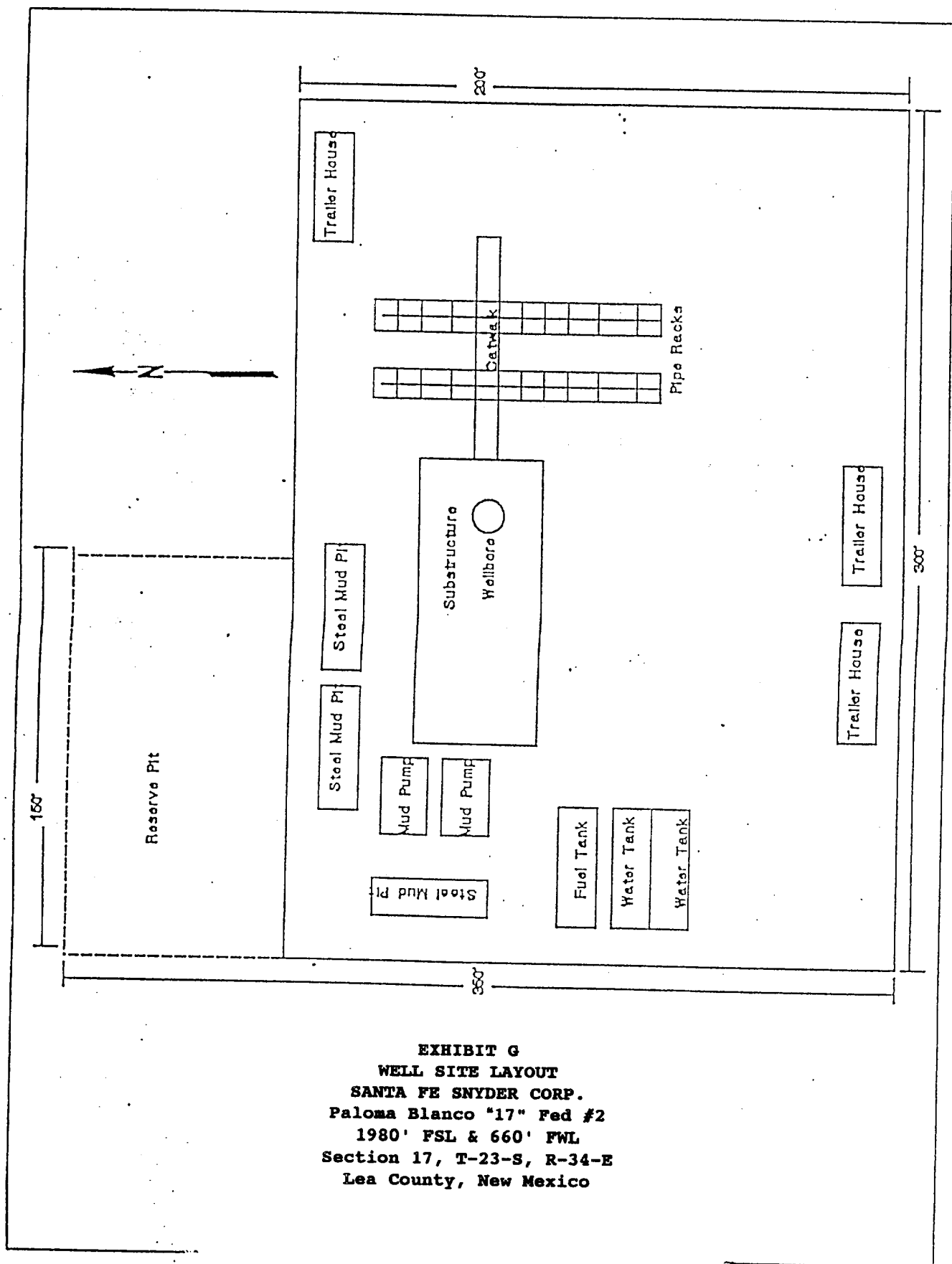


EXHIBIT G
WELL SITE LAYOUT
SANTA FE SNYDER CORP.
Paloma Blanco "17" Fed #2
1980' FSL & 660' FWL
Section 17, T-23-S, R-34-E
Lea County, New Mexico

SANTA FE SNYDER CORP.
MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Paloma Blanco "17" Fed #2
Section 17, T-23-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 7.5 miles and turn right (East) 0.7 miles and 0.3 mile South to the proposed location.

2. PLANNED ACCESS ROAD.

- A. Upgrade \pm 0.7 miles of existing road and build 0.3 mile of new road from County Road 21 to the proposed location.

3. 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 no producing gas wells on this lease at this time.
- B. In the event the well is productive, the necessary production equipment will be installed on the drilling pad.

5. 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.

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.

7. 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

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:

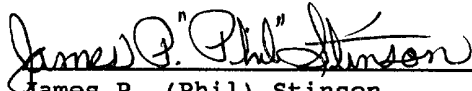
Michael R. Burton
Division Manager - Drilling
Santa Fe Snyder Corp.
550 W. Texas, Suite 1330
Midland, Texas 79701
915-686-6616 - office
915-556-7063 - cellular

Paloma Blanco "17" Fed #2
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 Snyder Corp. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which is approved.

SIGNED this 17th day of April, 2000


James P. (Phil) Stinson
Agent for Santa Fe Snyder Corp.