

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

POTASH

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

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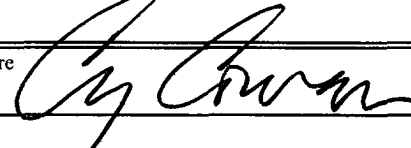

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-82904
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Yates Petroleum Corporation Sand Dunes, Delaware, South		7. If Unit or CA Agreement, Name and No.
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Adeline ALN Federal #4
3B. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-33940
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FNL and 1980' FWL, Unit C At proposed prod. Zone Same		10. Field and Pool, or Exploratory
14. Distance in miles and direction from nearest town or post office* Approximately 24 miles northeast of Loving, New Mexico.		11. Sec., T., R., M., or Blk, and Survey or Area Section 6, T24S-R31E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 640	17. Spacing Unit dedicated to this well 40 NE/NW
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 8200'	20. BLM/BIA Bond No. on file 585997
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3401' GR	22. Approximate date work will start* ASAP	23. Estimated duration 35 days
24. Attachments CARLSBAD CONTROLLED WATER BASIN		

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

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

25. Signature 	Name (Printed/Typed) Cy Cowan	Date 12/24/03
Title: Regulatory Agent/Land Department		
Approved by (Signature) 	Name (Printed/Typed) Ron Dutton	Date JAN 28 2005
Title ACTING STATE DIRECTOR	Office NM STATE OFFICE	

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, 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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Witness Surface &
Intermediate Casing

District I
1625 N. French Dr., Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

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

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015-32192	² Pool Code	³ Pool Name Wildcat Delaware
⁴ Property Code	⁵ Property Name ADELINE ALN FEDERAL	⁶ Well Number 4
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3401'

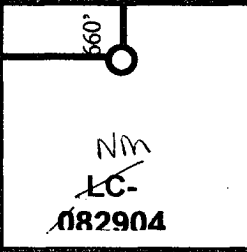
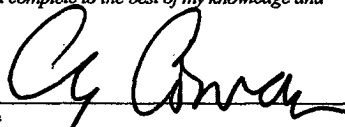
¹⁰ **Surface Location**

UL or lot no. C	Section 6	Township 24S	Range 31E	Lot Idn	Feet from the 660	North/South line North	Feet from the 1980	East/West line West	County Eddy
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¹¹ **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
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

¹⁶ 1980'				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Cy Cowan Printed Name Regulatory Agent Title 12/24/2003 Date
				¹⁸ 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. REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor: Certificate Number

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

OIL CONSERVATION DIVISION

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

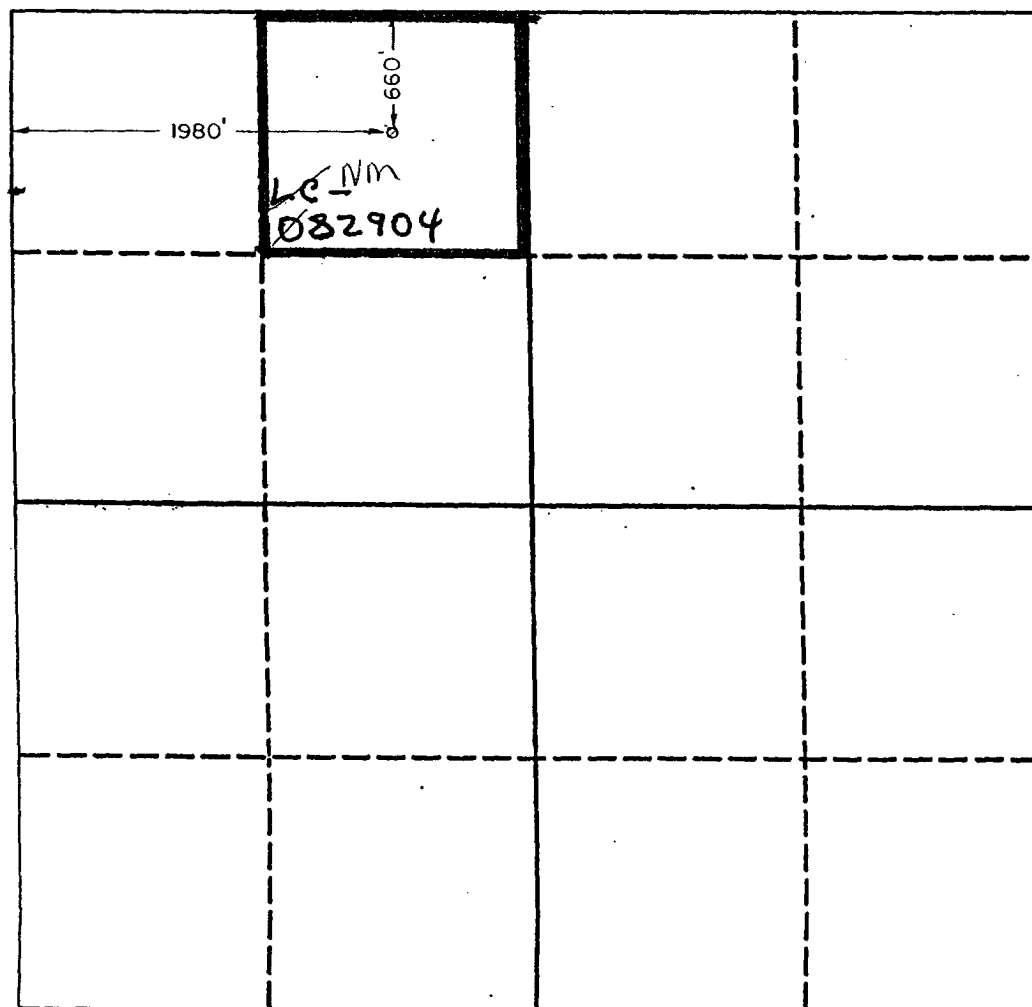
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease ADELINE "ALN" FEDERAL		Well No. 4
Unit Letter C	Section 6	Township 24 SOUTH	Range 31 EAST	County NMPM	EDDY
Actual Footage Location of Well: 660 feet from the NORTH line and 1980 feet from the WEST line					
Ground level Elev. 3401	Producing Formation Delaware		Pool Wildcat Delaware	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary).
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature *Cy Cowan*

Printed Name Cy Cowan

Position Permit Agent

Company Yates Petroleum Corporation

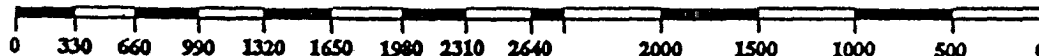
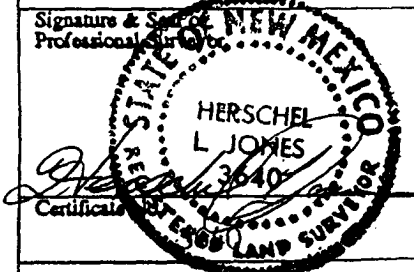
Date October 31, 2001

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes, actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed 7/23/92

Signature & Seal of Professional Surveyor



YATES PETROLEUM CORPORATION

Adeline "ALN" Federal #4

660' FNL & 1980' FWL

Sec. 6-T24S-R31-E

Eddy County, New Mexico

1. The estimated tops of geologic markers are as follows:

Rustler	477'
Top of Salt	863'
Base of Salt	3932'
Bell Canyon	4150'
Cherry Canyon	5129'
Brushy Canyon	6810'
Bone Spring Lime	8010'
TD	8200'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Approx 150'
Oil or Gas: Brushy Canyon 5129' and Bone Spring 8010'

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

	<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
WITNESS	17 1/2"	13 3/8"	48#	H-40	ST&C	0-750' ^{890'}	750' ^{890'}
WITNESS	11"	8 5/8"	32#	J-55	ST&C	0-4100'	4100'
	7 7/8"	5 1/2"	17#	J-55	LT&C	0-100'	100'
	7 7/8"	5 1/2"	15.5#	J-55	LT&C	100'-6800'	6700'
	7 7/8"	5 1/2"	17#	J-55	LT&C	6800'-8200'	1400'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 1.8

B. CEMENTING PROGRAM:

Surface casing: 450 sx Lite (YLD 1.96 WT.12.6) Tail in w/ 200 sx Class "C" + 2% CaCl₂ WITNESS (YLD 1.34 WT 14.8).

Intermediate Casing: 1000 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 250 sx "C" w/ 2% CaCl₂ WITNESS (YLD 1.34 WT. 14.8)

Production Casing: (TOC=3700') Stage I; 450 sx Super "H" (YLD 1.67 WT. 13.0). Tail in with 50 sx Thixotropic (Yld. 1.4 Wt 14.4) Stage II: Lead w/350 sx Lite (YLD 2.0 WT 12.0) Tail in w/ 50 sx Super "H" (Yld 1.67 Wt 13.0). DV tool at 6500'.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-750' ^{8910'}	FW/Native Mud	8.6-9.2	28-36	N/C
^{8910'} 750'-4100'	Brine	10.0-10.2	28	N/C
4100'-6800'	Cut Brine	8.6-9.1	28	N/C
6800'-8200'	Cut Brine/Starch	8.6-9.1	28-32	<15cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10 samples out from under surface casing.

Logging: CNL/LDT TD to casing; GR w/CNL to Surface; DLL x/RXO TD to casing.

Coring: None Anticipated.

DST's: As warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From: O	TO: 750'	Anticipated Max.	BHP: 500	PSI
From: 750'	TO: 4100'	Anticipated Max.	BHP: 1790	PSI
From: 4100'	TO: 8200'	Anticipated Max.	BHP: 4100	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 198 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Adeline "ALN" Federal #4

660' FNL & 1980' FWL

Sec. 6-T24S-R31-E

Eddy 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 the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 24 miles northwest of Loving, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Carlsbad on Highway 285 to Highway 31. Go east on Highway 31 to Highway 128 (Jal Highway). Go approximately 12 miles to County Road 787 (Twin Wells Road). Turn South and go approximately 4 miles. The new road will start here going west to the well location.

2. PLANNED ACCESS ROAD.

- A. The proposed new access will be approximately 0.2 of a mile in length from the point of origin to the northeast corner of the drilling pad. The road will lie in an east to west direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts may be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The fresh water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction.

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 collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: Amend the surface use plan to include the following, one 3" SDR Poly surface flow line from this well. Flow line will follow access road to pipeline ROW. NM-94388 then north. One (1) three phase 640 volt raptor proof power line from this well to the Adeline ALN Federal Com. #15 to follow access road due east.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined and will face to the south.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION

- 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 cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal surface, Administered by the Bureau of Land Management, Carlsbad, New Mexico.

Adeline ALN Federal #4

8. Continued:

ANCILLARY FACILITIES: Amend the surface use plan to include the following, one 3" SDR Poly surface flowline and one (1) three phase 640 volt raptor proof powerline

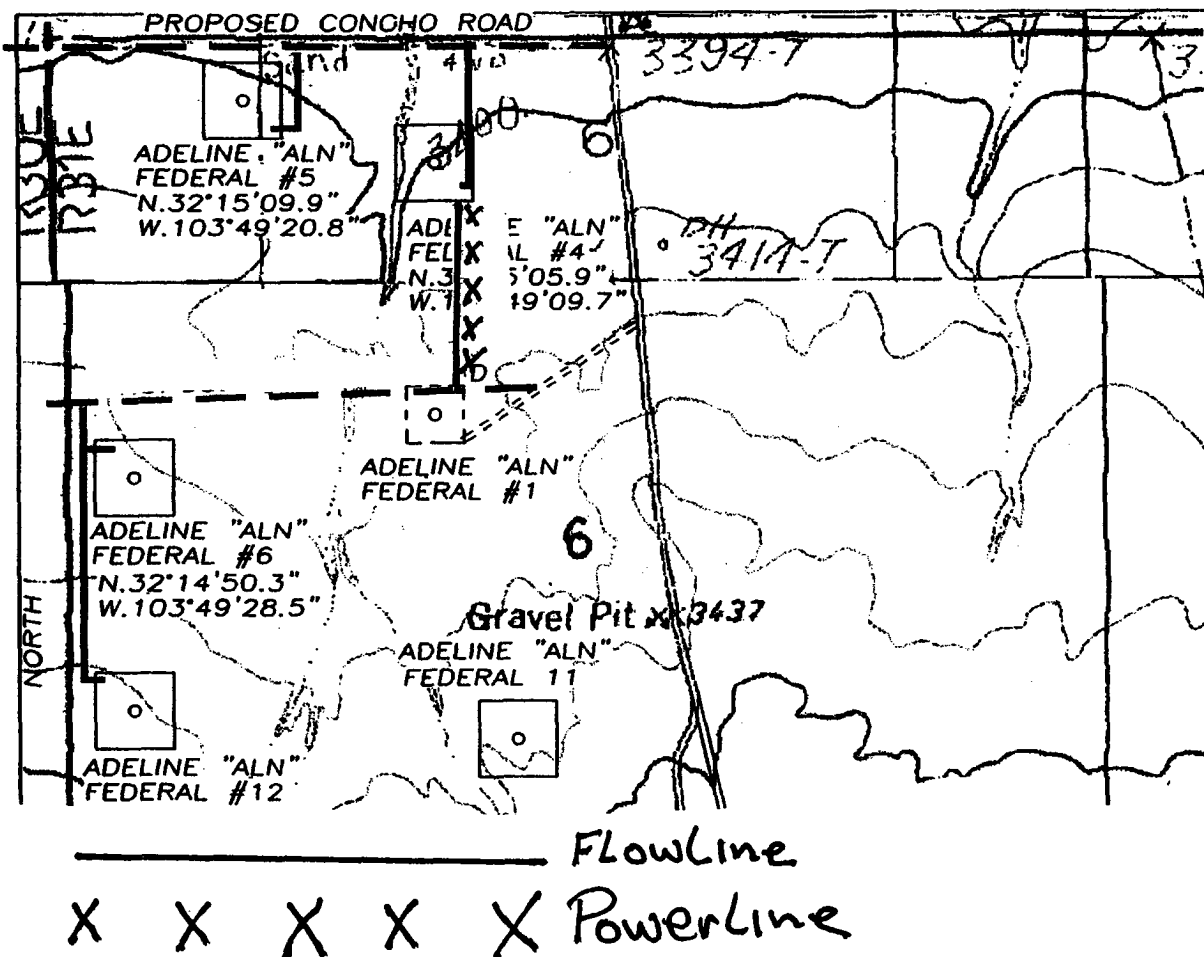
The surface flowline being one (1) 3" SDR poly waterline with a working pressure of 100# and a volume of 300 BPD will be laid from the southeast corner of the Adeline ALN Federal #4 going to the south for approximately 1000' to the northeast corner of the Adeline ALN Federal #1 Battery.

The powerline will be a 640 volt three phase raptor proof powerline constructed going south from the southeast corner of the Adeline ALN Federal #4 for approximately 1000' to the northeast corner of the Adeline ALN Federal #1 The powerline will be connected to the existing powerline at the Adeline ALN Federal #1 Battery.

The powerline and flowline will be constructed side by side.

NOTE PLAT BELOW:

SECTION 6, TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE

- A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

- B. Through Drilling Operations,
Completions and Production:

Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

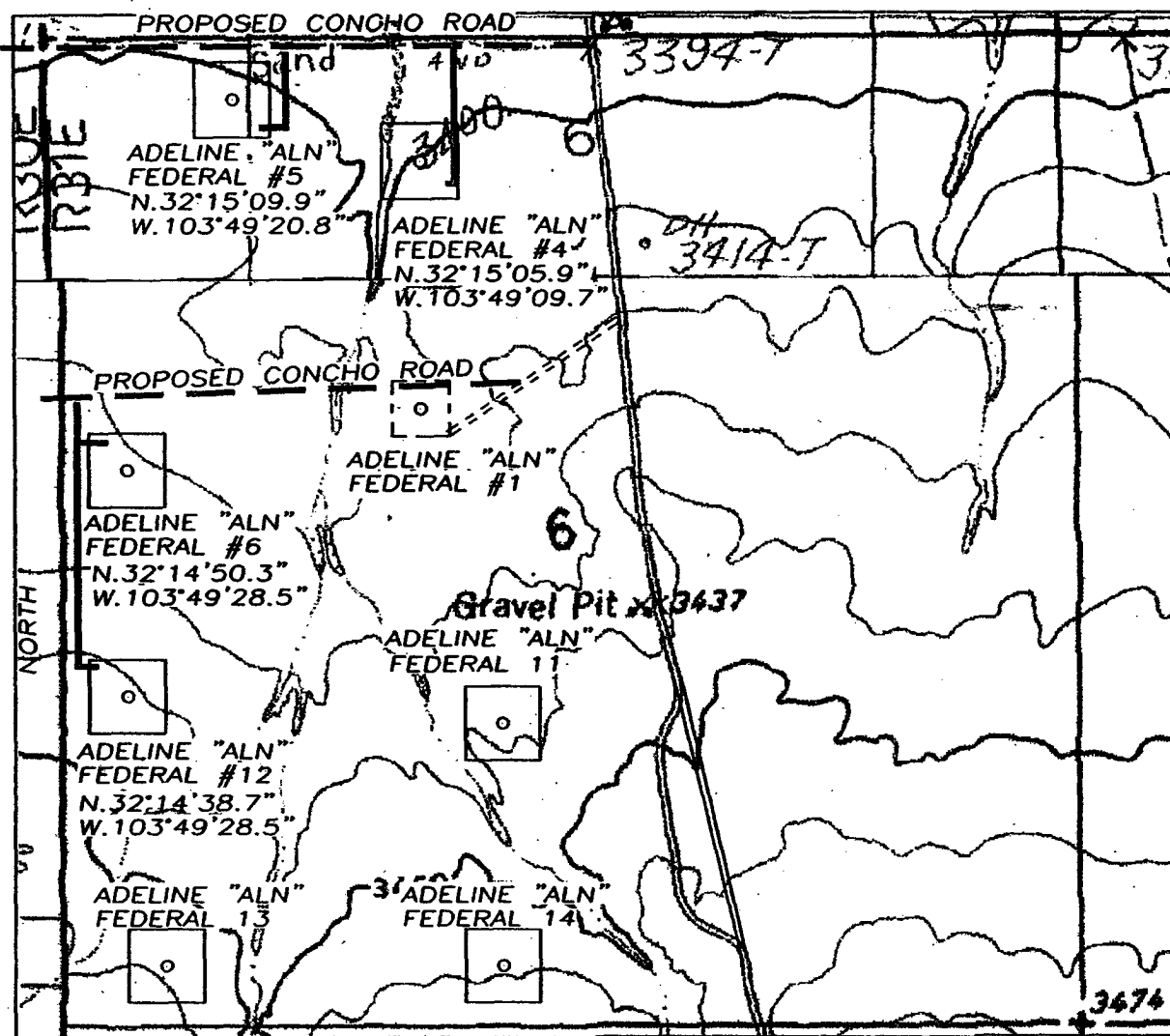
14. CERTIFICATION:

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 Yates Petroleum Corporation and its contractors and subcontractors 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.

12/24/03


Regulatory Agent

SECTION 6, TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



Yates Petroleum Corporation
 105 SOUTH 4th STREET
 ARTESIA, NEW MEXICO 88210

Adeline ALN Federal #4
 660' FNL and 1980' FWL
 Section 6, T21S-R31E
 Eddy County, New Mexico
 NM-82904

1000' 0 1000' 2000'
 Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR AND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

3640
 HERSCHEL L. JONES, P.E. No. 3640

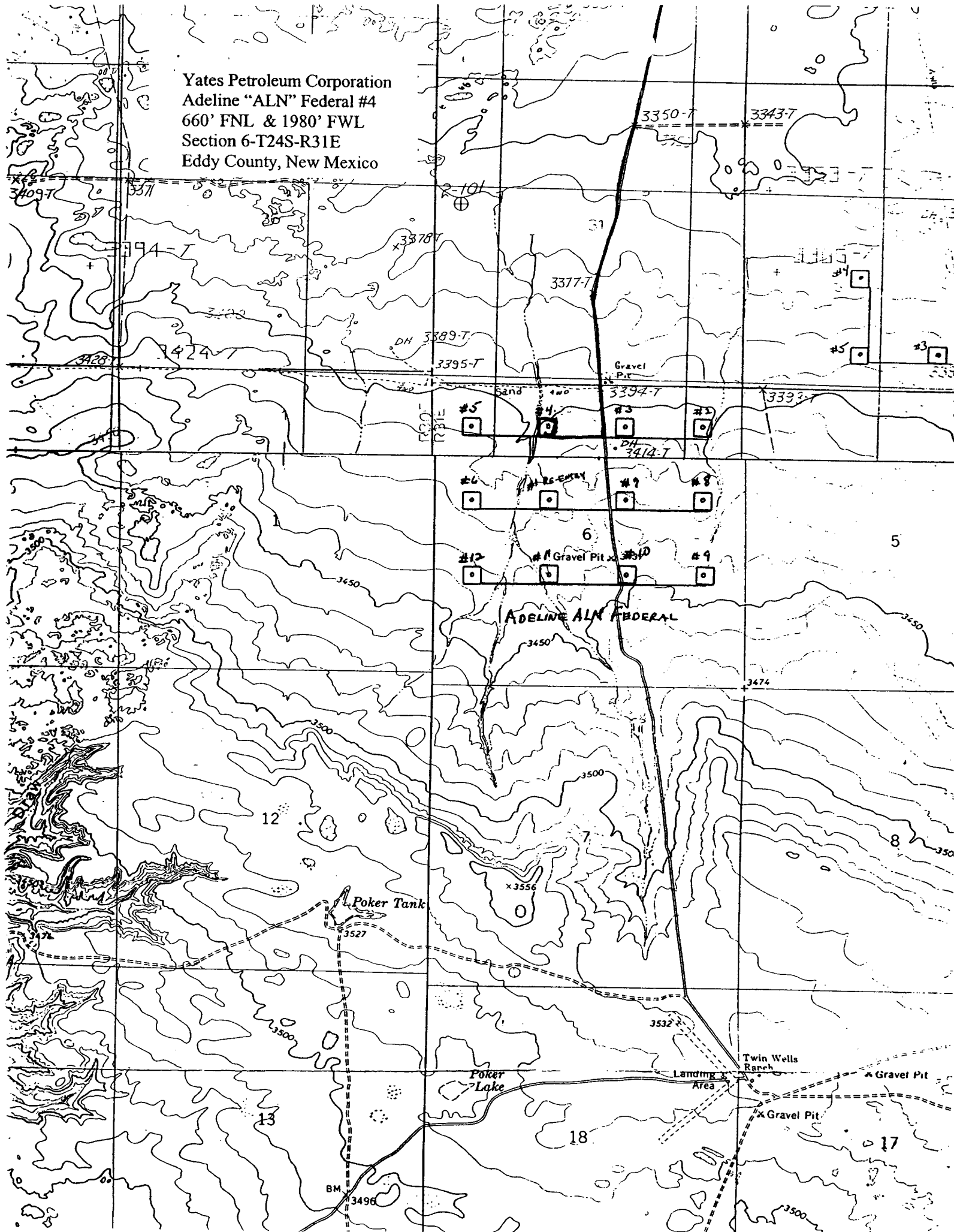
GENERAL SURVEYING COMPANY P.O. BOX 1928
 LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES ADELINE
 "ALN" FEDERAL #4, 5, 6, & 12 WELLS LOCATED
 IN SECTION 6, TOWNSHIP 24 SOUTH, RANGE 31
 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/02/2001	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/02/01	Scale 1" = 1000' ADELINE

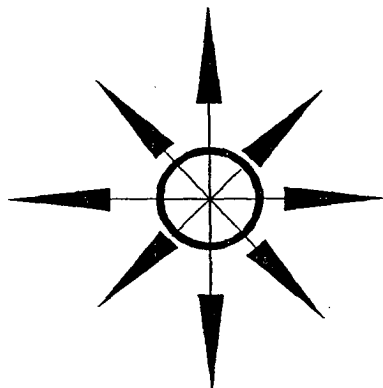
Yates Petroleum Corporation
Adeline "ALN" Federal #4
660' FNL & 1980' FWL
Section 6-T24S-R31E
Eddy County, New Mexico



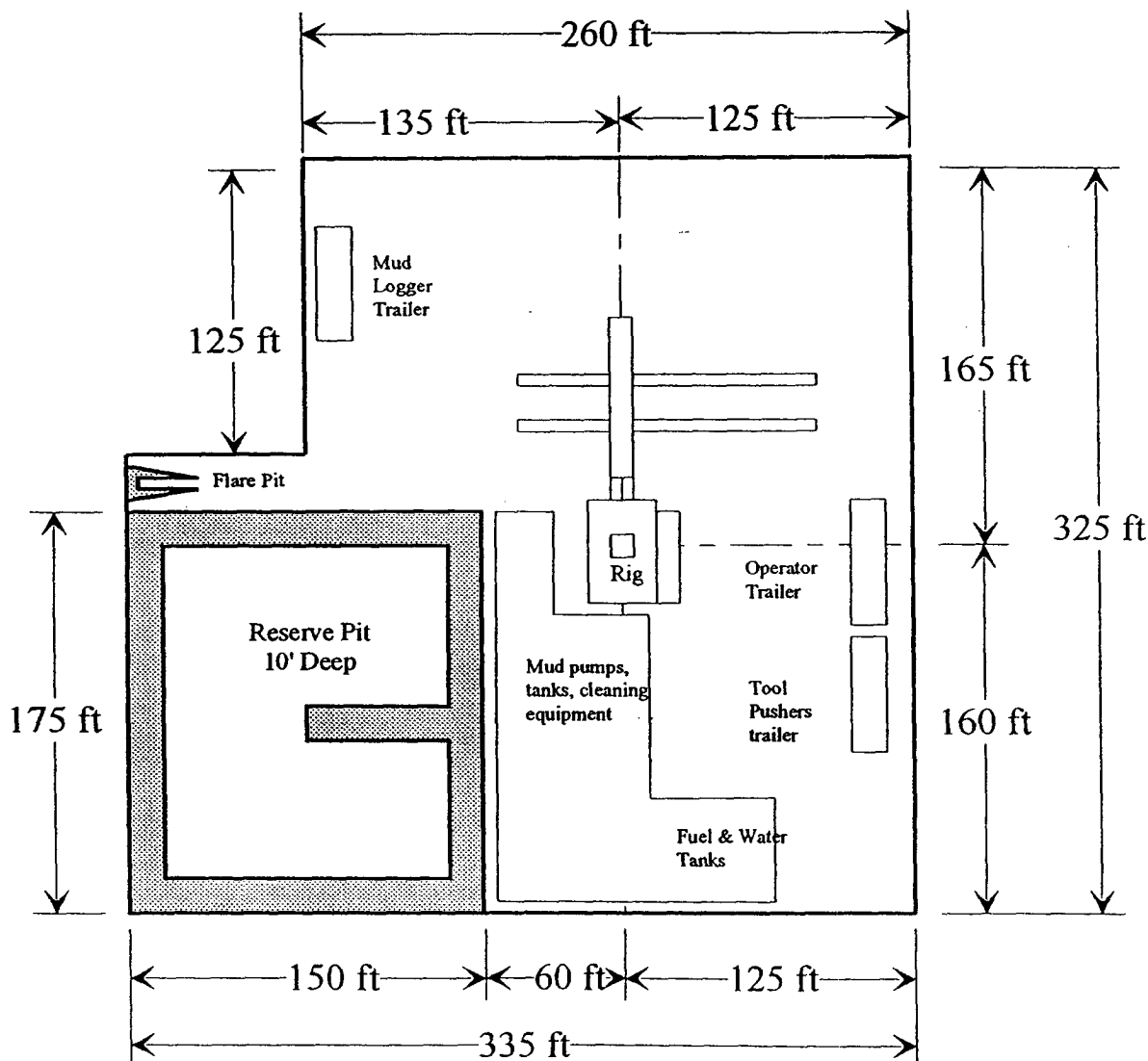
Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

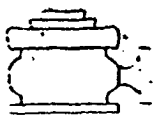


Yates Petroleum Corporation
Adeline "ALN" Federal #4
660' FNL & 1980' FWL
Section 6-T24S-R31E
Eddy County, New Mexico



Distance from Well Head to Reserve Pit will vary between rigs

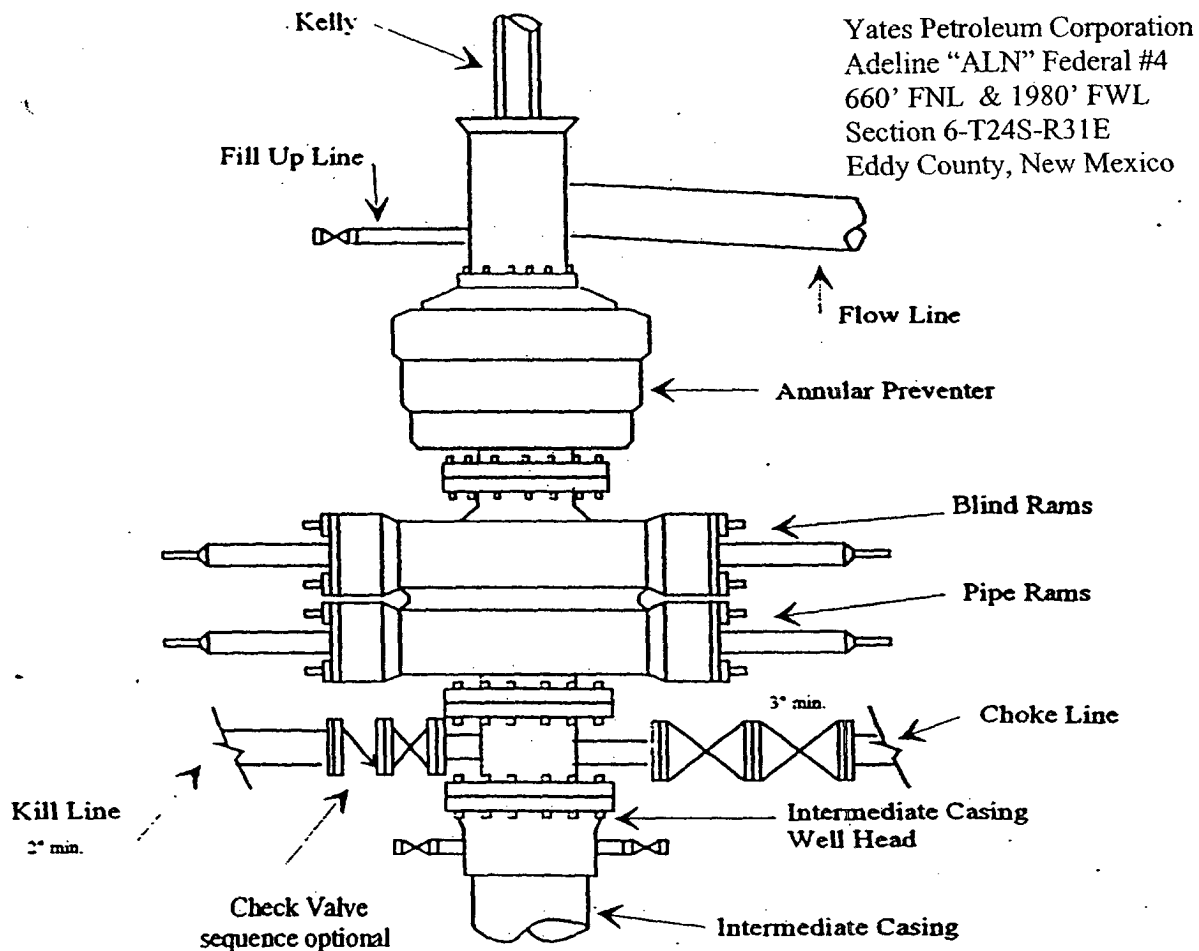
The above dimension should be a maximum



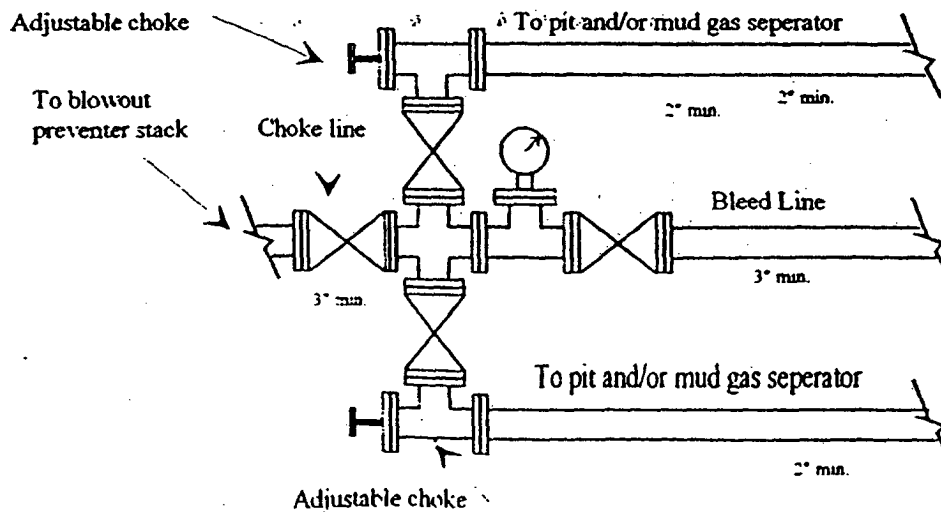
Yates Petroleum Corporation

BOP-3

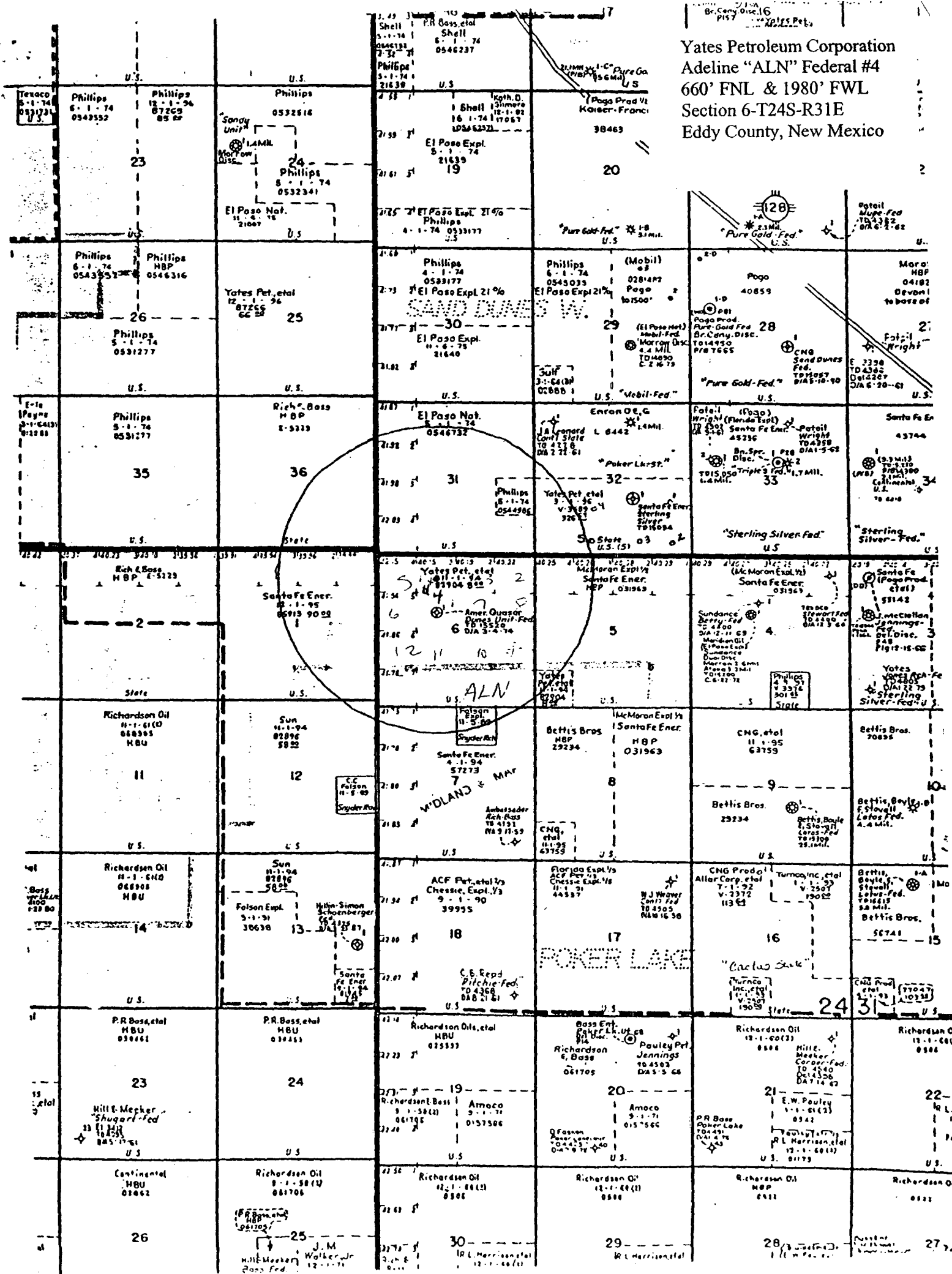
Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



Typical 3,000 psi choke manifold assembly with at least these minimum features



Yates Petroleum Corporation
Adeline "ALN" Federal #4
660' FNL & 1980' FWL
Section 6-T24S-R31E
Eddy County, New Mexico



CONDITIONS OF APPROVAL - DRILLING

*Bryan
Arvant
748-9780*

Operator's Name: Yates Petroleum Corporation
Well Name & No. Adeline ALN Federal #4
Location: 660' FNL, 1980' FWL, Section 8, T. 24 S., R. 31 E., Eddy County, New Mexico
Lease: NM-82904

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 890 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is to be circulated to the surface.

4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.