

UNITED STATES **OCD-ARTESIA**
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
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. NMNM70333	
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 CONOCOPHILLIPS Contact: DEBORAH MARBERRY @ conocophillips.com		7. If Unit or CA Agreement, Name and No.	
3. P O BOX 2197 WL3 #6108 HOUSTON TX 77252-2197		8. Lease Name and Well No. PEAKVIEW FEDERAL 3	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface NESE 2250FSL 1175FEL R-111-POTASH At proposed prod. zone		9. API Well No. 30-015-34196	
14. Distance in miles and direction from nearest town or post office*		10. Field and Pool, or Exploratory DELAWARE	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		11. Sec., T., R., M., or Blk. and Survey or Area Sec 35 T21S R30E Mer NMP	
16. No. of Acres in Lease MAY 06 2005 OCD-ARTESIA		12. County or Parish EDDY	
17. Spacing Unit dedicated to this well 40.00		13. State NM	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 7800 MD	
20. BLM/BIA Bond No. on file		21. Elevations (Show whether DF, KB, RT, GL, etc. 3238 GL	
22. Approximate date work will start 10/31/2004		23. Estimated duration	

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 officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) DEBORAH MARBERRY	Date 07/13/2004
Title CONTRACTS		
Approved by (Signature) /s/ Jesse J. Juen	Name (Printed/Typed) /s/ Jesse J. Juen	Date MAY - 2 2005
Title ACTING STATE DIRECTOR		Office NM STATE OFFICE

Application approval does not warrant or certify 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.

Additional Operator Remarks (see next page)

Electronic Submission #28873 verified by the BLM Well Information System
For CONOCOPHILLIPS, sent to the Carlsbad
Committed to AFMSS for processing by LINDA ASKWIG on 07/15/2004 (04LA0546AE)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

NSL-5083

5-17 29.5

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

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

WELL API NO.

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name
PEAKVIEW FEDERAL

8. Well Number 3

9. OGRID Number 217817

10. Pool name or Wildcat
CABIN LAKE DELAWARE

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

RECEIVED

2. Name of Operator

CONOCOPHILLIPS CO.

JUN 23 2005

3. Address of Operator P.O. BOX 2197 WL3 6108
HOUSTON, TX 77252

OCD-AMT-EDM

4. Well Location

Unit Letter I : 2340 feet from the SOUTH line and 1325 feet from the EAST line
Section 35 Township 21S Range 30E NMPM County EDDY COUNTY11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3238 GLPit or Below-grade Tank Application ☐ or Closure ☐

Pit type drill Depth to Groundwater 100-2000 Distance from nearest fresh water well >1000 Distance from nearest surface water >1000

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: pit construction

☒

OTHER:

☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

ConocoPhillips proposes to construct a lined (12 mil) drill pit as per the NMOCD guidelines. We anticipate closure as per the guidelines.

AS A CONDITION OF APPROVAL, A DETAILED CLOSURE PLAN
MUST BE APPROVED BEFORE CLOSURE MAY COMMENCE.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE

Deborah Marberry

TITLE REGULATORY ANALYST

DATE 06/20/2005

Type or print name DEBORAH MARBERRY
For State Use Only

E-mail address: deborah.marberry@conocophillips.com Telephone No. (832) 486-2326

APPROVED BY:

LH

TITLE

Wild Dog PD

JUN 30 2005

Conditions of Approval (if any):

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
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 8435	Pool Name Cabin Lake (Delaware)
Property Code 31137	Property Name PEAKVIEW FEDERAL	Well Number 3
OGRID No. 217817	Operator Name ConocoPhillips	Elevation 3238'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	35	21 S	30 E		2250	SOUTH	1175	EAST	EDDY

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.
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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 information contained herein is true and complete to the best of my knowledge and belief. Signature Deborah Marberry Printed Name Regulatory Analyst Title 03/09/2004 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. FEBRUARY 10 2004 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. 3899 Jones 7977
	BASIN SURVEYS

PROJECT PROPOSAL - New Drill / Sidetrack

PEAKVIEW FEDERAL 3

Lease:		AFE #:		AFE \$:	
Field Name: CABIN LAKE		Rig:	State: NM	County: EDDY	API #:
Geoscientist: Wilke, Nathan A.		Phone: 832 486 2367	Prod. Engineer: Lowder, Jack T		Phone: 432-368-1609
Res. Engineer: Lowe, Robert		Phone: 832-486-2145	Proj. Field Lead: Deen, Larry E.		Phone: 8-676-5555

Zone	Zone Name
R45324	DELAWARE (R45324)

Latitude: 32.43	Longitude: -103.85	X:	Y:	Section: 35	Range: 30E
Footage X: 1175 FEL	Footage Y: 2250 FSL	Elevation: 3238	(FT)	Township: 21S	
Tolerance: 100					

Location Type: Year Round Start Date (Est.): 08/18/2004 Completion Date: 07/10/2004 Date In Operation: 08/18/2004

Formation Data: Assume KB = 3230 Units = FT

Formation Call & Casing Points	Depth (TVD in Ft)	SS (Ft)	Depletion (Yes/No)	BHP (PSIG)	BHT	Remarks
RUSTLER	200	3030	<input type="checkbox"/>	85		
SALADO	530	2700	<input type="checkbox"/>	230		
CASTILLE	3320	-90	<input type="checkbox"/>	1440		
BELL CANYON	3700	-470	<input checked="" type="checkbox"/>	1500		
CHERRY CANYON	4430	-1200	<input checked="" type="checkbox"/>	1500		
BRUSHY CANYON	5800	-2570	<input checked="" type="checkbox"/>	900		
BONE SPRING	7400	-4170	<input type="checkbox"/>	3200		
Total Depth	7800	-4570	<input type="checkbox"/>	3400	125	

Reference Type	Well Name	Comments
Intermediate	Peakview Fed #1	

Intermediate Logs: ☐ Log only if show ☐ GR/ILD ☐ Triple Combo

TD Logs: ☒ Triple Combo ☐ Dipmeter ☐ RFT ☒ Sonic ☐ VSP ☐ TDT ☒ Other Mud Log

Additional Information:

Comments: General/Work Description - New D&E to develop the Peakview Channel sand in the Delaware Sands. This well is contingent on the outcome of the Peakview #2 well to be drilled in April, 2004.

Peakview Federal #3

Surface Casing

Surface Casing				0 - 400 ft		
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn.	Conn OD (in)
13.2375	48.00	12.715	12.559	J-55	ST&C	9.625
Collapse (psi)	Burst (psi)	Tensile - Conn (K-lbs)			PSI Test (psi)	Rating
690	1620	215				PPCO
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
2420		3220		4030		

Interval (ft)	0-400	
Spacer	40 bbls FW	
Slurry	Lead	Tail
Composition	Class C + 2% S1 + 0.25 pps D29	
Density (ppg)	14.8	
Yield (ft ³ / cu)	1.34	
Sacks	805 (300% excess)	
Max Water (gals)	6.29	
Thick Time (hrs:min)	4:15	
Comp Strength (psi)	12 hrs = 604 psi, 72 hrs = 1250 psi	
Free Water (%)	0.2% (0.5 ml/250 ml)	
Fluid Loss (cc)	806	

WITNESS

Peakview Federal #3

Intermediate Casing

Intermediate Casing				0 - 3500 ft		
O.D. (in)	Weight (ppf)	I.D. (in)	Wall (in)	Grade	Conn	Conn OD (in)
8.625	24.00	8.097	7.972	J-55	ST&C	9.625
Collapse (psi)	Burst (psi)	Tensile - Conn (K-lbs)			PSI Test (psi)	Rating
1290	2760	163				PPCO
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
1830		2440		3050		

Interval (ft)	0 - 3000	3000 - 3500
Spec	40 bbls FW	
Slurry	Lead	Tail
Composition	35:65 Poz:Class C + 5% D44 (bwow) + 6% D20 + 0.25 pps D29 + 0.2% D46	Class C + 0.25 pps D29 + 0.2% D46
Density (ppg)	12.4	14.8
Yield (lb/cu yd)	2.15	1.33
Sacks (bbl)	1085 (100% excess)	320 (100% excess)
Max Water (gal)	11.99	6.35
Thick Time (min)		
Comp Strength (psi)		
Flow Rate (gpm)		
Fluid Loss (cc)		

D44 = Salt, D20 = Gel, D29 = LCM, D46 = Anti-foam

Peakview Federal #3

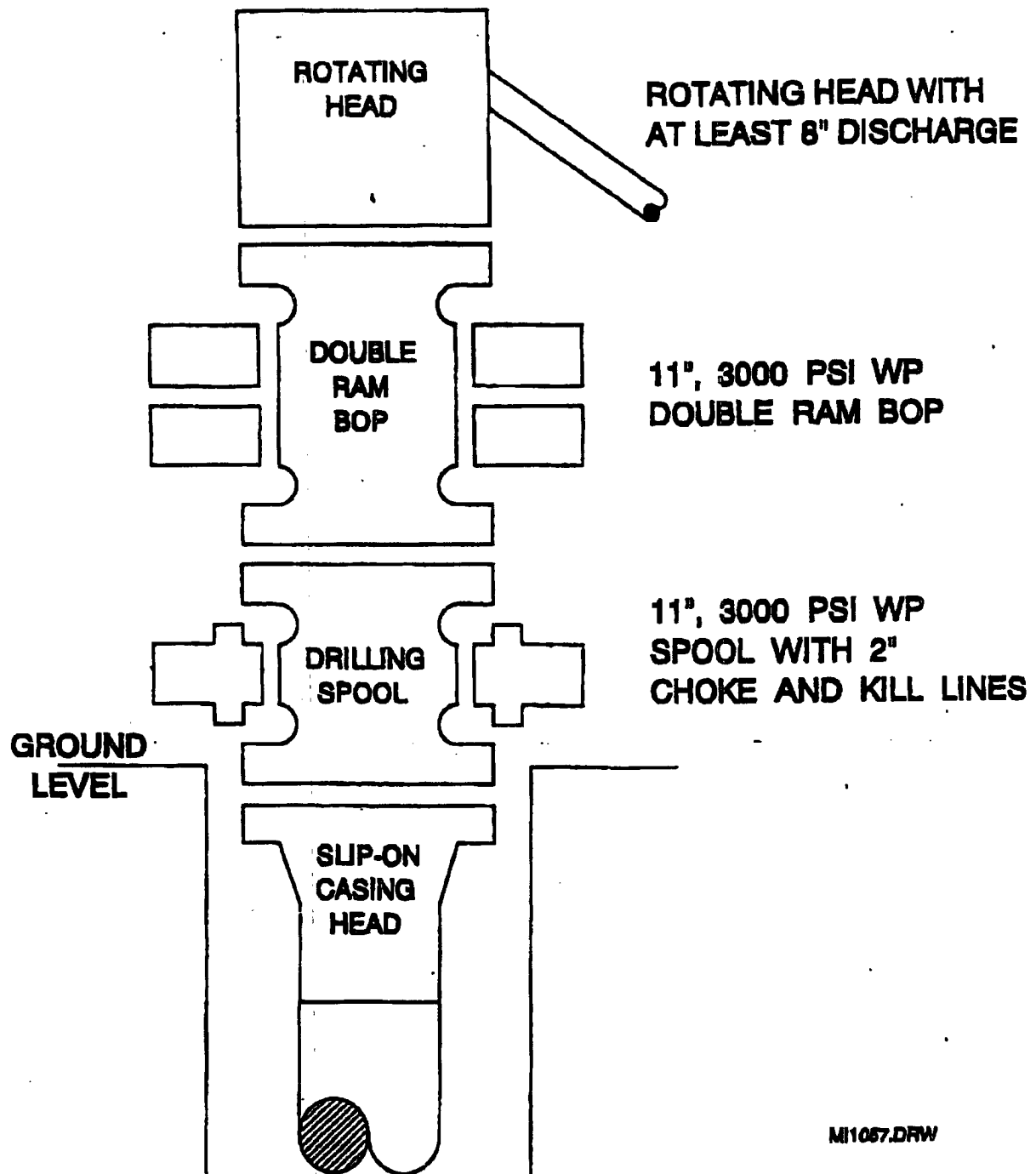
Production Casing

Production Casing				0 - 7800		
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn	Conn OD (in)
5.500	15.5	4.892	4.767	L-80	LT&C	6.050
Collapse (psi)	Burst (psi)	Tensile - Conn (K-lbs)			PSI Test (psi)	Rating
3810	4510	131				PPCo
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
1630		2170		2710		

Interval (ft)	3000-7800	
Spacer	40 bbls FW	
Slurry	Lead	Tail
Composition	35:65 Poz:Class C + 5% D44 (bwow) + 6% D20 + 0.25 pps D29 + 0.2% D46	Class C Neat
Density (ppg)	12.4	14.8
Yield (ft ³ / yd)	2.15	1.32
Sacks	240 (60 % excess)	590 (60% excess)
Mix Water (gpa)	11.99	6.31
Thick Time (hrs:min)		3:20
Comp Strength (psi)		24 hrs = 2800 psi, 72 hrs = 3182 psi
Free Water (%)		1.2% (3.0 ml/250 ml)
Fluid Loss (cc)		1466

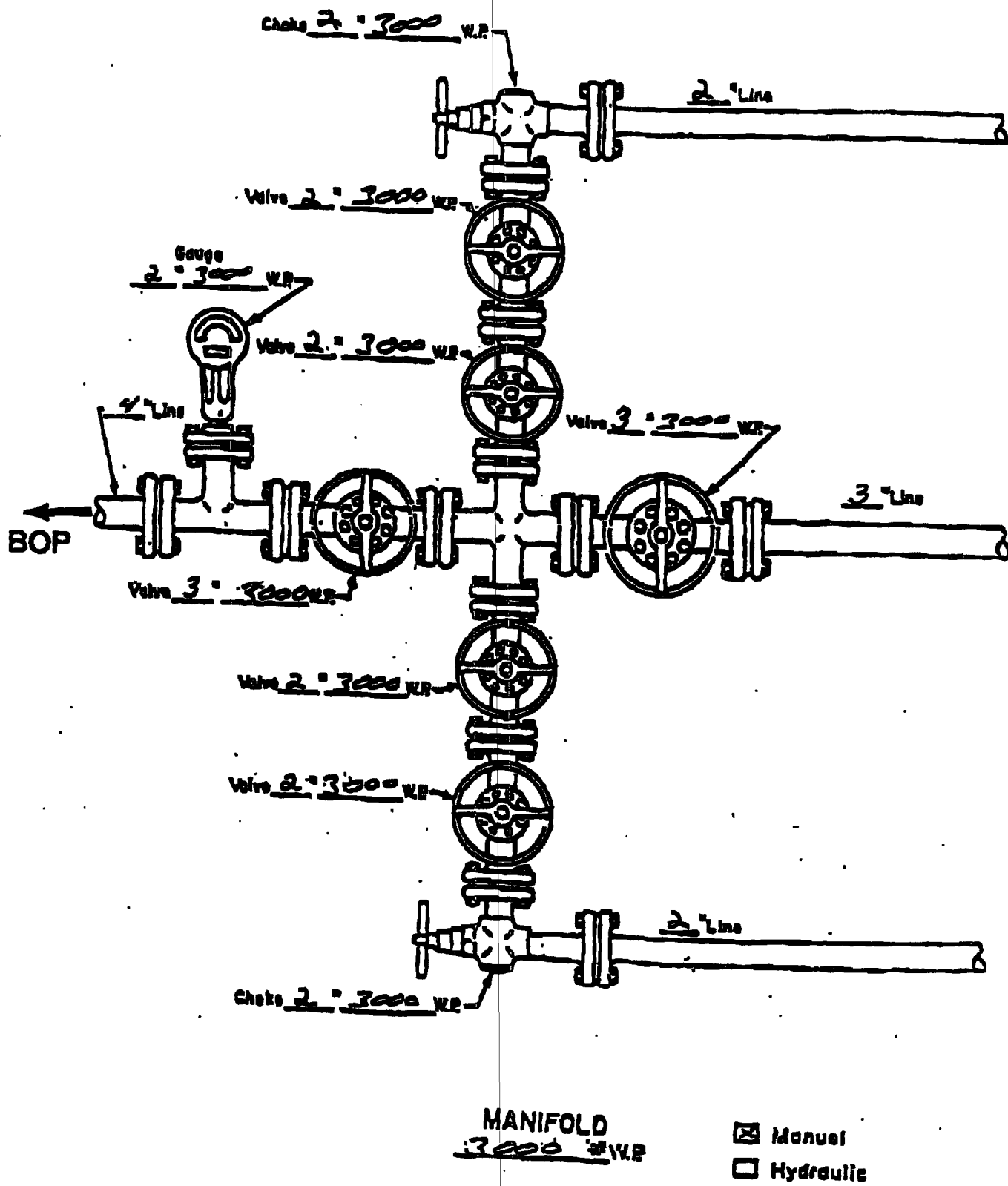
D44 = Salt, D20 = Gel, D46 = Anti-foam, D29 = LCM

BOP SPECIFICATIONS



MI1067.DRW

CHOKE MANIFOLD DIAGRAM





WELLSITE LAYOUT



H2S Safety Contractor



Conoco Quarters

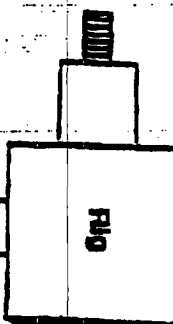


Mustler Area No. 1



Contractor Quarters

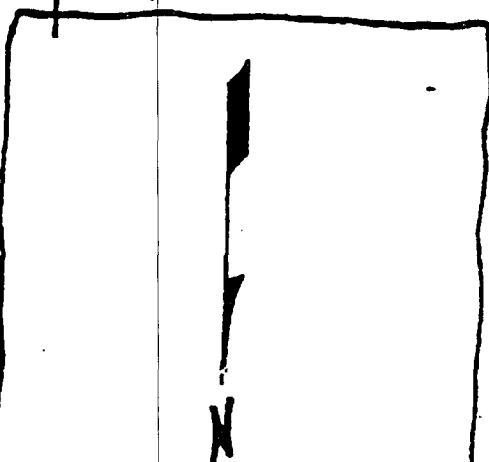
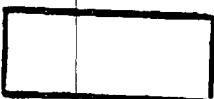
Mustler Area No. 2
WDI



WDI



Choke Manifold



Terrain is flat and covered with native grass
Two of the three WDI (wind direction indicator) locations will be utilized
(Prevailing winds are SW to

STANDARD RIG LAYOUT

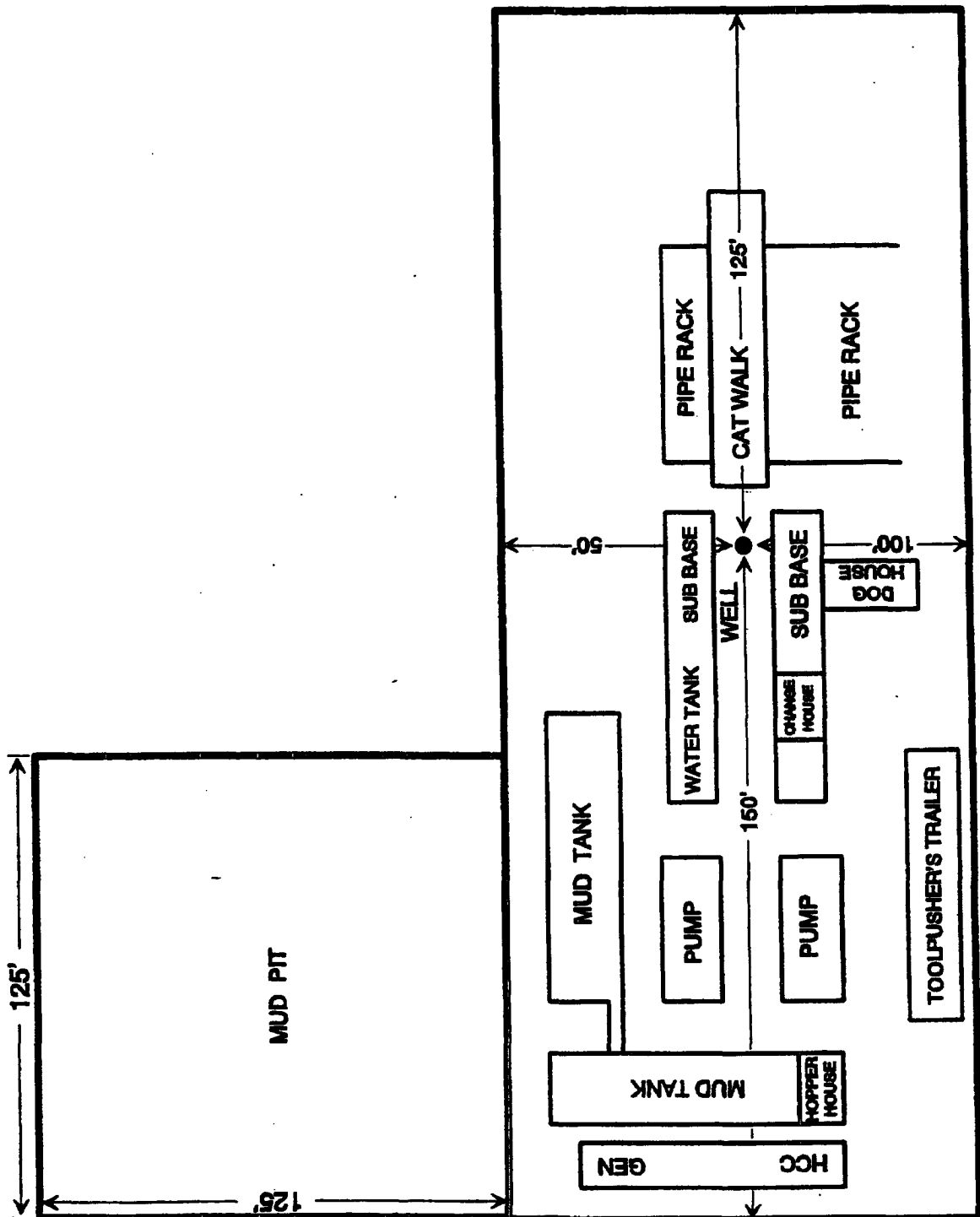
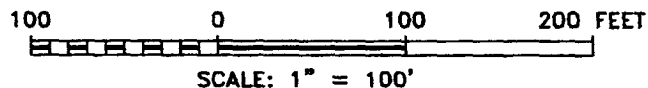
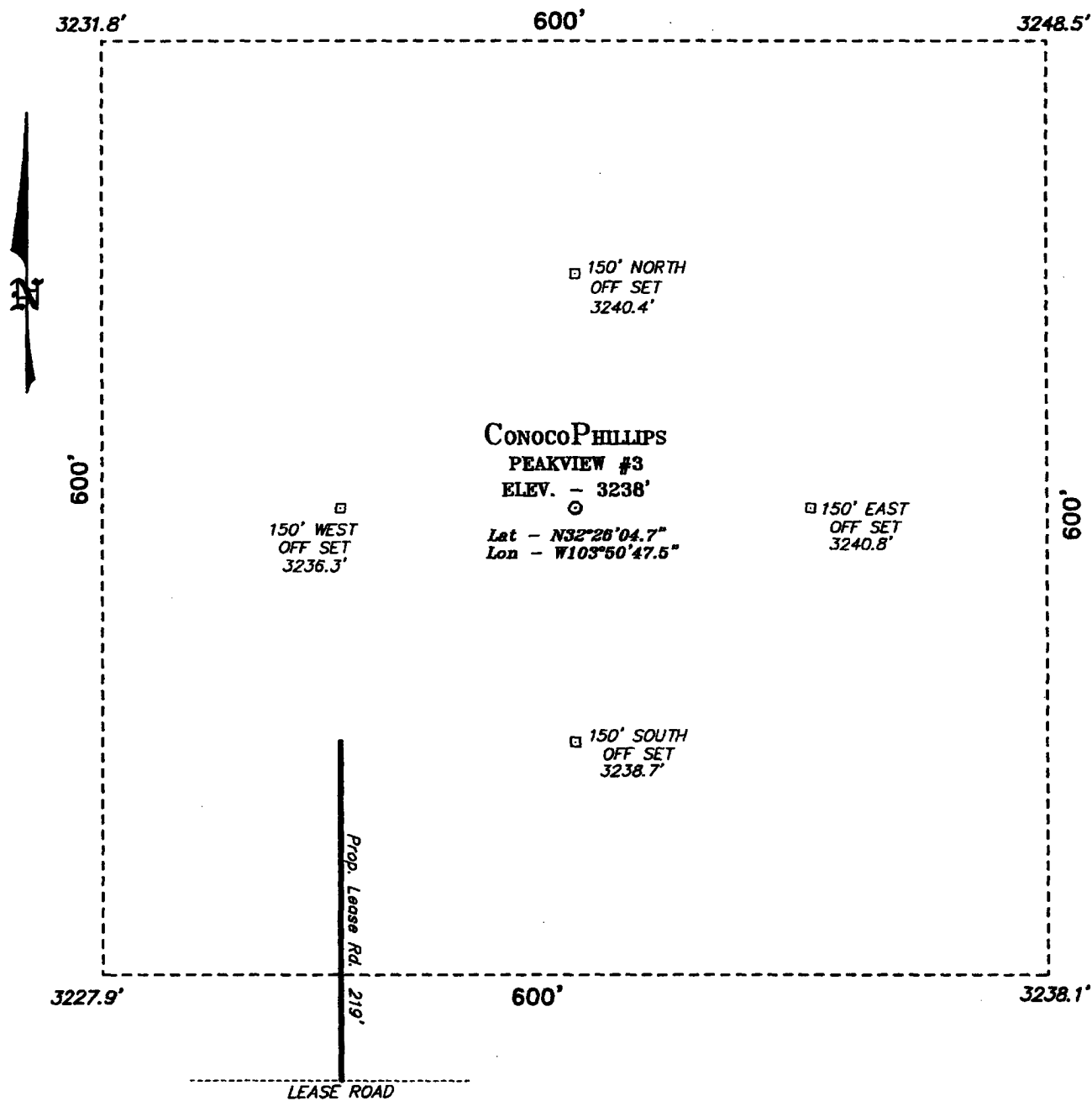


EXHIBIT C

SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO WELL LOCATION:

FROM THE JUNCTION OF US HWY 62/180 AND STATE HWY 31, GO SOUTH ON HWY 31 FOR 7.2 MILES; THENCE EAST ON CO. RD. 796 FOR 6.3 MILES; THENCE NORTH 1.3 MILES; THENCE 0.2 MILES TO LOCATION.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 3992 Drawn By: K. GOAD

Date: 02-12-2004 Disk: KJG CD#6 - 3992A.DWG

ConocoPhillips

REF: PEAKVIEW No. 3 / Well Pad Topo

THE PEAKVIEW No. 3 LOCATED 2250' FROM
THE SOUTH LINE AND 1175' FROM THE EAST LINE OF
SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 02-11-2004 Sheet 1 of 1 Sheets

Let's try it one more time. Also attached are the BLM stipulations.

<<Peakview Fed #3 BLM.pdf>>

Thanks,

Yo

> -----Original Message-----

> From: Perez, Yolanda
> Sent: Monday, June 20, 2005 9:03 AM
> To: 'bryan.arrant@state.nm.us'
> Subject: FW: Peakview #3

>

> Bryan,

>

> As per our conversation on Friday, here is the note I sent on Peakview #3 explaining why an H2S Contingency Plan is not needed for this well. Is this sufficient documentation for you to approve the APD? Please let me know. I really appreciate all your help on this.

>

> Thanks,

> Yo

>

> -----Original Message-----

> From: Perez, Yolanda
> Sent: Thursday, June 16, 2005 10:38 AM
> To: 'bryan.arrant@state.nm.us'
> Subject: Peakview #3

>

> Hi, Bryan!

>

> I left you a voicemail but thought I'd go ahead and send you an email as well.

>

> I was wanting to discuss the H2S Contingency plan requested for the Peakview #3 well located in UL I, Sec. 35, T21S, R30E at 2250' FSL & 1175' FEL. You were concerned with the H2S zone that Yates encountered in the Jacque AQJ State #7 located in Sec. 34, T21S, R31E. In our review of the area, we concluded that Yate's well is located about 5 miles +/- from the Peakview #3. Also, we have drilled two other Peakview wells (#1 & #2 both located in UL P, Sec. 35, T21S, R30E) which are one UL below the #3 and did not encounter any H2S. There was only one other well drilled in Sec. 35 (James C #1) which was plugged 1/31/86. Therefore, we feel an H2S plan is not needed.

>

> Please let me know your thoughts. Thanks!

>

> Sincerely,

> Yolanda Perez

> Sr. Regulatory Analyst

> 832-486-2329 office

> 918-662-3306 fax

> 281-744-6714 cell

>

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) is 2000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - The tests shall be done by an independent service company.
 - The results of the test shall be reported to the appropriate BLM office.
 - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
 - Testing must be done in a safe workman-like manner. Hard line connections shall be required.

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name ConocoPhillips Well Name & No. Peakview Federal #3
Location 2250 F.S.L. & 1175 F.E.L. Sec. 35, T. 21 S, R. 30 E.
Lease No. NM-70333 County EDDY State New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ☐ Lesser Prairie Chicken (stips attached) ☐ Flood plain (stips attached)
☐ San Simon Swale (stips attached) ☐ Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

☒ The BLM will monitor construction of this drill site. Notify the ☒ Carlsbad Field Office at (505) 234-5972 ☐ Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

☒ Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

☐ All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

☐ Other.

III. WELL COMPLETION REQUIREMENTS

☐ A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

☒ Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

☐ A. Seed Mixture 1 (Loamy Sites)
Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0

☒ B. Seed Mixture 2 (Sandy Sites)
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Sand Lovegrass (*Eragrostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

☐ C. Seed Mixture 3 (Shallow Sites)
Side oats Grama (*Boute curtipendula*) 1.0

☐ D. Seed Mixture 4 (Gypsum Sites)
Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

☐ OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

☐ Other.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: CONOCOPHILLIPS
Well Name & No. 3 - PEAKVIEW FEDERAL
Location: 2250' FSL & 1175' FEL - SEC 35 - T21S - R30E - EDDY COUNTY
Lease: NM-70333

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

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, Litho-Density or Neutron-Density log 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 400 feet, below usable water 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 salt protection casing is circulate cement to the surface.

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

5. 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.

(ORIG. SGD.) LES BABYAK