

Form 3160-3
(April 2004)CRITICAL
CAVE KARST

Split Estate

OCD Artesia

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007JRS
3-14-14UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

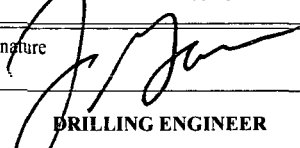
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM 13074	
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 N/A	
2. Name of Operator NADEL AND GUSSMAN PERMIAN, L.L.C.		7. If Unit or CA Agreement, Name and No. N/A	
3a. Address 601 N. MARIENFELD, SUITE 508 MIDLAND, TEXAS 79701		8. Lease Name and Well No. Kyle 34 Federal #2H <26599>	
3b. Phone No. (include area code) 432-682-4429		9. API Well No. 30-015-42187 <155615>	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 330' FSL, 330' FWL - UL M At proposed prod. zone 330' FNL, 330' FWL - UL D		10. Field and Pool, or Exploratory WILLOW LAKE; BONE SPRING <64450>	
14. Distance in miles and direction from nearest town or post office* 3 MILES SOUTH OF MALAGA NM		11. Sec., T. R. M. or Blk. and Survey or Area SECTION 34, T-24-S, R-28-E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330 330		12. County or Parish EDDY	
16. No. of acres in lease 240		13. State NM	
17. Spacing Unit dedicated to this well 160			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 25ft Mosaic # 1H # 3H		19. Proposed Depth 12,602 MD, 8100 TVD	
20. BLM/BIA Bond No. on file NM# 2812			
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 2998 GL		22. Approximate date work will start* 12/01/2013	
23. Estimated duration 45 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:

- 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 	Name (Printed/Typed) JASON GOSS	Date 09/06/2013
Title DRILLING ENGINEER		
Approved by (Signature) IS/STEPHEN J. CAFFEY	Name (Printed/Typed)	MAR 10 2014
Title FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

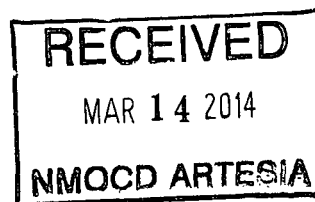
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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 page 2)

Carlsbad Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations AttachedSEE ATTACHED FOR
CONDITIONS OF APPROVAL

OPERATOR CERTIFICATION

I certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal Laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true, and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements. Executed the 18 day of September 2013.

Name: Jason Goss

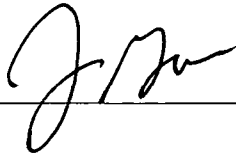
Position: Drilling Engineer

Address: 601 N. Marienfeld Suite 508

Telephone: 432-682-4429

Email: jgoss@naguss.com

Signed: _____



DISTRICT I
1635 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-42187	Pool Code 64450	Pool Name Willow Lake; Bone Spring
Property Code 26599	Property Name KYLE 34 FEDERAL	Well Number 2H
OGRID No. 155615	Operator Name NADEL AND GUSSMAN PERMIAN LLC.	Elevation 2998'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	34	24-S	28-E		330	SOUTH	330	WEST	EDDY

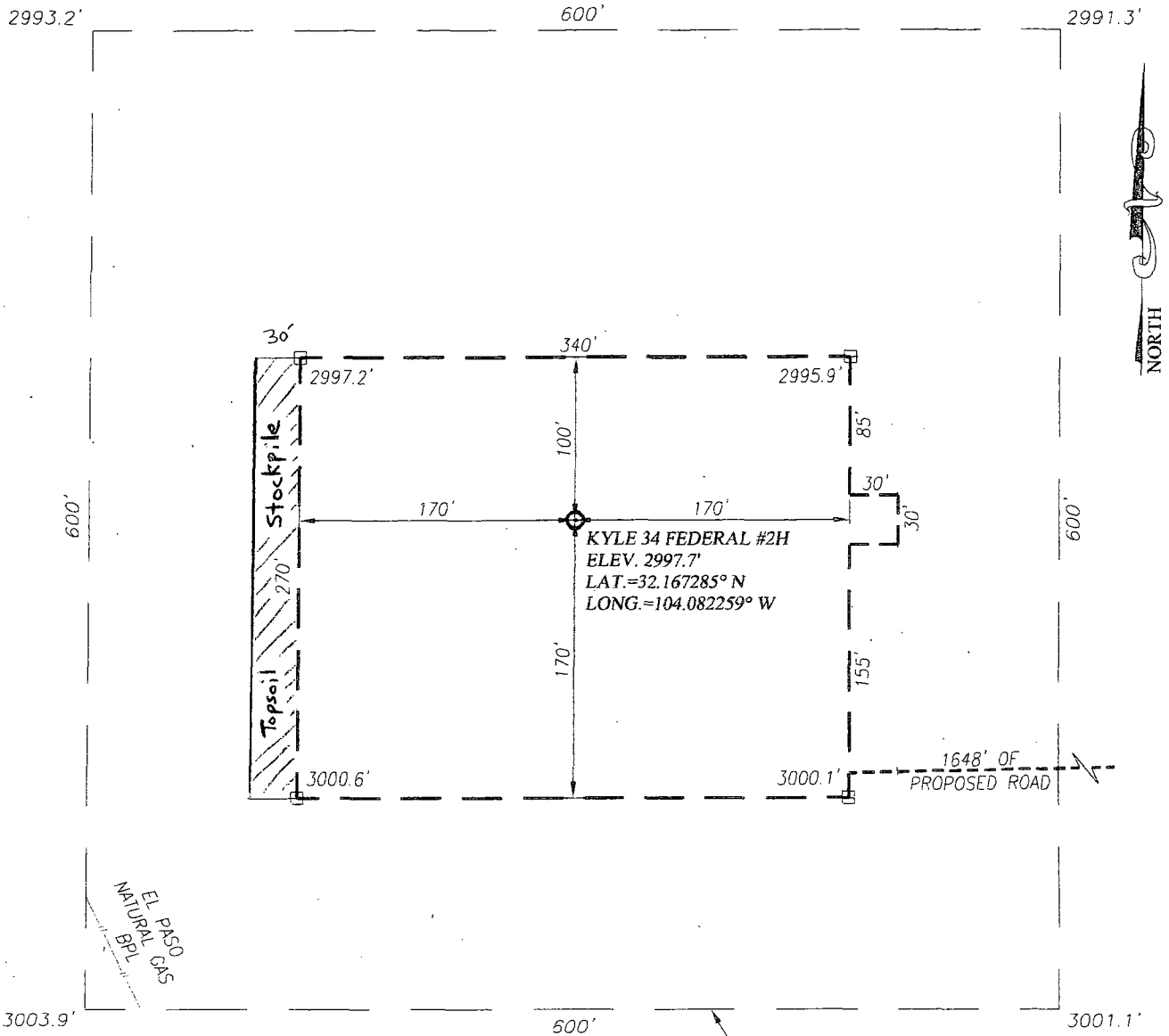
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	34	24-S	28-E		330	NORTH	330	WEST	EDDY

Dedicated Acres 160	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

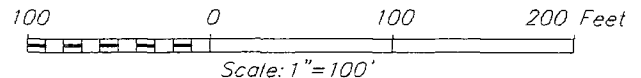
	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=424669.9 N X=577690.2 E</p> <p>LAT. = 32.167285° N LONG. = 104.082259° W</p> <p>BOTTOM HOLE LOCATION Y=429381.4 N X=577674.0 E</p> <p>CORNER COORDINATES TABLE</p> <p>A - Y=429709.7 N, X=577342.8 E B - Y=429716.2 N, X=578674.4 E C - Y=424338.2 N, X=577361.4 E D - Y=424344.9 N, X=578702.2 E</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature: <i>Jason Gross</i> Date: 9/16/13</p> <p>Printed Name: Jason Gross</p> <p>E-mail Address: JGROSS@NAGUSS.COM</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>AUGUST 19, 2013</p> <p>Date of Survey</p> <p>Signature & Seal of Registered Surveyor: <i>Ronald E. Eidson</i></p> <p> </p> <p>Certificate No. 12641</p> <p>Professional Seal No. 3239</p> <p>DSS</p> <p>JWSC W.O. 13.11 0908</p>	
	<p>DETAIL</p> <p>2993.2' 2991.3'</p> <p>3003.9' 3001.1'</p>	
	<p>GRID AZ = 359°48'04" HORIZ. DIST. = 4712.7'</p> <p>S.L. SEE DETAIL</p>	



NOTE:
SEE "LOCATION VERIFICATION MAP"
FOR PROPOSED ROAD LOCATION.

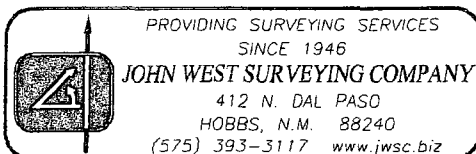
DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #285 (PECOS HWY.) AND CO. RD. #723 (COOKSEY RANCH), GO NORTH ON U.S. HWY. APPROX. 4.3 MILES. TURN LEFT AND GO WEST ON LEASE ROAD APPROX. 373 FEET. TURN RIGHT AND FOLLOW LEASE ROAD NORTH-NORTHWEST APPROX. 1.2 MILES TO A STAKED ROAD SURVEY. TURN RIGHT AND FOLLOW STAKES NORTHEAST APPROX. 300 FEET TO THIS LOCATION.

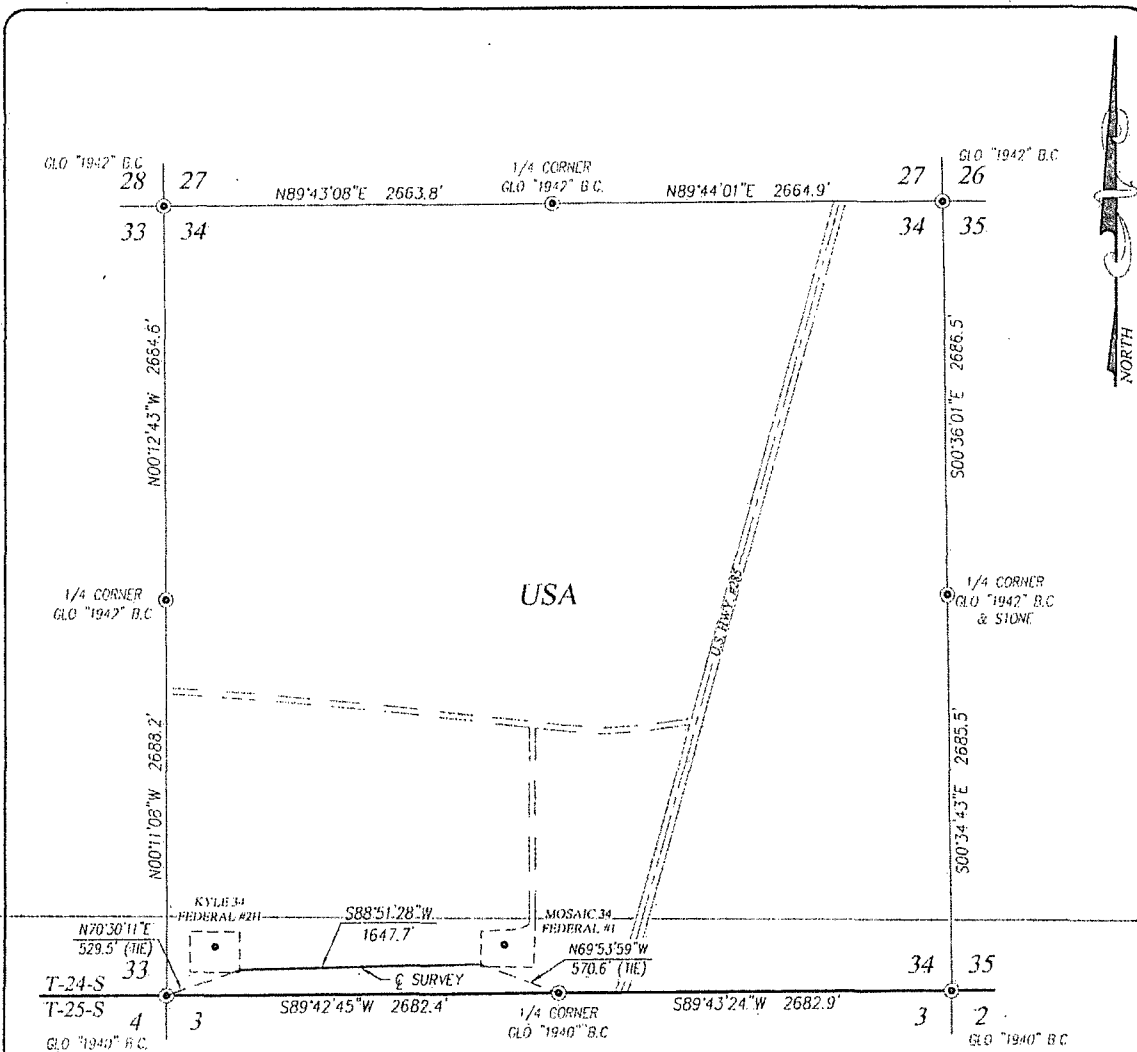


NADEL AND GUSSMAN PERMIAN LLC.

KYLE 34 FEDERAL #2H WELL
LOCATED 330 FEET FROM THE SOUTH LINE
AND 330 FEET FROM THE WEST LINE OF SECTION 34,
TOWNSHIP 24 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



Survey Date: 8/19/13	CAD Date: 8/22/13	Drawn By: DSS
W.O. No.: 13110908	Rev: .	Rel. W.O.: .
		Sheet 1 of 1



DESCRIPTION

A STRIP OF LAND 25.0 FEET WIDE AND 1647.7 FEET OR 0.312 MILES IN LENGTH CROSSING USA LAND IN SECTION 34, TOWNSHIP 24 SOUTH, RANGE 28 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO, AND BEING 12.5 FEET LEFT AND 12.5 FEET RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

NOTE

BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

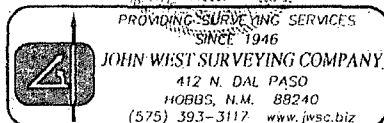
LEGEND

⊙ DENOTES FOUND CORNER AS NOTED

I, RONALD J. EIDSON, NEW MEXICO PROFESSIONAL SURVEYOR No. 3239, DO HEREBY CERTIFY THAT THIS SURVEY PLAT AND THE ACTUAL SURVEY ON THE GROUND UPON WHICH IT IS BASED WERE PERFORMED BY ME OR UNDER MY DIRECT SUPERVISION; THAT I AM RESPONSIBLE FOR THIS SURVEY; THAT THIS SURVEY MEETS THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO; AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

RONALD J. EIDSON

DATE: 12/12/2013



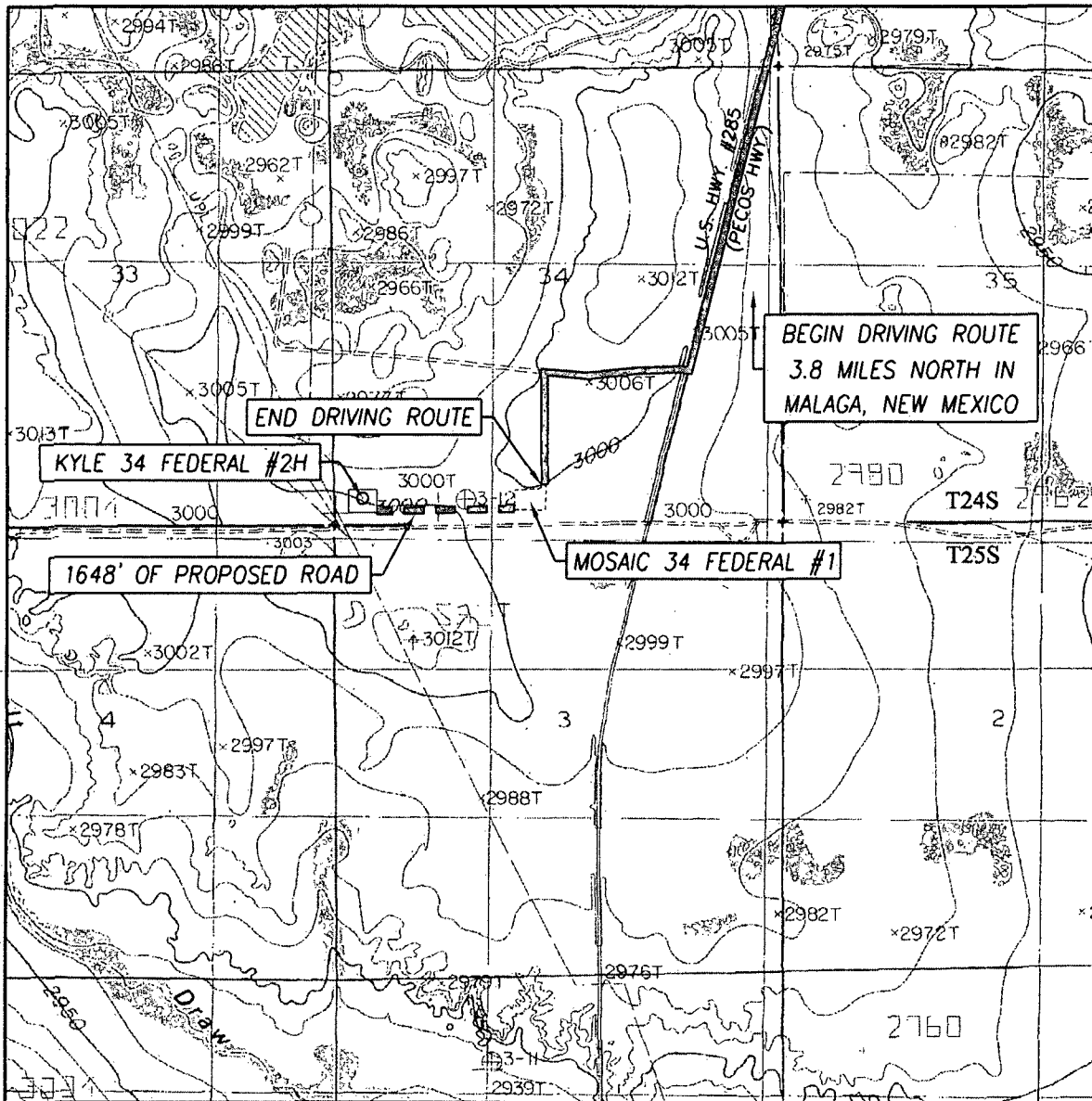
NADEL & GUSSMAN PERMIAN, LLC.

SURVEY FOR A ROAD
CROSSING SECTION 34,
TOWNSHIP 24 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

Survey Date: 11/15/13	CAD Date: 11/20/13	Drawn By: BKL
W.O. No.: 13111294	Rev.:	Rel. W.O.:

Sheet 1 of 1

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALAGA, N.M. - 5'

SEC. 34 TWP. 24-S RGE. 28-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FSL & 330' FWL

ELEVATION 2998'

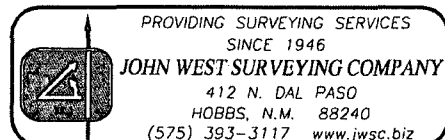
OPERATOR NADEL AND GUSSMAN
PERMIAN LLC.

LEASE KYLE 34 FEDERAL

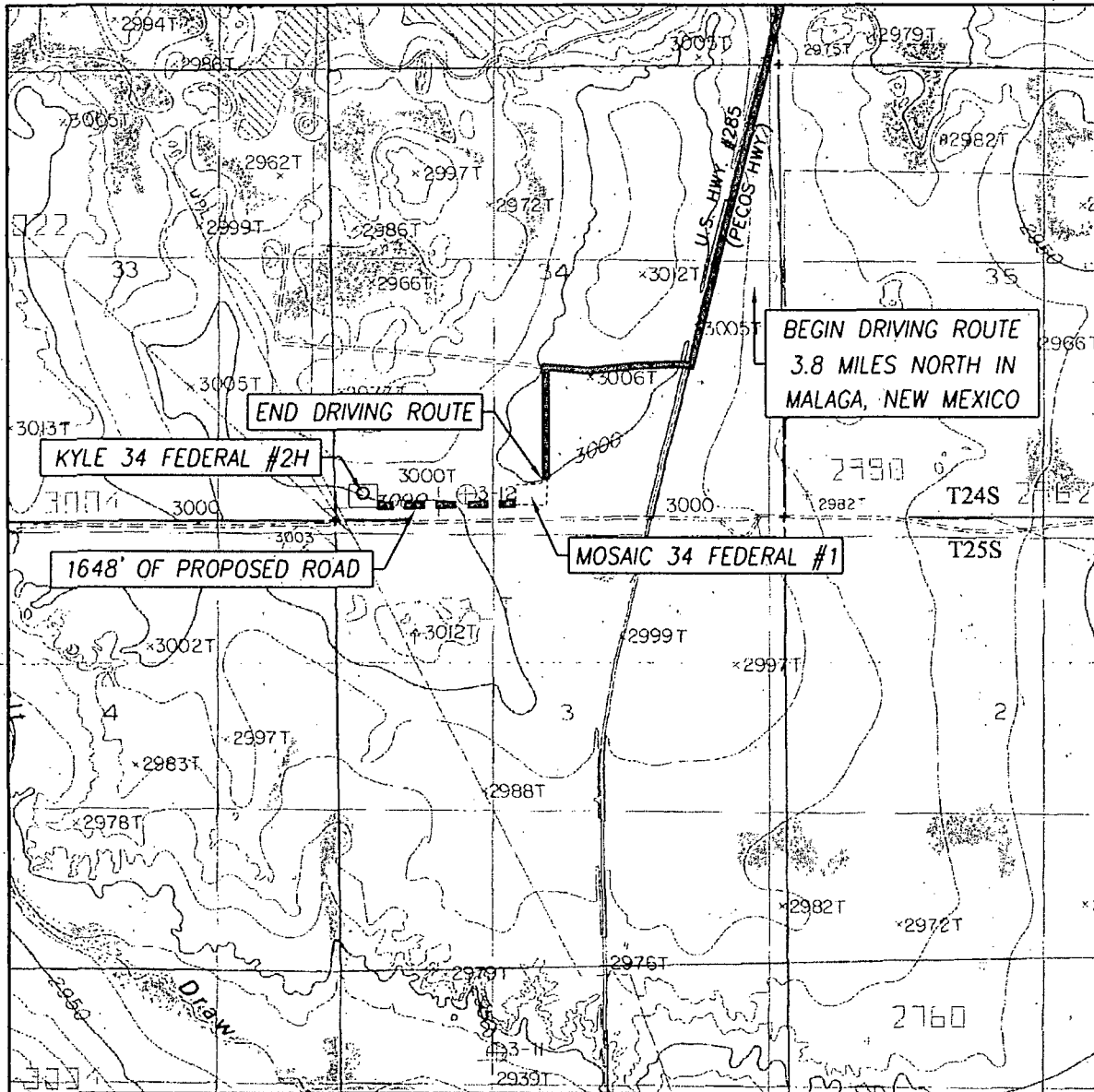
U.S.G.S. TOPOGRAPHIC MAP
MALAGA, N.M.

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. 285 (PECOS HWY.) AND
WHY. 396 (BLACK RIVER RD.) MALAGA, NM. GO SOUTH ON U.S.
HWY. 285 APPROX. 3.8 MILES; TURN RIGHT AND GO WEST
APPROX. 0.3 MILES; TURN LEFT AND GO SOUTH APPROX. 0.25
MILES TO MOAIC 34 FEDERAL #1; TURN RIGHT AT SOUTHWEST
CORNER OF PAD AND FOLLOW STAKES WEST APPROX. 1648
FEET TO THE STAKED LOCATION.



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALAGA, N.M. - 5'

SEC. 34 TWP. 24-S RGE. 28-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FSL & 330' FWL

ELEVATION 2998'

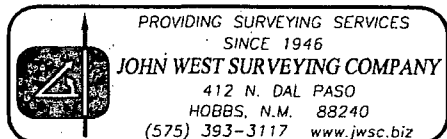
OPERATOR NADEL AND GUSSMAN PERMIAN LLC.

LEASE KYLE 34 FEDERAL

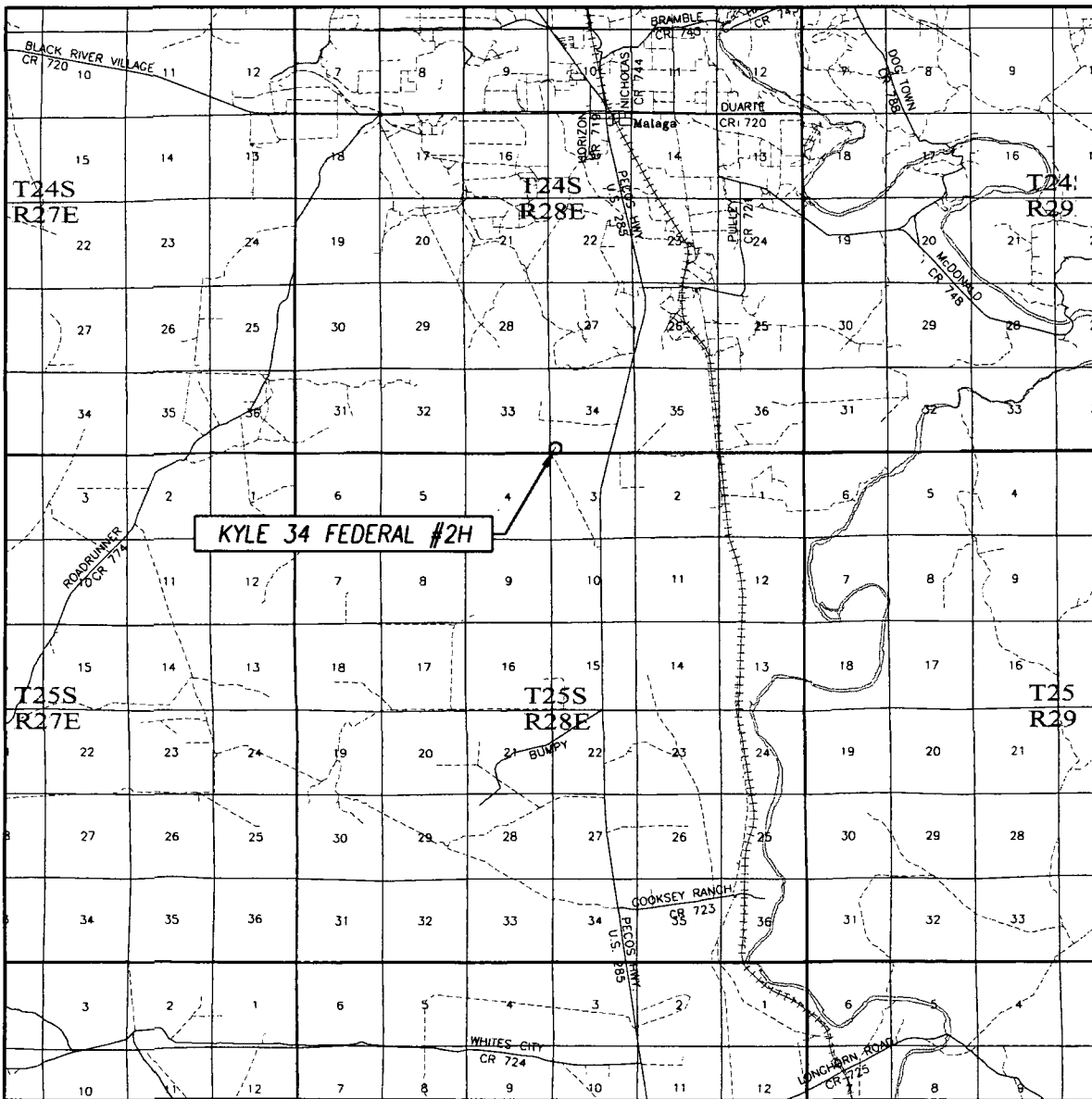
U.S.G.S. TOPOGRAPHIC MAP
MALAGA, N.M.

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. 285 (PECOS HWY.) AND WHY. 396 (BLACK RIVER RD.) MALAGA, NM. GO SOUTH ON U.S. HWY. 285 APPROX. 3.8 MILES; TURN RIGHT AND GO WEST APPROX. 0.3 MILES; TURN LEFT AND GO SOUTH APPROX. 0.25 MILES TO MOSAIC 34 FEDERAL #1; TURN RIGHT AT SOUTHWEST CORNER OF PAD AND FOLLOW STAKES WEST APPROX. 1648 FEET TO THE STAKED LOCATION.



VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 34 TWP. 24-S RGE. 28-E

SURVEY N.M.P.M.

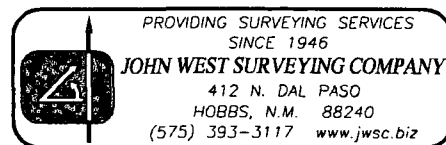
COUNTY EDDY STATE NEW MEXICO

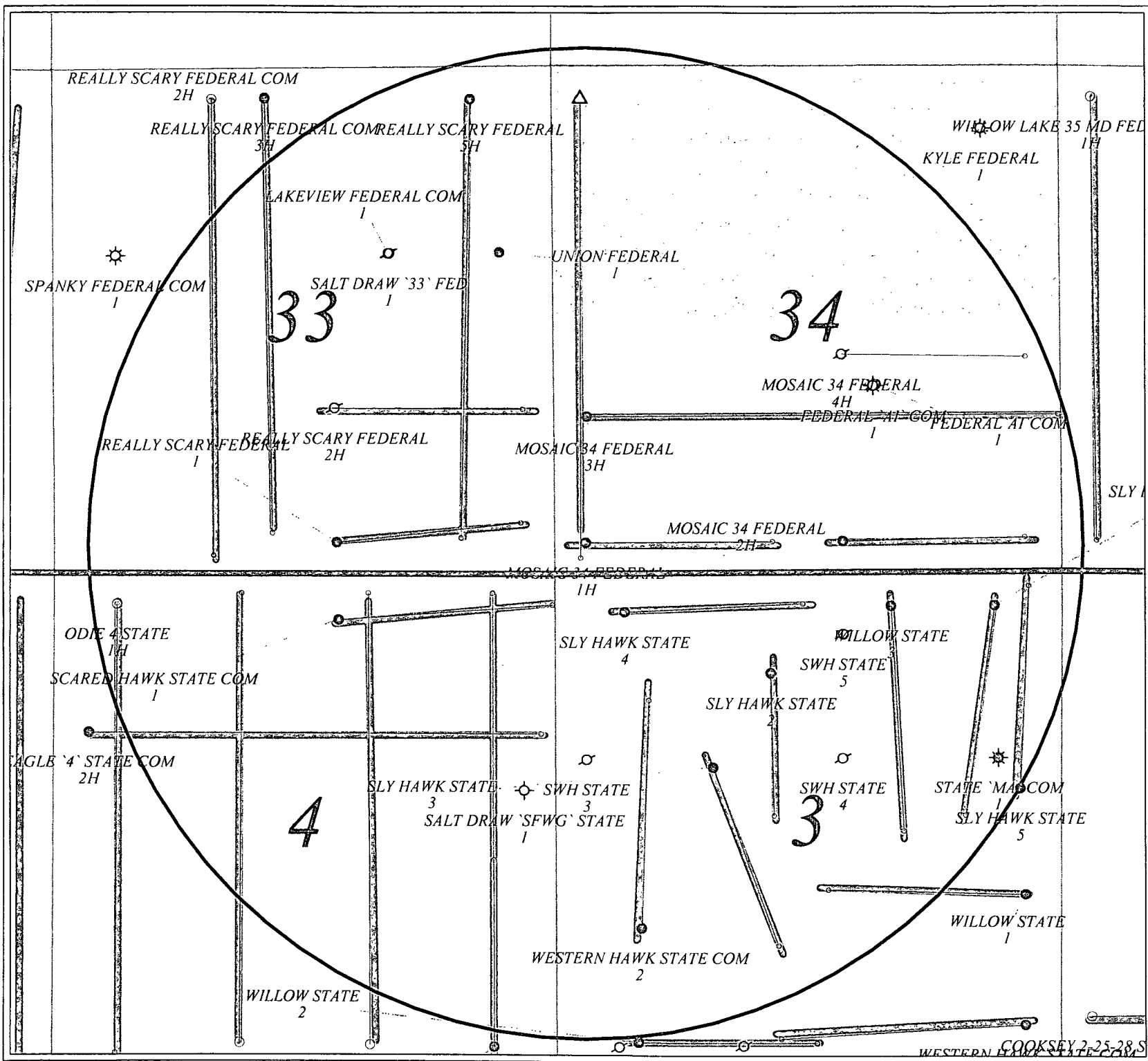
DESCRIPTION 330' FSL & 330' FWL

ELEVATION 2998'

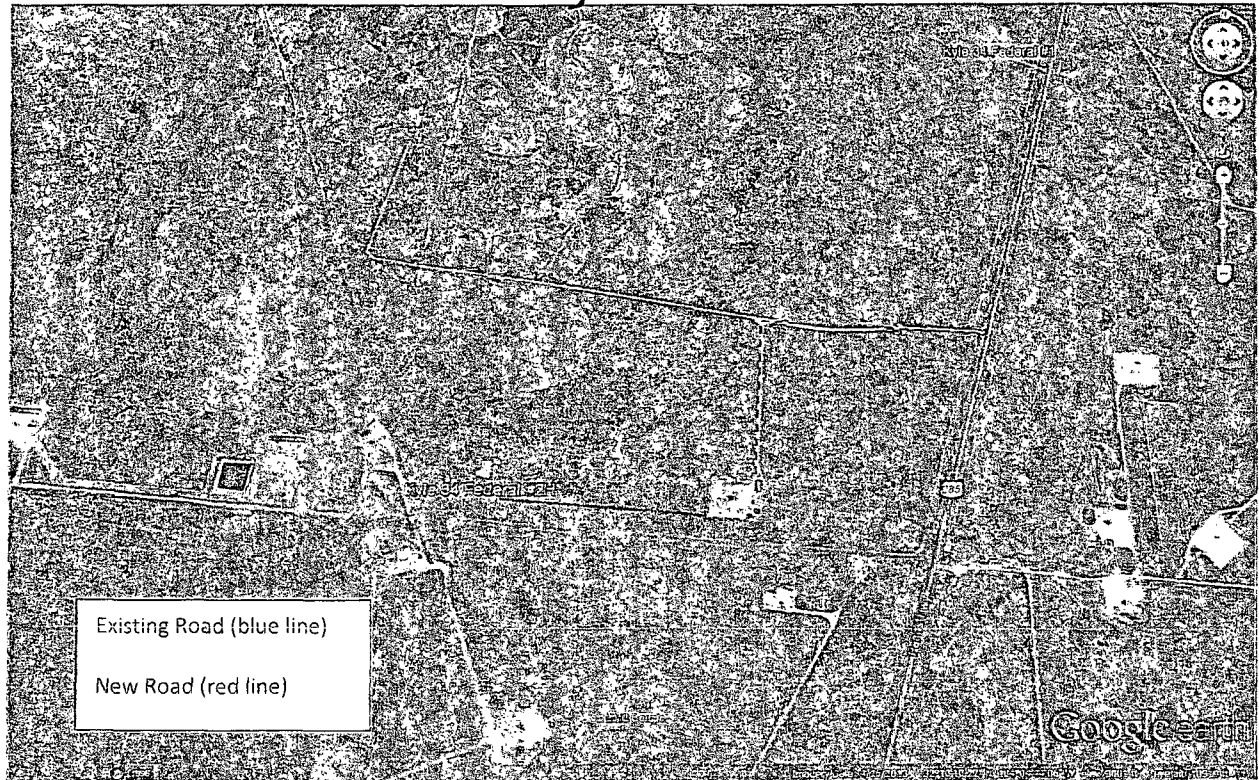
OPERATOR NADEL AND GUSSMAN PERMIAN LLC.

LEASE KYLE 34 FEDERAL





Existing Road Map



DRILLING AND OPERATIONS PLAN
NADEL AND GUSSMAN PERMIAN, L.L.C.
KYLE 34 FEDERAL #2H

Surface: 330' FSL & 330' FWL, UL M.
 BHL: 330' FNL & 340' FWL, UL D
 Sec 34, T-24-S, R-28-E
 Eddy County, New Mexico.

1. Geological Surface Formation: **Permian and Quaternary Alluvium.**
2. Horizontal Oil well. No pilot hole, depth to Fresh Water 200'. **Elevation 2,998' GL**

3. TOPS OF IMPORTANT GEOLOGICAL MARKERS: TVD

Rustler	surface
Top Salt	1774'
BX (base salt)	2311'
Delaware Mountain Group	2510'
Bell Canyon	2633'
Cherry Canyon	3470'
Brushy Canyon	5036'
Bone Springs Ls	6270'
Avalon Shale	6597'
1 st Bone Springs Sand	7226'
2 nd Bone Springs Sand	8000'
Bone Springs Target	8100'
3 rd Bone Spring Sand	9170'

4. Estimated Depth of Anticipated/Possible Water, Oil or Gas:

Rustler/Castile	0-200'	Fresh Water from WAIDS database
Bell Canyon	3850'	Oil, gas and water
Cherry Canyon	4550'	Oil, gas and water
Brushy Canyon	5150'	Oil, gas and water
Bone Springs	8100'	Oil, gas and water

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water will be protected by setting 13 3/8" casing at 400' and circulating cement back to surface, all other intervals will be isolated by the 9 5/8 intermediate and 7" production casing.

See COA

5 Proposed Casing Program

HOLE SIZE	CASING SIZE	WT./GRADE	THREAD/COLLAR	SETTING DEPTH	TOP CEMENT
Conductor	20"	94# H-40	8rd STC	60'	Surface
17.5"	13 3/8" (new)	54.5# J-55	8rd STC	400'	Surface
12.25"	9 5/8" (new)	36# J-55	8rd LTC	2,600' 2,500'	Surface
8.75"	7" (new)	26# P-110HC	8rd BTC	8,500'	Surface
6.125"	4 1/2" (new)	13.5# P-110HC	8rd LTC	8,300'-12,500'	N/A**

** Packer Plus completion 20 stages. No cement, packers and frac port open hole completion with liner hanger.

MINIMUM SAFETY FACTORS:

BURST 1.125

COLLAPSE 1.125

TENSION 1.8

ALL CASING WILL BE NEW API APPROVED

CEMENT PROGRAM-ALL CEMENT BLENDS WILL BE TESTED TO BLM MINIMUM REQUIREMENTS.

A. 13 3/8"	SURFACE	CEMENT TO SURFACE 100% EXCESS OVER CALCULATED
		400 SACKS CLASS "C"+2%CaCl ₂ + .25# CELLO-FLAKE+.25% DEFOAMER, 14.8 PPG, 1.35 YIELD
B. 9 5/8"	INTERMEDIATE	CEMENT TO SURFACE 50% EXCESS OVER CALCULATED
		LEAD 500 SACKS CLASS "C" 35/65 +6% BENTONITE+5% SALT+.25% DEFOAMER 12.8 PPG, 1.9 YIELD
		TAIL 200 SACKS CLASS "C" + .25% DEFOAMER, 14.8 PPG, 1.33 YIELD
C. 7"	PRODUCTION	CEMENT TO SURFACE (WILL RUN FLUID CALIPER) 25% EXCESS OVER FLUID CALIPER, OR 50% OVER CALCULATED.
		LEAD 950 SACKS CLASS C 50/50 +10% BENTONITE +.15% C-20 RETARDER +.3% C-12 FLUID LOSS+.3% SALT+.25% DEFOAMER, 11.8 PPG, 2.37 YIELD
		TAIL 250 SACKS CLASS "H" +.5% FL-10+.2% C-20, +3# GILSONITE+.25% DEFOAMER+.3% SALT 13.2 PPG, 1.6 YIELD

SPECIFICATIONS FOR PRESSURE CONTROL EQUIPMENT: (EXHIBIT #5)

A 2000# WP Annular will be installed after running the 13-3/8" casing. A 3,000# WP Double Ram BOP and 3,000 annular will be installed after running the 9-5/8" and 7" casing. Pressure test will be conducted prior to drilling out under all casing strings. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOP's will be inspected and operated as recommended in Onshore Order #2. A Kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the Kelly is not in use. 7" and 9-5/8" BOP will be tested to 3000# and the annular to 1500# with a third party testing company before drilling below each shoe. If operations last more than 30 days from 1st test, will test again as per BLM Onshore Oil and Gas order #2.

MUD PROGRAM:

See COA
Spud and drill 17 1/2" surface hole with **fresh water (8.4 to 8.7 ppg)** to a depth of approx 400'. Control lost circulation with paper and LCM pills. Viscosity 28-55, no fluid loss control. Fresh water gel sweeps.

Drill 12 1/4" hole from 400' to ²⁵²⁰2,600' with **Brine (9.5 to 10.0 ppg)**. Control lost circulation with paper and LCM pills. Viscosity 28-30, no fluid loss control. Salt water gel sweeps.

Drill 8 3/4" production hole from ²⁵²⁰2,600' to 8,374' with **fresh water (8.4 to 8.7 ppg) or cut brine (8.4 to 9.0 ppg)**. Control lost circulation with paper and LCM pills. From 6,000' to TD (8.7 to 9.0 ppg), control filtrate with starch and water loss additives. Clean hole with pre-hydrated freshwater sweeps as necessary. System properties: viscosity 32-24, fluid loss <20 ml/30min.

Drill 6 1/8" horizontal production hole from 8,374'-12,602' with **fresh water (8.4-8.7 ppg)**, control filtrate and increase viscosity with Xanthan gum and Poly Anionic Cellulose. Clean hole with high viscosity sweeps and lubricants as necessary. System Properties viscosity 32-34, fluid loss <20 ml/30min.

All necessary mud products for weight addition and fluid loss control will be on location at all times. Mud program subject to change due to hole conditions.

Auxiliary Equipment

- See COA*
- A. A Kelly cock will be in the drill string at all times.
 - B. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.
 - C. Hydrogen Sulfide detection equipment will be in operation after drilling out the 13 3/8" casing shoe until the 4 1/2" liner is run and set and rigging down operations have begun.

TESTING, LOGGING & CORING PROGRAM:

- See COA*
- a. Testing: No DST's are expected.
 - b. Open hole logs are planned for TD of vertical hole (KOP, 7,605').
 1. Halliburton Triple Combo: Dual lateral log and gamma ray, compensated neutron, caliper log.
 - c. Mud logging will take place from 2,600ft to TD 10ft samples
 - d. Gyro survey will be run at KOP of 7,605'
 - e. MWD (directional) and LWD (gamma) surveys will be taken from KOP (7605') to TD 12,602ft

Mud monitoring system: Mud will be maintained and checked daily for mud weight, viscosity, API water loss, pH, etc. Additional electronic monitoring will include a pit volume totalizer to monitor mud volume in active system, pump rate, and mud return flow percentage. H2S monitors and alarms will be located on rig floor, shale shakers, and mud tanks (see rig plat). Gas chromatograph with monitor hydrocarbon gas content of mud from ²⁵²⁰2,600' to TD. Third party corrosion company will utilize H2S/oxygen scavengers to monitor for corrosion and limit damage to tubulars.

POTENTIAL HAZARDS:*See
COA*

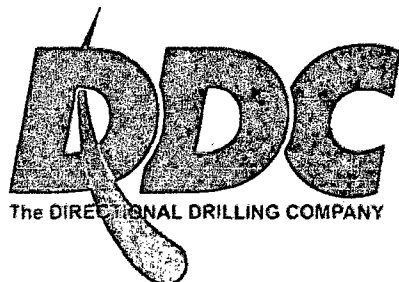
No significant hazards are expected, no abnormal pressures or temperatures are expected, **Expected pressure gradient will be that of .433 psi/ft or 3507 psi at 8,100 TVD**, Temperature gradient in Kyle 34 Fed #1 is .015 degrees F/ ft, expected temperature at TD is **123 deg F**. Lost circulation may occur, no H₂S is expected, but the operator will utilize a 3rd party H₂S monitoring package from 400' to TD. If H₂S is encountered the operator will comply with the provisions of onshore oil and gas order no 6. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well.

ANTICIPATED STARTING DATE & DURATION:

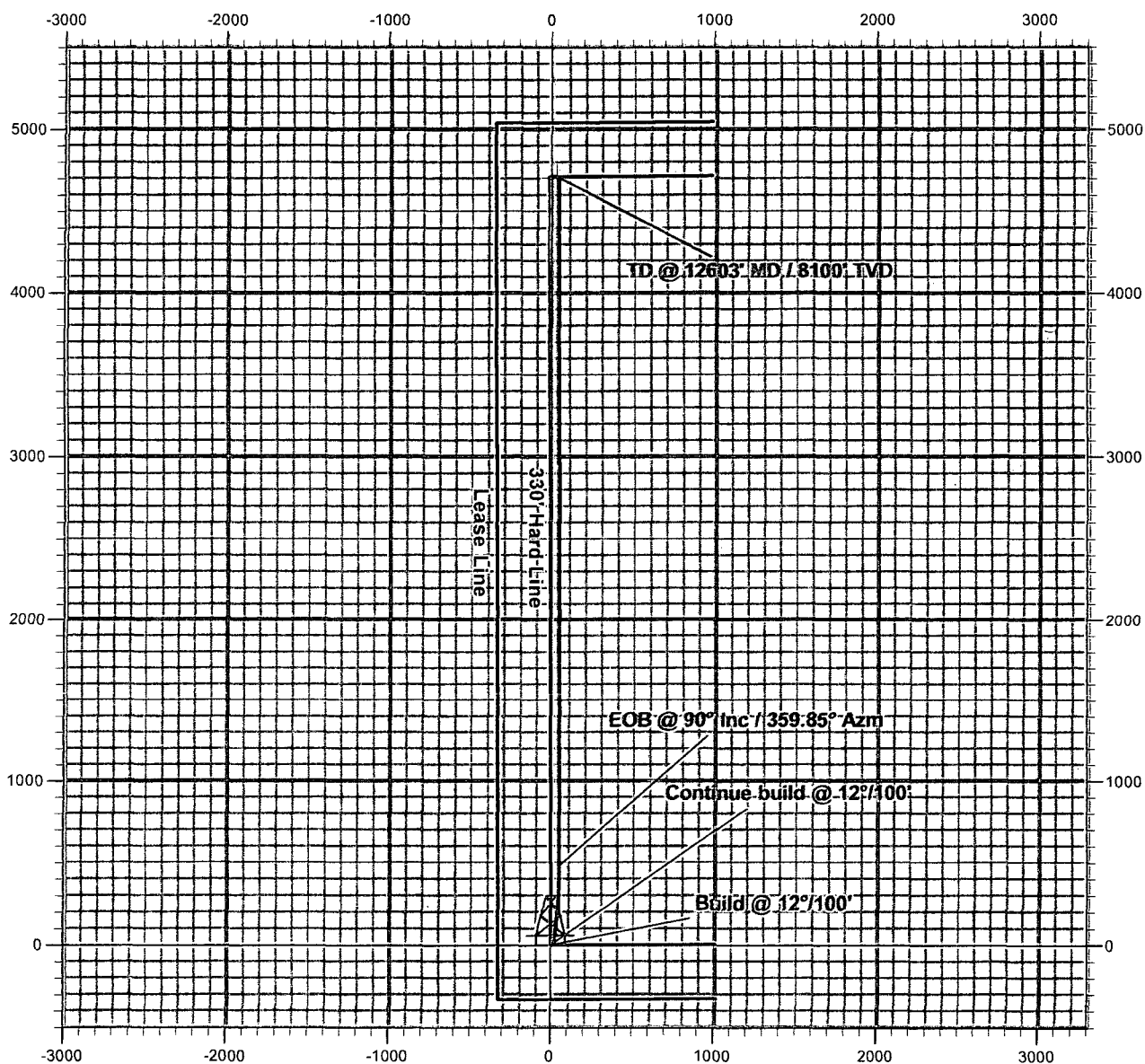
Nadel & Gussman Permian, LLC anticipates drilling operations to begin around December 1, 2013 and completed in approximately 45 days. An additional 15 days will be needed for completion activities. Road and location construction will begin after the BLM has approved the APD.

Jason Goss, Drilling Engineer
Nadel & Gussman Permian, LLC

Nadel & Gussman Permian, LLC



Eddy County, NM (NAD27)
Kyle 34 Federal #2H
Quote 130748
Design #1



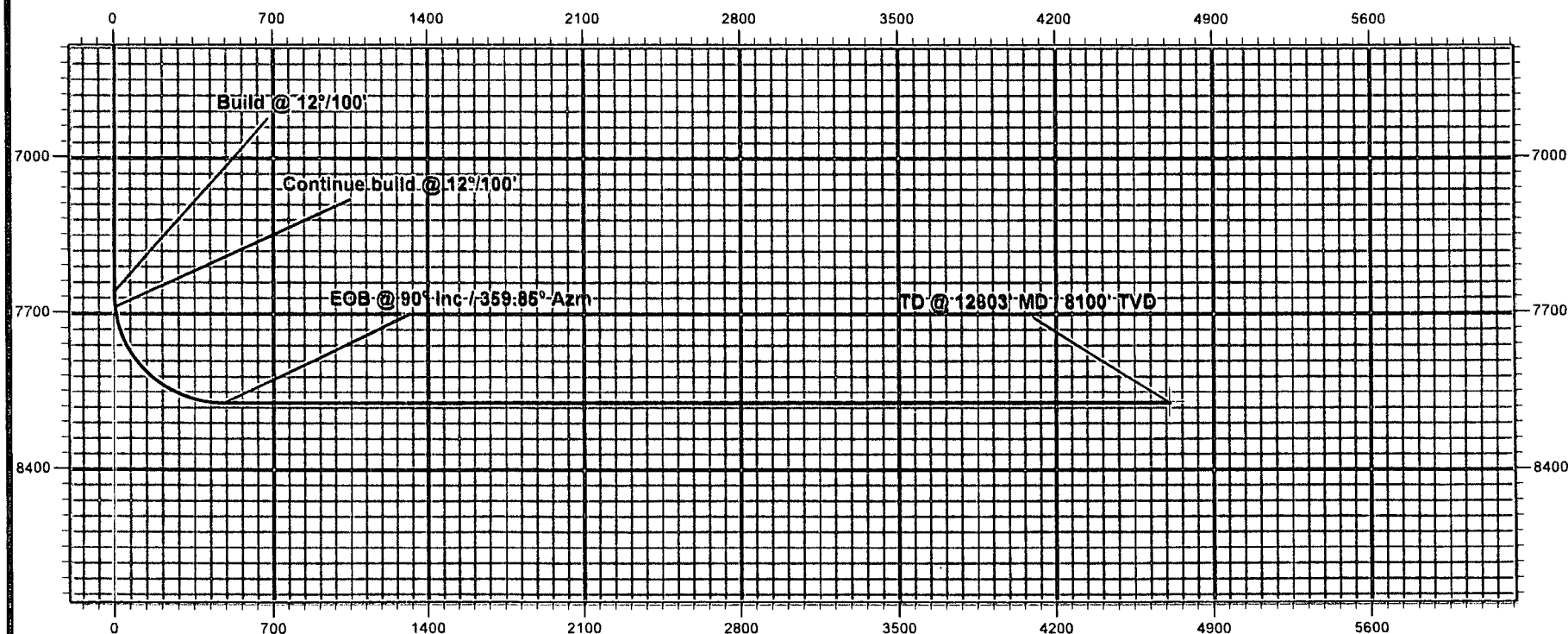
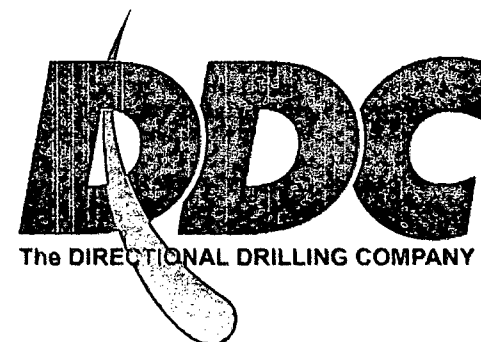
Nadel & Gussman Permian, LLC

Eddy County, NM (NAD27)

Kyle 34 Federal #2H

Quote 130748

Design #1



Vertical Section at 0.41° (700 usft/in)

Nadel & Gussman Permian, LLC

Eddy County, NM (NAD27)

Kyle 34 Federal #2H

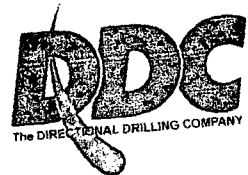
Well #1

Wellbore #1

Plan: Design #1

DDC Well Planning Report

28 August, 2013



DDC
Well Planning Report



Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Site Kyle 34 Federal #2H
Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 0.0usft (Original Well Elev)
Project:	Eddy County, NM (NAD27)	MD Reference:	WELL @ 0.0usft (Original Well Elev)
Site:	Kyle 34 Federal #2H	North Reference:	Grid
Well:	Well #1	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Project:	Eddy County, NM (NAD27)		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site:	Kyle 34 Federal #2H		
Site Position:		Northing:	424,669.90 usft
From:	Map	Easting:	577,690.20 usft
Position Uncertainty:	0.0 usft	Slot Radius:	13-3/16 "
		Latitude:	32° 10' 2.227 N
		Longitude:	104° 4' 56.132 W
		Grid Convergence:	0.13 °

Well	Well #1					
Well Position	+N/-S	0.0 usft	Northing:	424,669.90 usft	Latitude:	32° 10' 2.227 N
	+E/-W	0.0 usft	Easting:	577,690.20 usft	Longitude:	104° 4' 56.132 W
Position Uncertainty		0.0 usft	Wellhead Elevation:		Ground Level:	0.0 usft

Wellbore		Wellbore #1			
Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF2010	8/28/2013	7.55	59.99	48,331

Design: Design #1				
Audit Notes:				
Version:		Phase: PLAN	Tie On Depth: 0.0	
Vertical Section:	Depth From (TVD) (usft)	+N/-S (usft)	+E/-W (usft)	Direction (°)
	0.0	0.0	0.0	0.41

Plan Sections										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
7,605.2	0.00	0.00	7,605.2	0.0	0.0	0.00	0.00	0.00	0.00	
7,671.9	8.00	44.79	7,671.7	3.3	3.3	12.00	12.00	0.00	44.79	
8,374.7	90.00	359.85	8,100.0	478.5	44.6	12.00	11.67	-6.39	-45.22	
12,602.9	90.00	359.85	8,100.0	4,706.7	33.8	0.00	0.00	0.00	0.00	PBHL - Kyle 34 Feder

DDC
Well Planning Report



Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Site Kyle 34 Federal #2H
Company:	Nadel & Gussman Permian, LLC	TVD Reference:	WELL @ 0.0usft (Original Well Elev)
Project:	Eddy County, NM (NAD27)	MD Reference:	WELL @ 0.0usft (Original Well Elev)
Site:	Kyle 34 Federal #2H	North Reference:	Grid
Well:	Well #1	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
Build @ 12°/100'									
7,605.2	0.00	0.00	7,605.2	0.0	0.0	0.0	0.00	0.00	0.00
Continue build @ 12°/100'									
7,671.9	8.00	44.79	7,671.7	3.3	3.3	3.3	12.00	12.00	0.00
7,700.0	10.65	31.72	7,699.4	6.9	6.0	6.9	12.00	9.42	-46.47
7,800.0	21.75	14.26	7,795.3	32.8	15.5	32.9	12.00	11.10	-17.45
7,900.0	33.46	8.49	7,883.8	78.2	24.1	78.4	12.00	11.71	-5.77
8,000.0	45.31	5.49	7,961.0	141.1	31.6	141.3	12.00	11.85	-3.00
8,100.0	57.21	3.52	8,023.5	218.7	37.6	219.0	12.00	11.90	-1.97
8,200.0	69.14	2.02	8,068.5	307.7	41.9	308.0	12.00	11.93	-1.50
8,300.0	81.07	0.75	8,094.2	404.1	44.2	404.4	12.00	11.94	-1.27
EOB @ 90° Inc / 359.85° Azm									
8,374.7	90.00	359.85	8,100.0	478.5	44.6	478.9	12.00	11.94	-1.20
8,400.0	90.00	359.85	8,100.0	503.8	44.5	504.1	0.00	0.00	0.00
8,500.0	90.00	359.85	8,100.0	603.8	44.3	604.1	0.00	0.00	0.00
8,600.0	90.00	359.85	8,100.0	703.8	44.0	704.1	0.00	0.00	0.00
8,700.0	90.00	359.85	8,100.0	803.8	43.7	804.1	0.00	0.00	0.00
8,800.0	90.00	359.85	8,100.0	903.8	43.5	904.1	0.00	0.00	0.00
8,900.0	90.00	359.85	8,100.0	1,003.8	43.2	1,004.1	0.00	0.00	0.00
9,000.0	90.00	359.85	8,100.0	1,103.8	43.0	1,104.1	0.00	0.00	0.00
9,100.0	90.00	359.85	8,100.0	1,203.8	42.7	1,204.1	0.00	0.00	0.00
9,200.0	90.00	359.85	8,100.0	1,303.8	42.5	1,304.1	0.00	0.00	0.00
9,300.0	90.00	359.85	8,100.0	1,403.8	42.2	1,404.1	0.00	0.00	0.00
9,400.0	90.00	359.85	8,100.0	1,503.8	42.0	1,504.1	0.00	0.00	0.00
9,500.0	90.00	359.85	8,100.0	1,603.8	41.7	1,604.1	0.00	0.00	0.00
9,600.0	90.00	359.85	8,100.0	1,703.8	41.4	1,704.0	0.00	0.00	0.00
9,700.0	90.00	359.85	8,100.0	1,803.8	41.2	1,804.0	0.00	0.00	0.00
9,800.0	90.00	359.85	8,100.0	1,903.8	40.9	1,904.0	0.00	0.00	0.00
9,900.0	90.00	359.85	8,100.0	2,003.8	40.7	2,004.0	0.00	0.00	0.00
10,000.0	90.00	359.85	8,100.0	2,103.8	40.4	2,104.0	0.00	0.00	0.00
10,100.0	90.00	359.85	8,100.0	2,203.8	40.2	2,204.0	0.00	0.00	0.00
10,200.0	90.00	359.85	8,100.0	2,303.8	39.9	2,304.0	0.00	0.00	0.00
10,300.0	90.00	359.85	8,100.0	2,403.8	39.7	2,404.0	0.00	0.00	0.00
10,400.0	90.00	359.85	8,100.0	2,503.8	39.4	2,504.0	0.00	0.00	0.00
10,500.0	90.00	359.85	8,100.0	2,603.8	39.1	2,604.0	0.00	0.00	0.00
10,600.0	90.00	359.85	8,100.0	2,703.8	38.9	2,704.0	0.00	0.00	0.00
10,700.0	90.00	359.85	8,100.0	2,803.8	38.6	2,804.0	0.00	0.00	0.00
10,800.0	90.00	359.85	8,100.0	2,903.8	38.4	2,904.0	0.00	0.00	0.00
10,900.0	90.00	359.85	8,100.0	3,003.8	38.1	3,004.0	0.00	0.00	0.00
11,000.0	90.00	359.85	8,100.0	3,103.8	37.9	3,104.0	0.00	0.00	0.00
11,100.0	90.00	359.85	8,100.0	3,203.8	37.6	3,204.0	0.00	0.00	0.00
11,200.0	90.00	359.85	8,100.0	3,303.8	37.3	3,304.0	0.00	0.00	0.00
11,300.0	90.00	359.85	8,100.0	3,403.8	37.1	3,404.0	0.00	0.00	0.00
11,400.0	90.00	359.85	8,100.0	3,503.8	36.8	3,504.0	0.00	0.00	0.00
11,500.0	90.00	359.85	8,100.0	3,603.8	36.6	3,604.0	0.00	0.00	0.00
11,600.0	90.00	359.85	8,100.0	3,703.8	36.3	3,704.0	0.00	0.00	0.00
11,700.0	90.00	359.85	8,100.0	3,803.8	36.1	3,803.9	0.00	0.00	0.00
11,800.0	90.00	359.85	8,100.0	3,903.8	35.8	3,903.9	0.00	0.00	0.00
11,900.0	90.00	359.85	8,100.0	4,003.8	35.6	4,003.9	0.00	0.00	0.00
12,000.0	90.00	359.85	8,100.0	4,103.8	35.3	4,103.9	0.00	0.00	0.00
12,100.0	90.00	359.85	8,100.0	4,203.8	35.0	4,203.9	0.00	0.00	0.00
12,200.0	90.00	359.85	8,100.0	4,303.8	34.8	4,303.9	0.00	0.00	0.00
12,300.0	90.00	359.85	8,100.0	4,403.8	34.5	4,403.9	0.00	0.00	0.00

DDC
Well Planning Report



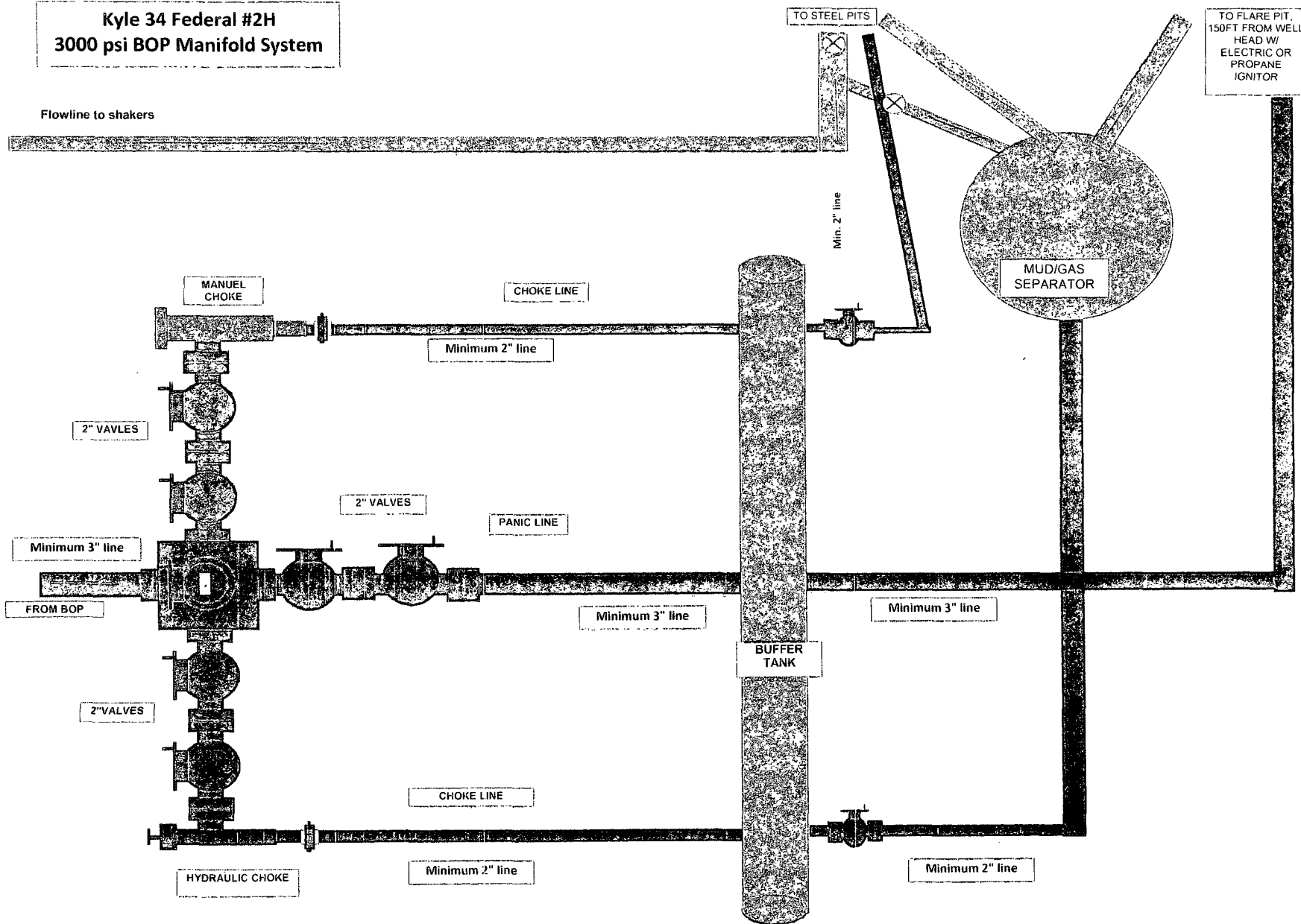
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Site:	Kyle 34 Federal #2H	North Reference:	Grid
Well:	Well #1	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	
12,400.0	90.00	359.85	8,100.0	4,503.8	34.3	4,503.9	0.00	0.00	0.00	
12,500.0	90.00	359.85	8,100.0	4,603.8	34.0	4,603.9	0.00	0.00	0.00	
12,600.0	90.00	359.85	8,100.0	4,703.8	33.8	4,703.9	0.00	0.00	0.00	
TD @ 12603' MD / 8100' TVD										
12,602.9	90.00	359.85	8,100.0	4,706.7	33.8	4,706.8	0.00	0.00	0.00	

Design Targets										
Target Name	Dip Angle (°)	Dip Dir. (°)	TVD (usft)	+N/-S (usft)	+E/-W (usft)	Northing (usft)	Easting (usft)	Latitude		Longitude
- hit/miss target										
- Shape										
PBHL - Kyle 34 Federal	0.00	0.00	8,100.0	4,706.7	33.8	429,376.56	577,723.96	32° 10' 48.805 N		104° 4' 55.612 W
- plan hits target center										
- Point										

Plan Annotations					
Measured Depth (usft)	Vertical Depth (usft)	Local Coordinates			
		+N/-S (usft)	+E/-W (usft)	Comment	
7,605.2	7,605.2	0.0	0.0	Build @ 12°/100'	
7,671.9	7,671.7	3.3	3.3	Continue build @ 12°/100'	
8,374.7	8,100.0	478.5	44.6	EOB @ 90° Inc / 359.85° Azm	
12,602.9	8,100.0	4,706.7	33.8	TD @ 12603' MD / 8100' TVD	

**Kyle 34 Federal #2H
3000 psi BOP Manifold System**

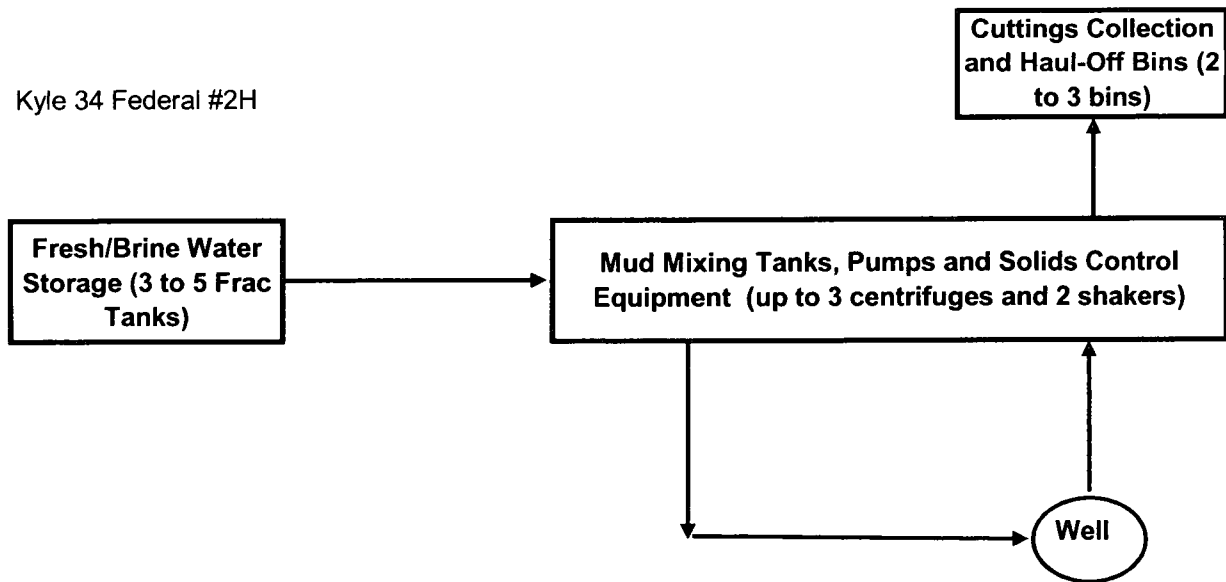


Exact manifold configuration may vary

CLOSED-LOOP SYSTEM

Design Plan:

Kyle 34 Federal #2H



Operating and Maintenance Plan:

During drilling operations, third party service companies will utilize solids control equipment to remove cuttings from the drilling fluid and collect it in haul-off bins. Equipment will be closely monitored at all times while drilling by the derrick man and the service company employees.

Closure Plan:

During drilling operations, third party service companies will haul-off drill solids and fluids to an approved disposal facility as noted on the C-144 form. At the end of the well, all closed loop equipment will be removed from the location.

Hydrogen Sulfide Drilling Operations Plan
Kyle 34 Federal #2H
Sec 34, T24S, R28E
Eddy County N.M.

1. Company and contract personnel admitted on location should be trained by a qualified H₂S safety instructor to the recognize and handle following:
 - A. Characteristics of H₂S gas
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems
 - D. Principle and operation of H₂S detectors, warning system and briefing knowledge
 - E. Evacuation procedure, routes and first aid support
 - F. Proper use of 30 minutes Pressure-on-Demand Air Pack
2. Supervisory personnel will be trained in the following areas:
 - A. Effects of H₂S on metal components.
 - B. Corrective action and shut in procedures, blowout prevention, and well control procedure.
 - C. Contents of Hydrogen Sulfide Drilling Operations Plan.
3. H₂S Detection and Alarm Systems (will be in place after setting surface casing and will not drill ahead without alarm system working)
 - A. H₂S detectors and audio alarm system to be located at bell nipple, shale shaker and on derrick floor or doghouse installed and maintained by third party safety company.
 - B. Thirty minute self-contained work unit located in dog house and at briefing areas.
3. Windssock and/or Wind Streamers
 - A. Windssock at mud pit area (high enough to be visible)
 - B. Windssock on dog house (high enough to be visible)
4. Condition Flags and Signs
 - A. H₂S warning signs on lease access road into location
 - B. Flags displayed on sign at location entrance
 1. Green flag indicates "Normal Safe Conditions"
 2. Yellow Flag indicates "Potential Pressure and Danger"
 3. Red Flag indicates "Danger - H₂S Present in High Concentrations" *admit only emergency personnel*
5. Well Control Equipment
 - A. See BOP, Choke, and Mud/Gas Separator exhibit.
 - B. Blow out preventers will be equipped with blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit. Annular type blowout preventer will also be in place. Supplemental fuel will be provided for flaring noncombustible gas.
6. Communication
 - A. While working under masks chalkboards will be used for communication
 - B. Hand signals will be used where chalk board is inappropriate
 - C. Two -way radios or cell phones used to communicate off location or minimally in Drilling Foreman's trailer or living quarters
7. Drillstem Testing (**not planned**)
 - A. Exhausts watered
 - B. Flare line equipped with electric Igniter/propane pilot light in case gas reaches surface

C. If location near dwelling closed DST will be performed

9. If H₂S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers, if necessary. pH will be maintained at 10, to minimize h₂S in the system. Hydrogen sulfide scavengers will also be used to minimize hazards while drilling the well.
10. Mud program: pH of 10 will be maintained with additives to minimize hazards of H₂S. H₂S scavengers will also be used to minimize effects on tubulars and well control equipment and control effects of H₂S on metallurgy.

PUBLIC PROTECTION PLAN FOR EMERGENCY CONTACTS

NADEL AND GUSSMAN Permian, LLC (432) 682-4429

Company Personnel

Jason Goss	Drilling Engineer	432-682-4429
		512-784-2613
Kurt Hood	Foreman	575-513-1499
		575-746-1428

ARTESIA N.M.

Ambulance	911
State Police	575-746-5000
City Police	575-746-5000
Sheriff's Office	575-746-9888
Fire Department	575-746-5050 or 575-746-5051
N.M.O.C.D	575-748-1283

CARLSBAD N.M.

Ambulance	911
State Police	575-885-3137
City Police	575-885-2111
Sheriff's Office	575-887-7551
Fire Department	575-885-3125 or 575-885-2111
Carlsbad BLM	575-887-6544

HOBBS N.M.

Ambulance	911
State Police	575-392-5588
City Police	575-397-9265
Sheriff's Office	575-396-3611
Fire Department	575-397-9308
N.M.O.C.D	575-393-6161
Hobbs BLM	575-393-3612

Flight for Life (Lubbock Tx)	806-743-9911
Aerocare (Lubbock Tx)	806-747-8923
Med flight air Ambulance (Albuq NM)	505-842-4433
SB air Med Services (Albuq NM)	505-842-4949

Wild Well Control	281-784-4700	Emergency Number 24
Boots & Coots IWC	281-931-8884	Emergency Number 24
Cudd Pressure Control	713-849-2769	Emergency Number 24
BJ Services (Artesia NM)	575-746-3569	
(Hobbs NM)	575-392-5556	

New Mexico Emergency Response Commission (Santa Fe)	505-476-9600
24 Hour	505-827-9126
New Mexico State Emergency Operations Center	505-476-9635

Surface Use Plan
Nadel and Gussman Permian, LLC
Kyle 34 Federal #2H
Section 34, T24S, R28E
330' FSL & 330' FWL
Eddy County, New Mexico

1. Existing Roads:

The included surveys detail the existing and planned road construction. Lease roads exist east of the well to provide access from US HWY 285. The location is approximately 3 miles South of Malaga, NM. 1 mile west of US HWY 285. Nadel and Gussman Permian, LLC. will improve or maintain existing roads in a condition the same as or better than before operations began. Nadel and Gussman Permian will repair pot holes, clear ditches, etc. All existing structures on the entire access route will be repaired or replaced if they are damaged or have deteriorated beyond practical use, BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

2. Planned Access Roads:

We are planning new access road on lease in section 34 and build approx. 1,647 feet of new road from existing Chevron well. See location verification map, remaining access will be existing road. The maximum width of the driving service will be 14 feet. The maximum width of surface disturbance needed to construct the road will be 25 feet. The road will be crowned and ditched with a 2 % slope from the tip of the crown to the edge of the driving surface. The ditches will be 3 feet wide with 3:1 slopes. The driving surface will be made of 6" rolled and compacted caliche.

3. Location of Existing Wells:

See map with existing wells within 1 mile.

4. Location of Tank Batteries, Electric Lines, Etc:

a. In the event the well is found productive, the tank battery would be utilized and the necessary production equipment would be built on the south side on location see Location plat.

b. Electric line will be addressed following completion if well is found productive.

5. Location and Type of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the drilling program). Water will be obtained from commercial water stations in the area and hauled in by transport truck using the existing and proposed roads shown in the plats.

6. Source of Construction Material:

Top soil will be stock piled on the east side of location and will be used after drilling and completion operations to reduce location size and reclaim and reseeded to BLM specifications.

All caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM / State approved pit or from prevailing deposits found under the location. All roads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Waste Disposal:

a. All trash, junk, and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill. The wellsite will be cleaned of all waste within 30 days of final completion of the well.

b. A portable toilet will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.

c. Disposal of fluids to be transported by trucks to a nearby approved disposal.

d. closed loop system will be utilized. All drill cuttings will be collected and hauled to approved disposal sites listed on the C-144. Any oil recovered during drilling will be hauled to an approved disposal.

8. Ancillary Facilities:

None.

9. Wellsite Layout:

- a. Rig Plat shows the relative location and dimensions of the well pad and major rig components.
- b. The land is relatively flat with no dunes
- c. The pad area has been staked.

10. Plan for Restoration of the Surface:

- a. After drilling and completion operations are completed, all equipment and other materials not needed for further operations will be removed. The location cleaned of all trash to leave the wellsite as pleasant in appearance as possible.
- b. If the proposed operation is nonproductive, all restoration and/or vegetation requirements of the BLM will be complied with, and will be accomplished as quickly as possible.
- c. Interim reclamation consists of minimizing the footprint of disturbance by reclaiming all portions of the well site not needed for production operations. Topsoil is respread over areas not needed for production operations and recontoured to the surrounding area and reseeded

11. Surface Ownership:

- a. The surface ownership of the of the well and road is Scott Branson.
- b. Private owner info:
 - i. Scott Branson
 - ii. P.O. Box 1502, Carlsbad, NM 88221
 - iii. Phone Number – Brian Proudly Manager of proptery for Scott Branson 575-706-5432
- c. A copy of the Surface Use Plan has been provided to Scott Branson
- d. A verbal surface use agreement has been reached with Scott Branson

12. Other Information:

- a. The mineral owner is the Federal Government, Land owner has been contacted.
- b. The topography consists of slighty sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.
- c. Willow lake is approx. 3/4 mile north of the surface location.
- d. An Archaeological Survey will be completed and a copy will be sent to the Carlsbad BLM office by Boone Archelological Services. There is no evidence of any significant archaeological, historical, or cultural sites in the area. Further, there are no occupied dwellings or windmills in the area.
- e. Should any incidental oil be recovered during testing of this well, this oil will be considered waste oil and not sellable due to contamination by drilling and/or completion fluids.

13. Operator's Representative:

The Nadel and Gussman Permian, LLC Company representatives reponsible for ensuring compliance of the Surface Use plan are listed below.

Jason Goss, Drilling Engineer
Nadel and Gussman Permian, L.L.C.
601 N. Marienfeld Suite 508
Midland, Tx 79701
(432) 682-4429

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. MARIENFELD STE. 508
MIDLAND, TX 79701
(432) 682-4429 (Office)
(432) 682-4325 (Fax)

09/16/13

Mr. Ingram
Carlsbad BLM Field Office
620 E. Greene St.
Carlsbad, NM 88220

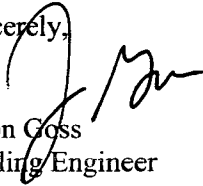
Re: Kyle 34 Federal #2H
SHL: 330' FSL & 330' FWL UL M
Sec. 34, T24S, R28E
Eddy, NM
Rule 118 H2S Exposure

Dear Mr. Ingram,

Nadel and Gussman Permian, LLC have evaluated this well and we do not expect to encounter hydrogen sulfide. However, we will employ a third party monitoring system. We will begin monitoring prior to drilling out the surface casing and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,



Jason Goss
Drilling Engineer

Scott Grifo

From: Scott Grifo
Sent: Wednesday, December 04, 2013 4:13 PM
To: Jason Goss
Subject: FW: Kyle 34 Federal #2

From: Bass, Kelly N [mailto:KellyBass@chevron.com]
Sent: Wednesday, December 04, 2013 4:11 PM
To: Scott Grifo
Subject: RE: Kyle 34 Federal #2

Scott,

Chevron and Nadel and Gussman have agreed that Nadel and Gussman will operate the proposed 2H Kyle 34 Fed well in Section 34.

Please notify me should you need anything else.

Kind regards,

Kelly Bass
Land Representative

MidContinent Business Unit
Chevron North America Exploration and Production Company
1400 Smith Street, Room 43198
Houston, TX 77002
Tel: (713) 372-7552
Fax: (855) 225-9103
Email: KellyBass@chevron.com

From: Scott Grifo [mailto:sgrifo@naguss.com]
Sent: Wednesday, December 04, 2013 3:33 PM
To: Bass, Kelly N
Subject: RE: Kyle 34 Federal #2

Kelly,

Thank you for your help with this. I have attached a letter from the BLM. As you can see requirement #3 states that our permit is deficient because it does not appear that we have the operating rights on this lease. Could you please reply to this email stating that Chevron and Nadel and Gussman have agreed to allow Nadel and Gussman to operate the proposed 2H-Kyle 34 Federal? This should suffice in curing deficiency #3.

Thanks again for your help.

Scott Grifo

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Nadel and Gussman Permian, L.L.C.
LEASE NO.:	NMNM-13074
WELL NAME & NO.:	Kyle 34 Federal 2H
SURFACE HOLE FOOTAGE:	0330' FSL & 0330' FWL
BOTTOM HOLE FOOTAGE:	0330' FNL & 0330' FWL
LOCATION:	Section 34, T. 24 S., R 28 E., NMPM
COUNTY:	Eddy County, New Mexico

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
 - Berm Well Pad
 - Tank Battery Requirements
 - Cave/Karst
- ☐ **Construction**
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
 - Cement Requirements
 - Critical Cave/Karst
 - Logging Requirements
 - Waste Material and Fluids
- ☐ **Production (Post Drilling)**
 - Well Structures & Facilities
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Berm Well Pad:

The entire perimeter of the well pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the well pad.

- The berm shall be constructed at a minimum of 12 inches high with impermeable mineral material (e.g. caliche).
- No water flow from the uphill side(s) of the pad shall be allowed to enter the well pad.
- The topsoil stockpile shall be located outside the bermed well pad.
- Topsoil, either from the well pad or surrounding area, shall not be used to construct the berm.
- No storm drains, tubing or openings shall be placed in the berm.
- If fluid collects within the bermed area, the fluid must be vacuumed into a safe container and disposed of properly at a state approved facility.
- The integrity of the berm shall be maintained around the surfaced pad throughout the life of the well and around the downsized pad after interim reclamation has been completed.
- Any access road entering the well pad shall be constructed so that the integrity of the berm height surrounding the well pad is not compromised. (Any access road crossing the berm cannot be lower than the berm height.)
- Any water erosion that may occur due to the construction of the well pad during the life of the well will be quickly corrected and proper measures will be taken to prevent future erosion.

Tank Battery Requirement:

- The storage tank and separation equipment must have a secondary containment area that is lined with a 20 mil permanent liner installed with a 4 oz. felt backing to prevent tears or punctures. Secondary containment must be large enough to contain 1 ½ times the content of the largest tank.

Cave and Karst

** Depending on location, additional Drilling, Casing, and Cementing procedures may be required by engineering to protect critical karst groundwater recharge areas.

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Construction:

In the advent that any underground voids are opened up during construction activities, construction activities will be halted and the BLM will be notified immediately.

No Blasting:

No blasting will be utilized for pad construction. The pad will be constructed and leveled by adding the necessary fill and caliche.

Pad Berming:

The pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the pad. All sides will be bermed.

Tank Battery Liners and Berms:

Tank battery locations will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.

Leak Detection System:

A method of detecting leaks is required. The method could incorporate gauges to measure loss, siting valves and lines so they can be visually inspected, or installing electronic sensors to alarm when a leak is present. Leak detection plan will be submitted to BLM for approval.

Automatic Shut-off Systems:

Automatic shut off, check valves, or similar systems will be installed for pipelines and tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Fresh water will be used as a circulating medium in zones where caves or karst features are expected. SEE ALSO: Drilling COAs for this well.

Directional Drilling:

Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone. SEE ALSO: Drilling COAs for this well.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported in the drilling report.

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 70 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the situation and work with the operator on corrective actions to resolve the problem.

Abandonment Cementing:

Upon well abandonment in high cave karst areas additional plugging conditions of approval may be required. The BLM will assess the situation and work with the operator to ensure proper plugging of the wellbore.

Pressure Testing:

Annual pressure monitoring will be performed by the operator on all casing annuli and reported in a sundry notice. If the test results indicated a casing failure has occurred, remedial action will be undertaken to correct the problem to the BLM's approval.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5909 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

The operator shall strip the top portion of the soil (root zone) from the entire well pad area and stockpile the topsoil along the edge of the well pad as depicted in the APD. The root zone is typically six (6) inches in depth. All the stockpiled topsoil will be redistributed over the interim reclamation areas. Topsoil shall not be used for berming the pad or facilities. For final reclamation, the topsoil shall be spread over the entire pad area for seeding preparation.

Other subsoil (below six inches) stockpiles must be completely segregated from the topsoil stockpile. Large rocks or subsoil clods (not evident in the surrounding terrain) must be buried within the approved area for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing

The operator will install and maintain exclosure fencing for all open well cellars to prevent access to public, livestock, and large forms of wildlife before and after drilling operations until the pit is free of fluids and the operator initiates backfilling. (For examples of exclosure fencing design, refer to BLM's Oil and Gas Gold Book, Exclosure Fence Illustrations, Figure 1, Page 18.)

G. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed twenty-five (25) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

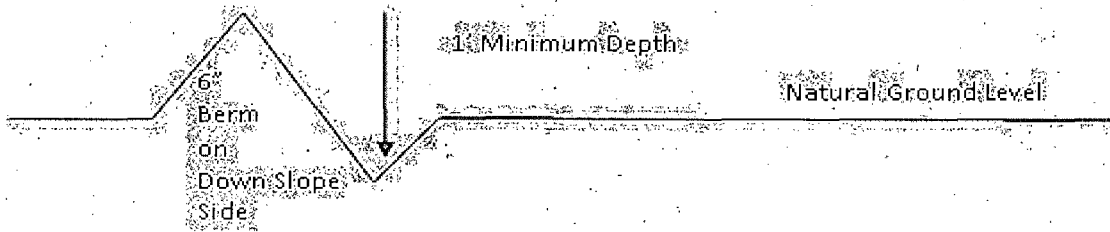
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installations

Appropriately sized culverts shall be installed at deep waterway channel flow crossings through the road.

Cattleguards

An appropriately sized cattleguard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattleguards on the access road route shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguards that are in place and are utilized during lease operations.

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Construction Steps

1. Salvage topsoil
2. Construct road

3. Redistribute topsoil
4. Revegetate slopes

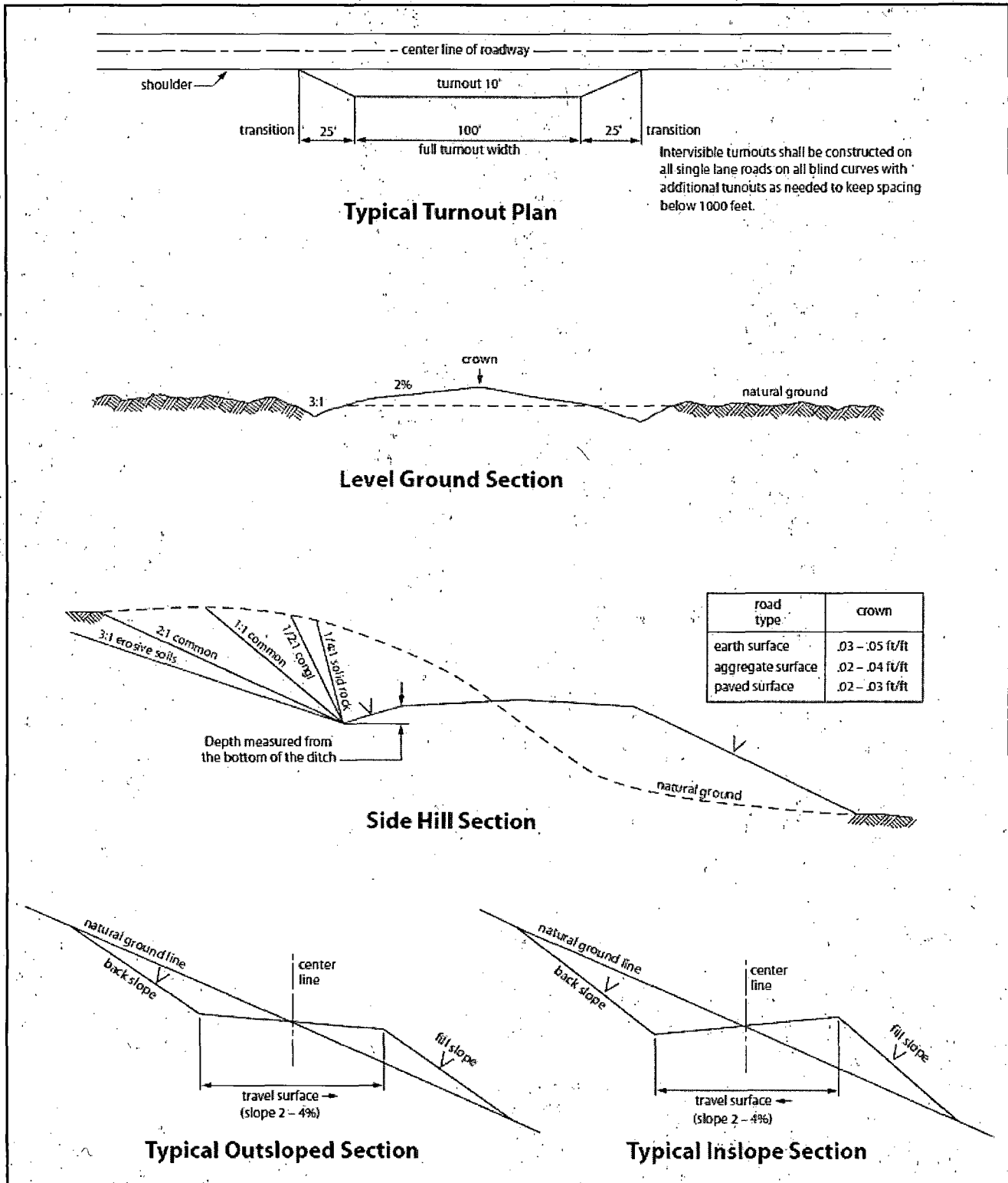


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

- a. Spudding well (minimum of 24 hours)
- b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
- c. BOPE tests (minimum of 4 hours)

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. If Hydrogen Sulfide is encountered, report measured amounts and formations to the BLM. Operator has stated that they will have monitoring equipment in place prior to drilling out of the surface shoe.**
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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time prior to drilling out for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. IF OPERATOR DOES NOT HAVE THE WELL SPECIFIC CEMENT DETAILS ONSITE PRIOR TO PUMPING THE CEMENT FOR EACH CASING STRING, THE WOC WILL BE 30 HOURS. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Critical Cave/Karst

Possibility of water flows in the top of salt and the Castile.

Possibility of lost circulation in the Rustler, Bell Canyon, Cherry Canyon, and Brushy Canyon.

- 1. The 13-3/8 inch surface casing shall be set at approximately 400 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface. If salt is encountered, set casing at least 25 feet above the salt.**
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.**
 - b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.**
 - d. If cement falls back, remedial cementing will be done prior to drilling out that string.**

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing, which shall be set at approximately 2500 feet, is:

☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.**

Centralizers required through the curve and a minimum of one every other joint.

3. The minimum required fill of cement behind the 7 inch production casing is:

☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

4. Cement not required on the 4-1/2" casing. **Packer system being used.**
5. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M) psi.**
 - a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9-5/8 intermediate casing shoe shall be **3000 (3M) psi.**

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).
 - b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
 - c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.
 - d. The results of the test shall be reported to the appropriate BLM office.
 - e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**
 - f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

JAM 021814

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Exclosure Netting (Open-top Tanks)

Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock. Use a maximum netting mesh size of 1 ½ inches. The netting must not be in contact with fluids and must not have holes or gaps.

Chemical and Fuel Secondary Containment and Exclosure Screening

The operator will prevent all hazardous, poisonous, flammable, and toxic substances from coming into contact with soil and water. At a minimum, the operator will install and maintain an impervious secondary containment system for any tank or barrel containing hazardous, poisonous, flammable, or toxic substances sufficient to contain the contents of the tank or barrel and any drips, leaks, and anticipated precipitation. The operator will dispose of fluids within the containment system that do not meet applicable state or U. S. Environmental Protection Agency livestock water standards in accordance with state law; the operator must not drain the fluids to the soil or ground. The operator will design, construct, and maintain all secondary containment systems to prevent wildlife and livestock exposure to harmful substances. At a minimum, the operator will install effective wildlife and livestock exclosure systems such as fencing, netting, expanded metal mesh, lids, and grate covers. Use a maximum netting mesh size of 1 ½ inches.

Open-Vent Exhaust Stack Exclosures

The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures

Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the

largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, **Shale Green** from the BLM Standard Environmental Color Chart (CC-001: June 2008).

B. PIPELINES

Non approved with APD

C. ELECTRIC LINES

Non approved with APD

IX. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Seed Mixture 1, for Loamy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (small/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

<u>Species</u>	<u>lb/acre</u>
Plains lovegrass (<i>Eragrostis intermedia</i>)	0.5
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.0
Sideoats grama (<i>Bouteloua curtipendula</i>)	5.0
Plains bristlegrass (<i>Setaria macrostachya</i>)	2.0

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed