

District I
1625 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

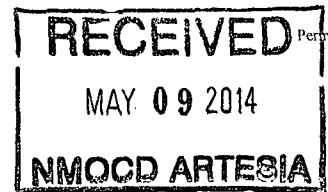
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

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 and Natural Resources

Form C-101
Revised December 16, 2011

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505



APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|--|--|---|
| ¹ Operator Name and Address LRE Operating, LLC 1111 Bagby Street, Suite 4600 Houston, Texas 77002 | | ² OGRID Number 281994 |
| ⁴ Property Code 309873 | | ³ APL Number 30-015 42367 |
| ⁵ Property Name Welch RL State | | ⁶ Well No. #20 |

⁷ Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| E | 28 | 17S | 28E | | 1650 | N | 420 | W | Eddy |

⁸ Pool Information

| | |
|------------------------|-------|
| Artesia; Glorieta-Yeso | 96830 |
|------------------------|-------|

Additional Well Information

| | | | | |
|----------------------------------|--|--|---|---|
| ⁹ Work Type N | ¹⁰ Well Type O | ¹¹ Cable/Rotary R | ¹² Lease Type S | ¹³ Ground Level Elevation 3623.5 |
| ¹⁴ Multiple N | ¹⁵ Proposed Depth 3650' MD / 3650' TVD | ¹⁶ Formation Yeso | ¹⁷ Contractor United Drilling, Inc. | ¹⁸ Spud Date After 7/1/2014 |
| Depth to Ground Water: 40 Ft. | | Distance from nearest fresh water well: 3.6 Miles | | Distance from nearest surface water: 8.5 Miles |

¹⁹ Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Conductor | 20" | 14" | 68.7 | 40 | 40 | Surface |
| Surface | 11" | 8-5/8" | 24 | 450 | 300 | Surface |
| Production | 7-7/8" | 5-1/2" | 17 | 3650 | 675 | Surface |
| | | | | | | |
| | | | | | | |

Casing/Cement Program: Additional Comments

| |
|--|
| |
|--|

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|---------|------------------|---------------|----------------|
| XLT 11" | 5000 | 2000 | National Varco |

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

I further certify that the drilling pit will be constructed according to NMOC D guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☒.

Signature: *Eric McClusky*
Printed Name: Eric McClusky

Title: Production Engineer

E-mail Address: emcclusky@limerockresources.com

Date: 5/7/2014

Phone: 713-360-5714

OIL CONSERVATION DIVISION

Approved By:

R. Dade

Title:

Dist. H. Spewer

Approved Date:

Expiration Date:

Conditions of Approval Attached

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|--|---|---|
| ¹ API Number 30-015-42367 | ² Pool Code 96830 | ³ Pool Name Artesia; Glorieta - Yeso |
| ⁴ Property Code 309873 | ⁵ Property Name WELCH RL STATE | |
| ⁷ OGRID No. 281994 | ⁸ Operator Name LRE OPERATING, LLC | ⁶ Well Number 20 |
| | | ⁹ Elevation 3623.3 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|-----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|-------------|
| E | 28 | 17 S | 28 E | | 1650 | NORTH | 420 | WEST | EDDY |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|--|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 10 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|--|-------------------------------|----------------------------------|-------------------------|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

| | | |
|---|--|---|
| <p>N88°14'36"E 2598.42 FT</p> <p>N88°13'40"E 2597.89 FT</p> <p>NW CORNER SEC. 28 LAT. = 32.8122409°N LONG. = 104.1887406°W</p> <p>N/4 CORNER SEC. 28 LAT. = 32.8124497°N LONG. = 104.1802889°W</p> <p>NE CORNER SEC. 28 LAT. = 32.8126598°N LONG. = 104.1718389°W</p> <p>W/4 CORNER SEC. 28 LAT. = 32.8051059°N LONG. = 104.1888488°W</p> <p>E/4 CORNER SEC. 28 LAT. = 32.8054811°N LONG. = 104.1719366°W</p> <p>SW CORNER SEC. 28 LAT. = 32.7979651°N LONG. = 104.1889432°W</p> <p>S/4 CORNER SEC. 28 LAT. = 32.7981358°N LONG. = 104.1805074°W</p> <p>SE CORNER SEC. 28 LAT. = 32.7983041°N LONG. = 104.1720375°W</p> <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.</p> | | <p>¹² OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Eric McClusky</i> 5/7/14 Signature Date Eric McClusky Printed Name E.mccclusky@linerockresources.com E-mail Address</p> <p>¹³ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>APRIL 15 2014 (12797) Date of Survey <i>[Signature]</i> Signature and Seal of Professional Surveyor Certificate Number: FERNANDEZ, JARAMILLO, PLS 12797 SURVEY NO. 913A</p> |
|---|--|---|

SECTION 28, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
SITE MAP

NOTE: THE LATITUDE AND LONGITUDE COORDINATES ARE SHOWN
USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN
DECIMAL DEGREE FORMAT.

150' NORTH
OFFSET
EL. 3620.1'

WELCH RL STATE #20

ELEV. = 3623.3'

LAT. = 32.8077366°N (NAD27)

LONG. = 104.1874420°W

150' WEST
OFFSET
EL. 3624.5'

DRY HOLE
MARKER

150' EAST
OFFSET
EL. 3622.7'

15' CALICHE RD.

150' SOUTH
OFFSET
EL. 3625.1'

4/W POWER LINE



010 50 100 200

SCALE 1" = 100'

DIRECTIONS TO LOCATION

FROM STATE HWY. 82 AND CR. #206 GO EAST ON HWY. 82 0.5
MILES, TURN LEFT ON CALICHE ROAD AND GO NORTH 0.8 MILES,
TURN RIGHT AND GO EAST 498' AND LOCATION IS ON THE LEFT
(NORTH) 16'.

LRE OPERATING, LLC
WELCH RL STATE #20

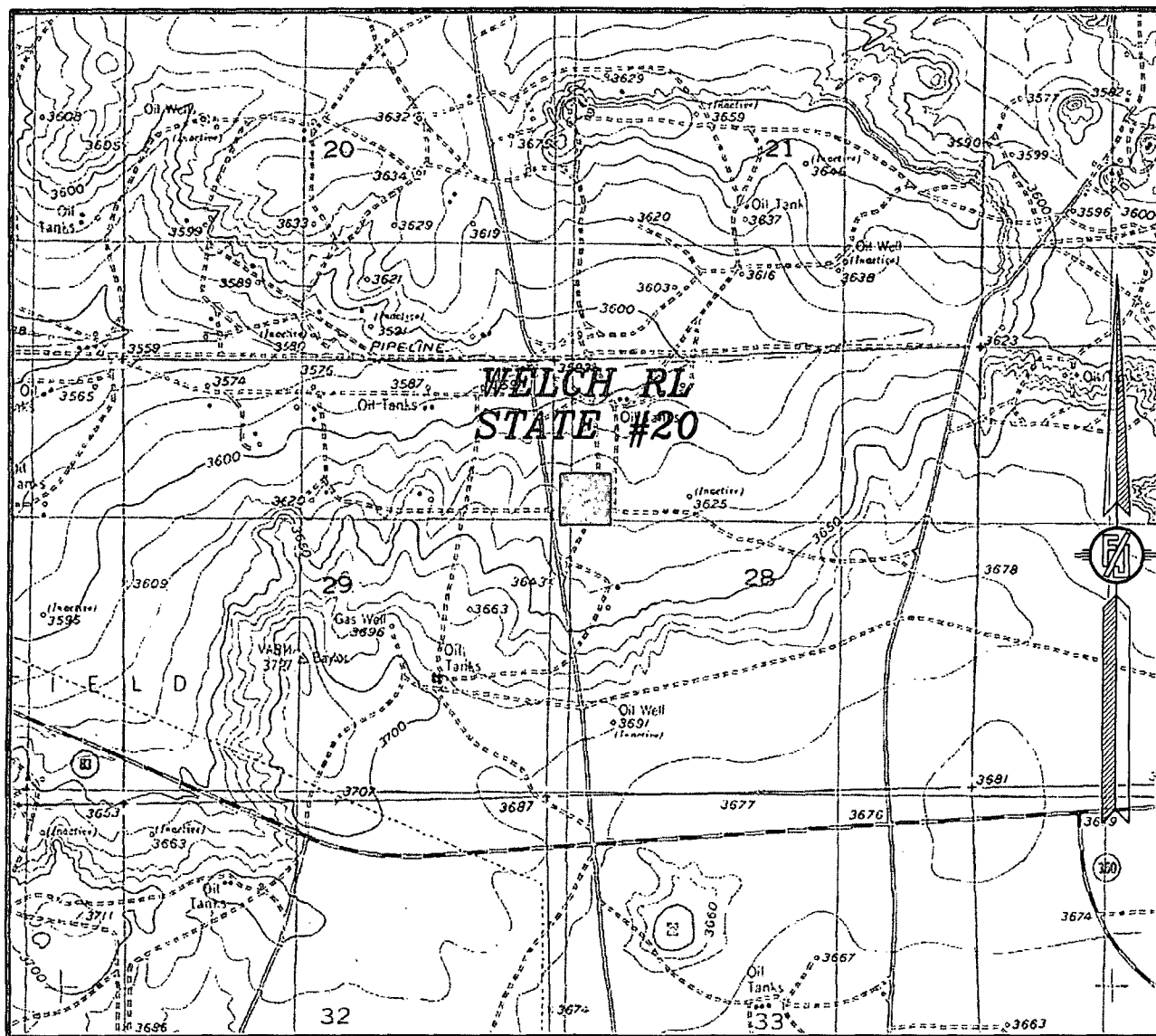
LOCATED 1650 FT. FROM THE NORTH LINE
AND 420 FT. FROM THE WEST LINE OF
SECTION 28, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 15, 2014

SURVEY NO. 913A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO

SECTION 28, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
LOCATION VERIFICATION MAP



USGS QUAD MAP:
RED LAKE

NOT TO SCALE

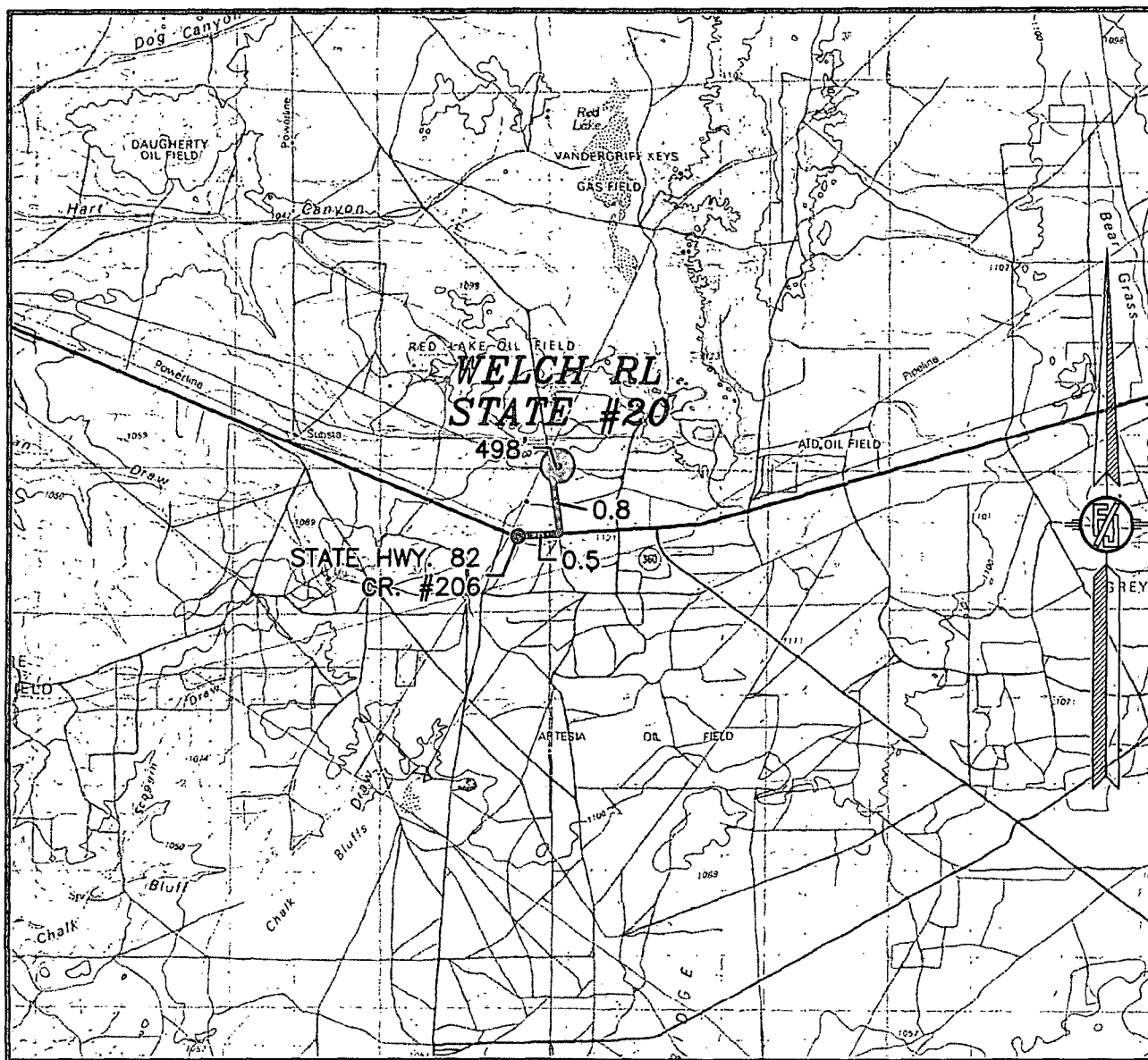
LRE OPERATING, LLC
WELCH RL STATE #20
LOCATED 1650 FT. FROM THE NORTH LINE
AND 420 FT. FROM THE WEST LINE OF
SECTION 28, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 15, 2014

SURVEY NO. 913A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO

SECTION 28, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
VICINITY MAP



DISTANCES IN MILES

NOT TO SCALE

DIRECTIONS TO LOCATION

FROM STATE HWY. 82 AND CR. #206 GO EAST ON HWY. 82 0.5 MILES, TURN LEFT ON CALICHE ROAD AND GO NORTH 0.8 MILES, TURN RIGHT AND GO EAST 498' AND LOCATION IS ON THE LEFT (NORTH) 16'.

**LRE OPERATING, LLC
WELCH RL STATE #20**

LOCATED 1650 FT. FROM THE NORTH LINE
AND 420 FT. FROM THE WEST LINE OF
SECTION 28, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

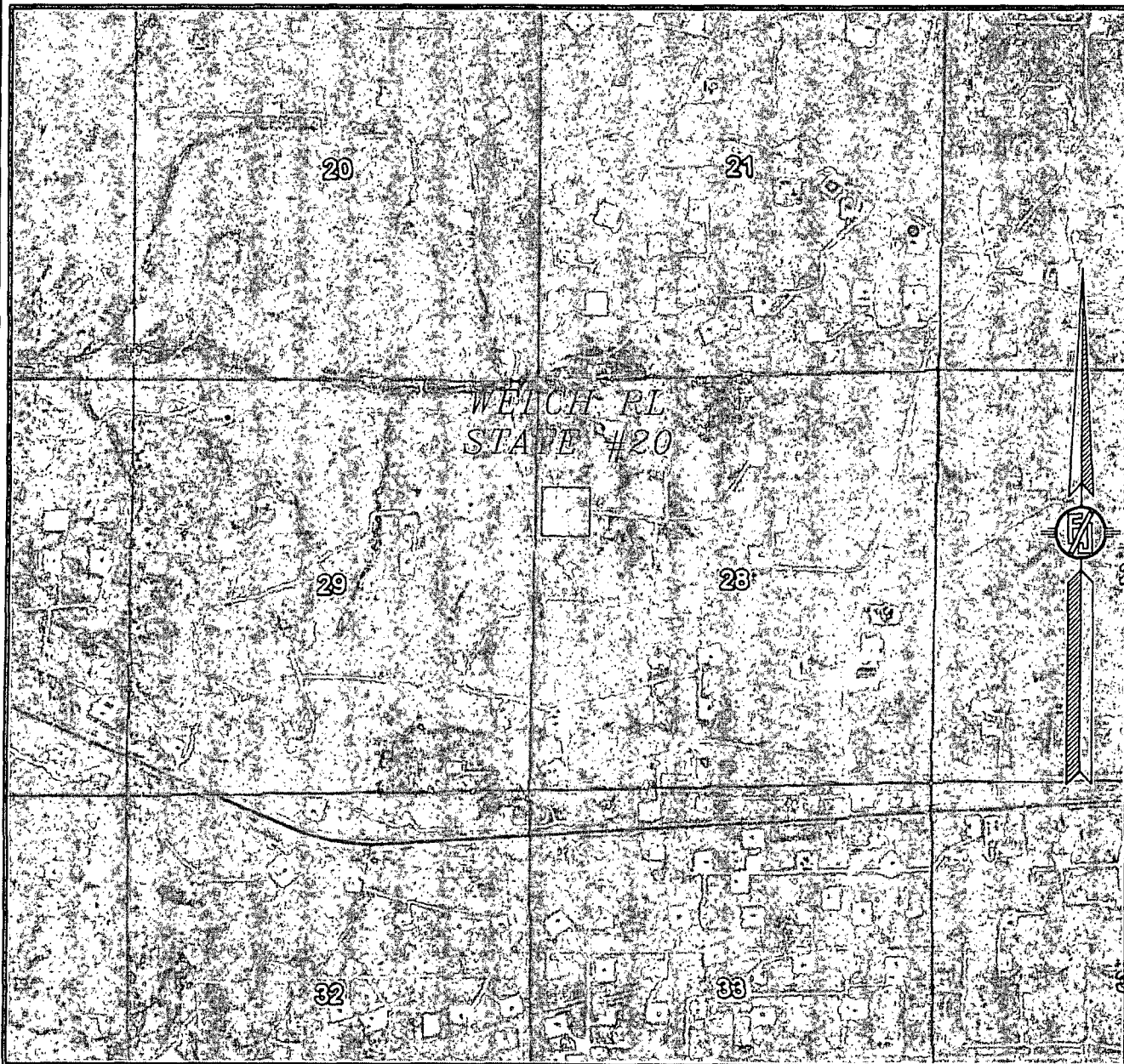
APRIL 15, 2014

SURVEY NO. 913A

MADRON SURVEYING, INC. 301 SOUTH CANAL
(575) 234-3341

CARLSBAD, NEW MEXICO

SECTION 28, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
AERIAL PHOTO



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
APRIL 2013

LRE OPERATING, LLC
WELCH RL STATE #20

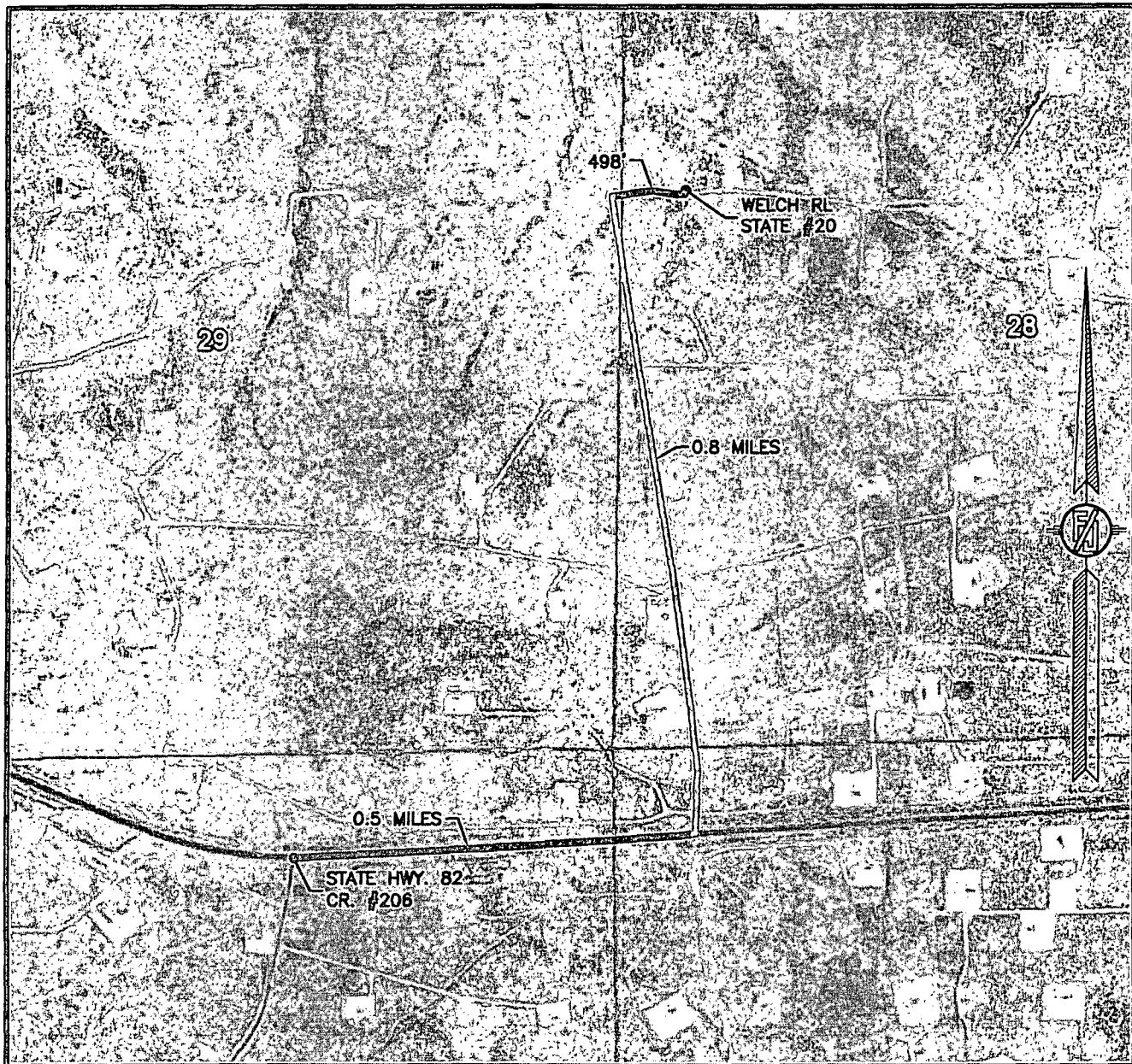
LOCATED 1650 FT. FROM THE NORTH LINE
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SECTION 28, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 15, 2014

SURVEY NO. 913A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO

SECTION 28, TOWNSHIP 17 SOUTH, RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
AERIAL ACCESS ROUTE MAP



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
APRIL 2013

LRE OPERATING, LLC
WELCH RL STATE #20

LOCATED 1650 FT. FROM THE NORTH LINE
AND 420 FT. FROM THE WEST LINE OF
SECTION 28, TOWNSHIP 17 SOUTH,
RANGE 28 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 15, 2014

SURVEY NO. 913A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO

LRE Operating, LLC
Drilling Plan

Welch RL State #20
1650' FNL 420' FWL
(E) 28-17S-28E
Eddy County, NM

1. The elevation of the unprepared ground is 3623.5 feet above sea level.
2. The geologic name of the surface formation is Quaternary – Alluvium.
3. A rotary rig will be utilized to drill the well to 3650' and run casing. This equipment will be rigged down and the well will be completed with a workover rig.
4. Well will be drilled to a total proposed depth of 3650' MD.

5. Estimated tops of geologic markers:

| | MD | TVD |
|-----------------------|---------|---------|
| Quaternary – Alluvium | Surface | Surface |
| Yates | NA | NA |
| 7 Rivers | 614 | 614 |
| Queen | 1184 | 1184 |
| Grayburg | 1584 | 1584 |
| Premier | NA | NA |
| San Andres | 1914 | 1914 |
| Glorieta | 3304 | 3304 |
| Yeso | 3402 | 3402 |
| Tubb | NA | NA |
| TD | 3650 | 3650 |

6. Estimated depths at which anticipated oil, gas, or other mineral bearing formations are expected to be encountered:

| | MD | TVD |
|------------|------|------|
| Yates | NA | NA |
| 7 Rivers | 614 | 614 |
| Queen | 1184 | 1184 |
| Grayburg | 1584 | 1584 |
| Premier | NA | NA |
| San Andres | 1914 | 1914 |
| Glorieta | 3304 | 3304 |
| Yeso | 3402 | 3402 |
| Tubb | NA | NA |
| TD | 3650 | 3650 |

7. Proposed Casing and Cement program is as follows:

| Type | Hole | Casing | Wt | Grade | Thread | Depth | Sx | Density | Yield | Components |
|--------------|--------|--------|------|-------|--------|-------|-----|---------|-------|--|
| Conductor | 20" | 14" | 68.7 | B | Welded | 40 | 40 | | | Ready Mix |
| Surface | 11" | 8-5/8" | 24 | J-55 | ST&C | 450 | 300 | 14.8 | 1.35 | Cl C Cmt + 0.25 lbs/sk Cello Flake + 2% CaCl ₂ |
| Intermediate | | | | | | | | | | |
| Production | 7-7/8" | 5-1/2" | 17 | J-55 | LT&C | 3650 | 300 | 12.8 | 1.903 | (35:65) Poz/Cl C Cmt + 5% NaCl + 0.25 lbs/sk Cello Flake + 5 lbs/sk LCM-1 +0.2% R-3 + 6% Gel |
| | | | | | | | 375 | 14.8 | 1.33 | Class C w/ 0.6% R-3 and 1/4 pps cello flake |

8. Proposed Mud Program is as follows

| Depth | 0-450 | 450-3500 | 3500-3650 |
|------------|-----------------|--|--|
| Mud Type | Fresh Water Mud | Brine | Brine, Salt Gel, & Starch |
| Properties | | | |
| MW | 8.4-9.2 | 9.8-10.1 | 9.9-10.1 |
| pH | 9.0-10.5 | 10.0-12.0 | 10.0-12.0 |
| WL | NC | NC | 20-30 |
| Vis | 28-34 | 28-29 | 32-34 |
| MC | NC | NC | <2 |
| Solids | NC | <2% | <3% |
| Pump Rate | 300-500 gpm | 375-425 gpm | 400-425 gpm |
| Special | | Use Poymers sticks and MF-55 Hi-Vis Sweeps as necessary | Hi Vis Sweeps, add acid and starch as req. Raise Vis to 35 for log. |

9. **Pressure Control Equipment:** See Attached Description and diagram of Pressure Control Equipment.

10. **Testing, Logging and Coring Program**

Testing Program: No drill stem tests are anticipated

Electric Logging Program: SGR-DLL-CDL-CNL Quad Combo from 3650 to surf. Csg. SGR-CNL to Surf.

Coring Program: No full or sidewall cores are anticipated.

11. **Potential Hazards:**

No abnormal temperatures or pressures are expected. There is no known presence of H₂S in this area. 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. Estimated BHP 1606 psi based on 0.44 x TD. The estimated BHT is 125 degrees F.

12. **Duration of Operations:**

Anticipated spud date will be soon after approval and as soon as a rig will be available. Move in operations and drilling is expected to take 10 days. An additional 14 days will be needed it complete the well and to construct surface facilities.

Hydrogen Sulfide Drilling Plan Summary

A. All personnel shall receive proper H2S training in accordance with Onshore Order 6 III.C.3.a.

B. Briefing Area: two perpendicular areas will be designated by signs and readily accessible.

C. Required Emergency Equipment:

■ Well control equipment

- a. Flare line 150' from wellhead to be ignited by flare gun.
- b. Choke manifold with a remotely operated choke.
- c. Mud/gas separator

■ Protective equipment for essential personnel.

Breathing apparatus:

- a. Rescue Packs (SCBA) — 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
- b. Work/Escapes packs — 4 packs shall be stored on the rig floor and contain sufficiently long air hoses as to not restrict work activity.
- c. Emergency Escape Packs — 4 packs shall be stored in the doghouse for emergency evacuation.

Auxiliary Rescue Equipment:

- a. Stretcher
- b. Two OSHA full body harness
- c. 100 ft 5/8 inch OSHA approved rope
- d. 1-20# class ABC fire extinguisher

■ H2S detection and monitoring equipment:

The stationary detector with three sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible @ 14 ppm. Calibrate a minimum of every 30 days or as needed. The sensors will be placed in the following places: Rig floor / Bell nipple / End of flow line or where well bore fluid is being discharged.
(Gas sample tubes will be stored in the safety trailer)

■ Visual warning systems:

- a. One color code condition sign will be placed at the entrance to the site reflecting the possible conditions at the site.
- b. A colored condition flag will be on display, reflecting the current condition at the site at the time.
- c. Two wind socks will be placed in strategic locations, visible from all angles.

■ Mud program:

The mud program has been designed to minimize the volume of H2S circulated to surface. The operator will have the necessary mud products to minimize hazards while drilling in H2S bearing zones.

■ Metallurgy:

- a. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.
- b. All elastomers used for packing and seals shall be H₂S trim.

■ Communication:

Communication will be via two way radio in emergency and company vehicles. Cell phones and land lines where available.

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Company Offices - Lime Rock Houston Office
 Answering Service (After Hours)
 Artesia, NM Office
 Roswell, NM

713-292-9510
 713-292-9555
 575-748-9724
 575-623-8424

KEY PERSONNEL

| Name | Title | Location | Office # | Cell # | Home # |
|-----------------|---------------------------------|-----------------|--------------|--------------|--------------|
| Mike Loudermilk | Operations Manager | Houston | 713-292-9526 | 832-331-7367 | Same as Cell |
| Spencer Cox | Production Engineer | Houston | 713-292-9528 | 432-254-5140 | Same as Cell |
| Eric McClusky | Production Engineer | Houston | 713-360-5714 | 405-821-0534 | 832-491-3079 |
| Jerry Smith | Assistant Production Supervisor | Artesia | 575-748-9724 | 505-918-0556 | 575-746-2478 |
| Michael Barrett | Production Supervisor | Roswell | 575-623-8424 | 505-353-2644 | 575-623-4707 |
| Dalw Kennard | Well Site Supervisor | Rotates on Site | NA | 575-420-1651 | NA |
| Gary McCelland | Well Site Supervisor | Rotates on Site | NA | 903-503-8997 | NA |
| Brad Tate | Well Site Supervisor | Rotates on Site | NA | 575-441-1966 | NA |
| Dave Williamson | Well Site Supervisor | Rotates on Site | NA | 575-308-9980 | NA |

| Agency Call List | | |
|------------------|--|--------------|
| City | Agency or Office | Telephone # |
| Artesia | Ambulance | 911 |
| Artesia | State Police | 575-746-2703 |
| Artesia | Sherriff's Office | 575-746-9888 |
| Artesia | City Police | 575-746-2703 |
| Artesia | Fire Department | 575-746-2701 |
| Artesia | Local Emergency Planning Committee | 575-746-2122 |
| Artesia | New Mexico OCD District II | 575-748-1283 |
| Carlsbad | Ambulance | 911 |
| Carlsbad | State Police | 575-885-3137 |
| Carlsbad | Sherriff's Office | 575-887-7551 |
| Carlsbad | City Police | 575-885-2111 |
| Carlsbad | Fire Department | 575-885-2111 |
| Carlsbad | Local Emergency Planning Committee | 575-887-3798 |
| Carlsbad | US DOI Bureau of Land Management | 575-887-6544 |
| State Wide | New Mexico Emergency Response Commisssion ("NMERC") | 505-476-9600 |
| State Wide | NMERC 24 Hour Number | 505-827-9126 |
| State Wide | New Mexico State Emergency Operations Center | 505-476-9635 |
| National | National Emergency Response Center (Washington D.C.) | 800-424-8802 |

Emergency Services

| Name | Service | Location | Telephone Number | Alternate Number |
|--|---------------------------------|-------------------------|------------------|-----------------------|
| Boots & Coots International Well Control | Well Control | Houston / Odessa | 1-800-256-9688 | 281-931-8884 |
| Cudd Pressure Control | Well Control/Pumping | Odessa | 915-699-0139 | 915-563-3356 |
| Baker Hughes Inc. | Pumping Services | Artesia, Hobbs & Odessa | 575-746-2757 | Same |
| Total Safety | Safety Equipment & Personnel | Artesia | 575-746-2847 | Same |
| Cutter Oilfield Services | Drilling Systems Equipment | Midland | 432-488-6707 | Same |
| Safety Dog | Safety Equipment & Personnel | Artesia | 575-748-5847 | 575-441-1370 |
| Fighting for Life | Emergency Helicopter Evacuation | Lubbock | 806-743-9911 | Same |
| Aerocare | Emergency Helicopter Evacuation | Lubbock | 806-747-8923 | Same |
| Med Flight Air Ambulance | Emergency Helicopter Evacuation | Albuquerque | 505-842-4433 | Same |
| Artesia General Hospital | Emergency Medical Care | Artesia | 575-748-3333 | 702 North 13th Street |

Pressure Control Equipment

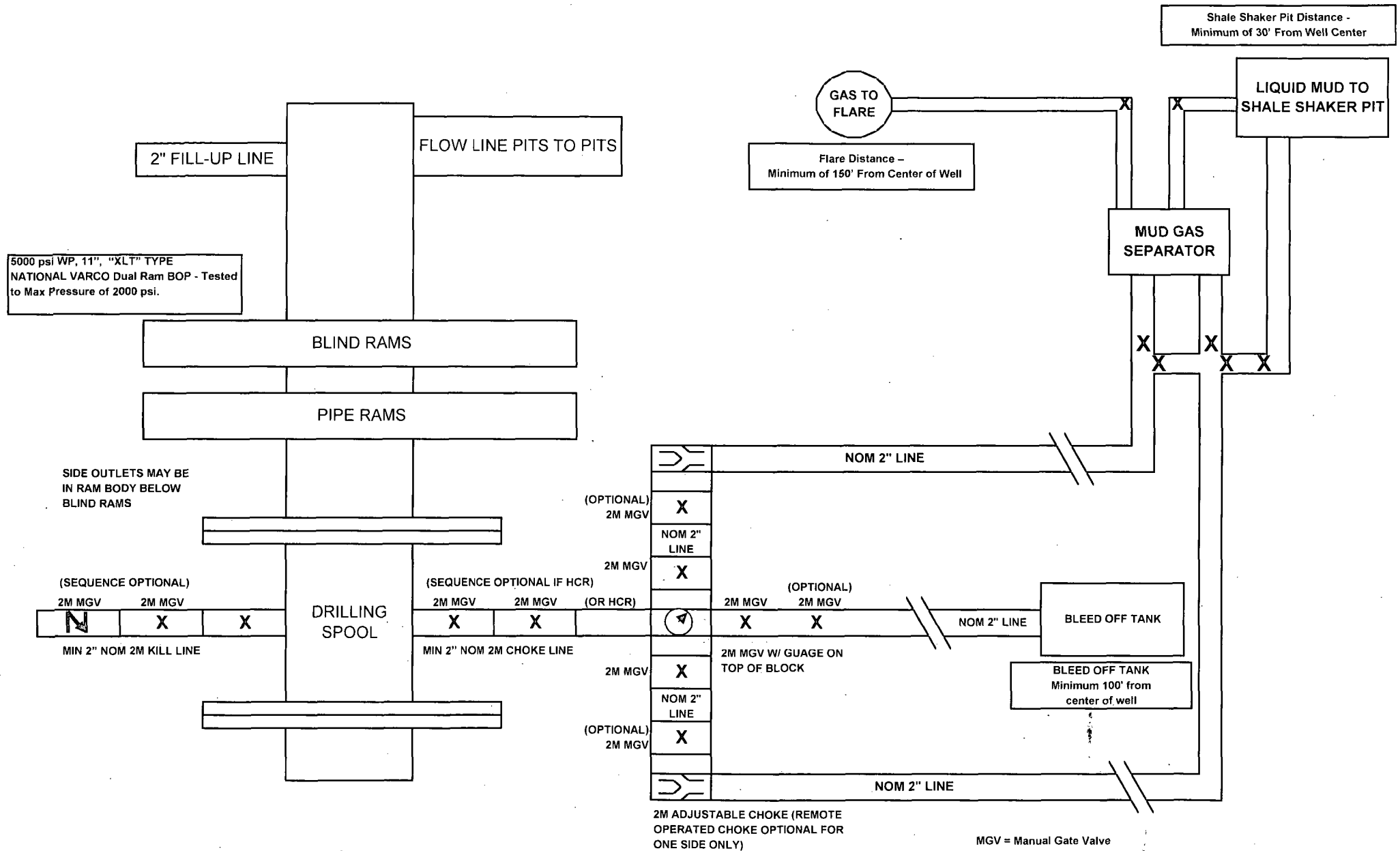
The blowout preventer equipment (BOP) will consist of a 5000 psi rated, "XLT" type, National VARCO double ram preventer that will be tested to a maximum pressure of 2000 psi. The unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top and drill pipe rams on bottom. The 2M BOP will be installed on the 8 5/8" surface casing and utilized continuously until total depth is reached. All casing strings will be tested as per Onshore Order #2. This also includes a thirty day (30) test, should the rig still be operating on the same well in thirty days.

Pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drilling logs.

The BOP equipment will consist of the following:

- Double ram with blind rams (top) and pipe rams (bottom),
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 2" minimum diameter, kill side will be at least 2 inch diameter),
- Kill line (2 inch minimum),
- A minimum of 2 choke line valves (2 inch minimum),
- 2 inch diameter choke line,
- 2 kill valves, one of which will be a check valve (2 inch minimum),
- 2 chokes, one of which will be capable of remote operation,
- Pressure gauge on choke manifold,
- Upper Kelly cock valve with handle available,
- Safety valve and subs to fit all drill string connections in use,
- All BOPE connections subjected to well pressure will be flanged, welded, or clamped,
- A Fill-up line above the uppermost preventer.

2M BOP SCHEMATIC



MGV = Manual Gate Valve
CKV = Check Valve
HCR = Hydraulically Controlled Remote Valve

NOTE: All lines, valves and chokes are shown at the minimum size allowed, but may be larger

LRE Operating, LLC

Welch RL State #20

Unit E, S28-T17S-R28E, Eddy County, NM

Design: Closed Loop System with roll-off steel bins (pits)

CRI/HOBBS will supply (2) bins (100 bbl) volume, rails and transportation relating to the Close Loop System. Specification of the Closed Loop System is attached.

Contacts: Gary Wallace (432) 638-4076 Cell (575) 393-1079 Office

Scomi Oil Tool: Supervisor – Armando Soto (432) 553-7979 Hobbs, NM

Monitoring 24 Hour service

Equipment:

Centrifuges – Derrick Brand

Rig Shakers – Brandt Brand

D-watering Unit

Air pumps on location for immediate remediation process

Layout of Close Loop System with bins, centrifuges and shakers attached.

Cuttings and associated liquids will be hauled to a State regulated third party disposal site (CRI or Controlled Recovery, Inc.). The disposal site permit is DFP = #R9166.

2- (250 bbl) tanks to hold fluid

2-CRI bins with track system

2-500 bbl frac tanks with fresh water

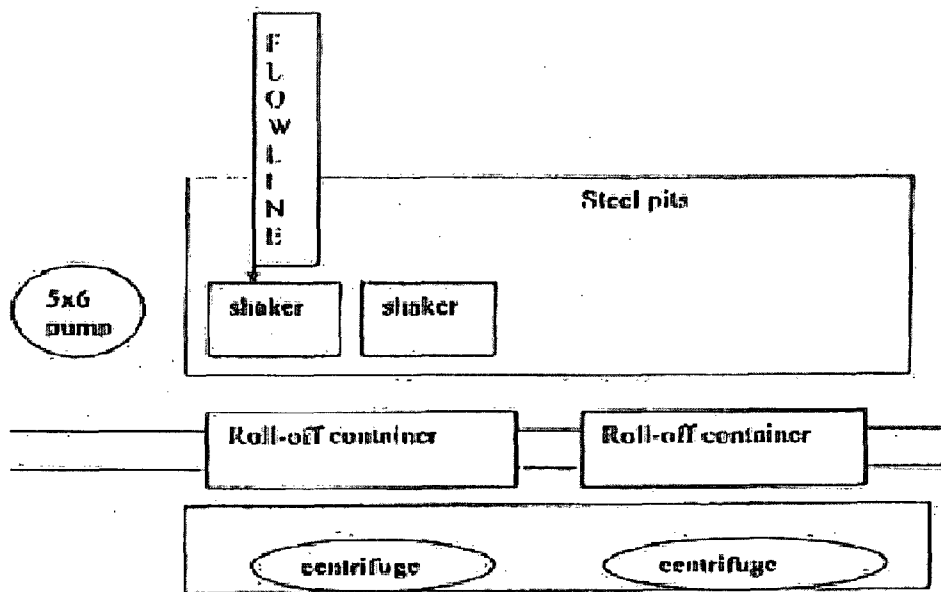
2-500 bbl frac tanks for brine water

Operations:

Closed Loop System equipment will be inspected daily by each tour and any necessary maintenance performed. leak in system will be repaired and/or contained immediately. OCD will be notified within 48 hours of any spill. Remediation process will start immediately.

Closure:

During drilling operations all liquids, drilling fluids and cuttings will be hauled off via CRI equipment to DFP #R9166.



This will be maintained by 24 hour solids control personnel that stay on location.

TOMMY WILSON
CLS
CLOSED LOOP
SPECIALTY

Office: 575.746.1689

Cell: 575.748.6367