15-	56O
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Form 3160 - 3	NM OIL C	ONSERVATIO	м	FORM AF	
(March 2012) UNITED STA DEPARTMENT OF T BUREAU OF LAND	ARTES HE INTERIOR	N 2 8 2016		OMB No. 1 Expires Octo 5. Lease Serial No. NMLC-029395A	
BUREAU OF LAND APPLICATION FOR PERMIT				6. If Indian, Allotee or	Tribe Name
la. Type of work: 🖌 DRILL 🗌 RI	EENTER			7 If Unit or CA Agreem	ent, Name and No.
lb. Type of Well: 🗸 Oit Well 🗌 Gas Well 💭 Other	√ s	ingle Zone 🔲 Mu	ltiple Zone	8. Lease Name and Wel TONY FEDERAL 63	
2 Name of Operator APACHE CORPORATION				9. API Well No. 30-015-	3608
3a. Address 303 VETERANS AIRPARK LN #1000 MIDLAND, TX 79705	432-818-1				<u>eta-yeso (96831</u>)
 Location of Well (Report location clearly and in accordance w At surface 2080' FNL & 1530' FEL 	vith any State requiren	ments.*)		11. Sec., T. R. M. or Bik.a SEC: 19 T17S B31	
At proposed prod. zone 2310' FNL & 1650' FEL 14. Distance in miles and direction from nearest town or post office		RTHODO	κ	12. County or Parish	13. State
APPROX 4 MILES EAST OF LOCO HILLS, NM 15. Distance from proposed* 1530'	MAN	ACTION acres in lease	17 Spacin	EDDY g Unit dedicated to this well	NM
location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		ACRES	40 A0	CRES	
 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 		d Depth له 400' له 41 له		BIA Bond No. on file 1-1463 NATIONWIDE / 1	NMB000736
 Elevations (Show whether DF, KDB, RT, GL, etc.) 3627' 	22. Approxi	mate date work will s		23. Estimated duration ~ 10 DAYS	
3027	24. Atta	on AS APPI	oved	~ 10 DATS	
The following, completed in accordance with the requirements of C			attached to th	is form:	
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest Sy SUPO must be filed with the appropriate Forest Service Office 	stem Lands, the	 Bond to cover Item 20 above Operator certif 	the operatio). fication	ns unless covered by an exis ormation and/or plans as may	•
25. Signature Soin Atlan		(Printed/Typed) INA L. FLORES		Dat	°4/6/15
Title SUPV OF DRILLING SERVICES					
Approved by (Signature) Steve Caffey	Name	(Printed/Typed)		Dat	[©] JAN 2 2 2016
Title FIELD MANAGER	Office		CARLS	BAD FIELD OFFICE	
Application approval does not warrant or certify that the applicant conduct operations thereon. Conditions of approval, if any, are attached.	t holds legal or equi	table title to those rig		ject lease which would entitle	
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make States any false, fictifious or fraudulent statements or representatio	it a crime for any parties of a crime for any parties of a crime for any matter w	erson knowingly and vithin its jurisdiction.			
(Continued on page 2)	<u> </u>			đ	tions on page 2)
Roswell Controlled Water Basi	'n		e m	/ 5 аттасн ег	28/16 DEOR

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

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UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT CARLSBAD FIELD OFFICE 620 E. GREENE STREET CARLSBAD, NM 88220

OPERATOR CERTIFICATION

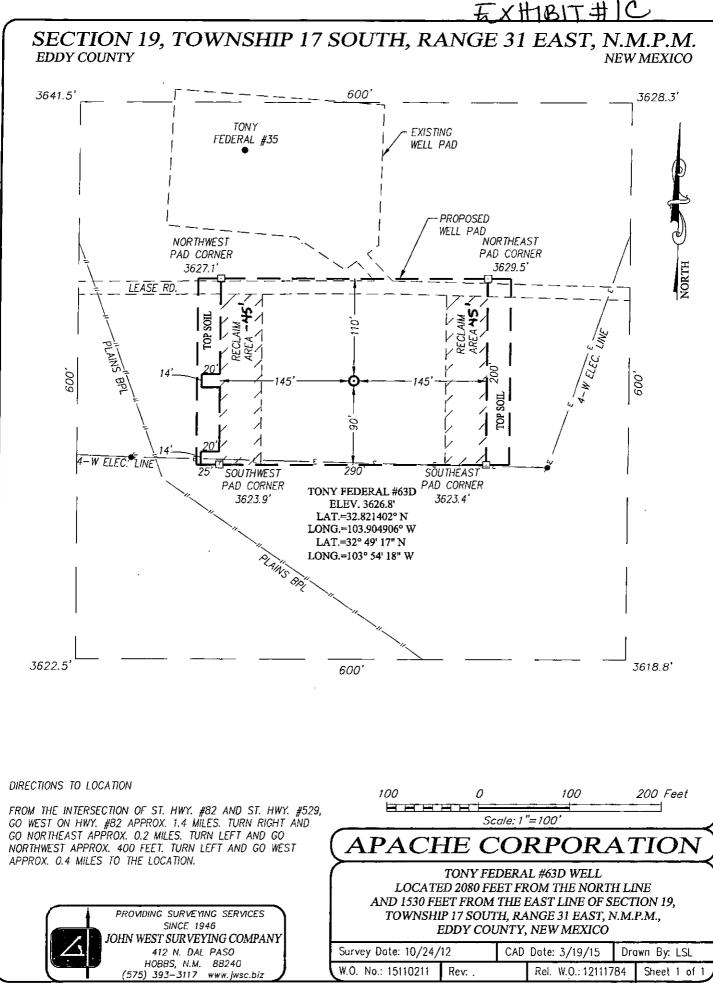
I HEARBY CERTIFY THAT I, OR SOMEONE UNDER MY DIRECT SUPERVISION, HAVE INSPECTED THE DRILL SITE AND ACCESS ROUTE PROPOSED HEREIN; THAT I AM FAMILIAR WITH THE CONDITIONS WHICH CURRENTLY EXIST; THAT I HAVE FULL KNOWLEDGE OF STATE AND FEDERAL laws applicable to this operation; that the statements made in the 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 this <u>6</u> d	ay of _ <u>A/A/</u>	c 2013	, .
		•	
Well: <u>TONY FEDERAL</u>	.#63D		
Operator Name:			
Signature: Junker la		Printed	Name: JORDAN EVANS
Title: <u>Drilling Engineer</u>		Date:_	4-46-15
Email (optional):	jordan.evans	@apachecorp.cor	n
Street or Box:	303 Veterans	<u>Airpark Ln., Ste</u>	2. 1000
City, State, Zip Code:	Midland, TX	7 9 705	
Telephone:	432	-818-1027	
Field Representative (if	not above sign	atory):	
Address (if different from	n above):		
Telephone (if different f	rom above <u>):</u>		
Email (optional):			

Agents not directly employed by the operator must submit a letter from the operator authorizing that the agent to act or file this application on their behalf.

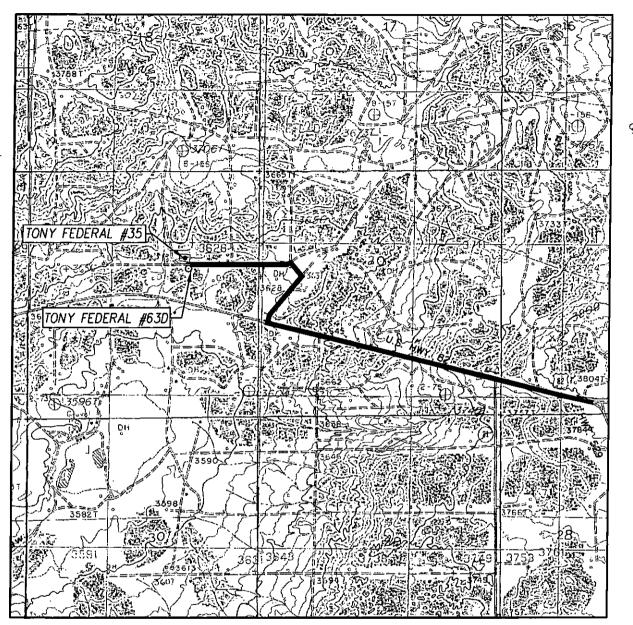
DISTRICT I State of New Mexico Form C-102 1625 N. French Dr., Hobbs, NM 88240 Phone: (575) 393-6161 Fax: (575) 393-0720 Revised August 1, 2011 Energy, Minerals & Natural Resources Department DISTRICT II 811 S. Fost St., Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720 Submit one copy to appropriate OIL CONSERVATION DIVISION District Office DISTRICT III 1000 Rio Brazos Road, Aztec, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170 1220 South St. Francis Dr. Santa Fe, New Mexico 87505 DAMENDED REPORT DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 Phone: (505) 476-3460 Fax: (505) 476-3462 WELL LOCATION AND ACREAGE DEDICATION PLAT Pool Name API Number Pool Code Cedar Lake; 6 lorieta-Yeso 8 3 7-015-10 Well Number Property Code Property Name TONY FEDERAL 63È 308738 OGRID No Operator Name Elevation 872 APACHE CORPORATION 3627 Surface Location North/South line East/West line County UL or lot No. Section Township Range Lot Ida Feet from the Feet from the EDDY G 19 17-S 31-E 2080 NORTH 1530 EAST 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 EDDY EAST G 19 17-S 31-E 2310 NORTH 1650 Joint or Infill Dedicated Acres Consolidation Code Order No. 40 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 1 **OPERATOR CERTIFICATION** 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 unlessed 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 2080 of such mineral or working interest, or to a voluntary 2310 pooling agreement or a compulsory pooling order beretofore entered by the division. 32.41 AC 2 3/26/15 puno Signature GRID AZ.=207'13'45" obrina HORIZ. DIST.=259.5 Printed Name SEE DETAIL -1530B.H soring. flores@asachecop. for 1650 E-mail Addres 32.51 AC. ٦ GEODETIC COORDINATES GEODETIC COORDINATES SURVEYOR CERTIFICATION NAD 27 NME SURFACE LOCATION NAD 27 NME I hereby certify that the well location shown on this plat CORNER COORDINATES TABLE BOTTOM HOLE LOCATION was plotted from field notes of actual surveys made by NAD 27 NME Y= 662803.7 N Y= 662573.1 N me or under my supervision, and that the same is true A - Y= 663556.2 N, X= 630500.1 E X= 631494.4 E X= 631613.1 E and correct to the best of my belief. B - Y= 663564.1 N. X= 631819.8 E LAT.= 32.821402" N LAT.=32.820769' N OGTOPLE Date of Survey Signature & Scal of Professional Surveyor: C - Y= 662243.6 N, X= 631827.3 E LONG = 103.904905 W LONG.=103.905296" W D - Y= 662236.1 N. X= 630507.7 E LAT.=32*49'17" N LAT.=32"49'15" N LONG.=103"54"18" W LONG.=103"54"19" W 32.61 AC. 4 GEODETIC COORDINATES GEODETIC COORDINATES NAD 83 NMF 8269 NAD B3 NME ĝ CORNER COORDINATES TABLE BOTTOM HOLE LOCATION SURFACE LOCATION S NAD 83 NME ð Y= 662636.9 N Y = 562867.5 NA - Y= 663620.0 N, X= 671678.9 E X= 672673.1 E X= 672791.8 E B - Y= 66362.9 N, X= 672998.5 E LAT.=32.820887" N LAT.=32.821519" N - Y= 662307.4 N, X= 673006.1 E - Y= 662299.8 N, X= 671686.4 E 03/23 C LONG = 103.905802" W 12015 LONG.=103.905413 W n LAT.=32"49"15" N LAT.=32"49"17" N W Gary G. Eidson 12641 Certificate Numbe LONG.=103'54'21" W LONG.=103'54'19" W Ronald J. Eidson 3239 LSL REL. W.O.: 12.11.1784 JWSC W.O.: 15.11.0211 32.71 AC

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C DRAFTING Lorenzo 2015 APACHE CORPORATION WELL NAME CHANGES TONY FEDERAL #63D

EXHIBIT#1 LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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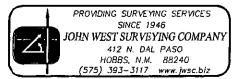
SEC. <u>19</u> TWP. <u>17-S</u> RGE. <u>31-E</u>
SURVEY N.M.P.M.
COUNTYEDDYSTATE_NEW_MEXICO
DESCRIPTION 2080' FNL & 1530' FEL
ELEVATION3627'
OPERATOR APACHE CORPORATION
LEASE TONY FEDERAL
U.S.G.S. TOPOGRAPHIC MAP LOCO HILLS, N.M.

CONTOUR INTERVAL: LOCO HILLS, N.M. - 10'

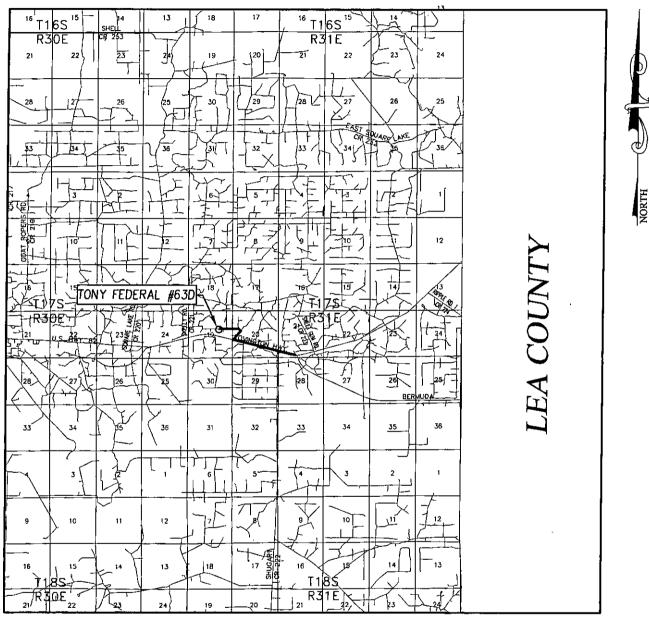
NORTH

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #82 AND ST. HWY. #529, GO WEST ON HWY. #82 APPROX. 1.4 MILES. TURN RIGHT AND GO NORTHEAST APPROX. 0.2 MILES. TURN LEFT AND GO NORTHWEST APPROX. 400 FEET. TURN LEFT AND GO WEST APPROX. 0.4 MILES TO THE LOCATION.



VICINITY MAP

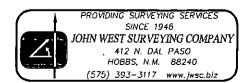


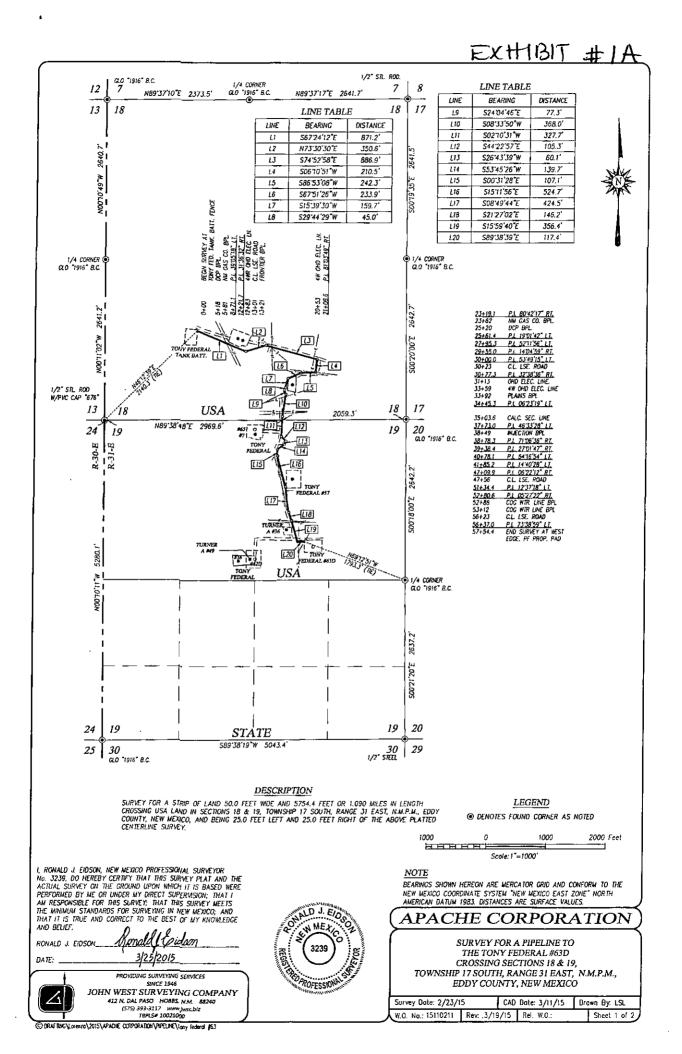
SCALE: 1" = 2 MILES

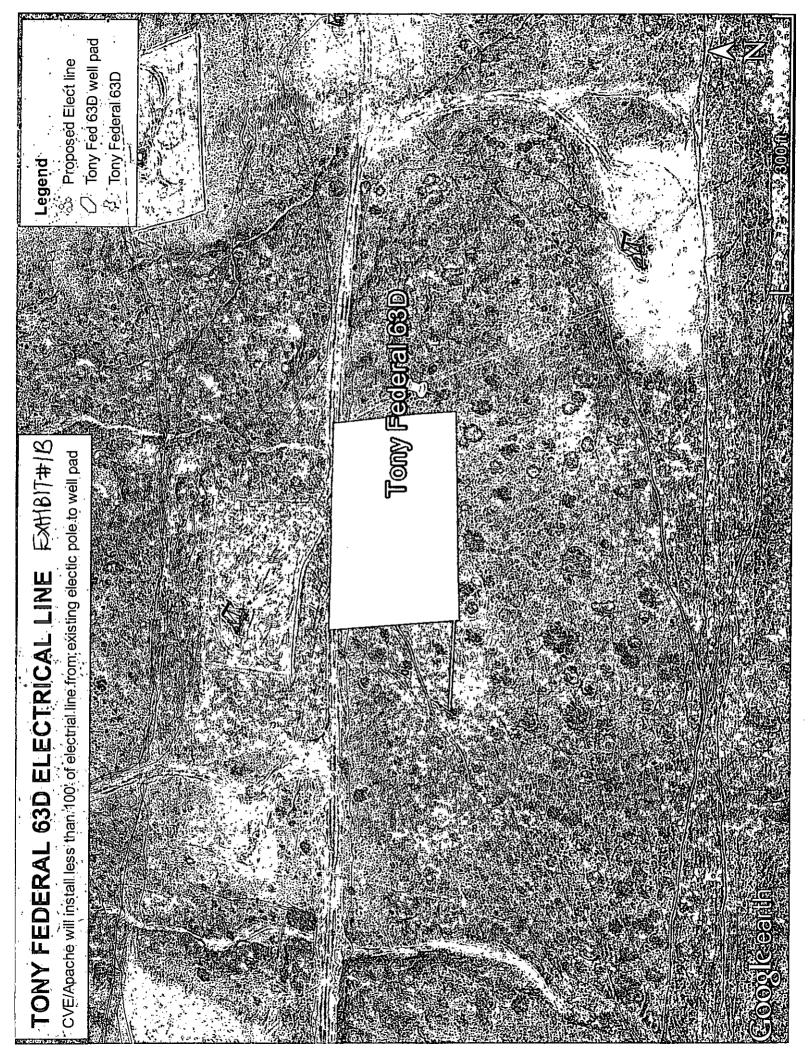
SEC. <u>19</u> TWP. <u>17-S</u> RGE. <u>31-E</u>
SURVEYN.M.P.M.
COUNTY EDDY STATE NEW MEXICO
DESCRIPTION 2080' FNL & 1530' FEL
ELEVATION <u>3627</u>
OPERATOR APACHE CORPORATION
LEASETONY FEDERAL

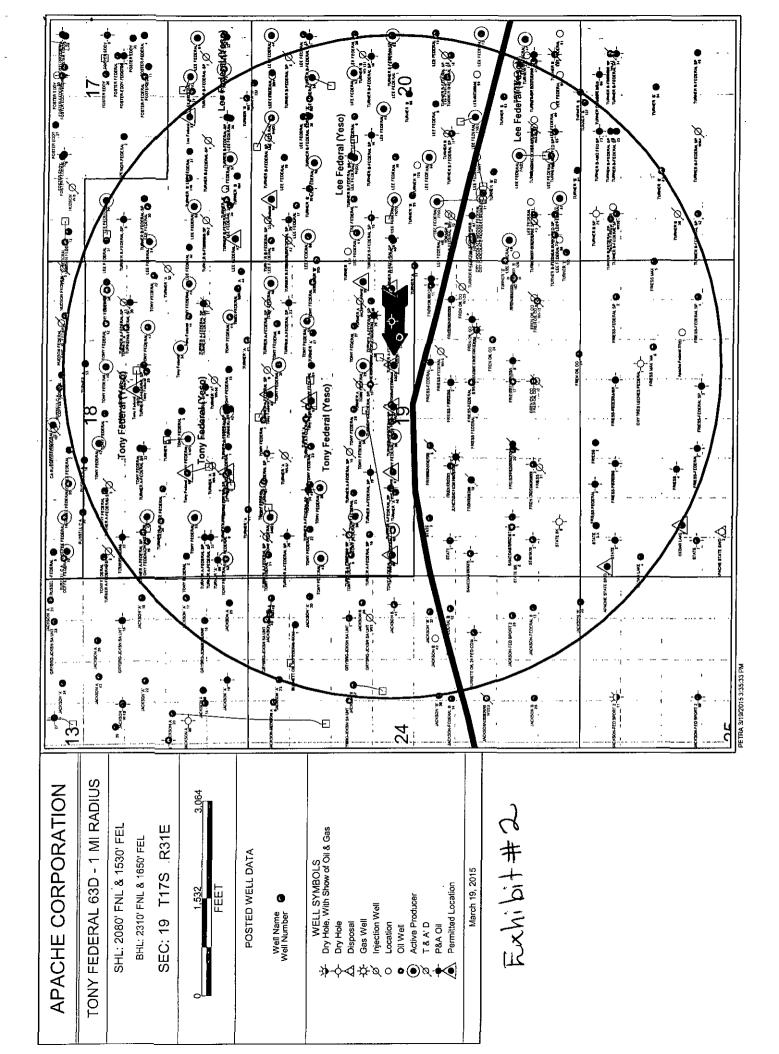
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1. Geologic Formations

TVD of target	6400'	Pilot hole depth	N/A
MD at TD:	6416′	Deepest expected fresh water:	91'

Back Reef

Formation	Depth (TVD) from KB	Water/Mineral/Bearing/ Target Zone?	Hazards*
Quaternary Aeolian	Surf		
Rustler	326		
Top of Salt	494		
Base of Salt	1190		
Yates	1346		
Seven Rivers	1640	Oil	
Queen	2301	Oil	
Grayburg	2744	Oil	
San Andres	3043	Oil	
Glorieta	4525		
Yeso	4606	Oil	

*H2S, water flows, loss of circulation, abnormal pressures, etc.

2. Casing Program

Hole	Casing Interval		Csg. Size	Weight	Grade	Conn.	SF	SF Burst	SF
Size	From	То		(lbs)			Collapse		Tension
17-1/2″	0'	300'	13-3/8"	48	H-40	STC	4.044	4.32	16.77
11"	0'	3500'	8-5/8"	32	J-55	STC	1.392	1.38	3.32
7-7/8″	0'	6416′	5-1/2″	17	J-55	LTC	1.531	1.66	2.24
				BLM N	BLM Minimum Safety Factor			1	1.6 Dry
									1.8 Wet

*All casing strings will be tested in accordance with Onshore Oil and Gas Order #2 III.B.1.h

	Y or N
Is casing new? If used, attach certification as required in Onshore Order #1	Y
Does casing meet API specifications? If no, attach casing specification sheet.	Y
Is premium or uncommon casing planned? If yes attach casing specification sheet.	N
Does the above casing design meet or exceed BLM's minimum standards? If not provide justification (loading assumptions, casing design criteria).	Y
Will the intermediate pipe be kept at a minimum 1/3 fluid filled to avoid approaching the collapse pressure rating of the casing?	Y
Is well located within Capitan Reef?	N
If yes, does production casing cement tie back a minimum of 50' above the Reef?	
Is well within the designated 4 string boundary.	
Is well located in SOPA but not in R-111-P?	N
If yes, are the first 2 strings cemented to surface and 3 rd string cement tied back 500' into previous casing?	

Is well located in R-111-P and SOPA?					
If yes, are the first three strings cemented to surface?					
Is 2 nd string set 100' to 600' below the base of salt?					
Is well located in high Cave/Karst?	N				
If yes, are there two strings cemented to surface?					
(For 2 string wells) If yes, is there a contingency casing if lost circulation occurs?					
· · · · · · · · · · · · · · · · · · ·					
Is well located in critical Cave/Karst?	N				
If yes, are there three strings cemented to surface?					

3. Cementing Program See COA

Casing	# Sks	Wt. lb/ gai	Yld ft3/ sack	'H ₂ 0 gal/s 'k	500# Comp. Strength <u>(</u> hours)	Slurry Description
Surf	260	14.8	1.34	6.34	6.4	Lead: Cl C + 1% CaCl2 (12hr-1344psi; 24hr-2390psi)
Inter	465	12.4	2.1	11.64	9.7	Lead: 35/65 Poz C w/6% Bentonite + 5% Salt (12hr-598psi) 24hr-859psi)
	100	14.8	<u>1.34</u>	6.31	7.5	Tail: Cl C (12hr-1364psi; 24hr-2026psi)
Prod	175	12.4	2.1	11.64	13.1	Lead: 35/65 Poz C + 6% Bentonite + 5% Salt (12hr-466psi; 24hr-737psi)
	300	14.2	1.28	5.61	6.5	Tail: 50:50 Poz C w/2% Bentonite + 5% Salt (12hr-941psi; 24hr-1588psi)

*DV tool depth(s) will be adjusted based on hole conditions and cement volumes will be adjusted proportionally. DV tool will be set a minimum of 50 feet below previous casing and a minimum of 200 feet above current shoe. Lab reports with the 500 psi compressive strength time for the cement will be onsite for review.

*If water flow is encountered, Apache may 2-stage Interm csg. A DVT may be used in the 8-5/8" csg & ECP may be placed below DVT. Csg slips may be set before cmtg. TD of 11" @ +/- 3500'. Assuming DVT set @ +/- 1800', the following will be used:

See
Low Cenet

, A	Csg	# Sks	Wt. lb/ gal	Yld ft3/ sk	H₂O gal/sk	500# Comp. Strength (hrs)	Slurry Description
٦	Inter	150	12.4	2.1	11.64	9.7	Lead: Cl C (12hr-598psi; 24hr-859psi)
U ,	2 nd					ECP/DVT:	1800'
at	Stage	100	14.8	1.33	6.31	7.5	Tail: Cl C (12hr-1364psi; 24hr-2026psi)
•~~~							

Casing String	ТОС	% Excess	
Surface	0'	25%	
Intermediate	0'	25%	
Production	3000′	25%	

Include Pilot Hole Cementing specs: **Pilot hole depth** : N/A KOP : N/A

Plug	Plug	%	No.	Wt.	Yld	Water	Slurry Description and Cement
top	Bottom	Excess	Sacks	lb/gal	ft3/sack	gal/sk	Туре

4. Pressure Control Equipment

A variance is requested for the use of a diverter on the surface casing. See attached for schematic.

BOP installed and tested before drilling which hole?	Size?	Min. Required WP	Ту	pe		Tested to:		
			Ann	Annular		50% of working pressure		
	13-5/8"	3М	Blind Ram					
17-1/2"			Pipe Ram			2M		
			Double Ram			2101		
			Other*					
		ЗМ	Annular		x	50% testing pressure		
			Blind	Blind Ram x				
7-7/8″	11″		Pipe Ram		Pipe Ram		x	2M
			Double	Double Ram		2171		
7-7/8″			Other*					

*Specify if additional ram is utilized.

BOP/BOPE will be tested by an independent service company to 250 psi low and the high pressure indicated above per Onshore Order 2 requirements. The System may be upgraded to a higher pressure but still tested to the working pressure listed in the table above. If the system is upgraded all the components installed will be functional and tested.

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment will include a Kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold. See attached schematics.

X	On Exp integri	Formation integrity test will be performed per Onshore Order #2. On Exploratory wells or on that portion of any well approved for a 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Will be tested in accordance with Onshore Oil and Gas Order #2 III.B.1.i. A variance is requested for the use of a flexible choke line from the BOP to Choke Manifold. See attached for specs and hydrostatic test chart.						
	•							
	NO NO	Are anchors required by manufacturer?						
	surface	ibowl wellhead is being used. The BOP will be tested per Onshore Order #2 after installation on the e casing which will cover testing requirements for a maximum of 30 days. If any seal subject to test re is broken the system must be tested.						
Provide description here		Provide description here						
	See at	See attached schematic.						

5. Mud Program

	Depth	Туре	Weight (ppg)	Viscosity	Water Loss
From	То				
0	Surf. shoe	FW	8.3-8.8	28-36	N/C
Surf csg	Int shoe	Brine	9.8-10.0	28-29	N/C
Int shoe	TD	Cut Brine	9.5-10.0	28-29	N/C

*Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept on location at all times.

What will be used to r	nonitor the loss or gain of fluid?	PVT/Pason/Visual Monitoring

6. Logging and Testing Procedures

Loggir	ng, Coring and Testing.
Х	Will run GR/CNL fromTD to surface (horizontal well - vertical portion of hole). Stated logs run will be in the
	Completion Report and submitted to the BLM.
	No Logs are planned based on well control or offset log information.
	Drill stem test? If yes, explain
	Coring? If yes, explain

Add	itional logs planned	Interval	
Х	Resistivity	Int. shoe to KOP	
Х	Density	Int. shoe to KOP	
Х	CBL	Production casing	
Х	Mud log	Intermediate shoe to TD	
	PEX		

7. Drilling Conditions See COT

Condition	Specify what type and where?	
BH Pressure at deepest TVD	2823 psi	
Abnormal Temperature	No	

Mitigation measure for abnormal conditions. Describe: N/A



Hydrogen Sulfide (H2S) monitors will be installed prior to drilling out the surface shoe. If H2S is detected in
concentrations greater than 100 ppm, the operator will comply with the provisions of Onshore Oil and Gas Order
#6. If Hydrogen Sulfide is encountered, measured values and formations will be provided to the BLM.Y/NH2S is present

H2S Plan attached

8. Other facets of operation

Is this a walking operation? NO Will be pre-setting casing? NO

Attachments

<u>Yes</u> Directional Plan Other, describe

EXPLORING WHAT'S POSSIBLE	Project: Eddy County, NM (NAD) Site: Tony Federal Well: #63D Wellbore: WB1 Design: Plan #1 04-06-15 Rig: Capstar 119	РН	OENIX NOLOGY SERVICES
KB @ 3638 00ust (Capstar 119) 0 200 	0.00 0.00 652503.70 631613.10 32*49*170 SECTION DETAILS SECTION DETAILS SECTION DETAILS SECTION DETAILS 1 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.	KOP, Start 2*/100' Build ECC, Beoin 9 41* Inc Hold	Map System: US State Plane 1927 (KADCON CONUS) Ellipsici Carke 1880 Zone Mame: New Mexico East 3001 Local Orgit: Wei #530, Grid North Laturds: 22" 49" 17.04570 N Longitide: 103" 54" 17.68209 W Grid East. 631613.10 Grid East. 6376167.10 Scale Factor: 1.000 Geomagnetic Model: HDGM Sample Date: 06">6-Apr-15 Magnetic Definition: 7.0" Dip Angle from Horizontal: 6.0 74" To convert a Magnetic Direction to a Grid Direction, Add 7.47" To convert a Magnetic Direction to a Grid Direction, Subtract 0.23"
600 1 -		FORMATION TOP DETAILS TVDPath MOPath Formation DpAngle DpDir 325:00 325:00 Total 100:00	LEGEND Plan #1 04-06-15
1400 1			
0			하는데 그 방안에서 이야지 않는 것이 있는 것이 같이 있다.



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Apache Corporation

Eddy County, NM (NAD27 NME) Tony Federal #63D

WB1

Plan: Plan #1 04-06-15

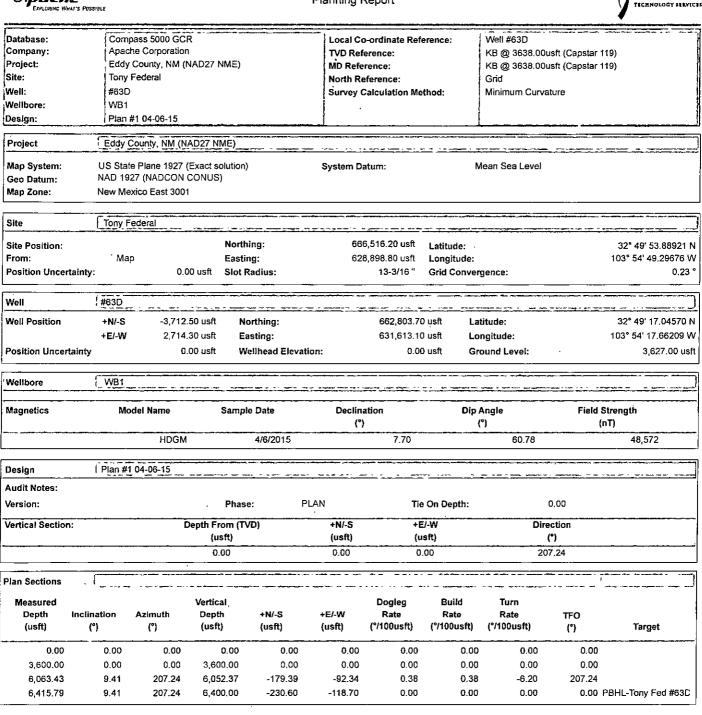
Standard Planning Report

06 April, 2015



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Planning Report



PHOENIX

Apache Exploring What's Possible

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Database:	Compass 5000	GCR		Local	Co-ordinate Re	eference:	Well #63D				
Company:	Apache Corpo	ration			eference:		KB @ 3638	00usft (Canstar	110)		
Project:		NM (NAD27 NM		1	MD Reference:			KB @ 3638.00usft (Capstar 119) KB @ 3638.00usft (Capstar 119)			
•			··-/					oousit (Capstar	119)		
Site:	Tony Federal			North	Reference:		Grid				
Vell:	#63D				/ Calculation N	lethod:	Minimum Cu	irvature			
Nellbore:	WB1										
	Plan #1 04-06-	16					{				
Design:	Plan #1 04-06-	.15		<u> </u>			1				
Planned Survey	<u> </u>				····		مستقد مستعطر . وحدر اور موار مارد و		د بر <u>خباله می م</u> د می مد ب ب ب ب به مید می	*	
Measured			Vertical			Vertical	Dogleg	Build	Turn		
Depth	Inclination	Azimuth	Depth	+N/-S	+E/-W	Section	Rate	Rate	Rate		
(usft)	(°)	(°)	(usft)	(usft)	(usft)	(usft)	(°/100usft)	(°/100usft)	(°/100usft)		
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
326.00	0.00	0.00	326.00	0.00	0.00	0.00	0.00	0.00	0.00		
Rustler											
494,00	0,00	0.00	494.00	0.00	0.00	0.00	0.00	0.00	0.00		
T/Salt											
	0.00		1 400 00	0.00		0.00	0.00	0.00	0.00		
1,190.00	0.00	0.00	1,190.00	0.00	0.00	0.00	0.00	0.00	0.00		
B/Salt											
1,346.00	0.00	0,00	1,346.00	0.00	0.00	0.00	0.00	0.00	0.00		
Yates											
14163											
1,640.00	0.00	0.00	1,640.00	0.00	0.00	0.00	0.00	0.00	0.00		
Seven Rivers			-								
2,301.00	0.00	0.00	2,301.00	0.00	0.00	0.00	0.00	0.00	0.00		
	0.00	0.00	2,501.00	0.00	0.00	0.00	0.00	0.00	0.00		
Queen											
2,744.00	0.00	0.00	2,744.00	0.00	0.00	0.00	0.00	0.00	0.00		
Grayburg											
3,043.00	0,00	0,00	3,043.00	0.00	0.00	0.00	0.00	0.00	0.00		
	0.00	0.00	3,043.00	0.00	0.00	0.00	0.00	0.00	0.00		
San Andres											
3,600.00	0.00	0.00	3,600.00	0.00	0.00	0.00	0.00	0.00	0.00	· ·	
KOP, Start 2°/1	00' Build									•	
3,700.00	0.38	207,24	3,700.00	-0.30	-0.15	0.33	0.38	0.38	0.00		
3,800.00	0,76	207,24	3,799,99	-1.19	-0.61	1.33	0.38	0.38	0.00		
3,900.00	1.15	207.24	3,899,98	-2.67	-1.37	3.00	0.38	0.38	0.00		
4,000.00	1.53	207.24	3,999.95	-4.74	-2.44	5.33	0.38	0.38	0.00		
4,100.00	1.91	207.24	4,099.91	-7.41	-3.81	8.33	0.38	0.38	0.00		
,,	1.07	201121	,,		0.01	0.00	0.00	0.00	0.00		
4,200.00	2.29	207.24	4,199.84	-10.66	-5.49	11.99	0.38	0.38	0.00		
4,300.00	2.67	207.24	4,299.75	-14.52	-7.47	16.33	0.38	0.38	0.00		
4,400.00	3.05	207.24	4,399.62	-18.96	-9.76	21.32	0.38	0.38	0.00		
4,500.00	3.44	207.24	4,499.46	-23.99	-12.35	26.98	0,38	0,38	0.00		
4,525.59	3.53	207,24	4,525.00	-25.37	-13.06	28.54	0.38	0.38	0.00		
	0.00		1020.00	20.07	10.00	20.04	0.00	0.00	0.00		
Glorieta											
4,600.00	3.82	207.24	4,599.26	-29,62	-15.25	33.31	0.38	0.38	0.00		
4,606.76	3.84	207.24	4,606.00	-30.02	-15.45	33.76	0.38	0.38	0.00		
	0.0 ,		.,	-0102			0.00	0.00	0,00		
Yeso						40.00	~ ~~				
4,700.00	4.20	207.24	4,699.02	-35.83	-18.45	40.30	0.38	0.38	0.00		
4,800.00	4.58	207.24	4,798.72	-42.64	-21.95	47.96	0.38	0.38	0.00		
4,900.00	4.96	207.24	4,898.37	-50.04	-25.76	56.28	0.38	0,38	0.00		
E 000.00	5 hF	007.04	4 007 07	50.00	00.07	65.07	0.00	0.00	0.00		
5,000.00	5.35	207.24	4,997.97	-58.03	-29.87	65.27	0.38	0.38	0.00		
5,100.00	5.73	207.24	5,097.50	-66.61	-34,29	74.91	0.38	0.38	0,00		
5,200.00	6.11	207.24	5,196.97	-75.78	-39.01	85.23	0.38	0.38	0,00		
5,300.00	6.49	207.24	5,296.37	-85.53	-44.03	96.20	0.38	D,38	0.00		
5,400.00	6.87	207.24	5,395.69	-95.88	-49.35	107.84	0.38	0.38	0.00		
									0.00		
5,500.00	7.26	207,24	5,494.93	-106.82	-54.98	120.14	0.38	0.38	0.00		
5,600.00	7.64	207.24	5,594.08	-118.34	-60.91	133.10	0.38	0.38	0.00		
5,700.00	8.02	207.24	5,693,15	-130,45	-67.15	146.72	0.38	0.38	0.00		
5,800.00	8.40	207.24	5,792.13	-143.14	-73.68	160.99	0.38	0.38	0.00		
5,900.00	8.78	207.24	5,891.00	-156.43	-80.52	175.93	0.38	0,38	0,00		
6,000.00	9.16	207.24	5,989.78	-170.30	-87.66	191.53	0.38	0.38	0.00		
6,063.43	9.41	207.24	6,052.38	-179.40	-92.34	201.77	0.38	0.38	0.00		
EOC, Begin 9.4											
· •		207 24	6 082 46	184 74	.05 .09	207 74	0.00	0.00	0.00		
6,100.00	9.41	207.24	6,088.46	-184.71	-95.08	207.74			0.00		
6,200.00	9.41 9.41	207.24	6,187.11	-199.24 -213.77	-102.56 -110.04	224.09	0.00	0.00	0.00 0,00		
6,300.00		207.24	6,285.77			240.43	0.00	0.00			

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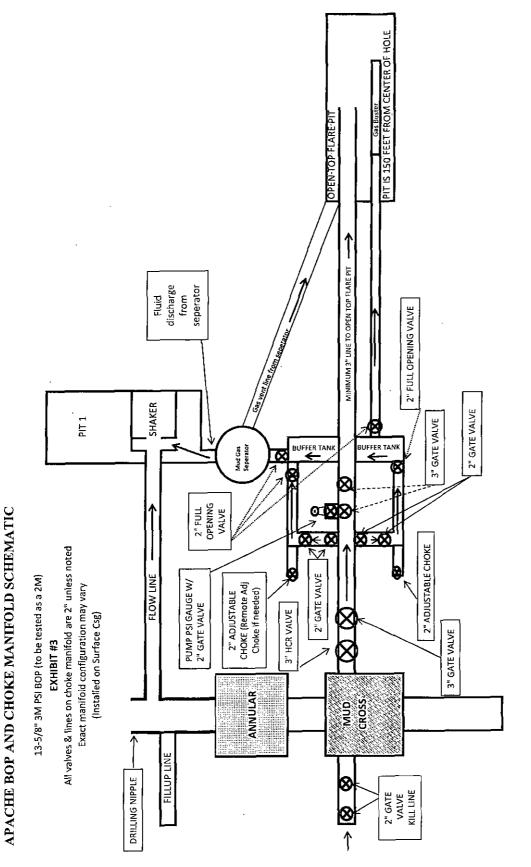
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Planning Report



	10										
Database: Company:	Compass 5000 GCR Apache Corporation Eddy County, NM (NAD27 NME) Tony Federal			1	o-ordinate Ref	terence:	Well #63D				
Project:				4	TVD Reference: MD Reference:			KB @ 3638.00usft (Capstar 119)			
Site:				1			Grid	KB @ 3638.00usft (Capstar 119)			
Well:	#63D				1	eference:	a thad	Minimum	Cupieture		
Wellbore:	WB1				Survey C	Calculation M	etnoa:		Culvature		
-	Plan #1 04-0	NG 4 C						Ì			
Design:	(Fiail #1 04-0										
Planned Survey	l	•	د ماده المحمد الم			. .	.	·····		······	
Measured			Vertic	al		,	Vertical	Dogleg	Build	Tum	
Depth	Inclination	Azimu	th Depi	th +N	N/-S	+E/-W	Section	Rate	Rate	Rate	
(usft)	(°)	(°)	(usf	it) (u	sft)	(usft)	(usft)	(°/100usft)	(°/100usft)	(°/100usft)	
6,400.00	9,41	20	7.24 6.3	84.42	-228.31	-117.52	256.78	0.00	0.00	0,00	
6,415.79	9.41	20			-230.60	-118.70	259.36	0.00	0.00	0.00	
TD at 6415.7	'9' MD - PBHL-1	Fony Fed #	463D								
Design Targets					• • • •						
Target Name											
- hit/miss target	Dip Angle	Dip Dir.	TVD	+N/-S	+E/-W	Northing	g Ea	sting			
- Shape	(°)	(°)	(usft)	(usft)	(usft)	(usft)	(1	usft)	Latitude	Longitude	
PBHL-Tony Fed #63D - plan hits target c - Circle (radius 20		0.0	0 6,400.00	-230.60	-118.70	662,57	73.10 6	31,494.40	32° 49' 14.76864	N 103° 54' 19.06402 '	
- plan hits target c - Circle (radius 20 	enter .00) sured V	0.00 ertical Depth	0 6,400.00			662,57	73.10 6		Dìp		
- plan hits target c - Circle (radius 20 	enter .DO) sured .V. .pth E	ertical	0 6,400.00			662,57	73.10 6		Dip		
- plan hits target c - Circle (radius 20 	enter .DO) sured .V. .pth E	ertical Depth	0 6,400.00	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 	enter .DO) sured .Vu .pth E sft) (ertical Depth lusft) 326.00		-230.60		662,57			Dip Dip Directio		
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- plan hits target c - Circle (radius 20 Formations Mea: De (u	enter .D0) sured .V4 pth E sft) (326.00 494.00 ,190.00	ertical Depth lusft) 326.00 494.00 1,190.00	Rustler T/Salt	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mea: De (u	enter .DO) sured .V. pth E sft) (326.00 494.00 ,190.00 346.00	Pertical Depth Usft) 326.00 494.00 1,190.00 1,346.00	Rustler T/Salt B/Salt	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mea: De (u 1, 1, 1,	enter .00) sured .V. pth E sft) (326.00 494.00 .190.00 346.00 640.00	Pertical Depth Usft) 326.00 494.00 1,190.00 1,346.00	Rustler T/Salt B/Salt Yates Seven Rivers	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mea: De (u 1, 1, 1, 1, 2,	enter .00) sured Va .pth E sft) (326.00 494.00 .190.00 346.00 640.00 301.00	Pertical Depth Usft) 326.00 494.00 1,190.00 1,346.00 1,640.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mea: De (u 1, 1, 1, 2, 2,	enter .00) sured .V. pth E sft) (326.00 494.00 .190.00 346.00 640.00 301.00 744.00	ertical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen	-230.60		662,57			Dip Dip Directio		
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- Circle (radius 20 Formations Mear De (u 1, 1, 1, 1, 2, 2, 3, 4, 4,	enter .00) sured Vi .pth E sft) (326.00 494.00 .190.00 346.00 640.00 301.00 744.00 043.00 525.59	ertical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00 3,043.00 4,525.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen Grayburg San Andres Glorieta	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mear De (u 1, 1, 1, 2, 2, 3, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4	enter .00) sured Vi .pth E sft) (326.00 494.00 .190.00 346.00 640.00 301.00 744.00 043.00 525.59	ertical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00 3,043.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen Grayburg San Andres Glorieta	-230.60		662,57			Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mear De (u 1, 1, 1, 2, 3, 4, 4,	enter .00) sured Vi .pth E sft) (326.00 494.00 .190.00 346.00 640.00 301.00 744.00 043.00 525.59	ertical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00 3,043.00 4,525.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen Grayburg San Andres Glorieta	-230.60		662,57			Dip Dip Directio		
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- plan hits target c - Circle (radius 20 Formations Mea: De (u 1, 1, 1, 1, 1, 1, 1, 2, 2, 3, 4, 4, Plan Annotations Meas Deg	enter .00) sured	Prtical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00 3,043.00 4,525.00 4,606.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen Grayburg San Andres Glorieta Yeso	-230,60 Name	-118.70				Dip Dip Directio		
- plan hits target c - Circle (radius 20 Formations Mear De (u 1, 1, 1, 1, 2, 2, 3, 4, 4, Plan Annotations Meas	enter .00) sured	Prtical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00 3,043.00 4,525.00 4,606.00	Rustler T/Salt B/Salt Yates Seven Rivers Queen Grayburg San Andres Glorieta Yeso	-230.60 Name	-118.70	662,57			Dip Dip Directio		
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- plan hits target c - Circle (radius 20 Formations Mea: De (u 1, 1, 1, 1, 1, 2, 2, 3, 4, 4, Plan Annotations Meas Deg (us 3,6,0	enter .00) sured	Pertical Depth usft) 326.00 494.00 1,190.00 1,346.00 1,640.00 2,301.00 2,744.00 3,043.00 4,525.00 4,606.00 tical pth sft)	Rustler T/Salt B/Salt Yates Seven Rivers Queen Grayburg San Andres Glorieta Yeso	-230.60 Name	-118.70	Comment KOP, Start 2	Lithology 2°/100' Build 19.41° Inc Ho		Dip Dip Directio		

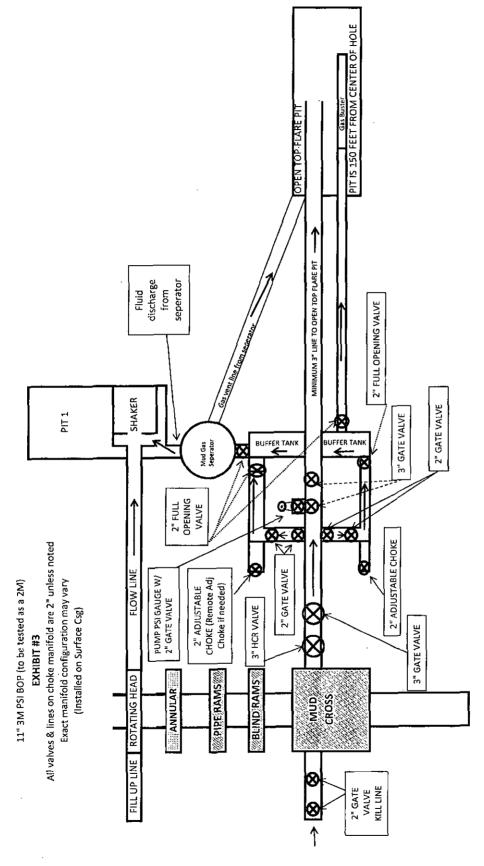




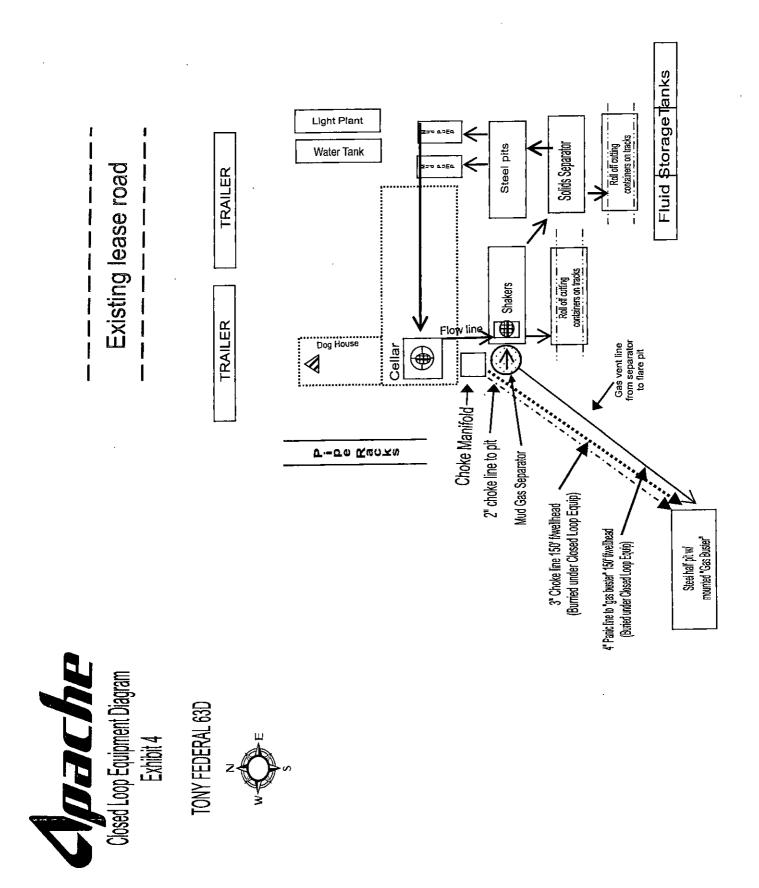


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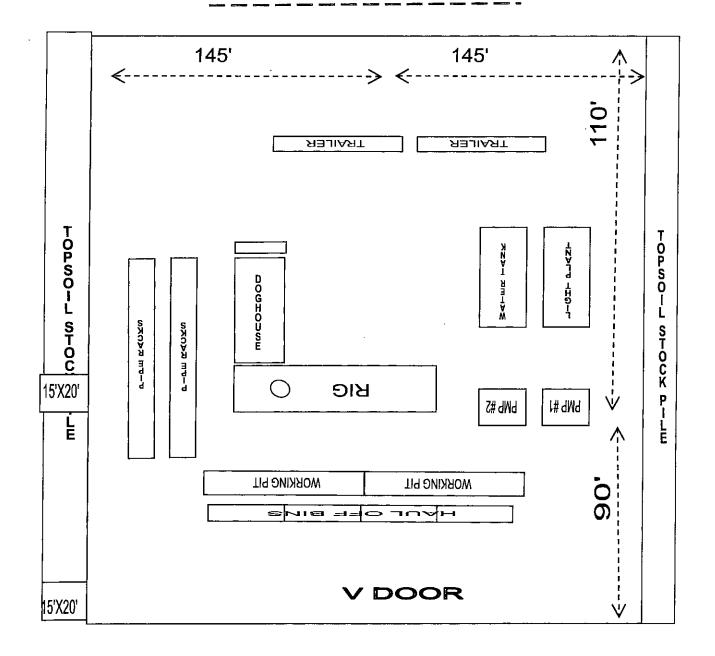
*** If H2S is encountered in quantities greater than 100ppm, Apache will shut in well & install a remote operated choke ***

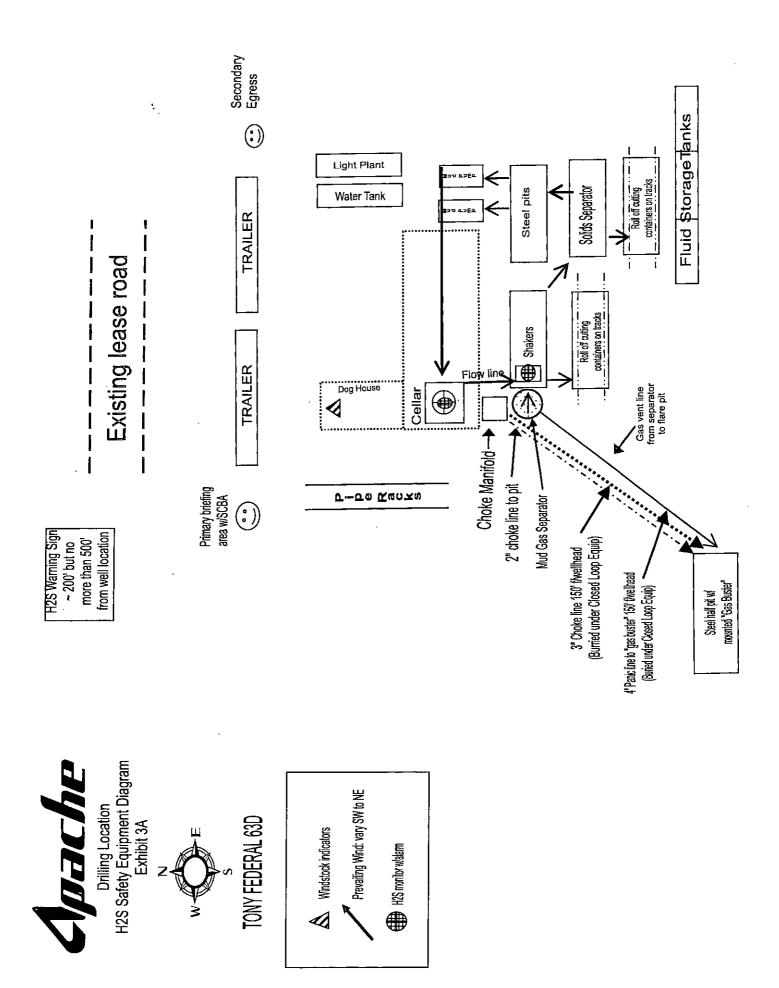


RIG ORIENTATION & LAYOUT TONY FEDERAL #63D EXHIBIT 5



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HYDROGEN SULFIDE (H₂S) DRILLING OPERATIONS PLAN

Hydrogen Sulfide Training:

<u>All regularly assigned personnel, contracted or employed by Apache Corporation</u> will receive training from qualified instructor(s) in the following areas prior to commencing drilling possible hydrogen sulfide bearing formations in this well:

- The hazards and characteristics of hydrogen sulfide (H₂S)
- The proper use and maintenance of personal protective equipment and life support systems.
- The proper use of H₂S detectors, alarms, warning systems, briefing area, evacuation procedures & prevailing winds.
- The proper techniques for first aid and rescue procedures.

Supervisory personnel will be trained in the following areas:

- The effects of H₂S on metal components. If high tensile tubulars are to be utilized, personnel will be trained in their special maintenance requirements.
- Corrective action & shut-in procedures when drilling or reworking a well & blowout prevention / well control procedures.
- The contents and requirements of the H₂S Drilling Operations Plan

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500') and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received proper training.

H₂S SAFETY EQUIPMENT AND SYSTEMS:

Well Control Equipment that will be available & installed if H₂S is encountered:

- Flare Line with electronic igniter or continuous pilot.
- Choke manifold with a minimum of one remote choke.
- Blind rams & pipe rams to accommodate all pipe sizes with properly sized closing unit.
- Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head & flare gun with flares

Protective Equipment for Essential Personnel:

• Mark II Survive-air 30 minute units located in dog house & at briefing areas, as indicated on wellsite diagram.

H2S Dection and Monitoring Equipment:

- Two portable H₂S monitors positioned on location for best coverage & response. These units have warning lights & audible sirens when H₂S levels of 20 ppm are reached.
- One portable H₂S monitor positioned near flare line.

H2S Visual Warning Systems:

- Wind direction indicators are shown on wellsite diagram.
- Caution / Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

Mud Program:

- .The Mud Program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weights, safe drilling practices & the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.
- A mud-gas separator and H₂S gas buster will be utilized as needed.

Metallurgy:

- All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold & lines, & valves will be suitable for H₂S service.
- All elastomers used for packing & seals shall be H₂S trim.

Communication:

• Cellular telephone and 2-way radio communications in company vehicles, rig floor and mud logging trailer.

HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN

Assumed 100 ppm ROE = 3000'

100 ppm H_2S concentration shall trigger activation of this plan.

Emergency Procedures

In the event of a release of gas containing H₂S, the first responder(s) must

- Isolate the area and prevent entry by other persons into the 100 ppm ROE.
- Evacuate any public places encompassed by the 100 ppm ROE.
- Be equipped with H₂S monitors and air packs in order to control the release.
- Use the "buddy system" to ensure no injuries occur during the response
- Take precautions to avoid personal injury during this operation.
- Contact operators and/or local officials to aid in operation. See list of phone numbers attached.
- Have received training in the :
 - o Detection of H₂S, and
 - o Measures for protection against the gas,
 - o Equipment used for protection and emergency response.

Ignition of Gas source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever this is an ignition of the gas.

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Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H₂S	1.189 Air = I	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = I	2 ppm	N/A	1000 ppm

Characteristics of H₂S and SO₂

Contacting Authorities

Apache Corporation personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. Apache's response must be in coordination with the State of New Mexico's *"Hazardous Materials Emergency Response Plan" (HMER).*

WELL CONTROL EMERGENCY RESPONSE PLAN

I. <u>GENERAL PHILOSOPHY</u>

Our objective is to ensure that during an emergency, a predetermined procedure is followed so that prompt decisions can be made based on accurate information.

The best way to handle and emergency is with an experienced organization set up for the sole purpose of solving the problem. The *Well Control Emergency Response Team* was organized to handle dangerous & expensive well control problems. The *Team* is structured such that each individual can contribute the most from his area of expertise. Key decision-makers are determined prior to an emergency to avoid confusion about who is in charge.

If the well is flowing uncontrolled at the surface or subsurface, *The Emergency Response Team* will be mobilized. The *Team* is customized for the people currently on the Apache staff. Staff changes may require a change in the plan.

II. EMERGENCY PROCEDURE ON DRILLING OR COMPLETION OPERATIONS

A. In the event of an emergency the *Drilling Foreman or Tool-Pusher* will immediately contact only one of the following starting with the first name listed:

Name	Office	Mobile	Home
Richard McKay – Drlg Superintendent	432-818-1628	432-234-7430	
Jordan Evans – Drilling Engineer	432-818-1027	432-269-6162	
Bobby Smith – Drilling Manager	432-818-1020	432-556-7701	
Bill Jones – EH&S Coordinator		432-967-9576	

**This one phone call will free the Drilling Foreman to devote his full time to securing the safety of personnel & equipment. This call will initiate the process to mobilize the Well Control Emergency Response Team. Apache maintains an Emergency Telephone Conference Room in the Houston office. This room is available for us by the Permian Region. The room has 50 separate telephone lines.

- **B.** The Apache employee contacted by the Drilling Foreman will begin contacting the rest of the *Team*. If **RICHARD MCKAY** is out of contact, **JORDAN EVANS** will be notified.
- **C.** If a member of the *Emergency Response Team* is away from the job, he must be available for call back. Telephone numbers should be left with secretaries or a key decision-maker.
- **D.** Apache's reporting procedure for spills or releases of oil or hazardous materials will be implemented when spills or releases have occurred or are probable.

	· · · · · · · · · · · · · · · · · · ·
SHERIFF DEPARTMENT	
Eddy County	575-887-7551
Lea County	575-396-3611
FIRE DEPARTMENT	911
Artesia	575-746-5050
Carlsbad	575-885-2111
Eunice	575-394-2111
Hobbs	575-397-9308
Jal	575-395-2221
Lovington	575-396-2359
HOSPITALS	911
Artesia Medical Emergency	575-746-5050
Carlsbad Medical Emergency	575-885-2111
Eunice Medical Emergency	575-394-2112
Hobbs Medical Emergency	575-397-9308
Jal Medical Emergency	575-395-2221
Lovington Medical Emergency	575-396-2359
AGENT NOTIFICATIONS	
Bureau of Land Management	575-393-3612
New Mexico Oil Conservation Division	575-393-6161

EMERGENCY RESPONSE NUMBERS:

EXHIBIT #7

WARNING SOU ARE ENTERING AN H2S AREA AUTHORIZED PERSONNEL ONLY 1. BEARDS OR CONTACT LENSES NOT ALLOWED 2. HARD HATS REQUIRED 3. SMOKING DESIGNATED AREAS ONLY 4. BE WIND CONSCIOUS AT ALL TIMES 5. CHECK WITH APACHE CORPORATION APACHE CORPORATION 1-888-257-6840

Surface Use Plan of Operations

Introduction

The following surface use plan of operations will be followed and carried out once the APD is approved. No other disturbance will be created other than what was submitted in this surface use plan. If any other surface disturbance is needed after the APD is approved, a BLM approved sundry notice or right of way application will be acquired prior to any new surface disturbance.

Before any surface disturbance is created, stakes or flagging will be installed to mark boundaries of permitted areas of disturbance, including soils storage areas. As necessary, slope, grade, and other construction control stakes will be placed to ensure construction in accordance with the surface use plan. All boundary markers will be maintained in place until final construction cleanup is completed. If disturbance boundary markers are disturbed or knocked down, they will be replaced before construction proceeds.

If terms and conditions are attached to the approved APD and amend any of the proposed actions in this surface use plan, we will adhere to the terms and conditions.

1. Existing Roads

a. The existing access road route to the proposed project is depicted on EXHIBIT 1. Improvements to the driving surface will be done where necessary. No new surface disturbance will be done, unless otherwise noted in the New or Reconstructed Access Roads section of this surface use plan.

b. The existing access road route to the proposed project does not cross lease or unit boundaries, so a BLM rightof-way grant will not be acquired for this proposed road route.

c. The operator will improve or maintain existing roads in a condition the same as or better than before operations begin. The operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures on the entire access route such as cattleguards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use.

d. We will prevent and abate fugitive dust as needed, whether created by vehicular traffic, equipment operations, or wind events. BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

2. New or Reconstructed Access Roads

a. No new road will be constructed for this project.

3. Location of Existing Wells

a. EXHIBIT 2 of the APD depicts all known wells within a one mile radius of the proposed well.

b. There is no other information regarding wells within a one mile radius.

4. Location of Existing and/or Proposed Production Facilities

a. All permanent, lasting more than 6 months, above ground structures including but not limited to pumpjacks, storage tanks, barrels, pipeline risers, meter housing, etc. that are not subject to safety requirements will be painted a non-reflective paint color, Shale Green, from the BLM Standard Environmental Colors chart, unless another color is required in the APD Conditions of Approval.

b. If any type of production facilities are located on the well pad, they will be strategically placed to allow for maximum interim reclamation, recontouring, and revegetation of the well location.

c. Production from the proposed well will be transported to the production facility named TONY FEDERAL

TANK BATTERY. The location of the facility is as follows: 32 49' 51.34" N, 103 54' 43.41" W.

d. A pipeline to transport production will be installed from the proposed well to the existing production facility.

i. We plan to install a 4 inch surface NUPI pipeline from the proposed well to the production facility. The proposed length of the pipeline will be 5754 feet. The working pressure of the pipeline will be 80 psi or less. If the pipeline route follows an existing road or buried pipeline right-of-way, the surface pipeline will be installed no farther than 10 feet from the edge of the road or buried pipeline right-of-way. If existing surface pipelines prevent this distance, the proposed surface pipeline will be installed immediately adjacent to the outer surface pipeline. All construction and maintenance activity will be confined to existing roads or right-of-ways.

ii. EXHIBIT 1A depicts the proposed production pipeline route from the well to the production facility.

iii. The proposed pipeline does not cross lease boundaries, so a right of way grant will not need to be acquired from the BLM.

If any plans change regarding the production facility or other infrastructure (pipeline, electric line, etc.), we will submit a sundry notice or right of way (if applicable) prior to installation or construction.

Electric Line(s)

a. We plan to install an overhead electric line for the proposed well. The proposed length of the electric line will be 100 feet. EXHIBIT 1B depicts the location of the proposed electric line route. The electric line will be construction to provide protection from raptor electrocution.

b. The proposed electric line does not cross lease boundaries, so a right of way grant will not need to be acquired from the BLM.

5. Location and Types of Water

a. The source and location of the water supply are as follows: ALL WATER_FRESH OR OTHERWISE_WILL BE PURCHASED FROM A COMMERCIAL SOURCE & TRUCKED TO THE LOCATION VIA EXISTING & OR PROPOSED ACCESS ROADS NO WATER SOURCE WELLS WILL BE DRILLED & NO SURFACE WATER WILL BE UTILIZED.

b. The operator will use established or constructed oil and gas roads to transport water to the well site. The operator will try to utilize the identified access route in the surface use plan.

6. Construction Material

a. CALICHE WILL BE HAULED/TRUCKED FROM A BLM APPROVED PIT. NO SURFACE MATERIALS WILL BE DISTRIBUTED EXCEPT THOSE NECESSARY FOR ACTUAL GRADING & CONSTRUCTION OF THE DRILL SITE & ACCESS ROAD.

7. Methods for Handling Waste

a. Drilling fluids and produced oil and water from the well during drilling and completion operations will be stored safely and disposed of properly in an NMOCD approved disposal facility.

b. Garbage and trash produced during drilling and completion operations will be collected in a trash container and disposed of properly at a state approved disposal facility. All trash on and around the well site will be collected for disposal.

c. Human waste and grey water will be properly contained and disposed of properly at a state approved disposal facility.

APACHE CORPORATION			
TONY FEDERAL 63D	•		

d. After drilling and completion operations, trash, chemicals, salts, frac sand and other waste material will be removed and disposed of properly at a state approved disposal facility.

e. The well will be drilled utilizing a closed loop system. Drill cutting will be properly disposed of into steel tanks and taken to an NMOCD approved disposal facility.

8. Ancillary Facilities

a. No ancillary facilities will be needed for this proposed project.

9. Well Site Layout

a. The following information is presented in the well site survey plat or diagram:

i. reasonable scale (near 1":50')

ii. well pad dimensions

iii. well pad orientation

iv. drilling rig components

v. proposed access road

vi. elevations of all points

vii. topsoil stockpile

viii. reserve pit location/dimensions if applicable

ix. other disturbances needed (flare pit, stinger, frac farm pad, etc.)

x. existing structures within the 600' x 600' archaeoligical surveyed area (pipelines, electric lines, well pads, etc.

b. The proposed drilling pad was staked and surveyed by a professional surveyor. The attached survey plat of the well site depicts the drilling pad layout as staked.

c. A title of a well site diagram is EXHIBIT 5. This diagram depicts the RIG ORIENTATION & LAYOUT.

d. Topsoil Salvaging

i. Grass, forbs, and small woody vegetation, such as mesquite will be excavated as the topsoil is removed. Large woody vegetation will be stripped and stored separately and respread evenly on the site following topsoil respreading. Topsoil depth is defined as the top layer of soil that contains 80% of the roots. In areas to be heavily disturbed, the top 6 inches of soil material, will be stripped and stockpiled on the perimeter of the well location and along the perimeter of the access road to control run-on and run-off, to keep topsoil viable, and to make redistribution of topsoil more efficient during interim reclamation. Stockpiled topsoil should include vegetative material. Topsoil will be clearly segregated and stored separately from subsoils. Contaminated soil will not be stockpiled, but properly treated and handled prior to topsoil salvaging.

10. Plans for Surface Reclamation

Reclamation Objectives

i. The objective of interim reclamation is to restore vegetative cover and a portion of the landform sufficient to maintain healthy, biologically active topsoil; control erosion; and minimize habitat and forage loss, visual impact, and weed infestation, during the life of the well or facilities.

ii. The long-term objective of final reclamation is to return the land to a condition similar to what existed prior to disturbance. This includes restoration of the landform and natural vegetative community, hydrologic systems, visual resources, and wildlife habitats. To ensure that the long-term objective will be reached

through human and natural processes, actions will be taken to ensure standards are met for site stability, visual quality, hydrological functioning, and vegetative productivity.

iii. The BLM will be notified at least 3 days prior to commencement of any reclamation procedures.

iv. If circumstances allow, interim reclamation and/or final reclamation actions will be completed no later than 6 months from when the final well on the location has been completed or plugged. We will gain written permission from the BLM if more time is needed.

v. Interim reclamation will be performed on the well site after the well is drilled and completed. EXHIBIT 1C depicts the location and dimensions of the planned interim reclamation for the well site.

Interim Reclamation Procedures (If performed)

1. Within 30 days of well completion, the well location and surrounding areas will be cleared of, and maintained free of, all materials, trash, and equipment not required for production.

2. In areas planned for interim reclamation, all the surfacing material will be removed and returned to the original mineral pit or recycled to repair or build roads and well pads.

3. The areas planned for interim reclamation will then be recontoured to the original contour if feasible, or if not feasible, to an interim contour that blends with the surrounding topography as much as possible. Where applicable, the fill material of the well pad will be backfilled into the cut to bring the area back to the original contour. The interim cut and fill slopes prior to re-seeding will not be steeper than a 3:1 ratio, unless the adjacent native topography is steeper. Note: Constructed slopes may be much steeper during drilling, but will be recontoured to the above ratios during interim reclamation.

4. Topsoil will be evenly respread and aggressively revegetated over the entire disturbed area not needed for all-weather operations including cuts & fills. To seed the area, the proper BLM seed mixture, free of noxious weeds, will be used. Final seedbed preparation will consist of contour cultivating to a depth of 4 to 6 inches within 24 hours prior to seeding, dozer tracking, or other imprinting in order to break the soil crust and create seed germination micro-sites.

5. Proper erosion control methods will be used on the area to control erosion, runoff and siltation of the surrounding area.

6. The interim reclamation will be monitored periodically to ensure that vegetation has reestablished and that erosion is controlled.

Final Reclamation (well pad, buried pipelines, etc.)

1. Prior to final reclamation procedures, the well pad, road, and surrounding area will be cleared of material, trash, and equipment.

2. All surfacing material will be removed and returned to the original mineral pit or recycled to repair or build roads and well pads.

3. All disturbed areas, including roads, pipelines, pads, production facilities, and interim reclaimed areas will be recontoured to the contour existing prior to initial construction or a contour that blends indistinguishably with the surrounding landscape. Topsoil that was spread over the interim reclamation areas will be stockpiled prior to recontouring. The topsoil will be redistributed evenly over the entire disturbed site to ensure successful revegetation.

4. After all the disturbed areas have been properly prepared, the areas will be seeded with the proper BLM seed mixture, free of noxious weeds. Final seedbed preparation will consist of contour cultivating



to a depth of 4 to 6 inches within 24 hours prior to seeding, dozer tracking, or other imprinting in order to break the soil crust and create seed germination micro-sites.

5. Proper erosion control methods will be used on the entire area to control erosion, runoff and siltation of the surrounding area.

6. All unused equipment and structures including pipelines, electric line poles, tanks, etc. that serviced the well will be removed.

7. All reclaimed areas will be monitored periodically to ensure that revegetation occurs, that the area is not redisturbed, and that erosion is controlled.

11. Surface Ownership

a. The surface ownership of the proposed project is FEDERAL.

12. Other Information

a. ONSITE COMPLETED BY TANNER NYGREN. PRODUCTION FACILITIES: APACHE WILL INSTALL NEW 4" NUPI RATED, UP TO 140 DEGREE SURF FLOWLINE, FLOWLINE PIPE RATED @ 300PSI, WPI ~80PSI, KILL SWITCHES & CHOKES WILL BE INSTALLED TO PREVENT EXCEEDING 125PSI FOR ABOVE GROUND FLOWLINE. FLOWLINES WILL FOLLOW EXISTING ROADS. ELECTRICAL LINE: CVE CURRENTLY HAS POWERLINE ON THE SOUTHWEST SIDE OF PAD. CVE WILL BUILD AND CONNECT POWER. APPROX 100' OR LESS OF NEW LINE WILL BE INSTALLED FROM EXISTING POWERLINE TO WELL. OPERATOR REP: RICHARD MCKAY, DRLG SUP, 432-818-1628 OR 432-234-7430; OPERATOR PRODUCTION REP: CRAIG MAXWELL, 575-393-7106 OR 575-441-2568.

13. Maps and Diagrams

EXHIBIT 1 - Existing Road EXHIBIT 2 - Wells Within One Mile EXHIBIT 1A - Production Pipeline EXHIBIT 1B - Electric Line EXHIBIT 5 - Well Site Diagram EXHIBIT 1C - Interim Reclamation

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Apache Corp
LEASE NO.:	LC029395A
WELL NAME & NO.:	63-Tony Federal
SURFACE HOLE FOOTAGE:	2080'/N & 1530'/E
BOTTOM HOLE FOOTAGE	'/ & '/
LOCATION:	Section 19, T. 17 S., R. 31 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.

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Well Structures & Facilities
Pipelines
Electric Lines
Interim Reclamation
Final Abandonment & Reclamation

I. GENERAL PROVISIONS

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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)

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Below Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

This authorization is subject to your Certificate of Participation and/or Certificate of Inclusion under the New Mexico Candidate Conservation Agreement. Because it involves surface disturbing activities covered under your Certificate, your Habitat Conservation Fund Account with the Center of Excellence for Hazardous Materials Management (CEHMM) will be debited according to Exhibit B Part 2 of the Certificate of Participation.

Power lines shall be constructed and designed in accordance to standards outlined in "Suggested Practices for Avian Protection on Power lines: The State of the Art in 2006" Edison Electric Institute, APLIC, and the California Energy Commission 2006. The holder shall assume the burden and expense of proving that pole designs not shown in the above publication deter raptor perching, roosting, and nesting. Such proof shall be provided by a raptor expert approved by the Authorized Officer. The BLM reserves the right to require modification or additions to all power line structures placed on this right-of-way, should they be necessary to ensure the safety of large perching birds. The holder without liability or expense shall make such modifications and/or additions to the United States.

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

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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

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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

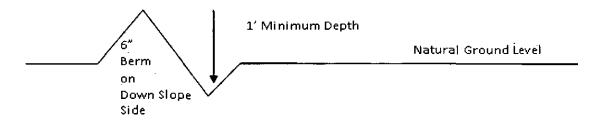
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping 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 foot road with 4% road slope: $\underline{400'} + 100' = 200'$ lead-off ditch interval $\underline{4\%}$

Cattleguards

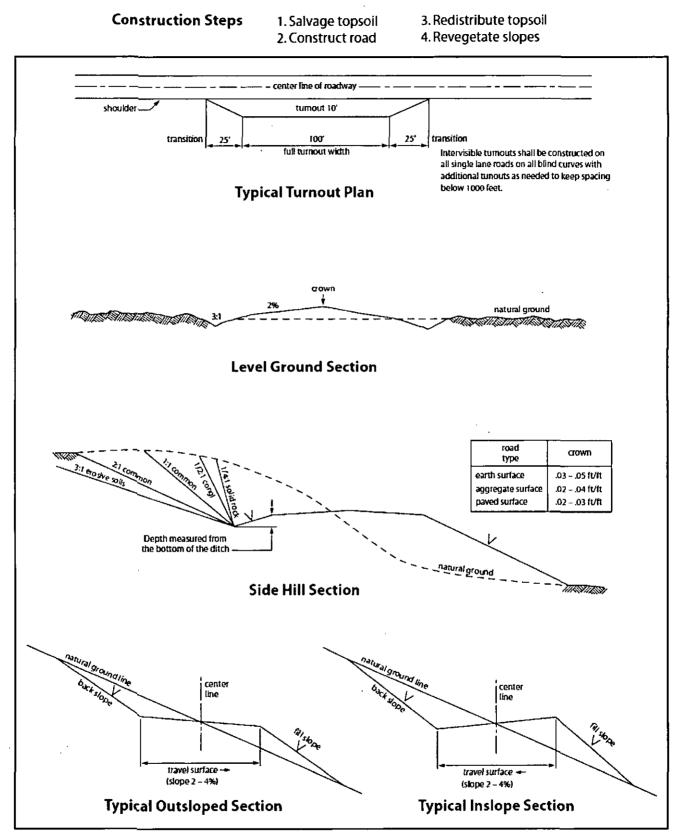
An appropriately sized cattleguard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattleguards on the access road route shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible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

Fence Requirement

Where entry is granted across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting. The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fences.

Public Access

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



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VII. DRILLING

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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. A Hydrogen Sulfide (H2S) Drilling Plan shall be activated 500 feet prior to drilling into the Grayburg formation. As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.
- 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 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

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Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size or are Non-API. 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.).

The initial wellhead installed on the well will remain on the well with spools used as needed.

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

Wait on cement (WOC) for Water Basin:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least <u>8 hours</u>. WOC time will be recorded in the driller's log. See individual casing strings for details regarding lead cement slurry requirements. 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. Have well specific cement details onsite prior to pumping the cement for each casing string.

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

Risks:

Possibility of water flows in the Artesia Group and Salado. Possibility of lost circulation in the Red Beds, Rustler, Artesia Group, and San Andres.

- 1. The 13-3/8 inch surface casing shall be set at approximately 300 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
 - 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 8-5/8 inch intermediate casing is:

Option #1 (Single Stage):

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Cement to surface. If cement does not circulate see B.1.a, c-d above. Excess calculates to 14% - Additional cement may be required.

Option #2 (if water flows are encountered while drilling the 11 inch hole):

Operator has proposed a contingency DV tool at 1800 feet. If operator circulates cement on the first stage, operator is approved to run the DV tool cancellation plug and cancel the second stage of the proposed cement plan. If cement does not circulate, operator will proceed with the second stage.

- a. Second stage above DV tool:
- Cement to surface. If cement does not circulate see B.1.a, c-d above. <u>Excess</u> <u>calculates to negative 15% - Additional cement shall be required.</u>
- 3. The minimum required fill of cement behind the 5-1/2 inch production casing is:

Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification.

4. 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 53.
- 2. In the case where the only BOP installed is an annular preventer, it shall be tested to a minimum of 2000 psi (which may require upgrading to 3M or 5M annular).
- 3. 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 (Installing 3M annular, testing to 2,000 psi).
- 4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 8-5/8 intermediate casing shoe shall be 2000 (2M) psi (Installing 3M BOP, testing to 2,000 psi).
- 5. 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**.
 - 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

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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.

KGR 01202016

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

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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, <u>Shale Green</u> from the BLM Standard Environmental Color Chart (CC-001: June 2008).

B. PIPELINES

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the Grant and attachments, including stipulations, survey plat(s) and/or map(s), shall be on location during construction. BLM personnel may request to review a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

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1. Holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

2. Holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, Holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC § 2601 *et seq.* (1982) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant (*see* 40 CFR, Part 702-799 and in particular, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193). Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

3. Holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, *et seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et seq.*) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way Holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way Holder on the Right-of-Way. This provision applies without regard to whether a release is caused by Holder, its agent, or unrelated third parties.

4. Holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. Holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

- a. Activities of Holder including, but not limited to: construction, operation, maintenance, and termination of the facility;
- b. Activities of other parties including, but not limited to:
 - (1) Land clearing
 - (2) Earth-disturbing and earth-moving work
 - (3) Blasting
 - (4) Vandalism and sabotage;

c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of Holder, regardless of fault. Upon failure of Holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he/she deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of Holder. Such action by the Authorized Officer shall not relieve Holder of any responsibility as provided herein.

6. All construction and maintenance activity shall be confined to the authorized right-of-way width of 20 feet. If the pipeline route follows an existing road or buried pipeline right-of-way, the surface pipeline shall be installed no farther than 10 feet from the edge of the road or buried pipeline right-of-way. If existing surface pipelines prevent this distance, the proposed surface pipeline shall be installed immediately adjacent to the outer surface pipeline. All construction and maintenance activity shall be confined to existing roads or right-of-ways.

7. No blading or clearing of any vegetation shall be allowed unless approved in writing by the Authorized Officer.

8. Holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky of duney areas, the pipeline shall be "snaked" around hummocks and dunes rather than suspended across these features.

9. The pipeline shall be buried with a minimum of <u>24</u> inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.

10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When

necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.

12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.

13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.

14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder 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 will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

16. 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, powerline 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.

17. Surface pipelines shall be less than or equal to 4 inches and a working pressure below 125 psi.

18. Special Stipulations:

- a. <u>Lesser Prairie-Chicken:</u> Oil and gas activities will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Normal vehicle use on existing roads will not be restricted.
- b. This authorization is subject to your Certificate of Participation and/or Certificate of Inclusion under the New Mexico Candidate Conservation Agreement. Because it involves surface disturbing activities covered under your Certificate, your Habitat Conservation Fund Account with the Center of Excellence for Hazardous Materials Management (CEHMM) will be debited according to Exhibit B Part 2 of the Certificate of Participation.

C. ELECTRIC LINES

STANDARD STIPULATIONS FOR OVERHEAD ELECTRIC DISTRIBUTION LINES

A copy of the grant and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 <u>et seq</u>. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.

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3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, <u>et seq</u>. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, <u>et seq</u>.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

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4. There will be no clearing or blading of the right-of-way unless otherwise agreed to in writing by the Authorized Officer.

5. Power lines shall be constructed and designed in accordance to standards outlined in "Suggested Practices for Avian Protection on Power lines: The State of the Art in 2006" Edison Electric Institute, APLIC, and the California Energy Commission 2006. The holder shall assume the burden and expense of proving that pole designs not shown in the above publication deter raptor perching, roosting, and nesting. Such proof shall be provided by a raptor expert approved by the Authorized Officer. The BLM reserves the right to require modification or additions to all powerline structures placed on this right-of-way, should they be necessary to ensure the safety of large perching birds. Such modifications and/or additions shall be made by the holder without liability or expense to the United States.

Raptor deterrence will consist of but not limited to the following: triangle perch discouragers shall be placed on each side of the cross arms and a nonconductive perching deterrence shall be placed on all vertical poles that extend past the cross arms.

6. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

7. The BLM serial number assigned to this authorization shall be posted in a permanent, conspicuous manner where the power line crosses roads and at all serviced facilities. Numbers will be at least two inches high and will be affixed to the pole nearest the road crossing and at the facilities served.

8. Upon cancellation, relinquishment, or expiration of this grant, the holder shall comply with those abandonment procedures as prescribed by the Authorized Officer.

9. All surface structures (poles, lines, transformers, etc.) shall be removed within 180 days of abandonment, relinquishment, or termination of use of the serviced facility or facilities or within 180 days of abandonment, relinquishment, cancellation, or expiration

of this grant, whichever comes first. This will not apply where the power line extends service to an active, adjoining facility or facilities.

10. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the Authorized Officer. Holder 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 will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

11. Special Stipulations:

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- For reclamation remove poles, lines, transformer, etc. and dispose of properly.
- Fill in any holes from the poles removed.

Timing Limitation Stipulation/Condition of Approval for Lesser Prairie-Chicken:

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.

This authorization is subject to your Certificate of Participation and/or Certificate of Inclusion under the New Mexico Candidate Conservation Agreement. Because it involves surface disturbing activities covered under your Certificate, your Habitat Conservation Fund Account with the Center of Excellence for Hazardous Materials Management (CEHMM) will be debited according to Exhibit B Part 2 of the Certificate of Participation.

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

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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).

Below Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

Seed Mixture for LPC Sand/Shinnery Sites

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 <u>no</u> primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed shall be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed shall be either certified or registered seed. The seed container shall 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 of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). 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. Seeding shall be repeated until a satisfactory stand is established as determined by the Authorized Officer. Evaluation of growth may 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:

Species	<u>lb/acre</u>
Plains Bristlegrass Sand Bluestem Little Bluestem	5lbs/A 5lbs/A 3lbs/A 6lbs/A
Big Bluestem Plains Coreopsis Sand Dropseed	2lbs/A 1lbs/A

*Pounds of pure live seed:

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