

**NM OIL CONSERVATION
ARTESIA DISTRICT**

 Form 3160-3
(August 2007)

MAY 27 2016

SECRETARY'S POTASH

 FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

 RECEIVED
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT


APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|---|--|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NMNM 0533177A |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name NA |
| 2. Name of Operator R360 PERMIAN BASIN, LLC | | 7. If Unit or CA Agreement, Name and No. NA |
| 3a. Address 3 Waterway Square, St 110 The Woodlands, TX, 77380 | | 8. Lease Name and Well No. Uber East SWD #1 |
| 3b. Phone No. (include area code) 832-442-2200 | | 9. API Well No. 3001543806 NA |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 32.2891306°N, 103.7251000°W At proposed prod. zone SAME | | 10. Field and Pool, or Exploratory NA SWD, Devonian |
| 11. Sec., T. R. M. or Blk. and Survey or Area S24, T23S, R31E 2345' FSL, 660' FEL | | 12. County or Parish EDDY |
| 13. State NM | | 14. Distance in miles and direction from nearest town or post office* 21.51 MILES EAST OF LOVING |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 21000' | 16. No. of acres in lease | 17. Spacing Unit dedicated to this well NA |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 21000' TODD 24H FED9 | 19. Proposed Depth 17,500' | 20. BLM/BIA Bond No. on file NMB001255 NMB929591818 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3575 BSL, INJ 16390 GL | 22. Approximate date work will start* 2016-2017 | 23. Estimated duration 90 DAYS |

24. Attachments

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

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

| | | |
|--|--------------------------------------|---------------------|
| 25. Signature  | Name (Printed Typed) Luke A Brass | Date 12/29/15 |
| Title Manager, Legislative & Regulatory Affairs | | |
| Approved by (Signature) /s/George MacDonell | Name (Printed Typed) | Date MAY 19 2016 |
| Title FIELD MANAGER | Office CARLSBAD FIELD OFFICE | |

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

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

Must have approved C-108, MIT, and all regulatory requirements in place prior to injecting

Carlsbad Controlled Water Basin

 Approval Subject to General Requirements
& Special Stipulations Attached

 SEE ATTACHED FOR
CONDITIONS OF APPROVAL

 Witnessed MIT must be performed
prior to initial injection. Contact
Richard Inge 575-748-1283x107 to
schedule test.

R360 Environmental Solutions Inc.

Uber East #1 APD

Operator Certification

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or R360 Permian Basin LLC, 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 29th day of December, 2015.

Signed: _____

Printed Name: Luke Bross
Position: Legislative & Regulatory Affairs Manager
Address: 3 Waterway Square Place, Suite 110
The Woodlands, Texas 77380
Telephone (281) 873-3202
Email: Lukeb@r360es.com

DISTRICT I

1025 N. French Dr., Hobbs, NM 88240
Phone (505) 295-6181 Fax: (505) 295-9720

DISTRICT II

811 S. First St., Artesia, NM 88210
Phone (505) 748-1251 Fax: (505) 748-9720

DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410
Phone (505) 294-6178 Fax: (505) 294-9170

DISTRICT IV

1223 S. St. Francis Dr.- Santa Fe, NM 87505
Phone (505) 476-3450 Fax: (505) 476-3451

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1223 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102

Revised August 1, 2011

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

□ AMENDED REPORT

| | | |
|-----------------------------------|---------------------------------------|-----------------------------------|
| API Number 30 015 43806 | Pool Code 96101 | Pool Name SWD, Devonian |
| Property Code 316271 | Property Name UBER EAST SWD | Well Number 1 |
| OGRID No. 289936 | Operator Name R360 | Elevation 3567 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/EAST LINE | County |
|---------------|-----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|-------------|
| 1 | 24 | 23 S | 31 E | | 2345 | SOUTH | 660 | EAST | EDDY |

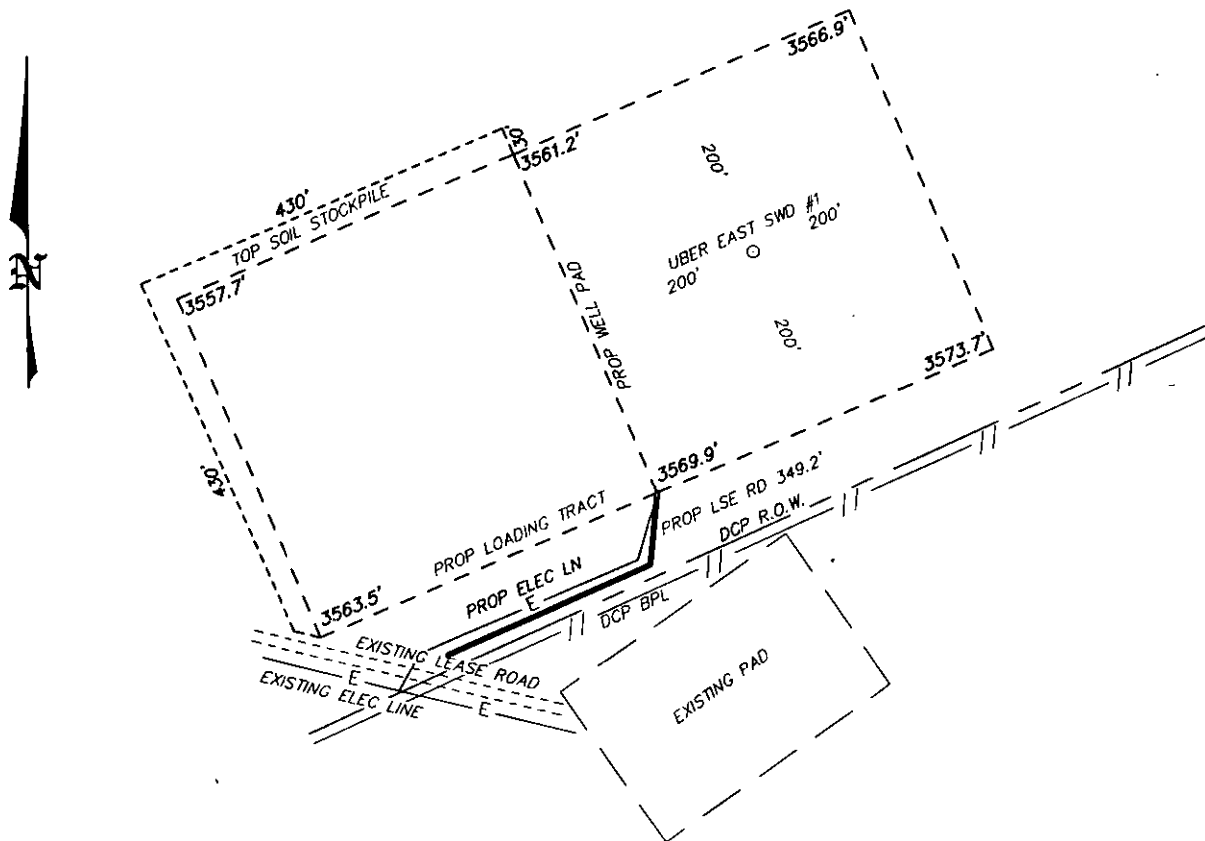
Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/EAST LINE | County |
|-----------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | |
|--|--|--|--|
| N: 472381.6 E: 724856.3 (NAD 83) | N: 472375.9 E: 727295.2 (NAD 83) | N: 472389.1 E: 729835.2 (NAD 83) | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>[Signature]</i> 11/2/15 Signature Date Luke A. Bross Printed Name LUKE A. BROSS Email Address</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>Date Surveyed: May 28, 2015 Signature of Professional Surveyor: <i>[Signature]</i> Certificate Number: 7977 Drawn: 05/28/2015</p> <p>0' 500' 1000' 1500' 2000' SCALE: 1" = 1000' WO Num: 31650</p> |
| N: 467082.9 E: 724685.8 (NAD 83) | N: 467110.2 E: 729803.0 (NAD 83) | N: 467110.2 E: 729803.0 (NAD 83) | |

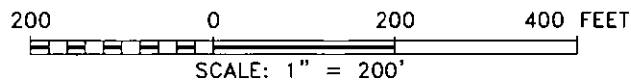
SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST. N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



R360 ENVIRONMENTAL SOLUTIONS
UBER EAST SWD #1

ELEV. - 3567'
Lat - N 32°17'20.87"
Long - W 103°43'30.36"
NMSPCE- N 469451.2
E 729290.3
(NAD-83)

LOVING, NM IS ±22 MILES TO THE WEST-SOUTHWEST OF LOCATION.



Directions to Location:

FROM INTERSECTION OF ST HWY 128 & CR 798; GO NORTH ON CR 798 1.9 MILES, EAST ON LEASE ROAD 0.7 MILES, NORTH 0.5 MILES, THEN EAST TO TODD 24 #9 WELL.

RED & WHITE FLAGGING ±400' NORTH

R360 ENVIRONMENTAL SOLUTIONS

REF: UBER EAST SWD #1 / WELL PAD TOPO

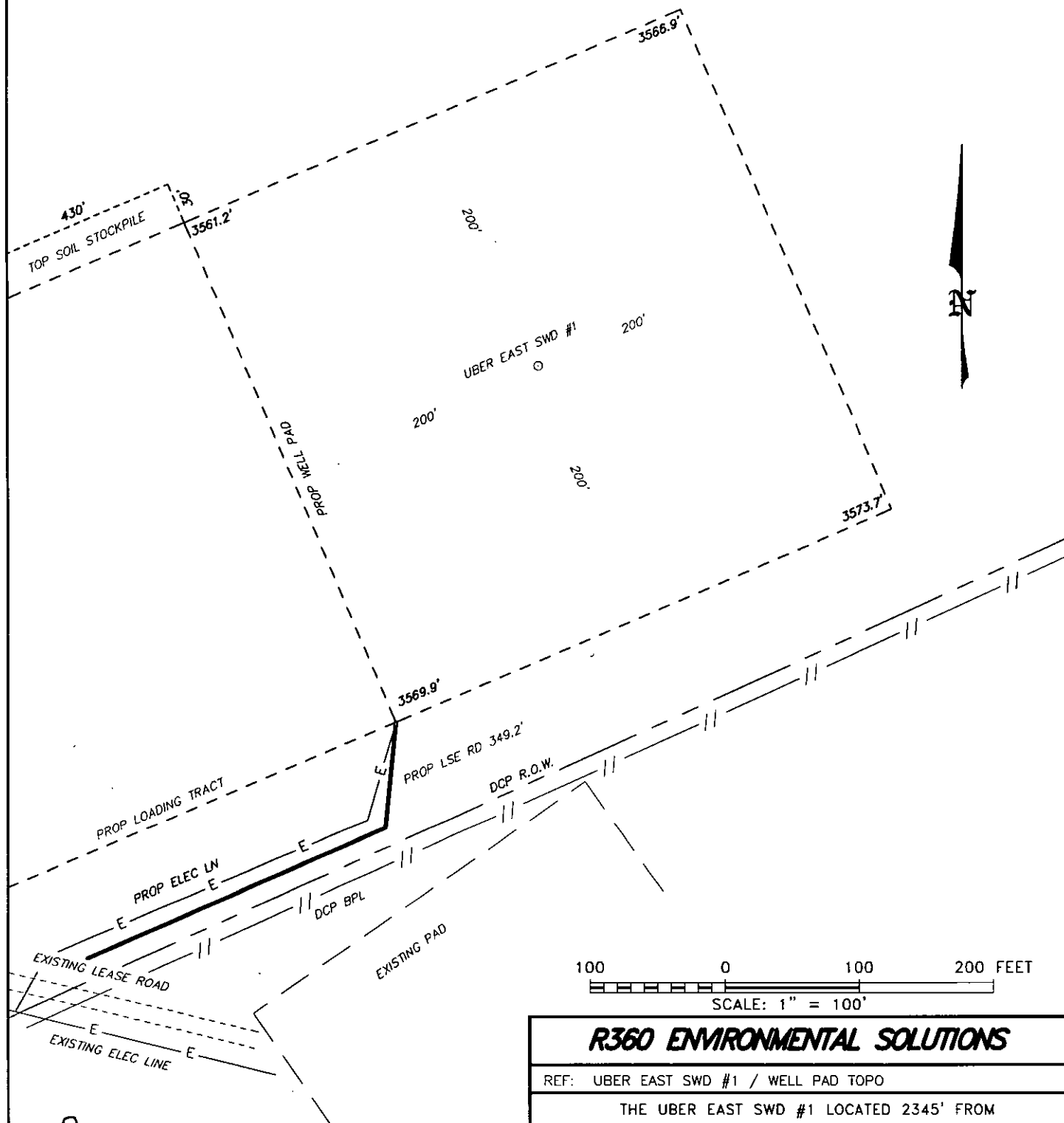
THE UBER EAST SWD #1 LOCATED 2345' FROM
THE SOUTH LINE AND 660' FROM THE EAST LINE OF
SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST.

N.M.P.M., EDDY COUNTY, NEW MEXICO.

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1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST. N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



100 0 100 200 FEET
SCALE: 1" = 100'

R360 ENVIRONMENTAL SOLUTIONS

REF: UBER EAST SWD #1 / WELL PAD TOPO

THE UBER EAST SWD #1 LOCATED 2345' FROM
THE SOUTH LINE AND 660' FROM THE EAST LINE OF
SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST.

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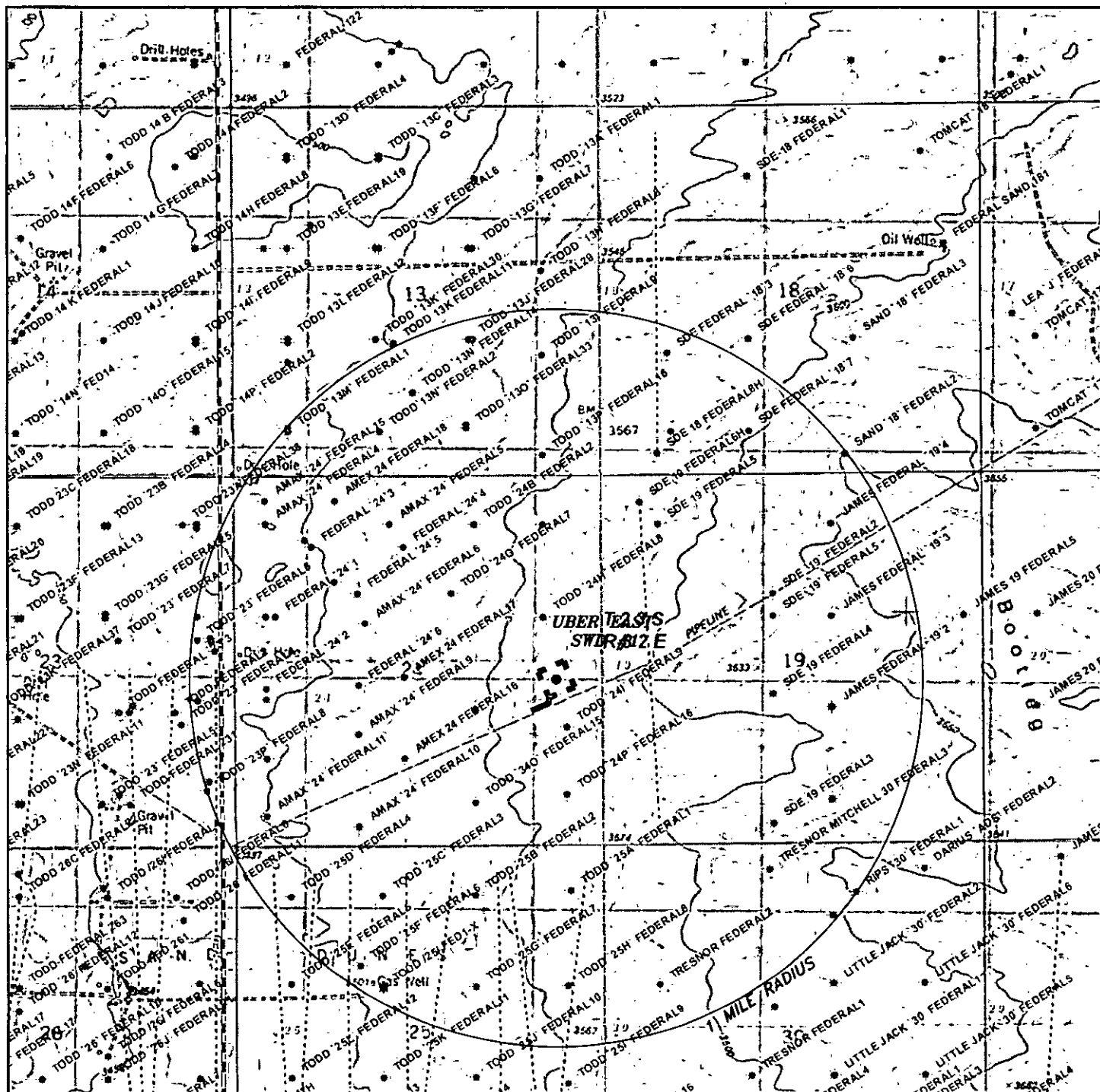
W.O. Number: 31650

Drawn By: K. NORRIS

Date: 06-08-2015

Survey Date: 05-28-2014

Sheet 1 of 1 Sheets



UBER EAST SWD #1

Located 2345' FSL and 660' FEL
 Section 24, Township 23 South, Range 31 East,
 N.M.P.M., Eddy County, New Mexico.

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0' 1000' 2000' 3000' 4000'

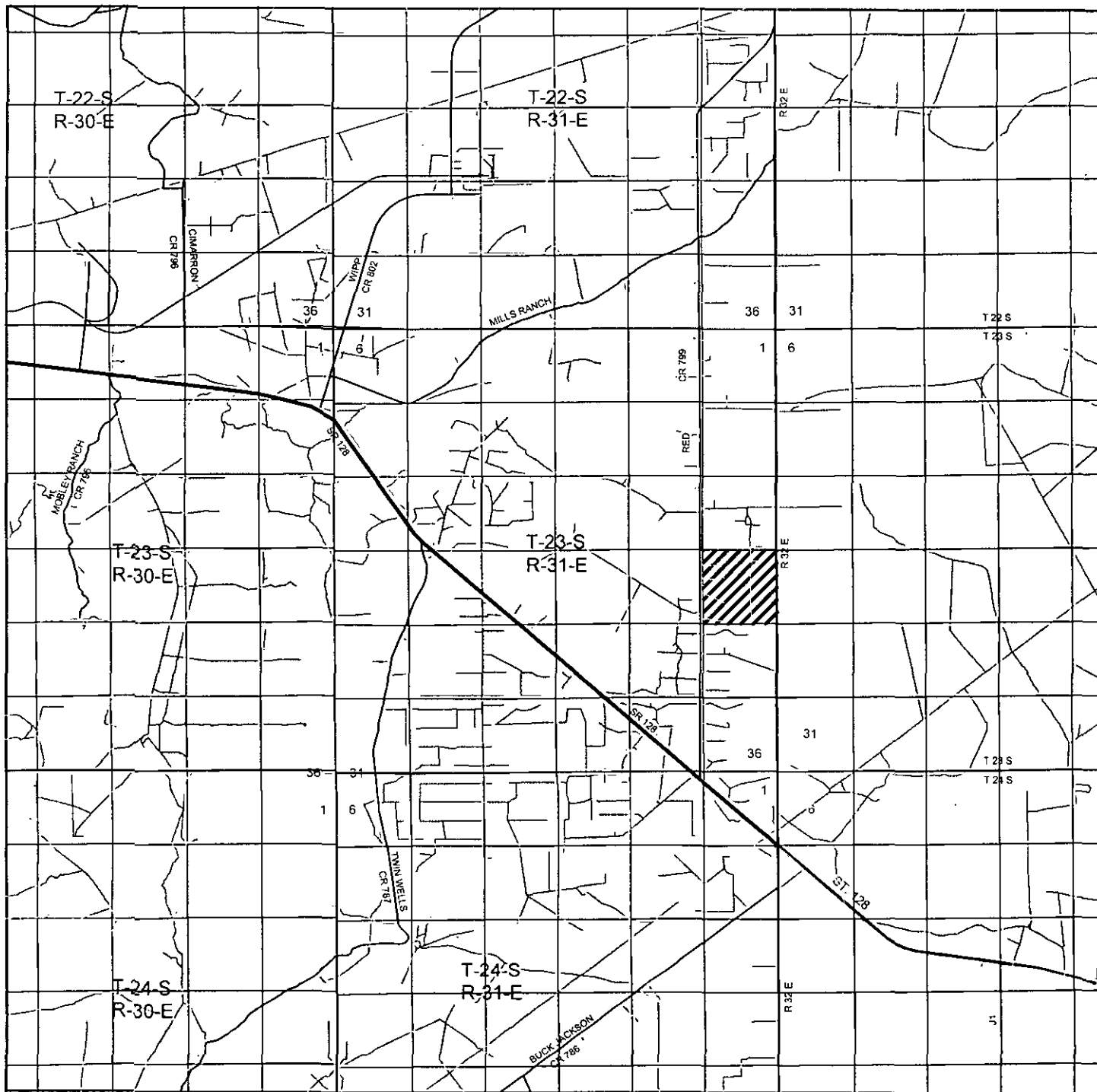
SCALE: 1" = 2000'

W.O. Number: KAN 31650

Survey Date: 05-28-2014

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND

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UBER EAST SWD #1
 Located 2345' FSL and 660' FEL
 Section 24, Township 23 South, Range 31 East,
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0 1 MI 2 MI 3 MI 4 MI
 SCALE: 1" = 2 MILES

W.O. Number: KAN 31650

Survey Date: 05-28-2014

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND



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SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

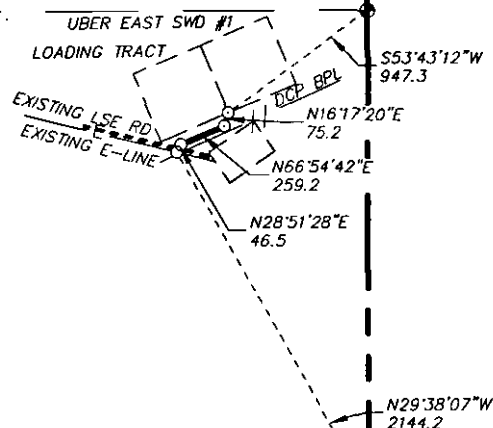
OWNER: USA
LESSEE: SLASH 46 INC.

1. SEE DOCUMENTS FILED FOR RECORD IN THIS OFFICE WHICH DESCRIBE IN DETAIL THE RECONSTRUCTION OF THIS SECTION.
2. COORDINATES AND BEARINGS ARE BASED ON THE NEW MEXICO STATE PLANE COORDINATE SYSTEM NAD83 AND DISTANCES ARE OF SURFACE VALUE.



3+80.9 E.O.L. @ PAD
N.: 32°17'18.28"
W.: 103°43'31.60"
3+05.7 P.I.
0+46.5 P.I.
0+00 B.O.L. @ E-LINE
N.: 32°17'16.17"
W.: 103°43'34.90"

24

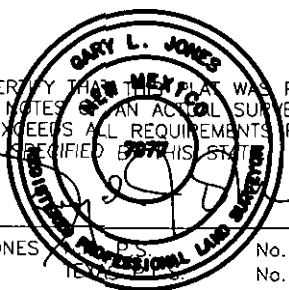


LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

SECTION 24 = 380.9 FEET = 23.08 RODS = 0.07 MILES = 0.26 ACRES

I HEREBY CERTIFY THAT THIS SURVEY WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.



GARY L. JONES

No. 7977
No. 5074

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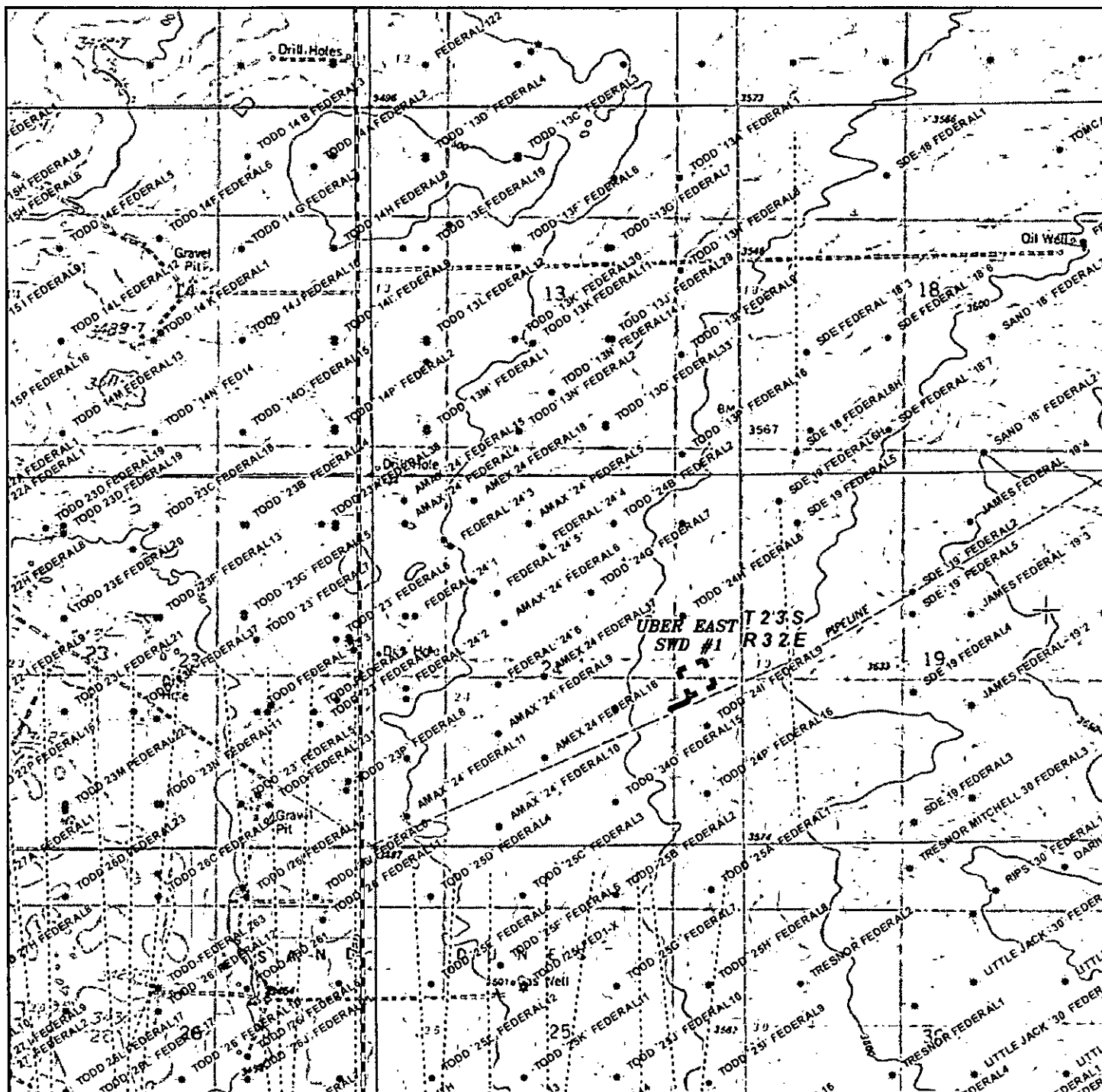
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1000 0 1000 2000 FEET

R360 ENVIRONMENTAL SOLUTIONS

REF: PROPOSED ELECTRIC LINE TO LOADING TRACT

AN ELECTRIC LINE CROSSING USA LAND IN
SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.



PROPOSED ELECTRIC LINE TO LOADING TRACT
Section 24, Township 23 South, Range 31 East,
N.M.P.M., Eddy County, New Mexico.

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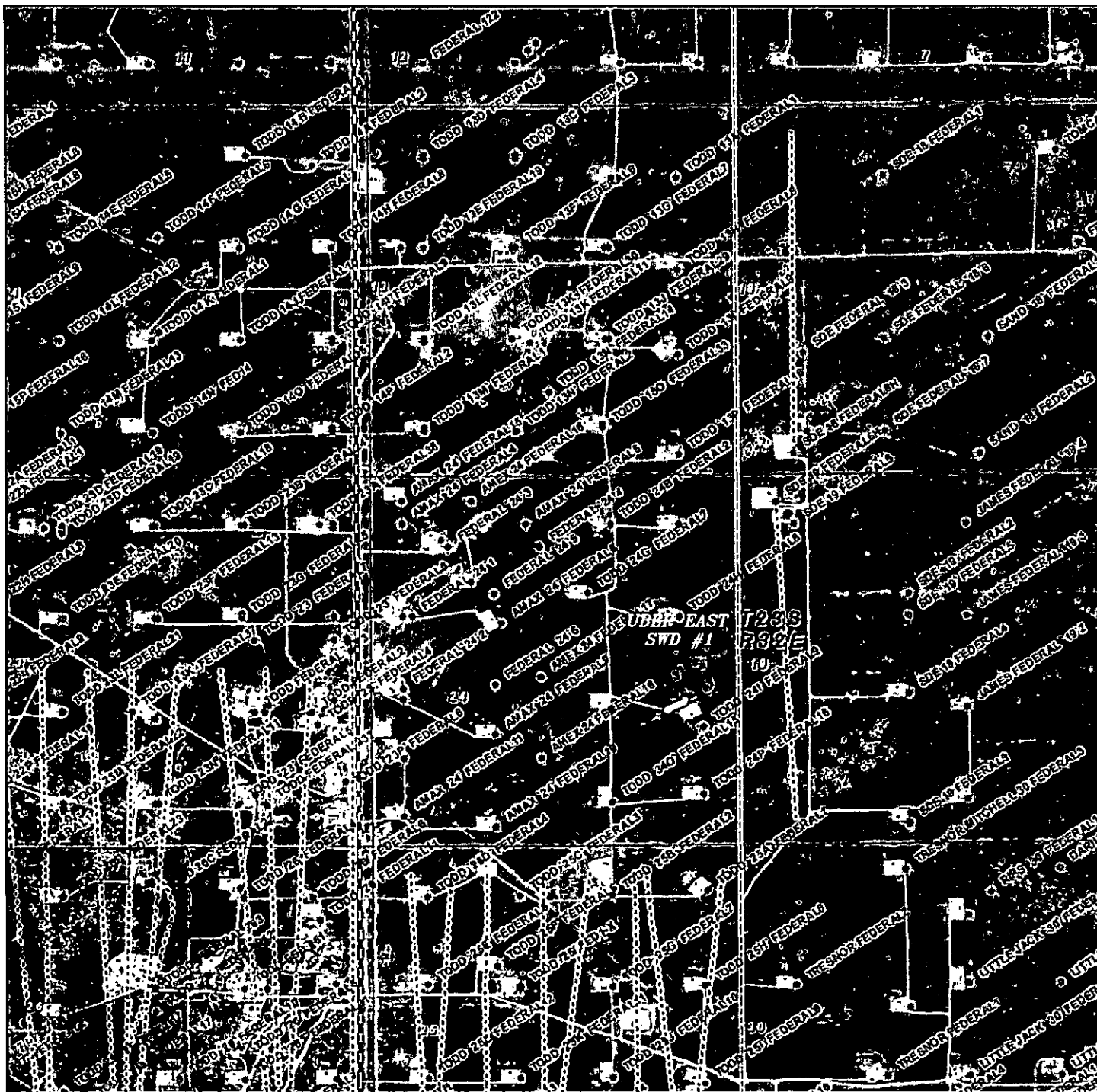
0' 1000' 2000' 3000' 4000'
SCALE: 1" = 2000'

W.O. Number: KAN 31650

Survey Date: 05-28-2015

YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - FEE LAND

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PROPOSED ELECTRIC LINE TO LOADING TRACT
 Section 24, Township 23 South, Range 31 East,
 N.M.P.M., Eddy County, New Mexico.



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0' 1000' 2000' 3000' 4000'
 SCALE: 1" = 2000'

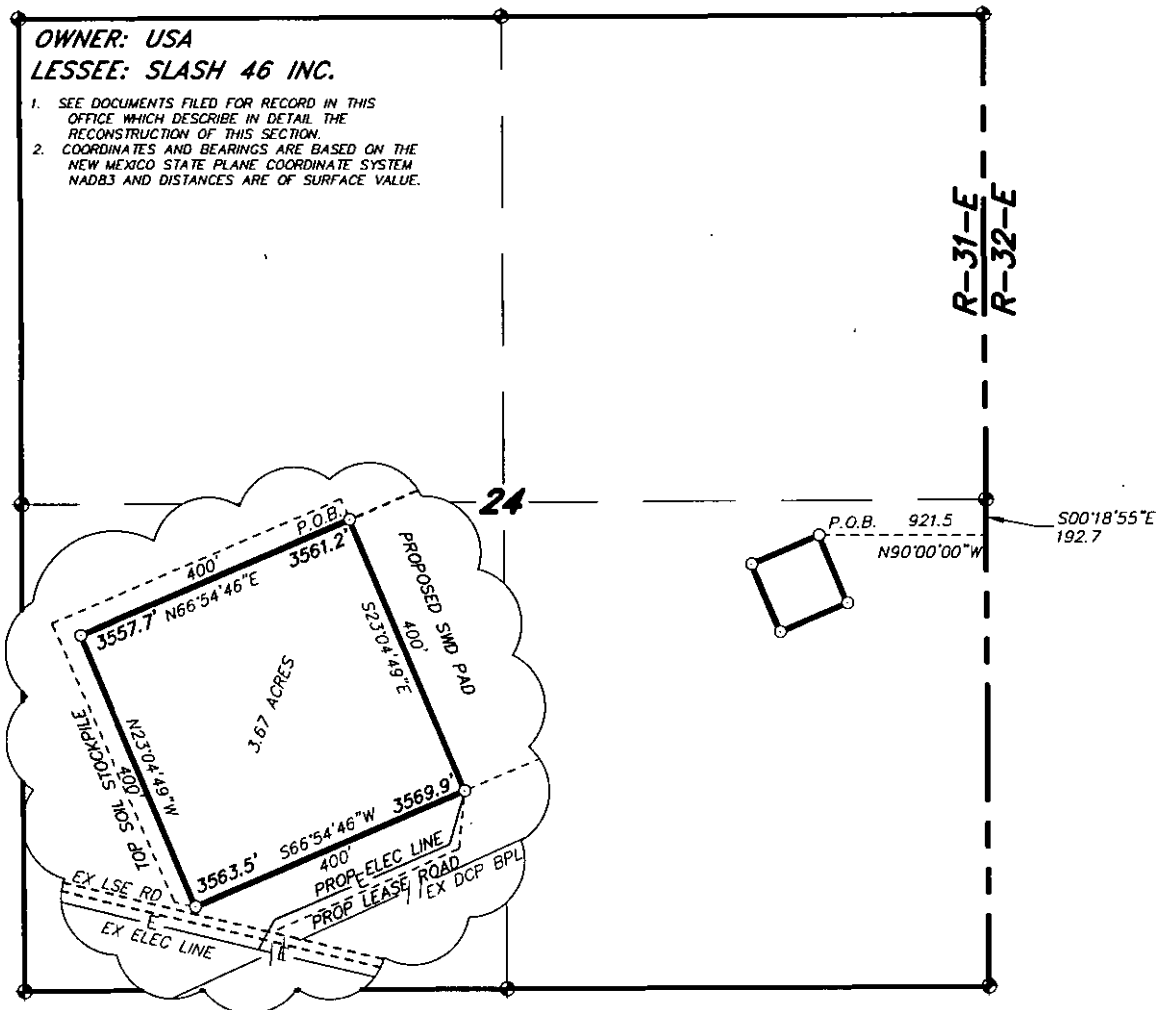
W.O. Number: KAN 31650

Survey Date: 05-28-2015

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SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A TRACT OF LAND LOCATED IN SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH LIES S.00°18'55\"E, 192.7 FEET AND N.90°00'00\"W, 921.5 FEET FROM THE EAST QUARTER CORNER OF SAID SECTION 24; THENCE S.23°04'49\"E, 400.0 FEET; THENCE S.66°54'46\"W, 400.0 FEET; THENCE N.23°04'49\"W, 400.0 FEET; THENCE N.66°54'46\"E, 400.0 FEET TO THE POINT OF BEGINNING. SAID TRACT OF LAND CONTAINING 3.67 ACRES, MORE OR LESS.

I HEREBY CERTIFY THAT THIS SURVEY WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES

No. 7977
No. 5074

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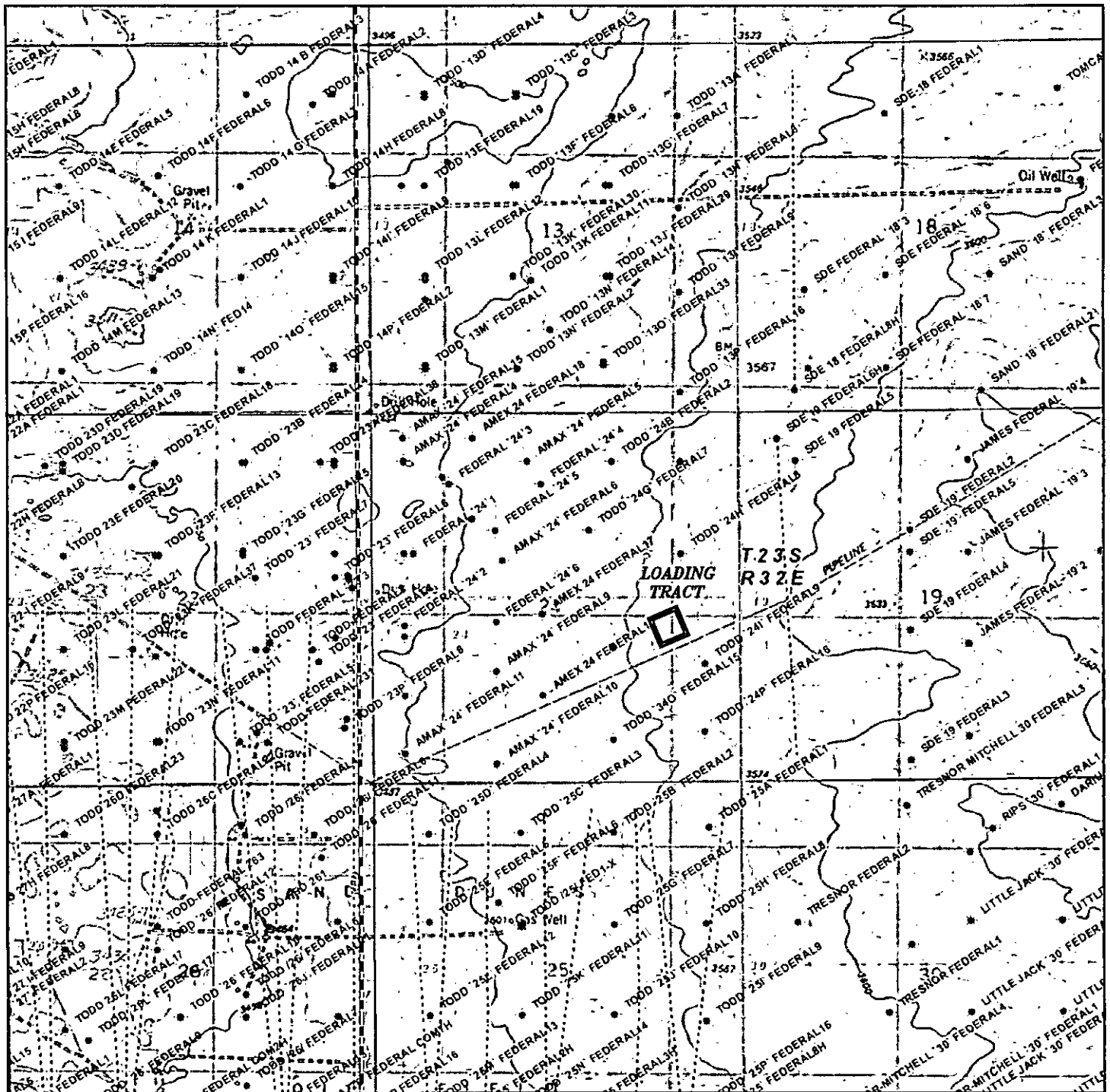
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1000 0 1000 2000 FEET

R360 ENVIRONMENTAL SOLUTIONS

REF: PROPOSED LOADING TRACT

A TRACT OF LAND LOCATED ON USA LAND IN
SECTION 24, TOWNSHIP 23 SOUTH, RANGE 31 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.



PROPOSED LOADING TRACT
 Section 24, Township 23 South, Range 31 East,
 N.M.P.M., Eddy County, New Mexico.

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0' 1000' 2000' 3000' 4000'

SCALE: 1" = 2000'

W.O. Number: KAN 31650

Survey Date: 05-28-2015

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND

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Uber East SWD #1 Drilling Plan

1. **Location:**

Legal: 2345' FSL 660' FEL Section 24, Township 23S, Range 31E

Eddy County, New Mexico

GPS Coordinates: 32.2891306°, -103.7251000°

O&G Lease: NMNM-0533177A

2. **Elevation Above Sea Level: 3575'**

3. **Geologic Name of Surface Formation: Alluvium**

4. **Proposed Drilling Depth: 17,500'**

5. **Estimated Tops of All Geologic Formations:**

| Formation | Estimated Top (feet) | Bearing |
|--------------------------|-------------------------|---------------------------------|
| Triassic | | <10' of perched water @ 40' BGS |
| Dewey Lake | 630 | |
| Salado | 760 | N/A |
| Tansil | | N/A |
| Yates | | N/A |
| Capitan | | N/A |
| Delaware Mountain | 4380 | Hydrocarbons |
| Bone Spring | 8320 | Hydrocarbons |
| Wolfcamp | 11590 | Hydrocarbons |
| Strawn | 13350 | Hydrocarbons |
| Atoka | 13560 | Hydrocarbons |
| Morrow | 14100 | Hydrocarbons |
| Barnett | 15260 | Hydrocarbons |
| Mississippian Lime | 15750 | Hydrocarbons |
| Woodford Shale | 16180 | Hydrocarbons |
| Devonian (Target) | 16390 | N/A |
| Montoya | | N/A |
| Simpson | | N/A |
| Ellenberger | | N/A |

6. Proposed Casing Program:

| Name | Hole (inches) | Size (inches) | Setting Depth (Feet) | Grade | Weight (lbs/ft) | Thread | Condition | Burst SF | Coll. SF | Ten. SF |
|------------------------------|---------------|---------------|----------------------|-------|-----------------|--------|-----------|----------|----------|---------|
| Surface | 26 | 20 | 1060 | J55 | 106.4 | LTC | New | 1.2 | 1.125 | 1.6 |
| 1 st Intermediate | 17 1/2 | 13 3/8 | 3,200 | J55 | 68 | LTC | New | 1.2 | 1.125 | 1.6 |
| 2 nd Intermediate | 12 1/4 | 9 5/8 | 11,500 | L80 | 53.5 | LTC | New | 1.2 | 1.125 | 1.6 |
| Production | 8 1/2 | 7 | 0-120 | HCL80 | 35 | LTC | New | 1.2 | 1.125 | 1.6 |
| Production | 8 1/2 | 7 | 120-12,230 | P-110 | 29 | LTC | New | 1.2 | 1.125 | 1.6 |
| Production | 8 1/2 | 7 | 12,230-16,390 | HCL80 | 35 | LTC | New | 1.2 | 1.125 | 1.6 |
| Tubing | 5 7/8 | 4 1/2 | 0-5,000 | P-110 | 11.6 | LTC | New | 1.2 | 1.125 | 1.6 |
| Tubing | 5 7/8 | 4 1/2 | 5,000-16,390 | L-80 | 11.6 | LTC | New | 1.2 | 1.125 | 1.6 |
| Open Hole | 5.875 | | 16,390-17,500 | NA | NA | NA | NA | | | |

7. **Drilling Procedure:** Spud well and drill down each interval to total depth of that interval, staying in compliance with OCD/BLM rules and regulations and following this APD drilling plan. Each casing string will be cemented and cement will be circulated to surface. There are DV Tools in the casing strings to insure getting cement all the way to surface. Mud weights are spelled out below in paragraph 10 – Types and Characteristics of mud system. After reaching total casing depth of 16,390', OH Logs (Paragraph 12) will be run 16,390-10,960' GR-CNL to surf, we will cement the 7" as spelled out in this APD. We will pick up a 5 7/8" bit to drill the injection interval for the open-hole completion; OH logs (see Paragraph 12) will be run TD-16,390'. The depths from 16,390' to 17,500' will not have a casing string, thus an "open-hole" completion. The Devonian target zone for injecting is a depleted zone considered to be under pressured and will be drilled with cut brine 8.4-8.9 PPG. The injection tubing will be set to depth of 16500' inside the 7". All intervals will be logged prior to running casing per BLM/OCD requirements.

8. Pressure Controls:

A 10M 13-5/8" BOP system (Double Ram and Annular preventer) and 2 power chokes installed on manifold and 1 manual choke per BLM Onshore Order 2, will be installed and tested prior to drilling out the surface casing shoe. The BOP system used to drill the intermediate hole will be test per BLM Onshore Oil and Gas Order 2.

A 10M 13-5/8" BOP system (Double Ram and Annular preventer) will be installed and tested prior to drilling out the intermediate casing shoe. The BOP system used to drill the production hole will be test per BLM Onshore Oil and Gas Order 2.

The pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These tests will be logged in the daily driller's log. A 2" kill line and 3" choke line will be incorporated into the drilling spool below the ram BOP. In addition to the rams and annular preventer, additional BOP accessories, include a Kelly cock, floor safety valve, choke lines, and choke manifold rated at 5,000 psi WP.

10,000

9. Cement Program: Surface 1060' TD

Surface: Float/Landing Collar set @ 1015'. We will circulate cement to surface

| Interval | Amount (sacks) | Ft of Fill | Excess (%) | PPG | Ft ³ /sx | Volume (ft ³) | Cement Type |
|----------|----------------|------------|------------|------|---------------------|---------------------------|--|
| Lead | 820 | 700 | 100 | 13.5 | 1.69 | 1386 | Class C + 2% Gel + 0.2% Antifoam + 0.125 lb/sk Polyflake |
| Tail | 580 | 360 | 100 | 14.8 | 1.33 | 771 | Class C + 0.125 lb/sk Polyflake |

4500

1st Intermediate: TD @ ~~3200~~ Stage 1 Float/Landing Collar set @ 1800, Stage 2 Collar set @ 1,800'. We will circulate cement to surface.

13 3/8 Contingency Cement design as follows:

If hole conditions warrant and we will adjust DVT depth per circulation requirements. The current estimated setting is 1800' and cement volumes will be adjusted proportionally to maintain equivalent excess in all slurries.

| Interval | Amount (sacks) | Ft of Fill | Excess (%) | PPG | Ft ³ /sx | Volume (ft ³) | Cement Type |
|--------------|----------------|------------|------------|------|---------------------|---------------------------|--|
| Stage 1 Lead | 681 | 1200' | 100 | 11.9 | 2.45 | 1667 | Class C + 2% Sodium Metasilicate + 0.1% Dispersant + 0.2% Antifoam + 0.2% Retarder |
| Stage 1 Tail | 679 | 600' | 100 | 14.8 | 1.33 | 900 | Class C + 0.125 lbs/sk Polyflake |
| Stage 2 Lead | 805 | 1550' | 100 | 11.9 | 2.45 | 1969 | Class C + 2% Sodium Metasilicate + 0.1% Dispersant + 0.2% Antifoam |
| Stage 2 Tail | 260 | 300' | 100 | 14.8 | 1.34 | 348 | Class C + 1% Calcium Chloride + 0.125 lbs/sk Polyflake |

2nd Intermediate: TD @ 11,500' Stage 1 Float/Landing Collar set @ 11,458', Stage 2 Collar set @ 8100'

9 5/8 Contingency Cement design as follows:

If hole conditions warrant and we will adjust ECP/DVT depth per circulation requirements. The current estimated setting is ~~3830~~ ⁵⁰⁰⁰ and cement volumes will be adjusted proportionally to maintain equivalent excess in all slurries.

| Interval | Amount (sacks) | Ft of Fill | Excess (%) | PPG | Ft ³ /sx | Volume (ft ³) | Cement Type |
|--------------|----------------|------------|------------|------|---------------------|---------------------------|---|
| Stage 1 Lead | 467 | 2800 | 50 | 11 | 2.82 | 1316 | TXI + 2% Sodium Metasilicate + 0.2 % Dispersant + 0.2% Antifoam + 0.4% Retarder |
| Stage 1 Tail | 280 | 600 | 50 | 16.4 | 1.07 | 299 | Class H + 0.3% Retarder + 0.2% Antifoam |
| Stage 2 Lead | 1337 | 7800 | 50 | 11.9 | 2.45 | 3275 | Class C + 2% Sodium Metasilicate + 0.2 % Dispersant + 0.2% Antifoam + 0.4% Retarder |
| Stage 2 Tail | 133 | 300 | 50 | 16.4 | 1.07 | 141 | Class C + 1% Calcium Chloride + 0.125 lbs/sk Polyflake |

Production: Stage 1 Float/Landing Collar set @ 16,468', NO DVT We will circulate cement to surface.

7" Contingency Cement design as follows:

7 No DVT planned for this section

| Interval | Amount (sacks) | Ft of Fill | Excess (%) | PPG | Ft ³ /sx | Volume (ft ³) | Cement Type |
|----------|----------------|------------|------------|------|---------------------|---------------------------|---|
| | | | (%) | | | | |
| Lead 1 | 599 | 4450 | 30 | 11.5 | 2.50 | 1496 | 50:50 POZ:H + 0.1 lb/sk D65 Dispersant + 0.3 lb/sk D201 Retarder + 8% D20 Gel + 0.2% D208 Viscosifier + 3 lb/sk D42 Kolite + 0.125 lb/sk D130 Polyflake |
| Lead 2 | 558 | 4368 | 30 | 13.5 | 1.29 | 720 | TXI + 1.5 gal/sk GASBLOK + 0.08 gal/sk D80 Dispersant + 0.04 gal/sk D801 Retarder + 0.05 gal/sk D175A Antifoam + 2% D176 Expanding Agent |
| Tail | 141 | 600 | 30 | 16.4 | 1.09 | 130 | Class H + 0.4% D167 Fluid loss + 0.3% D800 Retarder + 2% D176 Expanding agent |

~~The contingency ECP/DVT tool setting depth may change and cement will be adjusted accordingly.~~

10. Type and Characteristics of Mud System:

| Depth MD/TVD (ft) | Mud Type | Mud Density (ppg) | Viscosity (sec/1000cc) | Plastic Viscosity (cP) | Yield Point (lb/100ft ²) | API Fluid Loss (cc) | pH | LGS % |
|-------------------|--|-------------------|------------------------|------------------------|--------------------------------------|---------------------|------------|-------|
| 120 – 450 | New Gel/Soda Spud Mud | 8.8 – 9.2 | 60 – 70 | 12 – 28 | 12 – 34 | 20 | +/-9.0 | <6 |
| 450 – 2,900 | Brine Water | 10.0 – 10.1 | 29 – 30 | 0 – 1 | 0 – 1 | NC | 9.5 – 10.0 | <6 |
| 2,900 – 7660 | Existing Brine to New Zan D/White Starch/ Barite | 10.0 -10.1 | 29 – 30 | 0 – 1 | 0 – 1 | NC | 9.5 – 10.0 | <6 |
| 7660 – 15,550 | | 10.1 – 11.5 | 36 – 44 | 6 – 14 | 12 – 18 | 10 – 12 | 9.5 – 10.0 | <6 |
| 15,550' 16,550 | Cut brine | 8.4 - 8.9 | 28 - 30 | 0 - 1 | 0 - 1 | NC | 9. – 9.5 | <6 |

Our goal for all DVT and ECP is to run with full intentions of running the 2 stage job. This will help insure good tail cement and help insure cement to surface.

11. **Air Drilling Description:** Not applicable.

12. **Testing, Coring, and Logging Procedures:**

→ See COA

- A. Mud logging program: 2 man unit from 2,900' (setting depth of salt string) to TD.
- B. Electric logging program: open hole logs CNL / LDT / CAL / GR, DLL / SGR (CNL/GR from base of Intermediate casing to surface) from 15,550 to Intermediate casing and TD-15,550

Cased Hole Logs

CBL w/ CCL from base of Intermediate casing to surface (if cement is not circulated to surface)

CBL w/ CCL from production casing DV tool at 8,000' to 3,000' (estimated top of cement at 4,000')

- C. No DST's or cores are planned
- D. Sonic log: not required but available if needed

13. **Expected Bottom Hole Pressure and Temperature:** 6,440 psi , 170° F.

14. **Abnormal Conditions:**

15. **H₂S Plan:** Breathing equipment will be available on location. If H₂S is encountered the operator will comply with the Onshore Oil and Gas Order No. 6. The H₂S measured amounts and formation will be reported to the BLM. Please see the attached H₂S Plan and the H₂S awareness map.

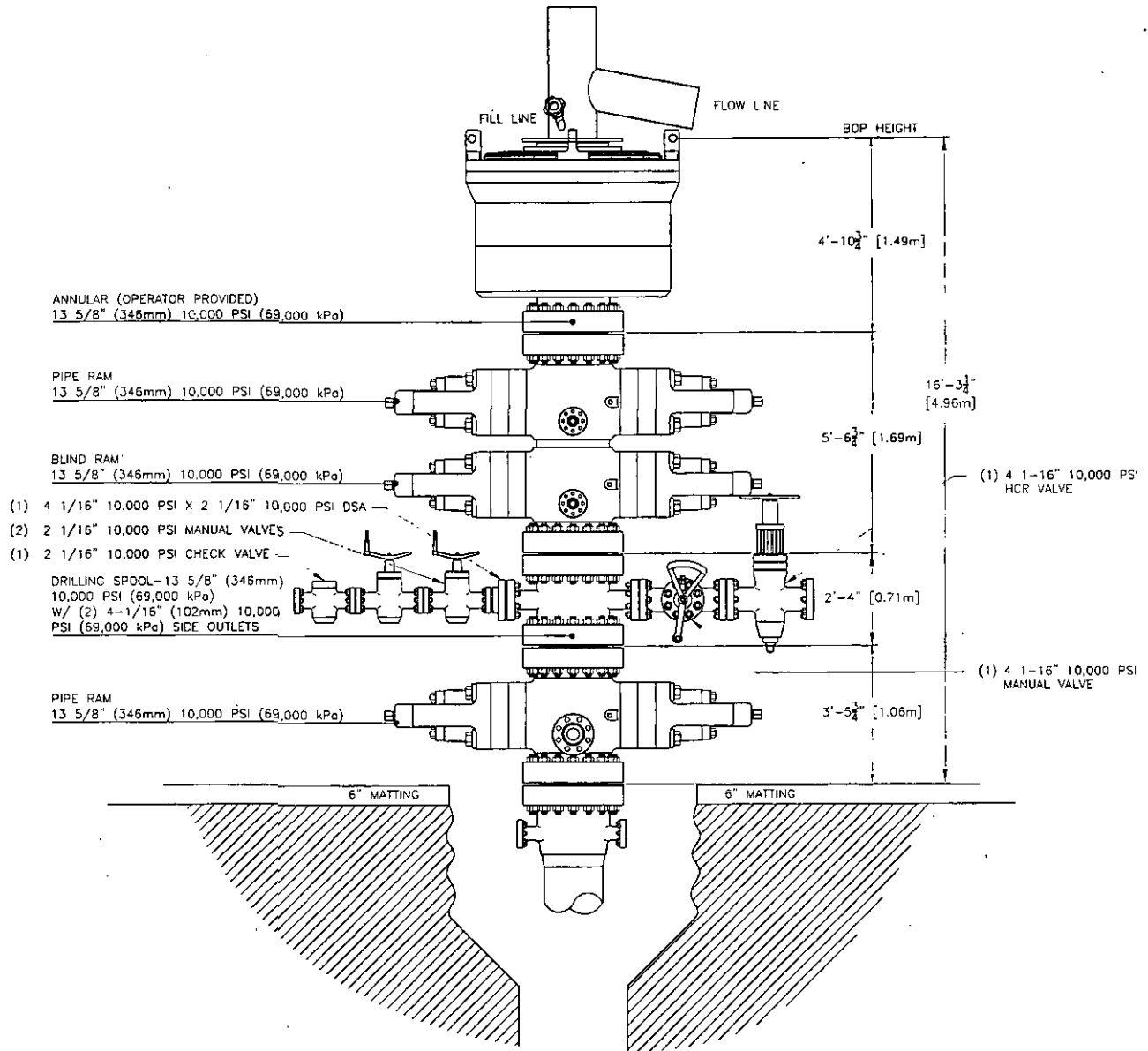
16. **Directional or Horizontal Survey:** The well is neither directional nor horizontal.

17. **Unit Well Current Unit POD:** The well is not in a unit or current unit POD.

18. **Work Schedule:** To be determined.

19. **Completion plans:** MIRU well service unit. PU 2 7/8" PH-6 work string. TIH, release retrievable bridge plug and pull out of hole. Pick up treating packer. TIH to 16,500' and set. Test back side to 1000 psi. Acidize down tubing with five stages – 8000 gallons 15% HCL each stage followed by 1500 lbs of rock salt each stage. Release packer and pull out of hole.

Trip in hole with tubing with notched collar. Circulate clean to TD. Pull out of the hole and pick up 7" Arrow Set 1X packer. Trip in the hole to 16,500'. Set blanking plug and on/off tool. Release packer and pull out of hole, laying down 2 7/8" work string. Pick up 4 1/2" lined injection tubing. Trip in hole and get on on/off tool. Release packer. Space out. Reset packer. Release on/off tool again. Circulate packer fluid. Get back on on/off tool. Nipple down BOP and nipple up well head. Schedule and perform MIT on tubing casing annulus per OCD and BLM guidelines. Turn well over to R360 for plumbing up surface facilities.



NOTE: CASING BOWL SET AT MATTING LEVEL AND ¹/₂"
ALLOWANCE FOR RING GASKET GAP.

STACK COMPONENTS REPRESENTED ARE SUBJECT TO AVAILABILITY, PLEASE CONFIRM WITH WELL CONTROL DEPARTMENT MANAGER.

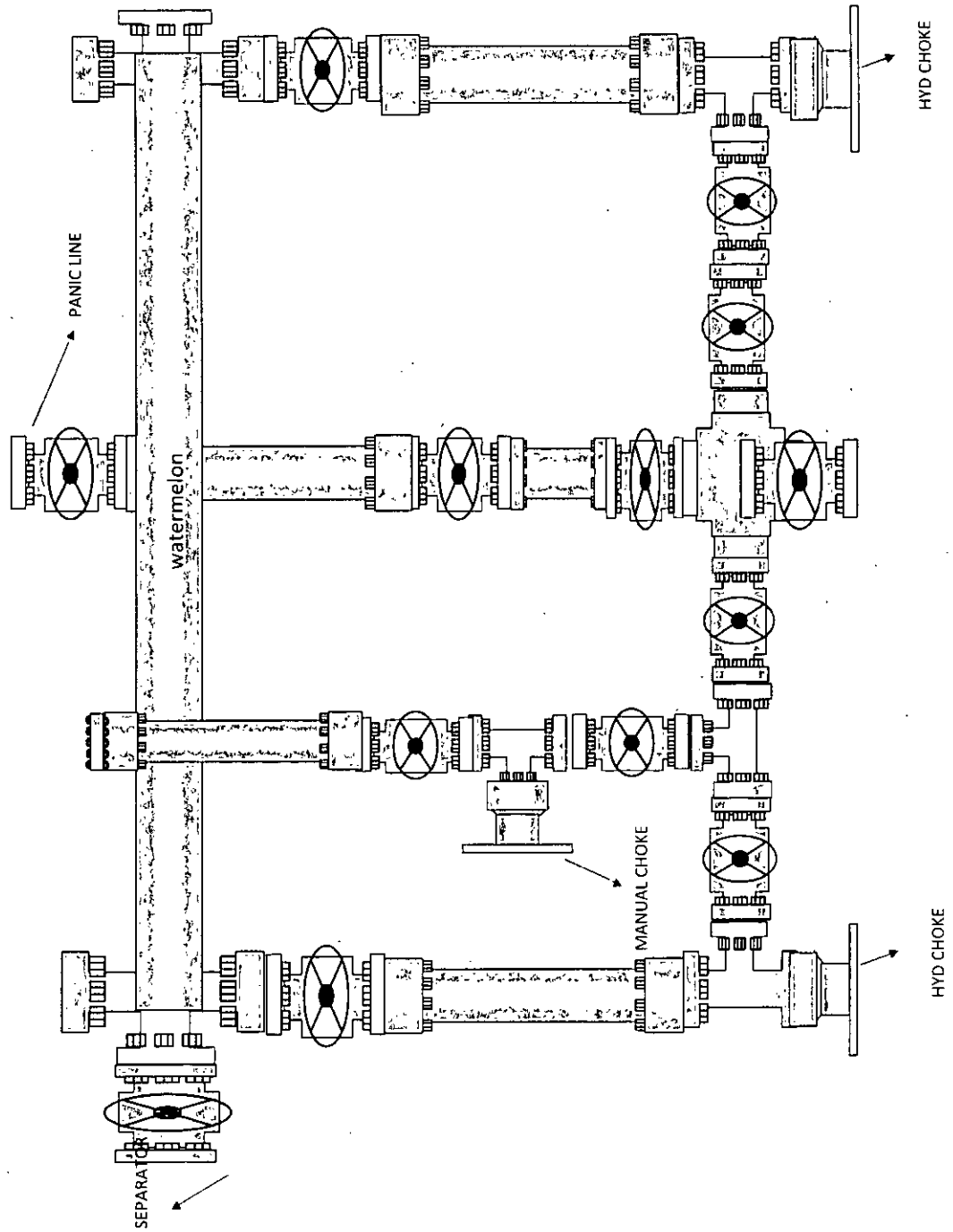


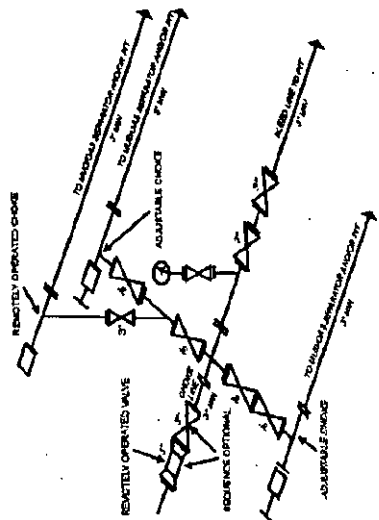
EQUIPMENT REPRESENTATION ONLY
NOT DRAWN TO SCALE

PRECISION DRILLING

DATE: 2016/03/08
DWG No.: BOP-XXX-011
DWG BY: MKK

R360 *Uber Eats* SWD#1
 ALL 3" TRIPLE CHOKE MANIFOLD
 WITH 1 MANUAL CHOKE AND 2 HYDRAULIC CHOKE

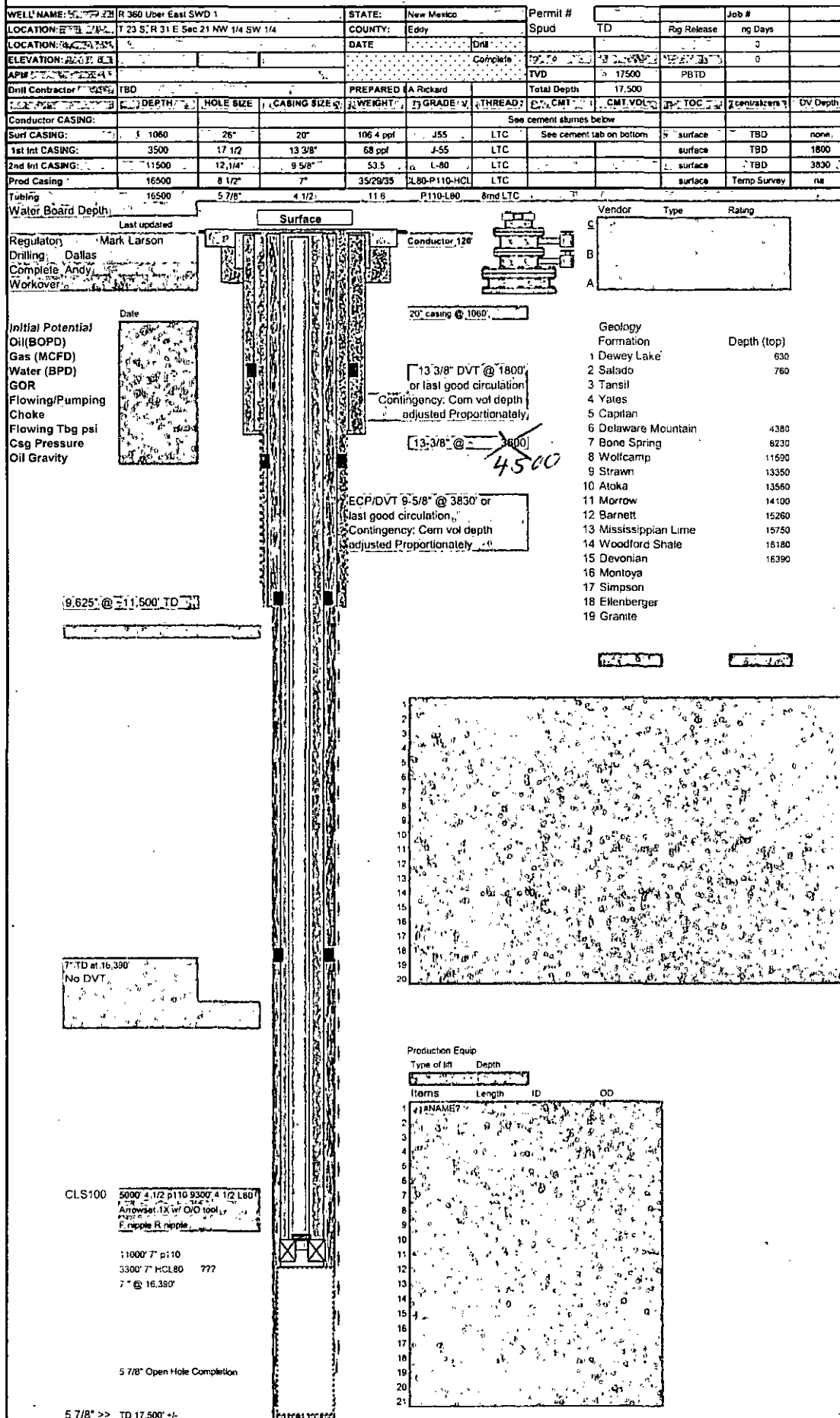




3 Rams
McVay 11" or 13 5/8" X 10-M BOP (2 Rams and Rotating Head) & Closed Loop System Equipment Schematic Diagram C

Pipe Rams
Required

Cambrian Management EXECUTIVE SUMMARY WELLBORE DIAGRAM



State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Administrative Order SWD-1602
December 1, 2015

**ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION**

Pursuant to the provisions of Division Rule 19.15.26.8B, NMAC, R360 Permian Basin, LLC (the "operator") seeks an administrative order to authorize the Uber East SWD Well No. 1 located 2345 feet from the South line and 660 feet from the East line, Unit I of Section 24, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, for the commercial disposal of produced water.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rules 19.15.26.8B, NMAC and satisfactory information has been provided that affected parties as defined in said rule have been notified and no objection was received within the required suspense period. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 19.15.26.8 NMAC have been met and the operator is in compliance with Rule 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, R360 Permian Basin, LLC (OGRID 289936), is hereby authorized to utilize its Uber East SWD Well No. 1 (API 30-015-pending) located 2345 feet from the South line and 660 feet from the East line, Unit I of Section 24, Township 23 South, Range 31 East, NMPM, Eddy County, for commercial disposal of oil field produced water (UIC Class II only) in the Devonian formation, through an open-hole interval from **16390 to 17500 feet**. Injection will occur through internally-coated, 4½-inch or smaller tubing and a packer set within 100 feet of the open-hole injection interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the approved disposal interval and is not permitted to escape to other formations or onto the surface. This includes the completion and construction of the well as proposed in the application, and as modified by this Order.

This permit is limited as advertised to only the Devonian aged rocks and to the depths listed above. It does not permit disposal into deeper formations including the Ellenburger formation (lower Ordovician) or lost circulation intervals directly on top and obviously connected to that formation.

Prior to commencing disposal, the operator shall submit mudlog and geophysical logs information, to the Division's District geologist and Santa Fe Bureau Engineering office, showing evidence agreeable that only the permitted formation is open for disposal including a summary of depths (picks) for contacts of the formations which the Division shall use to amend this order for a final description of the depth for the injection interval.

Every casing string shall be cemented and circulated to the surface.

The operator shall run a CBL (or equivalent) across the 7-inch casing to surface to ensure good cement across the casing.

Within two years after commencing disposal, the operator shall conduct an injection survey, consisting of a temperature log or equivalent, over the entire injection interval using representative disposal rates. Copies of the survey results shall be provided to the Division's District II office and Santa Fe Engineering Bureau office.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The well shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

The wellhead injection pressure on the well shall be limited to **no more than 3278 psi**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

The operator shall notify the supervisor of the Division's District II office of the date and time of the installation of disposal equipment and of any MIT so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's District office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the Division's District II

office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

The injection authority granted under this order is not transferable except upon Division approval. The Division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The Division may revoke this injection order after notice and hearing if the operator is in violation of Rule 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate two (2) years after the effective date of this Order if the operator has not commenced injection operations into the subject well. One year after the last date of reported disposal into this well, the Division shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The Division, upon written request mailed by the operator prior to the termination date, may grant an extension thereof for good cause.

Compliance with this Order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division - Artesia
Bureau of Land Management - Carlsbad
Application number - pMAM1531035509

APPLICATION FOR AUTHORIZATION TO INJECT

I. PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage
Application qualifies for administrative approval? Yes No

II. OPERATOR: R360 Permian Basin, LLC (a wholly owned subsidiary of Waste Connections, Inc.)

ADDRESS: 3 Waterway Square Place, Suite 110, The Woodlands, Texas 77380

CONTACT PARTY: Chris Ruane, Director of Engineering PHONE: (832) 442-2204

III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? Yes X No
If yes, give the Division order number authorizing the project: _____

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including:

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

*VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

*X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).

*XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.

XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: Luke A. Bross

TITLE: Legislative & Regulatory Affairs Manager

SIGNATURE: [Signature]

DATE: 11/2/15

E-MAIL ADDRESS: lukeb@R360ES.com

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted.
Please show the date and circumstances of the earlier submittal: _____

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Side 1

INJECTION WELL DATA SHEET

OPERATOR: R360 Permian Basin, LLC

WELL NAME & NUMBER: Uber East SWD #1

WELL LOCATION: 2345' FSL/660' FEL 1 24 23 S 31 E
FOOTAGE LOCATION UNIT LETTER SECTION TOWNSHIP RANGE

WELLBORE SCHEMATIC

See Attached

WELL CONSTRUCTION DATA

Surface Casing

Hole Size: See Attached Casing Size: See Attached
Cemented with: See Attached sx. or ft³
Top of Cement: See Attached Method Determined:

Intermediate Casing

Hole Size: See Attached Casing Size: See Attached
Cemented with: See Attached sx. or ft³
Top of Cement: See Attached Method Determined:

Production Casing

Hole Size: See Attached Casing Size: See Attached
Cemented with: See Attached sx. or ft³
Top of Cement: Method Determined:

Total Depth:

Injection Interval

16,500' feet to 17,000'

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEET

Tubing Size: 4.5" Lining Material: Composite Fiberglass (CLS100)

Type of Packer: Arrowset 1X

Packer Setting Depth: TBD

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

1. Is this a new well drilled for injection? X Yes No

If no, for what purpose was the well originally drilled? _____

2. Name of the Injection Formation: Devonian

3. Name of Field or Pool (if applicable): SWD Devonian

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. N/A

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: Delaware (4,460'), Bone Springs (8,310'), Wolfcamp (11,640'), Strawn (13,400'), Atoka (13,630'), Morrow (14,130'), Barnett (15,330'), Mississippian Lime (15,870'), Woodford Shale (16,300')

Uber East SWD #1 APD

H₂S Plan

1. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

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

In addition, supervisory personnel will be trained in the following areas:

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

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S 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 the proper training.

2. H₂S Safety Equipment and Systems

All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

- A. Well Control Equipment:
 - Flare line.
 - Choke manifold with remotely operated choke.
 - Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
 - Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.
- B. Protective equipment for essential personnel:
 - Mark II Surviveair 30-minute units located in the dog house and at briefing areas.
- C. H₂S detection and monitoring equipment:

- (2) Portable H₂S monitor positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 20 ppm are reached.
- D. Visual warning systems:
 - 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. See attached example.
- E. Mud Program:
 - The mud program has been designed to minimize the volume of H₂S circulated to the surface.
- F. Metallurgy:
 - All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.
- G. Communication:
 - Company vehicles equipped with cellular telephone.

R360 Permian Basin LLC has conducted a review to determine if an H₂S contingency plan is required for the above referenced well. We were able to conclude that any potential hazardous volume would be minimal. H₂S concentrations of wells in this area from surface to TD are low enough; therefore, we do not believe that an H₂S contingency plan is necessary.

WARNING

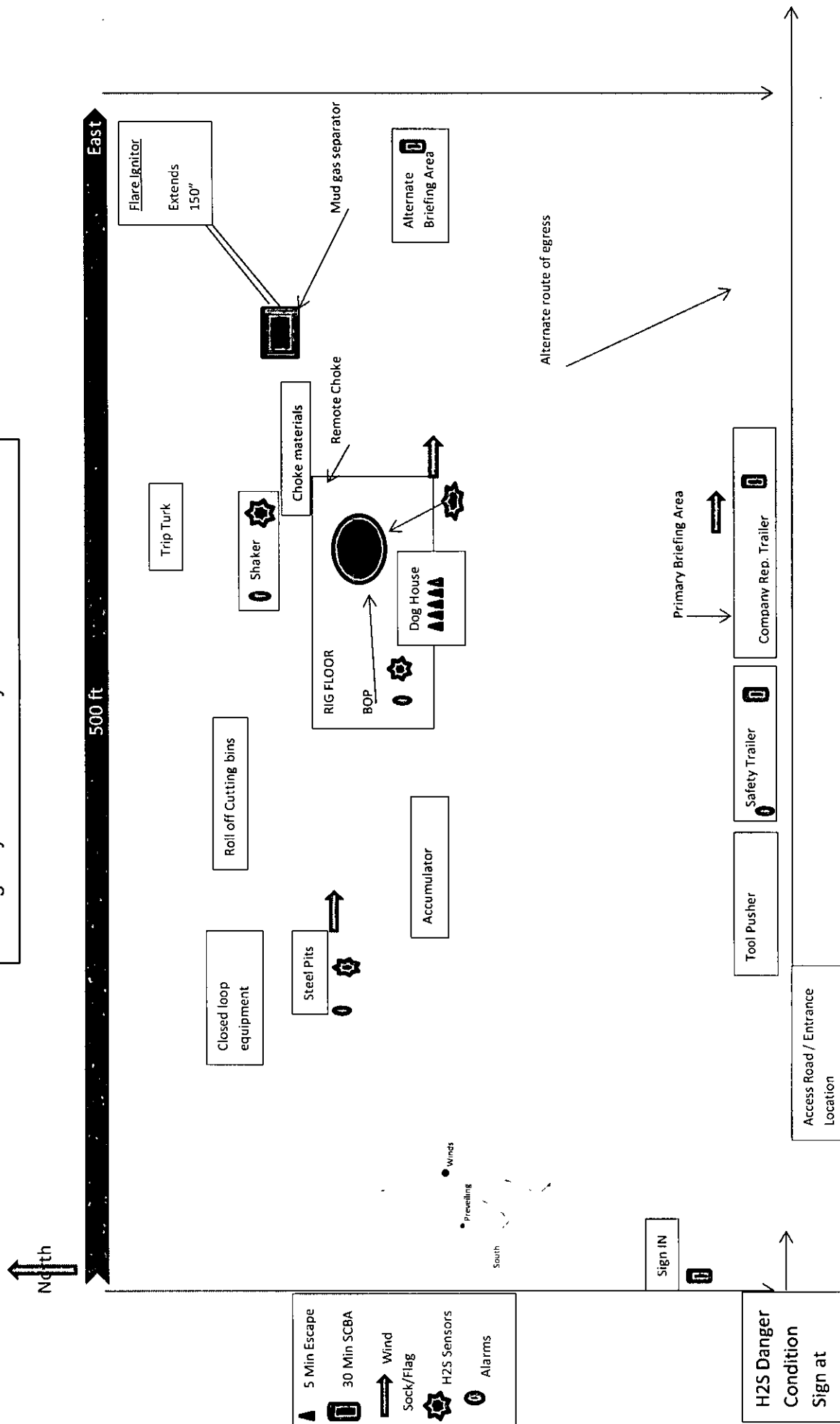
**YOU ARE ENTERING AN H₂S AREA
AUTHORIZED PERSONNEL ONLY**

- 1. BEARDS OR CONTACT LENSES NOT ALLOWED**
- 2. HARD HATS REQUIRED**
- 3. SMOKING IN DESIGNATED AREAS ONLY**
- 4. BE WIND CONSCIOUS AT ALL TIMES**
- 5. CHECK IN WITH R360 FOREMAN AT MAIN OFFICE**

R360 PERMIAN BASIN

1-832-442-2200

Contingency Plan Summary for Uber East SWD #1



Uber East SWD #1 APD

Surface Use Plan

1. Existing & Proposed Access Roads

- A. The well site survey and elevation plat for the proposed well is attached with this application. It was staked by Basin Surveys, Hobbs, New Mexico.
- B. All roads to the location are shown in the Vicinity Map. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. Directions to location: From the intersection of ST HWY 128 and CR 798; go north on CR 798 1.9 miles, east on lease road 0.7 miles, north 0.5 miles, then east to Todd 24 #9 well
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease. Roads will be maintained according to specifications in Section 2A of this Surface Use Plan.

2. Proposed Access Road:

No access roads are planned to be constructed. If any road is required it will be constructed as follows:

- A. The maximum width of the running surface will be 30'. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.
- B. The average grade will be less than 2%.
- C. Turnouts will be intervisible with interval spacing distance less than 1000 feet..
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the actual well site if available. If not available onsite, caliche will be hauled from the nearest BLM approved caliche pit.

3. Location of Existing Well:

The One-Mile Radius Map shows existing wells within a one-mile radius of surface hole location and the bottom hole location.

4. Location of Existing and/or Proposed Facilities:

- A. An SWD facility will be constructed on private land owned by R360 Permian Basin LLC as shown in the figure attachments.
- B. The facility will be installed according to API specifications.
- C. Any additional caliche will be obtained from the actual well site. If caliche does not exist or is not plentiful from the well site, the caliche will be hauled from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
- D. It will be necessary to run electric power if this well is productive. Power will be provided by local energy company and they will submit a separate plan and ROW for service to the well location.
- E. Rehabilitation plans will include the following:
 - The original topsoil from the well site will be returned to the location, and the site will be re-contoured as close as possible to the original site.

5. Location and Type of Water Supply:

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling plan. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access road. If a commercial fresh water source is nearby, fast line may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials :

Obtaining caliche: Caliche will be obtained from the existing caliche pit at R360 Halfway Facility or from a BLM approved Caliche pit.

7. Methods of Handling Water Disposal:

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in roll-off style mud boxes and taken to an NMOCD approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.
- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD approved commercial disposal facility.

- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. Human waste and grey water will be properly contained and disposed of. Proper disposal and elimination of waste and grey water may include but are not limited to portable septic systems and/or portable waste gathering systems (i.e. portable toilets). Human waste and grey water will be disposed at an approved facility.
- F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by Basin Surveys, is shown in the Elevation Plat.
- B. The Closed-Loop exhibit shows the proposed orientation of closed loop system and access road. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

- A. Interim reclamation will take place after the well has been completed. The pad will be downsized by reclaiming the areas not needed for production operations. The portions of the pad that are not needed for production operations will be re-contoured to its original state as much as possible. The caliche that is removed will be reused to either build another pad site or for road repairs within the lease. The stockpiled topsoil will then be spread out reclaimed area and reseeded with a BLM approved seed mixture. In the event that the well must be worked over or maintained, it may be necessary to drive, park, and/or operate machinery on reclaimed land. This area will be repaired or reclaimed after work is complete.
- B. Final Reclamation: Upon plugging and abandoning the well all caliche for well pad and lease road will be removed and surface will be recontoured to reflect its surroundings as much as possible. Caliche will be recycled for road repair or reused for another well pad within the lease. If any topsoil remains, it will be spread out and the area will be reseeded with a BLM approved mixture and re-vegetated as per BLM orders.

11. Surface Ownership:

- A. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. The proposed road routes and surface location will be restored as directed by the BLM.

12. Other Information:

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within 2 miles of this location.

13. Bond Coverage:

Bond Coverage is Statewide Bonds # NMB929591818

PECOS DISTRICT CONDITIONS OF APPROVAL

| | |
|-----------------------|--------------------------------------|
| OPERATOR'S NAME: | R360 Permian Basin LLC |
| LEASE NO.: | NM0533177A |
| WELL NAME & NO.: | 1-Uber East SWD |
| SURFACE HOLE FOOTAGE: | 2345'/S & 660'/E |
| BOTTOM HOLE FOOTAGE | '/ & '/ |
| LOCATION: | Section 24, T. 23 S., R. 31 E., NMPM |
| COUNTY: | Eddy County, New Mexico |

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

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
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 - Completion Sundry and Logs
- ☐ **Construction**
 - Notification
 - Topsoil
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 - Waste Material and Fluids
- ☐ **Production (Post Drilling)**
 - Well Structures & Facilities
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

I. GENERAL PROVISIONS

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

II. PERMIT EXPIRATION

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

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

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

IV. NOXIOUS WEEDS

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

V. SPECIAL REQUIREMENT(S)

The operator shall supply the BLM with a copy of a mudlog over the permitted disposal interval and estimated insitu water salinity based on open-hole logs. If hydrocarbon shows occur while drilling, the operator shall notify the BLM.

The operator shall run and provide a CBL on the 7-inch casing from TD to surface.

The operator shall provide to the BLM a summary of formation depth picks based on mudlog and geophysical logs along with a copy of the mudlog and open hole logs from TD to top of wolfcamp

A NOI sundry with the completion procedure for this well shall be submitted and approved prior to commencing completion work. The procedure will be reviewed to verify that the completion proposal will allow the operator to:

- 1. Properly evaluate the injection zone utilizing open hole logs, swab testing along any other method to confirm that hydrocarbons cannot be produced in paying quantities. This evaluation shall be reviewed by the BLM prior to injection commencing.**
- 2. Restrict the injection fluid to the approved formation.**
- 3. If a step rate test will be run an NOI sundry shall be submitted to the BLM for approval**

If off-lease water will be disposed in this well, the operator shall provide proof of right-of-way approval.

VI. CONSTRUCTION

A. NOTIFICATION

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

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

B. TOPSOIL

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

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

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

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

D. FEDERAL MINERAL MATERIALS PIT

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

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation. The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing

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

G. ON LEASE ACCESS ROADS

Road Width

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

Surfacing

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

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

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

Crowning

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

Ditching

Ditching shall be required on both sides of the road.

Turnouts

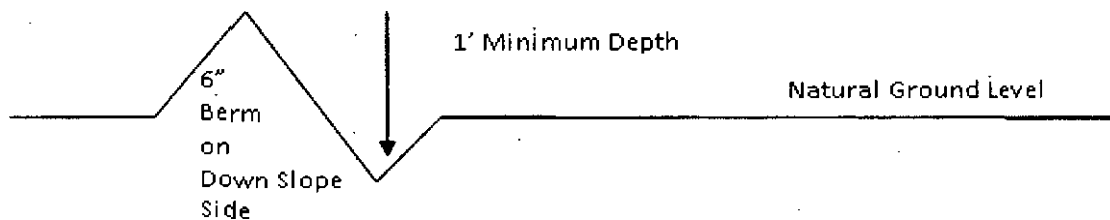
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

Drainage

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

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

Cross Section of a Typical Lead-off Ditch



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

Formula for Spacing Interval of Lead-off Ditches

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

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

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.

Construction Steps

1. Salvage topsoil
2. Construct road

3. Redistribute topsoil
4. Revegetate slopes

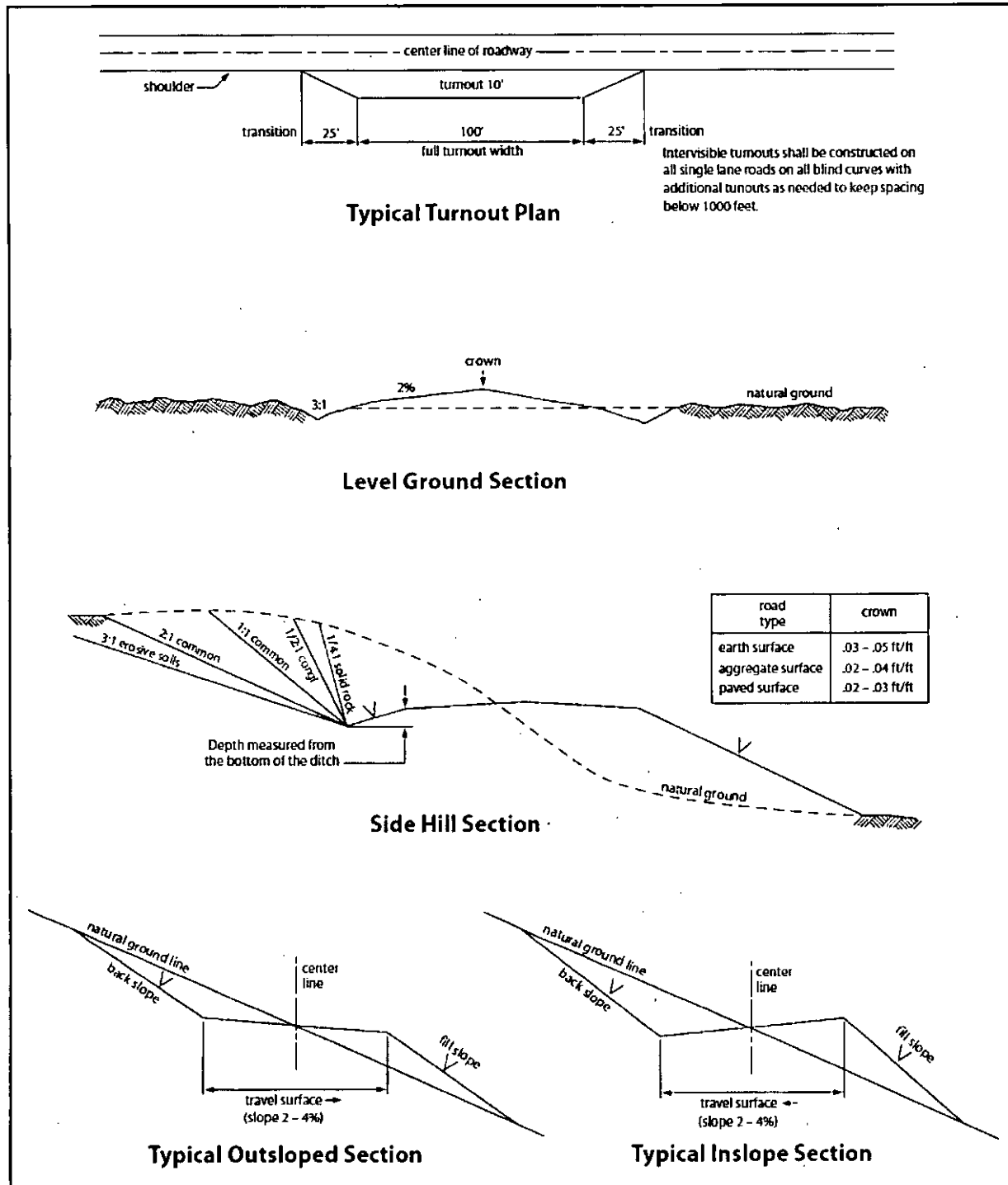


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

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

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

☒ **Eddy County**

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

1. **Hydrogen Sulfide (H₂S) monitors shall be installed prior to drilling out the surface shoe. If H₂S is detected in concentrations greater than 100 ppm, the Hydrogen Sulfide area shall meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, provide measured values and formations to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size 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 Potash Areas:

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 for all cement blends, 2) until cement has been in place at least 24 hours. WOC time will be recorded in the driller's log. **DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE.**

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

Possible lost circulation in the Rustler, Bell Canyon, Cherry Canyon, Brushy Canyon, and Bone Spring Lime.

Possible Water Flows in the Castile and Salado

Abnormal pressures may be encountered below the 3rd Bone Spring Sandstone.

1. The 20 inch surface casing shall be set at approximately 1060 feet (**in a competent bed below the Magenta Dolomite, which is a Member of the Rustler, and if salt is encountered, set casing at least 25 feet above the salt**) and cemented to the surface. **Additional cement maybe required, excess cement calculates to only 25%**
 - 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 13-3/8 inch 1st intermediate casing, which shall be set at approximately 4500 feet, (basal anhydrite of the Castile Formation) is:

Operator has proposed DV tool at depth of 1800', but will adjust cement proportionately if moved. DV tool/ECP shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

a. First stage to DV tool:

- ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

b. Second stage above DV tool:

- ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Potash.**

Formation below the 13-3/8" shoe to be tested according to Onshore Order

2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe and the mud weight for the bottom of the hole. Report results to BLM office.

3. The minimum required fill of cement behind the 9-5/8 inch 2nd intermediate casing which shall be set at approximately 11500 feet is:

Operator has proposed DV tool at depth of 5000', but will adjust cement proportionately if moved. DV tool/ECP shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

a. First stage to DV tool:

- ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.
Additional cement maybe required, excess cement calculates to only -21%

b. Second stage above DV tool:

- ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Potash.**

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe and the mud weight for the bottom of the hole. Report results to BLM office.

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

- ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Potash. Additional cement maybe required, excess cement calculates to only 17%**

Formation below the 7" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe and the mud weight for the bottom of the hole. Report results to BLM office.

Open Hole completion from 16390' to TD of 17500'

Special Requirements:

The operator shall supply the BLM with a copy of a mudlog over the permitted disposal interval and estimated insitu water salinity based on open-hole logs. If hydrocarbon shows occur while drilling, the operator shall notify the BLM.

The operator shall run and provide a CBL on the 7-inch casing from TD to surface.

The operator shall provide to the BLM a summary of formation depth picks based on mudlog and geophysical logs along with a copy of the mudlog and open hole logs from TD to top of wolfcamp

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 RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 20" surface casing shoe shall be **10,000 (10M) psi. 10M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure (BOP Stack shall have triple rams & annular preventer).**
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In potash areas, 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. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer.**
 - a. 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.

- b. The results of the test shall be reported to the appropriate BLM office.
- c. 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.**
- d. 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. WELL COMPLETION

Special Requirements:

The operator shall supply the BLM with a copy of a mudlog over the permitted disposal interval and estimated insitu water salinity based on open-hole logs. If hydrocarbon shows occur while drilling, the operator shall notify the BLM.

The operator shall run and provide a CBL on the 7-inch casing from TD to surface.

The operator shall provide to the BLM a summary of formation depth picks based on mudlog and geophysical logs along with a copy of the mudlog and open hole logs from TD to top of wolfcamp

A NOI sundry with the completion procedure for this well shall be submitted and approved prior to commencing completion work. The procedure will be reviewed to verify that the completion proposal will allow the operator to:

- 4. Properly evaluate the injection zone utilizing open hole logs, swab testing along any other method to confirm that hydrocarbons cannot be produced in paying quantities. This evaluation shall be reviewed by the BLM prior to injection commencing.
- 5. Restrict the injection fluid to the approved formation.
- 6. If a step rate test will be run an NOI sundry shall be submitted to the BLM for approval

If off-lease water will be disposed in this well, the operator shall provide proof of right-of-way approval.

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.

CLN 050316

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

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

Exclosure Netting (Open-top Tanks)

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

Chemical and Fuel Secondary Containment and Exclosure Screening

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

Open-Vent Exhaust Stack Exclosures

The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not

be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures

Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

Painting Requirement

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

IX. INTERIM RECLAMATION

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

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

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

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

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

X. FINAL ABANDONMENT & RECLAMATION

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

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory

revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

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

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

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 2, for Sandy Sites

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

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

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

| Species | lb/acre |
|---|---------|
| Sand dropseed (<i>Sporobolus cryptandrus</i>) | 1.0 |
| Sand love grass (<i>Eragrostis trichodes</i>) | 1.0 |
| Plains bristlegrass (<i>Setaria macrostachya</i>) | 2.0 |

*Pounds of pure live seed:

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