

ATS-14-824

Form 3160-3  
(March 2012)

FORM APPROVED  
OMB No. 1004-0137  
Expires October 31, 2014

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. NM-100549
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator YATES PETROLEUM CORPORATION		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Blast "BLA" Federal #4-H
3b. Phone No. (include area code) 575-748-4347		9. API Well No. 30-015-43912
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface <del>2200</del> <sup>2150</sup> FNL & 15' FWL, Unit Ltr H Sec. 20-T26S-R27E At proposed prod. zone 1980' FNL & 330' FWL, Unit Ltr E Sec. 20-T26S-R27E, BHL		10. Field and Pool, or Exploratory Undesignated 2nd Bone Spring
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles sothwest of Malaga, NM.		11. Sec., T. R. M. or Blk. and Survey or Area Section 20-T26S-R27E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 15'	16. No. of acres in lease 1920 acres	12. County or Parish Eddy County
17. Spacing Unit dedicated to this well S2N2, Sec. 20-T26S-R27E	13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 30'	19. Proposed Depth TVD-7460 MD-12308'	20. BLM/BIA Bond No. on file Nationwide Bond #NM-B000434 NMB000920
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3200' GL 3263	22. Approximate date work will start* 08/01/2014	23. Estimated duration 60 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:

- |  |   |
|--|---|
| 1. Well plat certified by a registered surveyor.   | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan.  | 5. Operator certification   |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM.             |

25. Signature	Name (Printed/Typed) Bill McCrory	Date 5-22-14
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Title Land Regulatory Agent

Approved by (Signature) /s/George MacDonell	Name (Printed/Typed)	Date SEP 20 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. APPROVAL FOR TWO YEARS  
Conditions of approval, if any, are attached.

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)

\*(Instructions on page 2)

Carlsbad Controlled Water Basin

NM OIL CONSERVATION

ARTESIA DISTRICT

SEE ATTACHED FOR

SEP 26 2016

CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

RECEIVED

CERTIFICATION  
YATES PETROLEUM CORPORATION  
Blast BLA Federal #4H  
2200 FNL & 15' FEL  
Section 20-T26S-R27E  
Eddy County, New Mexico

I hereby 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 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 the company I represent, is 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 22<sup>nd</sup> day of May, 2014.

Printed Name Bill McCrory

Signature 

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4401 Cell: 575-725-9700

E-mail (optional)

bmccrory@yatespetroleum.com

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240  
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II  
811 S. First St., Artesia, NM 88210  
Phone (575) 748-1283 Fax: (575) 748-0720

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

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone (505) 476-32150 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

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

3

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-43912	Pool Code	Pool Name Welch; Undesignated 2nd Bone Spring
Property Code 37020	Property Name BLAST BLA FEDERAL	Well Number 4H
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3263

Surface Location

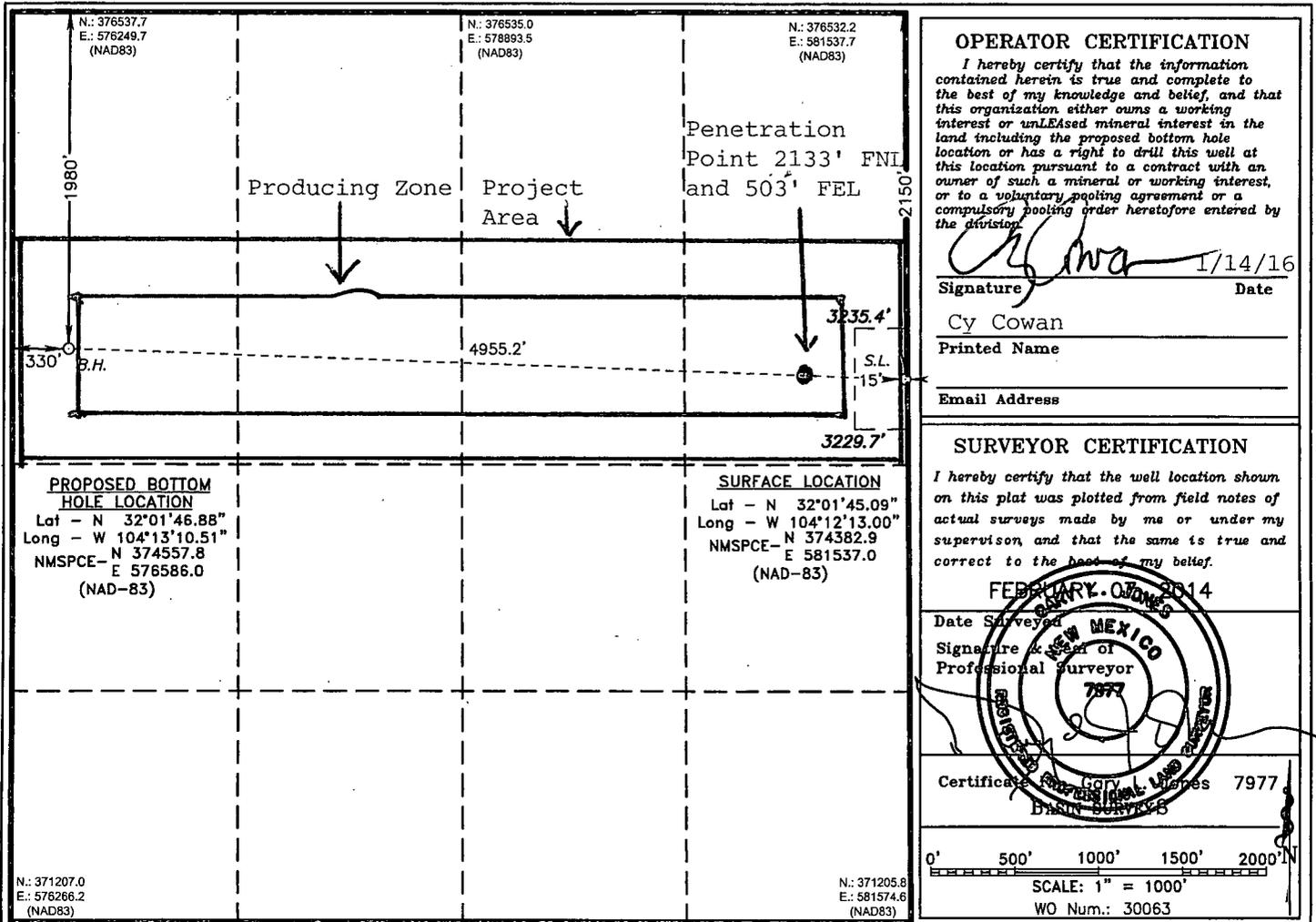
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	SOUTH/South line	Feet from the	East/West line	County
H	20	26 S	27 E		2150'	NORTH	15'	EAST	EDDY

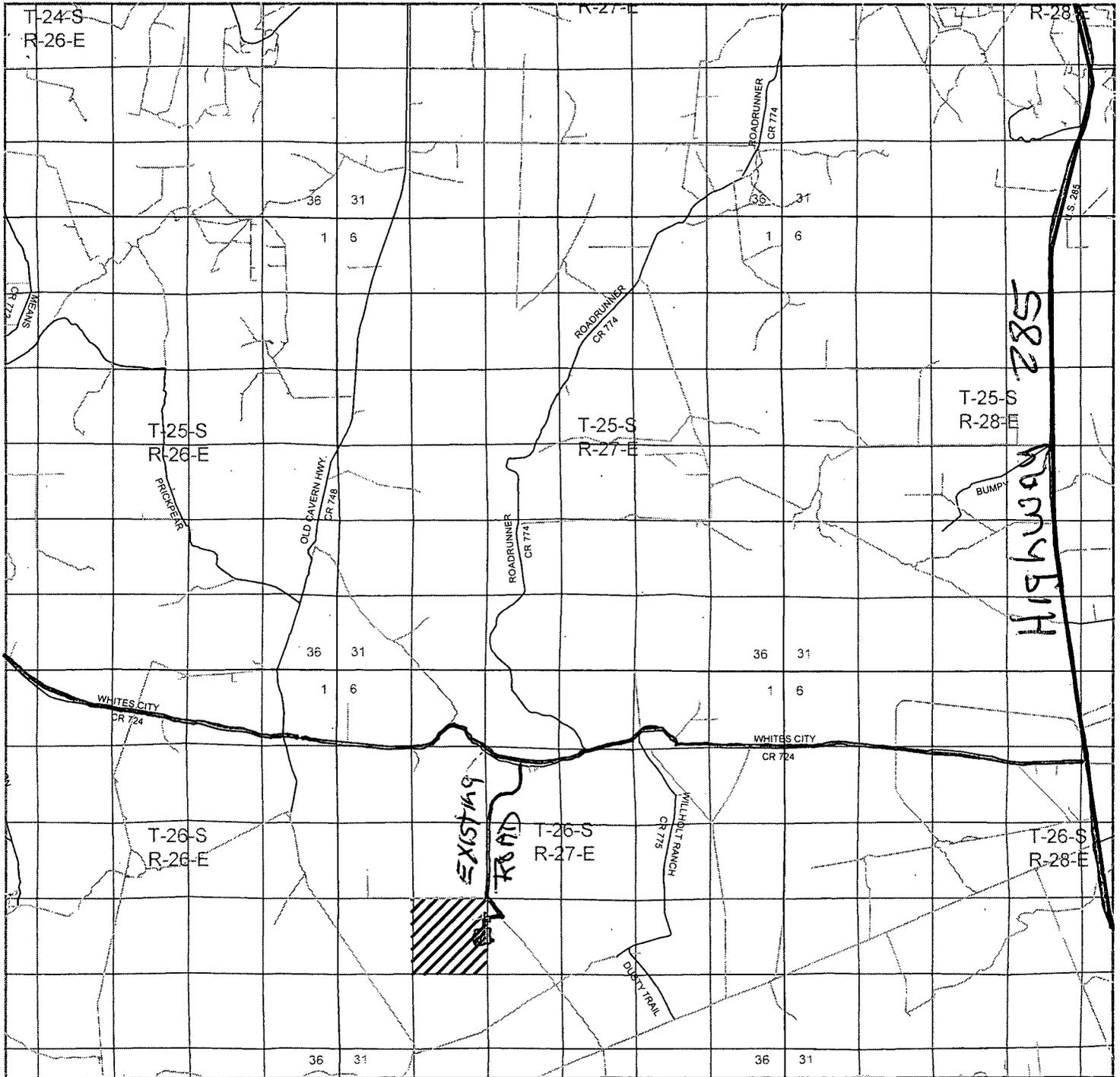
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	SOUTH/South line	Feet from the	East/West line	County
E	20	26 S	27 E		1980'	NORTH	330'	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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

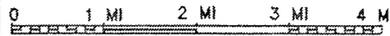




BLAST BLA FEDERAL #4H EXHIBIT A  
 Located 2150' FNL and 15' FEL  
 Section 20, Township 26 South, Range 27 East,  
 N.M.P.M., Eddy County, New Mexico. ①



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
 basinsurveys.com



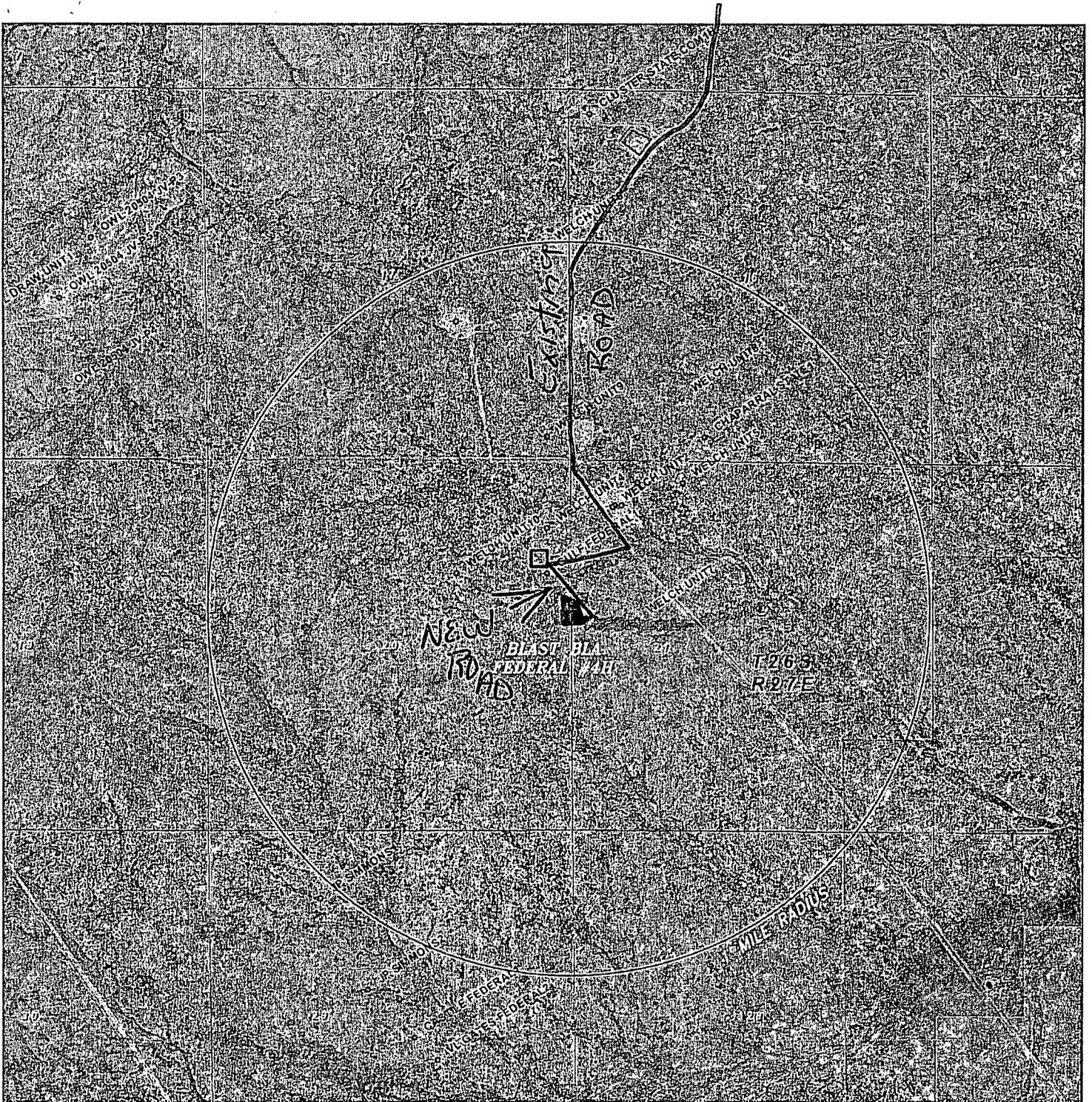
SCALE: 1" = 2 MILES

W.O. Number: KAN 30063

Survey Date: 02-07-2014

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





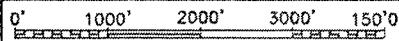
**BLAST BLA FEDERAL #4H**  
 Located 2150' FNL and 15' FEL  
 Section 20, Township 26 South, Range 27 East,  
 N.M.P.M., Eddy County, New Mexico.

Exhibit B

4



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
 basinsurveys.com



SCALE: 1" = 2000'

W.O. Number: KAN 30063

Survey Date: 02-07-2014

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



SECTION 20, TOWNSHIP 26 SOUTH, RANGE 27 EAST. N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.

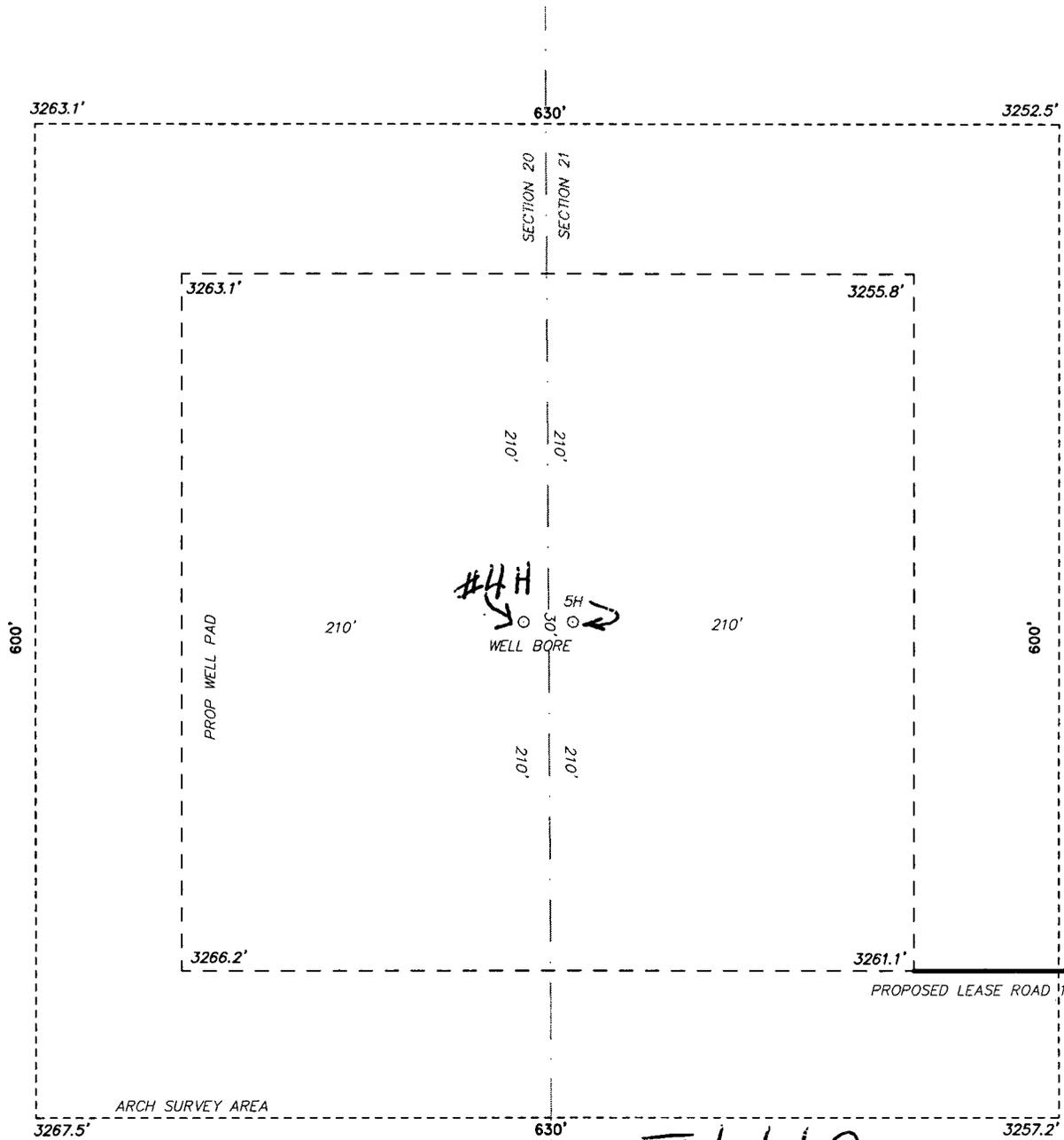
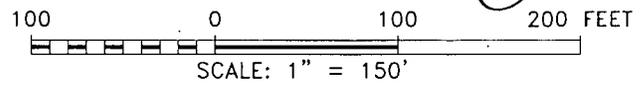


Exhibit C



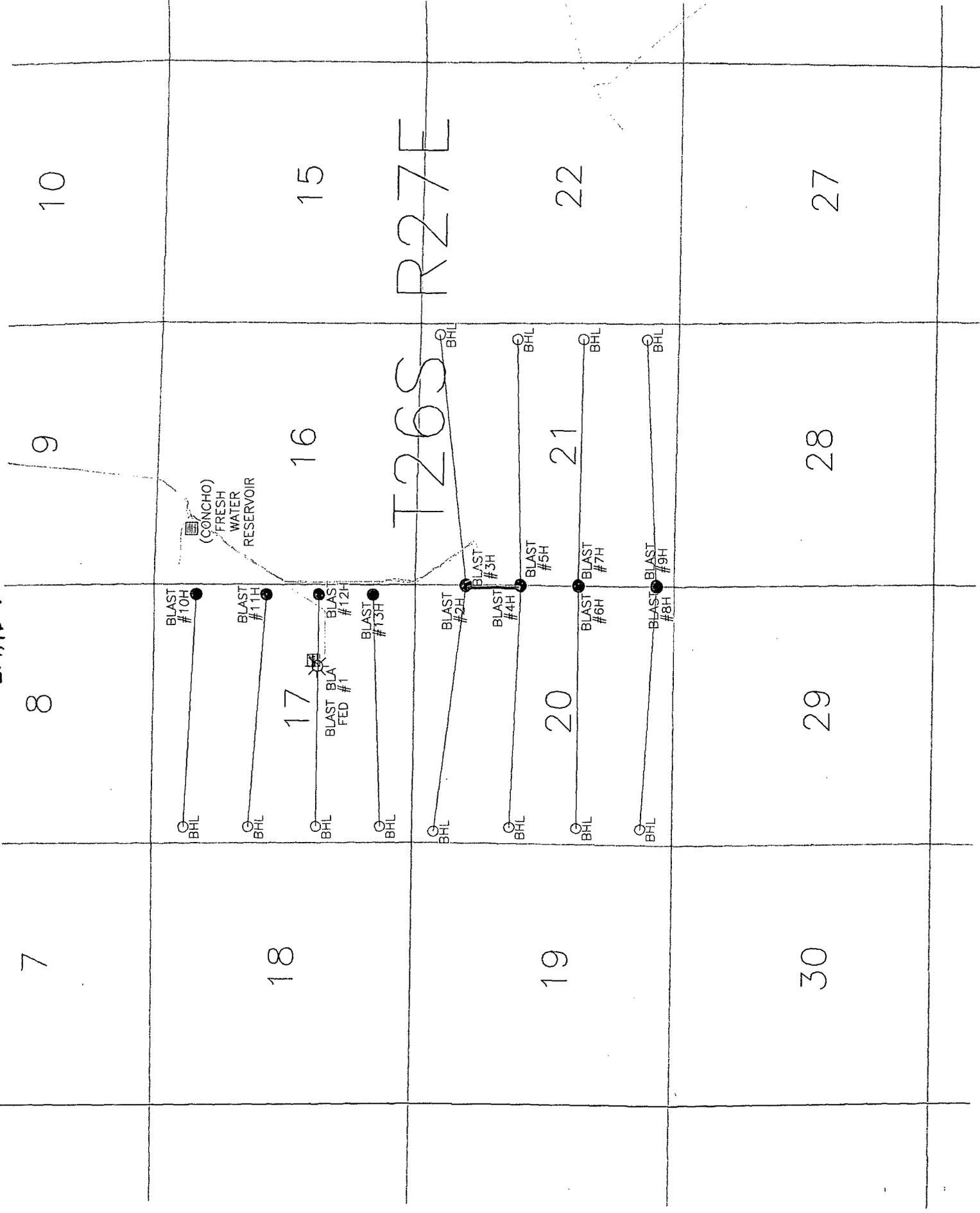
REF: BLAST BLA FEDERAL #4H / WELL PAD TOPO

THE BLAST BLA FEDERAL #4H LOCATED 2150' FROM  
 THE NORTH LINE AND 15' FROM THE EAST LINE OF  
 SECTION 20, TOWNSHIP 26 SOUTH, RANGE 27 EAST.  
 N.M.P.M., EDDY COUNTY, NEW MEXICO.



P.O. Box 1786 (575) 393-7316 - Office  
 1120 N. West County Rd. (575) 392-2206 - Fax  
 Hobbs, New Mexico 88241 basin surveys.com

EXHIBIT C



10

9

8

7

15

16

17

18

R27E

T26S

22

21

20

19

27

28

29

30

BLAST #10H

BLAST #11H

BLAST #12H

BLAST #13H

BLAST #2H

BLAST #4H

BLAST #5H

BLAST #6H

BLAST #7H

BLAST #8H

BHL

BHL

BHL

BHL

BHL

BHL

BHL

BHL

BHL

(CONCHO)  
FRESH  
WATER  
RESERVOIR

BLAST #1  
FED #1

BLAST #3H

BLAST #4H

BLAST #5H

BLAST #6H

BLAST #7H

BLAST #8H

BHL

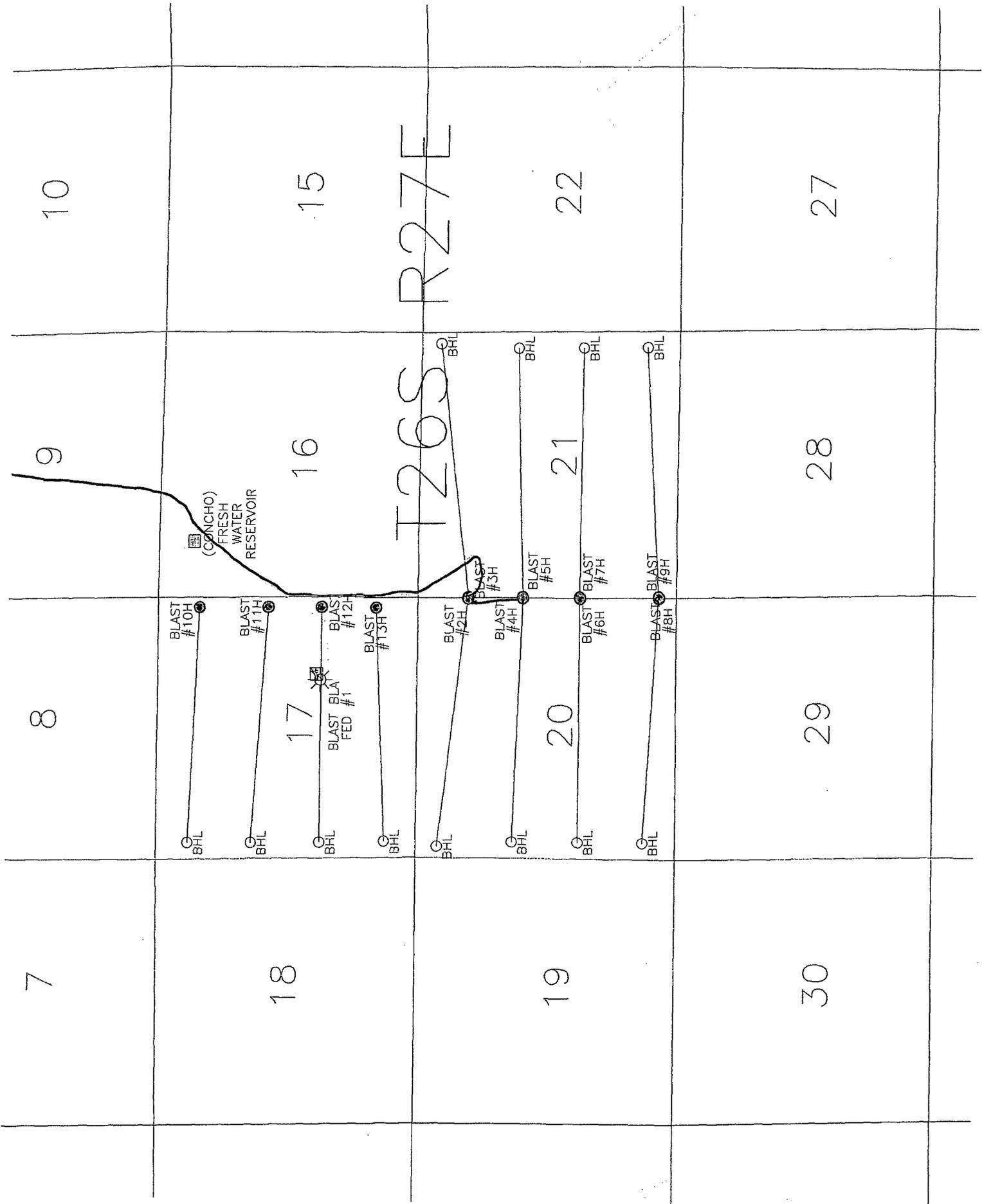
BHL

BHL

BHL

BHL

EXHIBIT A



Yates Drig, et al  
5.1.2015  
113940  
69000  
(COG 066)

13

Chesapeake  
5.1.2015  
113943  
42500

EXHIBIT B

24

Three Rivers  
11.1.2015  
114965  
37500

28

BTA Oil  
11.1.2015  
114969  
65000

BTA Oil  
01-20504  
3001510  
DIAZ-G-16

BTA Oil  
11.1.2015  
114970  
37000

19

BTA Oil  
11.1.2015  
114970  
37000

Yates Pet, et al  
3.1.2008  
100549 Hb<sup>2</sup>  
1500

FOG AREA  
TD 2300

Yates Pet et al  
3.1.2008 Hb<sup>2</sup>  
100549  
1500

20

Weatherford  
11.1.2015  
114970  
TD 1019

Weatherford  
11.1.2015  
114970  
TD 1019

COG 066  
5.1.2010  
V-7397  
40625

COG Cluster 31

Yates Pet et al  
3.1.2008  
100549 Hb<sup>2</sup>  
1500

21

Chesapeake  
8.1.2015  
114350  
\$ 36000

29

D.J. Schutz  
5.1.2010 BHL  
V-7385  
32892

James Ritchie BHL

Yates Dr  
11.1.2015  
114971  
30000

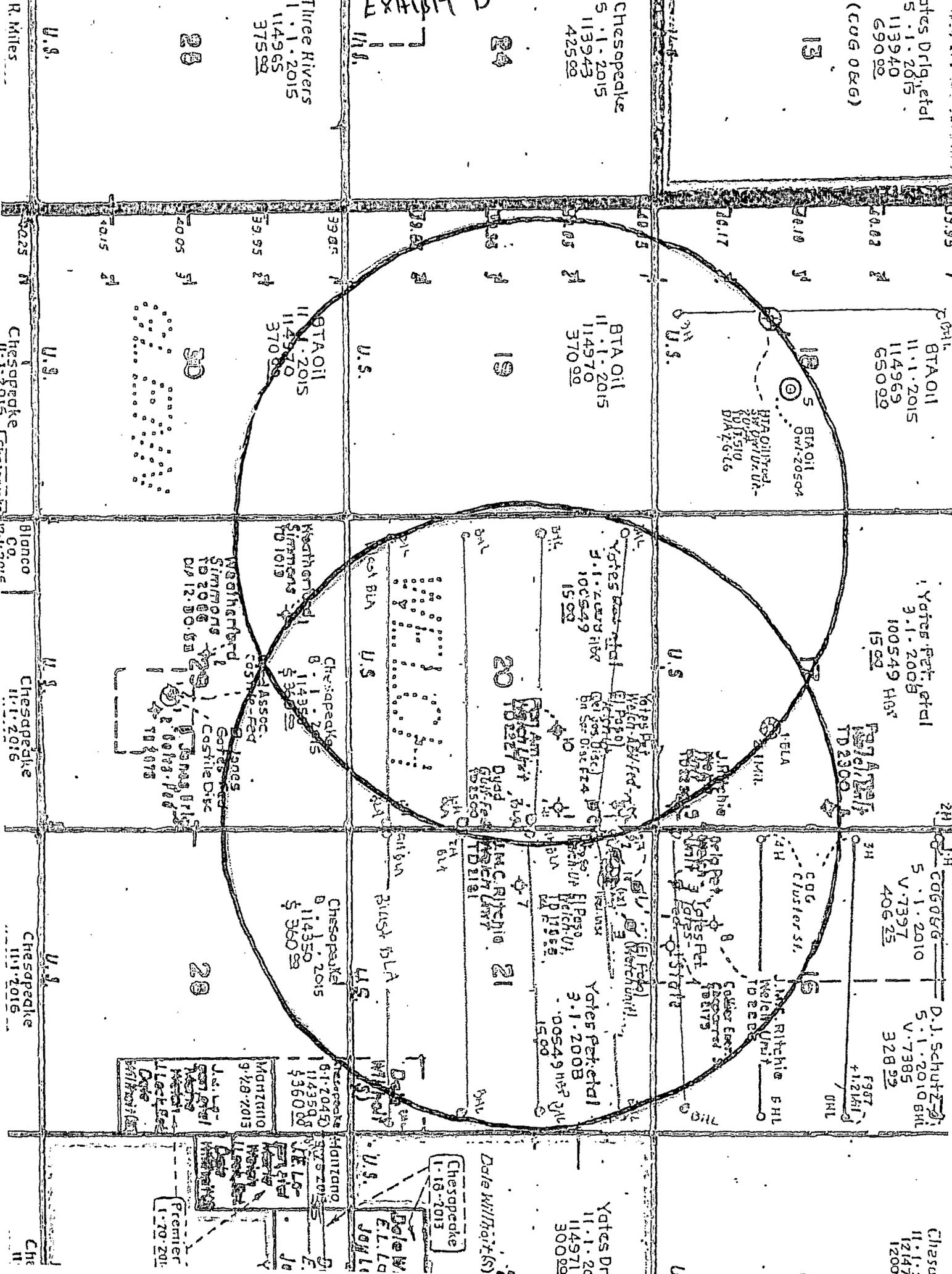
Chesapeake  
1-18-2013

Dale W. El. Ld  
1-18-2013

Chesapeake  
8.1.2015  
114350  
\$ 36000

Chesapeake  
8.1.2015  
114350  
\$ 36000

Premier  
1-20-2013



**YATES PETROLEUM CORPORATION**

EXTRA COPY

Blast BLA Federal #4H  
 2150' FNL & 15' FEL Section 20, T26S - R27E SHL  
 1980' FNL & 330' FWL Section 20, T26S - R26E BHL  
 Eddy County, New Mexico

1. The estimated tops of geologic markers are as follows:

Castile/LM	234'	Bone Spring LM	5590' Oil
Top of Salt	886'	Avalon Shale	5726' Oil
Base of Salt	1830'	Bone Spring 1/SD	6506' Oil
Lamar	1972'	Bone Springs 2/SD	7246' Oil
Bell Canyon	2014' Oil	Bone Springs 2/Target	7732' Oil
Cherry Canyon	2828' Oil	TVD	7390'
Manzanita Marker	2962'	TD	12202'
Brushy Canyon	3988' Oil		

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Approx.: 0' - 400'

Oil or Gas: See above--All Potential Zones

3. Pressure Control Equipment: A 3000 PSI BOP with a 13 5/8" opening will be installed on the 13 3/8" casing and a 5000 PSI BOP will be installed on the 9 5/8" casing. Test will be conducted by an independent tester, utilizing a test plug in the well head. 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 on each segment of the system tested if test is done with a test plug and 30 minutes without a test plug. Blind rams and pipe rams will be tested to the rated pressure of the BOP. Any leaks will be repaired at the time of the test. Annular preventers will be tested to 50% of rated pressure. Accumulator system will be inspected for correct pre charge pressures, and proper functionality, prior to connection to the BOP system. Tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit.

See  
COA

4. Auxiliary Equipment: Operator requested variance for a flex hose between the wellhead and manifold

A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New) 13 3/8" will be H-40/J-55 Hybrid

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
30"	20"	N/A	H-40	ST&C	0'-85'	85'
17.5"	13.375"	48#	J-55	ST&C	0'-400'	400'
12.25"	9.625"	36#	J-55	LT&C	0'-2100'	2100'
8.75"	5.5"	17#	P-110	Buttress Thread	0'-7732'	7732'
8.5"	5.5"	17#	P-110	Buttress Thread	7732'-12202'	4470'

Minimum Casing Design Factors: Burst 1.0, Tensile 1.8, Collapse 1.125

**B. CEMENTING PROGRAM:**

Conductor Cement (0'-85'): Lead with Ready Mix cement.

Surface Cement (0'-400'): Lead with 415 sacks of Class C plus 2% CaCl<sub>2</sub> (Wt. 14.8, Yld. 1.34, H<sub>2</sub>O gal/sack 6.2). This is designed with 100% excess, TOC is surface.

Intermediate Cement (0'-2100'): Lead with 515 sacks of Class PozC 35:65:6 (WT 12.5, YLD 2.0, H<sub>2</sub>O gal/sack 11.0); tail in with 210 sacks of Class plus 2% CaCl<sub>2</sub> (WT 14.8, YLD 1.34, H<sub>2</sub>O gal/sack 6.2). Designed with 100% excess, TOC is surface.

Production Cement (1600'-12202'): Lead with 750 sacks of Class Lite Crete (WT. 9.0, YLD 2.73, H<sub>2</sub>O gal/sack 8.98) with the additives being 0.03 gal/sack retarder, 0.2% Anti foam, 0.1% Dispersant, and 39 lbs/sack Extender; tail in with 1280 sacks of Pecos Valley Lite (WT. 13.5, YLD 1.36, H<sub>2</sub>O gal/sack 6.2). Additives include 30% CaCO<sub>3</sub> Weight, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. TOC is surface, designed with 35% excess.

Well will be drilled vertically depth to 6976' well will then be kicked off and directionally drilled at 12 degrees per 100' with an 8.75" hole to 7732' MD (7453' TVD). Hole size will then be reduced to 8.5" and drilled to 12202' MD (7390' TVD) where 5.5" casing will be set and cemented 500' into the previous casing string in a single stage. Penetration point of producing zone will be encountered at 2133' FNL & 499' FEL, Section 20, Township 26S – Range 27E. Deepest TVD is 7453' in the lateral.

**Mud Program and Auxiliary Equipment:**

Interval	Type	Weight	Viscosity	Fluid Loss
0'-400'	Fresh Water	8.6-9.2	32-34	N/C
400'-2100'	Brine Water	10.0-10.2	28-29	N/C
2100'-12202'	Cut Brine	8.8-9.2	28-32	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blowout will be available at the well site during drilling operations. After surface casing is set an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of a derrick hand checking the fluid level in the pits hourly using a nut on the end of a rope hanging just above the fluid level in the pit.

**6. EVALUATION PROGRAM:**

*See COA*

Samples: 10' samples from the surface to TD.

Logging: GR Neutron 30° deviation to the surface casing; Neutron density 30° deviation to the intermediate casing; laterolog 30° deviation to the intermediate casing; CMR 30° deviation to intermediate casing; Horizontal – MWD – GR.

Mudlogging: On after surface casing

**7. Abnormal Conditions, Bottom hole pressure and potential hazards:**

Anticipated BHP:

From: 0	TO: 400'	Anticipated Max. BHP:	191	PSI
From: 400'	TO: 2100'	Anticipated Max. BHP:	1114	PSI
From: 2100'	TO: 7453'	Anticipated Max. BHP:	3565	PSI

No abnormal pressures or temperatures are anticipated.

H<sub>2</sub>S Zones Not Anticipated

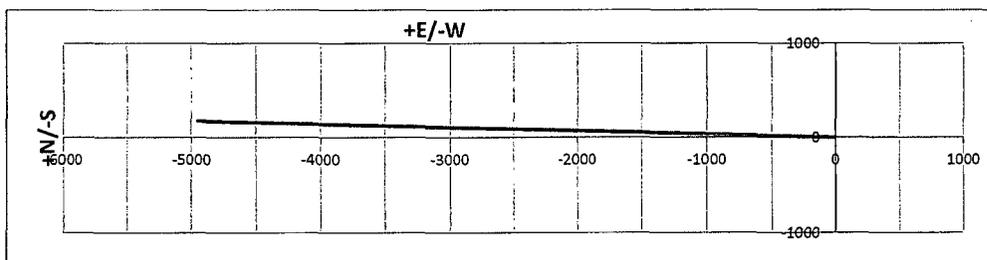
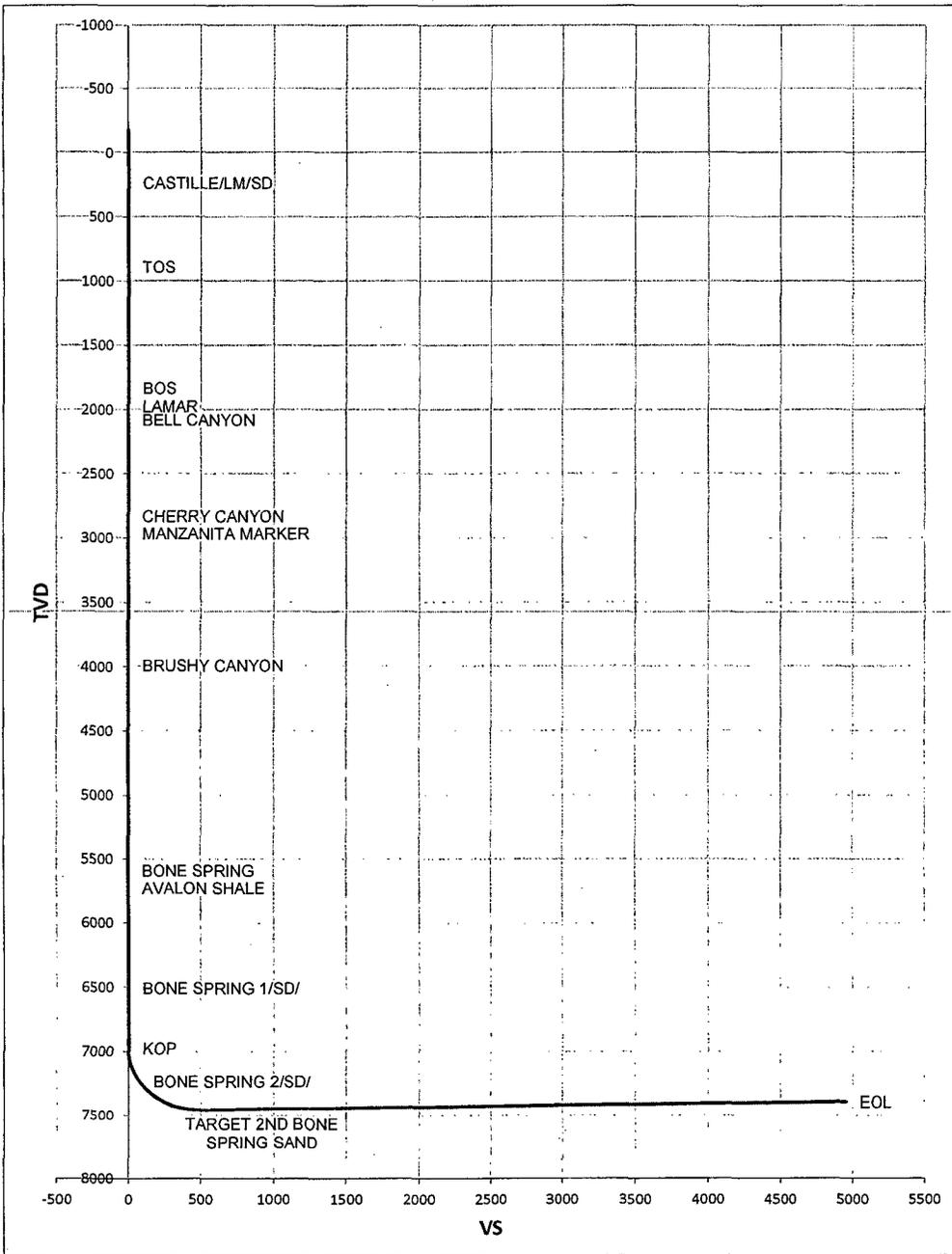
**8. ANTICIPATED STARTING DATE:**

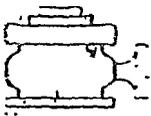
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completion taking another 30 days.

<b>Well Name:</b>	Blast BLA Federal #4H	<b>Tgt N-S:</b>	174.90	<b>EOC TVD/MD:</b>	7453.16 / 7732.49
<b>Surface Location:</b>	Section 20 , Township 26S Range 27E	<b>Tgt E-W:</b>	-4951.00	<b>VS:</b>	4954.09
<b>Bottom Hole Location:</b>	Section 20 , Township 26S Range 27E	<b>VS Az:</b>	272.02	<b>EOL TVD/MD:</b>	7390.00 / 12202.36

MD	Inc.	Azi.	TVD	+N/-S	+E/-W	VS	DLS	Comments
0	0	0	0	0	0	0	0	
234.00	0.00	0.00	234.00	0.00	0.00	0.00	0.00	CASTILLE/LM/SD
886.00	0.00	0.00	886.00	0.00	0.00	0.00	0.00	TOS
1830.00	0.00	0.00	1830.00	0.00	0.00	0.00	0.00	BOS
1972.00	0.00	0.00	1972.00	0.00	0.00	0.00	0.00	LAMAR
2014.00	0.00	0.00	2014.00	0.00	0.00	0.00	0.00	BELL CANYON
2828.00	0.00	0.00	2828.00	0.00	0.00	0.00	0.00	CHERRY CANYON
2962.00	0.00	0.00	2962.00	0.00	0.00	0.00	0.00	MANZANITA MARKER
3988.00	0.00	0.00	3988.00	0.00	0.00	0.00	0.00	BRUSHY CANYON
5590.00	0.00	0.00	5590.00	0.00	0.00	0.00	0.00	BONE SPRING
5726.00	0.00	0.00	5726.00	0.00	0.00	0.00	0.00	AVALON SHALE
6506.00	0.00	0.00	6506.00	0.00	0.00	0.00	0.00	BONE SPRING 1/SD/
6975.74	0.00	0.00	6975.74	0.00	0.00	0.00	0.00	KOP
7000.00	2.91	272.02	6999.99	0.02	-0.62	0.62	12.00	
7025.00	5.91	272.02	7024.91	0.09	-2.54	2.54	12.00	
7050.00	8.91	272.02	7049.70	0.20	-5.76	5.76	12.00	
7075.00	11.91	272.02	7074.29	0.36	-10.27	10.28	12.00	
7100.00	14.91	272.02	7098.60	0.57	-16.07	16.08	12.00	
7125.00	17.91	272.02	7122.58	0.82	-23.13	23.14	12.00	
7150.00	20.91	272.02	7146.16	1.11	-31.43	31.45	12.00	
7175.00	23.91	272.02	7169.27	1.45	-40.95	40.98	12.00	
7200.00	26.91	272.02	7191.85	1.83	-51.67	51.70	12.00	
7225.00	29.91	272.02	7213.83	2.25	-63.56	63.60	12.00	
7246.24	32.46	272.02	7232.00	2.63	-74.54	74.59	12.00	BONE SPRING 2/SD/
7250.00	32.91	272.02	7235.17	2.71	-76.58	76.63	12.00	
7275.00	35.91	272.02	7255.79	3.20	-90.70	90.75	12.00	
7300.00	38.91	272.02	7275.64	3.74	-105.87	105.94	12.00	
7325.00	41.91	272.02	7294.68	4.31	-122.07	122.14	12.00	
7350.00	44.91	272.02	7312.84	4.92	-139.24	139.32	12.00	
7375.00	47.91	272.02	7330.07	5.56	-157.33	157.43	12.00	
7400.00	50.91	272.02	7346.33	6.23	-176.30	176.41	12.00	
7425.00	53.91	272.02	7361.58	6.93	-196.10	196.22	12.00	
7450.00	56.91	272.02	7375.77	7.65	-216.66	216.80	12.00	
7475.00	59.91	272.02	7388.87	8.41	-237.94	238.09	12.00	
7500.00	62.91	272.02	7400.83	9.18	-259.88	260.04	12.00	
7525.00	65.91	272.02	7411.62	9.98	-282.41	282.59	12.00	
7550.00	68.91	272.02	7421.23	10.79	-305.47	305.67	12.00	
7575.00	71.91	272.02	7429.61	11.62	-329.01	329.22	12.00	
7600.00	74.91	272.02	7436.74	12.47	-352.95	353.17	12.00	
7625.00	77.91	272.02	7442.62	13.33	-377.23	377.47	12.00	
7650.00	80.91	272.02	7447.21	14.19	-401.79	402.04	12.00	
7675.00	83.91	272.02	7450.51	15.07	-426.55	426.82	12.00	
7700.00	86.91	272.02	7452.51	15.95	-451.45	451.74	12.00	
7725.00	89.91	272.02	7453.21	16.83	-476.43	476.72	12.00	
7732.49	90.81	272.02	7453.16	17.09	-483.91	484.21	12.00	TARGET 2ND BONE SPRING SAND
12202.36	90.81	272.02	7390.00	174.90	-4951.00	4954.09	0.00	EOL

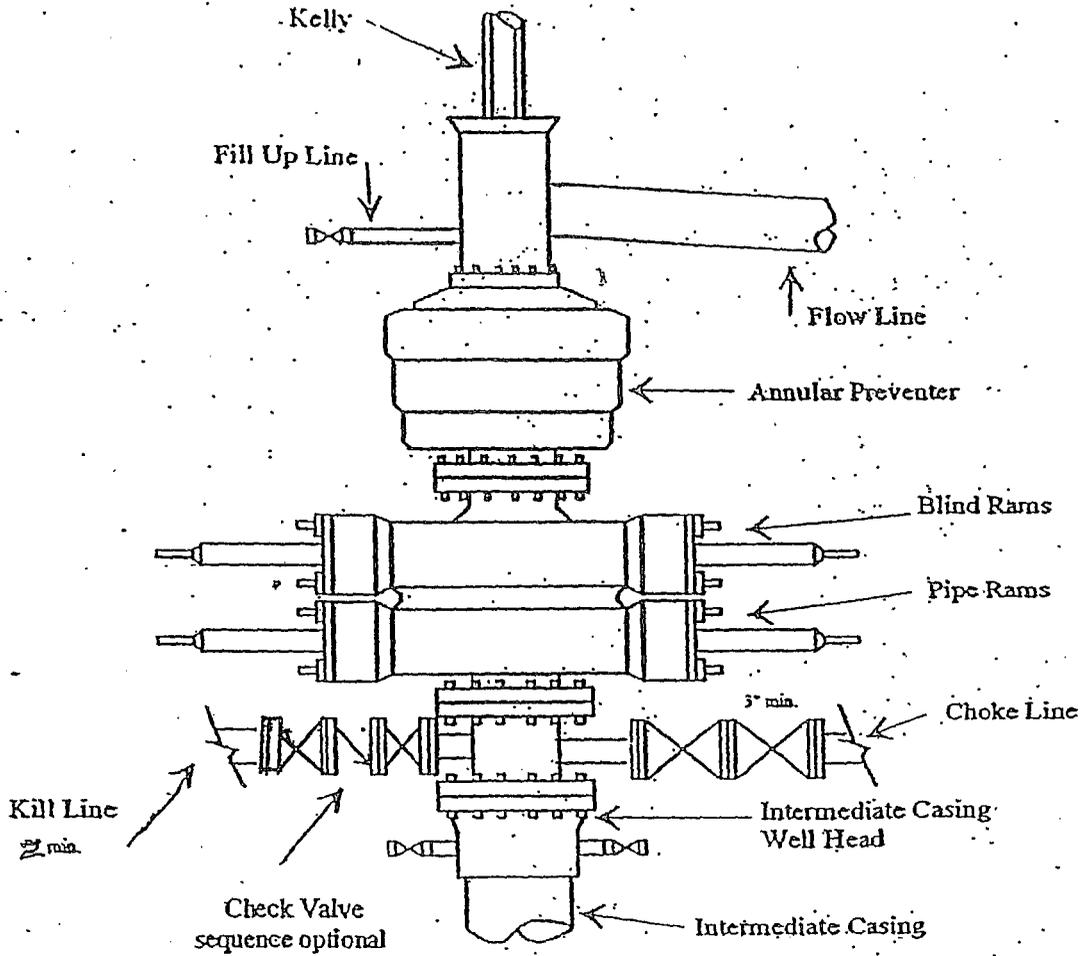
Blast BLA Federal #4H



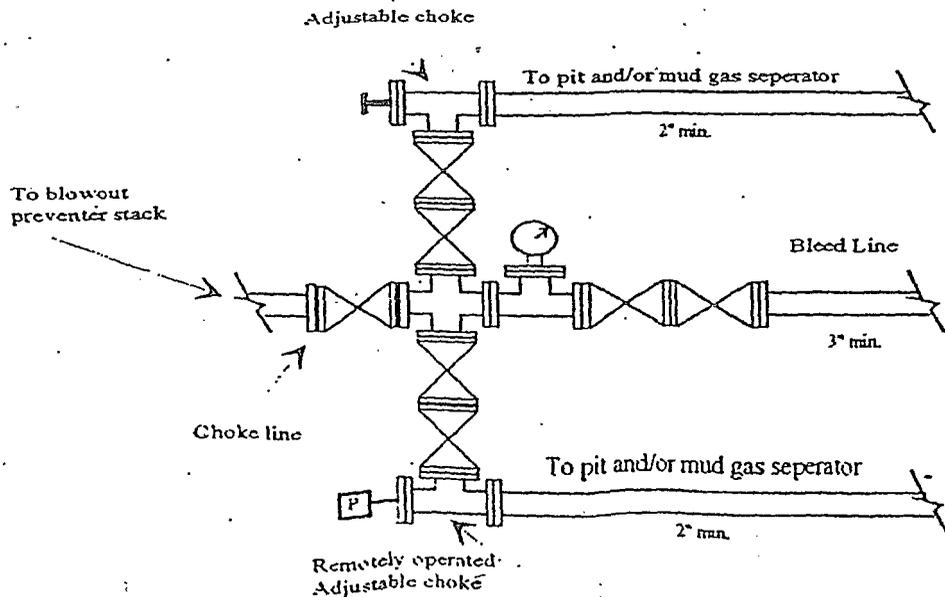


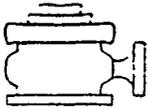
Yates Petroleum Corporation  
Typical 3,000 psi Pressure System  
Schematic  
Annular with Double Ram Preventer Stack

BOP-3  
*Exhibit 1*



Typical 3,000 psi choke manifold assembly with at least these minimum features

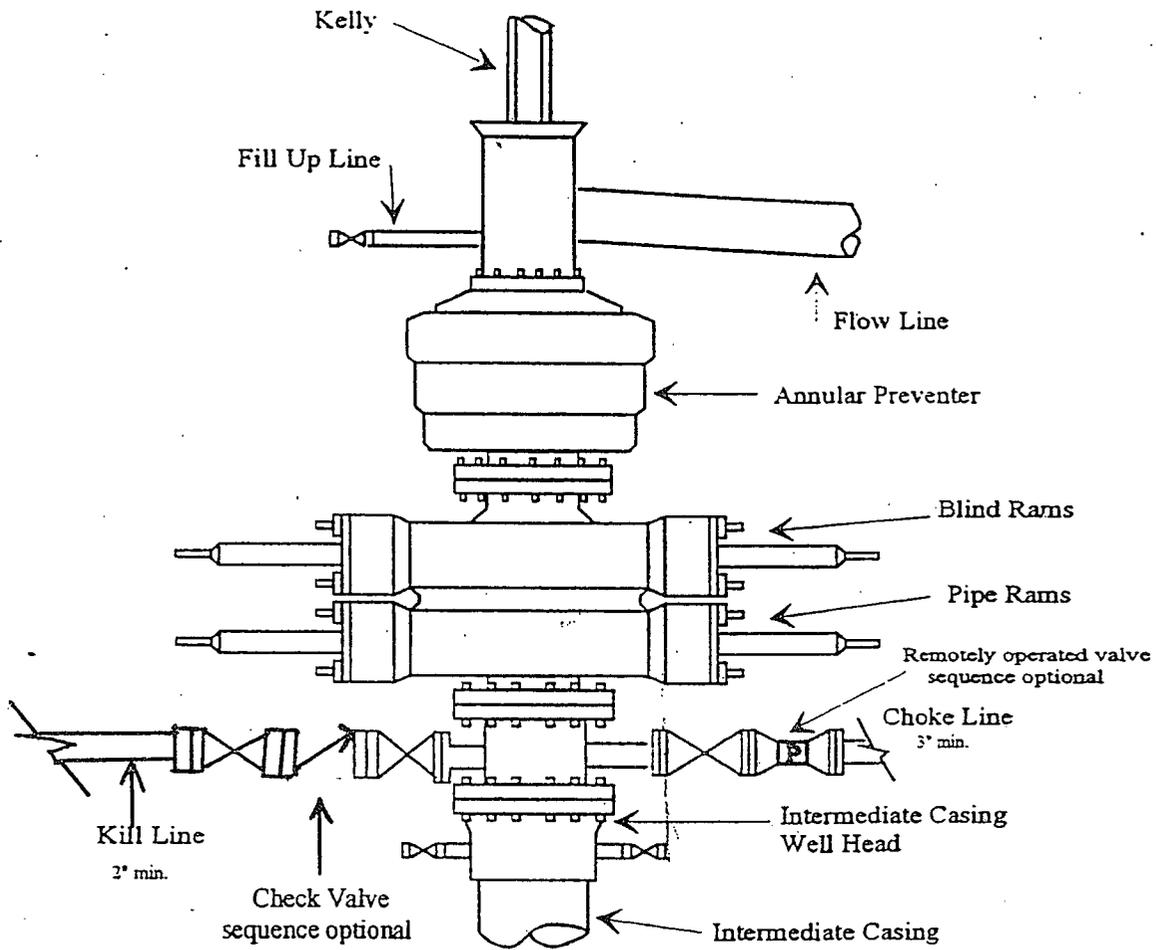




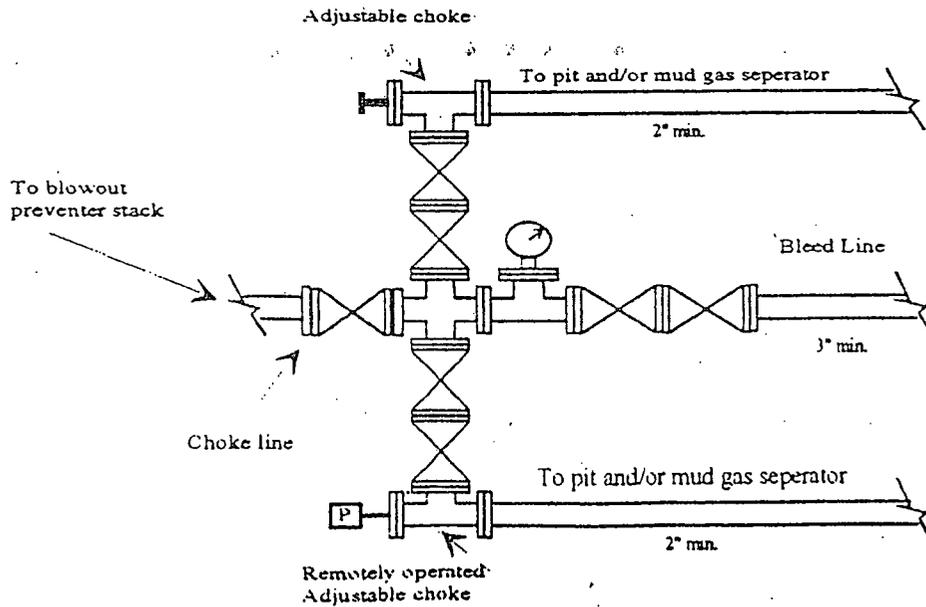
Yates Petroleum Corporation  
Typical 5,000 psi Pressure System  
Schematic  
Annular with Double Ram Preventer Stack

BOP-4

Exhibit  
2

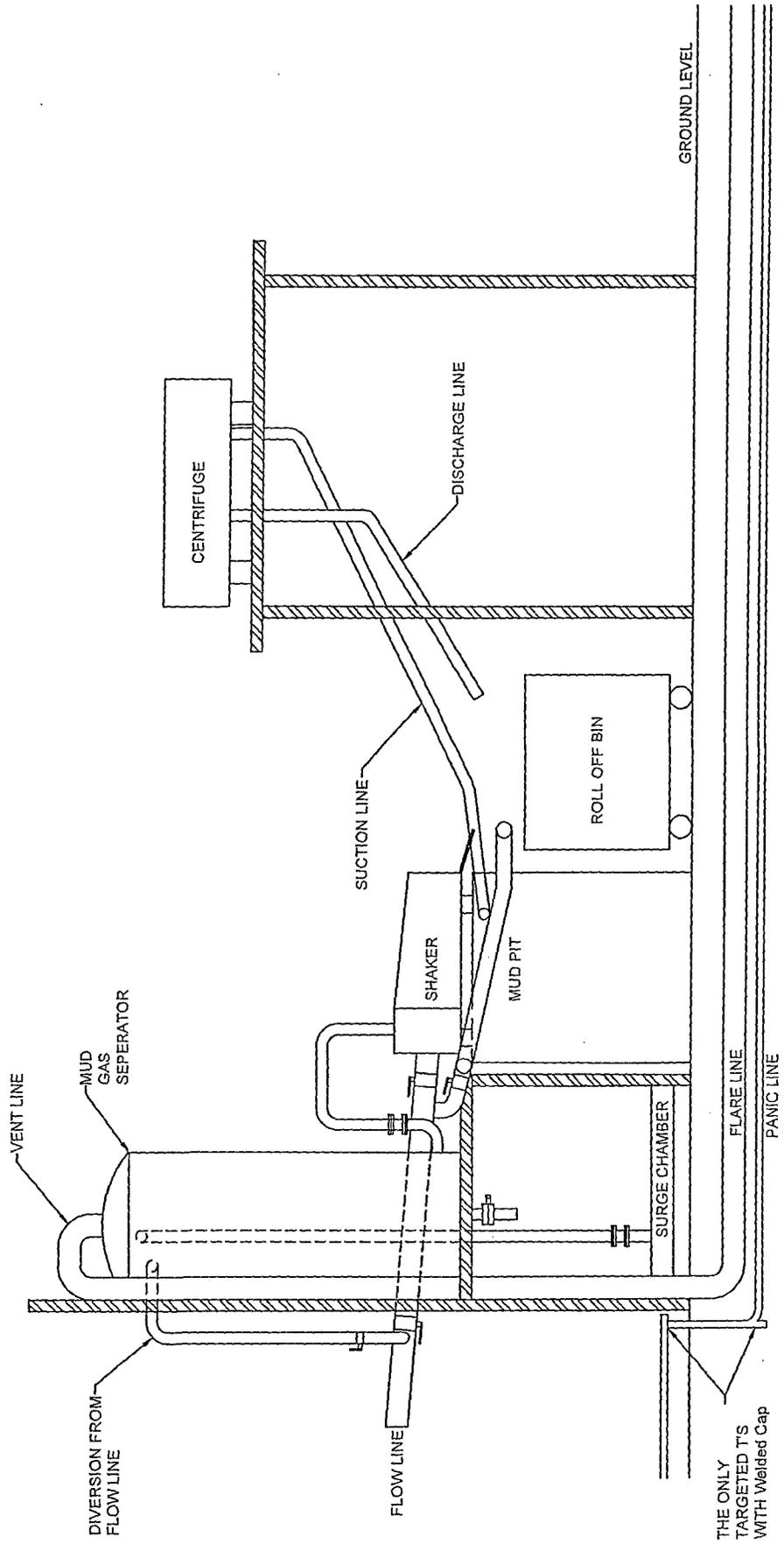


Typical 5,000 psi choke manifold assembly with at least these minimum features



# YATES PETROLEUM CORPORATION

## Piping from Choke Manifold to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H<sub>2</sub>S wells and 150' from wellhead for wells expected to encounter H<sub>2</sub>S.

# Yates Petroleum Corporation Closed Loop System

## Equipment Design Plan

Closed Loop System will consist of:

1 – double panel shale shaker

1 – (minimum ) Centrifuge, certain wells and flow rates may require 2 centrifuges

On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System

1 – minimum centrifugal pump to transfer fluids

2- 500 bbl. FW Tanks

1 – 500 bbl. BW Tank

1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.

1 Set of rail cars / catch bins

Certain wells will use an ASC Auger Tank

## Operation Plan

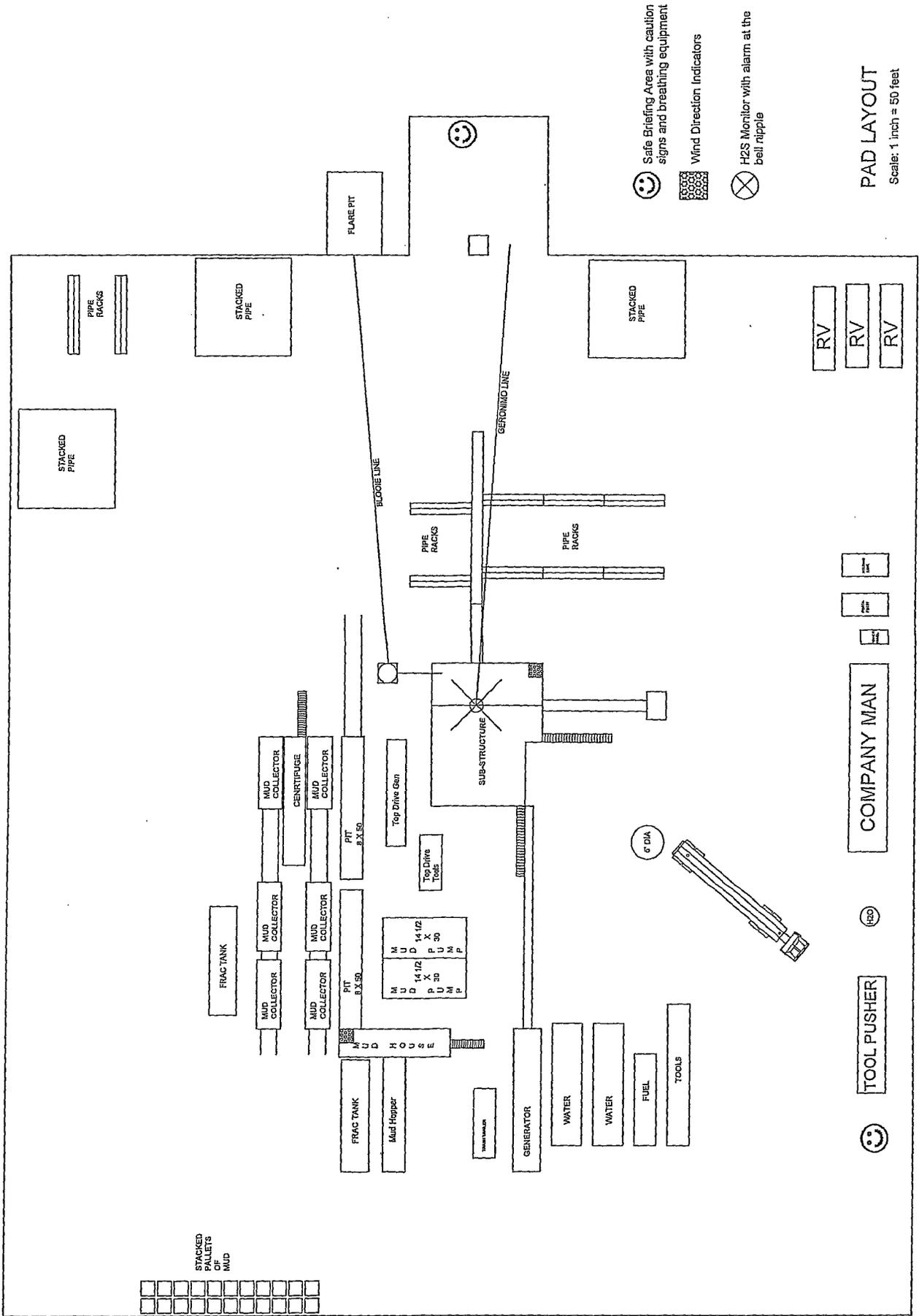
All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.

Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

## Closure Plan

Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.

# YATES PETROLEUM CORPORATION



-  Safe Briefing Area with caution signs and breathing equipment
-  Wind Direction Indicators
-  H2S Monitor with alarm at the bell nipple

**PAD LAYOUT**  
 Scale: 1 inch = 50 feet

STACKED  
 BULLETS  
 OF  
 MUD

STACKED  
 PIPE

STACKED  
 PIPE

FLARE PIT

STACKED  
 PIPE

RV  
 RV  
 RV

COMPANY MAN

TOOL PUSHER



M	N	U	D	1 1/2	1 1/2
D	U	D	P	20	P
U	P	20	M	P	

FRAG TANK  
 MUD HOPPER  
 HOUSE  
 GENERATOR  
 WATER  
 WATER  
 FUEL  
 TOOLS

SUB-STRUCTURE

BLOODE LINE

GEORING LINE

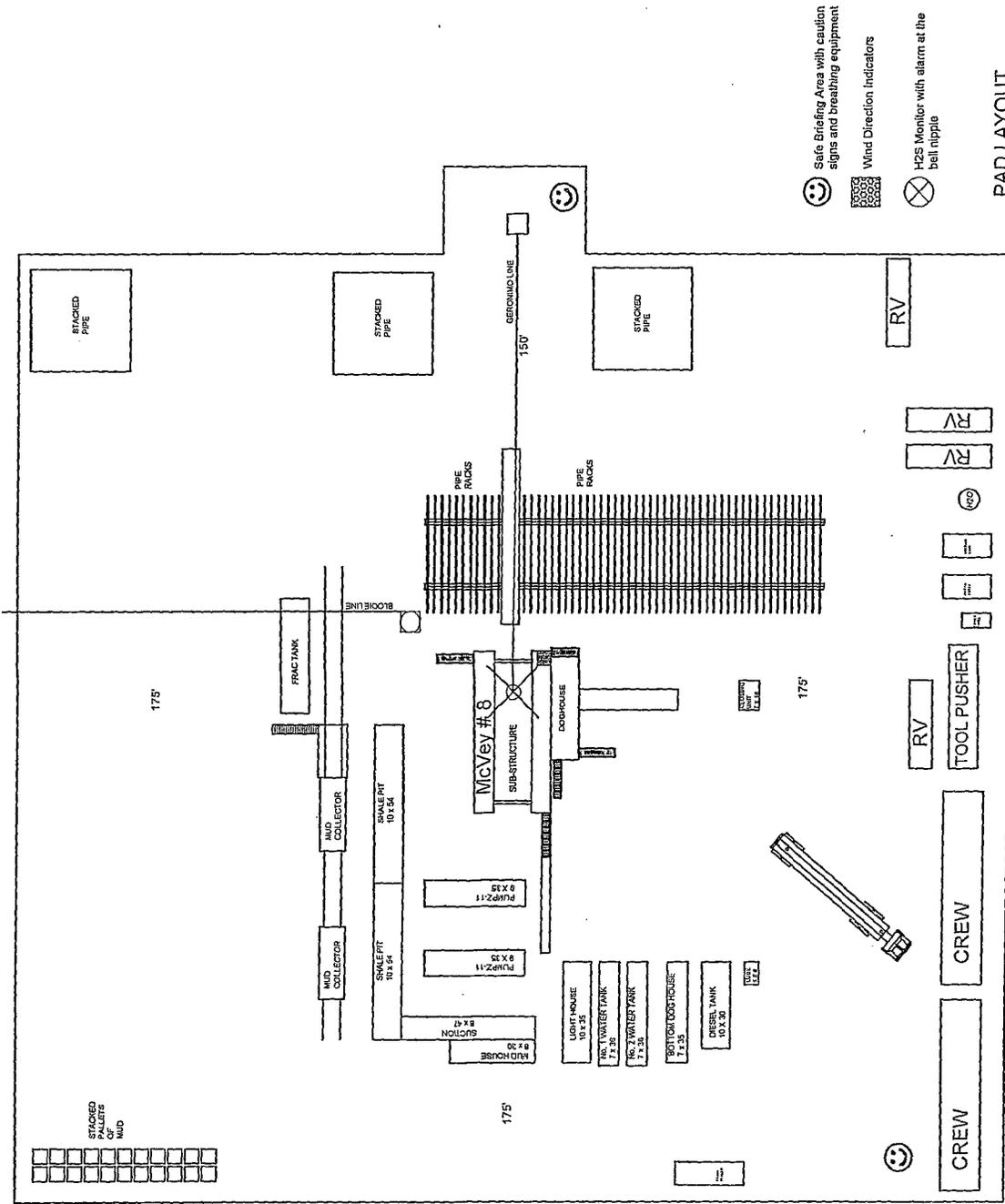
6" DIA

100'

# YATES PETROLEUM CORPORATION

## McVay # 8

### 10-09-13



- ☺ Safe Breathing Area with caution signs and breathing equipment
- ☼ Wind Direction Indicators
- ⊗ H2S Monitor with alarm at the bell nipple

**PAD LAYOUT**  
Scale: 1 inch = 60 feet

350.00

325.00



Midwest Hose  
& Specialty, Inc.

### Internal Hydrostatic Test Certificate

General Information		Hose Specifications	
Customer	CACTUS	Hose Assembly Type	Choke & Kill
MWH Sales Representative	EVAN SPARKMAN	Certification	API 7K
Date Assembled	12/11/2013	Hose Grade	MUD
Location Assembled	OKC	Hose Working Pressure	10000
Sales Order #	191672	Hose Lot # and Date Code	11060 10/13
Customer Purchase Order #	RIG#137 M12653	Hose I.D. (Inches)	4"
Assembly Serial # (Pick Ticket #)	229391	Hose O.D. (Inches)	6.60"
Hose Assembly Length	35 FEET	Armor (yes/no)	YES
Fittings			
End A		End B	
Stem (Part and Revision #)	R4.0X64WB	Stem (Part and Revision #)	R4.0X64WB
Stem (Heat #)	1311405220	Stem (Heat #)	1311405220
Ferrule (Part and Revision #)	RF4.0	Ferrule (Part and Revision #)	RF4.0
Ferrule (Heat #)	120368	Ferrule (Heat #)	120368
Connection (Part #)	4 1/16" 10K	Connection (Part #)	4 1/16" 10K
Connection (Heat #)		Connection (Heat #)	
Dies Used	6.62"	Dies Used	6.62"
Hydrostatic Test Requirements			
Test Pressure (psi)	15,000	Hose assembly was tested with ambient water temperature.	
Test Pressure Hold Time (minutes)	16 1/2		
Date Tested	Tested By	Approved By	
12/11/2013	<i>T. Keay</i>	<i>Phillip W. [Signature]</i>	

December 11, 2013

M12653

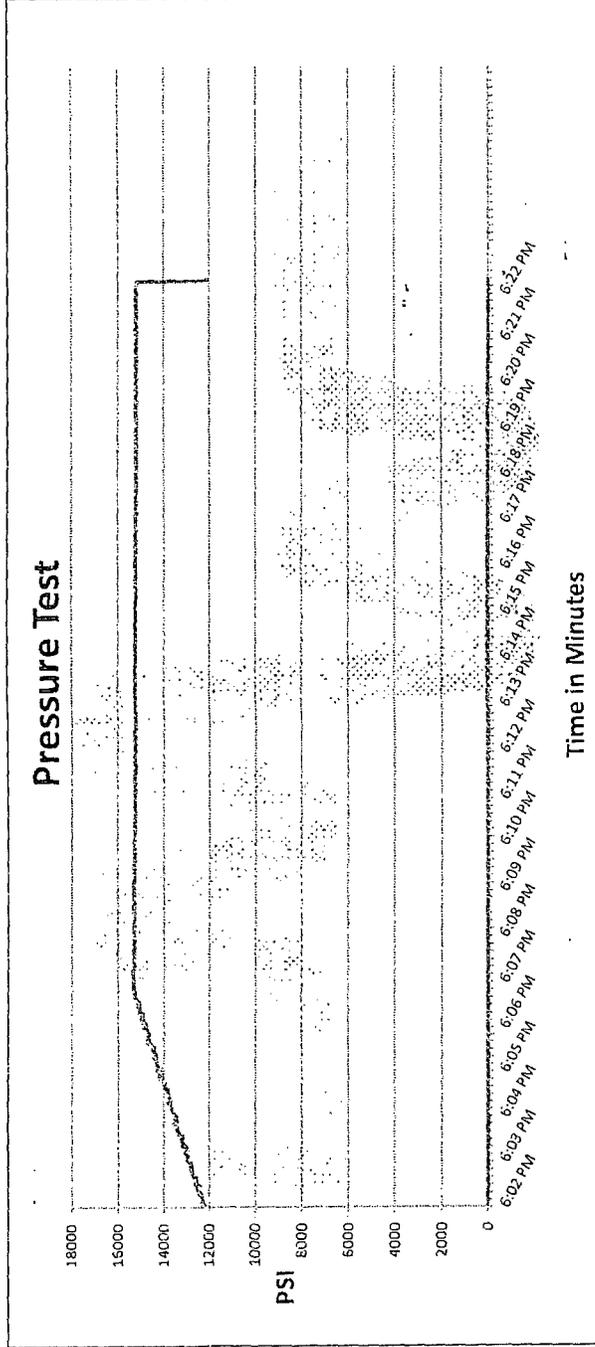
# Internal Hydrostatic Test Graph



Midwest Hose & Specialty, Inc.

Customer: Cactus Pick Ticket #: 229391

Hose Specifications		Verification	
<u>Hose Type</u>	<u>Length</u>	<u>Type of Fitting</u>	<u>Coupling Method</u>
Mud	35'	4 1/16 10K	Swage
<u>I.D.</u>	<u>O.D.</u>	<u>Die Size</u>	<u>Final O.D.</u>
4"	6.13"	6.62"	6.66"
<u>Working Pressure</u>	<u>Burst Pressure</u>	<u>Hose Serial #</u>	<u>Hose Assembly Serial #</u>
10000 PSI	Standard Safety Multiplier Applies	11060	229391



Test Pressure 15000 PSI      Time Held at Test Pressure 16 2/4 Minutes      Actual Burst Pressure      Peak Pressure 15483 PSI

Comments: Hose assembly tested with water at ambient temperature.      Tested By: Tony Kellington      Approved By: Phil Maytubby

x *Tony Kellington*      x *Phil Maytubby*



Midwest Hose  
& Specialty, Inc.

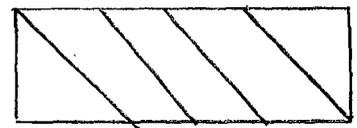
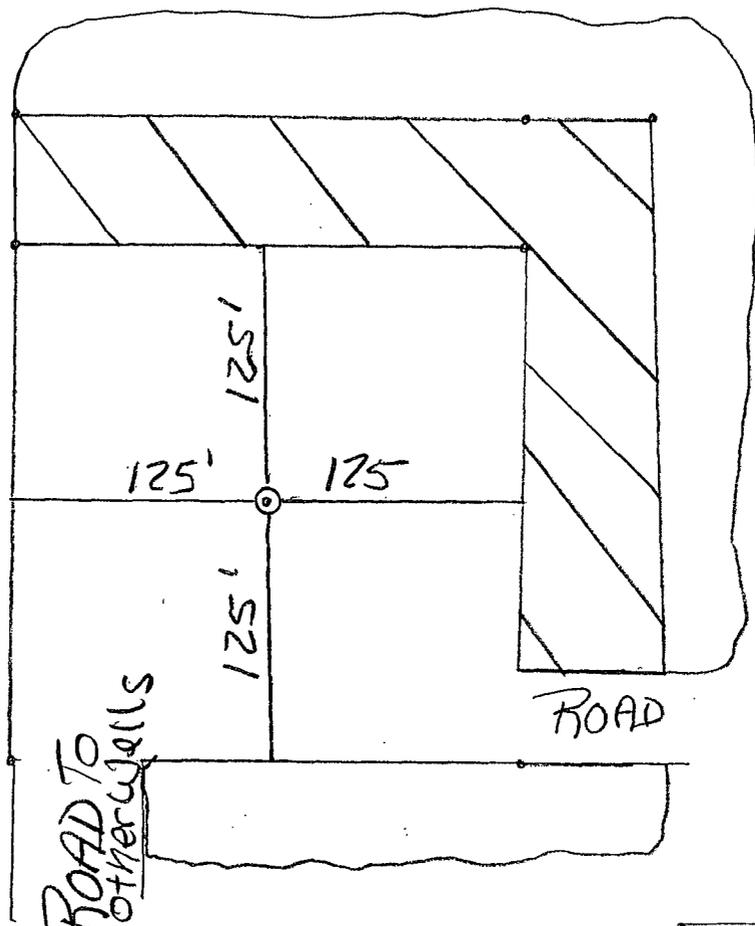
### Certificate of Conformity

Customer: <b>CACTUS</b>	Customer P.O.# <b>RIG#137 M12653</b>
Sales Order # <b>191672</b>	Date Assembled: <b>12/11/2013</b>
<b>Specifications</b>	
Hose Assembly Type: <b>Choke &amp; Kill</b>	
Assembly Serial # <b>229391</b>	Hose Lot # and Date Code <b>11060 10/13</b>
Hose Working Pressure (psi) <b>10000</b>	Test Pressure (psi) <b>15000</b>
<p>We hereby certify that the above material supplied for the referenced purchase order to be true according to the requirements of the purchase order and current industry standards.</p>	
Supplier: <b>Midwest Hose &amp; Specialty, Inc.</b> <b>3312 S I-35 Service Rd</b> <b>Oklahoma City, OK 73129</b>	
Comments:	
Approved By <i>Phillip W. [Signature]</i>	Date <b>12/11/2013</b>

# RECLAMATION PLAT

BLAST BLA  
FEDERAL  
#4H

Exhibit 1  
②



RECLAIMED  
AREA

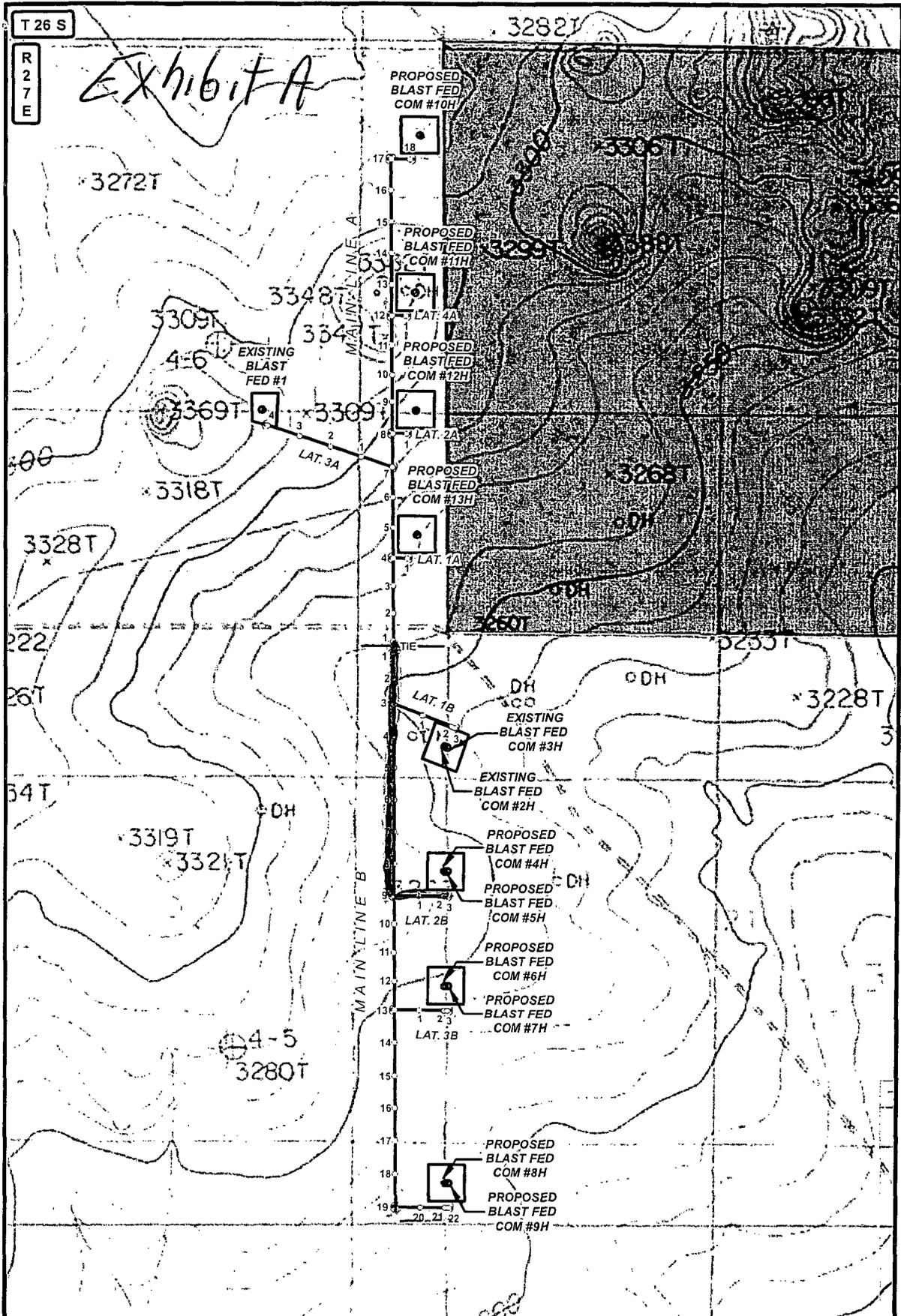


BERMED  
AREA  
2' High

T 26 S

R 27 E

Exhibit A

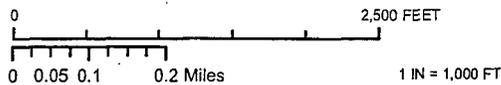


**LEGEND**

- ANCHOR
- POWERPOLE
- EXISTING XCEL LINE
- PROP. LAT. LINE
- PROP. POWERLINE
- WELL
- WELLPAD
- PRIVATE
- STATE OF NM
- US BLM

**BLAST WELLS POWERLINE**

SECTIONS: 17, 20, 21      TOWNSHIP: 26 S.      RANGE: 27 E.  
 STATE: NEW MEXICO      COUNTY: EDDY      SURVEY: N.M.P.M.  
 W.O. # 14-739      LEASE: BLAST FED COM



POWERLINE OVERVIEW      LAND STATUS      09/03/2014      S.P.



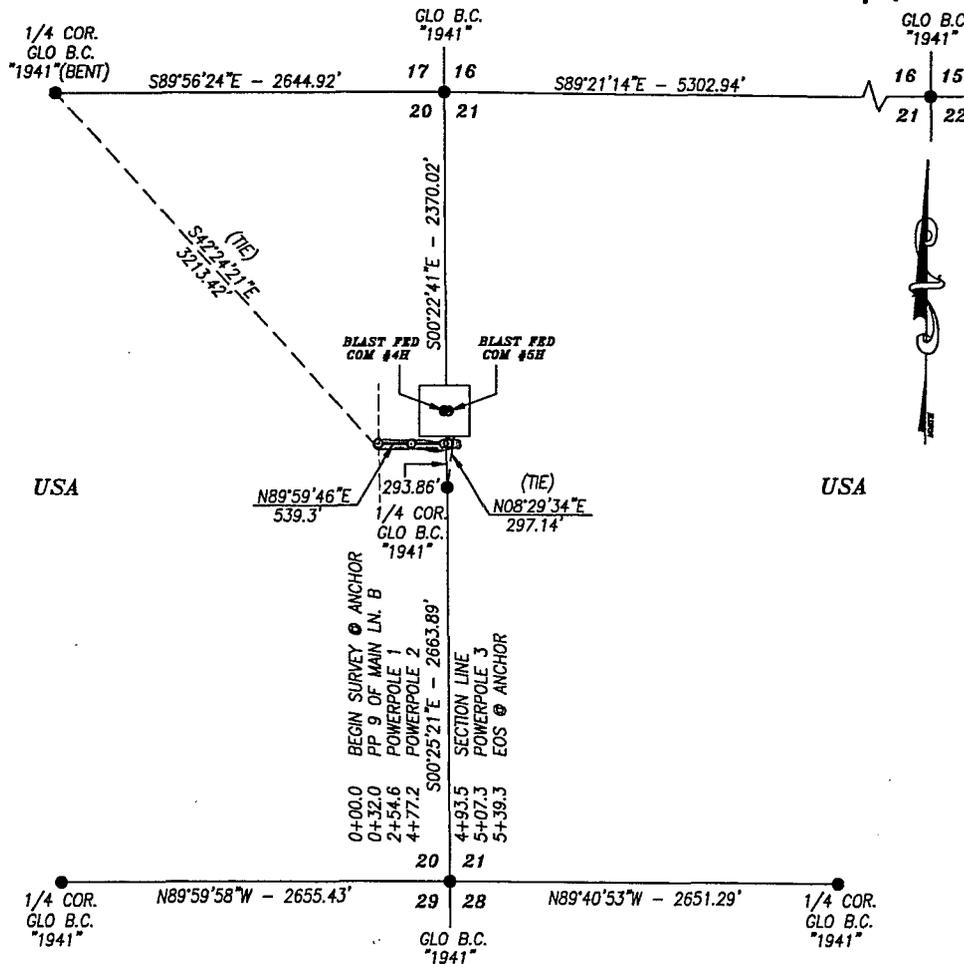
**HARCROW SURVEYING, LLC.**  
 2314 W. MAIN ST, ARTESIA, NM 88210  
 PH: (575) 513-2570 FAX: (575) 746-2158  
 chad\_harcrow77@yahoo.com

SECTIONS 20 & 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M.,

EDDY COUNTY,

NEW MEXICO.

*Exhibit A*



DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE AND 539.3 FEET OR 32.68 RODS OR 0.102 MILES IN LENGTH CROSSING USA LAND IN SECTIONS 20 & 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND 15.0 FEET RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

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

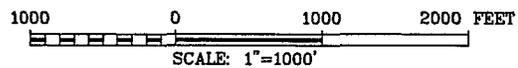
**HARCROW SURVEYING, LLC**  
 2314 W. MAIN ST, ARTESIA, N.M. 88210  
 PH: (575) 513-2570 FAX: (575) 746-2158  
 chad\_harcrow77@yahoo.com



**CERTIFICATION**  
 I, CHAD HARCROW, A NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR CERTIFY THAT I DIRECTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

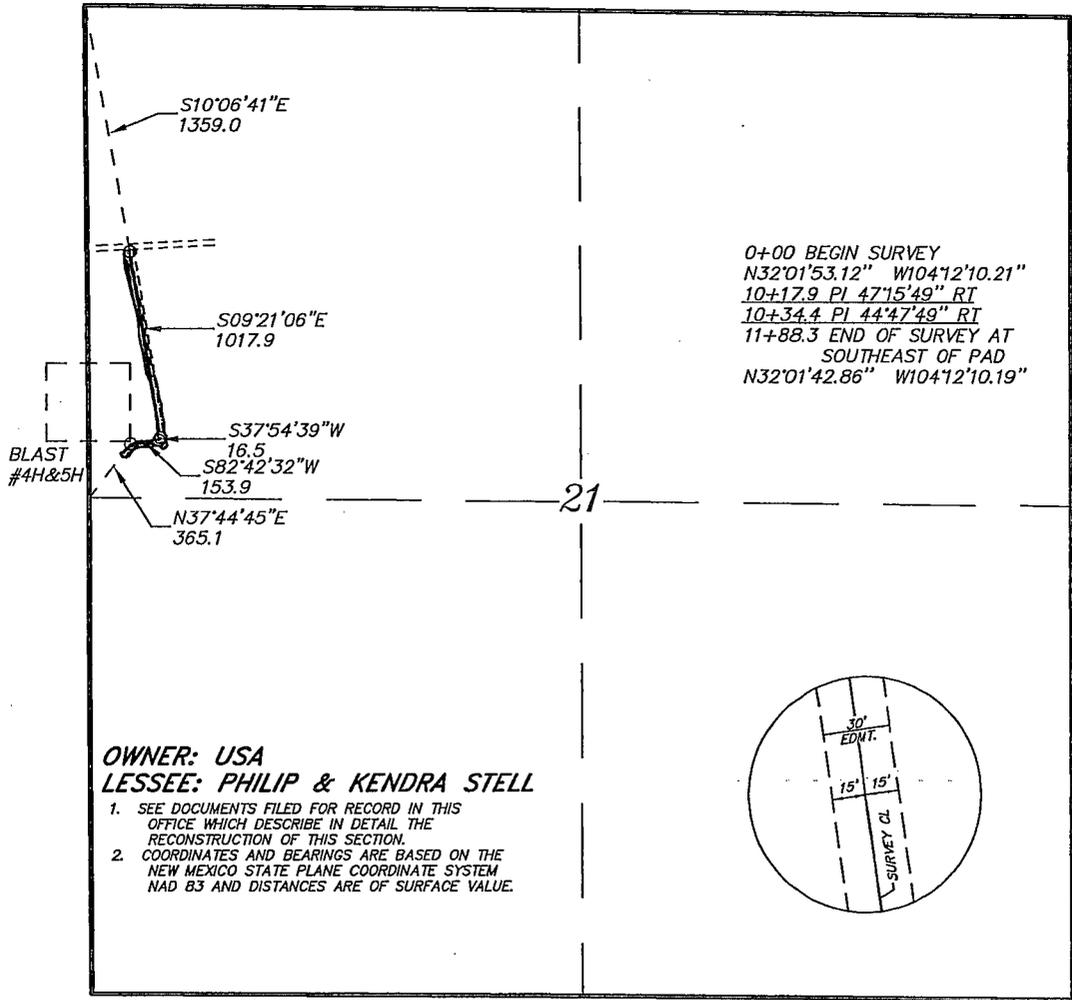


*Chad Harcrow*  
 CHAD HARCROW N.M.P.S. NO. 17777  
 9/8/14  
 DATE



<b>YATES PETROLEUM CORP.</b>		
SURVEY OF A PROPOSED POWERLINE LOCATED IN SECTIONS 20 & 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, EDDY COUNTY, NMPM, NEW MEXICO		
SURVEY DATE: AUGUST 22, 2014	LATERAL 2B	
DRAFTING DATE: AUGUST 29, 2014	PAGE 1 OF 1	
APPROVED BY: CH	DRAWN BY: SP	FILE: 14-739

**SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.**



**OWNER: USA  
LESSEE: PHILIP & KENDRA STELL**

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 NAD 83 AND DISTANCES ARE OF SURFACE VALUE.

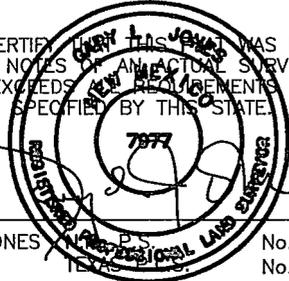
**BLAST 4H+5H**

**LEGAL DESCRIPTION**

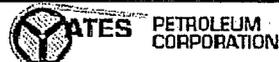
A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

1188.3 FEET = 0.22 MILES = 72.02 RODS = 0.82 ACRES

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

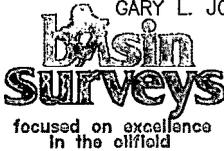


GARY L. JONES, P.S. No. 7977  
Professional Land Surveyor No. 5074

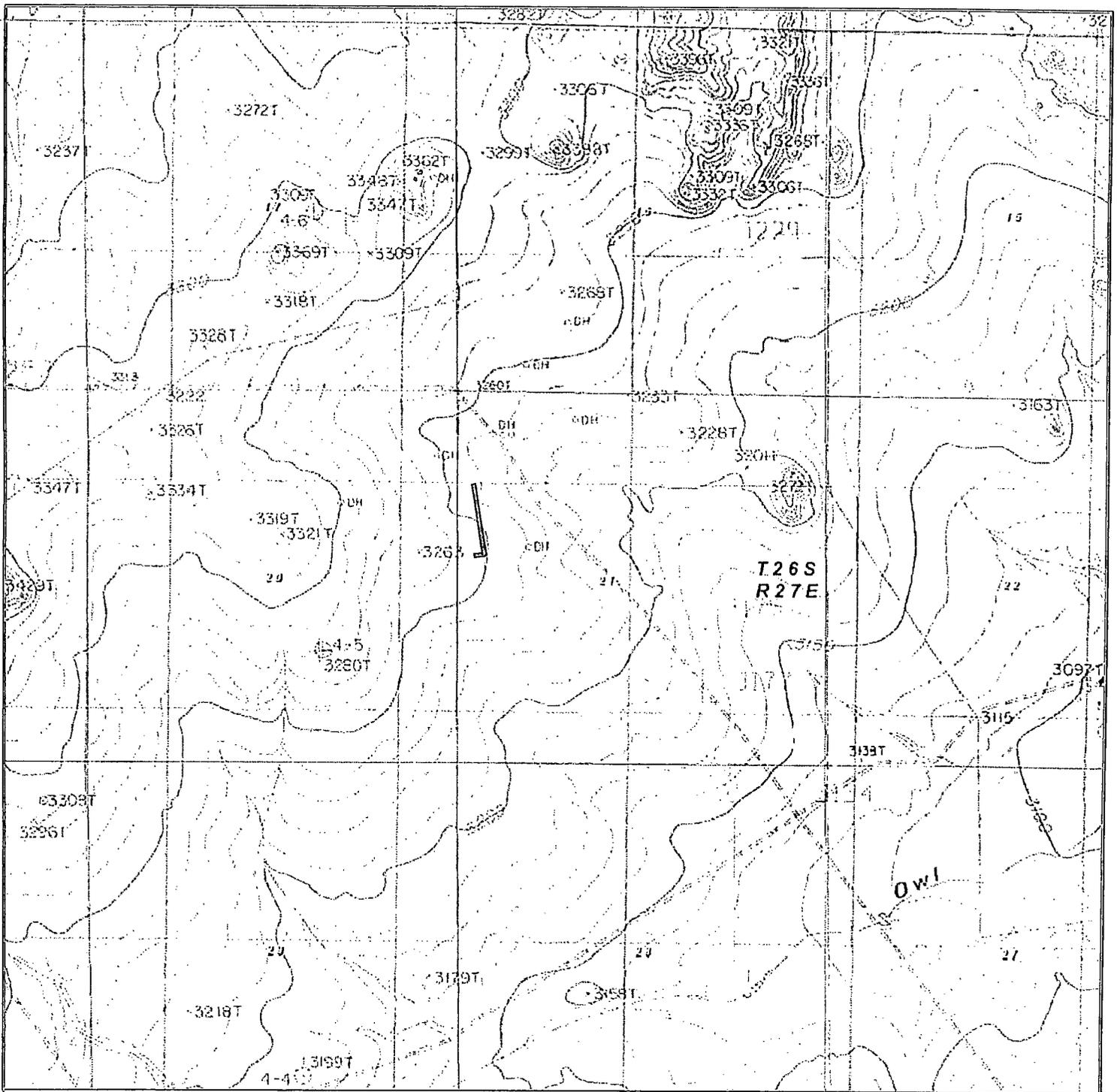


REF: PROPOSED BLAST #4H&5H PIPELINE

A PIPELINE CROSSING USA LAND IN  
SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.



P.O. Box 1786 (575) 393-7316 - Office  
1120 N. West County Rd. (575) 392-2206 - Fax  
Hobbs, New Mexico 88241 basinsurveys.com



**PROPOSED BLAST #4H&5H PIPELINE**  
 Section 21, Township 26 South, Range 27 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  
 basin-surveys.com

0' 1000' 2000' 3000' 4000'

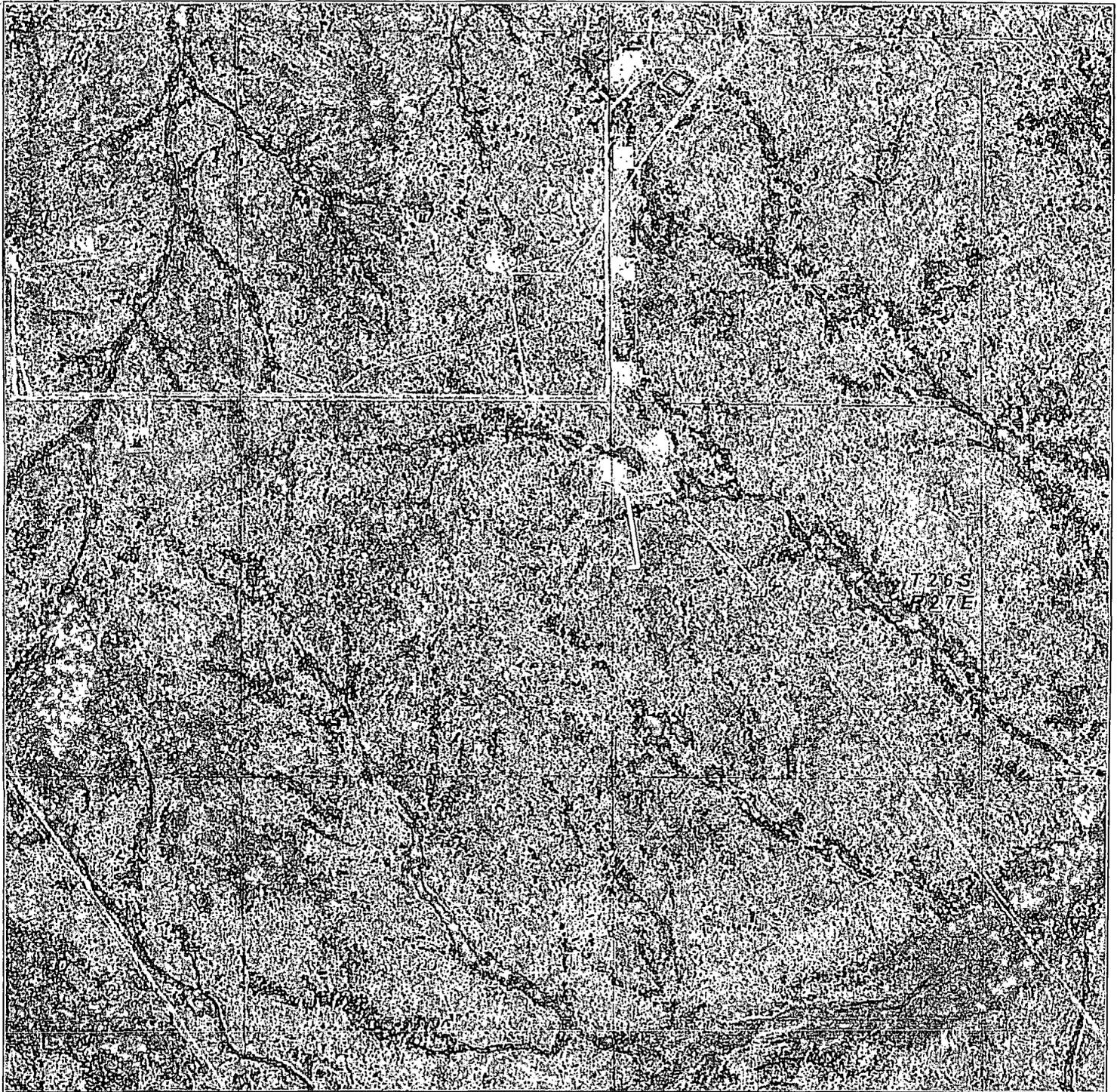
SCALE: 1" = 2000'

W.O. Number: JG 32386

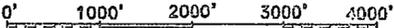
Survey Date: 7-20-2016

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

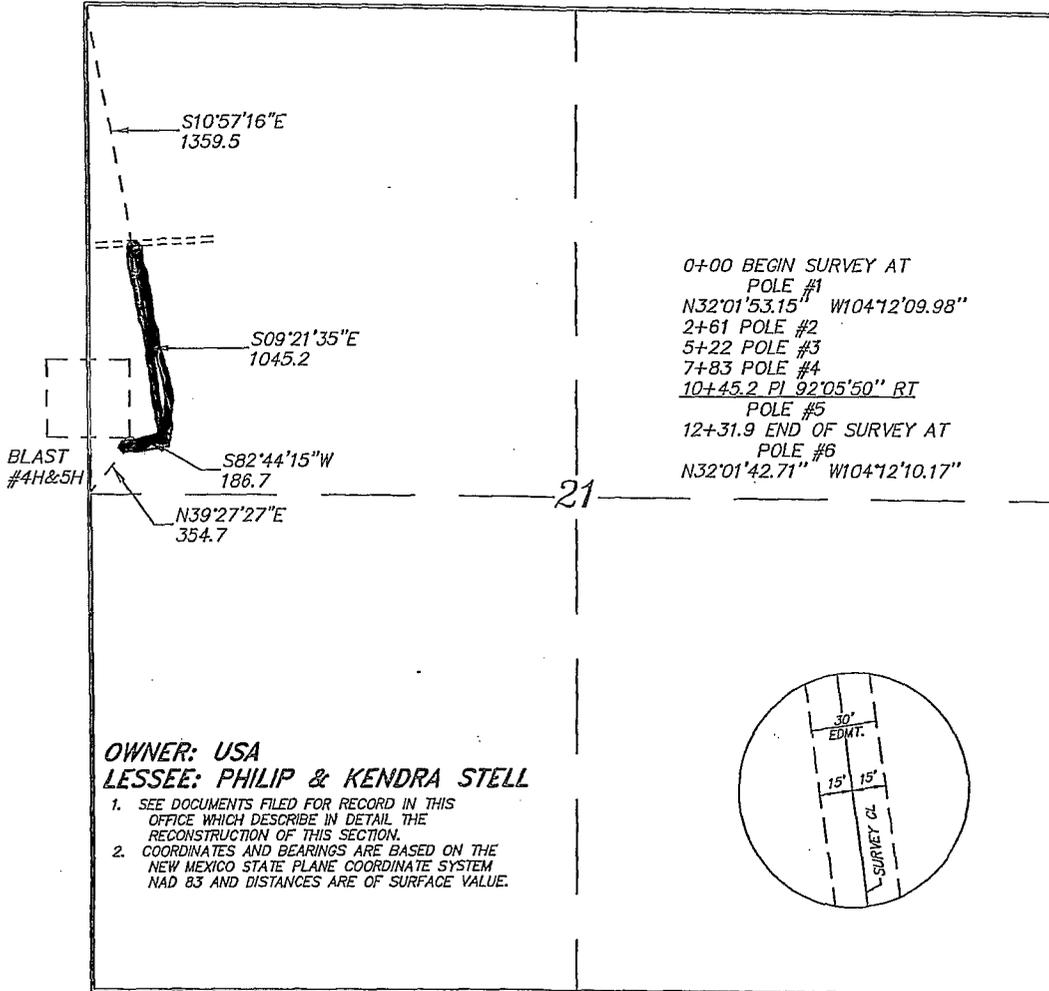
**YATES**  
 PETROLEUM  
 CORPORATION



**PROPOSED BLAST #4H&5H PIPELINE**  
 Section 21, Township 26 South, Range 27 East,  
 N.M.P.M., Eddy County, New Mexico.

 focused on excellence in the oilfield	P.O. Box 1786 1120 N. West County Rd. Hobbs, New Mexico 88241 (575) 393-7316 - Office (575) 392-2206 - Fax basin-surveys.com	 SCALE: 1" = 2000'		
	W.O. Number: JG 32386	Survey Date: 7-20-2016		
	YELLOW TINT - USA LAND BLUE TINT - STATE LAND NATURAL COLOR - FEE LAND			

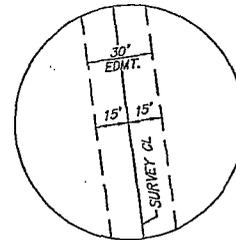
SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



0+00 BEGIN SURVEY AT  
POLE #1  
N32°01'53.15\" W104°12'09.98\"  
2+61 POLE #2  
5+22 POLE #3  
7+83 POLE #4  
10+45.2 PL 92°05'50\" RT  
POLE #5  
12+31.9 END OF SURVEY AT  
POLE #6  
N32°01'42.71\" W104°12'10.17\"

OWNER: USA  
LESSEE: PHILIP & KENDRA STELL

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 NAD 83 AND DISTANCES ARE OF SURFACE VALUE.



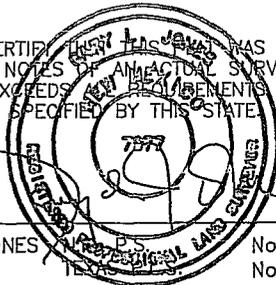
**BLAST 4H+5H**

LEGAL DESCRIPTION

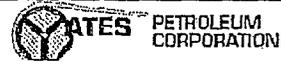
A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

1231.9 FEET = 0.23 MILES = 74.66 RODS = 0.85 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

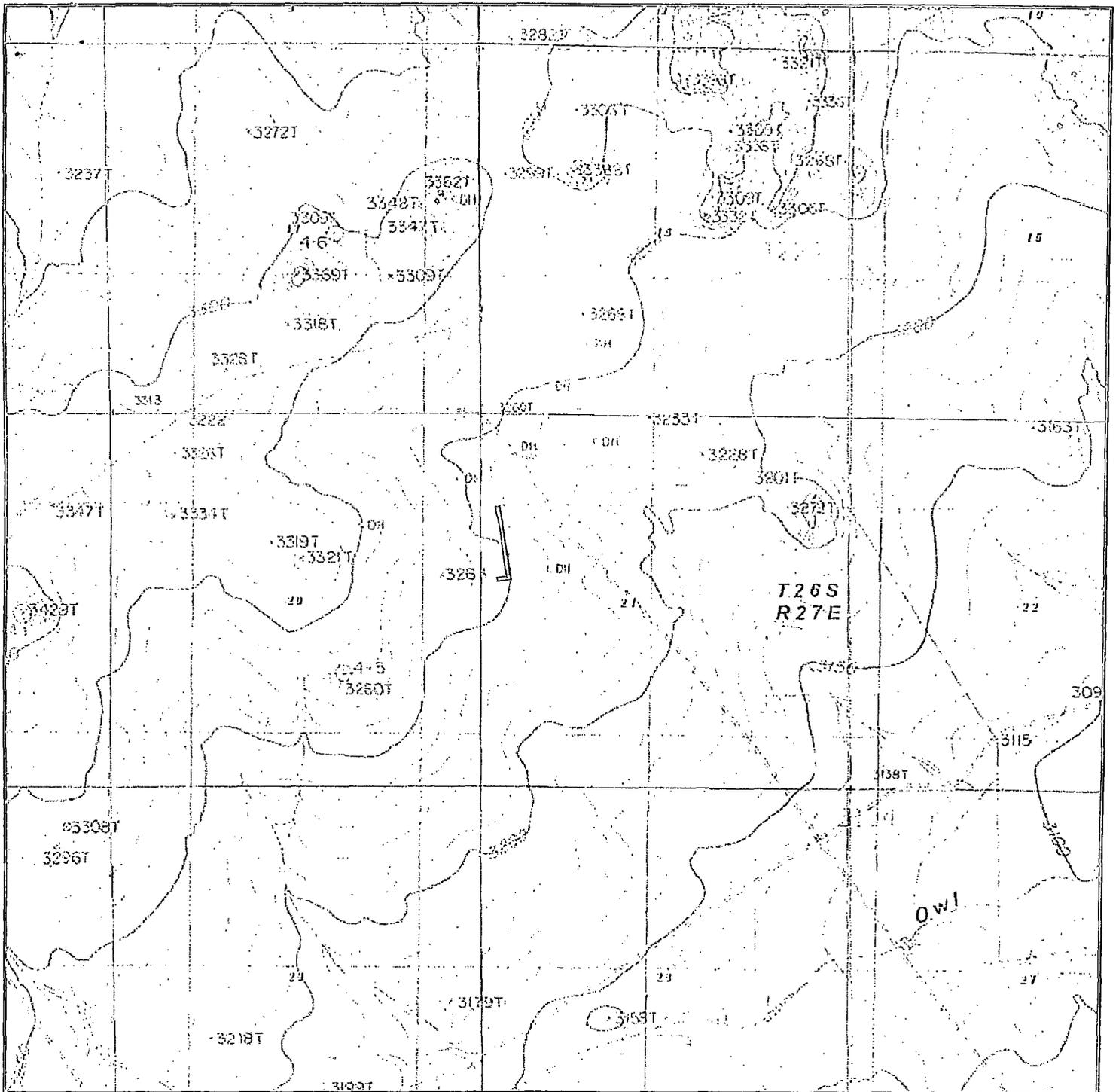


REF: PROPOSED BLAST #4H&5H ELECTRIC LINE

AN ELECTRIC LINE CROSSING USA LAND IN  
SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.

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1120 N. West County Rd. (575) 392-2206 - Fax  
Hobbs, New Mexico 88241 [basinsurveys.com](http://basinsurveys.com)



**PROPOSED BLAST #4H&5H ELECTRIC LINE**  
 Section 21, Township 26 South, Range 27 East,  
 N.M.P.M., Eddy County, New Mexico.



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 (575) 392-2206 - Fax  
 basinsurveys.com

0' 1000' 2000' 3000' 4000'

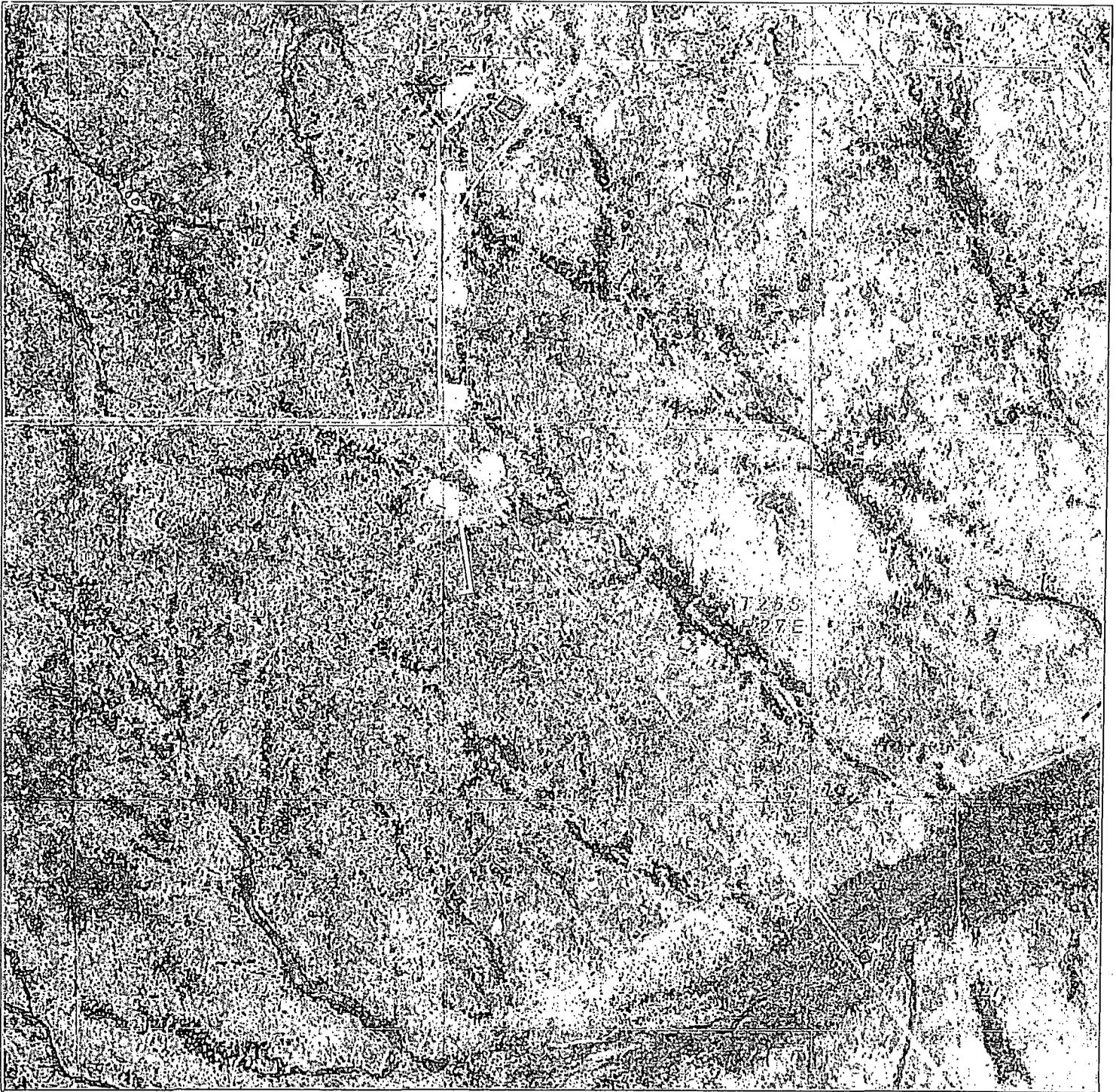
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W.O. Number: JG 32386

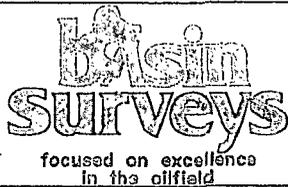
Survey Date: 7-20-2016

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

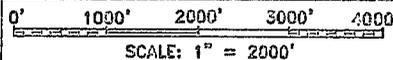




**PROPOSED BLAST #4H&5H ELECTRIC LINE**  
 Section 21, Township 26 South, Range 27 East,  
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1788  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
 basinsurveys.com



W.O. Number: JG 32386

Survey Date: 7-20-2016

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



**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**Yates Petroleum Corporation**  
 Blast BLA Federal #4H  
 2150 FNL and 15' FEL Surface Hole Location  
 1980' FNL and 330' FWL Bottom Hole Location  
 Section 20, T26S-R27E  
 Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 25 miles southeast of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A. Operator will maintain existing roads in condition the same or better than before operations begin. Operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures along the entire access route such as cattle guards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. Operator will reasonably prevent and abate fugitive dust as needed when created by vehicular traffic and equipment caused by the operator. The BLM's written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

DIRECTIONS:

Go south of Malaga, NM on Highway 285 or approximately 10.7 miles to Whites City Road (CR-724). Turn right on Whites City Road and go approximately 7.5 miles. Just past a caliche pit on the left turn left here on an existing lease road. Go south on the lease road for approximately 2.4 miles to Concho's Cluster State Com. #5H well location. From the southwest corner of this well go the existing lease road to the south road for approximately 200 feet. Turn left here and follow lease road along a pipeline right of way for approximately .3 of a mile. Turn right here and go to the west for approximately .2 of a mile to the southeast corner of the Blast BLA Federal #2H and #3H well location. The new access road will start here going south for approximately .2 of a mile to the southeast corner of the proposed well location.

2. PLANNED ACCESS ROAD.

- A. The new access road will start from the southeast corner of the Blast BLA Federal #2H and #3H location and will go south for approximately .2 of a mile to the southeast corner of the proposed well location. The road will be crowned and ditched to a 2% slope from the tip of the crown to the edge of the driving surface. The driving surface of the road will be 14 feet in width.
- B. Ditches will be 3' wide with a 3:1 slopes. 1-19-16
- C. The route of the road is visible.
- D. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the well site.
- B. An Exhibit shows existing wells within a one-mile radius of the proposed well site.

Blast BLA Federal #4H

Surface Use Plan

ADDITIONAL OF INFORMATION.

4. B. LOCATION OF EXISTING AND /OR PROPOSED FACILITIES

ADDITIONAL OF INFORMATION.

- B. One (1) 480 volt three phase raptor proof above ground power line. The entire length of the proposed main power line will be approximately 3800' in length running north and south crossing Section 20. From a point on the main power line being approximately 1800' from the tie in point a drop off line will go east for 539.3' to the south side of the Blast BLA Federal #4H well location.

Please note attached Exhibits A and A'.

**Bureau of Land Management  
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**Carlsbad Field Office  
Carlsbad, NM**

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time  
There will not be any production facilities placed on this location. Production will be transported via flowline to the production facilities located on the Blast BLA Federal #2 and #3 well pad. No power will be required if the well is productive of gas.
- B. One (1) 2 7/8" L-80 steel surface oil production flowline. The flowline will have a working pressure of 100# psi and a volume of 1000 barrels per day. The proposed flowline will follow existing access road disturbance to the production facilities to be located on the Blast BLA Federal #2H and #3H well location. Please note attached plats showing the route of the flowline. Exhibit C

5. LOCATION AND TYPE OF WATER SUPPLY:

*Additional Information on  
Last Page PCM 11-24-15*

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction of the well location.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be drilled with a closed loop system
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC.
- C. Drilling fluids will be removed after drilling and completions are completed.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None.

9. WELLSITE LAYOUT:

- A. Yates has staked a 420' x 420' "Pad Clearance Area." This area can contain the regularly used rigs Yates utilizes in Southeastern New Mexico. The actual pad size to be constructed would be smaller than the "Pad Clearance Area." This area was staked at this size with aid from the BLM, since the actual pad size/drilling rig is unknown at this time. Yates will submit a Sundry Notice with a rig layout depicting the actual size of the pad to be constructed with the dimensions from the well bore to all four sides of the pad with the same orientation as the "Pad Clearance Area." Yates will not construct the well pad until the rig layout is approved through the Sundry Notice.

- B. Please note exhibits Rig Size #1 and Rig Size #2 show the relative location and dimensions of the well pad, location of the drilling equipment, pulling unit orientation and access road approach. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. The location will be reduced to a 250' x 250' after completion operations have been conducted. At this point the surfacing material will be removed, topsoil will be redistributed and the area will be reseeded. Please note attached Reclamation Plat.
- B. If the proposed well is plugged and abandoned, all equipment and other material will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. At this point the surfacing material will be removed, topsoil will be redistributed and the area will be reseeded. The area will be contoured as closely as possible to its original state. These actions will be completed and accomplished as expeditiously as possible.
- C. The reclamation of the pad will be done in sixty days if possible after the well is put in production.

11. SURFACE OWNERSHIP:

Surface Estate Bureau of Land Management  
620 East Greene Street, Carlsbad, NM 88220.

Mineral Estate: Federal Lease NM-100549  
Bureau of Land Management  
620 East Greene Street, Carlsbad, NM 88220

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

## PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp
LEASE NO.:	NM100549
WELL NAME & NO.:	4H-Blast BLA Federal
SURFACE HOLE FOOTAGE:	2150'/N & 15'/E
BOTTOM HOLE FOOTAGE	1980'/N & 330'/W
LOCATION:	Sec.20, T. 26 S., R. 27 E.
COUNTY:	Eddy County, New Mexico

### TABLE OF CONTENTS

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

- General Provisions**
- Permit Expiration**
- Archaeology, Paleontology, and Historical Sites**
- Noxious Weeds**
- Special Requirements**
  - Cave/Karst
  - Avian Protection
- Construction**
  - Notification
  - Topsoil
  - Closed Loop System
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- Road Section Diagram**
- Drilling**
  - Cement Requirements
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  - Waste Material and Fluids
- Production (Post Drilling)**
  - Well Structures & Facilities
  - Pipelines
  - Electric Lines
- 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)

### Cave and Karst

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

#### Cave/Karst Surface Mitigation

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

#### **Construction:**

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

#### **No Blasting:**

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

#### **Pad Berming:**

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

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

#### **Tank Battery Liners and Berms:**

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

#### **Leak Detection System:**

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

**Automatic Shut-off Systems:**

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

**Cave/Karst Subsurface Mitigation**

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

**Rotary Drilling with Fresh Water:**

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

**Directional Drilling:**

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

**Lost Circulation:**

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

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

**Abandonment Cementing:**

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

**Pressure Testing:**

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

**Avian Power line Protection:**

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**

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 enclosure fencing design, refer to BLM's Oil and Gas Gold Book, Enclosure 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**

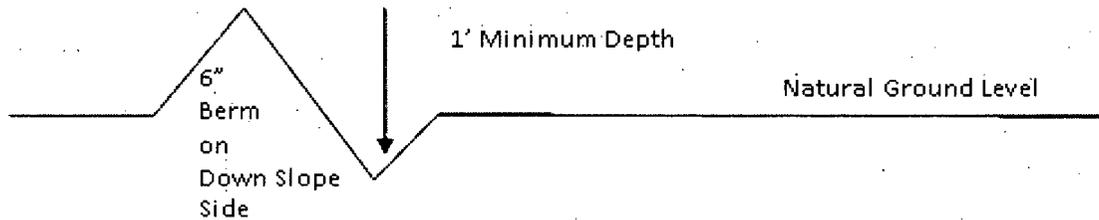
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

### **Drainage**

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill 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:

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

### 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

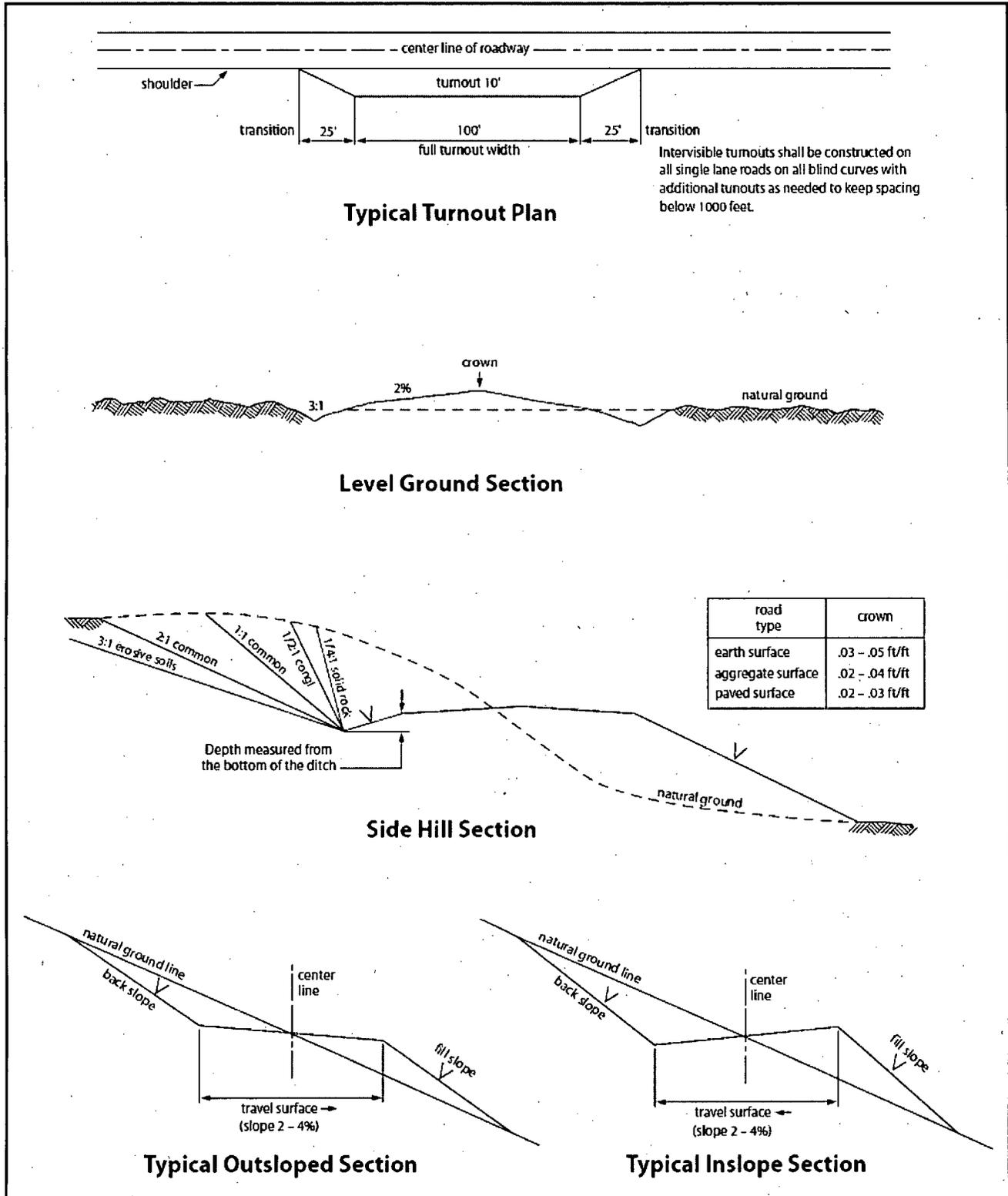


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

## 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. **Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If H<sub>2</sub>S 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, report measured amounts 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 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 8 hours. 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.** See individual casing strings for details regarding lead cement slurry requirements.

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.

**HIGH CAVE/ KARST**

Possible Water Flows in the Castile and in the Salado

Possible Lost Circulation in the Delaware

**A MINIMUM OF TWO CASING STRINGS CEMENTED TO SURFACE IS REQUIRED IN HIGH CAVE/KARST AREAS. THE CEMENT MUST BE IN A SOLID SHEATH. THEREFORE, ONE INCH OPERATIONS ARE NOT SUFFICIENT TO PROTECT CAVE KARST RESOURCES. A CASING DESIGN THAT HAS A ONE INCH JOB PERFORMED DOES NOT COUNT AS A SOLID SHEATH.**

**ON A THREE STRING DESIGN; IF THE PRIMARY CEMENT JOB ON THE SURFACE CASING DOES NOT CIRCULATE, THEN THE NEXT TWO CASING STRINGS MUST BE CEMENTED TO SURFACE.**

1. The 13-3/8 inch surface casing shall be set at approximately 400 feet and cemented to the surface. **Fresh water mud to be used to setting depth.**
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
  - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
  - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

- d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is, which shall be set at approximately 2100 feet in the basal anhydrite of the Castile Formation or the top of the Lamar Limestone:
  - Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.**

**Formation below the 9-5/8 inch 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 (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.**

**Centralizers required on horizontal leg, must be type for horizontal service and a minimum of one every other joint.**

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. Variance approved to use flex line from BOP to choke manifold. Check condition of flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for review. These documents shall be posted in the company man's trailer and on the rig floor.** If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.
  - a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9 5/8 inch** intermediate casing shoe shall be **5000 (5M)** psi. **5M 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.**
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**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (8 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
  - c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.
  - d. The results of the test shall be reported to the appropriate BLM office.
  - e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**
  - f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

#### **D. DRILL STEM TEST**

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

#### **E. WASTE MATERIAL AND FLUIDS**

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

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### **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 Enclosures**

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 enclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

### **Containment Structures**

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

### **Painting Requirement**

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

## **B. PIPELINES**

### **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:

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 or dune 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 24 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.

### **Overhead 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 *et seq.* (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.

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, 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 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.

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:

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

## **IX. INTERIM RECLAMATION**

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

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

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

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

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

## X. FINAL ABANDONMENT & RECLAMATION

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

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

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

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

### Seed Mixture 1 for Loamy Sites

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 shall 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 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 shall be planted using a drill equipped with a depth regulator to ensure proper depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture shall be evenly and uniformly planted over the disturbed area (small/heavier seeds have a tendency to drop the bottom of the drill and are planted first). Holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed shall be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre shall be doubled. The 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:

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

\*Pounds of pure live seed:

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

## NMOCD CONDITION OF APPROVAL

The *New* Gas Capture Plan (GCP) notice is posted on the NMOCD website under Announcements. The Plan became effective May 1, 2016. A copy of the GCP form is included with the NOTICE and is also in our FORMS section under Unnumbered Forms. Please review filing dates for all applicable activities currently approved or pending and submit accordingly. Failure to file a GCP may jeopardize the operator's ability to obtain C-129 approval to flare gas after the initial 60-day completion period.