

PLEASE EXPEDITE LEASE EXPIRES 12/01/2007

AT 5-08-40

FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

S

5. Lease Serial No.  
NM-100340

6. If Indian, Allottee or Tribe Name  
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7. If Unit or CA Agreement, Name and No.  
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8. Lease Name and Well No.

FEDERAL "24" # 1

36843

9. API Well No.

30-015-35925

10. Field and Pool, or Exploratory  
NORTH BRUSHY DRAW-DELAWARE

11. Sec., T. R. M. or Blk. and Survey or Area

SECTION T25S-R29E

12. County or Parish

EDDY CO.

13. State

NEW MEXICO

1a. Type of work: ☒ DRILL ☐ REENTER

NOV 13 2007

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other

☒ Single Zone

OCD-ARTESIA

☐ Multiple Zone

2. Name of Operator

ATLANTIC OPERATING, INC. (LISA EVANS 432-683-3272)

3a. Address P. O. BOX 3759

MIDLAND, TEXAS 79702

3b. Phone No. (include area code)

432-683-3272

4. Location of Well (Report location clearly and in accordance with any State requirements.)

At surface 2310' FWL & 330' FSL SECTION 24 T25S-R29E

NOV 13 2007

At proposed prod. zone SAME

Carlsbad Controlled Water Basin

OCD-ARTESIA

5. Distance in miles and direction from nearest town or post office\*

Approximately 12 miles Southeast of Malaga New Mexico

Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drig. unit line, if any)

330'

16. No. of acres in lease

320

17. Spacing Unit dedicated to this well

40

Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft.

NA

19. Proposed Depth

3500'

20. BLM/BIA Bond No. on file

NMB-000466

Elevations (Show whether DF, KDB, RT, GL, etc.)  
3075' GL

22. Approximate date work will start\*  
WHEN APPROVED

23. Estimated duration  
15 DAYS TO DRILL

24. Attachments

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

Well plat certified by a registered surveyor.

Drilling Plan.

Surface Use Plan (if the location is on National Forest System Lands, the  
UPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see  
Item 20 above).

5. Operator certification

6. Such other site specific information and/or plans as may be required by the  
authorized officer.

Signature

AGENT

Name (Printed/Typed)

Joe T. Janica

Date

10/04/07

Approved by (Signature)

James A. Ames

Name (Printed/Typed)

James A. Ames

Date

NOV 8 2007

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Approval does not warrant or certify  
operations thereon.  
Conditions of approval, if any, are attached.

If earthen pits are used in  
association with the drilling of this  
well, an OCD pit permit must be  
obtained prior to pit construction.

rights in the subject lease which would entitle the applicant to

APPROVAL FOR TWO YEARS

3 U.S.C. Section 1001 and Title 43 U.S.C.  
any false, fictitious or fraudulent statements

and willfully to make to any department or agency of the United  
States

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

District I  
1625 N. French Dr., Hobbs NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

Form C-102  
Revised June 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number <b>30.015.35925</b>	<sup>2</sup> Pool Code <b>8085</b>	<sup>3</sup> Pool Name <b>NORTH BRUSHY DRAW-DELAWARE</b>
<sup>4</sup> Property Code <b>36843</b>	<sup>5</sup> Property Name <b>Federal 24</b>	<sup>6</sup> Well Number <b>1</b>
<sup>7</sup> GRID No. <b>249740</b>	<sup>8</sup> Operator Name <b>Atlantic Operating, Inc.</b>	<sup>9</sup> Elevation <b>3075'</b>

<sup>10</sup>Surface Location

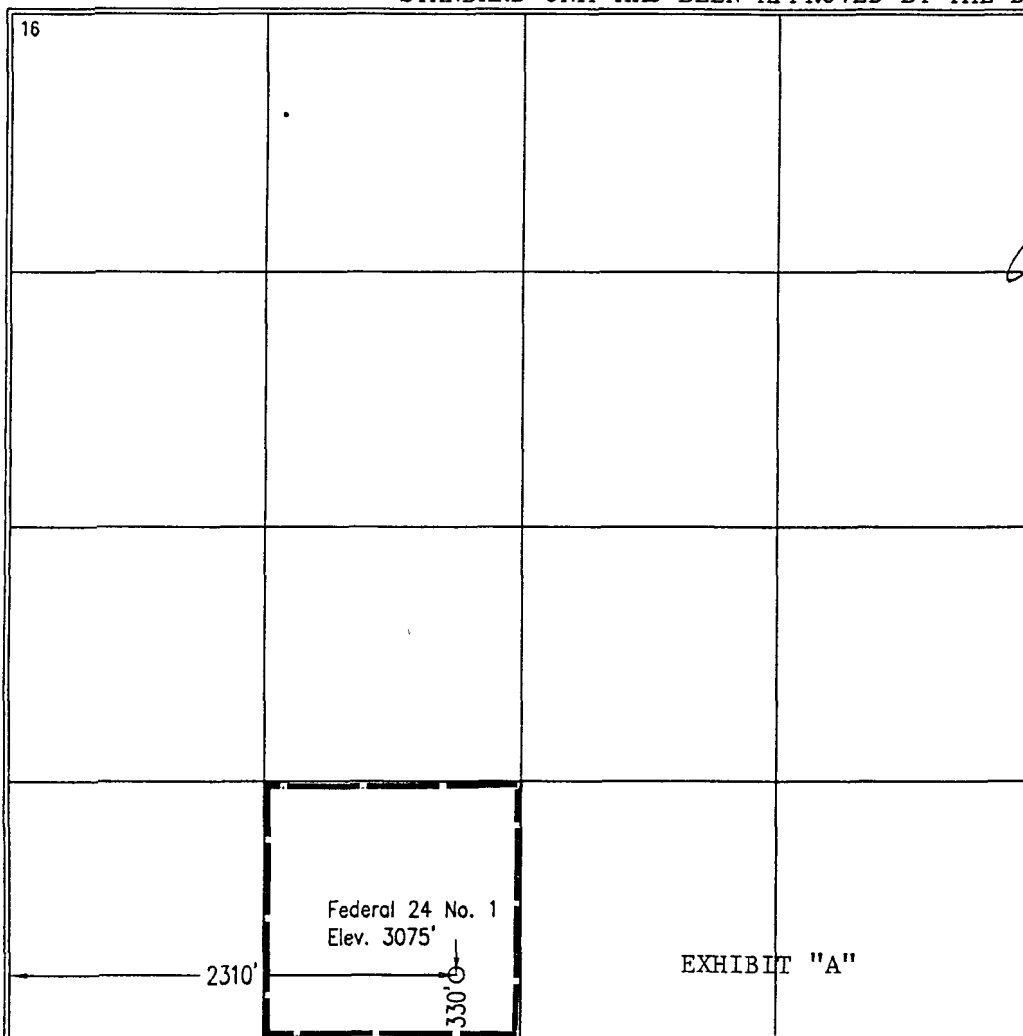
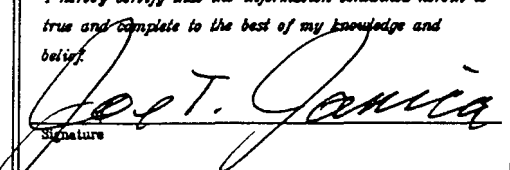
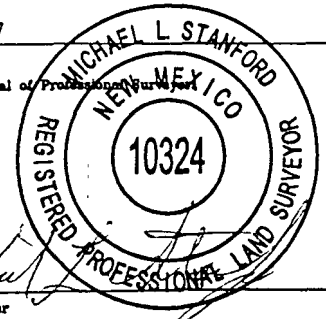
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	24	25 S	29 E		330	South	2310	West	Eddy

<sup>11</sup>Bottom Hole Location If Different From Surface

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

<sup>12</sup> Dedicated Acres <b>40</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNITL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div>16</div> 	<div><sup>17</sup>OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature <b>Joe T. Janica</b> Printed Name <b>Agent joejanica@valornet.com</b> Title and E-mail Address <b>10/04/07</b> Date</div> <div><sup>18</sup>SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> <b>10-1-2007</b> Date of Survey  Signature and Seal of Professional Surveyor <b>10324</b> Certificate Number</div>
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# APPLICATION TO DRILL

ATLANTIC OPERATING. INC.

FEDERAL "24" # 1

UNIT "N" SECTION 24

T25S-R29E EDDY CO. NM

1. Drill 17½" hole to 40' and set 40' of 14" conductor pipe and cement to surface with Redi-mix.
2. Drill 12½" hole to 600'. Run and set 600' of 8 5/8" 24# J-55 ST&C casing. Cement with 225 Sx. of Class ["C" cement + 4% Gel, + 5# LCM/Sx. + .125# Celo Flakes/Sx. + 2% CaCl. Yield 1.75. tail in with 125 Sx. of Class "C" cement + 2% CaCl, Yield 1.34. Circulate cement.
3. Drill 7 7/8" hole to 3500'. Run and set 3500' of 5½" 15.5# J-55 ST&C casing. Cement with 460 Sx. of 50/50 Class "C" POZ cement + .15% FL-52, + 3% NaCl, + 5# LCM/Sx. Yield 2.39, tail in with 200 Sx. of 50/50 Class "C" POZ cement + .3% CD-32, + 5% NaCl, + 5# LCM/Sx. Yield 1.3, Circulate cement to surface.

8 5/8" casing	Collapse SF	INternal yield SF	Body SF	Joint SF
	4.6	9.9	26.5	18.6
5½" "	2.3	2.8	4.6	4.9

# APPLICATION TO DRILL

ATLANTIC OPERATING. INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above well is provided for your information.

1. LOCATION: 2310' FWL & 330' FSL SECTION 24 T25S-R29E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3075' GL
3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits.
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. PROPOSED DRILLING DEPTH: 3500'

## 6. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Lamar Limestone	3240'
Ramsey Sand	3275'

## 7. POSSIBLE MINERAL BEARING FORMATION:

Ramsey Sand	Oil
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## 8. CASING PROGRAM:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
26"	0-40	20"	NA	NA	NA	Conductor New
12 1/2"	0-600'	8 5/8"	24#	8-R	ST&C	J-55 New
7 7/8"	0-3500'	5 1/2"	15.5#	8-R	ST&C	J-55 New
8 5/8"	Collapse	4.6	Internal yield	9.9	Joint	18.6
5 1/2"	"	2.3	"	"	2.8	"
					Body	26.5
						4.6

# APPLICATION TO DRILL

ATLANTIC OPERATING. INC.

FEDERAL "24" # 1

UNIT "N" SECTION 24

T25S-R29E EDDY CO. NM

## 9. CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 14" conductor pipe and cement to surface with Redi-mix.
8 5/8"	Surface	Set 600' of 8 5/8" 24# J-55 ST&C casing. cement with 225 Sx. of Class "C" cement + 4% Gel, + 5# LCM-1/Sx. + 1/8# Celo Flakes/Sx, + 2% CaCl, yield 1.75, tail in with 125 Sx. of Class "C" cement + 2% CaCl yield 1.34, circulate cement to surface.
5 1/2"	Production	Set 3500' of 5 1/2" 15.5# J-55 ST&C casing. Cement with 460 Sx. of 50/50 POZ Class "C" cement + .15% FL-52 + 3% NaCl, + 5# LCM-1/Sx. yield 2.39, tail in with 200 Sx. of 50/50 POZ Class "C" cement + .3% CD-32, + 5% NaCl, + 5# LCM-1/Sx. Yield 1.3, circulate cement to surface.

SEE  
COA

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of bottom blind rams, upper pipe rams. the B.O.P. will be nipped up on the 8 5/8" casing and ~~tested with rig pumps to API specifications.~~ The B.O.P. will be worked at least once in each 24 hour period and the blind rams will be worked when the drill pipe is out of the hole on trips. Full opening stabbing stabbing valve an upper kelly cock will be available on the rig floor. Exhibit "E-1" shows a 3" choke manifold with two adjustable chokes and a hydraulically operated closing unit. No abnormal temperatures or any abnormal pressures are expected while drilling this well. Offset well drilled with no problems.

## 11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE SYSTEM
40-600'	8.4-8.7	29-34	NC	Fresh water add paper to control seepage
600-3500'	9.8-10.0	29-38	NC*	Cut Brine to brine water add paper to control seepage use high viscosity sweeps to clean hole. If water loss control is required while drilling through the pay add strach or go to a Dris-pac system.

\* Water loss control may be required in order to log well, and protect formation from formation damage.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, & casing the viscosity and/or water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

ATLANTIC OPERATING. INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Laterolog, MSFL, CNL, FDC, Gamma Ray, caliper from TD back to 8 5/8" casing shoe. Run Gamma Ray, Neutron from the 8 5/8" casing shoe back to surface.
- B. Mud logger will be rigged up on the hole at 3000' and remain on the hole to TD.
- C. No cores or DST's are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H<sup>2</sup>S in this area. If H<sup>2</sup>S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 1500 PSI, and Estimated BHT 140°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

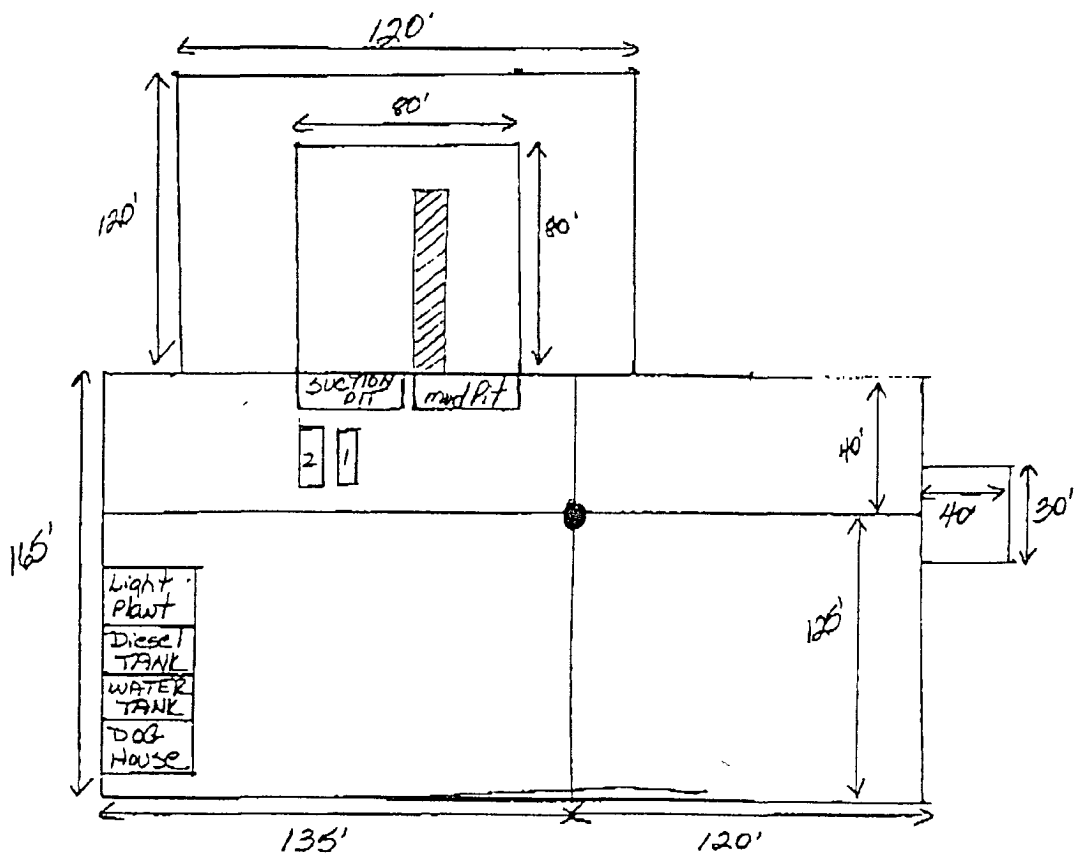
Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 15 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Ramsey Sand formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

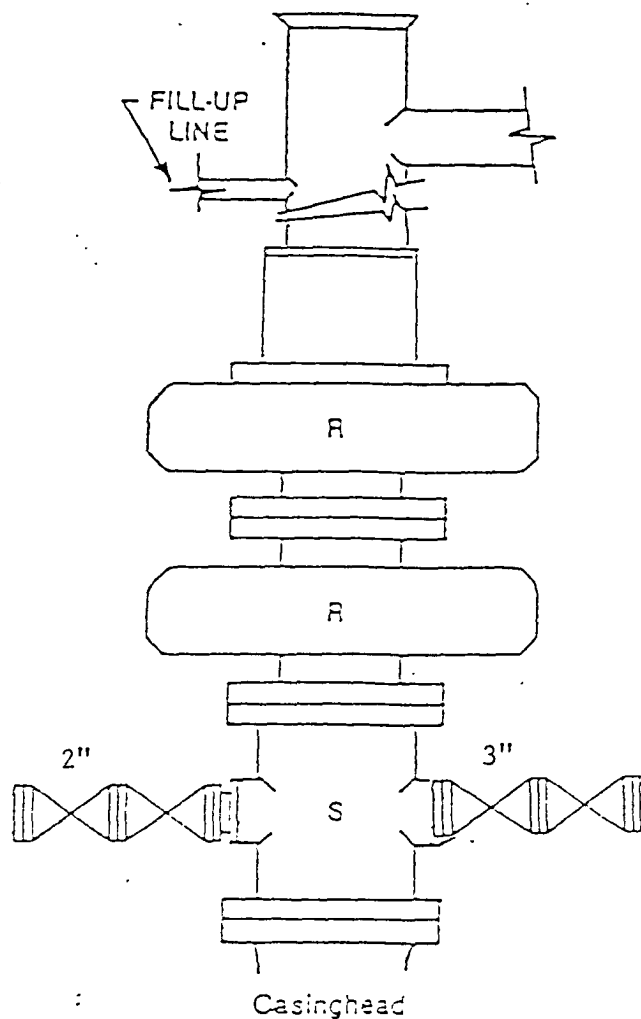
See COA's  
Pit Northwest

# American Drilling Rig #4



## EXHIBIT "D" RIG LAY OUT PLAT

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM



2m BOP

FIGURE K1-1. Recommended IADC Class 2 BOP stack, 3000 psi WP. Either SRd (left) or SA (right) arrangement is acceptable and drilling spool is optional.

EXHIBIT "E"  
SKETCH OF B.O.P. TO BE USED ON

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

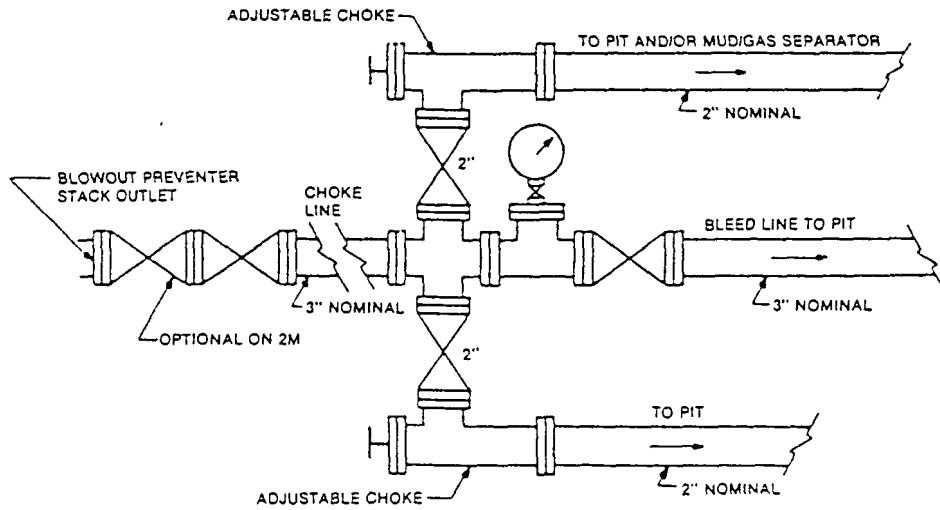


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rated working pressure service — surface installation.

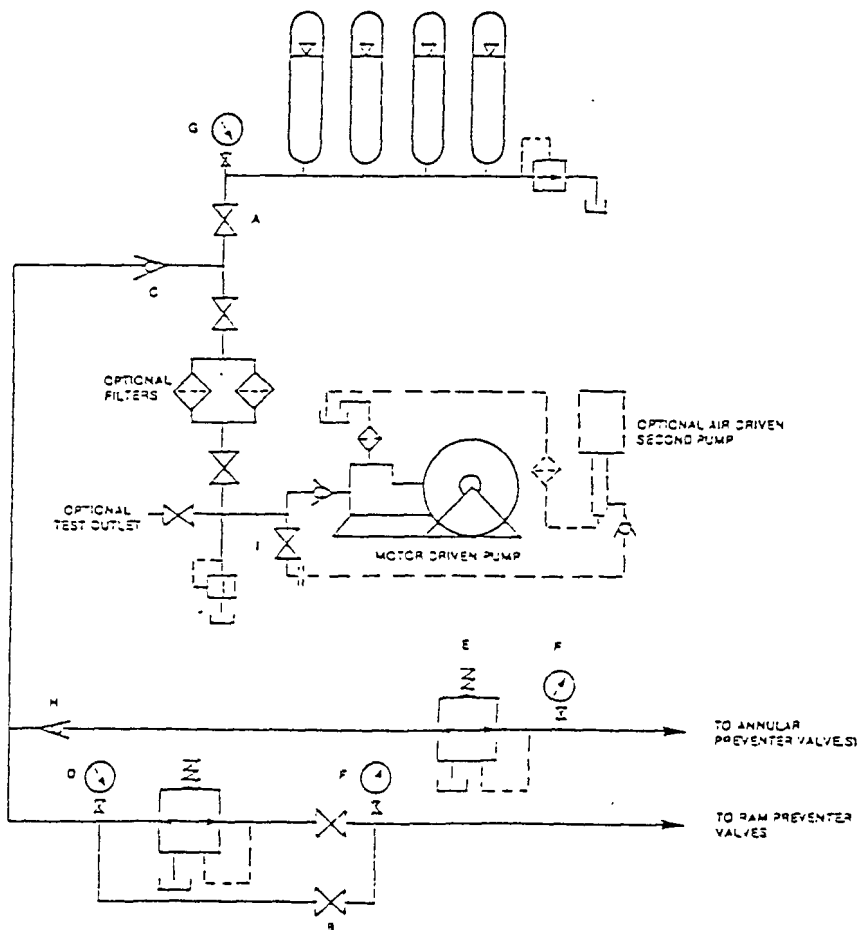


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

EXHIBIT "E-1"  
CHOKE MANIFOLD & CLOSING UNIT

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

## HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H<sub>2</sub>S safety instructor to the following:
  - A. Characteristics of H<sub>2</sub>S
  - B. Physical effects and hazards
  - C. Proper use of safety equipment and life support systems.
  - D. Principle and operation of H<sub>2</sub>S detectors, warning system and briefing areas.
  - E. Evacuation procedure, routes and first aid.
  - F. Proper use of 30 minute pressure demand air pack.
2. H<sub>2</sub>S Detection and Alarm Systems
  - A. H<sub>2</sub>S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
  - A. Windsock at mudpit area should be high enough to be visible.
  - B. Windsock at briefing area should be high enough to be visible.
  - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
  - A. Warning sign on access road to location.
  - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H<sub>2</sub>S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
  - A. See exhibit "E"
6. Communication
  - A. While working under masks chalkboards will be used for communication.
  - B. Hand signals will be used where chalk board is inappropriate.
  - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
  - A. Exhausts will be watered.
  - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
  - C. If location is near any dwelling a closed D.S.T. will be performed.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

8. Drilling contractor supervisor will be required to be familiar with the effects H<sub>2</sub>S has on tubular goods and other mechanical equipment.
9. If H<sub>2</sub>S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H<sub>2</sub>S scavengers if necessary.

## SURFACE USE PLAN

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

### 1. EXISTING AND PROPOSED ROADS:

- A. Exhibit "B" is a reproduction of a County General Hi-way map showing existing roads. Exhibit "C" is a reproduction of a USGS topographic map showing existing roads and and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. All new roads will be constructed to BLM specifications.
- B. Exhibit "A" shows the proposed well site as staked.
- C. Directions to location: From Loving New Mexico take U. S. Hi-way 285 South for 17± miles, turn Left (East) on CR-725 go 4.1miles bear Left (Northeast) follow Elpasso pipeline road 4.8 miles and location is approximately 1000' North of road
- D. Exhibit "C" shows location and proposed road.

### 2. PLANNED ACCESS ROADS: Approximately 1000' of new road will be constructed.

- A. The access roads will be crowned and stitched to a 14' wide travel surface, within a 30' R-O-W.
- B. Gradient of all roads will be less than 5%.
- C. Turn-outs will be constructed where necessary.
- D. If require new access roads will be surface with a minimum of 4-6" of caliche. this material will be obtained from a local source.
- E. Center line for new roads will be flagged, road construction will be done as field conditions require.
- F. Culverts will be placed in the access road as drainage conditions require. Roads will be constructed to use low water crossings for drainage as required by the topographic conditions.

### 3. LOCATION OF EXISTING WELLS WITHIN A ONE MILE RADIUS: EXHIBIT "A-1"

- A. Water wells - None known
- B. Disposal wells - None known
- C. Drilling wells - None known
- D. Producing wells - As shown on Exhibit "A-1"
- E. Abandoned wells - As shown on Exhibit "A-1"

## SURFACE USE PLAN

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Exhibit "C" shows proposed routes of roads, flowlines and powerlines.

### 5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped to location in flexible lines laid on top of the ground.

### 6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction material will be obtained from the excavation of drill site, if additional material is needed it will be obtained from a local source and transported over the access roads as shown on Exhibit "C".

### 7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.
- D. Waste water from living quarters will be drained into holes with a minimum of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for further drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approve disposal site. Later pits will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

### 8. ANCILLARY FACILITIES:

- A. No camps or air strips will be constructed on location.

## SURFACE USE PLAN

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

### 9. WELL SITE LAYOUT

- A. Exhibit "D" shows the proposed well site layout.
- B. This exhibit indicated proposed location of reserve and sump pits and living facilities.
- C. Mud pits in the active circulating system will be steel pits & the reserve pit is proposed to be unlined unless subsurface condition encountered during pit construction indicate that lining is needed for lateral containment of fluids.
- D. If needed, the reserve pit is to be lined with polyethelene. The pit liner will be 12mils thick. Pit liner will extend a minimum 2'00" over the reserve pits dikes where the liner will be anchored down.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

### 10. PLANS FOR RESTORATION OF SURFACE

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

11. OTHER GENERAL INFORMATION:

- A. Topography near the location consists of fairly level grassy plain, with low dunal hummocks. The soils are red/tan sands of shallow to moderate depths. The vegetation consists of mesquite, cholla, little leaf sumac, native grasses , and typical desert shrub.
- B. The surface is owned by The U. S. Department of Interior and is administered by The Bureau of Land Management. The surface is used to graze livestock, and for the production of oil and gas.
- C. An archaeological survey will be conducted and the report will be filed with the Bureau of Land Management Carlsbad Field Office in Carlsbad New Mexico.
- D. No domestic dwellings are located within 2 miles of location.
- E. Tank battery and production facilities will be constructed on location.

## CERTIFICATION

I HEREBY CERTIFY THAT I OR PERSONS UNDER MY SUPERVISION HAVE INSPECTED THE PROPOSED DRILL SITE AND THE ACCESS ROAD ROUTES, THAT I AM FAMILIAR WITH THE CONDITIONS THAT CURRENTLY EXIST, AND THAT THE STATEMENTS MADE IN THIS PLAN ARE TO THE BEST OF MY KNOWLEDGE ARE TRUE AND CORRECT, AND THAT THE WORK ASSOCIATED WITH THE OPERATIONS PROPOSED HEREIN WILL BE PERFORMED BY ATLANTIC OPERATING, INC. ITS CONTRACTORS OR ITS SUB-CONTRACTORS IS IN CONFORMANCE WITH THIS PLAN AND THE TERMS AND THE CONDITIONS UNDER WHICH IT IS APPROVED. THIS STATEMENT IS SUBJECT TO THE PROVISIONS OF U.S.C. 1001 FOR THE FILING OF A FALSE STATEMENT.

### OPERATORS REPRESENTATIVES

#### BEFORE CONSTRUCTION

JOE T. JANICA  
TIERRA EXPLORATION, INC.

P. O. BOX 2188  
HOBBS, NEW MEXICO 88241  
OFFICE PH. 505-391-8503  
CELL PH 505-390-1598

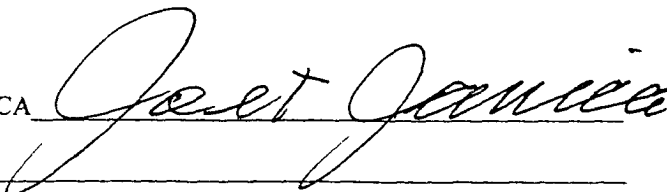
#### DURING AND AFTER CONSTRUCTION

ATLANTIC OPERATING, INC.  
LISA EVANS  
P. O. BOX 3759  
MIDLAND, TEXAS 79702  
OFFICE PH 432-683-3272

NAME: JOE T. JANICA

DATE: 10/04/07

TITLE: AGENT



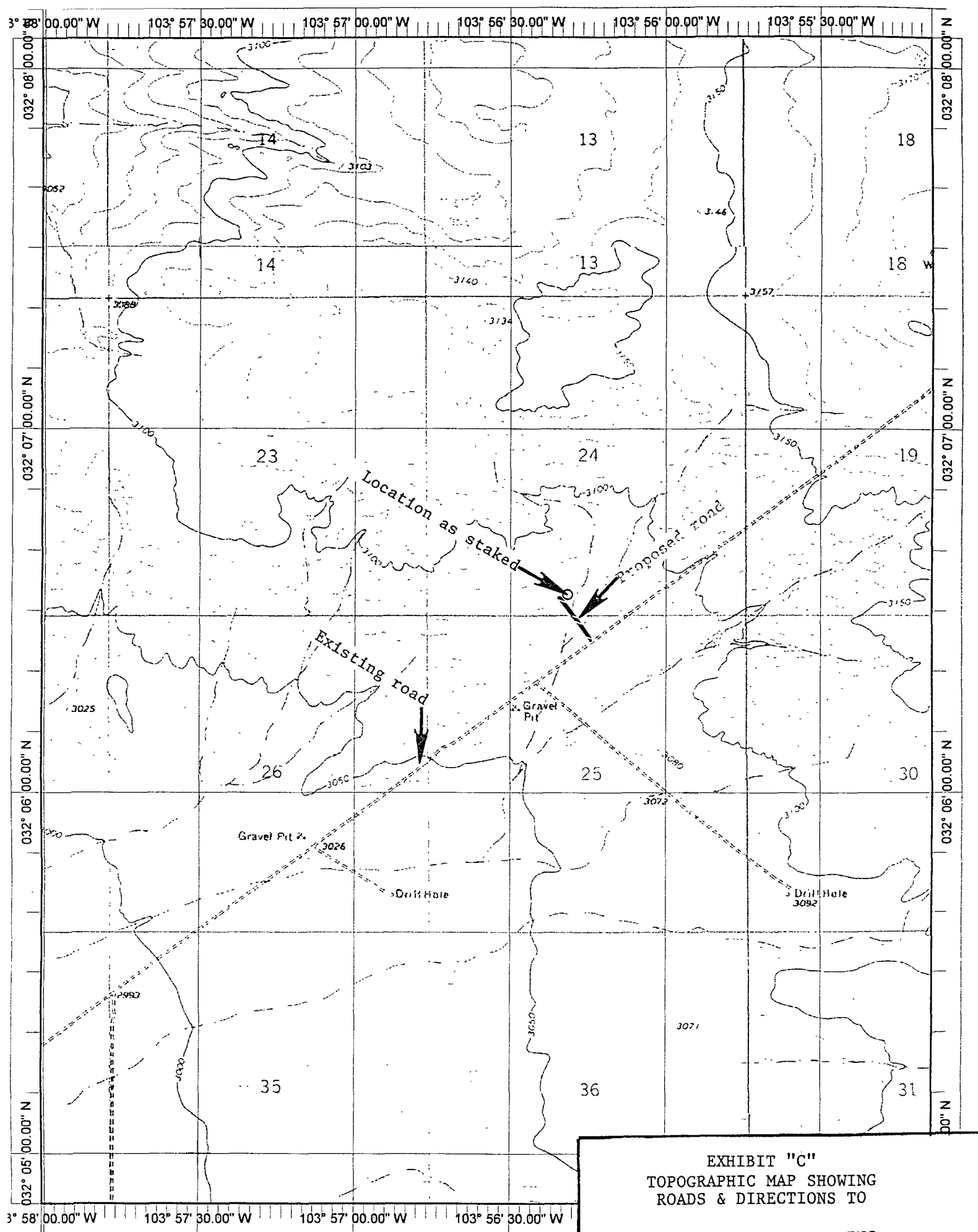


EXHIBIT "C"  
TOPOGRAPHIC MAP SHOWING  
ROADS & DIRECTIONS TO  
  
ATLANTIC OPERATING, INC.  
FEDERAL "24" # 1  
UNIT "N" SECTION 24  
T25S-R29E EDDY CO. NM

## VI. DRILLING

### A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 2 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,  
(505) 361-2822

1. **Although Hydrogen Sulfide has not been reported in this section, it is always a potential hazard. If Hydrogen Sulfide is encountered, please submit measurements 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.

### B. CASING

1. The 8-5/8 inch surface casing shall be set **a minimum of 25 feet into the Rustler Anhydrite and above the Salt at approximately 600 feet** and cemented to the surface.
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
  - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).
  - 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 action will be done prior to drilling out that string.

**Medium Cave/Karst.**

**Possible lost circulation in the Delaware Mountain Group.**

**Possible water flows in the Salado and Delaware Mountain Group.**

2. The minimum required fill of cement behind the 5-1/2 inch production casing is:

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

3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

**C. PRESSURE CONTROL**

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M) psi.**

**Schematic in APD is 2M BOP according to Onshore Order 2.**

3. The appropriate BLM office shall be notified a minimum of 2 hours in advance for a representative to witness the tests.

a. The tests shall be done by an independent service company.

b. The results of the test shall be reported to the appropriate BLM office.

c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.

d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

**Engineer on call phone (after hours):      Carlsbad: (505) 706-2779**

**WWI 110507**

## **VII. 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.

#### **Containment Structures**

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

#### **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, Munsell Soil Color Chart # 5Y 4/2

## **VIII. INTERIM RECLAMATION & RESERVE PIT CLOSURE**

### **A. INTERIM RECLAMATION**

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting 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.

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions 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 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.

### **B. RESERVE PIT CLOSURE**

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows: