

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT  
Rio Puerco Resource Area  
435 Montano N.E.  
Albuquerque, New Mexico 87107

Company Merrion Oil & Gas Corporation Well No. EMU #6

Location 330' FSL & 330' FEL Lease No. NMNM 24961

Government Contacts

The Bureau of Land Management - Rio Puerco Resource Area Contacts are:

Office Phone = (505) 761-8704

Area Manager: Hector A. Villalobos

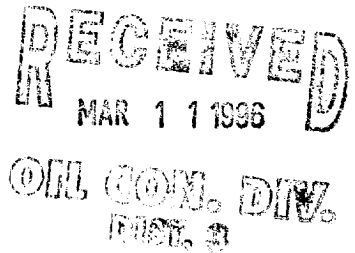
Supv. Lands & Minerals Chief: Joe Incardine

Petroleum Engineer: Robert Kent

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Geologist & Environmental Contact: Patricia M. Hester (H 255-1960)

Hazardous Materials Coordinator: Brian Lloyd



GENERAL REQUIREMENTS  
FOR  
OIL AND GAS OPERATIONS ON FEDERAL AND INDIAN LEASES

I. Operations:

These requirements apply generally to all oil and gas operations on Federal and Indian leases. They apply specifically to the above-described well. Special requirements that apply and are effective for this well, if any, are check-marked in Section 13 of these General Requirements. The failure of the operator to comply with these requirements and the filing of required reports may result in the assessment of liquidated damages or penalties pursuant to 43 CFR 3163.1 or 3163.2.

A. GENERAL

1. Full compliance with all applicable laws and regulations, with the approved Permit to Drill, and with the approved Surface Use and Operations Plan is required. Lessees and/or operators are fully accountable for the actions of their contractors and subcontractors.

2. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease serial number, or unit name, well number, location of the well, and whether lease is Tribal or allotted, (see 43 CFR 3162.6(b)).

3. A complete copy of the approved Application for Permit to Drill, along with any conditions of approval, shall be available to authorized personnel at the drill site whenever active drilling operations are under way.

4. For Wildcat wells only, a drilling operations progress report is to be submitted weekly from spud date until the well is completed and the Well Completion Report (Form 3160-4) is filed. The report should be on paper not less than 5 X 8 inches in size, and each page should identify the well by operator's name and number, and by well location.

5. Immediate notice is required of all blowouts, fires and accidents involving life-threatening injuries or loss of life. (See NTL-3A).

6. Prior approval by the Area Manager is required for variance from the approved drilling program and before commencing plugging operations, plugback work, casing repair work, corrective cementing operations, or suspending drilling operations indefinitely. Emergency approval may be obtained orally, but such approval does not waive the written report requirements.

7. All shows of fresh water and minerals will be reported and protected.

8. Title 43 CFR 3162.4-1(c), requires that not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, (Form 3160-5), or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed.

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which gas is first measured through permanent metering facilities, whichever first occurs.

#### B. CASING AND CEMENTING REQUIREMENTS

This office shall be notified at least 24 hours in advance of doing the work so that a representative may witness cementing of all casing strings.

#### C. BLOWOUT PREVENTION

1. Blowout preventers and related equipment for well control shall be installed, tested, and maintained in such a manner necessary to maintain well control at all times. All wells, as a minimum shall be equipped with one blowout preventer rated to at least the anticipated formation pressure in accordance with Onshore Order Number Two.

2. Blowout prevention drills shall be conducted at least once weekly to assure that equipment is operational and that each crew is properly trained to carry out emergency duties. All blowout prevention drills and test shall be recorded in the driller's log.

#### D. REPORTS

1. The following reports shall be filed with the Resource Area Manager within 30 days after the work is completed:

2. Original and three copies on Federal and original of Sundry Notice (Form 3160-5), giving complete information concerning:

a. Setting of each string of casing. Show size and depth of hole, grade and weight of casing, depth set, depth of any and all cementing tools that are used, amount (in cubic feet) and types of cement used, whether cement circulated to surface and all cement tops in the casing annulus, casing test method and results, and the date work was done. Show spud date on first report submitted.

b. Intervals tested, perforated (include; size, number, and location of perforations), acidized, or fractured; and results obtained. Show date work was done (a Sundry Notice is not required if a Completion Report is submitted within 30 days of the operation).

3. Well Completion Report (Form 3160-4).

4. One copy of all electrical open-hole logs run.

5. A temperature or cement bond log if cement is not circulated to surface.

#### E. DRILLER'S LOG

1. The following shall be entered in the daily driller's log:

a. Blowout preventer pressure tests, including test pressures and results.

b. Blowout preventer tests for proper functioning.

c. Blowout prevention drill conducted.

d. Casing run, including size, grade, weight, and depth set.

e. How pipe was cemented, including amount of cement, type, whether cement circulated, location of cementing tools, etc..

f. Waiting on cement time for each casing string.

g. Casing pressure tests after cementing, including test pressure and results.

#### F. GAS FLARING

1. Approval is granted to flare gas while drilling and completion testing.

2. Approval is granted to flare gas during completion and initial testing operations not to exceed a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. The 30 calendar day period commences the first day gas is produced. Any gas vented other than that provided for above, and without approval, will result in compensation due the U.S. for the full value of gas so wasted. (See NTL-4A). All venting of gas after the initial 30 day period must be approved by the Area Manager prior to venting.

#### G. SAFETY

1. All rig heating stoves are to be of the explosion-proof type.
2. Drilling rig engines should have water-cooled exhausts.
3. Rig safety lines are to be installed.
4. Hard hats must be utilized.

#### H. SUBSEQUENT OR CHANGE OF PLANS

Any change of plans required in order to mitigate unanticipated conditions encountered during drilling operations, will require verbal approval of within 48 hours of receiving verbal approval, you must submit five copies of a Sundry Notice (Form 3160-5).

#### I. REMOVAL OF DRILLING RIG

Unless a well has been properly cased and cemented, or properly plugged, the drilling rig must not be moved from the drillsite without prior approval from the Bureau of Land Management.

#### J. ABANDONMENT

1. If the well is dry, it is to be plugged in accordance with Onshore Order Number Two. Approval of the proposed plugging program may be obtained orally but must be confirmed in writing by immediately filing a Notice of Intention to Abandon on Form 3160-5, (four copies) with the Area Manager. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where cement plugs are to be placed, type of plugging mud, etc..

2. Install a permanent regulation well marker in accordance with 43 CFR 3162.6(d) and Onshore Order Number Two.

3. Within 30 days after plugging the well, a Subsequent Report of Abandonment is to be filed on (Form 3160-5), in quintuplicate, showing the manner in which the well was plugged, including depths where casing was cut and pulled, intervals (by depths) where cement plugs were placed, and the date plugging was completed.

#### K. SPECIAL STIPULATIONS

1. A minimum of a 2M BOP will be used and configured as required by Onshore Order 2.
2. The use of a choke manifold is not optional. A choke manifold of the appropriate size and configuration to match the BOP as specified in Onshore Order 2 will be used.
3. Sufficient quantities of mud materials shall be maintained or readily accessible to assure well control.