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APS-08-951

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0136
Expires: November 30, 2000

# APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: LC061374A

1a. Type of Work: [X] DRILL [ ] REENTER

6. If Indian, Allotee or Tribe Name:

1b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

7. Unit or CA Agreement Name and No.:

2. Name of Operator: OXY USA Inc. 16696

8. Lease Name and Well No.: Bell Lake #25R 37471

3a. Address: P.O. Box 50250 Midland, TX 79710-0250

3b. Phone No. (include area code): 432-685-5717

9. API Well No.: 30-025- 39253 Per OS

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

At surface: 1150 FSL 990 FWL SWSW(M)

At proposed prod zone: Carlsbad Controlled Water Basin Split Estate

10. Field and Pool, or Exploratory: South Bell Lake Morrow

11 Sec., T., R., M, or Blk. and Survey or Area: Sec 5 T24S R34E

14 Distance in miles and direction from nearest town or post office*: 18 miles northwest from Jal, NM

12. County or Parish: Lea

13. State: NM

| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) | 16. No. of Acres in lease | 17. Spacing Unit dedicated to this well |
|---|---|---|
| 990' | 320 | 320 |

| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. | 19. Proposed Depth | 20. BLM/BIA Bond No. on file |
|---|---|---|
| 500' *Shut-In | 13810' | ES0136 |

| 21. Elevations (Show whether DF, KDB, RT, GL, etc. | 22. Approximate date work will start* | 23 Estimated duration |
|---|---|---|
| 3596.1' GL operator | 9/30/08 | 45 |

24. Attachments

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

1. Well plat certified by a registered surveyor
2. A Drilling Plan
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO 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.

| 25 Signature | Name (*Printed/Typed*) | Date |
|---|---|---|
| | David Stewart | 9/27/08 |

Title: Sr. Regulatory Analyst

| Approved by (Signautre) | Name (*Printed/Typed*) | Date |
|---|---|---|
| /s/ Don Peterson | /s/ Don Peterson | OCT 31 2008 |
| **Title** FIELD MANAGER | **Office** CARLSBAD FIELD OFFICE | |

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

APPROVAL FOR TWO YEARS

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

*(Instructions on Reverse)*

SEE ATTACHED FOR CONDITIONS OF APPROVAL

KZ

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

United States Department of the Interior
Bureau of Land Management
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220

Attention: Linda Denniston

RE: Bell Lake #25R
SW/4 Section 5-T24S-R34E
Lea County, New Mexico

**STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS**

**OPERATOR NAME:** OXY USA Inc.
**ADDRESS:** P.O. Box 4294
Houston, Texas 77210-4294

**The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:**

**LEASE NO.:** LC 061374-A

**LEGAL DESCRIPTION:** 1,150' FSL & 990' FWL
Section 5-T24S-R34E
Lea County, New Mexico

**FORMATIONS:** None

**BOND COVERAGE:** Nationwide

**BLM BOND FILE NO.:** ES 0136

**AUTHORIZED SIGNATURE:** OXY USA Inc
Robbie Abraham

**TITLE:** Land Negotiator

**DATE:** August 22, 2008

cc: David Stewart

**OXY USA Inc.**
A subsidiary of Occidental Petroleum Corporation

6 Desta Drive, Suite 6000, Midland, Texas 79710-0250
P.O. Box 50250, Midland, Texas 79705-0250
Phone 432.685.5600

Ms. Martie Gunter
Senior Landman Advisor
432.685.5632
Martie_gunter@ oxy.com

*Hand delivered*

September 24, 2008

The Rubert Madera Trust
c/o Mr. Bert Madera
130 Madera Road
Jal, NM 88251

RE: Bell Lake Well No. 25R, 1650' FSL & 990' FWL, Sec. 5, T-24-S, R-34-S, Lea County, New Mexico

Dear Mr. Madera:

The above referenced well is on BLM minerals and your private surface. Please sign this letter acknowledging that we have come to an agreement on the surface damages for the above referenced well. Additionally, with the signing of this letter you are acknowledging that OXY has furnished you with a copy of the New Mexico Surface Owners Protection Act ("Act").

These operations will not commence prior to thirty (30) calendar days from the date of this letter. We will contact you via email notifying you of the exact date before commencement of operations begin.

Sincerely,

Martie Gunter

**AGREED TO AND ACCEPTED THIS** 24 day of September, 2008.

Bert

By Bert Madera for the Rubert Madera Trust

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 October 12, 2005
Submit to Appropriate District Office
State Lease- 4 Copies
Fee Lease- 3 Copies

☐ AMENDED REPORT

# WELL LOCATION AND ACREAGE DEDICATION PLAT

| API Number | Pool Code | Pool Name |
|---|---|---|
| 30-025- 39253 | 71960 | South Bell Lake Morrow Gas Pool |

| Property Code | Property Name | Well Number |
|---|---|---|
| 37471 | BELL LAKE | ~~25R~~ 32 |

| OGRID No. | Operator Name | Elevation |
|---|---|---|
| 16696 | OXY USA INC. | 3596.1' per DS |

## Surface Location

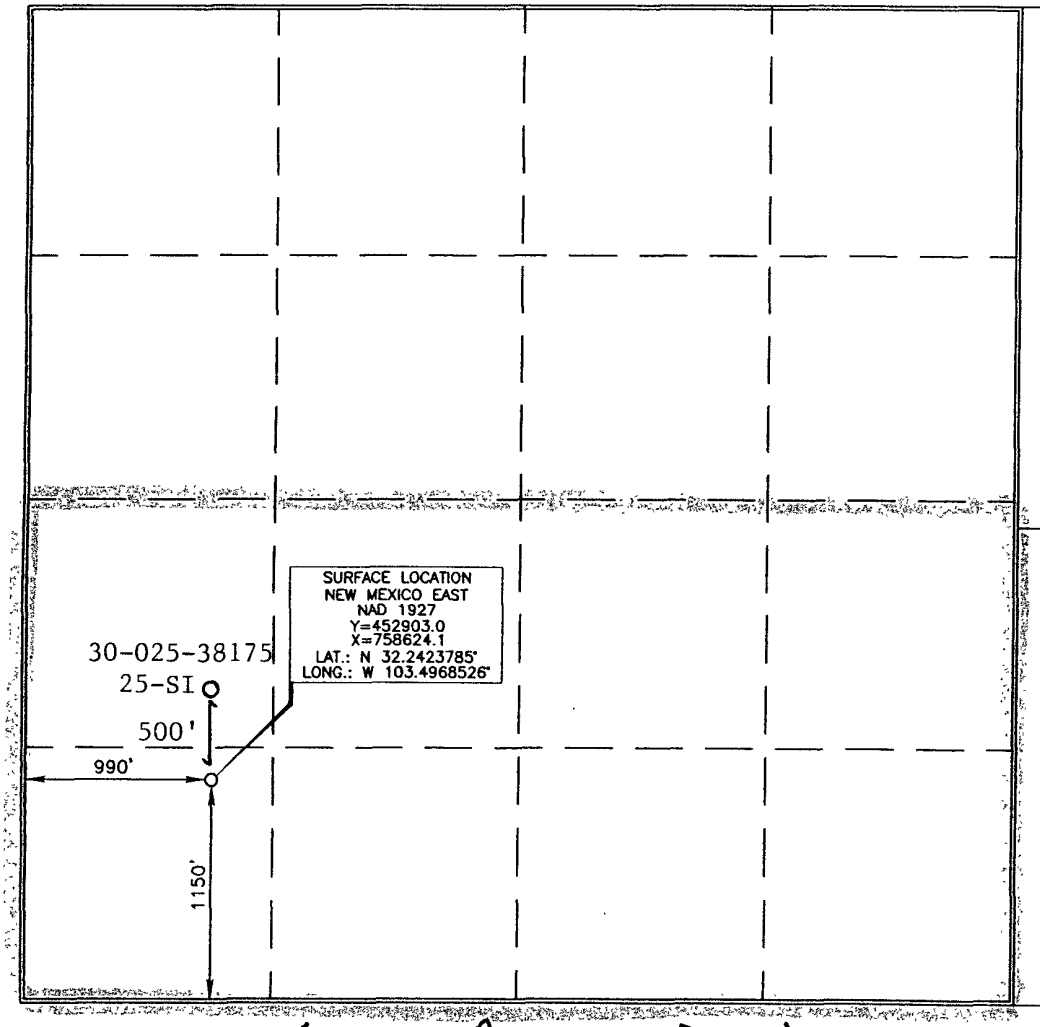
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---|---|---|---|---|---|---|---|---|---|
| M | 5 | 24 SOUTH | 34 EAST, N.M.P.M. | | 1150' | SOUTH | 990' | WEST | LEA |

## 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|---|---|---|---|
| 320 | N | | |

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.




### OPERATOR CERTIFICATION

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

Signature 6/27/08 Date

David Stewart
Printed Name

### SURVEYOR CERTIFICATION

*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.*

JUNE 13, 2008
Date of Survey

Signature and Seal of Professional Surveyor

NEW MEXICO 15079 REGISTERED PROFESSIONAL LAND SURVEYOR

Terry J. Asel 6/12/2008
Certificate Number 15079

WO# 080613WL (KA)

See Amended

Form 3160-5
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO 1004-0135
Expires: November 30, 2000

**SUNDRY NOTICES AND REPORTS ON WELLS**

*Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

***SUBMIT IN TRIPLICATE - Other instructions on reverse side***

5. Lease Serial No: LC061374A
6. If Indian, Allottee or Tribe Name:
7. If Unit or CA/Agreement, Name and/or No.:
8. Well Name and No.: Bell Lake 32
9. API Well No.: 30-025-
10. Field and Pool, or Exploratory Area: South Bell Lake Morrow
11. County or Parish, State: Lea NM

1. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other
2. Name of Operator: OXY USA Inc. 16696
3a. Address: P.O. Box 50250, Midland, TX 79710-0250
3b. Phone No. (*include area code*): 432-685-5717
4. Location of Well (*Footage, Sec., T, R., M., or Survey Description*): 1150 FSL 990 FWL SWSW(M) Sec 5 T24S R34E

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|---|---|---|---|---|
| [X] Notice of Intent | [ ] Acidize | [ ] Deepen | [ ] Production (Start/Resume) | [ ] Water Shut-Off |
| [ ] Subsequent Report | [ ] Alter Casing | [ ] Fracture Treat | [ ] Reclamation | [ ] Well Integrity |
| [ ] Final Abandonment Notice | [ ] Casing Repair | [ ] New Construction | [ ] Recomplete | [X] Other Change Well Number |
| | [ ] Change Plans | [ ] Plug and Abandon | [ ] Temporarily Abandon | |
| | [ ] Convert to Injection | [ ] Plug Back | [ ] Water Disposal | |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

This Application for Permit to Drill was approved 10/31/08 (copy attached) as the Bell Lake #25R. Due to some problems with the well number, OXY USA Inc. respectfully requests that the well name and number be changed to Bell Lake #32. An amended C-102 is also attached changing the spacing unit from a S/2 to a W/2.

14. I hereby certify that the foregoing is true and correct
Name (*Printed/Typed*): David Stewart
Title: Sr. Regulatory Analyst
Date: 11/13/08

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by | Title | Date

Conditions of approval, if any, are attached. Approval of this notice 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. | Office

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes 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.

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
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Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease- 4 Copies
~~Fee Lease- 3 Copies~~
☒ AMENDED REPORT

# WELL LOCATION AND ACREAGE DEDICATION PLAT

| API Number | Pool Code | Pool Name |
|---|---|---|
| 30-025- 39253 | 71960 | South Bell Lake Morrow Pool |

| Property Code | Property Name | Well Number |
|---|---|---|
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| OGRID No. | Operator Name | Elevation |
|---|---|---|
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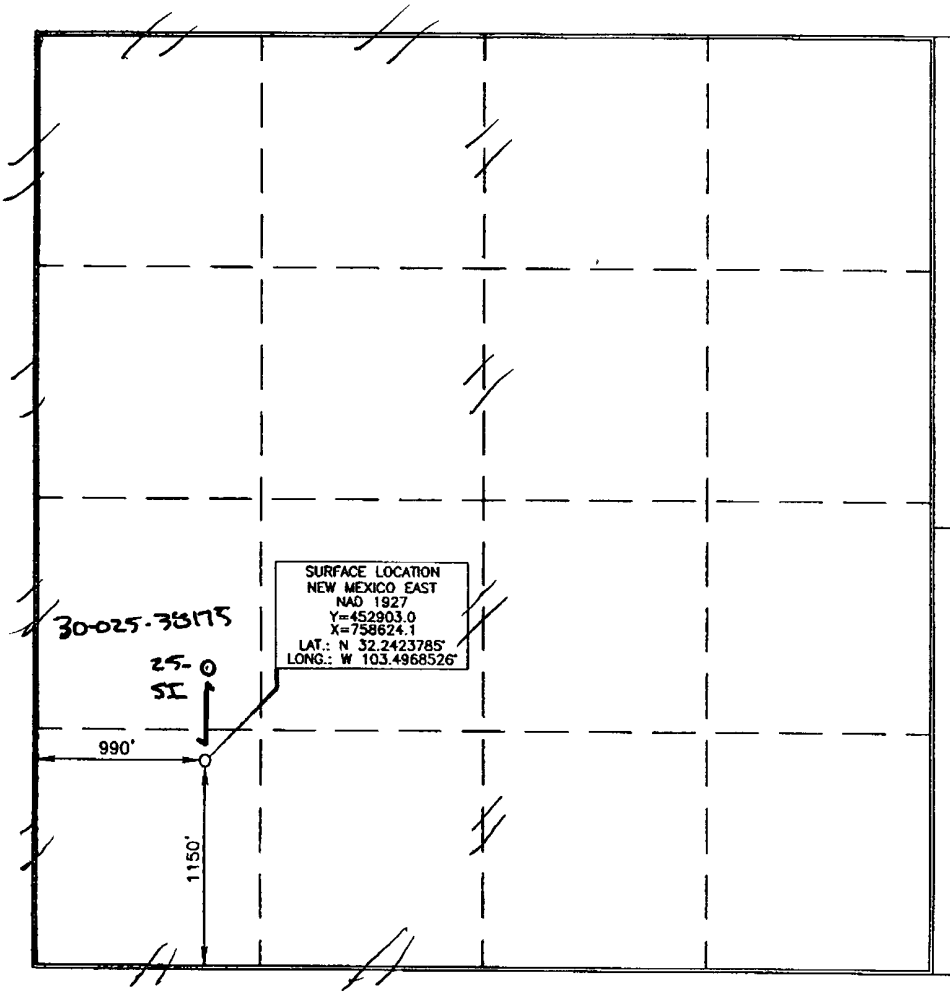
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|---|---|---|---|
| 320 | N | | |

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.




### OPERATOR CERTIFICATION

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.*

11/13/08
Signature Date

David Stewart - Sr Reg Analyst
Printed Name

### SURVEYOR CERTIFICATION

*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.*

JUNE 13, 2008
Date of Survey

Signature and Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
15079
REGISTERED PROFESSIONAL LAND SURVEYOR

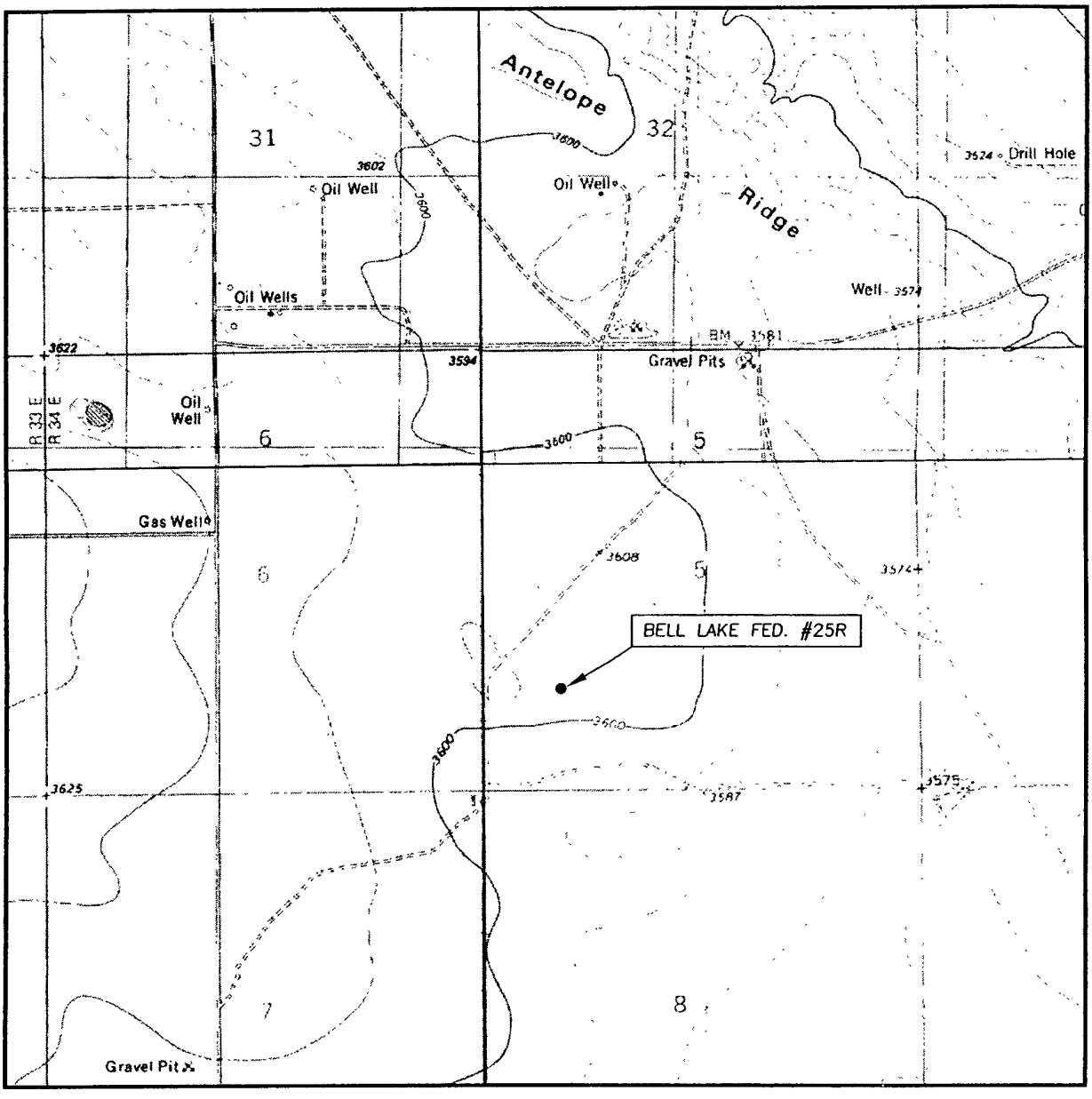
Certificate Number 15079

WO# 080613WL (KA)

Amended

EXHIBIT #2

# LOCATION VERIFICATION MAP




SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

SEC. 5 TWP. 24-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1150' FSL & 990' FWL

ELEVATION 3596.1'

OPERATOR OXY USA INC.

LEASE BELL LAKE FED. #25R

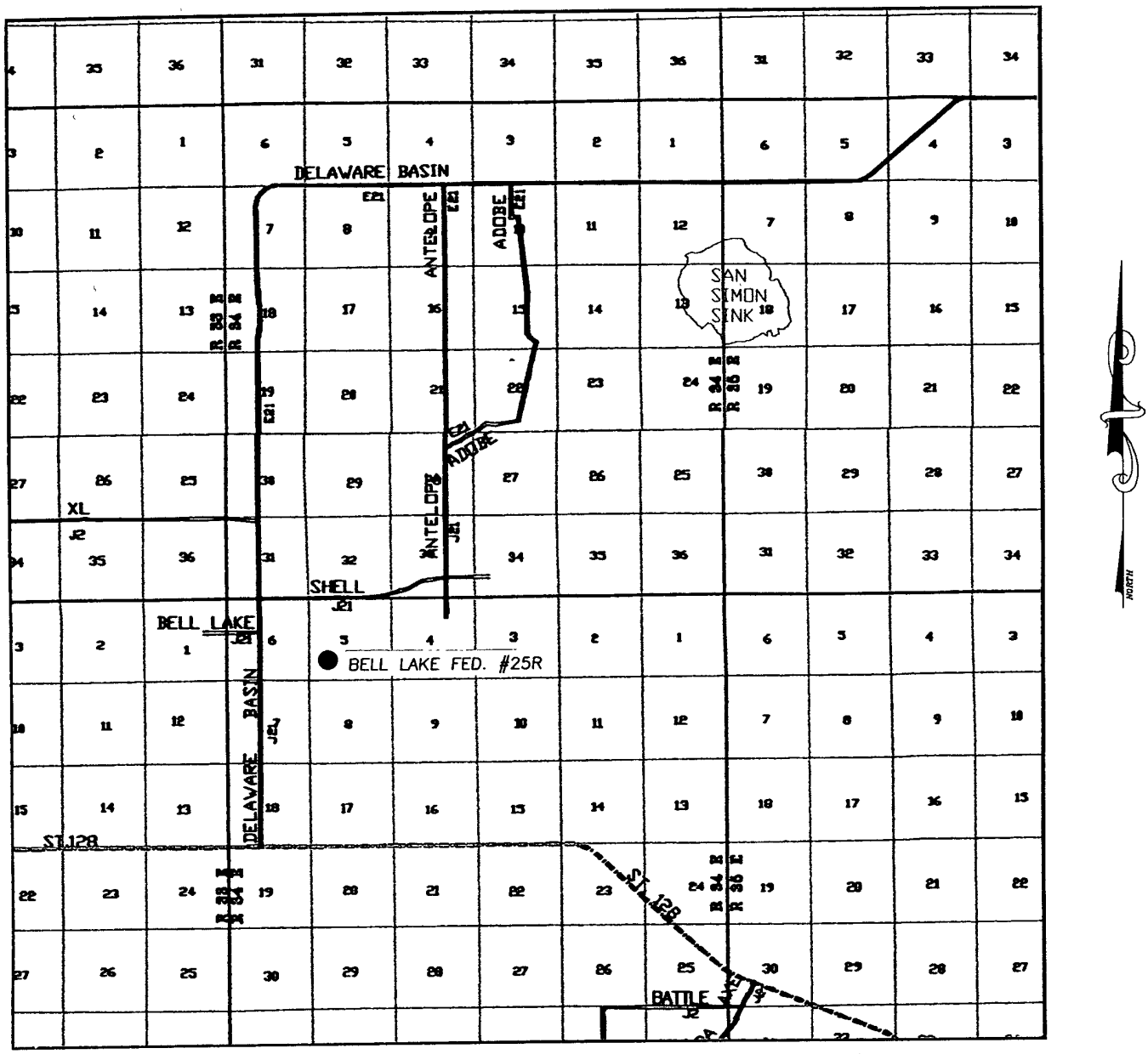
U.S.G.S. TOPOGRAPHIC MAP
WOODLEY FLAT, N.M.


Asel Surveying

P.O. BOX 393 - 310 W. TAYLOR
HOBBS, NEW MEXICO - 575-393-9146

EXHIBIT #2

# VICINITY MAP




SCALE: 1" = 2 MILES

SEC. 5 TWP. 24-S RGE. 34-E
SURVEY N.M.P.M.
COUNTY LEA
DESCRIPTION 1150' FSL & 990' FWL
ELEVATION 3596.1'
OPERATOR OXY USA INC.
LEASE BELL LAKE FED. #25R

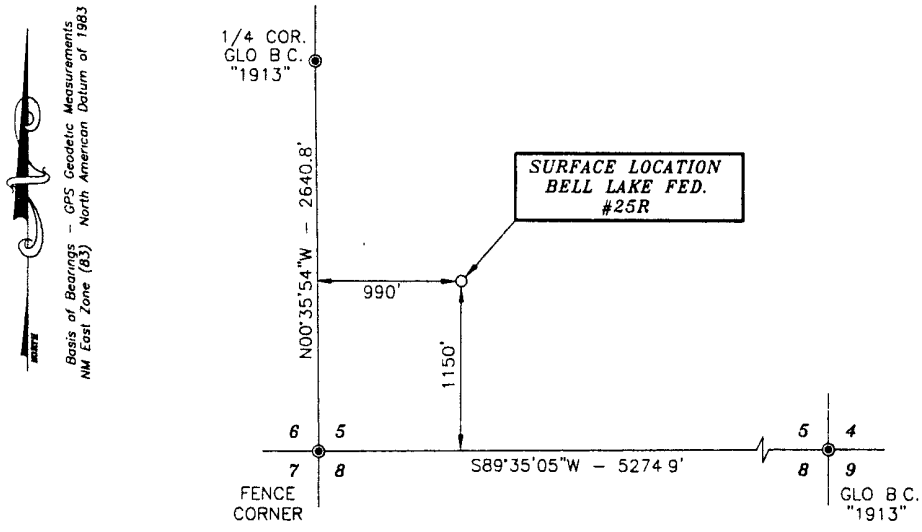
Asel Surveying

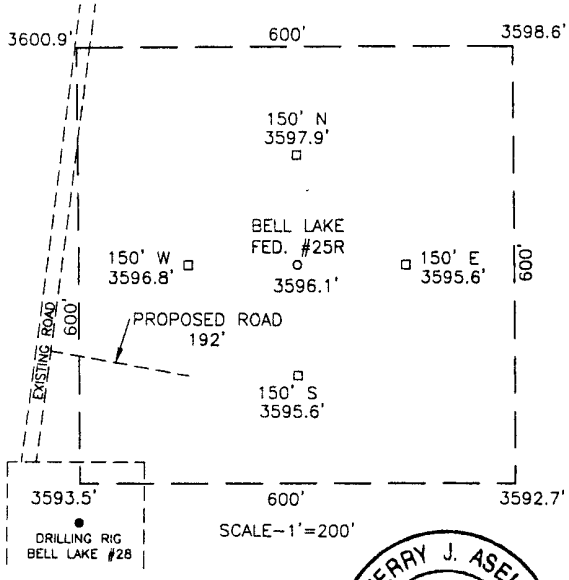
P.O. BOX 393 - 310 W. TAYLOR
HOBBS, NEW MEXICO - 575-393-9146

DIRECTIONS BEGINNING IN JAL AT THE INTERSECTION OF HWY. #128 AND HWY. #18, GO WEST ON HWY. #128 FOR APPX. 20.6 MILES, TURN NORTH ON LEA CO. ROAD #21 (DELAWARE BASIN ROAD) FOR 3.0 MILES, TURN EAST ON LEA CO. ROAD #21B (SHELL ROAD) FOR 0.9 MILES, TURN SOUTH ON LEASE ROAD FOR 0.8 MILES TO LOCATION.

EXHIBIT #2

# SECTION 5, TOWNSHIP 24 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY NEW MEXICO




DRIVING DIRECTIONS:
BEGINNING IN JAL AT THE INTERSECTION OF HWY. #128 AND HWY. #18, GO WEST ON HWY. #128 FOR APPX. 20.6 MILES, TURN NORTH ON LEA CO. ROAD #21 (DELAWARE BASIN ROAD) FOR 3.0 MILES, TURN EAST ON LEA CO. ROAD #21B (SHELL ROAD) FOR 0.9 MILES, TURN SOUTH ON LEASE ROAD FOR 0.8 MILES TO LOCATION.


**LEGEND**

◉ - DENOTES FOUND MONUMENT AS NOTED

1000' 0 1000' 2000' FEET
SCALE: 1"=1000'

**SURVEYORS CERTIFICATE**

I, TERRY J. ASEL, NEW MEXICO PROFESSIONAL SURVEYOR NO. 15079, DO HEREBY CERTIFY THAT I CONDUCTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND MEETS THE "MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO" AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND SURVEYORS.

Terry J. Asel 6/18/2008
Terry J. Asel N.M. R.P.S. No. 15079


Asel Surveying
P.O. BOX 393 - 310 W. TAYLOR
HOBBS, NEW MEXICO - 575-393-9146

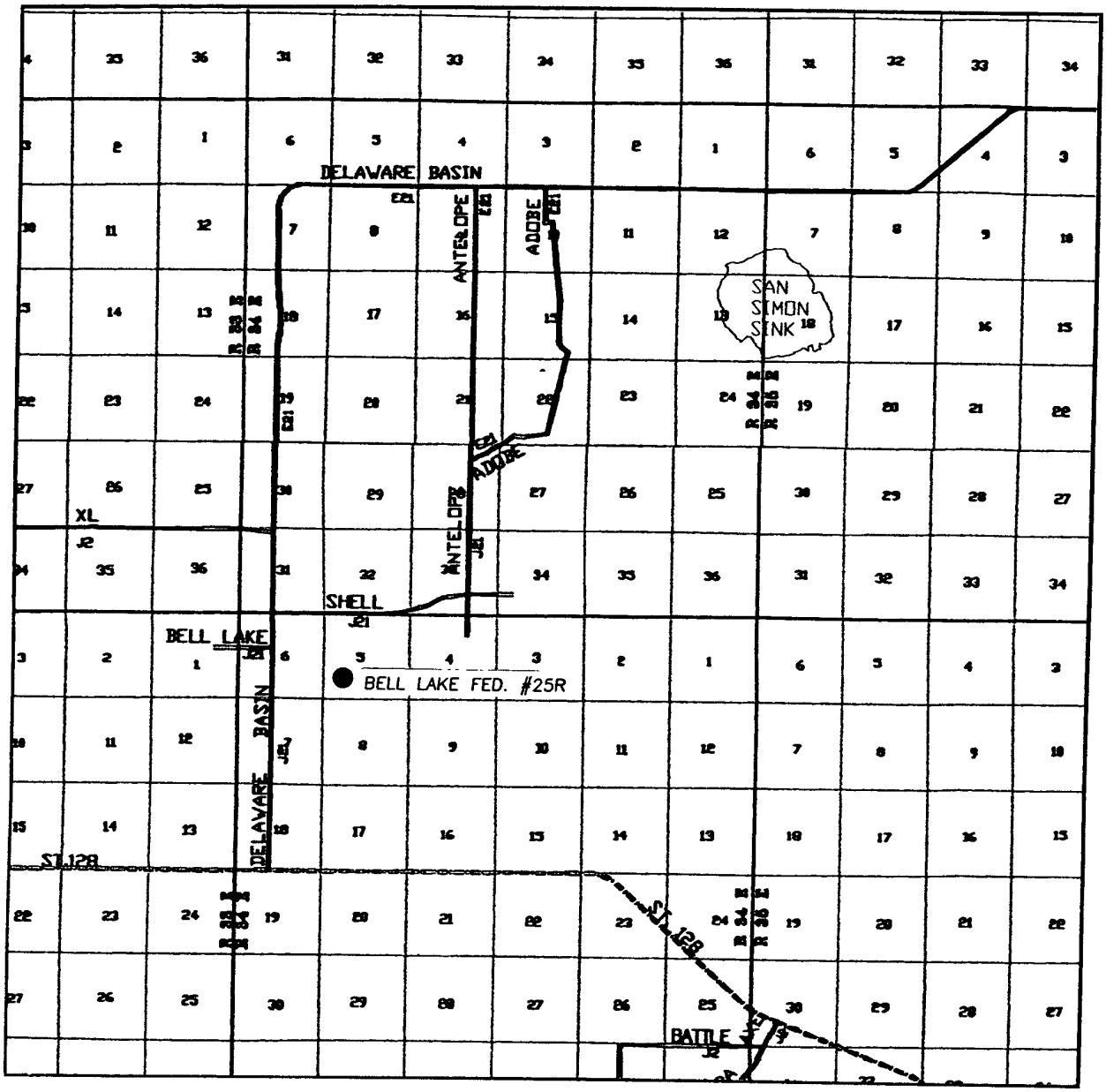

## OXY USA INC.

BELL LAKE FED. #25R IN SECTION 5, TOWNSHIP 24 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO

| | | |
|---|---|---|
| Survey Date: 06/13/08 | Sheet 1 of 1 Sheets | |
| W.O. Number: 080613WL | Drawn By: KA | Rev: |
| Date: 06/16/08 | 080613WL | Scale:1"=1000' |

EXHIBIT #2

# VICINITY MAP




SEC. 5 TWP. 24-S RGE. 34-E
SURVEY N.M.P.M.
COUNTY LEA
DESCRIPTION 1150' FSL & 990' FWL
ELEVATION 3596.1'
OPERATOR OXY USA INC.
LEASE BELL LAKE FED. #25R

SCALE: 1" = 2 MILES

Asel Surveying
P.O. BOX 393 - 310 W. TAYLOR
HOBBS, NEW MEXICO - 575-393-9146

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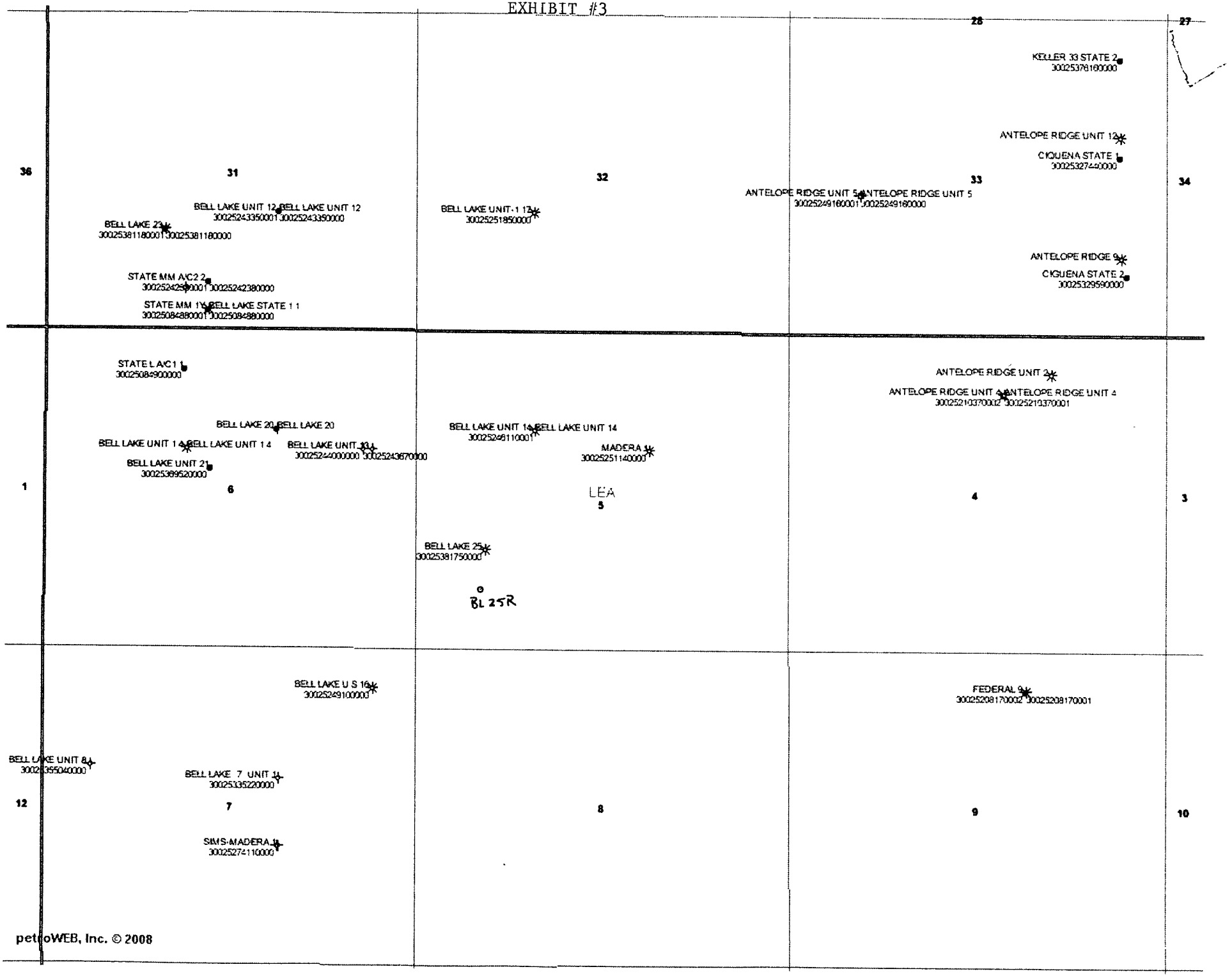
EXHIBIT #3



**DRILLING PROGRAM**

**Operator Name/Number - Occidental Permian LP - OXY USA WTP LP - OXY USA Inc.**

**Lease Name/Number** Bell Lake #25R Federal Lease No. LC061374A

**Pool Name/Number:** South Bell Lake Morrow Gas Pool - 71960

**Surface Location:** 1150 FSL 990 FWL SWSW(M) Sec 5 T24S R34E Lea Cty NM

**1. Geologic Name of Surface Formation:**

a. Permian

**2. Estimated Tops of Geological Markers & Depths of Anticipated Fresh Water, Oil or Gas:**

| | Geological Marker | Depth | Type |
|---|---|---|---|
| a. | Upper Permian Sand | 75' | Water |
| b. | Anhydrite/Rustler | 1200' | --- |
| c. | Delaware | 5135' | Oil/Gas |
| d. | Bone Spring | 8785' | Oil/Gas |
| e. | Lower Bone Spring | 11360' | Oil/Gas |
| f. | Wolfcamp | 11525' | --- |
| g. | Strawn | 12210' | --- |
| h. | Atoka | 12465' | Gas |
| i. | Morrow | 13040' | Gas |

**3. Casing Program:**

| Hole Size | Interval | OD Csg | Weight | Collar | Grade | Condition | Collapse Design Factor | Burst Design Factor | Tension Design Factor |
|---|---|---|---|---|---|---|---|---|---|
| 17-1/2" | 0-1250' | 13-3/8" | 68# | BTC | K55 | New | 3 | 1.64 | 6.2 |
| | | | | | | | | | |
| 12-1/4" | 0-9800' | 9-5/8" | 53.5# | BTC | P110 | New | 1.74 | 1.28 | 3.09 |
| | | | | | | | | | |
| 8-1/2" | 9500-13500' | 7" | 32# | FJP | P110 | New | 1.28 | 2.13 | 4.93 |
| | | | | | | | | | |
| 6" | 13450-13810' | 4-1/2" | 13.5# | FJP | P110 | New | 1.73 | 5.24 | 4.02 |

All casing is new and API approved.

Give COA

**4. Cement Program**

a. 13-3/8" Surface — Cement to Surface w/ 610 sx HES HalCem C w/ 1% $CaCl_2$ 13.5 ppg 1.733 yield followed by 490sx HES HalCem C w/ 2% $CaCl_2$., 14.8 ppg 1.347 yield

b. 9-5/8" Production — w/ 1500 sx EconoCem H w/ .3% HR-800 +.3% Econolite 11.9 ppg 2.486 yield followed by 375sx Versacem H w/ .2% HR-800+ 1% salt + 0.5 % Halad 9 14.2ppg 1.298yield. Estimated TOC @ 750 ft

c. 7" Liner — Cement w/ 610 sx VersaCem H w/ .5% Halad 344 0.3% CFR-3 1% Salt .2% HR-800 14.4 ppg 1.256 yield Estimated TOC @ 9,200 ft

d. 4-1/2" Liner — Cement w/ 85sx VersaCem H w/ .6% Halad 344 0.25% CFR-3 1% Salt 0.4% HR-800 14.4 ppg Yield 1.257 Estimated TOC @ 13,450 ft

5. **Pressure Control Equipment:**

0-1250 ft — None

1250 ft - 13800 ft — 10M stack: Annular - Pipe - Blind - Pipe.

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a (10M system) double ram type (10,000psi WP) preventer, a single ram preventer (10,000 psi WP) and a bag-type (Hydril) preventer (5,000psi WP) and rotating head. All units will be hydraulically operated and the ram type preventer will be equipped with pipe rams on top, blind rams in the middle and and rams on bottom. The drilling head will be installed on the 13-3/8" surface casing and utilized continuously until total depth is reached. All BOP's and associated equipment will be tested to 1200psi on the stump before drilling out the 13-3/8" casing shoe. Prior to drilling out the 9-5/8" casing shoe, the BOP's and Hydril will be tested as per BLM Drilling Operations Order #2.

See COA

See COA

Pipe Rams will be operated and checked each 24-hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily driller's log. A 2" kill line and 3" choke line will be incorporated in the drilling spool below the ram-type BOP. Other accessory BOP equipment will include a Kelly cock, floor safety valve, choke lines and choke manifold having a 10000 psi WP rating.

6. **Proposed Mud Circulation System**

| Depth | Mud Wt. ppg | Visc sec | Fluid Loss | Type System |
|---|---|---|---|---|
| 0-1250 ft | 8.6-8.8 | 32-34 | N/C | Fresh Water/native mud |
| 1250-9800 ft | 10.1 | 28-29 | N/C | Brine Water. Weight due to salinity, not required for pressure control. |
| 9800 - 13500 ft | 10.0-12.5 | 32-36 | 8-12 | cut brine / polymer |
| 13500 - 13800 ft | 8.4 - 8.6 | 32-36 | 5-8 | Fresh water / barazan / Starch |

7. **Auxiliary Well Control and Monitoring Equipment:**
   a. A Kelly cock will be in the drill string at all times.
   b. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.
   c. Hydrogen Sulfide detection equipment will be in operation after drilling out the surface casing shoe until the production casing is cemented. Breathing equipment will be on location upon drilling the surface casing shoe until total depth is reached.

8. **Logging, Coring and Testing Program:**
   a. Drill stem tests are not anticipated but if done will be based on geological sample shows.
   b. The open hole electrical logging program will consist of: Triple Combo - CNL\LDT\DLL
   c. No coring program is planned but if done will be sidewall rotary cores.
   d. Mud logging program will be initiated from 5100' to TD.

9. **Potential Hazards:**
   No abnormal pressures, temperatures or $H_2S$ gas are expected. The highest anticipated pressure gradient would be .55psi/ft. If $H_2S$ is encountered the operator will comply with the provisions of Onshore Oil & 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. Adequate flare lines will be installed off the mud/gas separator where gas may be flared safely.

**10. Anticipated Starting Date and Duration of Operations:**

Road and location construction will begin after the BLM has approved the APD Anticipated spud date will be as soon as possible after BLM approval and as soon as a rig will be available. Move in operations and drilling is expected to take 45 days. If production casing is run, then an additional 30 days will be needed to complete the well and construct surface facilities and/or lay flow lines in order to place well on production.

## OXY USA Inc. – Bell Lake #25R – Corrected APD Information

### Casing Program

| String | Depth (ft) | OD (in) | ID (in) | Coupling OD (in) | Drift (in) | Weight (#/ft) | Grade | CXN | Burst (psi) | Collapse (psi) | Tension (k-lbs) | Torque (ft-lbs) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | Minimum | Optimum | Maximum |
| Conductor | 0-80' | 20 | 19.124 | 21.0 | 18.936 | 94 | K-55 | BTC | 2110 | 520 | 1479 | | 9550 | |
| Surface | 0'-1,250' | 13.375 | 12.415 | 14.375 | 12.259 | 68 | J-55 | BTC | 3450 | 1950 | 1069 | 5060 | 6750 | 8440 |
| Production casing | 0'-9,800' | 9.625 | 8.535 | 10.625 | 8.50 S | 53.50 | P-110 | BTC | 10900 | 7950 | 1710 | 10670 | 14220 | 17780 |
| Production Liner | 9,500' – 13,500' | 7 | 6.184 | 7 | 6.00 S | 32 | P-110 | FJ | 12460 | 10780 | 741 | 5,300 | 7,000 | 8,700 |
| Production Liner | 13,450' – 13,810' | 4-1/2 | 3.920 | 4-1/2 | 3.795 | 13.50 | P-110 | FJ | 12410 | 10690 | 280 | 4,950 | 5,500 | 6,050 |

See COA

**Casing Design factors:**

| Hole Size | Interval | OD Csg | Weight | Collar | Grade | Condition | Collapse Design Factor | Burst Design Factor | Tension Design Factor |
|---|---|---|---|---|---|---|---|---|---|
| 17-1/2" | 0-1250' | 13-3/8" | 68# | BTC | K55 | New | 3 | 1.64 | 6.2 |
| | | | | | | | | | |
| 12-1/4" | 0-9800' | 9-5/8" | 53.5# | BTC | P110 | New | 1.74 | 1.28 | 3.09 |
| | | | | | | | | | |
| 8-1/2" | 9500-13500' | 7" | 32# | FJP | P110 | New | 1.28 | 2.13 | 4.93 |
| | | | | | | | | | |
| 6" | 13450-13810' | 4-1/2" | 13.5# | FJP | P110 | New | 1.73 | 5.24 | 4.02 |

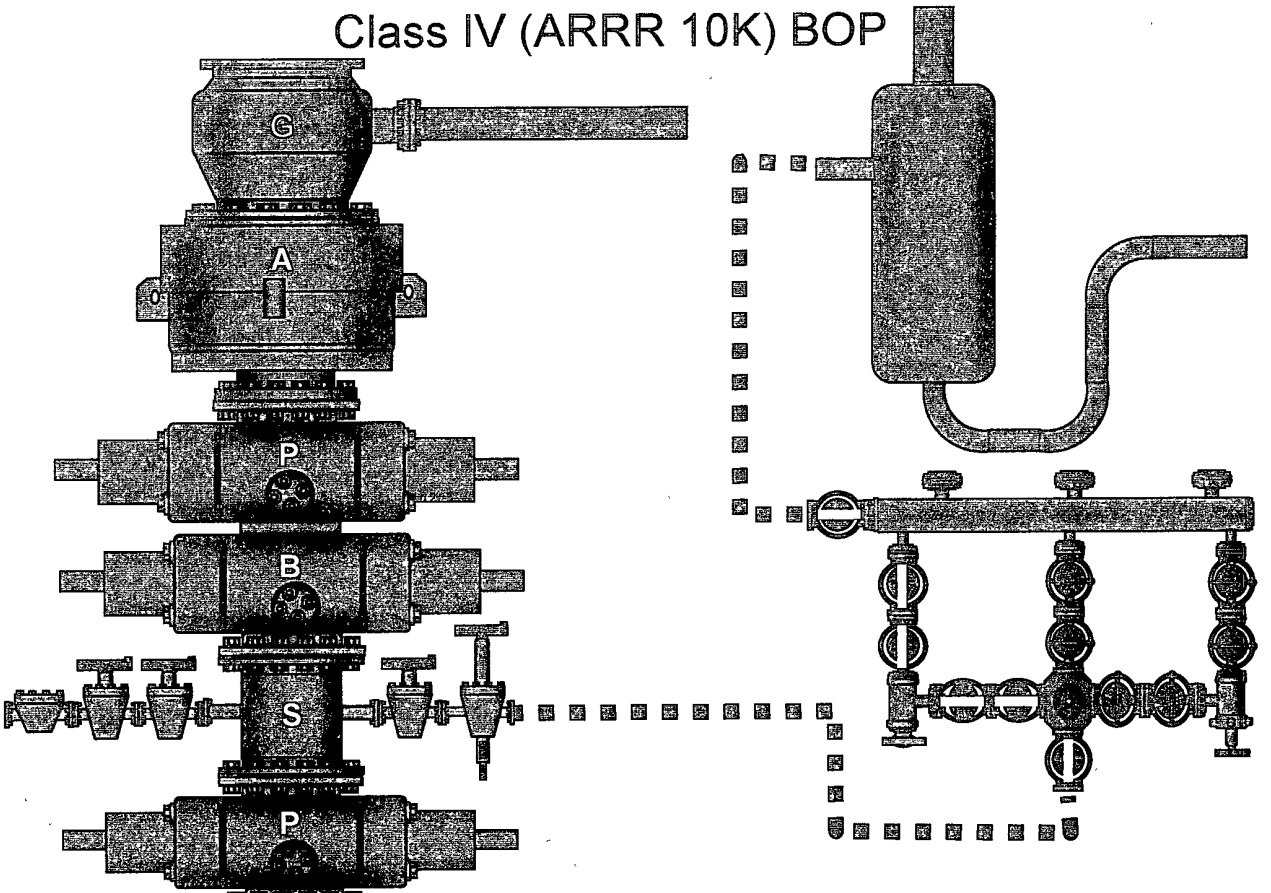
All casing is new and API approved.

See COA

**Cement Program**

| | | | |
|---|---|---|---|
| a. | 13-3/8" | Surface | Cement to Surface w/ 610 sx HES HalCem C w/ 1% $CaCl_2$ 13.5 ppg 1.733 yield<br>followed by 490sx HES HalCem C w/ 2% $CaCl_2$., 14.8 ppg 1.347<br>yield |
| b. | 9-5/8" | Production | w/ 1500 sx EconoCem H w/ .3% HR-800 +.3% Econolite 11.9 ppg 2.486 yield<br>followed by 375 sx Versacem H w/ .2% HR-800+ 1% salt + 0.5 % Halad 9 14.2 ppg 1.298<br>yield.<br>Estimated TOC @ 750 ft |
| c. | 7" | Liner | Cement w/ 610 sx VersaCem H w/ .5% Halad 344 0.3% CFR-3 1% Salt .2% HR-800<br>14.4 ppg 1.256 yield<br>Estimated TOC @ 9,200 ft |
| d. | 4-1/2" | Liner | Cement w/ 85sx VersaCem H w/ .6% Halad 344 0.25% CFR-3 1% Salt 0.4% HR-800<br>14.4 ppg Yield 1.257<br>Estimated TOC @ 13,450 ft |

# Class IV (ARRR 10K) BOP




$13^5/_8$" 5M x $13^5/_8$" 10M DSA

$20^3/_4$" 3M x $13^5/_8$" 5M CASING HEAD

20" SOW – $20^3/_4$" 3M Starter Head

20" Surface casing @750 ft — no longer correct 10/30/08 MRL

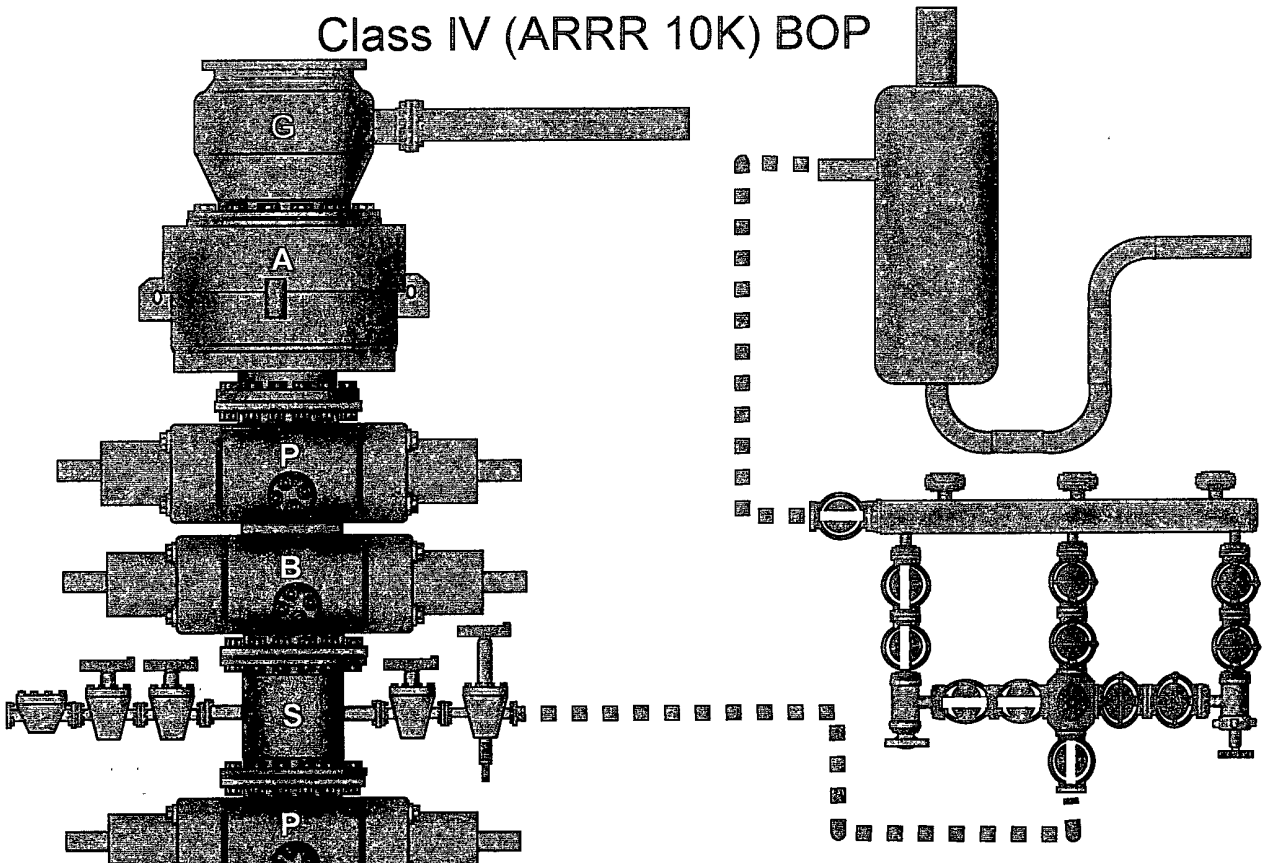
$13^3/_8$" Casing @ 5,100 ft

**Test BOP & Casing to 2000 psi**

See COA

$12^1/_4$ "OH @ 11,900 ft

# Class IV (ARRR 10K) BOP




11" 10M x $13^5/_8$" 10M Adaptor

$13^5/_8$" 5M x 11" 10M CASING HEAD

$20^3/_4$" 3M x $13^5/_8$" 5M CASING HEAD

20" SOW – $20^3/_4$" 3M Starter Head

20" Surface casing @750 ft

$13^3/_8$" Casing @ 5,100 ft

$9^5/_8$" Casing @ 11,900 ft

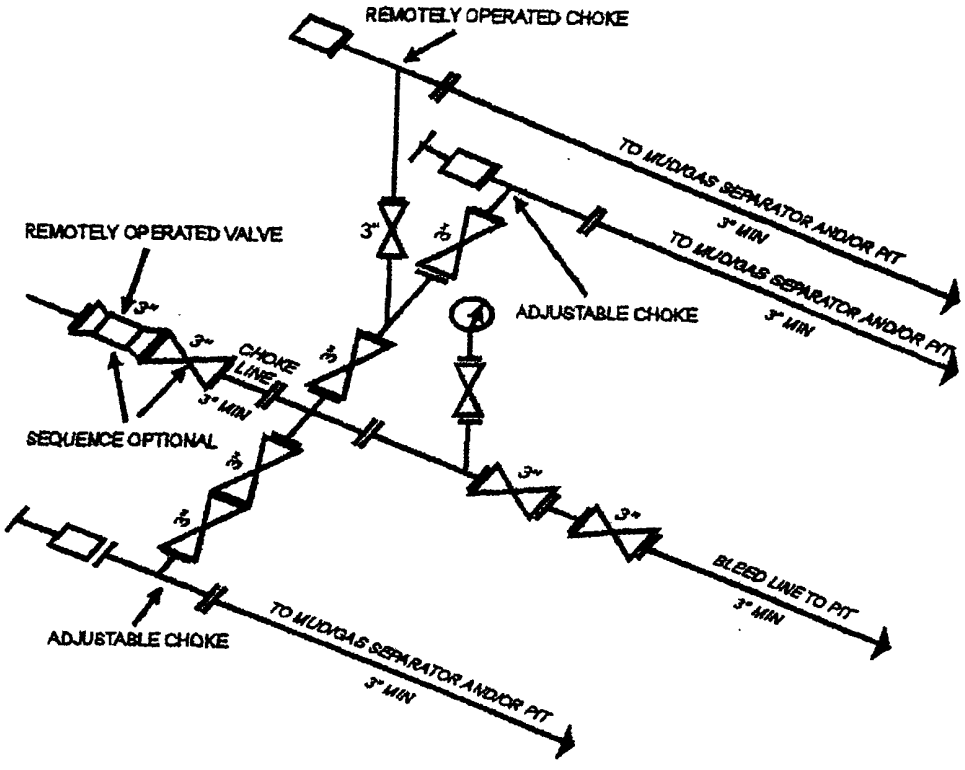
Morrow B @ 13,500 ft

Well TD @ 13,810 ft

**TEST BOP to 8,000psi & casing to 7,500 psi**

See COA

EXHIBIT #1




10M AND 15M CHOKE MANIFOLD EQUIPMENT - CONFIGURATION OF CHOKES MAY VARY
[53 FR 49661, Dec. 9, 1988 and 54 FR 39528, Sept. 27, 1989]

Attachment I - 3

# Drilling Dept. Emergency Contact list

| | | |
|---|---|---|
| **Drilling Manager** | **Bob Joseph** | **713-366-5798 office**<br>**661-333-7356 cell**<br>**home** |
| **Drilling Superintendent** | **Festus Hagan** | **713-366-5946 office**<br>**432-894-5352 cell**<br>**home** |
| **Drilling Eng. Supervisor** | **Richard Jackson** | **432-685-5877 office**<br>**432-894-7867 cell**<br>**432-689-0804 home** |
| **HES Specialist-Drilling** | **Allan Wells** | **432-685-5723 office**<br>**432-894-1011 cell**<br>**432-695-4352 home** |
| **Drilling Coordinator** | **Drue Dunaway** | **432-685-5715 office**<br>**432-556-3288 cell**<br>**432-524-2161 home** |
| **Drilling Coordinator** | **Kevin Videtich** | **806-592-6213 office**<br>**806-891-2000 cell**<br>**806-894-2242 home** |

# PECOS DISTRICT
# CONDITIONS OF APPROVAL

| | |
|---|---|
| OPERATOR'S NAME: | OXY USA INC. |
| LEASE NO.: | LC061374A |
| WELL NAME & NO.: | Bell Lake No 25R |
| SURFACE HOLE FOOTAGE: | 1150' FSL & 990' FWL |
| BOTTOM HOLE FOOTAGE | |
| LOCATION: | Section 5, T. 24 S., R 34 E., NMPM |
| COUNTY: | Lea 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**
☒ **Construction**
- Notification
- Topsoil
- Reserve Pit – Closed-loop mud system
- Federal Mineral Material Pits
- Well Pads
- Roads

☐ **Road Section Diagram**
☒ **Drilling**
- **BOP requirements**

☐ **Production (Post Drilling)**
☐ **Reserve Pit Closure/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. CONSTRUCTION

## A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Hobbs Field Station at (505) 393-3612 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

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

## C. RESERVE PITS

The operator has applied for a closed-loop system. The operator shall properly dispose of drilling contents at an authorized disposal site.

## D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the
Carlsbad Field Office at (505) 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. 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 thirty (30) 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.

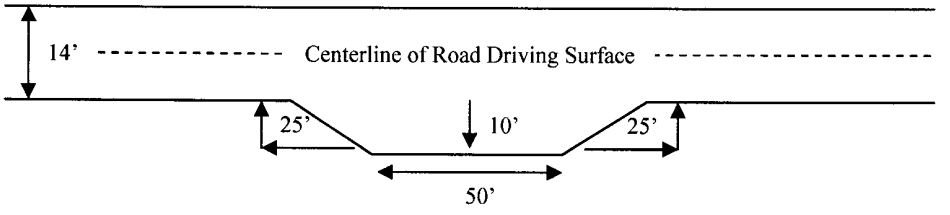
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing 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 be constructed on all blind curves. Turnouts shall conform to the following diagram:

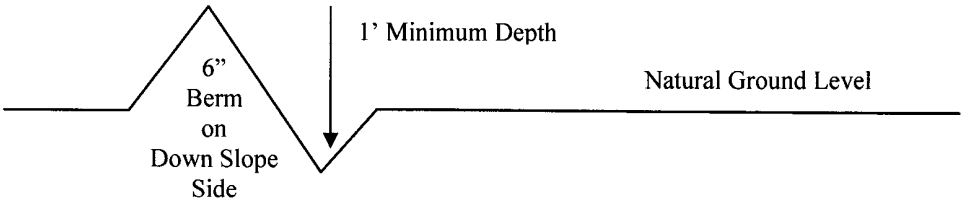
**Standard Turnout – Plan View**




**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:

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

**Culvert Installations**
Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

**Cattleguards**
An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road 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 cattleguard(s) that are in place and are utilized during lease operations.

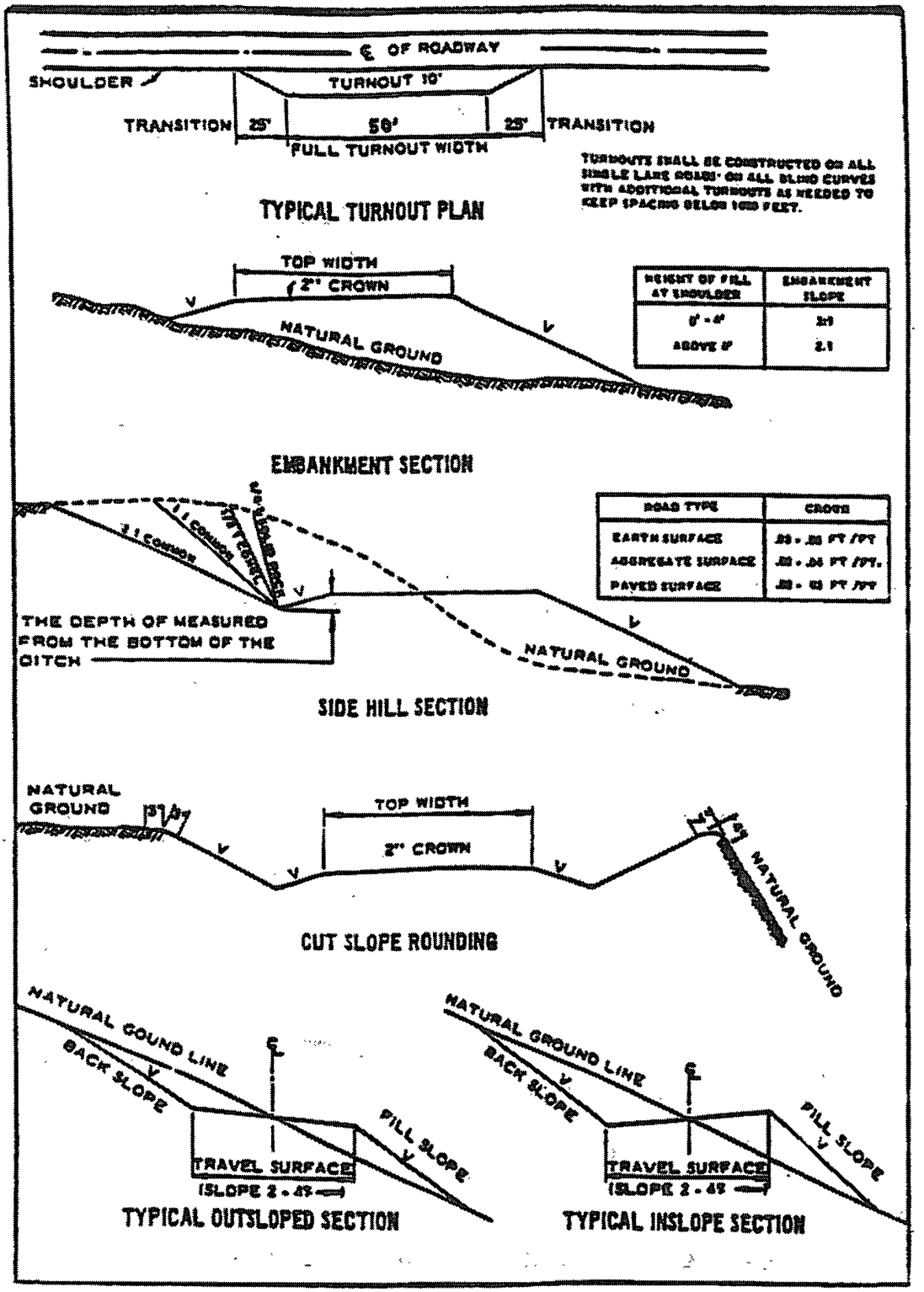
A gate shall be constructed and fastened securely to H-braces.

**Fence Requirement**
Where entry is required 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 fence(s).

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

## Figure 1 – Cross Sections and Plans For Typical Road Sections



# VI. DRILLING

## A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

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

☒ **Lea County**
Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Delaware** formation. **If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

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 are located, this does not include the dog house or stairway area.

## B. CASING

**Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.**

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

**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 for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.**

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

**Possible lost circulation in the Delaware and Bone Spring formations.**
**High pressure in the Wolfcamp and the Pennsylvanian section.**

1. The **13-3/8** inch surface casing shall be set **at approximately 1250 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with 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 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:

    ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.

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

3. The minimum required fill of cement behind the **7** inch production liner is:

    ☒ Cement to top of liner. Operator shall provide method of verification. **Seal on liner is to be tested per Onshore Oil and Gas Order 2.III.B.1.b. Report results on subsequent sundry.**

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

4. The minimum required fill of cement behind the **4-1/2** inch production liner is:

   ☒ Cement to top of liner. Operator shall provide method of verification. **Seal on liner is to be tested per Onshore Oil and Gas Order 2.III.B.1.b. Report results on subsequent sundry.**

5. 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 **3000 (3M)** psi.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** intermediate casing shoe shall be **10,000 (10M)** psi. **Annular preventer to be rated to 10M. Choke manifold to be 10M system.**

4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **7"** second intermediate casing shoe shall be **10,000 (10M)** psi. **Annular preventer to be rated to 10M. Choke manifold to be 10M system.**

5. The appropriate BLM office shall be notified a minimum of 4 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.

e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

f. **The variance for testing of the BOP/BOPE on the surface casing is not approved since MASP for the next hole is approximately 3000 psi. Test to be done to 3000 psi. Annular preventer does not meet this requirement, must have 3M stack or larger in place.**

## D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented.

## E. DRILL STEM TEST

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

**NOTE – area code for Eddy/Lea counties is 575 with effective date 10/05/2008 according to Windstream.**

**WWI 102508**

# 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.

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.

Seed Mixture 1, for Loamy Sites

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

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

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

| Species | lb/acre |
|---|---|
| Plains lovegrass (Eragrostis intermedia) | 0.5 |
| Sand dropseed (Sporobolus cryptandrus) | 1.0 |
| Sideoats grama (Bouteloua curtipendula) | 5.0 |

*Pounds of pure live seed:

Pounds of seed **x** percent purity **x** percent gemination = pounds pure live seed

## X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.