

30005-29204

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RECEIVED

**PECOS DISTRICT
Roswell Field Office
March 2013
2909 West Second
Roswell, NM 88201
CONDITIONS OF APPROVAL
Exhibit B**

OPERATORS NAME: Chesapeake Operating Inc.
LEASE NO: NMNM 105885
WELL NAME & NO: #4H Perseus 10 Federal Com
Location: Section 10, Township 15S, Range 31E.
SURFACE HOLE LOCATION: 660 FNL & 200 FEL
BOTTOM HOLE LOCATION: 660 FNL & 330 FWL
COUNTY: Chaves, NM

A. 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. Approval of the APD does not warrant that any party holds equitable or legal title. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

The Operator shall submit a Sundry Notice (Form 3160-5) to the Bureau of Land Management, Roswell Field Office (address above) for approval prior to beginning any new surface-disturbing activities or operations that are not specifically addressed and approved by this APD.

A site facility diagram (Onshore Order 3, Section III, I. and 43 CFR 3162.7-5(d)) for the purpose of a site security plan (Onshore Order 3, Section III. H and 43 CFR 3162.7-5 c shall be filed no later than 60 calendar days following first production.

The approval of this APD does not grant authority to use off-lease federal lands. Facilities approved by this APD and/or sundry Notices that are no longer included within the lease, due to a change in the lease or unit boundary will be authorized with a right-of-way. Similarly, should unit or lease boundaries change during the life of the project; the Operator will be responsible for acquiring necessary rights-of-way for affected facilities.

B. 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,

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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).

C. 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. A valuation 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.

D. Paleontological Resources

If previously undocumented paleontological sites are encountered during construction, the project proponent will immediately stop all construction activities in the immediate vicinity of the discovery. The proponent will then immediately notify the paleontological monitor (if required), or the BLM/RFO paleontology resource staff. It is necessary to protect fossil material and their geological context upon discovered during construction. The BLM would then evaluate the site. Should the discovery be evaluated as significant, it will be protected in place until mitigation measures can be developed and implemented according to guidelines set by the BLM. Mitigation measures such as data and fossil recovery may be required by the BLM to prevent impacts to newly identified paleontological resources.

E. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). 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.

F. CONSTRUCTION

NOTIFICATION: The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0272 at least three (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 Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

Construction over and/or immediately adjacent to existing pipelines shall be coordinated, and in accordance with, the relevant pipeline companies' policy.

Any trench left open for eight (8) hours or less is not required to have escape ramps; however, before the trench is backfilled, an agency approved monitor shall walk the entire length of the open trench and remove all trapped fauna. The bottom surface of the trench will be disturbed a minimum of 2 inches in order to arouse any buried fauna. All fauna will be released a minimum of 100 yards from the trench.

For trenches left open for eight (8) hours or more, earthen escape ramps (built at nor more than a 30 degree slope and spaced no more than 500 feet apart) shall be placed in the trench. Structures will also be authorized within the trench. Metal structures will not be authorized. Structures used as escape ramps will be placed at no more than a 30 degree slope and spaced no more than 500 feet apart.

G. Cave/Karst

Any cave or karst feature, such as a deep sinkhole, discovered by the co-operator/contractor or any person working on the co-operator/contractor behalf, on BLM-managed public land shall be immediately reported to the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate action(s). Any decision as to the further mitigation measures will be made by the Authorized Officer after consulting with the co-operator/contractor.

H. TOPSOIL:

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator shall stockpile the stripped topsoil in shallow rows adjacent to the constructed well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. The topsoil will not be used to construct the containment structure or earthen dike that is constructed and maintained on the outside boundaries of the constructed well pad.

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/restoration of the disturbed areas as described in the attached Conditions of Approval.

Road constructions requirements and regular maintenance would alleviate potential impacts to the access road from water erosion damage.

I. CLOSED LOOP SYSTEMS:

No reserve pit will be used.

Steel tanks are required for drilling operations: No Pits Allowed.

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

J. FEDERAL MINERAL MATERIALS PIT:

The well pads and access roads have been constructed and surfaced with caliche. If additional material is needed payment shall be made to the BLM prior to removal of any federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office (575) 627-0270.

K. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material will 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 need.

J. ON LEASE ACCESS ROADS:

Road Egress and Ingress

The on lease access road shall be constructed to access the Southeast corner of the well pad.

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 will 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

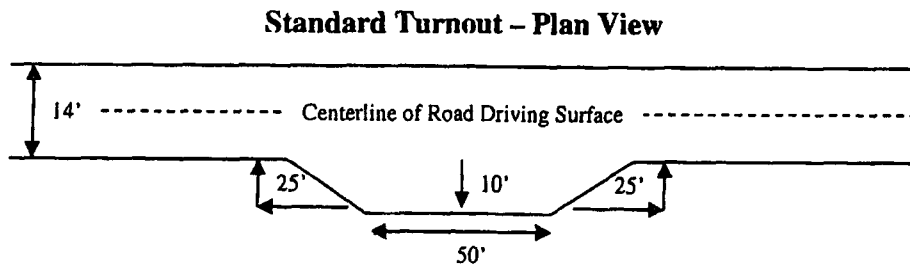
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

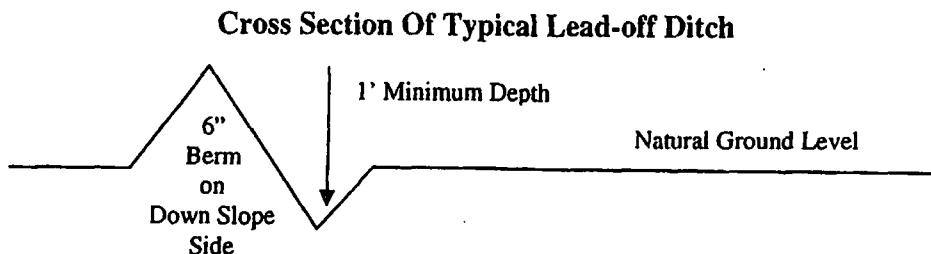
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, side hill out sloping and in sloping, 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.



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:

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

Culvert Installations

Appropriately sized culvert(s) shall be installed at any deep waterway channel flow crossing.

Cattle guards

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

Any existing cattle guard(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 cattle guard(s) that are in place and are utilized during lease operations. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

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

Fence Requirement

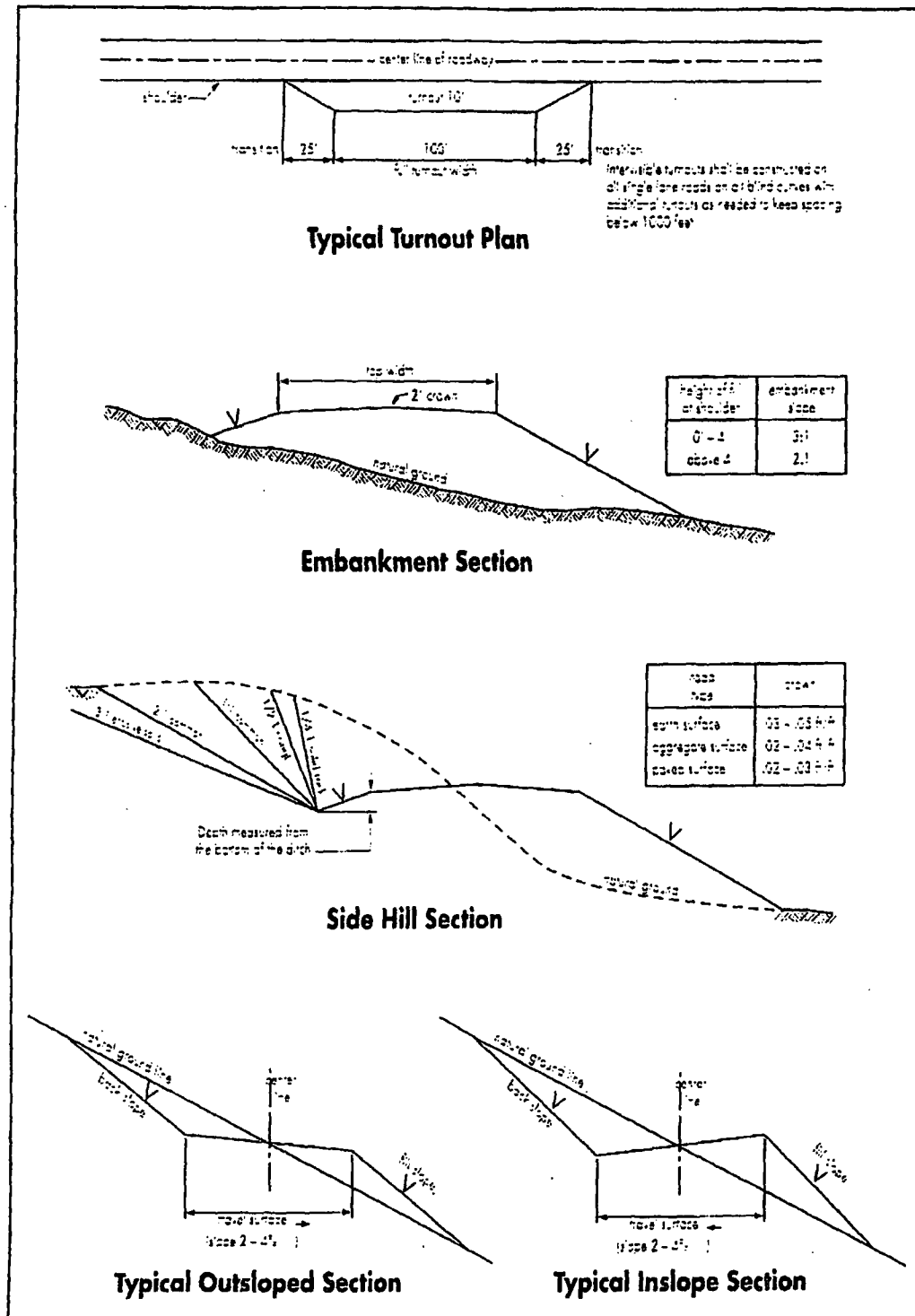
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access along this road will not be restricted by the holder without specific written approval being granted by the authorized officer. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



K. DRILLING:

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During or after office hours call (575) 627-0205. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.
2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:
 - a. Spudding well
 - b. Setting and/or Cementing of all casing strings
 - c. BOPE Tests
3. 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.
4. Include the API Number assigned to well by NMOCD on the subsequent report of setting the first casing string.
5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
6. The operator will accurately measure the drilling rate in ft/min to set the base of the usable water protection casing string(s) opposite competent rock. The record of the drilling rate along with the caliper-gamma ray-neutron logs covering the productive interval and run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion.
7. Fresh water spud mud will be used to drill to the base of the usable water protection casing string(s). Any polymers used will be water based and non-toxic.

C. CASING

1. The 13-3/8 inch usable water protection casing string(s) shall be set at approximately 400 ft. in competent bedrock.

If not the operator is required to set usable water protecting casing in the next thick competent bedding (i.e. 15 to 25 ft or greater) encountered and cemented to the surface.

- a. If cement does not circulate to the surface, the Roswell Field 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.

- b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression 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 compression strength, whichever is greater.
 - d. If cement falls back, remedial action 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 **sufficient to circulate to the surface**. If cement does not circulate see B.1.a-d above.
 3. The minimum required fill of cement behind the 5-1/2 inch production casing is **sufficient to tie back 500 feet above the uppermost perforation in the pay zone**. If cement does not circulate, 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.
 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.
 5. All casing shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

D. PRESSURE CONTROL

1. Before drilling below the 13-3/8 inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the 9-5/8 inch intermediate casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.
2. Before drilling below the 13-3/8 inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Before drilling below the 9-5/8 inch intermediate casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.
3. The BOPE shall be installed before drilling below the 13-3/8 inch surface casing and the 9-5/8 inch intermediate casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
 - a. The BLM Roswell Field office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

- b. The tests shall be done by an independent service company.
- c. 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.
- d. 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 BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.
- e. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- f. Testing must be done in a safe workman like manner. Hard line connections shall be required.

L. PRODUCTION

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim re-contouring and re-vegetation 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, *Covert Green* (Standard Environmental Color Chart June 2008).

Netting

Netting storage tanks and installation of cones on separator stacks would alleviate losses of wildlife species. Interim reclamation and final rehabilitation through revegetation would return to wildlife previous levels.

Completion Report

In accordance with 43 CFR 3160, Form 3160-4 (Well Completion or Re-completion Report and Log) must be submitted to the Bureau of Land Management, Roswell Field Office within 30 days after completion of the well or producer. Copies of all open hole and cased hole logs, core descriptions, core analyses, well test data, geologic summaries, sample descriptions, formation test reports, stimulation reports, directional survey (if applicable), and all other surveys or data

obtained and compiled during the drilling, completion, and/or work over operations, shall be included with Form 3160-4.

M. INTERIM RECLAMATION

Reclamation earthwork for interim and/or final reclamation shall be completed within 6 months of well completion or well plugging (weather permitting), and shall consist of: 1) backfilling pits, 2) re-contouring and stabilizing the well site, access road, cut/fill slopes, drainage channels, utility and pipeline corridors, and all other disturbed areas, to approximately the original contour, shape, function, and configuration that existed before construction (any compacted backfilling activities shall ensure proper spoils placement, settling, and stabilization), 3) surface ripping, prior to topsoil placement, to a depth of 18-24 inches deep on 18-24 inch centers to reduce compaction, 4) final grading and replacement of all topsoil so that no topsoil's remains in the stockpile, 5) seeding in accordance with reclamation portions of the APD and these COA's.

Any subsequent re-disturbance of interim reclamation shall be reclaimed within six (6) months by the same means described herein.

Prior to conducting interim reclamation, the operator is required to:

- Submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.
- Contact BLM at least three (3) working days prior to conducting any interim reclamation activities, and prior to seeding.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete work over 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 work over 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.

Disturbing re-vegetated areas for production or work over operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Use a certified noxious weed-free seed mixture. Use seed tested for viability and purity in accordance with State law(s) within nine months prior to purchase. Use a commercial seed mixture certified or registered and tagged in accordance with State law(s). Make the seed mixture labels available for BLM inspection.

N. FINAL ABANDONMENT

1. Upon abandonment of the well a Notice of Intent for Plug and Abandonment describing plugging procedures. Followed within 30 days you shall file with this office, a Subsequent Report of Abandonment (Form 3160-5). To be included with this report is where the plugs were placed; volumes of cement used and well bore schematic as plugged.
2. Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer will issue instructions and/or orders for surface reclamation/restoration of the disturbed areas as described in the attached Conditions of Approval which includes the following:
3. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Surface Reclamation with the proposed surface reclamation procedure must be submitted for approval.
4. Surface Reclamation must be completed within 6 months of well plugging. If the operator proposes to modify the plans for surface reclamation approved on the APD, the operator must attach these modifications to the Subsequent Report of Plug and Abandon using Sundry Notices and Reports on Wells, Form 3160-5.
5. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). The well bore shall then be covered with a metal plate at least ¼ inch thick and welded in place. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).
6. **The Operator shall promptly plug and abandoned each newly completed, re-completed or producing well which is not capable of producing in paying quantities.** No well may be temporarily abandoned for more than 30 days without prior approval from this office. When justified by the Operator, BLM may authorize additional delays, no one of which may exceed an additional 12 months. Upon removal of drilling or producing equipment from the site of a well which is to be permanently abandoned, the surface of the lands disturbed shall be reclaimed in accordance with an approved Notice of Intent for reclamation.

O. SURFACE USE PLAN OF OPERATIONS

Surface Reclamation must be completed within 6 months of well plugging. The Operator shall submit to this office a Notice of Intent for Reclamation with described procedures, Form 3160-5.

P. PIPELINE PROTECTION REQUIREMENT

Precautionary measures shall be taken by the operator during construction of the access road to protect existing pipelines that the access road will cross over. An earthen berm; 2 feet high by 3 feet wide and 14 feet across the access road travel way (2' X 3' X 14'), shall be constructed over existing pipelines. The operator shall be held responsible for any damage to existing pipelines. If the pipeline is ruptured and/or damaged the operator shall immediately cease construction operations and repair the pipeline. The operator shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

Q. RANGE REQUIREMENT

The Operator shall keep traffic to a minimum, with the speed limit less than 20 MPH. When conflicts with livestock do arise as a result of the access road and well pad construction, in consultation with the allottee, measures will be taken to resolve the conflicts.

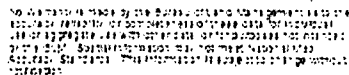
R. WILDLIFE EQUIPMENT

Netting storage tanks and installation of cones on separator stacks would alleviate losses of wildlife species. Interim and final rehabilitation through re-vegetation would return to wildlife previous levels.

S. SPECIAL STIPULATION:

If frac ponds are necessary submit for approval a right-of-way application or sundry notice (Form 3160-5) to the BLM, Roswell Field Office 2909 West Second, Roswell, NM 88201. If frac pond is located on private/State surface and support the enhanced production of federal minerals BLM approval is necessary.

The frac pond will only be authorized to contain freshwater and testing of water quality is required. Additives are not allowed without consent of the authorized officer. If at any time the water in the frac pond becomes polluted with salts or other contaminants, use of the frac pond will cease and desist, and all liquids will be removed from the frac pond and disposed of properly. Mineral materials extracted during construction of the frac pond will be stored on-location and/or used for constructing the frac pond.



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FINDING OF NO SIGNIFICANT IMPACT
DOI-BLM-NM-P010-2013-142-EA

Project: Application for Permit to Drill

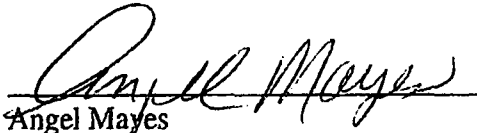
Lease Number: NMNM105885 and Federal minerals

File Code: 3160

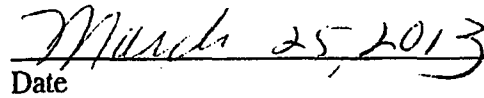
Location: Section 10, T. 15S., R. 31E.

Applicant: Chesapeake Operating INC.

FINDING OF NO SIGNIFICANT IMPACT: Based on the analysis of potential environmental impacts contained in the attached environmental assessment, I have determined that impacts resulting from the proposed action are not expected to be significant and an environmental impact statement is not required.


Angel Mayes

Assistant Field Manager Lands and Minerals


Date

DECISION:

Project: Application for Permit to Drill
Lease Number: NMNM105885 and Federal minerals
Location: Section 10, T. 15S., R. 31E.
Applicant: Chesapeake Operating INC.

It is my decision to authorize the Application for Permit To Drill Or Deepen (APD), for the #4 Perseus 10 Federal Com oil well, submitted by Chesapeake Operating Inc. The provisions for the approval of the APD will include the attachment of the Roswell Field Office requirements as defined in the following exhibits: Exhibit A – Location Map and Exhibit B Conditions of Approval. Based upon the analysis, the Proposed Action (Alternative B) is approved.

The location will be constructed with a 330' wide x 300' long well pad, within a 600'ft wide x 600'ft long area of analysis centered on the footages of the center hole. The access road would be 50' long x 30' wide, aggregating approximately 2.34 acres of total new surface disturbance for both pad and access road. The well will be horizontally drilled on State surface.

The Bureau of Land Management's approval of the APDs does not relieve the lessee and operator from obtaining required authorizations from the private surface owner.

Authority for this action is the Mineral Leasing Act of February 25, 1920, as amended.

RATIONALE FOR DECISION: The Bureau of Land Management staff has reviewed the environmental assessment and identified site-specific mitigation measures to avoid or minimize surface impacts resulting from the construction of this project. The well pad will remain as long term impacts. The cumulative impacts to the environment from existing and new development have been identified.

The operator would be allowed to drill this well as part of the further development of, and in accordance with, terms of their Federal lease.

A bond is required for all operations on Federal oil and gas leases. The bond must guarantee performance and compliance with the lease terms and cover all liabilities arising from, or related to drilling operations on a Federal lease including the restoration of any land or surface waters adversely affected by lease development.

Production history in the Permian Basin has demonstrated that there are no unique or unknown risks. The effects of oil and gas exploration and production are known, and based on experience, mitigation measures and stipulations have been developed to avoid, minimize or eliminate impacts.

The effects on the human environment have not been controversial in the past and the public has not voiced opposition to new wells being drilled in these areas.

Secondary effects on soil, erosion, vegetation, cultural resources, wildlife habitat and recreation resources were considered. Partial reclamation will occur during the production phases and full

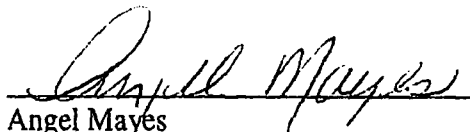
Reclamation will occur after final abandonments. Residual impacts that remain after mitigation measures and implemented are found acceptable.

The proposed action is in conformance with the 1997 Roswell Resource Management Plan 1997, as amended, and conforms to the land-use planning terms and conditions required under 43 CFR 1610.5. This action does not conflict with existing Chaves County land-use planning or zoning.

Administrative Review and Appeal: Under BLM regulations, this Decision Record (DR) is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this DR must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, 301 Dinosaur Trail, Santa Fe, NM 87505, no later than 20 business days after this DR is received or considered to have been received.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals, as provided in 43 CFR 3165.4.

Approved by:

 Date March 25, 2013
Angel Mayes
Assistant Field Manager, Lands and Minerals



**United States Department of the Interior
BUREAU OF LAND MANAGEMENT**

Pecos District

Carlsbad Field Office
620 E. Greene
Carlsbad, NM 88220

Roswell Field Office
2909 W. Second St.
Roswell, NM 88021

www.nm.blm.gov



In reply refer to
1310 (500)

NOV 13 2006

Dear Operator:

Both the Bureau of Land Management (BLM) and the oil and gas industry recognize that mineral development is one of many uses on the public lands in New Mexico. Since oil and gas development is only meant to be a temporary use of the surface, interim reclamation of disturbed areas not needed for active support of production operations is a very important 'best management practice'. In an effort to insure continued access and availability of public minerals, it is in the best interests of the oil and gas industry and BLM to work together towards reclaiming lands not actively used for safe and economical production.

Recognizing that a "one size fits all" approach is not practical, I am asking our lessees and operators to work with BLM staff to find solutions on reclaiming disturbed areas. In keeping with best management practices, locations and roads should have the smallest surface impact possible while balancing the need for safety, terrain, depth of the well and good engineering practices. As I have indicated at our working group meetings, where terrain permits, roads and locations may be built with minimal or no caliche for surfacing. The BLM acknowledges that there will be areas, such as in sandy soils, where surfacing materials may be necessary for a well pad, or portions of the road. These details can be worked out at the time of the onsite inspection.

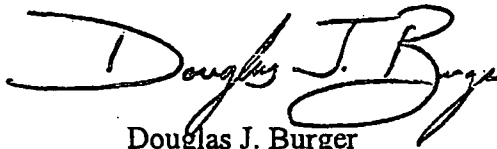
At the time reserve pits are to be reclaimed, operators should work with a BLM surface management specialist to devise the best strategies to reduce the size of the location. BLM is aware that safety requirements do not allow vehicles within the area of guy anchors. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas. We also recognize that pad sizes will vary depending upon whether a tank battery is present, onsite terrain and soils at each location. Our goal is to minimize the footprint required for safe operations, while achieving our commitment to multiple land use.

During reclamation, the removal of caliche from a road and location when that material is no longer necessary is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, or for building other roads and locations. We also recognize that in sandy dunal areas significant interim reclamation may not be feasible. In addition, 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, since they will usually do little or no damage to the surface. If there is significant disturbance and loss of vegetation, the area will

need to be revegetated within a reasonable period after use. The BLM also acknowledges that there will be exceptions, and I urge operators to communicate with the appropriate BLM office if an exemption to interim reclamation is needed.

While change does not come easy for any of us, our combined efforts to reduce the footprint of mineral activities will go a long way in demonstrating our ability to harmonize oil and gas development with other uses on the public lands. I really appreciate your efforts in this area and look forward to our continued work together.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas J. Burger". The signature is stylized with a large, sweeping "D" and a prominent "B".

Douglas J. Burger
Pecos District Manager