

OCD-ARTESIA

A-15-12-23

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7 If Unit or CA Agreement, Name and No.
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. Empire "7" MP Fed #1H [38996]
2. Name of Operator Mewbourne Oil Company		9 API Well No. 30-05-35805
3a. Address PO BOX 5270 Hobbs, NM 88240	3b. Phone No. (include area code) (575) 393-5905	10. Field and Pool, or Exploratory Empire Glorieta Yeso [96210]
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 545' FSL & 85' FWL (Unit M) Lot 4 At proposed prod. zone 545' FSL & 330' FEL (Unit P) UNORTHODOX LOCATION		11. Sec., T. R. M. or Blk. and Survey or Area Sec 7, T17S, R29E
14. Distance in miles and direction from nearest town or post office* 16 miles East of Artesia, NM		12 County or Parish Eddy
15. Distance from proposed* 85' location to nearest property or lease line, ft (Also to nearest drig. unit line, if any)		13. State NM
16. No. of acres in lease 146.56		17 Spacing Unit dedicated to this well 146.56
18 Distance from proposed location* 908' 215' along horizontal to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file NM1693, Nationwide
19 Proposed Depth 8214' MD 4083' TVD		21. Estimated duration 14 days
22. Approximate date work will start* 02/01/2012		23. Estimated duration 14 days
24. Attachments		

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

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

25. Signature [Signature]	Name (Printed/Typed) Brett Bednarz	Date 10/10/2011
Title Petroleum Engineer		
Approved by (Signature) [Signature]	Name (Printed/Typed) s/George MacDonell	Date DEC 20 2011
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.

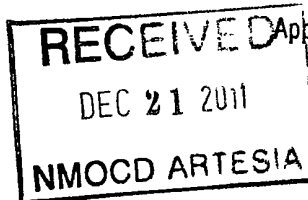
APPROVAL FOR TWO YEARS

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.

(Continued on page 2)

*(Instructions on page 2)

Roswell Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations AttachedSEE ATTACHED FOR
CONDITIONS OF APPROVAL

[Handwritten initials]

Mewbourne Oil Company

PO Box 5270
Hobbs, NM 88241
(575) 393-5905

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 10th day of October, 2011.

Name: NM Young

Signature: Burt Bede for NM Young

Position Title: Hobbs District Manager

Address: PO Box 5270, Hobbs NM 88241

Telephone: 575-393-5905

E-mail: myoung@mewbourne.com

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 32-015-39805	Pool Code 96210	Pool Name Empire Glorieta Yeso
Property Code 38996	Property Name EMPIRE 7 MP FEDERAL	Well Number 1H
OGRID No. 14744	Operator Name MEWBOURNE OIL COMPANY	Elevation 3699'

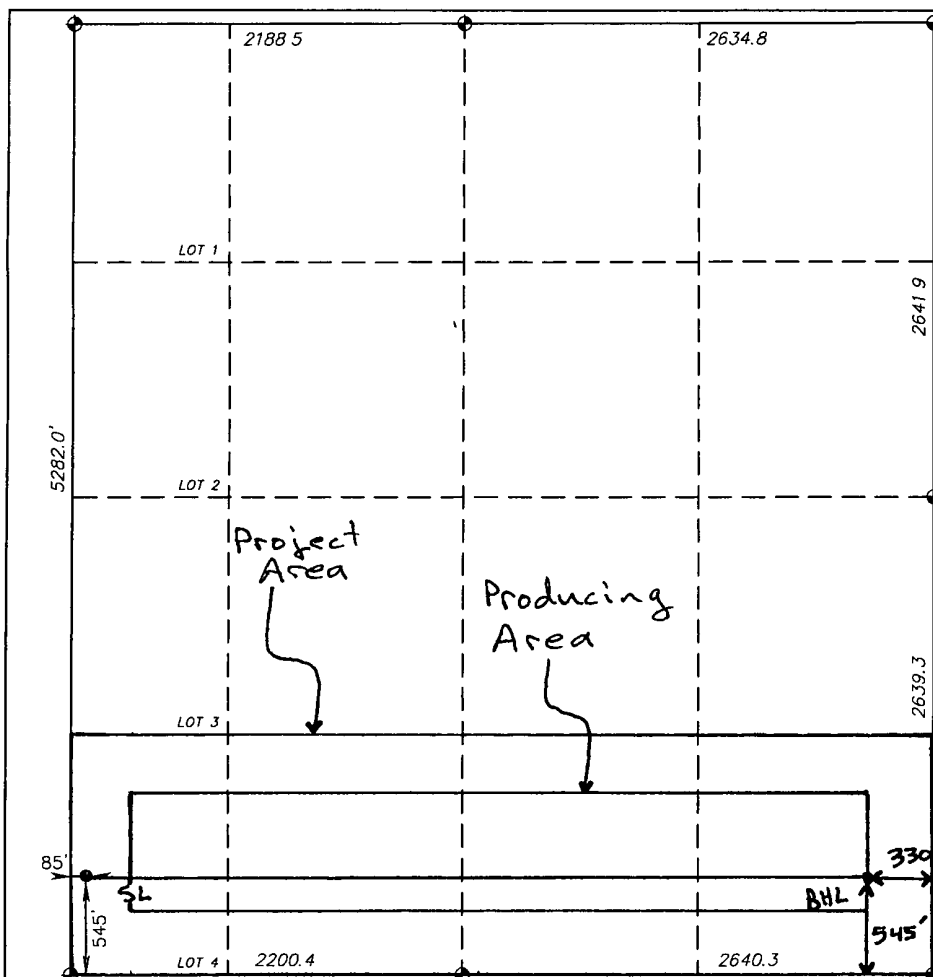
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	7	17 S	29 E		545	SOUTH	85	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No. P	Section 7	Township 17S	Range 29E	Lot Idn	Feet from the 545	North/South line South	Feet from the 330	East/West line East	County Eddy
Dedicated Acres 146.56	Joint or Infill	Consolidation Code		Order No.					

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 the 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 Burt Bealy Date 10-10-11

Brett Bednarz

Printed Name

Email Address

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.

Date Surveyed _____
Signature & Seal of
Professional Surveyor _____

Certificate No. Gary L. Jones 7977

BASIN SURVEYS 24837

Drilling Program
Mewbourne Oil Company
 Empire "7" MP Fed #1H
 545' FSL & 85' FWL (SHL)
 Sec 7-T17S-R29E
 Eddy County, New Mexico

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

Rustler	Near Surface
Top Salt	215'
B. Salt	680'
Yates	845'
Queen	1615'
Grayburg	2040'
*San Andres	2410'
*Glorietta	3795'
*Yeso	3885'

2. Estimated depths of anticipated fresh water, oil, or gas:

Water	Fresh water is anticipated @ 60' and will be protected by setting surface casing at 165' and cementing to surface.
Hydrocarbons	Oil and gas are anticipated in the above (*) formations. These zones will be protected by casing as necessary.

3. Pressure control equipment:

A 2000# WP Annular will be installed after running 13 3/8" casing. A 2000# WP Double Ram BOP and 2000# WP Annular will be installed after running 7" & 9 5/8" casing. Pressure tests will be conducted prior to drilling out under all casing strings. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOPE will be inspected and operated as recommended in Onshore Order #2. A Kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the Kelly is not in use.

See
COA

Will test the 7" & 9 5/8" BOPE to 1500# with a third party testing company before drilling below each shoe, but will test again, if needed, in 30 days from the 1st test as per BLM Onshore Oil and Gas Order #2.

4. MOC proposes to drill a vertical wellbore to 3462' & kick off to horizontal @ 4035' TVD. The well will be drilled to 8214' MD (4083' TVD). See attached directional plan.

5. Proposed casing and cementing program:

A. Casing Program:

<u>Hole Size</u>	<u>Casing</u>	<u>Wt/Ft.</u>	<u>Grade</u>	<u>Depth</u>	<u>Jt Type</u>
17 1/2"	13 3/8" (new)	48#	H40	0'-165'	ST&C
12 1/4"	9 5/8" (new)	36#	J55	0'-1000' **	LT&C
8 3/4"	7" (new)	26#	P110	0'-3462' MD	LT&C
8 3/4"	7" (new)	26#	P110	3462'-4355' MD	BT&C
6 1/8"	4 1/2" (new)	11.6#	P110	4155'-8214' MD	LT&C

See
COA

Minimum casing design factors: Collapse 1.125, Burst 1.0, Tensile strength 1.8.

*Subject to availability of casing.

**Depth subject to change due to well conditions during drilling operations.

B. Cementing Program:

- i. Surface Casing: 200 sks Class "C" cement w/ 2% CaCl₂. Yield at 1.34 cuft/sk. Cmt circulated to surface w/ 100% excess.
- i. Intermediate Casing: 100 sks Class "C" light (35:65:4) cement w/ salt & LCM additives. Yield at 1.97 cuft/sk. 200 sacks Class "C" cement w/ 2% CaCl₂. Yield at 1.34 cuft/sk. Cmt circulated to surface w/ 25% excess.
- iii. Production Casing: 150 sacks Class "H" light cement w/ salt, FL & LCM additives. Yield at 2.11 cuft/sk. 400 sacks Class "H" cement w/ FL additives. Yield at 1.29 cuft/sk. Cmt circulated to surface w/ 25% excess.
- iii. Production Liner: This will be a Packer/Port completion from TD up inside 7" casing with packer type liner hanger.

*Referring to above blends of light cement: (wt% fly ash : wt% cement : wt% bentonite of the total of first two numbers). Generic names of additives are used since the availability of specific company and products are unknown at this time.

6. Mud Program:

<u>Interval</u>	<u>Type System</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0' - 165'	FW spud mud	8.6-9.0	32-34	NA
165' - 1000'	Brine water	10.0-10.2	28-30	NA
1000' - 3462' (KOP)	FW	8.5-8.7	28-30	NA
3462' - TD	FW w/Polymer	8.5-8.7	32-35	15

7. Evaluation Program: *See COA*

Samples: 10' samples from surface casing to TD.
Logging: GR & Gyro from KOP -100' (6318') to surface.

8. Downhole Conditions

Zones of abnormal pressure: None anticipated
Zones of lost circulation: Anticipated in surface and intermediate holes
Maximum bottom hole temperature: 100 degree F
Maximum bottom hole pressure: 8.4 lbs/gal gradient or less

9. Anticipated Starting Date:

Mewbourne Oil Company intends to drill this well as soon as possible after receiving approval with approximately 15 days involved in drilling operations and an additional 10 days involved in completion operations on the project.

Mewbourne Oil Co

Eddy County, New Mexico

Sec 7, T17S, R29E

Empire 7 MP Federal #1H

Wellbore #1

Plan: Design #1

DDC Well Planning Report

28 September, 2011

DDC

Well Planning Report

Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Empire 7 MP Federal #1H
Company:	Mewbourne Oil Co	TVD Reference:	WELL @ 3718.0usft (Patterson-UTI #101)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Site:	Sec 7, T17S, R29E	North Reference:	Grid
Well:	Empire 7 MP Federal #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Project:	Eddy County, New Mexico		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site:	Sec 7, T17S, R29E				
Site Position:		Northing:	670,538.10 usft	Latitude:	32° 50' 35.569 N
From:	Map	Easting:	565,344.37 usft	Longitude:	104° 7' 14.058 W
Position Uncertainty:	0 0 usft	Slot Radius:	13-3/16 "	Grid Convergence:	0 12 °

Well:	Empire 7 MP Federal #1H					
Well Position	+N/-S	0 0 usft	Northing:	670,538.10 usft	Latitude:	32° 50' 35.569 N
	+E/-W	0.0 usft	Easting:	565,344.37 usft	Longitude:	104° 7' 14.058 W
Position Uncertainty	0 0 usft	Wellhead Elevation:		Ground Level:	3,699 0 usft	

Wellbore #1					
Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF2010	9/28/2011	7 85	60 66	48,897

Design: Design #1	
Audit Notes:	
Version:	Phase: PLAN Tie On Depth: 0 0
Vertical Section:	Depth From (TVD) N/S E/W Direction (usft) (usft) (usft) (°)
	0 0 0 0 0.0 89.87

Plan Sections										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
0.0	0.00	0.00	0 0	0 0	0 0	0.00	0.00	0 00	0 00	
3,462.1	0 00	0 00	3,462.1	0 0	0.0	0 00	0 00	0 00	0 00	
4,355.0	89.29	89.87	4,035.0	1.3	565.8	10.00	10.00	10.07	89.87	
8,213.6	89.29	89.87	4,083.0	10.1	4,424.1	0.00	0 00	0.00	0 00	PBHL Empire 7 MP F.

DDC

Well Planning Report

Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Empire 7 MP Federal #1H
Company:	Mewbourne Oil Co	TVI Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Site:	Sec 7, T17S, R29E	North Reference:	Grid
Well:	Empire 7 MP Federal #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	0.00	0.00
100.0	0.00	0.00	100.0	0.0	0.0	0.0	0.00	0.00	0.00
200.0	0.00	0.00	200.0	0.0	0.0	0.0	0.00	0.00	0.00
300.0	0.00	0.00	300.0	0.0	0.0	0.0	0.00	0.00	0.00
400.0	0.00	0.00	400.0	0.0	0.0	0.0	0.00	0.00	0.00
500.0	0.00	0.00	500.0	0.0	0.0	0.0	0.00	0.00	0.00
600.0	0.00	0.00	600.0	0.0	0.0	0.0	0.00	0.00	0.00
700.0	0.00	0.00	700.0	0.0	0.0	0.0	0.00	0.00	0.00
800.0	0.00	0.00	800.0	0.0	0.0	0.0	0.00	0.00	0.00
900.0	0.00	0.00	900.0	0.0	0.0	0.0	0.00	0.00	0.00
1,000.0	0.00	0.00	1,000.0	0.0	0.0	0.0	0.00	0.00	0.00
1,100.0	0.00	0.00	1,100.0	0.0	0.0	0.0	0.00	0.00	0.00
1,200.0	0.00	0.00	1,200.0	0.0	0.0	0.0	0.00	0.00	0.00
1,300.0	0.00	0.00	1,300.0	0.0	0.0	0.0	0.00	0.00	0.00
1,400.0	0.00	0.00	1,400.0	0.0	0.0	0.0	0.00	0.00	0.00
1,500.0	0.00	0.00	1,500.0	0.0	0.0	0.0	0.00	0.00	0.00
1,600.0	0.00	0.00	1,600.0	0.0	0.0	0.0	0.00	0.00	0.00
1,700.0	0.00	0.00	1,700.0	0.0	0.0	0.0	0.00	0.00	0.00
1,800.0	0.00	0.00	1,800.0	0.0	0.0	0.0	0.00	0.00	0.00
1,900.0	0.00	0.00	1,900.0	0.0	0.0	0.0	0.00	0.00	0.00
2,000.0	0.00	0.00	2,000.0	0.0	0.0	0.0	0.00	0.00	0.00
2,100.0	0.00	0.00	2,100.0	0.0	0.0	0.0	0.00	0.00	0.00
2,200.0	0.00	0.00	2,200.0	0.0	0.0	0.0	0.00	0.00	0.00
2,300.0	0.00	0.00	2,300.0	0.0	0.0	0.0	0.00	0.00	0.00
2,400.0	0.00	0.00	2,400.0	0.0	0.0	0.0	0.00	0.00	0.00
2,500.0	0.00	0.00	2,500.0	0.0	0.0	0.0	0.00	0.00	0.00
2,600.0	0.00	0.00	2,600.0	0.0	0.0	0.0	0.00	0.00	0.00
2,700.0	0.00	0.00	2,700.0	0.0	0.0	0.0	0.00	0.00	0.00
2,800.0	0.00	0.00	2,800.0	0.0	0.0	0.0	0.00	0.00	0.00
2,900.0	0.00	0.00	2,900.0	0.0	0.0	0.0	0.00	0.00	0.00
3,000.0	0.00	0.00	3,000.0	0.0	0.0	0.0	0.00	0.00	0.00
3,100.0	0.00	0.00	3,100.0	0.0	0.0	0.0	0.00	0.00	0.00
3,200.0	0.00	0.00	3,200.0	0.0	0.0	0.0	0.00	0.00	0.00
3,300.0	0.00	0.00	3,300.0	0.0	0.0	0.0	0.00	0.00	0.00
3,400.0	0.00	0.00	3,400.0	0.0	0.0	0.0	0.00	0.00	0.00
Build 10°/100' @ 3462.1' MD									
3,462.1	0.00	0.00	3,462.1	0.0	0.0	0.0	0.00	0.00	0.00
3,500.0	3.79	89.87	3,500.0	0.0	1.3	1.3	10.00	10.00	0.00
3,550.0	8.79	89.87	3,549.7	0.0	6.7	6.7	10.00	10.00	0.00
3,600.0	13.79	89.87	3,598.7	0.0	16.5	16.5	10.00	10.00	0.00
3,650.0	18.79	89.87	3,646.6	0.1	30.5	30.5	10.00	10.00	0.00
3,700.0	23.79	89.87	3,693.2	0.1	48.7	48.7	10.00	10.00	0.00
3,750.0	28.79	89.87	3,738.0	0.2	70.8	70.8	10.00	10.00	0.00
3,800.0	33.79	89.87	3,780.8	0.2	96.8	96.8	10.00	10.00	0.00
3,850.0	38.79	89.87	3,821.0	0.3	126.4	126.4	10.00	10.00	0.00
3,900.0	43.79	89.87	3,858.6	0.4	159.4	159.4	10.00	10.00	0.00
3,950.0	48.79	89.87	3,893.1	0.4	195.5	195.5	10.00	10.00	0.00
4,000.0	53.79	89.87	3,924.4	0.5	234.5	234.5	10.00	10.00	0.00
4,050.0	58.79	89.87	3,952.1	0.6	276.1	276.1	10.00	10.00	0.00
4,100.0	63.79	89.87	3,976.1	0.7	319.9	319.9	10.00	10.00	0.00
4,150.0	68.79	89.87	3,996.2	0.8	365.7	365.7	10.00	10.00	0.00
4,200.0	73.79	89.87	4,012.3	0.9	413.0	413.0	10.00	10.00	0.00
4,250.0	78.79	89.87	4,024.1	1.1	461.6	461.6	10.00	10.00	0.00
4,300.0	83.79	89.87	4,031.7	1.2	511.0	511.0	10.00	10.00	0.00

DDC Well Planning Report

Database:	EDM:5000.1 Single User Db	Local Co-ordinate Reference:	Well Empire 7 MP Federal #1H
Company:	Mewbourne Oil Co	TVD Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Site:	Sec 7, T17S, R29E	North Reference:	Gnd
Well:	Empire 7 MP Federal #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
EOB @ 4355' MD / 89.29° Inc / 89.87° / 4035' TVD									
4,355.0	89.29	89.87	4,035.0	1.3	565.8	565.8	10.00	10.00	0.00
4,400.0	89.29	89.87	4,035.6	1.4	610.9	610.9	0.00	0.00	0.00
4,500.0	89.29	89.87	4,036.8	1.6	710.8	710.8	0.00	0.00	0.00
4,600.0	89.29	89.87	4,038.1	1.9	810.8	810.8	0.00	0.00	0.00
4,700.0	89.29	89.87	4,039.3	2.1	910.8	910.8	0.00	0.00	0.00
4,800.0	89.29	89.87	4,040.5	2.3	1,010.8	1,010.8	0.00	0.00	0.00
4,900.0	89.29	89.87	4,041.8	2.5	1,110.8	1,110.8	0.00	0.00	0.00
5,000.0	89.29	89.87	4,043.0	2.8	1,210.8	1,210.8	0.00	0.00	0.00
5,100.0	89.29	89.87	4,044.3	3.0	1,310.8	1,310.8	0.00	0.00	0.00
5,200.0	89.29	89.87	4,045.5	3.2	1,410.8	1,410.8	0.00	0.00	0.00
5,300.0	89.29	89.87	4,046.8	3.5	1,510.8	1,510.8	0.00	0.00	0.00
5,400.0	89.29	89.87	4,048.0	3.7	1,610.8	1,610.8	0.00	0.00	0.00
5,500.0	89.29	89.87	4,049.3	3.9	1,710.8	1,710.8	0.00	0.00	0.00
5,600.0	89.29	89.87	4,050.5	4.1	1,810.8	1,810.8	0.00	0.00	0.00
5,700.0	89.29	89.87	4,051.7	4.4	1,910.7	1,910.8	0.00	0.00	0.00
5,800.0	89.29	89.87	4,053.0	4.6	2,010.7	2,010.7	0.00	0.00	0.00
5,900.0	89.29	89.87	4,054.2	4.8	2,110.7	2,110.7	0.00	0.00	0.00
6,000.0	89.29	89.87	4,055.5	5.0	2,210.7	2,210.7	0.00	0.00	0.00
6,100.0	89.29	89.87	4,056.7	5.3	2,310.7	2,310.7	0.00	0.00	0.00
6,200.0	89.29	89.87	4,058.0	5.5	2,410.7	2,410.7	0.00	0.00	0.00
6,300.0	89.29	89.87	4,059.2	5.7	2,510.7	2,510.7	0.00	0.00	0.00
6,400.0	89.29	89.87	4,060.4	6.0	2,610.7	2,610.7	0.00	0.00	0.00
6,500.0	89.29	89.87	4,061.7	6.2	2,710.7	2,710.7	0.00	0.00	0.00
6,600.0	89.29	89.87	4,062.9	6.4	2,810.7	2,810.7	0.00	0.00	0.00
6,700.0	89.29	89.87	4,064.2	6.6	2,910.7	2,910.7	0.00	0.00	0.00
6,800.0	89.29	89.87	4,065.4	6.9	3,010.7	3,010.7	0.00	0.00	0.00
6,900.0	89.29	89.87	4,066.7	7.1	3,110.7	3,110.7	0.00	0.00	0.00
7,000.0	89.29	89.87	4,067.9	7.3	3,210.6	3,210.7	0.00	0.00	0.00
7,100.0	89.29	89.87	4,069.2	7.6	3,310.6	3,310.6	0.00	0.00	0.00
7,200.0	89.29	89.87	4,070.4	7.8	3,410.6	3,410.6	0.00	0.00	0.00
7,300.0	89.29	89.87	4,071.6	8.0	3,510.6	3,510.6	0.00	0.00	0.00
7,400.0	89.29	89.87	4,072.9	8.2	3,610.6	3,610.6	0.00	0.00	0.00
7,500.0	89.29	89.87	4,074.1	8.5	3,710.6	3,710.6	0.00	0.00	0.00
7,600.0	89.29	89.87	4,075.4	8.7	3,810.6	3,810.6	0.00	0.00	0.00
7,700.0	89.29	89.87	4,076.6	8.9	3,910.6	3,910.6	0.00	0.00	0.00
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7,900.0	89.29	89.87	4,079.1	9.4	4,110.6	4,110.6	0.00	0.00	0.00
8,000.0	89.29	89.87	4,080.3	9.6	4,210.6	4,210.6	0.00	0.00	0.00
8,100.0	89.29	89.87	4,081.6	9.8	4,310.6	4,310.6	0.00	0.00	0.00
8,200.0	89.29	89.87	4,082.8	10.1	4,410.5	4,410.6	0.00	0.00	0.00
8,213.6	89.29	89.87	4,083.0	10.1	4,424.1	4,424.1	0.00	0.00	0.00

Design Targets									
Target Name	Dip Angle (°)	Dip Dir. (°)	TVD (usft)	+N/-S (usft)	+E/-W (usft)	Northing (usft)	Easting (usft)	Latitude	Longitude
hit/miss target									
Shape									
PBHL Empire 7 MP Fed-	0.00	0.00	4,083.0	10.1	4,424.1	670,548.20	569,768.50	32° 50' 35.578 N	104° 6' 22.200 W
- plan hits target center									
- Point									

DDC

Well Planning Report

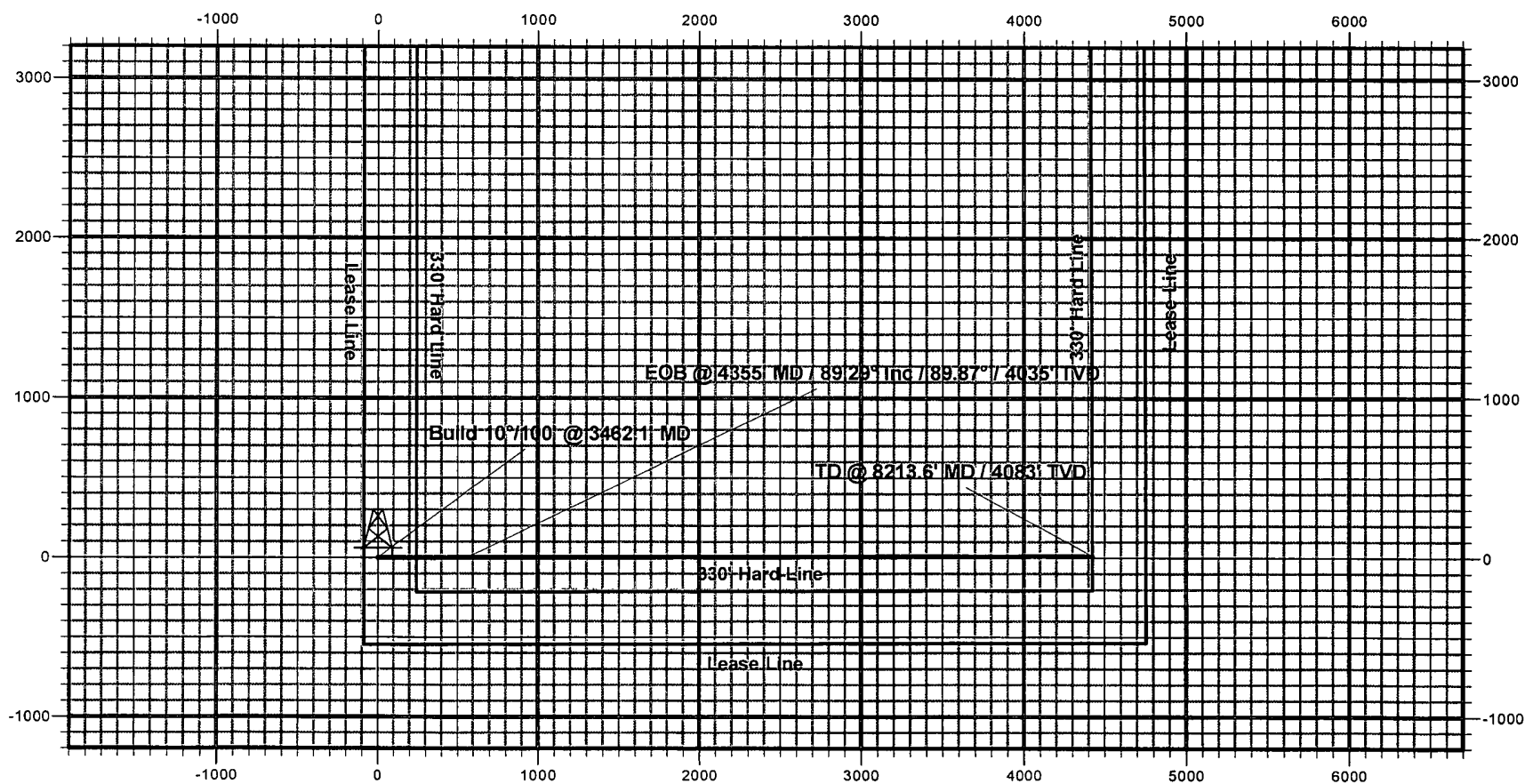
Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Empire 7 MP Federal #1H
Company:	Mewbourne Oil Co	TVD Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3718.0usft (Patterson UTI #101)
Site:	Sec 7, T17S, R29E	North Reference:	Grid
Well:	Empire 7 MP Federal #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Plan Annotations				
Measured Depth (usft)	Vertical Depth (usft)	Local Coordinates		Comment
		+N/-S (usft)	+E/-W (usft)	
3,462.1	3,462.1	0.0	0.0	Build 10°/100' @ 3462.1' MD
4,355.0	4,035.0	1.3	565.8	EOB @ 4355' MD / 89.29° Inc / 89.87° / 4035' TVD
8,213.6	4,083.0	10.1	4,424.1	TD @ 8213.6' MD / 4083' TVD

MEWBOURNE OIL COMPANY

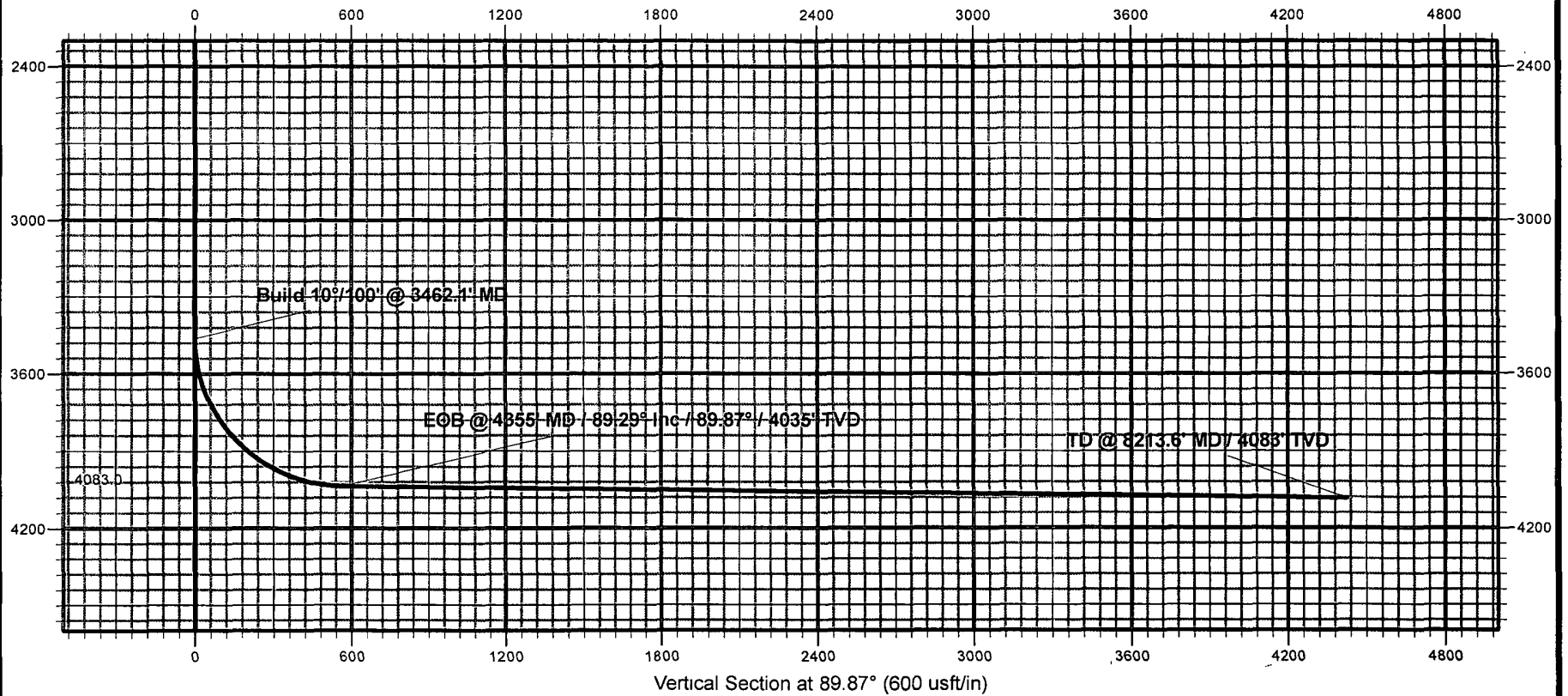


Eddy County, New Mexico
Sec 7, T17S, R29E
Empire 7 MP Federal #1H
Quote 110662



MEWBOURNE OIL COMPANY

Eddy County, New Mexico
Sec 7, T17S, R29E
Empire 7 MP Federal #1H
Quote 110662



Notes Regarding Blowout Preventer

Mewbourne Oil Company

Delaware Ranch "11" Fed Com #2H

450' FNL & 1700' FEL (SHL)

Sec 11-T26S-R28E

Eddy County, New Mexico

- I. Drilling nipple (bell nipple) to be constructed so that it can be removed without the use of a welder through the opening of the rotary table, with minimum internal diameter equal to blowout preventer bore.
- II. Blowout preventer and all fittings must be in good condition with a minimum 2000 psi working pressure on 13 3/8" casing and 2000 psi working pressure on 9 5/8" & 7" casing.
- III. Safety valve must be available on the rig floor at all times with proper connections to install in the drill string. Valve must be full bore with minimum 2000 psi working pressure.
- IV. Equipment through which bit must pass shall be at least as large as internal diameter of the casing.
- V. A kelly cock shall be installed on the kelly at all times.

Blowout preventer closing equipment to include and accumulator of at least 40 gallon capacity, two independent sources of pressure on closing unit, and meet all other API specifications.

Mewbourne Oil Company
 BOP Schematic for
 12 1/4" Hole

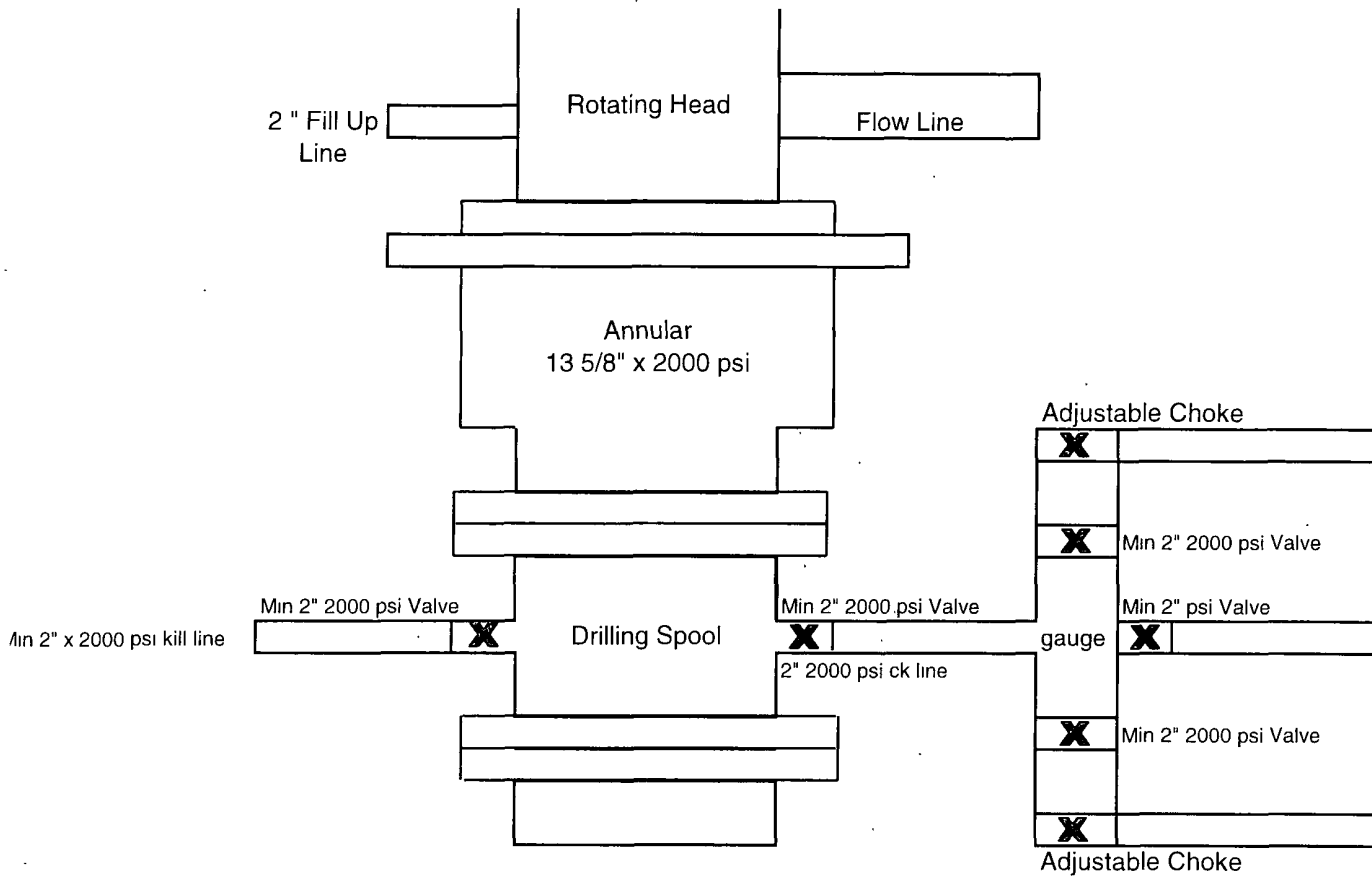
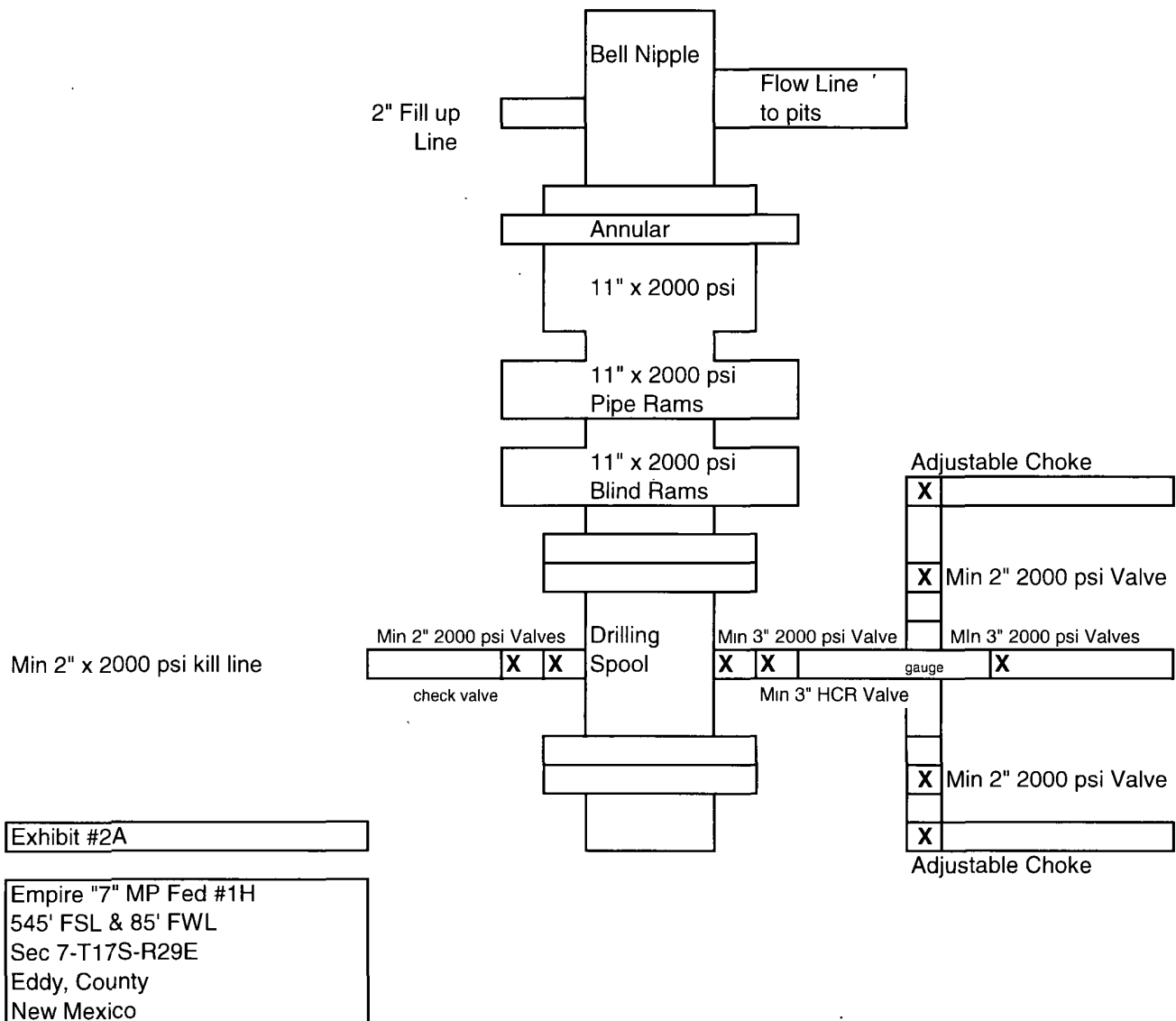
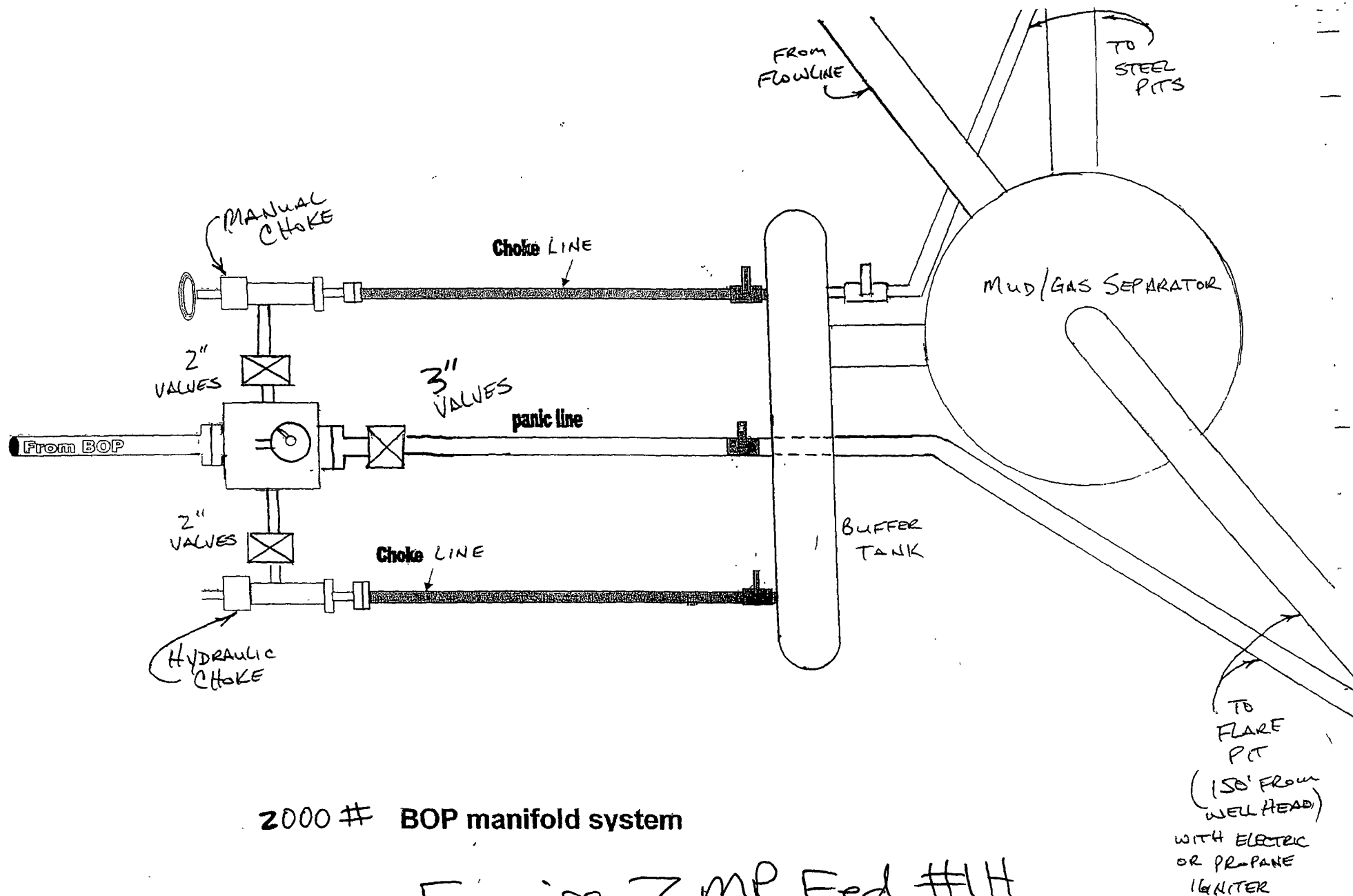


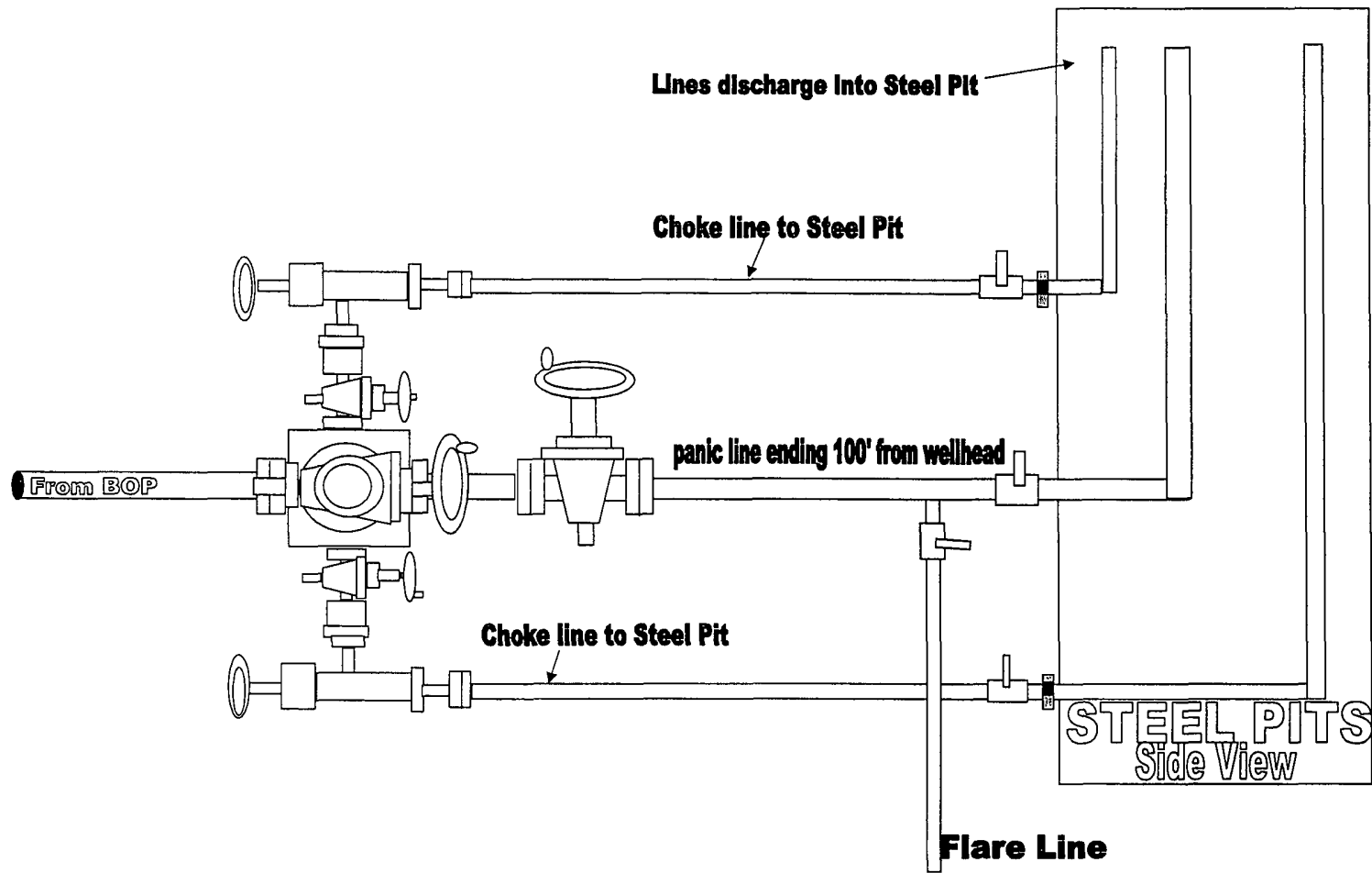
Exhibit #2

Empire "7" MP Fed #1H
 45' FSL & 85' FWL
 Sec 7-T17S-R29E
 Eddy, County
 New Mexico

Mewbourne Oil Company
BOP Schematic for
6 1/8" & 8 3/4" Holes







2000# BOP manifold system for Exhibit 2 & 2A

Empire 7 mp Fed #1H

Hydrogen Sulfide Drilling Operations Plan

Mewbourne Oil Company

Empire "7" MP Fed #1H

545' FSL & 85' FWL

Sec 7-T17S-R29E

Eddy County, New Mexico

1. General Requirements

MOC will have on location and working all H₂S safety equipment before the San Andres formation for purposes of safety and insurance requirements.

2. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will have received training from a qualified instructor in the following areas prior to entering the drilling pad area of the well:

1. The hazards and characteristics of hydrogen sulfide gas.
2. The proper use of personal protective equipment and life support systems.
3. The proper use of hydrogen sulfide detectors, alarms, warning systems, briefing areas, evacuation procedures.
4. The proper techniques for first aid and rescue operations.

Additionally, supervisory personnel will be trained in the following areas:

- 1 The effects of hydrogen sulfide on metal components. If high tensile tubular systems are utilized, supervisory personnel will be trained in their special maintenance requirements.
- 2 Corrective action and shut in procedures, blowout prevention, and well control procedures while drilling a well.
- 3 The contents of the Hydrogen Sulfide Drilling Operations Plan.

There will be an initial training session prior to encountering a known hydrogen sulfide source. The initial training session shall include a review of the site specific Hydrogen Sulfide Drilling Operations Plan.

3. Hydrogen Sulfide Safety Equipment and Systems

All hydrogen sulfide safety equipment and systems will be installed, tested, and operational prior to drilling below the intermediate casing.

1. Well Control Equipment
 - A. Choke manifold with minimum of one adjustable choke.
 - B. Blowout preventers equipped with blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
 - C. Auxiliary equipment including annular type blowout preventer.
2. Protective Equipment for Essential Personnel

Thirty minute self contained work unit located in the dog house and at briefing areas.

Additionally: If H₂S is encountered in concentrations less than 10 ppm, fans will be placed in work areas to prevent the accumulation of hazardous amounts of poisonous gas. If higher concentrations of H₂S are detected the well will be shut in and a rotating head, mud/gas separator, and flare line with igniter will be installed.

3. Hydrogen Sulfide Protection and Monitoring Equipment

Two portable hydrogen sulfide monitors positioned on location for optimum coverage and detection. The units shall have audible sirens to notify personnel when hydrogen sulfide levels exceed 20 PPM.

4. Visual Warning Systems

A. Wind direction indicators as indicated on the wellsite diagram.

B. Caution signs shall be posted on roads providing access to location. Signs shall be painted a high visibility color with lettering of sufficient size to be readable at reasonable distances from potentially contaminated areas.

4. **Mud Program**

The mud program has been designed to minimize the amount of hydrogen sulfide entrained in the mud system. Proper mud weight, safe drilling practices, and the use of hydrogen sulfide scavengers will minimize hazards while drilling the well.

5. **Metallurgy**

All tubular systems, wellheads, blowout preventers, drilling spools, kill lines, choke manifolds, and valves shall be suitable for service in a hydrogen sulfide environment when chemically treated.

6. **Communications**

State & County Officials phone numbers are posted on rig floor and supervisors trailer. Communications in company vehicles and toolpushers are either two way radios or cellular phones.

7. **Well Testing**

Drill stem testing is not an anticipated requirement for evaluation of this well. A drill stem test is required, it will be conducted with a minimum number of personnel in the immediate vicinity. The test will be conducted during daylight hours only.

8. **Emergency Phone Numbers**

Eddy County Sheriff's Office	911 or 575-887-7551
Ambulance Service	911 or 575-885-2111
Carlsbad Fire Dept	911 or 575-885-2111
Closest Medical Facility - Columbia Medical Center of Carlsbad	575-492-5000

Mewbourne Oil Company	Hobbs District Office	575-393-5905
	Fax	575-397-6252
	2nd Fax	575-393-7259

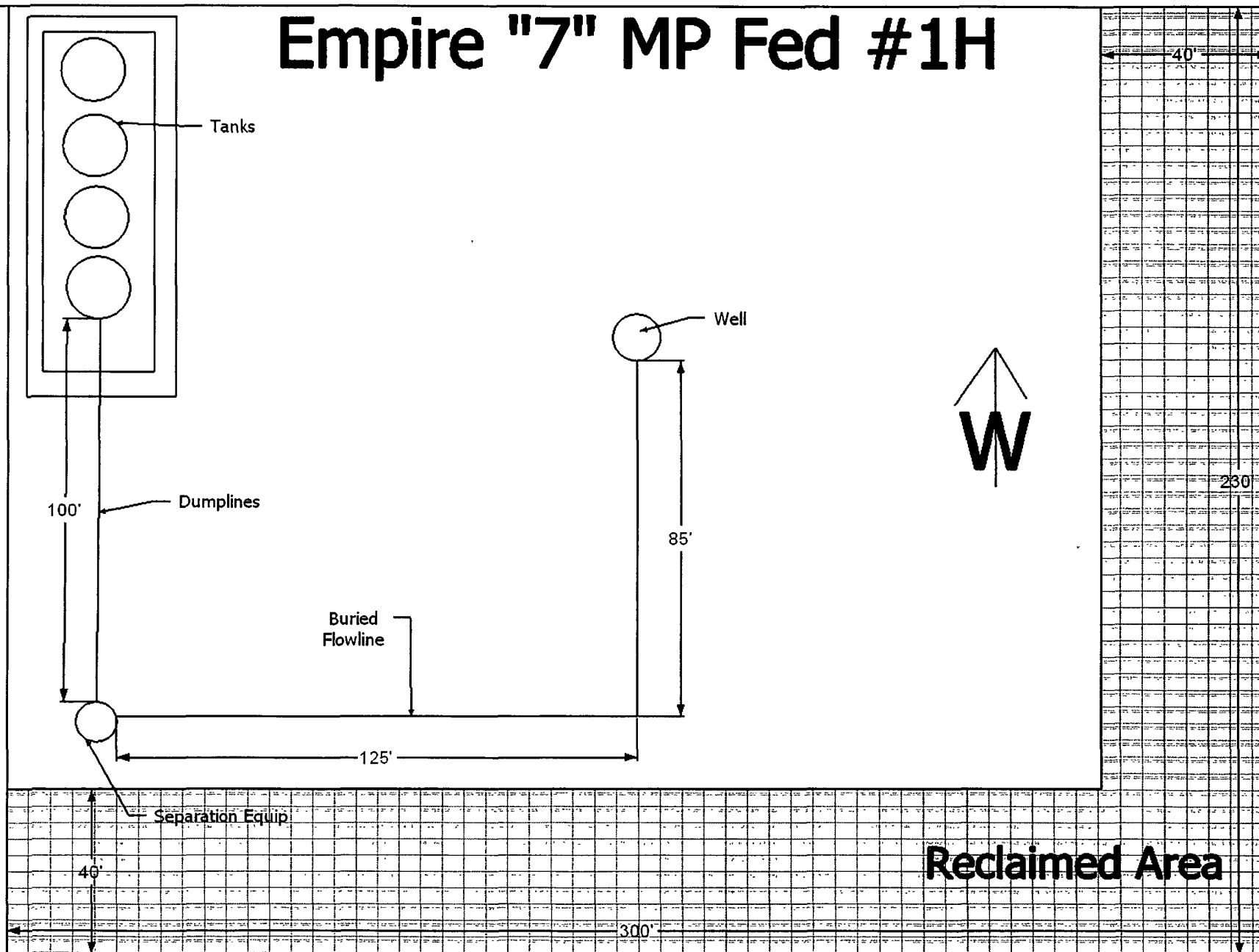
District Manager	Micky Young	575-390-0999
Drilling Superintendent	Frosty Lathan	575-390-4103
Drilling Foreman	Johnny Burnett	575-631-6322
Engineer	Brett Bednarz	575-390-6838

50'

Exhibit 6

Existing Lease Road

Empire "7" MP Fed #1H



50'

Exhibit 6A

Existing Lease Road

Empire "7" MP Fed #1H

50'

50'



Well



Flowline

230'

50'

300'

Reclaimed Area

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	MEWBOURNE OIL COMPANY
LEASE NO.:	NM101967
WELL NAME & NO.:	1H EMPIRE 7 MP FEDERAL
SURFACE HOLE FOOTAGE:	545' FSL & 85' FWL
BOTTOM HOLE FOOTAGE:	545' FSL & 330' FEL
LOCATION:	Section 7, T.17 S., R.29 E., NMPM
COUNTY:	Eddy County, New Mexico

TABLE OF CONTENTS

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

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
 - Protecting a Raptor Nest
 - Pipeline Placement
- ☒ **Construction**
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
 - H2S Requirements—Onshore Order #6
 - Logging Requirements
 - Waste Material and Fluids
- ☒ **Production (Post Drilling)**
 - Well Structures & Facilities
 - Pipelines
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Raptor Nest Stipulations:

A large raptor stick nest is located in a large mesquite about 30 feet east of the well location. The nest or mesquite bush the nest is located in shall not be disturbed in any way during construction, drilling, production or reclamation operations.

The operator must contact the BLM office in Carlsbad, NM three (3) days prior to constructing the well location. A BLM wildlife biologist must be informed and must inspect the nest prior to any initial surface disturbing activity such as construction or reclamation. It is encouraged that the well be drilled outside the spring and summer months.

Pipeline Placement:

The proposed flowline shall be put on the north side of the road as per e-mail from Mewbourne Oil Company Brett Bednarz.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-6235 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 6 inches in depth. The topsoil will be used for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

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

D. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed twenty (20) 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

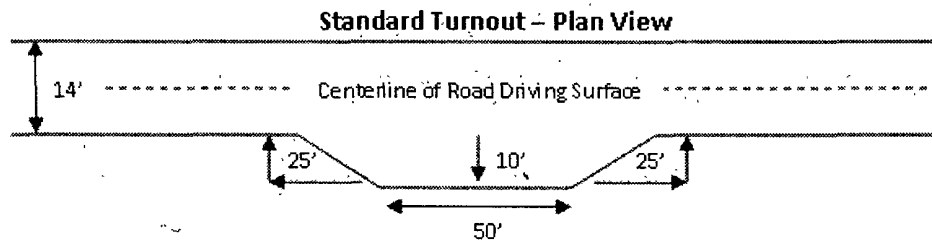
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

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:

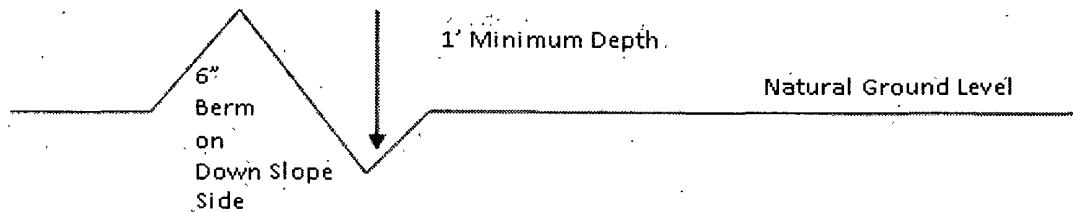


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

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

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).

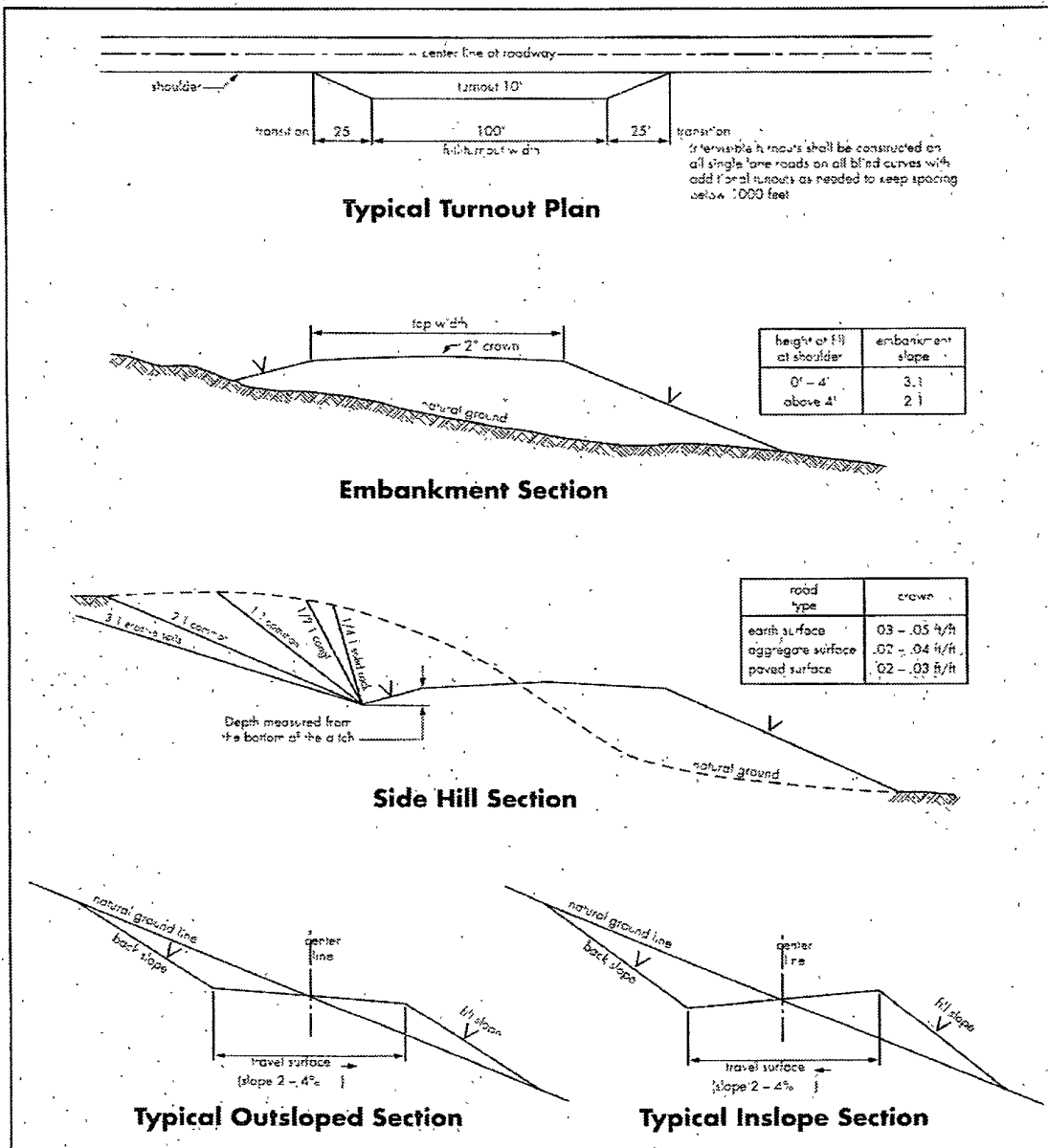
Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

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

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



VII. 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

☐ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the Yates formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. 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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
3. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The top and bottom of Salt are to be recorded on the Completion Report.**

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 prior to drilling out 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. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. 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 Grayburg and San Andres formations.
Possible water or brine flows in the Salado and Artesia Groups.**

1. The 13-3/8 inch surface casing shall be set at approximately 165 feet (within a competent bed 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 surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
 - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is **(ensure casing is set below the salt):**
 - ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.
3. The minimum required fill of cement behind the 7 inch production casing is:
 - ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

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

☒ Cement not required – Packer/Port system to be used.

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 **2000 (2M)** psi.
 - a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).
 - b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

- c. The results of the test shall be reported to the appropriate BLM office.
- 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 appropriate BLM office.**
- e. 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.
- f. **Effective November 1, 2008, no variances will be granted on reduced pressure tests on the surface casing and BOP/BOPE. Onshore Order 2 requirements will be in effect.**

D. DRILL STEM TEST

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

E. WASTE MATERIAL AND FLUIDS

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

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

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VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

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

B. PIPELINES

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the

release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

- a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
- b. Activities of other parties including, but not limited to:
 - (1) Land clearing.
 - (2) Earth-disturbing and earth-moving work.
 - (3) Blasting.
 - (4) Vandalism and sabotage.
- c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.

6. The authorized right-of-way width will be 20 feet. 14 feet of the right-of-way width will consist of existing disturbance (existing lease roads) and the remaining 6 feet will consist of area adjacent to the disturbance. All construction and maintenance activity will be confined to existing roads.

7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.

8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.

9. The pipeline shall be buried with a minimum of 24 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.

10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.

12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.

13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.

14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance, as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline

route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

16. The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, powerline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

IX. INTERIM RECLAMATION

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

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

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

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

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

X. FINAL ABANDONMENT & RECLAMATION

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

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

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

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

Seed Mixture 2, for Sandy 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 by the authorized officer.

Seed will be planted using a drill equipped with a 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 (smaller/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:

<u>Species</u>	<u>lb/acre</u>
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.0
Sand love grass (<i>Eragrostis trichodes</i>)	1.0
Plains bristlegrass (<i>Setaria macrostachya</i>)	2.0

*Pounds of pure live seed:

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