

N.M. Oil Cons. DIV-Dist. 2  
UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
1301 W. Grand Avenue  
Artesia, NM 88210

Form approved.

CONFIDENTIAL - TIGHT HOLE

LEASE DESIGNATION AND SERIAL NO.

NMNM415688A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO. 35749

H & K 18 FEDERAL 1

9. API WELL NO.

30-015-34360

10. FIELD AND POOL, OR WILDCAT

UND. INDIAN DRAW: DELAWARE

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA

18-22S-28E

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL:

OIL WELL ☐ GAS WELL ☒ Other ☐ SINGLE ZONE ☐ MULTIPLE ZONE ☐

2. NAME OF OPERATOR

CHESAPEAKE OPERATING, INC. Linda Good 405-767-4275

3. ADDRESS AND TELEPHONE NO.

P.O. BOX 18496 OKLAHOMA CITY, OK 73154-0496

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)\*

At surface: 925 FSL 835 FWL SWSW per SD dated 9/21/05 33720

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*

APPROX. 9 MILES SE OF CARLSBAD, NM.

RECEIVED

12. COUNTY OR PARISH

EDDY COUNTY

13. STATE

NM

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line if any)

16. NO. OF ACRES IN LEASE

1082.63

SEP 28 2005

060-ARTEZIA

17. NO. OF ACRES ASSIGNED TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION\* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

4500

20. ROTARY OR CABLE TOOLS\*

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3079 GR

CARLSBAD CONTROLLED WATER BASIN

22. APPROX. DATE WORK WILL START\*

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
"	"	#	"	+/-
"	"	#	"	+/-
"	"	#	"	+/-

Chesapeake Operating, Inc. proposes to drill a well to 4500' to test the Delaware formation. If productive, casing will be run and the well completed. If dry, the well will be plugged and abandoned as per BLM and New Mexico Oil Conservation Division requirements.

Please find the Surface Use Plan and Drilling Plan as required by Onshore Order No. 1.

Please be advised that Chesapeake Operating, Inc. is considered to be the Operator of the above mentioned well. Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

Chesapeake Operating, Inc. has an agreement with the Grazing lessee.

BLM Nationwide Bond #NM2634.

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

J. Mark Lester

J. Mark Lester

TITLE Sr. Vice President Exploration

DATE

8/26/05

\*(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

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:

APPROVED BY /s/ Joe G. Lara

ACTING

FIELD MANAGER

TITLE

DATE

SEP 26 2005

See Instructions On Reverse Side

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

S-17  
79.5

APPROVAL FOR 1 YEAR

DISTRICT I  
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code <b>33720</b>	Pool Name <b>Undesignated Indian Draw; Delaware</b>
Property Code	Property Name <b>H &amp; K 18 FEDERAL</b>	Well Number <b>1</b>
OGRID No. <b>147179</b>	Operator Name <b>CHESAPEAKE OPERATING INC.</b>	Elevation <b>3079'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
11	18	22-S	28-E		925	SOUTH	835	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres <b>4034.44</b>	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

LOT 6	LOT 5	
34.39 AC	36.38 AC	
LOT 7	LOT 8	
34.43 AC	36.30 AC	
LOT 10	LOT 9	
34.41 AC		
		GEODETIC COORDINATES NAD 27 NME  Y=504891.9 N X=562353.8 E  LAT.=32°23'16.44" N LONG.=104°07'52.80" W
3081.4'	3082.9'	36.18 AC
600'		LOT 12
835'	600'	
3078.8'	3078.2'	
925'		
LOT 11		36.10 AC
34.44 AC		

**OPERATOR CERTIFICATION**

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

*Lynda F. Townsend*  
Signature  
**Lynda F. Townsend**  
Printed Name  
**Senior Landman**  
Title  
**7-29-05**  
Date

**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.

**JULY 1, 2005**

Date Surveyed  
Signature & Seal of Professional Surveyor  
**GARY E. EIDSON**  
NEW MEXICO  
**85.11.1035**  
Certificate No. **GARY EIDSON** 12641

Exhibit A-1

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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

**SUNDRY NOTICES AND REPORTS ON WELLS**

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

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

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

2. Name of Operator **CHESAPEAKE OPERATING, INC. ATTN: LINDA GOOD**

3a. Address **P.O. BOX 18496, OKLAHOMA CITY, OK 73154-0496** 3b. Phone No. (include area code) **405-767-4275**

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**928 FSL 835 FWL SWSW 18-22S-28E**

5. Lease Serial No.

**NMNM415688A**

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

**H & K 18 FEDERAL 1**

9. API Well No.

10. Field and Pool, or Exploratory Area

**UND. INDIAN DRAW; DELAWARE**

11. County or Parish, State

**EDDY COUNTY, NM**

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other <b>CHANGE TO</b>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<b>ORIGINAL APD</b>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

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

**CHESAPEAKE PLANS TO LAY 634 FT OF 3 INCH 188 WALL FUSION BONDED PIPELINE.**

**THE PIT SIZE WILL BE 110' LONG X 20' WIDE X 10' DEEP.**

**BLM NATIONWIDE BOND #NM2634.**

(CHK PN 819662)

14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) <b>LINDA GOOD</b>	Title <b>PERMITTING AGENT</b>
Signature <i>Linda Good</i>	Date <b>9/9/05</b>

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

Approved by <b>/s/ Joe G. Lara</b>	<b>ACTING</b>	<b>FIELD MANAGER</b>	Date <b>SEP 26 2005</b>
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Office <b>CARLSBAD FIELD OFFICE</b>	

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

(Instructions on page 2)

ONSHORE ORDER NO. 1  
Chesapeake Operating, Inc.  
H & K 18 Federal 1  
1221 FSL 800 FWL  
SWSW of Section 18-22S-28E  
Eddy County, NM

CONFIDENTIAL – TIGHT HOLE

Lease No. NMNM415688A

SURFACE USE PLAN

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12. ADDITIONAL INFORMATION

A Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover and is also attached for reference. See Exhibit E.

Chesapeake Operating, Inc. agrees to be responsible under the terms and conditions of the lease for the operations conducted upon the lease lands.

13. OPERATOR'S REPRESENTATIVES

**Drilling and Completion Operations**

Rob Jones  
District Manager  
P.O. Box 18496  
Oklahoma City, OK 73154  
(405) 810-2694 (OFFICE)  
(405) 879-9573 (FAX)  
[rjones@chkenergy.com](mailto:rjones@chkenergy.com)

**Drilling Engineer**

David DeLaO  
P.O. Box 14896  
Oklahoma City, OK 73154  
(405) 767-4339 (OFFICE)  
(405) 879-9573 (FAX)  
(405) 990-8182 (MOBILE)  
[ddelao@chkenergy.com](mailto:ddelao@chkenergy.com)

Cecil Gutierrez

**Sr. Landman**

P.O. Box 11050  
Midland, TX 79705  
432-687-2992 (OFFICE)  
432-687-3675 (FAX)  
[cgutierrez@chkenergy.com](mailto:cgutierrez@chkenergy.com)

**Assett Manager**

Andrew McCalmont  
P.O. Box 18496  
Oklahoma City, OK 73154-0496  
405-879-7852 (OFFICE)  
405-879-7930 (FAX)  
[amccalmont@chkenergy.com](mailto:amccalmont@chkenergy.com)

**Regulatory Compliance**

Linda Good  
Regulatory Compliance Analyst  
P.O. Box 18496  
Oklahoma City, OK 73154  
(405) 767-4275 (OFFICE)  
(405) 879-9583 (FAX)  
[lgood@chkenergy.com](mailto:lgood@chkenergy.com)

DRILLING PROGRAM

Page 1

ONSHORE OIL & GAS ORDER NO. 1  
Approval of Operations on Onshore  
Federal and Indian Oil and Gas Leases

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (CFR 43, Part 3160) and the approved Application for Permit to Drill. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling and completion operations.

Approval of this application 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.

1. FORMATION TOPS

The estimated tops of important geologic markers are as follows:

Formation	Subsea	Depth
BASE OF SALT	846	2250
BELL CANYON*	802	2293
CHERRY CANYON	-19	3114
BRUSHY CANYON*	-1217	4312
TD		4500'

2. ESTIMATED DEPTH OF WATER, OIL, GAS & OTHER MINERAL BEARING FORMATIONS

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Substance	Formation	Depth
Oil/Gas	CHERRY CANYON	3114

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

3. BOP EQUIPMENT: 3,000# System

Chesapeake Operating, Inc.'s minimum specifications for pressure control equipment are as follows:

I. BOP, Annular, Choke Manifold, Pressure Test - See Exhibit F-1.

A. Equipment

1. The equipment to be tested includes all of the following that is installed on the well:
  - (a) Ram-type and annular preventers,

DRILLING PROGRAM

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- (b) Choke manifolds and valves,
- (c) Kill lines and valves, and
- (d) Upper and lower kelly cock valves, inside BOP's and safety valves.

B. Test Frequency

1. All tests should be performed with clear water,
  - (a) when installed,
  - (b) before drilling out each casing string,
  - (c) at any time that there is a repair requiring a pressure seal to be broken in the assembly, and
  - (d) at least once every 30 days while drilling.

C. Test Pressure

1. In some drilling operations, the pressures to be used for low and high-pressure testing of preventers and casing may be different from those given below due to governmental regulations, or approved local practices.
2. If an individual component does not test at the low pressure, **do not**, test to the high pressure and then drop back down to the low pressure.
3. All valves located downstream of a valve being tested must be placed in the open position.
4. All equipment will be tested with an initial "low pressure" test at 250 psi.
5. The subsequent "high pressure" test will be conducted at the rated working pressure of the equipment for all equipment except the annular preventer.
6. The "high pressure" test for the annular preventer will be conducted at 70% of the rated working pressure.
7. A record of all pressures will be made on a pressure-recording chart.

D. Test Duration

1. In each case, the individual components should be monitored for leaks for 5 minutes, with no observable pressure decline, once the test pressure has been applied.

II. Accumulator Performance Test

A. Scope

1. The purpose of this test is to check the capabilities of the BOP control systems, and to detect deficiencies in the hydraulic oil volume and recharge time.

B. Test Frequency

1. The accumulator is to be tested each time the BOP's are tested, or any time a major repair is performed.

C. Minimum Requirements

1. The accumulator should be of sufficient volume to supply 1.5 times the volume to close and hold all BOP equipment in sequence, without recharging and the

DRILLING PROGRAM

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pump turned off, and have remaining pressures of 200 PSI above the precharge pressure.

2. Minimum precharge pressures for the various accumulator systems per manufacturers recommended specifications are as follows:

3.

System Operating Pressures

Precharge Pressure

1500 PSI

750 PSI

2000 PSI

1,000 PSI

3000 PSI

1,000 PSI

3. Closing times for the Hydril should be less than 20 seconds, and for the ram-type preventers less than 10 seconds.

4. System Recharge time should not exceed 10 minutes.

D. Test Procedure

1. Shut accumulator pumps off and record accumulator pressure.

2. In sequence, close the annular and one set of properly sized pipe rams, and open the HCR valve.

3. Record time to close or open each element and the remaining accumulator pressure after each operation.

4. Record the remaining accumulator pressure at the end of the test sequence. Per the previous requirement, this pressure should not be less than the following pressures:

System Pressure

Remaining Pressure At Conclusion of

Test

1,500 PSI

950 PSI

2,000 PSI

1,200 PSI

3,000 PSI

1,200 PSI

5. Turn the accumulator pumps on and record the recharge time. This time should not exceed 10 minutes.

6. Open annular and ram-type preventers. Close HCR valve.

7. Place all 4-way control valves in full open or full closed position. Do not leave in neutral position.

DRILLING PROGRAM

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4. CASING AND CEMENTING PROGRAM

a. The proposed casing program will be as follows:

<u>Purpose</u>	<u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Grade</u>	<u>Thread</u>	<u>Condition</u>
Surface	0-450	12.25	8.625	24	J55	STC	New
Intermediate	450-4500	7.875	5.5	15.5	J55	LTC	New

WITNESS

b. Casing design subject to revision based on geologic conditions encountered.

c. The cementing program will be as follows:

<u>Interval</u>	<u>Type</u>	<u>Amount</u>	<u>Yield</u>	<u>Washout</u>	<u>Excess</u>
0-450	Class C + additives	260	1.5	40	100
450-4500	Class C + additives	545	1.8	20	50

5. MUD PROGRAM

a. The proposed circulating mediums to be used in drilling are as follows:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-450	Fresh water	8.4-9.0	27-40	NC
450-4500	Cut brine	9.7	32-36	10-12

An in-ground, lined pit will be utilized during the drilling of this well. All fluids and cuttings will be disposed of in accordance with New Mexico Oil Conservation Division rules and regulations.

A mud test shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

6. TESTING, LOGGING AND CORING

The anticipated type and amount of testing, logging and coring are as follows:

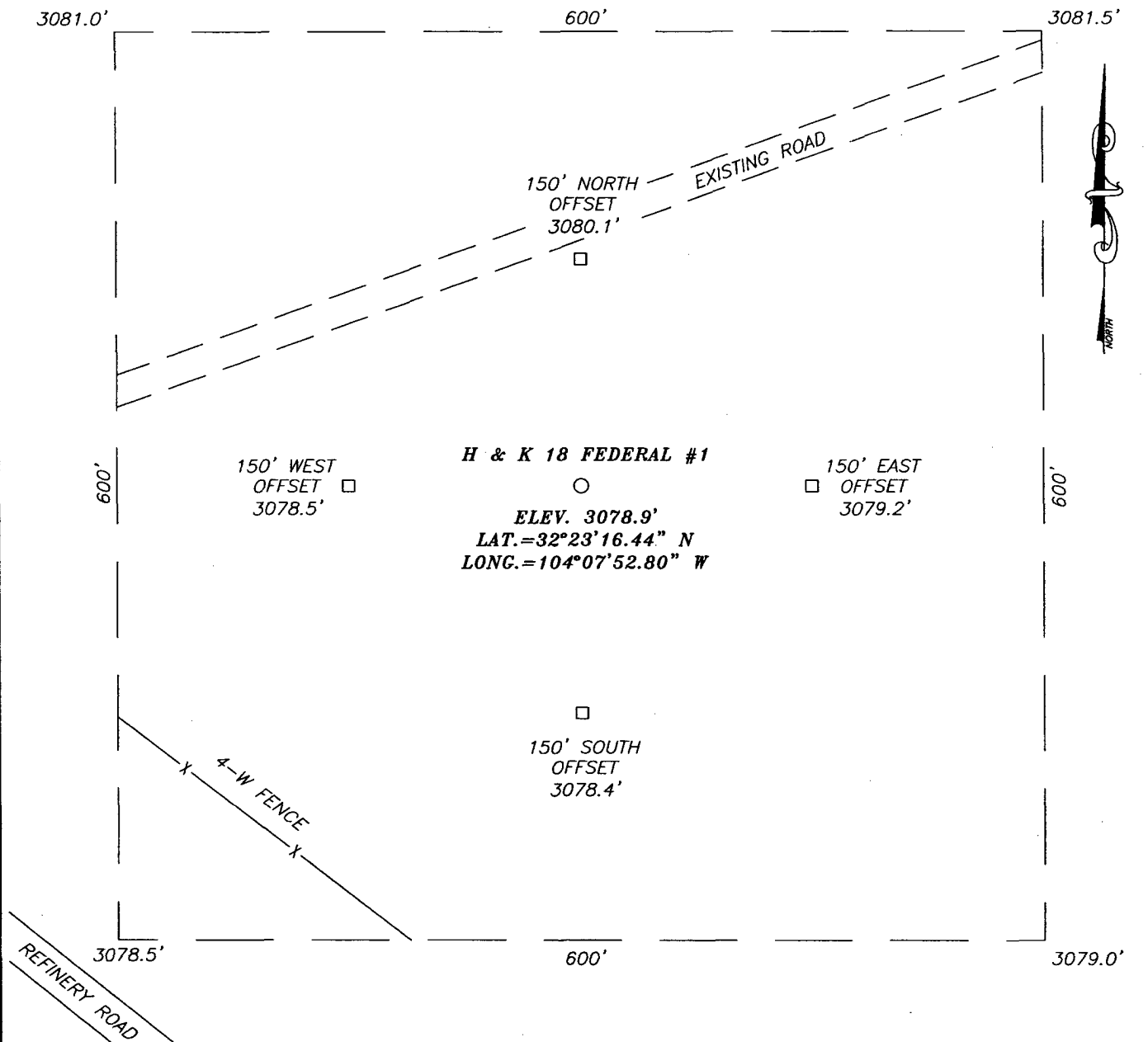
- Drill stem tests are not planned.
- The logging program will consist of Natural GR, Density-Neutron, PE & Dual Laterolog from TD to surface casing; Neutron-GR surface casing to surface.
- Cores samples are not planned.

7. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

- The estimated bottom hole pressure is 2300 PSI. No abnormal pressures or temperatures are anticipated.
- Hydrogen sulfide gas is not anticipated.

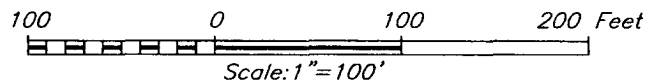


**SECTION 18, TOWNSHIP 22 SOUTH, RANGE 28 EAST, N.M.P.M.,**  
 EDDY COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

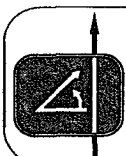
FROM THE INTERSECTION OF U.S. HWY. #62/180 AND REFINERY RD. (CO. RD. #605). GO SE ON REFINERY RD. APPROX. 4.8 MILES. TURN LEFT (NE) AND GO APPROX. 400'. THIS LOCATION IS APPROX. 150' SOUTH OF ROAD.



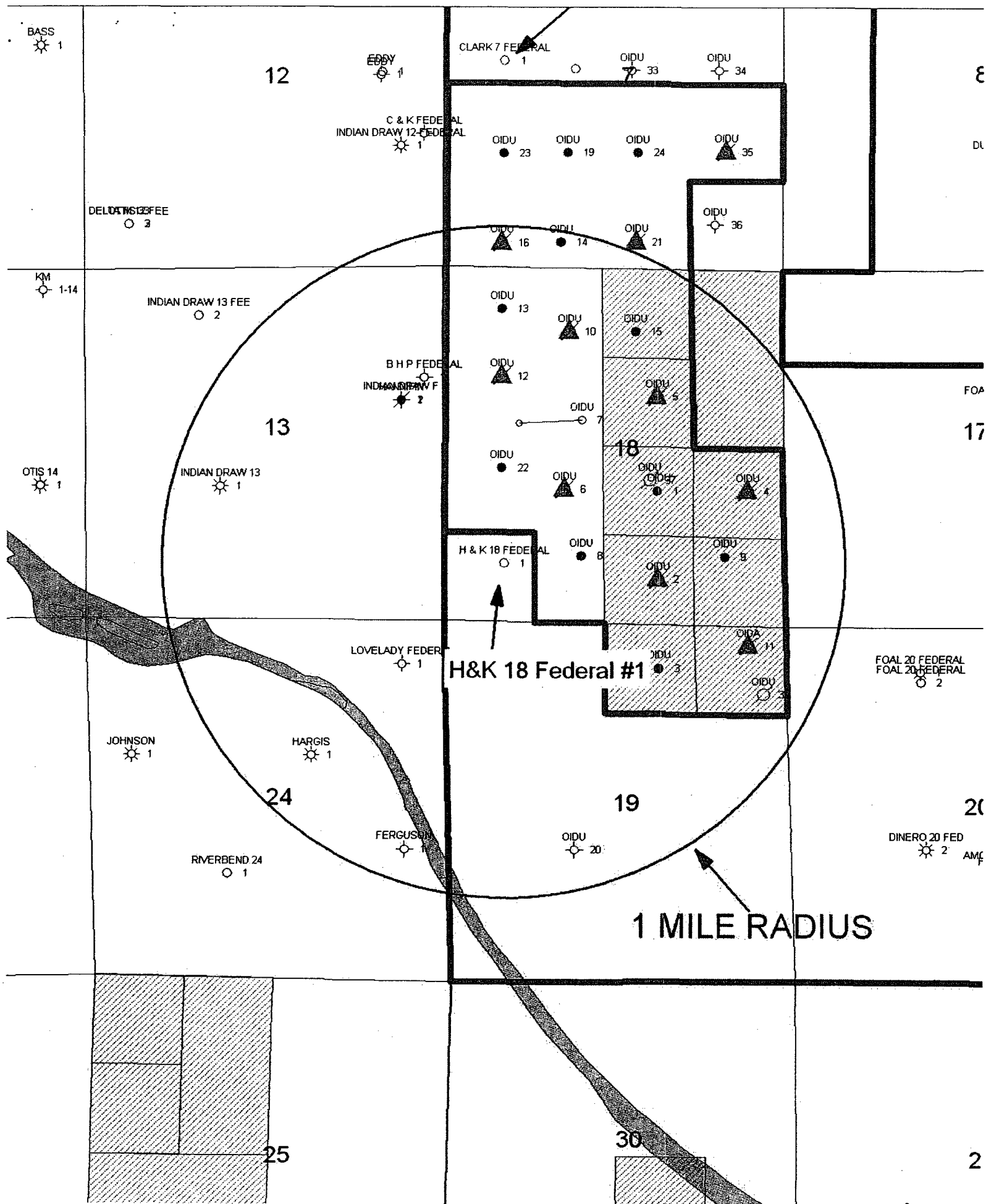
**CHESAPEAKE OPERATING INC.**

H & K 18 FEDERAL #1 WELL  
 LOCATED 925 FEET FROM THE SOUTH LINE  
 AND 835 FEET FROM THE WEST LINE OF SECTION 18,  
 TOWNSHIP 22 SOUTH, RANGE 28 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.

Survey Date: 08/13/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.1267	Dr By: DEL
Date: 08/15/05	Disk: CD#4
05111267	Scale: 1"=100'



PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117



# BLOWOUT PREVENTOR SCHEMATIC

CHESAPEAKE OPERATING INC

WELL : H&K 18 Federal 1

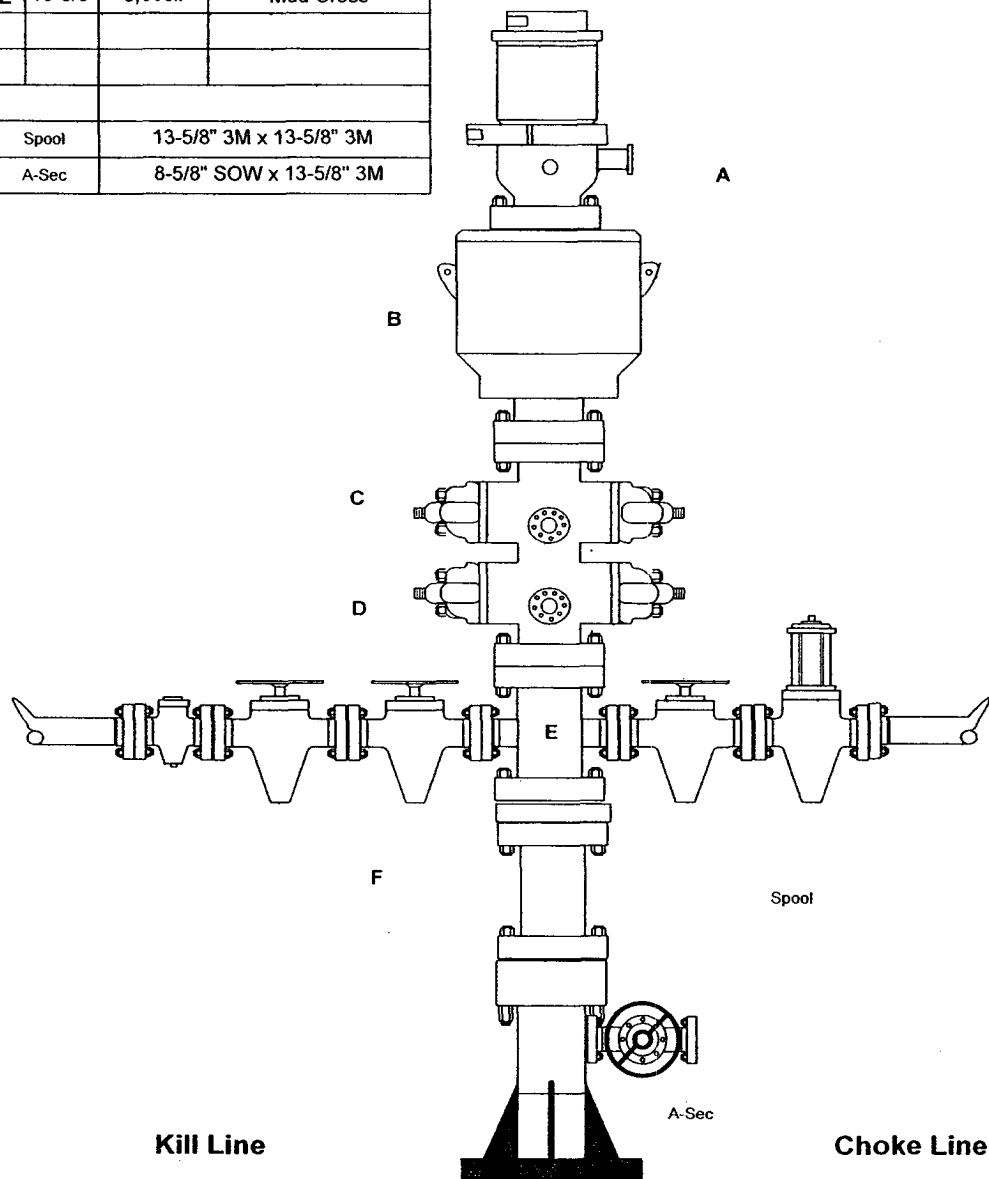
RIG :

COUNTY : Eddy

STATE: New Mexico

OPERATION: Drill out below 8-5/8" Casing

	SIZE	PRESSURE	DESCRIPTION
A	13-5/8"	500#	Rot Head
B	13-5/8"	3,000#	Annular
C	13-5/8"	3,000#	Pipe Rams
D	13-5/8"	3,000#	Blind Rams
E	13-5/8"	3,000#	Mud Cross
Spool	13-5/8" 3M x 13-5/8" 3M		
A-Sec	8-5/8" SOW x 13-5/8" 3M		



	SIZE	PRESSURE	DESCRIPTION
	2"	3,000#	Check Valve
	2"	3,000#	Gate Valve
	2"	3,000#	Gate Valve

	SIZE	PRESSURE	DESCRIPTION
	4"	3,000#	Gate Valve
	4"	3,000#	HCR Valve

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Chesapeake Operating, Inc.  
Well Name & No. H & K 18 Federal #1  
Location: 925 928' FSL, 835' FWL, Section 18, T. 22 S., R. 28 E., Eddy County, New Mexico  
Lease: NM-0415688A per SN dated 9/2/11/25

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 8-5/8 inch 5-1/2 inch

C. BOP tests

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.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

### II. CASING:

1. The 8-5/8 inch surface casing shall be set at approximately 450 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

### III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- 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.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

9/6/2005

acs