

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
APR 26 2013
WMOCD ARTESIA

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

HIGH CAVEKARST

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMLC-058181

6. If Indian, Allottee or Tribe Name
N/A

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

8. Lease Name and Well No. **309878**
ENRON FEDERAL 18 **<305455>**

9. API Well No.
30-015- **41289**

10. Field and Pool, or Exploratory **<51300>**
RED LAKE, QUEEN-GRAYBURG-SA

11. Sec., T. R. M. or Blk. and Survey or Area
SWSE 25-17S-27E NMPM

1a. Type of work: DRILL REENTER

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

2. Name of Operator LRE OPERATING, LLC

<281994>

3a. Address 1111 BAGBY, SUITE 4600
HOUSTON, TX 77002

3b. Phone No. (include area code)
713 292-9528

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
At surface 985' FSL & 2310' FEL
At proposed prod. zone SAME

12. County or Parish
EDDY

13. State
NM

14. Distance in miles and direction from nearest town or post office*
10 AIR MILES ESE OF ARTESIA, NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
470'

16. No. of acres in lease
160

17. Spacing Unit dedicated to this well
SWSE 40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
605' (Enron Fed. 11)

19. Proposed Depth
3,150'

20. BLM/BIA Bond No. on file
NMB-000797 & NMB-000817

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3,596.3' UNGRADED

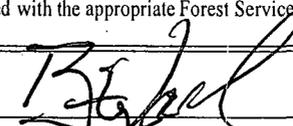
22. Approximate date work will start*
03/01/2013

23. Estimated duration
1 MONTH

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.
- 2. A Drilling Plan.
- 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).
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification
- 6. Such other site specific information and/or plans as may be required by the BLM.

25. Signature  Name (Printed/Typed) BRIAN WOOD (505 466-8120) Date 02/02/2013

Title CONSULTANT (FAX 505 466-9682)

Approved by (Signature) /s/George MacDonell Name (Printed/Typed) Date APR 24 2013

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 Attached

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-015- 41289		² Pool Code 51300	³ Pool Name Red Lake; Queen-Grayburg-SA
⁴ Property Code 305455 209878	⁵ Property Name ENRON FEDERAL		⁶ Well Number 18
⁷ OGRID No. 281994	⁸ Operator Name LRE OPERATING, LLC		⁹ Elevation 3596.3

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
O	25	17 S	27 E		985	SOUTH	2310	EAST	EDDY

¹¹ 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

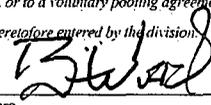
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------------	-------------------------------	----------------------------------	-------------------------

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.

<p>N89°45'15"W 2635.64 FT</p> <p>NW CORNER SEC. 25 LAT. = 32.8122317°N LONG. = 104.2402530°W</p> <p>N/4 CORNER SEC. 25 LAT. = 32.8121939°N LONG. = 104.2316767°W</p> <p>NE CORNER SEC. 25 LAT. = 32.8121534°N LONG. = 104.2230975°W</p>		<p>N89°44'14"W 2636.54 FT</p>	
<p>S00°04'48"E 2635.09 FT</p>	<p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN DECIMAL DEGREE FORMAT.</p>		<p>S00°21'36"W 2641.97 FT</p>
	<p>W/4 CORNER SEC. 25 LAT. = 32.8049905°N LONG. = 104.2402486°W</p>	<p>E/4 CORNER SEC. 25 LAT. = 32.8048934°N LONG. = 104.2230524°W</p>	
<p>S00°04'50"E 2633.98 FT</p>	<p>ENRON FEDERAL #18 ELEV. = 3596.3' LAT. = 32.8003910°N (NAD27) LONG. = 104.2305435°W</p> <p>2310'</p> <p>SURFACE LOCATION</p> <p>1586'</p>		<p>S00°19'47"W 2642.42 FT</p>
<p>S89°34'21"E 2648.77 FT</p> <p>SW CORNER SEC. 25 LAT. = 32.7977524°N LONG. = 104.2402442°W</p> <p>S/4 CORNER SEC. 25 LAT. = 32.7976913°N LONG. = 104.2316267°W</p>		<p>S89°35'31"E 2647.93 FT</p> <p>SE CORNER SEC. 25 LAT. = 32.7976322°N LONG. = 104.2230120°W</p>	

¹⁷ OPERATOR CERTIFICATION

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

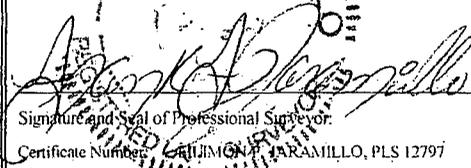

 Signature Date
1-31-13

Brian Wood
 Printed Name
 brian@permitswest.com
 E-mail Address

¹⁸ 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.

DECEMBER 14, 2012
Date of Survey

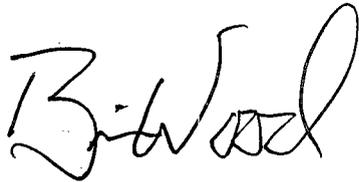

 Signature and Seal of Professional Surveyor
 Certificate Number: 01110001 PARRAMILLO, PLS 12797
 SURVEY NO. 1422

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 28 E.
Eddy County, New Mexico

PAGE 10

REPRESENTATION

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 2nd day of February, 2013.



Brian Wood, Consultant
Permits West, Inc.

37 Verano Loop, Santa Fe, NM 87508

(505) 466-8120

FAX: (505) 466-9682

Cellular: (505) 699-2276

Field representative will be:

Spencer Cox, Production Engineer

LRE Operating, LLC

1111 Bagby St., Suite 4600

Houston, TX 77002

Office: (713) 292-9528

Mobile: (432) 254-5140

FAX: (713) 292-9578

SIGNATURE AND ACKNOWLEDGEMENT

LRE Operating, LLC

By: 

Name: Charles Adcock

Title: Co-Chief Executive Officer

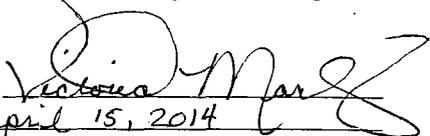
Date: 12/05/2011

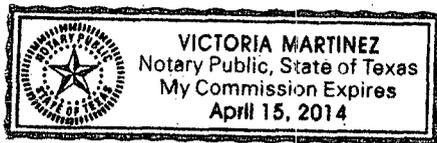
Address: 1111 Bagby Street, Suite 4600, Houston, TX 77002

State of TEXAS

County of HARRIS

This instrument was acknowledged before me on January 24th, 2013 by Charles Adcock,
Co-Chief Executive Officer of LRE Operating, LLC acting on behalf of said limited liability corporation.

Signature of notarial officer: 
My commission expires: April 15, 2014



POWER OF ATTORNEY

DESIGNATION OF AGENT

LRE Operating, LLC hereby names the following person as its agent:

Name of Agent: Permits West, Inc.

Agent's Address: 37 Verano Loop, Santa Fe, NM 87508

Agent's Telephone Number: (505) 466-8120

GRANT OF SPECIAL AUTHORITY

LRE Operating, LLC grants its agent the authority to act for it with the respect to the following only:

1. Executing forms required to be filed with the Oil Conservation Division of the New Mexico Energy, Minerals, and Natural Resources Department.
2. Executive forms required to be filed with the Bureau of Land Management of the Department of Interior of the United States of America.

EFFECTIVE DATE

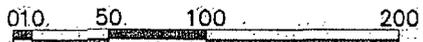
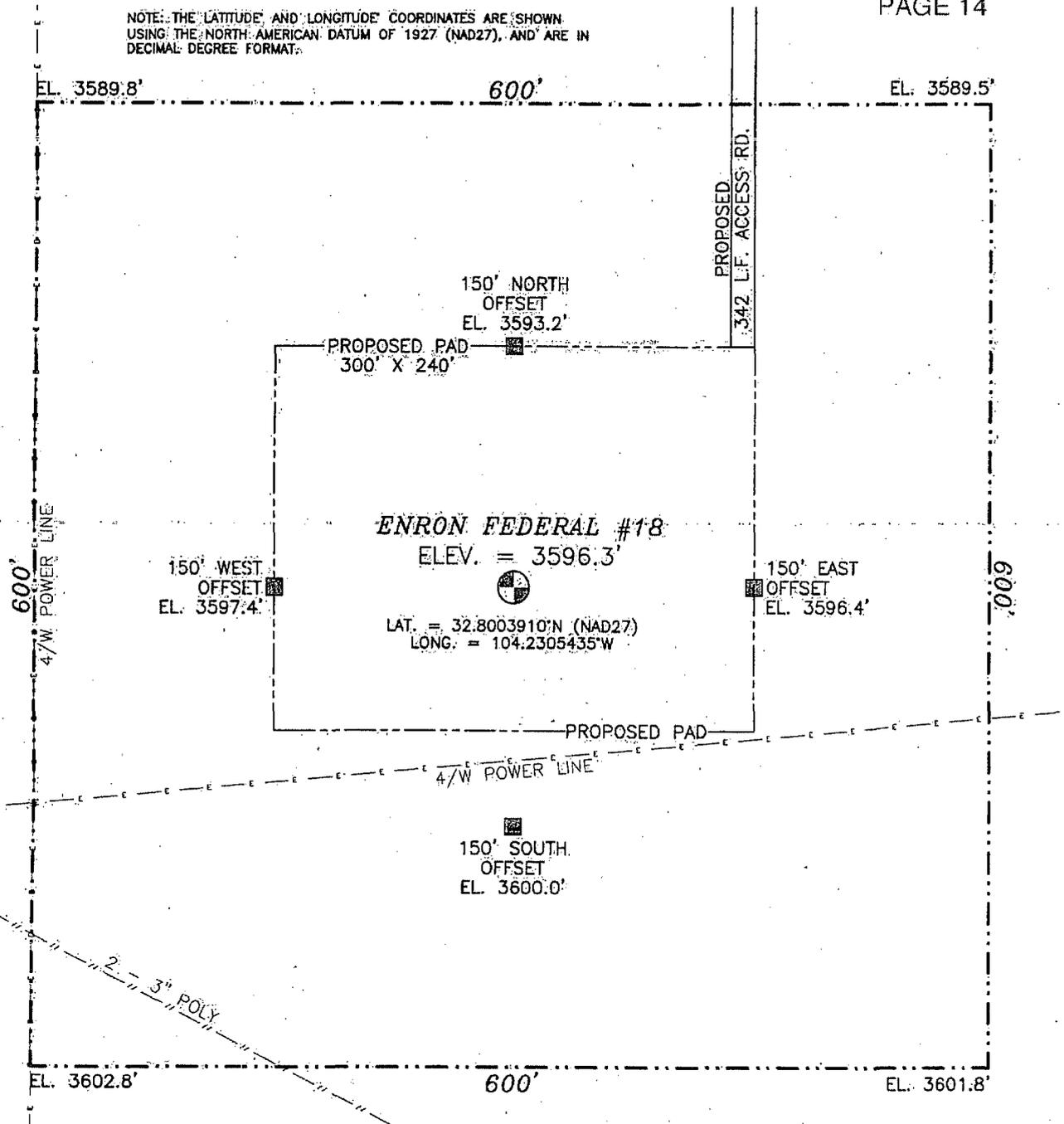
This power of attorney is effective immediately.

RELIANCE ON THIS POWER OF ATTORNEY

Any person, including the agent, may rely upon the validity of this power of attorney or a copy of it unless that person knows it has terminated or is invalid.

SECTION 25, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

NOTE: THE LATITUDE AND LONGITUDE COORDINATES ARE SHOWN
 USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN
 DECIMAL DEGREE FORMAT.

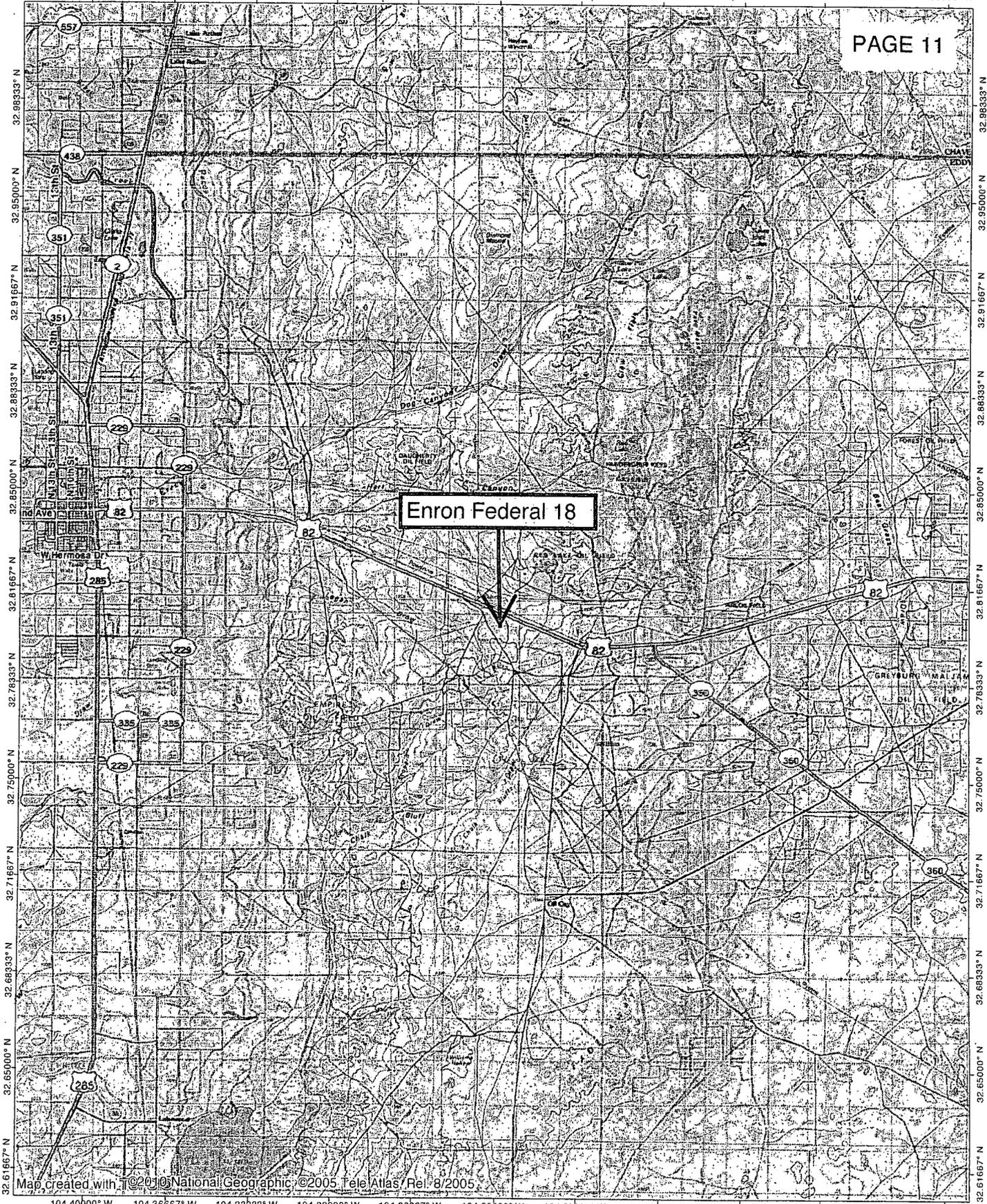


SCALE 1" = 100'
DIRECTIONS TO LOCATION
 FROM STATE HWY. 82 AND PAVED CR. #204 (HILLTOP), GO
 SOUTHEAST ON CR. #204 0.7 MILES, TURN LEFT ON CALICHE
 ROAD AND GO NORTHEAST 0.12 MILES BEND RIGHT AND GO EAST
 0.12 MILES TO A PROPOSED ROAD SURVEY AND FOLLOW FLAGS
 SOUTH 342' TO THE NE. CORNER OF PROPOSED PAD FOR THIS
 LOCATION.

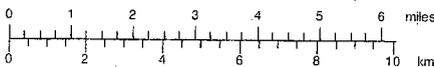
LRE OPERATING, LLC
ENRON FEDERAL #18
 LOCATED 985 FT. FROM THE SOUTH LINE
 AND 2310 FT. FROM THE EAST LINE OF
 SECTION 25, TOWNSHIP 17 SOUTH,
 RANGE 27 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

DECEMBER 14, 2012

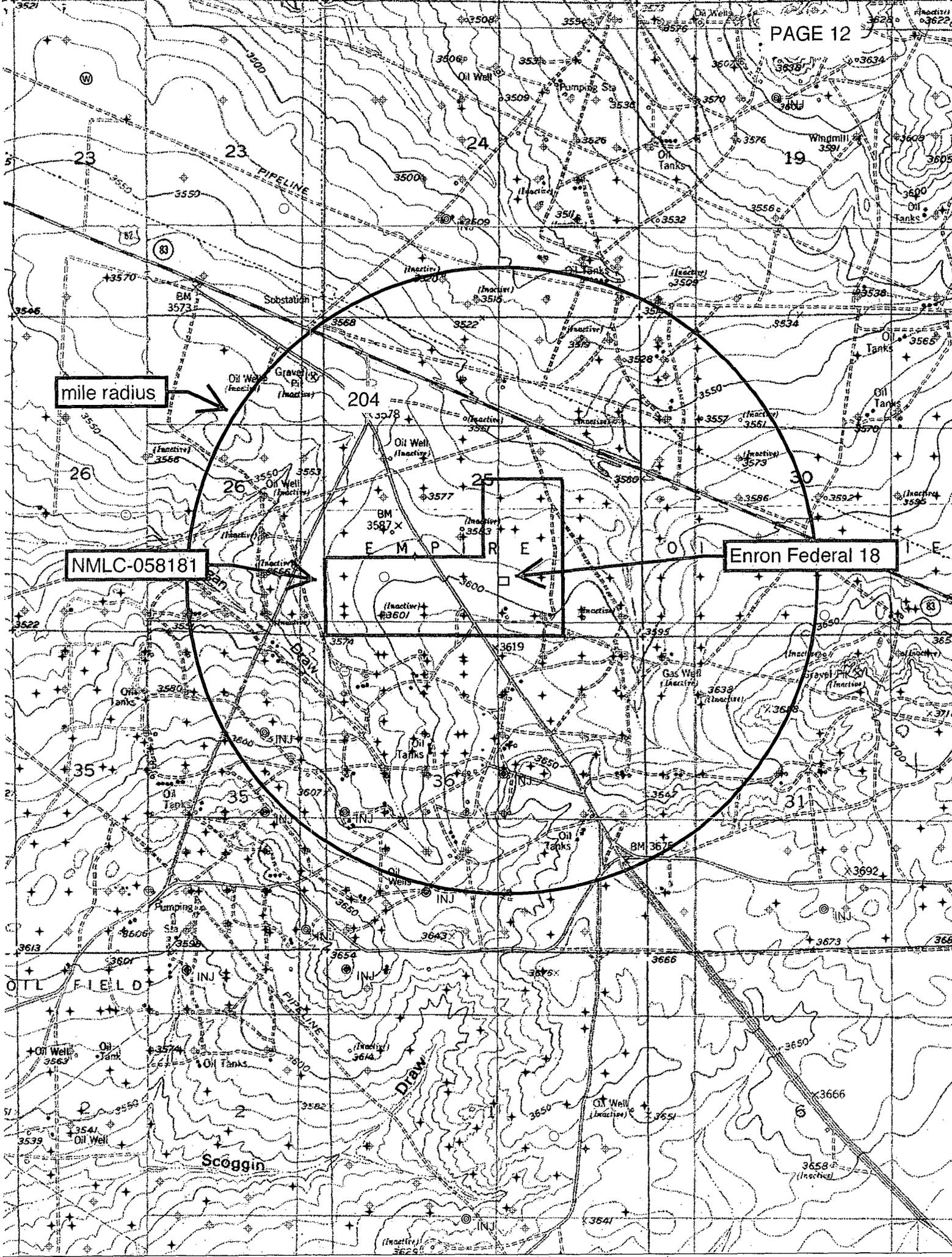
SURVEY NO. 1422



Map created with ©2010 National Geographic; ©2005 Tele Atlas; Rel. 8/2005



TN # MN
7.5°



mile radius

NMLC-058181

EMPRE

Enron Federal 18

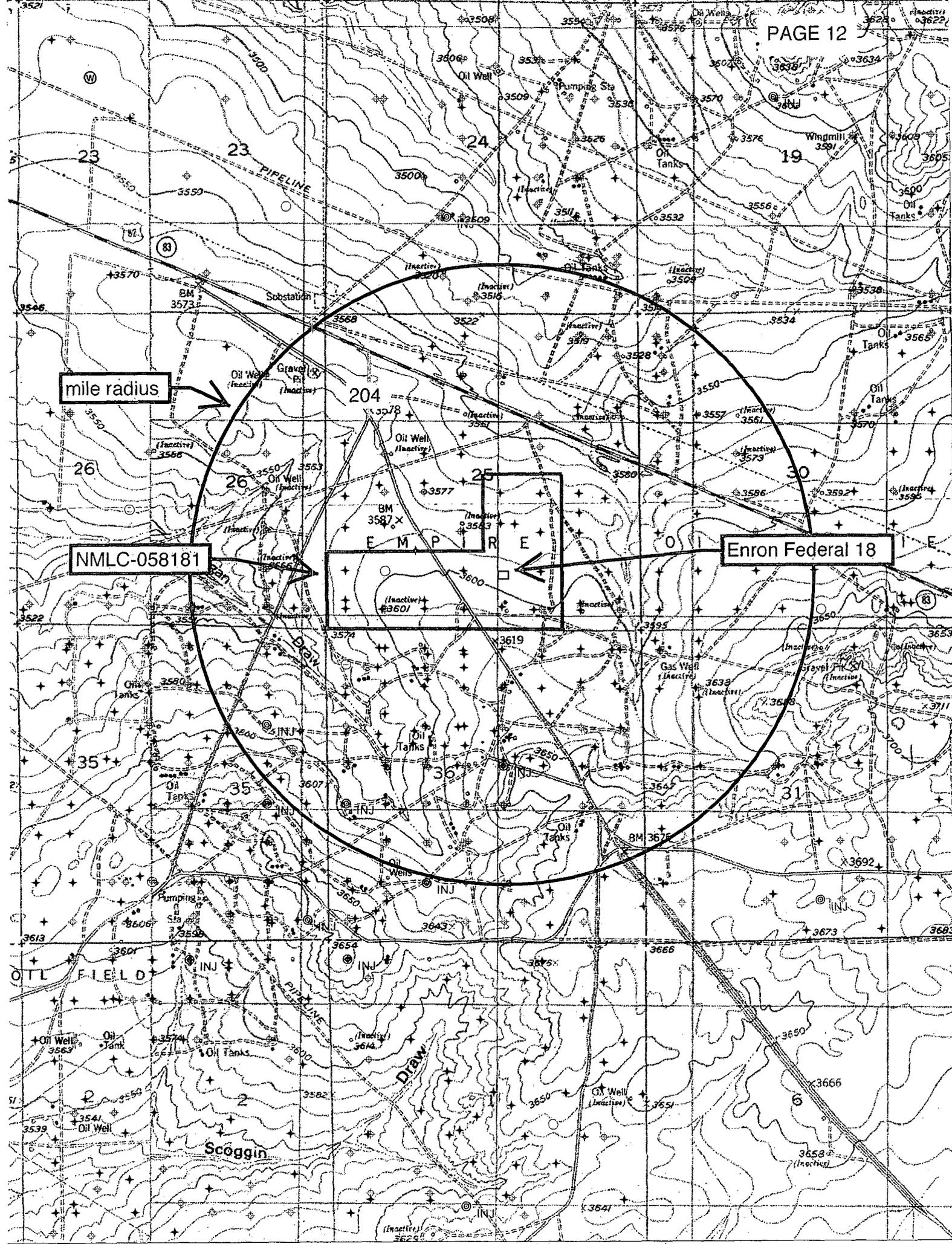
OIL FIELD

Scoggin

PIPELINE

Draw

Draw



LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 27 E.
Eddy County, New Mexico

PAGE 1

Drilling Program

1. ESTIMATED TOPS

<u>Name</u>	<u>TVD</u>	<u>Elevation</u>	<u>Content</u>
Salado	0'	+3,596'	-
Yates	216'	+3,380'	oil, gas, water
Seven Rivers	438'	+3,158'	oil, gas
Queen	965'	+2,631'	oil, gas
Grayburg	1,376'	+2,220'	oil, gas
Premier	1,687'	+1,909'	-
San Andres	1,738'	+1,858'	oil, gas
Glorieta	3,086'	+510'	oil, gas
Total Depth	3,150'	+446'	oil, gas

2. NOTABLE ZONES

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Water was found between 260' and 265' in the Patterson-State 2 oil well (30-015-00602). That, now plugged and abandoned, well is 1,473' southeast at 330 FSL & 990 FEL 25-17s-27e.

3. PRESSURE CONTROL (see PAGE 3)

A 2,000 psi BOP stack and manifold system will be used. A typical 2,000 system is shown on PAGE 3. If the equipment changes, then a Sundry Notice will be filed. System will meet Onshore Orders 2 (BOP) and 6 (H₂S) requirements.

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 28 E.
Eddy County, New Mexico

PAGE 2

*See
COA*

The blowout preventer equipment (BOP) will consist of a 2000 psi rated, "XLT" type, National VARCO double ram preventer that will be tested to a maximum pressure of 2000 psi. The unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top and drill pipe rams on bottom. The 2M BOP will be installed on the 8-5/8" surface casing and utilized continuously until total depth is reached. All casing strings will be tested as per Onshore Order #2. This also includes a thirty-day (30) test, should the rig still be operating on the same well in thirty days.

Pipe rams will be operated and checked each 24-hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drilling logs.

The BOP equipment will consist of the following:

- Double ram with blind rams (top) and pipe rams (bottom),
- Drilling spool, or blowout preventer with 2 side outlets (choke side and kill side shall be at least 2" diameter),
- Kill line (2 inch minimum),
- A minimum of 2 choke line valves (2 inch minimum),
- 2 inch diameter choke line,
- 2 kill valves, one of which will be a check valve (2 inch minimum),
- 2 chokes, one of which will be capable of remote operation,
- pressure gauge on choke manifold,
- Upper Kelly cock valve with handle available,
- Safety valve and subs to fit all drill string connections in use,
- All BOPE connections subjected to well pressure will be flanged, welded, or clamped,
- A Fill-up line above the uppermost preventer.

4. CASING & CEMENT

Type	Setting Depth	Hole	Casing	#/ft	Grade	Casing Thread	API	Age
conductor	40'	26"	20"	91.5	B	welded	No	new
surface	425'	12-1/4"	8-5/8"	24	J-55	S T & C	Yes	new
production	3150'	7-7/8"	5-1/2"	17	J-55	L T & C	Yes	new

All casing designed with a minimum of:

Burst Safety Factor	Collapse Safety Factor	Tension Safety Factor
1.18	1.2	2.0

Conductor pipe will be cemented to the surface with ready mix.

Surface casing will be cemented to the surface with >200% excess. Cement with 300 sacks (402 cubic feet) Class C + ¼ pound/sack cello flake + 2% CaCl₂ mixed to yield 1.34 cubic feet per sack and 14.8 pounds per gallon. Centralizers will be installed as required by Onshore Order 2.

Production casing will be cemented to the surface with 1,036 cubic feet (>80% excess). Lead with 300 sacks (571 cubic feet) 35:65 poz Class C + 5% NaCl + 1/8 pound/sack cello flake + 5 pounds per sack LCM-1 + 0.4% R-3 + 6% gel mixed to yield 1.903 cubic feet per sack and 12.8 pounds per gallon. Tail with 350 sacks (465 cubic feet) Class C + 0.6% R-3 + ¼ pound/sack cello flake + mixed to yield 1.33 cubic feet per sack and 14.8 pounds per gallon.

Cement volumes will be adjusted based on caliper log volumes and depths of casing and adjusted proportionately for depth changes of the multi stage tool if applicable.

must submit sundry if multi-stage tool used

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 27 E.
Eddy County, New Mexico

See
COA

A 13-3/8", 48#, H-40, S T & C, new API contingency string will be set at 350' in a reamed 17-1/2" hole if circulation is lost in cave or karst (cave & karst potential to 325') and not regained. Contingency string will be cemented to the surface with 350 sacks (469 cubic feet) Class C + 1/4 pound per sack cello flake + 2% CaCl₂ mixed to yield 1.34 cubic feet per sack and 14.8 pounds per gallon. If contingency string is set, it will be tested at 1,000 psi for 30 minutes before drill out. Excess >100%.

See
COA

Upon the setting of a 13 3/8" contingency casing string, a 13 5/8" x 13 3/8" weld on wellhead will be installed. A 13 3/8" to 11" adapter flange will be installed and the 11" XLT 2000 psi NOV double ram BOP/BOPE (Schematic attached) will be installed. The BOP will be tested against the casing to 70% of the internal yield pressure of the 13 3/8", 48#, H-40, ST&C (1211 psi) casing and held for 30 min before drilling out the 13 3/8" casing shoe.

5. MUD PROGRAM

An electronic/mechanical mud monitor will with a minimum pit volume totalizer, stroke counter, and flow sensor will be used. Circulation could be lost in the Grayburg and San Andres.

Interval	0-425	425-3000	3000-TD
Type	fresh water	brine	brine w/ gel & starch
weight	8.5-9.2	9.9-10.2	9.9-10.2
pH	10	10-11.5	10-11.5
WL	NC	NC	15-20
viscosity	28-34	30-32	32-35
MC	NC	NV	1
solids	NC	<1%	<1%
pump rate	300-350 gpm	350-400 gpm	400-450 gpm

LRE Operating, LLC
 Enron Federal 18
 985' FSL & 2310' FEL
 Sec. 25, T. 17 S., R. 28 E.
 Eddy County, New Mexico

other	LCM as needed	salt gel & MF as needed, pump high viscosity sweeps to control solids	salt gel, acid, & MF as needed; pump high viscosity sweeps to control solids
-------	---------------	---	---

6. CORES, TESTS, & LOGS

No core or drill stem test is planned. A triple combo with spectral GR - dual lateral log, micro spherical focused log, & spectral density log will be run after tagging total depth. Will log from total depth to surface pipe. A dual spaced neutron log and compensated spectral natural GR log will be run from total depth to ~~200'~~
100' at least

7. DOWN HOLE CONDITIONS

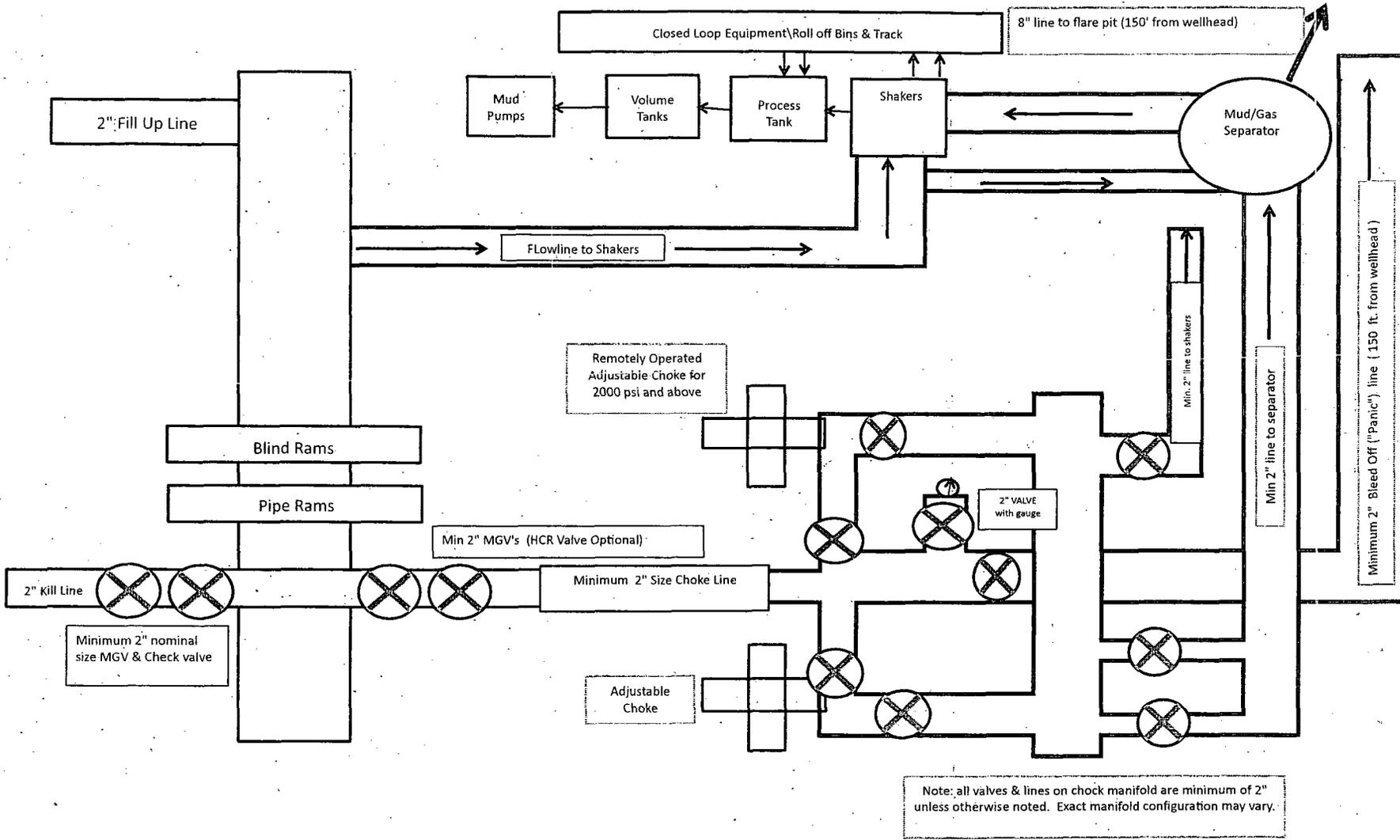
No abnormal pressure or temperature is expected. Maximum expected bottom hole pressure is 1,364 psi. No H₂S is expected during the drilling phase. Nevertheless, H₂S monitoring equipment will be on the rig floor and air packs will be available before drilling out of the surface casing. The mud logger will be warned to use a gas trap to detect H₂S. If any H₂S is detected, then the mud weight will be increased and H₂S inhibitors will be added to control the gas. An H₂S drilling operations contingency plan is attached.

*See
COA*

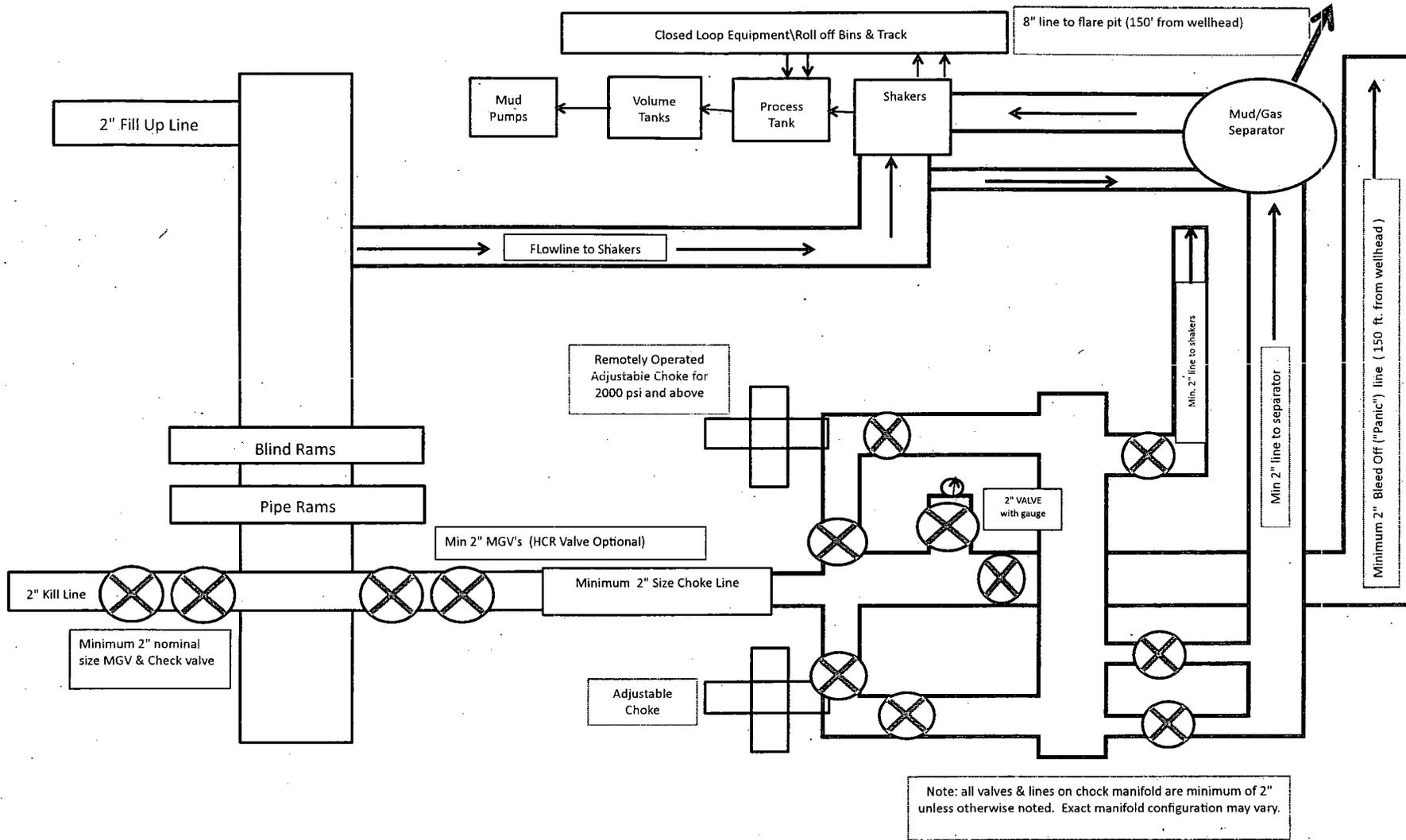
The well is located in a potential cave or karst area. Thus, lost circulation is possible down to 350'. See the contingency casing string and cement plan on the preceding page.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take ≈1 month to drill and complete the well.



**11" Minimum 2000 psi BOP and
Minimum 2000 psi BOPE System Schematic
W/ Closed Loop System Equipment**



**11" Minimum 2000 psi BOP and
Minimum 2000 psi BOPE System Schematic
W/ Closed Loop System Equipment**

LRE Operating, LLC

Enron Federal lease

Section 25, T. 17 S., R. 27 E., Eddy County, NM

Design: Closed Loop System with roll-off steel bins (pits)

CRI/HOBBS will supply (2) bins (100 bbl) volume, rails and transportation relating to the Close Loop System. Specification of the Closed Loop System is attached.

Contacts: Gary Wallace (432) 638-4076 Cell (575) 393-1079 Office

Scomi Oil Tool: Supervisor – Armando Soto (432) 553-7979 Hobbs, NM

Monitoring 24 Hour service

Equipment:

Centrifuges – Derrick Brand

Rig Shakers – Brandt Brand

D-watering Unit

Air pumps on location for immediate remediation process

Layout of Close Loop System with bins, centrifuges and shakers attached.

Cuttings and associated liquids will be hauled to a State regulated third party disposal site (CRI or Controlled Recovery, Inc.). The disposal site permit is DFP = #R9166.

2- (250 bbl) tanks to hold fluid

2-CRI bins with track system

1-500 bbl frac tanks with fresh water

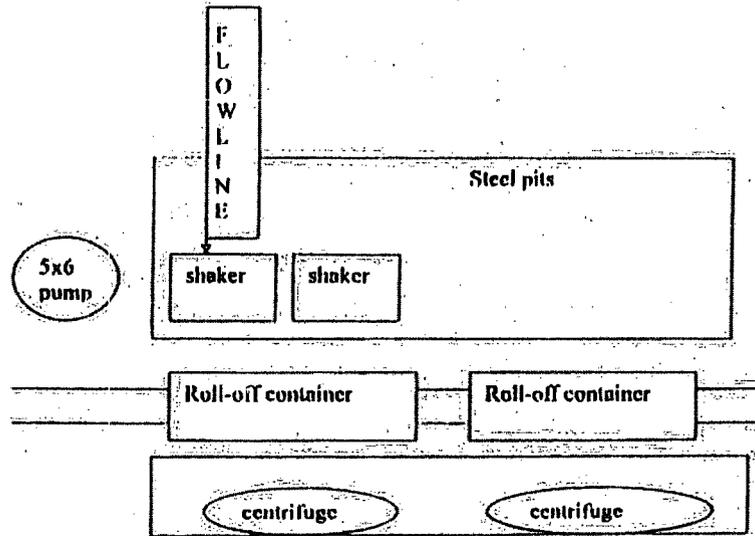
1-500 bbl frac tanks for brine water

Operations:

Closed Loop System equipment will be inspected daily by each tour and any necessary maintenance performed. Any leak in system will be repaired and/or contained immediately. OCD will be notified within 48 hours of any spill. Remediation process will start immediately.

Closure:

During drilling operations all liquids, drilling fluids and cuttings will be hauled off via CRI equipment to Disposal Facility Permit NM-01-0006..



This will be maintained by 24 hour solids control personnel that stay on location.

TOMMY WILSON



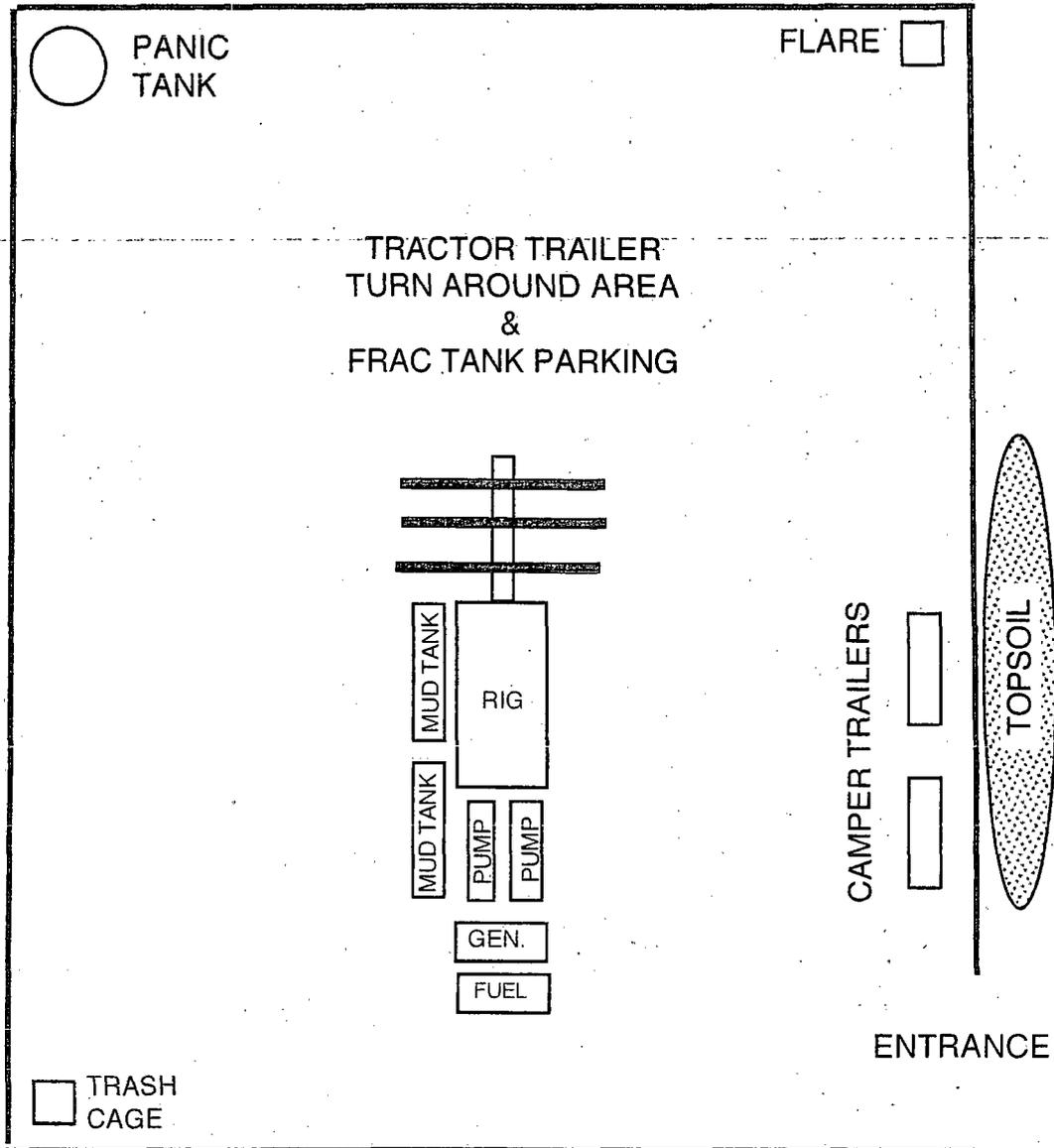
**CLOSED LOOP
SPECIALTY**

Office: 575.746.1689

Cell: 575.748.6167

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 27 E.
Eddy County, New Mexico

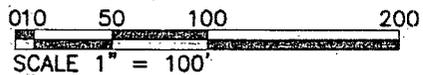
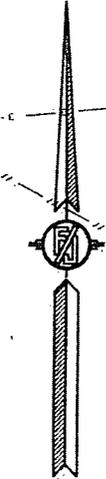
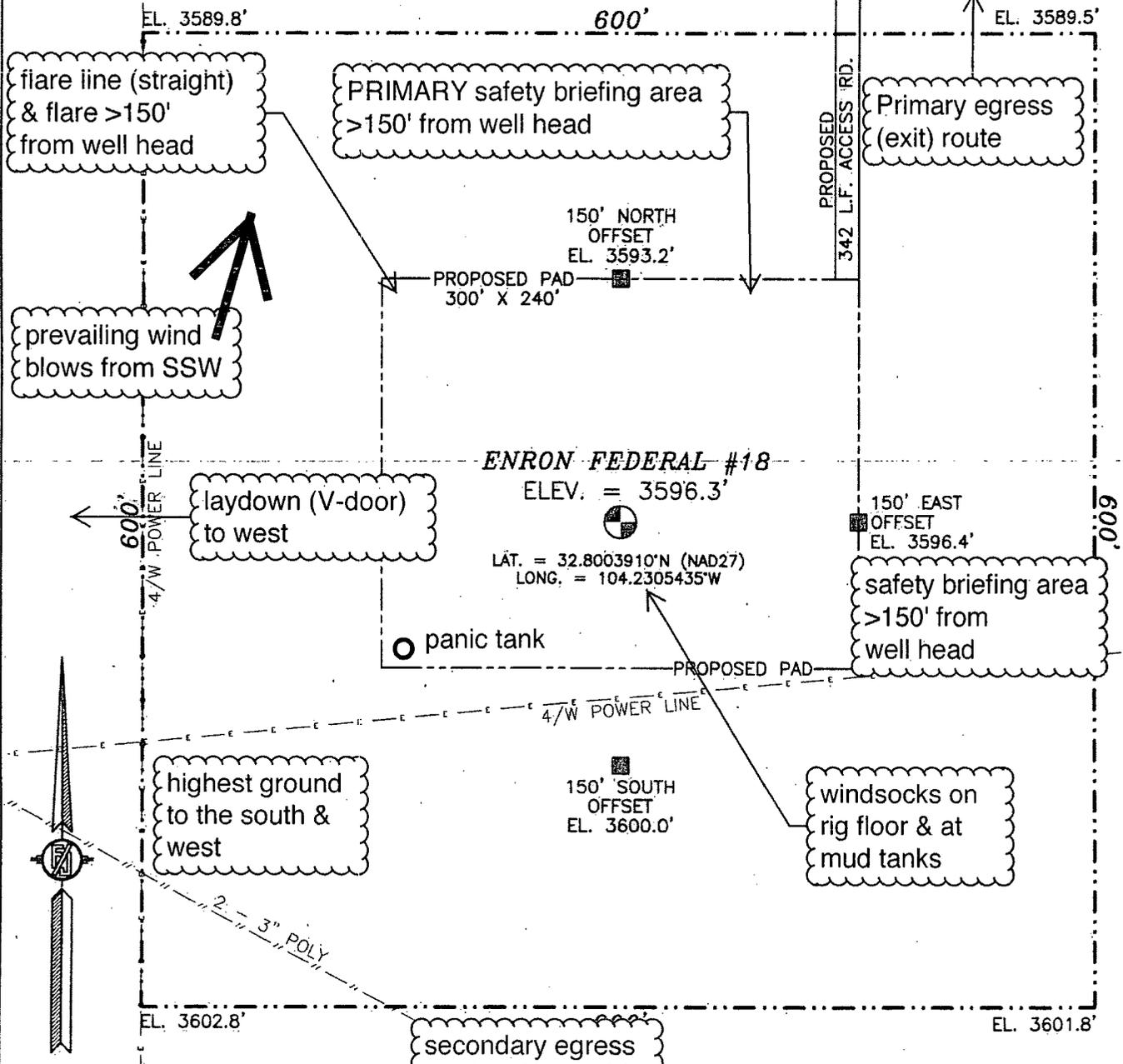
1" = 50'



SECTION 25, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

NOTE: THE 'LATITUDE' AND 'LONGITUDE' COORDINATES
 USING THE NORTH AMERICAN DATUM OF 1927
 DECIMAL DEGREE FORMAT.

warning signs
& windsock



DIRECTIONS TO LOCATION
 FROM STATE HWY. 82 AND PAVED CR. #204 (HILLTOP) GO
 SOUTHEAST ON CR. #204 0.7 MILES, TURN LEFT ON CALICHE
 ROAD AND GO NORTHEAST 0.12 MILES BEND RIGHT AND GO EAST
 0.12 MILES TO A PROPOSED ROAD SURVEY AND FOLLOW FLAGS
 SOUTH 342' TO THE NE. CORNER OF PROPOSED PAD FOR THIS
 LOCATION.

LRE OPERATING, LLC
ENRON FEDERAL #18
 LOCATED 985 FT. FROM THE SOUTH LINE
 AND 2310 FT. FROM THE EAST LINE OF
 SECTION 25, TOWNSHIP 17 SOUTH,
 RANGE 27 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

DECEMBER 14, 2012

SURVEY NO. 1422

LRE Operatinng, LLC
Hydrogen Sulfide Drilling Plan Summary
For Drilling & Work Over Facility

- A. All personnel shall receive proper H2S training in accordance with Onshore Order 6 III.C.3.a.
- B. Briefing Area: two perpendicular areas will be designated by signs and readily accessible.
- C. Required Emergency Equipment:

- Well control equipment

- a. Flare line 150' from wellhead to be ignited by flare gun.
- b. Choke manifold with a remotely operated choke.
- c. Mud/gas separator

- Protective equipment for essential personnel.

Breathing apparatus:

- a. Rescue Packs (SCBA) — 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
- b. Work/Escape packs —4 packs shall be stored on the rig floor th sufficient air hose not to restrict work activity.
- c. Emergency Escape Packs —4 packs shall be stored in the doghouse for emergency evacuation.

Auxiliary Rescue Equipment:

- a. Stretcher
- b. Two OSHA full body harness
- c. 100 ft 5/8 inch OSHA approved rope
- d. 1-20# class ABC fire extinguisher

- H2S detection and monitoring equipment:

The stationary detector with three sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible @ 14 ppm. Calibrate a minimum of every 30 days or as needed. The sensors will be placed in the following places: Rig floor / Bell nipple / End of flow line or where well bore fluid is being discharged.

(Gas sample tubes will be stored in the safety trailer)

- Visual warning systems.

- a. One color code condition sign will be placed at the entrance to the site reflecting the possible conditions at the site.
- b. A colored condition flag will be on display, reflecting the current condition at the site at the time.
- c. Two wind-socks will be placed in strategic locations, visible from all angles.

- Mud program:

The mud program has been designed to minimize the volume of H2S circulated to surface. The operator will have the necessary mud products to minimize hazards while drilling in H2S bearing zones.

■ Metallurgy:

- a. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.
- b. All elastomers used for packing and seals shall be H₂S trim.

■ Communication:

Communication will be via two way radio in emergency and company vehicles. Cell phones and land lines where available.

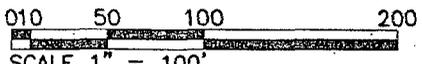
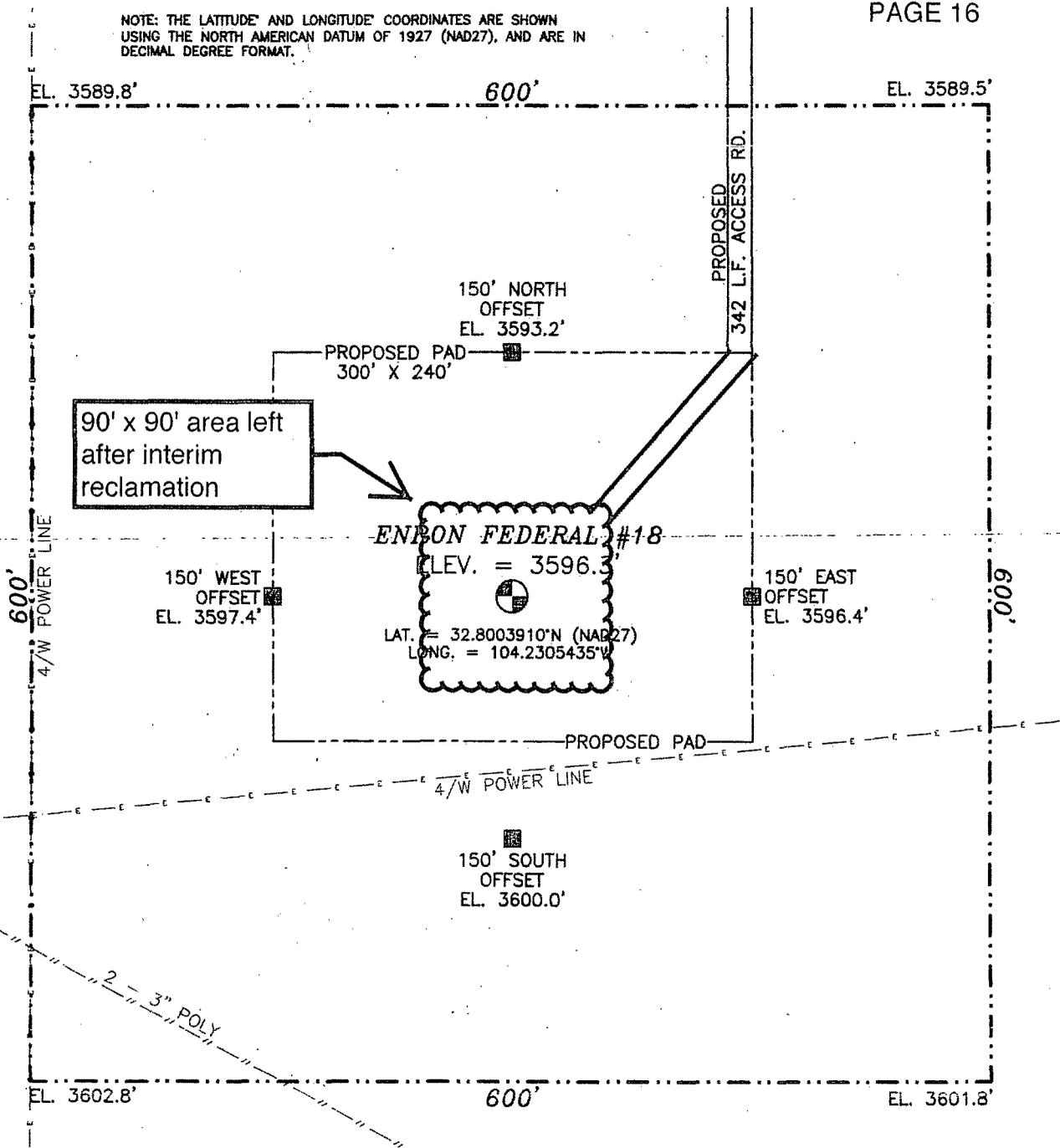
Agency Call List		
City	Agency or Office	Telephone Number
Artesia	Ambulance	911
Artesia	State Police	575-746-2703
Artesia	Sheriff's Office	575-746-9888
Artesia	City Police	575-746-2703
Artesia	Fire Department	575-746-2701
Artesia	Local Emergency Planning Committee	575-746-2122
Artesia	New Mexico OCD District II	575-748-1283
Carlsbad	Ambulance	911
Carlsbad	State Police	575-885-3137
Carlsbad	Sheriff's Office	575-887-7551
Carlsbad	City Police	575-885-2111
Carlsbad	Fire Department	575-885-2111
Carlsbad	Local Emergency Planning Committee	575-887-3798
Carlsbad	US DOI Bureau of Land Management	575-887-6544
State Wide	New Mexico Emergency Response Commission ("NMERC")	505-476-9600
State Wide	NMERC 24 hour Number	505-827-9126
State Wide	New Mexico State Emergency Operations Center	505-476-9635
National	National Emergency Response Center (Washington, D.C.)	800-424-8802

H2S CONTINGENCY DRILLING PLAN EMERGENCY CONTACTS

Emergency Services				
Name	Service	Location	Telephone Number	Alternate Number
Boots & Coots International Well Control	Well Control	Houston / Odessa	1-800-256-9688	281-931-8884
Cudd Pressure Control	Well Control & Pumping	Odessa	915-699-0139	915-563-3356
Baker Hughes Inc.	Pumping Service	Artesia, Hobbs and Odessa	575-746-2757	SAME
Total Safety	Safety Equipment and Personnel	Artesia	575-746-2847	SAME
Cutter Oilfield Services	Drilling Systems Equipment	Midland	432-488-6707	SAME
Assurance Fire & Safety	Safety Equipment and Personnel	Artesia	575-396-9702	575-441-2224
Flight for Life	Emergency Helicopter Evacuation	Lubbock	806-743-9911	SAME
Aerocare	Emergency Helicopter Evacuation	Lubbock	806-747-8923	SAME
Med Flight Air Ambulance	Emergency Helicopter Evacuation	Albuquerque	505-842-4433	SAME
Artesia General Hospital	Emergency Medical Care	Artesia	575-748-3333	702 North 13 Street

SECTION 25, TOWNSHIP 17 SOUTH, RANGE 27 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

NOTE: THE LATITUDE AND LONGITUDE COORDINATES ARE SHOWN
 USING THE NORTH AMERICAN DATUM OF 1927 (NAD27), AND ARE IN
 DECIMAL DEGREE FORMAT.



DIRECTIONS TO LOCATION
 FROM STATE HWY. 82 AND PAVED CR. #204 (HILLTOP) GO
 SOUTHEAST ON CR. #204 0.7 MILES, TURN LEFT ON CALICHE
 ROAD AND GO NORTHEAST 0.12 MILES BEND RIGHT AND GO EAST
 0.12 MILES TO A PROPOSED ROAD SURVEY AND FOLLOW FLAGS
 SOUTH 342' TO THE NE. CORNER OF PROPOSED PAD FOR THIS
 LOCATION.

LRE OPERATING, LLC
ENRON FEDERAL #18
 LOCATED 985 FT. FROM THE SOUTH LINE
 AND 2310 FT. FROM THE EAST LINE OF
 SECTION 25, TOWNSHIP 17 SOUTH,
 RANGE 27 EAST, N.M.P.M.
 EDDY COUNTY, STATE OF NEW MEXICO

DECEMBER 14, 2012

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 27 E.
Eddy County, New Mexico

PAGE 7

Surface Use Plan

1. ROAD DIRECTIONS & DESCRIPTIONS (See PAGES 11 - 14)

From the center of Artesia...

Go East 9.3 miles on US 82 to the equivalent of Mile Post 116.8

Then turn right and go Southeast $\frac{3}{4}$ mile on paved County Road 204

Then turn left and go Northeast and East $\frac{1}{4}$ mile on a caliche road

Then turn right and go South 342' cross-country to the proposed pad

Roads will be maintained to a standard at least equal to or better than their present condition.

This APD is also doubling as a plan of development for an accompanying BLM road right-of-way application. Application covers 20' x 550' (=0.25 acre) of existing caliche road in NESW 25-17s-27e. Road stays on level.

2. ROAD TO BE BUILT OR UPGRADED (See PAGES 13 & 14)

Approximately 342' of new road will be built. The new road will be crowned, have a 14' wide driving surface, and be surfaced with caliche. Maximum disturbed width = 20'. A ramp will be built across 5 poly lines. Maximum grade = 1%. Maximum cut or fill = 2'. No culvert, cattle guard, or turn out is needed. Upgrading of the existing road will consist of filling potholes with caliche.

3. EXISTING WELLS

Existing oil, gas, injection, and P & A wells within a mile radius are shown on Page 12. There are no water or disposal wells within a mile.

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 28 E.
Eddy County, New Mexico

PAGE 8

4. PROPOSED PRODUCTION FACILITIES (See PAGE 13)

A wellhead and pump jack will be installed on the pad. Production will be piped via a ≈ 3 " SDR-7 poly surface pipeline to LRE's existing manifold at its tank battery. Pipeline will start at the NE corner of the pad and go N $\approx 215'$ along the E side of the new road, then SE $\approx 440'$ along existing LRE surface lines, and then E $\approx 220'$ along existing LRE surface lines to the manifold. CVE will build a power line from its line immediately south of the pad. CVE will file its own application.

5. WATER SUPPLY (PAGE 11)

Water will be trucked from private land in Riverside or Loco Hills.

6. CONSTRUCTION MATERIALS & METHODS

NM One Call (1-800-321-ALERT) will be notified before construction starts. The top 6" of soil and brush will be stockpiled north of the pad. A closed loop drilling system will be used. Caliche will be bought and hauled from an existing approved caliche pit. Dirt contractor will be responsible for caliche.

7. WASTE DISPOSAL

All trash will be placed in a portable trash cage. It will be hauled to a county landfill. There will be no trash burning. Contents of the mud tanks will be hauled to state approved disposal sites. Human waste will be disposed of in chemical toilets and hauled to an approved dump station.

8. ANCILLARY FACILITIES

LRE Operating, LLC
Enron Federal 18
985' FSL & 2310' FEL
Sec. 25, T. 17 S., R. 27 E.
Eddy County, New Mexico

PAGE 9

There will be no airstrip or camp. Camper trailers will be on location for the company man, tool pusher, or mud logger.

9. WELL SITE LAYOUT

See Page 15 for depictions of the well pad, trash cage, access onto the location, parking, living facilities, and rig orientation.

10. RECLAMATION (See PAGE 16)

Reclamation will consist of removing the caliche and reducing the pad footprint to approximately 90' x 90' around the pump and anchors, while leaving enough safe space for future work. Disturbed areas will be contoured to a natural shape and no steeper than 3:1. Soil and brush will be evenly spread over disturbed areas. Seeded areas will be ripped or harrowed. A BLM approved seed mix will be sown in a BLM approved manner. Enough stockpiled topsoil will be retained to cover the remainder of the pad when the well is plugged. Once the well is plugged, then the remainder of the pad will be similarly reclaimed. Noxious weeds will be controlled.

11. SURFACE OWNER

All construction will be on lease and on BLM.

12. OTHER INFORMATION

On site inspection was held December 13, 2012 with Amanda Lynch (BLM).

Boone Archaeology has inspected the pad and road and will inspect the pipeline route.

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	LRE Operating, LLC
LEASE NO.:	NMLC-058181
WELL NAME & NO.:	Enron Federal 18
SURFACE HOLE FOOTAGE:	0985' FSL & 2310' FEL
LOCATION:	Section 25, T. 17 S., R 27 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**

- Construction**
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- Road Section Diagram**
- Drilling**
 - H2S requirements
 - High Cave Karst
 - 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)

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) 234-5909 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-five (25) 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

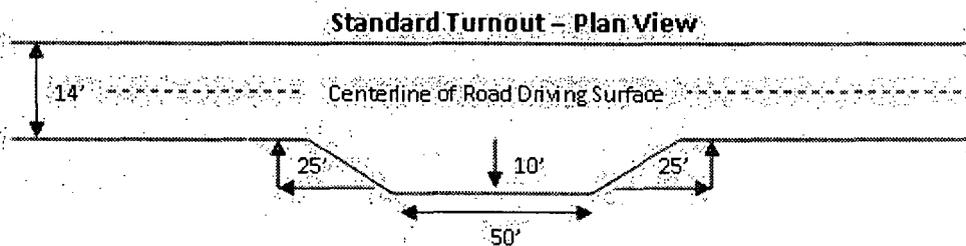
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

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:

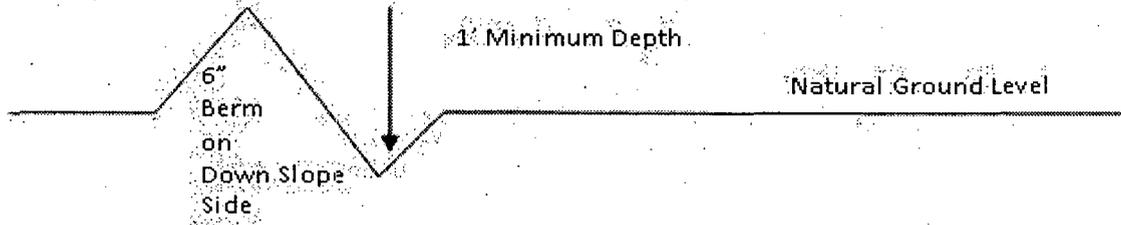


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outloping 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.

Fence Requirement

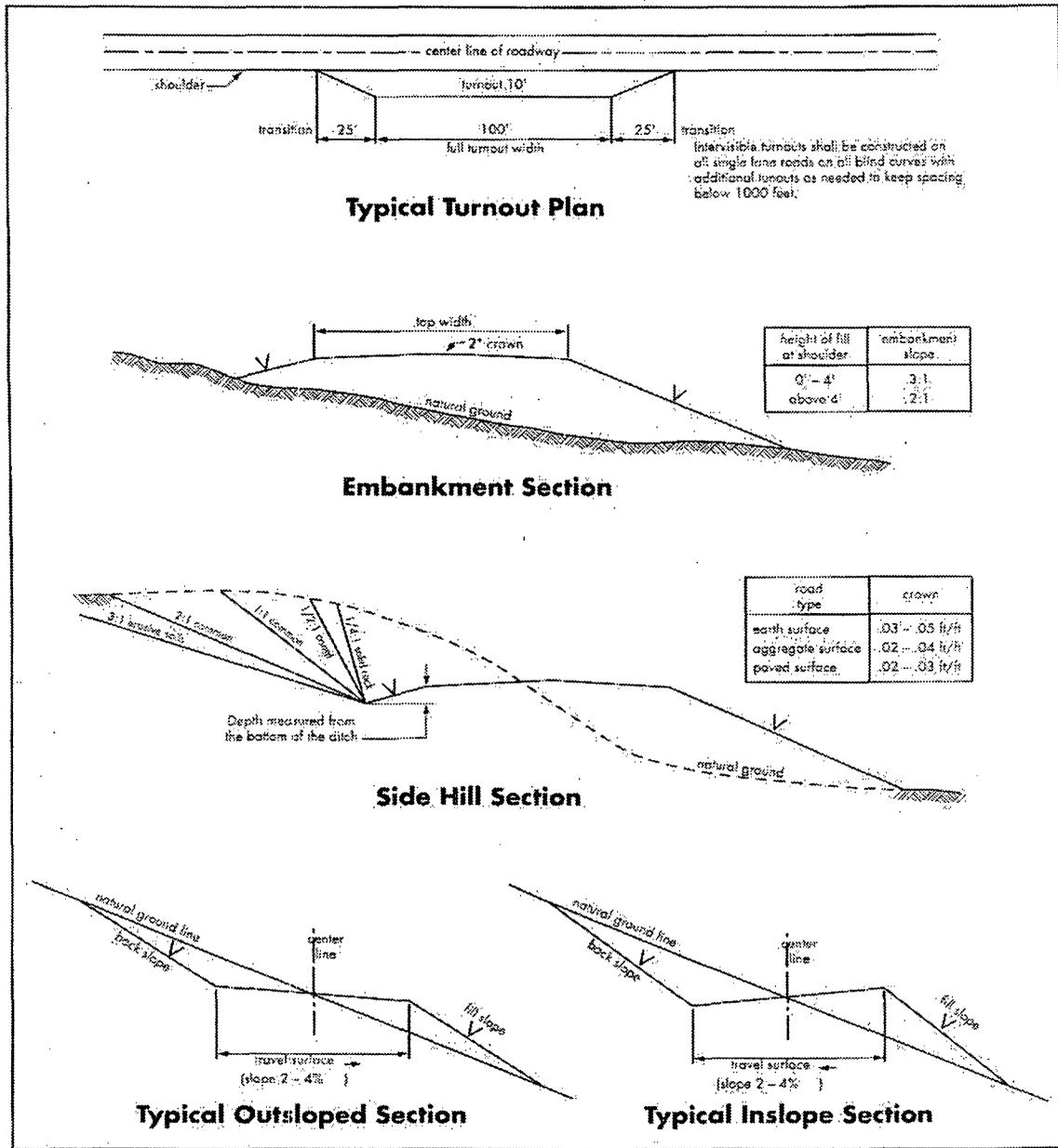
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

Public Access

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



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.

HIGH CAVE/KARST -- OPERATOR HAS PROPOSED A CONTINGENCY CASING IF LOST CIRCULATION OCCURS WHILE DRILLING THE SURFACE HOLE. IF LOST CIRCULATION OCCURS WHILE DRILLING THE 7-7/8" HOLE, THE CEMENT PROGRAM FOR THE 5-1/2" CASING WILL NEED TO BE MODIFIED AND THE BLM IS TO BE CONTACTED PRIOR TO RUNNING THE CASING. A MINIMUM OF TWO CASING STRINGS CEMENTED TO SURFACE IS REQUIRED IN HIGH CAVE/KARST AREAS. THE CEMENT MUST BE IN A SOLID SHEATH THEREFORE, ONE INCH OPERATIONS WILL NOT BE PERMITTED. A DV TOOL WILL BE REQUIRED

Possible lost circulation in the Grayburg and San Andres formations.

Contingency Surface Casing Plan:

1. The 13-3/8 inch **contingency surface casing** shall be set at approximately 350 feet 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.

Casing Plan without Contingency:

2. The 8-5/8 inch surface casing shall be set at approximately 425 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with 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.

Operator is to submit a NOI sundry if they plan on utilizing a DV tool on the 5-1/2" production string.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
 - Cement to surface. If cement does not circulate, contact the appropriate BLM office.
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.

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. **Contingency** - Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 13-3/8 inch surface casing shoe shall be **2000 (2M) psi**. Operator is approved to test against the casing for the contingency plan.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **8-5/8 inch** surface casing shoe shall be **2000 (2M) psi**.
4. 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**.
 - c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock.
 - d. The results of the test shall be reported to the appropriate BLM office.
 - e. 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.**
 - f. 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. This test shall be performed prior to the test at full stack pressure.

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.

JAM 041613

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 from the BLM Standard Environmental Color Chart (CC-001: June 2008).

B. PIPELINES

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. All construction and maintenance activity will be confined to the authorized right-of-way width of 20 feet. If the pipeline route follows an existing road or buried pipeline right-of-way, the surface pipeline must be installed no farther than 10 feet from the edge of the road or buried pipeline right-of-way. If existing surface pipelines prevent this distance, the proposed surface pipeline must be installed immediately adjacent to the outer surface pipeline. All construction and maintenance activity will be confined to existing roads or right-of-ways.

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.

17. Surface pipelines must be less than or equal to 4 inches and a working pressure below 125 psi.

18. Special Stipulations:

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 4, for Gypsum 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>
Alkali Sacaton (<i>Sporobolus airoides</i>)	1.0
DWS Four-wing saltbush (<i>Atriplex canescens</i>)	5.0

DWS: DeWinged Seed

*Pounds of pure live seed:

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