

SECRETARY'S POTASH

OCD Artesia

Form 3160-3
(April 2004)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

la. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No. Poker Lake Unit NMNM 71016
lb. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. Nash Draw 8 Federal SWD #1 39887
2. Name of Operator BOPCO, L. P.		9. API Well No. 30-015-41351
3a. Address P. O. Box 2760 Midland, TX 79702	3b. Phone No. (include area code) 432-683-2277	10. Field and Pool, or Exploratory Poker Lake Unit SW (Devonian) <96101>
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface NWSW, UL L, 2,075' FSL & 630' FWL, Lat: N32.230492, Lg: W103.909636 At proposed prod. zone		11. Sec., T. R. M. or Blk. and Survey or Area Sec 8, T24S-R30E
14. Distance in miles and direction from nearest town or post office* 10 miles north east of Malaga, NM		12. County or Parish Eddy
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 630' FWL of lease line 8,550' from unit line		13. State NM
16. No. of acres in lease 2480.84	17. Spacing Unit dedicated to this well 40	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 385'	19. Proposed Depth 17,225'	20. BLM/BIA Bond No. on file COB 000050
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,200' GL	22. Approximate date work will start* 04/01/2013	23. Estimated duration 110 Days

24. Attachments

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

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 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 shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

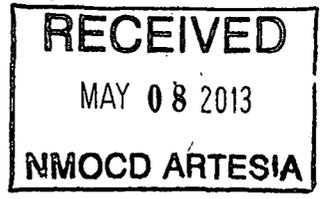
25. Signature <i>Jeremy Braden</i>	Name (Printed/Typed) Jeremy Braden	Date 11/4/13
Title Engineering Assistant		
Approved by (Signature) <i>Jesse J. Juen</i>	Name (Printed/Typed)	Date MAY 30 2013
Title STATE DIRECTOR	Office NM STATE OFFICE	

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.

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)

Carlsbad Controlled Water Basin



SEE ATTACHED FOR CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

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

Form C-102
Revised July 16, 2010

Submit one copy to appropriate
District Office

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-41351		Pool Code 96101	Pool Name SWD; Devonian
Property Code 39887	Property Name NASH DRAW "8" FEDERAL		Well Number 1 SWD
OGRID No. 260737	Operator Name BOPCO, L.P.		Elevation 3200'

Surface Location

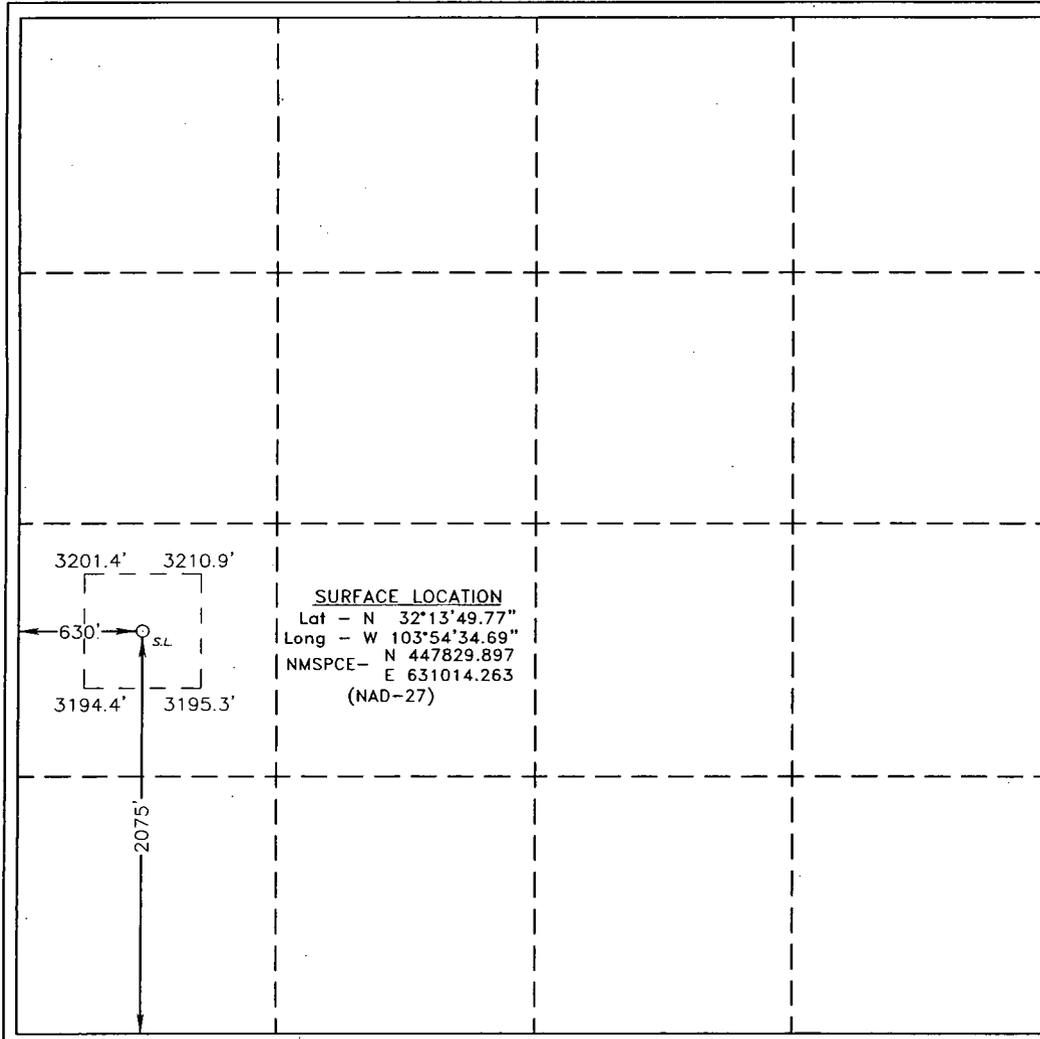
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	8	24 S	30 E		2075	SOUTH	630	WEST	EDDY

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 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



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

Jeremy Braden 1-14-13
Signature Date
Jeremy Braden
Printed Name
jbraden@basspet.com
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.

Gary L. Jones
Date Surveyed
Signature & Seal of Professional Surveyor
GARY L. JONES
REGISTERED PROFESSIONAL SURVEYOR
NEW MEXICO

Certificate No. Gary L. Jones 7977
BASIN SURVEYS 25142

B O P C O, L P.

**P. O. Box 2760
Midland, Texas 79702**

432-683-2277

FAX-432-687-0329

January 14, 2013

Bureau of Land Management
Carlsbad Field Office
620 East Green Street
Carlsbad, New Mexico 88220-6292

Attn: Mr. Don Peterson – Assistant Field Manager, Minerals

RE: APPLICATION FOR PERMIT TO DRILL
Nash Draw 8 Federal SWD #1
2,075' FSL, 630' FWL, Sec. 8, T24S, R30E, Eddy County, NM

Dear Mr. Peterson,

In reference to the above captioned well, 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 the 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 14 day of January, 2013.

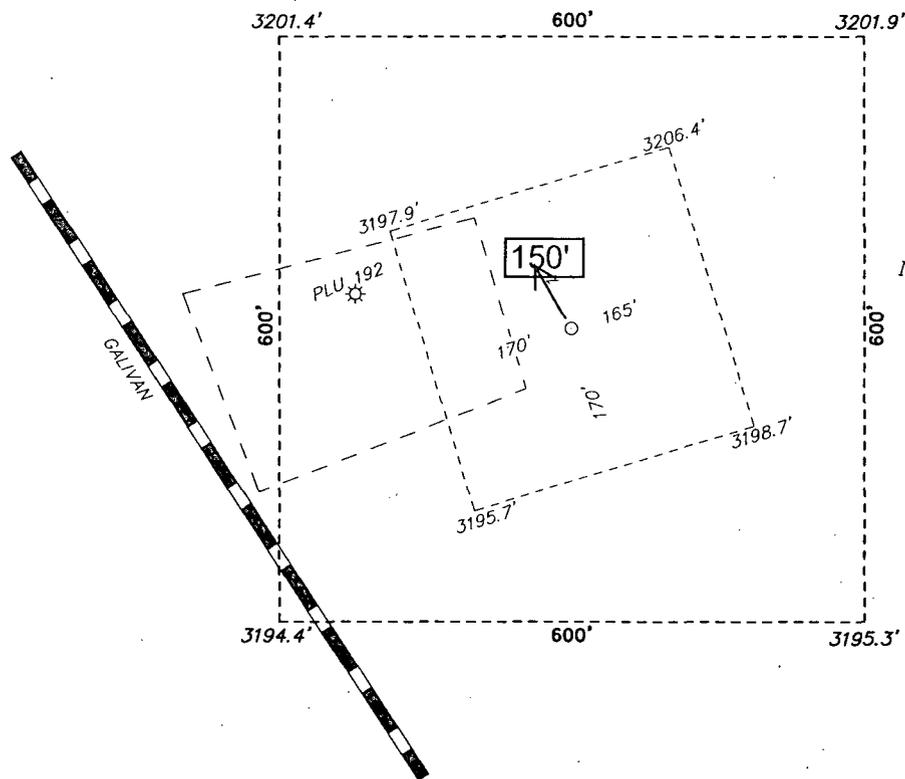
If you have any questions regarding the accuracy of the plan provided herein, please do not hesitate to contact me at (432) 683-2277.

Sincerely,

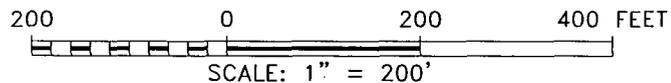


Jeremy Braden
Engineering Tech

SECTION 8, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,
 EDDY COUNTY, WELL PAD LAYOUT NEW MEXICO.



BOPCO, L.P.
 NASH DRAW "8" FEDERAL 1 SWD
 ELEV. - 3200'
 Lat - N 32°13'49.77"
 Long - W 103°54'34.69"
 NMSPC- N 447829.897
 E 631014.263
 (NAD-27)



Directions to Location:

FROM THE JUNCTION OF GALIVAN AND McDONALD, GO
 NORTH ON GALIVAN FOR 3.4 MILES TO WELL PAD
 FOR 192 AND PROPOSED LOCATION.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 25142 Drawn By: J. SMALL

Date: 08-06-2011 Disk: JMS 25142

BOPCO, L.P.

REF: NASH DRAW "8" FEDERAL 1 SWD / WELL PAD TOPO

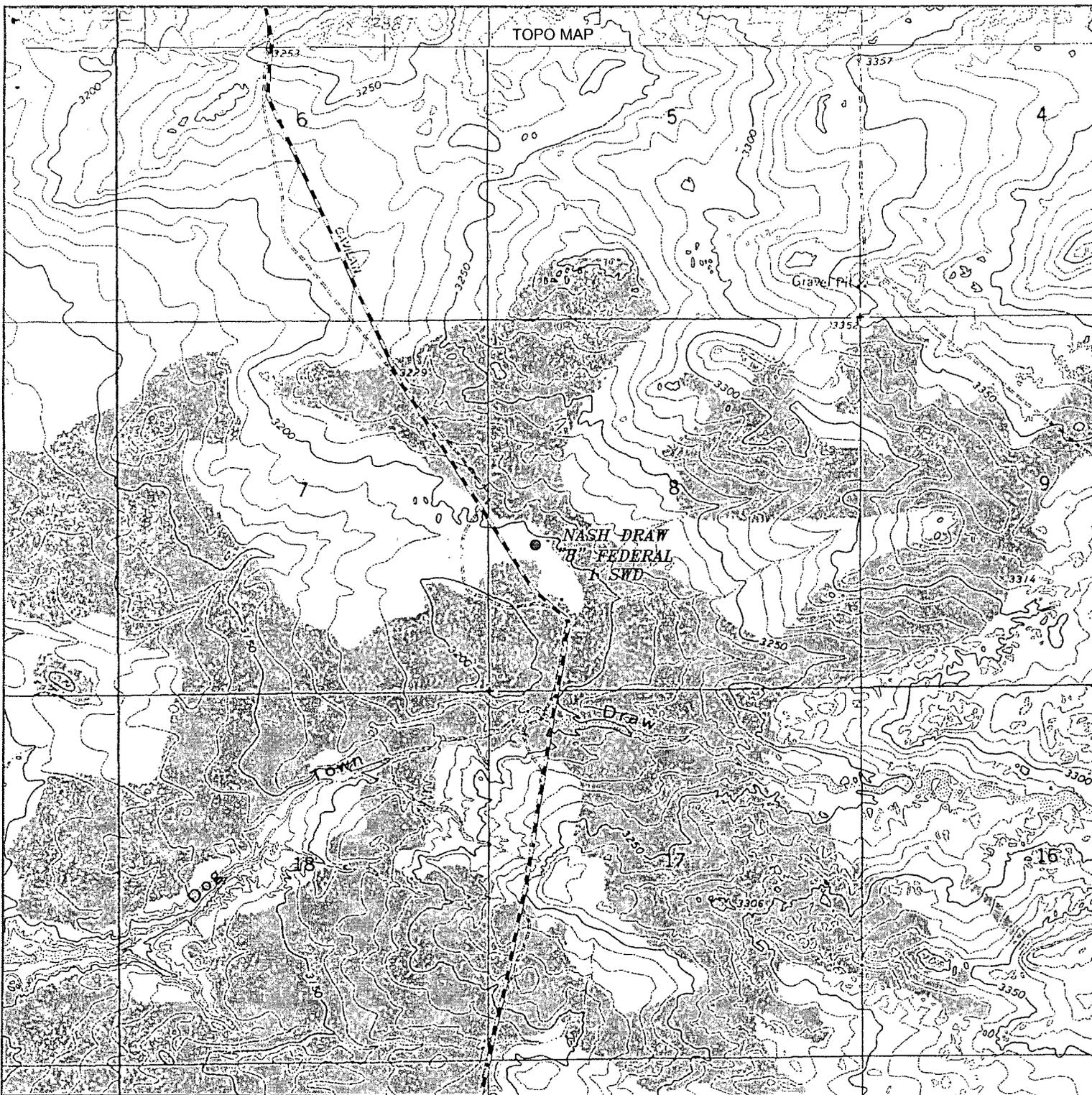
THE NASH DRAW "8" FEDERAL 1 SWD LOCATED 2075'

FROM THE SOUTH LINE AND 630' FROM THE WEST LINE OF

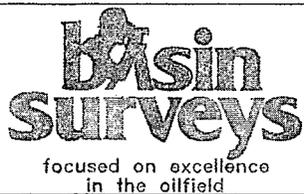
SECTION 8, TOWNSHIP 24 SOUTH, RANGE 30 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 08-22-2011 Sheet 1 of 6 Sheets



NASH DRAW "8" FEDERAL 1 SWD
 Located 2075' FSL and 630' FWL
 Section 8, Township 24 South, Range 30 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: JMS 25142

Survey Date: 08-22-2011

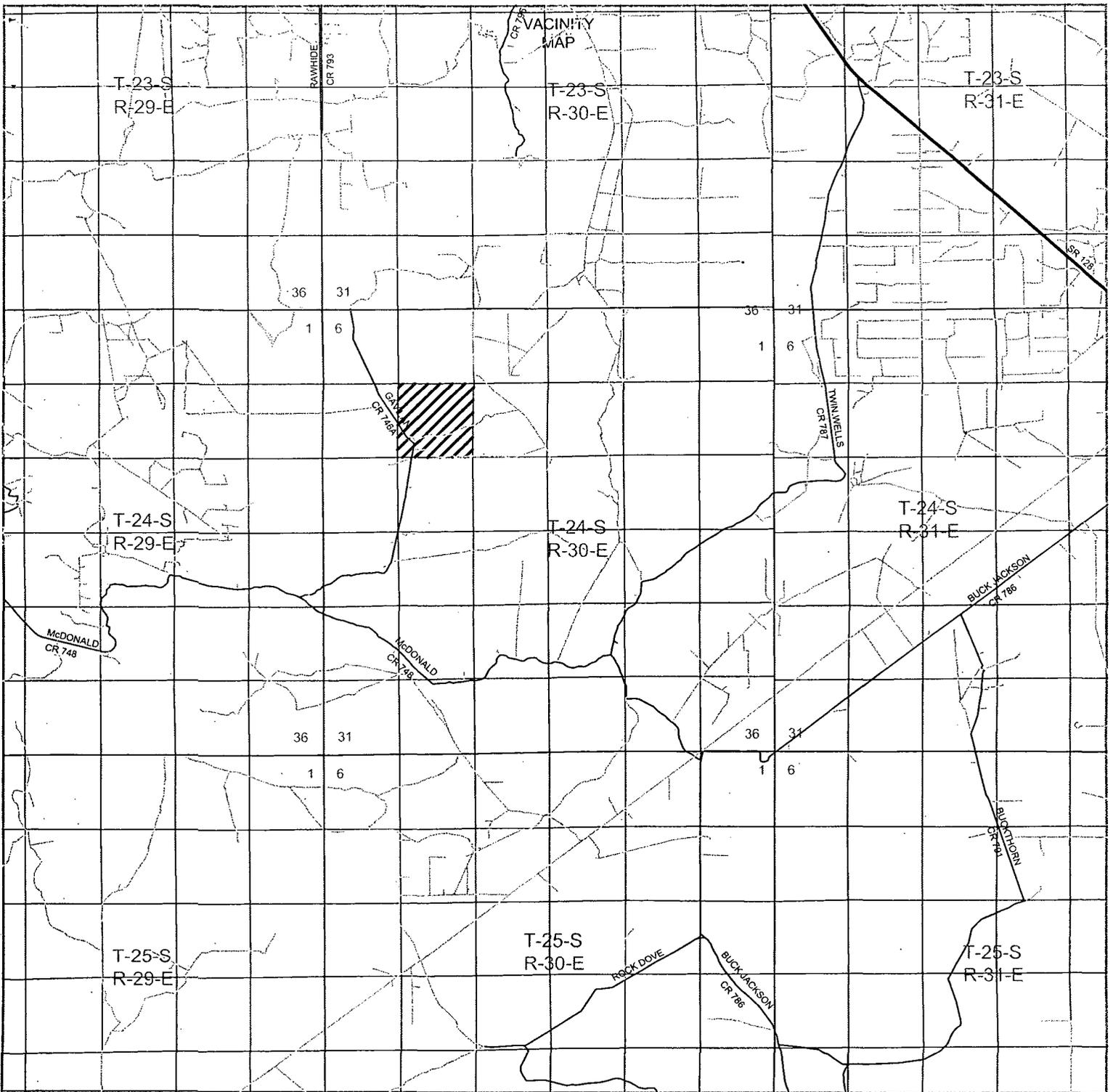
Scale: 1" = 2000'

Date: 08-06-2011

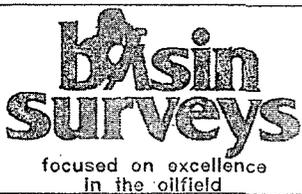


BOPCO, L.P.

Sheet 2 of 6 Sheets



NASH DRAW "8" FEDERAL 1 SWD
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W.O. Number: JMS 25142

Survey Date: 08-22-2011

Scale: 1" = 2 Miles

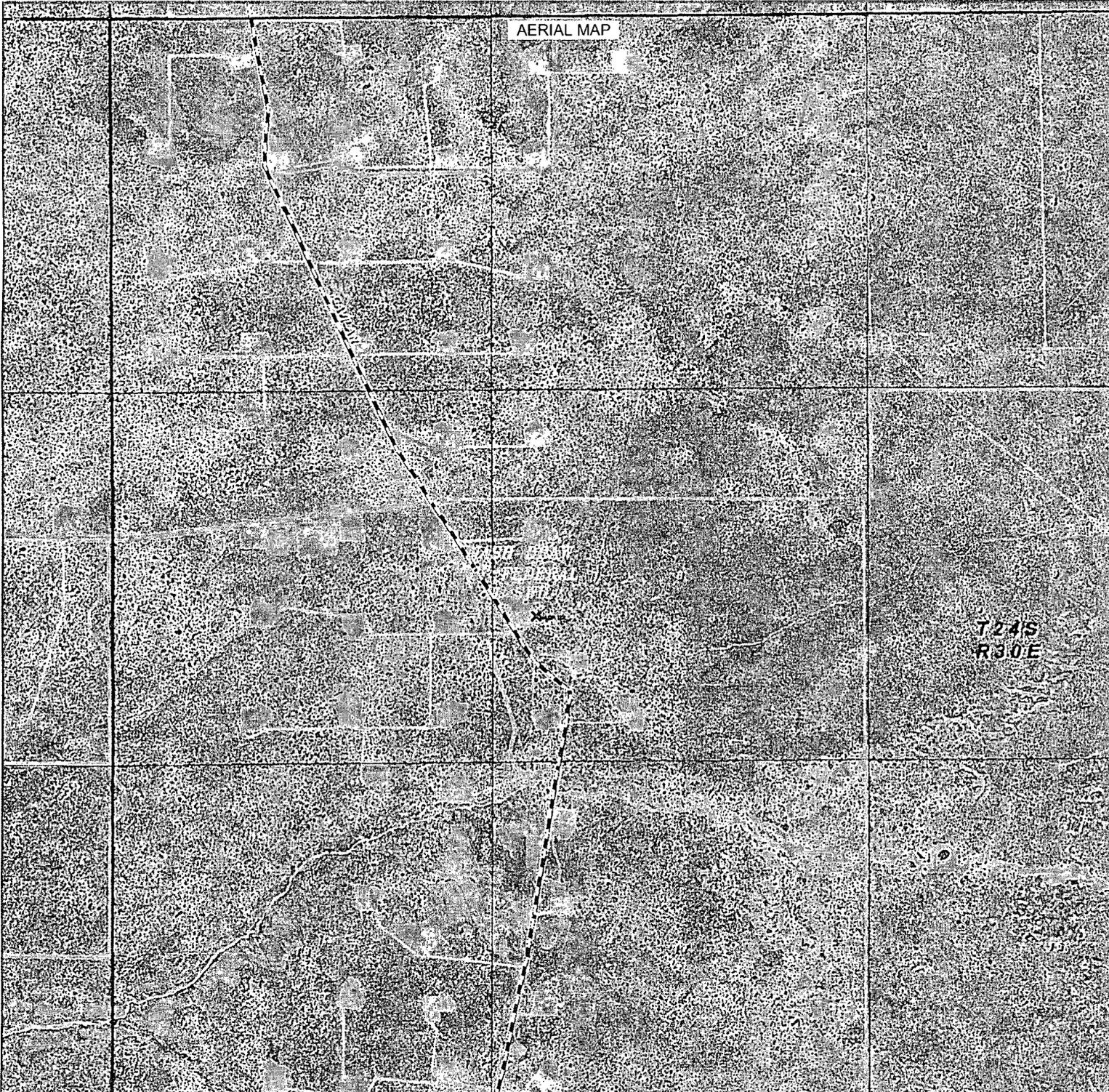
Date: 08-06-2011



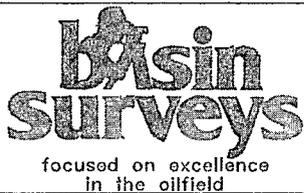
BOPCO, L.P.

Sheet 3 of 6 Sheets

AERIAL MAP



NASH DRAW "8" FEDERAL 1 SWD
Located 2075' FSL and 630' FWL
Section 8, Township 24 South, Range 30 East,
N.M.P.M., Eddy County, New Mexico.



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W.O. Number: JMS 25142

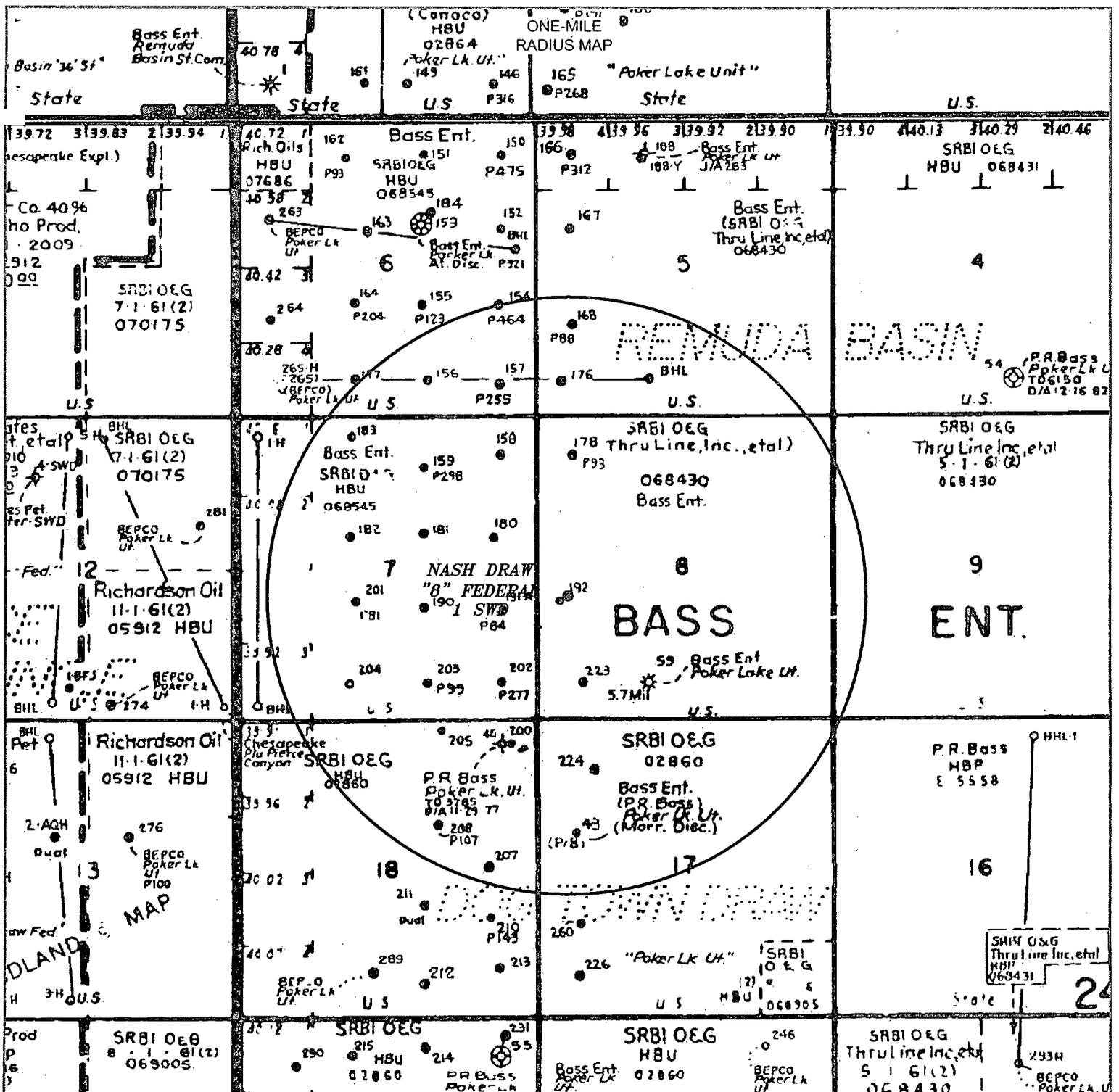
Scale: 1" = 2000'

YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - FEE LAND



BOPCO, L.P.

Sheet 4 of 6 Sheets



NASH DRAW "8" FEDERAL 1 SWD
 Located 2075' FSL and 630' FWL
 Section 8, Township 24 South, Range 30 East,
 N.M.P.M., Eddy County, New Mexico.



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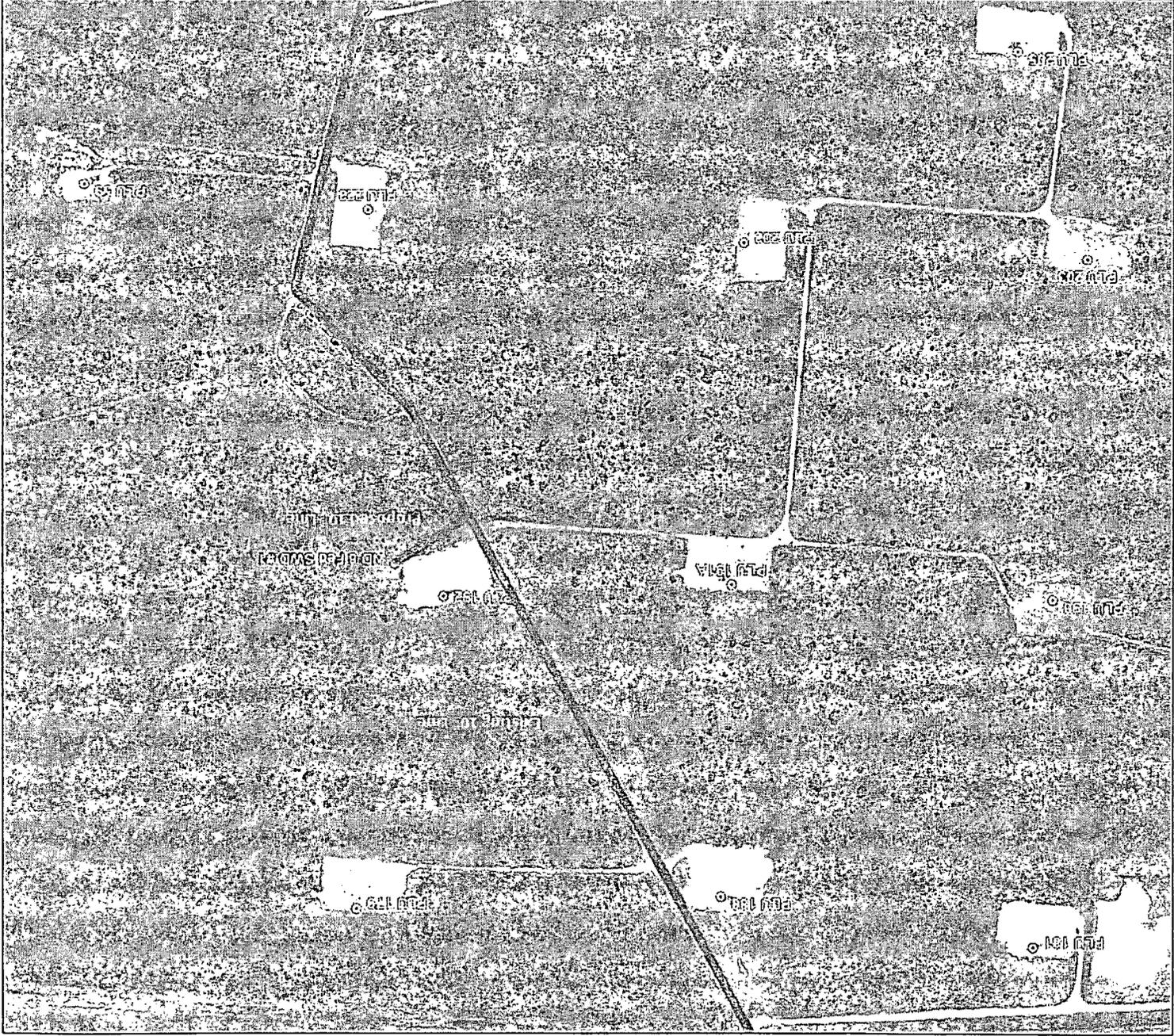
W.O. Number: JMS 25142

Scale: None

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND

BOPCO, L.P.

Sheet 5 of 6 Sheets



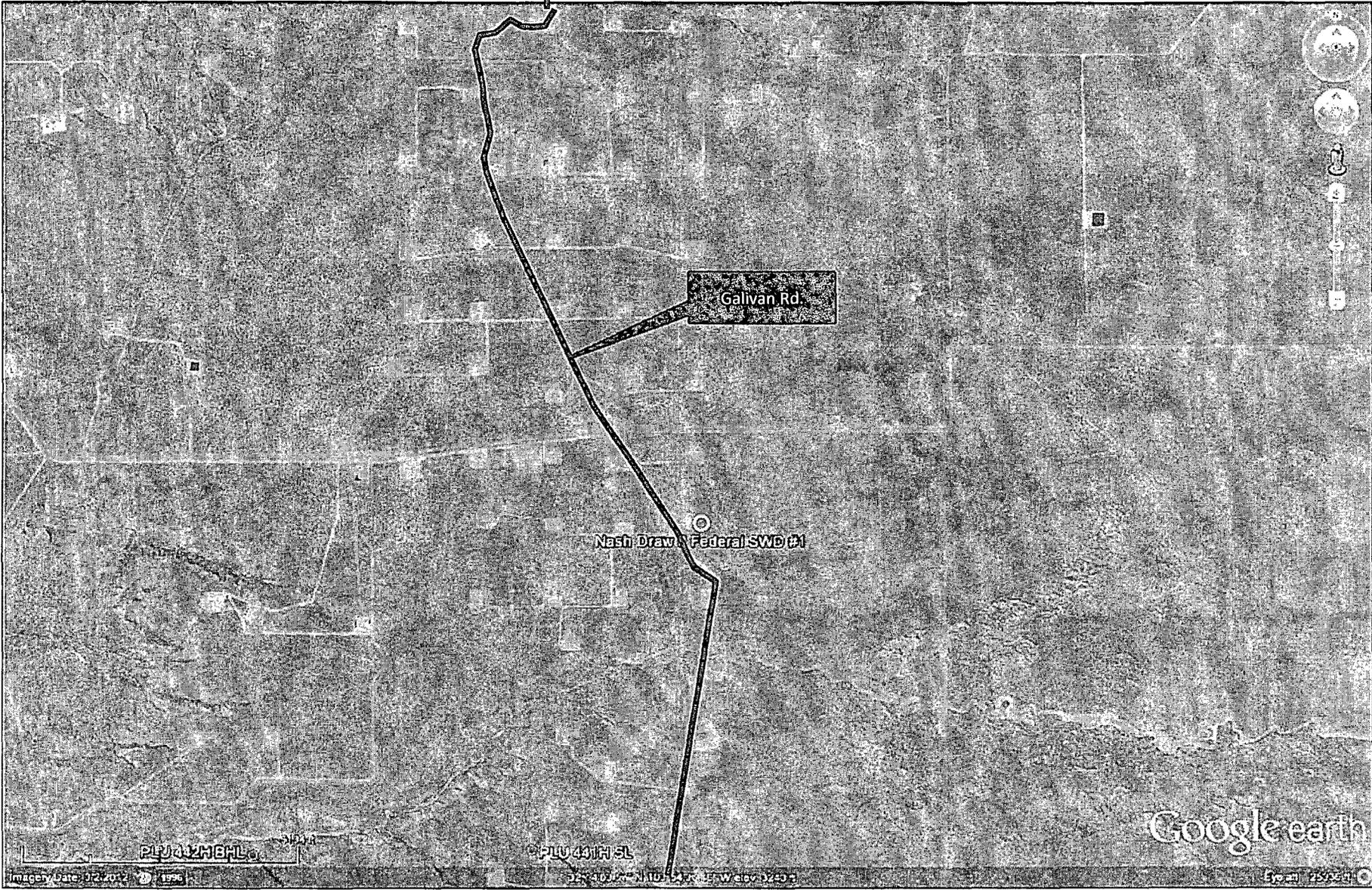
10" Transfer line Diagram 4

BOPCO L.P. Road Diagram

Sta Hwy 128

Galivan Rd

Nash Draw Federal SWD #1



Google earth

16" Surface casing is to be set into the Rustler below all fresh water sands at an approximate depth of 1,207' and cement circulated to surface.

13-3/8" OD salt protection string will be set into the Lamar Lime at 3,519' and cement will be circulated to surface.

9-5/8" OD protection casing will be set at 11,300' and cemented in two stages with DV tool set at approximately 5,500'. Cement will be circulated 500' into the 1st intermediate casing string.

Drilling procedure, BOP diagram, and anticipated tops are attached.

This well is located outside the R-111 Potash area but inside the Secretary's Order Potash area.

The surface location is ~~non~~standard and located inside the Poker Lake Unit.

Surface Lease Numbers- Federal Lease: NMLC 0068431

BOPCO, L.P., at P. O. Box 2760, Midland, TX, 79702 is a subsidiary of BOPCO, L.P., 201 Main Street, Ft. Worth, TX, 76102. Bond No. COB000050 (Nationwide).

**EIGHT POINT DRILLING PROGRAM
BOPCO, L.P.**

NAME OF WELL: Nash Draw 8 Federal SWD #1

LEGAL DESCRIPTION - SURFACE: 2,075' FSL, 630' FWL, Section 8, T24S, R30E, Eddy County, NM.

POINT 1: ESTIMATED FORMATION TOPS (See No. 2 Below)

POINT 2: WATER, OIL, GAS AND/OR MINERAL BEARING FORMATIONS

Anticipated Formation Tops: KB 3,226' (estimated)
GL 3,200'

Formation Description	Est from KB (TVD)	Est (MD)	SUB-SEA TOP	BEARING
T/Fresh Water	130'	130'	+ 3,045'	Fresh Water
T/Rustler	870'	870'	+ 2,356'	Barren
T/Salado	1,217'	1,217'	+ 2,009'	Barren
T/Lamar	3,499'	3,499'	- 273'	Oil/Gas
Delaware Sands	3,529'	3,529'	- 303'	Oil/Gas
Bone Spring	7,304'	7,304'	- 4,078'	Oil/Gas
Wolfcamp	10,614'	10,614'	- 7,388'	Oil/Gas
Middle Wolfcamp	11,870'	11,870'	- 8,644'	Oil/Gas
Strawn	12,706'	12,706'	- 9,480'	Oil/Gas
Atoka	12,816'	12,816'	- 9,590'	Oil/Gas
Morrow	13,611'	13,611'	- 10,385'	Oil/Gas
Middle Morrow	14,001'	14,001'	- 10,775'	Oil/Gas
Lower Morrow	14,416'	14,416'	- 11,190'	Oil/Gas
Mississippian Lime	15,296'	15,296'	- 12,070'	Oil/Gas
Woodford	15,586'	15,586'	- 12,360'	Oil/Gas
Devonian	15,726'	15,726'	- 12,500'	Disposal
TD	17,225'	17,225'	- 13,999'	Disposal

POINT 3: CASING PROGRAM

TYPE	INTERVAL MD	HOLE SIZE	PURPOSE	INSTALLATION TYPE
20"	0' - 120'	26"	Conductor	Contractor Design
16", 84 ppf, J-55, BTC	0' - 1,207'	18-1/8"	Surface	New
13-3/8", 68 ppf, HCN-80, Ultra Flush Joint	0' - 3,519'	14-3/4"	1 st Intermediate	New
9-5/8", 53.50 ppf, P-110, LTC*	0' - 11,300'	12-1/4"	2 nd Intermediate	New
7-5/8", 42.80 ppf, P-110 Ultra Flush Joint	11,100' - 14,500'	8-1/2"	Production Liner	New
7-5/8", 42.80 ppf, P-110 Ultra Flush Joint	14,500' - 15,750'	8-1/2"	Production Liner	New

*9-5/8", 53.50, P-110, LTC will be special drift to 8.5"

CASING DESIGN SAFETY FACTORS:

TYPE	Tension	Burst	Collapse
16", 84 ppf, J-55, BTC	15.50	2.39	1.92
13-3/8", 68 ppf, HCN-80, Ultra Flush	5.26	1.43	2.56
9-5/8", 53.50 ppf, P-110, LTC*	2.74	1.18	1.73
7-5/8", 39 ppf, P-110 Ultra Flush	7.93	1.14	1.60
7-5/8", 42.80 ppf, P-110 Ultra Flush	22.47	1.29	1.77

*9-5/8", 53.50, P-110, LTC will be special drift to 8.5"

DESIGN CRITERIA AND CASING LOADING ASSUMPTIONS:SURFACE CASING - (16")

- Tension A 1.6 design factor utilizing the effects of buoyancy (9.2 ppg).
- Collapse A 1.0 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.48 psi/ft). The effects of axial load on collapse will be considered.
- Burst A 1.3 design factor with a surface pressure equal to the fracture gradient at setting depth less a gas gradient to the surface. Internal burst force at the shoe will be fracture pressure at that depth. Backup pressure will be formation pore pressure. In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture resistance up to a 1.0 psi/ft gradient. The effects of tension on burst will not be utilized.

1st Intermediate - (13-3/8")

- Tension A 1.6 design factor utilizing the effects of buoyancy (10.2 ppg).
- Collapse A 1.125 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.52 psi/ft). The effects of axial load on collapse will be considered.
- In the case of development drilling, collapse design should be analyzed using internal evacuation equal to 1/3 the proposed total depth of the well. This criterion will be used when there is absolutely no potential of the protective string being used as a production casing string.
- Burst A 1.0 surface design factor and a 1.3 downhole design factor with a surface pressure equivalent to the fracture gradient at setting depth less a gas gradient to the surface. Internal burst force at the shoe will be fracture pressure at that depth. Backup pressure will be formation pore pressure. In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture resistance up to a 1.0 psi/ft gradient.

2nd Intermediate CASING - (9-5/8")

- Tension A 1.6 design factor utilizing the effects of buoyancy (9.5 ppg).
- Collapse A 1.125 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.48 psi/ft). The effects of axial load on collapse will be considered.
- Burst A 1.25 design factor with anticipated maximum tubing pressure (5000 psig) on top of the maximum anticipated packer fluid gradient. (0.433 psi/ft) Backup on production strings will be formation pore pressure. (0.433 psi/ft) The effects of tension on burst will not be utilized.

Production Liner - (7-5/8")

- Tension A 1.6 design factor utilizing the effects of buoyancy (12.5 ppg).
- Collapse A 1.125 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.48 psi/ft). The effects of axial load on collapse will be considered.
- Burst A 1.25 design factor with anticipated maximum tubing pressure (5000 psig) on top of the maximum anticipated packer fluid gradient. (0.433 psi/ft) Backup on production strings will be formation pore pressure. (0.433 psi/ft) The effects of tension on burst will not be utilized.

See COA

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAMS A, B, or C)

The BOPE when rigged up on the 16" surface casing head (~~18-1/2"~~ ^{18-1/8"} hole) will consist of 20" annular and diverter system per diagram Z (2,000 psi WP). The annular when installed on surface casing will be tested to 1,000 psi. There will be a 6", 3000 psi gate valve installed on the drilling spool for fill up. The choke manifold (diagram A) system will be rigged up to the hydraulic gate valve on the drilling spool.

See COA

After running the 13-3/8" intermediate casing, a 13-5/8" BOP/BOPE system with a minimum rating of 5M will be installed on the 13-3/8" intermediate casing spool (12-1/4" open hole), used, maintained and tested as per Onshore Order 2. In addition to the high pressure test, a low pressure (250-300 psig) test will be performed.

After running the 9-5/8" intermediate casing, a 13-5/8" system with a minimum rating of 10M will be installed on the 9-5/8" intermediate casing spool (8-1/2" open hole), used, maintained and tested as per Onshore Order 2. In addition to the high pressure test, a low pressure (250-300 psig) test will be performed.

After running the 7-5/8" intermediate casing, a 13-5/8" system with a minimum rating of 10M will be installed on the 9-5/8" intermediate casing spool (6-1/8" open hole), used, maintained and tested as per Onshore Order 2. In addition to the high pressure test, a low pressure (250-300 psig) test will be performed.

H2S contingency

See COA

H2S monitors shall be installed prior to drilling out the surface shoe. If H2S is encountered in quantities greater than 10 PPM, the well will be shut in and H2S equipment will be installed, including a flare line that will be extended pursuant to onshore oil and gas order #6.

These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) Thirty days after a previous test
- d) As required by well conditions
- e) Any time a seal is broken within a system

A function test to insure that the preventers are operating correctly will be performed on each trip.

See COA

BOPCO, LP would like to request a variance to utilize a 3-1/2", 10,000 psi WP, armored flex hose to be installed between the BOP stack and choke manifold in the drilling of this well. This well will be drilled to a maximum TVD of 15,750' and a maximum surface pressure should be +/- 3414 psi, which is max BHP minus 0.22 psi/ft.

Please refer to diagrams A for the 5M system and diagram B for the 10M system. Both diagrams show the choke manifold and closed loop system layout. If an armored flex hose is utilized, the company man will have all of the proper certified paper work for that hose available on location.

POINT 5: MUD PROGRAM

DEPTH	MUD TYPE	WEIGHT	FV	PB	YP	FL	PH
0 -1,207'	FW Spud Mud	8.5 – 9.2	38-70	70-40	20	12	NC
1,207' – 3,519'	Brine Water	9.8 – 10.2	28-30	NC	NC	NC	NC
3,519' – 9,000'	FW/Gel	8.7 – 9.0	28-32	NC	NC	NC	NC
9,000' – 11,300'	Cut Brine\Brine Mud	9.0 – 9.5	34-42	10	8	< 25	9.5 – 10.5
11,300' – 15,750'	XCD Brine Mud	11.0 – 12.5	45-48	20	10	< 5	9.5 – 10.5
15,750' – 17,225'	Fresh Water Mud	8.4 – 8.6	28-30	NC	NC	NC	9.5 – 10.5

NOTE: May increase vis for logging purposes only.

MUD MONITORING SYSTEM

1. BOPCO L.P. plans to drill the proposed well with water and does not expect to mud up. In the event of abnormal pressures that require mudding up, BOPCO L.P will record slow pump rates on the daily drilling report on a daily basis.
2. Visual mud monitoring equipment will be installed to detect volume changes.
3. Pit volume totalizers are installed on rig before spud.
4. BOPCO L.P. has the drilling mud checked every 24 hrs., and the daily mud check will be posted in the company man's trailer.
5. BOPCO L.P will be using a 3M, 5M and 10M system. Trip tanks will not be required per On-shore order #2 for the 3M or 5M system, but will be rigged up for the 10M system.
6. Gas detections systems will be installed on exploratory wells per On-shore order #2. Please refer to section G under point 6 in the 8pt drilling program for H2S safety information.

Sufficient mud materials will be kept at the well site to maintain mud properties and meet minimum lost circulation and weight increase requirements at all times (sack or bulk barite will not be on location until 500' above the top of the Wolfcamp.)

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING
None anticipated.

B) LOGGING

Run #1: Spectral GR, Neutron-Density, Resistivity, Sonic from top of the Delaware to TD. Cased hole GR Neutron to surface.

Run #2: Elemental Capture Spectroscopy Log from Bone Spring to Devonian.

POINT 6: TECHNICAL STAGES OF OPERATION CONT...

Mud Logger: Rigged up at 100'

C) CONVENTIONAL CORING - Rotary sidewall cores in Bone Spring and Wolfcamp.

None anticipated

D) CEMENT

INTERVAL	AMOUNT SXS	FT OF FILL	TYPE	GALS/SX	PPG	FT ³ /SX
SURFACE: Lead: 0' - 907'	280	907	EconoCem- HLC+0.9%Econolite+5.0Lbm/sk salt	9.99	12.90	1.88
16" Tail: 907' - 1,207'	180	300	Cemex Premium Plus C + 1%CaCl ₂	6.36	14.80	1.34
1st INTERMEDIATE: Lead: 0' - 3,019'	600	3019	EconoCem Cement; HLC + 3.0% Salt + 0.1% HR-601	9.66	12.90	1.82
13 3/4" Tail: 3,019' - 3,519'	160	500	HalCem C	6.34	14.80	1.33
2 ND INTERMEDIATE Stage 1: Lead: 5,500' - 7,300'	320	1800	Tuned Light + 0.75% + CFR-3 + 1.5#/sk CaCl	12.41	10.20	2.76
Tail: 7,300' - 11,300'	1160	4000	VersaCem-PBSH2 + 0.4% Halad- 9	8.76	13.0	1.67
9 5/8" DV Tool @ 5,500'						
Stage 2: Lead: 3,019' - 5,000'	480	1981	EconCem HLC + 1% Econolite + 5% CaCl + 5#/sk Gilsonite	10.71	12.60	2.04
Tail: 5,000' - 5,500'	100	500	HalCem C	6.34	14.80	1.33
7 5/8" Liner Tail: 11,100' - 15,750'	580	4650	VersaCem H + 0.5% Halad - 344 + 0.30% HR-601	5.05	14.40	1.24

Cement excesses will be as follows:

Surface – 100% excess with cement circulated to surface.

1st Intermediate – 50% excess above fluid caliper with cement circulated to surface.

2nd Intermediate – 50% excess above fluid caliper with cement circulated 500' into the 1st intermediate casing string.

Liner – 50% above gauge hole or 35% above electric log caliper with cement circulated to the top of the liner @ 11,100'.

Cement volumes will be adjusted proportionately for depth changes of the multi stage tool.

E) H₂S SAFETY EQUIPMENT

As stated in the BLM Onshore Order 6, for wells located inside the H₂S area, H₂S equipment will be rigged up after setting surface casing. For the wells located inside the H₂S area the flare pit will be located 150' from the location. For wells located outside the H₂S area flare pit will be located 100' away from the location. **(See page 6 of Survey plat package for flare line reference)** There is not any H₂S anticipated in the area, although in the event that H₂S is encountered, the H₂S contingency plan attached will be implemented. **(Please refer to diagram A or B for choke manifold and closed loop system layout when H₂S is present) Please refer to H₂S location diagram for location of important H₂S safety items.**

F) CLOSED LOOP AND CHOKE MANIFLOLD

Please see diagram A or B depending on configuration.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. Lost circulation may exist, but not likely, in the Delaware Section from 4,060'-7,900' TVD. Once in the Bone Spring, pore pressures will gradually increase to the top of the Wolfcamp. 9-5/8" casing will be set in the Wolfcamp and pore pressures will continue to increase through the Strawn and Atoka sections. A 7-5/8" production liner will be set into the Devonian with mud weights at 12.5 ppg or less. The Devonian BHP is 7200 psi and can be drilled with 8.5 ppg fresh water. Maximum surface pressures in the Devonian if productive could be 5500 psi with 7500 ppm H₂S and 5% CO₂; however, we anticipate drilling down dip in a non-productive area. There is no Devonian production within +/- 4 miles.

POINT 8: OTHER PERTINENT INFORMATION

A) Auxiliary Equipment

Upper and lower kelly cocks. Full opening stab in valve on the rig floor.

B) Anticipated Starting Date

Upon approval

110 days drilling operations

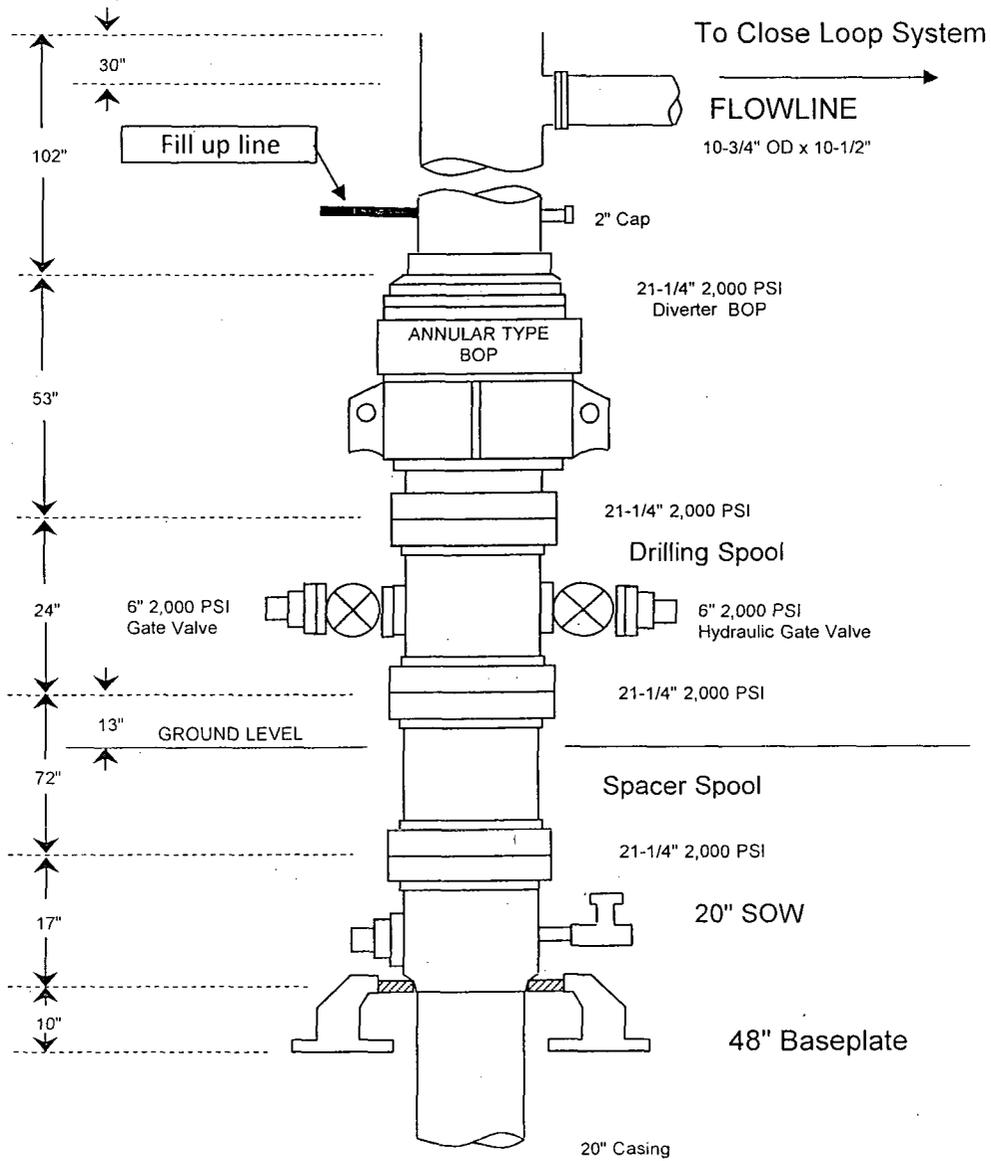
10 days completion operations

JDB

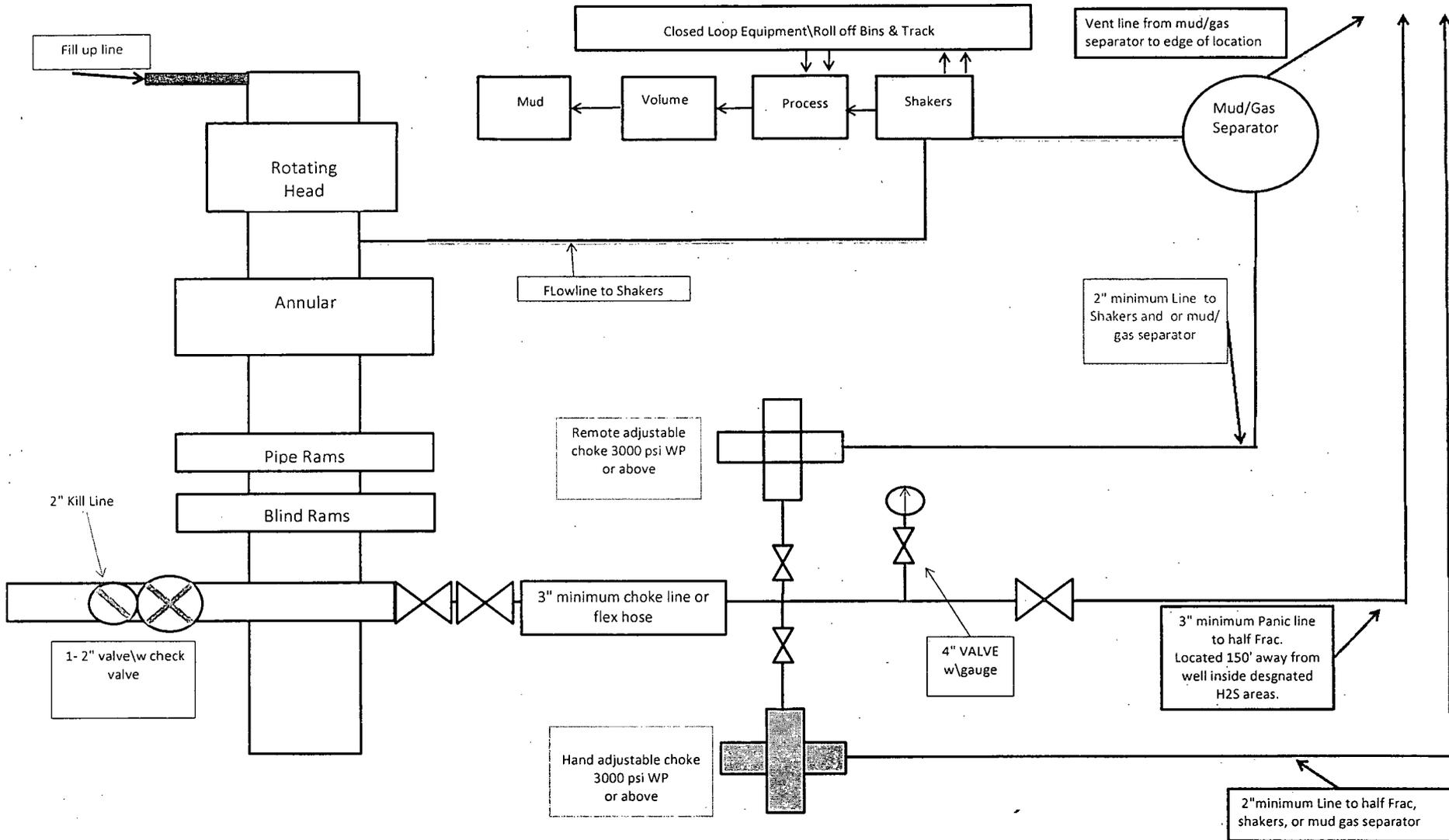
BOPCO, L. P

20" 2,000 PSI Diverter

Diagram Z

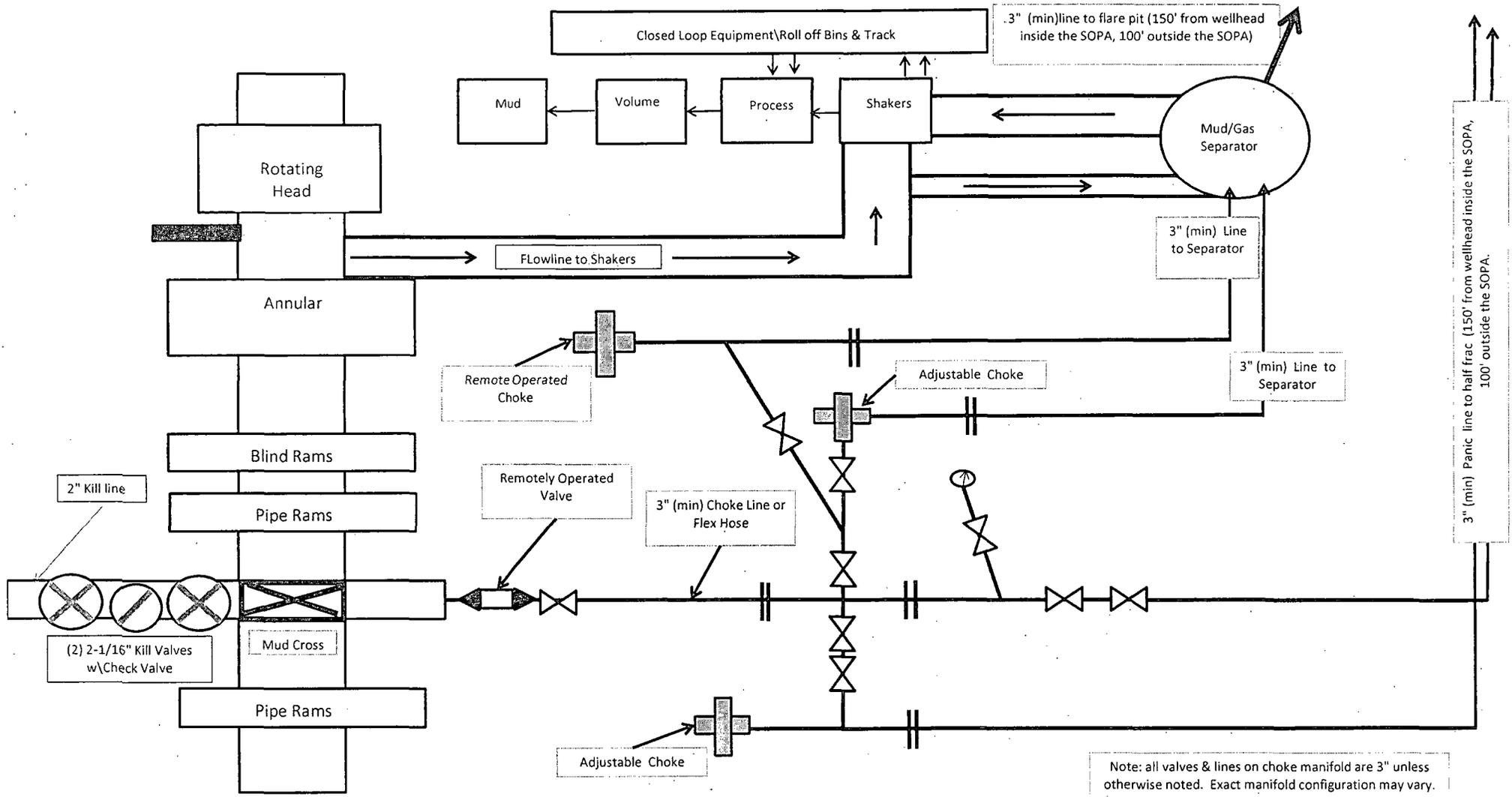


Note: Actual lengths of casing heads may vary. Always measure items prior to installing in order to ensure proper spacing.



13-5/8" X 5-M BOPE (2 Rams and Rotating Head) & Closed Loop System Equipment Schematic H2S contingency Diagram A

Note: all valves & lines on choke manifold are 3" unless otherwise noted. Exact manifold configuration may vary.



10M Choke Manifold And Closed Loop System
Diagram B

Note: all valves & lines on choke manifold are 3" unless otherwise noted. Exact manifold configuration may vary.



Midwest Hose
& Specialty, Inc.

INTERNAL HYDROSTATIC TEST REPORT

Customer: LATSHAW PO#: RIGH 7

HOSE SPECIFICATIONS

Type: C & K Length: 40'

I.D. 3 1/2 INCHES O.D. 5 16/64 - 5 18/64 INCHES

<u>WORKING PRESSURE</u>	<u>TEST PRESSURE</u>	<u>BURST PRESSURE</u>
10,000 PSI	15,000 PSI	PSI

COUPLINGS

<u>Type of Fitting</u>	<u>Type of Coupling</u>
4 1/16 10K	SWAGED

<u>Die Size</u>	<u>Crimp Specification</u>
5.75	5 50/64 - 5 48/64

PROCEDURE

Hose assembly pressure tested with water at ambient temperature.

<u>TIME HELD AT TEST PRESSURE</u>	<u>ACTUAL BURST PRESSURE</u>
15 MINUTES	0 PSI

VERIFICATION

<u>SO#</u>	<u>ASSET#</u>	<u>SERIAL#</u>
110479		7496

COMMENTS:

<u>DATE</u>	<u>TESTED BY</u>	<u>APPROVED BY</u>
12/10/2011	BOBBY FINK	MENDI SMILEY



Midwest Hose
& Specialty, Inc.

Internal Hydrostatic Test Report

June 3, 2011

Customer: Latshaw

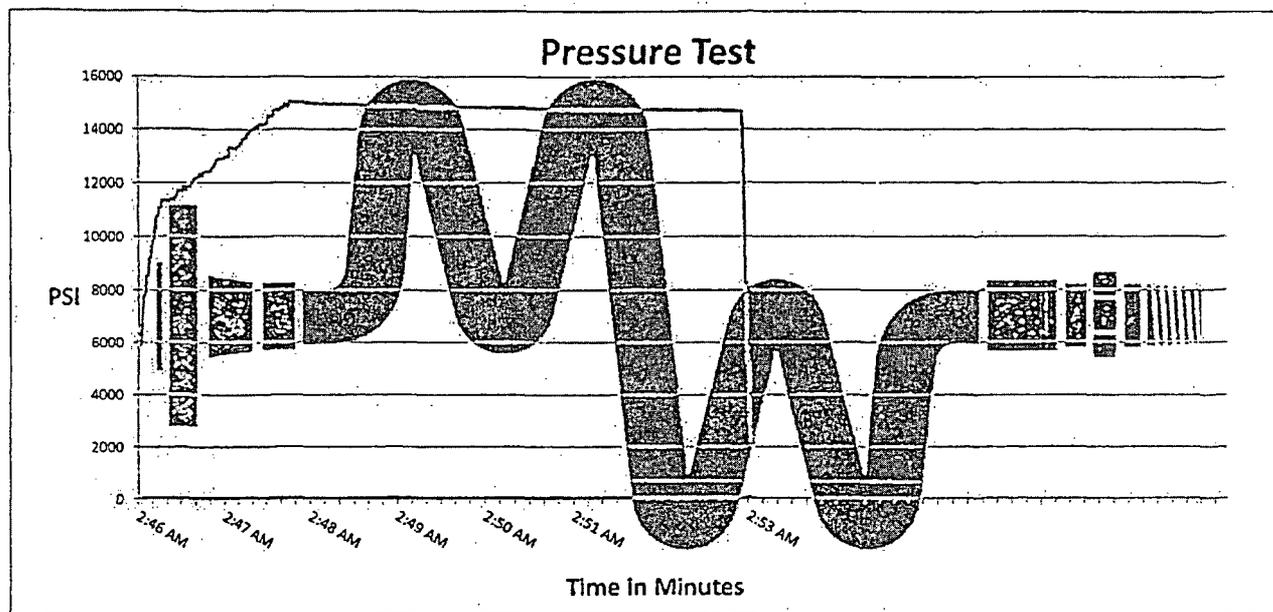
Purchase Order: RIG# 7

Hose Specifications

<u>Hose Type</u>	<u>Length</u>
E	40
<u>I.D.</u>	<u>O.D.</u>
4"	5 1/4
<u>Working Pressure</u>	<u>Burst Pressure</u>
10000 PSI	Standard Safety Multiplier Applies

Verification

<u>Type of Fitting</u>	<u>Coupling Method</u>
4 1/16 10K	Swage
<u>Die Size</u>	<u>Final O.D.</u>
5.75	5 49/64
<u>Serial #</u>	<u>Sales Order</u>
7496	110479



Test Pressure
15000 PSI

Time Held at Test Pressure
2/4 Minutes

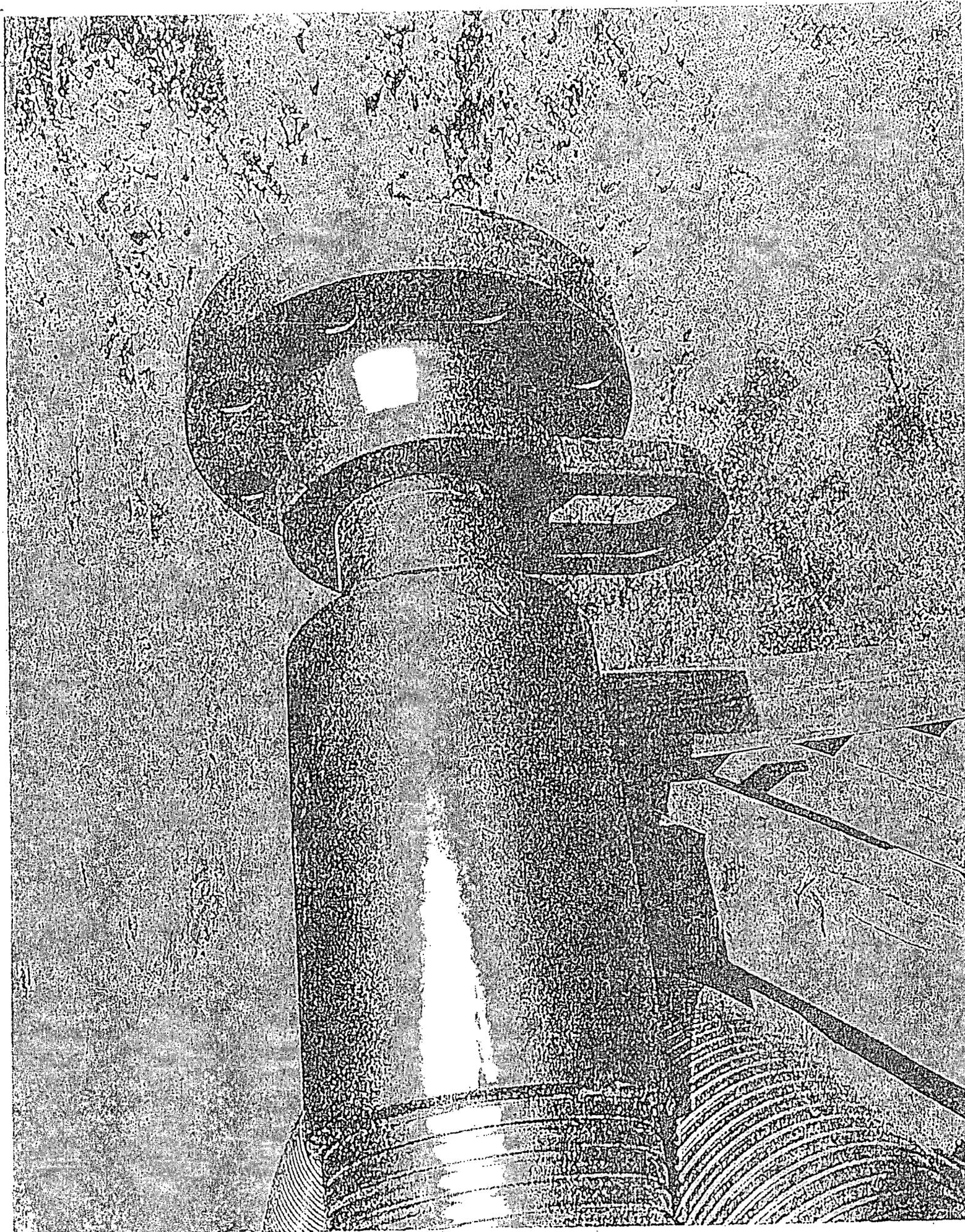
Actual Burst Pressure

Peak Pressure
15131 PSI

Comments: Hose assembly pressure tested with water at ambient temperature.

Tested By: *Dannie Mcemore*

Approved By: *Kim Thomas*











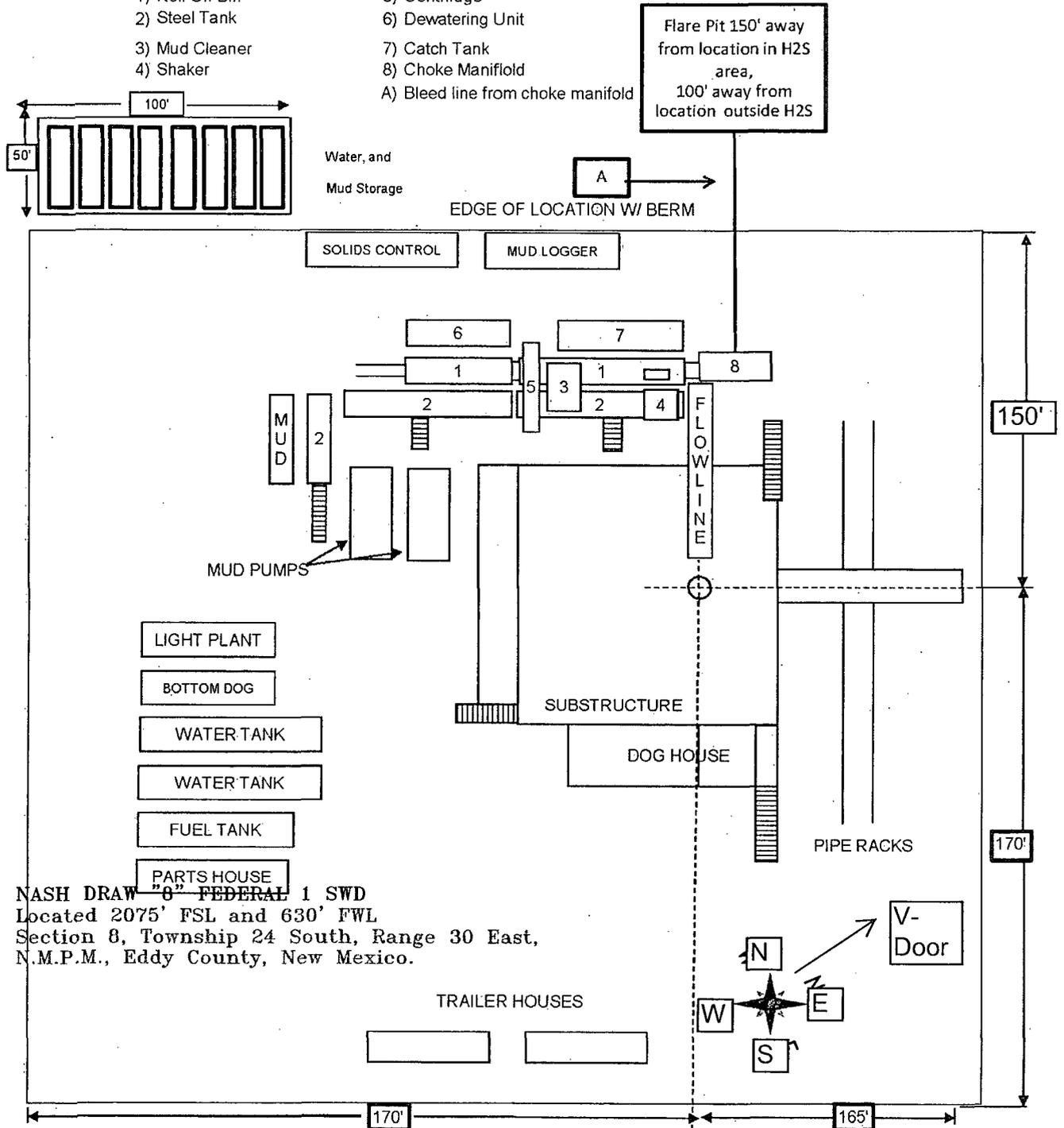
RIG LAYOUT

Exhibit "D"

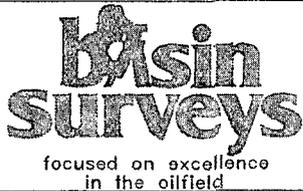
RIG LAYOUT SCHEMATIC
INCLUSIVE OF CLOSED-LOOP DESIGN PLAN

Solids Control Equipment Legend

- 1) Roll Off Bin
- 2) Steel Tank
- 3) Mud Cleaner
- 4) Shaker
- 5) Centrifuge
- 6) Dewatering Unit
- 7) Catch Tank
- 8) Choke Manifold
- A) Bleed line from choke manifold



NASH DRAW "8" FEDERAL 1 SWD
 Located 2075' FSL and 630' FWL
 Section 8, Township 24 South, Range 30 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: JMS 25142
 Survey Date: 08-22-2011
 Scale: 1" = 2000'
 Date: 08-06-2011



BOPCO, L.P.

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H₂S CONTINGENCY PLAN SECTION

Scope:

This contingency plan provides an organized plan of action for alerting and protecting the public within an area of exposure prior to an intentional release, or following the accidental release of a potentially hazardous volume of hydrogen sulfide. The plan establishes guidelines for all personnel whose work activity may involve exposure to Hydrogen Sulfide Gas (H₂S).

Objective:

Prevent any and all accidents, and prevent the uncontrolled release of H₂S into the atmosphere.

Provide proper evacuation procedures to cope with emergencies.

Provide immediate and adequate medical attention should an injury occur.

Discussion of Plan:

Suspected Problem Zones:

Implementation: This plan, with all details, is to be fully implemented 500' above or three days prior to drilling into the first known sour zone

Emergency Response and Public Protection Procedure: This section outlines the conditions and denotes steps to be taken in the event of an emergency.

Emergency Equipment and Procedure: This section outlines the safety and emergency equipment that will be required for the drilling of this well.

Training Provisions: This section outlines the training provisions that must be adhered to 500 feet above or three days prior to drilling into the first known sour zone.

Emergency call lists: Included are the telephone numbers of all persons that would need to be contacted should an H₂S emergency occur.

Briefing: This section deals with the briefing of all persons involved with the drilling of this well.

Public Safety: Public Safety Personnel will be made aware of the drilling of this well.

EMERGENCY PROCEDURES AND PUBLIC PROTECTION SECTION

- I. In the event of any evidence of H₂S levels above 10 ppm, take the following steps immediately:
 - A. Secure breathing apparatus.
 - B. Order non-essential personnel out of the danger zone.
 - C. Take steps to determine if the H₂S level can be corrected or suppressed, and if so, proceed with normal operations.
- II. If uncontrollable conditions occur, proceed with the following:
 - A. Take steps to protect and/or remove any public downwind of the rig, including partial evacuation or isolation. Notify necessary public safety personnel and the New Mexico Oil & Gas of the situation.
 - B. Isolate area and prevent entry by unauthorized persons into the 100 ppm ROE.
 - C. Remove all personnel to the Safe Briefing Area.
 - D. Notify public safety personnel for help with maintaining roadblocks and implementing evacuation. Phone number list attached.
 - E. Determine and proceed with the best possible plan to regain control of the well. Maintain tight security and safety measures.
- III. Responsibility:
 - A. The Company Approved Supervisor shall be responsible for the total implementation of the plan.
 - B. The Company Approved Supervisor shall be in complete command during any emergency.
 - C. The Company Approved Supervisor shall designate a back up Supervisor in the event that he/she is not available.

EMERGENCY PROCEDURE IMPLEMENTATION

I. Drilling or Tripping

A. All Personnel

1. When alarm sounds, don escape unit and report to upwind Safe Briefing Area.
2. Check status of other personnel (buddy system).
3. Secure breathing apparatus.
4. Wait for orders from supervisor.

B. Drilling Foreman

1. Report to the upwind Safe Briefing Area.
2. Don Breathing Apparatus and return to the point of release with the Tool Pusher or Driller (buddy system).
3. Determine the concentration of H₂S.
4. Assess the situation and take appropriate control measures.

C. Tool Pusher

1. Report to the upwind Safe Briefing Area.
2. Don breathing apparatus and return to the point of release with the Drilling Foreman or the Driller (buddy system).
3. Determine the concentration.
4. Assess the situation and take appropriate control measures.

D. Driller

1. Check the status of other personnel (in a rescue attempt, always use the buddy system).
2. Assign the least essential person to notify the Drilling Foreman and Tool Pusher, in the event of their absence.

3. Assume the responsibility of the Drilling Foreman and the Tool Pusher until they arrive, in the event of their absence.

E. Derrick Man and Floor Hands

1. Remain in the upwind Safe Briefing Area until otherwise instructed by a supervisor.

F. Mud Engineer

1. Report to the upwind Safe Briefing Area.
2. When instructed, begin check of mud for pH level and H₂S level.

G. On-site Safety Personnel

1. Don Breathing Apparatus.
2. Check status of all personnel.
3. Wait for instructions from Drilling Foreman or Tool Pusher.

II. Taking a Kick

- A. All personnel report to the upwind Safe Briefing Area.
- B. Follow standard BOP procedures.

III. Open Hole Logging

- A. All unnecessary personnel should leave the rig floor.
- B. Drilling Foreman and Safety Personnel should monitor the conditions and make necessary safety equipment recommendations.

IV. Running Casing or Plugging

- A. Follow "Drilling or Tripping" procedures.
- B. Assure that all personnel have access to protective equipment.

SIMULATED BLOWOUT CONTROL DRILLS

All drills will be initiated by activating alarm devices (air horn). Use one long blast on the air horn for ACTUAL and SIMULATED Blowout Control Drills. This operation will be performed by the Drilling Foreman or Tool Pusher at least one time per week for each of the following conditions, with each crew:

Drill # 1 Bottom Drilling

Drill # 2 Tripping Drill Pipe

In each of these drills, the initial reaction time to shutting in the well shall be timed as well as the total time for the crew to complete its entire pit drill assignment. The times must be recorded on the IADC Driller's Log as "Blowout Control Drill".

Drill No.:			
Reaction Time to Shut-In:		minutes,	seconds.
Total Time to Complete Assignment:		minutes,	seconds.

I. Drill Overviews

A. Drill No. 1- Bottom Drilling

1. Sound the alarm immediately.
2. Stop the rotary and hoist kelly joint above the rotary table.
3. Stop the circulatory pump.
4. Close the drill pipe rams.
5. Record casing and drill pipe shut-in pressures and pit volume increases.

B. Drill No. 2 – Tripping Drill Pipe

1. Sound the alarm immediately.
2. Position the upper tool joint just above the rotary table and set the slips.

3. Install a full opening valve or inside blowout preventor tool in order to close the drill pipe.
4. Close the drill pipe rams.
5. Record the shut-in annular pressure.

II. Crew Assignments

A. Drill No. 1 – Bottom Drilling

1. Driller
 - a) Stop the rotary and hoist kelly joint above the rotary table.
 - b) Stop the circulatory pump.
 - c) Check flow.
 - d) If flowing, sound the alarm immediately.
 - e) Record the shut-in drill pipe pressure.
 - f) Determine the mud weight increase needed or other courses of action.
2. Derrickman
 - a) Open choke line valve at BOP.
 - b) Signal Floor Man # 1 at accumulator that choke line is open.
 - c) Close choke and upstream valve after pipe tams have been closed.
 - d) Read the shut-in annular pressure and report readings to Driller.
3. Floor Man # 1
 - a) Close the pipe rams after receiving the signal from the Derrickman.
 - b) Report to Driller for further instructions.

4. Floor Man # 2

- a) Notify the Tool Pusher and Operator Representative of the H₂S alarms.
- b) Check for open fires and, if safe to do so, extinguish them.
- c) Stop all welding operations.
- d) Turn-off all non-explosion proof lights and instruments.
- e) Report to Driller for further instructions.

5. Tool Pusher

- a) Report to the rig floor.
- b) Have a meeting with all crews.
- c) Compile and summarize all information.
- d) Calculate the proper kill weight.
- e) Ensure that proper well procedures are put into action.

6. Operator Representative

- a) Notify the Drilling Superintendent.
- b) Determine if an emergency exists and if so, activate the contingency plan.

B. Drill No. 2 – Tripping Pipe

1. Driller

- a) Sound the alarm immediately when mud volume increase has been detected.
- b) Position the upper tool joint just above the rotary table and set slips.
- c) Install a full opening valve or inside blowout preventor tool to close the drill pipe.
- d) Check flow.

- e) Record all data reported by the crew.
- f) Determine the course of action.

2. Derrickman

- a) Come down out of derrick.
- b) Notify Tool Pusher and Operator Representative.
- c) Check for open fires and, if safe to do so, extinguish them.
- d) Stop all welding operations.
- e) Report to Driller for further instructions.

3. Floor Man # 1

- a) Pick up full opening valve or inside blowout preventor tool and stab into tool joint above rotary table (with Floor Man # 2).
- b) Tighten valve with back-up tongs.
- c) Close pipe rams after signal from Floor Man # 2.
- d) Read accumulator pressure and check for possible high pressure fluid leaks in valves or piping.
- e) Report to Driller for further instructions.

4. Floor Man # 2

- a) Pick-up full opening valve or inside blowout preventor tool and stab into tool joint above rotary table (with Floor Man # 1).
- b) Position back-up tongs on drill pipe.
- c) Open choke line valve at BOP.
- d) Signal Floor Man # 1 at accumulator that choke line is open.
- e) Close choke and upstream valve after pipe rams have been closed.
- f) Check for leaks on BOP stack and choke manifold.

- g) Read annular pressure.
- h) Report readings to the Driller.

5. Tool Pusher

- a) Report to the rig floor.
- b) Have a meeting with all of the crews.
- c) Compile and summarize all information.
- d) See that proper well kill procedures are put into action.

6. Operator Representative

- a) Notify Drilling Superintendent
- b) Determine if an emergency exists, and if so, activate the contingency plan.

IGNITION PROCEDURES

Responsibility:

The decision to ignite the well is the responsibility of the DRILLING FOREMAN in concurrence with the STATE POLICE. The State Police shall be the Incident Command on the scene of any major release. Intentional ignition must be coordinated with the NMOCD and local officials. In the event the Drilling Foreman is incapacitated, it becomes the responsibility of the RIG TOOL PUSHER. This decision should be made only as a last resort and in a situation where it is clear that:

1. Human life and property are endangered.
2. There is no hope of controlling the blowout under the prevailing conditions.

If time permits, notify the main office, but do not delay if human life is in danger. Initiate the first phase of the evacuation plan.

Instructions for Igniting the Well:

1. Two people are required for the actual igniting operation. Both men must wear self-contained breathing apparatus and must use a full body harness and attach a retrievable safety line to the D-Ring in the back. One man must monitor the atmosphere for explosive gases with the LEL monitor, while the Drilling Foreman is responsible for igniting the well.
2. The primary method to ignite is a 25mm flare gun with a range of approximately 500 feet.
3. Ignite from upwind and do not approach any closer than is warranted.
4. Select the ignition site best suited for protection and which offers an easy escape route.
5. Before igniting, check for the presence of combustible gases.
6. After igniting, continue emergency actions and procedures as before.
7. All unassigned personnel will limit their actions to those directed by the Drilling Foreman.

NOTE: After the well is ignited, burning Hydrogen Sulfide will convert to Sulfur Dioxide (SO₂), which is also highly toxic. Do not assume the area is safe after the well is ignited.

TRAINING REQUIREMENTS

When working in an area where Hydrogen Sulfide (H₂S) might be encountered, definite training requirements must be carried out. The Company Supervisor will ensure that all personnel at the well site, whether regularly assigned, contracted, or employed on an unscheduled basis, have had adequate training by a qualified instructor in the following:

1. Hazards and Characteristics of Hydrogen Sulfide and Sulfur Dioxide.
2. Physicals effects of Hydrogen Sulfide on the human body.
3. Toxicity of Hydrogen Sulfide and Sulfur Dioxide.
4. H₂S detection, emergency alarm and sensor location.
5. Emergency rescue.
6. First aid and artificial resuscitation.
7. The effects of Hydrogen Sulfide on metals.
8. Location safety.

In addition, Supervisory Personnel will be trained in the following areas:

1. If high tensile tubular are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well as well as blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Contingency Plan and the Public Protection Plan.

Service company personnel and visiting personnel must be notified if the zone contains H₂S, and each service company must provide adequate training and equipment for their employees before they arrive at the well site.

EMERGENCY EQUIPMENT

As stated in the BLM Onshore Order 6, for wells located in a known H₂S areas, H₂S equipment will be rigged up after setting surface casing. For wells located inside known H₂S areas, the flare pit will be located 150' from the location and for wells located outside known H₂S areas, the flare pit will be located 100' away from the location. (See page 6 of Survey plat package and diagram 2.)

It is not anticipated that any H₂S is in the area, however in the event that H₂S is encountered, the attached H₂S Contingency Plan will be implemented. (Please refer to diagrams A or B for choke manifold and closed loop system layout.) See H₂S location layout diagram for location of all H₂S equipment on location.

All H₂S safety equipment and systems will be installed, tested and be operational when drilling reaches a depth of 500' above, or three days prior to penetrating a known formation containing H₂S.

Lease Entrance Sign:

Caution signs should be located at all roads providing direct access to the location. Signs shall have a yellow background with black lettering and contain the words "CAUTION" and "POISON GAS" that is legible from a distance of at least 50 feet.

**LEASE NAME
CAUTION – POTENTIAL POISON GAS
HYDROGEN SULFIDE
NO ADMITTANCE WITHOUT AUTHORIZATION**

Windssocks or Wind Streamers:

- A minimum of two 10" windssocks located at strategic locations so that they may be seen from any point on location.
- Wind streamers (if preferred) should be placed at various locations on the well site to ensure wind consciousness at all times. (Corners of location)

Hydrogen Sulfide Detector and Alarms:

- H₂S monitors with alarms will be located on the rig floor, at the cellar, and at the mud pits. These monitors will be set to alarm at 10 PPM with a red light and to alarm at 15 PPM with a red light and audible alarm.

Well Condition Flags:

The Well Condition flags should be located at all roads providing direct access to the location. It should have three (3) color coded flags (green, yellow and red) that will be used to denote the following location conditions:

GREEN – Normal Operating Conditions
YELLOW – Potential Danger
RED – Danger, H₂S Gas Present

Respiratory Equipment:

- Fresh air breathing equipment should be placed at the company supervision trailer and the safe briefing areas and should include the following:
 - A minimum of two SCBA's at each briefing area and the supervisor company supervision trailer.
 - Enough air line units to operate safely, anytime the H₂S concentration reaches the IDLH level (100 PPM).
 - Cascade system with enough breathing air hose and manifolds to reach the rig floor, the derrickman and the other operation areas.

Fire Extinguishers:

Adequate fire extinguishers shall be located at strategic locations.

Mud Program:

The mud program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weight, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.

Metallurgy:

All drill strings, casing, tubing, wellhead; blowout preventer, drilling spools, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.

Well Control Equipment:

- Flare Line (See diagram 2).
- Choke manifold (See diagram 2).
- Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing units.
- Auxiliary equipment may include, if applicable, annular preventer & rotating head.

Communication Equipment:

- Proper communication equipment such as cell phones or 2 – way radios should be available for communication between the company man's trailer, rig floor and tool pusher's trailer.

Well Testing:

- There will be no drill stem testing.

Evacuation Plan:

- Evacuation routes should be established prior to spudding the well.
- Should be discussed with all rig personnel.

Designated Areas:***Parking and Visitor area:***

- All vehicles are to be parked at a pre-determined safe distance from the wellhead.
- A smoking area will be designated at a pre-determined safe distance from the wellhead and any other possible flammable areas.

Safe Briefing Areas:

- Two Safe Briefing Areas shall be designated on either side of the location at the maximum allowable distance from the well bore so they offset prevailing winds or they are at a 180 degree angle if wind directions tend to shift in the area.

- Personal-protective equipment should be stored at both briefing areas or if a moveable cascade trailer is used, it should be kept upwind of existing winds. When wind is from the prevailing direction, both briefing areas should be accessible.

NOTE:

- Additional equipment will be available at Indian Fire and Safety in Hobbs, NM or at Total Safety in Hobbs, NM.

EVACUATION PLAN

General Plan

The direct lines of action to protect the public from hazardous gas situations are as follows:

1. When the company approved supervisor (Drilling Foremen, Tool Pusher or Driller) determine that Hydrogen Sulfide gas cannot be limited to the well location, and the public will be involved, he will activate the evacuation plan. Escape routes are noted on the Area Map.
2. Company safety personnel or designee will notify the appropriate local government agency that a hazardous condition exists and evacuation needs to be implemented.
3. Company approved safety personnel that have been trained in the use of the proper emergency equipment will be utilized.
4. Law enforcement personnel (State Police, Local Police Department, Fire Department, and the Sheriff's Department) will be called to aid in setting up and maintaining road blocks. Also, they will aid in evacuation of the public if necessary.

NOTE: Law enforcement personnel will not be asked to come into a contaminated area. Their assistance will be limited to uncontaminated areas. Constant radio contact will be maintained with them.

5. After the discharge of gas has been controlled, Company approved safety personnel will determine when the area is safe for re-entry.

See Emergency Action Plan

Contacting Authorities

BOPCO L.P. personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available including directions to site. The following call list of essential and potential responders has been prepared for use during a release. (Operator Name)'s response must be in coordination with the State of New Mexico's "Hazardous Materials Emergency Response Plan" (HMER).

H₂S CONTINGENCY PLAN EMERGENCY CONTACTS

BOPCO L.P. Midland Office

432-683-2277

Key Personnel

<u>Name</u>	<u>Title</u>	<u>Cell Phone Number</u>
Stephen Martinez	Drilling Supt.	432-556-0262
Martyn Robertson	Engineer	432-894-4765
Chris Giese	Engineer	432-661-7328
Stephen Ordoyne	Engineer	985-665-7249
Charles Warne	Engineer	432-312-4431

Artesia

Ambulance	911
State Police	575-746-2703
City Police	575-746-2703
Sheriff's Office	575-746-9888
Fire Department	575-746-2701
Local Emergency Planning Committee	575-746-2122
New Mexico Oil Conservation Division	575-748-1283

Carlsbad

Ambulance	911
State Police	575-885-3137
City Police	575-885-2111
Sheriff's Office	575-887-7551
Fire Department	575-887-3798
Local Emergency Planning Committee	575-887-6544
US Bureau of Land Management	575-887-6544

New Mexico Emergency Response Commission (Santa Fe)	505-476-9600
24 Hour	505-827-9126
New Mexico State Emergency Operations Center	505-476-9635
National Emergency Response Center (Washington, DC)	800-424-8802

Other

Wild Well Control	432-550-6202 (Permian Basin)
Cudd PressureControl	432-580-3544 or 432-570-5300 (Permian Basin)
Flight For Life – 4000 24 th St. Lubbock, Texas	806-743-9911
Aerocare – R3, Box 49F, Lubbock, Texas	806-747-8923
Med Flight Air Amb – 2301 Yale Blvd SE #D3, Albuquerque, NM	505-842-4433
S B Air Med Service – 2505 Clark Carr Loop SE, Albuquerque, NM	505-842-4949
Indian Fire and Safety – 3317 NW Cnty Rd, Hobbs, NM	575-393-3093
Total Safety – 3229 Industrial Dr., Hobbs, NM	575-392-2973

TOXIC EFFECTS OF HYDROGEN SULFIDE

Hydrogen Sulfide is extremely toxic. The acceptable ceiling concentration for eight-hour exposure is 10 PPM, which is .001% by volume. Hydrogen Sulfide is heavier than air (specific gravity = 1.192) and colorless. It forms an explosive mixture with air between 4.3 and 46.0 percent by volume. Hydrogen sulfide is almost as toxic as hydrogen cyanide and is between five and six times more toxic than carbon monoxide. Toxicity data for hydrogen sulfide and various other gases are compared in Table I. Physical effects at various Hydrogen Sulfide exposure levels are shown in Table II.

Table I - TOXICITY OF VARIOUS GASES

Common Name	Chemical Formula	Specific Gravity (SC=1)	Threshold Limit (1)	Hazardous Limit (2)	Lethal Concentration (3)
Hydrogen Cyanide	HCN	0.94	10 PPM	150 PPM/HR	300 PPM
Hydrogen Sulfide	H ₂ S	1.18	10 PPM	250 PPM/HR	600 PPM
Sulfur Dioxide	SO ₂	2.21	5 PPM	--	1000 PPM
Chlorine	CL ₂	2.45	1 PPM	4 PPM/HR	1000 PPM
Carbon Monoxide	CO	0.97	50 PPM	400 PPM/HR	1000 PPM
Carbon Dioxide	CO ₂	1.52	5000 PPM	5%	10%
Methane	CH ₄	0.55	90,000 PPM	Combustible in air	Above 5%

- 1) **Threshold Limit** – Concentration at which it is believed that all worker may be repeatedly exposed day after day without adverse effects.
- 2) **Hazardous Limit** – Concentration that will cause death with short-term exposure.
- 3) **Lethal Concentration** – Concentration that will cause death with short-term exposure.

Table II – PHYSICAL EFFECTS OF HYDROGEN SULFIDE

Percent (%)	PPM	Concentration Grains 100 STD. FT3*	Physical Effects
0.001	< 10	00.65	Obvious & unpleasant odor.
0.002	10	01.30	Safe for 8 hours of exposure.
0.010	100	06.48	Kills smell in 3-15 minutes. May sting eyes & throat.
0.020	200	12.96	Kills smell shortly; stings eyes & throat.
0.050	500	32.96	Dizziness; Breathing ceases in a few minutes. Needs prompt artificial respiration.
0.070	700	45.36	Unconscious quickly; Death will result if not rescued promptly.
0.100	1000	64.30	Unconscious at once; Followed by death within minutes.

- **At 15.00 PSIA and 60° F.**

USE OF SELF-CONTAINED BREATHING APPARATUS

1. Anyone who uses an SCBA shall: Be approved by a physician or licensed health care practitioner; Pass a fit test; Be trained in donning and doffing, proper use, including how to ensure a proper face seal, conducting an inspection of the SCBA, and conduct proper maintenance.
2. Such items as facial hair (beard or sideburns) and eyeglasses will not allow a proper face mask seal.
3. Anyone reasonably expected to wear SCBA's shall have these items removed before entering a toxic atmosphere.
4. A special mask with a mount for prescription glasses must be obtained for anyone who must wear eyeglasses in order to see while using an SCBA.
5. SCBA's should be worn in H₂S concentrations above 10 PPM.

RESCUE & FIRST AID FOR H₂S POISONING

DO NOT PANIC – REMAIN CALM – THINK

1. Hold your breath – do not inhale first.
2. Put on SCBA.
3. Remove victim(s) to fresh air as quickly as possible. Go upwind from source or at right angle to the wind. Do not go downwind.
4. Briefly apply chest pressure – using arm lift method of artificial respiration to clean victim's lungs and to avoid inhaling any toxic gas directly from victim's lungs.
5. Provide artificial respiration if needed.
6. Provide for prompt transportation to the hospital and continue giving artificial respiration if needed.
7. Inform hospital/medical facilities of the possibility of H₂S gas poisoning before they treat.

Besides basic first aid, everyone on location should have a good working knowledge of artificial respiration and CPR, as well as first aid for eyes and skin contact with liquid H₂S.

Proposed H2S Safety Schematic

- 1) Location of windsocks.
- 2) Location of H2S alarms
- 3) Location of briefing areas.
- 4) Terrain of surrounding area (Please refer to page 2 of survey plat package also see point 11 of multi-surface use plan)
- 5) Location of flare line(s) and pit(s) (Please refer to diagram 2 choke manifold diagram and or page six of survey plat packet)
- 6) Location of caution and/or danger signs.
- 7) Location of Breathing Equipment

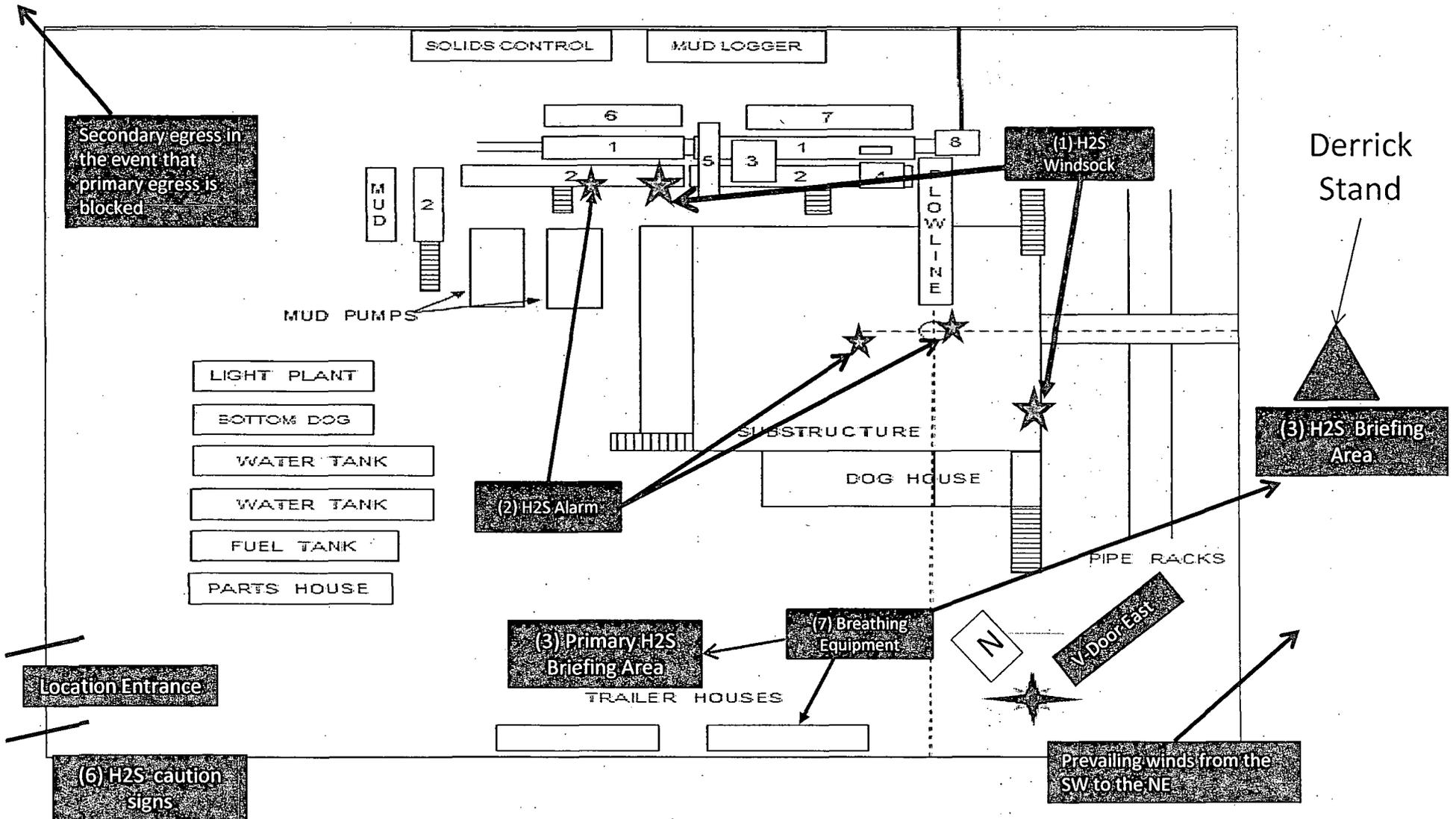
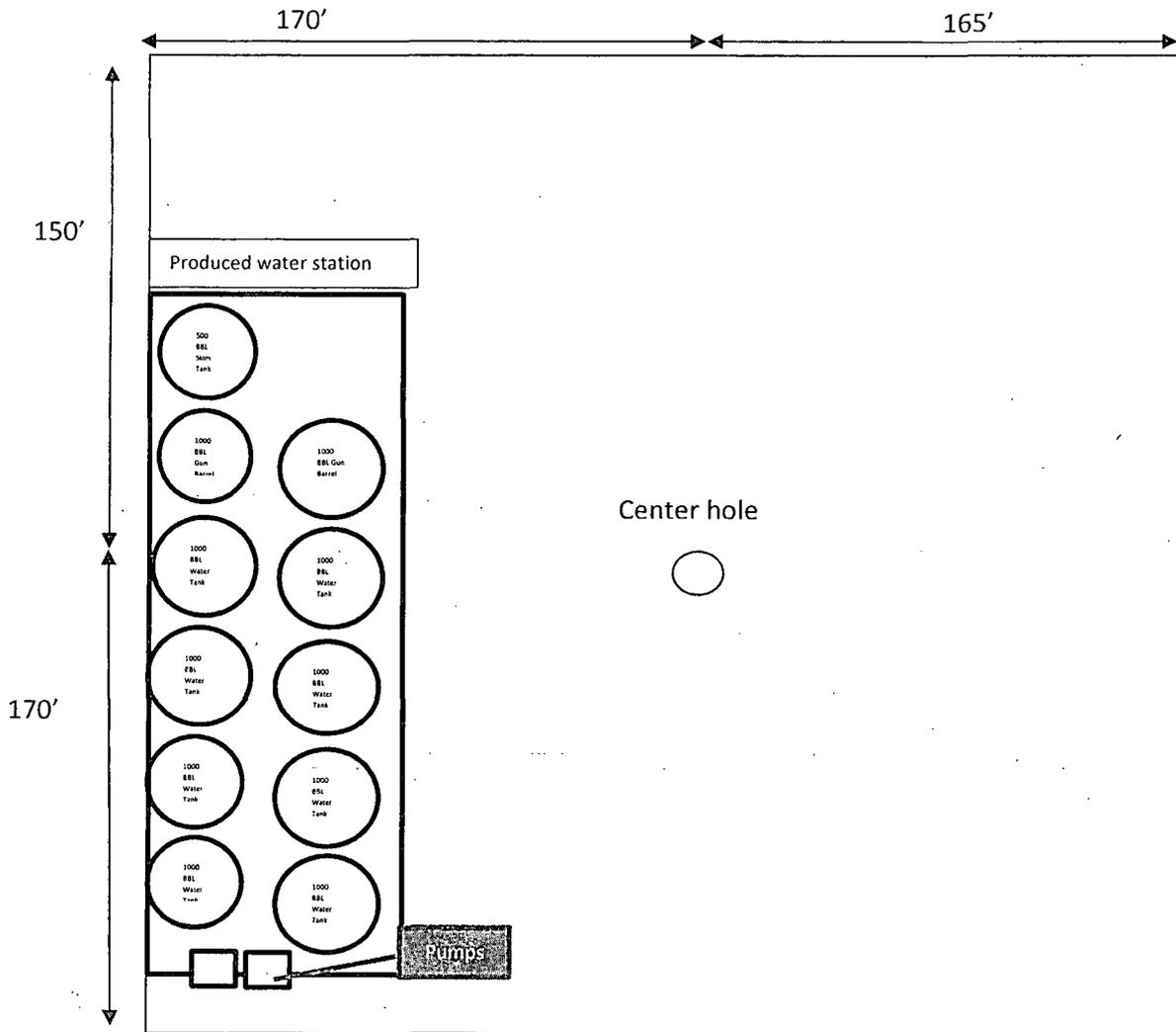
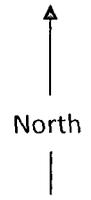


Diagram 3

BOPCO, Nash Draw 8 Federal SWD #1

Water Station Layout

(Not to scale)



Location On-Site Notes

Location on-site conducted by Cecil Watkins-BOPCO L.P., Randy Rust-BLM, and Robert Gomez-Basin Survey on 09/16/2011. The Nash Draw 8 Federal SWD #1 was approved as is; at 2,075' FSL & 630' FWL of Sec 8-T24S-R30E.

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: Nash Draw 8 Federal SWD #1

LEGAL DESCRIPTION - SURFACE: 2,075' FSL, 630' FWL, Section 8, T24S, R30E, Eddy County, NM.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Form C-102 (Survey Plat).

B) Existing Roads:

From the junction of Galivan and McDonald, go north on Galivan for 3.4 miles to well pad.

C) Existing Road Maintenance or Improvement Plan:

Existing roads will be maintained and kept in the same or better condition than before operations began. See the Well Pad Layout and Topo Map of the survey plat (Sheet 1 and 2 of plat package)

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

No new lease road will be built. (See the Well Pad Layout of the survey plat (Sheet 1 of plat package).

B) Width

14' wide

C) Maximum Grade

Grade to match existing topography or as per BLM requirements.

D) Turnout Ditches

As required by BLM stipulations

E) Culverts, Cattle Guards, and Surfacing Equipment

If required, culverts and cattle guards will be set per BLM Specs.

POINT 3: LOCATION OF EXISTING WELLS

The following wells are located within a one-mile radius of the location site. See the One-Mile Radius Map (Sheet 5 of the plat package).

Existing wells.....	18
Water wells.....	1

POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES

A) The PLU #158 battery is 0.5 miles NNE of the proposed location.

B) New Facilities in the Event of Production:

New facilities will be built at the Nash Draw 8 Federal SWD #1 location. It will be furnished with permanent produced water storage tanks and H-Pumps for injection. A short 10" SWD line will be laid, buried, and tied into an existing 10" SWD transfer line that run by the proposed location; however a tap must be installed. This location will be on permanent power.

C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following the construction, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas unnecessary for use will be graded to blend in with the surrounding topography (see Point 10)

POINT 5: LOCATION AND TYPE OF WATER SUPPLY

A) Location and Type of Water Supply

Fresh water will be hauled from Johnson Station 50 miles east of Carlsbad, New Mexico or other commercial facilities. Brine water will be hauled from commercial facilities.

B) Water Transportation System

Water hauling to the location will be over the existing and proposed roads.

POINT 6: SOURCE OF CONSTRUCTION MATERIALS

A) Materials

On-site caliche will be used. If this is not sufficient, caliche will be hauled from a BLM approved pit.

B) Land Ownership

Federally Owned

C) Materials Foreign to the Site

No construction materials foreign to this area are anticipated for this drill site

D) Access Roads

See the Well Pad Layout and Aerial Map of the survey plat (Sheet 1 and 4 of plat package)

POINT 7: METHODS FOR HANDLING WASTE MATERIAL

A) Cuttings

Cuttings will be contained in the roll off bins and disposed at Controlled Recovery Inc. located in Lea county, NM.

B) Drilling Fluids

Drilling fluids will be contained in the steel pits, frac tanks and disposed at licensed disposal sites.

C) Produced Fluids

Water production will be contained in the steel pits.

Hydrocarbon fluid or other fluids that may be produced during testing will be retained in test tanks. Prior to cleanup operations, any hydrocarbon material in the reserve pit will be removed by skimming or burning as the situation would dictate.

D) Sewage

Current laws and regulations pertaining to the disposal of human waste will be complied with.

E) Garbage

Portable containers will be utilized for garbage disposal during the drilling of this well.

F) Cleanup of Well Site

Upon release of the drilling rig, the surface of the drilling pad will be graded to accommodate a completion rig if electric log analysis indicate potential productive zones. Reasonable cleanup will be performed prior to the final restoration of the site.

POINT 8: ANCILLARY FACILITIES

None required.

POINT 9: WELL SITE LAYOUT

A) Rig Orientation and Layout

The "Rig Layout Schematic" (Sheet 6 of plat package) shows the dimensions of the well pad, closed loop system, and the location of major rig components. Only minor leveling of the well site will be required. No significant cuts or fills will be necessary. **The top soil will be stockpiled on the east side of the location.**

B) Locations of Access Road

See the Well Pad Layout, Topo Map, and Vicinity Map of the survey plat (Sheet 1, 2, and 3 of plat package).

C) Lining of the Pits

No reserve pits - closed loop system.

POINT 10: PLANS FOR RESTORATION OF THE SURFACE

- A) Reserve Pit Cleanup - Not applicable. Closed loop drilling fluid system will be used

The pits will be fenced immediately after construction and shall be maintained until they are backfilled. Previous to backfill operations, any hydrocarbon material on the pits' surfaces shall be removed. The fluids and solids contained in the pits shall be backfilled with soil excavated from the site and soil adjacent to the reserve pits. The restored surface of the pits shall be contoured to prevent impoundment of surface water flow. Water-bars will be constructed as needed to prevent excessive erosion. Topsoil, as available, shall be placed over the restored surface in a uniform layer. The area will be seeded according to the Bureau of Land Management stipulations during the appropriate season following restoration.

- B) Restoration Plans – Water Station installed

BOPCO L.P. does not plan to reclaim location because the entire location will be used as a water station. Please see diagram 3 for location layout. (Diagram is not to scale)

- C) Restoration Plans - No Production Developed

With no production developed, the entire surface disturbed by construction of the well site will be restored. The site will be contoured to blend with the surrounding topography and provide drainage of surface water. The topsoil, as available, shall be replaced in a uniform layer and seeded according to the Bureau of Land Management's stipulations.

- D) Rehabilitation's Timetable

Upon completion of drilling operations, the initial cleanup of the site will be performed as soon as weather and site conditions allow economic execution of the work.

POINT 11: OTHER INFORMATION

- A) On-Site

Location on-site conducted by Cecil Watkins-BOPCO L.P., Randy Rust-BLM, and Robert Gomez-Basin Survey on 09/16/2011. The Nash Draw 8 Federal SWD #1 was approved as is; at 2,075' FSL & 630' FWL of Sec 8-T24S-R30E.

- B) Soil

Caliche and sand.

- C) Vegetation

Sparse, primarily grasses and mesquite with very little grass.

POINT 11: OTHER INFORMATION – cont'd....

D) Surface Use

Primarily grazing.

E) Surface Water

There are no ponds, lakes, streams or rivers within several miles of the wellsite.

F) Water Wells

There is one water well located within a 1 mile radius of the proposed location. This well is located in Section 8, T24S, R30E and listed by the New Mexico Office of the State Engineer and found on the "Point of Diversion by Location" database.

G) Residences and Buildings

None in the immediate vicinity.

H) Historical Sites

None observed.

I) Archeological Resources

No independent archeological survey has been done. This well location is located in the area covered by Memorandum of Agreement – Permian Basin. A Payment of \$1644.00 fee for this project is included in this application. Any location or construction conflicts will be resolved before construction begins. Please see diagram 4 for transfer line route.

J) Surface Ownership

The well site is on federally owned land. There will be no new access roads required for this location.

K) Well signs will be posted at the drilling site.

L) Open Pits

No open pits will be used for drilling or production. Any open top tanks will be netted.

M) Terrain

Slightly rolling hills.

POINT 12: OPERATOR'S FIELD REPRESENTATIVE

(Field personnel responsible for compliance with development plan for surface use).

DRILLING

Stephen Martinez
Box 2760
Midland, Texas 79702
(432) 683-2277

PRODUCTION

Gary Fletcher
3104 East Green Street
Carlsbad, New Mexico 88220
(575) 887-7329

Carlos Cruz
Box 2760
Midland, Texas 79702
(432) 683-2277

JDB

**PECOS DISTRICT
CONDITIONS OF APPROVAL**

OPERATOR'S NAME:	BOPCO, L.P.
LEASE NO.:	NMLC-068431
WELL NAME & NO.:	Nash Draw 8 Federal SWD #1
SURFACE HOLE FOOTAGE:	2075' FSL & 0630' FWL
LOCATION:	Section 8, T. 24 S., R 30 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
 - Secretary's Potash
 - Medium Cave/Karst
 - Logging Requirements
 - Waste Material and Fluids
 - Completion sundry requirement
- Production (Post Drilling)**
 - 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

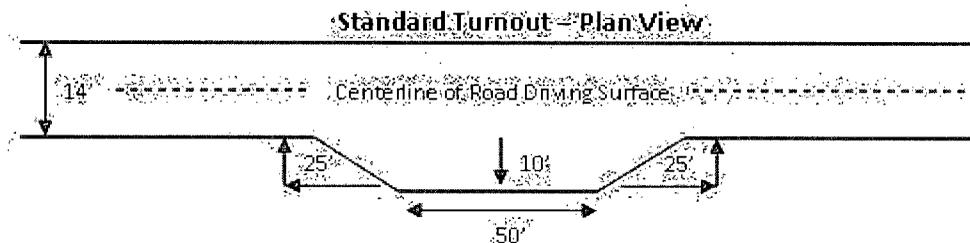
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

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:

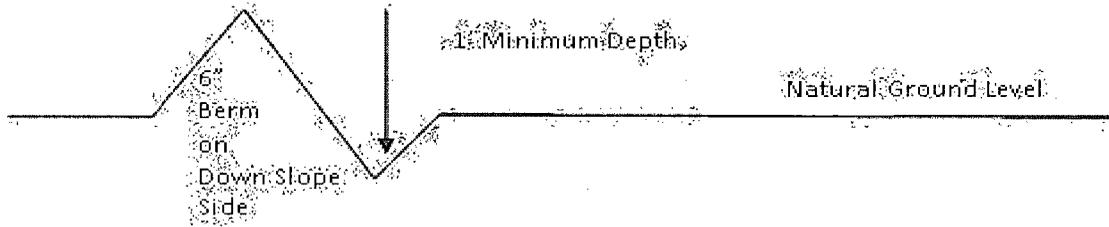


Drainage

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

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

Cross Section of a Typical Lead-off Ditch



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

Formula for Spacing Interval of Lead-off Ditches

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

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

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

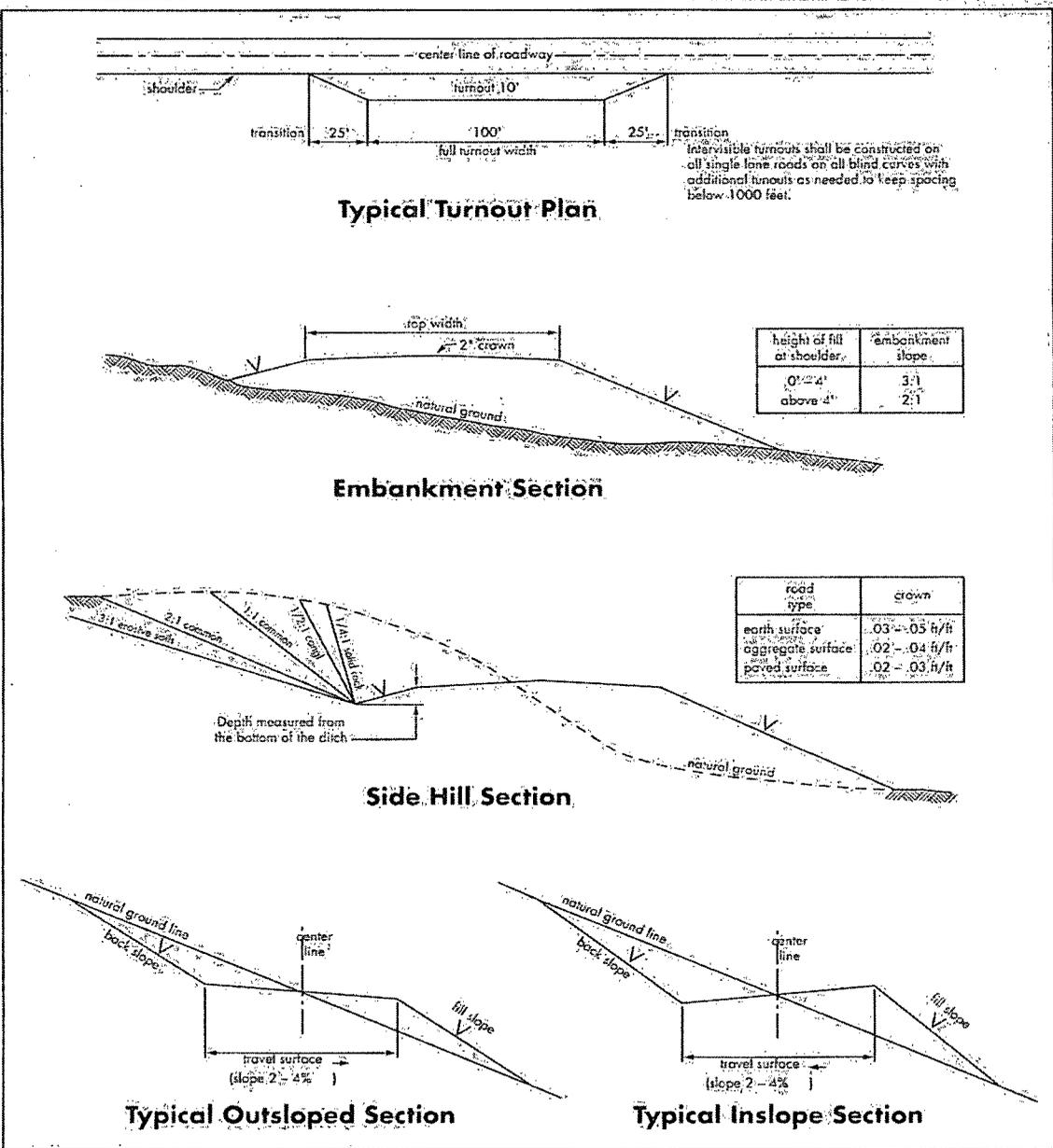
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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



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 shall be activated prior to drilling out the surface shoe. 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, 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. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface 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 Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

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.

Secretary's Potash

Medium Cave/Karst

Possibility of water and brine flows in the Salado, Castile, Delaware and Bone Spring formations.

Possibility of lost circulation in the Red Beds, Delaware and Bone Spring formations.

Abnormal pressures in the Wolfcamp, Atoka and Morrow formations.

1. The **16 inch** surface casing shall be set at approximately **1207** 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.
2. The minimum required fill of cement behind the **13-3/8** inch 1st intermediate casing is:

- Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst and potash.**

Formation below the 13-3/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

If 75% or greater lost circulation occurs while drilling the first intermediate casing hole, the cement on the second intermediate casing shall come to surface.

3. The minimum required fill of cement behind the **9-5/8** inch 2nd intermediate casing is:

Operator has proposed DV tool at depth of 5500', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

- a. First stage to DV tool:

- Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

- b. Second stage above DV tool:

- Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification.

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

4. The minimum required fill of cement behind the **7-5/8** inch production Liner is:

- Cement to tie back to top of liner at approximately 11100 feet. If cement does not circulate, contact the appropriate BLM office.

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

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. **For H&P rigs – the stump test is not an approved BOP test. Equipment shall be tested when mounted on well head.**
2. Variance approved to use flex line from BOP to choke manifold. Check condition of flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for review.** If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).
3. 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.
4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **13-3/8"** intermediate casing shoe shall be **5000 (5M) psi. 5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.**

5. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** intermediate casing shoe shall be **10,000 (10M) psi. 10M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.**
6. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In potash areas, 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. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time.
 - 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.
 - g. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

D. DRILLING MUD

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

E. DRILL STEM TEST

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

F. WELL COMPLETION

A NOI sundry with the completion procedure for this well shall be submitted and approved prior to commencing completion work. The procedure will be reviewed to verify that the completion proposal will allow the operator to:

- 1. Properly evaluate the injection zone utilizing open hole logs, swab testing and/or any other method to confirm that hydrocarbons cannot be produced in paying quantities. This evaluation shall be reviewed by the BLM prior to injection commencing.**
- 2. Restrict the injection fluid to the approved formation.**

Well is approved for unit water disposal only and will be tied to nearest Participating Area.

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

B. PIPELINES

A copy of the APD and attachments, including conditions of approval, 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 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. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil 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 or other pollutant, wherever found, shall be the responsibility of holder, regardless of fault. Upon failure of 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 holder of any responsibility as provided herein.

5. All construction and maintenance activity will be confined to the authorized right-of-way.

6. The pipeline will be buried with a minimum cover of 36 inches between the top of the pipe and ground level.

7. The maximum allowable disturbance for construction in this right-of-way will be 30 feet:

- Blading of vegetation within the right-of-way will be allowed: maximum width of blading operations will not exceed 20 feet. The trench is included in this area. (Blading is defined as the complete removal of brush and ground vegetation.)
- Clearing of brush species within the right-of-way will be allowed: maximum width of clearing operations will not exceed 30 feet. The trench and bladed area are included in this area. (Clearing is defined as the removal of brush while leaving ground vegetation (grasses, weeds, etc.) intact. Clearing is best accomplished by holding the blade 4 to 6 inches above the ground surface.)

- The remaining area of the right-of-way (if any) shall only be disturbed by compressing the vegetation. (Compressing can be caused by vehicle tires, placement of equipment, etc.)

8. The holder shall stockpile an adequate amount of topsoil where blading is allowed. The topsoil to be stripped is approximately 6 inches in depth. The topsoil will be segregated from other spoil piles from trench construction. The topsoil will be evenly distributed over the bladed area for the preparation of seeding.

9. 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.

10. Vegetation, soil, and rocks left as a result of construction or maintenance activity will be randomly scattered on this right-of-way and will not be left in rows, piles, or berms, unless otherwise approved by the Authorized Officer. The entire right-of-way shall be recontoured to match the surrounding landscape. The backfilled soil shall be compacted and a 6 inch berm will be left over the ditch line to allow for settling back to grade.

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. The holder will reseed all disturbed areas. Seeding will be done according to the attached seeding requirements, using the following seed mix.

- | | |
|--|--|
| <input checked="" type="checkbox"/> seed mixture 1 | <input type="checkbox"/> seed mixture 3 |
| <input type="checkbox"/> seed mixture 2 | <input type="checkbox"/> seed mixture 4 |
| <input type="checkbox"/> seed mixture 2/LPC | <input type="checkbox"/> Aplomado Falcon Mixture |

13. All above-ground structures not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be color which simulates "Standard Environmental Colors" – Shale Green, Munsell Soil Color No. 5Y 4/2.

14. 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. All signs and information thereon will be posted in a permanent, conspicuous manner, and will be maintained in a legible condition for the life of the pipeline.

15. 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 before maintenance begins. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway. As determined necessary during the life of the pipeline, the Authorized Officer may ask the holder to construct temporary deterrence structures.

16. Any cultural and/or paleontological resources (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 actions to prevent the loss of significant 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.

17. 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 associated roads, 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.

18. Special Stipulations:

C. ELECTRIC LINES

Not applied for in permit.

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 1, for Loamy Sites

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

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (small/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

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

<u>Species</u>	<u>lb/acre</u>
Plains lovegrass (<i>Eragrostis intermedia</i>)	0.5
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.0
Sideoats grama (<i>Bouteloua curtipendula</i>)	5.0
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