ATS-14-522

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APR 24 2014
NMOCD ARTESIA

OCD Artesia

Split Estate

Form 3160-3
(March 2012)

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

TCS 4-24-14

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM 112252 (SL) for BHL

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

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

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

8. Lease Name and Well No.
True Grit 8 B3BO Fed Com #1H <40509>

2. Name of Operator Mewbourne Oil Company <14744>

9. API Well No.
30-015-42333

3a. Address
PO Box 5270
Hobbs, NM 88241

3b. Phone No. *(include area code)*
575-393-5905

10. Field and Pool, or Exploratory
~~Wildcat Bone Spring~~ AZOTEA MESA; BS. <3740>

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface 402' FNL & 1915' FEL, Sec 8 T22S R25E
At proposed prod. zone 330' FSL & 1980' FEL Sec 8 T22S R25E

11. Sec., T. R. M. or Blk. and Survey or Area
Sec 8 T22S R25E

14. Distance in miles and direction from nearest town or post office*
14.1 Miles west of Carlsbad, NM

12. County or Parish
Eddy

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
402'	1,477.34	160

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
1795' True Grit B3CN Fed #1H	11950.2' -MD 7,629.0' - TVD	NM-1693 Nationwide, NMB-000919

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
3594'	03/15/2014	60

24. Attachments

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

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

25. Signature	Name *(Printed/Typed)*	Date
Bradley Bishop	BRADLEY BISHOP	2-13-14

Title

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
Steve Caffey		APR 22 2014

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Approval Subject to General Requirements
& Special Stipulations Attached

Mewbourne Oil Company

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

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

Executed this 13 day of Feb., 2014.

Name: NM Young

Signature: Bradley Bishop for NM Young

Position Title: Hobbs District Manager

Address: PO Box 5270, Hobbs NM 88241

Telephone: 575-393-5905

E-mail: myoung@mewbourne.com

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

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-42333	3740	Azotea Mesa ~~WILDCAT BONE SPRING~~ BS.

Property Code	Property Name	Well Number
40509	TRUE GRIT 8B3BO FEDERAL COM	1H

OGRID No.	Operator Name	Elevation
14744	MEWBOURNE OIL COMPANY	3594

Surface Location

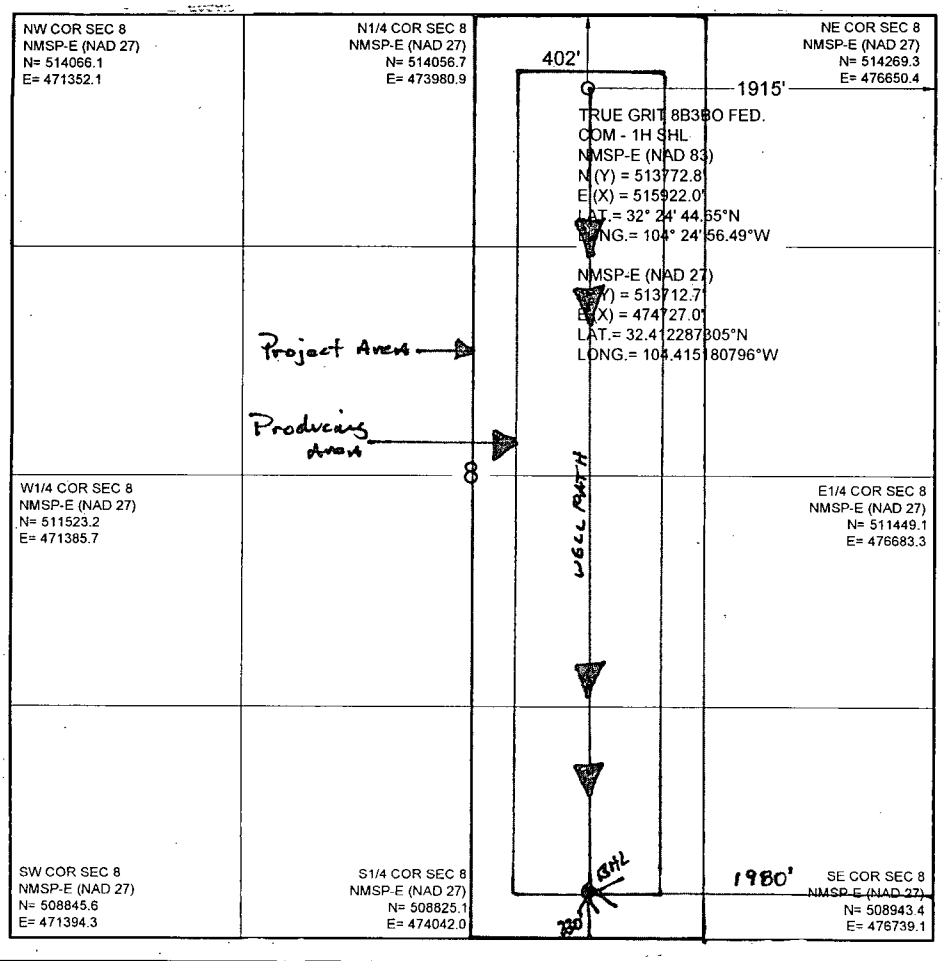
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	8	22 S	25 E		402	NORTH	1915	EAST	EDDY

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
O	8	22 S	25 E		330	SOUTH	1980	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidated Code	Order No.
160			11951 4-22

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 voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Bradley Bishop 2-13-14
Signature Date

BRADLEY BISHOP
Print Name

E-mail Address

SURVEYORS 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.

FEBRUARY 7, 2014
Date of Survey

Signature and Seal of Professional Surveyor

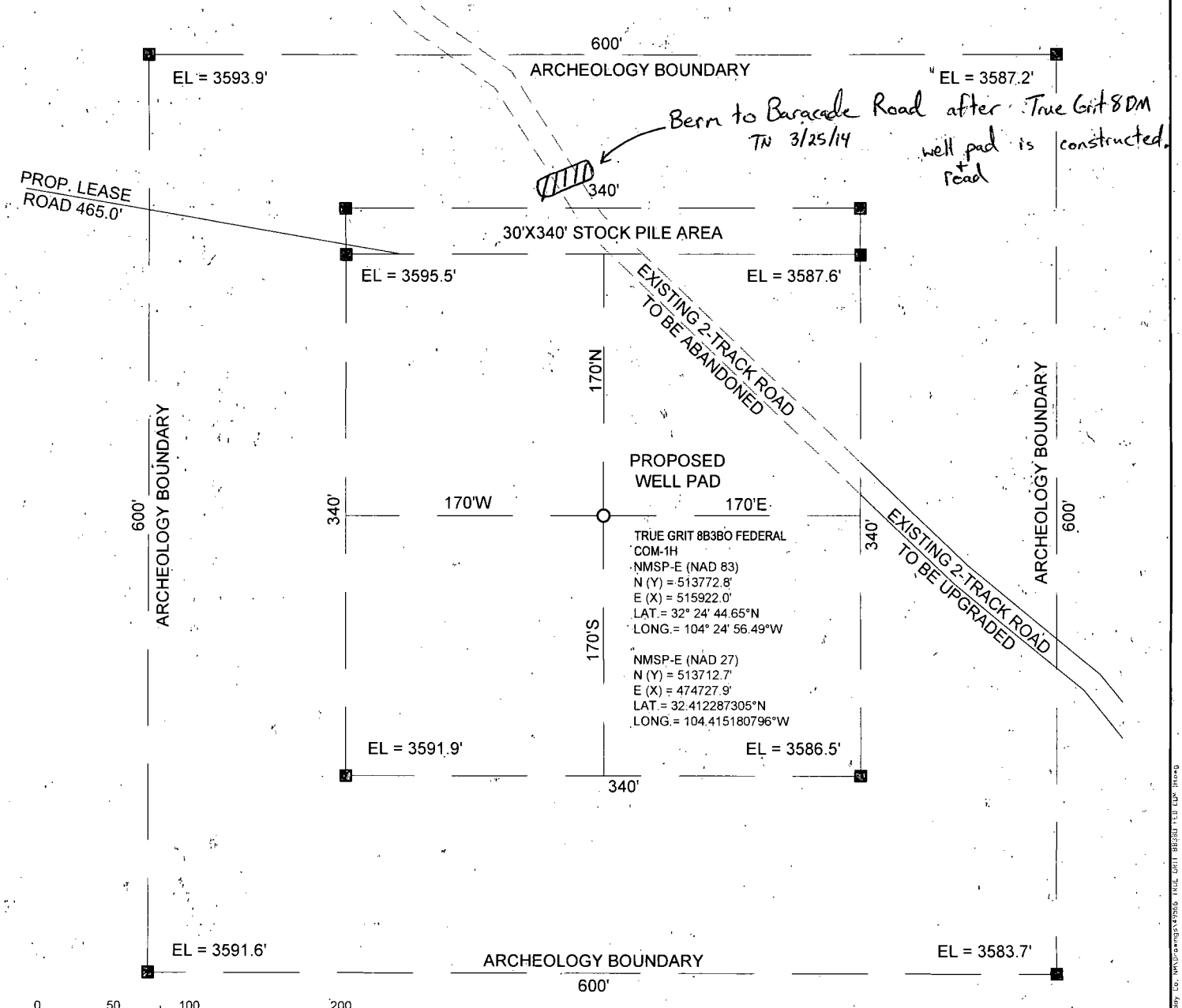
JAMES E. TOMPKINS NEW MEXICO 14729 REGISTERED PROFESSIONAL LAND SURVEYOR

James E. Tompkins

Job No.: WTC49566
JAMES E. TOMPKINS 14729
Certificate Number

"Exhibit 3"

SITE LOCATION



GRAPHIC SCALE 1" = 100'

SECTION 8, T 22 S, R 25 E, N.M.P.M.

COUNTY: EDDY STATE: NM

DESCRIPTION: 402' FNL & 1915' FEL

OPERATOR: MEWBOURNE OIL COMPANY

WELL NAME: TRUE GRIT 8B3BO FEDERAL COM-1H

DRIVING DIRECTIONS:

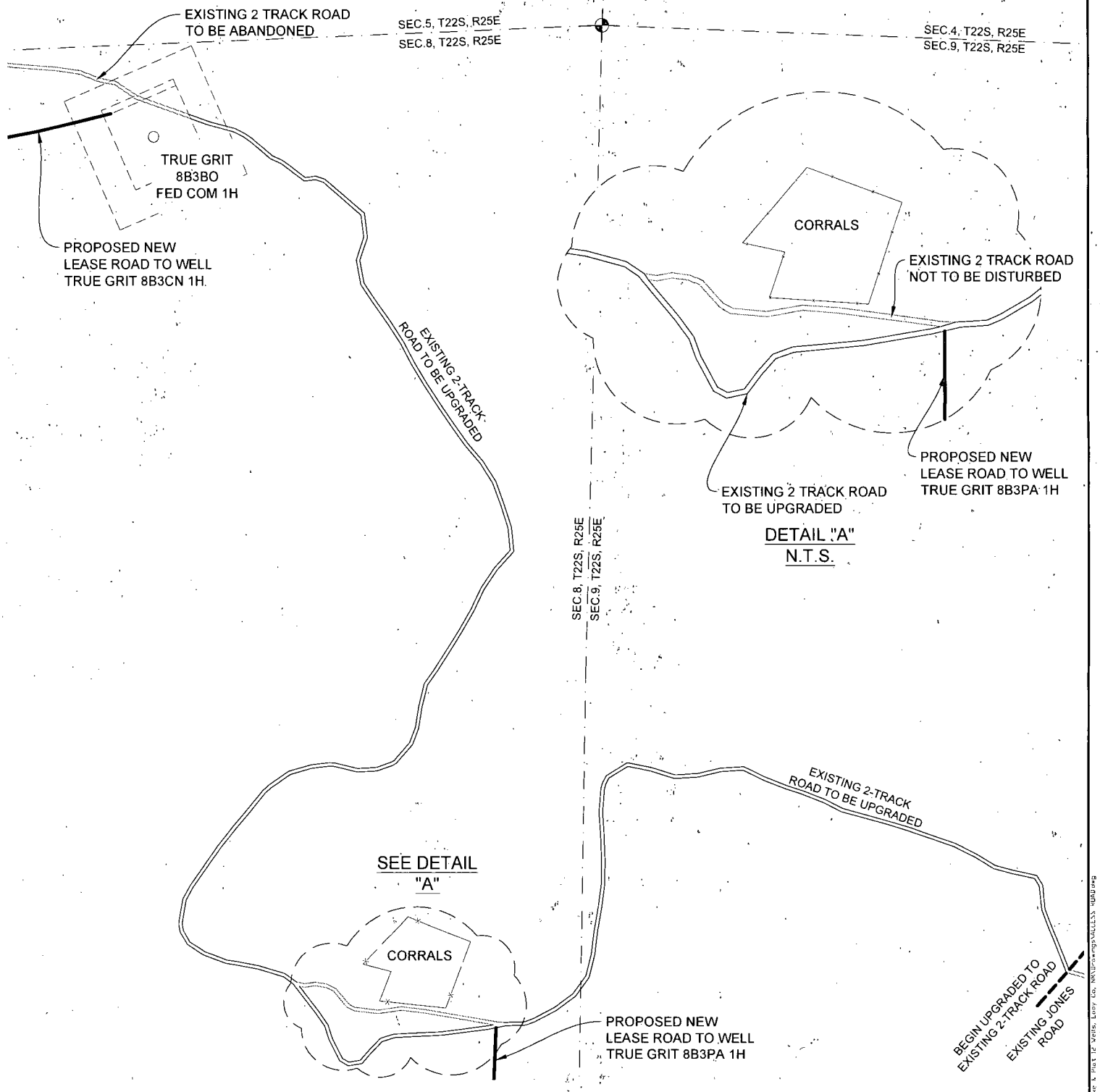
FROM THE INTERSECTION OF HAPPY VALLEY ROAD AND JONES STREET GO WEST ON JONES STREET FOR 8.0 MILES. GO THROUGH THE WELL PAD TO THE NORTHWEST CORNER AND CONTINUE DOWN THE ROAD FOR 1.8 MILES TO THE LOCATION ON THE LEFT.

WTC, INC.
405 S.W. 1st. STREET
ANDREWS, TEXAS 79714
(432) 523-2181

MEWBOURNE OIL COMPANY

JOB No.: 49566

Proposed Access Road Map

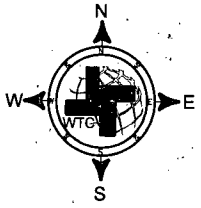


SECTION 8 & 9, T 22 S, R 25 E, N.M.P.M.

COUNTY: EDDY STATE: NM

OPERATOR: MEWBOURNE OIL COMPANY

WELL NAME: TRUE GRIT 8B3BO FEDERAL COM-1H



ACCESS ROAD

0 50 100 200

GRAPHIC SCALE 1" = 100'

WTC, INC.
405 S.W. 1st. STREET
ANDREWS, TEXAS 79714
(432) 523-2181

MEWBOURNE OIL COMPANY

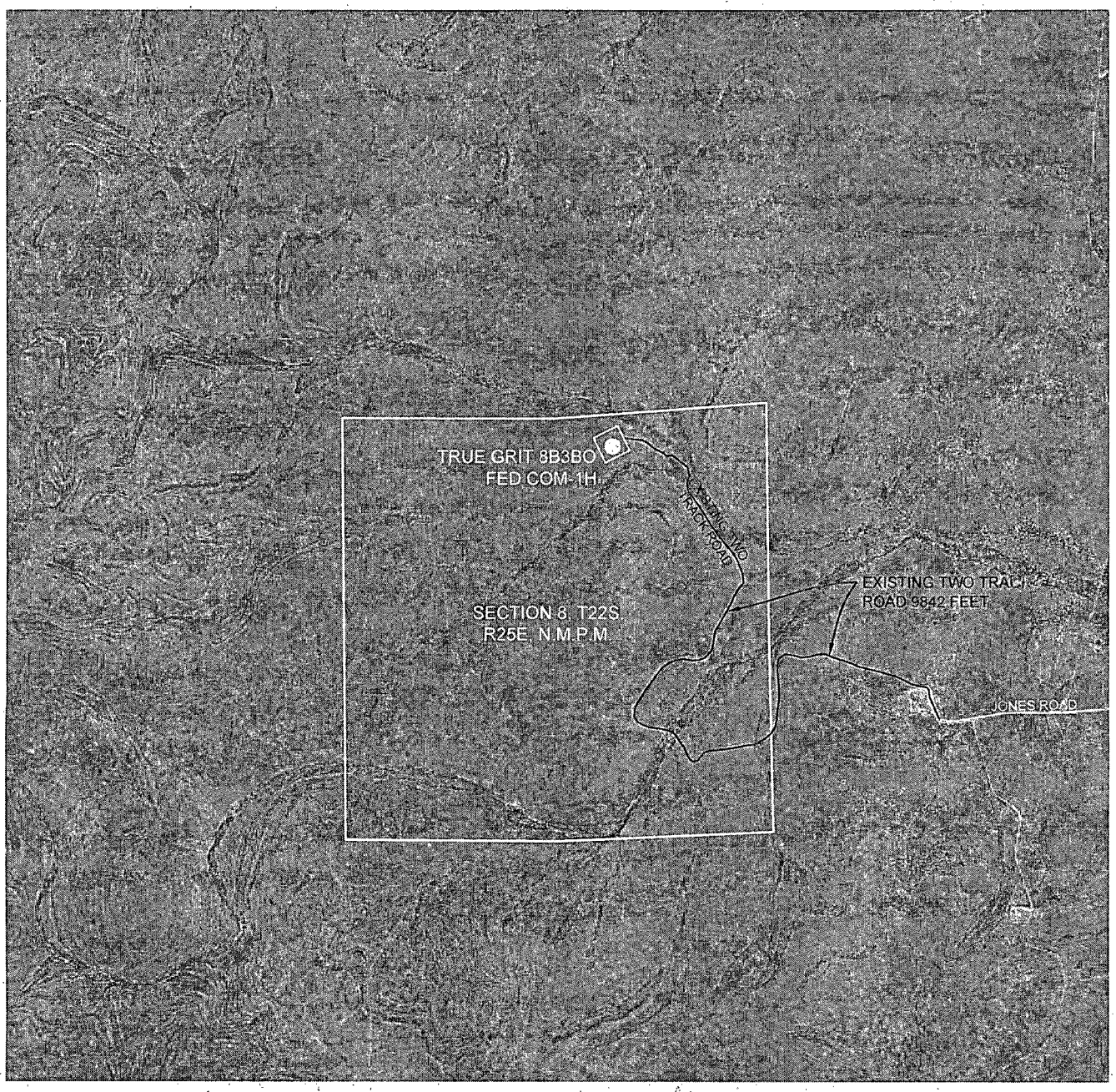
JOB No.: 49566

Detail A Aerial Map

Proposed Access Road

"Exhibit 3A"

AERIAL MAP



0 1000 2000 4000

GRAPHIC SCALE 1" = 2000'

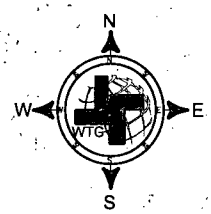
SECTION 8, T 22 S, R 25 E, N.M.P.M.

COUNTY: EDDY STATE: NM

DESCRIPTION: 402' FNL & 1915' FEL

OPERATOR: MEWBOURNE OIL COMPANY

WELL NAME: TRUE GRIT 8B3BO FEDERAL COM-1H



DRIVING DIRECTIONS:

FROM THE INTERSECTION OF HAPPY VALLEY ROAD AND JONES STREET GO WEST ON JONES STREET FOR 8.0 MILES TO A WELL PAD, GO THROUGH THE WELL PAD TO THE NORTHWEST CORNER AND CONTINUE DOWN THE ROAD FOR ADDITIONAL 1.8 MILES TO THE LOCATION ON THE LEFT.

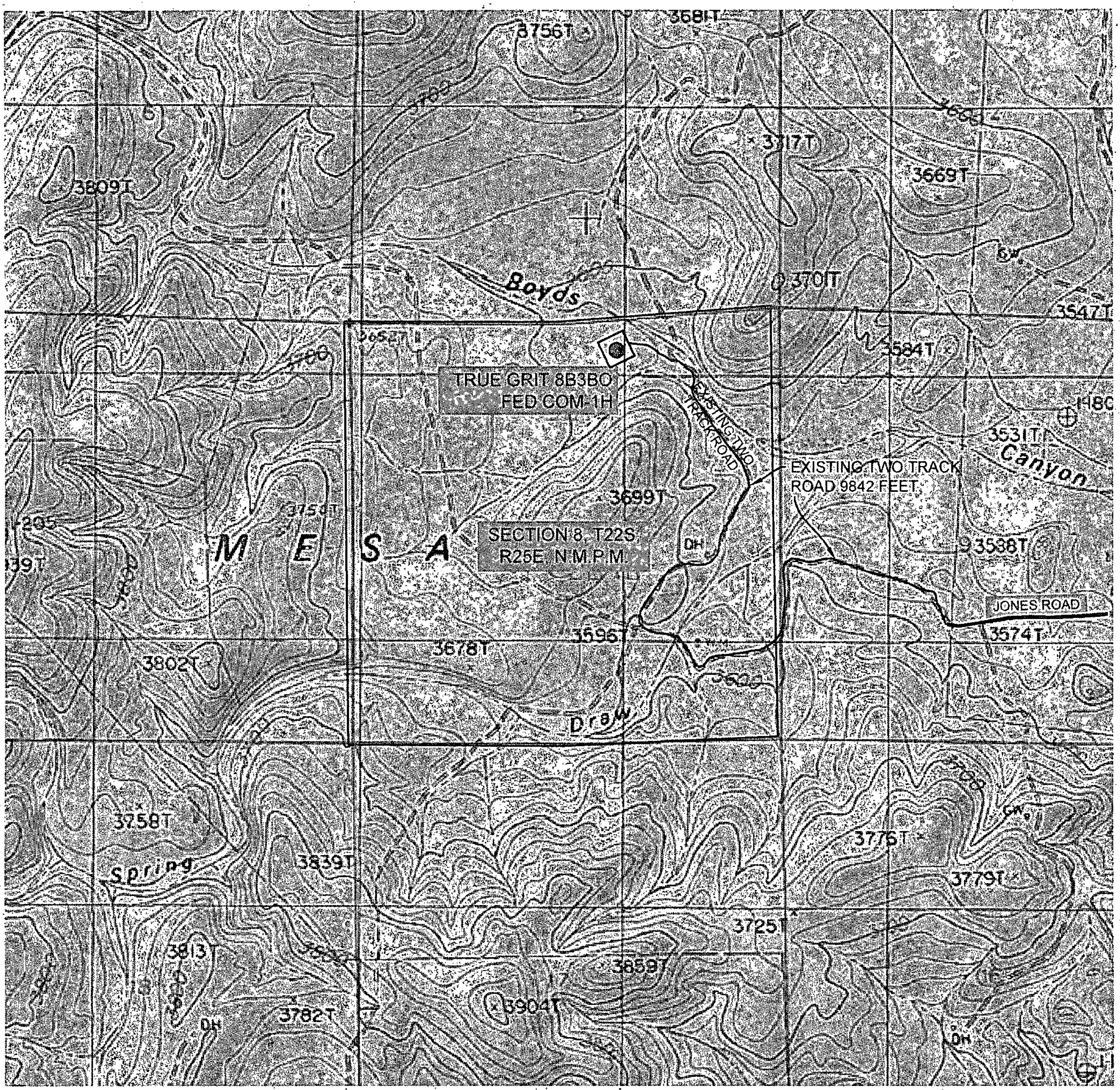
WTC, INC.
405 S.W. 1st. STREET
ANDREWS, TEXAS 79714
(432) 523-2181

MEWBOURNE OIL COMPANY

JOB No.: 49566

"Exhibit 3B"

LOCATION VERIFICATION MAP



0 1000 2000 4000

GRAPHIC SCALE 1" = 2000'

SECTION 8, T 22 S, R 25 R, N.M.P.M.

COUNTY: EDDY STATE: NM

DESCRIPTION: 402' FNL & 1915' FEL

OPERATOR: MEWBOURNE OIL COMPANY

WELL NAME: TRUE GRIT 8B3BO FEDERAL COM-1H

N
W E
S

DRIVING DIRECTIONS:

FROM THE INTERSECTION OF HAPPY VALLEY ROAD AND JONES STREET GO WEST ON JONES STREET FOR 8.0 MILES. GO THROUGH THE WELL PAD TO THE NORTHWEST CORNER AND CONTINUE DOWN THE ROAD FOR 1.8 MILES TO THE LOCATION ON THE LEFT.

WTC

W T C, INC.
405 S.W. 1st. STREET
ANDREWS, TEXAS 79714
(432) 523-2181

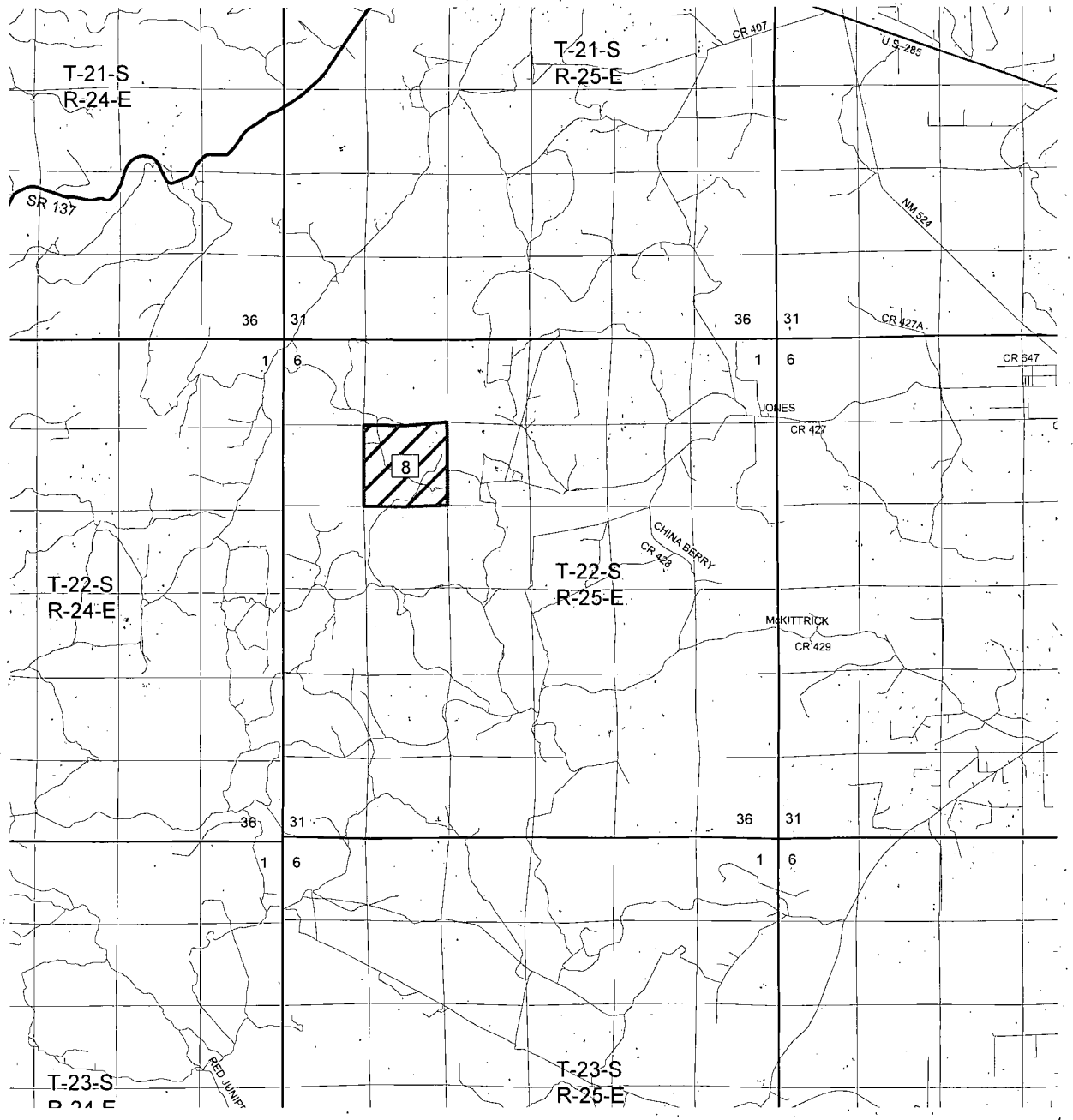
MOC
MEWBOURNE OIL COMPANY

MEWBOURNE OIL COMPANY

JOB No.: 49566

"Exhibit 3C"

VICINITY MAP



GRAPHIC SCALE 1" = 2 MILE

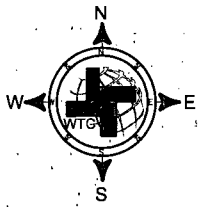
SECTION 8, T 22 S, R 25 E, N.M.P.M.

COUNTY: EDDY STATE: NM

DESCRIPTION: 402' FNL & 1915' FEL

OPERATOR: MEWBOURNE OIL COMPANY

WELL NAME: TRUE GRIT 8B3BO FEDERAL COM-1H



DRIVING DIRECTIONS:

FROM THE INTERSECTION OF HAPPY VALLEY ROAD AND JONES STREET GO WEST ON JONES STREET FOR 8.0 MILES. GO THROUGH THE WELL PAD TO THE NORTHWEST CORNER AND CONTINUE DOWN THE ROAD FOR 1.8 MILES TO THE LOCATION ON THE LEFT.

WTC, INC.
405 S.W. 1st. STREET
ANDREWS, TEXAS 79714
(432) 523-2181

MEWBOURNE OIL COMPANY

JOB No.: 49566

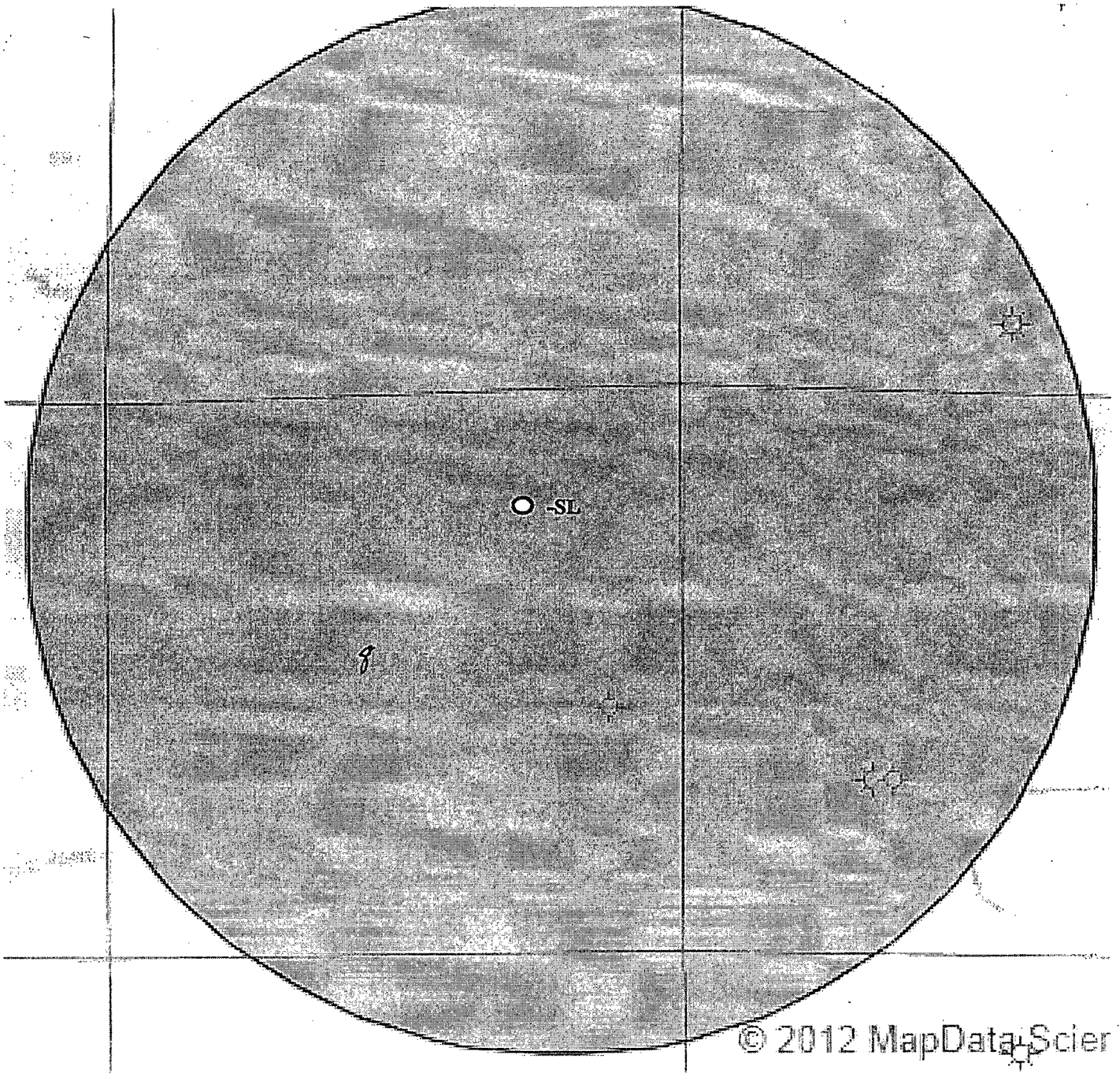


Exhibit "4"
True Grit 8 B2BO Fed Com #1H
SHL
Sec 8 T22S R25E

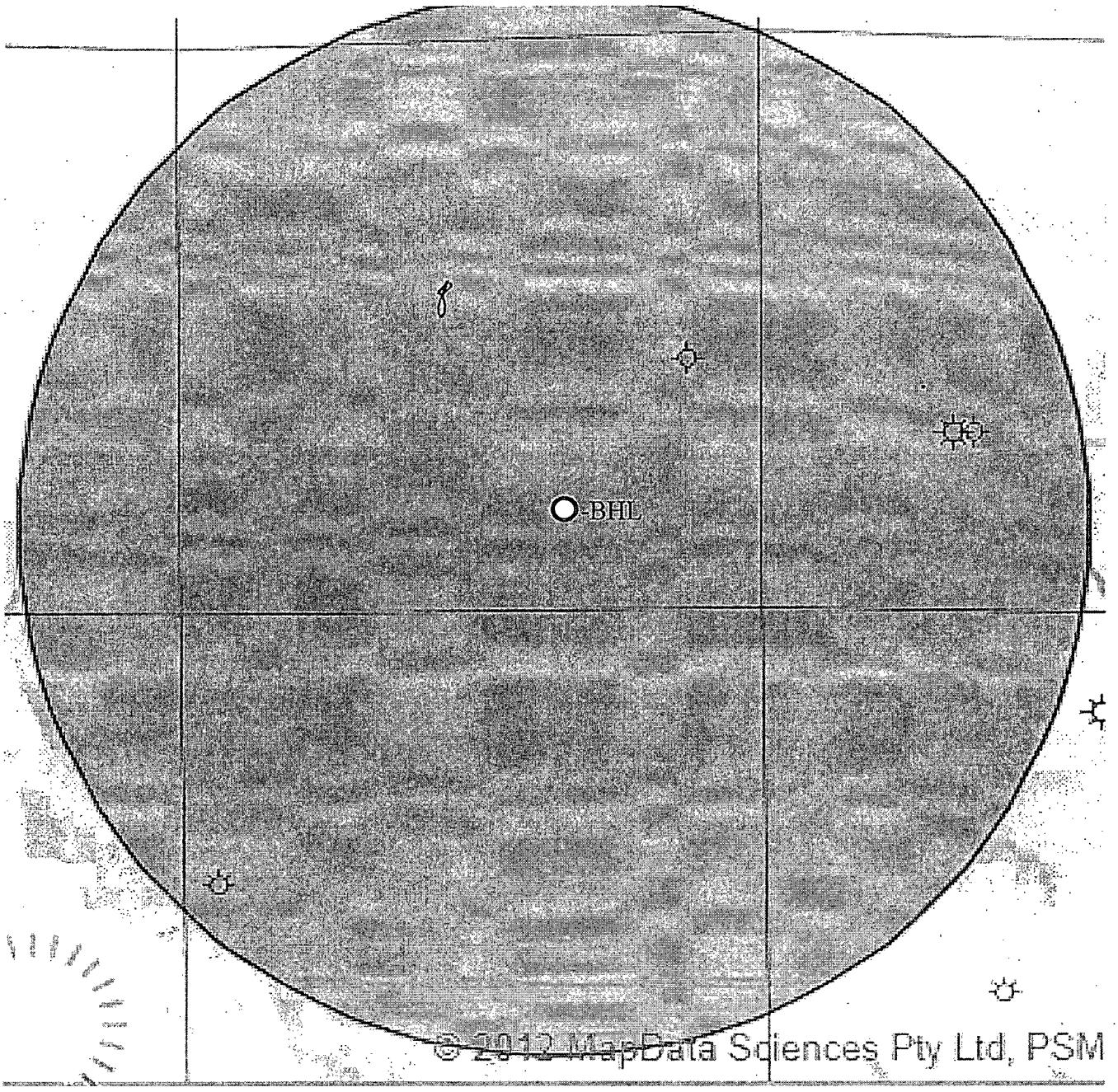


Exhibit "4A"
True Grit 8 B2BO Fed Com #1H
BHL
Sec 8 T22S R25E

Drilling Program
Mewbourne Oil Company
True Grit 8 B3BO Fed Com #1H
402' FNL & 1915' FEL (SHL)
Sec 8-T22S-R25E
Eddy County, New Mexico

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

Rustler	NP
Top Salt	NP
Base Salt	NP
Yates/Seven Rivers	Surface
Queen	NP
Capitan	945'
Grayburg	NP
San Andres	NP
Glorieta	NP
Yeso	NP
*Delaware/Lamar	1800'
*Bone Springs	3950'
*2nd Bone Spring Sand	5700'
*3rd Bone Spring Sand	7350'
Wolfcamp	Will Not Penetrate

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

Water	Fresh water is anticipated @ 250' & will be protected by setting surface casing at 400' and cementing to surface.
Hydrocarbons	Oil and gas are anticipated in the above (*) formations. These zones will be protected by casing as necessary.

3. Pressure control equipment:

A 2000# WP Annular will be installed after running 13 ⅜" casing. A 3000# WP Double Ram BOP and 3000# WP Annular will be installed after running 9 ⅝" & 7" casing strings. Pressure tests will be conducted prior to drilling out under all casing strings. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOPE will be inspected and operated as recommended in Onshore Order #2. A kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the kelly is not in use. Will test the 13 ⅜" annular to 1500# and the 9 ⅝" & 7" BOPE to 3000# and annular to 1500# with a third party testing company before drilling below each shoe, but will test again, if needed, in 30 days from the 1st test as per BLM Onshore Oil and Gas Order #2.

4. Drilling Program:

MOC proposes to drill a vertical wellbore to 7151' & kick off to horizontal @ 7629' TVD. The well will be drilled to11950' MD (7629' TVD). See attached directional plan.

5. Proposed casing and cementing program:

A. Casing Program:

See COA

Hole Size	Casing	Wt/Ft.	Grade	Depth	Jt Type
17 ½"	13 ⅜" (new)	48#	H40	0'-400'	ST&C
12 ¼"	9 ⅝" (new)	36#	J55	0'-~~1800~~ 1600'	LT&C
8 ¾"	7" (new)	26#	P110	0'-7151' MD	LT&C
8 ¾"	7" (new)	26#	P110	7151'-7902' MD	BT&C
6 1/8"	4 ½" (new)	13.5#	P110	7702'-11950' MD	LT&C

Minimum casing design factors: Collapse 1.125, Burst 1.0, Tensile strength 1.8.
*Subject to availability of casing.

B. Cementing Program:

i. Surface Casing: 420 sacks Class "C" cement w/ 1% CaCl2. Yield at 1.34 cuft/sk. Mix water @ 6.33 gal/sk. Cmt circulated to surface w/100% excess.

ii. Intermediate Casing: 230 sacks Class "C" (35:65:4) light cement w/ salt and LCM additives. Yield at 2.0 cuft/sk. Mix water @ 11.17 gal/sk. 200 sacks Class "C" cement w/1% CaCl2. Yield at 1.34 cuft/sk. Mix water @ 6.33 gal/sk. Cmt circulated to surface w/25% excess.

iii. Production Casing: 425 sacks Class H light cement with fluid loss, LCM, & salt additives. Yield at 2.12 cuft/sk. Mix water @ 11.32 gal/sk. Tail w/300 sacks Class H cmt. Yield at 1.18 cuft/sk. Mix water @ 5.22 gal/sk. Calculated to tie back inside 9 5/8" csg 200' w/25% excess.

iv. Production Liner: This will be a Packer/Port completion from TD up inside 7" casing with packer type liner hanger.

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

6. Mud Program:

Interval	Type System	Weight	Viscosity	Fluid Loss
0' - 400'	FW spud mud	8.6-9.0	32-34	NA
400' - ~~1800'~~ 1600'	Brine water	10.0-10.2	28-30	NA
1600' ~~1800'~~ - 7151' (KOP)	FW	8.5-8.7	28-30	15
7151' - TD	FW w/Polymer	8.5-8.7	32-35	15

**Visual mud monitoring system shall be in place to detect volume changes indicating loss or gain of circulation fluid volume. Sufficient mud materials will be kept on location at all times to combat abnormal conditions.

7. Evaluation Program:

See COA

Samples: 10' samples from surface casing to TD
Logging: GR & Gyro from KOP -100' (7051') to surface. GR from 7051' to TD.

8. Downhole Conditions

Zones of abnormal pressure:	None anticipated
Zones of lost circulation:	Anticipated in surface and intermediate holes
Maximum bottom hole temperature:	120 degree F
Maximum bottom hole pressure:	8.3 lbs/gal gradient or less (.43368 x 7629' = 3309 psi)

9. Anticipated Starting Date:

Mewbourne Oil Company intends to drill this well as soon as possible after receiving approval with approximately 40 days involved in drilling operations and an additional 10 days involved in completion operations on the project.

Mewbourne Oil Co

Eddy County, New Mexico
Sec 8-22S-25E
True Grit 8 B3BO Fed Com #1H

Wellbore #1

Plan: Design #1

DDC Well Planning Report

07 February, 2014

DDC

Well Planning Report

Database:	EDM 5000.1 Single User Db	**Local Co-ordinate Reference:**	Well True Grit 8 B3BO Fed Com #1H
Company:	Mewbourne Oil Co	**TVD Reference:**	WELL @ 3614.0usft (Patterson #46)
Project:	Eddy County, New Mexico	**MD Reference:**	WELL @ 3614.0usft (Patterson #46)
Site:	Sec 8-22S-25E	**North Reference:**	Grid
Well:	True Grit 8 B3BO Fed Com #1H	**Survey Calculation Method:**	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Project Eddy County, New Mexico

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

Site Sec 8-22S-25E

Site Position:		**Northing:**	513,712.70 usft	**Latitude:**	32° 24' 44.221 N
From:	Map	**Easting:**	474,727.00 usft	**Longitude:**	104° 24' 54.825 W
Position Uncertainty:	0.0 usft	**Slot Radius:**	13-3/16 "	**Grid Convergence:**	-0.04 °

Well True Grit 8 B3BO Fed Com #1H

Well Position	**+N/-S**	0.0 usft	**Northing:**	513,712.70 usft	**Latitude:**	32° 24' 44.221 N
	+E/-W	0.0 usft	**Easting:**	474,727.00 usft	**Longitude:**	104° 24' 54.825 W
Position Uncertainty		0.0 usft	**Wellhead Elevation:**		**Ground Level:**	3,594.0 usft

Wellbore Wellbore #1

Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF2010	2/7/2014	7.66	60.15	48,370

Design Design #1

Audit Notes:					
Version:		**Phase:**	PLAN	**Tie On Depth:**	0.0

Vertical Section:	Depth From (TVD) (usft)	+N/-S (usft)	+E/-W (usft)	Direction (°)
	0.0	0.0	0.0	179.67

Plan Sections

Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
7,151.5	0.00	0.00	7,151.5	0.0	0.0	0.00	0.00	0.00	0.00	
7,901.5	90.00	179.67	7,629.0	-477.5	2.8	12.00	12.00	23.96	179.67	
11,950.2	90.00	179.67	7,629.0	-4,526.1	26.2	0.00	0.00	0.00	0.00	PBHL True Grit 8 B3E

Database:	EDM 5000.1 Single User Db	**Local Co-ordinate Reference:**	Well True Grit 8 B3BO Fed Com #1H
Company:	Mewbourne Oil Co	**TVD Reference:**	WELL @ 3614.0usft (Patterson #46)
Project:	Eddy County, New Mexico	**MD Reference:**	WELL @ 3614.0usft (Patterson #46)
Site:	Sec 8-22S-25E	**North Reference:**	Grid
Well:	True Grit 8 B3BO Fed Com #1H	**Survey Calculation Method:**	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey

Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
Build 12°/100									
7,151.5	0.00	0.00	7,151.5	0.0	0.0	0.0	0.00	0.00	0.00
7,200.0	5.82	179.67	7,199.9	-2.5	0.0	2.5	12.00	12.00	0.00
7,300.0	17.82	179.67	7,297.6	-22.9	0.1	22.9	12.00	12.00	0.00
7,400.0	29.82	179.67	7,388.9	-63.2	0.4	63.2	12.00	12.00	0.00
7,500.0	41.82	179.67	7,469.9	-121.6	0.7	121.6	12.00	12.00	0.00
7,600.0	53.82	179.67	7,536.9	-195.6	1.1	195.6	12.00	12.00	0.00
7,700.0	65.82	179.67	7,587.1	-281.9	1.6	281.9	12.00	12.00	0.00
7,800.0	77.82	179.67	7,618.2	-376.7	2.2	376.7	12.00	12.00	0.00
7,900.0	89.82	179.67	7,629.0	-476.0	2.8	476.0	12.00	12.00	0.00
End of Curve / 90° Inc / 179.67° Azm / 7629' TVD									
7,901.5	90.00	179.67	7,629.0	-477.5	2.8	477.5	12.00	12.00	0.00
8,000.0	90.00	179.67	7,629.0	-576.0	3.3	576.0	0.00	0.00	0.00
8,100.0	90.00	179.67	7,629.0	-676.0	3.9	676.0	0.00	0.00	0.00
8,200.0	90.00	179.67	7,629.0	-776.0	4.5	776.0	0.00	0.00	0.00
8,300.0	90.00	179.67	7,629.0	-876.0	5.1	876.0	0.00	0.00	0.00
8,400.0	90.00	179.67	7,629.0	-975.9	5.6	976.0	0.00	0.00	0.00
8,500.0	90.00	179.67	7,629.0	-1,075.9	6.2	1,076.0	0.00	0.00	0.00
8,600.0	90.00	179.67	7,629.0	-1,175.9	6.8	1,176.0	0.00	0.00	0.00
8,700.0	90.00	179.67	7,629.0	-1,275.9	7.4	1,276.0	0.00	0.00	0.00
8,800.0	90.00	179.67	7,629.0	-1,375.9	8.0	1,376.0	0.00	0.00	0.00
8,900.0	90.00	179.67	7,629.0	-1,475.9	8.5	1,476.0	0.00	0.00	0.00
9,000.0	90.00	179.67	7,629.0	-1,575.9	9.1	1,576.0	0.00	0.00	0.00
9,100.0	90.00	179.67	7,629.0	-1,675.9	9.7	1,676.0	0.00	0.00	0.00
9,200.0	90.00	179.67	7,629.0	-1,775.9	10.3	1,776.0	0.00	0.00	0.00
9,300.0	90.00	179.67	7,629.0	-1,875.9	10.9	1,876.0	0.00	0.00	0.00
9,400.0	90.00	179.67	7,629.0	-1,975.9	11.4	1,976.0	0.00	0.00	0.00
9,500.0	90.00	179.67	7,629.0	-2,075.9	12.0	2,076.0	0.00	0.00	0.00
9,600.0	90.00	179.67	7,629.0	-2,175.9	12.6	2,176.0	0.00	0.00	0.00
9,700.0	90.00	179.67	7,629.0	-2,275.9	13.2	2,276.0	0.00	0.00	0.00
9,800.0	90.00	179.67	7,629.0	-2,375.9	13.7	2,376.0	0.00	0.00	0.00
9,900.0	90.00	179.67	7,629.0	-2,475.9	14.3	2,476.0	0.00	0.00	0.00
10,000.0	90.00	179.67	7,629.0	-2,575.9	14.9	2,576.0	0.00	0.00	0.00
10,100.0	90.00	179.67	7,629.0	-2,675.9	15.5	2,676.0	0.00	0.00	0.00
10,200.0	90.00	179.67	7,629.0	-2,775.9	16.1	2,776.0	0.00	0.00	0.00
10,300.0	90.00	179.67	7,629.0	-2,875.9	16.6	2,876.0	0.00	0.00	0.00
10,400.0	90.00	179.67	7,629.0	-2,975.9	17.2	2,976.0	0.00	0.00	0.00
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10,800.0	90.00	179.67	7,629.0	-3,375.9	19.5	3,376.0	0.00	0.00	0.00
10,900.0	90.00	179.67	7,629.0	-3,475.9	20.1	3,476.0	0.00	0.00	0.00
11,000.0	90.00	179.67	7,629.0	-3,575.9	20.7	3,576.0	0.00	0.00	0.00
11,100.0	90.00	179.67	7,629.0	-3,675.9	21.3	3,676.0	0.00	0.00	0.00
11,200.0	90.00	179.67	7,629.0	-3,775.9	21.9	3,776.0	0.00	0.00	0.00
11,300.0	90.00	179.67	7,629.0	-3,875.9	22.4	3,876.0	0.00	0.00	0.00
11,400.0	90.00	179.67	7,629.0	-3,975.9	23.0	3,976.0	0.00	0.00	0.00
11,500.0	90.00	179.67	7,629.0	-4,075.9	23.6	4,076.0	0.00	0.00	0.00
11,600.0	90.00	179.67	7,629.0	-4,175.9	24.2	4,176.0	0.00	0.00	0.00
11,700.0	90.00	179.67	7,629.0	-4,275.9	24.7	4,276.0	0.00	0.00	0.00
11,800.0	90.00	179.67	7,629.0	-4,375.9	25.3	4,376.0	0.00	0.00	0.00
11,900.0	90.00	179.67	7,629.0	-4,475.9	25.9	4,476.0	0.00	0.00	0.00
TD @ 11950' MD / 7629' TVD									

Database:	EDM 5000.1 Single User Db	**Local Co-ordinate Reference:**	Well True Grit 8 B3BO Fed Com #1H
Company:	Mewbourne Oil Co	**TVD Reference:**	WELL @ 3614.0usft (Patterson #46)
Project:	Eddy County, New Mexico	**MD Reference:**	WELL @ 3614.0usft (Patterson #46)
Site:	Sec 8-22S-25E	**North Reference:**	Grid
Well:	True Grit 8 B3BO Fed Com #1H	**Survey Calculation Method:**	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey

Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
11,950.2	90.00	179.67	7,629.0	-4,526.1	26.2	4,526.2	0.00	0.00	0.00

Design Targets

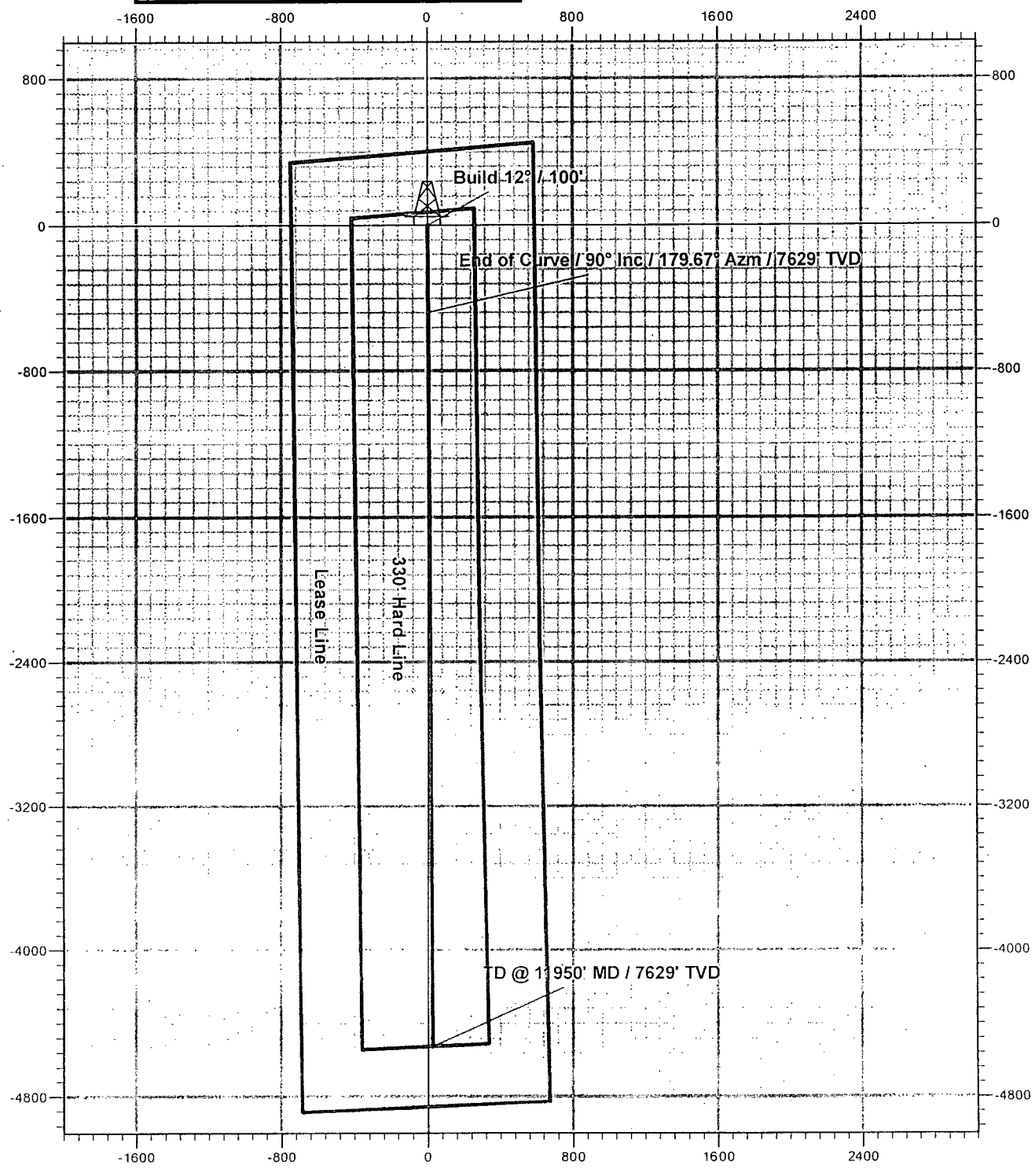
Target Name - hit/miss target - Shape	Dip Angle (°)	Dip Dir. (°)	TVD (usft)	+N/-S (usft)	+E/-W (usft)	Northing (usft)	Easting (usft)	Latitude	Longitude
PBHL True Grit 8 B3BO - plan hits target center - Point	0.00	0.00	7,629.0	-4,526.1	26.2	509,186.61	474,753.19	32° 23' 59.430 N	104° 24' 54.479 W

Plan Annotations

Measured Depth (usft)	Vertical Depth (usft)	Local Coordinates +N/-S (usft)	Local Coordinates +E/-W (usft)	Comment
7,151.5	7,151.5	0.0	0.0	Build 12° / 100'
7,901.5	7,629.0	-477.5	2.8	End of Curve / 90° Inc / 179.67° Azm / 7629' TVD
11,950.2	7,629.0	-4,526.1	26.2	TD @ 11950' MD / 7629' TVD

Mewbourne Oil Company

Eddy County, New Mexico
True Grit 8 B3BO Fed Com #1H
Design #1



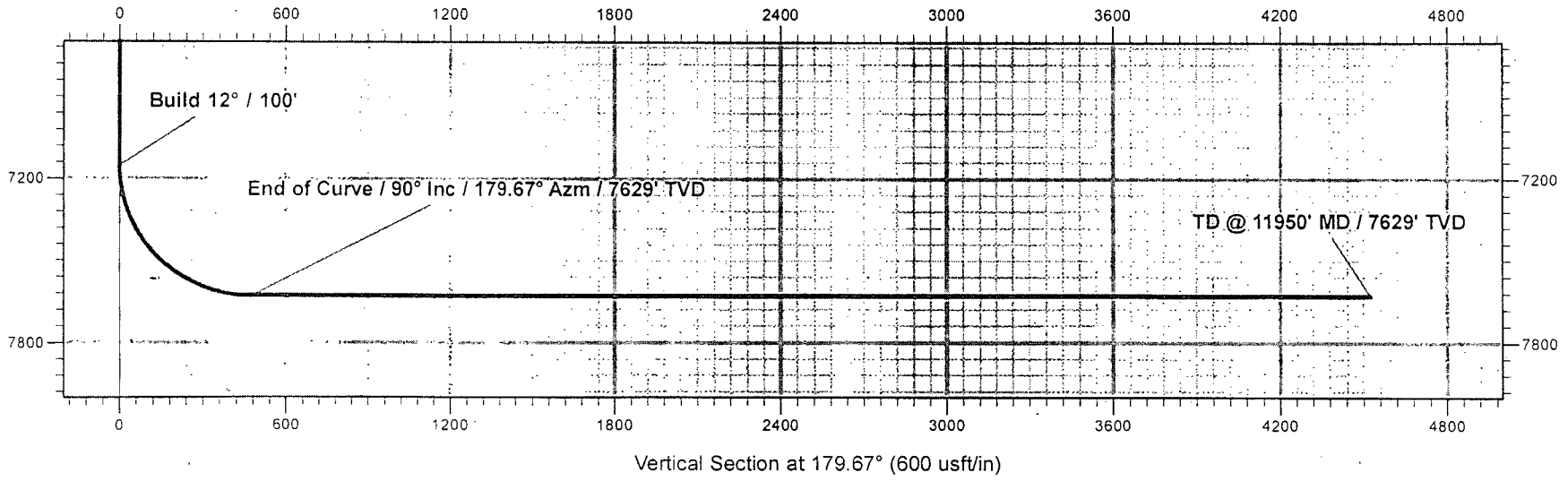
Mewbourne Oil Company

Eddy County, New Mexico

True Grit 8 B3BO Fed Com #1H

Design #1

The DIRECTIONAL DRILLING COMPANY



Vertical Section at 179.67° (600 usft/in)

Notes Regarding Blowout Preventer
Mewbourne Oil Company
True Grit 8 B3BO Fed Com #1H
402' FNL & 1915' FEL (SHL)
Sec 8-T22S-R25E
Eddy County, New Mexico

I. Drilling nipple (bell nipple) to be constructed so that it can be removed without the use of a welder through the opening of the rotary table, with minimum internal diameter equal to blowout preventer bore.

II. Blowout preventer and all fittings must be in good condition with a minimum 2000 psi working pressure on 13 3/8" casing and 3000 psi working pressure on 9 5/8" & 7" casing.

III. Safety valve must be available on the rig floor at all times with proper connections to install in the drill string. Valve must be full bore with minimum 3000 psi working pressure.

IV. Equipment through which bit must pass shall be at least as large as internal diameter of the casing.

V. A kelly cock shall be installed on the kelly at all times.

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

11" 3M BOPE & Closed Loop Equipment Schematic

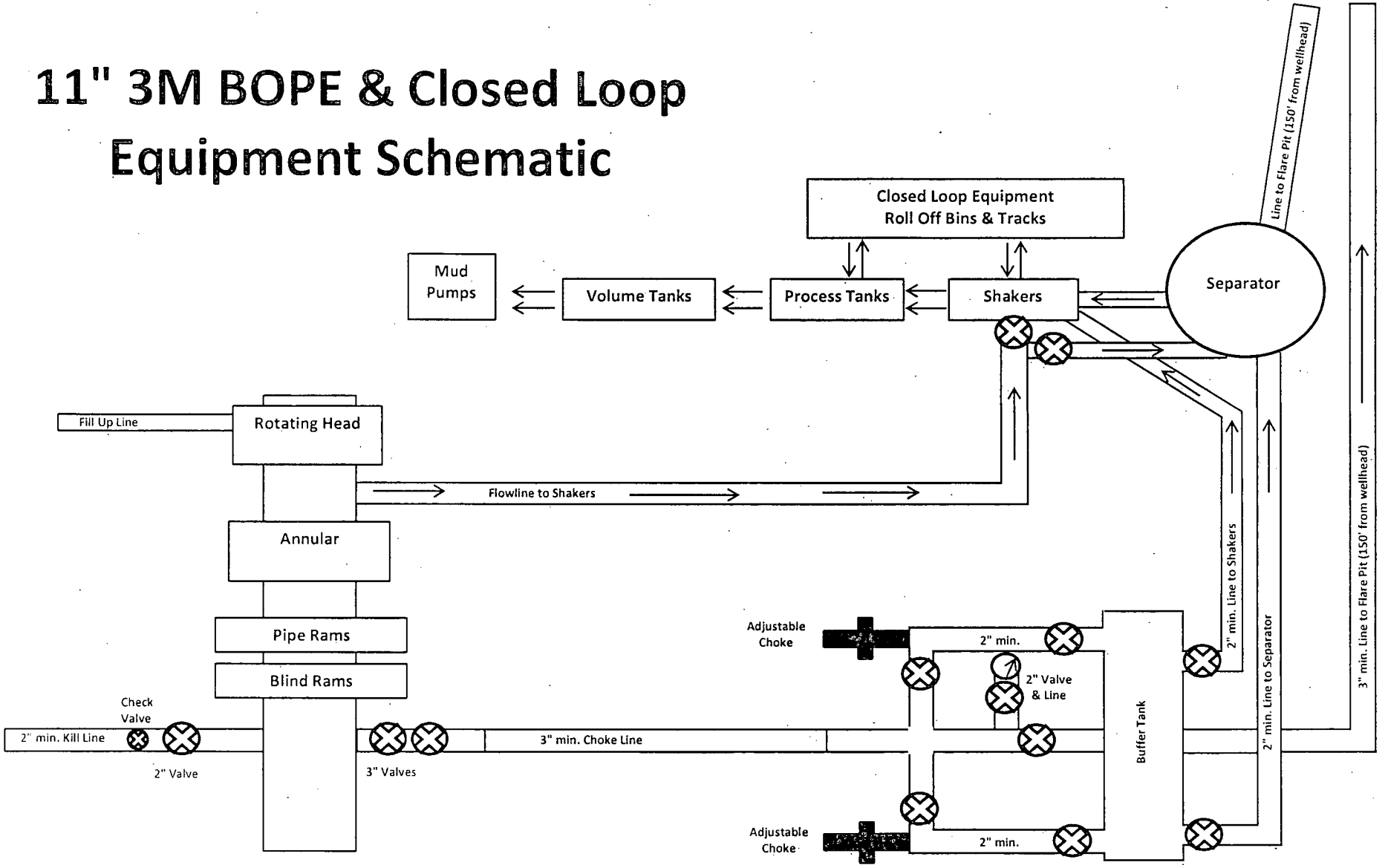


Exhibit 2
Well Name: True Grit 8 B3BO Fed Com #1H

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

13 5/8" 2M BOPE & Closed Loop Equipment Schematic

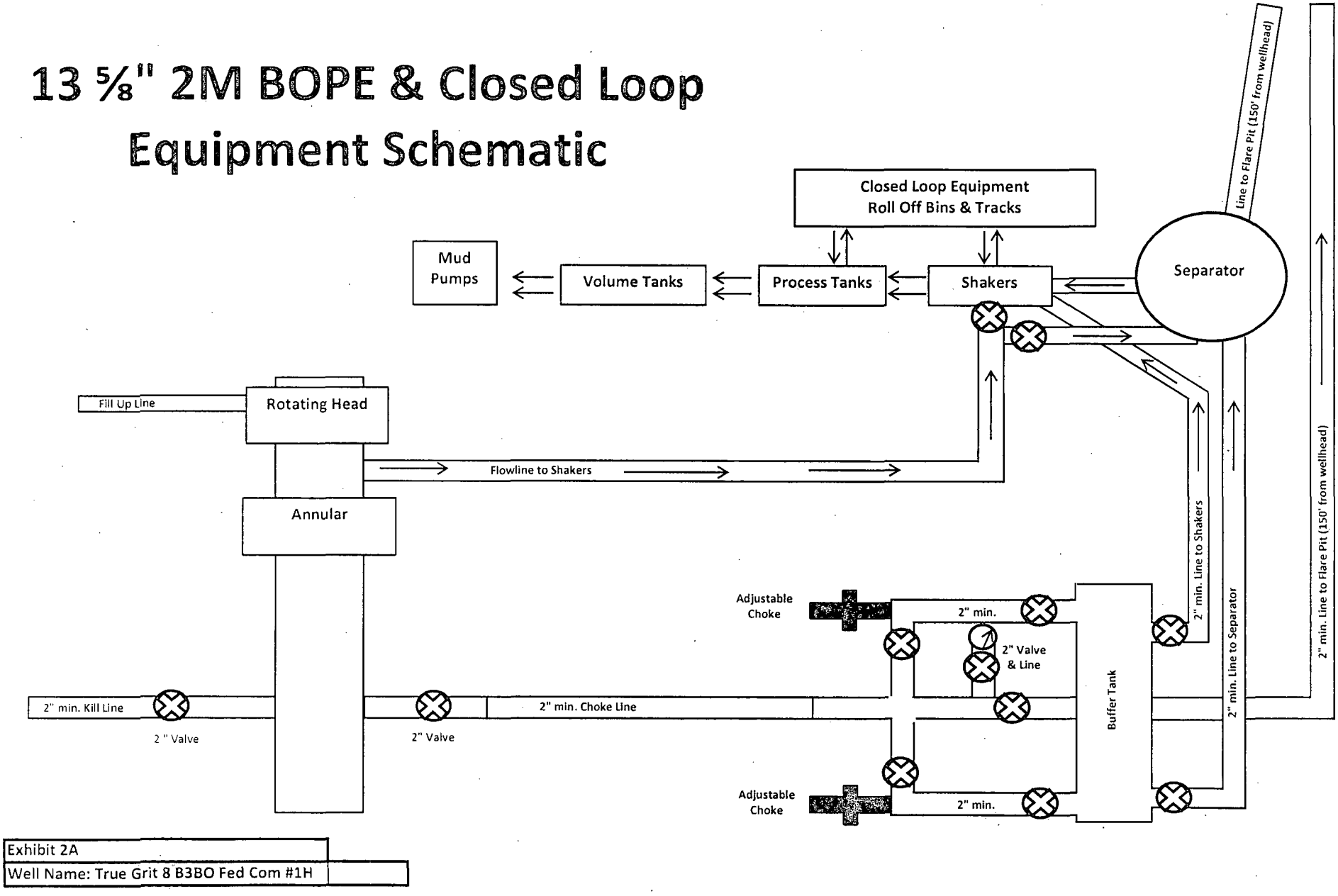
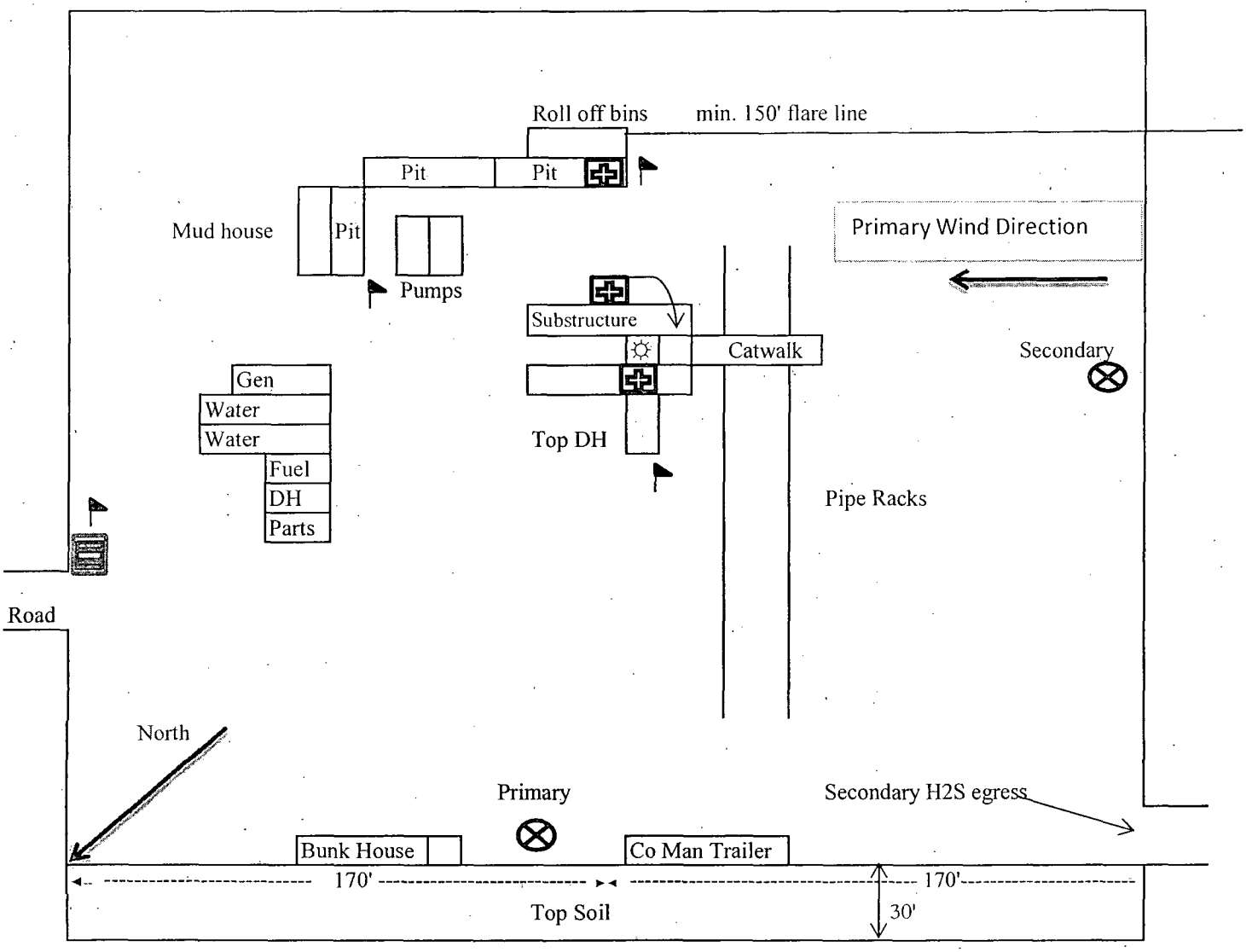


Exhibit 2A

Well Name: True Grit 8 B3BO Fed Com #1H

H2S Diagram
Closed Loop Pad Dimensions 340' x 340'



= Safety Stations

= Wind Markers

= H2S Monitors

= Warning Signs

Exhibit 5

Mewbourne Oil Company
True Grit 8 B3BO Fed Com #1H
402' FNL & 1915' FEL
Sec. 8 T22S R25E
Eddy County, NM

Hydrogen Sulfide Drilling Operations Plan

Mewbourne Oil Company
True Grit 8 B3BO Fed Com #1H
402' FNL & 1915' FEL (SHL)
Sec 8-T22S-R25E
Eddy County, New Mexico

1. General Requirements

Rule 118 does not apply to this well because MOC has researched this area and no high concentrations of H2S were found. MOC will have on location and working all H2S safety equipment before the Delaware formation for purposes of safety and insurance requirements.

2. Hydrogen Sulfide Training

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

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

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

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

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

3. Hydrogen Sulfide Safety Equipment and Systems

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

1. Well Control Equipment
   - A. Choke manifold with minimum of one adjustable choke/remote choke.
   - B. Blowout preventers equipped with blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
   - C. Auxiliary equipment including annular type blowout preventer.
2. Protective Equipment for Essential Personnel
   Thirty minute self contained work unit located in the dog house and at briefing areas.

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

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

4. Visual Warning Systems
A. Wind direction indicators as indicated on the wellsite diagram.
B. Caution signs shall be posted on roads providing access to location. Signs shall be painted a high visibility color with lettering of sufficient size to be readable at reasonable distances from potentially contaminated areas.

4. Mud Program

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

5. Metallurgy

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

6. Communications

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

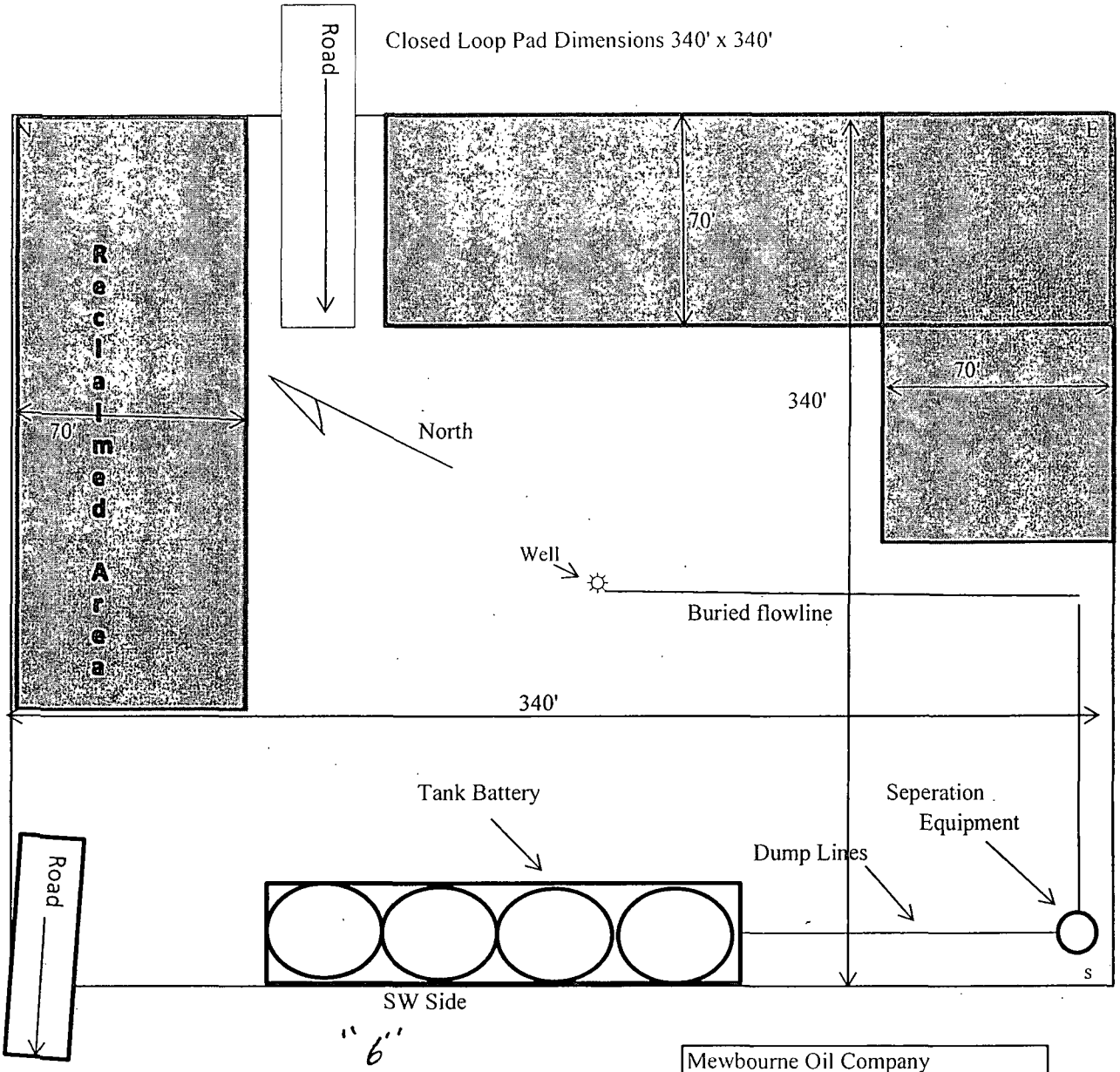
7. Well Testing

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

8. Emergency Phone Numbers

Eddy County Sheriff's Office	**911 or 575-887-7551**
Ambulance Service	**911 or 575-885-2111**
Carlsbad Fire Dept	**911 or 575-885-2111**
Loco Hills Volunteer Fire Dept.	**911 or 575-677-3266**
Closest Medical Facility - Columbia Medical Center of Carlsbad	**575-492-5000**

Mewbourne Oil Company	**Hobbs District Office**	**575-393-5905**
	Fax	**575-397-6252**
	2nd Fax	**575-393-7259**
District Manager	**Micky Young**	**575-390-0999**
Drilling Superintendent	**Frosty Lathan**	**575-390-4103**
	Bradley Bishop	**575-390-6838**
Drilling Foreman	**Wesley Noseff**	**575-441-0729**



Mewbourne Oil Company
True Grit 8 B3BO Fed Com #1H
402' FNL & 1915' FEL
Sec. 8 T22S R25E
Eddy Co. NM

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
MEWBOURNE OIL COMPANY
True Grit 8 B3BO Fed Com #1H
402' FNL & 1915' FEL (SHL)
Sec 8-T22S-R25E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, Covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved, and the procedures to be followed in restoring the surface so that a complete appraisal can be made of the environmental impact associated with the proposed operations.

1. Existing Roads:

A. Exhibit #3 is a road map showing the location of the proposed well. Existing roads are highlighted in black. Exhibits #3-#3C are maps showing the location of the proposed well and access road. Existing and proposed roads are highlighted in black.

B. Directions to location: From the intersection of Happy Valley Road and Jones Street go west on Jones Street for 8.0 miles. Go through the well pad to the northwest corner and continue down the road for 1.8 miles to the location on the left.

C. Existing roads will be maintained in a condition the same as or better than before operations begin.

2. Proposed Access Road:

A Access will follow 9,842' of existing trail roads which will be upgraded.

B. The maximum width of the driving surface will be 14 feet. The road will be crowned and ditched with a 2% slope from the tip of the crown to the edge of the driving surface. The ditches will be 1 foot deep with 3:1 slopes. The road will be surfaced with rolled and compacted caliche.

C. Mewbourne Oil Co. will cooperate with other operators in the maintenance of lease roads.

3. Location of Existing Wells:

There are producing wells within the immediate vicinity of the well site. Exhibit #4 shows the proposed well and existing wells within a one mile radius.

4. Location of Existing and/or Proposed Facilities:

A. There are no production facilities on this lease at the present time.

B. In the event that the well is productive, production facilities will be located on the SW side of the well pad. A ROW will be acquired from BLM for the gas line and electric line at a later date.

C. Production vessels that will remain on this location will be painted to conform to BLM painting stipulations within 180 days of installation.

5. Location and Type of Water Supply

The well will be drilled with a combination of fresh water and brine water based mud systems. The water will be obtained from commercial suppliers in the area and/or hauled to the location by transport trucks over existing and proposed roads as indicated in Exhibit #3.

6. Source of Construction Materials

All material required for construction of the drill pad and access roads will be obtained from private, state, or federal pits. The construction contractor will be solely responsible for securing construction materials required for this operation and paying any royalties that may be required on those materials.

7. Methods of Handling Waste Disposal:

A. Drill cuttings not retained for evaluation purposed will be hauled to a permitted off-site facility.
B. Water produced during operations will be hauled to an off-site permitted SWD in the area.
C. If any liquid hydrocarbons are produced during operations, those liquids will be stored in suitable tanks until sold.
D. Sewage and gray water will be safely contained on-site, and then waste will be disposed at an approved off-site facility.
E. All trash, junk, and other waste materials will be stored in proper containers to prevent dispersal and will be removed to an appropriate facility within one week of cessation of drilling and completion activities.

8. Ancillary Facilities

There are no ancillary facilities within the immediate vicinity of the proposed well site.

9. Well Site Layout

A A diagram of the drill pad is shown in Exhibit #5. Dimensions of the pad and location of major rig components are shown.
B. The pad dimension of 340' x 340' has been staked and flagged.
C. An archaeological survey has been conducted on the proposed well pad.

10. Plans for Restoration of Surface

A. Within 90 days of cessation of drilling and completion operations, all equipment not necessary for production operations will be removed. The location will be cleaned of all trash and junk to assure the well site is left as aesthetically pleasing as reasonably possible.
B. Interim reclamation:
   i. All areas not needed for production operations will be reclaimed.
   ii. Caliche will be removed, the land will be recontoured, the top soil from stockpile will be spread over these areas.

iii. The disturbed area will be restored by re-seeding during the proper growing season.
iv. Any additional caliche required for production facilities will be obtained from the area shown in exhibit #6 as interim reclamation.

C. Final Reclamation:
i. Upon cessation of the proposed operations, if the well is abandoned, all equipment and trash will be removed and taken to a proper facility.
ii. The location and road surfacing material will be removed and used to patch area lease roads. The entire location will be restored to the original contour as much as reasonable possible. The top soil used for interim reclamation will be spread over the entire location. All restoration work will be completed within 180 days of cessation of activities.

11. Surface Ownership:

Surface ownership is owned by BLM. The proposed access road (upgraded two track) is partly owned by Kelly James, 575-799-5639. A copy of this agreement has been sent to Mr. James and a surface use agreement is in place. Payment for the access road will be paid when the APD is approved.

12. Other Information:

A. The primary use of the surface at the location is for grazing of livestock.

13. Operator(s) Representative:

A. Through APD approval, drilling, completion and production operations:

N.M. Young, District Manager
Mewbourne Oil Company
PO Box 5270
Hobbs, NM 88241
575-393-5905

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Mewbourne Oil Company
LEASE NO.:	NM112252
WELL NAME & NO.:	True Grit B3BO Fed Com #1H
SURFACE HOLE FOOTAGE:	402' FNL & 1915' FEL
BOTTOM HOLE FOOTAGE	330' FSL & 1980' FEL
LOCATION:	Section 8, T. 22 S., R 25 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**
- Well Pad Construction Requirements
- Two-Track Road Upgrade Requirements
- Ranch Water Pipeline Requirements
- Watershed Protection Requirements
- Cave/Karst
- Communitization Agreement

☐ **Construction**
- Notification
- Topsoil
- Closed Loop System
- Federal Mineral Material Pits
- Well Pads
- Roads

☐ **Road Section Diagram**
☒ **Drilling**
- Cement Requirments
- High Cave/Karst
- Waste Material and Fluids

☐ **Production (Post Drilling)**
- Well Structures & Facilities

☐ **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.

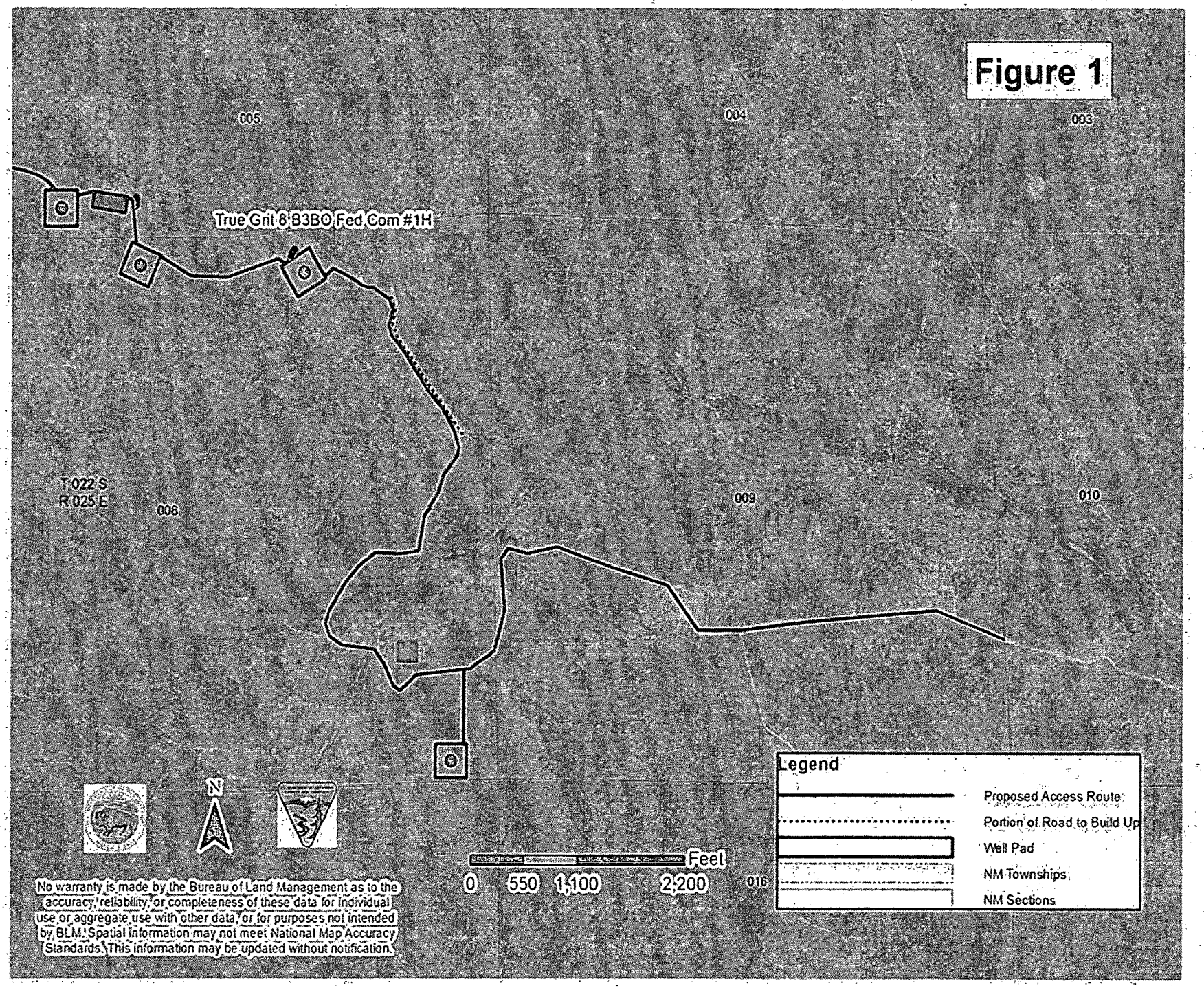


Figure 1
005
004
003
True Grit 8 B3BO Fed Com #1H
T 022 S
R 025 E
008
009
010
016
N
Legend
Proposed Access Route
Portion of Road to Build Up
Well Pad
NM Townships
NM Sections
Feet
0
550
1,100
2,200
No warranty is made by the Bureau of Land Management as to the accuracy, reliability, or completeness of these data for individual use or aggregate use with other data, or for purposes not intended by BLM. Spatial information may not meet National Map Accuracy Standards. This information may be updated without notification.

V. SPECIAL REQUIREMENT(S)

Well Pad Construction Requirements

The entire perimeter of the well pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the well pad.

- The compacted berm shall be constructed at a minimum of 12 inches high with impermeable mineral material (e.g. caliche).
- No water flow from the uphill side(s) of the pad shall be allowed to enter the well pad.
- The topsoil stockpile shall be located outside the bermed well pad.
- Topsoil, either from the well pad or surrounding area, shall not be used to construct the berm.
- No storm drains, tubing or openings shall be placed in the berm.
- If fluid collects within the bermed area, the fluid must be vacuumed into a safe container and disposed of properly at a state approved facility.
- The integrity of the berm shall be maintained around the surfaced pad throughout the life of the well and around the downsized pad after interim reclamation has been completed.
- Any access road entering the well pad shall be constructed so that the integrity of the berm height surrounding the well pad is not compromised. (Any access road crossing the berm cannot be lower than the berm height.)

Two-Track Road Upgrade Requirements

- During upgrade construction of the two track road to an oil and gas road, Mewbourne must build up the roadbed in areas to make it level with the natural grade. A portion of the road identified in Figure 1 of this document has been eroded and creates a water channel. This portion must be built up to the natural grade. The operator must adhere to the Arch Stipulation as well.
- A low water crossing shall be constructed on the access road where drainages/arroyos cross the road. A low water crossing shall be installed at the crossing of Rain Spring Draw. The low water crossing shall be accomplished by dipping the road down to the bed of the drainage. Material moved from the banks of the crossing shall be stockpiled near the road edge. Gravel or cobble shall be used as the primary material for the road bed in the low water crossing.

Ranch Water Pipeline Requirements

When constructing the access road upon the two-track road, be careful of the buried range water pipeline along the east side of the road. The operator must contact the allotment holder prior to construction to identify the location of the pipeline. The operator must take measures to protect the pipeline from compression or other damages. If the pipeline is damaged or compromised in any way near the proposed project as a result of oil and gas activity, the operator is responsible for repairing the pipeline immediately. The operator must notify the BLM office (575-234-5972) and the private surface landowner or the grazing allotment holder if any damage occurs to structures that provide water to livestock.

Watershed Protection Requirements

- Any water erosion that may occur due to the construction of the well pad during the life of the well will be quickly corrected and proper measures will be taken to prevent future erosion.
- Stockpiling of topsoil is required. The top soil shall be stockpiled in an appropriate location to prevent loss of soil due to water or wind erosion and not used for berming or erosion control.

Tank Battery COAs Only:

- Tank battery locations will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.
- Automatic shut off, check values, or similar systems will be installed for tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave and Karst

** Depending on location, additional Drilling, Casing, and Cementing procedures may be required by engineering to protect critical karst groundwater recharge areas.

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Construction:
In the advent that any underground voids are opened up during construction activities, construction activities will be halted and the BLM will be notified immediately.

No Blasting:
No blasting will be utilized for pad construction. The pad will be constructed and leveled by adding the necessary fill and caliche.

Pad Berming:
The entire perimeter of the well pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the well pad.

- The compacted berm shall be constructed at a minimum of 12 inches high with impermeable mineral material (e.g. caliche).
- No water flow from the uphill side(s) of the pad shall be allowed to enter the well pad.
- The topsoil stockpile shall be located outside the bermed well pad.
- Topsoil, either from the well pad or surrounding area, shall not be used to construct the berm.
- No storm drains, tubing or openings shall be placed in the berm.

- If fluid collects within the bermed area, the fluid must be vacuumed into a safe container and disposed of properly at a state approved facility.
- The integrity of the berm shall be maintained around the surfaced pad throughout the life of the well and around the downsized pad after interim reclamation has been completed.
- Any access road entering the well pad shall be constructed so that the integrity of the berm height surrounding the well pad is not compromised. (Any access road crossing the berm cannot be lower than the berm height.)

Tank Battery Liners and Berms:
Tank battery locations will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.

Leak Detection System:
A method of detecting leaks is required. The method could incorporate gauges to measure loss, situating values and lines so they can be visually inspected, or installing electronic sensors to alarm when a leak is present. Leak detection plan will be submitted to BLM for approval.

Automatic Shut-off Systems:
Automatic shut off, check values, or similar systems will be installed for pipelines and tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Fresh water will be used as a circulating medium in zones where caves or karst features are expected. SEE ALSO: Drilling COAs for this well.

Directional Drilling:
Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone. SEE ALSO: Drilling COAs for this well.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported in the drilling report.

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 70 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the situation and work with the operator on corrective actions to resolve the problem.

Abandonment Cementing:
Upon well abandonment in high cave karst areas additional plugging conditions of approval may be required. The BLM will assess the situation and work with the operator to ensure proper plugging of the wellbore.

Pressure Testing:
Annual pressure monitoring will be performed by the operator on all casing annuli and reported in a sundry notice. If the test results indicated a casing failure has occurred, remedial action will be undertaken to correct the problem to the BLM's approval.

Communitization Agreement
A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales. In addition, the well sign shall include the surface and bottom hole lease numbers. If the Communitization Agreement number is known, it shall also be on the sign. If not, it shall be placed on the sign when the sign is replaced.

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 strip the top portion of the soil (root zone) from the entire well pad area and stockpile the topsoil along the edge of the well pad as depicted in the APD. The root zone is typically six (6) inches in depth. All the stockpiled topsoil will be redistributed over the interim reclamation areas. Topsoil shall not be used for berming the pad or facilities. For final reclamation, the topsoil shall be spread over the entire pad area for seeding preparation.

Other subsoil (below six inches) stockpiles must be completely segregated from the topsoil stockpile. Large rocks or subsoil clods (not evident in the surrounding terrain) must be buried within the approved area 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. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing
The operator will install and maintain exclosure fencing for all open well cellars to prevent access to public, livestock, and large forms of wildlife before and after drilling operations until the pit is free of fluids and the operator initiates backfilling. (For examples of exclosure fencing design, refer to BLM's Oil and Gas Gold Book, Exclosure Fence Illustrations, Figure 1, Page 18.)

G. 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.

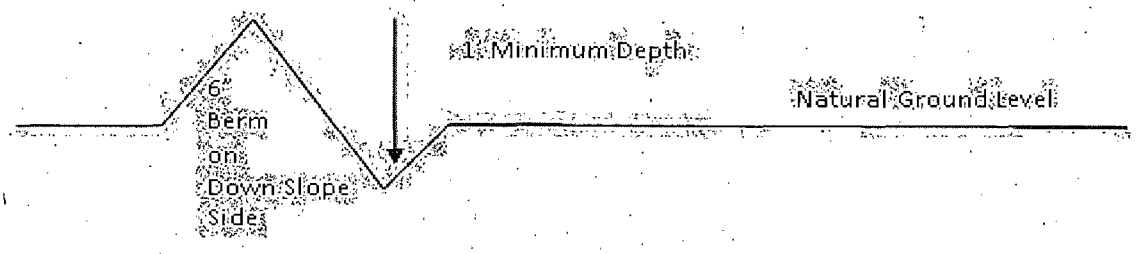
Ditching
Ditching shall be required on both sides of the road.

Turnouts
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

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

Cattleguards
An appropriately sized cattleguard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattleguards on the access road route 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 cattleguards that are in place and are utilized during lease operations.

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

Construction Steps

1. Salvage topsoil
2. Construct road
3. Redistribute topsoil
4. Revegetate slopes

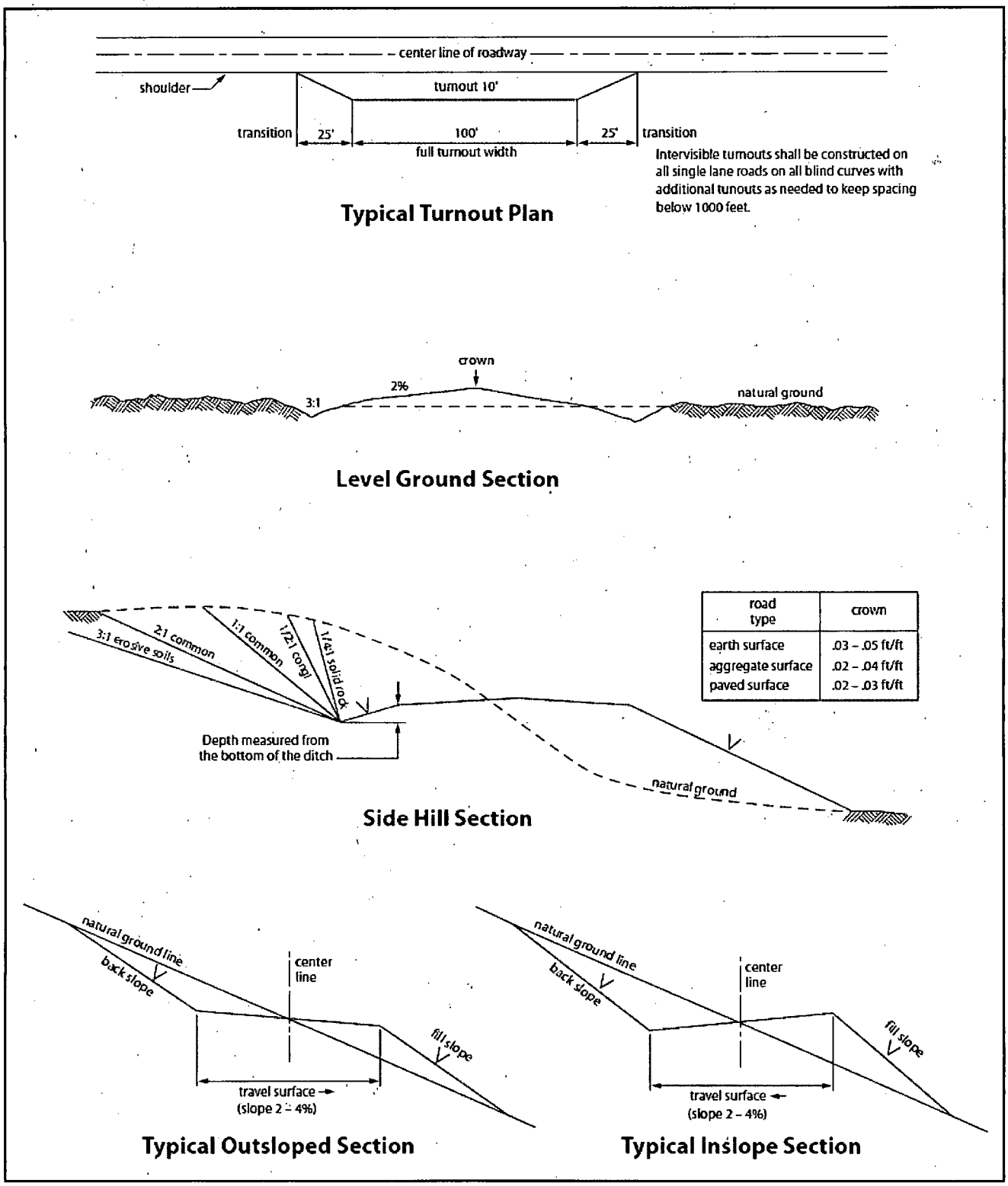


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

a. Spudding well (minimum of 24 hours)
b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
c. BOPE tests (minimum of 4 hours)

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

1. **Hydrogen Sulfide (H2S) monitors shall be installed prior to drilling out the surface shoe. If H2S is detected in concentrations greater than 100 ppm, the Hydrogen Sulfide area shall 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 (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The 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. IF OPERATOR DOES NOT HAVE THE WELL SPECIFIC CEMENT DETAILS ONSITE PRIOR TO PUMPING THE CEMENT FOR EACH CASING STRING, THE WOC WILL BE 30 HOURS. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

HIGH CAVE/KARST – IF LOST CIRCULATION OCCURS WHILE DRILLING THE 8-3/4" HOLE, THE CEMENT PROGRAM FOR THE 7" CASING WILL NEED TO BE MODIFIED AND THE BLM IS TO BE CONTACTED PRIOR TO RUNNING THE CASING. A MINIMUM OF TWO CASING STRINGS CEMENTED TO SURFACE IS REQUIRED IN HIGH CAVE/KARST AREAS. THE CEMENT MUST BE IN A SOLID SHEATH THEREFORE, ONE INCH OPERATIONS WILL NOT BE PERMITTED. A DV TOOL WILL BE REQUIRED.

Possible lost circulation in the Capitan Reef and the Delaware.
Possible water flows in the Capitan Reef.

1. The **13-3/8** inch surface casing shall be set at approximately **400** feet and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

d. If cement falls back, remedial cementing will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing **(Ensure casing is set in the base of the Capitan Reef or the top of the Delaware at approximately 1600')** 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 or potash.**

3. The minimum required fill of cement behind the **7** inch production casing is:

☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

Centralizers required on horizontal leg, must be type for horizontal service and a minimum of one every other joint.

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

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

5. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi.

a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.

3. 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 **3000 (3M)** psi.

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

    a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

    b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

    c. The 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 with a corresponding chart (i.e. two hour clock-two hour chart, one hour clock-one hour chart).

    d. The results of the test shall be reported to the appropriate BLM office.

    e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

    f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

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

E. WASTE MATERIAL AND FLUIDS

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

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

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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.

Exclosure Netting (Open-top Tanks)
Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock. Use a maximum netting mesh size of 1 ½ inches. The netting must not be in contact with fluids and must not have holes or gaps.

Chemical and Fuel Secondary Containment and Exclosure Screening
The operator will prevent all hazardous, poisonous, flammable, and toxic substances from coming into contact with soil and water. At a minimum, the operator will install and maintain an impervious secondary containment system for any tank or barrel containing hazardous, poisonous, flammable, or toxic substances sufficient to contain the contents of the tank or barrel and any drips, leaks, and anticipated precipitation. The operator will dispose of fluids within the containment system that do not meet applicable state or U. S. Environmental Protection Agency livestock water standards in accordance with state law; the operator must not drain the fluids to the soil or ground. The operator will design, construct, and maintain all secondary containment systems to prevent wildlife and livestock exposure to harmful substances. At a minimum, the operator will install effective wildlife and livestock exclosure systems such as fencing, netting, expanded metal mesh, lids, and grate covers. Use a maximum netting mesh size of 1 ½ inches.

Open-Vent Exhaust Stack Exclosures
The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures
Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the

largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

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).

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:

Species	lb/acre
Plains lovegrass (Eragrostis intermedia)	0.5
Sand dropseed (Sporobolus cryptandrus)	1.0
Sideoats grama (Bouteloua curtipendula)	5.0
Plains bristlegrass (Setaria macrostachya)	2.0

*Pounds of pure live seed:

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