**If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.**

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
DEC 12 2005
OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

## APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NMNM02860

6. If Indian, Allottee or Tribe Name:

1a. Type of Work: ☒ DRILL ☐ REENTER SECRETARY'S POTASH

7. If Unit or CA Agreement, Name and No.: NMNM71016 1796

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

8. Lease Name and Well No.: POKER LAKE UNIT 260

2. Name of Operator: Bass Enterprises Production Co. 1801

9. API Well No.: 30-015-34463

3a. Address P. O. Box 2760 Midland, TX 79702

3b. Phone No. *(include area code)*: (432)683-2277 47545

10. Field and Pool, or Exploratory: NASH DRAW - DELAWARE

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface NWSW, UL L, 1830 FSL, 760 FWL, LAT. 32.12555, LON 103.54351
At proposed prod. zone SAME

11. Sec., T., R., M., or Blk, and Survey or Area: SEC 17, T24S, R30E, MER NMP

14. Distance in miles and direction from nearest town or post office*: 14 MILES EAST OF MALAGA NM

12. County or Parish: EDDY

13. State: NM

| 15. Distance from porposed* 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 |
|---|---|---|
| 760' | 2520.68 | 40.00 |

| 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 |
|---|---|---|
| 1420' | 7800' MD 7800' TVD | |

| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) | 22. Approximate date work will start* | 23. Estimated duration |
|---|---|---|
| 3231' GL 4 2l | 1-15-2006 | 12 DAYS |

24. Attachments

CARLSBAD CONTROLLED WATER BASIN

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

| 25. Signature | Name *(Printed/Typed)* | Date |
|---|---|---|
| Cindi Goodman | Cindi Goodman | 09/29/2005 |

Title: Production Clerk

| Approved by *(Signature)* | Name *(Printed/Typed)* | Date |
|---|---|---|
| /s/ Ron Dunton | /s/ Ron Dunton | 11/25/05 |

| Title | Office |
|---|---|
| ACTING STATE DIRECTOR | NM STATE OFFICE |

Application approval does not warrant or certify the 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 1 YEAR

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 and false, fictitious or fradulent statements or representations as to any matter within its jurisdiction.

**(Instructions on reverse)* SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Witness Surface Casing

Surface casing to be set into the Rustler below all fresh water sands.
Production casing will be cemented using Zone Seal cement.
Drilling Procedure, BOP Diagram, Anticipated tops and surface plans attached.

This well is located inside the Secretary's Potash area and outside the R-111 Potash area.
There are no potash leases within 1 mile of this location.

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

# OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

| API Number | Pool Code | Pool Name |
|---|---|---|
| | 47545 | NASH DRAW - DELAWARE |

| Property Code | Property Name | Well Number |
|---|---|---|
| 001796 | POKER LAKE UNIT | 260 |

| OGRID No. | Operator Name | Elevation |
|---|---|---|
| 001801 | BASS ENTERPRISES PRODUCTION COMPANY | 3231' |

### Surface Location

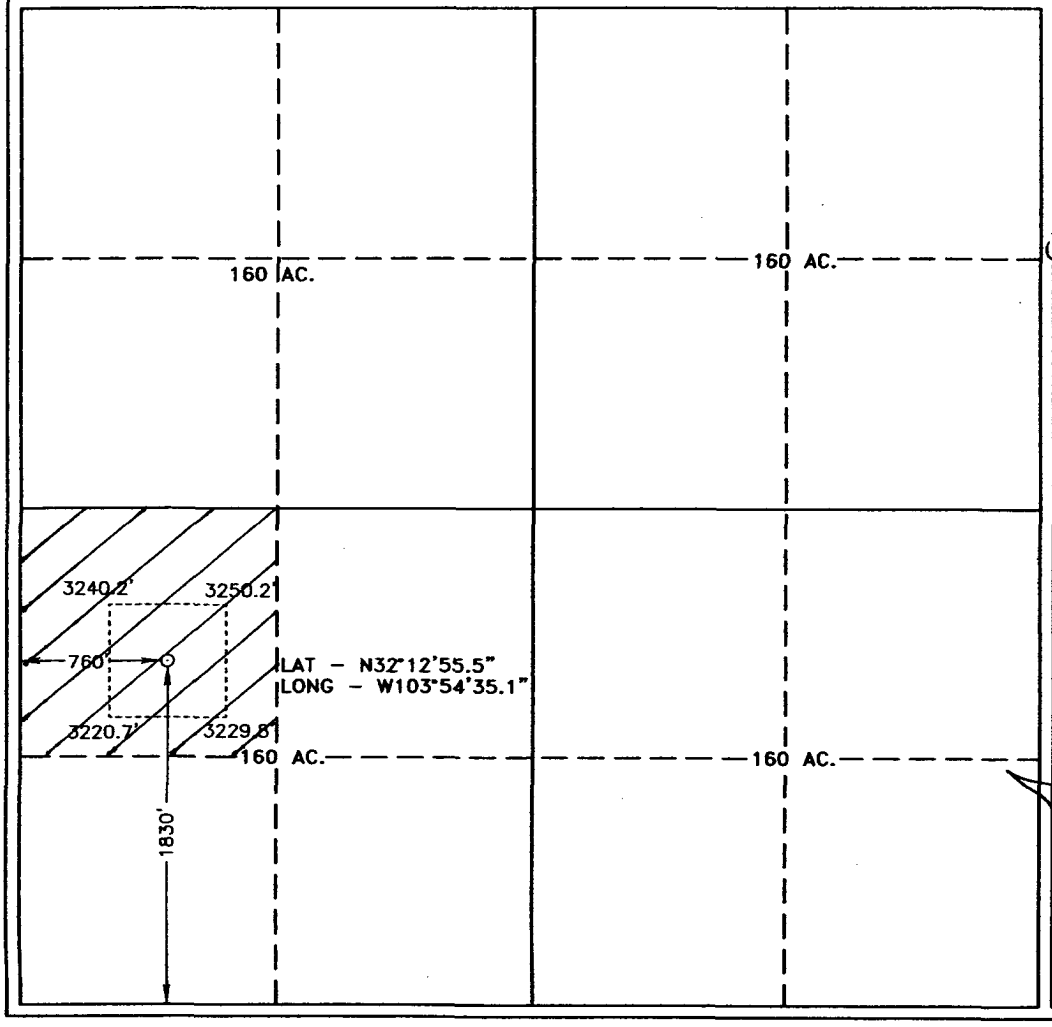
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---|---|---|---|---|---|---|---|---|---|
| L | 17 | 24 S | 30 E | | 1830 | SOUTH | 760 | WEST | EDDY |

### 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 | Joint or Infill | Consolidation Code | Order No. |
|---|---|---|---|
| 40 | N | | |

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 the the information contained herein is true and complete to the best of my knowledge and belief.*

Signature

W.R. DANNELS
Printed Name

DIVISION DRILLING SUPT.
Title

9/30/05
Date

### SURVEYOR CERTIFICATION

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.*

AUGUST 20, 2005
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL LAND SURVEYOR

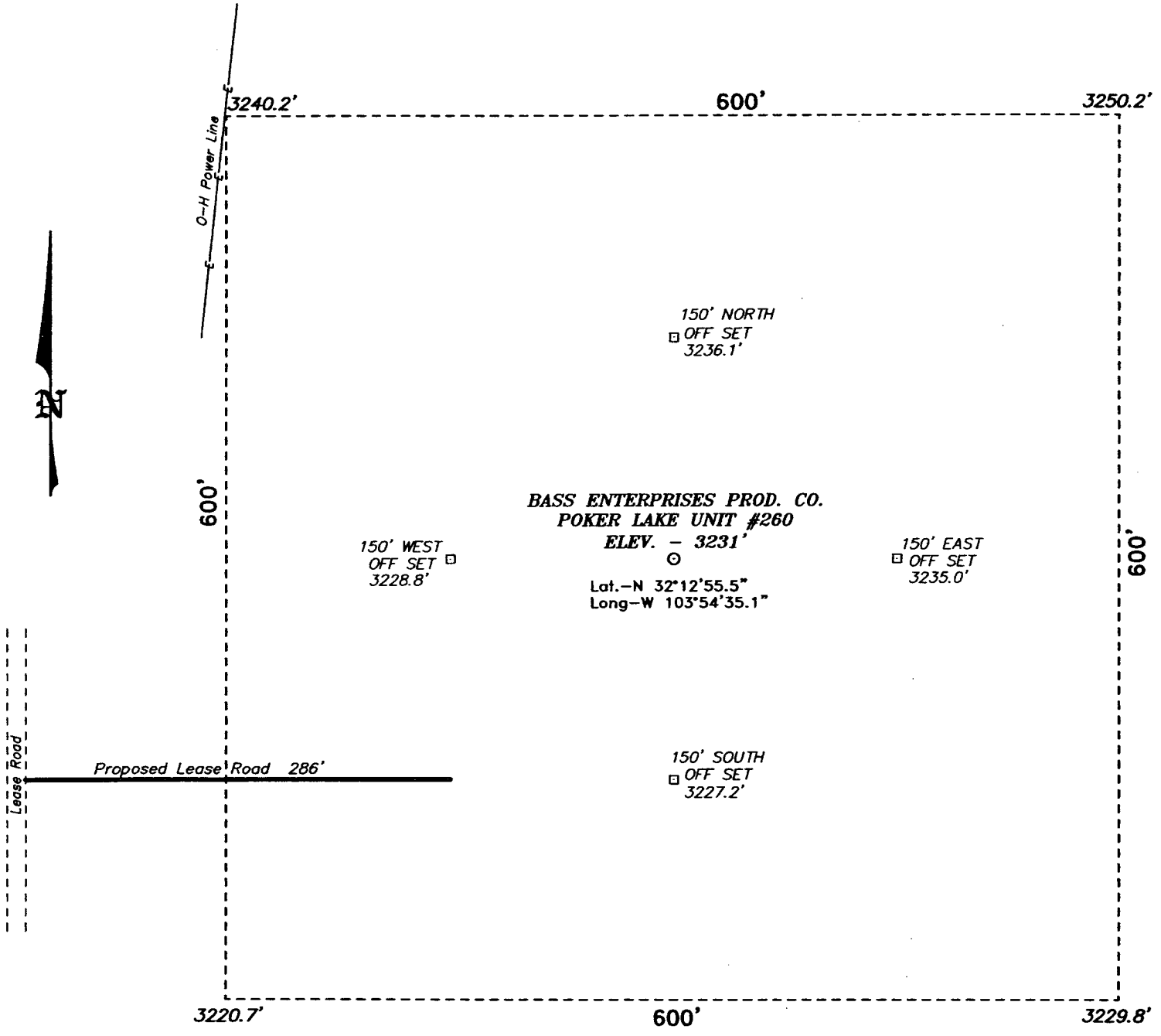
W.O. No. 5708

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

# SECTION 17, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,

**EDDY COUNTY,** **NEW MEXICO.**




100 0 100 200 FEET

SCALE: 1" = 100'

*DIRECTIONS TO LOCATION:*

*FROM THE JUNCTION OF CO. R. 793 AND STATE HWY 128, GO SOUTH ON 793 FOR APPROX. 4.0 MILES TO LEASE ROAD; THENCE EAST ON LEASE ROAD FOR 0.25 MILE; THENCE SOUTH 0.9 MILE; THENCE EAST 0.3 MILE; THENCE SOUTHERLY FOR APPROX. 4.0 MILES TO PROPOSED LEASE ROAD.*

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

| | |
|---|---|
| W.O. Number: 5709 | Drawn By: K. GOAD |
| Date: 08-22-2005 | Disk: KJG CD#7 - 5709A.DWG |

**BASS ENTERPRISES PRODUCTION CO.**

REF: POKER LAKE UNIT No. 260 / Well Pad Topo

THE POKER LAKE UNIT No. 260 LOCATED 1830' FROM THE SOUTH LINE AND 760' FROM THE WEST LINE OF SECTION 17, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 08-20-2005 | Sheet 1 of 1 Sheets

**EIGHT POINT DRILLING PROGRAM**
**BASS ENTERPRISES PRODUCTION CO.**

**NAME OF WELL: Poker Lake Unit #260**

LEGAL DESCRIPTION - SURFACE: 1830' FSL & 760' FWL, Section 17, T-24-S, R-30-E, Eddy County, New Mexico.

**POINT 1: ESTIMATED FORMATION TOPS**

(See No. 2 Below)

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

Anticipated Formation Tops: KB 3248' (est) GL 3231'

| FORMATION | ESTIMATED TOP FROM KB | ESTIMATED SUBSEA TOP | BEARING |
|---|---|---|---|
| T/Rustler | 523' | +2725' | Barren |
| T/Salt | 878' | +2370' | Barren |
| T/Ramsey Sand | 3563' | -315' | Oil/Gas |
| T/Lwr Brushy Canyon "8" A | 7095' | -3847' | Oil/Gas |
| TD | 7800' | -4552' | |

**POINT 3: CASING PROGRAM**

| TYPE | INTERVALS | PURPOSE | CONDITION |
|---|---|---|---|
| 16" | 0'- 40' | Conductor | Contractor Discretion |
| 8-5/8", 28#, J-55, LT&C | 0'- 870' | Surface | New |
| 5-1/2", 15.5#, J-55, LT&C | 0' -6300' | Production | New |
| 5-1/2", 17#, J-55, LT&C | 6300' -7800' | Production | New |

WITNESS

**POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)**

A BOP equivalent to Diagram 1 will be nippled up on the surface casing head. The BOP stack choke, kill lines, kelly cocks, inside BOP, etc. will be hydro-tested to 70% of internal yield pressure of casing. In addition to the high pressure test, a low pressure (200 psi) test will be required. These tests will be performed:

a) Upon installation
b) After any component changes
c) Fifteen days after a previous test
d) As required by well conditions

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

## POINT 5: MUD PROGRAM

| DEPTH | MUD TYPE | WEIGHT | FV | PV | YP | FL | Ph |
|---|---|---|---|---|---|---|---|
| 0' - 870' | FW Spud Mud | 8.5 - 9.2 | 70-38 | NC | NC | NC | 10.0 |
| 870' - 5600' | Brine Water | 9.8 -10.2 | 28-30 | NC | NC | NC | 9.5-10.5 |
| 5600' – TD' | Brine Water/Diesel | 8.8 - 9.0 | 32-40 | 8 | 2 | <25 cc | 9.5 – 10.0 |

***May increase vis for logging purposes only.***

## POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING

GR-CNL-LDT-AIT from TD to base of Salt (+/- 3300').
GR-CNL-CAL from base of Salt to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

| INTERVAL | AMOUNT SXS | FT OF FILL | TYPE | GALS/SX | PPG | $FT^3/SX$ | | |
|---|---|---|---|---|---|---|---|---|
| SURFACE: | | | | | | | | |
| Lead 0 - 500' (100% excess circ to surface) | 230 | 500 | Permian Basin Critical Zone + ¼# Flocele | 10.4 | 12.8 | 1.90 | | |
| Tail 500'-870' (100% excess circ to surface) | 272 | 370 | Prem Plus + 2% $CaCl_2$ + ¼# Flocele | 6.33 | 14.8 | 1.35 | | |
| PRODUCTION: | | | | | | | COMPRESSIVE Nitrogen | Strength |
| Base Slurry w/nitrogen 3063-7800' + (50% excess) | 775 | 4737 | Premium Plus + 2% Zone Sealant 2000 | 6.32 | 9.1-14.5 | 2.3-1.39 | 300/600 scf/bbl | 1200 |

E) DIRECTIONAL DRILLING

No directional services anticipated.

## POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3285 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3550-7357'. No $H_sS$ is anticipated.

**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

12 days drilling operations

14 days completion operations

OCL/cdg
September 26, 2005

## MULTI-POINT SURFACE USE PLAN

**NAME OF WELL: Poker Lake Unit #260**

LEGAL DESCRIPTION - SURFACE: 1830' FSL & 760' FWL, Section 17, T-24-S, R-30-E, Eddy County, New Mexico.

**POINT 1: EXISTING ROADS**

A) Proposed Well Site Location:

See Exhibit A and Survey Plats

B) Existing Roads:

From Carlsbad, New Mexico, go 8 miles south on Highway 285 to Highway 31. Turn north and go 7 miles on Highway 31. Turn east on Highway 128 and go 4 miles to Rawhide Road (located between mile markers 4 and 5). Turn southeast onto Rawhide Road and go approximately 10.0 miles southerly. Turn east 1/8 mile to location.

C) Existing Road Maintenance or Improvement Plan:

See Exhibits A, C and Survey Plats.

**POINT 2: NEW PLANNED ACCESS ROUTE**

A) Route Location:

Approximately 286' of new road is required.

B) Width

12'

C) Maximum Grade

Grade as necessary to match surrounding topography or as per BLM requirements.

D) Turnout Ditches

Spaced per BLM requirements.

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**

Exhibit B indicates existing wells within the surrounding area.

**POINT 4: LOCATION OF EXISTING OR PROPOSED FACILITIES** 

A) Existing facilities within one mile owned or controlled by lessee/operator:

Oil/Gas production facilities are located at PLU #213 wellsite.

B) New Facilities in the Event of Production:

Existing production facilities at PLU #213 will be used via flowlines. Additional separators/treaters will be added as necessary. A new flowline consisting of 2-7/8" steel pipe, will be laid within 50' of the center line of the access road and existing roads which have previously been Arch cleared. Three phase 12,470 volt power lines will like wise be extended to this well with poles placed within 50' of the centerline.

C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following flowline 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

Exhibit A shows location of caliche source.

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 Exhibits A and C.

**POINT 7: METHODS FOR HANDLING WASTE MATERIAL**

A) Cuttings

Cuttings will be contained in the reserve pit.

B) Drilling Fluids

Drilling fluids will be contained in the reserve pit.

C) Produced Fluids

Water production will be contained in the reserve pit.

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. The reserve pit will be fenced and bird netted. The fence will be maintained until the pit is backfilled. 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

Exhibit "D" shows the dimensions of the well pad and reserve pits, 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.

B) Locations of Pits and Access Road

See Exhibits "A", "C" & "D".

C) Lining of the Pits

The reserve pit will be lined with plastic.

**POINT 10: PLANS FOR RESTORATION OF THE SURFACE**

A) Reserve Pit Cleanup

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 - Production Developed

The reserve pits will be backfilled and restored as described above under Item A. In addition, those areas not required for production will be graded to blend with the surrounding topography. Topsoil, as available, will be placed upon those areas and seeded. The portion of the site required for production will be graded to minimize erosion and provide access during inclement conditions. Following depletion and abandonment of the site, restoration procedures will be those that follow under Item C.

C) Restoration Plans - No Production Developed

The reserve pits will be restored as described above. 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) Terrain

Relatively flat.

B) Soil

Caliche and sand.

C) Vegetation

Sparse, primarily grasses and mesquite with very little grass.

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 are three water wells located within 1-1/2 miles of Poker Lake Unit #260. The nearest well is 4000' N-NW and produces water from an estimated depth of 186' (See exhibit "C").

G) Residences and Buildings

None in the immediate vicinity.

H) Historical Sites

None observed.

I) Archeological Resources

An archeological survey will be obtained for this area. Before any construction begins, a full and complete archeological survey will be submitted to the Bureau of Land Management. Any location or construction conflicts will be resolved before construction begins.

J) Surface Ownership

The well site is on federally owned land.

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

L) Open Pits

All pits containing liquid or mud will be fenced and bird-netted.

**POINT 12: OPERATOR'S FIELD REPRESENTATIVE** 

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

DRILLING
William R. Dannels
Box 2760
Midland, Texas 79702
(432) 683-2277

PRODUCTION
Mike Waygood
3104 East Green Street
Carlsbad, New Mexico 88220
(505) 887-7329

Michael L. Lyon
Box 2760
Midland, Texas 79702
(432) 683-2277

**POINT 13: CERTIFICATION**

I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Bass Enterprises Production Co. and it's contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

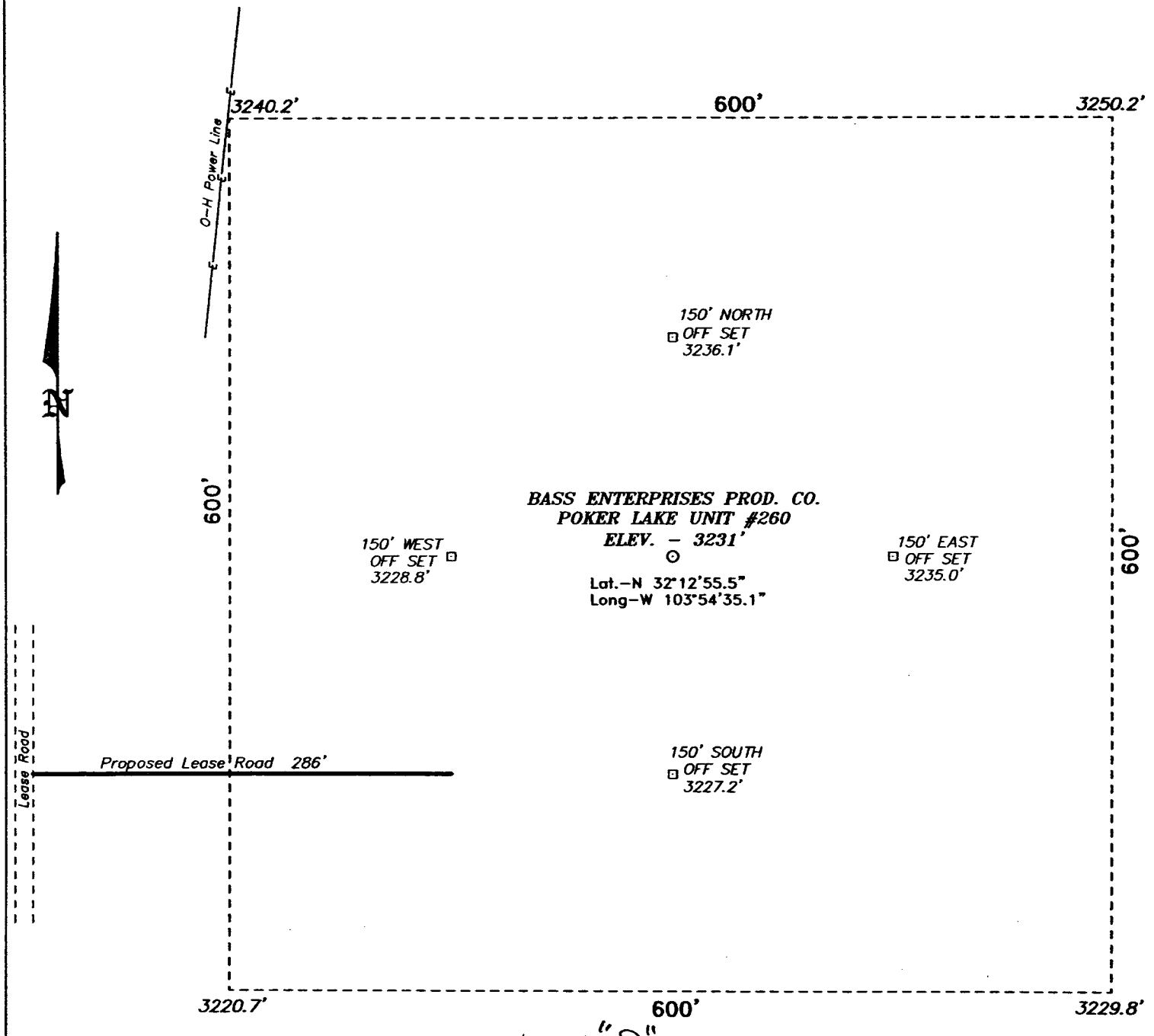
9/30/05
Date

William R. Dannels

OCL/cdg

# SECTION 17, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,

**EDDY COUNTY,** **NEW MEXICO.**




U- Dsur East

Pits North

Exhibit "B"

100 0 100 200 FEET

SCALE: 1" = 100'

*DIRECTIONS TO LOCATION:*

*FROM THE JUNCTION OF CO. R. 793 AND STATE HWY 128, GO SOUTH ON 793 FOR APPROX. 4.0 MILES TO LEASE ROAD; THENCE EAST ON LEASE ROAD FOR 0.25 MILE; THENCE SOUTH 0.9 MILE; THENCE EAST 0.3 MILE; THENCE SOUTHERLY FOR APPROX. 4.0 MILES TO PROPOSED LEASE ROAD.*

**BASS ENTERPRISES PRODUCTION CO.**

REF: POKER LAKE UNIT No. 260 / Well Pad Topo

THE POKER LAKE UNIT No. 260 LOCATED 1830' FROM THE SOUTH LINE AND 760' FROM THE WEST LINE OF SECTION 17, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

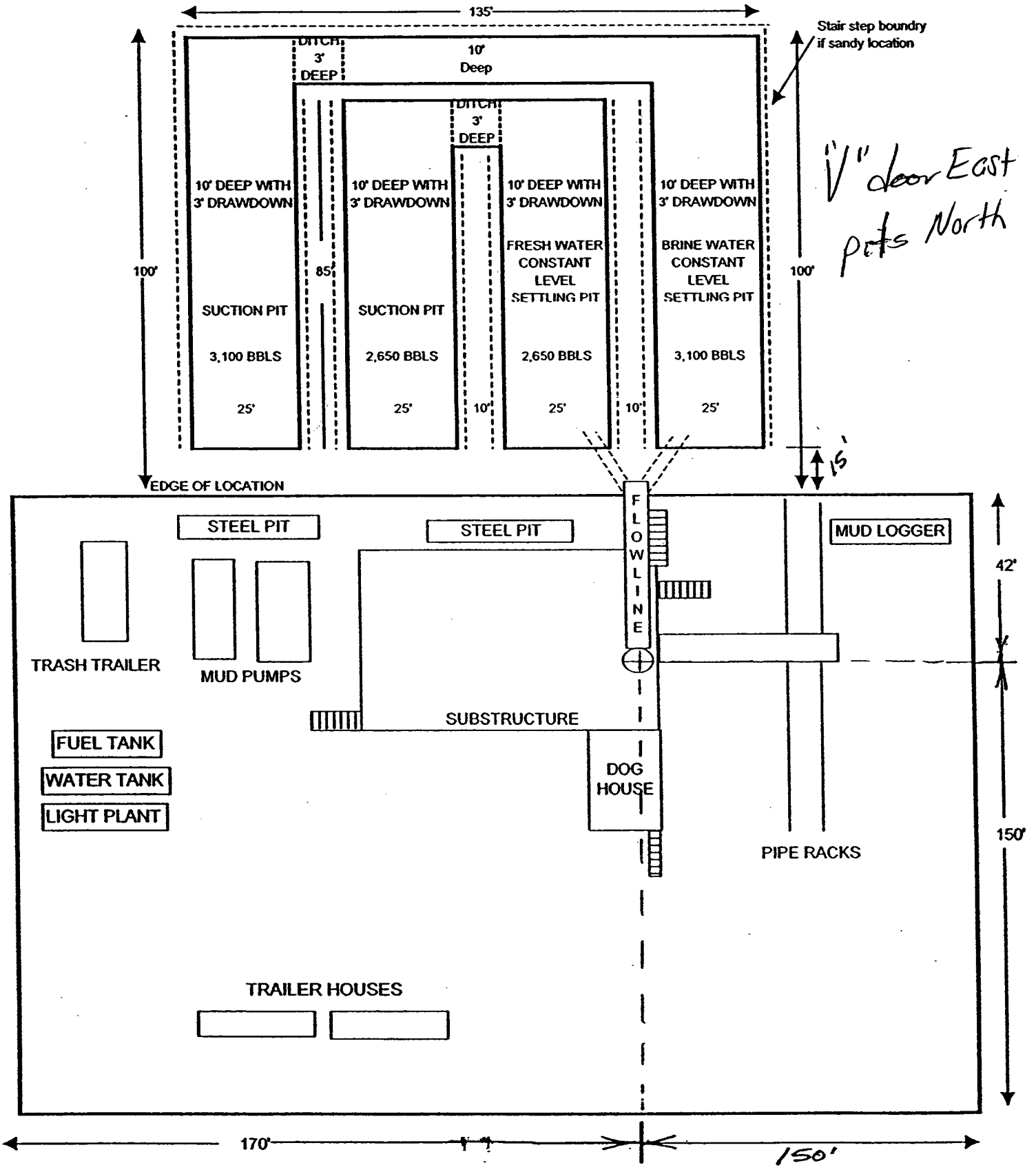
**BASIN SURVEYS** P.O. BOX 1786 - HOBBS, NEW MEXICO

| | | | |
|---|---|---|---|
| W.O. Number: 5709 | Drawn By: K. GOAD | | |
| Date: 08-22-2005 | Disk: KJG CD#7 - 5709A.DWG | Survey Date: 08-20-2005 | Sheet 1 of 1 Sheets |

# BASS ENTERPRISES PRODUCTION COMPANY

Poker Lake Unit #:

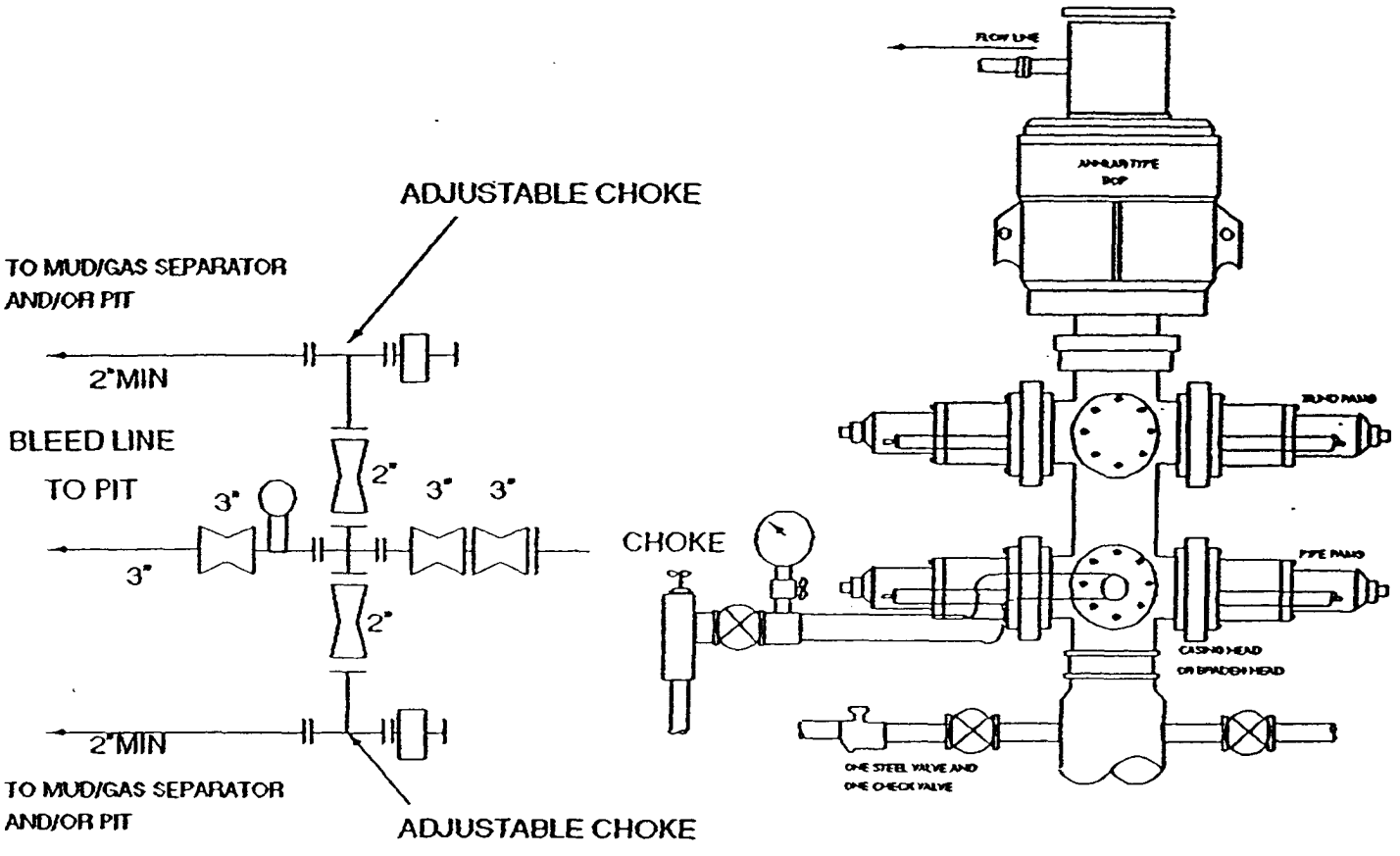
## EXHIBIT "D"




V" door East pits North

EXCEL\DRILLING\DIEGRAMS\Reserve pit Exhibit D w-rig.xls

# 3000 PSI WP




THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.

B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.

C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.

D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open, and re-close) the preventers.

E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.

F. Manual controls to be installed before drilling cement plug.

G. Valve to control flow through drill pipe to be located on rig floor.

H. All chokes will be adjustable. Choke spool may be used between rams.

DIAGRAM 1

## CONDITIONS OF APPROVAL - DRILLING

**Operator's Name:** **Bass Enterprises Production Company**
**Well Name & No.** **Poker Lake Unit #260**
**Location:** **1830' FSL, 760' FWL, Section 17, T. 24 S., R. 30 E., Eddy County, New Mexico**
**Lease:** **NM-02860**

### I. DRILLING OPERATIONS REQUIREMENTS:

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

   A. Well spud

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

   C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

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

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

5. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.

### II. CASING:

1. The **8-5/8** inch surface casing shall be set at **approximately 870 feet and cement circulated to the surface**. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

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

3. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

### III. PRESSURE CONTROL:

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

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

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

- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

10/21/05
acs