

OCD-ARTESIA

ATS-10-638

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5 Lease Serial No.

NM-98824

6. If Indian, Allottee or Tribe Name

7 If Unit or CA Agreement, Name and No.

8 Lease Name and Well No

POWER 31 FEDERAL ~~SSWD~~ #3

9 API Well No.

30-015-31806 S2

10 Field and Pool, or Exploratory

SWD, WBI FLAMP
CEDAR LAKE (MORROW) (5/13/10)

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

SEC 31, T17S, R31E

12. County or Parish

EDDY CTY

13 State

NEW MEXICO

1a. Type of Work: ☐ DRILL ☒ REENTER

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

2. Name of Operator

BURNETT OIL CO., INC.

3a Address

801 Cherry St. Unit 9 Fort Worth, Tx 76102

3b. Phone No. (include area code)
(817) 332-5108

4. Location of Well (Report location clearly and in accordance with any State requirements)

* At surface Unit H, 1980' FNL, 660' FEL (H)

* At proposed prod zone SAME AS ABOVE

14. Distance in miles and direction from nearest town or post office*

Approx 6 miles East & South of Loco Hills, New Mexico

15. Distance from proposed*

location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

660'

16. No. of Acres in lease

306.56

17. Spacing Unit dedicated to this well

40

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

19. Proposed Depth
11,405' PBDT

20. BLM/BIA Bond No. on file
NMB# 000197

21. Elevations (Show whether DF, KDB, RT, GL, etc)

3719' GL

22 Approximate date work will start*

MAY 15, 2010

23. Estimated duration

10 Days to Drill out cement

24. Attachments

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

1. Well plat certified by a registered surveyor

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. Operator certification.

6. Such other site specific information and/or plans as may be required by the
BLM.

25 Signature

Mark A. Jacoby

Name (Printed/Typed)

MARK JACOBY

Date

6/27/2010

Title

ENGINEERING MANAGER

Approved by (Signature)

/s/ Don Peterson

Name (Printed/Typed)

/s/ Don Peterson

Date

SEP 13 2010

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

(Continued on page 2)

*(Instructions on page 2)

Roswell Controlled Water Basin

SWD-1220

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Approval Subject to General Requirements
& Special Stipulations Attached

Revised October 15, 2009

Submit one copy to appropriate
District Office☐ AMENDED REPORT

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

District II
1301 W. Grand Avenue, Artesia, NM 88210

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

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-015-31806		2 Pool Code 96135		3 Pool Name WOLFCAMP REEF SWD; WOLFCAMP	
4 Property Code 30327002391		5 Property Name POWERS 31 FEDERAL SWD		6 Well Number 3	
7 OGRID No. 03080		8 Operator Name BURNETT OIL CO., INC.		9 Elevation 3719'	
10 Surface Location					
UL or lot no. H	Section 31	Township 17S	Range 31E	Lot Idn 1980'	Feet from the North/South line NORTH 660'
				Feet from the East/West line EAST	County EDDY
11 Bottom Hole Location If Different From Surface					
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the North/South line
				Feet from the East/West line	County
12 Dedicated Acres		13 Joint or Infill		14 Consolidation Code	
				15 Order No. SWD-1220	

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.

16	17 OPERATOR CERTIFICATION	
	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.	
	Signature Mark A. Jacoby	
	Date 6/22/2010	
	18 SURVEYOR CERTIFICATION	
	I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.	
	Date of Survey	
	Signature and Seal of Professional Surveyor	
	Certificate Number	

DISTRICT I
P. O. Box 1980
Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals, and Natural Resources Department

Form L-102
Revised 02-10-94
Instructions on back

DISTRICT II
P. O. Drawer DD
Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd.
Aztec, NM 87410

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Submit to the Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

☐ AMENDED REPORT

DISTRICT IV
P. O. Box 2088
Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 70-015-71806		2 Pool Code		3 Pool Name Cedar Lake (Morrow Gas)	
4 Property Code		5 Property Name POWER '31' FEDERAL			6 Well Number 3
7 OGRID No. 20305		8 Operator Name DEVON S.F.S. OPERATING, INC.			9 Elevation 3719'

" SURFACE LOCATION

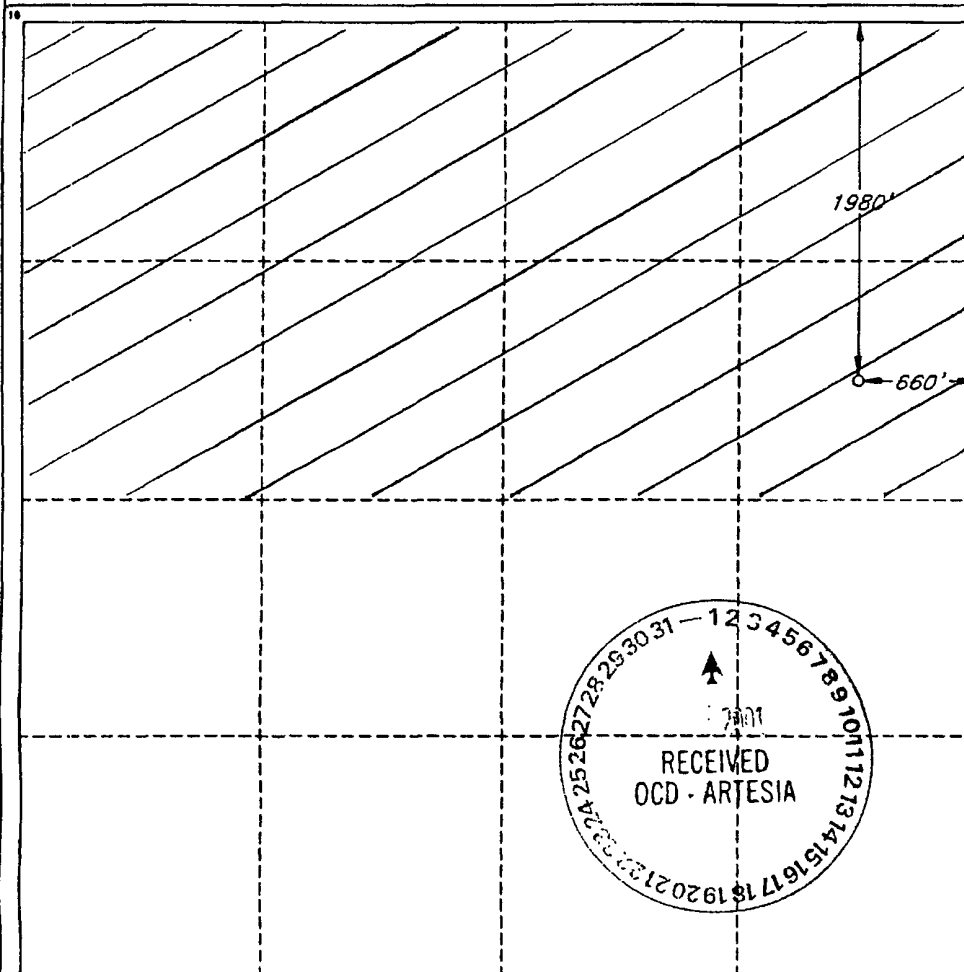
UL or lot no. H	Section 31	Township 17 SOUTH	Range 31 EAST, N.M.P.M.	Lot Ida	Feet from the 1980'	North/South line NORTH	Feet from the 660'	East/West line EAST	County EDDY
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" BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
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12 Dedicated Acres 306.56	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WELL 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.

Signature

Charles H. Carleton

Printed Name

Charles H. Carleton

Title

Sr. Engineering Technician

Date

January 30, 2001

SURVEYOR CERTIFICATION

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

Date of Survey

JANUARY 12, 2001

Signature and Seal of
Professional Surveyor

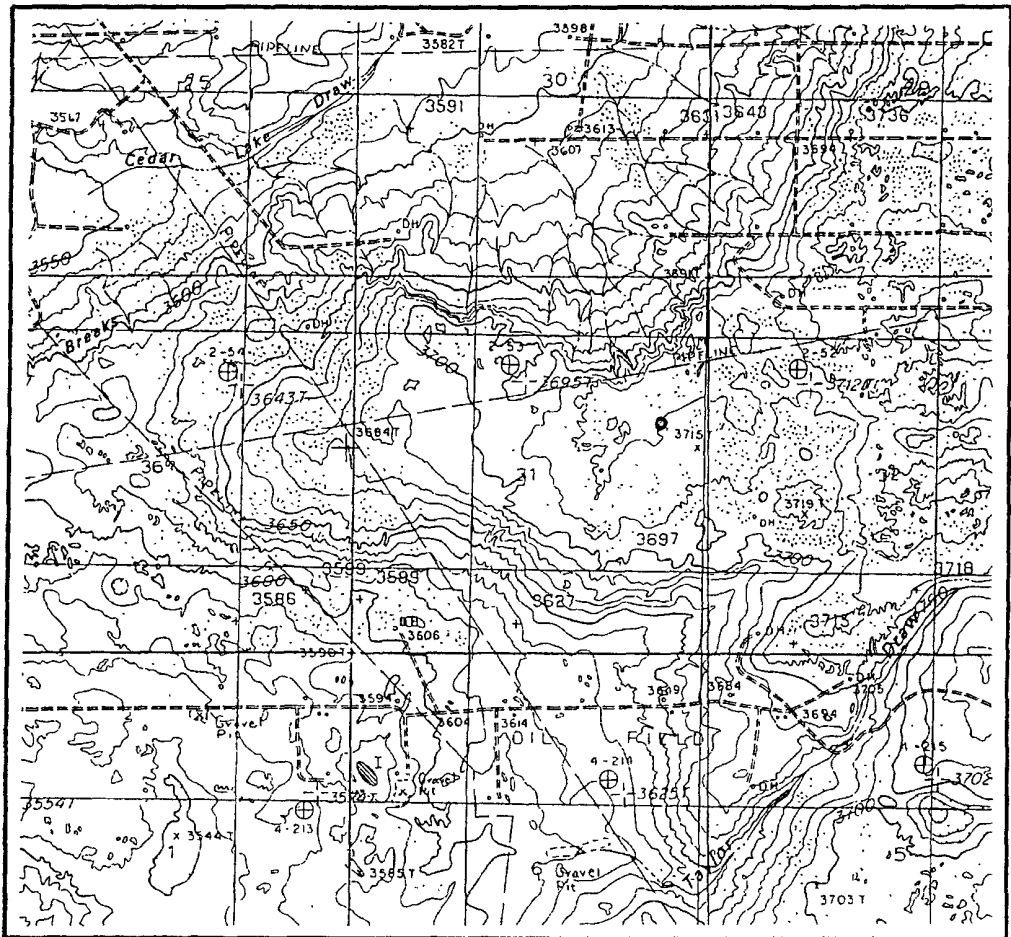
Certificate No.

V. L. BEZNER

R.P.S. #7920

JOB #73882 / 98 SW / J.C.P.

LOCATION & ELEVATION VERIFICATION MAP



SCALE : 1" = 2000'

CONTOUR INTERVAL 10 FEET

SECTION 31 TWP 17-S RGE 31-E
 SURVEY NEW MEXICO PRINCIPAL MERIDIAN
 COUNTY EDDY STATE NM
 DESCRIPTION 1980' FNL & 660' FEL
 ELEVATION 3719'

OPERATOR DEVON S.F.S. OPERATING, INC.
 LEASE POWER "31" FEDERAL #3

U.S.G.S. TOPOGRAPHIC MAP
LOCO HILLS, NEW MEXICO

SCALED LAT. N 32°47'34"
 LONG. W 103°54'07"



This location has been very carefully staked on the ground according to the best official survey records, maps, and other data available to us.
 Review this plot and notify us immediately of any possible discrepancy.

POWERS 31 FEDERAL #3 RE-ENTRY SURFACE EXHIBIT A

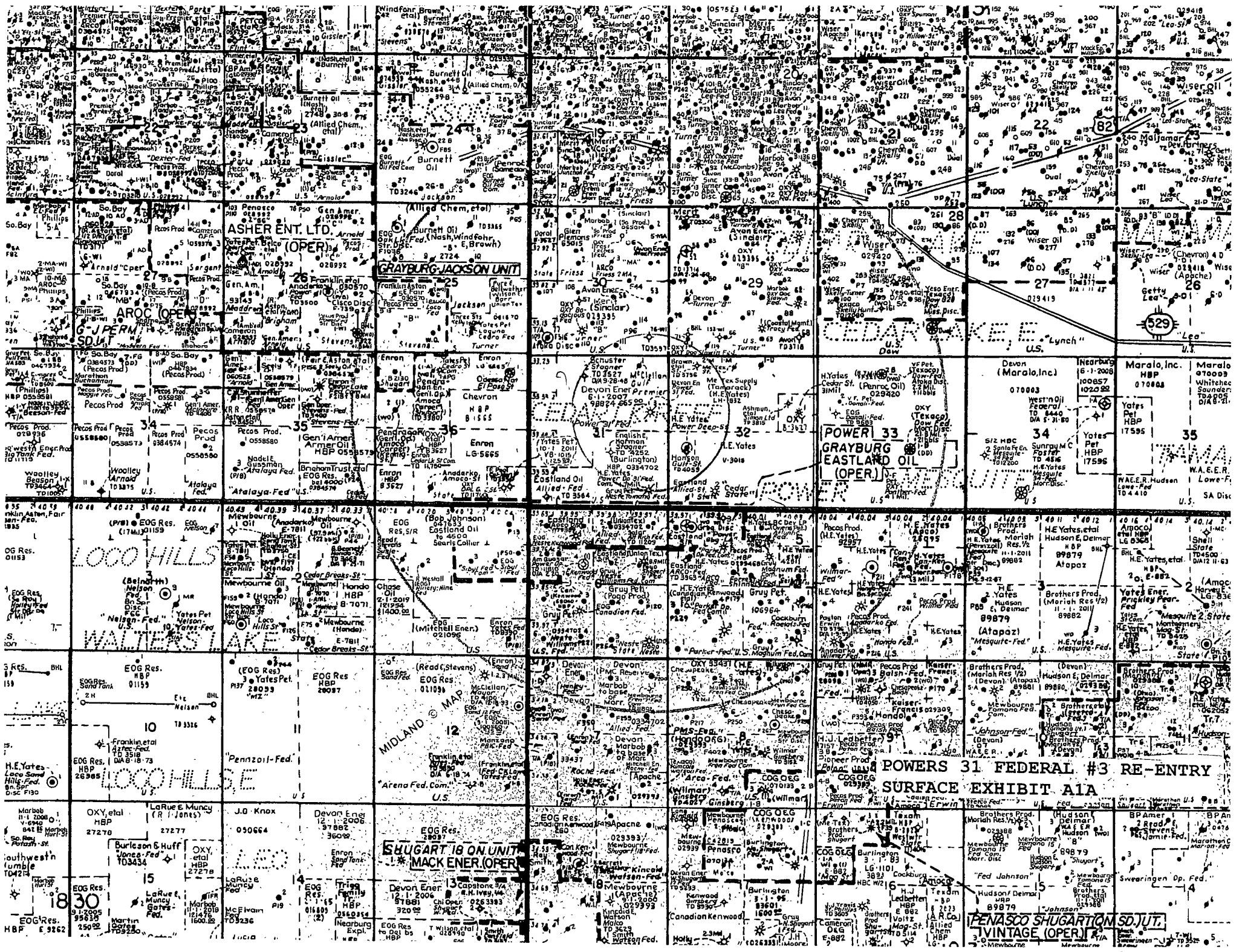
TOPOGRAPHIC LAND SURVEYORS

Surveying & Mapping for the Oil & Gas Industry

1307 N. HOBART
 PAMPA, TX. 79065
 (800) 658-6382

6709 N. CLASSEN BLVD.
 OKLAHOMA CITY, OK. 73116
 (800) 654-3219

2903 N. BIG SPRING
 MIDLAND, TX. 79705
 (800) 767-1653

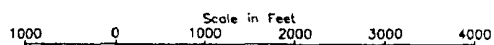


R 31 E

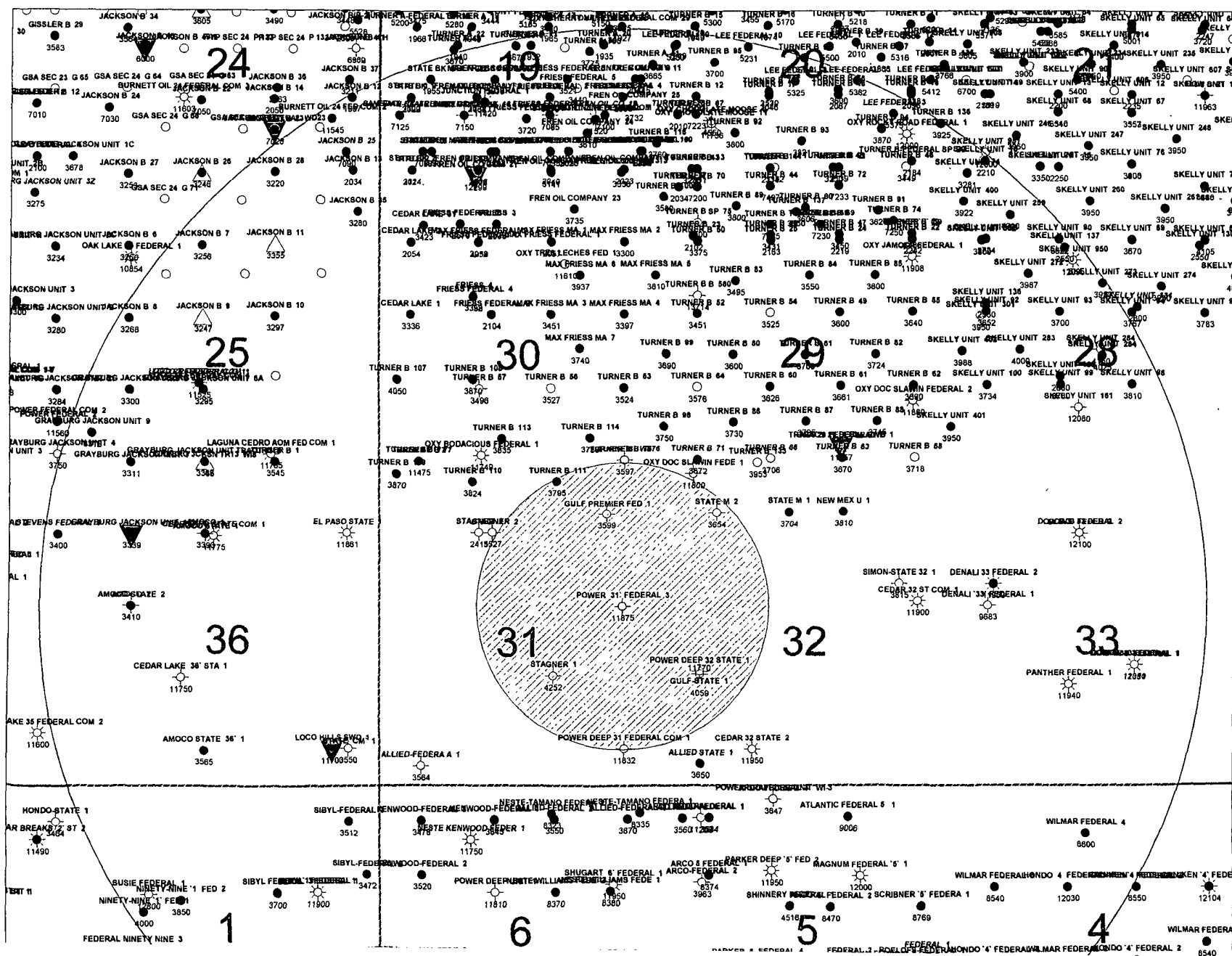


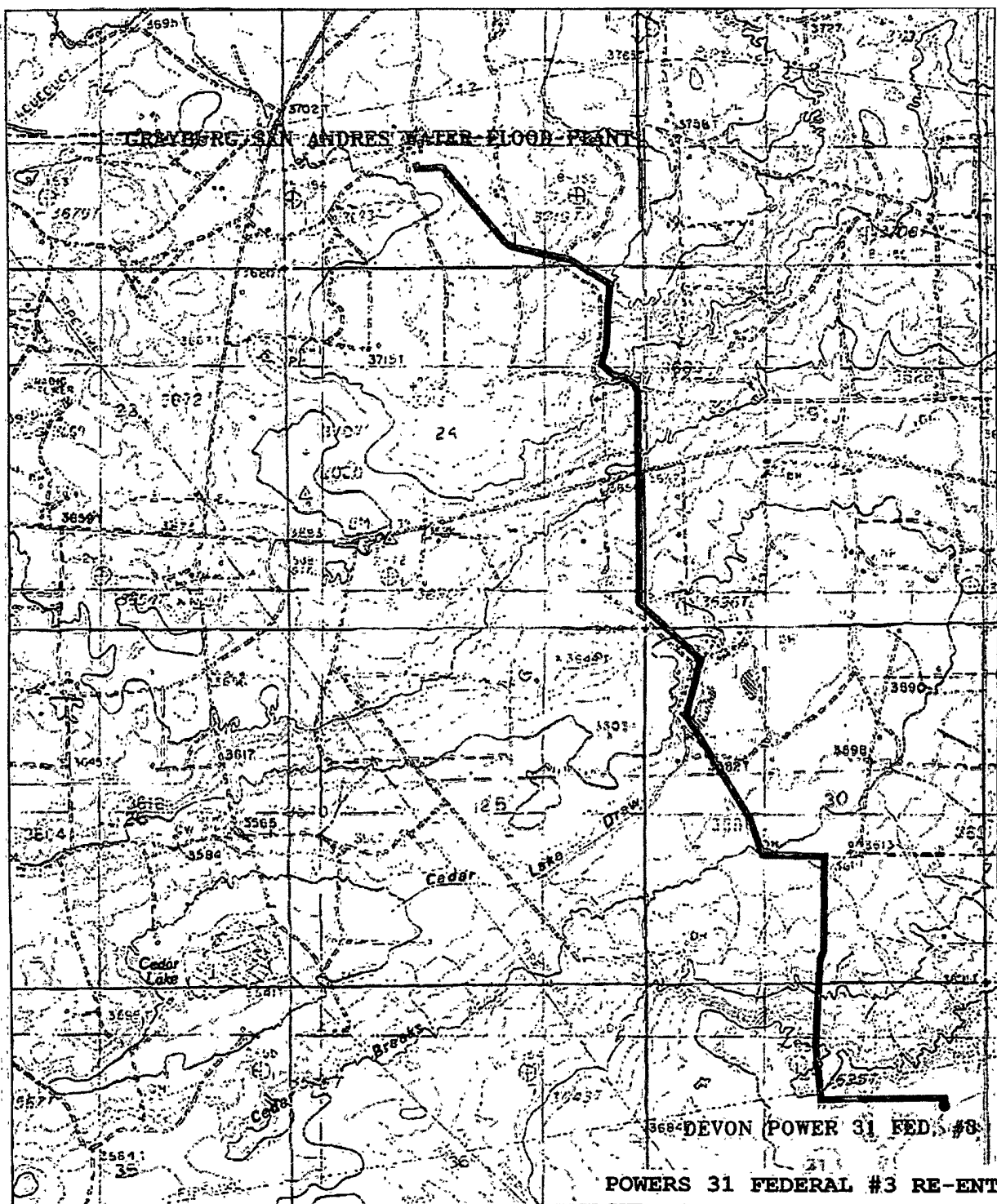
CEDAR LAKE (MORROW GAS)

WELLS WITHIN A ONE MILE RADIUS
POWER "31" FED #3
EXHIBIT 4



02/2001

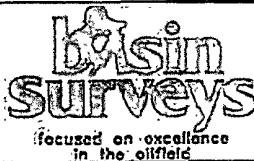




POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT B

PROPOSED PIPELINE TO THE GRAYBURG SAN ANDRES WATER FLOOD PLANT

Sections 13&24, Township 17 South, Range 30 East, AND
Sections 19,30&31, Township 17 South, Range 31 East,
N.M.P.M., Eddy County, New Mexico.



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

W.O. Number: 22637

Survey Date: 04/12/10

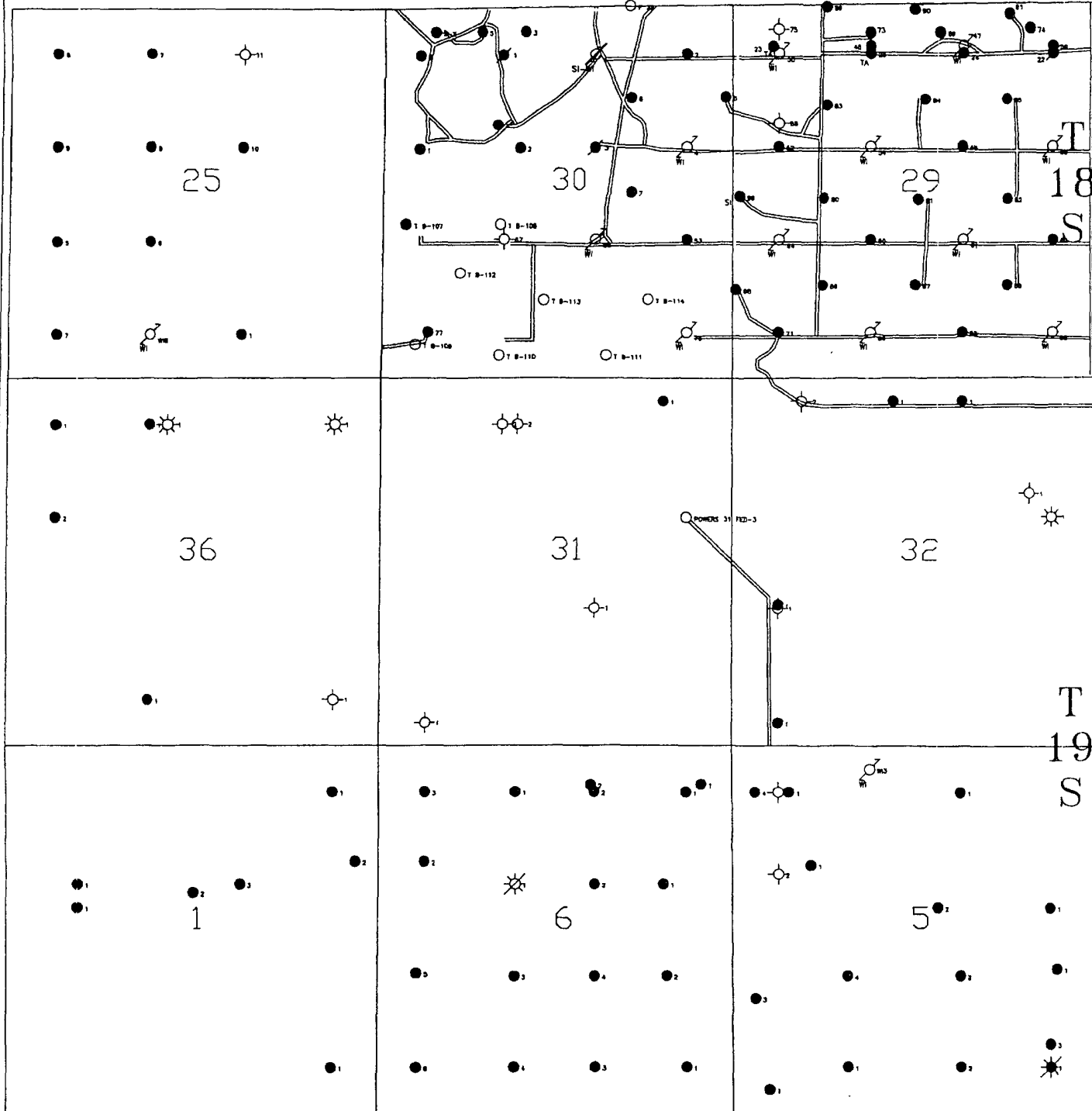
Scale: 1" = 2000'

Date: 04/20/10

**BURNETT
OIL
COMPANY**

R 30 E

R 31 E



POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT A2

DEVON SFS OPERATING, INC.

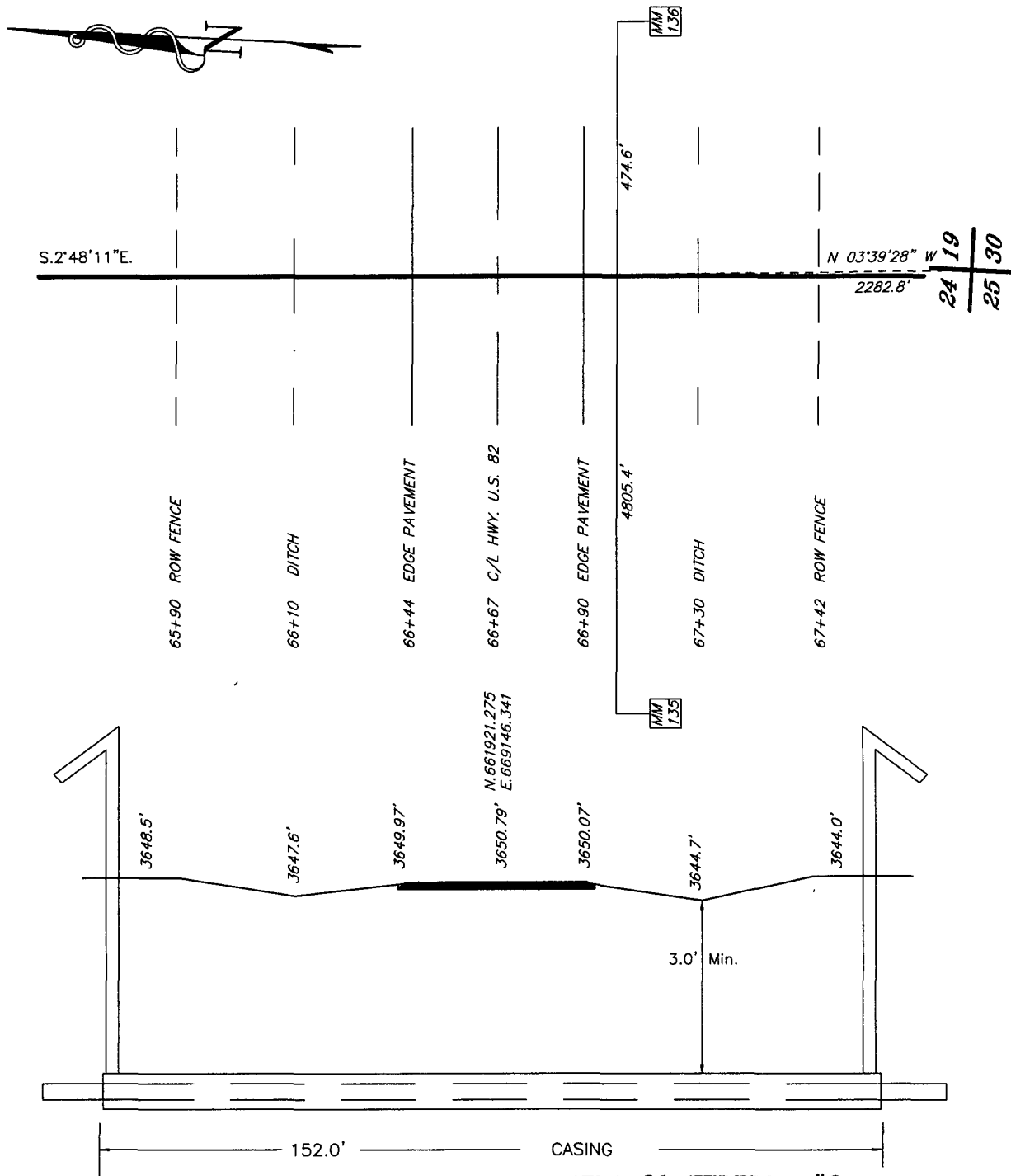
CEDAR LAKE (MORROW GAS)

EDDY COUNTY, NEW MEXICO

ROAD PLAT
POWER "31" FED #3
EXHIBIT 3

Scale in Feet
1000 0 1000 2000 3000 4000

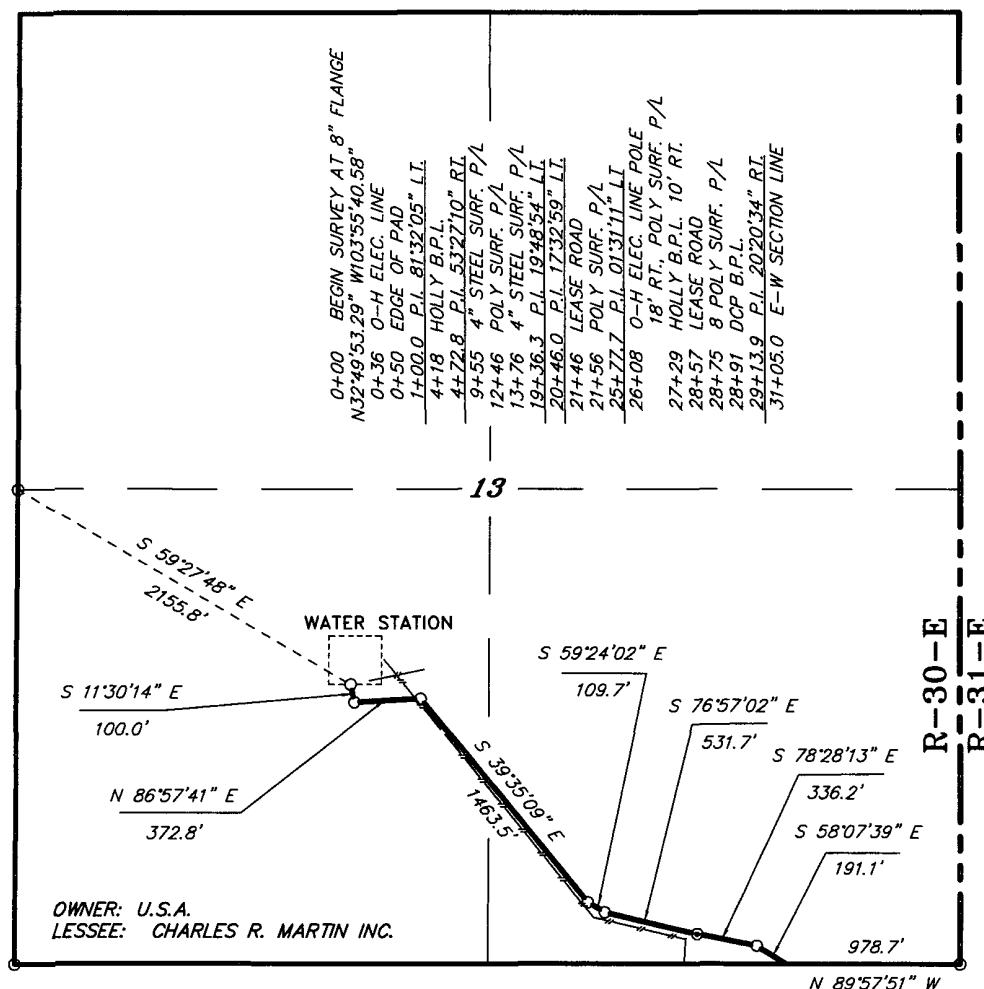
02/2001



**POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT C**

	Carrier Pipe	Casing Pipe	PROPOSED CROSSING OF U.S. HWY. #82
Contents			BURNETT OIL COMPANY
O.D.			REF: GRAYBURG JACKSON SAN ANDRES WATER FLOOD PLANT
I.D.			A proposed road crossing in Section 29, Township 17 South, Range 30 East, N.M.P.M. Eddy County, New Mexico.
Material			
W.T.			
Grade			

SECTION 13, TOWNSHIP 17 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



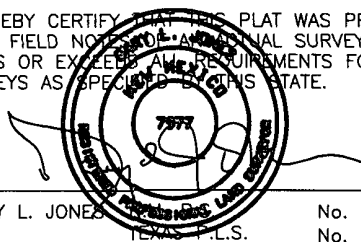
LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 13, TOWNSHIP 17 SOUTH, RANGE 30 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

3105.0 FEET = 188.18 RODS = 0.59 MILES = 2.14 ACRES

**POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT C1**

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF A PERSONAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED IN THIS STATE.



GARY L. JONES No. 7977
TEXAS P.L.S. No. 5074

1000 0 1000 2000 FEET

BURNETT OIL COMPANY

PROP. PIPELINE TO GRAYBURG SAN ANDRES WATER FLOOD PLANT

A PIPELINE CROSSING U.S.A. LAND IN
SECTION 13, TOWNSHIP 17 SOUTH, RANGE 30 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

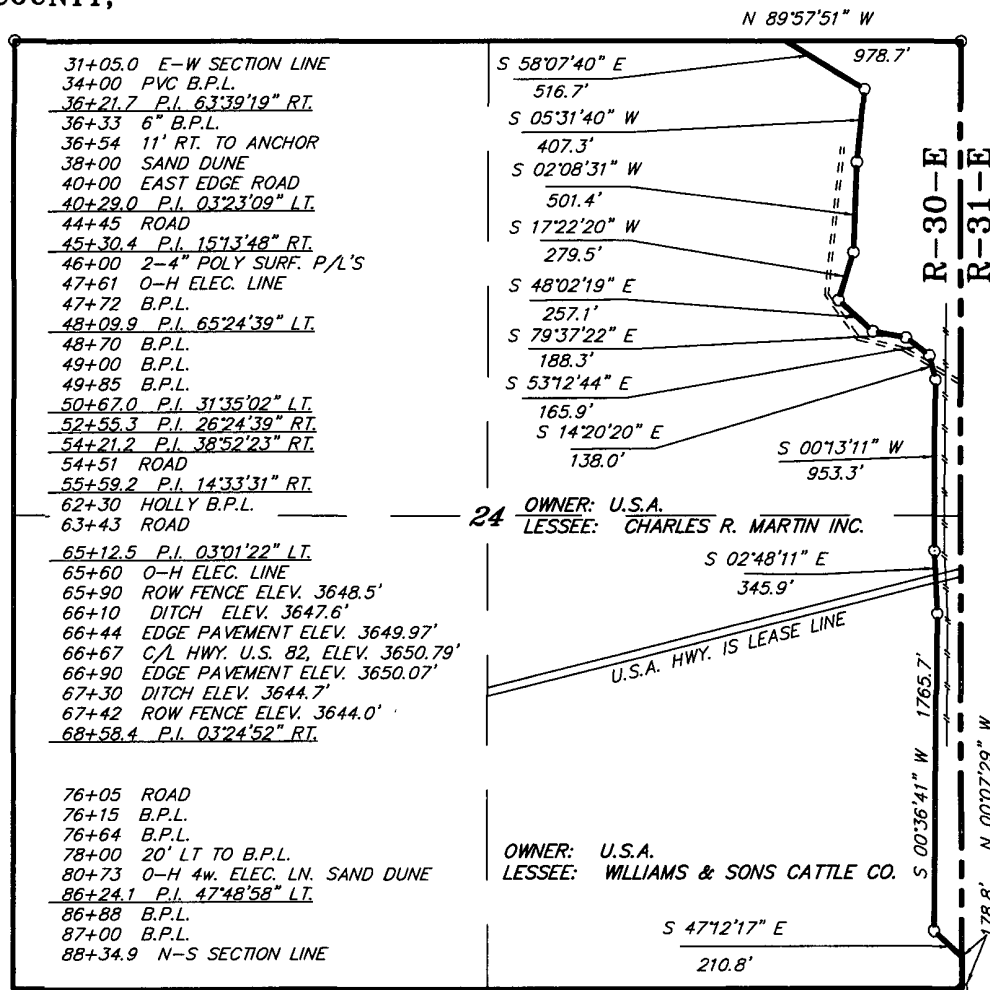
BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 22637 Drawn By: James Presley

Date: 04/20/10 Disk: JLP #1 - BUR22637

Survey Date: 04/12/10 Sheet 1 of 4 Sheets

SECTION 24, TOWNSHIP 17 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 24, TOWNSHIP 17 SOUTH, RANGE 30 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

3562.0 FEET = 215.88 RODS = 0.67 MILES = 2.45 ACRES

2167.9 FEET = 131.39 RODS = 0.42 MILES = 1.50 ACRES

5729.9 FEET = 347.27 RODS = 1.09 MILES = 3.95 ACRES

**POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT C2**

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES AND A PERSONAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES No. 7977
TEXAS P.L.S. No. 5074

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

W.O. Number: 22637 Drawn By: James Presley

Date: 04/20/10 Disk: JLP #1 - BUR22637

1000 0 1000 2000 FEET

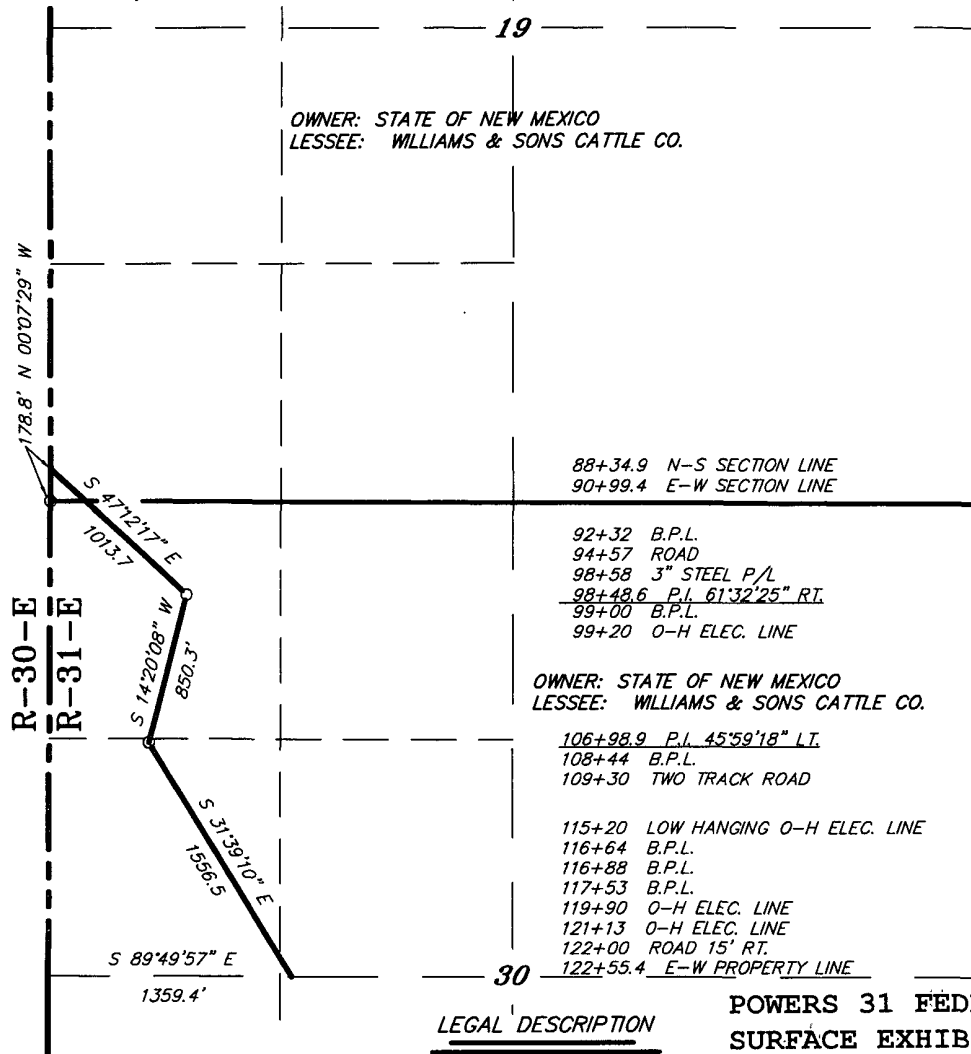
BURNETT OIL COMPANY

PROP. PIPELINE TO GRAYBURG SAN ANDRES WATER FLOOD PLANT

A PIPELINE CROSSING U.S.A. LAND IN
SECTION 24, TOWNSHIP 17 SOUTH, RANGE 30 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 04/12/10 Sheet 2 of 4 Sheets

SECTIONS 19&30, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

**POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT C3**

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 19&30, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT ON THE WEST SECTION LINE WHICH LIES N.00°07'29\"W., 178.8 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 19; THENCE S.47°12'17\"E., 1013.7 FEET; THENCE S.14°20'08\"W., 850.3 FEET; THENCE S.31°39'10\"E., 1556.5 FEET TO A POINT ON THE SOUTH PROPERTY LINE WHICH LIES S.89°49'57\"E., 1359.4 FEET FROM THE WEST QUARTER CORNER OF SAID SECTION 30. SAID STRIP OF LAND BEING 3420.5 FEET OR 207.30 RODS IN LENGTH AND CONTAINING 2.36 ACRES OF LAND MORE OR LESS AND BEING ALLOCATED BY FORTIES AS FOLLOWS.

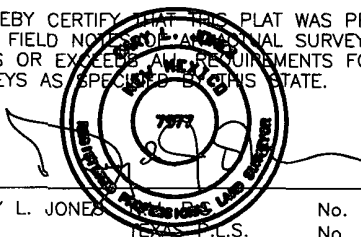
SECTION 19 SW/4 SW/4 16.03 RODS 0.18 ACRES

SECTION 30

NW/4 NW/4 96.95 RODS 1.10 ACRES SW/4 NW/4 86.85 RODS 0.99 ACRES SE/4 NW/4 7.47 RODS 0.09 ACRES

TOTAL 3420.5 FEET = 207.3 RODS = 2.36 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES AND ORIGINAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.



GARY L. JONES No. 7977
TEXAS P.L.S. No. 5074

1000 0 1000 2000 FEET

BURNETT OIL COMPANY

PROP. PIPELINE TO GRAYBURG SAN ANDRES WATER FLOOD PLANT

A PIPELINE CROSSING STATE LAND IN
SECTIONS 19&30, TOWNSHIP 17 SOUTH, RANGE 31 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

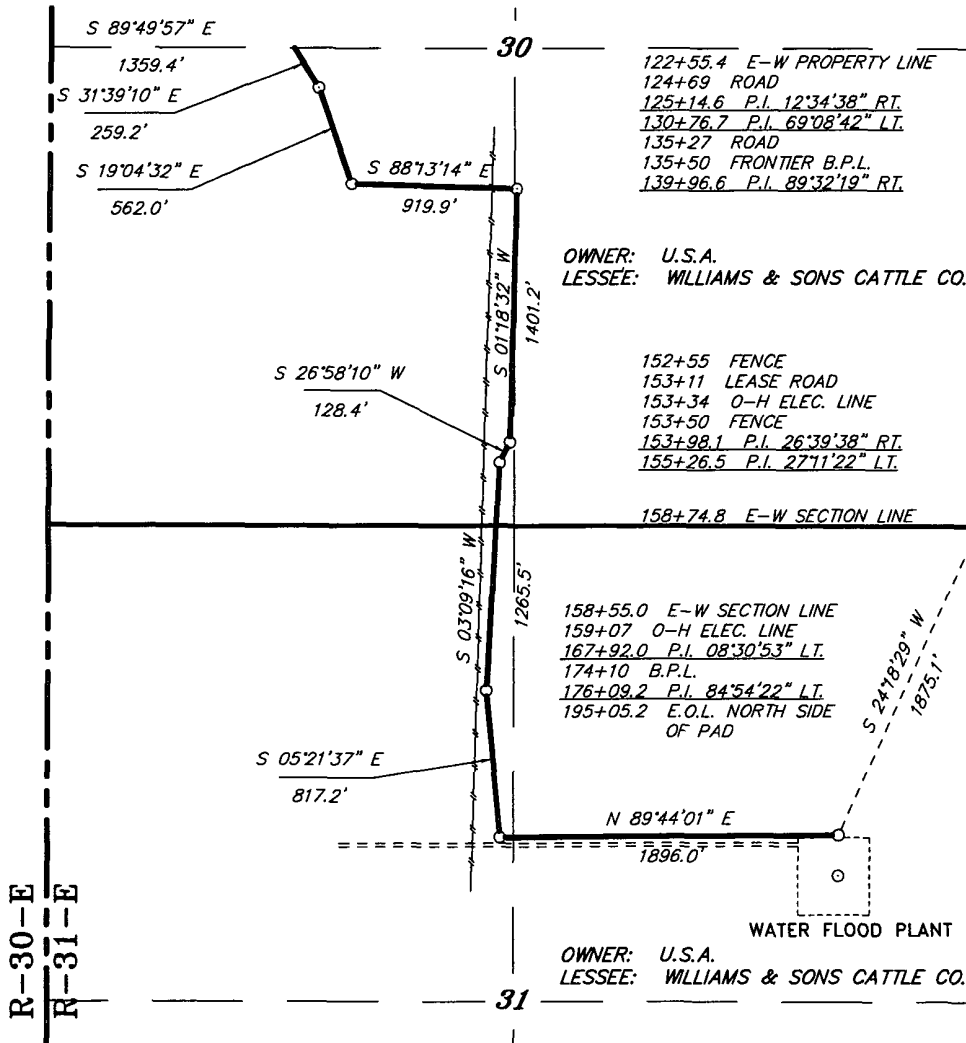
W.O. Number: 22637 Drawn By: James Presley

Date: 04/20/10 Disk: JLP #1 - BUR22637

Survey Date: 04/12/10

Sheet 3 of 4 Sheets

SECTIONS 30&31, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



POWERS 31
REF #3

LEGAL DESCRIPTION

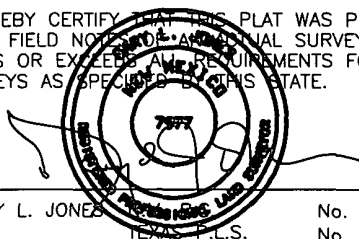
POWERS 31 FEDERAL #3 RE-ENTRY
SURFACE EXHIBIT C4

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 30&31, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

SEC. 30 3619.4 FEET = 219.36 RODS = 0.68 MILES = 2.49 ACRES
SEC. 31 3630.4 FEET = 220.02 RODS = 0.69 MILES = 2.50 ACRES

TOTAL 7249.8 FEET = 439.38 RODS = 1.37 MILES = 4.99 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF A SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.



GARY L. JONES No. 7977
TEXAS P.L.S. No. 5074

1000 0 1000 2000 FEET

BURNETT OIL COMPANY

PROP. PIPELINE TO GRAYBURG SAN ANDRES WATER FLOOD PLANT

A PIPELINE CROSSING U.S.A. LAND IN
SECTIONS 30&31, TOWNSHIP 17 SOUTH, RANGE 31 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

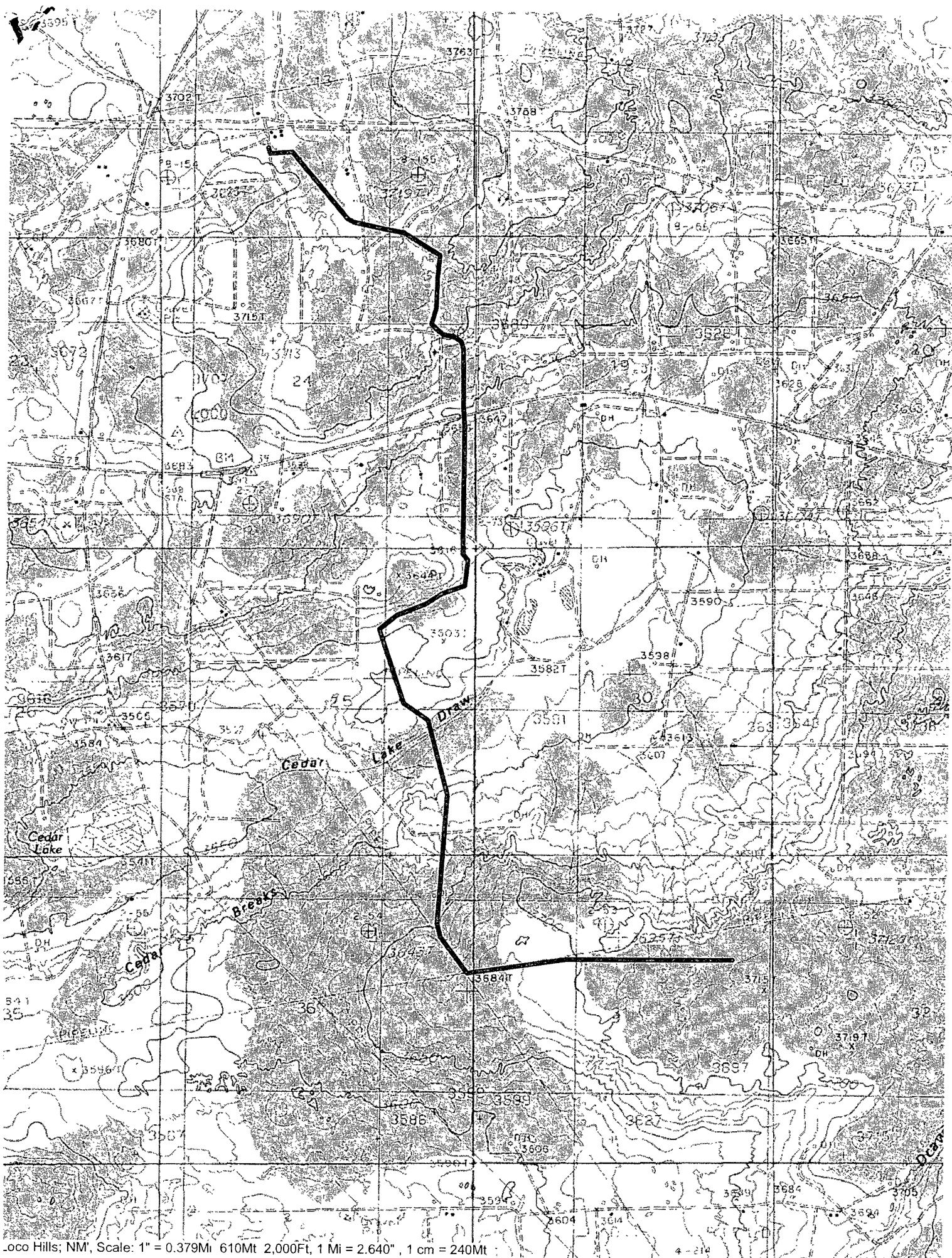
BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 22637 Drawn By: James Presley

Date: 04/20/10 Disk: JLP #1 - BUR22637

Survey Date: 04/12/10

Sheet 4 of 4 Sheets





Scale 1:15,000

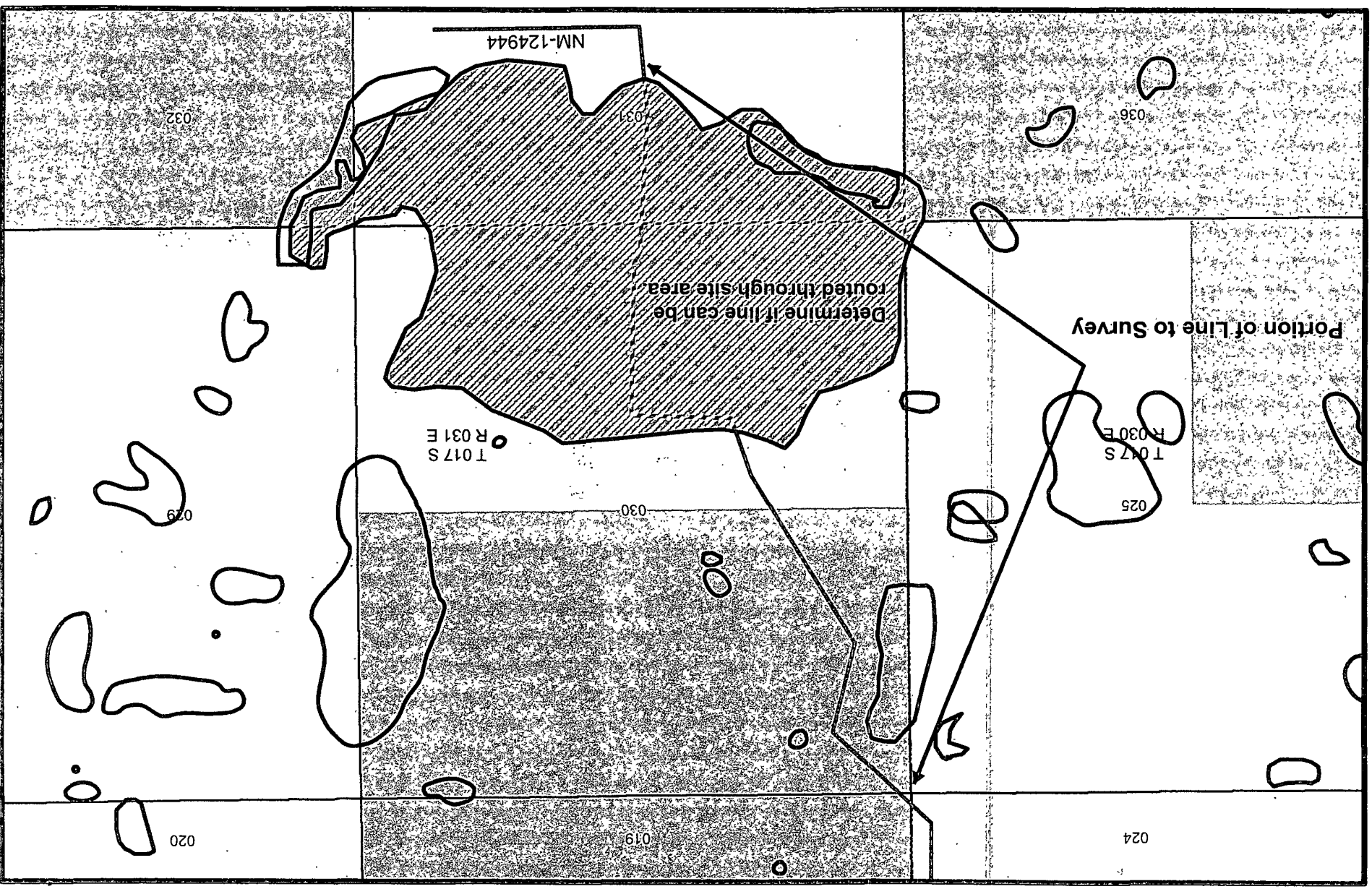
0 500 1,000
Feet

0 125 250 500
Meters

Power 31 Fed 3 SWD Line Area to Survey

- = BLM
- = Private
- = State

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. Map created 1/22/2008





BURNETT OIL CO., INC.

VERTICAL WOLFCAMP REEF SALTWATER DISPOSAL WELL RE-ENTRY WELL
FEDERAL LEASE NMNM 98824 UNIT H 1980' FNL, 660' FEL, Section 31, Township 17 South, Range
31 East, Eddy County, N.M. (POWERS 31 FEDERAL #3 API#30-015-31806)

A: RE-ENTRY PROGRAM

1 Geological Name of Formation with Estimated Depth:

a. Alluvium..	Surface	
b. Rustler	420'	
c. Yates	1840'	
d. Seven Rivers..	2184'	
e. Queen.	2222'	
c. Grayburg.....	2670'	Oil
d. San Andres....	2985'	Oil
e. Bone Spring ..	5000'	
f. Wolfcamp.	8450'	
g. Canyon	9820'	
h. Strawn	10672'	
i. Atoka	10820'	
j. Total depth....	11405'	CIBP AND CEMENT IN PLACE

I talked w/ Mark Jacoby
and told him we would
change his BOPE require-
ment to a 3M.
C. Wallis
8/11/10

2. No other formations are expected to yield oil, gas or fresh water in measurable volumes. **We will drill out CIBP set @ 8528'. This plug was put in place on 3/24/2004. We will perforate the 5-1/2" casing in the WolfCamp Reef zone from Approx 8800' to 9400'.**

THE FOLLOWING CASING IS CEMENTED IN PLACE IN THIS RE-ENTRY WELLBORE:

Hole Size	Interval	OD Csg	Weight	Collar	Grade	Collapse Design Factor	Burst Design Factor	Tension Design Factor	TOC
17-1/2"	0' - 520'	13-3/8"	48#	ST&C	H40	2.88	1.27	11.27	SURF
12-1/4"	0' - 3920'	8-5/8"	32#	ST&C	J55	1.24	1.46	3.32	SURF
7-7/8"	0' - 600'	5-1/2"	17#	LT&C	HCP-110	2.09	2.09	1.92	
7-7/8"	600' - 9800'	5-1/2"	17#	LT&C	N80	1.14	1.30	1.80	
7-7/8"	9800' - 11875'	5-1/2"	17#	LT&C	HCP-110	2.09	2.09	1.92	2916'

3 TUBING PROGRAM FOR RE-ENTRY: (ALL NEW API APPROVED MATERIAL.)

OD TBG Weight Collar Grade

0'-8450' 3-1/2" 9.30# ULT FJ L80 W/CERAMKOTE INTERNAL COATING

4. **Cementing Program** Not applicable. No casing is to be run.

5. Pressure Control Equipment:

The blowout prevention equipment (BOPE) shown in **Drilling Exhibit E** and E1 will consist of a 2000 PSI Hydril Unit (annular) with hydraulic closing equipment. The equipment will comply with Onshore Order #2 and will be tested to 50% of rated working pressure (RWP), and maintained for at least 10 Minutes. The **8-5/8"** drilling head will be installed on the surface casing and in use continuously until (PB) total depth is reached. **We plan to use a service rig will be used to do the required work**

See
COA →

6. Proposed Mud Circulation System- NOT APPLICABLE

8.4 #/gal Fresh water mud while drilling plugs.

Per Operator
8/11/10

7. Auxiliary Well Control and Monitoring Equipment: NOT APPLICABLE

8. Hydrogen Sulfide Plan and Training:

Based on our area testing H₂S at 100 PPM has a radius of 139' and does not get off our well sites. There are no schools, residences, churches, parks, public buildings, recreation area or public within 2+ miles of our area.

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on each well:

- a. The hazards and characteristics of Hydrogen Sulfide (H₂S).
- b. The proper use and maintenance of personal protective equipment and life support systems.
- c. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures and the prevailing wind.
- d. The proper techniques for first aid and rescue procedures.
- e. **ATTACHED HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN DRILLING EXHIBIT A**
- f. **ATTACHED EMERGENCY CALL LIST FOR ANY ON SITE EMERGENCY DRILLING EXHIBIT B.**

In addition, supervisory personnel will be trained in the following areas:

- i. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in special maintenance requirements.
- ii. Corrective action and shut-in procedures when drilling or reworking a well, blowout prevention and well control procedures.
- iii. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan (if applicable.)

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan (if applicable). This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

I. DRILLING OPERATIONS – H₂S

a. Protective equipment for essential personnel:

1. Mark II Surviveair (or equivalent) 30 minute units located in the dog house and at the primary briefing area (to be determined.)

b. H₂S detection and monitoring equipment:

1. Three (3) portable H₂S monitors positioned on location for best coverage and response. These units have warning lights at 10 PPM and warning lights and audible sirens when H₂S levels of 15 PPM is reached. A digital display inside the doghouse shows current H₂S levels at all three (3) locations.
2. An H₂S Safety compliance set up is on location during all operations.

c. Visual warning systems:

1. Wind direction indicators will be positioned for maximum visibility.
2. Caution/Danger signs will be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

d. Mud program: NOT APPLICABLE

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

when penetrating H₂S bearing zones.

e. Communication:

1. Cellular Telephone and/or 2-way radio will be provided at well site.
2. Landline telephone is located in our field office.

f. Metallurgy:

1. All drill strings, casings, tubing, wellheads, Hydril BOPS, drilling spools, kill lines, choke manifold, valves and lines will be suitable for H₂S service.
2. All elastomers used for packing and seals shall be H₂S trim.

9. Logging, Coring and testing program:

A CORRELATION LOG WILL BE RUN TO TIE BACK TO ORIGINAL LOGS. Baker Atlas Compensated Z-Densi/Compensated Neutron/GR log was original logs (Devon.)

10. Potential Hazards:

No abnormal pressures or temperatures are expected. There is known H₂S in this area. The operator will comply with the provisions of Onshore Oil and Gas Order #6. No lost circulation is expected to occur. All personnel will be familiar with the safe operation of the equipment being used to drill this well. The maximum anticipated bottomhole pressure is 1000#. The maximum anticipated bottom hole temperature is 92°F.

11. Anticipated Start Date and Duration of Operation

Location construction will begin after BLM has approved the APD and has approved the start of location work. We will also wait until we have the NMOCD approval of the C108 that has been submitted to them. Anticipated start date will be as soon as the location building work has been completed and the W/O rig is available to move to the location. Move in and drill out of the cement plugs is expected to take approx 15 days to complete the well and install the necessary surface equipment (pump, electricity, flowline and storage facility) to start water injection

B: SURFACE USE PROGRAM

1. EXISTING ROADS:

- a. The well site and elevation plat for the proposed well are reflected on the well site layout, Form C102. This well was staked by Topographic Land Surveyors in 1/16/2001 for the original drilling of this well bore. **A BLANK ORIGINAL C102 FOR SIGNATURE IS INCLUDED.**
- b. Location is shown on the original (DEVON) Vicinity Map (Surface Exhibit A.)
- c. Directions to location. from intersection of US Hwy #82 & CR 222 go South on CR 222 1 2 miles to lease road on right, then 1.1 miles west on this lease road to rebuilt road to well pad

2. New or Reconstructed Access Roads:

- a. The well site layout, Form C-102 and Surface Exhibit A1, A1, A1A, A1B & A2 show the existing area. **An additional 1502' of access road will be required along the same path as the original road. (See Surface Exhibit A2.)**
- b. All construction material will be native caliche. It may be available at the proposed location. If unavailable on location or road, caliche will be hauled from nearest BLM approved caliche pit

3. Location of existing wells:

See attached **original (Devon) Surface Exhibit 4** (Burnett Exhibit A1, A1A) plat showing all wells within a 1 mile radius of the proposed well site. We have also included (BURNETT EXHIBIT A1B) our more recent 1/2 mile radius plat.

4. Location of existing and/or proposed production facilities:

Any saltwater tank storage that may be required will be at the water plant pad.

a. The well site may require electricity for the pump. We will contact the electric cooperative. to provide the electric power poles and the electric line from their nearest connection. The routing and pole placement will be provided in their ROW application. All electrical installation will be done in accordance with all existing state and federal regulations.

b. Flowline (APPROX. 19,500') from our Loco Hills Water Plant(**LIST OF CURRENT WELLS INCLUDED**) to this new SALTWATER DISPOSAL WELL. (See Surface Exhibit B, C, C1, C2, C3 and C4 PLAT. The required DISPOSAL flowline will be laid, below ground, along approved R-O-W to this well site. All flowline will be 8" poly pipe. **All required notification to surface owner and/or lessees will be done prior to any work.**

5. Location and Type of Water Supply:

All water to be used in drilling this well will be brine or fresh water transported by truck over existing and above proposed lease road from Loco Hills, New Mexico or produced water furnished from our existing waterflood facilities in the area. We may install a pump and lay a **temporary** 2" poly line on the lease from the battery to the rig for this drilling water.

6. Construction Materials:

All construction material for the roadway and well pad will be native caliche from the nearest BLM approved pit or from existing available deposits found on the location. All will be in accordance with the drilling stipulations for this well.

7. Methods of Handling Waste Disposal:

- a. We will have steel tank (s) on location for any waste product during the drill out of these plugs. All fluids will be hauled off location to a contracted off lease disposal location.
- b. Trash, waste paper, garbage and junk will be placed in a portable, screened trash container on location. All trash and debris will be transported to an authorized off-lease disposal station within 30 days following the completion activities.
- c. A properly maintained Porto-john will be provided for the crews during drilling and completion operations. All will be removed after all completion operations have ended.
- d. No oil production is anticipated since this was a tested dry hole by the previous operator (Devon) but we will have a steel storage tank for proper handling
- e. Water produced during testing operations will be put in the steel frac. tanks until well is turned to active injection. Any produced water will be disposed of through one of our approved disposal methods.

8. Ancillary Facilities: There are no planned ancillary facilities for this well.

9. Well Site Layout:

Surface Exhibits show the relative location and dimensions of the well pad. Only minor differences, if any, in length and/or width of the well pad are anticipated, depending on which Service rig contractor is selected to drill out the well bore. **Partial pad site must be rebuilt for a service rig.**

10. Plans for surface Reclamation:

- a. After drill out of some of the plugs and successful completion operations are finished, all equipment and other materials not required for normal production operations will be removed
- b. The pad size will be reduced to the amount required for operation of the producing/SWD well. This reduced portion will be restored to the BLM stipulations in section a.
- d. If a well is abandoned, the surface location and unneeded road will be restored according to BLM stipulations within 90 days of final abandon and re-seeded with BLM (B) seed mix

11. Surface ownership:

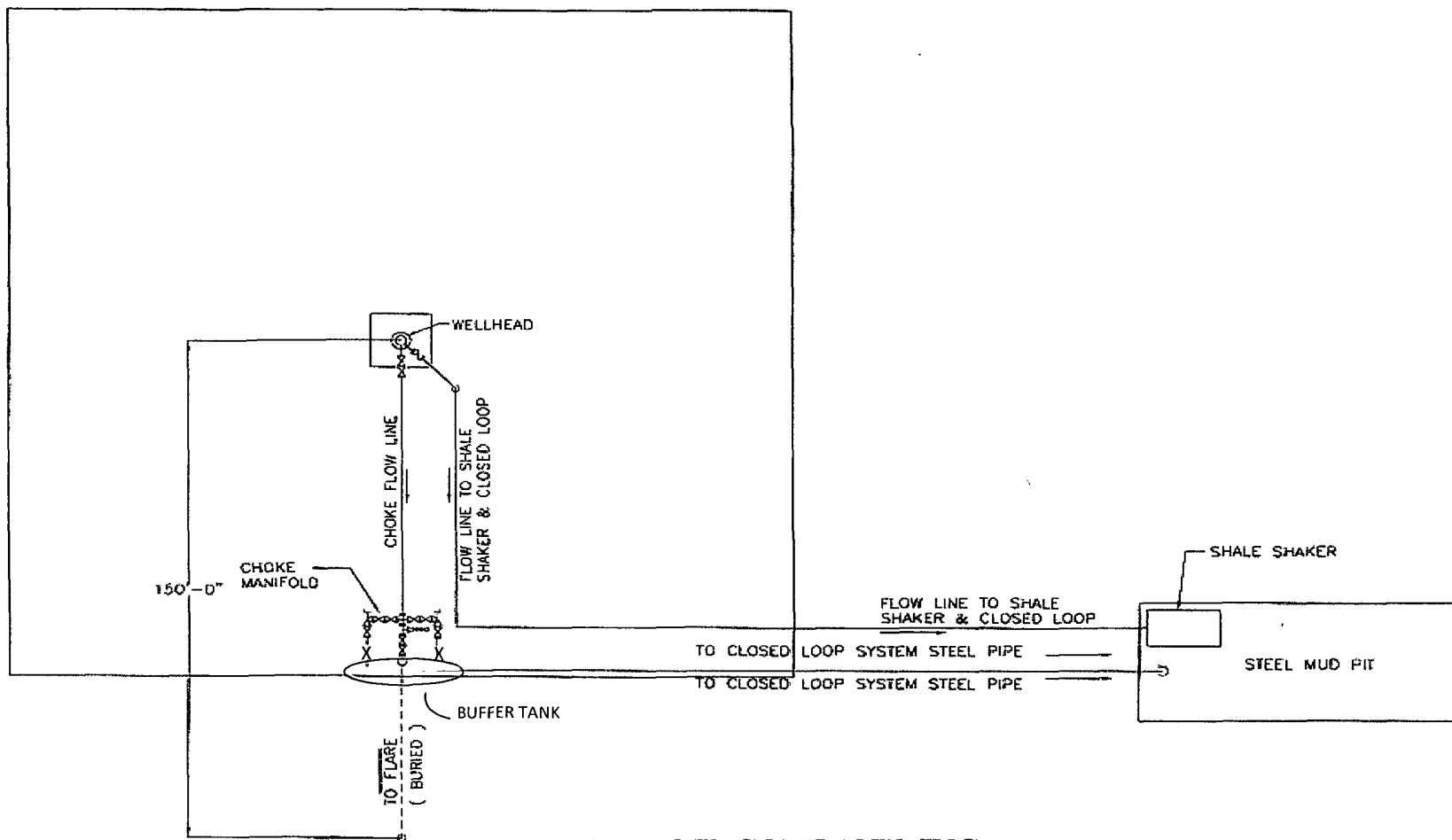
Most lands are owned by the U.S. Government and is administered by the Bureau of Land Management. A 3420.5 feet portion in Section 19 & 30, T17S, R31E (SURFACE EXHIBIT C3) is on State of New Mexico land. The surface is multiple uses with the primary use of the region for the production of oil and gas and the grazing of livestock.

12. Other information:

- a. The area surrounding the well site is grassland. The area is relatively flat with small hills and sand dunes. The topsoil is fine, deep sand underlain by caliche. Vegetation cover is generally sparse and consists of mesquite, yucca, shinnery oak and sparse native grasses. Wildlife in the area includes deer, coyotes, rabbits, rodents, reptiles, dove and quail.
- b. No permanent or live water is found in the general proximity of this area.
- c. No dwellings are found within two (2) miles of this location.
- d. There is intermittent cattle grazing and hunting in the area; however, the principal land use is for oil and gas production.
- e. We do not plan to repeat the archaeological clearance report since this report is in the BLM office in Carlsbad, N.M. file for the original approved drilling APD dated May 29, 2001.

13. Bond Coverage:

Current Bond is BLM Bond # NMB000197. The Surety Bond is #B000863. Both are effective May 21, 2004 and remain in place. A R-O-W Damage Bond #B005634 to the State of New Mexico dated May 7, 2010 is in place.



BURNETT OIL COMPANY, INC.

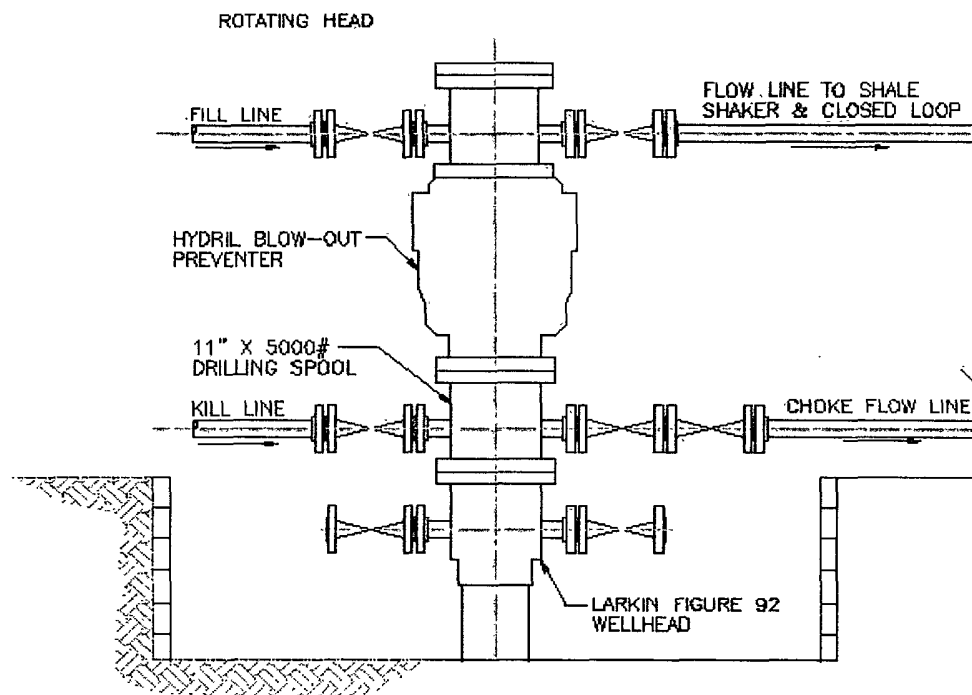
**DRILLING OPERATIONS
WELL PAD PLAN LAYOUT**

NOT TO SCALE

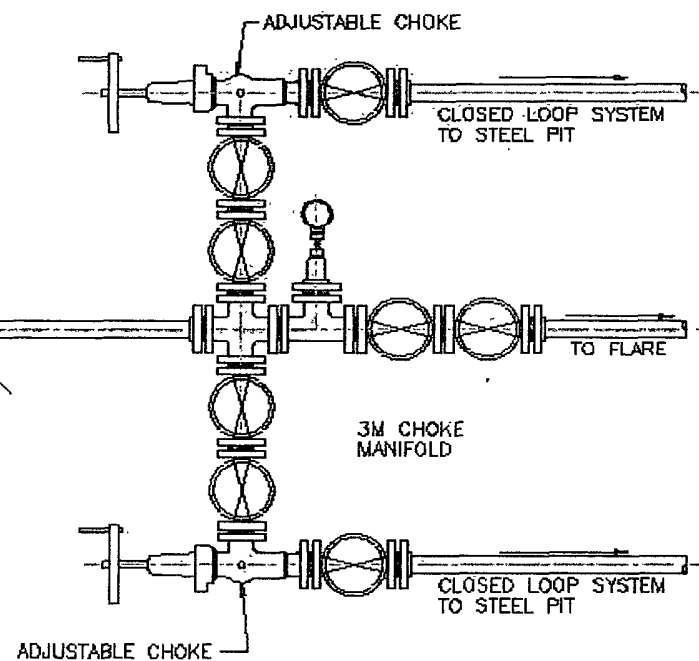
DRAWING SAVED AS C:\DRAWINGS\2010dwg\10-028\10-028-02.dwg

EPS PROJECT NUMBER = 10-028
DATE: JANUARY 29, 2010

**POWERS 31 FEDERAL #3 RE-ENTRY
DRILLING EXHIBIT E1**



WELLHEAD ELEVATION



CHOKE MANIFOLD PLAN

**BURNETT OIL COMPANY, INC.
BLOWOUT PREVENTER &
CHOKE MANIFOLD DIAGRAM
2000 PSI WORKING PRESSURE**

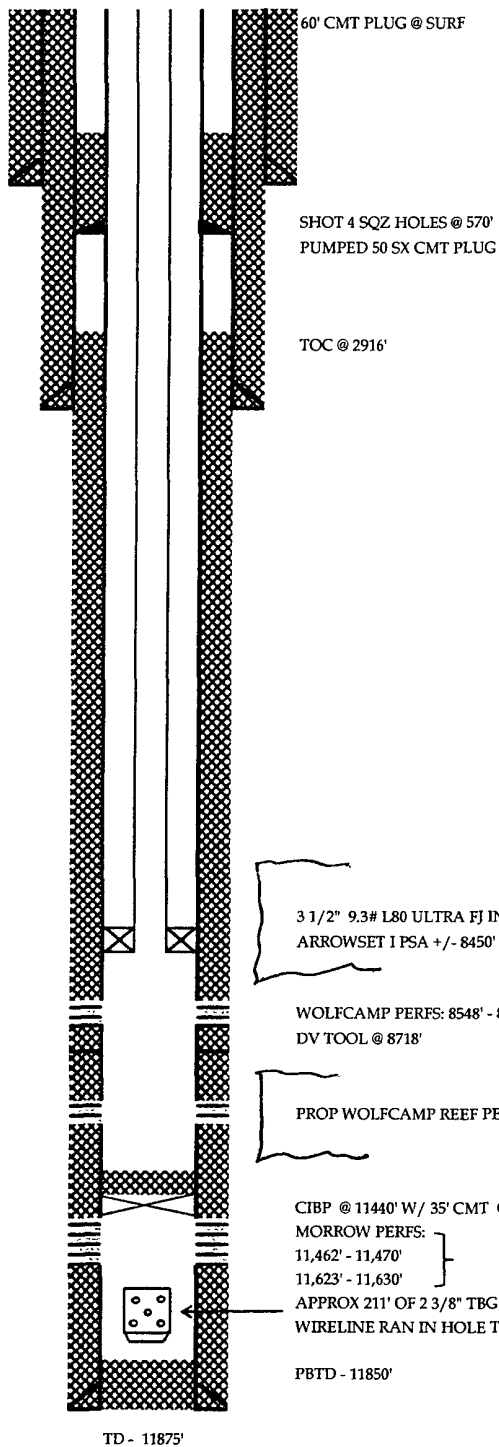
**POWERS 31 FEDERAL #3 RE-ENTRY
DRILLING EXHIBIT E**

WELL NAME:
FIELD:
COUNTY/STATE
LOCATION: SL

Power 31 Federal 3

CEDAR LAKE (MORROW GAS)
EDDY CO., NEW MEXICO
UNIT H, 1980' FNL, 660' FEL
SECTION 31, T17S, R31E

SPUD DATE: 8/13/2001 API # 30-015-31806
COMPL DATE: 11/21/2001 AFE #

PROPOSED**SURFACE CASING:**

DEPTH: 520' SIZE: 13 3/8" WT: 48#
CEMENT: W/ 782 SX, CMT TO SURF

INTERMEDIATE CASING:

DEPTH: 3920' SIZE: 8 5/8" WT: 32#
CEMENT: CMT'D W/ 1830 SX, CMT TO SURF

PRODUCTION CASING:

DEPTH: 11875' SIZE: 5 1/2" WT: 17#
CEMENT: CMT'D W/ 2095 SX

TUBING:

DEPTH: 8450' SIZE: 3 1/2" WT: 9.3#

PUMP:**REMARKS:**



BURNETT OIL CO., INC. EMERGENCY NOTIFICATION LIST

Burnett's New Mexico Office (575) 677-2313
Belton Mathews BOCI District Superintendent CELL (575) 703-9601
BURNETT OIL HOME OFFICE (817) 332-5108
Mark Jacoby BOCI ENGINEERING MANAGER CELL (817) 312- 2751

EDDY COUNTY SHERIFF 911 OR (575) 746-9888
NEW MEXICO STATE POLICE (575) 746-2701

Loco Hills Fire Department (VOLUNTEER ONLY) 911 OR (575) 677 2349
For Medical and Fire (575) 746-2701 (ARTESIA)

Flight for Life Air Ambulance (LUBBOCK) (806) 743-9911
Aerocare Air Ambulance (LUBBOCK) (806) 747-8923
Med Flight Air Ambulance (ALBUQ) (505) 842-4433
S B Med Svc Air Ambulance (ALBUQ) (505) 842-4949

US Bureau of Land Management Carlsbad (575) 361-2822 (575) 234-5972
New Mexico Oil Conversation Division ARTESIA (575) 748-1283
New Mexico Emergency Response Commission 24 HR (575) 827-9126
New Mexico State Emergency Operation Center (575) 476-9635
Local Emergency Planning Committee (Artesia) (575) 746-2122
National Emergency Response Center (Washington, DC) (800) 424-8802

Boots & Coots IWC (800) 256-9688
Cudd Pressure Control (432) 570-5300
Halliburton Svc (575) 746-2757
B J Svc (575) 746-2293

THIS MUST BE POSTED AT THE RIG WHILE ON LOCATION.

Burnett Office 87 SQUARE LAKE ROAD (CR #220), Loco Hills, New Mexico 88255
(Loco Hills, New Mexico (2 MILES East of Loco Hills On US Hwy 82 TO C#220 Then
North On CR# 220 Approx One Mile To Office.).

POWERS 31 FEDERAL #3 RE-ENTRY
DRILLING EXHIBIT A

HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN

ASSUMED 100 PPM ROE = 3000'

Emergency Procedures

In the event of a release of gas containing H₂S, The first responder(s) must

- * Isolate the area and prevent entry by other persons into the 100 PPM ROE.
- * Evacuate any public places encompassed by 100 PPM ROE.
- * Be equipped with H₂S monitors and air packs in order to control release.
- * Use the "buddy system" to ensure no injuries occur during the response.
- * Take precautions to avoid personal injury during this operation.
- * Have received training in the following:
 1. H₂S detection
 2. Measures for protection against this gas
 3. Equipment used for protection and emergency response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂.) Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the New Mexico State Police may become involved. NM State Police shall be the incident command on scene of any major release. Take care to protect downwind whenever there is an ignition of gas.

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air =1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	NA	1000 ppm

Contacting Authorities

Burnett Oil Co., Inc. personal must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind and direction, location of release, etc. **Be sure all is written down and ready to give to contact list (Drilling Exhibit A.) Directions to the site are below.** Burnett's response must be in coordination with the State of New Mexico's Hazardous Materials Emergency Response Plan.

**Burnett Office 87 SQUARE LAKE ROAD (CR #220), Loco Hills, New Mexico 88255
(Loco Hills, New Mexico (2 MILES East of Loco Hills On US Hwy 82 TO C#220 Then North On CR# 220 Approx One Mile To Office**

BURNETT OIL CO., INC.

**POWERS 31 FEDERAL #3 RE-ENTRY
DRILLING EXHIBIT B**

BURNETT PLAZA - SUITE 1500
801 CHERRY STREET - UNIT #9

BURNETT OIL CO., INC.

FORT WORTH, TX 76102-6881
(817) 332-5108

BURNETT OIL CO., INC.

WELL LISTING REPORT FOR WATER DISPOSAL TO WATER PLANT

PRODUCTION MONTH: MARCH 2010

LEASE:

NEW MEXICO LEASES

COUNTY/STATE: EDDY CO., N.M.

	WELL NAME	PROD	INJ	WORKOVER	SHUT-IN	DRLG	REMARKS	REASON DOWN	API #
	GRAYBURG JACKSON (SAN ANDRES) UNIT								
53	GJSAU 5	X							30-015-04311
53	GJSAU 7								30-015-04285
53	GJSAU 9								30-015-04149
53	GJSAU 13		X						30-015-04145
53	GJSAU 14	X							30-015-04136
53	GJSAU 16								30-015-04135
53	GJSAU 21	X							30-015-04154
53	GJSAU 22		X						30-015-04148
53	GJSAU 27								30-015-04134
53	GJSAU 29	X							30-015-04146
53	GJSAU 30	X							30-015-04133
53	GJSAU 31	X							30-015-04142
53	GJSAU 34								30-015-04127
53	GJSAU 35		X						30-015-04126
53	GJSAU 36	X							30-015-04128
53	GJSAU 37		X						30-015-04129
53	GJSAU 38	X							30-015-04130
53	GJSAU 39	X							30-015-20207
53	GJSAU 47	X							30-015-23772
53	GJSAU 48	X							30-015-26970
2171	STEVENS A BATTERY								
1790	STEVENS A # 3	X							30-015-04143
1757	STEVENS A # 4	X							30-015-04144
1735	STEVENS A # 7	X							30-015-21830
2333	STEVENS A #9	X					YESO		30-015-32441
2396	STEVENS A #10	X					YESO/LSA		30-015-32793
2570	STEVENS A #11	X					YESO		30-015-33131
2714	STEVENS A #12	X					YESO		30-015-34225
2794	STEVENS A #13H	X					YESO		30-015-34846
2869	STEVENS A #14	X					YESO		30-015-35320
2870	STEVENS A #15	X					YESO		30-015-35321
2995	STEVENS A #16H	X					YESO		30-015-36146
2170	JACKSON A TANK BATTERY								
1733	JACKSON A # 8	X							30-015-04137
1725	JACKSON A # 9	X							30-015-04309
1722	JACKSON A # 10	X							30-015-04310
1732	JACKSON A # 11	X							30-015-04138
1995	JACKSON A # 17	X					YESO		30-015-30523
2028	JACKSON A # 18	X					YESO		30-015-31671
2030	JACKSON A # 20 & H	X					YESO		30-015-31670
2149	JACKSON A # 21	X					YESO		30-015-32034
2150	JACKSON A # 22	X					YESO		30-015-32066
2151	JACKSON A # 23	X					YESO		30-015-32114
2152	JACKSON A # 24	X					YESO		30-015-32067
2401	JACKSON A # 25	X					YESO		30-015-32683
2433	JACKSON A # 26	X					YESO		30-015-32848
2767	JACKSON A # 27	X					YESO		30-015-34765
2768	JACKSON A # 28	X					YESO		30-015-34766
2610	JACKSON A # 29	X					YESO		30-015-33489
2671	JACKSON A #31H	X					YESO		30-015-34000
2710	JACKSON A #34	X					YESO		30-015-34223
2755	JACKSON A #35	X					YESO		30-015-34502
2873	JACKSON A #36	X					YESO		30-015-35284
	04/07/10	42	4	0	0	0	46	WELLS	

BURNETT OIL CO., INC.

WELL LISTING REPORT FOR WATER DISPOSAL TO WATER PLANT

PRODUCTION MONTH: MARCH 2010

LEASE: NEW MEXICO LEASES

COUNTY/STATE: EDDY CO., N.M.

[illegible]

BURNETT OIL CO., INC.
WELL LISTING REPORT FOR WATER DISPOSAL TO WATER PLANT

PRODUCTION MONTH: **MARCH 2010**

LEASE: NEW MEXICO LEASES COUNTY/STATE: EDDY CO., N.M.

	WELL NAME	PROD	INJ	WORKOVER	SHUT-IN	DRLG	REMARKS	REASON DOWN	API #
	GISSLER A TANK BATTERY								
61	GISSLER A 12		X						30-015-25682
62	GISSLER A 13		X						30-015-25683
63	GISSLER A 14	X							30-015-25765
64	GISSLER A 15	X							30-015-25875
2836	GISSLER A 29	X					LH PADDOCK/YESO		30-015-31111
2868	GISSLER A 30	X					LH PADDOCK/YESO		30-015-35336
3067	GISSLER A 34	X							30-015-36818
	GISSLER A2 TANK BATTERY								
1731	GISSLER A 7	X							30-015-04152
1682	GISSLER A 8	X							30-015-04286
1683	GISSLER A 9	X							30-015-04153
1822	GISSLER A 16	X					LOWER GRAYBURG ONLY		30-015-30275
2339	GISSLER A 17	X					LSA/LH PADDOCK		30-015-32447
2350	GISSLER A 18	X					LSA/LH PADDOCK/		30-015-32448
2404	GISSLER A 19	X					LH PADDOCK/YESO		30-015-32835
2403	GISSLER A 20	X					LH PADDOCK/YESO		30-015-32846
2569	GISSLER A 21	X					LH PADDOCK/YESO		30-015-33243
2530	GISSLER A 22	X					LH PADDOCK/YESO		30-015-33124
2571	GISSLER A 23	X					LH PADDOCK/YESO		30-015-33123
2636	GISSLER A 24	X					LH PADDOCK/YESO		30-015-33498
2693	GISSLER A 25	X					LH PADDOCK/YESO		30-015-34021
2758	GISSLER A 26	X					LH PADDOCK/YESO		30-015-34503
2792	GISSLER A 27H	X					LH PADDOCK/YESO		30-015-34850
2791	GISSLER A 28H	X					LH PADDOCK/YESO		30-015-34909
2954	GISSLER A 31	X					LH PADDOCK/YESO		30-015-36035
2955	GISSLER A 32	X					LH PADDOCK/YESO		30-015-36036
3036	GISSLER A 33H	X					LH PADDOCK/YESO		30-015-36654
	GISSLER B2 TANK BATTERY								
1724	GISSLER B 2	X							30-015-04308
46	GISSLER B 5	X							30-015-04300
46	GISSLER B 11	X							30-015-04301
46	GISSLER B 12	X							30-015-04302
284	GISSLER B 29	X							30-015-26985
1340	GISSLER B 30	X							30-015-27922
	04/07/10	30	2	0	0	0	32	WELLS	

WELL LISTING REPORT FOR WATER DISPOSAL TO WATER PLANT

LEASE: NEW MEXICO LEASES COUNTY/STATE: EDDY CO., N.M.

[illegible]

WELLS



**BURNETT OIL CO., INC. OPERATOR CERTIFICATION
VERTICAL WOLFCAMP REEF SALTWATER DISPOSAL WELL RE-ENTRY
FEDERAL LEASE NMNM 98824 UNIT H, 1980' FNL, 660' FEL, SECTION 31, T17S, R30E
East, Eddy County, N.M**

Operator's Representative:

Burnett Oil Co., Inc. field representative responsible for compliance with the approved surface use and operations plan is:

Mr. Belton Mathews, District Supt.
P.O. Box 188
Loco Hills, New Mexico 88255
Office phone: (575) 677-2313
Home phone: (575) 746-8647
Cellular phone: (575) 703-9601

I hereby certify that I, or persons under my direct supervision have inspected the drill site and access route; that I am familiar with the conditions that currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Burnett Oil Co., Inc. and its 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.

Date: 6/22/2010

By Mark A. Jacoby
Mark A Jacoby
Engineering Manager

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	BURNETTE OIL CO., INC
LEASE NO.:	NM98824
WELL NAME & NO.:	3-POWER 31 FEDERAL SWD
SURFACE HOLE FOOTAGE:	1980' FNL & 0660' FEL
BOTTOM HOLE FOOTAGE:	SAME
LOCATION:	Section 31, T. 17 S., R 31 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**
 - Lesser Prairie-Chicken Timing Stipulations
 - Ground-level Abandoned Well Marker
 - Leak Detection System
 - Cultural
- ☒ **Construction**
 - Notification
 - V-Door Direction
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
 - CIT Requirements
 - H2S – Onshore Order 6 Requirements
- ☒ **Production (Post Drilling)**
 - Well Structures & Facilities
 - Pipelines
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

Leak Detection System:

A method of detecting leaks is required. The method could incorporate gauges to measure loss, siting valves 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.

Historic properties in the vicinity of this project are protected by federal law. In order to ensure that they are not damaged or destroyed by construction activities, the project proponent and construction supervisors shall ensure that the following stipulations are implemented.

Date of Issue: 09/07/2010 **BLM Report No.:** 10-0580

Project Name: Grayburg San Andres Water Flood Plant Pipeline

1. Professional archaeological monitoring. Contact your project archaeologist, or BLM's Cultural Resources Section at (575) 234-2228, 5917, 2236, or 5967, for

These stipulations must be given to your monitor at least 5 days prior to the start of construction.

No construction, including vegetation removal or other site prep may begin prior to the arrival of the monitor.

2. The archaeological monitor shall:

Ensure that all reroutes are adhered to avoid cultural site no.(s) LA101487, 3225, 68985, and 39913. Monitor construction between Stations 90+35.8 and 96+12.8 and between Stations 125+75.7 and 130+79.3.

Other:

Site Protection and Employee Education: It is the responsibility of the project proponent and his construction supervisor to inform all employees and subcontractors that cultural and archaeological sites are to be avoided by all personnel, vehicles, and equipment; and that it is illegal to collect, damage, or disturb cultural resources on Public Lands.

For assistance, contact BLM Cultural Resources:

Bruce Boeke	(575) 234-5917	Martin Stein	(575)
234-5967			
George MacDonell	(575) 234-2228	Jeremy Iliff	(575)
234-6231			

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) 234-5972 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. V-DOOR DIRECTION: EAST

C. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 6 inches in depth. The topsoil will be used for interim and final reclamation.

D. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

E. 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.

F. 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.

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 thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

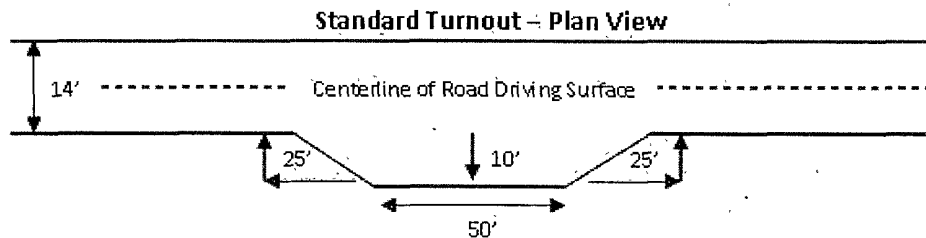
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

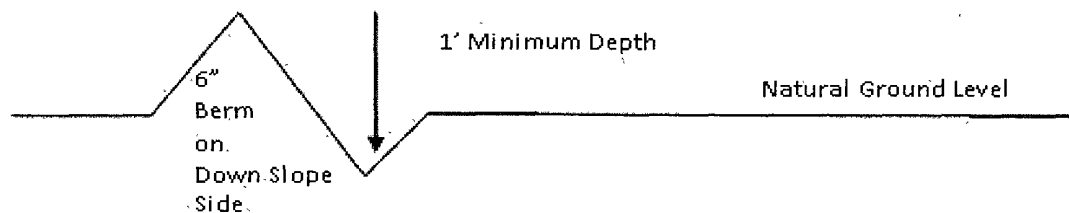


Drainage

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

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

Cross Section of a Typical Lead-off Ditch



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

Formula for Spacing Interval of Lead-off Ditches

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

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

Culvert Installations

Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

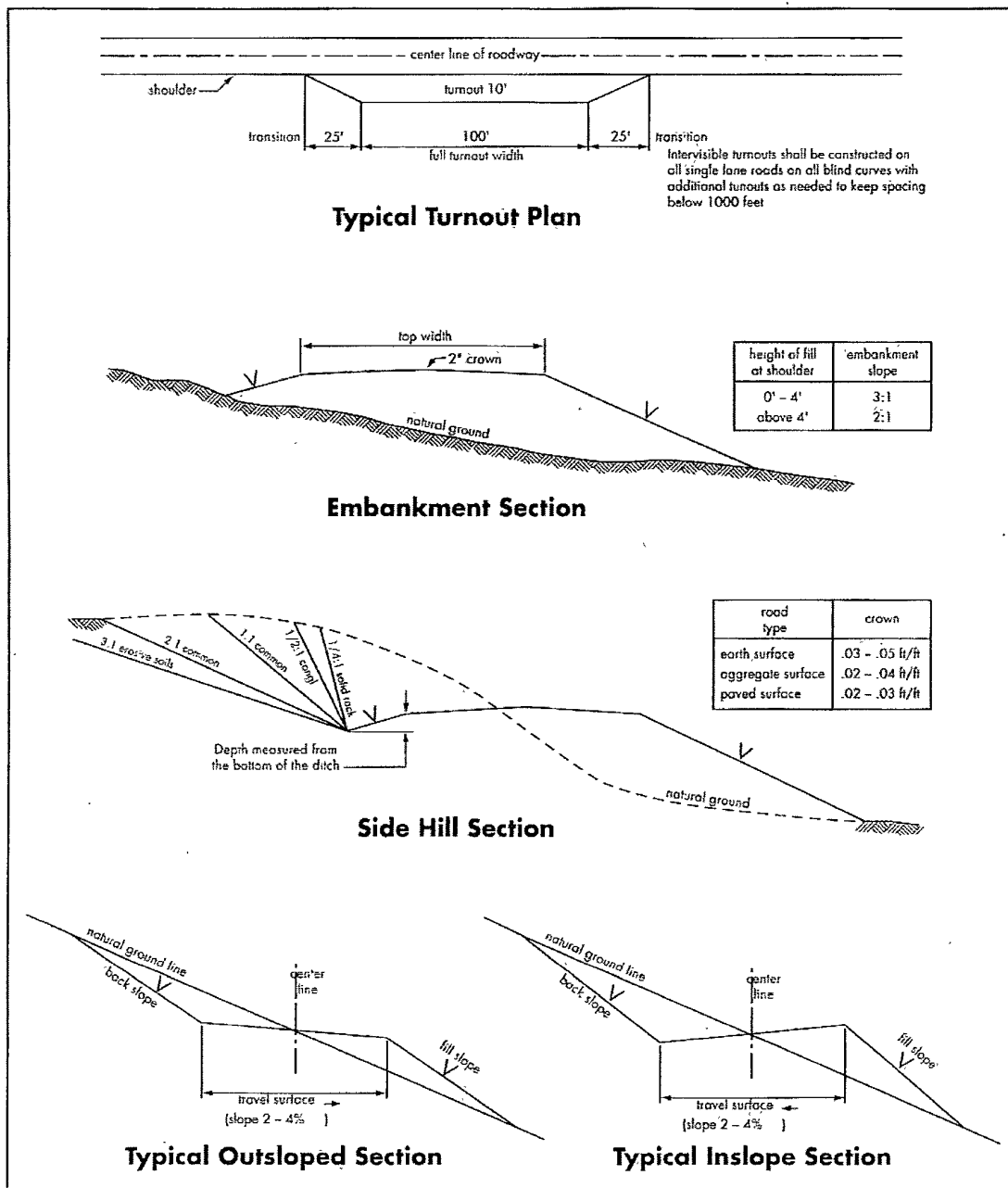
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

Public Access

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

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

1. **Hydrogen Sulfide has been reported as a hazard in the surrounding sections. Although the wellbore is cased, H₂S is still a potential hazard. H₂S has been reported from wells in the area in the Grayburg, Seven Rivers and Bone Spring Formations. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If Hydrogen Sulfide is encountered, please report measurements 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 are located, this does not include the dog house or stairway area.

B. CASING – RE-ENTRY

1. **The 13-3/8 inch surface casing is set at 520 feet with cement circulated to surface.**
2. **The 9-5/8 inch intermediate casing is set at 3920 feet with cement circulated to surface.**
3. **The 5-1/2 inch production casing is set at 11875 feet with cement circulated to 2095 feet.**

A CIT is to be performed on the 5-1/2 inch production casing per Onshore Oil and Gas Order 2.III.B.1.h after drilling out all plugs to PBTD of 11405. Test pressure to be 1710 psi.

All plugs will be drilled out with 8.4 lb/gal fresh water to PBTD of 11405'

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

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling out plug to PBTD shall be **3000 (3M) psi**.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. 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) prior to initiating the test.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. 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.**
 - d. 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.

D. DRILLING MUD

All plugs will be drilled out with 8.4 lb/gal fresh water to PBTD of 11405'

E. WELL COMPLETION

A NOI sundry with the procedure to complete this well shall be submitted and approved prior to commencing completion work. The procedure will be reviewed to verify that the completion will allow the operator to restrict the injection fluid to the approved formation.

F. 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.

EGF 081310

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

B. PIPELINES

BURIED PIPELINE STIPULATIONS

A copy of the, APD, Grant and attachments, including conditions of approval, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The Holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The Holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.

3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C.6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of holder, regardless of fault. Upon failure of holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve holder of any responsibility as provided herein.

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

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

7. Blading of all vegetation in the right-of-way will not be allowed. Blading is defined as the complete removal of brush and ground vegetation. Clearing of brush species will be allowed. Clearing defined as the removal of brush while leaving ground vegetation (grasses, weeds, etc.) intact. Clearing is best accomplished by holding the blade 4 to 6 inches above the ground surface. In areas where clearing is allowed, maximum width of these operations will not exceed 35 feet. Blading is only allowed within the width of the pipeline trench.

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

9. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

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

11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.

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

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

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

14. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. All signs and information thereon will be posted in a permanent, conspicuous manner, and will be maintained in a legible condition for the life of the pipeline.

15. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder before maintenance begins. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway. As determined necessary during the life of the pipeline, the Authorized Officer may ask the holder to construct temporary deterrence structures.

16. Any cultural and/or paleontological resources (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the Authorized Officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

17. Special Stipulations:

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

Leak Detection System:

A method of detecting leaks is required. The method could incorporate gauges to measure loss, siting valves 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.

Historic properties in the vicinity of this project are protected by federal law. In order to ensure that they are

not damaged or destroyed by construction activities, the project proponent and construction supervisors shall ensure that the following stipulations are implemented.

Date of Issue: 09/07/2010 **BLM Report No.:** 10-0580

Project Name: Grayburg San Andres Water Flood Plant Pipeline

1. Professional archaeological monitoring. Contact your project archaeologist, or BLM's Cultural Resources Section at (575) 234-2228, 5917, 2236, or 5967, for

These stipulations must be given to your monitor at least 5 days prior to the start of construction.

No construction, including vegetation removal or other site prep may begin prior to the arrival of the monitor.

2. The archaeological monitor shall:

Ensure that all reroutes are adhered to avoid cultural site no.(s) LA101487, 3225, 68985, and 39913. Monitor construction between Stations 90+35.8 and 96+12.8 and between Stations 125+75.7 and 130+79.3.

Other:

Site Protection and Employee Education: It is the responsibility of the project proponent and his construction supervisor to inform all employees and subcontractors that cultural and archaeological sites are to be avoided by all personnel, vehicles, and equipment; and that it is illegal to collect, damage, or disturb cultural resources on Public Lands.

For assistance, contact BLM Cultural Resources:

Bruce Boeke (575) 234-5917
(575) 234-5967

Martin Stein

George MacDonell (575) 234-2228
(575) 234-6231

Jeremy Iliff

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).

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

Seed Mixture for LPC Sand/Shinnery Sites

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

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

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

<u>Species</u>	<u>lb/acre</u>
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A
**Four-winged Saltbush	5lbs/A
* This can be used around well pads and other areas where caliche cannot be removed.	

*Pounds of pure live seed:

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

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary

Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 9, 2010

Burnett Oil Company, Inc.
C/O Mary Starkey
801 Cherry St., Suite 1500
Fort Worth, TX 76102

Email: mcstarkey@burnettoil.com

Rebuttal of presumption of inactivity as to one well
Effective through November 3, 2011

Re: Burnett Oil Company, Inc. (OGRID 3080)
Well: Jackson B #41, 30-015-33133

Dear Operator:

Subsection (F)(2) of Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC provides that the listing of a well on the OCD's inactive well list as a well inactive for more than one year plus 90 days creates a "rebuttable presumption" that the well is out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule).

An operator may rebut that presumption by providing evidence that the well is in compliance with OCD Rule 19.15.25.8 NMAC

The well identified above currently appears on the OCD's inactive well list as a well operated by Burnett Oil Company, Inc. (Burnett) that has been inactive for more than one year plus 90 days. However, Burnett has provided documentation that the well was worked over, with the most recent repair work on the well done on September 3, 2010. OCD Rule 19.15.2.7.1 (4) NMAC defines an inactive well, in relevant part, as a well that "is not being ... repaired or worked over."

Burnett has rebutted the presumption created by OCD Rule 19.15.5.9.F.2 that the well identified above is in violation of OCD Rule 19.15.25.8 NMAC because the well has been "active" as defined by OCD rules within the past year plus 90 days.

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone (505) 476-3440 * Fax (505) 476-3462 * <http://www.emnrd.state.nm.us>



Although the above-named well appears on Burnett's inactive well list, the OCD should not consider the well as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Burnett's compliance with OCD Rule 19.15.5.9 NMAC.

Because Burnett indicates that the well was being repaired as recently as September 3, 2010, the presumption that the well is not inactive will remain until November 3, 2011. one year and ninety days from the most recent day of activity.

On November 3, 2011 if the well identified above appears on the inactive well list the presumption that the well is inactive will return.

As stated above, the OCD should not consider the Jackson B #41 as out of compliance with OCD Rule 19.15.5.9.A.4.d NMAC or include it in calculating Burnett's compliance with OCD Rule 19.15.5.9 NMAC. However, until Burnett files a C-115 report for production of the Jackson B #41, the well will remain on the inactive well list. Burnett should attach a copy of this letter to any applications for a drilling permit, requests for allowable and authorization to transport, change of operator, or injection permits that Burnett might file with the OCD.

Sincerely,



Daniel Sanchez
Compliance and Enforcement Manager

Ec: Larry Hill, District I
Randy Dade, District II
Charlie Perrin, District III
Sonny Swazo, OCD General Counsel

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jim Noel
Cabinet Secretary

Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Administrative Order SWD-1220
August 5, 2010

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Rule 26.8B., Burnett Oil Co. Inc. seeks an administrative order to utilize its Power 31 Federal Well No. 3 (API 30-015-31806) located 1980 feet from the North line and 660 feet from the East line, Unit Letter H of Section 31, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, for produced water disposal purposes.

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of Division Rule 26.8B. Satisfactory information has been provided that affected parties as defined in Rule 26.8B.(2) have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in Rule 26.8 will be met and the operator is in compliance with Division Rule 5.9.

IT IS THEREFORE ORDERED THAT:

The applicant, Burnett Oil Co. Inc., is hereby authorized to utilize its Power 31 Federal Well No. 3 (API 30-015-31806) located 1980 feet from the North line and 660 feet from the East line, Unit Letter H of Section 31, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, for disposal of oil field produced water (classified as UIC Class II) into the Wolfcamp Reef through perforations from a gross interval of 8540 feet to 9400 feet through plastic lined tubing and packer set within 100 feet of the disposal interval.

Prior to commencing disposal, the operator shall plug back the well by installing a Cast Iron Bridge Plug within 200 feet below the bottom of the permitted disposal interval – or plug back depth as specified by the US BLM.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the proposed disposal interval and is not permitted to escape to other formations or onto the

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surface.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The wellhead injection pressure on the well shall be limited to **no more than 1710 psi**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition, which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate-Test.

The operator shall notify the supervisor of the Division's district office of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 26.13 and 7.24.

Without limitation on the duties of the operator as provided in Division Rules 30 and 29, or otherwise, the operator shall immediately notify the Division's district office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

The injection authority granted under this order is not transferable except upon division approval. The division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The division may revoke this injection permit after notice and hearing if the operator is in violation of 19.15.5.9 NMAC.

In accordance with Division Rule No 26.12.C., the disposal authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request, mailed by the operator prior to the termination date, may grant an extension thereof for good cause. One year after disposal into the well has ceased, the authority to dispose will terminate *ipso facto*.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.



MARK E. FESMIRE, P.E.
Acting Director

MEF/wvj

cc: Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad