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Form 3160-3  
(April 2004)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

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

EA 1018

|  |  |  |
|--|--|--|
| 1a Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER   |  | 5 Lease Serial No.<br>LC 067144  |
| 1b Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone |  | 6 If Indian, Allottee or Tribe Name  |
| 2 Name of Operator<br>BOPCO, L. P. (OGRID #260737)   |  | 7 If Unit or CA Agreement, Name and No   |
| 3a Address P. O. Box 2760<br>Midland, TX 79702   |  | 8 Lease Name and Well No. (38104)<br>North Indian Flats 24 Federal #10                           |
| 3b Phone No. (include area code)<br>432-683-2277   |  | 9 API Well No.<br>30-015-38196   |
| 4 Location of Well (Report location clearly and in accordance with any State requirements *)<br>At surface NESW, U. K. 2180' FSL, 1980' FWL, Lat N32.464516, Long W104.042223<br>At proposed prod zone Same          |  | 10 Field and Pool, or Exploratory<br>Indian Flats (Delaware) (33735)                             |
| 11 Sec, T R M or Blk and Survey or Area<br>Sec 24, T21S-R28E   |  | 12 County or Parish<br>Eddy County   |
| 13 State<br>NM   |  | 14 Distance in miles and direction from nearest town or post office*<br>6 miles east of Carlsbad |
| 15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any)<br>460'   | 16 No. of acres in lease<br>1280                   | 17 Spacing Unit dedicated to this well<br>40   |
| 18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft<br>1620'  | 19 Proposed Depth<br>3400'                         | 20 BLM/BIA Bond No. on file<br>COB000050   |
| 21 Elevations (Show whether DF, KDB, RT, GL, etc.)<br>3180.2' GL   | 22 Approximate date work will start*<br>09/15/2010 | 23 Estimated duration<br>8 Days  |

## 24. Attachments

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

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

|                                  |                                      |                 |
|----------------------------------|--------------------------------------|-----------------|
| 25 Signature <i>Katy Holster</i> | Name (Printed/Typed)<br>Katy Holster | Date<br>7/20/10 |
|----------------------------------|--------------------------------------|-----------------|

Title  
Administrative Assistant

|   |  |                     |
|---|--|---------------------|
| Approved by (Signature)<br>/s/ Don Peterson | Name (Printed/Typed)<br>/s/ Don Peterson | Date<br>SEP 23 2010 |
|---|--|---------------------|

|                            |                                 |
|----------------------------|---------------------------------|
| Title<br>FOR FIELD MANAGER | Office<br>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 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

\*(Instructions on page 2)

Capitan Controlled Water Basin

Approval Subject to General Requirements  
& Special Stipulations AttachedSEE ATTACHED FOR  
CONDITIONS OF APPROVAL

**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

Form C-102  
Revised October 15, 2009  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

|                                     |  |  |  |   |                              |
|-------------------------------------|--|--|--|---|------------------------------|
| 1 API Number<br><b>30-015-38196</b> |  | 2 Pool Code<br><b>33735</b>                            |  | 3 Pool Name<br><b>Indian Flats (Delaware)</b> |                              |
| 4 Property Code<br><b>38104</b>     |  | 5 Property Name<br><b>NORTH INDIAN FLATS "24" FED.</b> |  |   | 6 Well Number<br><b>10</b>   |
| 7 OGRID No.<br><b>260737</b>        |  | 8 Operator Name<br><b>BOPCO, L.P.</b>                  |  |   | 9 Elevation<br><b>3180.2</b> |

**10 Surface Location**

| UL or lot no. | Section   | Township     | Range        | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County      |
|---------------|-----------|--------------|--------------|---------|---------------|------------------|---------------|----------------|-------------|
| <b>K</b>      | <b>24</b> | <b>21 S.</b> | <b>28 E.</b> |         | <b>2180</b>   | <b>SOUTH</b>     | <b>1980</b>   | <b>WEST</b>    | <b>EDDY</b> |

**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<br><b>40</b> | 13 Joint or Infill<br><b>N</b> | 14 Consolidation Code | 15 Order No. |
|---------------------------------|--------------------------------|-----------------------|--------------|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

|  |  |
|--|--|
|  | <p><b>17 OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Gary E. Gerhard</i> 7/20/10<br/>Signature Date</p> <p>Gary E. Gerhard<br/>Printed Name</p> |
|  | <p><b>18 SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>Date of Survey: APRIL 23, 2010</p> <p><i>[Signature]</i><br/>Signature and Seal of Professional Surveyor</p> <p>Certificate Number: 12797<br/>MADRON SURVEYING, INC. SURVEY NO. 104</p>  |

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTFORM APPROVED  
OMB No 1004-0137  
Expires March 31, 2007**SUNDRY NOTICES AND REPORTS ON WELLS***Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.***SUBMIT IN TRIPLICATE- Other instructions on reverse side.**

|   |  |  |
|---|--|--|
| 1 Type of Well<br><input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other   |  | 5 Lease Serial No<br><b>067144</b>                                       |
| 2 Name of Operator<br><b>BOPCO, L. P.</b>   |  | 6 If Indian, Allottee or Tribe Name                                      |
| 3a Address<br><b>P. O. Box 2760 Midland, TX 79702</b>   | 3b Phone No (include area code)<br><b>432-683-2277</b> | 7 If Unit or CA/Agreement, Name and/or No.                               |
| 4 Location of Well (Footage, Sec., T, R, M., or Survey Description)<br><b>NESW, UL K, 2180' FSL &amp; 1980' FWL, Sec 24, T21S, R28E, Lat N32.464516, Long W104.042223</b> |  | 8 Well Name and No.<br><b>North Indian Flats 24 Federal #10</b>          |
|   |  | 9 API Well No  |
|   |  | 10 Field and Pool, or Exploratory Area<br><b>Indian Flats (Delaware)</b> |
|   |  | 11 County or Parish, State<br><b>Eddy County, NM</b>                     |

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

| TYPE OF SUBMISSION                                   | TYPE OF ACTION                                |   |  |   |
|--|---|---|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize              | <input type="checkbox"/> Deepen           | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off   |
| <input type="checkbox"/> Subsequent Report           | <input type="checkbox"/> Alter Casing         | <input type="checkbox"/> Fracture Treat   | <input type="checkbox"/> Reclamation               | <input type="checkbox"/> Well Integrity   |
| <input type="checkbox"/> Final Abandonment Notice    | <input type="checkbox"/> Casing Repair        | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete                | <input checked="" type="checkbox"/> Other <b>Correction to Multi-point Surface Use Plan</b> |
|  | <input type="checkbox"/> Change Plans         | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon       |   |
|  | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back        | <input type="checkbox"/> Water Disposal            |   |

- 13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

**BOPCO, L.P. requests this exhibit be included with the original APD.**

*8-23-10 Recommend Approval, Accepted into APD 8-23-10.*  
*Analyzed in EA 10-10/8 at this size already done*

|   |  |                                       |
|---|--|---------------------------------------|
| 14 I hereby certify that the foregoing is true and correct<br>Name (Printed/Typed)<br><b>Katy Holster</b> |  | Title <b>Administrative Assistant</b> |
| Signature <i>KH</i>   |  | Date <b>8/17/10</b>                   |

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

|   |                                     |            |
|---|-------------------------------------|------------|
| Approved by _____   | Title <b>FIELD MANAGER</b>          | Date _____ |
| Conditions of approval, if any, are attached. Approval of this notice 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. | Office <b>CARLSBAD FIELD OFFICE</b> |            |

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

(Instructions on page 2)



BOPCO, L.P.  
North Indian Flats 24 Federal #10  
Sec 24, T21S-R28E  
Eddy County, NM

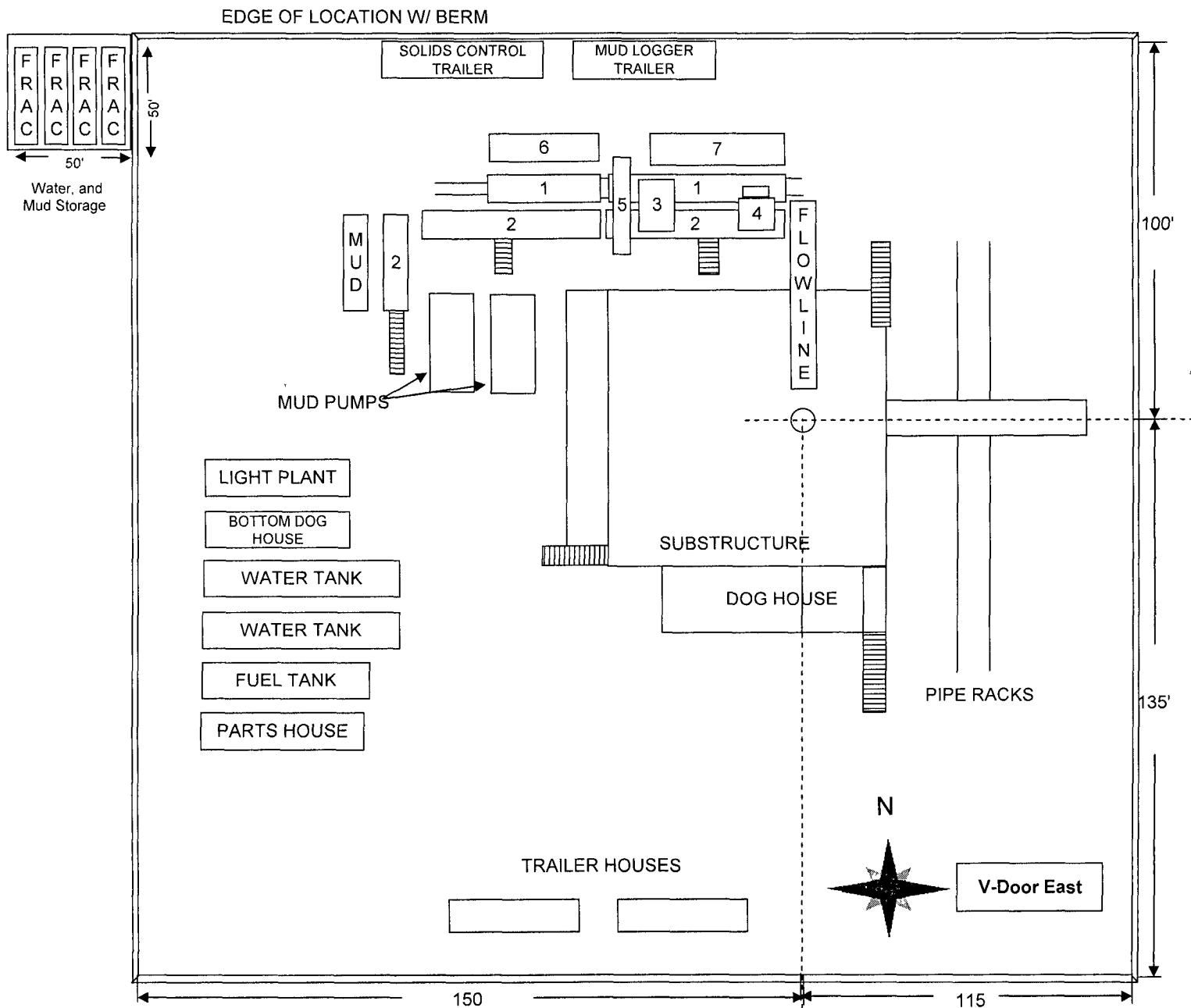
Exhibit "D"

## Cavaloz Drilling

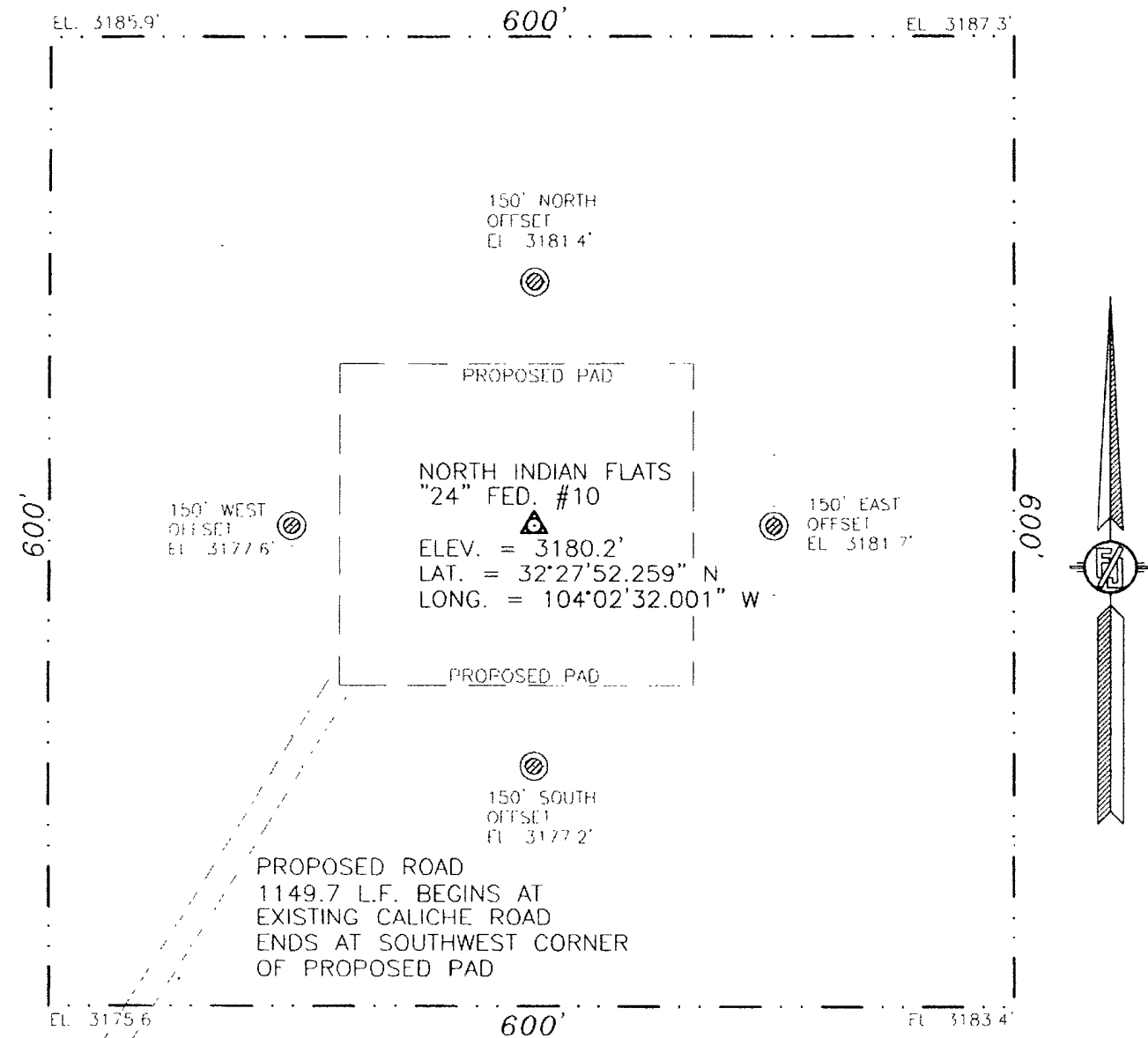
RIG LAYOUT SCHEMATIC  
INCLUSIVE OF CLOSED-LOOP DESIGN PLAN

### Solids Control Equipment Legend

- |                 |                    |
|-----------------|--------------------|
| 1) Roll Off Bin | 5) Centrifuge      |
| 2) Steel Tank   | 6) Dewatering Unit |
| 3) Mud Cleaner  | 7) Catch Tank      |
| 4) Shaker       |                    |



SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO



010 50 100 200  
SCALE 1" = 100'

**DIRECTIONS TO LOCATION**

FROM U.S. HWY 62+180 AND CR. 603A GO WEST ON 62+180 0.2 MILES, TURN LEFT ON CALICHE LSE RD AND GO SOUTHEAST 4.3 MILES, TURN LEFT AND GO EAST 2.0 MILES, TURN LEFT AND GO NORTH 2.5 MILES, TURN LEFT AND GO NORTHWEST 0.35 MILES TO A PROPOSED ROAD SURVEY AND FOLLOW FLAGS NORTHEAST 1150' TO THE SOUTHWEST PROPOSED PAD COR. FOR THIS LOCATION

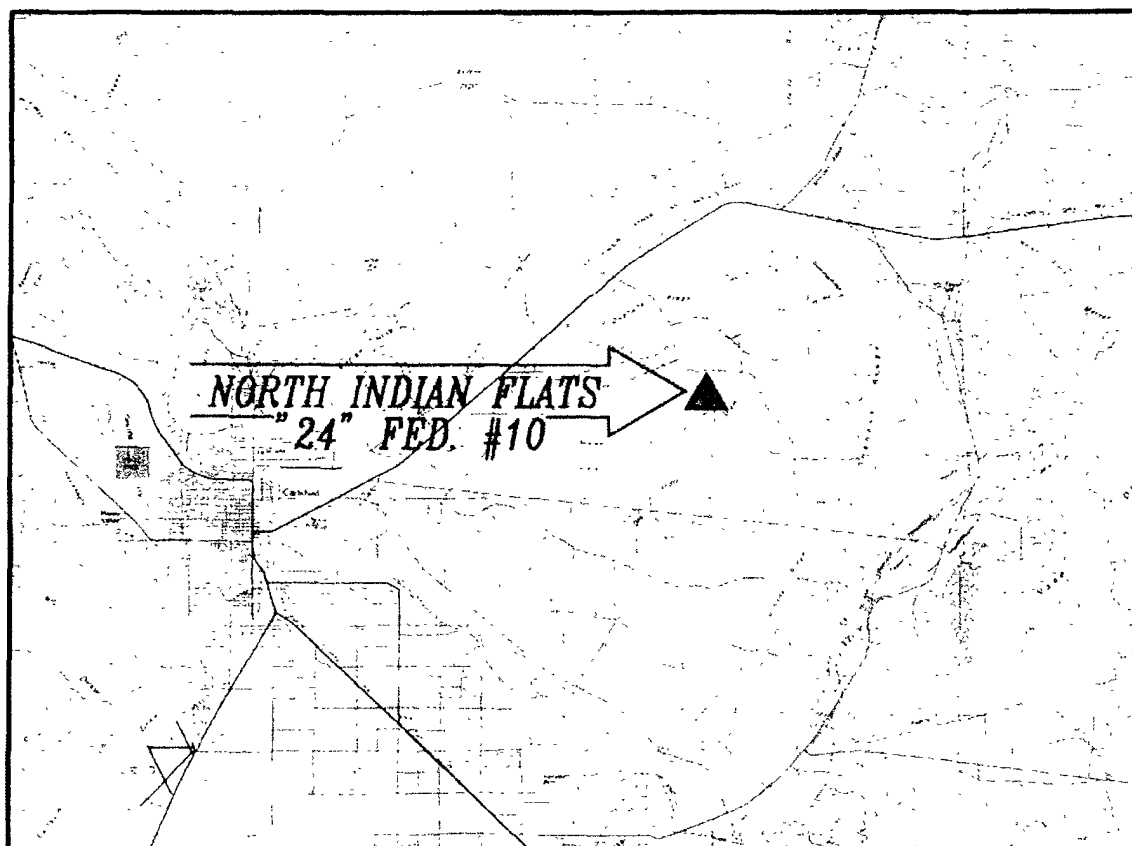
BOPCO, L.P.  
NORTH INDIAN FLATS "24" FED. #10  
LOCATED 2180 FT. FROM THE SOUTH LINE  
AND 1980 FT. FROM THE WEST LINE OF  
SECTION 24, TOWNSHIP 21 SOUTH,  
RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 23, 2010

SURVEY NO. 104

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 887-5830 CARLSBAD, NEW MEXICO

SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO  
VICINITY MAP



DIRECTIONS TO LOCATION

FROM U.S. HWY 62+180 AND CR. 603A GO  
WEST ON 62+180 0.2 MILES, TURN LEFT ON  
CALICHE LSE. RD. AND GO SOUTHEAST 4.3  
MILES, TURN LEFT AND GO EAST 2.0 MILES,  
TURN LEFT AND GO NORTH 2.5 MILES, TURN  
LEFT AND GO NORTHWEST 0.35 MILES TO A  
PROPOSED ROAD SURVEY AND FOLLOW FLAGS  
NORTHEAST 1150' TO THE SOUTHWEST  
PROPOSED PAD COR. FOR THIS LOCATION

NOT TO SCALE

SEC 24 TWP 21-S RGE 28-E  
SURVEY N.M.P.M.  
COUNTY EDDY STATE NEW MEXICO  
DESCRIPTION 2180' FSL & 1980' FWL  
ELEVATION 3180.2  
OPERATOR BOPCO, L.P.  
LEASE NORTH INDIAN FLATS

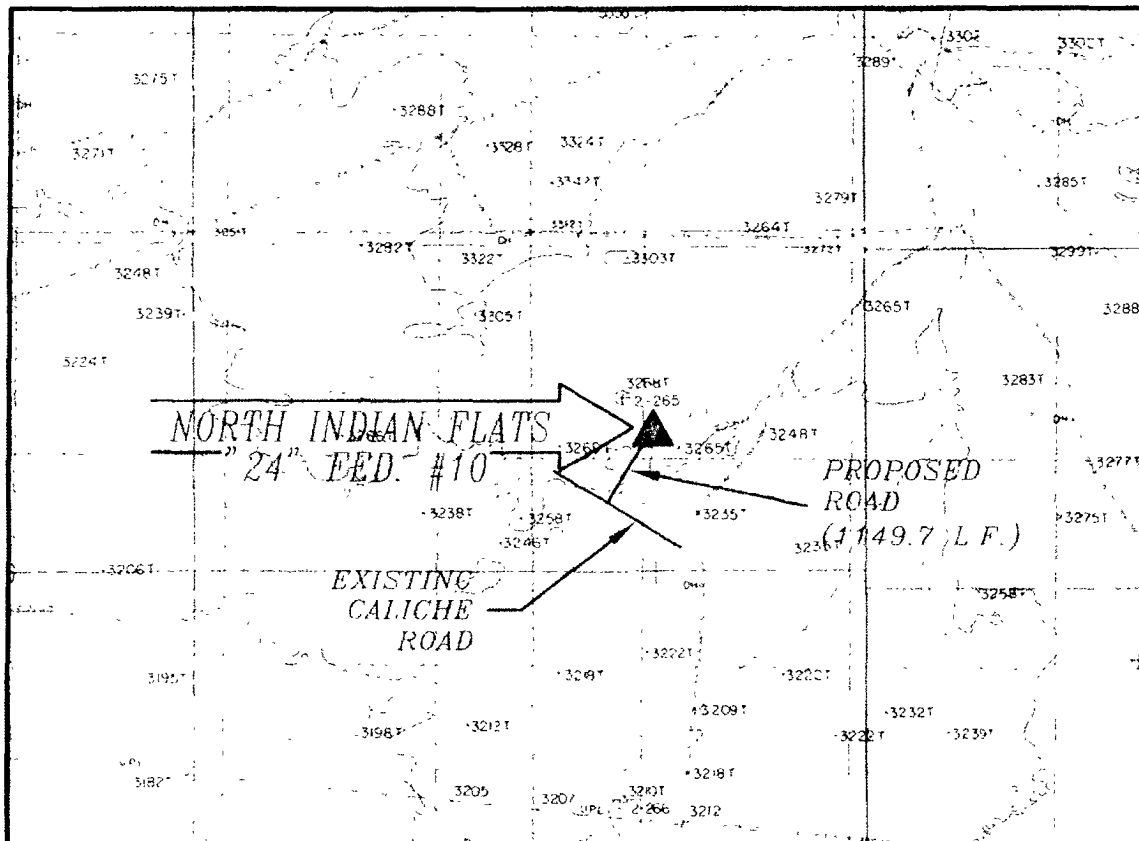
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RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 23, 2010

SURVEY NO. 104

MADRON SURVEYING, INC. 301 SOUTH CANAL CARLSBAD, NEW MEXICO  
(575) 887-5830

SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
 EDDY COUNTY, STATE OF NEW MEXICO  
**LOCATION VERIFICATION MAP**



NOT TO SCALE

**DIRECTIONS TO LOCATION**

FROM U.S. HWY 62+180 AND CR. 603A GO WEST ON 62+180 0.2 MILES, TURN LEFT ON CALICHE LSE. RD AND GO SOUTHEAST 4.3 MILES, TURN LEFT AND GO EAST 2.0 MILES, TURN LEFT AND GO NORTH 2.5 MILES, TURN LEFT AND GO NORTHWEST 0.35 MILES TO A PROPOSED ROAD SURVEY AND FOLLOW FLAGS NORTHEAST 1150' TO THE SOUTHWEST PROPOSED PAD COR FOR THIS LOCATION.

CONTOUR INTERVAL:  
 INDIAN FLATS

SEC. 24 TWP 21-S RGE. 28-E  
 SURVEY N.M.P.M.  
 COUNTY EDDY STATE NEW MEXICO  
 DESCRIPTION 2180' FSL & 1980' FWL  
 ELEVATION 3180.2  
 OPERATOR BOPCO, L.P.  
 LEASE NORTH INDIAN FLATS

BOPCO, L.P.  
 NORTH INDIAN FLATS "24" FED. #10  
 LOCATED 2180 FT. FROM THE SOUTH LINE  
 AND 1980 FT. FROM THE WEST LINE OF  
 SECTION 24, TOWNSHIP 21 SOUTH,  
 RANGE 28 EAST, N.M.P.M.  
 EDDY COUNTY, STATE OF NEW MEXICO

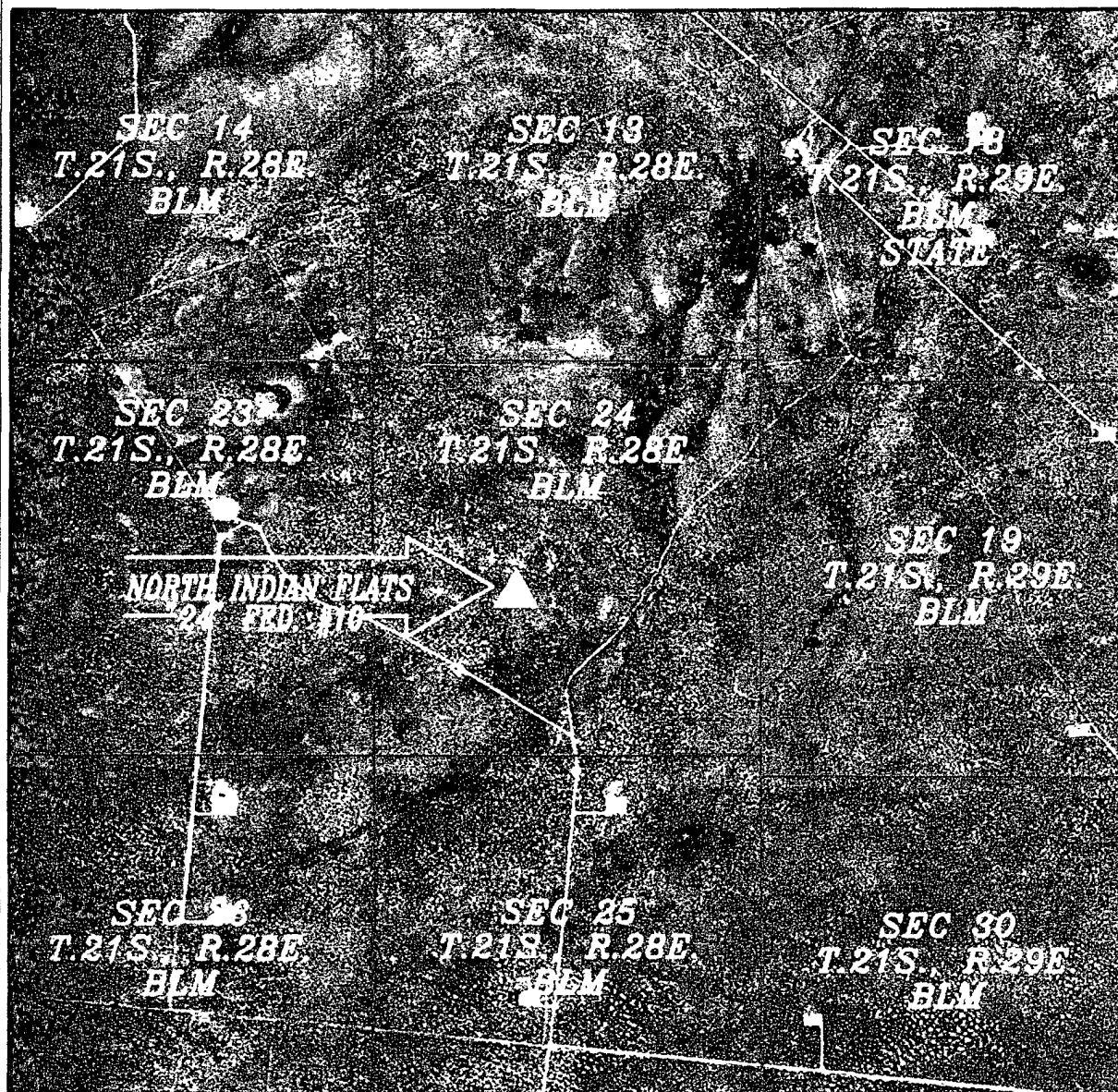
APRIL 23, 2010

SURVEY NO. 104

MADRON SURVEYING, INC. 301 SOUTH CANAL CARLSBAD, NEW MEXICO  
 (575) 887-5830

SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

# LAND OWNERSHIP MAP AERIAL PHOTO



NOT TO SCALE  
2005 AERIAL PHOTO

ROPCO, L P

NORTH INDIAN FLATS "24" FED #10  
LOCATED 2180 FT FROM THE SOUTH LINE  
AND 1980 FT. FROM THE WEST LINE OF  
SECTION 24, TOWNSHIP 21 SOUTH,  
RANGE 28 EAST, N M P M  
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 23, 2010

SURVEY NO 104

MADRON SURVEYING, INC. 2000 CARLSBAD, NEW MEXICO

SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

# LAND OWNERSHIP MAP AERIAL PHOTO



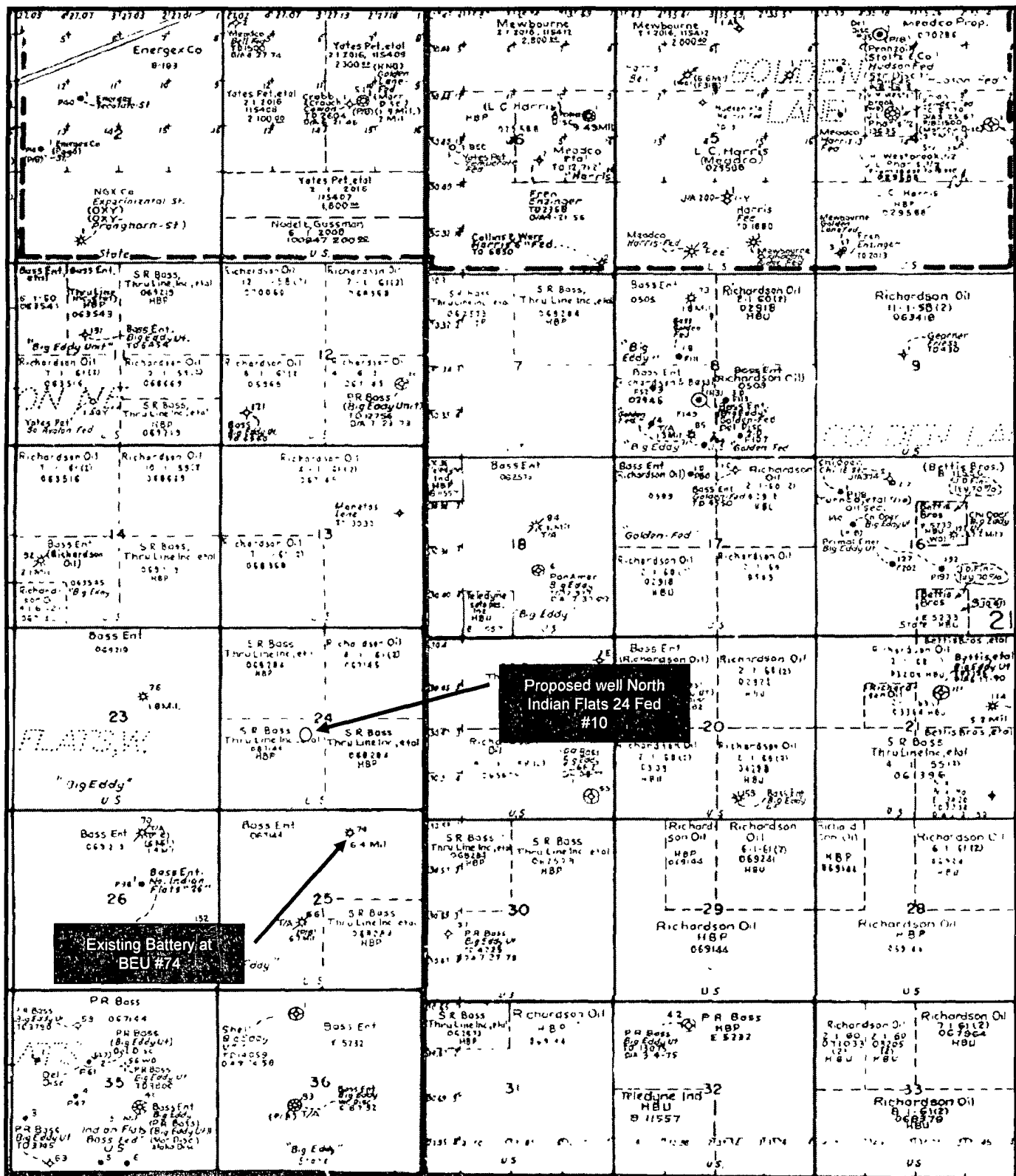
NOT TO SCALE  
2005 AERIAL PHOTO

BOPCO, L.P.  
NORTH INDIAN FLATS "24" FED. #10  
LOCATED 2180 FT FROM THE SOUTH LINE  
AND 1980 FT FROM THE WEST LINE OF  
SECTION 24, TOWNSHIP 21 SOUTH,  
RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 23, 2010

SURVEY NO. 104

MADRON SURVEYING, INC. 301 SOUTH C. AVE. CARLSBAD, NEW MEXICO  
(575) 887-5830

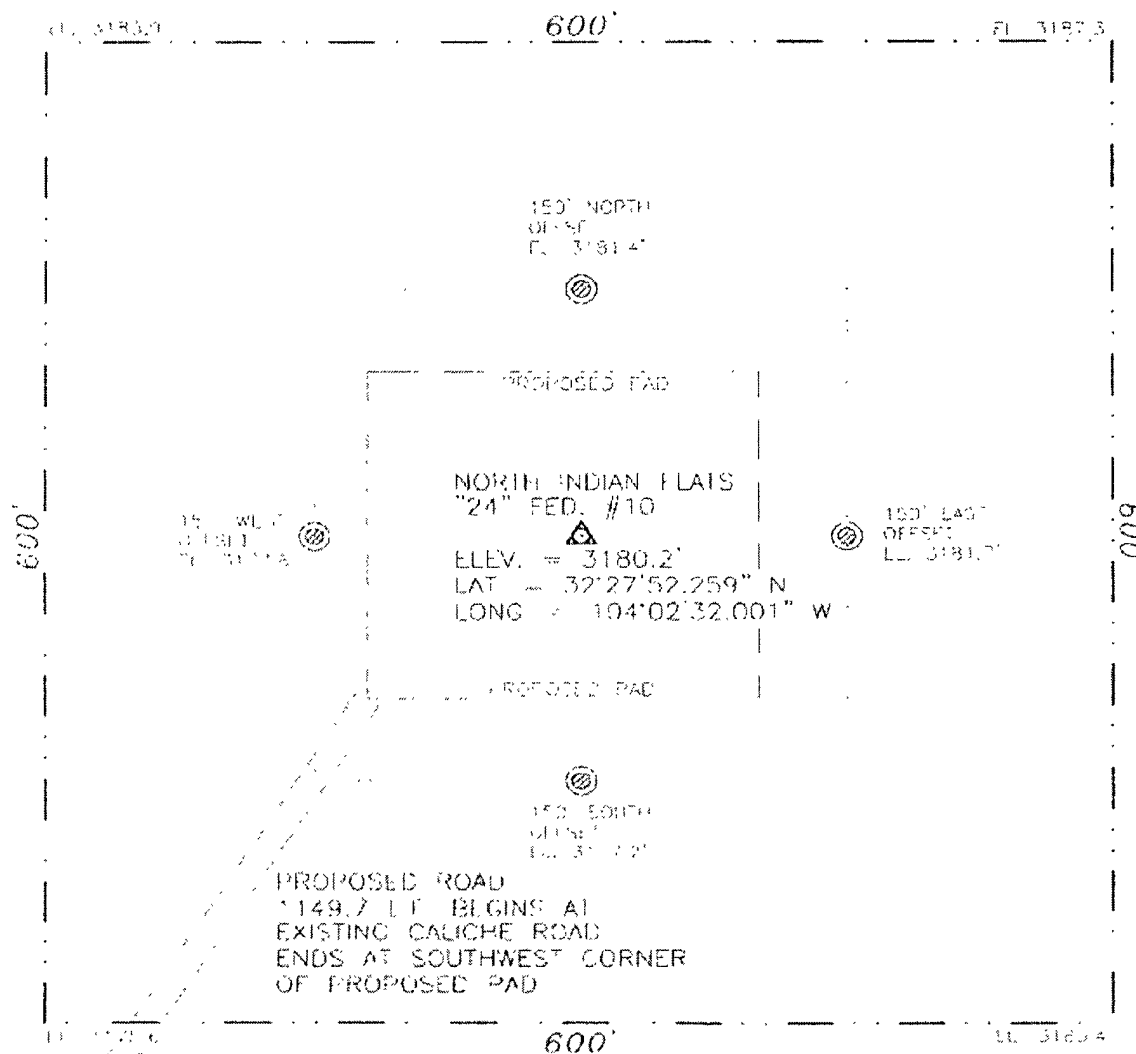


# North Indian Flats 24 Fed #10

## Exhibit "B"



SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO



0 50 100 200

SCALE 1" = 100'

### DIRECTIONS TO LOCATION

FROM U.S. HWY. 62+180 AND CR. 603A GO WEST ON  
62+180 0.2 MILES, TURN LEFT ON CALICHE LSE. RD. AND  
GO SOUTHEAST 4.3 MILES, TURN LEFT AND GO EAST 2.0  
MILES, TURN LEFT AND GO NORTH 2.5 MILES, TURN LEFT  
AND GO NORTHWEST 0.35 MILES TO A PROPOSED ROAD  
SURVEY AND FOLLOW FLAGS NORTHEAST 1150' TO THE  
SOUTHWEST PROPOSED PAD COR. FOR THIS LOCATION.

**BOPCO, L.P.**  
**NORTH INDIAN FLATS "24" FED #10**  
**LOCATED 2180 FT. FROM THE SOUTH LINE**  
**AND 1980 FT. FROM THE WEST LINE OF**  
**SECTION 24, TOWNSHIP 21 SOUTH,**  
**RANGE 28 EAST, N.M.P.M.**  
**EDDY COUNTY, STATE OF NEW MEXICO**

APRIL 23, 2010

SURVEY NO. 104

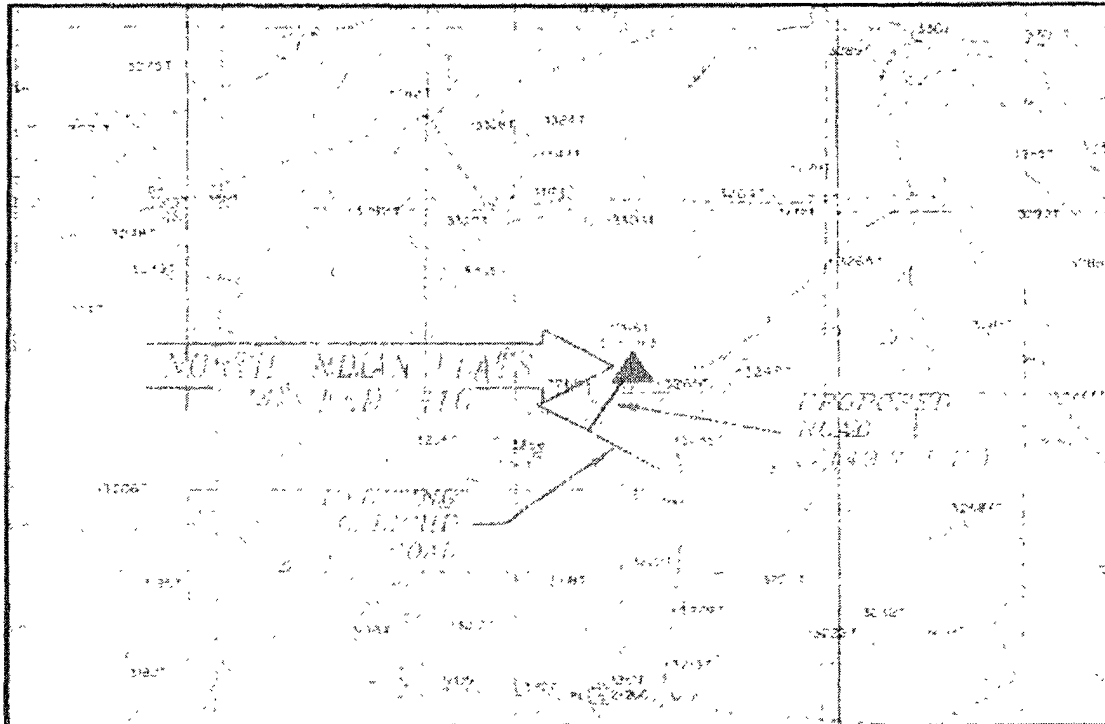
MADRON SURVEYING, INC. 301 SOUTH DAWK (214) 581-1876 CARLSBAD, NEW MEXICO

# North Indian Flats 24 Fed #10 Exhibit "C"



SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

## LOCATION VERIFICATION MAP



NOT TO SCALE

### DIRECTIONS TO LOCATION

FROM U.S. HWY. 62+180 AND CR. 603A GO WEST ON 62+180 0.2 MILES, TURN LEFT ON CALICHE (SE. RD) AND GO SOUTHEAST 4.3 MILES, TURN LEFT AND GO EAST 2.0 MILES, TURN LEFT AND GO NORTH 2.5 MILES, TURN LEFT AND GO NORTHWEST 0.35 MILES TO A PROPOSED ROAD SURVEY AND FOLLOW FLAGS NORTHEAST 1150' TO THE SOUTHWEST PROPOSED PAD CUR. FOR THIS LOCATION

CONTOUR INTERVAL:  
INDIAN FLATS

SEC. 24 TWP. 21-S RGE. 28-E  
SURVEY N.M.P.M.  
COUNTY EDDY STATE NEW MEXICO  
DESCRIPTION 2"80' FSL & 1980' FWL  
ELEVATION 3180.2  
OPERATOR BOPCO, L.P.  
LEASE NORTH INDIAN FLATS

BOPCO, L.P.  
NORTH INDIAN FLATS "24" FED. #10  
LOCATED 2180 FT. FROM THE SOUTH LINE  
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SECTION 24, TOWNSHIP 21 SOUTH,  
RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 23, 2010

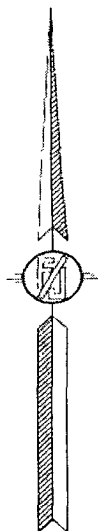
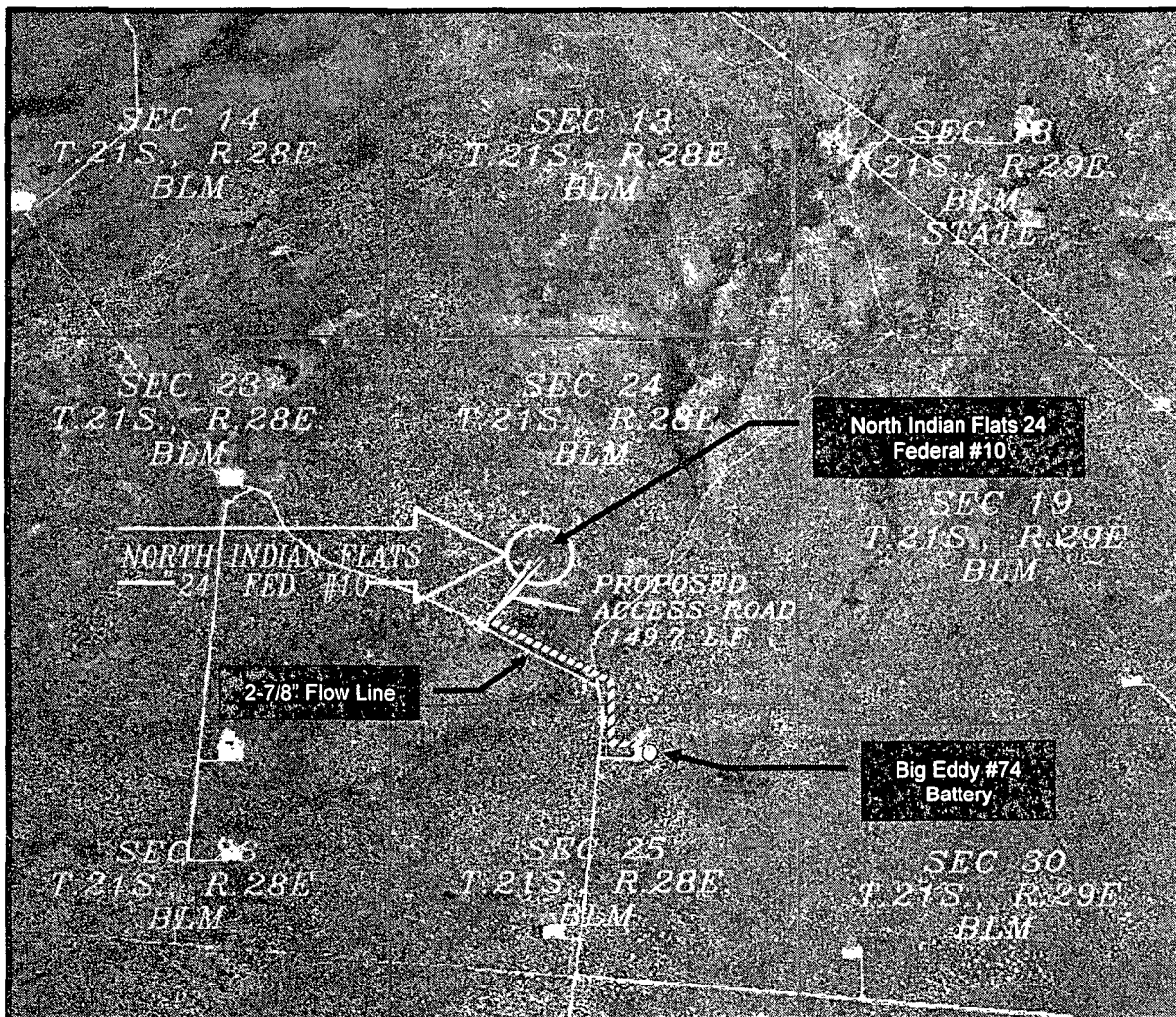
SURVEY NO. 104

MADRON SURVEYING, INC. 3 SOUTH CANAL CARLSBAD, NEW MEXICO  
757 887-0830

North Indian Flats 24 Fed #10  
Exhibit "E"



SECTION 24, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY STATE OF NEW MEXICO  
*LAND OWNERSHIP MAP*  
*AERIAL PHOTO*



NOT TO SCALE  
2005 AERIAL PHOTO

BOPCO, L.P.  
NORTH INDIAN FLATS "24" FED #10  
LOCATED 2180 FT. FROM THE SOUTH LINE  
AND 1980 FT. FROM THE WEST LINE OF  
SECTION 24, TOWNSHIP 21 SOUTH,  
RANGE 28 EAST, N.M.P.M.  
EDDY COUNTY, STATE OF NEW MEXICO

APRIL 23, 2010

SURVEY NO 104

MADRON SURVEYING, INC. CARLSBAD, NEW MEXICO

301 N. H. H. CANA  
(375) 887-5630

Surface casing to be set into the Rustler below all fresh water sands.

Production casing will be cemented using BJ Hughes 50:50 Poz Mix Class C plus additives with TOC @ surface.

Drilling procedure, BOP diagram, anticipated tops and surface plans attached.

This well is located outside the Secretary's Potash area and outside the R-111 Potash area. There are potash leases within 5 miles of the location. (4 miles southeast)

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

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

**NAME OF WELL:** North Indian Flats 24 Federal #10

**LEGAL DESCRIPTION - SURFACE:** 2180' FSL & 1980' FWL, Section 24, T21S; R28E, 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 3192.2'  
GL 3180.2'

| <u>FORMATION</u>        | <u>ESTIMATED<br/>TOP FROM KB</u> | <u>ESTIMATED<br/>SUBSEA TOP</u> | <u>BEARING</u> |
|-------------------------|----------------------------------|---------------------------------|----------------|
| T/Rustler               | Surface'                         |                                 | Barren         |
| B/Rustler               | 212'                             | + 2,980'                        | Barren         |
| T/Salt                  | 392'                             | + 2,800'                        | Barren         |
| B/Salt                  | 2,242'                           | + 950'                          | Barren         |
| T/Delaware Mtn Grp      | 2,612'                           | + 580'                          | Oil/Gas        |
| Clean Carb above R. Sd. | 2,742'                           | + 450'                          | Oil/Gas        |
| T/Ramsey Sand           | 2,770'                           | + 422'                          | Oil/Gas        |
| TD                      | 3,400'                           | - 208'                          | Oil/Gas        |

**POINT 3: CASING PROGRAM**

| <u>TYPE</u>                  | <u>HOLE SIZE</u> | <u>INTERVALS</u> | <u>PURPOSE</u> | <u>CONDITION</u>      |
|------------------------------|------------------|------------------|----------------|-----------------------|
| 14"                          | 20"              | 0' - 40'         | Conductor      | Contractor Discretion |
| 8 5/8", 32#, J-55, 8rd STC   | 12-1/4"          | 0' - 382'        | Surface        | New                   |
| 5-1/2", 15.5#, J-55, 8rd LTC | 7-7/8"           | 0' - 3,400'      | Production     | New                   |

**CASING DESIGN SAFETY FACTORS:**

| <u>TYPE</u>                  | <u>TENSION</u> | <u>COLLAPSE</u> | <u>BURST</u> |
|------------------------------|----------------|-----------------|--------------|
| 8 5/8", 32#, J-55, 8rd STC   | 32.60          | 11.40           | 8.45         |
| 5-1/2", 15.5#, J-55, 8rd LTC | 4.98           | 2.29            | 1.28         |

**DESIGN CRITERIA AND CASING LOADING ASSUMPTIONS:**

SURFACE CASING

Tension      A 1.6 design factor utilizing the effects of buoyancy (9.2 ppg).

Collapse      A 1.0 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.48 psi/ft). The effects of axial load on collapse will be considered.

**DESIGN CRITERIA AND CASING LOADING ASSUMPTIONS: - con't...**

**Burst** A 1.3 design factor with a surface pressure equal to the fracture gradient at setting depth less a gas gradient to the surface. Internal burst force at the shoe will be fracture pressure at that depth. Backup pressure will be formation pore pressure. In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture resistance up to a 1.0 psi/ft gradient. The effects of tension on burst will not be utilized.

**PRODUCTION CASING**

**Tension** A 1.6 design factor utilizing the effects of buoyancy (10.0 ppg).

**Collapse** A 1.0 design factor with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run (0.52 psi/ft). The effects of axial load on collapse will be considered.

**Burst** A 1.25 design factor with anticipated maximum tubing pressure (3000 psig) on top of the maximum anticipated packer fluid gradient. Backup on production strings will be formation pore pressure (0.43 psi/ft). The effects of tension on burst will not be utilized.

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

A BOP equivalent to Diagram 1 will be nipped up on the surface casing head. The BOP stack, blind and pipe rams, chokes, kill line, Upper and lower Kelly valves, inside BOP, choke manifold when rigged up on the surface casing will be tested to 2000 psig (working pressure of BOPE) by independent tester. 8-5/8" casing will be tested to 1500 psig.

These tests will be performed:

- a) When initially installed
- b) Whenever any seal subject to test pressure is broken
- c) Following related repairs
- d) At 30 day intervals

A function test to insure that the preventers are operating correctly will be performed on each trip. See the attached Diagram 1 for the minimum criteria for the choke manifold.

**POINT 5: MUD PROGRAM**

| <u>DEPTH</u>  | <u>MUD TYPE</u> | <u>WEIGHT</u> | <u>FV</u> | <u>PV</u> | <u>YP</u> | <u>FL</u> | <u>Ph</u> |
|---------------|-----------------|---------------|-----------|-----------|-----------|-----------|-----------|
| 0' – 382'     | FW              | 8.5 - 9.2     | 45-35     | NC        | NC        | NC        | 9.5       |
| 382' – 3,400' | BW              | 10.0 - 10.3   | 28-30     | NC        | NC        | NC        | 9.5       |

**POINT 6: TECHNICAL STAGES OF OPERATION****A) TESTING**

No drill stem tests are planned

**POINT 6: TECHNICAL STAGES OF OPERATION - con't...****B) LOGGING - See COA**

Run #1:

Pex (GR-CNL/LDT) @ TD. GR/CNL to surface.

**C) CORING**

No cores are anticipated.

**D) CEMENT**

| <u>INTERVAL</u>         | <u>AMOUNT</u><br><u>SX</u> | <u>FT OF</u><br><u>FILL</u> | <u>TYPE</u>                              | <u>GALS/SX</u> | <u>PPG</u> | <u>FT<sup>3</sup>/SX</u> |
|-------------------------|----------------------------|-----------------------------|--|----------------|------------|--------------------------|
| SURFACE .               |                            |                             |  |                |            |                          |
| Lead                    |                            |                             |  |                |            |                          |
| 0'-382'                 | 310                        | 382                         | Class-C + 2% CaCl                        | 6.39           | 14.8       | 1.35                     |
| (100% excess)           |                            |                             |  |                |            |                          |
| (Circulated to surface) |                            |                             |  |                |            |                          |
| PRODUCTION.             |                            |                             |  |                |            |                          |
| Lead                    |                            |                             |  |                |            |                          |
| 0'-2,303'               | 250                        | 2303                        | 50.50 Poz Class C +<br>10% Gel + 5% NaCl | 14.07          | 11.80      | 2.44                     |
| (30% excess)            |                            |                             |  |                |            |                          |
| (Circ to Surface)       |                            |                             |  |                |            |                          |
| Tail                    |                            |                             |  |                |            |                          |
| 2,303'-3,400'           | 270                        | 1107                        | 50.50 Poz Class C +<br>2% Gel + 5% NaCl  | 5.91           | 14.02      | 1.29                     |
| (30% excess)            |                            |                             |  |                |            |                          |

**E) DIRECTIONAL DRILLING**

No directional services anticipated.

**POINT 7: ANTICIPATED RESERVOIR CONDITIONS**

Normal pressures are anticipated throughout the Delaware section. A BHP of 1472 psi (max) or MWE of 8.33 ppg is expected. The Ramsey production does contain H<sub>2</sub>S. A H<sub>2</sub>S contingency plan covering all of Sec 24 will be submitted separately.

**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**

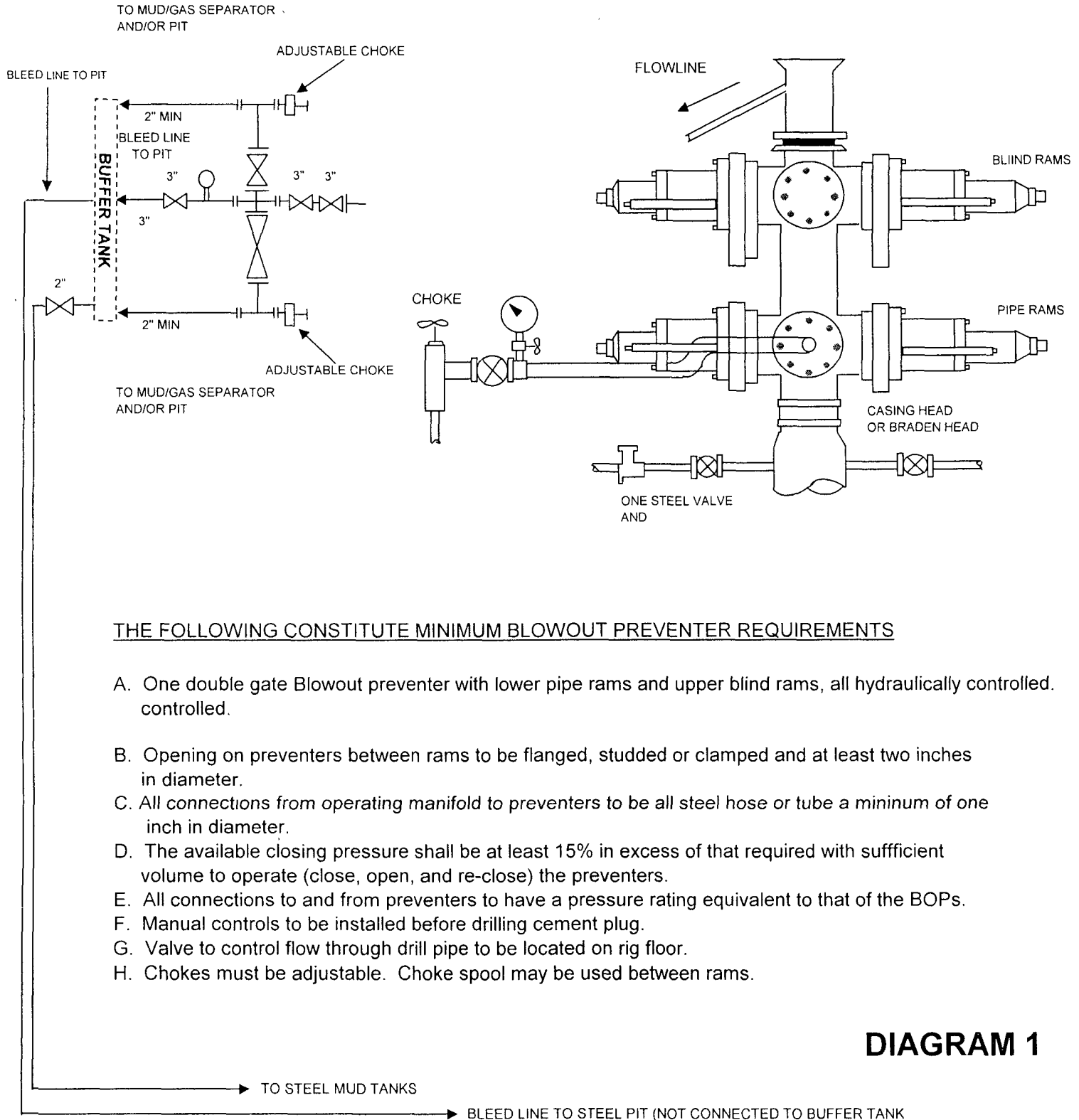
Spud date is 9/15/2010.

8 days drilling operations

7 days completion operations

GEG/mac

# BOPCO, L. P. 2000 PSI WP



## THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate Blowout preventer with lower pipe rams and upper blind rams, 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 BOPs.
- 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. Chokes must be adjustable. Choke spool may be used between rams.

**DIAGRAM 1**

## **MULTI-POINT SURFACE USE PLAN**

NAME OF WELL: North Indian Flats 24 Federal #10

LEGAL DESCRIPTION - SURFACE: 2180' FSL & 1980' FWL, Section 24, T21S, R28E, Eddy County, New Mexico.

### **POINT 1: EXISTING ROADS**

- A) Proposed Well Site Location

See Exhibit "A".

- B) Existing Roads

From US Hwy 62+180 and CR 603A go west on 62+180 0.2 miles, turn left on caliche lease road and go south-southeast 4.3 miles, turn left and go east 2.0 miles, turn left and go north 2.5 miles, turn left and go northwest 0.35 miles to a proposed road survey and follow flags northeast 1150' to the southwest proposed pad cor for this location.

- C) Existing Road Maintenance or Improve Plan

See Exhibit "B"

### **POINT 2: NEW PLANNED ACCESS ROUTE**

- A) Route Location

See Exhibit "B". The new road will be 12' wide and approximately 1149.7' long from existing lease road. The road will be constructed of 6" watered and compacted caliche.

- B) Width

12' Wide.

- C) Maximum Grade

Not Applicable.

- D) Turnouts

As required by BLM stipulations.

- E) Culverts, Cattle Guards, and Surfacing Equipment

None.

### **POINT 3: LOCATION OF EXISTING WELLS**

Exhibit "A" indicates existing wells within the surrounding area.

#### **POINT 4: LOCATION OF EXSITING OR PROPOSED FACILITIES**

Page 2

- A) Existing facilities are located within one mile which are owned and controlled by lessee/operator:

Closest Oil/Gas production facilities are located at the Big Eddy #74 well site. The North Indian Flats 24 Federal #10 is located approximately 3600' northwest of the Big Eddy #74. (See Exhibit "A")

- B) New Facilities in the Event of Production:

Additional production facilities will be added to the Big Eddy #74 (Section 25, T21S-R28E, NWNE) and will be used via 2-7/8" flow lines laid on top of ground. A new flow line consisting of 2-7/8" steel pipe will be laid within 50' of the centerline of the access road and existing roads which have previously been arch cleared. (See exhibit "E") Initially no power lines will be installed. A rental electric generator will be set to power pumping unit.

- C) Rehabilitation of Disturbed Areas Unnecessary for Production:

Following the construction of production facilities, those access areas required for continued production will be graded to provide drainage and minimize erosion. The areas necessary for use will be graded to blend in 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 the City of Carlsbad or piped from the IMC Booster Station water well located 5.2 miles east of Carlsbad. Brine water will be hauled from I & W Brine Water Station 0.75 miles southeast of Carlsbad.

- B) Water Transportation System

Water hauled to the location will be over the existing and proposed roads or transported via temporary poly-line from the fresh water source.

#### **POINT 6: SOURCE OF CONSTRUCTION MATERIALS**

- A) Materials-

Caliche source located in Sec. 5, T21S, R29E

- B) Land Ownership

Federally Owned.

- C) Materials Foreign to the Site

Caliche will be hauled from the nearest BLM approved caliche pit.

D) Access Roads

1149.7' of new access roads are required. See Exhibit "B".

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

A) Cuttings – Closed Loop System

Cuttings will be contained in the steel pits and will be hauled to an approved disposal facility.

B) Drilling Fluids – Closed Loop System

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

C) Produced Fluids

Water production will be contained in the steel pits.

Hydrocarbon fluid or other fluids that may be produced during testing will be retained in test tanks.

D) Sewage

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

E) Garbage

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

F) Cleanup of Well Site

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

**POINT 8: ANCILLARY FACILITIES**

None required.

**POINT 9: WELL SITE LAYOUT**

A) Rig Orientation and Layout

Exhibit "D" shows the dimensions of the well pad and closed loop system, and the location of major rig components. Only minor leveling of the well site will be required. No significant cuts or fills will be necessary.

- B) Locations of closed loop system and access road

See Exhibit "D" & Exhibit "C".

- C) Lining of the Pits

No reserve pit. Closed loop system.

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

- A) Reserve Pit Cleanup - Not applicable (see Point 9C above).

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

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

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 no water wells located within one mile of the proposed well site.

G) Residences and Buildings

None in the immediate vicinity.

H) Historical Sites

None observed.

I) Archeological Resources

An archeological survey has been performed for this area and 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 federal owned land.

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

L) Open Pits - None used. Closed loop system.

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

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

### **DRILLING**

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

### **PRODUCTION**

Dean Clemmer  
3104 East Green Street  
Carlsbad, New Mexico 88220  
(575) 887-7329

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


## OPERATOR 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 BOPCO, L.P. 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.

Date

7/20/10

Gary E. Gerhard

  
Gary E. Gerhard

# PECOS DISTRICT CONDITIONS OF APPROVAL

|                       |                                     |
|-----------------------|-------------------------------------|
| OPERATOR'S NAME:      | BOPCO                               |
| LEASE NO.:            | LC-067144                           |
| WELL NAME & NO.:      | 10 North Indian Flats 24 Federal    |
| SURFACE HOLE FOOTAGE: | 2180' FSL & 1980' FWL               |
| BOTTOM HOLE FOOTAGE   | Same                                |
| LOCATION:             | Section 24, T. 21 S., R 28 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
  - Avoidance of a Wildlife Water
- ☒ **Construction**
  - Notification
  - V-Door Direction – Not stipulated
  - Topsoil
  - Closed Loop System
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
  - Medium Cave/Karst
  - Logging Requirements
  - Onshore Order 6 – H2S Requirements
  - Waste Material and Fluids
- ☒ **Production (Post Drilling)**
  - Well Structures & Facilities
  - Pipelines    Surface Steel pipeline requested
  - Electric Lines
- ☐ **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: The well marker will be approximately 2 inches above ground level and contain the following information: operator name, lease name, and well number and location, including unit letter, section, township, and range. The previous listed information will be welded, stamped, or otherwise permanently engraved into the metal of the marker.

Practice avoidance of habitat water source during construction and drilling activities. The BLM requires that activities within 200 meters from an artificial wildlife water source be limited and short term in nature.

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

For more installation details, contact the Carlsbad Field Office at 575-234-5972.

## **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:** Not stipulated.

### **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 10 inches in depth. The topsoil will be used for interim and final reclamation.

Operator shall separate top-soil from any other materials placed on location as a result of “flipping” surface materials to expose and/or extract caliche from underneath the well-pad location.

### **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**

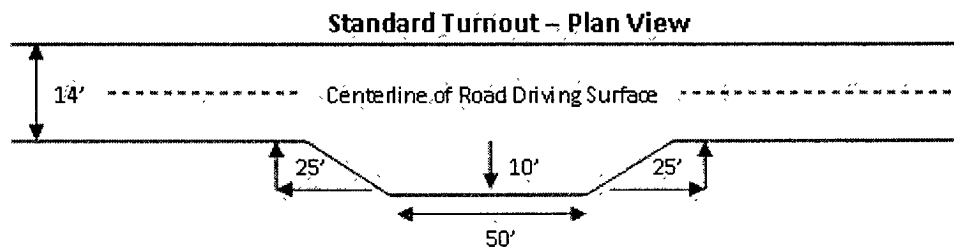
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

### **Ditching**

Ditching shall be required on the uphill side 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:

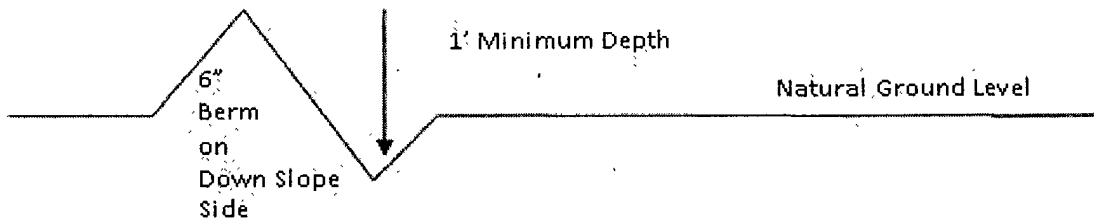


### **Drainage**

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**

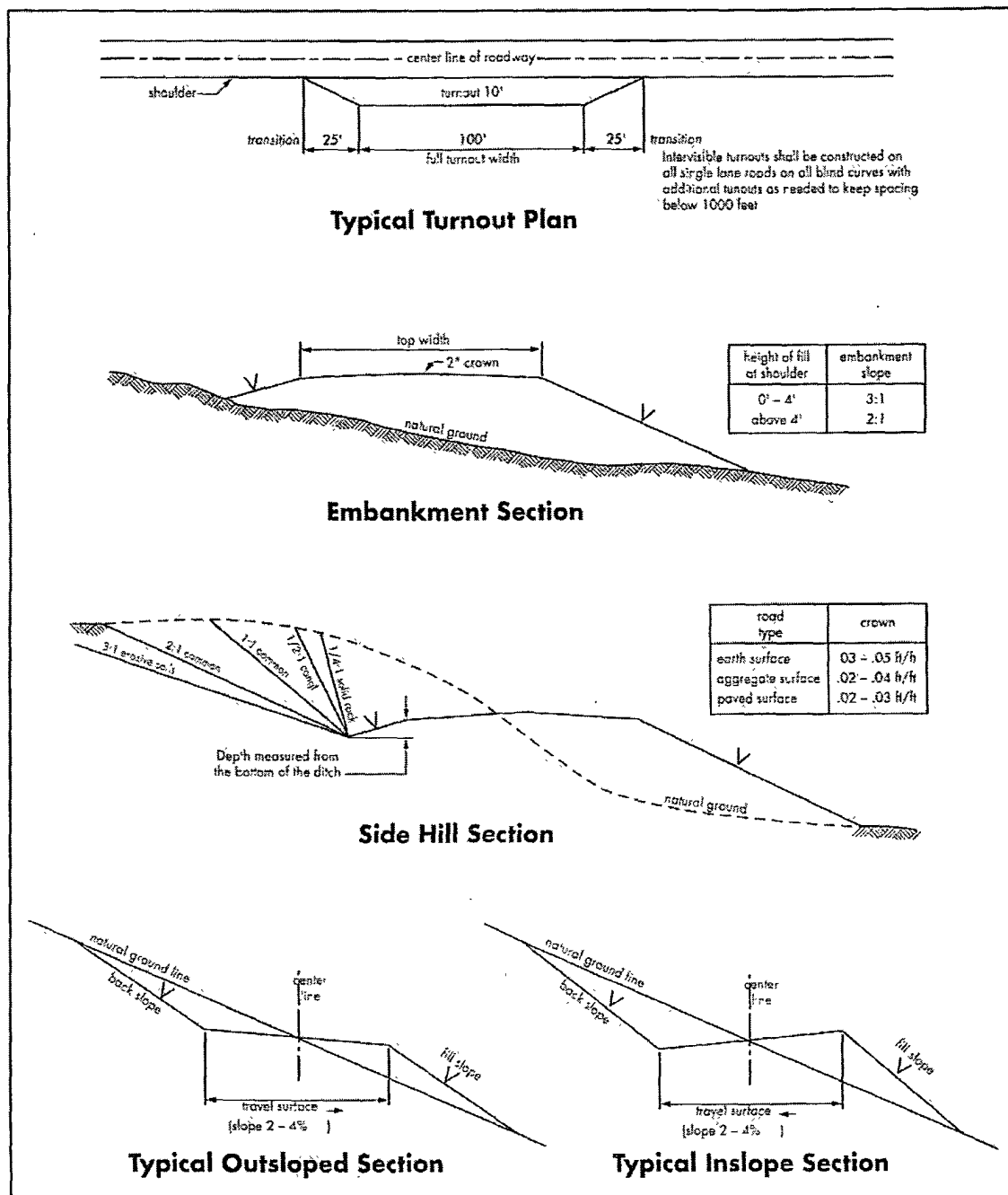
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be activated 500 feet prior to drilling into the **Delaware** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
3. **The record of the drilling rate along with the GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

### B. CASING

**Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.**

**Centralizers required on surface casing per Onshore Order 2.III.B.1.f.**

**Wait on cement (WOC) time prior to drilling out for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.**

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

**Medium cave/karst**

**Possible lost circulation in the Delaware Group and Capitan Reef (if present)**

1. The 8-5/8 inch surface casing shall be set at approximately 382 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.  
**If the salt is encountered the casing must be set 25 feet above the salt.**
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
  - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
  - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
  - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is:  
☒ **Cement to surface due to cave/karst.** If cement does not circulate, contact the appropriate BLM office.
3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

### C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M) psi**.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips or where the float does not hold, the minimum wait time before cut-off is eight hours after bumping the plug or when the cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. BOP/BOPE testing can begin after the above conditions are satisfied.
  - b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) prior to initiating the test.
  - c. The results of the test shall be reported to the appropriate BLM office.
  - d. 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.**
  - e. 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. DRILL STEM TEST

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

## **E. WASTE MATERIAL AND FLUIDS**

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

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## **VIII. PRODUCTION (POST DRILLING)**

### **A. WELL STRUCTURES & FACILITIES**

#### **Placement of Production Facilities**

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

#### **Containment Structures**

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

#### **Painting Requirement**

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

### **B. PIPELINES – Surface Steel, 3 /78”**

#### **STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES**

**A copy of the grant and attachments, including stipulations, 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 activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

- a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
- b. Activities of other parties including, but not limited to:
  - (1) Land clearing.
  - (2) Earth-disturbing and earth-moving work.
  - (3) Blasting.
  - (4) Vandalism and sabotage.

c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.
6. All construction and maintenance activity will be confined to the authorized right-of-way width of 20 feet.
7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.
8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.
9. The pipeline shall be buried with a minimum of 24 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.
10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.
12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.

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

14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

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

**C. ELECTRIC LINES – Not applied for in APD**

**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 |

\*Pounds of pure live seed:

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