

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

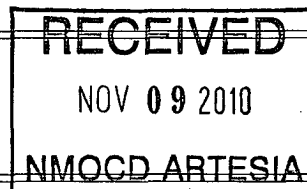
Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1. Operator: Read & Stevens, Inc. OGRID #: 18917
Address: P.O. Box 1518, Roswell NM 88202-1518
Facility or well name: Oxy 19 State #1
API Number: 30-015-38255 OCD Permit Number: 210907
U/L or Qtr/Qtr C Section 19 Township 19S Range 29E County: Eddy
Center of Proposed Design: Latitude 32.650879' N Longitude 104.115014' W NAD: ☒ 1927 ☐ 1983
Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2. ☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A
☐ Above Ground Steel Tanks or ☒ Haul-off Bins

3. **Signs:** Subsection C of 19.15.17.11 NMAC
☒ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☐ Signed in compliance with 19.15.3.103 NMAC



4. **Closed-loop Systems Permit Application Attachment Checklist:** Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Previously Approved Design (attach copy of design) API Number: _____
☐ Previously Approved Operating and Maintenance Plan API Number: _____

5. **Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.

Disposal Facility Name: CRI (Control Recovery Inc.) Disposal Facility Permit Number: NM-01-0006
Disposal Facility Name: Gandy-Marley, Inc. Disposal Facility Permit Number: NM-01-0019

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☒ No

Required for impacted areas which will not be used for future service and operations:

- ☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6. **Operator Application Certification:**

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): David Luna Title: Operations Engineer
Signature: [Signature] Date: 11/05/2010
e-mail address: dluna@read-stevens.com Telephone: 575-622-3770 ext 305

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: _____

Approval Date: _____

Title: _____

OCD Permit Number: _____

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☐ Closure Completion Date: _____

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): _____ Title: _____

Signature: _____ Date: _____

e-mail address: _____ Telephone: _____

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

Form C-101
Permit 122117

State of New Mexico
Energy, Minerals and Natural Resources

Oil Conservation Division

1220 S. St Francis Dr.

Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|----------------------------------|--------------------------|
| 1. Operator Name and Address READ & STEVENS INC P. O. Box 1518 Roswell, NM 88202 | | 2. OGRID Number 18917 |
| | | 3. API Number |
| 4. Property Code | 5. Property Name OXY 19 STATE | 6. Well No. 001 |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| C | 19 | 19S | 29E | C | 990 | N | 1980 | W | EDDY |

8. Pool Information

| | |
|---------------------------------|-------|
| MILLMAN;YATES-SR-QN-GB-SA, EAST | 46555 |
|---------------------------------|-------|

Additional Well Information

| | | | | |
|---|----------------------------|--|-------------------------|------------------------------------|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3371 |
| 14. Multiple N | 15. Proposed Depth 2550 | 16. Formation Grayburg | 17. Contractor | 18. Spud Date 11/30/2010 |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |
| Pit: Liner: Synthetic <input type="checkbox"/> _____ mils thick Clay <input type="checkbox"/> Pit Volume: _____ bbls Drilling Method: Closed Loop System <input checked="" type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 12.25 | 8.625 | 24 | 375 | 235 | 0 |
| Prod | 7.875 | 5.5 | 15.5 | 2550 | 380 | 0 |

Casing/Cement Program: Additional Comments

We propose to drill 12 1/4" hole to 360' with fresh water. Then drill 7 7/8" hole to 2500' w/ brine water. TOC will be at surface for both casing strings.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 3000 | 3000 | Cameron |

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed Name: David Luna

Title: Operations Mgr.

Email Address: dluna@read-stevens.com

Date: 11/05/2010

Phone: 575-622-3770 ext 305

OIL CONSERVATION DIVISION

Approved By:

Title:

Approved Date:

Expiration Date:

District I

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District II

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1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

Form C-102
Permit 122117

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------------|--|---|
| 1. API Number | 2. Pool Code 46555 | 3. Pool Name MILLMAN;YATES-SR-QN-GB-SA, EAST |
| 4. Property Code | 5. Property Name OXY 19 STATE | 6. Well No. 001 |
| 7. OGRID No. 18917 | 8. Operator Name READ & STEVENS INC | 9. Elevation 3371 |

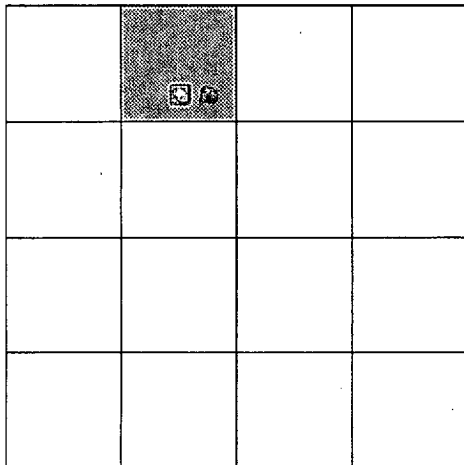
10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot C | Section 19 | Township 19S | Range 29E | Lot Idn | Feet From 990 | N/S Line N | Feet From 1980 | E/W Line W | County EDDY |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|----------------|

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------------|---------------|---------------------|--------------|------------------------|------------------|---------------|-------------------|---------------|----------------|
| UL - Lot G | Section 19 | Township 19S | Range 29E | Lot Idn | Feet From 990 | N/S Line N | Feet From 1980 | E/W Line W | County EDDY |
| 12. Dedicated Acres 40.00 | | 13. Joint or Infill | | 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

**OPERATOR CERTIFICATION**

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) 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.

E-Signed By: David Luna
 Title: Operations Mgr.
 Date: 11/05/2010

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.

Surveyed By: Ronald Eidson
 Date of Survey: 10/27/2010
 Certificate Number: 3239

Permit Comments

Operator: READ & STEVENS INC , 18917

Well: OXY 19 STATE #001

API:

| Created By | Comment | Comment Date |
|------------|--|--------------|
| dluna | C-144 CLEZ & H2S Contingency plan will be sent to the OCD Carlsbad office. | 10/22/2010 |

LOT 1

1980'

990'

32.67 AC.
LOT 2

32.61 AC.
LOT 3

32.55 AC.
LOT 4

32.48 AC.

GEODETIC COORDINATES
NAD 27 NME

SURFACE LOCATION
Y=600570.1 N
X=567195.4 E
LAT.=32.650879° N
LONG.=104.115014° W

OPERATOR CERTIFICATION

I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

David Luna 11/5/10
Signature Date

David Luna
Printed Name

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.

OCTOBER 27, 2010

Date Surveyed J. EIDSON DSS
Signature & Seal of
Professional Surveyor

Ronald J. Eidson 1239
10.11.1585
11/04/2010

Certificate No. GARY G. EIDSON 12641
RONALD J. EIDSON 3239

READ & STEVENS, INC.
HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN
FOR DRILLING/COMPLETING/WORKOVER/FACILITY
WITH THE EXPECTATION OF H₂S IN EXCESS OF 100 PPM

Oxy 19 State #1
SECTION 19 T19S-29E
EDDY COUNTY, N.M.

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GENERAL H2S EMERGENCY ACTIONS:

In the event of an H2S emergency, the following plan will be initiated.

- 1) All personnel will immediately evacuate to an up-wind and if possible up-hill "safe area".
- 2) If for any reason a person must enter the hazardous area, they must wear a SCBA (Self contained breathing apparatus)
- 3) Always use the "buddy system"
- 4) Isolate the well/problem if possible.
- 5) Account for all personnel
- 6) Display the proper colors warning all unsuspecting personnel of the danger at hand.
- 7) Contact the Company personnel as soon as possible if not at the location.
(use the enclosed call list as instructed)

At this point the company representative will evaluate the situation and co-ordinate the necessary duties to bring the situation under control, and if necessary, the notification of emergency response agencies and residents.

EMERGENCY PROCEDURES FOR AN UNCONTROLLABLE RELEASE OF H2S

- 1) All personnel will don the self-contained breathing apparatus.
- 2) Remove all personnel to the "safe area" (always use the "buddy system")
- 3) Contact company personnel if not on location.
- 4) Set in motion the steps to protect and or remove the general public to an upwind "safe area". Maintain strict security & safety procedures while dealing with the source.
- 5) No entry to any unauthorized personnel.
- 6) Notify the appropriate agencies: City Police-City street(s)
State Police-State Rd,
County Sheriff-County Rd.
(will assist in general public evacuation/safety while maintaining roadblocks)
- 7) Call the NMOCD

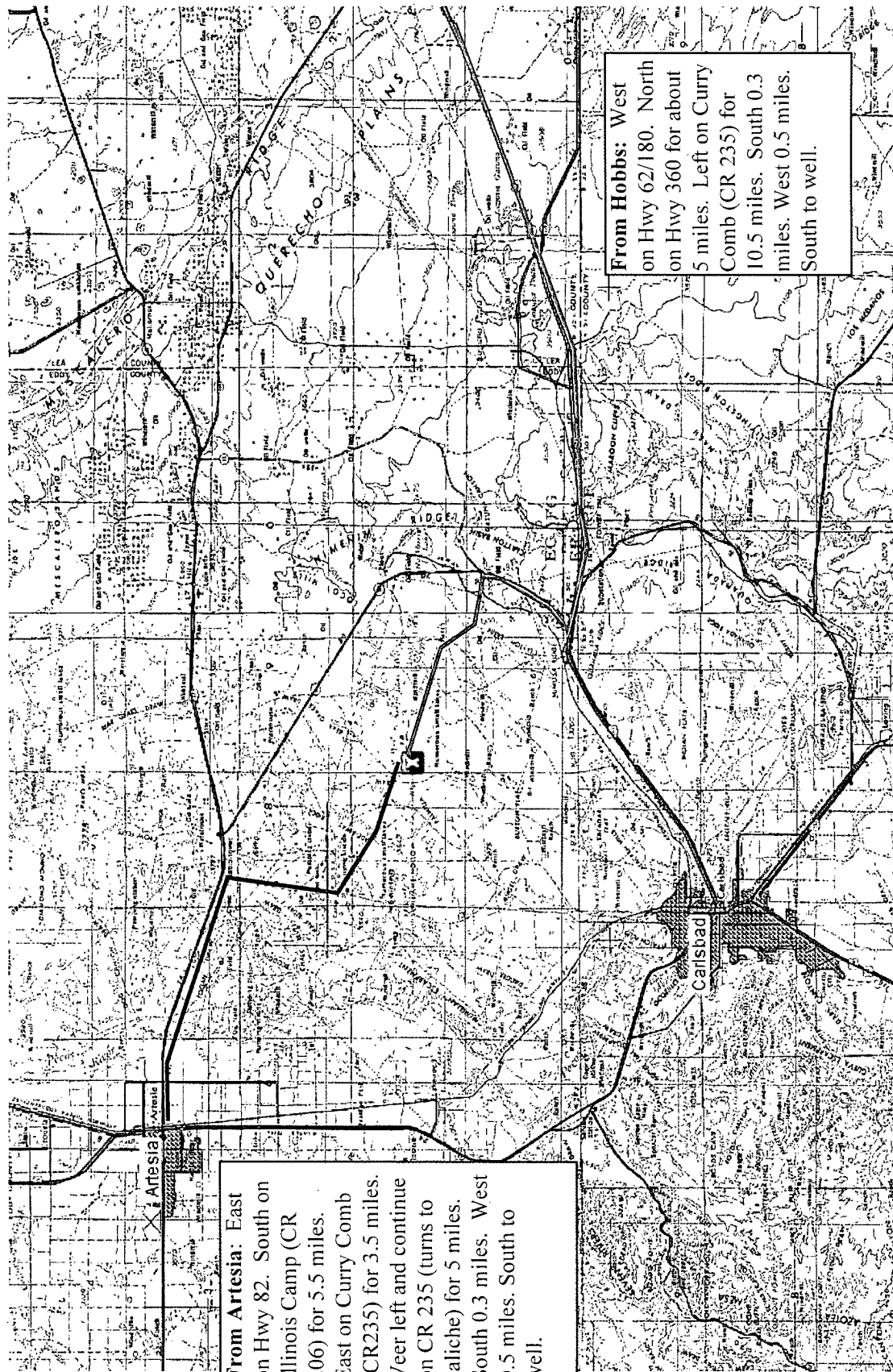
If at this time the supervising person determines the release of H2S cannot be contained to the site location and the general public is in harms way he will take necessary steps to contact the following:

EMERGENCY CALL LIST: (Start and continue until ONE of these people have been reached)

| | <u>OFFICE</u> | <u>MOBILE</u> | <u>HOME</u> |
|----------------------|--------------------|---------------|--------------|
| Read & Stevens, Inc. | 575-622-3770 | | |
| David Luna | 575-622-3770 x 305 | 575-626-9395 | 575-625-0666 |
| Bud Thorp | 575-390-4676 | 575-691-8520 | 575-396-7282 |
| John Maxey | 575-622-3770 x307 | 575-626-7602 | 575-625-1354 |
| Will Palmer | 575-396-5391 | 575-390-2424 | 575-396-7560 |

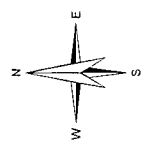
EMERGENCY RESPONSE NUMBERS: Eddy County, New Mexico

| | |
|---|------------------------------|
| State Police | 575-748-9718 |
| Eddy County Sheriff | 575-887-7551 |
| Emergency Medical Service (Ambulance) | 911 or 575-746-2701 |
| Eddy County Emergency Management (Joel Arnwine) | 575-887-9511 |
| State Emergency Response Center (SERC) | 575-476-9620 |
| Artesia Police Department | 575-746-5000 |
| Artesia Fire Department | 575-746-5000 |
| Carlsbad Police Department | 575-885-2111 |
| Carlsbad Fire Department | 575-885-3125 |
| Loco Hills Fire Department | 575-677-2349 |
| (NMOCD) New Mexico Oil Conservation Division, District I (Lea, Roosevelt, Chaves, Curry) | 575-393-6161 |
| District II (Eddy, Chaves) | 575-748-1283 |
| American Safety | 575-746-1096 |
| Indian Fire & Safety | 575-746-4660 or 800-530-8693 |
| Callaway Safety | 575-746-2847 |
| BJ Services | 575-746-3569 |



From Artesia: East on Hwy 82. South on Illinois Camp (CR 206) for 5.5 miles. East on Curry Comb (CR235) for 3.5 miles. Veer left and continue on CR 235 (turns to caliche) for 5 miles. South 0.3 miles. West 0.5 miles. South to well.

From Hobbs: West on Hwy 62/180. North on Hwy 360 for about 5 miles. Left on Curry Comb (CR 235) for 10.5 miles. South 0.3 miles. West 0.5 miles. South to well.



| | | |
|--|--|--|
| <div data-bbox="1404 1149 1469 1436" data-label="Text"> <p>Petroleum Recovery Research Center</p> </div> | <div data-bbox="1404 606 1437 819" data-label="Text"> <p>Marbob & Oxy</p> </div> | <div data-bbox="1404 138 1437 297" data-label="Text"> <p>Figure: ##</p> </div> |
| <div data-bbox="1469 627 1518 787" data-label="Text"> <p>Directions</p> </div> | | <div data-bbox="1469 127 1518 319" data-label="Text"> <p>Oct 22, 2010</p> </div> |

PROTECTION OF THE GENERAL PUBLIC/ROE:

In the event greater than 100 ppm H₂S is present, the ROE (Radius Of Exposure) calculations will be done to determine if the following is warranted:

- 100 ppm at any public area (any place not associated with this site)
- 500 ppm at any public road (any road which the general public may travel)
- 100 ppm radius of 3000' will be assumed if there is insufficient data to do the calculations, and there is a reasonable expectation that H₂S could be present in concentrations greater than 100 ppm in the gas mixture.

Calculation for the 100 ppm ROE:

$$X = [(1.589) (\text{concentration}) (Q)]^{(0.6258)}$$

Calculation for the 500 ppm ROE:

$$X = [(0.4546) (\text{concentration}) (Q)]^{(0.6258)}$$

EXAMPLE: If a well/facility has been determined to have 150 ppm H₂S in the gas mixture and the well/facility is producing at a gas rate of 100 MCFPD then:

$$\begin{aligned} 100 \text{ PPM} \quad X &= [(1.589)(150/1,000,000)(100,000)]^{0.6258} \\ X &= 7' \end{aligned}$$

$$\begin{aligned} 500 \text{ PPM} \quad X &= [(0.4546)(150/1,000,000)(100,000)]^{0.6258} \\ X &= 3' \end{aligned}$$

(These calculations will be forwarded to the appropriate District NMOCD office when applicable)

PUBLIC EVACUATION PLAN:

(When the supervisor has determined that the General Public will be involved, the following plan will be implemented)

- 1) Notification of the emergency response agencies of the hazardous condition and implement evacuation procedures.
- 2) A trained person in H₂S safety, shall monitor with detection equipment the H₂S concentration, wind and area of exposure (ROE). This person will determine the outer perimeter of the hazardous area. The extent of the evacuation area will be determined from the data being collected. Monitoring shall continue until the situation has been resolved. **(All monitoring equipment shall be UL approved, for use in class I groups A,B,C, & D, Division I, hazardous locations. All monitors will have a minimum capability of measuring H₂S values.)**
- 3) Law enforcement shall be notified to set up necessary barriers and maintain such for the duration of the situation as well as aid in the evacuation procedure.
- 4) The company supervising personnel shall stay in communications with all agencies through out the duration of the situation and inform such agencies when the situation has been contained and the effected area(s) is safe to enter.

PROCEDURE FOR IGNITING AN UNCONTROLABLE CONDITION:

The decision to ignite a well should be a last resort and one if not both of the following pertain.

- 1) Human life and/or property are in danger.
- 2) There is no hope of bringing the situation under control with the prevailing conditions at the site.

INSTRUCTIONS FOR IGNITION:

- 1) Two people are required. They must be equipped with positive pressure; self contained breathing apparatus and a "D" –ring style, full body, OSHA approved safety harness. Non-flammable rope will be attached.
- 2) One of the people will be a qualified safety person who will test the atmosphere for H₂S, Oxygen, & LFL. The other person will be the company supervisor; he is responsible for igniting the well.
- 3) Ignite up-wind from a distance no closer than necessary. Make sure that where you ignite from has the maximum escape avenue available. A 25mm flare gun shall be used, with a $\pm 500'$ range to ignite the gas.
- 4) Prior to ignition, make a final check for combustible gases.
- 5) Following ignition, continue with the emergency actions & procedures as before.

REQUIRED EMERGENCY EQUIPMENT:

- 1) Breathing Apparatus:
 - Rescue Packs (SCBA) – 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
 - Work/Escapes Packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity.
 - Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.
- 2) Signage & Flagging:
 - One Color Code Condition Sign will be placed at the entrance to the site reflecting the possible conditions at the site.
 - A Colored Condition flag will be on display, reflecting the condition at the site at that time.
- 3) Briefing Area: Two, perpendicular areas will be designated by signs and readily accessible.

- 4) Wind Socks: Two windsocks will be placed in strategic locations, visible from all angles.
- 5) H2S Detectors and Alarm: The stationary detector with three (3) sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible @ 15 ppm. Calibrate a minimum of every 30 days or as needed. The 3 sensors will be placed in the following places: (Gas sample tubes will be stored in the safety trailer)
 - Rig Floor
 - Bell Nipple
 - End of Flow line or where well bore fluid are being discharged.
- 6) Auxiliary Rescue Equipment:
 - Stretcher
 - Two OSHA full body harness
 - 100' of 5/8" OSHA approved rope
 - 1 – 20# Class ABC fire extinguisher
 - Communication via cell phones on location and vehicles on location.

USING SELF-CONTAINED BREATHING AIR EQUIPMENT (SCBA):

SCBA should be worn when any of the following are performed:

- Working near the top or on top of a tank.
- Disconnecting any line where H2S can reasonably be expected.
- Sampling air in the area to determine if toxic concentrations of H2S exist.
- Working in areas where over 10 ppm on H2S has been detected.
- At any time there is a doubt as the level of H2S in the area.

All personnel shall be trained in the use of SCBA prior to working in a potentially hazardous location.

Facial hair and standard eyeglasses are not allowed with SCBA.

Contact lenses are never allowed with SCBA.

Air quality shall continuously be checked during the entire operation.

After each use, the SCBA unit shall be cleaned, disinfected, serviced and inspected.

All SCBA shall be inspected monthly.

RESCUE & FIRST AID FOR VICTIMS OF HYDROGEN SULFIDE (H₂S) POISONING

Do not panic.

Remain calm & think.

Get on the breathing apparatus.

Remove the victim to the safe breathing area as quickly as possible. Upwind an uphill from source of cross wind to achieve upwind.

Notify emergency response personnel.

Provide artificial respiration and/or CPR, as necessary.

Remove all contaminated clothing to avoid further exposure.

A minimum of two (2) personnel on location shall be trained in CPR and First Aid.

H2S TOXIC EFFECTS:

H2S is extremely toxic. The acceptable ceiling for eight hours of exposure is 10 ppm, which is .001% by volume. H2S is approximately 20% heavier than air (Sp.Gr=1.19 / Air=1) and colorless. It forms an explosive mixture with air between 4.3% and 46.0%. By volume hydrogen sulfide (H2S) is almost as toxic as hydrogen cyanide and is 5-6 times more toxic than carbon monoxide.

Various Gases

| Common Name | Chemical Abbrev. | Sp. Gr. | Threshold Limits | Hazardous Limits | Lethal Concentration |
|------------------|------------------|---------|------------------|------------------|----------------------|
| Hydrogen Sulfide | H2S | 1.19 | 10 ppm 15 ppm | 100 ppm/hr | 600 ppm |
| Hydrogen Cyanide | HCN | 0.94 | 10 ppm | 150 ppm/hr | 300 ppm |
| Sulfur Dioxide | SO2 | 2.21 | 2 ppm | N/A | 1000 ppm |
| Chlorine | CL2 | 2.45 | 1 ppm | 4 ppm/hr | 1000 ppm |
| Carbon Monoxide | CO | 0.97 | 50 ppm | 400 ppm/hr | 1000 ppm |
| Carbon Dioxide | CO2 | 1.52 | 5000 ppm | 5% | 10% |
| Methane | CH4 | 0.55 | 90,000 | Combustible @ 5% | N/A |

1. Threshold limit – Concentrations at which it is believed that all workers may be repeatedly exposed, day after day without adverse effects.
2. Hazardous limit – Concentration that may cause death.
3. Lethal concentration – Concentration that will cause death with short-term exposure.
4. Threshold limit – 10 ppm – NIOSH guide to chemical hazards.
5. Short-term threshold limit.

PHYSICAL EFFECTS OF HYDROGEN SULFIDE:

| CONCENTRATIONS | | PHYSICAL EFFECTS |
|----------------|---------|---|
| .001% | 10 ppm | Obvious and unpleasant odor. Safe for 8 hr. exposure |
| .005% | 50 ppm | Can cause some flu-like symptoms and can cause pneumonia. |
| .01% | 100 ppm | Kills the sense of smell in 3-15 minutes. May irritate eyes and throat. |
| .02% | 200 ppm | Kills the sense of smell rapidly. Severely irritates eyes and throat. Severe flu-like symptoms after 4 or more hours. May cause lung damage and/or death. |
| .06% | 600 ppm | Loss of consciousness quickly, death will result if not rescued promptly. |

Closed Loop System Plan

Design Plan

Equipment list,

1. 2-250 BBL tanks to hold fluid
2. 2-CRI Bins with track system
3. 2-500 BBL frac tanks for fresh water
4. 1-500 BBL frac tank for brine water

Operation and Maintenance Plan

Closed Loop equipment will be inspected daily by each tour and any necessary maintenance performed.

Any leak in system will be repaired and/or contained immediately.

State notified within 48 hours.

Remediation process started

Closure Plan

During drilling operations all liquids, drilling fluid and cuttings will be hauled off via CRI (Permit NM-01-0006).