State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach Division Director
Oil Conservation Division

New Mexico Oil Conservation Division approval and conditions listed below are made in accordance with OCD Rule 19.15.7.11 and are in addition to the actions approved by BLM on the following 3160-3 APD form.

Operator Signature Date: 5-4-15
Well information;
Operator Anshuctz, Well Name and Number Ponderosa #1

API# 30-039-31316, Section 24, Township 24 N/S, Range 2 E/W

Conditions of Approval:
(See the below checked and handwritten conditions)

- [x] Notify Aztec OCD 24hrs prior to casing & cement.
- [ ] Hold C-104 for directional survey & "As Drilled" Plat
- [x] Hold C-104 for NSL, NSP, DHC
- [ ] Spacing rule violation. Operator must follow up with change of status notification on other well to be shut in or abandoned
- [ ] Regarding the use of a pit, closed loop system or below grade tank, the operator must comply with the following as applicable:
  - A pit requires a complete C-144 be submitted and approved prior to the construction or use of the pit, pursuant to 19.15.17.8.A
  - A closed loop system requires notification prior to use, pursuant to 19.15.17.9.A
  - A below grade tank requires a registration be filed prior to the construction or use of the below grade tank, pursuant to 19.15.17.8.C
- [ ] Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string
- [x] Regarding Hydraulic Fracturing, review EPA Underground Injection Control Guidance 84
- [x] Oil base muds are not to be used until fresh water zones are cased and cemented providing isolation from the oil or diesel. This includes synthetic oils. Oil based mud, drilling fluids and solids must be contained in a steel closed loop system.
- [x] Well-bore communication is regulated under 19.15.29 NMAC. This requires well-bore Communication to be reported in accordance with 19.15.29.8.

Chad Perrin
NMOCD Approved by Signature

8-12-2015
Date

KC

1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3460 • Fax (505) 476-3462 • www.emnrd.state.nm.us/ocd

11

Form 3160-3 OIL CONS. DIV DIST. 3
(March 2012)

RECEIVED
MAY 05 2015
Farmington Field Office
Bureau of Land Management

JUL 31 2015

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: ☑ DRILL ☐ REENTER	5. Lease Serial No. NMNM106653 & NMNM-128374
1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☑ Multiple Zone	6. If Indian, Allotee or Tribe Name
2. Name of Operator Anshuctz Exploration Company	7. If Unit or CA Agreement, Name and No. Pending
3a. Address 555 Seventheenth Street, Suite 2400, Denver, CO 80202	8. Lease Name and Well No. Ponderosa #1
3b. Phone No. *(include area code)* 303-298-1000	9. API Well No. 30-039-31316
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface Unit H, SECT 24, T24N, R2W 2104' FNL & 901' FEL SENE At proposed prod. zone SAME AS SURFACE - VERTICAL WELL	10. Field and Pool, or Exploratory Gavilan DK,GR,GH & Gavilan-Mancos
	11. Sec., T. R. M. or Blk. and Survey or Area SECT 24, T24N, R2W
14. Distance in miles and direction from nearest town or post office* 3.8 miles SE of Lindrith, NM (post office)	12. County or Parish Rio Arriba County / 13. State NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 901'	16. No. of acres in lease 640 ac - Mancos 320 ac (E/2) - Dakota 320.00 acres	17. Spacing Unit dedicated to this well All of Section 24
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 400'	19. Proposed Depth 8295' GL	20. BLM/BIA Bond No. on file COB000327
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 7397' GL	22. Approximate date work will start* 07/15/2015	23. Estimated duration 12 days

24. Attachments

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

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

25. Signature Paul C. Thompson	Name *(Printed/Typed)* Paul Thompson	Date 05/04/2015

Title: Engineer/Agent for Anschutz Exploration Company

Approved by *(Signature)* Jy Salyers	Name *(Printed/Typed)* Troy Salyers	Date 7/27/2015
Title Petroleum Engineer (Acting AFM)	Office FFO	

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.

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

(Continued on page 2)

*(Instructions on page 2)

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS"

NMOCD

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, N.M. 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED
MAY 05 2015
Farmington Field Office
BLM

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
30-039-31316	27192	GAVILAN GREENHORN GRANEROS DAKOTA

[4] Property Code	[5] Property Name	[6] Well Number
315089	PONDEROSA	1

[7] OGRID No.	[8] Operator Name	[9] Elevation
146906	ANSCHUTZ EXPLORATION CORPORATION	7397'

[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
H	24	24-N	2-W		2104'	NORTH	901'	EAST	RIO ARRIBA

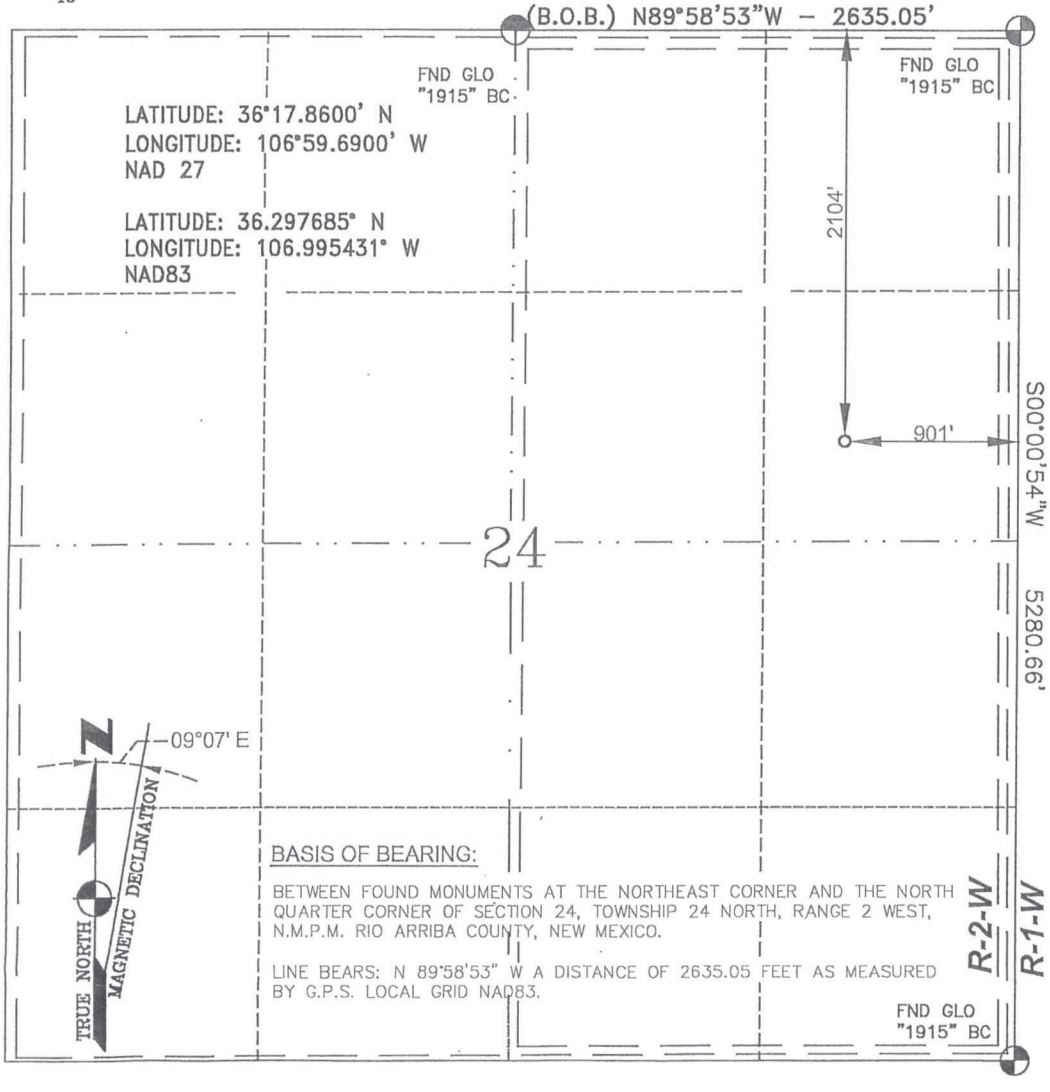
[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
E/2 320 ACRES			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



[17] OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or 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 a working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Paul C. Thompson 5/4/15
Signature Date

PAUL C THOMPSON
Printed Name

PAUL @ WALSHENG.NET
E-mail Address

[18] SURVEYOR CERTIFICATION

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

APRIL 22, 2015
Date of Survey

Signature and Seal of Professional Surveyor

GLEN W. RUSSELL NEW MEXICO 15703 LICENSED PROFESSIONAL SURVEYOR

GLEN W. RUSSELL
Certificate Number 15703

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240
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Energy, Minerals & Natural Resources Department

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RECEIVED
MAY 05 2015
Farmington Field Office
Bureau of Land Management

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
30-039-31316	27194	GAVILAN MANCOS

4 Property Code	5 Property Name	6 Well Number
	PONDEROSA	1

7 OGRID No.	8 Operator Name	9 Elevation
146906	ANSCHUTZ EXPLORATION CORPORATION	7397'

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
H	24	24-N	2-W		2104'	NORTH	901'	EAST	RIO ARRIBA

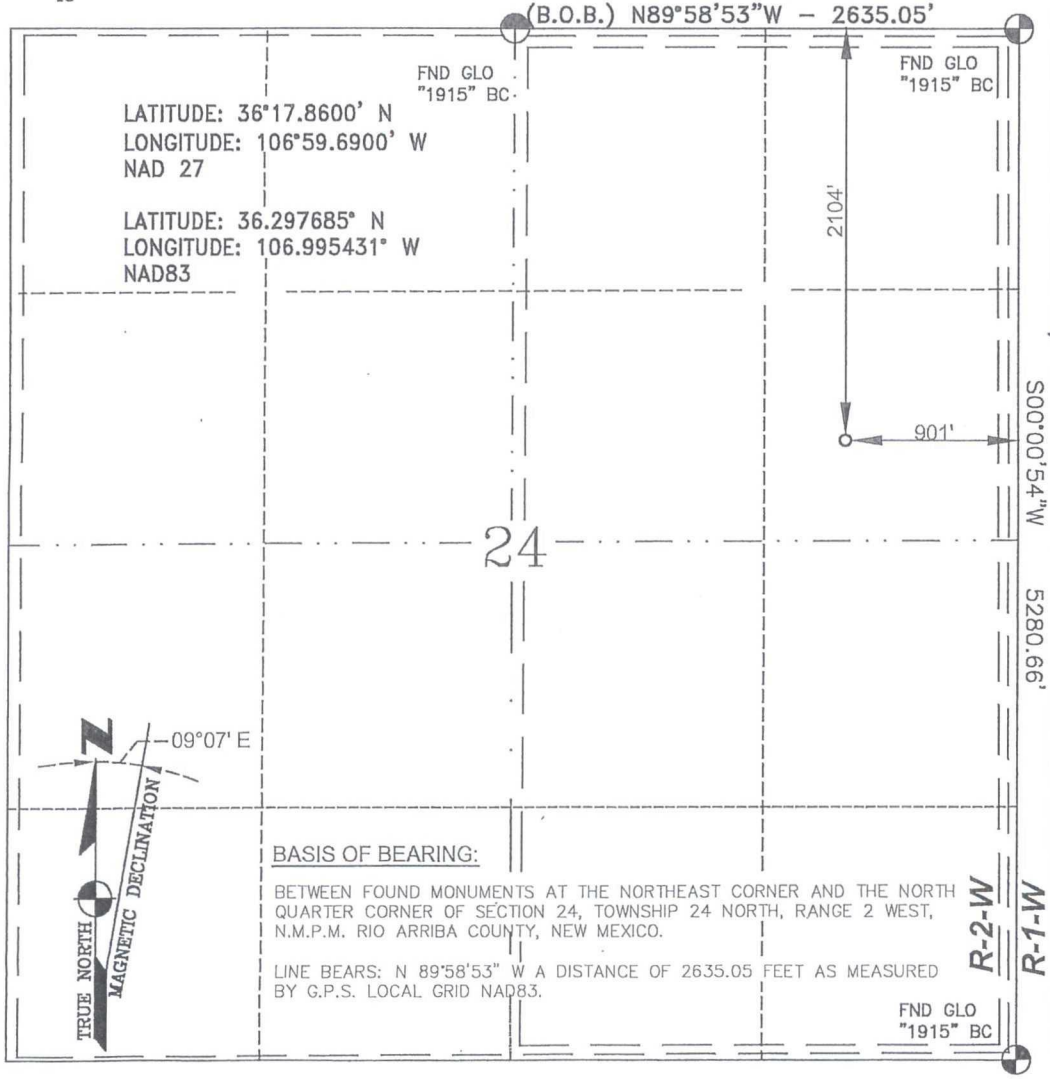
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
ALL OF SECTION 24 640 ACRES			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



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Paul C. Thompson 5/4/15
Signature Date

PAUL C. THOMPSON
Printed Name

PAUL@WALSHENG.NET
E-mail Address

18 SURVEYOR CERTIFICATION

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

APRIL 22, 2015
Date of Survey

Signature and Seal of Professional Surveyor:

GLEN W. RUSSELL NEW MEXICO 15703 LICENSED PROFESSIONAL SURVEYOR

GLEN W. RUSSELL
Certificate Number 15703

Attachment To Application For Permit To Drill.
Drilling program

Anschutz Exploration Company

555 Seventeenth Street, Suite 2400
Denver, CO 80202
U.S.A

PONDEROSA #1

Vertical Dakota - Mancos Oil and Gas Well
Surface Location: 2104' FNL – 901' FEL
Section 24, T24N, R2W
Ungraded GL Elev = 7397'
Lat. = 36.297685 deg N
Long. = 106.995431 deg W
NAD83
Rio Arriba County, New Mexico

Drilling program written in compliance with onshore Oil and Gas Order No. 1
(001 III.D.3, effective May 2007) and Onshore Order No. 2 Dated November 18,1988

1. ESTIMATED TOPS FOR IMPORTANT GEOLOGICAL FORMATIONS

Formation Tops	Surface (TVD)
San Jose	Surface
Ojo Alamo	2915
Pictured Cliffs	3295
Lewis	3455
Huerfanito Bentonite	3695
Chacra	4305
Cliff House	5055
Menefee	5385
Point Lookout	5575
Mancos	5695
Ojito	6740
Greenhorn	7700
Dakota	7845
Burro Canyon	8095
Total Depth	**8295**

Drilling Plan

Drill 12 ¼" hole to 625' then set 9 5/8" casing. Drill 8 3/4" vertical hole with fresh water mud to an approximate TD of 8,295'. Run 5-1/2" casing and cement to surface in two stages.

2. ANTICIPATED DEPTHS OF PROSPECTIVE OIL GAS AND OTHER HYDROCARBONS

Primary objective is the Mancos formation encountered first at 5695' as well as the Dakota formation encountered at 7845'

See formation listings in #1 above for additional zones of interest.

3. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL EQUIPMENT

A. Wellhead Equipment 3000 PSI System (See Exhibit A)

1. 9 5/8" slip-on / welded x 11" 3,000 psi casing head.
2. One 11" 3,000 psi WP double-ram preventer with one (1) set of blind rams on top & one (1) set of pipe rams on bottom complete with hand wheels and extension arms.
3. The choke and kill lines will be connected to outlets between the bottom and top rams, utilizing either the ram body outlet or a drilling spool with side outlets for 2" kill line and minimum 3" choke line
4. One 11" x 3,000 psi WP Hydril GK (or equivalent) annular preventer.
5. Accumulator - Four Station Koomey (or equivalent) 120 gallon closing unit with remote, backup. The accumulator shall have sufficient capacity to open the hydraulically-controlled gate valve and close all rams plus the annular preventer, with a 50% safety factor and retain a minimum of 200 psi above the precharge on the closing manifold without the use of the closing unit pumps. The reservoir capacity shall be double the usable accumulator capacity, and the fluid level shall be maintained at the manufacturer's recommendations.

6. The BOP system shall have two (2) independent power sources (electric and air) available for powering the closing unit pumps. Sufficient nitrogen bottles are suitable as a backup power source only, and shall be recharged when the pressure falls below manufacturer's specification.
7. A valve shall be installed in the closing line as close as possible to the annular preventer to act as a locking device. This valve shall be maintained in the open position and shall be closed only when the power source for the accumulator system is inoperative.

All BOP equipment will be hydraulically operated with controls accessible both on the rig floor.

The wellhead BOP equipment will be nippled-up on the 9-5/8" x 11" 3,000 psi WP casing head prior to drilling out from under surface casing. All ram preventers and related equipment will be tested to 3,000 psi for 10 minutes. Annular preventers will be tested to 50% of rated working pressure for 10 minutes. Surface casing will be tested to 70% of internal yield pressure. All preventers and surface casing will be tested before drilling out of surface casing. BOP equipment will be tested every 14 days, after any repairs are made to the BOP equipment, and after the BOP equipment is subjected to pressure. Annular preventers will be functionally operated at least once per week. Pipe rams will be activated daily and blind rams shall be activated each trip or at least weekly. The New Mexico Oil & Gas Conservation Commission and the BLM will be notified 24 hours in advance of testing of BOPE.9 5/8" slip-on / welded x 11" 3,000 psi casing head.

4. PROPOSED BIT AND CASING PROGRAM

A. Bit Program
26" Conductor = surface to 50'
12 1/4" Surface Hole = Surface to 625'
8 3/4" = 8,295'

B. Casing Program – all casing stings are new casing

Casing & Hole Size	Weight	Grade	Coupling	Setting Depth (MD)	Comments
16" Conductor				0' - 60-ft BGL	New casing.
9-5/8" (12 1/4")	36 ppf	K-55	LT&C	0' - 625'	New casing. Cement to surface.
5-1/2" (8 ¾")	17 ppf	J55	LT&C	0' - 8295'	New Casing. Cement to surface.

Casing strings below the conductor casing will be tested to .22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70% of the minimum internal yield.

Minimum casing design factors used: Collapse - 1.125
Burst - 1.0
Jt. Strength - 1.60

Surface casing shall have a guide shoe, 2 joint shoe track, float collar. One BS centralizer stop-locked on the first joint, then on BS centralizer on each of the next two joints then one on every other joint to surface. Approximately 8 BS centralizers total.

The production casing will have a float shoe, 2 joint shoe track, float collar, casing to DV tool. **DV tool placed at ~ 3450**, then casing to surface. Production casing will be centralized using 1 BS centralizer stop locked in the middle of the first joint, one BS centralizer for the next two joints, one BS centralizer every 4th join to ~ 5663'. Run 1 BS centralizer below and above the DV tool. Run 1 BS centralizer every 4th joint to 2800'. Will run approximately 23 BS centralizers total. Will strategically place 2 cement baskets below the DV tool.

5. PROPOSED CEMENTING PROGRAM

The proposed cementing program has been designed to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use. The casing setting depth shall be calculated to position the casing seat opposite a competent formation which will contain the maximum pressure to which it will be exposed during normal drilling operations. All indications of useable water shall be reported.

a) The proposed cementing program is as follows:

Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a pre-flush fluid, inner string cement method, etc. shall be utilized to help

isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.

Surface Casing Single Stage Job – (0-625'):
Excess – 100% over gauge hole – 12-1/4" hole and 9-5/8" casing (0.3132ft3/ft)
Top of Cement - Surface

Lead – 85 sx (254 cf)– 11.5 ppg, conventional cement containing:
Cement – Halliburton VARICEM CEMENT
0.125# Poly-E-Flake
0.25# Kwick Seal
Yield – 2.989 cuft/sx

Tail - 100 sx (183 cf) – 13.5 ppg, conventional cement containing:
Cement – Halliburton VARICEM CEMENT
0.125# Poly-E-Flake
0.25# Kwick Seal
Yield – 1.831 cuft/sx

Compressive strength: 24 hr – 1000+ psi

Total sacks of cement pumped = 185 sx

Production Casing – Two Stage Job (0-8295'):
Excess – 20% over gauge hole – 8-3/4" hole and 5-1/2" casing (0.2526 ft3/ft)
Top of Cement – Surface.

1st Stage

Lead - (7500' – 3450'): 410 sx (1225 cf) – 11.5 ppg, conventional cement containing:
Cement – Halliburton VARICEM CEMENT
0.125# Poly-E-Flake
0.25# Kwick Seal
Yield – 2.989 cuft/sx

Compressive strength: 24 hr – 1000+ psi

Tail - (8295' – 7500'): 130 sx (256 cf) – 12.0 ppg, conventional cement containing:
Cement – Halliburton HALCEM
0.05% sa-1015
5 LBM Kol-Seal
0.125 Poly-E-Flake
Yield – 1.97 ft3/sx,
Compressive strength: 24 hr – 1500+ psi

2nd[t] Stage

Lead - (2800' – Surf): 285 sx (852 cf) – 11.5 ppg, conventional cement containing:
Cement – Halliburton VARICEM CEMENT
0.125# Poly-E-Flake
0.25# Kwick Seal
Yield – 2.989 cuft/sx

Compressive strength: 24 hr – 1000+ psi

Tail - (3450' – 2800'): 100 sx (197 cf) – 12.0 ppg, conventional cement containing:
Cement – Halliburton HALCEM
0.05% sa-1015
5 LBM Kol-Seal
0.125 Poly-E-Flake
Yield – 1.97 cuft/sx

Compressive strength: 24 hr – 1500+ psi

Total sacks of cement pumped = 925 sx
Cement volumes are minimums and may be adjusted based on caliper log results & hole conditions.

Actual volumes will be calculated and determined by conditions onsite. All cement slurries will meet or exceed minimum BLM and New Mexico Oil Conservation Division requirements. Slurries used will be the slurries listed above or equivalent slurries depending on service provider selected. Cement yields may change depending on slurries selected.

All waiting on cement times shall be a minimum of 8 hours or adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

6. PROPOSED DRILLING FLUIDS PROGRAM

a) Vertical Portion

Hole Size (in)	TVD (ft)	Mud Type	Density (lb/gal)	Viscosity (sec/qt)	Fluid Loss (cc)
12 1/4"	0-625'	Fresh Water	8.3-9.4	28-42	NC
8 3/4"	625'-3695'	Fresh Water LSND	8.6-9.2	35 - 70	8-10
8 3/4"	3695'-8295'	Fresh Water LSND	8.6-9.2	40-54	< 6

b) There will be sufficient mud on location to control a blowout should one occur. Mud flow and volume will be monitored both visually and with electronic pit volume totalizers. Mud tests shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

c) A closed-loop system will be used to recover drilling fluid and dry cuttings in both phases of the well and on all hole intervals, including fresh water and oil-based operations. Above-ground tanks will be utilized to hold cuttings and fluids for rig operations. A frac tank will be on location to store fresh water. Drill cuttings will be buried on site in compliance with NMOCD Rule 19. Any waste water not utilized in the drilling process will be disposed of properly at TnT Environmental Disposal facility.

7. TESTING, CORING and LOGGING

a) Drill Stem Testing - None anticipated
b) Coring - None anticipated.
c) Mud Logging – Mud loggers will be on location from surface casing point to TD.
d) Logging – 8-3/4" section only, See Below

Open Hole Logs: Triple Combo w/ Dipole Sonic (TD to surface casing). NMR Log, ES Image log, Dielectric log, MDT/SPT (over selected intervals)

8. ABNORMAL PRESSURES & HYDROGEN SULFIDE

The maximum anticipated bottom hole pressure is +/- 2970 psi based on a 9.0 ppg at 8295' (Total Depth). No abnormal pressure or temperatures are anticipated.

No hydrogen sulfide gas is anticipated, however, if H_2S is encountered, the guidelines in Onshore Order No. 6 will be followed.

9. ANTICIPATED START DATE AND DURATION OF OPERATIONS

Drilling is estimated to commence on July 15, 2015. It is anticipated that completion operations will begin within 30 days after the well has been drilled depending on fracture treatment schedules with various pumping service companies.

It is anticipated that the drilling of this well will take approximately 12 days.

southeast corners, and a maximum cut of 3 feet at the north center edge. No additional surfacing material is anticipated for construction.

6. Well pad construction will involve preparing a level area for the equipment that will drill and complete the well. The existing well pad will be constructed to accommodate a 230-foot by 300-foot level well pad area, resulting in approximately 1.58 acres of new surface disturbance. Construction of the well pad would include a 50-foot construction buffer zone around the perimeter of the pad, creating an additional 1.45 acres of new surface disturbance. The total permitted area for the construction of the well pad is 3.03 acres.
7. The well pad will be constructed from the earthen materials present on-site. Well pad will be topped with gravel to stabilize the driving surface.
8. Stormwater will be diverted to flow around the well pad at the upslope (northern) side.
9. The operator has proposed a closed-loop system. No drilling pits will be used for the proposed project.
10. Construction of the well pad will take approximately two weeks.

G. Methods for Handling Waste

1. Drill Cuttings
   a. Drilling operations will utilize a closed-loop system with water based mud. The operator will follow Onshore Oil and Gas Order No. 1 regarding the placement, operation and removal of the closed-loop systems. No blow pit will be used. Closed-loop tanks will be adequately sized for containment of all fluids.

   b. Drill cuttings will be disposed on-site in burial cells. The operator will obtain an approved Form C-144 per NMOCD's Pit Rule NMAC 19.15.17 prior to on-site disposal of drill cuttings. The drill cuttings will be temporarily stored in above ground steel tanks until drilling completion. After drill rig demobilization, the operator will transfer the drill cuttings into the burial cells. The burial cells will be lined and capped with a minimum of 4 feet of clean fill dirt. Prior to disposal, the drill cuttings will be dried and mixed with a bonding agent or clean fill for stabilization.

2. Drilling Fluids

   c. Drilling fluids will be stored onsite in above-ground storage tanks. Upon termination of drilling operations, the drilling fluids will be recycled and transferred to other permitted locations or returned to the vendor for re-use, as practical. Residual fluids will be vacuumed from the storage tanks and disposed of at an appropriate waste disposal facility.
   d. Drilling fluid storage tanks will be adequately sized to ensure confinement of all fluids and will provide sufficient freeboard to prevent uncontrolled releases.

3. Flowback Water

   a. The water-based solution that flows back to the surface during and after completion operations will be placed in storage tanks on location.
   b. Flowback water will be confined to a storage tank for a period not to exceed 90 days after initial production and will be disposed of in an approved disposal facility, or recycled.

4. Spills – any spills of non-freshwater fluids will be immediately cleaned up and removed to an approved disposal site. Spills less than 10 barrels do not require reporting. Spills and releases will be reported according to NMOCD and BLM requirements.

Directions from the Intersection of
Hwy 550 & Hwy 64 in Bloomfield, NM
To:

ANSCHUTZ EXPLORATION CORPORATION
PONDEROSA #1

2104' FNL & 901' FEL,
Section 24, T24N, R2W, N.M.P.M.,
Rio Arriba, New Mexico
Latitude: 36° 17' 51.644" N
Longitude: 106° 59' 43.553" W
NAD 83

Go south on Hwy 550 for 83.65 miles to Hwy 96,
Turn left (north) on Hwy 96 11.9 miles to Hwy 95,
Turn left (west-northwesterly) on Hwy 95 for 10.1 miles,
Turn right (easterly) on CR 394 for 0.9 miles,
Stay left (northeasterly)for 1.4 miles,
Turn left (northerly then easterly) for 0.6 miles,
Turn right(southeasterly) for 300'
to east side of the compressor site,
To the beginning of new access, which continues (northeasterly)
for 520.2' to the new well location.

Exhibit A

WELLHEAD BLOWOUT CONTROL SYSTEM