

DATE IN 9-2-11	SUSPENSE	ENGINEER DB	LOGGED IN 9.6.11	TYPE NSL	APP NO. 1124948068
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Newbourne
 Phoenix 21 Fed Com #1H

0481

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

William F. Carr
 Print or Type Name

William F. Carr
 Signature

Manager
 Title

9/2/11
 Date

wearr@kolandhart.com
 e-mail Address

RECEIVED OGD
 01 SEP - 2 P 3:24



September 2, 2011

HAND-DELIVERED

Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OGD
2011 SEP -2 A 10 28

Re: Application of Mewbourne Oil Company for Administrative Approval of an unorthodox well location for its Phoenix 21 Federal Com #1H to be drilled from a surface location 200 feet from the North line and 890 feet from the West line of Section 28 to a bottomhole location 330 feet from the North line and 660 feet from the West line of Section 21, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

Dear Ms. Bailey:

Mewbourne Oil Company hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its Phoenix 21 Federal Com #1H Well. This well will be located in Sections 28 and 21, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico. This well is to be drilled in the Bone Spring formation to test the Second Bone Spring Sand, Santo Nino Bone Spring Pool, from a surface location 200 feet from the North line and 890 feet from the West line of Section 28 to a bottomhole location 330 feet from the North line and 660 feet from the West line of Section 21, Eddy County, New Mexico. The well's penetration point in the Bone Spring formation is the same as its surface location. A 160-acre project area has been dedicated to this horizontal well comprised of the W/2 W2 of said Section 21.

This location is unorthodox because the Bone Spring formation under this acreage is governed by the Division's statewide rules which provide for wells on 40-acre spacing units to be located no closer than 330 feet to the outer boundary of the spacing unit. The proposed well location is unorthodox because the surface location and the penetration point are outside the boundary of the Producing Area, as defined by Division Rule 19.15.16.7. The completed interval in the Bone Spring formation will be within the well's producing area and therefore at least a standard set back from all offsetting tracts. The unorthodox surface location is necessary as the BLM would not allow surface locations in Section 21 due to sand dune features and archeological concerns. The BLM approved the above surface location and



penetration point as it is in smaller sand dune features.

Attached hereto as **Exhibit A** is the BLM-approved Application for Permit to Drill for this well approved on August 16, 2011.

Attached as **Exhibit B** is a plat which shows the subject spacing unit for this well and all adjoining spacing units or leases. Mewbourne is the operator of Sections 21 and 28. The other Working Interest owners in Section 21 are Arloma Corp and Chevron U.S.A. Inc. and are subject to Operating Agreements with Mewbourne Oil Co. These working interest owners are participating in the proposed well, therefore, no notice is required.

The Working Interest ownership differs between Section 21 and the Bone Spring spacing units located in the N/2 NW/4 of Section 28 of Township 26 South, Range 24 East, NMPM. Accordingly, on or before the date on which this application was filed with the Division, a copy of this application with all attachments was mailed to each of the affected persons, identified on **Exhibit C**, by Certified Mail--Return Receipt Requested. Each of the affected parties was advised that if they have an objection to the proposed unorthodox well location it must be filed in writing with the Division's Santa Fe office within twenty days from the date notice was sent. They were also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Your attention to this application is appreciated.

Very truly yours,

William F. Carr

ATTORNEY FOR MEWBOURNE OIL CO.

Enclosures

cc: OCD District Office – Artesia
D. Paul Haden

UNITED STATES OPERATOR'S COPY
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM 3160-3 (REV. 10/01)
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5. Lease Serial No. NM 27274 SAV NM40117, LC028978-A & NM19440		
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			6. If Indian, Allottee or Tribe Name		
2. Name of Operator Mewbourne Oil Company - 14744			7. If Unit or CA Agreement, Name and No.		
3a. Address PO Box 5270 Hobbs, NM. 88241			8. Lease Name and Well No. Phoenix 21 Fed Com #1H		
3b. Phone No. (Include area code) 575-393-5905			9. API Well No.		
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 200' FNL & 890' FWL Unit D At proposed prod. zone 330' FNL & 660' FWL Unit D Sec 21, T18S, R30E			10. Field and Pool, or Exploratory Santo Nino Bone Springs		
14. Distance in miles and direction from nearest town or post office* 30 miles NE of Carlsbad, Nm			11. Sec., T., R., M., or Bk. and Survey or Area Sec 28 - T18S - R30E		
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 200'		16. No. of Acres in lease 160		17. Spacing Unit dedicated to this well 160	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1400		19. Proposed Depth 13103' MD 8142' TVD 8197'		20. BLM/BIA Bond No. on file NM1693, Nationwide	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3431' GL		22. Approximate date work will start* ASAP		23. Estimated duration 45	

24. Attachments

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

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

5. Signature <i>Jackie Lathan</i>		Name (Printed/Typed) Jackie Lathan	Date 06/15/11
6. Signature <i>Jesse J. Juen</i>		Name (Printed/Typed) Jesse J. Juen	Date 8/16/2011
Title STATE DIRECTOR		Office NM STATE OFFICE	

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

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

(Instructions on reverse)

CAPITAN CONTROLLED WATER BASIN

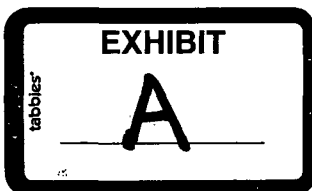
Received

AUG 18 2011

Mewbourne Oil Company
Hobbs

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

SEE 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 and Natural Resources Department

Form C-102
Revised July 18, 2010

Submit one copy to appropriate
District Office

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-39350	Pool Code 54600	Pool Name Santo Nino Bone Spring
Property Code	Property Name PHOENIX "21" FEDERAL COM	Well Number 1H
OGRID No. 14744	Operator Name MEWBOURNE OIL COMPANY	Elevation 3431'

Surface Location

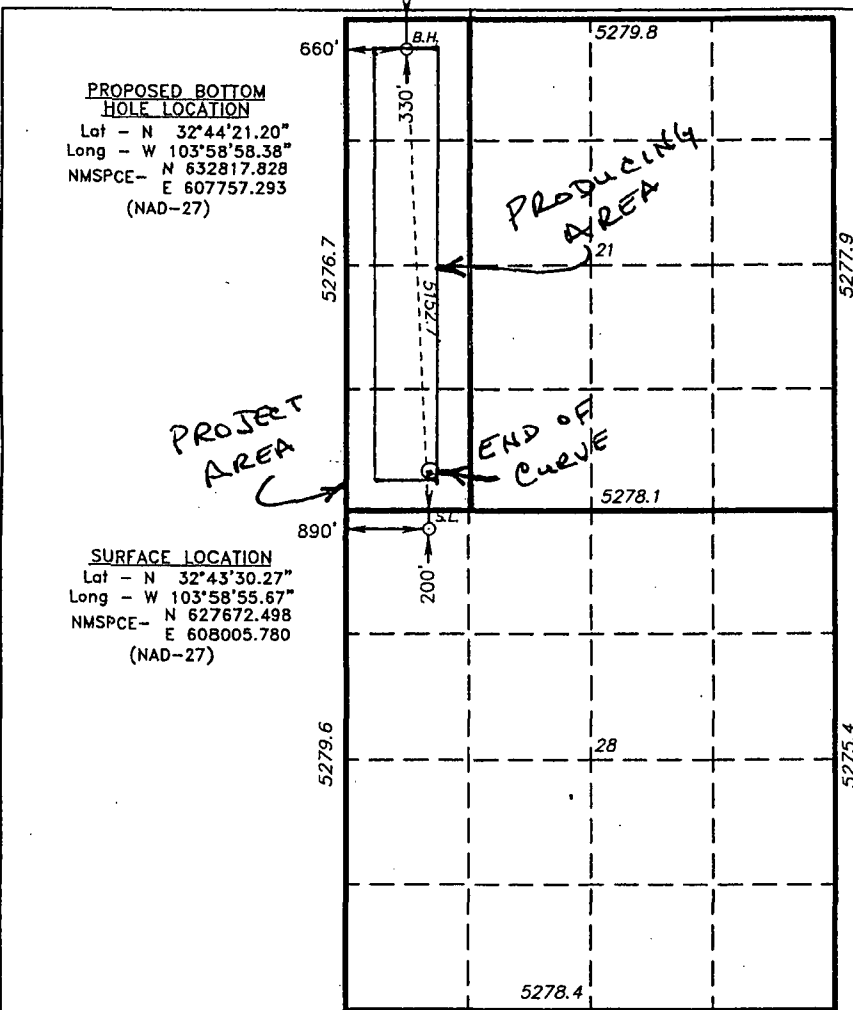
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	28	18 S	30 E		200	NORTH	890	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	21	18 S	30 E		330	NORTH	660	WEST	EDDY

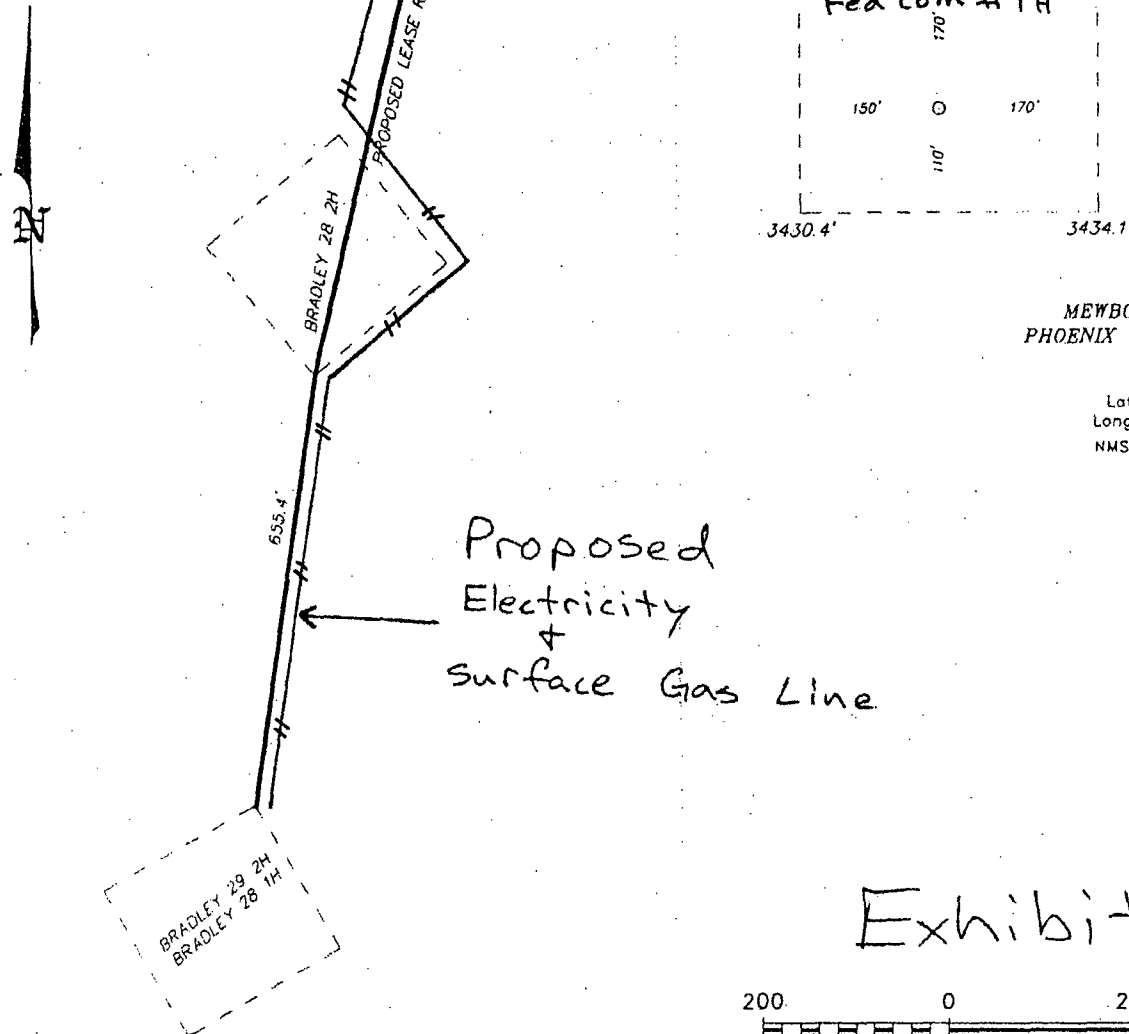
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



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 or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: Jackie Lathan Date: 6/15/11 Printed Name: Jackie Lathan Email Address: jlothan@mewbourne.com	
SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. Date Surveyed: 6/15/11 Signature & Seal of Professional Surveyor: Gary L. Jones Certificate No. Gary L. Jones 7977 BASIN SURVEYS 24703	

SECTION 28, TOWNSHIP 18 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

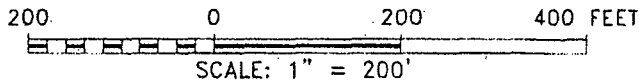


MEWBOURNE OIL COMPANY
PHOENIX "21" FEDERAL COM #1H
ELEV. - 3431'

Lat - N 32°43'30.27"
Long - W 103°58'55.67"
NMSPCE- N 627672.498
E 608005.780
(NAD-27)

Proposed
Electricity
+
Surface Gas Line

Exhibit 3



Directions to Location:

FROM THE JUNCTION OF GRUBBS AND DUVAL SHAFT,
GO NORTH ON DUVAL SHAFT FOR 1.3 MILES TO
LEASE ROAD, ON LEASE ROAD GO WEST 0.7 MILES
TO LEASE ROAD, ON LEASE ROAD GO NORTH 0.3
MILES TO WELL PAD, GO WEST 0.2 MILES TO WELL
PAD AND PROPOSED LEASE ROAD.

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

W.O. Number: 24703

Drown By: J. SMALL

Date: 06-07-2011

Disk: JMS 24703

MEWBOURNE OIL COMPANY

REF: PHOENIX "21" FEDERAL COM #1H / WELL PAD TOPO.

THE PHOENIX "21" FEDERAL COM #1H LOCATED 200'

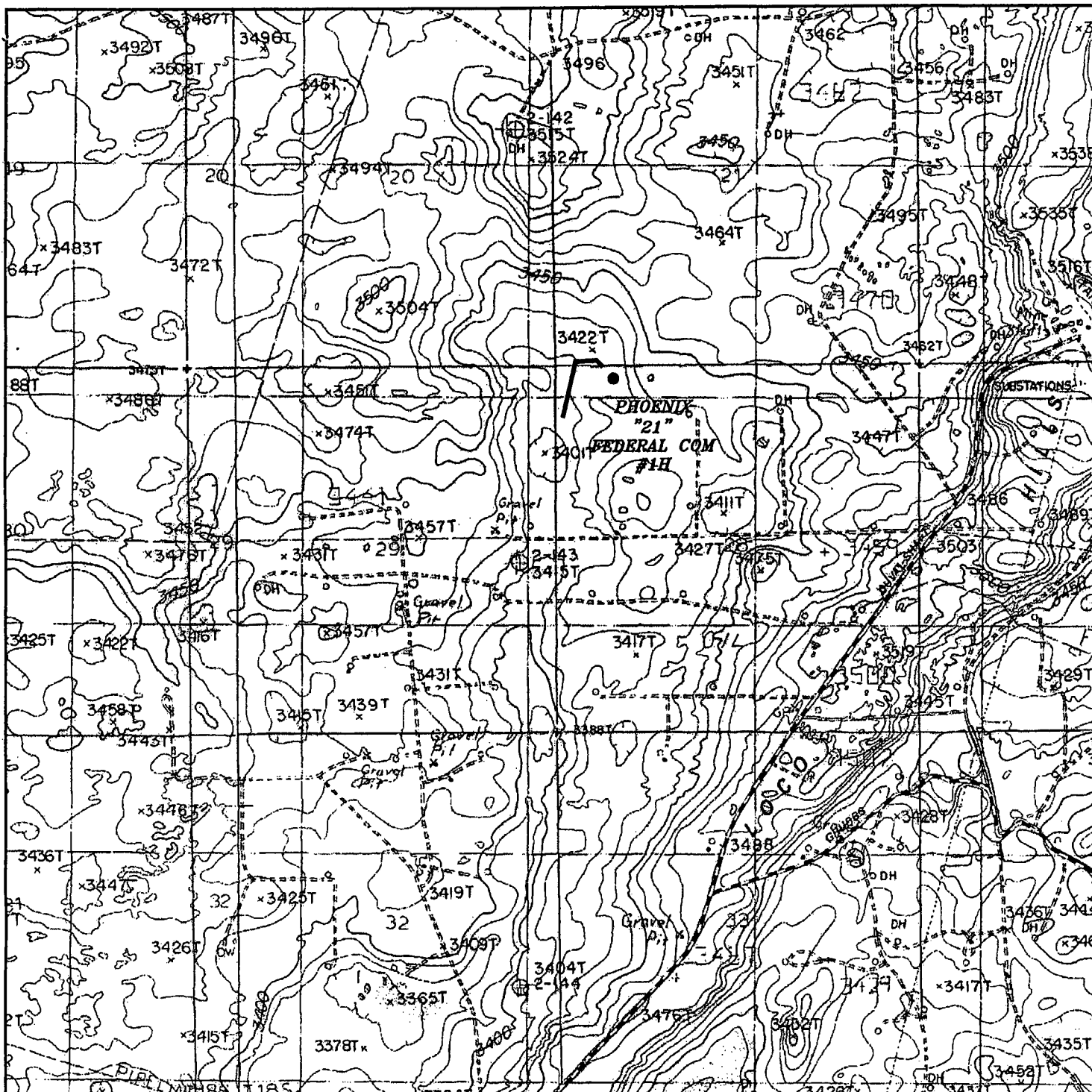
FROM THE NORTH LINE AND 890' FROM THE WEST LINE OF

SECTION 28, TOWNSHIP 18 SOUTH, RANGE 30 EAST.

N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 06-02-2011

Sheet 1 of 1 Sheets



PHOENIX "21" FEDERAL COM #1H
 Located 200' FNL and 890' FWL
 Section 28, Township 18 South, Range 30 East,
 N.M.P.M., Eddy County, New Mexico.

Exhibit 3A

basin
surveys

focused on excellence
 in the oilfield

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

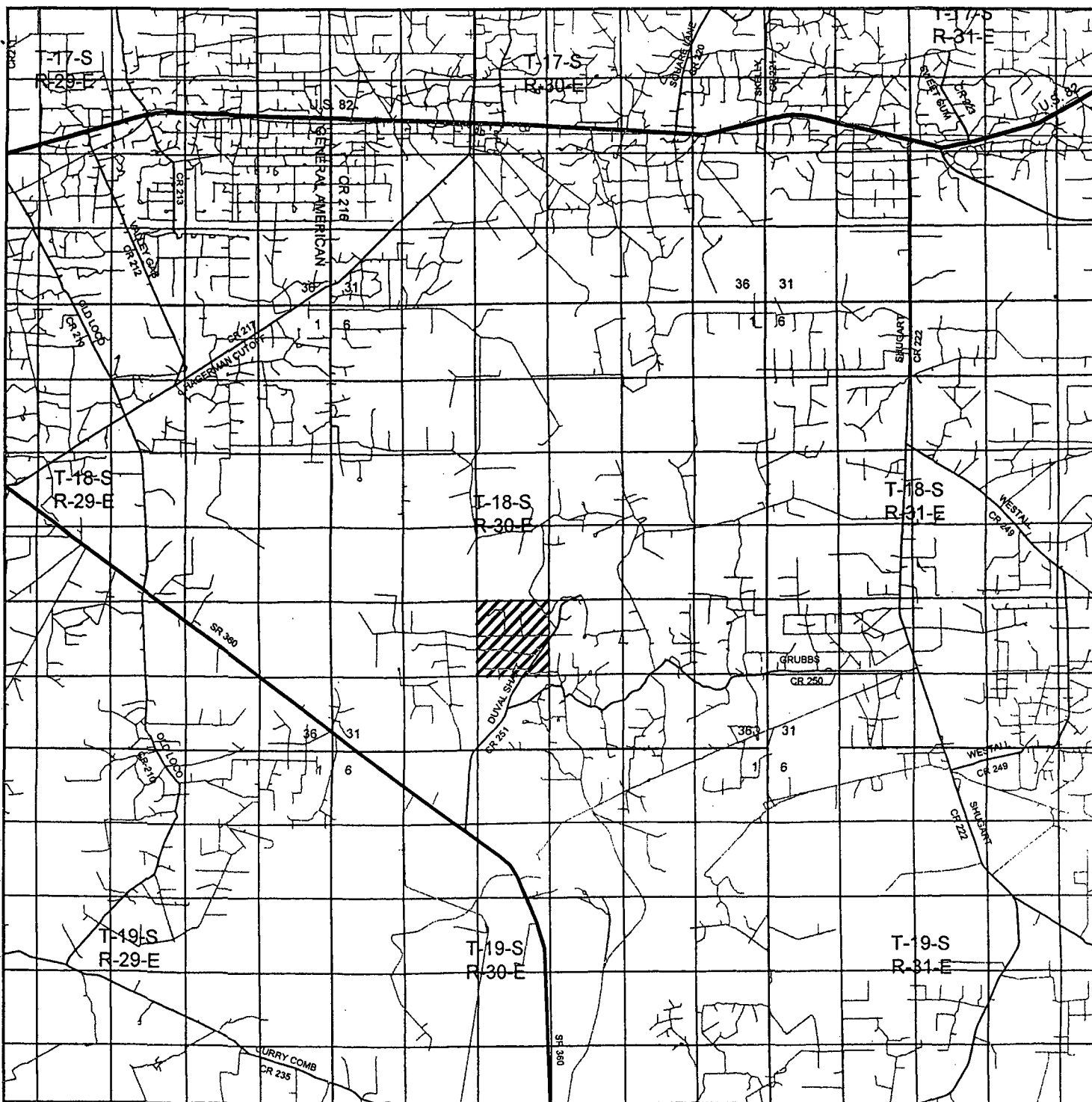
W.O. Number: JMS 24703

Survey Date: 06-02-2011

Scale: 1" = 2000'

Date: 06-07-2011

MEWBOURNE
 OIL COMPANY



PHOENIX "21" FEDERAL COM #1H
 Located 200' FNL and 890' FWL
 Section 28, Township 18 South, Range 30 East,
 N.M.P.M., Eddy County, New Mexico.

Exhibit 3B

basin
surveys
 focused on excellence
 in the oilfield

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

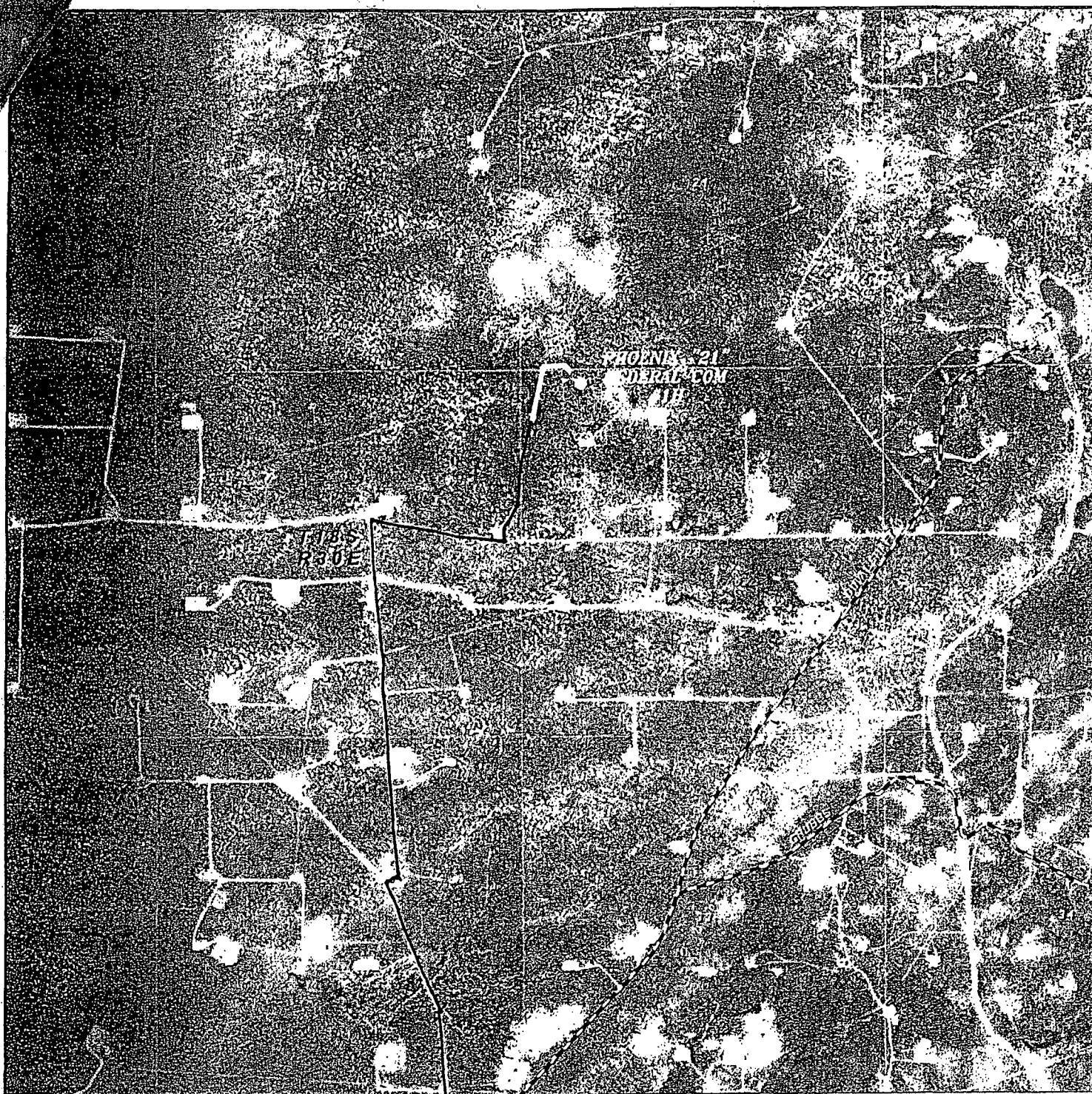
W.O. Number: JMS 24703

Survey Date: 06-02-2011

Scale: 1" = 2 Miles

Date: 06-07-2011

MEWBOURNE
 OIL COMPANY



PHOENIX "21" FEDERAL COM #1H

Located 200' FNL and 890' FWL

Section 28, Township 18 South, Range 30 East,
N.M.P.M., Eddy County, New Mexico.

Exhibit 3C

basin
surveys
focused on excellence
in the oilfield

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

W.O. Number: JMS 24703

Scale: 1" = 2000'

YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - FEE LAND

MEWBOURNE
OIL COMPANY

- Drilling (Well Start)
- Abandoned Location (Permit)
- Gas Well
- Oil Well
- Oil and Gas Well
- Other (Observation, etc)
- Injection Well
- Suspended
- Plugged Gas Well
- Plugged Oil Well
- Plugged Oil and Gas
- Dry Hole (No Shows)
- Dry Hole w/Gas Show
- Dry Hole w/Oil Show
- Dry Hole w/Oil and Gas Show

Wells in 1 mile Radius

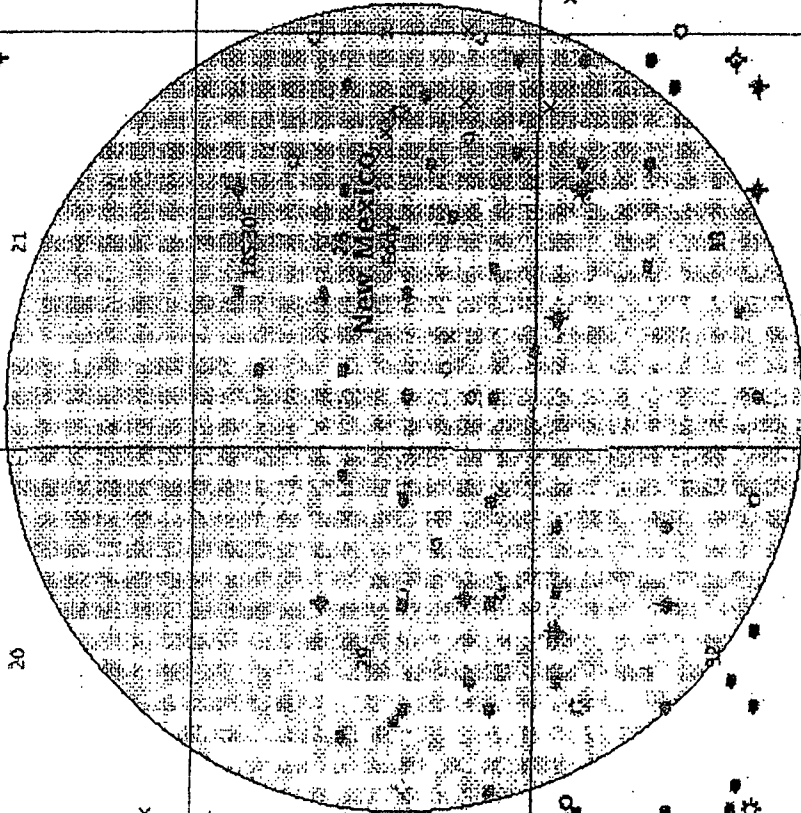


Exhibit 4

Drilling Program
Mewbourne Oil Company
 Phoenix "21" Federal Com #1H
 200' FNL & 890' FWL
 Sec 28-T18S-R30E
 Eddy County, New Mexico

1. The estimated tops of geological markers are as follows:

Rustler	300'
Top Salt	420'
Base Salt	1240'
Yates	1410'
*Delaware	3940'
*Bone Springs	4880'

2. Estimated depths of anticipated fresh water, oil, or gas:

Water	Fresh water is anticipated @ 230' and will be protected by setting surface casing at 325' and cementing to surface.
Hydrocarbons	Oil and gas are anticipated in the above (*) formations. These zones will be protected by casing as necessary.

3. Pressure control equipment:

A 2000# WP Annular will be installed after running 13 3/8" casing. A 3000# WP Double Ram BOP and 3000# WP Annular will be installed after running 9 5/8" & 7" casing. Pressure tests will be conducted prior to drilling out under all casing strings. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOPE will be inspected and operated as recommended in Onshore Order #2. A kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the kelly is not in use.

Will test the 7" & 9 5/8" BOPE to 3000# and the Annular to 1500# with a third party testing company before drilling below each shoe, but will test again, if needed, in 30 days from the 1st test as per BLM Onshore Oil and Gas Order #2.

4. MOC proposes to drill a vertical wellbore to 7624' & kick off to horizontal @ 8197' TVD. The well will be drilled to 13103' MD (8142' TVD). See attached directional plan.

5. Proposed casing and cementing program:

A. Casing Program:

<u>Hole Size</u>	<u>Casing</u>	<u>Wt/Ft.</u>	<u>Grade</u>	<u>Depth</u>	<u>Jt Type</u>
17 1/2"	13 3/8" (new)	48#	H40	See COA 0'-325' 345	ST&C
12 1/4"	9 5/8" (new)	36#	J55	0'-1510' ✓	LT&C
8 3/4"	7" (new)	26#	P110	0'-7630' MD	LT&C
8 3/4"	7" (new)	26#	P110	7630'-8530' MD	BT&C
6 1/8"	4 1/2" (new)	11.6#	P110	8330'-13103' MD	LT&C

Minimum casing design factors: Collapse 1.125, Burst 1.0, Tensile strength 1.8.

*Subject to availability of casing.

See COA

B. Cementing Program:

- See 10A*
- i. Surface Casing: 340 sks Light Class "C" w/2% CaCl₂. Yield at 1.34 cuft/sk. Cmt circulated to surface w/ 100% excess.
 - ii. Intermediate Casing: 150 sks Light Class "C" (35:65:4) w/salt, & LCM additives. Yield at 2.12 cuft/sk. 200 sks Light Class "C" w/2% CaCl₂. Yield at 1.34 cuft/sk. Cmt circulated to surface w/ 25% excess.
 - iii. Production Casing: 520 sks Light Class "H" (35:65:4) w/salt, FL, & LCM additives. Yield at 2.12 cuft/sk. 400 sks Light Class "H" w/salt, & FL. Yield at 1.18 cuft/sk. Cmt circulated to surface w/25% excess. This casing string will provide lease line isolation.
 - iv. Production Liner: This will be a Packer/Port completion from TD up inside 7" casing with packer type liner hanger.

*Referring to above blends of light cement: (wt% fly ash : wt% cement : wt% bentonite of the total of first two numbers). Generic names of additives are used since the availability of specific company and products are unknown at this time.

6. Mud Program:

Interval	Type System	Weight	Viscosity	Fluid Loss
0' - 325' <i>345</i>	FW spud mud	8.6-9.0	32-34	NA
325' - 1510'	Brine water	10.0-10.2	28-30	NA
1510' - 7630'	FW (KOP)	8.4-8.6	28-30	NA
7630' - TD	FW w/Polymer	8.5-8.7	32-35	15

7. Evaluation Program:

See 10A

Samples: 10' samples from surface casing to TD
Logging: GR & Gyro from KOP -100' (7530') to surface. GR from 7630' to TD.

8. Downhole Conditions

Zones of abnormal pressure:	Possible water flow in intermediate hole
Zones of lost circulation:	Anticipated in surface and intermediate holes
Maximum bottom hole temperature:	120 degree F
Maximum bottom hole pressure:	8.34 lbs/gal gradient or less

9. Anticipated Starting Date:

Mewbourne Oil Company intends to spud this well 9/15/2011 with approximately 40 days involved in drilling operations and an additional 10 days involved in completion operations on the project.

See 10A

See 10A

Mewbourne Oil Co

Eddy County, New Mexico

Sec 21/28-18S-30E

Phoenix 21 Fed Com #1H

Wellbore #1

Plan: Design #1

DDC Well Planning Report

10 June, 2011



DDC
Well Planning Report



Database:	EDM 5000.1 Single User Db	Local Co-ordinate Reference:	Well Phoenix 21 Fed Com #1H
Company:	Mewbourne Oil Co	TVD Reference:	WELL @ 3452.0usft (Patterson UTI #46)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3452.0usft (Patterson UTI #46)
Site:	Sec 21/28-18S-30E	North Reference:	Grid
Well:	Phoenix 21 Fed Com #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Project:	Eddy County, New Mexico		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site:	Sec 21/28-18S-30E		
Site Position:		Northing:	627,672.50 usft
From:	Map	Easting:	608,005.80 usft
Position Uncertainty:	0.0 usft	Slot Radius:	13-3/16 "
		Latitude:	32° 43' 30.273 N
		Longitude:	103° 58' 55.671 W
		Grid Convergence:	0.19 °

Well:	Phoenix 21 Fed Com #1H					
Well Position	+N/-S	0.0 usft	Northing:	627,672.50 usft	Latitude:	32° 43' 30.273 N
	+E/-W	0.0 usft	Easting:	608,005.80 usft	Longitude:	103° 58' 55.671 W
Position Uncertainty		0.0 usft	Wellhead Elevation:		Ground Level:	3,431.0 usft

Wellbore:	Wellbore #1		
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Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (mT)
	IGRF2010	6/10/2011	7.82	60.58	48,874

Design:	Design #1		
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Audit Notes:				
Version:	Phase:	PLAN	Tie On Depth:	0.0

Vertical Section	Depth From (TVD) (usft)	N/S (usft)	E/W (usft)	Direction (°)
	0.0	0.0	0.0	357.23

Plan Sections	Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	N/S (usft)	E/W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
	0.0	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.00	0.00	
	7,624.1	0.00	0.00	7,624.1	0.0	0.0	0.00	0.00	0.00	0.00	
	8,531.0	90.69	357.23	8,197.0	579.2	-28.0	10.00	10.00	-0.30	357.23	
	13,102.8	90.69	357.23	8,142.0	5,145.3	-248.5	0.00	0.00	0.00	0.00	PBHL Phoenix 21 F

DDC
Well Planning Report



Database:	EDM-5000.1 Single User Db	Local Co-ordinate Reference:	Well Phoenix 21 Fed Com #1H
Company:	Mewbourne Oil Co	TPD Reference:	WELL @ 3452.0usft (Patterson UTI #46)
Project:	Eddy County, New Mexico	MD Reference:	WELL @ 3452.0usft (Patterson UTI #46)
Site:	Sec 21/28-18S-30E	North Reference:	Grid
Well:	Phoenix 21 Fed Com #1H	Survey Calculation Method:	Minimum Curvature
Wellbore:	Wellbore #1		
Design:	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	N-S (usft)	E-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
0.0	0.00	0.00	0.0	0.0	0.0	0.0	0.00	0.00	0.00
100.0	0.00	0.00	100.0	0.0	0.0	0.0	0.00	0.00	0.00
200.0	0.00	0.00	200.0	0.0	0.0	0.0	0.00	0.00	0.00
300.0	0.00	0.00	300.0	0.0	0.0	0.0	0.00	0.00	0.00
400.0	0.00	0.00	400.0	0.0	0.0	0.0	0.00	0.00	0.00
500.0	0.00	0.00	500.0	0.0	0.0	0.0	0.00	0.00	0.00
600.0	0.00	0.00	600.0	0.0	0.0	0.0	0.00	0.00	0.00
700.0	0.00	0.00	700.0	0.0	0.0	0.0	0.00	0.00	0.00
800.0	0.00	0.00	800.0	0.0	0.0	0.0	0.00	0.00	0.00
900.0	0.00	0.00	900.0	0.0	0.0	0.0	0.00	0.00	0.00
1,000.0	0.00	0.00	1,000.0	0.0	0.0	0.0	0.00	0.00	0.00
1,100.0	0.00	0.00	1,100.0	0.0	0.0	0.0	0.00	0.00	0.00
1,200.0	0.00	0.00	1,200.0	0.0	0.0	0.0	0.00	0.00	0.00
1,300.0	0.00	0.00	1,300.0	0.0	0.0	0.0	0.00	0.00	0.00
1,400.0	0.00	0.00	1,400.0	0.0	0.0	0.0	0.00	0.00	0.00
1,500.0	0.00	0.00	1,500.0	0.0	0.0	0.0	0.00	0.00	0.00
1,600.0	0.00	0.00	1,600.0	0.0	0.0	0.0	0.00	0.00	0.00
1,700.0	0.00	0.00	1,700.0	0.0	0.0	0.0	0.00	0.00	0.00
1,800.0	0.00	0.00	1,800.0	0.0	0.0	0.0	0.00	0.00	0.00
1,900.0	0.00	0.00	1,900.0	0.0	0.0	0.0	0.00	0.00	0.00
2,000.0	0.00	0.00	2,000.0	0.0	0.0	0.0	0.00	0.00	0.00
2,100.0	0.00	0.00	2,100.0	0.0	0.0	0.0	0.00	0.00	0.00
2,200.0	0.00	0.00	2,200.0	0.0	0.0	0.0	0.00	0.00	0.00
2,300.0	0.00	0.00	2,300.0	0.0	0.0	0.0	0.00	0.00	0.00
2,400.0	0.00	0.00	2,400.0	0.0	0.0	0.0	0.00	0.00	0.00
2,500.0	0.00	0.00	2,500.0	0.0	0.0	0.0	0.00	0.00	0.00
2,600.0	0.00	0.00	2,600.0	0.0	0.0	0.0	0.00	0.00	0.00
2,700.0	0.00	0.00	2,700.0	0.0	0.0	0.0	0.00	0.00	0.00
2,800.0	0.00	0.00	2,800.0	0.0	0.0	0.0	0.00	0.00	0.00
2,900.0	0.00	0.00	2,900.0	0.0	0.0	0.0	0.00	0.00	0.00
3,000.0	0.00	0.00	3,000.0	0.0	0.0	0.0	0.00	0.00	0.00
3,100.0	0.00	0.00	3,100.0	0.0	0.0	0.0	0.00	0.00	0.00
3,200.0	0.00	0.00	3,200.0	0.0	0.0	0.0	0.00	0.00	0.00
3,300.0	0.00	0.00	3,300.0	0.0	0.0	0.0	0.00	0.00	0.00
3,400.0	0.00	0.00	3,400.0	0.0	0.0	0.0	0.00	0.00	0.00
3,500.0	0.00	0.00	3,500.0	0.0	0.0	0.0	0.00	0.00	0.00
3,600.0	0.00	0.00	3,600.0	0.0	0.0	0.0	0.00	0.00	0.00
3,700.0	0.00	0.00	3,700.0	0.0	0.0	0.0	0.00	0.00	0.00
3,800.0	0.00	0.00	3,800.0	0.0	0.0	0.0	0.00	0.00	0.00
3,900.0	0.00	0.00	3,900.0	0.0	0.0	0.0	0.00	0.00	0.00
4,000.0	0.00	0.00	4,000.0	0.0	0.0	0.0	0.00	0.00	0.00
4,100.0	0.00	0.00	4,100.0	0.0	0.0	0.0	0.00	0.00	0.00
4,200.0	0.00	0.00	4,200.0	0.0	0.0	0.0	0.00	0.00	0.00
4,300.0	0.00	0.00	4,300.0	0.0	0.0	0.0	0.00	0.00	0.00
4,400.0	0.00	0.00	4,400.0	0.0	0.0	0.0	0.00	0.00	0.00
4,500.0	0.00	0.00	4,500.0	0.0	0.0	0.0	0.00	0.00	0.00
4,600.0	0.00	0.00	4,600.0	0.0	0.0	0.0	0.00	0.00	0.00
4,700.0	0.00	0.00	4,700.0	0.0	0.0	0.0	0.00	0.00	0.00
4,800.0	0.00	0.00	4,800.0	0.0	0.0	0.0	0.00	0.00	0.00
4,900.0	0.00	0.00	4,900.0	0.0	0.0	0.0	0.00	0.00	0.00
5,000.0	0.00	0.00	5,000.0	0.0	0.0	0.0	0.00	0.00	0.00
5,100.0	0.00	0.00	5,100.0	0.0	0.0	0.0	0.00	0.00	0.00
5,200.0	0.00	0.00	5,200.0	0.0	0.0	0.0	0.00	0.00	0.00
5,300.0	0.00	0.00	5,300.0	0.0	0.0	0.0	0.00	0.00	0.00

DDC Well Planning Report



Database	EDM 5000.1 Single User Db	Local Co-ordinate Reference	Well Phoenix 21 Fed Com #1H
Company	Mewbourne Oil Co	WVD Reference	WELL @ 3452.0usft (Patterson UTI #46)
Project	Eddy County, New Mexico	MD Reference	WELL @ 3452.0usft (Patterson UTI #46)
Site	Sec 21/28-18S-30E	North Reference	Grid
Well	Phoenix 21 Fed Com #1H	Survey Calculation Method	Minimum Curvature
Wellbore	Wellbore #1		
Design	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	N/S (usft)	E/W (usft)	Vertical Section (usft)	Dogleg Rate (/100usft)	Build Rate (/100usft)	Turn Rate (/100usft)
5,400.0	0.00	0.00	5,400.0	0.0	0.0	0.0	0.00	0.00	0.00
5,500.0	0.00	0.00	5,500.0	0.0	0.0	0.0	0.00	0.00	0.00
5,600.0	0.00	0.00	5,600.0	0.0	0.0	0.0	0.00	0.00	0.00
5,700.0	0.00	0.00	5,700.0	0.0	0.0	0.0	0.00	0.00	0.00
5,800.0	0.00	0.00	5,800.0	0.0	0.0	0.0	0.00	0.00	0.00
5,900.0	0.00	0.00	5,900.0	0.0	0.0	0.0	0.00	0.00	0.00
6,000.0	0.00	0.00	6,000.0	0.0	0.0	0.0	0.00	0.00	0.00
6,100.0	0.00	0.00	6,100.0	0.0	0.0	0.0	0.00	0.00	0.00
6,200.0	0.00	0.00	6,200.0	0.0	0.0	0.0	0.00	0.00	0.00
6,300.0	0.00	0.00	6,300.0	0.0	0.0	0.0	0.00	0.00	0.00
6,400.0	0.00	0.00	6,400.0	0.0	0.0	0.0	0.00	0.00	0.00
6,500.0	0.00	0.00	6,500.0	0.0	0.0	0.0	0.00	0.00	0.00
6,600.0	0.00	0.00	6,600.0	0.0	0.0	0.0	0.00	0.00	0.00
6,700.0	0.00	0.00	6,700.0	0.0	0.0	0.0	0.00	0.00	0.00
6,800.0	0.00	0.00	6,800.0	0.0	0.0	0.0	0.00	0.00	0.00
6,900.0	0.00	0.00	6,900.0	0.0	0.0	0.0	0.00	0.00	0.00
7,000.0	0.00	0.00	7,000.0	0.0	0.0	0.0	0.00	0.00	0.00
7,100.0	0.00	0.00	7,100.0	0.0	0.0	0.0	0.00	0.00	0.00
7,200.0	0.00	0.00	7,200.0	0.0	0.0	0.0	0.00	0.00	0.00
7,300.0	0.00	0.00	7,300.0	0.0	0.0	0.0	0.00	0.00	0.00
7,400.0	0.00	0.00	7,400.0	0.0	0.0	0.0	0.00	0.00	0.00
7,500.0	0.00	0.00	7,500.0	0.0	0.0	0.0	0.00	0.00	0.00
7,600.0	0.00	0.00	7,600.0	0.0	0.0	0.0	0.00	0.00	0.00
Build 10°/100' @ 7624' MD									
7,624.1	0.00	0.00	7,624.1	0.0	0.0	0.0	0.00	0.00	0.00
7,700.0	7.59	357.23	7,699.8	5.0	-0.2	5.0	10.00	10.00	0.00
7,800.0	17.59	357.23	7,797.2	26.8	-1.3	26.8	10.00	10.00	0.00
7,900.0	27.59	357.23	7,889.5	65.1	-3.1	65.2	10.00	10.00	0.00
8,000.0	37.59	357.23	7,973.6	118.8	-5.7	118.9	10.00	10.00	0.00
8,100.0	47.59	357.23	8,047.1	186.3	-9.0	186.5	10.00	10.00	0.00
8,200.0	57.59	357.23	8,107.8	265.6	-12.8	265.9	10.00	10.00	0.00
8,300.0	67.59	357.23	8,153.8	354.1	-17.1	354.5	10.00	10.00	0.00
8,400.0	77.59	357.23	8,183.7	449.3	-21.7	449.8	10.00	10.00	0.00
8,500.0	87.59	357.23	8,196.6	548.2	-26.5	548.9	10.00	10.00	0.00
EOB @ 8531' MD / 90.69° Inc / 357.23° Azm / 8197' TVD									
8,531.0	90.69	357.23	8,197.0	579.2	-28.0	579.9	10.00	10.00	0.00
8,600.0	90.69	357.23	8,196.2	648.1	-31.3	648.9	0.00	0.00	0.00
8,700.0	90.69	357.23	8,195.0	748.0	-36.1	748.8	0.00	0.00	0.00
8,800.0	90.69	357.23	8,193.8	847.8	-40.9	848.8	0.00	0.00	0.00
8,900.0	90.69	357.23	8,192.6	947.7	-45.8	948.8	0.00	0.00	0.00
9,000.0	90.69	357.23	8,191.4	1,047.6	-50.6	1,048.8	0.00	0.00	0.00
9,100.0	90.69	357.23	8,190.2	1,147.5	-55.4	1,148.8	0.00	0.00	0.00
9,200.0	90.69	357.23	8,189.0	1,247.4	-60.2	1,248.8	0.00	0.00	0.00
9,300.0	90.69	357.23	8,187.8	1,347.2	-65.1	1,348.8	0.00	0.00	0.00
9,400.0	90.69	357.23	8,186.6	1,447.1	-69.9	1,448.8	0.00	0.00	0.00
9,500.0	90.69	357.23	8,185.4	1,547.0	-74.7	1,548.8	0.00	0.00	0.00
9,600.0	90.69	357.23	8,184.2	1,646.9	-79.5	1,648.8	0.00	0.00	0.00
9,700.0	90.69	357.23	8,182.9	1,746.7	-84.4	1,748.8	0.00	0.00	0.00
9,800.0	90.69	357.23	8,181.7	1,846.6	-89.2	1,848.8	0.00	0.00	0.00
9,900.0	90.69	357.23	8,180.5	1,946.5	-94.0	1,948.8	0.00	0.00	0.00
10,000.0	90.69	357.23	8,179.3	2,046.4	-98.8	2,048.8	0.00	0.00	0.00
10,100.0	90.69	357.23	8,178.1	2,146.2	-103.7	2,148.7	0.00	0.00	0.00
10,200.0	90.69	357.23	8,176.9	2,246.1	-108.5	2,248.7	0.00	0.00	0.00

DDC Well Planning Report



Database	EDM 5000.1 Single User Db	Local Co-ordinate Reference	Well Phoenix 21 Fed Com #1H
Company	Mewbourne Oil Co	TVD Reference	WELL @ 3452.0usft (Patterson UTI #46)
Project	Eddy County, New Mexico	MD Reference	WELL @ 3452.0usft (Patterson UTI #46)
Site	Sec 21/28-18S-30E	North Reference	Grid
Well	Phoenix 21 Fed Com #1H	Survey Calculation Method	Minimum Curvature
Wellbore	Wellbore #1		
Design	Design #1		

Planned Survey									
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	N/S (usft)	E/W (usft)	Vertical Section (usft)	Degree Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)
10,300.0	90.69	357.23	8,175.7	2,346.0	-113.3	2,348.7	0.00	0.00	0.00
10,400.0	90.69	357.23	8,174.5	2,445.9	-118.1	2,448.7	0.00	0.00	0.00
10,500.0	90.69	357.23	8,173.3	2,545.7	-123.0	2,548.7	0.00	0.00	0.00
10,600.0	90.69	357.23	8,172.1	2,645.6	-127.8	2,648.7	0.00	0.00	0.00
10,700.0	90.69	357.23	8,170.9	2,745.5	-132.6	2,748.7	0.00	0.00	0.00
10,800.0	90.69	357.23	8,169.7	2,845.4	-137.4	2,848.7	0.00	0.00	0.00
10,900.0	90.69	357.23	8,168.5	2,945.3	-142.2	2,948.7	0.00	0.00	0.00
11,000.0	90.69	357.23	8,167.3	3,045.1	-147.1	3,048.7	0.00	0.00	0.00
11,100.0	90.69	357.23	8,166.1	3,145.0	-151.9	3,148.7	0.00	0.00	0.00
11,200.0	90.69	357.23	8,164.9	3,244.9	-156.7	3,248.7	0.00	0.00	0.00
11,300.0	90.69	357.23	8,163.7	3,344.8	-161.5	3,348.7	0.00	0.00	0.00
11,400.0	90.69	357.23	8,162.5	3,444.6	-166.4	3,448.6	0.00	0.00	0.00
11,500.0	90.69	357.23	8,161.3	3,544.5	-171.2	3,548.6	0.00	0.00	0.00
11,600.0	90.69	357.23	8,160.1	3,644.4	-176.0	3,648.6	0.00	0.00	0.00
11,700.0	90.69	357.23	8,158.9	3,744.3	-180.8	3,748.6	0.00	0.00	0.00
11,800.0	90.69	357.23	8,157.7	3,844.1	-185.7	3,848.6	0.00	0.00	0.00
11,900.0	90.69	357.23	8,156.5	3,944.0	-190.5	3,948.6	0.00	0.00	0.00
12,000.0	90.69	357.23	8,155.3	4,043.9	-195.3	4,048.6	0.00	0.00	0.00
12,100.0	90.69	357.23	8,154.1	4,143.8	-200.1	4,148.6	0.00	0.00	0.00
12,200.0	90.69	357.23	8,152.9	4,243.6	-205.0	4,248.6	0.00	0.00	0.00
12,300.0	90.69	357.23	8,151.7	4,343.5	-209.8	4,348.6	0.00	0.00	0.00
12,400.0	90.69	357.23	8,150.5	4,443.4	-214.6	4,448.6	0.00	0.00	0.00
12,500.0	90.69	357.23	8,149.3	4,543.3	-219.4	4,548.6	0.00	0.00	0.00
12,600.0	90.69	357.23	8,148.1	4,643.2	-224.2	4,648.6	0.00	0.00	0.00
12,700.0	90.69	357.23	8,146.8	4,743.0	-229.1	4,748.6	0.00	0.00	0.00
12,800.0	90.69	357.23	8,145.6	4,842.9	-233.9	4,848.5	0.00	0.00	0.00
12,900.0	90.69	357.23	8,144.4	4,942.8	-238.7	4,948.5	0.00	0.00	0.00
13,000.0	90.69	357.23	8,143.2	5,042.7	-243.5	5,048.5	0.00	0.00	0.00
13,100.0	90.69	357.23	8,142.0	5,142.5	-248.4	5,148.5	0.00	0.00	0.00
TD @ 13103' MD / 8142' TVD									
13,102.8	90.69	357.23	8,142.0	5,145.3	-248.5	5,151.3	0.00	0.00	0.00

Design Targets									
Target Name	Miss Target	Dip Angle (°)	Dip Dir (°)	TVD (usft)	N/S (usft)	E/W (usft)	Northing (usft)	Easting (usft)	
PBHL Phoenix 21 Fed		0.00	0.00	8,142.0	5,145.3	-248.5	632,817.80	607,757.30	32° 44' 21.196 N 103° 58' 58.380 W
- plan hits target center									
- Point									

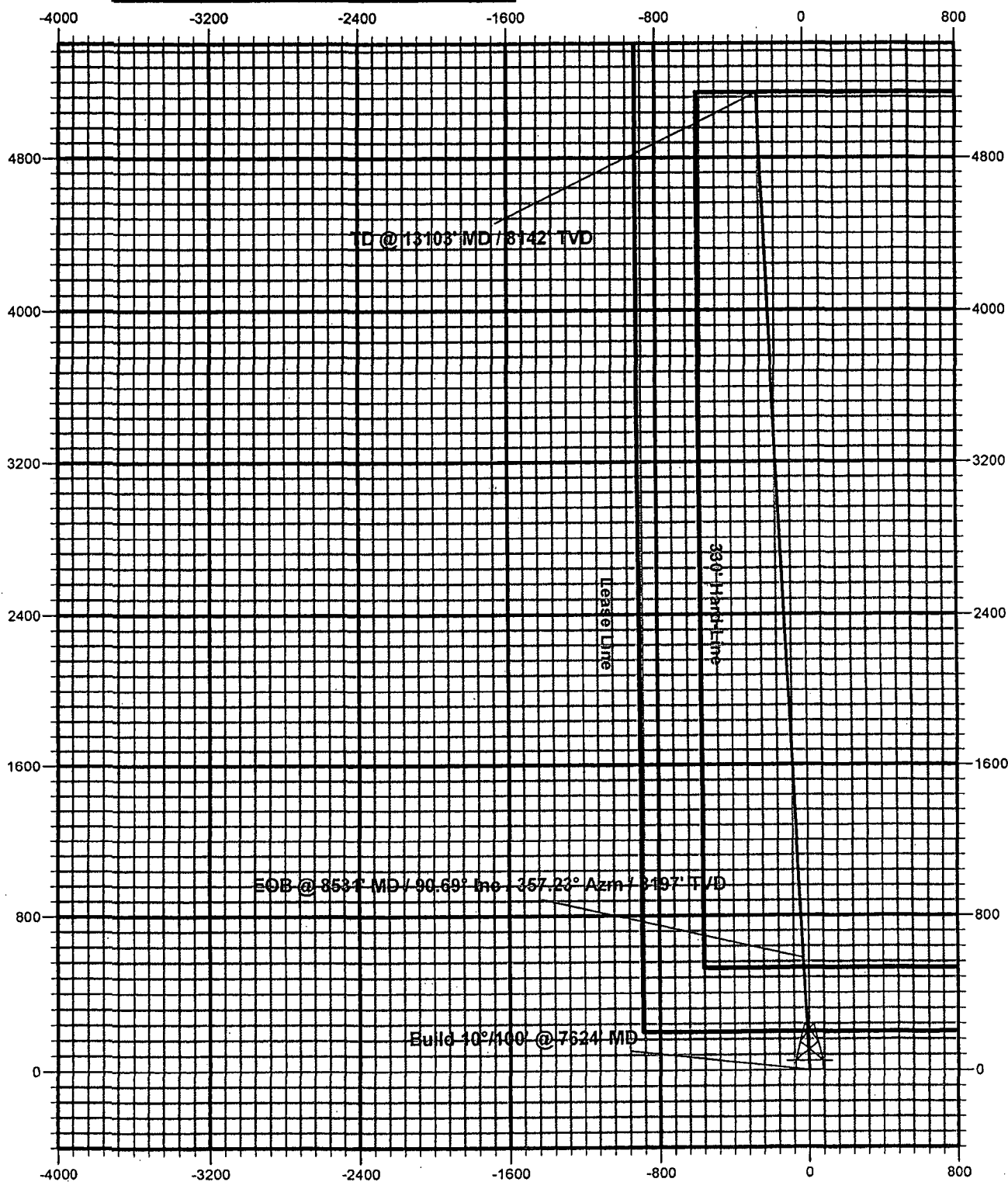
Plan Annotations				
Measured Depth (usft)	Vertical Depth (usft)	Local Coordinates		Comment
		N/S (usft)	E/W (usft)	
7,624.1	7,624.1	0.0	0.0	Build 10°/100' @ 7624' MD
8,531.0	8,197.0	579.2	-28.0	EOB @ 8531' MD / 90.69° Inc / 357.23° Azm / 8197' TVD
13,102.8	8,142.0	5,145.3	-248.5	TD @ 13103' MD / 8142' TVD

Mewbourne Oil Company

Eddy County, New Mexico

Phoenix 21 Fed Com #1H

Quote 110428



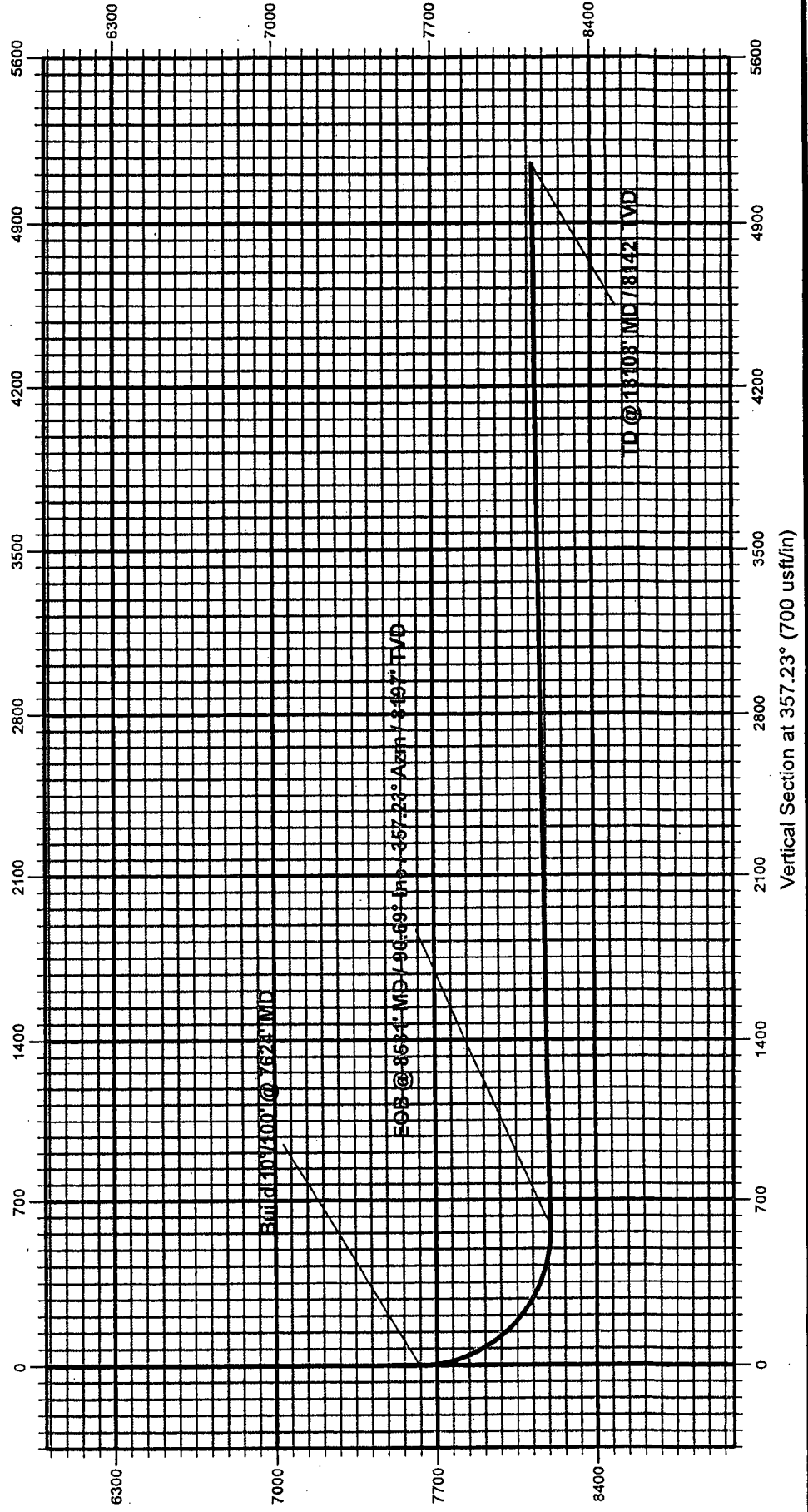
Mewbourne Oil Company



Eddy County, New Mexico

Phoenix 21 Fed Com #1H

Quote 110428



Notes Regarding Blowout Preventer

Mewbourne Oil Company

Phoenix 21 Federal Com #1H

200' FNL & 890' FWL (SL)

Sec 28-T18S-R30E

Eddy County, New Mexico

- I. Drilling nipple (bell nipple) to be constructed so that it can be removed without the use of a welder through the opening of the rotary table, with minimum internal diameter equal to blowout preventer bore.
- II. Blowout preventer and all fittings must be in good condition with a minimum 2000 psi working pressure on 13 3/8" casing and 3000 psi working pressure on 9 5/8" & 7" casing.
- III. Safety valve must be available on the rig floor at all times with proper connections to install in the drill string. Valve must be full bore with minimum 3000 psi working pressure.
- IV. Equipment through which bit must pass shall be at least as large as internal diameter of the casing.
- V. A kelly cock shall be installed on the kelly at all times.

Blowout preventer closing equipment to include an accumulator of at least 40 gallon capacity, two independent sources of pressure on closing unit, and meet all other API specifications.

Mewbourne Oil Company

BOP Schematic for

12 1/4" Hole

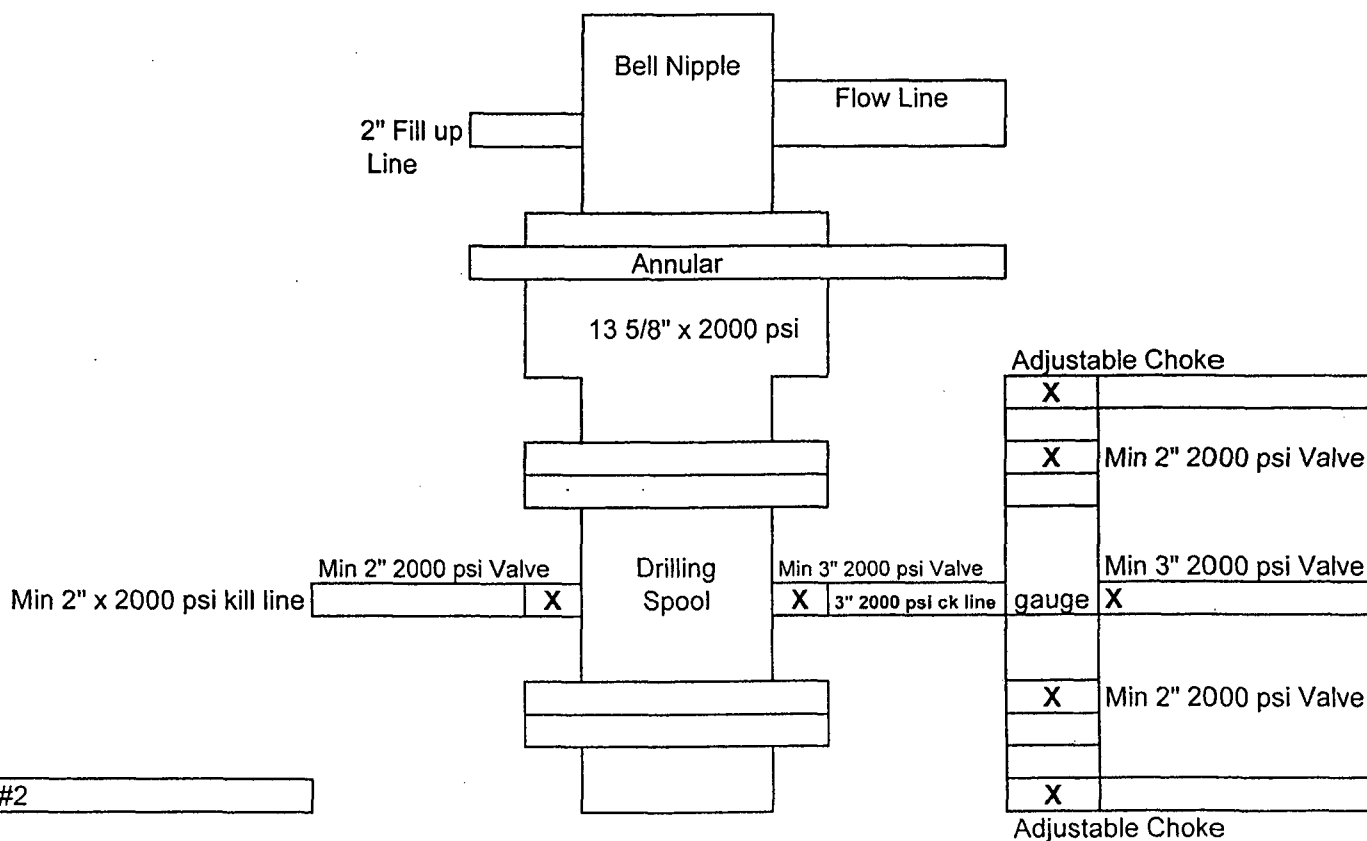


Exhibit #2

Phoenix "21" Fed Com #1H
Sec. 28-T18S-R30E
200' FNL & 890' FWL
Eddy County, NM

Mewbourne Oil Company
BOP Schematic for
8 3/4" or 7 7/8" Hole

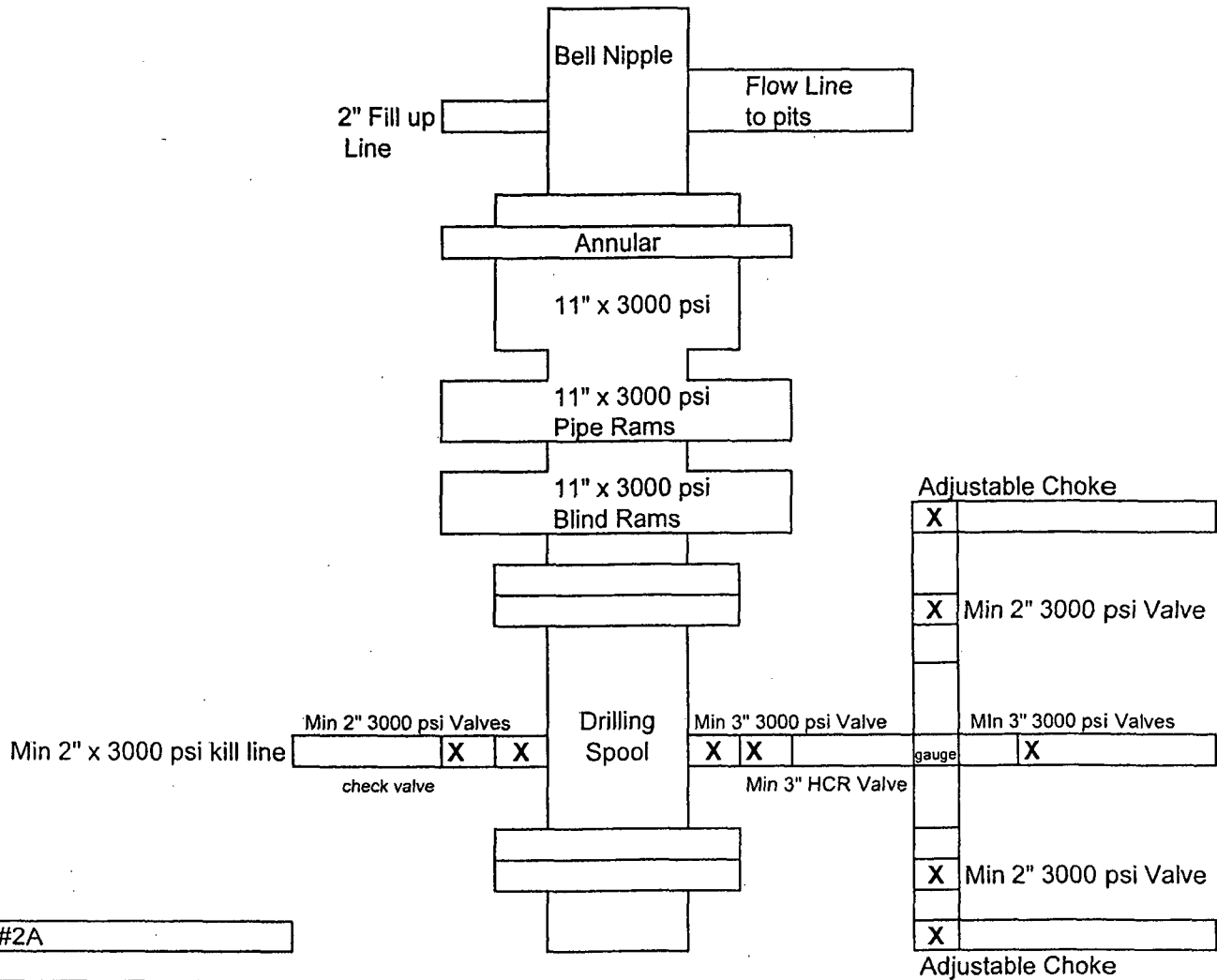


Exhibit #2A

Phoenix 21 Federal Com #1H
200' FNL & 890' FWL
Sec 28-T18S-R30E
Eddy, County
New Mexico

Mewbourne Oil Company
BOP Schematic for
6 1/8" Hole

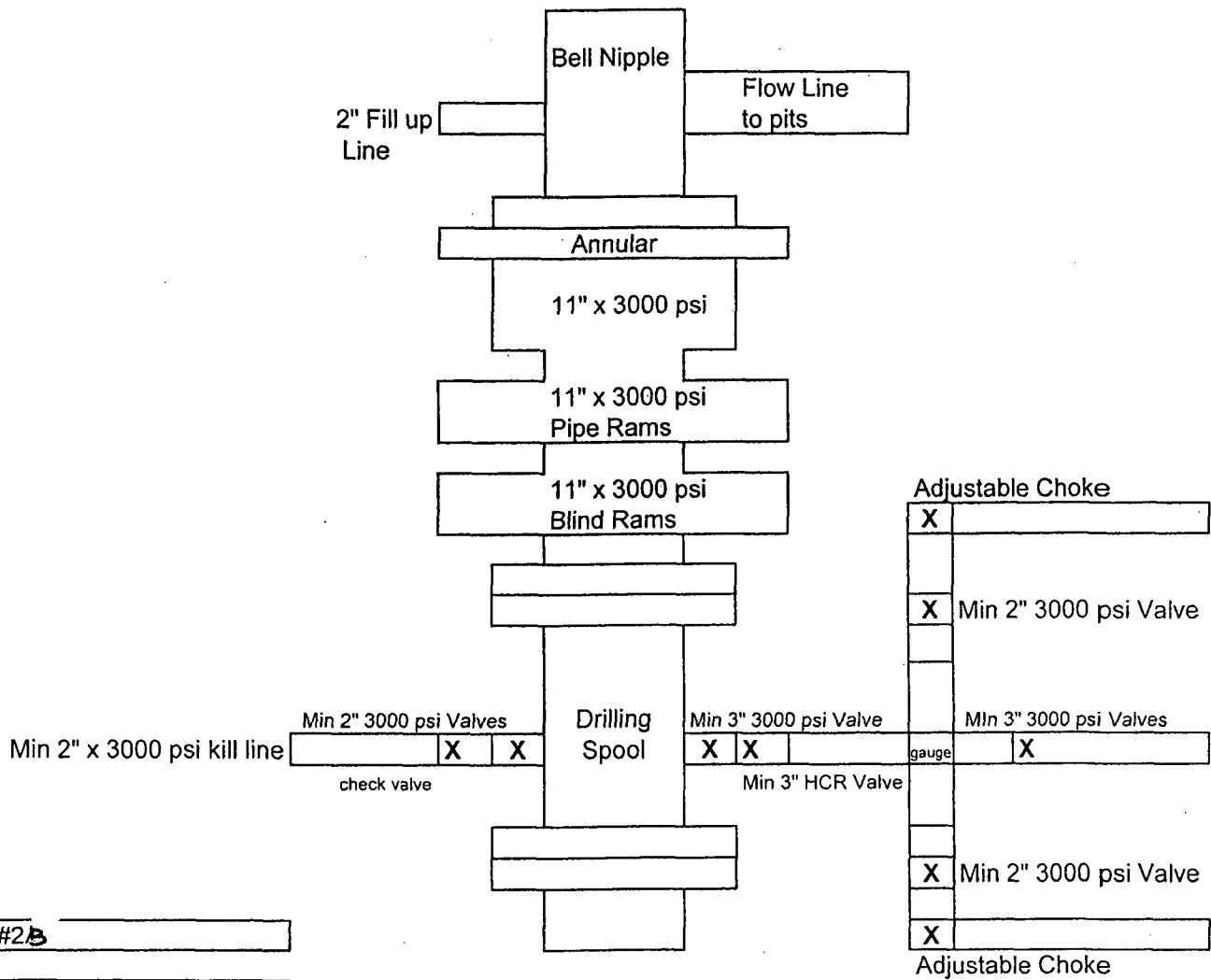
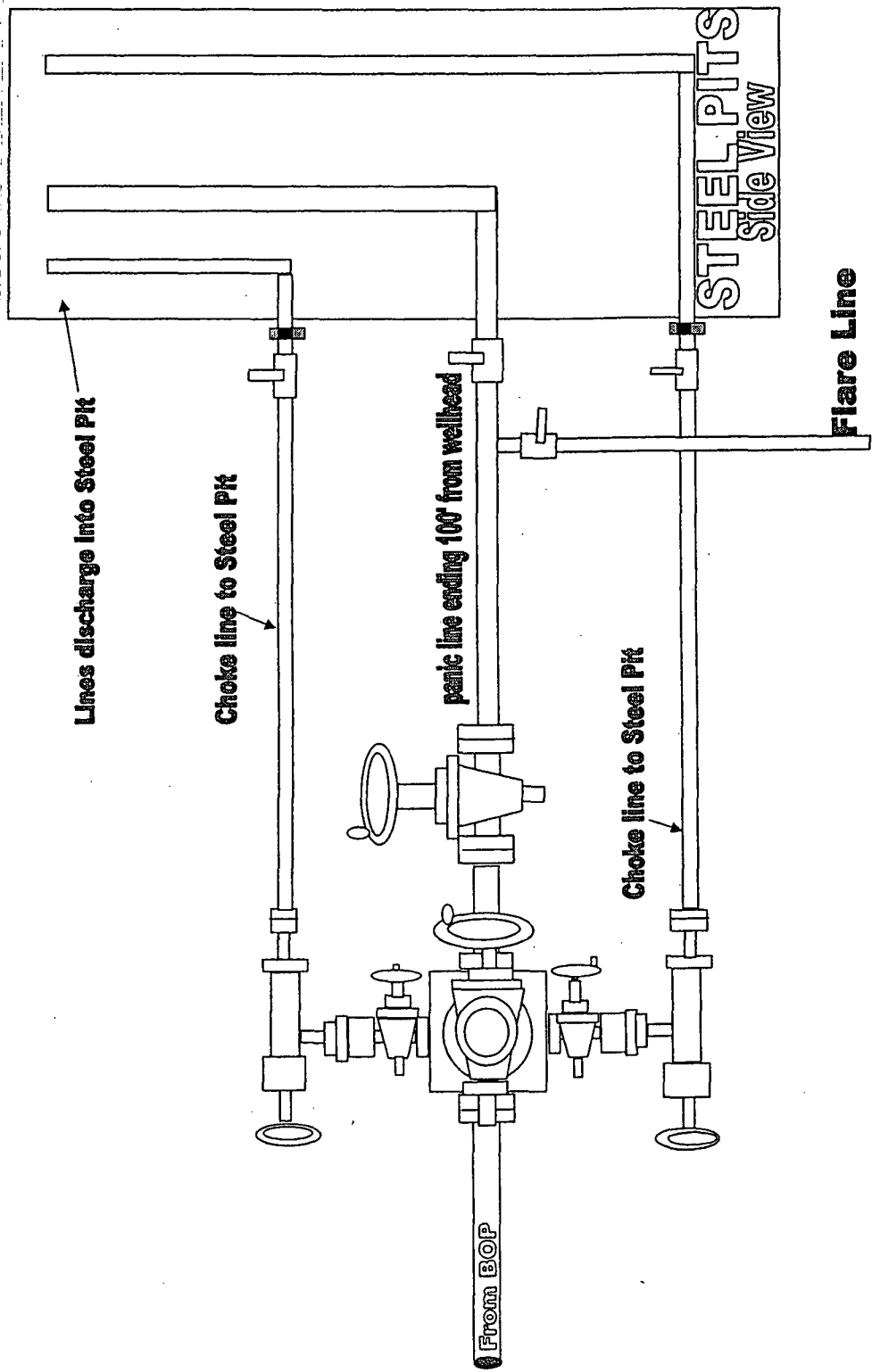


Exhibit #2B

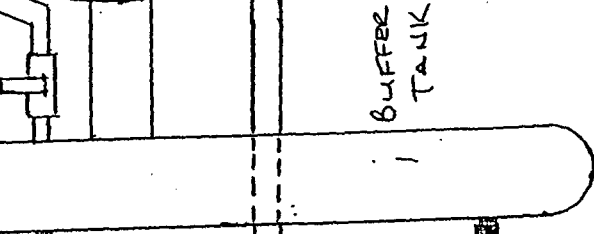
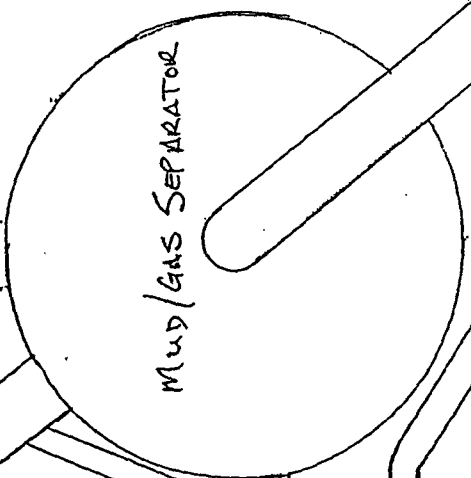
Phoenix 21 Federal Com #1H
200' FNL & 890' FWL
Sec 28-T18S-R30E
Eddy, County
New Mexico



2000# & 3000# BOP manifold system for Exhibit 2 & 2A

TO STEEL PITS

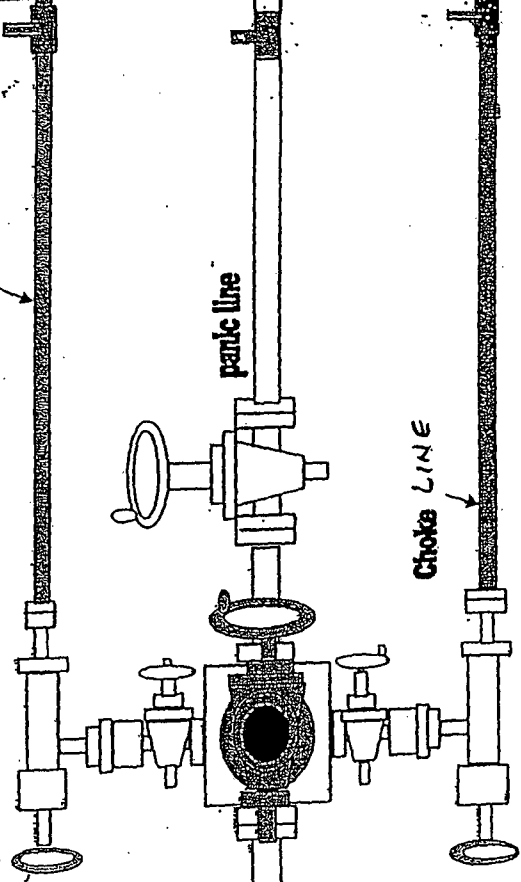
FROM FLOWLINE



Choke LINE

panic line

Choke LINE



TO FLARE PCT

(150' FROM WELL HEAD)
WITH ELECTRIC OR P2-PANE LIGHTER

2000#/3000#BOP manifold system
FOR POTENTIAL H2S ENVIRONMENT

Closed Loop Pad Dimensions 280' x 320'

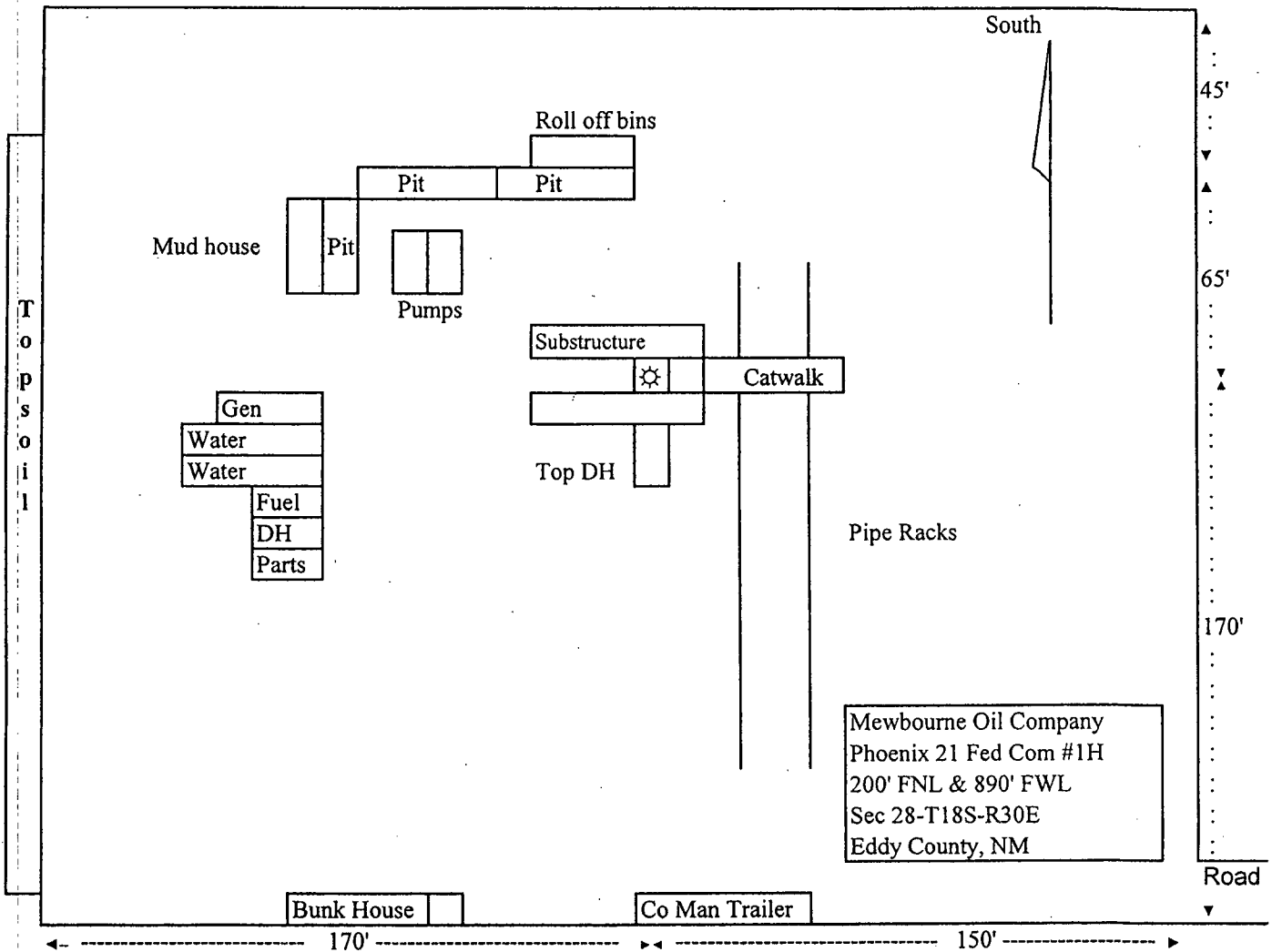


Exhibit 5

Hydrogen Sulfide Drilling Operations Plan

Mewbourne Oil Company
Phoenix "21" Federal Com #1H
200' FNL & 890' FWL
Sec 28-T18S-R30E
Eddy County, New Mexico

1. General Requirements

Rule 118 does not apply to this well because MOC has researched this area and no high concentrations of H₂S were found. MOC will have on location and working all H₂S safety equipment before drilling the surface shoe for purposes of safety and insurance requirements.

2. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will have received training from a qualified instructor in the following areas prior to entering the drilling pad area of the well:

1. The hazards and characteristics of hydrogen sulfide gas.
2. The proper use of personal protective equipment and life support systems.
3. The proper use of hydrogen sulfide detectors, alarms, warning systems, briefing areas, evacuation procedures.
4. The proper techniques for first aid and rescue operations.

Additionally, supervisory personnel will be trained in the following areas:

- 1 The effects of hydrogen sulfide on metal components. If high tensile tubular systems are utilized, supervisory personnel will be trained in their special maintenance requirements.
- 2 Corrective action and shut in procedures, blowout prevention, and well control procedures while drilling a well.
- 3 The contents of the Hydrogen Sulfide Drilling Operations Plan.

There will be an initial training session prior to encountering a known hydrogen sulfide source. The initial training session shall include a review of the site specific Hydrogen Sulfide Drilling Operations Plan.

3. Hydrogen Sulfide Safety Equipment and Systems

All hydrogen sulfide safety equipment and systems will be installed, tested, and operational prior to drilling below the intermediate casing.

1. Well Control Equipment

- A. Choke manifold with minimum of one adjustable choke.
- B. Blowout preventers equipped with blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
- C. Auxiliary equipment including annular type blowout preventer.

2. Protective Equipment for Essential Personnel

Thirty minute self contained work unit located in the dog house and at briefing areas.

Additionally: If H₂S is encountered in concentrations less than 10 ppm, fans will be placed in work areas to prevent the accumulation of hazardous amounts of poisonous gas. If higher concentrations of H₂S are detected the well will be shut in and a rotating head, mud/gas separator, and flare line with igniter will be installed.

3. Hydrogen Sulfide Protection and Monitoring Equipment

Two portable hydrogen sulfide monitors positioned on location for optimum coverage and detection. The units shall have audible sirens to notify personnel when hydrogen sulfide levels exceed 20 PPM.

4. Visual Warning Systems

A. Wind direction indicators as indicated on the wellsite diagram.

B. Caution signs shall be posted on roads providing access to location. Signs shall be painted a high visibility color with lettering of sufficient size to be readable at reasonable distances from potentially contaminated areas.

4. **Mud Program**

The mud program has been designed to minimize the amount of hydrogen sulfide entrained in the mud system. Proper mud weight, safe drilling practices, and the use of hydrogen sulfide scavengers will minimize hazards while drilling the well.

5. **Metallurgy**

All tubular systems, wellheads, blowout preventers, drilling spools, kill lines, choke manifolds, and valves shall be suitable for service in a hydrogen sulfide environment when chemically treated.

6. **Communications**

State & County Officials phone numbers are posted on rig floor and supervisors trailer. Communications in company vehicles and toolpushers are either two way radios or cellular phones.

7. **Well Testing**

Drill stem testing is not an anticipated requirement for evaluation of this well. If a drill stem test is required, it will be conducted with a minimum number of personnel in the immediate vicinity. The test will be conducted during daylight hours only.

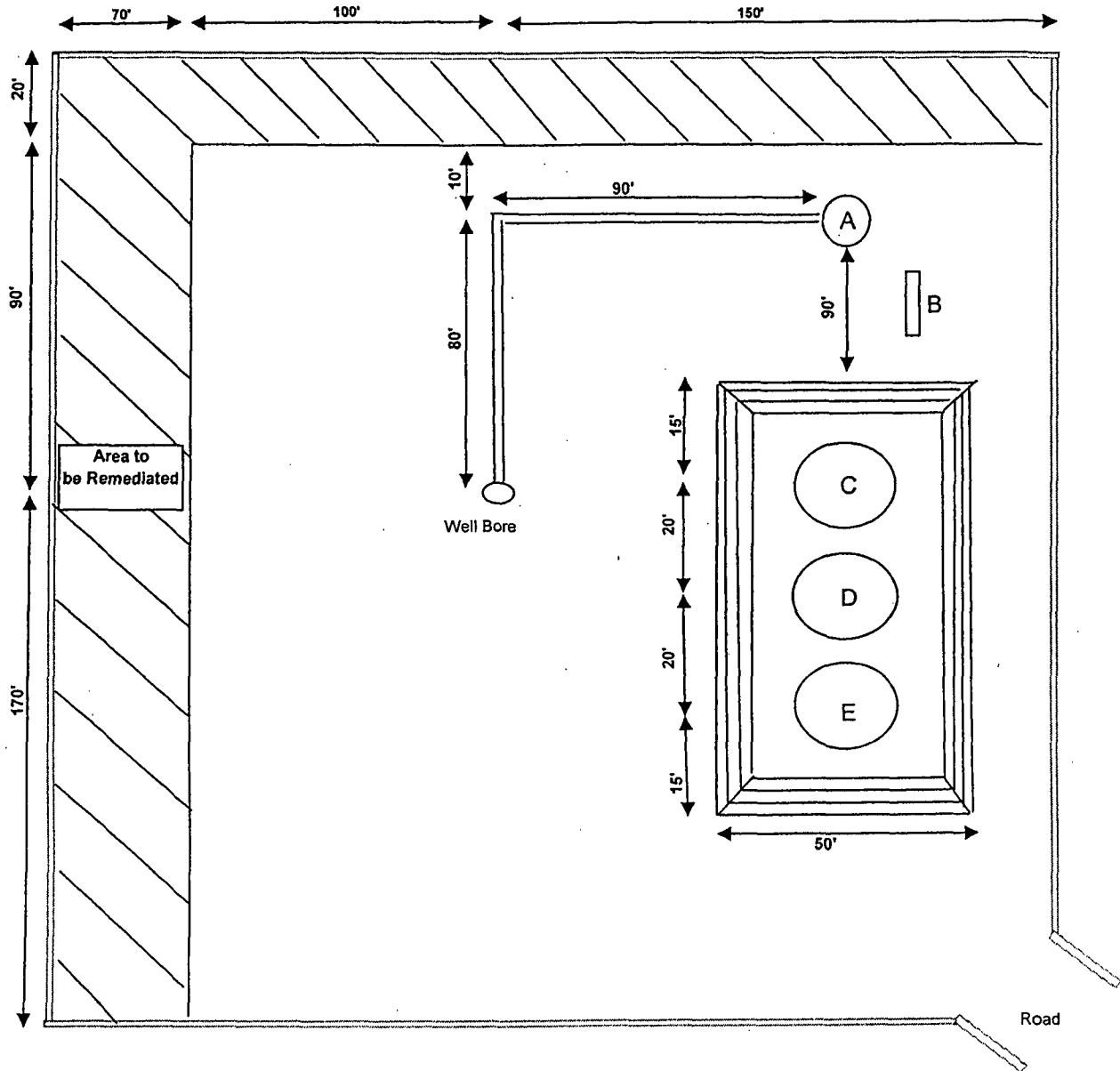
8. **Emergency Phone Numbers**

Eddy County Sheriff's Office	911 or 575-887-7551
Ambulance Service	911 or 575-885-2111
Carlsbad Fire Dept	911 or 575-885-2111
Loco Hills Volunteer Fire Dept.	911 or 575-677-3266
Closest Medical Facility - Columbia Medical Center of Carlsbad	575-492-5000

Mewbourne Oil Company	Hobbs District Office	575-393-5905
	Fax	575-397-6252
	2 nd Fax	575-393-7259

District Manager	Micky Young	575-390-0999
Drilling Superintendent	Frosty Lathan	575-390-4103
Drilling Foreman	Wesley Noseff	575-441-0729

Exhibit # 7



Phoenix 21 FedCom #1H	
Planned Completion Location After Remediation	
Mark	Description
A	Stack Pack
B	3" Meter Run
D	500 bbl fiberglass water Tank
C	500 bbl steel Oil Tank
E	500 bbl steel Oil Tank



MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MEWBOURNE OIL COMPANY

Phoenix "21" Federal Com #1H

200' FNL & 890' FEL

Sec 28-T18S-R30E

Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, Covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved, and the procedures to be followed in restoring the surface so that a complete appraisal can be made of the environmental impact associated with the proposed operations.

1. Existing Roads:

- A. Exhibit #3 is a road map showing the location of the proposed well. Existing and proposed roads are highlighted in black. Exhibits #3A-3D are area maps showing the location of the proposed well and access roads.
- B. Directions to location from Carlsbad, NM: Go NE on Hwy 62/180 for 15 miles to Hwy 360. Turn North and go 11 miles to Grubbs Rd (CR 250). Turn right (North) & continue north & NE 3 miles. Turn left (West) & continue west 1 mile. Turn right (North) .3 mile. Continue north, then east 0.25 mile to location.
- C. Existing roads will be maintained in a condition the same as or better than before operations begin.

2. Proposed Access Road:

- A. Approx 1250' of new road will be needed. Proposed road will tie into the Bradley 28 Fed Com #1H and Bradley 29 Fed Com #2H combined wellpad.
- B. The maximum width of the driving surface will be 14 feet. The road will be crowned and ditched with a 2% slope from the tip of the crown to the edge of the driving surface. The ditches will be 1 foot deep with 3:1 slopes. The road will be surfaced with rolled and compacted caliche.
- C. Mewbourne Oil Co. will cooperate with other operators in the maintenance of lease roads.

3. Location of Existing Wells:

There are producing wells within the immediate vicinity of the well site. Exhibit #4 shows the proposed well and existing wells within a one mile radius.

4. Location of Existing and/or Proposed Facilities:

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, production facilities will be located on the West side of the well pad. A surface 3" SDR 7 polypipe gas line (100 psi max working pressure) and an overhead 3-phase powerline will exit the Northwest corner of location and follow the proposed lease road to an existing tie-in point as shown on Exhibit 3.
- C. All production vessels left on location will be painted to conform with BLM painting stipulations within 180 days of installation.

5. Location and Type of Water Supply

The well will be drilled with a combination of fresh water and brine water based mud systems. The water will be obtained from commercial suppliers in the area and/or hauled to the location by

transport trucks over existing and proposed roads as indicated in Exhibit #3.

6. Source of Construction Materials

All material required for construction of the drill pad and access roads will be obtained from private, state, or federal pits. The construction contractor will be solely responsible for securing construction materials required for this operation and paying any royalties that may be required on those materials.

7. Methods of Handling Waste Disposal:

- A. Drill cuttings not retained for evaluation purposed will be hauled to a permitted off-site facility.
- B. Water produced during operations will be disposed off-site at an approved facility.
- C. If any liquid hydrocarbons are produced during operations, those liquids will be stored in suitable tanks until sold.
- D. Portable toilets will be on location during drilling operations. Waste will be disposed at an approved off-site facility.
- E. All trash, junk, and other waste materials will be stored in proper containers to prevent dispersal and will be removed to an appropriate facility within one week of cessation of drilling and completion activities.

8. Ancillary Facilities

There are no ancillary facilities within the immediate vicinity of the proposed well site.

9. Well Site Layout

- A. A diagram of the drill pad is shown in Exhibit #5. Dimensions of the pad and location of major rig components are shown.
- B. The pad dimension of 280' x 320' has been staked and flagged.

10. Plans for Restoration of Surface

- A. Upon cessation of the proposed operations, if the well is abandoned, the location and road surfacing material will be removed and used to patch area lease roads. The entire location will be restored to the original contour as much as reasonable possible using stockpiled top soil. All trash and garbage will be hauled to appropriate disposal to assure the location is aesthetically pleasing as reasonable possible. All restoration work will be completed within 180 days of cessation of activities.
- B. The disturbed area will be restored by re-seeding during the proper growing season.
- C. Any additional caliche required for production facilities will be obtained from the area shown in exhibit #6 as interim reclamation.
- D. Within 90 days of cessation of drilling and completion operations, all equipment not necessary for production operations will be removed. The location will be cleaned of all trash and junk to assure the well site is left as aesthetically pleasing as reasonably possible.

11. Surface Ownership:

The surface is owned by BLM.

12. Other Information:

- A. The primary use of the surface at the location is for grazing of livestock.
- B. This well will utilize an existing frac pond located in the center of sec 29. Will used proposed road and existing roads as on file for temporary water transfer.

13. Operator's Representative:

- A. Through APD approval, drilling, completion and production operations:

N.M. Young, District Manager
Mewbourne Oil Company
PO Box 5270
Hobbs, NM 88241
575-393-5905

Mewbourne Oil Company

PO Box 5270
Hobbs, NM 88241
(575) 393-5905

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 14 day of June, 2011.

Name: Nm Young

Signature: Nm Young by Jackie Lathan

Position Title: District Manager

Address: PO Box 5270, Hobbs NM 88241

Telephone: 575-393-5905

E-mail: myoung@mewbourne.com

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	MEWBOURNE OIL COMPANY
LEASE NO.:	LC-028978A
WELL NAME & NO.:	PHOENIX FEDERAL COM #1H
SURFACE HOLE FOOTAGE:	200' FNL' & 890' FWL
BOTTOM HOLE FOOTAGE:	330' FNL' & 660' FWL (Sec. 21)
LOCATION:	Section 28, T. 18 S., R. 30 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**
 - Pipeline/Electric Line Placement
 - Lesser Prairie-Chicken Timing Stipulations
 - Ground-level Abandoned Well Marker
 - Hackberry OHV Area -Recreation
 - Communitization Agreement
- ☒ **Construction**
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
 - Logging Requirements
 - Secretary's Potash
 - H₂S - Onshore Order #6
 - Waste Material and Fluids
- ☒ **Production (Post Drilling)**
 - Well Structures & Facilities
 - Pipelines
 - 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)

Pipeline/Electric Line Placement:

The electric line shall be installed no farther than 10 feet from and parallel to the edge of the road. The pipeline shall be installed no farther than 6 feet from and parallel to the edge of the road.

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

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period.

Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

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

Hackberry Lake OHV-Recreation

The pipeline shall be buried 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. During all phases of construction, open ditches shall have proper signage notifying trail users of potential hazards. Upon completion of construction, the road shall be returned to pre-construction condition with no bumps or dips. Power line poles will be spaced to avoid pole placement within trails and "two tracks." All vehicle and equipment operators will observe speed limits and practice responsible defensive driving habits. As discussed during the onsite visit, if trails need to be re-located around the edge of the pad, they will be done so at the company's expense.

Communitization Agreement

A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

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) 234-6235 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. TOPSOIL

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

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

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

D. 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.

E. 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.

F. 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 twenty (20) feet.

Surfacing

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

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

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

Crowning

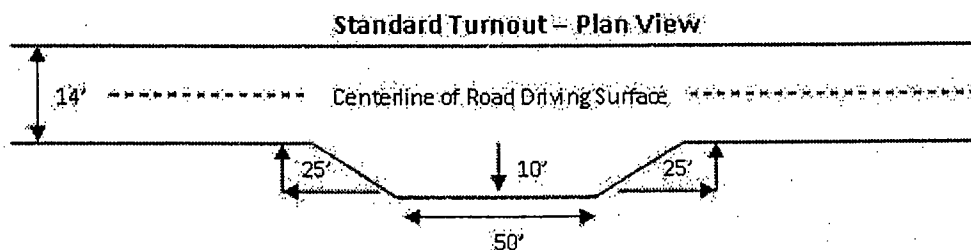
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

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

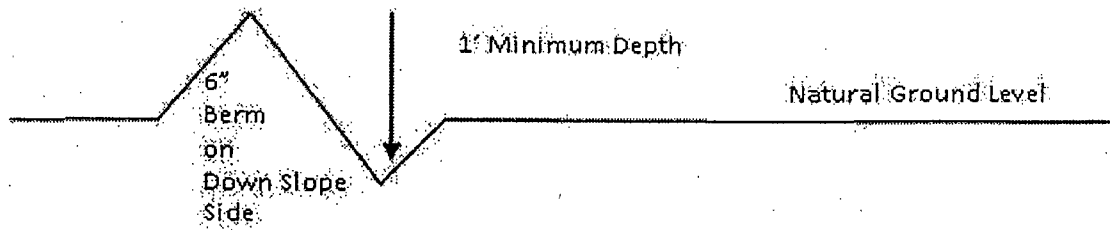


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping 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).

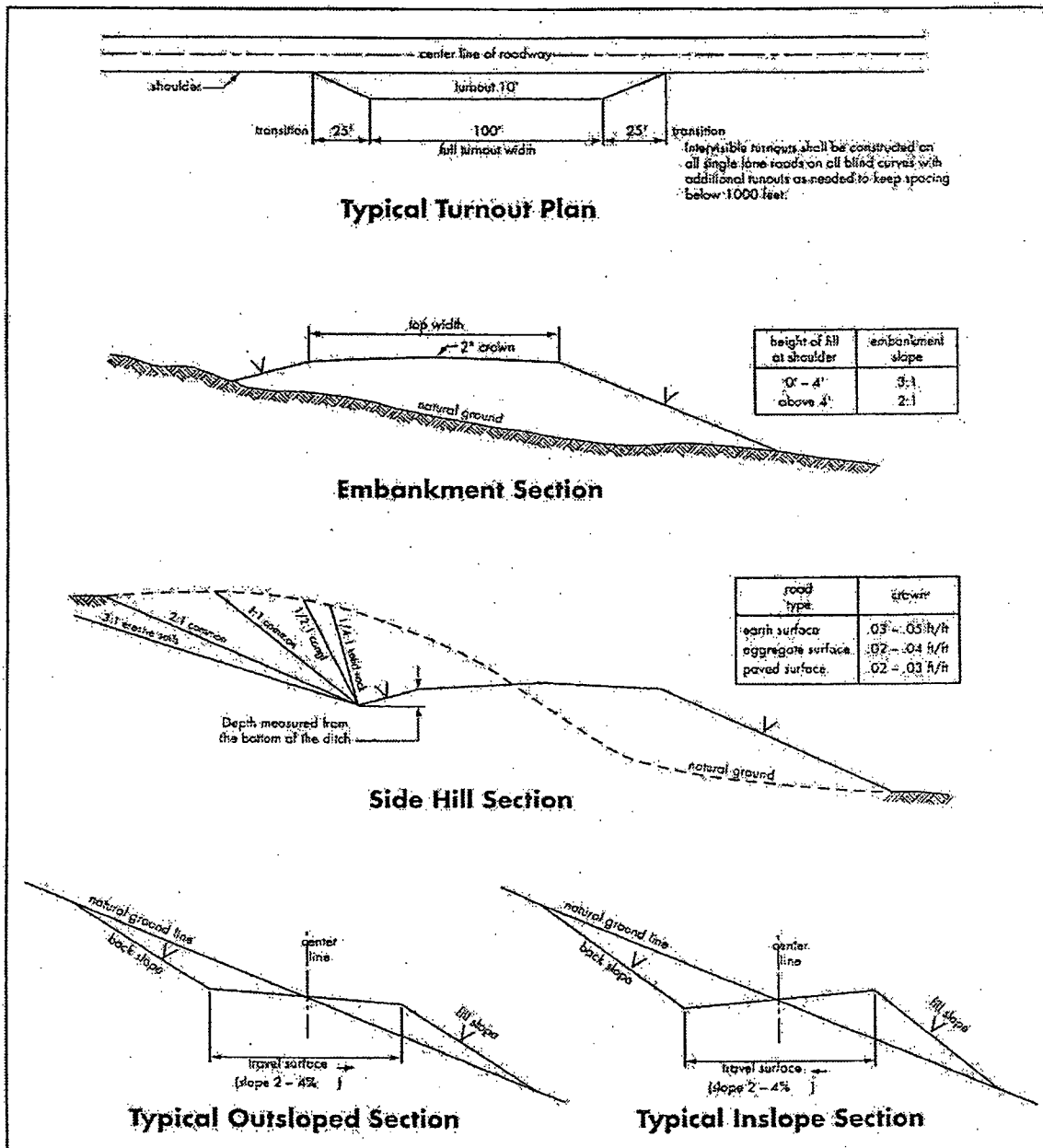
Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

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

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 (H₂S) Drilling Plan should be activated prior to drilling out the surface shoe. 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. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall 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.

Secretary's Potash

Possible brine flows in the Salado and Artesia groups.

Possible lost circulation in the Artesia group.

1. The 13-3/8 inch surface casing shall be set at **approximately 330 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.
 - 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 9-5/8 inch intermediate casing is:
 - ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.
Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash. Additional cement may be required – excess calculates to 14%.

3. The minimum required fill of cement behind the 7 inch production casing is:

☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office. **Additional cement may be required – excess calculates to 20%.**

4. The minimum required fill of cement behind the 4-1/2 inch production liner is:

☒ Cement not required – Port/Packer system to be used.

5. 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.**

a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9-5/8 inch intermediate casing shoe shall be **3000 (3M) psi.**

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

a. In potash areas, 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. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time.

- 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) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
- 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.

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

CRW 080511

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

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the APD 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. The authorized right-of-way width will be 20 feet. 14 feet of the right-of-way width will consist of existing disturbance (existing lease roads) and the remaining 6 feet will consist of area adjacent to the disturbance. All construction and maintenance activity will be confined to existing roads.

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.

16. 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, powerline 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.

C. ELECTRIC LINES

STANDARD STIPULATIONS FOR OVERHEAD ELECTRIC DISTRIBUTION LINES

A copy of the APD 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 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. There will be no clearing or blading of the right-of-way unless otherwise agreed to in writing by the Authorized Officer.
5. Powerlines shall be constructed in accordance to standards outlined in "Suggested Practices for Raptor Protection on Powerlines, " Raptor Research Foundation, Inc., 1981. The holder shall assume the burden and expense of proving that pole designs not shown in the above publication are "raptor safe." Such proof shall be provided by a raptor expert approved by the Authorized Officer. The BLM reserves the right to require modification or additions to all powerline structures placed on this right-of-way, should they be necessary to ensure the safety of large perching birds. Such modifications and/or additions shall be made by the holder without liability or expense to the United States.
6. 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 the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
7. The BLM serial number assigned to this authorization shall be posted in a permanent, conspicuous manner where the power line crosses roads and at all serviced facilities. Numbers will be at least two inches high and will be affixed to the pole nearest the road crossing and at the facilities served.
8. Upon cancellation, relinquishment, or expiration of this grant, the holder shall comply with those abandonment procedures as prescribed by the Authorized Officer.
9. All surface structures (poles, lines, transformers, etc.) shall be removed within 180 days of abandonment, relinquishment, or termination of use of the serviced facility or facilities or within 180 days of abandonment, relinquishment, cancellation, or expiration of this grant, whichever comes first. This will not apply where the power line extends service to an active, adjoining facility or facilities.
10. 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 actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

11. Special Stipulations:

- For reclamation remove poles, lines, transformer, etc. and dispose of properly.
- Fill in any holes from the poles removed.

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

*Pounds of pure live seed:

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

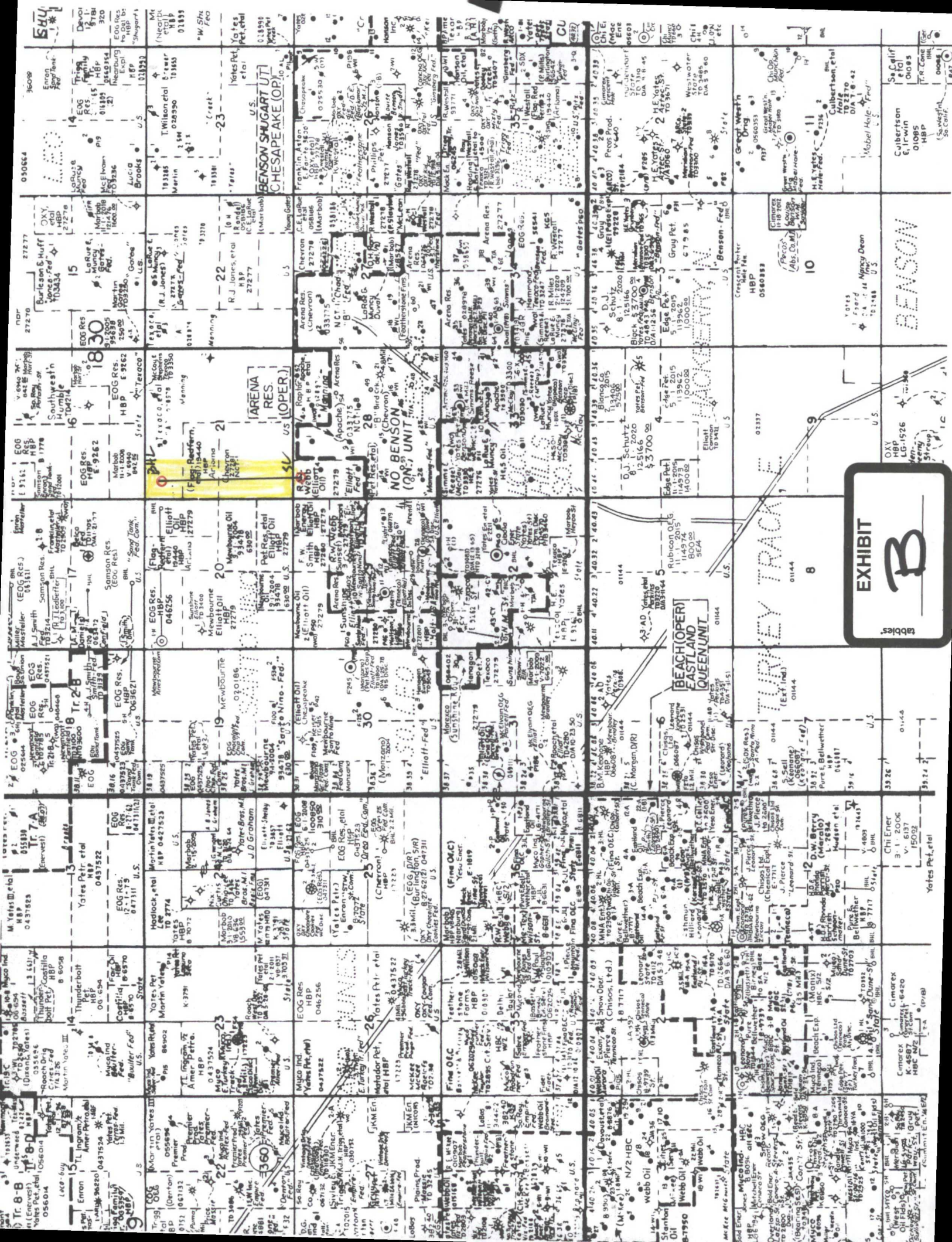


EXHIBIT
B

Labels

EXHIBIT C

Application of Mewbourne Oil Company
for administrative approval of an unorthodox well location,
Phoenix 21 Federal Com #1H
Sections 21 and 28, Township 18 South, Range 30 East, NMPM
Eddy County, New Mexico.

NOTICE LIST

Section 28, Township 18 South, Range 30 East, NMPM

Operator: Mewbourne Oil Company

Working Interest Owners:

Chesapeake Exploration, LLC
6100 North Western Ave.
Oklahoma City, Oklahoma 73118
Attn: Mr. Craig Barnard

Chevron U.S.A. Inc.
Post Office Box 2100
Houston, Texas 77252
Attn: Mr. Kevin Stubbs

