

ATTORNEYS AT LAW

500 Marquette NW Suite 1200 Albuquerque, NM 87102-5311

> P.O. Box 1276 87103-1276

505•247•2315

Facsimile 505•764•5480

JOHN P. EASTHAM ROBERT A. JOHNSON DONALD B. MONNHEIMER DENNIS E. JONTZ D. JAMES SORENSON BRUCE E. CASTLE JAMES L. RASMUSSEN STEPHEN R. NELSON A. DREW HOFFMAN RICHARD A. BACHAND R. THOMAS DAWE KATHLEEN DAVISON LEBECK MARILYN C. O'LEARY ROSS L. CROWN P. RENEE REIMER CLINTON W. MARRS NICKAY B. MANNING CHARLOTTE LAMONT ALAN HALL JAMES T. REIST KARLA K. POE JANINE R. FRIEDE HEATHER J. SAFFELL JEFFREY H. ALBRIGHT

PAUL A. COOTER, Of Counsel

Mr. Michael E. Stogner New Mexico Oil Conservation Division PO Box 6429 Santa Fe, NM 87505

Re: Administrative Approval of an Unorthodox Oil Well Location for the Maddren "B" Federal No. 11 Well to be Located 1310' FNL and 1310' FWL, Unit D, Section 27, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico

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JUN | 2 1998

Dear Mr. Stogner:

June 11, 1998

Shahara Oil, LLC applies for administrative approval of the captioned unorthodox oil well location. The NW/4 Section 27 is included in Federal Lease NM 0467934. The well will be drilled to a depth of approximately 4500 feet to test the San Andres formation. Well spacing is 40 acres, to which the NW/4NW/4 Section 27 will be dedicated.

A copy of the appropriate Application for Permit to Drill and its attachments filed with and approved by the BLM office in Roswell is enclosed with this application. The NW/4 Section 27 is included in the Grayburg-Jackson Premier Sand Unit dated December 10, 1964 which covers the depths of approximately 3230 feet to 3243 feet in some 1,080 acres, more or less. Shahara Oil is the operator of that unit and together with its co-working interest owners owns 100% of the operating rights in the Unit.

Within the immediate future, Shahara Oil and its coworking interest owners propose to expand that Premier Sand Unit to cover the depths from the surface to the base of the San Andres formation, and when that is done, the captioned well will be included therein, provided the same is found to be capable of producing as a unit well.

As heretofore mentioned, there are no offset operators affected by this application for Shahara Oil and its co-working interest owners own all rights to the base of the San Andres formation underlying the NW/4 Section 27.

Respectfully submitted,

Paul A. Cooter Attorney for Shahara Oil, LLC

enc.

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	Form 3160-3 SUBMIT IN TRIPLICATE						ATE	FORM APPROV	VED.							
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Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, ficticious ro fraudulent statements or representations as to any matter within its jurisdiction.

DRILLING PROGRAM

Shahara Oil, LLC Maddren "B" Federal No. 11 1310' FNL & 1310' FWL, Unit D Section 27, T17S, R30E Eddy County, New Mexico Lease No. NM-0467934

In connection with Form 3160-3, Application for Permit to Drill subject well, Shahara Oil, LLC. submits the following items of pertinent information in accordance with BLM requirements:

1. <u>Geologic Name of Surface Formation</u>: Permian

2. Estimated Tops of Important Geologic Markers and

Formation	<u>Depth</u>
Top of Salt	450'
Base of Salt	1100'
Queen	2300'
Grayburg	2650'
San Andres	3050'
Total Depth	4500'

3. Estimated Depths of Fresh Water, Oil and Gas:

There is little if any fresh water in this area. Oil is expected in the Queen, Grayburg and San Andres below 2300'. No other formations are expected to give up oil, gas or fresh water in measurable quantities. Any surface fresh water sands will be protected by setting 8 5/8" casing at approximately 500' into the anhydrite just above the top of salt estimated to be between 435' and 535', see exhibit F, and circulating cement to surface. 5 1/2" production casing will be set at TD and cemented to 100' above the 8 5/8" casing shoe.

The pore pressure gradient is normal (+8.4 ppg) down through the Queens. No abnormal pressures are anticipated.

4. <u>Casing and Cement Program</u>

	Casi	ng		
<u>Hole Size</u>	<u>From</u>	<u>To</u>	Casing OD	Weight, Grade, Coupling, Cond.
12 1/4"	0'	500'	8 5/8"	24# K-55 STC New
7 7/8"	0'	TD	5 1/2"	17# J-55 LTC New

Minimum Design Factors: Collapse 1.125, Burst 1.1, Tension 1.7.

8 5/8" Surface Casing Set at 500'

Cement to surface with 300 sx of Class C with additives.

5 1/2" Production Casing Set at TD

Cement with 600 sx of Class C with additives. Will bring top of cement 100' above the 8 5/8" casing shoe.

5. <u>Minimum Specifications for Pressure Control:</u>

<u>7 7/8" Hole</u> - The following BOP equipment will be nippled up on the 8 5/8" casing and used continuously until TD is reached for the 7 7/8" hole.

The blowout preventer equipment (BOP) shown in Exhibit "E" will consist of a 3000 psi WP double ram type preventer and a 3M annular (bag type) preventer with rotating head. Both BOP's will be hydraulically operated. At the drilling contractor's option, 5M BOP's may be substituted. H_2S trim will not be required.

Before drilling out from under the 8 5/8" surface casing, all BOP's and accessory equipment will be tested to 1000 psi with the rig pump. Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets.

BLM method to calculate minimum BOP requirements: (.052)(8.4 ppg)(3200') - (0.22 psi/ft)(3200')=672 psi 976 psi Minimum BOP requirements: 2M BOP stack and manifold system

6. <u>Proposed Mud System:</u>

The well will be drilled to TD with a combination of fresh water and 10# brine. The applicable depths and properties of this system are as follows:

		Weight	Viscosity	Water Loss
<u>Depth</u>	Type	<u>(ppg)</u>	<u>(sec)</u>	CC
0-400'	Fresh water	8.4	28,	NC
400- 3200' <i>4500'</i>	Brine	10.0	29	NC

Sufficient mud materials to maintain mud properties and meet minimum lost circulation requirements will be kept at the well site at all times.

- 7. Auxiliary Well Control and Monitoring Equipment:
 - a) A kelly cock will be kept in the string at all times.
 - b) A full opening drill pipe stabbing valve (TIW/inside BOP) with proper drill pipe connections will be on the rig floor at all times.
 - c) An electronic pit volume totalizer system will NOT be used. The drilling fluids system will be visually monitored at all time.

8. Logging, Testing and Coring Programs:

- a) Drillstem tests will be run on the basis of drilling shows.
- b) The electric logging program will consist of: GR-DLL-MSFL-Cal - TD-2000' GR-CNL-CDL-Cal - TD-2000' GR-CDL-Cal - TD-Surface
- c) No cores are planned.
- d) Further testing procedures will be determined after the 5 1/2" production casing has been cemented at TD.
- 9. <u>Abnormal Conditions, Pressures, Temperatures and Potential Hazards:</u>

No abnormal pressures, temperatures, or other potential hazards are anticipated.

No hydrogen sulfide or other hazardous gases or fluids have been encountered, reported, or are known to exist at this depth in this area. No major lost circulation zones have been reported in offsetting wells.

The maximum anticipated bottom hole pressure is approximately 1386-psi.

4500 (3200' x .433 psi/ft = 1386 psi) 1949 psi

The maximum anticipated bottom hole temperature is 90 degrees F.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is January 15, 1998. Once commenced, the drilling operation should be complete in 10 days. If the well is productive, an additional 30 days will be required for completion, testing, and installation of permanent facilities.

SURFACE USE AND OPERATING PLAN

Shahara Oil, LLC Maddren "B" Federal No. 11 1310' FNL & 1310' FWL, Unit D Section 27, T17S, R30E Eddy County, New Mexico Lease No. NM-0467934

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities, and the operations plan to be followed in rehabilitating the surface after completion of the operation to that a complete appraisal can be made of the environmental effects associated with the operations.

Located:	2.5 miles southwest of Loco Hills, New Mexico						
Federal Lease Number:	NM-0467934	NM-0467934					
Lease Issued:	N/A	·					
Acres in Lease:	320 acres						
Record lessee:	Phillips Petroleum Company						
Surface Ownership:	Federal						
Grazing Permittee:	Charles Martin, Inc.						
Pool:	Grayburg Jacks	on, 7R-QN-GB-SA					
Pool Rules:	the nearest side	well spacing rules apply to this location, being 330' to boundary or $\frac{1}{4}$ - $\frac{1}{4}$ section line, nor closer than 330' well capable of producing from the same formation.					
<u>Exhibits:</u>	"A" "B" "C" "C-1" "D" "E" "F"	Road Map Existing Wells Map Well Location and Acreage Dedication Plat Topo Map (Location Verification Map) Drilling Rig Layout Diagram BOP Equipment Top of Salt Map					

1. Existing Roads:

- a) The well site and elevation plat for the proposed well is shown in Exhibit "C". It was staked by John West Engineering, Hobbs, NM.
- b) All roads to the location are shown on Exhibit "A". The existing roads are illustrated in yellow and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the on-site inspection.
- c) Directions to location: From Loco Hills, go south on Hagerman Cutoff 0.3 miles, then left on main lease road 1.3 miles. Trun left on lease road, go 0.3 miles, bear right then go 0.5 miles southeast to location.
- d) Routing grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. <u>Proposed Access Road:</u>

No new access roads are necessary.

3. Location of Existing Wells:

Exhibit "B" shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

- a) Shahara Oil, LLC operates a production facility on the Maddren "B" Federal Lease.
- b) If the oil well proves to be commercial, the necessary production facilities will be installed on the drilling pad and flow lines will be installed to the production facilities and storage tanks. Flowlines will follow access roads and tie in to existing flowlines where possible.
- c) An electric powerline will be required. Central Valley Electric Cooperative, Inc. of Artesia is currently engineering the plans. Attachments to this APD or Sundry Notices will be submitted concerning the electric powerlines as soon as possible.

5. Location and Type of Water Supply:

The well will be drilled with a combination of brine and fresh water mud system as outlined in the drilling program.

The water necessary for drilling operations will be purchased and trucked to the wellsite, or will be moved to the well site by way of a temporary pipeline laid on the ground along existing and proposed roads.

6. <u>Source of Construction Materials:</u>

Caliche needed for the road and well pad will be taken from the proposed reserve pit. An alternate plan will be to obtain caliche from a borrow pit located within the 400' x 400' archaeologically cleared tract at the proposed well site. If sufficient quality or quantity of caliche is not available, it will be transported to the proposed road and well site from an existing BLM approved caliche pit. The BLM will be notified and consulted if caliche must be obtained off location.

7. Method of Handling Waste Disposal:

- a) Drill cuttings will be disposed into the reserve pit.
- b) Drilling fluids will be contained in the reserve pit. The reserve pit will be an earthen pit, approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. The fourth side will be fenced immediately following rig removal. The reserve pit will be lined with plastic (5-7 mil thickness) to minimize loss of drilling fluids.
- c) Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending upon rates).
- d) Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- e) Oil produced during testing will be stored in steel test tanks until sold.
- f) Trash, waste paper, garbage and junk will be placed in a trash bin located on the drill site pad. it will be transported to an approved landfill for disposal within 30 days after completion of drilling and/or completion of operations. All waste material will be contained to prevent scattering by the wind.
- g) A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations.

8. Ancillary Facilities:

No other facilities will be built as a result of the operations on this well.

9. Well Site Layout:

- a) Exhibit "D" shows the relative location and dimensions of the well pad, mud pits, reserve pit, location of the major rig components, and location of parking area.
- b) Cut and fill requirements will be minor, but clearing and leveling of the well site will be necessary. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection.

- c) The reserve pit will be lined with a high quality plastic sheeting (5-7 mil thickness).
- d) The pad and pit area are staked and flagged.

10. Plans for Reclamation of the Surface:

- a) After completion of drilling and/or completion of operations, all equipment and other material not needed for operations will be removed. The pit area will be allowed to dry before reclamation. If the borrow pit is constructed, the cuttings in the reserve pit will be deep buried in the borrow pit, and the reserve pit and borrow pit will be broken out, filled, and leveled. The location will be cleaned of all trash and junk to leave the well site in an as aesthetically pleasing condition as possible.
- b) Three sides of the reserve pit will be fenced prior to and during drilling operations. The borrow pit will be fenced on all four sides after the location is built. At the time the rig is removed, the reserve pit will be fenced on the fourth side to prevent livestock or wildlife from being entrapped in the pit. The fencing will remain in place until the pits are cleaned up and leveled.
- c) After abandonment, all equipment, trash and junk will be removed and the well site will be cleaned.
- d) Topsoil removed from the drill site will be used to recontour the pit area to the original natural level. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

11. Other Information:

- a) <u>Topography</u>: The land surface in the area is undulating with small sand dunes. In the immediate area of the well site, the land slope is to the southwest.
- b) Soil: Top soil at the well site is loamy sand.
- c) <u>Flora and Fauna</u>: The vegetation cover is moderate. It includes range grasses, weeds, scrub oak bushes, and mesquite bushes. Wildlife in the area is that typical of a semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, hawks, dove, quail and other small birds.
- d) <u>Ponds and Streams</u>: There are no rivers or streams within a mile of this proposed location.
- e) <u>Residences and Other Structures</u>: There are no occupied dwellings within a mile of this location.
- f) <u>Archaeological, Historical, or Other Cultural Sites:</u> None are know of in the area. An archaeological survey has been conducted by Desert West Archaeological Services.

- g) Land Use: Grazing, oil and gas production and wildlife habitat.
- h) <u>Surface Ownership</u>: Federal

12. **Operator's Representative:**

Perry L. Hughes, President Shahara Oil, LLC 207 W. McKay Carlsbad, NM 88220

Phone: 505-885-5433 Fax: 505-885-4989

13. **Certification:**

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the opprations proposed herein will be performed by Shahara Oil, LLC and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of false statement.

12/12/97 Date

<u>Shallia</u> Marshall Thallia Marshall, Agent

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HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

APPLICABILITY:

The provisions of this plan are effective when drilling operations are conducted in areas where zones may be penetrated that are known to contain, or may be reasonably expected to contain, hydrogen sulfide gas in concentrations of 100 parts per million or more.

TRAINING REQUIREMENTS:

- A. When conducting drilling operations in an area where hydrogen sulfide gas might be encountered, all personnel at the well site will have had proper training in the following areas:
 - 1. The hazards and characteristics of hydrogen sulfide gas (H_2S) .
 - 2. Toxicity of hydrogen sulfide and sulfur dioxide.
 - 3. Hydrogen sulfide gas detectors, warning systems, evacuation procedures, and proper use and maintenance of personal protective equipment.
 - 4. Proper rescue procedures, first aid, and artificial respiration.
- B. In addition, supervisory personnel will be trained in the following areas:
 - 1. The effects of hydrogen sulfide on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2. Corrective action and shut-in procedures when drilling or reworking a well, and blowout prevention and well control procedures.
 - 3. The contents and requirements of the Hydrogen Sulfide Drilling Operations Plan and the Public Protection Plan.

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

WELL SITE DIAGRAM:

- A. Attached is a detailed well site diagram showing:
 - 1. Drilling rig orientation
 - 2. Prevailing wind direction (Southwest)
 - 3. Location of briefing areas
 - 4. Location of Caution/Danger signs
 - 5. Location of hydrogen sulfide monitors
 - 6. Location of wind direction indicators

HYDROGEN SULFIDE SAFETY EQUIPMENT:

- A. All safety equipment and systems will be installed, tested, and deemed operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone reasonably expected to contain hydrogen sulfide.
- B. During drilling operations, a flare line will be routed from the BOP manifold to the reserve pit. Should suspected sour gas be vented through the flare line, a flare pistol will be used to ignite the flare.
- C. Protective equipment for essential personnel will be installed and maintained as follows:
 - 1. 30-minute air packs will be maintained on the rig floor and near the briefing area.
 - 2. 30-minute work units will be maintained at the H_2S trailer and/or on the rig floor.
 - 3. 30-minute escape units will be maintained on the rig floor.
 - 4. 300 cubit ft. air cylinders will be maintained in the H_2S trailer.
 - 5. Associated breathing air equipment will also be installed and maintained.
 - 6. Hydrogen sulfide monitor will be located in the dog house on the rig floor with sensors placed on the rig floor, at the bell nipple, the shale shaker, and in the pit areas.
 - 7. An audible/visual alarm will be located near the dog house on the rig floor.

VISUAL WARNING SYSTEMS:

- A. High visibility Caution/Danger signs will be posted on roads providing direct access to the well location.
- B. Green, yellow and red conditions flags to be displayed to denote Normal Conditions, Potential

Danger and Danger, H₂S present.

C. Wind socks to be located at the protection center and in the pit area to continuously indicate wind direction.

CIRCULATING MEDIUM:

A. Drilling fluid to be conditioned to minimize the volume of H_2S circulated to the surface.

SPECIAL WELL CONTROL EQUIPMENT:

A. In addition to the normal BOP stack and choke manifold, a drilling head will be used to help control and H_2S contaminated drilling fluid.

WELL TESTING:

A. Drill stem testing of zones known, or reasonably expected, to contain H_2S in concentrations of 100 ppm or more will use the closed chamber method of testing.

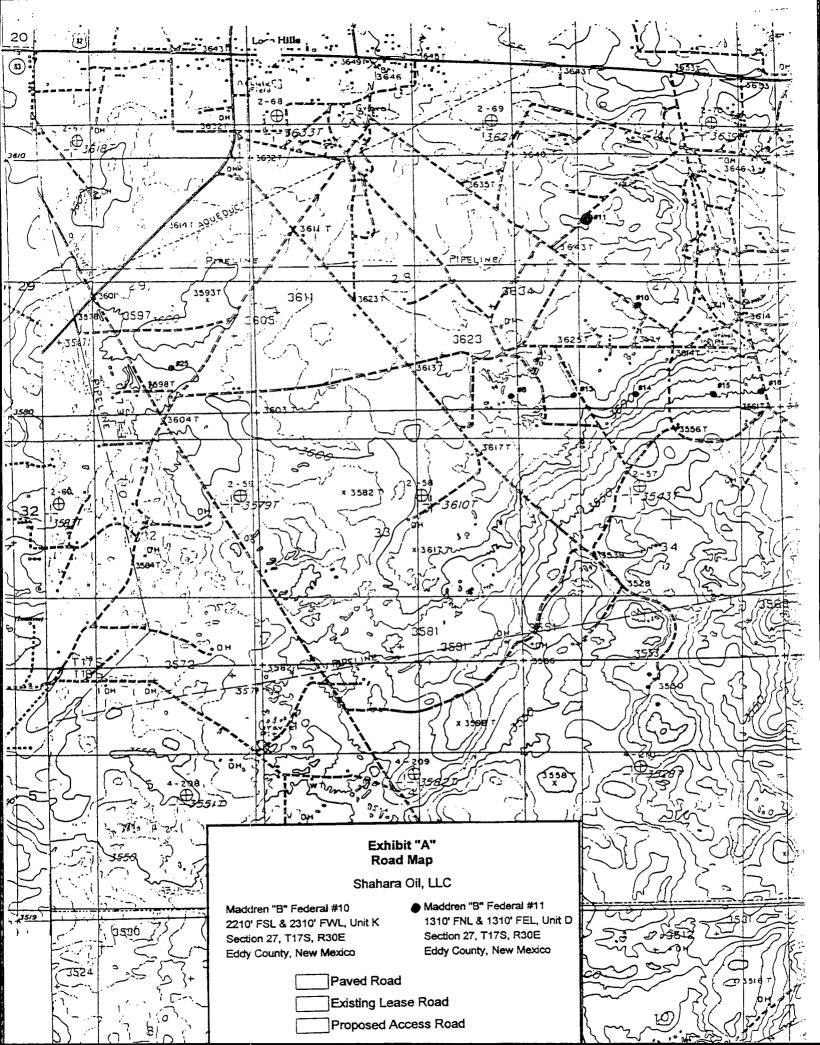
COMMUNICATION:

A. Radio communication will be available at the drilling rig and also in company vehicles.

ADDITIONAL INFORMATION:

A. Additional information concerning Emergency Reaction Steps, Ignition Procedures, Training Requirements and Emergency Equipment Requirements will be available on location at the well site.

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DISTRICT I

P.O. Box 1960, Hobbs, NM 66241-1980

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

DISTRICT III 1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV P.O. Box 2088, Santa Fe, NM 87504-2088 State of New Mexico

Energy, Minerals and Natural Resources Department.

Form C-102 Revised February 10, 1994 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

□ AMENDED REPORT

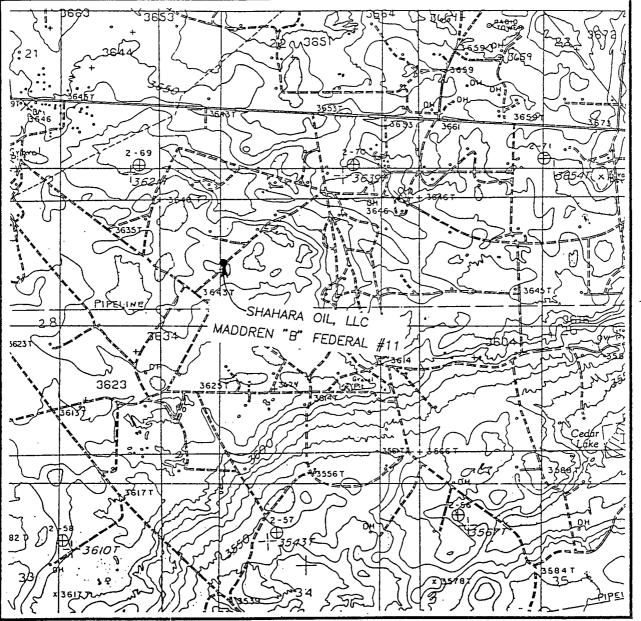
WELL LOCATION AND ACREAGE DEDICATION PLAT API Number Pool Code Pool Name Graybu 1Rivers-ON .8509 rsm **Property** Code Property Name Well Number 12366 MADDREN "B" FEDERAL 11 OGRID No. **Operator** Name Elevation 43/19 SHAHARA OIL, LLC 3647 Surface Location UL or lot No. North/South line Section Township Range Lot Idn Feet from the Feet from the Bast/West line County D 27 17 S 30 E 1310 NORTH 1310 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 Joint or Infill Dedicated Acres Consolidation Code Order No. NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION OPERATOR CERTIFICATION Ĺ 0 I hereby certify the the information contained herein is true and complete to the u knowledge and belief. heat 3645.<u>5'</u> _3644.2' Signe ture 1310 3649.8 3641.0 Printed Name ł GIDE Title Date SURVEYOR CERTIFICATION F E I hereby certify that the well location shown

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

DECEMBER	1,	1997	
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LOCATION VERIFICATION MAP

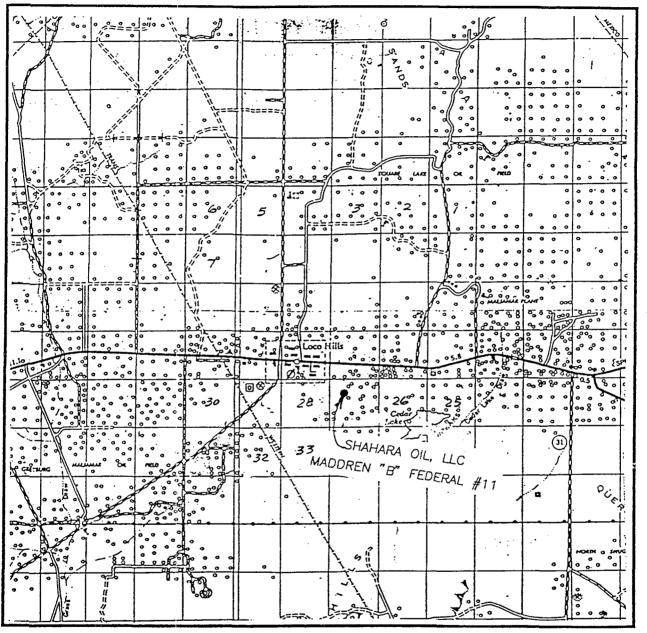


SCALE: 1" = 2000'

SEC. <u>27</u> TWP.<u>17</u>—<u>S</u> RGE.<u>30</u>—<u>E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>EDDY</u> DESCRIPTION <u>1310'</u> FNL <u>& 1310'</u> FWL ELEVATION <u>3647</u> OPERATOR <u>SHAHARA OIL, LLC</u> LEASE <u>MADDREN "E"</u> FEDERAL U.S.G.S. TOPOGRAPHIC MAP LOCO HILLS, N.M. CONTOUR INTERVAL - 10'

JOHN WEST ENGINEERING HOBBS, NEW MEXICO (505) 393-3117

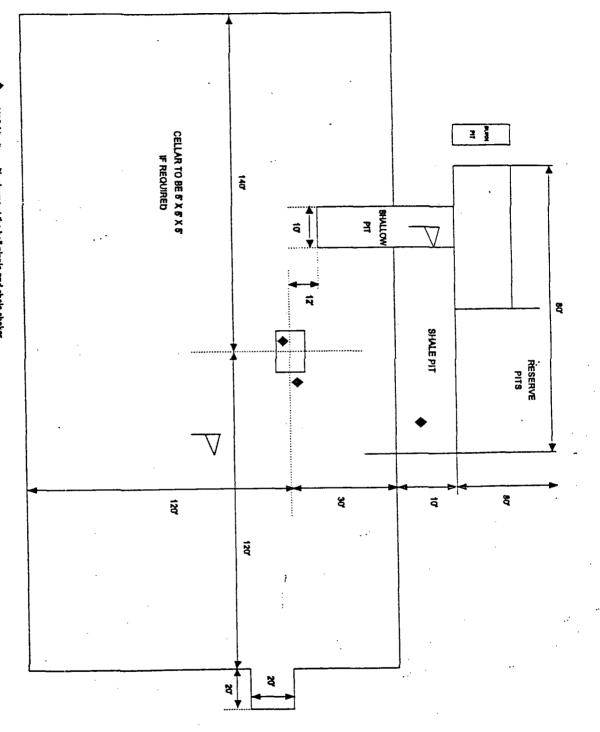
VICINITY MAP



SCALE: 1'' = 2 MILES

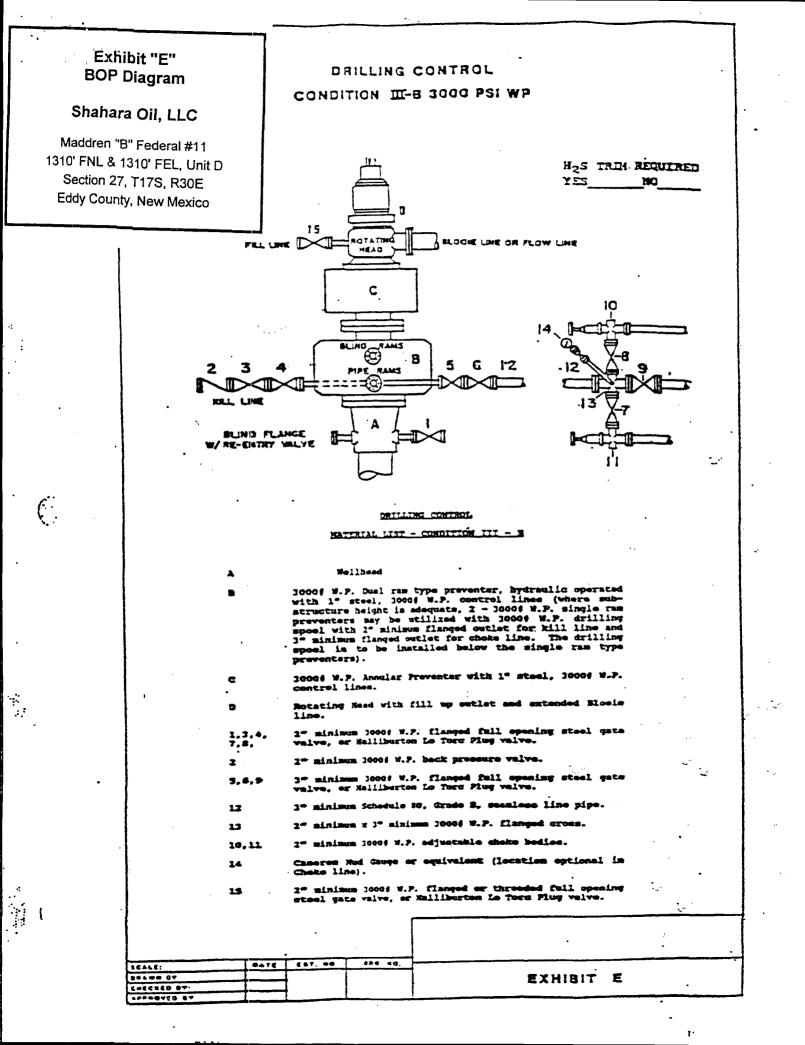
SEC. <u>27</u> T	WP. <u>17-S_</u> RGE. <u>30-E</u>
SURVEY	N.M.P.M.
COUNTY	EDDY
DESCRIPTION	1310' FNL & 1310' FWL
ELEVATION	3647
OPERATOR	SHAHARA OIL, LLC
LEASE	MADDREN "B" FEDERAL

JOHN WEST ENGINEERING HOBBS, NEW MEXICO (505) 393-3117



Prevailing Wind Direction Bouthwest Exhibit "D" Rig Layout Shahara Oil, LLC 11 Maddren "B" Federal #10 2210' FSL & 2310' FWL, Unit K Section 27, T17S, R30E Eddy County, New Mexico

- H2S Monitors with alarms of the bell nipple and shale shaker
- Wind Direction Indicators
- Bate Briefing areas with caution signs and protective breathing equipment. Min. 150 ft from weltheed.



SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

OPERATOR'S NAME SHAHARA OIL L	LC	WELL NO.	& NAME	<pre>#11 MADDREN "B" FEDERAL</pre>
LOCATION 1310' F N L &	1310'F W L	SEC. 27	, T. 1	7S., R. 30E .
LEASE NO. <u>NM-0467934</u>	COUNTY EDDY		STATE NI	EW MEXICO

The special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 and 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

() Lesser Prairie Chicken (Stips attached) () Floodplain (Stips attached)
() San Simon Swale (Stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(\mathcal{V}) The BLM will monitor construction of this drill site. Notify the (\mathcal{V} Carlsbad Resource Area Office at (505) 887-6544 () Hobbs Office at (505) 393-3612, at least 3 working days prior to commencing construction.

(\checkmark Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

() Other

III. WELL COMPLETION REQUIREMENTS

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

(\checkmark) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and reseeded with a drill equipped with a depth indicator (set at a depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Side (PLS), per acre.

() A. Seed Mixture 1 (Loamy Site)	() B. Seed Mixture 2 (Sandy Sites)
Lehmanns Lovegrass (Eragrostis lehmannlana) 1.0	Sand Dropseed (Sporobolus cryptandrus) 1.0
Side Oats Grass (Bouteloua curtipendula) 5.0	Sand Lovegrass (Eragrostis trichodes) 1.0
Sand Dropseed (Sporobolus cryptandrus) 1.0	Plains Bristlegrass (Setaria magrostachya) 2.0
() C. Seed Mixture 3 (Shallow Sites)	D. Seed Mixture 4 ("Gyp" Sites)
Sideoats Grama (Boute curtipendula) 1.0	Alkali Sacaton (Sporobolus airoides) 1.0
Lehmanns Lovegrass (Eragrostis lenmanniana) 1.0	Four-Wing Saltbush (Atriplex canescens) 5.0
or Boar Lovegrass (E. chloromalas)	

Seeding should be done either late in the fall (September 15 - November 15, before freeze up) or early as possible the following spring to take advantage of available ground moisture.

() Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must be purchased from BLM.

<u>Reclamation</u>: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

1) Lined as specified above and,

2) A borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and is capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from BLM prior to removal of the material.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to proceed by BLM.

TRASH PIT STIPS

All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:Shahara Oil LLCWell Name & No.Maddren B Federal #11Location:1310' FNL, 1310' FWL, Section 27, T17S R30E, Eddy County, New MexicoLease:NM-0467934

.....

I. DRILLING OPERATIONS REQUIREMENTS:

The Bureau of Land Management (BLM) is to be notified at the Carlsbad Resource Area Office, 620 East Greene St., Carlsbad, NM 88220, (505) 887-6544 for wells in Eddy County in sufficient time for a representative to witness:

- 1. Spudding
- 2. Cementing casing: <u>8-5/8</u> inch <u>5-1/2</u> inch
- 3. BOP tests

4. A Hydrogen Sulfide (H2S) Drilling Operation Contingency Plan shall be activated prior to drilling into the <u>Seven Rivers</u> formation. A copy of the plan shall be posted at the drilling site.

5. 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.

6. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The <u>8-5/8</u> inch surface casing shall be set at <u>500 feet or above the top of the salt</u> and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the <u>5-1/2</u> inch production casing is <u>to tie back 100 feet into</u> the surface casing.

III. PRESSURE CONTROL:

The BOPE shall be installed before drilling below the <u>8-5/8</u> inch casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

Before drilling below the <u>8-5/8</u> inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of: One Annular Preventer and/or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

BLM Serial Number NM-0467934

Company Reference <u>SHAHARA OIL LLC</u> #11 MADDREN "B" FEDERAL

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES IN THE ROSWELL DISTRICT, BLM

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. 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.

(over)

- b. Activities of other parties including, but not limited to:
 - (1) Land clearing.
 - (2) Earth-disturbing and earth-moving work.
 - (3) Blasting.
 - (4) Vandalism and sabotage.

c. Acts of God.

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

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

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

6. All construction and maintenance activity will be confined to the authorized right-of-way width of ______ feet. _____ to follow' socal Row area

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 duney areas, the pipeline will be "snaked" around hummocks and dunes rather then 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 requirements shall be painted by the holder to blend with the natural color of of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" - Carlsbad Canyon, Munsell Soil Color No. 2.5Y 6/2 (formerly Sandstone Brown); 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 in 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 author-ization 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. Special Stipulations: Now

(March 1989)

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	N.M Oil Cons. D	ivision 🔶
UNITED STAT	INTERIORG11 S. 1st Street	FORM APPROVED Budget Burbeu No. 1004-0135
BUREAU OF LAND MAN	Arta a, NW 88210	2834 Expires March 31, 1963
SUNDRY NOTICES AND REPO		6. If Indian, Allottee or Tribe Name
Do not use this form for proposals to drill or to deepe Use "APPLICATION FOR PERMIT'	-	o, il molari, Adolles of The Name
SUBMIT IN TRIPLICATE		7. If Unit or CA, Agreement Designation
Type of Weii	· ·	
X Oit Well Gas Well Other		
Name of Operator Shahara Oil, LLC		8. Weil Name and No. Maddren "B" Federal No. 11
Address and Telephone No.		9. Well API No.
207 W. McKay, Carlsbad, NM 88220		30-015-30008
505-885-5433	· · · · · · · · · · · · · · · · · · ·	10. Field and Pool, or Exploratory Area
Location of Weil (Footage, Sec., T., R., M., or Survey Description)		Grayburg Jackson, 7R-Qn-GB-SA
1310' FNL &1310' FWL, Unit D		11. County or Parish, State
Section 27, T17S, R30E		Eddy County, New Mexico
	NDICATE NATURE OF NOTICE, REPOR	
TYPE OF SUBMISSION		F ACTION
X Notice of Intent	Abandonment	X Change of Plans
	Recompletion	New Construction
Subsequent Report	Plugging Back	Non-Routine Fracturing
_	Casing Repair	Water Shut-Off
Final Abandonment Notice	Altering Casing	Conversion to Injection
		Dispose Water
	· · · · · · · · · · · · · · · · · · ·	(Note: Ruport results of multiple completion on Well
		Completics or Recompletion Report and Log form.)
. Propose to change TD of well to 5000'. Casing program t		MAR 1898 OCD RECEIVED ARTESIA
4. I hereby certify that the thregoing is true and great igned	Tibe President	Date 03/09/98
Title 18 U. S. C. Section 1001, makes it a crime for any person knowingly and wilifully to make any o as to any matter within its jurisdiction.		ous of fraudulent statements or representations as
*See insi	truction on Reverse Side	

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ENERAL REQUIREMENENT - ROAD MAP	Fem 3103 INFITESIA, IMM 62210-2834 YUMPT DATATES COMENDATIONS COMENDATIONS JUNTED STATES COMENDATIONS COMENDATIONS COMENDATIONS COMENDATIONS	` .		Oil Cons.		n			
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	*See Instructions On Reverse Side		RIG. SGD.J. ARMARDO / LO		TICS 124 10	AL INTERAL	EDA		70

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

RICT I Box 1980, Hobbs, NN 86241-1980

DISTRICT II P.O. Drawer BD, Artesia, NM 58211-0719

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

DISTRICT IV P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102 Revised February 10, 1994 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

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

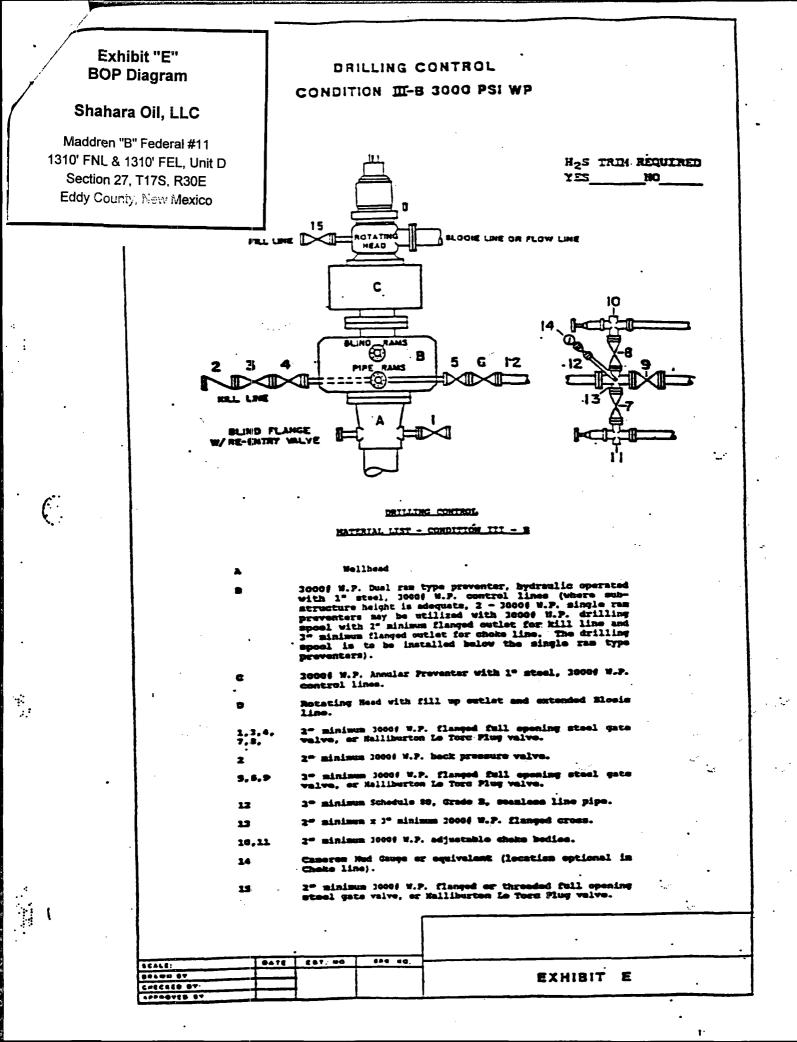
□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT Pool Name Pool Code API Number 850A TRIVERS-QN-GB JIA Property Name Well Number **Property** Code 17366 MADDREN "B" FEDERAL 11 OGRID No. **Operator** Name Elevation 143119 SHAHARA OIL, LLC 3647 Surface Location North/South line Bast/West line UL or lot No. Range Feet from the Feet from the Section Township Lot Idn County 1310 NORTH 1310 WEST EDDY D 27 17 S 30 E 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 Dedicated Acres Joint or Infill Consolidation Code Order No.

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

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				OPERATOR CERTIFICATION
				I hereby certify the the information
	0			contained herein is true and complete to the
	0			best of my knowledge and belief.
3645.5'	3644.2'			signeture
1310'	╋╴╪╴═╴═╸═ ╄╶╝╴╴╴╼╴		· · · · · · · · · · · · · · · · · · ·	Kenny L. Hugites
3649.8	^T 3641.0'			Princel Name
				MESIDENT
	1			THUE 12/5/97
•	1 1			Date
	1			
	1		·	SURVEYOR CERTIFICATION
	1			I hereby certify that the well location shown
	1			on this plat was plotted from field notes of
				actual surveys made by me or under my
			1	supervison, and that the same is true and correct to the best of my belief.
	l .			COTTECT TO THE GEST OF THE OPENAT.
	1			DECEMBER 1, 1997
				December 1, 1997 Date Surgered J. JLP Signature Soil U.O. Onto
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GRAYBURG JACKSON PREMIER SAND UNIT AREA

No. 14-08-0001-8723

APPROVED: November 5, 1965

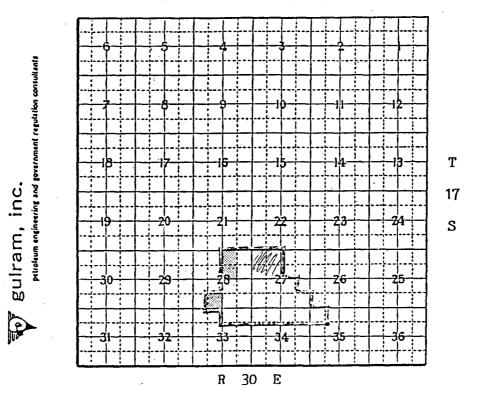
EFFECTIVE: December 1, 1965

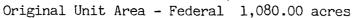
WATERFLOOD

Premier Sand of Grayburg Formation

Eddy County, New Mexico

Phillips Petroleum Company, Operator





-Lands Automatically Eliminated, effective December 2, 1970

Remaining Unit Land - Federal 960.00 acres

CMD :.ONGARD08/26/98 15:13:58QG6C101C101-APPLICATION FOR PERMIT TO DRILLOGOIV -EMD2						
OGRID Idn : 143119 API Well No: 30 15 30008 APD Status(A/C/P): A Opr Name, Addr: SHAHARA OIL CORPORATION Aprvl/Cncl Date : 01-20-1998 207 W MCKAY CARLSBAD,NM 88220						
Prop Idn: 17366 MADDREN B FEDERAL Well No: 11						
U/L Sec Township Range Lot Idn North/South East/West						
Surface Locn : D2717S30EFTG 1310 F NFTG 1310 F WOCD U/L: DAPI County : 15						
Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): O Cable/Rotary (C/R) : R Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 3647						
State Lease No: Multiple Comp (Y/N) : N Prpsd Depth : 4500 Prpsd Frmtn : QUEEN						
E7024: Only view is allowed PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12						

CMD : OG5SECT

ONGARD INQUIRE LAND BY SECTION

08/26/98 15:02:57 OGOIV -EMD2 PAGE NO: 1

Sec : 27 Twp : 17S Rng : 30E Section Type : NORMAL

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40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
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ONGARD INQUIRE LAND BY SECTION

08/26/98 15:03:10 OGOIV -EMD2 PAGE NO: 2

Sec : 27 Twp : 17S Rng : 30E Section Type : NORMAL

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PF01 HELP PF02		F04 GoTo PF05	PF06
PF07 BKWD PF08 FW	D PF09 PRINT P	F10 SDIV PF11	PF12

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE No. 3083 Order No. R-2749

APPLICATION OF GENERAL AMERICAN OIL COMPANY OF TEXAS FOR A WATERFLOOD PROJECT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 22, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this <u>29th</u> day of July, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, General American Oil Company of Texas, seeks permission to institute a waterflood project in the Grayburg Jackson Pool by the injection of water into the Premier Sand through twelve injection wells on acreage which it has acquired or will acquire in Sections 27, 28, 33, and 34, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

(3) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(4) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

-2-CASE No. 3083 Order No. R-2749

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, General American Oil Company of Texas, is hereby authorized to institute a waterflood project in two stages in the Grayburg Jackson Pool by the injection of water into the Premier Sand through the following-described wells in Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico:

Stage I

Arnold "D" No. 1, 1980 feet from the North line and 1980 feet from the West line of Section 27;

- Arnold "D" No. 6, 2310 feet from the North line and 330 feet from the West line of Section 27;
- Maddren "B" No. 9, 2310 feet from the South line and 1650 feet from the East line of Section 27;
- Maddren "A" No. 2, 2615 feet from the North line and 1295 feet from the East line of Section 28;
- Maddren "E" No. 1, 990 feet from the South line and 1650 feet from the East line of Section 28;
- Beeson "B" No. 1, 330 feet from the North line and 990 feet from the East line of Section 33;
- Arnold "D" No. 8, 330 feet from the North line and 2140 feet from the East line of Section 34;

Arnold "D" No. 9, 330 feet from the North line and 640 feet from the East line of Section 34; -3-CASE No. 3083 Order No. R-2749

> Federal "G" No. 1, 330 feet from the North line and 330 feet from the West line of Section 34;

> Federal "G" No. 2, 330 feet from the North line and 1650 feet from the West line of Section 34;

Stage II

Arnold "D" No. 7, 25 feet from the North line and 1100 feet from the West line of Section 27;

Beeson "A" No. 2, 330 feet from the North line and 330 feet from the East line of Section 28.

(2) That the subject waterflood project shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1119 of the Commission Rules and Regulations.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

> STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

SEAL

A. L. PORTER, Jr., Member & Secretary

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