

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Mewbourne Oil Co
LEASE NO.:	NM0209083
WELL NAME & NO.:	Colt 4 Fed Com 2H
SURFACE HOLE FOOTAGE:	0150' FNL & 0990' FWL Lot 4 Section 4
BOTTOM HOLE FOOTAGE:	0330' FSL & 0990' FWL Unit M Section 4
LOCATION:	Section 4, T.20S., R.29E., NMPM
COUNTY:	Eddy County, New Mexico

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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.

The previously approved Conditions of Approval for the approved APD still apply. Any additions to the originally approved COAs will be addressed below.

- ☒ **Communitization Agreement**
- ☒ **Drilling**
 - Logging Requirements
 - Pressure Control
 - Waste Material and Fluids

I.

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.

II. 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. **Hydrogen Sulfide has been reported as a hazard, but no measurements have been recorded. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If Hydrogen Sulfide is encountered, please report measurements 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 are 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 of the vertical portion of hole to surface 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.

- **High cave/karst.**
 - **Possible lost circulation in the Grayburg, San Andres, and Capitan Reef formations.**
 - **Possible brine and fresh water flows in the Salado Group, Artesia Group, and the Capitan Reef.**
 - **Wellbore Proximity - Planned Drain Hole Entry Point of Colt 4 Federal Com 2H intersects planned Drain Hole Total Depth of well Burton 4 Federal #3H.**
1. The **20 inch** Surface casing shall be set at approximately **375 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt.)** and cemented to the surface. (Care must be taken not to penetrate the salt section.) **If the salt is encountered at a shallower depth, the casing is to be set a minimum of 25 ft above the salt. Fresh water mud to be used to setting depth.**
 - 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 action will be done prior to drilling out that string.
 2. The minimum required fill of cement behind the **13-3/8 inch** first 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 cave/karst and Capitan Reef.**
 3. The **9-5/8"** second intermediate casing is intended to be set at approximately **3200'** **within the base of the Capitan Reef or Lamar Limestone.** The minimum required fill of cement behind the **9-5/8 inch** second 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 Capitan Reef. Additional cement may be required as the excess cement calculates to less than 5%.

4. The minimum required fill of cement behind the **5-1/2** inch production casing for the interval:
 - a. Above the Port Collar DV tool at approximately 7339' MD (7339' TVD):
 - ☒ Cement to extend to a minimum of 50 feet above the top of the Capitan Reef at approximately 1350 feet. Operator shall provide method of verification.
 - b. From the KOP to the end of the Production String at approximately 12,625 feet MD (8003' TVD).
 - ☒ No cement required – Using the Packer-Plus system.
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. **A variance is granted for use of a diverter on the 20" surface string.**
3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **13-3/8"** first intermediate casing shoe shall be **2000 (2M)** psi.
4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** second intermediate casing shoe shall be **3000 (3M)** psi.
5. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips or where the float does not hold,

the minimum wait time before cut-off is eight hours after bumping the plug or when the cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. BOP/BOPE testing can begin after the above conditions are satisfied.

- b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
- c. 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.**
- d. 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.
- e. **Effective November 1, 2008, no variances will be granted on reduced pressure tests on the surface casing and BOP/BOPE. Onshore Order 2 requirements will be in effect.**

D. DRILLING MUD

Approved for aerated mud in the Capitan Reef, but not air drilling.

E. DRILL STEM TEST

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

F. 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.

TMM 08/02/2011