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MOOD ARTESIA

BLM OIL CONSERVATION DIVISION
811 S. FIRST STREET
ARTESIA, NM 88210

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|---|
| 1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER | | 5. Lease Serial No. NM 100542 |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator JALAPENO CORPORATION | | 7. If Unit or CA Agreement, Name and No. N/A |
| 3a. Address P.O. BOX 1608 ALBUQUERQUE, NM 87103-1608 | | 8. Lease Name and Well No. ACIETE NEGRA #4 (39848) |
| 3b. Phone No. (include area code) 505-242-2050 | | 9. API Well No. 30-005-62245 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 334' FSL & 938' FEL At proposed prod. zone SAME AS ABOVE | | 10. Field and Pool, or Exploratory Wolf Lake San Andres; South (65075) |
| 14. Distance in miles and direction from nearest town or post office* approximately 32 miles from Roswell. | | 11. Sec., T. R. M. or Blk. and Survey or Area SEC.12, T-9S, R-27E |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 334' | 16. No. of acres in lease 1760 | 17. Spacing Unit dedicated to this well P |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 610' | 19. Proposed Depth 2300' | 20. BLM/BIA Bond No. on file B 002462 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3880.2 GL | 22. Approximate date work will start* ** | 23. Estimated duration 90 days |

24. Attachments **ROSWELL CONTROLLED WATER BASIN**

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

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Well plat certified by a registered surveyor. 2. A Drilling Plan. 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | <ol style="list-style-type: none"> 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). 5. Operator certification 6. Such other site specific information and/or plans as may be required by the BLM. |
|---|---|

| | | |
|---|---|-----------------|
| 25. Signature | Name (Printed/Typed) H. EMMONS YATES III | Date 3/11/13 |
| Title VICE PRESIDENT | | |
| Approved by (Signature) | Name (Printed/Typed) | Date 4-23-13 |
| Title Assistant Field Manager, Lands And Minerals | Office ROSWELL FIELD 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.

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

(Continued on page 2)

*(Instructions on page 2)

** Approximately 90 days after APD approval by BLM and OCD, subject to rig availability.

The **8-5/8** inch usable water protection casing string has been set at **1643** feet and cement has been circulated to the surface.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED**

DISTRICT I
1025 N. French Dr., Hobbs, NM 88240
Phone: (575) 398-6161 Fax: (575) 393-0720

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

DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87416
Phone: (505) 334-6178 Fax: (505) 334-6170

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|------------------------------|---------------------------------------|--|
| API Number 30-005-62245 ✓ | Pool Code 65075 ✓ | Pool Name Wolf Lake San Andres, South ✓ |
| Property Code 39848 ✓ | Property Name ACIETE NEGRA ✓ | Well Number 4 ✓ |
| OGRID No. 26307 ✓ | Operator Name JALAPENO CORPORATION | Elevation 3878' |

Surface Location

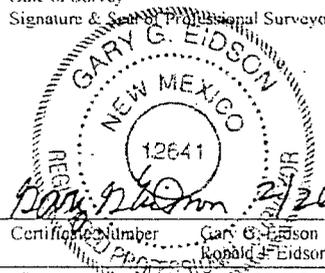
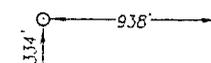
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 12 | 9-S | 27-E | | 334 | SOUTH | 938 | EAST | CHAVES |

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 40 | 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

| | |
|---|---|
| <p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=924414.9 N X=558742.5 E</p> <p>LAT.=33.541041° N LONG.=104.140544° W</p> | <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p><i>H. Emmons Yates III</i> Signature _____ Date: 3/4/13</p> <p>H. Emmons Yates III Printed Name _____</p> <p>eyates@jalapenocorp.com E-mail Address _____</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>FEBRUARY 15, 2013</p> <p>Date of Survey _____ Signature & Seal of Professional Surveyor: _____</p> <p style="text-align: center;">  </p> <p>Certificate Number _____ Gary G. Eidson 12641 Ronald Eidson 3234 AF _____ WSC W.O. 13.11 0200</p> |
| |  |
| | |

Jalapeño Corporation

ACIETE NEGRA #4

334' FSL & 938" FEL

UNIT P, SECTION 12, T. 9-S, R. 27-E

CHAVES COUNTY, NEW MEXICO

APPLICATION FOR PERMIT TO DRILL

1. **PLATS**

Attached is the Plat signed by H. Emmons Yates III, Vice President of Jalapeno Energy Corporation and by John West of John West Surveying Company.

2. **SURFACE USE PLAN OF OPERATIONS**

(See pages 2-5).

3. **OPERATING CERTIFICATION**

(See page 6).

4. **DRILLING PLAN**

(See page 7).

5. **DRILLING AND OPERATIONS PROGRAM**

(See pages 7-9).

6. **BOND**

Jalapeno Corporation's Bond is NM B000378.

7. **HYDROGEN SULFIDE DRILLING OPERATIONS PLAN**

(See page 9).

8. **ARCHAEOLOGIC SURVEY**

(See attached Archaeological Report following page 9).

9. **EXHIBITS**

Exhibit #1 – Typical 2,000 psi Pressure System Schematic

Exhibit #2 – Well Site Diagram

Exhibit #3 – Vicinity Map

Exhibit #4 – Directions to Location Map

Exhibit #5 – Location Verification Map*

Exhibit #6 – Topography Map

Exhibit #7 – Reclamation Diagram

Exhibit #8 – 1 Mile Radius Map of Location of Existing Wells

Exhibit #9 – Production Diagram

Exhibit #10 – Producing Well Diagram

Exhibit #11 – Rig Inventory

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SURFACE USE PLAN OF OPERATIONS

This plan is submitted with the Application for Permit to reenter the above-described well. The purpose of the Plan is to describe the location of the existing well, the proposed construction activities and operation plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS:

A. Exhibit #3 and #4 are maps which show the location of the existing well.

B. Direction to Location:

From the intersection of U.S. Highway #380 and Ponderosa Road, go North on Ponderosa Road for approximately 11.0 miles. Turn right and go Southeast approximately 3.9 miles then turn right and drive a half mile and take your first left. Location will be found on the right where a dry hole marker is placed.

C. There are existing roads that allow us to access the Aciete Negra #4 location. These existing roads are constantly maintained by Jalapeno Corporation because they allow access to the Wolflake field in which Jalapeno has several existing wells.

2. PLANNED ACCESS ROAD

A. Well pad already connects with an existing road so no new access roads will have to be built.

B. If the well is a producer, there will be a barbed wire fence around the well pad and cattle guards will be installed at the road entrance to the well pad at its NE and SE corners (see Exhibits #2 & #7).

C. No additional off-lease right-of-way will be necessary.

3. LOCATION OF EXISTING WELLS

A. There are 18 wells within a mile radius of the proposed site. See Exhibit #8.

The following operated by Jalapeno Corporation:

1. Crony Federal #1 (Application approval but not yet drilled)
2. Crooked Bill Federal #1 (P& A)
3. Duncan Federal #2 (Producing)
4. Duncan Federal #3 (Producing)
5. Duncan Federal #5 (Producing)
6. Duncan Federal #10 (P& A)

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7. Emmons State #1 (Producing)
8. Emmons State #2 (Producing)
9. Paisano Federal #1 (Producing)
10. Scrounger State #1 (Producing)
11. Scrounger State #2 (P & A)
12. Louise Yates State #1 (P & A)
13. Louise Yates State #2 (P & A)
14. Louise Yates State #3 (P & A)
15. Louise Yates State #4 (SWD)

The following operated by other operators:

16. Duncan Federal #4Y (P & A) operated by Cibola Energy Corporation.
17. Lobo AXU Federal #1Q (P & A) operated by Yates Petroleum Corp.
18. Joya AYJ State Com #1 (P & A) operated by Yates Petroleum Corporation formerly Wolf AHF State #1.

- B.** If the well is a producer, a flow line will connect the Aciete Negra #4's wellhead to the Paisano Federal #1 tank battery. The flow line will be above ground on the Aciete Negra #4 location and when it crosses onto the Paisano Federal #1 well location but will be buried beneath ground when crossing the road (see Exhibit #10).

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. For a description of drilling equipment, see Exhibit #11.
- B. No duster equipment will be necessary because we are not drilling any formation but simply re-entering a well that has already been drilled
- C. No de-duster equipment will be required because we are only re-entering a well and not drilling any new formation.
- D. We will not have mud circulation equipment available on site because we are using a reverse circulation unit that only uses water. We have drilled over 50 of these San Andres wells and never have we needed a mud backup system.
- E. The proposed well is for a San Andres oil test and little if any gas is expected. The rig will be equipped with gas sensing equipment and an alarm to detect any escaping gas. A vacuum truck filled with water will be on site during drilling operations and if gas becomes a problem, the hole will be flooded with water.
- F. The drilling rig will run on diesel fuel and if the well is successful, we will move a pump jack on location with a motor. The motor will run on either casing head gas or propane.

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5. LOCATION AND TYPE OF WATER SUPPLY

A. We are going to use a 250 bbls steel water tank on location. The water will be obtained from Roswell city water and will be hauled by Standard Energy Services. This water will be placed in the reverse circulating steel tank using a vacuum truck which will connect the reverse steel tank with the 250bbl steel tank on location.

6. CONSTRUCTION MATERIALS

A. Caliche will be obtained and from a pit which Jalapeno leases from the State of New Mexico in Lot 1 of Section 3, Township 9 South and Range 27 East in the Chaves County.

7. METHODS OF HANDLING WASTE MATERIALS:

A. All trash, junk and other material shall be contained in trash cages or trash bins to prevent scattering. When job is completed, all contents shall be removed and disposed of in an approved landfill.

B. Current laws and regulation pertaining to the disposal of human waste will be complied with.

C. Remaining drilling fluids shall be hauled off by transports to a state approved disposal site. Water produced during completion shall be put in storage tanks and disposed of in a state approved disposal. Oil and condensate produced shall be put in a storage tank and sold.

D. Drilling cuttings will be blown into a steel tank. Drill cuttings will be hauled to an approved burial or disposal site.

9. WELLSITE LAYOUT

A. Exhibit #2 shows relative locations and dimensions of the well pad layout are 100 feet by 100 feet. We will have a perimeter barbed wire fence surrounding the well pad. We will also build a water bar on the north end of the drilling pad to deflect any surface runoffs to the west, away from the pad.

10. PLANS FOR RECLAMATION OF THE SURFACE

A. Pre-construction Clean-up

Before any construction occurs, the small area of dumped oil and gravel-sized concrete at SW part of pad will be placed on top of the old reserve pit. We will then place 1.5 to 2 feet of caliche on top of the pit. This will protect water from pooling on top of the old reserve pit and protect the pit from any stray disturbance until final reclamation.

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B. Interim Reclamation

During the life of the development, all disturbed areas not needed for active support of production operation will undergo interim reclamation in order to minimize the environment impacts of development on other resources and uses.

After completion of drilling and/or completion of operations, all equipment and other materials not needed for further operations will be removed and surface reclamation will be done in accordance with BLM's rules and regulations.

C. Final Abandonment/Reclamation

If the well is found non-commercial or when it ceases to be economic, the caliche shall be removed from the pad and transported to the original caliche pit or used at other drilling locations or roads. The original topsoil, which will be stockpiled on the north side of the well pad, will be returned to the pad and contoured, as close as possible, to the original topography. The top soil will be spread over the location and the site will be seeded with the seed mixture then required by the BLM. See Exhibit #7.

We will cover the old caliche-capped reserve pit with top soil and seed area as part of our final reclamation. All stained soil at location will be cleaned up and removed and a dry hole marker will be placed at the wellhead.

11. SURFACE OWNERSHIP:

A. The surface owner is the Bureau of Land Management (BLM).

12. OTHER INFORMATION

A. Topography: The land surface is level except for some sand dunes.

B. Soil: Soil is mostly sandy with some calcareous lime, and gravel.

C. Flora and Fauna: Vegetative cover consists of small mesquite and grease wood and some grass. Wildlife in the general area is that typical of semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, dove and quail.

D. Ponds & Streams: There appears to be a small playa lake approximately 10,064 to the Northeast of the proposed well site. There is a cattle watering in Section 7 Unit C approximately 2,274 feet to the Southeast but the water is piped in. Sometimes the Rancher allows the water to pond in an earthen tank.

E. Residences and other Structures: There are no residences or other structure within the immediate area.

F. Land Use: The surface is owned by the BLM and appears to be unused at this time.

Jalapeño Corporation

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334' FSL & 938" FEL

UNIT P, SECTION 12, T. 9-S, R. 27-E

CHAVES COUNTY, NEW MEXICO

13. OPERATOR'S REPRESENTATIVE

Representative responsible for assuring compliance with the approved surface use plan is:

Address:

Harvey E. Yates, Jr., President
Jalapeno Corporation
P.O. Box 1608
Albuquerque, NM 87103

Contact Information:

Albuquerque Office Phone: (505) 242-2050

Harvey E. Yates, Jr., President

Cell Phone: (505) 980-7761 or (575) 840-9408

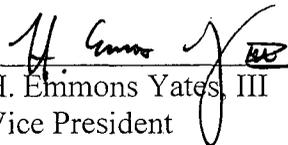
H. Emmons Yates, Vice President

Cell Phone: (505) 980-0703 or (575) 626-8964

OPERATING CERTIFICATION

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 11th day of March, 2013.



H. Emmons Yates, III
Vice President
Jalapeno Corporation

Jalapeño Corporation

ACIETE NEGRA #4

334' FSL & 938" FEL

UNIT P, SECTION 12, T. 9-S, R. 27-E

CHAVES COUNTY, NEW MEXICO

DRILLING PLAN

This well will be re-entered with a Reverse Circulating Unit. We will drill through two cement plugs, the first is located from the surface to 100' below surface, and the second is located from 1534'-1700'. After drilling through these cement plugs, we will continue to reverse circulate the hole to a total depth of 2300'. We will then run 2300' of 5 1/2" production casing and cement this casing to 500 feet above the top proposed perforation.

We do not anticipate encountering fresh water because the zones that contain fresh water have already been cemented behind 8 5/8" casing that was run when the well was originally drilled. Treatment of the producing zones will be determined after the likely producing zones are analyzed, but likely the zones will be given an acid wash treatment.

DRILLING AND OPERATIONS PROGRAM

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Jalapeno Corporation submits the following pertinent information in accordance with BLM requirements.

1. GEOLOGICAL NAME OF THE SURFACE FORMATION:

Quaternary fill

2. ESTIMATED TOPS OF GEOLOGIC MARKERS:

| | |
|------------|-------|
| Yates | 495' |
| Queen | 1140' |
| Grayburg | 1238' |
| San Andres | 1675' |
| Slaughter | 2202' |

3. ESTIMATED DEPTH AT WHICH WATER, OIL OR GAS ARE EXPECTED:

| | |
|-----------------|-------------------------|
| Water | 308' approx. |
| Oil & Gas-Yates | 495' |
| Queen | 1140' |
| San Andres | 2202' (P1 of Slaughter) |

4. PROPOSED CASING & CEMENT PROGRAMS:

This well will be drilled using a Reverse Circulating Foam Unit. We will not run surface casing because there already is 1643' of 8 5/8" surface casing that was cemented in the hole when the well was originally drilled. We will perform a Casing Integrity test on the surface casing which will be performed by Standard Energy using one of their kill trucks. The production casing will be run from 2300' to surface and will be cemented from the top perforation up 400 or 500 feet. The reason is that production likely will come from fractures. Our experience is that if the cement is run

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to surface its weight pushes the cement into the productive fractures greatly diminishing the likelihood of a successful well.

(See information related to production casing and it's cementing below).

Existing Casing and Cement Program

| | Hole Size | Casing Size | Casing weight | Grade | Thread | Casing Condition | Setting Depth | Sx | Density | Yield | Components | Excess Cement % | Collapse Design Factor | Burst Design Factor | Burst Design Factor | TOC |
|---------|-----------|-------------|---------------|-------|--------|--------------------|---------------|-----|---------|-------|--|-----------------|------------------------|---------------------|---------------------|---------|
| Surface | 12 1/4 | 8 5/8 | 24 | J-55 | ST&C | In well since 1984 | 1643 | 335 | 14.8 | 1.35 | Cl CCmt +.25 lbs/sky Cello Flake +2% CaCl2 | 200% | 1.2 | 1.18 | 2.0 | surface |

Proposed Casing and Cement Program

| | Hole Size | Casing Size | Casing weight | Grade | Thread | Casing Condition | Setting Depth | Sx | Density | Yield | Components | Excess Cement % | Collapse Design Factor | Burst Design Factor | Burst Design Factor | TOC |
|------------|-----------|-------------|---------------|-------|--------|------------------|---------------|-----|---------|-------|--|-----------------|------------------------|---------------------|---------------------|------|
| Production | 7 7/8 | 5 1/2 | 15.5 | J-55 | LT&C | New | 2300 | 280 | 12.8 | 1.903 | (35:65)Poz/Cl C Cmt+5% Nacl +.0125lbs/sk Cello Flake+ 5lbs/sk LCM-1 +2% R-3+6% Gel | 50% | 1.2 | 1.18 | 2.0 | 1750 |

Class C w/ 0.6% R-3 and 1/4 pps cello flake

5. TYPES AND CHARACTERISTICS OF THE PROPOSED MUD SYSTEM:

During the drilling, the plugs will be drilled with fresh water with 4% KCL and liquid Polymer (MF-55) will be used. (Loss circulation material and starch will be on location in case we encounter a loss circulation zone.) Fresh water for drilling and completion will be hauled to location over road shown from a private commercial source.

6. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL:

All BOP and related equipment will comply with well control requirements as described in Onshore Order No. 2. Minimum working pressure of the blowout preventer and related equipment (BOPE) will be 2000 psi. The BOP will be installed and operational before drilling below the top surface plug 0-100' and will be tested as described in Onshore Order No. 2. (See Exhibit #1).

The results of the test will be reported to the appropriate BLM office. Testing fluid will be water. No drilling mud will be used in testing. Testing will be done in a safe workman like manner and hard line connections will be required. If this BOP fails to test satisfactorily, it will be repaired or replaced.

7. AUXILIARY FACILITIES:

None Required.

Jalapeño Corporation

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334' FSL & 938" FEL

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CHAVES COUNTY, NEW MEXICO

8. TESTING, LOGGING AND CORING PROGRAM:

The electric logging program will consist of a bond log run from 2300 feet to surface to determine the quality of cement. No other logs will be run since we already have them on file from when the well was originally drilled.

We plan no DST's.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES AND POTENTIAL HAZARDS:

- A. The estimated bottom hole pressure is 3250 psi.
- B. No abnormal pressures or temperatures are anticipated.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

In accordance with the rules and procedures detailed in OCD Rule 118, it has been determined that the H₂S level present at the above-mentioned location likely will not exceed 100 ppm, nor do we expect it to exceed that level on the location during drilling operations. However, during drilling the following protective measures shall be implemented by the operator to address this issue:

- The drill crew and pumper shall be issued gas masks which are appropriate for escape in the event of discharge.
- The rig utilized in this operation shall be oriented so the prevailing wind would carry away from the rig floor any discharge, and when practical, location of tank batteries will also be so situated.
- Signage shall be placed onsite which alerts the public to the possible presence of Hydrogen Sulfide gas.
- A directional wind indicator shall be placed on site.
- The drill site shall have a gas detection device, Industrial Scientific Model iTX Monitor Model LEL, placed near the pit downwind from the borehold. The detector will have an alarm sufficient in sound level to alert the crew to the presence of gas.
- The drill crew will have a cell phone.

The following site conditions have been noted which affect the application of hazard mitigation in this circumstance:

- The site is not proximate to any public road. The closest public road is approximately 4 miles west (Ponderosa Road) of the location.

10. ANTICIPATED STARTING DATE:

We anticipate starting drilling as soon as we obtain approval of the Application to Drill by the BLM & OCD, subject also to rig availability. It is anticipated that dirt work on the road and location would start within 2 weeks after APD approval.

ARCHAEOLOGICAL SURVEY of the JALAPEÑO CORPORATION
ACIETE NEGRA FEDERAL WELL NO. 4
T9S, R27E, SECTION 12, SE¼SE¼ (334 FSL, 938 FEL),
CHAVES COUNTY, NEW MEXICO.

FEDERAL LAND SURFACE
U.S.G.S. 7.5 minute series, CAMPBELL, NEW MEXICO, 1967, photo-revised 1979 [33104-E2]

ASC Report 13-002 (NMCRIS No.: 126470)

by Dorothy M. Griffiths, Principal Investigator.

ARCHAEOLOGICAL SURVEY CONSULTANTS
P.O. Box 2285, Roswell, New Mexico 88202-2285
Phone: [575] 623-5012. Fax: [575] 623-5012.
E-mail: archsurcon@qwestoffice.net

BUREAU OF LAND MANAGEMENT PERMIT NO.: 18-2920-11-X

February 15th, 2013.

Prepared for:

Jalapeño Corporation
P.O. Box 1608,
Albuquerque, New Mexico 87103.

Attention: Emmons Yates

Distribution:

Jalapeño Corporation (1)
BLM - Roswell Field Office (1)
Griffiths (1)

NMCRIS INVESTIGATION ABSTRACT FORM (NIAF)

| | | | |
|---|--|--|--|
| 1. NMCRIS Activity No.: 126470 | 2a. Lead (Sponsoring) Agency: BLM, RFO | 2b. Other Permitting Agency(ies): | 3. Lead Agency Report No.: |
| 4. Title of Report: Archaeological survey of the Jalapeño Corporation Aciete Negra Federal Well No. 4. T9S, R27E, Section 12, SE¼SE¼ (334 FSL, 938 FEL), Chaves County, New Mexico. Author(s): Griffiths, Dorothy M. | | | 5. Type of Report <input checked="" type="checkbox"/> Negative <input type="checkbox"/> Positive |
| 6. Investigation Type <input type="checkbox"/> Research Design <input checked="" type="checkbox"/> Survey/Inventory <input type="checkbox"/> Test Excavation <input type="checkbox"/> Excavation <input type="checkbox"/> Collections/Non-Field Study <input type="checkbox"/> Overview/Lit Review <input type="checkbox"/> Monitoring <input type="checkbox"/> Ethnographic study <input type="checkbox"/> Site specific visit <input type="checkbox"/> Other | | | |
| 7. Description of Undertaking (what does the project entail?): archaeological survey of a wellpad and bufferzone (600 ft. square), with a total <u>federal land surface of 8.26 acres</u> , being inspected for cultural remains. The proposed well is a re-entry of an existing dry hole and will utilize an extant (rehabilitated) wellpad. The 600 ft. square surveyed area also straddles extant N/S and E/W-trending oilfield roads. | | 8. Dates of Investigation (from: to:): 14-February-2013. | |
| 10. Performing Agency/Consultant: ARCHAEOLOGICAL SURVEY CONSULTANTS, Address: P.O. Box 2285 Roswell, New Mexico 88202-2285. Phone: (575) 623-5012. Fax: (575) 623-5012. E-mail: archsurcon@gwestoffice.net Principal Investigator: Dorothy M. Griffiths, Field Supervisor: Dorothy M. Griffiths Field Personnel Names: Dorothy M. Griffiths | | 9. Report Date: 15-February-2013. | |
| | | 11. Performing Agency/Consultant Report No. ASC 13-002. | |
| 13. Client/Customer (project proponent): Jalapeño Corporation Contact: Emmons Yates, Address: P.O. Box 1608, Albuquerque, New Mexico 87103-1608. Phone: (505) 244-0464. Fax: 505-242-8501. E-mail: eyates@jalapenocorp.com | | 12. Applicable Cultural Resource Permit No(s): BLM: 18-2920-11-X | |
| | | 14. Client/Customer Project No.: | |
| 15. Land Ownership Status (<u>Must</u> be indicated on project map): | | | |
| Land Owner | Acres Surveyed | Acres in APE | |
| <u>Bureau of Land Management,</u> | <u>8.26</u> | <u>0.23</u> | |
| Totals | 8.26 | 0.23 | |
| 16 Records Search(es): | | | |
| Date(s) of ARMS File Review 11-February-2013 | Name of Reviewer(s) D.M. Griffiths | | |
| Date(s) of NR/SR File Review | Name of Reviewer(s) | | |
| Date(s) of Other Agency File Review 13-February-2013 | Name of Reviewer(s) D.M. Griffiths | | Agency BLM, RFO |
| ARMS and BLM records show that there are no previously recorded archaeological sites within one mile of the project area; there is an un-recorded WWII bomb-target a little over one mile to the west of the project area. | | | |

17. Survey Data: a. Source Graphics NAD 27 NAD 83
 USGS 7.5' (1:24,000) topo map Other topo map, Scale:
 GPS Unit Accuracy <1.0m 1-10m 10-100m >100m

b. USGS 7.5' Topographic Map Name: CAMPBELL, NEW MEXICO, 1967 (photo-revised 1979).
 USGS Quad Code: 33104-E2.

c. County(ies): Chaves County, New Mexico. d. Nearest City or Town: Roswell.

e. Legal Description: Township (N/S) Range (E/W) Section 1/4, 1/4, 1/4.
 Wellpad: T9S, R27E, Sec. 12, SE1/4SE1/4

Projected legal description? Yes , No Unplatted

f. Other Description (e.g. well pad footages, mile markers, plats, land grant name, etc.):
 proposed wellpad footages: 334 FSL, 938 FEL.
 Land Survey plat (N.M.O.C.D. Form C-102) by John West Surveying Company, Hobbs, New Mexico.

18. Survey Field Methods:
 Intensity: 100% coverage <100% coverage
 Configuration: block survey units : a wellpad & buffer zone (600 ft. square, 8.26 acres).
 linear survey units (l x w):
 other survey units (specify):

Scope: non-selective (all sites recorded) selective/thematic (selected sites recorded)

Coverage Method: systematic pedestrian coverage other method (describe)

Survey Interval (m): Standard operating procedure: survey transect interval is ca. 15 metres apart, with dogleash (spiral) transects in the vicinity of cultural materials (when found), and inspection of all deflation basins and/or denuded / disturbed areas, as well as rodent burrows, cattle trails, and arroyo and/or road cuts within the project area.

Crew Size: 1. Fieldwork Dates: 14-February-2013.

Survey Work Hours: 1.75 Recording Work Hours: 0.25 Total Work Hours: 2.0 work hours on ground

Additional Narrative: archaeological survey of a wellpad (600 ft. square), with a total federal land surface of 8.26 acres, being inspected for cultural remains. The proposed well is a re-entry of an existing dry hole and will utilize an extant (rehabilitated) wellpad. The 600 ft. square surveyed area also straddles extant N/S and E/W-trending oilfield roads.

19. Environmental Setting (NRCS soil designation; vegetative community; elevation; etc.): situated on almost level, gently undulating terrain to the southwest of Palma Mesa within the Lloyds Canyon drainage system, ca. 13.03 miles (20.98 kms.) ENE of the Pecos River, and ca. 2.13 miles (3.42 kms.) NW of Sardine Lake. The project area is located on the gentle SW-facing slopes emanating from Palma Mesa, with higher terrain to the northeast, within an area of well drained, deep sandy soils, marked by small blowouts and occasional shallow, vegetated, deflated areas. With the exception of areas modified by oilfield development, most of the project area is moderately vegetated with desert grassland species. Elevation: 3875 ft. to 3884 ft. Slope: ca. 0.56° to 0.99°. Aspect: SW. Permanent Water: Pecos River, ca. 13.03 miles (20.98 kms.) WSW. Potential Water: Sardine Lake, ca. 2.13 miles (3.42 kms.) SE. Soils: the project is within an area of Faskin fine sands. Vegetation: Grassland Formation, Scrub-grass scrub disclimax community (dominant vegetation consists of desert grassland species, including grasses, especially 3-awn, grama grass, bluestem, dropseed; oakbrush, mesquite, yucca, sand sagebrush, snakeweed, croton, prickly pear, and rare christmas cactus). Lithic Resource Material: none observed within the project area.

20. a. Percent Ground Visibility: varies from ca. 50% to 100%, averaging ca. 85%.
 b. Condition of Survey Area (grazed, bladed, undisturbed, etc.): cattle grazed and suffering from drought. The proposed well is a re-entry of an existing dry hole and will utilize an extant (rehabilitated) wellpad. The 600 ft. square surveyed area also straddles extant N/S and E/W-trending oilfield roads.

21. CULTURAL RESOURCE FINDINGS Yes, See Page 3 No, Discuss Why Not:
 Archaeological survey of the Jalapeño Corporation Aciete Negra Federal Well No. 4 did not reveal the occurrence of any prehistoric or historic cultural materials, possibly due to the absence of lithic resource materials, the lack of shelter, and the distance to water. The location is too exposed for a campsite, and although it has long distance views, it has no topographic prominence for a lookout, and lithic resource material is absent.

22. Required Attachments (check all appropriate boxes):

- USGS 7.5' Topographic Map with the survey area clearly drawn.
- Copy of NMCRIS Mapserver Map Check
- LA Site Forms - new sites (*with sketch map & topographic map*)
- LA Site Forms (update) - previously recorded & un-relocated sites (*first 2 pages minimum*)
- Historic Cultural Property Inventory Forms
- List and Description of isolates, if applicable
- List and Description of Collections, if applicable

23. Other Attachments:

- Photographs and Log
 - Other Attachments
- (Describe): a copy of the BLM, RFO Map Check, and also a John West Surveying Company Land Survey Plat (N.M.O.C.D. Form C-102), and wellpad diagram.

24. I certify the information provided above is correct and accurate and meets all applicable agency standards.

Principal Investigator/Responsible Archaeologist: Dorothy M. Griffiths

Signature /s/ D.M. Griffiths

Date: February 15th, 2013 Title (if not PI):

25. Reviewing Agency:
Reviewer's Name/Date:

26. SHPO
Reviewer's Name/Date:

Accepted () Rejected ()

HPD Log #:

Tribal Consultation (if applicable): Yes No

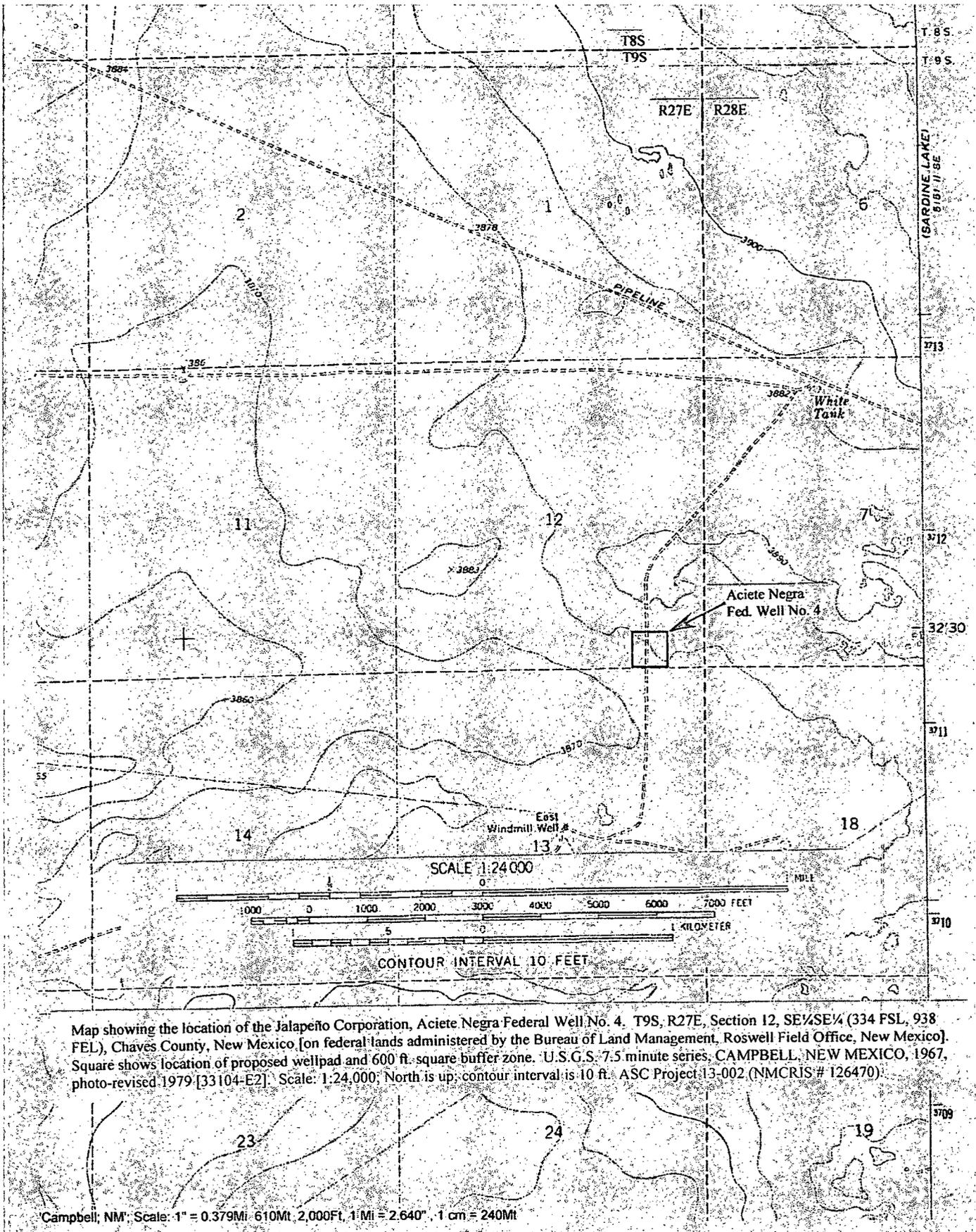
SHPO File Location:

Date sent to ARMS:

CULTURAL RESOURCE FINDINGS

[fill in appropriate section(s)]

| | | | | | | | | | | |
|---|---|----------------------------|---|------------------------|------------------|--------------------------------------|---|--------|------------------|--------------------------------------|
| 1. NMCRIS Activity No.: 126470 | 2. Lead (Sponsoring) Agency: BLM, RFO. | 3. Lead Agency Report No.: | | | | | | | | |
| <p>SURVEY RESULTS: Sites discovered and registered (<i>site form required</i>): 0 Sites discovered and NOT registered (<i>site form required</i>): 0 Previously recorded sites revisited (<i>site update form required</i>): 0 Previously recorded sites not relocated (<i>site update form required</i>): 0 TOTAL SITES VISITED: 0 Total isolates recorded: 0 Non-selective isolate recording? <input checked="" type="checkbox"/> Total structures recorded (<i>new and previously recorded, including acequias</i>): 0</p> <p>MANAGEMENT SUMMARY: Archaeological survey of the Jalapeño Corporation Aciete Negra Federal Well No. 4 did not reveal the occurrence of any prehistoric or historic cultural materials.</p> <p>Therefore, archaeological clearance for the proposed Jalapeño Corporation Aciete Negra Federal Well No. 4 [T9S, R27E, Section 12, SE¼SE¼ (334 FSL, 938 FEL), Chaves County, New Mexico], is recommended.</p> <p style="text-align: center;"><u>IF REPORT IS NEGATIVE YOU ARE DONE AT THIS POINT.</u></p> | | | | | | | | | | |
| <p>SURVEY LA NUMBER LOG (<i>site form required</i>):</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Sites Discovered (<i>site form required</i>):</td> <td style="width: 20%;">LA No.</td> <td style="width: 20%;">Field/Agency No.</td> <td style="width: 30%;">Eligible? (Y/N, applicable criteria)</td> </tr> <tr> <td>Previously recorded sites (<i>Site update form required</i>):</td> <td>LA No.</td> <td>Field/Agency No.</td> <td>Eligible? (Y/N, applicable criteria)</td> </tr> </table> | | | Sites Discovered (<i>site form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) | Previously recorded sites (<i>Site update form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) |
| Sites Discovered (<i>site form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) | | | | | | | |
| Previously recorded sites (<i>Site update form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) | | | | | | | |
| <p>MONITORING LA NUMBER LOG (<i>site form required</i>):</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Sites Discovered (<i>site form required</i>):</td> <td style="width: 20%;">LA No.</td> <td style="width: 20%;">Field/Agency No.</td> <td style="width: 30%;">Eligible? (Y/N, applicable criteria)</td> </tr> <tr> <td>Previously recorded sites (<i>Site update form required</i>):</td> <td>LA No.</td> <td>Field/Agency No.</td> <td>Eligible? (Y/N, applicable criteria)</td> </tr> </table> <p>Areas outside known nearby site boundaries monitored? Yes <input type="checkbox"/>, No <input type="checkbox"/> If no explain why:</p> | | | Sites Discovered (<i>site form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) | Previously recorded sites (<i>Site update form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) |
| Sites Discovered (<i>site form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) | | | | | | | |
| Previously recorded sites (<i>Site update form required</i>): | LA No. | Field/Agency No. | Eligible? (Y/N, applicable criteria) | | | | | | | |
| <p>TESTING & EXCAVATION LA NUMBER LOG (<i>site form required</i>):</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Tested LA number(s)</td> <td style="width: 50%;">Excavated LA number(s)</td> </tr> </table> | | | Tested LA number(s) | Excavated LA number(s) | | | | | | |
| Tested LA number(s) | Excavated LA number(s) | | | | | | | | | |



Map showing the location of the Jalapeño Corporation, Aciete Negra Federal Well No. 4. T9S, R27E, Section 12, SE¼SE¼ (334 FSL, 938 FEL), Chaves County, New Mexico [on federal lands administered by the Bureau of Land Management, Roswell Field Office, New Mexico]. Square shows location of proposed wellpad and 600 ft. square buffer zone. U.S.G.S. 7.5 minute series, CAMPBELL, NEW MEXICO, 1967, photo-revised 1979 [33104-E2]. Scale: 1:24,000. North is up; contour interval is 10 ft. ASC Project 13-002 (NMCRIS # 126470)

Campbell, NM; Scale: 1" = 0.379Mi = 610Mt, 2,000Ft, 1 Mi = 2.640", 1 cm = 240Mt

DISTRICT I
1625 S. French Dr., Hobbs, NM 88240
Phone: (505) 393-6161, Fax: (505) 393-0720

DISTRICT II
811 S. First St., Arteson, NM 88210
Phone: (505) 748-1283 Fax: (505) 748-0720

DISTRICT III
1000 Rio Bravo Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form G-102
Revised August 11, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

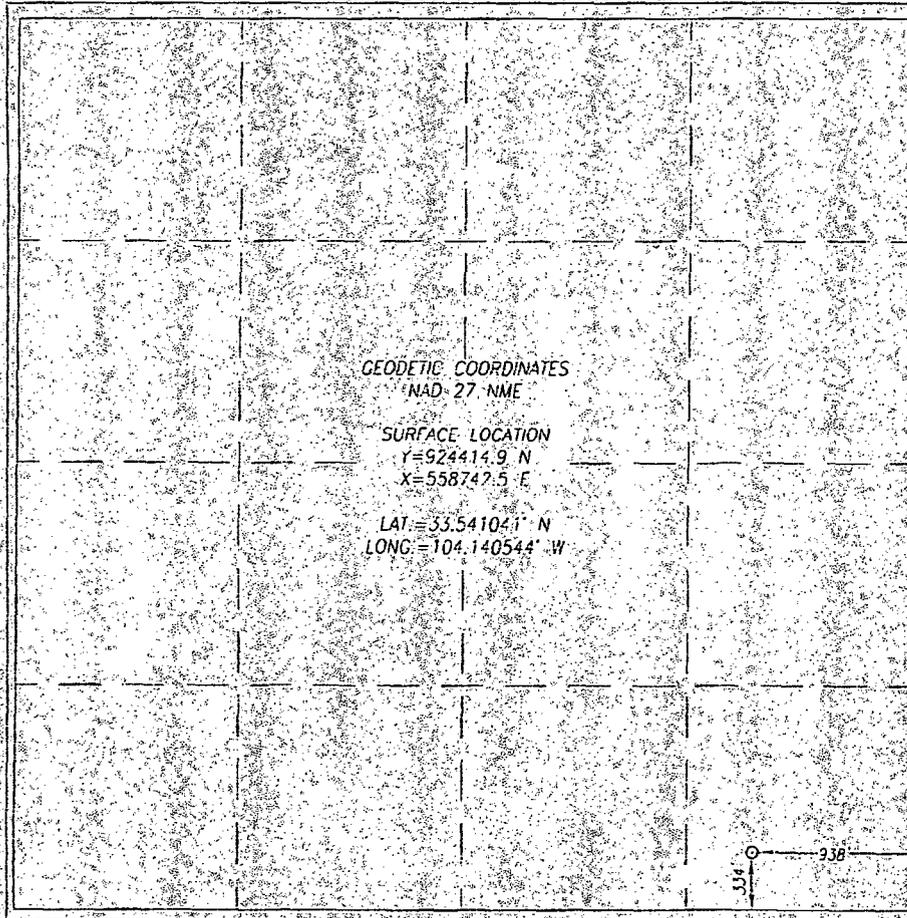
| | | |
|---------------|--|--------------------|
| API Number | Pool Code | Pool Name |
| Property Code | Property Name ACIETE NEGRA | Well Number 4 |
| GRID No. | Operator Name JALAPENO CORPORATION | Elevation 3878' |

| Surface Location | | | | | | | | | |
|------------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL of lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| P | 12 | 9-S | 27-E | | 334 | SOUTH | 938 | EAST | CHAVES |

| Bottom Hole Location If Different From Surface | | | | | | | | | |
|--|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL of 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



OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

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.

FEBRUARY 15, 2013

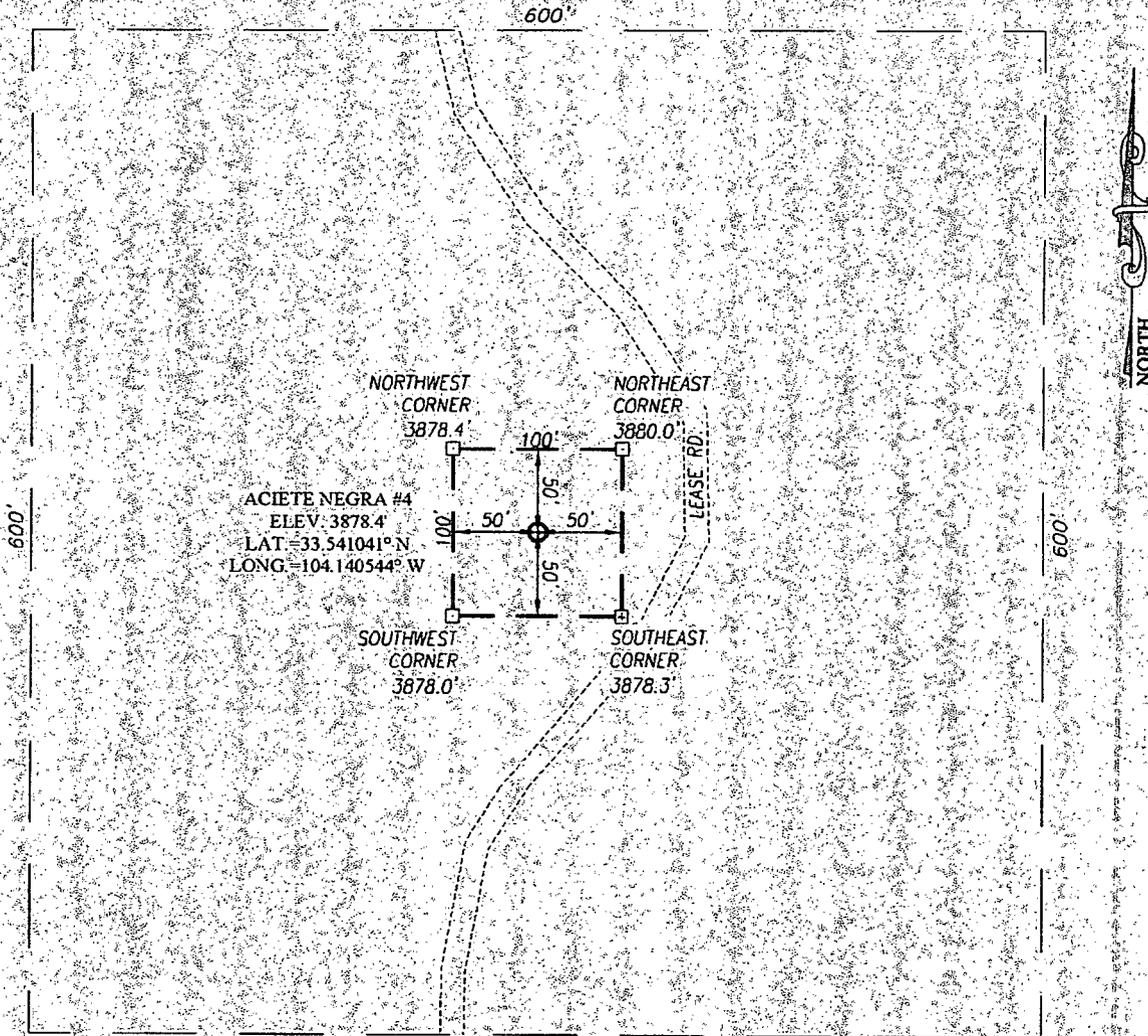
Date of Survey

Signature & Seal of Professional Surveyor:

Certificate Number Gary G. Eidson 12641
Ronald J. Eidson 13239

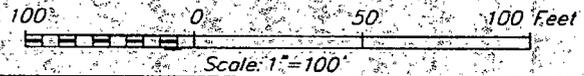
AF: _____ SWSG W O 13.01.0200

SECTION 12, TOWNSHIP 9 SOUTH, RANGE 27 EAST, N.M.P.M.
CHAVES COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF HWY. #380 AND CO. RD. #51 (PONDEROSA RD.) GO NORTH ON CO. RD. #51 APPROX. 11.4 MILES. TURN RIGHT AND GO SOUTHEAST ON EL PASO PIPELINE ROAD APPROX. 4.5 MILES. TURN RIGHT AND GO SOUTHWEST APPROX. 0.9 MILES. ROAD BENDS LEFT AND GO SOUTH APPROX. 0.25 MILES. THIS LOCATION IS APPROX. 90 FEET WEST.



JALAPENO CORPORATION

ACIETE NEGRA #4 WELL
 LOCATED 334 FEET FROM THE SOUTH LINE
 AND 938 FEET FROM THE EAST LINE OF SECTION 12,
 TOWNSHIP 9 SOUTH, RANGE 27 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO

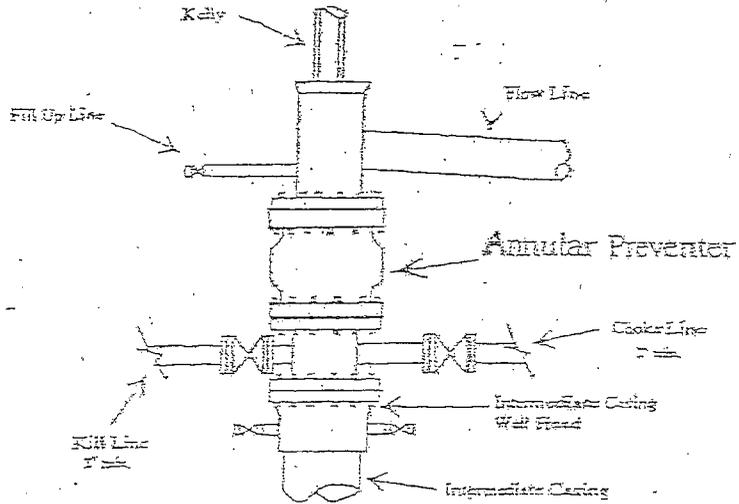
PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (575) 393-3117 www.jwsc.biz

| | | |
|----------------------|-------------------|-------------------------|
| Survey Date: 2/15/13 | CAD Date: 2/19/13 | Drawn By: AF |
| W.O. No.: 13110200 | Rev: | Rel. W.O.: Sheet 1 of 1 |

Exhibit #1

JALAPENO CORPORATION
ACIETE NEGRA #4

2,000 psi Pressure System
Schematic



Typical 2,000 psi choke manifold assembly with at least these minimum features

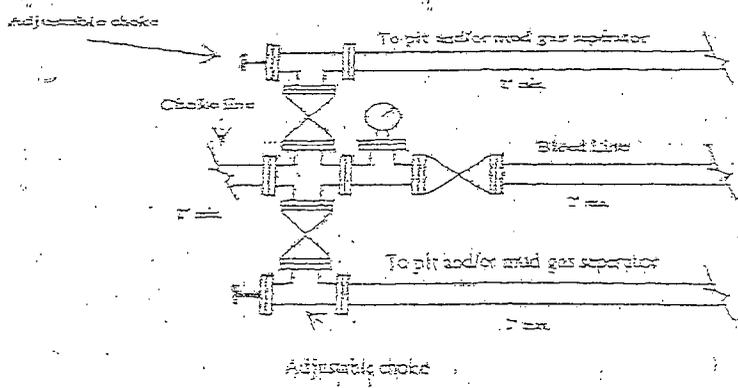
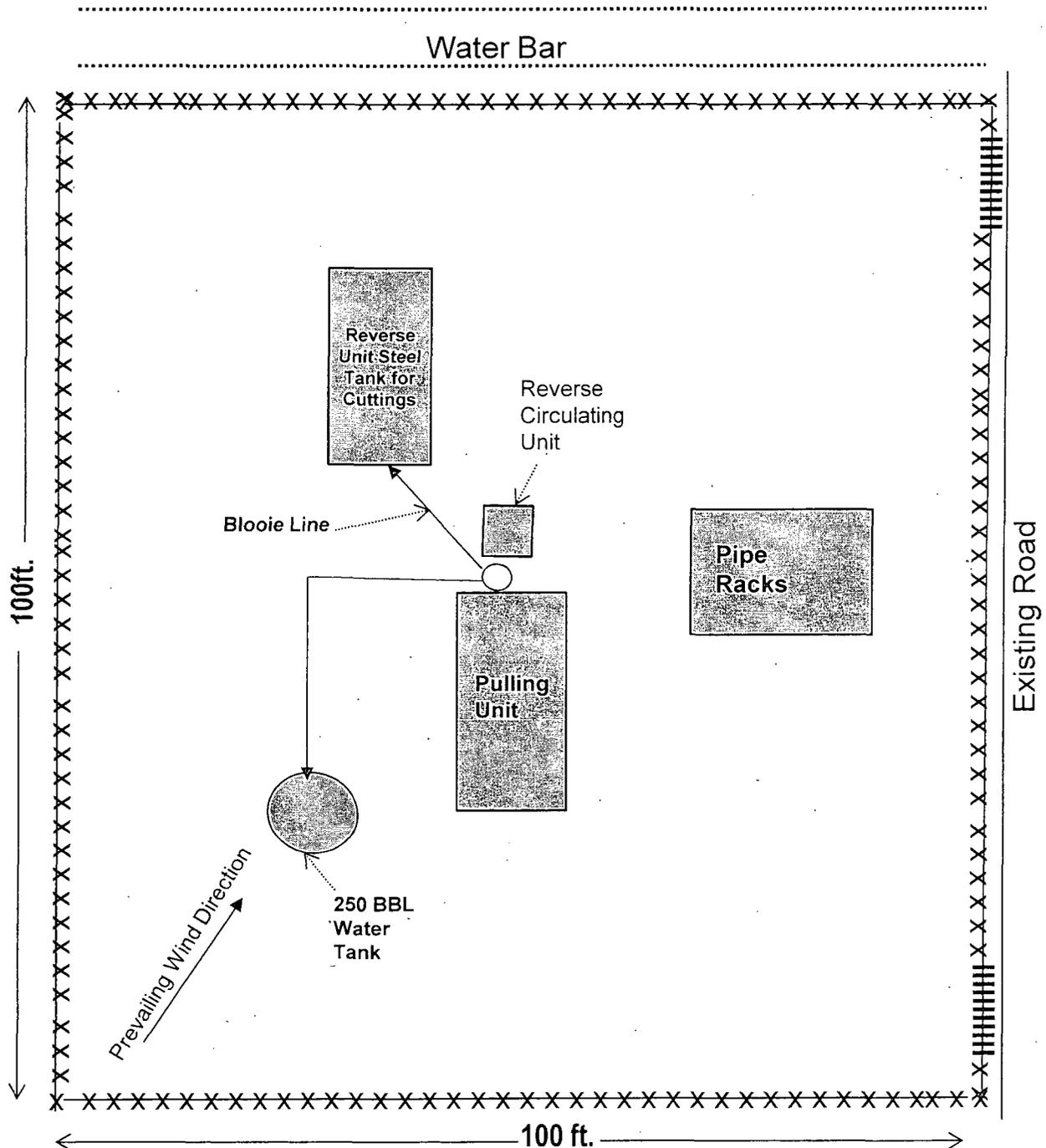
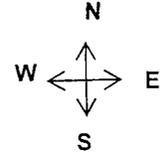


Exhibit #2

JALAPENO CORPORATION ACIETE NEGRA #4

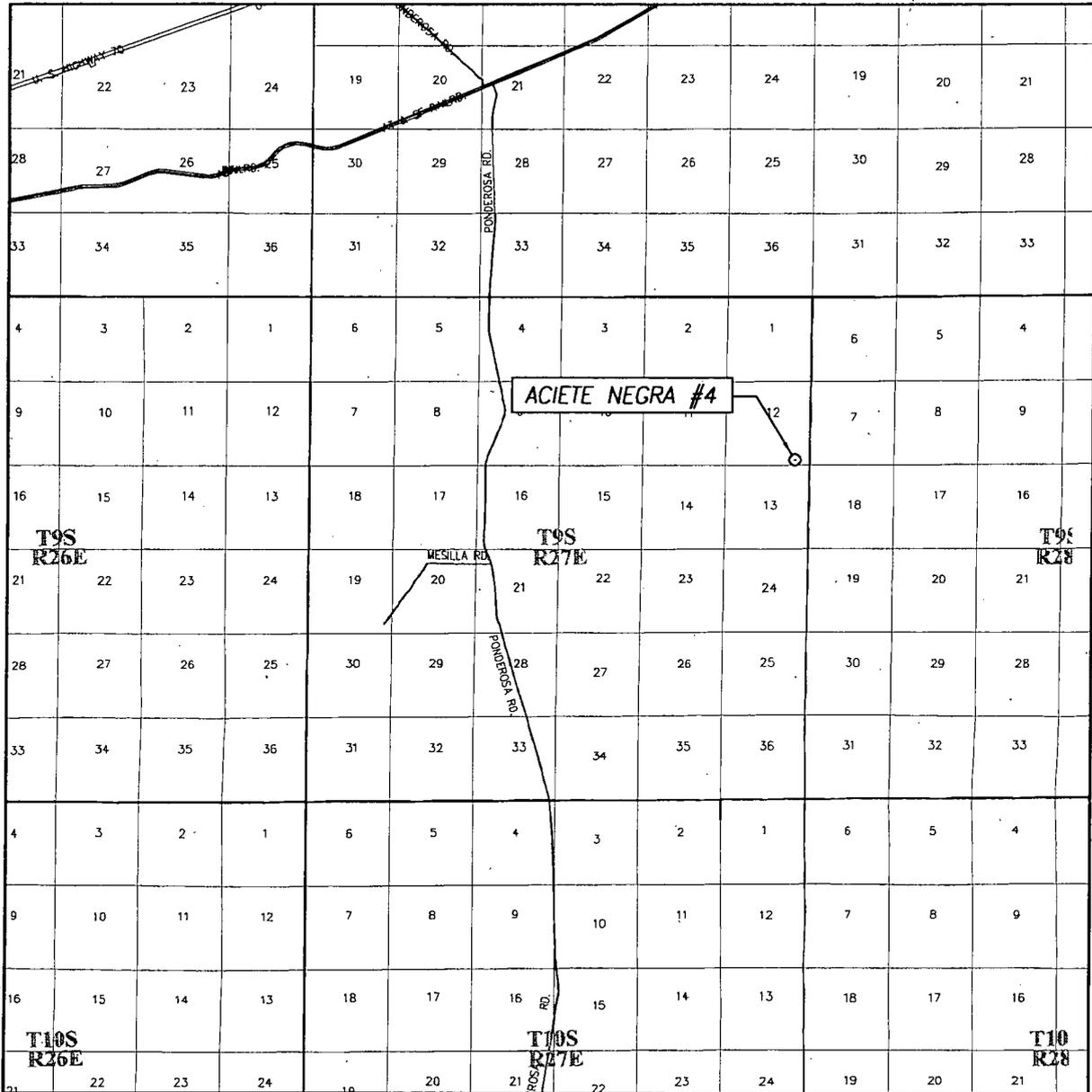


| LEGEND | |
|--------|--------------|
| XXX | Fence |
| | Cattle guard |

SEC. 12 TWP. 09S RGE. 27E
COUNTY CHAVES STATE NEW MEXICO
DESCRIPTION 334FSL & 938FEL
LEASE NM100542

Exhibit 3

Jalapeno Corporation
Aciete Negra #4
VICINITY MAP



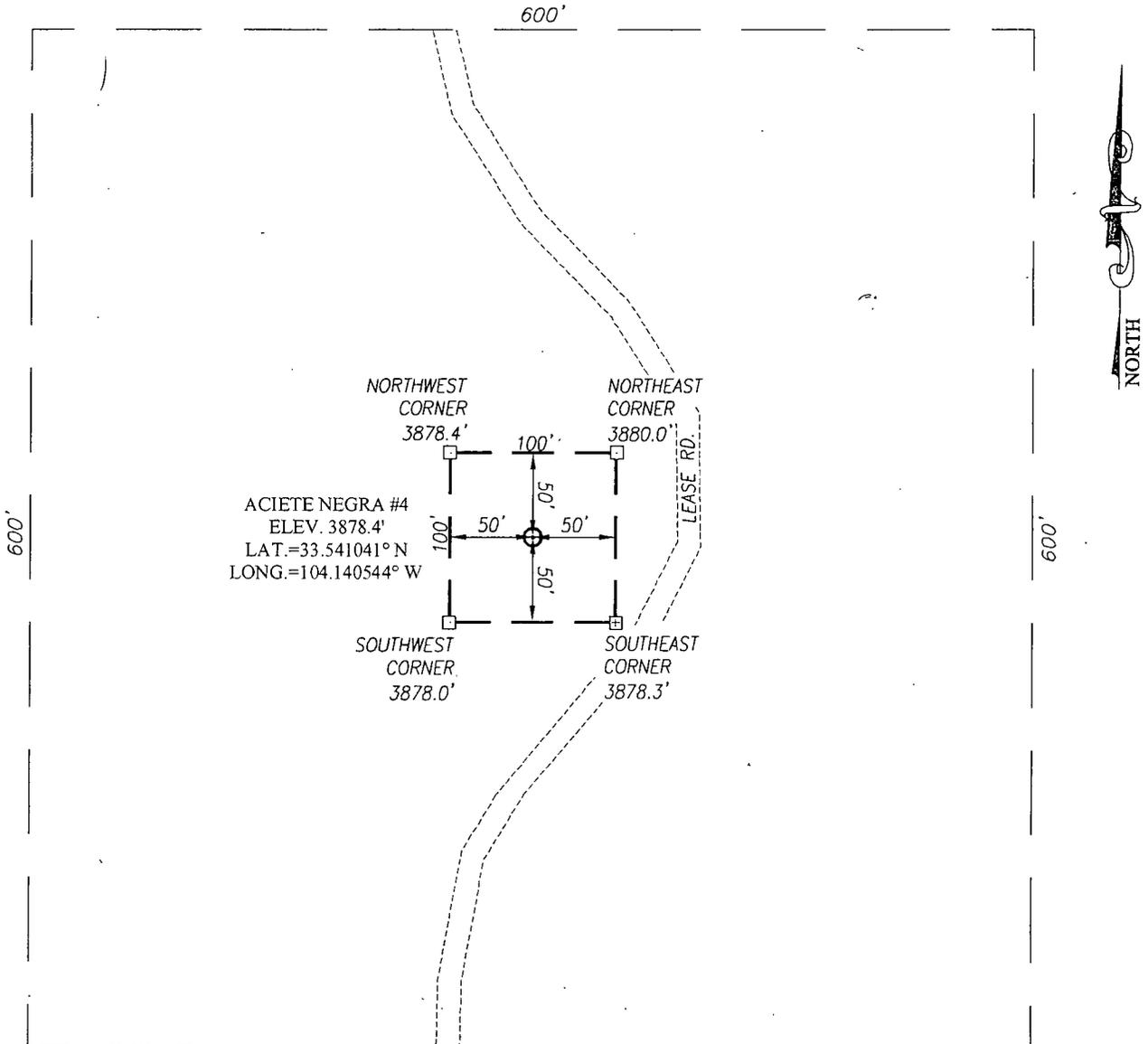
SCALE: 1" = 2 MILES

SEC. 12 TWP. 9-S RGE. 27-E
SURVEY N.M.P.M.
COUNTY CHAVES STATE NEW MEXICO
DESCRIPTION 334' FSL & 938' FEL
ELEVATION 3878'
OPERATOR JALAPENO CORPORATION
LEASE ACIETE NEGRA

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117 www.jwsc.biz

Exhibit 4

SECTION 12, TOWNSHIP 9 SOUTH, RANGE 27 EAST, N.M.P.M.
CHAVES COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF HWY. #380 AND CO. RD. #51 (PONDEROSA RD.) GO NORTH ON CO. RD. #51 APPROX. 11.4 MILES. TURN RIGHT AND GO SOUTHEAST ON EL PASO PIPELINE ROAD APPROX. 4.5 MILES. TURN RIGHT AND GO SOUTHWEST APPROX. 0.9 MILES, ROAD BENDS LEFT AND GO SOUTH APPROX. 0.25 MILES. THIS LOCATION IS APPROX. 90 FEET WEST.



Scale: 1"=100'

JALAPENO CORPORATION

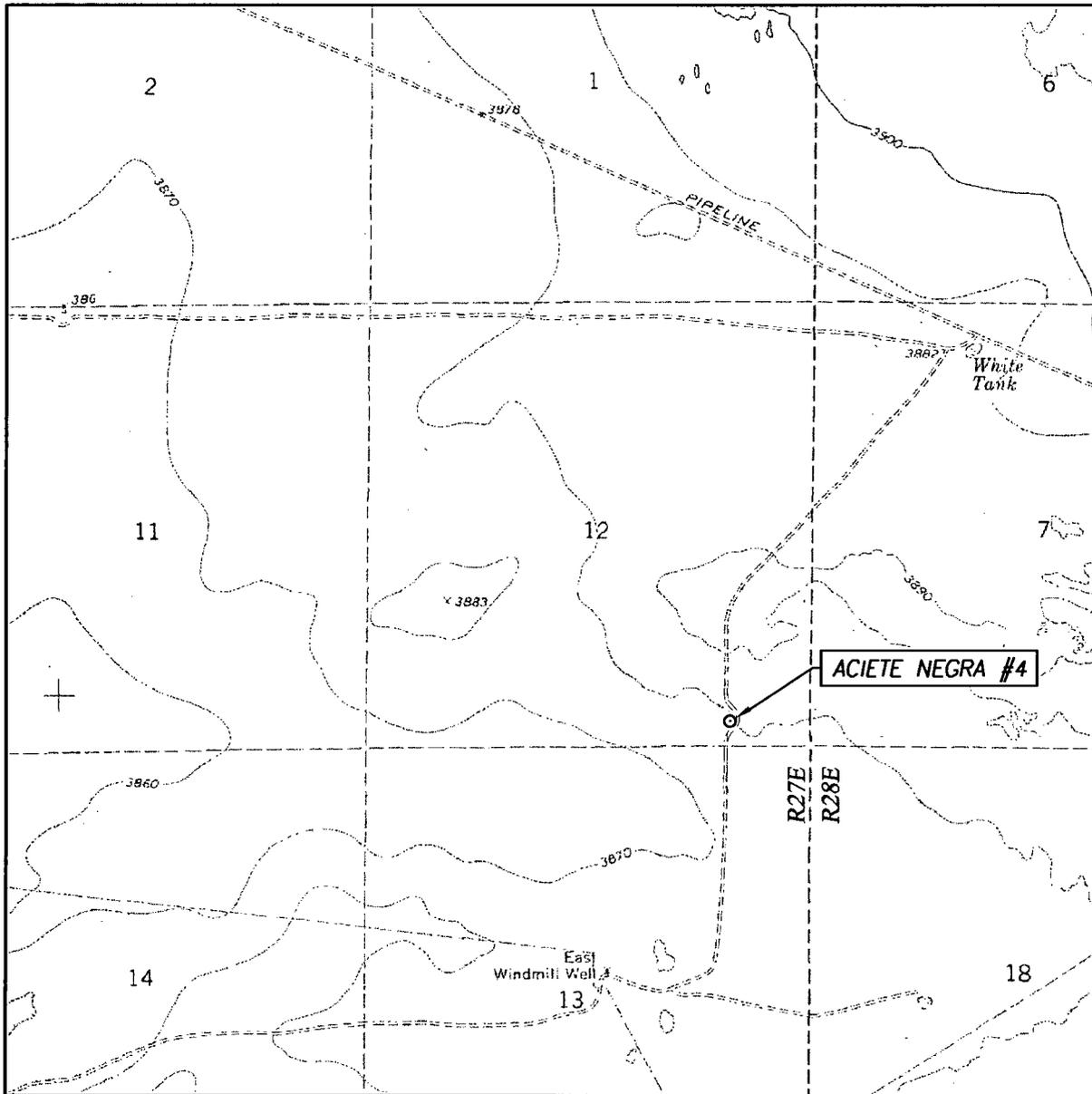
ACIETE NEGRA #4 WELL
LOCATED 334 FEET FROM THE SOUTH LINE
AND 938 FEET FROM THE EAST LINE OF SECTION 12,
TOWNSHIP 9 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117 www.jwsc.biz

| | | |
|----------------------|-------------------|-------------------------|
| Survey Date: 2/15/13 | CAD Date: 2/19/13 | Drawn By: AF |
| W.O. No.: 13110200 | Rev: . | Rel. W.O.: Sheet 1 of 1 |

Exhibit 5

Jalapeno Corporation
Aciete Negra #4
LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CAMPBELL, N.M. - 10'

SEC. 12 TWP. 9-S RGE. 27-E

SURVEY _____ N.M.P.M. _____

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 334' FSL & 938' FEL

ELEVATION _____ 3878'

OPERATOR JALAPENO CORPORATION

LEASE _____ ACIETE NEGRA

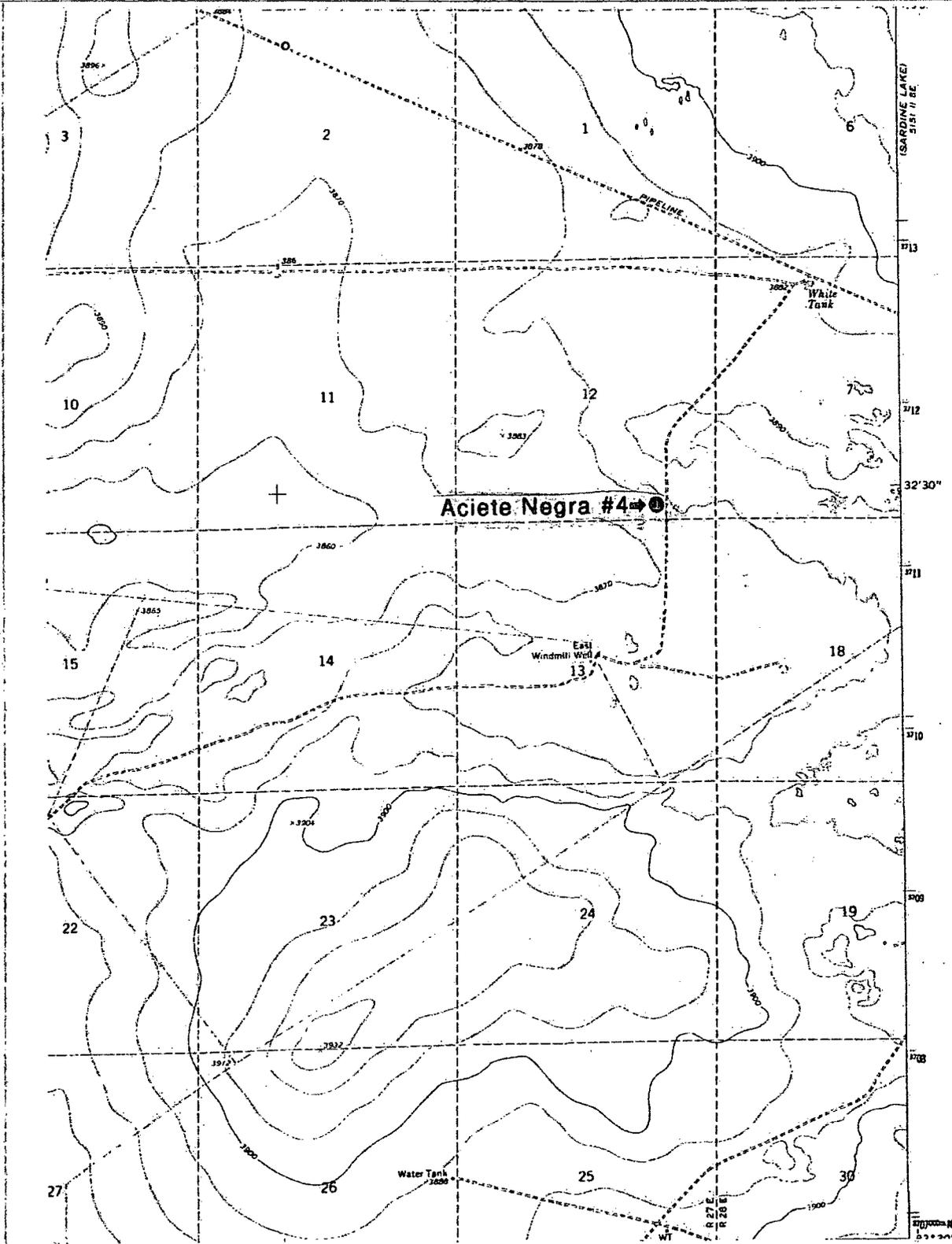
U.S.G.S. TOPOGRAPHIC MAP
CAMPBELL, N.M. _____

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117 www.jwsc.biz

Exhibit #6

Jalapeno Corporation

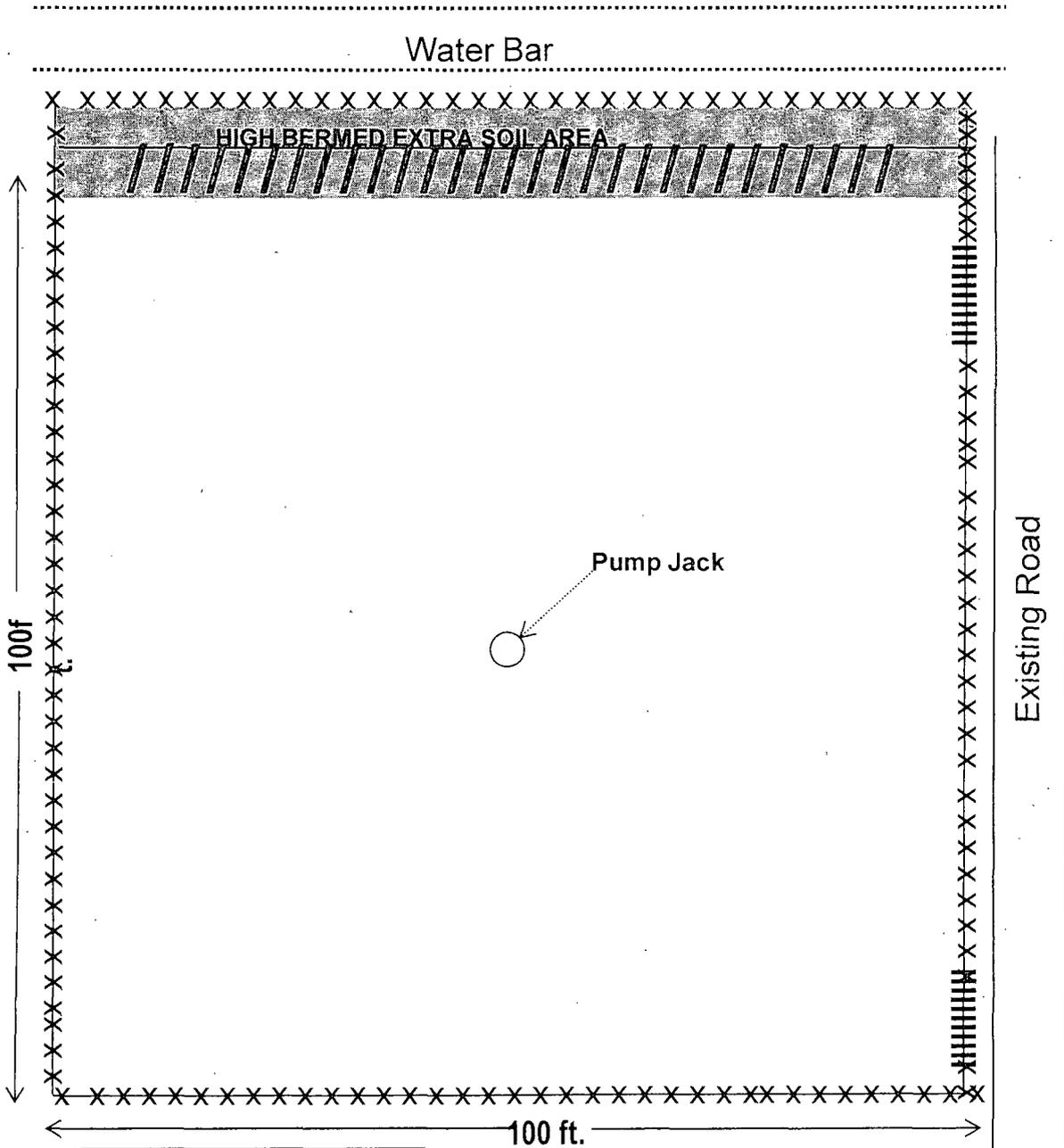
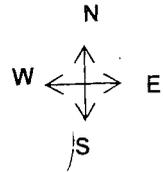
Aciete Negra #4



SEC. 12; TWP-9S; RGE-27E
County: CHAVES; STATE: NEW MEXICO
DESCRIPTION: 334 FSL & 938.FEL

Exhibit #7

JALAPENO CORPORATION
ACIETE_NEGRA #4



| LEGEND | |
|---|----------------|
|  | Reclaimed Area |
|  | Fence |
|  | Cattle guard |

*NOT TO SCALE

*We try to leave as small a footprint as possible that is why our well pads are small to begin with. We will reclaim as much of the area as possible that is not needed for active support of production.

Exhibit #9

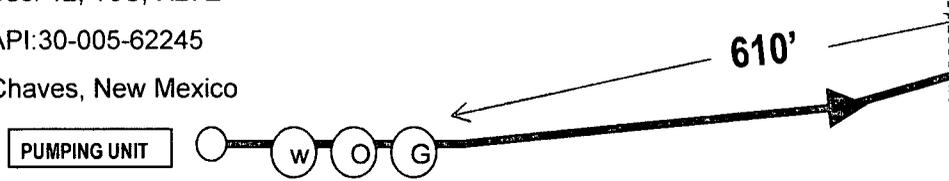
JALAPENO CORPORATION
Aciete Negra #4 Well Location

Lease No.: NM100542
 334' FSL & 938" FEL.

Sec. 12, T9S, R27E

API:30-005-62245

Chaves, New Mexico



Already in Place and Approved

Paisano Tank Battery

Sec. 12, T9S, R27E

330' FSL & 330" FEL

API: 30-005-63840

THE SITE SECURITY PLAN IS LOCATED AT:

JALAPENO CORPORATION
 1429 CENTRAL NW
 ALBUQUERQUE, NEW MEXICO 87104

→ Direction of Flow

(P1) Production Valve

(S1) Sales Valve

(E1) Equalizing Valve

(BSW) BS & W Valve

(F) Fill Line

(O) Oil Line

(G) Gas Line

(w) Water Line

(V) Vent Valve

(L1) Load Valve

(BSW) BS & W Line

PRODUCTION LINES VALUES
 SEALED OPEN WHILE PRODUCING
 SEALED CLOSED DURING SALES

SALES LINES VALUES
 SEALED CLOSED WHILE PRODUCING
 OPEN DURING SALES

If the well is successful we will place a pump jack on the Aciete Negra #4 well pad location but we will not build a tank battery on location. Instead, we will pipe the hydrocarbons and water over to the Paisano Federal #1 tank battery which is located 610 feet to the east. We will do this because the Paisano Federal #1 is producing from the same geological zone, the San Andres Slaughter zone, and is located on the same 40 acre block within the same federal lease.

NOT TO SCALE

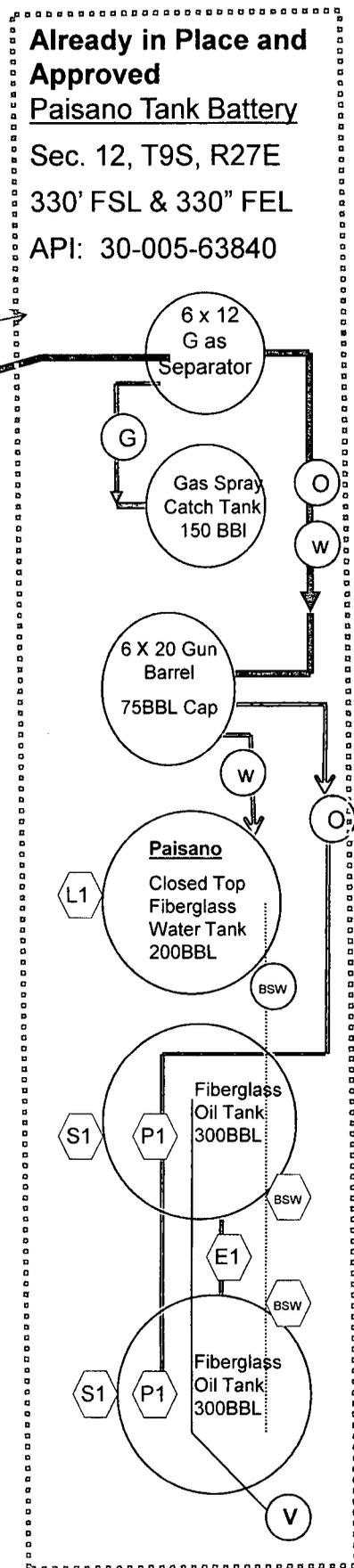
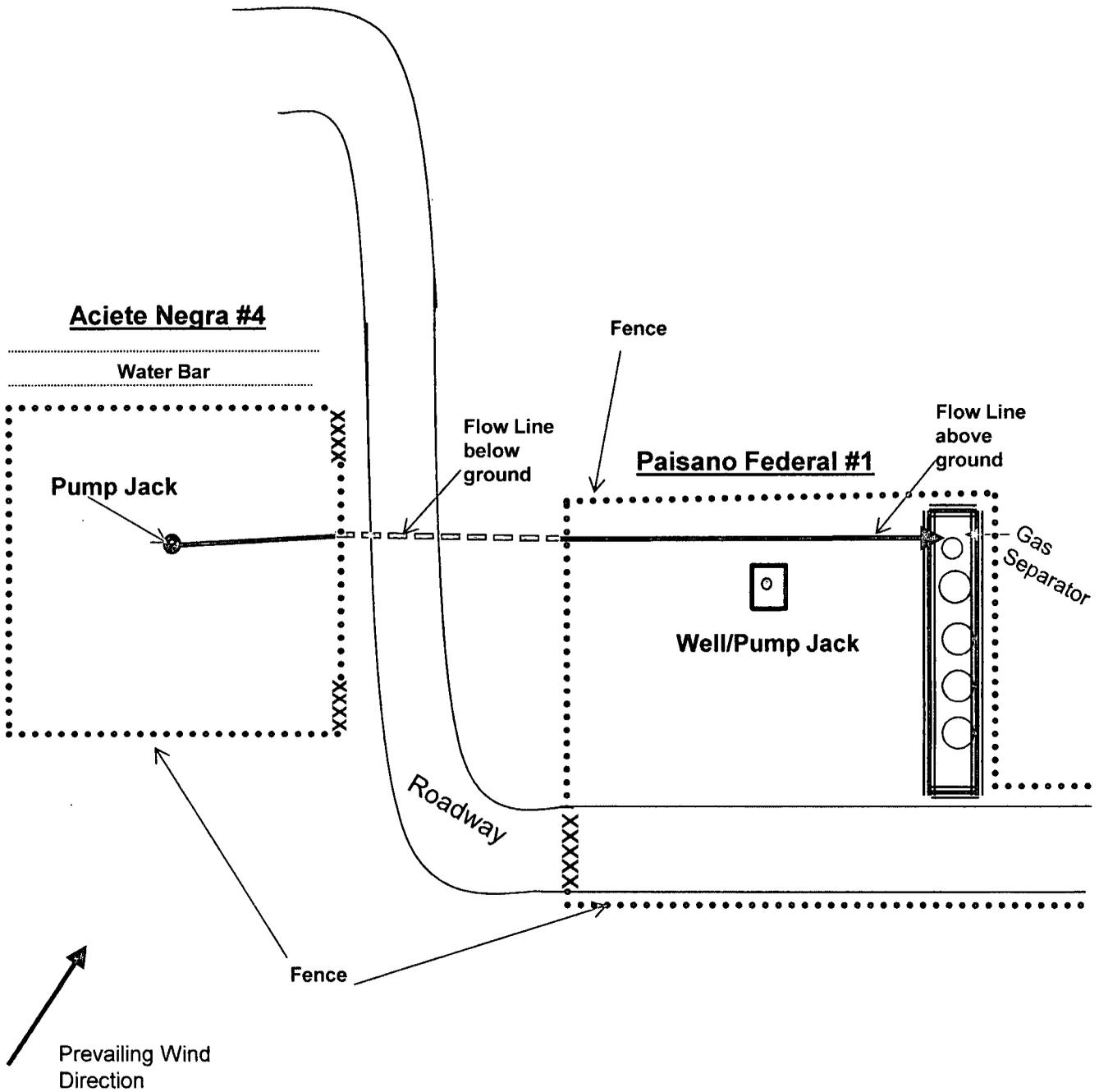
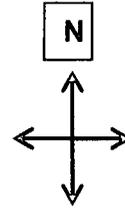


Exhibit #10
Jalapeno Corporation
Aciete Negra #4



NOT TO SCALE

Exhibit #11

Jalapeno Corporation Aciete Negro #4



P.O. Box 6150
Roswell NM 88202
Phone: (575) 347-4810 Fax: (575) 347-9972

Order Filled By: _____
Cust No. 0043

INVOICE TO: JALAPENO CORPORATION
P.O. BOX 1608
ALBUQUERQUE, NM USA 87102-1608
Phone (505) 242-2050 Fax (505) 242-8501

Ordered By:
PO No.:
Sales Person: BILL HANSEN

JOB QUOTE: R39
Quote Date: June 4, 2012

LEASEWELL
ORDER TAKEN BY
SHIP VIA
AFE NUMBER
SEC/TWP/RNG
RIG NUMBER
WELL NUMBER
Tax State:
Tax County:
Ship-to County:
Job Type:

CHAVES
CHAVES
REVERSE UNIT

| QTY | DESCRIPTION |
|-----|---|
| 1 | OPERATOR SERVICE CHARGE (DARREN) Serial Number: OPER29 |
| 1 | #OPER29: OPERATOR/FISHERMAN MILEAGE ROUND TRIP Serial Number: MILE01 |
| 1 | REV. UNIT PKG. COMP. W/MP0372 W-440, 2 5" BOWEN" SWIVEL Serial Number: REV16 |
| 1 | #REV16: EWCO W440 W/12.7 L 60 SERIES Serial Number: MP0372 |
| 1 | #REV16: INDEPENDENT INSPECTION PER END Serial Number: INSPECTION |
| 1 | #REV16: TONG HEADS Serial Number: TONG01 |
| 4 | TANDEM TRUCK 135 & 40IN FLOAT (DEL REV UNIT) Serial Number: MV0135 |
| 4 | TANDEM TRUCK 135 & 40IN FLOAT (PICKUP REV UNIT) Serial Number: MV0135 |
| 1 | 12 LINK OR SMALLER DC SAFETY CLAMP Serial Number: CLAMP03 |
| 6 | 4-3/4" DRILL COLLAR (SLICK) Serial Number: DC68 |
| 1 | 5-1/2 TS-100 SLIPS W/ Serial Number: 00360A |
| 3 | 4-3/4 DRILL COLLAR (LIFT SUBS) Serial Number: DC72 |
| 1 | 7-7/8 RE-RUN MILL TOOTH BIT Serial Number: BITS12 |
| 1 | UNIT #114 W/PIPE TRAILER (DEL COLLARS AN TOOLS) Serial Number: TRUCK11 |
| 1 | UNIT #114 W/PIPE TRAILER (PICKUP COLLARS AN TOOLS) Serial Number: TRUCK11 |
| 1 | 7-1/16" 3000 MANUAL BOP W/PIPE RAMS & CSO'S. SN 73080910M Serial Number: BP0030 |
| 1 | #BP0030: ENVIROMENTAL CHARGE Serial Number: ENVIRO01 |
| 1 | #BP0030: 7-1/16" PIPE & CSO-RAM RUBBERS & TOP SEALS Serial Number: SEALS15 |
| 1 | 8-5/8" BRD (LARKIN TYPE "R") X 7-1/16" 3000 ADAPTER FLANGE Serial Number: ADPT03 |
| 1 | R-45 RING GASKET - METAL Serial Number: RING01 |
| 65 | UNIT 125 2 TON WINCH TRK (DEL BOP) Serial Number: MV0125 |

Double Drum Franks Well Service Unit. Self-Propelled on 4 axle Carrier w/all equipment to run and pull pipe. Included is a four-man crew and pick-up with a Clothes Changing Trailer.

Pecos District, Roswell Field Office
March 2013
2909 West Second
Roswell, NM 88201
CONDITIONS OF APPROVAL
Exhibit B

OPERATORS NAME: Jalapeno Corporation
LEASE NO: NMNM 100542
WELL NAME & NO: #4 Aciete Negra
Location: Section 12, Township 9 S, Range 27 E.
SURFACE HOLE LOCATION: 334 FSL & 938 FEL
COUNTY: Chaves, NM

A. 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. Approval of the APD does not warrant that any party holds equitable or legal title. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

The Operator shall submit a Sundry Notice (Form 3160-5) to the Bureau of Land Management, Roswell Field Office (address above) for approval prior to beginning any new surface-disturbing activities or operations that are not specifically addressed and approved by this APD.

A site facility diagram (Onshore Order 3, Section III, I. and 43 CFR 3162.7-5(d)) for the purpose of a site security plan (Onshore Order 3, Section III, H and 43 CFR 3162.7-5 c shall be filed no later than 60 calendar days following first production.

The approval of this APD does not grant authority to use off-lease federal lands. Facilities approved by this APD and/or sundry Notices that are no longer included within the lease, due to a change in the lease or unit boundary will be authorized with a right-of-way. Similarly, should unit or lease boundaries change during the life of the project; the Operator will be responsible for acquiring necessary rights-of-way for affected facilities.

B. 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).

C. 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. A valuation 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.

D. Paleontological Resources

If previously undocumented paleontological sites are encountered during construction, the project proponent will immediately stop all construction activities in the immediate vicinity of the discovery. The proponent will then immediately notify the paleontological monitor (if required), or the BLM/RFO paleontology resource staff. It is necessary to protect fossil material and their geological context upon discovered during construction. The BLM would then evaluate the site. Should the discovery be evaluated as significant, it will be protected in place until mitigation measures can be developed and implemented according to guidelines set by the BLM. Mitigation measures such as data and fossil recovery may be required by the BLM to prevent impacts to newly identified paleontological resources.

E. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). 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.

F. CONSTRUCTION

NOTIFICATION: The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0272 at least three (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 Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

Construction over and/or immediately adjacent to existing pipelines shall be coordinated, and in accordance with, the relevant pipeline companies' policy.

Any trench left open for eight (8) hours or less is not required to have escape ramps; however, before the trench is backfilled, an agency approved monitor shall walk the entire length of the open trench and remove all trapped fauna. The bottom surface of the trench will be disturbed a minimum of 2 inches in order to arouse any buried fauna. All fauna will be released a minimum of 100 yards from the trench.

For trenches left open for eight (8) hours or more, earthen escape ramps (built at nor more than a 30 degree slope and spaced no more than 500 feet apart) shall be placed in the trench. Structures will also be authorized within the trench. Metal structures will not be authorized. Structures used as escape ramps will be placed at no more than a 30 degree slope and spaced no more than 500 feet apart.

G. CAVE/KARST

Any cave or karst feature, such as a deep sinkhole, discovered by the co-operator/contractor or any person working on the co-operator/contractor behalf, on BLM-managed public land shall be immediately reported to the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate action(s). Any decision as to the further mitigation measures will be made by the Authorized Officer after consulting with the co-operator/contractor.

H. TOPSOIL:

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator shall stockpile the stripped topsoil in shallow rows adjacent to the constructed well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. The topsoil will not be used to construct the containment structure or earthen dike that is constructed and maintained on the outside boundaries of the constructed well pad.

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation/restoration of the disturbed areas as described in the attached Conditions of Approval.

Road constructions requirements and regular maintenance would alleviate potential impacts to the access road from water erosion damage.

I. CLOSED LOOP SYSTEMS:

No reserve pit will be used.

Steel tanks are required for drilling operations: No Pits Allowed.

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

J. FEDERAL MINERAL MATERIALS PIT:

The well pads and access roads have been constructed and surfaced with caliche. If additional material is needed payment shall be made to the BLM prior to removal of any federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office (575) 627-0270.

K. WELL PAD SURFACING:

Surfacing of the well pad is not required. If the operator elects to surface the well pad, the surfacing material will 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 need.

L. ON LEASE ACCESS ROADS:

Road Egress and Ingress

The on lease access road shall be constructed to access the Southeast corner of the well pad.

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 thirty (30) 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 will 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

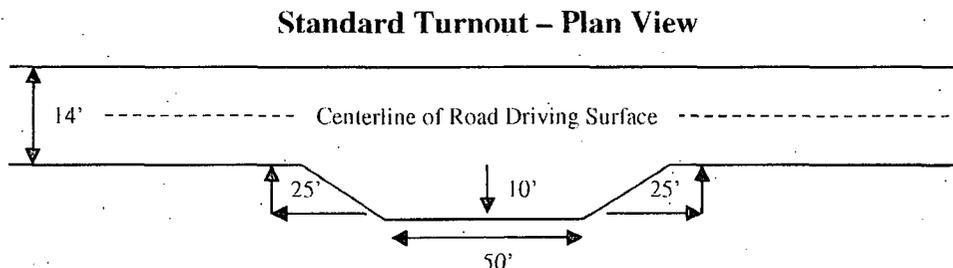
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

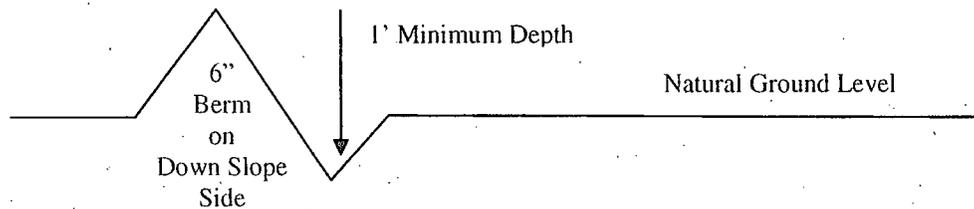
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, side hill out sloping and in sloping, 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 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 any deep waterway channel flow crossing.

Cattle guards

An appropriately sized cattle guard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattle guard(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 cattle guard(s) that are in place and are utilized during lease operations. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

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

Fence Requirement

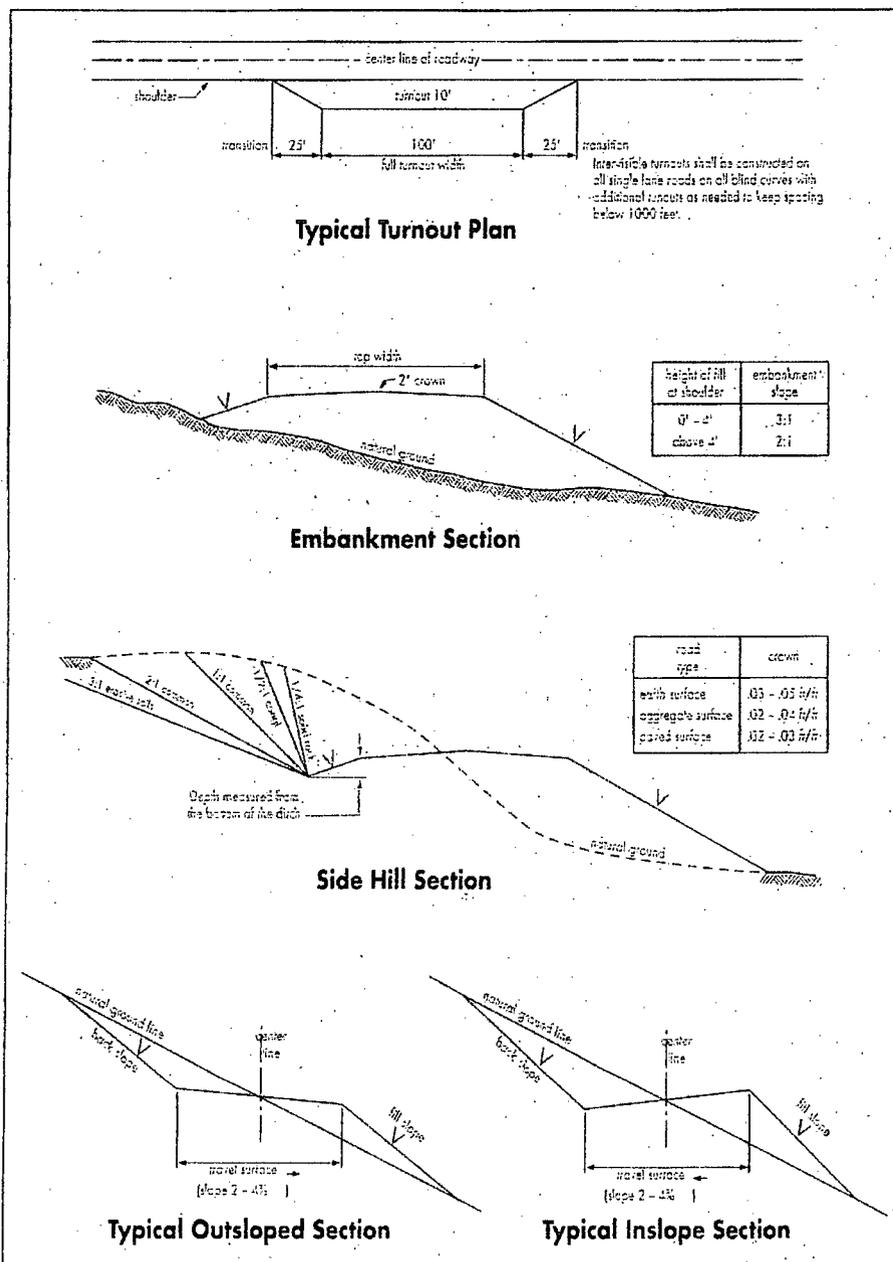
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting. The operator shall notify the private surface landowner or the grazing

allotment holder prior to crossing any fence(s). The BLM standards for a barbed wire fence are: 4 strand measuring a total of 42 inches to the top wire, spacing from the ground up is 16" 22", 30" and 42". Fence posts are set at no less than 16.5' and no further apart than 30', with 1 to 4 stays. Gates or cattleguards must be at least 16.5 feet wide or as wide as the maintained portion of the road whichever is greater. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

Public Access

Public access along this road will not be restricted by the holder without specific written approval being granted by the authorized officer. Gates or cattle guards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the authorized officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



M. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During office hours call (575) 627-0205 or after office hours call (575) 627-0275. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.
2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:
 - a. Spudding (Re-Entry) well
 - b. Setting and/or Cementing of any casing string(s) that may be set
 - c. BOPE Tests

A follow-up report on Form 3160-5 confirming the date and time of the actual spud (re-entry) shall be submitted to this office within 5 working days from the date of spud.

3. 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.

B. CASING

1. The **8-5/8** inch usable water protection casing string has been set at **1643** feet and cement has been circulated to the surface. Before drilling **into the plug set from 1700 feet to 1534 feet at the 8-5/8 inch surface casing shoe**, the wellbore must be filled with corrosion inhibited fluid and pressure tested to 500 psi. The casing shall be capable of holding this pressure for at least 30 minutes with a 10% allowable leakoff.
2. The minimum required fill of cement behind the **5-1/2** inch production casing is **sufficient to tie back 500 feet above the uppermost perforation in the pay zone**. If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
3. 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.
4. Any casing that may be set shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

C. PRESSURE CONTROL

1. Before drilling into the plug set from 1700 feet to 1534 feet at the 8-5/8 inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Before drilling into the plug set from 1700 feet to 1534 feet at the 8-5/8 inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling into the plug set from 1700 feet to 1534 feet at the 8-5/8 inch surface casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The BLM Roswell Field office shall be notified a minimum of 24 hours in advance for a representative to witness the tests.

b. The tests shall be done by an independent service company.

c. 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. 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 BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

e. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

f. Testing must be done in a safe workman like manner. Hard line connections shall be required.

N. PRODUCTION

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim re-contouring and re-vegetation 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, *Covert Green* (Standard Environmental Color Chart June 2008).

Netting

Netting storage tanks and installation of cones on separator stacks would alleviate losses of wildlife species. Interim reclamation and final rehabilitation through revegetation would return to wildlife previous levels.

Completion Report

In accordance with 43 CFR 3160, Form 3160-4 (Well Completion or Re-completion Report and Log) must be submitted to the Bureau of Land Management, Roswell Field Office within 30 days after completion of the well or producer. Copies of all open hole and cased hole logs, core descriptions, core analyses, well test data, geologic summaries, sample descriptions, formation test reports, stimulation reports, directional survey (if applicable), and all other surveys or data obtained and compiled during the drilling, completion, and/or work over operations, shall be included with Form 3160-4.

O. INTERIM RECLAMATION

Reclamation earthwork for interim and/or final reclamation shall be completed within 6 months of well completion or well plugging (weather permitting), and shall consist of: 1) backfilling pits, 2) re-contouring and stabilizing the well site, access road, cut/fill slopes, drainage channels, utility and pipeline corridors, and all other disturbed areas, to approximately the original contour, shape, function, and configuration that existed before construction (any compacted backfilling activities shall ensure proper spoils placement, settling, and stabilization), 3) surface ripping, prior to topsoil placement, to a depth of 18-24 inches deep on 18-24 inch centers to reduce compaction, 4) final grading and replacement of all topsoil so that no topsoil remains in the stockpile, 5) seeding in accordance with reclamation portions of the APD and these COA's. Any subsequent re-disturbance of interim reclamation shall be reclaimed within six (6) months by the same means described herein.

Prior to conducting interim reclamation, the operator is required to:

- Submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.
- Contact BLM at least three (3) working days prior to conducting any interim reclamation activities, and prior to seeding.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete work over 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 work over 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.

Disturbing re-vegetated areas for production or work over operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Use a certified noxious weed-free seed mixture. Use seed tested for viability and purity in accordance with State law(s) within nine months prior to purchase. Use a commercial seed mixture certified or registered and tagged in accordance with State law(s). Make the seed mixture labels available for BLM inspection.

PECOS DISTRICT, BLM
SEED MIX FOR

The following Soils or Soil Associations may represent these ecological sites:
 Anthony Sandy loam, 0 to 1% slope, eroded, Berino complex, 0 to 3% slopes, eroded, Berino - Dune land complex, 0 to 3% slopes, eroded, Bluepoint, Douro, Faskin, loamy fine sands, 0-2% slope, Ima, Jalmar fine sands, 0-2% slope, Kermit fine sand, Likes loamy fine sand, 1 to 5% slopes, Malmstrom loamy fine sand, 0-2% slope, Pajarito-Dune land complex, 0 to 3% slopes, Pima slit loam, 0 to 1% slopes, Pintura, Pyote, Roswell fine sand, 2-25% slope, Wink fine sandy loam, 0 to 3% slopes

Sandy Plains CP-2 Ecological Site, Sand Hills CP-2 Ecological Site, Deep Sand SD-3 Ecological Site

April 4, 2006

| <u>Common Name and Preferred Variety</u> | <u>Scientific Name</u> | <u>Pounds of Pure Live Seed Per Acre</u> |
|--|---|--|
| Sand bluestem | (<i>Andropogon hallii</i>) | 0.5 |
| Little bluestem | (<i>Schizachyrium scoparium</i>) | 0.5 |
| Sideoats grama | (<i>Bouteloua curtipendula</i>) | 1.5 |
| Sand dropseed | (<i>Sporobolus cryptandrus</i>) | 0.5 |
| Spike dropseed | (<i>S. contractus</i>) | 0.5 |
| Mesa dropseed | (<i>S. flexuosus</i>) | 0.5 |
| Plains bristlegrass | (<i>Setaria macrostachya</i>) | 2.0 |
| Desert or Scarlet Globemallow | (<i>Sphaeralcea ambigua</i>) or (<i>S. coccinea</i>) | 0.5 |
| Buckwheat | (<i>Eriogonum spp.</i>) | <u>1.5</u> |
| TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE Certified Weed Free Seed | | 8.00 |

IF ONE SPECIES IS NOT AVAILABLE
 INCREASE ALL OTHER PROPORTIONATELY
 NO LESS THAN SIX (6) SPECIES WITH A MINIMUM OF ONE (1) FORB.

NO LESS THAN 8.0 POUNDS PLS PER ACRE SHALL BE APPLIED.

APPROVED: /s/ Douglas J. Burger
 District Manager, Pecos District

P. FINAL ABANDONMENT

1. Upon abandonment of the well a Notice of Intent for Plug and Abandonment describing plugging procedures. Followed within 30 days you shall file with this office, a Subsequent Report of Abandonment (Form 3160-5). To be included with this report is where the plugs were placed; volumes of cement used and well bore schematic as plugged.
2. Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer will issue instructions and/or orders for surface reclamation/restoration of the disturbed areas as described in the attached Conditions of Approval which includes the following:
3. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Surface Reclamation with the proposed surface reclamation procedure must be submitted for approval.
4. Surface Reclamation must be completed within 6 months of well plugging. If the operator proposes to modify the plans for surface reclamation approved on the APD, the operator must attach these modifications to the Subsequent Report of Plug and Abandon using Sundry Notices and Reports on Wells, Form 3160-5.
5. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). The well bore shall then be covered with a metal plate at least ¼ inch thick and welded in place. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).
6. **The Operator shall promptly plug and abandoned each newly completed, re-completed or producing well which is not capable of producing in paying quantities.** No well may be temporarily abandoned for more than 30 days without prior approval from this office. When justified by the Operator, BLM may authorize additional delays, no one of which may exceed an additional 12 months. Upon removal of drilling or producing equipment from the site of a well which is to be permanently abandoned, the surface of the lands disturbed shall be reclaimed in accordance with an approved Notice of Intent for reclamation.

Q. SURFACE USE PLAN OF OPERATIONS

Surface Reclamation must be completed within 6 months of well plugging. The Operator shall submit to this office a Notice of Intent for Reclamation with described procedures, Form 3160-5.

R. PIPELINE PROTECTION REQUIREMENT

Precautionary measures shall be taken by the operator during construction of the access road to protect existing pipelines that the access road will cross over. An earthen berm; 2 feet high by 3 feet wide and 14 feet across the access road travel way (2' X 3' X 14'), shall be constructed over existing pipelines. The operator shall be held responsible for any damage to existing pipelines. If the pipeline is ruptured and/or damaged the operator shall immediately cease construction operations and repair the pipeline. The operator shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

S. RANGE REQUIREMENT

The Operator shall keep traffic to a minimum, with the speed limit less than 20 MPH. When conflicts with livestock do arise as a result of the access road and well pad construction, in consultation with the allottee, measures will be taken to resolve the conflicts.

T. WILDLIFE EQUIPMENT

Netting storage tanks and installation of cones on separator stacks would alleviate losses of wildlife species. Interim and final rehabilitation through re-vegetation would return to wildlife previous levels.

U. SPECIAL STIPULATION:

If frac ponds are necessary submit for approval a right-of-way application or sundry notice (Form 3160-5) to the BLM, Roswell Field Office 2909 West Second, Roswell, NM 88201. If frac pond is located on private/State surface and support the enhanced production of federal minerals BLM approval is necessary.

The frac pond will only be authorized to contain freshwater and testing of water quality is required. Additives are not allowed without consent of the authorized officer. If at any time the water in the frac pond becomes polluted with salts or other contaminants, use of the frac pond will cease and desist, and all liquids will be removed from the frac pond and disposed of properly. Mineral materials extracted during construction of the frac pond will be stored on-location and/or used for constructing the frac pond.