

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

1.2

10

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

JAN 18 2006

OCD-ARTEOMA

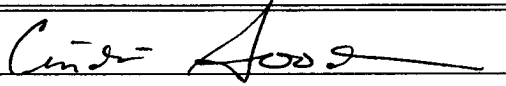
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

| | | | |
|---|--|--|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NMNM069627 LC 069627-A | |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name | |
| 2. Name of Operator Bass Enterprises Production Co. 1801 | | 7. If Unit or CA Agreement, Name and No. NMNM71016 X 1796 | |
| 3a. Address P. O. Box 2760 Midland, TX 79702 | | 8. Lease Name and Well No. POKER LAKE UNIT 254 | |
| 3b. Phone No. (include area code) (432)683-2277 | | 9. API Well No. 30-015-35529 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface NENE, UL A, 330 FNL, 1160 FEL, LAT. 32.10493, LON 103.54571 At proposed prod. zone SAME SUBJECT TO LIKE APPROVAL BY STATE | | 10. Field and Pool, or Exploratory NASH DRAW - DELAWARE/B5 | |
| 11. Sec., T., R., M., or Blk. and Survey or Area SEC 31, T24S, R30E, MER NMP | | 12. County or Parish EDDY | |
| 13. State NM | | 14. Distance in miles and direction from nearest town or post office* 14 MILES EAST OF MALAGA NM | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330' | | 16. No. of Acres in lease 1922 | |
| 17. Spacing Unit dedicated to this well 40.00 | | 18. Distance from proposed* location to nearest well, drilling, completed, applied for, on this lease, ft. 771' | |
| 19. Proposed Depth 7850' MD 7850' TVD | | 20. BLM/BIA Bond No. on file | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3191' GL | | 22. Approximate date work will start* 11/01/2005 | |
| 23. Estimated duration 12 DAYS | | 24. Attachments | |

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

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

| | | |
|--|---|---------------------|
| 25. Signature  | Name (Printed/Typed) Cindi Goodman | Date 09/13/2005 |
| Title Production Clerk | | |
| Approved by (Signature) /s/ Joe G. Lara | Name (Printed/Typed) /s/ Joe G. Lara | Date JAN 13 2006 |
| Title ACTING FIELD MANAGER | | |
| Office CARLSBAD FIELD OFFICE | | |

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

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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 and false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Carlsbad Controlled Water Basin

Witness Surface Casing

NSC-
5286

Surface casing to be set into the Rustler below all fresh water sands.

Production casing will be cemented using Zone Seal cement.

Drilling Procedure, BOP Diagram, Anticipated tops and surface plans attached.

This well is located outside the Secretary's Potash area and outside the R-111 Potash area. There are no potash leases within 1 mile of the location.

This is an unorthodox location.

1625 N. French Dr., Hobbs, NM 88240

DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form 102
Revised October 19, 2003

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

Month - Year
APR - 2 2007
OCD - ARTESIA, NM

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|---------------|-----------------|-----------|--|
| API Number | | Pool Code | Pool Name |
| | | 47545 | Nash Draw (Delaware, Bone Spring, Avalon Sd) |
| Property Code | Property Name | | Well Number |
| 001796 | POKER LAKE UNIT | | 254 |
| OGRID No. | Operator Name | | Elevation |
| 001801 | BEPCO, L.P. | | 3191' |

Surface Location

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| A | 31 | 24 S | 30 E | | 330 | NORTH | 1160 | EAST | EDDY |

Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|-----------------------|----------------------|--------------------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| Dedicated Acres 40 | Joint or Infill N | 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

| | | | |
|----------------------|-------------|--------------|--|
| LOT 1 40.65 acres | 81.32 ac. | 162.34 acres | <div style="text-align: center;"> </div> |
| LOT 2 40.61 acres | | | |
| LOT 3 40.57 acres | 81.16 acres | 162.66 acres | |
| LOT 4 40.53 acres | | | |

OPERATOR CERTIFICATION

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

Signature _____ Date _____

Refer to original plat

Printed Name _____

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.

AUGUST 19, 2005

Date Surveyed _____

Signature & Seal _____

Professional Surveyor _____

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

DISTRICT II

811 South First, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------|--|-----------------------------------|
| API Number | Pool Code 47545 | Pool Name NASH DRAW - DELAWARE |
| Property Code 001796 | Property Name POKER LAKE UNIT | Well Number 254 |
| OGRID No. 001801 | Operator Name BASS ENTERPRISES PRODUCTION COMPANY | Elevation 3191' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 31 | 24 S | 30 E | | 330 | NORTH | 1160 | EAST | EDDY |

Bottom Hole Location If Different From Surface

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

| | | | |
|-----------------------|----------------------|--------------------|-----------|
| Dedicated Acres 40 | Joint or Infill N | 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>LOT 1 40.65 acres</p> <p>LOT 2 40.61 acres</p> <p>LOT 3 40.57 acres</p> <p>LOT 4 40.53 acres</p> | 81.32 ac. | 162.34 acres | <p>3194.7'</p> <p>3201.0'</p> <p>1160'</p> <p>3177.4'</p> <p>3184.0'</p> <p>330'</p> <p>LAT - N32°10'49.3"</p> <p>LONG - W103°54'57.1"</p> | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>W.R. Dannels</i></p> <p>Signature</p> <p>W.R. DANNELS</p> <p>Printed Name</p> <p>DIVISION DRILLING SUPT.</p> <p>Title</p> <p>9/13/2005</p> <p>Date</p> |
| | 81.16 acres | 162.66 acres | | <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>AUGUST 19, 2005</p> <p>Date Surveyed</p> |
| | | | | <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary L. Jones</i></p> <p>NEW MEXICO</p> <p>7977</p> <p>W/O No. 5766</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p> |
| | | | | |



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

October 17, 2005

Mark Fesmire
Director
Oil Conservation Division

Bass Enterprises Production Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order NSL-5286

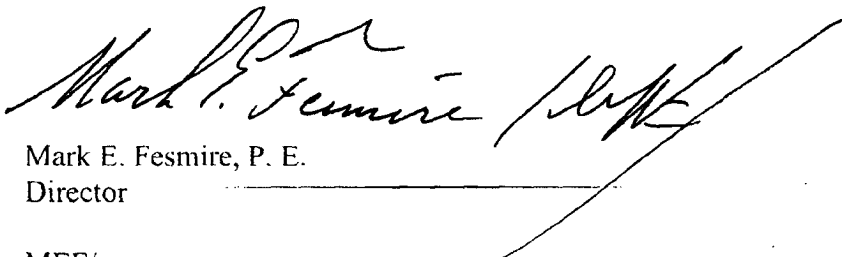
Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-526241845*) dated September 19, 2005 filed on behalf of the operator, Bass Enterprises Production Company ("Bass"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Artesia and Santa Fe, New Mexico, including the file in Division Case No. 366: all concerning Bass's request to drill its Poker Lake Unit Well No. 254 at an unorthodox Delaware oil well location 330 feet from the North line and 1160 feet from the East line (Unit A) of Section 31, Township 24 South, Range 30 East, NMPM, Poker Lake Unit Area (see Division Order No. R-153, issued in Case No. 366 on May 1, 1952), Eddy County, New Mexico. The NE/4 NE/4 of Section 31 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit within the Undesignated Nash Draw-Delaware Pool (47545).

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2).

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Delaware oil well location is hereby approved.

Sincerely,

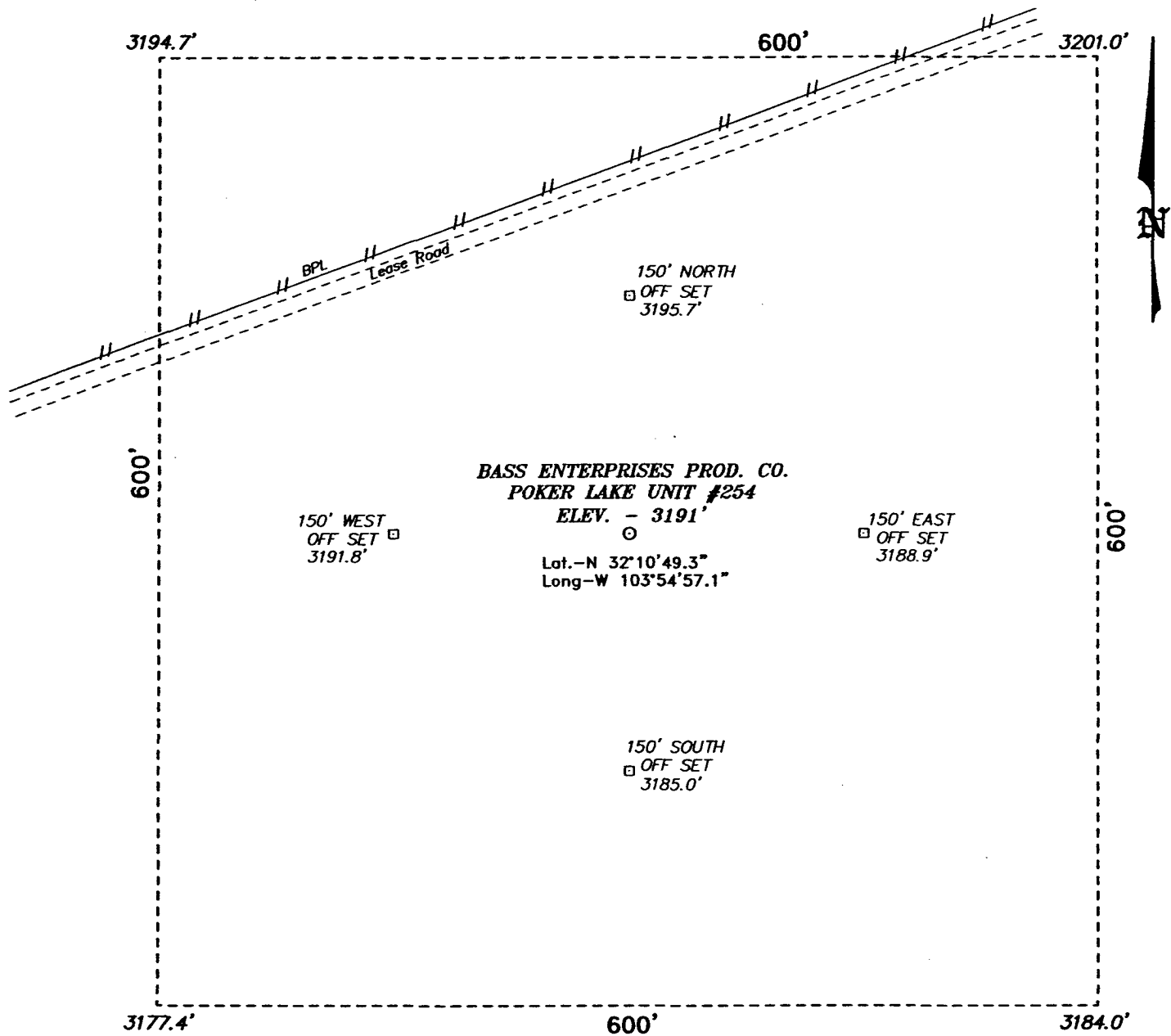


Mark E. Fesmire, P. E.
Director

MEF/ms

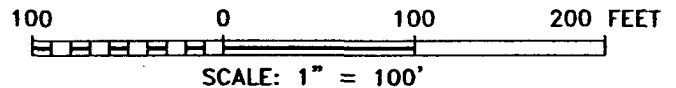
cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad

**SECTION 31, TOWNSHIP 24 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.**



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF CO. R. 793 AND STATE HWY 128, GO SOUTH ON 793 FOR APPROX. 4.0 MILES TO LEASE ROAD; THENCE EAST ON LEASE ROAD FOR 0.25 MILE; THENCE SOUTH 0.9 MILE; THENCE EAST 0.3 MILE; THENCE SOUTHERLY FOR APPROX. 5.0 MILES; THENCE WESTERLY FOR 1.2 MILE TO CO. RD. 748; THENCE SOUTHEASTERLY FOR APPROX. 2.1 MILES TO LEASE ROAD; THENCE WESTERLY FOR 0.2 MILE TO A POINT ON THE PROPOSED WELL PAD.



BASS ENTERPRISES PRODUCTION CO.

REF: POKER LAKE UNIT No. 254 / Well Pad Topo

THE POKER LAKE UNIT No. 254 LOCATED 330' FROM
THE NORTH LINE AND 1160' FROM THE EAST LINE OF
SECTION 31, TOWNSHIP 24 SOUTH, RANGE 30 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 5766 Drawn By: K. GOAD

Date: 08-24-2005 Sheet 1 of 1 Sheets

**EIGHT POINT DRILLING PROGRAM
BASS ENTERPRISES PRODUCTION CO.**

NAME OF WELL: Poker Lake Unit #254

LEGAL DESCRIPTION - SURFACE: 330' FNL & 1160' FEL, Section 31, T-24-S, R-30-E, Eddy County, New Mexico.

POINT 1: ESTIMATED FORMATION TOPS

(See No. 2 Below)

POINT 2: WATER, OIL, GAS AND/OR MINERAL BEARING FORMATIONS

Anticipated Formation Tops: KB 3208' (est) GL 3191'

| <u>FORMATION</u> | <u>ESTIMATED TOP FROM KB</u> | <u>ESTIMATED SUBSEA TOP</u> | <u>BEARING</u> |
|---------------------------|----------------------------------|---------------------------------|----------------|
| T/Rustler | Not Present | | |
| T/Salt | 258' | +2950' | Barren |
| T/Ramsey Sand | 3489' | -281' | Oil/Gas |
| T/Lwr Brushy Canyon "8" A | 7038' | -3830' | Oil/Gas |
| TD | 7850' | -4642' | |

POINT 3: CASING PROGRAM

| <u>TYPE</u> | <u>INTERVALS</u> | <u>PURPOSE</u> | <u>CONDITION</u> |
|---------------------------|------------------|----------------|-----------------------|
| 16" | 0'- 40' | Conductor | Contractor Discretion |
| 11-3/4", 42#, H-40, ST&C | 0'- 250' | Surface | New |
| 8-5/8", 32#, J-55, LT&C | 0'- 3500' | Intermediate | New * |
| 5-1/2", 15.5#, J-55, LT&C | 0' -6300' | Production | New |
| 5-1/2", 17#, J-55, LT&C | 6300' -7850' | Production | New |

*If there is no flowing sand or Loss Circulation this string will not be run.

POINT 4: PRESSURE CONTROL EQUIPMENT (SEE ATTACHED DIAGRAM)

A BOPE equivalent to requirements of Onshore Oil & Gas Order No. 2 – 2000 psi system (Diagram 1) will be nipped up on the surface casing head. The BOP stack, choke, kill lines, kelly cocks, inside BOP, etc. when installed on the surface casing head will be hydro-tested to 70% of internal yield pressure of casing or 1000 psig whichever is less with the rig pump. The BOPE when rigged up on the intermediate casing spool will be as described in Diagram 2 and will be tested to 3000 psig by independent tester. (As per Onshore Oil & Gas Order No 2 – 3000 psig system) In addition to the high pressure test, a low pressure (200 psig) test will be required.

These tests will be performed:

- a) Upon installation
- b) After any component changes
- c) Fifteen days after a previous test
- d) As required by well conditions

A function test to insure that the preventers are operating correctly will be performed on each trip.

POINT 5: MUD PROGRAM

| DEPTH | MUD TYPE | WEIGHT | FV | PV | YP | FL | Ph |
|---------------|-------------|------------|-------|----|----|---------|--------------|
| 0' - 250' | FW Spud Mud | 8.5 - 9.2 | 38-70 | NC | NC | NC | 10.0 |
| 250' - 3500' | Brine Water | 9.8 - 10.2 | 28-30 | NC | NC | NC | 9.5 - 10.5** |
| 3500' - 6000' | FW | 8.8 - 9.2 | 30-34 | NC | NC | NC | 9.5 - 10.5** |
| 6000' - 6900' | FW/Starch | 8.8 - 9.2 | 30-34 | 8 | 2 | <100 cc | 9.5 - 10.5** |
| 6900' - TD | FW/Starch | 8.8 - 9.2 | 30-34 | 8 | 2 | <25 cc | 9.5 - 10.5** |

**** If there is no intermediate casing set @ 3500', the drilling fluid will be 10 ppg BW to 5600' where it will be converted to BW/Diesel with properties as follows: 8.8 - 9 ppg, 32 - 40 funnel secs vis, YP2, PV 8, FL 25 cc or less, Ph 9.5 - 10.**

NOTE: May increase vis for logging purposes only.

POINT 6: TECHNICAL STAGES OF OPERATION

A) TESTING

None anticipated.

B) LOGGING

GR-CNL-LDT-AIT from TD to base of Salt (+/- 3430').

GR-CNL-CAL from base of Salt to surface.

C) CONVENTIONAL CORING

None anticipated.

D) CEMENT

| <u>INTERVAL</u> | <u>AMOUNT SXS</u> | <u>FT OF FILL</u> | <u>TYPE</u> | <u>GALS/SX</u> | <u>PPG</u> | <u>FT³/SX</u> | | |
|---|-------------------|-------------------|--|----------------|------------|--------------------------|--------------------|-------------------------|
| SURFACE: | | | | | | | | |
| Lead 0 – 250' (100% excess circ to surface) | 160 | 250 | Prem Plus + 2% CaCl ₂ + 1/4# Flocele | 6.33 | 14.8 | 1.35 | | |
| INTERMEDIATE: | | | | | | | | |
| Lead 1000' – 3000' (200% excess) | 650 | 2000 | Interfill C | 14.11 | 11.9 | 2.45 | | |
| Tail 3000' – 3500' (200% excess) | 300 | 500 | Prem Plus + 2% CaCl ₂ | 6.37 | 14.8 | 1.35 | | |
| PRODUCTION: | | | | | | | Nitrogen | COMPRESSIVE Strength |
| Base Slurry w/nitrogen 2989-7850' (50% excess) | 750 | 4861 | Premium Plus + 2% Zone Sealant 2000 | 6.76 | 9.1-14.5 | 2.3-1.39 | 300/600 scf/bbl | 1200 |

E) DIRECTIONAL DRILLING

No directional services anticipated.

POINT 7: ANTICIPATED RESERVOIR CONDITIONS

Normal pressures are anticipated throughout Delaware section. A BHP of 3528 psi (max) or MWE of 8.7 ppg is expected. Lost circulation may exist in the Delaware Section from 3487-7850'. No H₂S is anticipated.

POINT 8: OTHER PERTINENT INFORMATION**A) Auxiliary Equipment**

Upper and lower kelly cocks. Full opening stab in valve on the rig floor.

B) Anticipated Starting Date

Upon approval

12 days drilling operations

14 days completion operations

LHS/cdg
September 13, 2005

MULTI-POINT SURFACE USE PLAN

NAME OF WELL: Poker Lake Unit #254

LEGAL DESCRIPTION - SURFACE: 330 FNL & 1160' FEL, Section 31, T-24-S, R-30-E, Eddy County, New Mexico.

POINT 1: EXISTING ROADS

A) Proposed Well Site Location:

See Exhibit A and Survey Plats

B) Existing Roads:

From Carlsbad, New Mexico, go 8 miles south on Highway 285 to Highway 31. Turn north and go 7 miles on Highway 31. Turn east on Highway 128 and go 4 miles to Rawhide Road (located between mile markers 4 and 5). Go south for 3.8 miles to lease road, then east for 0.25 mile, then south 0.9 miles, then east 0.3 mile, then southeasterly for 5.5 miles, to windmill then westerly for 1.2 miles to Co. Road 748, then southeasterly for approximately 2.1 miles to lease road. Then westerly for 0.2 miles to a point on the proposed well pad.

C) Existing Road Maintenance or Improvement Plan:

See Exhibit B and Survey Plats.

POINT 2: NEW PLANNED ACCESS ROUTE

A) Route Location:

No new road is required.

B) Width

12'

C) Maximum Grade

Grade to match existing topography or as per BLM requirements.

D) Turnout Ditches

Spaced per BLM requirements.

E) Culverts, Cattle Guards, and Surfacing Equipment

If required, culverts and cattle guards will be set per BLM Specs.

POINT 3: LOCATION OF EXISTING WELLS

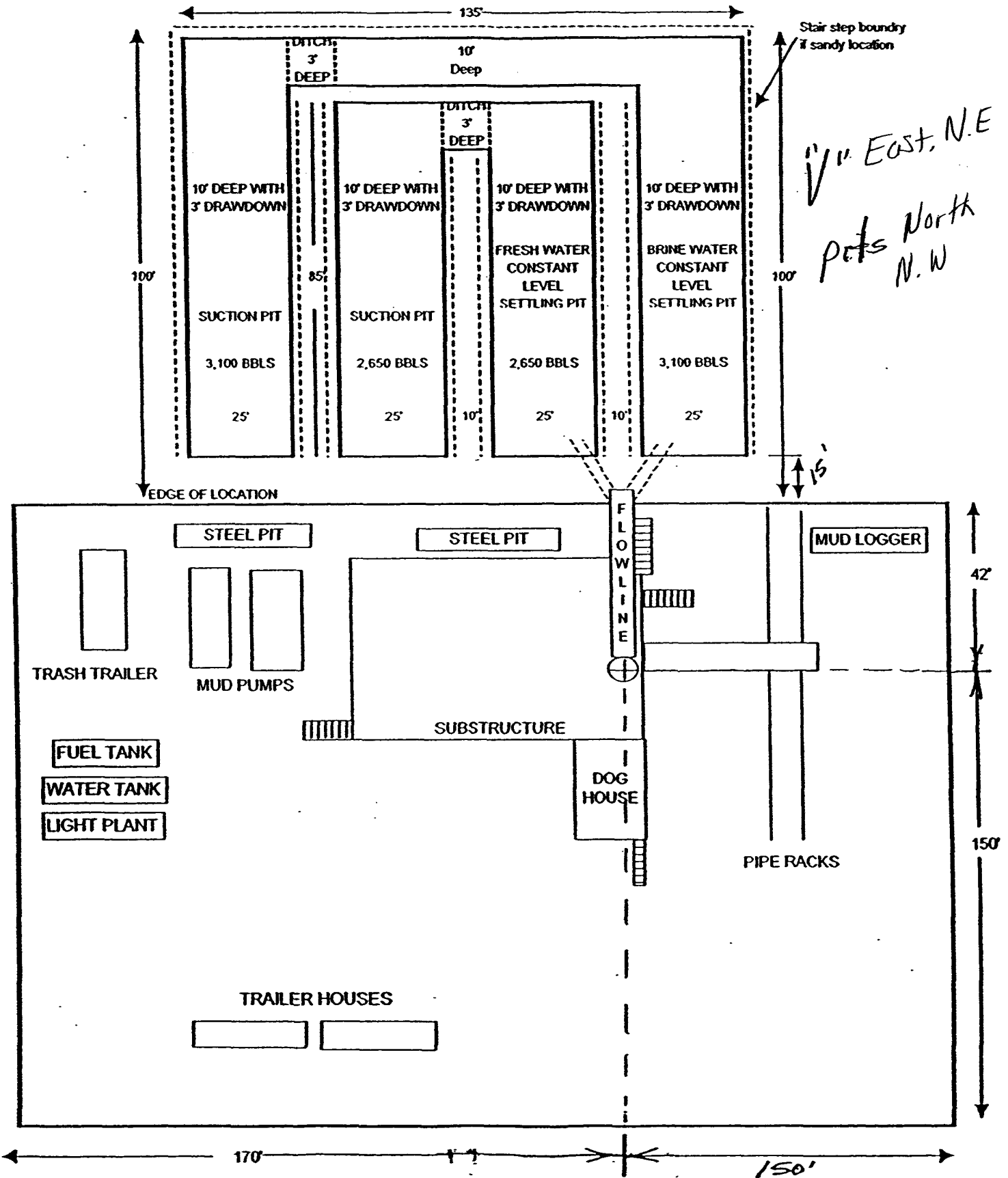
Exhibit A indicates existing wells within the surrounding area.

BASS ENTERPRISES PRODUCTION COMPANY

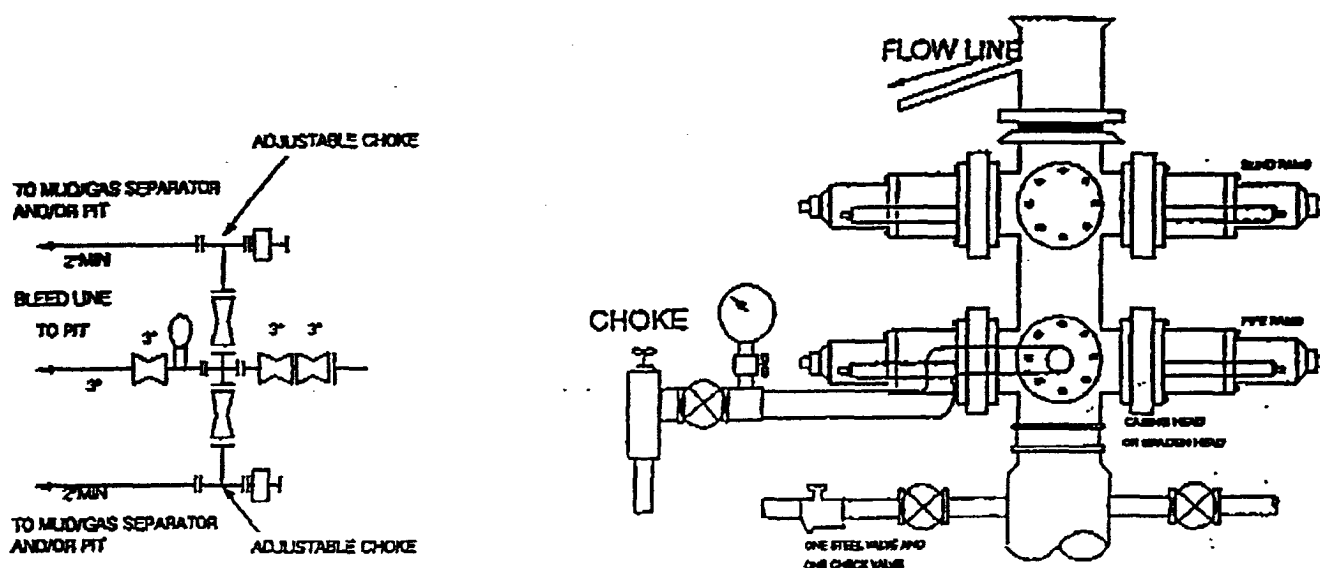
Poker Lake Unit #7 250

Grey Wolf Rig 15

EXHIBIT "D"



2000 PSI WP

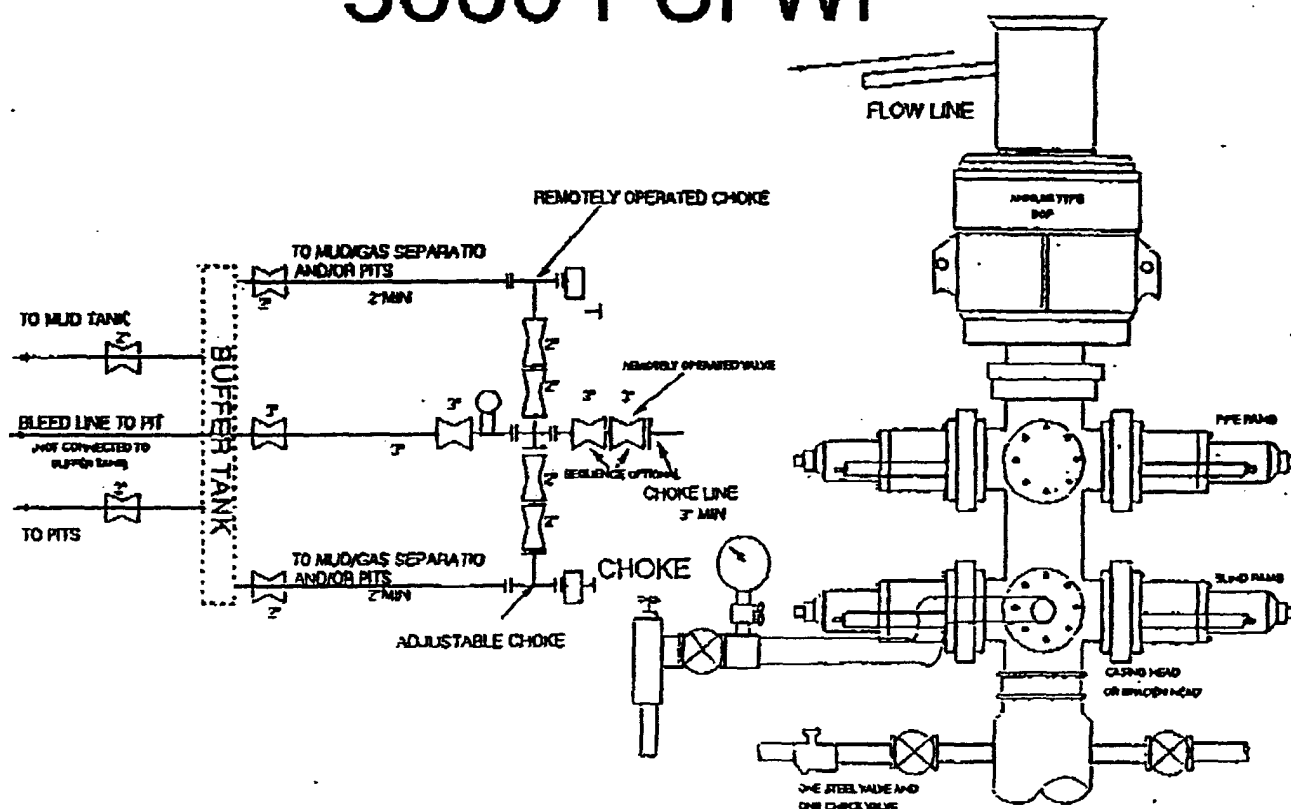


THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.
- B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.
- C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.
- D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open, and re-close) the preventers.
- E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.
- F. Manual controls to be installed before drilling cement plug.
- G. Valve to control flow through drill pipe to be located on rig floor.
- H. All chokes will be adjustable. Choke spool may be used between rams.

DIAGRAM 1

5000 PSI WP



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.
- B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.
- C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.
- D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open, and re-close) the preventers.
- E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.
- F. Manual controls to be installed before drilling cement plug.
- G. Valve to control flow through drill pipe to be located on rig floor.
- H. All chokes will be adjustable. Choke spool may be used between rams.

DIAGRAM 2

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Bass Enterprises Production Company
Well Name & No. Poker Lake Unit #254
Location: 330' FNL, 1160' FEL, Section 31, T. 24 S., R. 30 E., Eddy County, New Mexico
Lease: LC-069627-A

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 11-3/4 inch 8-5/8 inch (if needed) 5-1/2 inch

C. BOP tests

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.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

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

II. CASING:

1. The 11-3/4 inch surface casing shall be set at approximately 250 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The 8-5/8 inch intermediate casing (if needed) shall be set at approximately 3500 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is to be sufficient to reach at least 500 feet above the top of the uppermost productive hydrocarbon bearing interval.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Surface casing may be tested with the rig pumps.

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

- The results of the test shall be reported to the appropriate BLM office.
- 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.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.