

Form 3160-3
(August 1999)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No. NM-14847
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No. 27289
8. Lease Name and Well No. Phillips-18-Federal #2
9. API Well No. 30-015- 31660
10. Field and Pool, or Exploratory Empire, Yeso
11. Sec., T., R., M., or Blk. and Survey or Area Sec. 18, T-17S, R-29E
12. County or Parish Eddy
13. State NM

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		
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		
2. Name of Operator Clayton Williams Energy, Inc.	25706	
3a. Address Six Desta Dr., Ste. 3000 Midland, TX 79705	3b. Phone No. (include area code) (915) 682-6324	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 2310' FNL & 530' FEL; UL H At proposed prod. zone		
14. Distance in miles and direction from nearest town or post office* 9 miles North from Loco Hills		
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 530'	16. No. of Acres in lease 293.5	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 709' f/Phillips 18-Federal #4	19. Proposed Depth 5000'	20. BLM/BIA Bond No. on file NM2787
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3657' GL	22. Approximate date work will start* upon approval	23. Estimated duration ±10 days
24. Attachments Well Control and Safety		

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. Operator 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 <i>Betsy Luna</i>	Name (Printed/Typed) Betsy Luna	Date 2-12-01
Title Engineering Technician		
Approved by (Signature) /s/ LESLIE A. THEISS	Name (Printed/Typed) LESLIE A. THEISS	Date MAR 2 2001
Title WELL FIELD OFFICE	Office WELL 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.

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

*(Instructions on reverse)

RECEIVED
FEB 13 01
ROSWELL, NM

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

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

DISTRICT III
1000 Rio Brazos Ed., Artesia, NM 87410

DISTRICT IV
P.O. Box 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-	Pool Code 96210	Pool Name EMPIRE, YESO
Property Code	Property Name PHILLIPS 18 FEDERAL	Well Number 2
OGRID No. 25706	Operator Name CLAYTON WILLIAMS ENERGY, INC.	Elevation 3657

Surface Location

UL or lot No. H	Section 18	Township 17S	Range 29E	Lot Idn	Feet from the 2310	North/South line NORTH	Feet from the 530	East/West line EAST	County EDDY
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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

LOT 1 26.69 ACRES									
LOT 2 26.81 ACRES									
LOT 3 26.92 ACRES									
LOT 4 27.04 ACRES									

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Betsy Luna
Signature

BETSY LUNA
Printed Name

ENGINEERING TECHNICIAN
Title

2-12-01
Date

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.

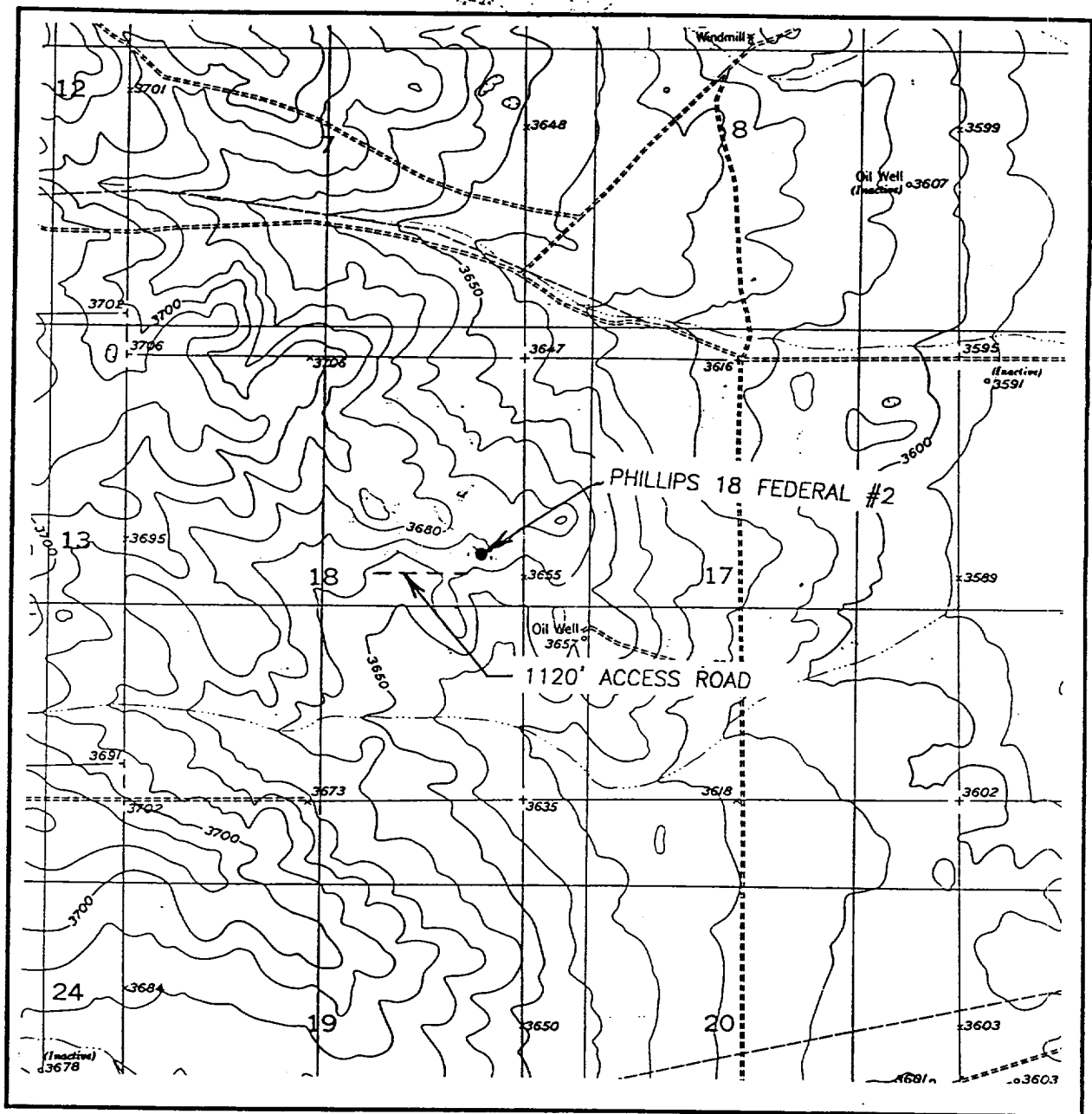
JANUARY 9, 2001

Date Surveyed: _____ AWB

Signature & Seal of Professional Surveyor
Ronald J. Eidson 01/16/01

Certificate No. **RONALD J. EIDSON 3239**
GARY EIDSON 12641

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
RED LAKE SE, N.M.

SEC. 18 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2310' FNL & 530' FEL

ELEVATION 3657

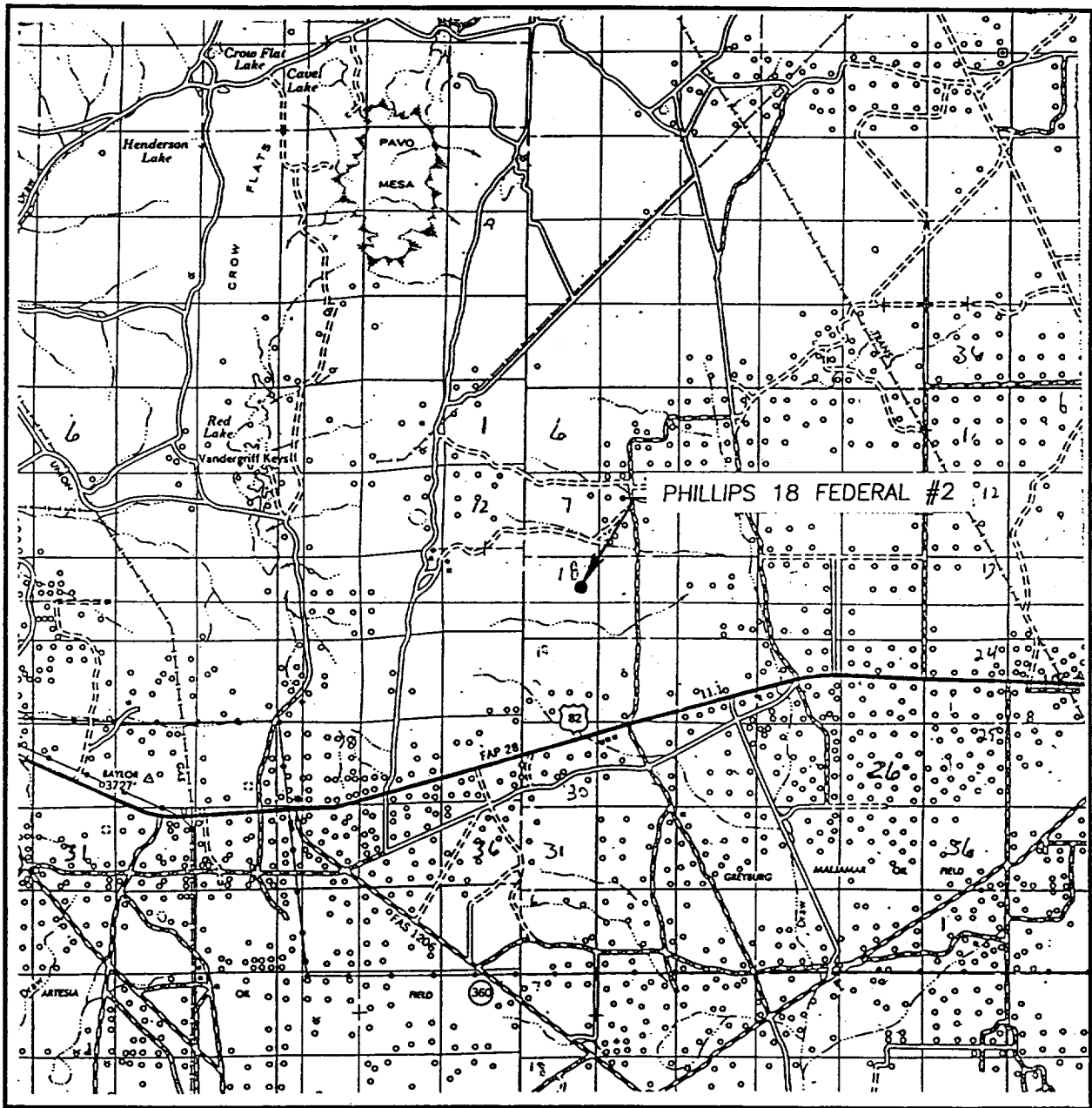
OPERATOR CLAYTON WILLIAMS ENERGY, INC.

LEASE PHILLIPS 18 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
RED LAKE SE, N.M.

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

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 18 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY

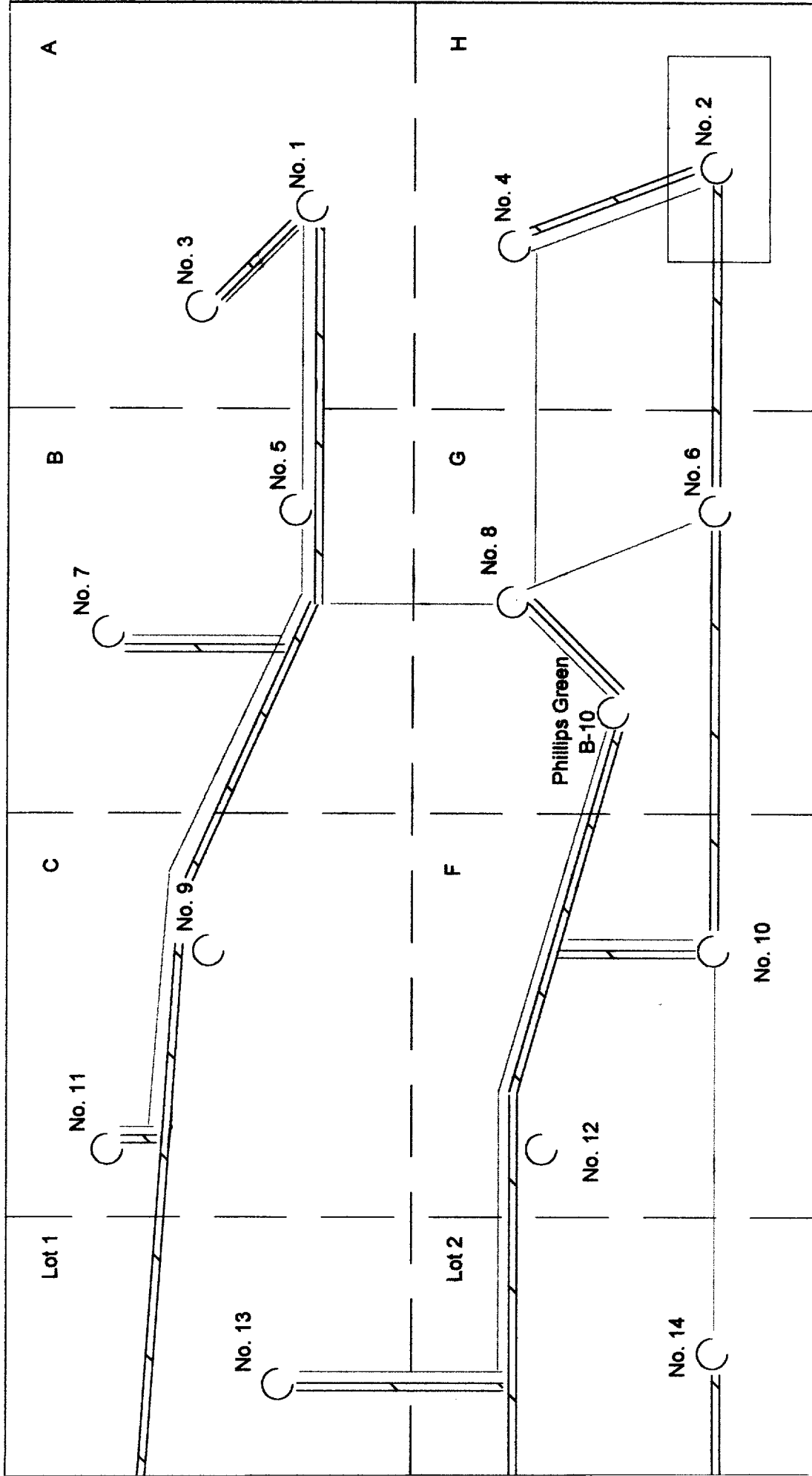
DESCRIPTION 2310' FNL & 530' FEL

ELEVATION 3657

OPERATOR CLAYTON WILLIAMS ENERGY, INC.

LEASE PHILLIPS 18 FEDERAL

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



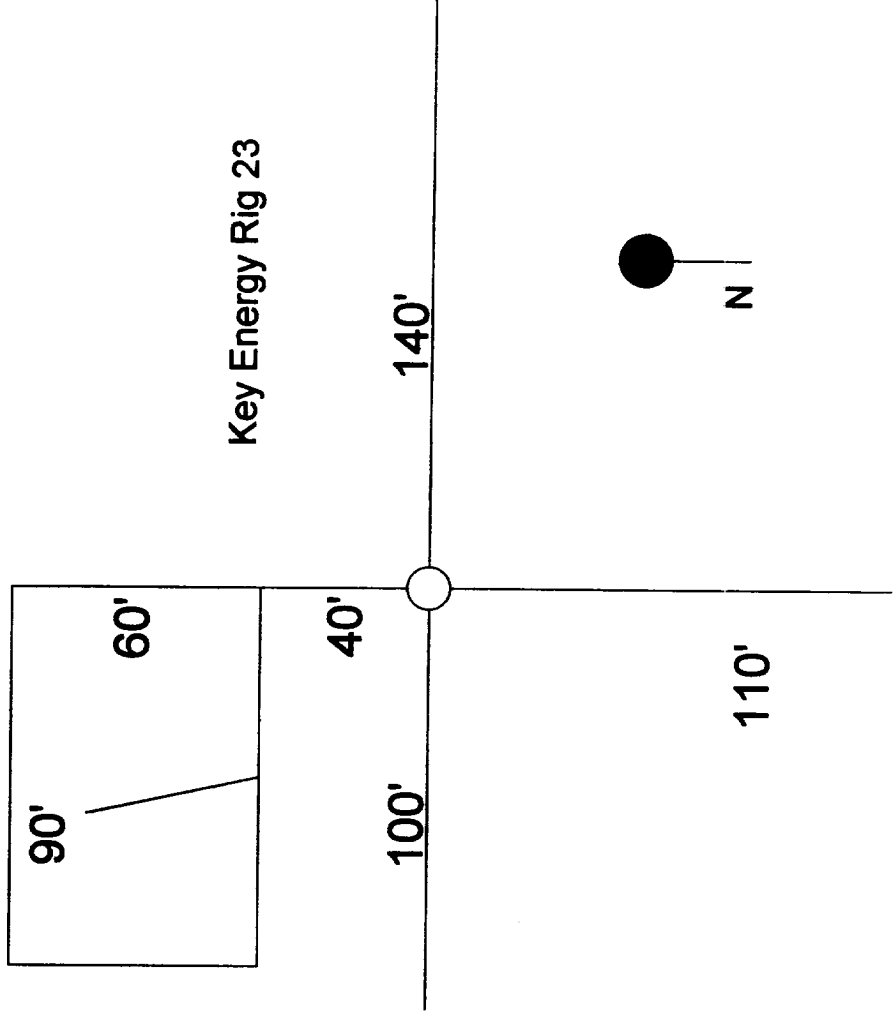
Dayton Williams Energy, Inc.
 Phillips 18 Federal Lease
 Section 18 - T17S - R29E
 Eddy County, New Mexico

Proposed Surface Use Plan
 Central Storage Facility at No. 8 Location

Planned Lease Roads
 Planned Flowlines

Clayton Williams Energy, Inc.

Phillips 18 Federal No. 2



CLAYTON WILLIAMS ENERGY, INC.
DRILLING PROGRAM

Attached to BLM form 3160-3

Lease Name: Phillips -18-Federal

Well No.: 2

Location: 2310' FWL & 530' FEL, UL H

Sec. 18, T-17-S, R-29-E

Eddy Co., NM

1. Geological name of surface location: Triassic
2. Estimated tops of important geological markers:

<u>Name</u>	<u>Depth</u>
Yates	825'
Seven Rivers	1090'
Queen	1666'
Grayburg	2045'
San Andres	2353'
Glorieta	3794'

3. Estimated name of anticipated fresh water, oil, and gas:

<u>Formation</u>	<u>Depth</u>	<u>Fresh Water/Oil/Gas</u>
Seven Rivers	1090'	Oil
Queen	1666'	Oil
Grayburg	2045'	Oil
San Andres	2353'	Oil
Glorieta	3794'	Oil

4. CASING PROGRAM

<u>Hole Size</u>	<u>Interval</u>	<u>OD Csg</u>	<u>Weight, Grade, Type.</u>
11"	^{365'} 300'	8-5/8	24#, J-55, ST&C
7-7/8"	5000'	5-1/2"	17#, J-55, LT&C

WITNESS

CEMENT PROGRAM

Conductor Casing: N/A

8-5/8" Surface Casing:

300 SX CI "C" + 2% CaCl₂ + 1/4#/sx Flocele

WITNESS

5-1/2" Production Casing:

Stage tool @ +/- 2600'

1st Stage: 400 sx. 35:65 Poz: C + 6% gel + 2% CaCl₂ + 1/4 pps Cello-flake
150 sx. Class "C" Neat

2nd Stage: Lead: 800 sx 61:15:11 Lite + 1 pps salt + 4 pps Kolite + 0.2% D-65 + 0.3# D-167 + 0.2% D-46
+ 0.25% D-13

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) schematic attached will consist of a double ram-type (3000 psi WP) preventer and/or a bag-type (hydril) preventer (3000 psi WP). BOP will be hydraulically operated and the ram-type preventer will be equipped with blind rams and appropriate pipe rams. The BOP will be nipped up on the surface casing and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of surface casing. Before drilling out of intermediate casing, the ram-type BOP and accessory equipment will be tested to 3000 psi and the hydril to 50% of rated working pressure (1500 psi). Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and 3" choke line will be attached to a drilling spool or BOP side outlets. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

6. Type & Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of Fresh Water Gel/Brine System.

The applicable depths and properties of this system are as follows:

<u>Depth</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Viscosity (sec)</u>	<u>Water Loss (cc)</u>
565'				
300'	FW Gel	8.6-9.0	34-45	N/C
5000'	Brine	9.8-10.1	28-30	N/C

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

7. Auxiliary Well Control and Monitoring Equipment:

- A. A Kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.
- C. The drilling fluids system will be visually monitored at all times.
- D. A mudlogging unit will be continuously monitoring drilling penetration rate and hydrocarbon shows from surface casing to TD.
- E. A fixed electronic H2S monitoring system, including alarms with monitors at the shaker and the bell nipple, will be in operation from surface to TD.

8. Logging, Testing, & Coring Program:

- A. Drill stem tests: None anticipated
- B. Electronic logging program: DSN, MSFL, DLL, FMI (optional)
- C. Coring: None

9. Abnormal Conditions, Pressures, Temperatures & Potentials Hazards:

Possible sulfur water in flow in the Queen/Grayburg intervals

10. Anticipated Starting Date & Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is upon approval of APD. Once commenced, the drilling operations should be finished within approximately 10 days. If the well is productive, an additional 10 days will be required for completion and testing.

CLAYTON WILLIAMS ENERGY, INC.
HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well.

1. The hazards and characteristics of hydrogen sulfide (H₂S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site, specific H₂S Drilling Operations Plan, and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPMENT AND SYSTEMS

NOTE: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

1. Well Control Equipment:
 - A. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
 - B. Auxiliary equipment to include: annular preventer
2. Protective Equipment for Essential Personnel:

Five – 30 minute self – contained breathing apparatuses (Scott).
3. H₂S Detection and Monitoring Equipment:
 - A. Fixed electronic monitoring system and alarms with two monitors:
one at shaker and one at bell nipple.

4. Visual Warning Systems:

- A. Two windsocks with frames and extension poles.**
- B. One entrance sign with flags (with "CAUTION" and present well condition).**
- C. Two briefing area signs.**

5. Mud Program:

- A. The mud program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weight, safe drilling practice, and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.**

6. Metallurgy:

- A. All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.**

7. Communication:

- A. Cellular telephones in Company vehicles and at rig.**

8. Well Testing:

- A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity which is necessary to safely and adequately conduct the test. All drill stem testing operations conducted in an H₂S environment will use the closed chamber method of testing.**

**CLAYTON WILLIAMS ENERGY, INC.
SURFACE USE PLAN**

Attached to form 3160-3

Lease Name: Phillips -18-Federal

Well No.: 2

Location: 2310' FNL & 530' FEL, UL H
Sec. 18, T-17-S, R-29-E
Eddy Co., NM

1. Existing Roads:

- A. The well site and elevation for the proposed well are shown on the attached plat.
- B. Existing roads are indicated on attached map. Existing roads are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling well will be done when necessary as determined during the onsite inspection.
- C. Direction to location:
Phillips-19-Federal wells: On Hwy. 82 approximately 6 miles West of Loco Hills, NM, turn North 1.5 mile on Old Loco Hills Rd. Turn left 1/2 mile to enter lease.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed access Roads:

Attached map indicates the proposed new access road to be constructed. The road will be constructed as follows:

- A. The maximum width of the running surface will be 20'. The road will be crowned and ditched and constructed of 6" rolled and compacted caliche. Ditches will be 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.
- B. The average grade will be less than 1%
- C. No turnouts are planned
- D. Culverts, cattle guards, low-water crossing, fence cuts:
- E. Surface material will consist of native caliche. Caliche will be obtained from nearest BLM approved pit. Any additional materials required will be purchased from the dirt contractor.
- F. The proposed access road will be centerlined flagged.

3. Location of Existing Wells :

No existing wells on this lease

4. Location of Existing Wells and/or Proposed Facilities:

- A. **Tank Battery:** Sec. 18, T17S, R 29E; 1650' FNL & 1950' FEL; UL G (site of Phillips-18-Federal #8 proposed wellsite)
- B. **Flowlines:** See attached Property Line & Road Diagram.

5. **Location and type of Water Supply:** To be hauled by contract company.

6. **Source of Construction Materials:**

All caliche required for construction of the drill pad and the proposed new access road will be obtained from a BLM approved caliche pit.

7. **Methods of Handling Waste Disposal:**

- A. Drill cuttings not retained for evaluation purposes will be disposed of into the reserve pit.
- B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluids or flow from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit, approximately 60'X 90'X10' deep and fences on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve will be plastic-lined to minimize loss of drilling fluids and saturations of the ground with brine water.
- C. Water produced from the well during completion may be disposed into the reserve pit or steel tank. After the well is permanently placed on production, produced water will be collected in tanks until hauled by transport to an approved disposal system or separate disposal application will be submitted for appropriate approval. Produced oil will be collected in steel tanks until sold.
- D. A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations.
- E. Garbage and trash produced during drilling and completion will be put in trash trailer. If well is productive, maintenance waste will be placed in special trash cans and hauled away periodically. All waste material will be contained to prevent scattering by the wind. No toxic waste or hazardous chemicals will be produced by this operation.
- F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 30 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to break out and fill and, as weather permits, the unused portion of the well site will be leveled and re-seeded as per BLM specifications. Only the part of the pad required for production will be kept in use. In the event of a dry hole, only a dry hole marker will remain.

8. **Ancillary Facilities:**

No airstrip, campsite, or other facilities will be built as a result of the operations of this well.

9. **Well Site Layout:**

- A. **Drill pad:** Per attached plat.
- B. Attached plat shows planned orientation for the rig and associated drilling equipment, reserve pit, pipe racks, turnaround and parking areas, and access road. No permanent living facilities are planned, but a temporary foreman/tool pusher's trailer will be on location during the drilling operations.
- C. The reserve pit will be lined with high-quality plastic sheeting.

10. **Plans for Restoration of the Surface:**

- A. Upon completion of the proposed operations, if the well is to be abandoned, the caliche will be removed from the location and road and returned to the pit from which it was taken. The pit area, after allowing to dry, will be broken out and leveled. The original topsoil will be returned to the entire location, which will be leveled and contoured to as nearly to the original topography as possible.

All trash, garbage, and pit lining will be buried or hauled away in order to leave the location in an aesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.

- B. The disturbed area will be re-vegetated by re-seeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.
- C. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock or wildlife from being entrapped.

The fencing will remain in place until the pit area is cleaned up and leveled. No oil will be left on the surface of the fluid in the pit. The entire reserve pit will be netted until the fluid has completely evaporated.

- D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. Topsoil removed from the drill site will be used to re-contour the pit area; any uncased portions of the drill pad to the original natural level and re-seeded as per BLM specifications.

11. **Surface Ownership:**

The wellsite and lease is located entirely on Federal surface.

Other Information:

- A. **Terrain:** See Archaeological Report
- B. **Soil:** See Archaeological Report
- C. **Vegetation:** See Archaeological Report
- D. **Surface Use:** See Archaeological Report
- E. **Ponds and Streams:** None
- F. **Water Wells:** None
- G. **Residences and Buildings:** None
- H. **Arroyos, Canyons, Etc.:** None
- I. **Well Sign:** To be installed at the wellsite
- J. **Archaeological Resources:** None reported. References archaeological report.

12. **Lessee's and Operator's Representative:**

The Clayton Williams Energy, Inc. representatives responsible for assuring compliance with the Surface Use Plan are:

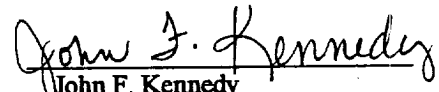
John Kennedy
Clayton Williams Energy, Inc.
Six Desta Drive, Ste. 3000
Midland, TX 79705
(915) 682-6324

or

Matt Swierc
Clayton Williams Energy, Inc.
Six Desta Drive, Ste. 3000
Midland, TX 79705
(915) 682-6324

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Clayton Williams Energy, Inc. and its contractors in conformity with this plan and the terms and conditions under which it is approved.


John F. Kennedy
Drilling Manager

UNITED STATES DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-1287

Statement Accepting Responsibility for Operations

Operator Name: **Clayton Williams Energy, Inc.**
Street or Box: **Six Desta Drive, Suite 3000**
City, State: **Midland, Texas**
Zip Code: **79705**

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: **NM-14847**

Legal Description of Land: **Well No. 2 – Phillips –18-Federal
UL H, Sec. 18, T-17-S, R-29-E
2310' FNL & 530' FEL
Eddy Co., New Mexico**

Formation(s) if applicable: **Empire (Yeso)**

Bond Coverage: **\$25,000.00 SW (copy attached)**

BLM Bond File No.: **NM2787 (Surety Bond No. RLB0002027)**

Authorized Signature: *Matt Swierc / ml*

Name: **Matt Swierc**

Title: **Production Superintendent**

Phone No.: **(915) 682-6324**

Fax No.: **(915) 688-3225**

Date: **February 6, 2001**



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Road
P. O. Box 27115
Santa Fe, New Mexico 87502-0115

IN REPLY REFER TO:
3104 (93000-at)

May 15, 2000

DECISION

Principal:	:	BLM Bond Number: <u>NM2787</u>
Clayton Williams Energy, Inc.	:	
6 Desta Drive, Suite 6500	:	Surety Bond Number: <u>RLB0002027</u>
Midland, TX 79705	:	
	:	Bond Amount: <u>\$25,000.00</u>
Surety:	:	
Mid-Continent Casualty Company	:	Execution Date: <u>April 26, 2000</u>
P. O. Box 1409	:	
Tulsa, OK 74101-1409	:	

Statewide Oil and Gas Surety Bond Accepted

The bond described above has been examined and found satisfactory. It is accepted effective May 1, 2000, which is the date the bond was received in this office.

The bond constitutes coverage of all operations conducted by or on behalf of the principal on Federal leases in the State of New Mexico. The bond provides coverage of the principal where that principal has interest in, and/or responsibility for operations on, leases issued under the authority of any of the Acts cited on the bond form. Federal leases do not include Indian leases.

The bond will be maintained by this office. Termination of liability under the bond will be permitted only after this office is satisfied that there is no outstanding liability on the bond or satisfactory replacement bonding coverage is furnished.

Angela Trujillo
Land Law Examiner
Fluids Adjudication Team

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Bond Number

RLB0002027

OIL AND GAS OR GEOTHERMAL LEASE BOND

Act of February 25, 1920 (30 U.S.C. 181 et seq.)
Act of August 7, 1947 (30 U.S.C. 351-359)
Department of the Interior Appropriations Act, FY 1981 (42 U.S.C. 6508)
Act of December 24, 1970 (30 U.S.C. 1001-1025)
Other Oil and Gas and Geothermal Leasing Authorities as Applicable

Lease Serial Number (For Individual Bond Only)

CHECK ONE: ☒ OIL AND GAS ☐ GEOTHERMAL RESOURCES

CHECK ONE: ☒ SURETY BOND

KNOW ALL BY THESE PRESENTS, THAT Clayton Williams Energy, Inc.

(name)

of 6 Desta Drive, Suite 6500, Midland, TX 79705

(address)

as principal, and RLI Insurance Company

(name)

of 8 Greenway Plaza, #400, Houston, TX 77046

(address)

, as surety,

are held and firmly bound unto the United States of America in the sum of Twenty Five Thousand and no/100

dollars (\$ 25,000.00).

lawful money of the United States, which may be increased or decreased by a rider hereto executed in the same manner as this bond.

☐ PERSONAL BOND

KNOW ALL BY THESE PRESENTS, That

(name)

of _____, as principal, is held and firmly

(address)

bound unto the United States of America in the sum of _____

dollars (\$ _____), lawful money of the United States which sum may be

increased or decreased by a rider hereto executed in the same manner as this bond.

The principal, in order to more fully secure the United States in the payment of the aforesaid sum, hereby pledges as security therefore United States negotiable securities of a par value equal to the amount specified. The principal, pursuant to the authority conferred by Section 1 of the Act of September 13, 1982 (31 U.S.C. 9303), does hereby constitute and appoint the Secretary of the Interior to act as his attorney. The interest accruing on the United States securities deposited, in the absence of any default in the performance of any of the conditions, or stipulations set forth in this bond and the instrument(s) granting rights and interests in Federal lands, must be paid to the principal. The principal hereby for himself/herself, any heirs, executors, administrators, successors, and assigns, joint and severally, ratifies and confirms whatever the Secretary shall do by virtue of these presents.

The principal/surety shall apply this bond or the Secretary shall transfer this deposit as security for the faithful performance of any and all of the conditions and stipulations as set forth in this bond and the instruments granting rights and interests in Federal lands. In the case of any default in the performance of the conditions and stipulations of such undertaking, it is agreed that: (1) for a Surety Bond, the surety/principal shall apply the bond or any portion thereof; (2) for a Personal Bond, the Secretary shall have full power to assign, appropriate, apply or transfer the deposit or any portion thereof, to the satisfaction of any damages, assessments, late payment charges, penalties, or deficiencies arising by reason of such default.

This bond is required for the use and benefit of (1) the United States; (2) the owner of any of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the oil and gas and geothermal deposits to the United States; (3) any lessee, permittee, or contractor, under a lease, permit, or resource sale contract issued, or to be issued, by the United States covering the same land subject to this bond, covering the use of the surface or the prospecting for, or the development of other mineral deposits in any portion of such land, to be paid to the United States. For such payment, well and truly to be made, we bind ourselves and each of our heirs, executors, administrators, successors, and assigns, jointly and severally.

This bond shall cover all surface disturbing activities related to drilling operations on a Federal leasehold(s) in accordance with authorization(s) granted under the Acts cited above for:

CHECK ONE:

☐ NATIONWIDE BOND — Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s) in the United States including the National Petroleum Reserve in Alaska (NPR-A) when a rider sufficient to bring the amount in conformance with 43 CFR 3134 is provided, and provided a rider is obtained, also coverage of multiple exploration operations.

☒ STATEWIDE BOND — Operations conducted by or on behalf of the principal(s) or on the leasehold(s) of the principal(s), except the NPR-A, and, provided a rider is obtained, also coverage of multiple exploration operations within the single state of NEW MEXICO

☐ INDIVIDUAL BOND — Operations conducted by or on behalf of the principal or on the leasehold of the principal on the single lease identified by the serial number above.

NATIONAL PETROLEUM RESERVE IN ALASKA (NPR-A) BOND — This bond shall cover:

☐ NPR-A LEASE BOND — The terms and conditions of a single lease.

☐ NPR-A WIDE BOND — The terms and conditions of all leases, and provided a rider is obtained, coverage of multiple exploration operations.

BOND CONDITIONS

The conditions of the foregoing obligations are such that:

1. WHEREAS the principal has an interest in a lease(s) and/or responsibility for operations on a lease(s) issued under the Acts cited in this bond; and

2. WHEREAS the principal and surety agree(s) that with notice to the surety the coverage of this bond, in addition to the present holding(s) of and/or authorization(s) granted to the principal, shall extend to and include:

a. Any lease(s) hereafter issued to or acquired by the obligor/principal, except under individual lease bonds, the coverage is to be confined to the principal's holding(s) and/or authorization(s) granted under the Acts cited in this bond, and to become effective immediately upon such authorization, approval or issuance of a transfer in favor of the principal; and

b. Any transfer(s) of operating rights hereafter entered into or acquired by the principal affecting lease(s); and

c. Any activity subsequent hereto of the principal as operator under a lease(s) issued pursuant to the Acts cited in this bond; and

Provided, That the surety may elect to terminate the additional coverage authorized under this paragraph. Such termination will become effective 30 days after the BLM receives notice of the election to terminate. After the termination becomes effective, the additional interest(s) identified in this paragraph will not be covered by this bond; and

3. WHEREAS the principal and surety agree(s) that with notice to the surety that this bond shall remain in full force and effect notwithstanding:

4. WHEREAS the obligor/surety here by waives any right to notice of, and agrees that this bond shall remain in full force and effect notwithstanding:

a. Any assignment(s) of 100% of or more of the lands described in the lease(s), the bond to remain in full force and effect only as to the lands retained in the lease(s); and b. Any transfer(s) either in whole or in part, of any or all of the operating rights successors, or assigns shall in all respects faithfully comply with all of the provisions of the instrument(s) granting rights and interests in Federal lands referred to above, then the obligations are to be void; otherwise to remain in full force and effect.

c. Any modification of a lease or operating right, or obligation thereunder, whether made or effected by commitment of case or operating right to unit, cooperative, communization or storage agreements, or development contracts, suspensions of operation.

Signed this 26th day of April, 2000

WITNESSES OF NAMES AND ADDRESSES OF WITNESSES
BY: *Carrie Andrews*
BY: *Myra*

BY: *Myra*
BY: *Myra*

8 Greenway Plaza, #400, Houston, TX 77046
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UNITED STATES

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9025 North Lindbergh Dr. • Peoria, IL 61615
(309) 692-1000 or (800) 645-2402

RLB0002027

POWER OF ATTORNEY

RLI Insurance Company

Know All Men by These Presents:

That the RLI INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: GREG E. CHILSON in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

\$25,000.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity, policies indemnifying employers against loss or damage caused by the misconduct of their employees, official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

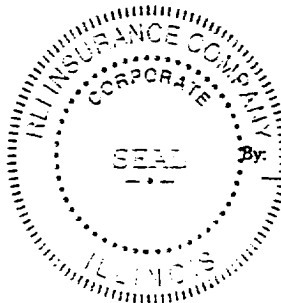
"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

(Blue shaded areas above indicate authenticity)

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its CHAIRMAN, CEO with its corporate seal affixed this

ATTEST:

Camille J. Hensey
Corporate Secretary



RLI INSURANCE COMPANY

By: Gerald D. Stephens
Chairman, CEO

State of Illinois)
County of Peoria) SS

On this 26 day of April 2000 before me, a Notary Public, personally appeared Gerald D. Stephens and Camille J. Hensey, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as Chairman, CEO and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Cynthia S. Dohm
Notary Public

"OFFICIAL SEAL"
CYNTHIA S. DOHM
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 02/24/02

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