

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Navajo Refining Company Well No. 2 - WDW

Location: 1980' FNL & 660' FWL sec. 12, T. 18 S., R. 27 E.

Lease: NM-6852

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I. DRILLING OPERATIONS REQUIREMENTS: [Deepening]

1. The Bureau of Land Management (BLM) is to be notified at (505) 887-6544 in sufficient time for a representative to witness:

A. Cementing casing: 5-1/2 inch

2. Unless the injection 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.

II. CASING:

1. Minimum required fill of cement behind the 5-1/2 inch injection casing is sufficient to circulate to the surface.

III. PRESSURE CONTROL:

1. Before drilling into the 100 foot 8-5/8 inch surface casing shoe cement plug at approximately 1912 feet, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

3. After drilling into the 100 foot 8-5/8 inch surface casing shoe cement plug at approximately 1912 feet and before drilling into the 100 foot Abo cement plug at approximately 5450 feet, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The results of the test will be reported to the BLM Carlsbad Resource Area office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

B. 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.

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