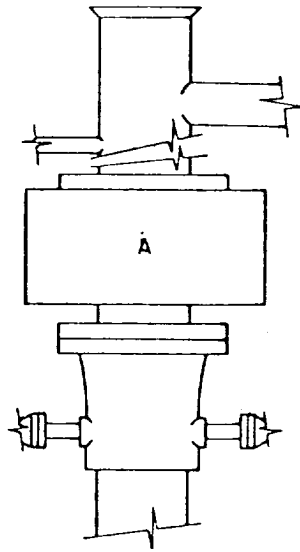


BLOWOUT PREVENTER SKETCH



ARRANGEMENT A



United States Department of the Interior

OFFICE OF THE SECRETARY
Minerals Management Service

ROSWELL DISTRICT

SPECIAL APPROVAL STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

BEL-DYN, INC.
Hale Federal No. 2
SE $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 1, T. 19 S., R. 30 E.
Eddy County, New Mexico
Lease NM-0560353

THE SPECIAL STIPULATIONS CHECK MARKED BELOW ARE APPLICABLE TO THE ABOVE-DESCRIBED WELL AND APPROVAL OF THIS APPLICATION TO DRILL IS CONDITIONED UPON COMPLIANCE WITH SUCH STIPULATIONS IN ADDITION TO THE GENERAL REQUIREMENTS. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 30 CFR 290.

☒ A. The Minerals Management Service office is to be notified at:

☐ (505) 622-1332 Roswell

☒ (505) 756-9838 Artesia

☐ (505) 393-5146 Hobbs

in sufficient time for a representative to witness:

☐ 1. Spudding

☒ 2. Cementing casing

7 inch

4 1/2 inch

_____ inch

☐ 3. BOP tests

☐ B. At least one working day prior to constructing the well pad, access roads and/or related facilities, the operator or dirt contractor shall notify the authorized officer of the surface management agency. The surface management agency may be contacted at:

☐ BLM phone (505) 887-6544 Carlsbad, New Mexico

☐ BLM phone (505) 622-7670 Roswell, New Mexico

☐ _____

He shall also notify the surface management agency within two working days after completion of earth-moving activities.

☐ C. Roads in the area of operation of this authorization will require surfacing.

☒ D. 7" surface casing should be set in the Rustler Anhydrite formation and cement circulated to the surface. If surface casing is set at a lesser depth, the _____ casing must be cemented from the casing shoe to the surface or cemented to the surface through a stage tool set at least 50 feet below the top of the Rustler after cementing around the shoe with sufficient cement to fill to the base of the salt section.

☒ E. Before drilling below the 7" casing, the blowout preventer assembly will consist of a minimum of one annular type ~~and two ram type preventers~~.

☒ F. Minimum required fill of cement behind the 4 1/2" casing is to CIRCULATE TO SURFACE.

☒ G. After setting the 7" casing string and before drilling into the YATES formation, the blowout preventers and related control equipment shall be pressure tested to rated working pressures ~~by an independent service company~~. Any equipment failing to test satisfactorily shall be repaired or replaced. ~~This office should be notified in sufficient time for a representative to witness the tests and shall be furnished a copy of the pressure test report.~~

☐ H. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be installed and operating before drilling into the _____ formation and used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- ☐ 1. A recording pit level indicator to determine pit volume gains and losses.
- ☐ 2. A mud volume measuring device for accurately determining mud volume necessary to fill the hole on trips.
- ☐ 3. A flow sensor on the flow-line to warn of any abnormal mud returns from the well.

☒ I. A kelly cock will be installed and maintained in operable condition.

☐ J. A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the Minerals Management Service, P.O. Box 26124, Albuquerque, New Mexico 87125. The effective date of the agreement must be prior to any sales.

☒ K. Above ground structures, not subject to applicable safety requirements shall be painted. The paint color is to simulate:

☒ Sandstone Brown, Fed. Std. 595-20318 or 30318

☐ Sagebrush Gray, Fed. Std. 595-26357 or 36357

☐ _____

☒ L. A Gamma Ray-Compensated Neutron log is required from the base of the salt section to the surface with cable speed not to exceed 30 feet per minute.

M. Rehabilitation

☐ At least 3 working days prior to commencing any of the following rehabilitation activities, the operator shall notify the appropriate surface managing agency, shown in part B.

☐ 1. Upon the conclusion of drilling and completion operations when mud pits are dry they will be leveled, plastic will be removed and area reseeded with mixture No. _____ shown on last page of General Requirements.

☐ 2. Following the down-hole plugging and abandonment of all operation:

☐ a. The drill pad and _____ miles of access road shall be ripped to a minimum of 12" in depth. Ripping shall be on the contour with rips being approximately 3 feet or less apart.

☐ b. The drill site and _____ miles of access road will be reseeded with mixture No. _____ shown on the last page of the General Requirements.

☐ c. All ripped surfaces are to be protected from vehicular travel by constructing a dead-end ditch and earthen barricade at the entrance to these ripped areas. The barricade is to be constructed using spoil material from the ditch and should be of sufficient magnitude to discourage vehicle entry.

☐ d. Private Surface: Abandonment stipulations to coincide with operator-landowner agreement. (Where no agreement exists, BLM will be requested to provide abandonment stipulations.)

☐ e. The surface location is to be cleaned and leveled.

☐ 3. Modifications in the rehabilitation stipulations made necessary by unforeseen circumstances or improvements in rehabilitation methods may be made when the Notice of Intention to Abandon is filed.

☐ N. Other: