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Form 3160-3
(April 2004)

NM OGD ARTESIA

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FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1408

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|---|---|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER <i>NOS RCVD 7/1/11</i> | | 5. Lease Serial No. <i>54 NM-120897 OH NM 82896</i> |
| 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 ----- |
| 2. Name of Operator OGX RESOURCES, LLC. (JEFF BIRKELBACH 432-685-1287) | | 7. If Unit or CA Agreement, Name and No. ----- |
| 3a. Address P. O. BOX 2064 MIDLAND, TEXAS 79702 | 3b. Phone No. (include area code) 432-685-1287 | 8. Lease Name and Well No. # 2H SILVERSTREAK "13" FED. COM |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 400' FSL & 990' FWL SECTION 13 T24S-R30E EDDY CO. NM At proposed prod. zone 330' FNL & 990' FWL SECTION 13 T24S-R30E | | 9. API Well No. <i>237755</i> <i>30-015-39820</i> |
| 14. Distance in miles and direction from nearest town or post office* Approximately 20 miles East of Carlsbad New Mexico | | 10. Field and Pool, or Exploratory POKER LAKE DELAWARE SW. |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 400' | | 11. Sec., T. R. M. or Blk. and Survey or Area SECTION 13 T24S-R30E |
| 16. No. of acres in lease 160 | | 12. County or Parish EDDY CO. |
| 17. Spacing Unit dedicated to this well 160 | | 13. State NM |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <i>350' to 3700' proposed PLV Well</i> | | 19. Proposed Depth TVD-8750' MD-13,100' |
| 20. BLM/BIA Bond No. on file NMB-000244 | | 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3456' GL |
| 22. Approximate date work will start* WHEN APPROVED | | 23. Estimated duration 34 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:

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

| | | |
|---|--|---------------------|
| 25. Signature <i>Joe T. Janica</i> | Name (Printed/Typed) Joe T. Janica | Date 09/12/11 |
| Title Permit Eng. | | |
| Approved by (Signature) <i>/s/ Jesse J. Juen</i> | Name (Printed/Typed) <i>/s/ Jesse J. Juen</i> | Date DEC 20 2011 |
| Title FOR ACTING STATE DIRECTOR | Office NM STATE 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.

APPROVAL FOR TWO YEARS

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 page 2)

CARLSBAD CONTROLLED WATER BASIN

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

NSP

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Operator 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 the 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 that 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 a false statement.

OPERATOR'S REPRESENTATIVES:

BEFORE CONSTRUCTION

TIERRA EXPLORATION, INC.

P.O. BOX 2188

HOBBS, NEW MEXICO 88241

JOE JANICA 575-391-850

CELL 575-390-1598

DURING AND AFTER CONSTRUCTION

OGX RESOURCES, LLC.

P. O. BOX 2064

MIDLAND, TEXAS 79702

JEFF BIRKELBACH 432-685-1287

CELL 432-553-0391

NAME

Joe T Janice

TITLE

Permit Eng.

DATE

09/12/11

DISTRICT I
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
11885 S. ST. FRANCIS DR., SANTA FE, NM 87505

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 July 16, 2010
Submit to Appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------------------------|---|---|
| API Number 30-015-39820 | Pool Code 96047 | Pool Name POKER LAKE DELAWARE SOUTHWEST |
| Property Code 37755 | Property Name SILVERSTREAK 13 FEDERAL COM | Well Number 2H |
| OGRID No. 217955 | Operator Name OGX RESOURCES | Elevation 3456' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 13 | 24-S | 30-E | | 400 | SOUTH | 990 | WEST | 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 |
|------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| D | 13 | 24-S | 30-E | | 330 | NORTH | 990 | WEST | EDDY |
| Dedicated Acres 160 | 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>GRID AZ. - 359°55'24" HORZ. DIST. - 4556.2'</p> <p>508' POE FSL & 990' FWL</p> <p>S.L. SEE DETAIL</p> <p>990'</p> <p>400'</p> <p>3450.2'</p> <p>3457.2'</p> <p>3452.5'</p> <p>3460.3'</p> <p>600'</p> <p>DETAIL</p> | <p>GEODETIC COORDINATES NAD 27 NME</p> <p>SURFACE LOCATION Y=441054.1 N X=652802.3 E</p> <p>LAT.=32.211610° N LONG.=103.839279° W</p> <p>BOTTOM HOLE LOCATION Y=445609.2 N X=652796.4 E</p> | <p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Joe T. Janica</i> Signature Date Joe T. Janica 09/12/11 Printed Name joejanica@valornet.com E-mail Address</p> |
| | <p>SECTION, QUARTER & SIXTEENTH CORNER COORDINATES</p> <p>Ⓐ - Y=445937.5, X=651806.2</p> <p>Ⓑ - Y=445939.6, X=653139.2</p> <p>Ⓒ - Y=443291.4, X=651809.6</p> <p>Ⓓ - Y=440650.9, X=651813.0</p> <p>Ⓔ - Y=440655.3, X=653148.4</p> | <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>JULY 15, 2011</p> <p>Date of Survey Signature & Seal of Professional Surveyor: RONALD J. EIDSON NEW MEXICO 3239 Certificate Number 12641 LA JWSC W.O.: 1111.1462</p> |

APPLICATION TO DRILL

OGX RESOURCES, LLC.
SILVERSTREAK "13" FEDERAL COM. # 2H
UNIT "M" SECTION 13
T24S-R30E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6, the following information on the above well will be provided.

1. LOCATION: Surface: 400' FSL & 990' FWL SECTION 13 T24S-R30E EDDY CO. NM
BHL: 330' FNL & 990' FWL SECTION 13 T24S-R30E EDDY CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3456' GL
3. GEOLOGICAL NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits;
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for the removal of solids from the hole.

5. PROPOSED DRILLING DEPTH: TVD-8750'
MD-13,100'

6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

| | | | |
|-------------------|-------|----------------------|-------|
| Rustler Anhydrite | 650' | Cherry Canyon | 5060' |
| Basal Anhydrite | 3880' | Brushy Canyon | 6340' |
| Lamar Lime | 4100' | 1st Bone Spring Sand | 8020' |
| Bell Canyon | 4130' | TVD | 8750' |

7. POSSIBLE MINERAL BEARING FORMATIONS: Top of Salt 780' Base of Salt 3850'

| | | | |
|---------------------|---------------------|---------------|---------------------|
| Bell Canyon | Oil/Gas/Form. Water | Brushy Canyon | Oil/Gas/Form. Water |
| Cherry Canyon | Oil/Gas/Form. Water | Bone Spring | Oil/Gas/Form. Water |
| Possible Water 375' | | | |

8. CASING PROGRAM:

| HOLE SIZE | INTERVAL | CASING OD | WEIGHT | THREAD | COLLAR | GRADE | CONDITION |
|-----------------|------------------------|-----------|--------|----------|--------|-----------|-----------|
| 26" | 0-40' | 20" | NA | NA | NA | Conductor | New |
| <i>See</i> 17½" | 0-700' <i>630</i> | 13 3/8" | 54.5# | 8-R | ST&C | J-55 | New |
| <i>CON</i> 12½" | 0-3400' | 9 5/8" | 36# | 8-R | ST&C | J-55 | New |
| 12½" | 3400-4200' <i>4100</i> | 9 5/8" | 40# | 8-R | ST&C | J-55 | New |
| 8 3/4" | 0-8000' | 5½" | 17# | 8-R | LT&C | P-110 | New |
| 8 3/4" | 8000'-13,100' | 5½" | 17# | Buttress | BT&C | P-110 | New |

CASING SAFETY FACTORS: Collapse 1.125 Burst 1.00 Body Yield 1.5
Joint Strength 8-Round 1.8
Buttress 1.6

APPLICATION TO DRILL

OGX RESOURCES, LLC.
SILVERSTREAK "13" FEDERAL COM. # 2H
UNIT "M" SECTION 13
T24S-R30E EDDY CO. NM

9. CASING CEMENTING AND SETTING DEPTHS:

| | | |
|---------|--------------|--|
| 20" | Conductor | Set 40' of 20" conductor pipe and cement to surface with Redi-mix. |
| 13 3/8" | Surface | Run and set 700' of 13 3/8" 54.5# J-55 ST&C casing. Cement with 480 Sx. of 35/65/6 Class "C" Premium Plus POZ cement + 6% Bentonite, + 5% Salt, + 5% MPA-5, + .7% Sodium Metasilicate, + 5# LCM /Sx. tail in with 200 Sx. of Class "C" Premium Plus cement + 2% CaCl, circulate cement to surface. Yield of Lead 2.00 Tail 1.34 Excess cement 65% |
| 9 5/8" | Intermediate | Run and set 4200' of 9 5/8" casing as follows: 800' of 9 5/8" 40# ST&C J-55, 3400' of 9 5/8" 36# ST&C J-55 casing. Cement with 580 Sx. of 35/65 Class "C" Premium Plus POZ + 4% Bentonite, + 5% Salt, + 5% MPA-5 + 0.7% Sodium Metasilicate, + 5# LCM/Sx. Yield 2.02, tail in with 200 Sx. of Class "C" cement + 2% CaCl, Yield 1.34, Estimate top of cement 600' from surface. Calculate cement volume by caliper and then add 25% |
| 5 1/2" | Production | Run and set 13,100' of 5 1/2" casing as follows: 5100' of 5 1/2" 17# BT&C P-110, 8000' of 5 1/2" 17# LT&C P-110 casing. Cement with 535 Sx. of Class "H" cement + 0.7% FL-62, + 0.4% BA-10A, + 0.1% FL-52, Yield 2.44, tail in in with 525 Sx. of 50/50 Class "C" POZ cement, + 10% Bentonite, + 5% Salt, Yield 1.33, Estimate top of cement 2900' 500' above 9 5/8" casing shoe. Run open hole ³⁶⁰⁰ and fluid caliper calculate cement volume then run 25% excess. |

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "E" shows a 900 series 3000 PSI working pressure B. O. P. , consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B. O. P. will be nipped up on the 13 3/8" casing and tested to API specifications. The B. O. P. will be operated at least once in each 24 hour period, and the blind rams will be operated when the drill pipe is out of the hole on trips. Full opening stabbing valve and upper Kelly cock with proper threads will be available on the rig floor at all times. Exhibit "E-1" shows a hydraulically operated closing unit and a 5000 PSI working pressure choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected while drilling this well B.O.P. 13 5/8" X 1 1/2"

APPLICATION TO DRILL

OGX RESOURCES, LLC.
 SILVERSTREAK "13" FEDERAL COM. # 2H
 UNIT "M" SECTION 13
 T24S-R30E EDDY CO. NM

11. PROPOSED MUD CIRCULATING SYSTEM:

| DEPTH | MUD WT. | VISC. | FLUID LOSS | TYPE MUD SYSTEM |
|---------------------------|-----------|-------|------------------|---|
| 40-700' ⁶³⁰ | 8.6-8.8 | 36-38 | NC | Fresh water Spud Mud, use paper to control seepage. |
| 700-4200' ⁴¹⁰⁰ | 10.0-10.1 | 29-30 | NC | Brine water use paper to control seepage and high viscosity sweeps to clean hole. |
| 4200-8000' | 8.4-10.0 | 28-29 | NC | Fresh water increasing to Brine use paper to control seepage and high viscosity sweeps to clean hole. |
| 8000-13,100' | 8.4-10.0 | 34-36 | 12-15 cc or less | Same as above use Dynazan HB-411 and starch to control fluid loss and hole stability. |

A closed mud system will be employed during the drilling of this well all cuttings and fluids will be disposed in a State approved disposal facility.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, cut cores and casing, the viscosity, water loss and other properties may have to be altered to meet these requirements.

APPLICATION TO DRILL

OGX RESOURCES, LLC.
SILVERSTREAK "13" FEDERAL COM. # 2H
UNIT "M" SECTION 13
T24S-R30E EDDY CO. NM

12. LOGGING , CORING , AND TESTING PROGRAM: *See COA*

- A. Open hole logs: Dual Laterolog, Neutron/Density, Gamma Ray, Caliper from KOP back to 9 5/8" casing shoe. Gamma Ray, Neutron from 9 5/8" casing shoe back to surface.
- B. Mud logger will be rigged up on hole below the 13 3/8" casing and remain on the hole to TD.
- C. No cores or DST's are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H2S in this area. If H2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated bottom hole pressure 4170 PSI and estimated bottom hole temperature 160°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after The BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 34 days. If production casing is run then an additional 30 days will be required to complete the well and construct surface production facilities.

15. OTHER FACETS OF OPERATION:

After running casing, cased hole Gamma Ray, Neutron, Collar logs will be run over the productive interval. The BONE SPRING formation will be perforated and stimulated in order to establish production, and potential as an oil well.

**Silver Streak 13 Fed Com No. 2H
Nash Draw (Bone Spring) Field
Eddy County, New Mexico
Drilling Procedure
Aug. 2011**

General Information

| | | | |
|---------------|--------------------------|----------------|---------------|
| Lease: | Silver Streak 13 Fed Com | AFE BCP: | \$ |
| Well No.: | 2H | AFE ACP: | |
| Field: | Nash Draw | AFE Total: | |
| County: | Eddy | AFE NO: | 90150XX |
| State: | New Mexico | API No.: | 30-015-XXXXX |
| Section: | 13 | Permit Date: | XX/XX/09 |
| Township: | 24S | Permit TVD: | 9,000' |
| Range: | 30E | Proposed MD: | 13,100' |
| Section Ties: | 400' FSL & 990' FWL | Drilling Days: | 32 |
| Ground Level: | 3456' | KB: | 3473' |
| Latitude: | 32.211610" N | Longitude | 103.839279" W |

Well Objectives

The primary objective of this well is to drill a Avalon shale horizontal lateral. The well will be drilled horizontal without a pilot hole.

Directions To Well

From Hwy 128 & CR #787, Go Sth on CR #787 approx 5.5 mi. / Bend Rt (St-Wst) 1.4 mi / Turn Rt (Nth) 0.8 mi / Lft (Wst) 0.7 mi / Lft (Sth) .15 mi to Nimetz 13 Fed #1 Pad / Sth to location.

Special Drilling Considerations

1. No hunting for game is permitted. No fire arms are to be taken to the location. Keep trash picked up on location and road.
2. Do not run hard-banded or hard-faced drill pipe in casing without consulting OGX.
3. Cement must be circulated on surface and intermediate. If cement does not circulate, run a temperature survey and contact the BLM and Operations Engineer for remedial instructions.
4. BOP equipment will be NU on the 13-3/8" surface casing. All safety and well control equipment should be rigged up and operational prior to drilling out the 13-3/8" casing shoe.

DRILLING PROGRAM**Geologic Name of Surface Formation:**

Permian

FORMATION TOPS / ANTICIPATED FRESH WATER, OIL, or GAS / PRESSURES

| <u>Formation</u> | <u>Depth</u> | <u>Frm Pres</u> | <u>Remarks</u> |
|---------------------|--------------|-----------------|-----------------------------|
| Rustler | 650' | 280# | Water |
| Basal Anhydrite | 3880' | 1680# | Water |
| Lamar | 4100' | 1775# | Water |
| Bell Canyon | 4130' | 1780# | Oil / Gas / Formation water |
| Cherry Canyon | 5060' | 2190# | Oil / Gas / Formation water |
| Brushy Canyon | 6340' | 2745# | Oil / Gas / Formation water |
| 1 st BSS | 8020' | 3820# | Oil / Gas / Formation water |
| TVD | 8750' | 4170# | |

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 13 3/8" casing at ~~700'~~ and circulating cement back to surface. Potash/ fresh water sands will be protected by setting 9 5/8" casing at ~~4200'~~ and circulating cement to surface. The hydrocarbon producing intervals will be isolated by setting 5 1/2" casing to total depth and circulating cement 500' above the base of the 9 5/8" casing.

CASING PROGRAM:

| HOLE SIZE | DEPTH | OD Csg | WEIGHT | COLLAR | GRADE | NEW/USED |
|------------------|--|---------------|---------------|---------------|--------------|-----------------|
| 17 1/2" | 0- 700' ^{630'} | 13 3/8" | 54.5 | STC | J55 | New |
| 12 1/4" | 0-3400' | 9 5/8" | 36 | STC | J55 | New |
| 12 1/4" | 3400'- 4200' ^{4100'} | 9 5/8" | 40 | STC | J55 | New |
| 8 3/4" | 0-8000' MD | 5 1/2" | 17 | LTC | P110 | New |
| 8 3/4" | 8000'-13100' MD | 5 1/2" | 17 | BTC | P110 | New |

(5 1/2" BTC will be run thru the curve & Lateral)

| DEPTH | OD Csg | WEIGHT | factors: Burst / Collapse / Tension | | |
|-------------------------|---------------|---------------|--|------|------|
| 0- 700' | 13 3/8" | 54.5 | 1.1 | 2.6 | 11.4 |
| 0-3400' | 9 5/8" | 36 | 1.12 | 1.12 | 2.8 |
| 3400'- 4200' | 9 5/8" | 40 | 1.34 | 1.36 | 22.6 |
| 0-13100' MD | 5 1/2" | 17 | 1.25 | 1.42 | 1.67 |

(51/2 Burst & Collapse Calculated @ 8750' TVD)

CEMENT PROGRAM:**13 3/8" Surface**

Spacer 50 bbls of fresh water
 Slurry Lead: 35:65:6 – Poz: Prem Plus C + 6% Bentonite + 5% salt + 5% MPA-5 + .7% Sodium Metasilicate + 5 lbs LCM + 97.9 fresh water
 Tail: Premium Plus C + 2% CaCl₂ + 56.4% Fresh Water

| Cement Properties | Lead | Tail |
|-----------------------------|-------------|-------------|
| Est Volume (sacks) | 480 | 200 |
| Density (ppg) | 12.80 | 14.80 |
| Yield (ft ³ /sx) | 2.00 | 1.34 |
| Mix Water, gps | 10.21 | 6.36 |
| Thickening Time, hrs:min | | ~3:30 |
| Free Water, % | | 0 |
| Fluid Loss, cc's | | ~850 |
| Top of Cement | surface | |

9 5/8" Intermediate

Spacer 30 bbls of fresh water
 Lead 35:65 – Poz: Prem Plus C + 4% Bentonite + 5% salt + 5% MPA-5 + .7% Sodium Metasilicate + 5 lbs LCM + 99.6% fresh water
 Tail C + 2% CaCl₂ + 56.4% fresh water

| Cement Properties | Lead | Tail |
|-----------------------------|-------------|-------------|
| Est Volume (sacks) | 580 | 200 |
| Density (ppg) | 12.7 | 14.8 |
| Yield (ft ³ /sx) | 2.02 | 1.34 |
| Mix Water, gps | 10.39 | 6.36 |
| Thickening Time, hrs:min | 4:07 | 3:32 |
| Free Water, % | 2.0 | 0 |
| Fluid Loss, cc's | ~750 | ~600 |
| Top of Cement | 600 | |

See log

A FLUID CALIPER WILL BE RUN TO DETERMINE EXACT VOLUMES & 25% EXCESS WILL BE ADDED

5 1/2" Production**Slurry Composition**

Spacer 30 bbls FW
Lead Premium Plus H + .7% FL-62 + .4% BA-10A + .1% FL-52 + 45.8% Fresh water
Tail 50:50 Poz C + 10% Bentonite + 5% NaCl + 139.7% Fresh water

Cement Properties

| | <u>Lead</u> | <u>Tail</u> |
|-------------------------|--|-------------|
| Estimated Volume, sx | 535 | 525 |
| Density, ppg | 11.8 | 14.8 |
| Yield, cf/sk | 2.44 | 1.33 |
| Mix water required, gps | 14.07 | 6.33 |
| Free Water, % | | |
| Fluid Loss, cc | | |
| Top of cement, ft | 9 5/8" csg + 500' (above ³⁶⁰⁰ 2800) | |

The above cement volumes will be revised pending fluid and open hole caliper measurements.

MUD PROPERTIES SUMMARY:

| Depth (feet) | Weight (ppg) | Viscosity (sec/1000cc) | Fluid Loss (cc/30min) | PV (cps) | YP (lb/100ft ²) | Mud Type |
|---|-----------------|---------------------------|--------------------------|-------------|--------------------------------|----------------------------|
| 0' – 700' Set 13-3/8" Casing | 8.6 – 8.8 | 36 – 38 | N/C | 6 – 10 | 6 – 20 | Spud Mud |
| 700' – 4,200' Set 9-5/8" Casing | 10.0 – 10.1 | 29 – 30 | N/C | 0 – 1 | 0 – 1 | Brine |
| 4,200' – 8,000' TVD Vertical Hole | 8.4 – 10.0 | 28 – 29 | N/C | 0 – 1 | 0 – 1 | Fresh Water To Brine |
| 8,000' – 13,100' MD Set 5-1/2" | 8.4 – 10.0 | 34 – 36 | 12 – 15 | 4 – 8 | 4 – 8 | Dynazan / Starch HB 411 |

Auxiliary Well Control & Monitoring Equipment:

A Kelly cock will be in the drill string at all times.

A full opening drill pipe stabbing valve having the appropriate connections will be on the floor at all times.

H₂S detection equipment will be in operation after drilling out the 13 3/8" casing shoe until the 5 1/2" csg is cemented.

LOGGING, CORING, AND TESTING

See COA

No logs at surface.

Mud loggers on below 13 3/8" casing shoe – no electric logs at intermediate depth

The Vertical hole will be logged @ Kick Off: Gyro / GR / Dual Laterolog / Neutron-Density / Caliper
Sidewall cores at depths TBD

No DST's or pressure testing is anticipated.

The horizontal lateral will be mud logged and GR via MWD.

Potential Hazards:

No abnormal pressures or temperatures are expected. There is no known presence of H₂S in this area. If H₂S is encountered the operator will comply with the provisions of Onshore Oil & Gas Order No.6. No loss circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP is 4170 psi. & BHT is 160° F.

Anticipated Starting Date & Duration:

Road and location construction will begin after the BLM has approved the APD. Move in and drilling operations will take 34 days with an additional 30 days to complete the well and construct production facilities.



WELL DETAILS: Silverstreak 13 Fed Com 2H

| | | | |
|-----------|---------------|-----------------|------------------|
| | Ground Level. | 3456 00 | |
| Northing | Easting | Latitude | Longitude |
| 441054 10 | 652802.30 | 32° 12' 41 79 N | 103° 50' 21 40 W |

SECTION DETAILS

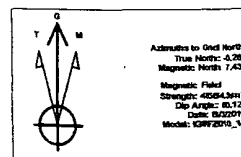
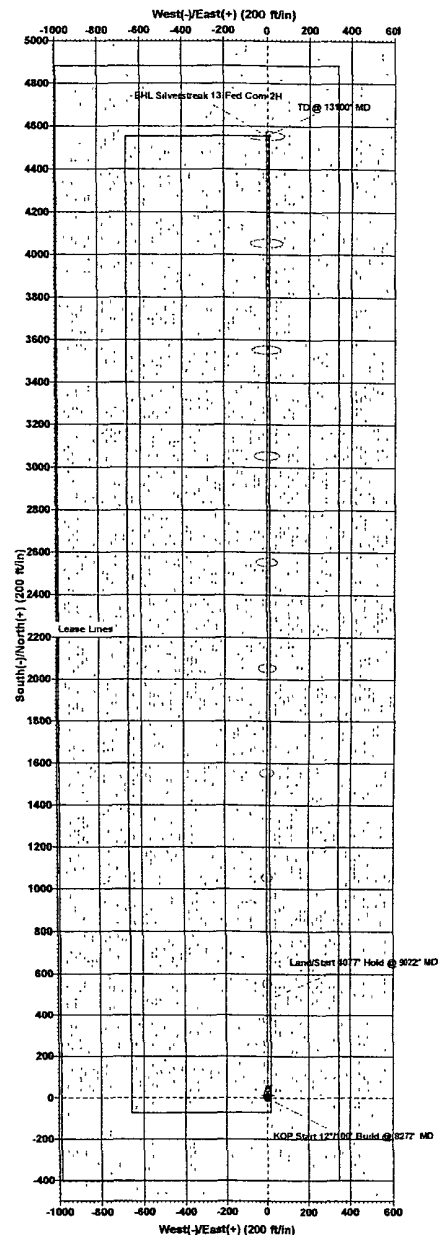
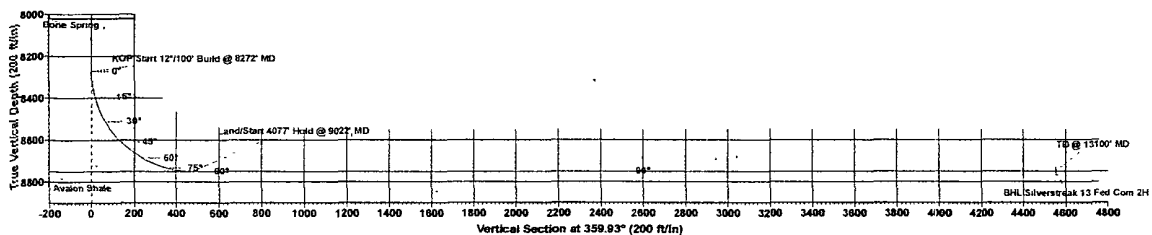
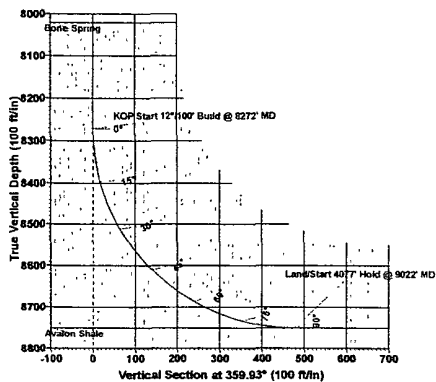
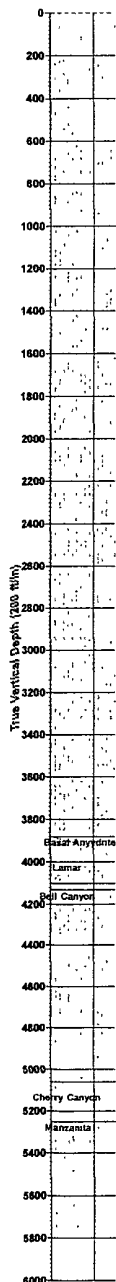
| MD | Inc | Azi | TVD | +N/-S | +E/-W | DLeg | TFace | VSec |
|----------|-------|--------|---------|---------|-------|-------|---------|--------|
| 0 00 | 0 00 | 0 00 | 0 00 | 0 00 | 0 00 | 0 00 | 0 00 | 0 00 |
| 8272.53 | 0 00 | 0 00 | 8272.53 | 0 00 | 0 00 | 0 00 | 0 00 | 0 00 |
| 9022.54 | 90 00 | 359 93 | 8750.00 | 477 47 | -0.62 | 12.00 | 359 93 | 477 47 |
| 13100.18 | 90 00 | 359 93 | 8750.00 | 4555.11 | -5.90 | 0 00 | 4555 11 | |

FORMATION TOP DETAILS

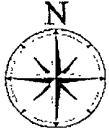
| TVDPATH | MDPATH | FORMATION |
|---------|---------|----------------|
| 3880 00 | 3880 00 | Basal Anyydnte |
| 4100 00 | 4100 00 | Lamar |
| 4130 00 | 4130 00 | Bell Canyon |
| 5060 00 | 5080 00 | Cherry Canyon |
| 5250 00 | 5250 00 | Manzanita |
| 6340 00 | 6340 00 | Brushy Canyon |
| 8020 00 | 8020 00 | Bone Spring |
| 8750 00 | 9022 54 | Avaton Shale |

ANNOTATIONS

| TVD | MD | Annotation |
|---------|----------|-------------------------------------|
| 8272 53 | 8272.53 | KOP Start 12"1100' Build @ 8272' MD |
| 8750 00 | 8022 54 | Land/Start 4077' Hold @ 9022' MD |
| 8750 00 | 13100 18 | TD @ 13100' MD |



Plan: Plan #1 080311 (Silverstreak 13 Fed Com 2H/Wellbore #1)



SECTION DETAILS

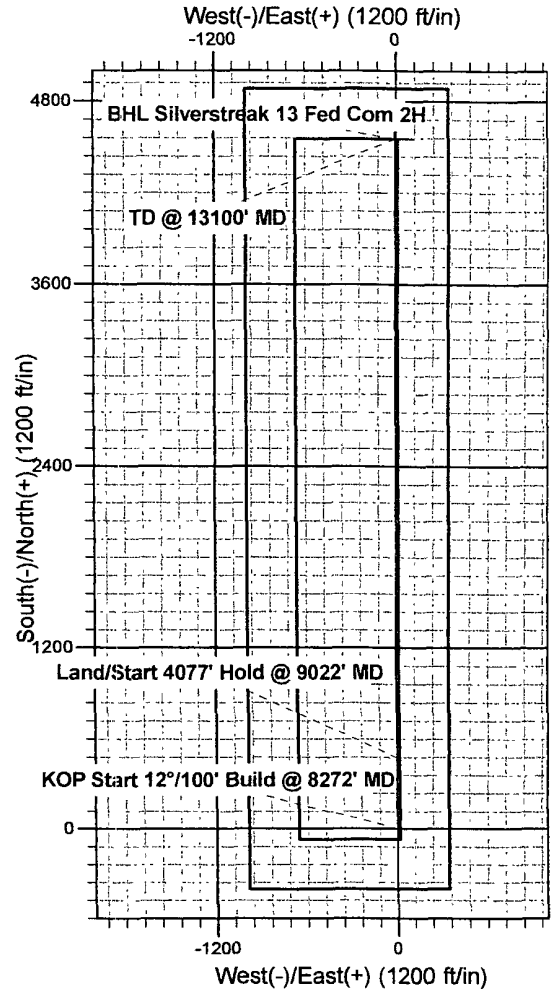
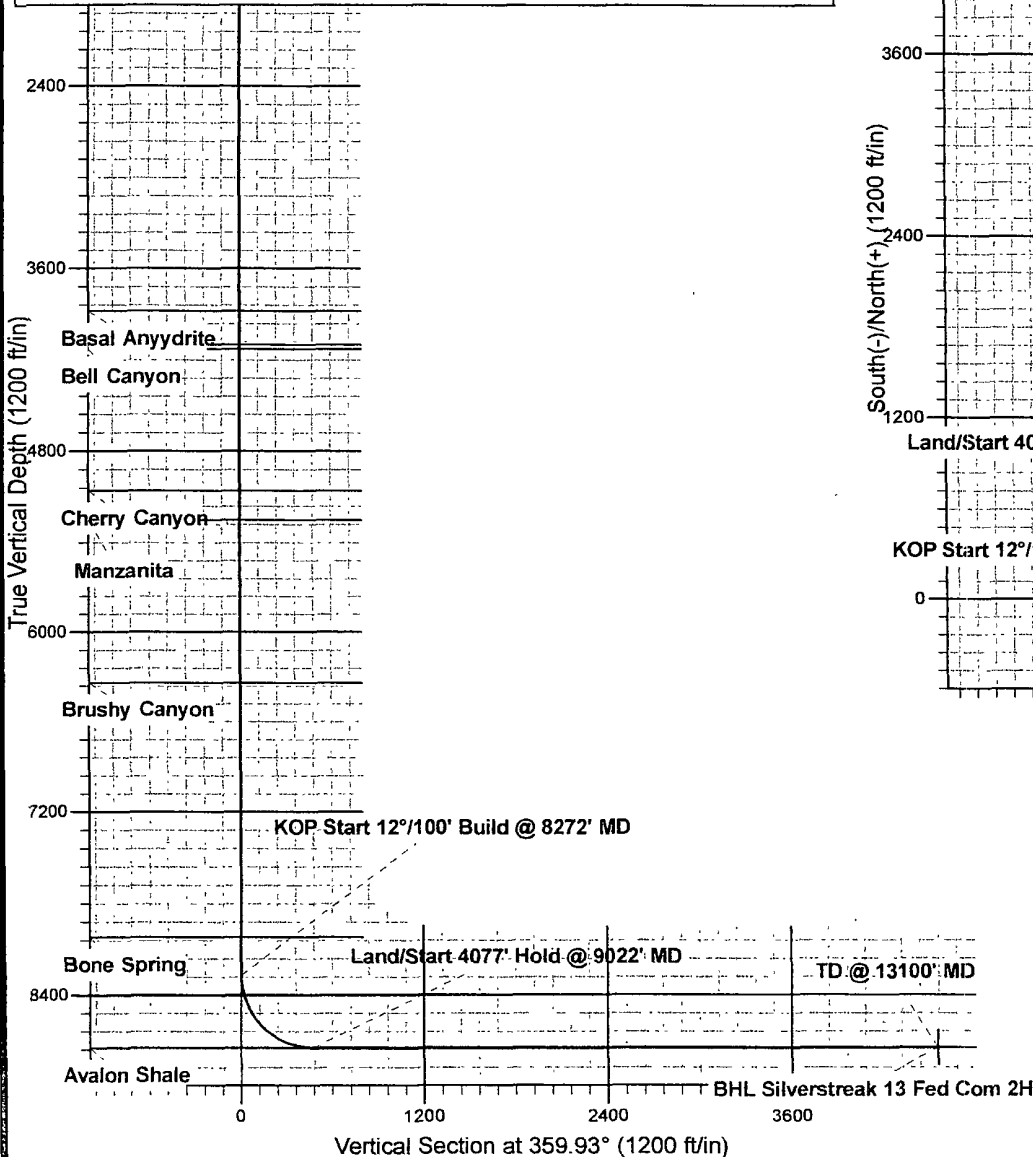
| MD | Inc | Azi | TVD | +N/-S | +E/-W | DLeg | TFace | VSec | Target |
|----------|-------|--------|---------|---------|-------|-------|-------------|--------|--------------------------------|
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 8272.53 | 0.00 | 0.00 | 8272.53 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| 9022.54 | 90.00 | 359.93 | 8750.00 | 477.47 | -0.62 | 12.00 | 359.93 | 477.47 | |
| 13100.18 | 90.00 | 359.93 | 8750.00 | 4555.11 | -5.90 | 0.00 | 0.004555.11 | | BHL Silverstreak 13 Fed Com 2H |

WELL DETAILS: Silverstreak 13 Fed Com 2H

Ground Level: 3456.00
 Northing Easting Latitude Longitude
 441054.10 652802.30 32° 12' 41.79 N 103° 50' 21.40 W

WELLBORE TARGET DETAILS

| Name | TVD | +N/-S | +E/-W | Shape |
|--------------------------------|---------|---------|-------|-------|
| BHL Silverstreak 13 Fed Com 2H | 8750.00 | 4555.11 | -5.90 | Point |



OGX Resources

**Eddy County, New Mexico
Silverstreak 13 Federal Com
Silverstreak 13 Fed Com 2H
Wellbore #1**

Plan: Plan #1 080311

OGX Resources

03 August, 2011



Phoenix Technology Services
OGX Resources



| | | | |
|------------------|-----------------------------|-------------------------------------|--|
| Company: | OGX Resources | Local Co-ordinate Reference: | Well Silverstreak 13 Fed Com 2H |
| Project: | Eddy County, New Mexico | TVD Reference: | WELL @ 3474.00ft (Original Well Elev + 18' KB) |
| Site: | Silverstreak 13 Federal Com | MD Reference: | WELL @ 3474.00ft (Original Well Elev + 18' KB) |
| Well: | Silverstreak 13 Fed Com 2H | North Reference: | Grid |
| Wellbore: | Wellbore #1 | Survey Calculation Method: | Minimum Curvature |
| Design: | Plan #1 080311 | Database: | GCR3 |

| | | | |
|--------------------|--------------------------------------|----------------------|----------------|
| Project: | Eddy County, New Mexico | | |
| Map System: | US State Plane 1927 (Exact solution) | System Datum: | Mean Sea Level |
| Geo Datum: | NAD 1927 (NADCON CONUS) | | |
| Map Zone: | New Mexico East 3001 | | |

| | | | | | |
|------------------------------|-----------------------------|---------------------|-------------------|--------------------------|--------|
| Site: | Silverstreak 13 Federal Com | | | | |
| Site Position: | Northing: | 441,054.10 ft | Latitude: | 32° 12' 41.79 N | |
| From: Map | Easting: | 652,802.30 ft | Longitude: | 103° 50' 21.40 W | |
| Position Uncertainty: | 0.00 ft | Slot Radius: | " | Grid Convergence: | 0.26 ° |

| | | | | | | |
|-----------------------------|----------------------------|----------------------------|------------------|----------------------|-------------------|------------------|
| Well: | Silverstreak 13 Fed Com 2H | | | | | |
| Well Position | +N/-S | 0.00 ft | Northing: | 441,054.10 ft | Latitude: | 32° 12' 41.79 N |
| | +E/-W | 0.00 ft | Easting: | 652,802.30 ft | Longitude: | 103° 50' 21.40 W |
| Position Uncertainty | 0.00 ft | Wellhead Elevation: | ft | Ground Level: | 3,456.00 ft | |

| | | | | | |
|------------------|-------------------|--------------------|--------------------|------------------|-----------------------|
| Wellbore: | Wellbore #1 | | | | |
| Magnetics | Model Name | Sample Date | Declination | Dip Angle | Field Strength |
| | | | (°) | (°) | (nT) |
| | IGRF2010_14 | 8/3/2011 | 7.69 | 60.12 | 48,564 |

| | | | | |
|--------------------------|-------------------------|--------------|----------------------|------------------|
| Design: | Plan #1 080311 | | | |
| Audit Notes: | | | | |
| Version: | Phase: | PLAN | Tie On Depth: | 0.00 |
| Vertical Section: | Depth From (TVD) | +N/-S | +E/-W | Direction |
| | (ft) | (ft) | (ft) | (°) |
| | 0.00 | 0.00 | 0.00 | 359.93 |

| | | | | |
|----------------------------|-------------|------------------------------|------------------|--------------------|
| Survey Tool Program | Date | 8/3/2011 | | |
| From | To | Survey (Wellbore) | Tool Name | Description |
| (ft) | (ft) | | | |
| 0.00 | 13,100.18 | Plan #1 080311 (Wellbore #1) | MWD | MWD - Standard |

Phoenix Technology Services
OGX Resources



Company: OGX Resources
Project: Eddy County, New Mexico
Site: Silverstreak 13 Federal Com
Well: Silverstreak 13 Fed Com 2H
Wellbore: Wellbore #1
Design: Plan #1 080311

Local Co-ordinate Reference: Well Silverstreak 13 Fed Com 2H
TVD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
MD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
North Reference: Grid
Survey Calculation Method: Minimum Curvature
Database: GCR3

Planned Survey

| MD (ft) | Inc (°) | Azi (azimuth) (°) | TVDSS (ft) | TVD (ft) | N/S (ft) | E/W (ft) | V. Sec (ft) | DLeg (°/100ft) | Northing (ft) | Easting (ft) |
|------------|------------|----------------------|---------------|-------------|-------------|-------------|----------------|-------------------|------------------|-----------------|
| 0.00 | 0.00 | 0.00 | -3,474.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 100.00 | 0.00 | 0.00 | -3,374.00 | 100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 200.00 | 0.00 | 0.00 | -3,274.00 | 200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 300.00 | 0.00 | 0.00 | -3,174.00 | 300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 400.00 | 0.00 | 0.00 | -3,074.00 | 400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 500.00 | 0.00 | 0.00 | -2,974.00 | 500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 600.00 | 0.00 | 0.00 | -2,874.00 | 600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 700.00 | 0.00 | 0.00 | -2,774.00 | 700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 800.00 | 0.00 | 0.00 | -2,674.00 | 800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 900.00 | 0.00 | 0.00 | -2,574.00 | 900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,000.00 | 0.00 | 0.00 | -2,474.00 | 1,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,100.00 | 0.00 | 0.00 | -2,374.00 | 1,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,200.00 | 0.00 | 0.00 | -2,274.00 | 1,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,300.00 | 0.00 | 0.00 | -2,174.00 | 1,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,400.00 | 0.00 | 0.00 | -2,074.00 | 1,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,500.00 | 0.00 | 0.00 | -1,974.00 | 1,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,600.00 | 0.00 | 0.00 | -1,874.00 | 1,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,700.00 | 0.00 | 0.00 | -1,774.00 | 1,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,800.00 | 0.00 | 0.00 | -1,674.00 | 1,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 1,900.00 | 0.00 | 0.00 | -1,574.00 | 1,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,000.00 | 0.00 | 0.00 | -1,474.00 | 2,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,100.00 | 0.00 | 0.00 | -1,374.00 | 2,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,200.00 | 0.00 | 0.00 | -1,274.00 | 2,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,300.00 | 0.00 | 0.00 | -1,174.00 | 2,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,400.00 | 0.00 | 0.00 | -1,074.00 | 2,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,500.00 | 0.00 | 0.00 | -974.00 | 2,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,600.00 | 0.00 | 0.00 | -874.00 | 2,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |

Phoenix Technology Services

OGX Resources



Company: OGX Resources
 Project: Eddy County, New Mexico
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 Well: Silverstreak 13 Fed Com 2H
 Wellbore: Wellbore #1
 Design: Plan #1 080311

Local Co-ordinate Reference: Well Silverstreak 13 Fed Com 2H
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| MD (ft) | Inc (°) | Azi (azimuth) (°) | TVDSS (ft) | TVD (ft) | N/S (ft) | E/W (ft) | V. Sec (ft) | DLeg ("/100ft) | Northing (ft) | Easting (ft) |
|-----------------|------------|----------------------|---------------|-------------|-------------|-------------|----------------|-------------------|------------------|-----------------|
| 2,700.00 | 0.00 | 0.00 | -774.00 | 2,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,800.00 | 0.00 | 0.00 | -674.00 | 2,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 2,900.00 | 0.00 | 0.00 | -574.00 | 2,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,000.00 | 0.00 | 0.00 | -474.00 | 3,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,100.00 | 0.00 | 0.00 | -374.00 | 3,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,200.00 | 0.00 | 0.00 | -274.00 | 3,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,300.00 | 0.00 | 0.00 | -174.00 | 3,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,400.00 | 0.00 | 0.00 | -74.00 | 3,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,500.00 | 0.00 | 0.00 | 26.00 | 3,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,600.00 | 0.00 | 0.00 | 126.00 | 3,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,700.00 | 0.00 | 0.00 | 226.00 | 3,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,800.00 | 0.00 | 0.00 | 326.00 | 3,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 3,880.00 | 0.00 | 0.00 | 406.00 | 3,880.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Basal Anyydrite | | | | | | | | | | |
| 3,900.00 | 0.00 | 0.00 | 426.00 | 3,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,000.00 | 0.00 | 0.00 | 526.00 | 4,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,100.00 | 0.00 | 0.00 | 626.00 | 4,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Lamar | | | | | | | | | | |
| 4,130.00 | 0.00 | 0.00 | 656.00 | 4,130.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Bell Canyon | | | | | | | | | | |
| 4,200.00 | 0.00 | 0.00 | 726.00 | 4,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,300.00 | 0.00 | 0.00 | 826.00 | 4,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,400.00 | 0.00 | 0.00 | 926.00 | 4,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,500.00 | 0.00 | 0.00 | 1,026.00 | 4,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,600.00 | 0.00 | 0.00 | 1,126.00 | 4,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,700.00 | 0.00 | 0.00 | 1,226.00 | 4,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 4,800.00 | 0.00 | 0.00 | 1,326.00 | 4,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |

Phoenix Technology Services
OGX Resources



Company: OGX Resources
Project: Eddy County, New Mexico
Site: Silverstreak 13 Federal Com
Well: Silverstreak 13 Fed Com 2H
Wellbore: Wellbore #1
Design: Plan #1 080311

Local Co-ordinate Reference: Well Silverstreak 13 Fed Com 2H
TVD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
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North Reference: Grid
Survey Calculation Method: Minimum Curvature
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Planned Survey

| MD (ft) | Inc (°) | Azi (azimuth) (°) | TVDSS (ft) | TVD (ft) | N/S (ft) | E/W (ft) | V. Sec (ft) | DLeg (°/100ft) | Northing (ft) | Easting (ft) |
|---------------|------------|----------------------|---------------|-------------|-------------|-------------|----------------|-------------------|------------------|-----------------|
| 4,900.00 | 0.00 | 0.00 | 1,426.00 | 4,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,000.00 | 0.00 | 0.00 | 1,526.00 | 5,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,060.00 | 0.00 | 0.00 | 1,586.00 | 5,060.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Cherry Canyon | | | | | | | | | | |
| 5,100.00 | 0.00 | 0.00 | 1,626.00 | 5,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,200.00 | 0.00 | 0.00 | 1,726.00 | 5,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,250.00 | 0.00 | 0.00 | 1,776.00 | 5,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Manzanita | | | | | | | | | | |
| 5,300.00 | 0.00 | 0.00 | 1,826.00 | 5,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,400.00 | 0.00 | 0.00 | 1,926.00 | 5,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,500.00 | 0.00 | 0.00 | 2,026.00 | 5,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,600.00 | 0.00 | 0.00 | 2,126.00 | 5,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,700.00 | 0.00 | 0.00 | 2,226.00 | 5,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,800.00 | 0.00 | 0.00 | 2,326.00 | 5,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 5,900.00 | 0.00 | 0.00 | 2,426.00 | 5,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,000.00 | 0.00 | 0.00 | 2,526.00 | 6,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,100.00 | 0.00 | 0.00 | 2,626.00 | 6,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,200.00 | 0.00 | 0.00 | 2,726.00 | 6,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,300.00 | 0.00 | 0.00 | 2,826.00 | 6,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,340.00 | 0.00 | 0.00 | 2,866.00 | 6,340.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Brushy Canyon | | | | | | | | | | |
| 6,400.00 | 0.00 | 0.00 | 2,926.00 | 6,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,500.00 | 0.00 | 0.00 | 3,026.00 | 6,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,600.00 | 0.00 | 0.00 | 3,126.00 | 6,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,700.00 | 0.00 | 0.00 | 3,226.00 | 6,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,800.00 | 0.00 | 0.00 | 3,326.00 | 6,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 6,900.00 | 0.00 | 0.00 | 3,426.00 | 6,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |

Phoenix Technology Services
OGX Resources



Company: OGX Resources
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Local Co-ordinate Reference: Well Silverstreak 13 Fed Com 2H
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Planned Survey

| MD (ft) | Inc (°) | Azi (azimuth) (°) | TVDSS (ft) | TVD (ft) | N/S (ft) | E/W (ft) | V. Sec (ft) | DLeg (°/100ft) | Northing (ft) | Easting (ft) |
|---|------------|----------------------|---------------|-------------|-------------|-------------|----------------|-------------------|------------------|-----------------|
| 7,000.00 | 0.00 | 0.00 | 3,526.00 | 7,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,100.00 | 0.00 | 0.00 | 3,626.00 | 7,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,200.00 | 0.00 | 0.00 | 3,726.00 | 7,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,300.00 | 0.00 | 0.00 | 3,826.00 | 7,300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,400.00 | 0.00 | 0.00 | 3,926.00 | 7,400.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,500.00 | 0.00 | 0.00 | 4,026.00 | 7,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,600.00 | 0.00 | 0.00 | 4,126.00 | 7,600.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,700.00 | 0.00 | 0.00 | 4,226.00 | 7,700.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,800.00 | 0.00 | 0.00 | 4,326.00 | 7,800.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 7,900.00 | 0.00 | 0.00 | 4,426.00 | 7,900.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 8,000.00 | 0.00 | 0.00 | 4,526.00 | 8,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 8,020.00 | 0.00 | 0.00 | 4,546.00 | 8,020.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| Bone Spring | | | | | | | | | | |
| 8,100.00 | 0.00 | 0.00 | 4,626.00 | 8,100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 8,200.00 | 0.00 | 0.00 | 4,726.00 | 8,200.00 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| 8,272.53 | 0.00 | 0.00 | 4,798.53 | 8,272.53 | 0.00 | 0.00 | 0.00 | 0.00 | 441,054.10 | 652,802.30 |
| KOP Start 12°/100' Build @ 8272' MD | | | | | | | | | | |
| 8,300.00 | 3.30 | 359.93 | 4,825.98 | 8,299.98 | 0.79 | 0.00 | 0.79 | 12.00 | 441,054.89 | 652,802.30 |
| 8,400.00 | 15.30 | 359.93 | 4,924.49 | 8,398.49 | 16.91 | -0.02 | 16.91 | 12.00 | 441,071.01 | 652,802.28 |
| 8,500.00 | 27.30 | 359.93 | 5,017.49 | 8,491.49 | 53.17 | -0.07 | 53.17 | 12.00 | 441,107.27 | 652,802.23 |
| 8,600.00 | 39.30 | 359.93 | 5,100.92 | 8,574.92 | 107.96 | -0.14 | 107.96 | 12.00 | 441,162.06 | 652,802.16 |
| 8,700.00 | 51.30 | 359.93 | 5,171.14 | 8,645.14 | 178.91 | -0.23 | 178.91 | 12.00 | 441,233.01 | 652,802.07 |
| 8,800.00 | 63.30 | 359.93 | 5,225.07 | 8,699.07 | 262.90 | -0.34 | 262.90 | 12.00 | 441,317.00 | 652,801.96 |
| 8,900.00 | 75.30 | 359.93 | 5,260.36 | 8,734.36 | 356.27 | -0.46 | 356.27 | 12.00 | 441,410.37 | 652,801.84 |
| 9,000.00 | 87.30 | 359.93 | 5,275.47 | 8,749.47 | 454.94 | -0.59 | 454.94 | 12.00 | 441,509.04 | 652,801.71 |
| 9,022.54 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 477.47 | -0.62 | 477.47 | 12.00 | 441,531.56 | 652,801.68 |
| Land/Start 4077' Hold @ 9022' MD - Avalon Shale | | | | | | | | | | |
| 9,100.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 554.93 | -0.72 | 554.93 | 0.00 | 441,609.03 | 652,801.58 |

Phoenix Technology Services
OGX Resources



| | | | |
|------------------|-----------------------------|-------------------------------------|--|
| Company: | OGX Resources | Local Co-ordinate Reference: | Well Silverstreak 13 Fed Com 2H |
| Project: | Eddy County, New Mexico | TVD Reference: | WELL @ 3474.00ft (Original Well Elev + 18' KB) |
| Site: | Silverstreak 13 Federal Com | MD Reference: | WELL @ 3474 00ft (Original Well Elev + 18' KB) |
| Well: | Silverstreak 13 Fed Com 2H | North Reference: | Grid |
| Wellbore: | Wellbore #1 | Survey Calculation Method: | Minimum Curvature |
| Design: | Plan #1 080311 | Database: | GCR3 |

| Planned Survey | | | | | | | | | | | |
|----------------|------------|----------------------|---------------|-------------|-------------|-------------|----------------|-------------------|------------------|-----------------|--|
| MD (ft) | Inc (°) | Azi (azimuth) (°) | TVDSS (ft) | TVD (ft) | N/S (ft) | E/W (ft) | V. Sec (ft) | DLeg (°/100ft) | Northing (ft) | Easting (ft) | |
| 9,200.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 654.93 | -0.85 | 654.93 | 0.00 | 441,709.03 | 652,801.45 | |
| 9,300.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 754.93 | -0.98 | 754.93 | 0.00 | 441,809.03 | 652,801.32 | |
| 9,400.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 854.93 | -1.11 | 854.93 | 0.00 | 441,909.03 | 652,801.19 | |
| 9,500.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 954.93 | -1.24 | 954.93 | 0.00 | 442,009.03 | 652,801.06 | |
| 9,600.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,054.93 | -1.37 | 1,054.93 | 0.00 | 442,109.03 | 652,800.93 | |
| 9,700.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,154.93 | -1.50 | 1,154.93 | 0.00 | 442,209.03 | 652,800.80 | |
| 9,800.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,254.93 | -1.63 | 1,254.93 | 0.00 | 442,309.03 | 652,800.67 | |
| 9,900.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,354.93 | -1.75 | 1,354.93 | 0.00 | 442,409.03 | 652,800.55 | |
| 10,000.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,454.93 | -1.88 | 1,454.93 | 0.00 | 442,509.03 | 652,800.42 | |
| 10,100.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,554.93 | -2.01 | 1,554.93 | 0.00 | 442,609.03 | 652,800.29 | |
| 10,200.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,654.93 | -2.14 | 1,654.93 | 0.00 | 442,709.03 | 652,800.16 | |
| 10,300.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,754.93 | -2.27 | 1,754.93 | 0.00 | 442,809.03 | 652,800.03 | |
| 10,400.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,854.93 | -2.40 | 1,854.93 | 0.00 | 442,909.02 | 652,799.90 | |
| 10,500.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 1,954.93 | -2.53 | 1,954.93 | 0.00 | 443,009.02 | 652,799.77 | |
| 10,600.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,054.93 | -2.66 | 2,054.93 | 0.00 | 443,109.02 | 652,799.64 | |
| 10,700.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,154.93 | -2.79 | 2,154.93 | 0.00 | 443,209.02 | 652,799.51 | |
| 10,800.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,254.93 | -2.92 | 2,254.93 | 0.00 | 443,309.02 | 652,799.38 | |
| 10,900.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,354.93 | -3.05 | 2,354.93 | 0.00 | 443,409.02 | 652,799.25 | |
| 11,000.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,454.93 | -3.18 | 2,454.93 | 0.00 | 443,509.02 | 652,799.12 | |
| 11,100.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,554.93 | -3.31 | 2,554.93 | 0.00 | 443,609.02 | 652,798.99 | |
| 11,200.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,654.93 | -3.44 | 2,654.93 | 0.00 | 443,709.02 | 652,798.86 | |
| 11,300.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,754.93 | -3.57 | 2,754.93 | 0.00 | 443,809.02 | 652,798.73 | |
| 11,400.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,854.93 | -3.70 | 2,854.93 | 0.00 | 443,909.02 | 652,798.60 | |
| 11,500.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 2,954.93 | -3.83 | 2,954.93 | 0.00 | 444,009.02 | 652,798.47 | |
| 11,600.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,054.93 | -3.96 | 3,054.93 | 0.00 | 444,109.02 | 652,798.34 | |
| 11,700.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,154.93 | -4.09 | 3,154.93 | 0.00 | 444,209.02 | 652,798.21 | |
| 11,800.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,254.93 | -4.22 | 3,254.93 | 0.00 | 444,309.02 | 652,798.08 | |

Phoenix Technology Services
OGX Resources



Company: OGX Resources
Project: Eddy County, New Mexico
Site: Silverstreak 13 Federal Com
Well: Silverstreak 13 Fed Com 2H
Wellbore: Wellbore #1
Design: Plan #1 080311

Local Co-ordinate Reference: Well Silverstreak 13 Fed Com 2H
TVD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
MD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
North Reference: Grid
Survey Calculation Method: Minimum Curvature
Database: GCR3

Planned Survey

| MD (ft) | Inc (°) | Azi (azimuth) (°) | TVDSS (ft) | TVD (ft) | N/S (ft) | E/W (ft) | V. Sec (ft) | DLeg (°/100ft) | Northing (ft) | Easting (ft) |
|------------|------------|----------------------|---------------|-------------|-------------|-------------|----------------|-------------------|------------------|-----------------|
| 11,900.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,354.93 | -4.35 | 3,354.93 | 0.00 | 444,409.02 | 652,797.95 |
| 12,000.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,454.93 | -4.47 | 3,454.93 | 0.00 | 444,509.02 | 652,797.83 |
| 12,100.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,554.93 | -4.60 | 3,554.93 | 0.00 | 444,609.02 | 652,797.70 |
| 12,200.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,654.93 | -4.73 | 3,654.93 | 0.00 | 444,709.02 | 652,797.57 |
| 12,300.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,754.93 | -4.86 | 3,754.93 | 0.00 | 444,809.02 | 652,797.44 |
| 12,400.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,854.93 | -4.99 | 3,854.93 | 0.00 | 444,909.02 | 652,797.31 |
| 12,500.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 3,954.93 | -5.12 | 3,954.93 | 0.00 | 445,009.02 | 652,797.18 |
| 12,600.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,054.93 | -5.25 | 4,054.93 | 0.00 | 445,109.02 | 652,797.05 |
| 12,700.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,154.93 | -5.38 | 4,154.93 | 0.00 | 445,209.02 | 652,796.92 |
| 12,800.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,254.93 | -5.51 | 4,254.93 | 0.00 | 445,309.02 | 652,796.79 |
| 12,900.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,354.93 | -5.64 | 4,354.93 | 0.00 | 445,409.02 | 652,796.66 |
| 13,000.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,454.93 | -5.77 | 4,454.93 | 0.00 | 445,509.02 | 652,796.53 |
| 13,100.00 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,554.93 | -5.90 | 4,554.93 | 0.00 | 445,609.02 | 652,796.40 |
| 13,100.18 | 90.00 | 359.93 | 5,276.00 | 8,750.00 | 4,555.11 | -5.90 | 4,555.11 | 0.00 | 445,609.20 | 652,796.40 |

TD @ 13100' MD

Formations

| Measured Depth (ft) | Vertical Depth (ft) | Name | Lithology | Dip (°) | Dip Direction (°) |
|---------------------------|---------------------------|-----------------|-----------|------------|-------------------------|
| 6,340.00 | 6,340.00 | Brushy Canyon | | 0.00 | |
| 9,022.54 | 8,750.00 | Avalon Shale | | 0.00 | |
| 5,080.00 | 5,060.00 | Cherry Canyon | | 0.00 | |
| 8,020.00 | 8,020.00 | Bone Spring | | 0.00 | |
| 4,130.00 | 4,130.00 | Bell Canyon | | 0.00 | |
| 4,100.00 | 4,100.00 | Lamar | | 0.00 | |
| 3,880.00 | 3,880.00 | Basal Anyydrite | | 0.00 | |
| 5,250.00 | 5,250.00 | Manzanita | | 0.00 | |

Phoenix Technology Services
OGX Resources



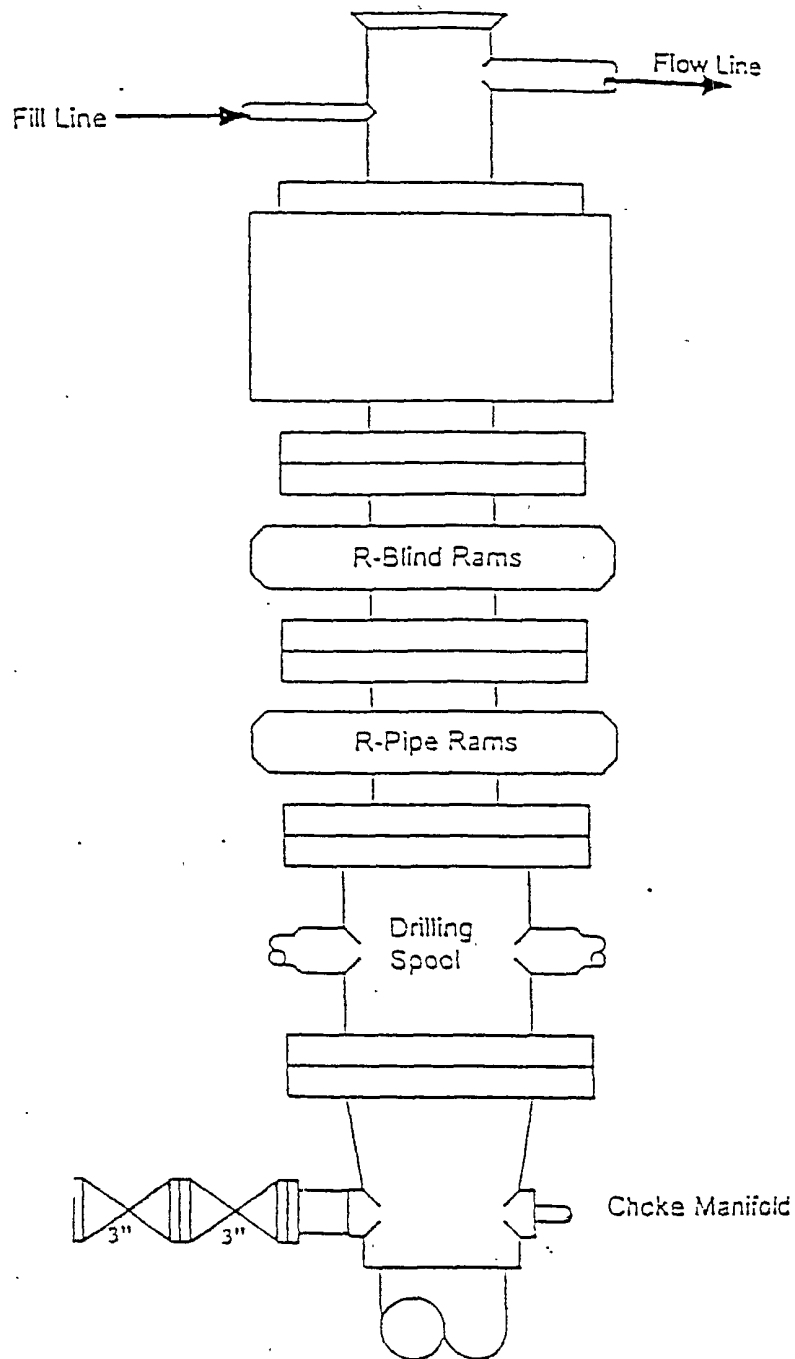
Company: OGX Resources
Project: Eddy County, New Mexico
Site: Silverstreak 13 Federal Com
Well: Silverstreak 13 Fed Com 2H
Wellbore: Wellbore #1
Design: Plan #1 080311

Local Co-ordinate Reference: Well Silverstreak 13 Fed Com 2H
TVD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
MD Reference: WELL @ 3474.00ft (Original Well Elev + 18' KB)
North Reference: Grid
Survey Calculation Method: Minimum Curvature
Database: GCR3

Plan Annotations

| Measured Depth (ft) | Vertical Depth (ft) | Local Coordinates | | Comment |
|---------------------------|---------------------------|-------------------|---------------|-------------------------------------|
| | | +N/-S (ft) | +E/-W (ft) | |
| 8,272.53 | 8,272.53 | 0.00 | 0.00 | KOP Start 12"/100' Build @ 8272' MD |
| 9,022.54 | 8,750.00 | 477.47 | -0.82 | Land/Start 4077' Hold @ 9022' MD |
| 13,100.18 | 8,750.00 | 4,555.11 | -5.90 | TD @ 13100' MD |

Checked By: _____ Approved By: _____ Date: _____



Type 900 Series
3000 psi WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

OGX RESOURCES, LLC.
SILVERSTREAK "13" FEDERAL COM. #2H
UNIT "M" SECTION 13
T24S-R30E EDDY CO. NM

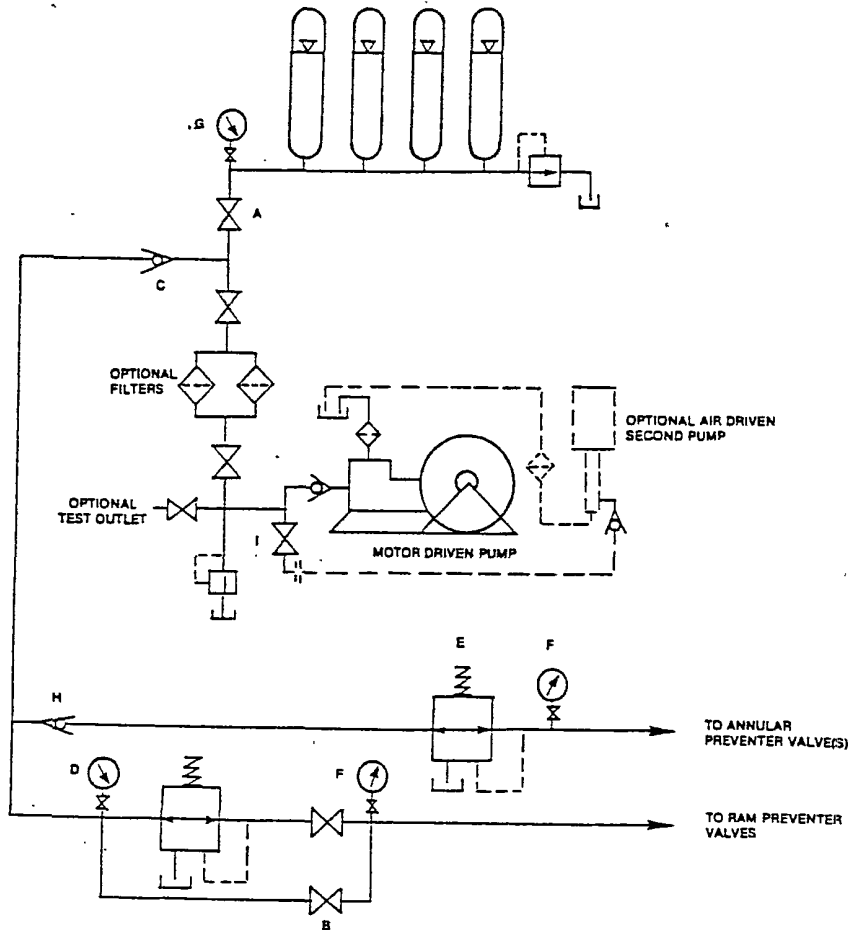


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

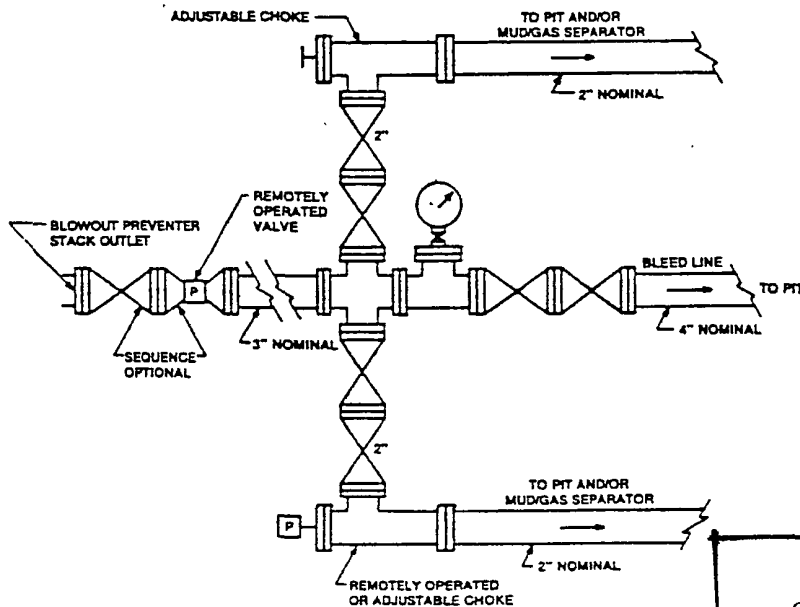


FIGURE K4-2. Typical choke manifold assembly for 5M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

OGX RESOURCES, LLC.
SILVERSTREAL "13" FEDERAL COM, #2H
UNIT "M" SECTION 13
T24S-R30E EDDY CO. NM

OGX RESOURCES, LLC.

HYDROGEN SULFIDE CONTINGENCY PLAN FOR DRILLING/WORKOVER/FACILITY

This well and its anticipated facility are not expected to have Hydrogen Sulfide releases. However, there may be Hydrogen Sulfide production in the nearby area. There are no Private residences in the area but a contingency plan has been orchestrated. OGX RESOURCES, LLC. Will have a company representative available to rig personnel throughout drilling or production operations. If Hydrogen Sulfide is detected or suspected, monitoring equipment will be acquired for monitoring and/or testing.

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GENERAL H2S EMERGENCY ACTIONS:

In the event of an H2S emergency, the following plan will be initiated.

- 1) All personnel will immediately evacuate to an up-wind and if possible up-hill "safe area".
- 2) If for any reason a person must enter the hazardous area, they must wear a SCBA (Self contained breathing apparatus)
- 3) Always use the "buddy system"
- 4) Isolate the well/problem if possible.
- 5) Account for all personnel
- 6) Display the proper colors warning all unsuspecting personnel of the danger at hand.
- 7) Contact the Company personnel as soon as possible if not at the location.
(use the enclosed call list as instructed)

At this point the company representative will evaluate the situation and co-ordinate the necessary duties to bring the situation under control, and if necessary, the notification of emergency response agencies and residents.

EMERGENCY PROCEDURES FOR AN UNCONTROLLABLE RELEASE OF H2S

- 1) All personnel will don the self-contained breathing apparatus.
- 2) Remove all personnel to the "safe area" (always use the "buddy system")
- 3) Contact company personnel if not on location.
- 4) Set in motion the steps to protect and or remove the general public to an upwind "safe area". Maintain strict security & safety procedures while dealing with the source.
- 5) No entry to any unauthorized personnel.
- 6) Notify the appropriate agencies: City Police-City street(s)
State Police-State Rd,
County Sheriff-County Rd.
(will assist in general public evacuation/safety while maintaining roadblocks)
- 7) Call the NMOCD & or BLM

If at this time the supervising person determines the release of H2S cannot be contained to the site location and the general public is in harms way he will take necessary steps to contact the following:

EMERGENCY CALL LIST: (Start and continue until ONE of these people have been reached)

| | <u>OFFICE</u> | <u>MOBILE</u> | <u>HOME</u> |
|----------------------------|---------------|-------------------------------|----------------------|
| Jeff Birkelbach | 432-685-1287 | 432-694-7880 | 432-553-0391 |
| Donny Leak | | 432-634-4862 | 432-399-4489 |
| Silver Oak Drilling Co. | 575-748-1288 | 575-748-8622 Mark Eldridge | Cell 575-748-8605 |
| Rig Phone | 575-513-1745 | | |

EMERGENCY RESPONSE NUMBERS: Lea County, New Mexico

| | |
|---|------------------------------|
| State Police | 575-392-5588 |
| Lea County Sheriff | 575-396-3611 |
| Emergency Medical Service (Ambulance) | 911 or 575-393-2677 |
| State Emergency Response Center (SERC) | 575-476-9620 |
| Hobbs Police Department | 575-397-9265 |
| Hobbs Fire Department | 575-393-2677 |
| Lovington Police Department | 575-396-3144 |
| Lovington Fire Department | 575-396-2359 |
| Loco Hills Fire Department | 575-677-2349 |
| Maljamar Fire Department | 575-676-4100 |
| (NMOCD) New Mexico Oil Conservation Division, District I (Lea, Roosevelt, Chaves, Curry) | 575-393-6161 |
| District II (Eddy, Chaves) | 575-748-1283 |
| American Safety | 575-746-1096 |
| Indian Fire & Safety | 575-746-4660 or 800-530-8693 |
| Callaway Safety | 575-746-2847 |
| BJ Services | 575-746-3569 |

PROTECTION OF THE GENERAL PUBLIC/ROE:

In the event greater than 100 ppm H₂S is present, the ROE (Radius Of Exposure) calculations will be done to determine if the following is warranted:

- 100 ppm at any public area (any place not associated with this site)
- 500 ppm at any public road (any road which the general public may travel)
- 100 ppm radius of 3000' will be assumed if there is insufficient data to do the calculations, and there is a reasonable expectation that H₂S could be present in concentrations greater than 100 ppm in the gas mixture.

Calculation for the 100 ppm ROE:

$$X = [(1.589) (\text{concentration}) (Q)]^{(0.6258)}$$

Calculation for the 500 ppm ROE:

$$X = [(0.4546) (\text{concentration}) (Q)]^{(.06258)}$$

EXAMPLE: If a well/facility has been determined to have 150 ppm H₂S in the gas mixture and the well/facility is producing at a gas rate of 100 MCFPD then:

$$\begin{aligned} 100 \text{ PPM} \quad X &= [(1.589)(150/1,000,000)(100,000)]^{0.6258} \\ X &= 7' \end{aligned}$$

$$\begin{aligned} 500 \text{ PPM} \quad X &= [(0.4546)(150/1,000,000)(100,000)]^{0.6258} \\ X &= 3' \end{aligned}$$

(These calculations will be forwarded to the appropriate District NMOCD office when applicable)

PUBLIC EVACUATION PLAN:

(When the supervisor has determined that the General Public will be involved, the following plan will be implemented)

- 1) Notification of the emergency response agencies of the hazardous condition and implement evacuation procedures.
- 2) A trained person in H₂S safety, shall monitor with detection equipment the H₂S concentration, wind and area of exposure (ROE). This person will determine the outer perimeter of the hazardous area. The extent of the evacuation area will be determined from the data being collected. Monitoring shall continue until the situation has been resolved. **(All monitoring equipment shall be UL approved, for use in class I groups A,B,C, & D, Division I, hazardous locations. All monitors will have a minimum capability of measuring H₂S values.)**
- 3) Law enforcement shall be notified to set up necessary barriers and maintain such for the duration of the situation as well as aid in the evacuation procedure.
- 4) The company supervising personnel shall stay in communications with all agencies through out the duration of the situation and inform such agencies when the situation has been contained and the effected area(s) is safe to enter.

PROCEDURE FOR IGNITING AN UNCONTROLLABLE CONDITION:

The decision to ignite a well should be a last resort and one if not both of the following pertain.

- 1) Human life and/or property are in danger.
- 2) There is no hope of bringing the situation under control with the prevailing conditions at the site.

INSTRUCTIONS FOR IGNITION:

- 1) Two people are required. They must be equipped with positive pressure; self contained breathing apparatus and a "D" –ring style, full body, OSHA approved safety harness. Non-flammable rope will be attached.
- 2) One of the people will be a qualified safety person who will test the atmosphere for H₂S, Oxygen, & LFL. The other person will be the company supervisor; he is responsible for igniting the well.
- 3) Ignite up-wind from a distance no closer than necessary. Make sure that where you ignite from has the maximum escape avenue available. A 25mm flare gun shall be used, with a $\pm 500'$ range to ignite the gas.
- 4) Prior to ignition, make a final check for combustible gases.
- 5) Following ignition, continue with the emergency actions & procedures as before.

REQUIRED EMERGENCY EQUIPMENT:

- 1) Breathing Apparatus:
 - Rescue Packs (SCBA) – 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
 - Work/Escapes Packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity.
 - Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.
- 2) Signage & Flagging:
 - One Color Code Condition Sign will be placed at the entrance to the site reflecting the possible conditions at the site.
 - A Colored Condition flag will be on display, reflecting the condition at the site at that time.
- 3) Briefing Area: Two, perpendicular areas will be designated by signs and readily accessible.

- 4) Wind Socks: Two windsocks will be placed in strategic locations, visible from all angles.
- 5) H2S Detectors and Alarm: The stationary detector with three (3) sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible @ 15 ppm. Calibrate a minimum of every 30 days or as needed. The 3 sensors will be placed in the following places: (Gas sample tubes will be stored in the safety trailer)
 - Rig Floor
 - Bell Nipple
 - End of Flow line or where well bore fluid are being discharged.
- 6) Auxiliary Rescue Equipment:
 - Stretcher
 - Two OSHA full body harness
 - 100' of 5/8" OSHA approved rope
 - 1 – 20# Class ABC fire extinguisher
 - Communication via cell phones on location and vehicles on location.

USING SELF-CONTAINED BREATHING AIR EQUIPMENT (SCBA):

SCBA should be worn when any of the following are performed:

- Working near the top or on top of a tank.
- Disconnecting any line where H2S can reasonably be expected.
- Sampling air in the area to determine if toxic concentrations of H2S exist.
- Working in areas where over 10 ppm on H2S has been detected.
- At any time there is a doubt as the level of H2S in the area.

All personnel shall be trained in the use of SCBA prior to working in a potentially hazardous location.

Facial hair and standard eyeglasses are not allowed with SCBA.

Contact lenses are never allowed with SCBA.

Air quality shall continuously be checked during the entire operation.

After each use, the SCBA unit shall be cleaned, disinfected, serviced and inspected.

All SCBA shall be inspected monthly.

RESCUE & FIRST AID FOR VICTIMS OF HYDROGEN SULFIDE (H₂S) POISONING

Do not panic.

Remain calm & think.

Get on the breathing apparatus.

Remove the victim to the safe breathing area as quickly as possible. Upwind an uphill from source of cross wind to achieve upwind.

Notify emergency response personnel.

Provide artificial respiration and/or CPR, as necessary.

Remove all contaminated clothing to avoid further exposure.

A minimum of two (2) personnel on location shall be trained in CPR and First Aid.

H2S TOXIC EFFECTS:

H₂S is extremely toxic. The acceptable ceiling for eight hours of exposure is 10 ppm, which is .001% by volume. H₂S is approximately 20% heavier than air (Sp.Gr=1.19 / Air=1) and colorless. It forms an explosive mixture with air between 4.3% and 46.0%. By volume hydrogen sulfide (H₂S) is almost as toxic as hydrogen cyanide and is 5-6 times more toxic than carbon monoxide.

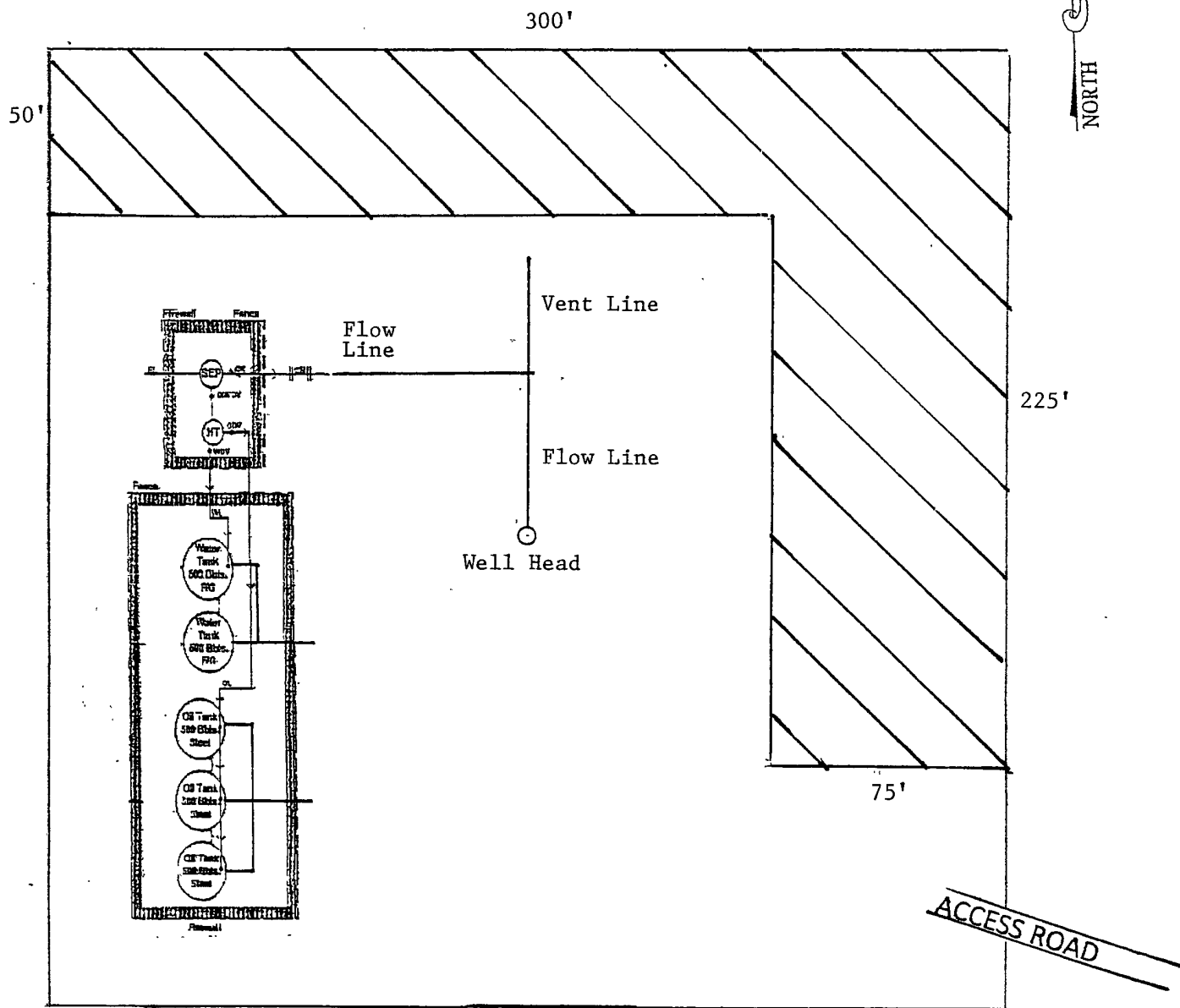
Various Gases

| Common Name | Chemical Abbrev. | Sp. Gr. | Threshold Limits | Hazardous Limits | Lethal Concentration |
|------------------|------------------|---------|------------------|---------------------|----------------------|
| Hydrogen Sulfide | H ₂ S | 1.19 | 10 ppm 15 ppm | 100 ppm/hr | 600 ppm |
| Hydrogen Cyanide | HCN | 0.94 | 10 ppm | 150 ppm/hr | 300 ppm |
| Sulfur Dioxide | SO ₂ | 2.21 | 2 ppm | N/A | 1000 ppm |
| Chlorine | CL ₂ | 2.45 | 1 ppm | 4 ppm/hr | 1000 ppm |
| Carbon Monoxide | CO | 0.97 | 50 ppm | 400 ppm/hr | 1000 ppm |
| Carbon Dioxide | CO ₂ | 1.52 | 5000 ppm | 5% | 10% |
| Methane | CH ₄ | 0.55 | 90,000 | Combustible @ 5% | N/A |

1. Threshold limit – Concentrations at which it is believed that all workers may be repeatedly exposed, day after day without adverse effects.
2. Hazardous limit – Concentration that may cause death.
3. Lethal concentration – Concentration that will cause death with short-term exposure.
4. Threshold limit – 10 ppm – NIOSH guide to chemical hazards.
5. Short-term threshold limit.

PHYSICAL EFFECTS OF HYDROGEN SULFIDE:

| CONCENTRATIONS | | PHYSICAL EFFECTS |
|----------------|---------|---|
| .001% | 10 ppm | Obvious and unpleasant odor. Safe for 8 hr. exposure |
| .005% | 50 ppm | Can cause some flu-like symptoms and can cause pneumonia. |
| .01% | 100 ppm | Kills the sense of smell in 3-15 minutes. May irritate eyes and throat. |
| .02% | 200 ppm | Kills the sense of smell rapidly. Severely irritates eyes and throat. Severe flu-like symptoms after 4 or more hours. May cause lung damage and/or death. |
| .06% | 600 ppm | Loss of consciousness quickly, death will result if not rescued promptly. |



PLAT OF PROPOSED RECLAIMED AREA

OGX RESOURCES, LLC.
 SILVERSTREAK "13" FEDERAL COM. #2H
 UNIT "M" SECTION 13
 T24S-R30E EDDY CO. NM

PECOS DISTRICT CONDITIONS OF APPROVAL

| | |
|-----------------------|--------------------------------------|
| OPERATOR'S NAME: | OGX Resources, LLC. |
| LEASE NO.: | NM-82896 |
| WELL NAME & NO.: | Silverstreak 13 Fed Com #2H |
| SURFACE HOLE FOOTAGE: | 400' FSL & 990' FWL |
| BOTTOM HOLE FOOTAGE: | 330' FNL & 990' FWL |
| LOCATION: | Section 13, T. 24 S., R. 30 E., NMPM |
| COUNTY: | Eddy County, New Mexico |

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
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 - Pipelines
 - Electric Lines
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

I. 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. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. 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.)

III. 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. An evaluation 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.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. 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.

V. SPECIAL REQUIREMENT(S)

Communitization Agreement

A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 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 APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 4 inches in depth. The topsoil will be used for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

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

D. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may 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 needs.

F. ON LEASE ACCESS ROADS

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 twenty (20) 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 may 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.

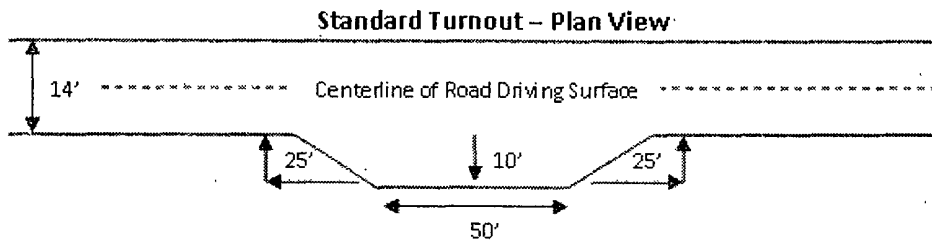
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing 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.

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:

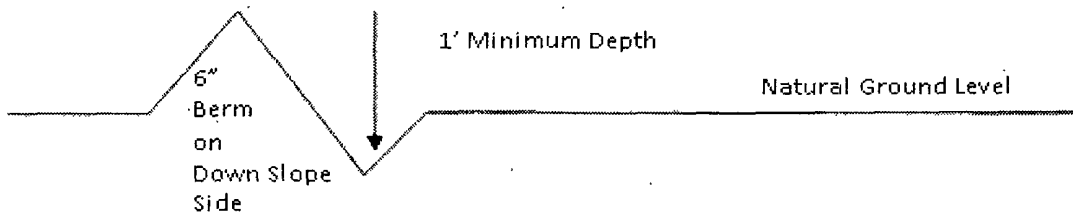


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing and insloping, 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 a 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 the deep waterway channel flow crossing.

Cattleguards

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

Any existing cattleguard(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 cattleguard(s) that are in place and are utilized during lease operations.

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

Fence Requirement

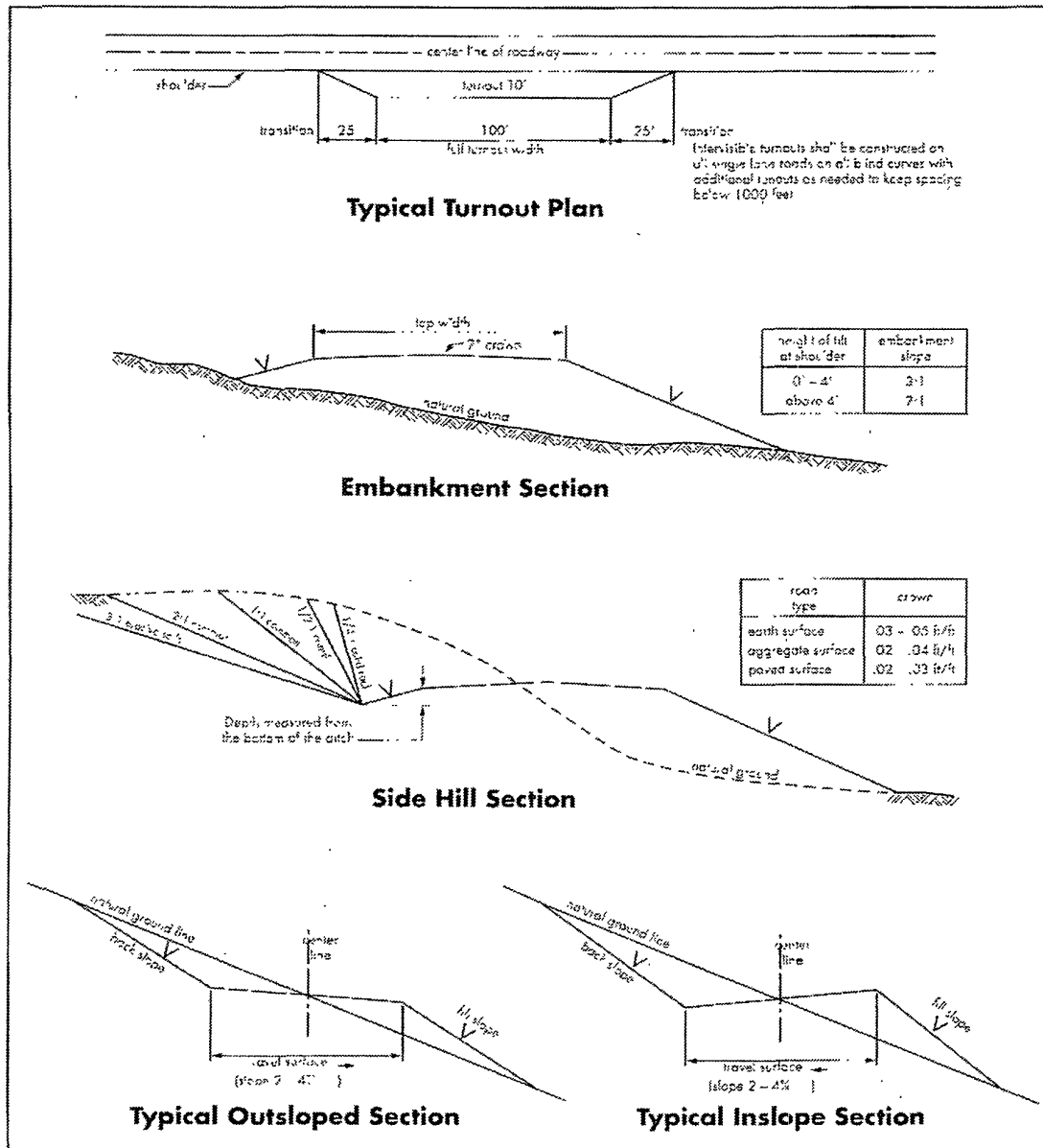
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Due to recent H₂S encounters in the salt formation, it is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide prior to drilling out the surface shoe. If Hydrogen Sulfide is encountered, please report measurements and formations to the BLM.**
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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time prior to drilling out for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Medium cave/karst potential.

Secretary's Potash

Possible lost circulation in the Delaware.

Possible water flows in the Salado, Castile and Delaware.

1. The 13-3/8 inch surface casing shall be set at approximately 630 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
 - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing, **which is to be set in the base of the Castile or within the Lamar at approximately 4100', is:**

☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.

If 75% or greater lost circulation occurs while drilling the intermediate casing hole, the cement on the production casing must come to surface.

Centralizers required on horizontal leg, must be type for horizontal service and a minimum of one every other joint.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is:

- ☒ Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification. **Additional cement may be required – excess calculates to 16%.**

4. 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.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

- a. In potash areas, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time.

- b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

- c. The results of the test shall be reported to the appropriate BLM office.

- 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 appropriate BLM office.**
- e. 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. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

CRW 113011

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation 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
Shale Green, Munsell Soil Color Chart # 5Y 4/2

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the grant and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the

Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.

b. Activities of other parties including, but not limited to:

- (1) Land clearing.
- (2) Earth-disturbing and earth-moving work.
- (3) Blasting.
- (4) Vandalism and sabotage.

c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.

6. All construction and maintenance activity will be confined to the authorized right-of-way width of 25 feet.
6. (a) Where a polyline is laid along a County Road, the operator will lay that polyline ten (10) feet out from the center of the ditch to prevent obstructing County Maintenance activities.
7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.
8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.
9. The pipeline shall be buried with a minimum of 24 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.
10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.
12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.
13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.

14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

16. The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, powerline 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.

IX. INTERIM RECLAMATION

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

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

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

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Seed Mixture 2, for Sandy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law (s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species

lb/acre

Sand dropseed (*Sporobolus cryptandrus*)

1.0

| | |
|---|-----|
| Sand love grass (<i>Eragrostis trichodes</i>) | 1.0 |
| Plains bristlegrass (<i>Setaria macrostachya</i>) | 2.0 |

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed