Form 3160-3 (August 2007)				OMB No	o 1004-0137 July 31, 2010		
UNITED ST DEPARTMENT OF ' BUREAU OF LAND	THE INTERIOR			5 Lease Serial No. NM-054290			_
APPLICATION FOR PERMIT				6. If Indian, Allotee	or Tribe N	ame	
la. Type of work:	111	7 If Unit or CA Agre	eement, Nam	e and No.	_		
Ib. Type of Well: Onl Well Gas Well Other	r 🚺	Single Zone Multi	ple Zone	8. Lease Name and North Brushy Draw		н _38	96
2. Name of Operator RKI Exploration & Production, LL	.C.			9 API Well No.	3975	3	
3a. Address 3817 NW Expressway, Suite 950 Oklahoma City, Ok.		none No. (include area code)  10 Field and Pool, or Explora 996-5750  Corral Canyon Bone Spri					33°
4. Location of Well (Report location clearly and in accordance	with any State require	ements.*)		11. Sec., T. R. M. or B	lk. and Surv	ey or Area	-
At surface 330 FNL & 1980 FEL Untr B	07/0/70			Section 35, T. 25 S	s., R. 29 E		
At proposed prod. zone 330 FSL & 1650 FEL UNI	70						
14 Distance in miles and direction from nearest town or post of Approximately 9 miles southeast of Malaga, NM	4.47		<u>-</u>	12 County or Parish Eddy		13. State NM	_
15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of 640	acres in lease	17 Spacin	acing Unit dedicated to this well			
10.75%	19 Propos	and Donath		BIA Bond No. on file	^		_
<ol> <li>Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft</li> </ol>	8300 ft. 12,687 ft	rvd .	NLM-NMB-000460				
21 Elevations (Show whether DF, KDB, RT, GL, etc.)	22 Approx	kimate date work will sta	rt*	23. Estimated duration	n		_
3021' GL				30 days			
	24. Att	achments					
The following, completed in accordance with the requirements of	f Onshore Oil and Ga	s Order No.1, must be a	ttached to th	is form:			
<ol> <li>Well plat certified by a registered surveyor.</li> <li>A Drilling Plan.</li> <li>A Surface Use Plan (if the location is on National Forest SUPO must be filed with the appropriate Forest Service Off</li> </ol>		Item 20 above).  5. Operator certification of the state o	cation	ons unless covered by an ormation and/or plans as	•		
25. Signature Say W. Hust	BAF	e (Printed/Typed) RRY W. HUNT			Date / 2	9/11	= , _ ,
Permit Agent for KKI Exploration & Production, L	<del></del>				1 600 =		<del></del> -
Approved by (Signature)	Nam	ne (Printed/Typed)		:	DatAUG	2 4 2	711
Title FIELD MANAGER	Offic	ce	-	CARLSBAD F	FIELD OF	FICE	

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.

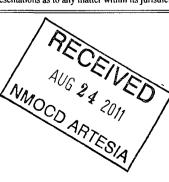
APPROVAL FOR TWO YEARS

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.

(Continued on page 2)

\*(Instructions on page 2)

Carlsbad Controlled Water Basin



SEE ATTACHED FOR CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

P.O. Box 370, Carlsbad, NM 88221 Office 505-885-1313 Fax 505-885-3509

July 17, 2009

To Whom It May Concern:

Mr. Barry Hunt is employed by RKI Exploration & Production to sign as their agent for APD's and Right of Ways in the states of New Mexico and Texas.

If you have any questions, please contact me at my office at 575-885-1313.

Sincerely,

RKI Exploration & Production, LLC

Gene Simer

**Production Superintendent** 

### **CERTIFICATION**

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this 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 RKI Exploration and Production, LLC 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 false statements. Executed this 29th day of June 2011.

Signed:

Printed Name: Barry Hunt

Position: Agent for RKI Exploration & Production, LLC. Address: 1403 Springs Farm Place, Carlsbad, NM 88220

Telephone; (575) 361-4078

E-mail: specialtpermitting@gmail.com Field Representative: Gene Simer

Address: P. O. Box 370, Carlsbad, NM 88221

Telephone: Office: (575) 885-1313, Cell: (575) 706-3225

DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 DISTRICT II 1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised July 16, 2010

Submit one copy to appropriate District Office

## OIL CONSERVATION DIVISION

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

1000 Rio Brazos Rd., Aztec, NM 87410 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

□ AMENDED REPORT WELL LOCATION AND ACREAGE DEDICATION PLAT

2/2-015-39753	Pool Code 13354	Pool Name CORRAL CANYON BONE SE	PRING SOUTH			
Property Code	Property Name  NORTH BRUSHY DRAW FEDERAL "35"					
OGRID No. 246289	•	rator Name  I & PRODUCTION LLC	Elevation 3021			

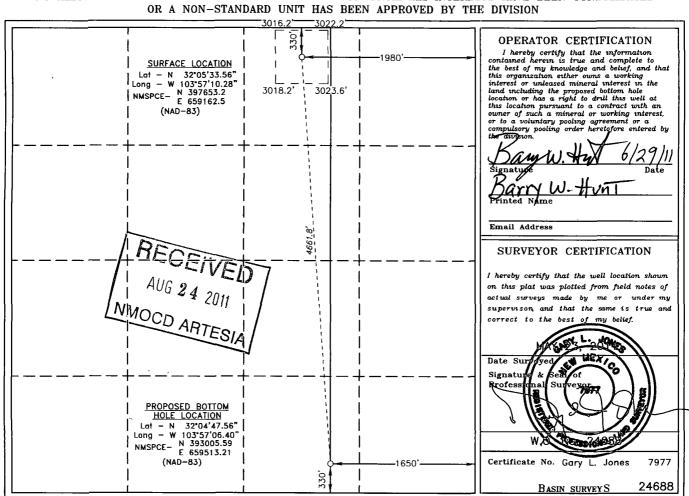
#### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
В	35	25 S	29 E		330	NORTH	1980	EAST	EDDY

#### Bottom Hole Location If Different From Surface

[	UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	0	35	25 S	29 E		330	SOUTH	1650	EAST	EDDY
ı	Dedicated Acres   Joint or Infill		r Infill Co	nsolidation	Code Or	der No.				
	160									

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED



## RKI EXPLORATION & PRODUCTION, LLC.

North Brushy Draw Federal 35-1H

Surface Location: 330' FNL & 1,980' FEL Bottom Hole Location: 330' FSL & 1,650' FEL

35-25S-29E

Eddy County, NM

- 1. The elevation of the unprepared ground is 3,021' feet above sea level.
- 2. The geologic name of the surface formation is Quaternary Alluvium.
- 3. A rotary rig will be utilized to drill the well to 12,687' MD (8,300' TVD) and run casing. This equipment will then be rigged down and the well will be completed with a workover rig.
- 4. Proposed total depth is 12,687' MD, 8,300' TVD.
- 5. Estimated tops of important geologic markers:

Rustler	800'
Salado	1,100'
Castile	1,450'
Lamar Lime	3,500'
Delaware Top	3,560'
Bell Canyon Sand	3,560'
Cherry Canyon Sand	4,630'
Brushy Canyon Sand	5,675'
KOP	7,663'
Bone Spring	7,300'
TVD	8,300' (130 degree F)

6. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

	Fresh Water (150-300')
Bell Canyon	Oil (1,565 psi)
Cherry Canyon	Oil (2,030 psi)
Brushy Canyon	Oil (2,489 psi)
Bone Spring	Oil (3,221 psi)

7. The proposed casing program is as follows:

See COA 625

Surface: 13-3/8" 54.5# J-55 ST&C new casing set from 0' -1,000 Tension SF 2.0, Collapse SF 1.125, Burst SF 1.8.

Salt String: 9-5/8" 40# J-55 LT&C new casing set from 0' - 3,400° 3175
Tension SF 2.0, Collapse SF 1.125, Burst SF 1.8.

Intermediate: 7" 26# N-80 LT&C new casing set from 0' – 8,663' Tension SF 2.0, Collapse SF 1.125, Burst SF 1.8.

Liner: 4-1/2" 11.6# HCP-110 LT&C new casing from 7,663' – 12,687' Tension SF 2.0, Collapse SF 1.125, Burst SF 1.8.

## 8. Casing setting depth and cementing program:

- a. 13-3/8" surface casing set at 1,000 in 17-1/2" hole. Circulate cement to surface with 600 sx "C" with 4% D20, 2% S1, .2% D46, .125 pps D130 mixed at 12.9 ppg (1.96 cf/sk) followed by 200 sx "C" with .125 pps D130 mixed at 14.8 ppg (1.33 cf/sk) 100% excess.
- b. 9-5/8" intermediate casing set at 3,400" in 12 1/4" hole. Cement will be circulated to surface with 800 sx 35:65 Poz "C" with 5% D44, 6% D20, .2% D46, 2 pps D42, .125 pps D130, 27 pps D132, .1% D201 mixed at 12.6 ppg (2.08 cf/sk) followed by 200 sx "C" with .2% D201 mixed 14.8 ppg (1.33 cf/sk) 25% excess.
- c. 7" intermediate casing set at 8,663' in 8 3/4" hole. Cement will be calculated to bring TOC to 3,000'. The well will be cemented in two stages as follows:

  Stage 1: 477 sx "C" with 1.3% CC, 2% D174, .2% D46, .3% D167, .4% D13 mixed at 13.0 ppg (1.44 cf/sk) 25% excess.

  Stage 2: 250 sx 35:65 Poz "C" with 5% D44, 27 pps D132, 6% D20, .2% D46, 2 ppg D42, .124 pps D130 mixed at 12.6 ppg (2.05 cf/sk) 25% excess.

  DV tool at approximately 5000'
  - d. 4 ½" liner set at 12,687' in 6 ½" hole. Liner will utilize packer isolation system.

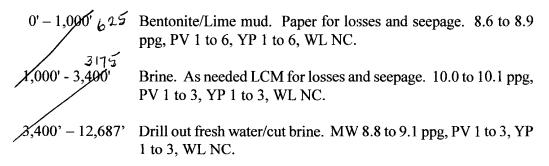
## 9. Pressure Control Equipment

After setting the 13 3/8" casing a 3,000 psi casing head will be installed and 5,000 psi BOP equipment will be utilized. The 13 3/8" casing will be tested to 1,500 psi before drilling out. The BOP equipment will be tested to 250/3,000 psi and the Hydril will be tested to 1,500 psi. After setting 9 5/8" casing a 5,000 psi casing head will be installed and 5,000 psi BOP equipment will be utilized. The 9 5/8" casing will be tested to 1,500 psi before drilling out. The BOP equipment will be tested to 250/5,000 psi and the Hydril will be tested to 2,500 psi. After setting the 7" casing a 5,000 psi tubing head will be installed and 5,000 psi BOP equipment will be utilized. The 7" casing will tested to 2,000 psi before drilling out. The BOP equipment will be tested to 250/5,000 psi and the Hydril will be tested to 2,500 psi.

## The BOP equipment will consist of the following:

- Annular preventers
- Double ram with blind rams and pipe rams
- Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 3-inch minimum diameter, kill side shall be at least 2-inch diameter)
- Kill line (2 inch minimum)
- A minimum of 2 choke line valves (3 inch minimum)
- 3 inch diameter choke line
- 2 kill line valves, one of which shall be a check valve (2 inch minimum)
- 2 chokes
- Pressure gauge on choke manifold
- Upper kelly cock valve with handle available
- Safety valve and subs to fit all drill string connections in use
- All BOPE connections subjected to well pressure shall be flanged, welded, or clamped
- Fill-up line above the uppermost preventer.

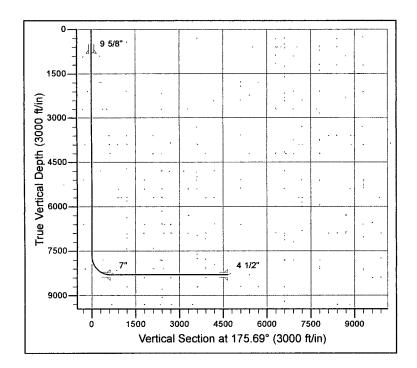
## 10. Mud Program:



## 11. Testing, Logging and Coring Program: See Con

Testing program: No drillstem tests are anticipated. Electric logging program: CNL/CAL/GR, DLL/CAL/GR. From 9 5/8" casing to kick off point. A gyro survey will also be run at kick off point. Coring program: None.

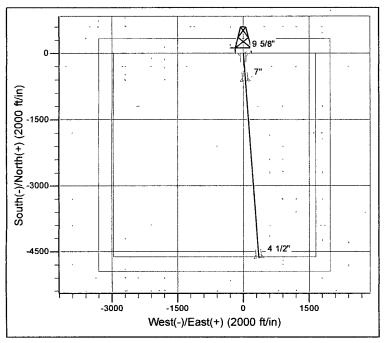
## 12. No abnormal conditions or hazards are expected.



Project: Eddy County, NM Site: 35-25S-29E

Well: North Brushy Draw Fed 35-1H

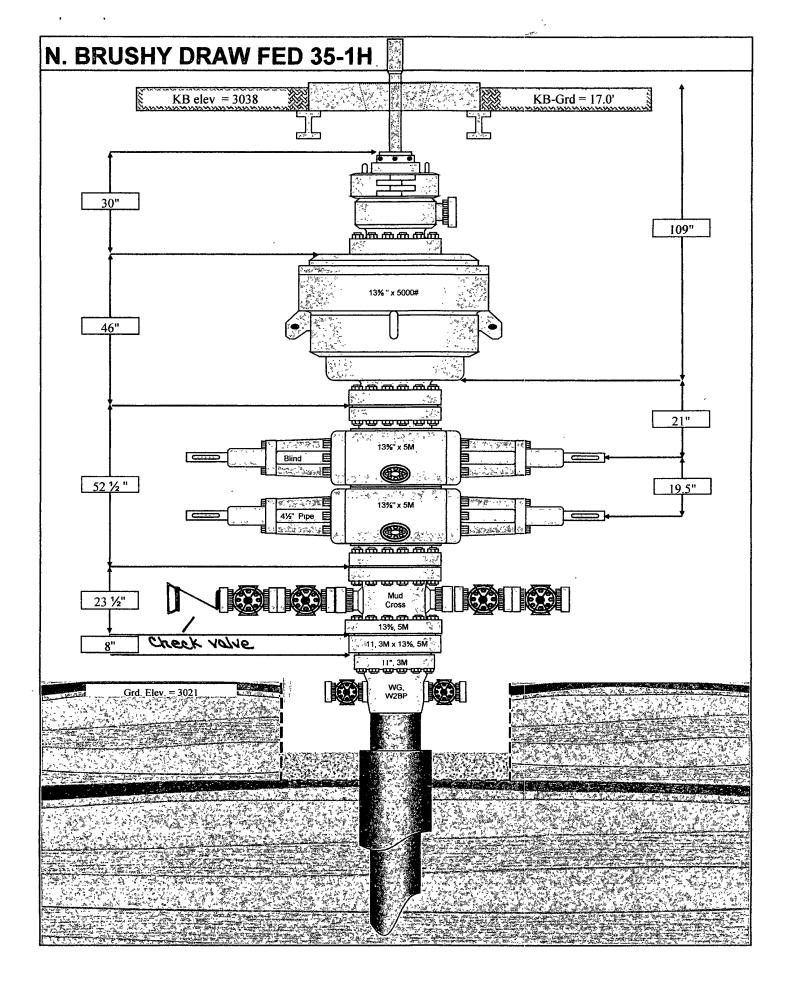
Wellbore: Wellbore #1
Design: Design #1

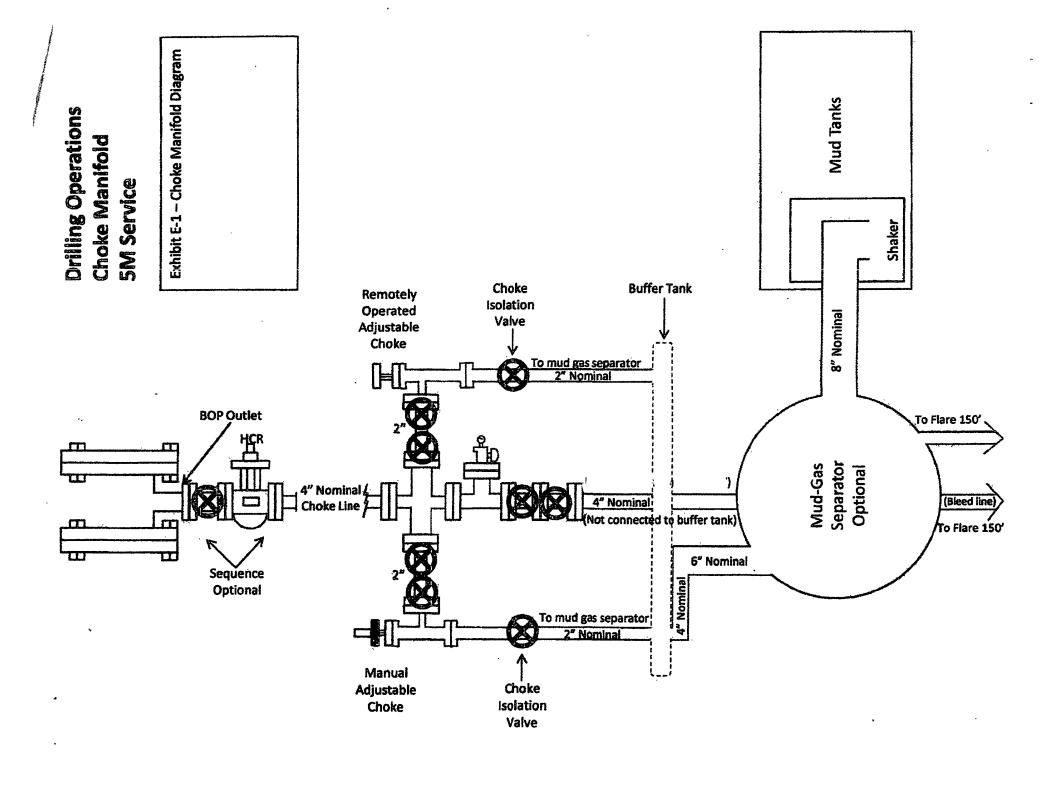


Surface Location

BHL

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Dlea	TFace	VSect	Target
1	0.0			0.0			0.00			iai got
2	7663	0.00	0.00	7663.4	0.0	0.0	0.00	0.00	0.0	
3	8663	90.00	175.69	8300.0	-634.8	47.8	9.00	175.69	636.6	
4	12687	90.00	175.69	8300.0	-4647.1	350.2	0.00	0.00	4660.3	1





## 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. RKI Exploration and Production will have a Company Representative available to rig personnel through out drilling or production operations. If hydrogen sulfide is detected or suspected, monitoring equipment will be acquired for monitoring and/or testing.



# Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

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## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

## General H2S Emergency Actions:

- 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.
- 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 coordinate the necessary duties to bring the situation under control, and if necessary, the notification of the emergency response agencies and nearby 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 and 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.

7. Call the NMOCD

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

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 the necessary steps to protect the workers and the public.

EMERGENCY CALL LIST: (Start and continue until ONE of these people has been contacted)

	OFFICE	MOBILE	HOME
RKI E&P	1-800-667-6958		
Gene Simer	575-885-1313	575-706-3225	575,-885-6302
Tím Haddican	405-949-2329	405-823-2872	405-348-5515
EMERGENCY RESPON	NSE NUMBERS:		
State Police State Police	Eddy County Lea County		575 -748-9718 575 <b>-392-5588</b>
Sheriff Sheriff	Eddy County Lea County		575-746-2701
Emergency Medical Service (Ambulance)	Eddy County Lea County	Eunice	911 or 505-746-2701 911 or 505-394-3258
Emergency Response	Eddy County SERC Lea County		575476-9620
Artesia Police Dept Artesia Fire Dept			575746-5001 575746-5001
Carlsbad Police Dept Carlsbad Fire Dept			575-885-2111 575885-3125

# EMERGENCY CALL LIST (CONT.)

Loco Hills Police Dept		575- 677-2349
Jal Police Dept Jal Fire Dept Jal Ambulance		575395-2501 575395-2221 575395-2221
Eunice Police Dept Eunice Fire Dept Eunice Ambulance		575 394-0112 575 394-3258 575 394-3258
Hobbs Police Dept Hobbs Fire Dept		575397-3365 575397-9308
NMOCD	District 1 (Lea, Roosevelt, Curry) District 2 (Eddy, Chavez)	575393-6161 575748-1283
Lea County Information		575393-8203
Callaway Safety	Eddy/Lea Counties	575392-2973
BJ Services	Artesia Hobbs	575746-3140 575392-5556
Halliburton	Artesia Hobbs	1-800-523-2482 1-800-523-2482
Wild Well Control	Midland Mobile	432-550-6202 432-553-1166

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

#### PROTECTION OF THE GENERAL PUBLIC (ROE)

- 100 ppm at any public area (any place not associated with this site)
- 500 ppm at any public road (any road with the general public may travel)
- 100 ppm radius of ¼ mile in New Mexico 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

#### CALCULATIONS FOR THE 100 PPM (ROE) "PASQUILL-GIFFORD EQUATION"

X = [(1.589) (mole fraction) (Q-volume in std cu ft)] to the power of (0.6258)

#### CALCULATION FOR THE 500 PPM ROE:

 $X = \{1.4546\}$  (mole fraction) (O – volume in std cu ft) to the power of (0.6258)

### Example:

If a well/facility has been determined to have 150 / 500 ppm H2S in the gas mixture and the well/facility is producing at a gas rate of 100 MCFPD then:

```
150 ppm X = [(1.589) (.00015) (100,000 \text{ cfd})] to the power of (.6258) X = 7 \text{ ft}.
```

500 ppm X = [(.4546) (.0005) (100,000 cfd)] to the power of (.6258) X = 3.3 ft.

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

### **PUBLIC EVACUATION PLAN:**

- Notification of the emergency response agencies of the hazardous condition and implement evacuation procedures.
- A trained person in H2S safety shall monitor with detection equipment the H2S concentration, wind and area 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 1 groups A, B, C & D, Division 1, hazardous locations. All monitor will have a minimum capability of measuring H2S, oxygen and flammable values.)

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

- 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.
- The company supervising personnel shall stay in communication 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 UNCONTROLABLE CONDITION:

- 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.

### INSTRUCTION FOR IGNITION:

- 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.
- One of the people will be qualified safety person who will test the atmosphere for H2S, oxygen and 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 25 mm flare gun shall be used, with a ± 500 ft. range to ignite the gas.
- 4. Prior to ignition, make a final check with combustible gases.
- 5. Following ignition, continue with the emergency actions & procedures as before.

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

## 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/Escape packs 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity
- <u>Emergency Escape Packs</u> 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 reflection the
  possible conditions at the site.
- A colored conditioned flag will be on display, reflecting the condition at the site at the 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 & Alarms:

- The stationary detector with three sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible at 14 ppm. Calibrate a minimum of every 30 days or as needed. The 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 ft. 5/8 inch OSHA approved rope.
- 1 20# class ABC fire extinguisher
- Communication via cell phones on location and vehicles on location.

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

### USING SELF CONTAINED BREATHING AIR EQUIPMENT (SCBA):

- (SCBA) SHOULD BE WORN WHEN ANY OF THE FOLLOWING ARE PERFORMED:
  - Working near the top or on the top of a tank
  - Disconnecting any line where H2S can reasonably be expected
  - Sampling air in the area to determine if toxic concentration of H2S can 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 be continuously 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 AND FIRST AID FOR VICTIMS OF HYDROGEN SULFIDE (H2S) POISONING:

- Do not panic
- · Remain calm and think
- Get on the breathing apparatus

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

- Remove the victim to the safe breathing area as quickly as possible. Up wind and uphill
  from source or 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 personnel on location shall be trained in CPR and First Aid.

## Hydrogen Sulfide Contingency Plan For Drilling/Workover/Facility

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%. By volume hydrogen sulfide is almost as toxic as hydrogen cyanide and is 5-6 times more toxic than carbon monoxide.

COMMON NAME	CHEMICAL ABBREV.	SPECIFIC GRVTY.	THRESHOLD	HAZARDOUS LIMITS	LETHAL CONCENTRATIONS
Hydrogen Sulfide	H2S	1.19	10 ppm 15 ppm	100 ppm/hr	600ppm
Hydrogen Cyanide	HCN	0.94	10 ppm	150 ppm/hr	300 ppm
Sulfur Dioxide	\$02	2.21	2 ppm	N/A	1000 ppm
Chlorine	Cl.2	2.45	1 ppm	4 ppm/hr	1000 ppm
Carbon Monoxide	СО	0.97	50 ppm	400 ppm/hr	1000 ppm
Carbon Dioxide	CO2	1,52	5000 ppm	5%	10%
Methane	CH4	0.55	90,000	Combustible @ 5%	N/A

Threshold Limit: Concentrations at which it is believed that all workers may be repeatedly

exposed, day after day without adverse effects.

Hazardous Limit: Concentrations that may cause death.

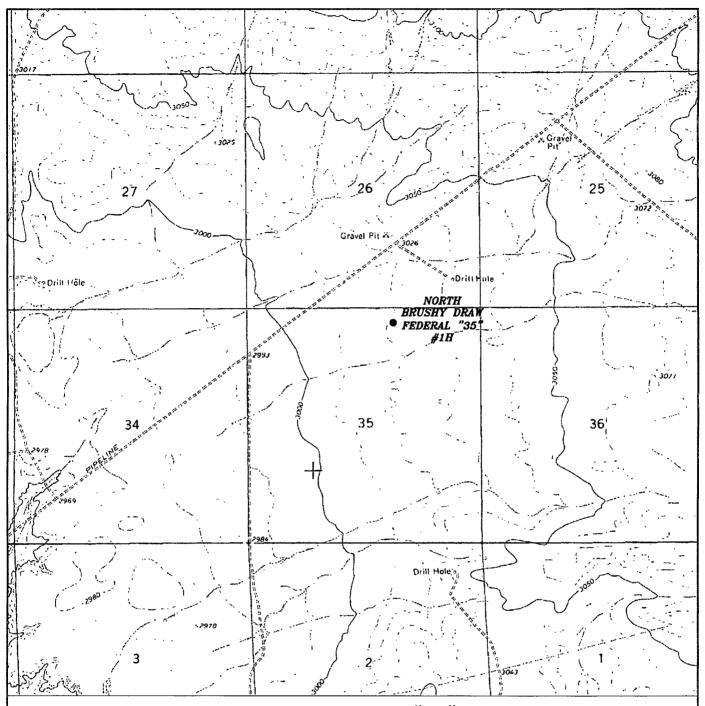
Concentrations: Concentrations that will cause death with short term exposure.

Threshold Limit: NIOSH guide to chemical hazards

(10 ppm)

## PHYSICAL EFFECTS OF HYDROGEN SULFIDE:

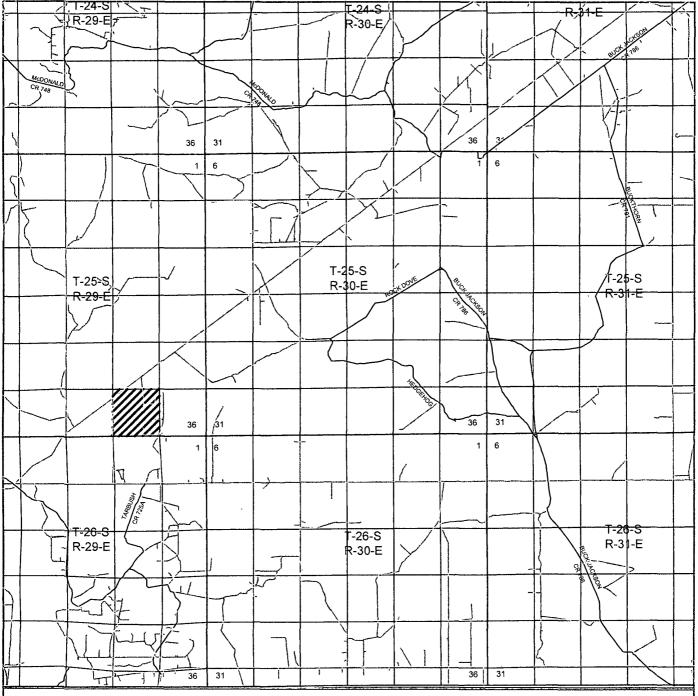
CONCE	NTRATION	PHYSICAL EFFECTS
.001%	10 ppm	Obvious and unpleasant odor. Sale for 8 hr. exposure
.005%	50 ppm	Can cause some flu like symptoms and can cause pneumonia.
.01%	100 ppm	Kills the sense of smell in 3-15 minutes. May irritate the eyes and throat.
.02%	200 ppm	Kills the sense of smell rapidly. Severely irritates the 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.





P.O. Box 1786 1120 N. West County Rd. Hobbs, New Mexico 88241 (575) 393-7316 - Office (575) 392-2206 - Fax basinsurveys.com

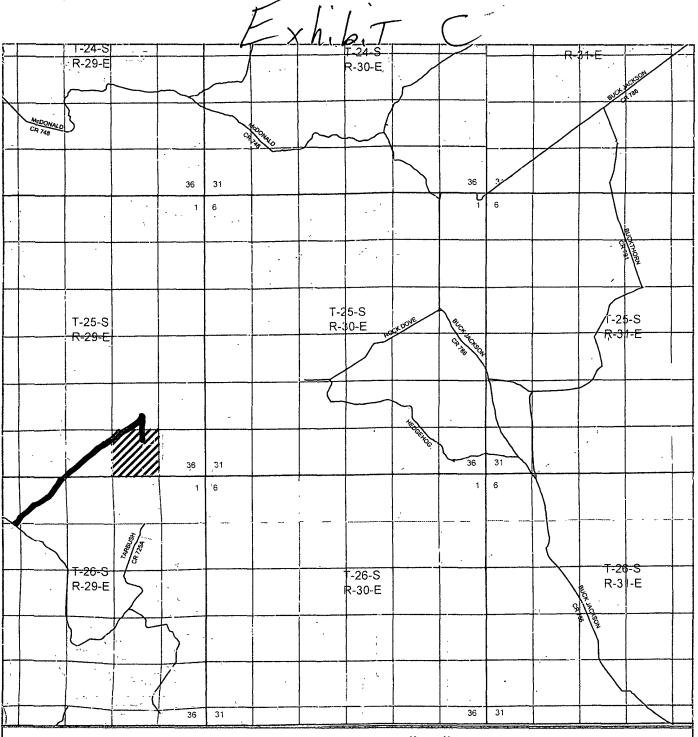
W.O.	Number:	JMS	24688	
Surv	ey Date:	05-	23-2011	
Scale	e: 1" = 20	000,		
Date:	06-01-	-2011		





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1	W.O. Number: JMS 24688	ſ
	Survey Date: 05-23-2011	
	Scale: 1" = 2 Miles	'
$\ $	Date: 06-01-2011	

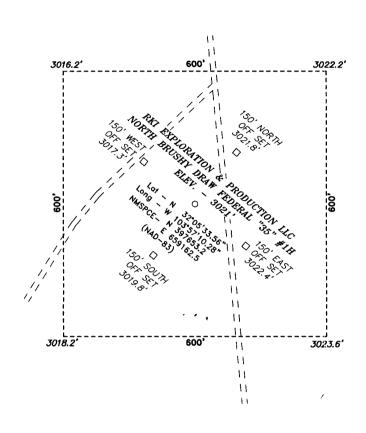




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W.O. Number.	JMS 24688
Survey Date:	05-23-2011
Scale: 1" = 2	Miles
Date: 06-01-	-2011

SECTION 35, TOWNSHIP 25 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.



Directions to Location:

Date: 06-01-2011

FROM THE MILE MARKER 4 OF HWY 285; GO EAST 4.2 MILES ON WHITE THORN ROAD TO EPNG ROAD, ON EPNG ROAD GO NORTHEAST, 3.6 MILES TO LEASE ROAD, ON LEASE ROAD GO SOUTH 0.3 MILES TO PROPOSED LOCATION.

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

24688

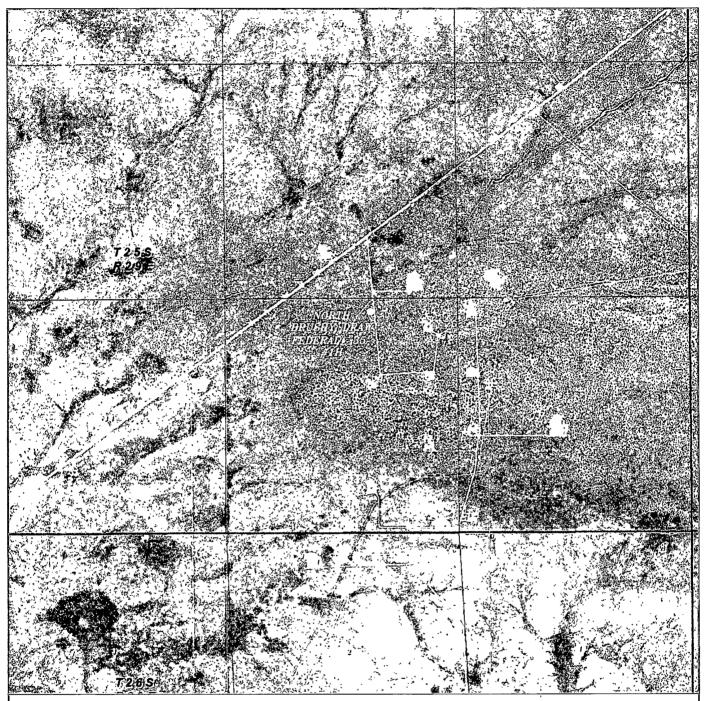
W.O. Number: 24688 Drawn By: J. SMALL Disk: JMS

200 200 400 FEET SCALE: 1" = 200'

## RKI EXPLORATION & PRODUCTION LLC

REF: NORTH BRUSHY DRAW FEDERAL "35" #1H / WELL PAD TOPO THE NORTH BRUSHY DRAW FEDERAL "35" #1H LOCATED 330' FROM THE NORTH LINE AND 1980' FROM THE EAST LINE OF SECTION 35, TOWNSHIP 25 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

Sheet Sheets Survey Date: 05-23-2011

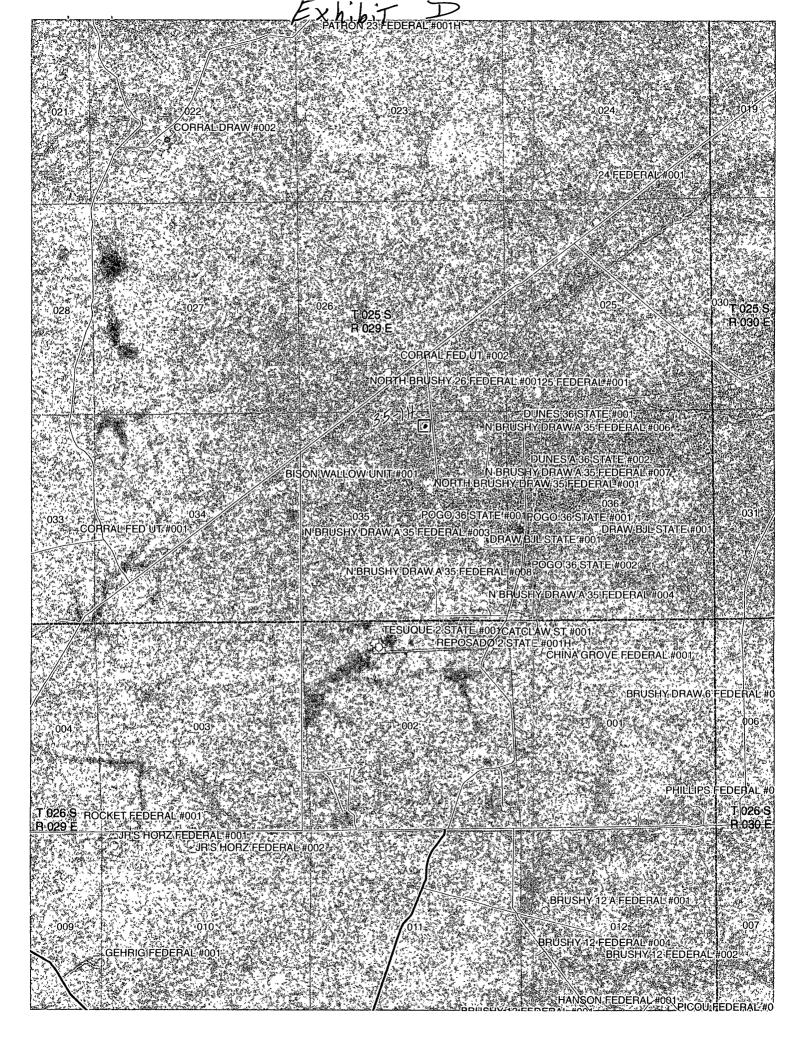




P.O. Box 1786 1120 N. West County Rd. Hobbs, New Mexico 88241 (575) 393-7316 - Office (575) 392-2206 - Fax basinsurveys.com W.O. Number: JMS 24688

Scale: 1" = 2000'

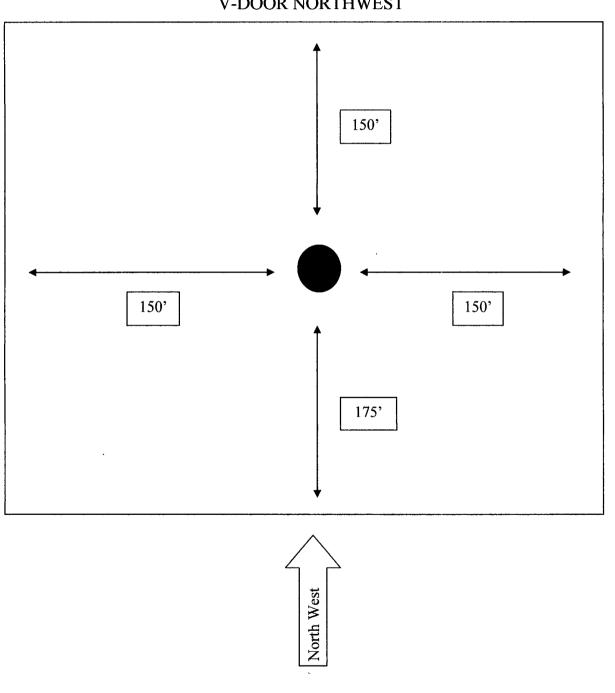
YELLOW TINT — USA LAND BLUE TINT — STATE LAND NATURAL COLOR — FEE LAND



**EXHIBIT 'A'** 35-1H

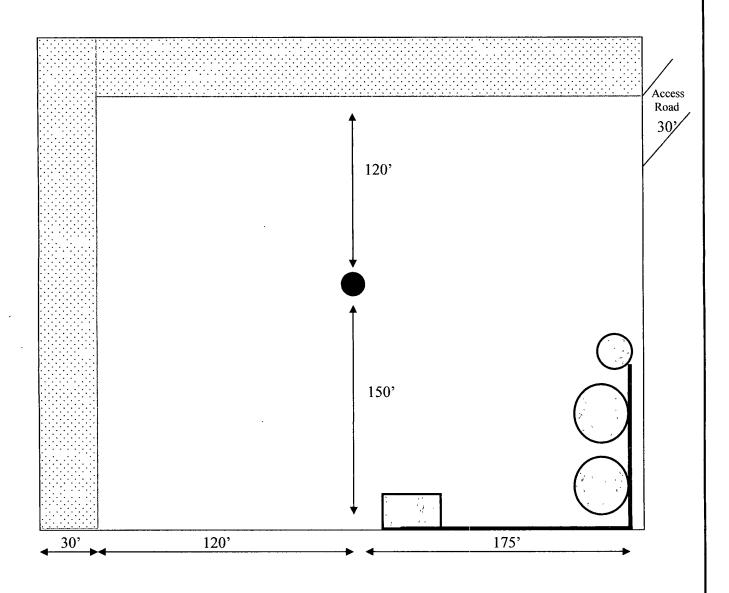
# Rig Plat Only Silver Oak Drilling, LLC Rig #6, #7 & #9

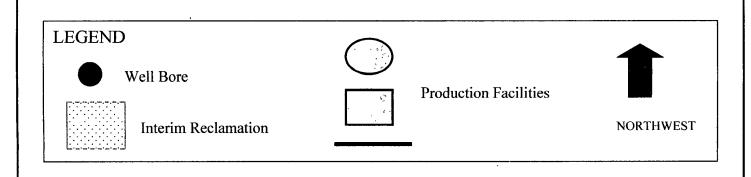
# V-DOOR NORTHWEST



# EXHIBIT 'B' N. Brushy Draw 35-1H

# Interim Reclamation & Production Facilities





# PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:
LEASE NO.:
WELL NAME & NO.:
SURFACE HOLE FOOTAGE:
BOTTOM HOLE FOOTAGE
LOCATION:
COUNTY:
RKI Exploration & Production, LLC
NMNM54290
North Brushy Draw Fed 35 1H
330' FNL & 1980' FEL
330' FSL & 1650' FEL
Section 35, T. 25S., R. 29 E., NMPM
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.

NMOCD ARTESIA

General Provisions
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Archaeology, Paleontology, and Historical Sites
Noxious Weeds
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☐ Construction
Notification
Topsoil
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Federal Mineral Material Pits
Well Pads
Roads
Road Section Diagram
□ Drilling
Medium Cave/Karst
Logging Requirements
Waste Material and Fluids
Production (Post Drilling)
Well Structures & Facilities
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)

## 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.

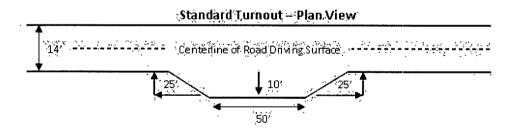
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing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

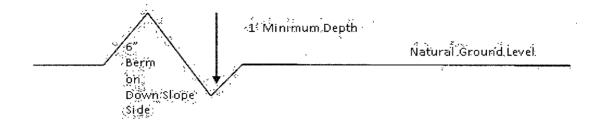


## Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping 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 foot road with 4% road slope: 
$$\frac{400'}{4\%}$$
 + 100' = 200' 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.

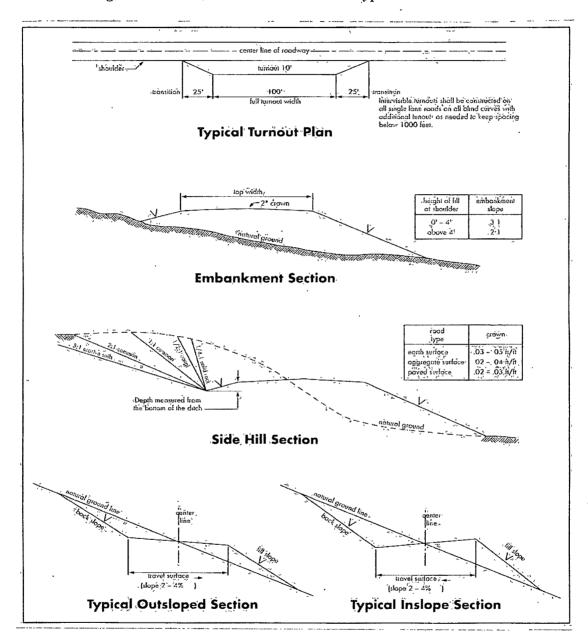


Figure 1 - Cross Sections and Plans For Typical Road Sections

## 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. Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. If Hydrogen Sulfide is encountered, please report measured amounts 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.

Possible water flows in the Salado and Delaware Mountain groups. Possible lost circulation in the Delaware and Bone Spring formations.

- 1. The 13-3/8 inch surface casing shall be set at approximately 625 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 Lamar or Castile at approximately 3175', is:
  - □ Cement to surface. If cement does not circulate see B.1.a, c-d above.
     Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.

- 3. The minimum required fill of cement behind the 7 inch production casing is:
  - a. First stage to DV tool:
  - □ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

     Additional cement may be required excess calculates to 23%.
  - b. Second stage above DV tool:
  - Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification.
- 4. Cement not required on the 4-1/2" casing. Packer system being used.
- 5. 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

- 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.
  - a. For surface casing only: If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
- 3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9-5/8 inch intermediate casing shoe shall be 5000 (5M) psi. 5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.
- 4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

- a. In a water basin, 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. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).
- 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 082311

## 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

## 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 3, for Shallow 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 <u>no</u> 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
Plains Bristlegrass (Setaria magrostachya)	1.0
Green Spangletop (Leptochloa dubia)	2.0
Side oats Grama (Bouteloua curtipendula)	5.0

<sup>\*</sup>Pounds of pure live seed:

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