

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Serial No. BLM 114344
2. Name of Operator BC Operating, Inc.	6. If Indian, Allottee or Tribe Name N/A
3a. Address 731 W. Wadley, Ste. L-200, Midland, TX 79705	7. If Unit or CA/Agreement, Name and/or No. N/A
3b. Phone No. (include area code) 432-684-9696	8. Well Name and No. Macanudo "35" Federal Com #1
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Current SL: 660' FSL & 1980' FEL, Sec 35, T13S, R27E Current BHL: 660' FNL & 1980' FEL, Sec 35, T13S, R27E	9. API Well No. (has not been provided yet) 30-005-63857
	10. Field and Pool, or Exploratory Area Wolfcamp; (Gas)
	11. County or Parish, State Chaves County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

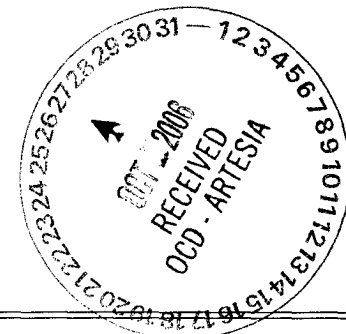
TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Change SL & BHL
	<input checked="" type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Change Surface Location from 660' FSL & 1980' FEL and Bottom Hole Location from 660' FNL & 1980' FEL to new SL & new BHL :

NEW SL: 660' FSL & 660' FEL
NEW BHL: 660' FSL & 660' FWL

if an earthen pit(s) will be utilized in association with this work, a permit must be obtained prior to pit construction.



14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Denise Menoud, Agent for BC Operating, Inc.	Title Regulatory Specialist
Signature <i>Denise Menoud</i>	Date 9/12/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /S/LARRY D. BRAY	Assistant Field Manager
Conditions of approval, if any, are attached. Approval of this notice 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.	Lands And Minerals
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.	Office ROSWELL FIELD OFFICE

(Instructions on page 2)

DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name	Well Number
OGRID No.	Operator Name	Elevation
233545	MACANUDO "35" FEDERAL COM	1
	B.C. OPERATING, INC.	3552'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	35	13 S	27 E		660	SOUTH	660	EAST	CHAVES

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
M	35	13 S	27 E		660	SOUTH	660	WEST	CHAVES

Dedicated Acres	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

OPERATOR CERTIFICATION

I hereby certify that the information contained 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 pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

D. Menoud 9/12/06
Signature Date

Denise Menoud, Agent
for Bold Energy, LP
Printed Name

SURVEYOR CERTIFICATION

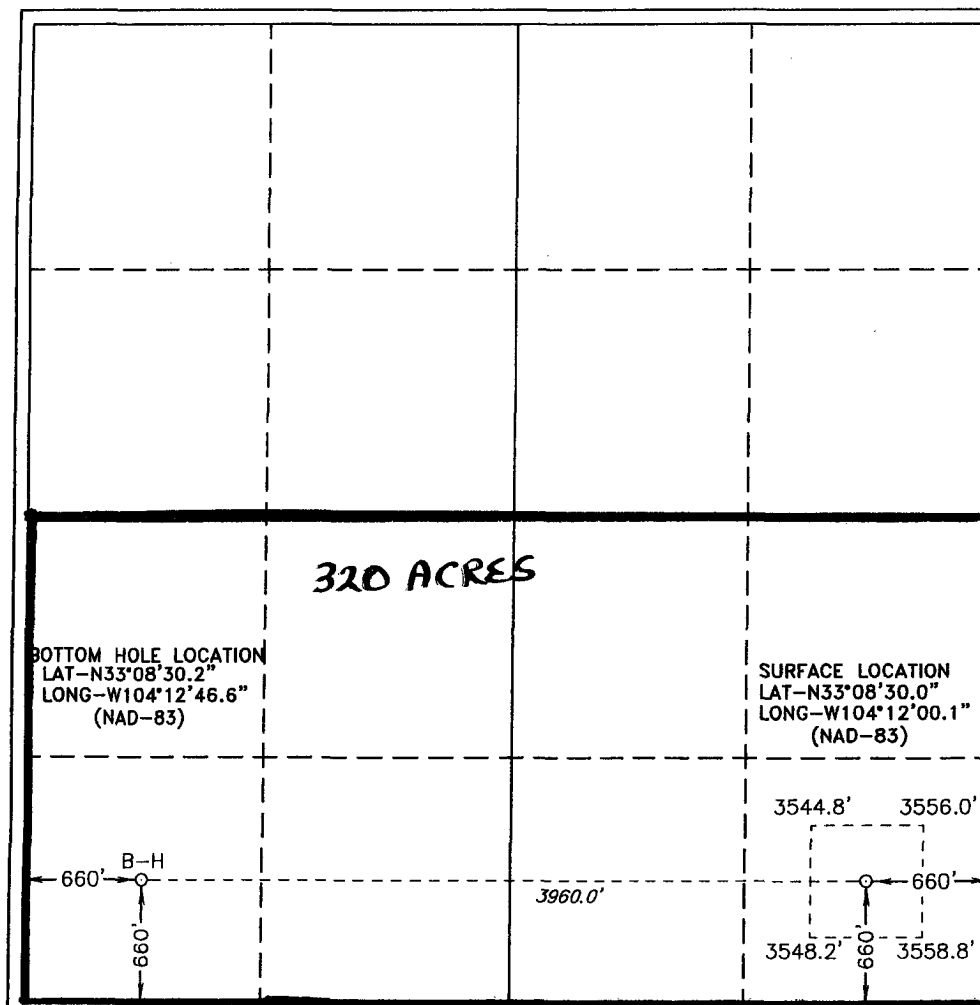
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

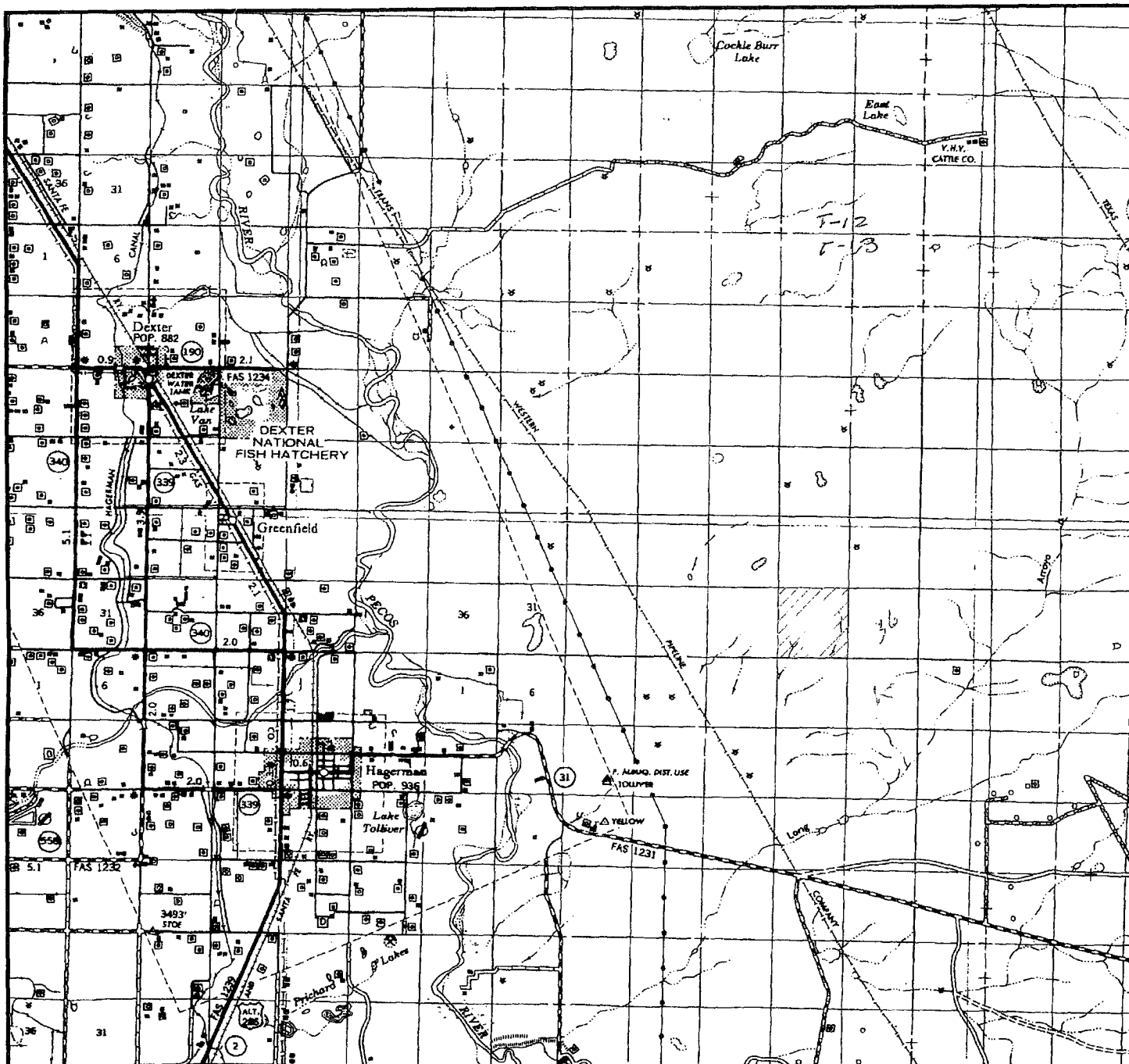
SEPTEMBER 6, 2006

Date Surveyed
Signature of Gary L. Jones
Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS





MACANUDO "35" FEDERAL COM #1
 Located at 660' FSL and 660' FEL
 Section 35, Township 13 South, Range 27 East,
 N.M.P.M., CHAVES County, New Mexico.

basin
surveys

focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: JMS 7124T

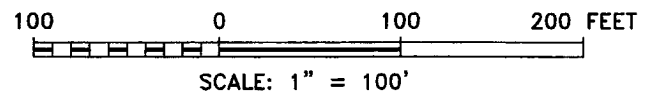
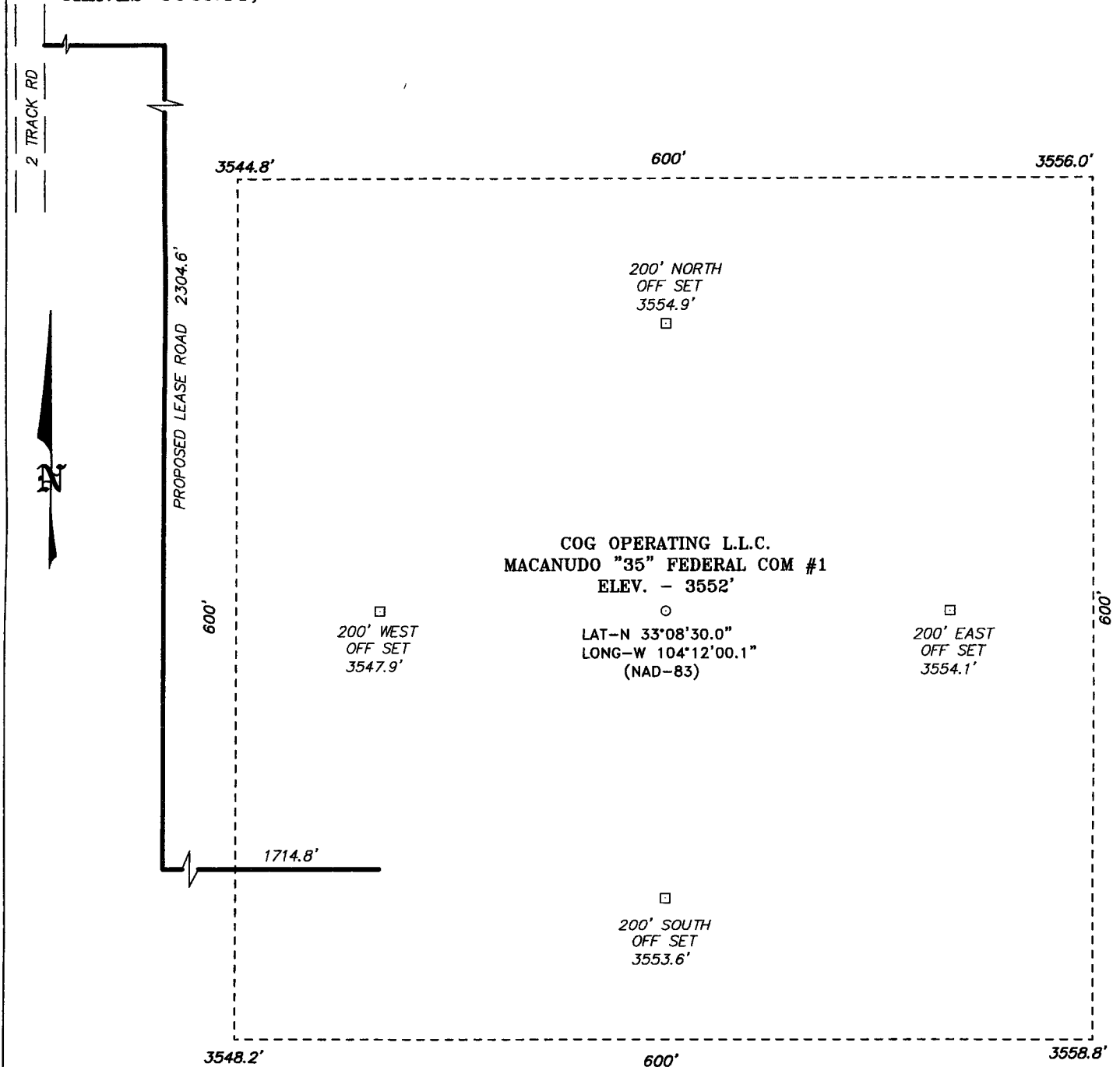
Survey Date: 09-06-2006

Scale: 1" = 2000'

Date: 09-07-2007

B.C.
 OPERATING,
 INC.

SECTION 35, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF STATE HWY 249 AND QUAIL
GO WEST THEN NORTH TO CO. RD. 14 THENCE NORTH
ON LEASE ROAD 1.2 MILE TO LEASE ROAD;
THENCE 3.6 MILES EAST ON LEASE ROAD TO LEASE
ROAD; THENCE SOUTH 0.8 MILE TO PROPOSED LEASE
ROAD.

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

W.O. Number: 7124 Drawn By: J. M. SMALL

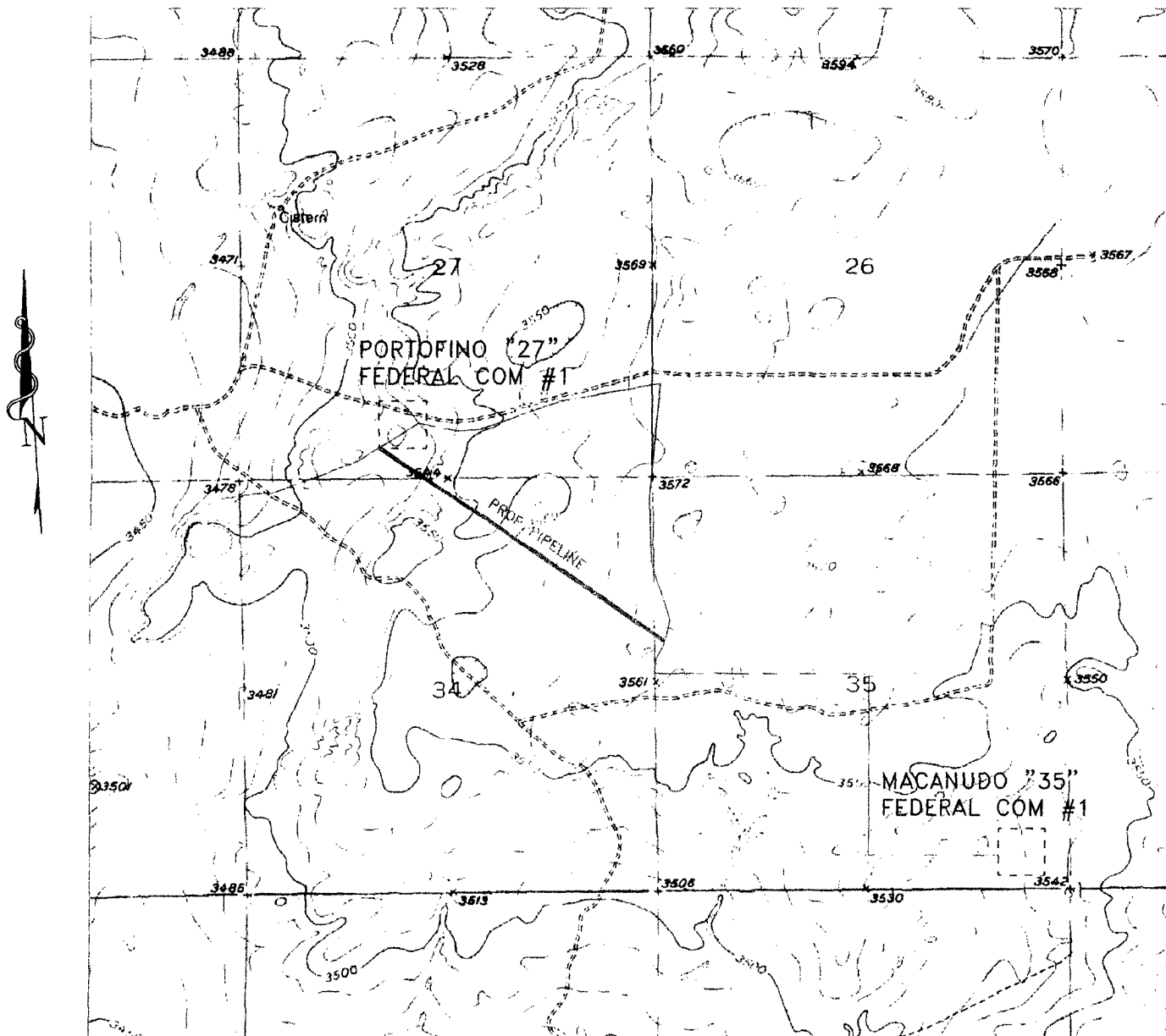
Date: 09-07-2006 Disk: JMS 7124W

COG OPERATING L.L.C.

REF: MACANUDO "35" FEDERAL COM #1 / Well Pad Topo

THE MACANUDO "35" FEDERAL COM #1 LOCATED 660' FROM
THE SOUTH LINE AND 660' FROM THE EAST LINE OF
SECTION 35, TOWNSHIP 13 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 09-06-2006 Sheet 1 of 1 Sheets



PROP. PIPELINE TO THE MACANUDO "35" FEDERAL COM #1
 Section 35 Township 13 South, Range 27 East,
 T13S, R27E, C44W, Chaves County, New Mexico.

basin surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 Office
 (505) 392-5074 Fax
 basin-surveys.com

JO. I. number: JMS 7125T

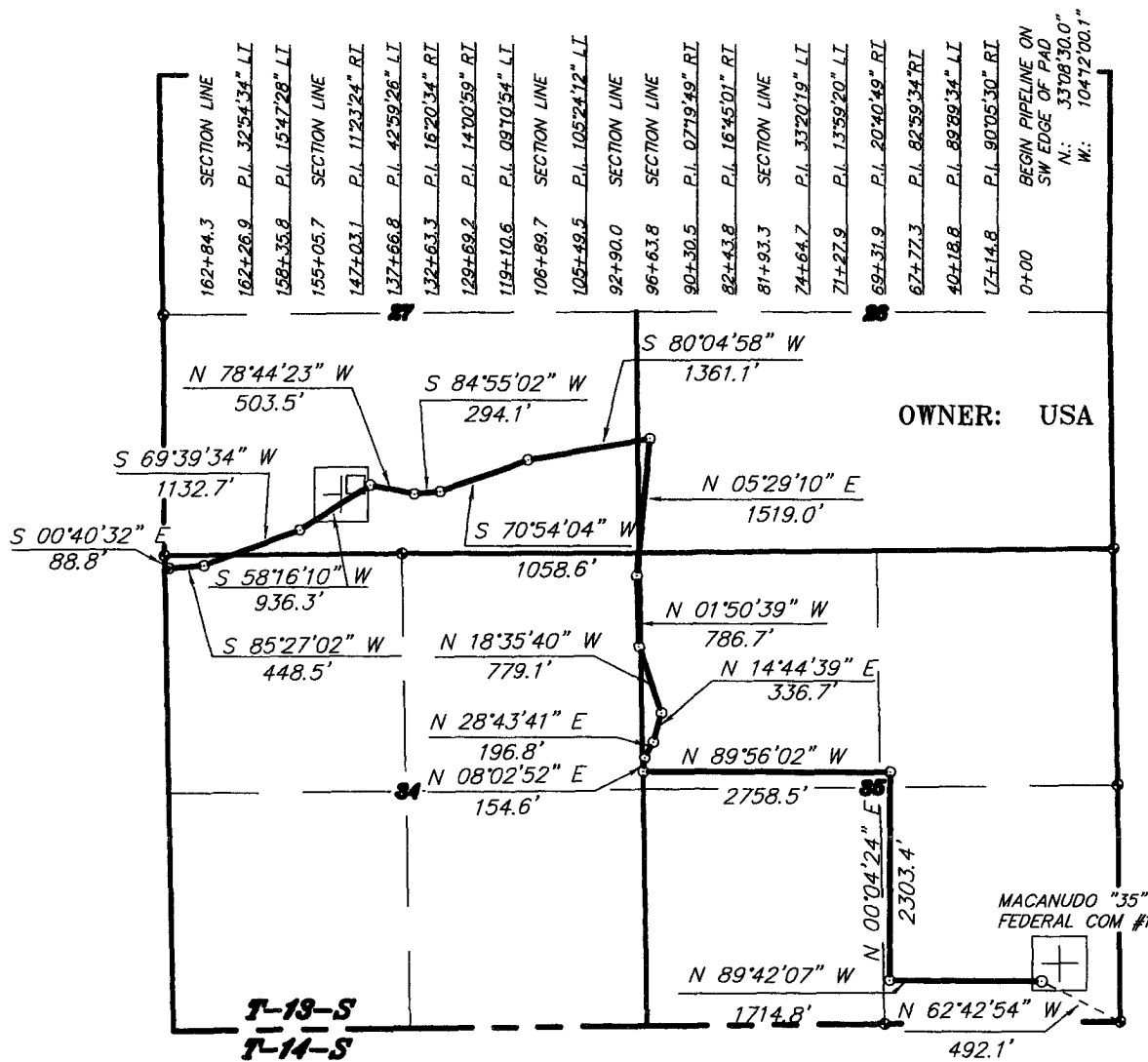
Date: -0 2006

Scale

Date

**B.C.
 OPERATING
 INC.**

SECTION 35, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 26, 27, 34, 35, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

SECTION 35 = 8219.5 FEET = 1.56 MILES = 498.15 RODS = 5.66 ACRES
SECTION 34 = 1849.1 FEET = 0.34 MILES = 112.06 RODS = 1.27 ACRES
SECTION 26 = 1399.7 FEET = 0.27 MILES = 84.83 RODS = 0.96 ACRES
SECTION 27 = 4816.0 FEET = 0.91 MILES = 291.88 RODS = 3.32 ACRES
TOTAL = 16284.3 FEET = 3.08 MILES = 986.92 RODS = 11.21 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M. P.S. & L.S. No. 7977
No. 5074

1000 0 1000 2000 FEET

B.C. OPERATING, INC.

REF: PROP. ROAD TO THE MACANUDO "35" FEDERAL COM #1

A ROAD CROSSING USA LAND IN
SECTIONS 35, 34, 26, 27, TOWNSHIP 13 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

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

W.O. Number: 7124 Drawn By: J. M. SMALL

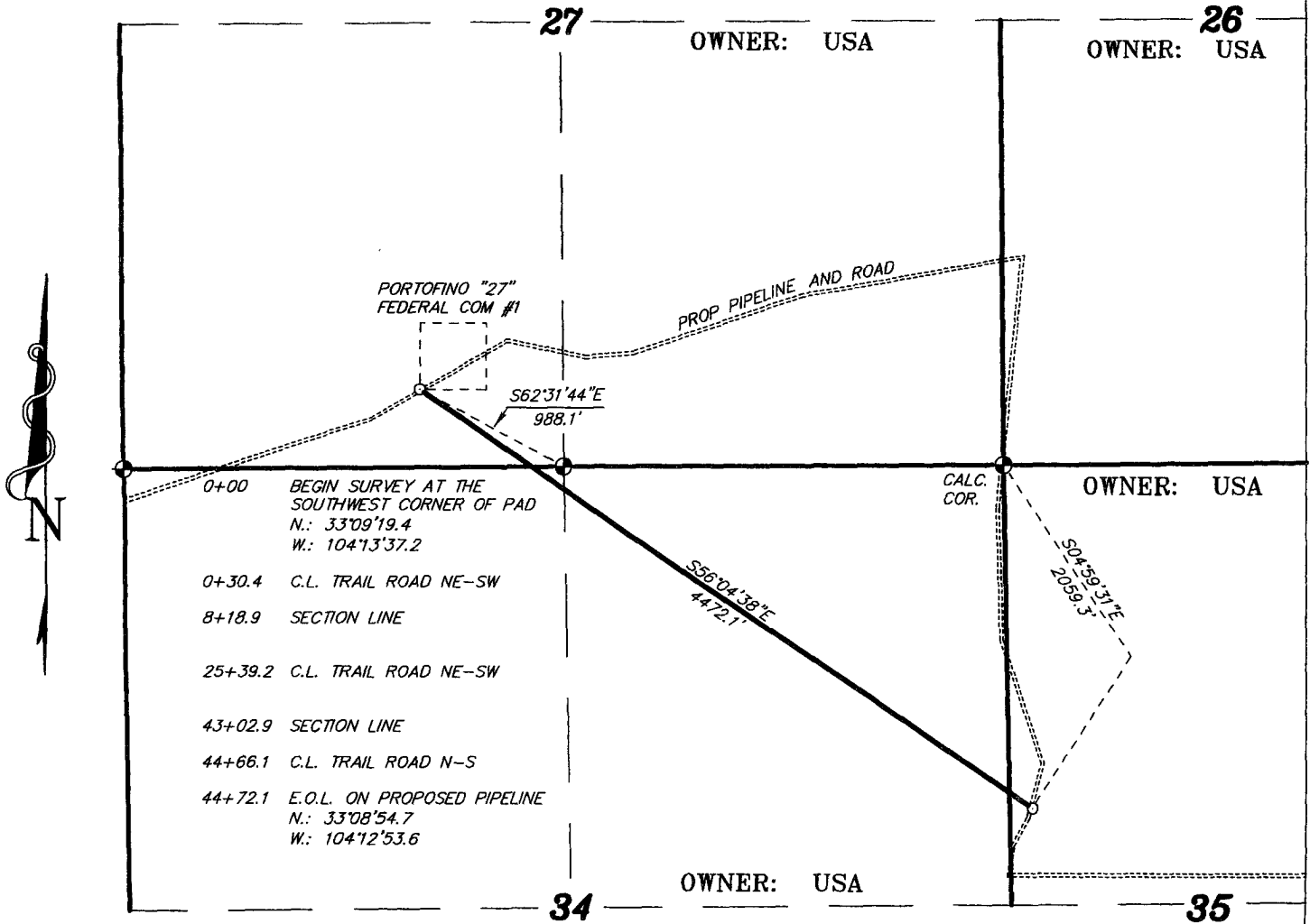
Date: 09-07-2006

Disk: JMS 7124R

Survey Date: 09-06-2006

Sheet 1 of 6 Sheets

SECTIONS 27,34&35, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M.,
'CHAVES COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 27,34,35, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

SECTION 27 = 818.9 FEET = 0.15 MILES = 49.64 RODS = 0.56 ACRES
SECTION 34 = 3484.0 FEET = 0.66 MILES = 211.15 RODS = 2.40 ACRES
SECTION 35 = 169.2 FEET = 0.03 MILES = 10.25 RODS = 0.12 ACRES
TOTAL = 4472.1 FEET = 0.84 MILES = 271.04 RODS = 3.08 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES

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

W.O. Number: 7125	Drawn By: J. M. SMALL
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Date: 09-08-2006	Disk: JMS 7125P
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B.C. OPERATING INC.

REF: PROP. PIPELINE TO THE MACANUDO "35" FED COM #1

A PIPELINE CROSSING USA LAND IN

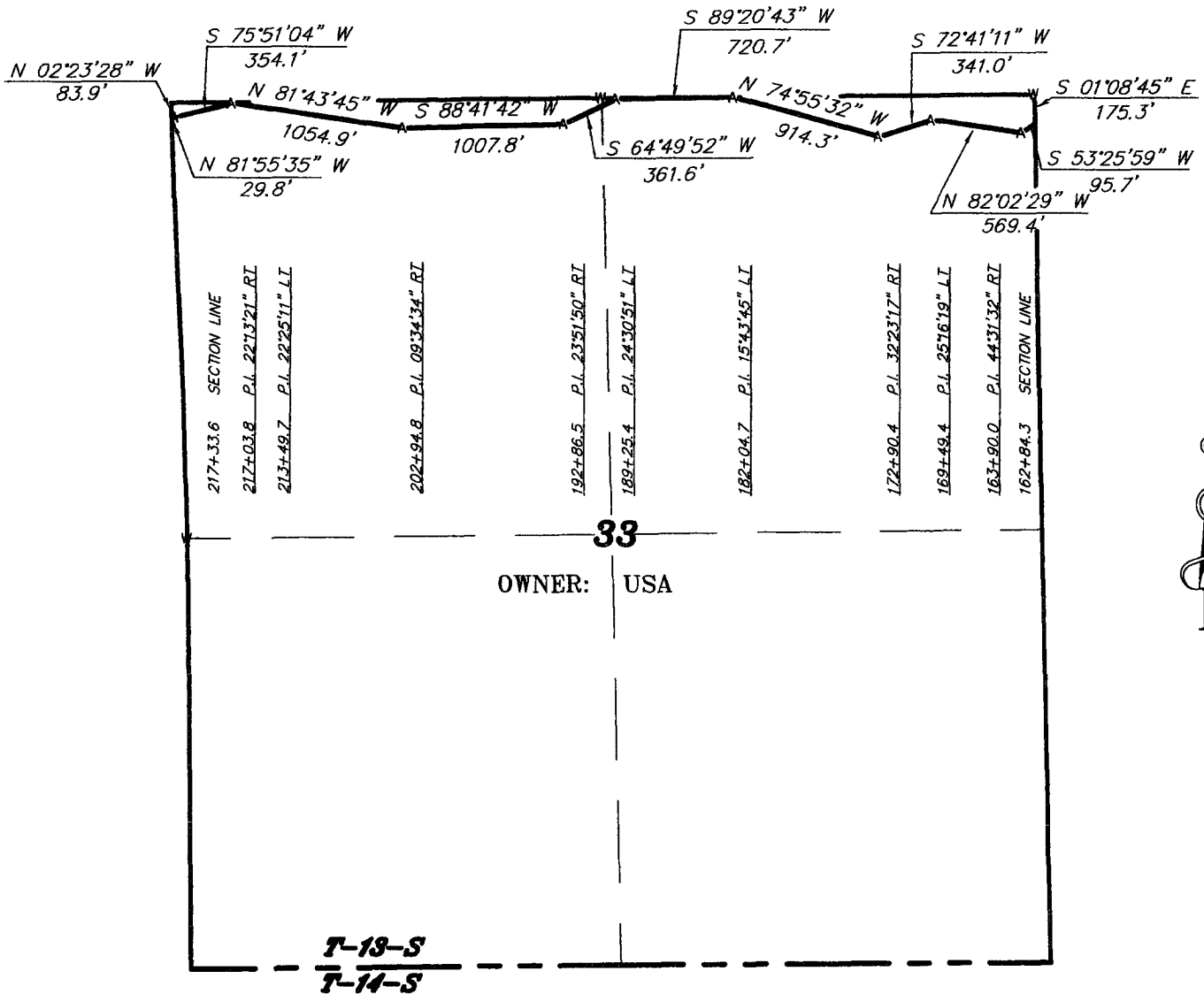
SECTIONS 27,34,35.

TOWNSHIP 13 SOUTH, RANGE 27 EAST,

N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 09-07-2006	Sheet 1 of 1 Sheets
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SECTION 33, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 33, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

SECTION 33 = 5449.3 FEET = 1.03 MILES = 330.26 RODS = 6.25 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M. LAND SURVEYOR
No. 7977
No. 5074

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

W.O. Number: 7124

Drawn By: J. M. SMALL

Date: 09-07-2006

Disk: JMS 7124R

1000 0 1000 2000 FEET

COG OPERATING L.L.C.

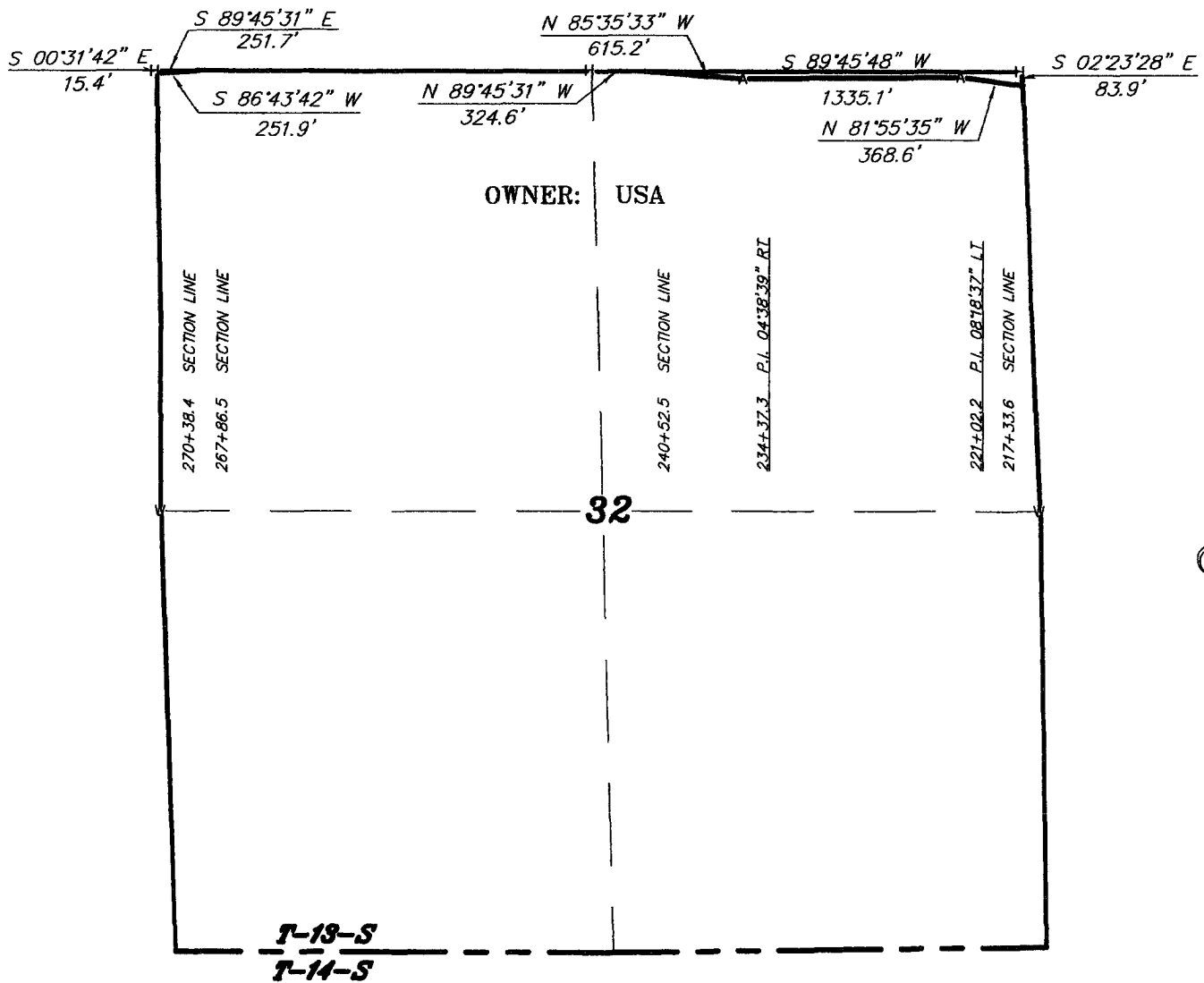
REF: PROP. ROAD TO THE MACANUDO "35" FEDERAL COM #1

A ROAD CROSSING USA LAND IN
SECTION 33, TOWNSHIP 13 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 09-06-2006

Sheet 2 of 6 Sheets

SECTION 32, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

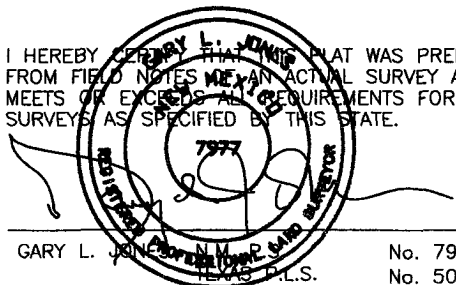


LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 32, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

SECTION 33 = 2570.8 FEET = 0.49 MILES = 155.81 RODS = 2.95 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.



GARY L. JONES, N.M.P.S. No. 7977
TEXAS P.L.S. No. 5074

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

W.O. Number: 7124 Drawn By: J. M. SMALL

Date: 09-07-2006 Disk: JMS 7124R

1000 0 1000 2000 FEET

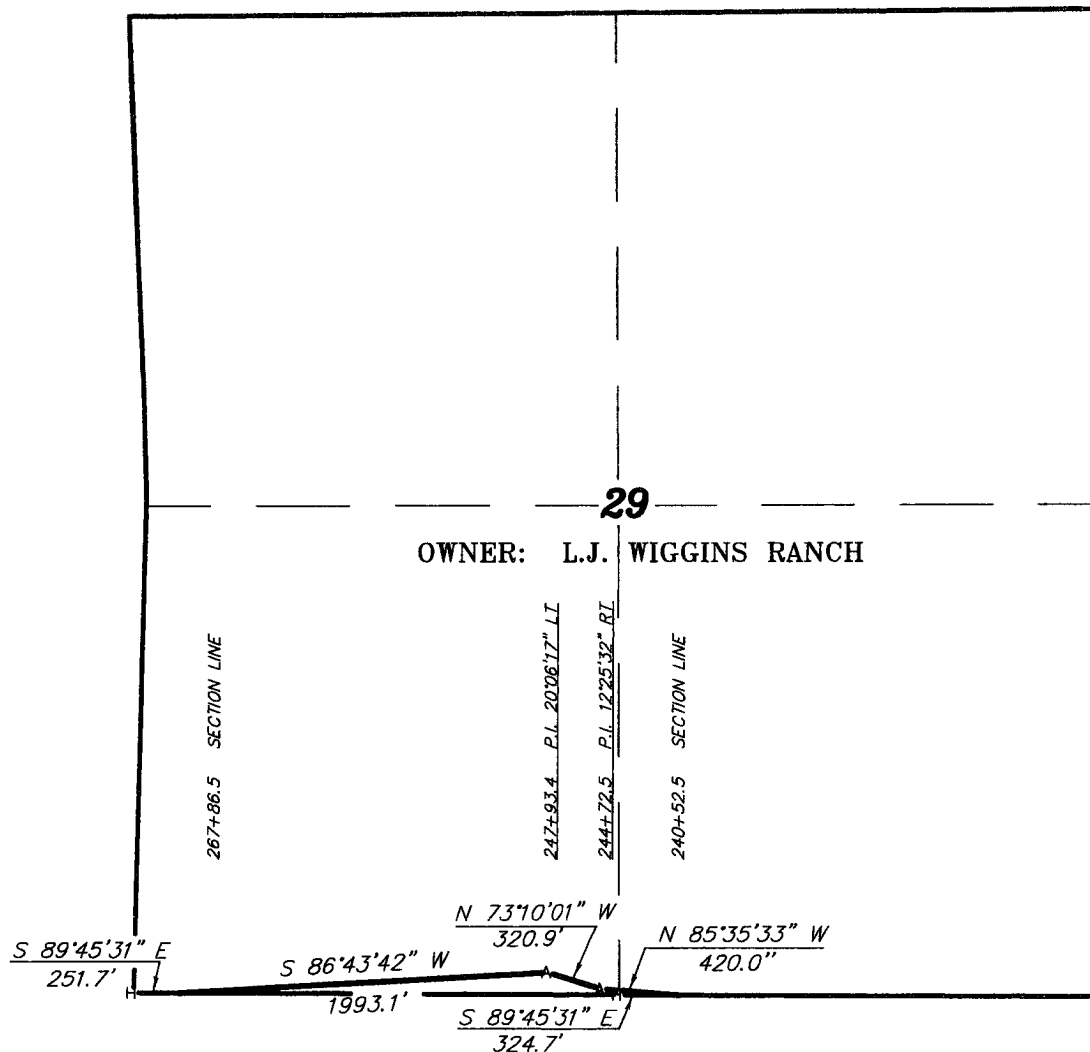
COG OPERATING L.L.C.

REF: PROP. ROAD TO THE MACANUDO "35" FEDERAL COM #1

A PIPELINE CROSSING USA LAND IN
SECTION 32, TOWNSHIP 13 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 09-06-2006 Sheet 3 of 6 Sheets

SECTION 29, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 29, TOWNSHIP 13 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT ON THE SOUTH SECTION LINE WHICH LIES S.89°45'31\"W., 324.7 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION 29; THENCE N.85°35'33\"W., 420.0 FEET; THENCE N.73°10'01\"W., 320.9 FEET; THENCE S.86°43'42\"W., 1993.1 FEET TO A POINT ON THE SOUTH SECTION LINE WHICH LIES S.89°45'31\"W., 251.7 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 29. SAID STRIP OF LAND BEING 2734.0 FEET OR 165.70 RODS IN LENGTH.

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M.P.S. No. 7977
No. 5074

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

W.O. Number: 7124 Drawn By: J. M. SMALL

Date: 09-07-2006 Disk: JMS 7124R

1000 0 1000 2000 FEET

COG OPERATING L.L.C.

REF: PROP. ROAD TO THE MACANUDO "35" FEDERAL COM #1

A ROAD CROSSING FEE LAND IN
SECTION 29, TOWNSHIP 13 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 09-06-2006 Sheet 4 of 6 Sheets

Sheet 5 of 6 Sheets



3106 N. Big Spring St. Ste. 100
Midland, TX 79705
Tel: (432) 685-9158

COPY

September 12, 2006

Bureau of Land Management
2909 W. 2nd Street
Roswell, New Mexico 88201-2019
Attn: Linda Askwig

Re: Macanudo "35" Federal Com #1
Section 35, T13S, R27E
OLD SL: 660 FSL & 1980 FEL
OLD BHL: 660 FNL & 1980 FEL
NEW SL: 660 FSL & 660 FEL
NEW BHL: 660 FSL & 660 FWL
Chaves County, New Mexico

Dear Linda:

Please find enclosed Form 3160-5 Sundry Notice and Form C-102 "Well Location and Acreage Dedication Plat". Also attached are several road and pipeline maps if needed for your files. As requested, I am submitting 6 sets, the original and five copies.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Menoud'.

Denise Menoud
Regulatory Specialist
Gray Surface Specialties
denise@graysurfacespecialties.com
(432) 685-9158

Encls

EXHIBIT A

OPERATOR: BC Operating, Inc.

LEASE NO: NM-114344

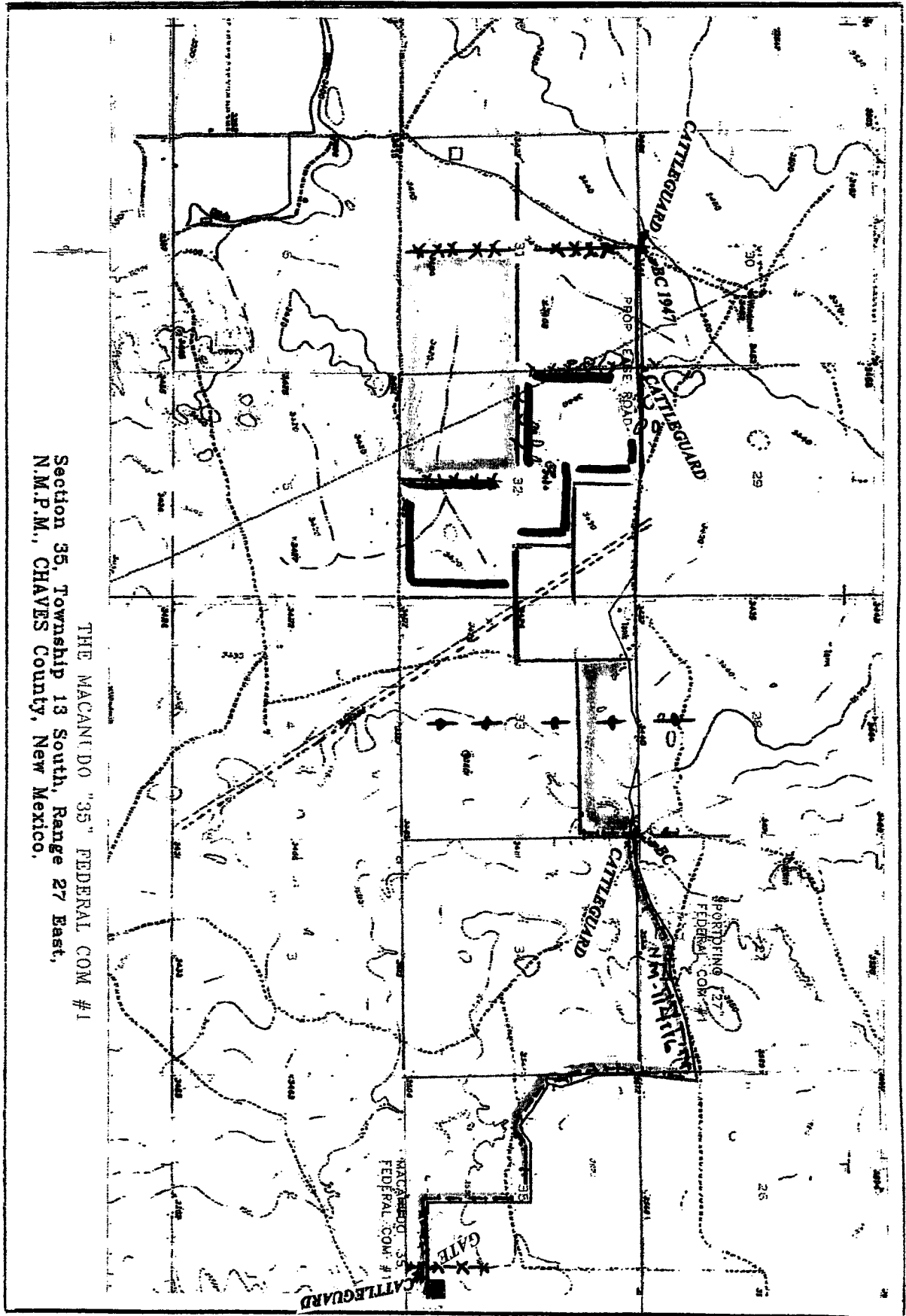
WELL NAME & NO.: Macanudo "35" Federal Com. #1

LOCATION: Section 35, T. 13 S., R. 27 E.

¼¼ & FOOTAGE: Surface Location: SE¼SE¼ - 660' FSL & 660' FEL

¼¼ & FOOTAGE: Bottom Hole Location: SW¼SW¼ - 660' FSL & 660' FWL

COUNTY: Chaves County, New Mexico N.M.P.M.



THE MACANUDO "35" FEDERAL COM #1
Section 35, Township 13 South, Range 27 East,
N.M.P.M., CHAVES County, New Mexico.

ROAD RIGHT-OF-WAY NM-114118
PIPELINE RIGHT-OF-WAY NM-114116



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

EXHIBIT B

WELL DRILLING REQUIREMENTS

1 of 5 pages

OPERATORS NAME: BC Operating, Inc. LEASE NO.: NM-114344
WELL NAME & NO: Macanudo "35" Federal Com. #1
QUARTER/QUARTER & FOOTAGE: SURFACE LOCATION - SE $\frac{1}{4}$ SE $\frac{1}{4}$ - 660' FSL & 660' FEL;
BOTTOM HOLE LOCATION - SW $\frac{1}{4}$ SW $\frac{1}{4}$ - 660' FSL & 660' FWL
LOCATION: Section 35, T. 13 S., R. 27 E., NMPM
COUNTY: Chaves County, New Mexico

I. GENERAL PROVISIONS:

- A. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).
- B. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Well Drilling Requirements.

II. WELL PAD CONSTRUCTION REQUIREMENTS:

- A. The BLM shall administer compliance and monitor construction of the access road and well pad. Notify Richard G. Hill at least 3 working days (72 Hours) prior to commencing construction of the access road and/or well pad. Roswell Field Office number (505) 627-0247.
- B. Prior to commencing construction of the access road, well pad, or other associated developments, the holder shall provide the dirt contractor with a copy of the approved APD signature page, a copy of the location map (EXHIBIT A), a copy of pages 1 & 2 from the Well Drilling Requirements (EXHIBIT B), and a copy of the Permanent Resource Road Requirements (EXHIBIT D).
- C. The holder shall stockpile the topsoil from the surface of the well pad. The topsoil on the Macanudo "35" Federal Com. #1 well pad is approximate 6 inches in depth. Approximately 800 cubic yards of topsoil shall be stockpiled on the Southeast corner of the well pad, opposite the reserve pit.
- D. Reserve Pit Requirements:
1. The reserve pit shall be constructed 160' X 160' on the **North** side of the well pad.
 2. The reserve pit shall be constructed to a minimum depth of four (4) feet below ground level. The reserve pit shall be constructed, so that the cuttings in the reserve pit can be buried a minimum depth of three (3) feet below ground level. See Exhibit E – Surface Reclamation/Restoration Requirements.

3. A synthetic or fabricated liner 12 mil in thickness shall be used to line the reserve pit. The liner shall meet ASTM standards that are designed to be resistant to the reserve pit contents.
4. The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.
5. The reserve pit shall be constructed so as not to leak, break, or allow discharge of drilling muds. Under no circumstances will the reserve pit be cut to drain drilling muds on the well location.
6. The reserve pit shall not be located in any natural drainage.
7. The reserve pit shall be equipped to deter entry by birds, bats, other wildlife, and livestock, if the reserve pit contains any oil and/or toxic fluids.
8. Drilling muds shall be properly disposed of before the reserve pit is reclaimed. Drilling muds can be allowed to evaporate in the reserve pit or be removed and transported to an authorized disposal site. The reserve pit shall be backfilled when dry.
9. Dumping of junk or trash into the reserve pit is not allowed. Junk or trash shall be removed from within the reserve pit before the reserve pit is reclaimed. Junk or trash shall not be buried in the reserve pit.

E. Federal Mineral Materials Pit Requirements:

1. Caliche, gravel, or other related materials from new or existing pits on Federal mineral estate shall not be taken without prior approval from the authorized officer. Contact Jerry Dutchover at (505) 627 -0236.
2. Payment for any Federal mineral materials that will be used to surface the access road and the well pad is required prior to removal of the mineral materials.
3. Mineral Materials extracted during construction of the reserve pit may be used for development of the pad and access road as needed, for the Macanudo "35" Federal Com #1 gas well only. Removal of any additional material on location must be purchased from BLM prior to removal of any material.
 - a. An optional mineral material pit may be constructed within the archaeologically cleared area. The mineral material removed in the process can be used for pad and access road construction. However, a mineral material sales contract must be purchased from the BLM prior to removal of any material.

F. Well Pad Surfacing Requirement:

The well pad shall be surfaced with 6 inches of compacted caliche, gravel, or other approved surfacing material. The well pad shall be surfaced prior to drilling operations. See Permanent Resource Road Requirements - EXHIBIT D - requirement #4, for road surfacing.

G. Cave Requirements:

1. If, during any construction activities any sinkholes or cave openings are discovered, all construction activities shall immediately cease. Contact Larry Bray at (505) 627-0250.
2. The BLM Authorized Officer will, within 24 hours of notification in "A" above, conduct an on-the-ground field inspection for karst. At the field inspection the authorized field inspector will authorize or suggest mitigating measures to lessen the damage to the karst environment. A verbal order to proceed or stop the operation will be issued at that time.

III. WELL SUBSURFACE REQUIREMENTS:**A. GENERAL DRILLING REQUIREMENTS:**

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch C. BOP tests

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.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. 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.

B. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 400 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

NOTE – Operator may test surface casing with rig pumps.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

1 The tests shall be done by an independent service company.

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

3 Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

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

D. DRILLING MUD:

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

1 Recording pit level indicator to indicate volume gains and losses.

2 Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.

3 Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

IV. ON LEASE - WELL REQUIREMENTS:

A. The holder shall post signs identifying the location permitted herein with the requirements contained in Onshore Oil and Gas Order #1 and 43 CFR 3162.6.

B. The following data is required on the well sign that shall be posted in a conspicuous place on the well pad. The communitization agreement number shall be posted on the well sign. The sign shall be kept up with current identification and shall be legible for as long as the well is in existence:

Operator Name: BC Operating, Inc.

Well Name & No.: Macanudo "35" Federal Com. #1

Lease No.: NM-114344

Footage: Surface Location: 660' FSL & 660' FEL

Bottom Hole Location: 660' FSL & 660' FWL

Location: Section 35, T. 13 S., R. 27 E.

C. UPON ABANDONMENT OF THE WELL, THE SAME INFORMATION SHALL BE INSCRIBED ON THE DRY HOLE MARKER WITH A BEADED WELD.

D. The approval of the APD does not in any way imply or grant approval of any on-lease, off-lease, or off-unit action(s). It is the responsibility of the holder to obtain other approval(s) such as rights-of-way from the Roswell Field Office or other agencies, including private surface landowner(s).

E. All vehicles, including caterpillar track-type tractors, motor graders, off-highway trucks and any other type of motorized equipment that is used in the construction of the access road and well pad shall be confined to the area(s) herein approved. The drilling rig that is used to drill the well shall also be confined to the approved area(s).

F. Containment Structure Requirement:

1. A containment structure or earthen dike shall be constructed and maintained around all storage facilities/batteries. The containment structure or earthen dike shall surround the storage facilities/batteries.

2. The containment structure or earthen dike shall be constructed two (2) feet high around the facilities/batteries (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum).

3. The perimeter of the containment structure or earthen dike can be constructed substantial larger for greater holding capacity of the contents of the largest tank.

4. The containment structure or earthen dike shall be constructed so that in case of a spill the structure can contain the entire contents of the largest tank, plus 24 hour production, within the containment structure or earthen dike, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

G. Painting Requirement:

All above-ground structures (e.g.: meter houses, tanks, above ground pipelines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Supplemental Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee. The color selected for painting all the well facilities is Olive Drab, 18-0622 TPX. Supplemental Environmental Colors

H. Fence Requirement:

The holder shall minimize disturbance to existing fences and other improvements on public land. The holder is required to promptly repair impacted improvements to at least their former state. On private surface the holder shall 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 shall be allowed unless approved by the Authorized Officer.

I. Open-vent Exhaust Stack Requirements:

1. All open-vent exhaust stacks associated with heater-treater, separators and dehydrator units shall be modified to prevent birds and bats from entering them and to the extent practical to discourage perching and nesting.
2. New production equipment installed on federal leases after November 1st, 1993, shall have the open-vent exhaust stacks constructed to prevent the entry of birds and bats and to the extent practical, to discourage perching, and nesting.

V. Invasive and Noxious Weeds Requirement:

A. The holder shall be held responsible if noxious weeds become established within the area. Evaluation of the growth of noxious weeds shall be made upon discovery. Weed control will be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipelines, and adjacent land affected by the establishment of weeds due to this action. The holder is responsible for consultation with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policy.

B. The holder shall insure that the equipment and or vehicles that will be used to construct, maintain and administer the access roads, well pad and resulting well are not polluted with invasive and noxious weed seed. Transporting of invasive and noxious weed seed could occur if the equipment and vehicles were previously used in noxious weed infested areas. In order to prevent the spread of noxious weeds, the Authorized Officer shall require that the equipment and vehicles be cleaned with either high pressure water or air prior to construction, maintenance and administration of the access roads, well pad, and resulting well.

VI. SPECIAL REQUIREMENT(S): NONE



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street

Roswell, New Mexico 88201

EXHIBIT C

1 of 3 pages

CONDITIONS OF APPROVAL

OPERATOR: BC Operating, Inc.

LEASE NO: NM-114344

WELL NAME & NO.: Macanudo "35' Federal Com. #1

LOCATION: Section 35, T. 13 S., R. 27 E., N.M.P.M.

1/4 1/4 & FOOTAGE: Surface Location: SE 1/4 SE 1/4 - 660' FSL & 660' FEL

1/4 1/4 & FOOTAGE: Bottom Hole Location: SW 1/4 SW 1/4 - 660' FSL & 660' FWL

COUNTY: Chaves County, New Mexico

GENERAL CONDITIONS OF APPROVAL:

1. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Conditions Of Approval.
2. The holder shall indemnify the United States against any liability for damage to life or property arising from occupancy or use of public lands under this authorization.
3. The holder shall have surface use approval prior to any construction work on change(s) or modification(s) to the access road and/or well pad. The holder shall submit (Form 3160-5), Sundry Notice and Report On Wells, an original plus one (1) copy to the Roswell Field Office, stating the basis for any changes to previously approved plans. Prior to any revised construction the holder shall have an approved Sundry Notice and Report On Wells or written authorization to proceed with the change in plans ratified by the Authorized Officer.
4. Weed Control:
 - A. The holder shall be held responsible if noxious weeds become established within the area. Evaluation of the growth of noxious weeds shall be made upon discovery. Weed control will be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipelines, and adjacent land affected by the establishment of weeds due to this action. The holder is responsible for consultation with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policy.
 - B. The holder shall insure that the equipment and or vehicles that will be used to construct, maintain and administer the access roads, well pad and resulting well are not polluted with invasive and noxious weed seed. Transporting of invasive and noxious weed seed could occur if the equipment and vehicles were previously used in noxious weed infested areas. In order to prevent the spread of noxious weeds, the Authorized Officer shall require that the equipment and vehicles be cleaned with either high pressure water or air prior to construction, maintenance and administration of the access roads, well pad, and resulting well.

5. Hazardous Substances:

a. 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 U.S.C. 2601, *et. seg.*) with regard to any toxic substances that are used, generated by or stored on the project/pipeline route or on facilities authorized. (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.

b. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substances 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. seg.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seg.*) on this project/pipeline (unless the release or threatened release is wholly unrelated to the holder's activity on the pipeline). This agreement applies without regard to whether a release is caused by the operator, its agent, or unrelated third parties.

6. Undesirable Events:

If, during any phase of the construction, operation, maintenance, or termination of the authorization, any oil or other pollutants, should be discharged, and impacting Federal land, the control and total removal, disposal, and cleaning up of such oil or other pollutants, 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 land, or to repair all damages to Federal land resulting therefrom, the Authorized Officer may take such measures as deemed necessary to control and cleanup 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 liability or responsibility.

7. Archaeological, Paleontology, and Historical Sites:

a. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the Authorized Officer. The 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 actions to prevent the loss of significant cultural or scientific values. The holder shall be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

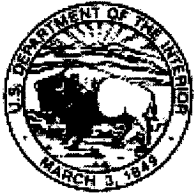
b. The holder is hereby obligated to comply with procedures established in the Native American Graves Protection and Repatriation Act (NAGPRA) to protect such cultural items as human remains, associated funerary objects, sacred objects, and objects of cultural patrimony discovered inadvertently during the course of project implementation. In the event that any of the cultural items listed above are discovered during the course of the project work, the holder shall immediately halt the disturbance and contact the BLM within 24 hours for instructions. The holder or initiator of any project shall be held responsible for protecting, evaluating, reporting, excavating, treating, and disposing of these cultural items according to the procedures established by the BLM in consultation with Indian Tribes. Any unauthorized collection or disturbance of cultural resources may result in a shutdown order by the Authorized Officer.

8. Sanitation:

The holder shall be responsible for maintaining the site in a sanitary condition at all times; waste materials shall be disposed of promptly at an appropriate waste disposal site. "Waste" means all discarded matter including, but not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes, and equipment.

9. Open-top Tanks: Any open-top tank containing oil and/or toxic fluids shall be covered with netting or equipped to prevent birds, bats, and other wildlife from entering the open-top tank.

10. Other: None



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street

Roswell, New Mexico 88201

EXHIBIT D

1 of 9 pages

PERMANENT RESOURCE ROAD REQUIREMENTS

OPERATOR: BC Operating, Inc.

LEASE NO: NM-114344

WELL NAME & NO.: Macanudo "35" Federal Com. #1

LOCATION: Section 35, T. 13 S., R. 27 E., N.M.P.M.

1/4 1/4 & FOOTAGE: Surface Location: SE 1/4 SE 1/4 - 660' FSL & 660' FEL

1/4 1/4 & FOOTAGE: Bottom Hole Location: SW 1/4 SW 1/4 - 660' FSL & 660' FWL

COUNTY: Chaves County, New Mexico

The holder agrees to comply with the following requirements:

1. GENERAL REQUIREMENTS:

- A. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Permanent Resource Road Requirements.
- B. The holder shall minimize any disturbance to structures on public domain surface. Damages caused to any structure during road construction operations shall be promptly repaired by the holder. Functional use of any structure shall be maintained at all times. The holder shall make a documented good-faith effort to contact the owner prior to disturbing any structure.
- C. When necessary to pass through an existing fence line, the fence shall be braced on both sides of the passageway prior to cutting and the fence shall be promptly repaired to at least it's former state or to a higher standard than it was previously constructed.
- D. A professional engineer shall design the access road if the road grade exceeds 10 percent slope.

2. INGRESS AND EGRESS:

The access road shall be constructed to access the well pad on the **Southwest** corner of the well pad to comply with the planned access road route.

3. ROAD TRAVELWAY WIDTH:

The travelway of the road shall be constructed 14 feet wide. The maximum width of surface disturbance shall not exceed 30 feet of road construction. The specified travelway width is 14 feet for all road travelway surfaces unless the Authorized Officer approves a different width.

4. SURFACING:

- A. Beginning from the dedicated road (county road and/or state highway) all access roads on federal surface and the entire length of the new access road travelway shall be surfaced prior to drilling operations.
- B. The access road travelway shall be surfaced with caliche or gravel material. If other surfacing material is used, the new type of material shall be approved by the Authorized Officer. The travelway of the road shall be surfaced with caliche material. The caliche material shall be compacted to a minimum thickness of 6 inches for the entire length of the travelway surface on the access road. The width of surfacing shall not be less than 14 feet of travelway surface. Prior to using any mineral materials from an existing federal pit, authorization must first be obtained from the Authorized Officer.

5. CROWNING AND DITCHING:

Crowning with materials on site and ditching on one side of the road, on the uphill side, shall be required. The road cross section shall conform to the cross section diagrams in Figure 1 (attached page 6). Where conditions dictate, ditching shall be required on both sides of the road. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road).

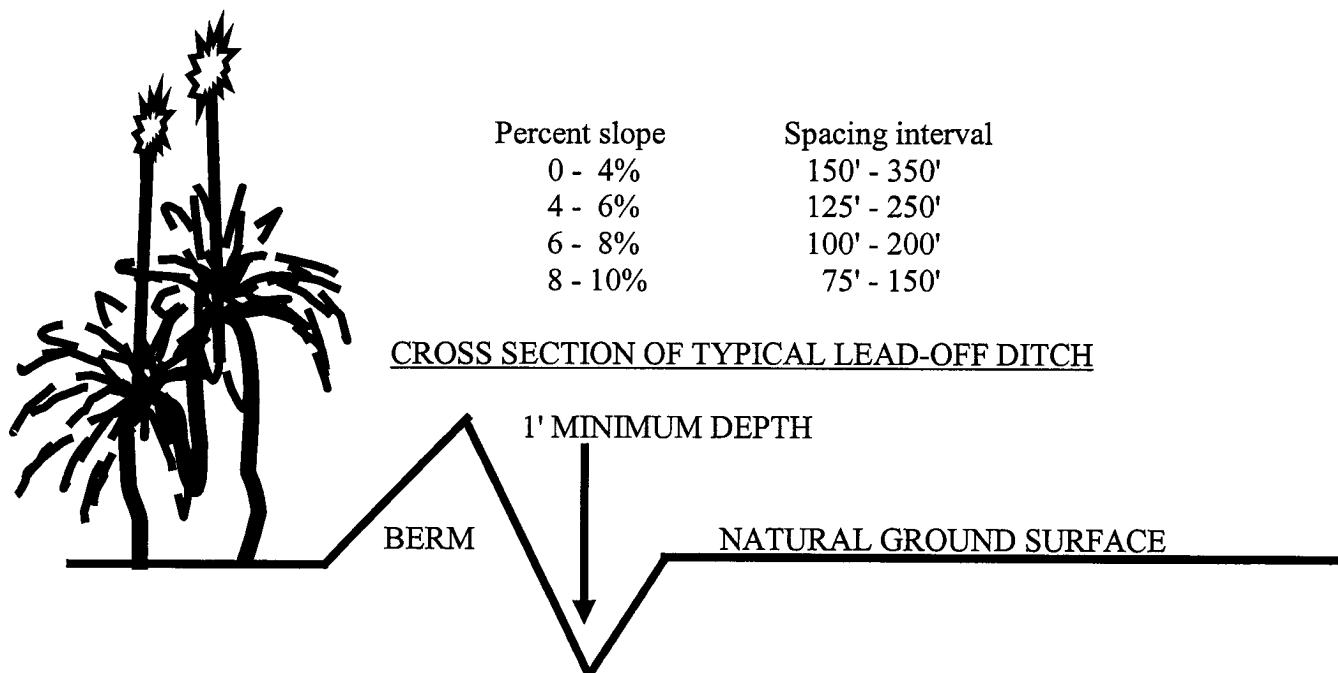
6. DRAINAGE:

- A. Drainage control shall be ensured over the entire road through the construction of ditches, sidehill outcropping and insloping, lead-off ditches, culvert installation, and low water crossings.
- B. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

PERCENT SLOPE AND SPACING INTERVALS FOR LEAD-OFF DITCHES:

Percent slope	Spacing interval
0 - 4%	150' - 350'
4 - 6%	125' - 250'
6 - 8%	100' - 200'
8 - 10%	75' - 150'

CROSS SECTION OF TYPICAL LEAD-OFF DITCH



- C. 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.

D. On road slopes exceeding 2%, water flow shall drain water into an adjacent lead-off ditch. Water flow drainage location and spacing shall be determined by the following formula:

FORMULA FOR SPACING INTERVAL OF LEAD-OFF DITCHES:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Ex. 4% slope: spacing interval = $\frac{400}{4} + 100 = 200$ feet

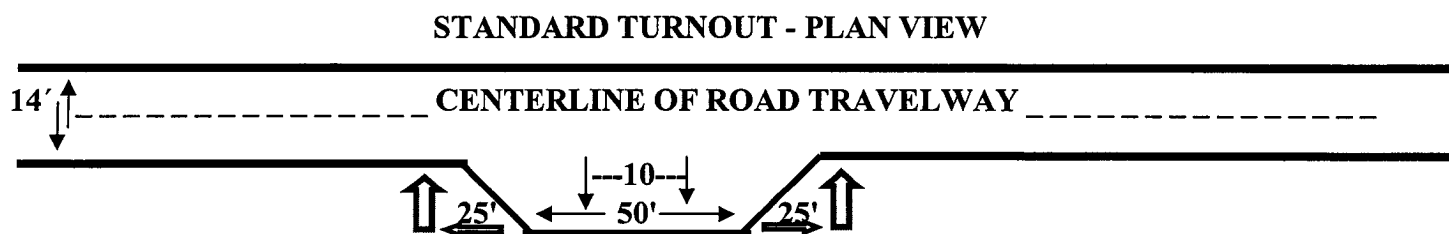
7. CULVERT INSTALLATION: **No culverts are required on this road.**

ONE (1) CULVERT SHALL BE INSTALLED AT THE DEEP WATERWAY CHANNEL FLOW CROSSING IN THE XX¼XX¼ OF SECTION - T. S. - R. E. (SEE EXHIBIT A - LOCATION MAP).

Culvert pipes shall be used where ravines, arroyo gullies, and deep waterway channel flows are crossed by the access road construction route. The culvert(s) shall not be less than XX inches in diameter (minimum 18 inch culvert). The location for the culvert installation is designated on the attached map - EXHIBIT A. (A culvert pipe installation diagram shall be attached to this requirement when a culvert is required to be installed, see EXHIBIT - X).

8. TURNOUTS:

Vehicle turnouts shall be constructed on all single lane roads (unless the Authorized Officer determines that the turnouts are not required). Turnouts shall be intervisible and shall be constructed on all blind curves with additional turnouts as needed to keep spacing below 1000 feet. Turnouts shall conform to the following diagram:



9. A. CATTLEGUARDS: Four (4) Required

(1) ONE (1) CATTLEGUARD SHALL BE INSTALLED AT THE FENCE CROSSING IN THE ¼ BETWEEN SECTIONS 30 & 31 - T. 13 S. - R. 27 E. (SEE EXHIBIT A - MAP). PROTECT GLO BRASS CAP MONUMENT.

(2) ONE (1) CATTLEGUARD SHALL BE INSTALLED AT THE FENCE CROSSING SOUTH OF THE SECTION CORNER OF SECTIONS 29, 30, 31 & 32 - T. 13 S. - R. 27 E. (SEE EXHIBIT A - MAP).

(3) ONE (1) CATTLEGUARD SHALL BE INSTALLED AT THE FENCE CROSSING SOUTH OF THE SECTION CORNER OF SECTIONS 27, 28, 33, & 34 - T. 13 S. - R. 27 E. (SEE EXHIBIT A - MAP).

(4) ONE (1) CATTLEGUARD SHALL BE INSTALLED AT THE FENCE CROSSING APPROXIMATELY 300 FEET EAST OF THE WELL PAD IN THE (C-W-SE-SE—1/256) OF SECTION 35 - T. 13 S. - R. 27 E. (SEE EXHIBIT A - MAP). PROTECT GLO BRASS CAP MONUMENT. A GATE SHALL BE CONSTRUCTED ON THE NORTH SIDE OF THE CATTLEGUARD.

B. A cattleguard installation diagram shall be attached to this stipulation when a cattleguard is required to be installed - see EXHIBIT E - DIAGRAM A & B).

C. The existing cattleguard(s) on the access road shall be replaced if they are damaged from heavy vehicular traffic use and the Authorized Officer determines that a new cattleguard shall be installed where the existing in place cattleguard(s) have deteriorated beyond practical use. The holder shall be held responsible for the condition of the existing in place cattleguard(s) that are utilized for vehicular traffic use on lease operations by the holder.

D. Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads, (exceeding H-20 loading,) are anticipated. (See BLM standard drawings for cattleguards – Exhibit E – Diagram A & B). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

10. MAINTENANCE:

A. The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation and cleaning, cattleguard maintenance, surfacing, and weed control.

B. The holder shall cooperate with other authorized users in maintenance of the road(s). Failure of the holder to share maintenance costs in dollars, equipment, materials, and manpower proportionate to the holders use with other authorized users may be adequate grounds to terminate the road use. The determination as to whether maintenance expenditures have been withheld by the holder and the decision to terminate the road use shall be at the discretion of the Authorized Officer. Upon request, the Authorized Officer shall be provided with copies of any maintenance agreements entered into by the holder.

11. PUBLIC ACCESS:

A. Public access on this road shall not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public land shall not be locked or closed to public use unless closure is absolutely necessary and is authorized in writing by the Authorized Officer.

12. ROAD REHABILITATION REQUIREMENTS:

A. SEE -SURFACE RECLAMATION/RESTORATION REQUIREMENTS - Exhibit F.

B. On private estate land the restoration procedures on the reclamation of the access road shall be accomplished in accordance with the Private Surface Land Owner concurrence. If the surface land owner does not retain the access road for his ranch operations, upon abandonment of this well, the surface material (caliche/gravel) shall be removed from the access road.

The removal of the surface material on the road could be re-used for maintenance of other federal roads within close proximity of the reclaimed area or properly disposed of in a federal mineral material pit.

13. SPECIAL REQUIREMENT(S):

A. If the access road to the Macanudo "35" Federal Com #1 is to be widened in the vicinity of LA 153,812 then a BLM permitted archeologist shall be present during road work. This site is at the first gate/fence entrance to access the Macanudo "35" Federal Com #1.

B. Archaeological site, LA 153,811 shall be avoided by following the access road reroute around and south of the site.

C. Precautionary measures shall be taken by the holder during construction of the access road to protect the existing GLO - Brass Cap 1947 that is in the section $\frac{1}{4}$ between Section 30 & 31. (See map - EXHIBIT A). The Brass Cap is very near the fence crossing where a cattleguard shall be installed. The holder shall be held responsible for any damage to the Brass Cap (1947). Should the holder obliterate the Brass Cap (1947), the holder shall contact the Geological Survey Office to reestablish the monument.

D. Precautionary measures shall be taken by the holder during construction of the access road to protect the existing GLO - Brass Cap that is in the Section Corner of Sections 27, 28, 33 & Section 34. (See map - EXHIBIT A). The section corner Brass Cap is very near the fence crossing where a cattleguard shall be installed. The holder shall be held responsible for any damage to the Brass Cap. Should the holder obliterate the Brass Cap, the holder shall contact the Geological Survey Office to reestablish the monument.

E. Precautionary measures shall be taken by the holder during construction of the access road to protect the existing gas pipeline(s) that will be encountered on the existing access road. An earthen berm; 2 feet high by 3 feet wide and 14 feet across (2' X 3' X 14'), shall be constructed over all the existing gas pipeline(s) that are crossed on the road. The holder shall be held responsible for any damage to the existing gas pipeline(s). If the gas pipelines are ruptured and/or damaged the holder shall immediately cease road construction operations and repair the pipeline(s). The holder shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

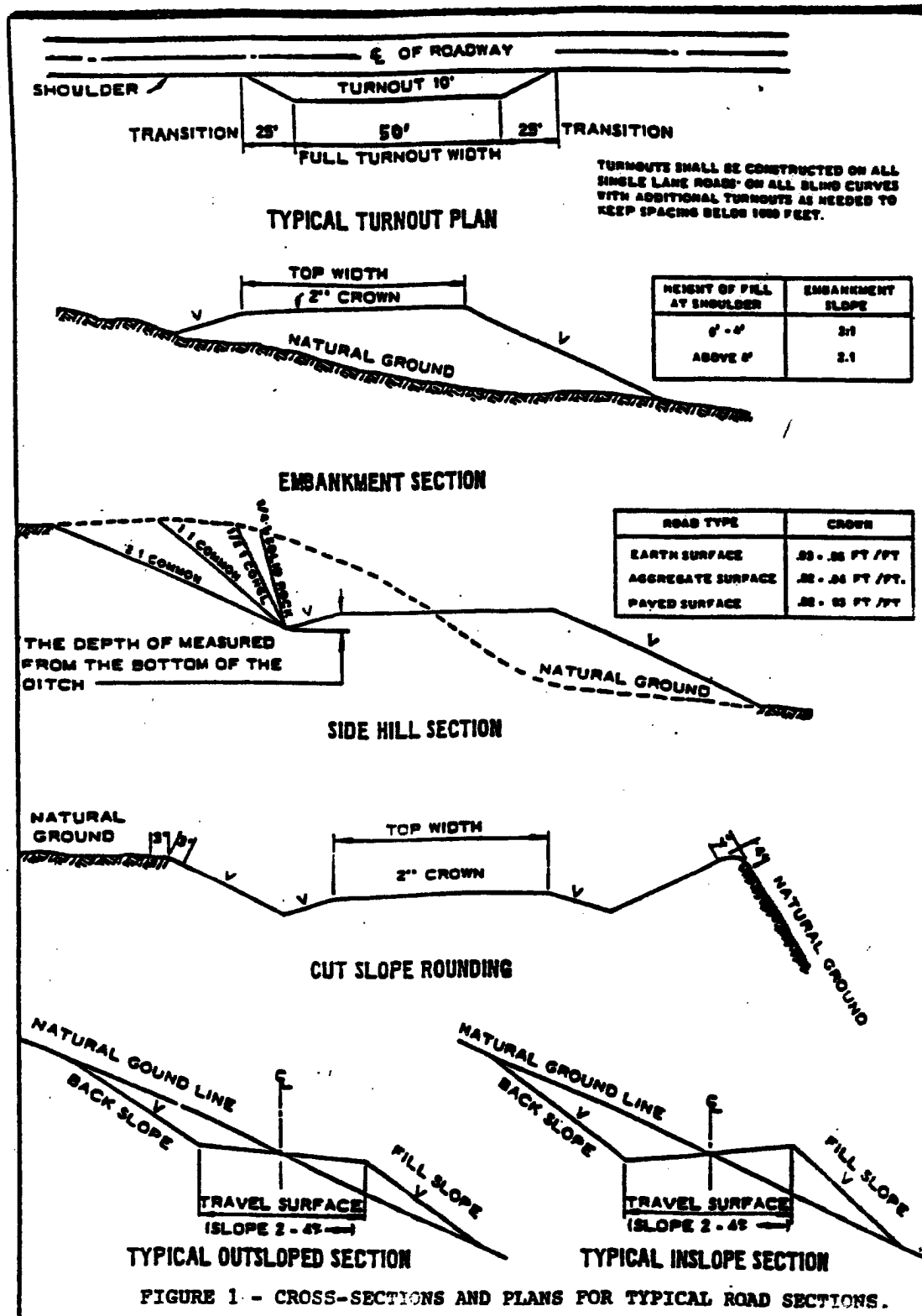
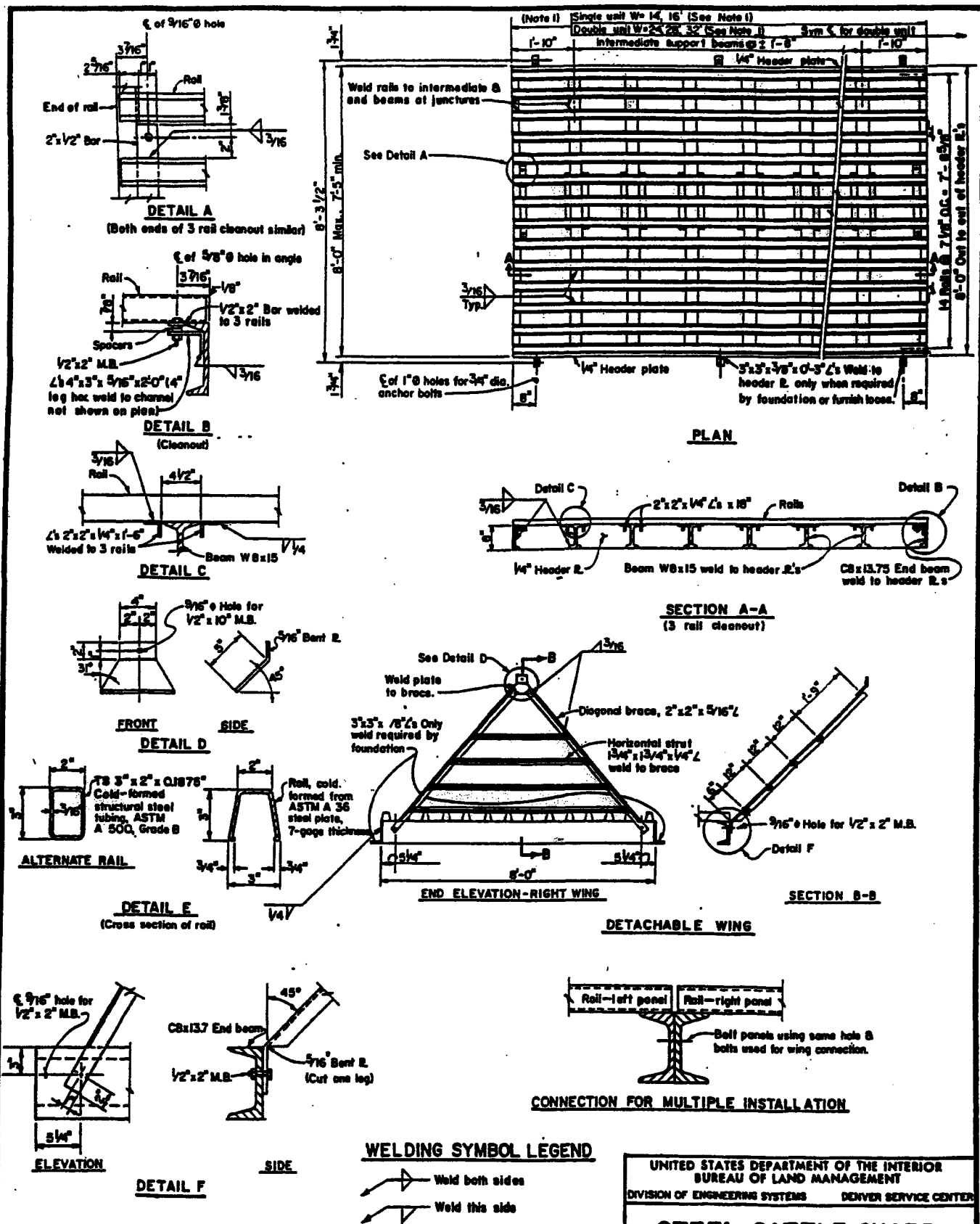


EXHIBIT E - DIAGRAM A



UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
DIVISION OF ENGINEERING SYSTEMS DENVER SERVICE CENTER

STEEL CATTLE GUARD GRID AND WINGS

DESIGNED BY OTHERS

REVIEWED

APPROVED

DRAWN P.W. TWIST

SCALE NONE

DATE APRIL 5, 1984

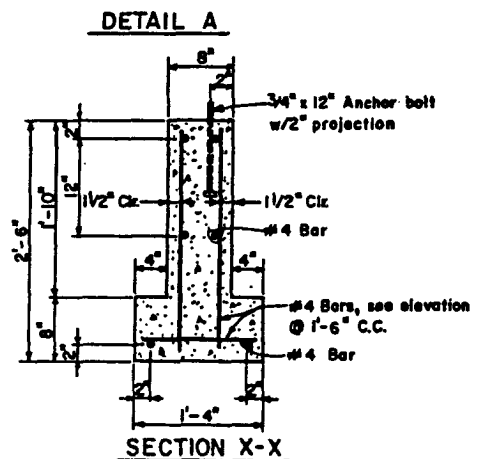
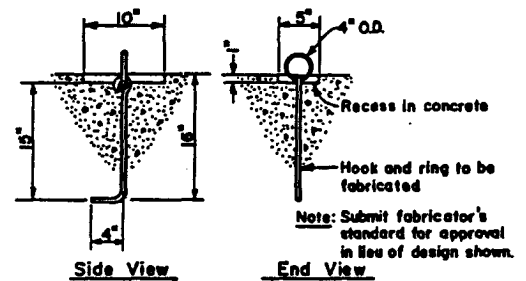
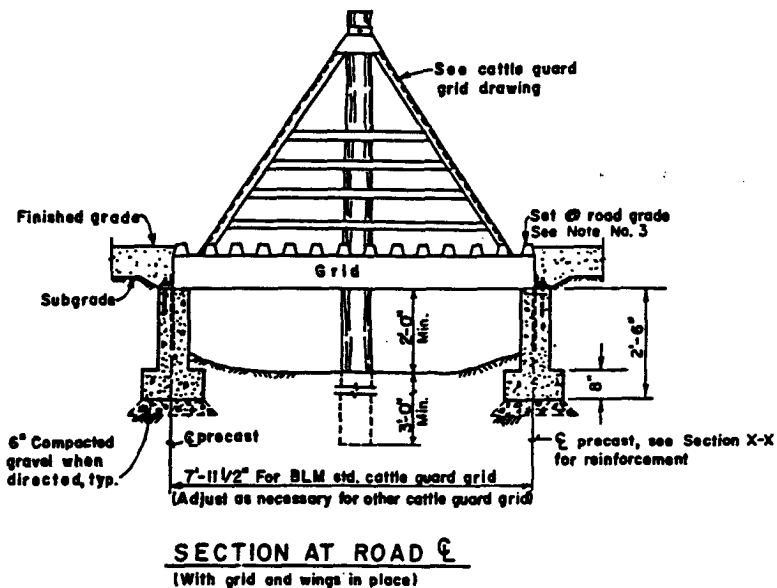
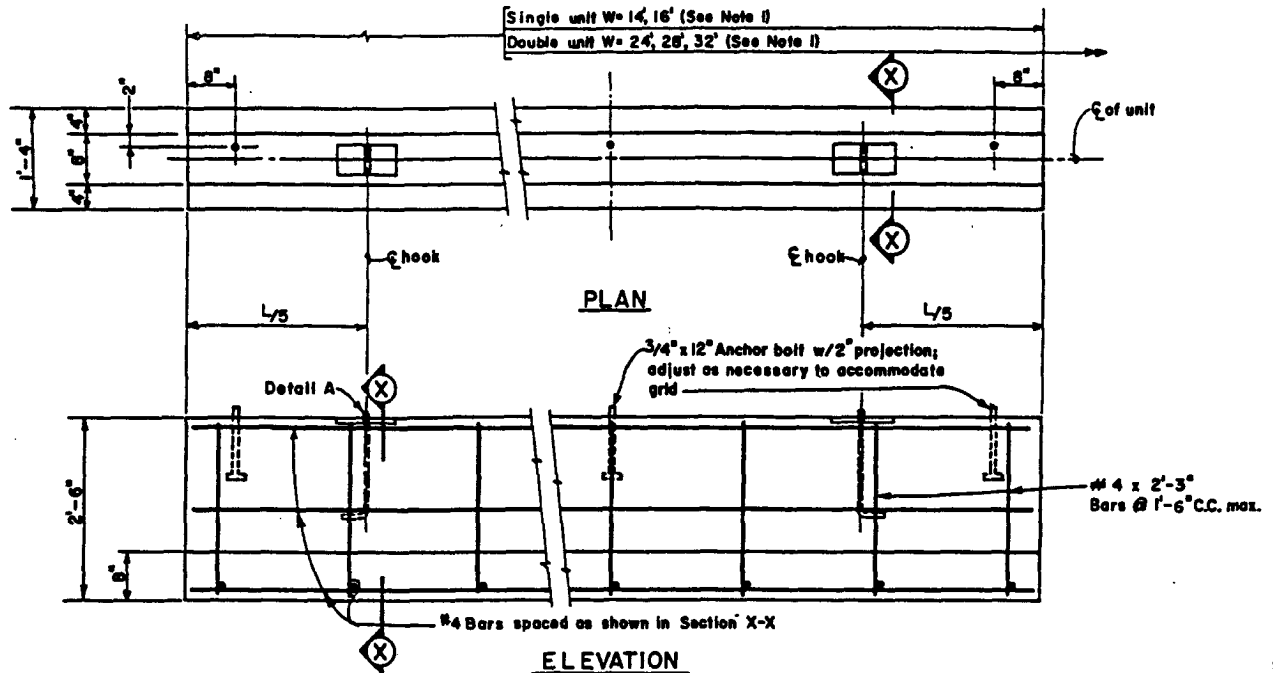
SHEET 1 OF 2

DRAWING NO. 02881-4



ALWAYS THINK SAFETY

EXHIBIT E - DIAGRAM B



NOTES:

1. See Bid Schedule for width (W).
2. Standard nuts & washers shall be furnished with each foundation unit including anchor angles. Weld or bolt anchor angles to cattle guard.
3. On earth-surfaced roads, set top of cattle guard eight inches above subgrade unless plans or stakes indicate another elevation. Taper (fill) back from cattle guard approx. 50' in both directions.
4. #4 Reinforcement may be spliced with 24" lap unless prohibited.

ESTIMATED QUANTITIES FOR FOUNDATION					
DESCRIPTION	QUANTITIES				
UNIT WIDTHS	14'	16'	24'	28'	32'
CONCRETE	2.2 CY	2.5 CY	3.8 CY	4.4 CY	5.0 CY
#4 REINFORCING STEEL	276 L.F.	311 L.F.	471 L.F.	543 L.F.	624 L.F.

ALWAYS THINK SAFETY

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT	
DIVISION OF ENGINEERING SYSTEMS	DENVER SERVICE CENTER
CATTLE GUARD FOUNDATION (Precast Concrete)	
DESIGNED BY OTHERS	
REVIEWED <i>[Signature]</i>	
APPROVED <i>[Signature]</i>	
DRAWN J.D.Sedillo	SCALE NONE
DATE APRIL 6, 1984	SHEET 2 OF 2
DRAWING NO. 02881-1	

EXHIBIT A

9 of 9 pages

OPERATOR: BC Operating, Inc.

LEASE NO: NM-114344

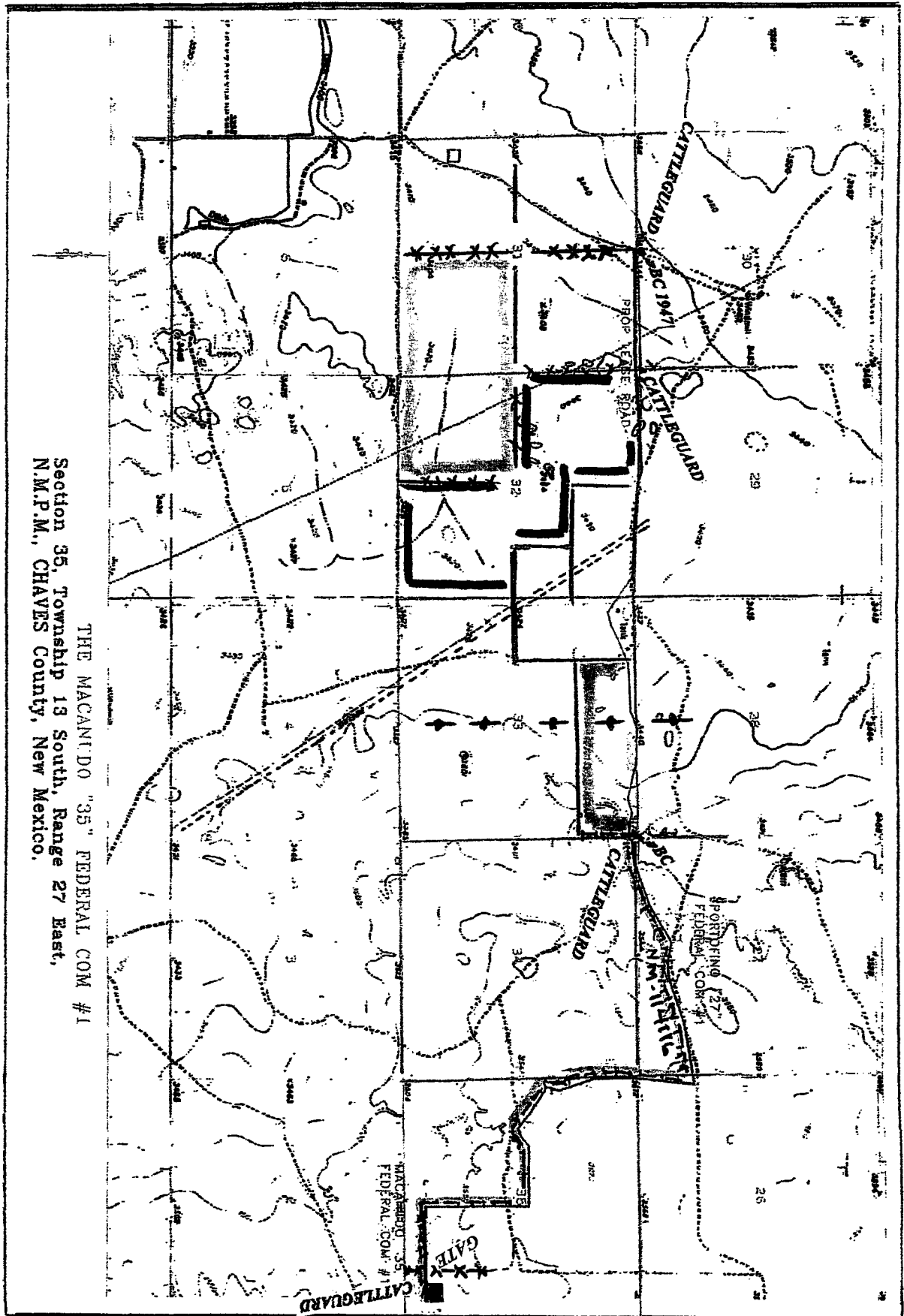
WELL NAME & NO.: Macanudo "35" Federal Com. #1

LOCATION: Section 35, T. 13 S., R. 27 E.

1/4 & FOOTAGE: Surface Location: SE 1/4 SE 1/4 - 660' FSL & 660' FEL

1/4 & FOOTAGE: Bottom Hole Location: SW 1/4 SW 1/4 - 660' FSL & 660' FWL

COUNTY: Chaves County, New Mexico N.M.P.M.



THE MACANUDO "35" FEDERAL COM #1
Section 35, Township 13 South, Range 27 East,
N.M.P.M., CHAVES County, New Mexico.

ROAD RIGHT-OF-WAY NM-114118
PIPELINE RIGHT-OF-WAY NM-114116



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street

Roswell, New Mexico 88201

EXHIBIT F

1 of 5 pages

SURFACE RECLAMATION/RESTORATION REQUIREMENTS

OPERATORS NAME: BC Operating, Inc. LEASE NO.: NM-114344

WELL NAME & NO: Macanudo "35" Federal Com. #1

LOCATION: Section 35, T. 13 S., R. 27 E.,

$\frac{1}{4}$ $\frac{1}{4}$ & FOOTAGE: Surface Location- SE $\frac{1}{4}$ SE $\frac{1}{4}$ - 660' FSL & 660' FEL

$\frac{1}{4}$ $\frac{1}{4}$ & FOOTAGE: Bottom Hole Location- SW $\frac{1}{4}$ SW $\frac{1}{4}$ - 660' FSL & 660' FWL

COUNTY: Chaves County, New Mexico, NMPM

I. GENERAL PROVISIONS:

- A. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).
- B. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who administers the reclamation requirements.
- C. The holder shall comply with all the surface reclamation/restoration required by the Authorized Officer pertaining to the reclamation/restoration of the access road and well pad.

II. FORM 3160-5, SUNDRY NOTICES AND REPORTS ON WELLS:

- A. The holder shall adhere to the following:

- 1. If the well is not drilled, please notify the BLM so that an official release can be approved.
- 2. Downhole requirement: If the well is a dry hole and will be plugged, approval of the proposed plugging program may be obtained orally. However, oral approval must be confirmed in writing by immediately filing a Sundry Notice And Report On Wells (Form 3160-5) "Notice of Intention to Abandon", an original and five (5) copies shall be submitted to the Roswell Field Office. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where plugs are to be placed, type of plug, type of plugging mud, etc..
- 3. The same notification shall be required of the Holder for the reclamation/restoration of the access road and well pad. The Holder shall initially report surface reclamation/restoration of the access road and well pad concurrently with the Downhole requirement. A Sundry Notice And Report On Wells (Form 3160-5) "Notice of Intention to Abandon", an original and five (5) copies shall be submitted to the Roswell Field Office. Upon receipt of the "NOI" the Authorized Officer shall provide the holder with the specific requirements for the reclamation/restoration of the access road and well pad.

4. Subsequent Report Of Abandonment: The holder shall submit a second report on Form 3160-5, Sundry Notices and Reports On Wells, an original and five (5) copies shall be submitted to the Roswell Field Office, pertaining to the reclamation/restoration of the access road and well pad. The holder shall demonstrate that the surface reclamation/restoration requirements have been complied with. The holder shall specify that the reclamation work accomplished the restoration of the disturbed areas to as near the original surface condition the land was in prior to construction of the access road and well pad.

5. Final Abandonment Notice: The holder shall submit a third report on Form 3160-5, Sundry Notices and Reports On Wells, an original and five (5) copies shall be submitted to the Roswell Field Office, that shall ascertain that all surface reclamation/restoration requirements have finally been completed and that the access road and well pad are ready for final inspection. The holder shall specify that the surface has been reclaimed in accordance with federal regulations and request for the final approval of the access road and well pad.

III. BOND LIABILITY:

A. Liability under bond shall be retained until all surface reclamation/restoration of the access road and well pad has been completely reclaimed to the satisfaction of the Authorized Officer.

IV. ACCESS ROAD AND WELL PAD RECLAMATION REQUIREMENTS:

1. If the well is completed, all areas of the well pad not necessary for operations shall be reclaimed to resemble the original contours of the surrounding terrain.

2. Upon abandonment of the well, cut-and-fill slopes shall be re-contoured and reduced to a slope of 3:1 or less. The road shall be recontoured to as near the original topography, as possible.

3. Upon abandonment of the well, all production equipment shall be removed from the well pad and properly disposed of.

4. Upon abandonment of the well, the surface material (caliche/gravel) shall be removed from the well pad and/or access road. The removal of surface material shall be done with the minimal amount of mixing of the caliche or gravel material with the in place subsurface soil. The Authorized Officer shall be notified by the Holder for the proper disposal of the surfacing material from the well pad and access road.

5. On private estate land the restoration procedures on the reclamation of the access road and well pad shall be accomplished in accordance with the Private Surface Land Owner concurrence. If the surface land owner does not retain the access road and/or well pad for his ranch operations, upon abandonment of this well, the surface material (caliche/gravel) shall be removed from the access road and well pad.

6. The surfacing material that is removed can be used on existing surfaced roads in need of maintenance, or hauled to a federal material pit for disposal. If the material is to be used on a road or hauled to a material pit, contact the BLM Authorized Officer at (505) 627-0272 for possible additional requirements.

7. Upon removal of the surfacing material, the access road and well pad shall be ripped a maximum of 16 inches deep (Ripping depth will be determined by depth of soil shown in the Soil Conservation Service Survey Handbook).

8. All culverts and other road structures (e.g.: cattleguard, H-Braces, signs, etc.) shall be removed and properly disposed of.
9. All over-burden material shall be replaced in the cut areas, ditches, lead-off ditches, and any other excavated earthwork shall be back filled.
10. An earthen berm shall be constructed at the entrance of the road to prevent vehicular traffic on the reclaimed road.

V. Reserve Pit Reclamation Requirements:

- A. Upon reclamation of the reserve pit, the impervious, reinforced, synthetic or fabricated 12 mil in thickness liner shall be used to encapsulate the reserve pit cuttings.
- B. The dried cuttings in the reserve pit shall be buried a minimum depth of three (3) feet below ground level.
- C. The reserve pit area shall be covered with a three (3) feet minimum cap of clean soil or like material that is capable of supporting native plant growth. Once the reserve pit contents have been capped, the cap shall not be disturbed without NMOCD approval.
- D. Should the cuttings in the reserve pit not meet the three (3) feet below ground level depth, the excess contents shall be removed from the reserve pit until the required minimum depth of three (3) feet below ground level requirement has been met. The excess cuttings shall be removed from the well location and shall be properly disposed of at an authorized disposal site.
- E. Contact Randy Legler at (505) 627-0215, three days before commencing the reserve pit reclamation.
- F. The depth to groundwater in the shallow unconfined aquifer is approximately 80 feet (New Mexico Office of the State Engineer data).

VI. SEEDING REQUIREMENTS:

- A. The stockpile of topsoil shall be spread over the well pad to cultivate a seed bed. The holder shall not contaminate the topsoil stockpile with the reserve pit muds and/or cuttings.
- B. The reclaimed area(s) shall be seeded with the seed mixture that was determined by the Roswell Field Office for the Desired Plant Community on this well site. The same seed mixture shall be used for the reclamation of the access road and well pad.
- C. The planting of the seed shall be done in accordance with the following seeding requirements:
 1. The topsoil soil shall be plowed under with soil turning equipment and the plowed surface shall be disked before seeding. Seed shall be planted using a drill equipped planter with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture shall be evenly and uniformly planted over the disturbed area. Smaller/heavier seed has a tendency to drop to the bottom of the drill and is planted first; the holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed shall be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre noted below are to be doubled.

2. The holder shall seed all the disturbed areas with the DPC seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed per acre, (Pounds of pure live seed per acre: pounds of seed X percent purity X percent germination = pounds pure live seed). There shall be no primary or secondary noxious weeds in the seed mixture. **The seed mixture shall be certified weed free seed.**

In accordance with State law(s) the seed should be tested for purity and viability within nine (9) months prior to sell. Commercial seed shall be either certified or registered seed. The seed mixture container shall be tagged in accordance with State law(s) and the certified seed tag shall be made available for inspection by the Authorized Officer.

3. **Desired Plant Community** seed mixture to be planted in pounds of pure live seed per acre for:

Roswell fine sand, 2-25% slopes, Jalmar fine sand, 0-2% slopes

Sandy Plains CP-2 Ecological Site; Sand Hills CP-2 Ecological Site; Deep Sand SD-3 Ecological Site

<u>Common Name and Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure Live Seed Per Acre</u>
Sand bluestem,	<i>Andropogon hallii</i>	0.50
Little bluestem	<i>Schizachyrium scoparium</i>	0.50
Sideoats grama,	<i>Bouteloua curtipendula</i>	1.50
Sand dropseed	<i>Sporobolus cryptandrus</i>	0.50
Spike dropseed	<i>Sporobolus contractus</i>	0.50
Mesa dropseed	<i>Sporobolus flexuosus</i>	0.50
Plains bristlegrass	<i>Setaria macrostachya</i>	2.00
Desert or Scarlet	<i>Sphaeralcea ambigua</i>	0.50
Globemallow	or <i>S. coccinea</i>	
Buckwheat	<i>Eriogonum spp.</i>	<u>1.50</u>
TOTAL POUNDS PURE LIVE SEED PER ACRE		8.00

4. If one species is not available. Increase ALL others proportionately. No Less than Six (6) species with a minimum of one (1) Forb. No less than 8.0 Pounds PLS per acre shall be applied.

E. The recommended time to seed is from June 15th through September 15th. The optimum seeding time is in mid-July. Successive seeding should be done either late in the fall (Sept. 15th - Nov. 15th, before freeze up) or early as possible the following spring to take advantage of available ground moisture. However, the holder may seed immediately after completing surface abandonment requirements.

F. The seeding of the disturbed areas shall be repeated until a vegetative thicket is established on the access road and well pad. The Authorized Officer shall make the determination when the regrowth on the disturbed areas is satisfactory.

G. The holder shall be responsible for the establishment of vegetation on the access road and well pad. Evaluation of vegetative growth will not be made before the completion of the first growing season after seeding. The Authorized Officer reserves the right to require reseeding at a specific time if seed does not germinate after one growing season. Waiver of this requirement would be considered if diligent attempts to revegetate the disturbed areas have failed and the Authorized Officer determines that further attempts to replant the access road and well pad are futile.

H. Contact Mr. Randy Legler at (505) 627-0215 to witness the seeding operations, two (2) days prior to seeding the disturbed areas.

I. Invasive and Noxious Weeds Requirement:

1. The holder shall be held responsible if noxious weeds become established within the reclaimed areas. Evaluation of the growth of noxious weeds shall be made upon discovery. Weed control will be required on the disturbed land where noxious weeds exist, which includes the road, pad, associated pipeline corridor/routes, and adjacent land affected by the establishment of weeds due to this action. The holder is responsible for consultation with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policy.

2. The holder shall insure that the equipment and or vehicles that will be used to reclaim the access roads and well pad are not polluted with invasive and noxious weed seed. Transporting of invasive and noxious weed seed could occur if the equipment and vehicles were previously used in noxious weed infested areas. In order to prevent the spread of noxious weeds, the Authorized Officer shall require that the equipment and vehicles be cleaned with either high pressure water or air prior to reclamation of the access roads and well pad.