

EC

## OPERATOR'S COPY

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENTFORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

## APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		<b>CONFIDENTIAL</b>	5. Lease Serial No. NMNM70333
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			6. If Indian, Allottee or Tribe Name
2. Name of Operator CONOCOPHILLIPS P O BOX 2197 WL3 6108 HOUSTON TX 77252		Contact: DEBORAH MARBERRY	7. If Unit or CA Agreement, Name and No.
3b. Phone No. (include area code) Ph: 832.486.2326 Fx: 832.486.2764			8. Lease Name and Well No. PEAKVIEW 2
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SESE 1175FSL 1300FEL 32.43167 N Lat, 103.84694 W Lon At proposed prod. zone			9. API Well No. 30-015-33737
14. Distance in miles and direction from nearest town or post office* R-III-POTASH			10. Field and Pool, or Exploratory CABIN LAKE DELAWARE
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1175		16. No. of Acres in Lease NOV 19 2004	11. Sec., T., R., M., or Blk. and Survey or Area Sec 35 T21S R30E Mer NMP SME: BLM
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 7800 MD	12. County or Parish EDDY
21. Elevations (Show whether DF, KB, RT, GL, etc.) 3229 GL		22. Approximate date work will start	13. State NM
			17. Spacing Unit dedicated to this well 40.00
			20. BLM/BIA Bond No. on file
			23. Estimated duration

24. Attachments **CARLSBAD CONTROLLED WATER BASIN**

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- |   |  |
|---|--|
| 1. Well plat certified by a registered surveyor.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).    |
| 2. A Drilling Plan.   | 5. Operator certification  |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature (Electronic Submission)	Name (Printed/Typed) DEBORAH MARBERRY	Date 03/08/2004
Title CONTRACTS		
Approved by (Signature) 	Name (Printed/Typed) William S. Cordit	Date APR 23 2004
Acting STATE DIRECTOR	Office NM STATE OFFICE	

Application approval does not warrant or certify 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 1 YEAR**

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.

Additional Operator Remarks (see next page)

Electronic Submission #28459 verified by the BLM Well Information System  
For CONOCOPHILLIPS, sent to the Carlsbad  
Committed to AFMSS for processing by LINDA ASKWIG on 03/11/2004 (04LA0239AE)APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

NSL-5025(CSD)

\*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\* BLM REVISED \*\*



## United States Department of the Interior

Bureau of Land Management  
New Mexico State Office  
1474 Rodeo Road  
P.O. Box 27115  
Santa Fe, New Mexico 87502-0115  
[www.nm.blm.gov](http://www.nm.blm.gov)

IN REPLY REFER TO:  
3160 (08200)  
NM-70333

April 23, 2004

CERTIFIED--RETURN RECEIPT REQUESTED  
7003 1680 0004 2112 1431

ConocoPhillips  
P. O. Box 2197 WL3 6108  
Houston, TX 77252

RECEIVED

NOV 19 2004

OCD-ARTESIA

RE: NM-70333  
Peakview #2  
1175'S & 1300'E, Sec. 35, T.21S, R.30E  
Eddy County, New Mexico

Gentlemen:

I have approved your application at the well location requested. A copy of the approved application with stipulations is enclosed. Please contact our Carlsbad Field Office at (505) 234-5972, should you have any questions or if we can be of any additional help.

Sincerely,

FOR Linda S. C. Rundell  
State Director

1 Enclosure

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., 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, NM 87505

WELL API NO.  
**30-015-33737**

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name  
PEAKVIEW FEDERAL

8. Well Number 2

9. OGRID Number 217817

10. Pool name or Wildcat  
CABIN LAKE DELAWARE

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

RECEIVED

2. Name of Operator  
CONOCOPHILLIPS CO.

NOV 19 2004

3. Address of Operator P.O. BOX 2197 WL3 6108 HOUSTON TX 77252

4. Well Location

Unit Letter P : 1175 feet from the SOUTH line and 1300 feet from the EAST line

Section 35 Township 21S Range 30E NMPM County EDDY

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
3229 GL

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type DRILL Depth to Groundwater 101-200' Distance from nearest fresh water well >1000' Distance from nearest surface water

Pit Liner Thickness: mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☐

OTHER: pit construction

☒

OTHER:

☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

ConocoPhillips requests approval to construct a lined (12 mil) drill pit as per NMOCD guidelines. We also anticipate closing the pit as per guidelines.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Deborah Marberry TITLE REGULATORY ANALYST DATE 09/09/2004

Type or print name DEBORAH MARBERRY  
For State Use Only

E-mail address: deborah.marberry@conocophillips.com Telephone No. (832)486-2326

APPROVED BY: [Signature] TITLE Field Rep DATE DEC 1 2004  
Conditions of Approval (if any):

**Additional Operator Remarks:**

This well is at a non-standard location. Application is being filed with the NMOCD.

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240  
DISTRICT II  
811 South First, Artesia, NM 88210  
DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410  
DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 8435	Pool Name Cabin Lake (Delaware)
Property Code 31137	Property Name PEAKVIEW	Well Number 2
OGRID No. 217817	Operator Name ConocoPhillips	Elevation 3229'

Surface Location

UL or lot No. P	Section 35	Township 21 S	Range 30 E	Lot Idn	Feet from the 1175	North/South line SOUTH	Feet from the 1300	East/West line EAST	County EDDY
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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
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Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>LAT - N32°25'54.1" LONG - W103°50'48.9"</p> <p>3231.4' 3233.7' 3220.3' 3214.6'</p> <p>1300'</p> <p>1175</p>				<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Deborah Marberry</i> Signature Deborah Marberry Printed Name Regulatory Analyst Title 03/08/2004 Date</p>	
				<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>FEBRUARY 11 2004 Date Surveyed Signature &amp; Seal of Surveyor Professional Surveyor No. 3981 Certificate No. 7977</p> <p>RASIN SURVEYS</p>	

## DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

## DISTRICT II

811 South First, Artesia, NM 88210

## DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

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2040 South Pacheco, Santa Fe, NM 87505

## State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1999

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

## OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, New Mexico 87505

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 8435	Pool Name Cabin Lake (Delaware)
Property Code 31137	Property Name PEAKVIEW	Well Number 2
OGRID No. 217817	Operator Name ConocoPhillips	Elevation 3229'

## 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	21 S	30 E		1175	SOUTH	1300	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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
-----------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature Deborah Marberry</p> <p>Printed Name Regulatory Analyst</p> <p>Date 03/08/2004</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>FEBRUARY 10, 2004</p> <p>Date Surveyed Signature &amp; Seal of Professional Surveyor Professional Surveyor No. 3991</p> <p>Certificate No. 7977</p> <p>BASIN SURVEYS</p>
	<p>LAT - N32°25'54.1"</p> <p>LONG - W103°50'48.9"</p>

# PROJECT PROPOSAL - New Drill / Sidetrack

## PEAKVIEW FEDERAL 2

Lease:		AFE #:		AFE \$:	
Field Name: CABIN LAKE		Rig:		State: NM	County: EDDY
Geoscientist: Wilke, Nathan A.		Phone: 832 486 2367		Prod. Engineer: Lowder, Jack T	
Res. Engineer: Lowe, Robert		Phone: 832-486-2145		Phone: 432-368-1609	
Proj. Field Lead: Deen, Larry E.		Phone: 8-676-5555			
Primary Objective (Zones)					
Zone	Zone Name				
R45324	DELAWARE (R45324)				
Location - Surface					
Latitude: 32.43	Longitude: -103.85	X:	Y:	Section: 35	Range: 30e
Footage X: 1300 FEL		Footage Y: 1175 FSL		Elevation: 3229 (FT)	Township: 21s
Tolerance:					
Location Type: Year Round		Start Date (Est.): 06/25/2004		Completion Date: 05/12/2004	
				Date In Operation: 06/25/2004	
Formation Data: Assume KB = 3242 Units = FT					
Formation Call & Casing Points	Depth (TVD in Ft)	SS (Ft)	Depletion (Yes/No)	BHP (PSIG)	BHT
RUSTLER	200	3042	<input type="checkbox"/>	85	Dolomite, anhydrite, and sandstone
SALADO	530	2712	<input type="checkbox"/>	230	Halite, gypsum, anhydrite
CASTILLE	3320	-78	<input type="checkbox"/>	1440	Anhydrite, dolomite, halite
BELL CANYON	3700	-458	<input checked="" type="checkbox"/>	1500	Sandstone, shale, dolomite
CHERRY CANYON	4430	-1188	<input checked="" type="checkbox"/>	1500	Sandstone, shale, dolomite
BRUSHY CANYON	5800	-2558	<input checked="" type="checkbox"/>	1100	Sandstone, shale, dolomite
BONE SPRING	7480	-4238	<input type="checkbox"/>	3200	125 Limestone
Total Depth	7800	-4558	<input type="checkbox"/>	3400	
Reference Wells					
Reference Type	Well Name		Comments		
Intermediate	Peakview Fed #1				
Logging Program					
Intermediate Logs: <input type="checkbox"/> Log only if show <input type="checkbox"/> GR/ILD <input type="checkbox"/> Triple Combo					
TD Logs: <input checked="" type="checkbox"/> Triple Combo <input type="checkbox"/> Dipmeter <input type="checkbox"/> RFT <input checked="" type="checkbox"/> Sonic <input type="checkbox"/> VSP <input type="checkbox"/> TDT <input checked="" type="checkbox"/> Other Mud logs					
Additional Information:					

Comments: General/Work Description - New D&E to be drilled thru Delaware Sands. Primary target is the Peakview Channel Sand.

Peakview Federal #2

Surface Casing

Surface Casing				0 - 400 ft		
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn	Conn OD (in)
13.2375	48.00	12.715	12.559	J-55	ST&C	9.625
Collapse (psi)	Burst (psi)	Tensile - Conn (K-lbs)			PSI Test (psi)	Rating
690	1620	215				PPCO
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
2420		3220		4030		

Interval (ft)	0-400	
Spacer	40 bbls FW	
Slurry	Lead	Tail
Composition	Class C + 2% S1 + 0.25 pps D29	
Density (ppg)	14.8	
Yield (ft <sup>3</sup> / sx)	1.34	
Sacks	805 (300% excess)	
Mix Water (gps)	6.29	
Thick Time (hrs:min)	4:15	
Comp Strength (psi)	12 hrs = 604 psi, 72 hrs = 1250 psi	
Free Water (%)	0.2% (0.5 ml/250 ml)	
Fluid Loss (cc)	806	

WITNESS



Peakview Federal #2

Production Casing

Production Casing				0 - 7800		
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn	Conn OD (in)
5.500	15.5	4.892	4.767	L-80	LT&C	6.050
Collapse (psi)	Burst (psi)	Tensile - Conn (K-lbs)			PSI Test (psi)	Rating
3810	4510	131				PPCo
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
1630		2170		2710		

Interval (ft)		3000-7800
Spacer	40 bbls FW	
Slurry	Lead	Tail
Composition	35:65 Poz:Class C + 5% D44 (bwow) + 6% D20 + 0.25 pps D29 + 0.2% D46	Class C Neat
Density (ppg)	12.4	14.8
Yield (ft3 / sx)	2.15	1.32
Sacks	240 (60 % excess)	590 (60% excess)
Mix Water (gps)	11.99	6.31
Thick Time (hrs:min)		3:20
Comp Strength (psi)		24 hrs = 2800 psi, 72 hrs = 3182 psi
Free Water (%)		1.2% (3.0 ml/250 ml)
Fluid Loss (cc)		1466

D44 = Salt, D20 = Gel, D46 = Anti-foam, D29 = LCM

Peakview Federal #2

Intermediate Casing

Intermediate Casing				0 – 3500 ft		
O.D. (in)	Weight (ppf)	I.D. (in)	Drift (in)	Grade	Conn	Conn OD (in)
8.625	24.00	8.097	7.972	J-55	ST&C	9.625
Collapse (psi)	Burst (psi)	Tensile – Conn (K-lbs)			PSI Test (psi)	Rating
1290	2760	163				PPCO
Minimum Torque (ft-lbs)		Optimum Torque (ft-lbs)		Maximum Torque (ft-lbs)		
1830		2440		3050		

Interval (ft)	0 – 3000	3000 – 3500
Spacer	40 bbls FW	
Slurry	Lead	Tail
Composition	35:65 Poz:Class C + 5% D44 (bwow) + 6% D20 + 0.25 pps D29 + 0.2% D46	Class C + 0.25 pps D29 + 0.2% D46
Density (ppg)	12.4	14.8
Yield (ft3 / sx)	2.15	1.33
Sacks	1085 (100% excess)	320 (100% excess)
Mix Water (gps)	11.99	6.35
Thick Time (hrs:min)		
Comp Strength (psi)		
Free Water (%)		
Fluid Loss (cc)		

D44 = Salt, D20 = Gel, D29 = LCM, D46 = Anti-foam

## **SURFACE USE PLAN**

### **ConocoPhillips Company Peakview #2**

The following is required information concerning the possible effect which the drilling of this well may have on the environment, existing road sites, and surrounding acreage. A copy will be posted on the derrick floor so all contractors and sub-contractors will be aware of all items on this plan.

1. Existing Roads

- A. The proposed well site is 1175' FSL & 1300' FEL, Section 35, T21S, R30E, Eddy County, New Mexico.
- B. Directions to the location are provided as an attachment.
- C. No improvement or maintenance is anticipated for the existing roads.

2. Planned Access Road

- A. 269' of new access road will be required.
- B. Turnouts as required by surface managing agency.
- C. Culverts as required by surface managing agency.
- D. Gates, cattleguards, or fences as required by surface managing agency.

3. Topographic Map and Well Location

A 7.5' quadrangle topo map was filed with the Notice of Staking.

4. Additional Rights-of-Way

Electric line, access road and flowline as shown on attached plats

5. Water Supply

Fresh and brine water will be obtained from commercial sources and will be trucked to location by the same directions for reaching the drilling site.

6. Source of Construction Materials

Construction materials will be obtained from commercial sources.

7. Methods of Handling Waste Disposal

- A. The drill cuttings, fluids and completion fluids will be placed in the reserve pit. The reserve pit will be fenced on three sides away from the pad during drilling and the fourth side fenced as soon as the rig moves out. The reserve pit will be allowed to dry, and materials remaining in the reserve pit buried. The reserve pit will then be backfilled, leveled and contoured so as to prevent any materials being carried into the watershed. Upon completion, the pad will be leveled, contoured, and reseeded with the appropriate seed mixture as specified by the surface managing agency.
- B. All garbage and trash will be hauled away to designated landfill by Conoco.

C. Chemical toilets will be provided and maintained during drilling operations.

8. Ancillary Facilities

No ancillary facilities are planned.

9. Wellsite Layout

See attached Wellsite Layout. The V-door faces East. The reserve pit will be lined with plastic and the pad and pits are staked. All unguarded pits containing liquids will be fenced and any unguarded pit containing liquids will be fenced.

10. Plans for Restoration of Surface

Reserve pits will be rehabilitated once drilling fluids have been allowed to evaporate to the point the pits are dry enough for backfilling and leveling. In the event drilling fluids will not evaporate in a reasonable time period, the fluids will be removed and transported by tank truck to a state approved disposal facility. Backfilling and leveling of the location will be completed within a time period of one year upon cessation of drilling operations.

11. Surface Ownership

The surface ownership is Bureau of Land Management.

12. Archeological Clearance

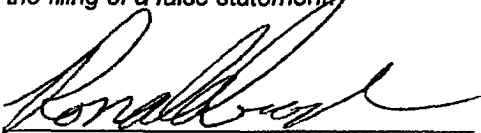
An archeological survey is being conducted and will be provided upon completion.

13. Operator's Representative and Certification

The person who can be contacted concerning compliance of this Surface Use Plan is:

**Ronald Crouch**  
**Agent / PTRRC**  
**ConocoPhillips Company**  
**4001 Penbrook, Suite 437**  
**Odessa, Texas 79762**  
**(432) 368-1218**

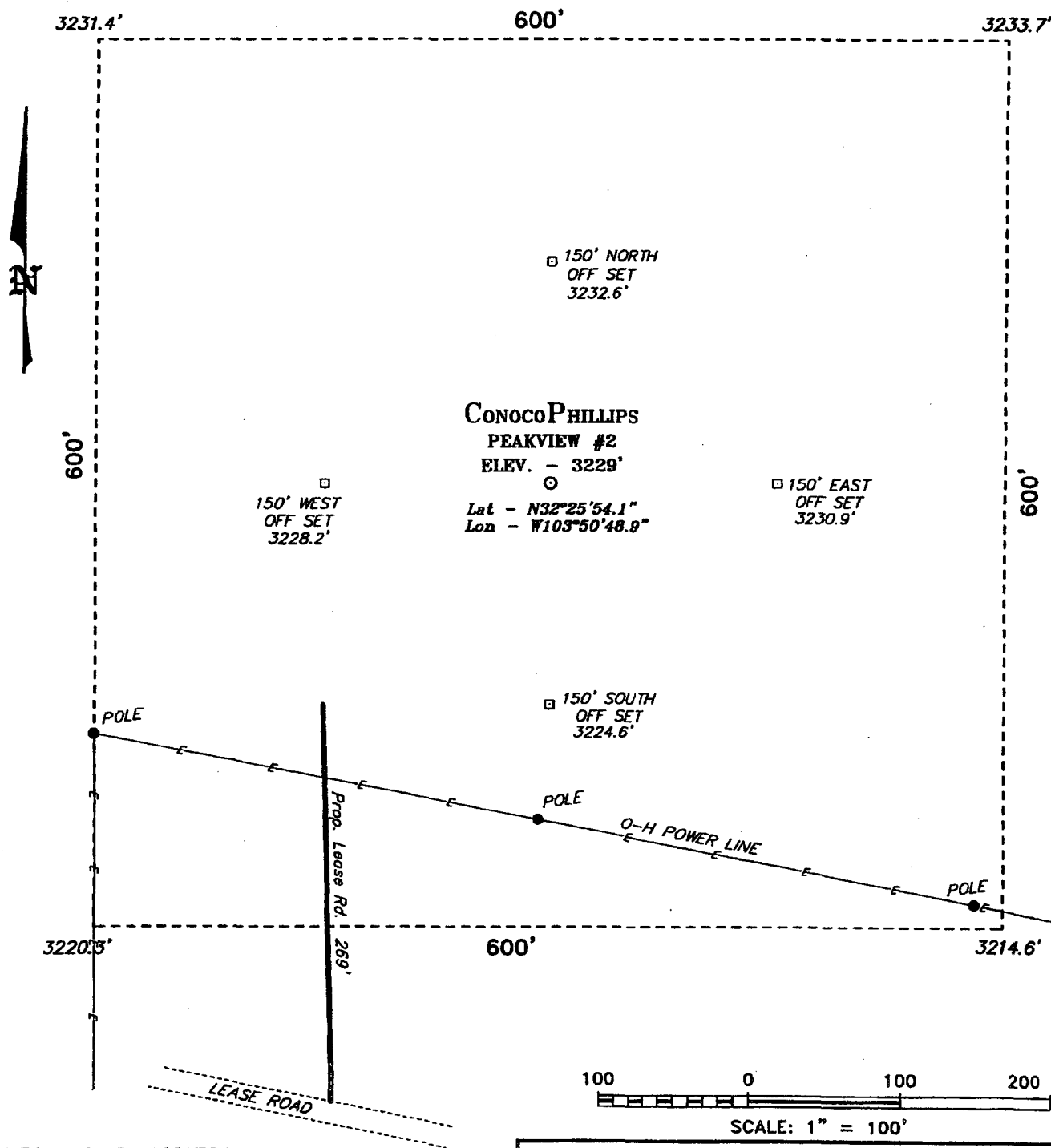
*I hereby certify that I, or persons under my direct supervision, have inspected the proposed drilling site; that I am familiar with the conditions which currently exist; that the statements made in this plan, are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Conoco Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.*



Ronald Crouch  
Agent / PTRRC

2/16/04  
Date

SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO WELL LOCATION:

FROM THE JUNCTION OF US HWY 62/180 AND STATE HWY 31, GO SOUTH ON HWY 31 FOR 7.2 MILES; THENCE EAST ON CO. RD. 796 FOR 6.3 MILES; THENCE NORTH 1.2 MILES; THENCE 0.2 MILES TO LOCATION.

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

W.O. Number: 3991

Drawn By: K. GOAD

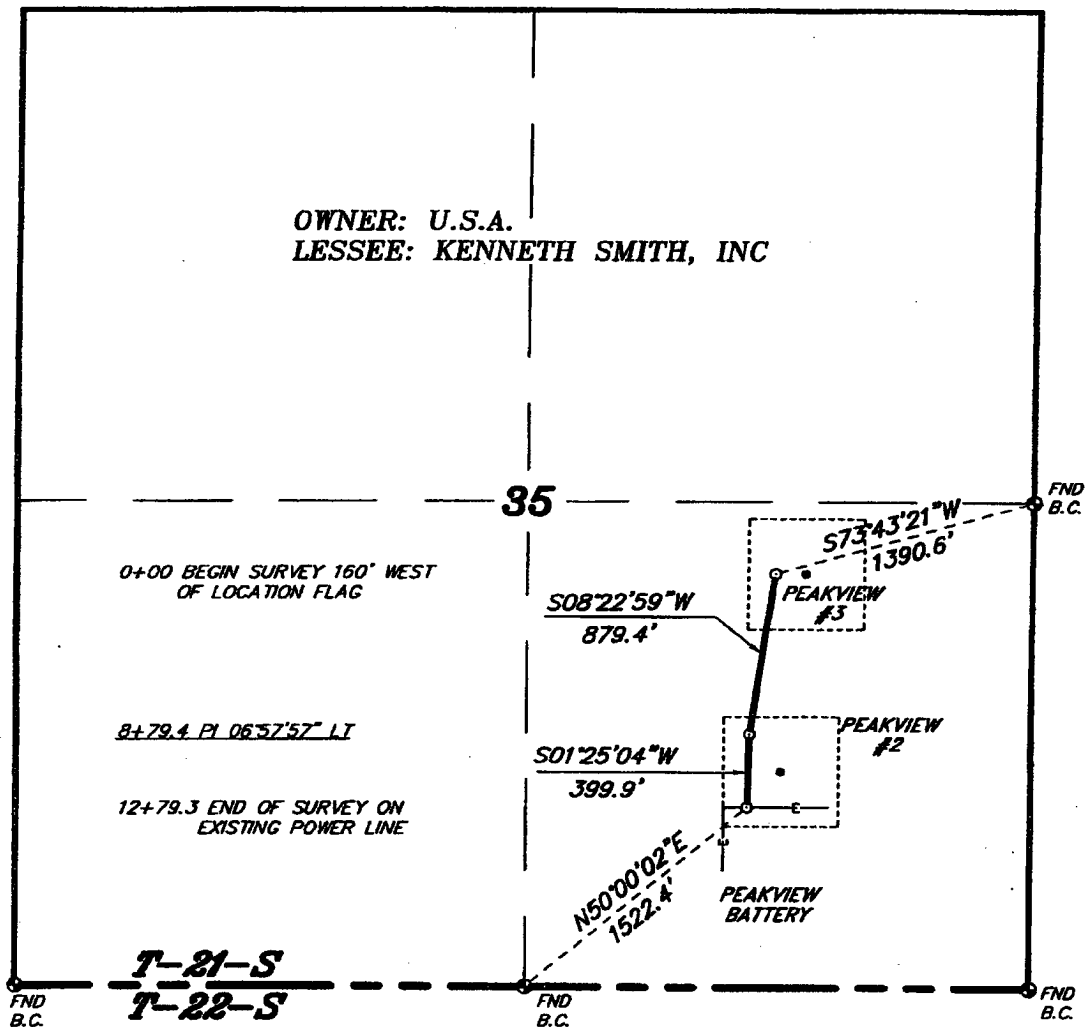
**ConocoPhillips**

REF: PEAKVIEW No. 2 / Well Pad Topo

THE PEAKVIEW No. 2 LOCATED 1175' FROM  
THE SOUTH LINE AND 1300' FROM THE EAST LINE OF  
SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.

SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST, N.M.P.M.,  
EDDY COUNTY, NEW MEXICO.

OWNER: U.S.A.  
LESSEE: KENNETH SMITH, INC

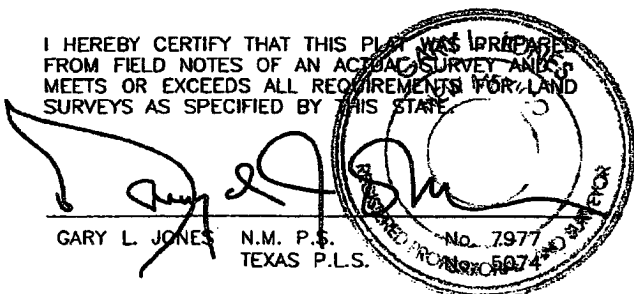


LEGAL DESCRIPTION

A STRIP OF LAND 50.0 FEET WIDE, LOCATED IN SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 25.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

1279.3 FEET = 0.24 MILES = 77.53 RODS = 1.47 ACRES

I HEREBY CERTIFY THAT THIS PLAN 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.  
TEXAS P.L.S.



**ConocoPhillips**

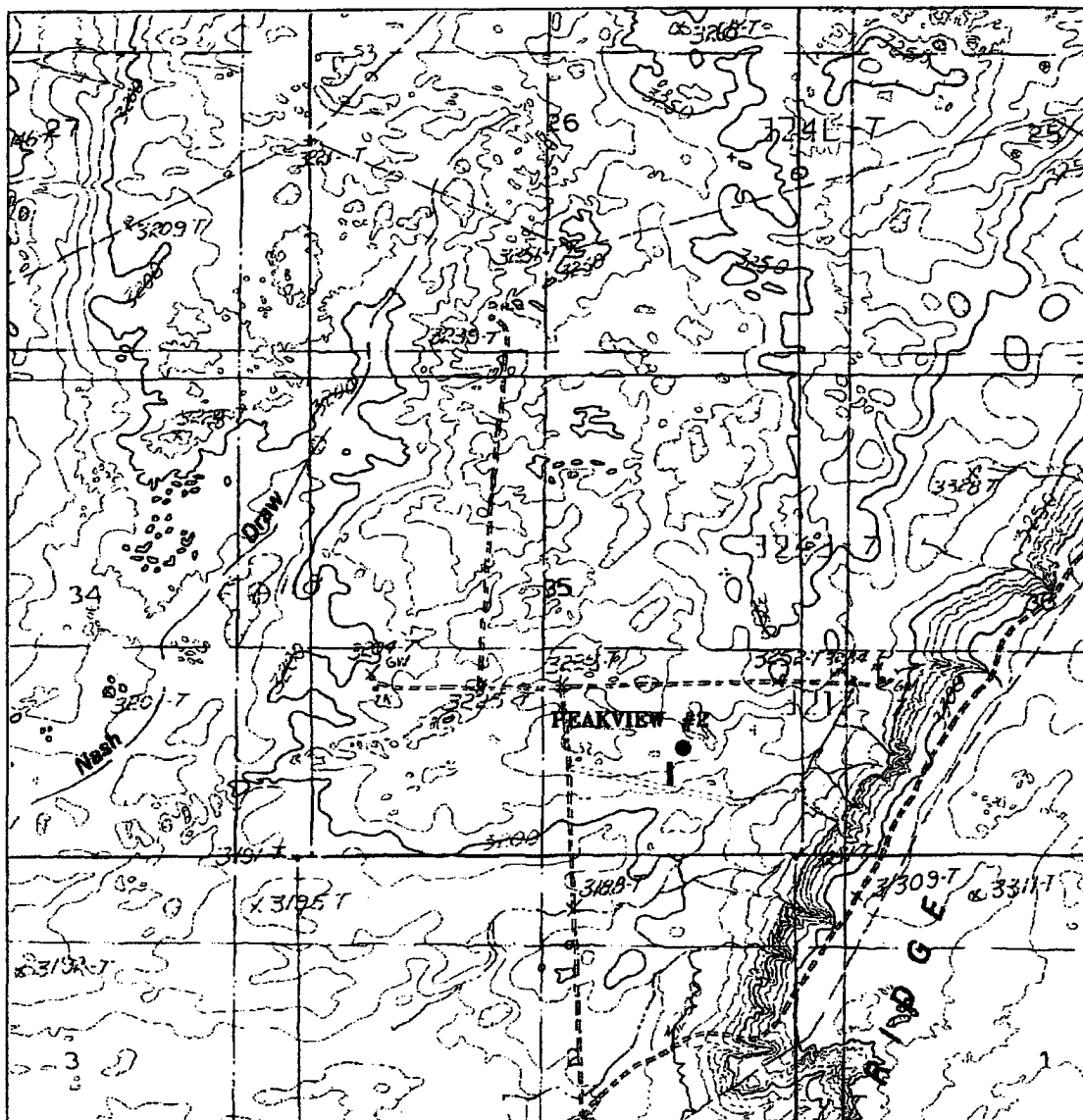
REF: PROPOSED ELECTRIC LINE TO THE PEAKVIEW #2&#3

AN ELECTRIC LINE CROSSING USA LAND IN  
SECTION 35, TOWNSHIP 21 SOUTH, RANGE 30 EAST,  
N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 3992

Drawn By: K. GOAD



**PEAKVIEW #2**  
 1175' FSL & 1300' FEL  
 Section 35, Township 21 South, Range 30 East,  
 N.M.P.M., Eddy 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

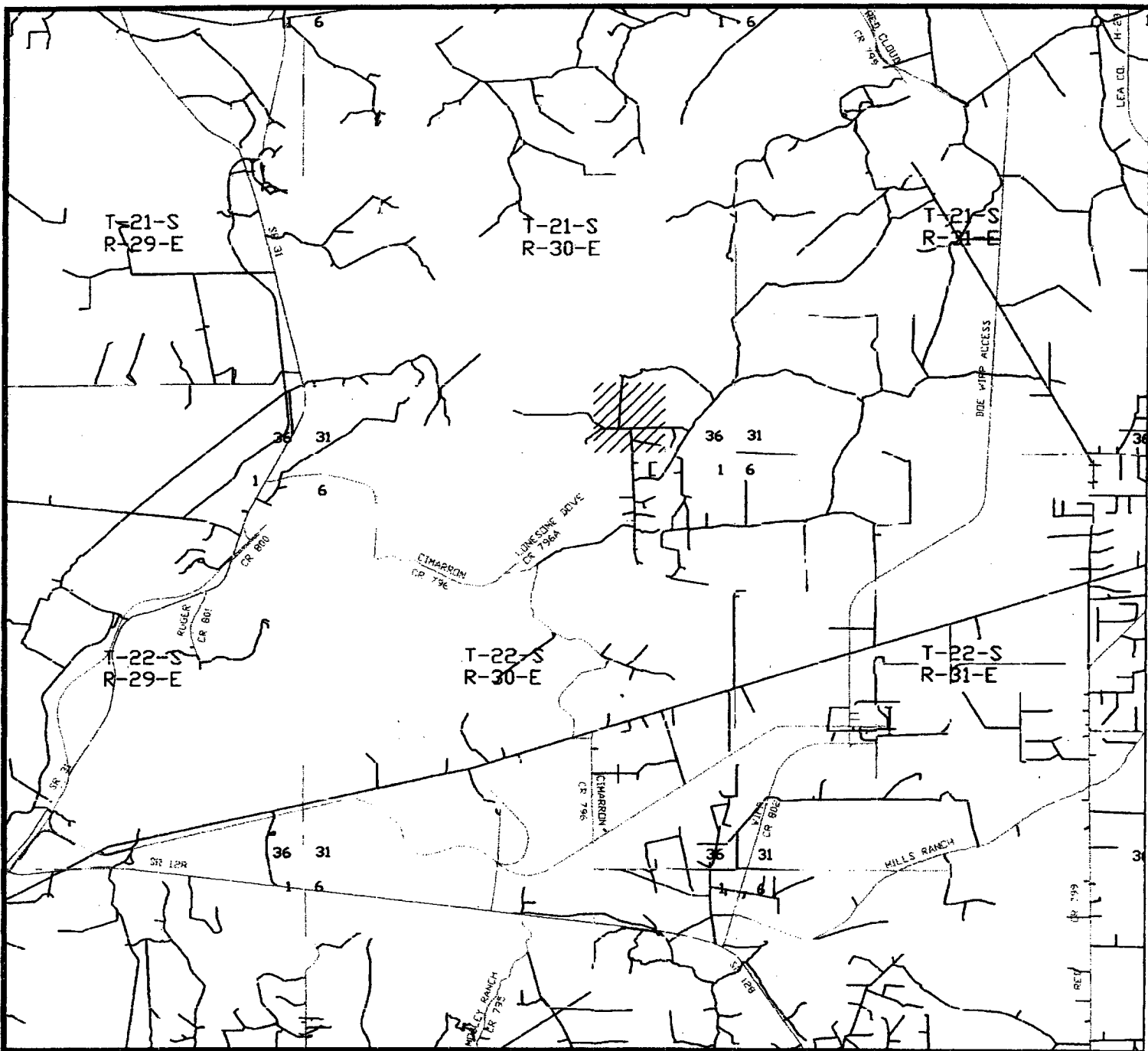
W.O. Number: 3991AA - KJG CD#5

Survey Date: 02-11-2004

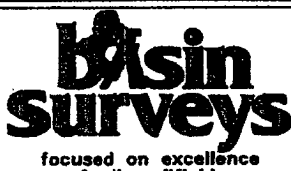
Scale: 1" = 2000'

Date: 02-12-2004

**ConocoPhillips**



**PEAKVIEW #2**  
**1175' FSL & 1300' FEL**  
 Section 35, Township 21 South, Range 30 East,  
 N.M.P.M., Eddy County, New Mexico.



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

W.O. Number: 3991AA - KJG CD#5

Survey Date: 02-11-2004

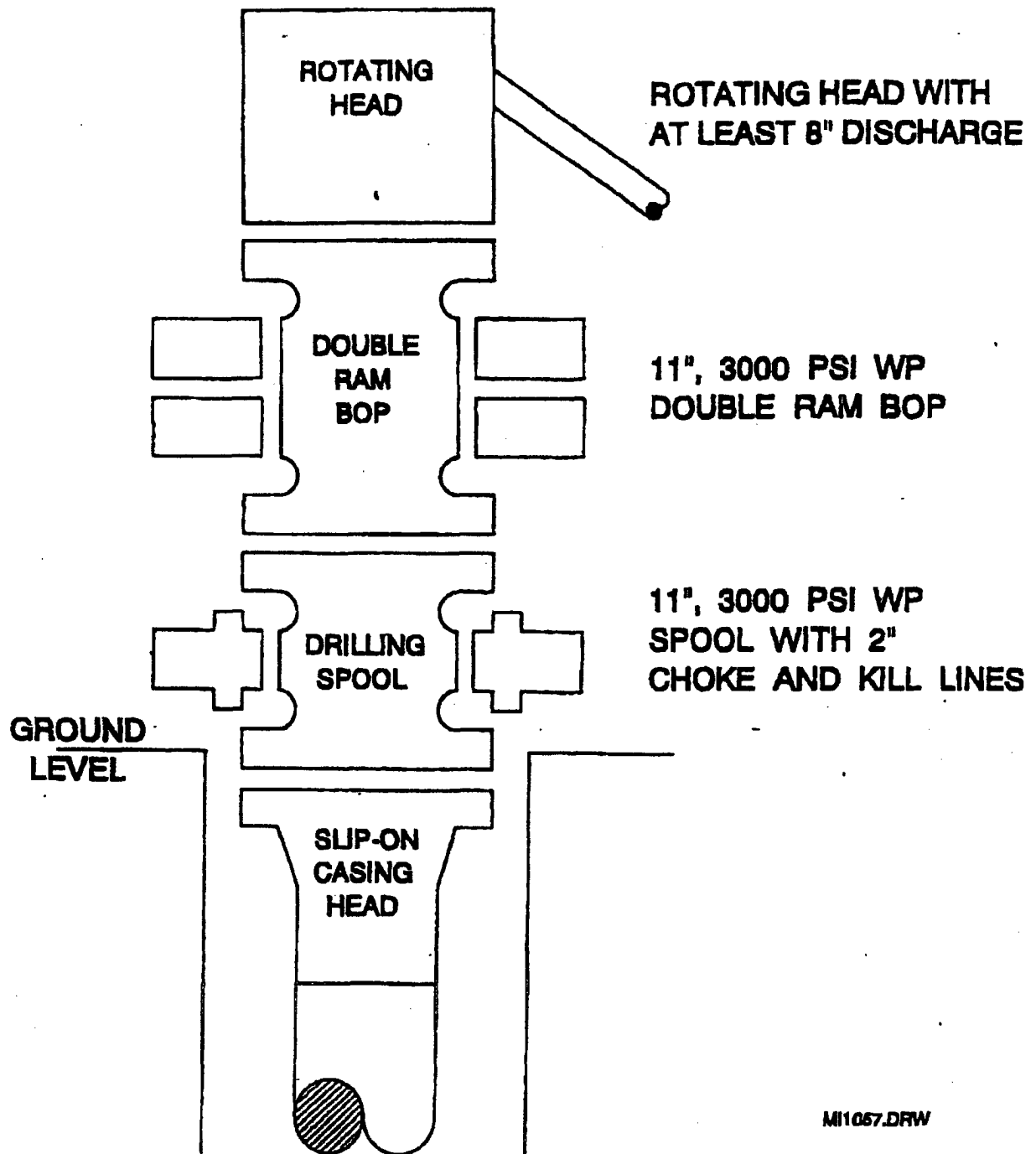
Scale: 1" = 2 miles

Date: 02-12-2004

**ConocoPhillips**

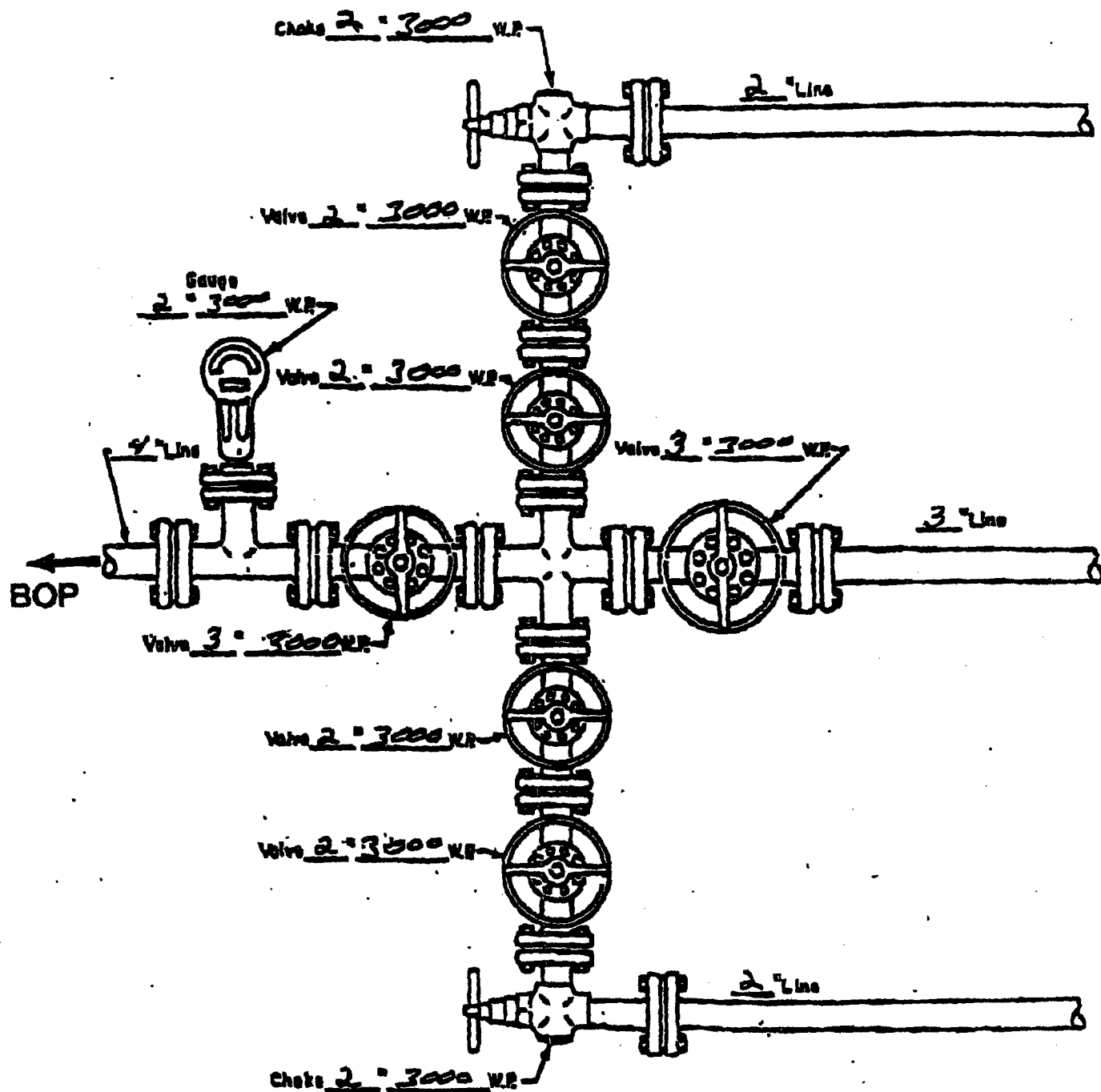


# BOP SPECIFICATIONS



MI1057.DRW

# CHOKE MANIFOLD DIAGRAM



MANIFOLD  
3000 #W.P.

☒ Manual  
☐ Hydraulic

WDI

WELLSITE LAYOUT



H2S Safety Contractor



Coroco Quarters



Muster Area No. 1



Contractor Quarters

Muster Area No. 2

WDI



Terrain is flat and covered with native grass  
Two of the three WDI (wind direction indicator) locations will be used  
(Prevailing winds are SW)

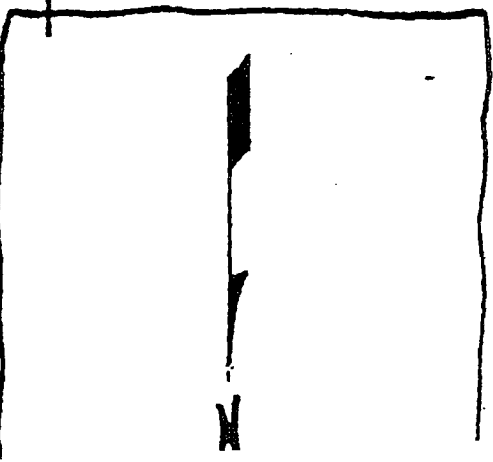
WDI



Flg



Choke Manifold



STANDARD RIG LAYOUT

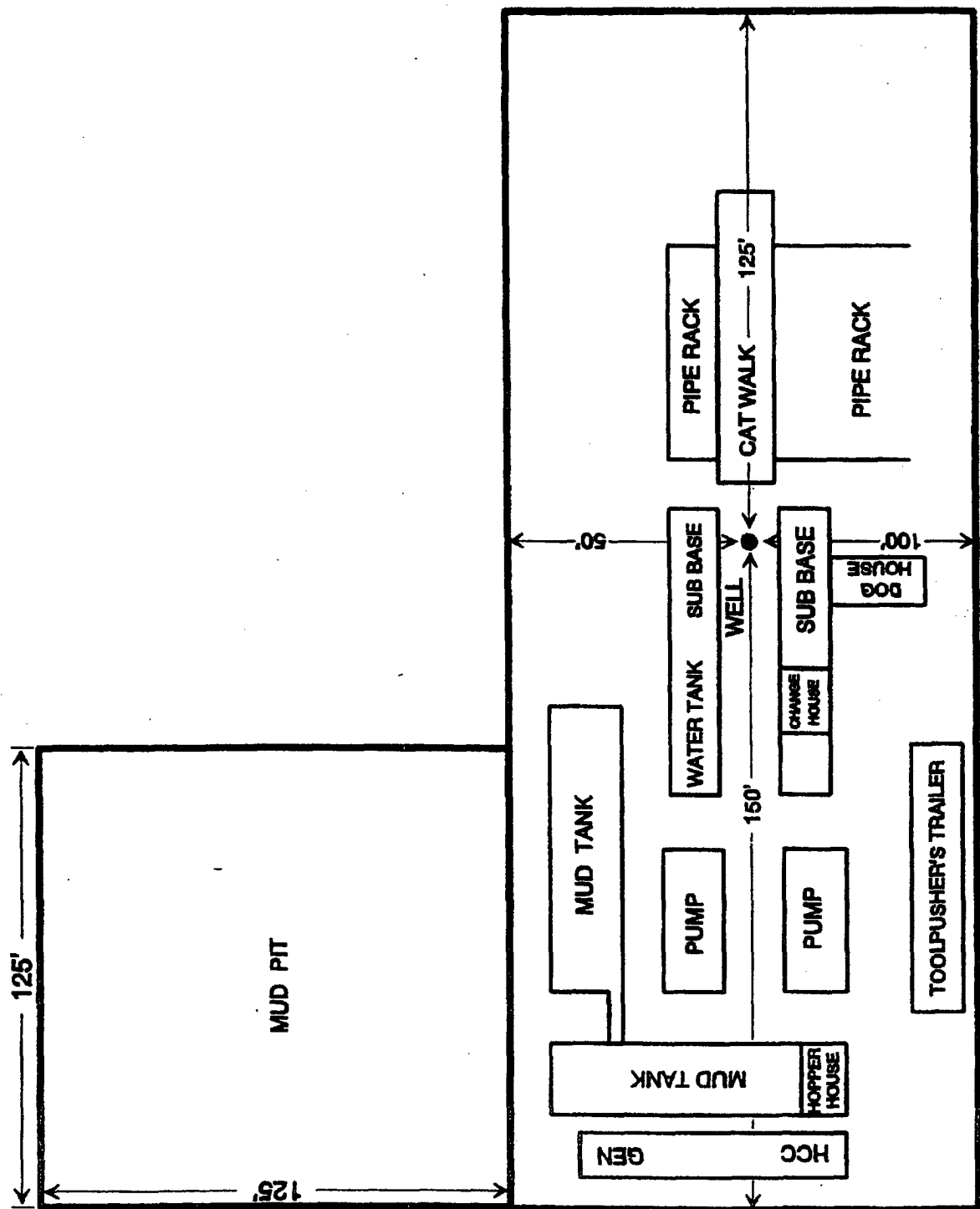


EXHIBIT C

## SPECIAL DRILLING STIPULATIONS

### THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name ConocoPhillips Well Name & No. Peakview Federal #2  
Location 1175 F S L & 1300 F E L Sec. 35, T. 21 S, R. 30 E.  
Lease No. NM-70333 County Eddy State New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

#### I. SPECIAL ENVIRONMENT REQUIREMENTS

- ( ) Lesser Prairie Chicken (stips attached) ( ) Flood plain (stips attached)  
( ) San Simon Swale (stips attached) ( ) Other

#### II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

( X ) The BLM will monitor construction of this drill site. Notify the ( X ) Carlsbad Field Office at (505) 234-5972 ( ) Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

( X ) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately \_\_\_\_\_ inches in depth. Approximately \_\_\_\_\_ cubic yards of topsoil material will be stockpiled for reclamation.

( ) Other.

#### III. WELL COMPLETION REQUIREMENTS

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

( x ) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of ½ inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- |   |   |
|---|---|
| ( ) A. Seed Mixture 1 (Loamy Sites)                   | ( X ) B. Seed Mixture 2 (Sandy Sites)                   |
| Side Oats Grama ( <i>Bouteloua curtipendula</i> ) 5.0 | Sand Dropseed ( <i>Sporobolus cryptandrus</i> ) 1.0     |
| Sand Dropseed ( <i>Sporobolus cryptandrus</i> ) 1.0   | Sand Lovegrass ( <i>Eragrostis trichodes</i> ) 1.0      |
|   | Plains Bristlegrass ( <i>Setaria magrostachya</i> ) 2.0 |
| ( ) C. Seed Mixture 3 (Shallow Sites)                 | ( ) D. Seed Mixture 4 (Gypsum Sites)                    |
| Side oats Grama ( <i>Boute curtipendula</i> ) 1.0     | Alkali Sacaton ( <i>Sporobollud airoides</i> ) 1.0      |
|   | Four-Wing Saltbush ( <i>Atriplex canescens</i> ) 5.0    |

( ) OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

( ) Other.

## RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

## OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

## CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

## TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: CONOCOPHILLIPS  
Well Name & No. 2 - PEAKVIEW  
Location: 1175' FSL & 1300' FEL - SEC 35 - T21S - R30E - EDDY COUNTY  
Lease: NM-70333

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:
  - A. Spudding
  - B. Cementing casing: 13-3/8 inch 8-5/8 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. Gamma-Ray/Neutron, Litho-Density or Neutron-Density log shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at 400 feet, below usable water 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 8-5/8 inch salt protection casing is circulate cement to the surface.
3. The minimum required fill of cement behind the 5-1/2 inch production casing is circulate cement to the surface.
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

2012.000.125 BABYAK

### **III. 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.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
  - The tests shall be done by an independent service company.
  - The results of the test shall be reported to the appropriate BLM office.
  - 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.
  - Testing must be done in a safe workman-like manner. Hard line connections shall be required.



BLM Serial Number: NM-70333  
Company Reference: ConocoPhillips  
Well No. & Name: Peakview Federal #2

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS  
CARLSBAD FIELD OFFICE

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

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. 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. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages to Federal lands resulting there from, 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.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to 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.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar.

Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☐ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☒ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

☐ Flat-blading is authorized on segment(s) delineated on the attached map.

### 3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, outsloping, insloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. 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 %):

#### SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

☒ 400 foot intervals.

☐ \_\_\_\_\_ foot intervals.

☐ locations staked in the field as per spacing intervals above.

☐ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

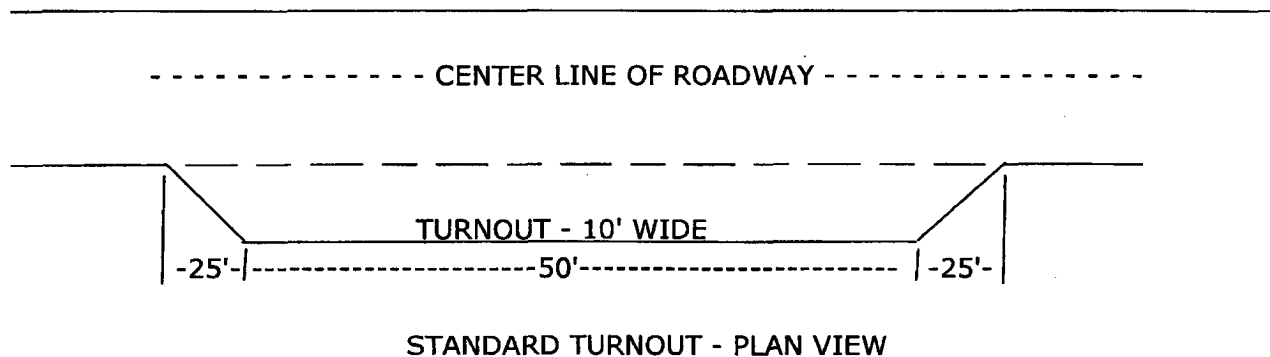
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

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

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

#### 4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



#### 5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

#### 6. CATTLEGUARDS

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). 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.

7. MAINTENANCE

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, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

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

9. CULTURAL RESOURCES

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 will 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.

10. SPECIAL STIPULATIONS:

BLM Serial Number: NM-70333  
Company Reference: ConocoPhillips  
Well No. & Name: Peakview Federal #2

#### STANDARD STIPULATIONS FOR OVERHEAD ELECTRIC DISTRIBUTION LINES

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

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.
4. There will be no clearing or blading of the right-of-way unless otherwise agreed to in writing by the Authorized Officer.
5. Powerlines shall be constructed in accordance to standards outlined in "Suggested Practices for Raptor Protection on Powerlines, " Raptor Research Foundation, Inc., 1981. The holder shall assume the burden and expense of proving that pole designs not shown in the above publication are "raptor safe." Such proof shall be provided by a raptor expert approved by the Authorized Officer. The BLM reserves the right to require modification or additions to all powerline structures placed on this right-of-way, should they be necessary to ensure the safety of large perching birds. Such modifications and/or additions shall be made by the holder without liability or expense to the United States.

6. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
7. The BLM serial number assigned to this authorization shall be posted in a permanent, conspicuous manner where the power line crosses roads and at all serviced facilities. Numbers will be at least two inches high and will be affixed to the pole nearest the road crossing and at the facilities served.
8. Upon cancellation, relinquishment, or expiration of this grant, the holder shall comply with those abandonment procedures as prescribed by the Authorized Officer.
9. All surface structures (poles, lines, transformers, etc.) shall be removed within 180 days of abandonment, relinquishment, or termination of use of the serviced facility or facilities or within 180 days of abandonment, relinquishment, cancellation, or expiration of this grant, whichever comes first. This will not apply where the power line extends service to an active, adjoining facility or facilities.
10. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the Authorized Officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer after consulting with the holder.
11. Special Stipulations:

BLM Serial Number: NM-70333  
Company Reference: ConocoPhillips  
Well No. & Name: Peakview Federal #2

### STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

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

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.
4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:
  - a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
  - b. Activities of other parties including, but not limited to:
    - (1) Land clearing.
    - (2) Earth-disturbing and earth-moving work.



- (3) Blasting.
- (4) Vandalism and sabotage.

c. Acts of God.

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

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

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

6. All construction and maintenance activity will be confined to the authorized right-of-way width of 10 feet.

7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.

8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.

9. The pipeline shall be buried with a minimum of 36 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.

10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.
12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" - Carlsbad Canyon, Munsell Soil Color No. 2.5Y 6/2 (formerly Sandstone Brown); designated by the Rocky Mountain Five State Interagency Committee.
13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.
14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.
15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.
16. Special Stipulations:

(March 1989)



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor

March 25, 2004

**Joanna Prukop**  
Cabinet Secretary  
Acting Director  
Oil Conservation Division

**ConocoPhillips Company**  
P. O. Box 2197 - WL3 6106  
Houston, Texas 77252-2197

RECEIVED

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Attention: **Yolanda Perez**  
[yolanda.perez@conocophillips.com](mailto:yolanda.perez@conocophillips.com)

*Administrative Order NSL-5025 (SD)*

Dear Ms. Perez:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on March 12, 2004 (*administrative application reference No. pMES0-408455366*); (ii) your e-mail with attachment of Friday, March 12, 2004 containing supplemental information to support your application; (iii) my voice-mail message to you Wednesday afternoon, March 24, 2004; (iv) our telephone conversation Thursday morning, March 25, 2004; and (v) the Division's records in Santa Fe: all concerning ConocoPhillips Company's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) of Section 35, Township 21 South, Range 30 East, NMPM, Cabin Lake-Delaware Pool (8435), Eddy County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This 40-acre unit is currently dedicated to ConocoPhillips Company's Peak View Well No. 1 (API No. 30-015-26678) located at a standard oil well location 660 feet from the South line and 330 feet from the East line of Section 35.

It is the Division's understanding that all of Section 35 is a single Federal lease (U. S. Government lease No. NM-70333) with common mineral interests in which ConocoPhillips Company is the operator; therefore, there are no effected offsets to the subject 40-acre tract other than ConocoPhillips Company.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox infill location will be at a more favorable geologic position within the "Peakview Channel" in the middle Brushy Canyon formation of the Delaware Mountain Group than a well drilled at a location considered to be standard for the Cabin Lake-Delaware Pool within the southwestern corner of this federal lease.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the SE/4 SE/4 (Unit P) of Section 35 is hereby approved:

**Peak View Federal Well No. 2**  
**1175' FSL & 1300' FEL.**

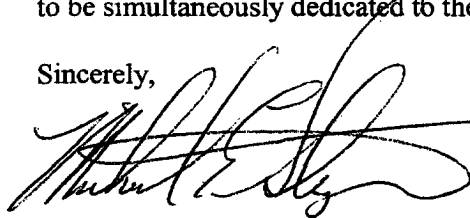
**ConocoPhillips Company**  
**March 25, 2004**  
**Page 2**

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**Division Administrative Order NSL-5025 (SD)**

Further, both the existing Peak View Well No. 1 and the proposed Peak View Federal Well No. 2 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner  
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia  
U. S. Bureau of Land Management – Carlsbad