

New Mexico Oil Conservation Division, District I  
1625 N. French Drive  
Hobbs, NM 88240

Form 3160-3  
(September 2001)

OPER. OGRID NO. 113315  
PROPERTY NO. 25070  
POOL CODE 31680  
EFF. DATE 8/31/04  
API NO. 30-02536837

FORM APPROVED  
OMB No. 1004-0136  
Expires January 31, 2004

5. Lease Serial No. LC 032233-A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No. 25070  
BOWERS A FEDERAL 45

9. API Well No.

10. Field and Pool, or Exploratory  
Hobbs Upper Blinberry

11. Sec., T., R., M., or Bld. and Survey or Area

Sec 30, T. 18 S  
R. 38 E NMPM

12. County or Parish

Lea 13. State New Mexico

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator Texland Petroleum, Hobbs L.L.C.

3a. Address 777 Main #3200 Ft Worth, TX 76102 3b. Phone No. (include area code) 817-336-2751

4. Location of Well (Report location clearly and in accordance with any State requirements. \*)

At surface

At proposed prod. zone

755' FSL and 285' FEL

14. Distance in miles and direction from nearest town or post office\*

3 miles west of Hobbs

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)

16. No. of Acres in lease

300

17. Spacing Unit dedicated to this well

40

18. Distance from proposed location\* to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth

7100

20. BLM/BIA Bond No. on file

588064

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3645'

22. Approximate date work will start\*

8.1.04

23. Estimated duration

16

24. Attachments

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.
2. A Drilling Plan.
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).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature Diane Harber  
Title regulatory assistant

Name (Printed/Typed) Diane Harber

Date 7.15.04

Approved by (Signature) /s/ Joe G. Lara

Name (Printed/Typed) /s/ Joe G. Lara

Date AUG 16 2004

Title FIELD MANAGER

Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would enable the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

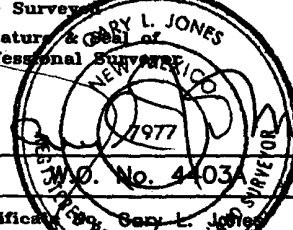
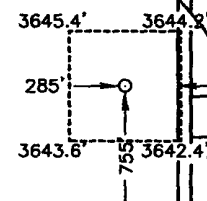
**APPROVAL FOR 1 YEAR**

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.

\*(Instructions on reverse)

**Lea County Controlled Water Basin**

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**

<div style="border: 1px dashed black; height: 400px; margin-bottom: 20px;"></div> <div style="border: 1px dashed black; height: 150px;"></div>	<div style="border: 1px solid black; padding: 5px;"> <p align="center"><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><u>Mark A. Jacoby</u> Signature</p> <p><u>Mark A. Jacoby</u> Printed Name</p> <p><u>Area Mgr. of Drilling Prod.</u> Title</p> <p><u>7-26-04</u> Date</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p align="center"><b>SURVEYOR CERTIFICATION</b></p> <p><i>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.</i></p> <p align="center"><b>JUNE 25, 2004</b></p> <p>Date Surveyed</p> <p><u>GARY L. JONES</u> Signature &amp; Seal of Professional Surveyor</p> <div style="text-align: center;">  </div> <p align="right">7977</p> </div>
<p align="center">             LAT - N32°42'46.7"              LONG - W103°10'46.6"              (NAD 27)           </p>	<div style="border: 1px solid black; padding: 10px;">  </div>

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**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.

FORM APPROVED  
OMB No. 1004-0135  
Expires January 31, 2004

**SUBMIT IN TRIPLICATE - Other Instructions on reverse side**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Serial No. LC 032233.A
2. Name of Operator Texland Petroleum-Hobbs, L.L.C.	6. If Indian, Allottee or Tribe Name
3a. Address 777 Main #3200, Hobbs, NM 87401	7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) 817.336.2751	8. Well Name and No. Bowers "A" Federal #45
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 755' FSL; 285' FEL, Sec 30, T.18.S, R.38.E TX. 76102 NMPM	9. API Well No.
	10. Field and Pool, or Exploratory Area Hobbs Upper Blinbru
	11. County or Parish, State Lea Co, N.M.

**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 lay flow line to well
	<input 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 recomplate 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 shall 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 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Texland Petroleum-Hobbs, L.L.C. proposes to lay a 2 1/2" prod. line from Bowers A Federal #45 to Bowers A Federal Tank battery as staked and shown on the attached plat. The surface disturbance will be minimal as the line will be laid on top of the ground 1333' in length. Archaeological survey report has been requested and filed per attached plat.

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

Signature

Title

Date

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Joe G. Lara

FIELD MANAGER

Title

Date

AUG 16 2004

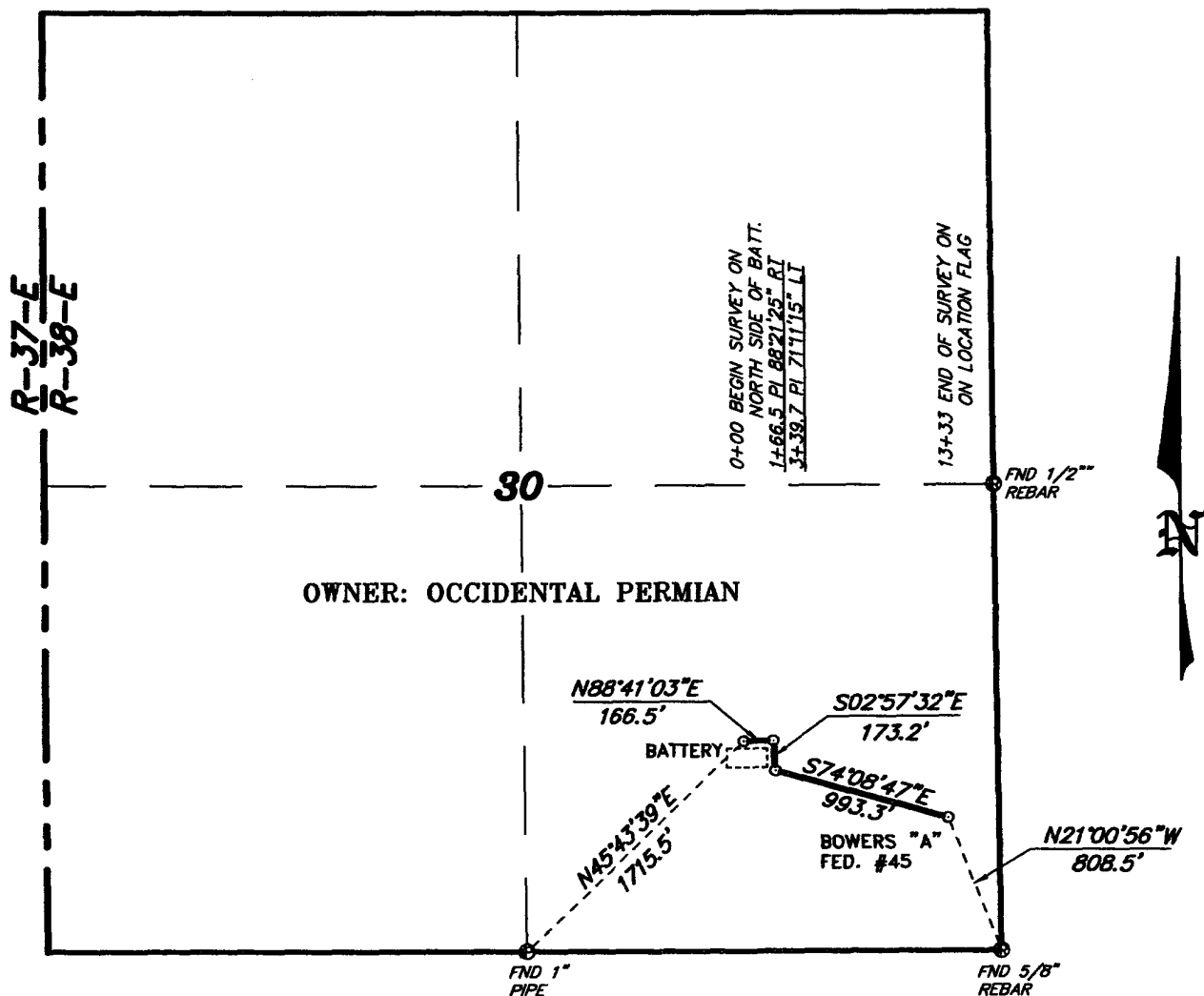
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office CARLSBAD FIELD OFFICE

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

SECTION 30, TOWNSHIP 18 SOUTH, RANGE 38 EAST,  
LEA COUNTY, NEW MEXICO.

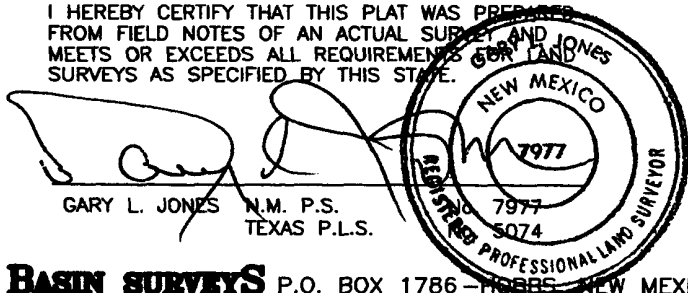


**LEGAL DESCRIPTION**

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 30, TOWNSHIP 18 SOUTH, RANGE 38 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT WHICH LIES N.45°43'39\"E., 1715.5 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION 30; THENCE N.88°41'03\"E., 166.5 FEET; THENCE S.02°57'32\"E., 173.2 FEET; THENCE S.74°08'47\"E., 993.3 FEET TO THE END OF THIS LINE WHICH LIES N.21°00'56\"W., 808.5 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 30. SAID STRIP OF LAND BEING 1333.0 FEET OR 80.79 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.  
TEXAS P.L.S.

1000 0 1000 2000 FEET

**TEXLAND PETROLEUM INC.**

REF: PROPOSED FLOWLINE TO THE BOWERS "A" FED. #45

A PIPELINE CROSSING FEE LAND IN  
SECTION 30, TOWNSHIP 18 SOUTH, RANGE 38 EAST,  
N.M.P.M., LEA COUNTY, NEW MEXICO.

W.O. Number: 4403

Drawn By: K. GOAD

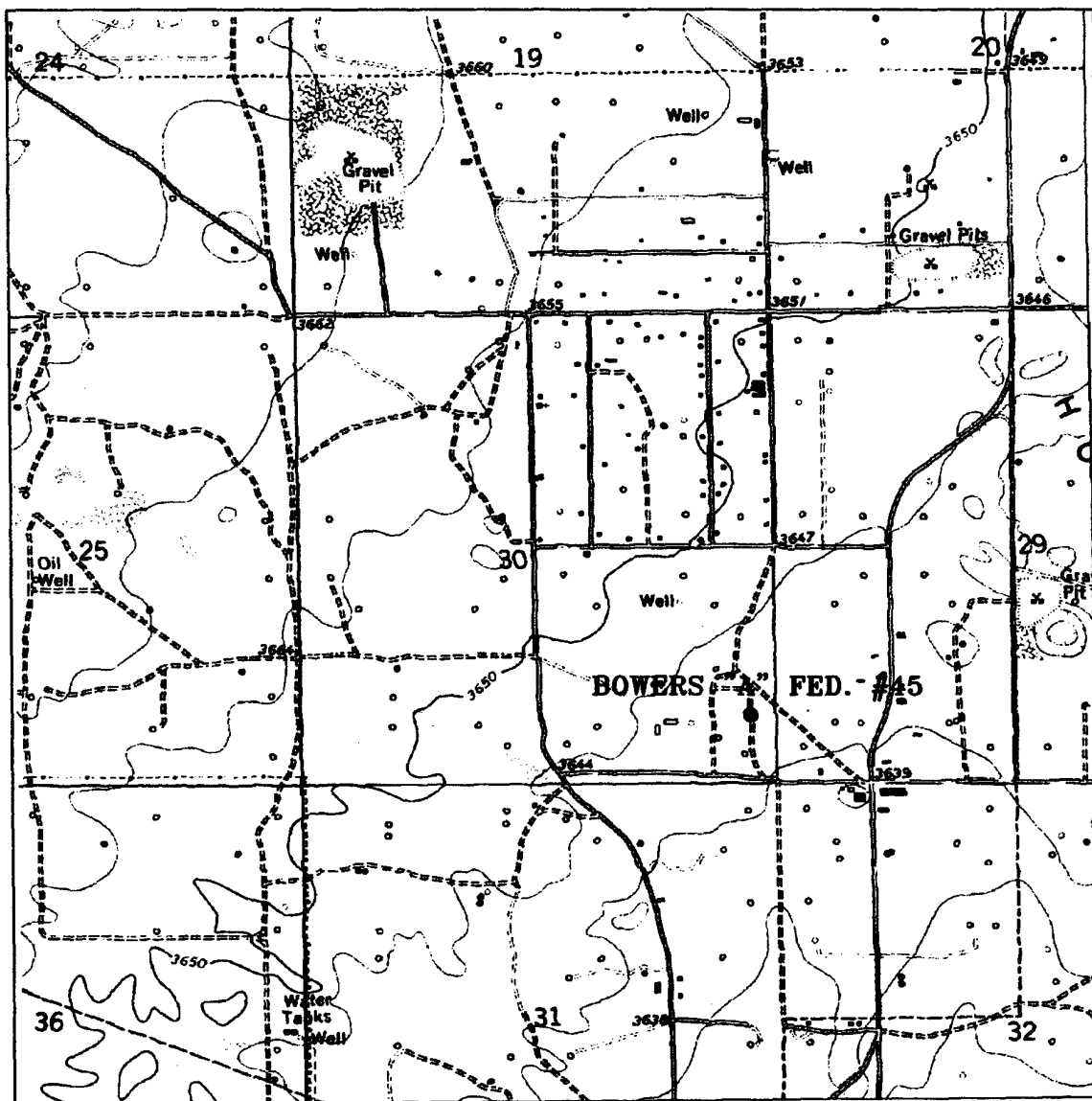
Date: 06-28-2004

Disk: KJG CD#5

- TEX4403B.DWG

Survey Date: 06-25-2004

Sheet 1 of 1 Sheets



# **BOWERS "A" FEDERAL #45**

Located at 755' FSL and 285' FEL  
 Section 30, Township 18 South, Range 38 East,  
 N.M.P.M., Lea 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: 4403AA - KJG CD#4

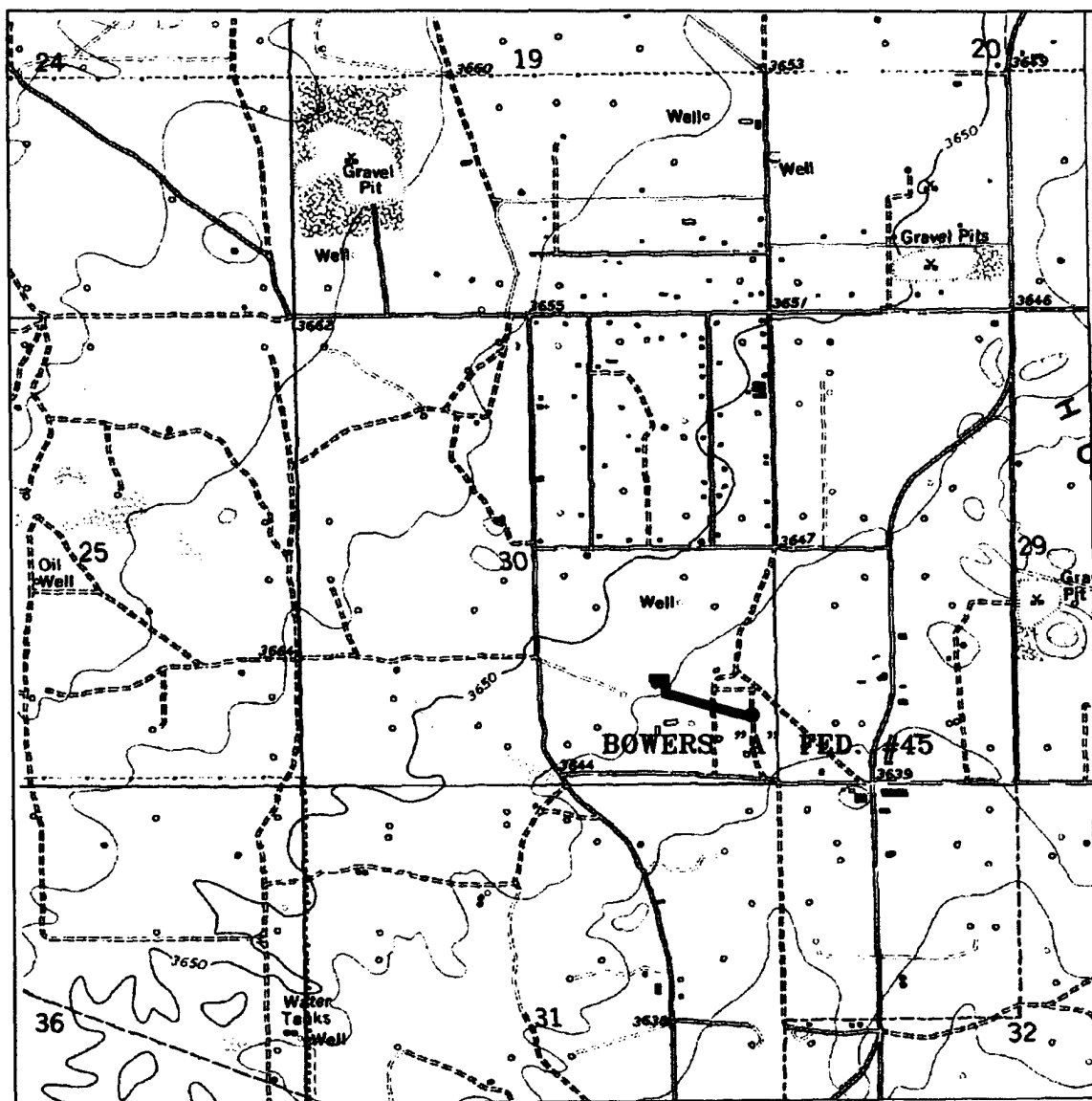
Survey Date: 06-25-2004

Scale: 1" = 2000'

Date: 06-28-2004

**TEXLAND**  
**PETROLEUM INC.**





INJECTION LINE TO THE BOWERS "A" FEDERAL #45  
 Located at 755' FSL and 285' FEL  
 Section 30, Township 18 South, Range 38 East,  
 N.M.P.M., Lea 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: 4403BB - KJG CD#4

Survey Date: 06-25-2004

Scale: 1" = 2000'

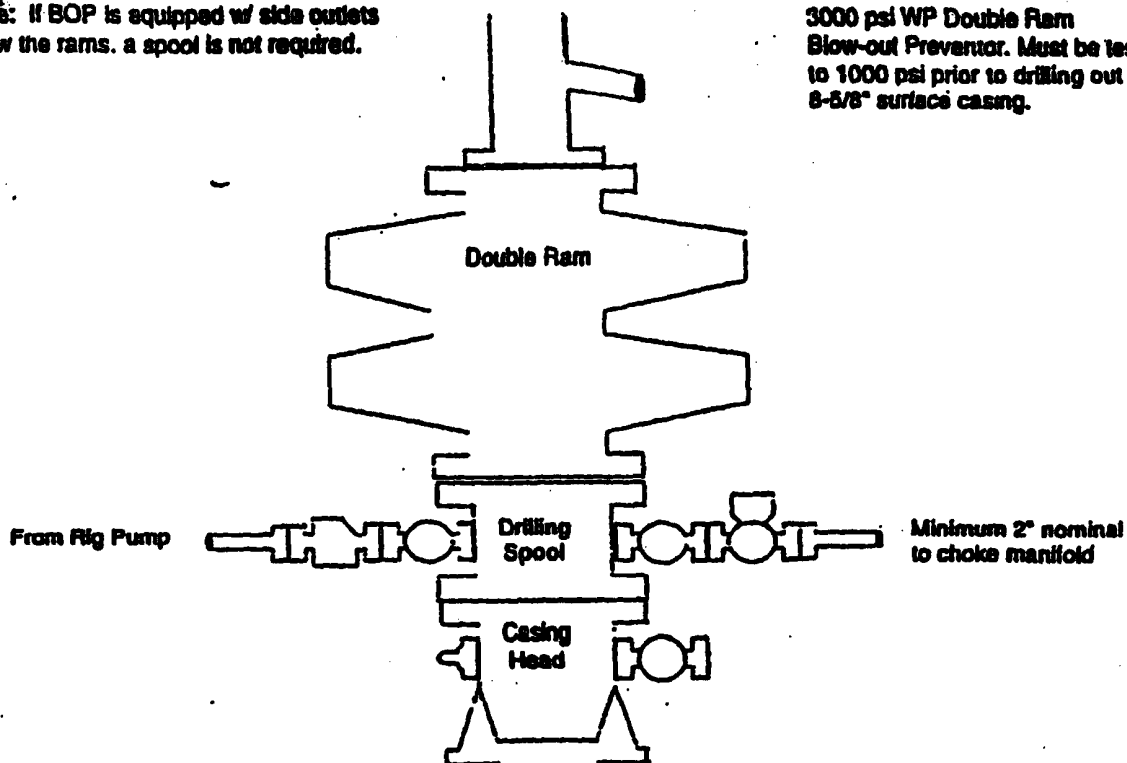
Date: 06-28-2004

**TEXLAND**  
**PETROLEUM INC.**

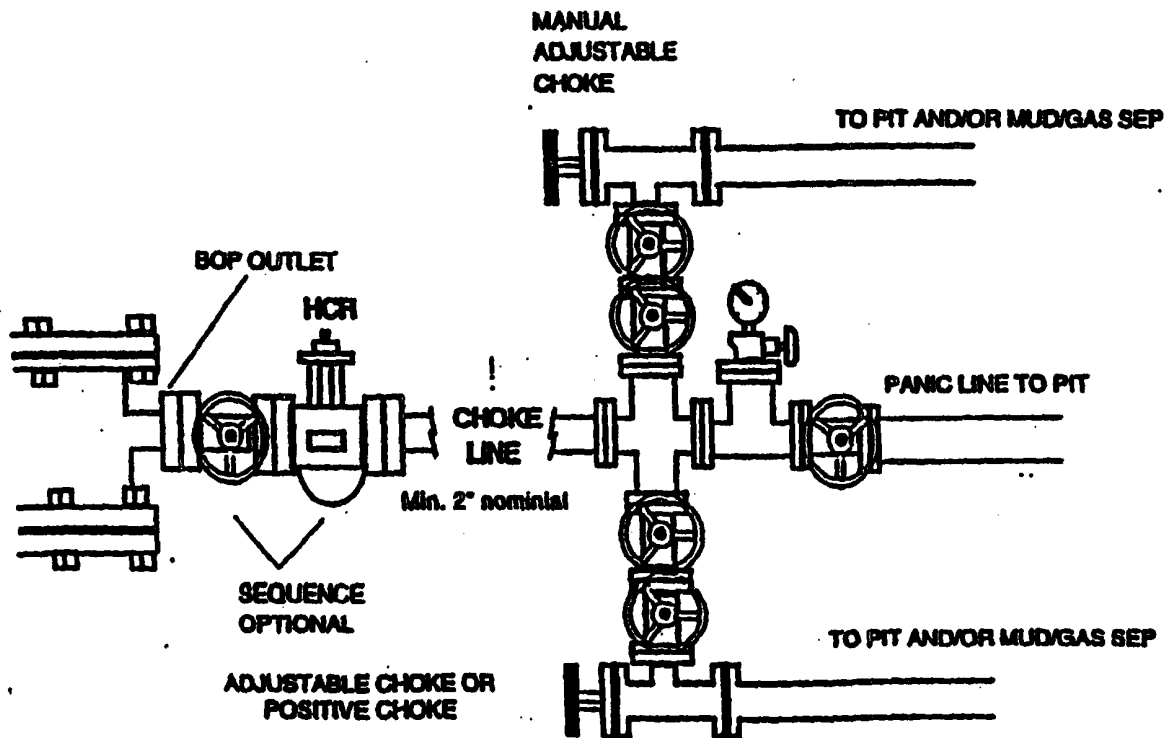
### BOP Schematic

Note: If BOP is equipped w/ side outlets below the rams, a spool is not required.

3000 psi WP Double Ram  
Blow-out Preventor. Must be tested  
to 1000 psi prior to drilling out  
8-5/8" surface casing.



### Choke Manifold Schematic



## **MULTI-POINT SURFACE USE & OPERATIONS PLAN**

**TEXLAND PETROLEUM - HOBBS, L.L.C  
BOWERS 'A' FEDERAL WELL #45  
LEA COUNTY, NEW MEXICO  
LEASE NO. LC-32233-A**

**This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to identify the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal may be made of the environmental affects associated with the operation.**

**A registered New Mexico land surveyor has staked the well and work area. Geo-Marine Inc. has been engaged to make an archaeological reconnaissance of the work area. Their findings concerning cultural resources will be reported to the Bureau of Land Management.**

**1. Existing Roads**

**A copy of a USGS "East Hobbs, SE New Mexico" quadrangle map is attached showing the proposed location. The well location is spotted on this map, which also shows the existing road system.**

**Directions to location: From Hobbs, New Mexico go west on US 62 to West County Road. Go north 1.5 miles & turn west to location.**

**2. Planned Access Road**

- A. No access road will be built.**
- B. Surfacing material: Caliche**
- C. Maximum Grade: no grade**
- D. Turnouts: None**
- E. Drainage Design: Edges of caliche location sloped**
- F. Culverts: None**
- G. Cuts and Fills: none**
- H. Gates or cattleguards: None**

3. Existing wells within a one-mile radius of the proposed injection well are shown on an area map.

4. Location of Existing and/or Proposed Facilities

Within one mile radius:

Gas production facilities: None

Oil production facilities: 1/4 mile south

Oil gathering lines: map of existing gathering line is attached. None will be installed with this application.

Gas gathering lines: None

Injection lines: A line will be installed from this well 1000' south

Disposal lines: None

All site security guidelines identified in 43 CFR 3162.7 regulation will be adhered to and a site security plan will be submitted for the Bowers "A" federal Well #40 tank battery. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.

5. Location and Type of Water Supply

Fresh water and brine water will be used to drill this well. It will be purchased from a supply in Hobbs and transported to the well site. Bids will be taken from transporters to provide brine and fresh water.

6. Source of Construction Materials

Caliche for surfacing the well pad will be obtained from a pit located in SE of NE Section 32, T18S, R38E, Lea County, New Mexico.

7. Method of Handling Waste Disposal

- A. Drill cuttings will be accumulated in lined drilling pits, and hauled to disposal when drilling is completed.
- B. Drilling fluids will be hauled to disposal.
- C. Water produced during test will be disposed of in the drilling pits. Oil produced during tests will be stored in the test tanks until sold.

- D. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- E. Trash, waste paper, garbage and junk will be collected in steel trash bins and removed after drilling and completion operations are completed. All waste material will be contained to prevent scattering by the wind.
- F. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. Ancillary Facilities

- A. None needed.

9. Wellsite Layout

- A. The location and dimensions of the well pad mud pits, reserve pit and location of major rig components are shown on the well site layout sketch, which is attached. The V-door will be to the east and the pits to the north.
- B. Leveling of the wellsite will be required with minimal cuts or fills anticipated.
- C. The reserve pit will be plastic lined.
- D. While constructing the pits and material is encountered at a depth, which would not allow the pits to meet the BLM stipulations without blasting, Texland requests a variance. There will be an adequate amount of material to reclaim the pit per the stipulations.
- E. The pad and pit area have been staked and flagged.

10. Plans for Restoration of the Surface

- A. After completion of drilling and/or completion operations, all equipment and other materials not needed for operations will be removed.
- B. Pits will be filled and location cleaned of all trash and junk to leave the well site in as aesthetically pleasing condition as possible. Any plastic material used to line the pits or sumps will be cut off below ground level as far as possible and disposed of before the pits are covered. All unattended pits containing liquid will be fenced and the liquid portion hauled to disposal.
- C. After abandonment of the well, surface restoration will be in accordance with the landowner. This will be accomplished as expeditiously as

possible. Barring unforeseen problems, all pits will be filled and leveled within 90 days after abandonment.

11. **Surface Ownership**

The wellsite is on privately owned surface. The surface is owned by: Grimes Land Co. Ltd, Mr. Gary Schubert, P. O. Box 5102, Hobbs, New Mexico. Texland has a surface use agreement with Mr. Gary Schubert. They will be notified of our intention to drill prior to any activity.

12. **Other Information**

- A. Topography: The location is a flat plain. GL elevation is 3650'.
- B. Soil: Sandy clay loams
- C. Flora and Fauna: The vegetative cover is generally sparse consisting of mesquite, yucca, shinnery oak, sandsage and perennial native range grasses. Wildlife in the area is also sparse consisting of coyotes, rabbits, rodents, reptiles, dove and quail.
- D. Ponds and Streams: There are no rivers, streams, lakes or ponds in the area.
- E. Residences and Other Structures: There are occupied dwellings within a ½ mile radius of the location. The surface at the wellsite has been substantially disturbed by previous oil well drilling and producing activities.
- F. Archaeological, Historical and Cultural Sites: Cultural resources have been recorded in the area. Geo-Marine Inc. will be engaged to make an archaeological reconnaissance of the work area.
- G. Land Use: Idle
- H. The well site will be maintained and kept clean of all trash and litter detracts from the surrounding environment. Equipment will be maintained in accordance with good operating practice.
- I. After the wellsite is cleaned and pits and sumps backfilled, any obstruction to the natural drainage will be corrected by ditching or terracing. All disturbed areas, including any access road no longer needed, will be ripped. Those areas will be reseeded with grass if, in the opinion of the landowner, it is required.

**13. Operator's representatives and certification**

The field representative responsible for assuring compliance with the approved surface use and operations plans is as follows:

Jerry Rogers  
P. O. Box 239  
Seminole, Texas 79380  
Office phone: 432-596-4412  
Home phone: 432-794-8818

I hereby certify that I, or person under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Texland Petroleum - Hobbs, L.L.C. and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

6-30-04

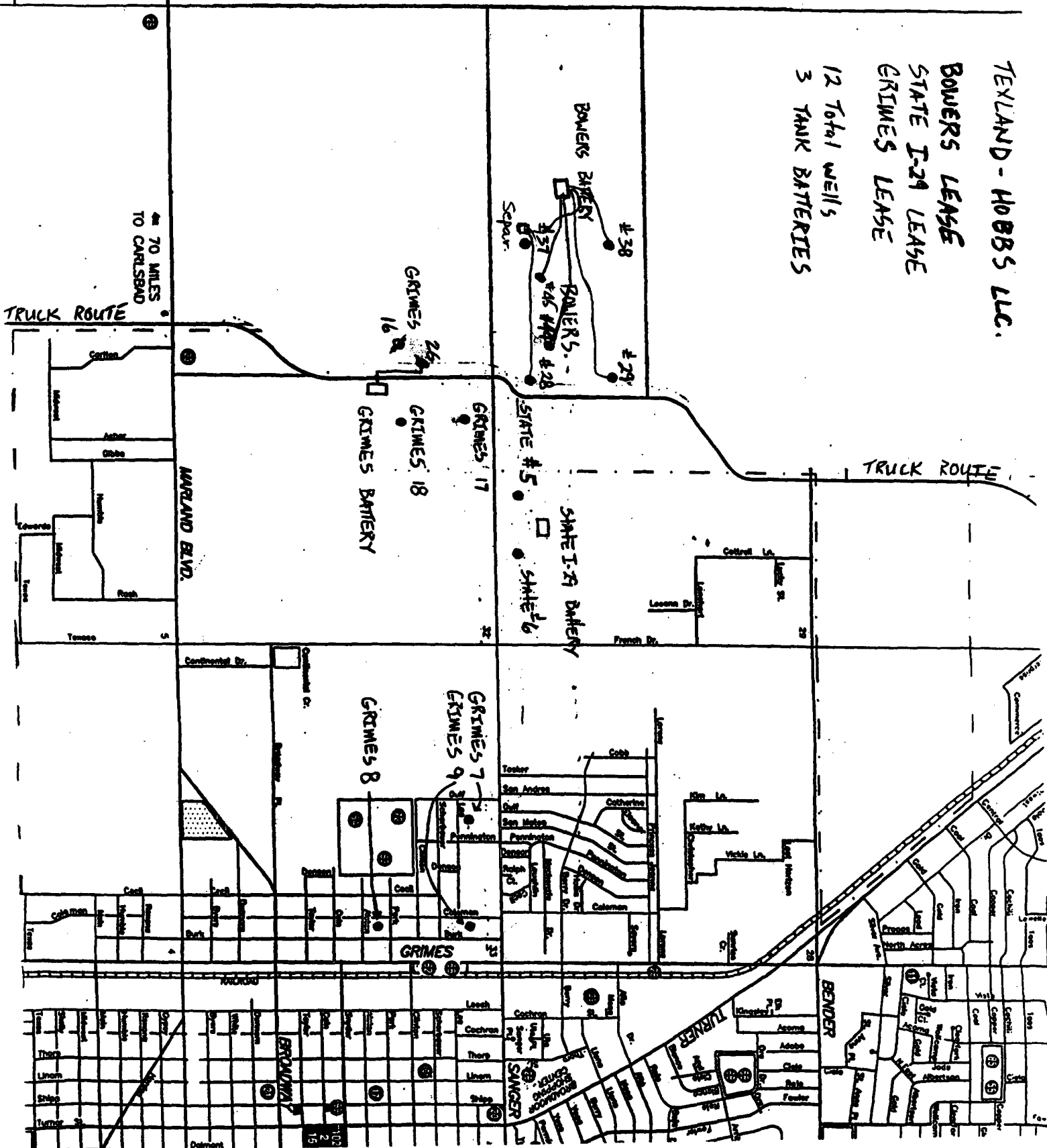
Date

  
Jerry Rogers  
Operations Engineer

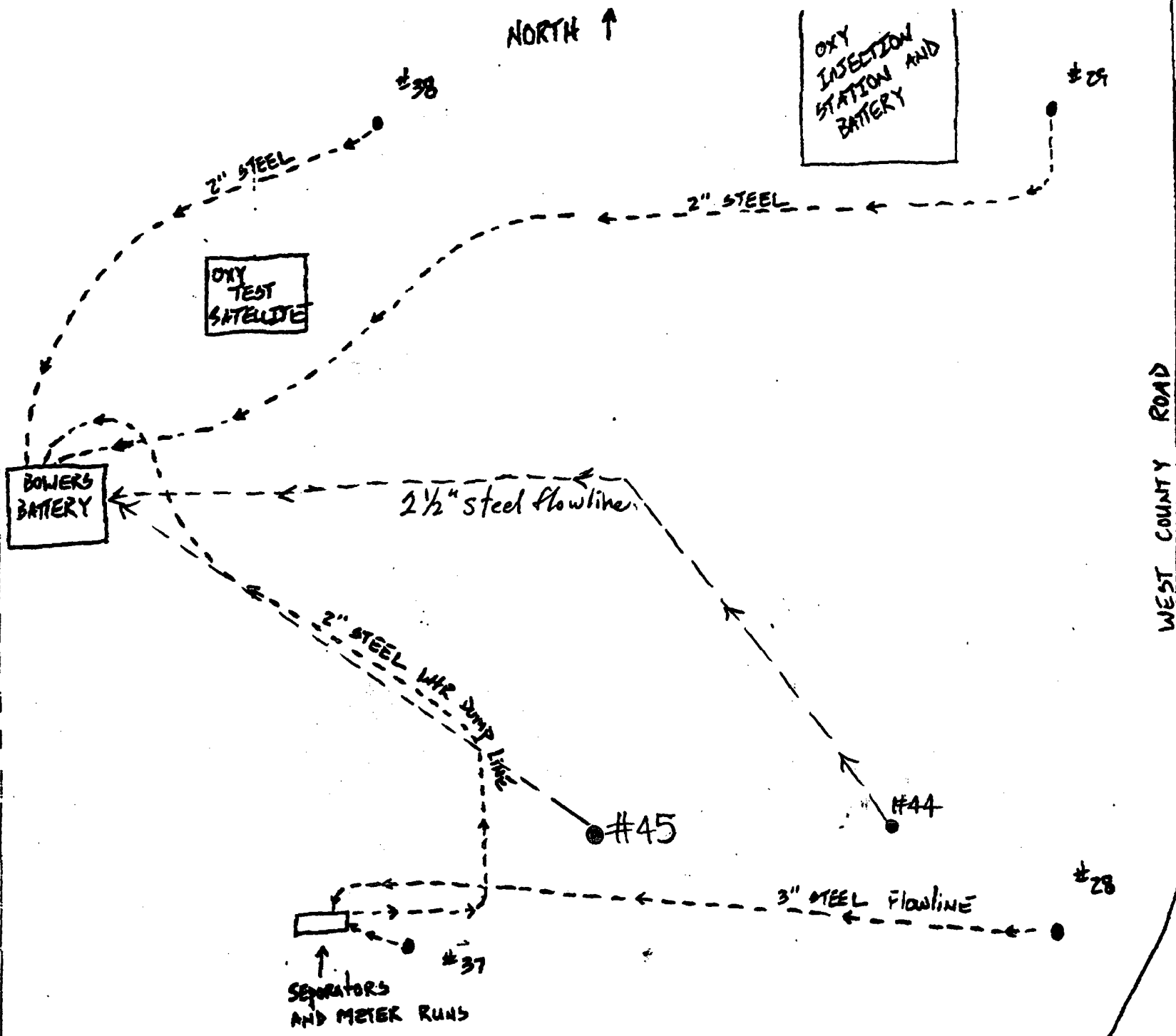
432-596-4412

INDEX  
COUNTRY CLUB

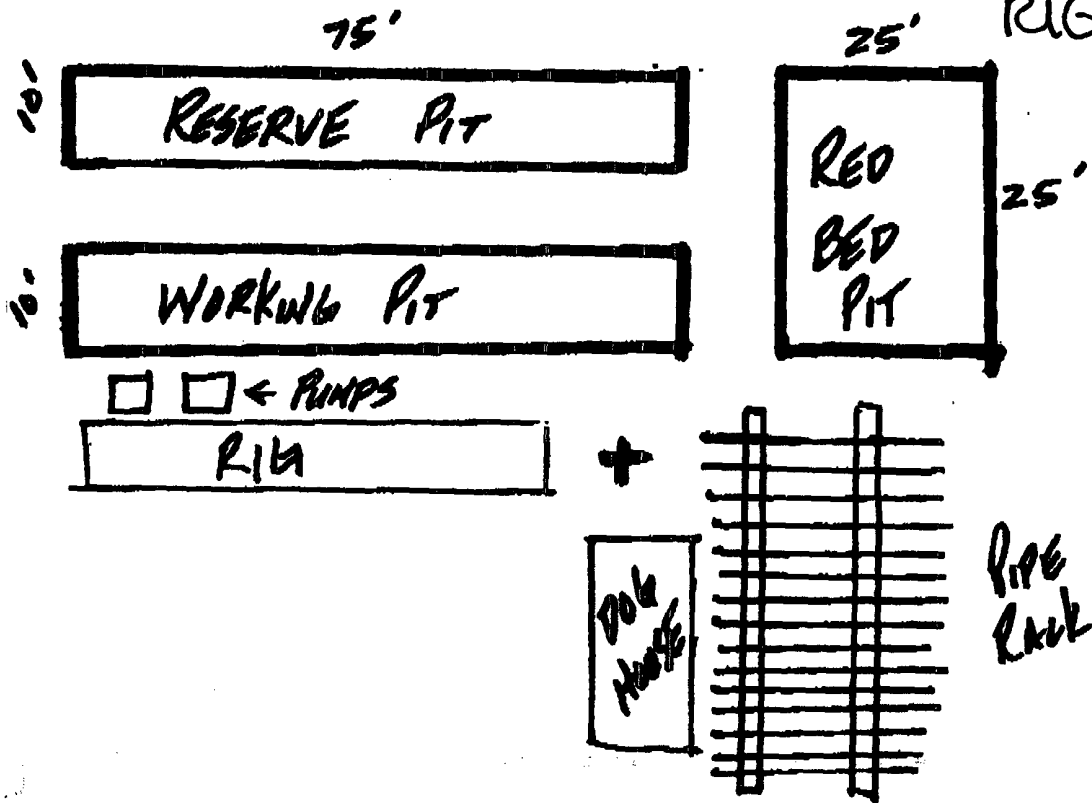
12 Total Wells  
3 Tank Batteries



ATT: MARK	CALCULATIONS AND DESIGN DATA		PREPARED BY	Kirk Jackson
	SUBJECT: BOWERS A FEDERAL Flowlines		DATE	2/1/01
			SHEET	OF



# LAPSTAR - LOCATION and RIG LAYOUT



"Copy" CMS

**SURFACE USE AND RIGHT-OF-WAY AGREEMENT** *by GARY SCHUBER*

This Surface Use and Right-of-way Agreement (the "Agreement") is made and entered into this 1st day of March, 2001 (the "Effective Date") by GRIMES LAND COMPANY, L.L.C., whose address is P.O. Box 6056, Hobbs, New Mexico 88240, (hereinafter "Grantor") and TEXLAND PETROLEUM-HOBBS, L.L.C., whose address is 777 Main Street, Suite 3200, Fort Worth Texas 76102 (hereinafter "Grantee").

**RECITALS:**

- A. Grantor is the owner of the surface estate of the lands located in Lea County, New Mexico, set forth and described in Exhibit "A", attached hereto and made a part hereof for all purposes (the "Lands").
- B. Grantee is the owner or operator of various oil and gas leasehold interests under portions of the Lands and is currently implementing cooperative lease line waterflood operations with other leasehold owner/operators of other lands in the area (the "Adjacent Lands") for the development of oil and gas leasehold and mineral interests under and around the Lands and the Adjacent Lands, including, but not limited to the drilling and equipping of production wells and injection wells, construction of oil storage facilities, construction of water injection facilities, the laying of injection pipelines and flow lines, the construction of roads, removal and use of caliche, the construction of electrical and utility lines, the maintenance and repair of any such wells, pipelines, roads or facilities placed on the lands by Grantee, the conduct of seismic operations and all other operations reasonably necessary to the development of the oil and gas leasehold and mineral estates under the Lands and the Adjacent Lands (the "Permitted Uses").
- C. For the mutual benefit of both parties, Grantee and Grantor desire to enter into this Agreement to grant Grantee a right-of-way across the Lands for the purposes of the development of the oil and gas leasehold and mineral estates and to set forth specified amounts as compensation for damages arising from specific operations of Grantee.

**AGREEMENT:**

NOWHEREFORE, in consideration of ten dollars (\$10.00) and other good and valuable consideration, the receipt of which is acknowledged by the undersigned, and in consideration of the mutual covenants and agreements set forth herein, Grantor and Grantee hereby agree as follows:

1. **Grant of Rights.** Grantor does hereby GRANT and CONVEY unto Grantee and its successors and assigns, with warranty covenants, the right, privilege, easement and right-of-way to use the surface of the Lands as may be reasonably necessary solely for the Permitted Uses. The rights granted in this paragraph are subject to all terms and

(3)

conditions of this Agreement, including the consultation and accommodation provisions contained in paragraph 3 hereof.

2. Surface Damage Schedule. Grantee shall pay to Grantor consideration and damages for utilization of the Lands for Permitted Uses initiated after the date of this Agreement in accordance with the following schedule:

- (a) Water processing and storage facilities, tank batteries and well locations (either injection or production): \$ 4,500.00 per acre to be calculated based on the area disturbed.
- (b) Caliche from the Lands: \$ 3.00 per cubic yard.
- (c) Pipeline Rights-of-Way/Easements \$ 15.00 per rod.
- (d) Road Rights-of-Way/Easements: Road easements not to exceed 12' in width - \$15.00 per rod.
- (e) All electric lines and utility easements: \$ 15.00 per rod.
- (f) 3-D Seismic: \$ 10.00 per acre for any portion of the Lands included within a seismic survey by Grantee.

Grantor and Grantee stipulate and agree that the amount set forth above constitutes reasonable compensation for damage caused to the Lands by Grantee in connection with the Permitted Uses. The schedule of damages set forth above shall be adjusted on the 5<sup>th</sup> anniversary of the Effective Date and every five (5) years thereafter based upon the change in the consumer price index, all urban consumers using U.S. City Average, all items in an index base of 1982 - 1984 equals 100, using the most recent sixty (60) month information available.

In the event Grantee digs and removes caliche from the Lands, Grantee shall level such site and bring such location up to or above the original grade once Grantee's use of such site is concluded.

Grantee is aware that Grantor owns and operates a produced water disposal facility, fresh water trucking facility and brine water supply facility. Grantee agrees to purchase these products and services from Grantor so long as Grantor can provide such services at the most favorable competitive market rate. Additionally, Grantor has a tap and meter located upon the Lands for potable water from the City of Hobbs. In the event Grantee has need for additional make-up water in connection with Grantee's water flood operations, Grantor agrees to sell water to Grantee at Grantor's cost under its account with the City of Hobbs. This water will only be used after all water rights and pumping operations of Grantee are exhausted.

3. Use of Surface. Grantee agrees to bury all water injection pipelines (i.e. pipelines

DM5

going from the water injection facility to the injection wells) to a depth of at least twelve inches (12"). All other pipelines may be placed upon the surface of the lands or buried, at Grantee's election; provided however, any such pipelines placed upon the surface shall be polyethylene or steel pipelines. Grantee agrees to consult with Grantor regarding the routes, locations and construction of any pipelines or construction of any well-sites, roads or facilities upon the Lands and Grantee agrees to reasonably accommodate the existing uses of Grantor upon the Lands. Likewise, Grantor agrees to conduct its operations on the Lands in a way that reasonably accommodates the rights granted under this Agreement to Grantee. In the event Grantee elects to utilize polyethylene pipelines upon the surface of the Lands, Grantee shall first obtain Grantor's prior written consent, which consent shall not be unreasonably withheld.

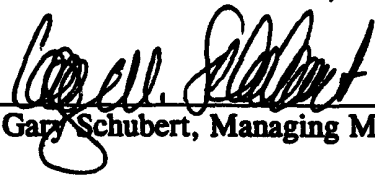
4. Grantor's Fence. Grantor has advised Grantee that a perimeter fence around a portion of the Lands is being constructed by Grantee and Occidental Permian, Ltd. pursuant to plans dated 12/1 2000, which have been furnished to Grantee. Grantee shall be granted reasonable access to the Lands and Grantee agrees to cooperate with Grantor and/or Occidental Permian, Ltd. with regard to the location of gates and other issues relating to the security of the portion of the Lands included within such fence.
5. Term. This Agreement is effective as of the date first set forth above and shall remain in full force and effect for so long as Grantee, its successors and assigns own and/or operate oil and gas leasehold or mineral interests under the Lands. Upon the termination of this Agreement, Grantee shall execute and deliver a Release of this Agreement to Grantor.
6. Memorandum. Grantee and Grantor shall execute a Memorandum of this Agreement to be recorded in the County records of Lea County, New Mexico.
7. No Waiver of Rights. It is acknowledged that Grantee has certain rights and interests upon the Lands by operation of law and by virtue of the contractual provisions contained in the oil and gas leases governing its leasehold estate under portions of the Lands. With the exception of the surface damage schedule stipulated and agreed to by Grantor and Grantee herein, it is understood and agreed by the undersigned that this Agreement in no way waives or limits the rights held by Grantee pursuant to New Mexico law and the outstanding oil and gas leases.
8. Agreement Binding on Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors and assigns of the parties hereto, and shall constitute a covenant running with the Lands and leasehold interests of Grantee.

*over*

This Agreement is executed effective the 1<sup>st</sup> day of March, 2001.

**GRANTOR:**

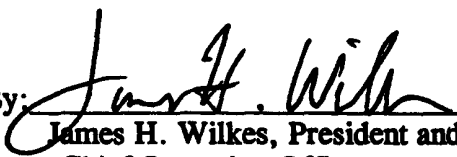
GRIMES LAND COMPANY, L.L.C.

By:   
Gary Schubert, Managing Member

**GRANTEE:**

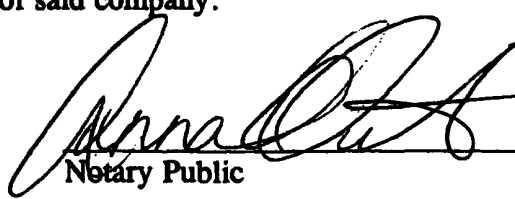
TEXLAND PETROLEUM-HOBBS, L.L.C.

By: Texland Petroleum, Inc., Managing Member

By:   
James H. Wilkes, President and  
Chief Operating Officer

STATE OF NEW MEXICO §  
  §  
COUNTY OF LEA                   §

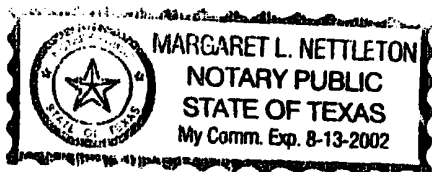
This instrument was acknowledged before me on the 28<sup>th</sup> day of February, 2001 by  
**GARY SCHUBERT**, Managing Member of Grimes Land Company, L.L.C., a New Mexico  
limited liability company, on behalf of said company.

  
Notary Public

Cont'd

STATE OF TEXAS       §  
                                  §  
COUNTY OF TARRANT   §

This instrument was acknowledged before me on the 1 day of March, 2001, by JAMES H. WILKES, President and Chief Operating Officer of Texland Petroleum, Inc., a Texas corporation, as Managing Member of Texland Petroleum - Hobbs, L.L.C., a Texas limited liability company, on behalf of said company.



Margaret L. Nettleton  
Notary Public for the State of Texas

C:\My Documents\Ford\New Lease\Notary Use and Sign-off-Way Agreement.rtf

**CONTINGENCY PLAN**  
**FOR**  
**TEXLAND PETROLEUM, HOBBS L.L.C.**

**BOWERS "A" FEDERAL LEASE**  
**WELL NUMBER 45**

**LEA COUNTY, NEW MEXICO**

**JULY 12, 2004**

## **CONTINGENCY PLAN**

### **INDEX**

- I. Location Information**
- II. Emergency Notification**
- III. Emergency Procedures and Responsibilities**
- IV. Drillsite Location**
- V. Training Procedures and Materials**
- IV. Procedural Check List**
- VII. Rescue Breathing and CPR**

## **SAFETY**

It is the Texland Petroleum's responsibility in all operations to do everything possible to insure the safety of it's employees and the contract employees on the job site, and further, to provide for the safety and comfort of persons near the operation by protecting the environment to the fullest degree possible.

The primary purpose of the procedures outlined herein is to guide the personnel on location in the event that Hydrogen Sulfide ( $H_2S$ ) gas reaches the surface.

To protect their own safety and the safety of others, all personnel on the job site will rigidly follow this plan.

## **PRIMARY RESPONSIBILITIES**

In case of a release of a potentially hazardous amount of  $H_2S$ , all personnel will immediately proceed upwind to the nearest designated safety area and don their protective breathing equipment. The Texland Petroleum Representative will immediately, upon assessing the situation, set this plan into action by taking the proper procedures to contain the gas and notify the appropriate people and agencies.

If Texland's Representative is not on location or is incapacitated this responsibility will fall to the Drilling Company's Toolpusher.

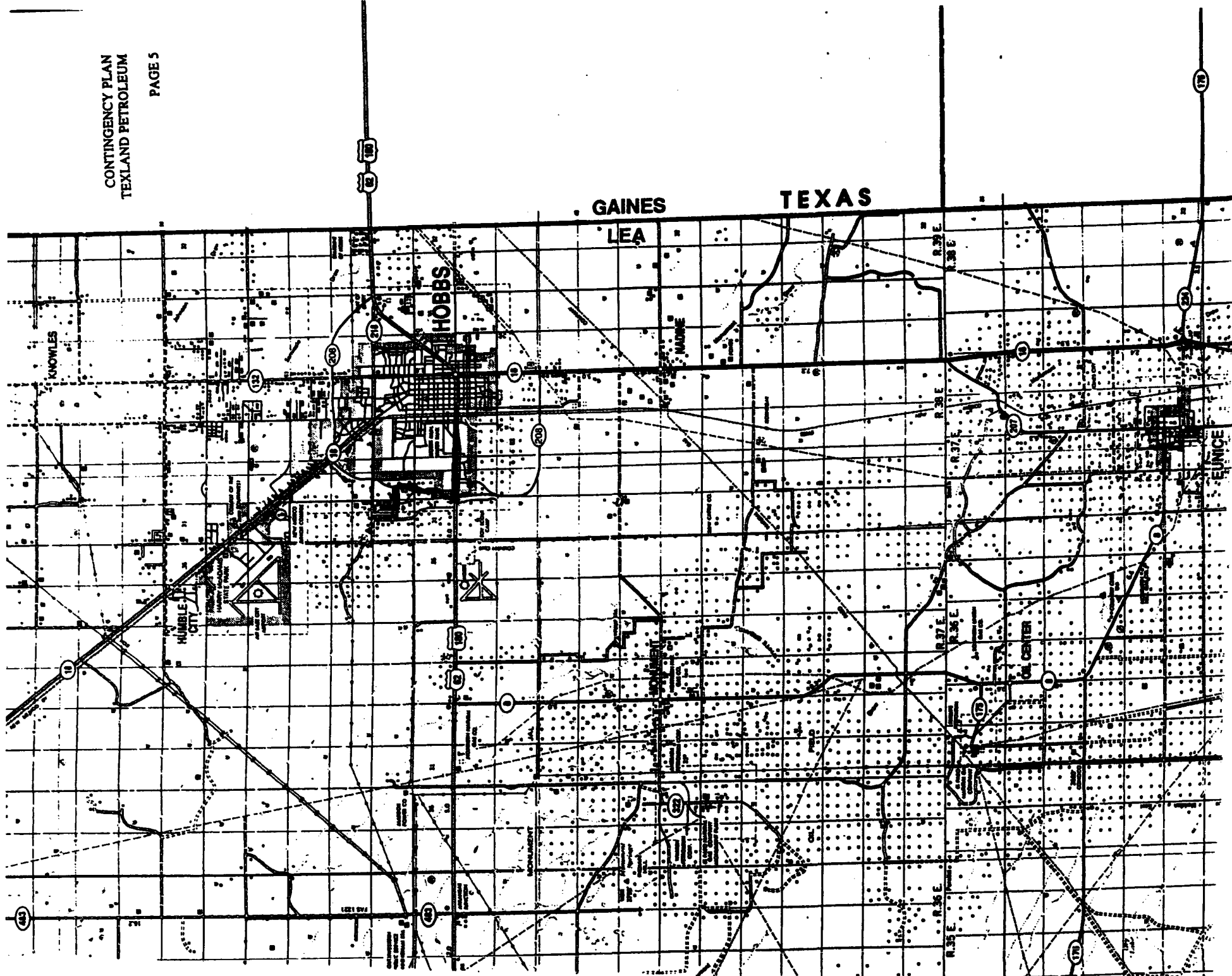
If both are absent or incapacitated, the Driller on tour will then be responsible.

All safety equipment will be installed and operational so safety procedures can be completely dependable when drilling has reached a depth of 3800 feet.

## LOCATION INFORMATION

### DIRECTIONS TO LOCATION

From Hobbs, New Mexico. Go west on US 62 - 180 to West County Road. Go north 1.6 miles to Mahan Drive. Go west 0.1 mile to the location on the right side of the road.



### **EMERGENCY PHONE NUMBERS**

Hobbs Fire Dept.	911	505-397-9308
Hobbs Ambulance	911	505-397-9308
Hobbs Police Dept.	911	505-397-9265
Lea County Sheriff	911	505-393-2515
New Mexico State Police	911	505-392-5588
Hobbs Hospital	Hobbs, New Mex.	505-392-6581
NMOCD Hobbs - Office: 505-393-6161 Fax: 505-393-0720		
Downhole Services Team Leader: Jerry Rogers		
		432-596-4412
Team Leader:	Jerry Rogers	432-596-4412

## **COMPANY REPRESENTATIVES AND NUMBERS**

<b>TEXLAND PETROLEUM, L.P.</b>	<b>FULLERTON, TEXAS</b>	<b>432-596-4412</b>
	<b>RADIO PATCH</b>	
<b>DRILLING FOREMAN</b>	<b>JERRY ROGERS - office</b>	<b>432-596-4412</b>
	<b>" home</b>	<b>806-794-6818</b>
	<b>" cell</b>	<b>806-781-3396</b>
	<b>" pager</b>	<b>806-761-7907</b>
<b>SUPERINTENDENT</b>	<b>TOM FOX - office</b>	<b>806-894-4657</b>
	<b>" home</b>	<b>806-794-1329</b>
	<b>" pager</b>	<b>806-741-9607</b>
	<b>" cell</b>	<b>806-781-3414</b>
<b>PRODUCTION FOREMAN</b>	<b>KIRK JACKSON - office</b>	<b>432-596-4412</b>
	<b>" cell</b>	<b>432-894-1461</b>
<b>CAPSTAR DRILLING</b>	<b>ODESSA, TEXAS</b>	<b>800-442-5224</b>

## EMERGENCY NOTIFICATION

### Evacuation Plan

The following general plan has been developed in the event that any public evacuation becomes necessary:

1. The company has requested and has been assured of the support by the various public safety entities in the area.
2. Any evacuation will be conducted with and coordinated by the County Sheriff and supported by the State Highway Patrol.
3. Assistance from other public safety entities will be enlisted and coordinated by the County Sheriff's Office.
4. The included maps detail the area of the wellsite including the inventory of the public within the radius of exposure of the well,
5. In the event that there is any suspected problem on the well, the wellsite supervisor will notify the Sheriff's Office for "Alert Status".
6. "Alert Status" will require that available public support personnel will assemble at the courthouse and standby for instructions.
7. If isolation and evacuation are necessary, units will be dispatched to points marked on the map with instructions to maintain road blocks.
8. Evacuation teams will then proceed to sectors to be evacuated. Evacuation procedures will follow appropriate consideration for wind conditions.
9. Personnel from Calloway Safety Equipment Company will establish safe perimeters using an H<sub>2</sub>S detector.
10. The New Mexico Oil Conservation Division and other authorities will be notified as soon as possible.
11. Other Supplemental contractors will be contacted and called in as needed.

**RESIDENTS AND PUBLIC ROADS**

**IN RADIUS OF EXPOSURE (ROE)**

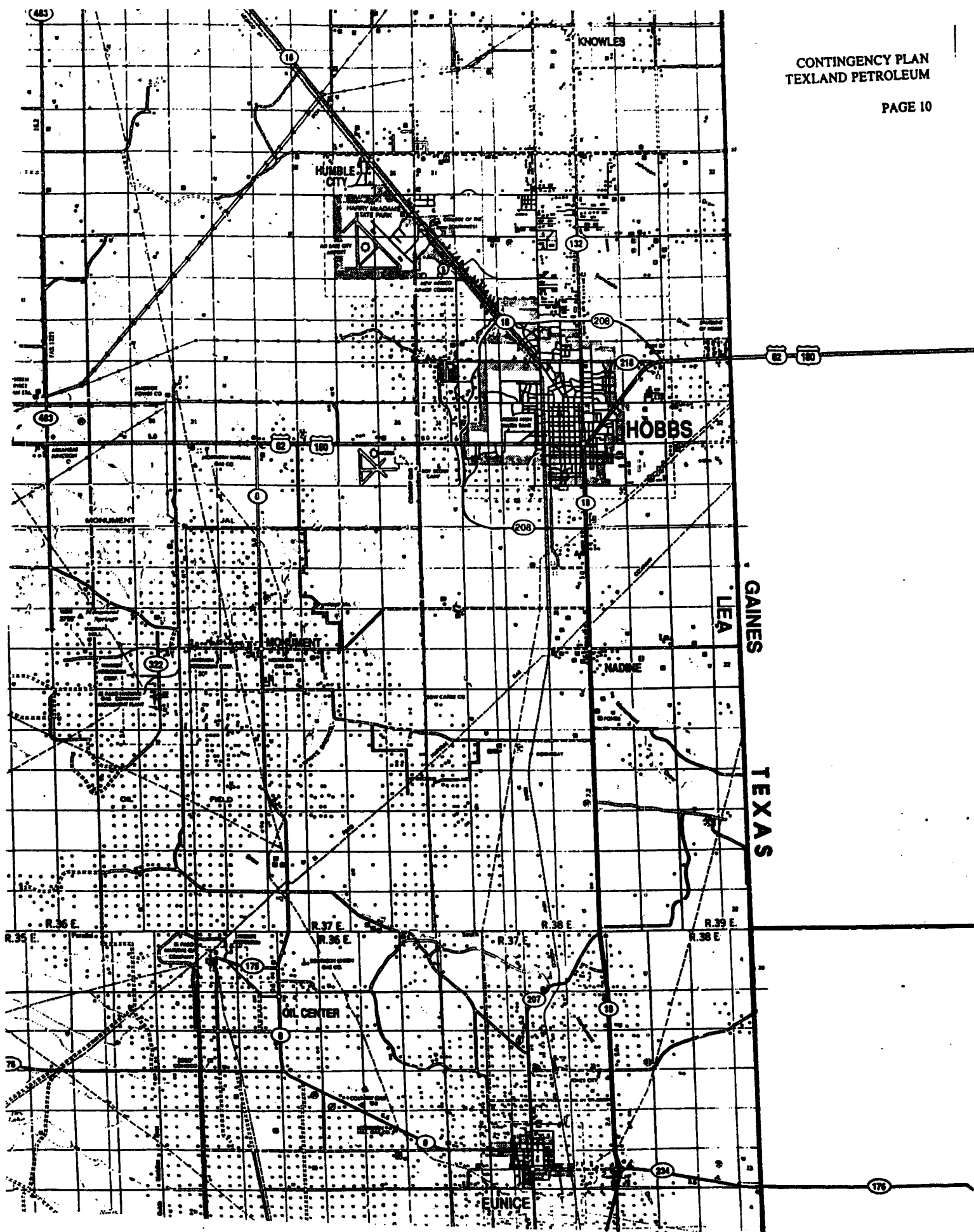
**Businesses:** 1800' to the east of the location

**Residence:** 1 mile west of the location

**Public Roads:**

County Road: 200' to the south of the location  
175' to the west of the location

**\*\* See map**



## **EMERGENCY PROCEDURES**

### **RESPONSIBILITIES AND DUTIES**

#### **Texland Petroleum's Drilling Foreman**

1. In an emergency, the Drilling Foreman on duty will have complete responsibility and will take whatever actions are deemed necessary to insure the personnel's safety, to protect the well and to prevent property damage.
2. Will advise the superintendent when procedures as specified herein have been met, will inform of emergencies and deviations from the plan, and ensure that procedures are observed at all times.
3. Will advise each contractor, service company and all others entering the site, that Hydrogen Sulfide may be encountered and the potential hazards that may exist.
4. Will authorize the evacuation of local residents if Hydrogen Sulfide threatens their safety.
5. Will keep the number of persons on location to a minimum during hazardous operations.
6. Will assess the situation when an alarm sounds, and issue work orders; or, when conditions warrant, order all personnel to "Safe Briefing Areas".
7. Will direct corrective actions to control the flow of gas.
8. Has full responsibility of the decision to cease drilling operations.

#### **Drilling Company**

1. The Toolpusher will assume all responsibilities of the Texland Petroleum's Drilling Foreman in an emergency in the event that the Drilling Foreman becomes incapacitated.
2. The toolpusher will order the Driller to secure the rig, if time permits.
3. The Driller will secure the rig in an emergency situation, if time permits.

**Special Notation:**

**In case of an emergency, and in the absence of a company man or toolpusher, an employee of Callaway Safety Equipment Company, acting as Texland Petroleum's agent, will assume all responsibility for safety to immediate personnel and to public safety.**

- 1. Visitors will be restricted, unless accompanied by the Texland Petroleum's Drilling Foreman, when Hydrogen Sulfides might be encountered.**
- 2. Visitors and non-essential personnel will be prohibited from remaining in or entering contaminated areas where Hydrogen Sulfide concentrations in the atmosphere exceed ten(10) ppm.**
- 3. When Hydrogen Sulfide might be encountered, no personnel on location will be permitted to sleep in vehicles.**

## EMERGENCY PROCEDURES

The fact is to be instilled in the minds of all rig personnel that the sounding alarm means only one thing:  $H_2S$  is present. Everyone is to proceed to his assigned station and the contingency plan should be put into effect.

In order to assure proper execution of the contingency plan, it is essential that one person be responsible for and in complete charge of implementing these procedures. The responsibility will be Texland Petroleum, Inc.'s representative.

1. Texland Representative on location - should he become disabled or unable to locate
2. Senior Texland Representative - should he become disabled or unable to locate
3. Senior Texland Drilling Engineer - should he become disabled or unable to locate

### Drilling Crew Actions:

1. All personnel will don their protective breathing apparatus. The Driller will take necessary precaution as stated in "Operating Procedures".
2. The "Buddy System" will be implemented. All personnel will act upon directions from the company Representative.
3. If there are non-essential personnel on location, they will move off location,
4. Entrance to location will be patrolled and the proper Well Condition Sign will be displayed at the entrance to the location.

## INSTRUCTIONS TO PERSONNEL

### WHERE

### HYDROGEN SULFIDE MAY BE ENCOUNTERED

1. Every person involved in the operation will be informed of the characteristics of Hydrogen Sulfide, its dangers, safe procedures to be used when it is encountered and recommended first aid procedures for regular rig personnel.
2. The Supervisor will conduct training sessions and will repeat them as deemed necessary by him or as instructed by the Drilling Foreman.
3. Instructions will include the following:
  - a. Dangers of Hydrogen Sulfide
  - b. Use and limitation of air equipment
  - c. Use of resuscitator; organize "buddy system" and first aid procedures
  - d. Use of detection devices; designate responsible people
  - e. Explain rig layout, current policy on visitors, designate smoking and safety areas, and emphasize the importance of wind direction
  - f. Explain functions of H<sub>2</sub>S Supervisor
  - g. Explain and organize H<sub>2</sub>S drill
  - h. Explain the overall emergency plan with emphasis given to the evacuation phase of the plan.
4. The above instructions will be attended by every person involved in the operation.
5. Visitors will be instructed to report to the Texland Petroleum's Drilling Foreman.
6. Visitors will be refused entrance for lack of safety equipment, if special operations are in progress, or for other reasons involving personnel safety.

## OPERATIONS WHEN HYDROGEN SULFIDE IS DETECTED

1. At this time, the Texland Petroleum's Drilling Foreman will assess the situation, outline a program of control and assign duties. His instructions will be followed carefully. Success depends on how quickly, thoroughly and effectively each man does his assigned duties.
2. When severity of the situation has been determined, all personnel will be advised.
3. Personnel will develop a practice of watching out for each other when emergency conditions exist. Where possible, work should be done in pairs. When a Hydrogen Sulfide emergency exists, personnel should use the "buddy system" to prevent anyone from entering a contaminated area alone.
4. Hydrogen Sulfide gas discipline will be followed, when "Masks On" requirements exist. THERE ARE NO EXCEPTIONS.
5. Personnel will not remove the breathing equipment until tests indicate that the atmosphere is safe to breathe and "All Clear" is announced.
6. In the event of Sudden Gas Release, with no advance warning, personnel will be instructed to take the following general actions:
  - a. Hold breath - do not breathe
  - b. Put on protective breathing equipment
  - c. Help any person(s) in distress
  - d. Proceed to the designated "Safe Briefing Area" and secure instructions from Supervisor
  - e. DO NOT PANIC
  - f. If conditions warrant, the Driller will secure the rig, stop motion of the rig, and close the blowout preventers.
  - g. Schooling and instruction to all personnel on the site, concerning Hydrogen Sulfide Safety will be conducted by Callaway Safety Equipment Company instructors.

**NOTE: PUT ON YOUR BREATHING EQUIPMENT BEFORE ATTEMPTING A RESCUE.**

**YOU TOO, CAN BECOME A VICTIM.**

## DRILLSITE LOCATION

## DRILLSITE LOCATION

1. The drilling rig should be situated on the location, such that prevailing winds blow across the rig toward the reserve pit or at right angles to a line from the rig to the reserve pit.
2. The entrance to the location should be designated so that it can be barricaded if Hydrogen Sulfide emergency conditions arise. An auxiliary exit (or entrance) should be available so that in case of a catastrophe, a shift in wind direction would not preclude escape from the location. Appropriate warning signs and flags should be placed at all location entrances.
3. Once H2S Safety Procedures are established on location, no beards or facial hair, which will interfere with face seal on mask, will be allowed on location.
4. A minimum of two "Briefing Areas" will be established not less than 250 feet from the well head and in such location that at least one area will be upwind from the well at all times. Upon recognition of an emergency situation, all personnel should assemble at the designated "briefing Areas" for instructions.
5. A Safety Equipment Trailer will be stationed at one of the Briefing Areas. A wind streamer will be attached near the trailer to indicate wind direction.
6. Three (3) windsocks will be installed and wind streamers, 6 to 8 feet above ground level, placed at the location entrance. Windsocks shall be illuminated for night time operation. Personnel should develop wind direction consciousness.
7. The mud logging trailer will be located away from the shale shaker mud tank and a minimum of 125 feet from the well bore.
8. Shale shaker mud tanks will be located so as to minimize the danger from gas that breaks out of the drilling fluid.
9. Electric power plants will be located as far from the well bore as practical so that it may be used under conditions where it otherwise would have to be shut down.
10. When approaching a depth where Hydrogen Sulfide may be encountered, appropriate warning signs will be posted on all access roads to the location and at the foot of all stairways to the derrick floor.

11. Appropriated smoking areas will be designated and smoking will be prohibited elsewhere.
12. On the rig bulletin board and in the safety equipment trailer, will be posted in clear plastic envelopes, a list of current emergency telephone numbers.

### **SPECIAL EQUIPMENT**

1. **An automatic Hydrogen Sulfide Monitor will be installed with a combination visual and audible alarm system located where it can be seen and/or heard throughout the drilling location. This system will have the capabilities of being activated from four (4) points.**
2. **The automatic monitor should be set to trigger the drilling location visual/audible alarms when Hydrogen Sulfide concentrations in the atmosphere reach 10 ppm.**
3. **Extra equipment will be available if required to provide adequate respiratory protection for all personnel on location.**

### **BLOWOUT PREVENTION EQUIPMENT**

1. A kill line of ample strength and length will be laid to a safe point to allow pumping into the well in an emergency situation.
2. The closing unit should be located a safe distance from the well bore and positioned for maximum utilization based on the prevailing wind direction.
3. BOP equipment will be tested in accordance with standard company policy.

### **DRILL STEM TEST**

1. **Drill Stem Testing of Hydrogen Sulfide zones will be permitted only in daylight hours.**
2. **All non-essential personnel will be moved to "Safe Briefing Area".**
3. **Put on air masks before formation fluid are expected at the surface and continue "Masks On" until flares are lighted and work areas test no more that 10 ppm Hydrogen Sulfide and the area has been declared safe.**

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-144  
June 1, 2004

For drilling and production facilities, submit to appropriate NMOC District Office.  
For downstream facilities, submit to Santa Fe office

### Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☒

Operator: <b>Texland Petroleum L.P.</b> Telephone: <b>817-336-2751</b> e-mail address: <b>mjacoby@texpetro.com</b>							
Address: <b>777 Main #3200, El Paso, TX 79902</b>							
Facility or well name: <b>Downs A Fed. #45</b> APN: <b>30-025-36837</b> U/L or Qtr/Qtr: <b>P</b> Sec: <b>30 T.18 S.38 E</b>							
County: <b>Lea, NM</b> Latitude: <b>N32°42'</b> Longitude: <b>W103°10'</b> NAD: 1927 <input checked="" type="checkbox"/> 1983 <input type="checkbox"/> Surface Owner Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Indian <input type="checkbox"/>							
<table border="1"> <tr> <th>Pit</th> <th>Below-grade tank</th> </tr> <tr> <td>Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness: <b>12</b> mil Clay <input type="checkbox"/> Pit Volume: <b>2300</b> bbl</td> <td>Volume: <b>46.7</b> bbl Type of fluid: <b>46.6"</b> Construction material: <b>46.6"</b> Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not.</td> </tr> </table>		Pit	Below-grade tank	Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness: <b>12</b> mil Clay <input type="checkbox"/> Pit Volume: <b>2300</b> bbl	Volume: <b>46.7</b> bbl Type of fluid: <b>46.6"</b> Construction material: <b>46.6"</b> Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not.		
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Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	<table border="1"> <tr> <td>Less than 50 feet <input checked="" type="checkbox"/></td> <td>(20 points) <input checked="" type="checkbox"/></td> </tr> <tr> <td>50 feet or more, but less than 100 feet</td> <td>(10 points)</td> </tr> <tr> <td>100 feet or more</td> <td>(0 points)</td> </tr> </table>	Less than 50 feet <input checked="" type="checkbox"/>	(20 points) <input checked="" type="checkbox"/>	50 feet or more, but less than 100 feet	(10 points)	100 feet or more	(0 points)
Less than 50 feet <input checked="" type="checkbox"/>	(20 points) <input checked="" type="checkbox"/>						
50 feet or more, but less than 100 feet	(10 points)						
100 feet or more	(0 points)						
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	<table border="1"> <tr> <td>Yes <input checked="" type="checkbox"/></td> <td>(20 points) <input checked="" type="checkbox"/></td> </tr> <tr> <td>No</td> <td>(0 points)</td> </tr> </table>	Yes <input checked="" type="checkbox"/>	(20 points) <input checked="" type="checkbox"/>	No	(0 points)		
Yes <input checked="" type="checkbox"/>	(20 points) <input checked="" type="checkbox"/>						
No	(0 points)						
Distance to surface water: (Horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	<table border="1"> <tr> <td>Less than 200 feet</td> <td>(20 points)</td> </tr> <tr> <td>200 feet or more, but less than 1000 feet</td> <td>(10 points)</td> </tr> <tr> <td>1000 feet or more</td> <td>(0 points) <input checked="" type="checkbox"/></td> </tr> </table>	Less than 200 feet	(20 points)	200 feet or more, but less than 1000 feet	(10 points)	1000 feet or more	(0 points) <input checked="" type="checkbox"/>
Less than 200 feet	(20 points)						
200 feet or more, but less than 1000 feet	(10 points)						
1000 feet or more	(0 points) <input checked="" type="checkbox"/>						
Ranking Score (Total Points) <b>40</b>							

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility: \_\_\_\_\_ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface: \_\_\_\_\_ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

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

Date: **8/2/04**

Printed Name/Title: **Mark Jacoby, Engineer** Signature: \_\_\_\_\_

Your certification and NMOC approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval: **9/2/04**

Printed Name/Title: **PETROLEUM ENGINEER**

Signature: \_\_\_\_\_

Date: **9/2/04**

## SPECIAL DRILLING STIPULATIONS

## THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name Texland Petroleum L.P. Well Name & No. Bowers A Federal #45  
Location 755 F.S.L. & 285 F.E.L. Sec. 10 T. 18 S. R. 38 E.  
Lease No. LC-032233-A County Lea 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 CFR 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.

( X ) Other. Reserved pits will be fenced with a net wire fence 6 feet tall upon completion of the drilling. The pits will not be left ungarded or unsecured. Drilling water and fluids will be removed from pits within 24 hours of the completion of the well.

## 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 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- |   |   |
|---|---|
| ( ) A. Seed Mixture 1 (Loamy Sites)                   | ( ) 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 macrostachya</i> ) 2.0 |
| ( ) C. Seed Mixture 3 (Shallow Sites)                 | ( ) D. Seed Mixture 4 (Gypsum Sites)                    |
| Side oats Grama ( <i>Bouteloua curtipendula</i> ) 1.0 | Alkali Sacaton ( <i>Sporobolus 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.

KZ

### 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: **Texland Petroleum**  
Well Name & No: **Bowers "A" Federal No. 045**  
Location: Surface: **755' FSL & 285' FEL** Sec. 30, T. 18 S. R. 38 E.  
Lease: **NMLC-032233-A** Lea County

**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) 361-2822 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: 8 1/4 inch 5 1/2 inch

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan shall be in operations 500 feet or three Days prior to drilling into the San Andres formation.

3. 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.

4. 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.

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

**II. CASING:**

1. The 8 1/4 inch shall be set at 1500 Feet with 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 5 1/2 inch Production casing is to circulate to surface.

*DV Tool @ 3900*

*set @ 7000*

*TD 7000*

**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 8 1/4 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) shall be 2 M psi.

*TESTING*

II. Pressure Control (continued):

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

- The test 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 safe workman-like manner. Hard line connections shall be required.

BLM Serial Number: LC-1032233-A  
Company Reference: Texlan Petroleum  
Well No. & Name: Bowers A Federal #45

### 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)