

New Mexico Oil Conservation Division, District 1

1625 N. French Drive

Hobbs, NM 88240

HOBBS OGD

FORM APPROVED

OMB No. 1004-0137

Expires October 31, 2014

Form 3160-5
(March 2012)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.

OCT 16 2012

SUBMIT IN TRIPLICATE - Other instructions on page 2.

RECEIVED

1 Type of Well

☒ Oil Well☐ Gas Well☐ Other2. Name of Operator
EOR Operating Company3a. Address
200 N. Loraine STE 1440
Midland, TX 79701

3b. Phone No. (include area code)

432-687-0303

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1260 FNL & 1300 FEL
Sec. 12 T-08S, R-34E5. Lease Serial No
LC-062178

6. If Indian, Allottee or Tribe Name

7. If Unit of CA/Agreement, Name and/or No
Milnesand Unit8. Well Name and No
#5259. API Well No.
30-041-2065010. Field and Pool or Exploratory Area
Milnesand-San Andres11. County or Parish, State
Roosevelt

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other <u>Recomplete horizontally</u>
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

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

The MSU #525 is currently producing from the San Andres perforations located @ 4530'-4622'. Current PBTD is 4750'. EOR Operating proposed the attached plans to recomplete this well horizontally in the San Andres formation.

A representative of EOR Operating will contact BLM 24 hours prior to the beginning of procedures as well as any BOPE tests.

This lateral will be drilled with a closed loop mud system. After milling out the casing window with clear water, the directional interval will be drilled with a polymer based fresh water system.

APPROVED FOR 12 MONTH PERIOD

ENDING OCT 05 2013

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

Jana True

Title Mgr-Production/Regulatory

Signature

Date 09/21/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/S/ DAVID R. GLASS

Title PETROLEUM ENGINEER

Date OCT 05 2012

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

ROSWELL 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 or any false or fraudulent entry in any book, document, record or account within its jurisdiction.

(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

OCT 05 2012



Weatherford[®]

Drilling Services

Proposal

EOR OPERATING

MILNESAND UNIT 525

ROOSEVELT CO, NM

WELL FILE: **PLAN 1 DRAFT**

SEPTEMBER 12, 2012

Weatherford International, Ltd.

P.O. Box 61028

Midland, TX 79711 USA

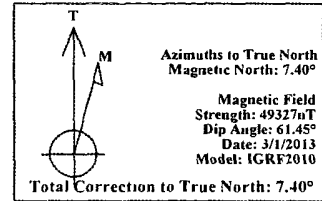
+1.432.561.8892 Main

+1.432.561.8895 Fax

www.weatherford.com

EOR Operating

Milnesand Unit 525 Roosevelt Co, NM



SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2	4387.50	0.00	0.00	4387.50	0.00	0.00	0.00	0.00	0.00	
3	4402.50	2.00	270.00	4402.50	0.00	-0.26	13.33	270.00	0.26	
4	4407.50	2.00	270.00	4407.49	0.00	-0.44	0.00	0.00	0.44	
5	4762.51	90.75	270.00	4628.66	0.00	-232.48	25.00	0.00	232.48	
6	9010.39	90.75	270.00	4573.00	0.00	-4480.00	0.00	0.00	4480.00	PBHL

WELL DETAILS

Name	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Slot
MSU 525	0.00	0.00	956135.66	821439.07	33°37'29.496N	103°24'47.412W	N/A

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Shape
PBHL	4573.00	0.00	-4480.00	956095.81	816959.25	Point

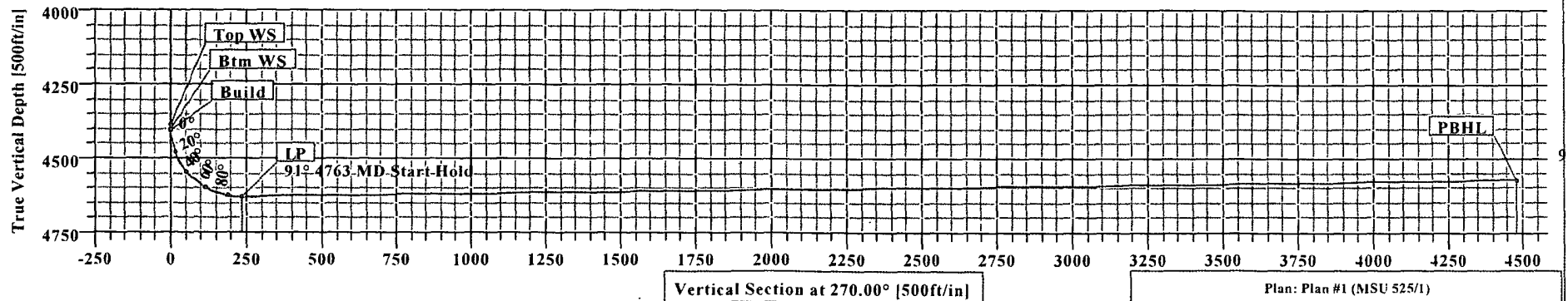
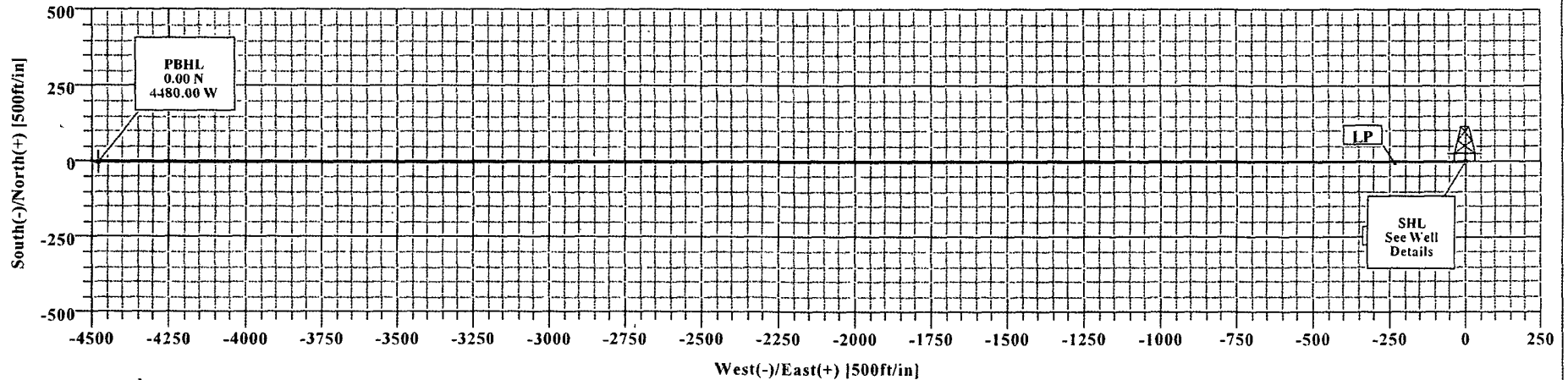
FIELD DETAILS

Roosevelt Co, NM (Nad 83)
Geodetic System: US State Plane Coordinate System 1983
Ellipsoid: GRS 1980
Zone: New Mexico, Eastern Zone
Magnetic Model: IGRF2010
System Datum: Mean Sea Level
Local North: True North



SITE DETAILS

Milnesand Unit 525
Site Centre Latitude: 33°37'29.496N
Longitude: 103°24'47.412W
Ground Level: 4246.00
Positional Uncertainty: 0.00
Convergence: 0.51



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WFT Plan Report Lat, Long



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Company: EOR Operating		Date: 9/12/2012	Time: 11:20:09	Page: 1
Field: Roosevelt Co, NM (Nad:83)		Co-ordinate(NE) Reference: Well: MSU:525, True North		
Site: Milnesand Unit 525		Vertical (TVD) Reference: SITE 4256.0		
Well: MSU:525		Section (VS) Reference: Well (0.00N:0.00E:270.00Azi)		
Wellpath: 1		Survey Calculation Method: Minimum Curvature Db: Sybase		

Plan: Plan #1	Date Composed: 9/12/2012
Principal: Yes	Version: 1
	Tied-to: From Surface

Field: Roosevelt Co, NM (Nad 83)	
Map System: US State Plane Coordinate System 1983	Map Zone: New Mexico, Eastern Zone
Geo Datum: GRS 1980	Coordinate System: Well Centre
Sys Datum: Mean Sea Level	Geomagnetic Model: IGRF2010

Site: Milnesand Unit 525	
Site Position:	Northing: 956135.66 ft Latitude: 33 37 29.496 N
From: Geographic	Easting: 821439.07 ft Longitude: 103 24 47.412 W
Position Uncertainty: 0.00 ft	North Reference: True
Ground Level: 4246.00 ft	Grid Convergence: 0.51 deg

Well: MSU 525		Slot Name:	
Well Position: +N/-S 0.00 ft	Northing: 956135.66 ft	Latitude: 33 37 29.496 N	
+E/-W 0.00 ft	Easting: 821439.07 ft	Longitude: 103 24 47.412 W	
Position Uncertainty: 0.00 ft			

Wellpath: 1		Drilled From: Surface	
Current Datum: SITE	Height 4256.00 ft	Tie-on Depth: 0.00 ft	
Magnetic Data: 3/1/2013		Above System Datum: Mean Sea Level	
Field Strength: 49327 nT		Declination: 7.40 deg	
Vertical Section: Depth From (TVD)	+N/-S	Mag Dip Angle: 61.45 deg	
ft	ft	+E/-W	Direction
		ft	deg
0.00	0.00	0.00	270.00

Plan Section Information										
MD	Incl	Azim	TVD	+N/-S	+E/-W	DLS	Build	Turn	TFO	Target
ft	deg	deg	ft	ft	ft	deg/100ft	deg/100ft	deg/100ft	deg	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
4387.50	0.00	0.00	4387.50	0.00	0.00	0.00	0.00	0.00	0.00	
4402.50	2.00	270.00	4402.50	0.00	-0.26	13.33	13.33	0.00	270.00	
4407.50	2.00	270.00	4407.49	0.00	-0.44	0.00	0.00	0.00	0.00	
4762.51	90.75	270.00	4628.66	0.00	-232.48	25.00	25.00	0.00	0.00	
9010.39	90.75	270.00	4573.00	0.00	-4480.00	0.00	0.00	0.00	0.00	PBHL

Survey														
MD	Incl	Azim	TVD	N/S	E/W	VS	DLS	Lat	Min	Sec	Long	Min	Sec	Comment
ft	deg	deg	ft	ft	ft	ft	deg/100ft							
4300.00	0.00	0.00	4300.00	0.00	0.00	0.00	0.00	33	37	29.496	103	24	47.412	
4387.50	0.00	0.00	4387.50	0.00	0.00	0.00	0.00	33	37	29.496	103	24	47.412	Top WS
4400.00	1.67	270.00	4400.00	0.00	-0.18	0.18	13.33	33	37	29.496	103	24	47.414	
4402.50	2.00	270.00	4402.50	0.00	-0.26	0.26	13.33	33	37	29.496	103	24	47.415	Btm WS
4407.50	2.00	270.00	4407.49	0.00	-0.44	0.44	0.00	33	37	29.496	103	24	47.417	Build
4420.00	5.12	270.00	4419.97	0.00	-1.21	1.21	25.00	33	37	29.496	103	24	47.426	
4440.00	10.12	270.00	4439.79	0.00	-3.87	3.87	25.00	33	37	29.496	103	24	47.458	
4460.00	15.12	270.00	4459.30	0.00	-8.24	8.24	25.00	33	37	29.496	103	24	47.509	
4480.00	20.12	270.00	4478.35	0.00	-14.29	14.29	25.00	33	37	29.496	103	24	47.581	
4500.00	25.12	270.00	4496.81	0.00	-21.98	21.98	25.00	33	37	29.496	103	24	47.672	
4520.00	30.12	270.00	4514.52	0.00	-31.25	31.25	25.00	33	37	29.496	103	24	47.782	
4540.00	35.12	270.00	4531.36	0.00	-42.03	42.03	25.00	33	37	29.496	103	24	47.909	
4560.00	40.12	270.00	4547.19	0.00	-54.24	54.24	25.00	33	37	29.496	103	24	48.053	
4580.00	45.12	270.00	4561.91	0.00	-67.78	67.78	25.00	33	37	29.496	103	24	48.213	
4600.00	50.12	270.00	4575.38	0.00	-82.55	82.55	25.00	33	37	29.496	103	24	48.388	

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WFT Plan Report Lat, Long



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Company: EOR Operating			Date: 9/12/2012		Time: 11:20:09		Page: 2	
Field: Roosevelt Co. NM (Nad:83)			Co-ordinate(NE) Reference:		Well: MSU 525 True North			
Site: Minesand Unit 525			Vertical (TVD) Reference:		SITE 4256.0			
Well: MSU 525			Section (VS) Reference:		Well (0.00N:0.00E:270.00Azi)			
Wellpath: 1			Survey Calculation Method:		Minimum Curvature		Db: Sybase	

Survey													
MD ft	Incl deg	Azim deg	TVD ft	N/S ft	E/W ft	VS ft	DLS deg/100ft	Lat Min	Sec	Long Min	Sec	Comment	
4620.00	55.12	270.00	4587.52	0.00	-98.43	98.43	25.00	33	37	29.496	103	24	48.576
4640.00	60.12	270.00	4598.22	0.00	-115.32	115.32	25.00	33	37	29.496	103	24	48.776
4660.00	65.12	270.00	4607.42	0.00	-133.07	133.07	25.00	33	37	29.496	103	24	48.986
4680.00	70.12	270.00	4615.03	0.00	-151.56	151.56	25.00	33	37	29.496	103	24	49.204
4700.00	75.12	270.00	4621.00	0.00	-170.64	170.64	25.00	33	37	29.496	103	24	49.430
4720.00	80.12	270.00	4625.28	0.00	-190.17	190.17	25.00	33	37	29.496	103	24	49.661
4740.00	85.12	270.00	4627.85	0.00	-210.00	210.00	25.00	33	37	29.496	103	24	49.895
4760.00	90.12	270.00	4628.68	0.00	-229.98	229.98	25.00	33	37	29.496	103	24	50.132
4762.51	90.75	270.00	4628.66	0.00	-232.48	232.48	25.00	33	37	29.496	103	24	50.161
4800.00	90.75	270.00	4628.17	0.00	-269.97	269.97	0.00	33	37	29.496	103	24	50.605
4900.00	90.75	270.00	4626.86	0.00	-369.97	369.97	0.00	33	37	29.496	103	24	51.787
5000.00	90.75	270.00	4625.55	0.00	-469.96	469.96	0.00	33	37	29.496	103	24	52.970
5100.00	90.75	270.00	4624.24	0.00	-569.95	569.95	0.00	33	37	29.496	103	24	54.152
5200.00	90.75	270.00	4622.93	0.00	-669.94	669.94	0.00	33	37	29.496	103	24	55.334
5300.00	90.75	270.00	4621.62	0.00	-769.93	769.93	0.00	33	37	29.496	103	24	56.517
5400.00	90.75	270.00	4620.31	0.00	-869.92	869.92	0.00	33	37	29.496	103	24	57.699
5500.00	90.75	270.00	4619.00	0.00	-969.91	969.91	0.00	33	37	29.496	103	24	58.882
5600.00	90.75	270.00	4617.69	0.00	-1069.91	1069.91	0.00	33	37	29.496	103	25	0.064
5700.00	90.75	270.00	4616.38	0.00	-1169.90	1169.90	0.00	33	37	29.496	103	25	1.247
5800.00	90.75	270.00	4615.07	0.00	-1269.89	1269.89	0.00	33	37	29.496	103	25	2.429
5900.00	90.75	270.00	4613.76	0.00	-1369.88	1369.88	0.00	33	37	29.496	103	25	3.612
6000.00	90.75	270.00	4612.45	0.00	-1469.87	1469.87	0.00	33	37	29.496	103	25	4.794
6100.00	90.75	270.00	4611.14	0.00	-1569.86	1569.86	0.00	33	37	29.496	103	25	5.977
6200.00	90.75	270.00	4609.83	0.00	-1669.85	1669.85	0.00	33	37	29.496	103	25	7.159
6300.00	90.75	270.00	4608.51	0.00	-1769.85	1769.85	0.00	33	37	29.495	103	25	8.341
6400.00	90.75	270.00	4607.20	0.00	-1869.84	1869.84	0.00	33	37	29.495	103	25	9.524
6500.00	90.75	270.00	4605.89	0.00	-1969.83	1969.83	0.00	33	37	29.495	103	25	10.706
6600.00	90.75	270.00	4604.58	0.00	-2069.82	2069.82	0.00	33	37	29.495	103	25	11.889
6700.00	90.75	270.00	4603.27	0.00	-2169.81	2169.81	0.00	33	37	29.495	103	25	13.071
6800.00	90.75	270.00	4601.96	0.00	-2269.80	2269.80	0.00	33	37	29.495	103	25	14.254
6900.00	90.75	270.00	4600.65	0.00	-2369.79	2369.79	0.00	33	37	29.495	103	25	15.436
7000.00	90.75	270.00	4599.34	0.00	-2469.79	2469.79	0.00	33	37	29.495	103	25	16.619
7100.00	90.75	270.00	4598.03	0.00	-2569.78	2569.78	0.00	33	37	29.495	103	25	17.801
7200.00	90.75	270.00	4596.72	0.00	-2669.77	2669.77	0.00	33	37	29.495	103	25	18.984
7300.00	90.75	270.00	4595.41	0.00	-2769.76	2769.76	0.00	33	37	29.495	103	25	20.166
7400.00	90.75	270.00	4594.10	0.00	-2869.75	2869.75	0.00	33	37	29.495	103	25	21.348
7500.00	90.75	270.00	4592.79	0.00	-2969.74	2969.74	0.00	33	37	29.495	103	25	22.531
7600.00	90.75	270.00	4591.48	0.00	-3069.73	3069.73	0.00	33	37	29.494	103	25	23.713
7700.00	90.75	270.00	4590.17	0.00	-3169.73	3169.73	0.00	33	37	29.494	103	25	24.896
7800.00	90.75	270.00	4588.86	0.00	-3269.72	3269.72	0.00	33	37	29.494	103	25	26.078
7900.00	90.75	270.00	4587.55	0.00	-3369.71	3369.71	0.00	33	37	29.494	103	25	27.261
8000.00	90.75	270.00	4586.24	0.00	-3469.70	3469.70	0.00	33	37	29.494	103	25	28.443
8100.00	90.75	270.00	4584.93	0.00	-3569.69	3569.69	0.00	33	37	29.494	103	25	29.626
8200.00	90.75	270.00	4583.62	0.00	-3669.68	3669.68	0.00	33	37	29.494	103	25	30.808
8300.00	90.75	270.00	4582.31	0.00	-3769.67	3769.67	0.00	33	37	29.494	103	25	31.991
8400.00	90.75	270.00	4581.00	0.00	-3869.67	3869.67	0.00	33	37	29.494	103	25	33.173
8500.00	90.75	270.00	4579.69	0.00	-3969.66	3969.66	0.00	33	37	29.493	103	25	34.355
8600.00	90.75	270.00	4578.38	0.00	-4069.65	4069.65	0.00	33	37	29.493	103	25	35.538
8700.00	90.75	270.00	4577.07	0.00	-4169.64	4169.64	0.00	33	37	29.493	103	25	36.720
8800.00	90.75	270.00	4575.76	0.00	-4269.63	4269.63	0.00	33	37	29.493	103	25	37.903
8900.00	90.75	270.00	4574.45	0.00	-4369.62	4369.62	0.00	33	37	29.493	103	25	39.085
9000.00	90.75	270.00	4573.14	0.00	-4469.61	4469.61	0.00	33	37	29.493	103	25	40.268
9010.39	90.75	270.00	4573.00	0.00	-4480.00	4480.00	0.00	33	37	29.493	103	25	40.391

PBHL

LP

PBHL

Weatherford

WFT Plan Report Lat, Long



Weatherford

Company: EOR Operating	Date: 9/12/2012	Time: 11:20:09	Page: 3
Field: Roosevelt Co. NM (Nad 83)	Co-ordinate(NE) Reference: Well: MSU 525, True North		
Site: Milnesand Unit 525	Vertical (TVD) Reference: SITE 4256.0		
Well: MSU 525	Section (V/S) Reference: Well: (0.00N;0.00E;270.00Azi)		
Wellpath: 1	Survey Calculation Method: Minimum Curvature Db: Sybase		

Survey

MD	Incl	Azim	TVD	N/S	E/W	VS	DLS	Lat	Min	Sec	Long	Min	Sec	Comment
ft	deg	deg	ft	ft	ft	ft	deg/100ft							

Targets

Name	Description	TVD	+N/-S	+E/-W	Map Northing	Map Easting	Latitude	Longitude
	Dip	Dir	ft	ft	ft	ft	Deg Min Sec	Deg Min Sec
PBHL			4573.00	0.00	-4480.00	956095.81 816959.25	33 37 29.493 N	103 25 40.391 W

Casing Points

MD	TVD	Diameter	Hole Size	Name
ft	ft			

Formations

MD	TVD	Formations	Lithology	Dip Angle	Dip Direction
ft	ft				

Annotation

MD	TVD	
ft	ft	
4387.50	4387.50	Top WS
4402.50	4402.50	Btm WS
4407.50	4407.49	Build
4762.51	4628.66	LP
9010.38	4573.00	PBHL

**Weatherford****Weatherford Drilling Services**

GeoDec v5.03

Report Date: September 12, 2012
Job Number: _____
Customer: EOR Operating
Well Name: MSU 525
API Number: _____
Rig Name: _____
Location: Roosevelt Co, NM
Block: _____
Engineer: RWJ

Geodetic Latitude / Longitude	Geodetic Latitude / Longitude
System: Latitude / Longitude	System: Latitude / Longitude
Projection: Geodetic Latitude and Longitude	Projection: Geodetic Latitude and Longitude
Datum: North American Datum 1983	Datum: North American Datum 1983
Ellipsoid: GRS 1980	Ellipsoid: GRS 1980
Latitude 33.6248600 DEG	Latitude 33 37 29.4960000 DMS
Longitude -103.4131700 DEG	Longitude -103 24 47.4120000 DMS

Geodetic Location WGS84 Elevation = 0.0 Meters
Latitude = 33.62486° N 33° 37 min 29.496 sec
Longitude = 103.41317° W 103° 24 min 47.412 sec

Magnetic Declination =	7.40°	[True North Offset]	
Local Gravity =	.9989 g	Checksum =	6576
Local Field Strength =	49323 nT	Magnetic Vector X =	23375 nT
Magnetic Dip =	61.45°	Magnetic Vector Y =	3037 nT
Magnetic Model =	IGRF-2010g11	Magnetic Vector Z =	43326 nT
Spud Date =	Mar 01, 2013	Magnetic Vector H =	23571 nT

Signed: _____

Date: _____

**PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL**

OPERATORS NAME: EOR Operating Co.
LEASE NO.: LC-062178
WELL NAME & NO: Milnesand Unit Well No. 525
SURFACE HOLE FOOTAGE: 1260' FNL & 1300' FEL Section 12,
T. 8 S., R. 34 E., NMPM
BOTTOM HOLE FOOTAGE: 1260' FNL & 500' FEL Section 11,
T. 8 S., R. 34 E., NMPM
COUNTY: Roosevelt County, New Mexico

PRAIRIE CHICKENS

No surface use is allowed during the following time periods; unless otherwise specified. This stipulation does not apply to the operation and maintenance of production facilities.

On the land described below:

For the purpose of: Protecting Lesser Prairie-Chickens

Drilling for oil and gas, and 3-D geophysical exploration operations will not be allowed in Lesser Prairie Chicken Habitat during the period of March 1 through June 15, each year. During that period, between 3:00 a.m. and 9:00 a.m., other activities that produce noise and involve human activity, such as geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will not be allowed. Noise producing activities which do not require a human presence, such as venting, flaring, or pumping, are exempt from the 3:00 a.m. and 9:00 a.m. restriction. Regardless of the time of the year, exhaust noise from pump jack engine must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During office hours call (575) 627-0205 or after office hours call (575) 420-2832. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.
2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:
 - a. Entering The Wellbore With The Drill Bit.
 - b. Setting And/Or Cementing Any Casing String That May Be Run
 - c. BOPE Tests
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.

OPERATORS NAME: EOR Operating Co.
LEASE NO.: LC-062178
WELL NAME & NO: Milnesand Unit Well No. 525
SURFACE HOLE FOOTAGE: 1260' FNL & 1300' FEL Section 12,
T. 8 S., R. 34 E., NMPM
BOTTOM HOLE FOOTAGE: 1260' FNL & 500' FEL Section 11,
T. 8 S., R. 34 E., NMPM
COUNTY: Roosevelt County, New Mexico

4. This lateral will be drilled with a closed loop mud system. After milling out the 5-1/2 inch production casing window with clear fresh water, the directional interval will be drilled with a 4-3/4 inch bit using a polymer based fresh water system.

B. CASING

1. There is no required fill of cement behind the 3-1/2 inch production liner since packers with frac ports will be used for lateral and will not require cementing.
2. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.
3. Any casing set shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

C. PRESSURE CONTROL:

1. Before milling out the 5-1/2 inch production casing window, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.
2. Before milling out the 5-1/2 inch production casing window, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.
3. The BOPE shall be installed before milling out the 5-1/2 inch production casing window and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
 - a. The BLM Roswell Field office shall be notified a minimum of 24 hours in advance for a representative to witness the tests.
 - b. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
 - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test will be submitted to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

OPERATORS NAME: EOR Operating Co.
LEASE NO.: LC-062178
WELL NAME & NO: Milnesand Unit Well No. 525
SURFACE HOLE FOOTAGE: 1260' FNL & 1300' FEL Section 12,
T. 8 S., R. 34 E., NMPM
BOTTOM HOLE FOOTAGE: 1260' FNL & 500' FEL Section 11,
T. 8 S., R. 34 E., NMPM
COUNTY: Roosevelt County, New Mexico

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

D. MUD PROGRAM REQUIREMENTS:

The drilling operations of this well will be conducted in accordance with the Onshore Oil and Gas Order No. 2 as provided in 43 CFR 3164.1. This includes well control equipment and its testing, mud system and associated equipment, and the casing and cementing.

- a. Sufficient quantities of mud materials shall be maintained at the well site, at all times, for the purpose of assuring well control.
- b. A mud test shall be performed at least every 24 hours after mudding up to determine, as applicable density, viscosity, gel strength, filtration, and PH.
- c. Visual mud monitoring equipment shall be in place to detect volume changes indicating loss or gain of circulating fluid volume.

E. SPECIAL STIPULATION:

If frac ponds are necessary submit for approval a right-of-way application or sundry notice (Form 3160-5) to the BLM, Roswell Field Office 2909 West Second, Roswell, NM 88201. If frac pond is located on private/State surface and support the enhanced production of federal minerals BLM approval is necessary.

The frac pond will only be authorized to contain freshwater and testing of water quality is required. Additives are not allowed without consent of the authorized officer. If at any time the water in the frac pond becomes polluted with salts or other contaminants, use of the frac pond will cease and desist, and all liquids will be removed from the frac pond and disposed of properly. Mineral materials extracted during construction of the frac pond will be stored on-location and/or used for constructing the frac pond.

Full implementation and enforcement of these procedures begins November 15, 2010.

1. For On-Lease Proposals: Submit Form 3160-5 describing any surface disturbance associated with the project. The length and width of the pond floor, expected depth, and the exterior dimensions of the finished pond (with completed berms) must be stated. If a new road is required to access the pond, this will be described in total length and desired width.

For Off-Lease or Third Party Proposals (ROW): Submit SF-299 "Application for Transportation and Utility Systems." All other procedures described herein will be applicable to freshwater ponds applied for under rights-of-way.

2. List all wells to be serviced by the pond. Tell us the route of your pipeline from the pond to the target well(s).
3. Tell us how the freshwater is to be transported to the pond (trucked, pipeline). A route description is sufficient for lines following existing roads.
4. Attach a survey plat of the proposed pond location. The plat shall depict the exterior dimensions of the pond, the center of the topsoil stockpile as well as the legal land description. When the pond is co-located with an existing or approved well location, show the location of that well as a point of reference on the survey plat.
5. Location stakes at each corner will indicate the inside perimeter of the pond (4-stakes), the maximum width of disturbance including berm walls (4-stakes), and 1 stake to show the center of the topsoil stockpile.
6. Attach a diagram of the project (sample attached as enclosure 2). The diagram will depict the pond dimensions with berms, the location of the stockpiled topsoil, and a North arrow. If a road is requested, depict how the road enters the project area.

An on-site inspection of your proposed project is required. One of our Natural Resource Specialists will contact you to schedule a site visit.