

CONDITIONS OF APPROVAL

API #	Operator	Well name & Number
30-025-43754	STEWARD ENERGY II LLC	HEISENBERG STATE COM # 007H

Applicable conditions of approval marked with **XXXXXX**

Administrative Orders Required

	Must apply for an Administrative Order for NSL before this well can be produced
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Drilling

<b>XXXXXX</b>	Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string

Casing

<b>XXXXXX</b>	SURFACE & PRODUCTION CASING - Cement must circulate to surface --
<b>XXXXXX</b>	If cement does not circulate to surface, must run temperature survey or other log to determine top of cement
<b>XXXXXX</b>	Surface casing must be set 25' below top of Rustler Anhydrite in order to seal off protectable water

Lost Circulation

<b>XXXXXX</b>	Must notify OCD Hobbs Office if lost circulation is encountered at 575-370-3186

Water flows

<b>XXXXXX</b>	Must notify OCD Hobbs Office of any water flow in the Salado formation at 575-370-3186. Report depth and flow rate.

Stage Tool

<b>XXXXXX</b>	Must notify OCD Hobbs Office prior to running Stage Tool at 575-370-3186
<b>XXXXXX</b>	If using Stage Tool on Surface casing, Stage Tool must be greater than 350' and a minimum 200 feet above surface shoe.
<b>XXXXXX</b>	When using a Stage Tool on Intermediate or Production Casing Stage must be a minimum of 50 feet below previous casing shoe.

Pits

<b>XXXXXX</b>	If using a pit for drilling and completions, must have an approved pit form prior to spudding the well

Completion & Production

<b>XXXXXX</b>	Will require a directional survey with the C-104
<b>XXXXXX</b>	Operator shall notify appropriate District office when setting conductor pipe.
<b>XXXXXX</b>	The Operator is to notify NMOCD by sundry (Form C-103) within ten (10) days of spudding a well.
<b>XXXXXX</b>	It is the operator's responsibility to monitor cancellation dates of approved APDs. APD's are good for 2 years and may be extended for one year. Only one 1 year extension will be granted if submitted by C-103 before expiration date. After expiration date or after a 1 year extension must submit new APD.
<b>XXXXXX</b>	If an APD expires and if site construction has occurred, site remediation is required.

Gas Capture Plan

XXXXXXX	Submit Gas Capture Plan form prior to spudding or initiating recompletion operations