Form 3160-5
(June 2015)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

OCD Hobbs

HOBBS OCD

NOV 27 2017

RECEIVED

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE - Other instructions on page 2

5. Lease Serial No.
NMNM110838

6. If Indian, Allottee or Tribe Name

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

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

8. Well Name and No.
AUDACIOUS BTL 19 FED COM 4H /

2. Name of Operator
EOG RESOURCES INC /
Contact: STAN WAGNER
E-Mail: stan_wagner@eogresources.com

9. API Well No.
30-025-43865-00-X1

3a. Address
1111 BAGBY SKY LOBBY2
HOUSTON, TX 77002

3b. Phone No. (include area code)
Ph: 432-686-3689

10. Field and Pool or Exploratory Area
RED HILLS-BONE SPRING, NORTH

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*

Sec 19 T25S R33E NESE 2589FSL 955FEL /
32.115952 N Lat, 103.605927 W Lon

11. County or Parish, State

LEA COUNTY, NM

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	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Change to Original A PD
	☐ 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.

EOG Resources requests a variance of the 10,000 PSI Annular requirement for drilling the wells listed below:
EOG Resources will use a 5000 psi annular BOP with a 10,000 psi BOP stack. Specific details attached.

Attached COAs

Audacious BTL 30 Fed Com 4H 30-025-43865 NMNM110838
Audacious BTL 30 Fed Com 5H 30-025-43866 NMNM110838

14. I hereby certify that the foregoing is true and correct.
Electronic Submission #394664 verified by the BLM Well Information System
For EOG RESOURCES INC, sent to the Hobbs
Committed to AFMSS for processing by CHARLES NIMMER on 11/13/2017 (18CN0011SE)

Name *(Printed/Typed)* STAN WAGNER — Title REGULATORY ANALYST

Signature (Electronic Submission) — Date 11/10/2017

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By CHARLES NIMMER — Title PETROLEUM ENGINEER — Date 11/13/2017

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 Hobbs

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 page 2)

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

K2

10,000 PSI BOP Annular
Variance Request

EOG Resources request a variance to use a 5000 psi annular BOP with a 10,000 psi BOP stack. The component and compatibility tables along with the general well control plans demonstrate how the 5000 psi annular BOP will be protected from pressures that exceed its rated working pressure (RWP). The pressure at which the control of the wellbore is transferred from the annular preventer to another available preventer will not exceed 3500 psi (70% of the RWP of the 5000 psi annular BOP).

1. Component and Preventer Compatibility Tables

The tables below outlines the tubulars and the compatible preventers in use. This table, combined with the drilling fluid, documents that two barriers to flow will be maintained at all times.

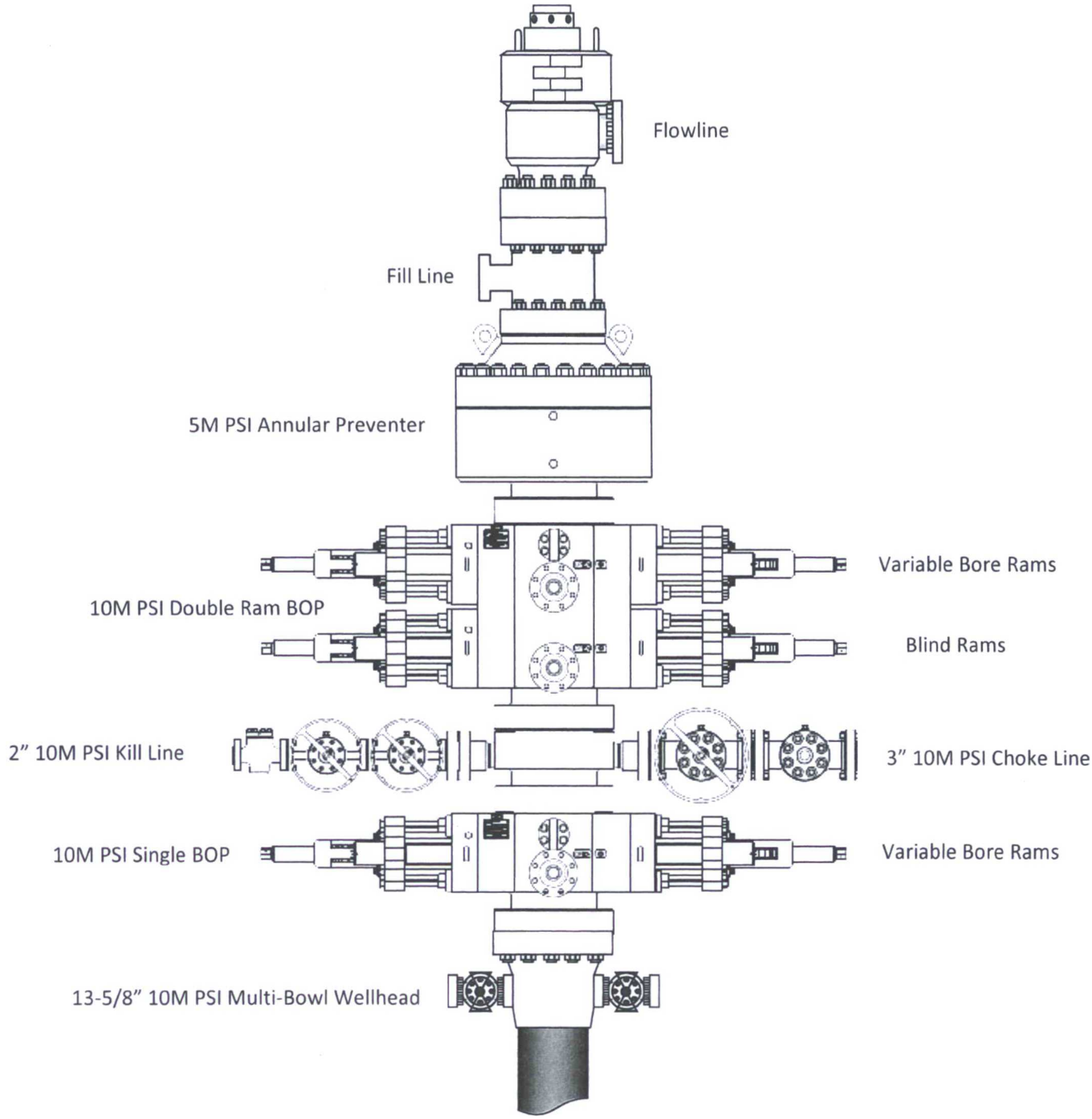
12-1/4" Intermediate Hole Section 10M psi requirement					
Component	**OD**	**Primary Preventer**	**RWP**	**Alternate Preventer(s)**	**RWP**
Drillpipe	5.000" or 4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
HWDP	5.000" or 4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Jars	6.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
DCs and MWD tools	6.500" – 8.000"	Annular	5M	-	-
Mud Motor	8.000" – 9.625"	Annular	5M	-	-
1st Intermediate casing	9.625"	Annular	5M	-	-
Open-hole	-	Blind Rams	10M	-	-

8-3/4" Intermediate Hole Section 10M psi requirement					
Component	**OD**	**Primary Preventer**	**RWP**	**Alternate Preventer(s)**	**RWP**
Drillpipe	5.000" or 4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
HWDP	5.000" or 4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Jars	6.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
DCs and MWD tools	6.500" – 8.000"	Annular	5M	-	-
Mud Motor	6.750" – 8.000"	Annular	5M	-	-
2nd Intermediate casing	7.625"	Annular	5M	-	-
Open-hole	-	Blind Rams	10M	-	-

6-3/4" Production Hole Section 10M psi requirement					
Component	**OD**	**Primary Preventer**	**RWP**	**Alternate Preventer(s)**	**RWP**
Drillpipe	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
HWDP	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
DCs and MWD tools	4.750" – 5.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Mud Motor	4.750" – 5.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Mud Motor	5.500" – 5.750"	Annular	5M	-	-
Production casing	5.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Open-hole	-	Blind Rams	10M	-	-

VBR = Variable Bore Ram

EOG Resources
13-5/8" 10M PSI BOP Stack



2. Well Control Procedures

Below are the minimal high-level tasks prescribed to assure a proper shut-in while drilling, tripping, running casing, pipe out of the hole (open hole), and moving the BHA through the BOPs. At least one well control drill will be performed weekly per crew to demonstrate compliance with the procedure and well control plan. The well control drill will be recorded in the daily drilling log. The type of drill will be determined by the ongoing operations, but reasonable attempts will be made to vary the type of drill conducted (pit, trip, open hole, choke, etc.). This well control plan will be available for review by rig personnel in the EOG Resources drilling supervisor's office on location, and on the rig floor. All BOP equipment will be tested as per Onshore O&G Order No. 2 with the exception of the 5000 psi annular which will be tested to 70% of its RWP.

<u>General Procedure While Drilling</u>

1. Sound alarm (alert crew)
2. Space out drill string
3. Shut down pumps (stop pumps and rotary)
4. Shut-in Well (uppermost applicable BOP, typically annular preventer first. HCR and choke will already be in the closed position.)
5. Confirm shut-in
6. Notify toolpusher/company representative
7. Read and record the following:
    a. SIDPP and SICP
    b. Pit gain
    c. Time
8. Regroup and identify forward plan
9. If pressure has built or is anticipated during the kill to reach 70% or greater of the RWP of the annular preventer, confirm spacing and close the upper variable bore rams.

<u>General Procedure While Tripping</u>

1. Sound alarm (alert crew)
2. Stab full opening safety valve and close
3. Space out drill string
4. Shut-in (uppermost applicable BOP, typically annular preventer first. HCR and choke will already be in the closed position.)
5. Confirm shut-in
6. Notify toolpusher/company representative
7. Read and record the following:
    a. SIDPP and SICP
    b. Pit gain
    c. Time
8. Regroup and identify forward plan
9. If pressure has built or is anticipated during the kill to reach 70% or greater of the RWP of the annular preventer, confirm spacing and close the upper variable bore rams.

<u>General Procedure While Running Production Casing</u>

1. Sound alarm (alert crew)
2. Stab crossover and full opening safety valve and close
3. Space out string

4. Shut-in (uppermost applicable BOP, typically annular preventer first. HCR and choke will already be in the closed position.)
5. Confirm shut-in
6. Notify toolpusher/company representative
7. Read and record the following:
    a. SIDPP and SICP
    b. Pit gain
    c. Time
8. Regroup and identify forward plan
9. If pressure has built or is anticipated during the kill to reach 70% or greater of the RWP of the annular preventer, confirm spacing and close the upper variable bore rams.

<u>General Procedure With No Pipe In Hole (Open Hole)</u>

1. Sound alarm (alert crew)
2. Shut-in with blind rams. (HCR and choke will already be in the closed position.)
3. Confirm shut-in
4. Notify toolpusher/company representative
5. Read and record the following:
    a. SICP
    b. Pit gain
    c. Time
6. Regroup and identify forward plan

<u>General Procedures While Pulling BHA thru Stack</u>

1. PRIOR to pulling last joint of drillpipe thru the stack.
    a. Perform flowcheck, if flowing:
    b. Sound alarm (alert crew)
    c. Stab full opening safety valve and close
    d. Space out drill string with tool joint just beneath the upper variable bore rams.
    e. Shut-in using upper variable bore rams. (HCR and choke will already be in the closed position.)
    f. Confirm shut-in
    g. Notify toolpusher/company representative
    h. Read and record the following:
        i. SIDPP and SICP
        ii. Pit gain
        iii. Time
    i. Regroup and identify forward plan

2. With BHA in the stack and compatible ram preventer and pipe combo immediately available.
    a. Sound alarm (alert crew)
    b. Stab crossover and full opening safety valve and close
    c. Space out drill string with upset just beneath the upper variable bore rams.
    d. Shut-in using upper variable bore rams. (HCR and choke will already be in the closed position.)
    e. Confirm shut-in
    f. Notify toolpusher/company representative
    g. Read and record the following:
        i. SIDPP and SICP

    ii. Pit gain
    iii. Time
  h. Regroup and identify forward plan

3. With BHA in the stack and NO compatible ram preventer and pipe combo immediately available.
    a. Sound alarm (alert crew)
    b. If possible to pick up high enough, pull string clear of the stack and follow "Open Hole" scenario.
    c. If impossible to pick up high enough to pull the string clear of the stack:
    d. Stab crossover, make up one joint/stand of drillpipe, and full opening safety valve and close
    e. Space out drill string with tooljoint just beneath the upper variable bore ram.
    f. Shut-in using upper variable bore ram. (HCR and choke will already be in the closed position.)
    g. Confirm shut-in
    h. Notify toolpusher/company representative
    i. Read and record the following:
        i. SIDPP and SICP
        ii. Pit gain
        iii. Time
    j. Regroup and identify forward plan

10,000 PSI BOP Annular
Variance Request

EOG Resources request a variance to use a 5000 psi annular BOP with a 10,000 psi BOP stack. The component and compatibility tables along with the general well control plans demonstrate how the 5000 psi annular BOP will be protected from pressures that exceed its rated working pressure (RWP). The pressure at which the control of the wellbore is transferred from the annular preventer to another available preventer will not exceed 3500 psi (70% of the RWP of the 5000 psi annular BOP).

1. Component and Preventer Compatibility Tables

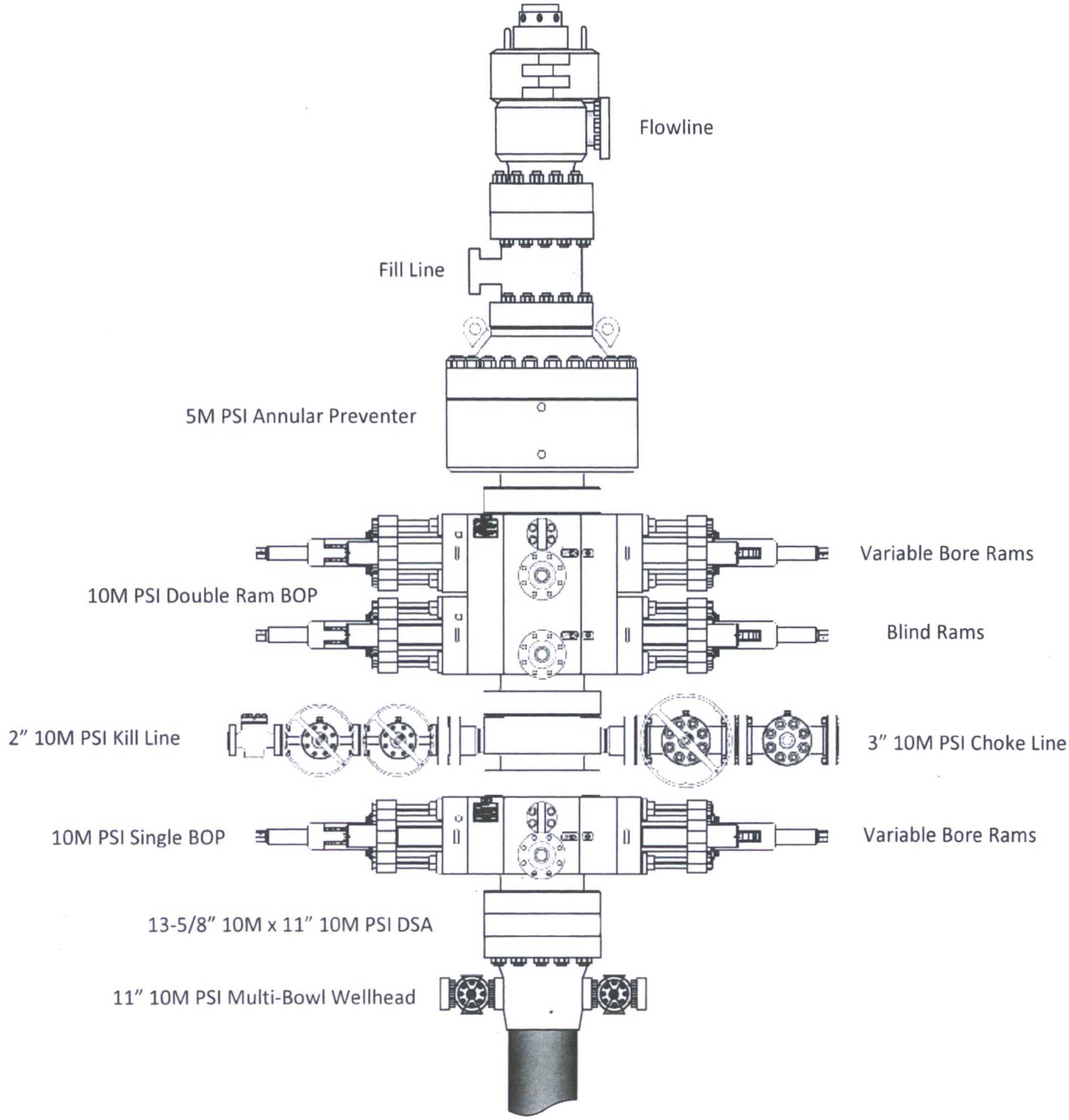
The tables below outlines the tubulars and the compatible preventers in use. This table, combined with the drilling fluid, documents that two barriers to flow will be maintained at all times.

9-7/8" & 8-3/4" Intermediate Hole Section 10M psi requirement					
Component	**OD**	**Primary Preventer**	**RWP**	**Alternate Preventer(s)**	**RWP**
Drillpipe	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
HWDP	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Jars	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
DCs and MWD tools	6.500 – 8.000"	Annular	5M	-	-
Mud Motor	6.750 – 8.000"	Annular	5M	-	-
Intermediate casing	7.625"	Annular	5M	-	-
Open-hole	-	Blind Rams	10M	-	-

6-3/4" Production Hole Section 10M psi requirement					
Component	**OD**	**Primary Preventer**	**RWP**	**Alternate Preventer(s)**	**RWP**
Drillpipe	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
HWDP	4.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
DCs and MWD tools	4.750 – 5.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Mud Motor	4.750 – 5.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Mud Motor	5.500 – 5.750"	Annular	5M	-	-
Production casing	5.500"	Annular	5M	Upper 3.5 - 5.5" VBR Lower 3.5 - 5.5" VBR	10M 10M
Open-hole	-	Blind Rams	10M	-	-

VBR = Variable Bore Ram

EOG Resources
13-5/8" 10M PSI BOP Stack



2. Well Control Procedures

Below are the minimal high-level tasks prescribed to assure a proper shut-in while drilling, tripping, running casing, pipe out of the hole (open hole), and moving the BHA through the BOPs. At least one well control drill will be performed weekly per crew to demonstrate compliance with the procedure and well control plan. The well control drill will be recorded in the daily drilling log. The type of drill will be determined by the ongoing operations, but reasonable attempts will be made to vary the type of drill conducted (pit, trip, open hole, choke, etc.). This well control plan will be available for review by rig personnel in the EOG Resources drilling supervisor's office on location, and on the rig floor. All BOP equipment will be tested as per Onshore O&G Order No. 2 with the exception of the 5000 psi annular which will be tested to 70% of its RWP.

General Procedure While Drilling

1. Sound alarm (alert crew)
2. Space out drill string
3. Shut down pumps (stop pumps and rotary)
4. Shut-in Well (uppermost applicable BOP, typically annular preventer first. HCR and choke will already be in the closed position.)
5. Confirm shut-in
6. Notify toolpusher/company representative
7. Read and record the following:
    a. SIDPP and SICP
    b. Pit gain
    c. Time
8. Regroup and identify forward plan
9. If pressure has built or is anticipated during the kill to reach 70% or greater of the RWP of the annular preventer, confirm spacing and close the upper variable bore rams.

General Procedure While Tripping

1. Sound alarm (alert crew)
2. Stab full opening safety valve and close
3. Space out drill string
4. Shut-in (uppermost applicable BOP, typically annular preventer first. HCR and choke will already be in the closed position.)
5. Confirm shut-in
6. Notify toolpusher/company representative
7. Read and record the following:
    a. SIDPP and SICP
    b. Pit gain
    c. Time
8. Regroup and identify forward plan
9. If pressure has built or is anticipated during the kill to reach 70% or greater of the RWP of the annular preventer, confirm spacing and close the upper variable bore rams.

General Procedure While Running Production Casing

1. Sound alarm (alert crew)
2. Stab crossover and full opening safety valve and close
3. Space out string

4. Shut-in (uppermost applicable BOP, typically annular preventer first. HCR and choke will already be in the closed position.)
5. Confirm shut-in
6. Notify toolpusher/company representative
7. Read and record the following:
    a. SIDPP and SICP
    b. Pit gain
    c. Time
8. Regroup and identify forward plan
9. If pressure has built or is anticipated during the kill to reach 70% or greater of the RWP of the annular preventer, confirm spacing and close the upper variable bore rams.

General Procedure With No Pipe In Hole (Open Hole)

1. Sound alarm (alert crew)
2. Shut-in with blind rams. (HCR and choke will already be in the closed position.)
3. Confirm shut-in
4. Notify toolpusher/company representative
5. Read and record the following:
    a. SICP
    b. Pit gain
    c. Time
6. Regroup and identify forward plan

General Procedures While Pulling BHA thru Stack

1. PRIOR to pulling last joint of drillpipe thru the stack.
    a. Perform flowcheck, if flowing:
    b. Sound alarm (alert crew)
    c. Stab full opening safety valve and close
    d. Space out drill string with tool joint just beneath the upper variable bore rams.
    e. Shut-in using upper variable bore rams. (HCR and choke will already be in the closed position.)
    f. Confirm shut-in
    g. Notify toolpusher/company representative
    h. Read and record the following:
        i. SIDPP and SICP
        ii. Pit gain
        iii. Time
    i. Regroup and identify forward plan

2. With BHA in the stack and compatible ram preventer and pipe combo immediately available.
    a. Sound alarm (alert crew)
    b. Stab crossover and full opening safety valve and close
    c. Space out drill string with upset just beneath the upper variable bore rams.
    d. Shut-in using upper variable bore rams. (HCR and choke will already be in the closed position.)
    e. Confirm shut-in
    f. Notify toolpusher/company representative
    g. Read and record the following:
        i. SIDPP and SICP

        ii. Pit gain
        iii. Time
    h. Regroup and identify forward plan

3. With BHA in the stack and NO compatible ram preventer and pipe combo immediately available.
    a. Sound alarm (alert crew)
    b. If possible to pick up high enough, pull string clear of the stack and follow "Open Hole" scenario.
    c. If impossible to pick up high enough to pull the string clear of the stack:
    d. Stab crossover, make up one joint/stand of drillpipe, and full opening safety valve and close
    e. Space out drill string with tooljoint just beneath the upper variable bore ram.
    f. Shut-in using upper variable bore ram. (HCR and choke will already be in the closed position.)
    g. Confirm shut-in
    h. Notify toolpusher/company representative
    i. Read and record the following:
        i. SIDPP and SICP
        ii. Pit gain
        iii. Time
    j. Regroup and identify forward plan

PECOS DISTRICT
DRILLING OPERATIONS
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	EOG RESOURCES INC.
LEASE NO.:	NMNM110838
WELL NAME & NO.:	4H/15H Audacious BTL 19 Fed Com
SURFACE HOLE FOOTAGE:	2589'/S & 955'/E
BOTTOM HOLE FOOTAGE	230'/S & 907'/E
LOCATION:	Section 19 T.25 S., R.33 E., NMPM
COUNTY:	Lea County, New Mexico

All previous COAs still apply except for the following:

A. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.). The initial wellhead installed on the well will remain on the well with spools used as needed.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) for Water Basin:
After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least 8 hours. WOC time will be recorded in the driller's log. See individual casing strings for details regarding lead cement slurry requirements. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE.

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. Have well specific cement details onsite prior to pumping the cement for each casing string.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possibility of water flows in the Castile and in the Salado.
Possibility of lost circulation in the Rustler, in the Red Beds and in the Delaware.

Abnormal pressures may be encountered upon penetrating the 3rd Bone Spring Sandstone and all subsequent formations.

1. The **10-3/4** inch surface casing shall be set at approximately **995** feet **(in a competent bed below the Magenta Dolomite, which is a Member of the Rustler, and if salt is encountered, set casing at least 25 feet above the salt)** and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

    d. If cement falls back, remedial cementing will be done prior to drilling out that string.

Formation below the 10-3/4 inch shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

The intermediate casing shall be kept fluid filled to avoid approaching the minimum collapse pressure rating of the casing.

2. The minimum required fill of cement behind the **7-5/8** inch intermediate casing is:

    ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.

Formation below the 7-5/8 inch shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

☒ Cement should tie-back at least **200** feet into previous casing string. Operator shall provide method of verification.

4. 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.

B. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Variance approved to use flex line from BOP to choke manifold. Check condition of flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for review. These documents shall be posted in the company man's trailer and on the rig floor.** If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).

1. Operator has proposed a multi-bowl wellhead assembly. This assembly will only be tested when installed on the surface casing. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 10,000 (10M) psi. **Variance approved to use a 5M annular. The annular must be tested to full working pressure (5000 psi.)**

3.

   a. **Wellhead shall be installed by manufacturer's representatives, submit documentation with subsequent sundry.**
   b. **If the welding is performed by a third party, the manufacturer's representative shall monitor the temperature to verify that it does not exceed the maximum temperature of the seal.**
   c. **Manufacturer representative shall install the test plug for the initial BOP test.**
   d. **Operator shall perform the intermediate casing integrity test to 70% of the casing burst. This will test the multi-bowl seals.**

e. **If the cement does not circulate and one inch operations would have been possible with a standard wellhead, the well head shall be Acut off, cementing operations performed and another wellhead installed.**

10M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

   a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

   b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (8 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

   c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.

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

   e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

   f. 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. This test shall be performed prior to the test at full stack pressure.

g. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **3rd Bone Spring Sandstone** if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

C. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **3rd Bone Spring Sandstone** and **Wolfcamp** formation, and shall be used until production casing is run and cemented. **Proposed mud weight may not be adequate for drilling through 3rd Bone Spring Sandstone and Wolfcamp.**

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

F. SPECIAL REQUIREMENT(S)

Communitization Agreement:

1. The operator will submit a Communitization Agreement to the Carlsbad Field Office, 620 E Greene St. Carlsbad, New Mexico 88220, at least 90 days before the anticipated date of first production from a well subject to a spacing order issued by the New Mexico Oil Conservation Division. The Communitization Agreement will include the signatures of all working interest owners in all Federal and Indian leases subject to the Communitization Agreement (i.e., operating rights owners and lessees of record), or certification that the operator has obtained

the written signatures of all such owners and will make those signatures available to the BLM immediately upon request.

2. If the operator does not comply with this condition of approval, the BLM may take enforcement actions that include, but are not limited to, those specified in 43 CFR 3163.1.

3. In addition, the well sign shall include the surface and bottom hole lease numbers. When the Communitization Agreement number is known, it shall also be on the sign.

Waste Minimization Plan (WMP):

Current WMP is accepted on 5/22/2017. May have to provide additional data upon request by Authorized BLM Officer.

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