

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires March 31, 2007

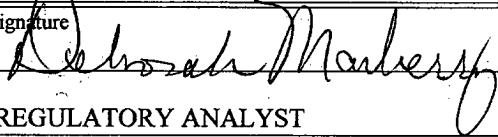
1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. LC 057210
2. Name of Operator CONOCOPHILLIPS CO.		9. API Well No. 30-025-3776
3a. Address P.O. BOX 2197 WL3 6108 HOUSTON, TX 77252	3b. Phone No. (include area code) (832)486-2326	10. Field and Pool, or Exploratory MALJAMAR GRAYBURG/SAN ANI
4. Location of Well (Report location clearly and in accordance with any State requirements.) Unit L At surface 2518' FSL & 735' FWL 2543' FSL & 474' FWL At proposed prod. zone per attached SN dated 6/12/06		11. Sec., T., R., M., or Blk, and Survey or Area L Sec: 28 Twn: 17S Rng: 32E
14. Distance in miles and direction from nearest town or post office*		12. County or Parish LEA
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 2518 SOUTH 735 WEST		13. State NEW MEXICO
16. No. of Acres in lease		17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file ES0085
19. Proposed Depth		23. Estimated duration
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3966 MD		22. Approximate date work will start* 06/01/2006

24. Attachments

Roswell Controlled Water Basin

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

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

25. Signature 	Name (Printed/Typed) DEBORAH MARBERRY	Date 04/21/2006
Title REGULATORY ANALYST		
Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date JUN 22 2006
Title ACTING 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 entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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

*(Instructions on page 2)

ConocoPhillips requests approval of a contingency string of casing. Historically in this area problems were sometimes encountered with a 7-7/8" hole. If this occurs we are requesting the hole be opened to 11" and an additional 8-5/8" 32# J-55 ST&C string be ran and cemented to surface with a cement slurry comparable to the production cement.

Witness Surface Casing

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OM B No. 1004-0137
Expires: March 31, 2007

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 reverse side.

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
ConocoPhillips Co.3a. Address
P.O. Box 2197, WL3-6085 Houston Tx 77252
3b. Phone No. (include area code)
(832)486-24634. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 28 T17S R32E 2543FSL 474FWL Unit L

5. Lease Serial No.

LC057210

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

MCA Unit #396

9. API Well No.

30-025-37976

10. Field and Pool, or Exploratory Area

Maljamar Grayburg/San Andres

11. County or Parish, State

Lea

NM

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 Location Change
	<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 recompleate 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 recompleation 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.)

ConocoPhillips requests to move this well from the original footage of 2518FSL & 735FWL to the new location of 2543FSL & 474FWL. Also, the reserve pit dimensions will remain as they are. Revised plat is attached.

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

Christina Gustartis

Title Regulatory Specialist

Signature



Date 06/12/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /s/ James Stovall

ACTIVE FIELD MANAGER

Date JUN 22 2008

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 page 2)

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 16, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0710

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-37976	Pool Code 43329	Pool Name Maljamar Grayburg/San Andres
Property Code 31422	Property Name MCA UNIT	Well Number 396
OGRID No. 217817	Operator Name CONOCOPHILLIPS	Elevation 3965'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	28	17 S	32 E		2543	SOUTH	474	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

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

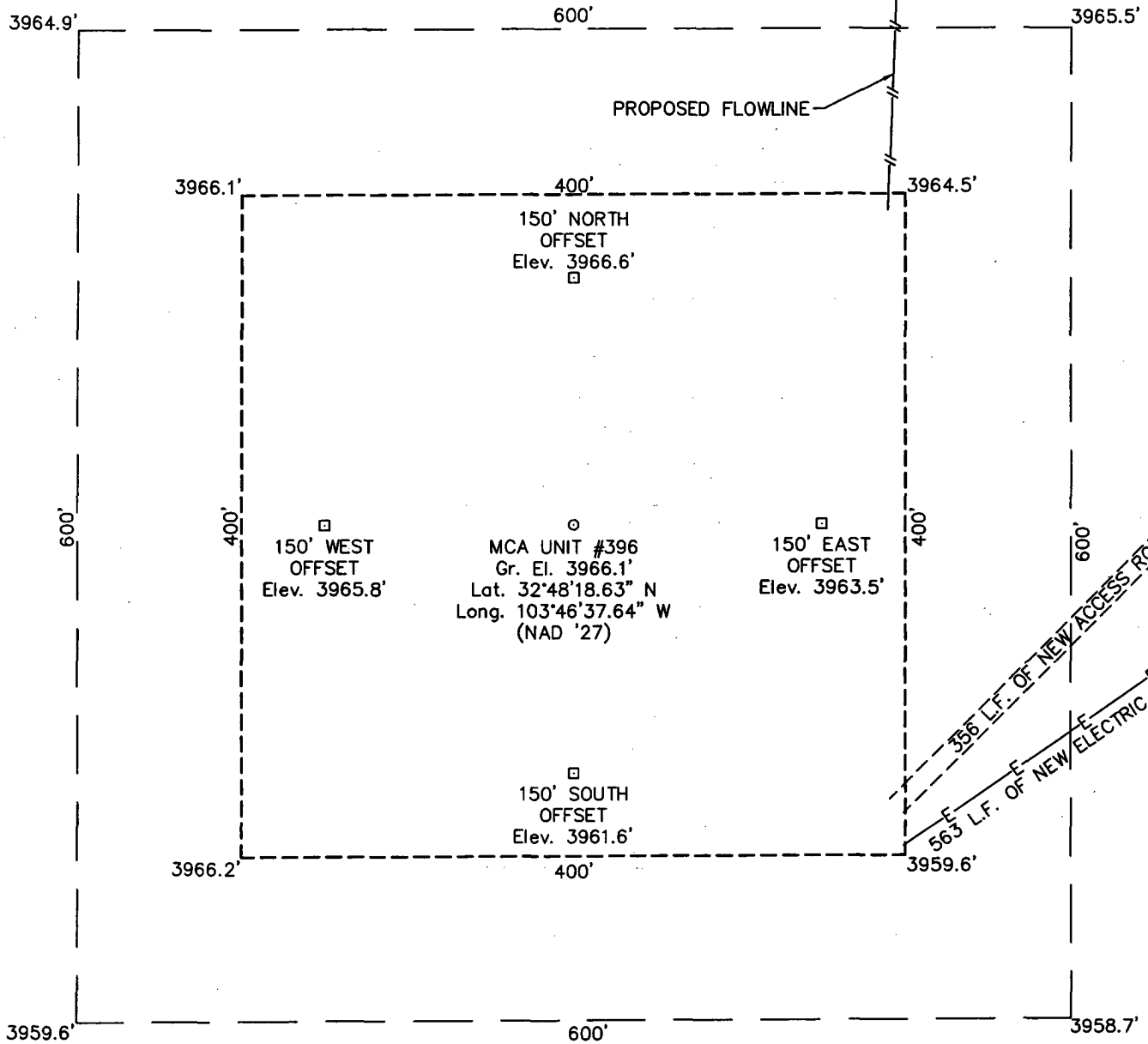
<p>NOTE:</p> <p>1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.</p> <p>Plane Coordinate X = 670,638.8 Y = 657,106.9</p> <p>3961.9' 3963.3' 474' 3958.4' 3964.4'</p> <p>2543'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>Chris Gustartis</u> Signature</p> <p><u>Chris Gustartis</u> Printed Name</p> <p><u>Regulatory Specialist</u> Title</p> <p><u>6-12-06</u> Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me under my supervision and that the same is true and correct to the best of my belief.</p> <p>February 10, 2006</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p>12185</p> <p>W.O. Num: 2005-1235-1</p> <p>Certificate No. MACON McDONALD 12185</p>
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SECTION 28, TOWNSHIP 17 SOUTH, RANGE 32 EAST, N.M.P.M.

LEA COUNTY

NEW MEXICO

L-2005-1235-A



DRIVING DIRECTIONS

FROM THE INTERSECTION OF U.S. HIGHWAY 82 AND STATE HIGHWAY 33 IN MALJAMAR, NM GO SOUTH ON SAID STATE HIGHWAY 33, 3.6 MILES TO A LEASE ROAD ON THE RIGHT (WEST) SIDE OF SAID HIGHWAY, THEN GO WEST ALONG SAID LEASE ROAD 0.7 MILE TO A POINT, THEN TURN RIGHT (NORTH) ON SAME ROAD 0.1 MILE TO EXISTING WELL PAD FOR THE MCA "E" #284, THEN GO SOUTHWEST ALONG PROPOSED ACCESS ROAD 0.1 MILE TO PROPOSED LOCATION.

CONOCOPHILLIPS

MCA UNIT #396

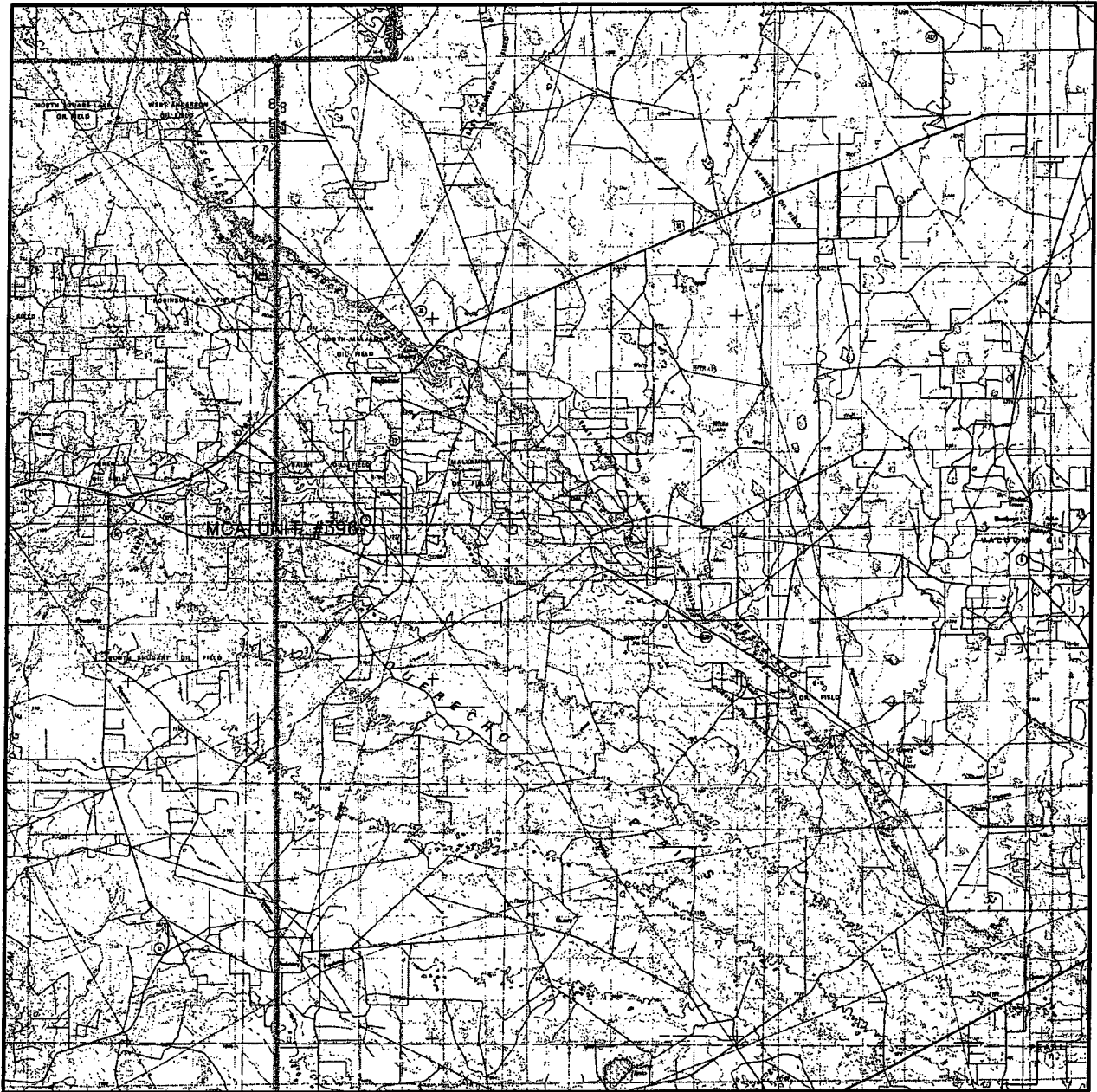
Located 2518' FNL & 735' FWL, Section 28
Township 17 South, Range 32 East, N.M.P.M.
Lea County, New Mexico

**WEST
COMPANY**
of Midland, Inc.

110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

Drawn By: LVA	Date: January 23, 2006
Scale: 1"=100'	Field Book: 314 / 54-77, 332 / 1-15
Revision Date:	Quadrangle: Maljamar
W.O. No: 2005-1235	Dwg. No.: L-2005-1235-A

VICINITY MAP



SCALE: 1" = 4 MILES

SEC. 28 TWP. 17-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2518' FSL & 735' FWL

ELEVATION 3966'

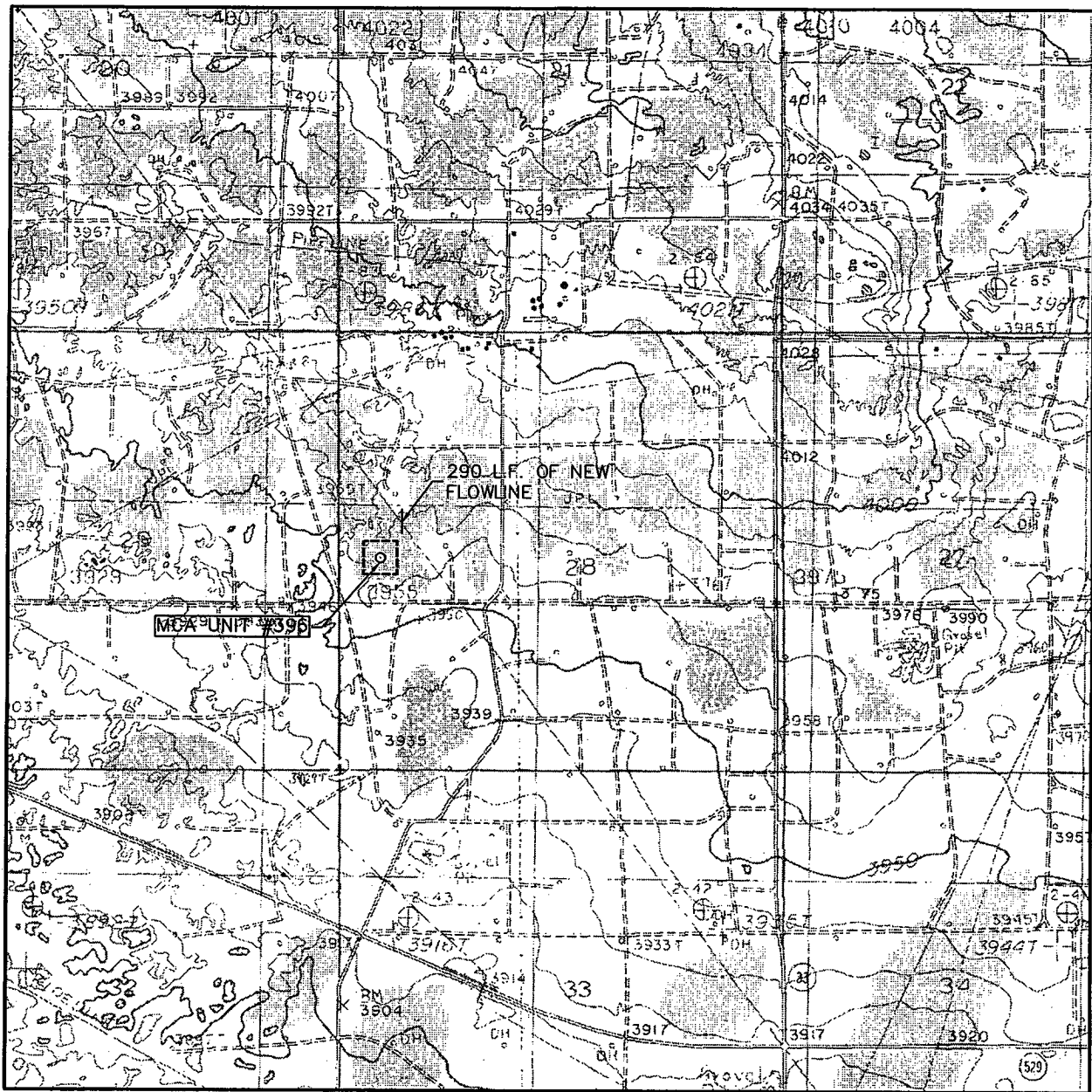
OPERATOR CONOCOPHILLIPS

LEASE MCA UNIT



110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALJAMAR - 10'

SEC. 28 TWP. 17-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 2543' FSL & 474' FWL

ELEVATION 3965'

OPERATOR CONOCOPHILLIPS

LEASE MCA UNIT

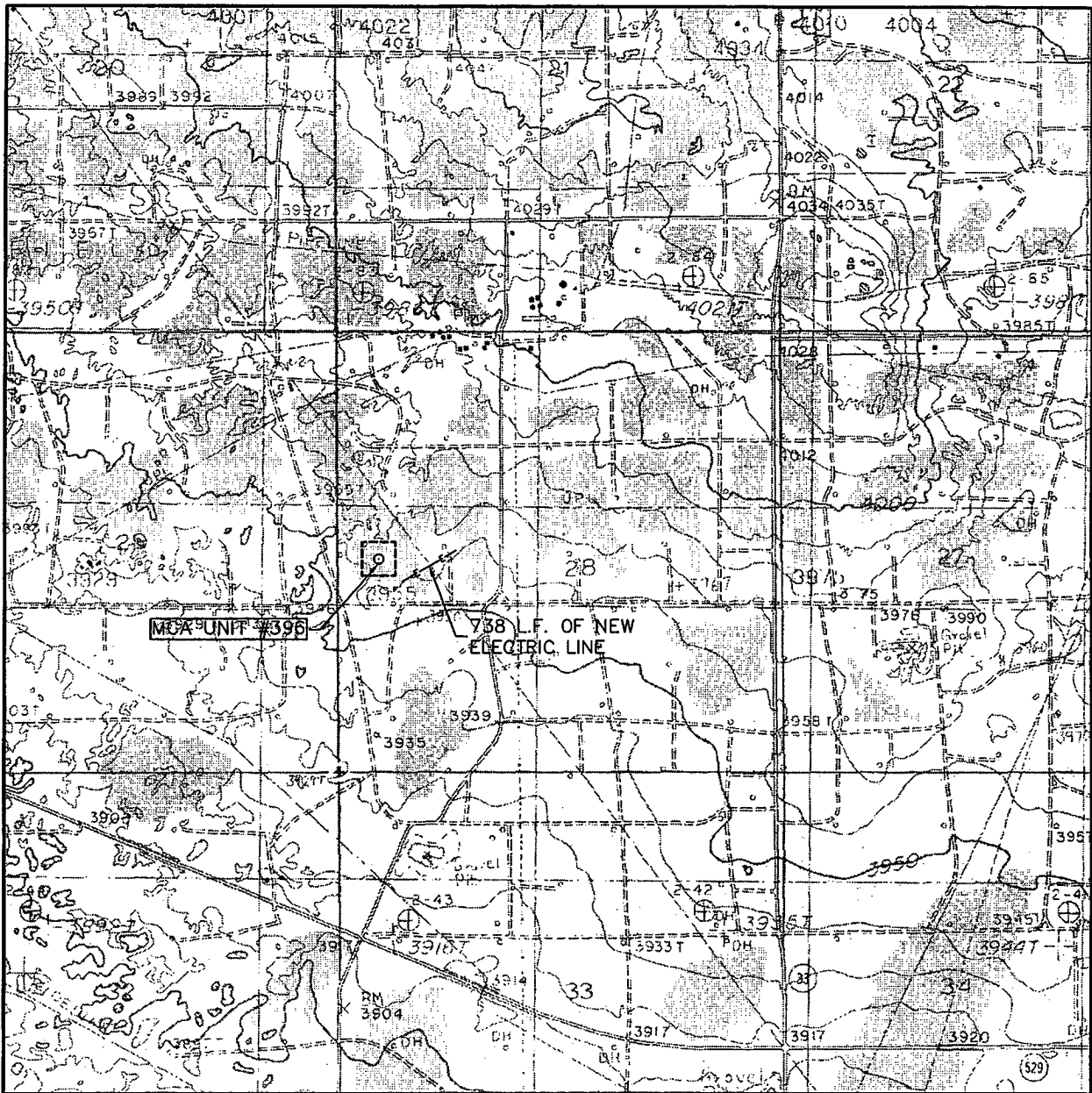
U.S.G.S. TOPOGRAPHIC MAP
MALJAMAR



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of Midland, Inc.

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MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

LOCATION VERIFICATION MAP



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LEASE MCA UNIT

U.S.G.S. TOPOGRAPHIC MAP
MALJAMAR



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MIDLAND TEXAS, 79701
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This is a detailed topographic map of a mountainous region, likely in the Philippines, showing a grid of elevation contours and various geographical features. The map includes labels for '466 ASP. OF NEW ACCESS ROAD', 'MCA UNIT #396', and '3939'. It also shows a 'RIVER' and 'RAILROAD'.

CONTOUR INTERVAL:
MALJAMAR - 10'

U.S.G.S. TOPOGRAPHIC MAP
MALJAMAR



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of Midland, Inc.

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MIDLAND TEXAS, 79701
(432) 687-0865 - (432) 687-0868 FAX

H2S DRILLING OPERATIONS PLAN

ConocoPhillips, Inc. will comply with Onshore Order No. 2 and No. 6 for working in an H2S environment or a potential H2S environment.

I. Hydrogen Sulfide Training

All contractors and subcontractors employed by ConocoPhillips will receive or have received training from a qualified instructor within the last twelve months in the following areas prior to commencing drilling operations on this well.

1. The hazards and characteristics of hydrogen sulfide (H2S)
2. Safety precautions.
3. Operations of safety equipment and life support systems.

In addition, contractor supervisory personnel will be trained or prepared in the following areas:

1. The effect of H2S on metal components in the system, especially where high tensile strength tubulars are to be used.
2. Corrective action and shutdown procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.
3. The contents and requirements of the contingency plan when such plan is required.

II. H2S EQUIPMENT AND SYSTEMS

1. Safety Equipment

The following minimum safety equipment will be on location:

- A. Wind direction indicators placed near rig floor/mud return lines and at points along the perimeter of the location to allow visibility of at least one indicator from any point on location.
- B. Automatic H2S detection alarm equipment (both audio and visual)
- C. Clearly visible warning signs. Signs will use the words "POISON GAS" and "CAUTION" with a strong color contrast.
- D. Protective breathing equipment will be located in the doghouse and at briefing areas on location.

2. Well Control Systems

A. Blowout Prevention Equipment

Equipment includes but is not limited to:

1. Pipe rams to accommodate all pipe sizes
2. Blind rams
3. Choke manifold
4. Closing Unit
5. Flare line and means of ignition

B. Communication

The rig contractor will be required to have two-way communication capability. ConocoPhillips will have either land-line, satellite phone, microwave phone, or mobile (cellular) telephone capabilities.

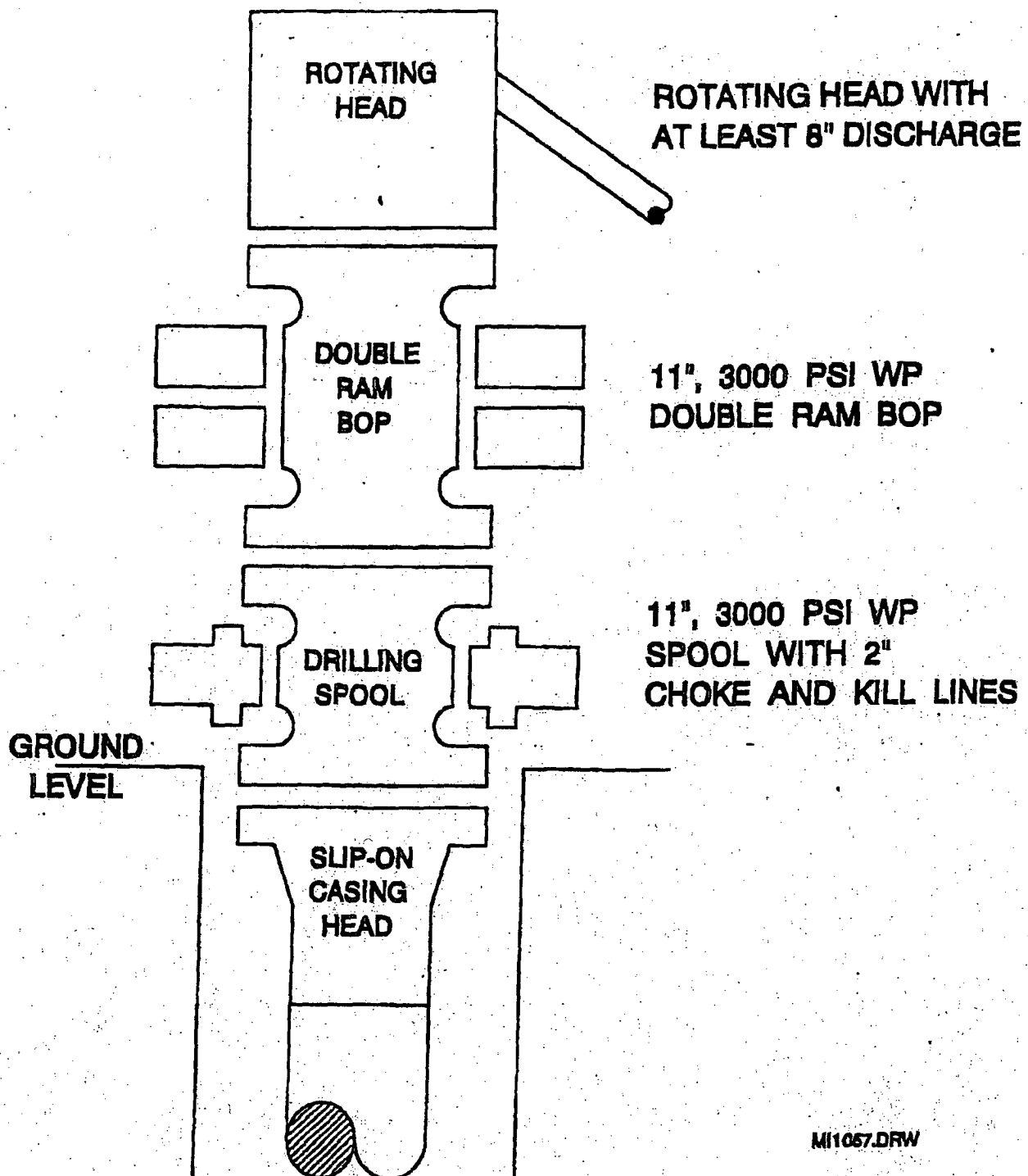
C. Mud Program

The mud program has been designed to minimize the volume of H₂S circulated to surface. Proper mud weight, safe drilling practices and the use of H₂S scavengers when appropriate will minimize hazards when penetrating H₂S bearing zones.

D. Drill Stem Tests

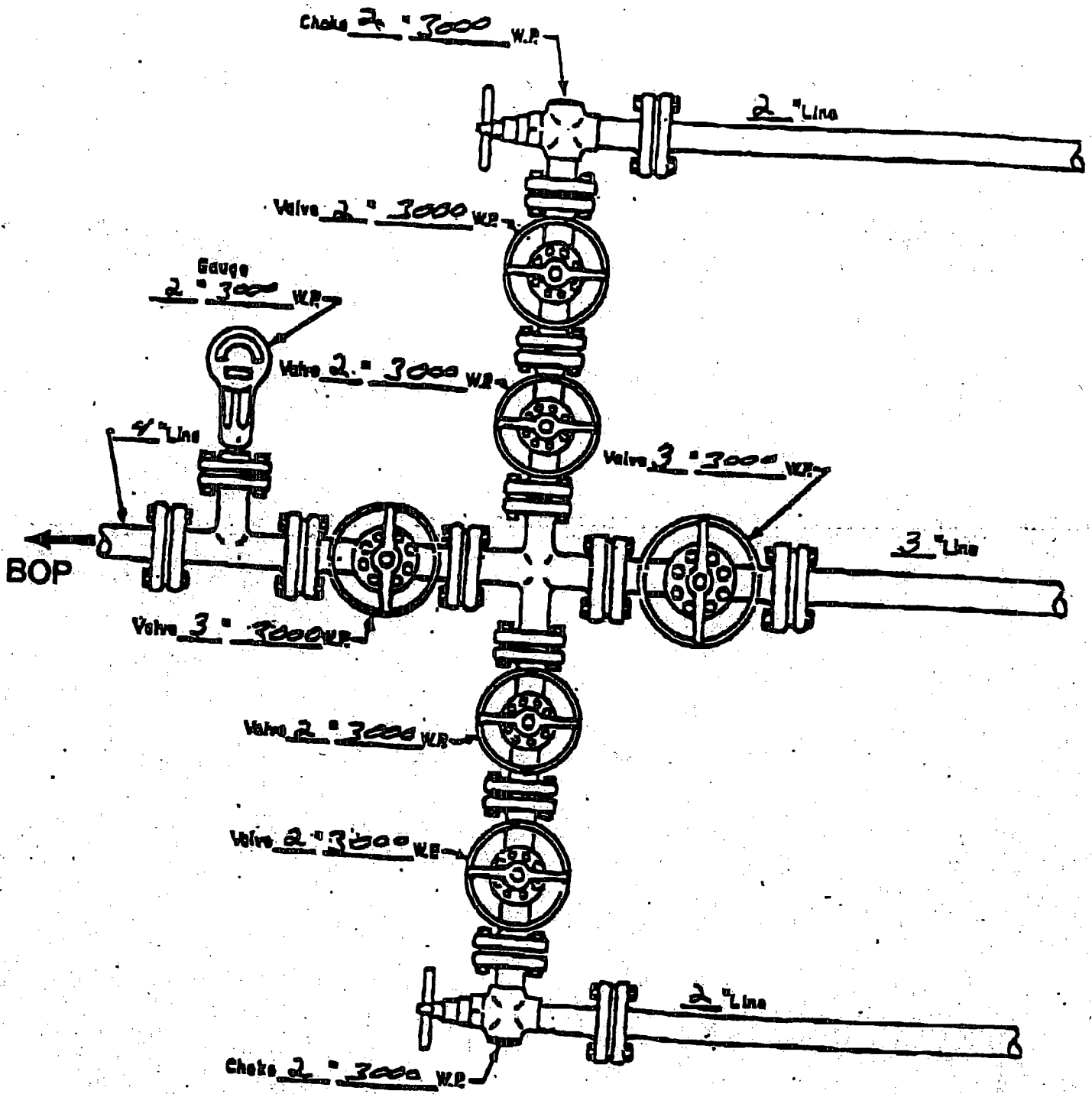
Any planned drill stem test will be cancelled if H₂S is detected prior to such test. In the event that H₂S is detected during testing, the test will be terminated immediately.

BOP SPECIFICATIONS



MI1067.DRW

CHOKE MANIFOLD DIAGRAM



MANIFOLD
3000 W.P.

☒ Manual
☐ Hydraulic

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 396 – MCA UNIT
Operator's Name: CONOCOPHILLIPS CO.
Location: 2543' FSL & 474' FWL – SEC 28 – T17S – R32E – LEA COUNTY
Lease: LC-057210

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 5-1/2 inch **Note: A contingency string of 8-5/8 inch, 32#, J-55 casing may be run (11 inch hole) if problems are encountered with the 7-7/8 inch hole.**

C. BOP tests

2. **No Hydrogen Sulfide (H₂S) gas has been encountered in Sec 28 – T17S – R32E.**

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 13-3/8 inch surface casing shall be set at 850 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.**

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.

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

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

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

Form C-144
June 1, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD 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: CONOCOPHILLIPS CO. Telephone: (832)486-2326 e-mail address: deborah.marberry@conocophillips.com
Address: P.O. BOX 2197 WL3 6108 HOUSTON, TX 77252
Facility or well name: MCA UNIT #396 API#: 30-025-37976 U/L or Qtr/Qtr L Sec 28 T 17S R 32E
County: LEA Latitude Longitude NAD: 1927 ☐ 1983 ☒ Surface Owner Federal ☐ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☐ Thickness 12 mil Clay ☐

Pit Volume bbl

Below-grade tank

Volume: bbl Type of fluid:

Construction material:

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet	(20 points)
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.)

Yes	(20 points)
No	(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
200 feet or more, but less than 1000 feet	(10 points)
1000 feet or more	(0 points)

Ranking Score (Total Points)

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 NMOCD guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☒.

Date: 10/01/2006

Printed Name/Title DEBORAH MARBERRY REGULATORY ANALYST

Your certification and NMOCD 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:

Printed Name/Title

PETROLEUM ENGINEER

Signature

Date:

JUN 27 2006

**ConocoPhillips' General Plan for
Pit Construction & Closure in Southeast New Mexico
October 2005**

In accordance with Rule 19.15.2.50(B)(2), the following information describes the construction and closure of drilling pits on COPC Southeast New Mexico (SENM) locations. This will become COPC's standard procedure on all SENM locations. If pits are constructed or closed out of the norm, a separate permit application will be submitted.

Drill Pit Construction:

General:

- Depth to Ground Water, Wellhead Protection Area & Distance to Nearest Surface Water Body ranking criteria will be site specific and information will be provided on APD or Sundry form C-103.
 - In the case where groundwater is encountered during the construction of a drilling pit, the NMOCD will be contacted and COPC will either try to find an alternative well location or use a closed steel tank system.
- The pit size and design is specific to well depth and location conditions.
- Topsoil will be stockpiled in the construction zone for later use in restoration.
- Pits will not be located in natural drainages.
- Diversion ditches will be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit.
- Under no circumstance will pits be cut and drained during the drilling operations.
- A well sign will be on location identifying ConocoPhillips as the operator.
- Waste material at construction sites shall be disposed of promptly at an appropriate waste disposal site. No trash shall be disposed of in the drilling pit.
- Immediately after cessation of drilling and completion pits shall have any visible or measurable layer of oil removed from the surface.
- Prior to any pit construction the OCD will be notified at least 48 hours in advance.

Reserve Pit

- Pits will be constructed so as not to leak, break or allow discharge of liquids or produced solids during the drilling operations.
- Pits will be lined with impervious material at least 12 mils thick, which meets long-term standards as referenced in the guidelines. Padding (hay or pad dirt) is used underneath the synthetic liner in rocky areas.
- The pit will have adequate capacity to maintain 2 feet of free board.
- The reserve pit will be fenced on three sides away from the pad during drilling and the fourth side fenced as soon as the rig moves out.

Blow Pit

- Pits will be constructed to allow gravity flow to discharge into lined drill pit.
- The lower half of the pit, which is toward the drain line to the fully lined reserve pit, will be lined.
- Design of pit has been changed to reduce potential for trapped fluid at tail end of pit
- Pit will be fenced on three sides away from the pad during drilling and the fourth side fenced as soon as the rig moves off.
- Corrective actions will be taken to ensure the pit does not contain fluid.
 - This includes pumping out trapped fluid or fluid in low spots.
 - Filling in low spots in the blow pit that are below the elevation of the drain pipe to the lined pit.
 - Removing any high spots in blow pit that could trap rain water.

Pit Monitoring and Maintenance

- COPC will perform an inspection of the location including pit compliance within 72 hours of rig moving off.
- COPC will review the OCD pit requirements and the requirements included in this document with all COPC and contract personnel responsible for construction and closure of pits.

Drill Pit Closure:

- Good faith effort is made to close pits within required timeframe on Federal wells (90 days) and State/Fee wells (6 months). If pits will remain open past due dates, an extension will be requested by sundry notice to allow pits to remain open.
- The BLM is notified 24 hours prior to fluid hauling on Federal wells.
- The NMOCD will be notified 48 hours prior to closing of any pit.
- Aeration of pit fluids will be confined within pit area.
- Wells which have not penetrated a salt section and where less than 9.5# brine was used during drilling will be encapsulated below-grade.
 - Encapsulation will be accomplished by mixing earthen materials with the pit contents to stiffen the pit contents, as necessary, folding the edges of the liner over the stiffened mud and cuttings and covering the encapsulated wastes and liner with a minimum of 3 feet of clean soil or like material that is capable of supporting native plant growth.
- Wells which have penetrated a salt section or 9.5# brine or greater was used during drilling may be capped and encapsulated insitu or deep trench buried and capped below-grade.
 - Capping and encapsulation insitu will be accomplished by mixing earthen materials with the pit contents, as necessary to stiffen the pit contents sufficiently to provide physical stability and support for the pit cover, folding the edges of the liner over the stiffened mud and cuttings; capping the pit with either a 1-foot thick clay cap compacted to ASTM standards, or a 20 mil minimum liner and covering the cap with a minimum of 3 feet of clean soil or like material that is capable of supporting native plant growth.
 - Deep trench burial and capping will be accomplished by digging a trench adjacent to the drilling pit; lining the trench with a 12 mil liner; mixing earthen materials with the pit contents, as necessary to stiffen the pit contents sufficiently to provide physical stability and support for the trench cap; capping the trench with either a 1-foot clay cap compacted to ASTM standards, or a 20 mil minimum liner and covering the cap with a minimum of 3 feet of clean soil or like material that is capable of supporting native plant growth.
 - When constructing the cap, the liner or clay cap will overlap the underlying pit or trench area by at least 3 feet in all directions.
- If the depth to groundwater is less than 50 feet or if the well is located less than 200 feet from a domestic fresh water well or spring or less than 1000 feet from any other fresh water well or if the distance to surface water body is less than 200 feet; the well is considered to be in sensitive area. (Keep in mind that these are not the only scenarios of sensitive area.)
 - A special encapsulation or solidification process prior to covering the pit contents will be accomplished by mixing the pit contents with cement or some other solidifying product at approximately a 3 to 1 ratio with samples taken and approved by the OCD prior to closure and then contents buried as described above.
 - OCD must give written approval on any special closure or encapsulation prior to any work being done.
- The reserve pit will then be backfilled, leveled and contoured so as to prevent run-off to surface water.
- The area will be reseeded with the appropriate seed mixture.
- The final grade of reserve pit (after reclamation) will be returned to natural contour of the land such that no pooling will occur.
- A closure report will be submitted on Form C-144 on all drilling pits.
- **Note: On Federal wells, a BLM inspector may witness pit closures and may mandate specific modifications to that which is mentioned above. If this happens, OCD will be contacted for concurrence and modifications will be noted in the closure report.**

STANDARD RIG LAYOUT

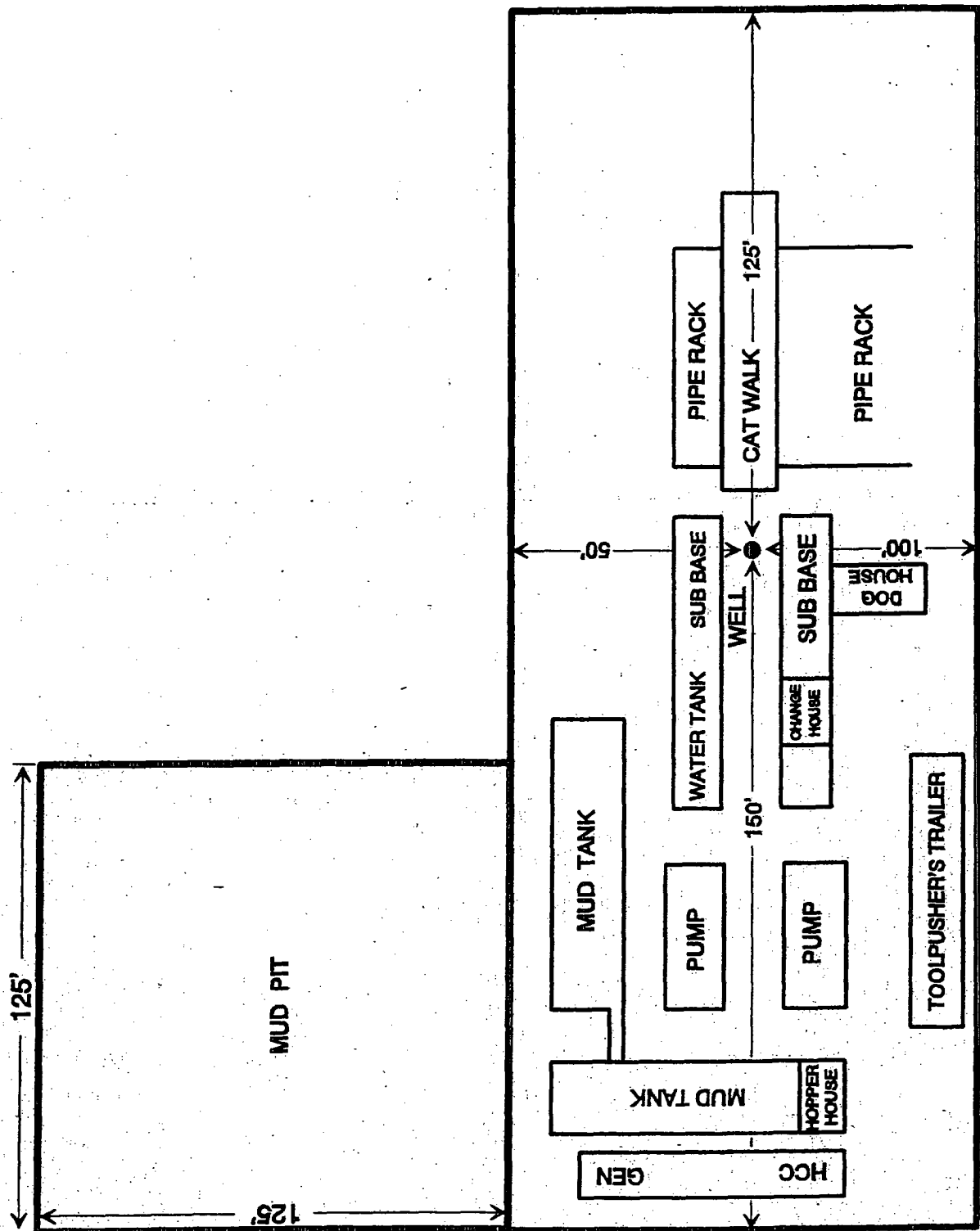
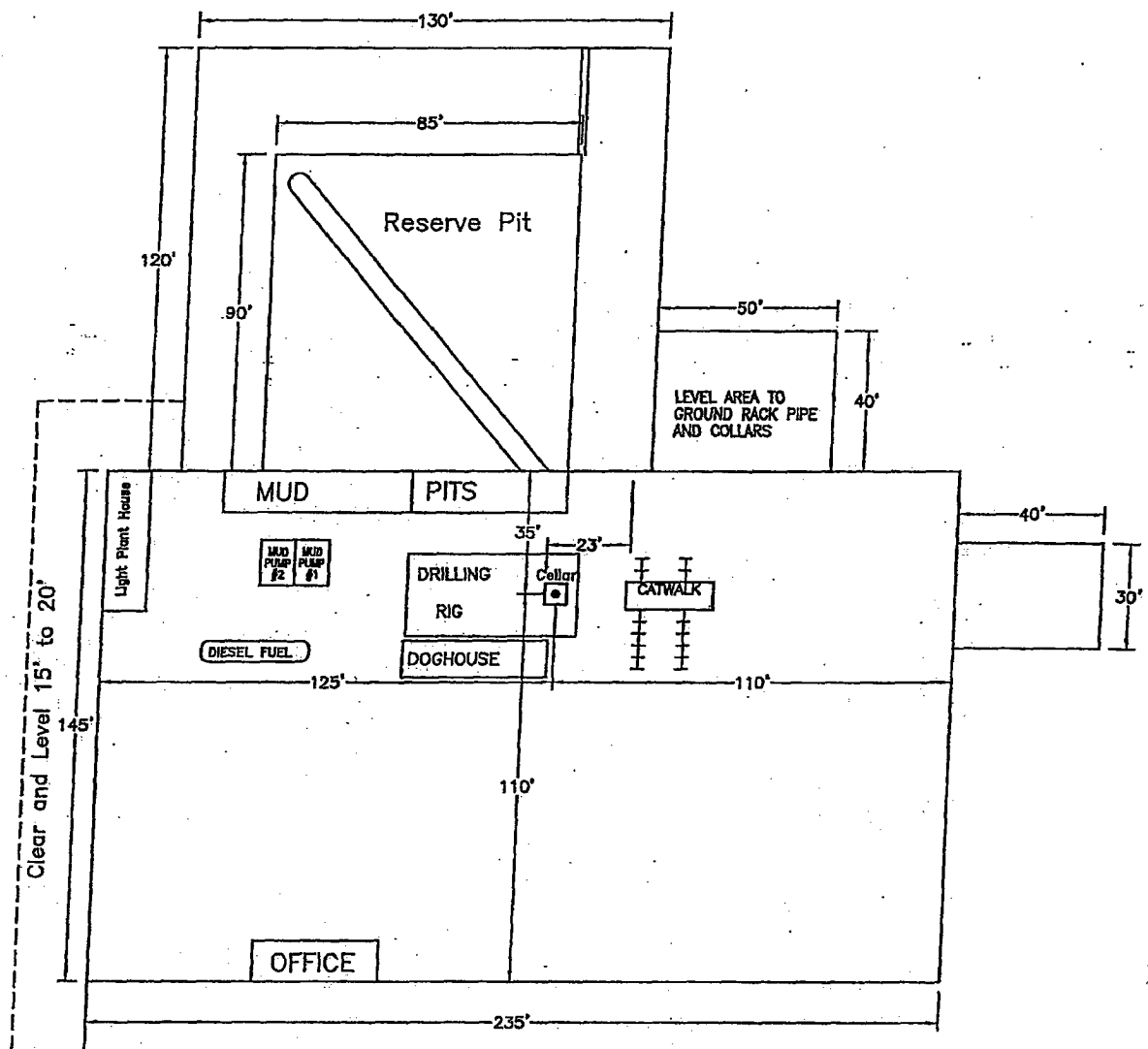


EXHIBIT C



 The sender of this message has requested a read receipt. [Click here to send a receipt.](#)

Mull, Donna, EMNRD

From: Phillips, Dorothy, EMNRD
To: Mull, Donna, EMNRD
Cc:
Subject: RE: Financial Assurance Requirement
Attachments:

Sent: Tue 6/27/2006 8:07 AM

These do not appear on Jane's list and all have blankets.

From: Mull, Donna, EMNRD
Sent: Tuesday, June 27, 2006 8:03 AM
To: Phillips, Dorothy, EMNRD
Cc: Macquesten, Gail, EMNRD; Sanchez, Daniel J., EMNRD
Subject: Financial Assurance Requirement

Dorothy,

Is the Financial Assurance Requirement for these Operators OK?

Strata Production Co (21712)
ConocoPhillips Co (217817)
Chesapeake Operating Inc (147179)
Platinum Exploration Inc (227103)
COG Operating LLC (229137)
Pogo Producing Co (17891)

I have checked each Operator in the Inactive well list.

Please let me know. Thanks and have a nice day. Donna