

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT(Other instructions on
reverse side)

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			5. LEASE DESIGNATION AND SERIAL NO. NMNM90796		
1b. TYPE OF WELL OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> WELL WELL OTHER ZONE <input checked="" type="checkbox"/> MULTIPLE <input type="checkbox"/> ZONE			6. IF INDIAN, ALLOTES OR TRIBE NAME		
2. NAME OF OPERATOR Gruy Petroleum Management Co. 162683 Limax			7. UNIT AGREEMENT NAME Rhodes Federal Unit 22321		
3. ADDRESS AND TELEPHONE NO. P.O. Box 140907 Irving TX 75014 972-401-3111			8. FARM OR LEASE NAME, WELL NO. Rhodes Federal Unit No. 103		
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) 660' FSL & 760' FEL Section 10-26S-37E "P"			9. API WELL NO. 30-025-37375		
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* Approximately 5 miles south of Jal, New Mexico			10. FIELD AND POOL, OR WILDCAT Rhodes; Yates-7 Rivers (Gas)		
15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, T.O (Also to nearest drlg. unit line, if any) 560'		16. NO. OF ACRES IN LEASE 320	11. SEC. T., R., M., BLOCK AND SURVEY OR AREA 10-T26S-R37E		
17. NO. OF ACRES ASSIGNED TO THIS WELL 160		12. COUNTY OR PARISH Lea NM			
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1983'		19. PROPOSED DEPTH 4000'	20. ROTARY OR CABLE TOOLS Rotary		
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 2984' GR		22. APPROX. DATE WORK WILL START 6-30-05			

PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	J-55 8 5/8"	24#	1150' 1000' 555	650 sx circ to surf
7 7/8"	J-55 5 1/2"	15.5#	4000'	1150' sx circ to surf

The proposed well will be drilled to a depth of 4000' and completed as a Rhodes; Yates-7 Rivers (Gas) producer.

From the base of the surface pipe through the running of production casing, the well will be equipped with a 3000 psi BOP system.

"CONDITION FOR APPROVAL" Approval for Drilling, CANNOT Produce well in the Rhodes Yates-Seven Rivers (Gas) without Non-Standard Location and Simultaneous Dedication order approved by the Santa Fe OCD Office.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE, DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED Zeno Farris TITLE Mgr. Ops. Admin. DATE 05-23-05

(This space for Federal or State office use)

PERMIT No. _____ APPROVAL DATE _____

Application approval 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.

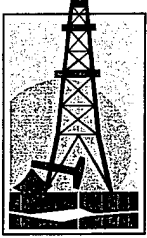
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ Joe G. Lara TITLE ACTING FIELD MANAGER DATE JUL 13 2005

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

KZ APPROVAL FOR 1 YEAR



Gruy Petroleum Management Co.

600 East Las Colinas Blvd. • Suite 1100 • Irving, TX 75039 • (972) 401-3111 • Fax (972) 443-6450
Mailing Address: P.O. Box 140907 • Irving, TX 75014-0907

A wholly-owned subsidiary of Magnum Hunter Resources, Inc., an American Stock Exchange company

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
2909 West 2nd Street
Roswell New Mexico 88201-2019
Attn: Ms. Linda Askwig

Gruy Petroleum Management Co. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No.: NMNM 90796

Legal Description: SE/4SE/4 Sec 10, T26S-R37E, E/2NE/4, SW/4NE/4 Sec 15, T26S-R37E
Containing 160.00 acres, Lea County New Mexico

Formation (S): Rhodes Yates Seven Rivers

Bond Coverage: Nationwide BLM Bond

BLM Bond File No.: NM 2575

Authorized Signature: Zeno Farris
Representing Gruy Petroleum Management Co.

Name: Zeno Farris

Title: Manager, Operations Administration

Date: 05/24/05

Application to Drill

Gruy Petroleum Management Co.
Rhodes Federal Unit No. 103
Unit P - Section 10-T26S-R37E; 660' FSL & 760' FEL
Lea County, NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

- 1 Location: 660' FSL & 760' FEL; Section 10-T26S-R37E; Lea County, NM
- 2 Elevation above sea level: 2984' GR
- 3 Geologic name of surface formation: Quaternary Aeolian Deposits
- 4 Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
- 5 Proposed drilling depth: 4000'
- 6 Estimated tops of geological markers:

Rustler Anhydrite	1030'	Yates	2700'
Salado Salt	1330'	7 Rivers	3050'
Tansil	2535'		
- 7 Possible mineral bearing formation:

Tansil	Gas
Yates	Gas
7 Rivers	Gas
- 8 Casing program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
12 1/4"	0-1150'	8 5/8"	24	8-R	ST&C	J-55
7 7/8"	0-4000'	5 1/2"	15.5	8-R	ST&C	J-55

Application to Drill

Gruy Petroleum Management Co.
Rhodes Federal Unit No. 103
Unit P - Section 10-T26S-R37E; 660' FSL & 760' FEL
Lea County, NM

9 Cementing & Setting Depth:

8 5/8" Surface

1000' 555

Set 1150' of 8 5/8" J-55 24# ST&C casing. Cement with 650 Sx. Of Class "C" cement + additives, circulate cement to surface.

5 1/2" Production

Set 4000' of 5 1/2" J-55 15.5# ST&C casing. Cement in two stages, first stage cement with 400 Sx. Of Class "C" Cement + additives, second stage cement with 600 Sx. Of Class "C" Halco Light + additives, circulate cement to surface.

10 Pressure control Equipment:

Exhibit "E". A series 900 3000PSI working pressure B.O.P. consisting of a double ram type preventor with a bag type annular preventor. BOP unit will be hydraulically operated. Exhibit "E-1" is a Choke manifold and closing unit. BOP will be nipped up on the 8 5/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. Flo sensor, PVT, full opening stabbing valve and upper kelly cock will be utilized. No abnormal pressure or temperature is expected while drilling.

11 Proposed Mud Circulating System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0 - 1150' 1000' 555	8.6 - 8.9	29 - 36	NC	Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.
1000' 1150 - 4000'	10 - 10 - 3	29 - 38	NC	Brine water add paper as needed to control seepage and add lime to control pH, Use high viscosity sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks. In order to run DSTs, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs

Application to Drill

Gruy Petroleum Management Co.
Rhodes Federal Unit No. 103
Unit P - Section 10-T26S-R37E; 660' FSL & 760' FEL
Lea County, NM

12 Testing, Logging and Coring Program:

- A. Open hole logs: Dual Laterolog, Side Wall Neutron, Density Gamma Ray Caliper from TD to 1150'
- B. Run Gamma Ray, Neutron from 1150' to surface.
- C. No DSTs, cores or Mud Logger are planned at this time.

13 Potential Hazards:

No abnormal pressures or temperatures are expected. Hydrogen Sulfide gas may be encountered, H₂S detectors will be in place to detect any presence. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 750 PSI, estimated BHT 120 .

14 Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD. Anticipated spud date as soon as approved. Drilling expected to take 10 - 15 days. If production casing is run an additional 30 days will be required to complete and construct surface facilities.

15 Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Tansil-Yates; 7 Rivers pay will be perforated and stimulated. The well will be swab tested and potentialed as a gas well.

Hydrogen Sulfide Drilling Operations Plan

- 1 All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
- 2 H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse.
- 3 Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
- 4 Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency
- 5 Well control equipment
 - A. See exhibit "E"
- 6 Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case emergency help is required. In most cases cellular telephoned will be available at most drilling foremen's trailers or living quarters.
- 7 No Drillstem Testing Anticipated.

Hydrogen Sulfide Drilling Operations Plan

- 8 Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.
- 9 If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if

DISTRICT I

1625 N. FRENCH DR., HOBBES, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-37375	Pool Code 83810	Pool Name Rhodes; Yates--7 Rivers (Gas)
Property Code 22321	Property Name RHODES FEDERAL UNIT	Well Number 103
OGRID No. 162683	Operator Name GRUY PETROLEUM MANAGEMENT COMPANY	Elevation 2991'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	10	26-S	37-E		660	SOUTH	760	EAST	LEA

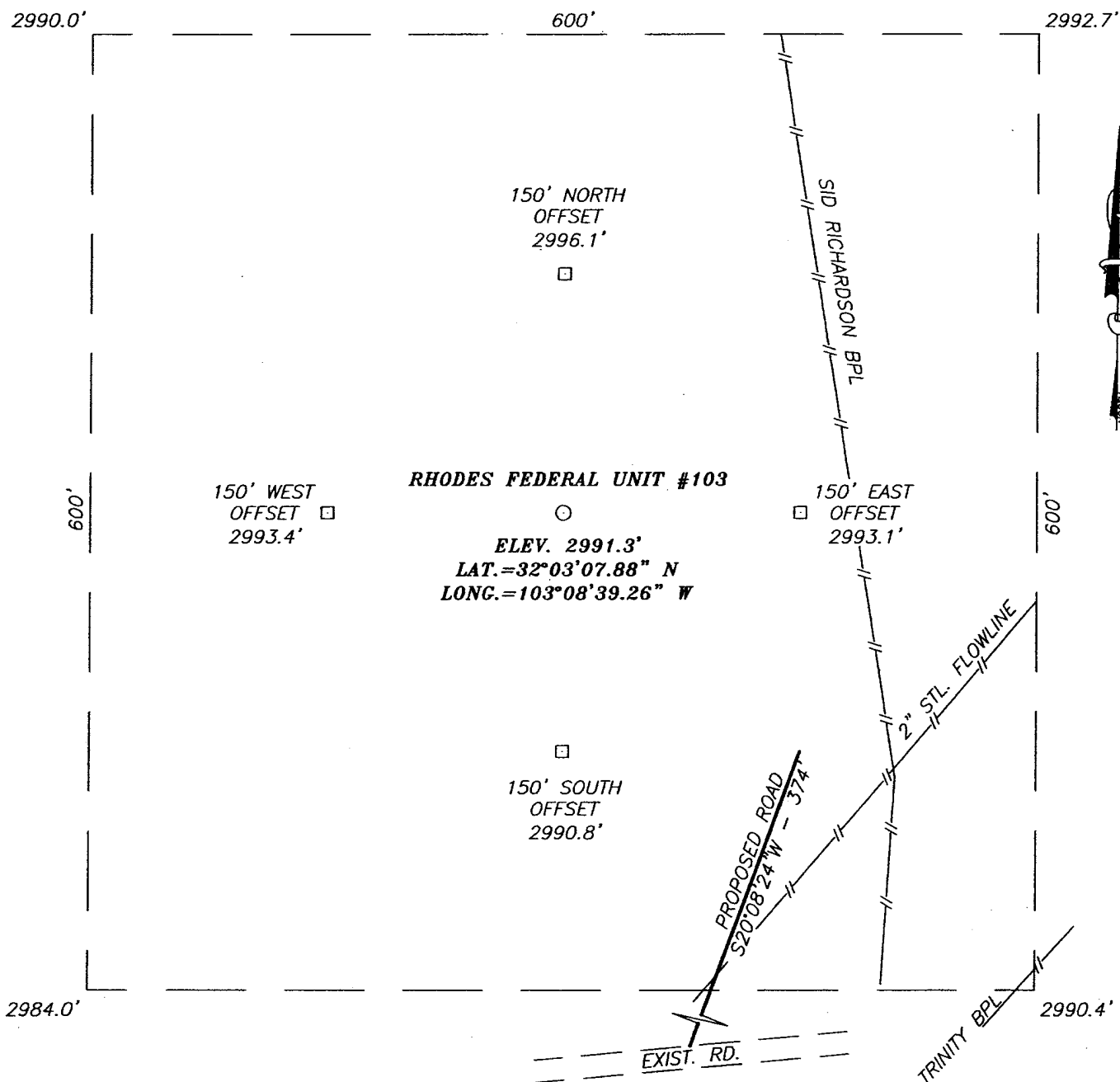
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 160	Joint or Infill Y	Consolidation Code U	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

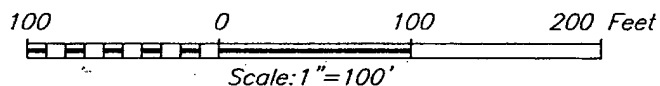
<p>10</p> <p>15</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=384741.0 N X=868415.4 E</p> <p>LAT.=32°03'07.88" N LONG.=103°08'39.26" W</p> <p>Rhodes Fed Unit #103</p> <p>Rhodes Fed Unit #153</p> <p>Rhodes Fed Unit #159</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Zeno Farris</i></p> <p>Signature</p> <p>Zeno Farris</p> <p>Printed Name</p> <p>Manager Operations Admin</p> <p>Title</p> <p>May 24, 2005</p> <p>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 or under my supervision and that the same is true and correct to the best of my belief.</p> <p>MAY 6, 2005</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p>GARY EDSON</p> <p>NEW MEXICO</p> <p>05.11.0690</p> <p>Certificate No. GARY EDSON 12641</p>
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SECTION 10, TOWNSHIP 26 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #18 AND ST. HWY. #128 IN JAL, GO SOUTH-SOUTHEAST APPROX. 4.3 MILES. TURN RIGHT AT MILE MARKER 4.7. GO SOUTHEAST APPROX. 1.2 MILES AND ROAD BENDS TO THE LEFT. GO EAST APPROX. 0.25 MILES. THIS LOCATION IS APPROX. 500' NORTH.



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

GRUY PETROLEUM MANAGEMENT COMPANY

RHODES FEDERAL UNIT #103 WELL
LOCATED 660 FEET FROM THE SOUTH LINE
AND 760 FEET FROM THE EAST LINE OF SECTION 10,
TOWNSHIP 26 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 5/5/05	Sheet 1 of 1 Sheets
W.O. Number: 05.11.0690	Dr By: LA
Date: 5/10/05	Disk: CD#4
05110690	Scale: 1"=100'

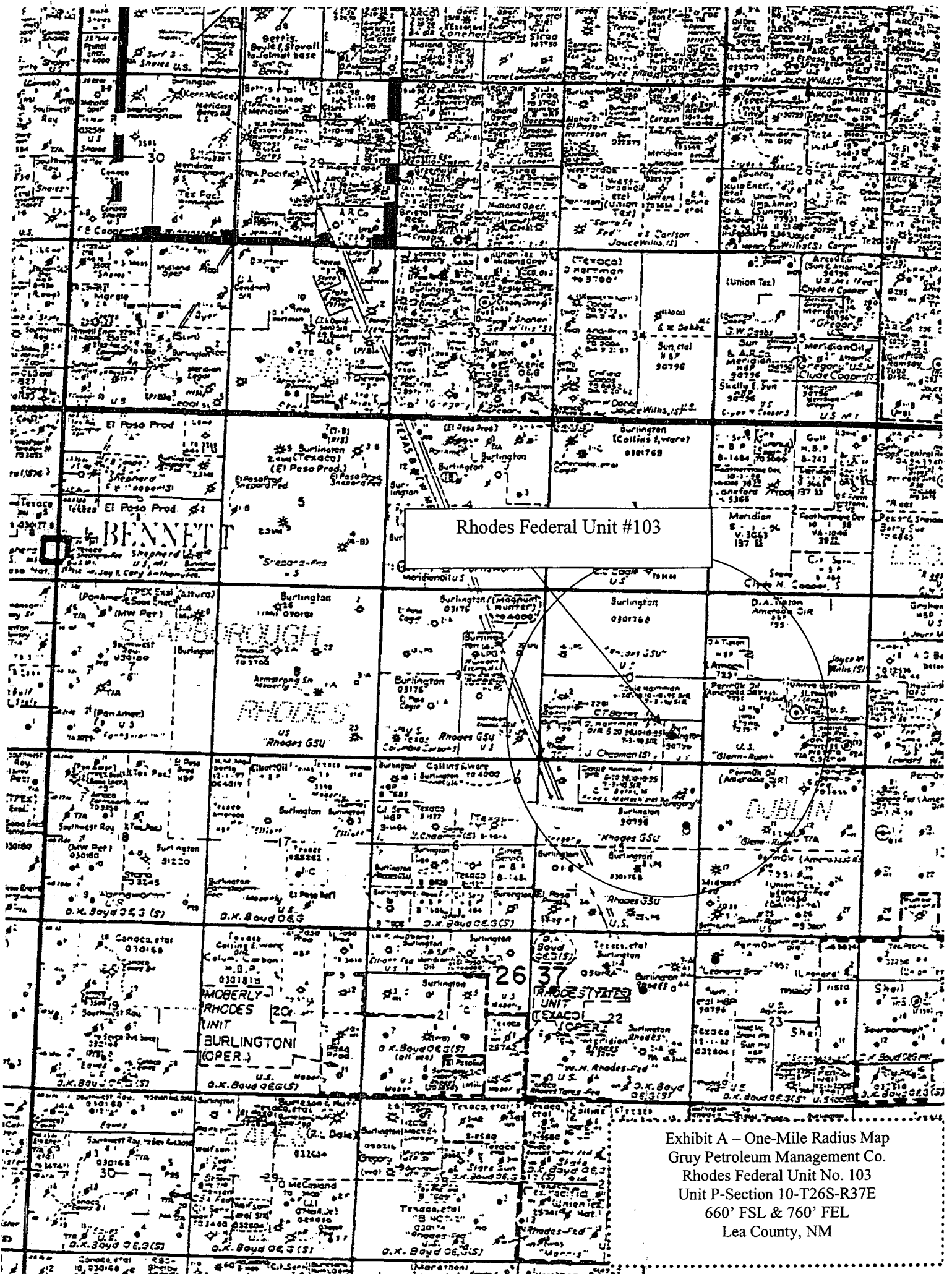
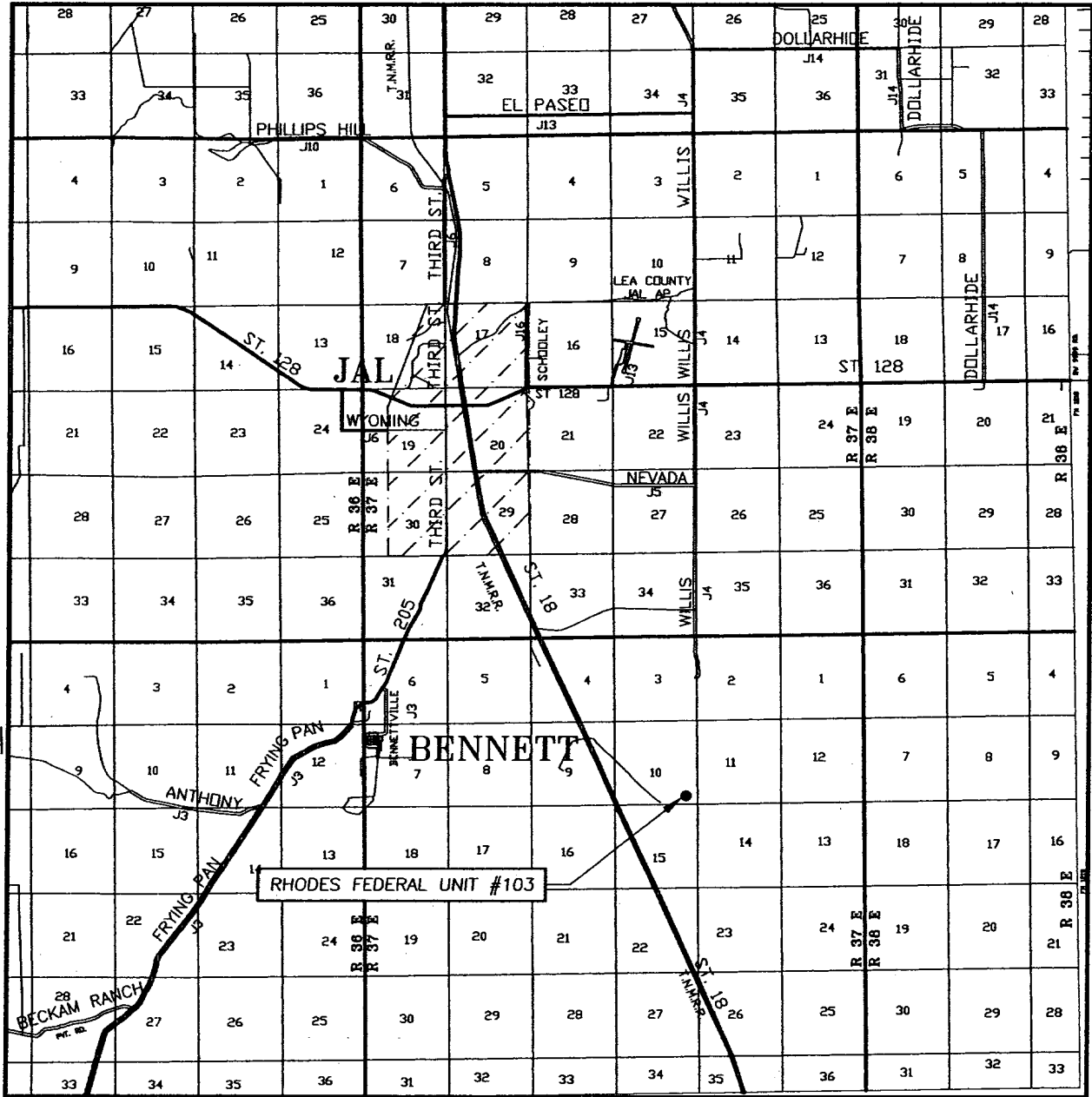


Exhibit A - One-Mile Radius Map
Gruy Petroleum Management Co.
Rhodes Federal Unit No. 103
Unit P-Section 10-T26S-R37E
660' FSL & 760' FEL
Lea County, NM

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 10 TWP. 26-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FSL & 760' FEL

ELEVATION 2991'

GRUY PETROLEUM
OPERATOR MANAGEMENT COMPANY

LEASE RHODES FEDERAL UNIT

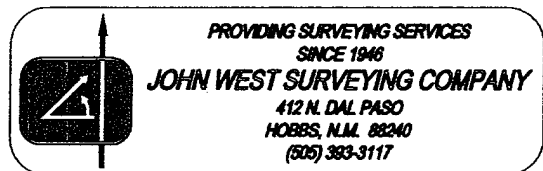
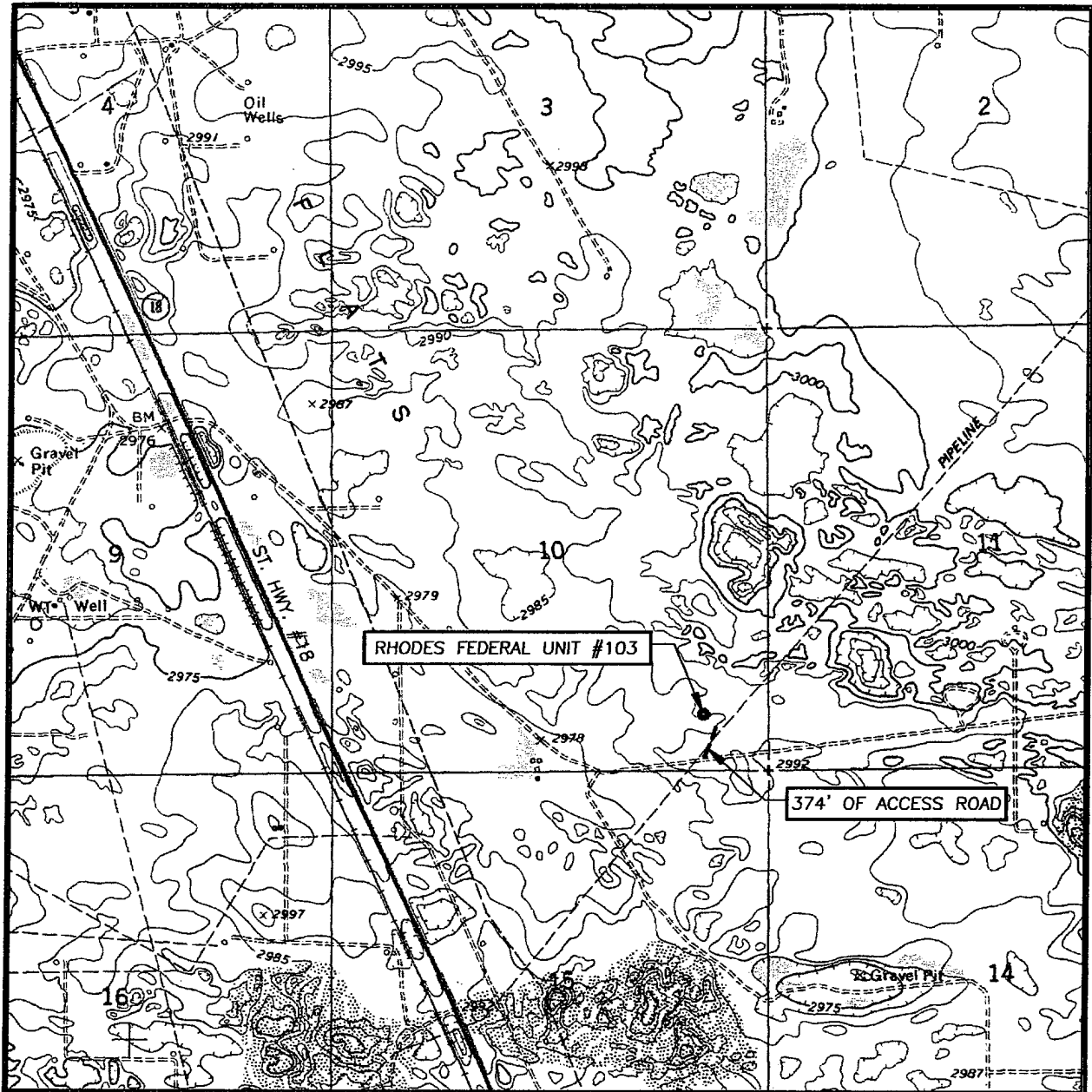


Exhibit B

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
JAL, N.M. - 5'

SEC. 10 TWP. 26-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

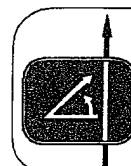
DESCRIPTION 660' FSL & 760' FEL

ELEVATION 2991'

OPERATOR GRUY PETROLEUM
MANAGEMENT COMPANY

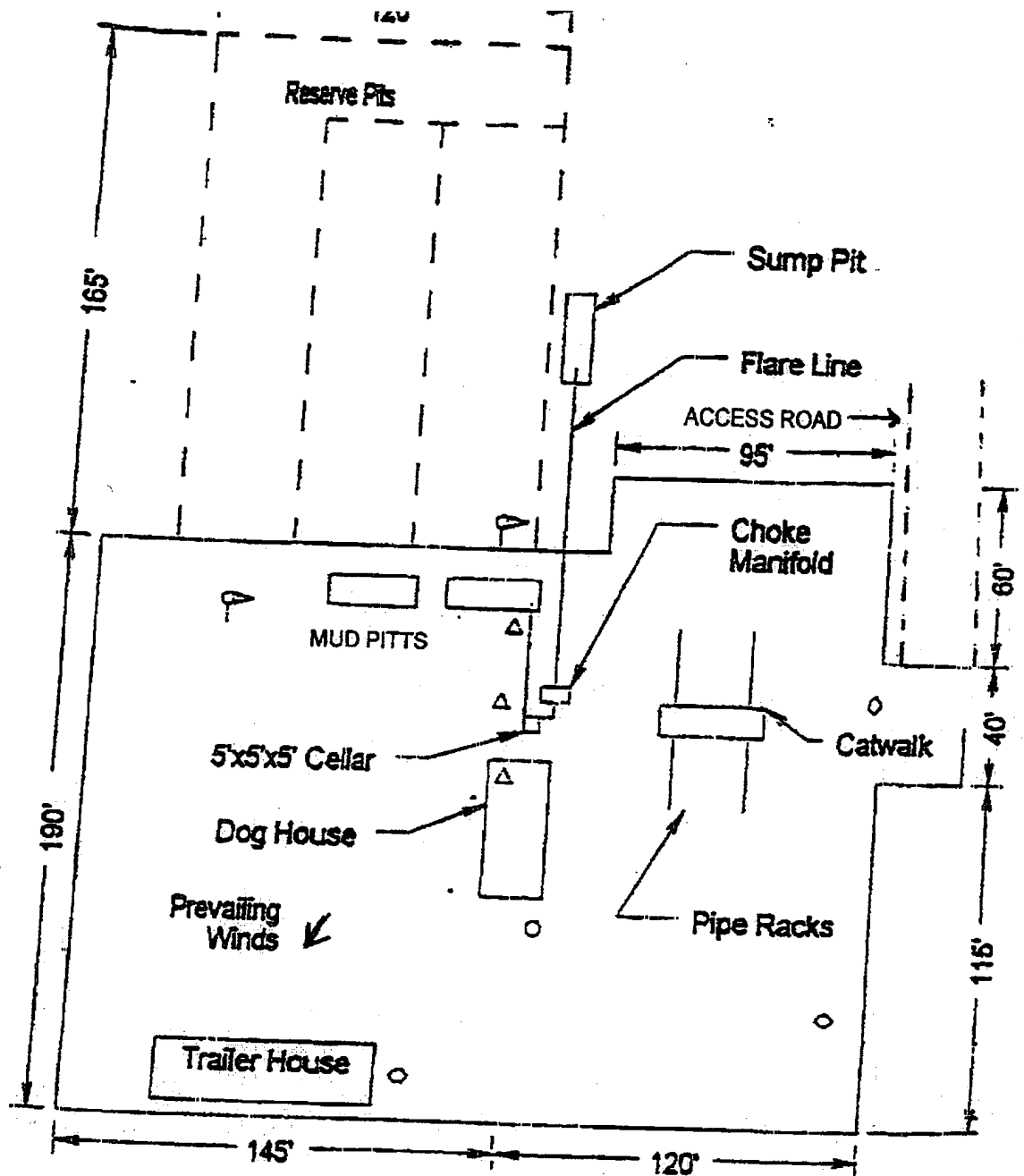
LEASE RHODES FEDERAL UNIT

U.S.G.S. TOPOGRAPHIC MAP
JAL, N.M.



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 383-3117

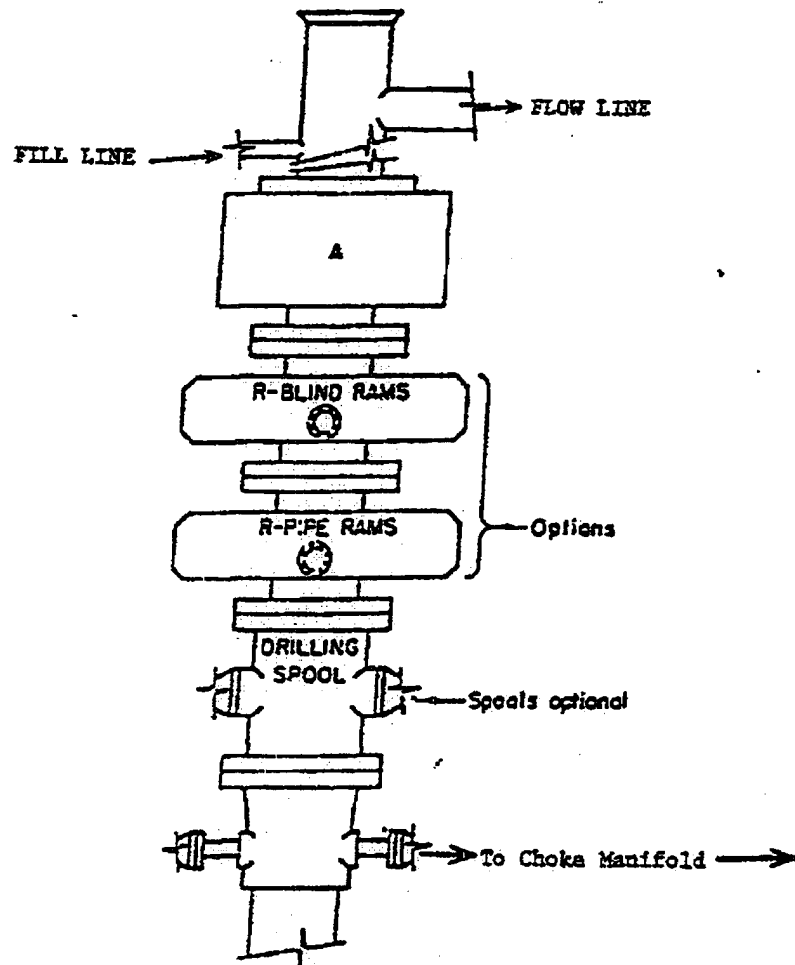
Exhibit C



- Wind Direction Indicators
(wind sock or streamers)
- △ H₂S Monitors
(alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

Exhibit D – Rig Layout Plan
 Gruy Petroleum Management Co.
 Rhodes Federal Unit No. 103

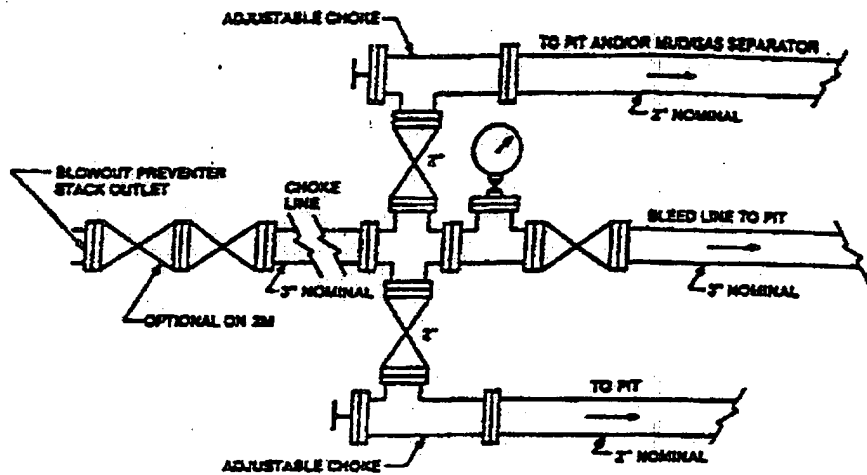
Unit P-Section 10-T26S-R37E 660' FSL & 760' FEL
 Lea County, NM



ARRANGEMENT SBRA

900 Series
3000 PSI WP

Exhibit E – Blowout Preventor
Gruy Petroleum Management Co.
Rhodes Federal Unit No. 103
Unit P-Section 10-T26S-R37E
660' FSL & 760' FEL
Lea County, NM



Typical choke manifold assembly for 3M WP system

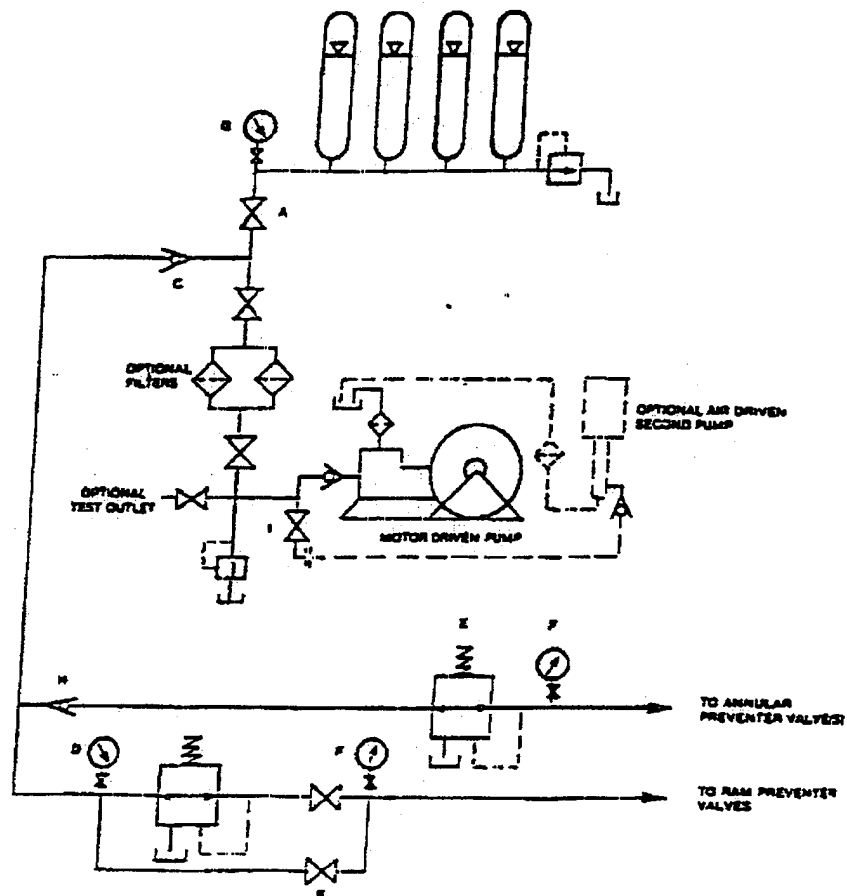


Exhibit E1 – Choke Manifold
 Gruy Petroleum Management Co.
 Rhodes Federal Unit No. 103
 Unit P-Section 10-T26S-R37E 660' FSL & 760' FEL
 Lea County, NM

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name Gruy Petroleum Management Co. Well Name & No. Rhodes Federal Unit #103
Location 660 F S L & 760 F E L Sec. 10, T. 26 S, R. 37 E.
Lease No. NMN-90796 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 CRF 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

- (X) 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.

() 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.

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 magrostachya</i>) 2.0 |
| () C. Seed Mixture 3 (Shallow Sites) | () D. Seed Mixture 4 (Gypsum Sites) |
| Side oats Grama (<i>Boute curtipendula</i>) 1.0 | Alkali Sacaton (<i>Sporobollud airoides</i>) 1.0 |
| | Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |

(X) 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.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must 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 borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and it capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from the BLM prior to removal of the material.

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: Gruy Petroleum Management Company
Well Name & No: Rhodes Federal Unit No. 103
Location: 660' FSL & 760' FEL, Sec.10, T. 26 S. R. 37 E.
Lease: NMNM 90796
Lea County, New Mexico

.....

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 5/8 inch 5 1/2 inch

C. BOP Tests

2. A Hydrogen Sulfide (H₂S) Drilling Plan shall be in operations three days or 500 feet prior to drilling into the Yates formation. Yates is estimated to be at 2700 feet of depth.

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 5/8 inch shall be set at 1000 or 25 feet into the Top of the Rustler Anhydrite 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.

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 5/8 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) shall be 2 M psi.

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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.
- Both low pressure and high pressure testing of BOPE is required.