ATS-08-45

OCD-HOBBS

Form 3160-3
(April 2004)

Split Estate

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. ~~NM NM 100355~~ NM NM 100355

6. If Indian, Allotee or Tribe Name

1a. Type of work: [XX] DRILL [ ] REENTER

7 If Unit or CA Agreement, Name and No.

1b. Type of Well: [XX] Oil Well [ ] Gas Well [ ] Other [XX] Single Zone [ ] Multiple Zone

8. Lease Name and Well No. <36846>
Knowles 29 Federal #1

2 Name of Operator
Texland Petroleum-Hobbs, LLC <113315>

9. API Well No.
30-025-38614

3a. Address 777 Main Street, Ste 3200
Fort Worth, TX 76102

3b. Phone No. (include area code)
817-336-2751

10. Field and Pool, or Exploratory
Garrett Drinkard

4 Location of Well (Report location clearly and in accordance with any State requirements.*)
At surface Unit G, 1650' FNL & 2310' FEL
At proposed prod. zone same

11. Sec., T. R. M. or Blk. and Survey or Area
Sec. 29, T16S, R38E

14. Distance in miles and direction from nearest town or post office*
est 14 miles northwest of Hobbs, NM

12. County or Parish
Lea

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
330'	30	40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
n/a	8400'	~~538064~~ NM 2754

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22 Approximate date work will start*	23 Estimated duration
3731' GL	November 15, 2007	20 days

24. Attachments

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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (Printed/Typed)	Date
Vickie Smith	Vickie Smith	10/4/07

Title
Regulatory Analyst

Approved by (Signature)	Name (Printed/Typed)	Date
/s/ James Stovall	/s/ James Stovall	NOV 20 2007

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

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, are attached.

APPROVAL FOR TWO YEARS

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)

Lea County Controlled Water Basin

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

TEXLAND PETROLEUM, L.P.
EXPLORATION AND PRODUCTION
777 MAIN STREET, SUITE 3200
FORT WORTH, TEXAS 76102

(817) 336-2751

October 12, 2007

Mr. Clayton M. Hughes
1202 West Taylor
Lovington, New Mexico 88260

Re: Surface Use Agreement
Texland's Knowles 29 Federal #1
S/2 NE/4 Sec. 29, T16S R38E
Lea County, New Mexico

Dear Mr. Hughes:

As you know, Texland is planning to drill an exploratory well on the captioned land where you own the surface but the oil and gas estate is owned by the USA-BLM. As part of our permitting process, Texland needs to inform the BLM that we have made an agreement with you regarding surface damages. We ask that you sign below to acknowledge our having entered into a surface damage agreement.

Please return this letter in the enclosed envelope.

Yours truly,

W. Frank Pendleton
Manager, Land and Legal

Clayton M. Hughes

WFP/mn
Encl.

mlnK:\MyFiles-2007\10-24-07hughes-- fed 29 #1.wpd

NOV 07 2007

United States Department of the Interior
Bureau of Land Management
Carlsbad District
620 East Greene Street
Carlsbad, New Mexico 88220

RE: Knowles 29 Federal #1
Sec. 29, T16S, R38E
Lea County, New Mexico

STATEMENT ACCEPTING RESPONSIBILITY FOR OPEATIONS

OPERATOR NAME: Texland Petroleum-Hobbs, LLC
ADDRESS: 777 Main Street, Suite 3200
Fort Worth, Texas 76102

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below.

LEASE NO: USA NM NM-~~10035~~ 00355

LEGAL DESCRIPTION: 1650' FNL & 2310' FEL of Sec. 29, T16S, R38E, N.M.P.M. Lea County, New Mexico

FORMATIONS: Limited to the oil and gas rights from surface to the base of the Drinkard.

BOND COVERAGE: State of New Mexico

BLM BOND FILE NO: #588064

Texland Petroleum-Hobbs, LLP

AUTHORIZED SIGNATURE: by: Greg Mendenhall

TITLE: Drilling and Production Manager
DATE: October 4, 2007

State of New Mexico
Energy, Minerals and Natural Resources Department

DISTRICT I
1625 N. FRENCH DR., HOBBS, 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

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

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-025-38614	27130	Garrett Drinkard

Property Code	Property Name	Well Number
36946	KNOWLES 29 FEDERAL	1

OGRID No.	Operator Name	Elevation
113315	TEXLAND PETROLEUM-Hobbs, LLC	3731'

Surface Location

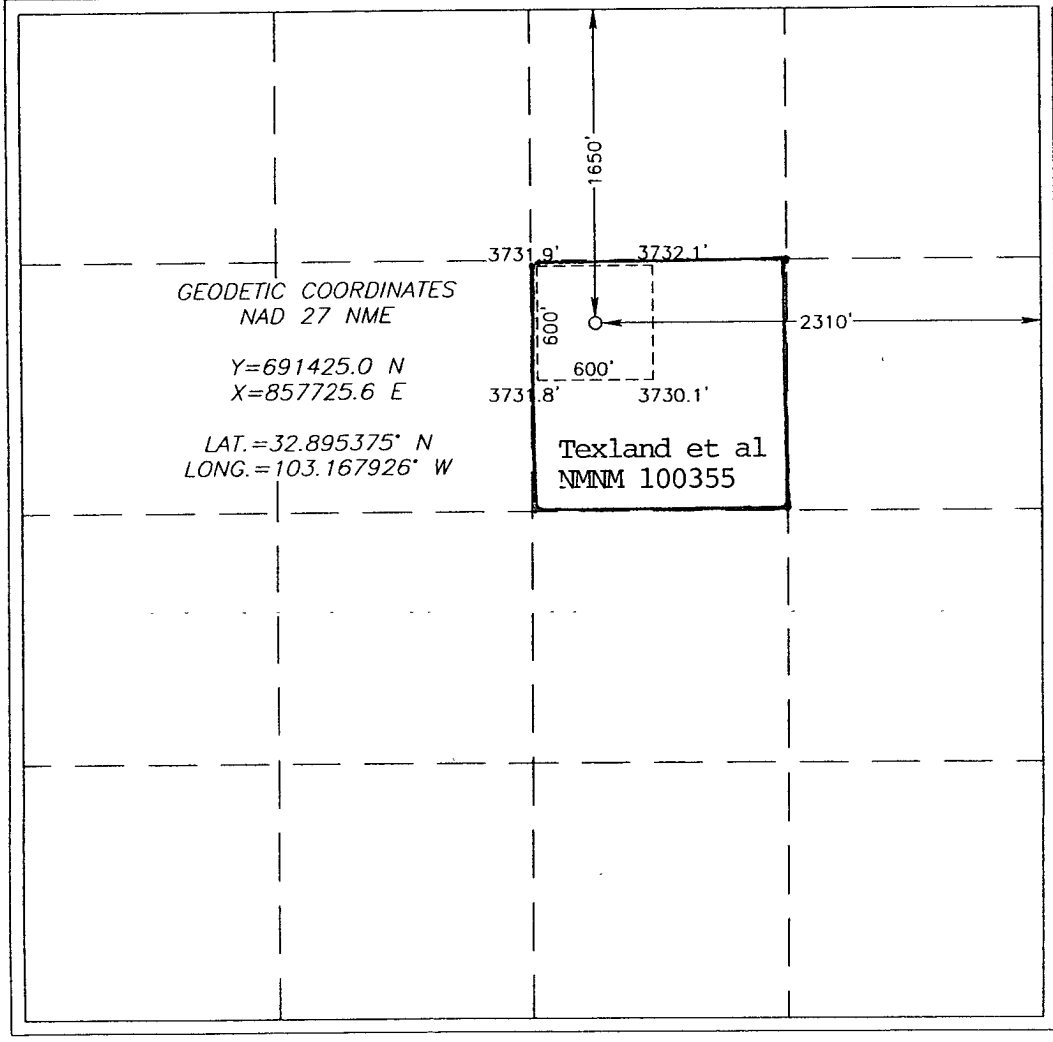
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	29	16-S	38-E		1650	NORTH	2310	EAST	LEA

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	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Vickie Smith 10/2/07
Signature Date

Vickie Smith
Printed Name

SURVEYOR CERTIFICATION

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.

SEPTEMBER 18, 2007
Date Surveyed LA

Signature & Seal of Professional Surveyor
NEW MEXICO 3239 REGISTERED PROFESSIONAL SURVEYOR
9/26/07
07.11.1280

Certificate No. GARY EIDSON 12641
RONALD EIDSON 3239

October 4, 2007

REVISED 11/14/07

United States Dept. of Interior
Bureau of Land Management
Carlsbad District Office
620 East Greene Street
Carlsbad, New Mexico

Re: Application for Permit to Drill
Texland Petroleum - Hobbs L.L.C.
Knowles 29 Federal #1
Lea County, New Mexico
Lease No. NM NM-10035

Gentlemen:

Texland Petroleum - Hobbs, L.L.C respectfully requests permission to drill our Knowles 29 Federal #1, located 1650' FNL & 2310' FEL of Sec. 29, T-16-S, R-38-E, Lea County, New Mexico, Federal Lease No. NM NM-10035. The proposed well will be drilled to a TD of approximately 8400' (TVD). The location and work area has been staked. It is approximately 14 miles northwest of Hobbs, New Mexico.

In accordance with requirements stipulated in Federal Onshore Oil & Gas Order No. 1 under 43 CFR 3162.1, our Application for Permission to Drill and supporting evidence is hereby submitted.

Application for Permit to Drill*: *DRILLING PROGRAM

1. Form 3160.3, Application for Permit to Drill

2. Form C-102 location & acreage dedication plat certified by Ronald Eidson, Registered Land Surveyor No. 3239, in State of New Mexico dated September 18, 2007.

3. Elevation of the unprepared ground is 3731' above sea level.

4. Geologic name of surface formation is Tertiary.

5. Rotary drilling equipment will be utilized to drill the well to TD 8400' (TVD), and run casing. This equipment will then be rigged down and the well will be completed with a well servicing unit.

6. Proposed total depth is 8400' TVD.

7. Estimated tops of important geologic markers.

Rustler	2080' TVD
Yates	3250' TVD
San Andres	5054' TVD
Glorieta	6450' TVD
Tubb	7990' TVD
Drinkard	8110' TVD

8. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

Possible oil/gas:	San Andres	5054' TVD
	Glorieta	6450' TVD
Primary objective:	Drinkard	8110' TVD

9. The proposed casing program is as follows:

Surface: 12 1/4" hole, 8 5/8" 24# J-55 ST&C new csg w/2.2 collapse design, 4.7 burst design & 4.7 tension design safety factors, Set @ 2150'
Production: 7 7/8" hole, 5 1/2" 17# N80 LT&C new csg w/1.4 collapse design, 3.7 burst design & 2.9 tension design safety factors, Set @ 8400'

10. Casing setting depth and cementing program:

Surface: Circ cmt w/700 sks 35:65:6 Poz C gel w/3% salt (12.5 ppg, 2.52 yd), followed by 250 sks Cl "C" (14.8 ppg, 1.34 yd)

If cement does not circulate, a temperature survey will be run to find the TOC and then finish cementing to surface through 1" using Class C with 2% CaC12.

Production: Cmt w/1650 sks 35:65:6 Poz H gel w/.4% FL-52 (12.5 ppg, 1.94 yd), follow w/250 sks 15:61:11 Poz C-CSE w/.6% FL-52, (13.2 ppg, 1.6 yd)
Est TOC @ surface

Estimated top of cement is surface.

Note: Cement volumes will be adjusted based on experience and fluid caliper

11. Pressure Control Equipment

0 - 2150'	None
2150 - 8400'	11" 3M Hydraulically Actuated Double Ram BOP with blind rams and one set pipe rams and a choke Manifold and accumulator with remote operating station. Pressure test prior to drill out and function test one (1) every 24 hrs.

See COA

After setting the 8-5/8" casing, the blowout preventer and related control equipment shall be pressure tested to 1000 psi. Any equipment failing to test satisfactorily shall be repaired or replaced. Results of the BOP test will be recorded in the Drillers Log The BOP will be maintained ready for use until drilling operations are completed.

BOP drills will be conducted as necessary to assure that equipment is operational and each crew is properly trained to carry out emergency duties.

Accumulator shall maintain a pressure capacity reserve at all times to provide for the close-open-close sequence of the blind and pipe rams of the hydraulic preventers.

12. Mud Program:

0 - 2150' Drill w/FW for native vis & paper, 8.33 MW, Temp @ 83 deg F, Pressure @ 931#

2150' - 8400' Drill out w/brine wtr, circ through the reserve pit, use caustic soda for ph control, 10.3 MW, Temp @ 121 deg F, Pressure @ 2845#

13. Testing, logging and Coring Program:

Logging Program: Cased hole - GR/CLL/Neutron

No abnormal temperatures or pressures anticipated. Estimated BHP 1850 psi, and estimated BHT 139 deg. H2S detection and monitoring equipment will be installed and will be in compliance with NMOCD.
Contingency Plan is attached.

15. Anticipated starting date is November 15, 2007. It should take approximately 20 days to drill the well and another 15 days to complete.

16. The multi-point surface use & operation plan is attached.

If the Bureau of Land Management needs additional information to evaluate this application, please advise.

Sincerely,

Vickie Smith
Regulatory Analyst

Attachment 3160-3 **Revised 11/14/07**

Texland Petroleum-Hobbs, LLC
Knowles 29 Federal #1
1650' FNL & 2310' FEL, Sec. 29, T16S, R38E, Lea County, New Mexico
Federal Lease No. NM NM-10035

PROPOSED TD: 8400' TVD

BOP PROGRAM: 0 - 2150' None
2150' - 8400' 11" 3 M Double Ram BOP, Pressure test prior to drill out, and function test one (1) every 24 hrs.

CASING: Surface: 12 1/4" hole, 8 5/8" 24# J-55 ST&C new csg w/2.2 collapse design, 4.7 burst design, & 4.7 tension design safety factors, Set @ 2150',
Production: 7 7/8" hole, 5 1/2" 17# N80 LT&C new csg w/1.4 collapse design, 3.7 burst design & 2.9 tension design safety factors, Set @ 8400'

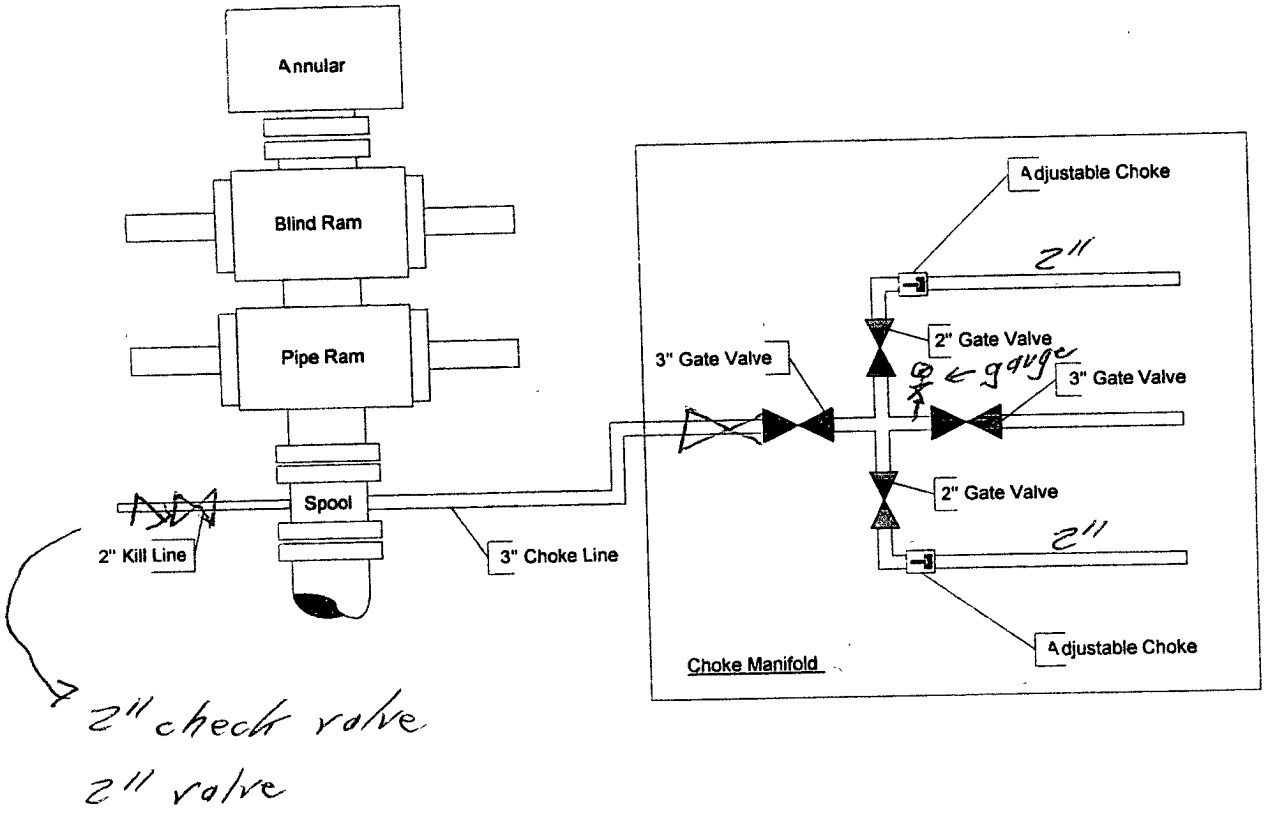
CEMENT: Surface: Circ cmt w/700 sks 35:65:6 Poz C gel w/3% salt (12.5 ppg, 2.52 yd), followed w/250 sks Cl "C" (14.8 ppg, 1.34 yd)
Production: Cmt w/1650 sks 35:65:6 Poz H gel w/.4% FL-52 (12.5 ppg, 1.94 yd), follow w/250 sks 15:61:11 Poz C-CSE w/.6% FL-52, (13.2 ppg, 1.6 yd)
Est TOC @ surface

MUD: 0 - 2150' Drill w/FW for native vis & paper, 8.33 MW, Temp @ 83 deg F, Pressure @ 931#
2150' - 8400' Drill out w/brine wtr, circ through the reserve pit, use caustic soda for ph control, 10.3 MW, Temp @ 121 deg F, Pressure @ 2845#

"EXHIBIT E"

REVISED 10/24/07

3000psi - BOPE



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FOR
HYDROGEN SULFIDE (H2S)
CONTINGENCY PLAN

PREFACE

An effective and viable Contingency Plan is intended to provide prior planning and guidance in responding to emergency incidents. The primary considerations in its development are protection of personnel, the public, company and public property, and the environment.

Although the plan addresses varied emergency situations which may occur, it recognizes that flexibility and the use of the organization's knowledge and experience is critical to safe resolution of emergency incidents. Response actions outlined in the plan provide a framework, which may be placed into operation without confusion. These actions should promote quick and decisive actions during the critical initial period and immediately following an emergency. As the response progresses, additional guidelines and procedures may need to be implemented as the situation dictates. In addition, all emergency incidents must be properly reported per the Texland Incident Reporting and Notification Policy, state and federal requirements, etc.

This contingency Plan is intended for use on Texland's operations projects which include drilling, completion, critical well work, etc.

A copy of the Plan shall be maintained in the Top Dog House, Rig Managers trailer and Company Representative's trailer if applicable.

EMERGENCY RESPONSE ACTIVATION AND GENERAL RESPONSIBILITIES

Activation of the Emergency Action Plan

A. In the event of any emergency situation, all personnel on location should first ensure that the following items are initiated. After that, they should refer to the appropriate Specific Emergency Guidance sections on pages ____ through _____ in this document for further responsibilities:

1. Notify the senior ranking contract representative on site.
2. Notify Texland representative in charge.
3. Notify civil authorities if the Texland Representative can not be contacted and the situation dictates.
4. Perform rescue and first aid as required (without jeopardizing additional personnel).

General Responsibilities

Texland Petroleum-Hobbs Personnel:

A. Texland's Drilling Superintendent will serve as lead for all emergency incidents. The Drilling Foreman or Tool Pusher will coordinate onsite with the Superintendent.

B. Texland's personnel will liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as; type and volume of release, wind direction, location of release, ect. Be prepared with all information available. This response plan must be in coordination with the State of New Mexico's "Hazardous Materials Emergency Response Plan' (HMER).

H2S DRILLING OPERATIONS PLAN:

All personnel will be trained in H2S drilling and contingency procedures in accordance with general training requirements outlined in API's Recommended Practice (RP) 49 (April 15, 1987 or subsequent editions) for Safe Drilling of Wells Containing Hydrogen Sulfide, Section 2.

Callaway Safety will install and keep maintained the H2S compliance package. This includes 2 wind socks, 1 -3 channel monitor (set at 10 ppm & 15 ppm), 2 030 minute air packs and 4 escape packs, 2 briefing area signs and 1 conditions sign employing a three flag (green = safe, yellow =

caution, red = danger) warning system. The red flag will be displayed when H2S, in excess of 10 ppm, is detected

EMERGENCY CONTENGENCY PLAN

The following procedures are to be sued in case of an emergency. As with any procedures *good common sense* must be used to determine of the procedures are adequate during an emergency.

H2S ALARM

1. All personnel report to upwind safe briefing area. Ensure all persons on location are accounted for.
2. Don 30 minute rescue packs (buddy system) attach harness and ropes.
3. Return to floor, raise Kelly, shut off pumps and close pipe rams on BOP.
4. Using H2S meter (handheld) enter area of alarm. The area of alarm can be determined by checking the zone indicator on the stationary H2S monitor in the doghouse.
5. Verify alarm and that sensing head is not malfunctioning, check H2S concentrations. At this point the well should be secure - no fluids or gas can escape the well bore. H2S concentrations should drop to zero.

If H2S concentrations are zero go to step 6. If well is not secure and H2S concentrations are above 10 PPM go to step 7 or 8.

6. Call Texland rep and Capstar rep, - *DO NOT RESUME DRILLING*, leave well shut in until Texland personnel tells you what to do.
7. If the situation *is critical*: Call 911; inform them of your situation and location. You are the one that is most aware of what is going on and what the danger is - public safety is of the highest concern.

8. If the situation is *not critical*: Call the Texland or Capstar supervisor and report.

The Texland or Capstar supervisor has the responsibility of informing the New Mexico Oil Conservation Division and the Hobbs LEPC of any potential H2S hazards during the operations in the following manner:

* Level One - H2S has been encountered during operations, and does NOT present any hazards to the general public at this time

OR

* Level Two - H2S has been encountered during operations, and Presents a hazard to the general public and their help is needed.

NMOCD: 505-393-6161 ext. 102 Chris Williams
ext. 114 Gary Wink

GAS OR FLUID KICK

1. Raise Kelly, shut off pumps, close in pipe rams on BOP.
2. Record drill pipe SIP and annulus SIP.
3. Call Texland and Capstar supervisor and report.
4. Monitor annulus pressure - maximum on 8 5/8" casing is 1550 PSI, bleed to steel pit if required through choke manifold to prevent exceeding max pressure.

At this point the following equipment will be installed:

* Gas Buster
* Flare line
* Remote igniter
* Construction of burn pit

5. Pre-mixed weighted mud will be brought on to location and circulated out of trucks using the steel pits and current mud pumps.
6. All gas circulated will be ignited at the flare line.
7. Resume drilling operations with required increase of mud weight.

LOSS OF SECONDARY CONTROL - BLOWOUT

For this case, loss of control is when the hydrostatic weight of the drilling fluid (primary control) is unable to prevent migration of fluids or gas into the well bore and the secondary control (Blowout Prevention Equipment) fails.

1. **A fluid or gas kick is detected, Kelly is raised, pumps shut down and pipe rams on the BOP are closed. Pipe rams fail to close in well.**
2. ***Call for help*** **- Call 911, Inform them of your situation and location. You are the one that is most aware of what is going on and what the danger is - public safety is of the highest concern.**
3. **Call the Texland or Capstar supervisor. They will be responsible for calling the NMOCD and the FMT leader.**
4. **Get upwind of the rig and wait for help to arrive.**
5. **Texland supervisor will call for two pump trucks (BJ and/or Halliburton) and pre-mixed weighted mud (Newpark and/or JB fluids)**
6. **Use Cascade Breathing equipment and install lines to (1) stand pipe (or inside BOP or TIW valve if installed) and the 2" kill line tied into the annulus of the BOPE.**
7. **Once a sufficient quantity of mud is on location (minimum 15 PPG, 500 bbls) start pumping down the drill pipe at maximum rate, (10 to 15 bbls/min).**
8. **If needed both trucks can pump, one down drill pipe and the other down the annulus at maximum rate.**

If in the case of last resort or a situation of IDLH to the general public, the onsite Texland Representative may make the decision to ignite the well.

PUBLIC RELATIONS

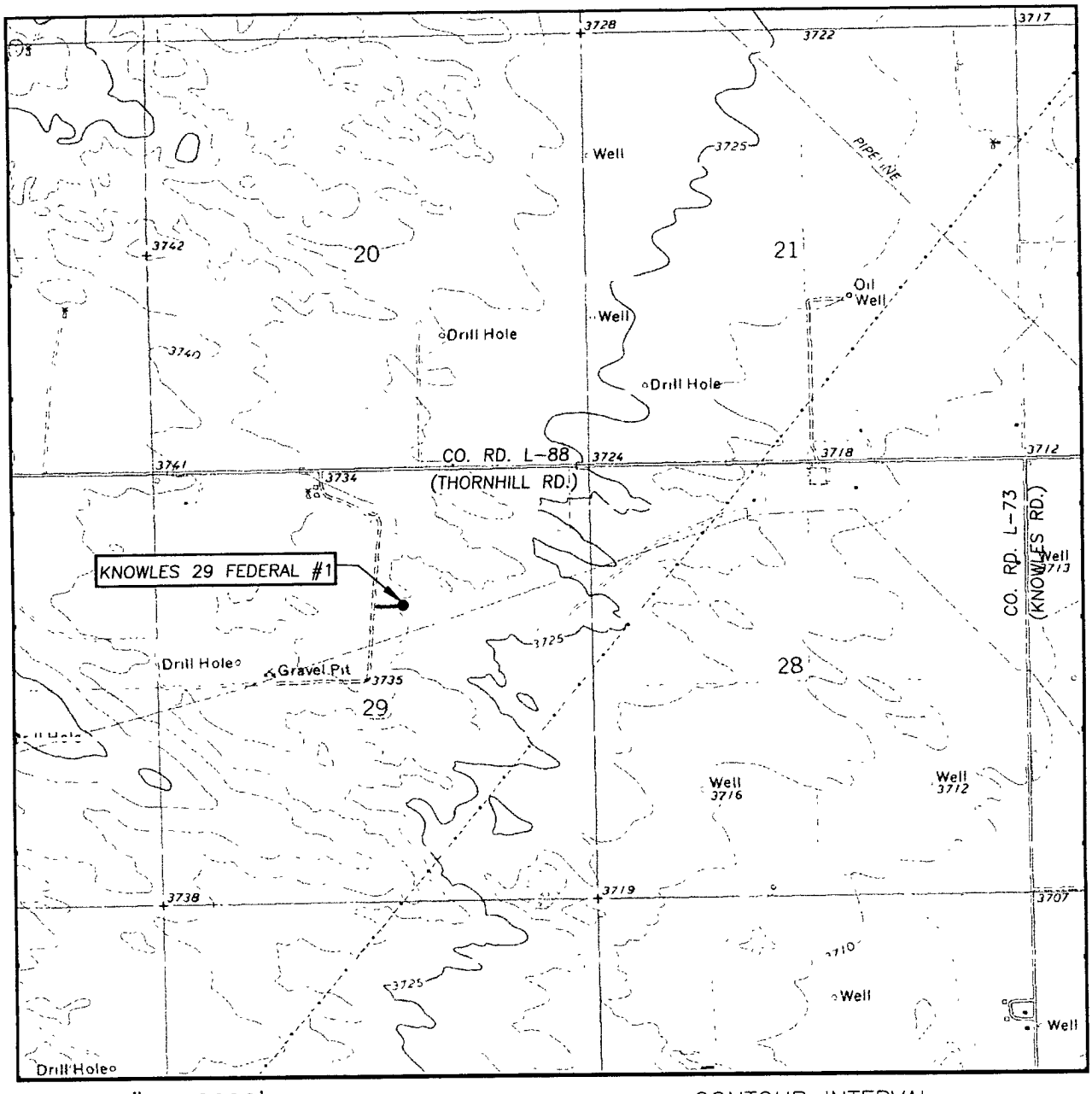
Texland recognizes that the news media have a legitimate interest in incidents at Texland facilities that could affect the public. It is to the company's benefit to cooperate with the news media when incidents occur because these media are our best liaison with the public.

Our objective is to see that all reports of any emergency are factual and represent the company's position fairly and accurately. Cooperation with news media representatives is the most reliable guarantee that this objective will be met.

All contract and Texland employees are instructed NOT to make any statement to the media concerning the emergency incident. If a media representative contacts any employee, they should refer them to Texland's Engineer or Geologist in charge of the well for any information concerning the incident.

LOCATION VERIFICATION MAP

EXHIBIT "B"



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HUMBLE CITY NW, N.M. – 5'

— Proposed road into location

SEC. 29 TWP. 16-S RGE. 38-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1650' FNL & 2310' FEL

ELEVATION 3731'

OPERATOR TEXLAND PETROLEUM, LP

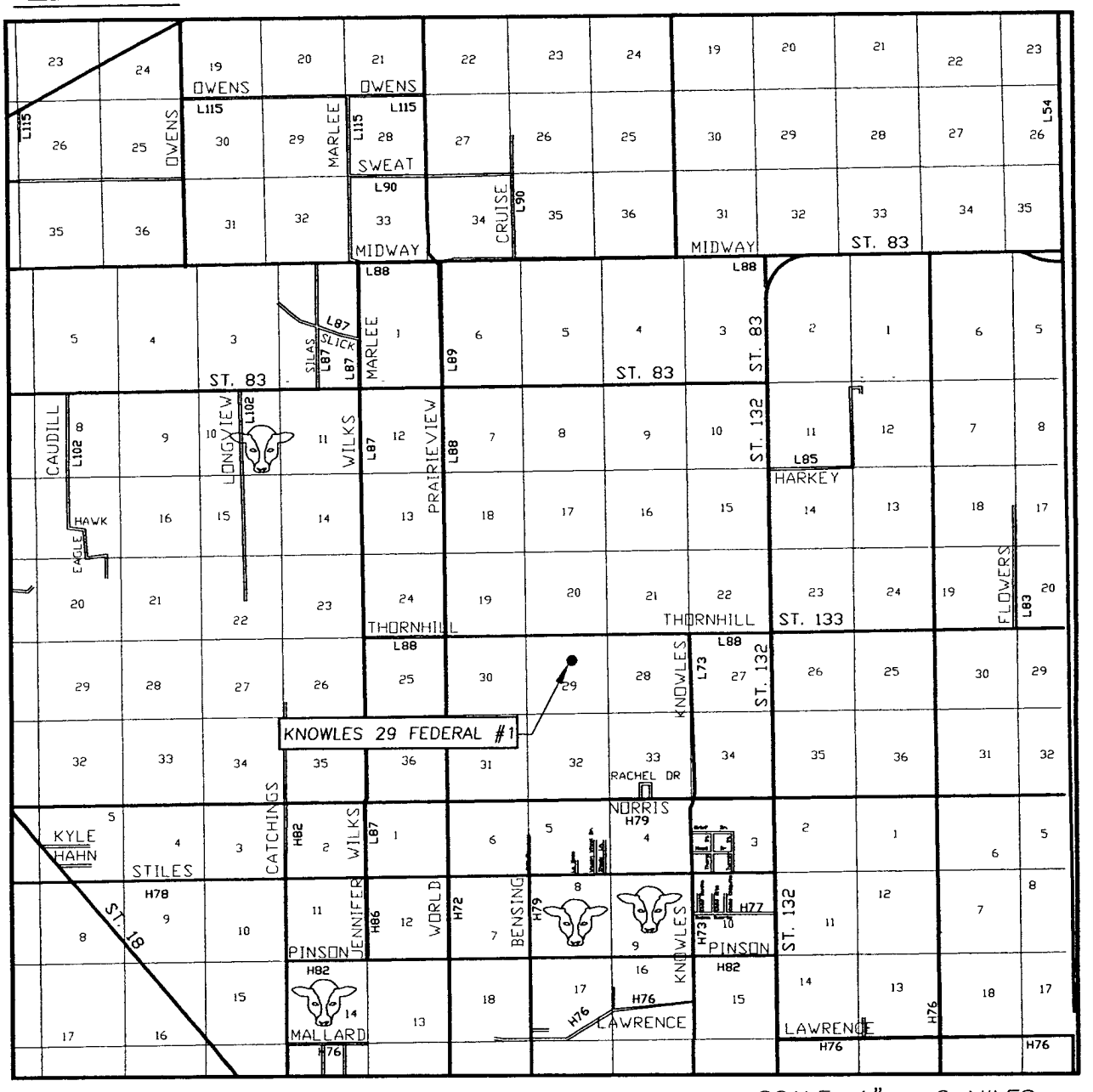
LEASE KNOWLES 29 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
HUMBLE CITY NW, N.M.

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

VICINITY MAP

EXHIBIT "C"



SCALE: 1" = 2 MILES

SEC. 29 TWP. 16-S RGE. 38-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1650' FNL & 2310' FEL

ELEVATION 3731'

OPERATOR TEXLAND PETROLEUM, LP

LEASE KNOWLES 29 FEDERAL

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

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Texland Petroleum
LEASE NO.:	NMNM100355
WELL NAME & NO.:	Knowles 29 Federal No 1
SURFACE HOLE FOOTAGE:	1650' FNL & 2310' FEL
BOTTOM HOLE FOOTAGE	
LOCATION:	Section 29, T. 16 S., R 38 E., NMPM
COUNTY:	Lea County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Hobbs Field Station at (505) 393-3612 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

C. RESERVE PITS

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 100' X 100' on the North side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

VI. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings
c. BOPE tests

☒ **Lea County**
Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(505) 393-3612

1. **Hydrogen Sulfide has been reported from the Knowles Devonian field. If Hydrogen Sulfide is encountered, please submit measured amounts to the BLM. Operator has attached Hydrogen Sulfide drilling plan.**

2. 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.

3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

B. CASING

1. The **8-5/8** inch surface casing shall be set **a minimum of 25 feet into the Rustler Anhydrite at approximately 2150** feet 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

   b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).

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 action will be done prior to drilling out that string.

Possible lost circulation in the Grayburg and San Andres formations.
Possible water flow in the Salado and Artesia Group.

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

   ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

3. 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.

C. 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. **Periodic testing to be performed as in Onshore Oil and Gas Order No. 2.**

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

   a. The tests shall be done by an independent service company.

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

   c. 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.

   d. 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.

   e. **Pressure test to be to 3000 psi for BOP and BOPE.**

Engineer on call phone (after hours): Carlsbad: (575) 706-2779
WWI 111407

VII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities
Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures
The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement
All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

VIII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

Seed Mixture 1, for Loamy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection bye the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (small/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species	lb/acre
Plains lovegrass (Eragrostis intermedia)	0.5
Sand dropseed (Sporobolus cryptandrus)	1.0
Sideoats grama (Bouteloua curtipendula)	5.0

*Pounds of pure live seed:

Pounds of seed x percent purity x percent gemination = pounds pure live seed

X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.