

OCD-HOBBS

Split Estate

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

DEC 26 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RESUBMITTAL

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator CHEVRON U.S.A. INC.

3a. Address 15 SMITH ROAD
MIDLAND, TEXAS 79705

3b. Phone No. (include area code)
432-687-7375

4. Location of Well (Report location clearly and in accordance with any State requirements *)

At surface UNIT LETTER D, 660'FNL, & 330' FWL

At proposed prod. zone SAME

Capitan Controlled Water Basin

14. Distance in miles and direction from nearest town or post office*
5.3 MILES NE OF JAL, NM

5. Lease Serial No.
NM-10934

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No. *<29915>*
C.C. FRISTOE 'A' FED NCT -1 #14

9. API Well No.
30-025-38692

10. Field and Pool, or Exploratory
LANGLIE MATTIX 7 RVRS QN GRBRG

11. Sec., T. R. M. or Blk. and Survey or Area
SEC 35, T-24-S, R-37-E

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)
330'

16. No. of acres in lease
80

17. Spacing Unit dedicated to this well
40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
330.1'

19. Proposed Depth
4150'

20. BLM/BIA Bond No. on file
CO-0058

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3192' GL

22. Approximate date work will start*

23. Estimated duration
6 DAYS TO DRILL

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must 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 must 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 BLM.

25. Signature

Denise Pinkerton

Name (Printed/Typed)

DENISE PINKERTON

Date

10/16/2007

Title

REGULATORY SPECIALIST

Approved by (Signature)

/s/ Don Peterson

Name (Printed/Typed)

/s/ Don Peterson

Date

DEC 21 2007

Title

FIELD MANAGER

Office

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.

(Continued on page 2)

RECEIVED

*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

JAN - 4 2008

HOBBS OCD

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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OPERATOR – LANDOWNER AGREEMENT

COMPANY: CHEVRON U.S.A. INC.

PROPOSED WELL: C.C. Fristoe "A" Federal NCT-1 #14

* FEDERAL LEASE NO: NM-10934

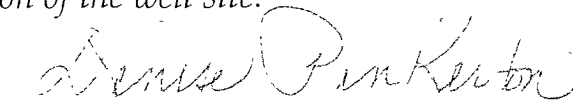
This is to advise that Chevron U.S.A. Inc. has an agreement with:

El Paso Natural Gas, 8645 Railroad Dr., El Paso, TX, 79904
Contact: Ed Nichols 915-587-3699

The surface owner, concerning entry and surface restoration after completion of drilling operations at the above described well.

After abandonment of the well, all pits will be filled and leveled; all equipment and trash will be removed from well site. No other requirements were made concerning restoration of the well site.

10-26-2007



Denise Pinkerton
Regulatory Specialist
Chevron U.S.A. Inc.
Midland, Texas 79705

* 11-12-2007

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UNITED STATES DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-1287

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Statement Accepting Responsibility for Operations

Operator Name: *Chewron U.S.A. Inc.*
Street or Box: *15 Smith Rd.*
City, State: *Midland, TX*
Zip Code: *79705*

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.: *NM-10934 C.C. Frustoe 'A' Federal NCT-1 #14*

Legal Description of Land: *Unit 1 & 2 to 660' FWL, 330' FWL
See 35, T-24-S' R-37-E.*

Formation(s) (if applicable): *Sangre de Cristo 7 Rivers Queen Shagbark*

Bond Coverage (State if individually bonded or another's bond): *Company bond*

BLM Bond File No.: *CA0329*

Authorized Signature:

Title:

Date:

Genise Lake Rinker
Regulatory Specialist
8-05-02

10-16-07

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107
Revised February 10, 1997
Instructions on back

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

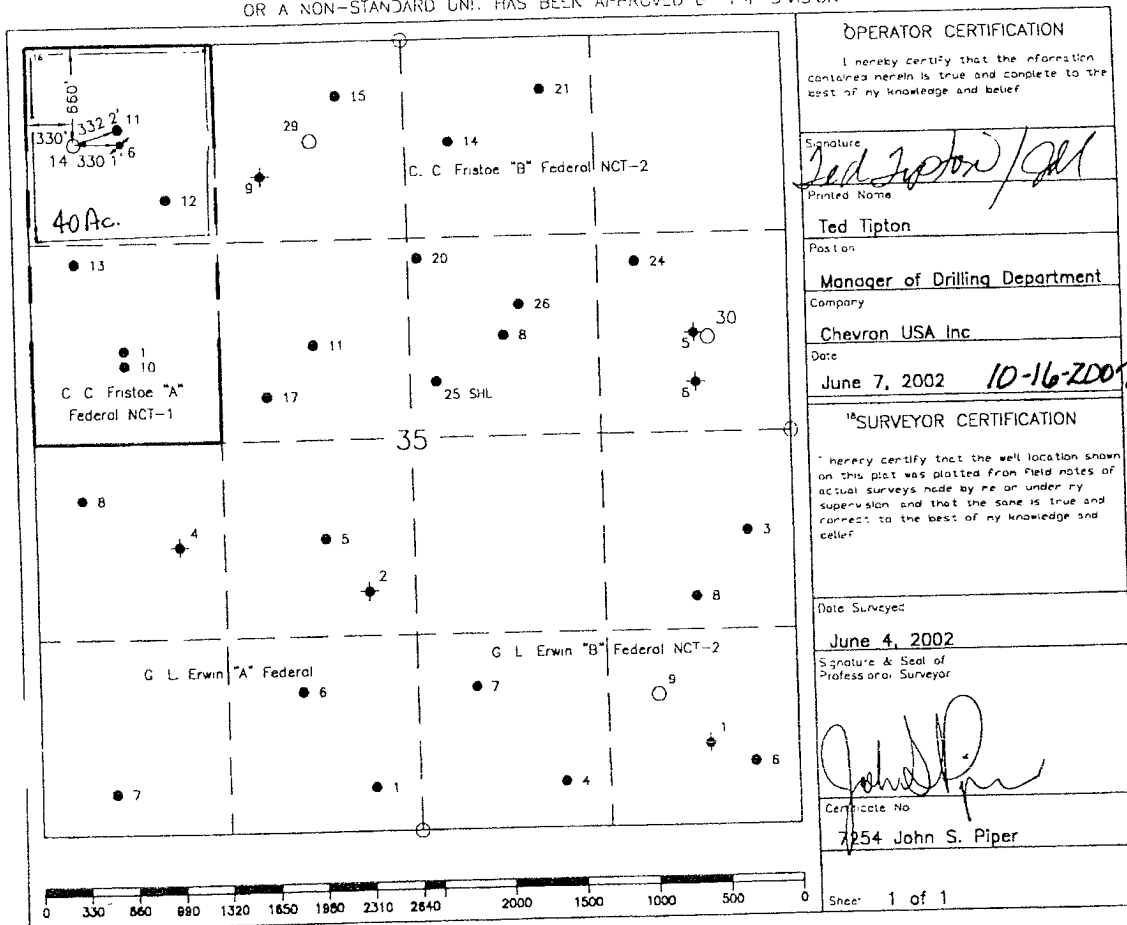
Submit to Appropriate District Office
State Lease-4 copies
Fee Lease-3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

Well Number 3D-025-38692		Tract No. 37240		Area Date 7 RVR QUEEN GRAYBURG	
County 29915		Property Name C. C. Fristoe "A" Federal NCT-1		Well Number 14	
Operator Name 4323		Operator Name Chevron USA Inc.		Elevation 3192'	
Surface Location					
Well or a no.	Section	Township	Range	Location	Feet from line
D	35	24-S	37-E	660'	North
				330'	West
Bottom Hole Location If Different From Surface					
Well or a no.	Section	Township	Range	Location	Feet from line
				North/South line	East/West line
				County	Lea
Allocated Acres 40		Joint or full		Consolidation Code	
				Order no.	

NO ALLOWABLE W.L. 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 contained herein is true and complete to the best of my knowledge and belief.

Signature
Ted Tipton
Printed Name
Ted Tipton
Position
Manager of Drilling Department
Company
Chevron USA Inc.
Date
June 7, 2002 *10-16-2007 Resubmit*

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 knowledge and belief.

Date Surveyed
June 4, 2002
Signature & Seal of Professional Surveyor
John S. Piper
Certificate No.
7254 John S. Piper

Sheet 1 of 1

ADDITIONAL INFORMATION ON THE LOCATION

State Plane Coordinates		Easting 910187.36 (1927=868999.87)	
Northing 431011.33 (1927=430953.94)			
Latitude 32°10'45.514" (1927=32°10'45.070")		Longitude 103°08'28.179" (1927=103°08'26.531")	
Zone North American Datum		Combined Grid Factor	Coordinate File
East 1983		0.99991402	Erwin83.cr5

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DRILLING PROGRAM

Attachment to Form 3160-3

CHARTERED BY STATE

C. C. Fristoe "A" NCT-1 #14

660' FNL, & 330' FWL

Section 35, T-24S, R-37E

Lea County, New Mexico

Elevation of unprepared ground: 3192'

Type Drilling Tools: Rotary

Proposed Drilling Depth: 4150'

Estimated Top of Geologic Markers:

Rustler	950'	Anhydrite
Tansill	2350'	
Yates	2694'	Sandstone
Seven Rivers	2800'	
Queen	3198'	
Grayburg	3477'	Dolomite
San Andres	3662'	Dolomite
Total Depth	4150'	

Estimated Depths at which target Formations expected:

Langlie Mattix Seven Rivers Queen Grayburg 4150'

Casing Program and Setting Depths:

Hole Size	Casing Size	Weight	Grade	Setting Depth
11"	8 5/8"	24#	J-55	950'
7 7/8"	5 1/2"	15.5#	K-55	4150'

Duration of Operation: 10 Days to Drill

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Casing Setting Depths and Cementing Program:

- A. Surface casing will be cemented to surface using 590 sacks Class "C" cement with 2% CaCl₂.
- B. Production casing will be cemented with 550 sacks Class "H" cement with 6% gel, 5% salt, & 1/4# cell, tailed in with 330 sacks Class "H" 50/50 poz with 2% gel, 5% salt, & 1/4# cell.

Mud Program:

Depth	Type	Weight	Remarks
0-950'	Fresh Water	8.4	Circulate pits 28 viscosity
950-4150'	Brine	10	Circulate reserves, 29 vis

Testing, Logging, and Coring Program:

- A. Salt Muds below Surface for logging requirements
- B. Install H₂S equipment from 950' – TD
- C. Mudloggers from 2200' to TD
- D. No coring is planned.

Anticipated Starting Date:

Drilling operations should begin upon approval of this permit and will take approximately 10 days. Completion operations will begin soon after drilling is completed and will take approximately two weeks.

PROPOSED WORK

SURFACE HOLE:

- see
COA
1. Call the 1-800 dig number and notify BLM (505-234-5972) 3 working days prior to building location. Build location and cellar prior to moving in rotary tools. Have reserve pits lined and filled with water. Set a 14-3/4" cemented conductor at $\pm 40'$, if applicable.
 2. Move in and rig up rotary tools. Conduct safety meeting with rig personnel. Post drilling permit and emergency response plan in the dog house. Notify the BLM and OCD of intent to spud.
 3. Drill 11" hole to $\pm 975'$ with fresh water spud mud.
 4. Run 8-5/8", 24#, J/K-55, STC casing as follows:
 - a) Guide shoe
 - b) 1 joint casing
 - c) Insert float
 - d) Casing to surfaceCentralize the bottom two joints and every fourth joint thereafter.
 5. Cement in accordance with attached cementing summary. Check float. If float fails, shut in for a minimum of four hours. If cement does not circulate, will need to run temperature survey, notify BLM and 1" back to surface.
 6. Cut off casing. Install casing (starting) head. Test starting head to 1000 psi (73% of collapse rating)
 7. Nipple up BOP stack. Test BOPE to 250 psi low for 5 minutes, 1000 psi high. Test casing to 1000 psi.
see COA
 8. Install H₂S detection equipment prior to drilling out.

PRODUCTION HOLE:

1. Drill 7-7/8" hole to $\pm 4150'$ with 10# brine water. Deviation problems are possible.
2. Trip out and run open hole logs.
3. Trip in hole and trip out of hole laying down drill pipe.
4. Run 5-1/2", 15.5#, J/K-55, LTC casing as follows:
 - a) Float shoe
 - b) 1 joint casing
 - c) Float collar
 - d) Casing to surfaceCentralize the bottom three joints and across any potential pay.
15. Cement in accordance with attached cementing summary.
16. ND BOPs, set slips, and cut off casing. Install permanent 11" 3000 psi X 7-1/16" 3000 psi tubing head. Test seal to 50% of collapse rating.
17. Release rig. Rig down and move out rotary tools.

POTENTIAL PROBLEMS

SURFACE HOLE:

Lost returns.

PRODUCTION HOLE:

Deviation.
Water flows.

MUD PROGRAM

<u>Interval</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Vis. (sec/qt)</u>	<u>Fluid Loss (cc)</u>	<u>Remarks</u>
Surface	Fresh Wtr.	8.6	32	No control	Circulate reserve
Production	Brine	10	29	No control	Circulate reserve

Mud up to a starch/PAC system near TD for logging.

FORMATIONS

<u>Name</u>	<u>Depth [feet]</u>	<u>Pressure [psi]</u>
Seven Rivers	2800	n/a
Queen	3198	n/a
Grayburg	3477	900
San Andres	3662	1500

EVALUATION PROGRAM

OPEN HOLE LOGS:

Platform Express – Spectral GR, Res, Neu/Den from TD to surface casing point.

SURFACE CEMENTING PROGRAM

Cement with Lead = 280 sacks Class "C" with 4% Gel & 2% CaCl₂ followed with Tail = 150 sacks Class "C" with 2% CaCl₂.

Minimum waiting on cement time: 12 hours

CEMENT PROPERTIES:

Slurry weight: (lead).....13.5 ppg
(tail)..... 14.8 ppg

Slurry yield: (lead).....1.74 ft³ per sack
(tail)..... 1.34 ft³ per sack

Cement must circulate to surface. If cement does not circulate, run a temperature survey six to eight hours after cementing. Contact the BLM and OCD and the Midland office for proper procedure to bring cement to surface. Normal procedure is to run one inch tubing down the annulus to top of cement, therefore one inch tubing should be on location or readily available.

Cement volume is based on 11" by 8-5/8" annular volume plus 100% excess.

PRODUCTION CEMENTING PROGRAM

Cement with Lead = 540 sacks 35:65 Poz:Class "C" with 6% Gel & 5% Salt & ¼ pps Flocele followed with Tail = 310 sacks 50:50 Poz:Class "C" with 2% Gel & 5% Salt & ¼ pps Flocele.

CEMENT PROPERTIES:

Slurry weight: (lead).....12.4 ppg
(tail)..... 14.2 ppg

Slurry yield: (lead).....2.15 ft³ per sack
(tail)..... 1.35 ft³ per sack

Cement is designed to circulate to surface. If cement does not circulate, may run a temperature survey to determine top of cement.

Cement volume is based on 7-7/8" by 5-1/2" annular volume plus 150% excess

CASING SUMMARY

SURFACE:

975', 8-5", 24 ppf, J/K-55, STC

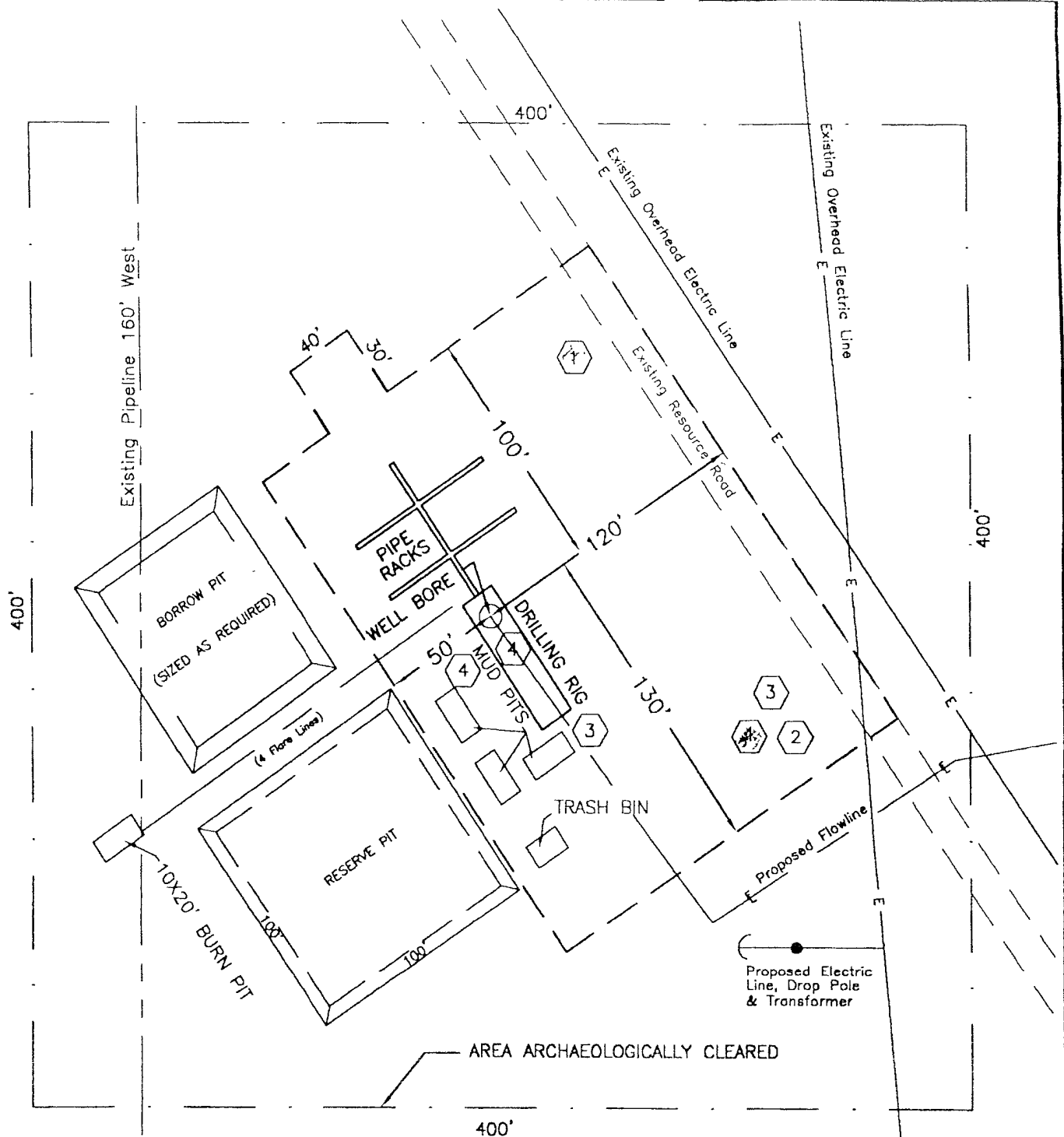
PRODUCTION:

4150', 5-1/2", 15.5 ppf, J/K-55, LTC

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CASING PROPERTIES

	BURST		COLLAPSE		Test
	<u>Rated</u>	<u>(80%)</u>	<u>Rated</u>	<u>(80%)</u>	<u>Pressure</u>
8-5/8", 24 ppf, J-55, STC	2950	2360	1370	1095	1000
5-1/2", 15.5 ppf, J-55, LTC	4810	3845	4040	3230	2000



H₂S DRILLING OPERATION PLAN





-  Briefing Station
-  H₂S Safety Trailer
-  Windssocks
-  H₂S Detectors, Shale Shaker, Rotating Head, Rig Floor

EXHIBIT "B" DRILLING RIG LAYOUT

CHELSEA U.S.A. INC.

C.C. FRISTOE "A" FEDERAL NCT-1 NO. 14
Located 660' FNL & 330' FWL, Section 35,
T-24-S, R-37-E, NMPM, Lea County, NM

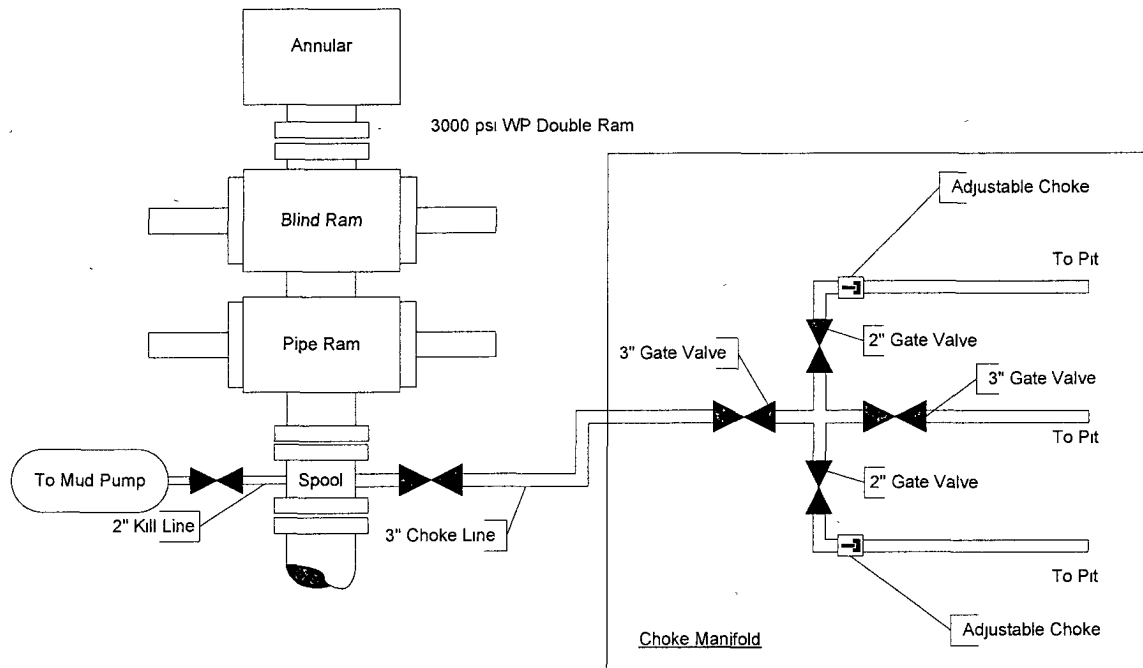
Drawn by: Gene M. Rodriguez

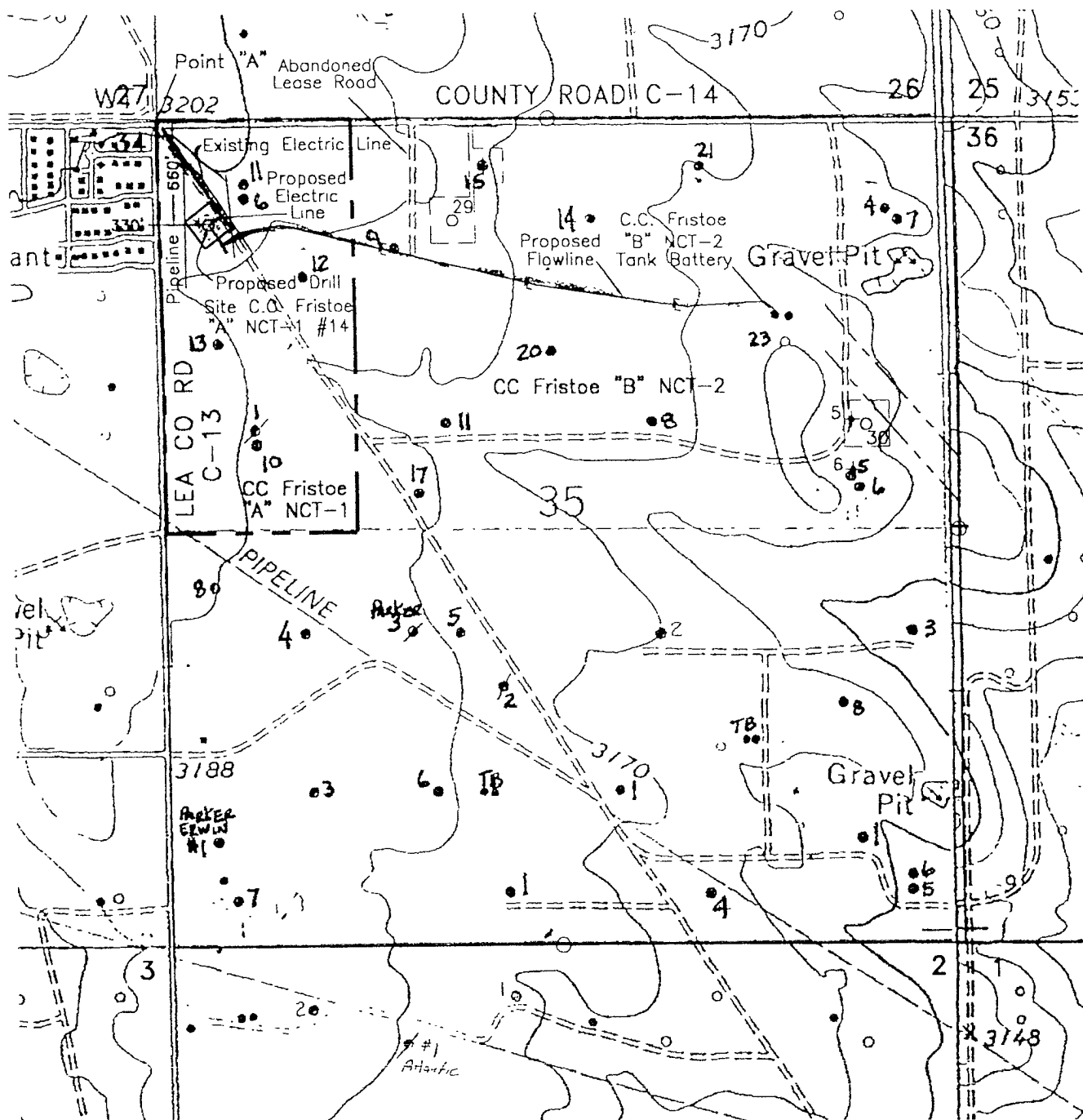
Scale: 1" = 60'

Date: June 6, 2002

Ted Tinton

Capstar 24 -
BOPE





LEGEND OF SYMBOLS

- Access Road (Yellow)
- Access Road on Lease (Purple)
- Resource Road on State Land (Blue)
- Resource Road on Private Land (Pink)
- Resource Road on Federal Land (Brown)
- Proposed Resource Road (Red)
- Proposed Electric Line (Orange)
- Proposed Production Flow Line (Green)
- o = Staked Well Location
- = Producing Well Location
- = Water Injection Well
- o = Found 1" Iron Pipe with Brass Cap
- o = Found 2" or 3" Iron Pipe with Brass Cap

EXHIBIT "A"
ACCESS ROAD AND FACILITIES MAP

CHEVRON U.S.A. INC.

C.C. FRISTOE "A" FEDERAL NCT-1 NO. 14
Located 660' FNL & 330' FWL, Section 35,
T-24-S, R-37-E, NMPM, Lea County, NM

Drawn by: Gene Rodriguez

Scale: 1" = 1000'

Date: June 5, 2002

Ted Tipton

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Chevron U.S.A. Inc.
LEASE NO.:	NM10934
WELL NAME & NO.:	C. C. Fristoe A Fed NCT-1 No 14
SURFACE HOLE FOOTAGE:	660' FNL & 330' FWL
BOTTOM HOLE FOOTAGE	
LOCATION:	Section 35, T. 24 S., R 37 E., NMPM
COUNTY:	Lea County, New Mexico

TABLE OF CONTENTS

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.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☐ **Special Requirements**
- ☐ **Construction**
 - Notification
 - Topsoil
 - Reserve Pit
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
- ☐ **Production (Post Drilling)**
 - Well Structures & Facilities
 - Pipelines
 - Electric Lines
- ☐ **Reserve Pit Closure/Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**

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 Carlsbad Field Office at (505) 234-5972 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 SouthWest 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.

F. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

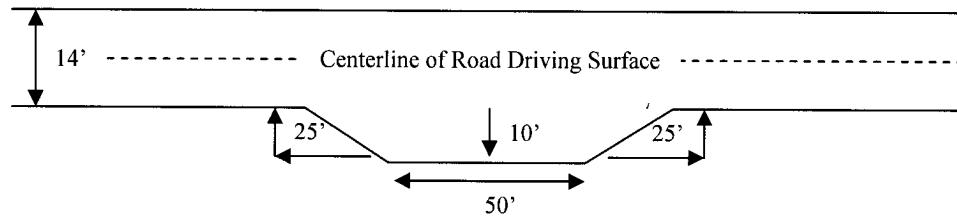
Ditching

Ditching shall be required on both sides of the road.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

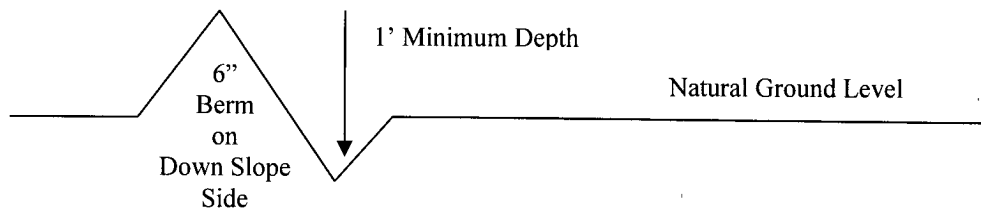


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installations

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Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

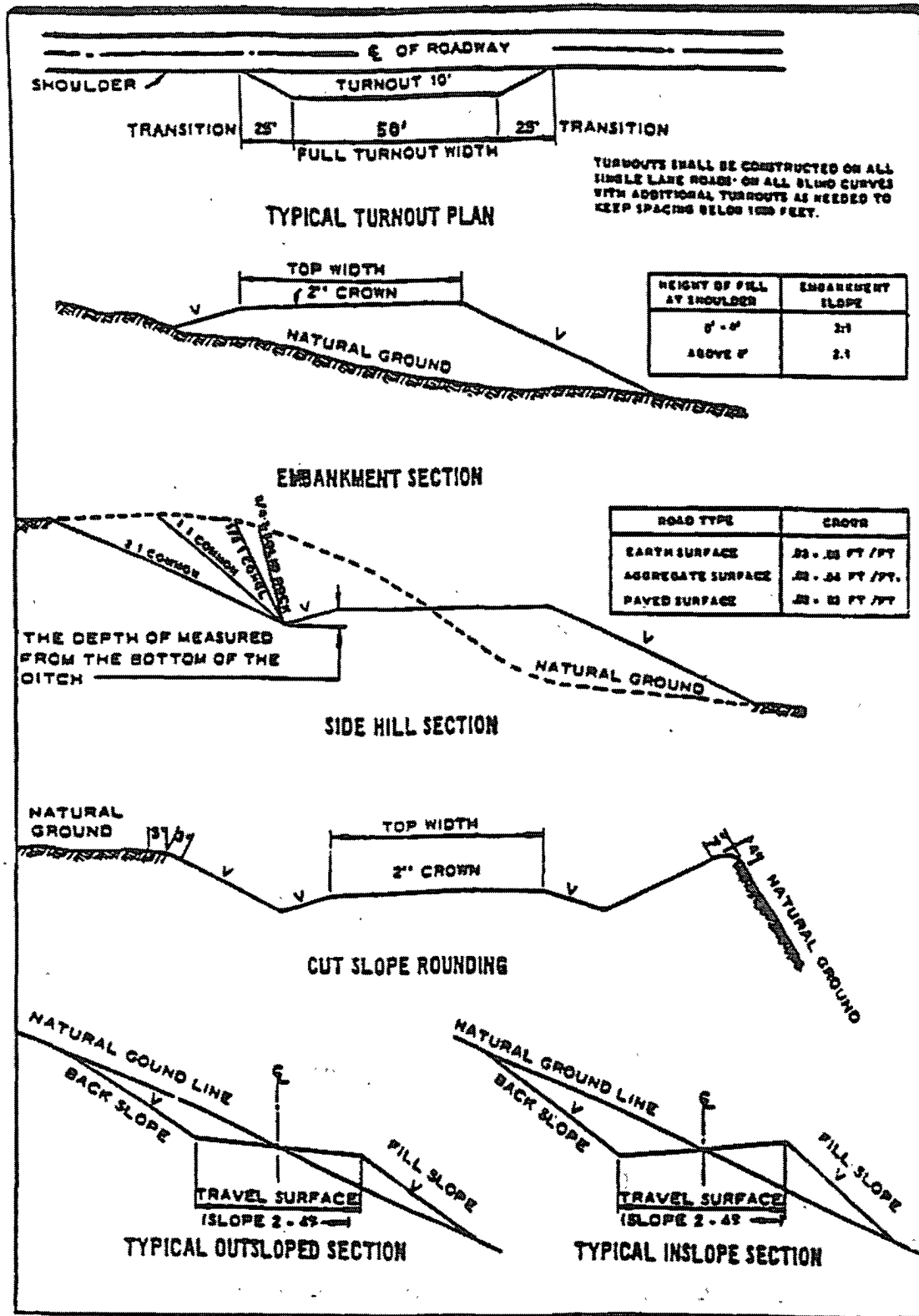
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



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,
(575) 393-3612

1. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the **Yates** formation.
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 – casing to be new pipe

1. The **8-5/8** inch surface casing shall be set **a minimum of 25 feet into the Rustler Anhydrite at approximately 980 feet** and cemented to the surface. **Fresh water mud to be used to this depth.**
 - 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). **Please provide WOC times to inspector for cement slurries.**

- 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 Yates formation.

- 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. **Please provide WOC times to inspector for cement slurries.**
- 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. **BOP/BOPE to be tested as described in Onshore Oil and Gas Order No. 2.**
- 2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M) psi**.
- 3. 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. **NO variance given when two casing strings are used. BOP/BOPE to be tested to full pressure.**

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

WWI 122007

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

B. PIPELINES

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the

release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

- a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
- b. Activities of other parties including, but not limited to:
 - (1) Land clearing.
 - (2) Earth-disturbing and earth-moving work.
 - (3) Blasting.
 - (4) Vandalism and sabotage.
- c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.

6. All construction and maintenance activity will be confined to the authorized right-of-way width of 25 feet.
7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.
8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.
9. The pipeline shall be buried with a minimum of 24 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.
10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.
12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.
13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.
14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder 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 will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

(March 1989)

C. ELECTRIC LINES

STANDARD STIPULATIONS FOR OVERHEAD ELECTRIC DISTRIBUTION LINES

A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to

the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. There will be no clearing or blading of the right-of-way unless otherwise agreed to in writing by the Authorized Officer.
5. Powerlines shall be constructed in accordance to standards outlined in "Suggested Practices for Raptor Protection on Powerlines, " Raptor Research Foundation, Inc., 1981. The holder shall assume the burden and expense of proving that pole designs not shown in the above publication are "raptor safe." Such proof shall be provided by a raptor expert approved by the Authorized Officer. The BLM reserves the right to require modification or additions to all powerline structures placed on this right-of-way, should they be necessary to ensure the safety of large perching birds. Such modifications and/or additions shall be made by the holder without liability or expense to the United States.
6. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
7. The BLM serial number assigned to this authorization shall be posted in a permanent, conspicuous manner where the power line crosses roads and at all serviced facilities. Numbers will be at least two inches high and will be affixed to the pole nearest the road crossing and at the facilities served.
8. Upon cancellation, relinquishment, or expiration of this grant, the holder shall comply with those abandonment procedures as prescribed by the Authorized Officer.
9. All surface structures (poles, lines, transformers, etc.) shall be removed within 180 days of abandonment, relinquishment, or termination of use of the serviced facility or facilities or within 180 days of abandonment, relinquishment, cancellation, or expiration of this grant, whichever comes first. This will not apply where the power line extends service to an active, adjoining facility or facilities.
10. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the Authorized Officer. Holder 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 will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer.

after consulting with the holder.

11. Special Stipulations:

- For reclamation remove poles, lines, transformer, etc. and dispose of properly.
- Fill in any holes from the poles removed.

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 by 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:

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

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed
(Insert Seed Mixture Here)

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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.