

ATSO8-437

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

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
**Split Estate**  
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No. -----	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. <b>LOCKHART "A-27" # 23</b>	
2. Name of Operator <b>APACHE CORPORATION (LANA WILLIAMS 918-491-4980)</b>		9. API Well No. <b>30-025-38114</b>	
3a. Address <b>TWO WARREN PLACE SUITE 1500 6120 SOUTH YALE, TULSA, OKLAHOMA 74136</b>		3b. Phone No. (include area code) <b>36-4224 (PH-918-491-4980)</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface <b>990' FNL &amp; 2375' FWL SECTION 27 T21S-R37E LEA CO. NM</b> At proposed prod. zone <b>960' FNL &amp; 2280' FWL SECTION 27</b>		10. Field and Pool, or Exploratory <b>EUNICE-BLIN., TUBB, DRINKARD</b>	
11. Sec., T. R. M. or Blk. and Survey or Area <b>SECTION 27 T21S-R37E</b>		12. County or Parish <b>LEA CO.</b>	
13. State <b>NEW MEXICO</b>		14. Distance in miles and direction from nearest town or post office* <b>Approximately 1.5 miles Northeast of Eunice New Mexico</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>990'</b>	16. No. of acres in lease <b>640</b>	17. Spacing Unit dedicated to this well <b>40</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>450' ±</b>	19. Proposed Depth <b>6775' TVD or MD</b>	20. BLM/BIA Bond No. on file <b>BLM-CO-1463 NATION WIDE</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3407' GL.</b>	22. Approximate date work will start* <b>WHEN APPROVED</b>	23. Estimated duration <b>18 days</b>	

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

25. Signature <b>Joe T. Janica</b>		Name (Printed Typed) <b>Joe T. Janica</b>		Date <b>03/30/08</b>	
Title <b>Agent</b>		Name (Printed Typed) <b>/s/ Don Peterson</b>		Date <b>JUL 18 2008</b>	
Approved by (Signature) <b>/s/ Don Peterson</b>		Name (Printed Typed) <b>/s/ Don Peterson</b>		Date <b>JUL 18 2008</b>	
Title <b>FIELD MANAGER</b>		Office <b>CARLSBAD FIELD OFFICE</b>			

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**

Under 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly to make any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.  
Conditions of Approval. Approval to drill & test all new zones separate, but cannot produce Downhole commingle until DHC is approved in Hobbs District office according to R-11363

(Instructions on page 2)

**SEE ATTACHED FOR  
CONDITIONS OF APPROVAL**

**Capitan Controlled Water Basin**

**Approval Subject to General Requirements  
& Special Stipulations Attached**

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

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

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

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

JUL 21 2008

2. Name of Operator APACHE CORPORATION

HOBBS OCE

3a. Address 6120 SOUTH YALE SUITE 1500  
TULSA, OKLAHOMA 74136-4224

3b. Phone No. (include area code)  
918-491-4980

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

990' FNL & 2375' FWL SEC. 27 T21S-R37E LEA CO. NM

BHL 990' FNL & 2280' FWL SEC. 27 T21S-R37E LEA CO. NM

5. Lease Serial No.

NM-032096-A

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

LOCKHART "A-27" # 23

9. API Well No.

10. Field and Pool, or Exploratory Area

EUNICE BLIN. TUBB DRINKARD North

11. County or Parish, State

LEA CO. NEW MEXICO

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Change test
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	pressure on B.O.P.
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

1. APACHE CORPORATION requests the approval to reduce the test pressure on their B.O.P. from 3000 PSI to 2000 PSI. The testing is to be done by a third party

Well requires 3M system  
due to depth

wait  
6/28/08

Denied

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

Joe T. Janica

Title Permit Engineer

Signature

Joe T. Janica

Date 06/25/08

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title

Date

Office

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

(Instructions on page 2)

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

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

Form C-102  
Revised October 12, 2005

# OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

RECEIVED  
DISTRICT OFFICE  
Lease - 4 Copies  
Fee Lease - 3 Copies

AUG - 5 2008

HOBBS OIL

AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-39114</b>	Pool Code <b>6660</b>	Pool Name <b>BLINEBRY OIL &amp; GAS</b>
Property Code <b>35423</b>	Property Name <b>LOCKHART A-27</b>	Well Number <b>23</b>
OGRID No. <b>873</b>	Operator Name <b>APACHE CORPORATION</b>	Elevation <b>3407'</b>

### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	21 S	37 E		990	NORTH	2375	WEST	LEA

### Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	21 S	37 E		960	NORTH	2280	WEST	LEA

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

<p><b>SURFACE LOCATION</b> Lat - N32°27'15.92" Long - W103°09'06.33" SPC- N.: 531071.496 E.: 905803.510 (NAD-83)</p> <p><b>BOTTOM HOLE LOCATION</b> Lat - N32°27'16.21" Long - W103°09'07.44" SPC- N.: 531100.323 E.: 905708.191 (NAD-83)</p>	<h3>OPERATOR CERTIFICATION</h3> <p>I hereby certify that the information contained 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 pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Joe T. Janica</i> Signature Date</p> <p>Joe T. Janica 08/04/08 Printed Name</p> <h3>SURVEYOR CERTIFICATION</h3> <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>FEBRUARY 28, 2008</p> <p>Date Surveyed Signature &amp; Seal of Professional Surveyor GARY L. JONES 7977 Certificate No. 1919 BASIN SURVEYS</p>
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DISTRICT I  
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State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-39114</b>	Pool Code <b>60240</b>	Pool Name <b>TUBB OIL &amp; GAS</b>
Property Code <b>35423</b>	Property Name <b>LOCKHART A-27</b>	Well Number <b>23</b>
OGRID No. <b>873</b>	Operator Name <b>APACHE CORPORATION</b>	Elevation <b>3407'</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	21 S	37 E		990	NORTH	2375	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	21 S	37 E		960	NORTH	2280	WEST	LEA

Dedicated Acres <b>40</b>	Joint or Infill	Consolidation Code	Order No.
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OIL CONSERVATION DIVISION

1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>30-025-39114</b>	Pool Code 19190	Pool Name DRINKARD
Property Code <b>35423</b>	Property Name LOCKHART A-27	Well Number 23
OGRID No. 873	Operator Name APACHE CORPORATION	Elevation 3407'

Surface Location

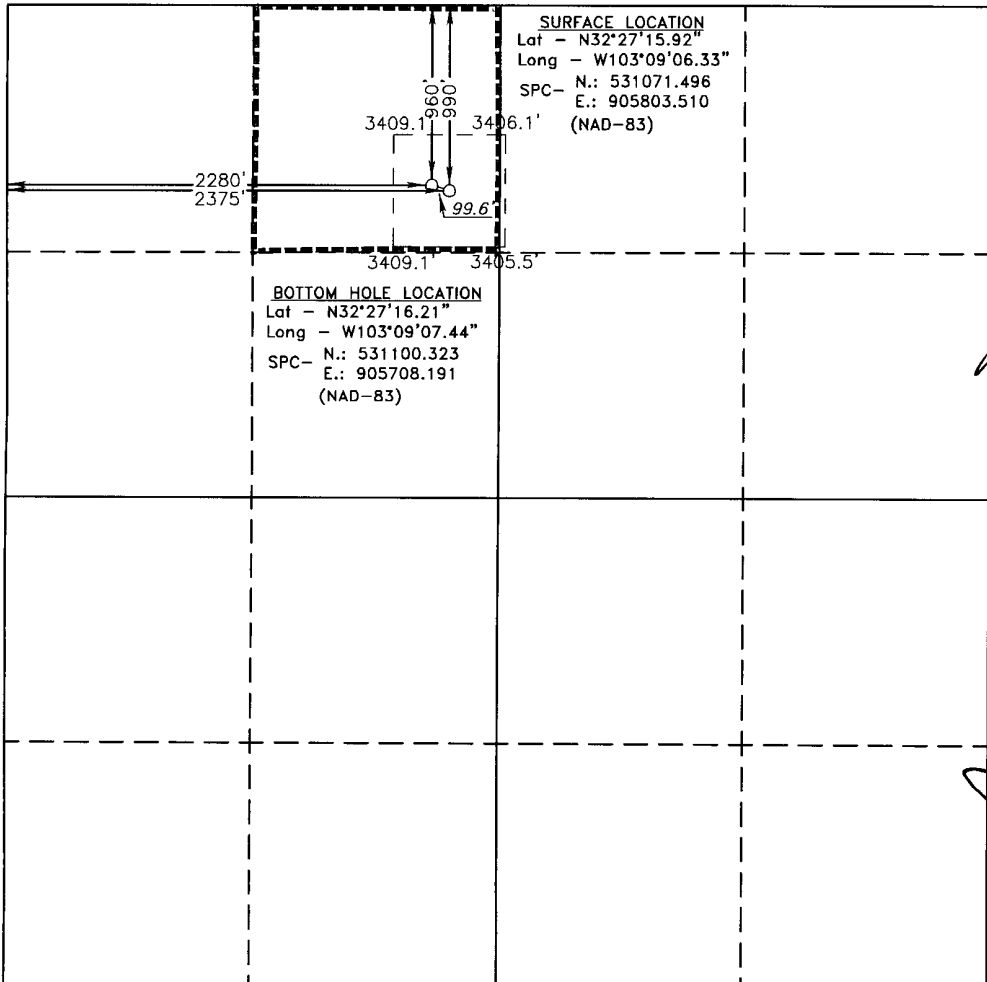
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	21 S	37 E		990	NORTH	2375	WEST	LEA

Bottom Hole Location If Different From Surface

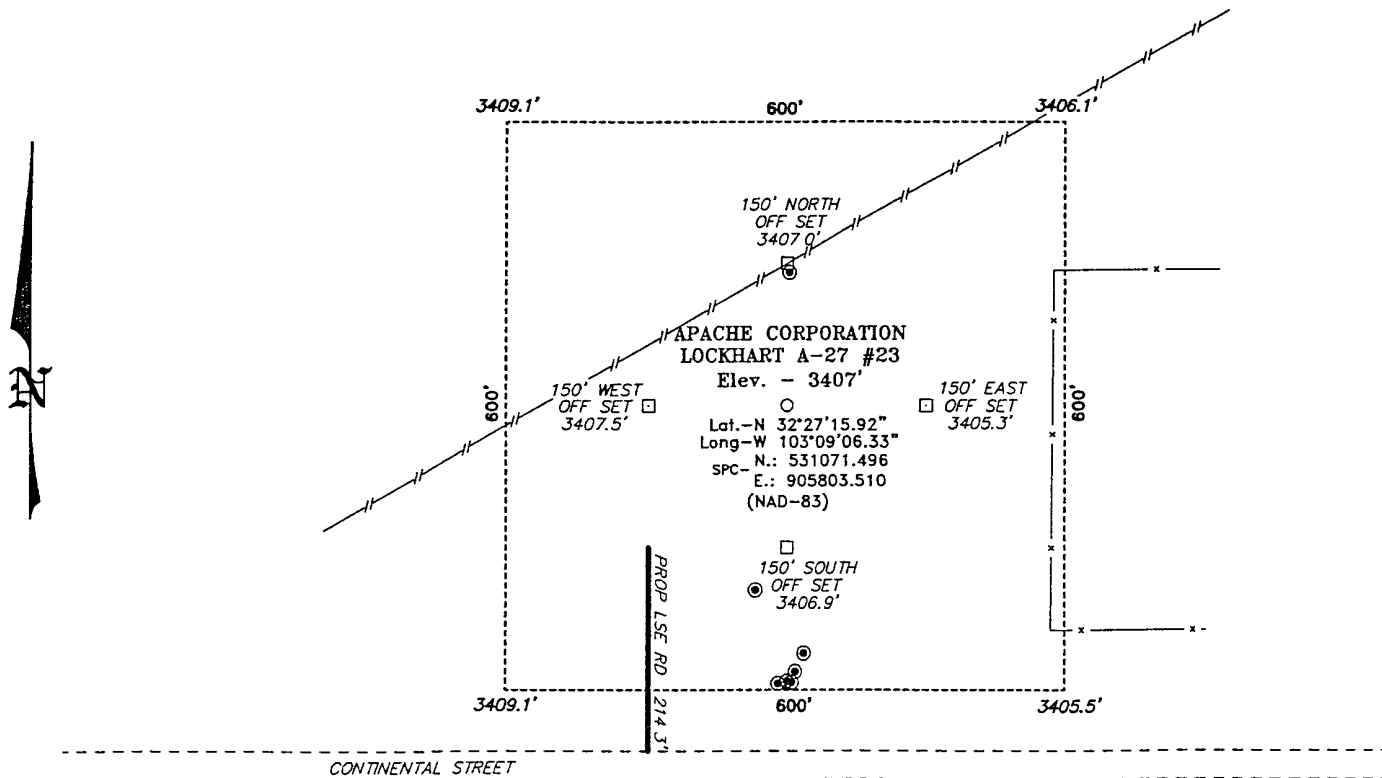
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	27	21 S	37 E		960	NORTH	2280	WEST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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---	--

SECTION 27, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.



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⊙ - DENOTES A MONITOR WELL

200 0 200 400 FEET  
SCALE: 1" = 200'

Directions to Location:

FROM MILE MARKER 1 OF STATE HWY 207, GO SOUTH 0.2 MILES TO CONTINENTAL STREET, ON CONTINENTAL STREET GO EAST 0.4 MILES TO PROPOSED LEASE ROAD.

**BASIN SURVEYS** P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 19190 Drawn By: J. M. SMALL

Date: 02-28-2008 Disk: 19190W JMS

**APACHE CORPORATION**

REF: LOCKHART A-27 #23 / WELL PAD TOPO

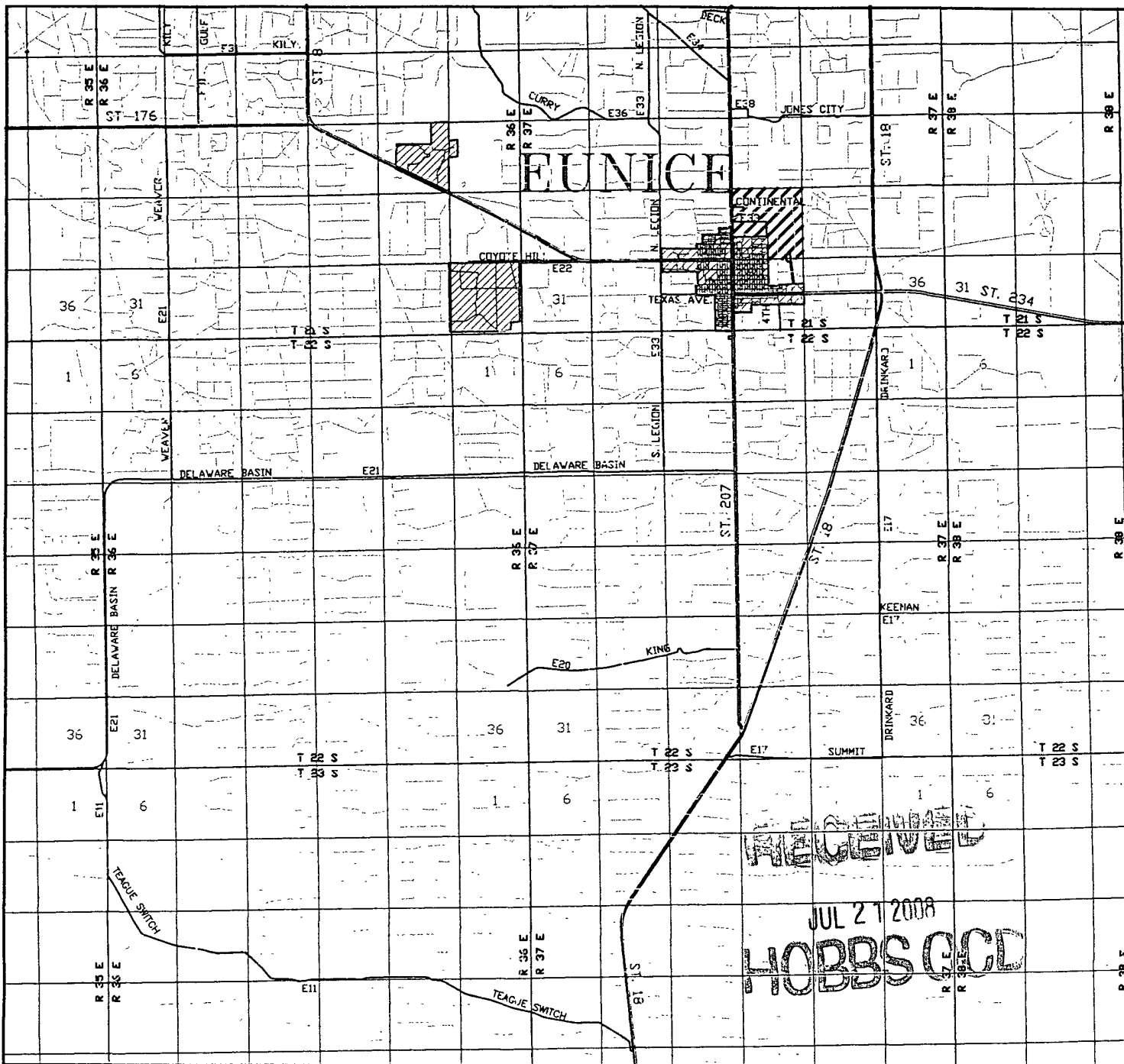
THE LOCKHART A-27 #23 LOCATED 990'

FROM THE NORTH LINE AND 2375' FROM THE WEST LINE OF

SECTION 27, TOWNSHIP 21 SOUTH, RANGE 37 EAST,

N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 02-28-2008 Sheet 1 of 1 Sheets



LOCKHART A-27 #23

Located at 990' FNL AND 2375' FWL

Section 27, Township 21 South, Range 37 East,  
N.M.P.M., Lea County, New Mexico.

**basin  
surveys**

focused on excellence  
in the oilfield

P.O. Box 1786  
1120 N. West County Rd.  
Hobbs, New Mexico 88241  
(505) 393-7316 - Office  
(505) 392-3074 - Fax  
basinsurveys.com

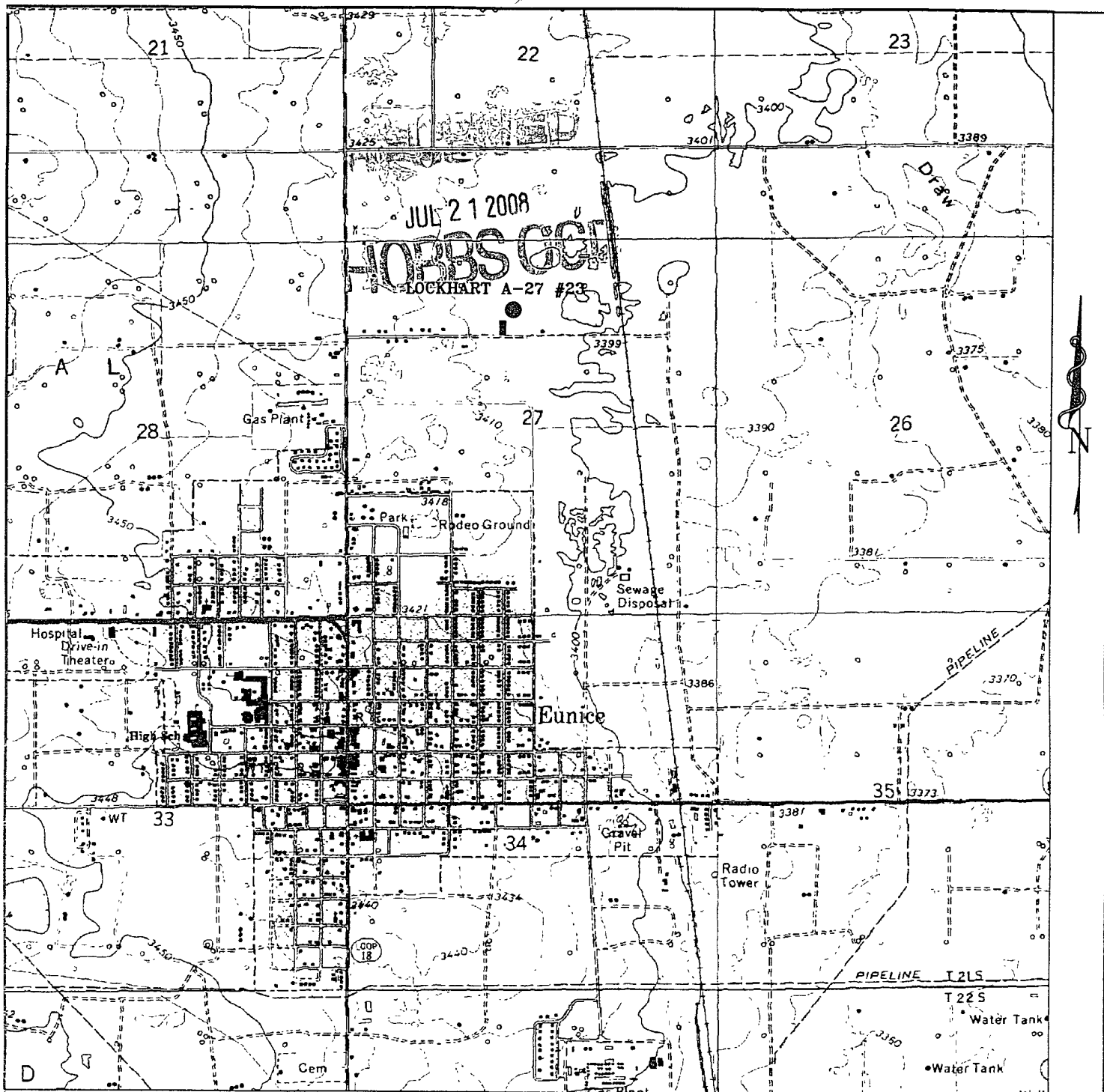
W.O. Number: JMS 19190TR

Survey Date: 02-28-2008

Scale: 1" = 2 MILES

Date: 02-28-2008

APACHE  
CORP.



**LOCKHART A-27 #23**

Located at 990' FNL AND 2375' FWL  
 Section 27, Township 21 South, Range 37 East,  
 N.M.P.M., Lea County, New Mexico.

**basin  
surveys**

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in the oilfield

P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
 basinsurveys.com

W.O. Number: 19190T

Survey Date: 02-28-2008

Scale: 1" = 2000'

Date: 02-28-2008

**APACHE  
CORP.**



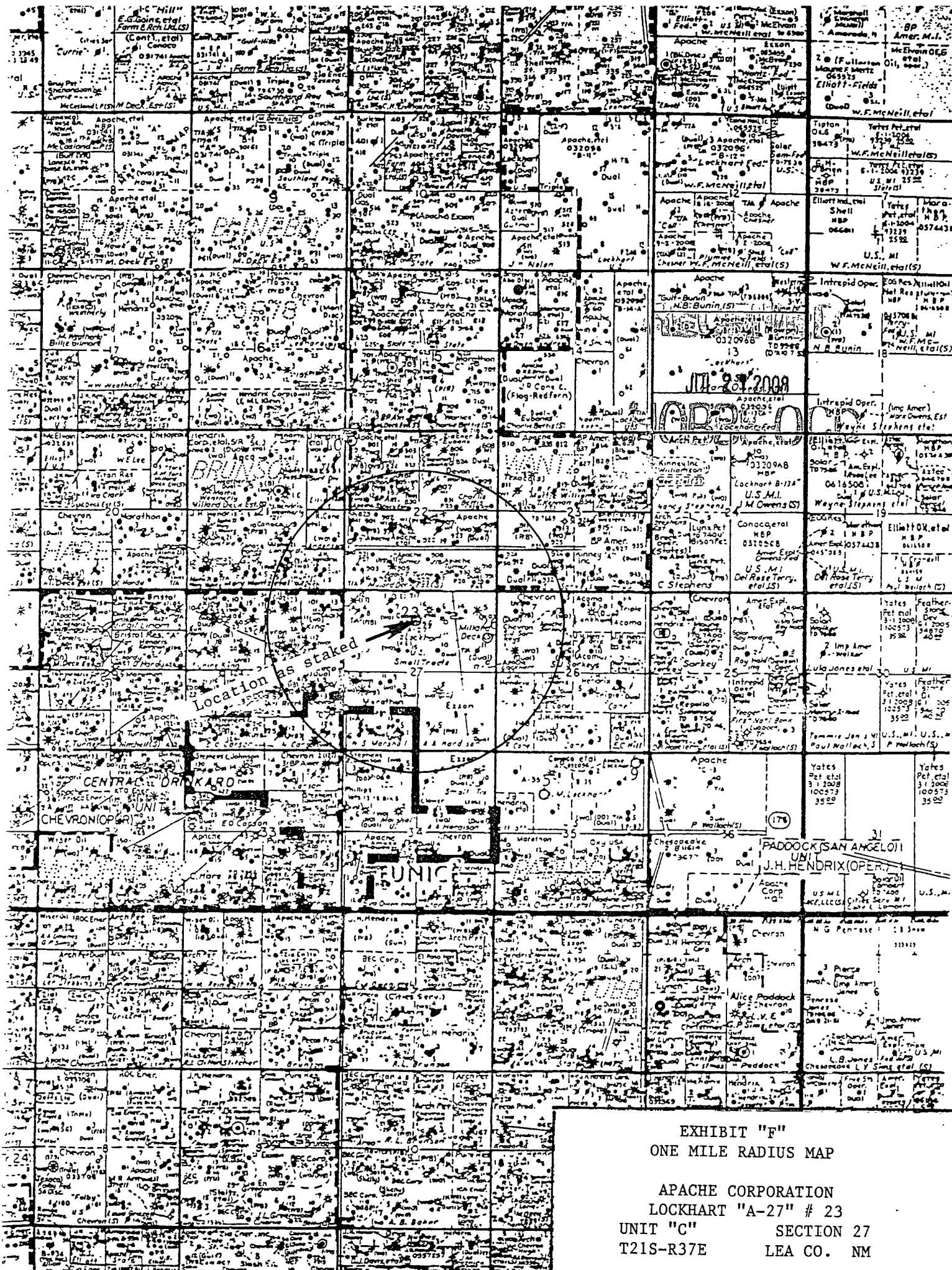


EXHIBIT "F"  
ONE MILE RADIUS MAP  
APACHE CORPORATION  
LOCKHART "A-27" # 23  
UNIT "C" SECTION 27  
T21S-R37E LEA CO. NM

T.19 S.

T.20 S.

T.21 S.

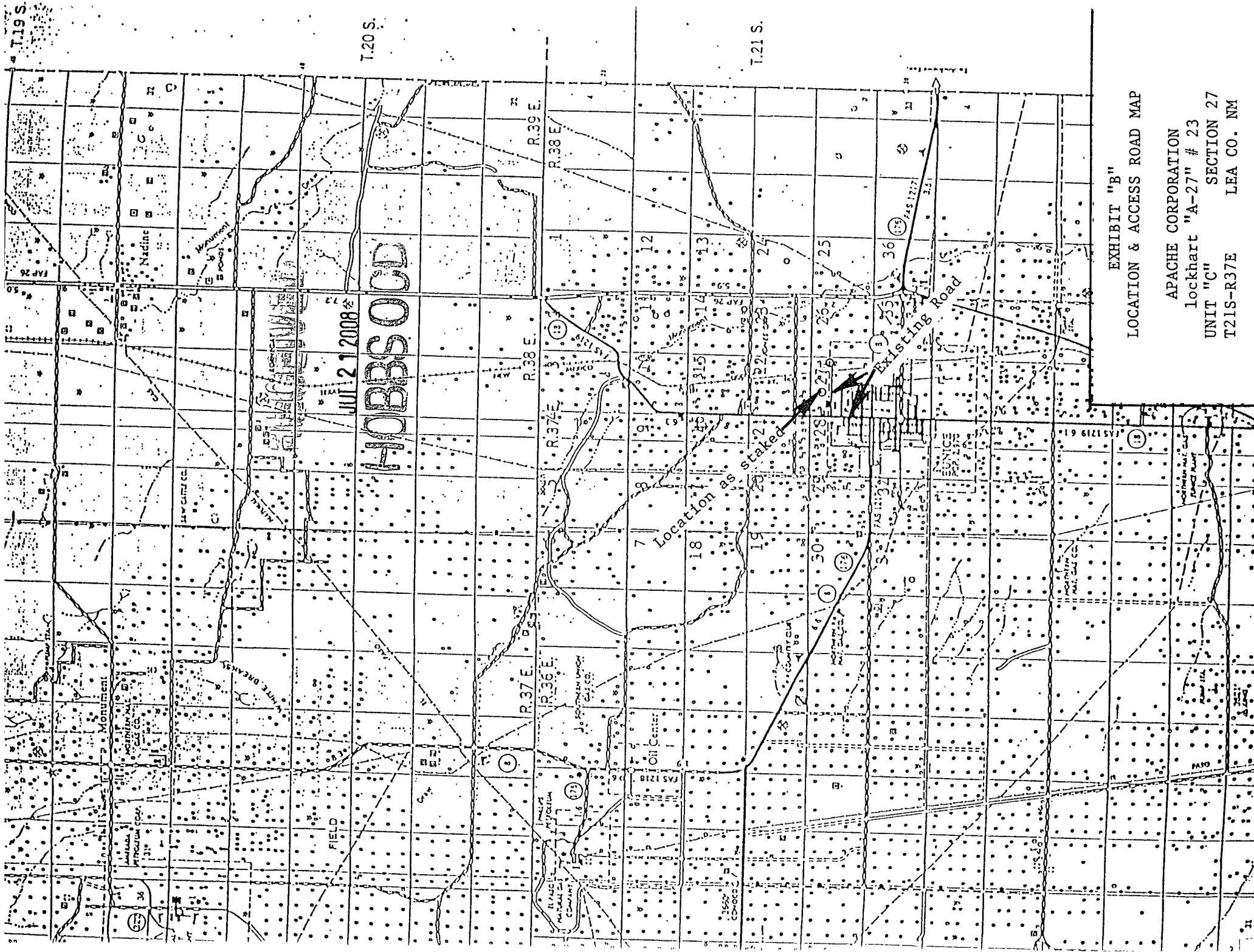


EXHIBIT "B"

LOCATION & ACCESS ROAD MAP

APACHE CORPORATION

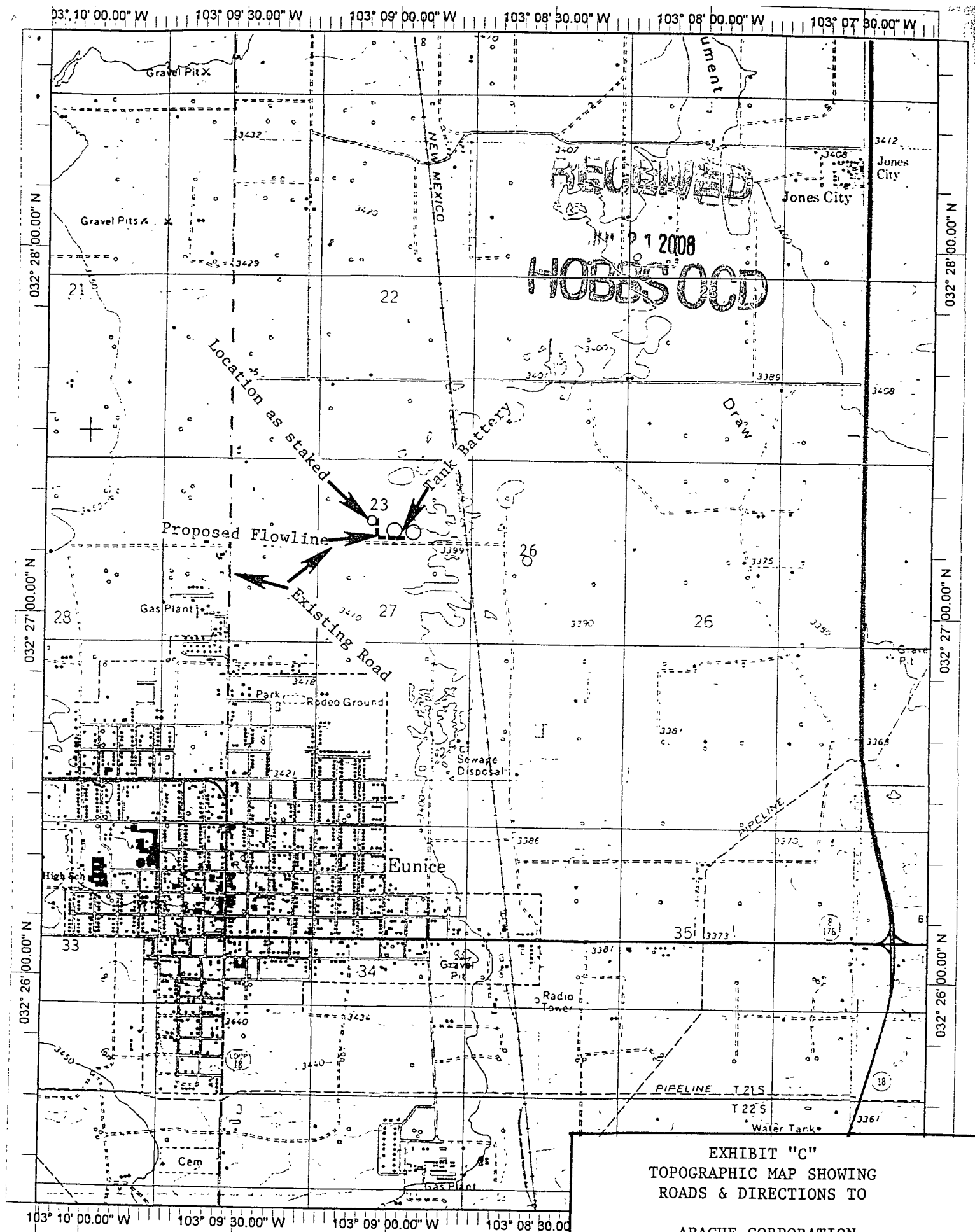
lockhart "A-27" # 23

UNIT "C"

SECTION 27

T21S-R37E

LEA CO. NM



Datum: NAD27

Copyright (C) 1999, Maptech, Inc.

EXHIBIT "C"  
TOPOGRAPHIC MAP SHOWING  
ROADS & DIRECTIONS TO

APACHE CORPORATION  
LOCKHART "A-27" # 23  
UNIT "C" SECTION 27  
T21S-R37E LEA CO. NM

## APPLICATION TO DRILL

APACHE CORPORATION  
 LOCKHART "A-27" # 23  
 UNIT "C" SECTION 27  
 T21S-R37E LEA CO. NM

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In response to questions asked under Section II of Bulliten NTL-6, the following information on the above will be provided.

1. LOCATION: 990' FNL & 2375' FWL SECTION 27 T21S-R37E LEA CO. NM
2. ELEVATION ABOVE SEA LEVEL: 3407' GL
3. GEOLOGICAL NAME OF SURFACE FORMATION: Quaternary Aeolian Deposits.
4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. PROPOSED DRILLING DEPTH: 6775' TD
6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:
 

Rustler Anhydrite	1196'	Glorieta	5063
Yates	2531'	Blaineby Marked	5507'
Queen	3324'	Tubb	6007
Grayburg	3636'	Drinkard	6347'
San Andres	3875'	Abo	6612'
7. POSSIBLE MINERAL BEARING FORMATIONS:
 

Blaineby	Oil
Tubb	Oil
Drinkard	Oil
8. CASING PROGRAM:

HOLE SIZE	INTERVAL	OD OF CASING	WEIGHT	THREAD	COLLAR	GRADE	CONDITION
26"	0-40'	20"	NA	NA	NA	Conductor	New
12½"	0-1300'	8 5/8"	24#	8-R	ST&C	J-55	New
7 7/8"	0-1000'	5½"	17#	8-R	LT&C	L-80	New
7 7/8"	1000-6775'	5½"	17#	8-R	LT&C	J-55	New

Design Factors: Collapse 1.125 Burst 1.0 Body Yield 1.5 Joint Strength  
 Buttress 1.6  
 8-R 1.8

SEE ATTACHED PAGES OF DRILLING PROGRAM FOR DETAILED INFORMATION

## APPLICATION TO DRILL

APACHE CORPORATION  
 LOCKHART "A-27" # 23  
 UNIT "C" SECTION 27  
 T21S-R37E LEA CO. NM

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HOBBS OCD

9. CASING CEMENTING & SETTING DEPTHS:

20"	Conductor	Set 40' of 20' conductor pipe and cement to surface with Redi-mix.
8 5/8"	Surface	Run and set 1300'± of 8 5/8" 24# J-55 ST&C casing. Cement with 450 Sx. of 35/65 CLASS "C" POZ + 2% CaCl, + .25#/Sx. of Celo-flakes/Sx. + 66% Bentonite Gel, Yield 1.8, tail in with 200 Sx. of Class "C" cement + 2% CaCl, + .125# Celo-flakes/Sx. Yield 1.3 circulate cement to surface.
5 1/2"	Production	Run and set 5 1/2" casing as follows: 5775' of 5 1/2" 17# J-55 LT&C, 1000' of 5 1/2" 17# L-80 LT&C casing. Cement with 700 Sx. of 50/50 Class "C" POZ (Fly-ash) + 5% NaCl. + .125# Celo-flakes/Sx. + .5% FL-52A + 10% Bentonite, Yield 2.4, tail in with 400 Sx. of 50/50 Class "C" POZ (Fly Ash) + 5% NaCl, + .6% FL-25, + 2% Bentonite, Yield 1.0., circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 series 3000 PSI working pressure B.O.P.. Consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. This B. O. P. will be mipped up on the 8 5/8" surface casing and tested to API specifications by a third party before drilling out from under the surface casing. The B. O. P. will be operated at least once in each 24 hour period and the blind rams will be operated when the drill pipe is out of the hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E" also shows a 3" ~~5000~~ <sup>3000</sup> PSI choke manifold with dual adjustable chokes with a 3" blow down line. No abnormal pressures or abnormal temperatures are expected while drilling this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC	FLUID LOSS	TYPE SYSTEM
40-1300'	8.6-9.2	28-34	NC	Fresh water Spud Mud add paper to control seepage, clean hole with high viscosity sweeps.
1300-6300'	10.0-10.2	28-32	NC	Drill out with Brine water using paper to control seepage, use lime for pH control(9.5-10)
6300-TD	10.0-10.2	36-42	8-10 cc or less	Brine water use caustic soda to pH control,(9.5-10) Use Starch (Yellow) to control water loss, use high 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 open hole logs, DST's and casing, water loss and viscosity may have to be adjusted in order to meet these needs.

APPLICATION TO DRILL

APACHE CORPORATION  
LOCKHART "A-27" # 23  
UNIT "C" SECTION 27  
T21S-R37E LEA CO. NM

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12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Laterlog, CNL, LDT, MSFL, SONIC, Gamma Ray, Caliper from TD back to the 8 5/8" casing shoe.
- B. Run CNL, Gamma Ray from 8 5/8" casing shoe back to surface.
- C. Mud logger will be rigged up on the hole at 5000'± and remain on hole to TD.
- D. No cores or DST's are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H<sup>2</sup>S in this area. If H<sup>2</sup>S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 2200 PSI, and Estimated BHT 130°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 18 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Blinebry Tubb Dr. formations will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

LOCKHART A-27 # 23  
DRILLING PROGRAM

The geological surface formation is recent Permian with quaternary alluvium and other surficial deposits.

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Estimated Tops of Geological Markers:

<u>FORMATION</u>	<u>DEPTH</u>
Quaternary alluvials	Surface
✓ Rustler	1196'
✓ Yates	2531'
Seven Rivers	2759'
✓ Queen	3324'
Grayburg	3636'
✓ San Andres	3875'
✓ Glorieta	5063'
✓ Blinebry Marker	5507'
✓ Tubb	6007'
✓ Drinkard	6347'
✓ Abo	6612'
TD	6775'

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

<u>SUBSTANCE</u>	<u>DEPTH</u>
Oil	Blinebry Marker @ 5507' Tubb @ 6007' Drinkard @ 6347'
Gas	None anticipated
Fresh Water	None anticipated

All fresh water and prospectively valuable minerals (as described by BLM) encountered during drilling will be recorded by depth and adequately protected. All oil and gas shows within zones of correlative rights will be tested to determine commercial potential.

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Proposed Casing Program:

<u>HOLE E SIZE</u>	<u>CASING SIZE OD / ID</u>	<u>GRAD E</u>	<u>WEIGHT T PER FOOT</u>	<u>DEPTH</u>	<u>SACKS CEMENT</u>	<u>ESTIMATED TOC - REMARKS</u>
12 1/4"	8 5/8" 8.097"	J55 STC	24#	1300'	650	TOC - Surface 8.9 ppg Water-based Mud; 89 ° F Est. Static Temp; 83 ° F Est. Circ. Temp.
7 7/8"	5 1/2" 4.892"	L80 LTC	17#	0 – 1,000'	1,100	TOC – Surface Float Collar set @ 6855' / 10.10 ppg Brine Mud; 141 ° F Est. Static Temp; 117 ° F Est. Circ. Temp.
	5 1/2" 4.892"	J55 LTC	17#	1,000 – 6,775'		

Proposed Cement Program:

<u>CASING</u>	<u>LEAD SLURRY</u>	<u>TAIL SLURRY</u>	<u>DISPLACEMENT</u>
8 5/8"	450 sacks 35:65 Poz:Class C Cement + 2% bwoc Calcium Chloride + 0.25 lbs/sack Cello Flake + 6% bwoc Bentonite gel 846 Vol. Cu Ft 1.8 Vol. Factor Slurry Weight (ppg) 12.7 Slurry Yield (cf/sack) 1.88 Amount of Mix Water (gps) 10.7; <u>Estimated Pumping</u> <u>Time – 70 BC</u> <u>(HH:MM)-5:00;</u>	200 sacks Class C Cement + 2% bwoc Calcium Chloride + 0.125 lbs/sack Cello Flake + 56.3% Fresh Water 270 Vol. Cu Ft 1.3 Vol. Factor Slurry Weight (ppg) 14.8 Slurry Yield (cf/sack) 1.35 Amount of Mix Water (gps) 6.35 Estimated Pumping Time – 70 BC (HH:MM)-3:15;	80.3 bbls Fresh Water @ 8.33 ppg

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8 5/8" Casing: Volume Calculations:

1,300 ft	x	0.4127 cf/ft	with 100% excess	=	1,072.5 cf
40 ft	x	0.3576 cf/ft	with 0% excess	=	14.3 cf (inside pipe)
TOTAL SLURRY VOLUME				=	1,086.8 cf
				=	193.6 bbls

Spacer      20.0 bbls Water @ 8.33 ppg

<u>CASING</u>	<u>LEAD SLURRY</u>	<u>TAIL SLURRY</u>	<u>DISPLACEMENT</u>
5 1/2"	700 sacks (50:50) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.5% bwoc FL-52A + 10% bwoc Bentonite 1,715 Vol. Cu Ft 2.4 Vol. Factor Slurry Weight (ppg) 11.8 Slurry Yield (cf/sack) 2.45 Amount of Mix Water (gps) 14.07; <u>Estimated Pumping Time</u> <u>- 70 BC (HH:MM)-</u> 4:30;	400 sacks (50:50) Poz (Fly Ash):Class C Cement + 5% bwow Sodium Chloride +0.6% bwoc FL-25 + 2% bwoc Bentonite 520 Vol. Cu Ft 1. Vol. Factor Slurry Weight (ppg) 14.2 Slurry Yield (cf/sack) 1.30 Amount of Mix Water (gps) 5.91; Estimated Pumping Time - 70 BC (HH:MM)-4:00;	156.5 bbls 2% Kcl Water @ 8.43 ppg

5 1/2" Casing: Volume Calculations:

1300 ft	x	0.1926 cf/ft	with 0% excess	=	250.2 cf
3759 ft	x	0.1733 cf/ft	with 120% excess	=	1,432.0 cf
1716 ft	x	0.1733 cf/ft	with 80% excess	=	534.9 cf
40 ft	x	0.1305 cf/ft	with 0% excess	=	5.2 cf(inside pipe)
TOTAL SLURRY VOLUME				=	2,222.4 cf
				=	395.8 bbls

All slurries will be tested prior to loading to confirm thickening times and a lab report furnished to Apache. Fluid loss will be tested and reported on slurries with fluid loss additives. Lab test report will be furnished prior to pumping cement.

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Apache Corp  
LOCKHART A-27 #23

Directional Well Planner

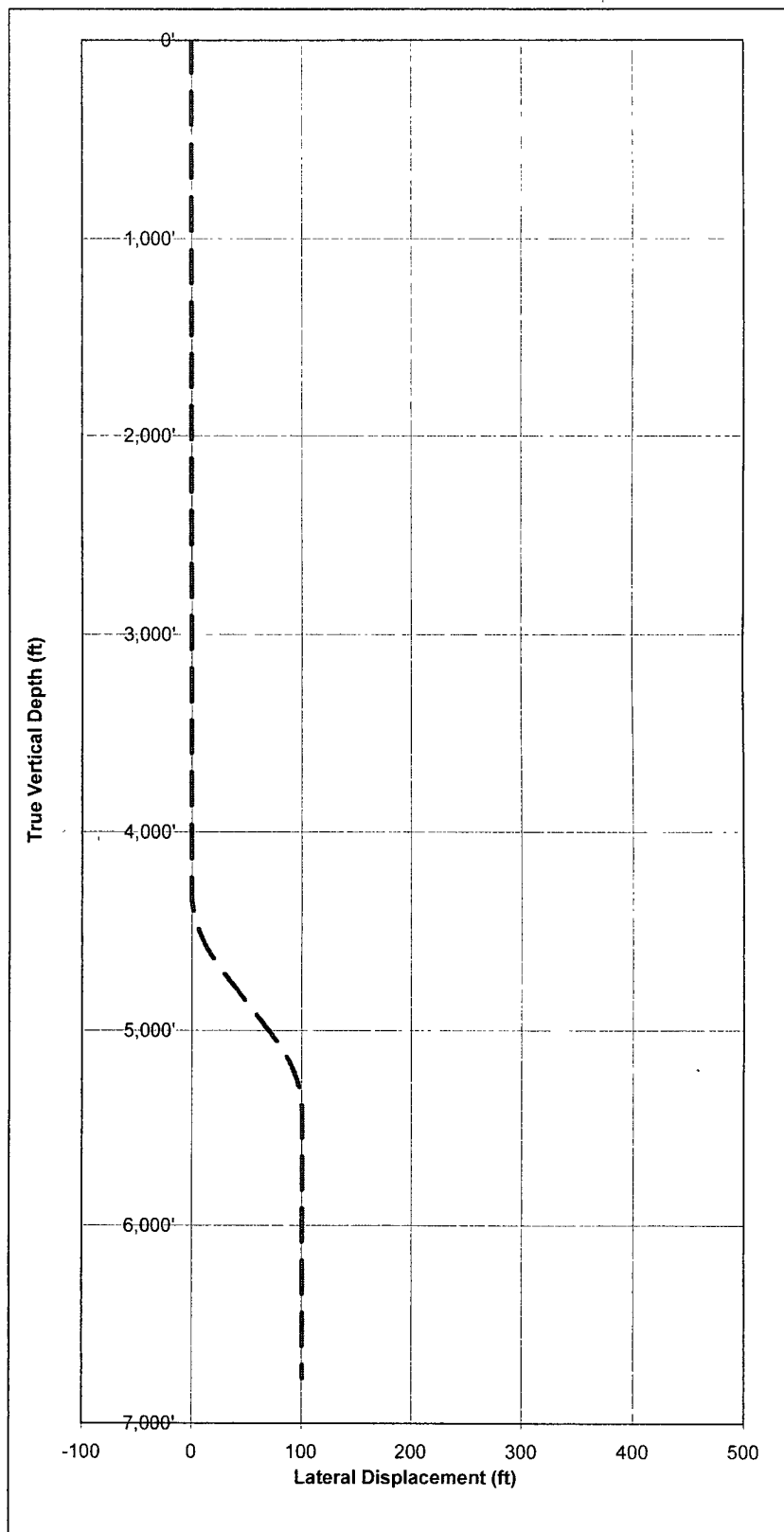
	Sec	FNL	FWL
Surface Location	27	990'	2,375'
Btm Hole Location	27	960'	2,280'
Displacement (N/S & E/W)		30'	95'
Direction (Surf -> BHL)		N	W
Direction (deg.)			287.53 °
Total Displacement			100'
Surface Casing			1,300'
Target Depth			5,450'
Btm Hole Loc Depth			6,775'

Surface Casing Depth	1,300'
Kick Off Depth	4,300'
Max. Build / Drop (deg /100')	2 0

Built & Hold

	TMD	Inclination	Lat. displacement	TVD
	0'	0	0	0'
Kick Off	4,300'	0 0	0.0	4,300.0'
	4,400'	2 0	1 7	4,400 0'
	4,500'	4 0	7 0	4,499 8'
	4,600'	6 0	15.7	4,599.5'
	4,700'	8 0	27.9	4,698 7'
	4,800'	8 0	41.8	4,797.7'
	4,900'	8 0	55.7	4,896.8'
	5,000'	8 0	69.6	4,995 8'
	5,030'	8 0	73.8	5,025 5'
	5,120'	6 0	84.8	5,114 8'
	5,220'	4 0	93 5	5,214 5'
	5,320'	2 0	98.7	5,314.3'
	5,420'	0 0	100 5	5,414 3'
	5,520'	0 0	100 5	5,514 3'
	6,781'	0 0	100.5	6,775 0'

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# Proposed Mud Program

<u>DEPTH</u>	<u>MUD PROPERTIES</u>	<u>REMARKS</u>
0 – 1,300'	Weight: 8.6 – 9.2 ppg Viscosity: 28 – 34 sec/qt  pH: 9.0 – 9.5 Filtrate: NC	Spud with a Conventional Gel/Lime "Spud mud". Use gel and native solids to maintain a sufficient viscosity to keep the hole clean. Mix Paper one-two sacks every 100 feet drilled to minimize wall cake build up on water sands and to control seepage loss. Every 500' sweep the hole with 50 bbls of pre-mixed freshwater, gel and lime having a viscosity of 45-50 sec/qt.
1300' – 6300'	Weight: 10 10.0 – 10.2 ppg Viscosity: 28 – 32 sec/qt  pH: 9.5 -10 Filtrate: NC	Drill out from under the surface casing with Brine Water. Paper should be added at 2 bags after every 100' drilled to control seepage losses. Use Lime to maintain pH at 9-10. Mix one gallon of Anco Drill N at flowline every 250 feet drilled to promote solids settling
6300' – TD	Weight: 10.0 – 10.2 ppg Viscosity: 36 – 42 sec/qt  pH: 9.5 -10 Filtrate: 8-10 cm/30 min	From 6300' to Total Depth, it is recommended the system be restricted to the working pits. Adjust and maintain pH with Caustic Soda. Treat system with WT-22 @ 0.1 ppb. Mix Starch (yellow) to control API filtrate at 8-10 cc. Sweep hole with Anco Drill N every 100'.

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Proposed Control Equipment:

Will install on the 8 5/8" surface casing a 9" x 3000 psi WP Double Ram BOP and will test using a 3<sup>rd</sup> party tester before drilling out of surface casing.

Auxiliary Equipment:

9" x 3000 psi double BOP/blind & pipe ram  
4 1/2" x 3000 psi Kelly valve  
9" x 3000 psi mud cross – H<sub>2</sub>S detector on production hole  
Gate-type safety valve 3" choke line from BOP to manifold  
2" adjustable chokes – 3" blowdown line

Logging Program:

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The following logs may be run:

CNL, LDT, GR, CAL, DLL, MSFL, NGT, Sonic from TD-1300'  
CNL, GR from TD-Surface

Mudlogging Program:

It is planned to utilize a mud logger catching samples from 5,000' to TD

No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, however, the proposed mud program will be modified to increase the mud-weight. The estimated maximum bottom hole pressure is 2,200 psi.

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Bottom Hole Pressure Calculations

Since January 1, 2003, Apache has drilled 120 Blinebry, Tubb, Drinkard wells in the Eunice Area. Data gained from those wells have demonstrated that:

1. The environment of deposition of the reservoir carbonate facies was extremely variable. Compartmentalized reservoirs are expected. Every wellbore will contain some pay zones that are at, or near, original pressure and some that are drawn down to various extents.
2. Pressures obtained from wireline tests conducted in wells drilled in 2003 and 2004 were not as expected. Pay zones expected to be drawn down often were not and those expected to be at original pressure often were not.
3. Continuity of pay zones determined from log analysis and correlation of those pay zones is much less than 50%.

Apache estimated bottom hole pressure by multiplying the median depth of perforations in the Blinebry, Tubb, and Drinkard by 0.44, then subtracting a few hundred pounds based upon number of and cumulative production from nearby offsets.

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For example:

Hawk B-1 #61

Expected median depth of perforations:  $6150 \times 0.44 = 2706$

Reduction due to offset production: 500

Expected bottom hole pressure: 2200

### Hydrogen Sulfide Drilling Operations Plan

No H<sub>2</sub>S is anticipated.

### Surface Location

NW ¼ of Section 27, Township 21 South, Range 37 East, N.M.P.M.  
Lea County, New Mexico  
990' FNL, 2375' FWL, Unit C

### Bottom Hole Location

NW ¼ of Section 27, Township 21 South, Range 37 East, N.M.P.M.  
Lea County, New Mexico  
960' FNL, 2280' FEL, Unit C

### Directional Drilling Plan

This well will be drilled with a total lateral displacement from surface to bottom hole location of 100' in a ESE direction. The directional drilling plan for this well is to drill vertically from surface to a TVD of 4,300'. From 4,300' TVD angle will be built at a rate of 2°/100' up to 8°. This angle will be maintained to a TVD of 5,030' at which time the angle will be dropped to vertical at a rate of 2°/100'. The well will be drilled approximately vertically from a TVD of 5,425' to a TVD of 6,775' (approx. 6,780' TMD).

Leases Issued: LC-032096A

### Operating Rights:

ConocoPhillips Company	50 %
Chevron	25%
Apache Corporation	25%

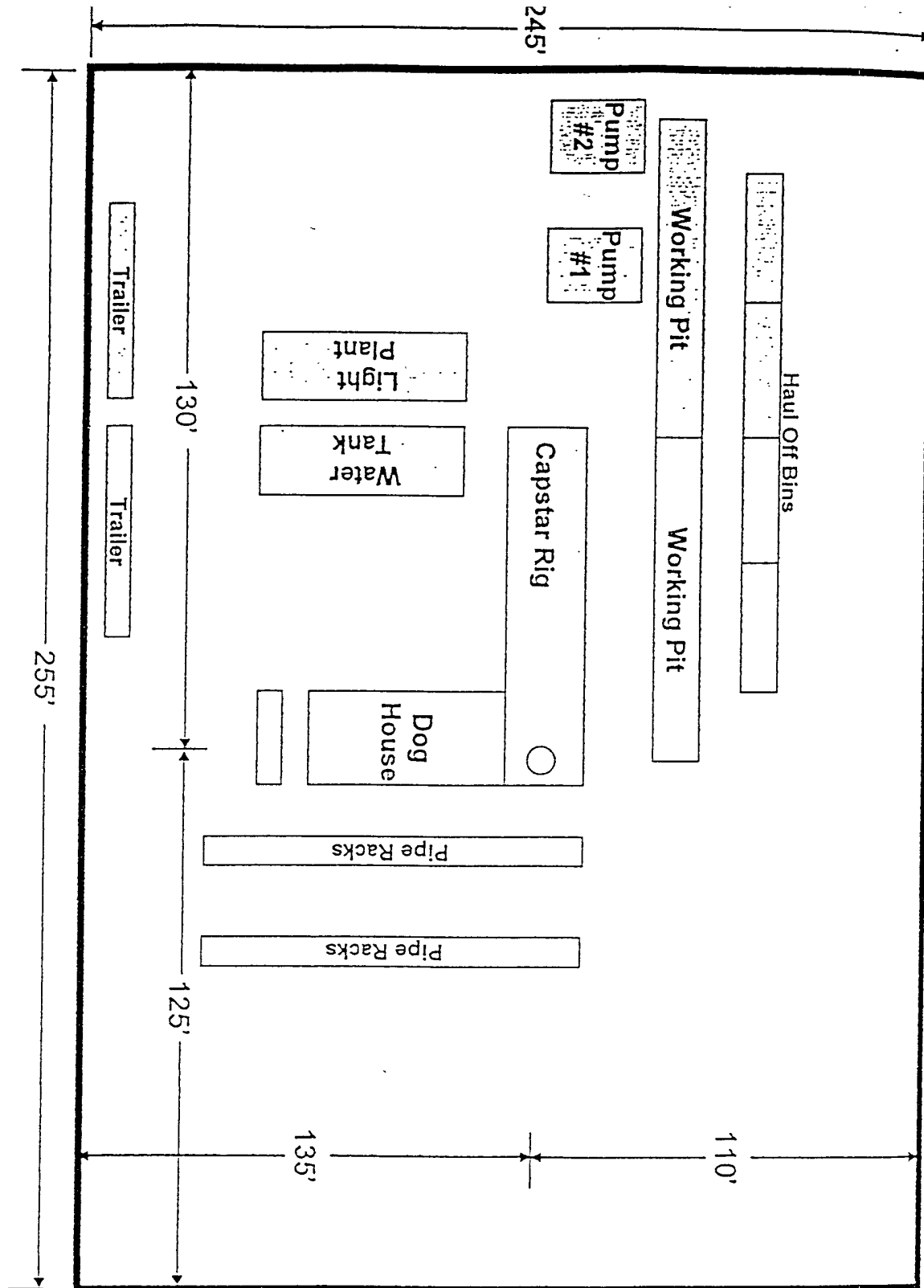
### Acres in Lease:

Township 21 South, Range 37 East, NMPPM

SEC	17	E2NE, W2SW, NESE;
SEC	27	N2;
SEC	35	NWNW, E2NW

Total Acres 640.00

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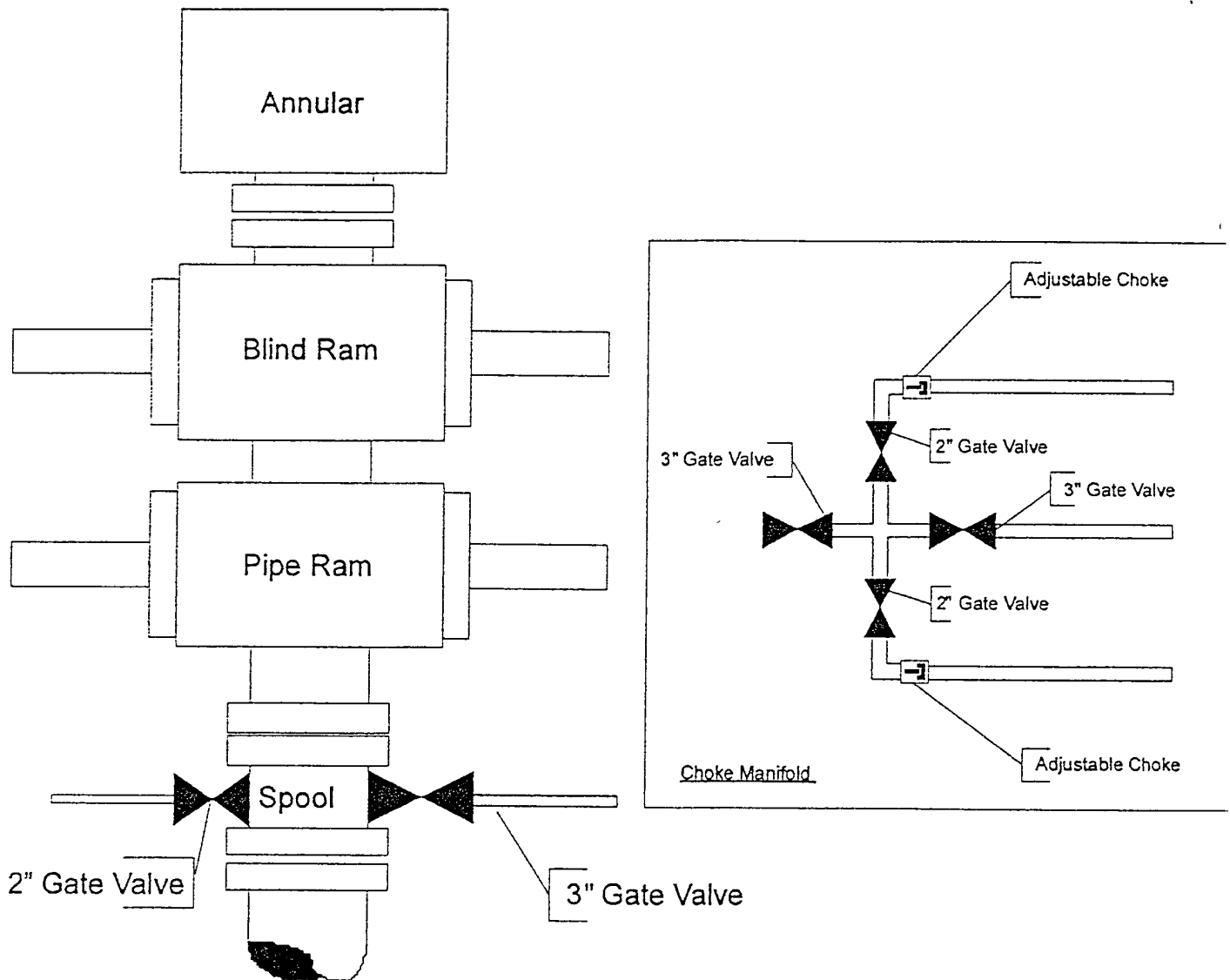
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EXHIBIT "G"  
RIG LAY OUT PLAT

APACHE CORPORATION  
LOCKHART "A-27" # 23  
UNIT "C" SECTION 27  
T21S-R37E LEA CO. NM

3000psi -  
BOPE



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EXHIBIT "H"  
BOP & CHOKE MANIFOLD

APACHE CORPORATION  
LOCKHART "A-27" # 23  
UNIT "C" SECTION 27  
T21S-R37E LEA CO. NM

## PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Apache Corporation
LEASE NO.:	NMLC032096A
WELL NAME & NO.:	Lockhart A-27 No 23
SURFACE HOLE FOOTAGE:	990' FNL & 2375' FWL
BOTTOM HOLE FOOTAGE:	960' FNL & 2280' FWL
LOCATION:	Section 27, T. 21 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 – Closed-loop system
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
- ☐ **Production (Post Drilling)**
  - Pipelines
- ☐ **Reserve Pit Closure/Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**

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## **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.

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## **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 operator has applied for a closed-loop system. The operator shall properly dispose of drilling contents at an authorized disposal site.

### **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.

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## 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 (H<sub>2</sub>S) Drilling Plan should be activated 500 feet prior to drilling into the **Blinebry** formation. **Hydrogen Sulfide has been reported measuring 200-800 ppm in gas streams and 400-130,000 ppm in STVs. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**
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

**Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work.**

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

**Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing.**

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

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1. The **8-5/8 inch** surface casing shall be set **at approximately 1300 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with 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, a remedial cement job will be done prior to drilling out that string.
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.
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.

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- 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.

**D. DRILL STEM TEST**

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

**WWI 052208**

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## **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.

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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)

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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)

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## **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.

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.

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## Seed Mixture 2, for Sandy 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 of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/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>
Sand dropseed ( <i>Sporobolus cryptandrus</i> )	1.0
Sand love grass ( <i>Eragrostis trichodes</i> )	1.0
Plains bristlegrass ( <i>Setaria macrostachya</i> )	2.0

\*Pounds of pure live seed:

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

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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.

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INTERIM OPERATOR AGREEMENT

LOCKHART A-27 #23

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THIS AGREEMENT is made and entered into this July 08, 2008, by and between ConocoPhillips Company (hereinafter referred to as "Operator") with an address of 600 North Dairy Ashford, Houston, Texas 77079, in its capacity as Operator and Apache Corporation, with an address of 6120 South Yale, Suite 1500, Tulsa, Oklahoma 74136-4224, (hereinafter referred to individually as "Interim Operator"), Chevron U.S.A. Inc., (herein after referred to as "Non-Operator"), and Operator, Interim Operator and Non-Operator are hereinafter referred to collectively as "Parties".

WITNESSETH

WHEREAS, Operator is designated Operator, pursuant to that certain Operating Agreement dated September 1, 1989 by and between Conoco Inc., as Operator and Atlantic Richfield Company, Chevron U.S.A. Inc. and Amoco Production Company, as Non-Operators; and

WHEREAS, Operator, Interim Operator, Non-Operator and BP America Production Company comprise all current parties to the Operating Agreement; and

WHEREAS, under letter dated February 27, 2008, Interim Operator proposed the drilling of the Lockhart A-27 #23 (the "Well") to be located 990' FNL & 2375' FWL and a bottom hole location at 960' FNL & 2280' FWL of Section 27-21S-37E referred to as the "Operation"; and

WHEREAS, the Parties desire to amend the Operating Agreement to provide for a method to perform the Operation in a manner not provided for or contemplated in the Operating Agreement.

NOW, THEREFORE, for an in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

The Parties hereby agree that the Operation as specifically described on Exhibit "A" attached hereto will be performed pursuant to all of the terms and conditions of the Operating Agreement which is incorporated by reference herein for all purposes of this Agreement, except as expressly provided below.

The Parties hereby agree to amend the Operating Agreement to authorize an "Interim Operator" to perform and assume the role and responsibilities of Operator as they are defined in the Operating Agreement solely for the purpose of performing the Operation, including payment of all charges related to the Operation and billing Operator for the total of the cost of drilling and completion charges. Operator will remain Operator of record for all other purposes, and be responsible for billing Non-Operator for their proportionate share of the costs of drilling and completion billed to Operator by Interim Operator within the scope of this agreement.

The Parties hereby agree that in order to perform the Operation on a timely basis, Interim Operator is hereby designated as "Interim Operator" from the Effective Date, as defined herein, until the Termination date, as defined herein; provided however, Interim Operator shall continue to be responsible for payment of all charges related to the Operation which are received by Interim Operator after the Termination Date and billing Operator for the total amount of such charges. Operator will be responsible for billing Non-Operator for their respective proportionate share of such charges billed to Operator by Interim Operator within the scope of this agreement.

The "Effective Date" of this Agreement shall be July 08, 2008. Operator shall temporarily relinquish its right to act as Operator solely for the purpose of the Operation on the Effective Date. Interim Operator shall assume the duties of Interim Operator on the Effective Date.

The "Termination Date" of this Agreement shall be defined as the date in which the Well is ready for production. Interim Operator shall notify Operator in writing of this event. Interim Operator shall relinquish its rights as Interim Operator hereunder on the Termination Date. Operator shall resume all duties as Operator under the terms of the Operating Agreement on the Termination Date.

All notices, full daily Operation reports from the field concerning the Operation and any other information required or permitted hereunder, except as otherwise specifically provided herein, shall be deemed to have been properly given or delivered to a party hereto, and shall be effective on the day of delivery or on the day of receipt if deposited in the U.S. Mail with postage prepaid, on the day of transmittal if transmitted by telecopy directly to the office of the receiving party at the following addresses:

CONOCO CONTACTS:

For Billing Purposes:	ConocoPhillips Company Outside Operated Accounting 1080 Plaza Office Building Bartlesville, OK 74004 Attn: Kandice Williams
For Daily Operation Reports:	ConocoPhillips Company 600 N. Dairy Ashford, 3WL-6031 Houston, TX 77079 Attn: Beverly Wander Phone: 832-486-2628 Fax: 832-486-2764 <a href="mailto:Beverly.D.Wander@ConocoPhillips.com">Beverly.D.Wander@ConocoPhillips.com</a>
For Field Operations:	ConocoPhillips Company 1410 West County Road Hobbs, NM 88240 Attn: John Coy Phone: 505-391-3127 Fax: 505-391-3102 <a href="mailto:John.Coy@ConocoPhillips.com">John.Coy@ConocoPhillips.com</a>
For Right-of-Way:	ConocoPhillips Company 4100 Penbrook, Suite 345 Odessa, TX 79762 Attn: Ronald Crouch Phone: 432-368-1218 Fax: <a href="mailto:Ronald.G.Crouch@ConocoPhillips.com">Ronald.G.Crouch@ConocoPhillips.com</a>
For Facilities:	ConocoPhillips Company P.O. Box 66 Odessa, TX 79762 Attn: Larry Johansen Phone: 432-368-1223 Fax: 432-368-1471 <a href="mailto:Larry.D.Johansen@ConocoPhillips.com">Larry.D.Johansen@ConocoPhillips.com</a>

For Regulatory:

ConocoPhillips Company  
3300 N. "A" Street  
Bldg 6, # 133  
Midland, TX 79705  
Attn: Celeste Dale  
Phone: 432-688-6884  
Fax: 432-688-6019  
[Celeste.G.Dale@ConocoPhillips.com](mailto:Celeste.G.Dale@ConocoPhillips.com)

For All Other Matters:

ConocoPhillips Company  
Attn: Pat Gregory  
P.O. Box 2197  
Houston, TX 77252  
Phone: 832-486-2218

APACHE CONTACTS:

Land:

Apache Corporation  
Attn: Mario Moreno  
6120 S. Yale, Suite 1500  
Tulsa, OK 74136  
Phone: 918-491-4963  
[mario.moreno@apachecorp.com](mailto:mario.moreno@apachecorp.com)

Right of Way:

Apache Corporation  
Attn: Harold Swain  
299 Stanolind Road  
Wink, TX 79789  
Phone: 432-527-3311  
[harold.swain@apachecorp.com](mailto:harold.swain@apachecorp.com)

Drilling Engineer:

Apache Corporation  
Attn: Sam Hampton  
6120 S. Yale, Suite 1500  
Tulsa, OK 74136  
Phone: 918-491-4954  
[sam.hampton@apachecorp.com](mailto:sam.hampton@apachecorp.com)

Production Engineer:

Apache Corporation  
Attn: Clint Mills  
6120 S. Yale, Suite 1500  
Tulsa, OK 74136  
Phone: 918-491-4970  
[clint.mills@apachecorp.com](mailto:clint.mills@apachecorp.com)

Regulatory (Drilling):

Apache Corporation  
Attn: Lana Williams  
6120 S. Yale, Suite 1500  
Tulsa, OK 74136  
Phone: 918-491-4980  
[lane.williams@apachecorp.com](mailto:lane.williams@apachecorp.com)

Regulatory (Production):

Apache Corporation  
Attn: Sophie Mackay  
6120 S. Yale, Suite 1500

Tulsa, OK 74136  
Phone: 918-491-4864  
[sophie.mackay@apachecorp.com](mailto:sophie.mackay@apachecorp.com)

All billings and notices to Non-Operators shall be addressed to their respective addresses currently in effect for the Operating Agreement. Specific requirements for drilling, technical and geologic data provided to Chevron U.S.A. Inc. are attached and made a part of this agreement as Exhibit "B".

This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns, provided however, Interim Operator shall not assign its rights under this Agreement, in whole or in part, without the prior written consent of Operator and Non-Operator.

In the event of conflict between this Agreement and the Operating Agreement applicable to the Operation covered by this Agreement, this Agreement shall control.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

WITNESS THE EXECUTION HEREOF as of the date first above written.

**OPERATOR:**

ConocoPhillips Company

By:   
TJS

J.P. Gregory  
Attorney-in-Fact

**INTERIM OPERATOR:**

Apache Corporation

By:  

James L. Sughru  
Attorney-in-Fact

**NON-OPERATOR:**

Chevron U.S.A. Inc.

By: \_\_\_\_\_

\_\_\_\_\_  
Attorney-in-Fact



Tulsa, OK 74136  
Phone: 918-491-4864  
[sophie.mackay@apachecorp.com](mailto:sophie.mackay@apachecorp.com)

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This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

WITNESS THE EXECUTION HEREOF as of the date first above written.

**OPERATOR:**

ConocoPhillips Company

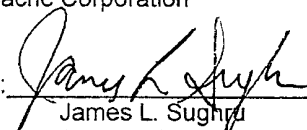
By:

TJS   
J.P. Gregory  
Attorney-in-Fact

**INTERIM OPERATOR:**

Apache Corporation

By:

  
James L. Sughruff  
Attorney-in-Fact



**NON-OPERATOR:**

Chevron U.S.A. Inc.

By: \_\_\_\_\_

\_\_\_\_\_  
Attorney-in-Fact

## EXHIBIT "A"

### INTERIM OPERATOR AGREEMENT

Apache Corporation ("Interim Operator") agrees to drill and complete or plug and abandon said Lockhart A-27 #23 (the "Well") as a reasonable and prudent operator in accordance with the terms and conditions of the Operating Agreement dated September 1, 1989, and all other applicable laws, rules and regulations, and also agrees to the following conditions:

- 1) Interim Operator agrees to pay damages to the Surface Owner as agreed between Interim Operator and Surface Owner. In addition, Interim Operator agrees to construct all roads necessary to gain access to the drilling location, with the concurrence of Operator, for as long as this Interim Operator Agreement is effective.
- 2) Submit to Operator's representative all casing and completion programs and equipment specifications prior to the drilling of the wells.
- 3) Provide Operator a forecast of when drilling operations are to begin. Also, notify Operator when drilling operations are commenced.
- 4) Furnish Operator with complete daily driller's tour report.
- 5) Provide breakdown of costs to be reported on the daily drilling/completion report.
- 6) Furnish Operator with daily reports by telephone call or facsimile, as to the formation or formations penetrated during the previous day's drilling, the depth at which each formation is encountered, and the depth at which the report is made.
- 7) Furnish Operator with Daily Drilling/Completion Report by E-MAIL to Beverly Wander. Also provide Operator 24 hour notice of intent to log, core, drill stem test, or run well survey via Daily Drilling Report in order that Operator may attend and witness any and all potential tests and packer leakage test.
- 8) Allow representatives of Operator access to the location, drilling rig floor and stimulation operations at all times. Operator to obey Interim Operator's safety policies and procedures. Allow access to observe all plans and data, at the sole risk and expense of Operator.
- 9) Furnish Operator with:
  - a. One (1) copy of directional survey report and diagrams, and any other relevant directional data.
  - b. One (1) field print and one (1) final print of all wireline surveys and mud logs, or
  - c. One (1) LIS (Log Information Standard) format digital log data, (3" or 5" diskette)
- 10) Cause all cores having shows of oil and gas to be analyzed by a competent core analysis laboratory.

Two (2) preliminary and two (2) final copies of any conventional core analysis will be furnished to Operator. Additionally, two (2) copies of drill-stem tests results, well site geologist report, gas-oil ratio, shut-in and bottom hole pressure tests, including build-ups and draw-downs, stimulation reports, produced gas and water analysis, if taken.

- 11) Provide Operator a representative and adequate cut of all cores and ditch samples taken during the drilling of the Wells.
- 12) Provide Operator with copies of drilling time records, hole deviation tests and all records required by governmental agencies having jurisdiction of the Wells.
- 13) Interim Operator should lay lines to a point designated by Operator. Operator will be responsible for connection into the lease production system. Operator will install all SCADA and monitoring equipment. Interim Operator to install all surface production equipment.
- 14) Notify of any intention to plug and abandon the Wells and allow Operator forty-eight (48) hours in which to concur.
- 15) Furnish the Bureau of Land Management (BLM) and the New Mexico Oil Conservation Division (NMOCD) all proper and necessary reports and well data in the required numbers and time periods as specified by the BLM and NMOCD, with a copy to Operator.
- 16) Provide the Commissioner of Public Lands of the State of New Mexico with copies of all reports and other well data submitted in accordance with the preceding paragraph.
- 17) Furnish Operator with all governmental reports, plats and notices, when approved; Well Completion or Recompletion Report (Form 3160-4), when submitted.
- 18) Comply with all applicable laws, rules and regulations, including but not limited to those under the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) as such may be amended from time to time, and pay any costs, fees and claims including attorneys fees and penalties imposed because of Interim Operator's failure to comply with FOGRMA or other laws, rules and regulations.
- 19) The Termination of this Interim Operator Agreement shall not relieve Interim Operator of any obligation or liability that arises or accrues prior to such Termination.
- 20) As between the parties, this Interim Operator Agreement shall be governed by and construed under the laws of the State of New Mexico.
- 21) The parties recognize that a cooperative atmosphere will be essential in order to plan and manage the work under this agreement and to achieve the intended knowledge sharing of successful practices. To support this intention, the following will be done:
  - a. Meetings with Operator's regulatory, right-of-way and operations personnel will be held to establish communication and clarify the specifics of how the regulatory issues, right-of-way issues, well tie-ins to facilities and transfer of operator ship after completion of the wells will be handled.
  - b. A pre-spud meeting will be held at Interim Operator's office in Tulsa to review the drilling procedures.
  - c. An open, welcoming and cooperative relationship between Interim Operator and Operator personnel at the well sites will be essential with conversation on a routine basis to clarify the successful practices used in the field.

**EXHIBIT "B"**  
**CHEVRON U.S.A. INC. DRILLING, TECHNICAL AND GEOLOGICAL REQUIREMENTS**

MAILING ADDRESS:

NOJV Group\*  
Chevron U.S.A. Production Company  
P.O. Box 36366  
Houston, TX 77236  
FAX: 281-561-3880  
Alternate Fax: 1-866-826-5359 (for AFEs  
and casing point elections only)

SHIPPING ADDRESS:

NOJV Group\*  
Chevron U.S.A. Production Company  
11111 S. Wilcrest  
Houston, TX 77099

**\*For address purposes, NOJV Group is a mailbox set up for immediate receipt and processing.**

1. DRILLING & COMPLETION REPORTS: E-MAIL DAILY REPORTS TO:  
[nojvmcbu@chevron.com](mailto:nojvmcbu@chevron.com)
2. NOTICES: INTENT TO CORE, TEST OR LOG:  
INTENT TO COMPLETE OR ABANDON:

CONTACT NAME

Keith McKeel

PHONE NO.

281-561-3644

3. DATA:

	COPIES		COPIES
WELL PROGRAM	<u>1</u>	CORE DESCRIPTION & ANALYSES	<u>1</u>
STATE & FEDERAL FORMS	<u>1</u>	OIL, GAS & WATER ANALYSES	<u>1</u>
SURVEY PLAT	<u>1</u>	TESTING & COMPLETION REPORTS	<u>1</u>
DST & RFT DATA	<u>1</u>	GEOLOGIC & FINAL WELL REPORTS	<u>1</u>

4. LOGS:

A. MUDLOGS

Email (preferred)	<u>X</u>
FAXED DAILY	<u>          </u>
MAILED DAILY	<u>          </u>
MAILED WEEKLY	<u>          </u>
FINAL PRINTS	<u>1</u>

B. WIRELINE and/or ALL OTHER LOGS

Email (preferred) or LOGNET	<u>Yes</u>
TO: 281-582-7203	<u>          </u>
FIELD PRINTS	<u>1</u>
FINAL PRINTS	<u>1</u>
EMAIL (LAS, tif, pds, metafile, etc.) & MAIL (CD or diskette)	<u>Yes</u>