

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1. Operator: Apache Corporation OGRID #: 873
Address: 6120 S. Yale Ave., Suite 1500 Tulsa, Oklahoma 74136
Facility or well name: LOCKHART A-27 # 26
API Number: 30-025-39115 OCD Permit Number: P1-00388
U/L or Qtr/Qtr H Section 27 Township 21S Range 37E County: Lea
Center of Proposed Design: Latitude N32°27'09.45" Longitude W103°08'36.23" NAD: ☐ 1927 ☒ 1983
Surface Owner: ☐ Federal ☐ State ☒ Private ☐ Tribal Trust or Indian Allotment

2. ☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A
☐ Above Ground Steel Tanks or ☒ Haul-off Bins

3. **Signs:** Subsection C of 19.15.17.11 NMAC
☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☒ Signed in compliance with 19.15.3.103 NMAC

4. **Closed-loop Systems Permit Application Attachment Checklist:** Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Previously Approved Design (attach copy of design) API Number: _____
☐ Previously Approved Operating and Maintenance Plan API Number: _____

5. **Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: Sundance Incorporated Disposal Facility Permit Number: NM-01-0003
Disposal Facility Name: _____ Disposal Facility Permit Number: _____
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☒ No
Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6. **Operator Application Certification:**
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
Name (Print): Sam Hampton Title: Drilling Engineer
Signature: [Signature] Date: 8/5/08
e-mail address: sam.hampton@apachecorp.com Telephone: 918 491-4954

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: _____

Geologist

Approval Date: _____

8/28/08

Title: _____

OCD Permit Number: _____

PL-00388

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☐ Closure Completion Date: _____

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: Sundance Inc.

Disposal Facility Permit Number: UM-01-0003

Disposal Facility Name: _____

Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): _____

Title: _____

Signature: _____

Date: _____

e-mail address: _____

Telephone: _____

APACHE CORPORATION
CLOSED-LOOP SYSTEM DESIGN, OPERATION, MAINTENANCE AND CLOSURE
PLAN – revised 7/16/2008
TYPICAL FOR NEW MEXICO WELLS

This document is intended to provide design requirements as well as operating, maintenance and closure instructions for closed-loop (drilling fluid) systems, ensuring compliance with the New Mexico Title 19, Chapter 15, Part 17 rules and regulations. Drilling units operating for Apache Corporation in New Mexico should be rigged up with a closed-loop system consistent with this design and should be operated, maintained and closed in a manner consistent with this document.

Design

The closed-loop system shall be designed and constructed to ensure the confinement of oil, gas or water and to prevent uncontrolled releases. We will utilize cuttings bins to contain drilled solids for transport and disposal off site at a New Mexico licensed disposal facility. Figure 1. – New Mexico Typical Closed Loop System is attached for reference when reviewing the following design specifications.

The minimum solids removal equipment shall include a high speed shaker and a centrifuge.

- The shale shaker(s) shall be placed to receive all of the fluid and cuttings as they return from the well bore. Entry from the flow line shall be such that splash is minimized. It shall be placed such that the drilled solids that are removed by the screen are easily conveyed to the cuttings bin(s). If a slide is required it should be designed with as much slope as possible to minimize maintenance while drilling.
- The centrifuge shall be fed by a dedicated centrifugal pump from the first active mud tank. It shall be placed such that the drilled solids removed dump directly into the cuttings bin(s). The liquid recovered should be gravity returned to the active mud system, down stream of the feed pump suction.

The minimum active mud system volume shall be 500 barrels. Tank(s) shall be of steel construction and in a condition such that no leaks or uncontrolled releases would be expected.

- The tanks shall be equipped with a jetting system to allow emptying of the tanks into an above ground container.
- Any dump valves shall be in good condition and left closed at all times during regular drilling operations.
- Tank bottoms shall be sloped to facilitate clean out.

In addition to the active mud tank(s) the closed-loop system shall include at a minimum two additional steel tanks for fluid containment. Both tanks shall be placed such that fluid can easily be drawn out of them on an as needed basis with vacuum trucks.

- One steel tank shall be placed such that it can receive fluid from the choke manifold. This same tank shall be placed where returns from the well bore during cementing operations can be directed into it, diverting cement returns from the active mud system.
- Another steel tank shall be placed such that the active mud system can be jetted into it when dilution is required.

All drilled solids removed from the well bore and recovered from the drilling fluid shall be collected in steel "haul-off" bins. These temporary pits for solids management shall comply with any applicable requirements for temporary pits specified in 19.15.17 NMAC.

- Cuttings bins shall be of steel construction and be capable of being closed during transport to prevent spillage.
- Cuttings bins shall be constructed and placed in a manner to facilitate removal of full bins and placement of empty bins with out disrupting the drilling operations.

The entire closed-loop system as described above, with the exception of the active mud tanks, shall be placed on a 20 mil nylon reinforced liner for splash containment.

- The liner shall be of size and installed in a manner that splash from normal operations such as fluid transfer, jetting of tanks, washing down of shaker slide, etc of the closed-loop system does not reach the soil on the location.
- The liner shall be installed in a manner such that run on of surface water does not occur, and run off of splash fluids does not occur.

Operation and Maintenance

The closed-loop system shall be operated and maintained at all times in such a manner as to prevent contamination of fresh water and protect the public health and the environment. While Apache Corp relies on various third party vendors to provide, operate and maintain the closed-loop system, in the end it is the Apache Corp on-site representative who must take responsibility for the effective operation of the system. At the end of the well, all drilling fluids and drilled solids should be disposed of in a licensed disposal facility in New Mexico.

Know which licensed and approved disposal facility is closest to your location and verify they are capable and prepared to receive the cuttings and fluids from your well. Track all loads sent during the drilling of the well and up to the time the rig is moved off of the location.

Current approved facilities are;

- Controlled Recovery Inc. (877) 505-4274
- Sundance Incorporated (575) 394-2511

Ensure that the closed-loop system meets the design criteria listed above and is properly installed and fully functional prior to spud.

The shale shaker(s) must be run at all times while drilling unless the use of lost circulation material (LCM) prevents it. The shaker(s) should also be run as required while tripping to ensure that any displacement from the well bore is returned to the active system and does not run over the (stopped) shale shaker screens.

- The finest mesh screens that will not cause excessive fluid discharge shall be used at all times. Torn screens should be replaced as soon as possible.
- The shale slide shall be inspected regularly through out a tour and kept clean such that drilled solids do not build up and spill over the sides, missing the cuttings bins.

The centrifuge should be run at all times while drilling fluid is maintained in the active mud system. Continual use will reduce dilution requirements.

- The centrifuge and associated feed pump should be checked regularly through out a tour to ensure they are running properly. Call for a service man as soon as possible if they are found not to be working properly or at all.
- Check for and correct immediately any leaks in the feed pump suction and discharge lines.

Inspect the active system tanks at least every tour to ensure no drilling fluid is leaking onto the location. Check any dump valves and interconnecting pipes for leaks. Correct any leaks as soon as possible upon detection.

- Jet active mud system as required to maintain desired mud weight. Be sure the jetting lines are secure and do not cause excessive splash at the steel holding tank.

Monitor and know/plan the fluid level in the steel fluid containment pits. Call for vacuum trucks with enough lead time to allow for possible delays.

- Plan for displaced fluid during cement jobs. Ensure enough vacuum trucks are on hand as required before beginning your cementing job.
- Do not mix fresh water and brine water if possible. Completely empty fresh water from the steel tanks before converting the mud system to brine water.

Inspect cuttings bins at least once per tour, noting their level, any spills and any damage to the containers that could result in loss of cutting containment.

- Ensure that you have enough empty volume to handle the high rates of penetration expected on surface holes and other portions of the wells.
- Ensure cuttings bin tops are closed before leaving location en route to the disposal site.

Check the condition of the splash containment liner daily. Look for any leaks and splash accumulation that needs to be cleaned up. Repair any leaks in the liner immediately.

- Clean up any splash accumulation on the liner using diaphragm pumps, vacuum trucks and other means as necessary.

Make every effort to operate and maintain the closed-loop system in a manner that puts no drilling fluid or well bore discharge/cuttings in contact with the location or surrounding area.

In the event of an oil spill that reaches water, or an oil spill to land over five (5) barrels take immediate action to contain the spill and make to following notifications;

- EHS Apache Hotline; 800 874-3262
- NMOCD

In the event of oil reaching water include the following notification;

- Environmental Protection Agency (EPA) National Response Center

Closure

The "closure" of the closed-loop system must be completed within six months of the date the drilling rig is released from the location. A Closure Report must be filed with the New Mexico Oil Conservation Division within 60 days of completing the closure.

"Closure" of a closed-loop system begins with the proper disposal of all liquid mud and cuttings that are on location upon rig release. The cuttings and liquid should be transported to an approved disposal facility. This includes any fluid or solids that may be on the surface of the splash containment liner. See operating instructions above.

Next all of the equipment associated with the closed-loop system must be removed. This includes steel tanks, cuttings bins and rails. Ensure that equipment being removed and transported to the next location or other facility is clean and in such a state that no waste will be discharged during transportation.

Once all of the equipment has been removed the splash containment liner material must be gathered up and disposed of in an approved disposal facility. Ensure the liner is recovered in such a manner that any contamination is "folded in" and no discharge will

occur during transportation to the disposal facility. Visually search for any wet areas, discoloration or other evidence of a mud or cuttings release to the surface. If there is no evidence of any release proceed with filing the closure report.

If there is evidence of a release of mud or cuttings to the surface collect individual grab samples from the potentially contaminated area and analyze for benzene, total BTEX, THP, the GRO and DRO combined fraction and chlorides to demonstrate that benzene, as determined by EPA SW-846 method 8021B or 8260B or other EPA method that the division approves, does not exceed 0.2 mg/kg; total BTEX, as determined by EPA SW-846 method 8021B or 8260B or other EPA methods that the division approves, does not exceed 50 mg/kg; TPH, as determined by EPA SW-846 method 418.1 or other EPA method that the division approves does not exceed 2500 mg/kg; the GRO and DRO combined fraction determined by EPA SW-846 method 8015M, does not exceed 500 mg/kg; and chlorides as determined by EPA method 300.1 do not exceed 500 mg/kg or the background concentration, whichever is greater.

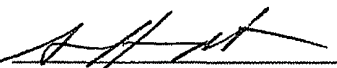
When closure is completed a closure report must be filed with the NMOCD within 60 days. The filing consists of printing a copy of the C-144 that was approved previously, completing the Closure Report on page 4 and submitting it to the NMOCD.

For our closed-loop systems in the Closure Report area of the form we will provide the closure completion date and check the "Closure Completion Date" box found approx. 2/3 of the way down the page. In the Closure Method area, check the "Waste Excavation and Removal" box. In the Closure Report Attachment Checklist put a check mark in the "Disposal Facilities Name and Permit Number". In the space to the right of the checklist write in the name(s) of the disposal facility or facilities used during both the drilling and the closure phase of the closed-loop operation. If there was no evidence of liner leakage of splashed mud or cuttings then complete the Operator Closure Certification box at the bottom of page 4 of Form C-144, sign and date it and submit it to the NMOCD.

If there was evidence of liner leakage requiring samples and analysis, in addition to the instructions for completing Form C-144 listed above, check the "Confirmation Sampling Analytical Results" box in the Closure Report Attachment Checklist and attach a copy of the soil analysis report.

Prepared by

July 2, 2008

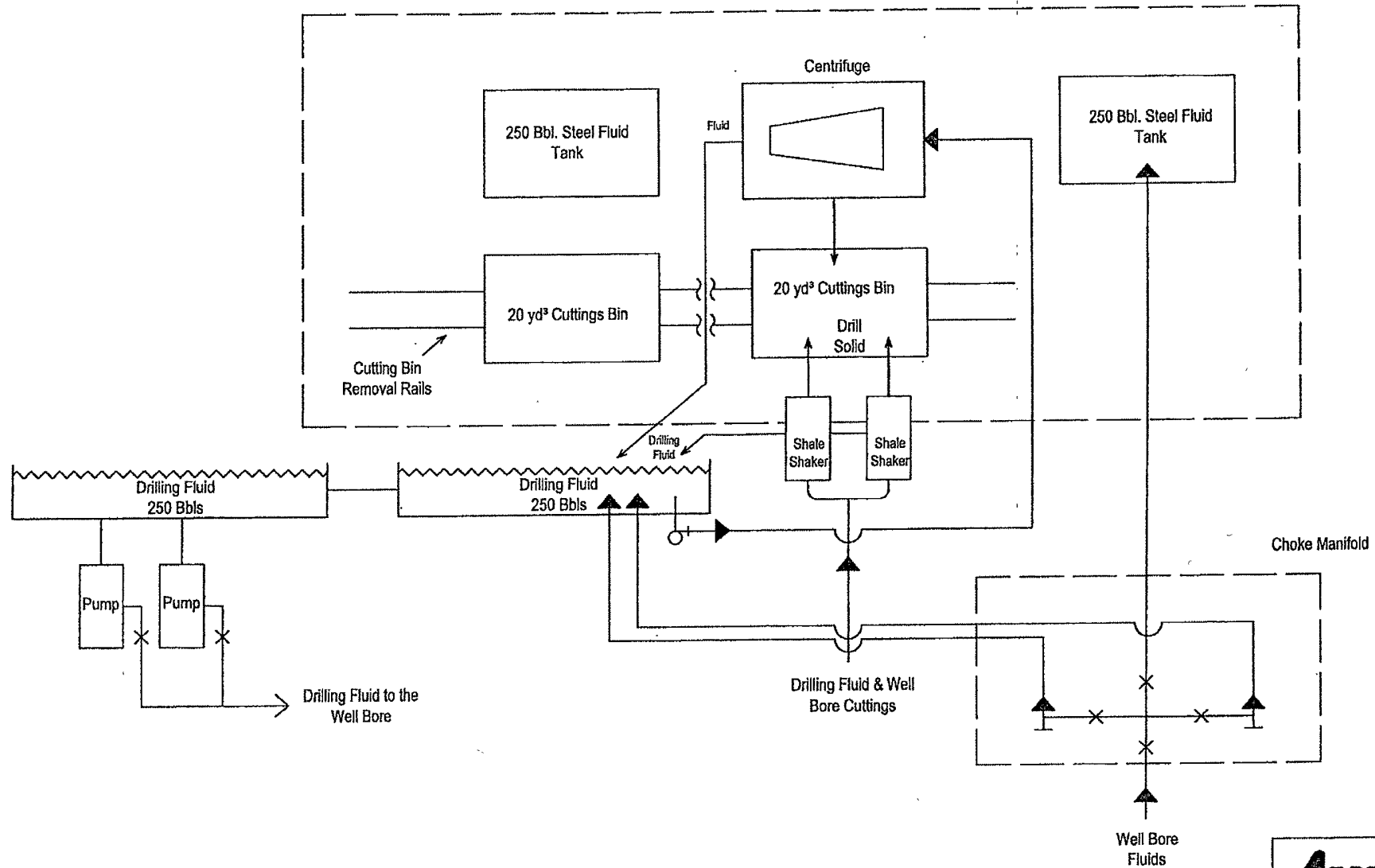


Sam Hampton, P.E.
Drilling Engineer

Attachment:

Figure 1. – New Mexico Typical Closed-Loop System

20-mil liner for splash containment



Apache
CORPORATION

Figure 1
New Mexico Typical
Closed-Loop System

INTERIM OPERATOR AGREEMENT

LOCKHART A-27 #26

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 December 13, 2007, Interim Operator proposed the drilling of the Lockhart A-27 #26 ("The Well") to be located 1650' FNL & 330' FEL 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 Beverly.D.Wander@ConocoPhillips.com
For Field Operations:	ConocoPhillips Company 1410 West County Road Hobbs, NM 88240 Attn: John Coy Phone: 505-391-3127 Fax: 505-391-3102 John.Coy@ConocoPhillips.com
For Right-of-Way:	ConocoPhillips Company 4100 Penbrook, Suite 345 Odessa, TX 79762 Attn: Ronald Crouch Phone: 432-368-1218 Fax: Ronald.G.Crouch@ConocoPhillips.com
For Facilities:	ConocoPhillips Company P.O. Box 66 Odessa, TX 79762 Attn: Larry Johansen Phone: 432-368-1223 Fax: 432-368-1471 Larry.D.Johansen@ConocoPhillips.com

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

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

Right of Way: Apache Corporation
Attn: Harold Swain
299 Stanolind Road
Wink, TX 79789
Phone: 432-527-3311
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

Production Engineer: Apache Corporation
Attn: Clint Mills
6120 S. Yale, Suite 1500
Tulsa, OK 74136
Phone: 918-491-4970
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

Regulatory (Production): Apache Corporation
Attn: Sophie Mackay
6120 S. Yale, Suite 1500

Tulsa, OK 74136
Phone: 918-491-4864
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.

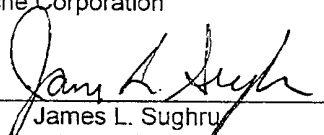
OPERATOR:

ConocoPhillips Company

By: 
TJS J.P. Gregory
Attorney-in-Fact

INTERIM OPERATOR:

Apache Corporation

By: 
James L. Sughrue
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

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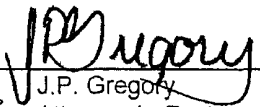
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WITNESS THE EXECUTION HEREOF as of the date first above written.

OPERATOR:

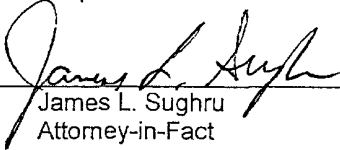
ConocoPhillips Company

By: 

 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

EXHIBIT "A"

INTERIM OPERATOR AGREEMENT

Apache Corporation ("Interim Operator") agrees to drill and complete or plug and abandon said Lockhart A-27 #26 (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
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>