

RECEIVED**OCD-HOBBS**

ATS-08-959

SEP 26 2008

Form 3160-3
(August 2007)**HOBBS UL**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No 1004-0137
Expires July 31, 20105 Lease Serial No.
NMLC 0575096. If Indian, Allottee or Tribe Name
N/A**APPLICATION FOR PERMIT TO DRILL OR REENTER**1a. Type of work. ☒ DRILL ☐ REENTER1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2 Name of Operator

CHEVRON U.S.A. INC.

3a. Address 15 SMITH ROAD, MIDLAND, TEXAS 79705

3b Phone No. (include area code)
432-687-73757 If Unit or CA Agreement, Name and No.
N/A8. Lease Name and Well No. **<29943>**
G.L.ERWIN FEDERAL B NCT-2 #16

9 API Well No.

30-025-3918.1

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

At surface UL: O, 350' FSL, 2310' FEL

At proposed prod zone

Split Estate10 Field and Pool, or Exploratory
LNGL MATTIX 7 RVR QN GRAYBURG11. Sec., T. R. M. or Blk. and Survey or Area
SEC 35, T-24-S, R-37-E14 Distance in miles and direction from nearest town or post office*
Roswell Controlled Water Basin12 County or Parish
LEA13 State
NM15 Distance from proposed*
location to nearest
property or lease line, ft
(Also to nearest drig. unit line, if any)16 No. of acres in lease
32017 Spacing Unit dedicated to this well
4018 Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft19 Proposed Depth
3950'20 BLM/BIA Bond No. on file
CA0329 NATIONWIDE BOND21 Elevations (Show whether DF, KDB, RT, GL, etc.)
3171' GL

22 Approximate date work will start*

23. Estimated duration
10 DAYS TO DRILL

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

1 Well plat certified by a registered surveyor.

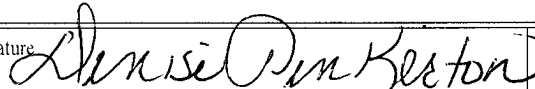
2 A Drilling Plan

3 A Surface Use Plan (if the location is on National Forest System Lands, the
SUPO must be filed with the appropriate Forest Service Office)4 Bond to cover the operations unless covered by an existing bond on file (see
Item 20 above).

5 Operator certification

6. Such other site specific information and/or plans as may be required by the
BLM

25 Signature



Name (Printed/Typed)

DENISE PINKERTON

Date

07/29/2008

Title

REGULATORY SPECIALIST

Approved by (Signature)

/S/ DAVID D. EVANS

Name (Printed/Typed)

/S/ DAVID D. EVANS

Date

SEP 22 2008

Title

FIELD MANAGER

Office

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

(Continued on page 2)

*(Instructions on page 2)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL****APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

Statement Accepting Responsibility for Operations

Operator Name: Chevron U.S.A. Inc.
Street or Box: 15 Smith Road
City, State: Midland, Texas
Zip Code: 79705

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

Lease No.: NMLC 057509

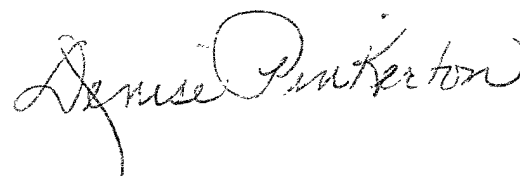
Legal Description of Land: G.L. ERWIN FEDERAL B NCT-2 #16
Unit Letter O, Section 35, T-24-S,R-37-E
350' FSL & 2310' FEL
Lea County, New Mexico

Formation(s) (if applicable): LANGLIE MATTIX 7 RVR QN
GRAYBURG

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

BLM Bond File No.: CA 0329

Authorized Signature:



Title:

Regulatory Specialist

Date:

07-29-2008

OPERATOR - LANDOWNER AGREEMENT

Company: CHEVRON U.S.A. INC.

Proposed Well : G.L. ERWIN FEDERAL B NCT-2 #16
Federal Lease No: NMLC 057509

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

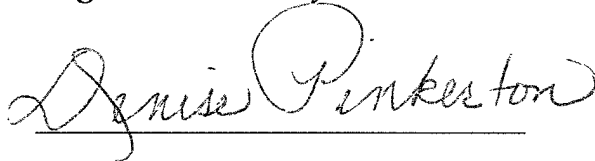
WILLIS FAMILY TRUST
P.O. BOX 307
JAL, NEW MEXICO 88252

ATTN: George Willis
575-395-3434

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

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

07-29-2008

A handwritten signature in cursive script, reading "Denise Pinkerton", written over a horizontal line.

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

DISTRICT I
1625 N FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

DISTRICT II
1301 W GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-39181	Pool Code 37240	Pool Name Langleie Martin Trvr Gw Brachburg
Property Code 29943	Property Name G.L. ERWIN FEDERAL B NCT-2	Well Number 16
OGRID No. 4323	Operator Name CHEVRON USA INC.	Elevation 3171'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	35	24-S	37-E		350	SOUTH	2310	EAST	LEA

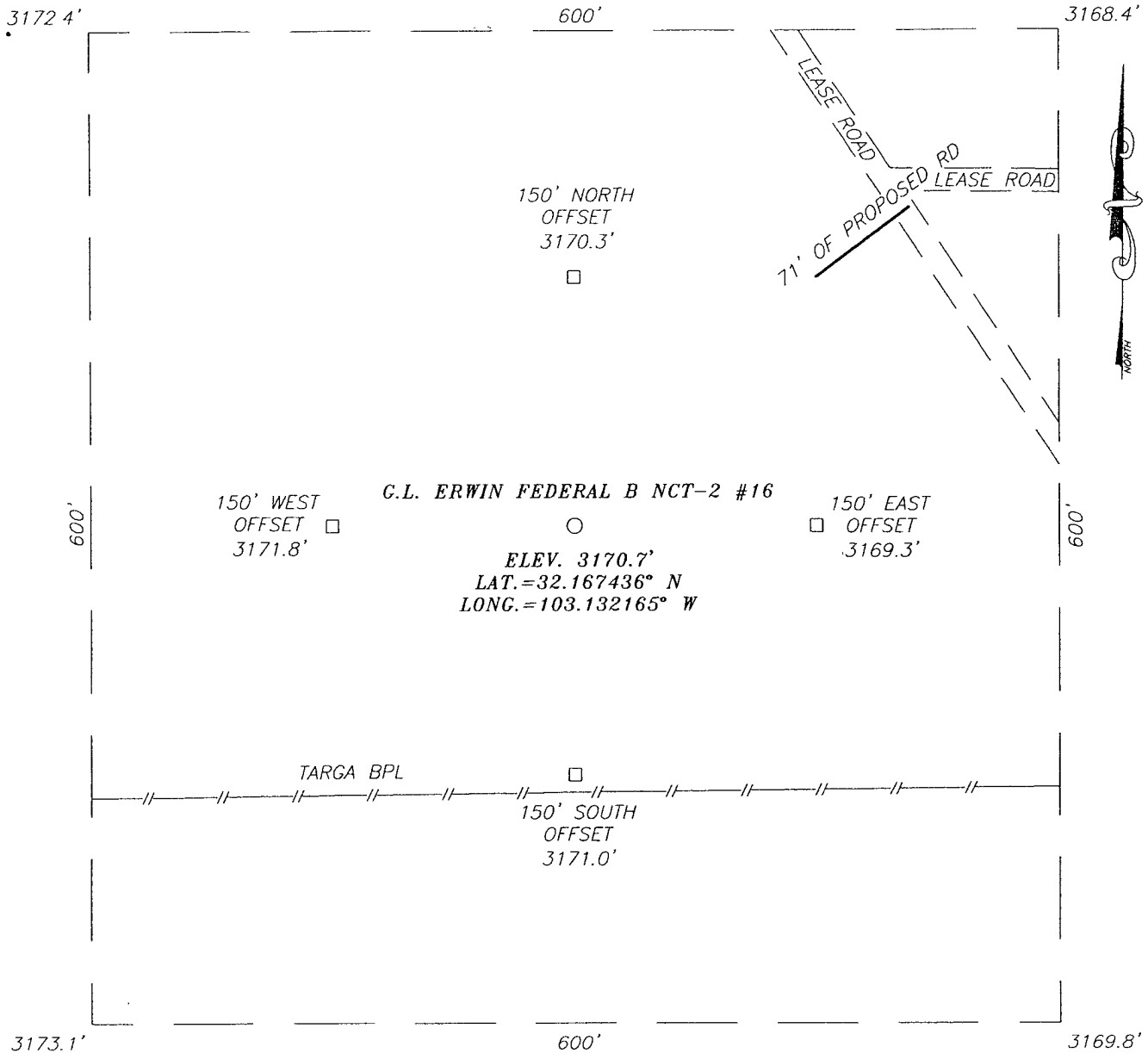
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

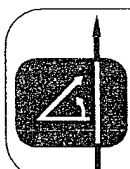
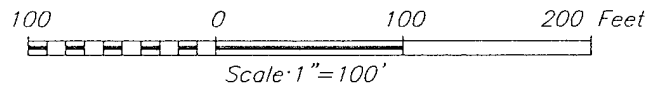
<p>DETAILED SURVEY MAP</p> <p>3172.4' 3168.4' 600' 3173.1' 3169.8' 350' 2310'</p> <p>SEE DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Denise Pinkerton 7-29-08</p> <p>Signature Date</p> <p>Denise Pinkerton</p> <p>Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JUNE 12, 2008</p> <p>Date Surveyed AR</p> <p>Signature & Seal of Professional Surveyor</p> <p>Ronald J. Eidson 6/25/08</p> <p>08.11.0879</p> <p>Certificate No GARY EIDSON 12641 RONALD J. EIDSON 3239</p>
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SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF FLYING E RD. AND DOLLARHIDE RD. FOLLOW LEASE ROAD SOUTHEAST FROM INTERSECTION APPROX 1.1 MILE TURN RIGHT AT PROPOSED ROAD SURVEY GO SOUTHWEST AT STAKED ROAD APPROX. 70 FEET TO THIS LOCATION



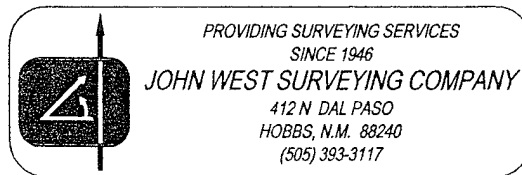
PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

CHEVRON USA INC.

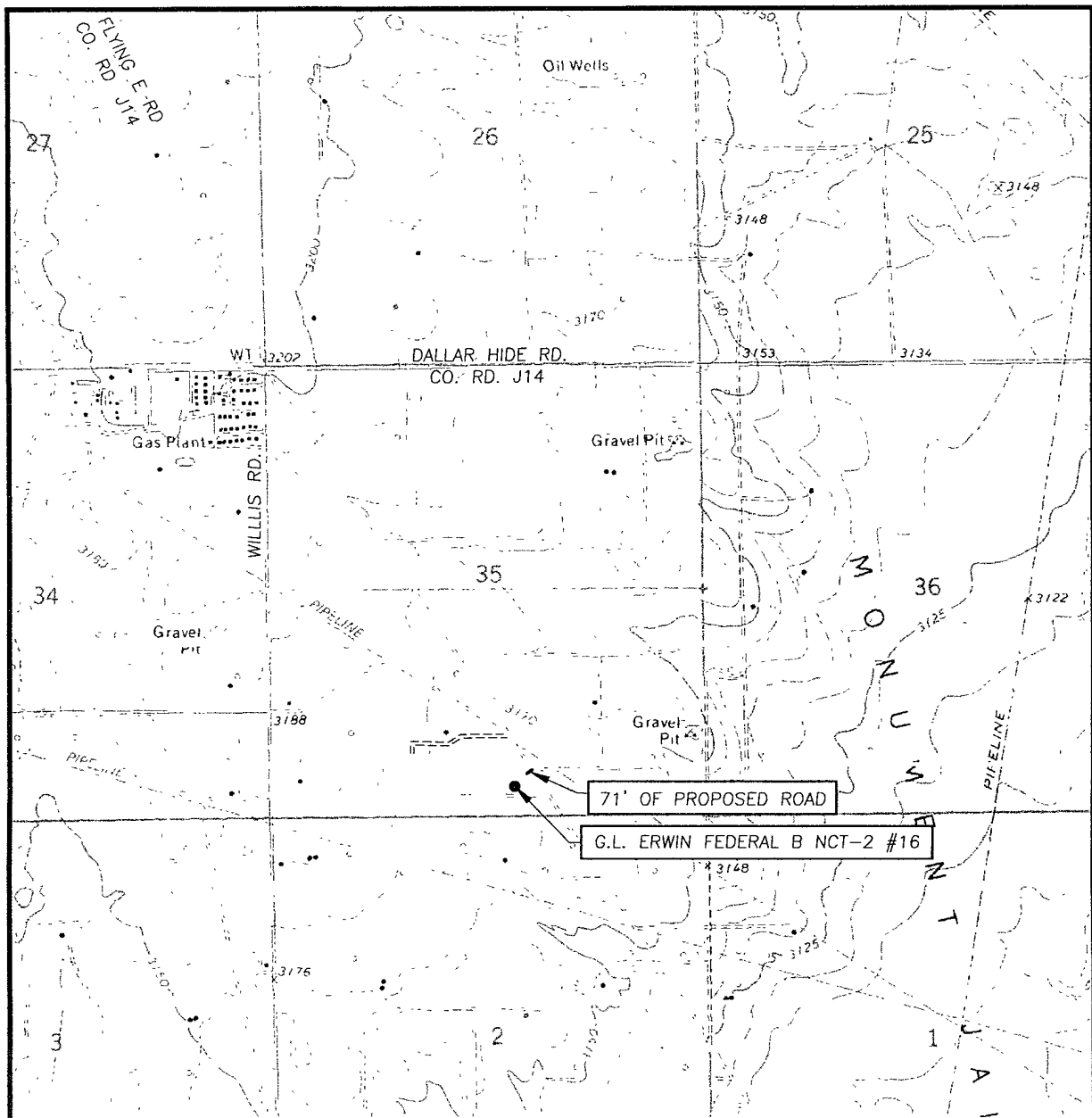
G.L. ERWIN FEDERAL B NCT-2 #16
 LOCATED 350 FEET FROM THE SOUTH LINE
 AND 2310 FEET FROM THE EAST LINE OF SECTION 35,
 TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO

Survey Date 6/12/08	Sheet 1 of 1 Sheets
W O Number: 08.11.0879	Dr By: AR
Date: 6/24/08	Disk
08110879	Scale: 1"=100'

LEASE G L. ERWIN FEDERAL B NCT-2



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL
JAL NW, N.M. - 10'

SEC 35 TWP 24-S RGE. 37-E

SURVEY _____ N.M.P.M.

COUNTY LEA STATE NEW MEXICO

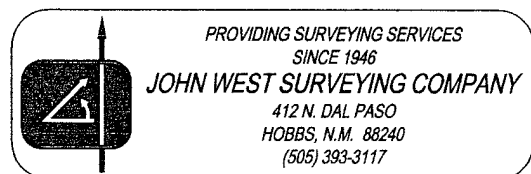
DESCRIPTION 350' FSL & 2310' FEL

ELEVATION 3171'

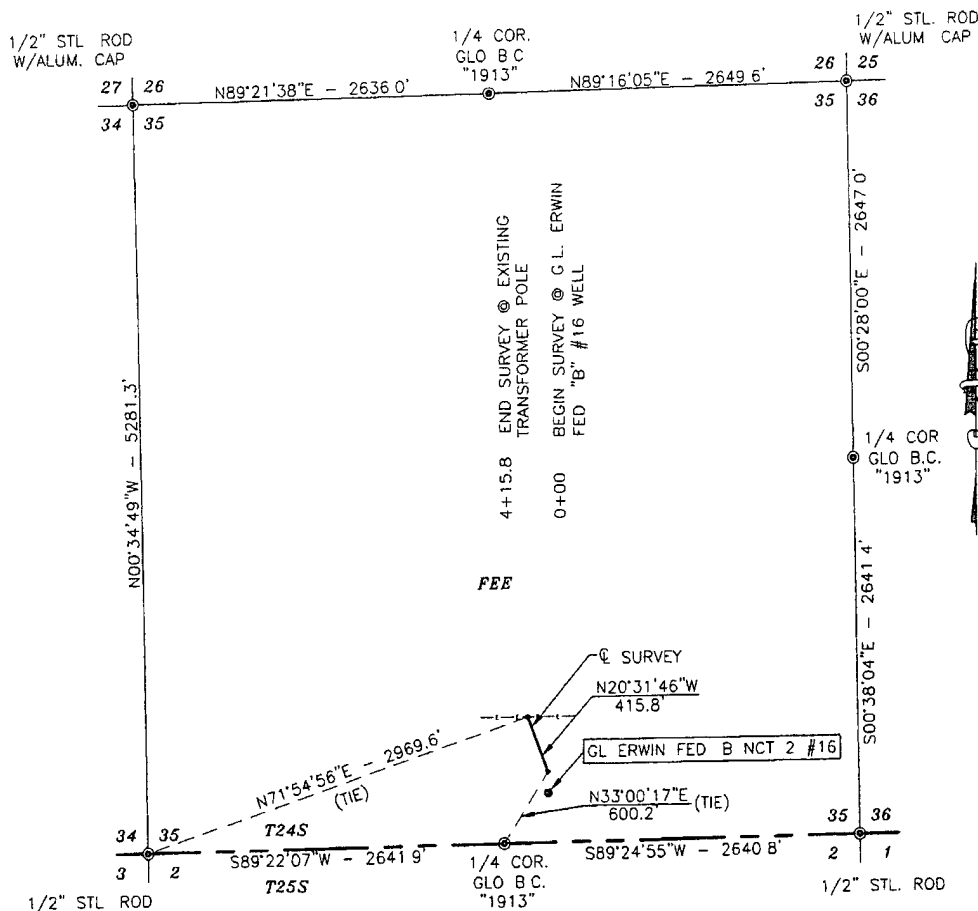
OPERATOR CHEVRON USA INC.

LEASE G.L. ERWIN FEDERAL B NCT-2

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



SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



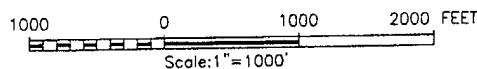
DESCRIPTION

CENTERLINE SURVEY OF AN ELECTRIC LINE EASEMENT CROSSING SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION WHICH LIES N33°00'17\"E 600.2 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION; THEN N20°31'46\"W 415.8 FEET TO A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION WHICH LIES N71°54'56\"E 2969.6 FEET FROM SAID SOUTH QUARTER CORNER OF SAID SECTION.

TOTAL LENGTH EQUALS 415.8 FEET OR 25.20 RODS

NOTE BEARINGS SHOWN HEREON ARE
MERCATOR GRID AND CONFORM TO THE
NEW MEXICO COORDINATE SYSTEM \"NEW
MEXICO EAST ZONE\" NORTH AMERICAN
DATUM 1983 DISTANCES ARE SURFACE
VALUES.



I HEREBY CERTIFY THAT I HAVE DIRECTED AND AM
RESPONSIBLE FOR THIS SURVEY AND THAT THIS SURVEY IS
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE
AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET
THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

Ronald J. Eidson
RONALD J. EIDSON, L.S. No. 3239

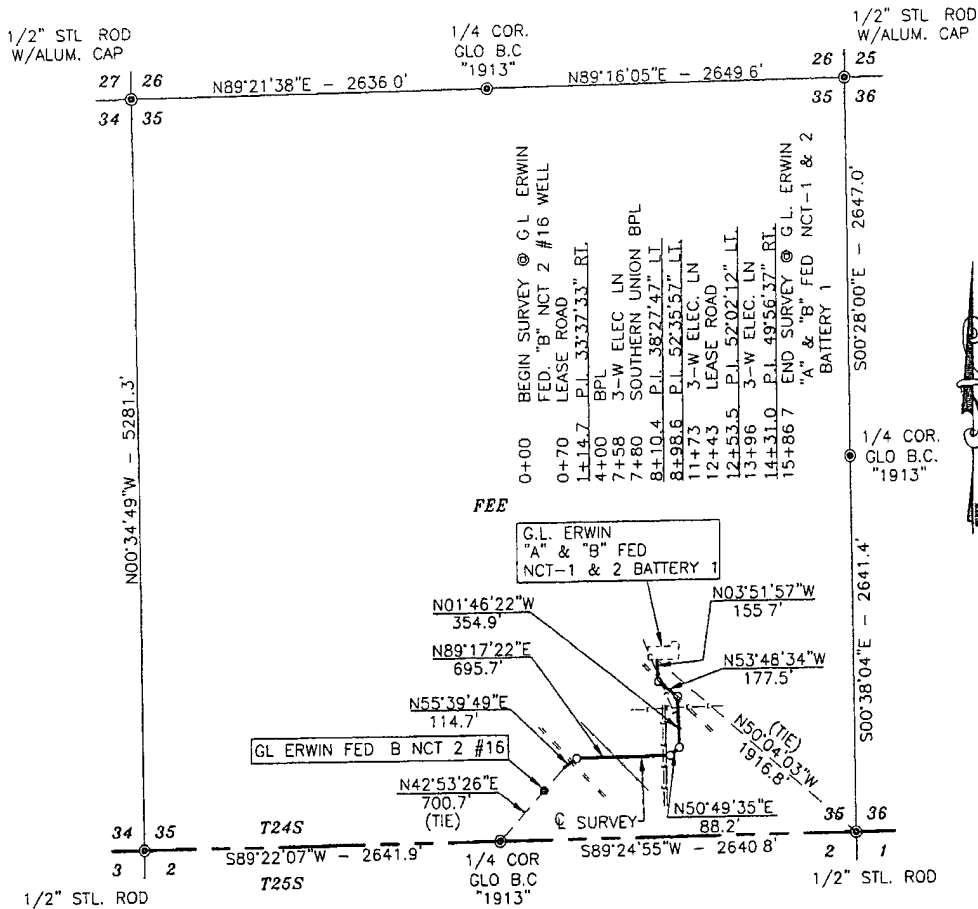
PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

CHEVRON USA INC.

SURVEY OF AN ELECTRIC LINE EASEMENT IN
SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO

Survey Date: 9/3/08	Sheet 1 of 1 Sheets
W.O. Number: 08 11.1357	Drawn By: LA
Date: 9/8/08	08111357

SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



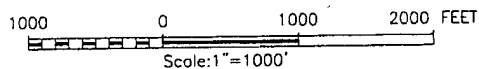
DESCRIPTION

CENTERLINE SURVEY OF A PIPELINE EASEMENT CROSSING SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

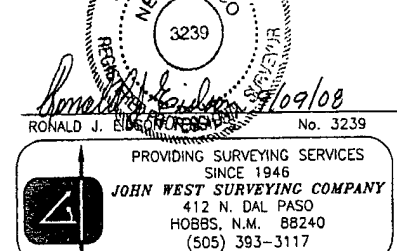
BEGINNING AT A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION WHICH LIES N42°53'26"E 700.7 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION; THEN N55°39'49"E 114.7 FEET; THEN N89°17'22"E 695.7 FEET; THEN N50°49'35"E 88.2 FEET; THEN N01°46'22"W 354.9 FEET; THEN N53°48'34"W 177.5 FEET; THEN N03°51'57"W 155.7 FEET TO A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION WHICH LIES N50°04'03"W 1916.8 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION

TOTAL LENGTH EQUALS 1586.7 FEET OR 96.16 RODS

NOTE. BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.



I HEREBY CERTIFY THAT I DIRECTED AND AM RESPONSIBLE FOR THIS SURVEY AND THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND THAT THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.



CHEVRON USA INC.

SURVEY OF A PIPELINE EASEMENT IN
SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO

Survey Date: 9/3/08	Sheet 1 of 1 Sheets
W.O. Number: 08.11.1357	Drawn By: LA
Date: 9/8/08	08111357

DRILLING PROGRAM
G.L.Erwin Federal B NCT-2 #16

1. Geologic Name of Surface Formation

- a. Quaternary Eolian Deposits

2. Estimated Tops of Geological Markers & Depths of Anticipated Fresh Water, Oil or Gas:

a. Rustler	900'	Below all Fresh Water
b. Yates	2375'	Oil/Gas
c. Seven Rivers	2570'	Oil/Gas
d. Queen	3110'	Oil/Gas
e. Grayburg	3390'	Oil/Gas
f. San Andreas	3750'	Oil/Gas
g. Total Depth	3950'	

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 8-5/8" casing at 925' and circulating cement back to surface. The productive intervals will be isolated by setting 5-1/2" casing to total depth and circulating cement to the surface.

3. Casing Program:

<u>Hole Size</u>	<u>Depth</u>	<u>OD Csg</u>	<u>Weight</u>	<u>Collar</u>	<u>Grade</u>	<u>New/Used</u>
11"	0' - ^{925'} 925'	8-5/8"	24#	ST&C	J-55	New
7-7/8"	0' - 3950'	5-1/2"	15.5#	LT&C	K-55	New
<u>Surface</u>						

	Burst	Collapse	Tension
Req'd S.F.	1.2	0.85	100K Overpull
Calc'd S.F.	4.9	2.5	1.9
Load	MASP, shoe w/ est. frac. at 11.5ppg, 10.0 ppg PP at next shoe f/ AGG.	Saltwater gradient = 8.8 ppg	Buoyed wt w/ 100,000 lbs over-pull.
Backup	Freshwater gradient = 8.3 ppg	Full Evacuation = 0 psi	n/a

Production

	Burst	Collapse	Tension
Req'd S.F.	1.1	0.85	100K Overpull
Calc'd S.F.	2.0	1.2	1.4
Load	Maximum surf. frac. pressure = 4000psi combined w/ treatment fluid HP = 8.3 ppg	Saltwater gradient = 8.8 ppg	Buoyed wt w/ 100,000 lbs overpull.
Backup	PP = 8.3 ppg	Full Evacuation = 0 psi	n/a

Notes:

1. S.F. = Safety Factor
2. MASP = Maximum Anticipated Surface Pressure
3. AGG = Annular Gas Gradient
4. HP = Hydrostatic Pressure
5. PP = Pore Pressure

4. Cement Program:

a. 8-5/8" Surface

Cement with a single stage (through an insert float and shoe) consisting of the following single slurry: 900 sx HalCem-C+2%CaCl₂+0.125 lb/sx Poly-E-Flake (LCM additive) 14.8ppg, 1.35 cu. ft / sx yield, TOC at 0' (surface). Calculations based on 150% open-hole excess (or greater) over theoretical hole volume, with calculated top of tail at 0'.

b. 5 1/2" Production

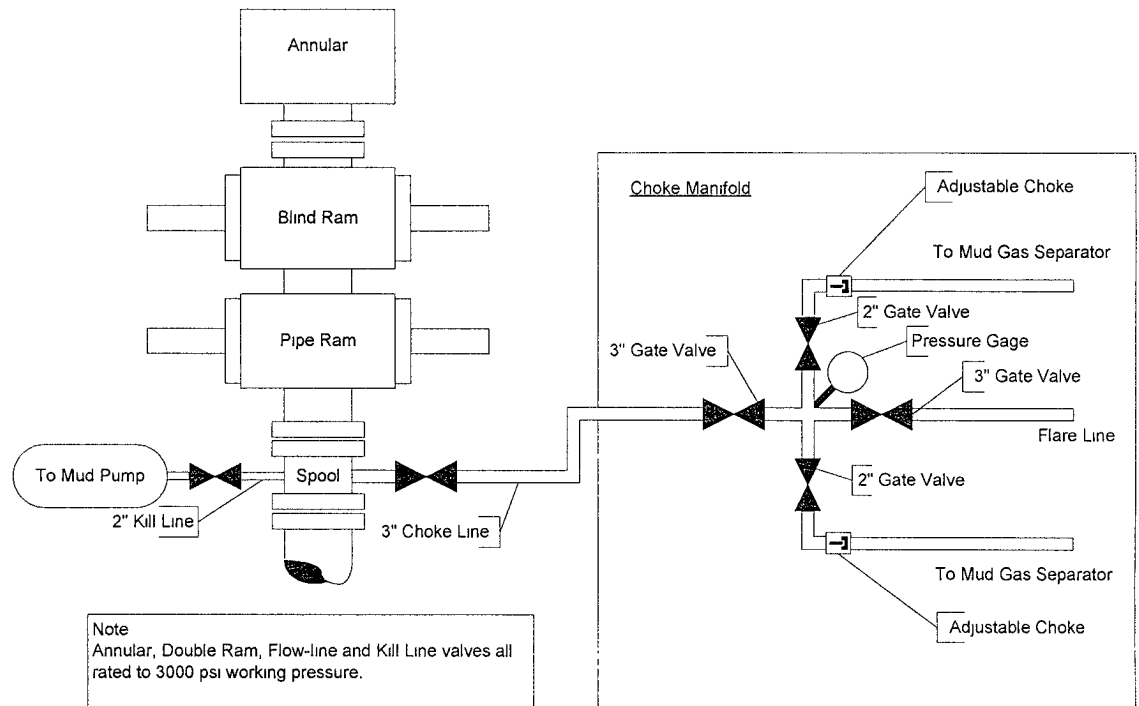
Cement with a single stage (through a float shoe and float collar) consisting of the following single slurry: 840 sx VersaCem-PBSH2 + 0.5%LAP-1(LowFluid. Loss Control) + 0.5%CFR3(Dispersant) + 1pps Salt + 0.25pps D-Air(Defoamer), 13.2ppg, 1.35 cu. ft / sx yield,), TOC at 0' (surface). Calculations based on 100% open-hole excess (or greater) over theoretical hole volume.

The cement volumes pumped could be revised pending the following input.

1. On the surface hole, a visible flag (red dye) will be pumped as a part of the pre-flush, when dye reaches surface rig crews will immediately pump displacement, to avoid mixing and disposing of excess cement.
2. If a caliper log is obtained during open-hole logs. Cement pumped will be a minimum of 35% excess over open-hole log.

5. Pressure Control Equipment:

Capstar 22 - BOPE



Other BOPE information:

- BOPE will be hydraulically operated.
- A 3M BOP will be installed on the 8-5/8" casing, but will be tested to as a 2M system.
- Blind rams will be functioned each time the drill string is out of the hole.

6. Proposed Mud Circulation System

see COA →

<u>Depth</u>	<u>Mud Wt.</u>	<u>Visc</u>	<u>Fluid Loss</u>	<u>Type System</u>
0' - 925 980	8.3	32-40	No Control	Fresh Water
925 - 3950 980'	10.0	29	No Control	Saturated Brine

The necessary mud products for weight addition and fluid loss control will be on location at all times. Mud weights may be raised to safely accommodate well control events.

Auxiliary Well Control and Monitoring Equipment:

- A Kelly cock will be in the drill string at all times.
- A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.
- Hydrogen Sulfide detection equipment will be in operation after drilling out the 8-5/8" casing shoe until the 5 1/2" casing is cemented. Breathing equipment will be on location from spud shoe until total depth is reached.

7. Logging, Coring, and Testing Program:

- The open hole electrical logging program will be:
 - Total Depth to Intermediate Casing: Gamma Ray, Resistivity, Neutron Density and Caliper.
 - Spectral Gamma Ray and Borehole Sonic.
- No coring program is planned.
- No Drill Stem Tests are planned

8. Potential Hazards:

- No abnormal pressures or temperatures are expected. Monitor pH for H₂S and if pH drops rapidly, add lime, Barocor 95 or H800 (HOWCO additives) as per mud engineer. Ensure corrosion inhibitors, amines and H₂S scavengers are properly maintained in mud system, due to the potential for H₂S. If H₂S 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 2000 psi and Estimated BHT 95°F.

9. Anticipated Starting Date and Duration of Operations:

- a. Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval. Move in operations and drilling is expected to take approximately 7 days. Production casing will be run utilizing the Capstar 22. After the wellhead is secured the Capstar 22 will be moved to the next drilling location, then the well will be stimulated and completed by a separate rig. Production lines will be laid for the purpose of transporting produced fluids to existing surface facilities.

SURFACE USE AND OPERATIONS PLAN FOR
CHEVRON U.S.A. INC.

G. L. Erwin Federal B NCT-2 #16

350' FSL and 2310' FEL

Section 35, Township 24 South, Range 37 East

Lea County, New Mexico

LOCATED: 5 Miles Northeast of Jal

FEDERAL LEASE NUMBER: NMLC 057509

LEASE ISSUED: Lease is producing

ACRES IN LEASE: 320 acres

RECORD LESSEE: Chevron U. S. A. Inc.

SURFACE OWNERSHIP: Willis Family Trust

GRAZING PERMITTEE: No

POOL: Langlie Mattix Seven Rivers Queen Grayburg

POOL RULES Field rules are for no wells to be located closer than 330' to any 1/4 1/4 section line, to be 330' from the lease line, and 330' from the nearest well

EXHIBITS:

- A. Access Road and Facilities Map
- B. Drilling Rig Layout Diagram
- C. Well Location and Acreage Dedication Plat

1. EXISTING ACCESS ROADS

From the intersection of Flying E Road and Dollarhide Road follow Lease Road southeast from intersection approximately 1.1 miles Turn right at proposed road survey. Go southwest at staked road approximately 70 feet to this location.

2. PLANNED RESOURCE ROAD

- A. Length and Width: From point "A" (exhibit "A"), a new 20 foot wide Resource Road will be constructed to the southeast corner of the proposed pad.
- B. Surfacing Material: Caliche will be used to construct the Resource Road and well pad.
- C. Maximum Grade: An approximated grade of less than two percent will be encountered ascending from Point "A" to the southeast corner of the well pad.
- D. Turnouts: None required.
- E. Drainage Design: The road is crowned at the center to direct drainage to ditches on both sides of the roadway.
- F. Culverts: None required.
- G. Cuts and Fills: None required - Slight slope Northwest to Southeast.
- H. Gates and Cattle Guards: None required.

3. LOCATION OF EXISTING WELLS

- A. Existing wells on the lease and in the immediate area are shown in Exhibit "A".

4. LOCATION OF EXISTING AND PROPOSED FACILITIES

- A. A processing facility is located about 1200' northeast of the well location. Production will be transported by a 2-7/8" steel surface flowline. In addition, about 450' of power line is required, running North - South and coming onto the well pad at the NW quadrant of the pad. Locations and descriptions of the proposed pad, flowline and road are shown on the individual surveyor's plats.

5. LOCATION AND TYPE OF WATER SUPPLY

- A. Water necessary for drilling will be purchased and trucked to the well site.

6. SOURCE OF HANDLING WASTE DISPOSAL

- A. Caliche needed for the well pad is present on location.

7. METHOD OF HANDLING WASTE DISPOSAL

- A. Drill cuttings and fluids will be hauled to nearby disposal system (Sunset).
- B. Water produced during tests will be disposed of at commercial or company facilities
- C. Oil produced during tests will be stored in test tanks until sold.
- D. Trash, waste paper, garbage and junk will be stored in a trash bin located on the drill site pad. It will be transported to an approved landfill for disposal within 30 days after completion of operations. All waste material will be contained to prevent scattering by the wind. Location of trash bin will be on the NW corner of the drill pad

8. ANCILLARY FACILITIES

- A. Not required.

9. WELL SITE LAYOUT

- A. Exhibit "B" shows the relative location and dimensions of the well pad. A closed loop mud system will be utilized to drill this well.
- B. Cut and Fill requirements will be minor, but clearing and leveling of the well site will be necessary

10. PLANS FOR RECLAMATION OF THE SURFACE

- A. After completion of the drilling and/or completion of operations, all equipment and other material not necessary for operators will be removed. The location will be cleaned of all trash and junk to leave the well site in an as aesthetically pleasing condition as possible.
- B. After abandonment, all equipment, trash and junk will be removed and the well site will be cleaned. Any special reclamation and/or special re-vegetation requirements of the Surface Management Agency will be compiled with and will be accomplished as rapidly as possible.

11. OTHER INFORMATION

- A. Topography: The land surface in the area of the well is mostly flat and sandy with Mesquite, Shinnery and Sage
- B. Soil: Rocky
- C. Flora and Fauna: The vegetation cover is moderate and includes range grasses, weeds, scrub oak bushes and mesquite bush. Wildlife in the area is that typical of a semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, hawks, dove, quail and other small birds.

D. Ponds and Streams: There are no rivers, lakes, ponds or streams in the area.

E. Residences and Other Structures: None.

G. Land Use: Grazing, oil and gas production and wildlife habitat.

H. Surface Ownership: Willis Family Trust

12. OPERATOR'S REPRESENTATIVE

Boyd Schaneman
Drilling Superintendent
15 Smith Road
Midland, Texas 79705
Office Phone: 432-687-7402

CERTIFICATION

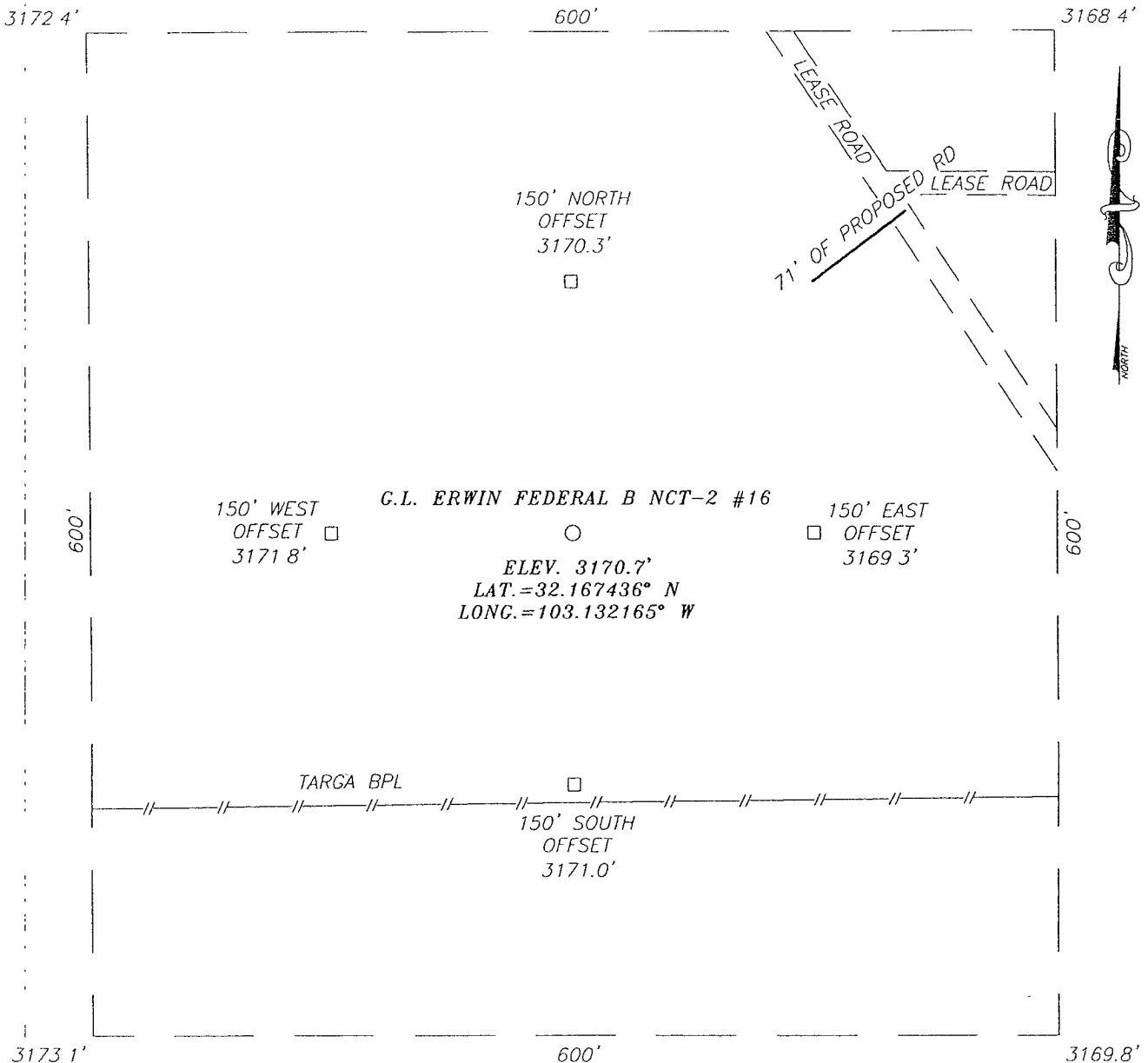
I hereby certify that I, or persons under my direct supervision, have inspected the proposed oil drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in the plan are, to be best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Chevron U.S.A. Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for filing of a false statement.

07-29-08
Date

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

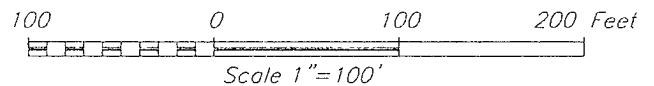
Exhibit A

SECTION 35, TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

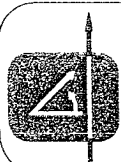
FROM THE INTERSECTION OF FLYING E RD AND
DOLLARHIDE RD FOLLOW LEASE ROAD SOUTHEAST
FROM INTERSECTION APPROX 1.1 MILE TURN
RIGHT AT PROPOSED ROAD SURVEY GO
SOUTHWEST AT STAKED ROAD APPROX 70 FEET
TO THIS LOCATION



CHEVRON USA INC.

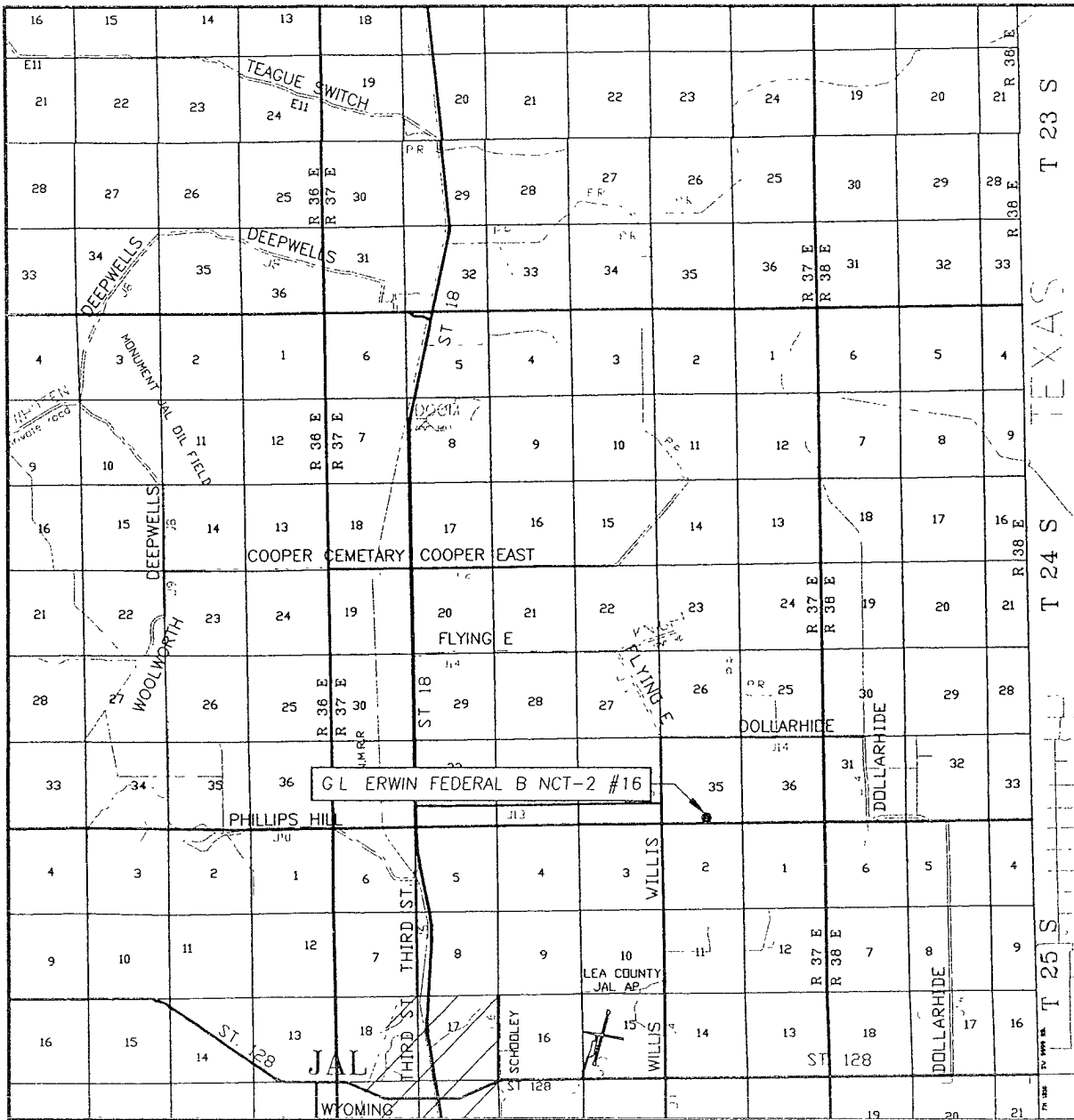
G.L. ERWIN FEDERAL B NCT-2 #16
LOCATED 350 FEET FROM THE SOUTH LINE
AND 2310 FEET FROM THE EAST LINE OF SECTION 35,
TOWNSHIP 24 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO

Survey Date 6/12/08	Sheet 1 of 1 Sheets		
W O Number 08 11 0879	Dr By AR	Rev 1 N/A	
Date 6/24/08	Disk	08110879	Scale 1"=100'



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

VICINITY MAP



SCALE 1" = 2 MILES

SEC 35 TWP 24-S RGE. 37-E

SURVEY N M P M.

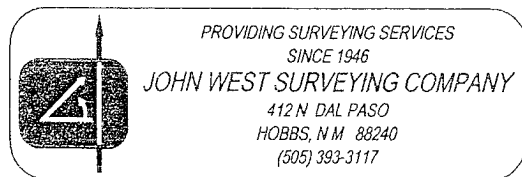
COUNTY LEA STATE NEW MEXICO

DESCRIPTION 350' FSL & 2310' FEL

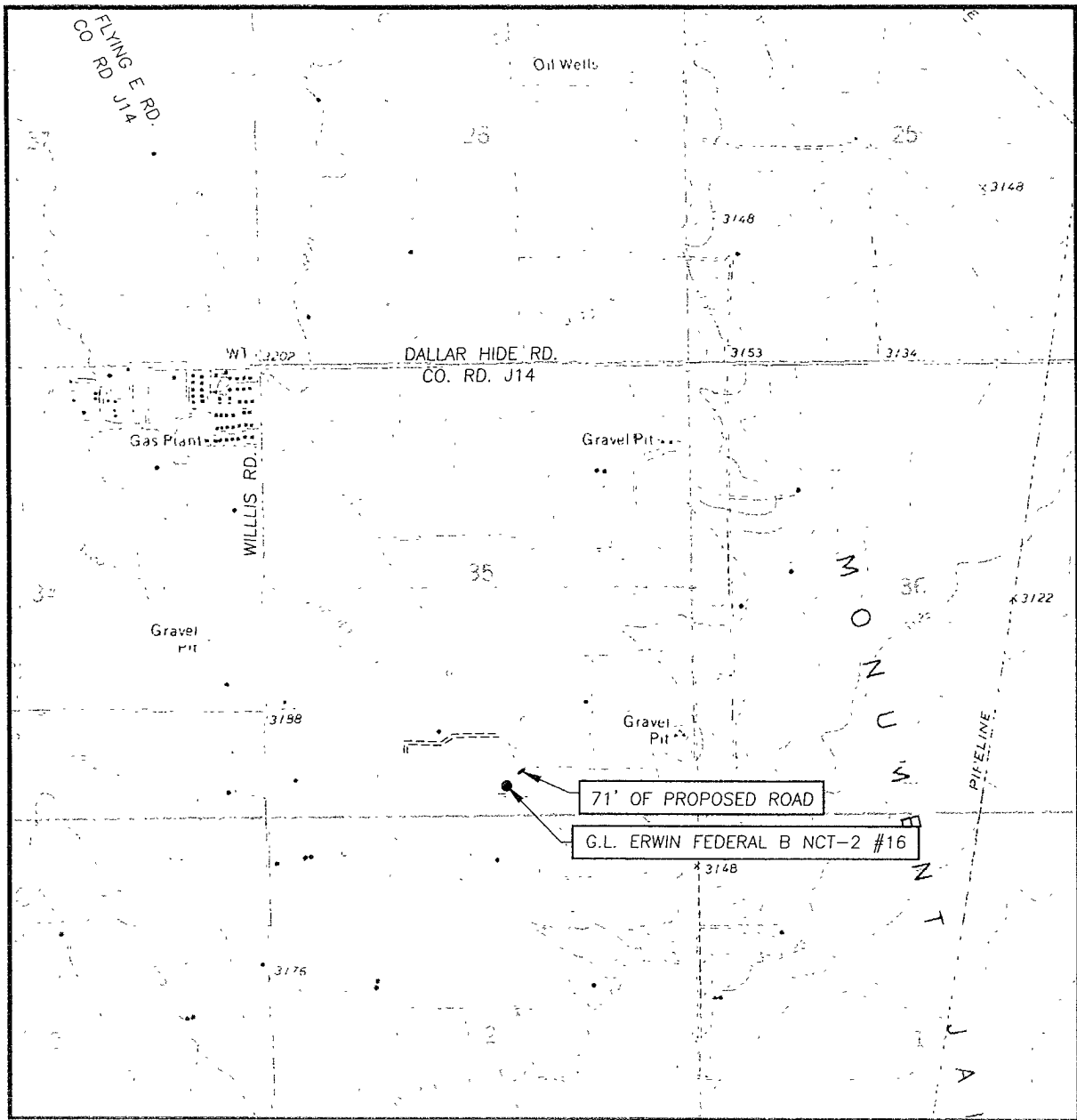
ELEVATION 3171'

OPERATOR CHEVRON USA INC

LEASE G L ERWIN FEDERAL B NCT-2



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL
JAL NW, N.M. - 10'

SEC. 35 TWP. 24-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 350' FSL & 2310' FEL

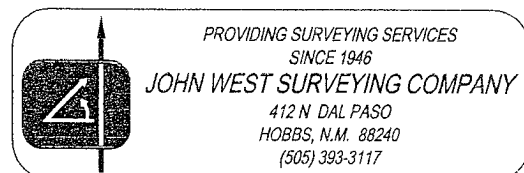
ELEVATION 3171'

OPERATOR CHEVRON USA INC.

LEASE G.L. ERWIN FEDERAL B NCT-2

U.S.G.S TOPOGRAPHIC MAP

JAL NW, N.M.



MEMORANDUM

TITLE CLEARANCE/NEW DRILL

Date: July 21, 2008

Well: G.L. Erwin Federal B NCT-2 #16

WBS # UWDOL-D8502

COST CENTER: UCU728100

Field: Langlie-Mattix

Area: Dollarhide

County: Lea County, New Mexico

To: James E. Baca

Title Clearance to drill and produce the subject well is requested:

Desired Production Date: November 1, 2008

Desired Spud Date: October 1, 2008

Total Depth: 3950' [San Andres]

Proposed Completion: Grayburg

Location: 350 FSL, 2310 FEL, Section 35, T24S-R37E
Lat: 32.167436 N Long: -103.132165 W
X Crd: 871689.4 E Y Crd: 426708.5 N
State Plane: NAD 27

Requested Title Clearance Completion Date: Plan to permit by 8/31/2008; DRB held 3/08.

Requested by: Casey R. Mobley

**TITLE CLEARANCE/NEW DRILL
G. L. ERWIN FEDERAL B NCT-2 #16 WELL
LANGLIE-MATTIX FIELD
LEA COUNTY, NEW MEXICO**

July 28, 2008

To: Mr. Casey Mobley:

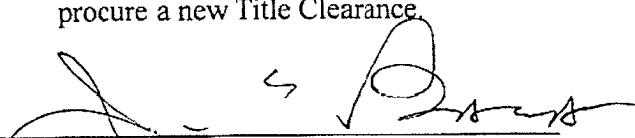
It is satisfactory from a land standpoint to commence the proposed operations, as outlined above, subject to the matters hereinafter set forth in paragraphs 1 through 10:

1. **G. L. ERWIN FEDERAL B NCT-2 #16 well** will be drilled as a vertical Grayburg oil well which contains 40 acres in the drilling unit located within the SW1/4SE1/4 of Section 35, T-24-S, R-37-E, Lea County, New Mexico. Said acreage is covered by the following oil and gas lease being: United States of America NMLC-057509 dated effective November 1, 1991 (QLS 085556). Said lease was renewed effective November 1, 1991 and will expire on November 1, 2011, if production is not maintained. Said lease also covers Chevron acreage within the NE1/4 of Section 26, T-24-S, R-37-E, Lea County, New Mexico. Our records indicate that the above named lease is held by production and is a valid lease. **You should satisfy yourself that the production on this lease has been continuous and in paying quantities since initial production.**
2. **CHEVRON'S INTEREST:** Chevron owns 100% working interest and 87.5% net revenue interest as to ALL depths in the SW1/4SE1/4 of said Section 35 covering said lease.
3. **PERMITS:** All permits required by the New Mexico Oil Conservation Division must be obtained prior to commencement of the proposed drilling operations of the G. L. Erwin Federal B NCT-2 #16 well. All relevant State and Federal regulations must also be observed including but not limited to the applicable rules and regulations promulgated by the New Mexico Oil Conservation Division.
4. **RIGHT-OF-WAY/EASEMENTS:** All pipeline right-of-way, telephone and power easements should be located and respected.
5. **DRILLING /DRILLSITE/LEASE INFORMATION:**

- Lessor reserves the right to specify rates of development and require Lessee to submit to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands.
 - Lessee shall file with proper office of Lessor, not less than 30 days after the effective date, any contract or evidence of other arrangement for sale or disposal of production.
 - Prior to disturbing the surface of the leased land, Lessee shall contact Lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be deemed necessary.
 - Lessee may be required to conduct special studies or inventories under the guidelines by the Lessor.
 - Lessee must be aware of any endangered species in the area or effected by operations.
 - Lessee shall pay to Lessor for damages done to Lessor's improvements.
6. **GAS CONTRACTS/OTHER CONTRACTS:** This acreage is dedicated to a Targa gas contract. Any questions concerning gas contracts should be directed to Robert Ketchie in Gas Control. Further, the S1/2 of said Section 35 is subject to a Communitization Agreement covering the Glorieta formation at depths from 5, 639 feet to 7,180 feet. If there are no Glorieta wells producing within the S1/2 of said Section 35, this Communitization Agreement may have terminated.
7. **ACCESS AND OTHER MATTERS:** It is assumed that there are no pending lawsuits, adverse claims or other matters that will affect the subject premises. Ingress to and egress from the Lease via public road is required. Should you need additional ingress or egress rights or need right of way easements covering this operation, please contact either Will Kiker or Hollis Cox in the Land Department.
8. **SURFACE OWNERSHIP/REMARKS:** The Willis Family Trust is the owner of the surface estate covering the S1/2 of said Section 35. SOPA notice was mailed out to the Willis Family Trust on July 21, 2008. SOPA notice shall expire on August 24, 2008. Please notify either Will Kiker or Hollis Cox in the land department prior to operations so that they may settle surface damages or any right of way issues with the Willis Family Trust.
9. **TITLE:** There is an original title opinion dated June 10, 1961 rendered by the Law Office of Hervey, Dow and Hinkle. It appears that all requirements were satisfied therein.

10. This title clearance is restricted to the proposed well site location and the depths stated in the request. If the location or depths is changed, it will be necessary to procure a new Title Clearance.

By:



James E. Baca

Staff Land Representative

Cc: Mike Howell
Danny Lovell
Andy Lawther
Reginald Holzer
Terri Nunnery

Susan Brownlee
Denise Pinkerton
Rick Parrish
Hollis Cox
Tami Myers

Melin Du
Robert Ketchie
Denise Beckham
Lynn Tibbe

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Chevron U.S.A. Inc.
LEASE NO.:	NMLC057509
WELL NAME & NO.:	G.L. Erwin Federal B NCT-2 #16
SURFACE HOLE FOOTAGE:	350' FSL & 2310' FEL
BOTTOM HOLE FOOTAGE	Same
LOCATION:	Section 35, T. 24 S., R 37 E., NMPM
COUNTY:	Lea County, New Mexico

TABLE OF CONTENTS

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

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

I. GENERAL PROVISIONS

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

II. PERMIT EXPIRATION

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

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

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

IV. NOXIOUS WEEDS

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

V. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the 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.

F. ON LEASE ACCESS ROADS

Road Width

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

Surfacing

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

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

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

Crowning

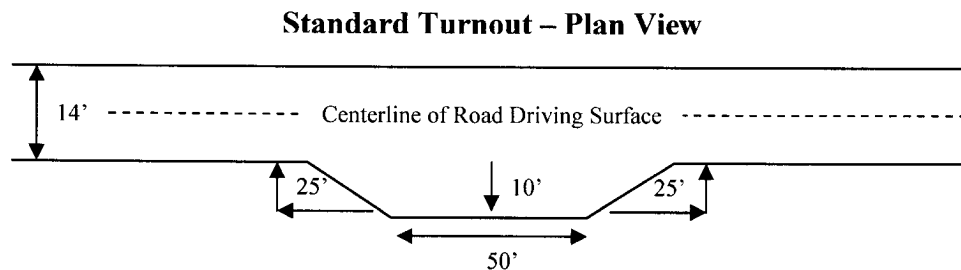
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

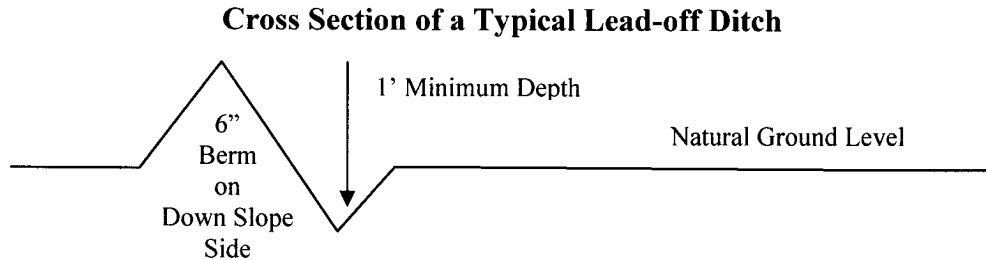
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



Drainage

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

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



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

Formula for Spacing Interval of Lead-off Ditches

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

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

Culvert Installations

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

Cattleguards

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

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

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

Fence Requirement

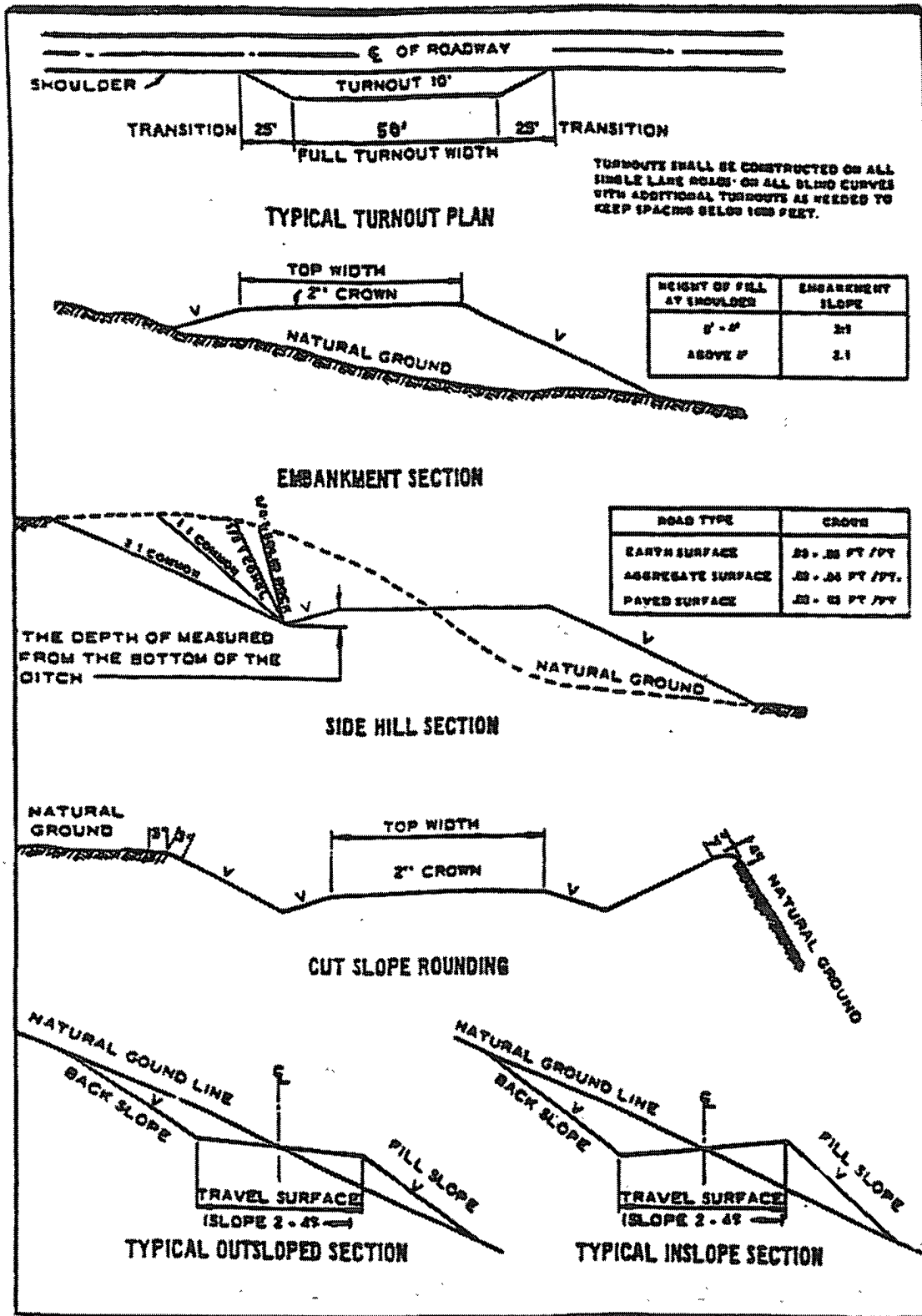
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

Public Access

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



VI. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

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

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

☒ **Lea County**

Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the **Yates** formation. **Hydrogen Sulfide has been measured at 1400 – 16650 ppm in gas streams and 350 ppm in STVs. If Hydrogen Sulfide is encountered, please report measured amounts 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.

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

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

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 for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

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

Possible lost circulation in the Yates formation.

1. The **8-5/8** inch surface casing shall be set at **approximately 980 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface. **Fresh water mud to be used to setting depth.**
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with 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 remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - c. If cement falls back, remedial cementing 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. **BOP/BOPE to be tested per Onshore Order 2.III.A.2.i. during normal drilling operations. Operator is installing a 3M, but testing to 2M standards.**
2. The appropriate BLM office shall be notified a minimum of **4 hours** in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.

- d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STEM TEST

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

WWI 091008

VII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

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

Containment Structures

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

Painting Requirement

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

B. PIPELINES

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

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

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

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

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

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

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

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

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

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

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

discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

(March 1989)

C. ELECTRIC LINES

STANDARD STIPULATIONS FOR OVERHEAD ELECTRIC DISTRIBUTION LINES

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

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

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.
4. There will be no clearing or blading of the right-of-way unless otherwise agreed to in writing by the Authorized Officer.
5. Powerlines shall be constructed in accordance to standards outlined in "Suggested Practices for Raptor Protection on Powerlines, " Raptor Research Foundation, Inc., 1981. The holder shall assume the burden and expense of proving that pole designs not shown in the above publication are "raptor safe." Such proof shall be provided by a raptor expert approved by the Authorized Officer. The BLM reserves the right to require modification or additions to all powerline structures placed on this right-of-way, should they be necessary to ensure the safety of large perching birds. Such modifications and/or

additions shall be made by the holder without liability or expense to the United States.

6. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

7. The BLM serial number assigned to this authorization shall be posted in a permanent, conspicuous manner where the power line crosses roads and at all serviced facilities. Numbers will be at least two inches high and will be affixed to the pole nearest the road crossing and at the facilities served.

8. Upon cancellation, relinquishment, or expiration of this grant, the holder shall comply with those abandonment procedures as prescribed by the Authorized Officer.

9. All surface structures (poles, lines, transformers, etc.) shall be removed within 180 days of abandonment, relinquishment, or termination of use of the serviced facility or facilities or within 180 days of abandonment, relinquishment, cancellation, or expiration of this grant, whichever comes first. This will not apply where the power line extends service to an active, adjoining facility or facilities.

10. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the Authorized Officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

11. Special Stipulations:

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

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.

Seed Mixture 1, for Loamy Sites

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

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

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

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

*Pounds of pure live seed:

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



X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

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

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