

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.

NMNM0634-C

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
T C FEDERAL

9. API Well No.

10. Field and Pool, or Exploratory
DK ABO11. Sec., T. R. M. or Blk. and Survey or Acrea
SECTION 31, T20S, R39E, NMPMia. Type of work: ☒ DRILL☐ REENTERlb. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other☐ Single Zone ☐ Multiple Zone

2. Name of Operator

LEWIS B. BURLESON, INC.

3a. Address P.O. BOX 2479
MIDLAND, TX 797023b. Phone No (include area code)
(432)683-4747

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

At surface 2310 FNL AND 1860 FEL

At proposed prod. zone

14. Distance in miles and direction from nearest town or post office*

14 MILES NORTHEAST OF EUNICE, NEW MEXICO

12. County or Parish

LEA

13. State

NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

1860'

16. No. of acres in lease
28017. Spacing Unit dedicated to this well
4018. Distance from proposed location*
to nearest well, drilling, completed, 2200'
applied for, on this lease, ft.19. Proposed Depth
7700'20. BLM/BIA Bond No. on file
90805221. Elevations (Show whether DF, KDB, RT, GL, etc.)
3562'22. Approximate date work will start*
9/1/200823. Estimated duration
14 days

24. Attachments

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

1. Well plat certified by a registered surveyor

2. A Drilling Plan.

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

5. Operator certification

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

25. Signature

Name (Printed/Typed)

STEVEN L. BURLESON

Date

06/04/2008

Title

VICE-PRESIDENT

Approved by (Signature)

/s/ James Stovall

Name (Printed/Typed)

Date

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

AUG 14 2008

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to
conduct operations thereon

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHEDRECEIVED
AUG 18 2008
HOBBS OCD

Witness Surface Casing

Los Comite Ambiental de la Zona

State of New Mexico

DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

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

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-39139		Pool Code 15200	Pool Name D-K: Abo
Property Code 35340	Property Name TC FEDERAL		Well Number 5
OGRID No. 013300	Operator Name LEWIS B. BURLESON, INC.		Elevation 3562'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	31	20-S	39-E		2310	NORTH	1860	EAST	LEA

Bottom Hole Location If Different From Surface

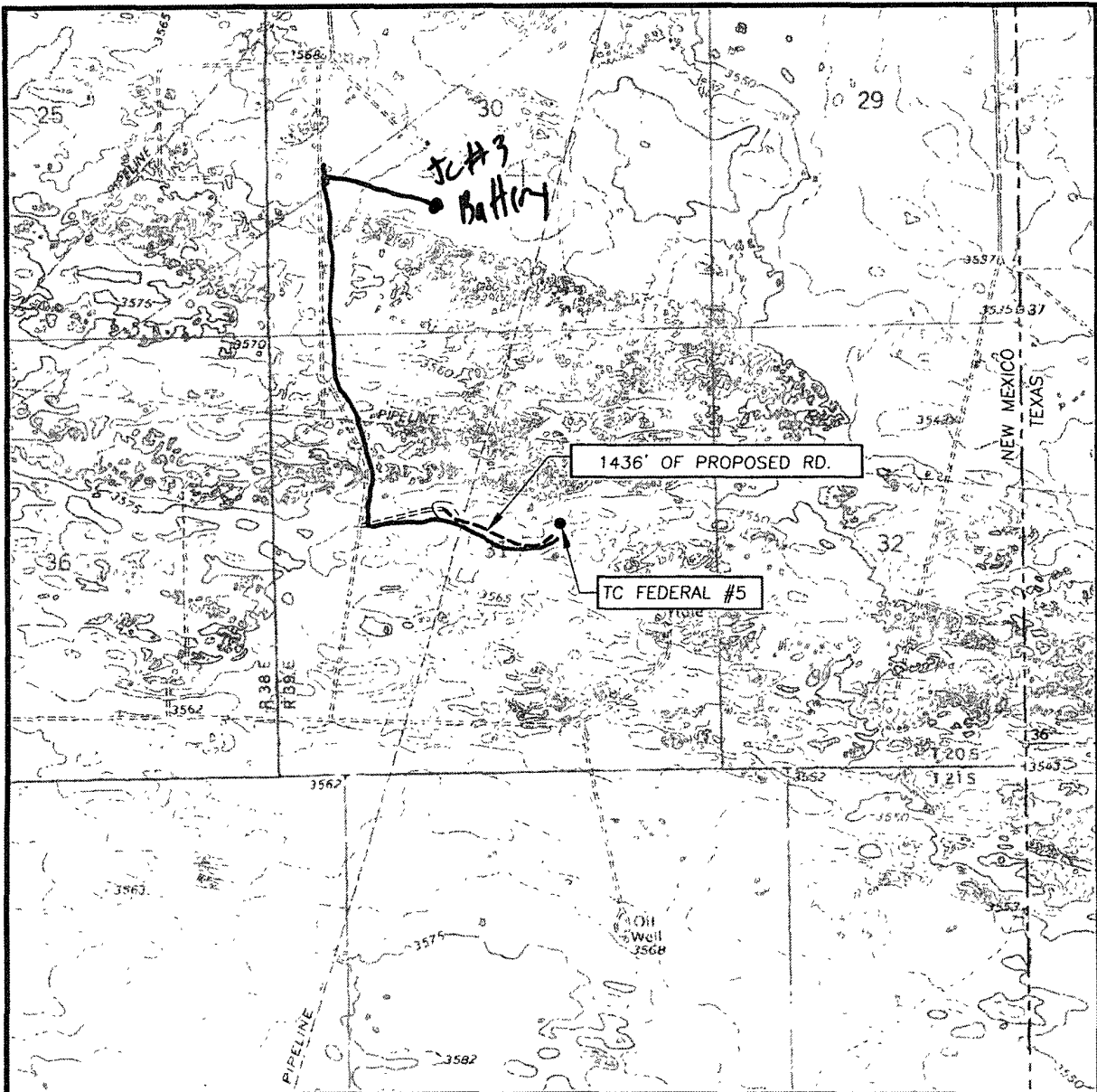
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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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>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=558904.2 N X=885680.3 E</p> <p>LAT.=32.530310° N LONG.=103.081968° W</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><i>[Signature]</i> 6/4/2008 Signature Date Steven L. Burleson 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><i>[Signature]</i> 6/4/2008 Date Surveyed Signature & Seal of Professional Surveyor Ronald J. Eidson</p>
	<p>Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HOBBS SE, N.M. - 5'

SEC. 31 TWP. 20-S RGE. 39-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 2310' FNL & 1860' FEL

ELEVATION 3562'

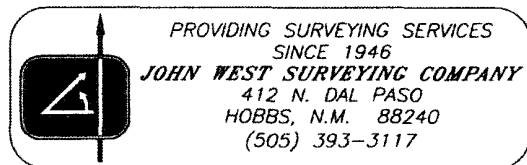
OPERATOR LEWIS B. BURLESON, INC.


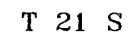
LEASE TC FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

HOBBS SE, N.M.

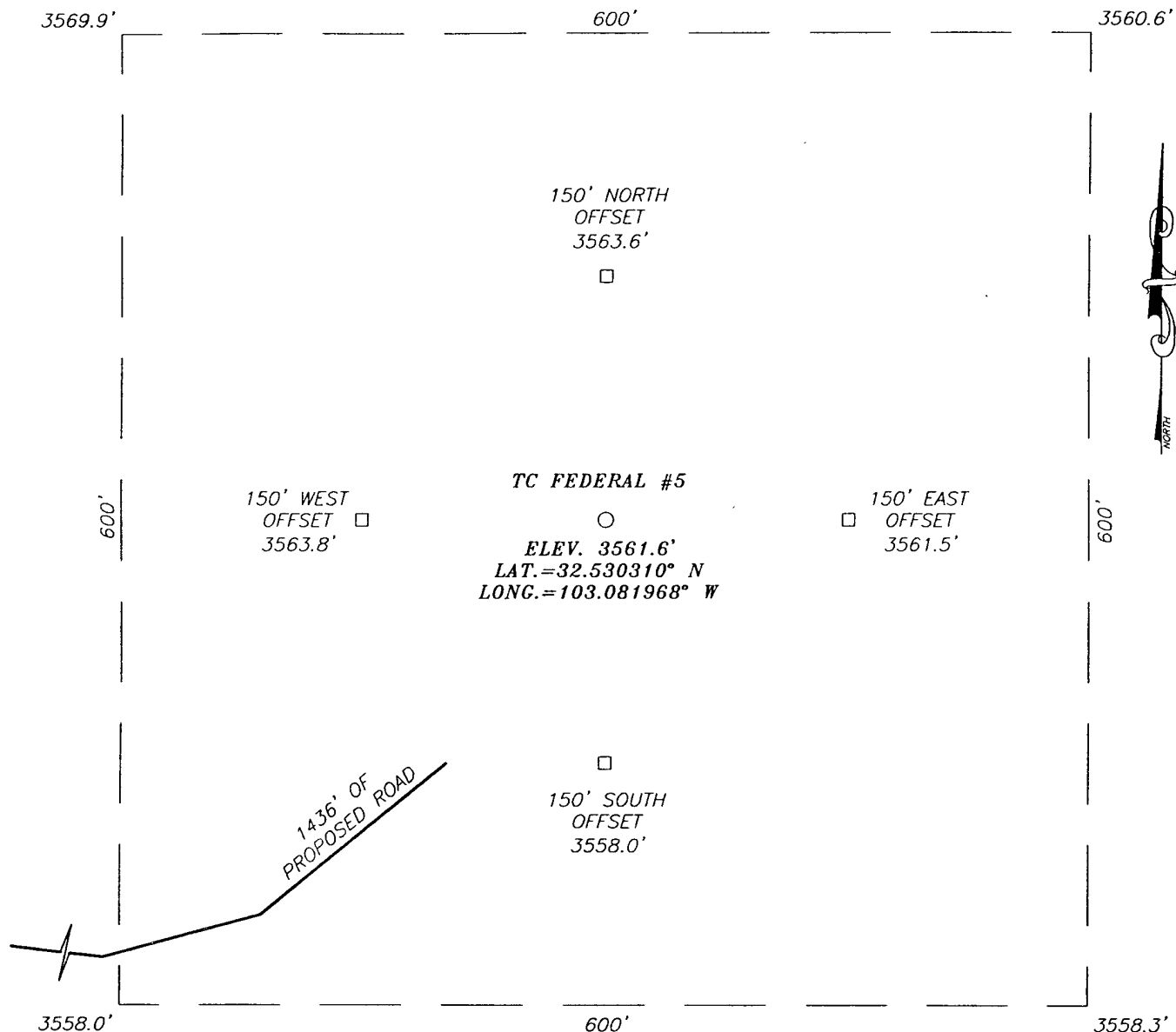
— Flowline





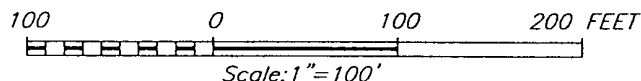
PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

SECTION 31, TOWNSHIP 20 SOUTH, RANGE 39 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

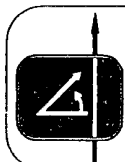
FROM THE INTERSECTION OF ST. HWY. #18 AND CO. RD. H59 (McCASLAND RD), GO EAST-SOUTHEAST APPROX. 2.2 MILES ON CO. RD. H59. TURN RIGHT AND GO SOUTH APPROX. 1.4 MILES TO THE CHESAPEAKE FED. #12 WELL PAD. FROM THE SOUTHWEST CORNER CONTINUE FOR APPROX. 0.75 MILES. TURN LEFT AND GO SOUTHEAST APPROX. 0.25 MILES. FOLLOW SOUTH APPROX. 0.1 MILE. TURN LEFT AND GO EAST APPROX. 0.15 MILES TO THE LLANO 31 FED. #1 WELL PAD AND A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY EAST-SOUTHEAST APPROX. APPROX. 1300 FEET TO THIS WELL.



LEWIS B. BURLESON, INC.

TC FEDERAL #5 WELL
LOCATED 2310 FEET FROM THE NORTH LINE
AND 1860 FEET FROM THE EAST LINE OF SECTION 31,
TOWNSHIP 20 SOUTH, RANGE 39 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 4/18/08	Sheet 1 of 1 Sheets
W.O. Number: 08.11.0542	Dr By: LA
Date: 4/22/08	08110542
	Scale: 1"=100'



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

Drilling Program

Attached to Form 3160-3
Lewis B. Burleson, Inc.
T C Federal #5
2310' FNL and 1860' FEL
Section 31, T20S, R39E, NMPM
Lea Co., New Mexico

1. Geologic Name of Surface Formation:

Quaternary

2. Estimated Tops of Important Geologic Markers:

Top of Salt	1560'
Base of Salt	2775'
Yates	2930'
7 Rivers	3140'
Abo	7150'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Upper Permian Sands	300'	Fresh Water
Yates	2930'	Gas
7 Rivers	3140'	Gas
San Andres	4150'	Gas
Blainebery	5600'	Gas
Drinkard	6400'	Gas
Abo	7150'	Oil and Gas

No other formations are expected to give up oil, gas or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 8-5/8" casing at 1630', circulating cement back to surface. 5-1/2" production casing will be set at TD with cement circulated to the surface.

4. ~~Casing Program:~~

Hole Size	Interval	OD Csg.	Weight, Grade, Jt, Cond, Type
12-1/4"	0-1630'	8-5/8"	J 55 24#
7-7/8"	1630-7600'	5-1/2"	17# L80

Cement Program:

REPLACE w/ INFO
FROM 6/18/08

LT12

LB 8/5/08

8-5/8" surface casing: Cemented to surface w/1400 sx of Premium Plus + 2% CaCl₂

5-1/2" production casing: Cemented with 475 Lite Premium Plus 15# salt + 1/4#/sx Flocele. 1000 sx 50/50 Poz/Premium Plus 9# salt 1/4# Flocele-designed to circulate cement to the surface.

5. Minimum Specifications for Pressure Control:

~~The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a double ram-type (2000 psi WP) preventer and a bag-type (hydril) preventer (2000 psi WP). Both units will be hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4-1/2" drill pipe rams on bottom. Both BOP's will be nipped up on the 8-5/8" surface csg. And used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of surface casing. A 2" kill line and 3# choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 2000 psi WP rating.~~

REPLACE
w/ INFO PLUM
6/18/08 LTR
LE 8/5/08

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of fresh water, brine, and brine starch with gel.

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0-1630'	Fresh Water (spud)	8.5	40-45	N.C.
1630-3900'	Brine Water	10.0	30	N.C.
3900-TD	Starch Gel System	10.00	33	10

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- (A) A kelly cock will be kept in the drill string at all times.
- (B) A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

8. Logging, Testing and Coring Program:

- (A) No DSTs will be run.
- (B) No open hole logs will be run – A casing hole GR-Neutron will be run.
- (C) No conventional coring is anticipated.
- (D) Further testing procedures will be determined after the 5-1/2" production casing has been cemented at TD based on drill shows, and log evaluation, and drill stem test results.

9. Abnormal Conditions. Pressures, Temperatures, & Potential Hazards:

No abnormal pressures or temperatures are anticipated. The estimated bottom-hole temperature (BHT) at TD is 100 degrees F and estimated maximum bottom-hole pressure (BHP) is 800 psig.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is ,2007. Once commenced, the drilling operation should be finished in approximately 13 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

LEWIS B. BURLESON, INC.
OIL & GAS PROPERTIES

LEWIS B. BURLESON
PRESIDENT

STEVEN L. BURLESON
VICE-PRESIDENT

WAYNE JARVIS
SUPERINTENDENT

June 18, 2008

**Bureau of Land Management
Carlsbad Field Office
Attention: Don Peterson
620 E. Greene St.
Carlsbad, NM 88220-6292**

**RE: 5-TC FEDERAL, LEASE NM0634C
2310 FNL 1860 FEL, SEC. 31, T20S, R39E, LEA COUNTY, NM**

Gentlemen:

This is in regard to the deficiencies addressed in your letter dated June 13, 2008 for the Application for Permit to Drill on the above reference well.

#1 - #3

Casing Program:

Hole Size:	Interval:	OC Csg	Weight Grade Jt Cond Type
12-1/4"	0-1630	8-5/8"	24# J,-55, 8rd ST&C
7-7/8"	1630-TD	5-1/2"	17#, N80, 8rd LT&C

All casing will be new and will meet the following minimum safety factors:

Tension: 2 Collapse: 1.125 Yield: 1.125 Internal Yield Pressure: 1.0

#4

Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a double ram preventer (2000 psi WP). Unit will be hydraulically operated. BOP will be nipped up on the 8-5/8" surface csg and used continuously until TD is reached. BOP and accessory equipment will be tested to 2000 psi before drilling out of surface casing, inspected and cycled daily, and Blind rams cycled after every trip out of the hole. A 2" kill line and a 3" choke line will be included in the drilling spool. Other accessories to the BOP equipment will include a kelly cock, and adjustable choke manifold.

LEWIS B. BURLESON

CHIEF
GEOLOGIST

F:\WP51\DOC\tcfederaldeficiencies.doc

#5

Hydrogen Sulfide Sulfide Drilling Operations Plan

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

- 1. The hazards and characteristics of hydrogen sulfide (H₂S).**
- 2. The proper use and maintenance of personal protective equipment and life support system.**
- 3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.**
- 4. The proper techniques for first aid and rescue procedures.**

In addition, supervisory personnel will be trained in the following areas:

- 1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.**
- 2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.**
- 3. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.**

There will be an initial safety session just prior to commencing operations on the well. The initial session shall include a review of the site's specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPEMNT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500'.

- 1. Well Control Equipment:**

- A. **Annular Preventer to accommodate all pipe sizes with properly sized closing unit.**
2. **Protective Equipment for Essential Personnel:**
 - A. **Mark II Surviveair 30-minute units located in the dog house.**
3. **H2S Detection and Monitoring Equipment:**
 - A. **1 – portable H2S monitor positioned on location for best coverage and response.**
 - B. **Mud logging trailer shall have H2S monitoring equipment.**
4. **Visual Warning Systems:**
 - A. **Guy lines will be flagged and a wind sock will be positioned on location.**
 - B. **Caution/Danger signs shall be posted on roads providing direct access to location.**
5. **Mud Program:**

The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, will minimize hazards when penetrating H2S bearing zones.
6. **Metallurgy:**

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.
7. **Communication:**

Radio communications in company vehicles including cellular telephone and 2-way radio.
8. **Well Testing:**

No DST's are planned.

#7

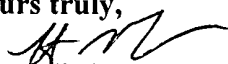
For future Applications for Permit to Drill, we will send a Blanket Certification.

T C Federal #5
Page 4

#8

**The On-Site inspection was done by Cody Layton and associate biologist,
both of your office.**

Should you have any questions regarding this matter, feel free to call me.

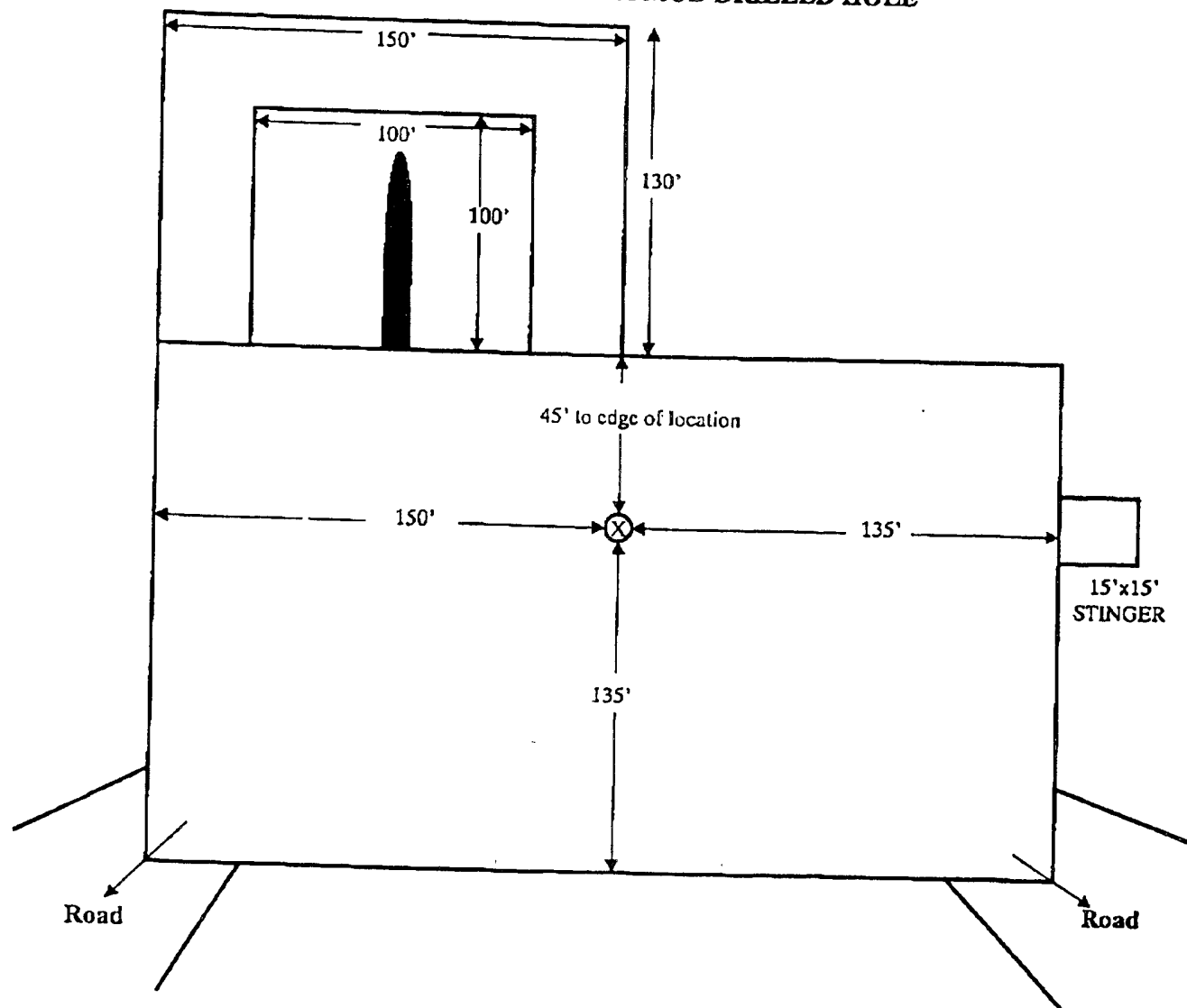
Yours truly,

Steven L. Burleson
Vice-President

Forms file (Rig Plats)

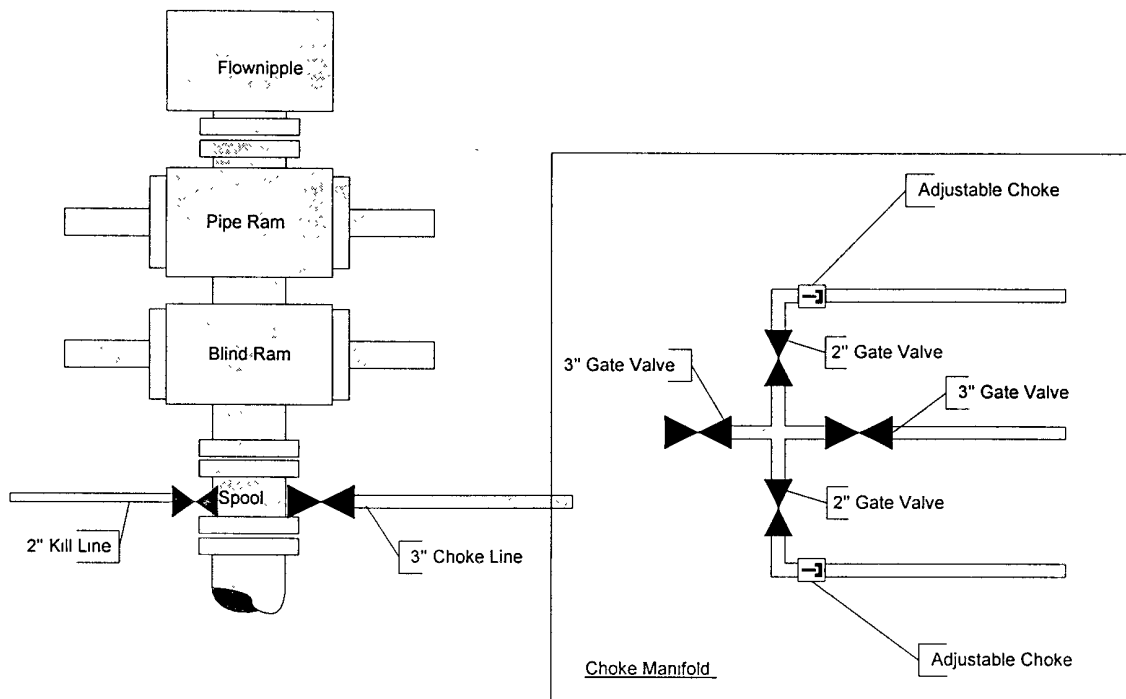
LARIAT SERVICES, INC.

RIG # 18

TYPICAL LOCATION FOOTPRINT FOR A MUD DRILLED HOLE



2000psi -
BOPE



Lewis Burleson, Inc

H₂S CONTINGENCY PLAN EMERGENCY CONTACTS

(Names & Phone Numbers Must be Verified)

Company Office 432-683-4747
Answering Service (During Non-Office Hours) 432-557-5558

Key Personnel

<u>Name</u>	<u>Title</u>	<u>Phone Number</u>
Wayne Jarvis	Drilling Superintendent	432-557-5559
Steven Burleson	Vp Operations	432-557-5558

Eunice

Ambulance 911
State Police 575-746-2703
City Police 575-394-2112
Sheriff's Office 575-396-3611
Fire Department 575-394-3258
New Mexico Oil Conservation Division 575-393-6161

US Bureau of Land Management 575-393-3612

New Mexico Emergency Response Commission (Santa Fe) 505-476-9600
24 Hour 505-827-9126
New Mexico State Emergency Operations Center 505-476-9635
National Emergency Response Center (Washington, DC) 800-424-8802

Other

Boots & Coots IWC 800-256-9688 or 281-931-8884
Cudd PressureControl 915-699-0139 or 915-563-3356
Halliburton 575-746-2757
B. J. Services 575-746-3569
Flight For Life – 4000 24th St. Lubbock, Texas 806-743-9911
Aerocare – R3, Box 49F, Lubbock, Texas 806-747-8923
Med Flight Air Amb – 2301 Yale Blvd SE #D3, Albuquerque, NM 505-842-4433
S B Air Med Service – 2505 Clark Carr Loop SE, Albuquerque, NM 505-842-4949

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	LEWIS B. BURLESON, INC.
LEASE NO.:	NM0634C
WELL NAME & NO.:	TC FEDERAL #5
SURFACE HOLE FOOTAGE:	2310' FNL & 1860' FEL
BOTTOM HOLE FOOTAGE	' F L & ' F L
LOCATION:	Section 31, T. 20 S., R 39 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**
 - Lesser Prairie Chicken

- ☒ **Construction**
 - Notification
 - Topsoil
 - Reserve Pit
 - Federal Mineral Material Pits
 - Well Pads
 - Roads

- ☒ **Road Section Diagram**

- ☒ **Drilling**

- ☒ **Production (Post Drilling)**

Well Structures & Facilities

Pipelines

- ☐ **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. SPECIAL REQUIREMENT(S)

Mitigation Measures: The mitigation measures include the Pecos District Conditions of Approval, the standard stipulations for the Lesser Prairie Chicken, and the standard stipulation for permanent resource roads.

Timing Limitation Stipulation/Condition of Approval for Lesser Prairie-Chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.

TC Federal # 5: Reserve pits North V-Door East

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

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

B. TOPSOIL

The operator shall stockpile the topsoil of the well pad. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. RESERVE PITS

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

The reserve pit shall be constructed 150' X 130' on the North side of the well pad V-Door East.

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

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

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

D. FEDERAL MINERAL MATERIALS PIT

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

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (575) 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

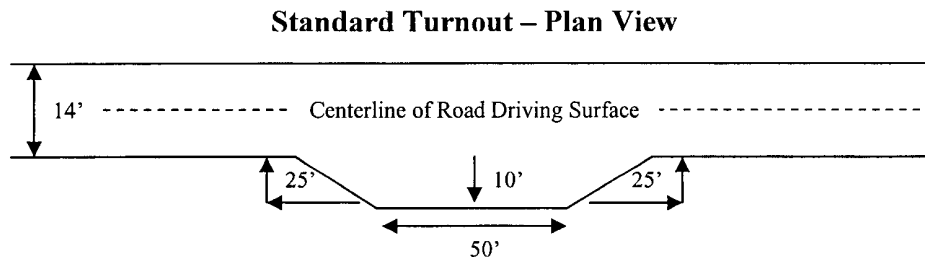
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

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:

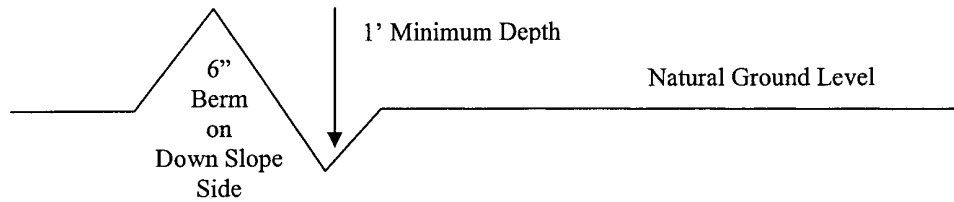


Drainage

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

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

Cross Section of a Typical Lead-off Ditch



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

Formula for Spacing Interval of Lead-off Ditches

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

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

Culvert Installations

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

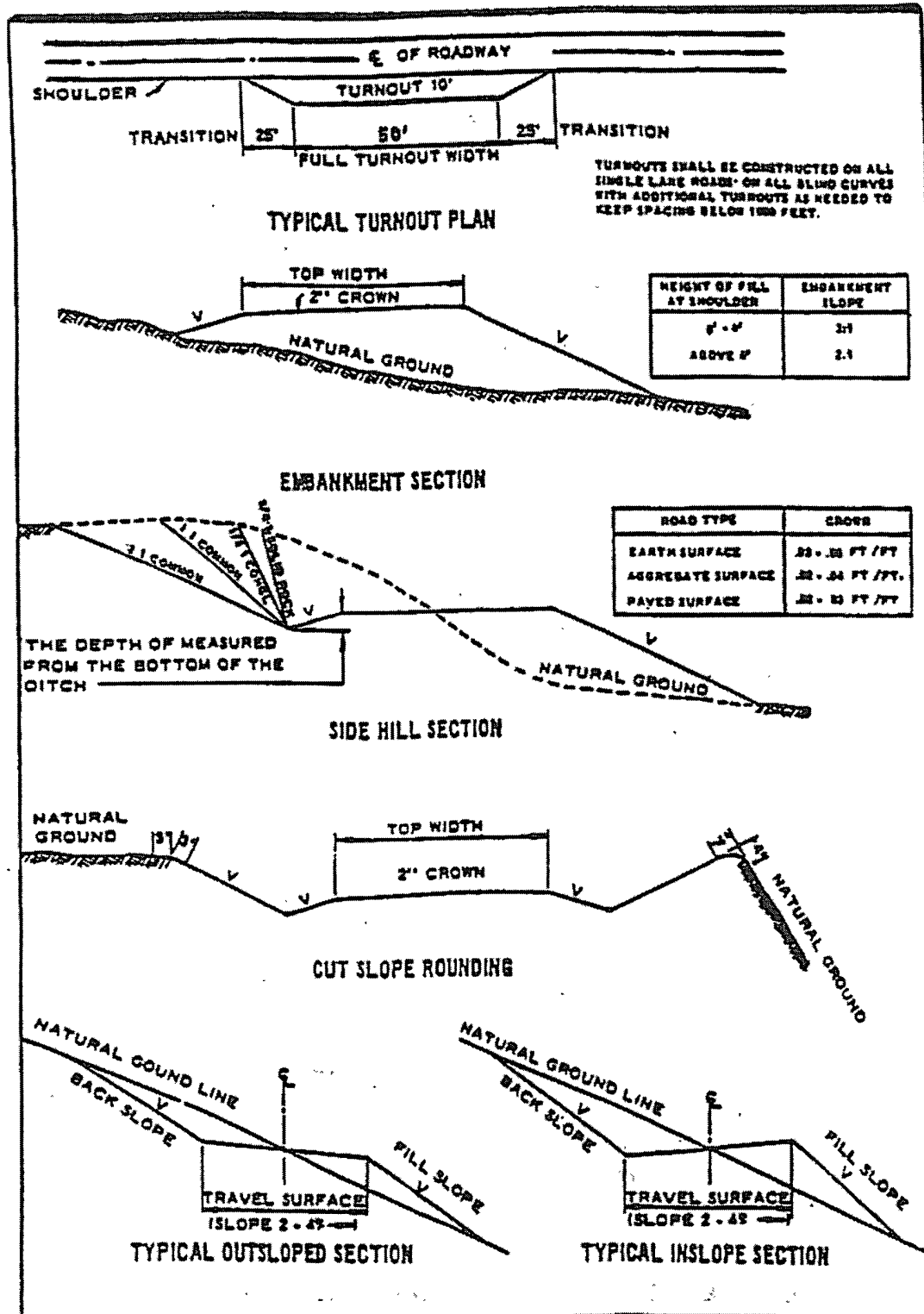
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

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

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

☒ **Lea County**

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

1. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated **500** feet prior to drilling into the Yates formation. If Hydrogen Sulfide is encountered please provide 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.

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string.

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

Possible lost circulation in the Glorieta Formation

1. The 8-5/8 inch surface casing shall be set at **approximately 1630 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface. **If the salt is encountered set surface casing 25 feet above the top of the salt within the Rustler Anhydrite.**

- a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater.
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial 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.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 (2M) psi. **A 2000 (2M) psi BOP system will be allowed based on data provided by the operator.**
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.

- c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
- d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STEM TEST

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

LB 7/30/08

VIII. 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)

IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

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

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

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

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

B. RESERVE PIT CLOSURE

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

BLM Serial #:
Company Reference:
Well Name and Number:

Seed Mixture for LPC Sand/Shinnery Sites

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

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

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

<u>Species</u>	<u>lb/acre</u>
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A

**Four-winged Saltbush 5lbs/A

* This can be used around well pads and other areas where caliche cannot be removed.

*Pounds of pure live seed:

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

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.