RECEIVED JUN 0.2 2003 OCD-HOBBS' POBLSOCD UNITED STATES DEPARTMENT OF THE INTERSOULT ESTATE DEPARTMENT OF THE INTERSOULT ESTATE APPLICATION FOR PERMIT TO DRILL OR REENTER 1. Lears Varia Mach 31, 2007 1a. Type of work: Image of Well Construction for PERMIT TO DRILL OR REENTER 2. If fulling Allace or Tible Name MM2512 1a. Type of work: Image of Operation TULSA, OKLAHOMA 74136-4224 9.18-491-4980 27.73 3b. Address 612.0 SOUTH YALE SUTTE 1500 3b. Phone N6 (mediad area out) 9.84 Mach 40 Post, or Exploratory of Area Adausface 2562' FNL & 500' FEL SECTION 3 T21S-R37E 3b. Phone N6 (mediad area out) 9.84 Mach 30.0000 20.0000 4. Location dearby and in accodence with any State registrament." 1	RECEIVED						ちーつりーエロタ
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Approved by (Signature) /s/ Don Peterson Name (Printed/Typed) DaMAY 28 2009	pproved by (Signature) /s/ Don Peterson	Name	(Printed/Typed)			DawAY	28 409
Tide FIELD MANAGER	· · · ·	Office			· · · · · · · · · ·	1	
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			CARLSBA	DEE	D.OFFICE		
conduct operations thereon.	onduct operations thereon.	is legal of equil					
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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.	ute 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a c lates any false, fictitious or fraudulent statements or representations as	rime for any pe to any matter w	rson knowingly and ithin its jurisdiction.	willfully to n	ake to any department	or agency of	of the United
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L		Surface Location						····	1 0+0				
UL or lot No. 8	Section 3	Townst 21-	•	Range 37−E	Lot Idi		eet from the 2562	North/South NORTH	line	Feet 59	from the	East/West line EAST	County LEA
		· · · · · ·	Bottom Hole Location If Different From Surface				ace			· // -			
UL or lot No.	Section	Townsk	aip	Range	Lot Idı	1 F	eet from the	North/South	line	Feet	from the	East/West line	County
Dedicated Acres		l or Infill		nsolidation (Order		1				EN CONSOLIDA	
N Y= X= LAT.= LONG.=	<u>DETAIL</u> .9' 	IME 7 N 5 E 088' N 3824' 1 54.32"	W N	LOT 1 37.86 LOT 5 40 AC LOT 1 40 AC LOT 1 40 AC	AC 37 5 L 9 4 2 4 3 L 3 L 1	OT 3 7.75 AC OT 6 0 AC DT 11 10 AC 0 AC 0 AC	<u>37.63 AC</u> LOT 7	LOT 1 S S S S S S S S S S S S S		mi or interior or interior or or or or or or or or or or or or o	rein is true y knowledge a ganization eit unleased mi cluding the p has a right to a volunta mpulsery poo the division. Joe T. Joe T. SURVEYO I hereby own on this utes of actual der my super ue and correct	R CERTIFICAT certify that the well plat was plotted from surveys made by trision, and that the to the best of m BER.09, 2008 N MEL Spail of	e best of t this rinterest e land t this le location t this lift an interest, nt or a re entered t 4/09 CION U location m field ne or e same is
					SCAL	_E: 1	" = 200	כי		Ce	ertificate No	B 11 (565) 	12641 DN 3239

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VICINITY MAP



SEC. <u>3</u> TWP. <u>21-S</u> RGE. <u>37-E</u>

SURVEY_____N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 2562' FNL & 590' FEL

ELEVATION _____ 3488'

OPERATOR APACHE CORPORATION LEASE NORTHEAST DRINKARD UNIT SCALE: 1" = 2 MILES



LOCATION VERIFICATION MAP



SCALE: 1'' = 2000'

SEC. <u>3</u> TWP. <u>21-S</u> RGE. <u>37-E</u>

SURVEY_____N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 2562' FNL & 590' FEL

ELEVATION _____ 3488'

OPERATOR _____ APACHE_CORPORATION

LEASE NORTHEAST DRINKARD UNIT

U.S.G.S. TOPOGRAPHIC MAP HOBBS SW, N.M. CONTOUR INTERVAL: HOBBS SW, N.M. – 5'



APPLICATION TO DRILL

APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT #8 SECTION 3 T21S-R37E LEA CO. NM

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

- 1. LOCATION: 2562' FNL & 590' FEL SECTION 3 T21S-R37E LEA CO. NM
- 2. ELEVATION ABOVE SEA LEVEL: 3488' GL
- 3. GEOLOGICAL NAME OF SURFACE FORMATION: Quaternery Aeolian Deposits.
- 4. DRILLING TOOLS AND ASSOCIATED EQUIPMENT: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.

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5. PROPOSED DRILLING DEPTH: 7000'

6. ESTIMATED TOPS OF GEOLOGICAL FORMATIONS:

Rustler Anhydrite	1377'	Grayburg	3821'	Tubb	6245 '
Yates	2691'	San Andres	4063'	Drinkard	6581 '
Seven Rivers	2918	Glorieta	5313 '	Abo	6808 '
Queen	3484	Blinebry Mkr	•5757 '	TD	7000 '

7. POSSIBLE MINERAL BEARING FORMATIONS:

Blinebry	0il
Tubb	0i1
Drinkard	011

8. CASING PROGRAM:

HOLE SIZE	INTERVAL	OD OF CASING	WEIGHT	THREAD	COLLA	R GRADE	CONDITIO	N
26"	0-40	20"	Conductor	NA	NA	Conductor	New	
124"	0-1400'	8 5/8"	24#	8-R	ST&C	J-55	New	
7 7/8"	0-1000	5 <u>1</u> "	17#	8-R	LT&C	L-80	New	
7 7/8"	1000-7000'	5 <u>1</u> "	17#	8-R	LT&C	J-55	New	
DESIGN FA	ACTORS:							
Collapse	1.125 Bi	urst 1.0	Body Yield	1.5	Joint S	-	uttress -R	1.6 1.8

APPLICATION TO DRILL

APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT #8 SECTION 3 T21S-R37E LEA CO. NM

9. CASING SETTING DEPTHS & CEMENTING:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
8 5/8"	Surface	Run and set 1400' of 8 5/8" 24# J-55 ST&C casing. Cement with 500 Sx of Premium Plus Class "C" cement + 3% NaCl, + 0.25#/Sx Celoflakes, + 3#/Sx LCM-1, + 4% Bentonite, + 0.005gps FP-6L, Yield 1.7 Tail in with 225 Sx. of Prem. Plus Class "C" cement + 2% CaCl, + 0.25#/Sx Celo Flakes, + 0.005 gps FP-L6 Yield 1.3 circulate cement to surface.
5 <u>1</u> "	Production .	Run and set 7000' of 5½" casing as follows: Bottom 6000' 5½" 17# J-55 LT&C, TOP 1000' 5½" 17# L-80 LT&C. Cement with 900 Sx of 35/65 Class "C" POZ CEMENT + 5% NaCl, + 0.25#/Sx Celo Flakes, + 0.005 gps FP-L6, + 0.5% FL-52A, + 0.5% BA-10A, + 3#/Sx LCM, + 6% Bentonite, Yield 1.9. Tail in with 350 Sx. of 50/50 Class "C" POZ, + 5% NaCl, + 0.2% FL-25, + 0.25#/Sx Celo Flakes, + 3#/Sx LCM-I, + 0.6% FL-25, + 0.005 gpsFP-L6, +2% Bentonite, Yield 1.3, Circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT:

Exhibit "I" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor, middle blind rams, bottom pipe rams. This B.O.P. will be nippled up on the 8 5/8" casing. The B.O.P. will be tested by a third party at 2000 PSI, maxium surface pressure is not expected to exceed 2000 PSI, BHP is calculated to be approximately 3080 PSI. The B.O.P. will be worked at least once in each 24 hout period and the blind rams will be worked when the drill pipe is out of the hole on trips. Exhibit "I" also shows a 3000 PSI choke manifold with a 3" blowdown line. Full opening stabbing valve and kelly cock will be on derrick floor in case of need. No abnormal pressures of temperatures are expected in this well no nearby wells have encountered any problems.

APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT #8 SECTION 3 T21S-R37E LEA CO. NM

11. PROPOSED MUD CIRCULATING SYSTEM:

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DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE SYSTEM
40-1400'	8.6-9.2	28-34	NC	Fresh water Spud Mud, add paper to control seepage, high viscosity sweeps to clean hole pH 9.0-9.5
1400-6500'	10.0-10.2	28 - 32	NC	Brine water add paper to control seepage and high viscosity sweeps to clean hole, pH 9.5-10.
6500-TD	10.0-10.2	36-42	8-10 cc or less	Same as above but add starch to water loss, add caustic soda to pH at 9.5-10

THIS WILL BE A CLOSED MUD SYSTEM

Sufficient mud materilas will be kept on location at all times in order to combat last circulation, or unexpected kicks. In order to run open hole logs and casing the above mud properties may have to be altered to meet these needs.

APPLICATION TO DRILL

APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT #8 SECTION 3 T21S-R37E LEA CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Laterolog, MSFL, LITHO DENSITY, CNL, Gamma Ray Caliper from TD back to 8 5/8" casing shoe. Run Sonic from TD back to 1600'
- B. Cased hole log: Gamma Ray, CNL FROM 8 5/8" casing shoe back to surface.
- C. No cores DST's or mud logger is planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S 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 <u>3080</u> PSI, and Estimated BHT <u>115°</u>.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take <u>12</u> days. If production casing is run then an additional <u>30</u> days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The <u>Blin.Tubb Drink</u> formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialed as an oil well.

NORTHEAST DRINKARD UNIT # 158 **DRILLING PROGRAM**

Surface Location

2562' FNL, 590' FEL NE 1/4 of Section 3, Lot # 8, Township 21 South, Range 37 East, N.M.P.M. Lea County, New Mexico

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

None anticipated

Estimated Tops of Geological Markers:

L

EPTH Irface
177'
591'
)18'
84'
321'
)63'
13'
'57'
.45'
81'
808'

· TD

7000'

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

<u>SUBSTANCE</u>	DEPTH
Oil	Blinebry@ 5757'
	Tubb@ 6245'
G	Drinkard@ 6581'
Gas	None anticipated
Fresh Water	None anticipated

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

Proposed Casing Program

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HOL	CASING		WEIGH			ESTIMATED TOC -
	<u>SIZE</u>	CDAD	<u>T PER</u>	DDDTX	SACKS	<u>REMARKS</u>
<u>E</u> SIZE	OD / ID	<u>GRAD</u>	<u>FOOT</u>	<u>DEPTH</u>	<u>CEMEN</u>	
	0.7.100	<u> </u>			<u> </u>	
12 ¼"	8 5/8"	J55	24#	1,400'	725	TOC - Surface
	8.097"	STC				8.9 ppg Water-based
						Mud;
						89 ° F Est. Static
						Temp;
						83 ° F Est. Circ.
						Temp.
7 7/8"	5 1/2"	L80	17#	0 –	1,250	TOC – Surface
	4.892"	LTC		1,000'		Float Collar set @
						6,940'
	5 1/2"	J55	17#	1,000 -		10.10 ppg Brine
	4.892"	LTC		7,000'		Mud;
						126 ° F Est. Static
						Temp;
						115 ° F Est. Circ.
						Temp.
						Ĩ

Proposed Cement Program:

	LEAD SLURRY	TAIL SLURRY	DISPLACEMENT
<u>CASING</u>			
8 5/8"	500 sacks Prem. Plus Class	225 sacks Prem. Plus Class C	86.5 bbls Fresh
	C Cement + 3% bwoc	Cement + 2% bwoc Calcium	Water @ 8.33 ppg
	Sodium Chloride + 0.25	Chloride + 0.25 lbs/sack	O HEE PPS
	lbs/sack Cello Flake + 3	Cello Flake + 0.005 gps FP-	
	lbs/sack LCM-1 + 0.005	L6 + 56.3% Fresh Water	
	gps FP-6L + 4% bwoc	304 Vol. Cu Ft	
	Bentonite gel	1.3 Vol. Factor	
	885 Vol. Cu Ft	Slurry Weight (ppg) 14.8	
	1.7 Vol. Factor	Slurry Yield (cf/sack) 1.35	
	Slurry Weight (ppg) 13.5	Amount of Mix Water	
	Slurry Yield (cf/sack) 1.77	(gps)6.35	
	Amount of Mix Water (gps)	Estimated Pumping Time –	
	9.02;	70 BC (HH:MM)-2:33;	
	Estimated Pumping Time –		
_	70 BC (HH:MM)-4:18;		

8 5/8" Casing: Volume Calculations:

1,400 ft	х	0.4127 cf/ft	with	100% excess	_	1,155.0 cf
42 ft	Х	0.3576 cf/ft	with	0% excess		15.0 cf (inside pipe)
	TOT	AL SLURRY	VOLUN	Æ	=	1,170.1 cf
					=	208.4 bbls

Spacer 20.0 bbls Water @ 8.33 ppg

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CASING	I EAD SI IDDY		
	LEAD SLURRY	TAIL SLURRY	DISPLACEMENT
$5\frac{1}{2}$ "	900 sacks (35:65) Poz	350 sacks (50:50) Poz (Fly	161.7 bbls 2% Kcl
	(Fly Ash): Class C	Ash):Class C Cement + 5%	Water @ 8.43 ppg
	Cement + 5% bwow	bwow Sodium Chloride	
	Sodium Chloride + 0.25	+0.2% bwoc FL-25 + 0.25	
	lbs/sack Cello Flake +	lb/sack Cello Flake + 3	
	0.005 gps FP-L6 + 0.5%	b/sack LCM-1 + 0.6% bwoc	
I.	bwoc FL-52A + 0.5%	FL-25 + 0.005 gps FP-L6 +	
	bwoc BA-10A + 3 lb/sa	ck 2% bwoc Bentonite	
	LCM-1 + 6% bwoc	455 Vol. Cu Ft	
	Bentonite	1.3 Vol. Factor	
	1,710 Vol. Cu Ft	Slurry Weight (ppg) 14.2	
	1.9 Vol. Factor	Slurry Yield (cf/sack) 1.30	
	Slurry Weight (ppg) 12.	8 Amount of Mix Water (gps)	
	Slurry Yield (cf/sack) 1.		
	Amount of Mix Water	Estimated Pumping Time –	
	(gps) 9.82;	70 BC (HH:MM)-4:12;	
	Estimated Pumping Tim		
	- 70 BC (HH:MM)-		
	<u>4:00;</u>		
1400	$\frac{5\frac{1}{2}}{2}$	"Casing: Volume Calculations:	
1400		926 cf/ft with 0% excess =	269.5 cf
3800		733 cf/ft with 100% excess =	1,381.9 cf
1800		733 cf/ft with 50% excess = $-$	467.6 cf
40		305 cf/ft with $0% excess =$	5.2 cf(inside pipe)
	TOTAL S	LURRY VOLUME =	2,124.2 cf
		=	378.3 bbls

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

Proposed Pressure Control Equipment

Will install on the 8 5/8" surface casing a 9" x 3000 psi WP Double Ram BOP with Annular, and will test using a 3rd party tester before drilling out of surface casing. <u>As maximum anticipated</u> surface pressures do not exceed 2,000 psi, we will test the BOPE as a 2,000 psi system. Bottom hole pressure calculations are included below. See Exhibit I, <u>3:000 psi BOPE</u> attached.

Bottom Hole Pressure Calculations

The maximum anticipated bottom hole pressure is calculated y multiplying the depth of the well by 0.44. The maximum anticipated surface pressure is calculated assuming one half of the hole is evacuated of the drilling fluid required to control the maximum anticipated bottom hole pressure.

For the East Blinebry Drinkard Unit #109 the maximum anticipated bottom hole pressure is 7,000' x 0.44 psi/ft. = 3,080 psi.

The maximum anticipated surface pressure assuming a hole where one half of the mud required to contain the bottom hole pressure has been evacuated is 3,080 psi - (3,080 psi/2) - 1,540 psi.

Proposed Mud Program

<u>DEPTH</u> 0 – 1,400'	MUD PROPERTIES Weight: 8.6 – 9.2 ppg Viscosity: 28 – 34 sec/qt pH: 9.0 – 9.5 Filtrate: NC	<u>REMARKS</u> Spud with a Conventional Gel/Lime "Spud mud". Use gel and native solids to maintain a sufficient viscosity to keep the hole clean. Mix Paper one-two sacks every 100 feet drilled to minimize wall cake build up on water sands and to control seepage loss. Every 500' sweep the hole with 50 bbls of pre-mixed freshwater, gel and lime having a viscosity of 45-50 sec/qt.
1400' 6500'	Weight: 10 10.0 – 10.2 ppg Viscosity: 28 – 32 sec/qt pH: 9.5 -10 Filtrate: NC	Drill out from under the surface casing with Brine Water. Paper should be added at 2 bags after every 100' drilled to control seepage losses. Use Lime to maintain pH at 9-10. Mix one gallon of Anco Drill N at flowline every 250 feet drilled to promote solids settling
6500' – TD	Weight: 10.0 – 10.2 ppg Viscosity: 36 – 42 sec/qt pH: 9.5 -10 Filtrate: 8-10 cm/30 min	From 6500' to Total Depth, it is recommended the system be restricted to the working pits. Adjust and maintain pH with Caustic Soda. Treat system with WT-22 @ 0.1 ppb. Mix Starch (yellow) to control API filtrate at 8-10 cc. Sweep hole with Anco Drill N every 100'.

Auxiliary Equipment:

9" x 3000 psi double BOP/blind & pipe ram 41/2" x 3000 psi Kelly valve 9" x 3000 psi mud cross $-H_2S$ detector on production hole Gate-type safety valve 3" choke line from BOP to manifold 2" adjustable chokes -3" blowdown line

Logging Program

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The following logs may be run:

CNL, Litho Density, GR, CAL, Dual Laterolog/MSFL, Sonic from TD-1600' CNL, GR from TD-Surface

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Mudlogging Program:

There are no plans to utilize a mud logging service on this well.

Potential Hazards

No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, however, the proposed mud program will be modified to increase the mud-weight. The estimated maximum bottom hole pressure is 3,080 psi., estimated BHT is 115° F. No H₂S is anticipated.

Anticipated Starting Date

When drilling rig becomes available.



EXHIBIT "G" RIG LAY OUT PLAY APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT # 8 SECTION 3 T21S-R37E LEA CO. NM

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EXHIBIT I

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<u>3000psi -</u> <u>BOPE</u>



EXHIBIT "H" SKETCH OF BOP & CHOKE MANIFOLD	
APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT # 8 SECTION 3 T21S-R37E LEA CO. NM	

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	APACHE CORPORATION NE BLINEBRY DRINKARD UNIT #158 LOT # 8 SECTION 3
	T21S-R37E LEA CO. NM



PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Apache Corporation
LEASE NO.:	NM-2512
WELL NAME & NO.:	Northeast Drinkard Unit #158
SURFACE HOLE FOOTAGE:	2562' FNL & 590' FEL
BOTTOM HOLE FOOTAGE	\sim
LOCATION:	Section 03, T. 21 S., R 37 E., NMPM
COUNTY:	Lea County, New Mexico

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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.

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Noxious Weeds

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Ground-level Abandoned Well Marker

Construction

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Reserve Pit - Closed-loop mud system

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Roads

Road Section Diagram

🔀 Drilling

Onshore Order 6 – H2S Requirements

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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)

- 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.
- 2. Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

VI. CONSTRUCTION

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A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Hobbs Field Station at (575) 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 (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.

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 Blinebry formation. As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.
- 2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

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.

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

Possible lost circulation in the San Andres and Glorieta formations. Possible water flows in the Blinebry.

- 1. The 8-5/8 inch surface casing shall be set at approximately 1400 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, a remedial cement job will be done prior to drilling out that string.
- 2. The minimum required fill of cement behind the 5-1/2 inch production casing is:

Cement to surface. If cement does not circulate, contact the appropriate BLM. office.

3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

- 1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
- 2. 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. Operator is installing a 3M system and testing as a 2M based on bottom hole pressure gradient. 2M system approved.
- 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.

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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 sundry notice 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 <u>et seq</u>. (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, <u>et seq</u>. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, <u>et seq</u>.) 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:

Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.

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.

a.

b.

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-ofway width of <u>25</u> 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 of duney areas, the pipeline will be "snaked" around hummocks and dunes rather then 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 Rócky 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.

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 2, for Sandy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be <u>no</u> 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 see 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:

Species	l <u>b/acre</u>
Sand dropseed (Sporobolus cryptandrus) Sand love grass (Eragrostis trichodes) Plains bristlegrass (Setaria macrostachya)	$1.0 \\ 1.0 \\ 2.0$

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = 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.

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