H15-05-6

Form (Aug

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

EC

FORM APPROVED
OMB No. 1004-0136
Expires July 31, 2010

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMNM51843

6. If Indian, Allottee or Tribe Name

1a. Type of Work: ☒ DRILL ☐ REENTER

CONFIDENTIAL

7. If Unit or CA Agreement, Name and No.
NMNM109669

8. Lease Name and Well No. 29867
CHOCOLATE FOAM WING 2

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator
CHESAPEAKE OPERATING INC
Contact: LINDA GOOD
E-Mail: lgood@chkenergy.com
147179

9. API Well No.
30-025-39567

3a. Address
P.O.BOX 18496
OKLAHOMA CITY, OK 73154-0496

3b. Phone No. (include area code)
Ph: 405-767-4275
Fx: 405-753-5469

10. Field and Pool, or Exploratory
MORTON Mississippian

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

At surface SENW 1830FNL 1980FWL Unit F

At proposed prod. zone SENW 1830FNL 1980FWL

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 34 T14S R35E Mer NMP
SME: FEE

14. Distance in miles and direction from nearest town or post office*
6 MILES NW OF LOVINGTON, NM.

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)

16. No. of Acres in Lease
240.00

17. Spacing Unit dedicated to this well
320.00

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth
13850 MD

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KB, RT, GL, etc.
4002 GL

22. Approximate date work will start

23. Estimated duration

DEC 2007
Received
Hobbs
OCD

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)	Date
(Electronic Submission)	LINDA GOOD Ph: 405-767-4275	10/12/2007

Title
FEDERAL REGULATORY ANALYST

Approved by (Signature)	Name (Printed/Typed)	Date
/s/ Don Peterson		DEC 12 2007

Title	Office
FOR FIELD MANAGER	CARLSBAD FIELD OFFICE

Application approval does not warrant or certify 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.

Additional Operator Remarks (see next page) LEA COUNTY CONTROLLED WATER BASIN

Electronic Submission #56750 verified by the BLM Well Information System
For CHESAPEAKE OPERATING INC, sent to the Hobbs
Committed to AFMSS for processing by TERRY GOMEZ on 10/15/2007 (08TLG0020AE)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

State of New Mexico
Energy, Minerals and Natural Resources Departments

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

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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

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

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	Pool Code	Pool Name
30-025-39567	96593	Morton; Mississippian (Gas)

Property Code	Property Name	Well Number
29867	CHOCOLATE FOAM WING	2

OGRID No.	Operator Name	Elevation
147179	CHESAPEAKE OPERATING, INC.	4005'

Surface Location

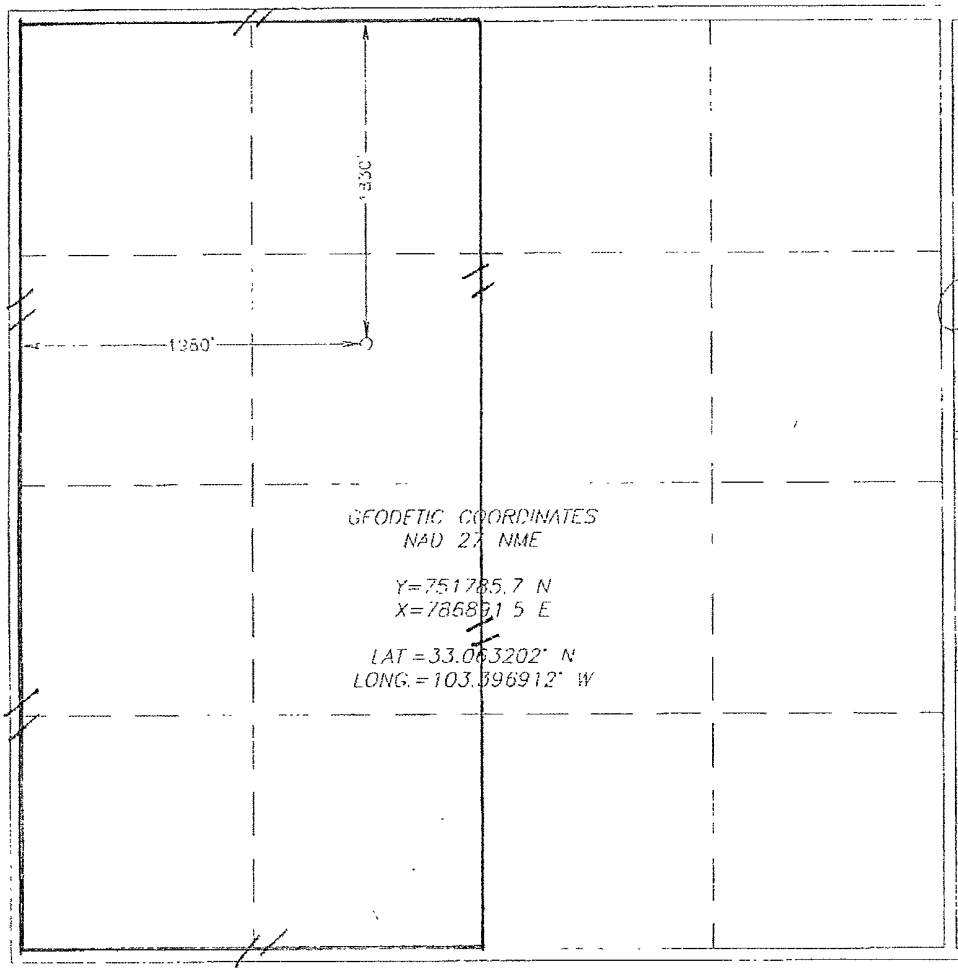
UL or lot No	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	34	14-S	35-E		1830	NORTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No
320			

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



OPERATOR CERTIFICATION

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

Lynda F. Townsend 10-2-07
Signature Date

Lynda F. Townsend
Printed Name

SURVEYOR CERTIFICATION

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

SEPTEMBER 18, 2007
Date Surveyed LA

Signature & Seal of Professional Surveyor

Ronald J. Eidson 9/25/07

07.11.1281

Certificate No. GARY EIDSON 12641
RONALD EIDSON 3239

EXHIBIT A-1

ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (CFR 43, Part 3160) and the approved Application for Permit to Drill. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling and completion operations.

Approval of this application 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.

1. FORMATION TOPS

The estimated tops of important geologic markers are as follows:

Formation	SUBSEA	DEPTH	Hydrocarbon Type
Rustler	2050	1980'	
Yates	965	3065'	
Grayburg	-310	4340'	
San Andres	-610	4640'	
Tubb	-3425	7455'	
Abo Shale	-4190	8220'	
Wolfcamp Lime	-5755	9785'	
*Upper Morton Wolfcamp Pay	-6250	10,280'	OIL
*Lwr Morton Wolfcamp Pay	-6570	10,600'	OIL
Strawn	-7990	12,020'	
*Atoka	-8525	12,555'	GAS
Lwr Atoka Shale	-8940	12,970'	
*Morrow	-9100	13,130'	GAS
Mississippian	--9570	13,600'	
**Austin Pay	-9595	13,625'	GAS
TD		**13,850**	

2. ESTIMATED DEPTH OF WATER, OIL, GAS & OTHER MINERAL BEARING FORMATIONS

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Substance	Formation	Depth
Oil/Gas	Wolfcamp	10,280
Oil/Gas		13,625

All shows of fresh water and minerals will be reported and protected.

see COA

3. BOP EQUIPMENT: 3000 psi & 5000 psi System
Chesapeake Operating, Inc.'s minimum specifications for pressure control equipment are as follows:

I. BOP, Annular, Choke Manifold, Pressure Test - See Exhibit F-1 and F-2.

A. Equipment
1. The equipment to be tested includes all of the following that is installed on the well:
(a) Ram-type and annular preventers,
(b) Choke manifolds and valves,
(c) Kill lines and valves, and
(d) Upper and lower kelly cock valves, inside BOP's and safety valves.

B. Test Frequency
1. All tests should be performed with clear **water**,
(a) when installed,
(b) before drilling out each casing string,
(c) at any time that there is a repair requiring a pressure seal to be broken in the assembly, and
(d) at least once every **30 days** while drilling.

C. Test Pressure
1. In some drilling operations, the pressures to be used for low and high-pressure testing of preventers and casing may be different from those given below due to governmental regulations, or approved local practices.
2. If an individual component does not test at the low pressure, **do not,** test to the high pressure and then drop back down to the low pressure.
3. All valves located downstream of a valve being tested must be placed in the open position.
4. All equipment will be tested with an initial "low pressure" test at 250 psi.
5. The subsequent "high pressure" test will be conducted at the rated working pressure of the equipment for all equipment except the annular preventer.
6. The "high pressure" test for the annular preventer will be conducted at 70% of the rated working pressure.
7. A record of all pressures will be made on a pressure-recording chart.

D. Test Duration

1. In each case, the individual components should be monitored for leaks for **5 minutes,** with no observable pressure decline, once the test pressure as been applied.

II. Accumulator Performance Test

A. Scope

1. The purpose of this test is to check the capabilities of the BOP control systems, and to detect deficiencies in the hydraulic oil volume and recharge time.

B. Test Frequency

1. The accumulator is to be tested each time the BOP's are tested, or any time a major repair is performed.

C. Minimum Requirements

1. The accumulator should be of sufficient volume to supply 1.5 times the volume to close and hold all BOP equipment in sequence, **without recharging** and the **pump turned off**, and have remaining pressures of **200 PSI above the precharge pressure**.

2. Minimum precharge pressures for the various accumulator systems per **manufacturers recommended specifications** are as follows:

3.

System Operating Pressures	Precharge Pressure
1500 PSI	750 PSI
2000 PSI	1,000 PSI
3000 PSI	1,000 PSI

3. Closing times for the Hydril should be less than **20 seconds**, and for the ram-type preventers less than **10 seconds**.

4. System Recharge time should not exceed **10 minutes**.

D. Test Procedure

1. Shut accumulator pumps off and record accumulator pressure.

2. In sequence, close the annular and one set of properly sized pipe rams, and open the HCR valve.

3. Record time to close or open each element and the remaining accumulator pressure after each operation.

4. Record the remaining accumulator pressure at the end of the test sequence. Per

pressures:

System Pressure	Remaining Pressure At Conclusion of Test
1,500 PSI	950 PSI
2,000 PSI	1,200 PSI
3,000 PSI	1,200 PSI

5. Turn the accumulator pumps on and record the recharge time. This time should not exceed **10 minutes.**

6. Open annular and ram-type preventers. Close HCR valve.

7. Place all 4-way control valves in **full open** or **full closed** position. **Do not leave in neutral position**.

4. CASING AND CEMENTING PROGRAM

a. The proposed casing program will be as follows:

see COA

Purpose	Interval	Hole Size	Casing Size	Weight	Grade	Thread	Condition
Surface	0' – 500'	17-1/2"	13-3/8"	48.0	H-40	8rd STC	New
Intermediate	0' – 4600'	12-1/4"	9-5/8"	40.0	J-55	8rd LTC	New
Production	0' – 13,850'	8-3/4"	5-1/2"	17.0	P-110	8rd LTC	New

b. Casing design subject to revision based on geologic conditions encountered.
c. The cementing program will be as follows:

see COA

Interval	Type	Amount	Yield	Washout	Excess
0' – 500'	Class C + additives	175/~~260~~285	2.03 / 1.35	50	50
0' – 4600'	Class C + additives	~~1650~~1200/~~230~~248	2.03 / 1.35	50	50
4100' – 8200'	Class C + additives	675/100	2.03 / 1.32	25	25
8200' – 13,850'	Class H + additives	~~900~~ 1290	1.67	25	25

per schematic 12/6/07 mjb

5. MUD PROGRAM

a. The proposed circulating mediums to be used in drilling are as follows:

see COA

Interval	Mud Type	Mud Weight	Viscosity	Fluid Loss
0' – 500'	Fresh Water	8.6 – 9.0	32 – 36	NC
500' – 4600'	Cut Brine/Brine	8.8 – 10.2	32 - 34	NC
4600' – 13,850'	Water Base	9.2 – 9.8	36 – 50	NC – 8.0

A closed system will be utilized consisting of above ground steel tanks. All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in an approved sanitary landfill.

A mud test shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

6. TESTING, LOGGING AND CORING

The anticipated type and amount of testing, logging and coring are as follows:

a. Drill stem tests are not planned.
b. The logging program will consist of Natural GR, Density-Neutron, PE & Dual Laterolog from TD to surface casing; Neutron-GR surface casing to surface.
c. Cores samples are not planned.

7. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

a. The estimated bottom hole pressure is 5000 psi. No abnormal pressures or temperatures are anticipated.
b. Hydrogen sulfide gas is not anticipated.

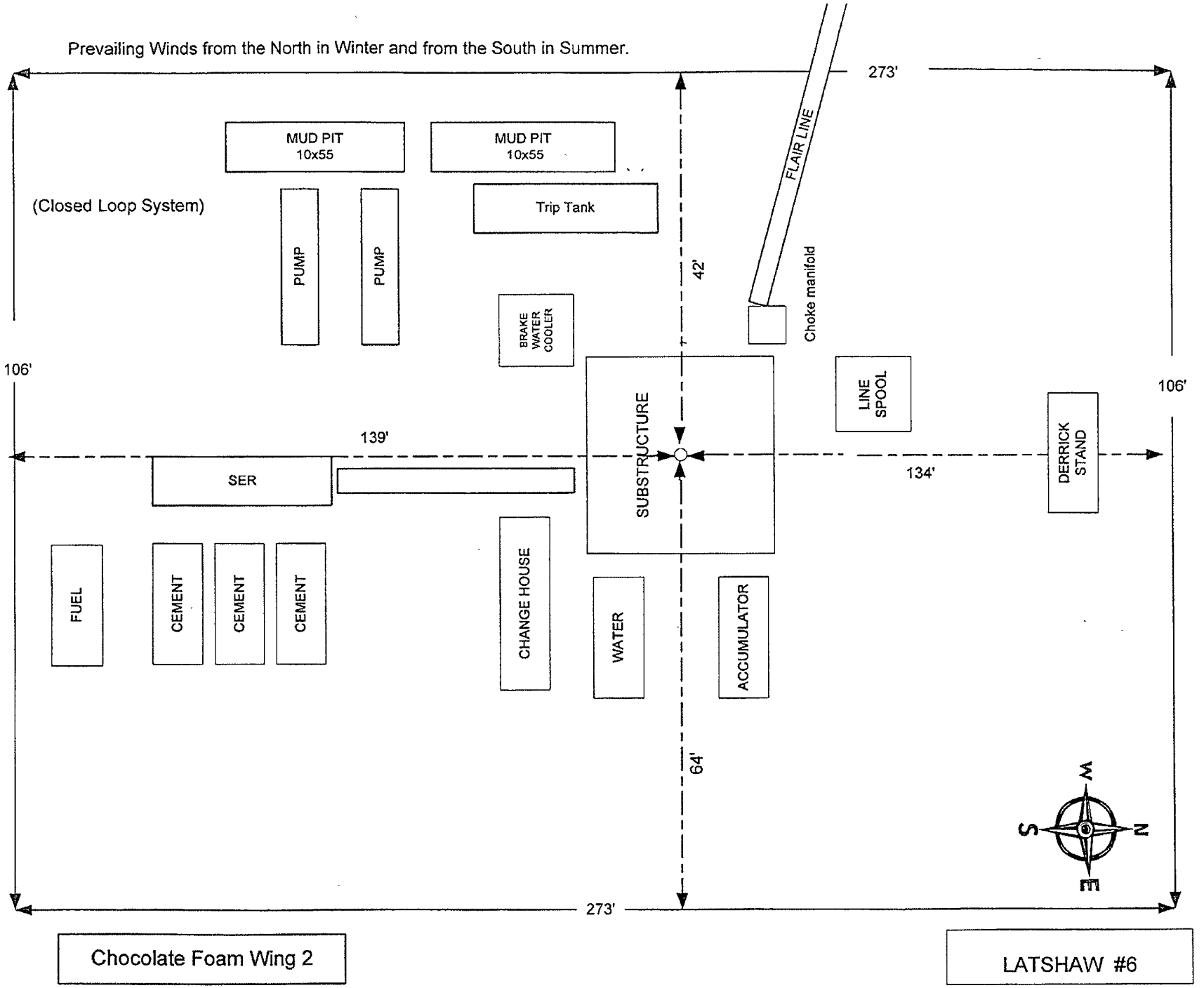


EXHIBIT D

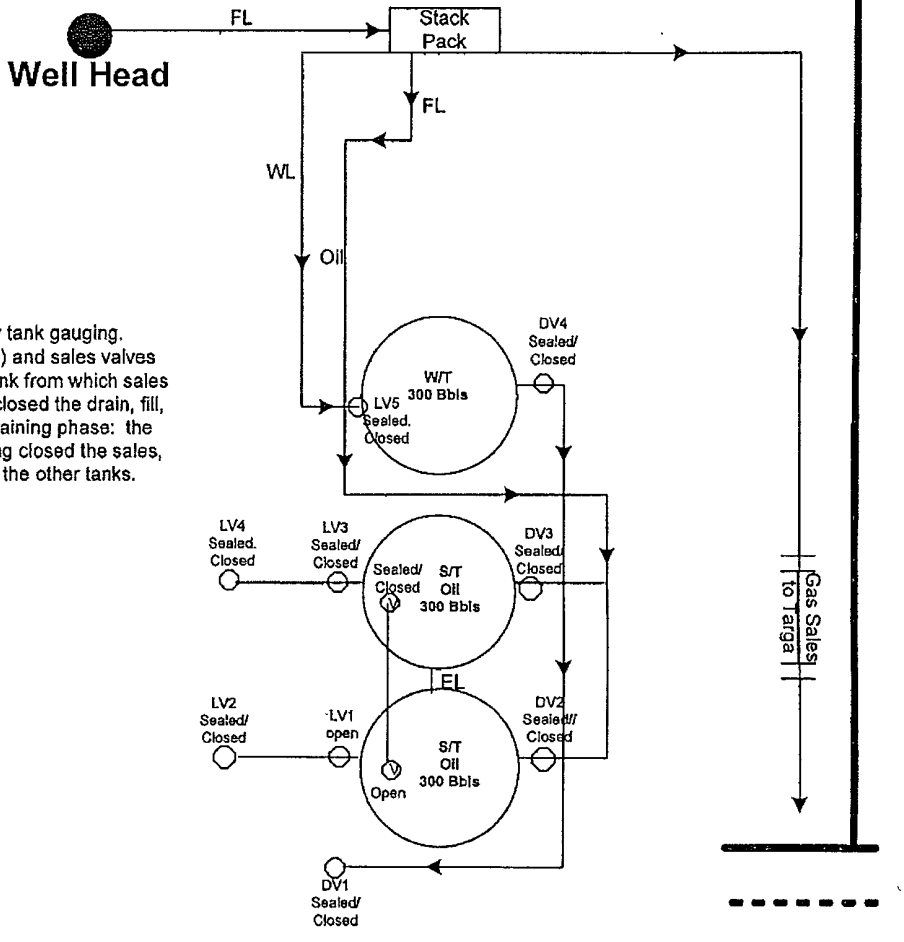
See attached

CHESAPEAKE OPERATING, INC.

Chocolate Foam Wing #2
34-14S-35E
LEA CO., NM

The Chocolate Foam Wing #2 1830'N & 1980'W, 34-14-35 Lea Co. is 6 miles Northwest of Lovington, N.M.

Targa Midstream Gas will lay a low press line to the well pad of the Chocolate Foam Wing #2.



General sealing of valves and sales by tank gauging. Production phase: all drain valves (D1-D4) and sales valves (L1-L5) sealed closed. Sales phase: the tank from which sales are being made will be isolated by sealing closed the drain, fill, and any equalizer valves during sales. Draining phase: the tank being drained will be isolated by sealing closed the sales, fill, equalizer valves and drain valves on the other tanks.

Direction of Flow off Site: E

CHOCOLATE FOAM WING #2

This lease is subject to Chesapeake's Site Security Plan located at 6100 N. Western Oklahoma City, OK 73118

Prepared by: DEBBIE HERNANDEZ
Date: 10-5-2007

Approved by:
Date:

EXHIBIT C

BLOWOUT PREVENTOR SCHEMATIC

CHESAPEAKE OPERATING INC

WELL : Chocolate Foam Wing 34-2

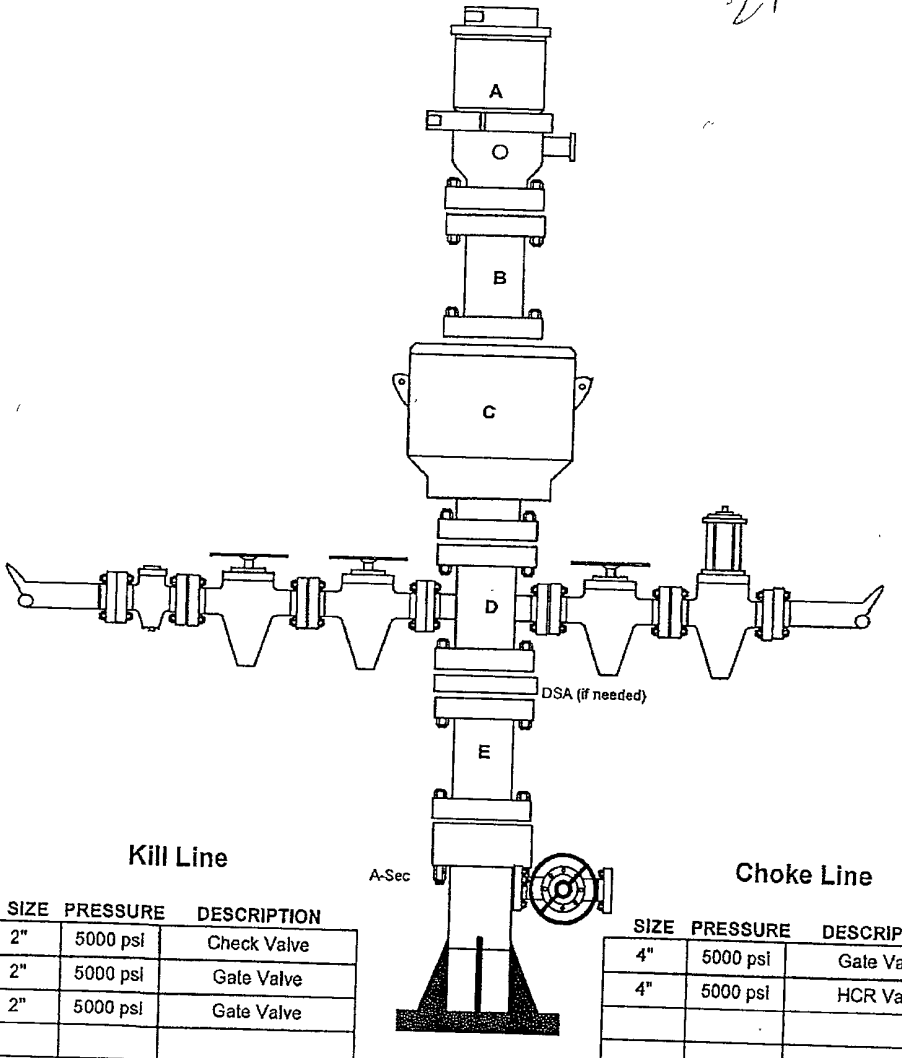
RIG : Latshaw 6

COUNTY : Lea STATE: New Mexico

OPERATION: Drill out below 13-3/8" Casing (12-1/4" hole size)

	SIZE	PRESSURE	DESCRIPTION
A	13-5/8"	500 psi	Rot Head
B	13-5/8"	3000 psi	Spacer Spool
C	13-5/8"	3000 psi	Annular
D	13-5/8"	3000 psi	Mud Cross
E	13-5/8"	3000 psi	Spacer Spool
DSA	13-5/8" 3M x 13-5/8" 3M (if needed)		
A-Sec	13-3/8" SOW x 13-5/8" 3M		

2M system



Kill Line

SIZE	PRESSURE	DESCRIPTION
2"	5000 psi	Check Valve
2"	5000 psi	Gate Valve
2"	5000 psi	Gate Valve

Choke Line

SIZE	PRESSURE	DESCRIPTION
4"	5000 psi	Gate Valve
4"	5000 psi	HCR Valve

EXHIBIT F-1

BLOWOUT PREVENTOR SCHEMATIC

CHESAPEAKE OPERATING INC

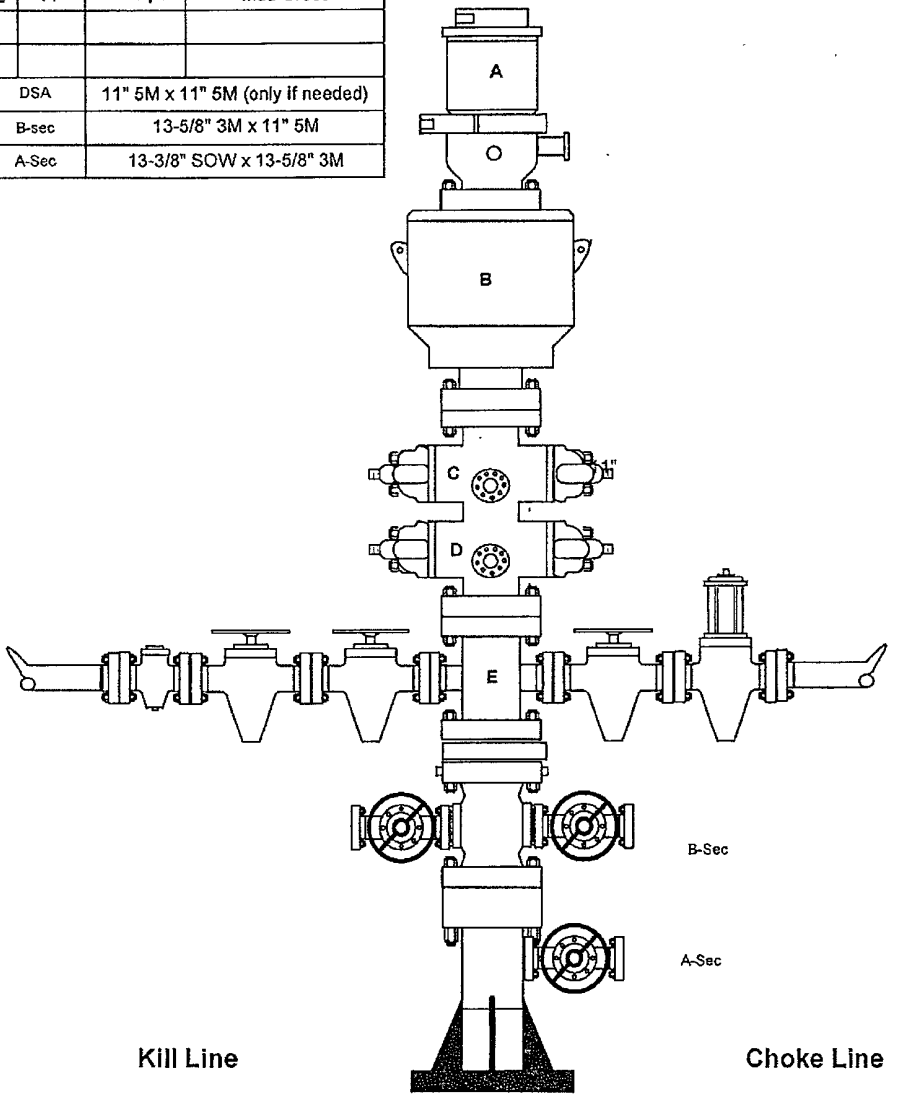
WELL : Chocolate Foam Wing 34-2

RIG : Latshaw 6

COUNTY : Lea STATE: New Mexico

OPERATION: Drill out below 9-5/8" Casing (8-¾" & 7-7/8" hole size)

	SIZE	PRESSURE	DESCRIPTION
A	11"	500 psi	Rot Head
B	11"	5000 psi	Annular
C	11"	5000 psi	Pipe Rams
D	11"	5000 psi	Blind Rams
E	11"	5000 psi	Mud Cross
DSA		11" 5M x 11" 5M (only if needed)	
B-sec		13-5/8" 3M x 11" 5M	
A-Sec		13-3/8" SOW x 13-5/8" 3M	



Kill Line

SIZE	PRESSURE	DESCRIPTION
2"	5000 psi	Check Valve
2"	5000 psi	Gate Valve
2"	5000 psi	Gate Valve

Choke Line

SIZE	PRESSURE	DESCRIPTION
4"	5000 psi	Gate Valve
4"	5000 psi	HCR Valve

EXHIBIT F-2

Depth	Hole Size		OD	ID	Shoe Track	Tail Height	Tail ppg	Tail Yield	Tail Excess	Lead ppg	Lead Yield	Lead Excess	Lead TOC	Bbls to Circ	Flush ppg	Sx Tail	Sx Lead	
0	24.000		20.000	19.000														
			DV @															
500	17.500		13.375	12.715	42	250	14.8	1.35	100	12.4	2.03	100	0	0	9.0	285	171	
			DV @															
4,600	12.250		9.625	8.835	80	500	14.8	1.35	100	12.4	2.10	100	0	0	10.0	257	1,164	
			DV @	8,200														
13,850	8.750		5.500	4.892	80	5,650	13.0	1.67	50	0.0	0.00	0	0	0	9.8	1,289	0	**<=1st Stg**
						350	14.8	1.32	50	12.4	2.03	50	4,100	0	9.8	100	671	**<=2nd Stg**

Casing Design

CHESAPEAKE OPERATING, INC

Proposed Well Schematic (Drilling)

WELL : **Chocolate Foam Wing #2**

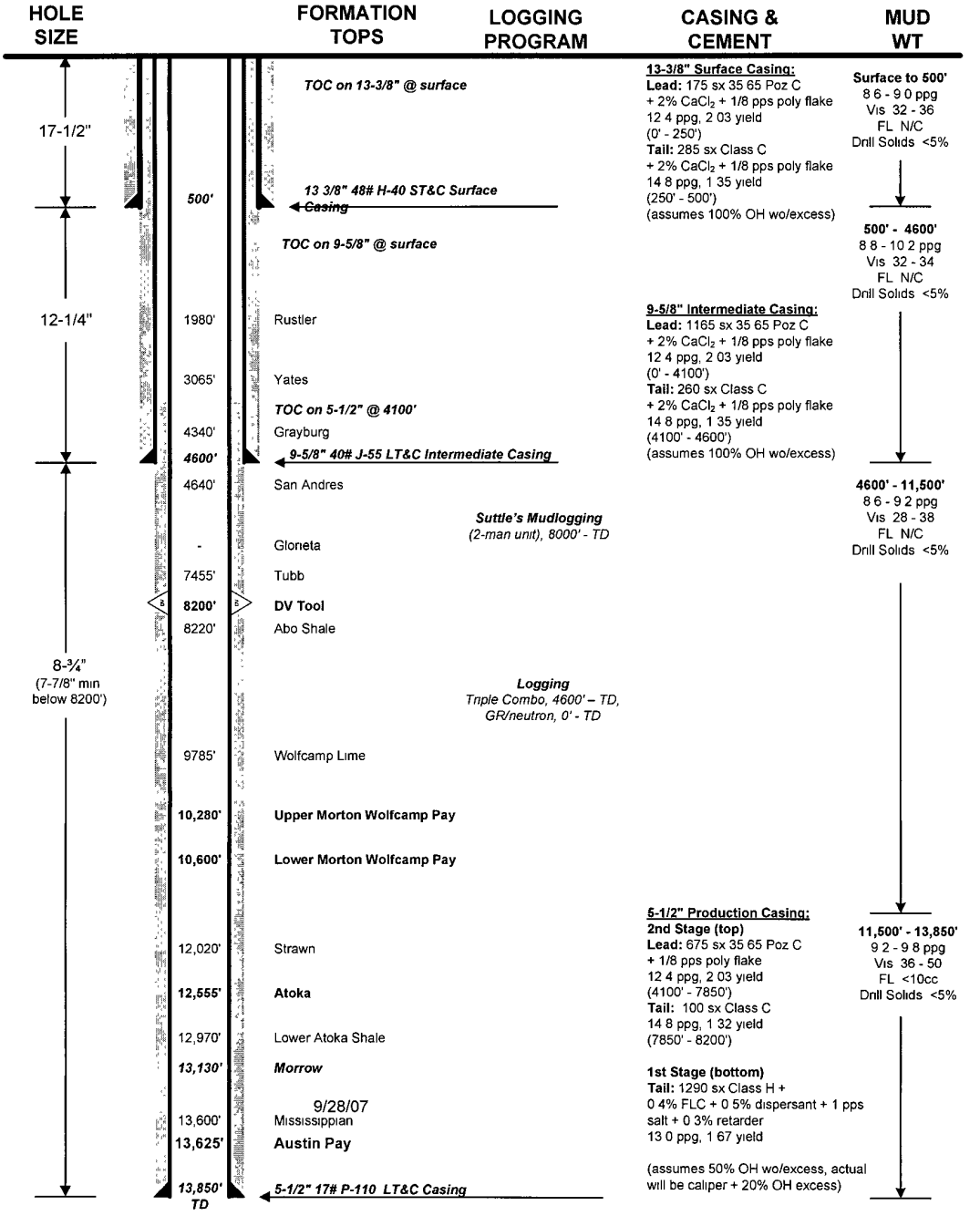
SHL : **Section 34-14S-35E (1830' FNL & 1980' FWL)**

TARGET : **330' Radius of SHL**

COUNTY : **Lea** **STATE : New Mexico**

FIELD : **Morton (Mississippian)**

ELEVATION : GL - 4003' (John West survey, 9/18/07) **KB - 4026'** (based on est 23' RKB)

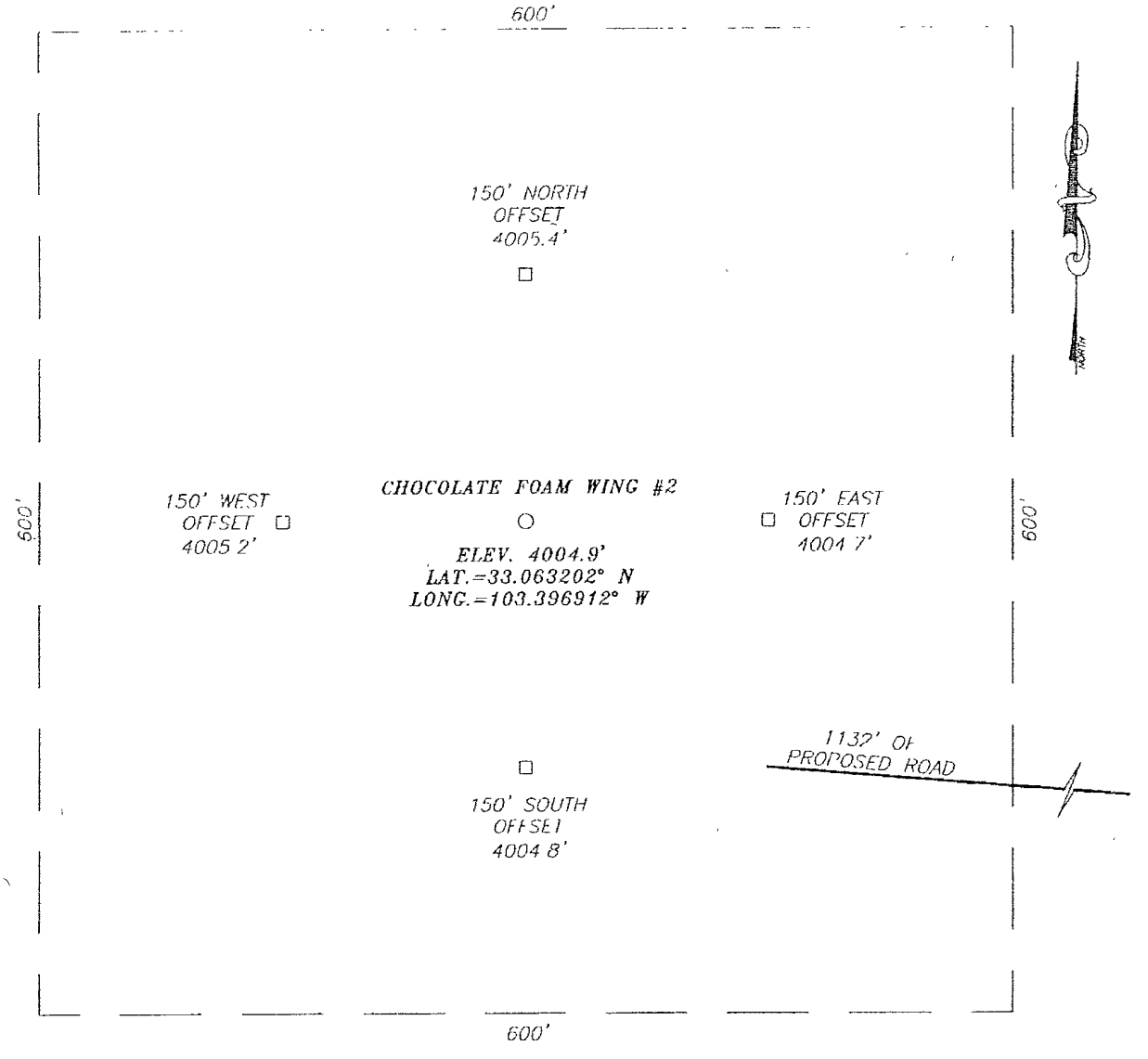


PREPARED BY: R L Patterson **DATE:** 9/28/07

REVISED BY: R L Patterson **DATE:** 10/11/07

SECTION 34, TOWNSHIP 14 SOUTH, RANGE 35 EAST, N.M.P.M.,

LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CO. RD. L-103 (REED RD.) AND CO. RD. L-105 (WATSON RD.), GO WEST APPROX. 1.3 MILES. VEER RIGHT AND GO NORTHWEST APPROX. 0.9 MILES. VEER RIGHT AND GO NORTH APPROX. 1.0 MILE TURN LEFT AND GO WEST APPROX. 850 FEET TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY WEST APPROX. 1,300 FEET TO THIS LOCATION.

100 0 100 200 Feet

Scale: 1"=100'

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

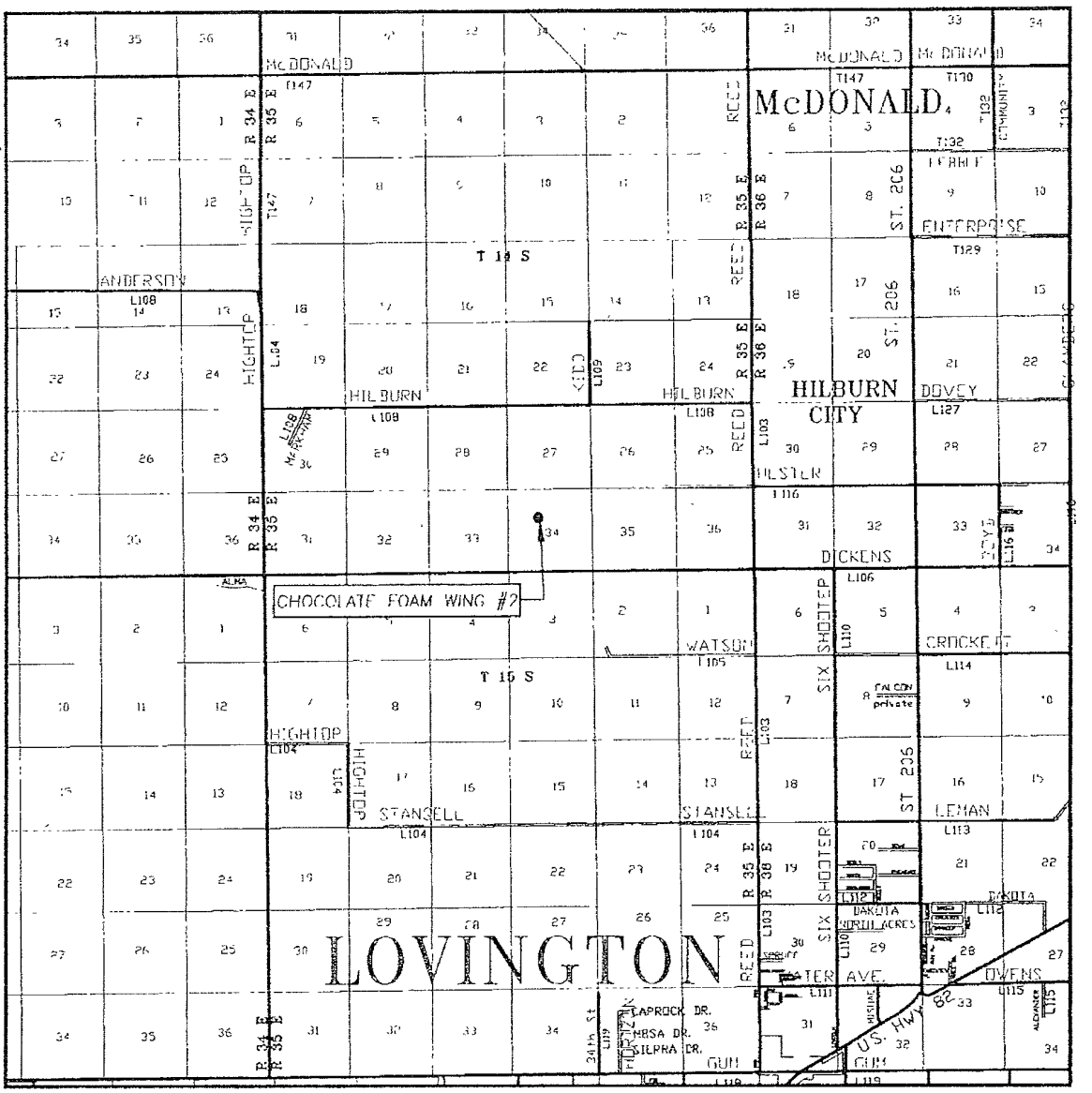
CHESAPEAKE OPERATING, INC.

CHOCOLATE FOAM WING #2 WELL
LOCATED 1830 FEET FROM THE NORTH LINE
AND 1980 FEET FROM THE WEST LINE OF SECTION 34,
TOWNSHIP 14 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

Survey Date: 9/18/07	Sheet 1 of 1 Sheets		
W.O. Number: 07.11.1281	Dr By: LA		Rev 1: N/A
Date: 9/24/07	Disk: CD#6	07111281	Scale: 1"=100'

EXHIBIT A-2

VICINITY MAP



SCALE: 1" = 2 MILES

SEC 34 TWP. 14-S RGE. 35-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1830' FNL & 1980' FWL

ELEVATION 4005'

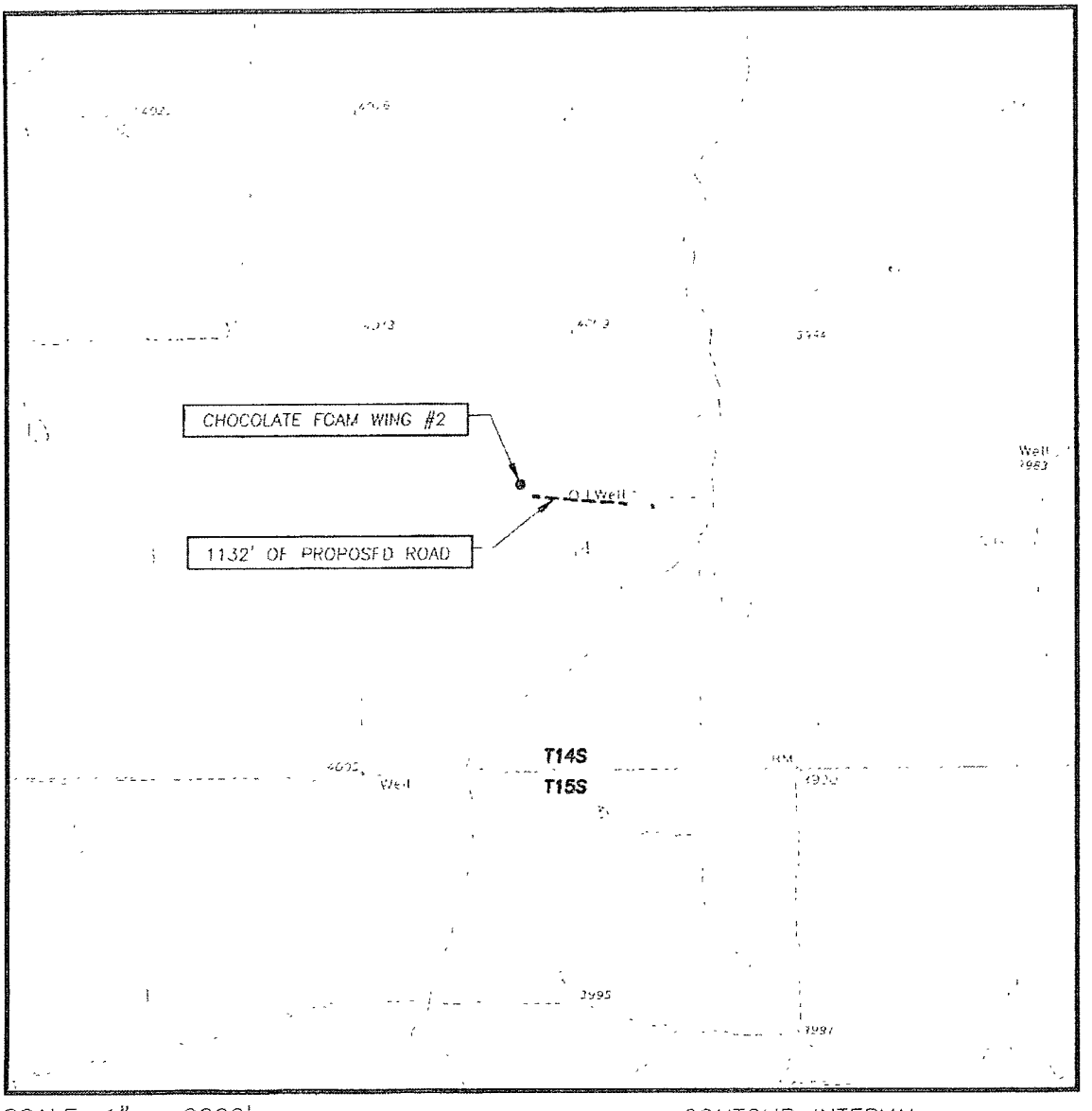
OPERATOR CHESAPEAKE OPERATING, INC.

LEASE CHOCOLATE FOAM WING

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

EXHIBIT A-3

LOCAT. JN VERIFICAT ON MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HILLBURN CITY SW, N.M. - 5'

SEC. 34 TWP. 14-S RGE. 35-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1830' FNL & 1980' FWL

ELEVATION 4005'

OPERATOR CHESAPEAKE OPERATING, INC.

LEASE CHOCOLATE FOAM WING

U.S.G.S. TOPOGRAPHIC MAP
HILLBURN CITY SW, N.M.

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

EXHIBIT A-4

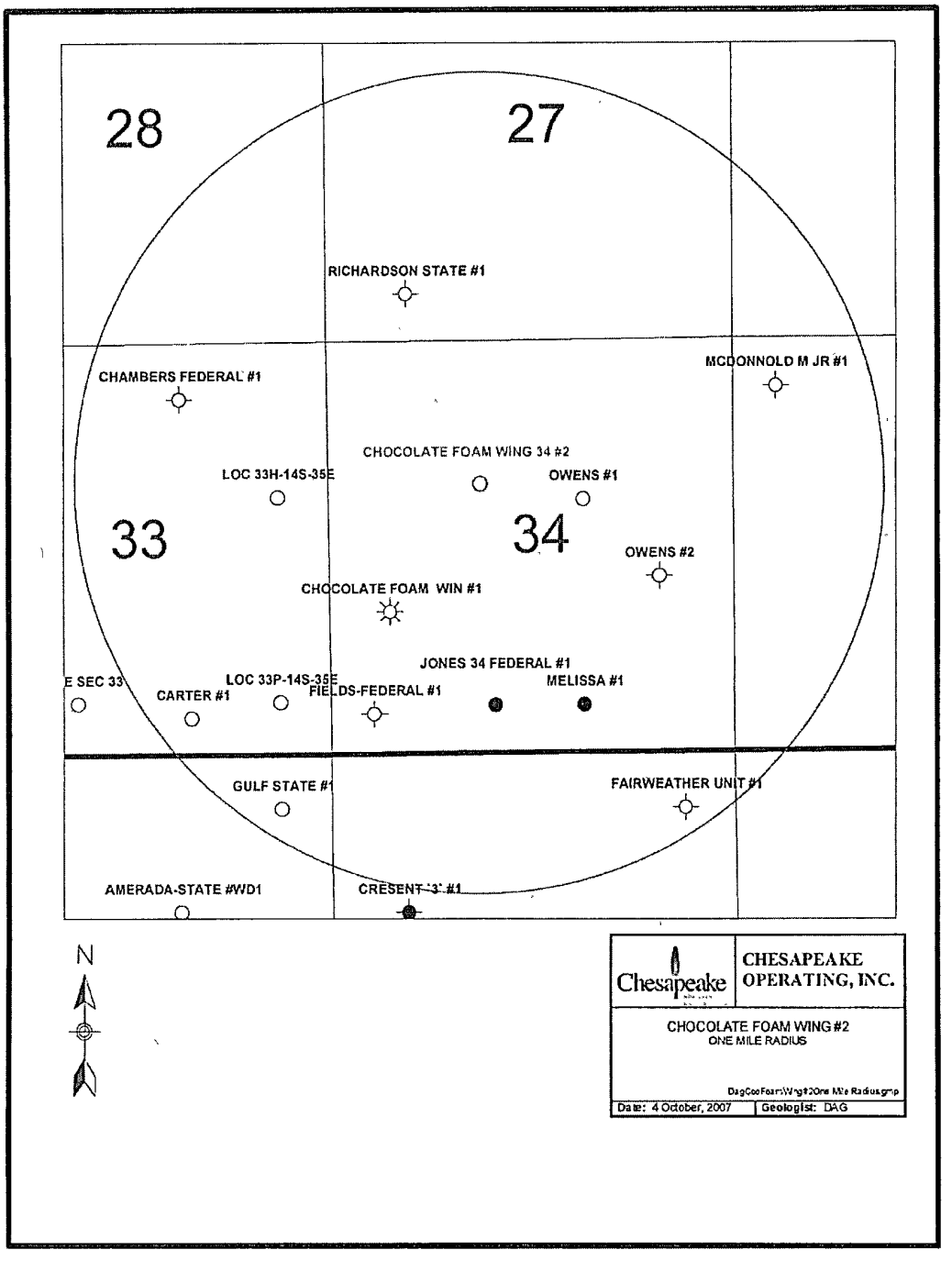

28
27
RICHARDSON STATE #1
MCDONNOLD M JR #1
CHAMBERS FEDERAL #1
CHOCOLATE FOAM WING 34 #2
LOC 33H-14S-35E
OWENS #1
33
34
OWENS #2
CHOCOLATE FOAM WIN #1
JONES 34 FEDERAL #1
E SEC 33
LOC 33P-14S-35E
MELISSA #1
CARTER #1
FIELDS-FEDERAL #1
GULF STATE #1
FAIRWEATHER UNIT #1
AMERADA-STATE #WD1
CRESENT 3 #1
N
Chesapeake
CHESAPEAKE OPERATING, INC.
CHOCOLATE FOAM WING #2
ONE MILE RADIUS
DagCooFoam\Wing#2One Mile Radius.grp
Date: 4 October, 2007
Geologist: DAG

EXHIBIT B

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Chesapeake Operating INC
LEASE NO.:	NMNM51843
WELL NAME & NO.:	Chocolate Foam Wing No 2
SURFACE HOLE FOOTAGE:	1830' FNL & 1980' FWL
BOTTOM HOLE FOOTAGE	
LOCATION:	Section 34, T. 14 S., R 35 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.

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)

VI. 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

Tanks are required for drilling operations: No Pits.

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.

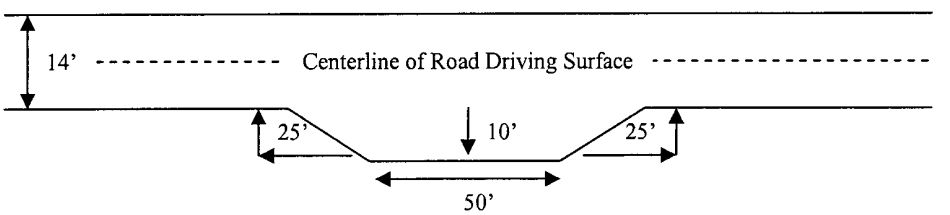
Crowning
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

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:

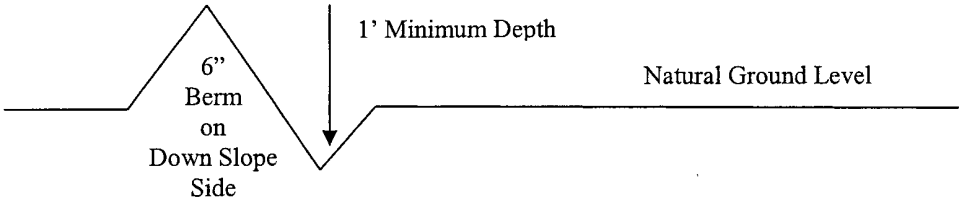
Standard Turnout – Plan View



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 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ 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.

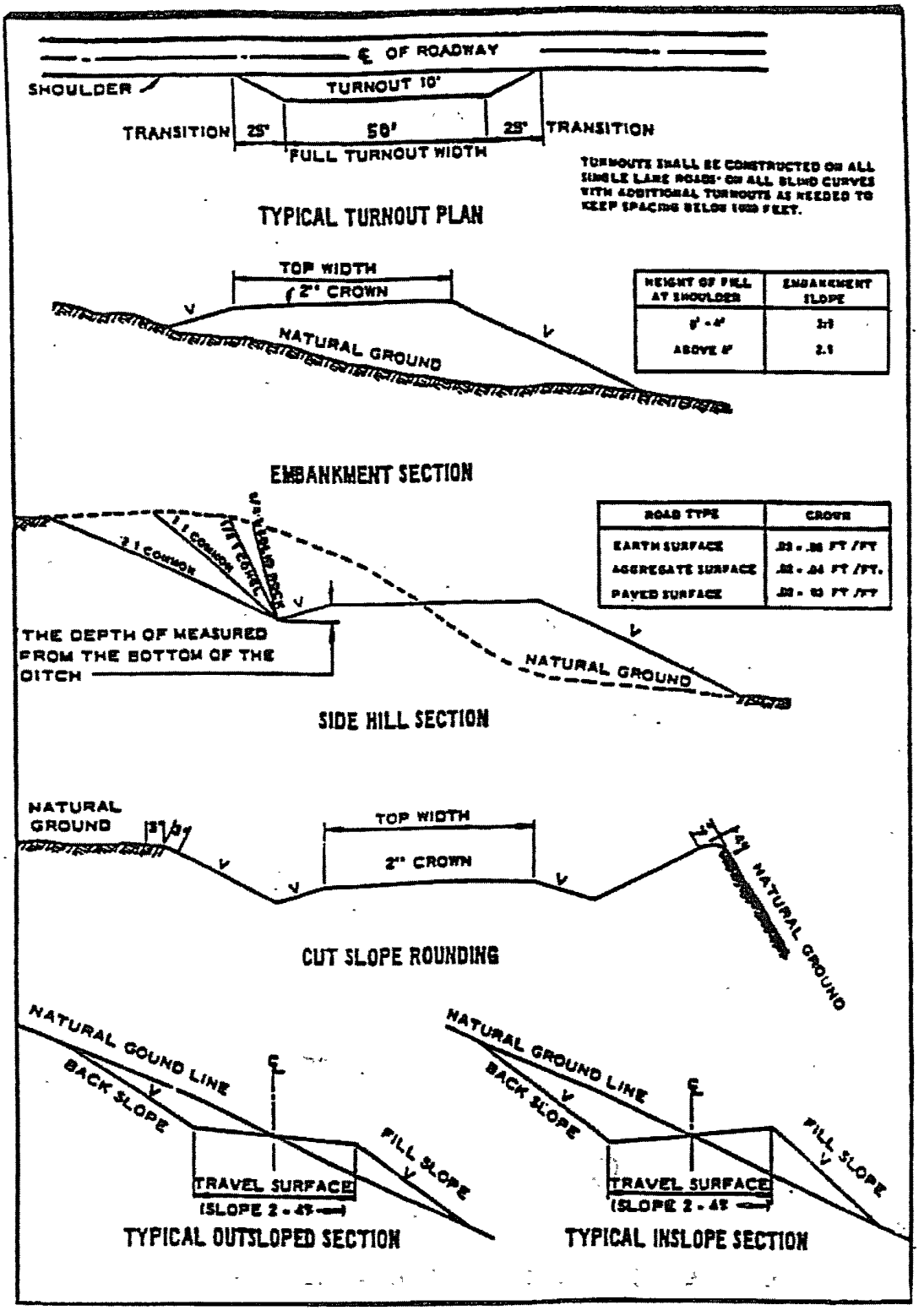
A gate shall be constructed and fastened securely to H-braces.

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 **Canyon** formation. **Hydrogen Sulfide has been reported in this Section measuring 1782 ppm in the gas stream.**

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

B. CASING

1. The **13-3/8** inch surface casing shall be set at **approximately 500** feet and cemented to the surface. **If a competent bed (Onshore Order II) is not detected at this depth, set surface casing in the Rustler Anhydrite at approximately 1850' using fresh water mud to that 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

    b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

Possible water and brine flows in the Salado and Artesia Group.
Possible lost circulation in the San Andres formation.
Possible high pressure gas bursts in the Wolfcamp and over pressure in the Pennsylvanian and Mississippian sections.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is:

   ☒ Cement to surface. If cement does not circulate see B.1.a-d above.

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

   ☒ Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification. **First stage to circulate.**

4. 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. **Variance approved for the choke manifold, which comes with two power chokes. This manifold has a hydraulic back up for these chokes and also has a manual handle that can be used. Bar for manual activation to be in place on at least one of the two chokes.**

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.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** intermediate casing shoe shall be **5000 (5M)** psi.

4. 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.

e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation **if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days**. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented.

E. DRILL STEM TEST

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

Engineer on call phone (after hours): Carlsbad: (575) 706-2779

WWI 120607

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

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:

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 bye 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:

Species	lb/acre
Plains lovegrass (Eragrostis intermedia)	0.5
Sand dropseed (Sporobolus cryptandrus)	1.0
Sideoats grama (Bouteloua curtipendula)	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.