

lease. This well is located 1960' FWL, 697' FSL, Section 8, T-21-S R-38-E, Lea County, New Mexico.

B. If the well is productive, contemplated facilities will be as follows:

1. The tank battery and facilities, including all flowlines and piping, will be installed according to A.P.I. specifications.
2. Any additional caliche which is required for firewalls, etc., will be obtained from a B.L.M. approved caliche pit. Any additional construction materials will be purchased from contractors.
3. No power will be required if the well is productive of gas. If the well is productive of oil, it may be necessary to run electric power down the road to the well.

C. If the well is productive, rehabilitation plans are as follows:

1. The reserve pit will be back-filled after the contents are dry, within 120 days after well completion.
2. Caliche from unused portions of the drill pad will be removed. Top soil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level, as nearly as possible, and reseeded per B.L.M. specifications.

D. In the event that gas production is established, plans for permanent gas lines will be submitted to the appropriate agencies for approval.

5. Location and Type of Water Supply: The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to the location by transport truck over existing and proposed access roads as shown in Exhibit 3. If a commercial fresh water source is nearby, pipeline may be laid along existing roads and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials: All caliche required for construction of the drill pad and proposed new access road will be obtained from a B.L.M. approved caliche pit. All roads and pads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Water Disposal:

- A. Drill cuttings not retained for evaluation will be disposed into the reserve pit.
- B. Drilling fluids will be contained in lined earthen pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit, approximately 150' x 6' deep and fenced on three sides prior to drilling. The reserve pit will be fenced on the fourth side immediately following rig removal. The reserve pit will be plastic-lined (5 - 7 mil. thick) to minimize loss of drilling fluids and saturation of the ground with brine water.
- C. Water produced from the well during completion may be disposed into the reserve