

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			5. LEASE DESIGNATION AND SERIAL NO. NMNM0557686
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME
2. NAME OF OPERATOR John H. Hendrix Corporation			7. UNIT AGREEMENT NAME
3. ADDRESS AND TELEPHONE NO. P. O. Box 3040, Midland, TX 79702-3040			8. FARM OR LEASE NAME, WELL NO. Skaggs B Abo #1 #7
4. LOCATION OF WELL (Report location clearly and in accordance with any State At surface 1980' FSL & 1980' FWL, Unit K, Sec. 11, T20S, R37E At proposed prod. zone Same			9. API WELL NO. 30-025-35008
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 3 miles SW of Monument			10. FIELD AND POOL, OR WILDCAT Skaggs Abo Gas Pool
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drg. unit line, if any) 660			11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 11, T20S, R37E
16. NO. OF ACRES IN LEASE 80			12. COUNTY OR PARISH Lea
17. NO. OF ACRES ASSIGNED TO THIS WELL 80			13. STATE NM
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1st well			19. PROPOSED DEPTH 7400'
20. ROTARY OR CABLE TOOLS Rotary			21. ELEVATIONS (Show whether DF, RT, GR, etc.) Ground 3593'
22. APPROX. DATE WORK WILL START* 05/01/00			

23. PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
11"	K-55, 8-5/8"	24#	1400'+	850 Sx. Circ.
7-7/8"	K-55, 5-1/2"	15.5# & 17#	7400'+	1800 Sx. Circ.

It is proposed to drill this wellbore as a vertical Skaggs Abo Gas Pool producer according to the drilling plan outlined in the following attachments:

1. Well Location & Acreage Dedication Plat (C-102)
2. Proposed Drilling Program
3. Surface Use Plan
4. Vicinity Map
5. Topo & Lease Road Map
6. Flowline Right-Of-Ways
7. Standard Rig Layout
8. BOP and Choke Manifold Specifications (2 diagrams)
9. H2S Drilling Operations Plan & Diagram

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

An archeological survey will be ordered for this location and forwarded when completed. The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the lease land or portion thereof, as described above and as covered by BLM Bond File No. NM2112.

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Ronnie A. Westlund TITLE Vice President DATE 3/2/00

(This space for Federal or State office use)

PERMIT NO. ORIGINAL COPIES OF THIS PERMIT TO BE SUBMITTED TO THE BUREAU OF LAND MANAGEMENT

APPROVAL DATE 3/2/00

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:

APPROVED BY Assistant Field Manager, Lands And Minerals TITLE Assistant Field Manager, Lands And Minerals DATE 3/2/00

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

DISTRICT I
P.O. Box 1988, Hobbs, NM 88241-1988

DISTRICT II
P.O. Drawer 80, Artesia, NM 88211-0718

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

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30025-35008	Pool Code 85410	Pool Name Skaggs Abo Gas Pool
Property Code 005222	Property Name SKAGGS "B" AC 1	Well Number 7
OGRID No. 012024	Operator Name JOHN H. HENDRIX CORPORATON	Elevation 3593

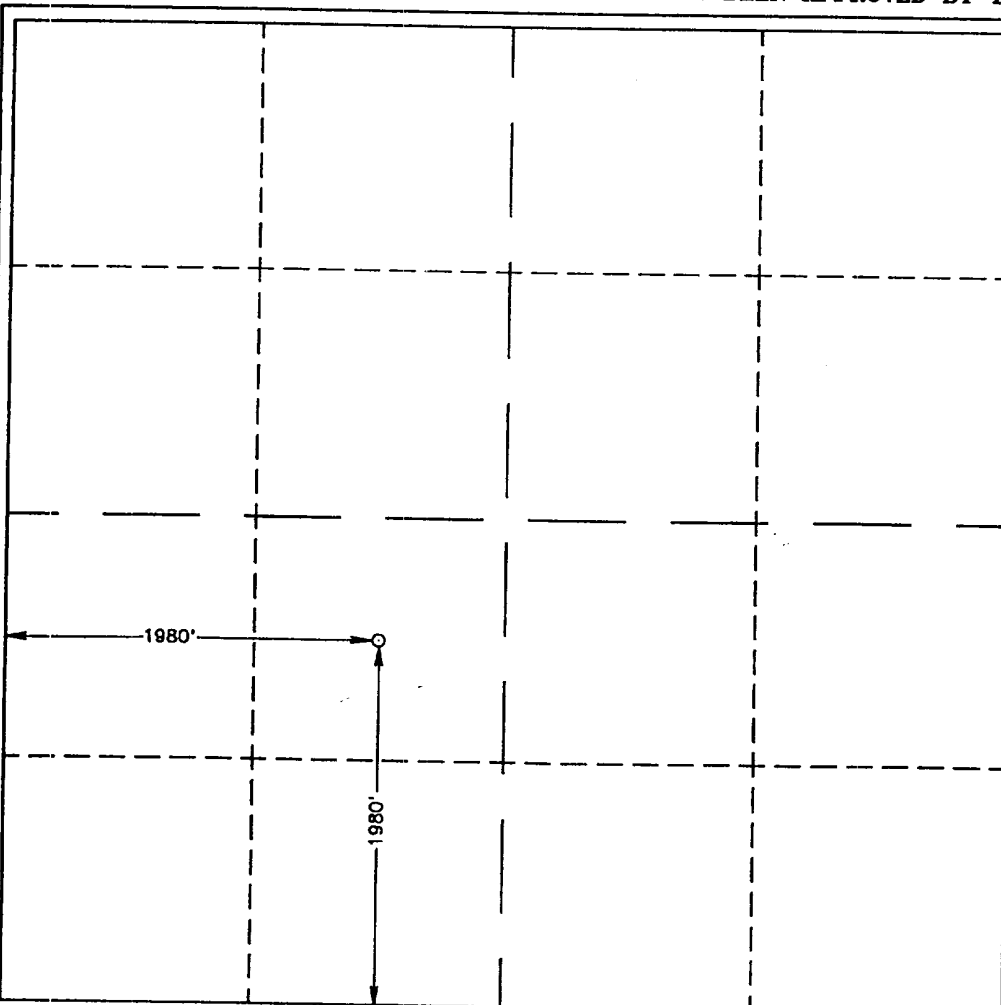
Surface Location

UL or lot No. K	Section 11	Township 20 S	Range 37 E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 1980	East/West line WEST	County LEA
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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 80	Joint or Infill	Consolidation Code	Order No.						

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



OPERATOR CERTIFICATION

I hereby certify the the information
contained herein is true and complete to the
best of my knowledge and belief.

Ronnie H. Westbrook
Signature

Ronnie H. Westbrook
Printed Name

Vice President
Title

3/2/00
Date

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.

JANUARY 14, 2000
Date Surveyed

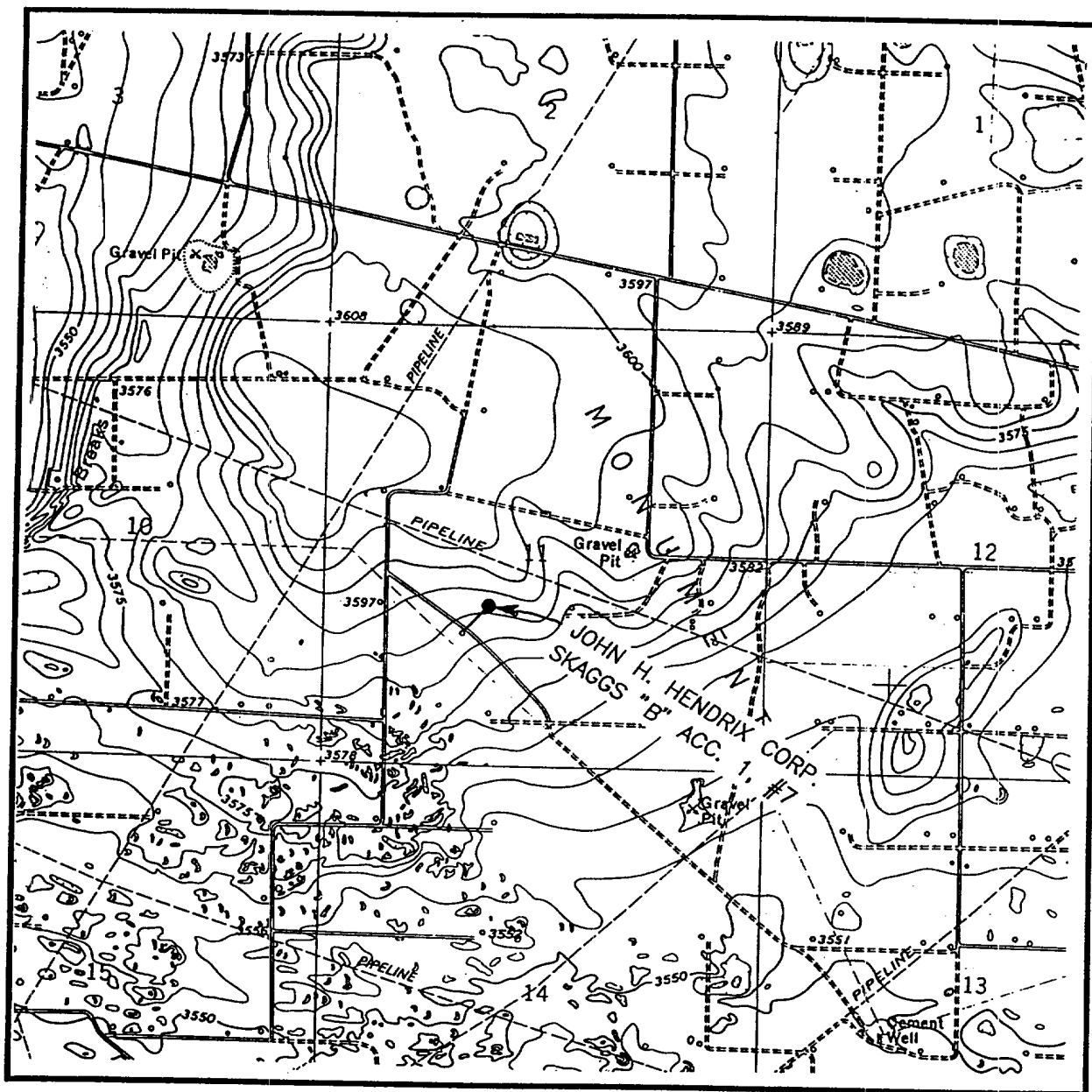
JLP
Signature & Seal of Professional Surveyor

RONALD J. EDSON
Professional Surveyor

01-21-2000
W.O. Num. 00-11-0052

Certificate No. **RONALD J. EDSON, 3239**
CARY G. EDSON, 12641
MADON MCDONALD, 12185

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL - 5'

SEC. 11 TWP. 20-S RGE. 37-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1980' FSL & 1980' FWL

ELEVATION 3593

OPERATOR JOHN H. HENDRIX CORP.

LEASE SKAGGS "B" ACC. 1

U.S.G.S. TOPOGRAPHIC MAP

HOBBS SW, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO

(505) 393-3117

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

OPERATOR'S NAME JOHN H. HENDRIX CORPORATION WELL NO. & NAME Skaggs "B" Acc. 1 #7
 LOCATION 1980 F S L & 1980 F W L SEC. 11, T. 20S., R. 37 E.
 LEASE NO. NMM0557686 COUNTY LEA STATE NEW MEXICO

The special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 and 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ☐ Lesser Prairie Chicken (Stips attached) ☐ Floodplain (Stips attached)
☐ San Simon Swale (Stips attached) ☐ Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

☒ The BLM will monitor construction of this drill site. Notify the ☒ Carlsbad Resource Area Office at (505) 887-6544 ☐ Hobbs Office at (505) 393-3612, at least 3 working days prior to commencing construction.

☒ Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

☐ All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

☐ Other

III. WELL COMPLETION REQUIREMENTS

☐ A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

☒ Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at a depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- | | |
|--|---|
| <input type="checkbox"/> A. Seed Mixture 1 (Loamy Sites) | <input type="checkbox"/> B. Seed Mixture 2 (Sandy Sites) |
| Lehmans Lovegrass (<i>Eragrostis lehmanniana</i>) 1.0 | Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 |
| Side Oats Grass (<i>Bouteloua curtipendula</i>) 5.0 | Sand Lovegrass (<i>Eragrostis trichodes</i>) 1.0 |
| Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 | Plains Bristlegrass (<i>Setaria macrostachya</i>) 2.0 |
| <input type="checkbox"/> C. Seed Mixture 3 (Shallow Sites) | <input checked="" type="checkbox"/> D. Seed Mixture 4 ("Gyp" Sites) |
| Sideoats Grama (<i>Bouteloua curtipendula</i>) 1.0 | Alkali Sacaton (<i>Sporobolus airoides</i>) 1.0 |
| Lehmans Lovegrass (<i>Eragrostis lehmanniana</i>) 1.0 | Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |
| or Boar Lovegrass (<i>E. chloromelas</i>) | |

Seeding should be done either late in the fall (September 15 - November 15, before freeze up) or early as possible the following spring to take advantage of available ground moisture.

☐ Other

**JOHN H. HENDRIX CORPORATION
DRILLING PROGRAM**

Attachment to Form 3160-3

Skaggs "B" Acc. 1 #7

Surface Location: 1980' FSL & 1980' FWL, Unit Letter K, Section 11, T20S, R37E

Ground Elevation: 3593'

Bottom Hole Location: Same

Lea County, New Mexico

1. Geologic Name and Estimated Tops:

Salt	1430'	Blinebry	5740'
Yates	2660'	Tubb	6330'
Seven Rivers	2920'	Drinkard	6640'
Queen	3470'	Abo	6925'
Glorieta	5240'		

2. Estimated Depth to Fresh Water:

Possible fresh water from surface to 400'

Anticipated Possible Hydrocarbon Bearing Zones: Blinebry, Tubb, Drinkard & Abo

The fresh water sands will be protected by setting 8-5/8" casing at 1400' and circulating cement back to surface. The 5-1/2" production string will be set at 7350' TD and cement back to 8-5/8" casing shoe.

3. Proposed Casing Program:

Hole Size	Interval	OD Casing	Weight, Grade, Jt Cond.
11"	0-1400'	8-5/8"	24#, K55, ST&C, New
7-7/8"	0-7400'	5-1/2"	15.5#, K55, ST&C, New

4. Proposed Cementing Program:

8-5/8" Surface Csg.: Lead - Cement w/ 650 sx. of Class "C" w/ 2% CaCl, 4% Gel
Tail - Cement w/ 200 sx. of Class "C" w/ 2% CaCl
Circulate cement to surface

5-1/2" Prod. Csg.: Lead - Cement w/ 1300 sx. of Class "C" w/ 6% Gel, 5 lb/sx. Salt
Tail - Cement w/ 500 sx. Class "H" w/ 5 lb/sx. Salt, 9.6 lb/sx.
Silicalite
TOC @ 8-5/8" casing shoe

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in the attachments will consist of a double ram-type (3000 psi WP) preventer. It will be hydraulically operated and will be equipped with pipe rams on top and blind rams on bottom. The BOP will be nipped up on the 8-5/8" casing and used continuously until TD is reached. Ram-type BOP and accessory equipment will be tested to 1000 psi. Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. 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 rotating head, kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

6. **Types and Characteristics of the Proposed Mud System:**

The well will be drilled to TD with:

Depth	Type	Weight (ppg)	Viscosity (sec)
Surface to 1400'	Fresh Water Spud Mud	8.5- 8.8	30-33
1400' to 7400' TD	Brine Water w/ Loss Circ. Additvs. (Saltgel & Starch)	9.8-10.2	28-30

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.
- (C) The drilling fluids system will be visually monitored at all times.
- (D) A mud-logging unit will monitor drilling penetration rate and hydrocarbon shots from somewhere below the surface casing.

8. **Logging, Testing and Coring Program:**

- (A) No drill stem tests are planned.
- (B) Compensated Neutron/LDT Log - GR and Dual Laterolog w/ MSFL. The Gamma Ray Log will be continued back to surface.
- (C) No cores are anticipated.
- (D) Other testing procedures may be used after the production casing has been set depending on shows and other testing indicators.

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

No abnormal pressures or temperatures are anticipated. The estimated bottom-hole temperature at TD is 110 deg. F and the estimated maximum bottom hole pressure is about 2500 psi. No hydrogen sulfide or other hazardous gases or fluids are anticipated.

10. **Anticipated Starting Date and Duration of Operations:**

It is planned that operations will commence shortly after approval of this application, around May 1, 2000 or depending on rig availability. A company representative will inform the BLM of our intentions prior to spudding. It is anticipated that once drilling operations commence, they will last approximately 20 days, with completion operations lasting approximately 10 days. Production will be routed through the current Skaggs "B" Acc. battery.

SURFACE USE PLAN

Skaggs "B" Acc. 1 #7

Surface Location: 1980' FSL & 1980' FWL, Unit Letter K, Section 11, T20S, R37E

Ground Elevation: 3593'

Bottom Hole Location: Same

Lea County, New Mexico

The following is required information concerning the possible effect which the drilling of this well may have on the environment, existing road sites, and surrounding acreage. A copy will be posted on the derrick floor so all contractors and sub-contractors will be aware of all items of this plan.

1. Existing Roads

A. The proposed well site is 1980' FSL & 1980' FWL, Unit Letter K, Section 11, T20S, R37E, Lea County, New Mexico.

B. Attached is a Vicinity road and well map. Directions to the location are as follows: Heading south on Hwy. 8 go south of Monument 1 mile and turn to the east. Go 1.75 miles and turn south, then go .75 miles then turn to the east again and go 1 mile, then turn to the south and go ½ mile and the road to the location will be to the west.

C. No improvement or maintenance is anticipated for the existing roads.

2. Planned Access Roads

A. No new access road will be required.

B. No turnout will be required.

C. No culverts will be required.

D. No gates, cattle guards, or fences will be required.

3. Topographic Map and Well Location

A 7.5" quadrangle topo map of the area is included.

4. Additional right-of-ways

None.

5. Water Supply

Water (fresh & brine) will be trucked to location from Eunice.

6. Source of Construction Materials

Caliche will come from a pit located in the local area.

7. The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

8. Methods of Handling Waste Disposal

Waste Disposal: Well cuttings will be disposed in reserve pit. Barrel trash containers to be in accessible locations within drill site area during drilling and completion procedures. All detrimental waste will be hauled away. See rig layout for location of pits. If well is productive, maintenance waste will be placed in

special trash cans and hauled away periodically. Any produced water will be collected in tanks until hauled to an approved disposal system, or separate disposal applications will be submitted to survey for appropriate approval.

9. Ancillary Facilities

None.

10. Well site Layout

The V-door faces east. The reserve pit will be lined with plastic and the pad and pits are staked. All unguarded pits containing liquids will be fenced and any unguarded pit containing oil and/or toxic liquids will be covered with a fine mesh netting to protect wildlife, if necessary.

11. Plans for Restoration of Surface

Reserve pits will be rehabilitated once drilling fluids have been allowed to evaporate to the point the pits are dry enough for back filling and leveling. In the event drilling fluids will not evaporate in a reasonable time period, the fluids will be removed and transported by tank truck to a state approved disposal facility. Back filling and leveling of the location will be completed within a time period of one year upon cessation of drilling operations.

12. Surface Ownership

Federal. The Surface Lessee has been contacted. See attached letter.

13. Other Information

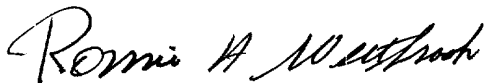
An Archeological study for this location has been ordered and will be filed as soon as completed.

14. Operator's Representative and Certification

The person who can be contracted concerning compliance of this surface Use Plan is:

Ronnie H. Westbrook
P. O. Box 3040
Midland, 79702-3040
(915) 684-6631

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



Ronnie H. Westbrook

3/2/00

Date

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: John H. Hendrix Corporation

Well Name & No. Skaggs "B" Acc. 1 #7

Location: 1980FSL & 1980 FWL, Sec. 11, T-20-S, R-37-E

Lease: NMNM0557686

I. DRILLING OPERATIONS REQUIREMENTS:

The Bureau of Land Management (BLM) is to be notified at the Roswell Resource Area Office, 2902 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Resource Area Office, 620 East Greene St., Carlsbad, NM 88220, (505) 887-6544 for wells in Eddy County; and the BLM Hobbs Office, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

1. Spudding
2. Cementing casing: 8 5/8 inch 5 1/2 inch
3. BOP tests
4. A Hydrogen Sulfide (H₂S) Drilling Operation Contingency Plan shall be activated 500' or three (3) days prior to expected H₂S encounter. Vicinity wells have reported H₂S gas in the Glorietta, Seven Rivers and Abo formations. The operator, drilling rig supervisor and drillers need to alert all hands as to expected depths of these zones and or any expected H₂S bearing formations.
5. 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.
6. The API No. assigned to the well by NMOCD shall be included on the subsequent sundry report of setting the first casing string.
7. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales. OMIT A CA is not required for the proration.
8. FOR POTASH AREA ONLY :Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.
9. Other

II. CASING:

1. The 8 5/8 inch surface casing shall be set at 1400 ' and circulate cement to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the _____ inch intermediate casing is _____. (OMIT , NO INTERMEDIATE CASING)
3. The minimum required fill of cement behind the 5 1/2 inch production casing is tie back into the 8 5/8 inch casing shoe by 100 feet.
4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.
5. Other

III. PRESSURE CONTROL

Before drilling below the 8 5/8 inch casing shoe, the blowout preventer assembly shall consist of a minimum of:

One Annular Preventer

Two Ram-Type Preventers

Kelly Cock/Stabbing Valve

Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2 M psi.

The BOPE shall be installed before drilling below the 8 5/8 inch casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

1. The tests shall be performed by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. The requested variance to test the BOPE to the reduced pressure of _____ psi, using the rig mud pumps is approved.
4. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
5. Testing must be performed in a safe workman like manner. Hard line connections shall be required.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the 4 formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

④ See Operators Drilling Plan and Steps.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- 1) Lined as specified above and,
- 2) A borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and is capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from BLM prior to removal of the material.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to proceed by BLM.

TRASH PIT STIPS

All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

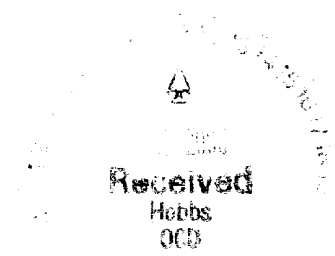
BLM Serial Number NMNM0557686
Company Reference JOHN H. HENDRIX CORPORATION

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES
IN THE ROSWELL DISTRICT, BLM

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

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.
4. 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.

(over)



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 feet. *→ to follow road Row area*

7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.

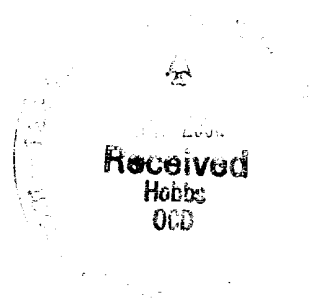
8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.

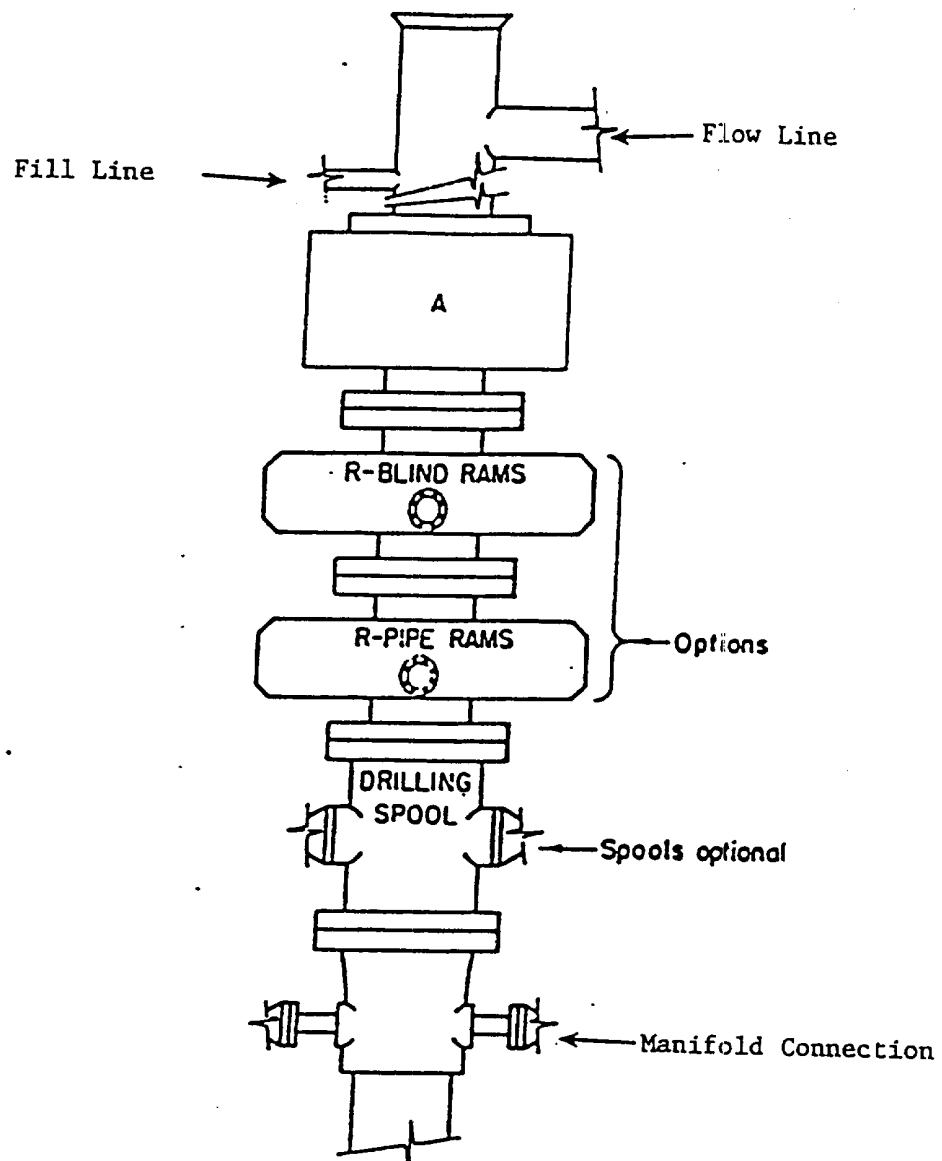
9. The pipeline shall be buried with a minimum of 24 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.

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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 requirements 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" - Carlsbad Canyon, Munsell Soil Color No. 2.5Y 6/2 (formerly Sandstone Brown); 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.
16. Special Stipulations: *None*

(March 1989)



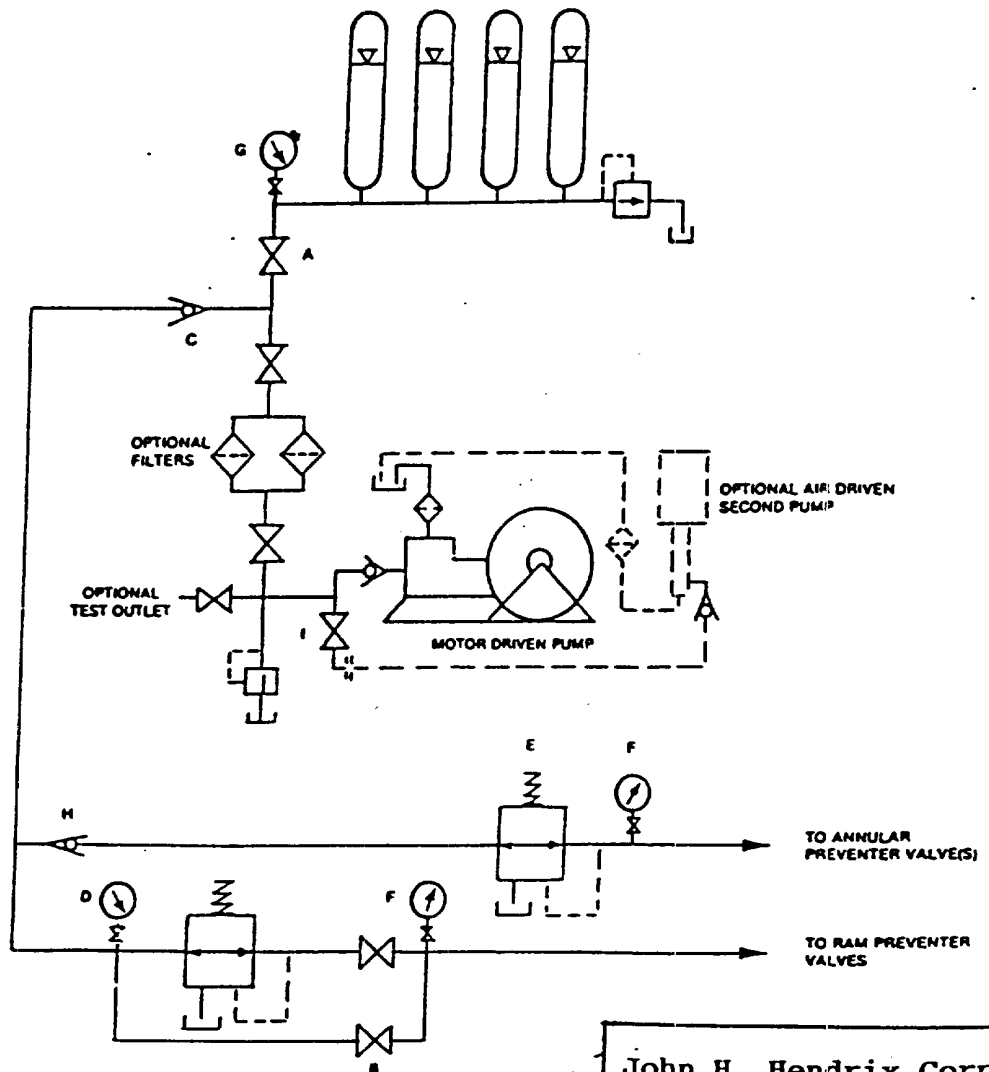
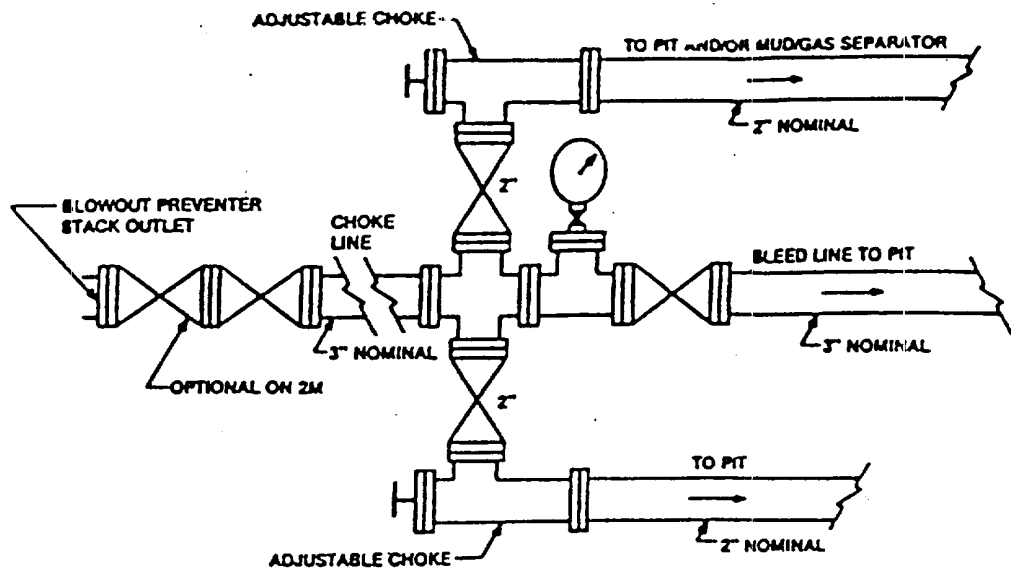


ARRANGEMENT SRRA

900 Series
3000 PSI WP

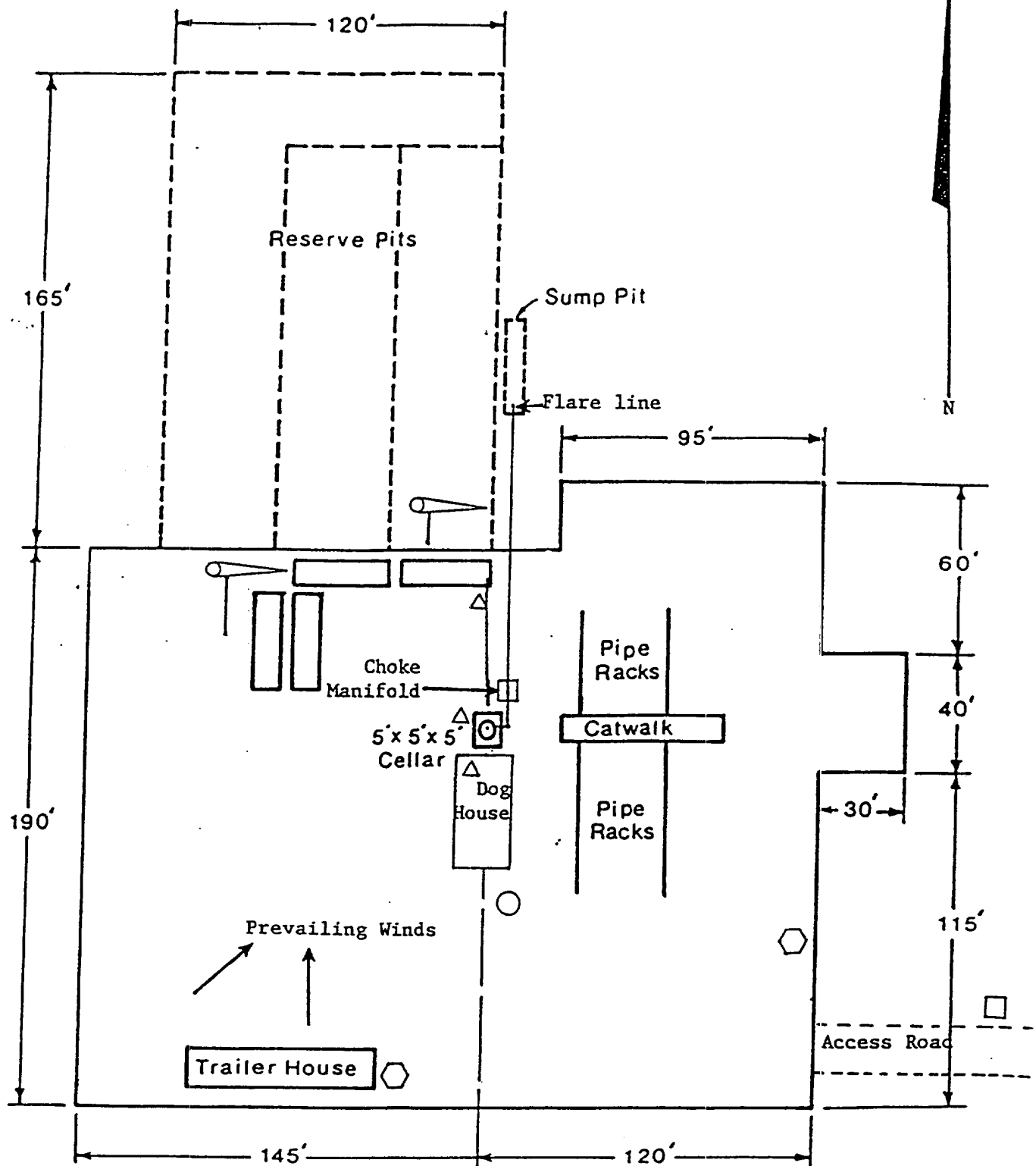
John H. Hendrix Corporation
Sketch of BOP
To Be Used On
Skaggs "B" Acc. 1 #7
1980' FSL & 1980' FWL, Unit
Sec. 11, T20S - R37E,

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John H. Hendrix Corporation
 Choke Manifold &
 Closing Unit
 Skaggs "B" Acc. 1 No. 7
 1980" FSL & 1980" FWL, Unit
 Sec. 11, T20S - R37E,





- Remote B.O.P. Closing Unit
- △ H₂S Monitors. Alarm at Bell Nipple and at Shale Shaker
- ⬡ Briefing Areas
- 🚩 Wind Direction Indicators
Wind sock or Wind Streamers
- Sign and Condition Flags

John H. Hendrix Corporation
 Plat of Rig Layout
 Skaggs "B" Acc. 1 No. 7
 1980' FSL & 1980' FWL, Unit K
 Sec. 11, T20S - R37E
 Lea County, New Mexico

ELF
6/5/67
ABOVE DATE DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED

