

UNORTHODOX
LOCATION

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. SL:NM428832;NM98186;BL:NM055493 |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator Devon Energy Production Co., L.P. Linda Good | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address 333 W. Sheridan Ave. Oklahoma City, OK 73102 | | 8. Lease Name and Well No. Hadar 10 Fed Com 3H <40320> |
| 3b. Phone No. (include area code) 405-552-6558 | | 9. API Well No. 30-015-42357 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 2155 FSL & 5 FWL, L PP: 1980 FSL & 330 FWL At proposed prod. zone 1980 FSL & 340 FEL, I | | 10. Field and Pool, or Exploratory Lusk West; Bone Spring <41480> |
| 14. Distance in miles and direction from nearest town or post office* 12 Miles SE of Loco Hills, New Mexico | | 11. Sec., T. R. M. or Blk. and Survey or Area Sec 10-T19S-R31E |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) See attached map | 16. No. of acres in lease NMNM128832-120 Acres NMNM98186-320 Acres NMNM055493-080 Acres | 17. Spacing Unit dedicated to this well 160 Acres |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. See attached map | 19. Proposed Depth 13806' MD/ 9116' TVD 9426' PH | 20. BLM/BIA Bond No. on file CO1104; NMB-000801 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3569.7' GL | 22. Approximate date work will start* 04/05/2014 | 23. Estimated duration 45 DAYS |
| 24. Attachments | | |

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

| | | |
|---|------------------------------------|------------------------------------|
| 25. Signature <i>Linda Good</i> | Name (Printed/Typed) Linda Good | Date <i>Revised</i> 3/4/2014 |
| Title Regulatory Specialist | | |
| Approved by (Signature) <i>/s/ STEPHEN J. CAFFEY</i> | Name (Printed/Typed) | Date APR 24 2014 |
| Title FIELD MANAGER | | |
| Office CARLSBAD FIELD OFFICE | | |

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

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

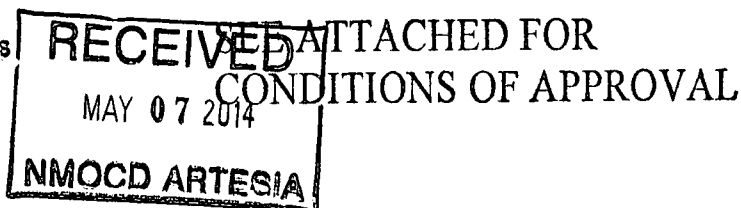
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations Attached



Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Devon Energy Production Company, L.P. am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

I hereby also certify that I, or Devon Energy Production Company, L.P. have made a good faith effort to provide the surface owner with a copy of the Surface Use Plan of Operations and any Conditions of Approval that are attached to the APD.

Executed this 5th day of February, 2014

Printed Name: Judy A. Barnett

Signed Name: 

Position Title: Sr. Regulatory Specialist

Address: 333 W. Sheridan, OKC OK 73102

Telephone: (405)-228-8699

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 293-6161 Fax: (575) 293-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|--|--|---|
| ¹ API Number 30-015-42357 | ² Pool Code 41480 | ³ Pool Name LUSK WEST; BONE SPRING |
| ⁴ Property Code 40320 | ⁵ Property Name HADAR "10" FED COM | |
| ⁷ OGRID No. 6137 | ⁸ Operator Name DEVON ENERGY PRODUCTION COMPANY, L.P. | |
| | | ⁶ Well Number 3H |
| | | ⁹ Elevation 3569.7 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|-----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|-------------|
| L | 10 | 19 S | 31 E | | 2155 | SOUTH | 5 | WEST | EDDY |

¹¹ 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 |
|---------------|-----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|-------------|
| I | 10 | 19 S | 31 E | | 1980 | SOUTH | 340 | EAST | EDDY |

| | | | |
|---|-------------------------------|----------------------------------|--|
| ¹² Dedicated Acres 160 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. 4-24 13806 |
|---|-------------------------------|----------------------------------|--|

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

| | | | | | |
|---|--|---|--|--|--|
| <p>N89°39'31"E 2640.77 FT</p> <p>NW CORNER SEC. 10 LAT. = 32.6822222°N LONG. = 103.8658034°W</p> <p>NMSP EAST (FT) N = 612240.50 E = 685183.49</p> | | <p>N89°43'31"E 2635.70 FT</p> <p>N CORNER SEC. 10 LAT. = 32.6822332°N LONG. = 103.8572226°W</p> <p>NMSP EAST (FT) N = 612256.23 E = 687823.59</p> | | <p>N89°43'31"E 2635.70 FT</p> <p>NE CORNER SEC. 10 LAT. = 32.6822351°N LONG. = 103.8486582°W</p> <p>NMSP EAST (FT) N = 612268.87 E = 690458.65</p> | |
| <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1983 (NAD83). LISTED NEW MEXICO STATE PLANE EAST COORDINATES ARE GRID (NAD83). BASIS OF BEARING AND DISTANCES USED ARE NEW MEXICO STATE PLANE EAST COORDINATES MODIFIED TO THE SURFACE.</p> | | | | | |
| <p>W CORNER SEC. 10 LAT. = 32.6749642°N LONG. = 103.8657811°W</p> <p>NMSP EAST (FT) N = 609600.00 E = 685201.98</p> | | <p>HADAR "10" FED COM 43H ELEV. = 3569.7 LAT. = 32.6736293°N (NAD83) LONG. = 103.8657602°W</p> <p>NMSP EAST (FT) N = 609114.35 E = 685210.40</p> <p>USA NM-128832</p> | | <p>E CORNER SEC. 10 LAT. = 32.6749936°N LONG. = 103.8486582°W</p> <p>NMSP EAST (FT) N = 609634.36 E = 690479.25</p> | |
| <p>Surface Location</p> <p>USA NM-128832</p> | | <p>Bottom of Hole</p> <p>USA NM-98186</p> | | <p>Bottom of Hole</p> <p>USA NM-055493</p> | |
| <p>Project Area</p> <p>SW CORNER SEC. 10 LAT. = 32.6677073°N LONG. = 103.8657582°W</p> <p>NMSP EAST (FT) N = 606959.86 E = 685220.68</p> | | <p>Lease Lines</p> <p>S CORNER SEC. 10 LAT. = 32.6677217°N LONG. = 103.8571807°W</p> <p>NMSP EAST (FT) N = 606976.83 E = 687860.17</p> | | <p>Completion Interval</p> <p>SE CORNER SEC. 10 LAT. = 32.6677342°N LONG. = 103.8486010°W</p> <p>NMSP EAST (FT) N = 606993.35 E = 690500.33</p> | |
| S89°37'54"W 2640.17 FT | | S89°38'29"W 2640.82 FT | | | |

¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature: Judy A. Barnett Date: 2-4-14

Printed Name: Judy A. Barnett Sr. Regulatory Specialist

E-mail Address: _____

¹⁸ 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.

NOVEMBER 25, 2013 W. MEX.

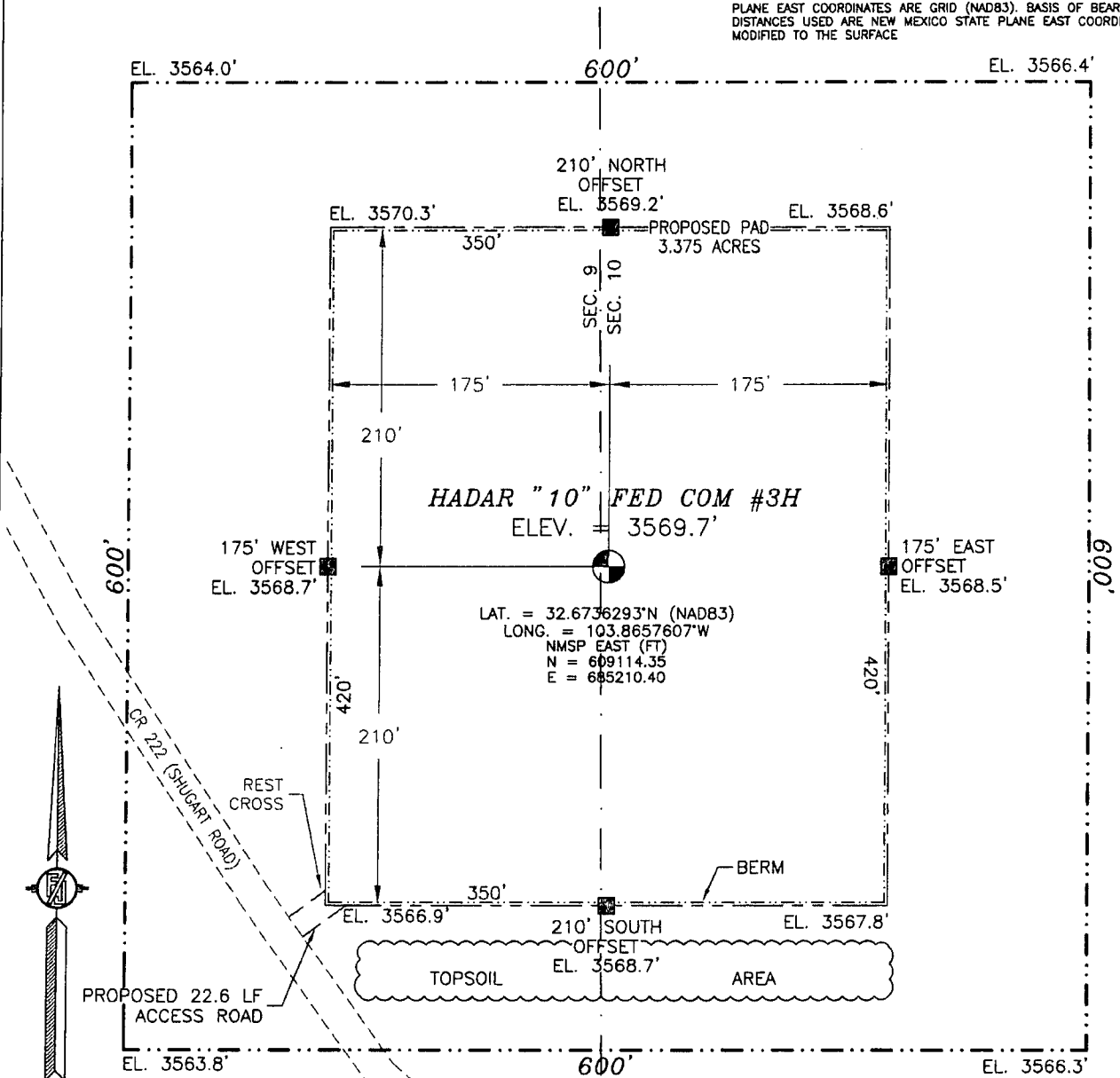
Date of Survey: _____

Signature and Seal of Professional Surveyor: [Signature]

Certificate Number: 12797 PLANNING, LAND SURVEYING, PLS 12797
LAND SURVEY NO. 2323A

SECTION 10, TOWNSHIP 19 SOUTH, RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
SITE MAP

NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1983 (NAD83). LISTED NEW MEXICO STATE PLANE EAST COORDINATES ARE GRID (NAD83). BASIS OF BEARING AND DISTANCES USED ARE NEW MEXICO STATE PLANE EAST COORDINATES MODIFIED TO THE SURFACE



0 10 50 100 200

SCALE 1" = 100'

DIRECTIONS TO LOCATION
FROM "Y" INTERSECTION OF CR 222 (SHUGART ROAD) AND CR 248 (LUSK PLANT ROAD) GO NORTHWEST ON CR 222 0.53 MILES, SOUTHWEST CORNER OF PAD IS ON RIGHT.

DEVON ENERGY PRODUCTION COMPANY, L.P.

HADAR "10" FED COM #3H

LOCATED 2155 FT. FROM THE SOUTH LINE
AND 5 FT. FROM THE WEST LINE OF
SECTION 10, TOWNSHIP 19 SOUTH,
RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

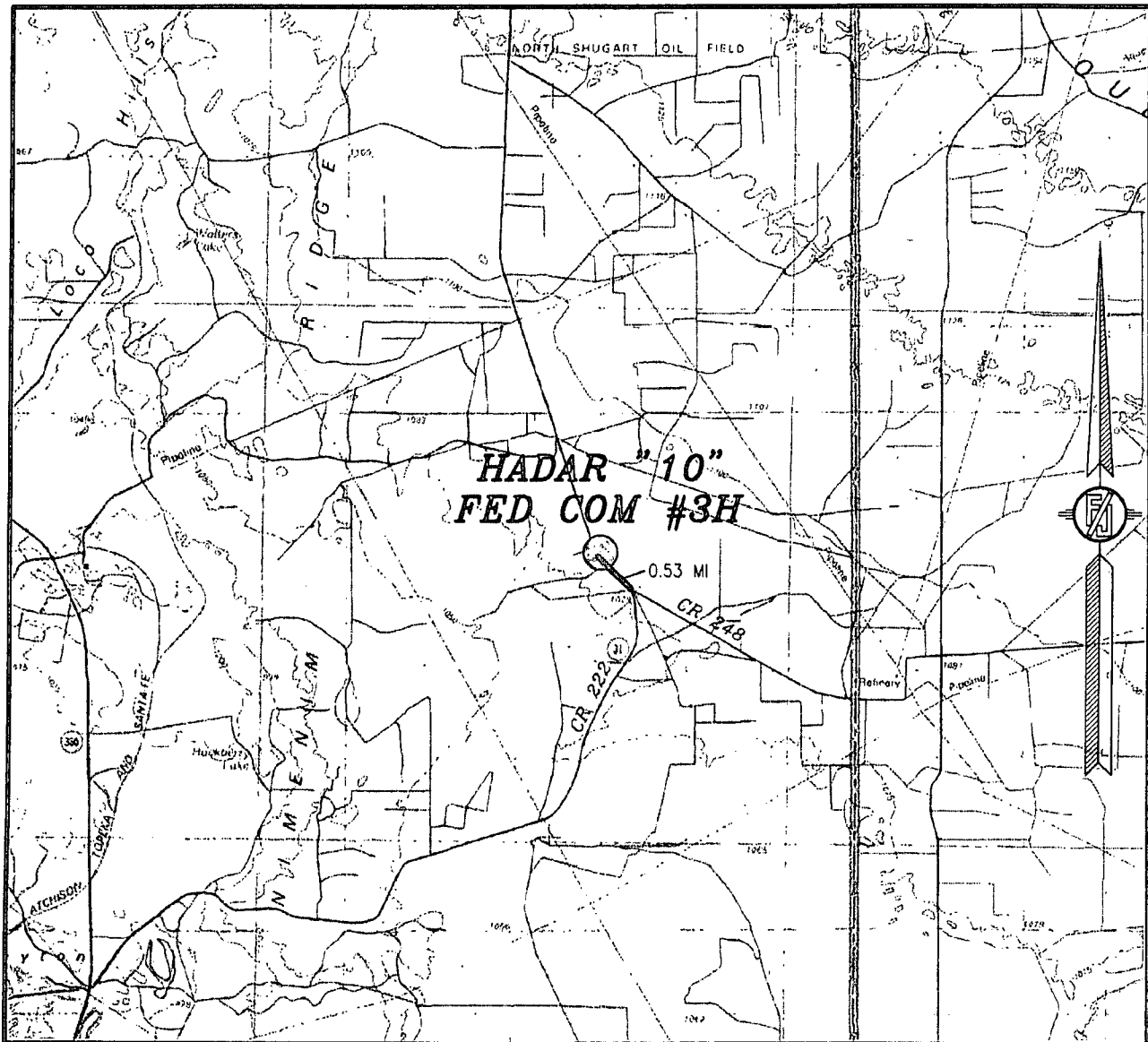
NOVEMBER 25, 2013

SURVEY NO. 2323A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO

301 SOUTH CANAL
(575) 234-3341

SECTION 10, TOWNSHIP 19 SOUTH, RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
VICINITY MAP



NOT TO SCALE

DEVON ENERGY PRODUCTION COMPANY, L.P.

HADAR "10" FED COM #3H

LOCATED 2155 FT. FROM THE SOUTH LINE
AND 5 FT. FROM THE WEST LINE OF
SECTION 10, TOWNSHIP 19 SOUTH,
RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

DIRECTIONS TO LOCATION

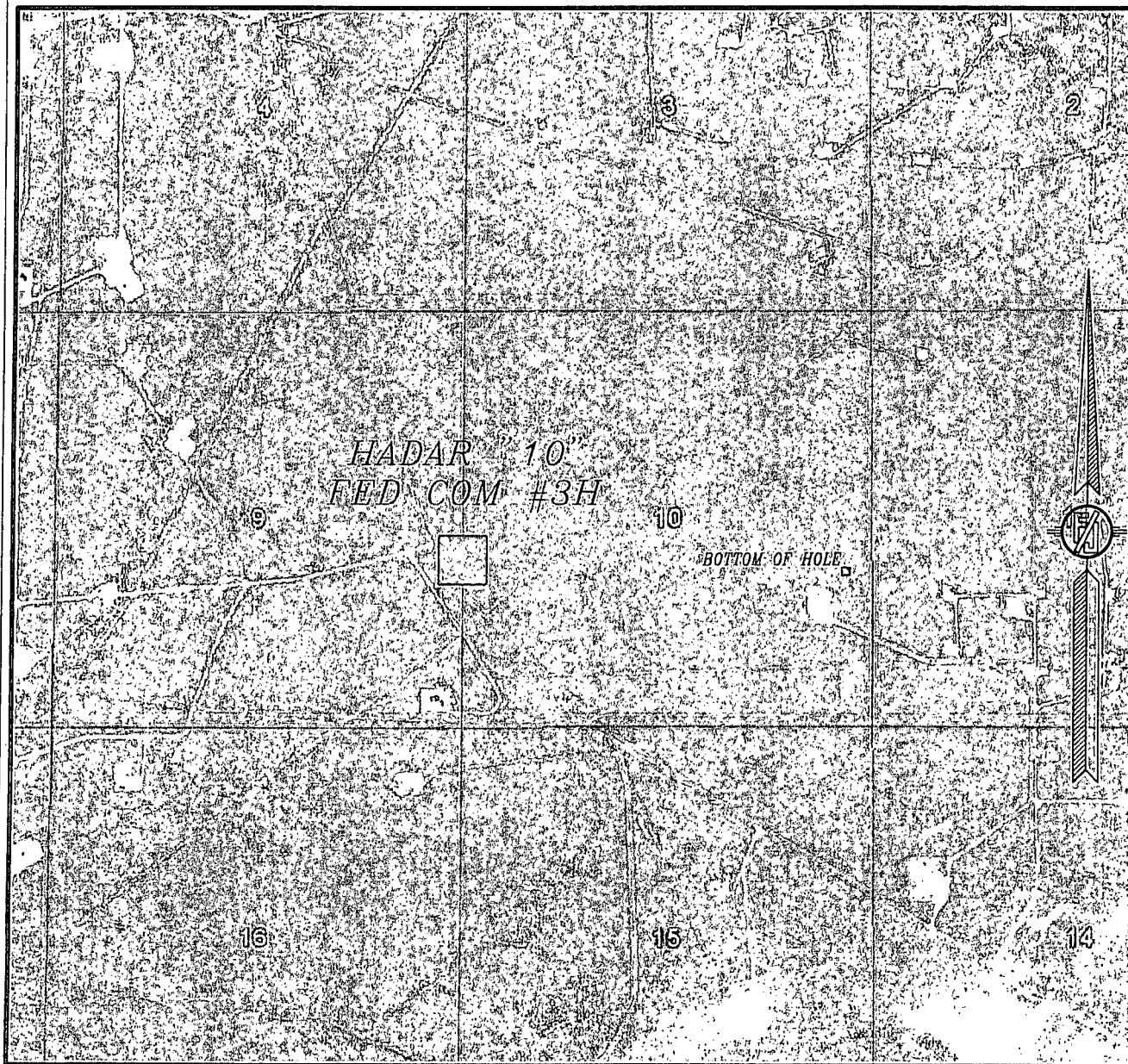
FROM "Y" INTERSECTION OF CR 222 (SHUGART ROAD) AND CR 248
(LUSK PLANT ROAD) GO NORTHWEST ON CR 222 0.53 MILES.
SOUTHWEST CORNER OF PAD IS ON RIGHT.

NOVEMBER 25, 2013

SURVEY NO. 2323A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO

SECTION 10, TOWNSHIP 19 SOUTH, RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO
AERIAL PHOTO



NOT TO SCALE
AERIAL PHOTO:
GOOGLE EARTH
MARCH 2012

DEVON ENERGY PRODUCTION COMPANY, L.P.

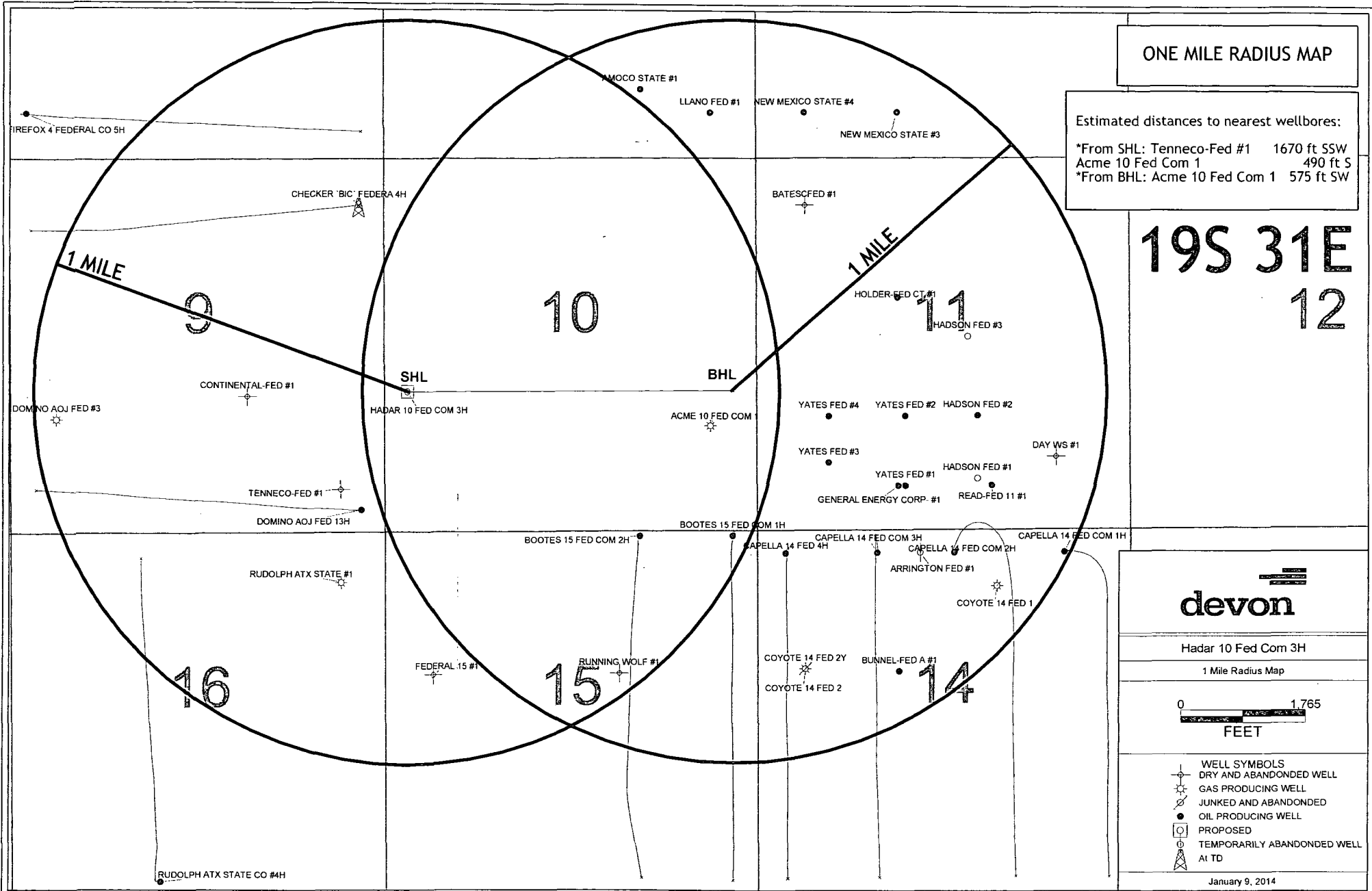
HADAR "10" FED COM #3H

LOCATED 2155 FT. FROM THE SOUTH LINE
AND 5 FT. FROM THE WEST LINE OF
SECTION 10, TOWNSHIP 19 SOUTH,
RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, STATE OF NEW MEXICO

NOVEMBER 25, 2013

SURVEY NO. 2323A

MADRON SURVEYING, INC. 301 SOUTH CANAL (575) 234-3341 CARLSBAD, NEW MEXICO



DRILLING PROGRAM

Devon Energy Production Company, L.P.
Hadar 10 Fed Com 3H

1. Geologic Name of Surface Formation: Quaternary

2. Estimated Tops of Geological Markers & Depths of Anticipated FW, Oil, or Gas:

| | | |
|-------------------------------------|-----------|-----------|
| a. Fresh Water | 200' | |
| b. Rustler | 733' | Barren |
| c. Salado | 858' | Barren |
| d. Tansil Dolomite | 2433' | Barren |
| e. Yates | 2563' | Barren |
| f. Seven Rivers | 2803' | Barren |
| g. Queen | 3438' | Barren |
| h. San Andres | 4248' | Barren |
| i. Delaware | 4928' | Oil |
| j. Bone Spring | 6828' | Oil |
| k. 1 st Bone Spring SS | 8108' | Oil |
| l. 2 nd Bone Spring Lime | 8353' | Oil |
| m. 2 nd Bone Spring | 8838' | Oil |
| Total Depth | 9116' TVD | 13,806 MD |

3. Pressure Control Equipment:

A 3M 13-5/8" BOP system (Double Ram and Annular preventer) will be installed and tested prior to drilling out the surface casing shoe. The BOP system used to drill the intermediate hole will be tested per BLM Onshore Oil and Gas Order 2.

A 3M 13-5/8" BOP system (Double Ram and Annular preventer) will be installed and tested prior to drilling out the intermediate casing shoe. The BOP system used to drill the production hole will be tested per BLM Onshore Oil and Gas Order 2.

The pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These tests will be logged in the daily driller's log. A 2" kill line and 3" choke line will be incorporated into the drilling spool below the ram BOP. In addition to the rams and annular preventer, additional BOP accessories include a kelly cock, floor safety valve, choke lines, and choke manifold rated at 3,000 psi WP.

Self COA
Devon requests a variance to use a flexible line with flanged ends between the BOP and the choke manifold (choke line); **if an H&P rig drills this well. Otherwise no flex line is needed.** The line will be kept as straight as possible with minimal turns.

Auxiliary Well Control and Monitoring Equipment:

- a. A Kelly cock will be in the drill string at all times.
- b. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.

DRILLING PROGRAM- REVISED

Devon Energy Production Company, L.P.
Hadar 10 Fed Com 3H

4. Casing Program:

See COA

| Hole Size | Hole Interval | Casing OD | Casing Interval | Weight (lb/ft) | Collar | Grade | Collapse Design Factor | Burst Design Factor | Tension Design Factor |
|-----------|------------------------------|-----------|----------------------------|----------------|--------|--------|------------------------|---------------------|-----------------------|
| 17-1/2" | 0 - 775' ^{720'} | 13-3/8" | 0 - 775' ^{720'} | 48 | BTC | H-40 | 2.12 | 4.77 | 8.66 |
| 12-1/4" | 775 - 4900' ^{4400'} | 9-5/8" | 0 - 4900' ^{4400'} | 40 | BTC | HCK-55 | 1.66 | 1.55 | 4.72 |
| 8-3/4" | 4900 - 13806' | 5-1/2" | 0 - 13806' | 17 | BTC | P-110 | 1.71 | 2.44 | 3.67 |

Casing Notes:

- See COA
- An 8-3/4" pilot hole will be drilled to 9426' and plugged back to KOP (for volumes and TOC see cement table)
 - All casing is new and API approved

Maximum Lateral TVD: 9116'

5. Proposed mud Circulations System:

See COA

| Depth | Mud Weight | Viscosity | Fluid Loss | Type System |
|------------------------------|------------|-----------|------------|-------------|
| 0 - 775' ^{720'} | 8.4-9.0 | 30-34 | N/C | FW |
| 775 - 4900' ^{4400'} | 10.0 | 28-32 | N/C | Brine |
| 4900 - 13806' | 8.6-9.0 | 28-32 | N/C | FW |

The necessary mud products for weight addition and fluid loss control will be on location at all times. Visual mud monitoring equipment will be in place to detect volume changes indicating loss or gain of circulating fluid volume. If abnormal pressures are encountered, electronic/mechanical mud monitoring equipment will be installed.

6. Cementing Table: Hadar 10 Fed Com 3H

| String | Number of sx | Weight lbs/gal | Water Volume g/sx | Yield cf/sx | Stage; Lead/Tail | Slurry Description |
|---|------------------|----------------|-------------------|-------------|----------------------|--|
| 13-3/8" Surface | 830 | 14.8 | 6.35 | 1.35 | Lead | Class C Cement + 0.125 lbs/sack Cello Flake + 2% bwoc Calcium Chloride + 56.3% Fresh Water |
| 9-5/8" Intermediate Single Stage | 1430 | 12.6 | 8.81 | 1.73 | Lead | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.2% bwoc R-3 + 0.125 lbs/sack Cello Flake + 3 lbs/sack LCM-1 + 0.25% bwoc FL-52 + 1% bwoc Sodium Metasilicate + 89.6% Fresh Water |
| | 300 | 13.8 | 6.42 | 1.38 | Tail | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.5% bwoc Sodium Metasilicate + 0.5% bwoc BA-10A + 4% bwoc MPA-5 + 65.3% Fresh Water |
| 9-5/8" Intermediate 2-Stage Option | 730 | 12.6 | 8.81 | 1.73 | 1 st Lead | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.2% bwoc R-3 + 0.125 lbs/sack Cello Flake + 3 lbs/sack LCM-1 + 0.25% bwoc FL-52 + 1% bwoc Sodium Metasilicate + 89.6% Fresh Water |
| | 300 | 13.8 | 6.41 | 1.38 | 1 st Tail | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.8% bwoc Sodium Metasilicate + 4% bwoc MPA-5 + 65.6% Fresh Water |
| | DV Tool @ 2600ft | | | | | |
| | 845 | 12.8 | 8.23 | 1.66 | 2 nd Lead | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 3 lbs/sack LCM-1 + 0.25% bwoc FL-52 + 1.5% bwoc Sodium Metasilicate + 83.7% Fresh Water |
| | 150 | 13.8 | 6.42 | 1.38 | 2 nd Tail | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.5% bwoc Sodium Metasilicate + 0.5% bwoc BA-10A + 4% bwoc MPA-5 + 65.3% Fresh Water |
| Pilot Hole Plug Back | 580 | 15.6 | 5.22 | 1.18 | Cement | Class H Cement + 0.3% bwoc R-3 + 46.3% Fresh Water |
| 5-1/2" Production Casing Single Stage | 555 | 12.5 | 11.01 | 2.01 | Lead | (35:65) Poz (Fly Ash): Class H Cement + 3% bwow Sodium Chloride + 0.2% bwoc R-3 + 0.125 lbs/sack Cello Flake + 0.7% bwoc FL-52 + 0.3% bwoc ASA-301 + 6% bwoc Bentonite + 105.5% Fresh Water |
| | 1440 | 14.2 | 5.77 | 1.28 | Tail | (50:50) Poz (Fly Ash): Class H Cement + 5% bwow Sodium Chloride + 0.3% bwoc CD-32 + 0.5% bwoc FL-25 + 0.4% bwoc FL-52 + 0.5% bwoc Sodium Metasilicate + 57.3% Fresh Water |
| 5-1/2" Production Casing 2-Stage Option | 555 | 12.5 | 11.02 | 2.01 | 1 st Lead | (35:65) Poz (Fly Ash): Class H Cement + 3% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.7% bwoc FL-52 + 0.3% bwoc ASA-301 + 6% bwoc Bentonite + 105.6% Fresh Water |
| | 1385 | 14.2 | 5.76 | 1.28 | 1 st Tail | 1385 sacks (50:50) Poz (Fly Ash): Class H Cement + 5% bwow Sodium Chloride + 0.3% bwoc CD-32 + 0.5% bwoc FL-25 + 0.5% bwoc FL-52 + 0.3% bwoc Sodium Metasilicate + 57.2% Fresh Water |
| | DV Tool @ 5500ft | | | | | |
| | 75 | 11.4 | 17.69 | 2.88 | 2 nd Lead | Class C Cement + 1% bwoc R-3 + 0.125 lbs/sack Cello Flake + 0.3% bwoc FL-52 + 3% bwoc Sodium Metasilicate + 57.7% Fresh Water |
| | 100 | 13.8 | 6.4 | 1.37 | 2 nd Tail | (60:40) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.5% bwoc BA-10A + 4% bwoc MPA-5 + 65.1% Fresh Water |

TOC for all Strings:

| | |
|----------------------------------|-------------------------------------|
| 13-3/8" Surface | 0ft |
| 9-5/8" Intermediate Single Stage | 0ft |
| 9-5/8" Intermediate 2-Stage | Stage #1 = 2600ft Stage #2 = 0ft |
| Pilot Hole Plug Back | Plug = 8000 ft |

5-1/2" Production Single Stage

~~4400ft~~

5-1/2" Production 2-Stage

Stage #1 = 5500ft
Stage #2 = ~~4400ft~~

See COA
Must tie back @ least 50 ft above Capitan Reef

Notes:

- Cement volumes Surface 100%, Intermediate 75%, Production based on at least 25% excess
- Actual cement volumes will be adjusted based on fluid caliper and caliper log data
- If lost circulation is encountered while drilling the production and/or the intermediate wellbores, a DV tool will be installed a minimum of 50' below the previous casing shoe and of 200' above the current shoe. If the DV tool has to be moved, the cement volumes will be adjusted proportionately.

7. Logging, Coring, and Testing Program:

- See COA
- a. Drill stem tests will be based on geological sample shows.
 - b. If a drill stem test is anticipated, a procedure, equipment to be used, and safety measures will be provided via sundry notice to the BLM.
 - c. Resistivity and porosity logs are planned below the intermediate casing point. Stated logs run will be named in the Completion Report and submitted to the BLM.
 - d. No coring program is planned
 - e. Additional Testing will be initiated subsequent to setting the production casing. Specific intervals will be targeted based on log evaluation, geological sample shows, and drill stem tests.

8. Potential Hazards:

- See COA
- See COA
- a. No abnormal pressures or temperatures are expected. There is no known presence of H₂S in this area, and none is anticipated to be encountered. If H₂S 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 being used to drill this well. Estimated BHP: 3000 psi, and estimated BHT: 165 degrees.
 - b. Hydrogen Sulfide detection equipment will be in operation after drilling out the surface casing shoe until the production string is cemented. Breathing equipment will be on location upon drilling the surface casing shoe until total depth is reached.

9. Anticipated Starting Date and Duration of Operations:

- a. 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 operations and drilling is expected to take 20 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flow lines in order to place well on production.

5D Plan Report**Devon Energy****Field Name:** *Eddy Co, NM (Nad 83 NME)***Site Name:** *Hadar 10 Fed Com 3H***Well Name:** *Hadar 10 Fed Com 3H Lat***Plan:** *P1:V1*

29 January 2014





devon

Hadar 10 Fed Com 3H
Eddy Co, NM



Weatherford

Plan Data for Hadar 10 Fed Com 3H Lat

| Plan Point Information: | | | | | | | | | |
|----------------------------------|-------|--------|---------|-----------------------------------|---------|-----------|-----------|---------|-------|
| Dogleg Severity Unit: °/100.00ft | | | | Position offsets from Slot centre | | | | | |
| MD | Inc | Az | TWD | +N/-S | +E/-W | Northing | Easting | Usec | DLS |
| (USft) | (°) | (°) | (USft) | (USft) | (USft) | (USft) | (USft) | (USft) | (DLS) |
| 8501.00 | 0.00 | 0.00 | 8501.00 | 0.00 | 0.00 | 609114.35 | 685210.40 | 0.00 | 0.00 |
| 8705.17 | 24.50 | 150.00 | 8699.00 | -37.23 | 21.50 | 609077.12 | 685231.90 | 21.24 | 12.00 |
| 9350.34 | 89.19 | 89.61 | 9052.65 | -172.03 | 483.46 | 608942.32 | 685693.86 | 482.27 | 12.00 |
| 13806.48 | 89.19 | 89.61 | 9116.00 | -141.41 | 4939.04 | 608972.94 | 690149.44 | 4937.96 | 0.00 |

Plan Data for Hadar 10 Fed Com 3H Lat

Target Set Information:

Name: Hadar 10 Fed Com 3H

Position offsets from Slot centre

+N/-S: 0.00USft +E/-W: 0.00USft Northing: 609114.35USft Easting: 685210.40USft Shape Comment

LP Tgt 9051.00 -172.51 326.30 608941.84 685536.70 Cuboid

PBHL 3H 9116.00 -141.41 4939.04 608972.94 690149.44 Cuboid

Plan Data for Hadar 10 Fed Com 3H Lat

Slot: Hadar 10 Fed Com 3H

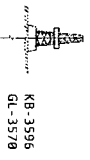
Position offsets from Slot centre

+N/-S: 0.00USft +E/-W: 0.00USft Northing: 609114.35USft Easting: 685210.40USft Shape Comment

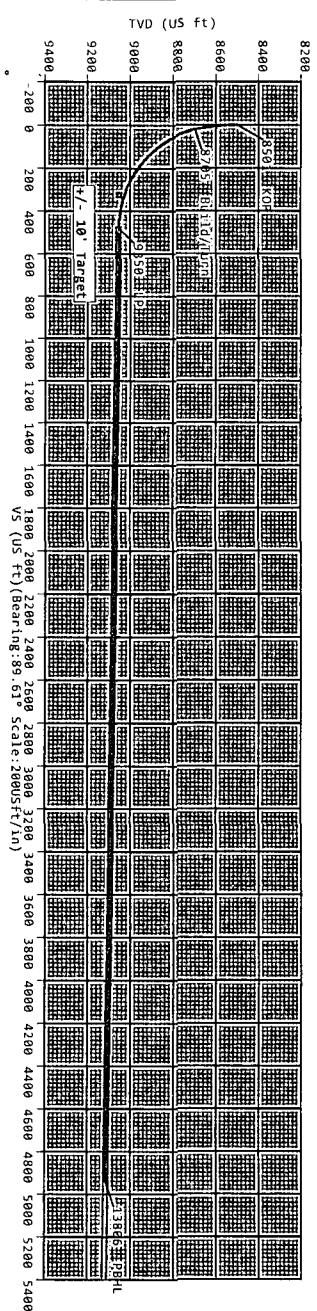
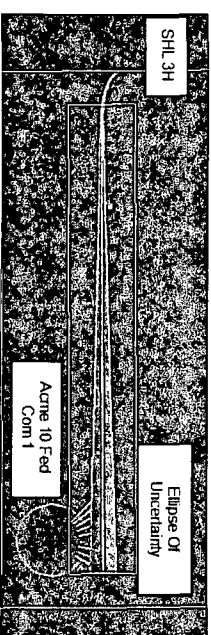
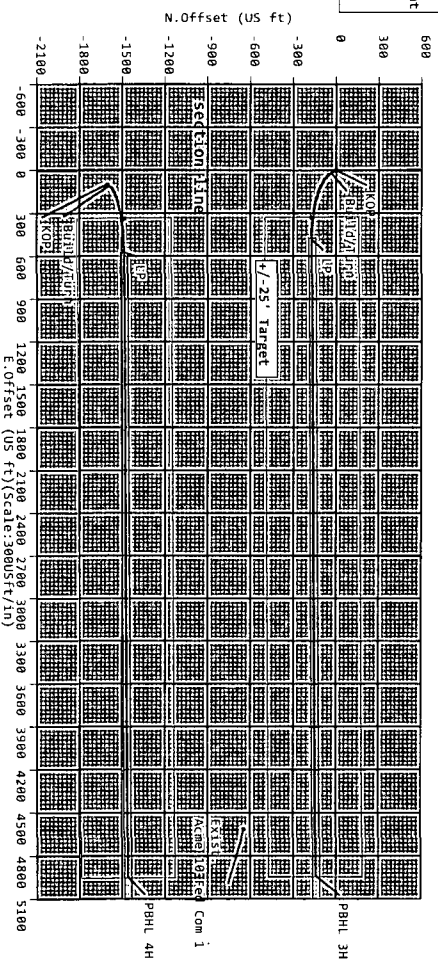
LP Tgt 9051.00 -172.51 326.30 608941.84 685536.70 Cuboid

PBHL 3H 9116.00 -141.41 4939.04 608972.94 690149.44 Cuboid

Hadar 10 Fed Com 3H Lat
Hadar 10 Fed Com 3H Pilot
Exist. Acme 10 Fed Com 1
Hadar 10 Fed Com 4H



KB-3596
GL-3570



Sign Off: Russell Joyner

Hadar 10 Fed Com 3H Lat

| | | | | | | |
|---|---|--|-----------------------------------|------------------------------------|---|--|
| Field Name Eddy Co, NM (Nad 83 NME) | Map Units : US ft | | | Company Name : Devon Energy | | |
| | Vertical Reference Datum (VRD) : Mean Sea Level | | | | | |
| | Projected Coordinate System : NAD83 / New Mexico East (ftUS) | | | | | |
| | Comment : | | | | | |
| Site Name Hadar 10 Fed Com 3H | Units : US ft | | North Reference : Grid | | Convergence Angle : 0.25 | |
| | Position | | Northing : 609114.35 US ft | | Latitude : 32° 40' 25.07" | |
| | | | Easting : 685210.40 US ft | | Longitude : -103° 51' 56.74" | |
| | Elevation above Mean Sea Level : 3570.00 US ft | | | | | |
| Comment : | | | | | | |
| Slot Name Hadar 10 Fed Com 3H | Position (Offsets relative to Site Centre) | | | | | |
| | +N / -S : 0.00 US ft | | Northing : 609114.35 US ft | | Latitude : 32° 40' 25.07" | |
| | +E / -W : 0.00 US ft | | Easting : 685210.40 US ft | | Longitude : -103° 51' 56.74" | |
| | Slot TVD Reference : Ground Elevation | | | | | |
| Elevation above Mean Sea Level : 3570.00 US ft | | | | | | |
| Comment : | | | | | | |
| Well Name Hadar 10 Fed Com 3H Lat | Type : Sidetrack | | UWI : | | Plan : P1:V1 | |
| | Parent : Hadar 10 Fed Com 3H Pilot | | Tie Point Method : MD | | Tie Point : 8501.00 US ft | |
| | Rig Height Drill Floor : 26.00 US ft | | Comment : | | | |
| | Relative to Mean Sea Level : 3596.00 US ft | | | | | |
| | Closure Distance : 4941.06 US ft | | Closure Azimuth : 91.64° | | | |
| | Vertical Section (Position of Origin Relative to Slot) | | | | | |
| | +N / -S : 0.00 US ft | | +E / -W : 0.00 US ft | | Az : 89.61° | |
| | Magnetic Parameters | | | | | |
| | Model : BGGM | | Field Strength : | | Dec : 7.55° | |
| | | | 48590.5nT | | Dip : 60.47° Date : 20/Feb/2014 | |

Target Set

Name : Hadar 10 Fed Com 3H **Number of Targets** : 2

Comment :

| | | | | | | |
|--|---|-----------------------------|-----------------------------------|------------------------------|-------------------------------------|--|
| Target Name LP Tgt Shape: Cuboid | Position (Relative to Slot centre) | | | | | |
| | +N / -S : -172.51 US ft | | Northing : 608941.84 US ft | | Latitude : 32° 40' 23.34" | |
| | +E / -W : 326.30 US ft | | Easting : 685536.70 US ft | | Longitude : -103° 51' 52.93" | |
| | TVD (Drill Floor) : 9051.00 US ft | | | | | |
| Orientation | | Azimuth : 0.00° | | Inclination : 0.00° | | |
| Dimensions | | Length : 20.00 US ft | | Breadth : 20.00 US ft | | |
| Height : 20.00 US ft | | | | | | |

5D Plan Report

| | | | | |
|---|---|-----------------------------------|----------------------------------|-----------------------------|
| Target Name: PBHL 3H Shape: Cuboid | Position (Relative to Slot centre) | | | |
| | +N / -S : 141.41US.ft | Northing : 608972.94 US.ft | Latitude : 32°40'23.45" | |
| | +E / -W : 4939.04 US.ft | Easting : 690149.44US.ft | Longitude : 103°50'58.96" | |
| | TVD (Drill Floor) : 9116.00 US.ft | | | |
| | Orientation | Azimuth : 89.61° | Inclination : -0.80° | |
| | Dimensions | Length : 8930.00 US.ft | Breadth : 50.00 US.ft | Height : 20.00 US.ft |

Well path created using minimum curvature

| Salient Points (Relative to Slot centre, TVD relative to Drill Floor) | | | | | | | | | | | |
|--|----------|--------|-------------|-------------------|-------------------|-------------------|------------|-----------------------|-----------------------|-------------|------------|
| MD (US ft) | Incl (°) | Az (°) | TVD (US ft) | N. Offset (US ft) | E. Offset (US ft) | DLS (%/100 US ft) | VS (US ft) | B. Rate (%/100 US ft) | T. Rate (%/100 US ft) | IT Face (°) | Comment |
| 8501.00 | 0.00 | 0.00 | 8501.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | KOP |
| 8705.17 | 24.50 | 150.00 | 8699.00 | -37.23 | 21.50 | 12.00 | 21.24 | 12.00 | 0.00 | 150.00 | Build/Turn |
| 9350.34 | 89.19 | 89.61 | 9052.65 | -172.03 | 483.46 | 12.00 | 482.27 | 10.03 | -9.36 | 297.03 | LP |
| 13806.48 | 89.19 | 89.61 | 9116.00 | -141.41 | 4939.04 | 0.00 | 4937.96 | 0.00 | 0.00 | 0.00 | PBHL |

| Interpolated Points (Relative to Slot centre, TVD relative to Drill Floor) | | | | | | | | | | | |
|---|----------|--------|-------------|-------------------|-------------------|------------|-------------------|------------------|-----------------|--|------------|
| MD (US ft) | Incl (°) | Az (°) | TVD (US ft) | N. Offset (US ft) | E. Offset (US ft) | VS (US ft) | DLS (%/100 US ft) | Northing (US ft) | Easting (US ft) | | Comment |
| 8501.00 | 0.00 | 0.00 | 8501.00 | 0.00 | 0.00 | 0.00 | 0.00 | 609114.35 | 685210.40 | | KOP |
| 8601.00 | 12.00 | 150.00 | 8600.27 | -9.04 | 5.22 | 5.16 | 12.00 | 609105.31 | 685215.62 | | |
| 8701.00 | 24.00 | 150.00 | 8695.20 | -35.75 | 20.64 | 20.40 | 12.00 | 609078.60 | 685231.04 | | |
| 8705.17 | 24.50 | 150.00 | 8699.00 | -37.23 | 21.50 | 21.24 | 12.00 | 609077.12 | 685231.90 | | Build/Turn |
| 8801.00 | 31.34 | 130.03 | 8783.81 | -70.58 | 50.61 | 50.13 | 12.00 | 609043.77 | 685261.01 | | |
| 8901.00 | 40.59 | 116.92 | 8864.78 | -102.15 | 99.71 | 99.01 | 12.00 | 609012.20 | 685310.11 | | |
| 9001.00 | 50.85 | 108.16 | 8934.57 | -129.07 | 165.80 | 164.92 | 12.00 | 608985.28 | 685376.20 | | |
| 9101.00 | 61.59 | 101.70 | 8990.13 | -150.15 | 246.00 | 244.97 | 12.00 | 608964.20 | 685456.40 | | |
| 9201.00 | 72.58 | 96.45 | 9029.04 | -164.48 | 336.80 | 335.68 | 12.00 | 608949.87 | 685547.20 | | |
| 9301.00 | 83.69 | 91.80 | 9049.58 | -171.43 | 434.23 | 433.06 | 12.00 | 608942.92 | 685644.63 | | |
| 9350.34 | 89.19 | 89.61 | 9052.65 | -172.03 | 483.46 | 482.27 | 12.00 | 608942.32 | 685693.86 | | LP |
| 9401.00 | 89.19 | 89.61 | 9053.37 | -171.68 | 534.11 | 532.93 | 0.00 | 608942.67 | 685744.51 | | |
| 9501.00 | 89.19 | 89.61 | 9054.79 | -170.99 | 634.09 | 632.92 | 0.00 | 608943.36 | 685844.49 | | |
| 9601.00 | 89.19 | 89.61 | 9056.21 | -170.31 | 734.08 | 732.91 | 0.00 | 608944.04 | 685944.48 | | |
| 9701.00 | 89.19 | 89.61 | 9057.64 | -169.62 | 834.07 | 832.90 | 0.00 | 608944.73 | 686044.47 | | |
| 9801.00 | 89.19 | 89.61 | 9059.06 | -168.93 | 934.06 | 932.88 | 0.00 | 608945.42 | 686144.46 | | |
| 9901.00 | 89.19 | 89.61 | 9060.48 | -168.25 | 1034.04 | 1032.87 | 0.00 | 608946.10 | 686244.44 | | |
| 10001.00 | 89.19 | 89.61 | 9061.90 | -167.56 | 1134.03 | 1132.86 | 0.00 | 608946.79 | 686344.43 | | |
| 10101.00 | 89.19 | 89.61 | 9063.32 | -166.87 | 1234.02 | 1232.85 | 0.00 | 608947.48 | 686444.42 | | |
| 10201.00 | 89.19 | 89.61 | 9064.74 | -166.18 | 1334.01 | 1332.84 | 0.00 | 608948.17 | 686544.41 | | |
| 10301.00 | 89.19 | 89.61 | 9066.17 | -165.50 | 1433.99 | 1432.83 | 0.00 | 608948.85 | 686644.39 | | |
| 10401.00 | 89.19 | 89.61 | 9067.59 | -164.81 | 1533.98 | 1532.82 | 0.00 | 608949.54 | 686744.38 | | |
| 10501.00 | 89.19 | 89.61 | 9069.01 | -164.12 | 1633.97 | 1632.81 | 0.00 | 608950.23 | 686844.37 | | |
| 10601.00 | 89.19 | 89.61 | 9070.43 | -163.44 | 1733.96 | 1732.80 | 0.00 | 608950.91 | 686944.36 | | |
| 10701.00 | 89.19 | 89.61 | 9071.85 | -162.75 | 1833.94 | 1832.79 | 0.00 | 608951.60 | 687044.34 | | |
| 10801.00 | 89.19 | 89.61 | 9073.27 | -162.06 | 1933.93 | 1932.78 | 0.00 | 608952.29 | 687144.33 | | |
| 10901.00 | 89.19 | 89.61 | 9074.70 | -161.37 | 2033.92 | 2032.77 | 0.00 | 608952.98 | 687244.32 | | |
| 11001.00 | 89.19 | 89.61 | 9076.12 | -160.69 | 2133.90 | 2132.76 | 0.00 | 608953.66 | 687344.30 | | |
| 11100.99 | 89.19 | 89.61 | 9077.54 | -160.00 | 2233.89 | 2232.75 | 0.00 | 608954.35 | 687444.29 | | |
| 11200.99 | 89.19 | 89.61 | 9078.96 | -159.31 | 2333.88 | 2332.74 | 0.00 | 608955.04 | 687544.28 | | |
| 11300.99 | 89.19 | 89.61 | 9080.38 | -158.63 | 2433.87 | 2432.73 | 0.00 | 608955.72 | 687644.27 | | |
| 11400.99 | 89.19 | 89.61 | 9081.80 | -157.94 | 2533.85 | 2532.72 | 0.00 | 608956.41 | 687744.25 | | |
| 11500.99 | 89.19 | 89.61 | 9083.22 | -157.25 | 2633.84 | 2632.71 | 0.00 | 608957.10 | 687844.24 | | |
| 11600.99 | 89.19 | 89.61 | 9084.65 | -156.56 | 2733.83 | 2732.70 | 0.00 | 608957.79 | 687944.23 | | |
| 11700.99 | 89.19 | 89.61 | 9086.07 | -155.88 | 2833.82 | 2832.69 | 0.00 | 608958.47 | 688044.22 | | |
| 11800.99 | 89.19 | 89.61 | 9087.49 | -155.19 | 2933.80 | 2932.68 | 0.00 | 608959.16 | 688144.20 | | |

5D Plan Report

| Interpolated Points (Relative to Slot centre, TVD relative to Drill Floor) | | | | | | | | | | |
|--|------------|-----------|----------------|----------------------|----------------------|---------------|----------------------|---------------------|--------------------|---------|
| MD (US ft) | Inc (°) | Az (°) | TVD (US ft) | N. Offset (US ft) | E. Offset (US ft) | VS (US ft) | DLS (%/100 US ft) | Northing (US ft) | Easting (US ft) | Comment |
| 11900.99 | 89.19 | 89.61 | 9088.91 | -154.50 | 3033.79 | 3032.67 | 0.00 | 608959.85 | 688244.19 | |
| 12000.99 | 89.19 | 89.61 | 9090.33 | -153.82 | 3133.78 | 3132.66 | 0.00 | 608960.53 | 688344.18 | |
| 12100.99 | 89.19 | 89.61 | 9091.75 | -153.13 | 3233.77 | 3232.65 | 0.00 | 608961.22 | 688444.17 | |
| 12200.99 | 89.19 | 89.61 | 9093.18 | -152.44 | 3333.75 | 3332.64 | 0.00 | 608961.91 | 688544.15 | |
| 12300.99 | 89.19 | 89.61 | 9094.60 | -151.75 | 3433.74 | 3432.63 | 0.00 | 608962.60 | 688644.14 | |
| 12400.99 | 89.19 | 89.61 | 9096.02 | -151.07 | 3533.73 | 3532.62 | 0.00 | 608963.28 | 688744.13 | |
| 12500.99 | 89.19 | 89.61 | 9097.44 | -150.38 | 3633.71 | 3632.61 | 0.00 | 608963.97 | 688844.11 | |
| 12600.99 | 89.19 | 89.61 | 9098.86 | -149.69 | 3733.70 | 3732.60 | 0.00 | 608964.66 | 688944.10 | |
| 12700.99 | 89.19 | 89.61 | 9100.28 | -149.01 | 3833.69 | 3832.59 | 0.00 | 608965.34 | 689044.09 | |
| 12800.99 | 89.19 | 89.61 | 9101.71 | -148.32 | 3933.68 | 3932.58 | 0.00 | 608966.03 | 689144.08 | |
| 12900.99 | 89.19 | 89.61 | 9103.13 | -147.63 | 4033.66 | 4032.57 | 0.00 | 608966.72 | 689244.06 | |
| 13000.99 | 89.19 | 89.61 | 9104.55 | -146.94 | 4133.65 | 4132.56 | 0.00 | 608967.41 | 689344.05 | |
| 13100.99 | 89.19 | 89.61 | 9105.97 | -146.26 | 4233.64 | 4232.54 | 0.00 | 608968.09 | 689444.04 | |
| 13200.99 | 89.19 | 89.61 | 9107.39 | -145.57 | 4333.63 | 4332.53 | 0.00 | 608968.78 | 689544.03 | |
| 13300.99 | 89.19 | 89.61 | 9108.81 | -144.88 | 4433.61 | 4432.52 | 0.00 | 608969.47 | 689644.01 | |
| 13400.99 | 89.19 | 89.61 | 9110.24 | -144.20 | 4533.60 | 4532.51 | 0.00 | 608970.15 | 689744.00 | |
| 13500.99 | 89.19 | 89.61 | 9111.66 | -143.51 | 4633.59 | 4632.50 | 0.00 | 608970.84 | 689843.99 | |
| 13600.99 | 89.19 | 89.61 | 9113.08 | -142.82 | 4733.58 | 4732.49 | 0.00 | 608971.53 | 689943.98 | |
| 13700.99 | 89.19 | 89.61 | 9114.50 | -142.13 | 4833.56 | 4832.48 | 0.00 | 608972.22 | 690043.96 | |
| 13800.99 | 89.19 | 89.61 | 9115.92 | -141.45 | 4933.55 | 4932.47 | 0.00 | 608972.90 | 690143.95 | |
| 13806.48 | 89.19 | 89.61 | 9116.00 | -141.41 | 4939.04 | 4937.96 | 0.00 | 608972.94 | 690149.44 | PBHL |

5D Anti-Collision Report**Devon Energy****Field Name:** *Eddy Co, NM (Nad 83 NME)***Site Name:** *Hadar 10 Fed Com 3H***Well Name:** *Hadar 10 Fed Com 3H Lat*

29 January 2014





Weatherford

Hadar 10 Fed Com 3H Lat

| | | | | |
|---|---|-----------------------------------|-------------------------------------|-----------------------------------|
| Field Name Eddy Co. NM (Nad83 NME) | Map Units : US ft | | Company Name : Devon Energy | |
| | Vertical Reference Datum (VRD) : Mean Sea Level | | | |
| | Projected Coordinate System : NAD83 / New Mexico East (ftUS) | | | |
| Comment : | | | | |
| Site Name Hadar 10 Fed Com 3H | Units : US ft | North Reference : Grid | Convergence Angle : 0.25 | |
| | Position | Northing : 609114.35 US ft | Latitude : 32° 40' 25.07" | |
| | | Easting : 685210.40 US ft | Longitude : -103° 51' 56.74" | |
| Elevation above Mean Sea Level : 3570.00 US ft | | | | |
| Comment : | | | | |
| Slot Name Hadar 10 Fed Com 3H | Position (Offsets relative to Site Centre) | | | |
| | +N / -S : 0.00 US ft | Northing : 609114.35 US ft | Latitude : 32° 40' 25.07" | |
| | +E / -W : 0.00 US ft | Easting : 685210.40 US ft | Longitude : -103° 51' 56.74" | |
| Slot TVD Reference : Ground Elevation | | | | |
| Elevation above Mean Sea Level : 3570.00 US ft | | | | |
| Comment : | | | | |
| Well Name Hadar 10 Fed Com 3H Lat | Type : Sidetrack | | UWI : | Plan : Working Plan |
| | Parent : Hadar 10 Fed Com 3H Pilot | | Tie Point Method : MD | Tie Point : 8501.00 US ft |
| | Rig Height Drill Floor : 26.00 US ft | | Comment : | |
| | Relative to Mean Sea Level : 3596.00 US ft | | | |
| | Closure Distance : 4941.06 US ft | | Closure Azimuth : 91.64° | |
| | Vertical Section (Position of Origin Relative to Slot) | | | |
| | +N / -S : 0.00 US ft | | +E / -W : 0.00 US ft | Az : 89.61° |
| | Magnetic Parameters | | | |
| | Model : BGGM | Field Strength : | Dec : 7.55° | Dip : 60.47° Date : |
| | 48590.5nT | | 20/Feb/2014 | |

| Collision / Uncertainty Analysis | | | | |
|----------------------------------|------------------|----------------|-------------------------|---|
| Primary Well | Start MD (US ft) | End MD (US ft) | Collision Risk Interval | No. of Std. Deviations in Error Computation |
| Hadar 10 Fed Com 3H Lat (p) | 0.00 | 13806.48 | 100.00 | 2 |

Secondary Well Names
Exist. Acme 10 Fed Com 1 (s)

Anti-Collision Report Terminology
S.Minor, S.Major :Radii of the ellipse of uncertainty at the current location as seen in the along hole direction.
PHI :Angle between high-side vector and semi-minor axis
TVD Spread :Total TVD range of the ellipsoid of uncertainty at the current location
ES :Distance between the extremities of the primary and secondary uncertainty ellipsoids in the direction Cr-Cr
T.Face to Sec :Angle between the Hi-Side vector of the primary well at the current location and line of closest approach between the two wells

Separation factors calculated using Pedal Curve (Independent Uncertainty). Well path created using minimum curvature.

5D Anti-Collision Report

Anti-Collision Proximity Summary (TVD Relative to)

| Secondary Well Name | Pri MD (US.ft) | Sec MD (US.ft) | TVD (US.ft) | CG (US.ft) | ES (US.ft) | SF | Risk |
|------------------------------|----------------|----------------|-------------|------------|------------|------|----------|
| Exist. Acme 10 Fed Com 1 (s) | 13494.36 | 9092.06 | 9111.56 | 501.72 | 102.22 | 1.26 | SF (Med) |

| Secondary Well: Exist. Acme 10 Fed Com 1 (s) (TVD Relative to Drill Floor (Primary)); All Azimuth Relative to GRID NORTH | | | | | | | | | |
|--|-------------|----------------|-------------------|-----------------|-----------------|------------|------------|-------|----------|
| Pri MD (US.ft) | TVD (US.ft) | Sec MD (US.ft) | T Face to Sec (°) | S Major (US.ft) | S Minor (US.ft) | CG (US.ft) | ES (US.ft) | SF | Risk |
| 8501.00 | 8501.00 | 8481.50 | 97.95 | 252.92 | 252.92 | 4662.94 | 4390.47 | 17.11 | |
| 8601.00 | 8600.27 | 8580.77 | 307.24 | 255.88 | 255.88 | 4656.53 | 4380.97 | 16.90 | |
| 8701.00 | 8695.20 | 8675.70 | 305.08 | 258.71 | 258.71 | 4637.67 | 4359.12 | 16.65 | |
| 8801.00 | 8783.82 | 8764.32 | 322.90 | 261.47 | 261.47 | 4603.48 | 4322.08 | 16.36 | |
| 8901.00 | 8864.78 | 8845.28 | 334.31 | 263.95 | 263.95 | 4550.90 | 4266.87 | 16.02 | |
| 9001.00 | 8934.57 | 8915.07 | 342.06 | 266.08 | 266.08 | 4482.10 | 4195.83 | 15.66 | |
| 9101.00 | 8990.13 | 8970.63 | 349.09 | 267.76 | 267.76 | 4400.02 | 4111.98 | 15.28 | |
| 9201.00 | 9029.04 | 9009.54 | 359.86 | 268.93 | 268.93 | 4308.19 | 4018.88 | 14.89 | |
| 9301.00 | 9049.58 | 9030.08 | 36.53 | 269.55 | 269.55 | 4210.59 | 3920.67 | 14.52 | |
| 9401.00 | 9053.37 | 9033.87 | 83.40 | 269.66 | 269.66 | 4111.34 | 3821.23 | 14.17 | |
| 9501.00 | 9054.79 | 9035.29 | 83.56 | 269.70 | 269.70 | 4012.12 | 3721.95 | 13.83 | |
| 9601.00 | 9056.21 | 9036.71 | 83.72 | 269.75 | 269.75 | 3912.93 | 3622.74 | 13.48 | |
| 9701.00 | 9057.64 | 9038.14 | 83.88 | 269.79 | 269.79 | 3813.79 | 3523.49 | 13.14 | |
| 9801.00 | 9059.06 | 9039.56 | 84.04 | 269.83 | 269.83 | 3714.69 | 3424.28 | 12.79 | |
| 9901.00 | 9060.48 | 9040.98 | 84.20 | 269.87 | 269.87 | 3615.64 | 3325.13 | 12.45 | |
| 10001.00 | 9061.90 | 9042.40 | 84.37 | 269.92 | 269.92 | 3516.64 | 3226.03 | 12.10 | |
| 10101.00 | 9063.32 | 9043.82 | 84.53 | 269.96 | 269.96 | 3417.71 | 3127.00 | 11.76 | |
| 10201.00 | 9064.74 | 9045.24 | 84.69 | 270.00 | 270.00 | 3318.83 | 3028.03 | 11.41 | |
| 10301.00 | 9066.17 | 9046.67 | 84.85 | 270.04 | 270.04 | 3220.03 | 2929.03 | 11.07 | |
| 10401.00 | 9067.59 | 9048.09 | 85.01 | 270.09 | 270.09 | 3121.30 | 2830.11 | 10.72 | |
| 10501.00 | 9069.01 | 9049.51 | 85.17 | 270.13 | 270.13 | 3022.65 | 2731.27 | 10.37 | |
| 10601.00 | 9070.43 | 9050.93 | 85.33 | 270.17 | 270.17 | 2924.09 | 2632.53 | 10.03 | |
| 10701.00 | 9071.85 | 9052.35 | 85.49 | 270.21 | 270.21 | 2825.63 | 2533.88 | 9.69 | |
| 10801.00 | 9073.27 | 9053.77 | 85.65 | 270.26 | 270.26 | 2727.29 | 2435.22 | 9.34 | |
| 10901.00 | 9074.70 | 9055.20 | 85.82 | 270.30 | 270.30 | 2629.07 | 2336.67 | 8.99 | |
| 11001.00 | 9076.12 | 9056.62 | 85.98 | 270.34 | 270.34 | 2530.99 | 2238.25 | 8.65 | |
| 11101.00 | 9077.54 | 9058.04 | 86.14 | 270.38 | 270.38 | 2433.06 | 2139.98 | 8.30 | |
| 11201.00 | 9078.96 | 9059.46 | 86.30 | 270.43 | 270.43 | 2335.31 | 2041.76 | 7.96 | |
| 11301.00 | 9080.38 | 9060.88 | 86.46 | 270.47 | 270.47 | 2237.76 | 1943.67 | 7.61 | |
| 11401.00 | 9081.80 | 9062.30 | 86.62 | 270.51 | 270.51 | 2140.43 | 1845.79 | 7.26 | |
| 11501.00 | 9083.22 | 9063.72 | 86.79 | 270.55 | 270.55 | 2043.36 | 1748.15 | 6.92 | |
| 11601.00 | 9084.65 | 9065.15 | 86.95 | 270.60 | 270.60 | 1946.58 | 1650.57 | 6.58 | |
| 11701.00 | 9086.07 | 9066.57 | 87.11 | 270.64 | 270.64 | 1850.15 | 1553.04 | 6.23 | |
| 11801.00 | 9087.49 | 9067.99 | 87.27 | 270.68 | 270.68 | 1754.11 | 1455.44 | 5.87 | |
| 11901.00 | 9088.91 | 9069.41 | 87.43 | 270.72 | 270.72 | 1658.54 | 1358.00 | 5.52 | |
| 12001.00 | 9090.33 | 9070.83 | 87.60 | 270.77 | 270.77 | 1563.53 | 1260.93 | 5.17 | |
| 12101.00 | 9091.75 | 9072.25 | 87.76 | 270.81 | 270.81 | 1469.17 | 1164.40 | 4.82 | |
| 12201.00 | 9093.18 | 9073.68 | 87.92 | 270.85 | 270.85 | 1375.61 | 1068.36 | 4.48 | |
| 12301.00 | 9094.60 | 9075.10 | 88.08 | 270.89 | 270.89 | 1283.03 | 973.01 | 4.14 | |
| 12401.00 | 9096.02 | 9076.52 | 88.25 | 270.94 | 270.94 | 1191.63 | 878.75 | 3.81 | |
| 12501.00 | 9097.44 | 9077.94 | 88.41 | 270.98 | 270.98 | 1101.74 | 784.43 | 3.47 | |
| 12601.00 | 9098.86 | 9079.36 | 88.57 | 271.02 | 271.02 | 1013.73 | 691.03 | 3.14 | |
| 12701.00 | 9100.28 | 9080.78 | 88.73 | 271.06 | 271.06 | 928.16 | 599.89 | 2.83 | |
| 12801.00 | 9101.71 | 9082.21 | 88.89 | 271.11 | 271.11 | 845.75 | 511.25 | 2.53 | |
| 12901.00 | 9103.13 | 9083.63 | 89.06 | 271.15 | 271.15 | 767.54 | 424.27 | 2.24 | |
| 13001.00 | 9104.55 | 9085.05 | 89.22 | 271.19 | 271.19 | 694.93 | 342.90 | 1.97 | SF (Lo) |
| 13101.00 | 9105.97 | 9086.47 | 89.38 | 271.23 | 271.23 | 629.87 | 266.77 | 1.73 | SF (Lo) |
| 13201.00 | 9107.39 | 9087.89 | 89.54 | 271.27 | 271.27 | 574.93 | 200.43 | 1.54 | SF (Lo) |
| 13301.00 | 9108.81 | 9089.31 | 89.71 | 271.32 | 271.32 | 533.24 | 147.74 | 1.38 | SF (Med) |
| 13401.00 | 9110.24 | 9090.74 | 89.87 | 271.36 | 271.36 | 508.08 | 113.43 | 1.29 | SF (Med) |
| 13501.00 | 9111.66 | 9092.16 | 90.03 | 271.40 | 271.40 | 501.93 | 102.33 | 1.26 | SF (Med) |
| 13601.00 | 9113.08 | 9093.58 | 90.19 | 271.44 | 271.44 | 515.48 | 115.98 | 1.29 | SF (Med) |

5D Anti-Collision Report

| Secondary Wells: Exist. Acids 10 Fed Com 1 (S) (TVD Relative to Drill Floor (Primary)); All Azimuth Relative to GRID NORTH | | | | | | | | | |
|--|----------------|-------------------|--------------------|--------------------|--------------------|---------------|---------------|------|----------|
| Pri MD (US ft) | TVD (US ft) | Sec MD (US ft) | Face to Sec (°) | S Major (US ft) | S Minor (US ft) | CC (US ft) | ES (US ft) | SF | Risk |
| 13701.00 | 9114.50 | 9095.00 | 90.36 | 271.49 | 271.49 | 547.27 | 151.95 | 1.38 | SF (Med) |
| 13801.00 | 9115.92 | 9096.42 | 90.52 | 271.53 | 271.53 | 594.38 | 205.44 | 1.53 | SF (Lo) |
| 13806.48 | 9116.00 | 9096.50 | 90.53 | 271.53 | 271.53 | 597.34 | 208.86 | 1.54 | SF (Lo) |

**Weatherford****Weatherford Drilling Services**

GeoDec v5.03

Report Date: January 28, 2014
Job Number: _____
Customer: Devon Energy
Well Name: Hadar 10 Fed Com 3H
API Number: _____
Rig Name: _____
Location: Eddy Co., NM (NAD 83)
Block: _____
Engineer: RWJ

| | |
|--|---|
| US State Plane 1983 | Geodetic Latitude / Longitude |
| System: New Mexico Eastern Zone | System: Latitude / Longitude |
| Projection: Transverse Mercator/Gauss Kruger | Projection: Geodetic Latitude and Longitude |
| Datum: North American Datum 1983 | Datum: North American Datum 1983 |
| Ellipsoid: GRS 1980 | Ellipsoid: GRS 1980 |
| North/South 609114.350 USFT | Latitude 32.6736293 DEG |
| East/West 685210.400 USFT | Longitude -103.8657607 DEG |
| Grid Convergence: .25° | |
| Total Correction: +7.30° | |

| | | |
|-------------------------|--------------|------------------------|
| Geodetic Location WGS84 | Elevation = | 0.0 Meters |
| Latitude = | 32.67363° N | 32° 40 min 25.065 sec |
| Longitude = | 103.86576° W | 103° 51 min 56.739 sec |

| | | |
|------------------------|--------------|------------------------------|
| Magnetic Declination = | 7.55° | [True North Offset] |
| Local Gravity = | .9988 g | Checksum = 6608 |
| Local Field Strength = | 48591 nT | Magnetic Vector X = 23739 nT |
| Magnetic Dip = | 60.47° | Magnetic Vector Y = 3145 nT |
| Magnetic Model = | bggm2013 | Magnetic Vector Z = 42280 nT |
| Spud Date = | Feb 20, 2014 | Magnetic Vector H = 23947 nT |

Signed: _____

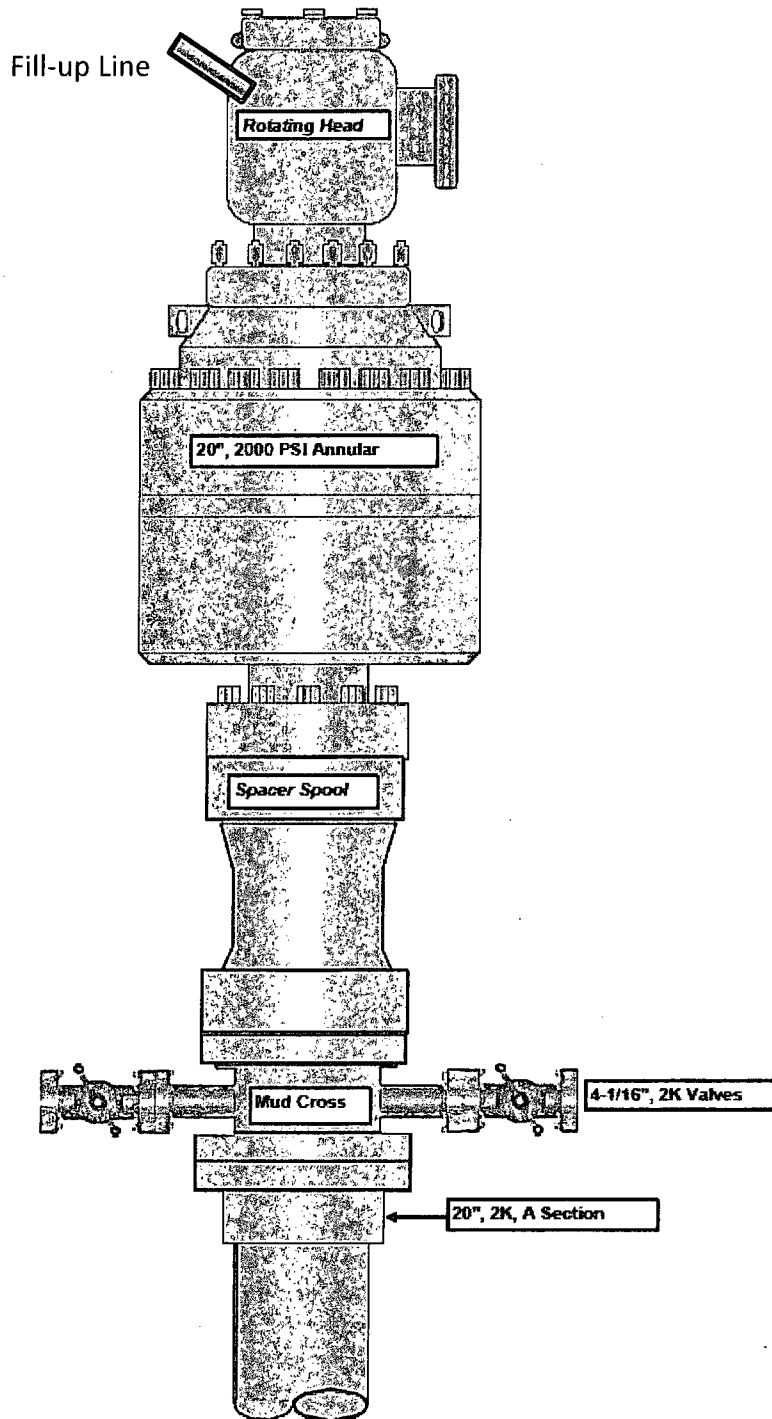
Date: _____

NOTES REGARDING BLOWOUT PREVENTERS

Devon Energy Production Company, L.P.
Hadar 10 Fed Com 3H

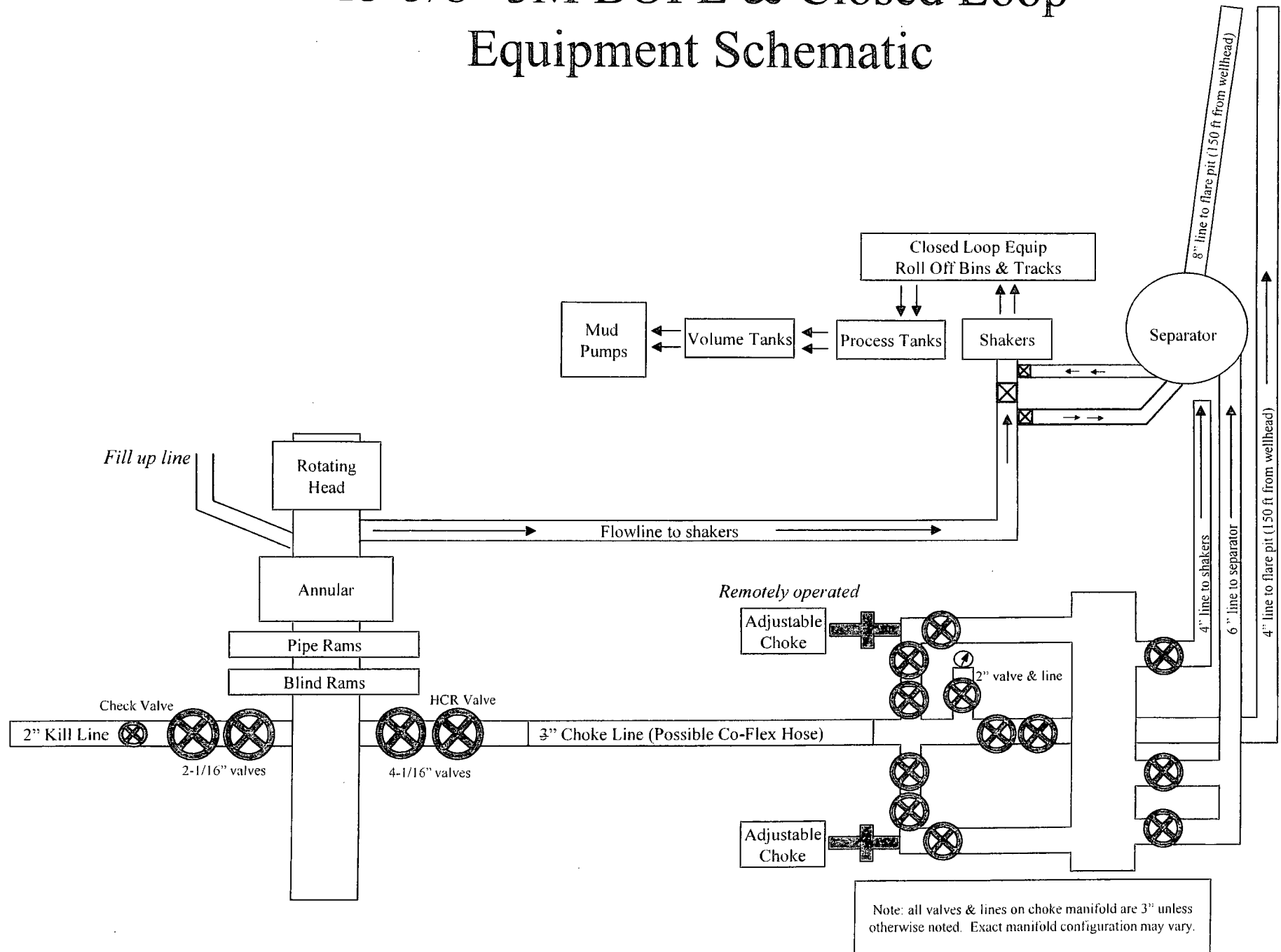
1. Drilling Nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
2. Wear ring will be properly installed in head.
3. Blowout preventer and all associated filings will be in operable condition to withstand a minimum of 3000 psi working pressure.
4. All fittings will be flanged.
5. A fill bore safety valve tested to a minimum of 3000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
6. All choke lines will be anchored to prevent movement.
7. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
8. Will maintain a kelly cock attached to the kelly.
9. Hand wheels and wrenches will be properly installed and tested for safe operation.
10. Hydraulic floor control for blowout preventer will be located as near in proximity to driller's controls as possible.
11. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.

20" 2K Annular



***The same choke manifold will be used with all BOP's**

13-5/8" 3M BOPE & Closed Loop Equipment Schematic



Hydrostatic Test Certificate



| | | |
|--|---|--|
| Certificate Number: 4520 | PBC No: 10321 | Customer Name & Address |
| Customer Purchase Order No: RIG 300 | | HELMERICH & PAYNE INT'L DRILLING CO 1437 SOUTH BOULDER TULSA, OK 74119 |
| Project: | | |
| Test Centre Address | Accepted by ContiTech Beattie Inspection | Accepted by Client Inspection |
| ContiTech Beattie Corp. 11535 Brittmoore Park Drive Houston, TX 77041 USA | Signed: Josh Sims Date: 10/27/10 | |

We certify that the goods detailed hereon have been inspected by our Quality Management System, and to the best of our knowledge are found to conform to relevant industrial standards within the requirements of the purchase order as issued to ContiTech Beattie Corporation.

These goods were made in the United States of America.

| Item | Part No. | Description | Qty | Serial Number | As-Built Length (m) | Work Press. | Test Press. | Test Time (minutes) |
|------|----------|---|-----|---------------|---------------------|-------------|-------------|---------------------|
| 1 | | 3" ID 10K Choke & Kill Hose x 35ft OAL End A: 4.1/16" 10Kpsi API Spec 9A Type 6BX Flange End B: 4.1/16" 10Kpsi API Spec 6A Type 6BX Flange Working Pressure: 10,000psi Test Pressure: 15,000psi Serial#: 49106 | 1 | 49106 | | 10 kpsi | 15 kpsi | 60 |

45

00

50

10

15

20

Graphic Controls Inc

360 deg = 96 min
CHART NO. MC MP-20000-1H
METER RCH 4486

CHART PUT ON
SN/34403

TAKEN OFF

LOCATION: Recreation house
REMARKS: LTB TK 10/22/10

Confidential Beal Corp
Certified True Copy



Fluid Technology

ContiTech Beattie Corp.
Website: www.contitechbeattie.com

Monday, June 14, 2010

RE: Drilling & Production Hoses
Lifting & Safety Equipment

To Helmerich & Payne,

A Continental ContiTech hose assembly can perform as intended and suitable for the application regardless of whether the hose is secured or unsecured in its configuration. As a manufacturer of High Pressure Hose Assemblies for use in Drilling & Production, we do offer the corresponding lifting and safety equipment, this has the added benefit of easing the lifting and handling of each hose assembly whilst affording hose longevity by ensuring correct handling methods and procedures as well as securing the hose in the unlikely event of a failure; but in no way does the lifting and safety equipment affect the performance of the hoses providing the hoses have been handled and installed correctly. It is good practice to use lifting & safety equipment but not mandatory.

Should you have any questions or require any additional information/clarifications then please do not hesitate to contact us.

ContiTech Beattie is part of the Continental AG Corporation and can offer the full support resources associated with a global organization.

Best regards,

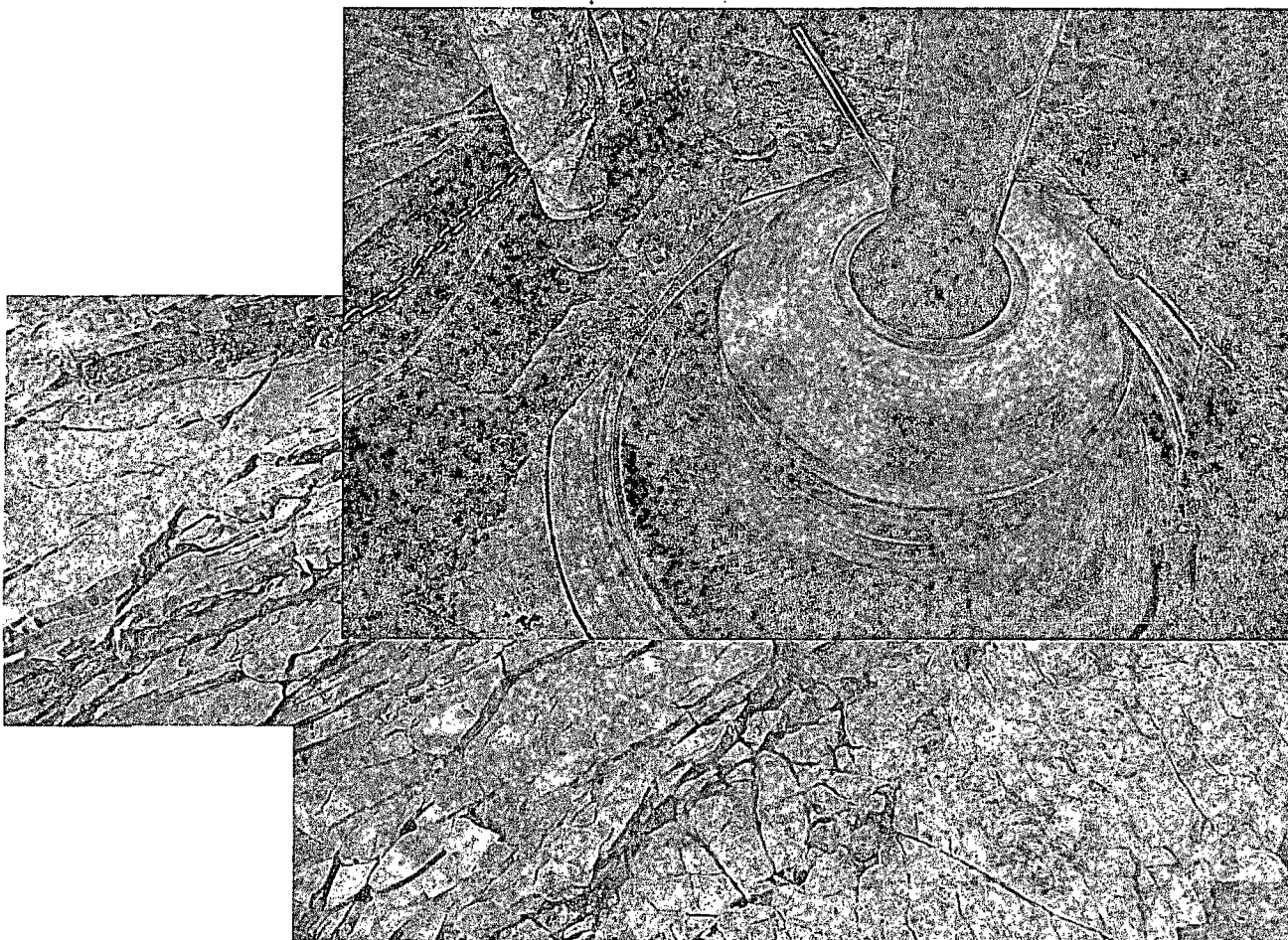
Robin Hodgson
Sales Manager
ContiTech Beattie Corp

ContiTech Beattie Corp,
11535 Brittnore Park Drive,
Houston, TX 77041
Phone: +1 (832) 327-0141
Fax: +1 (832) 327-0148
www.contitechbeattie.com





Commitment Runs Deep



Design Plan
Operation and Maintenance Plan
Closure Plan

SENM - Closed Loop Systems
June 2008

I. Design Plan

Devon uses MI SWACO closed loop system (CLS). The MI SWACO CLS is designed to maintain drill solids at or below 5%. The equipment is arranged to progressively remove solids from the largest to the smallest size. Drilling fluids can thus be reused and savings is realized on mud and disposal costs. Dewatering may be required with the centrifuges to insure removal of ultra fine solids.

The drilling location is constructed to allow storm water to flow to a central sump normally the cellar. This insures no contamination leaves the drilling pad in the event of a spill. Storm water is reused in the mud system or stored in a reserve fluid tank farm until it can be reused. All lubricants, oils, or chemicals are removed immediately from the ground to prevent the contamination of storm water. An oil trap is normally installed on the sump if an oil spill occurs during a storm.

A tank farm is utilized to store drilling fluids including fresh water and brine fluids. The tank farm is constructed on a 20 ml plastic lined, bermed pad to prevent the contamination of the drilling site during a spill. Fluids from other sites may be stored in these tanks for processing by the solids control equipment and reused in the mud system. At the end of the well the fluids are transported from the tank farm to an adjoining well or to the next well for the rig.

Prior to installing a closed-loop system on site, the topsoil, if present, will be stripped and stockpiled for use as the final cover or fill at the time of closure.

Signs will be posted on the fence surrounding the closed-loop system unless the closed-loop system is located on a site where there is an existing well, that is operated by Devon.

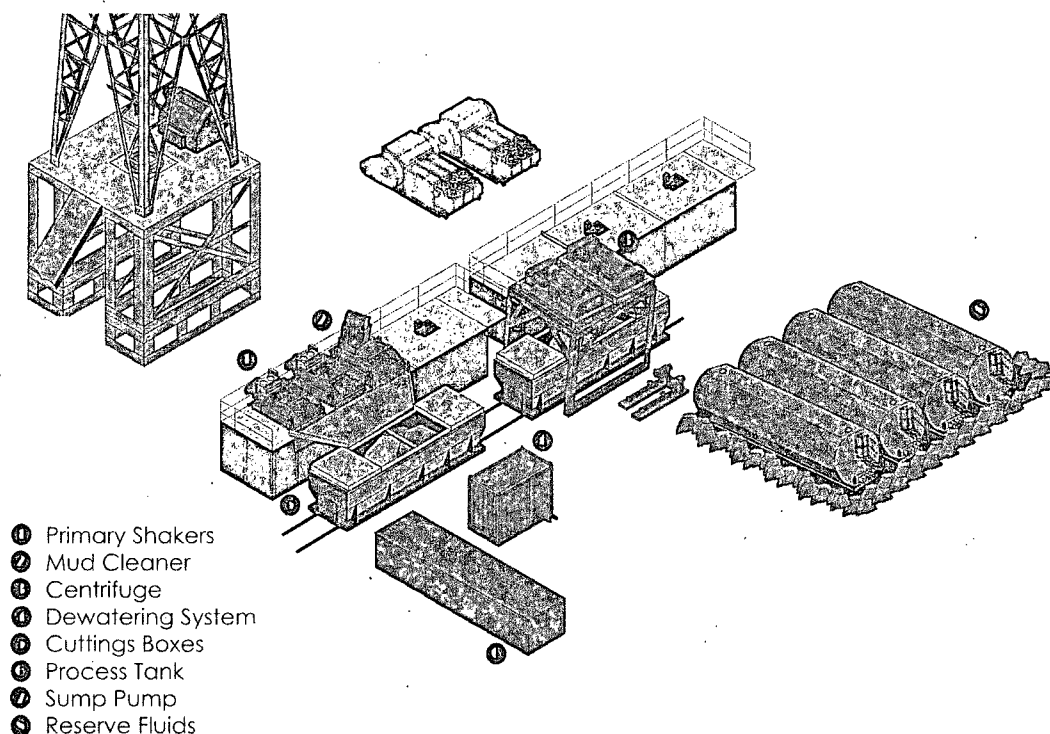
II. Operations and Maintenance Plan

Primary Shakers: The primary shakers make the first removal of drill solids from the drilling mud as it leaves the well bore. The shakers are sized to handle maximum drilling rate at optimal screen size. The shakers normally remove solids down to 74 microns.

Mud Cleaner: The Mud Cleaner cleans the fluid after it leaves the shakers. A set of hydrocyclones are sized to handle 1.25 to 1.5 times the maximum circulating rate. This ensures all the fluid is being processed to an average cut point of 25 microns. The wet discharged is dewatered on a shaker equipped with ultra fine mesh screens and generally cut at 40 microns.



Closed Loop Schematic



Centrifuges: The centrifuges can be one or two in number depending on the well geometry or depth of well. The centrifuges are sized to maintain low gravity solids at 5% or below. They may or may not need a dewatering system to enhance the removal rates. The centrifuges can make a cut point of 8-10 microns depending on bowl speed, feed rate, solids loading and other factors.

The centrifuge system is designed to work on the active system and be flexible to process incoming fluids from other locations. This set-up is also dependant on well factors.

Dewatering System: The dewatering system is a chemical mixing and dosing system designed to enhance the solids removal of the centrifuge. Not commonly used in shallow wells. It may contain pH adjustment, coagulant mixing and dosing, and polymer mixing and dosing. Chemical flocculation binds ultra fine solids into a mass that is within the centrifuge operating design. The

dewatering system improves the centrifuge cut point to infinity or allows for the return of clear water or brine fluid. This ability allows for the ultimate control of low gravity solids.

Cuttings Boxes: Cuttings boxes are utilized to capture drill solids that are discarded from the solids control equipment. These boxes are set upon a rail system that allows for the removal and replacement of a full box of cuttings with an empty one. They are equipped with a cover that insures no product is spilled into the environment during the transportation phase.

Process Tank: (Optional) The process tank allows for the holding and process of fluids that are being transferred into the mud system. Additionally, during times of lost circulation the process tank may hold active fluids that are removed for additional treatment. It can further be used as a mixing tank during well control conditions.

Sump and Sump Pump: The sump is used to collect storm water and the pump is used to transfer this fluid to the active system or to the tank for to hold in reserve. It can also be used to collect fluids that may escape during spills. The location contains drainage ditches that allow the location fluids to drain to the sump.

Reserve Fluids (Tank Farm): A series of frac tanks are used to replace the reserve pit. These are steel tanks that are equipped with a manifold system and a transfer pump. These tanks can contain any number of fluids used during the drilling process. These can include fresh water, cut brine, and saturated salt fluid. The fluid can be from the active well or reclaimed fluid from other locations. A 20 ml liner and berm system is employed to ensure the fluids do not migrate to the environment during a spill.

If a leak develops, the appropriate division district office will be notified within 48 hours of the discovery and the leak will be addressed. Spill prevention is accomplished by maintaining pump packing, hoses, and pipe fittings to insure no leaks are occurring. During an upset condition the source of the spill is isolated and repaired as soon as it is discovered. Free liquid is removed by a diaphragm pump and returned to the mud system. Loose topsoil may be used to stabilize the spill and the contaminated soil is excavated and placed in the cuttings boxes. After the well is finished and the rig has moved, the entire location is scrapped and testing will be performed to determine if a release has occurred.

All trash is kept in a wire mesh enclosure and removed to an approved landfill when full. All spent motor oils are kept in separate containers and they are removed and sent to an approved recycling center. Any spilled lubricants, pipe

dope, or regulated chemicals are removed from soil and sent to landfills approved for these products.

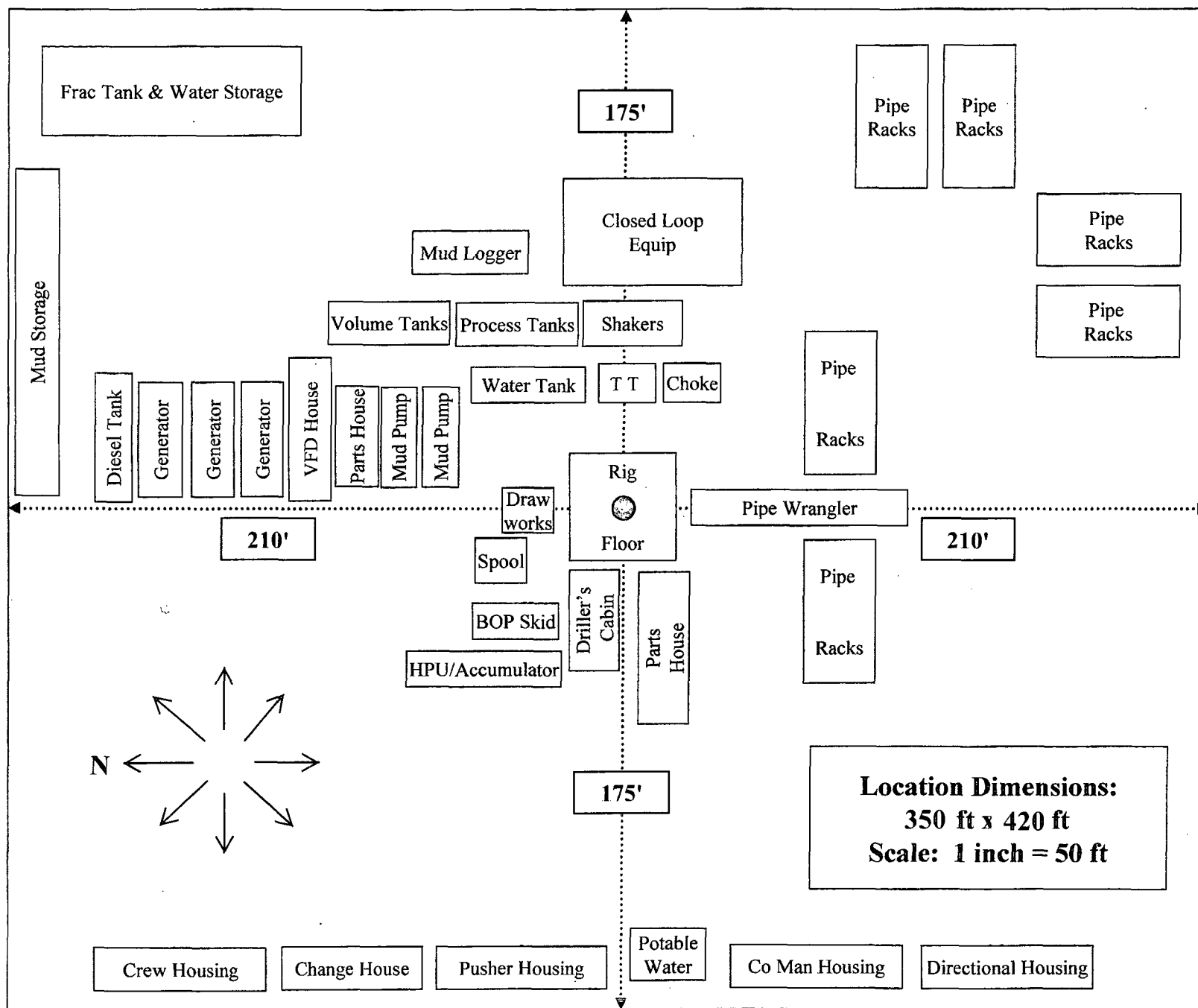
These operations are monitored by Mi Swaco service technicians. Daily logs are maintained to ensure optimal equipment operation and maintenance. Screen and chemical use is logged to maintain inventory control. Fluid properties are monitored and recorded and drilling mud volumes are accounted for in the mud storage farm. This data is kept for end of well review to insure performance goals are met. Lessons learned are logged and used to help with continuous improvement.

A MI SWACO field supervisor manages from 3-5 wells. They are responsible for training personnel, supervising installations, and inspecting sites for compliance of MI SWACO safety and operational policy.

III. Closure Plan

A maximum 340' X 340' caliche pad is built per well. All of the trucks and steel tanks fit on this pad. All fluid cuttings go to the steel tanks to be hauled by various trucking companies to an agency approved disposal.

H&P Flex Rig Location Layout





**Devon Energy Center
333 West Sheridan Avenue
Oklahoma City, Oklahoma 73102-5015**

Hydrogen Sulfide (H₂S) Contingency Plan

For

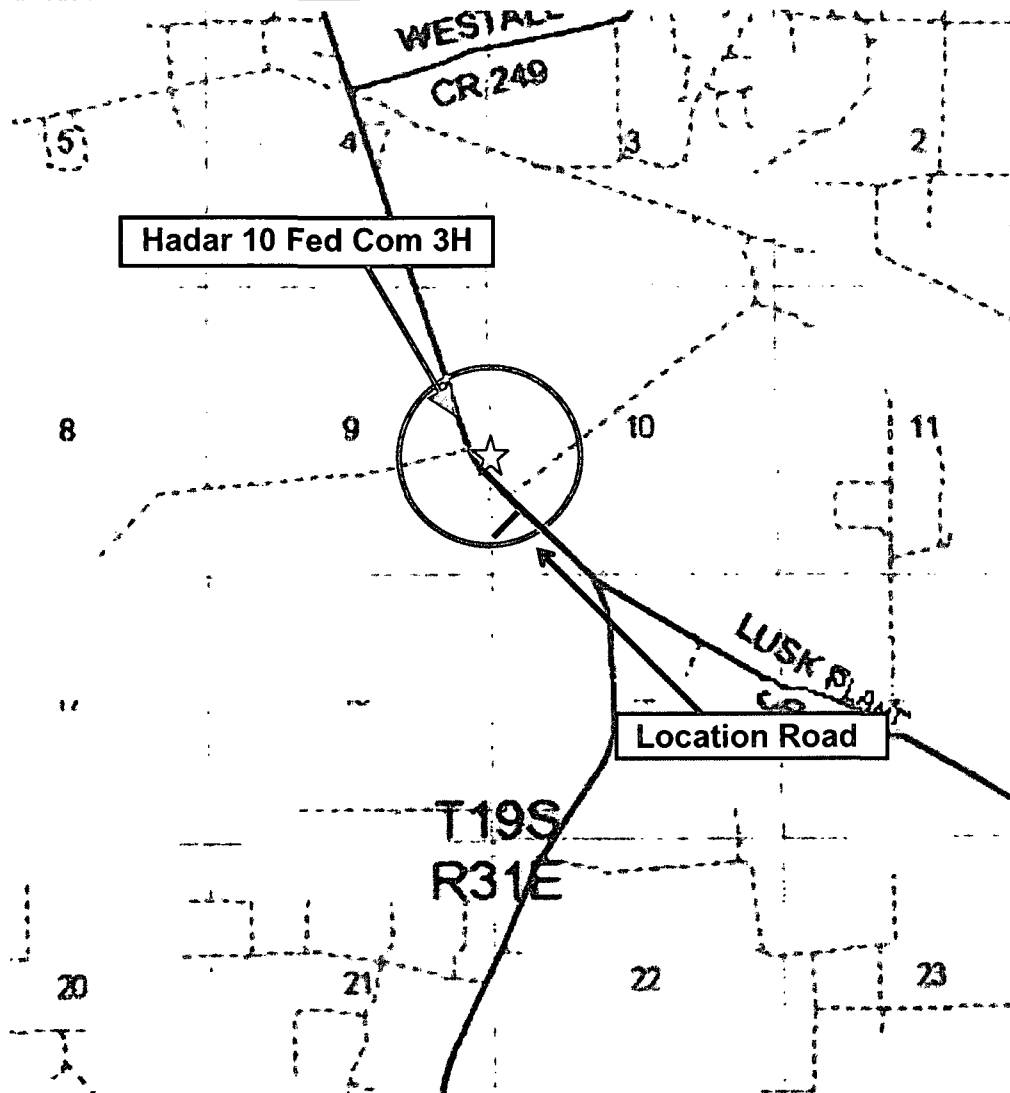
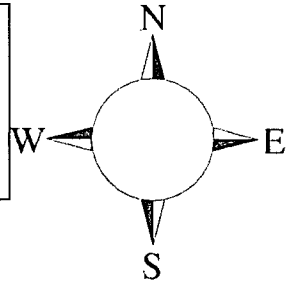
Hadar 10 Fed Com 3H

**Sec-10, T-19S R-31E
2155' FSL & 5 FWL
LAT. = 32.6736293'N (NAD83)
LONG = 103.8657607'W**

Eddy County NM

Hadar 10 Fed Com 3H

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.



Assumed 100 ppm 3000' ()
100 ppm H₂S concentration shall trigger activation of this plan.

Escape

Crews shall escape upwind of escaping gas in the event of an emergency release of gas. Escape can be facilitated from the location entrance road, West then Northwest on lease road. Crews should then block entrance to the location from the lease road so as not to allow anyone traversing into a hazardous area. The blockade should be at a safe distance outside of the ROE. There are no homes or buildings in or near the ROE.

Assumed 100 ppm ROE = 3000'

100 ppm H₂S concentration shall trigger activation of this plan.

Emergency Procedures

In the event of a release of gas containing H₂S, the first responder(s) must

- **Isolate the area and prevent entry by other persons into the 100 ppm ROE.**
- **Evacuate any public places encompassed by the 100 ppm ROE.**
- **Be equipped with H₂S monitors and air packs in order to control the release.**
- **Use the “buddy system” to ensure no injuries occur during the response**
- **Take precautions to avoid personal injury during this operation.**
- **Contact operator and/or local officials to aid in operation. See list of phone numbers attached.**
- **Have received training in the**
 - **Detection of H₂S, and**
 - **Measures for protection against the gas,**
 - **Equipment used for protection and emergency response.**

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

| Common Name | Chemical Formula | Specific Gravity | Threshold Limit | Hazardous Limit | Lethal Concentration |
|-------------------------|-------------------------|--------------------------|------------------------|------------------------|-----------------------------|
| Hydrogen Sulfide | H₂S | 1.189 Air = 1 | 10 ppm | 100 ppm/hr | 600 ppm |
| Sulfur Dioxide | SO₂ | 2.21 Air = 1 | 2 ppm | N/A | 1000 ppm |

Contacting Authorities

Devon Energy Corp. personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. Devon Energy Corp. Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE (H₂S) TRAINING

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

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

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

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

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan.

II. HYDROGEN SULFIDE TRAINING

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonable expected to contain H₂S.

1. Well Control Equipment

- A. Flare line
- B. Choke manifold – (with remotely operated choke)
- C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
- D. Auxiliary equipment may include if applicable: annular preventer and rotating head.
- E. Mud/Gas Separator

2. Protective equipment for essential personnel:

- A. 30-minute SCBA units located in the doghouse and at briefing areas, as indicated on well site diagram. As it may be difficult to communicate audibly while wearing these units, hand signals shall be utilized.

3. H₂S detection and monitoring equipment:

- A. Portable H₂S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 20 PPM are reached. These units are usually capable of detecting SO₂, which is a byproduct of burning H₂S.

4. Visual warning systems:

- A. Wind direction indicators as shown on well site diagram
- B. Caution/ Danger signs shall be posted on roads providing direct access to locations. Signs will be painted a high visibility yellow with black lettering of sufficient size to be reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

5. Mud program:

- A. The mud program has been designed to minimize the volume of H₂S circulated to surface. Proper mud weight, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.

6. Metallurgy:

- A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold lines, and valves shall be H₂S trim.
- B. All elastomers used for packing and seals shall be H₂S trim.

7. Communication:

- A. Radio communications in company vehicles including cellular telephones and 2-way radio
- B. Land line (telephone) communications at Office

8. Well testing:

- A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safety and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill-stem-testing operations conducted in an H₂S environment will use the closed chamber method of testing.
- B. There will be no drill stem testing.

Devon Energy Corp. Company Call List

| <u>Artesia (575)</u> | <u>Cellular</u> | <u>Office</u> | <u>Home</u> |
|---------------------------------|----------------------|----------------------|----------------|
| Foreman – Robert Bell..... | 748-7448 | 748-0178 | 746-2991 |
| Asst. Foreman –Tommy Polly..... | 748-5290 | 748-0165 | 748-2846 |
| Don Mayberry..... | 748-5235 | 748-0164 | 746-4945 |
| Montral Walker | 390-5182 | 748-0193 | (936) 414-6246 |
| Engineer – Marcos Ortiz..... | (405) 317-0666 | (405) 552-8152 | (405) 381-4350 |

Agency Call List

| <u>Lea County (575)</u> | <u>Hobbs</u> |
|-------------------------|--|
| | Lea County Communication Authority |
| | State Police |
| | City Police |
| | Sheriff's Office |
| | Ambulance..... |
| | Fire Department..... |
| | LEPC (Local Emergency Planning Committee)..... |
| | NMOCD |
| | US Bureau of Land Management..... |

| <u>Eddy County (575)</u> | <u>Carlsbad</u> |
|--------------------------|--|
| | State Police |
| | City Police |
| | Sheriff's Office |
| | Ambulance |
| | Fire Department..... |
| | LEPC (Local Emergency Planning Committee)..... |
| | US Bureau of Land Management..... |
| | NM Emergency Response Commission (Santa Fe) |
| | 24 HR |
| | National Emergency Response Center (Washington, DC) |

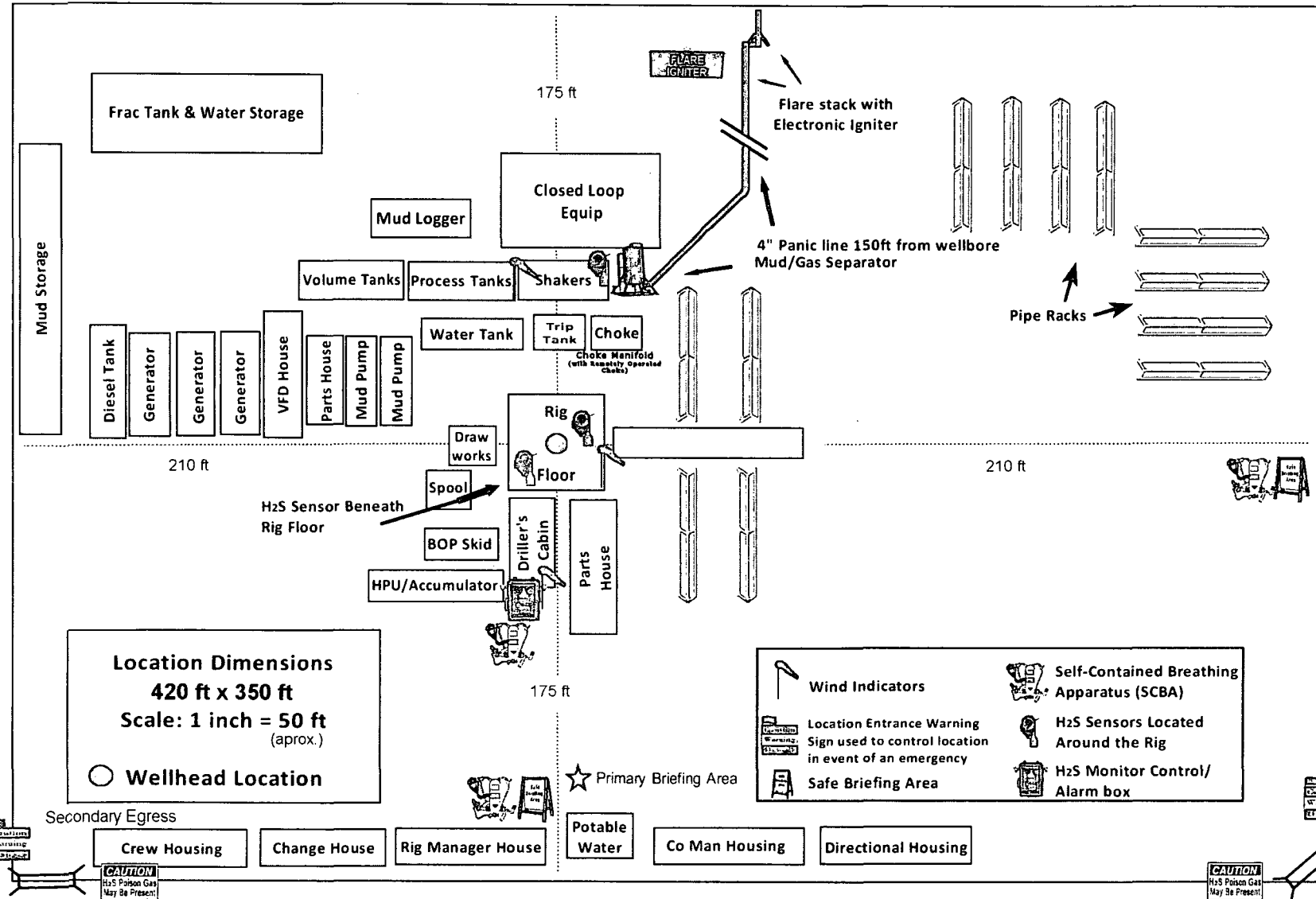
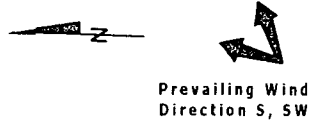
Emergency Services

| | |
|------------------|--|
| | Boots & Coots IWC |
| | Cudd Pressure Control..... |
| | Halliburton |
| | B. J. Services..... |
| <i>Give</i> | Native Air – Emergency Helicopter – Hobbs..... |
| <i>GPS</i> | Flight For Life - Lubbock, TX |
| <i>position:</i> | Aerocare - Lubbock, TX |
| | Med Flight Air Amb - Albuquerque, NM |
| | Lifeguard Air Med Svc. Albuquerque, NM |

Prepared in conjunction with
Dave Small



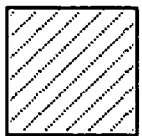
Devon Energy - Well Pad Rig Location Layout Safety Equipment Location



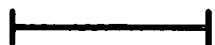


Proposed Interim Site Reclamation

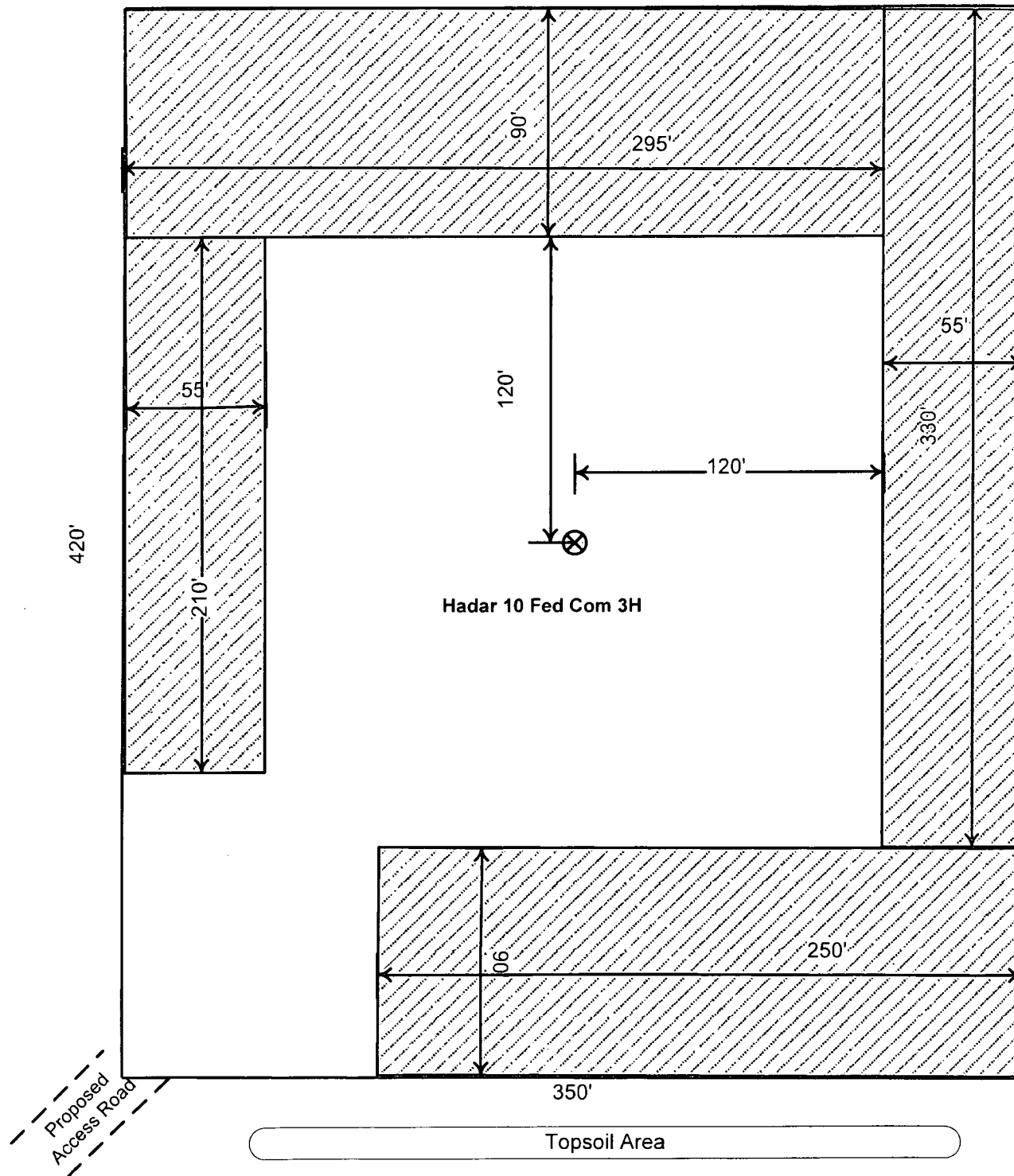
Devon Energy Production Co.
Hadar 10 Fed Com 3H
Sec. 10-T19S-R31E
Eddy County, NM



Proposed
Reclamation
Area



Scale: 1in = 60ft.



Proposed Flowline Route from Hadar 10 Fed Com 3H to Hadar 10 Fed Com 1H Battery

Hadar 10 Fed Com 3H

Hadar 10 Fed Com 1H Battery
Approximate Flowline Length- 6,798 ft

EDDY
COUNTY

NEW
MEXICO

10
19S
31E



0 650 1,300 2,600 Feet

Legend

- Sections
- Proposed_lines
- Flow Line

Flowline will follow within road ROW, but 10' off of existing roads.
The 4" Poly flex surface flowline will be operated at a
pressure of 125 psi or less. It will carry a mixture of oil, gas, & water.

This map is for illustrative purposes only and is
neither a legally recorded map nor a survey
and is not intended to be used as one. Devon
makes no warranty, representation, or
guarantee of any kind regarding this map.

SURFACE USE PLAN

Devon Energy Production Company, L.P.
Hadar 10 Fed Com 3H

1. Existing Roads:

- a. The well site and elevation plat for the proposed well are reflected on the "Site Map". The well was staked by Madron Surveying, Inc.
- b. All roads into the location are depicted on the "Location Verification Map". The operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures on the entire access route such as cattle guards, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.
- c. Directions to Location: From "Y" intersection of CR. 222 (Shugart Rd) and 248 (Lusk Plant Road) go northwest on CR. 222 0.53 miles, southwest corner of pad is on right.

2. New or Reconstructed Access Roads:

- a. The "Site Map" shows no new constructed access road to be built.
- b. No cattle guards, grates or fence cuts will be required. No turnouts are planned.

3. Location of Existing Wells:

The attached "One Mile Radius Plat" shows all existing and proposed wells within a one-mile radius of the proposed location.

4. Location of Existing and/or Proposed Production Facilities:

- a. In the event the well is found productive, the Hadar 10 Fed Com 1H tank battery would be utilized and shared, and the necessary production equipment will be installed at the well site. The tank battery would be located at the Hadar 10 Fed Com 1H located in Sec 11-T19S-R31E.
- b. If necessary, the well will be operated by means of an electric prime mover. If electric power poles are needed, a plat and a sundry notice will be filed with your office.
- c. All flow lines will adhere to API standards.
- d. If the well is productive, rehabilitation plans are as follows:
 - i. A closed loop system will be utilized.
 - ii. The original topsoil from the well site will be returned to the location. The drill site will then be contoured as close as possible to the original state.

5. Location and Types of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the Drilling Program). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads described and depicted on the "Vicinity Map". On occasion, water will be obtained from a pre-existing water well, running a pump directly to the drill rig. In cases where a poly pipeline is used to transport water for drilling

purposes, proper authorizations will be secured. If a poly pipeline is used, the size, distance, and map showing route will be provided to the BLM via sundry notice.

6. Construction Materials:

Obtaining caliche: One primary way of obtaining caliche to build locations and roads will be by “turning over” the location. This means caliche will be obtained from the actual well site. Actual amounts will vary for each pad. The procedure below has been approved by BLM personnel:

- a. The top 6 inches of topsoil is pushed off and stockpiled along the side of the location.
- b. Subsoil is removed and stockpiled within the surveyed well pad.
- c. When caliche is found, material will be stock piled within the pad site to build the location and road.
- d. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.
- e. Once well is drilled, the stock piled top soil will be used for interim reclamation and spread along areas where caliche is picked up and the location size is reduced.
- f. Neither caliche, nor subsoil will be stock piled outside of the well pad. Topsoil will be stockpiled along the edge of the pad as depicted in the Well Site Layout or survey plat.

In the event that no caliche is found onsite, caliche will be hauled in from a BLM approved caliche pit or other established mineral pit. A BLM mineral material permit will be acquired prior to obtaining any mineral material from BLM pits or land.

7. Methods of Handling Waste Material:

- a. Drill cuttings will be safely contained in a closed loop system and disposed of properly at a NMOCD approved disposal site.
- b. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary landfill.
- c. The supplier will pick up salts remaining after completion of well, including broken sacks.
- d. A Porto-john will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- e. Remaining drilling fluids will be sent to a closed loop system. Water produced during completion will be put into a closed loop system. Oil and condensate produced will be put into a storage tank and sold.
- f. Disposal of fluids to be transported by the following companies:
 - i. American Production Service Inc, Odessa TX
 - ii. Gandy Corporation, Lovington NM
 - iii. I & W Inc, Loco Hill NM
 - iv. Jims Water Service of Co Inc, Denver CO

8. Ancillary Facilities: No campsite or other facilities will be constructed as a result of this well.

9. Well Site Layout

- a. The Rig Location Layout attachment shows the proposed well site layout and pad dimensions.

7. Logging, Coring, and Testing Program:

- a. Drill stem tests will be based on geological sample shows.
- b. If a drill stem test is anticipated, a procedure, equipment to be used, and safety measures will be provided via sundry notice to the BLM.
- c. The open hole electrical logging program will be:
 - i. Total Depth to Intermediate:
 - Dual Laterolog
 - Micro Laterolog with SP & Gamma Ray
 - Compensated Neutron
 - Z-Density Log with Gamma Ray and Caliper
 - ii. Total Depth to Surface:
 - Compensated Neutron with Gamma Ray
 - iii. No coring program is planned

8. Potential Hazards:

- a. No abnormal pressures or temperatures are expected. There is no known presence of H₂S in this area, and none is anticipated to be encountered. If H₂S 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 being used to drill this well. Estimated BHP: 3800 psi, and estimated BHT: 133 degrees.
- b. Hydrogen Sulfide detection equipment will be in operation after drilling out the 13-3/8" casing shoe until the 5-1/2" casing is cemented. Breathing equipment will be on location upon drilling the 13-3/8" shoe until total depth is reached.

9. Anticipated Starting Date and Duration of Operations:

- a. 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 operations and drilling is expected to take 32 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flow lines in order to place well on production.

- b. The Rig Location Layout attachment proposes location of sump pits and living facilities.
- c. Mud pits in the active circulating system will be steel pits.
- d. A closed loop system will be utilized.
- e. If a pit or closed loop system is utilized, Devon will provide a copy of the Design Plan to the BLM.

10. Plans for Surface Reclamation:

- a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The road will be reclaimed as directed by the BLM. The original top soil will again be returned to the pad and contoured, as close as possible, to the original topography.
- b. The location and road will be rehabilitated as recommended by the BLM.
- c. If the well is deemed commercially productive, caliche from areas of the pad site not required for operations will be reclaimed. The original top soil will be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad will be contoured, as close as possible, to match the original topography.
- d. All disturbed areas not needed for active support of production operations will undergo interim reclamation. The portions of the cleared well site not needed for operational and safety purposes will be recontoured to a final or intermediate contour that blends with the surrounding topography as much as possible. Topsoil will be respread over areas not needed for all-weather operations.

11. Surface Ownership

- a. The surface is owned by the US Government and is administered by the Bureau of Land Management. The surface is multiple use with the primary uses of the region for the grazing of livestock and the production of oil and gas.
- b. The proposed road routes and the surface location will be restored as directed by the BLM.

12. Other Information:

- a. The area surrounding the well site is grassland. The topsoil is very sandy in nature. The vegetation is moderately sparse with native prairie grass, sage bush, yucca and miscellaneous weeds. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.
- b. There is no permanent or live water in the general proximity of the location.
- c. There are no dwellings within 2 miles of location.
- d. A Cultural Resources Examination will be completed by the Permian Basin Cultural Resource Fund in lieu of being required to conduct a Class III Survey for cultural resources associated with their project within the BLM office in Carlsbad, New Mexico.

13. Bond Coverage:

Bond Coverage is Nationwide; Bond # is CO-1104 & NMB-000801.

Operators Representative:

The Devon Energy Production Company, L.P. representatives responsible for ensuring compliance of the surface use plan are listed below.

Justin Lazzari - Operations Engineer
Devon Energy Production Company, L.P.
333 W. Sheridan
Oklahoma City, OK 73102-5010
(405) 228-8466 (office)
(405) 464-9261 (Cellular)

Jerry Mathews - Superintendent
Devon Energy Production Company, L.P.
6488 Seven Rivers Hwy
Artesia, NM 88211-0250
(575) 748- 0161 (Office)
(575) 748- 5234 (Cell)

PECOS DISTRICT

CONDITIONS OF APPROVAL

| | |
|-----------------------|---|
| OPERATOR'S NAME: | Devon Energy Production Company - DeLong, Ryan |
| LEASE NO.: | NM128832 |
| WELL NAME & NO.: | Hadar 10 Fed Com - 3H |
| SURFACE HOLE FOOTAGE: | [2155] ' F [S] L [0005] ' F [W] L |
| BOTTOM HOLE FOOTAGE: | [1980] ' F [S] L [0340] ' F [E] L |
| LOCATION: | Section 010, T019. S., R 031 E., NMPM |
| COUNTY: | Eddy County, New Mexico |

TABLE OF CONTENTS

- Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ General Provisions
- ☐ Permit Expiration
- ☐ Archaeology, Paleontology, and Historical Sites
- ☐ Noxious Weeds
- ☒ Special Requirements
 - Lesser Prairie-Chicken Timing Stipulations
 - Ground-level Abandoned Well Marker
 - Communitization Agreement
- ☐ Construction
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ Road Section Diagram
- ☒ Drilling
 - Cement Requirements
 - H2S Requirements
 - Capitan Reef
 - Logging Requirements
 - Waste Material and Fluids
- ☐ Production (Post Drilling)
 - Well Structures & Facilities
 - Pipelines
- ☐ 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, 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 feet from the source of the noise.

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.

Communitization Agreement

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. In addition, the well sign shall include the surface and bottom hole lease numbers. If the Communitization Agreement number is known, it shall also be on the sign. If not, it shall be placed on the sign when the sign is replaced.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5909 at least 3 working days prior to commencing construction of the access road and/or well pad.

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

B. TOPSOIL

The operator shall strip the top portion of the soil (root zone) from the entire well pad area and stockpile the topsoil along the edge of the well pad as depicted in the APD. The root zone is typically six (6) inches in depth. All the stockpiled topsoil will be redistributed over the interim reclamation areas. Topsoil shall not be used for berming the pad or facilities. For final reclamation, the topsoil shall be spread over the entire pad area for seeding preparation.

Other subsoil (below six inches) stockpiles must be completely segregated from the topsoil stockpile. Large rocks or subsoil clods (not evident in the surrounding terrain) must be buried within the approved area for interim and final reclamation.

C. CLOSED LOOP SYSTEM

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

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation. The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing

The operator will install and maintain exclosure fencing for all open well cellars to prevent access to public, livestock, and large forms of wildlife before and after drilling operations until the pit is free of fluids and the operator initiates backfilling. (For examples of exclosure fencing design, refer to BLM's Oil and Gas Gold Book, Exclosure Fence Illustrations, Figure 1, Page 18.)

G. 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 twenty-five (25) 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 conform to Figure 1; cross section and plans for typical road construction.

Drainage

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

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

Cross Section of a Typical Lead-off Ditch

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

Formula for Spacing Interval of Lead-off Ditches

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

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

Cattleguards

An appropriately sized cattleguard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattleguards on the access road route 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 cattleguards that are in place and are utilized during lease operations.

Fence Requirement

Where entry is granted 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 fences.

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

- a. Spudding well (minimum of 24 hours)
- b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
- c. BOPE tests (minimum of 4 hours)

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822

1. A Hydrogen Sulfide (H₂S) Drilling Plan shall be activated 500 feet prior to drilling into the Yates 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. Operator has stated that they will have monitoring equipment in place prior to drilling out of the surface shoe.**
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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
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 is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time prior to drilling out 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. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. IF OPERATOR DOES NOT HAVE THE WELL SPECIFIC CEMENT DETAILS ONSITE PRIOR TO PUMPING THE CEMENT FOR EACH CASING STRING, THE WOC WILL BE 30 HOURS. See individual casing strings for details regarding lead cement slurry requirements.

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

Capitan Reef

Possibility of water flows in the Artesia Group, Salado, and Capitan Reef.

Possibility of lost circulation in the Artesia Group, Red Beds, Rustler, Captain Reef, and Delaware.

Abnormal pressures may be encountered within the 3rd Bone Spring Sand.

1. The 13-3/8 inch surface casing shall be set at approximately 720 feet (in a competent bed below the Magenta Dolomite, which is a Member of the Rustler, and if salt is encountered, set casing at least 25 feet 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 surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
 - 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, remedial cementing will be done prior to drilling out that string.

Special Capitan Reef requirements:

If any lost circulation occurs below the Base of the Salt, the operator shall do the following:

- Switch to fresh water mud to protect the Capitan Reef and use fresh water mud until setting the intermediate casing. The appropriate BLM office is to be notified for a PET to witness the switch to fresh water.
- Daily drilling reports from the Base of the Salt to the setting of the intermediate casing are to be submitted to the BLM CFO engineering staff via e-mail by 0800 hours each morning. Any lost circulation encountered is to be recorded on these drilling reports. The daily drilling report should show mud volume per shift/tour. Failure to submit these reports will result in an Incidence of Non-Compliance being issued for failure to comply with the Conditions of Approval. If not already planned, the operator shall run a caliper survey for the intermediate well bore and submit to the appropriate BLM office.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing, which shall be set at approximately 4400 feet, is:

Option #1:

- ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Capitan Reef.**

Option #2:

Operator has proposed DV tool at depth of 2600', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range. If an ECP is used, it is to be set a minimum of 50' below the shoe to provide cement across the shoe. If it cannot be set below the shoe, a CBL shall be run to verify cement coverage.

a. First stage to DV tool:

- ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

b. Second stage above DV tool:

- ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Capitan Reef.**

Centralizers required on horizontal leg, must be type for horizontal service and a minimum of one every other joint.

The pilot hole plugging procedure is approved as written. Note plug top on Subsequent Report sundry of drilling activities.

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

Option #1:

- ☒ Cement should tie-back at least **50 feet above the Capitan Reef** (Top of Capitan Reef estimated at 3669'). Operator shall provide method of verification. **Excess calculates to 14% - Additional cement may be required.**

Option #2:

Operator has proposed DV tool at depth of 5500', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

a. First stage to DV tool:

- ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve approved top of cement on the next stage.

b. Second stage above DV tool:

- ☒ Cement should tie-back at least **50 feet above the Capitan Reef** (Top of Capitan Reef estimated at 3669'). Operator shall provide method of verification. **Excess calculates to negative 27% - Additional cement will be required.**

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.
2. Variance approved to use flex line from BOP to choke manifold. Check condition of flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for**

review. These documents shall be posted in the company man's trailer and on the rig floor. If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M) psi**.
 - a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).
 - a. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
 - b. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.
 - c. The results of the test shall be reported to the appropriate BLM office.
 - d. 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.**

- e. 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. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

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

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

JAM 042314

II. 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.

Exclosure Netting (Open-top Tanks)

Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock. Use a maximum netting mesh size of 1 ½ inches. The netting must not be in contact with fluids and must not have holes or gaps.

Chemical and Fuel Secondary Containment and Exclosure Screening

The operator will prevent all hazardous, poisonous, flammable, and toxic substances from coming into contact with soil and water. At a minimum, the operator will install and maintain an impervious secondary containment system for any tank or barrel containing hazardous, poisonous, flammable, or toxic substances sufficient to contain the contents of the tank or barrel and any drips, leaks, and anticipated precipitation. The operator will dispose of fluids within the containment system that do not meet applicable state or U. S. Environmental Protection Agency livestock water standards in accordance with state law; the operator must not drain the fluids to the soil or ground. The operator will design, construct, and maintain all secondary containment systems to prevent wildlife and livestock exposure to harmful substances. At a minimum, the operator will install effective wildlife and livestock exclosure systems such as fencing, netting, expanded metal mesh, lids, and grate covers. Use a maximum netting mesh size of 1 ½ inches.

Open-Vent Exhaust Stack Exclosures

The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures

Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

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** from the BLM Standard Environmental Color Chart (CC-001: June 2008).

B. PIPELINES

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the application (Grant, Sundry Notice, APD) and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

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

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way) or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.
4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

- a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
- b. Activities of other parties including, but not limited to:
 - (1) Land clearing.
 - (2) Earth-disturbing and earth-moving work.
 - (3) Blasting.
 - (4) Vandalism and sabotage.
- c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.

6. All construction and maintenance activity will be confined to the authorized right-of-way width of 20 feet. If the pipeline route follows an existing road or buried pipeline right-of-way, the surface pipeline must be installed no farther than 10 feet from the edge of the road or buried pipeline right-of-way. If existing surface pipelines prevent this distance, the proposed surface pipeline must be installed immediately adjacent to the outer surface pipeline. All construction and maintenance activity will be confined to existing roads or right-of-ways.

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

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

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

10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.

12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.

13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.

14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

16. 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, powerline 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.

17. Surface pipelines must be less than or equal to 4 inches and a working pressure below 125 psi.

18. Special Stipulations:

- a. **Lesser Prairie-Chicken:** Oil and gas activities 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 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. Normal vehicle use on existing roads will not be restricted.

III. 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.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation 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 that is free of contaminants 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.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

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.

Seed Mixture 3, for Shallow Sites

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

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

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

| <u>Species</u> | <u>lb/acre</u> |
|---|----------------|
| Plains Bristlegrass (<i>Setaria magrostachya</i>) | 1.0 |
| Green Spangletop (<i>Leptochloa dubia</i>) | 2.0 |
| Sideoats Grama (<i>Bouteloua curtipendula</i>) | 5.0 |

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed