

**Gruy Petroleum Management Co.**

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March 6, 2006

Oil Conservation Division  
District II Office  
1301 W. Grand Ave.  
Artesia, New Mexico 88210  
Attn: Mr. Bryan Arrant

30-015-34680

Re: Statewide Rule 118  
Hydrogen Sulfide Gas Contingency Plan  
Proposed Freedom 25 Fee No. 1 Well

Dear Mr. Arrant:

In accordance with NMAC 19.15.3.118 C. (1) governing the determination of the hydrogen sulfide concentration in gaseous mixtures in each of its operations, Gruy Petroleum Management Co. does not anticipate that there will be enough H<sub>2</sub>S from the surface to the Morrow/Atoka formations to meet the OCD's minimum requirements for the submission of a contingency plan for the drilling and completion of the following test(s):

Freedom 25 Fee No. 1  
Section 25-T25S-R26E  
660' FNL & 990' FWL  
Eddy Co., NM

If anything further is needed regarding this issue, or if you have any questions, please feel free to contact the undersigned at 972-443-6489.

Yours truly,

A handwritten signature in cursive script that reads "Zeno Farris".

Zeno Farris  
Manager, Operations Administration

**Cementing and Mud Details**  
**Gruy Petroleum Management Co.**  
**Freedom 25 Fee No. 1**  
**Unit Letter D Section 25**  
**T25S - R26E Eddy County, NM**

**1. Cementing & Setting Depth:**

**13 3/8" Surface**

Set 220' of 13 3/8" H-40 48# ST&C casing. Cement with 250 Sx. Of Class "C" cement + additives, circulate cement to surface.

**9 5/8" Intermediate**

Set 2700' of 9 5/8" J-55 40# LT&C casing. Cement lead with 680 sx Class POZ/C Cement + additives and tail with 200 sx Class "C" + additives, circulate cement to surface.

**5 1/2" Production**

Set 12700' of 5 1/2" P-110 17# LT&C casing. Cement in two stages, first stage cement with 670 Sx. of Class POZ/C Cement + additives. Second stage cement with 950 Sx of Class "C". Estimated top of cement 2400'.

**2. Pressure control Equipment:**

A 13 3/8" 5000 PSI working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 5000# annular type preventor. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 6000'. A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor. BOP unit will be hydraulically operated. BOP will be nipped up on the 9 5/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. No abnormal pressure or temperature is expected while drilling.

**3. Proposed Mud Circulating System:**

**Depth 0-220'**

**Mud Wt: 8.4-8.6**

**Viscosity: 30-32**

**Fluid Loss: May lose Circ**

**Type: Mud Fresh water spud mud add paper to control seepage and high viscosity sweeps to clean hole.**

**Depth: 400' - 2700'**

**Mud Wt: 9.7 - 10.0**

**Viscosity: 28 - 29**

**Fluid Loss: May lose circ.**

**Type: Brine water. Add paper as needed to control seepage and add lime to control pH (9-10). Use high viscosity sweeps to clean hole.**

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Depth: 2700' - 8300'  
Mud Weight: 8.4 - 9.9  
Viscosity: 28 - 29  
Fluid Loss: NC  
Type: Fresh water. Paper for seepage. Lime for pH (9 - 9.5)

Depth: 8300' - 10000'  
Mud Wt: 8.45 - 8.9  
Viscosity: 28 - 29  
Fluid Loss: NC  
Type: Cut brine. Caustic for pH control.

Depth: 10000' - 12700'  
Mud Wt: 8.9 - 9.7  
Viscosity: 29 - 45  
Fluid Loss: NC  
Type: XCD Polymer mud system.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation or unexpected kicks. In order to run DSTs, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

**5. Cement Program:**

- |            |              |  |
|------------|--------------|--|
| a. 20"     | Conductor    | Cement with ready-mix to surface.  |
| b. 13 3/8" | Surface      | Cement to surface with 360 sx Class C + 4% Bentonite + 2% Calcium Chloride + 0.25 lbs/sack Celloflake followed by 250 sx Class C + Calcium Chloride + 0.25 lbs/sack Celloflake.  |
| c. 9 5/8"  | Intermediate | Cement to surface with 980 sx Poz C (35:65) + 6% Bentonite + 5% Salt + 0.25 lbs/sack Cello flakes followed by 200 sx Poz C (60:40) + 4% Sodium Metasilicate + 0.25 lbs/sx Cello flakes.  |
| d. 7"      | Production   | Cement to surface 1 <sup>st</sup> stage with 592 sx Poz H + 5% Salt + 1% EC + 0.2% CD-32 + 3 lbs/sx LCM-1 + . 6% FL-52A + 0.1% Sodium Metasilicate. 2 <sup>nd</sup> stage with 150 sx Poz C + 3% Salt + 0.25% R-3 + 0.25 lbs/sx Cello flake + 3 lbs/sx LCM-1 + 0.3% FL-52A + 6% Bentonite followed by 627 sx Poz + 1% Salt + 0.5% BA-10 + cello flake + 0.25 lbs/sx Cello flake + 2lbs/sx Kol Seal + 4% MPA-1. 3 <sup>rd</sup> Stage 221 sx Poz C + 5% Salt + 0.25 lbs/sx cello flake + 6% Bentonite followed by 150 sx Poz C + 5% Salt + 0.25 lbs/sx Cello flake + 0.4% Sodium Metasilicate + 4% MPA-1. |
| e. 4 1/2"  | Liner        | Cement with 261 sx Poz Class H (15:61) + 2% Potassium Chloride + 0.6% FL-25 + 0.6% FL-52A + 0.4% CD-32 + 1% EC-1 + 3 lbs/sx LCM-1 + 0.25 lbs/sx Cello Flake + 0.005 FP-13L + 0.01% Static free.  |

The above cement volumes could be revised pending the caliper measurement from the open hole logs.

**6. Pressure Control Equipment:**

The blowout preventor equipment (BOP) shown in exhibit #B (A) will consist of a (5M system) double ram type (5000 psi WP) preventor and a bag-type (Hydril) preventor (3000 psi WP). Both units will be hydraulically operated and the ram type preventor will be equipped with blind rams on top and 4 1/2" drill pipe rams on bottom. Both BOP's will be installed on the 13 3/8" surface casing and utilized continuously until total depth is reached. All BOP's and associated equipment will be tested to 1200 psi with the rig pump before drilling out the 13 3/8" casing shoe (70% of 48#, H-40 casing). Prior to drilling out the 9 5/8" casing shoe, the BOP's and Hydril will be tested as per BLM Drilling Operations Order #2.

Pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drillers log. A 2" kill line and 3" choke line will be incorporated in the drilling spool below the ram-type BOP. Other accessory equipment will include a Kelly cock, floor safety valve, choke lines and choke manifold having 5000 psi rating.

## CONDITIONS OF APPROVAL - DRILLING

**Operator's Name:** DEVON ENERGY PRODUCTION COMPANY, LP  
**Well Name & No.** 10 - NORTH PURE GOLD 8 FEDERAL  
**Location:** 1330' FNL & 1310' FEL - SEC 8 - T23S - R31E - EDDY COUNTY (SHL)  
660' FNL & 1980' FEL - SEC 8 - T23S - R31E - EDDY COUNTY (BHL)  
**Lease:** NM-77046

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

#### A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 7 inch 4-1/2 liner

#### C. BOP tests

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

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at 620 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch salt protection casing is circulate cement to the surface.

3. The minimum required fill of cement behind the 7 inch intermediate casing is circulate cement to the surface.

4. The minimum required fill of cement behind the 4-1/2 inch production liner is cement shall extend upward to the top of the liner at approximately 12050 feet.

5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.