

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

ARTESIA

H-06-25

FORM APPROVED  
OMB NO. 1004-0136  
Expires: November 30, 2000

4/4/04

0821

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-12828
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 OXY USA WTP Limited Partnership		7. Unit or CA Agreement Name and No.
3a. Address P.O. Box 50250 Midland, TX 79710-0250		8. Lease Name and Well No. Shelby 12 Federal #7
3b. Phone No. (include area code) 432-685-5717		9. API Well No. 30-015-34985
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 190 FSL 1840 FEL SWSE(0) At proposed prod. zone 1040 FSL 1764 FEL SWSE(0)		10. Field and Pool, or Exploratory McKittrick Hills Up. Penn
14. Distance in miles and direction from nearest town or post office* 10 miles west from Carlsbad, NM		11. Sec., T., R., M., or Blk. and Survey or Area Sec 12 T22S R24E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) SL-190' BHL-1040'	16. No. of Acres in lease 320	17. Spacing Unit dedicated to this well 320
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1614'	19. Proposed Depth 8600' (VD) 8950' (MD)	20. BLM/BIA Bond No. on file ES0136
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3858.2'	22. Approximate date work will start* 8/1/06	23. Estimated duration 30 days

RECEIVED  
JUN 22 2006  
OCC-ARTESIA

24. Attachments

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

- |   |  |
|---|--|
| 1. Well plat certified by a registered surveyor.  | 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 shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) David Stewart	Date 5/3/06
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Title

Sr. Regulatory Analyst

Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date JUN 20 2006
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Title

Acting 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.

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.

\*(Instructions on Reverse)

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

CARLSBAD CONTROLLED WATER BASIN

APPROVAL FOR 1 YEAR

29.5

Attachment 3160-3  
Shelby 12 Federal #7  
SL-190 FSL 1840 FEL SWSE(O) - BHL-1040 FSL 1764 FEL SWSE(O)  
SEC 12 T228 R24E Eddy County, NM  
Federal Lease No. NM-12828

PROPOSED TD: 8600' TVD 8950' TMD

BOP PROGRAM: 0-1600' None  
1600-8600' 11" 5M blind pipe rams with 5M annular preventer.

CASING: Surface: 9-5/8" OD 36# K55 ST&C new casing from 0-1600'  
14-3/4" hole  
Production: 7" OD 26# N80 LT&C new casing from 0-8600'  
8-3/4" hole

CEMENT: Surface - DV Tool @ +/- 600', cement 1<sup>st</sup> stage with 515sx HES light premium plus w/ 2% CaCl<sub>2</sub> + .25#/sx Flocele followed by 250sx PP w/ 2% CaCl<sub>2</sub>. Cement 2<sup>nd</sup> stage with 340sx HES light premium plus w/ 2% CaCl<sub>2</sub> + .25#/sx Flocele followed by 100sx PP w/ 2% CaCl<sub>2</sub>.

Production - DV Tool @ +/- 6000', cement 1<sup>st</sup> stage with 100sx (Foamed with Nitrogen) Premium Acid Soluble Cement w/ 2% Zonesalant 2000 followed by 350sx (Foamed with Nitrogen) Premium Cement w/ 2% Zonesalant 2000 followed by 150sx Super H Cement w/ .5% Halad(R) + .4% CFR-3 + 5#/sx Gilsonite + 1#/sx Salt + .25% HR-7. Cement 2<sup>nd</sup> stage with 410sx IFC cement w/ 5#/sx Gilsonite + .25#/sx Flocele followed by 100sx PP w/ 2% CaCl<sub>2</sub>.

Note: Cement volumes may need to be adjusted to hole caliper.

MUD: 0-1600' Fresh water/native mud. Lime for pH control  
(9-10). Paper for seepage  
Wt 8.7-9.2 ppg, Vis 32-34 sec

1600-8600' Mud up with an Duo Vis/Flo Tool mud system.  
Wt 9.6-10.0ppg, Vis 32-36sec, WL<10cc

WARRANTY OF MERCHANTABILITY

OT TOBILIZ JAVONITA  
27MEANRUONEN JA SIKETD  
2701TAJUTIZ JAVONITA  
CHIKOATTA

WARRANTY OF MERCHANTABILITY

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

DISTRICT II  
1391 W. GRAND AVENUE, ARTESIA, NM 88210

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

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

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015	Pool Code 81160	Pool Name McKittrick Hills Upper Penn (Gas)
Property Code	Property Name SHELBY 12 FEDERAL	Well Number 7
OGRID No. 192463	Operator Name OXY USA WTP LP	Elevation 3858'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	12	22-S	24-E		190	SOUTH	1840	EAST	EDDY

Bottom Hole Location If Different From Surface

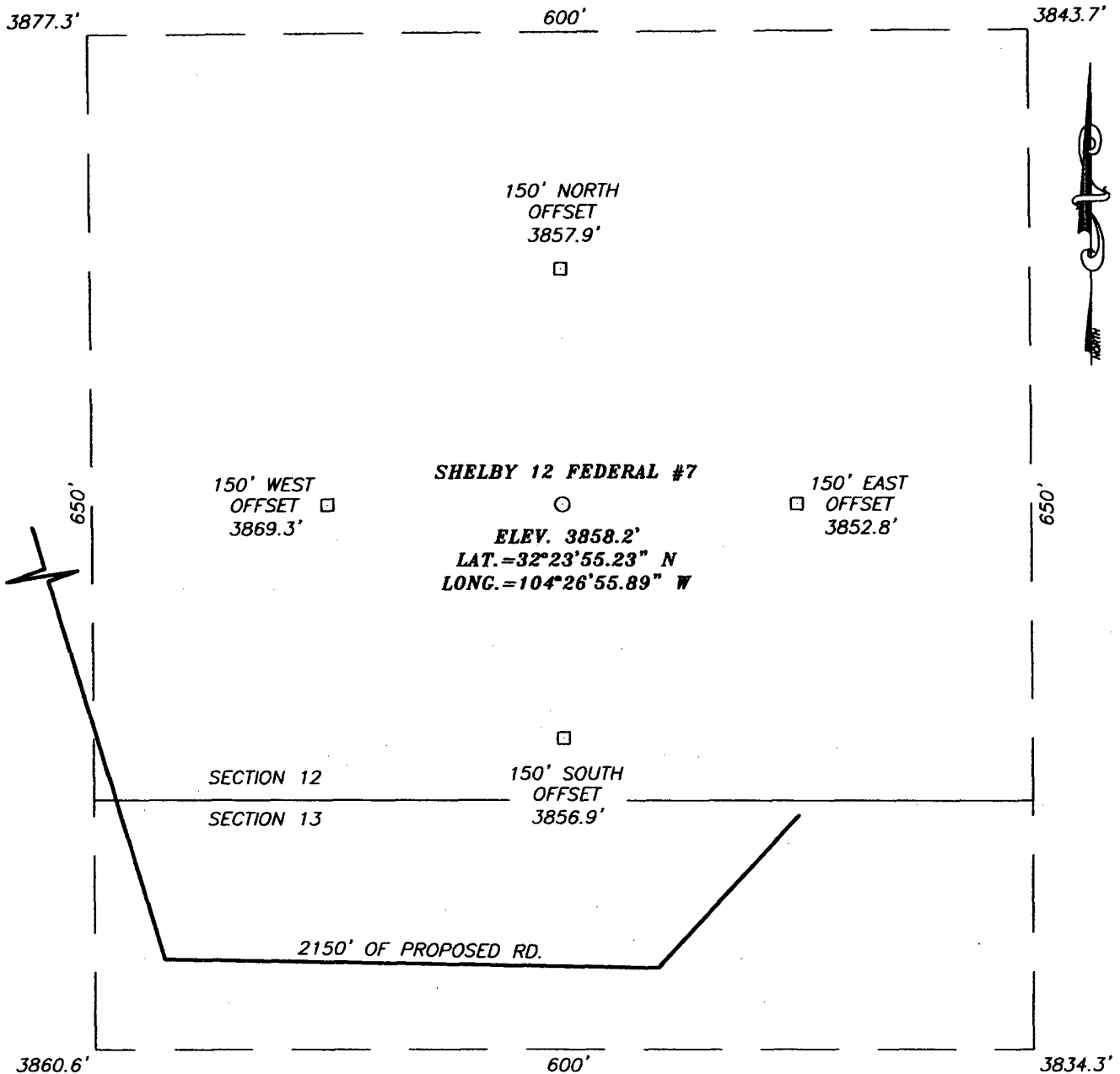
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	12	22-S	24-E		1040	SOUTH	1764	EAST	EDDY

Dedicated Acres 320	Joint or Infill Y	Consolidation Code	Order No.
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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><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>David Stewart</i> 5/3/06 Signature Date</p> <p>David Stewart Printed Name</p> <p>Sr. Regulatory Analyst</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p> <p>MARCH 21, 2006</p> <p>Date Surveyed MR</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p>GARY EDSON 4/1/06 06.11.0425</p> <p>Certificate No. GARY EDSON 12841</p>
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**SECTION 12, TOWNSHIP 22 SOUTH, RANGE 24 EAST, N.M.P.M.,**  
 EDDY COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF U.S. HWY. #285 AND CO. RD. #406 (WATERHOLE), GO WEST-SOUTHWEST ON CO. RD. #406 APPROX. 2.0 MILES. TURN LEFT AND GO SOUTHWEST APPROX. 6.8 MILES. TURN LEFT AND GO SOUTH APPROX. 0.34 MILES. TURN LEFT AND GO EAST APPROX. 250 FEET. THIS LOCATION IS APPROX. 300 FEET NORTH.



PROVIDING SURVEYING SERVICES  
 SINCE 1940  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

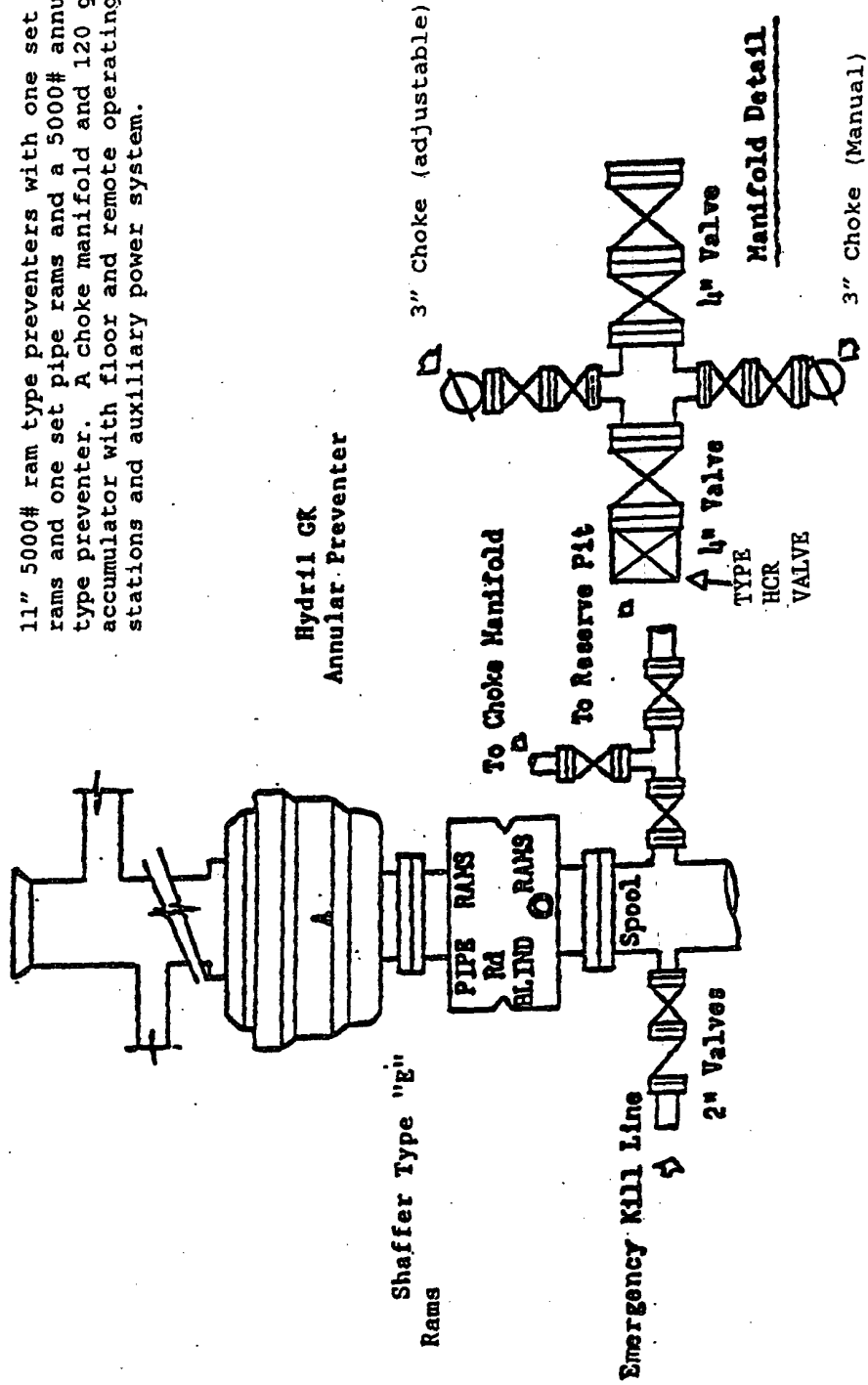
**OXY USA WTP LP**

SHELBY 12 FEDERAL #7  
 LOCATED 190 FEET FROM THE SOUTH LINE  
 AND 1840 FEET FROM THE EAST LINE OF SECTION 12,  
 TOWNSHIP 22 SOUTH, RANGE 24 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.

Survey Date: 03/21/06	Sheet 1 of 1 Sheets		
W.O. Number: 06.11.0425	Dr By: M.R.	Rev 1: N/A	
Date: 03/30/06	Disk: CD#6	06110425	Scale: 1"=100'

# BLOWOUT PREVENTOR SCHEME

11" 5000# ram type preventers with one set blind rams and one set pipe rams and a 5000# annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system.



Choke Manifold

## MULTI-POINT SURFACE USE AND OPERATIONS PLAN

OXY USA WTP Limited Partnership  
Shelby 12 Federal #7  
Eddy County, New Mexico  
Lease No. NM-12828

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to identify the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal may be made of the environmental effects associated with the operation.

The well and work area have been staked by a registered New Mexico land surveyor. Boone Archaeological Services, LLC has been engaged to make an archaeological reconnaissance of the work area. Their findings concerning cultural resources will be reported to the Bureau of Land Management.

### 1. Existing Roads

A copy of a USGS "Azotea Peak, New Mexico" quadrangle map is attached showing the proposed location. The well location is spotted on this map, which also shows the existing road system. Exhibit B.

#### Directions to location:

From the intersection of USH 285 and CR 406, go west-southwest on CR 406 approximately 2.0 miles. Turn left and go southwest approx. 6.8 miles. Turn left and go south approx. 0.34 miles. Turn left and go east approx. 250', this location is approx. 300' north.

### 2. Planned Access Road

- A. A new access road will be built. The access road will run approximately 2150' southeast/east/northeast from an existing road to the location. Exhibit B.
- B. Surfacing material: Six inches of caliche and water, compacted and graded.
- C. Maximum Grade: Less than 3%
- D. Turnouts: None needed
- E. Drainage Design: N/A
- F. Culverts: None needed
- G. Cuts and Fills: Leveling the location will require minimal cuts or fills.

Gates or Cattleguards: None required

### 3. Existing wells within a one mile radius of the proposed development well are shown on Exhibit C.

### 4. Location of Existing and/or Proposed Facilities

- A. If the well is productive, existing production facilities will be utilized.
- B. All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to and a site security plan will be submitted for the Shelby 12 Federal #7 tank battery. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.

**Multi-Point Surface Use and Operations Plan**  
**Shelby 12 Federal #7**  
**Page 2**

5. Location and Type of Water Supply

Fresh water and brine water will be used to drill this well. It will be purchased and transported to the well site.

6. Source of Construction Materials

Caliche for surfacing the well pad will be obtained from a federal pit located in Section 12, T22S R24E, Eddy County, NM.

7. Method of Handling Waste Disposal

- A. Drill Cuttings will be disposed of in an existing lined reserve pits.
- B. Drilling fluids will be allowed to evaporate in the drilling pits until pits are dry.
- C. Water produced during tests will be disposed of in the drilling pits. Oil produced during tests will be put in storage tanks and sold.
- D. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- E. Trash, waste paper, garbage and junk will be collected in steel trash bins and removed after drilling and completion operations are completed. All waste material will be contained to prevent scattering by the wind.
- F. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. Ancillary Facilities

- A. None needed.

9. Wellsite Layout

- A. The location and dimensions of the well pad, mud pits, reserve pit and location of major rig components are shown on the well site layout sketch. The V-door will be to the north and the pits to the west. Exhibit D.
- B. Leveling of the wellsite will be required with minimal cuts or fills anticipated.
- C. The reserve pit will be plastic lined, per NMOCD requirements, the C-144 is attached.
- D. While constructing the pits and material is encountered at a depth which would not allow the pits to meet the BLM stipulations with out blasting, OXY requests a variance. There will be an adequate amount of material to reclaim the pit per the stipulations.
- E. The pad and pit area have been staked and flagged.

10. Plans for Restoration of the Surface

- A. After completion of drilling and/or completion operations, all equipment and other materials not needed for operations will be removed.
- B. Pits will be filled and location cleaned of all trash and junk to leave the well site in as aesthetically pleasing condition as possible. Any plastic material used to line the pits or sumps will be cut off below ground level as far as possible and disposed of before the pits are covered. All unattended pits containing liquid will be fenced and the liquid portion allowed to evaporate before the pits are broken and backfilled.
- C. After abandonment of the well, surface restoration will be in accordance with the land owner. This will be accomplished as expeditiously as possible. Barring unforeseen problems, all pits will be filled and leveled within 90 days after abandonment.

11. Surface Ownership

The wellsite is on federal owned surface. The surface is leased to: The Travelstead Ranch, 573 Queen Hwy, Carlsbad, NM 88220. They will be notified of our intention to drill prior to any activity.

12. Other Information

- A. Topography: The location is a flat plain. GL elevation is 3858.2'.
- B. Soil: Shallow, calcareous and grayish-brown, loose to slightly compact, stony silty loam overlying limestone bedrock. Slopes consist primarily of limestone rock and small pockets of colluvium and alluvium.
- C. Flora and Fauna: The vegetative cover is generally sparse consisting of mesquite, yucca, shinnery oak, sandsage and perennial native range grasses. Wildlife in the area is also sparse consisting of coyotes, rabbits, rodents, reptiles, dove and quail.
- D. Ponds and Streams: There are no rivers, streams, lakes or ponds in the area.
- E. Residences and Other Structures: No residence within 2 miles.
- F. Archaeological, Historical and Cultural Sites: Cultural resources have been recorded in the area. Boone Archaeological Services, LLC will be engaged to make an archaeological reconnaissance of the work area.
- G. Land Use: Cattle ranching.
- H. The well site, if a producer, will be maintained and kept clean of all trash and litter which detracts from the surrounding environment. Equipment will be maintained in accordance with good operating practice.
- I. After the wellsite is cleaned and pits and sumps backfilled, any obstruction to the natural drainage will be corrected by ditching or terracing. All disturbed areas, including any access road no longer needed, will be ripped. Those areas will be reseeded with grass if, in the opinion of the land owner, it is required.



**Multi-Point Surface Use and Operations Plan**  
**Shelby 12 Federal #7**  
**Page 4**

13. Operator's Representatives and Certification

The field representative responsible for assuring compliance with the approved surface use and operations plan are as follows:

John Erickson  
Production Coordinator  
P.O. Box 69  
Hobbs, New Mexico 88240  
Office Phone: 505-393-2174  
Cellular: 505-390-6426

Joe Fleming  
Drilling Coordinator  
P.O. Box 50250  
Midland, TX 79710-0250  
Office Phone: 432-685-5858

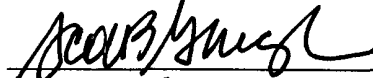
Calvin C. (Dusty) Weaver  
Operation Specialist  
P.O. Box 2000  
Levelland, TX 79336  
Office Phone: 806-229-9467  
Cellular: 806-893-3067

Terry Asel  
Operation Specialist  
1017 W. Stanolind Rd.  
Hobbs, NM 88240  
Office Phone: 505-397-8217  
Cellular: 505-631-0393

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by OXY USA WTP Limited Partnership and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

5/3/06

DATE



\_\_\_\_\_  
Scott Gengler  
Engineering Advisor  
432-685-5825  
South Permian Asset Team  
OXY USA WTP Limited Partnership

**OXY USA WTP LIMITED PARTNERSHIP**

6 Desta Drive, Suite 600, Midland, Texas 79705  
P.O. Box 50250, Midland, Texas 79710

Jim Spradlin  
Land Negotiator

Office: 432.685.5708  
Fax: 713.985.1285  
e-mail: jim\_spradlin@oxy.com

May 1, 2006

United States Department of the Interior  
Bureau of Land Management  
Roswell District  
2909 W. Second Street  
Roswell, New Mexico 88202

Attention: Linda Askwig

RE: Shelby 12 Fed #7  
190 FSL x 1840 FEL  
S/2 of Section 12, T22S, R24E  
Eddy County, NM

**STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS**

<b>OPERATOR NAME:</b>	OXY USA WTP Limited Partnership
<b>ADDRESS:</b>	P. O. Box 50250 Midland, Texas 79710


The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

<b>LEASE NO.:</b>	NM-12828
<b>LEGAL DESCRIPTION:</b>	S/2 of Section 12, T22S, R24E Eddy County, NM
<b>FORMATIONS:</b>	None
<b>BOND COVERAGE:</b>	Nationwide
<b>BLM BOND FILE NO.:</b>	ES 0136

OXY USA WTP Limited Partnership

**AUTHORIZED SIGNATURE:**

**BY:**

  
Jim Spradlin

**TITLE:** Land Negotiator  
**DATE:** 5/1/2006

cc: David Stewart

**OXY Permian Production and Plant Personnel**  
**OXY Permian Crisis Team Hotline Notification (713) 935-7210**

PERSON	LOCATION	OFFICE	FAX	CELL	PAGER
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**Asset Management-Operations Areas**

OXY Permian General Manager: Tom Menges	Houston	(281) 552-1147	(281) 552-1484	(713) 560-8038	
South Permian Asset: Matt Hyde	Midland	(432) 685-5802	(432) 685-5930	(432) 556-5016	

**RMT/PMT Leaders: South Permian Asset**

Frontier RMT: John Nicholas	Midland	(432) 685-5600			
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PERSON	LOCATION	OFFICE	FAX	CELL	PAGER
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**Production Coordinators: S. Permian Asset**

New Mexico: John Erickson	Hobbs	(505) 393-2174	(505) 397-2671	(505) 390-6426	(505) 370-6836
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**OXY Permian HES Personnel**  
**OXY Permian Crisis Team Hotline Notification (713) 935-7210**

PERSON	LOCATION	OFFICE	FAX	CELL	PAGER
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**HES Coordinators & Area of Responsibility**

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**HES Techs & Area of Responsibility**

Hobbs RMT: Steve Bishop	Hobbs	(505) 397-8251	(505) 397-8204	(505) 390-4784	(877) 339-1954-1118#
Frontier-New Mexico: Rick Kerby	Hobbs	(505) 393-2174	(505) 393-2671	(505) 390-8639	(505) 370-6527

## **Emergency Notification Numbers**

<b>Public Authorities</b>		
New Mexico State Police	Artesia	505/746-2704
New Mexico State Police	Carlsbad	505/885-3137
New Mexico State Police	Hobbs	505/392-5588
Eddy County Sheriff's Office	Artesia	505/746-2704
Eddy County Sheriff's Office	Carlsbad	505/887-7551
Lea County Sheriff's Office	Hobbs	505/393-2515
Local Emergency Planning Center	Eddy County	505/887-9511
Local Emergency Planning Center	Lea County	505/397-9231
New Mexico Oil & Gas Commission	Artesia	505/748-1283
New Mexico Oil & Gas Commission	Hobbs	505/393-6161
NM Emergency Response Center	Hobbs	505/827-9222

<b>Emergency Services</b>		
Fire Fighting, Rescue, Ambulance, Police	Artesia	911
Fire Fighting, Rescue, Ambulance, Police	Carlsbad	911
Fire Fighting, Rescue, Ambulance, Police	Hobbs	911
Flight For Life	Lubbock	806/743-9911
Aerocare	Lubbock	806/7478923
Med Flight Air Ambulance	Albuquerque	505/842-4433

<b>Other Emergency Services</b>		
Boots and Coots		1/800-256-9688
Cudd Pressure Control	Midland	432/699-0139
B.J. Services	Artesia	505/746-3589
Halliburton	Artesia	505/746-2757

# OXY PERMIAN DOWNHOLE SERVICES GROUP

	LOCATION	OFFICE	HOME	CELL	PAGER
<b>Manager Operations Support</b>					
Hardesty, Steve	Midland	432-685-5880	432/694-6441	713-560-8095	
<b>Team Leader</b>					
Pennington, Randy	Midland	432-685-5684	432/689-7642	432-556-0207	
			Toledo Bend =	318-590-2349	
<b>Operations Specialists</b>					
Fleming, Joe	Midland	432-685-5858	432/699-0875	432-425-6075	
Ray, Fred	Midland	432-685-5683	432/362-2857	432-661-3893	
<b>HES Tech</b>					
Thompson, Don	Midland	432-685-5719	432/684-3900	432-556-1505	

## **PUBLIC RELATIONS**

Oxy recognizes that the news media have a legitimate interest in incidents at Oxy facilities that could affect the public. It is to the company's benefit to cooperate with the news media when incidents occur because these media are our best liaison with the public.

Our objective is to see that all reports of any emergency are factual and represent the company's position fairly and accurately. Cooperation with news media representatives is the most reliable guarantee that this objective will be met.

All contract and Oxy employees are instructed **NOT** to make any statement to the media concerning the emergency incident. If a media representative contacts any employee, they should refer them to the designated Emergency Command Center where they should contact the Incident Commander or his designated relief for any information concerning the incident.

**Floor Man # 2:**

1. Assist installing full opening valve in drill string.
2. Position back-up tongs for valve make-up.
3. Start water on motor exhausts.
4. Notify Contractor Tool Pusher or Rig Manager of well control situation.
5. Check location for ignition sources and extinguish or turn off, and stop any welding in progress.
6. Report to Driller, and be readily available as required for additional tasks.

**Floorman # 3. Rig Manager/Tool Pusher, and Oxy Representative:** (same as while drilling)

**Floorman # 3:**

1. Stand-by with Driller, and be readily available as required for additional tasks.

**Tool Pusher/Rig Manager:**

1. Notify Oxy Representative and report to rig floor.
2. Review and verify all pertinent information.
3. Communicate information to Oxy Representative, and confer on an action plan.
4. Finalize well control worksheets, calculations and preparatory work for action plan.
5. Initiate and ensure the action plan is carried out.
6. Communicate any changes in well or site conditions, or any indications that the action plan needs to be revised to the Oxy representative.

**Oxy Representative:**

1. Notify Operation Specialists or Team Leader and RMT Leader or Local Incident Commander, and Police, Fire Department, or other local emergency services as required.

**Kick While Tripping - Procedures and Responsibilities**

**Driller:**

1. Sound the alarm immediately when pipe displacement volume is less than 75% of calculated.
2. Position the upper tool joint just above rotary table and set slips.
3. Check for flow.
4. Ensure that all crew members fill their responsibilities to secure the well.
5. Record drill pipe and casing shut-in pressures and pit volume increase, and begin kill sheets.

**Derrickman:** (same as while drilling)

**Floor Man # 1:**

1. Install full opening valve (with help from Floorman #2) in top drill string connection.
2. Tighten valve with make up tongs.
3. Go to accumulator control station and await signal from Derrickman.
4. Close annular preventer and HCR valve on signal (if available, if not then close pipe rams).
5. Record accumulator pressures and check for leaks in the BOP and accumulator system.
6. Report to Driller, and be readily available as required for additional tasks.



## **WELL CONTROL**

The following procedures will be implemented when a loss of primary control is indicated. Indicators of loss of primary control are flow from the well, an increase in pit volume, or when the drilling fluid used to fill the hole on trips is less than the calculated pipe displacement volume. The emergency signal for well control procedures will be a single long blast of the rig air horn.

### **Kick While Drilling - Procedures And Responsibilities**

#### **Driller:**

1. Stop the rotary and hoist the kelly above the rotary table.
2. Stop the mud pump(s).
3. Check for flow.
4. If flowing, sound the alarm immediately.
5. Ensure that all crew members fill their responsibilities to secure the well.
6. Record drill pipe and casing shut-in pressures and pit volume increase and begin kill sheet.

#### **Derrickman:**

1. Go to BOP/choke manifold area.
2. Open choke line valve on BOP.
3. Signal to Floorman #1 that the choke line is open.
4. Close chokes after annular or pipe rams are closed.
5. Record shut-in casing pressure and pit volume increase.
6. Report readings and observations to Driller.
7. Verify actual mud weight in suction pit and report to Driller.
8. Be readily available as required for additional tasks.

#### **Floorman # 1:**

1. Go to accumulator control station and await signal from Derrickman.
2. Close annular preventer and HCR on signal (if available, if not then close pipe rams).
3. Record accumulator pressures and check for leaks in the BOP or accumulator system.
4. Report to Driller, and be readily available as required for additional tasks.

#### **Floorman # 2:**

1. Start water on motor exhausts.
2. Notify Contractor Tool Pusher or Rig Manager of well control situation.
3. Check location for ignition sources and extinguish or turn off, and stop any welding in progress.
4. Report to Driller, and be readily available as required for additional tasks.

### **Contacting Authorities**

Oxy Permian 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. This response plan must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER).

1. Isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

**Oxy Representative:**

1. Remain at the briefing area, assess and monitor personnel and overall situation for hazards or conditions that might warrant a change in the action plan.
2. Notify Operation Specialists or Team Leader and RMT Leader or Local Incident Commander, and Police, Fire Department, or other local emergency services as required.

**Training**

There will be an initial training session prior to encountering a known or probable H<sub>2</sub>S zone (within 3 days or 500 feet) and weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H<sub>2</sub>S Drilling Operations Plan and the Public Protection Plan (Contingency Plan). This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

**Ignition of Gas Source**

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO<sub>2</sub>). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police shall be the Incident Command of any major release. Ignition of the well will be with the concurrence of the drilling team leader and the Oxy Crisis Management Team as time allows.

**Characteristics of H<sub>2</sub>S and SO<sub>2</sub>**

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H <sub>2</sub> S	1.189 Air = 1	10 ppm	100 ppm	600 ppm
Sulfur Dioxide	SO <sub>2</sub>	2.21 Air = 1	2 ppm	N/A	1000 ppm

**Contract Drilling Personnel** will immediately report to their assigned stations and perform their duties as outlined in the appropriate Specific Emergency Guidance sections on pages ten (10) through twelve (12) in this document.

**Other Contractor Personnel** will report to the safe briefing area to assist Oxy personnel and civil authorities as requested when it is safe to do so and if they have been adequately trained in their assigned duties.

**Civil Authorities** (Law Enforcement, Fire, and EMS) will be responsible for:

1. Establishing membership in the Unified Incident Command.
2. As directed by the Incident Commander and the Unified Command, control site access, re-route traffic, and provide escort services for response personnel.
3. Perform all fire control activities in coordination with the Unified Command.
4. Initiate public evacuation plans as instructed by the Incident Commander.
5. Perform rescue or recovery activities with coordination from the Unified Command.
6. Provide medical assistance as dictated by the situation at hand.

### **H2S RELEASE**

The following procedures and responsibilities will be implemented on activation of the H2S siren and lights.

#### **All Personnel:**

1. On alarm, don escape unit (if available) and report to upwind briefing area.

#### **Rig Manager/Tool Pusher:**

1. Check that all personnel are accounted for and their condition.
2. Administer or arrange for first aid treatment, and /or call EMTs as needed.
3. Identify two people best suited to secure well and perform rescue, and instruct them to don SCBA.
4. Notify Contractor management and Oxy Representative.
5. Remain at the briefing area, assess and monitor personnel and overall situation for hazards or conditions that might warrant a change in the action plan.

#### **Two People Responsible For Shut-in and Rescue:**

1. Don SCBA and acquire tools to secure well and perform rescue, i.e., wrenches, retrieval ropes, etc.
2. Utilize the buddy system to secure well and perform rescue(s).
3. Return to the briefing area and stand by for further instructions.

#### **All Other Personnel:**

## **EMERGENCY RESPONSE ACTIVATION AND GENERAL RESPONSIBILITIES**

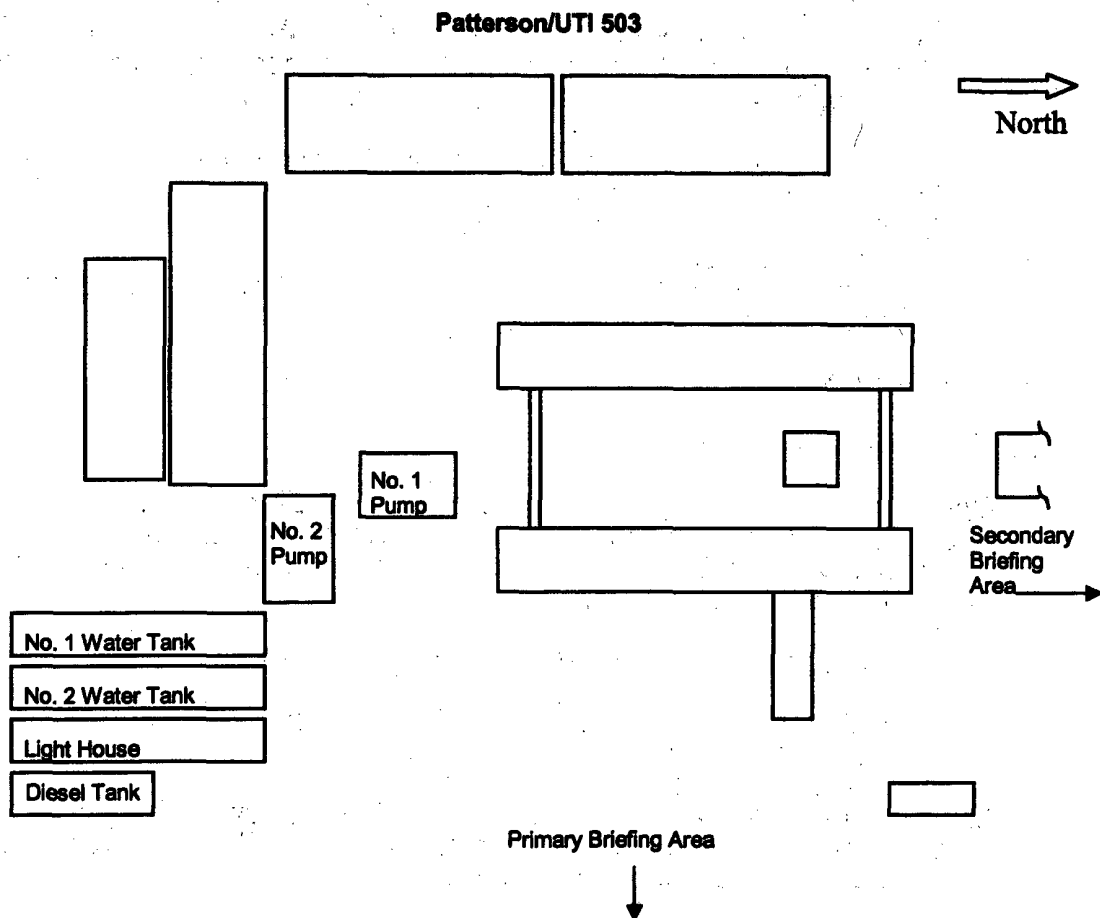
### ***Activation of the Emergency Action Plan***

- A. In the event of any emergency situation, all personnel on location should first ensure that the following items are initiated. After that, they should refer to the appropriate Specific Emergency Guidance sections on pages ten (10) through twelve (12) in this document for further responsibilities:
  - 1. Notify the senior ranking contract representative on site.
  - 2. Notify Oxy representative in charge.
  - 3. Notify civil authorities if the Oxy Representative can not be contacted and the situation dictates.
  - 4. Perform rescue and first aid as required (without jeopardizing additional personnel).

### ***General Responsibilities***

#### **Oxy Permian Personnel:**

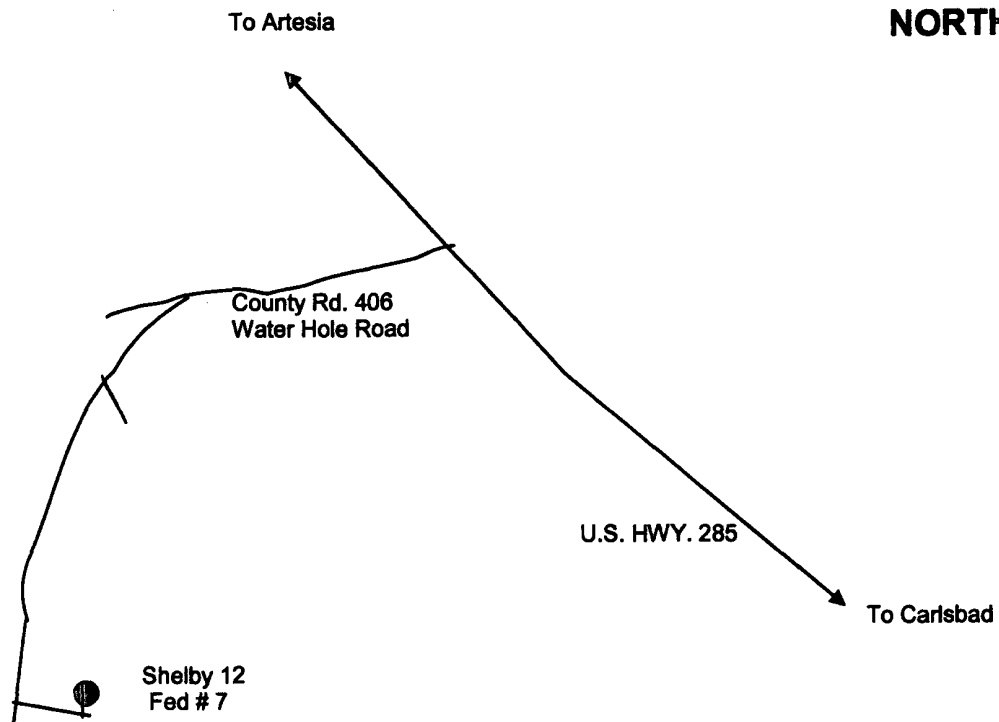
- A. Operations Specialist: The Oxy Drilling/Critical Well Servicing Operations Specialist or contract personnel serving in that capacity will serve as Operations Chief Officer for all emergency incidents. The Operations Chief Officer is responsible for:
  - 1. Notification to the Downhole Services Team Leader of the incident occurrence.
  - 2. Notification to the local RMT/PMT leader of the incident occurrence, and the need for the designated local RMT/PMT Incident Commander to act in that capacity for the response effort.
  - 3. Sole control of all tactical activities directed toward reducing the immediate hazard, establishing situational control and restoring the operations to a non-emergency state.
- B. Local RMT/PMT Designated Incident Commander: The Oxy local RMT/PMT Designated Incident Commander will serve as the overall Incident Commander for the drilling or critical well servicing emergency incident. The Incident Commander is responsible for:
  - 1. Coordinating with the Downhole Services Team Leader for notification to the Oxy Crisis Management team of the incident occurrence.
  - 2. Establishing and managing the overall incident command structure and response from inception through restoration of normal activities in the area.
- C. Downhole Services HES Tech: The Downhole Services HES Tech (or his designate) is responsible for reporting to the incident as soon as reasonably possible, to provide support to the response effort as required by the Operations Chief Officer or the Incident Commander.



**Shelby 12 Fed #7**  
**Y = 508771.5 N**  
**X = 464343.3 E**  
**Lat. 32°23'55.23"N**  
**Long. 104°26'55.89" W**



**NORTH**



**DIRECTIONS TO LOCATION:** From the intersection of USH 285 and CR 406, go west-southwest on CR 406 approximately 2.0 miles. Turn left and go southwest approx. 6.8 miles. Turn left and go south approx. 0.34 miles. Turn left and go east approx. 250', this location is approx. 300' north.

## **PREFACE**

**An effective and viable Contingency Plan is intended to provide prior planning and guidance in responding to emergency incidents. The primary considerations in its development are protection of personnel, the public, company and public property, and the environment.**

**Although the plan addresses varied emergency situations which may occur, it recognizes that flexibility and the use of the organization's knowledge and experience is critical to safe resolution of emergency incidents. Response actions outlined in the plan provide a framework, which may be placed into operation without confusion. These actions should promote quick and decisive actions during the critical initial period and immediately following an emergency. As the response progresses, additional guidelines and procedures may need to be implemented as the situation dictates. In addition, all emergency incidents must be properly reported per the Oxy Incident Reporting and Notification Policy, state and federal requirements, etc.**

**This Contingency Plan is intended for use on Oxy Downhole Services Group projects and the operations within their area of responsibility, such as drilling, critical well work, etc.**

**A copy of the Plan shall be maintained in the Top Dog House, Rig Managers trailer, and Company Representative's trailer if applicable.**



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**OXY USA WTP  
Limited Partnership  
PO Box 50250  
Midland, TX 79710**

**Hydrogen Sulfide (H<sub>2</sub>S)  
Contingency Plan**

**For**

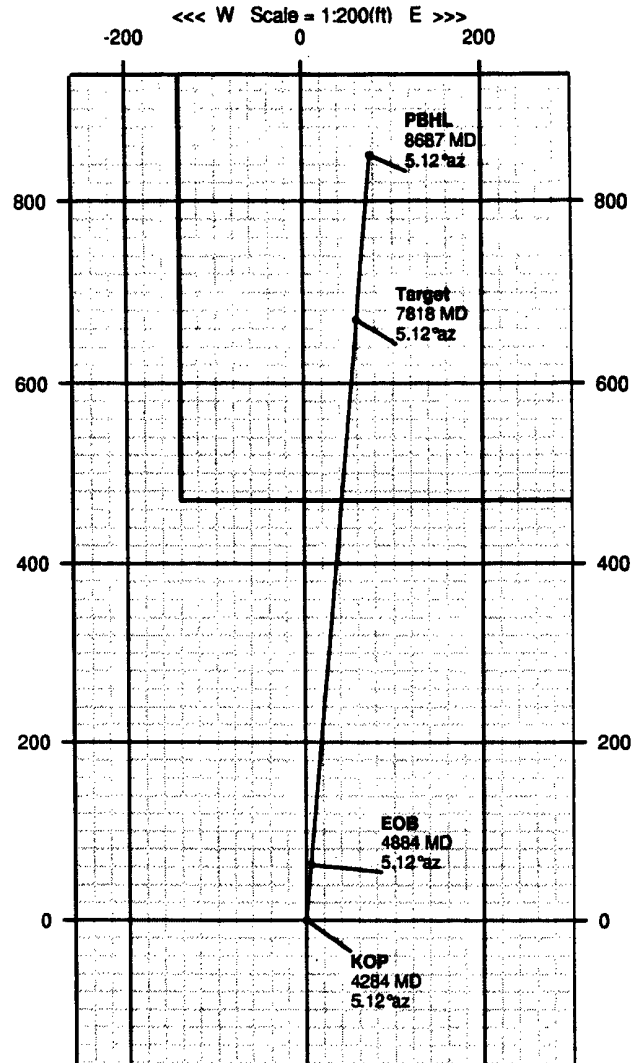
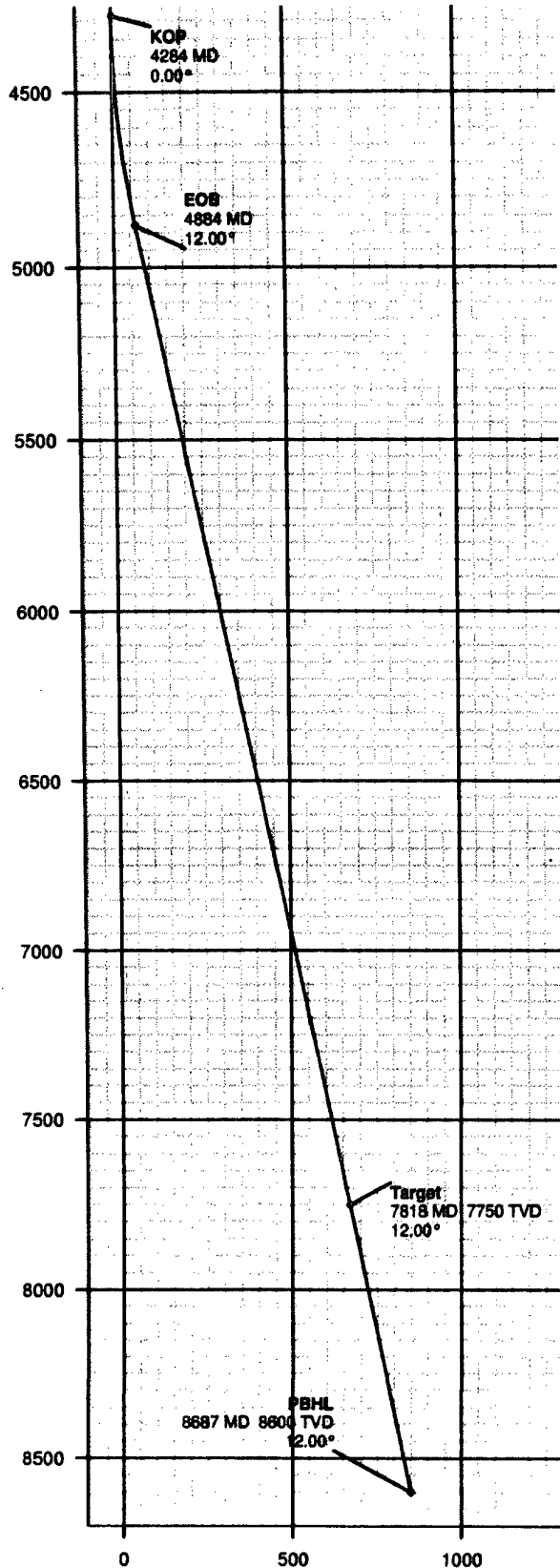
**Shelby 12 Fed #7  
190 FSL 1840 FEL  
Sec 12, T22S, R24E  
Eddy County, NM**

**And**

**Patterson Rig #503**

# OXY

WELL	Shelby 12 Fed #7	FIELD	Eddy County, NM	STRUCTURE	Shelby 12 Fed #7
Magnetic Parameters	Surface Location			Miscellaneous	
Model: KOPF 2008	Dip: 60.319°	Date: April 21, 2008	Lat: N32 29 55.357	NAZ27 New Mexico State Plane, Eastern Zone, US Feet	Size: Shelby 12 Fed #7
	Mag Dec: -4.595°	FB: 49179.5 nT	Lon: W 104 28 05.894	Northings: 508771.50 BLUS	Plan: Shelby 12 Fed #7 -E
				Eastings: 464543.30 BLUS	TVD Ref: RKB (0.00 ft above)
					Buy Date: Fri 02:28 PM April 21, 2008
					Scale Fact: 0.95810547



Critical Points								
Critical Point	MD	INCL	AZIM	TYD	VSEC	N(+)/S(-)	E(+)/W(-)	DLS
Tie-In	0.00	0.00	5.12	0.00	0.00	0.00	0.00	0.00
KOP	4284.18	0.00	5.12	4284.18	0.00	0.00	0.00	0.00
EOB	4884.18	12.00	5.12	4879.81	62.35	62.35	5.58	2.00
Target	7818.50	12.00	5.12	7750.00	670.00	670.00	60.00	0.00
PBHL	8687.49	12.00	5.12	8600.00	849.95	849.95	76.12	0.00

**INTREPID**  
Directional Drilling Specialists



# Proposal

<b>Report Date:</b> April 21, 2006 <b>Client:</b> OXY <b>Field:</b> Eddy County, NM <b>Structure / Slot:</b> Shelby 12 Fed #7 / Shelby 12 Fed #7 <b>Well:</b> Shelby 12 Fed #7 <b>Borehole:</b> Shelby 12 Fed #7 <b>UW/APW:</b> <b>Survey Name / Date:</b> Shelby 12 Fed #7_r2 / April 21, 2006 <b>Tort / AHD / DDI / ERD ratio:</b> 12.000° / 853.35 ft / 4.015 / 0.099 <b>Grid Coordinate System:</b> NAD27 New Mexico State Planes, Eastern Zone, US Feet <b>Location Lat/Long:</b> N 32 23 55.227, W 104 26 55.894 <b>Location Grid N/E Y/X:</b> N 508771.500 ftUS, E 464343.300 ftUS <b>Grid Convergence Angle:</b> -0.08189984° <b>Grid Scale Factor:</b> 0.99991055	<b>Survey / DLS Computation Method:</b> Minimum Curvature / Lubinski <b>Vertical Section Azimuth:</b> 0.000° <b>Vertical Section Origin:</b> N 0.000 ft, E 0.000 ft <b>TVD Reference Datum:</b> RKB <b>TVD Reference Elevation:</b> 0.0 ft relative to <b>Sea Bed / Ground Level Elevation:</b> 0.000 ft relative to <b>Magnetic Declination:</b> 8.595° <b>Total Field Strength:</b> 49175.524 nT <b>Magnetic Dip:</b> 60.319° <b>Declination Date:</b> April 21, 2006 <b>Magnetic Declination Model:</b> IGRF 2005 <b>North Reference:</b> Grid North <b>Total Corr Mag North -&gt; Grid North:</b> +8.657° <b>Local Coordinates Referenced To:</b> Well Head
---	--

Comments	Measured Depth (ft)	Inclination (deg)	Azimuth (deg)	TVD (ft)	Vertical Section (ft)	NS (ft)	EW (ft)	Closure (ft)	Closure Azimuth (deg)	DLS (deg/100 ft)	Tool Face (deg)
Tie-In	0.00	0.00	5.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.12M
KOP	4284.18	0.00	5.12	4284.18	0.00	0.00	0.00	0.00	0.00	0.00	5.12M
	4300.00	0.32	5.12	4300.00	0.04	0.04	0.00	0.04	5.12	2.00	5.12M
	4400.00	2.32	5.12	4399.97	2.33	2.33	0.21	2.34	5.12	2.00	5.12M
	4500.00	4.32	5.12	4499.80	8.09	8.09	0.72	8.13	5.12	2.00	5.12M
	4600.00	6.32	5.12	4599.36	17.32	17.32	1.55	17.39	5.12	2.00	0.00G
	4700.00	8.32	5.12	4698.54	30.00	30.00	2.69	30.12	5.12	2.00	0.00G
	4800.00	10.32	5.12	4797.22	46.13	46.13	4.13	46.31	5.12	2.00	0.00G
EOB	4884.18	12.00	5.12	4879.81	62.35	62.35	5.58	62.60	5.12	2.00	0.00G
Target	7818.50	12.00	5.12	7750.00	670.00	670.00	60.00	672.68	5.12	0.00	0.00G
PBHL	8687.49	12.00	5.12	8600.00	849.95	849.95	76.12	853.35	5.12	0.00	0.00G

**OCD-ARTESIA OXY USA WTP Limited Partnership**  
P.O. Box 50250, Midland, TX 79710-0250

May 3, 2006

United States Department of the Interior  
Bureau of Land Management  
Carlsbad District Office  
620 East Greene Street  
Carlsbad, New Mexico 88220

Re: Application for Permit to Drill  
OXY USA WTP Limited Partnership  
Shelby 12 Federal #7  
Eddy County, New Mexico  
Lease No. NM-12828

Gentlemen:

OXY USA WTP Limited Partnership respectfully requests permission to drill our Shelby 12 Federal #7 located at a surface location of 190 FSL and 1840 FEL and a proposed bottom-hole location of 1040 FSL 1764 FEL of Section 12, T22S, R24E, Eddy County, New Mexico, Federal Lease No. NM-12828. The proposed well will be drilled to a TD of approximately 8600' (TVD) and 8950' (TMD). The location and work area has been staked. It is approximately 10 miles west of Carlsbad, New Mexico.

In accordance with requirements stipulated in Federal Onshore Oil and Gas Order No. 1 under 43 CFR 3162.1, our Application for Permission to Drill and supporting evidence is hereby submitted.

I. Application for Permit to Drill:

1. Form 3160.3, Application for Permit to Drill.
2. Form C-102 Location and Acreage Dedication Plat certified by Gary G. Eidson, Registered Land Surveyor No. 12641 in the State of New Mexico, dated April 4, 2006.
3. The elevation of the unprepared ground is 3858.2 feet above sea level.
4. The geologic name of the surface formation is Permian Rustler.
5. Rotary drilling equipment will be utilized to drill the well to TD 8600' (TVD), and run casing. This equipment will then be rigged down and the well will be completed with a pulling unit.
6. Proposed total depth is 8600' (TVD) and 8950' (TMD).
7. Estimated tops of important geologic markers.

Delaware	1620' TVD
Bone Spring	3850' TVD
Wolfcamp	7550' TVD
Cisco-Canyon	7850' TVD

8. Estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered:

Primary Objective: Cisco-Canyon 7850' TVD

Secondary Objective: Wolfcamp 7550' TVD

9. The proposed casing program is as follows:

Surface: 9-5/8" 36# K55 ST&C new casing set at ~~1600'~~ <sup>1550' JSS</sup> 5/5/06

Production: 7" 26# N80 LT&C new casing from 0-8600'

10. Casing setting depth and cementing program:

- A. 9-5/8" surface casing set at 1600' in 12-1/4" hole. DV Tool @ +/- 600', cement 1<sup>st</sup> stage with 515sx HES light premium plus w/ 2% CaCl<sub>2</sub> + .25#/sx Flocele followed by 250sx PP w/ 2% CaCl<sub>2</sub>. Cement 2<sup>nd</sup> stage with 340sx HES light premium plus w/ 2% CaCl<sub>2</sub> + .25#/sx Flocele followed by 100sx PP w/ 2% CaCl<sub>2</sub>.

If cement does not circulate, a temperature survey will be run to find the TOC and then finish cementing to surface through 1" using Class C with 2% CaCl<sub>2</sub>.

- B. 7" production casing set at 8600' in 8-3/4" hole. DV Tool @ +/- 6000', cement 1<sup>st</sup> stage with 100sx(Foamed with Nitrogen) Premium Acid Soluble Cement w/ 2% Zonesalant 2000 followed by 350sx (Foamed with Nitrogen) Premium Cement w/ 2% Zonesalant 2000 followed by 150sx Super H Cement w/ .5% Halad(R) + .4% CFR-3 + 5#/sx Gilsonite + 1#/sx Salt + .25% HR-7. Cement 2<sup>nd</sup> stage with 410sx IFC cement w/ 5#/sx Gilsonite + .25#/sx Flocele followed by 100sx PP w/ 2% CaCl<sub>2</sub>.

Note: Cement volumes may need to be adjusted to hole caliper.

11. Pressure Control Equipment

0-1600' ~~None~~ <sup>Minimum 2 in BOPE Prior to drilling below 9 5/8" inch shoe.</sup>

1600-8600' 11" 5000# ram type preventers with one set blind rams and one set pipe rams and a 5000# annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Exhibit A.

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.

After setting the 9-5/8" casing, the blowout preventers and related control equipment shall be pressure tested to 5000 psi. Any equipment failing to test satisfactorily shall be repaired or replaced. Results of the BOP test will be recorded in the Driller's Log. The BOP's will be maintained ready for use until drilling operations are completed.

BOP drills will be conducted as necessary to assure that equipment is operational and each crew is properly trained to carry out emergency duties.

Accumulator shall maintain a pressure capacity reserve at all times to provide for the close-open-close sequence of the blind and pipe rams of the hydraulic preventers.

12. Mud Program:

- |            |  |
|------------|--|
| 0-1600'    | Fresh water/native mud. Lime for pH control (9-10). Paper for seepage. Wt. 8.7-9.2 ppg, vis 32-34 sec. |
| 1600-8600' | Mud up with an Duo Vis/Flo Trol system. Wt. 9.6-10.0 ppg, Vis 32-36sec, WL<10cc.                       |

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 the production casing is run and cemented. Monitoring equipment shall consist of the following:

- 1) A recording pit level indicator.
- 2) A pit volume totalizer.
- 3) A flowline sensor.

13. Testing, Logging and Coring Program:

- A. Testing program: No DST's are anticipated.
- B. Mud logging program: One-man unit.
- C. Electric logging program: CNL/LDT/CAL/GR, DLL/CAL/GR.
- D. Coring program: Possible sidewall rotary cores.

14. No abnormal temperatures, or H2S gas are anticipated. H2S Contingency Plan is attached per NMOCD requirements. The highest anticipated pressure gradient would be .55psi/ft. Adequate flare lines will be installed off the mud/gas separator where gas may be flared safely.
15. Anticipated starting date is August 1, 2006. It should take approximately 30 days to drill the well and another 10 days to complete.
16. The Multi-Point Surface Use & Operation Plan is attached.
17. If the Bureau of Land Management needs additional information to evaluate this application, please advise.

Very truly yours,



David Stewart  
Sr. Regulatory Analyst  
OXY USA WTP Limited Partnership

## **Conditions of Approval Cave and Karst**

### **Cave/Karst Surface Mitigation**

The following stipulations will be applied to minimize impacts during construction, drilling and production.

#### **Berming:**

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

#### **Closed Mud System with Cuttings Removed:**

A closed mud system or steel tanks will be utilized to drill the well. All fluids and cuttings will be hauled off site for disposal.

### **Cave/Karst Subsurface Mitigation**

The following stipulations will be applied to protect cave/karst and ground water concerns:

#### **Rotary Drilling with Fresh Water:**

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

#### **Directional Drilling:**

Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone as identified in the geologic report.

#### **Casing:**

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

#### **Cementing:**

All casing strings will be cemented to the surface.

#### **Lost Circulation:**

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

---



## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: OXY USA WTP LP

Well Name & No: Shelby 12 Federal No. 07

Location: Surface: 190' FSL & 1840' FEL, Sec. 12, T. 22 S., R. 24 E.

BHL: Sec. 12, T. 22 S., R. 24 E.

Lease: NMNM 12828

Eddy County, New Mexico

.....

### 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) 361-2822 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: 9 5/8 inch; 5 1/2 inch;

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan is not required for this wellbore.

3. 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.

4. 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.

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

### II. CASING:

1. The 9 5/8 inch shall be set at 1550 Feet with 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 7 inch Production casing is to circulate.

### III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 9 5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2 M psi. A minimum of 3,000 psig BOPE is required to be in operations prior to drilling below the 9 5/8 inch shoe.

### **III. Pressure Control (continued):**

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

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.

***G Gourley 05/17/06***