

OCD-ARTESIA


 ATS-08-32
 EA-08-267

 Form 3160-3
 (April 2004)

 UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT
 AUG 12 2008
 OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

 FORM APPROVED
 OMB No. 1004-0137
 Expires March 31, 2007

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 0397623 0397623
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator COG Operating LLC		7. If Unit or CA Agreement, Name and No N/A
3a. Address 550 W. Texas, Suite 1300 Midland TX 79701	3b. Phone No. (include area code) (432) 685-4372	8. Lease Name and Well No. Folk Federal #5
4. Location of Well (Report location clearly and in accordance with any State requirements*) At surface 250' 4650' FNL & 330' FWL At proposed prod zone <i>per attached SN dated 3-27-08</i>		9. API Well No. 30-015-36747
14. Distance in miles and direction from nearest town or post office* 2.5 miles northwest of Loco Hills NM		10. Field and Pool, or Exploratory Empire; Yeso, East 96610
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any) 330'	16. No. of acres in lease 400	11. Sec, T R M or Blk and Survey or Area Sec 17E, T17S, R29E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1020'	19. Proposed Depth 5500'	12. County or Parish Eddy
21. Elevations (Show whether DF, KDB, RT, GL, etc) 3663' GL	22. Approximate date work will start* 01/01/2008	13. State NM
23. Estimated duration 10 days		

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 <i>[Signature]</i>	Name (Printed/Typed) Gary E. Miller	Date 11/08/2007
Title Agent		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed) /s/ Don Peterson	Date AUG 08 2008
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 States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

NOTE: NEW PIT RULE

19-15-17 NMAC PART 17

 A form C-144 must be approved
 before starting drilling operations.

*(Instructions on page 2)

ROSWELL CONTROLLED WATER BASIN

 SEE ATTACHED FOR
 CONDITIONS OF APPROVAL

 APPROVAL SUBJECT TO
 GENERAL REQUIREMENTS
 AND SPECIAL STIPULATIONS
 ATTACHED




New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



October 28, 2008
Administrative Order NSL-5938

COG Operating, LLC
Attn: Ms. Phyllis A. Edwards
Fasken Tower II
550 W. Texas Av, Suite 1300
Midland, TX 79701

Dear Ms Edwards:

COG's NSL Application: Folk Federal Well No. 5

API No. 30-015-.....

Surface Location: 1250' FNL & 330' FWL, Unit D, Section 17

Penetration Point (Glorieta): 1552' FNL & 331' FWL, Unit E, Section 17

Bottomhole Location (Empire): 1650' FNL & 330' FWL, Unit E, Section 17

Both in T-17 South, R-29 East, NMPM,

Eddy County, New Mexico

East Empire-Glorieta-Yeso Oil Pool (96610)

Reference is made to the following:

- (a) your application (*administrative application reference No. pKVR0824857059*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on September 4, 2008, and
- (b) the Division's records pertinent to this request.

COG Operating LLC (COG) has requested authority to drill and complete its horizontal well the Folk Federal Well No. 5 at an unorthodox Empire; Yeso, East oil well location, 1250 feet from the North line and 330 feet from the West line (Unit D) of Section 17, Township 17 South Range 29 East, N.M.P.M., in Eddy County, New Mexico. The SW/4 NW/4 of Section 17 will be dedicated to this well in order to form a standard 40-acre oil spacing unit in the East Empire-Glorieta-Yeso Pool. The pool is

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



Administrative Application: NSL-5938
COG Operating, LLC
October 28, 2008
Page 2 of 2

governed by statewide Rule 104.B (1), which provides for 40-acre units, with well located at least 330 feet from a unit outer boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2)

It is also our understanding that COG (OGRID **229137**) is seeking this non-standard location at the Bureau of Land Management's request due to archeology.

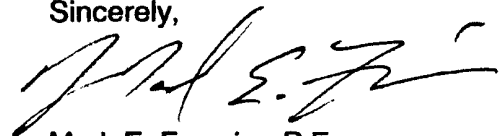
It is also understood that notice of this application to offsetting operators or owners is unnecessary because COG owns 100% of the working interest in the proposed unit and in the offsetting unit towards which this location encroaches.

Pursuant to the authority granted under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

This approval is subject to your being in compliance with all the other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/tw

cc: New Mexico Oil Conservation Division – Artesia
United States Bureau of Land Management - Carlsbad

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other2 Name of Operator **COG Operating LLC**3a Address
550 W. Texas Ave., Suite 1300 Midland, TX 797013b Phone No. (include area code)
432-685-4340

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

**1250 FNL & 330 FWL
SEC. 17, T17S, R29E, UNIT D**

5 Lease Serial No.

LC-0397623

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No.

8 Well Name and No.

Folk Federal #5

9. API Well No.

30-015-**36747**

10. Field and Pool, or Exploratory Area

Empire Yeso, East 96610

11 County or Parish, State

EDDY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other MOVE
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	LOCATION
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

The location for this well was: 1650 FNL & 330 FWL, SECTION 17, T17S, R29E, UL E.

However, due to archeological issues, the location was moved to:

1250 FNL & 330 FWL, SECTION 17, T17S, R29E, UL D.

Attached is a plat reflecting this change.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)**Phyllis A. Edwards**Title **Regulatory Analyst**

Signature



Date

03/27/2008

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Don Peterson**FIELD MANAGER**

Date

AUG 08 2008

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

CARLSBAD FIELD OFFICE

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(Instructions on page 2)



DISTRICT I

1626 N. FRENCH DR. BOHRS. NM 88240

Energy, Minerals and Natural Resources Department.

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015- 36747	Pool Code 96610	Pool Name Gloria EMPIRE; YES0, EAST	
Property Code 302495	Property Name FOLK FEDERAL		Well Number 5
OGRID No. 229137	Operator Name COG OPERATING, LLC		Elevation 3655'

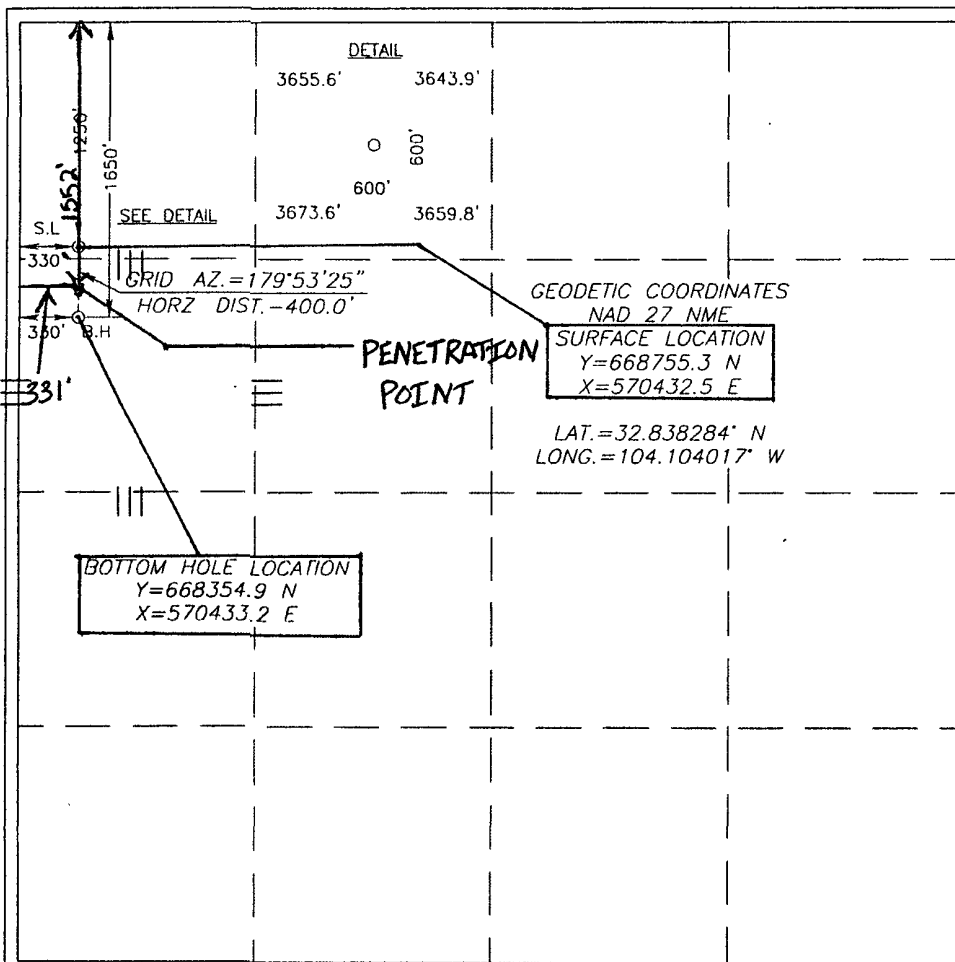
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	17-S	29-E		1250	NORTH	330	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No. E	Section 17	Township 17-S	Range 29-E	Lot Idn	Feet from the 1650	North/South line NORTH	Feet from the 330	East/West line WEST	County EDDY
Dedicated Area 40	Joint or Infill	Consolidation Code		Order No.					

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



OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns, working interest or has a 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

Phyllis A. Eaves 9-3-08
Signature Date

Phyllis A. Edwards

Regulatory Analyst

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.

MARCH 10 2008
 Date Surveyed
 Signature & Seal of
 Professional Surveyor
 12641
 REV. 5/6/08
 5/07/08
 08-10-0713

Certificate No. GARY EIDSON 12641
RONALD J. EIDSON 3238

ENTERED
1954

OCD-ARTESIA

Form 3160-5
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2 Name of Operator
COG Operating LLC

3a Address
550 W. Texas Ave., Suite 1300 Midland, TX 79701

3b. Phone No. (include area code)
432-685-4340

4 Location of Well (Footage, Sec., T., R., M., or Survey Description)

1250 FNL & 330 FWL, Section 17, T-17S, R-29E, UNIT D

5. Lease Serial No.

NM 0397623

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

FOLK FEDERAL #5

9. API Well No.

30-015- 36747

10. Field and Pool, or Exploratory Area
EMPIRE: YESO, East 96610

11. County or Parish, State

EDDY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Change APD
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Drill Plan
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

COG respectfully requests a variance for drill plan items

- #4: casing program,
- #5: cement program,
- #6: minimum specifications for pressure control, and
- #7: proposed mud system.

Also attached is well name list that this variance applies to.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Phyllis A. Edwards

Title Regulatory Analyst

Signature

Phyllis A. Edwards

Date

04/04/2008

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ Don Peterson

FIELD MANAGER

Date

AUG 08 2008

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

CARLSBAD FIELD OFFICE

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(Instructions on page 2)



COG Operating LLC
Sundry Notes to Change Folk Fed.#5,6,7,8&9 APD's
Empire East Area, Sec. 17, T17S, R29E
4/2/08

4. Casing Program

Hole Size	Interval	OD Casing	Weight	Grade	Jt., Condition	Jt.	brst/clps/ten
17 1/2"	0-300'	13 3/8"	48#	H-40	ST&C/New	ST&C	9.22/3.943/15.8
11" or 12 1/4"	0-850'	8 5/8"	24 or 32#	J-55	ST&C/New	ST&C	3.03/2.029/7.82
7 7/8"	0-TD	5 1/2"	15.5 or 17#	J-55	LT&C/New	LT&C	1.88/1.731/2.42

5. Cement Program

13 3/8" Surface Casing: Class C, 400 sx, yield 1.32, back to surface.

8 5/8" Intermediate Casing: 11" Hole: Class C, 200 sx lead, yield-2.45 + 200 sx tail, yield-1.32, back to surface.
12-1/4" Hole: Class C, 400 sx lead, yield-2.45 + 200 sx tail, yield-1.32, back to surface.

5 1/2" Production Casing: Class C, 700 sx Lead, yield-1.97 + 400 sx Tail, yield-1.37, to 200' minimum tie back to intermediate casing.

6. Minimum Specifications for Pressure Control

See BOP → The blowout preventer equipment (BOP) shown in Exhibit #9 will consist of a double ram-type (2000 psi WP) preventer. This unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top of 4 1/2" drill pipe rams on the bottom. The BOP will be nipped up on the 13 3/8" surface casing and tested to 1000 psi by rig pump. The BOP will then be nipped up on the 8 5/8" intermediate casing and tested by a third party to 2000 psi and used continuously until total depth is reached. All BOP's and accessory equipment will be tested to 2000 psi before drilling out of the intermediate casing. Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment (Exhibit #10) will include a Kelly cock and floor safety valve, choke lines and a choke manifold (Exhibit #11) will a 2000 psi WP rating.

7. Types and Characteristics of the Proposed Mud System

The well will be drilled to TD with a combination of brine, cut brine and polymer mud system. The applicable depths and properties of this system are as follows:

DEPTH	TYPE	WEIGHT	VISCOSITY	WATERLOSS
0-300'	Fresh Water	8.5	28	N.C.
300-850'	Brine	10	30	N.C.
850'-TD'	Cut Brine	8.7-9.2	30	N.C.

Sufficient mud materials will be kept at the well site to maintain mud properties and meet minimum lost circulation and weight increase requirements at all times.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007**SUNDRY NOTICES AND REPORTS ON WELLS***Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.***SUBMIT IN TRIPLICATE- Other instructions on reverse side.**1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
COG Operating LLC3a. Address
550 W. Texas Ave., Suite 1300 Midland, TX 797013b. Phone No. (include area code)
432-685-4340

4. Location of Well (Footage, Sec., T, R, M., or Survey Description)

**1250 FNL & 330 FWL
SEC. 17, T17S, R29E, UNIT D**

5. Lease Serial No.

LC-0397623

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Folk Federal #5

9. API Well No.

30-015- 3674710. Field and Pool, or Exploratory Area
Empire Yeso, East 96610

11. County or Parish, State

EDDY, NM**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

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<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Drill directionally
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

The SHL for this well was: 1650 FNL & 330 FWL, SECTION 17, T17S, R29E, UL E.

However, due to archeological issues, the SHL was moved to: 1250 FNL & 330 FWL, SECTION 17, T17S, R29E, UL D.

COG Operating LLC plans to drill directionally to BHL: 1650 FNL & 330 FWL, SECTION 17, T17S, R29E, UL E.

Attached is a plat and a directional plan reflecting this change.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed) **Phyllis A. Edwards**

Title **Regulatory Analyst**

Signature *Phyllis A. Edwards* Date **05/16/2008**

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by **/s/ Don Peterson** Title **FIELD MANAGER** Date **AUG 08 2008**

Conditions of approval, if any, are attached. Approval of this notice 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

Office **CARLSBAD FIELD OFFICE**

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(Instructions on page 2)



COG Operating

Eddy County, NM (NAN27 NME)

Folk Federal #5

Folk Federal #5

OH

Plan: Plan #1 - 7 7/8" Hole

Standard Planning Report

06 June, 2008



Scientific Drilling

Planning Report



Database: EDM 2003 16 Single User Db
Company: COG Operating
Project: Eddy County, NM (NAN27 NME)
Site: Folk Federal #5
Well: Folk Federal #5
Wellbore: OH
Design: Plan #1 - 7 7/8" Hole

Local Co-ordinate Reference: Well Folk Federal #5
TVD Reference: Ground Elev @ 3655 00ft (Rig ?)
MD Reference: Ground Elev @ 3655 00ft (Rig ?)
North Reference: Grd
Survey Calculation Method: Minimum Curvature

Project:	Eddy County, NM (NAN27 NME)		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site:	Folk Federal #5		
Site Position:		Northing:	668,755 300 ft
From:	Map	Easting:	570,432 500 ft
Position Uncertainty:	0 00 ft	Slot Radius:	"
		Latitude:	32° 50' 17 822 N
		Longitude:	104° 6' 14 462 W
		Grid Convergence:	0 12 °

Well:	Folk Federal #5		
Well Position	+N/-S	0 00 ft	Northing: 668,755 300 ft
	+E/-W	0 00 ft	Easting: 570,432 500 ft
Position Uncertainty	0 00 ft	Wellhead Elevation:	ft
		Latitude:	32° 50' 17 822 N
		Longitude:	104° 6' 14 462 W
		Ground Level:	3,655 00 ft

Wellbore:	OH		
Magnetics	Model Name	Sample Date	Declination
	IGRF200510	6/6/2008	8 23
			Dip Angle
			60 75
			Field Strength
			49,251

Design:	Plan #1 - 7 7/8" Hole		
Audit Notes:			
Version:	Phase:	PLAN	Tie On Depth: 0 00
Vertical Section:	Depth From (TVD)	+N/-S	+E/-W
	(ft)	(ft)	(ft)
	0 00	0 00	0 00
			Direction
			(°)
			179 90

Plan Sections										
Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)	TFO (°)	Target
0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	
1,892 00	0 00	0 00	1,892 00	0 00	0 00	0 00	0 00	0 00	0 00	
2,408 31	10 33	179 90	2,405 52	-46 40	0 08	2 00	2 00	0 00	179 90	
3,599 89	10 33	179 90	3,577 80	-259 99	0 45	0 00	0 00	0 00	0 00	
3,924 74	3 83	179 90	3,900 00	-300 00	0 52	2 00	-2 00	0 00	-180 00	3900' TVD
5,428 10	3 83	179 90	5,400 00	-400 40	0 70	0 00	0 00	0 00	0 00	PBHL-FF #5

Scientific Drilling

Planning Report



Database: EDM 2003 16 Single User Db
Company: COG Operating
Project: Eddy County, NM (NAN27 NME)
Site: Folk Federal #5
Well: Folk Federal #5
Wellbore: OH
Design: Plan #1 - 7 7/8" Hole

Local Co-ordinate Reference: Well Folk Federal #5
TVD Reference: Ground Elev @ 3655 00ft (Rig ?)
MD Reference: Ground Elev @ 3655 00ft (Rig ?)
North Reference: Grid
Survey Calculation Method: Minimum Curvature

Planned Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N-S (ft)	+E-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
850 00	0 00	0 00	850 00	0 00	0 00	0 00	0 00	0 00	0 00
8 5/8" Casing									
1,892 00	0 00	0 00	1,892 00	0 00	0 00	0 00	0 00	0 00	0 00
KOP Start Build 2.00°/100'									
1,900 00	0 16	179 90	1,900 00	-0 01	0 00	0 01	2 00	2 00	0 00
2,000 00	2 16	179 90	1,999 97	-2 04	0 00	2 04	2 00	2 00	0 00
2,100 00	4 16	179 90	2,099 82	-7 55	0 01	7 55	2 00	2 00	0 00
2,200 00	6 16	179 90	2,199 41	-16 54	0 03	16 54	2 00	2 00	0 00
2,300 00	8 16	179 90	2,298 62	-29 00	0 05	29 00	2 00	2 00	0 00
2,400 00	10 16	179 90	2,397 34	-44 92	0 08	44 92	2 00	2 00	0 00
2,408 31	10 33	179 90	2,405 52	-46 40	0 08	46 40	2 00	2 00	0 00
EOC hold 10.33°									
2,500 00	10 33	179 90	2,495 72	-62 84	0 11	62 84	0 00	0 00	0 00
2,600 00	10 33	179 90	2,594 10	-80 76	0 14	80 76	0 00	0 00	0 00
2,700 00	10 33	179 90	2,692 48	-98 69	0 17	98 69	0 00	0 00	0 00
2,707 63	10 33	179 90	2,699 99	-100 05	0 17	100 05	0 00	0 00	0 00
2700' TVD									
2,800 00	10 33	179 90	2,790 87	-116 61	0 20	116 61	0 00	0 00	0 00
2,900 00	10 33	179 90	2,889 25	-134 54	0 23	134 54	0 00	0 00	0 00
3,000 00	10 33	179 90	2,987 63	-152 46	0 27	152 46	0 00	0 00	0 00
3,100 00	10 33	179 90	3,086 01	-170 39	0 30	170 39	0 00	0 00	0 00
3,200 00	10 33	179 90	3,184 39	-188 31	0 33	188 31	0 00	0 00	0 00
3,300 00	10 33	179 90	3,282 77	-206 24	0 36	206 24	0 00	0 00	0 00
3,400 00	10 33	179 90	3,381 15	-224 16	0 39	224 16	0 00	0 00	0 00
3,500 00	10 33	179 90	3,479 53	-242 09	0 42	242 09	0 00	0 00	0 00
3,599 89	10 33	179 90	3,577 80	-259 99	0 45	259 99	0 00	0 00	0 00
Start drop 2.00°/100'									
3,600 00	10 33	179 90	3,577 91	-260 01	0 45	260 01	0 00	0 00	0 00
3,700 00	8 32	179 90	3,676 58	-276 21	0 48	276 22	2 00	-2 00	0 00
3,800 00	6 32	179 90	3,775 76	-288 96	0 50	288 96	2 00	-2 00	0 00
3,900 00	4 32	179 90	3,875 32	-298 24	0 52	298 24	2 00	-2 00	0 00
3,924 74	3 83	179 90	3,900 00	-300 00	0 52	300 00	2 00	-2 00	0 00
EOC hold 3.83° - 3900' TVD									
4,000 00	3 83	179 90	3,975 09	-305 03	0 53	305 03	0 00	0 00	0 00
4,100 00	3 83	179 90	4,074 87	-311 70	0 54	311 70	0 00	0 00	0 00
4,200 00	3 83	179 90	4,174 65	-318 38	0 56	318 38	0 00	0 00	0 00
4,300 00	3 83	179 90	4,274 42	-325 06	0 57	325 06	0 00	0 00	0 00
4,400 00	3 83	179 90	4,374 20	-331 74	0 58	331 74	0 00	0 00	0 00
4,500 00	3 83	179 90	4,473 98	-338 42	0 59	338 42	0 00	0 00	0 00
4,600 00	3 83	179 90	4,573 75	-345 10	0 60	345 10	0 00	0 00	0 00
4,700 00	3 83	179 90	4,673 53	-351 77	0 61	351 78	0 00	0 00	0 00
4,800 00	3 83	179 90	4,773 31	-358 45	0 63	358 45	0 00	0 00	0 00
4,900 00	3 83	179 90	4,873 08	-365 13	0 64	365 13	0 00	0 00	0 00
5,000 00	3 83	179 90	4,972 86	-371 81	0 65	371 81	0 00	0 00	0 00
5,100 00	3 83	179 90	5,072 64	-378 49	0 66	378 49	0 00	0 00	0 00
5,200 00	3 83	179 90	5,172 41	-385 17	0 67	385 17	0 00	0 00	0 00
5,300 00	3 83	179 90	5,272 19	-391 85	0 68	391 85	0 00	0 00	0 00
5,400 00	3 83	179 90	5,371 97	-398 52	0 70	398 52	0 00	0 00	0 00
5,428 10	3 83	179 90	5,400 00	-400 40	0 70	400 40	0 00	0 00	0 00
PBHL-FF #5									

Scientific Drilling

Planning Report



Database: EDM 2003 16 Single User Db
Company: COG Operating
Project: Eddy County, NM (NAN27 NME)
Site: Folk Federal #5
Well: Folk Federal #5
Wellbore: OH
Design: Plan #1 - 7 7/8" Hole

Local Co-ordinate Reference: Well Folk Federal #5
TVD Reference: Ground Elev @ 3655 00ft (Rig ?)
MD Reference: Ground Elev @ 3655 00ft (Rig ?)
North Reference: Grid
Survey Calculation Method: Minimum Curvature

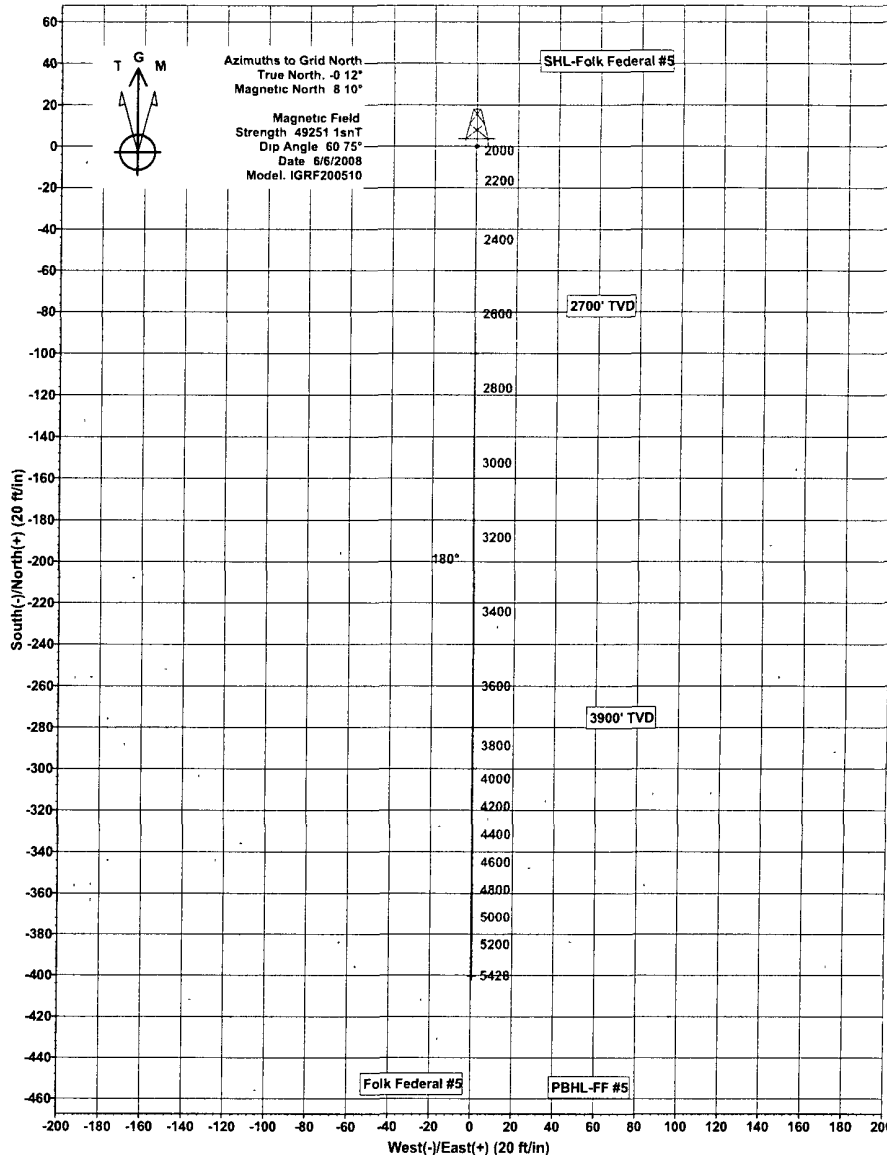
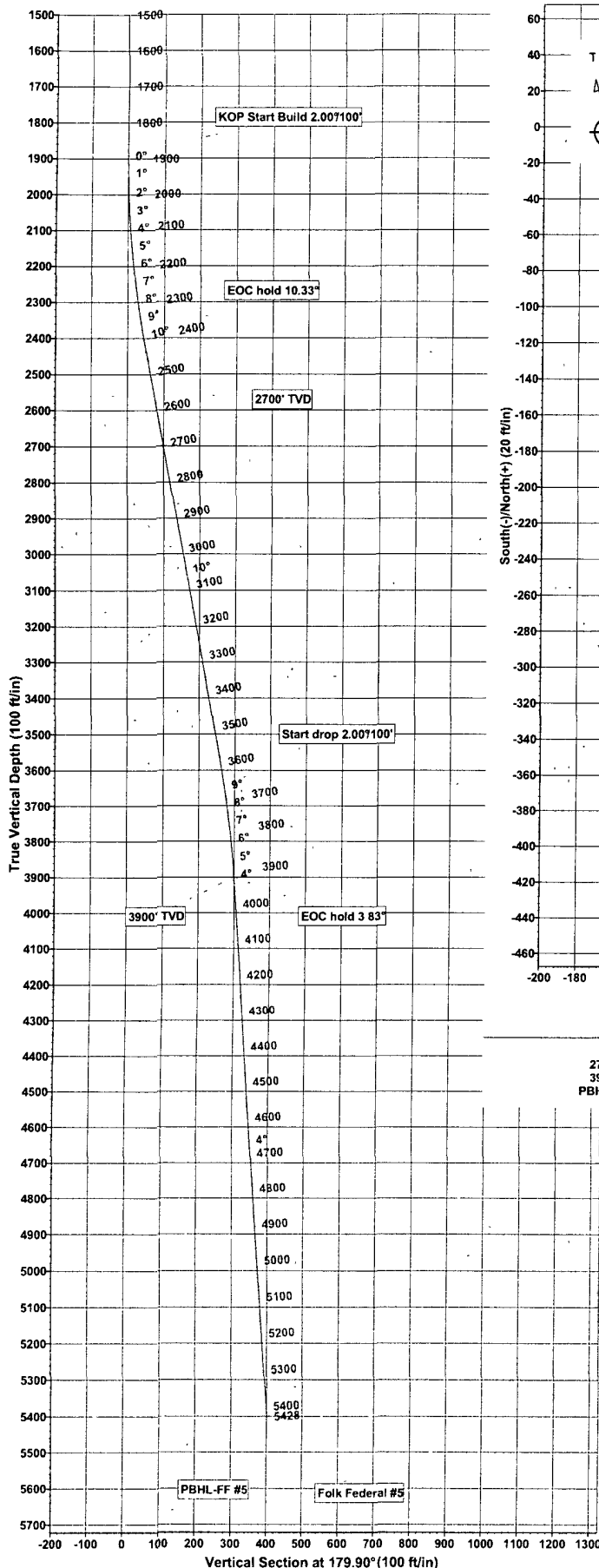
Targets									
Target Name	hit/miss target	Dip Angle	Dip Dir	TVD	+N/-S	+E/-W	Northing	Easting	
Shape		(°)	(°)	(ft)	(ft)	(ft)	(ft)	(ft)	
PBHL-FF #5	- plan hits target	0 00	0 00	5,400 00	-400 40	0 70	668,354 900	570,433 200	
	- Point								
3900' TVD	- plan hits target	0 00	0 00	3,900 00	-300 00	0 52	668,455 300	570,433 024	
	- Point								
2700' TVD	- plan hits target	0 00	0 00	2,700 00	-100 00	0 17	668,655 300	570,432 675	
	- Point								

Casing Points				
Measured Depth	Vertical Depth	Name	Casing Diameter	Hole Diameter
(ft)	(ft)		(")	(")
850 00	850 00	8 5/8" Casing	8-5/8	10-5/8

Plan Annotations				
Measured Depth	Vertical Depth	Local Coordinates		Comment
(ft)	(ft)	+N/-S (ft)	+E/-W (ft)	
1,892 00	1,892 00	0 00	0 00	KOP Start Build 2 00°/100'
2,408 31	2,405 52	-46 40	0 08	EOC hold 10 33°
3,599 89	3,577 80	-259 99	0 45	Start drop 2 00°/100'
3,924 74	3,900 00	-300 00	0 52	EOC hold 3 83°

COG Operating

Scientific Drilling for COG Operating
Site: Eddy County, NM (NAN27 NME)
Well: Folk Federal #5
Wellbore: OH
Design: Plan #1 - 7 7/8" Hole



WELLBORE TARGET DETAILS (MAP CO-ORDINATES)

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
2700' TVD	2700.00	-100.00	0.17	668655 300	570432.675	32° 50' 16.833 N	104° 6' 14.463 W	Point
3900' TVD	3900.00	-300.00	0.52	668455 300	570433.024	32° 50' 14.854 N	104° 6' 14.464 W	Point
PBHL-FF #5	5400.00	-400.40	0.70	668354 900	570433.200	32° 50' 13.860 N	104° 6' 14.464 W	Point

AZIMUTH CORRECTIONS
ALL AZIMUTHS MUST BE CORRECTED TO GRID
GRID CORRECTIONS MUST BE APPLIED BEFORE PLOTTING
To convert a Magnetic Direction to a Grid Direction, Add 8.10°
To convert a True Direction to a Grid Direction, Subtract 0.12°

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2	1892.00	0.00	0.00	1892.00	0.00	0.00	0.00	0.00	0.00	
3	2408.31	10.33	179.90	2405.52	-46.40	0.08	2.00	179.90	46.40	
4	3599.89	10.33	179.90	3577.80	-259.99	0.45	0.00	0.00	259.99	
5	3924.74	3.83	179.90	3900.00	-300.00	0.52	2.00	-180.00	300.00	3900' TVD
6	5428.10	3.83	179.90	5400.00	-400.40	0.70	0.00	0.00	400.40	PBHL-FF #5

WELL DETAILS Folk Federal #5

Ground Level: 3655.00			
+N/-S	+E/-W	Northing	Easting
0.00	0.00	668755 300	570432.500
		Latitude	Longitude
		32° 50' 17.822 N	104° 6' 14.462 W

PROJECT DETAILS: Eddy County, NM (NAN27 NME) Plan, Plan #1 - 7 7/8" Hole (Folk Federal #5/OH)
Geodetic System: US State Plane 1927 (Exact solution) Created By: Julio Pina Date: 06-Jun-08
Datum: NAD 1927 (NADCON CONUS)
Ellipsoid: Clarke 1866 Checked: Date:
Zone: New Mexico East 3001 Reviewed: Date:
System Datum: Mean Sea Level Approved: Date:

State of New Mexico

DISTRICT I

1625 N FRENCH DR., BOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

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

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015- 36747	Pool Code 96610	Pool Name EMPIRE; YESO, EAST
Property Code 302495	Property Name FOLK FEDERAL	Well Number 5
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3655'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	17-S	29-E		1250	NORTH	330	WEST	EDDY

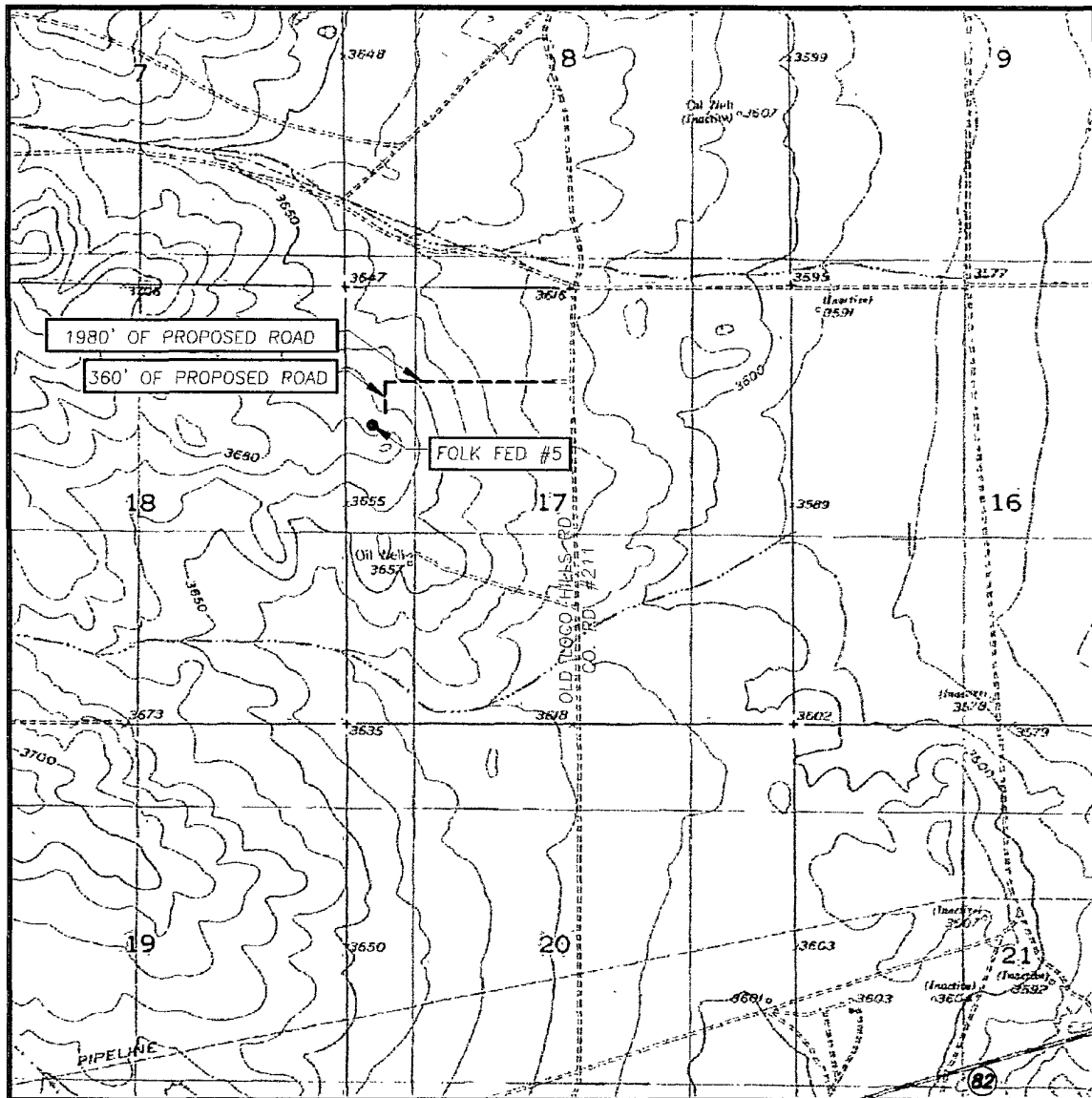
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	17	17-S	29-E		1650	NORTH	330	WEST	EDDY
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

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

	<p>DETAIL</p> <p>3655.6' 3643.9'</p> <p>600'</p> <p>600'</p> <p>3673.6' 3659.8'</p>	<p>OPERATOR CERTIFICATION</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>Phyllis A. Edwards</i> 5-13-08 Signature Date</p> <p>Phyllis A. Edwards Printed Name</p> <p>Regulatory Analyst</p>
<p>BOTTOM HOLE LOCATION Y=668354.9 N X=570433.2 E</p>	<p>GEODETIC COORDINATES NAD 27 NME SURFACE LOCATION Y=668755.3 N X=570432.5 E</p> <p>LAT.=32 838284' N LONG.=104.104017' W</p>	<p>SURVEYOR CERTIFICATION</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>MARY G. EIDSON Date Surveyed: 5/6/08 REV: 5/6/08</p> <p>Signature: & Seal of Professional Surveyor 12641</p> <p><i>Mary G. Eidson</i> 5/07/08 0813.0713</p> <p>Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
RED LAKE SE, N.M. - 10'

SEC. 17 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

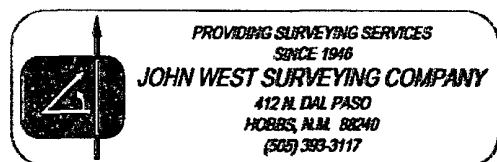
DESCRIPTION 1250' FNL & 330' FWL

ELEVATION 3663'

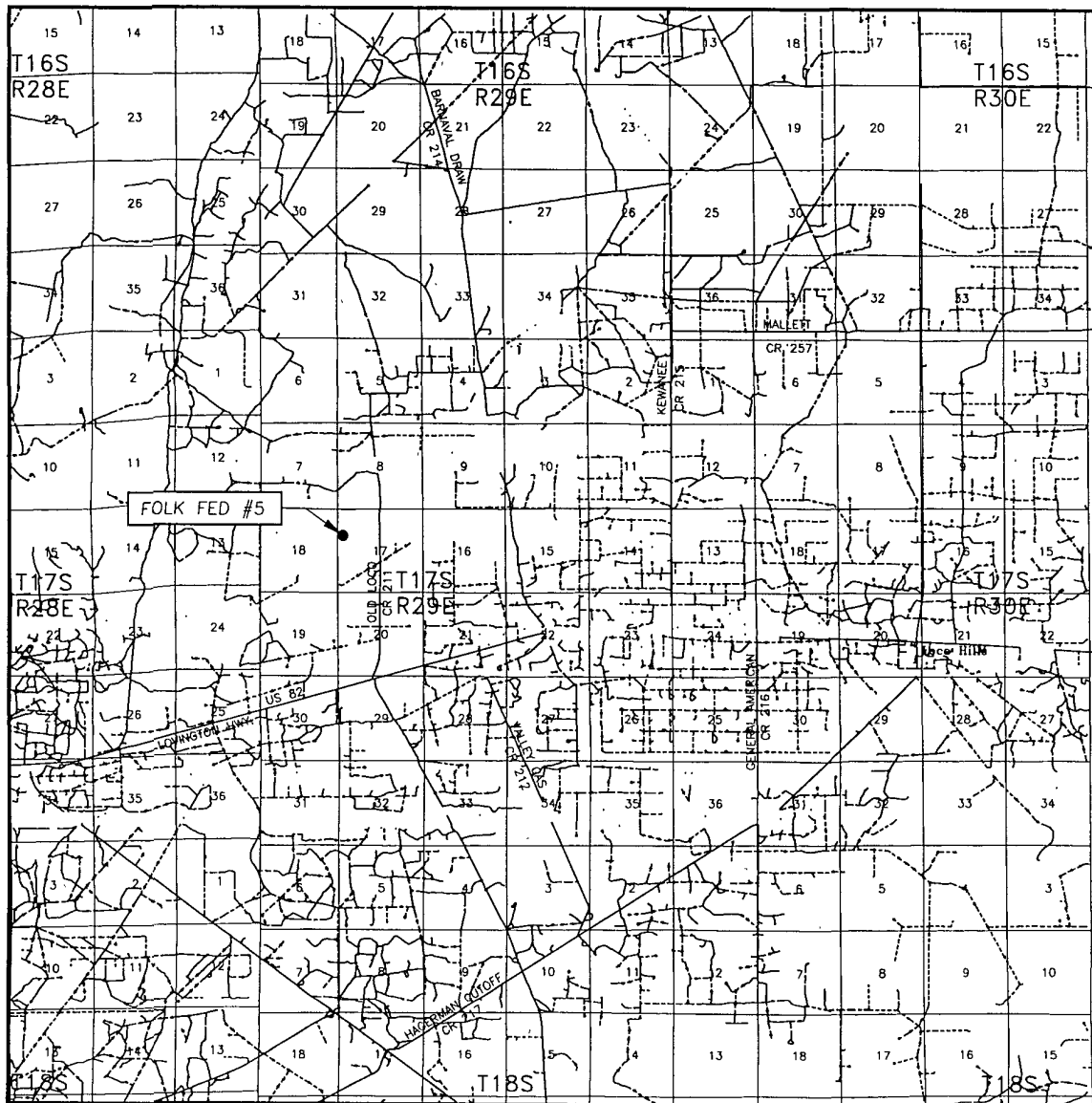
OPERATOR COG OPERATING, LLC

LEASE FOLK FED

U.S.G.S. TOPOGRAPHIC MAP
RED LAKE SE, N.M. •



VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 17 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

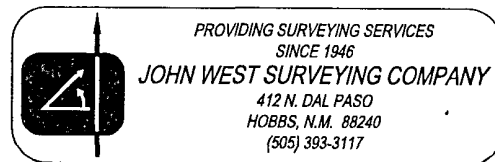
COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 1250 1650 FNL & 330' FWL

ELEVATION 3663'

OPERATOR COG OPERATING, LLC

LEASE FOLK FED



SECTION 17, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO

3669.3'

600'

1980'

3652.3'

150' NORTH
 OFFSET
 36"



360' OF PROPOSED RD.



600'

150' WEST
 OFFSET
 3668.4'

FOLK FED #5



150' EAST
 OFFSET
 3662.3'

600'

ELEV. 3662.7'
 LAT.=32.837183° N
 LONG.=104.104018° W



150' SOUTH
 OFFSET
 3667.9'

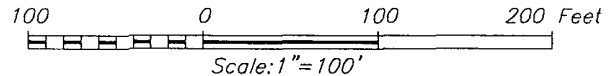
3680.2'

600'

3674.6'

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF US. HWY. #82 AND
 CO RD. #211 (OLD LOCO HILLS RD.), GO NORTH
 ON CO. RD. #211 APPROX. 1.9 MILES TO
 PROPOSED ROAD SURVEY. TURN LEFT AND GO
 WEST ON ROAD SURVEY APPROX. 0.35 MILES TO
 THIS LOCATION.

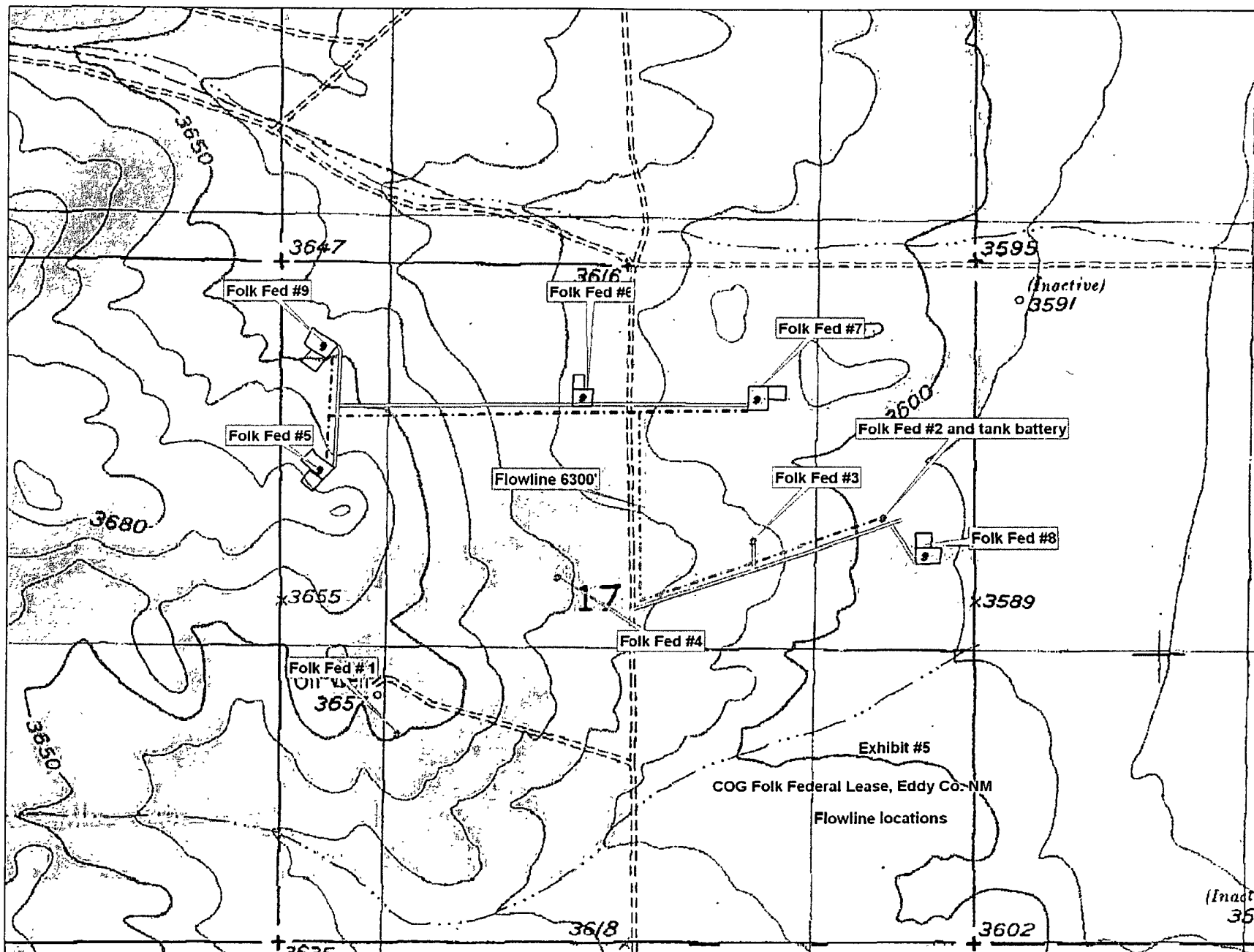


PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

COG OPERATING, LLC

OK 1252 FOLK FED #5 WELL
 LOCATED 1650 FEET FROM THE NORTH LINE
 AND 330 FEET FROM THE WEST LINE OF SECTION 17,
 TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 10/8/07	Sheet 1 of 1 Sheets
W.O. Number: 07.11.1374	Dr By: AR
Date: 11/6/07	Rev 1:N/A
Disk:	07111374
	Scale: 1"=100'



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 Scale: 1 : 12,000 Map Rotation: 0° Magnetic Declination: 9.1°E

900 ft

MASTER DRILLING PROGRAM

1. Geologic Name of Surface Formation

Quaternary

2. Estimated Tops of Important Geologic Markers:

Quaternary	Surface
Top of Salt	400'
Base of Salt	711'
Yates	750'
Seven Rivers	1030'
Queen	1650'
Grayburg	1850'
San Andres	2280'
Glorietta	3750'
Yeso	3930'

3. Estimated Depths of Anticipated Fresh Water, Oil and Gas

Water Sand	150'	Fresh Water
Grayburg	1850'	Oil/Gas
San Andres	2280'	Oil/Gas
Glorietta	3750'	Oil/Gas
Yeso	3930'	Oil/Gas

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 8-5/8" casing to 300' and circulating cement back to the surface will protect the surface fresh water sand. The Salt Section will be protected by circulating cement back to the surface and any shallower zones above TD, which contain commercial quantities of oil and/or gas, will have cement circulated across them by cementing 5-1/2" production casing back to surface, to be run at TD.

4. Casing Program

Hole Size	Interval	OD Casing	Weight	Grade	Jt., Condition	Jt.	burst/collapse/tension
12-1/4"	0-300'	8-5/8"	24#	J-55	New	ST&C	3.93/2.56/10.17
7-7/8"	0-T.D.	5 1/2"	17#	J-55	New	LT&C	1.88/1.731/2.42

5. Cement Program

8-5/8" Surface Casing: Class C, 350 sx, yield 1.32, back to surface.

5-1/2" Production Casing: Class C, 700 sx. Lead, yield 1.97, 400 sx
Tail, yield 1.37, back to surface.

6. Minimum Specifications for Pressure Control

The blowout preventer equipment (BOP) shown in Exhibit #9 will consist of a double ram-type (2000 psi WP) preventer. This unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top of 4 1/2" drill pipe rams on the bottom. The BOP will be nipped up on the 8 5/8" surface casing and tested to 2000 psi by a third party. Pipe rams will be operationally checked each 24-hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment (Exhibit #10) will include a Kelly cock and floor safety valve, choke lines and a choke manifold (Exhibit #11) will a 2000 psi WP rating.

7. Types and Characteristics of the Proposed Mud System

The well will be drilled to TD with a combination of brine, cut brine and polymer mud system. The applicable depths and properties of this system are as follows:

DEPTH	TYPE	WEIGHT	VISCOSITY	WATERLOSS
0-300'	Fresh Water	8.5	28	N.C.
300-TD'	Brine	10	30	N.C.

Sufficient mud materials will be kept at the well site to maintain mud properties and meet minimum lost circulation and weight increase requirements at all times.

8. Auxiliary Well Control and Monitoring Equipment

- A. Kelly cock will be kept in the drill string at all times.
- B. A full opening drill pipe-stabbing valve with proper drill pipe connections will be on the rig floor at all times.

9. Logging, Testing and Coring Program

- A. The electric logging program will consist of GR-Dual Laterolog, Spectral Density, Dual Spaced Neutron, CSNG Log and will be run from TD to Surface.
- B. Drill Stem test is not anticipated.
- C. No conventional coring is anticipated.
- D. Further testing procedures will be determined after the 5 ½" production casing has been cemented at TD, based on drill shows and log evaluation.

10. Abnormal Conditions, Pressure, Temperatures and Potential Hazards

No abnormal pressures or temperatures are anticipated. The estimated bottom hole at TD is 110 degrees and the estimated maximum bottom hole pressure is 2300 psig. Low levels of hydrogen sulfide have been monitored in producing wells in the area, so H₂S may be present while drilling the well. A Hydrogen Sulfide Drilling Operation Plan is attached to this program. No major loss of circulation zones has been reported in offsetting wells.

11. Anticipated Starting Date and Duration of Operations

Road and location work will not begin until approval has been received from the BLM. As this is a Master Drilling plan, please refer to the Form 3160-3 for the anticipated start date. Once commenced, drilling operations should be finished in approximately 10 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

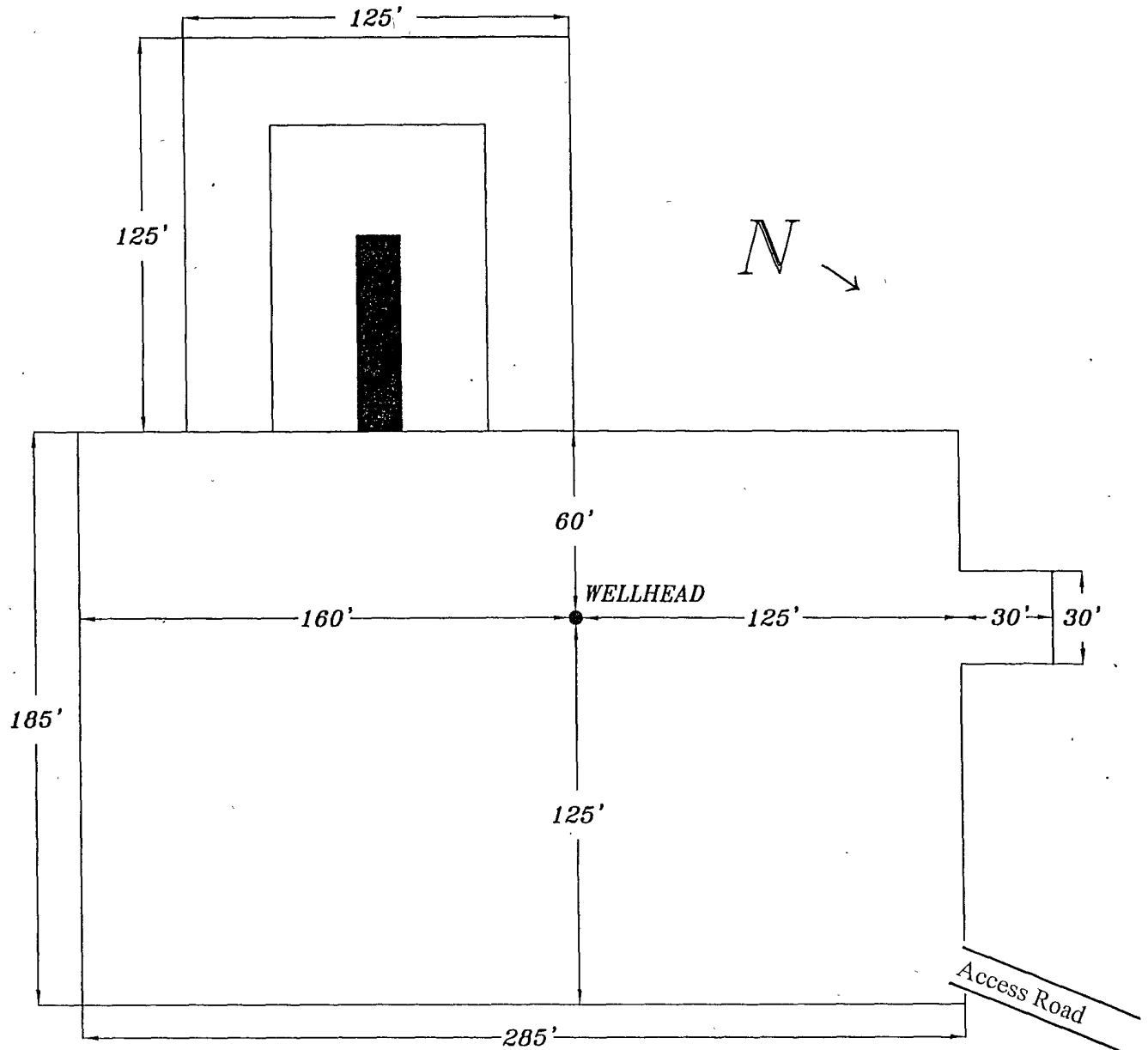


EXHIBIT #6

DATE:
9/14/07
OWN. BY:
JJ
FILE:
C:\COG\
PIT LAYOUT

COG OPERATING, LLC
RIG LAYOUT

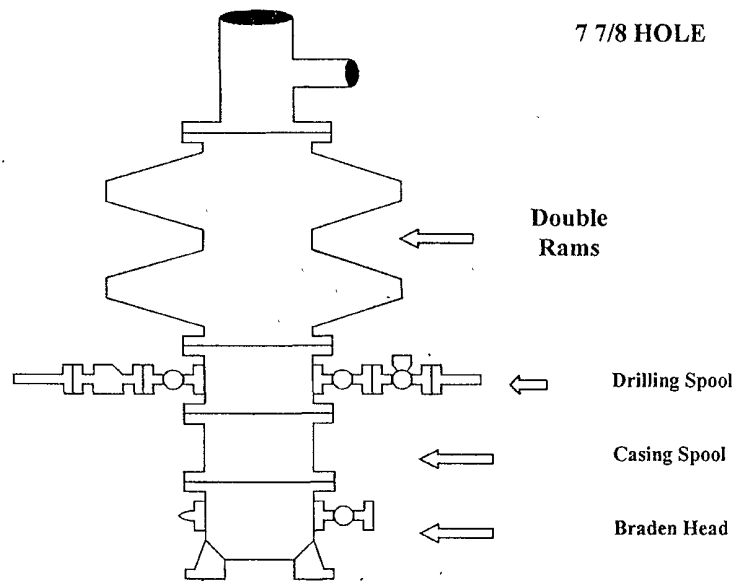
HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

NOT TO SCALE

COG Operating LLC

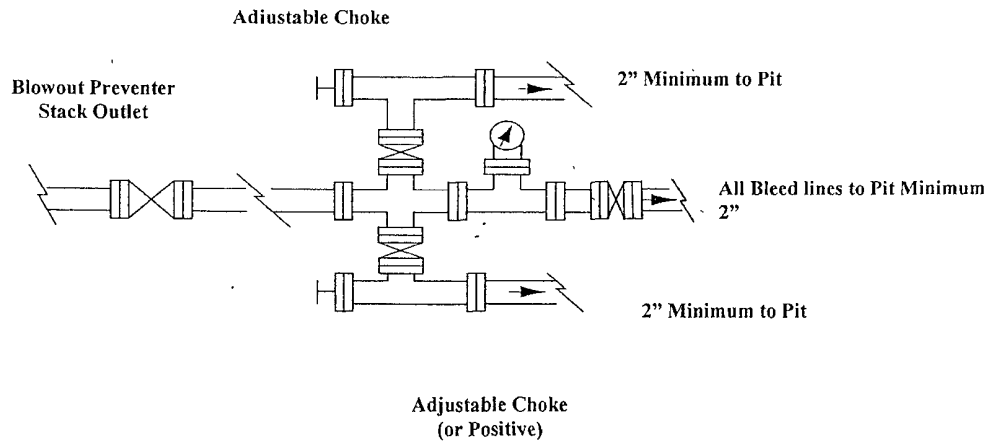
Exhibit #9

BOPE and Choke Schematic



Minimum 4" Nominal choke and kill lines

Choke Manifold Requirement (2000 psi WP)
No Annular Required



NOTES REGARDING THE BLOWOUT PREVENTERS
Master Drilling Plan
Eddy County, New Mexico

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.
2. Wear ring to be properly installed in head.
3. Blow out preventer and all fittings must be in good condition, 2000 psi WP minimum.
4. All fittings to be flanged.
5. Safety valve must be available on rig floor at all times with proper connections, valve to be full 2000 psi WP minimum.
6. All choke and fill lines to be securely anchored especially ends of choke lines.
7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.
8. Kelly cock on Kelly.
9. Extension wrenches and hands wheels to be properly installed.
10. Blow out preventer control to be located as close to driller's position as feasible.
11. Blow out preventer closing equipment to include minimum 40-gallon accumulator, two independent sources of pump power on each closing unit installation all API specifications.

COG Operating LLC

Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE 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 on 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. **The concentrations of H₂S of wells in this area from surface to TD are low enough that a contingency plan is not required.**

II. H2S SAFETY EQUIPMENT AND SYSTEMS

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.
- 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 & rotating head.

2. Protective equipment for essential personnel:

- A. Mark II Survive air 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S detection and monitoring equipment:

- A. 1 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.

4. Visual warning systems:

- A. Wind direction indicators as shown on well site diagram (Exhibit #8).
- B. Caution/Danger signs (Exhibit #7) shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

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 and lines, and valves shall be suitable for H₂S service.
- B. All elastomers used for packing and seals shall be H₂S trim.

7. Communication:

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

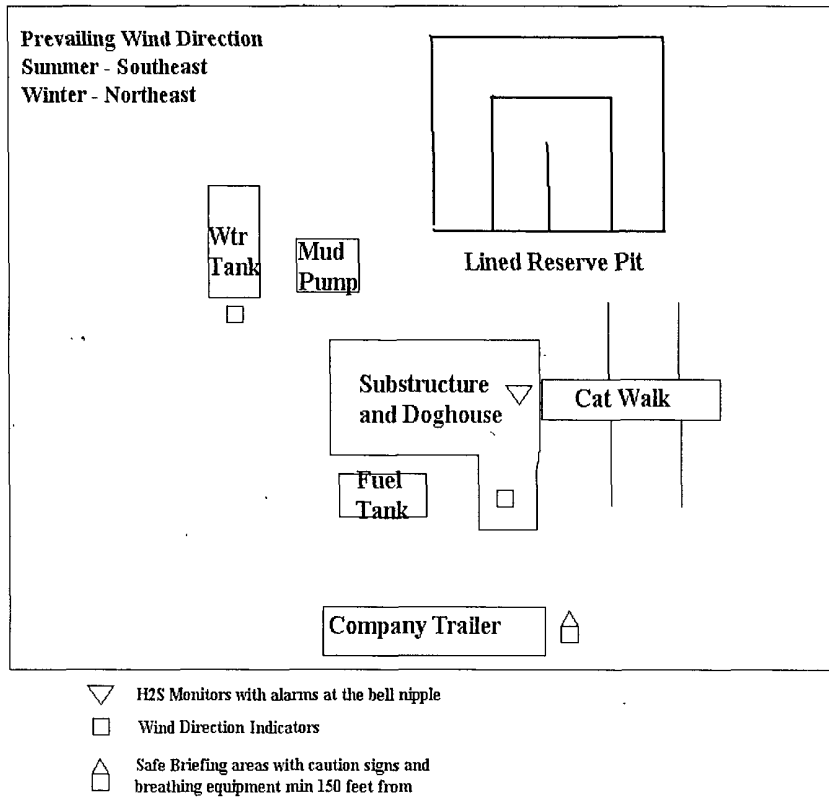
EXHIBIT #7

WARNING
YOU ARE ENTERING AN H₂S
AUTHORIZED PERSONNEL ONLY

- 1. BEARDS OR CONTACT LENSES NOT ALLOWED
- 2. HARD HATS REQUIRED
- 3. SMOKING IN DESIGNATED AREAS ONLY
- 4. BE WIND CONSCIOUS AT ALL TIMES
- 5. CHECK WITH COG OPERATING FOREMAN AT

COG OPERATING LLC
1-432-683-7443

DRILLING LOCATION H₂S SAFETY EQUIPMENT Exhibit # 8



SURFACE USE AND OPERATING PLAN

1. Existing & Proposed Access Roads

- A. The well site survey and elevation plat for the proposed well is shown in Exhibit #1. It was staked by John West Engineering, Hobbs, NM.
- B. All roads to the location are shown in the topographic map Exhibit #2. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. Directions to Location: From the intersection of U.S. Hwy. #82 and Co. Rd. #211 (Old Loco Hills Rd.) go north on Co. Rd. #211 approximately 1.9 miles to proposed road survey. Turn left and go west on road survey approximately 0.35 miles to this location. See Vicinity Map, Exhibit #3.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit #4 shows that the location and 2340' of new access road will be required at this time. The road will be constructed as follows:

- A. The maximum width of the running surface will be 14'. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit or reserve pit area.

3. Location of Existing Well:

Exhibit #5 shows all existing wells within a one-mile radius of this well. As shown on this plat there are numerous wells producing from the San Andres and Yeso formations.

4. Location of Existing and/or Proposed Facilities:

- A. COG Operating LLC does operate a production facility on this lease.
- B. If the well is productive, contemplated facilities will be as follows:
 - 1) Production will be sent to the Folk Federal tank battery located at the Folk Federal #2 well location. The facility location is shown in Exhibit #5.
 - 2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.
 - 3) Any additional caliche will be obtained from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
 - 4) Proposed flow lines, will follow an archaeologically approved route to the Folk Federal Tank Battery located at the Folk Fed. #2 well location. The flowline will be SDR 7 3" poly line laid on the surface and will be approximately 6300' in length.
 - 5) It will be necessary to run electric power if this well is productive. Power will be provided by CVE and they will submit a separate plan and ROW for service to the well location.
 - 6) If the well is productive, rehabilitation plans will include the following:
 - a) The reserve pit contents will be allowed to dry and the cuttings will then be removed and placed into lined burial trench located adjacent to the pit area.(within 120 days after completion, weather permitting)
 - b) Sampling of the reserve pit bottom will be performed if required by the NMOCD and submitted for approval for closure.
 - c) All pit plastic and other materials will be removed and disposed of in the cuttings trench or at an approved NMOCD disposal facility.
 - d) The reserve pit will then be backfilled.
 - e) The original topsoil from the well site will be returned to the location. And the site will be re-contoured to as close to possible to the original site.

5. Location and Type of Water Supply:

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown in Exhibit #2. If a commercial fresh water source is nearby, fast line may be laid along

existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and proposed new access road (approximately 3900 cubic yards) will be obtained from a BLM approved caliche pit or the reserve pit.

7. Methods of Handling Water Disposal:

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- B. Drilling fluids will be contained in a lined working pit. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit, approximately 125' X 125' X 10' deep with a wall dividing it into two horseshoe style pits and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal. The reserve pit will be lined (12-mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water.
- C. Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending on the rates). After the well is permanently placed on production, produced water will be collected in tanks (fiberglass) until pumped to an approved disposal system, produced oil will be collected in steel tanks until sold.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry the pit will be backfill and reseeded as per BLM specifications as weather permits. In the event of a dry hole only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by John West Engineering, is shown in Exhibit #4. Dimensions of the pad and pits are shown on Exhibit #6. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level no major cuts will be required.
- B. Exhibit #6 also shows the proposed orientation of reserve pit, working pit and access road. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.
- C. The reserve pit will be lined with high quality plastic sheeting (12 mil thickness).

10. Plans for Restoration of the Surface:

- A. Upon completion of the drilling and/or completion operations, if the well is found to be non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations in the area. The road will be reclaimed as directed by the BLM. The reserve pit will be reclaimed as described in Section 4.6 above. The original top soil will again be returned to the pad and contoured, as close as possible, to the original topography. The pit will be closed to NMOCD compliance regulations.
- B. The pit lining material will be buried in the cuttings trench or hauled to an approved NMOCD disposal facility in order to return the location and road to their pristine nature. All pits will be filled and the location leveled, weather permitting, within 120 days after abandonment.
- C. The location and road will be rehabilitated as recommended by the BLM.
- D. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time that the rig is removed, the reserve pit will be fenced on the rig (fourth) side to prevent livestock from being entrapped. The fencing will remain in place until the pit area is cleaned up and leveled. No oil will be left on the surface of the fluid in the pit.
- E. Upon completion of proposed operations, if the well is completed, the reserve pit area will be closed as outlined in Section 4.6 above within the same prescribed time. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drill site will be used to re-contour the pit area to its original natural level and reseeded, as per BLM specifications.

11. Surface Ownership:

- A. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. The surface tenant for this site is Bogel Farms, Lewis Derrick, PO Box 441, Artesia NM.
- C. The proposed road routes and surface location will be restored as directed by the BLM.

12. Other Information:

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within 2 miles of this location.
- D. A Cultural Resources Examination is being prepared by Southern New Mexico Archaeological Services, Inc. P.O. Box 1, Bent New Mexico, 88314, phone # 505-671-4797 and the results will be forwarded to your office in the near future.

13. Bond Coverage:

Bond Coverage is Nationwide Bond # 000215

14. Lessee's and Operator's Representative:

The COG Operating LLC representative responsible for assuring compliance with the surface use plan is as follows:

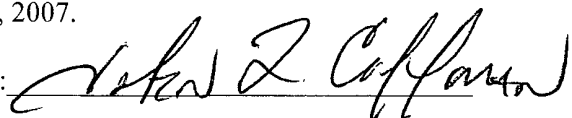
John Coffman,
Drilling Superintendent
COG Operating LLC
550 W. Texas, Suite 1300
Midland, TX 79701
Phone (432) 683-7443 (office)
(432) 631-9762 (cell)

Erick Nelson.
Division Operations Manager
COG Operating LLC
550 W. Texas, Suite 1300
Midland, TX 79701
Phone (505) 746-2210 (office)
(432) 238-7591 (cell)

BD 1250
Surface Use Plan
COG Operating, LLC
Folk Federal #5
1650' FNL & 330' FWL
Section 17 E, T-17-S, R-29-E
Eddy County, New Mexico

I hereby certify that I, or persons under my direct supervision, have inspected the 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 COG Operating, LLC, 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. Executed this 8th day of November, 2007.

Signed:



Printed Name: John Coffman

Position: Drilling Superintendent

Address: 550 W. Texas, Suite 1300, Midland, Texas 79701

Telephone: (432) 683-7443

Field Representative (if not above signatory): Same

Address (if different from above):

Telephone (if different from above):

E-mail: JCOffman@conchoresources.com

Exhibits:

- | | |
|--------------------|---|
| Exhibit #1 | Wellsite and Elevation Plat
Form C-102 Well location and acreage dedication plat |
| Exhibit #2 | Topographic Map (West) |
| Exhibit #3 | Vicinity Map and area roads |
| Exhibit #4 | Elevation Plat (West) |
| Exhibit #5 | Topographic extract showing wells, roads and flowlines |
| Exhibit #6 | Pad Layout and orientation |
| Exhibit #7 | H2S Signage |
| Exhibit #8 | H2S Equipment location |
| Exhibit #9 | BOP and Choke diagrams |
| Exhibit #10 | BOP Requirements |
| Exhibit #11 | Minimum Choke Manifold Requirements |
| Exhibit #12 | Form C-144 NMOCD pit permit application |

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	COG OPERATING LLC
LEASE NO.:	NM-0397623
WELL NAME & NO.:	FOLK FEDERAL NO. 5
SURFACE HOLE FOOTAGE:	1250' FNL & 330' FWL
BOTTOM HOLE FOOTAGE:	'FNL & FWL
LOCATION:	Section 17, T. 17 S., R 29 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**
- ☒ **Construction**
 - Notification
 - Topsoil
 - Reserve Pit
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
- ☒ **Production (Post Drilling)**
 - Well Structures & Facilities
 - Pipelines
- ☐ **Reserve Pit Closure/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.

CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (505) 234-5972 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 stockpile the topsoil of the well pad. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. RESERVE PITS

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 125' X 125' on the Southwest side of the well pad V –Door Northwest.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 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. 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 thirty (30) 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.

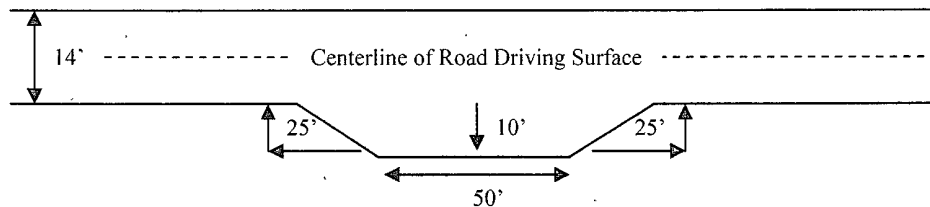
Ditching

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 be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

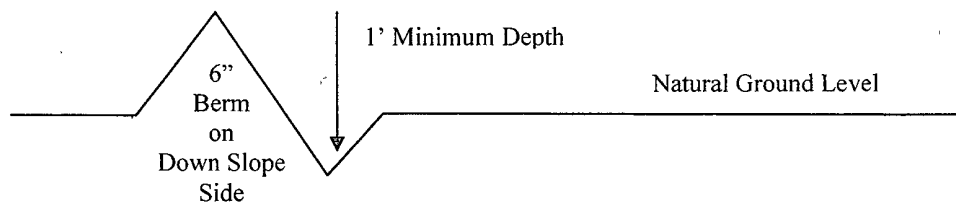


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, 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:

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

Culvert Installations

Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road 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 cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

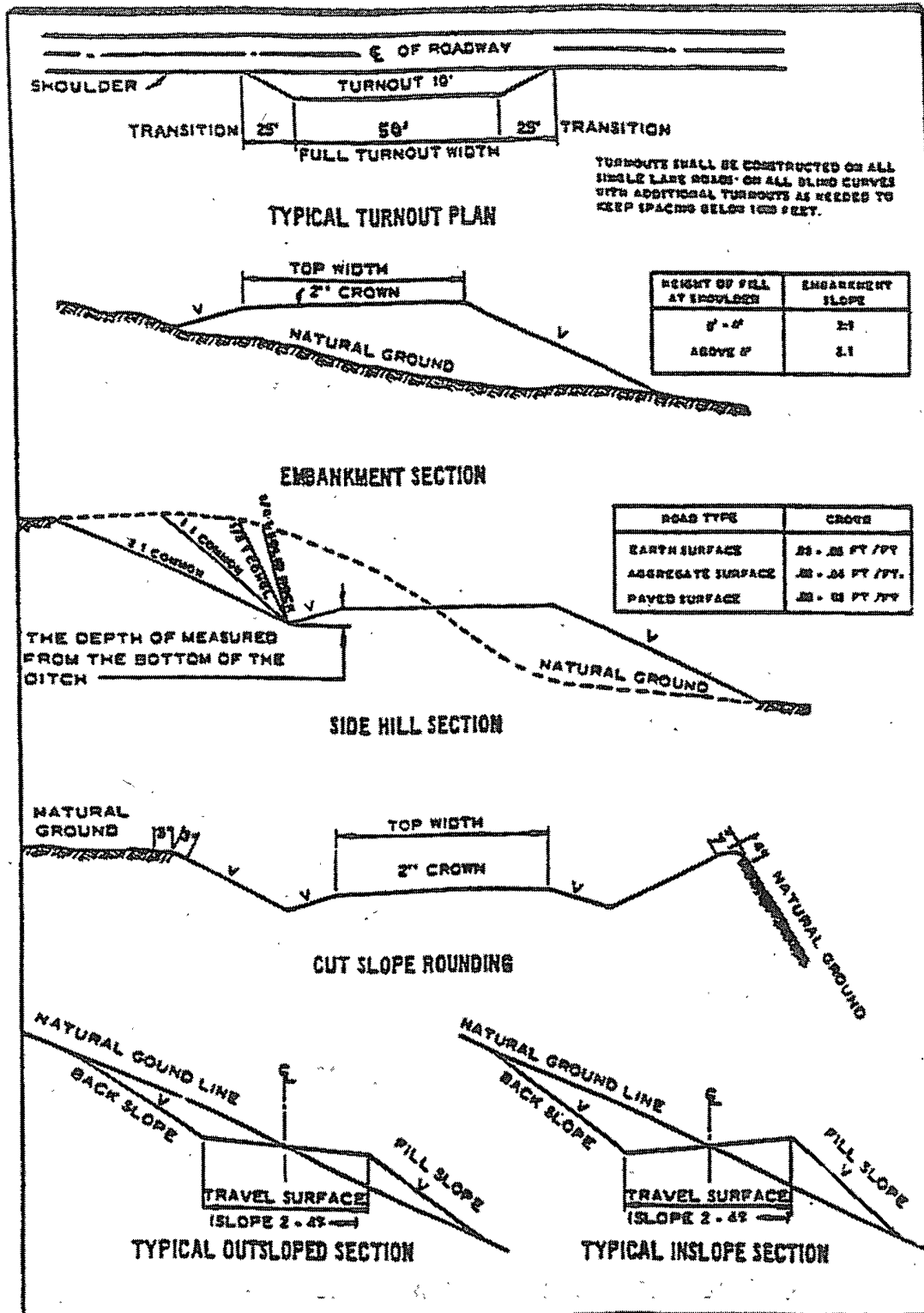
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Eddy County**

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

1. **Although Hydrogen Sulfide has not been reported in this section, it has been reported in the township to the east measuring 1600-10,000 ppm in gas streams from the Queen formation and below and 20-4000 ppm in STVs. Operator has attached a hydrogen sulfide drilling operation plan. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.**
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.

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

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

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. Lead slurry does not have to reach 500 pounds, but information still required to show compressive strength within 18-24 hours depending on water basin or potash. WOC for water basin or potash applies to entire wellbore.

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

**Possible lost circulation in the Grayburg and San Andres formations.
Possible water flows in the Salado and Artesia Groups.**

1. The **8-5/8 inch** surface casing shall be set **at approximately 300 feet (a minimum of 25 feet into the Rustler Anhydrite and 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time 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.
 - 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 action will be done prior to drilling out that string.
2. The minimum required fill of cement behind the **5-1/2 inch** production casing is:
 - ☒ Cement to surface. If cement does not circulate see B.1.a-d above.
3. 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. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. 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.

- d. 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.
- e. A variance to test the surface casing and BOP/BOPE (**entire system**) to the reduced pressure of **1000** psi with the rig pumps is approved.

D. DRILL STEM TEST

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

WWI 080508

VI. 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.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

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, Munsell Soil Color Chart # 5Y 4/2

B. PIPELINES

STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the 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 25 feet.

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.

(March 1989)

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting 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.

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions 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 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.

B. RESERVE PIT CLOSURE

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

Seed Mixture 1, for Loamy 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 regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (small/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 lovegrass (<i>Eragrostis intermedia</i>)	0.5
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.0
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
(Insert Seed Mixture Here)

X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.