

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMLC-028784RC
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. NMNM - 88525X
3a. Address 550 W. Texas Ave., Suite 1300 Midland, TX 79701	3b. Phone No. (include area code) 432-685-4384	8. Lease Name and Well No. BURCH KEELY UNIT #636
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 10' FSL & 2299 FEL, Unit O At proposed prod. zone 10' FSL & 2640 FEL, Unit O		9. API Well No. 30-015-38558
14. Distance in miles and direction from nearest town or post office* 2 miles from Loco Hills, NM		10. Field and Pool, or Exploratory Grayburg Jackson; SR-Q-Grbg-SA/JR
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 10'		11. Sec., T. R. M. or Blk. and Survey or Area Sec 24 T17S R29E
16. No. of acres in lease 1264.52		12. County or Parish EDDY
17. Spacing Unit dedicated to this well 40		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 330'		20. BLM/BIA Bond No. on file NMB000215
19. Proposed Depth 4800' TVD: 5122' MD		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3598' GL
22. Approximate date work will start* 01/31/2011		23. Estimated duration 15 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 	Name (Printed/Typed) Kelly J. Holly	Date 11/11/2010
Title Permitting Tech		

Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed)	Date FEB 24 2011
Title FIELD MANAGER		Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

*(Instructions on page 2)

Roswell Controlled Water Basin

RECEIVED
 FEB 28 2011
 NMOCD ARTESIA

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

MASTER DRILLING PROGRAM

1. Geologic Name of Surface Formation

Quaternary

2. Estimated Tops of Important Geologic Markers:

Quaternary	Surface
Rustler	220'
Salt	360'
Base of Salt	780'
Yates	950'
Seven Rivers	1235'
Queen	1845'
Grayburg	2220'
San Andres	2540'
Glorieta	4000'
Paddock	4075'
Blinbry	4620'
Tubb	5520'

Bureau of Land Management
 RECEIVED
 FEB 04 2011
 Carlsbad Field Office
 Carlsbad, NM

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

Water Sand	150'	Fresh Water
Grayburg	2150'	Oil/Gas
San Andres	2450'	Oil/Gas
Glorieta	3900'	Oil/Gas
Paddock	4075'	Oil/Gas
Blinbry	4620'	Oil/Gas
Tubb	5520'	Oil/Gas

see COA

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 13 3/8" casing to 300' and circulating cement back to the surface will protect the surface fresh water sand. The Salt Section will be protected by setting 8 5/8" casing to 850' and circulating cement, in a single or multi-stage job and/or with an ECP, back to the surface. Any shallower zones above TD, which contain commercial quantities of oil and/or gas, will have cement circulated across them. This will be achieved by cementing, with a single or multi-stage job, the 5 1/2" production casing back 200' into the intermediate casing, to be run at TD. If wellbore conditions arise that require immediate action and/or a change to this program, COG Operating LLC personnel will always react to protect the wellbore and/or environment.

see COA

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-40orJ-55	ST&C/New	ST&C	9.22/3.943/15.8
11" <i>See COA</i>	0-850'	8 5/8"	24or32#	J-55	ST&C/New	ST&C	3.03/2.029/7.82
7 7/8"	0-TD	5 1/2"	15.5or17#	J-55orL-80	LT&C/New	LT&C	1.88/1.731/2.42

5. Cement Program

13 3/8" Surface Casing:

Class C w/ 2% CaCl₂ + 0.25 pps CF, 400 sx, yield 1.32, back to surface. 154% excess

8 5/8" Intermediate Casing:

11" Hole:

Single Stage: 50:50:10 C:Poz:Gel w/ 5% Salt +0.25% CF, 300 sx lead, yield-2.45 + Class C w/2% CaCl₂, 200 sx tail, yield-1.32, back to surface. 363% excess

Multi-Stage: Stage 1: Class C w/2% CaCl₂, 200 sx, yield - 1.32; 108% excess
 Stage 2: 50:50:10 C:Poz:Gel w/ 5% Salt +0.25% CF, 300 sx, yield - 2.45, back to surface, 726% excess; assumption for tool is lost circulation. Multi stage tool to be set at approximately, depending on hole conditions, 350' (50' below the surface casing). Cement volumes will be adjusted proportionately for depth changes of multi stage tool.

5 1/2" Production Casing:

Single Stage: LEAD 500 sx 35:65:6 C:Poz:Gel w/ 5% Salt + 5 pps LCM + 0.2% SMS + 0.3% FL-52A + 0.125 pps CF, yield-2.05; + TAIL 400 sx 50:50:2 C:Poz:Gel w/ 5% Salt + 3 pps LCM + 0.6% SMS + 1% FL-25 + 1% BA-58 + 0.3% FL-52A + 0.125 pps CF, yield-1.37, to 200' minimum tie back to intermediate casing. 106% open hole excess, cement calculated back to surface.

Multi-Stage: Stage 1: (Assumed TD of 4800') 500 sx 50:50:2 C:Poz:Gel w/ 5% Salt + 3 pps LCM + 0.6% SMS + 1% FL-25 + 1% BA-58 + 0.3% FL-52A + 0.125 pps CF, yield - 1.37, 72% excess; Stage 2: LEAD

450 sx 50:50:2 C:Poz:Gel w/ 5% Salt + 3 pps LCM + 0.6% SMS + 1% FL-25 + 1% BA-58 + 0.3% FL-52A + 0.125 pps CF, yield - 1.37, + TAIL 250 sx Class C w/ 0.3% R-3 + 1.5% CD-32, yield - 1.02 148% open hole excess, cement calculated back to surface. Multi stage tool to be set at approximately, depending on hole conditions, 2500'. Cement volumes will be adjusted proportionately for depth changes of multi stage tool, assumption for tool is water flow.

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, and in some cases possibly a 2000 psi Hydril type annular preventer as provided for in Onshore Order #2. 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. A 13-5/8" or 11" BOP will be used, depending on the rig selected, during the drilling of the well. The BOP will be nipped up on the 13 3/8" surface casing with BOP equipment and tested to 2000 psi. When 11" BOP is used the special drilling flange will be utilized on the 13-3/8" head to allow testing the BOP with a retrievable test plug. After setting 8-5/8" 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. 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) with a 2000 psi WP rating.

The majority of the rigs currently in use have a 13-5/8" BOP, so no special provision is needed for most wells in the area for conventionally testing the BOP with a test plug. However, due to the vagaries of rig scheduling, it might be that one of the few rigs with 11" BOP's might be called upon to drill any specific well in the area. Note that intermediate hole size is always 11". Therefore, COG Operating LLC respectfully requests a variance to the requirement of 13-5/8" BOP on 13-3/8" casing. When that circumstance is encountered the special flange will be utilized to allow testing the entire BOP with a test plug, without subjecting the casing to test pressure. The special flange also allows the return to full-open capability if desired.

See
COA

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' 950'	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.

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 *See COA*

- 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 1/2" 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. Measurable gas volumes or Hydrogen Sulfide levels have not been encountered during drilling operations in this area, although 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

*COG Operating LLC
Master Drilling Plan
Grayburg Jackson; SR-Q-Grbg-SA
Use for Sections 6-30, T17S, R29E
Eddy County, NM*

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.



COG Operating LLC

Eddy County, NM (NAN27 NME)

Burch Keely Unit #636

Burch Keely Unit #636

OH

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

SHL = 10' FSL & 2299' FEL

BHL = 10' FSL & 2640' FEL

Top of Paddock = 10' FSL & 2640' FEL @ 4000' TVD

Standard Planning Report

05 January, 2011



Scientific Drilling
Directional Drilling Operations



Scientific Drilling
Planning Report



Database:	EDM-Julio	Local Co-ordinate Reference:	Site Burch Keely Unit #636
Company:	COG Operating LLC	TVD Reference:	GL Elev. @ 3598.00usft
Project:	Eddy County, NM (NAN27 NME)	MD Reference:	GL Elev. @ 3598.00usft
Site:	Burch Keely Unit #636	North Reference:	Grid
Well:	Burch Keely Unit #636	Survey Calculation Method:	Minimum Curvature
Wellbore:	OH		
Design:	Plan #1 7-7/8" Hole		

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	Burch Keely Unit #636				
Site Position:		Northing:	659,507.20 usft	Latitude:	32° 48' 45.712 N
From:	Map	Easting:	594,231.10 usft	Longitude:	104° 1' 35.837 W
Position Uncertainty:	0.00 usft	Slot Radius:	13-3/16 "	Grid Convergence:	0.17 °

Well	Burch Keely Unit #636					
Well Position	+N/-S	0.00 usft	Northing:	659,507.20 usft	Latitude:	32° 48' 45.712 N
	+E/-W	0.00 usft	Easting:	594,231.10 usft	Longitude:	104° 1' 35.837 W
Position Uncertainty		0.00 usft	Wellhead Elevation:		Ground Level:	3,598.00 usft

Wellbore	OH				
Magnetics	Model Name	Sample Date	Declination	Dip Angle	Field Strength
	IGRF2010	2011/01/05	(°)	(°)	(nT)
			7.89	60.66	48,963

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	Direction
	(usft)	(usft)	(usft)	(°)
	0.00	0.00	0.00	269.83

Plan Sections										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	TFO (°)	Target
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1,150.00	0.00	0.00	1,150.00	0.00	0.00	0.00	0.00	0.00	0.00	
1,545.31	7.91	269.83	1,544.06	-0.08	-27.23	2.00	2.00	0.00	269.83	
3,626.98	7.91	269.83	3,605.94	-0.92	-313.57	0.00	0.00	0.00	0.00	
4,022.29	0.00	0.00	4,000.00	-1.00	-340.80	2.00	-2.00	0.00	180.00	TG1-BK #636
4,822.29	0.00	0.00	4,800.00	-1.00	-340.80	0.00	0.00	0.00	0.00	PBHL-BK #636



Scientific Drilling
Planning Report

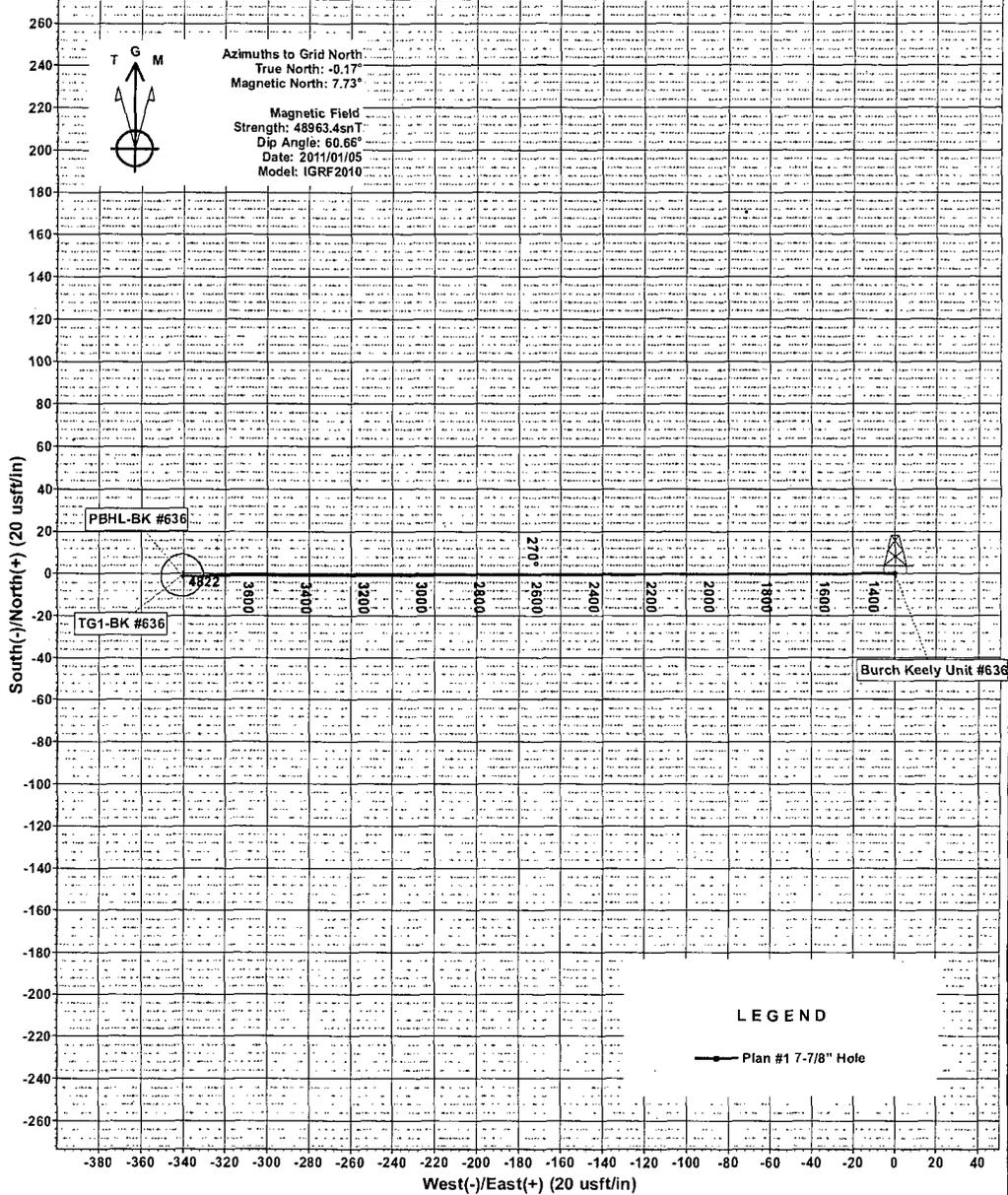
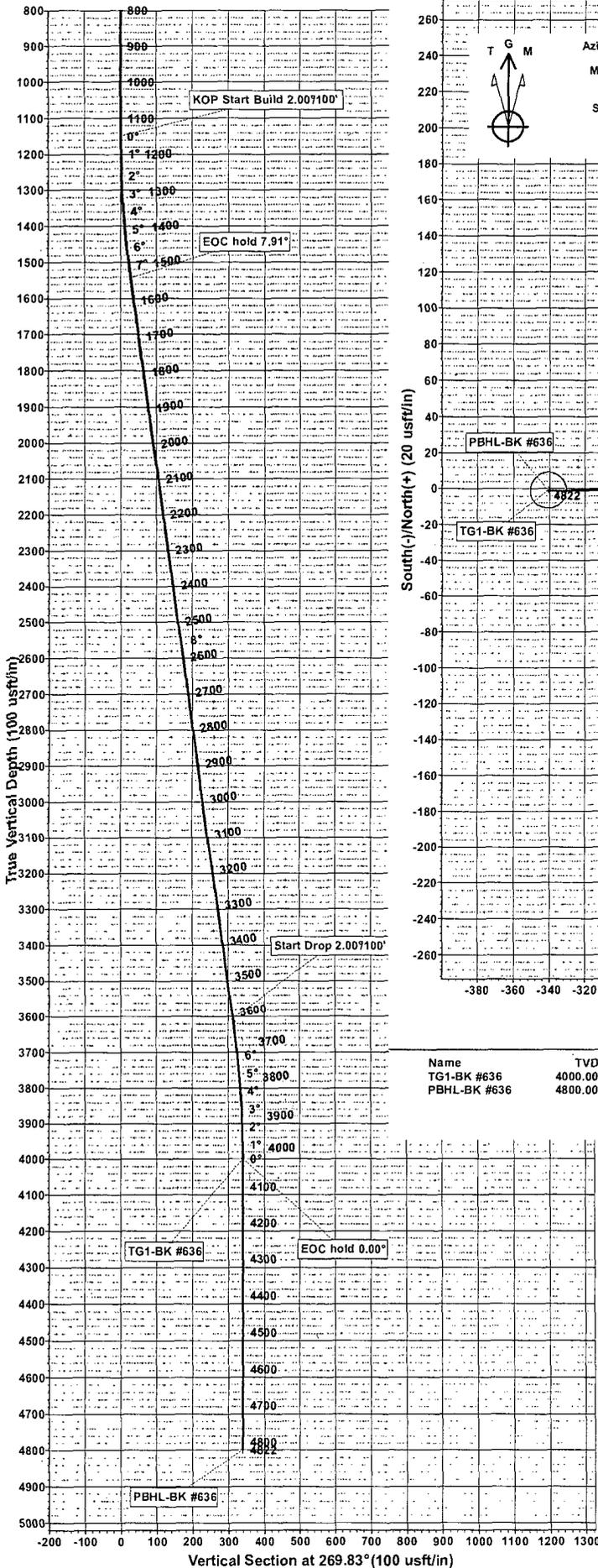


Database:	EDM-Julio	Local Co-ordinate Reference:	Site Burch Keely Unit #636
Company:	COG Operating LLC	TVD Reference:	GL Elev. @ 3598.00usft
Project:	Eddy County, NM (NAN27 NME)	MD Reference:	GL Elev. @ 3598.00usft
Site:	Burch Keely Unit #636	North Reference:	Grid
Well:	Burch Keely Unit #636	Survey Calculation Method:	Minimum Curvature
Wellbore:	OH		
Design:	Plan #1 7-7/8" Hole		

Planned Survey										
Measured Depth (usft)	Inclination (°)	Azimuth (°)	Vertical Depth (usft)	+N/-S (usft)	+E/-W (usft)	Vertical Section (usft)	Dogleg Rate (°/100usft)	Build Rate (°/100usft)	Turn Rate (°/100usft)	
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1,050.00	0.00	0.00	1,050.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8-5/8" Casing										
1,150.00	0.00	0.00	1,150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KOP Start Build 2.00°/100'										
1,200.00	1.00	269.83	1,200.00	0.00	-0.44	0.44	2.00	2.00	2.00	0.00
1,300.00	3.00	269.83	1,299.93	-0.01	-3.93	3.93	2.00	2.00	2.00	0.00
1,400.00	5.00	269.83	1,399.68	-0.03	-10.90	10.90	2.00	2.00	2.00	0.00
1,500.00	7.00	269.83	1,499.13	-0.06	-21.35	21.35	2.00	2.00	2.00	0.00
1,545.31	7.91	269.83	1,544.06	-0.08	-27.23	27.23	2.00	2.00	2.00	0.00
EOC hold 7.91°										
1,600.00	7.91	269.83	1,598.23	-0.10	-34.75	34.75	0.00	0.00	0.00	0.00
1,700.00	7.91	269.83	1,697.28	-0.14	-48.51	48.51	0.00	0.00	0.00	0.00
1,800.00	7.91	269.83	1,796.33	-0.18	-62.26	62.26	0.00	0.00	0.00	0.00
1,900.00	7.91	269.83	1,895.38	-0.22	-76.02	76.02	0.00	0.00	0.00	0.00
2,000.00	7.91	269.83	1,994.42	-0.26	-89.77	89.77	0.00	0.00	0.00	0.00
2,100.00	7.91	269.83	2,093.47	-0.30	-103.53	103.53	0.00	0.00	0.00	0.00
2,200.00	7.91	269.83	2,192.52	-0.34	-117.28	117.29	0.00	0.00	0.00	0.00
2,300.00	7.91	269.83	2,291.57	-0.38	-131.04	131.04	0.00	0.00	0.00	0.00
2,400.00	7.91	269.83	2,390.62	-0.42	-144.80	144.80	0.00	0.00	0.00	0.00
2,500.00	7.91	269.83	2,489.67	-0.47	-158.55	158.55	0.00	0.00	0.00	0.00
2,600.00	7.91	269.83	2,588.72	-0.51	-172.31	172.31	0.00	0.00	0.00	0.00
2,700.00	7.91	269.83	2,687.77	-0.55	-186.06	186.06	0.00	0.00	0.00	0.00
2,800.00	7.91	269.83	2,786.82	-0.59	-199.82	199.82	0.00	0.00	0.00	0.00
2,900.00	7.91	269.83	2,885.87	-0.63	-213.57	213.57	0.00	0.00	0.00	0.00
3,000.00	7.91	269.83	2,984.92	-0.67	-227.33	227.33	0.00	0.00	0.00	0.00
3,100.00	7.91	269.83	3,083.97	-0.71	-241.08	241.08	0.00	0.00	0.00	0.00
3,200.00	7.91	269.83	3,183.02	-0.75	-254.84	254.84	0.00	0.00	0.00	0.00
3,300.00	7.91	269.83	3,282.07	-0.79	-268.59	268.59	0.00	0.00	0.00	0.00
3,400.00	7.91	269.83	3,381.12	-0.83	-282.35	282.35	0.00	0.00	0.00	0.00
3,500.00	7.91	269.83	3,480.17	-0.87	-296.10	296.10	0.00	0.00	0.00	0.00
3,600.00	7.91	269.83	3,579.22	-0.91	-309.86	309.86	0.00	0.00	0.00	0.00
3,626.98	7.91	269.83	3,605.94	-0.92	-313.57	313.57	0.00	0.00	0.00	0.00
Start Drop 2.00°/100'										
3,700.00	6.45	269.83	3,678.39	-0.95	-322.69	322.69	2.00	-2.00	2.00	0.00
3,800.00	4.45	269.83	3,777.93	-0.97	-332.18	332.18	2.00	-2.00	2.00	0.00
3,900.00	2.45	269.83	3,877.74	-0.99	-338.19	338.19	2.00	-2.00	2.00	0.00
4,000.00	0.45	269.83	3,977.71	-1.00	-340.71	340.71	2.00	-2.00	2.00	0.00
4,022.29	0.00	269.83	4,000.00	-1.00	-340.80	340.80	2.00	-2.00	2.00	0.00
EOC hold 0.00° - TG1-BK #636										
4,822.29	0.00	0.00	4,800.00	-1.00	-340.80	340.80	0.00	0.00	0.00	0.00
PBHL-BK #636										



Scientific Drilling for COG Operating LLC
 Site: Eddy County, NM (NAN27 NME)
 Well: Burch Keely Unit #636
 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
TG1-BK #636	4000.00	-1.00	-340.80	659506.20	593890.30	32° 48' 45.712 N	104° 1' 39.830 W	Point
PBHL-BK #636	4800.00	-1.00	-340.80	659506.20	593890.30	32° 48' 45.712 N	104° 1' 39.830 W	Circle (Radius: 10.00)

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	Ddeg	TFace	Vsect	Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2	1150.00	0.00	0.00	1150.00	0.00	0.00	0.00	0.00	0.00	
3	31545.31	7.91	269.83	1544.06	-0.08	-27.23	2.00	269.83	27.23	
4	34626.98	7.91	269.83	3605.94	-0.92	-313.57	0.00	0.00	313.57	TG1-BK #636
5	4022.29	0.00	0.00	4000.00	-1.00	-340.80	2.00	180.00	340.80	PBHL-BK #636
6	4822.29	0.00	0.00	4800.00	-1.00	-340.80	0.00	0.00	340.80	PBHL-BK #636

WELL DETAILS: Burch Keely Unit #636

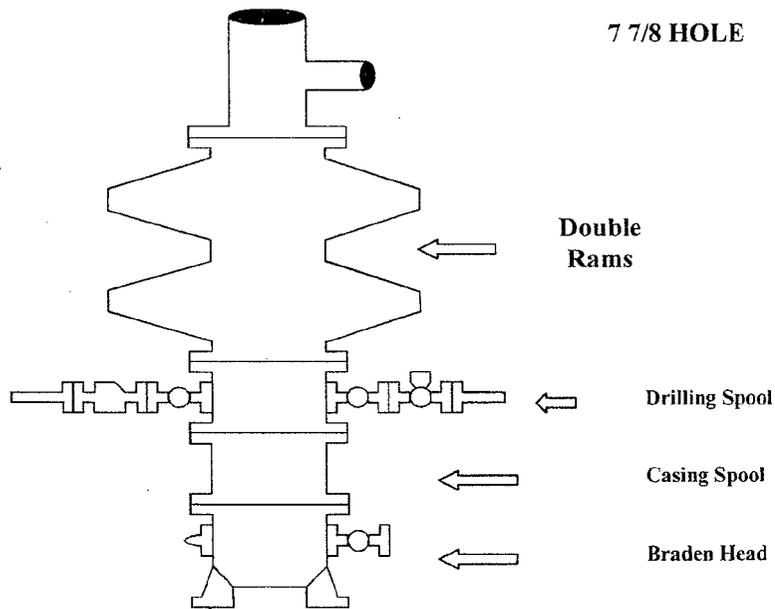
+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Slot
0.00	0.00	659507.20	594231.10	32° 48' 45.712 N	104° 1' 3 5.837 W	

PROJECT DETAILS: Eddy County, NM (NAN27 NME) Plan: Plan #1 7-7/8" Hole (Burch Keely Unit #636/OH)
 Geodetic System: US State Plane 1927 (Exact solution) Created By: Julio Pina Date: 05-Jan-11
 Datum: NAD 1927 (NADCON CONUS)
 Ellipsoid: Clarke 1866 Checked: _____ Date: _____
 Zone: New Mexico East 3001 Reviewed: _____ Date: _____
 System Datum: Mean Sea Level Approved: _____ Date: _____

COG Operating LLC

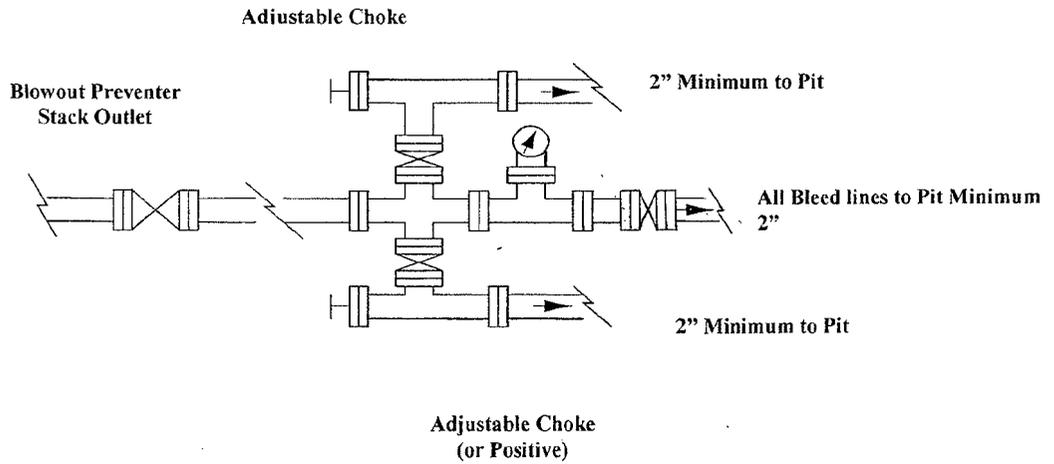
Exhibit #9

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.