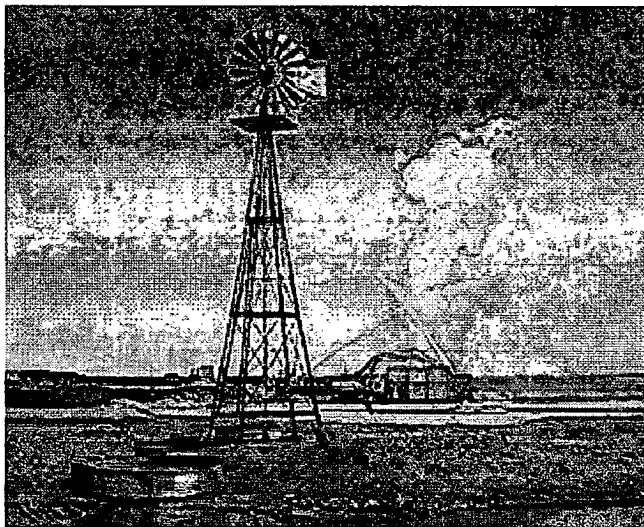




Legals:

GRANDI #2
12,000' MORROW WELL
SECTION 22, T-22-S, R-27-E
660' FNL 660' FWL
EDDY COUNTY, NEW MEXICO
API # 30-015-33165

"CONTINGENCY PLAN"



RECEIVED
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CALITAWAY SAFETY EQUIPMENT CO., INC.
3229 N. INDUSTRIAL DR.
HOBBS, NEW MEXICO 88240
(505) 392-2973

Table of Contents

- I. H2S Contingency Plan Section
 - A. Scope
 - B. Objective
 - C. Discussion of Plan
- II. Emergency Procedures Section
 - A. Emergency Procedures
 - B. Emergency Reaction Steps
 - C. Simulated Blowout Control Drills
- III. Ignition Procedures Section
 - A. Responsibility
 - B. Instructions
- IV. Training Program Section
 - A. Training Requirements
- V. Emergency Equipment Section
 - A. Emergency Equipment Requirements
- VI. Check Lists Section
 - A. Status Check List
 - B. Procedural Check List
- VII. Briefing Procedure Section
 - A. Briefing Procedures
- VIII. Evacuation Plan Section
 - A. General Plan
 - B. Emergency Assistance Telephone List
- IX. Maps and Plats Section
 - A. Map showing Well site
 - B. Map showing Public within Radius of Exposure and Evacuation Routes
 - B. Emergency Call List of Residents and Businesses

X. General Information Section

- A. Drilling / Re-entry Permits
- B. 100 ppm Exposure Radius Chart
- C. 500 ppm Exposure Radius Chart
- D. Toxic Effects of Hydrogen Sulfide Poisoning
- E. Use of Self Contained Breathing Apparatus
- F. Rescue-First Aid for Hydrogen Sulfide Poisoning

I. H2S CONTINGENCY PLAN SECTION

Scope

This contingency plan establishes guidelines for all company employees and contract employees whose work activities may involve exposure to Hydrogen Sulfide gas (H2S).

Objective

1. Prevent any and all accidents and prevent the uncontrolled release of H2S into the atmosphere.
2. Provide proper evacuation procedures to cope with emergencies.
3. Provide immediate and adequate medical attention should an injury occur.

Discussion of Plan

Implementation: This plan, with all details, is to be fully implemented prior to drilling below 450'.

Emergency Response Procedure: This section outlines the conditions and denotes steps to be taken in the event of an emergency.

Emergency Equipment and Procedure: This section outlines the safety and emergency equipment that will be required for the drilling of this well.

Training Provisions: This section outlines the training provisions that must be adhered to prior to drilling into the Morrow Formation.

Emergency Call Lists: Included are the telephone numbers of all persons that would need to be contacted should an emergency occur.

Briefing: This section deals with the briefing of all people involved in the drilling operation.

Public Safety: Public Safety Personnel will be made aware of the drilling of this well.

Check Lists: Status Check Lists and Procedural Check Lists have been included to insure adherence to the plan.

General Information: A general information section has been included to supply support information.

II. EMERGENCY PROCEDURES SECTION

Emergency Procedures

- I. In the event of any evidence of H₂S level above 10 ppm, take the following steps immediately:
 - A. Secure breathing apparatus.
 - B. Order non-essential personnel out of the danger zone.
 - C. Take steps to determine if the H₂S level can be corrected or suppressed and if so, proceed with normal operations.
- II. If uncontrollable conditions occur, proceed with the following:
 - A. Take steps to protect and / or remove any public downwind of the rig including partial evacuation or isolation. Notify necessary public Safety personnel and Tom Brown Inc., Drilling Engineer, Brian Franks of the situation.
 - B. Remove all personnel to the Safe Briefing Area.
 - C. Notify public safety personnel for help with maintaining roadblocks and implementing evacuation.
 - D. Determine and proceed with the best possible plan to regain control of the well. Maintain tight security and safety procedures.
- III. Responsibility
 - A. The Company Approved Supervisor shall be responsible for the total implementation of the plan.
 - B. The Company Approved Supervisor shall be in complete command during any emergency.
 - C. The Company Approved Supervisor shall designate a back up Supervisor in the event that he / she is not available.

3. Floor Man #1
 - a. Pick up full opening valve or inside blowout preventers and stab into tool joint above rotary table (with Floor Man #2).
 - b. Tighten valve with back-up tongs.
 - c. Close pipe rams after signal from Floor Man #2.
 - d. Read accumulator pressure and check for possible high-pressure fluid leaks in valves or piping.
 - e. Report to Driller for further instructions.
4. Floor Man #2
 - a. Pick-up full opening valve or inside blowout preventers and stab into tool joint above rotary table (with Floor Man #1).
 - b. Position back-up tongs on drill pipe.
 - c. Open choke line valve at BOP.
 - d. Signal Floor Man #1, at accumulator, that choke line is open.
 - e. Close choke and upstream valve after pipe rams have been closed.
 - f. Check for leaks on BOP stack and choke manifold.
 - g. Read annular pressure.
 - h. Report readings to the Driller.
5. Tool Pusher
 - a. Report to rig floor.
 - b. Have a meeting with all crews.
 - c. Compile and summarize all information.
 - d. Calculate proper kill weight.
 - e. See that proper well kill procedures are put into action.
6. Operator Representative
 - a. Notify Drilling Superintendent.
 - b. Determine if an emergency exists, and if so, activate the contingency plan.

III. IGNITION PROCEDURES SECTION

Responsibility

The decision to ignite the well is the responsibility of the **DRILLING FOREMAN** in concurrence with the **STATE POLICE**. In the event the Drilling Foreman is incapacitated, it becomes the responsibility of the **RIG TOOL PUSHER**. This decision should be made only as a last resort and in a situation where it is clear that:

1. Human life and property are endangered.
2. There is no hope of controlling the blowout under the prevailing conditions.

If time permits, notify the main office, but do not delay if human life is in danger. Initiate the first phase of the evacuation plan.

Instructions for Igniting the Well

1. Two people are required for the actual igniting operation. Both men must wear self-contained breathing apparatus and attach a safety rope. One man must monitor the atmosphere for explosive gases with the Explosimeter, while the Drilling Foreman is responsible for igniting the well.
2. The primary method to ignite is a 25mm flare gun with a range of approximately 500 feet.
3. Ignite from upwind and do not approach any closer than is warranted.
4. Select the ignition site best suited for protection and which offers an easy escape route.
5. Before igniting, check for the presence of combustible gases.
6. After igniting, continue emergency actions and procedures as before.
7. All unassigned personnel will limit their actions to those directed by the Drilling Foreman.

NOTE: After the well is ignited, burning Hydrogen Sulfide will convert to Sulfur Dioxide, which is also highly toxic. Do not assume the area is safe after the well is ignited.

IV. TRAINING PROGRAM SECTION

Training Requirements

When working in an area where Hydrogen Sulfide gas (H₂S) might be encountered, definite training requirements must be carried out. The Company Supervisor will insure that all personnel, at the well site, have had adequate training in the following:

1. Hazards and characteristics of H₂S.
2. Physical effects of Hydrogen Sulfide on the human body.
3. Toxicity of Hydrogen Sulfide and Sulfur Dioxide.
4. H₂S detection.
5. Emergency rescue.
6. Resuscitators.
7. First aid and artificial resuscitation.
8. The effects of H₂S on metals.
9. Location Safety.

Service company personnel and visiting personnel must be notified in the zone contains H₂S. Each service company must provide adequate training and equipment for their employees before they arrive at the well site.

V. EMERGENCY EQUIPMENT SECTION

Emergency Equipment Requirements

- I. Signs
 - A. Located at the location entrance with the following information:

CAUTION - POTENTIAL POISON GAS
HYDROGEN SULFIDE
NO ADMITTANCE WITHOUT AUTHORIZATION
- II.* Fresh air breathing equipment
 - A. Air line units for all rig personnel on location.
 - B. Cascade system with hose lines to rig floor and one to the derrickman and other operation areas. Spare cascade (trailer) on location.
- III. Wind Socks or Wind Streamers
 - A. Two 10" windsocks located at strategic locations at a height visible from the rig floor.
 - B. Wind streamers (if preferred) to be placed at various locations on the well site to insure wind consciousness at all times. (Corners of location).
- IV. Hydrogen Sulfide detector and alarms.
 - A. 1 - four channel H₂S monitor with alarms.
 - B. 4 - Sensors, located at floor, bell nipple, shale shaker and pits.
 - * C. Hand operated detectors with tubes.
 - * D. H₂S monitor tester.
- V. Condition sign and flags
 - A. One each of green, yellow and red condition flags to be displayed to denote conditions:

GREEN	Normal Conditions
YELLOW	Potential Danger
RED	Danger, H₂S Present
 - B. The condition flag shall be posted at the location entrance.
- VI.* Auxiliary rescue equipment
 - A. Stretcher
 - B. Two 100' lengths of 5/8" nylon rope.
- VII.* Mud Inspection devices
 - A. Garrett Gas Train or Hach Tester for inspection of Hydrogen Sulfide concentration in the mud system.
- VIII. Fire Extinguishers
 - A. Adequate fire extinguishers shall be located at strategic locations.
- IX. Blowout prevention equipment
 - A. The well shall have hydraulic BOP equipment for the anticipated BHP.
 - B. Equipment must be tested upon installation.
- X.* Combustible gas detectors
 - A. There shall be one combustible gas detector on location at all times.

- XI. BOP Testing
 - A. BOP, Choke Line and Kill Line will be tested as specified by operator
 - XII. Audio System
 - A. Radio communications shall be available at the rig.
 - B. Radio communications shall be available at the rig floor or trailer.
 - C. Radio communications shall be available on vehicles.
 - XIII. Special control equipment
 - A. Hydraulic BOP equipment with remote control on ground.
 - B. Rotating head at surface casing point.
 - XIV. Evacuation Plan
 - A. Evacuation routes should be established prior to spudding each well.
 - B. Should be discussed with all rig personnel.
 - XV. Designated Areas
 - A. Parking and visitor area.
 - 1. All vehicles are to be parked at a pre-determined safe distance from the wellhead.
 - 2. Designated smoking area.
 - B. Safe Briefing Area
 - 1. Two Safe Briefing Areas shall be designated on either side of the location at the maximum allowable distance from the well bore so they offset prevailing winds or they are at a 180 degree angle if wind directions tend to shift in the area.
 - 2. Personal protective equipment should be stored in both protection centers or if a moveable trailer is used, it should be kept upwind of existing winds. When wind is from the prevailing direction, both protection centers should be accessible.
- *Additional equipment will be available at Callaway Safety Equipment Co., Inc., 3229 N. Industrial, Hobbs, New Mexico (505) 392-2973
 - Additional personal Hydrogen Sulfide monitors on location for all hands.
 - Automatic Flare igniter installed on rig.

VI. CHECK LIST SECTION

Status Check List

NOTE: Date each item as they are implemented.

1. Sign at location entrance _____
2. Two (2) windsocks (in required locations) _____
3. Wind streamers (if required) _____
4. 30 minute pressure demand air packs on location
for all rig personnel and mud loggers. _____
5. Air packs, inspected and ready for use. _____
6. Spare bottles for each air pack (if required) _____
7. Cascade system and hose line hook up _____
8. Cascade system for refilling air bottles _____
9. Choke manifold hooked up and tested
(Before drilling out surface casing) _____
10. Remote Hydraulic BOP control (hooked up and
tested before drilling out surface casing) _____
11. BOP Preventer tested (before drilling out
surface casing) _____
12. Mud engineer on location with equipment to test
mud for Hydrogen Sulfide _____
13. Safe Briefing Areas set up _____
14. Condition sign and flags on location and ready _____
15. Hydrogen Sulfide detection system hooked up _____
16. Hydrogen Sulfide alarm system hooked up _____
17. Stretcher on location at Safe Briefing Area _____
18. 1 - 100' length of 5/8" nylon rope on location _____
19. 1 - 20 # or 30 # ABC fire extinguisher in safety
trailer in addition to those on rig _____
20. Combustible gas detector on location and tested _____

- 21. All rig crews and supervisors trained (as required) _____
- 22. Access restricted for unauthorized personnel _____
- 23. Drills on H2S and well control procedures _____
- 24. All outside service contractors advised of potential
Hydrogen Sulfide on well _____
- 25. **NO SMOKING** sign posted _____
- 26. Hand operated H2S detector with tubes on location _____
- 27. 25 mm flare gun with flares _____
- 28. Automatic Flare igniter installed on rig _____

Procedural Check List

Perform the following on each tour:

1. Check fire extinguishers to see that they have the proper charge.
2. Check breathing equipment to insure that it has not been tampered with.
3. Check pressure on supply air bottles to see that they are capable of recharging.
4. Make sure all of the Hydrogen Sulfide detection systems are operative.

Perform the following each week:

1. Check each piece of breathing equipment to make sure that the demand regulator is working. This requires that the bottle be opened and the mask assembly be put on tight enough so that when you inhale, you get air.
2. Blowout preventer skills.
3. Check supply pressure on BOP accumulator stand-by source.
4. Check all work/escape units for operation: demand regulator, escape bottle air volumes, and supply bottle air volume.
5. Check breathing equipment mask assembly to see that straps are loosened and turned back.
6. Check pressure on breathing equipment air bottles to make sure they are charged to full volume.
7. Check breathing equipment air bottles to make sure all demand regulators are working. This requires that the bottles be opened and the mask assembly be put on tight enough so that when you inhale, you get air.
8. Confirm pressure on all supply air bottles.
9. Perform breathing equipment drills with on-site personnel.

Check the following supplies for availability:

- a. Stretcher
 - b. Safety belts and ropes
 - c. Emergency telephone lists
 - d. Spare air bottle
 - e. Spare oxygen bottles (if resuscitator required)
 - f. Hand operated H₂S detectors and tubes
-
10. Test the Explosimeter to verify batteries are good.

VII. BRIEFING PROCEDURE SECTION

Briefing Procedures

The following scheduled briefings will be held to insure the effective drilling and operation of this project:

Pre-Spud Meeting

Date: Prior to spudding the well

Attendance: Drilling Supervisor
Drilling Engineer
Drilling Foreman
Rig Pushers
Rig Driller
Mud Engineer
All Safety Personnel
Service Companies

Purpose: Review and discuss the well program, step by step, to insure complete understanding of assignments and responsibilities.

VIII. EVACUATION PLAN SECTION

General Plan

The direct lines of action prepared by CALLAWAY SAFETY EQUIPMENT CO., INC. to protect the public from hazardous gas situations are as follows:

1. When the company approved supervisor (Drilling Foreman, Tool Pusher, Driller) determine Hydrogen Sulfide gas cannot be limited to the well location and the public will be involved, he will activate the evacuation plan. Escape routes are noted on the Area map.
2. Company safety personnel or designee will notify the appropriate local government agency that a hazardous condition exists and evacuation needs to be implemented.
3. Company approved safety personnel that have been trained in the use of Hydrogen Sulfide detection equipment and self-contained breathing equipment will be utilized.
4. Law Enforcement personnel (State Police, Sheriff's Department, local Police Department and local Fire Department) will be called to aid in setting up and maintaining roadblocks. Also, they will aid in evacuation of the public if necessary.

NOTE: Law enforcement personnel will not be asked to come into a contaminated area. Their assistance will be limited to uncontaminated areas. Constant radio contact will be maintained with them.

5. After the discharge of gas has been controlled, "Company" safety personnel will determine when the area is safe for re-entry.

See Emergency Reaction Plan

EMERGENCY ASSISTANCE TELEPHONE LIST

PUBLIC SAFETY

Carlsbad P.D.	(505) 885-2111 or 911
Eddy County Sheriff's Department	(505) 887-7551 or 911
New Mexico State Police	(505) 885-3137 or 911
Carlsbad Fire Department	(505) 885-3125 or 911
New Mexico OCD (Tim Gum)	(505) 748-1283
New Mexico D.O.T.	(505) 827-5100
U.S. Dept. of Labor	(505) 248-5302

Devon Energy

Rodney Gordy	Drilling Manager	(505) 513-0630 (mobile)
		(505) 513-0719 (mobile)

Nabors 626

Rig Phone	(432) 557-1290
Bill Davis	Safety Coordinator (492) 664-9991

SAFETY CONTRACTOR

Callaway Safety Equipment	(505) 392-2973 (Hobbs)
	(432) 561-5049 (Odessa)

Affected Public Notification List

(within a 65' radius of exposure @ 100 ppm)

The geologic zones that will be encountered during drilling are known to contain hazardous quantities of H₂S. The accompanying map illustrates the affected areas of the community. The residents within this radius will be notified via a hand delivered written notice describing the activities, potential hazards, and conditions of evacuation, evacuation drill siren alarms and other precautionary measures.

Evacuee Description: Residents

Notification Process: A continuous siren audible to all residents will be activated; signaling evacuation of previously notified and informed residents.

Evacuation Plan: All evacuees will migrate lateral to the wind direction.

The Oil Company will identify all homebound or highly susceptible individuals and make special evacuation preparations, interfacing with the local fire and emergency medical services as necessary.

IX. MAPS AND PLATS SECTION

X. GENERAL INFORMATION SECTION

There is a County Road (**Calvani Rd.**) and one residence located within the perspective ROE of the Grandei #2. **Sheryl Traylor (505) 236-6258 and her Son** occupy the residence. There are no small children or handicapped persons in the residence that would require assistance in case of an H2S release.

Callaway Safety will be contacting **Ms. Traylor**, prior to spudding the well, at which time she will receive H2S training and evacuation procedures in case of an H2S release.

Toxic Effects of Hydrogen Sulfide Poisoning

Hydrogen Sulfide is extremely toxic. The acceptable ceiling concentration for eight-hour exposure is 20 ppm, which is .002% by volume. Hydrogen Sulfide is heavier than air (specific gravity - 1.192) and colorless. It forms an explosive mixture with air between 4.3 and 46.0 percent by volume. Hydrogen Sulfide is almost as toxic as Hydrogen Cyanide and is between five and six times more toxic than Carbon Monoxide. Toxicity data for Hydrogen Sulfide and various other gases are compared below in Table I. Physical effects at various Hydrogen Sulfide levels are shown in Table II.

Table I
Toxicity of Various Gases

Common Name	Chemical Formula	Specific Gravity	Threshold Limit (A)	Hazardous Limit (B)	Lethal Concentration (C)
Hydrogen Cyanide	HCN	0.94	10 ppm	150 ppm/hr	300 ppm
Hydrogen Sulfide	H ₂ S	1.18	10 ppm (D) 20 ppm (E)	250 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21	5 ppm		1000 ppm
Chlorine	CL ₂	2.45	1 ppm	4 ppm/hr	1000 ppm
Carbon Monoxide	CO	0.97	50 ppm	400 ppm/hr	1000 ppm
Carbon Dioxide	CO ₂	1.52	5000 ppm	(5 %)	(10 %)
Methane	CH ₄	0.55	90,000 ppm	(9 %)	Combustible Above 5% in air

- A. **Threshold Limit** - Concentration at which it is believed that all workers may be repeatedly exposed day after day without adverse effects.
- B. **Hazardous Limit** - Concentration that may cause death.
- C. **Lethal Concentration** - Concentration that will cause death with short-term exposure.
- D. **Threshold Limit (10 ppm)** - 1972 ACGIH (American Conference of Governmental Industrial Hygienists).
- E. **Threshold Limit (20 ppm)** - 1966 ANSI acceptable ceiling concentration for eight-hour exposure (based on 40 hour week) is 20 ppm. OSHA Rules and Regulations (Federal Register, Volume 37, No. 202, Part II, dated 10/18/72)

Table II
Physical Effects of Hydrogen Sulfide

Percent (%)	ppm	Physical Effects
0.001	10	Obvious and unpleasant odor
0.002	20	Safe for 8 hrs. exposure
0.01	100	Kills smell in 3-5 minutes; may sting eyes & throat
0.02	200	Kills smell shortly; stings eyes and throat
0.03	300	IDLH (Immediate Danger to Life and Health) Level
0.05	500	Dizziness; breathing ceases in a few minutes
0.07	700	Unconscious quickly; death will result if not rescued
0.10	1000	Unconscious at once; followed by death within minutes

* CAUTION: Hydrogen Sulfide is a colorless and transparent gas and is highly flammable. It is heavier than air and may accumulate in low places.

Use of Self-Contained Breathing Apparatus
(SCBA)

- I. Written procedures shall be prepared covering safe use of respirators in dangerous atmospheric situations, which might be encountered in normal operations or in emergencies. Personnel shall be familiar with these procedures and the available respirators.
- II. Respirators shall be inspected frequently, at random, to insure that they are properly used, cleaned and maintained.
- III. Anyone who may use respirators shall be trained in how to properly seal the face piece. They shall wear respirators in normal air and then in a test atmosphere. **(NOTE: Such items as facial hair (beard or sideburns) and eyeglass temple pieces will not allow a proper seal).** Anyone that may be expected to wear respirators should have these items removed before entering a toxic atmosphere. A special mask must be obtained for anyone who must wear eyeglasses. Contact lenses should not be allowed.
- IV. Maintenance and care of Respirators
 - A. A program of maintenance and care of respirators shall include the following:
 1. Inspection for defects, including leak checks.
 2. Cleaning and disinfecting.
 3. Repair
 4. Storage
 - B. Inspection: Self Contained Breathing Apparatus (SCBA) for emergency use shall be inspected monthly and records maintained for the following:
 1. Fully charged cylinders.
 2. Regulator and warning device operation.
 3. Condition of face piece and connection.
 4. Elastomer or rubber parts shall be stretched or massaged to keep them pliable and prevent deterioration.
 - C. Routinely used respirators shall be collected, cleaned and disinfected as frequently as necessary to insure proper protection is provided.
- V. Persons assigned tasks that require the use of Self Contained Breathing Equipment shall be certified physically fit for breathing equipment usage by the local company physician at least annually.
- VI. Respirators should be worn during the following conditions:
 - A. Any employee who works near the top or on the top of any tank unless tests reveal less than 20 ppm of H₂S.
 - B. When breaking out any line where H₂S can reasonably be expected.
 - C. When sampling air in areas to determine if toxic concentrations of H₂S exist.
 - D. When working in areas where over 20 ppm H₂S has been detected.
 - E. At any time there is a doubt as to the H₂S level in the area to be entered.

Rescue-First Aid for Hydrogen Sulfide Poisoning

DO NOT PANIC !!!!

Remain Calm -- THINK

1. Hold your breath (Do not inhale; stop breathing) and go to Briefing Area.
2. Put on breathing apparatus.
3. Remove victim(s) to fresh air as quickly as possible. (Go upwind from the source or at right angles to the wind; **NOT** downwind).
4. Briefly apply chest pressure-arm lift method of artificial respiration to clear the victim's lungs and to avoid inhaling any toxic gas directly from the victim's lungs.
5. Provide for prompt transportation to the hospital and continue giving artificial respiration if needed.
6. Hospital(s) or medical facilities need to be informed, beforehand, of the possibility of H₂S gas poisoning, no matter how remote the possibility.
7. Notify emergency room personnel that the victim(s) have been exposed to H₂S gas.

Besides basic first aid, everyone on location should have a good working knowledge of artificial respiration, as well as first aid for eyes and skin contact with liquid H₂S. Everyone needs to master these necessary skills.