D-06-46

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-28172

1a. Type of Work [X] DRILL [ ] REENTER

6. If Indian, Allotee or Tribe Name

1b. Type of Well [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

7. Unit or CA Agreement Name and No.

2. Name of Operator
OXY USA WTP Limited Partnership 192463

8. Lease Name and Well No. 27659
Delta Federal #3

3a. Address
P.O. Box 50250 Midland, TX 79710-0250

3b. Phone No. (include area code)
432-685-5717

9. API Well No.
30-015- 34809

4. Location of Well (*Report location clearly and in accordance with any State equiremens*)
At surface 660 FNL 660 FEL NENE(A)
At proposed prod. zone

RECEIVED
APR 21 2006
OCD-ARTESIA

74900

10. Field and Pool, or Exploratory
Chosa Draw Morrow

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 7 T25S R26E

14. Distance in miles and direction from nearest town or post office*
3 miles southwest from White City, NM

12. County or Parish
Eddy

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
660'	320	320

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
3120'	11900'	ES0136

21. Elevations (Show whether DF, KDB, RT, GL, etc.	22. Approximate date work will start*	23. Estimated duration
3407'	5/1/06	45 days

24. Attachments Carlsbad Controlled Water Basin

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.
2. A Drilling Plan
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name (*Printed/Typed*)	Date
	David Stewart	1/20/06

Title
Sr. Regulatory Analyst

Approved by (Signautre)	Name (*Printed/Typed*)	Date
/s/ James Stovall	/s/ James Stovall	APR 19 2006

Title	Office
ACTING FIELD MANAGER	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 1 YEAR

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

(Instructions on Reverse)

DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/8"
CASING MUST BE CIRCULATED

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

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Attachment 3160-3
Delta Federal #2 - 1500 FSL 660 FEL NESE(I)
Delta Federal #3 - 660 FNL 660 FEL NENE(A)
SEC 7 T25S R26E Eddy County, NM
Federal Lease No. NM-28172

PROPOSED TD: 11900' TVD

BOP PROGRAM:

0-400'	None
400-2000'	13-3/8" 3M annular preventer, to be used as divertor only.
2000-11900'	11" 5M blind pipe rams with 5M annular preventer and rotating head below 8500'.

CASING:

Surface:	13-3/8" OD 48# H40 ST&C new casing set at 400' 17-1/2" hole
Intermediate:	9-5/8" OD 36# K55 ST&C new casing from 0-2000' 12-1/4" hole
Production:	7" OD 26# K55-S95 LT&C new casing from 0-9300' 8-3/4" hole 4700'-K55 4600'-S95
Liner:	4-1/2" OD 11.6# P-110 LT&C casing @ 8900-11900' 6-1/8" hole

CEMENT: Surface - Circulate cement with 425sx HES Light PP cement with 2% $CaCl_2$ + .25#/sx Flocele followed by 250sx PP cement with 2% $CaCl_2$ + .25#/sx Flocele.

Intermediate - Circulate cement with 555sx IFC with .25#/sx Flocele followed by 200sx PP cement with 2% $CaCl_2$.

Production - DV Tool @ +/- 5000', cement 1st stage with 460sx IFH cement with .1% HR-7 followed by 200sx PP cement. Cement 2nd stage with 380sx IFH cement with .25#/sx Flocele followed by 200sx PP cement.

Liner - Cement with 325sx Super H cement with .5% HR-344 + .4% CFR-3 + 5#/sx Gilsonite + 1#/sx salt + .2% HR-7

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

MUD:

0-400'	Fresh water/native mud. Lime for pH control (9-10). Paper for seepage. Wt 8.7-9.2 ppg, Vis 32-34 sec
400-2000'	Fresh/*Brine water. Lime for pH control (10.0-10.5). Paper for seepage. Wt 8.3-9.0/10.0-10.1ppg, Vis 28-29 sec *Fresh water will be used unless chlorides in the mud system increases to 20000PPM.
2000-8000'	Fresh water. Lime for pH control(9-9.5). Paper for seepage. Wt 8.3-8.5 ppg, Vis 28-29 sec
8000-10000'	Cut brine. Lime for pH control (10-10.5). Wt 9.6-10.0 ppg, Vis 28-29sec
10000-11900'	Mud up with an Duo Vis/Flo Trol mud system. Wt 9.6-10.0ppg, Vis 32-36sec, WL<10cc

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

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

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

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-015-	74900	Chosa Draw Morrow

Property Code	Property Name	Well Number
27659	OXY DELTA FEDERAL	3

OGRID No.	Operator Name	Elevation
192463	OXY U.S.A. W.T.P., LP	3407'

Surface Location

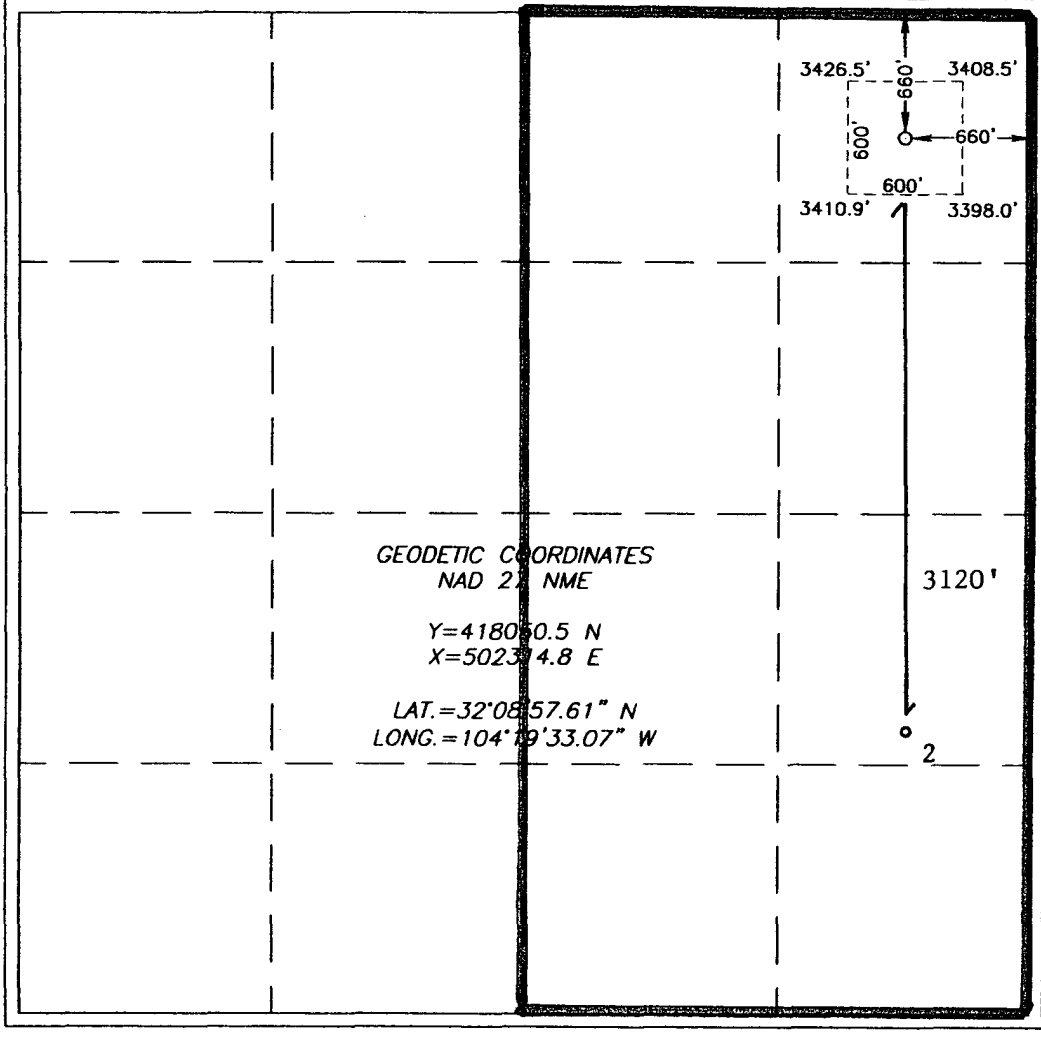
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	7	25-S	26-E		660	NORTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320	Y		

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 the the information contained herein is true and complete to the best of my knowledge and belief.

Signature

David Stewart
Printed Name

Sr. Regulatory Analyst
Title

1/20/06
Date

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 supervison, and that the same is true and correct to the best of my belief.

AUGUST 25, 2005
Date Surveyed JR

Signature & Seal of Professional Surveyor

GARY L. EIDSON
NEW MEXICO
12641
REGISTERED PROFESSIONAL SURVEYOR

12/1/05

05.11.1280

Certificate No. GARY EIDSON 12641

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

January 20, 2006

United States Department of the Interior
Bureau of Land Management
Roswell District Office
2909 West Second Street
Roswell, New Mexico 88201

Re: Application for Permit to Drill
OXY USA WTP Limited Partnership
Delta Federal #3
Eddy County, New Mexico
Lease No. NM-28172

Gentlemen:

OXY USA WTP Limited Partnership respectfully requests permission to drill our Delta Federal #3 located 660 FNL and 660 FEL of Section 7, T25S, R26E, Eddy County, New Mexico, Federal Lease No. NM-28172. The proposed well will be drilled to a TD of approximately 11900' (TVD). The location and work area has been staked. It is approximately 3 miles southwest of White City, New Mexico.

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

I. Application for Permit to Drill:

1. Form 3160.3, Application for Permit to Drill.

2. Form C-102 Location and Acreage Dedication Plat certified by Gary G. Eidson, Registered Land Surveyor No. 12641 in the State of New Mexico, dated September 1, 2005.

3. The elevation of the unprepared ground is 3407 feet above sea level.

4. The geologic name of the surface formation is Permian Rustler.

5. Rotary drilling equipment will be utilized to drill the well to TD 11900' (TVD), and run casing. This equipment will then be rigged down and the well will be completed with a pulling unit.

6. Proposed total depth is 11900' TVD.

7. Estimated tops of important geologic markers.

Wolfcamp	8350' TVD
Strawn	10200' TVD
Atoka	10400' TVD
Morrow	11200' TVD

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

Primary Objective: Morrow 11200' TVD

Secondary Objective: Atoka 10400' TVD

9. The proposed casing program is as follows:

Surface:	13-3/8" 48# H40 ST&C new casing set at 400'
Intermediate:	9-5/8" 36# K55 ST&C new casing from 0-2000'
Production:	7" 17# K55/S95 LT&C new casing from 0-9300'
Liner:	4-1/2" 11.6# P110 LT&C new casing from 8900-11900'

10. Casing setting depth and cementing program:

A. 13-3/8" surface casing set at 400' in 17-1/2" hole. Circulate cement with 425sx HES light PP w/ 2% $CaCl_2$ + .25#/sx Flocele followed by 250sx PP w/ 2% $CaCl_2$ + .25#/sx Flocele.

If cement does not circulate, a temperature survey will be run to find the TOC and then finish cementing to surface through 1" using Class C with 2% $CaCl_2$.

B. 9-5/8" intermediate casing set at 2000' in 12-1/4" hole. Circulate cement with 555sx IFC w/ .25#/sx Flocele followed by 200sx PP w/ 2% $CaCl_2$.

If hole conditions dictate, a DV tool may be run to ensure that the intermediate string is cemented to surface.

If cement does not circulate, a temperature survey will be run to find the TOC and then finish cementing to surface through 1" using Class C with 2% $CaCl_2$.

Note: Cement volumes may be adjusted according to fluid caliper.

C. 7" production casing set at 9300' with DV Tool at 5000' in 8-3/4" hole. Cement 1st stage with 460sx IFH w/ .1% HR-7 followed by 200sx PP. Cement 2nd stage with 380sx IFH w/ .25#/sx Flocele followed by 200sx PP cement.

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

D. 4-1/2" production liner set @ 8900-11900' in 6-1/8" hole. Cement with 325sx Super H cement with .5% HR-344 + .4% CFR-3 + 5#/sx Gilsonite + 1#/sx salt + .2% HR-7.

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

11. Pressure Control Equipment

0-400'	None
400-2000'	13-3/8" 3M annular preventer, to be used as divertor only. Exhibit A
2000-11900'	11" 5000# ram type preventers with one set blind rams and one set pipe rams and a 5000# annular type preventer. A choke manifold and 120 gallon accumulator with floor and remote operating stations and auxiliary power system. Rotating head below 8500'. Exhibit A.

After setting the 13-3/8" casing, the annular preventor (that is used as a divertor only) will be tested by the rig pump to 1000#.

A kelly cock will be installed and maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor.

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

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

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

12. Mud Program:

0-400'	Fresh water/native mud. Lime for pH control (9-10). Paper for seepage. Wt.8.7-9.2 ppg, vis 32-34 sec.
400-2000'	Fresh/*brine water. Lime for pH control (10-10.5). Paper for seepage. Wt. 8.3-9.0/10.0-10.1ppg, vis 28-29 sec. *Fresh water will be used unless chlorides in the mud system increase to 20000PPM.
2700-8000'	Fresh water. Lime for pH control (9-9.5). Paper for seepage. Wt. 8.3-8.5 ppg, vis 28-29 sec.
8000-10000'	Cut brine. Lime for pH control (10-10.5). Wt. 9.6-10.0 ppg, vis 28-29 sec.
10000-11900'	Mud up with an Duo Vis/Flo Trol system. Wt. 9.6-10.0 ppg, Vis 32-36sec, WL<10cc.

Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until the production casing is run and cemented. Monitoring equipment shall consist of the following:

1) A recording pit level indicator.

2) A pit volume totalizer.

3) A flowline sensor.

13. Testing, Logging and Coring Program:

    A. Testing program: No DST's are anticipated.

    B. Mud logging program: One-man unit from 6000' to TD.

    C. Electric logging program: CNL/LDT/CAL/GR, DLL/CAL/GR.

    D. Coring program: Possible sidewall rotary cores.

14. No abnormal temperatures, or H2S gas are anticipated. H2S Contingency Plan is attached per NMOCD requirements. The highest anticipated pressure gradient would be .55psi/ft. Adequate flare lines will be installed off the mud/gas separator where gas may be flared safely.

15. Anticipated starting date is May 1, 2006. It should take approximately 45 days to drill the well and another 10 days to complete.

16. The Multi-Point Surface Use & Operation Plan is attached.

17. If the Bureau of Land Management needs additional information to evaluate this application, please advise.

Very truly yours,

David Stewart
Sr. Regulatory Analyst
OXY USA WTP LP

DRS/drs

Attachments

EXHIBIT A

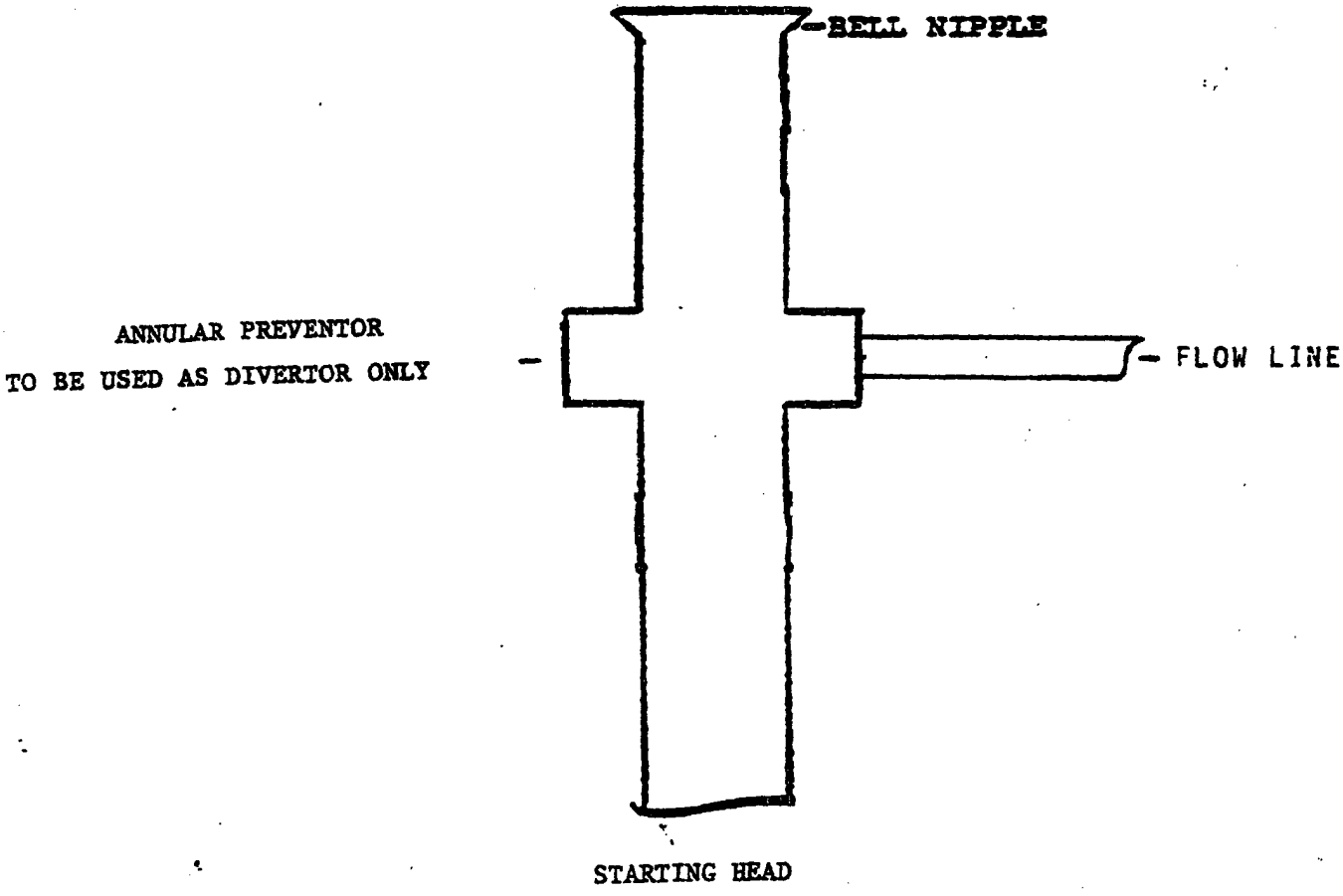
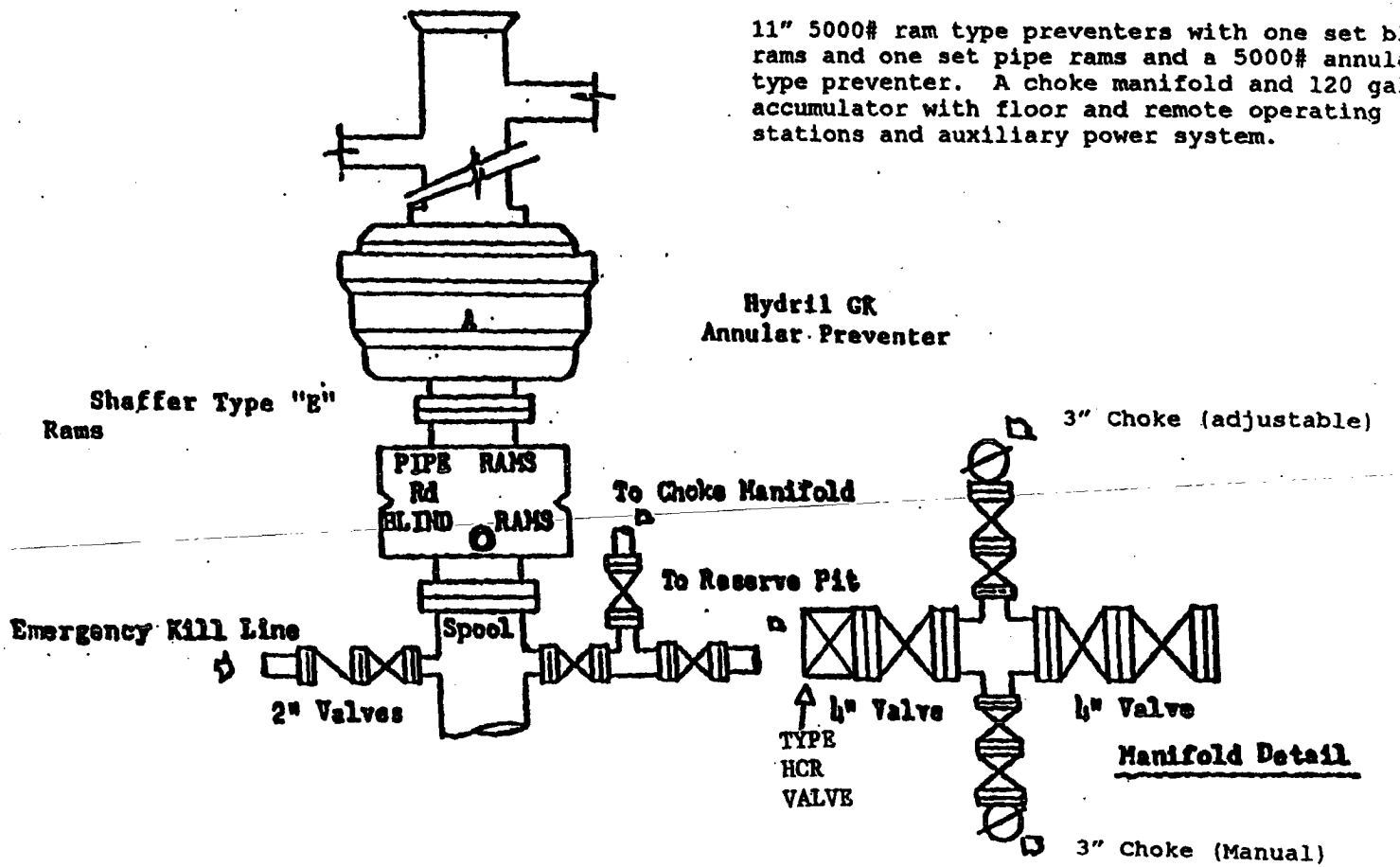

BELL NIPPLE
ANNULAR PREVENTOR
TO BE USED AS DIVERTOR ONLY
FLOW LINE
STARTING HEAD

EXHIBIT A

BLOWOUT PREVENTOR SCHEME

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



Choke Manifold

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

OXY USA WTP Limited Partnership
Delta Federal #3
Eddy County, New Mexico
Lease No. NM-28172

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

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

1. Existing Roads

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

Directions to location:

From the intersection of CR 772 and CR 426, go south on CR 772 for approximately 1.9 miles, bend south/southwest for approx. 0.2 miles. Turn right (west) and go approx. 0.8 miles to a proposed road survey. Follow proposed road survey north approx. 1243' to location.

2. Planned Access Road

A. A new access road will be built. The access road will run approximately 1243' southwest from an existing road to the location. Exhibit B.

B. Surfacing material: Six inches of caliche and water, compacted and graded.

C. Maximum Grade: Less than 3%

D. Turnouts: None needed

E. Drainage Design: N/A

F. Culverts: None needed

G. Cuts and Fills: Leveling the location will require minimal cuts or fills.

H. Gates or Cattleguards: None required

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

4. Location of Existing and/or Proposed Facilities

   A. If the well is productive, production facilities will be constructed on the well pad. The facility will consist of a stack pack, one 300 bbl oil tank and one 300 bbl fiberglass water tank. All permanent above ground facilities will be painted in accordance with the BLM's painting guidelines simulating the color of sandstone brown.

   B. All site security guidelines identified in 43 CFR 3162.7 regulations will be adhered to and a site security plan will be submitted for the Delta Federal #3 tank battery. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed.

5. Location and Type of Water Supply

   Fresh water and brine water will be used to drill this well. It will be purchased from a supply in Loco Hills and transported to the well site.

6. Source of Construction Materials

   Caliche for surfacing the well pad will be obtained from onsite material.

7. Method of Handling Waste Disposal

   A. Drill Cuttings will be disposed of in drilling pits.

   B. Drilling fluids will be allowed to evaporate in the drilling pits until pits are dry.

   C. Water produced during tests will be disposed of in the drilling pits. Oil produced during tests will be stored in test tanks until sold.

   D. Current laws and regulations pertaining to the disposal of human waste will be complied with.

   E. Trash, waste paper, garbage and junk will be collected in steel trash bins and removed after drilling and completion operations are completed. All waste material will be contained to prevent scattering by the wind.

   F. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. Ancillary Facilities

   A. None needed.

9. Wellsite Layout

   A. The location and dimensions of the well pad, mud pits, reserve pit and location of major rig components are shown on the well site layout sketch. The V-door will be to the east and the pits to the north. Exhibit D.

   A. Leveling of the wellsite will be required with minimal cuts or fills anticipated.

B. The reserve pit will be plastic lined.

C. While constructing the pits and material is encountered at a depth which would not allow the pits to meet the BLM stipulations with out blasting, OXY requests a variance. There will be an adequate amount of material to reclaim the pit per the stipulations.

D. The pad and pit area have been staked and flagged.

10. Plans for Restoration of the Surface

A. After completion of drilling and/or completion operations, all equipment and other materials not needed for operations will be removed.

B. Pits will be filled and location cleaned of all trash and junk to leave the well site in as aesthetically pleasing condition as possible. Any plastic material used to line the pits or sumps will be cut off below ground level as far as possible and disposed of before the pits are covered. All unattended pits containing liquid will be fenced and the liquid portion allowed to evaporate before the pits are broken and backfilled.

C. After abandonment of the well, surface restoration will be in accordance with the land owner. This will be accomplished as expeditiously as possible. Barring unforeseen problems, all pits will be filled and leveled within 90 days after abandonment.

11. Surface Ownership

11. Surface Ownership

The wellsite is on privately owned surface. The surface is owned by: James G. & Linda L. Foster, P.O. Box 2426, Ruidoso Downs, NM 88346. OXY is currently attemping to contact the surface owner and discuss terms of a surface agreement. Due to the private nature of the agreement, OXY requests that it not be part of the application.

12. Other Information

A. Topography: The location is a flat plain. GL elevation is 3407'.

B. Soil: Sandy clay loams.

C. Flora and Fauna: The vegetative cover is generally sparse consisting of mesquite, yucca, shinnery oak, sandsage and perennial native range grasses. Wildlife in the area is also sparse consisting of coyotes, rabbits, rodents, reptiles, dove and quail.

D. Ponds and Streams: There are no rivers, streams, lakes or ponds in the area.

E. Residences and Other Structures: None within 2 miles.

F. Archaeological, Historical and Cultural Sites: Cultural resources have been recorded in the area. Boone Archaeological Services, LLC will be engaged to make an archaeological reconnaissance of the work area.

G. Land Use: Cattle ranching.

H. The well site, if a producer, will be maintained and kept clean of all trash and litter which detracts from the surrounding environment. Equipment will be maintained in accordance with good operating practice.

I. After the wellsite is cleaned and pits and sumps backfilled, any obstruction to the natural drainage will be corrected by ditching or terracing. All disturbed areas, including any access road no longer needed, will be ripped. Those areas will be reseeded with grass if, in the opinion of the land owner, it is required.

13. Operator's Representatives and Certification

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

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

Joe Fleming
Drilling Coordinator
P.O. Box 50250
Midland, TX 79710-0250
Office Phone: 915-685-5858

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

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

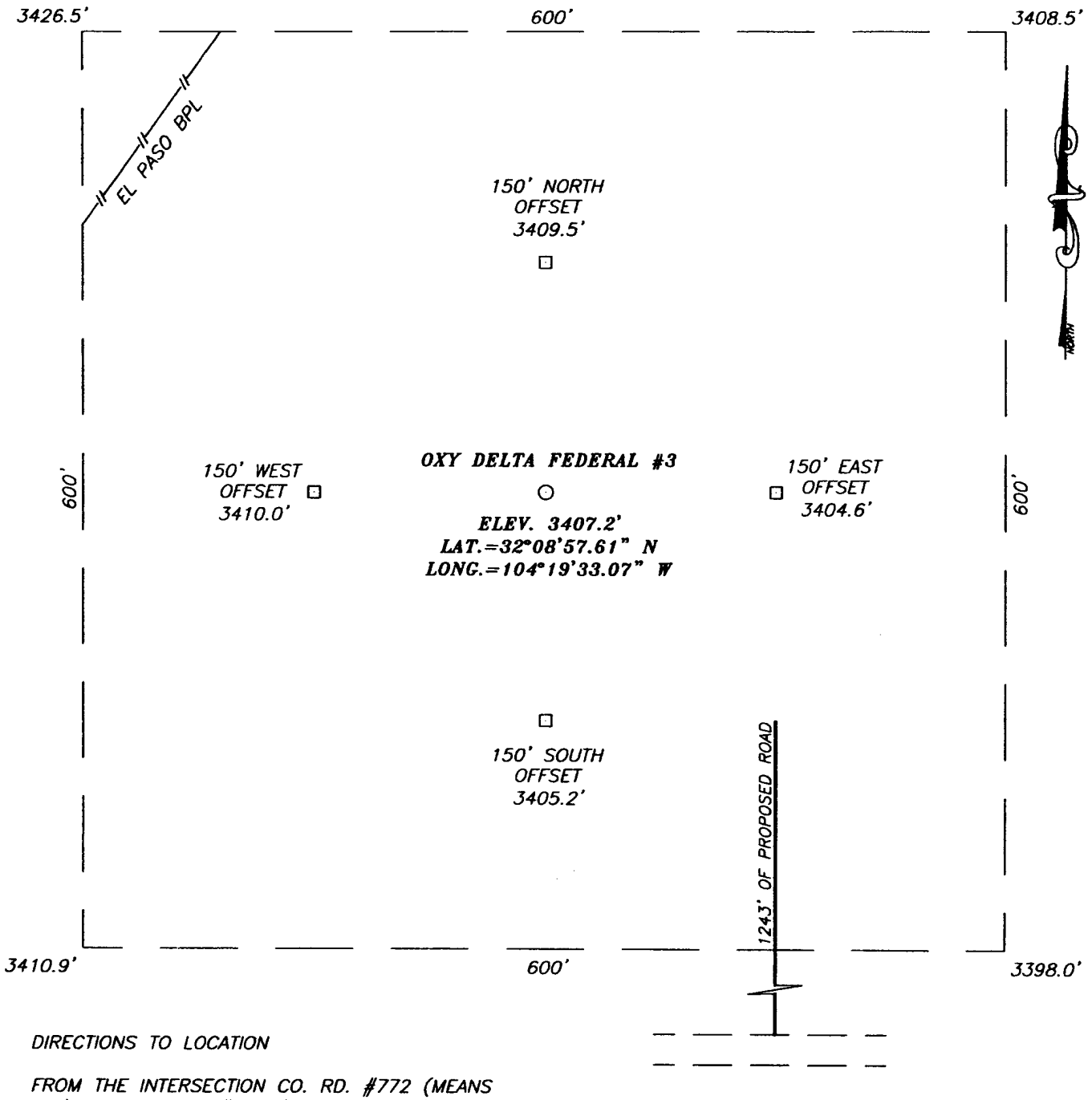
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated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

1/20/06
DATE

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

SECTION 7, TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION CO. RD. #772 (MEANS RD.) AND CO. RD. #426 (CREOSOTE RD.) GO SOUTH ON CO. RD. #772 FOR APPROX. 1.9 MILES, BEND SOUTH/SW APPROX. 0.2 MILES. TURN RIGHT (WEST) AND GO APPROX. 0.9 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY NORTH APPROX. 1243' TO THIS LOCATION.

100 0 100 200 Feet

Scale: 1"=100'

PROVIDING SURVEYING SERVICES SINCE 1946

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO

HOBBS, N.M. 88240

(505) 393-3117

OXY U.S.A. W.T.P., LP

OXY DELTA FEDERAL #3 WELL
LOCATED 660 FEET FROM THE NORTH LINE
AND 660 FEET FROM THE EAST LINE OF SECTION 7,
TOWNSHIP 25 SOUTH, RANGE 26 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 08/25/05	Sheet 1 of 1 Sheets		
W.O. Number: 05.11.1280	Dr By: J.R.	Rev 1:N/A	
Date: 08/26/05	Disk: CD#5	05111280	Scale: 1"=100'

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

Hydrogen Sulfide (H_2S) Contingency Plan

For

Delta Federal No. 3
660 ft FNL, 660 ft FEL
Sec 7, T25S, R26E
Eddy County, NM

And

Patterson Rig #503

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PREFACE

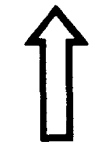
An effective and viable Contingency Plan is intended to provide prior planning and guidance in responding to emergency incidents. The primary considerations in its development are protection of personnel, the public, company and public property, and the environment.

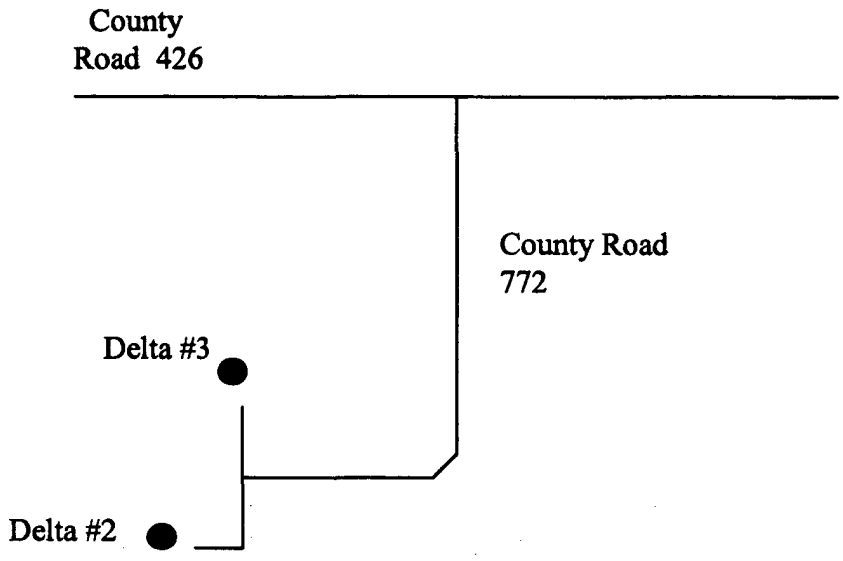
Although the plan addresses varied emergency situations which may occur, it recognizes that flexibility and the use of the organization's knowledge and experience is critical to safe resolution of emergency incidents. Response actions outlined in the plan provide a framework, which may be placed into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

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

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

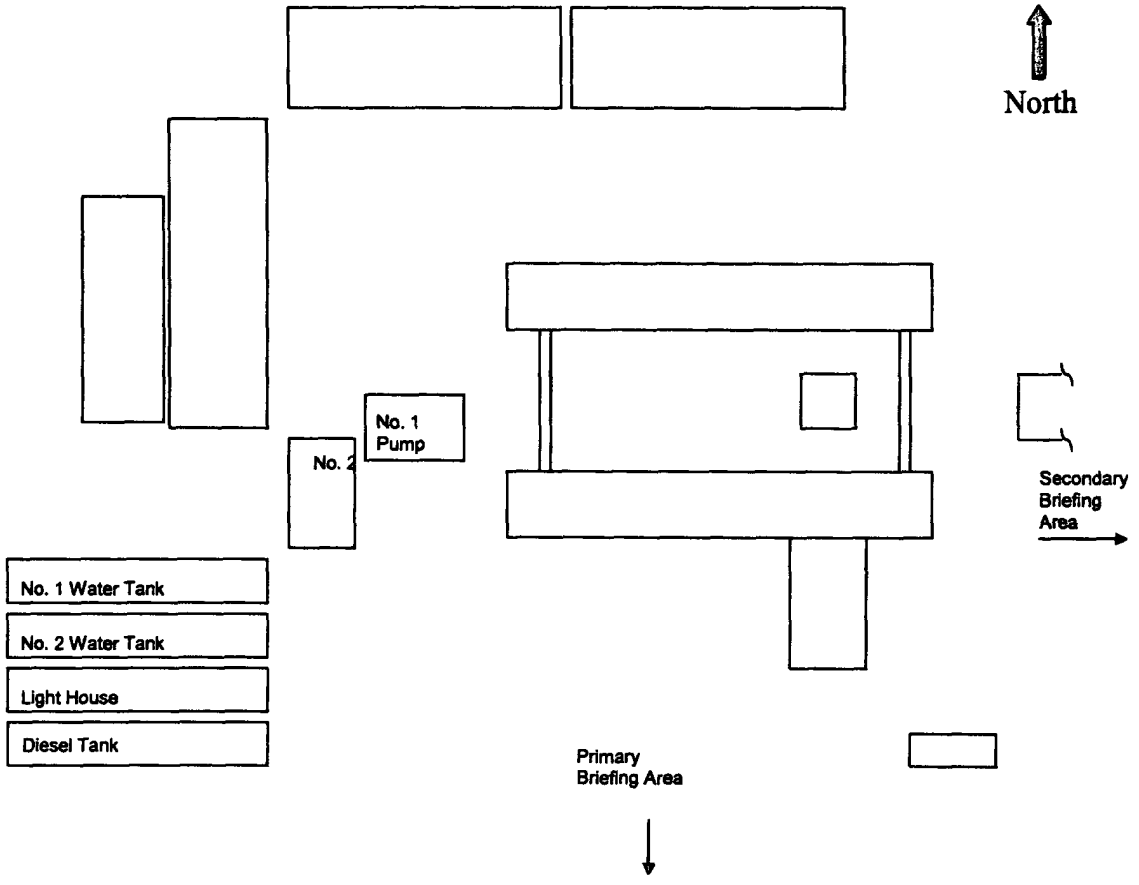
OXY Delta Fed. #3
LAT. - 32°08'57.61"
LONG. - 104°19'33.07"W
Y = 418050.5
X = 502314.8 E





DIRECTIONS TO LOCATION: From the intersection of CR 772 and CR 426, go south on CR 772 for approximately 1.9 miles, bend south/southwest for approx. 0.2 miles. Turn right (west) and go approx. 0.8 miles to a proposed road survey.
#2-Follow proposed road survey south then west approx. 2147' to location.
#3-Follow proposed road survey north approx. 1243' to location.

Patterson/UTI 503



EMERGENCY RESPONSE ACTIVATION AND GENERAL RESPONSIBILITIES

Activation of the Emergency Action Plan

A. In the event of any emergency situation, all personnel on location should first ensure that the following items are initiated. After that, they should refer to the appropriate Specific Emergency Guidance sections on pages ten (10) through twelve (12) in this document for further responsibilities:

1. Notify the senior ranking contract representative on site.
2. Notify Oxy representative in charge.
3. Notify civil authorities if the Oxy Representative can not be contacted and the situation dictates.
4. Perform rescue and first aid as required (without jeopardizing additional personnel).

General Responsibilities

Oxy Permian Personnel:

A. Operations Specialist: The Oxy Drilling/Critical Well Servicing Operations Specialist or contract personnel serving in that capacity will serve as Operations Chief Officer for all emergency incidents. The Operations Chief Officer is responsible for:

1. Notification to the Downhole Services Team Leader of the incident occurrence.
2. Notification to the local RMT/PMT leader of the incident occurrence, and the need for the designated local RMT/PMT Incident Commander to act in that capacity for the response effort.
3. Sole control of all tactical activities directed toward reducing the immediate hazard, establishing situational control and restoring the operations to a non-emergency state.

B. Local RMT/PMT Designated Incident Commander: The Oxy local RMT/PMT Designated Incident Commander will serve as the overall Incident Commander for the drilling or critical well servicing emergency incident. The Incident Commander is responsible for:

1. Coordinating with the Downhole Services Team Leader for notification to the Oxy Crisis Management team of the incident occurrence.
2. Establishing and managing the overall incident command structure and response from inception through restoration of normal activities in the area.

C. Downhole Services HES Tech: The Downhole Services HES Tech (or his designate) is responsible for reporting to the incident as soon as reasonably possible, to provide support to the response effort as required by the Operations Chief Officer or the Incident Commander.

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

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

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

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

H2S RELEASE

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

All Personnel:

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

Rig Manager/Tool Pusher:

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

Two People Responsible For Shut-in and Rescue:

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

All Other Personnel:

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

Oxy Representative:

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

Training

There will be an initial training session prior to encountering a known or probable 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 (Contingency Plan). This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police shall be the Incident Command of any major release.

Characteristics of H2S and SO2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	1.189 Air = 1	10 ppm	100 ppm	600 ppm
Sulfur Dioxide	SO_2	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

Oxy Permian personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as; type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. This response plan must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER).

WELL CONTROL

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

Kick While Drilling - Procedures And Responsibilities

Driller:

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

Derrickman:

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

Floorman # 1:

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

Floorman # 2:

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

Floorman # 3:

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

Tool Pusher/Rig Manager:

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

Oxy Representative:

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

Kick While Tripping - Procedures and Responsibilities

Driller:

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

Derrickman: (same as while drilling)

Floor Man # 1:

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

Floor Man # 2:

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

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

PUBLIC RELATIONS

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

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

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

OXY PERMIAN DOWNHOLE SERVICES GROUP

	LOCATION	OFFICE	HOME	CELL	PAGER
Manager Operations Support					
Hardesty, Steve	Midland	432-685-5880	432/694-6441	713-560-8095	
Team Leader					
Pennington, Randy	Midland	432-685-5684	432/689-7642	432-556-0207	713-312-8186
			Toledo Bend =	318-590-2349	
Operations Specialists					
Fleming, Joe	Midland	432-685-5858	432/699-0875	432-425-6075	1
Ray, Fred	Midland	432-685-5683	432/362-2857	432-661-3893	
HES Tech					
Thompson, Don	Midland	432-685-5719	432/684-3900	432-556-1505	

Emergency Notification Numbers

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

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

Other Emergency Services		
Boots and Coots		1/800-256-9688
Cudd Pressure Control	Midland	432/699-0139
B.J. Services	Artesia	505/746-3569
Halliburton	Artesia	505/746-2757

OXY Permian Production and Plant Personnel OXY Permian Crisis Team Hotline Notification (713) 935-7210					
PERSON	**LOCATION**	**OFFICE**	**FAX**	**CELL**	**PAGER**
Asset Management-Operations Areas					
OXY Permian General Manager: Tom Menges	Houston	(281) 552-1147	(281) 552-1484	(713) 560-8038	
South Permian Asset: Matt Hyde	Midland	(432) 685-5802	(432) 685-5930	(432) 556-5016	
RMT/PMT Leaders: South Permian Asset					
John Nicholas	Midland	(432) 685-5600			
PERSON	**LOCATION**	**OFFICE**	**FAX**	**CELL**	**PAGER**
Production Coordinators: S. Permian Asset					
New Mexico: John Erickson	Hobbs	(505) 393-2174	(505) 397-2671	(505) 390-6426	(505) 370-6836
OXY Permian HES Personnel OXY Permian Crisis Team Hotline Notification (713) 935-7210					
PERSON	**LOCATION**	**OFFICE**	**FAX**	**CELL**	**PAGER**
HES Coordinators & Area of Responsibility					
Frontier: Ricky Tyler	Midland	(432) 685-5707	(432) 685-5742	(432) 556-5720	
HES Techs & Area of Responsibility					
Hobbs RMT: Steve Bishop	Hobbs	(505) 397-8251	(505) 397-8204	(505) 390-4784	(877) 339-1954- 1118#
Frontier-New Mexico: Rick Kerby	Hobbs	(505) 393-2174	(505) 393-2671	(505) 390-8639	(505) 370-6527

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

Attention: Armando A. Lopez

RE: Delta Federal Well No. 3
660' FNL and 660' FEL
Section 7, T25S-R26E
Eddy County, New Mexico

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

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

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

LEASE NO.: NM-28172

LEGAL DESCRIPTION: Section 7: Lots 1, 2, 3, 4, E/2 and E/2W/2, T25S-R26E
Eddy County, New Mexico

FORMATIONS: None

BOND COVERAGE: Nationwide

BLM BOND FILE NO.: ES 0136

OXY USA WTP Limited Partnership

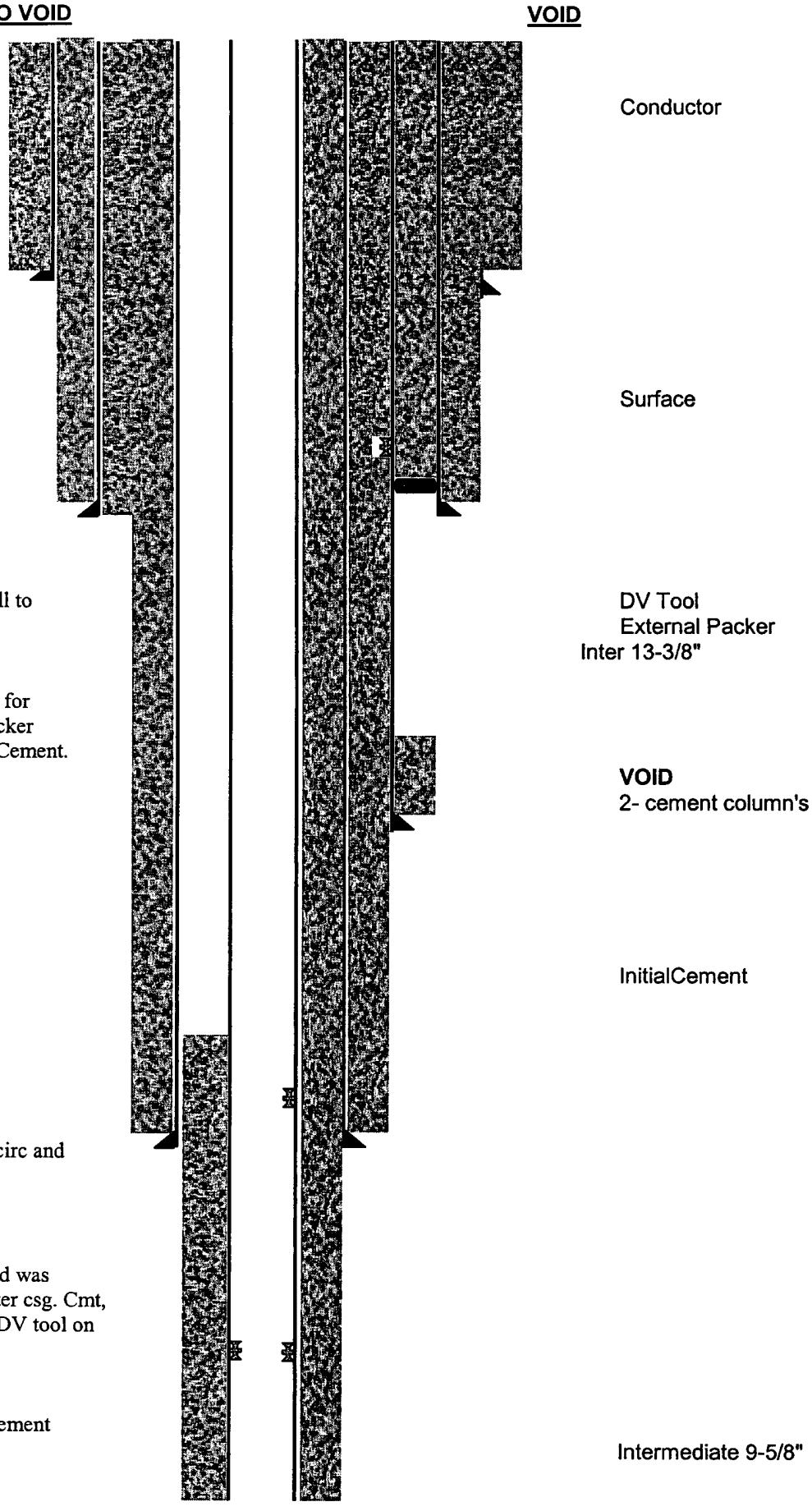
AUTHORIZED SIGNATURE: **BY:** _____

TITLE: Senior Landman Advisor
DATE: February 8, 2006

cc: David Stewart

Cave Protection Casing: A cave protection casing will be required. The cave-protection casing string would be set at the base of the reef and where present at set it in the Lamar Limestone. (See Diagram)

"CAVE PROTECTION"



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: OXY USA WTP Limited Partnership Well No. 3 - Delta Federal
Location: 660' FNL & 660' FEL sec. 7, T. 25 S., R. 26 E.
Lease: NM-28172

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:

A. Spudding

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

C. BOP tests

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

3. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

4. A Hydrogen Sulfide Contingency Plan should be activated prior to drilling in the **Delaware** formation. A copy of the plan shall be posted at the drilling site.

II. CASING:

1. **13-3/8** inch surface casing should be set **at approximately 400 feet**, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the Carlsbad Field Office shall be notified at (505) 234-5972 and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. Minimum required fill of cement behind the **9-5/8** inch intermediate casing is **sufficient to circulate to the surface.**

3. Minimum required fill of cement behind the **7** inch production casing is **sufficient to tie back 500 feet above the uppermost perforation in the pay zone.**

4. Minimum required fill of cement behind the **4-1/2** inch production liner is **sufficient to tie back 200 feet into the 7 inch production casing set at approximately 9300 feet.**

III. PRESSURE CONTROL:

1. Before drilling below the **13-3/8** inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the **9-5/8** inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the **13-3/8** inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi. Before drilling below the **9-5/8** inch intermediate casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **5000** psi.

CONDITIONS OF APPROVAL – DRILLING (CONTINUED)

Operator's Name: OXY USA WTP Limited Partnership **Well No.** 3 - Delta Federal
Location: 660' FNL & 660' FEL **sec.** 7, **T.** 25 S., **R.** 26 E.
Lease: NM-28172

III. PRESSURE CONTROL:

3. After setting the **9-5/8** inch intermediate casing string and before drilling into the **Wolfcamp** formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The Carlsbad Field Office shall be notified at (505) 234-5972 in sufficient time for a representative to witness the tests.

B. The tests shall be done by an independent service company.

C. The results of the test will be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

D. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

E. Testing must be done in a safe workman like manner. Hard line connections shall be required.

F. A variance to test the BOPE to the reduced pressure of **1000** psi using the rig pumps prior to drilling below the **13-3/8** inch surface casing is approved.

IV. DRILLING MUD:

1. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.

B. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.