

OCD-ARTESIA

MAY 21 2009

Form 3160-3  
(April 2004)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB No 1004-0137  
Expires March 31, 20075 Lease Serial No.  
NMLC029420A

6 If Indian, Allottee or Tribe Name

1a. Type of work: ☒ DRILL ☐ REENTER7 If Unit or CA Agreement, Name and No.  
NMNM - 71030C1b Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone8. Lease Name and Well No.  
SKELLY UNIT #6372 Name of Operator  
COG Operating LLC9. API Well No.  
30-015-370893a. Address 550 W. Texas Ave., Suite 1300  
Midland, TX 797013b. Phone No. (include area code)  
432-685-438510 Field and Pool, or Exploratory  
Fren; Glorieta-Yeso 26770

4 Location of Well (Report location clearly and in accordance with any State requirements \*)

At surface 2495' FNL &amp; 1280' FWL, Unit E

At proposed prod. zone 2310' FNL &amp; 990' FWL, Unit E

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

Sec 15 T17S R31E

14 Distance in miles and direction from nearest town or post office\*

9 miles East of Loco Hills, NM

12 County or Parish

EDDY

13. State

NM

15. Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drig. unit line, if any)

1280'

16. No. of acres in lease

720

17. Spacing Unit dedicated to this well

40

18. Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft

150'

19. Proposed Depth

6722 MD  
6800  
6700 TVD

20. BLM/BIA Bond No. on file

NMB000215

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
3870' GL22. Approximate date work will start\*  
04/30/200923. 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.
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)  
Robyn OdomDate  
02/11/2009

Title

Regulatory Analyst

Approved by (Signature) /s/ DAVID D. EVANS

Name (Printed/Typed)  
/s/ DAVID D. EVANS

Date MAY 19 2009

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

Approval Subject to General Requirements  
& Special Stipulations AttachedSEE ATTACHED FOR  
CONDITIONS OF APPROVAL

DISTRICT I  
1825 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico  
Energy, Minerals and Natural Resources Department

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

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

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

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015- 37089	Pool Code 26770	Pool Name FREN; GLORIETA-YESO
Property Code 305607	Property Name SKELLY UNIT	Well Number 637
OGRID No. 229137	Operator Name COG OPERATING, LLC	Elevation 3870'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	17-S	31-E		2495	NORTH	1280	WEST	EDDY

Bottom Hole Location If Different From Surface

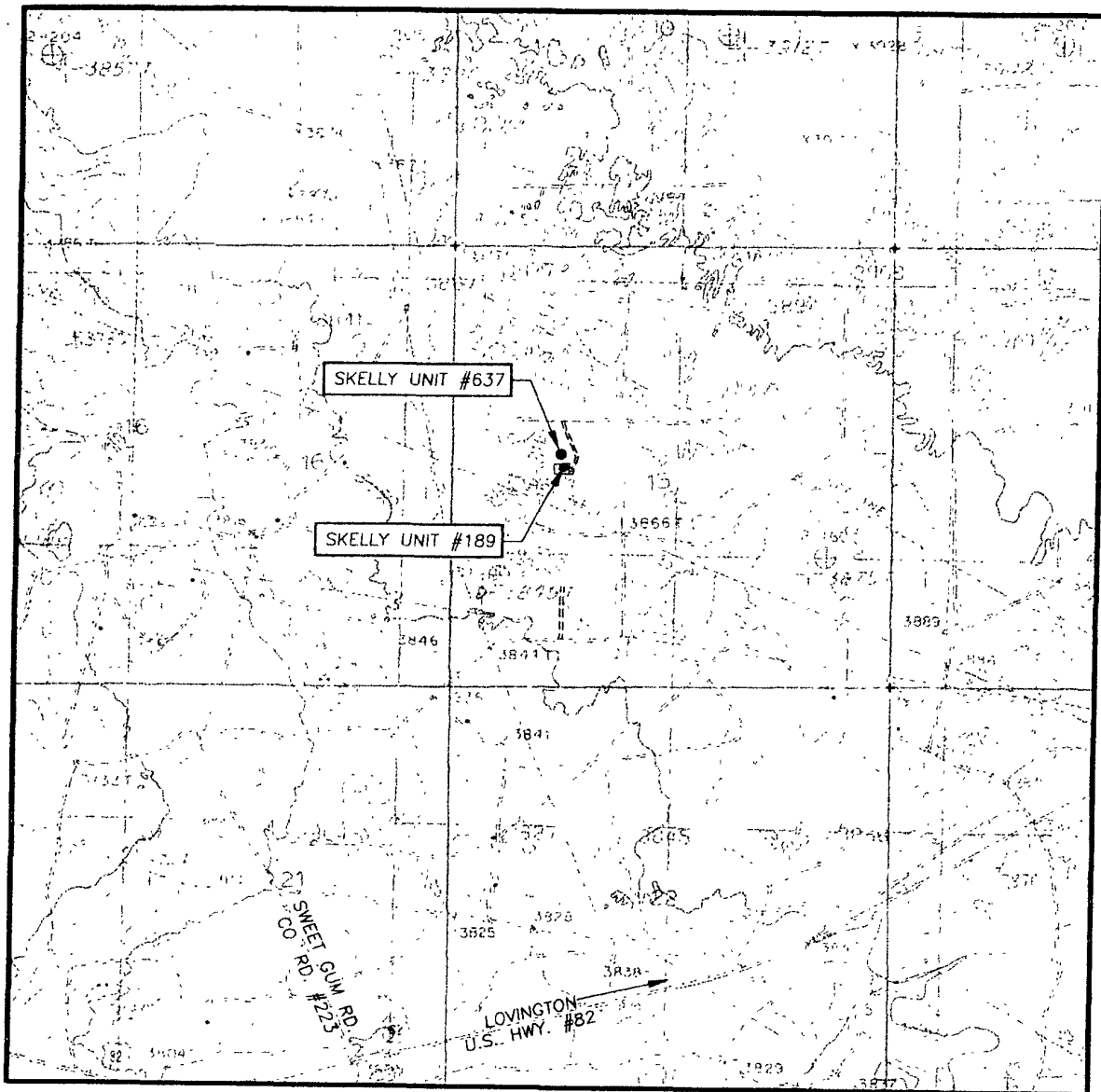
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	15	17-S	31-E		2310	NORTH	990	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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

	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Robyn Odom</i> 2/10/2009 Signature Date</p> <p>Robyn Odom Printed Name</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>GARY G. EIDSON FEBRUARY 2, 2009 Date Surveyed</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p>2/5/09 08.11.2001</p>
	<p>Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>

# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
MALJAMAR, N.M. - 10'

SEC. 15 TWP. 17-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

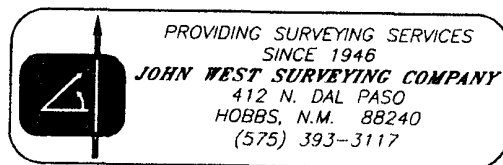
DESCRIPTION 2495' FNL & 1280' FWL

ELEVATION 3870'

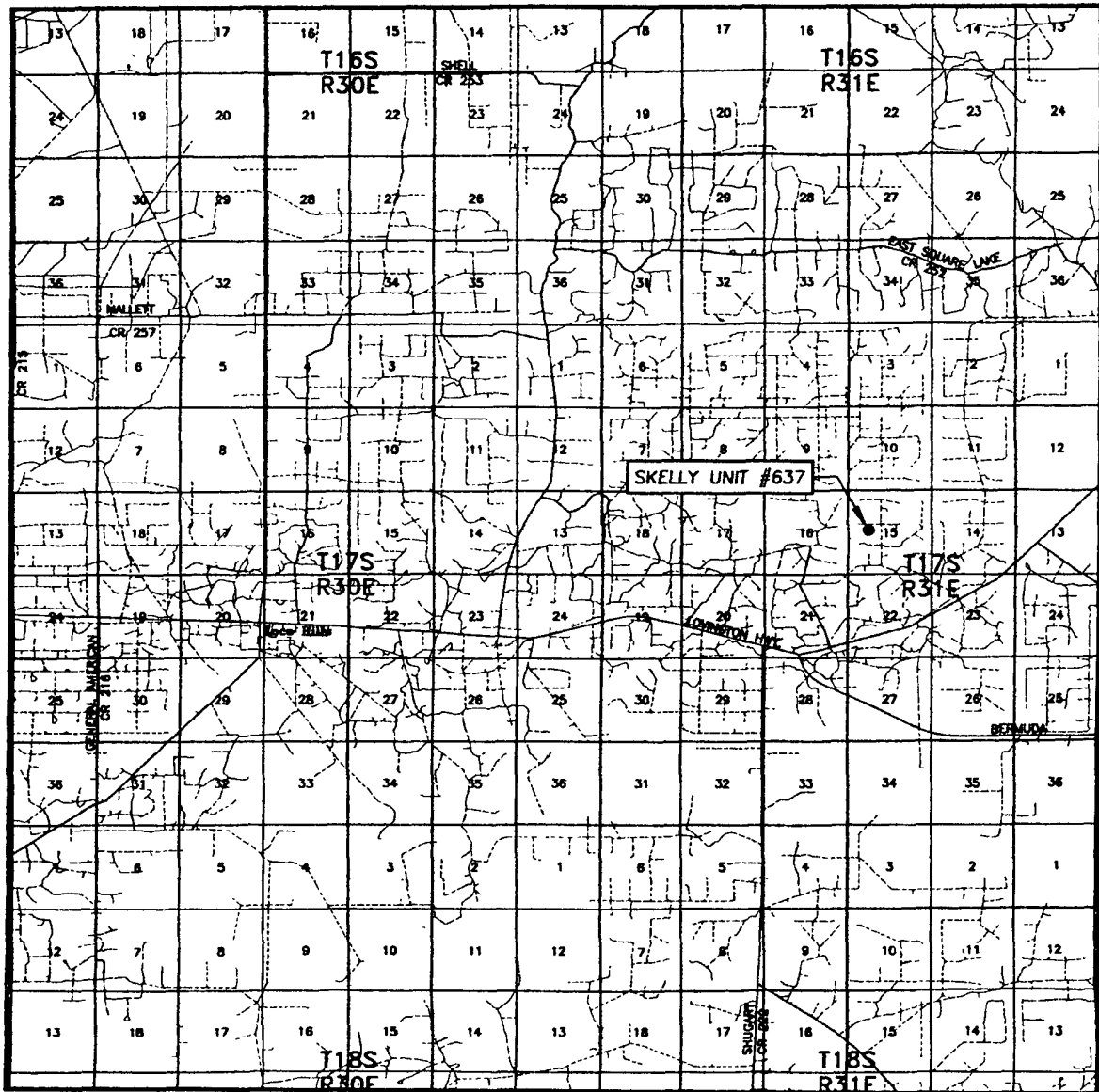
OPERATOR COG OPERATING, LLC

LEASE SKELLY UNIT

U.S.G.S. TOPOGRAPHIC MAP  
MALJAMAR, N.M.



# VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 15 TWP. 17-S RGE. 31-E

SURVEY N.M.P.M.

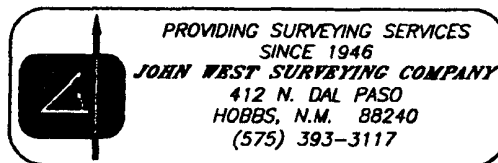
COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 2495' FNL & 1280' FWL

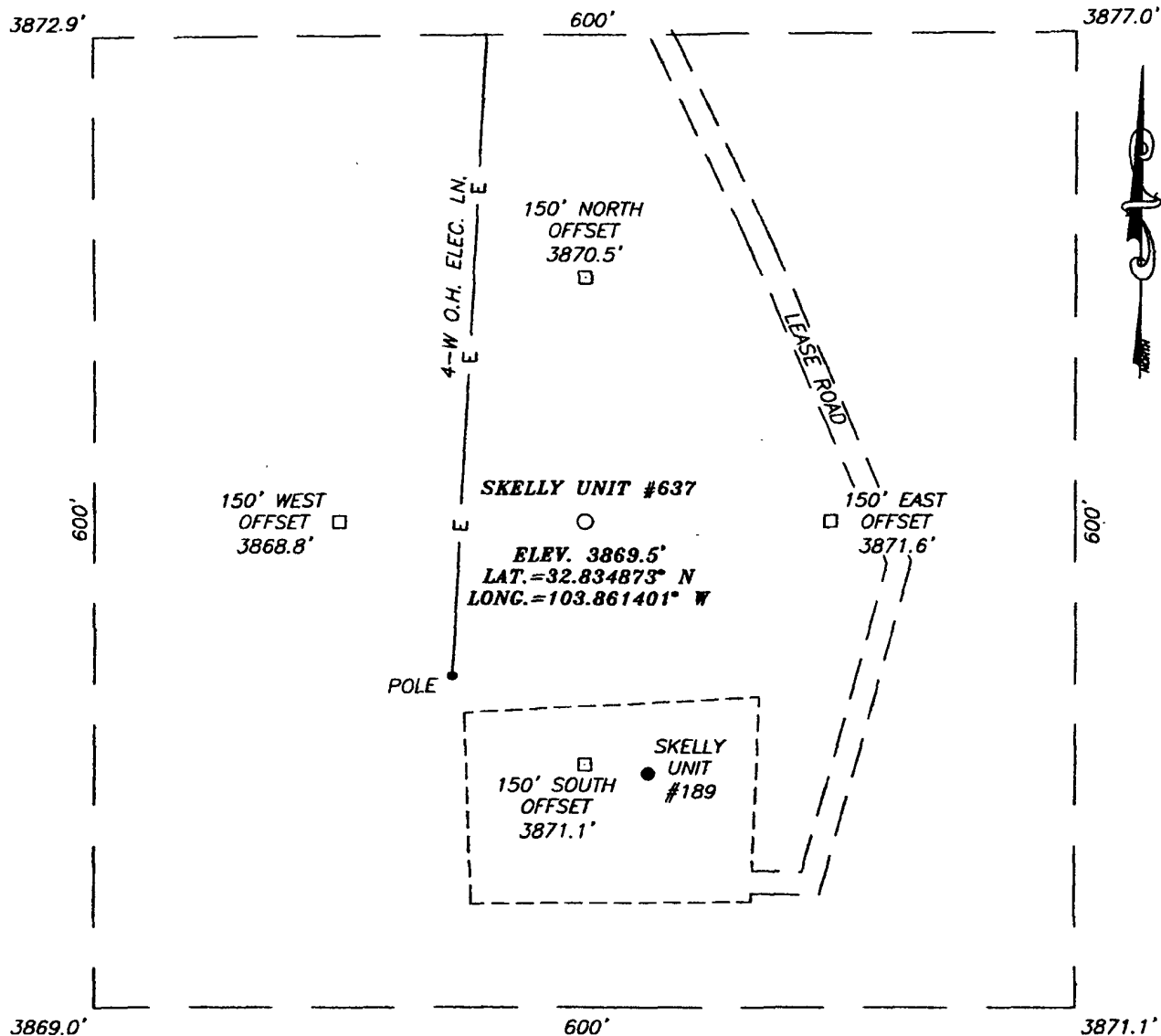
ELEVATION 3870'

OPERATOR COG OPERATING, LLC

LEASE SKELLY UNIT

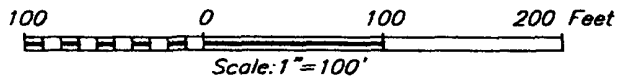


**SECTION 15, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,**  
**EDDY COUNTY, NEW MEXICO**



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #223 (SWEET GUM RD.), GO NORTHWEST ON CO. RD. #223 APPROX. 0.9 MILES. TURN RIGHT AND GO EAST APPROX. 0.5 MILES. VEER LEFT AND GO NORTHEAST APPROX. 0.3 MILES. VEER RIGHT AND GO EAST APPROX. 0.3 MILES; TURN LEFT AND GO NORTH APPROX. 0.5 MILES. TURN LEFT AND GO WEST APPROX. 0.15 MILES. TURN LEFT AND GO SOUTH APPROX. 0.1 MILE TO THE SKELLY UNIT #189 WELL PAD. THIS LOCATION IS APPROX. 150' NORTH OF EXISTING WELL.



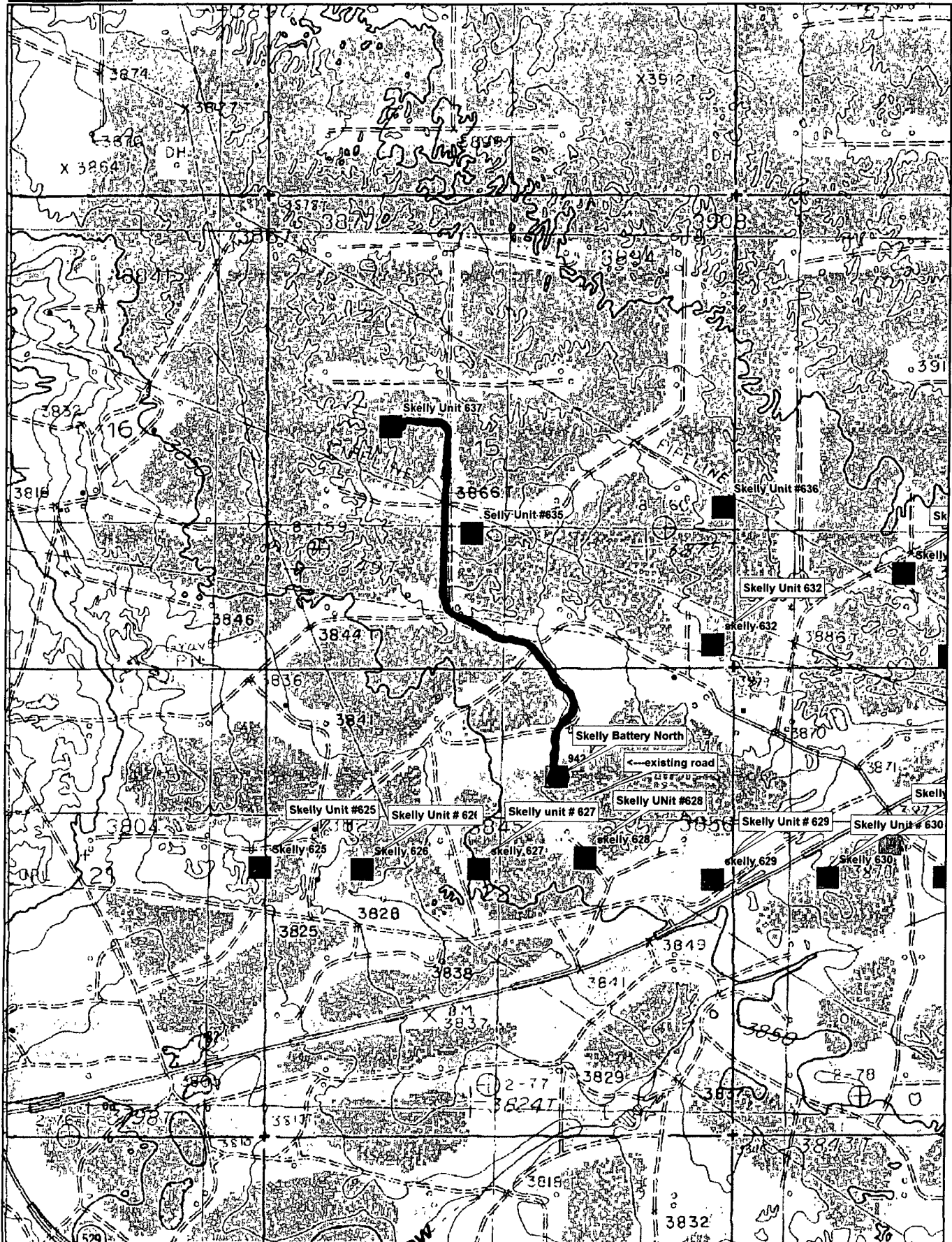
**COG OPERATING, LLC**

SKELLY UNIT #637 WELL  
 LOCATED 2495 FEET FROM THE NORTH LINE  
 AND 1280 FEET FROM THE WEST LINE OF SECTION 15,  
 TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.



PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (575) 393-3117

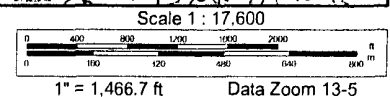
Survey Date: 2/2/09	Sheet 1 of 1 Sheets
W.O. Number: 08.11.2001	Dr By: LA Rev 1:N/A
Date: 2/4/09	08112001 Scale: 1"=100'



Data use subject to license.

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www.delorme.com



**COG OPERATING LLC**  
550 West Texas, Suite 1300  
Midland, TX 79701

**DIRECTIONAL PLAN VARIANCE REQUEST**

**SKELLY UNIT #637**  
**EDDY COUNTY, NM**

SHL	2495 FNL 1280 FWL	Sec 15, T17S, R31E, Unit E
BHL	2310 FNL 990 FWL	Sec 15, T17S, R31E, Unit E

COG Operating LLC, as Operator, desires that the APD reflect the footages as stated on the surveyor's plat. However, Operator also desires to avoid inadvertently drilling the well to a non-standard location. Therefore, due to the proximity of the plat bottom hole location to the pro-ration unit hard line(s), the attached directional plan is designed to avoid the hard lines by as much as fifty feet; said fifty feet being in either (or both) the north-south and/or east-west directions as applicable.

## MASTER DRILLING PROGRAM

### 1. Geologic Name of Surface Formation

Quaternary

### 2. Estimated Tops of Important Geologic Markers:

Quaternary	Surface
Top of Salt	560'
Base of Salt	1150'
Yates	1770'
Seven Rivers	2100'
Queen	2715'
Grayburg	3100'
San Andres	3450'
Glorietta	4950'
Yeso Group	4995'

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

Water Sand	150'	Fresh Water
Grayburg	3100'	Oil/Gas
San Andres	3450'	Oil/Gas
Glorieta	4950'	Oil/Gas
Yeso Group	4995'	Oil/Gas

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 13 3/8" casing to 450' 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 1800' and circulating cement back to the surface. Any shallower zones above TD, which contain commercial quantities of oil and/or gas, will have cement circulated across them by cementing 5 1/2" production casing back 200' into the intermediate casing, to be run at TD.

### 4. Casing Program

Hole Size	Interval	OD Casing	Weight	Grade	Jt., Condition	Jt.	burst/collapse/tension
17 1/2"	0-450'	13 3/8"	48#	H-40	New	ST&C	8.71/3.724/14.91
11" or 12 1/4"	0-1800'	8 5/8"	24 or 32#	J-55	New	ST&C	2.91/1.46/5.65
7 7/8"	0-T.D.	5 1/2"	17#	J-55	New	LT&C	1.71/1.574/2.20

See  
COA →



## 5. Cement Program

13 3/8" Surface Casing: Class C, 500 sx, yield 1.32, back to surface

8 5/8" Intermediate Casing: 11" Hole: Class C, 400 sx lead, yield-2.45 + 200 sx tail, yield-1.32, back to surface.  
12-1/4" Hole: Class C, 600 sx lead, yield-2.45 + 200 sx tail, yield-1.32, back to surface.

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

## 6. Minimum Specifications for Pressure Control

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

## 7. Types and Characteristics of the Proposed Mud System

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

DEPTH	TYPE	WEIGHT	VISCOSITY	WATERLOSS
0-450'	Fresh Water	8.5	28	N.C.
450-1800'	Brine	10	30	N.C.
1800'-TD	Cut Brine	8.7-9.1	29	N.C.

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

**8. Auxiliary Well Control and Monitoring Equipment**

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

**9. Logging, Testing and Coring Program**

- A. The electric logging program will consist of GR-Dual Laterolog, Spectral Density, Dual Spaced Neutron, CSNG Log and will be run from TD to 8 5/8" casing shoe.
- 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 hold pressure is 2300 psig. Low levels of hydrogen sulfide have been monitored in producing wells in the area, so H<sub>2</sub>S may be present while drilling the well. A Hydrogen Sulfide Drilling Operation Plan is attached to this program. No major loss of circulation zones has been reported in offsetting wells.

**11. Anticipated Starting Date and Duration of Operations**

Road and location work will not begin until approval has been received from the BLM. As this is a Master Drilling plan, please refer to the Form 3160-3 for the anticipated start date. Once commenced, drilling operations should be finished in approximately 12 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**

**Eddy County, NM (NAN27 NME)**

**Skelly Unit #637**

**Skelly Unit #637**

**OH**

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

**SHL = 2495' FNL & 1280' FWL**

**BHL = 2300' FNL & 980' FWL**

**Top of Paddock 5075' TVD = 2300' FNL & 980' FWL**

## **Standard Planning Report**

**26 February, 2009**



**Scientific Drilling**  
Directional Drilling Operations

**SDI**  
Planning Report



Database: DB 16  
Company: COG Operating  
Project: Eddy County, NM (NAN27 NME)  
Site: Skelly Unit #637  
Well: Skelly Unit #637  
Wellbore: OH  
Design: Plan #1 - 7-7/8" Hole

Local Co-ordinate Reference: Well Skelly Unit #637  
TVD Reference: Ground Elev @ 3870.00ft (Rig ?)  
MD Reference: Ground Elev @ 3870 00ft (Rig ?)  
North Reference: Gnd  
Survey Calculation Method: Minimum Curvature

Project: Eddy County, NM (NAN27 NME)

Map System: US State Plane 1927 (Exact solution)  
Geo Datum: NAD 1927 (NADCON CONUS)  
Map Zone: New Mexico East 3001

System Datum: Mean Sea Level

Site: Skelly Unit #637

Site Position: Northing: 667,761 800 ft Latitude: 32° 50' 5.544 N  
From: Map Easting: 644,956.100 ft Longitude: 103° 51' 41.044 W  
Position Uncertainty: 0 00 ft Slot Radius: " Grid Convergence: 0 26 °

Well: Skelly Unit #637

Well Position: +N/-S 0 00 ft Northing: 667,761 800 ft Latitude: 32° 50' 5.544 N  
+E/-W 0 00 ft Easting: 644,956 100 ft Longitude: 103° 51' 41.044 W  
Position Uncertainty: 0.00 ft Wellhead Elevation: ft Ground Level: 3,870 00 ft

Wellbore: OH

Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF200510	2009/02/26	8.03	60.77	49,206

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

Audit Notes:

Version: Phase: PLAN Tie On Depth: 0 00

Vertical Section:	Depth From (TVD) (ft)	+N/-S (ft)	+E/-W (ft)	Direction (°)
	0.00	0.00	0 00	302 64

Plan Sections:

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)	TFO (°)	Target
0.00	0 00	0 00	0 00	0.00	0 00	0.00	0.00	0 00	0 00	
1,900 00	0 00	0 00	1,900 00	0.00	0 00	0 00	0 00	0 00	0 00	
2,262 18	7 24	302 64	2,261 21	12 33	-19 25	2 00	2 00	0 00	302 64	
4,734 48	7 24	302 64	4,713 79	180 47	-281 75	0 00	0 00	0 00	0 00	
5,096 66	0 00	0 00	5,075 00	192 80	-301 00	2 00	-2 00	0 00	180 00	PP-SU #637
6,721 66	0 00	0 00	6,700 00	192 80	-301.00	0 00	0 00	0 00	0 00	PBHL-SU #637

**SDI**  
Planning Report



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Project: Eddy County, NM (NAN27 NME)  
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Well: Skelly Unit #637  
Wellbore: OH  
Design: Plan #1 - 7-7/8" Hole

Local Co-ordinate Reference:  
TVD Reference:  
MD Reference:  
North Reference:  
Survey Calculation Method:

Well Skelly Unit #637  
Ground Elev. @ 3870 00ft (Rig ?)  
Ground Elev @ 3870 00ft (Rig ?)  
Grid  
Minimum Curvature

**Planned Survey**

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N-S (ft)	+E-W (ft)	Vertical Section (ft)	Dogleg Rate (°/100ft)	Build Rate (°/100ft)	Turn Rate (°/100ft)
0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00
<b>North HL-SU #637 - West HL-SU #637</b>									
1,800 00	0 00	0 00	1,800.00	0 00	0 00	0 00	0 00	0 00	0 00
<b>8 5/8" Casing</b>									
1,900 00	0 00	0 00	1,900.00	0 00	0 00	0 00	0 00	0 00	0 00
<b>KOP Start Build 2.00°/100'</b>									
2,000 00	2 00	302 64	1,999.98	0.94	-1 47	1.75	2.00	2.00	0 00
2,100 00	4 00	302 64	2,099.84	3 76	-5 88	6 98	2 00	2 00	0 00
2,200 00	6 00	302 64	2,199 45	8.46	-13.22	15 69	2 00	2 00	0 00
2,262 18	7.24	302 64	2,261 21	12.33	-19 25	22 86	2.00	2 00	0 00
<b>EOC hold 7.24°</b>									
2,300 00	7 24	302 64	2,298 73	14 90	-23 27	27 63	0 00	0 00	0 00
2,400 00	7 24	302 64	2,397 94	21 70	-33 89	40 24	0 00	0 00	0 00
2,500 00	7 24	302 64	2,497 14	28 51	-44 50	52 85	0 00	0 00	0 00
2,600 00	7 24	302 64	2,596 34	35 31	-55 12	65 46	0 00	0 00	0 00
2,700 00	7 24	302 64	2,695 54	42 11	-65 74	78 07	0 00	0 00	0 00
2,800 00	7 24	302 64	2,794 74	48 91	-76 36	90 68	0 00	0 00	0 00
2,900 00	7 24	302 64	2,893 95	55 71	-86 97	103 28	0 00	0 00	0 00
3,000 00	7 24	302 64	2,993 15	62.51	-97.59	115.89	0 00	0 00	0 00
3,100 00	7 24	302 64	3,092 35	69 31	-108 21	128 50	0 00	0 00	0 00
3,200 00	7 24	302 64	3,191.55	76.11	-118 83	141 11	0 00	0 00	0 00
3,300 00	7 24	302 64	3,290 75	82 91	-129.44	153.72	0 00	0 00	0 00
3,400 00	7 24	302 64	3,389.96	89 71	-140 06	166 33	0 00	0 00	0 00
3,500 00	7 24	302.64	3,489.16	96.51	-150 68	178 94	0 00	0 00	0 00
3,600 00	7 24	302.64	3,588.36	103 31	-161 29	191 55	0 00	0 00	0 00
3,700 00	7.24	302.64	3,687.56	110 12	-171 91	204 15	0 00	0 00	0 00
3,800 00	7 24	302.64	3,786 76	116 92	-182 53	216 76	0 00	0 00	0 00
3,900 00	7 24	302.64	3,885.96	123 72	-193 15	229 37	0 00	0 00	0 00
4,000 00	7 24	302.64	3,985.17	130 52	-203 76	241 98	0 00	0 00	0 00
4,100 00	7 24	302.64	4,084 37	137 32	-214 38	254 59	0 00	0 00	0 00
4,200 00	7 24	302 64	4,183 57	144 12	-225 00	267 20	0 00	0 00	0 00
4,300 00	7 24	302 64	4,282 77	150 92	-235 62	279 81	0 00	0 00	0 00
4,400 00	7 24	302 64	4,381 97	157 72	-246 23	292 42	0 00	0 00	0 00
4,500 00	7 24	302.64	4,481 18	164 52	-256 85	305 02	0 00	0 00	0 00
4,600 00	7.24	302.64	4,580 38	171 32	-267 47	317 63	0 00	0 00	0 00
4,700 00	7 24	302 64	4,679 58	178 12	-278 09	330 24	0 00	0 00	0 00
4,734 48	7 24	302 64	4,713 79	180 47	-281 75	334 59	0 00	0 00	0 00
<b>Start Drop 2.00°/100'</b>									
4,800 00	5 93	302 64	4,778 87	184 52	-288.08	342.11	2 00	-2.00	0 00
4,900 00	3 93	302 64	4,878 50	189 16	-295 32	350 71	2 00	-2 00	0 00
5,000 00	1 93	302 64	4,978 36	191.92	-299 63	355.82	2 00	-2.00	0 00
5,096 66	0 00	0 00	5,075 00	192 80	-301 00	357 45	2 00	-2 00	0 00
<b>EOC hold 0.00° - PP-SU #637</b>									
6,721 66	0 00	0 00	6,700 00	192 80	-301 00	357 45	0 00	0 00	0 00
<b>PBHL-SU #637</b>									

**SDI**  
Planning Report



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North Reference: Grid  
Survey Calculation Method: Minimum Curvature

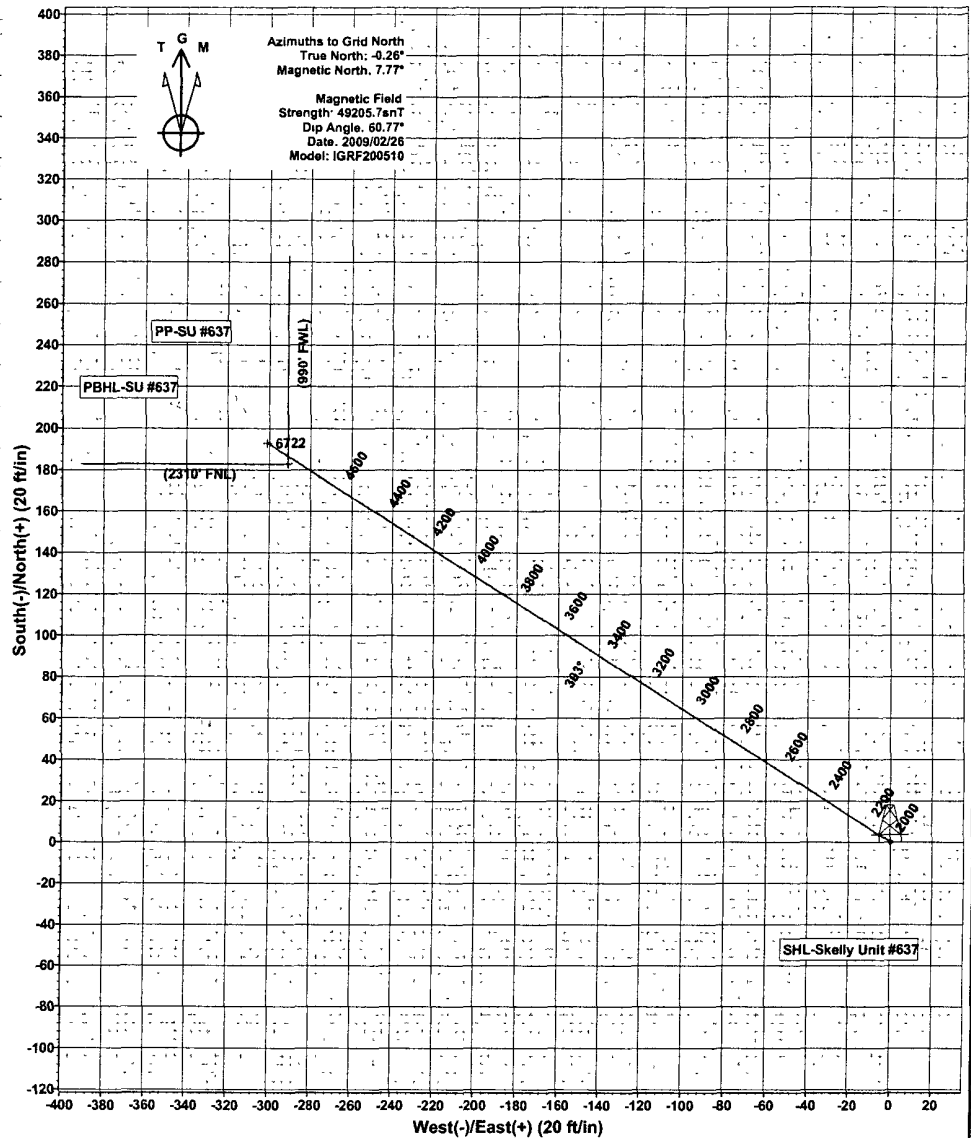
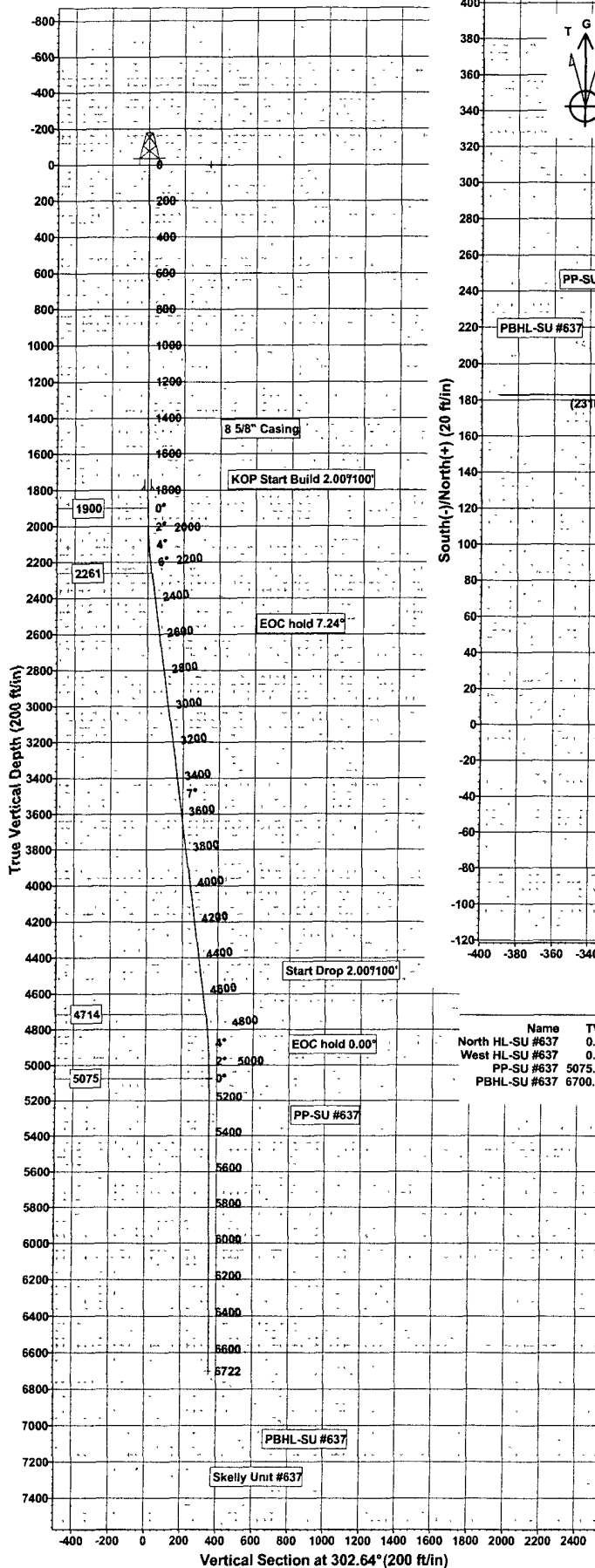
Targets									
Target Name	hit/miss target	Dip Angle	Dip Dir	TVD	+N/-S	+E/-W	Northing	Easting	
- Shape		(°)	(°)	(ft)	(ft)	(ft)	(ft)	(ft)	
PP-SU #637		0.00	0.00	5,075.00	192.80	-301.00	667,954.600	644,655.100	
	- plan hits target								
	- Point								
North HL-SU #637		0.00	0.00	0.00	182.80	-291.00	667,944.600	644,665.100	
	- plan misses by 343.65ft at 0.00ft MD (0.00 TVD, 0.00 N, 0.00 E)								
	- Rectangle (sides W0.00 H100.00 D0.00)								
West HL-SU #637		0.00	0.00	0.00	182.80	-291.00	667,944.600	644,665.100	
	- plan misses by 343.65ft at 0.00ft MD (0.00 TVD, 0.00 N, 0.00 E)								
	- Rectangle (sides W100.00 H0.00 D0.00)								
PBHL-SU #637		0.00	0.00	6,700.00	192.80	-301.00	667,954.600	644,655.100	
	- plan hits target								
	- Point								

Casing Points				
Measured Depth	Vertical Depth	Name	Casing Diameter	Hole Diameter
(ft)	(ft)		(")	(")
1,800.00	1,800.00	8 5/8" Casing	8-5/8	10-5/8

Plan Annotations				
Measured Depth	Vertical Depth	Local Coordinates		Comment
(ft)	(ft)	+N/-S (ft)	+E/-W (ft)	
1,900.00	1,900.00	0.00	0.00	KOP Start Build 2.00°/100'
2,262.18	2,261.21	12.33	-19.25	EOC hold 7.24°
4,734.48	4,713.79	180.47	-281.75	Start Drop 2.00°/100'
5,096.66	5,075.00	192.80	-301.00	EOC hold 0.00°

# COG Operating

Scientific Drilling for COG Operating  
Site: Eddy County, NM (NAN27 NME)  
Well: Skelly Unit #637  
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
North HL-SU #637	0.00	182.80	-291.00	667944.600	644665.100	32°50' 7.366 N	103°51' 44.445 W	Rectangle (Sides: L0.00 W100.00)
West HL-SU #637	0.00	182.80	-291.00	667944.600	644665.100	32°50' 7.366 N	103°51' 44.445 W	Rectangle (Sides: L100.00 W0.00)
PP-SU #637	5075.00	192.80	-301.00	667954.600	644655.100	32°50' 7.465 N	103°51' 44.562 W	Point
PBHL-SU #637	6700.00	192.80	-301.00	667954.600	644655.100	32°50' 7.465 N	103°51' 44.562 W	Point

**AZIMUTH CORRECTIONS**  
ALL AZIMUTHS MUST BE CORRECTED TO GRID  
GRID CORRECTIONS MUST BE APPLIED BEFORE PLOTTING  
To convert a Magnetic Direction to a Grid Direction, Add 7.77°  
To convert a True Direction to a Grid Direction, Subtract 0.26°

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.00	
2	1900.00	0.00	0.00	1900.00	0.00	0.00	0.00	0.00	0.00	
3	2262.18	7.24	302.64	2261.21	12.33	-19.25	2.00	302.64	22.86	
4	4734.48	7.24	302.64	4713.79	180.47	-281.75	0.00	0.00	334.59	
5	5096.66	0.00	0.00	5075.00	192.80	-301.00	2.00	180.00	357.45	PP-SU #637
6	6721.66	0.00	0.00	6700.00	192.80	-301.00	0.00	0.00	357.45	PBHL-SU #637

WELL DETAILS: Skelly Unit #637

+N/-S	+E/-W	Northing	Easting	Ground Level:	Latitude	Longitude	Slot
0.00	0.00	667761.800	644956.100	3870.00	32°50' 5.544 N	103°51' 41.044 W	

**PROJECT DETAILS:** Eddy County, NM (NAN27 NME) **Plan:** Plan #1 - 7-7/8" Hole (Skelly Unit #637/OH)  
Geodetic System: US State Plane 1927 (Exact solution) Created By: Julio Pina Date: 26-Feb-09  
Datum: NAD 1927 (NADCON CONUS)  
Ellipsoid: Clarke 1866 Checked: Date:   
Zone: New Mexico East 3001 Reviewed: Date:   
System Datum: Mean Sea Level Approved: Date:

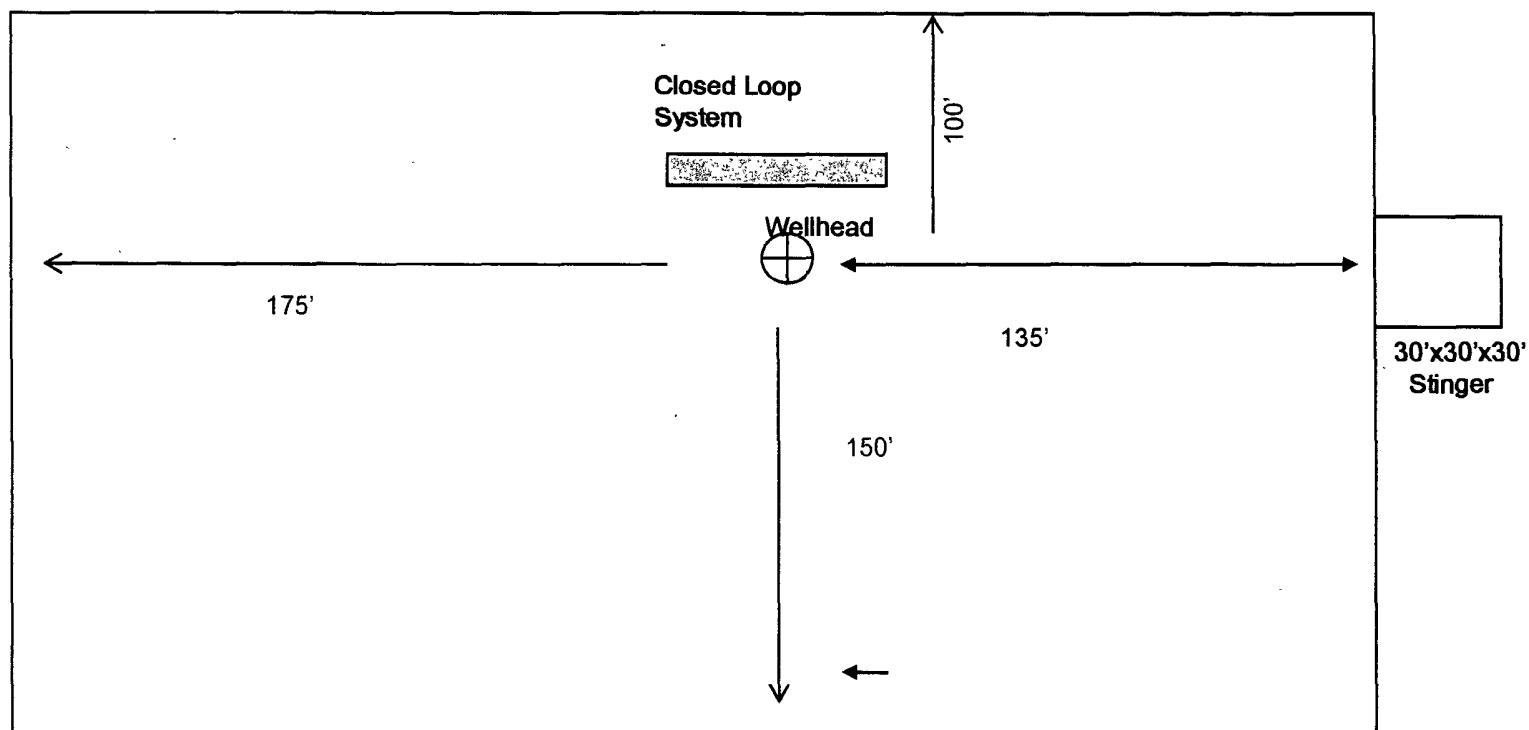


Exhibit 6

COG OPERATING, LLC

Rig Layout- Closed Loop System

Not To Scale



## Closed Loop Operation & Maintenance Procedure

All drilling fluid circulated over shaker(s) with cuttings discharged into roll off container.

Fluid and fines below shaker(s) are circulated with transfer pump through centrifuge(s) or solids separator with cuttings and fines discharged into roll off container.

Fluid is continuously re-circulated through equipment with polymer added to aid separation of cutting fines.

Roll off containers are lined and de-watered with fluids re-circulated into system.

Additional tank is used to capture unused drilling fluid or cement returns from casing jobs.

This equipment will be maintained 24 hrs./day by solids control personnel and or rig crews that stay on location.

Cuttings will be hauled to either:

CRI (permit number R9166)

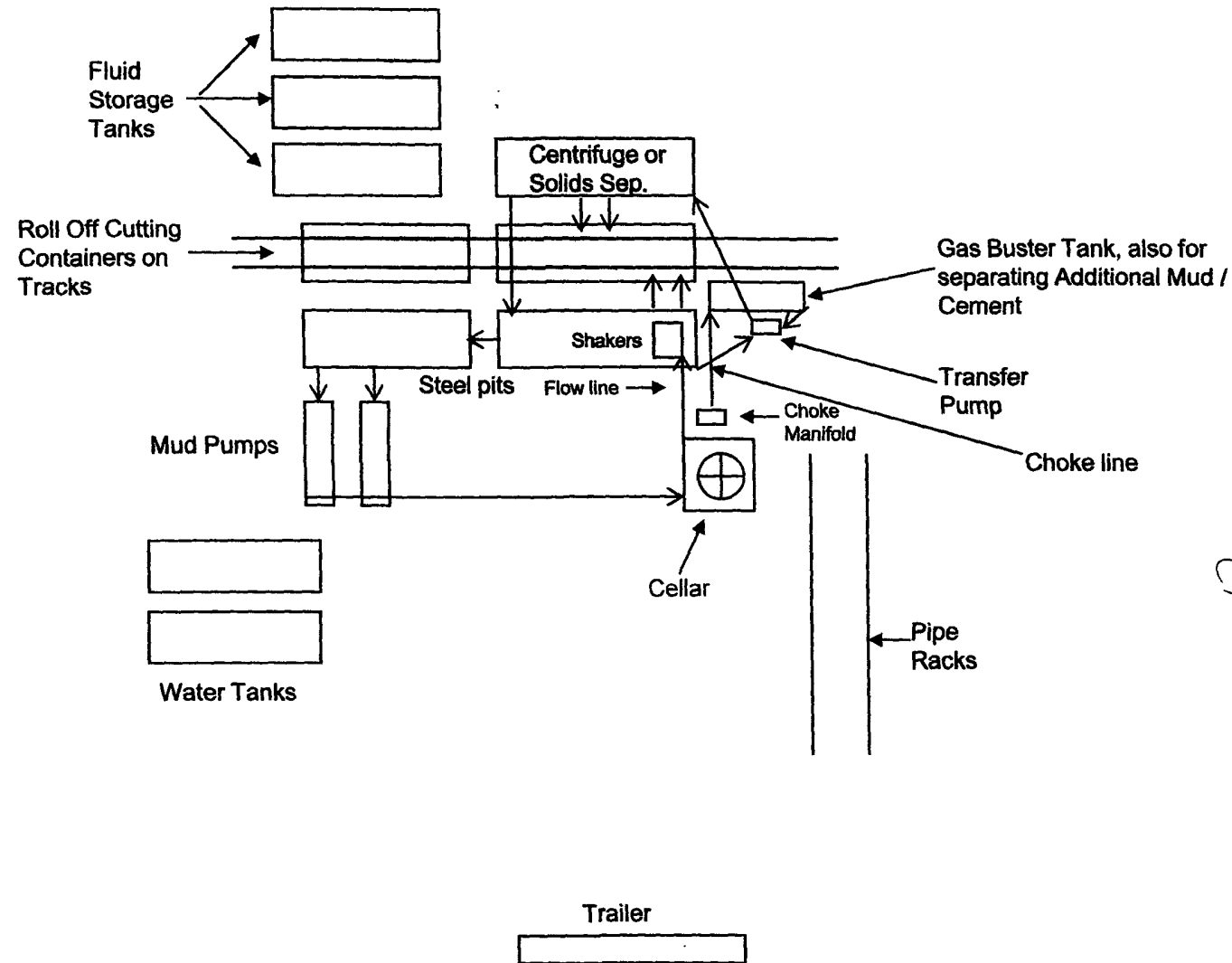
or

GMI (permit number 711-019-001)

dependent upon which rig is available to drill this well.

COG Operating LLC

# Closed Loop Equipment Diagram



## Closed Loop Operation & Maintenance Procedure

All drilling fluid circulated over shaker(s) with cuttings discharged into roll off container.

Fluid and fines below shaker(s) are circulated with transfer pump through centrifuge(s) or solids separator with cuttings and fines discharged into roll off container.

Fluid is continuously re-circulated through equipment with polymer added to aid separation of cutting fines.

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Additional tank is used to capture unused drilling fluid or cement returns from casing jobs.

This equipment will be maintained 24 hrs./day by solids control personnel and or rig crews that stay on location.

Cuttings will be hauled to either:

CRI (permit number R9166),

or

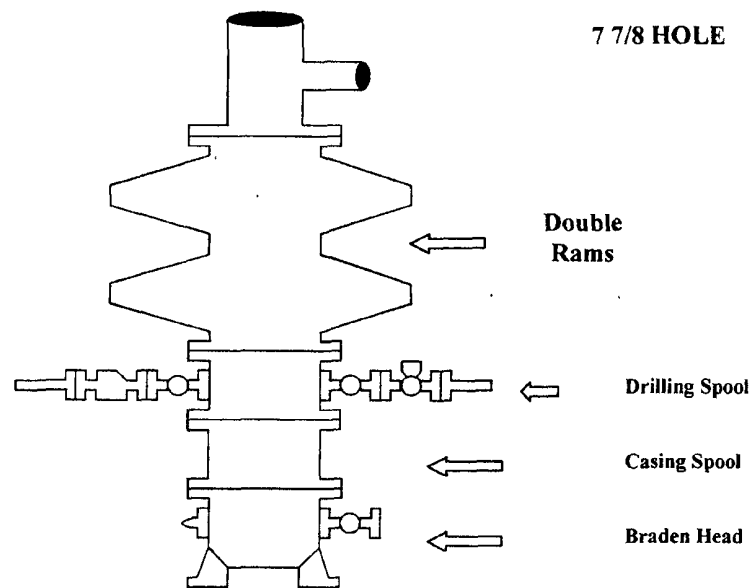
GMI (permit number 711-019-001)

dependent upon which rig is available to drill this well.

# COG Operating LLC

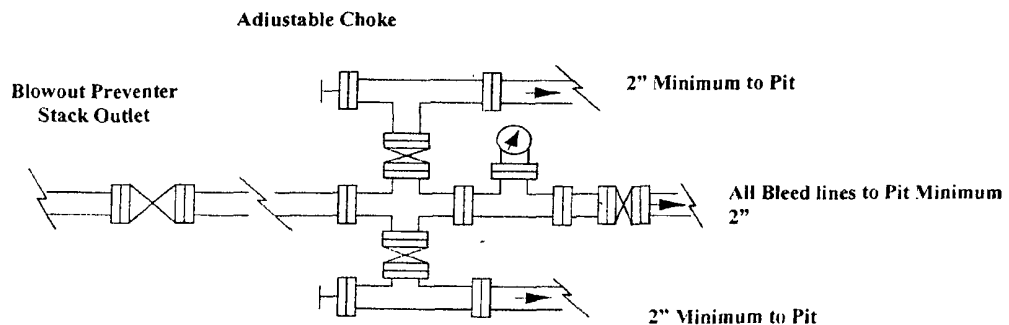
## Exhibit #9

### BOPE and Choke Schematic



Minimum 4" Nominal choke and kill lines

Choke Manifold Requirement (2000 psi WP)  
No Annular Required



**NOTES REGARDING THE BLOWOUT PREVENTERS**

**Master Drilling Plan  
Eddy County, New Mexico**

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

## COG Operating LLC

### Hydrogen Sulfide Drilling Operation Plan

#### I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H<sub>2</sub>S)
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H<sub>2</sub>S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H<sub>2</sub>S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H<sub>2</sub>S Drilling Operations Plan and Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H<sub>2</sub>S zone (within 3 days or 500 feet) and weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H<sub>2</sub>S Drilling Operations Plan and the Public Protection Plan. **The concentrations of H<sub>2</sub>S of wells in this area from surface to TD are low enough that a contingency plan is not required.**

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## **II. H2S SAFETY EQUIPMENT AND SYSTEMS**

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonable expected to contain H2S.

### **1. Well Control Equipment:**

- A. Flare line.
- B. Choke manifold.
- C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
- D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

### **2. Protective equipment for essential personnel:**

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

### **3. H2S detection and monitoring equipment:**

- A. 1 portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 PPM are reached.

### **4. Visual warning systems:**

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

### **5. Mud program:**

- A. The mud program has been designed to minimize the volume of H2S circulated to surface. Proper mud weight, safe drilling practices, and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.
-

**6. Metallurgy:**

- A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
- B. All elastomers used for packing and seals shall be H2S trim.

**7. Communication:**

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

**8. Well testing:**

- A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill-stem-testing operations conducted in an H2S environment will use the closed chamber method of testing.
- B. There will be no drill stem testing.

**EXHIBIT #7**

**WARNING**  
**YOU ARE ENTERING AN H<sub>2</sub>S**  
**AUTHORIZED PERSONNEL ONLY**

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

**COG OPERATING LLC**  
**1-432-683-7443**  
**1-575-746-2010**

**EDDY COUNTY EMERGENCY NUMBERS**

**ARTESIA FIRE DEPT. 575-746-5050**  
**ARTESIA POLICE DEPT. 575-746-5000**  
**EDDY CO. SHERIFF DEPT. 575-746-9888**

**LEA COUNTY EMERGENCY NUMBERS**

**HOBBS FIRE DEPT. 575-397-9308**  
**HOBBS POLICE DEPT. 575-397-9285**  
**LEA CO. SHERIFF DEPT. 575-396-1196**

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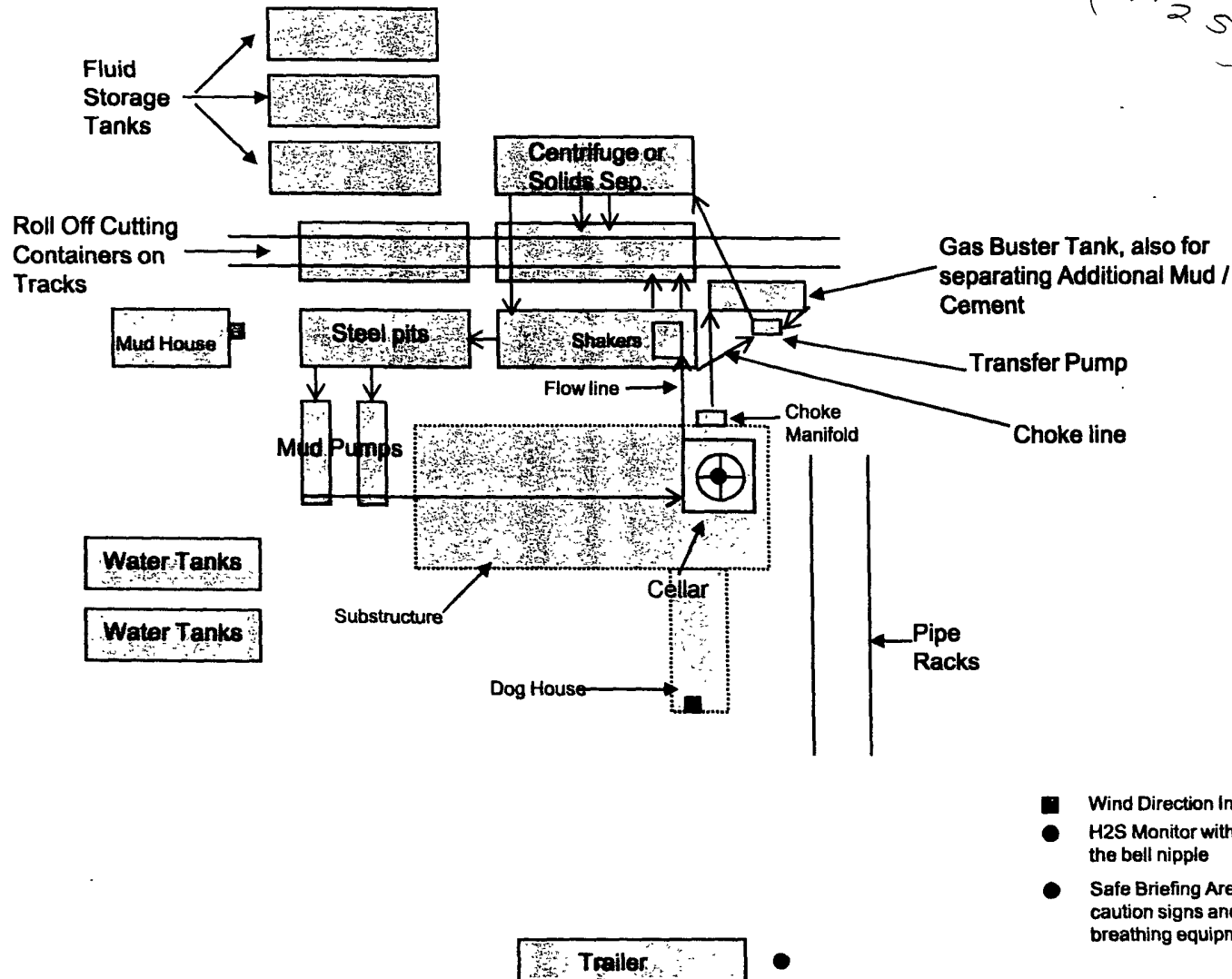


COG Operating LLC

## EXHIBIT 8

Drilling Location - H2S Safety Equipment Diagram

*See COA  
(H2S)*



## **SURFACE USE AND OPERATING PLAN**

### **1. Existing & Proposed Access Roads**

- A. The well site survey and elevation plat for the proposed well is shown in Exhibit #1. It was staked by John West Engineering, Hobbs, NM.
- B. All roads to the location are shown in the topographic map Exhibit #2. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. Directions to Location: From the intersection of U.S. Hwy. #82 and CR. #223 (Sweetgum) road.), go Northwest on co. rd. 223 approx. 0.9 miles. Turn right and go east approx. 0.5 miles. Veer left and go northeast approx. 0.3 miles. Veer right and go east approx. 0.3 miles. Turn left and go north approx. 0.5 miles. Turn left and go west approx. 0.15 miles. Turn left and go south approx. 0.1 miles to the Skelly Unit 189 well pad. This location is approx. 150 north of pad. See Vicinity Map, Exhibit #3.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

### **2. Proposed Access Road:**

Exhibit #4 shows that the location, when constructed will be on the edge of the existing lease road. 0' feet of new access road will be required at this time. Any road needed will be located on the southwest corner of the location. The road will be constructed as follows:

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

### **3. Location of Existing Well:**

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

**4. Location of Existing and/or Proposed Facilities:**

- A. COG Operating LLC/Chevron does operate a production facility on this lease.
- B. If the well is productive, contemplated facilities will be as follows:
  - 1) Production will be sent to the Skelly Federal tank battery located in Section 22. The facility location is shown in Exhibit #5.
  - 2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.
  - 3) Any additional caliche will be obtained from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
  - 4) Proposed flow lines, will follow an archaeologically approved route to the Skelly Federal Tank Battery located in Section 22. The flowline will be SDR 7 3" poly line laid on the surface and will be approximately 1.0 miles' in length.
  - 5) It will be necessary to run electric power if this well is productive. Power will be provided by CVE and they will submit a separate plan and ROW for service to the well location.
  - 6) If the well is productive, rehabilitation plans will include the following:

**5. Location and Type of Water Supply:**

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown in Exhibit #2. If a commercial fresh water source is nearby, fast line may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

**6. Source of Construction Materials:**

All caliche required for construction of the drill pad and proposed new access road (approximately 2900 cubic yards) will be obtained from a BLM approved caliche pit or the location area.

**7. Methods of Handling Water Disposal:**

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in roll-off style mud boxes and taken to an NMOCD approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.
- C. Water produced from the well during completion will be held temporally in steel tanks and then taken to an NMOCD approved commercial disposal facility.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole, only a dry hole marker will remain.

**8. Ancillary Facilities:**

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

**9. Well Site Layout:**

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

**10. Plans for Restoration of the Surface:**

- A. The location and road will be rehabilitated as recommended by the BLM.
- B. Upon completion of proposed operations, if the well is completed, the reserve pit area will be closed as outlined in Section 4.6 above within the same prescribed time. Any additional caliche required for facilities will be obtained from a BLM approved caliche pit. Topsoil removed from the drill site will be used to re-contour the pit area to its original natural level and reseeded as per BLM specifications.

**11. Surface Ownership:**

- A. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. The surface tenant for this site is Charles K. Martin, PO Box 706, Artesia NM.
- C. The proposed road routes and surface location will be restored as directed by the BLM.

**12. Other Information:**

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

**13. Bond Coverage:**

Bond Coverage is Nationwide Bond # 000215

**14. Lessee's and Operator's Representative:**

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

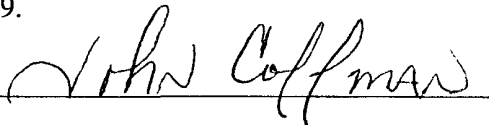
John Coffman,  
Drilling Superintendent  
COG Operating LLC  
550 W. Texas, Suite 1300  
Midland, TX 79701  
Phone (432) 683-7443 (office)  
(432) 631-9762 (cell)

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

**.Exhibits:**

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

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or COG Operating, LLC, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements. Executed this 16th day of March, 2009.

Signed: 

Printed Name: John Coffman

Position: Drilling Superintendent

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

Telephone: (432) 683-7443

Field Representative (if not above signatory): Same

Address (if different from above):

Telephone (if different from above):

E-mail: JCOffman@conchoresources.com

# PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	COG Operating LLC
LEASE NO.:	LC-029420A
WELL NAME & NO.:	Skelly Unit #637
SURFACE HOLE FOOTAGE:	2495' FNL & 1280' FWL
BOTTOM HOLE FOOTAGE:	2310' FNL & 990' FWL
LOCATION:	Section 15, T. 17 S., R 31 E., NMPM
COUNTY:	Eddy County, New Mexico

## TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
  - Lesser Prairie Chicken
  - Unit Plan of Development
  - Ground-level Abandoned Well Marker
- ☒ **Construction**
  - Notification
  - Topsoil
  - Closed Loop System
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- ☒ **Road Section Diagram**
- ☒ **Drilling**
  - Onshore Order 6 – H2S requirements
  - BOP/BOPE test
- ☒ **Production (Post Drilling)**
  - Well Structures & Facilities
  - Pipelines
- ☒ **Closed Loop System/Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**



## **I. GENERAL PROVISIONS**

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

## **II. PERMIT EXPIRATION**

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

## **III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES**

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

## **IV. NOXIOUS WEEDS**

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

If present, the spraying of noxious weeds must be completed by a licensed or certified applicator. In order to attempt to kill or remove noxious weeds, the proper mix of chemical is needed. Noxious weeds must be sprayed two weeks prior to any dirt working activities or disturbances to the site being sprayed. This will allow proper time to ensure the plants mortality.

## **V. SPECIAL REQUIREMENT(S)**

**Mitigation Measures:** The mitigation measures include Pecos District Conditions of Approval, the standard stipulations for permanent resource roads, the standard stipulations for surface flow lines, and the standard stipulation for the lesser prairie chicken.

1. **Timing Limitation Stipulation/Condition of Approval for Lesser Prairie-Chicken:** Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.
2. **Ground-level Abandoned Well Marker to avoid raptor perching:** Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

**Skelly Unit # 637:** Closed loop system: V- Door North

**Unit Plan of Development has not been received for 2009.**

## **VI. CONSTRUCTION**

### **A. NOTIFICATION**

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

### **B. TOPSOIL**

The operator shall stockpile the topsoil of the well pad. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

### **C. Closed Loop System**

**Skelly Unit # 637:** Closed loop system: V- Door North

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

### **D. FEDERAL MINERAL MATERIALS PIT**

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

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (575) 234-5972.

### **E. WELL PAD SURFACING**

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

### **F. ON LEASE ACCESS ROADS**

### **Road Width**

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

### **Surfacing**

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

### **Crowning**

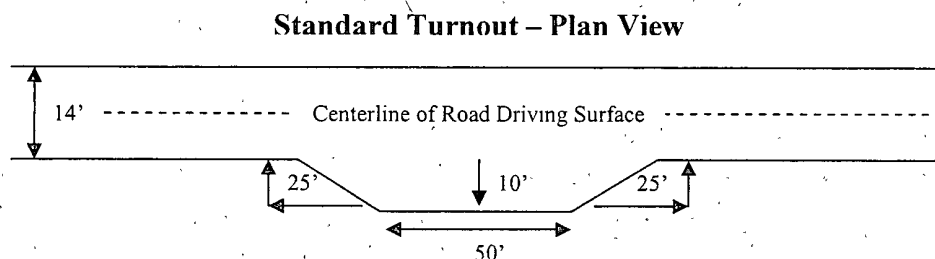
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

### **Ditching**

Ditching shall be required on both sides of the road.

### **Turnouts**

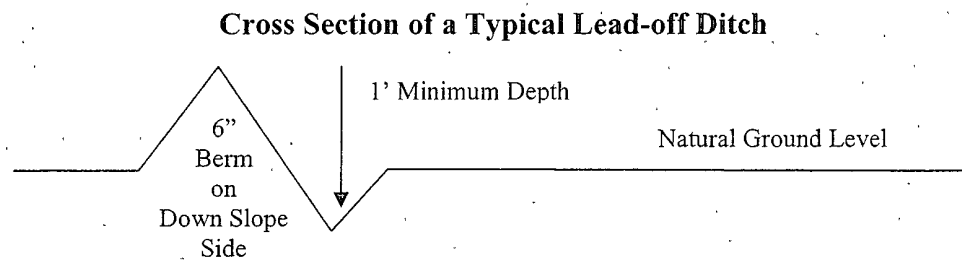
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



### **Drainage**

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

#### **Formula for Spacing Interval of Lead-off Ditches**

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

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

#### **Culvert Installations**

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

#### **Cattleguards**

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

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

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

#### **Fence Requirement**

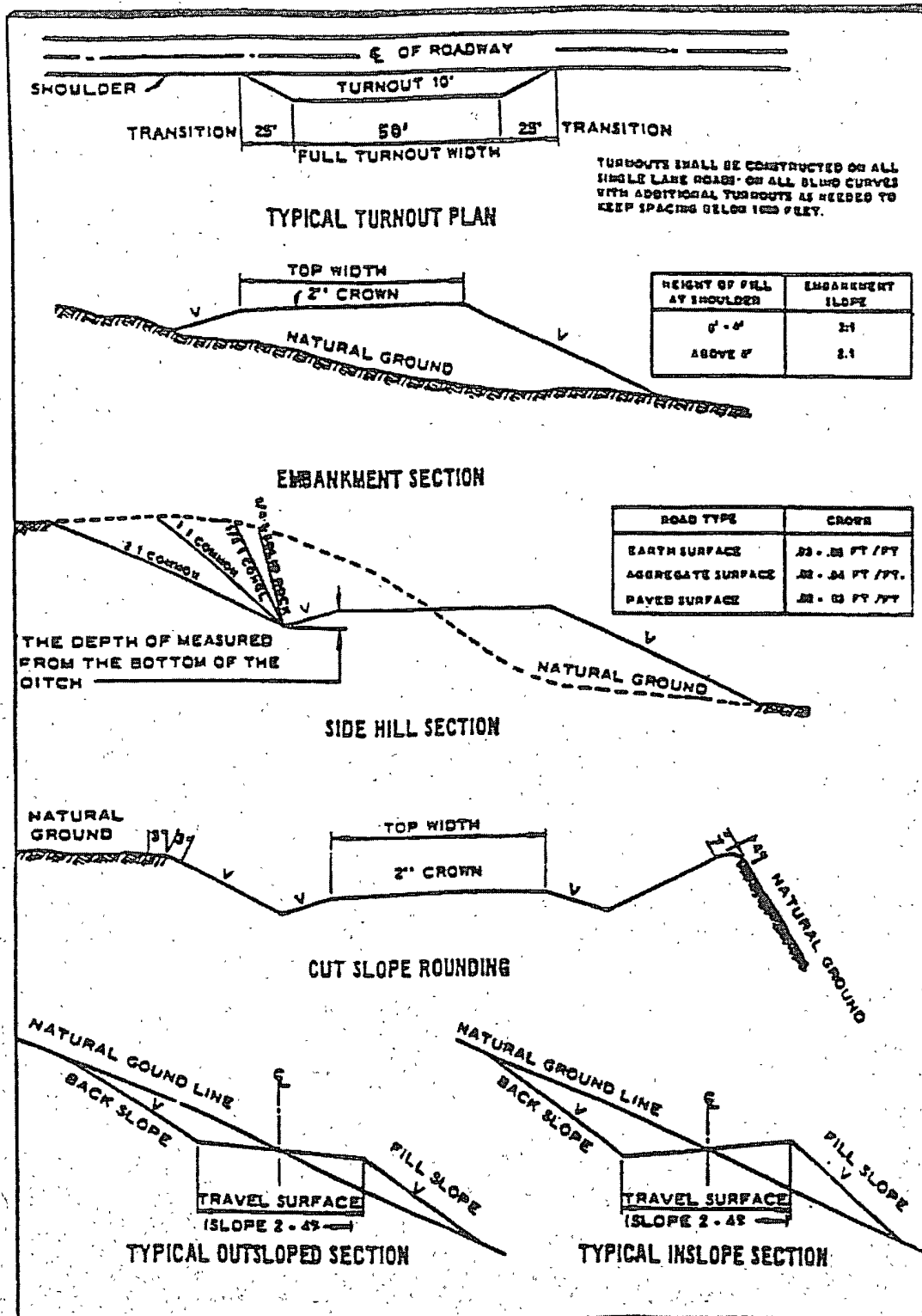
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

**Public Access**

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

Figure 1 – Cross Sections and Plans For Typical Road Sections





## VII. DRILLING

### A. DRILLING OPERATIONS REQUIREMENTS

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

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

☒ **Eddy County**

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

1. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be activated 500 feet prior to drilling into the **Queen** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment (well control, etc.) and personnel/public protection items. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

### B. CASING

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

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

**Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.**

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

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

1. The 13-3/8 inch surface casing shall be set **at approximately 450 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
  - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry. Not applicable if proposed program used.**
  - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
  - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is:
  - ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Casing to be set in the Tansill formation.**
3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
  - ☒ Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification.
4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

#### **C. PRESSURE CONTROL**

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. The tests shall be done by an independent service company.

- b. The results of the test shall be reported to the appropriate BLM office.
- c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
- d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
- e. **Effective November 1, 2008, no variances will be granted on reduced pressure tests on the surface casing and BOP/BOPE. Onshore Order 2 requirements will be in effect.**

**D. DRILL STEM TEST**

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

**WWI 041709**

## **VIII. PRODUCTION (POST DRILLING)**

### **A. WELL STRUCTURES & FACILITIES**

#### **Placement of Production Facilities**

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

#### **Containment Structures**

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

#### **Painting Requirement**

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color Shale Green, Munsell Soil Color Chart # 5Y 4/2

### **B. PIPELINES**

BLM LEASE NUMBER:

COMPANY NAME:

WELL NO. & NAME:

#### **STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES**

**A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.**

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b.

A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.

3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:

- a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
- b. Activities of other parties including, but not limited to:
  - (1) Land clearing.
  - (2) Earth-disturbing and earth-moving work.
  - (3) Blasting.
  - (4) Vandalism and sabotage.
- c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean

up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.

6. All construction and maintenance activity will be confined to the authorized right-of-way width of 25 feet.

7. No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.

8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky or dune areas, the pipeline will be "snaked" around hummocks and dunes rather than suspended across these features.

9. The pipeline shall be buried with a minimum of 24 inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.

10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.

11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.

12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – **Shale Green**, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.

13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.

14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

(March 1989)

## **IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE**

### **A. INTERIM RECLAMATION**

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

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

The operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.



BLM Serial #:  
Company Reference:  
Well Name and Number:

Seed Mixture for LPC Sand/Shinnery Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)\* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed\* per acre:

<u>Species</u>	<u>lb/acre</u>
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A

\*\*Four-winged Saltbush 5lbs/A

\* This can be used around well pads and other areas where caliche cannot be removed.

\*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed  
(Insert Seed Mixture Here)

## **X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS**

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

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