

OCD Artesia

ATS-10-484

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, 2007

| | | | |
|---|---|---|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | | 5. Lease Serial No. NMNM-98122 |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | | 6. If Indian, Allottee or Tribe Name N/A |
| 2. Name of Operator Chevron USA <input checked="" type="checkbox"/> Agent: COG Operating LLC 22291372 | | | 7. If Unit or CA Agreement, Name and No. NMNM - 71030X |
| 3a. Address Agent Address: 550 W. Texas Ave., Suite 1300 Midland, TX 79701 | | | 8. Lease Name and Well No. SKELLY UNIT #714 2305607 |
| 3b. Phone No. (include area code) 432-685-4385 | | | 9. API Well No. 30-015- 38449 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1785' FNL & 1650' FEL, Unit G At proposed prod. zone | | | 10. Field and Pool, or Exploratory Fren; Glorieta-Yeso 26770 |
| 14. Distance in miles and direction from nearest town or post office* 9 miles East of Loco Hills, NM | | | 11. Sec., T. R. M. or Blk. and Survey or Area Sec 21 T17S R31E |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1650' | 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. 550' | 19. Proposed Depth 6550 | 20. BLM/BIA Bond No. on file NMB000215 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3808' GL | 22. Approximate date work will start* 12/31/2010 | 23. Estimated duration 15 days | |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|-----------------------------|---------------------------------------|--------------------|
| 25. Signature | Name (Printed/Typed) Robyn M. Odom | Date 12/22/2010 |
| Title Regulatory Analyst | | |

| | | |
|---|---------------------------------|---------------------|
| Approved by (Signature) /s/ Don Peterson | Name (Printed/Typed) | Date JAN 18 2011 |
| Title FIELD MANAGER | Office CARLSBAD FIELD OFFICE | |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

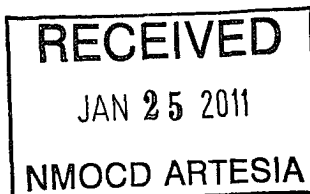
APPROVAL FOR TWO YEARS

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

*(Instructions on page 2)

Approval Subject to General Requirements
& Special Stipulations Attached

Roswell Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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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 |

See
COA

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Setting 13 3/8" casing to ~~450'~~^{435'} 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'~~^{1625'} and circulating cement, in a single or multi-stage job and/or with an ECP, back to the surface. Any shallower zones above TD, which contain commercial quantities of oil and/or gas, will have cement circulated across them. This will be achieved by cementing, with a single or multi-stage job, the 5 1/2" production casing back 200' into the intermediate casing, to be run at TD. If wellbore conditions arise that require immediate action and/or a change to this program, COG Operating LLC personnel will always react to protect the wellbore and/or the environment.

See
COA

4. Casing Program

See COA

| Hole Size | Interval | OD Casing | Weight | Grade | Jt., Condition | Jt. | burst/collapse/tension |
|---------------------------|--------------------------|-----------|-------------|------------|----------------|------|------------------------|
| 17 1/2" | 0-450' 425' | 13 3/8" | 48# | H-40orJ-55 | New | ST&C | 8.71/3.724/14.91 |
| 11" or 12 1/4" | 0-1800' 1800' | 8 5/8" | 24or32# | J-55 | New | ST&C | 2.91/1.46/5.65 |
| 7 7/8" | 0-T.D. | 5 1/2" | 15.5 or 17# | J-55orL80 | New | LT&C | 1.71/1.574/2.20 |

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:

Single Stage: 50:50:10, 350 sx lead, yield-2.45 + Class C, 200 sx tail, yield-1.32, back to surface.

Multi-Stage: Stage 1: Class C, 350 sx, yield-1.32. Stage 2: 50:50:10, 200 sx, yield-2.45, back to surface. Multi stage tool to be set at approximately, depending on hole conditions, ~~450'~~ 475'

See COA

5 1/2" Production Casing:

Single Stage: 35:65:6, 500 sx Lead, yield-2.05 + 50:50:2, 400 sx Tail, yield-1.37, to 200' minimum tie back to intermediate casing.

Multi-Stage: Stage 1: 50:50:2, 400 sx, yield - 1.37; Stage 2: 35:65:6, 500 sx, yield - 2.05, to 200' minimum tie back to intermediate casing. Multi stage tool to be set at approximately, depending on hole conditions, ~~1500'~~ - 2000'.

See COA

6. Minimum Specifications for Pressure Control

The blowout preventer equipment (BOP) shown in Exhibit #9 will consist of a double ram-type (2000 psi WP) preventer. This unit will be hydraulically operated and the ram type preventer will be equipped with blind rams on top of 4 1/2" drill pipe rams on the bottom. The BOP will be nipped up on the 13 3/8" surface casing with BOP equipment and tested ~~together~~ ^{min 13 5/8"} to 2000 psi ~~by rig pump in one test.~~ ^{See COA} 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) with 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 |
|------------|-------------|---------|-----------|-----------|
| 0-425' | Fresh Water | 8.5 | 28 | N.C. |
| 425'-1625' | Brine | 10 | 30 | N.C. |
| 1625'-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 See COA

- A. The electric logging program will consist of GR-Dual Laterolog, Spectral Density, Dual Spaced Neutron, CSNG Log and will be run from TD to 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. Measurable gas volumes or Hydrogen Sulfide levels have not been encountered during drilling operations in this area, although a Hydrogen Sulfide Drilling Operation Plan is attached to this program. No major loss of circulation zones has been reported in offsetting wells.

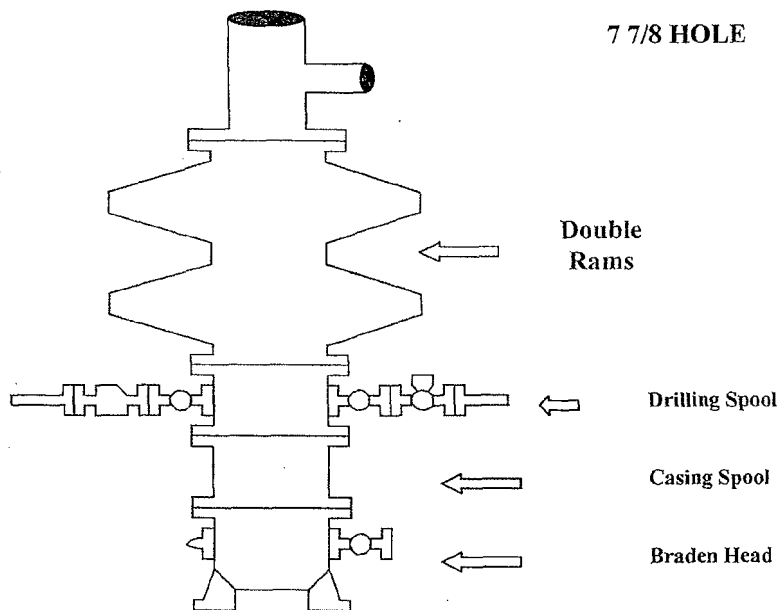
11. Anticipated Starting Date and Duration of Operations

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 LLC

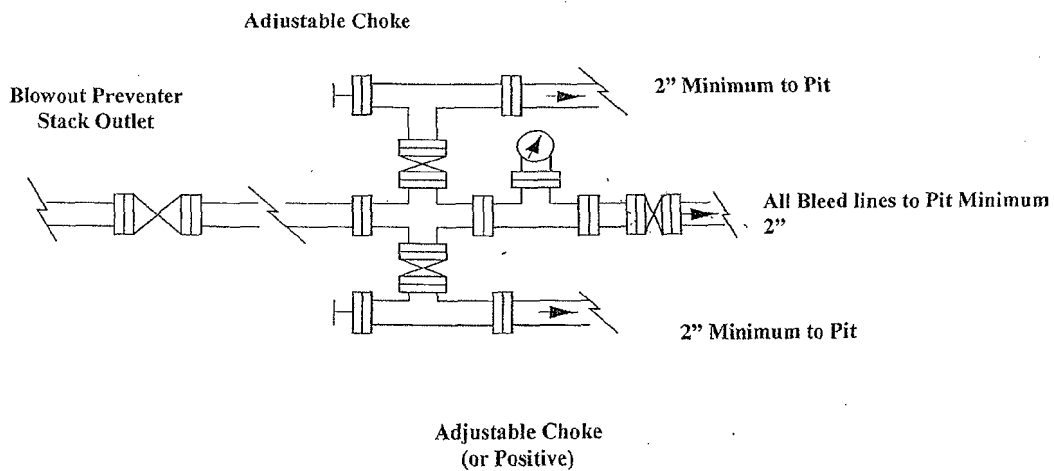
Exhibit #9

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.