

OCD-ARTESIA

ATS-07-402
A-07-744Form 3160-3
(February 2005)

MAY 30 2007

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM 117117
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator COG Operating, LLC		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 550 W. Texas, Suite 1300 Midland, TX 79701		8. Lease Name and Well No. Moose "23" Federal #1 36529
3b. Phone No. (include area code) 432-685-9158		9. API Well No. 30-015-25332
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1665' FSL & 976' FWL, Unit 1 At proposed prod. zone 1650' FSL & 330' FEL, Unit 1 Roswell Controlled Water Basin		10. Field and Pool, or Exploratory Crow Flats Wolfcamp
14. Distance in miles and direction from nearest town or post office* Approx. 12 miles Northwest from Loco Hills, NM		11. Sec., T. R. M. or Blk. and Survey or Area Sec 23, T16S, R28E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 640.0	17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease. ft. N/A	19. Proposed Depth 6,775' TVD; 10,710' MD	20. BLM/BIA Bond No. on file NMB 000215
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3756' GL	22. Approximate date work will start* 06/01/2007	23. Estimated duration 45 days

24. Attachments

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

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

25. Signature <i>Denise Menoud</i>	Name (Printed/Typed) Denise Menoud	Date 04/17/2007
Title Agent		

Approved by (Signature) <i>Stephen J. Caffey</i>	Name (Printed/Typed) Steve Caffey	Date MAY 29 2007
Title Acting 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)

SEE ATTACHED FOR
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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

EXHIBIT "A"

DISTRICT I

1025 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 October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-25332	Pool Code 97102	Pool Name CROW FLATS; WOLF CAMP
Property Code	Property Name MOOSE "23" FEDERAL	Well Number 1
OGRID No. 229137	Operator Name C.O.G. OPERATING L.L.C.	Elevation 3756'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	23	16 S	28 E		1665	SOUTH	976	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
I	23	16 S	28 E		1650	SOUTH	330	EAST	EDDY
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.						

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>SURFACE LOCATION LAT-N32°54'22.0" LONG-W104°09'07.9" (NAD-83)</p>	<p>PROJECT AREA</p>		<p>BOTTOM HOLE LOCATION LAT-N32°54'21.7" LONG-W104°08'21.8" (NAD-83)</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained 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 pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Denise Menoud</i> 4-17-07 Signature Date</p> <p>DENISE MENOUD, AGENT Printed Name</p>
				<p>SURVEYOR CERTIFICATION</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>APRIL 11 2007</p> <p>Date Surveyed</p> <p>Signature of Gary L. Jones Professional Surveyor</p> <p>W.C. 1941</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

ATTACHMENT TO FORM 3160-3
 COG Operating, LLC
 Moose "23" Federal #1 Re-Entry
 SL: 1665' FSL & 976' FWL, Unit L
 BHL: 1650' FSL & 330' FEL, Unit I
 Sec 23, T16S, R28E
 Eddy County, NM

1. Proration Unit Spacing: 160 Acres

2. Ground Elevation: 3756'

3. Proposed Depths: TVD = 6775', MD = 10,710'

4. Estimated tops of geological markers:

Quaternary	Surface
San Andres	1780'
Glorietta	3250'
Tubb	4430'
Abo	5290'
Wolfcamp	6750'

5. Possible mineral bearing formations:

Water Sand	Fresh Water	150'
San Andres	Oil / Gas	1780'
Paddock	Oil / Gas	3300'
Tubb	Oil / Gas	4430'
Abo	Oil / Gas	5290'
Wolfcamp	Oil / Gas	6750'

6. Casing Program Existing

<u>Hole size</u>	<u>Interval</u>	<u>OD of Casing</u>	<u>Weight</u>	<u>Thread</u>	<u>Collar</u>	<u>Grade</u>
12 1/4"	0' - 273'	9-5/8"	43#	8rd	STC	J-55

6a. Casing Program Proposed

<u>Hole size</u>	<u>Interval</u>	<u>OD of Casing</u>	<u>Weight</u>	<u>Thread</u>	<u>Collar</u>	<u>Grade</u>
7-7/8"	0' - 10,710'	5-1/2"	17#	8rd	BTC-LTC	HCL-80

EXHIBIT "G"

BOPE SCHEMATIC
3M SERVICE

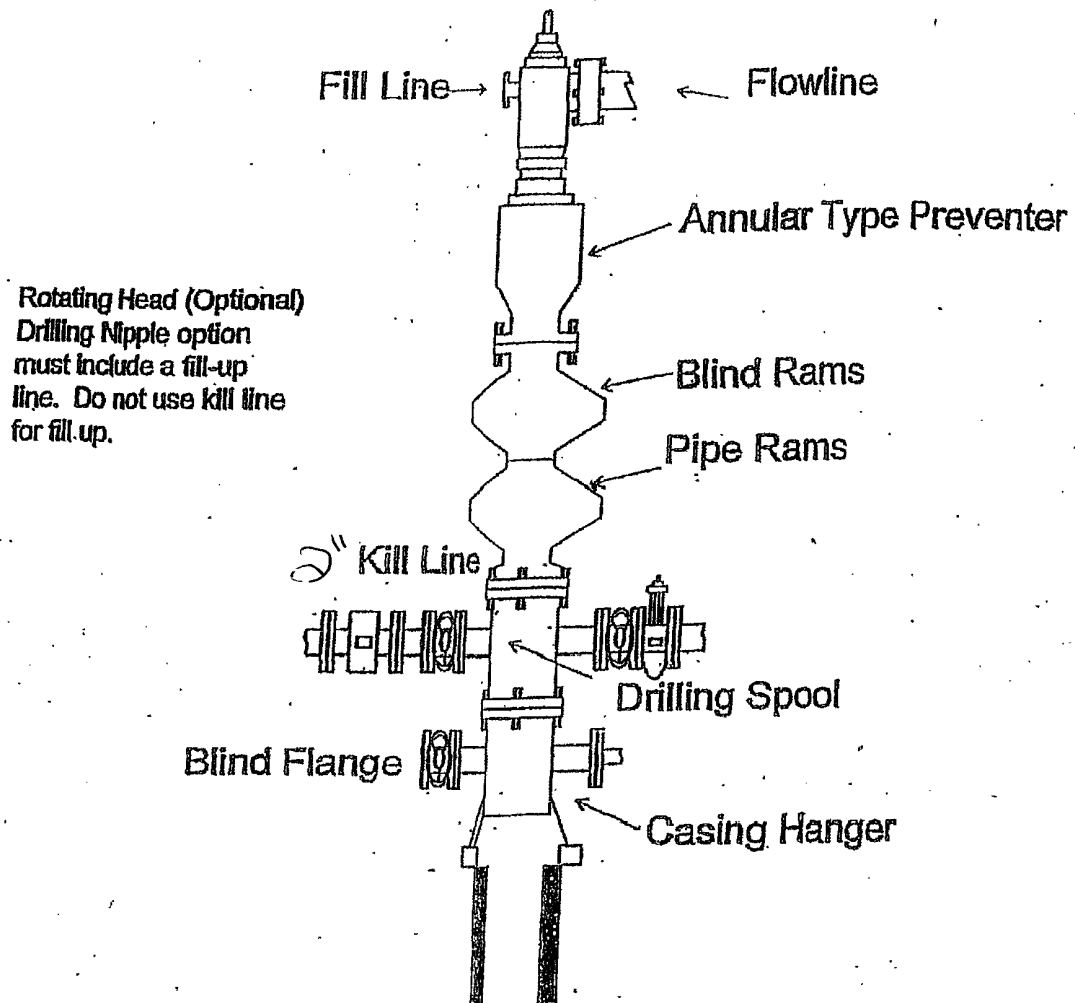
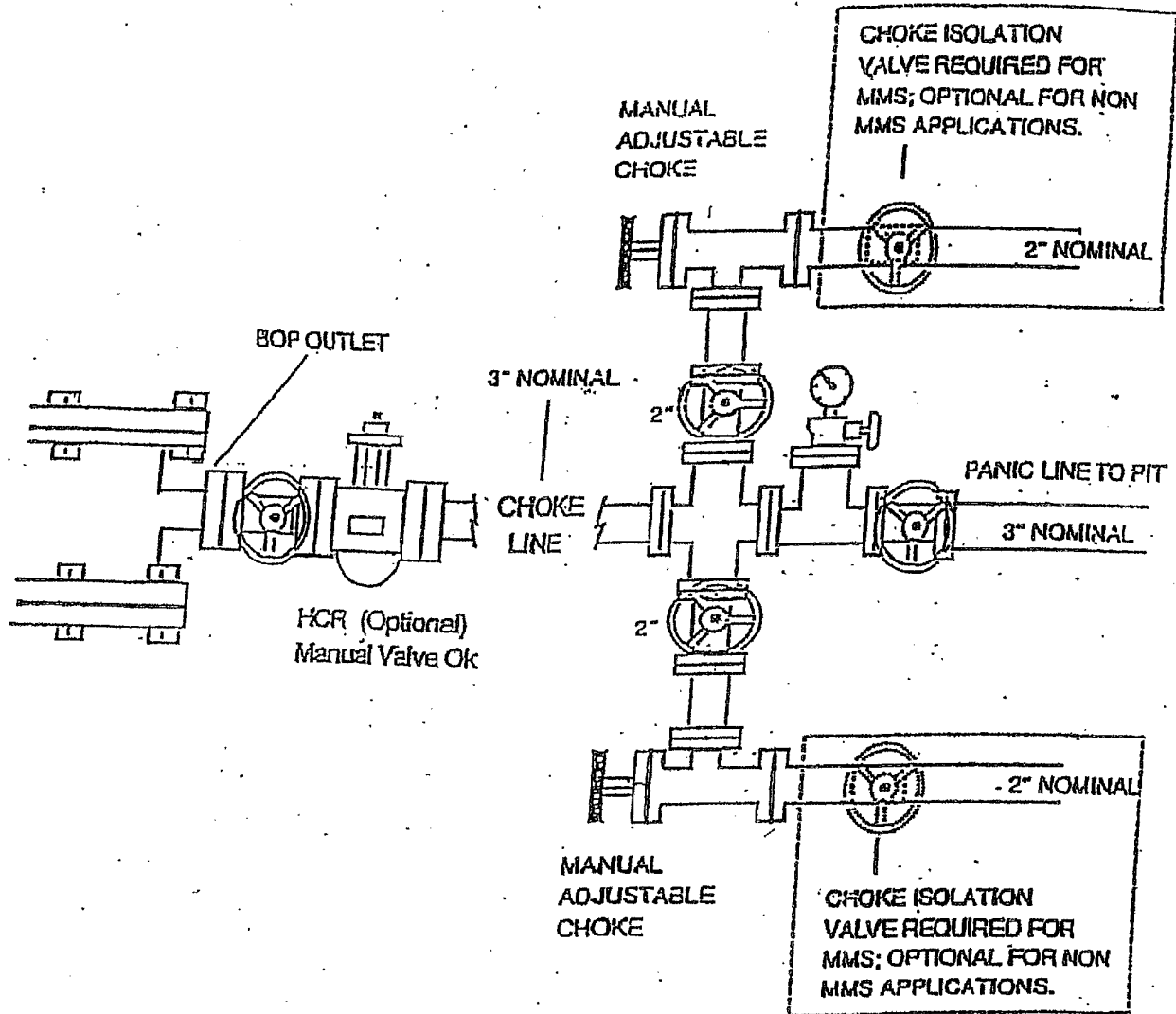


EXHIBIT "H"

CHOKE MANIFOLD

3M SERVICE



ATTACHMENT TO FORM 3160-3
COG Operating
Moose "23" Federal #1
Page 2 of 3

7. Cement Program

5 1/2" Production casing set at +/- 10,710' MD

*see
COA* →

Cement casing with 200 sx. 50/50/2 "C" and 800 sx Class "H" on 1ST stage. DV Tool @ 5500'. Cement 2nd stage with 200 sx. 35/65/6 "C" and 800 sx. 50/50/2 "C" We will run a hole caliper and run sufficient cement to circulate to surface.

8. Pressure Control Equipment:

After Nipple up on 9-5/8" casing and installing 3000 psi casing head, NU 3000 psi double ram BOP and 3000 psi annular BOP. Test double ram BOP and manifold to 3000# with clear fluid and annular to 1500 psi using an independent tester.

9. Proposed Mud Circulating System

<u>Interval</u>	<u>Mud Wt.</u>	<u>Visc.</u>	<u>FL</u>	<u>Type Mud System</u>
0' - 273'	8.5	28	NC	Fresh water native mud w/ paper for seepage and sweeps. Lime for PH.
273' - 6775"	9.1	29	NC	Drill plug back section with fresh water/cut brine circulating the reserve utilizing periodic sweeps of paper as needed for seepage control and solids removal.
6775' - 10,710'	9.5	36	10	Drill kick off and horizontal section with cut brine / XCD polymer circulating the steel pits utilizing periodic sweeps as needed for seepage control and solids removal.

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

10. 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.

ATTACHMENT TO FORM 3160-3
COG Operating
Moose "23" Federal #1
Page 3 of 3

11. 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 ran from T.D. to 9 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.

12. Abnormal Conditions, Pressures, Temperatures and Potential Hazards:

No abnormal pressures or temperatures are anticipated. The estimated bottom hole at TD is 110 degrees and estimated maximum bottom hole pressure is 2300 psig. Low levels of Hydrogen sulfide have been monitored in producing wells in the area, so H₂S may be present while drilling of the well. An H₂S plan is attached to the Drilling Program. No major loss of circulation zones has been reported in offsetting wells.

13. Anticipated Starting Date

Drilling operations will commence approximately on June 1, 2007 with drilling and completion operations lasting approximately 45 days.

14. Drill out Procedure

Drill out cement plugs from surface to 322', 85 sx. @ 1504', 50 sx. @ 4503'. Spot 200 sx. "H" Kick off plug from +/- 6379' to +/-6000'. Time drill and kick off building curve over +/- 700' to horizontal at 6775' TVD in an easterly direction for +/-3500' lateral.

COG OPERATING, LLC

**HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN
FOR DRILLING / COMPLETING / WORKOVER / FACILITY
WITH THE EXPECTATION OF H₂S IN EXCESS OF 100 PPM**

**MOOSE "23" FEDERAL #1
RE-ENTRY OF PLUGGED WELL
SL: 1665' FSL & 976' FWL, UNIT L
BHL: 1650' FSL & 330' FEL, UNIT I
SECTION 23, T16S, R28E
EDDY COUNTY, NEW MEXICO**

This well / facility is not expected to have H₂S, but the following is submitted as requested.

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GENERAL H2S EMERGENCY ACTIONS

In the event of any evidence of H2S emergency, the following plan will be initiated:

1. All personnel will immediately evacuate to an up-wind and if possible up-hill "safe area".
2. If for any reason a person must enter the hazardous area, they must wear a SCBA (self-contained breathing apparatus).
3. Always use the "buddy system".
4. Isolate the well / problem if possible.
5. Account for all personnel.
6. Display the proper colors warning all unsuspecting personnel of the danger at hand.
7. Contact the company representative as soon as possible if not at the location (use the enclosed call list as instructed).

At this point the company representative will evaluate the situation and coordinate the necessary duties to bring the situation under control, and if necessary, the notification of emergency response agencies and residents.

EMERGENCY PROCEDURES FOR AN UNCONTROLLABLE RELEASE OF H2S

1. All personnel will don the self-contained breathing apparatus.
2. Remove all personnel to the "safe area: (always use the "buddy system")".
3. Contact company representative if not on location.
4. Set in motion the steps to protect and / or remove the general public to any upwind "safe are". Maintain strict security and safety procedures while dealing with the source.
5. No entry to any unauthorized personnel.
6. Notify the appropriate agencies:
City Police - City streets
State Police - State Roads
County Sheriff - County Roads
7. Call the NMOCD.

If at this time the supervising person determines the release of H2S cannot be contained to the site location and the general public is in harms way, he will immediately notify public safety personnel.

EMERGENCY CALL LIST

	<u>Office</u>	<u>Cell</u>	<u>Home</u>
John Coffman	432-683-7443	432-631-9762	432-699-5552
Erick Nelson	432-683-7443	432-238-7591	
Greg Wilkes	432-683-7443	432-631-6795	432-697-9745

EMERGENCY RESPONSE NUMBERS

Eddy County, New Mexico

State Police	505-748-9718
Eddy County Sheriff	505-746-2701
Emergency Medical Services (Ambulance)	911 or 505-746-2701
Eddy County Emergency Management (Harry Burgess)	505-887-9511
State Emergency Response Center (SERC)	505-476-9620
Carlsbad Police Department	505-885-2111
Carlsbad Fire Department	505-885-3125
New Mexico Oil Conservation Division	505-748-1283
Callaway Safety Equipment, Inc.	505-392-2973

PROTECTION OF THE GENERAL (ROE) RADIUS OF EXPOSURE

In the event greater than 100 ppg H₂S is present, the ROE calculations will be done to determine if the following is warranted:

- * 100 ppm at any public area (any place not associated with this site)
- * 500 ppm at any public road (any road which the general public may travel).
- * 100 ppm radius of 3000' will be assumed if there is insufficient data to do the calculations, and there is a reasonable expectation that H₂S could be present in concentrations greater than 100 ppm in the gas mixture.

Calculation for the 100 ppm ROE: (H₂S concentrations in decimal form)

$$X = [(1.589)(\text{concentration})(Q)] (0.6258)$$

10,000 ppm	= .01
1,000 ppm	= .001

Calculation for the 500 ppm ROE:

100 ppm	= .0001
10 ppm	= .00001

$$X = [(0.4546)(\text{concentration})(Q)] (.06258)$$

EXAMPLE: If a well / facility has been determined to have 150 ppm H₂S in the gas mixture and the well / facility is producing at a gas rate of 200 MCFD then:

ROE for 100 ppm $X = [(1.589)(.00010)(200,000)] (0.6258)$
 $X = 8.8'$

ROE for 500 ppm $X = [(0.4546)(.00050)(200,000)] (0.6258)$
 $X = 10.9'$

These calculations will be forwarded to the appropriate NMOCD district office when applicable.

PUBLIC EVACUATION PLAN

When the supervisor has determined that the general public will be involved, the following plan will be implemented.

1. Notification of the emergency response agencies of the hazardous condition and implement evacuation procedures.
2. A trained person in H₂S safety shall monitor with detection equipment the H₂S concentration, wind and area of exposure. This person will determine the outer perimeter of the hazardous area. The extent of the evacuation area will be determined from the data being collected. Monitoring shall continue until the situation has been resolved. All monitoring equipment shall be UL approved for use in Class I Groups A, B, C & D, Division I hazardous locations. All monitors will have a minimum capability of measuring H₂S, oxygen, and flammable values.
3. Law enforcement shall be notified to set up necessary barriers and maintain such for the duration of the situation as well as aid in the evacuation procedure.
4. The company representative shall stay in communication with all agencies throughout the duration of the situation and inform such agencies when the situation has been contained and the effected area is safe to enter.

PROCEDURE FOR IGNITING AN UNCONTROLLABLE CONDITION

The decision to ignite a well should be a last resort and one, if not both, of the following pertain:

1. Human life and / or property are endangered.
2. There is no hope of bringing the situation under control with the prevailing conditions at the site.

Instructions for Igniting the Well:

1. Two people are required. They must be equipped with positive pressure, self-contained breathing apparatus and "D"-ring style, full body, OSHA approved safety harness. Non-flammable rope will be attached.
2. One of the people will be a qualified safety person who will test the atmosphere for H₂S, oxygen and LFL. The other person will be the company representative.
3. Ignite upwind from a distance no closer than necessary. Make sure that where you ignite from has the maximum escape avenue available. A 25mm flare gun with a range of approximately +/- 500 feet shall be used to ignite the gas.
4. Before igniting, check for the presence of combustible gases.
5. After igniting, continue emergency actions and procedures as before.

REQUIRED EMERGENCY EQUIPMENT

1. Breathing Apparatus

- * Rescue Packs (SCBA) – 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
- * Work / Escape Packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity.
- * Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.

2. Signage and Flagging

- * One Color Code Condition Sign will be placed at the entrance to the site reflecting the possible conditions at the site.
- * A Colored Condition flag will be on display reflecting the condition at the site at that time.

3. Briefing Area

- * Two perpendicular areas will be designated by signs and readily accessible.

4. Windsocks

- * Two windsocks will be placed in strategic locations, visible from all angles.

5. H2S Detectors and Alarms

* The stationary detector with three (3) sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible alarm @ 15 ppm. Calibrate a minimum of every 30 days or as needed. The three sensors will be placed in the following places: (Gas sample tubes will be stored in the safety trailer):

- * Rig Floor
- * Bell Nipple
- * End of flow line or where well bore fluid is being discharged

6. Auxiliary Rescue Equipment

- * Stretcher
- * Two OSHA full body harnesses
- * 100' of 5/8" OSHA approved rope
- * One 20 lb. Class ABC fire extinguisher
- * Communication via cell phones on location and vehicles on location

USING SELF-CONTAINED BREATHING AIR EQUIPMENT (SCBA)

1. SCBA should be worn when any of the following are performed:
 - * Working near the top or on top of a tank
 - * Disconnecting any line where H₂S can reasonably be expected.
 - * Sampling air in the area to determine if toxic concentrations of H₂S exist.
 - * Working in areas where over 10 ppm of H₂S has been detected.
 - * At any time there is a doubt of the level of H₂S in the area.
2. All personnel shall be trained in the use of SCBA prior to working in a potentially hazardous location.
3. Facial hair and standard eyeglasses are not allowed with SCBA.
4. Contact lenses are never allowed with SCBA.
5. When breaking out any line where H₂S can reasonably be expected.
6. After each use, the SCBA unit shall be cleaned, disinfected, serviced and inspected.
7. All SCBA shall be inspected monthly.

RESCUE & FIRST AID FOR VICTIMS OF H₂S POISONING

- * Do not panic.
- * Remain calm and think.
- * Get on the breathing apparatus.
- * Remove the victim to the safe breathing area as quickly as possible, upwind and uphill from source or crosswind to achieve upwind.
- * Notify emergency response personnel.
- * Provide artificial respiration and / or CPR as necessary.
- * Remove all contaminated clothing to avoid further exposure.
- * A minimum of two (2) personnel on location shall be trained in CPR and First Aid.

Toxic Effects of H2S Poisoning

Hydrogen Sulfide is extremely toxic. The acceptable ceiling concentration for eight-hour exposure is 10 PPM, which is .001% by volume. Hydrogen Sulfide is heavier than air (specific gravity-1.192) and is colorless and transparent. Hydrogen Sulfide is almost as toxic as Hydrogen Cyanide and is 5-6 times more toxic than Carbon Monoxide. Occupational exposure limits for Hydrogen sulfide and other gasses are compared below in Table 1. toxicity table for H2S and physical effects are shown in Table II.

Table 1
Permissible Exposure Limits of Various Gasses

Common Name	Symbol	Sp. Gravity	TLV	STEL	IDLH
Hydrogen Cyanide	HCN	.94	4.7 ppm	C	
Hydrogen Sulfide	H2S	1.192	10 ppm	15 ppm	100 ppm
Sulfide Dioxide	SO2	2.21	2 ppm	5 ppm	
Chlorine	CL	2.45	.5 ppm	1 ppm	
Carbon Monoxide	CO	.97	25 ppm	200 ppm	
Carbon Dioxide	CO2	1.52	5000 ppm	30,000 ppm	
Methane	CH4	.55	4.7% LEL	14% UEL	

Definitions

- A. TLV – Threshold Limit Value is the concentration employees may be exposed to based on a TWA (time weighted average) for eight (8) hours in one day for 40 hours in one (1) week. This is set by ACGIH (American Conference of Governmental Hygienists and regulated by OSHA.
- B. STEL – Short Term Exposure Limit is the 15 minute average concentration an employee may be exposed to providing that the highest exposure never exceeds the OEL (Occupational Exposure Limit). The OEL for H2S is 19 PPM.
- C. IDLH – Immediately Dangerous to Life and Health is the concentration that has been determined by the ACGIH to cause serious health problems or death if exposed to this level. The IDLH for H2S is 100 PPM.
- D. TWA – Time Weighted Average is the average concentration of any chemical or gas for an eight (8) hour period. This is the concentration that any employee may be exposed to based on an TWA.

TABLE II
Toxicity Table of H₂S

Percent %	PPM	Physical Effects
.0001	1	Can smell less than 1 ppm.
.001	10	TLV for 8 hours of exposure
.0015	15	STEL for 15 minutes of exposure
.01	100	Immediately Dangerous to Life & Health. Kills sense of smell in 3 to 5 minutes.
.02	200	Kills sense of smell quickly, may burn eyes and throat.
.05	500	Dizziness, cessation of breathing begins in a few minutes.
.07	700	Unconscious quickly, death will result if not rescued promptly.
.10	1000	Death will result unless rescued promptly. Artificial resuscitation may be necessary.

PHYSICAL PROPERTIES OF H₂S

The properties of all gasses are usually described in the context of seven major categories:

COLOR
ODOR
VAPOR DENSITY
EXPLOSIVE LIMITS
FLAMMABILITY
SOLUBILITY (IN WATER)
BOILING POINT

Hydrogen Sulfide is no exception. Information from these categories should be considered in order to provide a fairly complete picture of the properties of the gas.

COLOR – TRANSPARENT

Hydrogen Sulfide is colorless so it is invisible. This fact simply means that you can't rely on your eyes to detect its presence, a fact that makes the gas extremely dangerous to be around.

ODOR – ROTTEN EGGS

Hydrogen Sulfide has a distinctive offensive smell, similar to "rotten eggs". For this reason it earned its common name "sour gas". However, H₂S, even in low concentrations, is so toxic that it attacks and quickly impairs a victim's sense of smell, so it could be fatal to rely on your nose as a detection device.

VAPOR DENSITY – SPECIFIC GRAVITY OF 1.192

Hydrogen Sulfide is heavier than air so it tends to settle in low-lying areas like pits, cellars or tanks. If you find yourself in a location where H₂S is known to exist, protect yourself. Whenever possible, work in an area upwind and keep to higher ground.

EXPLOSIVE LIMITS – 4.3% TO 46%

Mixed with the right proportion of air or oxygen, H₂S will ignite and burn or explode, producing another alarming element of danger besides poisoning.

FLAMMABILITY

Hydrogen Sulfide will burn readily with a distinctive clear blue flame, producing Sulfur Dioxide (SO₂), another hazardous gas that irritates the eyes and lungs.

SOLUBILITY – 4 TO 1 RATIO WITH WATER

Hydrogen Sulfide can be dissolved in liquids, which means that it can be present in any container or vessel used to carry or hold well fluids including oil, water, emulsion and sludge. The solubility of H₂S is dependent on temperature and pressure, but if conditions are right, simply agitating a fluid containing H₂S may release the gas into the air.

BOILING POINT – (-76 degrees Fahrenheit)

Liquefied Hydrogen Sulfide boils at a very low temperature, so it is usually found as a gas.

SURFACE USE AND OPERATIONS PLAN
FOR DRILLING, COMPLETION, AND PRODUCING

C.O.G. Operating, LLC
Moose "23" Federal #1 Re-Entry
SL: 1665' FSL & 976' FWL
BHL: 1650' FSL & 330' FEL, Unit I
Sec 23, T16S, R28E
Eddy County, New Mexico

LOCATED

Approximately 12 miles Northwest from Loco Hills, New Mexico

OIL & GAS LEASE

NM #117117

RECORD TITLE LESSEE

Encore Operating, LP, 777 Main Street, #1400, Fort Worth, TX 76102

BOND COVERAGE

\$25,000 statewide bond of C.O.G. Operating, L.L.C.

SURFACE OWNER

Bureau of Land Management

MINERAL OWNER

Bureau of Land Management

GRAZING TENANT

Bogle LTD CO LLC, PO Box 460, Dexter, NM 88230; 505-734-5442

POOL

Crow Flats Wolfcamp (#97102)

PROPOSED TOTAL DEPTH

This well will be drilled to a Total Vertical Depth of approximately 6775' and a Measured Depth of approximately 10,710'.

EXHIBITS

- A. Well Location & Acreage Dedication Map
- B. Area Road Map
- C. Vicinity Oil & Gas Map
- D. Topographic & Location Verification Map
- E. Proposed Lease Road and Pad Layout Map
- F. Drilling Rig Layout
- G. BOPE Schematic
- H. Choke Manifold Schematic

EXISTING ROADS

- A. Exhibit A is a portion of a section map showing the location of the proposed well as staked.
- B. Exhibit B is a map showing existing roads in the vicinity of the proposed well site.
- C. Directions to well location:
From the junction of U.S. Hwy 82 and County Road 202 (Southern Union), go North on County Road 202 for 3.8 miles to lease road. On lease road go North 1.3 miles to lease road, thence East 1.5 miles to lease road, thence North 2.5 miles to lease road, thence East 1.0 miles, thence South 1.0 miles to proposed lease road.

ACCESS ROADS

- A. Length and Width: 6813.2' long and 30' wide. The access road will be built and is shown on Exhibit E.
- B. Surface Material: Existing
- C. Maximum Grad: Less than five percent
- D. Turnouts: None necessary
- E. Drainage Design: Existing
- F. Culverts: None necessary
- G. Gates and Cattle Guards: None needed

LOCATION OF EXISTING WELLS

Existing wells in the immediate area are shown in Exhibit C.

LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

Necessary production facilities for this well will be located on the well pad.

LOCATION AND TYPE OF WATER SUPPLY

It is not contemplated that a water well will be drilled. Water necessary for drilling will be purchased and hauled to the site over existing roads shown on Exhibit B.

METHODS OF HANDLING WASTE DISPOSAL

- A. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- B. Water produced during tests will be disposed of in the drilling pits.
- C. Oil produced during tests will be stored in test tanks.
- D. Trash will be contained in a trash trailer and removed from well site.
- E. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

ANCILLARY FACILITIES

None required.

WELL SITE LAYOUT

Exhibits E and F show the relative location and dimensions of the well pad, mud pits, reserve pit, and trash pit, and the location of major rig components.

PLANS FOR RESTORATION OF THE SURFACE

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. The well site will be cleaned of all trash and junk to leave the site in an as aesthetically pleasing condition as possible.
- B. After abandonment, all equipment, trash, and junk will be removed and the site will be clean.

OTHER INFORMATION

- A. **Topography:**
The topography consists of sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.
- B. **Soil:** Topsoil at the well site is sandy soil.
- C. **Flora and Fauna:** The location is in an area sparsely covered with mesquite and range grasses.
- D. **Ponds and Streams:** There are no rivers, lakes, ponds, or streams in the area.
- E. **Residences and Other Structures:** There are no residences within a mile of the proposed well site.
- F. **Archaeological, Historical, and Cultural sites:** An Archaeological Survey has been ordered and a copy to be sent to the BLM Office.
- G. **Land Use:** Grazing

ONLEASE RIGHT OF WAY REQUEST

Requesting Right of Way for all onlease appurtenances, including proposed lease roads and electric lines.

- A. **Roads:** Building of a proposed lease road 6813.2' in length. (See Exhibit A-1).
- B. **Pipe Lines:** Constructing of proposed Pipe Lines to follow proposed lease road (plat will be forthcoming).

OPERATOR'S REPRESENTATIVE

John Coffman
C.O.G. Operating, LLC
550 W. Texas Ave, Suite 1300
Midland, TX 79701
(432) 683-7443

CERTIFICATION

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 preformed by the C.O.G. Operating, LLC Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

4-17-07
Date

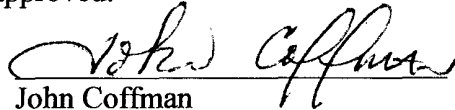
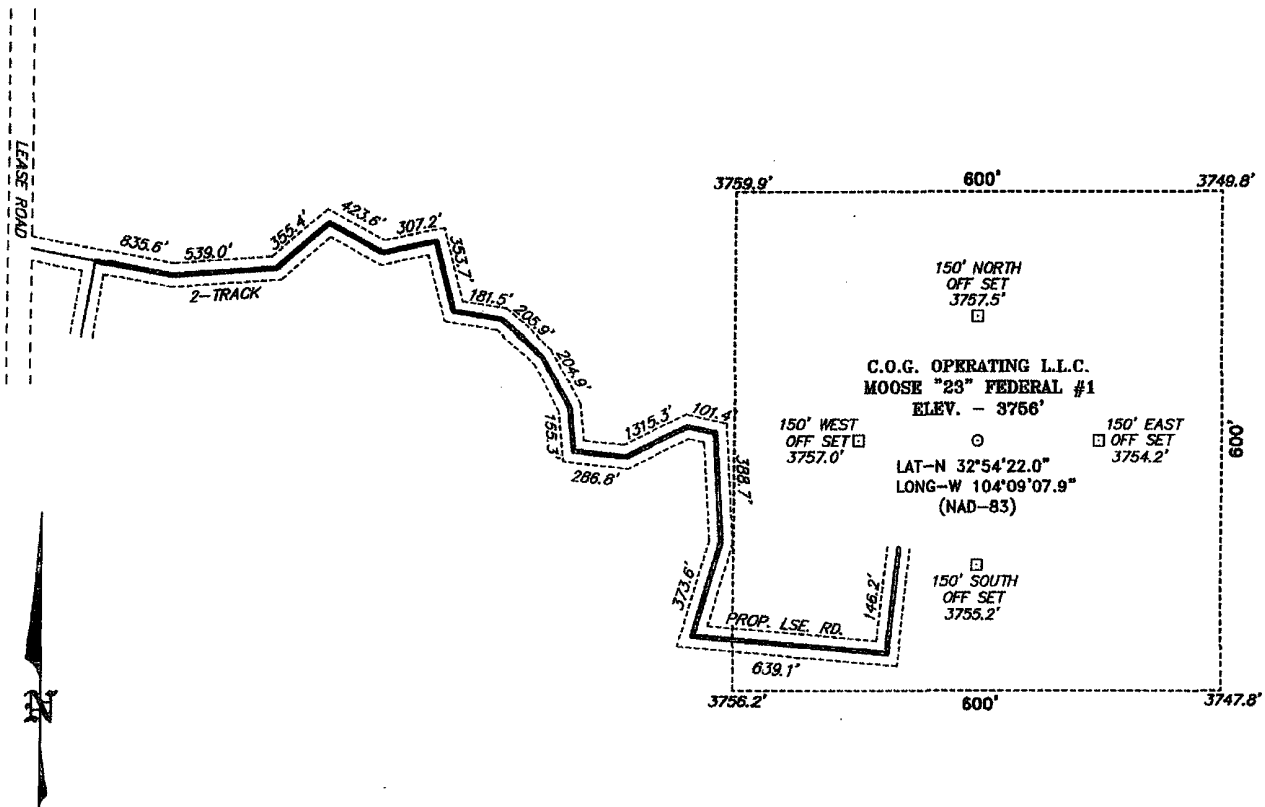

John Coffman
C.O.G. Operating, LLC

EXHIBIT "B"

SECTION 23, TOWNSHIP 16 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



DIRECTIONS TO LOCATION:

FROM THE JUNCTION OF U.S. HWY 82 AND CO. RD. 202 (SOUTHERN UNION), GO NORTH ON CO. RD. 202 FOR 3.8 MILES TO LEASE ROAD, ON LEASE ROAD GO NORTH 1.3 MILES TO LEASE ROAD, THENCE EAST 1.5 MILES TO LEASE ROAD THENCE NORTH 2.5 MILES TO LEASE ROAD, THENCE EAST 1.0 MILE, THENCE SOUTH 1.0 MILE TO PROPOSED LEASE ROAD.

200 0 200 400 FEET

SCALE: 1" = 200'

C.O.G. OPERATING L.L.C.

REF: MOOSE "23" FEDERAL #1 / Well Pad Topo

THE MOOSE "23" FEDERAL #1, LOCATED 1665' FROM
THE SOUTH LINE AND 976' FROM THE WEST LINE OF
SECTION 23, TOWNSHIP 16 SOUTH, RANGE 28 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 17941

Drawn By: J. M. SMALL

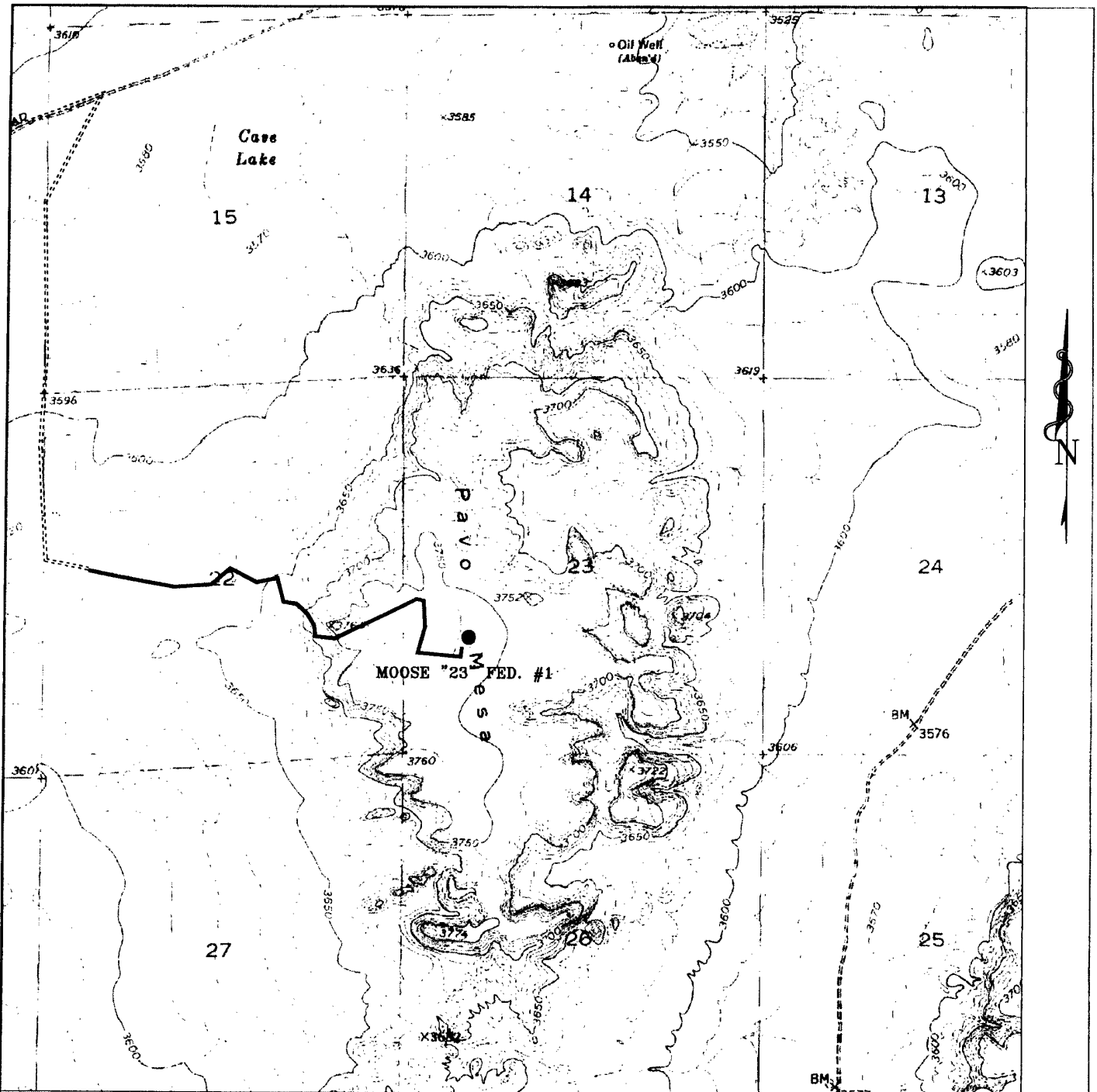
Date: 04-16-2007

Disk: JMS 17941W

Survey Date: 04-11-2007

Sheet 1 of 1 Sheets

EXHIBIT "E"



MOOSE "23" FEDERAL #1
 Located at 1665' FSL and 976' FWL
 Section 23, Township 16 South, Range 28 East,
 N.M.P.M., Eddy County, New Mexico.

basin
surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: JMS 17941T

Survey Date: 04-11-2007

Scale: 1" = 2000'

Date: 04-16-2007

C.O.G.
OPERATING
L.L.C.

Conditions of Approval Cave and Karst

EA#: NM-520-07-744

Lease #: NM-117117

COG Operating LLC

Moose "23" Federal # 1 (Re-entry)

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. Use depth to the deepest expected fresh water as listed in the geologist report.

Directional Drilling:

Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone as identified in the geologic report.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a void (bit drops) of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in

any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:

Any blasting will be a phased and time delayed.

Record Keeping:

The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: COG Operating, LLC
Well Name & No. 1-Moose "23" Federal
Location SHL: 1665' FSL, 0976' FWL, Section 23, T-16-S, R-28-E, Eddy County, NM
Location SHL: 1650' FSL, 0330' FEL, Section 23, T-16-S, R-28-E, Eddy County, NM
Lease: NM 117117

.....

I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness: **RE-ENTRY**
1. Spudding well
 2. Setting and/or Cementing of all casing strings
 3. BOPE tests
- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822
- B. Although there are no measured amounts of H₂S reported, it is always a potential hazard.
- C. 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.
- D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

- A. The 9-5/8 inch surface casing is existing and is set at 273 feet.
1. 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
 3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 4. If cement falls back, remedial action will be done prior to drilling out that string.
- B. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement to circulate to surface. Both stages to circulate.** If cement does not circulate, contact the BLM.

- C. 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.

III. PRESSURE CONTROL:

- A. 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.
- B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M) PSI**.
- C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
1. The tests shall be done by an independent service company.
 2. The results of the test shall be reported to the appropriate BLM office.
 3. 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.
 4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. 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.
 5. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

IV. DRILLING MUD:

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.

Engineer on call phone: 505-706-2779

WWI 042007