

281

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Form 3160-3 (April 2004)

JAN 25 2008

JAN 22 2008

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

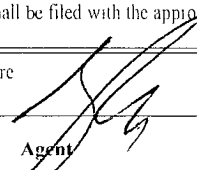
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APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-029419A	
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. Indian, Allottee or Tribe Name N/A	
2. Name of Operator Chevron USA, Inc. (COG Operating LLC, Agent)		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. Skelly Unit #978	
3b. Phone No. (include area code) (432) 685-4340		9. API Well No. 30-015-36062	
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface: 330' FNL & 2310' FEL At proposed prod. zone: Roswell Controlled Water Basin		10. Field and Pool, or Exploratory Fren, Glorieta-Yeso	
14. Distance in miles and direction from nearest town or post office* 5 miles NE of Loco Hills NM		11. Sec. T R M or Blk. and Survey or Area Sec 22 B, T17S, R31E	
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg. unit line, if any) 330'		12. County or Parish Eddy	
16. No. of acres in lease 640		13. State NM	
17. Spacing Unit dedicated to this well 40		18. Distance from proposed location* to nearest well, drilling completed, applied for, on this lease, ft 900'	
19. Proposed Depth 6500'		20. BLM/BIA Bond No. on file NMB000215	
21. Elevations (Show whether DF, KDB, RT, GL, etc) 3854' GL		22. Approximate date work will start* 02/01/2008	
		23. Estimated duration 10 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) Gary E. Miller	Date 12/12/2007
--	--	--------------------

Title Agent		
----------------	--	--

Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date JAN 17 2008
--	---	---------------------

Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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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 USC Section 1001 and Title 43 USC 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 APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

State of New Mexico

Energy, Minerals and Natural Resources Department

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Form C-102

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

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

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

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

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR. 22 2008
Santa Fe, New Mexico 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number		Pool Code	Pool Name
		26770	FREN; GLORIETA-YESO
Property Code	Property Name		Well Number
1109T 29742	SKELLY UNIT		978
OGRID No.	Operator Name		Elevation
4323	CHEVRON USA INC.		3854'

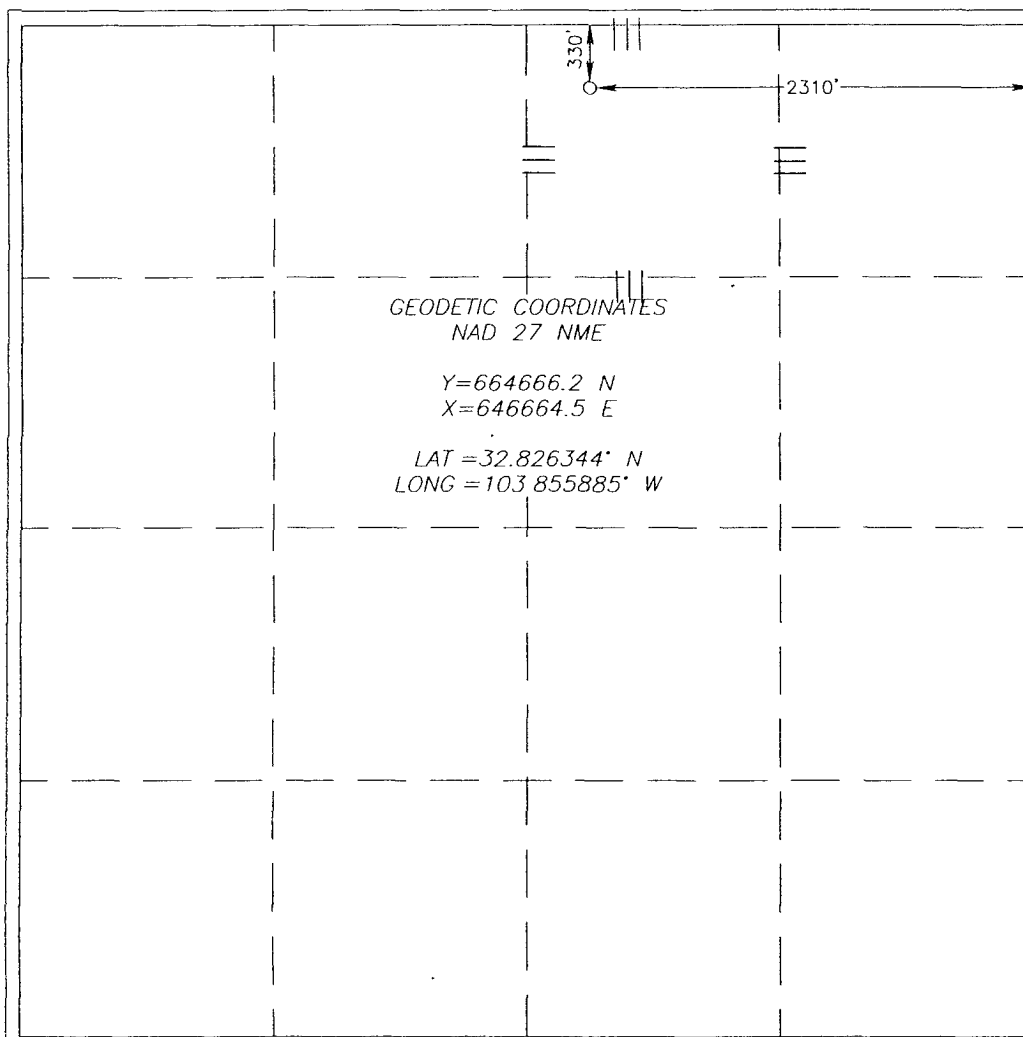
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	22	17-S	31-E		330	NORTH	2310	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
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



OPERATOR CERTIFICATION

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.

Phyllis A. Edwards 11-28-07
Signature Date

Phyllis A. Edwards (agent)
Printed Name

Regulatory Analyst

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

NOVEMBER 27 2007
Date Surveyed

RONALD EIDSON LA
Signature & Seat of Professional Surveyor

3239

Ronald Eidson 11/27/07
Date

Certificate No. GARY EIDSON 12641
RONALD EIDSON 3239

MASTER DRILLING PROGRAM

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1. Geologic Name of Surface Formation

Quaternary

2. Estimated Tops of Important Geologic Markers:

Quaternary	Surface
Top of Salt	500'
Base of Salt	1050'
Yates	1590'
Queen	2510'
San Andres	3200'
Glorietta	4750'
Yeso Group	4830'

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

Water Sand	150'	Fresh Water
Grayburg	2580'	Oil/Gas
San Andres	3200'	Oil/Gas
Yeso Group	4830'	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
12 1/4"	0-1800'	8 5/8"	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

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5. Cement Program

- 13 3/8" Surface Casing: Class C, 500 sx, yield 1.32, back to surface
- 8 5/8" Intermediate Casing: Class C, 600 sx lead, yield-2.45
200 sx tail, yield-1.32, back to surface.
- 5 1/2" Production Casing: Class C, 800 sx. lead, yield 1.97 and 400 sx.
Tail, yield 1.37, to 200' minimum tie back to intermediate casing.

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 and tested to 1500 psi by a third party. 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	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.

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8. Auxiliary Well Control and Monitoring Equipment

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- 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 H₂S 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 10 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

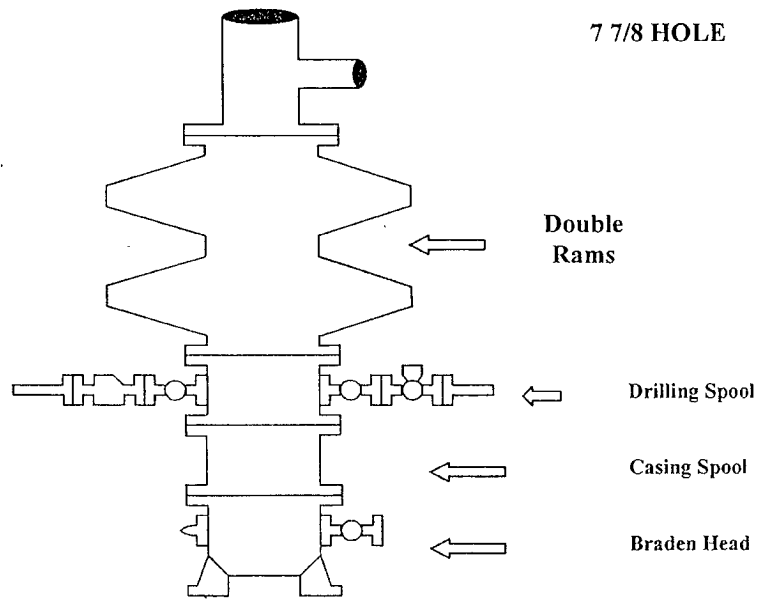
Exhibit #9

BOPE and Choke Schematic

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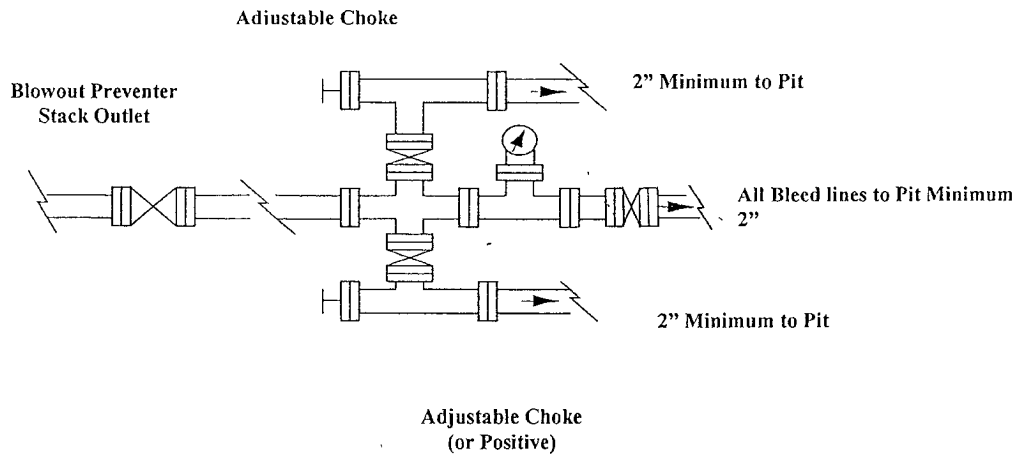
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Minimum 4" Nominal choke and kill lines

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.

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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 (H₂S)
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H₂S 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 H₂S on metal components. If high tensile tubular 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 H₂S Drilling Operations Plan and Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan. The concentrations of H₂S 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.

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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 H₂S

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

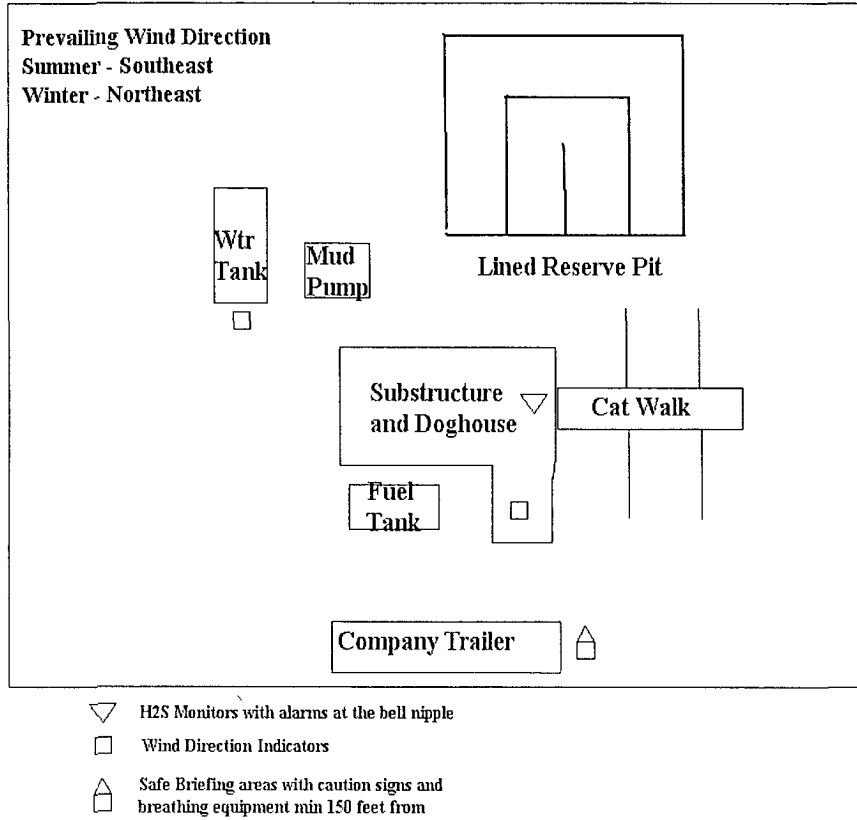
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DRILLING LOCATION H2S SAFETY EQUIPMENT Exhibit # 8



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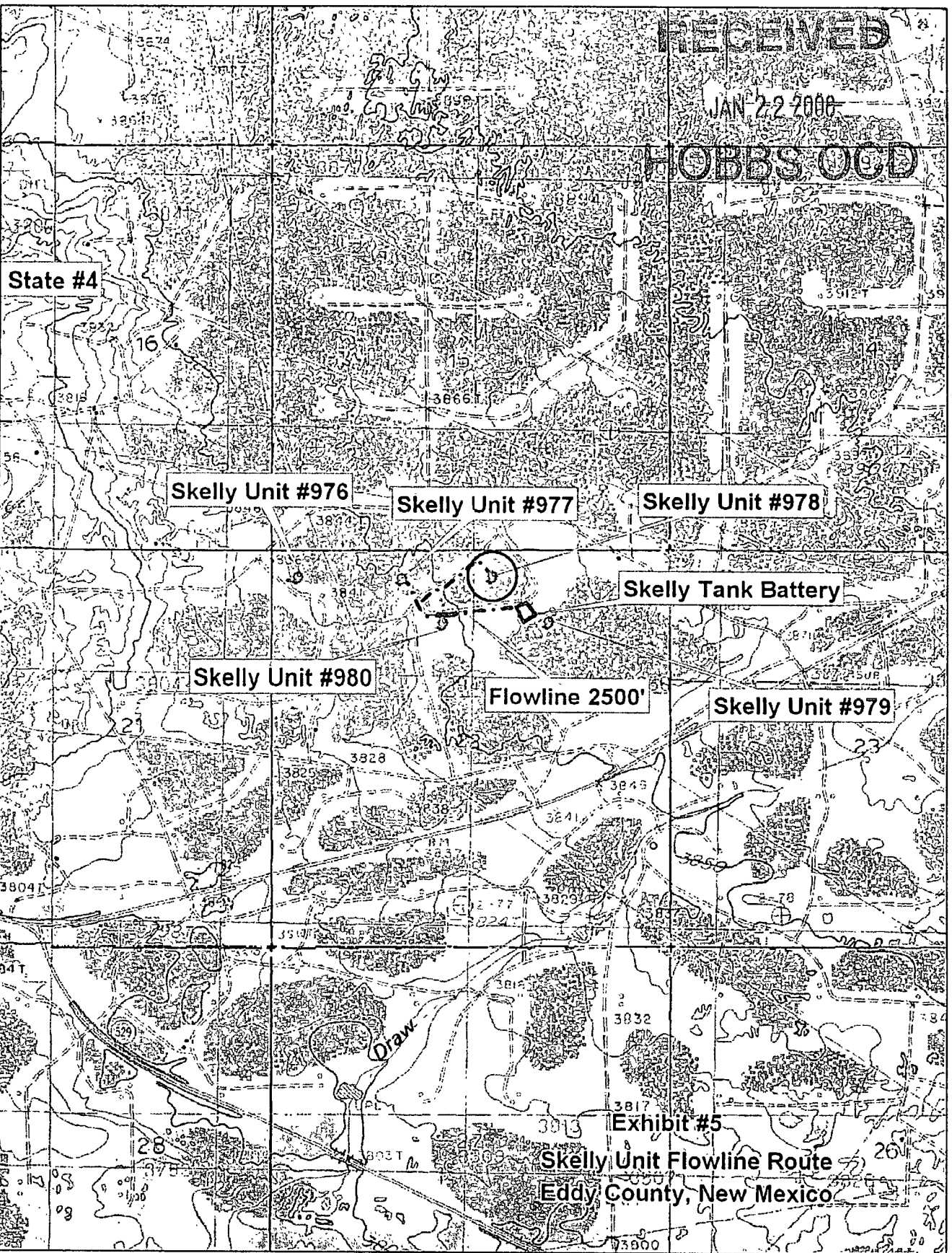
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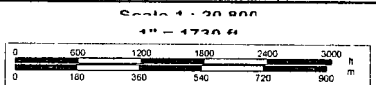
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 www.delorme.com



SECTION 22, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



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600'
 150' NORTH
 OFFSET
 3854.5
 □

600'
 150' WEST
 OFFSET □
 3854.9'

SKELLY UNIT #978
 ○
ELEV. 3853.7'
 LAT.=32.826344° N
 LONG.=103.855885° W

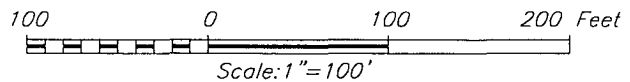
600'
 150' EAST
 OFFSET □
 3856.3'

□
 150' SOUTH
 OFFSET
 3852.9'

600'

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #82 AND
 CO. RD. #223 (SWEET GUM RD.) GO NORTH ON
 CO. RD. #223 APPROX. 0.7 MILES. TURN RIGHT
 AND GO EAST APPROX. 1.2 MILES. THIS LOCATION
 IS APPROX. 0.1 MILE SOUTH OF ROAD.



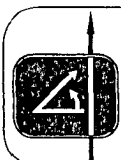
COG OPERATING, LLC

SKELLY UNIT #978 WELL
 LOCATED 330 FEET FROM THE NORTH LINE
 AND 2310 FEET FROM THE EAST LINE OF SECTION 22,
 TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 11/7/07 Sheet 1 of 1 Sheets

W.O. Number: 07.11.1554 Dr By: LA Rev 1:N/A

Date: 11/26/07 07111554 Scale: 1"=100'



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

VII. DRILLING

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A. DRILLING OPERATIONS REQUIREMENTS

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

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- 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. **Although Hydrogen Sulfide has not been reported in this section, it is always a potential hazard. It has been reported in section 26 measuring 1250 ppm in the Grayburg formation. If Hydrogen Sulfide is encountered, please report measured amounts 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

1. The 13-3/8 inch surface casing shall be set a **minimum of 25 feet into the Rustler Anhydrite and above the salt at approximately 450 feet** 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 a 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 will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement). **Please provide WOC times to inspector for cement slurries.**
 - 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 action will be done prior to drilling out that string.

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Possible lost circulation in the Grayburg and San Andres formations. JAN 22 2008
Possible water flows in the Salado and Artesia Groups.

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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-d above. **Please provide WOC times to inspector for cement slurries.**

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. **Please provide WOC times to inspector for cement slurries.**

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. A variance to test the surface casing and BOP/BOPE to the reduced pressure of 1500 psi by a third party.

Engineer on call phone (after hours): Carlsbad: (575) 706-2779

WWI 011108