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	APPLICATION FOR PERMIT T						
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lb. Type of W	/ell OII Well 🖌 Gas Well Other	√ Su	igle Zone 🗌 Multij	ole Zone	8 Lease Name and North Pure G		eral 19
2 Name of O	perator Devon Energy Production Company	, LP			9 APL Well No.	19	57617
	20 North Broadway Oklahoma City, Oklahoma City 73102-8260	3b Phone No 405-22	(include area code) 8-8699	· · · · · · · · · · · · · · · · · · ·	10 Field and Pool, or Morrow Sand	Exploratory	-
	f Well (Report location clearly and in accordance with		enis *)		11 Sec, T. R M or B	lk and Sur	vey or Area
At surface At propose	SW/4 SW/4 710' FSL & 710' FV	۷L			M SEC 9 T2:	3S R31E	
14 Distance in	miles and direction from nearest town or post office* mately 18 miles east of Loving, NM.				12 County or Parish Eddy County		13. State NM
15 Distance fro	om proposed*	16 No of a	cres in lease	17. Space	ng Unit dedicated to this	well	
property or	lease line, ft arest drig unit line, if any) 710'	1320)	320	Acres		
to nearest w	m proposed location* ell, drilling, completed,	19 Proposed	•		/BIA Bond No on file		
	(Show whether DF, KDB, RT, GL, etc.)	15,000' 7 22 Approxi	nate date work will sta	CO-:	23. Estimated duratio		
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-		SHOLE OIL AND GAS					
2. A Drilling Pl	tified by a registered surveyor. an.		4 Bond to cover t Item 20 above).	ne operatio	ons unless covered by an	existing b	ond on file (see
3. A Surface U SUPO shall	se Plan (if the location is on National Forest Syst be filed with the appropriate Forest Service Office).	em Lands, the	5 Operator certifie 6 Such other site authorized office	specific in	formation and/or plans a	s may be re	quired by the
25. Signature	a Chan >		(Printed Typed) Judy A. Barnett			Date	9/2009
Title	Regulatory Analyst			·			
Approved by (Sig	gnature) /s/ Linda S.C. Rundell	Name	(Printed/Typed)			Date	5 200
Title	STATE DIRECTOR	Office	NM	STAT			
Application app	roval does not warrant or certify that the applicant l	iolds legal or equi				entitle the a	pplicant to
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Title 18 U.S.C. S States any false,	Section 1001 and Title 43 USC. Section 1212, make it fictitious or fraudulent statements or representations	a crime for any p s as to any matter w	erson knowingly and which in its jurisdiction.	villfully to	make to any department of	or agency of	of the United
*(Instructions o	n page 2)						
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SEE ATTACHED FOR CONDITIONS OF APPROVAL

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APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 DISTRICT II 1301 W. Grand Avenue, Artesia, NM 86210

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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

Form C-102 Revised October 15, 2009

Submit one copy to appropriate District Office

OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

□ AMENDED REPORT

	30.	Number 15-2	761	7 8	Pool Code	5	ia	= Madama	, M	Pool Name ORROW SA	ND	
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\neg	3348.1' 5			N 478290.198_ E 709487.532 D-83)						Certificate No	o. Gary L. Jones	7977
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NORTH PURE GOLD "9" FEDERAL #19 Located 710' FSL and 710' FWL Section 9, Township 23 South, Range 31 East, N.M.P.M., Eddy County, New Mexico.

P.O. Box 1786 1120 N. West County Rd.	W.O. Number: JMS 21892	DEVON ENERGY
focused on excellence in the oilfield basinsurveys.com		PRODUCTION COMPANY, L.P.



PETRA 11/4/2009 4 25 47 PM

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DRILLING PROGRAM

Devon Energy Production Company, LP North Pure Gold 9 Federal 19

Surface Location: 710' FSL & 710' FWL, Unit M, Sec 9 T23S R31E, Eddy, NM Bottom hole Location: 710' FSL & 710' FWL, Unit M, Sec 9 T23S R31E, Eddy, NM

1. Geologic Name of Surface Formation

a. Alluvium

2. Estimated Tops of Geological Markers & Depths of Anticipated Fresh Water, Oil or Gas:

a.	Rustler	455'	
b.	Salado Salt	682'	
c.	Castile	2799'	
d.	Base of Salt	3824'	
e.	Bell Canyon	4146'	Oil/Gas
f.	Cherry Canyon	5079'	Oil/Gas
g.	Brushy Canyon	6405'	Oil/Gas
h.	1 st Bone Sprng LM	7992'	Oil/Gas
i.	1 st Bone Spring SS	9013'	Oil/Gas
j.	2 nd Bone Spring LM	9415'	Oil/Gas
k.	2 nd Bone Spring SS	9782'	Oil/Gas
1.	3 rd Bone Spring LM	10100'	Oil/Gas
m.	3 rd Bone Sprng SS	10794'	Oil/Gas
n.	Wolfcamp	11245'	Oil/Gas
0.	Strawn	12924'	Oil/Gas
p.	Atoka Clastics	13208'	Gas
q.	Atoka LM Bank	13420'	Gas
r.	Morrow	13800'	Gas
s.	Morrow Middle	14229'	Gas
t.	Morrow Clastics	14477'	Gas
u.	Morrow Lower	14569'	Gas
v.	Mississippian Barnett SH	14731',	
g.	Total Depth	15000'	

No other formations are expected to yield oil, gas or fresh water in measurable volumes. The surface fresh water sands will be protected by setting 13 3/8" casing at 600' and circulating cement back to surface. Potash sands will be protected by setting 9 5/8" casing at 4200' and circulating cement to surface. The Morrow intervals will be isolated by setting 4 $\frac{1}{2}$ " casing to total depth and circulating cement above the base of the 7" casing.

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C	asing Pro	gram:						
	Hole	Hole	OD Csg	Casing	Weight	Collar	Grade	
	Size	Interval		Interval				
See COA	17 1/2"	0'-600'	13 3/8"	0'-600'515'	48# [·]	ST&C	H-40	
	12 1/4"	600'-4200'	9 5/8"	0-4200'	40#	BT&C	K-55	
	8 ¾"	4200'-	7"	0-11300'	26#	LT&C	HCP110	1
		11300'						

		11,000 12/	28/09 CRW
11300'-	4 1/2"	11300*-	13,5#
15000'		15000'	

BTC HCP110 EL

Design Paran	eter Factors:
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6 1/8"

Casing Size	Collapse Design	<u>Burst Design</u>	<u>Tension Design</u>
.	Factor	Factor	Factor
13 3/8"	2.41	5.41	9 58
9 5/8"	1.17	1.78	2.85
7"	1.51	2.11	2.36
4 1/2"	1.25	1.38	2.99

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3. Cement Program: See Coff

a. 13 3/8" Surface Lead w/ 425sx Class C CF + 4% bwoc Bentonit

Lead w/ 425sx Class C + 5% bwow Sodium Chloride + 0 125#/sx CF + 4% bwoc Bentonite + 0.8% Sodium Metasilicate + 5% MPA-5 + 101 1% FW Yld 1 75 cf/sx. TOC @ surface. Tail w/ 200sx Premium Plus C + 2% bwoc Calcium Chloride +0 125#/sx CF + 56.3% FW Yld 1.35 cf/sx.

b. 9 5/8" Intermediate Lead w/ 1190sx 35:65 POZ (Fly Ash) Premium Plus C + 5% bwow Sodium Chloride + 0 125#/sx CF + 6% Bentonite +107 8% FW Yld 2.04 cf/sx. TOC @ surface. Tail w/ 300sx 60:40 POZ (Fly Ash) Premium Plus C + 5% bwow Sodium Chloride + 0.125#/sx CF + 0.4% bwoc Sodium Metasilicate + 4% bwoc MPA-5 + 64 7% FW Yld 1 37 cf/sx

c. 7" Intermediate 2 Stage with DV Tool @ 5500"

<u>Stage 1.</u> Lead w/ 530 sx 35:65 POZ + 0.35% bwoc R-3 + 0.4% bwoc CD-32 + 1.4% bwoc FL-62 + 0 1% bwoc ASA-301 + 0.2% bwoc Sodium Metasilicate + 20#/sx ASCA-1 + 52.9% FW Yld 1.98 cf/sx. Tail w/ 455sx (50.50) POZ Super C Modified + 0.1% bwoc ASA-301 + 0.2% bwoc Sodium Metasilicte + 20#/sx ASCA-1 + FL-52A bwoc 6% Bentonite. Yld 1.56 cf/sx



Stage 2 Lead w/415sx 35.65 POZ (Fly Ash)Premium Plus C + 1% bwow Sodium Chloride + 0.4% bwoc R \cdot 3 +0.125#/sx CF + 6% Bentonite + 0.4% bwoc FL-52A + 103.1% FW Yld 2.04 cf/sx. Tail w/ 150 sx 60:40 POZ Fly Ash Premium Plus C + 1% bwow Sodium Chloride + 0.125%#/sx CF + 0.75% bwoc BA-10A + 4% bwoc MPA-5 + 63.1% FW Yld 1.34 cf/sx. TOC @ surface.

4 1/2 " Liner

Sec. 1. 1

15,01

er Lead w/ 550 sx Premium Class H + 0.15% bwoc R-3 + 0 75% bwoc EC-1 + 0 125#/sx CF Yield 1.23 cf/sx TOC @ 11,000' The above cement volumes could be revised pending the caliper measurement from the open hole logs. The top of cement is designed to reach approximately above the 7" casing shoe. All casing is new and API approved.

Pressure Control Equipment.

The blowout preventor equipment (BOP) shown in Exhibit #1 will consist of a (10M system) double ram type (10,000 psi WP) preventor and a bag-type (Hydril) preventor (10,000 psi WP) and rotating head. Both units will be hydraulically operated and the ram type preventor will be equipped with blind rams on top and $4\frac{1}{2}$ " drill pipe rams on bottom. A 3,000 psi annular and rotating head will be installed on the 13 3/8" surface casing and utilized to setting depth of the 9 5/8" intermediate casing. The annular and associated equipment will be tested to 1200 psi-with-the-rig-pump-before-drilling

See Cott out the 13 3/8" casing shoe. The 10,000 psi BOPE will be installed on the 9 5/8" intermediate casing and utilized continuously until total depth is reached. Prior to drilling out the 9 5/8" casing shoe, the BOP's and Hydril will be tested as per BLM Drilling Operations Order #2

> Pipe rams wee be changed to 3 ¹/₂" when the 7" casing is cemented and will be operated and checked each 24-hour period and each time the drill pipe is out of the hole. These functional tests will be documented on the daily drillers log. A 2" kill line and 3" choke line will be incorporated in the drilling spool below the ram-type BOP Other accessory BOP equipment will include a Kelly cock, floor safety valve, choke lines and choke manifold having 10,000 psi WP rating. Devon Energy Production Company L. P requests a variance if H & P Rig #214 is used to drill this well, a co-flex hose may be used between the BOP and the choke manifold. The hose will be kept as straight as possible with minimal turns. (Atttachments)

CO-Flex Hose Manufacturer Phoenix Beattie: ~33' (11.43 meters) of co-flex line; 3" coupling w/ 4 1/16" flange on each end -10,000 psi, Quality Control Inspection & Test Certificate attached, See configuration schematic. Safety clamps are not required since the ends are flanged

4.	Proposed Mud C	irculation Sy	ystem		
	Depth	Mud Wt.	<u>Visc</u>	Fluid Loss	Type System
. 1	0' - 700'	8.4-8.8	32-34	NC	FW/Gel
515	700'– 4250'	9.7-10.0	28-30	NC	Brine
	4250'-11300'	9.0-9.3	28-30	NC-40	Fresh
	11300'-15000'	9.5-11.5	32-40	12-8cc	Fresh

The necessary mud products for weight addition and fluid loss control will be on location at all times.

5 Auxiliary Well Control and Monitoring Equipment.

- a. A Kelly cock will be in the drill string at all times.
- b. A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.

6. Logging, Coring, and Testing Program: See COA

- a. Drill stem tests will be based on geological sample shows.
- b. If a drill stem test is anticipated; a procedure, equipment to be used and safety measures will be provided via sundry notice to the BLM.
- c. The open hole electrical logging program will be:
 - i. Total Depth to Intermediate Casing
 - and Gamma Ray. Compensated Neutron Z Density log with Gamma Ray and Caliper.
- Dual Laterolog-Micro Laterolog with SP

Compensated Neutron with Gamma Ray

- ii. Total Depth to Surface
- iii. No coring program is planned
- iv. Additional testing will be initiated subsequent to setting the 5 ¹/₂" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows and drill stem tests.

7. Potential Hazards:

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a. No abnormal pressures or temperatures are expected. There is no known presence of H2S in this area. If H2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6 No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 9700 psi and Estimated BHT 204°. No H2S is anticipated to be encountered.

8. Anticipated Starting Date and Duration of Operations:

a. Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operations and drilling is expected to take 32 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flow lines in order to place well on production.



H&P 214 & 232 Location Dimensions



Notes for Rotating Mouse hole for a	Flave Diverge Q OFL Cook advanced sugar
involes for Koranno Mouse noie for a	FIEXRIDA & Z5 SUBSTRUCTURE.
include interacting include include in	

1) 70' of mouse hole below ground level

- 2) If conductor pipe is less than 85' below ground level, recommend cement mouse hole in place in order to prevent break thru & circulation / washout thru mouse hole.
- 3) Use 12" (mini. Nominal size) pipe. This can be spiral weld or low pressure pipe, 10 3/4" is used in some applications but due to inaccuracies in location of mouse hole & potential out of alignment or centered in hole, 12" pipe recommended.
- 4) Cement mouse hole in 13 1/2" or 14 3/4" hole.
- 5) Cellar will need to be oblong in order to accommadate mouse hole (I.e. 5' x 10', 6' x 10',) Operator decision



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30. April: 2002.

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د 152 SALES & MARKETING: H–1092 Budapost, Råday u. 42-44, Hungary • H–1440 Budapost, P. O. Box 26 Phone: (361) 456-4200 • Fax: (361) 217-2972, 456-4273 • www.teurusentaigo.hu

PURCHASER: Pho	enīx Beal	tie Co.		P.O. N	·: · 1519	9FA-871	
HOENIX RUBBER order Nº: 1	70466	HOSE TYPE:	3"	ıD ∼Ch	oke and Kill	Hose	
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NOTES REGARDING BLOWOUT PREVENTERS Devon Energy Production Company, LP **North Pure Gold 9 Federal 19** Surface Location: 710' FSL & 710' FWL, Unit M, Sec 9 T23S R31E, Eddy, NM Bottom hole Location:710' FSL & 710' FWL, Unit M, Sec 9 T23S R31E, Eddy, NM

- 1. Drilling nipple will be constructed so it can be removed mechanically without the aid of a welder. The minimum internal diameter will equal BOP bore.
- 2. Wear ring will be properly installed in head.
- 3. Blowout preventer and all associated fittings will be in operable condition to withstand a minimum 5000 psi working pressure.
- 4. All fittings will be flanged.

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- 5. A full bore safety valve tested to a minimum 5000 psi WP with proper thread connections will be available on the rotary rig floor at all times.
- 6. All choke lines will be anchored to prevent movement.
- 7. All BOP equipment will be equal to or larger in bore than the internal diameter of the last casing string.
- 8. Will maintain a kelly cock attached to the kelly.
- 9. Hand wheels and wrenches will be properly installed and tested for safe operation.
- 10. Hydraulic floor control for blowout preventer will be located as near in proximity to driller's controls as possible.
- 11. All BOP equipment will meet API standards and include a minimum 40 gallon accumulator having two independent means of power to initiate closing operation.



9 5/8" x 10,000 psi BOP Stack



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ダ,000 PSI CHOKE MANIFOLD



SURFACE USE PLAN

Devon Energy Production Company, LP North Pure Gold 9 Federal 19

Surface Location: 710' FSL & 710' FWL, Unit M, Sec 9 T23S R31E, Eddy, NM Bottom hole Location: 710' FSL & 710' FWL, Unit M, Sec 9 T23S R31E, Eddy, NM

1. Existing Roads:

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- a. The well site and elevation plat for the proposed well are reflected on the well site layout; Form C-102. The well was staked by Basin Surveys.
- b. All roads into the location are depicted on Exhibit 3.
- c. Directions to Location: From the Mile Marker 13 of Hwy 18, go 100' west to lease road; go north on lease road 798 for 0.6 miles to the NPG 17 #2 location and continue north 0.7 miles thence east 0.3 miles to proposed location at the NPG 9 #2 location.

2. New or Reconstructed Access Roads:

- a. The well site layout, Form C-102 shows no new construction of roads.
- b. No cattle guards, grates or fence cuts will be required. No turnouts are planned.

3. Location of Existing Wells:

One Mile Radius Plat shows all existing and proposed wells within a one-mile radius of the proposed location. See attached plat.

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

- a. In the event the well is found productive, the North Pure Gold 9 Federal 1 tank battery would be utilized and the necessary production equipment will be installed at the well site. See Production Facilities Layout diagram.
- b. If necessary, the well will be operated by means of an electric prime mover. Electric power poles will be set along side of the access road.
- c. All flow lines will adhere to API standards.
- d. If the well is productive, rehabilitation plans are as follows:
 - i. The original topsoil from the well site will be returned to the location. The drill site will then be contoured as close as possible to the original state.

5. Location and Types of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the Drilling Program). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads shown in the C-102. On occasion, water will be obtained from a pre-existing water well, running a pump directly to the drill rig. In these cases where a poly pipeline is used to transport water for drilling purposes, proper authorizations will be secured. If a poly pipeline is used, the size, distance, and map showing route will be provided to the BLM via sundry notice.

6. Construction Materials:

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All caliche utilized for the drilling pad will be obtained from an existing BLM approved pit or from prevailing deposits found under the location.

7. Methods of Handling Waste Material:

- a. Drill cuttings will be disposed.
- b. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary landfill.
- c. The supplier, including broken sacks, will pick up salts remaining after completion of well.
- d. A Porto-john will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- e. Disposal of fluids to be transported by the following companies:
 - i. American Production Service Inc, Odessa TX
 - ii. Gandy Corporation, Lovington NM
 - iii. I & W Inc, Loco Hill NM
 - iv. Jims Water Service of Co Inc, Denver CO
- 8. Ancillary Facilities: No campsite or other facilities will be constructed as a result of this well.

9. Well Site Layout

- a. Exhibit D shows the proposed well site layout with dimensions of the pad layout.
- b. This exhibit indicated proposed location of sump pits and living facilities.
- c. Mud pits in the active circulating system will be steel pits.
- d. A closed loop system will be utilized.
- e. If a pit or closed loop system is utilized, Devon will comply with the NMOCD requirements 19.15.17 and submit form C-144 to the appropriate NMOCD District Office. A copy to be provided to the BLM.

10. Plans for Surface Reclamation:

- a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The road will be reclaimed as directed by the BLM. The original top soil will again be returned to the pad and contoured, as close as possible, to the original topography.
- b. The location and road will be rehabilitated as recommended by the BLM.
- c. If the well is deemed commercially productive, caliche from areas of the pad site not required for operations will be reclaimed. The original top soil will be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad will be contoured, as close as possible, to match the original topography.

11. Surface Ownership

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- a. The surface is owned by the US Government and is administered by the Bureau of Land-Management. The surface is multiple use with the primary uses of the region for the grazing of livestock and the production of oil and gas.
- b. The proposed road routes and the surface location will be restored as directed by the BLM.

12. Other Information:

- a. The area surrounding the well site is grassland. The topsoil is very sandy in nature. The vegetation is moderately sparse with native prairie grass, sage bush, yucca and miscellaneous weeds. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.
- b. There is no permanent or live water in the general proximity of the location.
- c. There are no dwellings within 2 miles of location.
- d. A Cultural Resources Examination will be completed by the Permian Basin Cultural Resource Fund in lieu of being required to conduct a Class III Survey for cultural resources associated with their project within the BLM office in Carlsbad, New Mexico.

13. Bond Coverage:

Bond Coverage is Nationwide; Bond # is CO-1104

Operators Representative:

The Devon Energy Production Company, L.P. representatives responsible for ensuring compliance of the surface use plan are listed below.

Jim Cromer - Operations Engineer Advisor Devon Energy Production Company, L.P. 20 North Broadway Oklahoma City, OK 73102-8260 (405) 228-4464 (office) (405) 464-7718 (Cellular) Don Mayberry - Superintendent Devon Energy Production Company, L.P. Post Office Box 250 Artesia, NM 88211-0250 (575) 748-3371 (office) (575) 746-4945 (home)

Certification

I hereby certify that I, or persons under my direct supervision, have inspected the proposed 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 Devon Energy Production Company, L.P. 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.

I hereby also certify that I, or Devon Energy Production Company, L.P. have made a good faith effort to provide the surface owner with a copy of the Surface Use Plan of Operations and any Conditions of Approval that are attached to the APD.

Executed this _19th day of __November 2009. Printed Name: Judy A. Barnett Signed Name: _______ Position Title: Regulatory Analyst Address: 20 North Broadway, OKC OK 73102 Telephone: (405)-228-8699 Field Representative (if not above signatory): Address (if different from above): Telephone (if different from above):

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	
LEASE NO.:	NM77046
WELL NAME & NO.:	19 North Pure Gold 9 Fed
SURFACE HOLE FOOTAGE:	710' FSL & 710' FWL
BOTTOM HOLE FOOTAGE	'FL& 'FL
LOCATION:	Section 9, T. 23 S., R 31 E., NMPM
COUNTY:	Eddy County, New Mexico

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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

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- Archaeology, Paleontology, and Historical Sites
- **Noxious Weeds**
- Special Requirements

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Production (Post Drilling)

Well Structures & Facilities

Interim Reclamation/Reseeding

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.

V. SPECIAL REQUIREMENT(S)

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.

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 to be stripped is approximately inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Closed Loop System - V-Door East

Pad Size 280 X 340 plus 20' X 40' Stinger.

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:

Standard Turnout – Plan View



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 foot road with 4% road slope: $\frac{400'}{4\%}$ + 100' = 200' 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. Due to recent H2S encounters in the salt formation, it is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide prior to drilling out the surface shoe. If Hydrogen Sulfide is encountered, please report measurements 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.
- 3. Floor controls are required for 3M or Greater systems. These 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.
- 4. The record of the drilling rate along with the CAL/GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.

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.

Secretary's Potash

Possible brine and water flows in the Salado, Castile, Delaware and Bone Spring. Possible lost circulation in the Delaware and Bone Springs.

- 1. The 13-3/8 inch surface casing shall be set at approximately 540 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
 - b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.
 - 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 9-5/8 inch intermediate casing is:

Cement to surface. If cement does not circulate see B.1.a, c-d above. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash.

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

3. The minimum required fill of cement behind the 7 inch production casing is:

a. First stage to DV tool, cement shall:

- Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job.
- b. Second stage above DV tool, cement shall:

Cement to surface. If cement does not circulate, contact the appropriate BLM office. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash. Additional cement may be required as the excess calculated to be 22%. 1

Formation below the 7" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe and the mud weight for the bottom of the hole. Report results to BLM office.

4. The minimum required fill of cement behind the 4-1/2 inch production Liner is:

Cement should come to the top of the liner. Operator shall provide method of verification.

5. 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. Variance approved to use flex line from BOP to choke manifold. Check condition of 3" flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends.

- 3. 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.
 - a. For surface casing only: If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
- 4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9-5/8 intermediate casing shoe shall be 10,000 (10M) psi. 10M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.
- 5. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. Casing cut-off and BOP installation will not be initiated until the cement has had 4-6 hours of setup time in a water basin and 12 hours in the potash areas. This time will start after the cement plug is bumped. Testing the BOP/BOPE against a plug can commence after meeting the above conditions plus the BOP installation time.
 - b. The tests shall be done by an independent service company utilizing a test plug.
 - c. The results of the test shall be reported to the appropriate BLM office.
 - d. 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.
 - e. 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.
 - f. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.
 - g. 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. DRILLING MUD

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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.

Proposed mud weight may not be adequate for drilling through Wolfcamp.

E. DRILL STEM TEST

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

CRW-123009

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

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.

B. RESEEDING PROCEDURE

Once the well is drilled, all completion procedures accomplished, and all trash removed, reseed the location and all surrounding disturbed areas as follows:

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 <u>no</u> 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:

Species <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	,	11bs/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

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.

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.

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.