

30-015-38347

## COG Operating LLC

### Hydrogen Sulfide Drilling Operation Plan

#### I. HYDROGEN SULFIDE TRAINING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**6. Metallurgy:**

- A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H<sub>2</sub>S service.
- B. All elastomers used for packing and seals shall be H<sub>2</sub>S 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 H<sub>2</sub>S environment will use the closed chamber method of testing.
- B. There will be no drill stem testing.

**EXHIBIT #7**

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

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

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

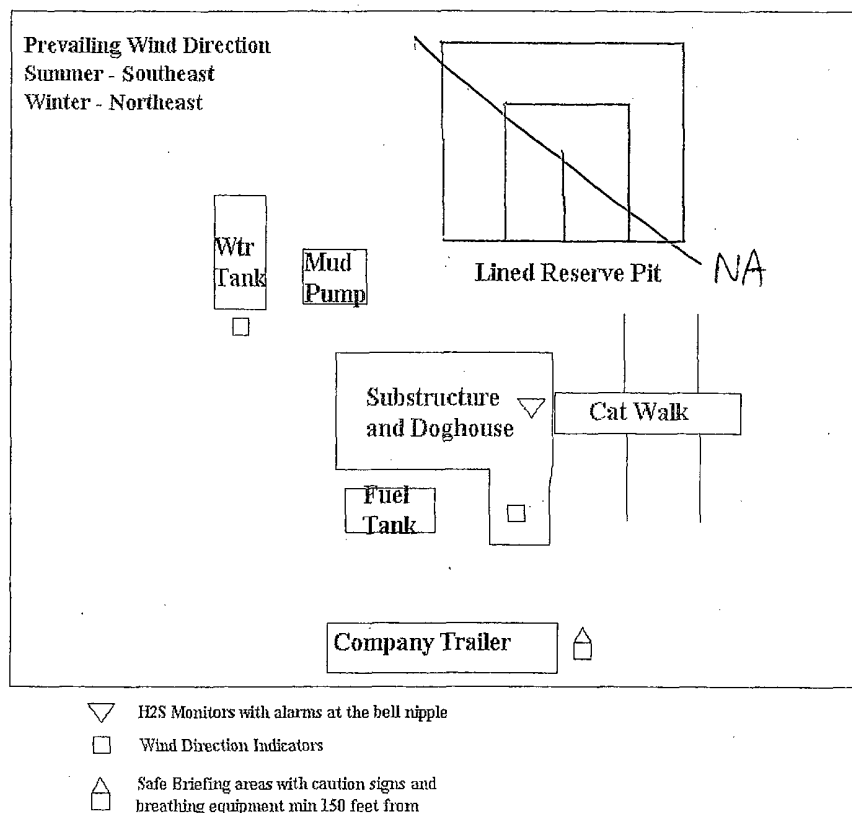
**EDDY COUNTY EMERGENCY NUMBERS**

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

**LEA COUNTY EMERGENCY NUMBERS**

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

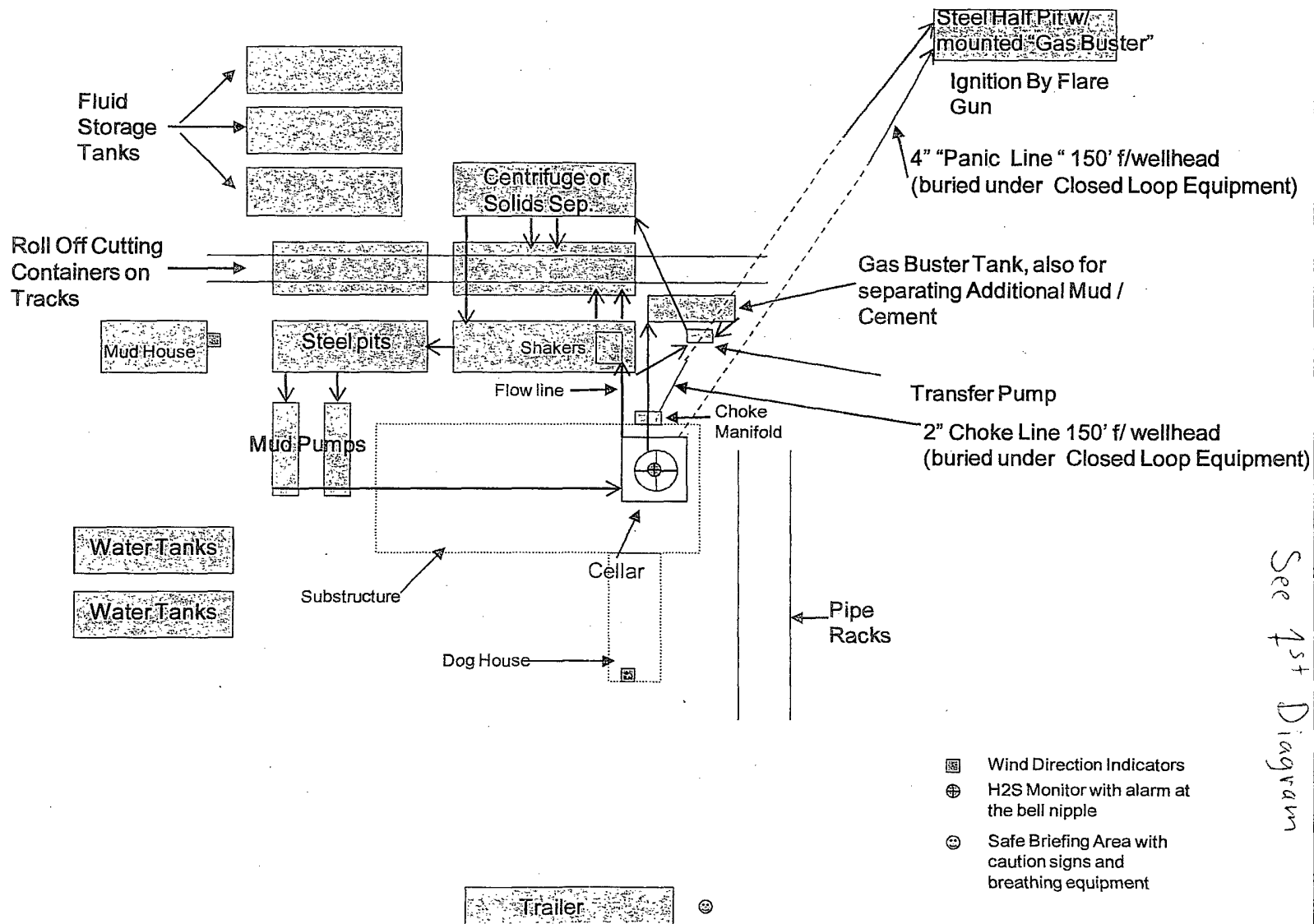
# DRILLING LOCATION H<sub>2</sub>S SAFETY EQUIPMENT Exhibit # 8



COG Operating LLC

Drilling Location - H2S Safety Equipment Diagram

# EXHIBIT 8



See 1st Diagram

## **SURFACE USE AND OPERATING PLAN**

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

- A. The well site survey and elevation plat for the proposed well is shown in Exhibit #1. It was staked by John West Engineering, Hobbs, NM.
- B. All roads to the location are shown in the topographic map Exhibit #2. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. **Directions to Location:** From the intersection US Highway 82 and Co. Rd. 223 (Sweet Gum Road), Go Southeast on US Highway 82 apprx 1.0 mile. Turn Right & Go South apprx 200'. Turn Left & Go South-Southeast apprx 0.2 mile. Turn Left & Go Easterly apprx 0.3 mile to a proposed road survey. Follow road survey apprx 315' Northwest to this location See Vicinity Map, Exhibit #3.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease. Roads will be maintained according to specifications in section 2A of this Surface Use and Operating Plan.

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

Exhibit #4 shows that 315' of new access road will be required for this location. If any road is required it will be constructed as follows:

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

- E. Surfacing material will consist of native caliche. Caliche will be obtained from the actual well site if available. If not available onsite, caliche will be hauled from the nearest BLM caliche pit.

**3. Location of Existing Well:**

Exhibit #5 shows all existing wells within a one-mile radius of this well.

As shown on this plat there are numerous wells producing from the San Andres and Yeso formations.

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

- A. COG Operating LLC does operate a production facility on this lease.
- B. If the well is productive, contemplated facilities will be as follows:
  - 1) Production will be sent to the Skelly 989 Federal tank battery located at the Skelly Unit #989 well location @ 2310 FNL & 1650 FWL, Section 9, T17S, R30E, UL F. The facility location is shown in Exhibit #5.
  - 2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.
  - 3) Any additional caliche will be obtained from the actual well site. If caliche does not exist or is not plentiful from the well site, the caliche will be hauled from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
  - 4) Proposed flow lines, will follow an archaeologically approved route to the Skelly 989 Federal tank battery located at the Skelly Unit #989 well location @ 2310 FNL & 1650 FWL, Section 9, T17S, R30E, UL F. The flowline will be SDR 7 3" poly line laid on the surface and will be approximately 3455' in length with max pressure 100 psi. Flowlines will be no more than 11' from the paralleling road. The facility location is shown in Exhibit #5.
  - 5) It will be necessary to run electric power if this well is productive. Power will be provided by CVE and they will submit a separate plan and ROW for service to the well location.
  - 6) If the well is productive, rehabilitation plans will include the following:
    - a) The original topsoil from the well site will be returned to the location, and the site will be re-contoured as close as possible to the original site.

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

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

**6. Source of Construction Materials and Location "Turn-Over" Procedure:**

Obtaining caliche: The primary way of obtaining caliche to build locations and roads will be by "turning over" the location. This means, caliche will be obtained from the actual well sight. A caliche permit will be obtained from BLM prior to pushing up any caliche. 2400 cu. Yards is max amount of caliche needed for pad and roads. Amount will vary for each pad. The procedure below has been approved by BLM personnel:

- A. The top 6 inches of topsoil is pushed off and stockpiled along the side of the location.
- B. An approximate 120' X 120' area is used within the proposed well site to remove caliche.
- C. Subsoil is removed and piled along side the 120' by 120' area within the pad site.
- D. When caliche is found, material will be stock piled within the pad site to build the location and road.
- E. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.
- F. Once well is drilled, the stock piled top soil will be used for interim reclamation and spread along areas where caliche is picked up and the location size is reduced. Neither caliche or subsoil will be stock piled outside of the well pad. Topsoil will be stockpiled along the edge of the pad as depicted in attached plat.

In the event that no caliche is found onsite, caliche will be hauled in from a BLM approved caliche pit.

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

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in roll-off style mud boxes and taken to an NMOCD approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.



- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD approved commercial disposal facility.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole only a dry hole marker will remain.

**8. Ancillary Facilities:**

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

**9. Well Site Layout:**

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

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

- A. Interim Reclamation will take place after the well has been completed. The pad will be downsized by reclaiming the areas not needed for production operations. The portions of the pad that are not needed for production operations will be recontoured to its original state as much as possible. The caliche that is removed will be reused to either build another pad site or for road repairs within the lease. The stockpiled topsoil will then be spread out reclaimed area and reseeded with a BLM approved seed mixture. In the event that the well must be worked over or maintained, it may be necessary to drive, park, and/or operate machinery on reclaimed land. This area will be repaired or reclaimed after work is complete. Pad will be approx. 250'X200' when reclaimed.

- B. Final Reclamation: Upon plugging and abandoning the well, All caliche for well pad and lease road will be removed and surface will be recountoured to reflect its surroundings as much as possible. Caliche will be recycled for road repair or reused for another well pad within the lease. If any topsoil remains, it will be spread out and the area will be re-seeded with a BLM approved mixture and revegetated as per BLM orders.

**11.Surface Ownership:**

- A. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. The surface tenant for this site is Charles Martin, P.O. Box 706, Artesia NM 88211.
- C. The proposed road routes and surface location will be restored as directed by the BLM

**12.Other Information:**

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

*Surface Use Plan*  
*COG Operating, LLC*  
*Skelly Unit 802*  
*1810' FSL & 990' FWL*  
*Section 23, T-17-S, R-31-E, UL L*  
*Eddy County, New Mexico*

**13. Bond Coverage:**

Bond Coverage is Nationwide Bond # 000215

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

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

John Coffman,	Erick Nelson.
Drilling Superintendent	Division Operations Manager
COG Operating LLC	COG Operating LLC
550 W. Texas, Suite 1300	550 W. Texas, Suite 1300
Midland, TX 79701	Midland, TX 79701
Phone (432) 683-7443 (office)	Phone (505) 746-2210 (office)
(432) 631-9762 (cell)	(432) 238-7591 (cell)

Surface Use Plan  
COG Operating, LLC  
Skelly Unit 802  
1810' FSL & 990' FWL  
Section 23, T-17-S, R-31-E, UL L  
Eddy County, New Mexico

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or COG Operating, LLC, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements. Executed this 7th day of September, 2010.

Signed: Carl Bird

Printed Name: Carl Bird

Position: Drilling Engineer

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

Telephone: (432) 683-7443

Field Representative (if not above signatory): Same

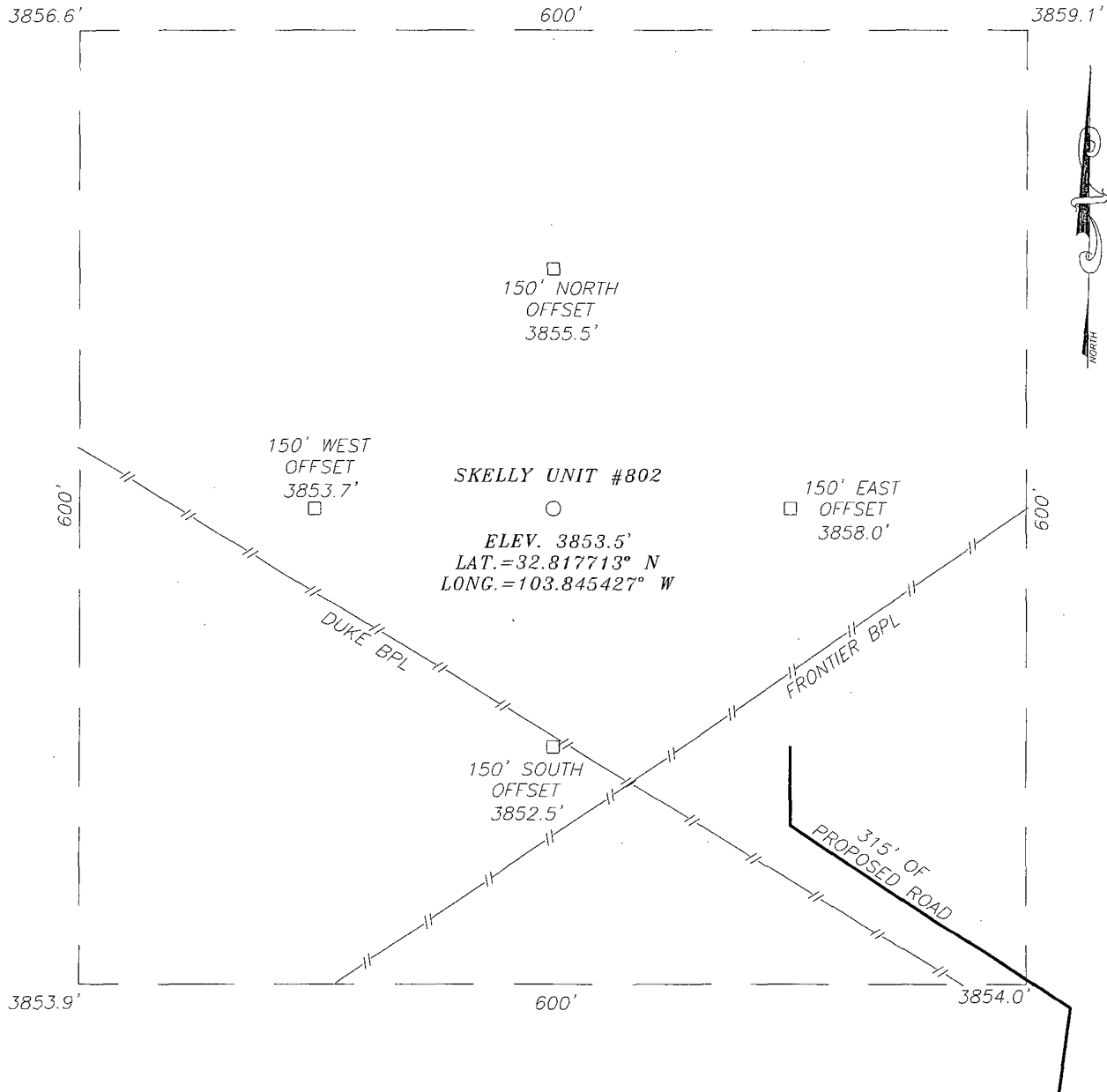
E-mail: cbird@conchoresources.com

*Surface Use Plan  
COG Operating, LLC  
Skelly Unit 802  
1810' FSL & 990' FWL  
Section 23, T-17-S, R-31-E, UL L  
Eddy County, New Mexico*

**Exhibits:**

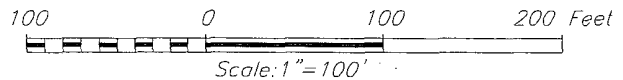
- |                    |   |
|--------------------|---|
| <b>Exhibit #1</b>  | <b>Wellsite and Elevation Plat</b>                            |
|                    | <b>Form C-102 Well location and acreage dedication plat</b>   |
| <b>Exhibit #2</b>  | <b>Topographic Map (West)</b>                  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

**SECTION 23, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,**  
 EDDY COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF U.S. HWY. #82 AND CO. RD. #223 (SWEET GUM) GO SOUTHEAST ON U.S. HWY. #82 APPROX. 1.0 MILE. TURN RIGHT AND GO SOUTH APPROX. 200 FEET. TURN LEFT AND GO SOUTH-SOUTHEAST APPROX. 0.2 MILES. TURN LEFT AND GO EASTERLY APPROX. 0.3 MILES TO A PROPOSED ROAD FOLLOW ROAD SURVEY APPROX. 315 FEET NORTHWEST TO THIS LOCATION.



**COG OPERATING, LLC**

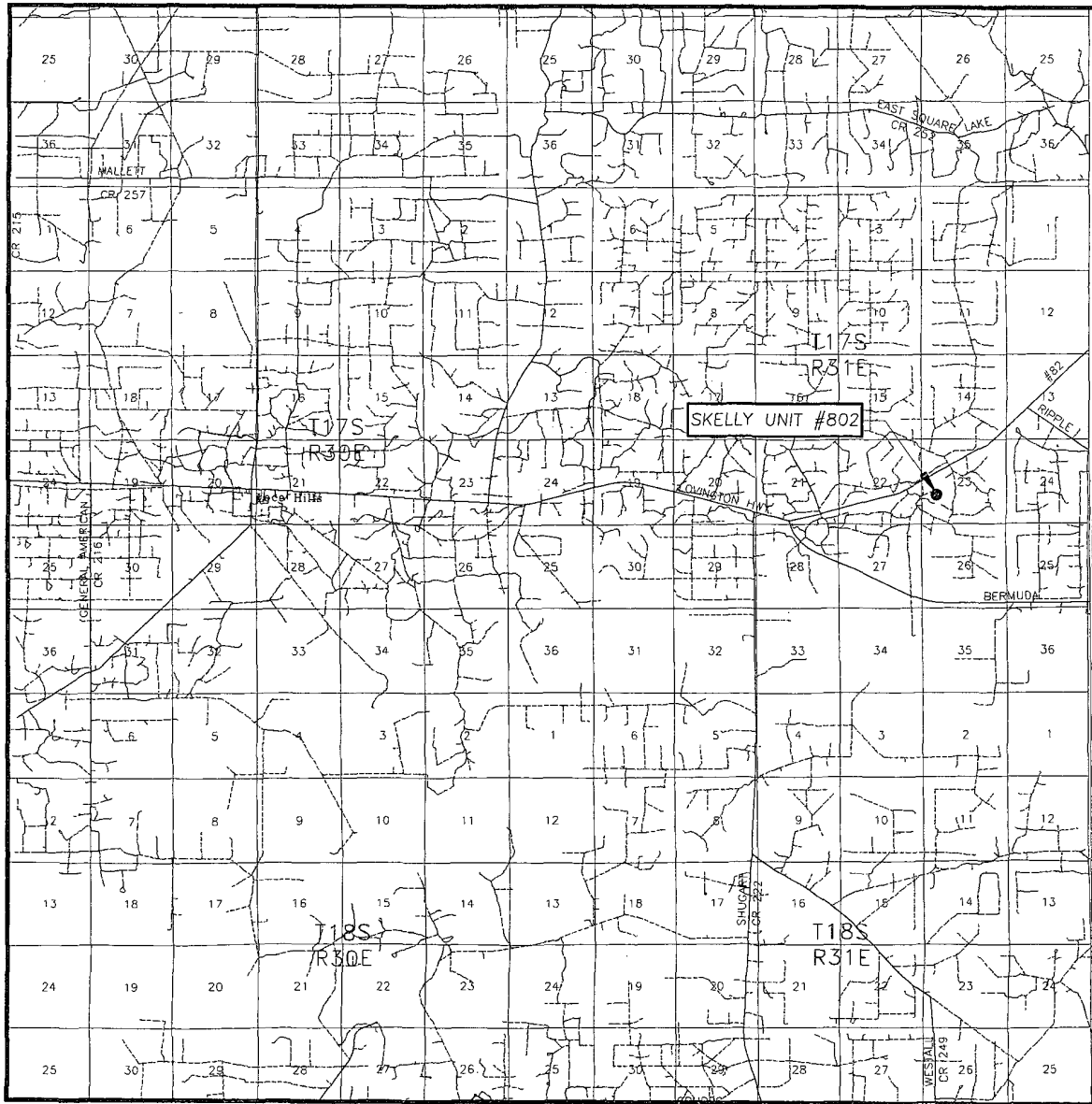
SKELLY UNIT #802 WELL  
 LOCATED 1810 FEET FROM THE SOUTH LINE  
 AND 900 FEET FROM THE WEST LINE OF SECTION 23,  
 TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.

Survey Date: 8/23/10	Sheet 1 of 1 Sheets
W.O. Number: 10.11.1051	Dr By: LA
Date: 8/28/10	10111051
	Scale: 1" = 100'



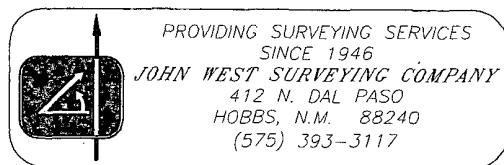
PROVIDING SURVEYING SERVICES  
 SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (575) 393-3117

# VICINITY MAP

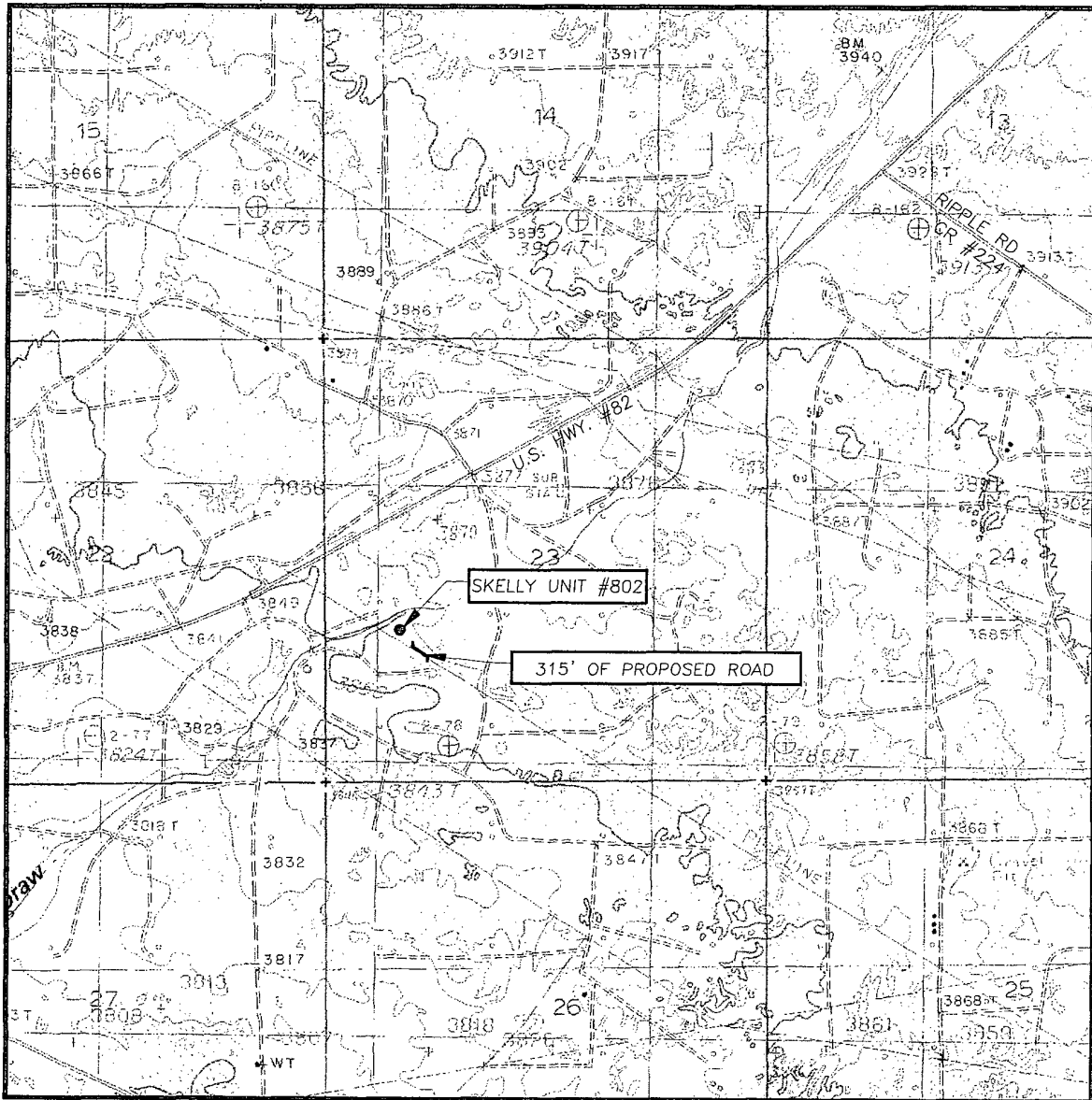


SCALE: 1" = 2 MILES

SEC. 23 TWP. 17-S RGE. 31-E  
 SURVEY N.M.P.M.  
 COUNTY EDDY STATE NEW MEXICO  
 DESCRIPTION 1810' FSL & 900' FWL  
 ELEVATION 3853'  
 COG  
 OPERATOR OPERATING, LLC  
 LEASE SKELLY UNIT



# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 23 TWP. 17-S RGE. 31-E

SURVEY \_\_\_\_\_ N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

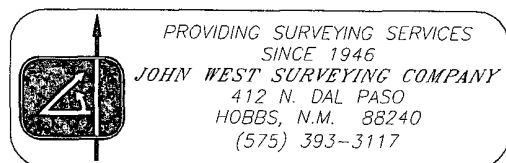
DESCRIPTION 1810' FSL & 900' FWL

ELEVATION 3853'

OPERATOR COG OPERATING, LLC

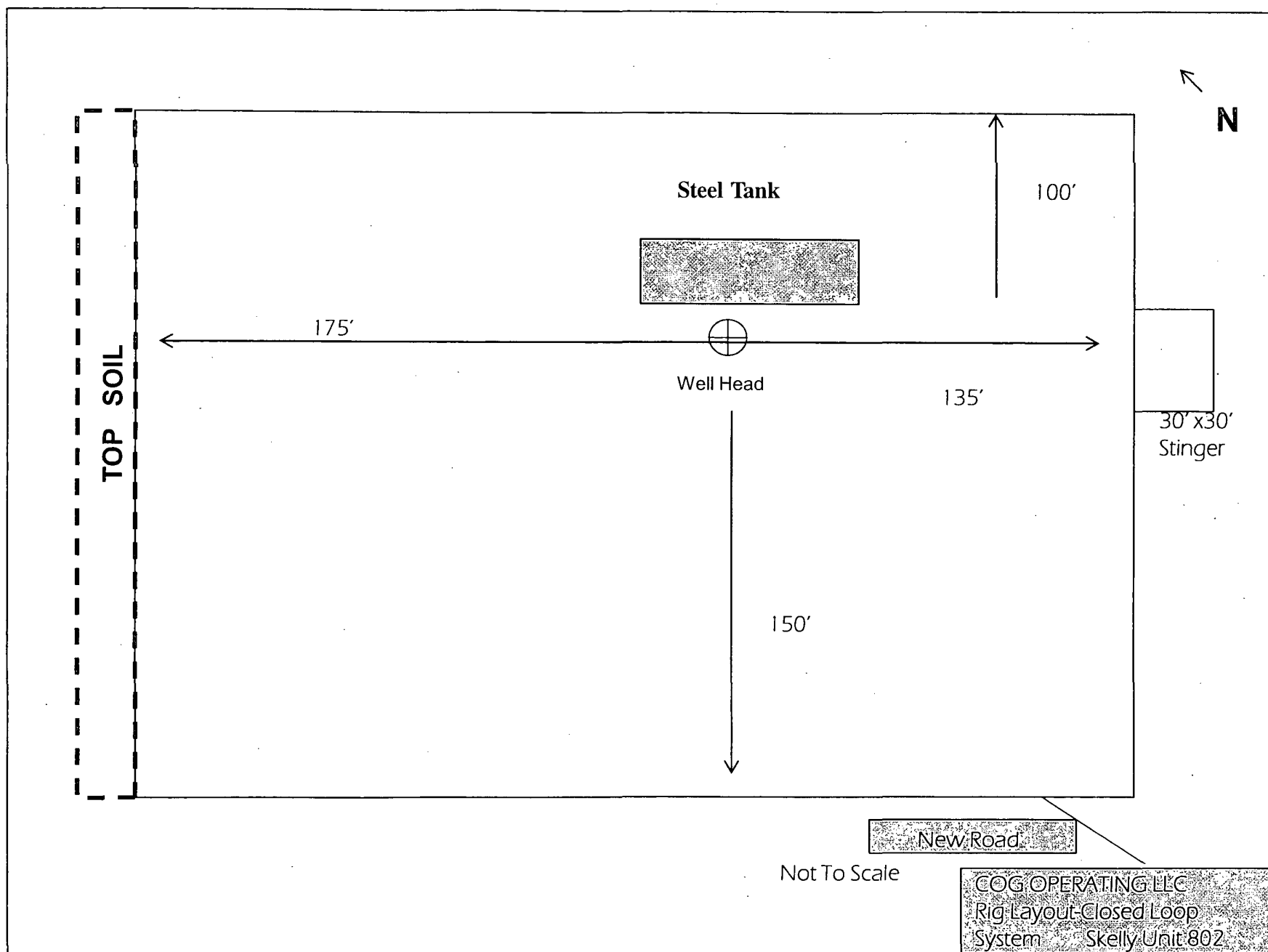
LEASE SKELLY UNIT

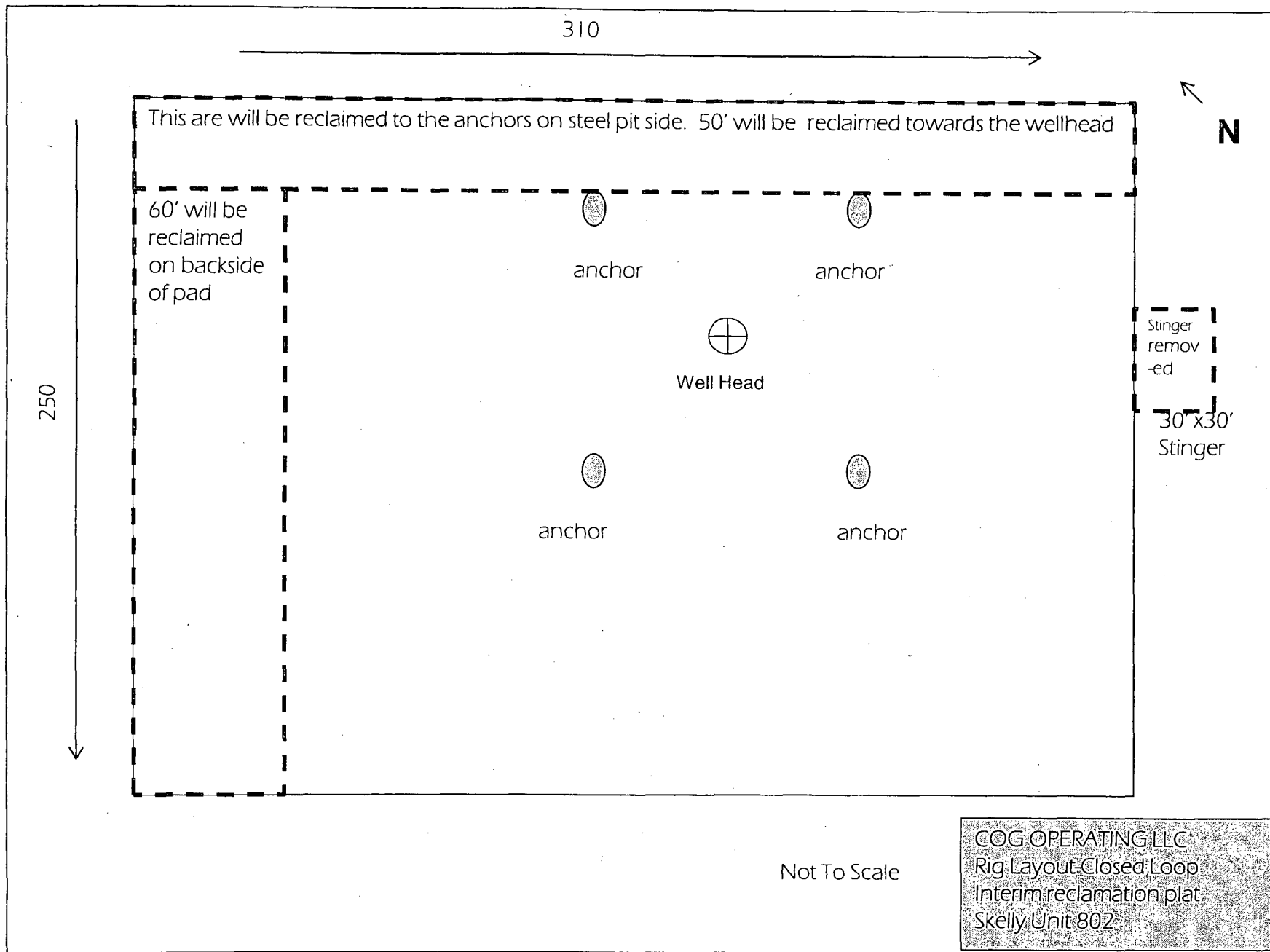
U.S.G.S. TOPOGRAPHIC MAP  
MALJAMAR, N.M.











## Closed Loop Operation & Maintenance Procedure

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

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

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

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

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

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

Cuttings will be hauled to either:

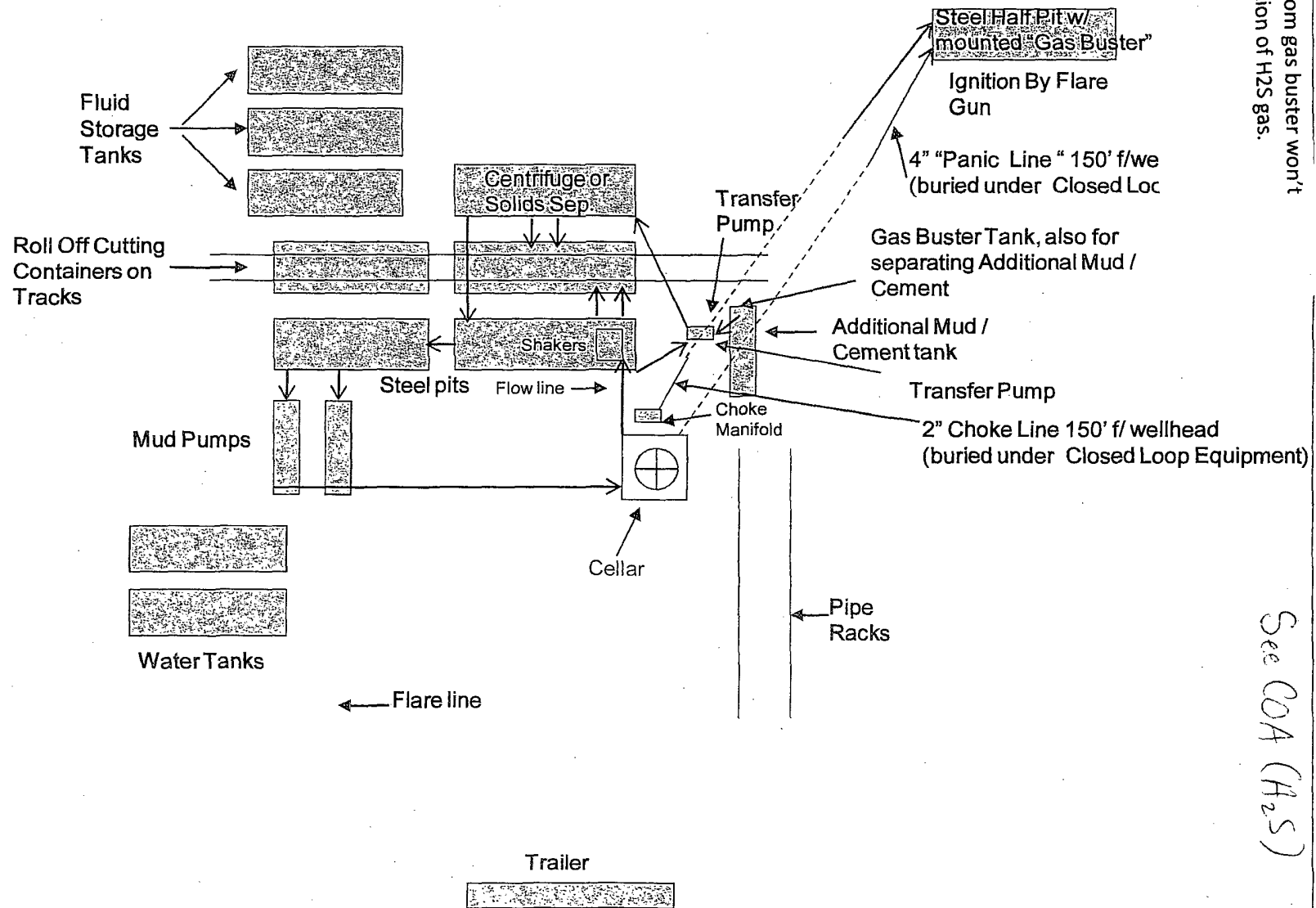
CRI (permit number R9166)

or

GMI (permit number 711-019-001)

dependent upon which rig is available to drill this well.

COG Operating LLC  
Closed Loop Equipment Diagram



Open bottom gas buster won't allow ignition of H<sub>2</sub>S gas.