



Ouray Fed Com 703H

1. Geologic name of surface location: Permian

2. Estimated tops of important geological markers:

Formations	PROG SS	PROG TVD
Cenozoic Alluvium (surface)	3,393'	21'
Rustler	2,421'	993'
Salado	2,324'	1,090'
Base Salt	399'	3,015'
Lamar	-1,897'	5,311'
Bell Canyon	-2,001'	5,415'
Cherry Canyon	-2,907'	6,321'
Brushy Canyon	-4,249'	7,663'
Bone Spring Lime	-5,558'	8,972'
Avalon	-5,584'	8,998'
First Bone Spring Sand	-6,675'	10,089'
Second Bone Spring Carbonates	-6,843'	10,257'
Second Bone Spring Sand	-7,250'	10,664'
Third Bone Spring Carbonates	-7,774'	11,188'
Third Bone Spring Sand	-8,216'	11,630'
Wolfcamp	-8,576'	11,990'
Wolfcamp A	-8,604'	12,018'
HZ Target	-8,704'	12,118'
Wolfcamp B	-8,803'	12,217'

3. Estimated depth of anticipated fresh water, oil or gas:

Upper Permian Sands	0- 400'	Fresh Water
Delaware Sands	5,415'	Oil
Bone Spring	10,089'	Oil
Wolfcamp	11,990	Oil

No other formations are expected to give up oil, gas or fresh water in measurable quantities. Surface freshwater sands will be protected by setting 13 3/8" casing at 1,300' and circulating cement back to surface.

4. Casing Program:

All casings strings will be run new.

Casing string	Weight	Grade	Burst	Collapse	Tension	Conn	Length	API design factor			
								Burst	Collapse	Tension	Coupling
Surface 13 3/8"	54.5	J-55	2730	1130	853	BTC 909	1300	1.18	1.67	4.99	5.32
Intermediate 9 5/8"	40	HCL-80	7430	4230	916	BTC 1042	5400	1.72	1.67	2.90	3.30
Intermediate 7 5/8"	29.7	HCP-110	8280	7150	827	Stinger 564	12050	1.10	1.27	1.81	1.23
Long string 5 1/2"	20	P-110	12640	11080	641	Anaconda 577	22067	1.15	1.07	1.18	1.07



Preliminary plan is to set 7 5/8" string before entering Wolcamp formation at 11,950'TVD/12,050'MD at 47° Inc due too potential overpressure.

Cementing Program:

String Type	Hole Size	Casing Size	Setting Depth	Sacks	Lead Type of cmt	Yield ft3/sk	Water gal/sk	TOC ft	Sacks	Tail Type of cmt	Yield ft3/sk	Water gal/sk	TOC	Excess
Surf	17.5	13.375	1300	803	Extenda Cem, 13.5 ppg Class C, 4% Bentonite, 2%CaCl2,0.25pps Cello-Flake	1.728	9.21	0	330	HalCem TM, 14.8 ppg, Class C, 2% CaCl2, 0.25pps Cello-Flake	1.364	6.61	1000	100%
Int1	12.25	9.625	5400	1523	Econocem TM, 12.9 ppg, Class C 50:50 Poz	1.872	10.11	0	154	HalCem TM, 14.8 ppg, Class C, 0.25 pps Cello-Flake, 2% CalCl2	1.332	6.42	5100	100%
Int2	8.5	7.625	12050	217	Gel, 0.25 pps Cello-Flake, 5% Salt, 2% Sodium NeoCem, 9 ppg, Class C 60:40 Poz Gel, 5%	3.501	14.21	4400	120	NeoCem 15 ppg, Class C 0.25 pps Cello-Flake, 2% CalCl2	1.049	4.31	11050	50%
Prod	6.75	5.5	22067	420	Salt, 5pps LCM, 0.25pps Cello-Flake SoluCem, 15 ppg, 0.25 D-Air, 0.85% HR 601	2.619	11.3	11050						20%

5. Minimum Specifications for Pressure Control:

The minimum blowout preventer equipment (BOPE) shown in Exhibit #1 will consist of a single ram, mud cross and double ram-type (10,000 psi WP) preventer and an annular preventer (5,000-psi WP). Both units will be hydraulically operated and the ram-type will

be equipped with blind rams on bottom and 4 ½" x 7" variable pipe rams on top. All BOPE will be tested in accordance with Onshore Oil & Gas order No. 2.

Before drilling out of the surface casing, the ram-type BOP and accessory equipment will be tested to 5,000/250 psig and the annular preventer to 5,000/250 psig. The surface casing will be tested to 1500 psi for 30 minutes.

Before drilling out of the second intermediate casing, the ram-type BOP and accessory equipment will be tested to 10,000/250 psig and the annular preventer to 5,000/250 psig. The second intermediate casing will be tested to 2000 psi for 30 minutes prior to drillout.

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.



A hydraulically operated choke will be installed prior to drilling out of the intermediate casing shoe.

6. Types and characteristics of the proposed mud system:

During this procedure we plan to use a Closed-Loop System and haul contents to the required disposal. The applicable depths and properties of the drilling fluid systems are as follows.

Depth	Type	Weight (ppg)	Viscosity	Water Loss
0 – 1,300'	Fresh - Gel	8.6-8.8	28-34	N/c
1,300' – 12,050'	Brine	8.8-10.2	28-34	N/c
12,050' – 22,067' Lateral	Oil Base	10.0-11.0	58-68	3 - 6

The highest mud weight needed to balance formation is expected to be 11 ppg. In order to maintain hole stability, mud weights up to 13.0 ppg may be utilized.

An electronic pit volume totalizer (PVT) will be utilized on the circulating system, to monitor pit volume, flow rate, pump pressure and stroke rate.

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

7. Auxiliary well control and monitoring equipment:

(A) A kelly cock will be kept in the drill string at all times.

(B) A full opening drill pipe-stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

(C) H₂S monitoring and detection equipment will be utilized from surface casing point to TD.

(D) A wear bushing will be installed in the wellhead prior to drilling out of the surface casing.

8. Logging, testing and coring program:

GR–CCL–CNL Will be run in cased hole during completions phase of operations.

Open-hole logs are not planned for this well.

9. Abnormal conditions, pressures, temperatures and potential hazards:

The estimated bottom-hole temperature at 12,102' TVD (deepest point of the well) is 195F with an estimated maximum bottom-hole pressure (BHP) at the same point of 8,180 psig (based on 13 ppg MW). Hydrogen sulfate may be present in the area. All necessary precautions will be taken before drilling operations commence. See Hydrogen Sulfide Plan below:

10. Hydrogen Sulfide Plan:

- A. All personnel shall receive proper awareness H₂S training.
- B. Briefing Area: two perpendicular areas will be designated by signs and readily accessible.
- C. Required Emergency Equipment
 - a. Well Control Equipment
 - i. Flare line 150' from wellhead to be ignited by auto ignition sparking system.
 - ii. Choke manifold with a remotely operated hydraulic choke.
 - iii. Mud/gas separator
 - b. Protective equipment for essential personnel
 - i. Breathing Apparatus



1. Rescue packs (SCBA) – 1 unit shall be placed at each briefing area, 2 shall be stored in a safety trailer on site.
2. Work/Escapes packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity
3. Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation
- ii. Auxiliary Rescue Equipment
 1. Stretcher
 2. Two OSHA full body harnesses
 3. 100 feet of 5/8 inches OSHA approved rope
 4. 1-20# class ABC fire extinguisher
- c. H2S Detection and Monitoring Equipment
 - i. A stationary detector with three sensors will be placed in the doghouse if equipped, set to visually alarm at 10 ppm and audible at 14 ppm. The detector will be calibrated a minimum of every 30 days or as needed. The sensors will be placed in the following places:
 1. Rig Floor
 2. Below Rig Floor / Near BOPs
 3. End of flow line or where well bore fluid is being discharged (near shakers)
 - ii. If H2S is encountered, measured values and formations will be provided to the BLM.
- d. Visual Warning Systems
 - i. One color code condition sign will be placed at the entrance to the site reflecting the possible conditions at the site.
 - ii. A colored condition flag will be on display, reflecting the current condition at the site at the time.
 - iii. Two windsocks will be placed in strategic locations, visible from all angles.
- e. Mud Program
 - i. The Mud program will be designed to minimize the volume of H2S circulated to surface. The operator will have the necessary mud products to minimize hazards while drilling in H2S bearing zones.
- f. Metallurgy
 - i. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service at the anticipated operating pressures to prevent sour sulfide stress cracking.
- g. Communication
 - i. Communication will be via cell phones and walkie talkies on location.

Franklin Mountain Energy has conducted a review of offset operated wells to determine if an H2S contingency plan is required for the proposed well. Based on concentrations of offset wells, proximity to main roads, and distance to populated areas, the radius of exposure created by a potential release was determined to be minimal and low enough to not necessitate an H2S contingency plan. This will be reevaluated during wellbore construction if H2S is observed and after the well is on production.



11. Anticipated starting date and duration of operations:

The drilling operations on the well should be finished in approximately one month. However, in order to minimize disturbance in the area and to improve efficiency Franklin Mountain is planning to drill all the wells on the pad prior to commence completion operations. To even further reduce the time heavy machinery is used the “batch drilling” method may be used. The drilling rig with walking/skidding capabilities will be used.

12. Disposal/environmental concerns:

- (A) Drilled cuttings will be hauled to and disposed of in a state-certified disposal site.
- (B) Non-hazardous waste mud/cement from the drilling process will be also be hauled to and disposed of in a state-certified disposal site.
- (C) Garbage will be hauled to the Pecos City Landfill.
- (D) Sewage (grey water) will be hauled to the Carlsbad City Landfill

13. Wellhead:

A multi-bowl wellhead system will be utilized.

After running the 13 3/8” surface casing, a 13-5/8” BOP/BOPE system with a minimum working pressure of 10,000 psi will be installed on the wellhead system and will be pressure tested to 250 psi low followed by a 5,000 psi pressure test. This pressure test will be repeated at least every 30 days, as per Onshore Order No. 2

The minimum working pressure of the BOP and related BOPE required for drilling below the surface casing shoe shall be 5,000 psi.

After running the 2nd intermediate casing, and before drilling out, the wellhead, BOP, and related equipment will be tested to 10,000/250 psig.

The multi-bowl wellhead will be installed by vendor’s representative(s). A copy of the installation instructions for the Cameron Multi-Bowl WH system has been sent to the BLM office in Carlsbad.

The wellhead will be installed by a third party welder while being monitored by WH vendor’s representative.

All BOP equipment will be tested utilizing a conventional test plug. Not a cup or J-packer type.

A solid steel body pack-off will be utilized after running and cementing the intermediate casing strings. After installation of the first intermediate string the pack-off and lower flanges will be pressure tested to 5000 psi. After installation of the second intermediate string, the pack-off and upper flange will be pressure tested to 10,000 psi.

Both the surface and intermediate casing strings will be tested as per Onshore Order No. 2 to at least 0.22 psi/ft or 1500 psi, whichever is greater.



14. Additional variance requests

A. Casing.

In order to minimize potential environmental and technical hazards, this well is planned with two intermediate strings of casing.

1. Variance is requested to wave the centralizer requirements for the 7 5/8" casing due to the tight clearance with 9 5/8" string.
2. Variance is requested to wave/reduce the centralizer requirements for the 5 1/2" casing due to the tight clearance with 6 3/4" hole and 5 1/2" casing due to tight clearances.