Form 3160-5
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

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

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE – *Other instructions on page 2.*

5 Lease Serial No
NMNM 108969 SHL NMNM 061863A BHL

6 If Indian, Allottee or Tribe Name

7. If Unit of CA/Agreement, Name and/or No.

1 Type of Well
☑ Oil Well ☐ Gas Well ☐ Other

8 Well Name and No.
Cotton Draw 32 State Fed Com 1H

2 Name of Operator
Devon Energy Production Company, L.P.

9. API Well No.
30-025-~~40583~~ 40583

3a Address
333 W Sheridan, Oklahoma City, OK 73102

3b. Phone No *(include area code)*
405-235-3611

10. Field and Pool or Exploratory Area
Delaware; North Paduca 49490

4. Location of Well *(Footage, Sec., T.,R.,M., or Survey Description)*
SEC 32 T24S R32E SHL 2310 FSL & 660 FEL Unit I BHL 330 FSL & 660 FEL Sec 5 Unit P

11 Country or Parish, State
Lea County, NM

12 CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Drilling Operations
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
☐ Final Abandonment Notice	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13 Describe Proposed or Completed Operation. Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection)

Devon Energy Production Company, L P.
Respectfully requests to MIRU a spudder rig with the intent to drill 5' ever nineteen (19) days enabling Devon to hold said lease until availability with H&P rig approximately 60 - 90 days from said date of this sundry. A subsequent report will follow with detailed information pertaining to the initial spud.

14 I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Judy A Barnett

Title Regulatory Specialist

Signature Judy A Barnett

Date 05/25/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by DENIED

Title

Date JUL 9 2012

Conditions of approval, if any, are attached. Approval of this notice 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

Office

Title 18 U S C Section 1001 and Title 43 U S C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

(Instructions on page 2)

JUL 19 2012

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

OCD Hobbs

Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

5 Lease Serial No.
NMLC061863A

6. If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
COTTON DRAW 32 STATE FED COM 1H

2. Name of Operator
DEVON ENERGY PRODUCTION CO LP

Contact: MELANIE A CRAWFORD
E-Mail: MELANIE.CRAWFORD@DVN.COM

9 API Well No
30-025-40495-00-X1 40583

3a Address
333 WEST SHERIDAN AVE
OKLAHOMA CITY, OK 73102

3b. Phone No (include area code)
Ph: 405-552-4524

10 Field and Pool, or Exploratory
PADUCA

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 32 T24S R32E NESE 2310FSL 660FEL

11. County or Parish, and State
LEA COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection)

Devon Energy Production Co, LP respectfully requests to have a 8-3/4" pilot hole to be drilled to a depth of 11,950 MD/TVD. Attached is a revised drilling plan and schematic

Thank you

HOBBS OCD

JUL 10 2012

RECEIVED

SEE ATTACHED FOR CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #142300 verified by the BLM Well Information System
For DEVON ENERGY PRODUCTION CO LP, sent to the Hobbs
Committed to AFMSS for processing by KURT SIMMONS on 07/09/2012 (12KMS0948SE)

Name *(Printed/Typed)* MELANIE A CRAWFORD — Title REGULATORY ANALYST

Signature (Electronic Submission) — Date 07/06/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By Chris Walls — Title — Date 07/09/2012

Conditions of approval, if any, are attached. Approval of this notice 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.

Office Hobbs

Title 18 U S C Section 1001 and Title 43 U S C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

Drilling Program / Surface Use Plan
Discipline-Specific Input Form

COTTON DRAW 32 FED COM 1H

1. **Casing and Cementing Plan Summary**

The surface fresh water sands will be protected by setting 13-3/8" casing at 850' and circulating cement back to surface. The fresh water sands will be protected by setting 9-5/8" casing at 4,550' and circulating cement to surface The Delaware intervals will be isolated by setting 5-1/2" casing to total depth and circulating cement above the base of the 9-5/8" casing. **All casing is new and API approved.**

2. **Casing Program:**

Hole Size	Hole Interval	Casing OD	Casing Interval	Weight	Collar	Grade
17-1/2"	0 - 850'	13-3/8"	0 - 850'	48#	STC	H-40
12-1/4"	850' - 4,550'	9-5/8"	0 - 4,550'	40#	LTC	J-55
8-3/4"	4,550' - 7,800'	5-1/2"	0 - 7,800'	17#	LTC	HCP-110
8-3/4"	7,800' - 15,506'	5-1/2"	7,800' - 15,506'	17#	BTC	HCP-110

An 8-3/4" pilot hole will be drilled to a depth of 11,950 MD/TVD and plugged back with 1465 sks, Class H cement with 0.2% bwoc R-3 + 46.4% Fresh Water @ 15.60 ppg and 1.18 ft³/sk yield.
As a result of the deeper pilot hole depth, we will run 5K BOPE (see attached BOPE notes).

3. **Design Factors:**

Casing Size	Collapse Design Factor	Burst Design Factor	Tension Design Factor
13-3/8"	1.94	4.35	7.89
9-5/8"	1.21	1.67	2.86
5-1/2" LTC	1.74	2.12	1.60
5-1/2" BTC	1.62	1.99	3.41

The maximum possible collapse load that the intermediate casing will experience will result from evacuated casing with the pore pressure exerting a collapse load at TD. The pore pressure is estimated to be 9.0 ppg for this calculation. This results in a collapse design factor of 1.21 for the 9-5/8" 40# J-55 LTC casing at a depth of 4,550 ft. While running the intermediate casing, the casing string will never be completely evacuated. There is no potential for the intermediate casing to be used as a production string.

4. **Cement Program:**

String	Slurry	Amount and Type of Cement
Surface	Lead	900 sacks Class C Cement + 2% bwoc Calcium Chloride + 0.125 lbs/sack Cello Flake + 4% bwoc Bentonite + 81.4% Fresh Water, 13.5 ppg, 1.75 cf/sk
	Tail	250 sacks Class C Cement + 2% bwoc Calcium Chloride + 0.125 lbs/sack Cello Flake + 56.3% Fresh Water, 14.8 ppg, 1.35 cf/sk
Intermediate	Lead	1,000 sacks (60:40) Poz (Fly Ash):Class C Cement + 5% bwow Sodium Chloride + 0 125 lbs/sack Cello Flake + 6% bwoc Bentonite + 107.8% Fresh Water, 12.5 ppg, 1 73 cf/sk
	Tail	300 sacks (60 40)Poz Class C Cement + 5% bwow Sodium Chloride + 0.125 lbs/sack Cello Flake + 0.4% bwoc Sodium Metasilicate + 4% bwoc MPA-5 + 52 7% Water, 14.8 ppg, 1.38 cf/sk
Production		1st STAGE
	Lead	500 sacks (35:65) Poz (Fly Ash):Class H Cement + 5% bwow Sodium Chloride + 0 3% bwoc CD-32 + 0 5% bwoc FL-25 + 2% bwoc Bentonite + 0 6% bwoc Sodium Metasilicate + 0 5% bwoc FL-52A + 102.5% Fresh Water, 12.5 ppg, 2 00 cf/sk
	Tail	2,500 sacks (50 50) Poz (Fly Ash):Class H Cement + 1% bwow Sodium Chloride + 0.2% bwoc R-3 + 0.125 lbs/sack Cello Flake + 0.5% bwoc BA-10A + 4% bwoc MPA-5 + 58.3% Fresh Water, 14.2 ppg, 1 28 cf/sk

	2nd STAGE (DV tool at 6,000 ft)	
	Lead	800 sacks Class C Cement + 1% bwow Calcium Chloride + 0.125 lbs/sack Cello Flake + 157.8% Fresh Water, 11.4 ppg, 2.88 cf/sk
	Tail	150 sacks (60:40) Poz (Fly Ash):Class C Cement + 1% bwow Sodium Chloride + 0.2% bwoc R-3 + 0.125 lbs/sack Cello Flake + 0.5% bwoc BA-10A + 4% bwoc MPA-5 + 63.2% Fresh Water, 13.8 ppg, 1 38 cf/sk

String	TOC
Surface	Surface
Intermediate	Surface
Production	4,050'

The above cement volumes are based on 25% excess. Actual cement volumes could be adjusted based on fluid caliper and caliper log data.

5. Pressure Control Equipment

See COA

BOP DESIGN: The BOP system used to drill the intermediate and production holes will consist of a 13-5/8" 5M Triple Ram and Annular preventer. The BOP system will be tested as per BLM Onshore Oil and Gas Order No. 2 as a 5M system prior to drilling out the surface and intermediate casing shoes.

The pipe rams will be operated and checked each 24 hour period and each time the drill pipe is out of the hole. These tests will be logged in the daily driller's log. A 2" kill line and 3" choke line will be incorporated into the drilling spool below the ram BOP. In addition to the rams and annular preventer, additional BOP accessories include a kelly cock, floor safety valve, choke lines, and choke manifold rated at ~~5,000~~ 5000 psi WP.

Devon requests a variance to use a flexible line with flanged ends between the BOP and the choke manifold (choke line). The line will be kept as straight as possible with minimal turns.

6. Proposed Mud Circulation System:

Depth Range	Mud Weight	Viscosity	Fluid Loss	Type System
0 - 850'	8.4-9.0	28-34	NC	Fresh Water
850' - 4,550'	9.8-10.2	28-32	NC	Brine
4,550' - 15,506'	8.6-9.0	28-32	NC-12	Fresh Water

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

7. 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.
c. Hydrogen Sulfide detection equipment will be in operation after drilling out the 13-3/8" casing shoe until the 5-1/2" casing is cemented. Breathing equipment will be on location upon drilling the 13-3/8" shoe until total depth is reached.

8. Potential Hazards:

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. All personnel will be

familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP of 3,600 psi and estimated BHT 145°. No H2S is anticipated to be encountered.

9. 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 as a rig becomes available following BLM approval. 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 the well and construct surface facilities and/or lay flow lines in order to place well on production.

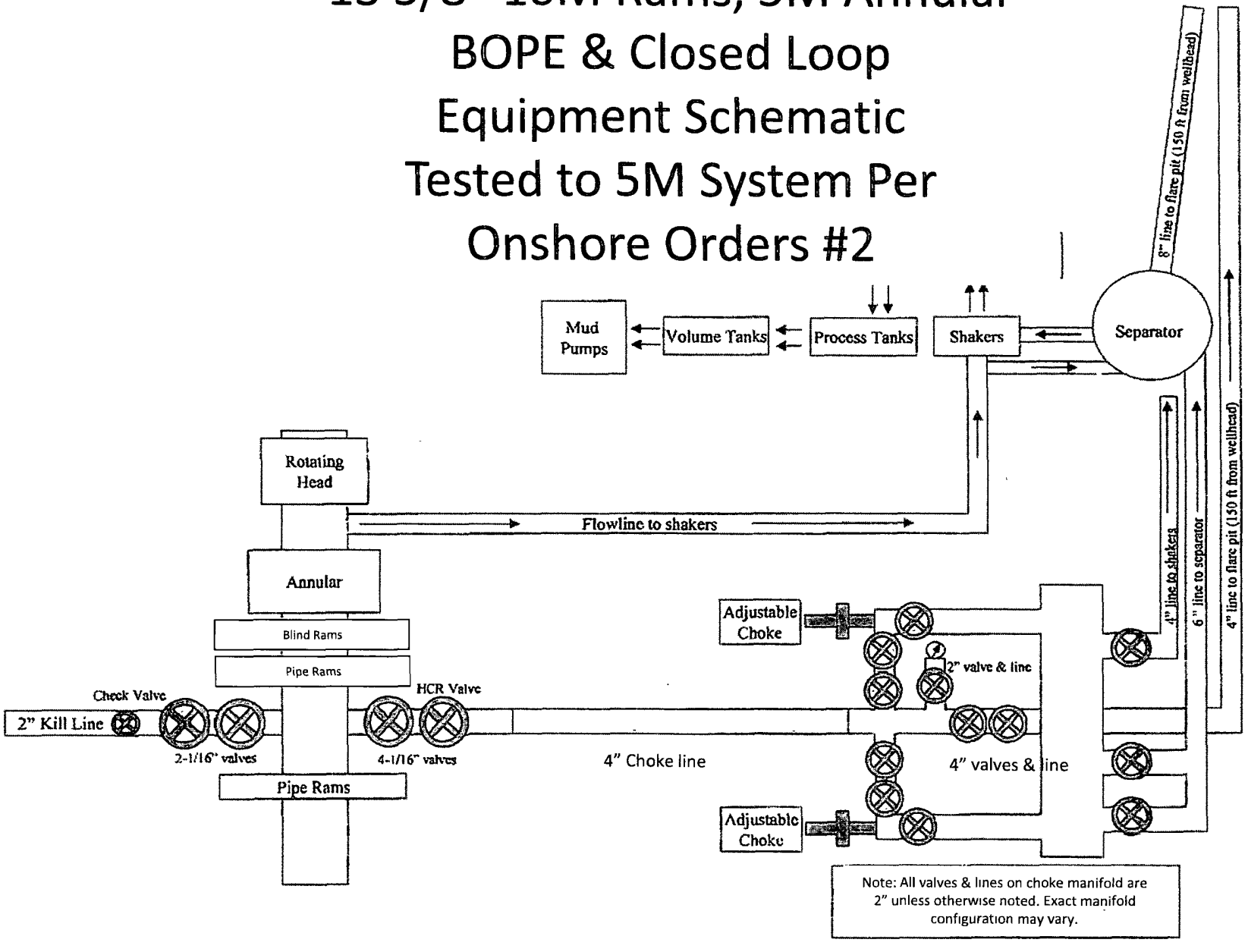
10. Location and Types of Water Supply:

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.

11. Methods of Handling Waste Material:

a. Drill cuttings will be disposed of in a closed loop system.
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 will pick up salts remaining, including broken sacks, 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. Remaining drilling fluids will be sent to a closed loop system.
f. 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

13 5/8" 10M Rams, 5M Annular BOPE & Closed Loop Equipment Schematic Tested to 5M System Per Onshore Orders #2



PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Devon Energy Prod Co
LEASE NO.:	LC061863A
WELL NAME & NO.:	1H Cotton Draw 32 State Fed Com
SURFACE HOLE FOOTAGE:	2310' FSL & 660' FEL
BOTTOM HOLE FOOTAGE	330' FSL & 660' FEL
LOCATION:	Section 32, T.24 S., R.32 E., NMPM
COUNTY:	Lea County, New Mexico

I. 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. **Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. If Hydrogen Sulfide is encountered, please report measured amounts 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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a "Major" violation.**

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 GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall 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 program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#).
Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time prior to drilling out 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. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. 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.

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

1. The **13-3/8** inch surface casing shall be set at approximately **865** 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 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.

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.

Approved for pilot hole plug from TD to kick off point.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

a. First stage to DV tool:

☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

b. Second stage above DV tool:

☒ Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification.

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. Variance approved to use flex line from BOP to choke manifold. Check condition of 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 and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for review**. If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 3000 (3M) 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. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

    a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

    b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

    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.

D. DRILL STEM TEST

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

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

CRW 070912