16-1001

Form 3160-3
(March 2012)

OCD Hobbs
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JUN 30 2016
RECEIVED

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NMNM104686, NMNM0001087 NMNM094094

6. If Indian, Allotee or Tribe Name:

1a. Type of Work: [✓] DRILL [ ] REENTER

7. If Unit or CA Agreement, Name and No.: (316474)

1b. Type of Well: [✓] Oil Well [ ] Gas Well [ ] Other [✓] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: Stealth Federal Com #4H

2. Name of Operator: COG Production LLC. (217955)

9. API Well No.: 30-025-43338

3a. Address: 2208 West Main Street, Artesia, NM 88210

3b. Phone No. *(include area code)*: 575-748-6940

10. Field and Pool, or Exploratory: Lusk; Bone Spring, NORTH (41459)

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At surface: 317' FSL & 940' FEL Unit Letter P (SESE) Sec 17-T19S-R32E

At proposed prod. Zone: 330' FNL & 330' FEL Unit Letter A (NENE) Sec 17-T19S-R32E

11. Sec., T.R.M. or Blk and Survey or Area: Sec. 17 - T19S - R32E

14. Distance in miles and direction from nearest town or post office*: Approximately 12 miles South from Maljamar

12. County or Parish: Lea

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. Unit line, if any): 317'

16. No. of acres in lease: NMNM104686: 40; NMNM094094: 40; NMNM0001087: 280

17. Spacing Unit dedicated to this well: 160

18. Distance from location* to nearest well, drilling, completed, applied for, on this lease, ft.: SHL: 280' BHL: None on Lease

19. Proposed Depth: TVD: 9,365' MD: 13,807'

20. BLM/BIA Bond No. on file: NMB000860 &NMB000845

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 3592.0' GL

22. Approximate date work will start*: 6/1/2016

23. Estimated duration: 30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature: Mayte Reyes — Name *(Printed/Typed)*: Mayte Reyes — Date: 3-28-16

Title: Regulatory Analyst

Approved by *(Signature)*: James A. Amos — Name *(Printed/Typed)*: — Date: JUN 20 2016

Title: FIELD MANAGER — Office: CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legan or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations theron.

Conditions of approval, if any, are attached.

See attached NMOCD Conditions of Approval

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Sectior ...lly to make to any department or agency of the United States any false, fictitious or fraudulent statements or

KG 07/01/16

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

COG Operating LLC, Stealth Federal Com #4H

1. Geologic Formations

TVD of target	9365'	Pilot hole depth	NA
MD at TD:	13807'	Deepest expected fresh water:	180'

Basin

Formation	Depth (TVD) from KB	Water/Mineral Bearing/ Target Zone?	Hazards*
Quaternary Fill	Surface	Water	
Rustler	825'	Water	
Top of Salt	915'	Salt	
Bottom of salt (tansill)	2412'	Salt	
Yates	2683'	Oil/Gas	
Seven Rivers	2909'		
Capitan Reef	2975'	Water	
Base of Reef	3749'	Water	
Delaware	4561'	Oil/Gas	
Brushy Canyon	5535'	Oil/Gas	
Bone Spring	7175'	Oil/Gas	
2nd Bone Spring Sand	9140'	Target Zone	

2. Casing Program

Hole Size	Casing Interval From	Casing Interval To	Csg. Size	Weight (lbs)	Grade	Conn.	SF Collapse	SF Burst	SF Tension
17.5"	0'	~~850'~~ 900'	13.375"	54.5	J55	STC	2.84	1.54	11.1
12.25"	0'	3600'	9.625"	36	J55	BTC	1.20	2.18	3.07
12.25"	0'	4590'	9.625"	40	L80	BTC	2.43	3.5	3.07
8.75"	0'	13807'	5-1/2"	17	P110	LTC	1.54	1.25	2.8
				BLM Minimum Safety Factor			1.125	1.00	1.6 Dry 1.8 Wet

See COA

- All casing strings will be tested in accordance with Onshore Oil and Gas Order #2 III.B.1.h
- BLM standard formulas where used on all SF calculations.
- Used 9 PPG for pore pressure calculations

	Y or N
Is casing new? If used, attach certification as required in Onshore Order #1	Y
Does casing meet API specifications? If no, attach casing specification sheet.	Y
Is premium or uncommon casing planned? If yes attach casing specification sheet.	N
Does the above casing design meet or exceed BLM's minimum standards? If not provide justification (loading assumptions, casing design criteria).	Y
Will the intermediate pipe be kept at a minimum 1/3 fluid filled to avoid approaching the collapse pressure rating of the casing?	Y
Is well located within Capitan Reef?	Y
If yes, does production casing cement tie back a minimum of 50' above the Reef?	Y
Is well within the designated 4 string boundary.	N
Is well located in SOPA but not in R-111-P?	N
If yes, are the first 2 strings cemented to surface and 3rd string cement tied back 500' into previous casing?	
Is well located in R-111-P and SOPA?	N
If yes, are the first three strings cemented to surface?	
Is 2nd string set 100' to 600' below the base of salt?	
Is well located in high Cave/Karst?	N
If yes, are there two strings cemented to surface?	
(For 2 string wells) If yes, is there a contingency casing if lost circulation occurs?	
Is well located in critical Cave/Karst?	N
If yes, are there three strings cemented to surface?	

2. Cementing Program → additional cement required - See COA

Casing	# Sks	Wt. lb/ gal	Yld ft3/ sack	H_20 gal/sk	500# Comp. Strength (hours)	Slurry Description
Surf.	370	13.3	1.69	8.84	15	Lead: Class C + 5 NACL+ 1% econolite powder
	225	14.8	1.34	6.4	7	Tail: Class C + 2% CaCl2
Inter	350	12.7	1.9	10	14	Lead: Class C + 6% Gel + 5% CaCl2
	200	14.8	1.34	6.6	5	Tail: Class C + 1% CaCl2
	DV TOOL/ECP 2875'					
	1150	12.7	1.9	10	14	Lead: Class C + 6% Gel + 5% CaCl2
	200	14.8	1.34	6.6	5	Tail: Class C + 1% CaCl2
Prod.	1280	11.9	2.5	14.3	50	Lead: HES Econochem H. 50:50 poz w/ 10% gel, 8lbm salt, 5 lbm kol-seal, 0.5% Halad -322, 0.25 lbm D-air 500
	1225	14.40	1.23	5.7	20	Tail:50:50:2 H blend (FR, Retarder, FL adds as necessary)

Lab reports with the 500 psi compressive strength time for the cement will be onsite for review.

Casing String	TOC	% Excess
Surface	0'	25%
Intermediate	0'	70%
Production	2925' (500' into INT)	102%

Pilot hole depth: NA
KOP: 8862'

4. Pressure Control Equipment — See COA

BOP installed and tested before drilling which hole?	Size	Min. Required WP	Type	✓	Tested to:
12-1/4"	13 5/8''	2M	Annular	x	50% of working pressure
			Blind Ram		2M
			Pipe Ram		
			Double Ram		
			Other*		
8-3/4"	13 5/8"	3M	Annular	x	50% testing pressure
			Blind Ram	X	3M
			Pipe Ram	X	
			Double Ram		
			Other *		

BOP/BOPE will be tested by an independent service company to 250 psi low and the high pressure indicated above per Onshore Order 2 requirements. The System may be upgraded to a higher pressure but still tested to the working pressure listed in the table above. If the system is upgraded all the components installed will be functional and tested.

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. Other accessories to the BOP equipment will include a Kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold. See attached schematics.

Y	Formation integrity test will be performed per Onshore Order #2. On Exploratory wells or on that portion of any well approved for a 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Will be tested in accordance with Onshore Oil and Gas Order #2 III.B.1.i.
N	A variance is requested for the use of a flexible choke line from the BOP to Choke Manifold. See attached for specs and hydrostatic test chart.
	Are anchors required by manufacturer? No.
N	A multibowl wellhead is being used. The BOP will be tested per Onshore Order #2 after

	installation on the surface casing which will cover testing requirements for a maximum of 30 days. If any seal subject to test pressure is broken the system must be tested. See attached schematic.

5. Mud Program

Depth		Type	Weight (ppg)	Viscosity	Water Loss
From	To				
0	Surf. shoe	FW Gel	8.6 – 9.0	28-34	N/C
Surf csg	Int shoe	Saturated Brine	10.0 - 10.2	28-34	N/C
Int shoe	TD	Cut Brine	8.6 - 9.3	28-34	N/C

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

What will be used to monitor the loss or gain of fluid?	Pason/ PVT/ Visual monitoring

6. Logging and Testing Procedures

Logging, Coring and Testing.	
	Will run GR/CNL from TD to surface (horizontal well – vertical portion of hole). Stated logs run will be in the Completion Report and submitted to the BLM.
x	No Logs are planned based on well control or offset log information.
	Drill stem test? If yes, explain
	Coring? If yes, explain

Additional logs planned		Interval

7. Drilling Conditions

Condition	Specify what type and where?
BH Pressure at deepest TVD	4382 psi – 2nd Bone Spring Sand (9365' TVD) 9 ppg equiv
Abnormal Temperature	No

Mitigation measure for abnormal conditions.

- Lost circulation material/sweeps/mud scavengers.
- Maintain stock of LCM and weighting materials onsite.

Hydrogen Sulfide (H2S) monitors will be installed prior to drilling out the surface shoe. If H2S is detected in concentrations greater than 100 ppm, the operator will comply with the provisions of Onshore Oil and Gas Order #6. If Hydrogen Sulfide is encountered, measured values and formations will be provided to the BLM.	
N	H2S is present
Y	H2S Plan attached

See COA

8. Other facets of operation

Is this a walking operation? No.
Will be pre-setting casing? No.

Attachments

- Directional Plan with anti-collision assessment
- BOP & Choke Schematics
- C102 and supporting maps
- Rig plat
- H2S schematic
- H2S contingency plan
- Interim reclamation plat