

Carlsbad Field Office
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OCD Hobbs

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

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.

5. Lease Serial No.
NMNM27506

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2

HOBBS OCD
AUG 29 2017
RECEIVED

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

8. Well Name and No.
SD EA 29 FED COM P8 9H /

9. API Well No.
30-025-43268-00-X1

10. Field and Pool or Exploratory Area
WC025G06S263319P-BONE SPRING

11. County or Parish, State
LEA COUNTY, NM

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
CHEVRON USA INC /

3a. Address
1616 W. BENDER BLVD
HOBBS, NM 88240

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 29 T26S R33E NWNE 136FNL 1682FEL /

Contact: DENISE PINKERTON
E-Mail: leakejd@chevron.com

3b. Phone No. (include area code)
Ph: 432-687-7375

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change to Original A PD
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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.

CHEVRON respectfully requests the ability to change the BOPE rating for the subject well, from a 5M system to a 10M system while drilling the production sections that penetrate the Wolfcamp formation.

Please find attached:
New 9 PT PLAN
10M BOP CHOKE
UH-2 10K
Choke Hose Spec
7.675 Casing Liner
9.625 43.5lb LTC
Inspection & Test Certificate

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

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

**Electronic Submission #385029 verified by the BLM Well Information System
For CHEVRON USA INC, sent to the Hobbs
Committed to AFMSS for processing by ZOTA STEVENS on 08/22/2017 (17ZS0010SE)**

Name (Printed/Typed) DENISE PINKERTON	Title PERMITTING SPECIALIST
Signature (Electronic Submission)	Date 08/17/2017

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <u>ZOTA STEVENS</u>	Title <u>PETROLEUM ENGINEER</u>	Date <u>08/22/2017</u>
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 <u>Hobbs</u>

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)

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

Additional data for EC transaction #385029 that would not fit on the form

32. Additional remarks, continued

Tenaris XP BTC
5"18# P110 ICY (3 schematics)

This sundry is at the request of Seven, BLM.
Any questions/concerns should be directed to Bryson Abney, Chevron Drilling Engr, at 713-372-6447.

1. **FORMATION TOPS**

The estimated tops of important geologic markers are as follows:

FORMATION	SUB-SEA TVD	KBTVD	MD
Rustler		800	
Castile		3480	
Lamar		4900	
Bell Canyon		4930	
Cherry Canyon		5970	
Brushy Canyon		7620	
Bone Spring Limestone		9090	
Upr. Avalon		9120	
Top Bone Spring 1		10040	
Top Bone Spring 2		10700	
Top Bone Spring 3		11740	
Wolfcamp		12140	
Wolfcamp A1		12193	
Lateral TD (Wolfcamp A1)		12,213	19600

2. **ESTIMATED DEPTH OF WATER, OIL, GAS & OTHER MINERAL BEARING FORMATIONS**

The estimated depths at which the top and bottom of the anticipated water, oil, gas, or other mineral bearing formations are expected to be encountered are as follows:

Substance	Formation	Depth
Deepest Expected Base of Fresh Water		700
Water	Rustler	800
Water	Bell Canyon	4930
Water	Cherry Canyon	5970
Oil/Gas	Brushy Canyon	7620
Oil/Gas	Bone Spring Limestone	9090
Oil/Gas	Upr. Avalon	9120
Oil/Gas	Top Bone Spring 1	10040
Oil/Gas	Top Bone Spring 2	10700
Oil/Gas	Top Bone Spring 3	11740
Oil/Gas	Wolfcamp	12140
Oil/Gas	Wolfcamp A1	12193
Oil/Gas		

All shows of fresh water and minerals will be reported and protected.

3. **BOP EQUIPMENT**

Will have a minimum of a 10000 psi rig stack (see proposed schematic) for drill out below surface (Wolfcamp is not exposed until drillout of the intermediate casing). Could possibly utilize the 5000 psi rig stack (see proposed schematic) for drill out below surface casing due to the availability of 10 M annular. (Wolfcamp is not exposed until drillout of the intermediate casing) Stack will be tested as specified in the attached testing requirements. Batch drilling of the surface, intermediate, and production will take place. A full BOP test will be performed unless approval from BLM is received otherwise. Flex choke hose will be used for all wells on the pad (see attached specs) BOP test will be conducted by a third party.

Chevron requests a variance to use a FMC UH2 Multibowl wellhead, which will be run through the rig floor on surface casing. BOPE will be nipped up and tested after cementing surface casing. Subsequent tests will be performed as needed, not to exceed 30 days. The field report from FMC and BOP test information will be provided in a subsequent report at the end of the well. Please see the attached wellhead schematic. An installation manual has been placed on file with the BLM office and remains unchanged from previous submittal.

4. CASING PROGRAM

a. The proposed casing program will be as follows:

Purpose	From	To	Hole Size	Csg Size	Weight	Grade	Thread	Condition
Surface	0'	800'	17-1/2"	13-3/8"	54.5 #	J55	STC	New
Intermediate	0'	11,500'	12-1/4"	9-5/8"	43.5#	HCK-L80	LTC	New
Production	0'	19,600'	8-1/2"	5-1/2"	20.0 #	P-110-ICY	TXP BTC	New

b. Casing design subject to revision based on geologic conditions encountered.

c. *****A "Worst Case" casing design for wells in a particular area is used below to calculate the Casing Safety Factors. If for any reason the casing design for a particular well requires setting casing deeper than the following "worst case" design, then the Casing Safety Factors will be recalculated & sent to the BLM prior to drilling.**

d. **Chevron will fill casing at a minimum of every 20 jts (840') while running for intermediate and production casing in order to maintain collapse SF.**

SF Calculations based on the following "Worst Case" casing design:

Surface Casing: 850'
Intermediate Casing: 11,200' TVD
Production Casing: 23,000' MD/12,750' TVD (10,300' VS @ 90 deg inc)

Casing String	Min SF Burst	Min SF Collapse	Min SF Tension	Min SF Tri-Axial
Surface	1.36	3.12	3.17	1.70
Intermediate	1.12	1.44	1.93	1.37
Production	1.11	1.23	1.97	1.37

Min SF is the smallest of a group of safety factors that include the following considerations:

	Surf	Int	Prod
Burst Design			
Pressure Test- Surface, Int, Prod Csg P external: Water P internal: Test psi + next section heaviest mud in csg	X	X	X
Displace to Gas- Surf Csg P external: Water P internal: Dry Gas from Next Csg Point	X		
Frac at Shoe, Gas to Surf- Int Csg P external: Water P internal: Dry Gas, 16 ppg Frac Gradient		X	
Stimulation (Frac) Pressures- Prod Csg P external: Water P internal: Max inj pressure w/ heaviest injected fluid			X
Tubing leak- Prod Csg (packer at KOP) P external: Water P internal: Leak just below surf, 8.7 ppg packer fluid			X
Collapse Design			
Full Evacuation P external: Water gradient in cement, mud above TOC P internal: none	X	X	X
Cementing- Surf, Int, Prod Csg P external: Wet cement P internal: water	X	X	X
Tension Design			
100k lb overpull	X	X	X

5. CEMENTING PROGRAM

Slurry	Type	Top	Bottom	Weight	Yield	%Excess	Sacks	Water
Surface				(ppg)	(sx/cu ft)	Open Hole		gal/sk
Tail	Class C	0'	800'	14.8	1.33	50	650	6.57
Intermediate								
Stage 2 Lead	Class C	0'	4570	11.9	2.39	100	1070	13.46
Stage 2 Tail	Class C	4570	4870	14.8	1.33	25	89	6.35
Stage 1 Lead	50:50 Poz Class C	4,870'	10,650'	11.9	2.21	25	1024	12.18
Stage 1 Tail	Class H	10,650'	11,150'	15.6	1.22	25	184	5.37
Production								
Tail	Acid Soluble	10,350'	19,600'	15.6	1.2	10	1950	5.05

1. Final cement volumes will be determined by caliper.
2. Surface casing shall have at least one centralizer installed on each of the bottom three joints starting with the shoe joint.
3. Production casing will have one horizontal type centralizer on every joint for the first 1000' from TD, then every other joint to EOB, and then every third joint to KOP. Bowspring type centralizers will be run from KOP to intermediate casing.

6. MUD PROGRAM

From	To	Type	Weight	F. Vis	Filtrate
0'	800'	Spud Mud	8.3 - 8.7	32 - 34	NC - NC
800'	11,150'	Oil Based Mud	8.7-9.6	28 - 30	25-30
11,150'	12,300'	Oil Based Mud	9.5-13.5	70 - 75	25 - 30
12,300'	19,600'	Oil Based Mud	9.5-13.5	70 - 75	25 - 30

A closed system will be utilized consisting of above ground steel tanks. All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in an approved sanitary landfill. Sanitary wastes will be contained in a chemical porta-toilet and then hauled to an approved sanitary landfill.

All fluids and cuttings will be disposed of in accordance with New Mexico Oil Conservation Division rules and regulations.

A mud test shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

Visual mud monitoring equipment shall be in place to detect volume changes indicating loss or gain of circulating fluid volume. When abnormal pressures are anticipated -- a pit volume totalizer (PVT), stroke counter, and flow sensor will be used to detect volume changes indicating loss or gain of circulating fluid volume.

A weighting agent and lost circulating material (LCM) will be onsite to mitigate pressure or lost circulation as hole conditions dictate.

7. TESTING, LOGGING, AND CORING

The anticipated type and amount of testing, logging, and coring are as follows:

- a. Drill stem tests are not planned.
- b. The logging program will be as follows:

TYPE	Logs	Interval	Timing	Vendor
Mudlogs	2 man mudlog	Int Csg to TD	Drillout of Int Csg	TBD
LWD	MWD Gamma	Int. and Prod. Hole	While Drilling	TBD

- c. Conventional whole core samples are not planned.
- d. A Directional Survey will be run.

8. ABNORMAL PRESSURES AND HYDROGEN SULFIDE

- a. No abnormal pressures or temperatures are expected. Estimated BHP at intermediate TD is: 5750 psi
 No abnormal pressures or temperatures are expected. Estimated BHP at production TD is: 8650 psi
- b. Hydrogen sulfide gas is not anticipated. An H2S Contingency plan is attached with this APD in the event that H2S is encountered

For the latest performance data, always visit our website: www.tenaris.com

June 17 2015



Connection: Wedge 513™
Casing/Tubing: CAS

Size: 7.625 in.
Wall: 0.375 in.
Weight: 29.70 lbs/ft
Grade: P110-IC
Min. Wall Thickness: 87.5 %

PIPE BODY DATA

GEOMETRY			
Nominal OD	7.625 in.	Nominal Weight	29.70 lbs/ft
Nominal ID	6.875 in.	Wall Thickness	0.375 in.
Plain End Weight	29.06 lbs/ft	Standard Drift Diameter	6.750 in.
		Special Drift Diameter	N/A
PERFORMANCE			
Body Yield Strength	940 x 1000 lbs	Internal Yield	9470 psi
Collapse	7150 psi	SMYS	110000 psi

WEDGE 513™ CONNECTION DATA

GEOMETRY			
Connection OD	7.625 in.	Connection ID	6.800 in.
Critical Section Area	5.125 sq. in.	Threads per in.	3.29
		Make-Up Loss	4.420 in.
PERFORMANCE			
Tension Efficiency	60.0 %	Joint Yield Strength	564 x 1000 lbs
Compression Strength	707 x 1000 lbs	Compression Efficiency	75.2 %
External Pressure Capacity	7150 psi	Internal Pressure Capacity	9470 psi
		Bending	40 °/100 ft
MAKE-UP TORQUES			
Minimum	9000 ft-lbs	Optimum	10800 ft-lbs
		Maximum (±)	15800 ft-lbs
OPERATIONAL LIMIT TORQUES			
Operating Torque	47000 ft-lbs	Yield Torque	70000 ft-lbs
BLANKING DIMENSIONS			

Blanking Dimensions

* If you need to use torque values that are higher than the maximum indicated, please contact a local Tenaris technical sales representative.

Casing and Tubing Performance Data

PIPE BODY DATA

GEOMETRY

Outside Diameter	9.625 in	Wall Thickness	0.435 in	API Drift Diameter	8.599 in
Nominal Weight	43.50 lbs/ft	Nominal ID	8.755 in	Alternative Drift Diameter	8.625 in
Plain End Weight	42.73 lbs/ft	Nominal cross section	12.559 in		

PERFORMANCE

Steel Grade	L80	Minimum Yield	80,000 psi	Minimum Ultimate	95,000 psi
Tension Yield	1,005,000 in	Internal Pressure Yield	6,330 psi	Collapse Pressure	3,810 psi
Available Seamless	Yes	Available Welded	No		

CONNECTION DATA

GEOMETRY

TYPE: LTC					
Coupling Reg OD	10.625 in	Threads per in	8	Thread turns make up	3.5

PERFORMANCE

Steel Grade	L80	Coupling Min Yield	80,000 psi	Coupling Min Ultimate	95,000 psi
Joint Strength	813,000 lbs			Internal Pressure Resistance	6,330 psi

For the latest performance data, always visit our website: www.tenaris.com

January 18 2016



Connection: TenarisXP® BTC
Casing/Tubing: CAS
Coupling Option: REGULAR

Size: 5.500 in.
Wall: 0.361 in.
Weight: 20.00 lbs/ft
Grade: P110-ICY
Min. Wall Thickness: 87.5 %

PIPE BODY DATA			
GEOMETRY			
Nominal OD	5.500 in.	Nominal Weight	20.00 lbs/ft
Nominal ID	4.778 in.	Wall Thickness	0.361 in.
Plain End Weight	19.83 lbs/ft	Standard Drift Diameter	4.653 in.
		Special Drift Diameter	N/A
PERFORMANCE			
Body Yield Strength	729 x 1000 lbs	Internal Yield	14360 psi
Collapse	12100 psi	SMYS	125000 psi
TENARISXP® BTC CONNECTION DATA			
GEOMETRY			
Connection OD	6.100 in.	Coupling Length	9.450 in.
Critical Section Area	5.828 sq. in.	Threads per in.	5.00
		Connection ID	4.766 in.
		Make-Up Loss	4.204 in.
PERFORMANCE			
Tension Efficiency	100 %	Joint Yield Strength	729 x 1000 lbs
Structural Compression Efficiency	100 %	Structural Compression Strength	729 x 1000 lbs
External Pressure Capacity	12100 psi	Internal Pressure Capacity ⁽¹⁾	14360 psi
		Structural Bending ⁽²⁾	104 °/100 ft
ESTIMATED MAKE-UP TORQUES ⁽³⁾			
Minimum	11540 ft-lbs	Optimum	12820 ft-lbs
		Maximum	14100 ft-lbs
OPERATIONAL LIMIT TORQUES			
Operating Torque	22700 ft-lbs	Yield Torque	25250 ft-lbs
BLANKING DIMENSIONS			
<u>Blanking Dimensions</u>			

(1) Internal Pressure Capacity related to structural resistance only. Internal pressure leak resistance as per section 10.3 API 5C3 / ISO 10400 - 2007.

(2) Structural rating, pure bending to yield (i.e no other loads applied)

(3) Torque values calculated for API Modified thread compounds with Friction Factor=1. For other thread compounds please contact us at licensees@oilfield.tenaris.com. Torque values may be further reviewed. For additional information, please contact us at contact-tenarishydri@tenaris.com

TH DS-16.0372 23 August 2016
Rev 00

5.000" 18.00 lb/ft P110-ICY TenarisHydril Wedge 521®



PIPE BODY DATA					
GEOMETRY					
Nominal OD	5.000 in.	Nominal Weight	18.00 lbs/ft	Standard Drift Diameter	4.151 in.
Nominal ID	4.276 in.	Wall Thickness	0.362 in.	Special Drift Diameter	N/A
Plain End Weight	17.95 lbs/ft				
PERFORMANCE					
Body Yield Strength	659 x 1000 lbs	Internal Yield ¹	16290 psi	Collapse	14840 psi
CONNECTION DATA					
GEOMETRY					
Box OD (Turned)	5.359 in.	Pin ID (Bored)	4.226 in.	Make-Up Loss	3.62 in.
Critical Section Area	3.891 sq. in.	Threads per in.	3.36		
PERFORMANCE					
Tension Efficiency	73.8 %	Joint Yield Strength	486 x 1000 lbs	Internal Yield ¹	16290 psi
Compression Efficiency	88.7 %	Compression Rating	585 x 1000 lbs	Collapse	14840 psi
Bending	85°/100 ft				
MAKE-UP TORQUES					
Minimum	6100 ft-lbs	Optimum	7300 ft-lbs	Maximum*	10700 ft-lbs
OPERATIONAL LIMIT TORQUES					
Operational	20000 ft-lbs			Yield Torque	30000 ft-lbs

*If you need to use torque values that are higher than the maximum indicated, please contact a local Tenaris technical sales representative

1. Internal Yield Rating is based on 90% RBW.

For the latest performance data, always visit our website: www.tenaris.com

June 17 2015



Size: 5.000 in.
Wall: 0.362 in.
Weight: 18.00 lbs/ft
Grade: P110-IC
Min. Wall Thickness: 87.5 %

Connection: Wedge 521™
Casing/Tubing: CAS

PIPE BODY DATA

GEOMETRY			
Nominal OD	5.000 in.	Nominal Weight	18.00 lbs/ft
Nominal ID	4.276 in.	Wall Thickness	0.362 in.
Plain End Weight	17.95 lbs/ft	Standard Drift Diameter	4.151 in.
		Special Drift Diameter	N/A
PERFORMANCE			
Body Yield Strength	580 x 1000 lbs	Internal Yield	13940 psi
Collapse	14840 psi	SMYS	110000 psi

WEDGE 521™ CONNECTION DATA

GEOMETRY			
Connection OD	5.359 in.	Connection ID	4.226 in.
Critical Section Area	3.891 sq. in.	Threads per in.	3.36
		Make-Up Loss	3.620 in.
PERFORMANCE			
Tension Efficiency	73.8 %	Joint Yield Strength	428 x 1000 lbs
Compression Strength	514 x 1000 lbs	Compression Efficiency	88.7 %
External Pressure Capacity	14840 psi	Internal Pressure Capacity	13940 psi
		Bending	75 °/100 ft

MAKE-UP TORQUES

Minimum	6100 ft-lbs	Optimum	7300 ft-lbs	Maximum (*)	10700 ft-lbs
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OPERATIONAL LIMIT TORQUES

Operating Torque	17300 ft-lbs	Yield Torque	26000 ft-lbs
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BLANKING DIMENSIONS

Blanking Dimensions

* If you need to use torque values that are higher than the maximum indicated, please contact a local Tenaris technical sales representative.

BLOWOUT PREVENTOR SCHEMATIC

Minimum Requirements

OPERATION : Wolfcamp A/A2 Wells

Minimum System Pressure Rating : 10,000 psi

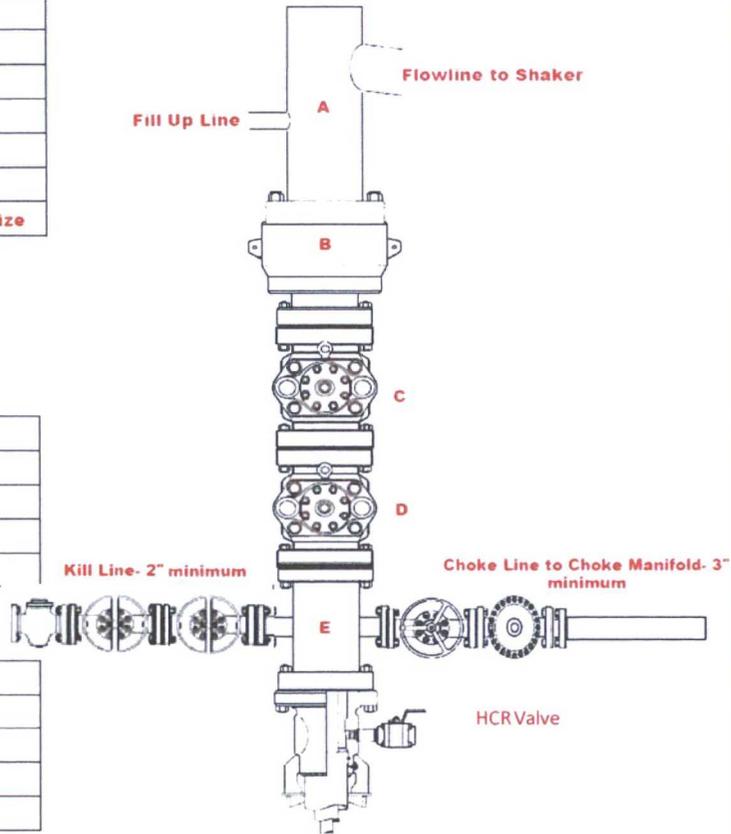
SIZE	PRESSURE	DESCRIPTION
A	N/A	Bell Nipple
B	10,000 psi	Annular
C	10,000 psi	Pipe Ram
D	10,000 psi	Blind Ram
E	10,000 psi	Mud Cross
F	10,000 psi	Pipe Ram
DSA	As required for each hole size	

Kill Line

SIZE	PRESSURE	DESCRIPTION
2"	10,000 psi	Gate Valve
2"	10,000 psi	Gate Valve
2"	10,000 psi	Check Valve

Choke Line

SIZE	PRESSURE	DESCRIPTION
3"	10,000 psi	Gate Valve
3"	10,000 psi	HCR Valve



Installation Checklist

The following item must be verified and checked off prior to pressure testing of BOP equipment.

- The installed BOP equipment meets at least the minimum requirements (rating, type, size, configuration) as shown on this schematic. Components may be substituted for equivalent equipment rated to higher pressures. Additional components may be put into place as long as they meet or exceed the minimum pressure rating of the system.
- All valves on the kill line and choke line will be full opening and will allow straight through flow.
- The kill line and choke line will be straight unless turns use tee blocks or are targeted with running tress, and will be anchored to prevent whip and reduce vibration.
- Manual (hand wheels) or automatic locking devices will be installed on all ram preventers. Hand wheels will also be installed on all manual valves on the choke line and kill line.
- A valve will be installed in the closing line as close as possible to the annular preventer to act as a locking device. This valve will remain open unless accumulator is inoperative.
- Upper kelly cock valve with handle will be available on rig floor along with safety valve and subs to fit all drill string connections in use.

After Installation Checklist is complete, fill out the information below and email to Superintendent and Drilling Engineer

Wellname: _____

Representative: _____

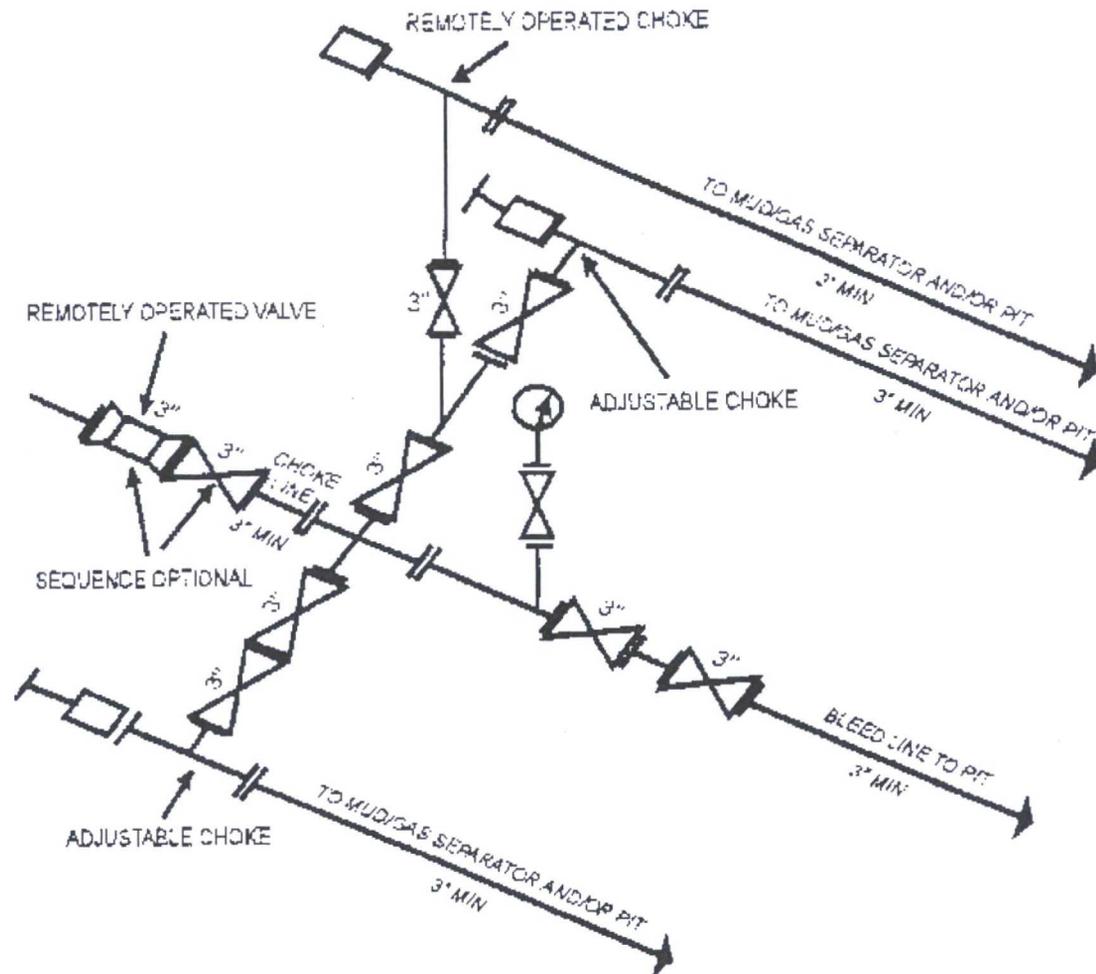
Date: _____

10M Choke Manifold SCHEMATIC

Minimum Requirements

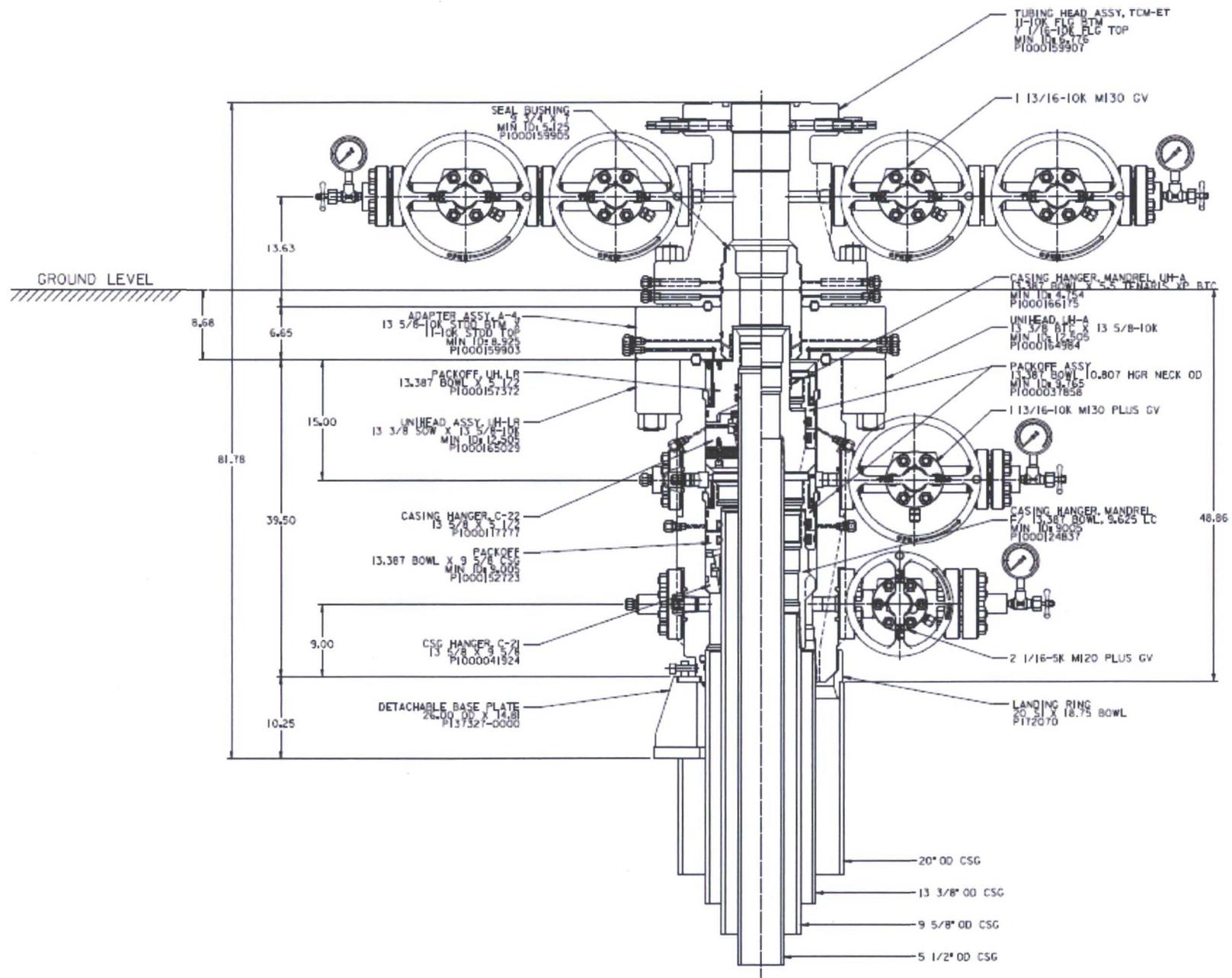
OPERATION: Production and Open Hole Sections

Minimum System Pressure Rating: 10,000 PSI



10M AND 15M CHOKE MANIFOLD EQUIPMENT - CONFIGURATION OF CHOKES MAY VARY
[53 FR 49661, Dec. 9, 1988 and 54 FR 39528, Sept. 27, 1989]

Diagram B



PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Chevron USA Inc
LEASE NO.:	NM27506
WELL NAME & NO.:	9H-SD EA 29 Fed Com P8
SURFACE HOLE FOOTAGE:	136'/N & 1682'/E
BOTTOM HOLE FOOTAGE:	180'/S & 2312'/E, sec. 32
LOCATION:	Section 29, T. 26 S., R.33 E., NMPM
COUNTY:	Lea County, New Mexico

TABLE OF CONTENTS

All previous COAs still apply expect the following

Special Requirements
Communitization Agreement

Drilling
H2S Requirements
Cement Requirements
Logging Requirements
Waste Material and Fluids

SPECIAL REQUIREMENT(S)

Communitization Agreement

- The operator will submit a Communitization Agreement to the Carlsbad Field Office, 620 E Greene St. Carlsbad, New Mexico 88220, at least 90 days before the anticipated date of first production from a well subject to a spacing order issued by the New Mexico Oil Conservation Division. The Communitization Agreement will include the signatures of all working interest owners in all Federal and Indian leases subject to the Communitization Agreement (i.e., operating rights owners and lessees of record), or certification that the operator has obtained the written signatures of all such owners and will make those signatures available to the BLM immediately upon request.
- If the operator does not comply with this condition of approval, the BLM may take enforcement actions that include, but are not limited to, those specified in 43 CFR 3163.1.
- In addition, the well sign shall include the surface and bottom hole lease numbers. When the Communitization Agreement number is known, it shall also be on the sign.

Waste Minimization Plan (WMP)

In the interest of resource development, submission of additional well gas capture development plan information is deferred but may be required by the BLM Authorized Officer at a later date.

DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

- a. Spudding well (minimum of 24 hours)
- b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
- c. BOPE tests (minimum of 4 hours)
- d.

Lea County

Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H₂S) Drilling Plan shall be activated 500 feet prior to drilling into the **Delaware** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values 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 is 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) for Water Basin:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least **8 hours**. WOC time will be recorded in the driller's log. 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.

Medium Cave/Karst

Possible water flows in the Salado and Castile.

Possible lost circulation in the Red Beds, Rustler, and Delaware.

Abnormal pressures may be encountered within the 3rd Bone Spring Sandstone and Wolfcamp.

1. The 13-3/8 inch surface casing shall be set at approximately 850 feet (**in a competent bed below the Magenta Dolomite, which is a Member of the Rustler, and if salt is encountered, set casing at least 25 feet 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.

Formation below the 13-3/8" 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 and the mud weight for the bottom of the hole. Report results to BLM office.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:

Operator has proposed DV tool at depth of ', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

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. **Excess calculates to 19% - Additional cement may be required.**

b. Second stage above DV tool:

- Cement to surface. If cement does not circulate, contact the appropriate BLM office.

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.

Medium Cave/Karst: If cement does not circulate to surface on the intermediate casing, the cement on the production casing must come to surface.

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

- Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification. **Excess calculates to -41% - Additional cement may be required.**

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. **Operator has proposed a UH-2 Unihead multi-bowl wellhead assembly. This assembly will only be tested when installed on the surface casing. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 10,000 (10M) psi.**
 - a. **Wellhead shall be installed by manufacturer's representatives, submit documentation with subsequent sundry.**
 - b. **If the welding is performed by a third party, the manufacturer's representative shall monitor the temperature to verify that it does not exceed the maximum temperature of the seal.**
 - c. **Manufacturer representative shall install the test plug for the initial BOP test.**
 - d. **Operator shall perform the 9-5/8 and 5-1/2 casing integrity test to 70% of the casing burst. This will test the multi-bowl seals.**
 - e. **If the cement does not circulate and one inch operations would have been possible with a standard wellhead, the well head shall be cut off, cementing operations performed and another wellhead installed.**

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.

3. 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.**

- c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.
- d. The results of the test shall be reported to the appropriate BLM office.
- e. 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.**
- f. 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. This test shall be performed prior to the test at full stack pressure.

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.

ZS 082217

13 3/8 Segment	surface csg in a #/ft	17 1/2 Grade	inch hole. Coupling	Joint	Design Factors		SURFACE		
					Collapse	Burst	Length	Weight	
"A"	54.50	J 55	ST&C	11.10	2.94	0.45	850	46,325	
"B"							0	0	
w/8.4#/g mud, 30min Sfc Csg Test psig: 1,500				Tail Cmt	does	circ to sfc.	Totals:	850 46,325	
Comparison of Proposed to Minimum Required Cement Volumes									
Hole Size	Annular Volume	1 Stage Cmt Sx	1 Stage CuFt Cmt	Min Cu Ft	1 Stage % Excess	Drilling Mud Wt	Calc MASP	Req'd BOPE	Min Dist Hole-Cplg
17 1/2	0.6946	650	865	645	34	8.70	3421	5M	1.56

Burst Frac Gradient(s) for Segment(s) A, B = , b All > 0.70, OK.

9 5/8 Segment	casing inside the #/ft	13 3/8 Grade	A Buoyant Coupling	Joint	Design Factors		INTERMEDIATE		
					Collapse	Burst	Length	Weight	
"A"	43.50	L 80	LT&C	1.87	0.73	1.03	10,505	456,968	
"B"	43.50	L 80	LT&C	5.12	0.64	1.03	995	43,283	
w/8.4#/g mud, 30min Sfc Csg Test psig:							Totals:	11,500 500,250	
B would be:				18.78	0.66	if it were a vertical wellbore.			
No Pilot Hole Planned			MTD	Max VTD	Csg VD	Curve KOP	Dogleg°	Severity°	MEOC
			11500	12275	12275	10505	90	4	12562.77
The cement volume(s) are intended to achieve a top of					0	ft from surface or a		850	overlap.
Hole Size	Annular Volume	1 Stage Cmt Sx	1 Stage CuFt Cmt	Min Cu Ft	1 Stage % Excess	Drilling Mud Wt	Calc MASP	Req'd BOPE	Min Dist Hole-Cplg
12 1/4	0.3132	look ↘	0	3662		9.60	5908	10M	0.81
D V Tool(s):				4870			sum of sx	Σ CuFt	Σ%excess
t by stage % :				19	71		2367	5163	41
Class 'H' tail cmt yld > 1.20							MASP is within 10% of 5000psig, need		

5 1/2 Segment	casing inside the #/ft	9 5/8 Grade	Coupling	Joint	Design Factors		PRODUCTION		
					Collapse	Burst	Length	Weight	
"A"	20.00	P 110	LT&C	2.32	1.37	1.67	17,701	354,020	
"B"	20.00	P 110	LT&C	∞	1.29	1.47	1,899	37,980	
w/8.4#/g mud, 30min Sfc Csg Test psig: 2,701							Totals:	19,600 392,000	
A would be:				2.97	1.41	if it were a vertical wellbore.			
No Pilot Hole Planned			MTD	Max VTD	Csg VD	Curve KOP	Dogleg°	Severity°	MEOC
			19600	12275	12275	10505	90	4	12562.77
The cement volume(s) are intended to achieve a top of					3950	ft from surface or a		7550	overlap.
Hole Size	Annular Volume	1 Stage Cmt Sx	1 Stage CuFt Cmt	Min Cu Ft	1 Stage % Excess	Drilling Mud Wt	Calc MASP	Req'd BOPE	Min Dist Hole-Cplg
8 3/4	0.2526	1950	2340	3962	-41	13.50			1.33