DEPARTMENT OF THE INTERMONT DEPARTMENT	Ĩ	Form 3160-3 (April 2004)	,			ATS- FORM APF OMB No 1 Expires Mar		
<form> APPLICATION FOR PERMIT TO DRILL OR REENTER Induce: or Tribs Name Induce: or Tribs Name</form>		DEPARTM	5. Lease Serial No.					
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1b. Type of Well X[01 Well _ Gas Well _ Other		la. Type of work: X DRILL	- X REENTER-	<u>.</u>		7. If Unit or CA Agree	ement, Name and No.	
2. Name of Operator 9. ART WING 3a. Address Million, A.X. Street, Bldg. 6 49247 3b. Photo Nationale and code/ 9. ART WING 3b. Address Million, A.X. Street, Bldg. 6 49247 3b. Photo Nationale and code/ 3b. Photo Nationale and code/ 4. Location of Will (Report location clearly and in accordance with any share regulatoments?) 11. Sec., T. R. M. of Bla. and Survey or Area 4. Location of Will (Report location clearly and in accordance with any share regulatoment?) 11. Sec., T. R. M. of Bla. and Survey or Area 14. Distance for miles and direction from nearest town or post office* 12. County or Parisht 13. State Approx.9 miles NW from Enume, NM 10. No. of access in lease 17. Spacing Unit dedicated to this well 15. Distance from proposed* 10.0 Str. (T. G. C. Str.) 13.0 Streng 16. No. of access in lease 17. Spacing Unit dedicated to this well 17. Spacing Unit here, frag. 13.0 Streng 13.0 Streng 18. Distance from proposed location, is an Vision Bart 13.0 Streng 14. Attachments 18. Distance form proposed location, is an Vision Bart 24. Approximate data work will start 18. Distance form proposed location 19. Strengt with the strengt main direction from the requirements of United Strengt With the strengt main direction from the requirements of United Costrenge with the strengt main direction from the		lb. Type of Well: X Oil Well Gas We	ll Other	Single Zone	Multiple Zone			
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336' GL 07/08/2007 18 Days Followed by Completion 24. Attachments		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.						
Interfollowing, 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. 3 A Diffing Plan. 3 Surface Use Plan (if the location is on National Porest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). 9 Operator certification 3 Surface Use Plan (if the location is on National Porest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). 9 Operator certification 3 Signafure Name(Printed/Typed) Date 03/30/2007 Operator certification 0 Such other site specific information and/or plans as may be required by the autorized office. 1 Mame(Printed/Typed) Date 0/3/30/2007 Title Office CARLSBAD FIELD OFFICE Application approval does not warrant or certify that the applicant holds legal or equitable title to these rights in the subject lease which would entitle the applicant to location for any press Conditions of Approval: Approval to recomplete & test new zone, but cannot produce Downhole commingle until DHC is approved in Hobbs by Sister Intervenctions on page 2) Subject to by Sister Conditions of Approval: Approval to recomplete & test new zone, but cannot produce Downhole commingle until DHC is approved in Hobbs by Sister Noterif the fitee Applicant Structure Structure Structure S			RT, GL, etc.) 2.2		vork will start*			
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DISTRICT I 1625 N. French Dr., Hobbs, NM 88240

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DISTRICT II P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III 1000 Rio Brazos Rd., Artec, NM 87410

DISTRICT IV 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico Energy, Minerals & Natural Resources Department

Form C-102 Revised August 15, 2000 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

OPY C OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505

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□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number			Pool Code				Pool Name					
30-025-	2	63	080	n_	operty Nam	rren; Drinkar	d	Well Number				
Property Code 31488						RREN L			323			
OGRID No				erator Nam			Elevatio					
217817							IPS COMPANY		3546	5 '		
. 2.1/01/		I			Surf	ace Loc	ation					
UL or lot No.	Section	Township	Range	Lot	Idn Feet	from the	North/South line	Feet from the	East/West line	County		
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L <u></u>		l	Bottom	Hole	e Location	If Diffe	erent From Surf	face		L <u></u>		
UL or lot No.	Section	Township	Range	Lot	Lot Idn Feet from the North/South		North/South line	Feet from the	East/West line	County		
Dedicated Acres	s Joint o	r Infill C	onsolidation	Code	Order No.							
40												
NO ALLOWA	BLE WILL	BE ASS	GNED TO	THIS	COMPLET	ION UNT	IL ALL INTEREST	IS HAVE BEEN	CONSOLIDATE	D OR A		
		NO	N-STANDA	RD U	JNIT HAS	BEEN AF	PROVED BY THE	DIVISION	· • · · · ·			
						· · · · · ·		OPERATO	OR CERTIFICAT	TION		
NOTE:								I hereb	y certify the the inj	formation		
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						85		Regulato	ry Speciali	st		
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		2		:				COTTECT TO TH	e best of my belief			
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DISTRICT J 1625 N. French Dr., Hobbs, NM 88240

DISTRICT U P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV 2040 South Pacheco, Santa Fe, NM 87505 State of New Mexico Energy, Minerals & Natüral Resources Department Form C-102 Revised August 15, 2000 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

OIL CONSERVATION DIVISION 2040 South Pacheco Santa Fe, NM 87505

□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number Pool Code						Pool Name				
30-025- 38 512 63080 Warr Property Code Property Name						rren; Blinebry-Tubb				
Property C 31488	ode					Well Number 323				
OGRID No	•			C	Operator Nam CONOCOPHILL			Elevation 3546'		
217817		l			Surface Loca					
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
, , , , , , , , , , , , , , , , , , , ,			38 E		610	SOUTH	1820	EAST	LEA	
			Bottom	Hole Loo	cation If Diffe	erent From Sur	face			
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
Dedicated Acres	Joint o	r Infill	Consolidation (Code Or	der No.	I	I	I	L	
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Mercat Coordir America	or Grid ç nate Syste	and Confe em", New of 1927. [n hereon ar orm to the Mexico Eas Distances sho values.	"New Me t Zone, N	xico orth	222 V.	I heret contained herei best of my know Signature <u>Celeste</u> Printed Nam Regulato Title 03/30/07 Date SURVEY(I hereby certif on this plat u actual surveys supervison an correct to th	Dry Speciali 7 DR CERTIFICAT y that the well locat made by me or mad that the same is ne best of my belie	formation ete to the Automatical St St TION to shown t notes of under my true and	
			X =	3552. Coordinate 864,491.5 566,872.9 3549.1			Date Survey Signature & Professional W.O. N	Seal of		

DRILLING PROGRAM

ConocoPhillips Company Warren Unit # 323

Section 21, T20S – R38E, 610' FSL & 1820' FEL Lea County, New Mexico Field: Warren Objective: Warren Drinkard, Blinebry / Tubb

The following items supplement Form 3160-3 in accordance with instructions contained in Onshore Oil and Gas Orders # 1 and # 2, and all other applicable federal and state regulations.

1. Estimated tops of geological markers: (Datum is RKB 12' above Ground Level)

Rustler	1438'
Salado (Top salt)	1528'
Tansill	2548'
Yates	2703'
Seven Rivers	3013'
Queen	3593'
Penrose	3743'
Grayburg	3933'
San Andres	4163'
Glorieta	5493'
Blinebry Top	5788'
Tubb	6438'
Drinkard	6768'
Abo	7023'
TD	7275'

 Estimated depths to water, oil, or gas formations: Fresh Water: Above 1438' (above top of Rustler formation) Oil, gas, or salt water: 2548' to TD

Protection of fresh water will be accomplished by setting the surface casing into the Rustler formation and cementing the surface casing in accordance with the provisions of Onshore Oil and Gas Order No. 2 and New Mexico Oil Conservation Division Title 19.

3. Pressure Control Equipment: The blowout preventer equipment (BOP) will be installed after running and cementing the surface casing and will consist of a 5000 psi double ram and 5000 psi annular type preventer for drilling the production hole. A diagram of the BOPs and choke manifold is attached.

A variance to the provisions of Onshore Order No. 2 is proposed to allow us to test our BOPs as follows:

- We propose to test the ram type BOP's and choke and kill lines and valves to 250 psi (low pressure test) and to 2000 psi (high pressure test) instead of to the rated working pressure of the equipment.
- We propose to test the annular type BOP to 250 psi (low pressure test) and to 2000 psi (high pressure test) instead of to 50% of the rated working pressure of the equipment.

The Pressure Control Equipment tests will be performed with an independent BOP tester.

4. Proposed casing program:

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Туре	Hole Size	Interval	Casing Size	Weight	Grade	Joint
Conductor	17-1/2"	0-40' to 80'	13-3/8" or 14"			
Surface Casing	12-1/4"	0 - 1450' to 1500'	8-5/8"	24#	J-55	ST&C
Production Casing	7-7/8"	0 - 7215' to 7275'	5-1/2"	17#	J-55 or L-80	LT&C

We propose an **alternative option to run a stage tool** at 3800' to 5400' in the 5-1/2" production casing based on hole conditions if losses are observed to occur while drilling the 7-7/8" production hole.

Proposed wellhead program:

Casing Head: 8-5/8" Slip on and Weld x 11" 5M Casing Head installed on 8-5/8" surface casing Tubing Head: 11" 5M x 7-1/6" 5M Tubing Head installed after setting 5-1/2" production casing

5. Proposed cementing program:

13-3/8" or 14" Conductor: Cemented with ready mix to surface

8-5/8" Surface Casing:

Lead Slurry: 600 sx 65% Class C 35% Poz + 6% bentonite + 3% salt + 0.125 lb/sx Poly-E-Flake Mix Weight = 12.9 ppg, Yield = 1.83 cuft/sx yield, Mix Water = 9.78 gal/sx Top of Lead Slurry at Surface

Tail Slurry: 200 sx Class C Cement + 2% calcium chloride + 0.125 lb/sx Poly-E-Flake Mix Weight = 14.8 ppg, Yield = 1.35 cuft/sx yield, Mix Water = 6.35 gal/sx Length of Tail Slurry: 300' Top of Tail Slurry at 1150' - 1200' MD RKB

Drilling Program – Warren Unit # 323

Proposed cementing program (continued)

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5-1/2" Production Casing: Single Stage Cementing Option

Lead Slurry: 700 sx 50% Class C 50% Poz + 10% bentonite + 8 lb/sx salt + 0.4% Fluid Loss Additive + 0.2% Dispersant + 0.125 pps Poly-E-Flake + 1% Well Life Loss Circulation Material if needed Mix Weight = 11.8 ppg, Yield = 2.53 cuft/sx yield, Mix Water = 14.63 gal/sx Top of Lead Slurry at Surface

Tail Slurry: 400 sx 50% Class H 50% Poz + 2% bentonite + 5% salt (bwow) + 0.4% Fluid Loss Additive + 0.2% dispersant + 1% Well Life Loss Circulation Material if needed Mix Weight = 14.2 ppg, Yield = 1.31 cuft/sx yield, Mix Water = 6.11 gal/sx Top of Tail Slurry at ~ 5400'

The volumes presented here are estimates and we propose to adjust the cement volumes based on caliper data if logs are available.

Proposed cementing program (continued)

5-1/2" Production Casing: Two-Stage Cementing Option

It is proposed to use Two-Stage Cementing if needed based on wellbore conditions and observations of any loss of circulations events or heavy seepage loses while drilling the 7-7/8" hole. In the event of the implementation of this option, the cementing program would be as follows:

- Stage 1 Cement: Will place cement from the 5-1/2" production casing shoe to the Stage Tool.
- Stage 2 Cement: Will place cement from the stage tool in the 5-1/2" production casing to Surface.

Stage 1:

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Lead Slurry: This slurry is proposed as an option to be used if needed depending on the depth at which the Stage Tool is set.

50% Class C 50% Poz + 10% bentonite + 8 lb/sx salt + 0.4% Fluid Loss Additive + 0.2% Dispersant + 0.125 pps Poly-E-Flake + 1% Well Life Loss Circulation Material if needed Mix Weight = 11.8 ppg, Yield = 2.53 cuft/sx yield, Mix Water = 14.63 gal/sx

Tail Slurry: 400 sx 50% Class H 50% Poz + 2% bentonite + 5% salt (bwow) + 0.4% Fluid Loss Additive + 0.2% dispersant + 1% Well Life Loss Circulation Material if needed Mix Weight = 14.2 ppg, Yield = 1.31 cuft/sx yield, Mix Water = 6.11 gal/sx Top of Tail Slurry ~ 5400' MD RKB Proposed cementing program (continued)

5-1/2" Production Casing: Two-Stage Cementing Option (continued)

Stage 2:

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Lead Slurry: 50% Class C 50% Poz + 10% bentonite + 8 lb/sx salt + 0.4% Fluid Loss Additive + 0.2% Dispersant + 0.125 pps Poly-E-Flake + 1% Well Life Loss Circulation Material if needed Mix Weight = 11.8 ppg, Yield = 2.53 cuft/sx yield, Mix Water = 14.63 gal/sx Top of Lead Slurry at Surface

Tail Slurry: 100 sx Class C Neat Mix Weight = 14.8 ppg, Yield = 1.35 cuft/sx yield, Mix Water = 6.37 gal/sx Top of Stage 2 Tail Slurry at ~ 5000' - 5200' MD RKB

Note: The volumes presented here are estimates and we propose to adjust the cement volumes based on caliper data if logs are available.

Drilling Program – Warren Unit # 323

6. Proposed Mud System

12-1/4" hole from surface to 1460 - 1510' MD RKB: The circulating media will be either a spud mud or fresh water with high viscosity sweeps. The mud components will be:

- Fresh Water
- Bentonite
- Lime

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- Soda Ash
- Starch if needed
- Drilling Paper
- Other loss of circulation material if needed (nut plug or fiberous material)
- Soap sticks

7-7/8" hole from ~ 1450' to ~ 7275' (TD): The circulating media will be 10 ppg brine and will be converted to a mud with starch, attapulgite, and lime upon reaching Total Depth (TD).

The mud components will be:

- Brine (approximately 10 lb/gal density)
- Attapulgite
- Lime
- Starch
- **Drilling Paper**
- Other loss of circulation material if needed (nut plug, fiberous material, gilsonite, or asphalt)
- Soap Sticks if needed
- 7. Testing, Logging, and Coring
 - Mud logging (samples) 2000' to TD
 - Open hole electric line logs: (Gamma Ray, Neutron, Density, Resistivity, Spectral Gamma Ray, Sonic, Caliper)
 - Formation pressure data (XPT) on electric line
 - No whole cores are planned
 - No sidewall cores are planned
 - No drill stem tests will be done
- Abnormal Pressures and Temperatures: 8.
 - No abnormal pressure is anticipated. All pressures in the surface hole are expected to be 8.33 ppg equivalent mud weight or less. All pressures in the production hole are anticipated to be 9 ppg equivalent mud weight or less. The maximum bottom hole pressure should not exceed 3363 psi.
 - The expected bottom hole temperature is 113 degrees F .
 - The estimated Hydrogen Sulfide concentrations in this well is 10-100 ppm H2S with a maximum estimated gas rate of 28 MCFPD. The 100 ppm H2S ROE = 0-3 feet. The 500 ppm ROE = 0-1 feet. ConocoPhillips will provide H2S monitoring and an H2S contingency plan. Monitoring equipment will be rigged up and tested prior to drilling out from surface casing. The Hydrogen Sulfide Contingency Plan will be posted at the wellsite.
- 9. Anticipated starting date and duration of operations:
 - It is estimated that drilling will commence about July 8, 2007 or August 25, 2007.
 - Drilling operations should be finished within 15 to 18 days and followed by completion operations. .

Program prepared by: Steven O. Moore, Drilling Engineer, ConocoPhillips Company Phone 832 486 2459 Cell Phone 281 467 7596 Date: March 29, 2007

Drilling Program – Warren Unit # 323

ConocoPhillips

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Proposed Drilling Wellbore Schematic Warren Unit # 323

Datum: RKB (12' above ground level)

	11" 5M x 7 1/1	/16" 5M Tubing Head
Conductor 13-3/8" conductor set at 40 - 80' BGL with rat hole machine	8-5/8" SOW x	x 11" 5M Casing Head
Surface Casing Size 8 5/8 Wt. 24 Oftrade: J-55 Conn: STC ppf	X New Used	Spacer: 20 bbls fresh water Lead Slurry: 600 sx Mix Weight = 12.9 ppg Yield = 1.83 cuft/sx Top of Lead Slurry at Surface
Hole Size <u>12 1/4</u> in Excess Cmt <u>100</u> % T.O.C. <u>SURFACE</u>		Tail Slurry:
Surface Casing Shoe set at 1450' - 1500' MD RKB TD of 12-1/4" hole at 1460' - 1510' MD RKB		200 sx Mix Weight = 14.8 ppg Yield = 1.35 cuft/sx Length of Tail Slurry: 300' Top of Tail Slurry: 1150 - 1200' MD RKB
		Displacement: Fresh Water
		Production Cement Spacer: 20 bbls fresh water
Production Casing: Size <u>5 1/2</u> in Wt. <u>17</u> ppf Gtrade: <u>J-55 or L-80</u> ppf Conn: <u>LTC</u> ppf	X New Used	Lead Slurry: 700 sx Mix Weight = 11.8 ppg, Yield = 2.53 cuft/sx yield, Top of Lead Slurry at Surface
Hole Size <u>7 7/8</u> in		
T.O.C. <u>SURFACE</u>		
Cement volumes are estimates and will be adjusted based on the caliper log if available.		Tail Slurry: 400 sx
Top of Float Collar at 7170' - 7230' MD RKB Production Casing Shoe 7215 - 7275' MD RKB		
TD of 7-7/8" hole at 7225' - 7275' MD RKB		
Schematic prepared by: Steven O. Moore, Drilling Engineer 29-March-2007		Displacement: 2% KCL water

ConocoPhillips

Datum: RKB (12' above ground level)

11" 5M x 7 1/16" 5M Tubing Head 8-5/8" SOW x 11" 5M Casing Head Conductor Surface Cement 13-3/8" conductor set at 40 - 80' BGL with rat hole machine Spacer: 20 bbls fresh water X New Surface Casing Lead Slurry: Used 8 5/8 Size in 600 sx 24 ppf Mix Weight = 12.9 ppg Wt. J-55 Yield = 1.83 cuft/sx Gtrade: ppf STC ppf Conn: Top of Lead Slurry at Surface Tail Slurry: Hole Size 12 1/4 in 200 sx Excess Cmt 100 % Mix Weight = 14.8 ppg T.O.C. SURFACE Yield = 1.35 cuft/sx Surface Casing Shoe set at 1450' - 1500' MD RKB Length of Tail Slurry: 300' TD of 12-1/4" hole at 1460' - 1510' MD RKB Top of Tail Slurry: 1150 - 1200' MD RKB Displacement: Fresh Water **Production Cement** Stage 2 Lead Slurry: Mix Weight = 11.8 ppg, Yield = 2.53 cuft/sx yield Top of cement at Surface Production Casing: X New Size 5 1/2 in Used Wt. 17 ppf Stage 2 Gtrade: J-55 or L-80 ppf Tail Slurry: 100 sx Class C Neat Conn: LTC ppf Mix Weight = 14.8 ppg Yield = 1.35 cuft/sx Hole Size 77/8 in Ó. T.O.C. SURFACE Stage 1 Alternative Program: Stage Tool Placed at some depth Lead Slurry: if needed depending on depth at between 3800' and 5400' depending on where losses may which stage tool is placed be observed. Mix Weight = 11.8 ppg, Yield = 2.53 cuft/sx yield, Cement Volumes are estimates and will be adjusted based on the caliper log if available. Stage 1 Tail Slurry: 400 sx õ Top of Float Collar at 7170' - 7230' MD RKB Mix Weight = 14.2 ppg Yield = 1.31 cuft/sx Production Casing Shoe 7215 - 7275' MD RKB TD of 7-7/8" hole at 7225' - 7275' MD RKB Top of Tail Slurry @ 5400' to 5500' MD RKB Mud or Fresh Water Displacement: Schematic prepared by: Steven O. Moore, Drilling Engineer 29-March-2007

BLOWOUT PREVENTER ARRANGEMENT & PROGRAM For Drilling Production Hole and Setting 5.5 inch Casing



We propose a VARIANCE to Onshore Order No. 2 to allow us to test our BOPs as follows:

Test Pipe Rams and Blind Rams to 3000 psi instead of 5000 psi

Test Annular BOP to 2000 psi instead of 2500 psi

The reason for this request is that we feel that this is an adequate test and reduces wear and tear on the equipment.

We propose a VARIANCE to Order # 2 to allow us to pressure test the Surface Casing to 1000 psi instead of to 1500 psi. Per Onshore Order # 2 the test would be performed for a minimum of 30 minutes with less than 10% pressure decline in the 30 minute test period. The reason for this is that we feel this is an adequate test pressure and will allow us to use the rig pump for the test instead of a testing unit pump and will reduce wear and tear on the equipment.





PVC Conduit

- 100' Left of center line of cellar
- 50' Back of berm wall or 15' back of center line of cellar
- Conduit

Sledge Drilling Rig # 5 & Rig # 10

Location dimensions Revised 12-18-06 ConocoPhillips, Inc. will comply with Onshore Order No. 2 and No. 6 for working in an H2S environment or a potential H2S environment.

I. Hydrogen Sulfide Training

All contractors and subcontractors employed by ConocoPhillips will receive or have received training from a qualified instructor within the last twelve months in the following areas prior to commencing drilling operations on this well.

- 1. The hazards and characteristics of hydrogen sulfide (H2S)
- 2. Safety precautions.
- 3. Operations of safety equipment and life support systems.

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

- 1. The effect of H2S on metal components in the system, especially where high tensile strength tubulars are to be used.
- 2. Corrective action and shutdown procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.
- 3. The contents and requirements of the contingency plan when such plan is required.

II. H2S EQUIPMENT AND SYSTEMS

1. Safety Equipment

The following minimum safety equipment will be on location:

- A. Wind direction indicators placed near rig floor/mud return lines and at points along the perimeter of the location to allow visibility of at least one indicator from any point on location.
- B. Automatic H2S detection alarm equipment (both audio and visual)
- C. Clearly visible warning signs. Signs will use the words "POISON GAS" and "CAUTION" with a strong color contrast.
- D. Protective breathing equipment will be located in the doghouse and at briefing areas on location.
- 2. Well Control Systems

A. Blowout Prevention Equipment

Equipment includes but is not limited to:

- 1. Pipe rams to accommodate all pipe sizes
- 2. Blind rams
- 3. Choke manifold
- 4. Closing Unit
- 5. Flare line and means of ignition

B. Communication

The rig contractor will be required to have two-way communication capability. ConocoPhillips will have either land-line, satellite phone, microwave phone, or mobile (cellular) telephone capabilities.

C. Mud Program

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 when appropriate will minimize hazards when penetrating H2S bearing zones.

D. Drill Stem Tests

Any planned drill stem test will be cancelled if H2S is detected prior to such test. In the event that H2S is detected during testing, the test will be terminated immediately.