

30-025-32962
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COG Operating LLC

NOV 29 2010

Hydrogen Sulfide Drilling Operation Plan

HOBBSOCD

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H₂S)
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

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

1. The effects of H₂S on metal components. If high tensile tubular are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Plan and Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan. **The concentrations of H₂S of wells in this area from surface to TD are low enough that a contingency plan is not required.**

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonable expected to contain H2S.

1. Well Control Equipment:

- A. Flare line.
- B. Choke manifold.
- C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.
- D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

2. Protective equipment for essential personnel:

- A. Mark II Survive air 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S detection and monitoring equipment:

- A. 1 portable H2S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 PPM are reached.

4. Visual warning systems:

- A. Wind direction indicators as shown on well site diagram (Exhibit #8).
- B. Caution/Danger signs (Exhibit #7) shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud program:

- A. 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 will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

- A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.
- B. All elastomers used for packing and seals shall be H₂S trim.

7. Communication:

- A. Radio communications in company vehicles including cellular telephone and 2-way radio.
- B. Land line (telephone) communication at Office.

8. Well testing:

- A. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill-stem-testing operations conducted in an H₂S environment will use the closed chamber method of testing.
- B. There will be no drill stem testing.

EXHIBIT #7

WARNING
YOU ARE ENTERING AN H₂S
AUTHORIZED PERSONNEL ONLY

- 1. BEARDS OR CONTACT LENSES NOT ALLOWED
- 2. HARD HATS REQUIRED
- 3. SMOKING IN DESIGNATED AREAS ONLY
- 4. BE WIND CONSCIOUS AT ALL TIMES
- 5. CHECK WITH COG OPERATING FOREMAN AT

COG OPERATING LLC
1-432-683-7443
1-575-746-2010

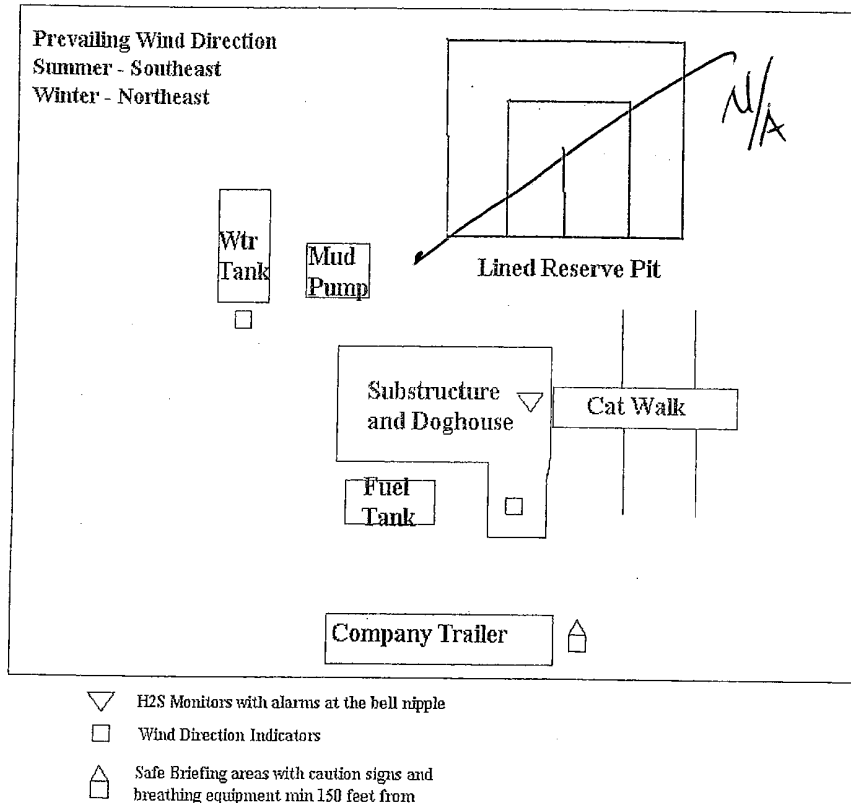
EDDY COUNTY EMERGENCY NUMBERS

ARTESIA FIRE DEPT. 575-746-5050
ARTESIA POLICE DEPT. 575-746-5000
EDDY CO. SHERIFF DEPT. 575-746-9888

LEA COUNTY EMERGENCY NUMBERS

HOBBS FIRE DEPT. 575-397-9308
HOBBS POLICE DEPT. 575-397-9285
LEA CO. SHERIFF DEPT. 575-396-1196

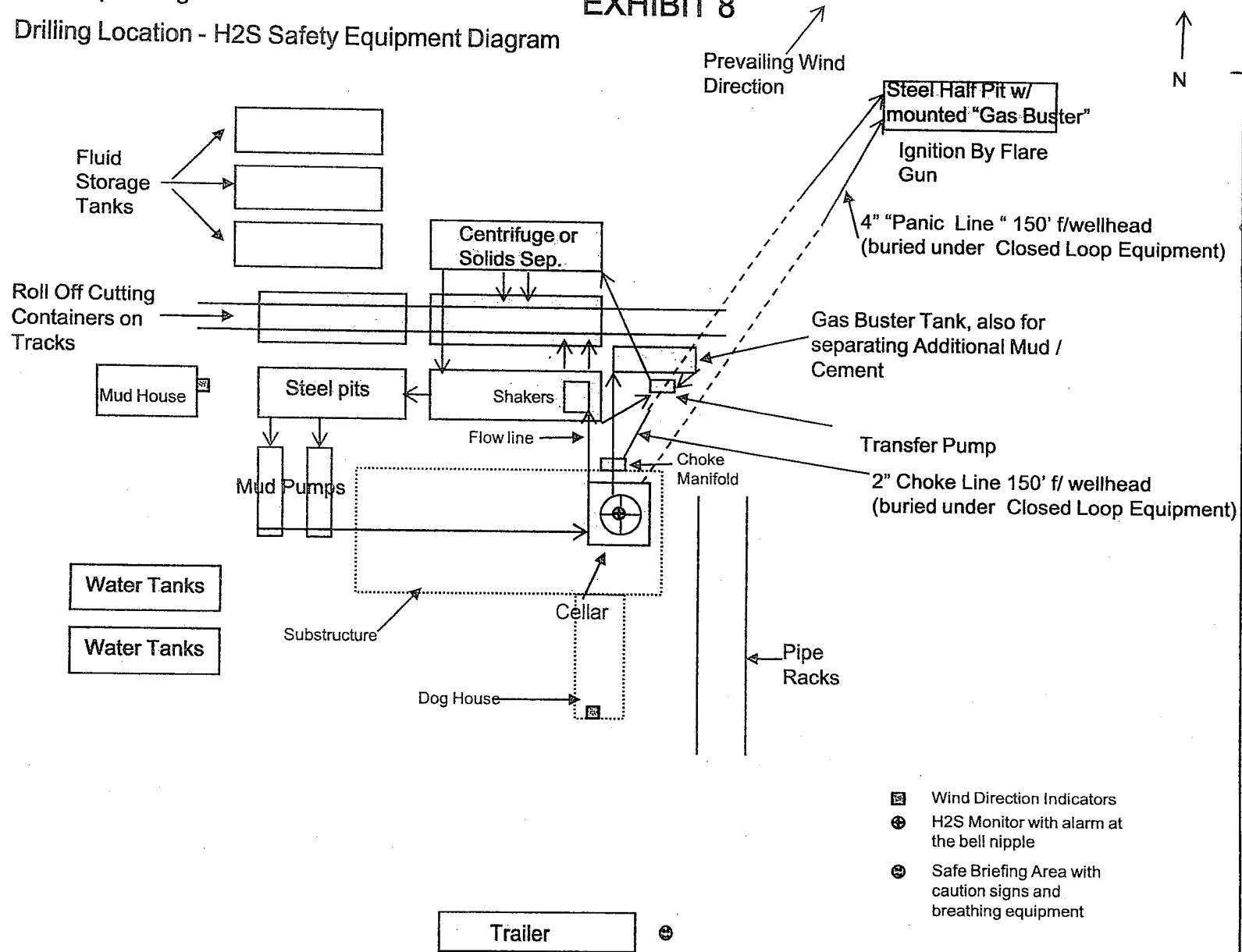
DRILLING LOCATION H₂S SAFETY EQUIPMENT Exhibit # 8



COG Operating LLC

Drilling Location - H2S Safety Equipment Diagram

EXHIBIT 8



See previous diagram

- ☒ Wind Direction Indicators
- ⊕ H2S Monitor with alarm at the bell nipple
- ⊙ Safe Briefing Area with caution signs and breathing equipment

Trailer

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SURFACE USE AND OPERATING PLAN

1. Existing & Proposed Access Roads

- A. The well site survey and elevation plat for the proposed well is shown in Exhibit #1. It was staked by John West Engineering, Hobbs, NM.
- B. All roads to the location are shown in the topographic map Exhibit #2. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. Directions to location: From the intersection of County Road #L-126 (Maljamar Road) and Conoco Road, go West on Conoco Road apprx 0.4 mile. Turn Right & Go North apprx 0.4 mile. Turn Left & Go West apprx 0.4 mile. Turn Left & Go North apprx 0.2 mile. Turn Right & Go East apprx 0.2 mile to this location. See Vicinity Map, Exhibit #3.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease. Roads will be maintained according to specifications in section 2A of this Surface Use and Operating Plan.

2. Proposed Access Road:

Exhibit #4 shows that 0' of new access road will be required for this location. If any road is required it will be constructed as follows:

- A. The maximum width of the running surface will be 14'. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the actual well site if available. If not available onsite, caliche will be hauled from the nearest BLM caliche pit.

3. Location of Existing Well:

Exhibit #5 shows all existing wells within a one-mile radius of this well.

As shown on this plat there are numerous wells producing from the San Andres and Yeso formations.

4. Location of Existing and/or Proposed Facilities:

- A. COG Operating LLC does operate a production facility on this lease.
- B. If the well is productive, contemplated facilities will be as follows:
 - 1) Production will be sent to the M C Federal Tank Battery located at the M C Federal #3 well location @ 2160 FNL & 2310 FWL, Section 21, T17S, R32E, UL F. The facility location is shown in Exhibit #5.
 - 2) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.
 - 3) Any additional caliche will be obtained from the actual well site. If caliche does not exist or is not plentiful from the well site, the caliche will be hauled from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
 - 4) Proposed flow lines, will follow an archaeologically approved route to the M C Federal Tank Battery located at the M C Federal #3 well location @ 2160 FNL & 2310 FWL, Section 21, T17S, R32E, UL F. The flowline will be SDR 7 3" poly line laid on the surface and will be approximately 3420' in length with max pressure 100 psi. Flowlines will be no more than 11' from the paralleling road.
 - 5) It will be necessary to run electric power if this well is productive. Power will be provided by CVE and they will submit a separate plan and ROW for service to the well location.
 - 6) If the well is productive, rehabilitation plans will include the following:
 - a) The original topsoil from the well site will be returned to the location, and the site will be re-contoured as close as possible to the original site.

5. Location and Type of Water Supply:

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and

6. Source of Construction Materials and Location "Turn-Over" Procedure:

Obtaining caliche: The primary way of obtaining caliche to build locations and roads will be by "turning over" the location. This means, caliche will be obtained from the actual well sight. A caliche permit will be obtained from BLM prior to pushing up any caliche. 2400 cu. Yards is max amount of caliche needed for pad and roads. Amount will vary for each pad. The procedure below has been approved by BLM personnel:

- A. The top 6 inches of topsoil is pushed off and stockpiled along the side of the location.**
- B. An approximate 120' X 120' area is used within the proposed well site to remove caliche.**
- C. Subsoil is removed and piled along side the 120' by 120' area within the pad site.**
- D. When caliche is found, material will be stock piled within the pad site to build the location and road.**
- E. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.**
- F. Once well is drilled, the stock piled top soil will be used for interim reclamation and spread along areas where caliche is picked up and the location size is reduced. Neither caliche or subsoil will be stock piled outside of the well pad. Topsoil will be stockpiled along the edge of the pad as depicted in attached plat.**

In the event that no caliche is found onsite, caliche will be hauled in from a BLM approved caliche pit.

7. Methods of Handling Water Disposal:

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in roll-off style mud boxes and taken to an NMOCD approved disposal site.**
- B. Drilling fluids will be contained in steel mud pits.**
- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD approved commercial disposal facility.**
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.**

- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by John West Engineering, is shown in Exhibit #4. Dimensions of the pad and pits are shown on Exhibit #6. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level no major cuts will be required.
- B. Exhibit #6 also shows the proposed orientation of closed loop system and access road. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

- A. Interim Reclamation will take place after the well has been completed. The pad will be downsized by reclaiming the areas not needed for production operations. The portions of the pad that are not needed for production operations will be recontoured to its original state as much as possible. The caliche that is removed will be reused to either build another pad site or for road repairs within the lease. The stockpiled topsoil will then be spread out reclaimed area and reseeded with a BLM approved seed mixture. In the event that the well must be worked over or maintained, it may be necessary to drive, park, and/or operate machinery on reclaimed land. This area will be repaired or reclaimed after work is complete.
- B. Final Reclamation: Upon plugging and abandoning the well, All caliche for well pad and lease road will be removed and surface will be recontoured to reflect its surroundings as much as possible. Caliche will be recycled for road repair or reused for another well pad within the lease. If any topsoil remains, it will be spread out and the area will be reseeded with a BLM approved mixture and revegetated as per BLM orders.

11.Surface Ownership:

- A. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. The surface tenant for this site is Olane Caswell, 1702 Gillham, Brownfield, TX 79316.
- C. The proposed road routes and surface location will be restored as directed by the BLM

12.Other Information:

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within 2 miles of this location.
- D. If needed, a Cultural Resources Examination is being prepared by Southern New Mexico Archaeological Services, Inc. P.O. Box 1, Bent New Mexico, 88314, phone # 505-671-4797 and the results will be forwarded to your office in the near future. Otherwise, **COG will be participating in the Permian Basin MOA Program.**

13. Bond Coverage:

Bond Coverage is Nationwide Bond # 000215

14. Lessee's and Operator's Representative:

The COG Operating LLC representative responsible for assuring compliance with the surface use plan is as follows:

John Coffman,

Drilling Superintendent

COG Operating LLC

550 W. Texas, Suite 1300

Midland, TX 79701

Phone (432) 683-7443 (office)

(432) 631-9762 (cell)

Erick Nelson.

Division Operations Manager

COG Operating LLC

550 W. Texas, Suite 1300

Midland, TX 79701

Phone (505) 746-2210 (office)

(432) 238-7591 (cell)

Surface Use Plan
COG Operating, LLC
M C Federal 50
1040' FNL & 2310' FWL
Section 21, T-17-S, R-32-E, UL C
Lea County, New Mexico

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or COG Operating, LLC, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements. Executed this 17th day of June, 2010.

Signed: Carl Bird

Printed Name: Carl Bird

Position: Drilling Engineer

Address: 550 W. Texas, Suite 1300, Midland, Texas 79701

Telephone: (432) 683-7443

Field Representative (if not above signatory): Same

E-mail: cbird@conchoresources.com

Well-Site Evaluation Field Form

Company Name: COG Operating

Well Name: MC Fed 50

Location: Section 21, T. 17 S., R. 32 E., Footage: 1040N & 2022W

Examined by tbb

Date: 10/15/2010

Description and Topography: (cuts, fills, etc.)
level

Soils: (reseeding COAs, etc.)
sandy

Hydrogeology: (wells, springs, streams, plant indicators,
windmills, etc.) NA

Wildlife: (habitat, etc.) small mammals, carnivores, raptors, reptiles

Caliche Location: NA

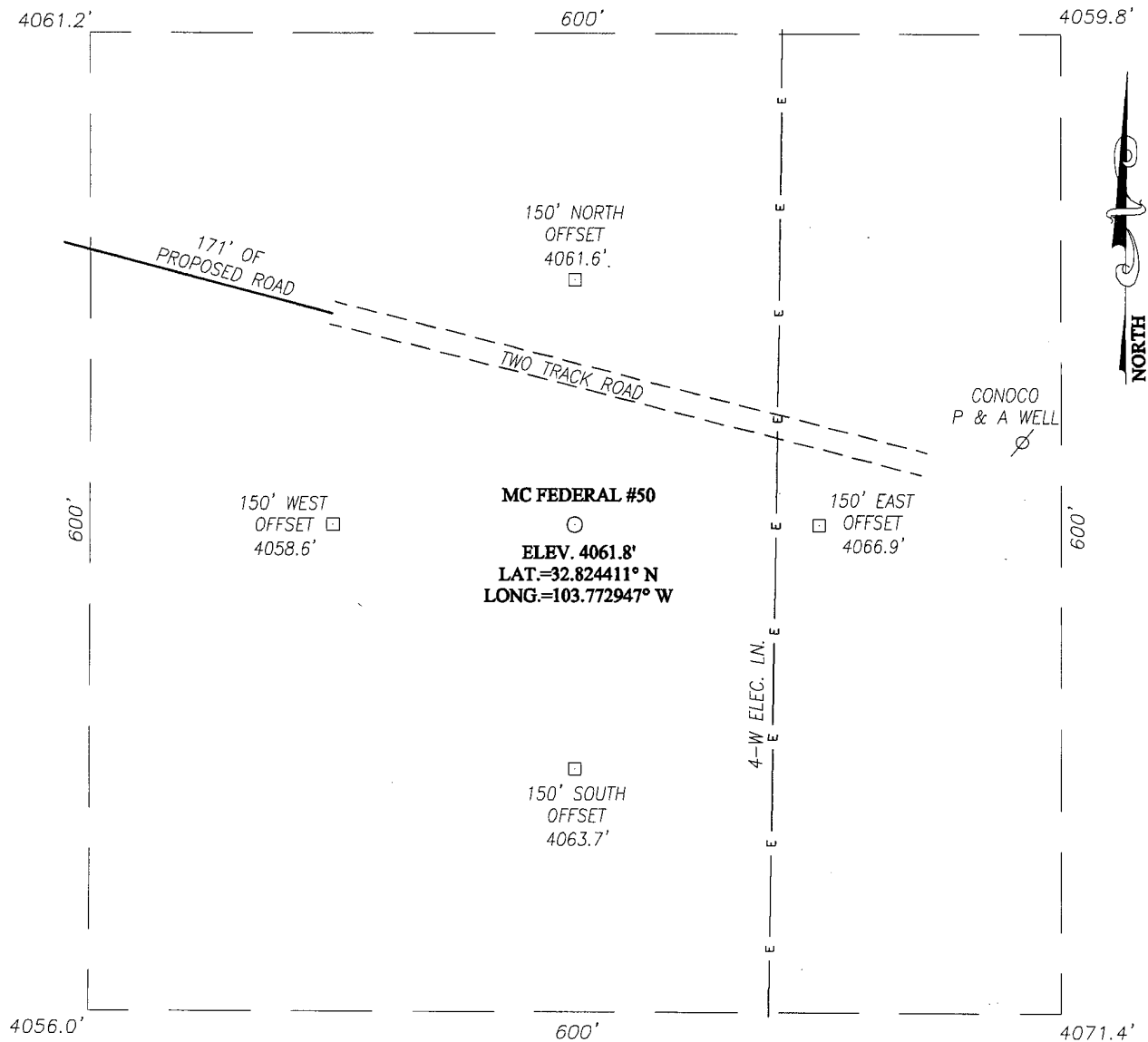
Cave Area: NA

Other: (VRM, plant habitat, WSA, archeology, livestock conflicts, etc.)
mesquite, yucca, sandsage, shinnery oak

Evaluation:

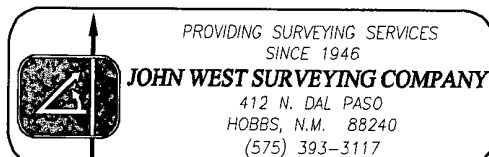
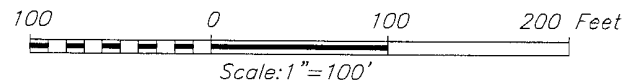
ok - v-door South - moved due to arch

SECTION 21, TOWNSHIP 17 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF CO. RD. #L126
(MALJAMAR ROAD) AND CO. RD. #L126 (CONOCO
ROAD), GO NORTH ON MALJAMAR ROAD APPROX. 0.7
MILES. TURN LEFT AND GO WEST APPROX. 0.6 MILES.
VEER LEFT AND GO SOUTHWEST APPROX. 0.2 MILES.
TURN LEFT AND GO WEST APPROX. 0.1 MILE TO THIS
LOCATION.

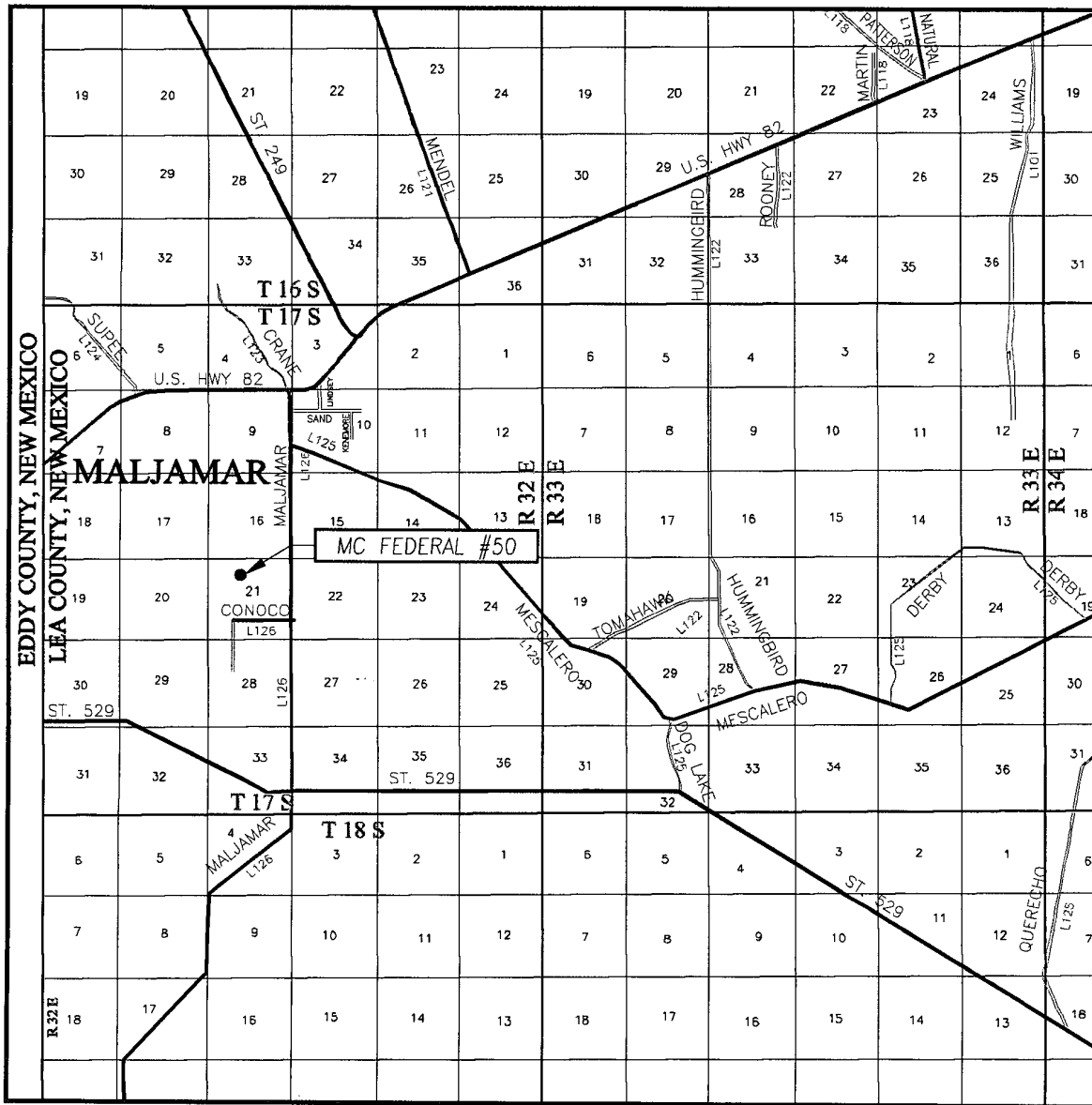


COG OPERATING, LLC

MC FEDERAL #50 WELL
LOCATED 1040 FEET FROM THE NORTH LINE
AND 2022 FEET FROM THE WEST LINE OF SECTION 21,
TOWNSHIP 17 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO

Survey Date: 10/22/10		Sheet 1 of 1 Sheets	
W.O. Number: 10.11.1552		Dr By: LA	Rev 1: .
Date: 10/28/10		10111552	Scale: 1"=100'

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 21 TWP. 17-S RGE. 32-E

SURVEY_____ N.M.P.M.

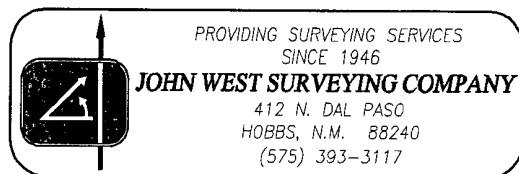
COUNTY LEA STATE NEW MEXICO

DESCRIPTION 1040' FNL & 2022' FWL

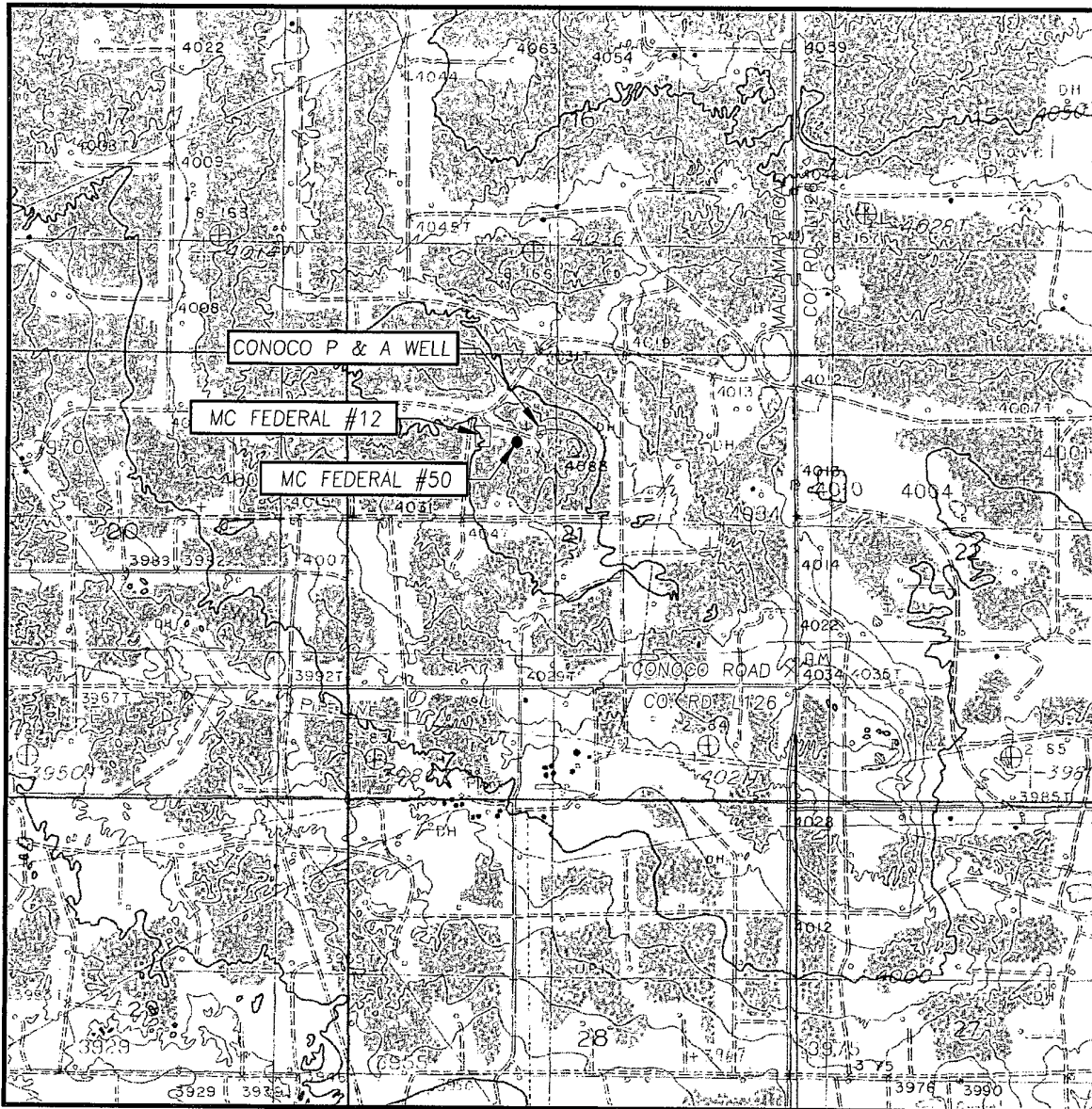
ELEVATION 4062'

OPERATOR COG OPERATING, LLC

LEASE MC FEDERAL



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MALJAMAR, N.M. - 10'

SEC. 21 TWP. 17-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

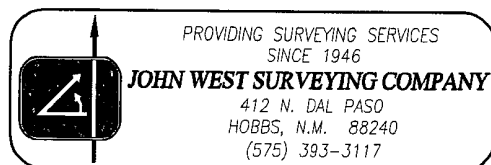
DESCRIPTION 1040' FNL & 2022' FWL

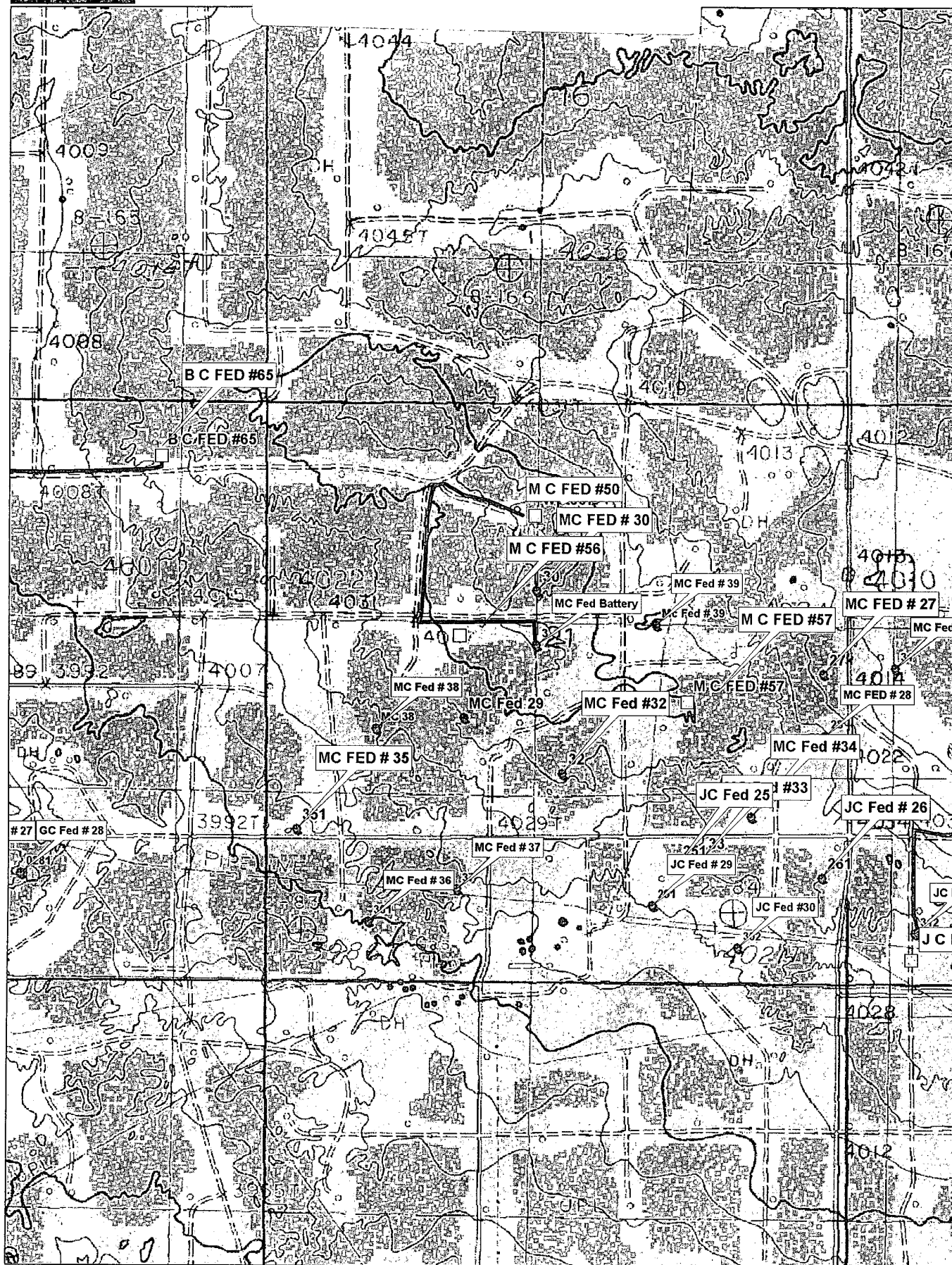
ELEVATION 4062'

OPERATOR COG OPERATING, INC.

LEASE MC FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MALJAMAR, N.M.



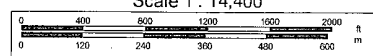


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www.delorme.com

Scale 1 : 14,400



$$1'' = 1,200.0 \text{ ft}$$

Data Zoom 13-7