Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☒ GAS WELL ☐ OTHER — SINGLE ZONE ☒ MULTIPLE ZONE ☐

2. NAME OF OPERATOR: Conoco Inc.

3. ADDRESS AND TELEPHONE NO: 10 Desta Dr. Ste 430E, Midland, Tx. 79705-4500

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements *)
At surface: 990' FNL & 330' FEL
At proposed prod. zone: 990' FNL & 330' FEL

5. LEASE DSIGNATION AND SERIAL NO: NM-2511 LC-031670-A
6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
7. UNIT AGRREEMENT NAME: SEMU
8. FARM OR LEASE NAME WELL NO: #139
9. API WELL NO: 30-025-35043
10. FIELD AND POOL, OR WILDCAT: North Hardy Strawn
11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 25, T20S, R37E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFICE*

12. COUNTY OR PARISH: Lea
13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if Any)
16. NO OF ACRES IN LEASE
17. NO. OF ACRES ASSIGNED TO THIS WELL: 160
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
19. PROPOSED DEPTH: 8150'
20. ROTARY OR CABLE TOOLS: Rotary
21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3526' GR
22. APPROX. DATE WORK WILL START*: 2/15/00

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	J-55, 9-5/8"	36#	1500'	554 sxs, circ.
8-3/4"	S/P110, 7"	23#	7850'	920 sxs, circ.

WITNESS

It is proposed to drill a vertical wellbore as a Seven Rivers producer. NOS was filed 1/26/00. The well will be drilled and equipped according to the plan submitted in the following attachments:

1. Well Location and Acreage Dedication Plat (C-102) along with other associated maps and plats.
2. Proposed Well Plan Outline
3. Cementing Plan
4. Surface Use Plan
5. Trailer Mounted Rig Layout Drawing
6. BOP & Choke Manifold Specifications
7. H2S Drilling Operations Plan
8. Surface owner communications

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

2/8/2000

This application includes ROW's for the well pad, electric line, flowline and access road..
The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or potion thereof, as described above and as covered by BLM Bond File No. ES-0085.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED: Jo Ann Johnson — TITLE: Jo Ann Johnson, Sr. Property A — DATE: 1/31/00

(This space for Federal or State office use)

PERMIT NO _____ APPROVAL D

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rig ict operations thereon.

CONDITIONS OF APPROVAL, IF ANY

OGRID NO. 5073
PROPERTY NO. 13492
POOL CODE 96893
EFFECTIVE DATE 5-26-00
API NO. 30-025-35043

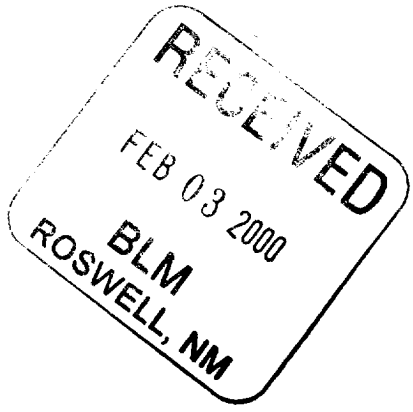
/S/LARRY D. BRAY — Assistant Field Manager, Lands And Minerals — MAY 04 2000

APPROVED BY _____ TITLE _____ DATE _____

*See Instructions On Reverse Side

APPROVED FOR 1 YEAR

Title 18 U.S.C. Section 1001 makes 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.


RECEIVED
FEB 03 2000
BLM
ROSWELL, NM

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, New Mexico 87505

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-35043	96893	Hardy - Strawn, North

Property Code	Property Name	Well Number
13492	SEMU	139

OGRID No.	Operator Name	Elevation
05073	CONOCO INC.	3526'

Surface Location

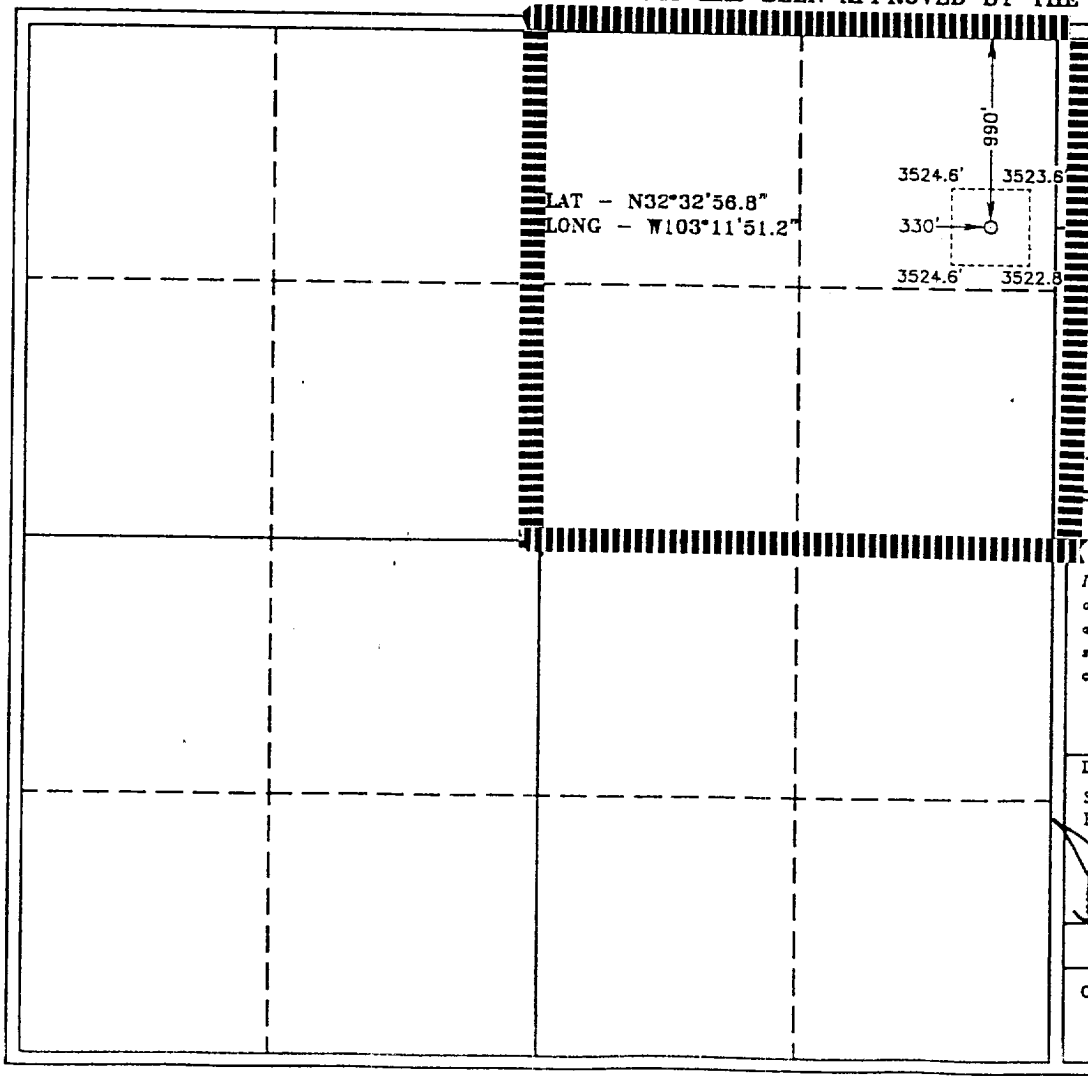
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	25	20 S	37 E		990	NORTH	330	EAST	LEA

Bottom Hole Location If Different From Surface

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 or Infill	Consolidation Code	Order No.
160			NSL has been filed. NSL-4413

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Jo Ann Johnson
Signature
Jo Ann Johnson
Printed Name
Sr. Property Analyst
Title
February 1, 2000
Date

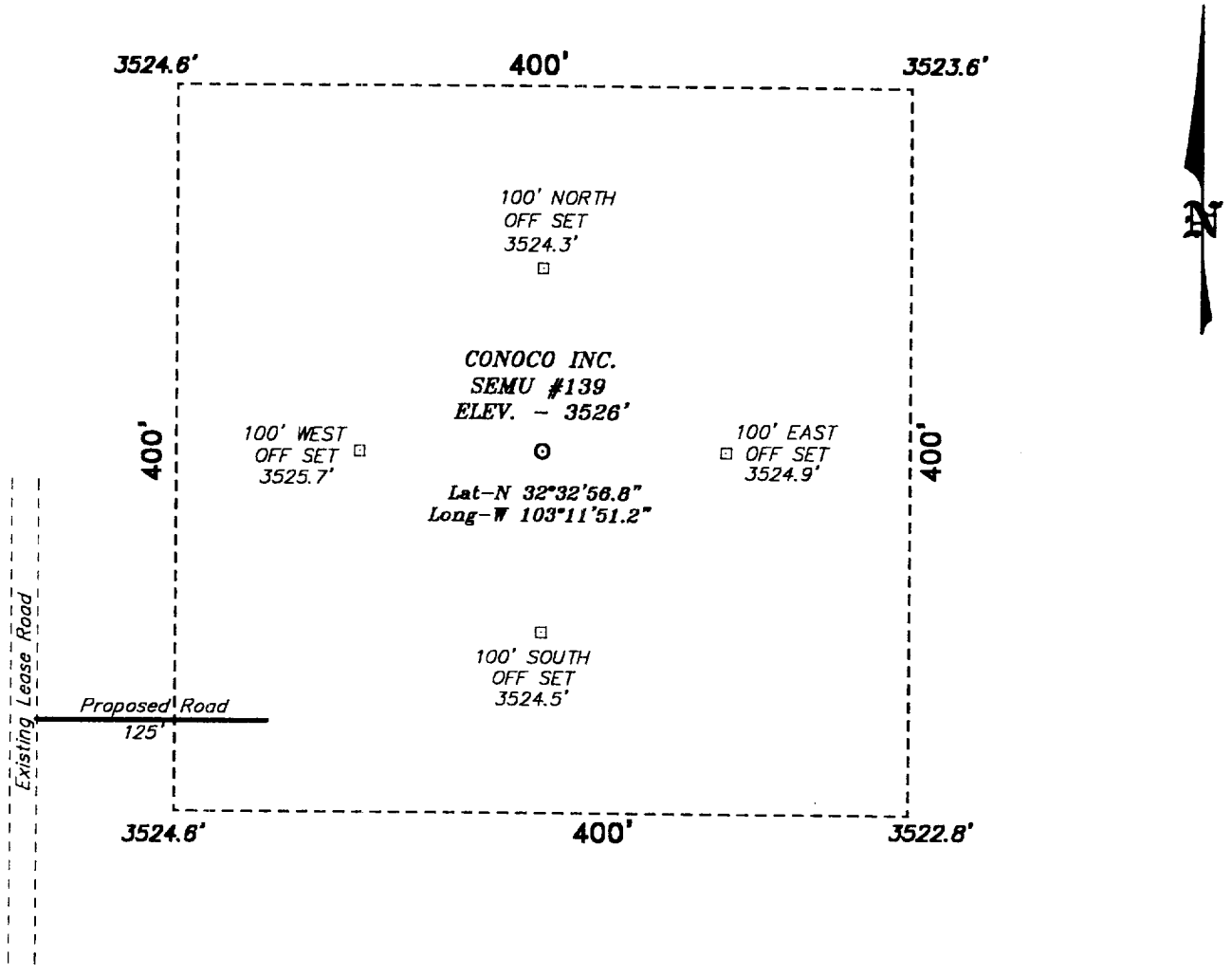
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

January 2, 2000
Date Surveyed
Signature & Seal of Professional Surveyor
W.O. No. 00184
Certificate No. Gary D. Jones 7977

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL LAND SURVEYOR
BASIN SURVEYS

SECTION 25, TOWNSHIP 20 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, **NEW MEXICO.**



DIRECTIONS TO WELL LOCATION:

FROM JUNCTION CO. RD. 176 AND LOOP 18 IN EUNICE, GO NORTH ON LOOP 18 APPROX. 2.5 MILES; THENCE NORTHWEST ON CO. RD. C-34 APPROX. 3 MILES; THENCE NORTHEAST ON A LEASE ROAD APPROX. 3.75 MILES; THENCE WEST ON A LEASE ROAD APPROX. 2500 FEET; THENCE NORTH ON A LEASE ROAD APPROX. 1100 FEET TO A PROPOSED LEASE ROAD WHICH LIES 125 FEET WEST OF THE PROPOSED WELL LOCATION.

100 0 100 200 FEET

SCALE: 1" = 100'

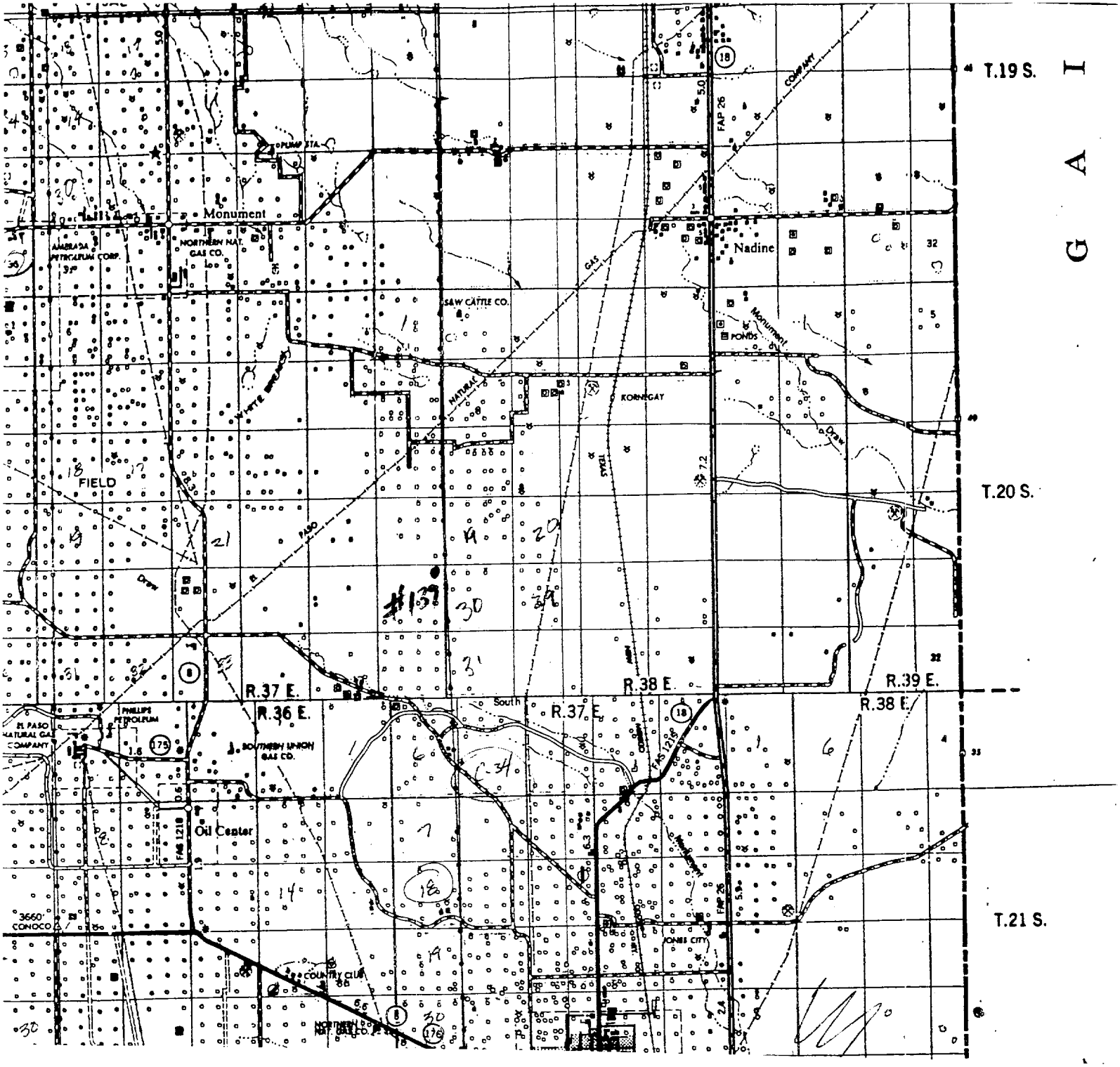
Conoco Inc.

REF: SEMU No. 139 / Well Pad Topo

THE SEMU No. 139 LOCATED 990' FROM THE NORTH LINE AND 330' FROM THE EAST LINE OF SECTION 25, TOWNSHIP 20 SOUTH, RANGE 37 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 0018	Drawn By: K. GOAD		
Date: 01-13-2000	Disk: KJG #122 - 0018A.DWG	Survey Date: 01-12-2000	Sheet 1 of 1 Sheets



CONOCO INC.
SEMU #139
990' FNL & 330' FEL
Sec. 25, T-20-S, R-37-E,
Lea County, New Mexico.

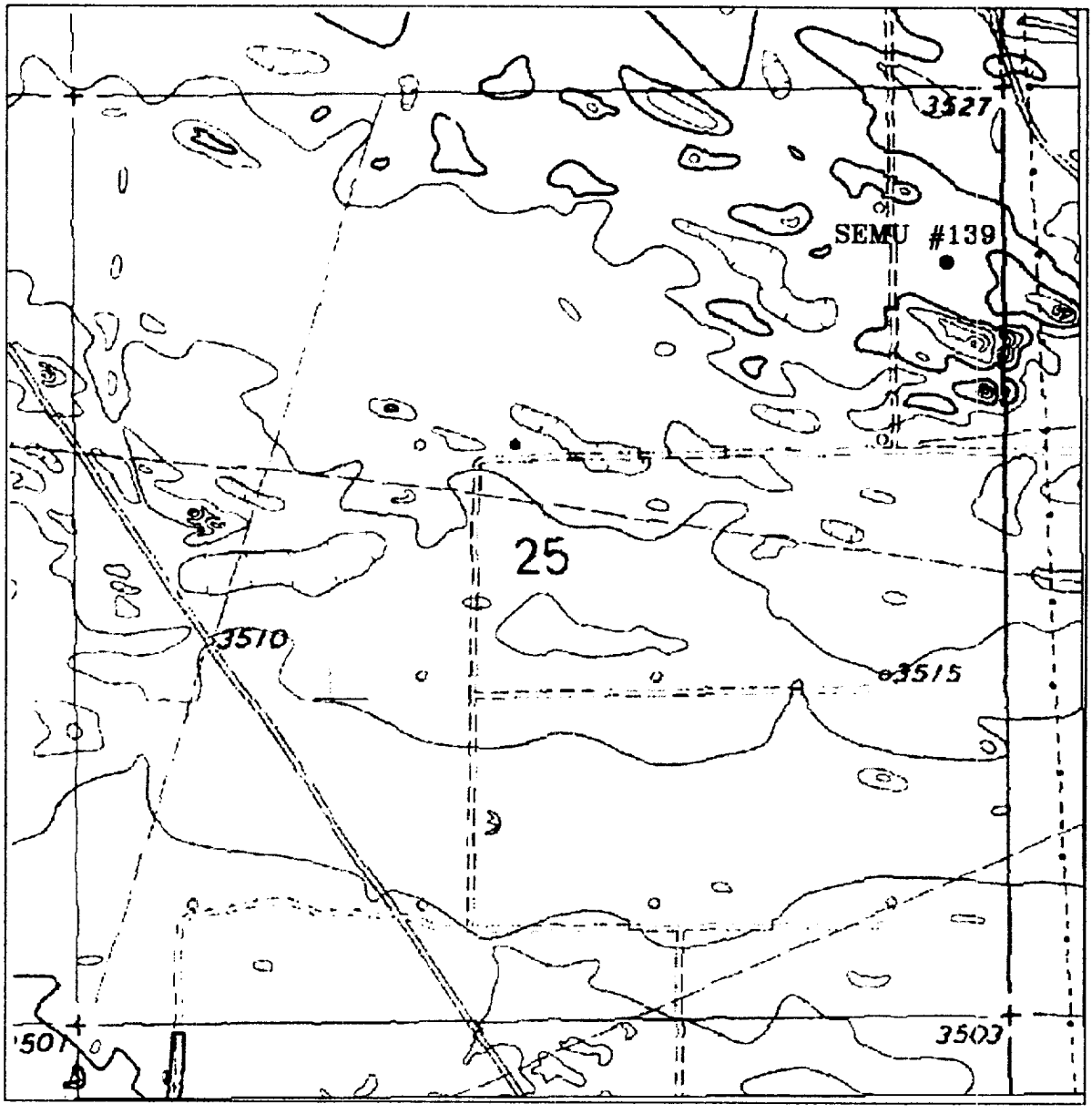
N

SCALE: 1"=2 MILES

2 MILES 0 2 MILES 4 MILES

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 0018	Drawn By: K. GOAD	Survey Date: 01-12-2000	Sheet 1 of 1 Sheets

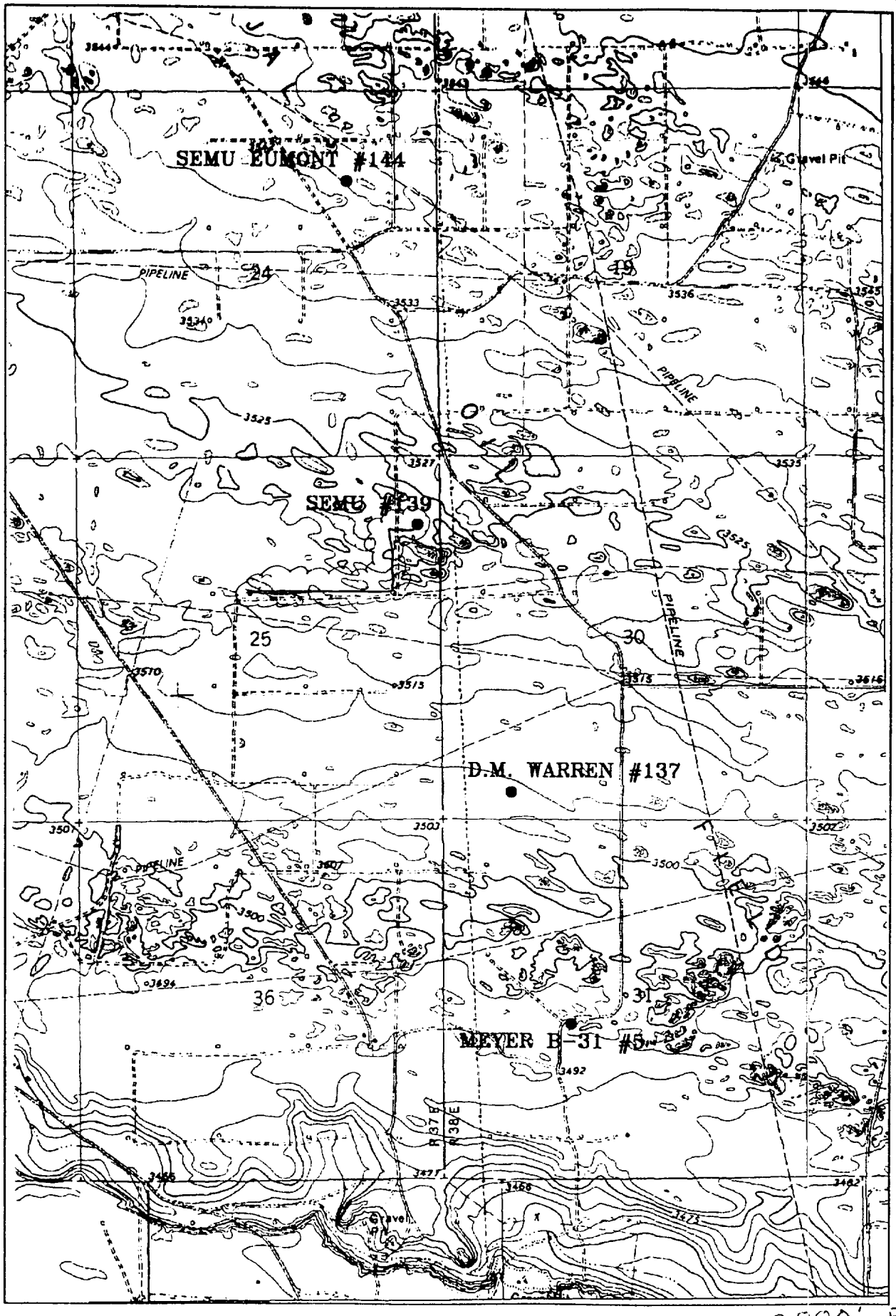


SEMU #139
Located at 990' FNL and 330' FEL
Section 25, Township 20 South, Range 37 East,
N.M.P.M., Lea County, New Mexico.

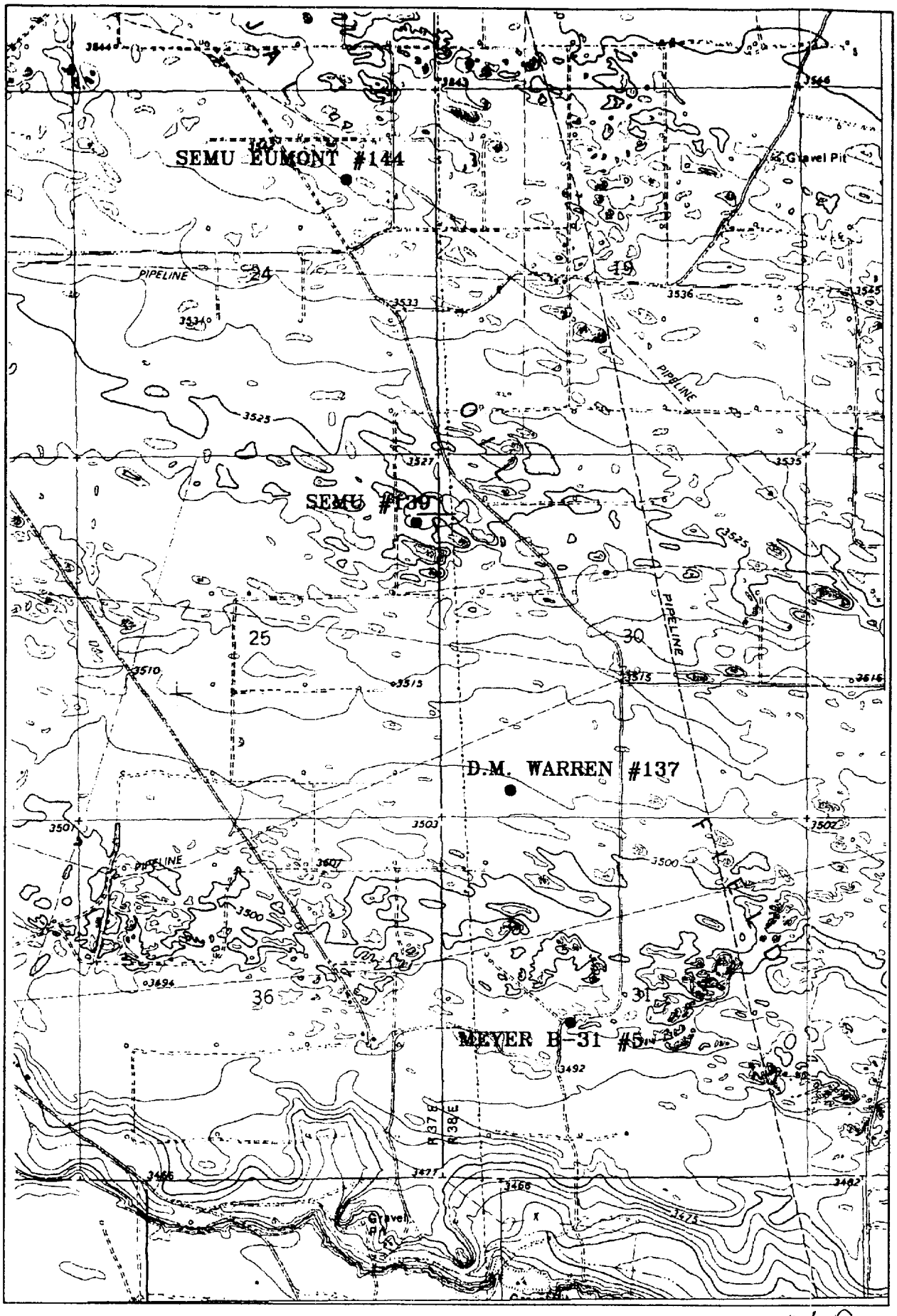
basin surveys
focused on excellence in the oilfield
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number:	0018AA - KJG #122
Survey Date:	01-01-2000
Scale:	1" = 1000'
Date:	01-13-2000

CONOCO INC.



3,880' F/L
Surface Installation



150' Powerline
Overhead Installation

PROPOSED WELL PLAN OUTLINE

WELL NAME: SEMU #139
LOCATION: 330' FEL & 990' FNL Sec 25, T20S, R37E (Prior to Staking)

Ground Level : ?
Kelly Bushing: 11' AGL

Depth MD	FORMATION TOPS	DRILLING PROBLEMS	TYPE OF FORMATION EVALUATION	HOLE SIZE	CASING PROGRAM	FRAC GRAD	FORM. PRES. GRAD.	Mud Weight & Type	Days
0		Possible Hole Enlargement & Sloughing		12-1/4"			Less than 8.3	8.4 - 9.5 Fresh	
1000	Top Salt @ 1,430'				9-5/8", 36#, J-55 ST&C @ 1,500'				3
		Washouts in Salt Section		8-3/4"	Circulate Cement			10 Brine	
2000	Base Salt @ 2,500'						Less than 8.4		
	Yates 2,645'		Mud Loggers F/ Yates to TD						
3000	7 Rivers 2,895'		H2S Monitor on at 2900'						
	Queen 3,470'								
	Grayburg 3,730'								
4000	San Andres 3,960'	Lost Returns in San Andres							7
5000	Glorietta 5,230'	Possible differential sticking thru Glorietta & Paddock							
	Blinebry Mkr 5,830'								
6000	Tubb 6,250'								
	Drinkard 6,590'								
	Abo 6,870'								
7000	Strawn 7,520'		First Log Run: GR-CAL-DLL-MLL-Sonic FDC-CNL-PE : TD to 2600' Pull GR-CNL-Cal to Surf Second Log Run: 60 rotary sidewall cores						
	TD @ 7,850'	STOP DRILLING WHEN WOODFORD SHALE IS CUT	Third Run:		7", 23.0#, S/P110 LT&C f/0'-7,850'				
8000	Devonian 7,880'	Severe losses in Devonian	FMI imaging log		Circulate Cement			10 ppg Starch Gel	20

Note: The Devonian formation is associated with severe lost circulation problems. This well will be TD'd very close to the top of the Devonian. The mud loggers will pick the Woodford shale which is 40' thick and sits on top of the Devonian. Stop drilling once the Woodford is entered.

DATE 07-Jan-00

Joe Huck, Geophysical Advisor

APPROVED

Yong Cho, Drilling Engineer

Joe Miller, Reservoir Engineer

Proposal No: 180252808A

Conoco
SEMU #139

Sec. 25-T20S-R37E
Lea County, New Mexico
December 20, 1999

Well Recommendation

Prepared for:
Mr. Yong Cho
Drilling Engineer

Prepared by:
Rocky Chambers
Region Engineer
Bus Phone: 915/683-2781
Mobile: 915/557-1239
Pager: 915/498-1605

POWERVISION℠

Service Point:
Hobbs
Bus Phone: (505) 392-5556
Fax: (505) 392-7307

Service Representatives:
Wayne Davis
Account Manager
Bus Phone: (915) 683-2781

Gr4105

Operator Name: Conoco
Well Name: SEMU #139
Job Description: 9 5/8" Surface
Date: December 20, 1999

Proposal No: 180252808A

JOB AT A GLANCE

Depth (TVD)	1,500 ft
Depth (MD)	1,500 ft
Hole Size	12.25 in
Casing Size/Weight :	9 5/8 in, 36 lbs/ft
Pump Via	Casing 9 5/8" O.D. (8.921" .I.D) 36 #
Total Mix Water Required	5,010 gals
Pre-flush	
Mud Clean I	1,500 gals
Density	8.4 ppg
Lead Slurry	
LEAD SLURRY	401 sacks
Density	12.7 ppg
Yield	1.88 cf/sack
Tail Slurry	
TAIL SLURRY	153 sacks
Density	14.8 ppg
Yield	1.34 cf/sack
Displacement	
Water	113 bbls
Density	8.4 ppg

Operator Name: Conoco
Well Name: SEMU #139
Job Description: 9 5/8" Surface
Date: December 20, 1999

Proposal No: 180252808A

WELL DATA

ANNULAR GEOMETRY

ANNULAR I.D. (in)	DEPTH(ft)	
	MEASURED	TRUE VERTICAL
12.250 HOLE	1,500	1,500

SUSPENDED PIPES

DIAMETER (in)		WEIGHT (lbs/ft)	DEPTH(ft)	
O.D.	I.D.		MEASURED	TRUE VERTICAL
9.625	8.921	36	1,500	1,500

Float Collar set @	1,460 ft
Mud Density	8.40 ppg
Est. Static Temp.	89 ° F
Est. Circ. Temp.	85 ° F

VOLUME CALCULATIONS

1,200 ft	x	0.3132 cf/ft	with	100 % excess	=	751.6 cf
300 ft	x	0.3132 cf/ft	with	100 % excess	=	188.1 cf
40 ft	x	0.4341 cf/ft	with	0 % excess	=	17.4 cf (inside pipe)
				TOTAL SLURRY VOLUME	=	957.1 cf
					=	171 bbls

FLUID SPECIFICATIONS

Pre-flush — 1,500.0 gals Mud Clean I @ 8.4 ppg

FLUID	VOLUME CU-FT		VOLUME FACTOR	AMOUNT AND TYPE OF CEMENT
Lead Slurry	752	/	1.88	= 401 sacks (35:65) Poz (Fly Ash):Class C Cement + 2% bwoc Calcium Chloride + 0.25% bwoc Cello Flake + 0.005 gps FP-6L + 6% bwoc Bentonite + 96.5% Fresh Water
Tail Slurry	205	/	1.34	= 153 sacks Class C Cement + 2% bwoc Calcium Chloride + 0.005 gps FP-6L + 56.3% Fresh Water
Displacement				112.9 bbls Water + 56.3% Fresh Water @ 8.4 ppg

CEMENT PROPERTIES

	SLURRY NO. 1	SLURRY NO. 2
Slurry Weight (ppg)	12.70	14.80
Slurry Yield (cf/sack)	1.88	1.34
Amount of Mix Water (gps)	10.07	6.35
Amount of Mix Fluid (gps)	10.08	6.35
Estimated Pumping Time - 70 BC (HH:MM)	5:00	2:20

JOB AT A GLANCE

Depth (TVD)	7,850 ft
Depth (MD)	7,850 ft
Hole Size	8.75 in
Casing Size/Weight :	7 in, 23 lbs/ft
Pump Via	Casing 7" O.D. (6.366" .I.D) 23 #
Total Mix Water Required	7,948 gals
Pre-flush	
Mud Clean I	1,500 gals
Density	8.4 ppg
Lead Slurry	
LEAD SLURRY	586 sacks
Density	12.7 ppg
Yield	1.85 cf/sack
Tail Slurry	
TAIL SLURRY	334 sacks
Density	14.8 ppg
Yield	1.34 cf/sack
Displacement	
Water	307 bbls
Density	8.4 ppg

WELL DATA

ANNULAR GEOMETRY

ANNULAR I.D. (in)	DEPTH(ft)	
	MEASURED	TRUE VERTICAL
8.921 CASING	1,500	1,500
8.750 HOLE	7,850	7,850

SUSPENDED PIPES

DIAMETER (in)		WEIGHT (lbs/ft)	DEPTH(ft)	
O.D.	I.D.		MEASURED	TRUE VERTICAL
7.000	6.366	23	7,850	7,850

Float Collar set @	7,810 ft
Mud Density	8.40 ppg
Est. Static Temp.	127 ° F
Est. Circ. Temp.	121 ° F

VOLUME CALCULATIONS

1,500 ft	x	0.1668 cf/ft	with	0 % excess	=	250.2 cf
4,100 ft	x	0.1503 cf/ft	with	35 % excess	=	832.1 cf
2,250 ft	x	0.1503 cf/ft	with	30 % excess	=	440.3 cf
40 ft	x	0.2210 cf/ft	with	0 % excess	=	8.8 cf (inside pipe)
				TOTAL SLURRY VOLUME	=	1531.4 cf
					=	273 bbls

Operator Name: Conoco
Well Name: SEMU #139
Job Description: 7" Long String - Single Stage
Date: December 20, 1999

Proposal No: 180252808A

FLUID SPECIFICATIONS

Pre-flush — 1,500.0 gals Mud Clean I @ 8.4 ppg

FLUID	VOLUME CU-FT		VOLUME FACTOR	AMOUNT AND TYPE OF CEMENT
Lead Slurry	1082	/	1.85	= 586 sacks (35:65) Poz (Fly Ash):Class C Cement + 0.25% bwoc Cello Flake + 0.005 gps FP-6L + 6% bwoc Bentonite + 95.7% Fresh Water
Tail Slurry	449	/	1.34	= 334 sacks Class C Cement + 1% bwoc BA-58 + 0.9% bwoc FL-50 + 0.5% bwoc CD-32 + 0.005 gps FP-6L + 0.2% bwoc Sodium Metasilicate + 55.7% Fresh Water
Displacement				307.5 bbls Water + 55.7% Fresh Water @ 8.4 ppg

CEMENT PROPERTIES

	SLURRY NO. 1	SLURRY NO. 2
Slurry Weight (ppg)	12.70	14.80
Slurry Yield (cf/sack)	1.85	1.34
Amount of Mix Water (gps)	9.98	6.28
Amount of Mix Fluid (gps)	9.99	6.29
Estimated Pumping Time - 70 BC (HH:MM)	2:49	1:49
Free Water (mls) @ ° F @ 90 ° angle	0.9	

RHEOLOGIES

FLUID		TEMP	600	300	200	100	6	3
Lead Slurry	@	° F	153	141	136	130	50	38
Tail Slurry	@	80 ° F	150	102	85	68	43	35

SURFACE USE PLAN
Conoco Inc.

SEMU #139

The following is required information concerning the possible affect which the drilling of this well may have on the environment, existing road sites, and surrounding acreage. A copy will be posted on the derrick floor so all contractors and sub-contractors will be aware of all items of this plan.

1. Existing Roads

   A. The proposed well site is 990' FNL & 330' FEL, Sec. 25, T20S, R37E, Lea County, New Mexico.

   B. Directions to the location are listed on the well pad plat attached.

   C. No improvement or maintenance is anticipated for the existing roads.

2. Planned Access Roads

   A. 125' +/- new access road will be required.
   B. Turnouts as required by Surface Management Agency.
   C. Culverts as required by Surface Management Agency.
   D. Gates, cattleguards, or fences as required by Surface Management Agency.

3. Topographic Map and Well Location

   A 7.5" quadrangle topo map was filed with the NOS.

4. Additional Rights-of-Way

   Electric line and flowline as shown on attached plats.

5. Water Supply

   Fresh water will be obtained from commercial sources and trucked to location by the described directions to the location.

6. Source of Construction Materials

   Construction materials will be obtained from commercial sources.

7. Methods of Handling Waste Disposal

A. The drill cuttings, fluids and completion fluids will be placed in the reserve pit. The reserve pit will be fenced on three sides away from the pad during drilling and the fourth side fenced as soon as the rig moves out. The reserve pit will be allowed to dry, and materials remaining in the reserve pit buried. The reserve pit will be backfilled, leveled and contoured so as to prevent any materials being carried into the watershed. Upon completion, the pad will be leveled, contoured, and reseeded with the appropriate seed mixture as specified by the surface managing agency.
B. All garbage and trash will be hauled away to designated landfill by Conoco.
C. Chemical toilets will be provided and maintained during drilling operations.

8. Ancillary Facilities

No ancillary facilities are planned.

9. Wellsite Layout

See attached Wellsite Layout. The V-door faces East. The reserve pit will be lined with plastic and the pad and pits are staked. All unguarded pits containing liquids will be fenced and any unguarded pit containing liquids will be fenced.

10. Plans for Restoration of Surface

Reserve pits will be rehabilitated once drilling fluids have been allowed to evaporate to the point the pits are dry enough for backfilling and leveling. In the event drilling fluids will not evaporate in a reasonable time period, the fluids will be removed and transported by tank truck to a state approved disposal facility. Backfilling and leveling of the location will be completed within a time period of one year upon cessation of drilling operations.

11. Surface Ownership

The surface ownership is Millard Deck Estate.

12. Archeological Clearance

The archeological survey has been requested and will be furnished upon completion.

13. Operator's Representative and Certification

The person who can be contacted concerning compliance of this Surface Use Plan is:

Mike L. Mankin
10 Desta Drive, Suite 649W
Midland, Texas 79705
(915) 686-5794

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drilling site; that I am familiar with the conditions which currently exist; that the statements made in this plan, are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Conoco Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

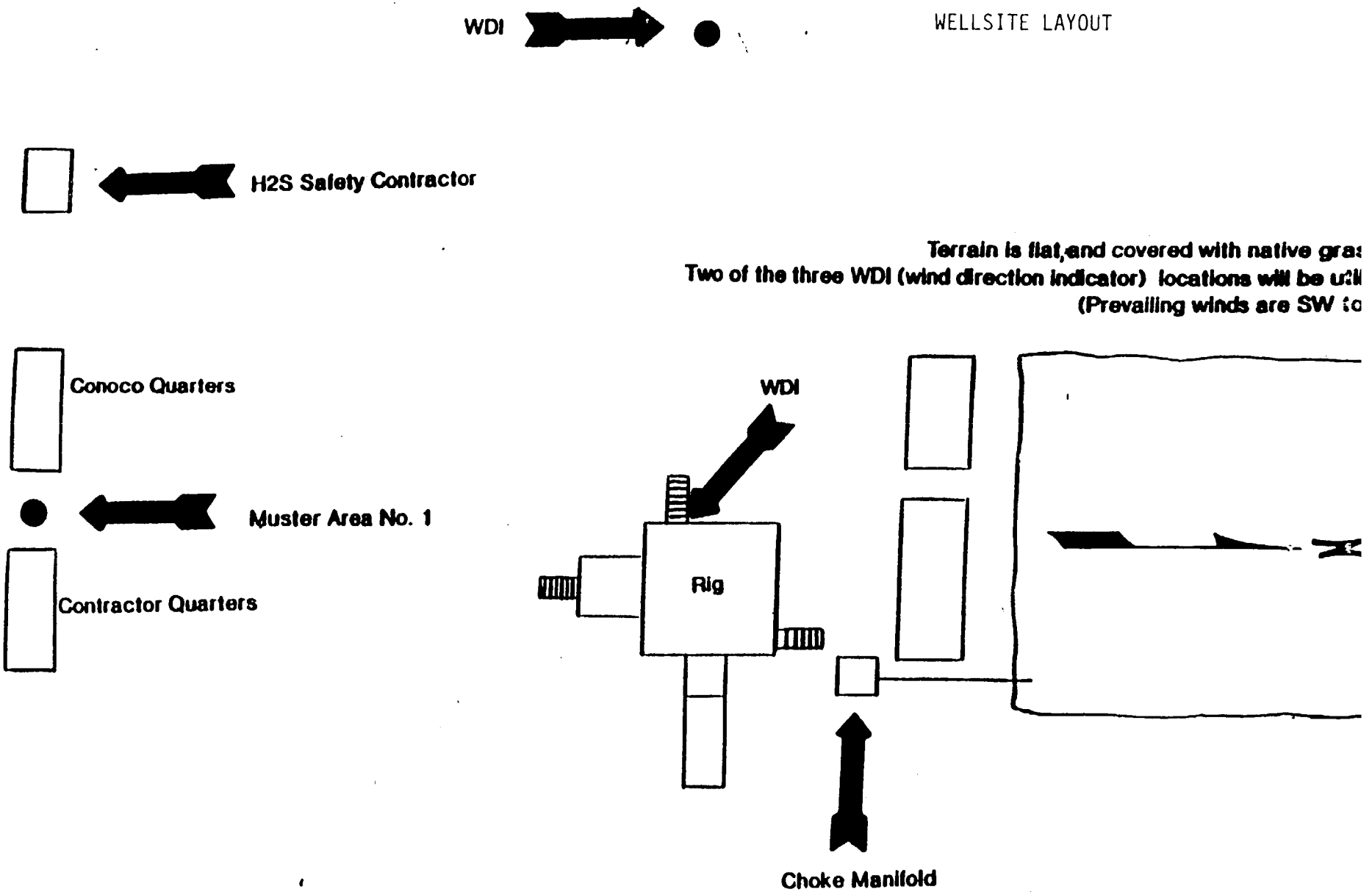
Mike L. Mankin

Mike L. Mankin
Sr. Right-of-Way Agent

2-1-00

Date

WELLSITE LAYOUT



TRAILER - MOUNTED RIG LAYOUT

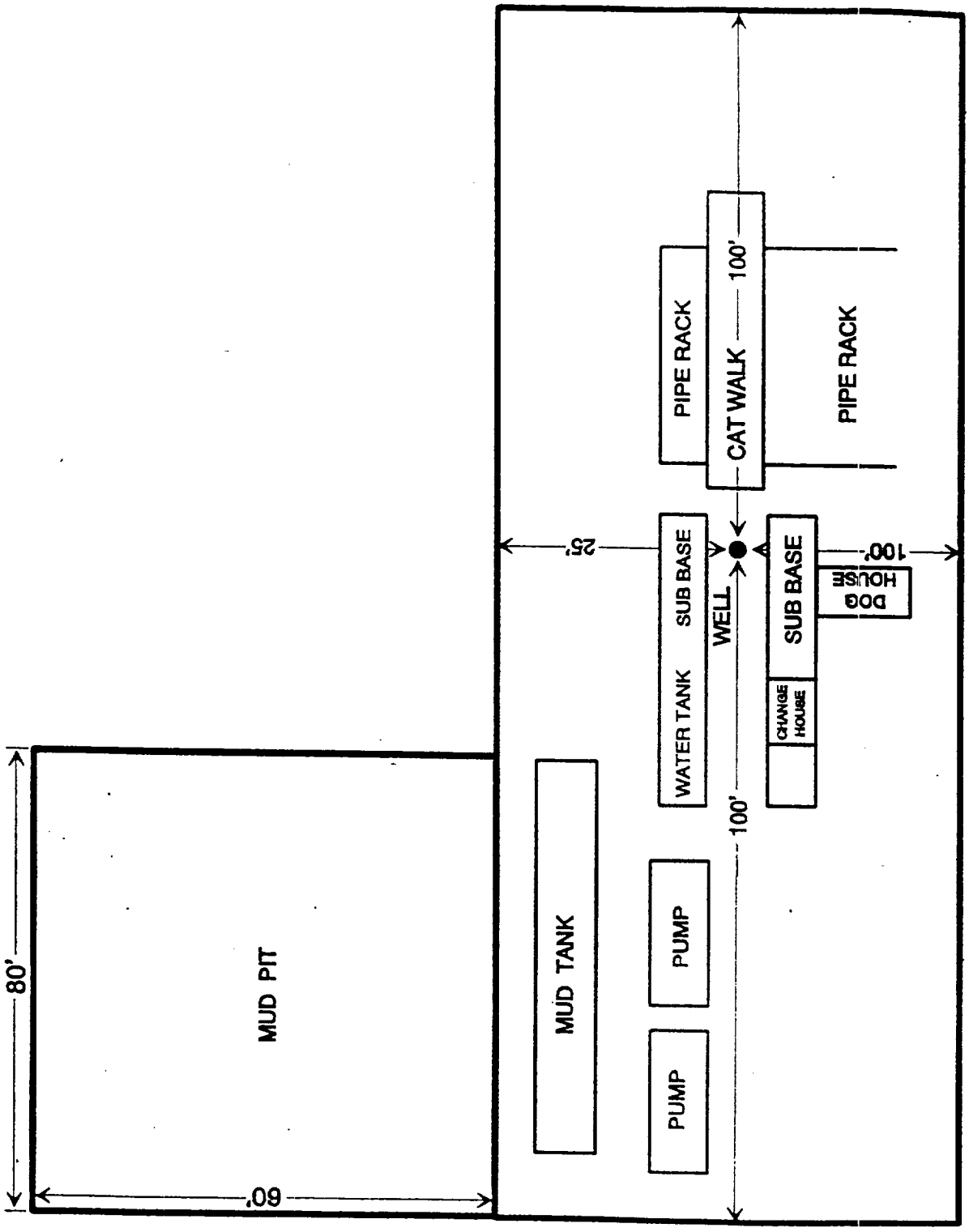
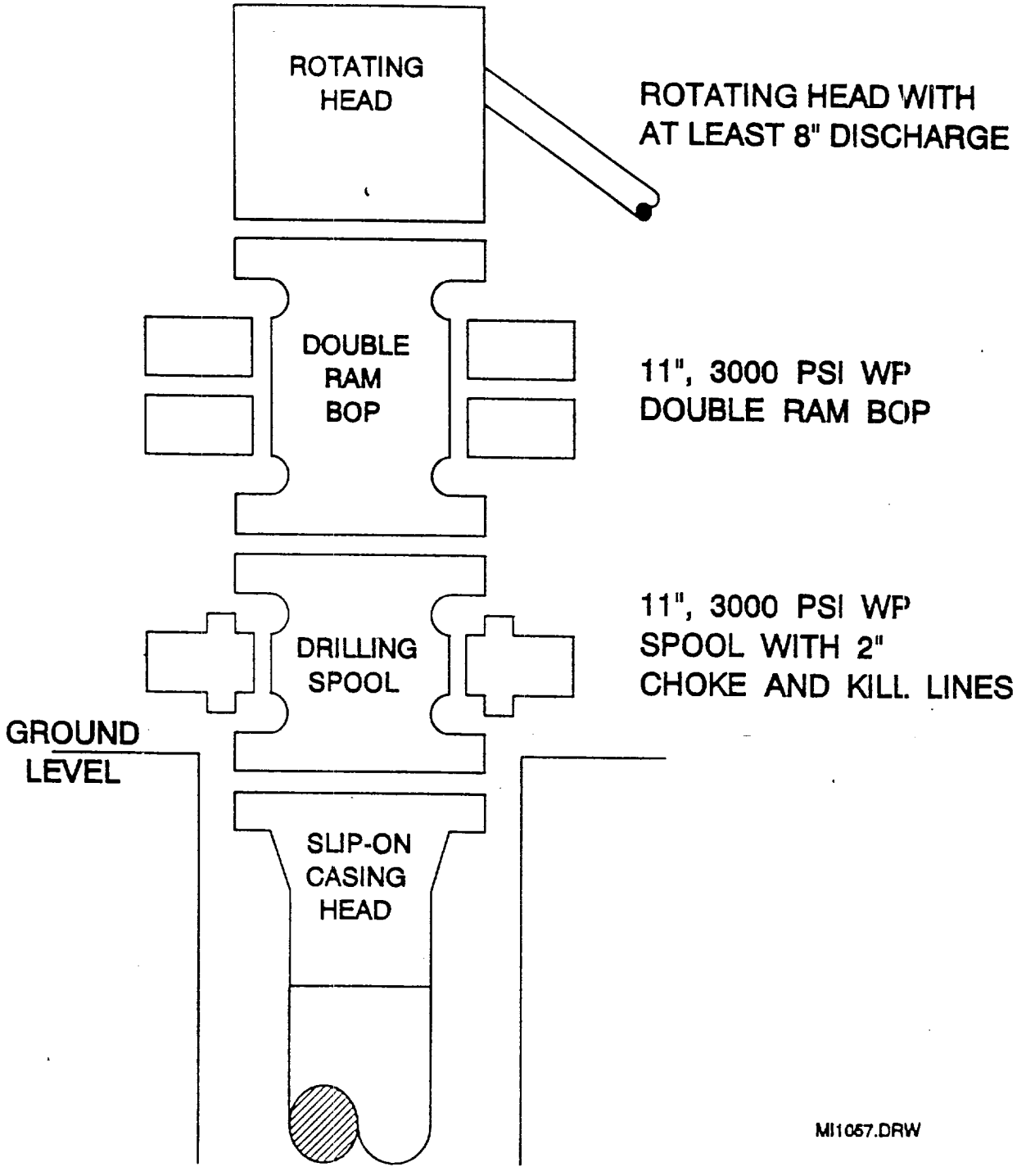
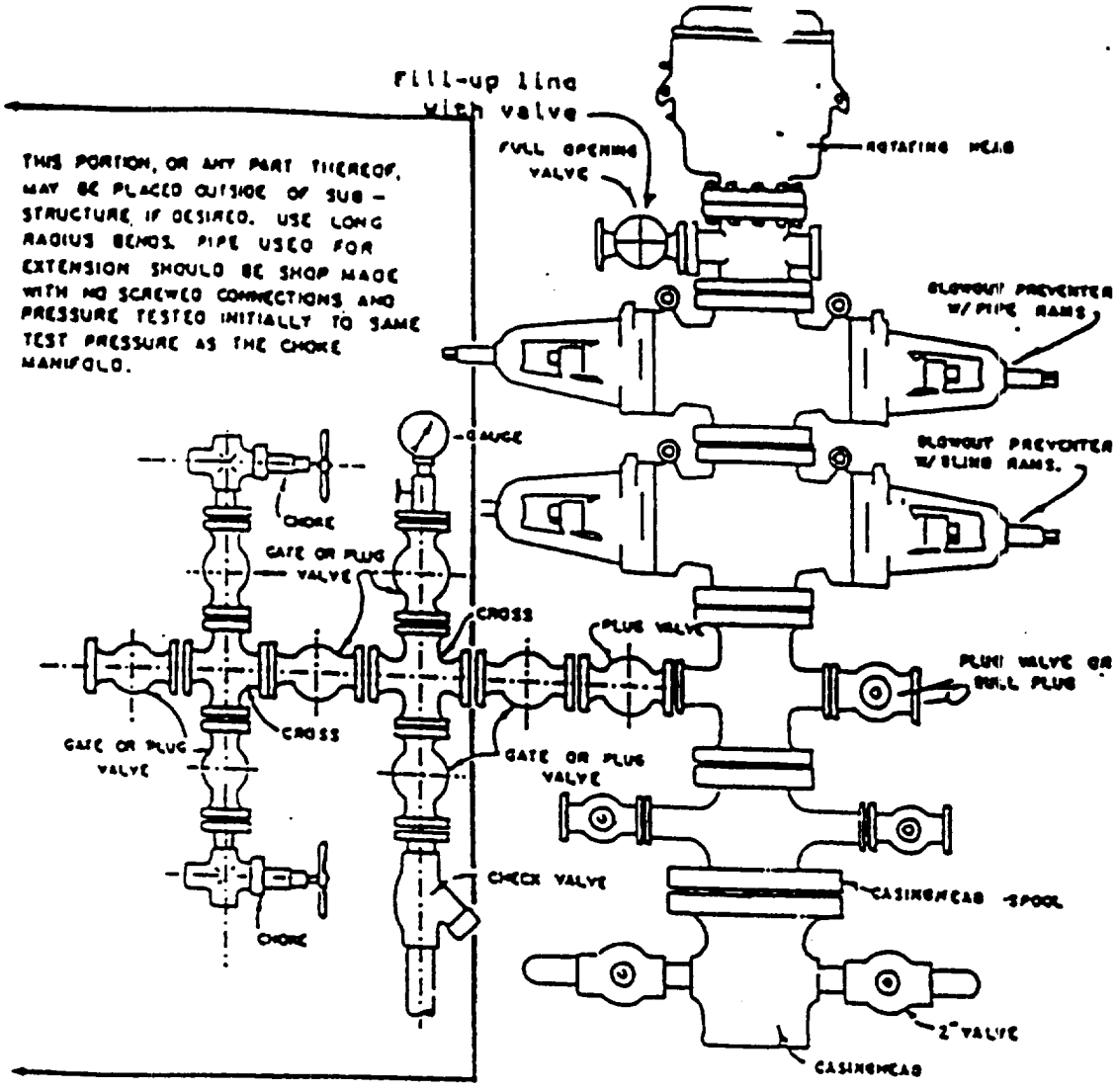


EXHIBIT D

BOP SPECIFICATIONS



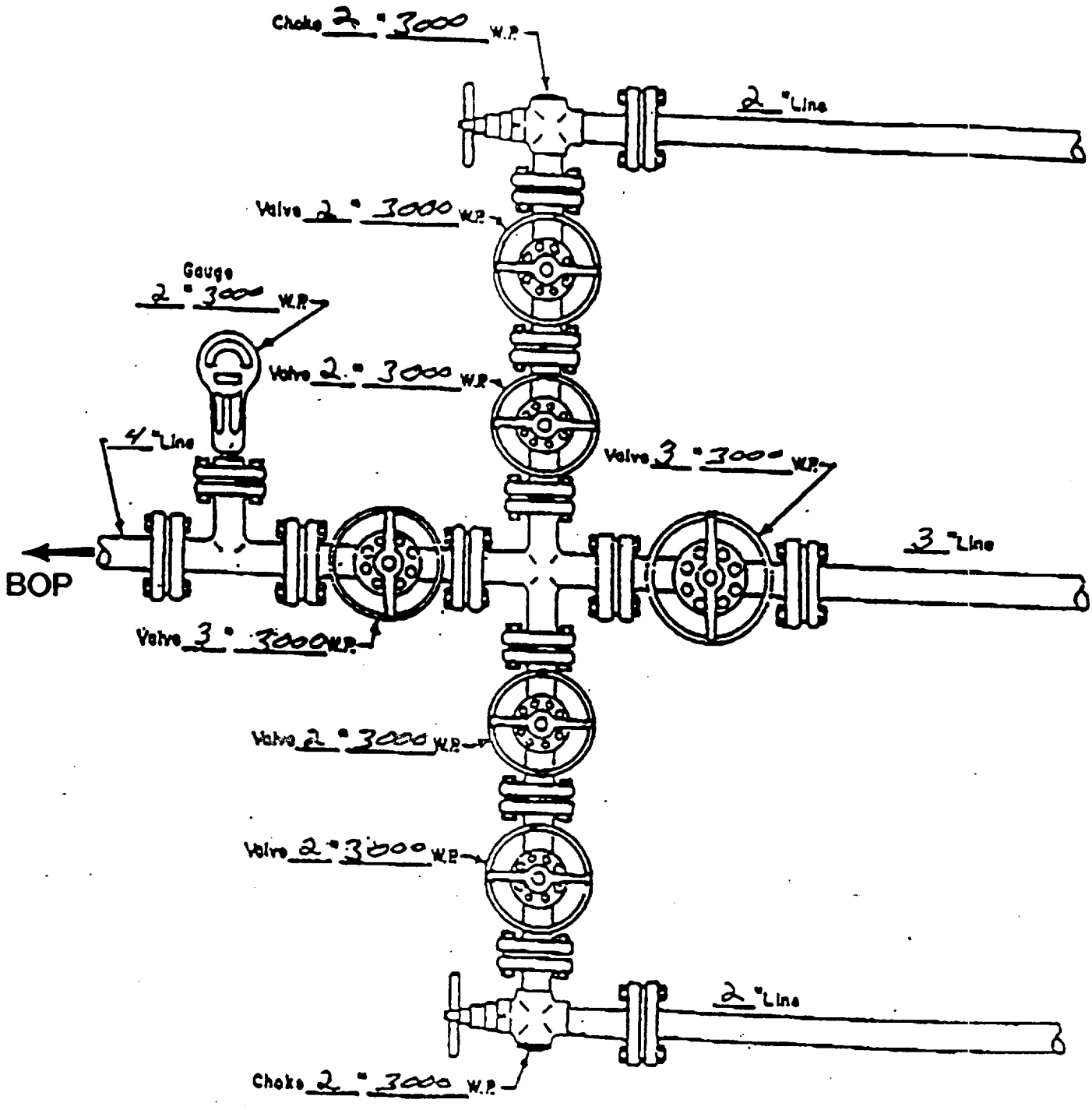


BLOWOUT PREVENTER HOOKUP

Drilling contractors used in the San Juan Basing supply 3000 psi equipment, but cannot provide annular preventors because of sub-structure limitations. Maximum anticipated surface pressures for this well will not exceed the working pressure of the proposed BOP system. Please see the attached BOP diagram details 2000 psi equipment according to Onshore Order No. 2 even though the equipment will test to 3000 psi. The 2000 psi system allows deletion of the annular preventor and fulfills your requirements (note diagram No. 1). In addition, the following equipment will comprise the 2000 psi system:

1. Two rams with one blind and one pipe ram.
2. Kill line (2 inch maximum).
3. One kill line valve.
4. One choke line valve.
5. Two chokes (reference diagram No. 1).
6. Upper kelly cock valve with handle.
7. Safety valve and subs to fit all drill strings in use.
8. Two-inch minimum choke line.
9. Pressure gauge on choke manifold.
10. Fill-up line above the upper most preventor.
11. Rotating head.

CHOKE MANIFOLD DIAGRAM



MANIFOLD
3000 #W.P

☒ Manual
☐ Hydraulic

H2S DRILLING OPERATIONS PLAN

Conoco, Inc. will comply with Onshore Order No. 2 for working in an H2S environment or a potential H2S environment.

I. Hydrogen Sulfide Training

All contractors and subcontractors employed by Conoco 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.

All personnel will be required to carry documentation of the above training on their person.

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. Conoco 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.

Mike L. Mankin
Sr. Right of Way Agent
Right of Way and Claims

Conoco Inc.
10 Desta Drive, Suite 649W
Midland, Texas 79705-4500
(915) 686-5794

February 1, 2000

Bureau of Land Management
620 E. Greene
Carlsbad, New Mexico 88220

Attn: Mr. Barry Hunt

Re: **Settlement Letter for Well Location and Appurtenances**
SEMU #139
Section 25, T20S, R37E
Lea County, New Mexico

Dear Mr. Hunt,

Conoco Inc. has made settlement with the surface owner for the construction of the above referenced location and appurtenances.

If you have any questions or concerns, please contact me at 915-686-5794.

Sincerely,

Mike L. Mankin

Cc: File