

Walter Oil & Gas Corp.
Eugene Island 290 – Well #1
Conditions of Approval

All operations must be conducted in accordance with the OCS Lands Act (OCSLA), the lease terms and stipulations, the regulations of 30 CFR Part 250, Notices to Lessees and Operators (NTLs), the approved Application for Permit to Drill (APD), and any written instructions or orders of the District Manager.

You must have the most current set of approved BOP drawings on the rig and available for inspection. If there are any revisions or changes made to the approved set of BOP control system drawings, then you must submit an RPD and receive approval for those revisions.

Assure that appropriate VBR rams are employed to cover pipe size ranges when utilizing tapered drill strings. VBR rams must be tested to both largest and smallest diameters in tapered string.

A 0.5 ppg drilling margin shall not be exceeded for any casing shoe.

Notify the BOEMRE Lafayette District office 24 hours prior to moving onto or off location.

You are required to submit the WAR's per 30 CFR 250.468(b) and the time requirements outlined in NTL No. 2009-G20. Also enter the as-built casing in the WAR for every wellbore, including each ST and/or BP. The EOR is required to be submitted by the time requirements stated in 30 CFR 250.465(b)(3).

For a well to be considered permanently abandoned, all annular spaces that communicate with open hole and extend to the mud line must be isolated with a cement plug at least 200 feet long that is set in the annulus, per regulation 30 CFR 250.1715.

Cement slurry must contain gas migration, quick transition time, and high compressive strength additives as needed for cementing across any hydrocarbons or encountered hazards. Casing must be centralized across any hydrocarbons or encountered hazards.

Possible shallow-gas zones may be encountered at 400 ft, 610 ft and 1,420 ft SS depths.

When drilling the 26-in.-hole section, LWD must be utilized to verify if the shallow-gas/hydrocarbon zones at 480 ft TVD and 690 ft TVD exist. Should one of the shallow-gas/hydrocarbon zones be encountered, conductor casing must be immediately set as per 250.421 (b) above the shallow gas zone encountered.

After waiting on cement for a minimum of 8 hours (possibly longer depending on what is recommended by your cementing contractor), then before nipping down the diverter, it must be verified that there is "zero" leakage coming from the drive-pipe-conductor annulus before continuing with operations. Should leakage be discovered coming from this annulus, or other non-isolated annulus, at any point during this project, the problem must be corrected prior to conducting further operations.

The strong possibility of the above referenced shallow gas zones must be communicated with your cementing contractor. Your cementing contractor's recommendations must be included as part of the APD request. These recommendations must include cement properties and procedures for shallow-gas mitigation.

The possible shallow gas hazards must be communicated to all onsite rig personnel and safety meetings must be conducted. Procedures must be in place to respond to these hazards and drills must be performed so that personnel will be prepared on what to do in case of an emergency resulting from an undesired event associated with these shallow-gas hazards.

Measures must be taken to ensure safe practices for proposed washing of cement to 30 ft below the mudline.

Should a shallow-gas zone or zones be discovered when drilling the 26-in. hole section, this will prompt a re-design of your casing program since conductor casing will be required to be set shallower than planned. The surface casing interval will then be drilled through the shallow-gas sections, again requiring appropriate cement design for gas migration. This cementing proposal must also be submitted addressing shallow gas migration and mitigation.

Since blowouts can occur resulting from shallow-gas migration through cement within annuli, the possible hazards must be taken serious. There is also a possibility that the above mentioned shallow gas zones may not even be encountered during the drilling of this well, but safety measures must be in place should these zones be present as strongly recommended by BSEE geological and geophysical review. Some recommendations provided in a safety alert following a shallow-gas blowout are provided to you below:

1. Designated operators shall develop specific strategies to prevent gas migration into the cement column. These strategies include the use of special slurries with physical and chemical properties that inhibit or block the invasion of gas.
2. Designated operators shall implement methods to improve communication of any presence of shallow-gas hazards to the contract cement company. Through proper communication, cement companies can design proper cement for gas migration.
3. Designated operators shall develop and put into practice a policy of having pre-spud meetings on all wells with shallow-gas hazards.
4. Designated operators shall design a procedure to ensure that log information indicating shallow gas is used to verify proper cement designs.
5. Designated operators shall analyze the safe use of the +10 valve where shallow-gas hazards are known to exist.

Maintain kill weight mud in the pits while drilling the above shallow hazards. Maintain good drilling mud properties and weight increased as required thru the shallow hazards.

Hold a pre-spud meeting with the crew to discuss the drilling plan for all shallow hazards. Hold pit drills and abandon rig drill prior to spudding the well and drilling all shallow hazards.

A final location plat is required for this well in accordance with 30 CFR 250.465. The location plat must include NAD 83 latitude and longitude as outlined in the reporter's handbook for well forms. Include the final water depth and RKB measurements.

Our review indicates that your proposed activities are in the vicinity of the unidentified magnetic anomaly listed in the Enclosure, a feature that may represent a significant archaeological resource. In accordance with 30 CFR 250.194(b), you must either (1) conduct an underwater archaeological investigation prior to commencing activities to determine whether this feature represents an archaeological resource, or (2) ensure that all seafloor disturbing actions resulting from the proposed activities avoid the unidentified feature by a distance greater than that listed in the Enclosure. If you choose to avoid the feature, submit an as-built map at a scale of 1-in. = 1,000-ft. with DGPS accuracy, showing the location of all seafloor disturbances (e.g., the rig or platform, anchors, anchor chains, wire ropes, cables, etc.) relative to the feature to the Regional Supervisor, Field Operations, Plans Section (MS 5231), at the same time you submit your End of Operations report (Form MMS-125) to the appropriate MMS GOMR District Office. If you conduct an underwater archaeological investigation, contact either Dr. Jack Irion at (504) 736-1742 or Mr. David Ball at (504) 736-2859 at least two weeks prior to performing operations to obtain the investigation methodology.