

## OCD-ARTESIA

Form 3160-3  
(August 1999)UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

0  
OMB No. 1004-0136  
Expires November 30, 2000

5. Lease Serial No.

NM-27729

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

Baetz BDU Federal #3

9. API Well No.

30-015-33487

10. Field and Pool, or Exploratory

Forty Niner Ridge Bone Spring West

11. Sec., T., R., M., or Blk. and Survey or Area

Section 19, T23S-R30E

12. County or Parish

Eddy County

13. State

NM

1a. Type of Work: ☒ DRILL☐ REENTERb. Type of Well: ☒ Oil Well☐ Gas  
Well☐ Other☐ Single

Zone

☐ Multiple Zone

2. Name of Operator

Yates Petroleum Corporation

3A. Address 105 South Fourth Street

Artesia, New Mexico 88210

3b. Phone No. (include area code)

(505) 748-1471

4. Location of Well (Report location clearly and in accordance with any State requirements. \*)

At surface

330' FSL and 615' FEL

At proposed prod. Zone

Same

R-111-POTASH

14. Distance in miles and direction from nearest town or post office\*

Approximately 23 miles southeast of Carlsbad, New Mexico.

15. Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drig. unit line, if any)

330'

16. No. of Acres in lease

160

17. Spacing Unit dedicated to this well

40 acres SE/4SE/4

18. Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft.

600'

19. Proposed Depth

7400'

20. BLM/BIA Bond No. on file

585997

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3122' GL

22. Approximate date work will start\*

ASAP

23. Estimated duration

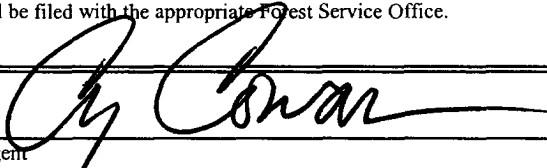
45 days

## 24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office.
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized office.

25. Signature



Name (Printed/Typed)

Cy Cowan

Date

5/3/04

Regulatory Agent

Regulatory Agent

Approved by (Signature)



Name (Printed/Typed)

Ron Dorton

Date

6/22/04

Title

Acting STATE DIRECTOR

Office

NM STATE OFFICE

Application approval 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.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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 reverse)

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

CARLSBAD CONTROLLED WATER BASIN

**DISTRICT II**

811 South First, Artesia, NM 88210

Instruction on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

**DISTRICT III**

1000 Rio Brazos Rd., Aztec, NM 87410

**OIL CONSERVATION DIVISION**

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

**DISTRICT IV**

2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number	Pool Code	Pool Name Forty Niner Ridge Bone Spring West
Property Code	Property Name BAETZ "BDU" FEDERAL	Well Number 3
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3122

**Surface Location**

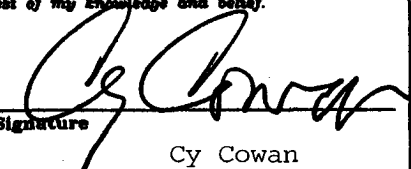
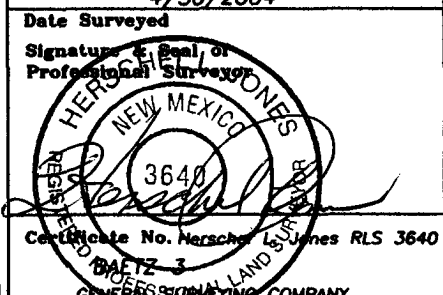
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	19	23S	30E		330	SOUTH	615	EAST	EDDY

**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.
40			

**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**

				<b>OPERATOR CERTIFICATION</b>  I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.   Signature Cy Cowan Printed Name Regulatory Agent Title May 3, 2004 Date
				<b>SURVEYOR CERTIFICATION</b>  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 supervision, and that the same is true and correct to the best of my belief.  4/30/2004 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. Herschel L. Jones RLS 3640 BAETZ 3 PROFESSIONAL LAND SURVEYING COMPANY

N.32°17'02.6"  
W.103°54'51.3"  
NM-27729

3103 3123

3110 3121

615'

330'

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

**YATES PETROLEUM CORPORATION**

**Baetz BDU Federal #3**  
330' FSL & 615' FEL  
Section 19-T23S-R30E  
Eddy County, New Mexico

1. The estimated tops of geologic markers are as follows:

Top of Salt	340'
Base of Salt	3320
Bell Canyon	3340'
Cherry Canyon	4160'
Brushy Canyon	5470'
Bone Spring Lime	7070'
TD	7400'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Approx 150'

Oil or Gas: 5129' to 7400'

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

**Auxiliary Equipment:**

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig door in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350' 440'	350' 440'
11"	8 5/8"	32#	J-55	ST&C	0-3200'	3200'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-7400'	7400'

JSS  
WITNESS  
WITNESS

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 1.8

**B. CEMENTING PROGRAM:**

Surface casing: 250 sx Lite (YLD 1.96 WT.12.5); Tail in w/ 200 sx Class "C" + 2% CaCl<sub>2</sub> (YLD 1.34 WT 14.8).

Intermediate Casing: Lead w/ 650 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 250 sx "C" + 2% CaCl<sub>2</sub> (YLD 1.34 WT. 14.8)

Production Casing: Stage I: TOC 5300' Lead w/ 450 sx Super H (YLD 16.7 WT 13.0)  
Tail in w/ 50 sx Thixotropic (YLD 1.4 WT 14.4).

Stage II: Lead w/ 450 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 50 sx Premium (YLD 1.3 WT 14.8)

## 5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-350'	FW/Native Mud	8.6-9.2	28-36	N/C
350'-3200'	Brine	10-10.2	28	N/C
3200'-7000'	Cut Brine	8.6-9.1	28	N/C
7000'-7400'	Cut Brine/Starch	8.6-9.1	28-32	<15cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

## 6. EVALUATION PROGRAM:

Samples: 10 samples out from under surface casing.

Logging: CNL/LDT TD to casing; GR w/CNL to Surface; DLL x/RXO TD to casing.

Coring: None Anticipated.

DST's: As warranted.

## 7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From: O	TO: 350'	Anticipated Max. BHP:	175	PSI
From: 350'	TO: 3200'	Anticipated Max. BHP:	1700	PSI
From: 3200'	TO: 7400'	Anticipated Max. BHP:	3500	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H<sub>2</sub>S Zones Anticipated: None

Maximum Bottom Hole Temperature: 198 F

## 8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 15 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**Yates Petroleum Corporation**  
**Baetz BDU Federal #3**  
330' FSL & 615' FEL  
Section. 19-T23S-R30E  
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 23 miles southeast of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Carlsbad on Highway 62-180 to State Road 31. Turn south on 31 and to to Highway 128 (Jal Highway). Turn east on 128 and go approx. 4 miles to Rawhide Road (CR-793), Mississippi Potash Mine Shaft #5 here. Turn right on Rawhide Road and go and go approx. 3.4 miles. Turn left here on county road and go east for approx. .2 of a mile. The county road goes to the south here but continue east on lease road for approx. .2 of a mile. Turn south here and follow lease road south for .1 of a mile to cattleguard on the left. Turn left here and go east for approx. .2 of a mile to Maralo's Gold Rush 30 Federal #6 well location. The new road will start here from the southeast corner of the #6 well pad.

2. PLANNED ACCESS ROAD.

- A. The proposed new access will be approximately .1 of a mile going east then north to the southeast corner of the drilling pad. The road will lie in a east then north direction..
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts may be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

**4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES**

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

**5. LOCATION AND TYPE OF WATER SUPPLY:**

- A. It is planned to drill the proposed well with a fresh water system. The fresh water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

**6. SOURCE OF CONSTRUCTION MATERIALS:**

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction.

**7. METHODS OF HANDLING WASTE DISPOSAL:**

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

**8. ANCILLARY FACILITIES: None**

**9. WELLSITE LAYOUT:**

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined and will face to the north.
- C. A 600' x 600' area has been staked and flagged.

**10. PLANS FOR RESTORATION**

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal surface, Administered by the Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-1471

B. Through Drilling Operations,  
Completions and Production:

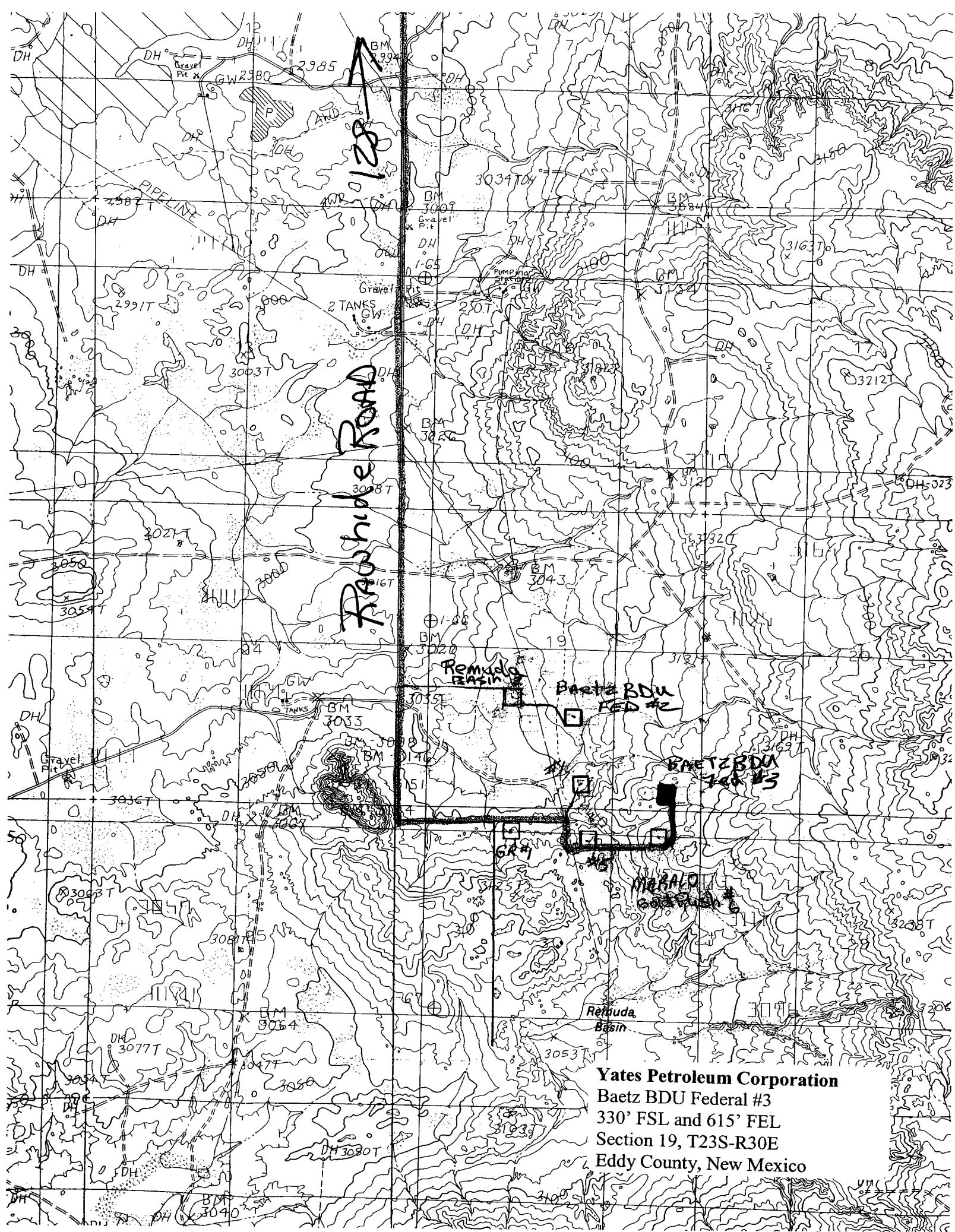
Pinson McWhorter, Operations Manager  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-1471

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation 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.

5/3/2004

  
\_\_\_\_\_  
Regulatory Agent



Ranchhide Road

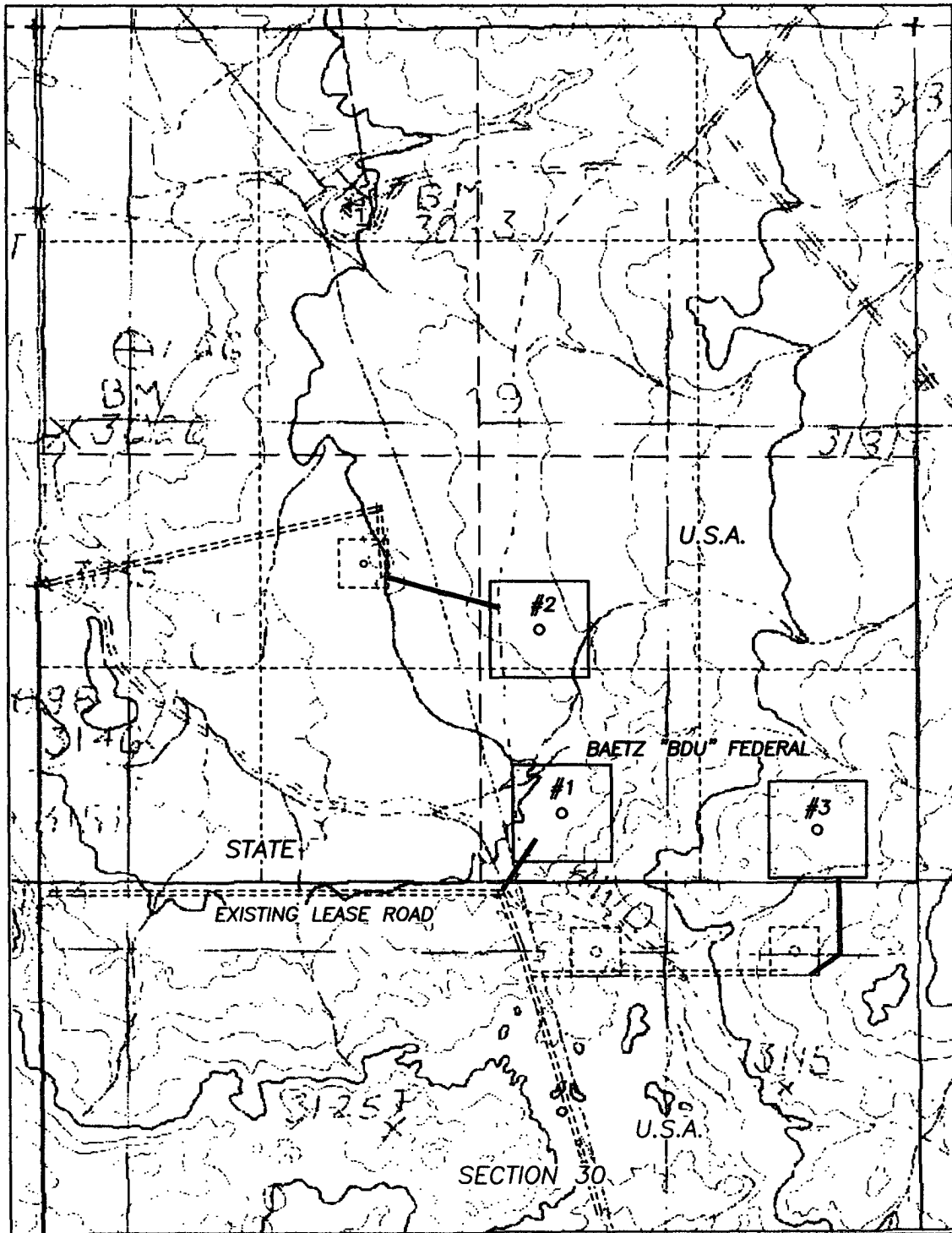
Baetz BDU  
FED #2

Baetz BDU  
FED #3

Yates Petroleum Corporation  
Baetz BDU Federal #3  
330' FSL and 615' FEL  
Section 19, T23S-R30E  
Eddy County, New Mexico



SECTION 19, TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



1000' 0 1000' 2000'  
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

HERSCHEL L. JONES P.E. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928  
LOVINGTON, NEW MEXICO 88260

## YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES BAETZ "BDU" FEDERAL #1, #2 & #3 WELLS, LOCATED IN SECTION 19, TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 4/30/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 4/30/04	Scale 1" = 1000' BAETZ 1-3

PB - L1

# Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

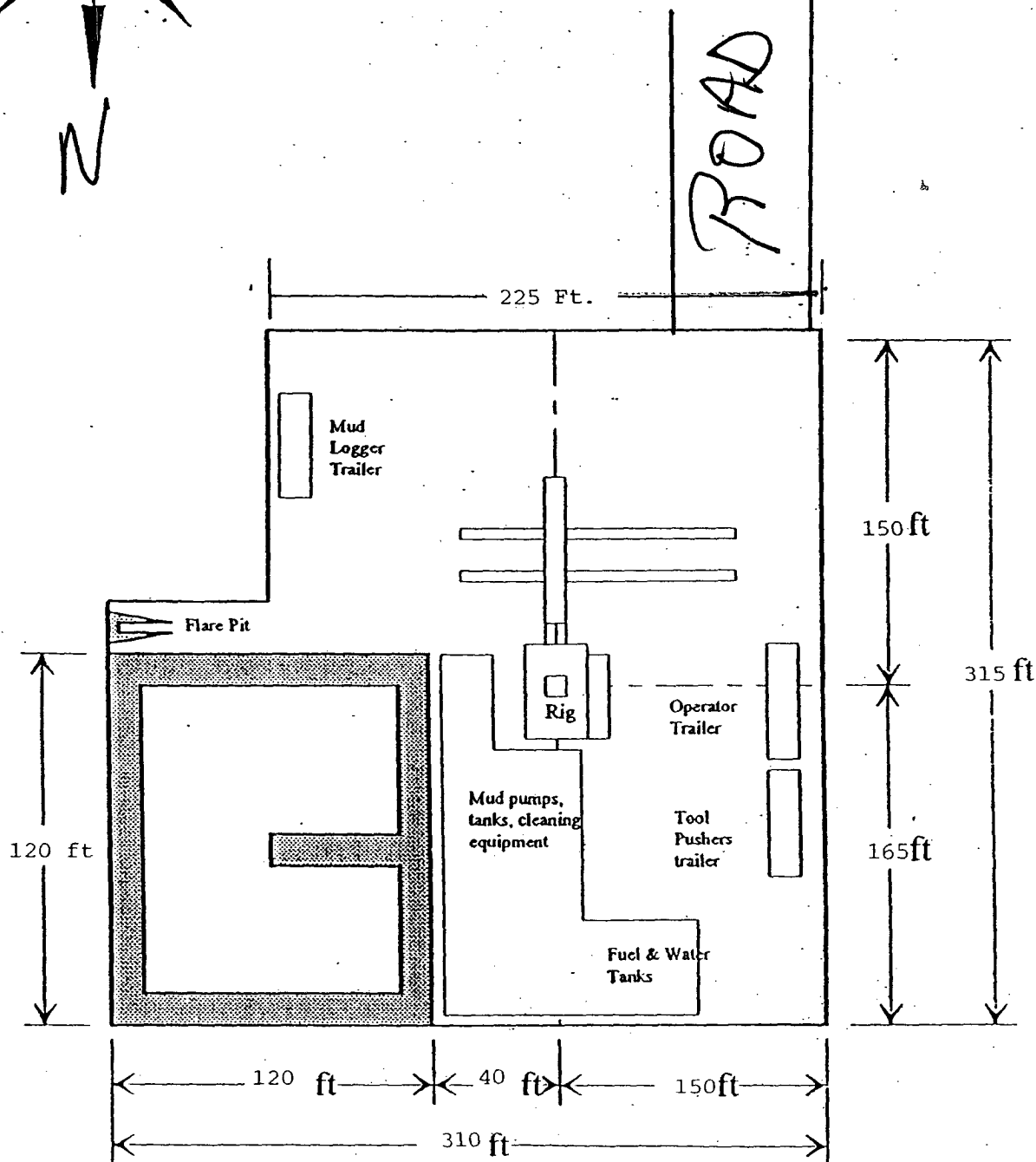
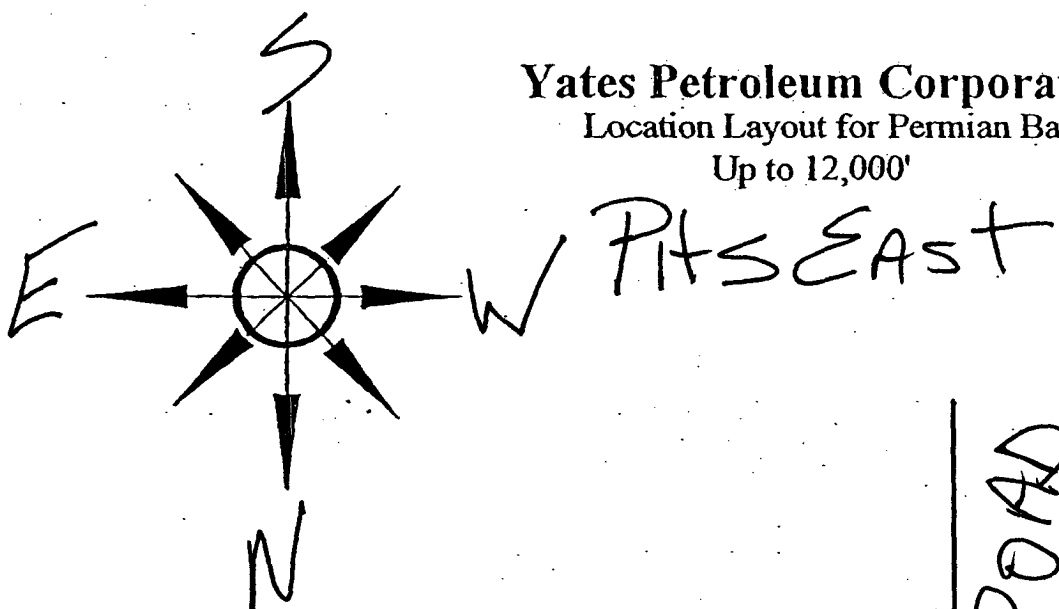
Yates Petroleum Corporation

Baetz BDU Federal #3

330' FSL and 615' FEL

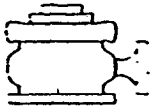
Section 19, T23S-R30E

Eddy County, New Mexico



Distance from Well  
Head to Reserve Pit  
will vary between rigs

The above dimension  
should be a maximum



# Yates Petroleum Corporation

BOP-3

## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

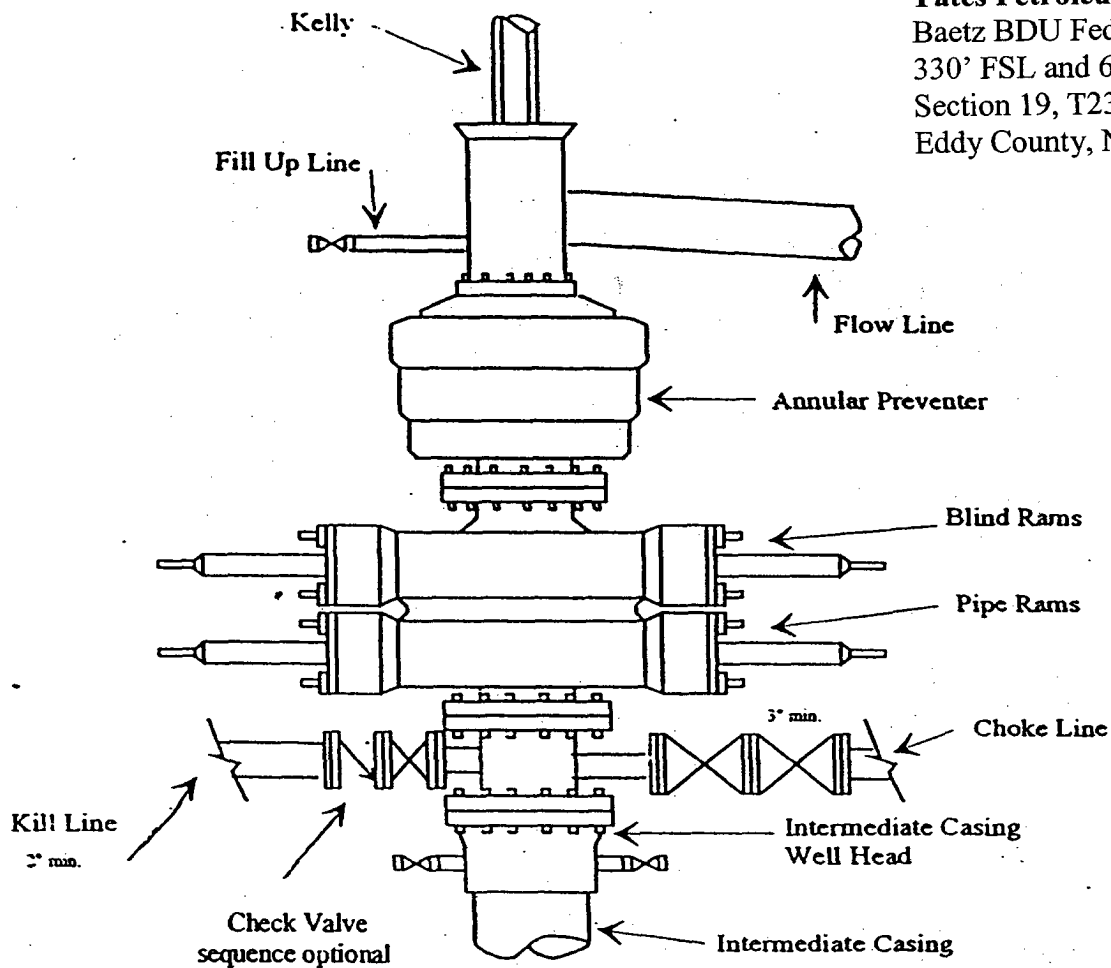
Yates Petroleum Corporation

Baetz BDU Federal #3

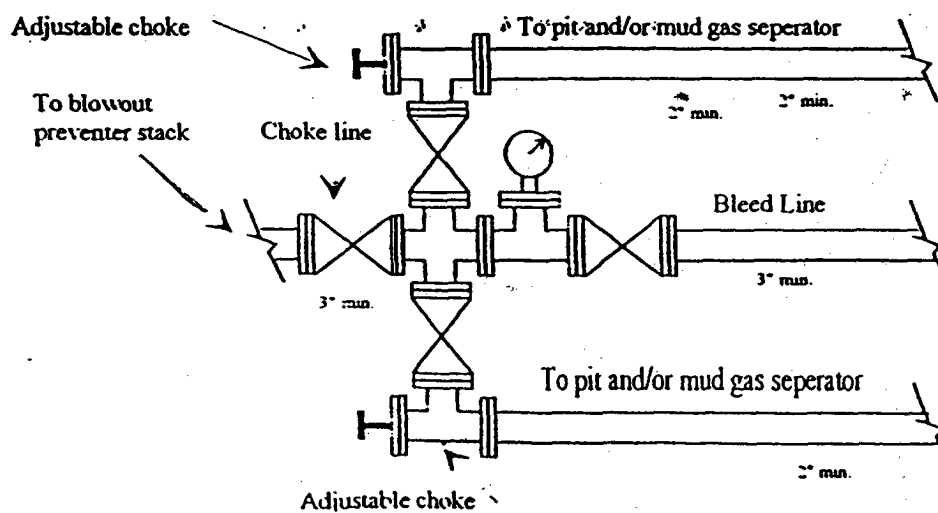
330' FSL and 615' FEL

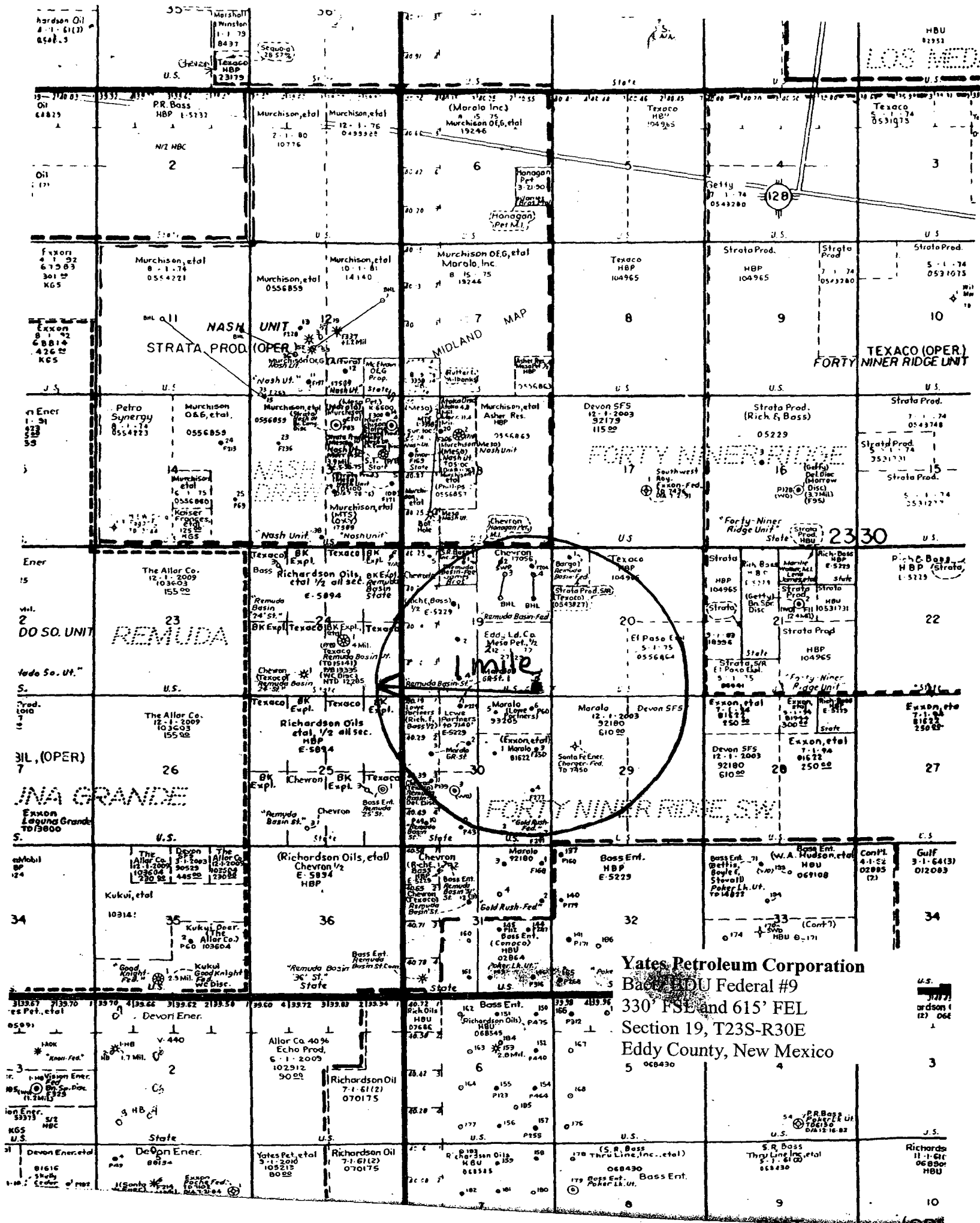
Section 19, T23S-R30E

Eddy County, New Mexico



## Typical 3,000 psi choke manifold assembly with at least these minimum features





SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name YATES PETROLEUM CORPORATION Well Name & No. 3-BAETZ BDU FEDERAL  
Location 330 F.S.L & 615 F.E.L Sec. 19, T. 23 S, R. 30 E.  
Lease No. NM-27729 County EDDY State New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ( ) Lesser Prairie Chicken (stips attached) ( ) Flood plain (stips attached)  
( ) San Simon Swale (stips attached) (X) Other See attached Archaeological Stipulations

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(X) The BLM will monitor construction of this drill site. Notify the (X) Carlsbad Field Office at (505) 234-5972 ( ) Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(X) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

( ) All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately \_\_\_\_\_ inches in depth. Approximately \_\_\_\_\_ cubic yards of topsoil material will be stockpiled for reclamation.

( ) Other.

III. WELL COMPLETION REQUIREMENTS

( ) A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- |   |   |
|---|---|
| ( ) A. Seed Mixture 1 (Loamy Sites)                   | ( ) B. Seed Mixture 2 (Sandy Sites)                     |
| Side Oats Grama ( <i>Bouteloua curtipendula</i> ) 5.0 | Sand Dropseed ( <i>Sporobolus cryptandrus</i> ) 1.0     |
| Sand Dropseed ( <i>Sporobolus cryptandrus</i> ) 1.0   | Sand Lovegrass ( <i>Eragrostis trichodes</i> ) 1.0      |
|   | Plains Bristlegrass ( <i>Setaria magrostachya</i> ) 2.0 |
| ( ) C. Seed Mixture 3 (Shallow Sites)                 | (X) D. Seed Mixture 4 (Gypsum Sites)                    |
| Side oats Grama ( <i>Boute curtipendula</i> ) 1.0     | Alkali Sacaton ( <i>Sporobollud airoides</i> ) 1.0      |
|   | Four-Wing Saltbush ( <i>Atriplex canescens</i> ) 5.0    |

( ) OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

( ) Other.

## RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

## OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

## CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

## TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

EXHIBIT NO. \_\_\_\_\_

**CULTURAL RESOURCES STIPULATIONS  
CARLSBAD FIELD OFFICE**

PROJECT NAME: Cultural Resource Survey for of a relocated pad for the Baetz "BDU" Federal Well # 3.

REPORT NUMBER: 04-NM-080-424.1

**SITE PROTECTION AND EMPLOYEE EDUCATION: All employees of the project shall be informed that cultural sites are to be avoided by all personnel, personal vehicles and company equipment. They shall also be notified that it is illegal to collect, damage or disturb cultural resources.**

YES A. Monitoring is required.

YES 1. A copy of these stipulations shall be supplied to the archaeological monitor at least five (5) working days prior to the start of fence construction activities.

YES 2. No construction activities, including vegetation removal, and blading, may begin until the archaeological monitor observes the erection of the permanent fence in areas within 100 feet of the cultural resource as indicated on the attached maps.

YES 3. The archaeological monitor will:

YES a. Ensure that the site protection barrier is located as indicated on the attached map(s).

YES b. Observe all surface disturbing activities within 100 feet of cultural site LA 112,992 (see attached maps).

YES c. Other: Archaeological Monitor only needed to ensure Fence Construction and initial blading of the pad area within 100 feet of Site LA 112,992.

YES d. Submit a report of the monitoring activities within thirty (30) days of completion of monitoring unless other arrangements are made with the BLM. These stipulations must be attached to the report.

NO B. The grantee must select one of the following alternatives:

NO 1. Controlled test excavations to determine if cultural resources are present;

NO 2. Reduction of the project size to avoid all significant cultural materials;

NO 3. Relocation of the project;

NO 4. Preparation and implementation of a data recovery plan for cultural sites(s)

YES C. SITE BARRIER/FENCING:

NO 1. A temporary site protection barrier(s) shall be erected prior to construction. The barrier(s) shall, at a minimum, consist of upright wooden survey lath spaced no more than ten (10) feet apart and marked with blue ribbon flagging or blue paint. There shall be no construction activities or vehicular traffic past the barrier(s). The barrier(s) shall remain in place through reclamation and reseeding.

YES 2. A permanent fence(s) shall be erected prior to Well Pad construction. There shall be no construction activities or vehicle traffic past the fence(s).

YES 3. The barrier(s)/fence(s) shall be placed as indicated on the attached map(s).

YES D. CONSTRUCTION ZONES: There shall be a no construction zone (see maps).NO E. OTHER:







KEY

▲ — DATUM, UTM ZONE 13, 602163E, 3572224N

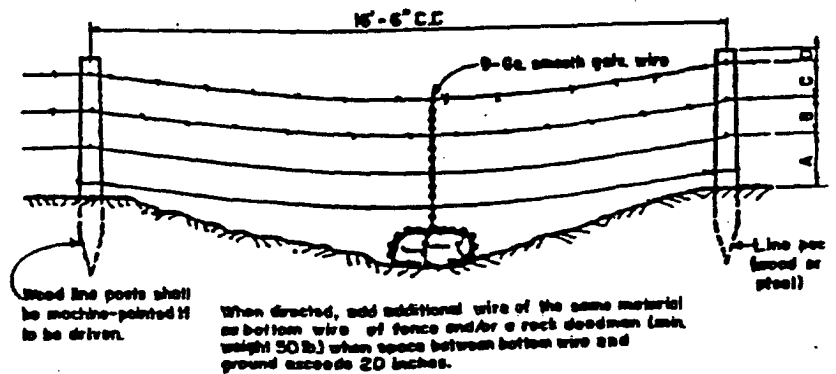
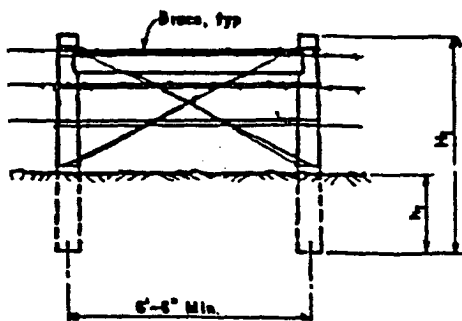
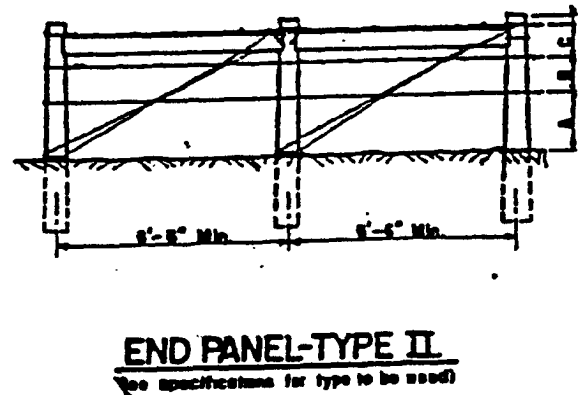
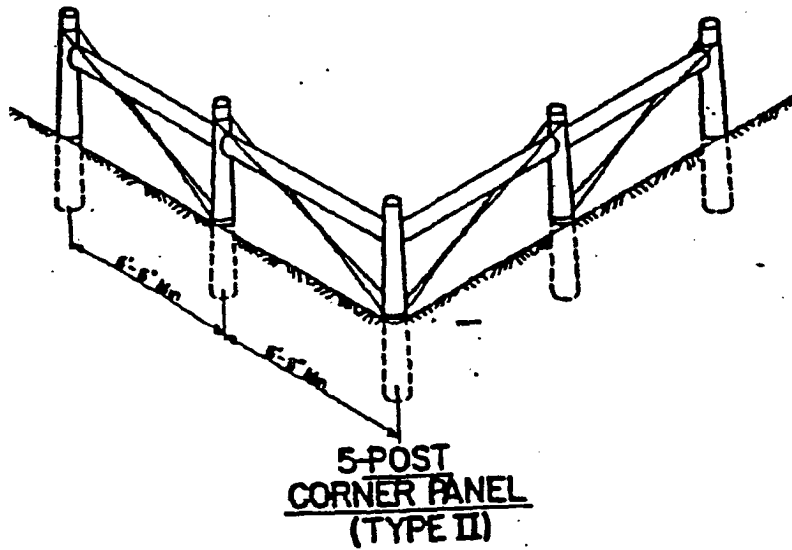
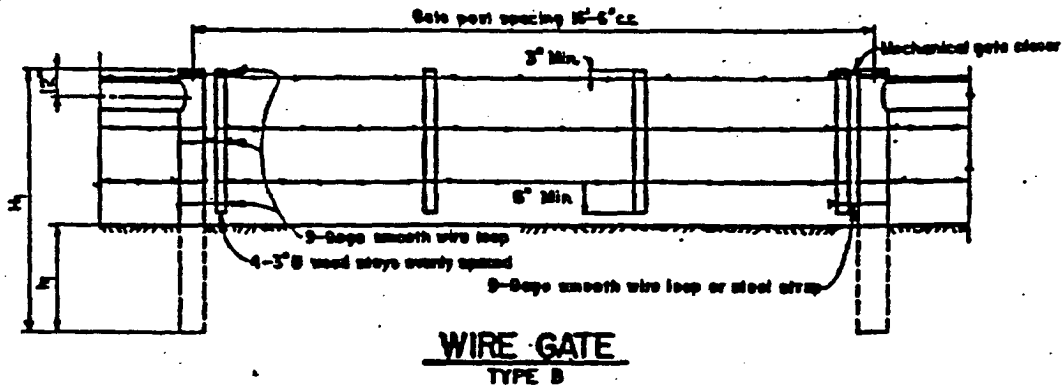
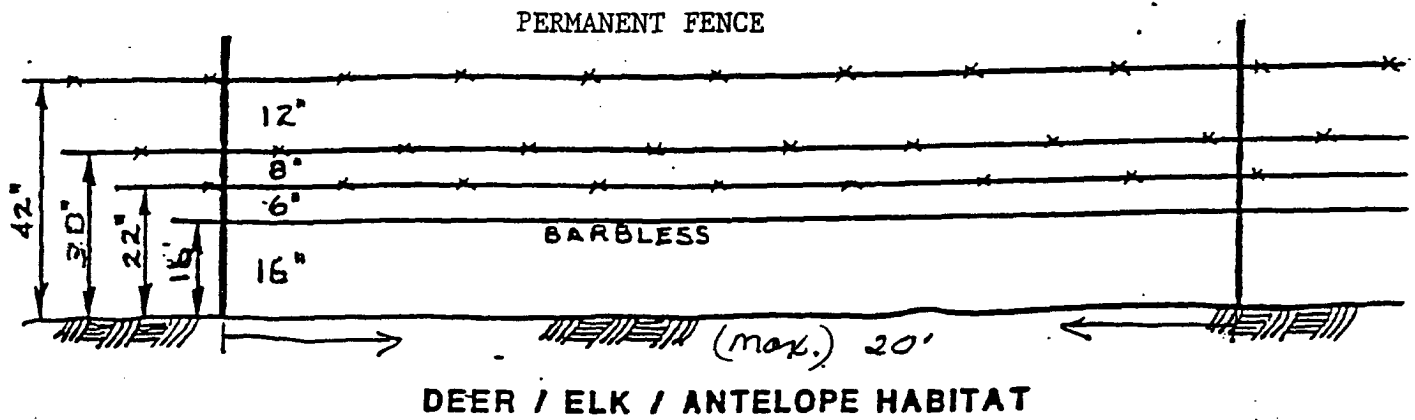
--- SITE BOUNDARY

— COUNTOUR LINES 2FT. INTERVALS

Permanent Fence  
≈ 300 Ft. Long

50'  
from  
West  
Edge  
of  
pad

West 500 x 500'



## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation  
Well Name & No. Baetz BDU Federal #3  
Location: 330' FSL, 330' FEL, Section 19, T. 23 S., R. 30 E., Eddy County, New Mexico  
Lease: NM-27729 615

per new APD page & Plat 5/3/04

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:
  - A. Well spud
  - B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch
  - C. BOP tests
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.
3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.
4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
5. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 440 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is to be circulated to the surface.
3. The minimum required fill of cement behind the 5-1/2 inch production casing is to be circulated to the surface.
4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

### III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

4 7 04

acs

BLM Serial Number: NM-27729  
Company Reference: YATES PETROLEUM CORP  
Well No. & Name: 3-BAETZ BDU FEDERAL

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS  
CARLSBAD FIELD OFFICE

A copy of the grant and attachments, including stipulations and map, will be on location during construction. BLM personnel may request to view a copy of your permit during construction to ensure compliance with all stipulations.

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

A. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

B. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized by this grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

C. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the right-of-way (unless the release or threatened release is wholly unrelated to the right-of-way holder's activity on the right-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

D. If, during any phase of the construction, operation, maintenance, or termination of the road, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all

damages to Federal lands resulting therefrom, the Authorized

Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

E. The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times.

The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

F. The Holder shall ensure that the entire right-of-way, including the driving surface, ditching and drainage control structures, road verges and any construction sites or zones, will be kept free of the following plant species: Malta starthistle, African rue, Scotch thistle and salt cedar.

Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☒ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☒ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

☐ Flat-blading is authorized on segment(s) delineated on the attached map.

### 3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, outsloping, insloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

#### SPACING INTERVAL FOR TURNOUT DITCHES

Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

☐ 400 foot intervals.

☒ 200 foot intervals.

☐ locations staked in the field as per spacing intervals above.

☐ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

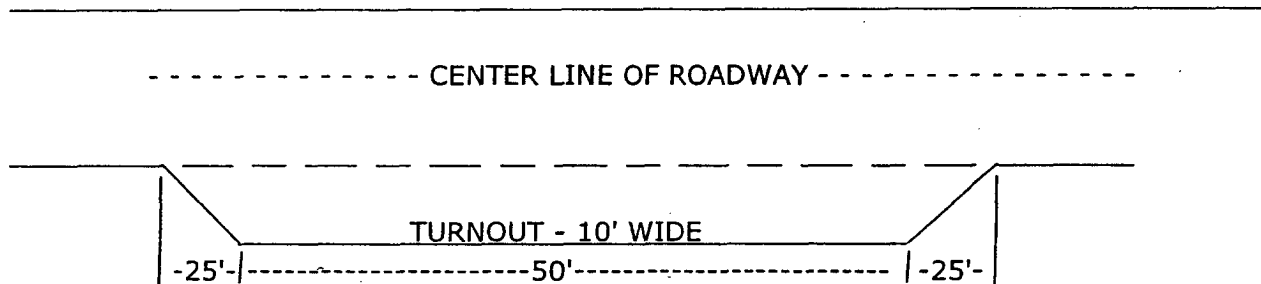
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Example: 4% slope: spacing interval = 400 + 100 = 200 feet

#### 4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



STANDARD TURNOUT - PLAN VIEW

#### 5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

A sales contract for the removal of mineral materials (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to using any such mineral material from public lands. Contact the BLM solid minerals staff for the various options to purchase mineral material.

#### 6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.



7. MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.

10. SPECIAL STIPULATIONS: *None*