

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

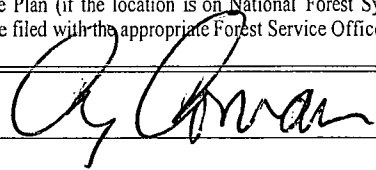
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-100549
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator YATES PETROLEUM CORPORATION Non-Standard Location		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 105 South Fourth Street Artesia, New Mexico 88210	3b. Phone No. (include area code) 575-748-4347	8. Lease Name and Well No. Blast "BLA" Federal #9-H
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 360' FSL & 15' FWL, Unit Ltr M Sec. 21-T26S-R27E At proposed prod. zone 660' FSL & 330' FEL, Unit Ltr P Sec. 21-T26S-R27E, BHL		9. API Well No. 30-015-43354
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles southwest of Malaga, NM.		10. Field and Pool, or Exploratory Undesignated 2nd Bone Spring
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) Approx. 360'	16. No. of acres in lease 1920 acres	11. Sec., T. R. M. or Blk. and Survey or Area Section 21-T26S-R27E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 30'	19. Proposed Depth TVD-7585' MD-12279'	12. County or Parish Eddy County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3224' GL	22. Approximate date work will start* 08/09/2014	13. State NM
17. Spacing Unit dedicated to this well S2S2, Sec. 21-T26S-R27E		
20. BLM/BIA Bond No. on file Nationwide Bond #NM-B000434 NMB000920		
23. Estimated duration 60 days		

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must 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 must 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 BLM.

25. Signature 	Name (Printed/Typed) Cy Cowan	Date 9/5/14
Title Land Regulatory Agent		
Approved by (Signature) Steve Caffey	Name (Printed/Typed)	Date AUG 28 2015
Title FIELD MANAGER		
Office CARLSBAD FIELD 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 TWO YEARS**

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.

(Continued on page 2)

NM OIL CONSERVATION
ARTESIA DISTRICT

*(Instructions on page 2)

Carlsbad Controlled Water Basin

SEP 03 2015

RECEIVED

Approval Subject to General Requirements
& Special Stipulations AttachedSEE ATTACHED FOR
CONDITIONS OF APPROVAL

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6179 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 478-3480 Fax: (505) 478-3482

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-43354	Pool Code 64010	Pool Name Welch Undesignated Bone Spring Sand
Property Code 37020	Property Name BLAST BLA FEDERAL	Well Number 9H
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3224

Surface Location

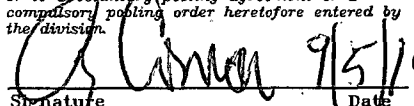
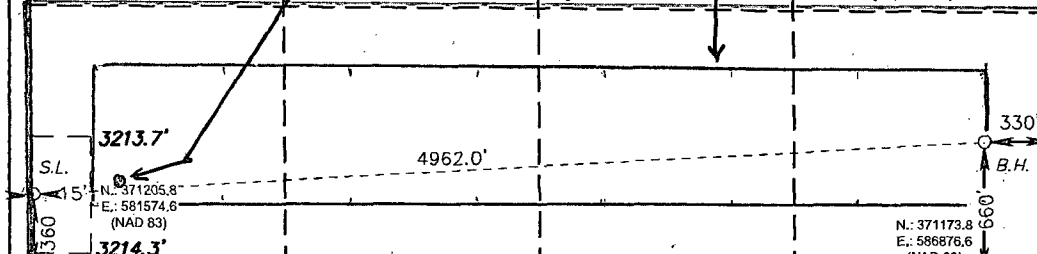

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	21	26 S	27 E		360	SOUTH	15	WEST	EDDY

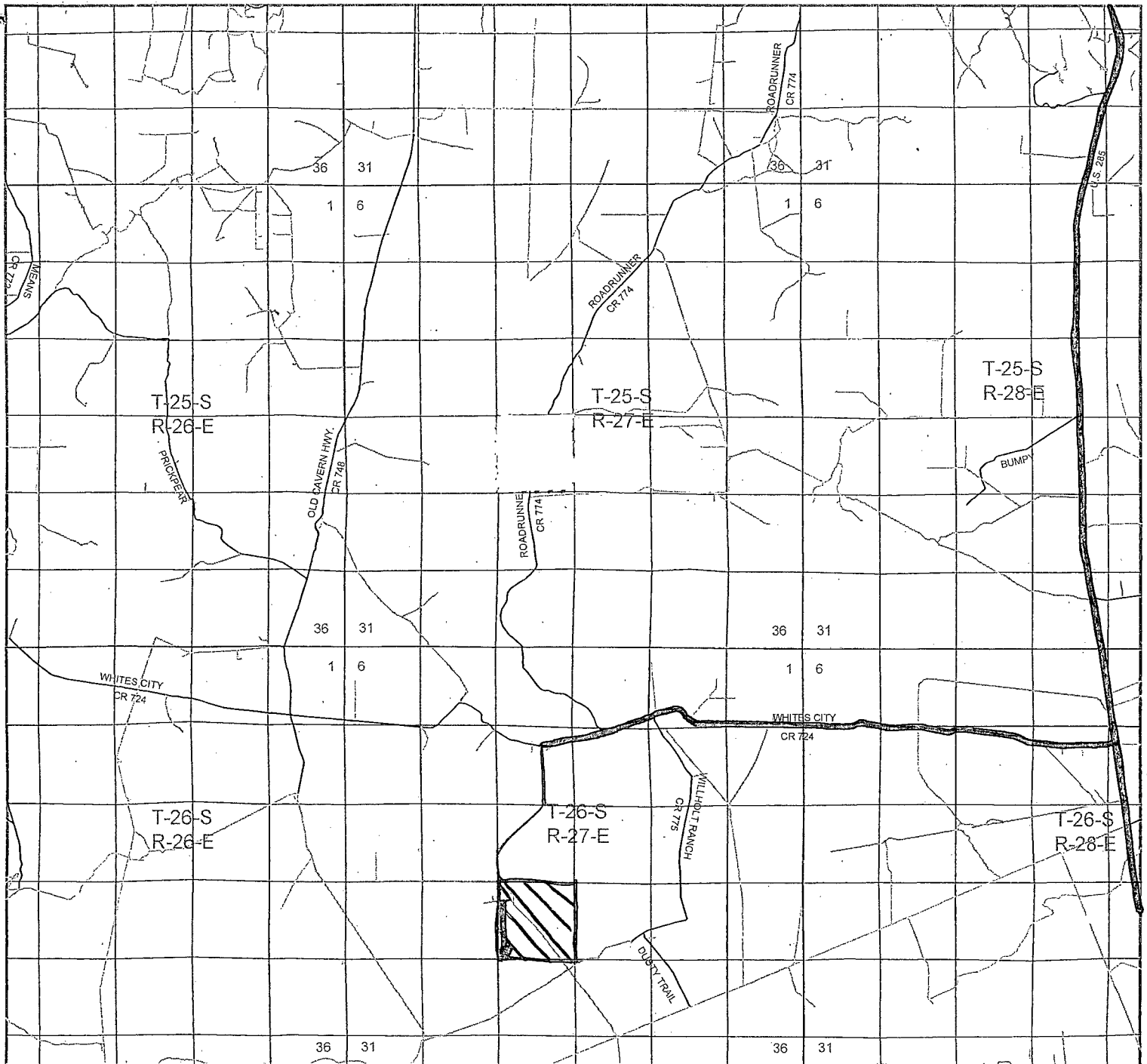
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	21	26 S	27 E		660	SOUTH	330	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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

N.: 376532.2 E.: 581537.7 (NAD 83)	N.: 376501.3 E.: 584187.5 (NAD 83)	N.: 376471.7 E.: 586837.3 (NAD 83)	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undrilled mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature _____ Date 9/5/14 Cy Cowan Printed Name cy@yatespetroleum.com Email Address
SURFACE LOCATION Lot - N 32°01'17.21" Long - W 104°12'12.46" NMSPE - N 371565.6 E 581586.9 (NAD-83) Penetration Point 386' FSL and 485' FWL			PROPOSED BOTTOM HOLE LOCATION Lot - N 32°01'19.82" Long - W 104°11'14.90" NMSPE - N 371835.8 E 586541.7 (NAD-83)
Project Area 			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 supervision, and that the same is true and correct to the best of my belief. FEBRUARY 02 2014 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. _____ Category _____ Jones 7977 BASIC SURVEY 0' 500' 1000' 1500' 2000' SCALE: 1" = 1000' WO Num.: 29942



BLAST BLA FEDERAL #9H
Located 360' FSL and 15' FWL
Section 21, Township 26 South, Range 27 East,
N.M.P.M., Eddy County, New Mexico.



focused on excellence
in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
basinsurveys.com

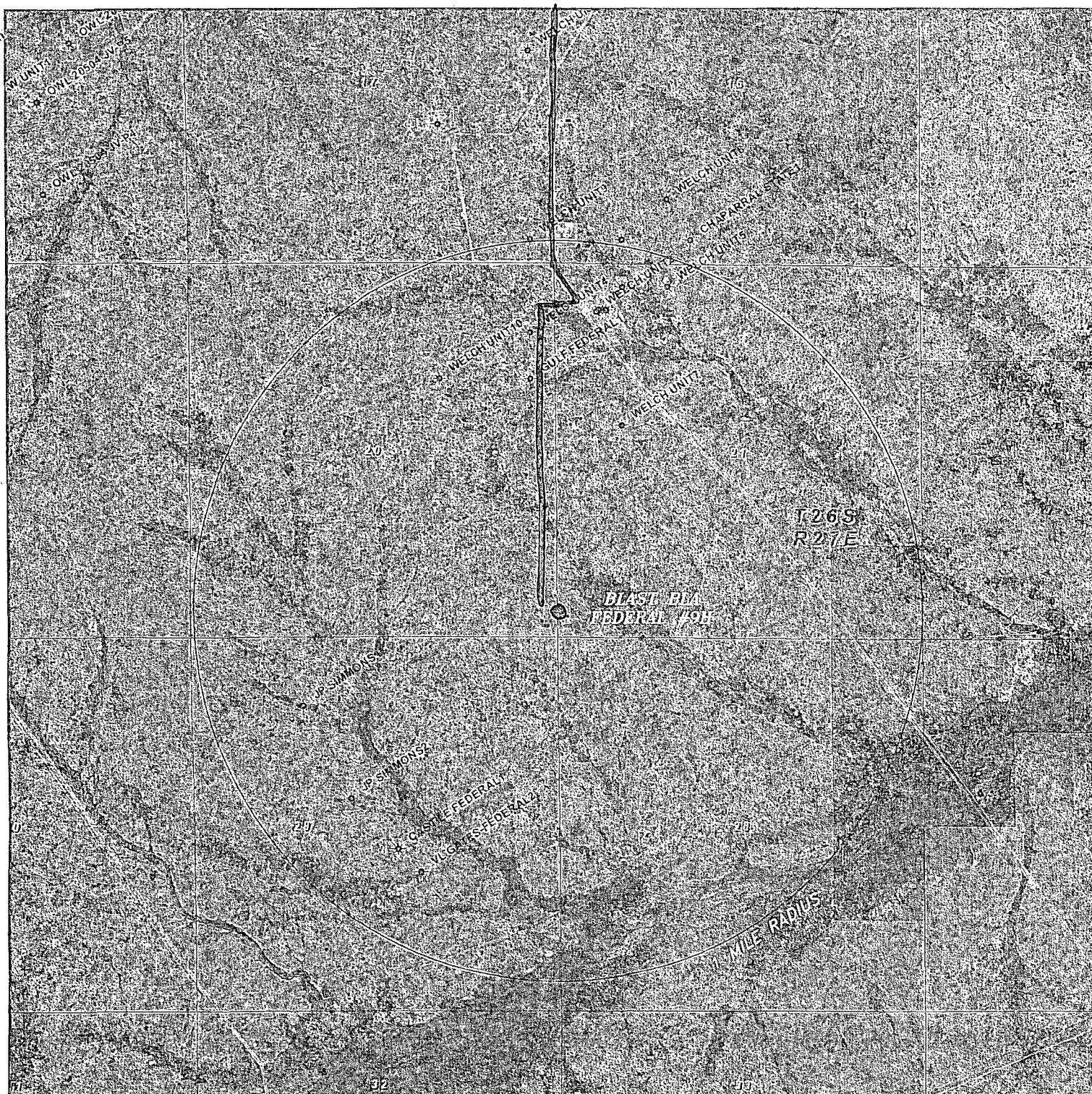
0 1 MI 2 MI 3 MI 4 MI
 SCALE: 1" = 2 MILES

W.O. Number: KAN 29942

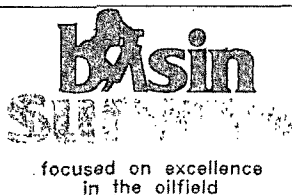
Survey Date: 02-05-2014

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND





BLAST BLA FEDERAL #9H
 Located 360' FSL and 15' FWL
 Section 21, Township 26 South, Range 27 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

0' 1000' 2000' 3000' 4000'

SCALE: 1" = 2000'

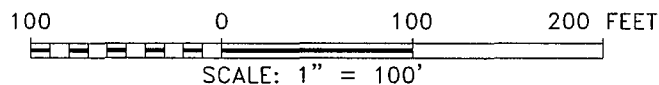
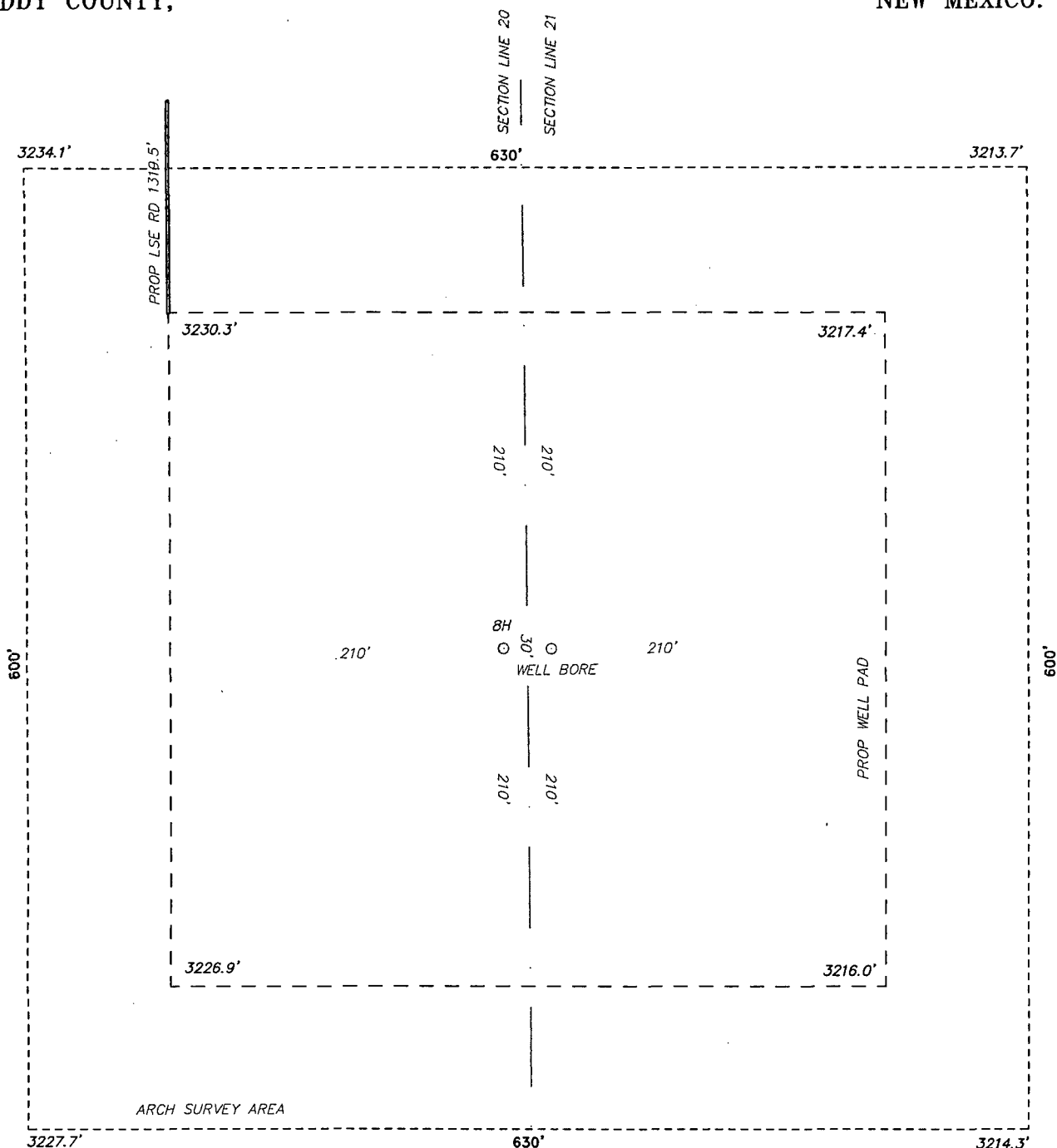
W.O. Number: KAN 29942

Survey Date: 02-05-2014

YELLOW TINT - USA LAND
 BLUE TINT - STATE LAND
 NATURAL COLOR - FEE LAND



SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST. N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



STATES PETROLEUM CORPORATION

REF: BLAST BLA FEDERAL #9H / WELL PAD TOPO

THE BLAST BLA FEDERAL #9H LOCATED 360' FROM
THE SOUTH LINE AND 15' FROM THE WEST LINE OF
SECTION 21, TOWNSHIP 26 SOUTH, RANGE 27 EAST.

N.M.P.M., EDDY COUNTY, NEW MEXICO.

basin
surveys
focused on excellence
in the oilfield

P.O. Box 1786 (575) 393-7316 - Office
1120 N. West County Rd. (575) 392-2206 - Fax
Hobbs, New Mexico 88241 basinsurveys.com

5

YATES PETROLEUM CORPORATION

Blast "BLA" Federal #9H

360' FSL & 15' FWL, Surface

660' FSL & 330' FEL, Bottom

Section 21-T26S-R27

Eddy County, New Mexico

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

Castile/LM/SD	289'	Bone Spring LM	5645'	
Top of Salt	1229'	Avalon Shale	5781'--Oil	
Base of Salt	1885'	Bone Spring 1/SD/	6525'--Oil	
Lamar	2027'	Kick Off Point	7044'	
Bell Canyon	2069'--Oil	Bone Spring 2/SD/	7258'--Oil	7251' TVD
Cherry Canyon	2883'--Oil	Bone Spring 2 Target	7787'--Oil	7522' TVD
Manzanita Marker	3017'	TD EOL	12279'	7585' TVD
Brushy Canyon	4043'--Oil			

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

Water: Approx 35'

Oil or Gas: See above.

- See COA*
- 3. Pressure Control Equipment:** 3000 PSI BOPE with a 13.625" opening will be installed on the 13 3/8" and a 5000# BOP with a minimum opening of 11.0 opening on the 9 5/8" casing. A variance is requested for the use of a flex hose between the well head and manifold if Cactus Rig #124 is used to drill this well. The certification and specs are attached. Test will be conducted by an independent tester, utilizing a test plug in the well head. BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes on each segment of the system tested if test is done with a test plug and 30 minutes without a test plug. Blind rams and pipe rams will be tested to the rated pressure of the BOP. Any leaks will be repaired at the time of the test. Annular preventers will be tested to 50% of rated pressure. Accumulator system will be inspected for correct pre charge pressures, and proper functionality, prior to connection to the BOP system. Tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers 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 floor 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)

HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLING	INTERVAL	LENGTH
17.5"	13.374"	48#	H-40/J-55 Hybrid	ST&C	0'-400'	400'
12.25"	9.625"	36#	J-55	LT&C	0'-2050'	2050'
8.75"	5.5"	17#	P-110	Buttress	0'-7787'	7787'
8.5"	5.5"	17#	P-110	Buttress	7787'-12279'	4492'

See COA

This well will be drilled vertically to 7044'. At 7044' the well will be kicked off and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 7787' MD (7522' TVD). Hole size will then be reduced to 8 1/2" and drilled to 12279' MD (7585' TVD) where 5 1/2" casing will be set and cemented 500' into intermediate casing with a DV/Stage Packer Tools at approximately 5500'-6000' (cement volumes will be adjusted per tool placement). Penetration point of producing zone will be encountered at 386' FSL & 485' FWL of section 21-26S-27E. The deepest TVD in well is 7585' in the lateral.

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

B. Cementing Program:

Surface casing from 0' to 400': TOC surface; Lead with 415 sack Class "C" with CaCl₂ 2% (WT 14.80 YLD 1.34 WTR. 6.20 gal/sack); Cement designed with 100% excess.

Intermediate Casing from 0' to 2050': TOC surface. Lead in with 500 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00 Wtr. 11.00 gal/sack). Tail in with 210 sacks Class C with 2% CaCl₂ (Wt. 14.80 Yld. 1.34 Wtr. 6.20 gal/sack. Cement designed with 100% excess.

Production Casing will be done in two stages with DV Tool a 5500'.

See COA

Stage I 12279' to 5500': TOC 5500', Lead in with 255 sack of 35:65:6PzC (Wt. 12.50 Yld. 2.00 Wtr 11.00 gal/sack). Tail in with 910 sacks of Pecos Valley Lite with D112 fluid loss 0.4%, D151-Calcium Carbonate 22.5 lbs/sack, D174-Extender 2.5 lb/sack, D177-Retarder 0.01 lb/sack, D800-Retarder 0.6 lb/sack, D046-antifoam agent 0.15 lb/sack (Wt 13.00 Yld. 1.82 Wtr. 9.3 gal/sack). Cement designed with 35% excess.

Stage II 5500' to 1550': TOC 1550'. Lead with 540 sack 35:65:6PzC (Wt. 12.50 Yld. 2.00 Wtr. 11.0 gal/sack). Tail in with 205 sacks of Class C w/2% CaCl₂ (Wt 14.20 Yld. 1.34 Wtr 6.2 gal/sack). Cement designed with 35% excess.

5. Mud Program and Auxiliary Equipment:

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0'-400'	Fresh Water	8.60-9.20	32-34	N/C
400'-2050'	Brine Water	10.00-10.20	28-29	N/C
2050'-12279'	Cut Brine	8.80-9.20	28-32	N/C

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. The slow pump speed will be recorded on the daily drilling report after mudding up. A mud test will be performed every 24 hours after mudding up to determine, as applicable, viscosity, gel strength, filtration and pH. After surface casing is set an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of the derrick hand visually checking the fluid level in the pits periodically using a nut on the end of a rope hanging just above the fluid level in the pit.

6. EVALUATION PROGRAM:

See COA

Samples: 10' samples surface to TD.

Logging: Gamma-Ray/Neutron, 30 degree deviation to surface. Neutron Density, 30 degree deviation to intermediate casing. Laterolog, 30 degree deviation to intermediate casing. CMR, 30 degree deviation to intermediate casing. Horizontal-MWD-GR.

Coring: None Anticipated.

DST's: As warranted.

Mudlogger on from surface casing to TD.

H₂S is not anticipated.

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

Anticipated BHP:

From:	O	TO:	400'	Anticipated Max.	BHP:	191	PSI
From:	400'	TO:	2050'	Anticipated Max.	BHP:	1087	PSI
From:	2050'	TO:	7585'	Anticipated Max.	BHP:	3629	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 160 F

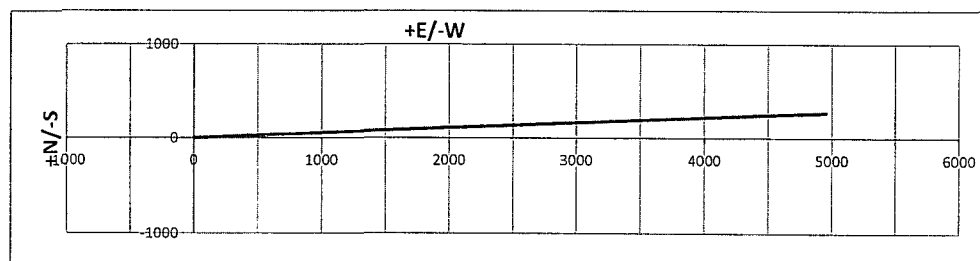
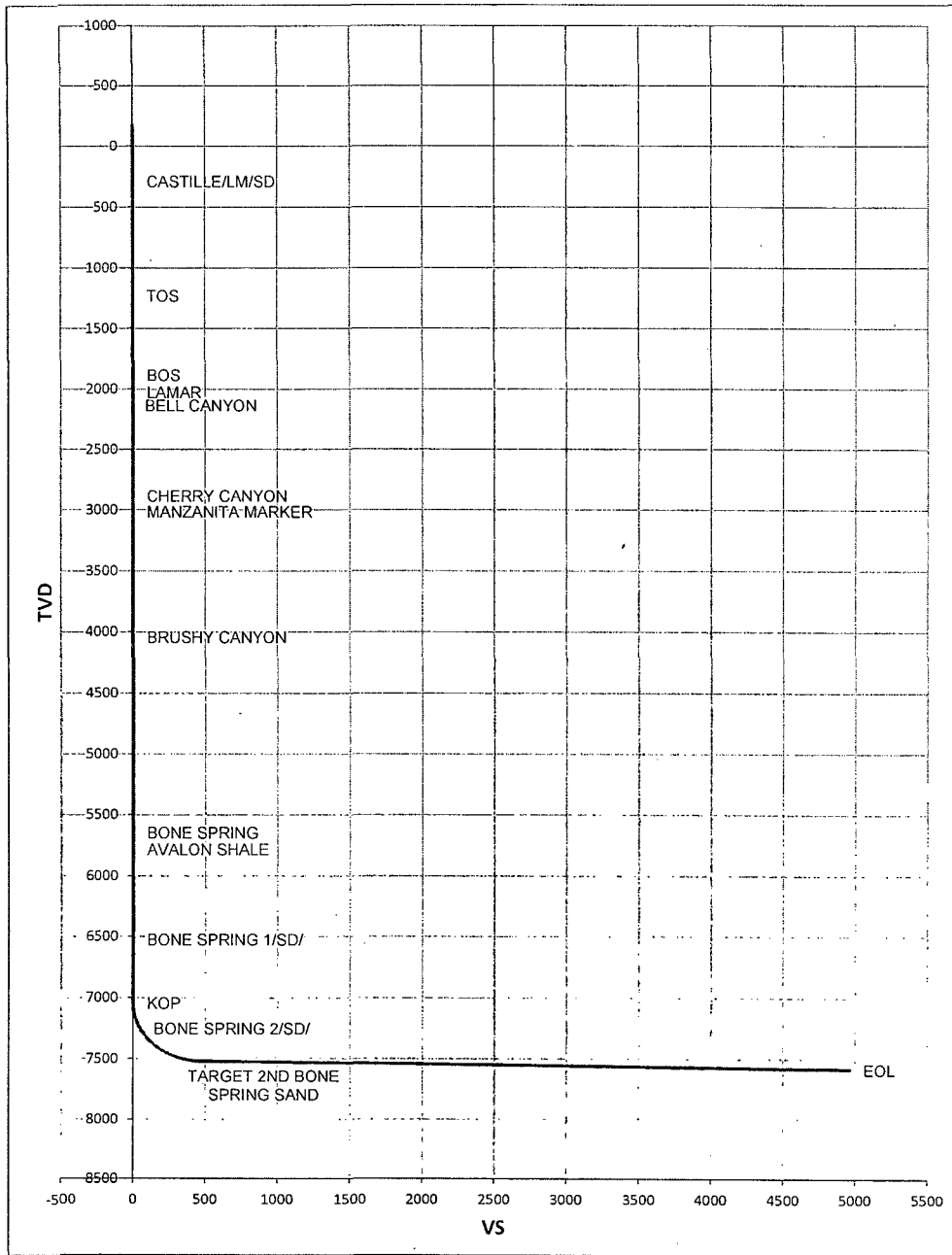
8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 30 days.

Well Name:	Blast BLA Federal #9H	Tgt N-S:	270.20	EOC TVD/MD:	7521.64 / 7787.49
Surface Location:	Section 21 , Township 26S Range 27E	Tgt E-W:	4954.80	VS:	4962.16
Bottom Hole Location:	Section 21 , Township 26S Range 27E	VS Az:	86.88	EOL TVD/MD:	7585.00 / 12278.92

MD	Inc.	Azi.	TVD	N/S	E/W	VS	DLS	Comments
0	0	0	0	0	0	0	0	
289.00	0.00	0.00	289.00	0.00	0.00	0.00	0.00	CASTILLE/LM/SD
1229.00	0.00	0.00	1229.00	0.00	0.00	0.00	0.00	TOS
1885.00	0.00	0.00	1885.00	0.00	0.00	0.00	0.00	BOS
2027.00	0.00	0.00	2027.00	0.00	0.00	0.00	0.00	LAMAR
2069.00	0.00	0.00	2069.00	0.00	0.00	0.00	0.00	BELL CANYON
2883.00	0.00	0.00	2883.00	0.00	0.00	0.00	0.00	CHERRY CANYON
3017.00	0.00	0.00	3017.00	0.00	0.00	0.00	0.00	MANZANITA MARKER
4043.00	0.00	0.00	4043.00	0.00	0.00	0.00	0.00	BRUSHY CANYON
5645.00	0.00	0.00	5645.00	0.00	0.00	0.00	0.00	BONE SPRING
5781.00	0.00	0.00	5781.00	0.00	0.00	0.00	0.00	AVALON SHALE
6525.00	0.00	0.00	6525.00	0.00	0.00	0.00	0.00	BONE SPRING 1SD/
7044.22	0.00	0.00	7044.22	0.00	0.00	0.00	0.00	KOP
7050.00	0.69	86.88	7050.00	0.00	0.03	0.03	12.00	
7075.00	3.69	86.88	7074.98	0.05	0.99	0.99	12.00	
7100.00	6.69	86.88	7099.87	0.18	3.25	3.25	12.00	
7125.00	9.69	86.88	7124.62	0.37	6.81	6.82	12.00	
7150.00	12.69	86.88	7149.14	0.64	11.65	11.67	12.00	
7175.00	15.69	86.88	7173.37	0.97	17.77	17.80	12.00	
7200.00	18.69	86.88	7197.25	1.37	25.15	25.19	12.00	
7225.00	21.69	86.88	7220.71	1.84	33.77	33.82	12.00	
7250.00	24.69	86.88	7243.69	2.38	43.60	43.66	12.00	
7258.08	25.66	86.88	7251.00	2.56	47.02	47.09	12.00	BONE SPRING 2SD/
7275.00	27.69	86.88	7266.12	2.98	54.61	54.69	12.00	
7300.00	30.69	86.88	7287.94	3.64	66.79	66.89	12.00	
7325.00	33.69	86.88	7309.09	4.37	80.09	80.20	12.00	
7350.00	36.69	86.88	7329.52	5.15	94.47	94.61	12.00	
7375.00	39.69	86.88	7349.17	5.99	109.90	110.07	12.00	
7400.00	42.69	86.88	7367.98	6.89	126.34	126.53	12.00	
7425.00	45.69	86.88	7385.90	7.84	143.74	143.96	12.00	
7450.00	48.69	86.88	7402.89	8.84	162.05	162.29	12.00	
7475.00	51.69	86.88	7418.89	9.88	181.23	181.50	12.00	
7500.00	54.69	86.88	7433.87	10.97	201.21	201.51	12.00	
7525.00	57.69	86.88	7447.78	12.10	221.95	222.28	12.00	
7550.00	60.69	86.88	7460.58	13.27	243.39	243.75	12.00	
7575.00	63.69	86.88	7472.24	14.48	265.47	265.86	12.00	
7600.00	66.69	86.88	7482.73	15.71	288.13	288.55	12.00	
7625.00	69.69	86.88	7492.01	16.98	311.30	311.76	12.00	
7650.00	72.69	86.88	7500.07	18.26	334.93	335.42	12.00	
7675.00	75.69	86.88	7506.88	19.57	358.94	359.48	12.00	
7700.00	78.69	86.88	7512.42	20.90	383.28	383.85	12.00	
7725.00	81.69	86.88	7516.68	22.24	407.88	408.48	12.00	
7750.00	84.69	86.88	7519.64	23.59	432.66	433.30	12.00	
7775.00	87.69	86.88	7521.30	24.95	457.57	458.25	12.00	
7787.49	89.19	86.88	7521.64	25.63	470.03	470.73	12.00	TARGET 2ND BONE SPRING SAND
12278.92	89.19	86.88	7585.00	270.20	4954.80	4962.16	0.00	EOL

Blast BLA Federal #9H





Midwest Hose
& Specialty, Inc.

Certificate of Conformity

Customer: CACTUS	Customer P.O.# RIG#137 M12653
Sales Order # 191672	Date Assembled: 12/11/2013
Specifications	
Hose Assembly Type: Choke & Kill	
Assembly Serial # 229391	Hose Lot # and Date Code 11060 10/13
Hose Working Pressure (psi) 10000	Test Pressure (psi) 15000
<p>We hereby certify that the above material supplied for the referenced purchase order to be true according to the requirements of the purchase order and current industry standards.</p>	
Supplier: Midwest Hose & Specialty, Inc. 3312 S I-35 Service Rd Oklahoma City, OK 73129	
Comments:	
Approved By <i>Phillip W. Magistrell</i>	Date 12/11/2013

M12653



Midwest Hose
& Specialty, Inc.

Internal Hydrostatic Test Graph

December 11, 2013

Customer: Cactus

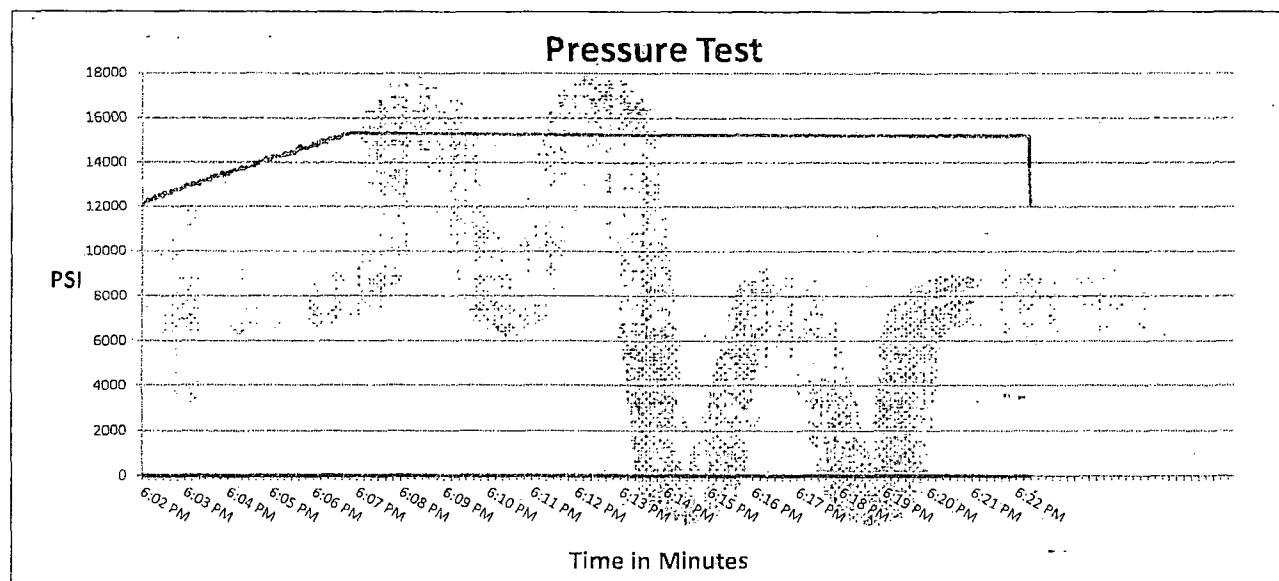
Pick Ticket #: 229391

Hose Specifications

<u>Hose Type</u>	<u>Length</u>
Mud	35'
<u>I.D.</u>	<u>O.D.</u>
4"	6.13"
<u>Working Pressure</u>	<u>Burst Pressure</u>
10000 PSI	Standard Safety Multiplier Applies

Verification

<u>Type of Fitting</u>	<u>Coupling Method</u>
4 1/16 10K	Swage
<u>Die Size</u>	<u>Final O.D.</u>
6.62"	6.66"
<u>Hose Serial #</u>	<u>Hose Assembly Serial #</u>
11060	229391



Test Pressure
15000 PSI

Time Held at Test Pressure
16 2/4 Minutes

Actual Burst Pressure

Peak Pressure
15483 PSI

Comments: Hose assembly pressure tested with water at ambient temperature.

Tested By: Tony Kellington

Approved By: Phil Maytubby

x *T. Kellington*

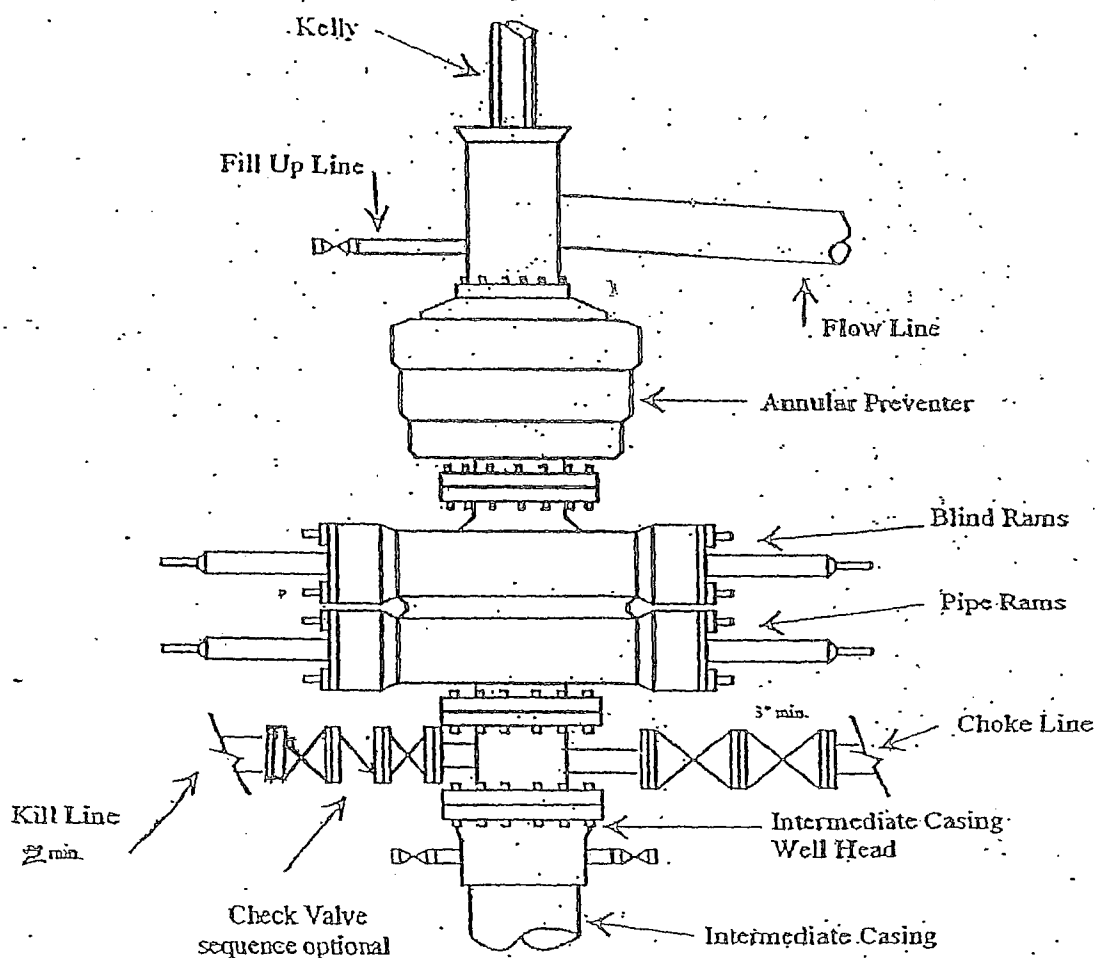
x *Phil Maytubby*



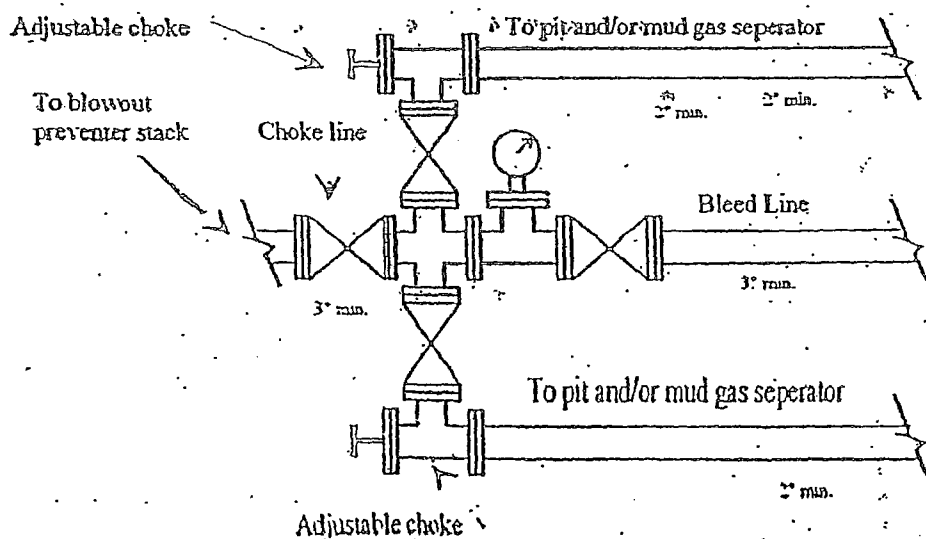
Yates Petroleum Corporation
Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack

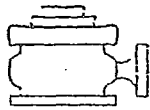
BOP-3

Exhibit



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

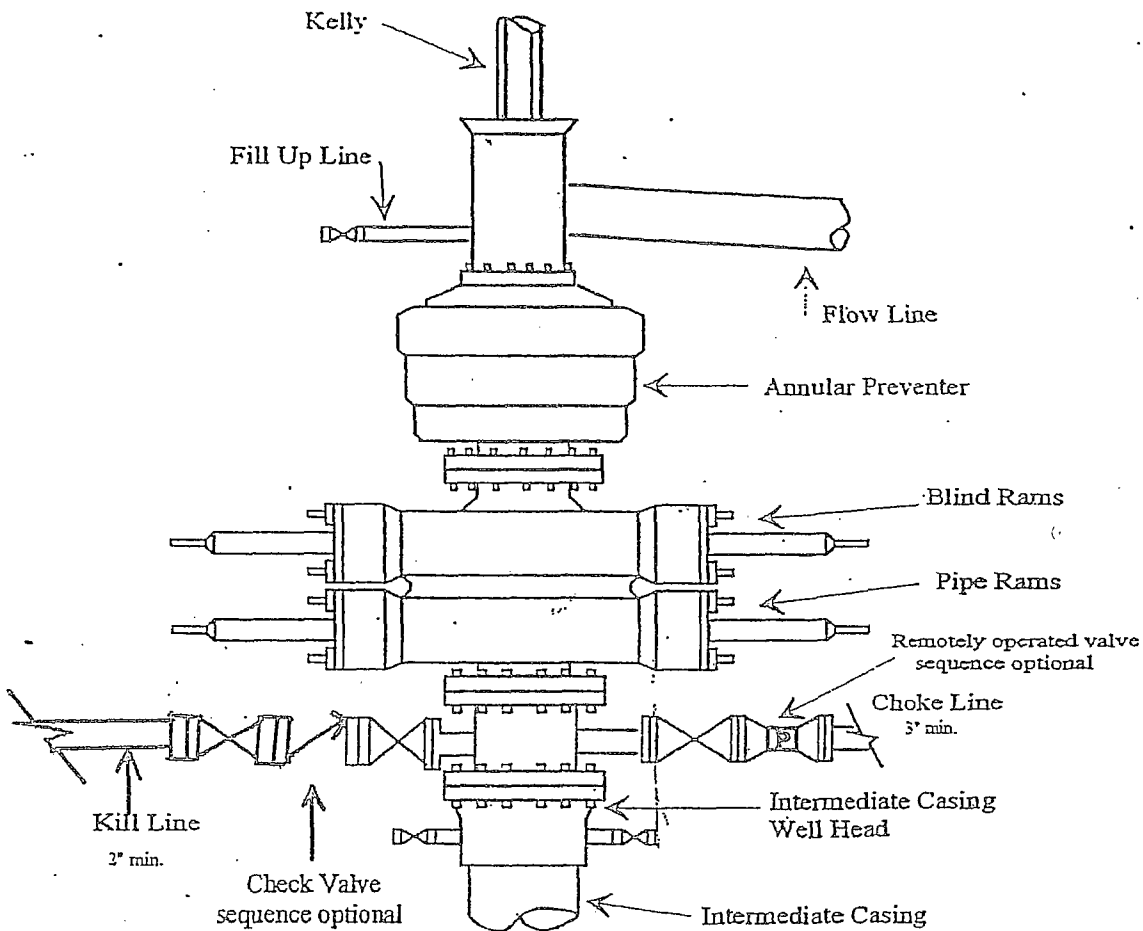




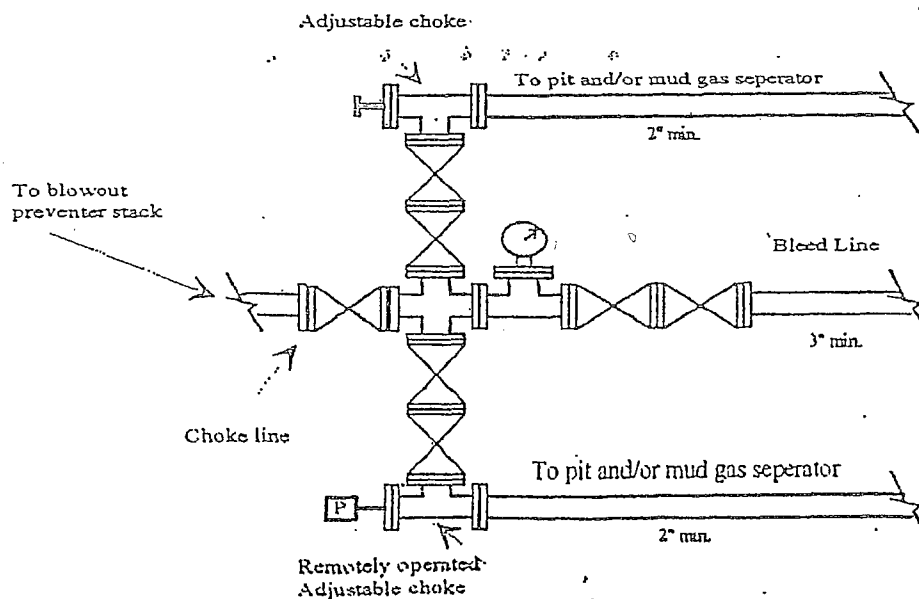
Yates Petroleum Corporation
 Typical 5,000 psi Pressure System
 Schematic
 Annular with Double Ram Preventer Stack

BOP-4

Exhibit

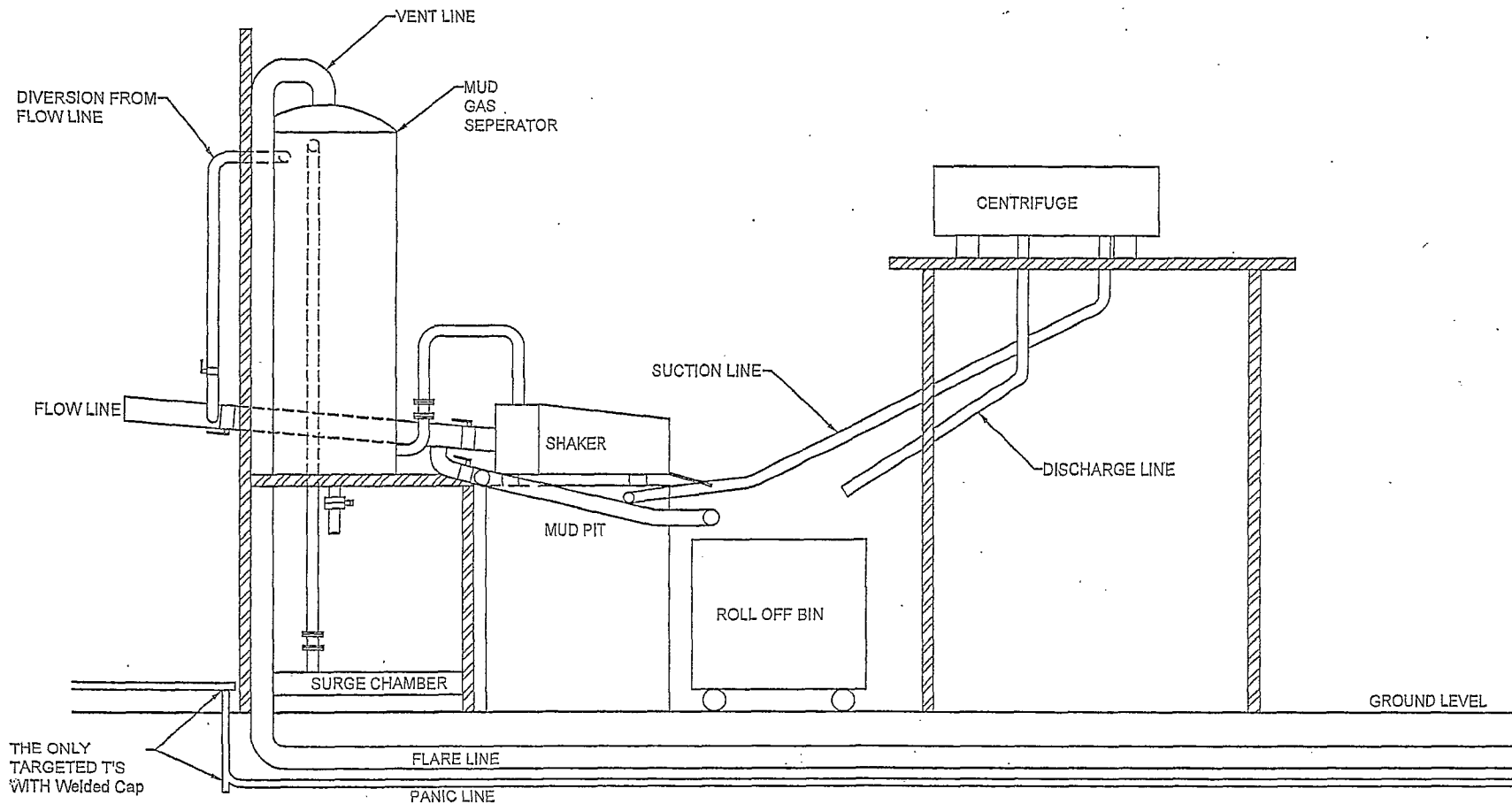


Typical 5,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION

Piping from Choke Manifold
to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H2S wells and 150' from wellhead for wells expected to encounter H2S.

Yates Petroleum Corporation

Closed Loop System

Equipment Design Plan

Closed Loop System will consist of:

1 – double panel shale shaker

1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges

On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System

1 – minimum centrifugal pump to transfer fluids

2- 500 bbl. FW Tanks

1 – 500 bbl. BW Tank

1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.

1 Set of rail cars / catch bins

Certain wells will use an ASC Auger Tank

Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.

Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

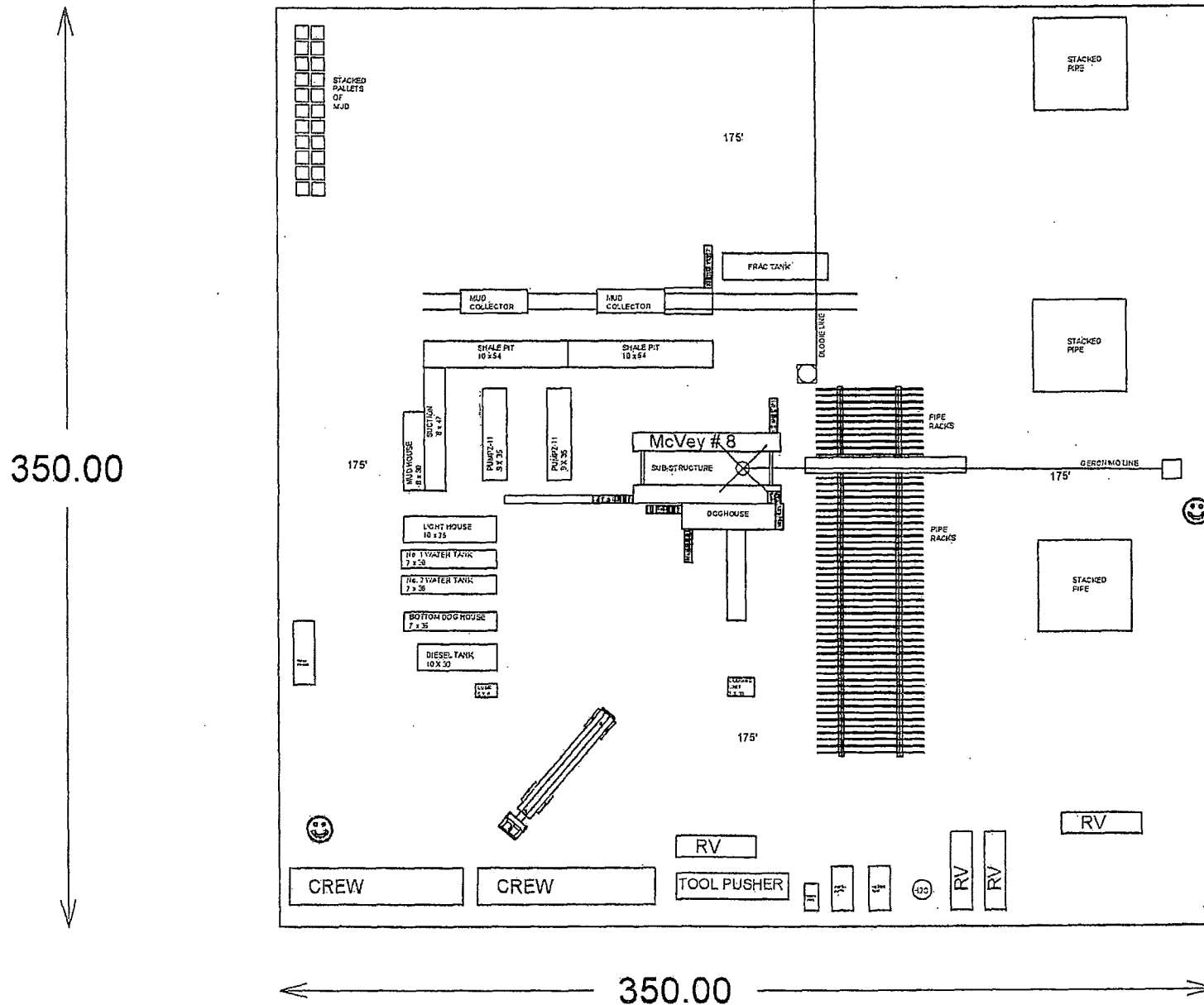
Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm or CRI.

YATES PETROLEUM CORPORATION

McVey # 8

12-16-13

Rig Plat #1



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

PAD LAYOUT
Scale: 1 inch = 60 feet

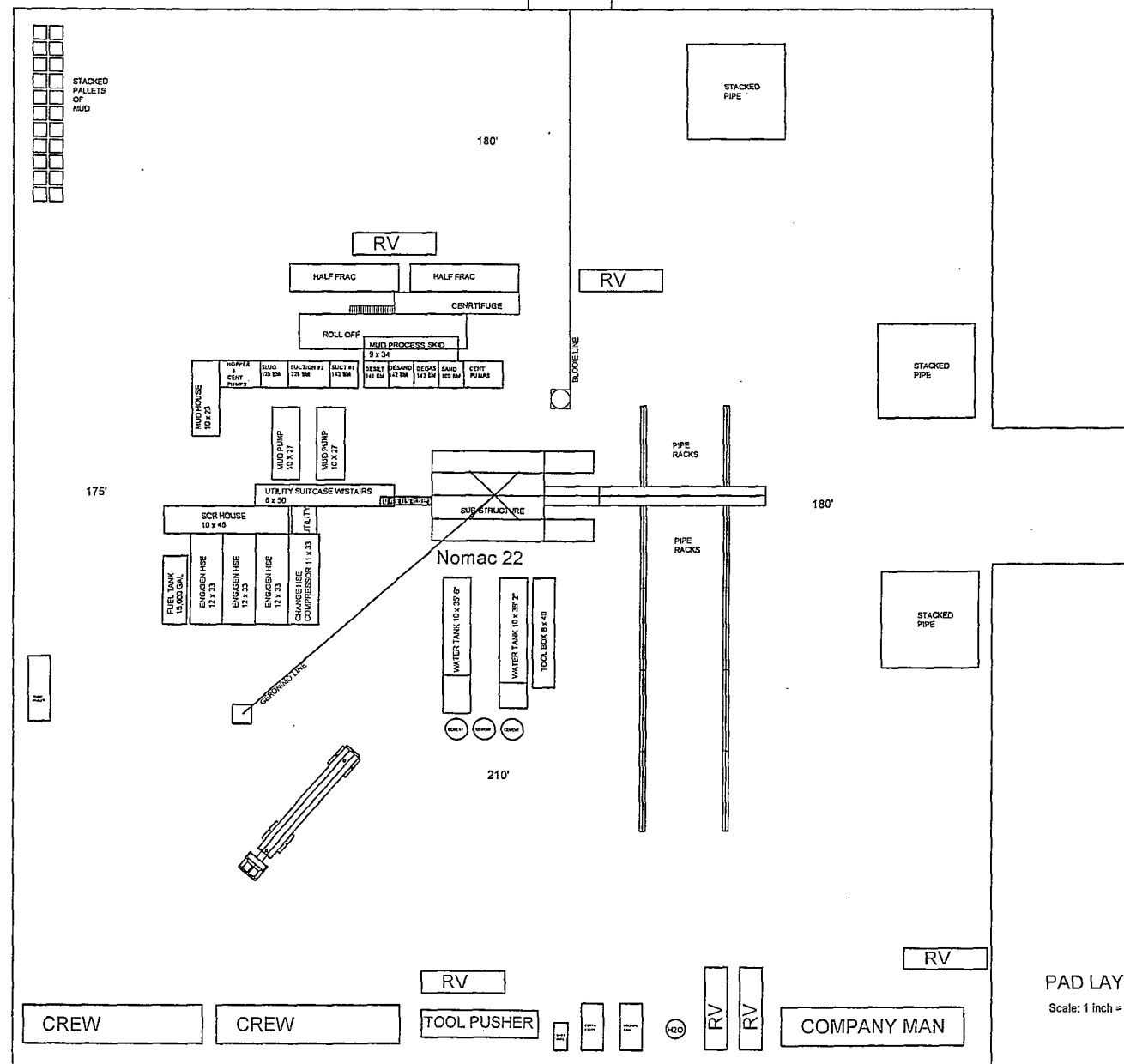
YATES PETROLEUM CORPORATION

Nomac 22

06-24-13

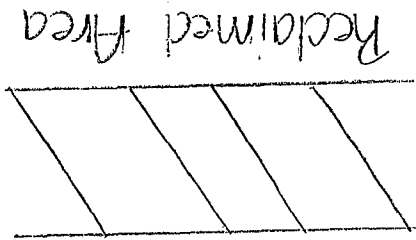
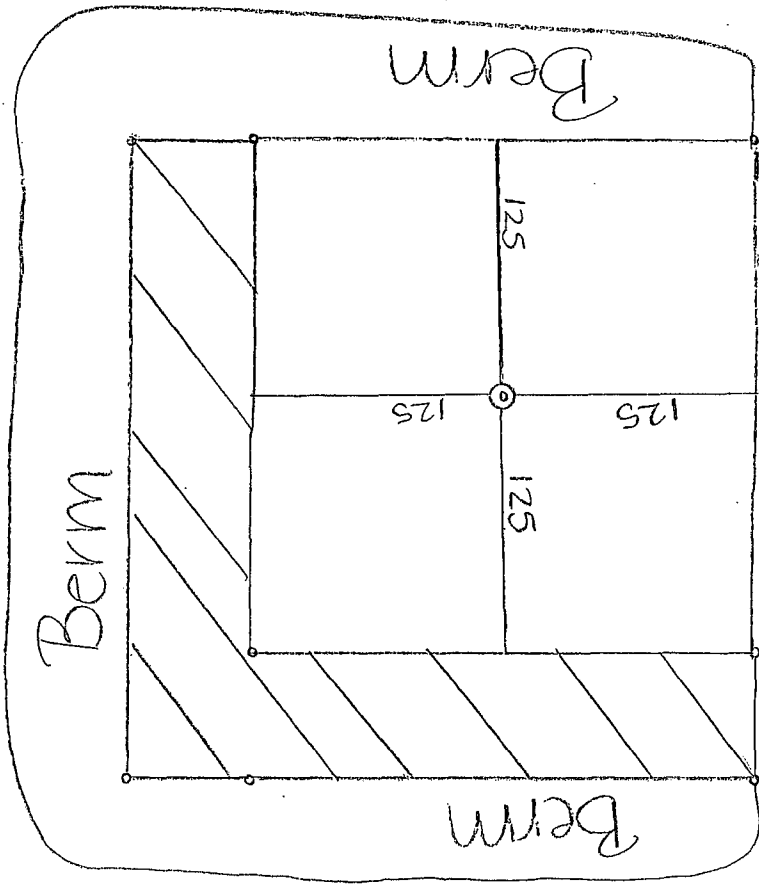
Rig Plat #2

390.00



Blast BLA Federal
#9H

Reclamation Plat



MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Blast BLA Federal #9H

360' FSL and 15' FWL Surface Hole Location

660' FSL and 330' FEL Bottom Hole Location

Section 21, T26S-R27E

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 well site is located approximately 25 miles southeast of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A. Operator will maintain existing roads in condition the same or better than before operations begin. Operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures along the entire access route such as cattle guards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. Operator will reasonably prevent and abate fugitive dust as needed when created by vehicular traffic and equipment caused by the operator. The BLM's written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

DIRECTIONS:

Go south of Malaga, NM on Highway 285 or approximately 10.7 miles to Whites City Road (CR-724). Turn right on Whites City Road and go approximately 7.5 miles. Just past a caliche pit on the left turn left here on an existing lease road. Go south on the lease road for approximately 2.4 miles to Concho's Cluster State Com. #5H well location. From the southwest corner of this well go south following a two track road for approximately 200 feet to a pipeline right of way. Turn left on the pipeline right of way and go approximately .3 of a mile. Turn right here and go approximately .2 of a mile to the Blast #2H and #3H well location. The new road will start from the southeast corner of this well pad going south for approximately .8 of a mile to the northwest corner of the proposed Blast BLA Federal #9H well location.

2. PLANNED ACCESS ROAD.

- A. The new access road route will go in a north to south direction for approximately .8 of a mile to the northwest corner of the proposed well location. The road will be crowned and ditched to a 2% slope from the tip of the crown to the edge of the driving surface.
- B. Ditches will be 3' wide with a 3:1 slopes.
- C. The route of the road is visible.
- D. 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 well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time
The necessary production facilities for this well will be constructed on the south side of the well location. 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.
One (1) 8" SDR-11 poly buried natural gas pipeline and one (1) 8" SDR-11 poly buried produced water pipeline. Each will have a working pressure of 100# psi and a volume of 1000 barrels per day. The lengths of the pipelines will be approximately 3800'. The lines will follow the access road and will tie into the connections at the Blast #2H and 3H.

5. LOCATION AND TYPE OF WATER SUPPLY:

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

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction of the well location.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be drilled with a closed loop system
B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC.
C. Drilling fluids will be removed after drilling and completions are completed.
D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
E. Oil produced during operations will be stored in tanks until sold.
F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
G. 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 landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None.

9. WELLSITE LAYOUT:

- A. Yates has staked a 420' x 420' "Pad Clearance Area." This area can contain the regularly used rigs Yates utilizes in Southeastern New Mexico. The actual pad size to be constructed would be smaller than the "Pad Clearance Area." This area was staked at this size with aid from the BLM, since the actual pad size/drilling rig is unknown at this time. Yates will submit a Sundry Notice with a rig layout depicting the actual size of the pad to be constructed with the dimensions from the well bore to all four sides of the pad with the same orientation as the "Pad Clearance Area." Yates will not construct the well pad until the rig layout is approved through the Sundry Notice.

- B. Please note exhibits Rig Size #1 and Rig Size #2 show the relative location and dimensions of the well pad, location of the drilling equipment, pulling unit orientation and access road approach. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- 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 well site in as aesthetically pleasing a condition as possible. The location will be reduced to a 250' x 250' after completion operations have been conducted. At this point the surfacing material will be removed, topsoil will be redistributed and the area will be reseeded. Please note attached Reclamation Plat. The location will be re-contoured back to as close as possible to the original land before construction was begun.
- B. If the proposed well is plugged and abandoned, all equipment and other material will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. At this point the surfacing material will be removed, topsoil will be redistributed and the area will be reseeded. These actions will be completed and accomplished as expeditiously as possible.
- C. The reclamation of the pad will be done in sixty days if possible after the well is put in production.
- D. A 2' high earthen berm will be constructed on all sides of the location except the westside.

11. SURFACE OWNERSHIP:

Surface Estate Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220.

Mineral Estate: Federal Lease NM-100549
Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220

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.

CERTIFICATION
YATES PETROLEUM CORPORATION
Blast BLA Federal #9H

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; and an someone under employment of Yates Petroleum Corporation has 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 the company I represent, 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 5th day of September 2014

Signature 

Name Cy Cowan

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (575) 748-4372

Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above.

Telephone (if different from above) (575) 748-4221

E-mail (optional) cy@yatespetroleum.com

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp.
LEASE NO.:	NM100549
WELL NAME & NO.:	9H-Blast BLA Federal
SURFACE HOLE FOOTAGE:	360'/S & 15'/W
BOTTOM HOLE FOOTAGE:	660'/S & 330'/E
LOCATION:	Section 21, T. 26 S., R. 27 E., NMPM
COUNTY:	Eddy County, New Mexico

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
 - Cave/Karst
 - Cultural
- ☐ **Construction**
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
 - Casing/Cement Requirements
 - Logging Requirements
 - Waste Material and Fluids
- ☐ **Production (Post Drilling)**
 - Well Structures & Facilities
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator 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 shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Cave and Karst

** Depending on location, additional Drilling, Casing, and Cementing procedures may be required by engineering to protect critical karst groundwater recharge areas.

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Construction:

In the advent that any underground voids are opened up during construction activities, construction activities will be halted and the BLM will be notified immediately.

No Blasting:

No blasting will be utilized for pad construction. The pad will be constructed and leveled by adding the necessary fill and caliche.

Pad Berming:

The entire perimeter of the well pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the well pad.

- The compacted berm shall be constructed at a minimum of 12 inches high with impermeable mineral material (e.g. caliche).
- No water flow from the uphill side(s) of the pad shall be allowed to enter the well pad.
- The topsoil stockpile shall be located outside the bermed well pad.
- Topsoil, either from the well pad or surrounding area, shall not be used to construct the berm.
- No storm drains, tubing or openings shall be placed in the berm.
- If fluid collects within the bermed area, the fluid must be vacuumed into a safe container and disposed of properly at a state approved facility.
- The integrity of the berm shall be maintained around the surfaced pad throughout the life of the well and around the downsized pad after interim reclamation has been completed.
- Any access road entering the well pad shall be constructed so that the integrity of the berm height surrounding the well pad is not compromised. (Any access road crossing the berm cannot be lower than the berm height.)

Tank Battery Liners and Berms:

Tank battery locations and all facilities will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.

Leak Detection System:

A method of detecting leaks is required. The method could incorporate gauges to measure loss, situate valves and lines so they can be visually inspected, or installing electronic sensors to alarm when a leak is present. Leak detection plan will be submitted to BLM for approval.

Automatic Shut-off Systems:

Automatic shut off, check valves, or similar systems will be installed for pipelines and tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Fresh water will be used as a circulating medium in zones where caves or karst features are expected. SEE ALSO: Drilling COAs for this well.

Directional Drilling:

Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone. SEE ALSO: Drilling COAs for this well.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported in the drilling report.

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 70 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the situation and work with the operator on corrective actions to resolve the problem.

Abandonment Cementing:

Upon well abandonment in high cave karst areas additional plugging conditions of approval may be required. The BLM will assess the situation and work with the operator to ensure proper plugging of the wellbore.

Pressure Testing:

Annual pressure monitoring will be performed by the operator on all casing annuli and reported in a sundry notice. If the test results indicated a casing failure has occurred, remedial action will be undertaken to correct the problem to the BLM's approval.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5909 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

The operator shall strip the top portion of the soil (root zone) from the entire well pad area and stockpile the topsoil along the edge of the well pad as depicted in the APD. The root zone is typically six (6) inches in depth. All the stockpiled topsoil will be redistributed over the interim reclamation areas. Topsoil shall not be used for berming the pad or facilities. For final reclamation, the topsoil shall be spread over the entire pad area for seeding preparation.

Other subsoil (below six inches) stockpiles must be completely segregated from the topsoil stockpile. Large rocks or subsoil clods (not evident in the surrounding terrain) must be buried within the approved area for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation. The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing

The operator will install and maintain exclosure fencing for all open well cellars to prevent access to public, livestock, and large forms of wildlife before and after drilling operations until the pit is free of fluids and the operator initiates backfilling. (For examples of exclosure fencing design, refer to BLM's Oil and Gas Gold Book, Exclosure Fence Illustrations, Figure 1, Page 18.)

G. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed twenty-five (25) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

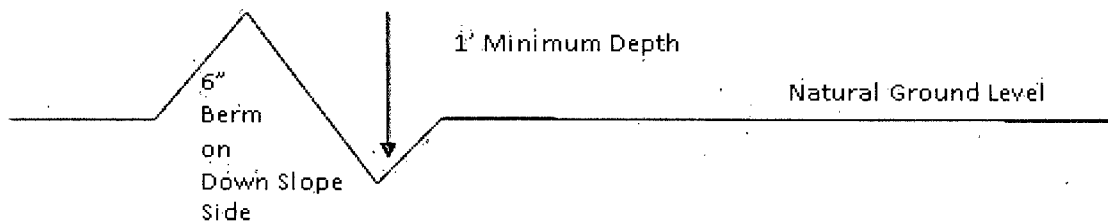
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



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

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Cattleguards

An appropriately sized cattleguard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattleguards on the access road route shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguards that are in place and are utilized during lease operations.

Fence Requirement

Where entry is granted across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting. The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fences.

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Construction Steps

1. Salvage topsoil
2. Construct road
3. Redistribute topsoil
4. Revegetate slopes

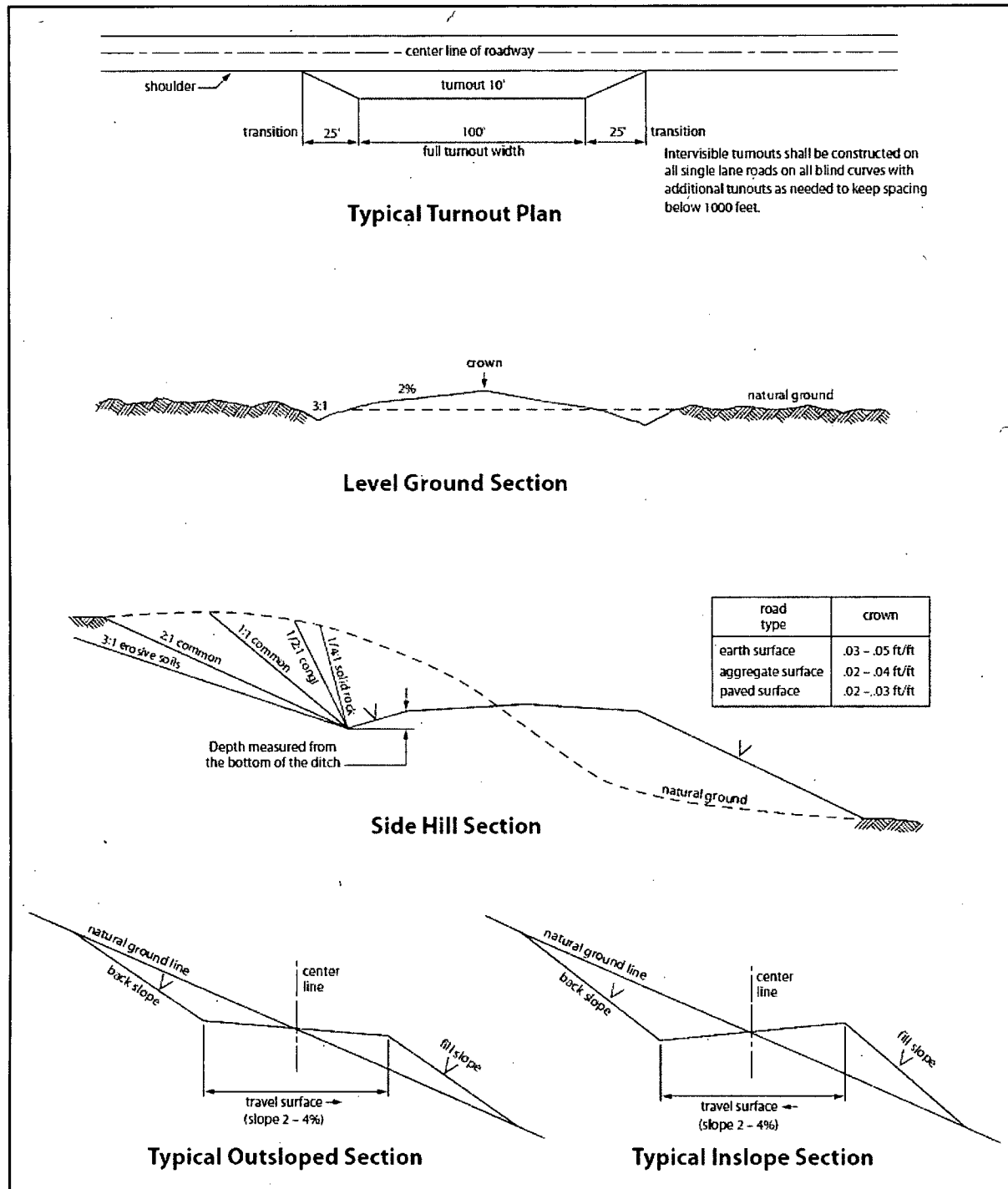


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

- a. Spudding well (minimum of 24 hours)
- b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
- c. BOPE tests (minimum of 4 hours)

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If H₂S is detected in concentrations greater than 100 ppm, the Hydrogen Sulfide area shall meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, report measured amounts and formations to the BLM.**
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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size or are Non-API. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the

approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

The initial wellhead installed on the well will remain on the well with spools used as needed.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) for Potash Areas:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi for all cement blends, 2) until cement has been in place at least 24 hours. WOC time will be recorded in the driller's log. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE.

Wait on cement (WOC) for Water Basin:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least 8 hours. WOC time will be recorded in the driller's log. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. See individual casing strings for details regarding lead cement slurry requirements.

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. Have well specific cement details onsite prior to pumping the cement for each casing string.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

HIGH CAVE/KARST

Possibility water flows in the Salado, Castile and Delaware.

Possibility of lost circulation in the Delaware.

A MINIMUM OF TWO CASING STRINGS CEMENTED TO SURFACE IS REQUIRED IN HIGH CAVE/KARST AREAS. THE CEMENT MUST BE IN A SOLID SHEATH. THEREFORE, ONE INCH OPERATIONS ARE NOT SUFFICIENT TO PROTECT CAVE KARST RESOURCES. A CASING DESIGN THAT HAS A ONE INCH JOB PERFORMED DOES NOT COUNT AS A SOLID SHEATH.

ON A THREE STRING DESIGN; IF THE PRIMARY CEMENT JOB ON THE SURFACE CASING DOES NOT CIRCULATE, THEN THE NEXT TWO CASING STRINGS MUST BE CEMENTED TO SURFACE.

1. The **13-3/8** inch surface casing shall be set at approximately **400** feet and cemented to the surface. **Fresh water mud to be used to setting depth.**
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
 - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing, which shall be set at approximately **2130** feet in the basal anhydrite of the Castile Formation or the top of the Lamar Limestone, is:

☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.**

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

Centralizers required on horizontal leg, must be type for horizontal service and a minimum of one every other joint.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is:

Operator has proposed DV tool at depth of 5500', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe or KOP. Operator shall submit sundry if DV tool depth cannot be set in this range. If an ECP is used, it is to be set a minimum of 50' below the shoe to provide cement across the shoe. If it cannot be set below the shoe, a CBL shall be run to verify cement coverage.

- a. First stage to DV tool:

☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

- b. Second stage above DV tool:

☒ Cement should tie-back at least **500** feet into previous casing string. Operator shall provide method of verification

4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Variance approved to use flex line from BOP to choke manifold. Check condition of flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for review. These documents shall be posted in the company man's trailer and on the rig floor.** If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).
3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M) psi**.

- a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** intermediate casing shoe shall be **5000 (5M) psi**. (As per operator's APD) **5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.**
5. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).
 - b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
 - c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock.
 - d. The results of the test shall be reported to the appropriate BLM office.
 - e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**
 - f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi.

The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

EGF 082815

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Exclosure Netting (Open-top Tanks)

Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock. Use a maximum netting mesh size of 1 ½ inches. The netting must not be in contact with fluids and must not have holes or gaps.

Chemical and Fuel Secondary Containment and Exclosure Screening

The operator will prevent all hazardous, poisonous, flammable, and toxic substances from coming into contact with soil and water. At a minimum, the operator will install and maintain an impervious secondary containment system for any tank or barrel containing hazardous, poisonous, flammable, or toxic substances sufficient to contain the contents of the tank or barrel and any drips, leaks, and anticipated precipitation. The operator will dispose of fluids within the containment system that do not meet applicable state or U. S. Environmental Protection Agency livestock water standards in accordance with state law; the operator must not drain the fluids to the soil or ground. The operator will design, construct, and maintain all secondary containment systems to prevent wildlife and livestock exposure to harmful substances. At a minimum, the operator will install effective wildlife and livestock exclosure systems such as fencing, netting, expanded metal mesh, lids, and grate covers. Use a maximum netting mesh size of 1 ½ inches.

Open-Vent Exhaust Stack Exclosures

The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures

Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the

largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, **Shale Green** from the BLM Standard Environmental Color Chart (CC-001: June 2008).

IX. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

SEED MIXTURE 4 (GYPSUM LOCATIONS)

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine months prior to purchase. Commercial seed will be certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop to the bottom of the drill and are planted first; the holder shall take appropriate measures to ensure this does not occur). Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be double the amounts listed below. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre (note: if broadcasting seed, amounts are to be doubled):

Species

Pound/acre

Alkali Sacaton (<i>Sporobolus airoides</i>)	1.0
De-winged Seed Four-wing Saltbush (<i>Atriplex canescens</i>)	5.0

- * Pounds of pure live seed = (Pounds of seed) x (Percent purity) x (Percent germination)