

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

SIA

Form 3160-3
(August 1999)

0111
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

MAR 27 2006

OCU-ARTESIA

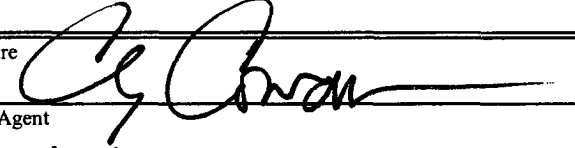
E-06-02
0
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|--|--|--|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 7. If Unit or CA Agreement, Name and No. | |
| b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 8. Lease Name and Well No. Foxie BIE Federal Com. #1 | |
| 2. Name of Operator Yates Petroleum Corporation | | 9. API Well No. 30-015-34730 | |
| 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 1440' FSL and 1480' FWL At proposed prod. Zone Same | | 10. Field and Pool, or Exploratory Burns Flat - Morrow | |
| 14. Distance in miles and direction from nearest town or post office* Approximately 11 miles north of Carlsbad, New Mexico. | | 12. County or Parish Eddy County | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1440' | | 13. State NM | |
| 16. No. of Acres in lease 324.85 | | 17. Spacing Unit dedicated to this well W/2 | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. .4 of mile | | 20. BLM/BIA Bond No. on file NM-2811 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) | | 22. Approximate date work will start* ASAP | |
| 23. Estimated duration 45 days | | 24. Attachments Carlsbad Controlled Water Basin | |

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 2/1/2006 |
| Regulatory Agent | | |
| Approved by (Signature) James A. Ames | Name (Printed/Typed) James A. Ames | Date MAR 23 2006 |
| Title ACTING 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 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)

C-144 attached

**DECLARED WATER BASIN
CEMENT BEHIND THE 9 5/8"
CASING MUST BE CIRCULATED**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS /
SPECIAL STIPULATIONS
ATTACHED**

WITNESS

WITNESS

Mud Samples to test chlorides 400-2800' every 100'
OCD - Annex Annex

DISTRICT I
1686 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------|--|------------------------------------|
| API Number | Pool Code 73280 | Pool Name Benton Flat Morrow |
| Property Code | Property Name FOXIE "BIE" FEDERAL COM. | Well Number 1 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3339 |

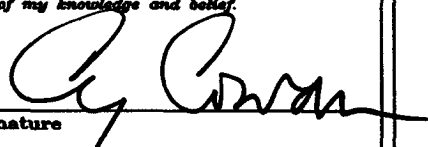
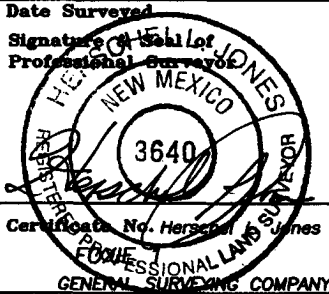
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K | 18 | 20S | 28E | | 1440 | SOUTH | 1480 | 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 |
|------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 320 | Joint or Infill | Consolidation Code | Order No. | | | | | | |

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

| | | | | | | |
|---|--|--|--|--|--|--|
| <div>NM-01942</div> | | | | | | OPERATOR CERTIFICATION <i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Cy Cowan Printed Name Regulatory Agent Title February 1, 2006 Date |
| <div>NM-553789</div> | | | | | | SURVEYOR CERTIFICATION <i>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.</i> 1/26/2006 Date Surveyed Signature of Seal of Professional Surveyor  Certificate No. H. Jones RLS 3640 GENERAL SURVEYING COMPANY |
| <div>NM-17098</div> <div>N.32°34'12.7" W.104°13'17.3" N.571182.2 E.575799.5 (NAD-83)</div> <div>3333 3325 1480' 3342 3333 1440'</div> | | | | | | |

0 330' 660' 990' 1850' 1980' 2310' 2310' 1980' 1850' 990' 660' 330' 0'

Jobs, NM 88240

Artesia, NM 88210

Artesia Road, Aztec, NM 87410

120 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

RECEIVED

MAR 27 2006

ARTESIA

Operator: YATES PETROLEUM CORPORATION Telephone: (505) 748-1471

e-mail address: _____

Address: 105 South Fourth Street, Artesia, NM 88210

Facility or well name: Foxie BIE Federal Com. #1 API #: _____ U/L or Qtr/Qtr K Sec 18 T 20 S R 28 E

County: Eddy Latitude _____ Longitude _____ NAD: 1927 X 1983 ☐ Surface Owner Federal X State Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined X Unlined ☐

Liner type: Synthetic X Thickness 12 mil Clay ☐ Volume 20,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

0

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

0

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

10

1000 feet or more

(0 points)

Ranking Score (Total Points)

10

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit X or an (attached) alternative OCD-approved plan ☐.

Date: February 1, 2006

Printed Name/Title: Cy Cowan, Regulatory Agent

Signature: 

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: MAR 28 2006

Printed Name/Title: _____

Signature: 

YATES PETROLEUM CORPORATION
Foxie BIE Federal Com. #1
 1440' FSL and 1480' FWL
 Section 18 T20S-R28E
 Eddy County, New Mexico

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

| | | | |
|-----------------------------|--------|--------------|--------|
| Capitan | 2240' | Atoka | 10340' |
| Delaware | 2800' | Morrow | 10860' |
| Bone Spring | 4650' | Lower Morrow | 11150' |
| 3 rd Bone Spring | 8250' | Chester | 11310' |
| Wolfcamp | 8650' | TD | 11500' |
| Strawn | 10050' | | |

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

Water: 115'
 Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 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 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)

| <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 5/8" | 48# | H-40 | ST+C | 0- 600' 400' | 600' 400' |
| 12 1/4" | 9 5/8" | 36# | J-55 | ST+C | 0-2900' | 2900' |
| 8 3/4" | 5 1/2" | 17# | L-80 | LT+C | 0-2000' | 2000' |
| 8 3/4" | 5 1/2" | 17# | J-55 | LT+C | 2000'-3100' | 1100' |
| 8 3/4" | 5 1/2" | 17# | J-55 | LT+C | 3100'-5300' | 2200' |
| 8 3/4" | 5 1/2" | 17# | J-55 | LT+C | 5300'-6900' | 1600' |
| 8 3/4" | 5 1/2" | 17# | HCP-110 | LT+C | 6900'-11500' | 4600' |

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

B. CEMENTING PROGRAM:

Surface Casing: 450 sx Lite "C" + 2% CaCL2 (YLD 1.98 WT 12.5) tail in w/ 200 sx Class "C" +2% CaCL2 (YLD 1.34 WT 14.8).

Intermediate Casing: 925 sx Lite (YLD 2.0 WT 12.0) tail in w/ 200 sx Class "C" (YLD 1.32 WT 15.6).

Production Casing: TOC 2400' 1500 sx Lite "C" (YLD 1.94 Wt 12.5) tail in w/ 1325 sx 'C' (YLD 1.28 WT15.1).

5. Mud Program and Auxiliary Equipment:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|--------------------------|---------------|------------------|-------------------|
| 400' 0-600' | FW/Paper | 8.6-9.0 | 30-34 | N/C |
| 600'-2900' | FW/LCM | 8.4-8.6 | 28 | N/C |
| 2900'-10300' | Cut Brine | 8.5-9.5 | 29 | N/C |
| 10300'-TD | Salt Gel/Starch/4-6% KCL | 9.7-10.5 | 35-40 | <10cc |

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 from intermediate casing to TD.

Logging: Platform Express ;FMI

Coring: None anticipated.

DST's: None anticipated.

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

Anticipated BHP:

| | | | |
|-------------|------------|----------------------|-----------|
| From: 0 | To: 600' | Anticipated Max. BHP | 280 PSI. |
| From: 600' | To: 2900' | Anticipated Max. BHP | 1300 PSI. |
| From: 2900' | To: 11500' | Anticipated Max. BHP | 6280 PSI. |

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: No H2s anticipated.

Maximum Bottom Hole Temperature: 187F.

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Foxie BIE Federal Com. #1
1440' FSL and 1480' FEL
Section 18-T20S-R28E
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 11 miles northeast of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia on HWY 82 for approximately 9 miles to Hill Top Road. Turn right on Hill Top Road and go 3.2 miles to Illinois Camp Road. Turn right on Illinois Camp Road and go approx. 11.9 miles to the intersection of Illinois Camp Road and Angel Ranch Road. Continue going south on Illinois Camp Road for approx. .8 of a mile. At this point there will be a lease road going east. Turn left here and go approx. .3 of a mile passing a County pit on the way. Between the pit and a fence line the new road will start here going south.

2. PLANNED ACCESS ROAD

The new access road will be approximately .1 of a mile in length from the point of origin to the northeast corner of the well pad.

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 no 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 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:

The dirt contractor will locate closest pit and will obtain any permits and materials for 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.
- 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 Mc Whorter, 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.

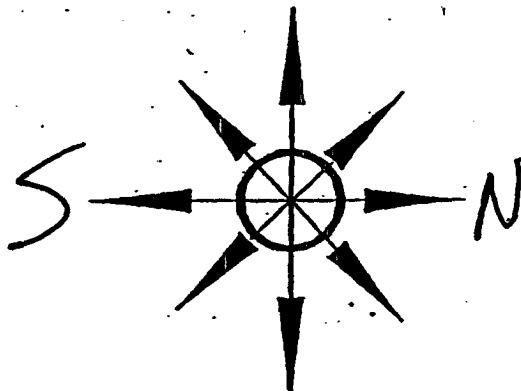
2/1/06


Regulatory Agent

PB - L1

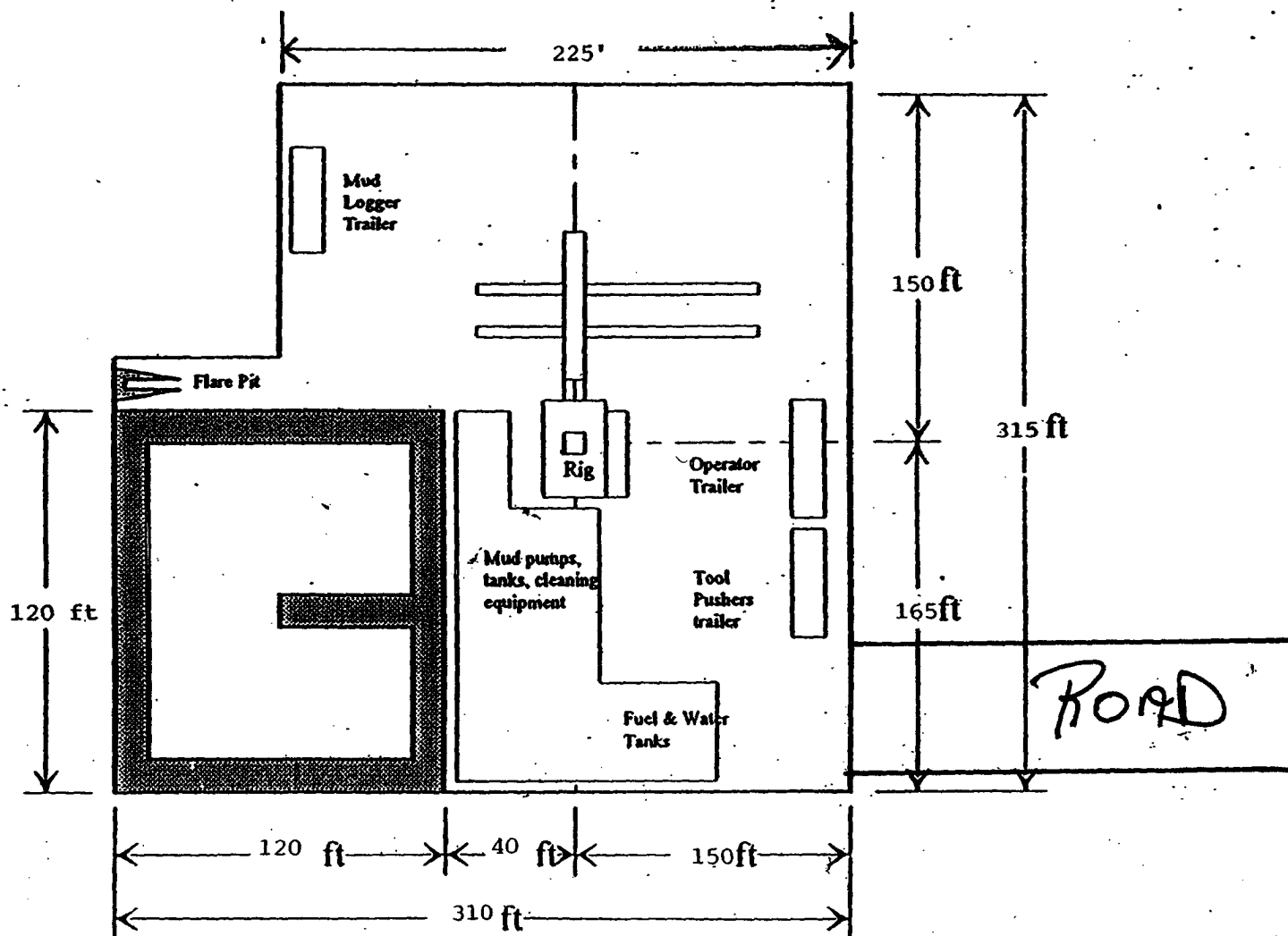
Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'



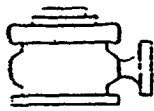
Pits South

Yates Petroleum Corporation
Foxie BIE Federal Com. #1
1440' FSL and 1480' FWL
Section 18, T20S-R28E
Eddy County, New Mexico



Distance from Well
Head to Reserve Pit
will vary between rigs

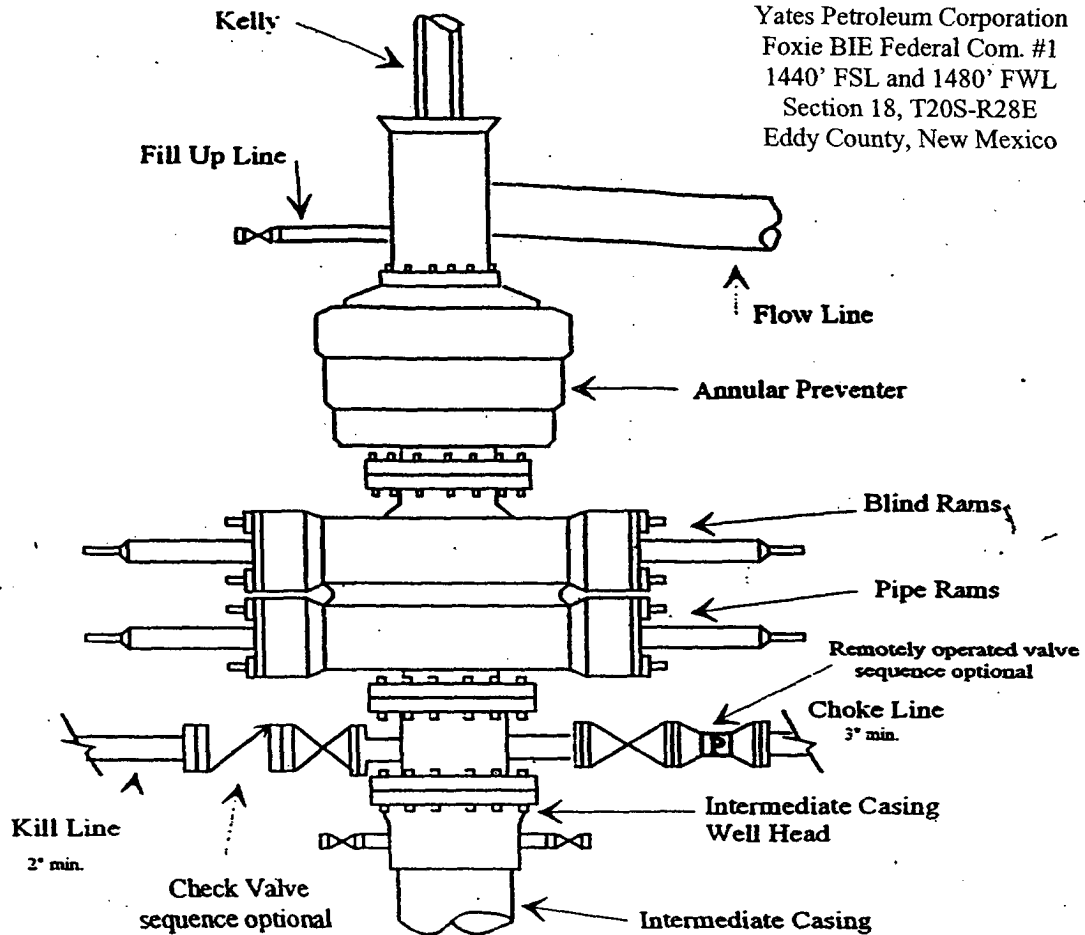
The above dimension
should be a maximum



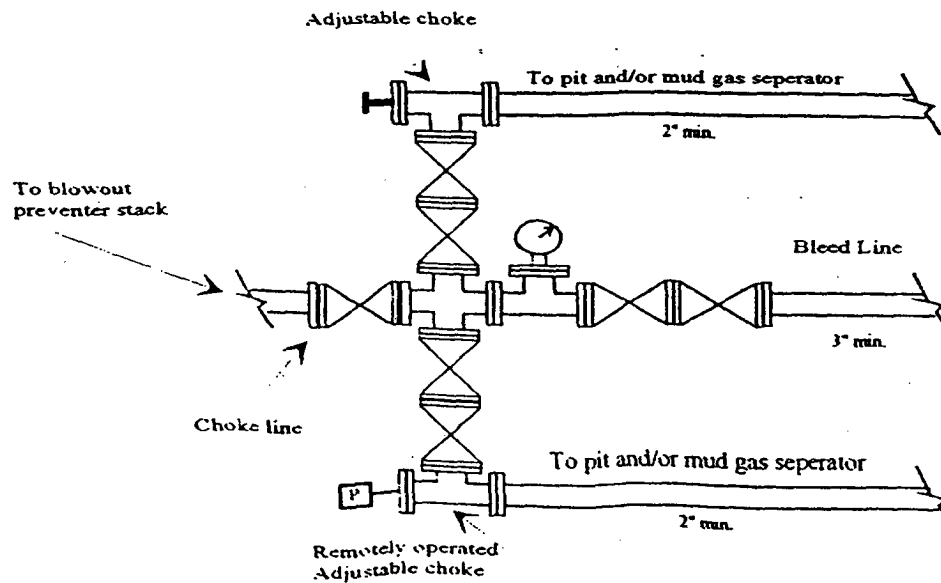
Yates Petroleum Corporation

BOP-4

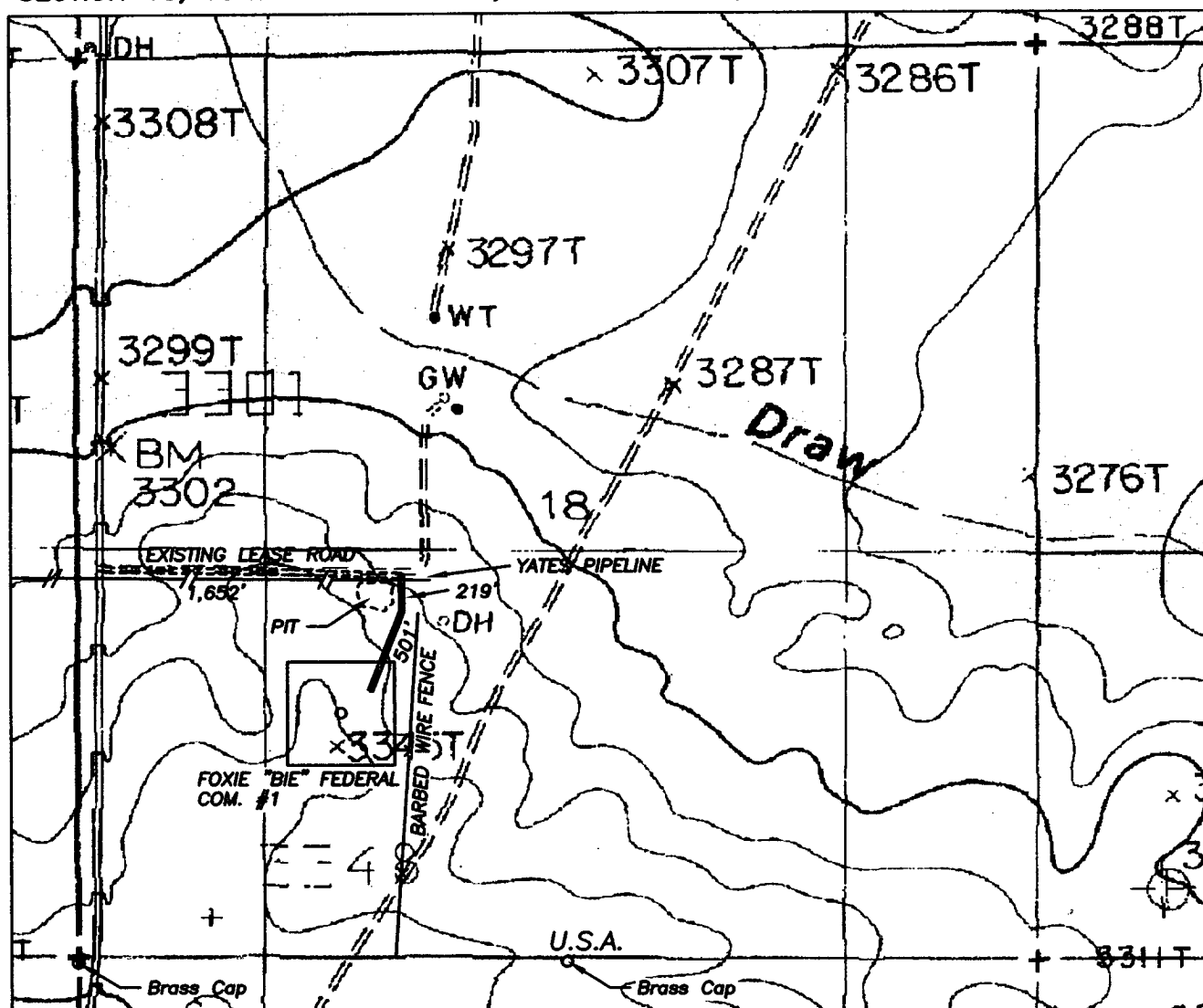
Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



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

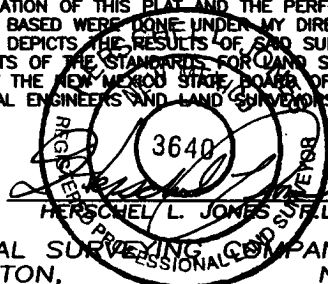


SECTION 18, TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



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.



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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES FOXIE "BIE" FEDERAL COM. #1 WELL, LOCATED IN SECTION 18, TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

| | |
|------------------------|--------------------------|
| Survey Date: 1/26/2006 | Sheet 1 of 1 Sheets |
| Drawn By: Ed Blevins | W.O. Number |
| Date: 1/26/06 | Scale 1" = 1000' FOXIE 1 |

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation Well No. 1 – Foxie BIE Federal Com.
Location: 1440' FSL & 1480' FWL sec. 18, T. 20 S., R. 28 E.
Lease: NM-17098

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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 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 of this office.

3. Include the API No. assigned to well by NMOCDC on the subsequent report of setting the first casing string.

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

II. CASING:

1. 13-3/8 inch surface casing should be set at approximately 400 feet below usable water and above the top of the Yates with cement circulated to the surface. If cement does not circulate to the surface, the Carlsbad Field Office shall be notified at (505) 234-5972 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 9-5/8 inch intermediate casing set at approximately 2900 feet below the Capitan Reef is sufficient to circulate to the surface. If cement does not circulate to the surface, the Carlsbad Field Office shall be notified at (505) 234-5972, 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.

3. Minimum required fill of cement behind the 5-1/2 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

III. PRESSURE CONTROL:

1. Before drilling below the 13-3/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the 9-5/8 inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the 13-3/8 inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Before drilling below the 9-5/8 inch intermediate casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 5000 psi.

CONDITIONS OF APPROVAL – DRILLING (CONTINUED)

Operator's Name: Yates Petroleum Corporation Well No. 1 – Foxie BIE Federal Com.

Location: 1440' FSL & 1480' FWL sec. 18, T. 20 S., R. 28 E.

Lease: NM-17098

.....

III. PRESSURE CONTROL:

3. After setting the 9-5/8 inch intermediate casing string and before drilling into the **Wolfcamp** formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The Carlsbad Field Office shall be notified at (505) 234-5972 in sufficient time for a representative to witness the tests.

B. The tests shall be done by an independent service company.

C. The results of the test will be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

D. 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.

E. Testing must be done in a safe workman like manner. Hard line connections shall be required.

F. A variance to test the BOPE to a reduced pressure of 1000 psi using the rig pumps before drilling below the 13-3/8 inch surface casing string is approved.

G. At least one (1) choke must be remotely controlled from rig floor per Onshore Order No. 2.

IV. OTHER:

1. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.

B. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.