

N.M. Oil Cons. DIV-Dist. 2  
1301 W. Grand Avenue  
Artesia, NM 88210

JUN 26 2008

OCD-ARTESIA

Form 3160-3  
(February 2005)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER



FORM APPROVED  
OMB NO. 1004-0137  
Expires: March 31, 2007

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No <b>NM-100552</b>
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name <b>N/A</b>
2. Name of Operator <b>Yates Petroleum Corporation 025575</b>		7. If Unit or CA Agreement, Name and No <b>N/A</b>
3a. Address <b>105 South Fourth Street, Artesia, NM 88210</b>	3b. Phone No (include area code) <b>505-748-1471</b>	8. Lease Name and Well No. <b>Carthel BGT Federal #3</b>
4. Location of well (Report location clearly and in accordance with any State requirements *) At surface <b>1980' FNL &amp; 1980' FWL. UL F, SENW</b> At proposed prod. zone <b>Same</b>		9. API Well No. <b>30.005.64031</b>
14. Distance in miles and direction from the nearest town or post office* <b>The well is about twelve 12 miles north of Loco Hills, NM.</b>		10. Field and Pool, or Exploratory <b>Undesignated Sulimar ; Queen</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) <b>660'</b>	16. No. of acres in lease <b>480.00</b>	11. Sec., T., R., M., or Blk. And Survey or Area <b>Section 23-T15S-R29E</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1000'</b>	19. Proposed Depth <b>2000'</b>	12. County or Parish <b>Chaves</b>
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3919' GL</b>	22. Approximate date work will start* <b>ASAP</b>	13. State <b>NM</b>
23. Estimated duration		
24. Attachments		

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

- |  |   |
|--|---|
| 1 Well plat certified by a registered surveyor.  | 4. Bond to cover the operations unless covered by existing bond on file(see item 20 above). |
| 2 A Drilling Plan  | 5 Operator certification.   |
| 3 A Surface Use Plan ( if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6 Such other site specific information and/ or plans as may be required by the BLM.         |

25 Signature <i>Cliff May for Debbie L. Caffall</i>	Name (Printed/ Typed) <b>Debbie L. Caffall</b>	Date <b>3/28/2008</b>
Title <b>Regulatory Agent/Land Department - debbiec@ypc.com</b>		
Approved By (Signature) <i>/s/ Jerry Dutchover</i>	Name (Printed/ Typed) <b>Assistant Field Manager,</b>	Date <b>JUN 18 2008</b>
Title <b>Acting Lands And Minerals</b>		
Office <b>ROSWELL FIELD OFFICE</b>		<b>APPROVED FOR 2 YEARS</b>

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 cc operations thereon.

Conditions of approval, if any, are attached

Title 18 U S C Section 1001 and Title 43 U.S.C Section 1212, make it a crime for any person knowingly and wilfully 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 page 2) C-144 Attached

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



ROSWELL CONTROLLED WATER BASIN  
WITNESS SURFACE CASING

## INSTRUCTIONS

**GENERAL:** This form is designed for submitting proposals to perform certain well operations, as indicated, on Federal and Indian lands and leases for action by appropriate Federal agencies, pursuant to applicable Federal laws and regulations. Any necessary special concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office.

**ITEM 1:** If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations. Consult applicable Federal regulations concerning subsequent work proposals or reports on the well.

**ITEM 4:** Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local Federal offices for specific instructions.

**ITEM 14:** Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on this reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal agency offices.

**ITEMS 15 AND 18:** If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective production zone.

**ITEM 22:** Consult applicable Federal or State regulations, or appropriate officials, concerning approval of the proposal before operations are started.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

## NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

**AUTHORITY:** 30 U.S.C. 181 et seq., 25 U.S.C. 396; 43 CFR Part 3160.

**PRINCIPAL PURPOSES:** The information will be used to: (1) process and evaluate your application for a permit to drill a new oil, gas, or service well or to reenter a plugged and abandoned well; and (2) document, for administrative use, information for the management, disposal and use of National Resource Lands and resources including (a) analyzing your proposal to discover and extract the Federal or Indian resources encountered; (b) reviewing procedures and equipment and the projected impact on the land involved; and (c) evaluating the effects of the proposed operation on the surface and subsurface water and other environmental impacts.

**ROUTINE USE:** (1) The analysis of the applicant's proposal to discover and extract the Federal or Indian resources encountered. (2) The review of procedures and equipment and the projected impact on the land involved. (3) The evaluation of the effects of proposed operation on surface and subsurface water and other environmental impacts. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

**EFFECT OF NOT PROVIDING INFORMATION:** Filing of this application and disclosure of the information is mandatory only if the operator elects to initiate drilling operation on an oil and gas lease.

## BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, (Alternate) Bureau Clearance Officer, (WO-771), 1849 C Street, N.W., Washington, D.C. 20240, and the Office of Management and Budget, Paperwork Reduction Project (1004-0136), Washington, D.C. 20503.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq) requires us to inform you that: This information is being collected to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases.

This information will be used to analyze and approve applications

Response to this request is mandatory only if the operator elects to initiate drilling or reentry operations on an oil and gas lease.

DISTRICT I  
1626 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

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

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 12, 2005

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

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>30.005.64031</b>	Pool Code <b>57830</b>	Pool Name Undesignated Sulimar; Queen
Property Code <b>37175</b>	Property Name <b>CARTHEL "BGT" FEDERAL</b>	Well Number <b>3</b>
OGRID No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORP.</b>	Elevation <b>3919'</b>

**Surface Location**

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>F</b>	<b>23</b>	<b>15 S</b>	<b>29 E</b>		<b>1980</b>	<b>NORTH</b>	<b>1980</b>	<b>WEST</b>	<b>CHAVES</b>

**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 <b>40</b>		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**

	<p>NM-100552</p> <p><b>SURFACE LOCATION</b> Lat - N33°00'12.00" Long - W104°00'04.72" SPC- N.: 728909.870 E.: 643123.772 (NAD-83)</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>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 unleased mineral interest in the land including the proposed bottom hole 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.</p> <p><i>Clifton R. May</i> 3/28/08 Signature Date Clifton R. May Printed Name</p>
		<p><b>SURVEYOR CERTIFICATION</b></p> <p>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.</p>
		<p><b>FEBRUARY 19, 2008</b></p> <p>Date Surveyed Signature of Surveyor Professional Surveyor No. 7977</p>
		<p>Certificate No. Gary L. Jones 7977</p> <p><b>BASIN SURVEYS</b></p>

# YATES PETROLEUM CORPORATION

## Carthel BGT Federal #3

1980' FNL and 1980' FWL, F (SENW)

Section 23-T15S-R29E

Chaves County, New Mexico

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

Rustler	325'
Salado	375'
Tansill	1000'
Yates	1145'
Seven Rivers	1295'
Queen	1900'
TD	2000'

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

Water: 150' +/-  
Oil or Gas: Queen.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# 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.

4. 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.

5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New Casing)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
12 1/4"	8 5/8"	24.0#	J-55	ST&C	0-350'	300' WITNESS
7 7/8"	5 1/2"	15 1/2#	J-55	LT&C	0-2000'	2000'

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

A 2,000 psi BOP will be nipped up on the 13 3/8" casing and tested to 2000 psi .

B. CEMENTING PROGRAM:

Surface Casing: 225 sx "C" & 2% CaCl<sub>2</sub> (WT 14.80 YLD 1.32). Cement circulated to surface.

Production Casing: 525 sx "C" (14.80 YLD 1.32). Cement circulated to surface.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-350	FW Gel	8.40-8.60	32-34	N/C
350-TD	Brine Water	10.00-10.00	28-28	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. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM:

Samples: Every 10' from surface casing to TD

Logging: Plat form Express-CNL/LDT/NGT from TD to surface casing; CNL/GR TD to surface; DLL/MSFL TD to surface casing; BHG Sonic TD to surface casing

Coring: None anticipated

DST's: None anticipated

Mudlogging: Yes

8. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Maximum Anticipated BHP:

0-350'	157 psi
350-2000'	1040 psi

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 80 F

9. ANTICIPATED STARTING DATE:

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

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**YATES PETROLEUM CORPORATION**  
**Carthel BGT Federal #3**  
1980' FNL & 1980' FWL  
Section 23-T15S-R29E  
Chaves 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 15 miles north and west of Loco Hills, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: Drive east of Artesia on U.S. Highway 82 for approximately 22.4 miles to Loco Hills, NM. Turn left (north) onto county road 217 (Hagerman Cutoff). Continue north for approximately 11.4 miles. There will be a lease road on the left. Turn left (west) and continue on existing lease road for approximately 0.7 of a mile and the road will end at the dry hole (Carthel BGT Federal #1). The new road will start here at the southwest corner and travel in a northerly direction for approximately 0.25 of a mile to the southwest corner of the proposed Carthel #2 pad. The road will then turn west for about 0.2 of a mile to the southeast corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 0.5 of a mile in length from the point of origin to the southeast corner of the drilling pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. No traffic turnout may be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is no 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 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 a producing gas well.

**Cathel BGT Federal #3**  
**Page Two**

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a brine 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. The reserve pits will be constructed and reclamation done according to NMOCD guidelines and Yates' approved pit general plan
- C. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry
- 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. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, pulling unit orientation and access road approach. Note: Pits to north.
- B. The reserve pits will be plastic lined with 12 mil and meet the NMOCD Pit Standards.
- 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.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- A. If the proposed well is plugged and abandoned, 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 reclaimed according to the Yates' NMOCD approved general plan.

**Carthel BGT Federal #3**  
**Page Three**

11. SURFACE OWNERSHIP:

Federal Lands under the supervision of the BLM.

12. OTHER INFORMATION:

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



**CERTIFICATION**  
**YATES PETROLEUM CORPORATION**  
**Carthel BGT Federal #3**  
**1980' FNL & 1980' FWL**  
**Section 23-T15S-R29E**  
**Chaves County, New Mexico**

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; that I have 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 28<sup>th</sup> day of MARCH, 20 08.

Name Debbie L. Caffall *Clifton May for Debbie L. Caffall*

Position Title Regulatory Agent/Land Department

Address 105 South Fourth Street 88210

E-mail (optional) debbiec@ypcnm.com

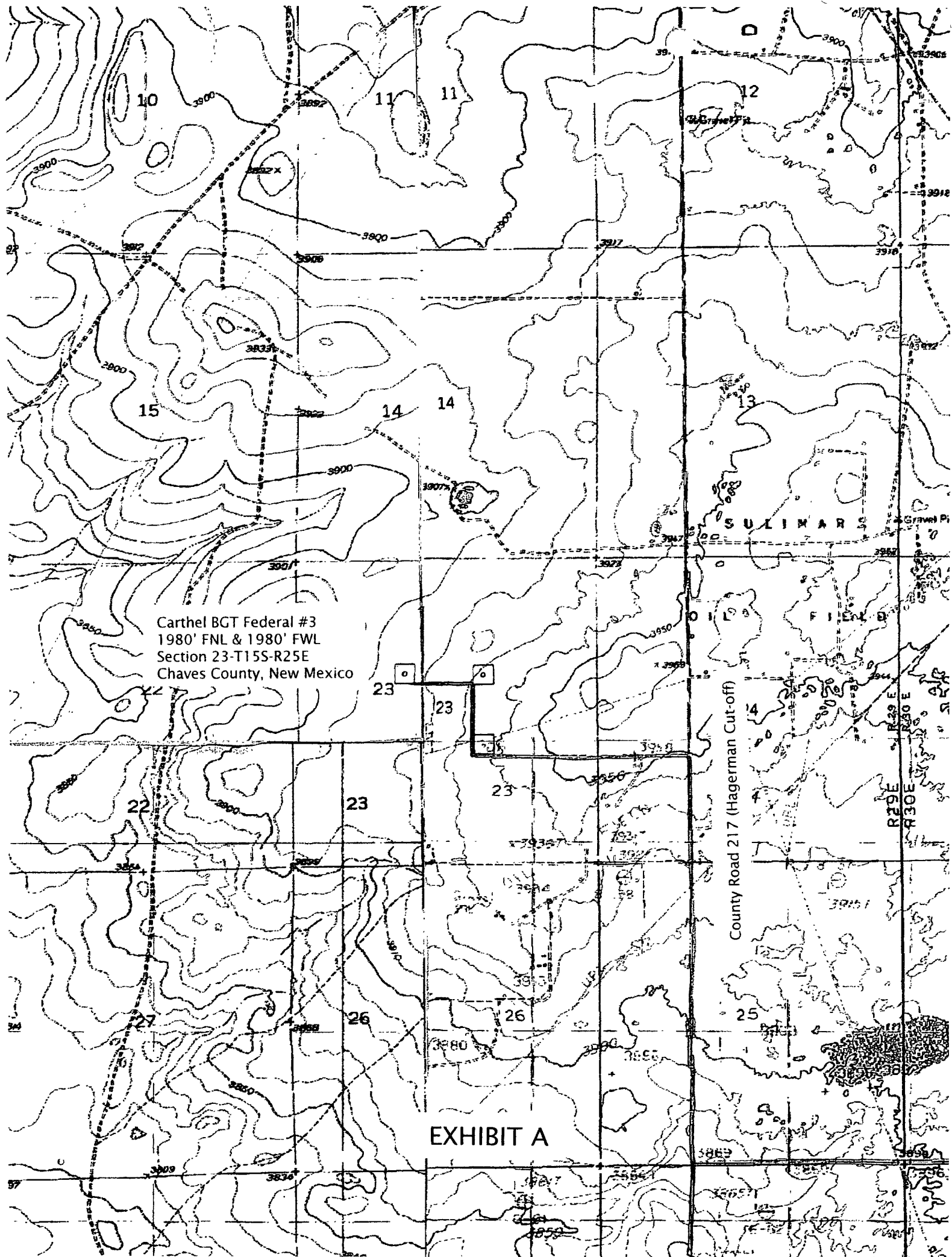
Telephone 505-748-4376

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 505-748-4221

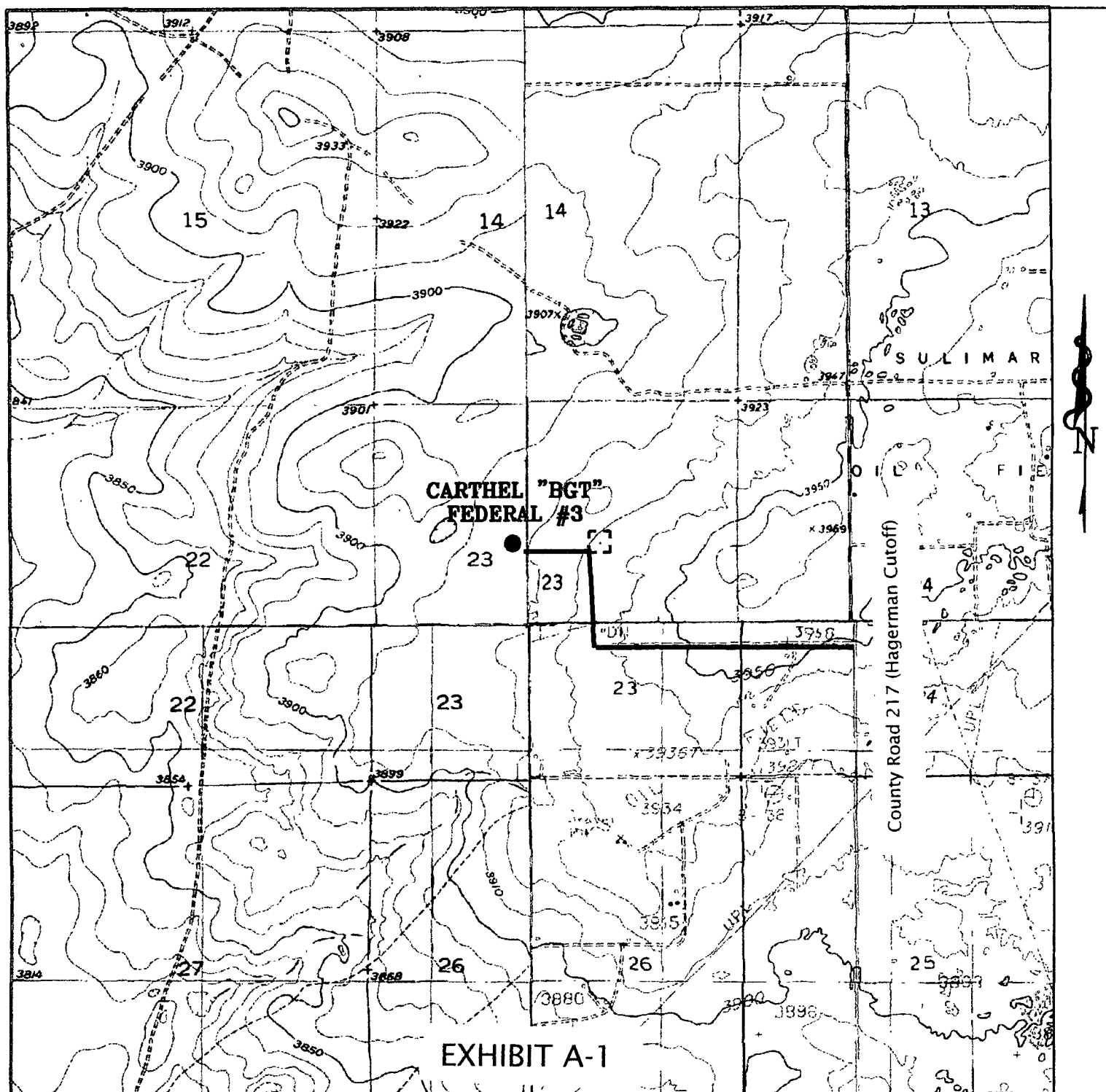
E-mail (optional) \_\_\_\_\_



Carthel BGT Federal #3  
1980' FNL & 1980' FWL  
Section 23-T15S-R25E  
Chaves County, New Mexico

County Road 217 (Hagerman Cut-off)

EXHIBIT A



### CARTHEL "BGT" FEDERAL #3

Located at 1980' FNL AND 1980' FWL  
 Section 23, Township 15 South, Range 29 East,  
 N.M.P.M., Chaves County, New Mexico.



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
 basinsurveys.com

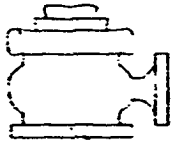
W.O. Number: 19269T

Survey Date: 02-19-2008

Scale: 1" = 2000'

Date: 02-25-2008

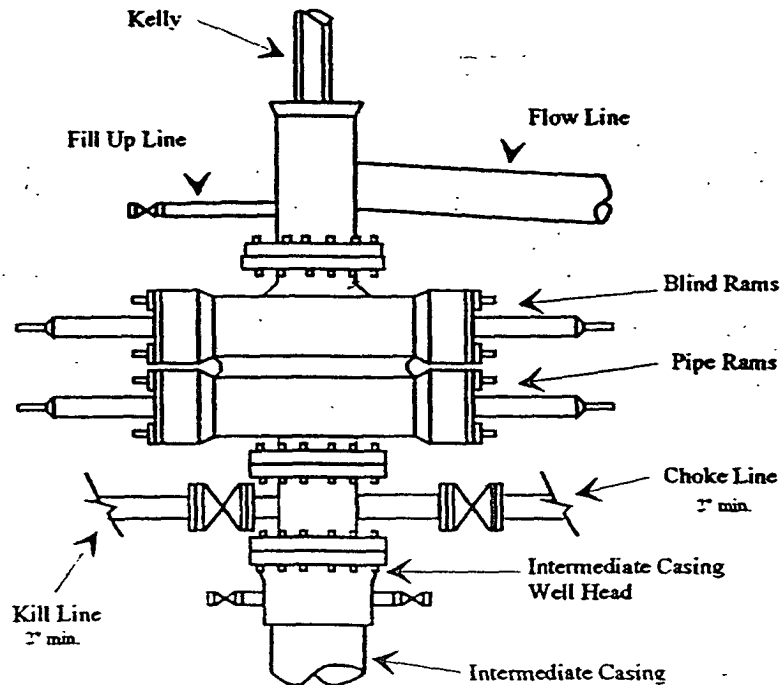
**YATES**  
**PETROLEUM**  
**CORP.**



# Yates Petroleum Corporation

BOP-2

## Typical 2,000 psi Pressure System Schematic Double Ram Preventer Stack



Typical 2,000 psi choke manifold assembly with at least these minimum features

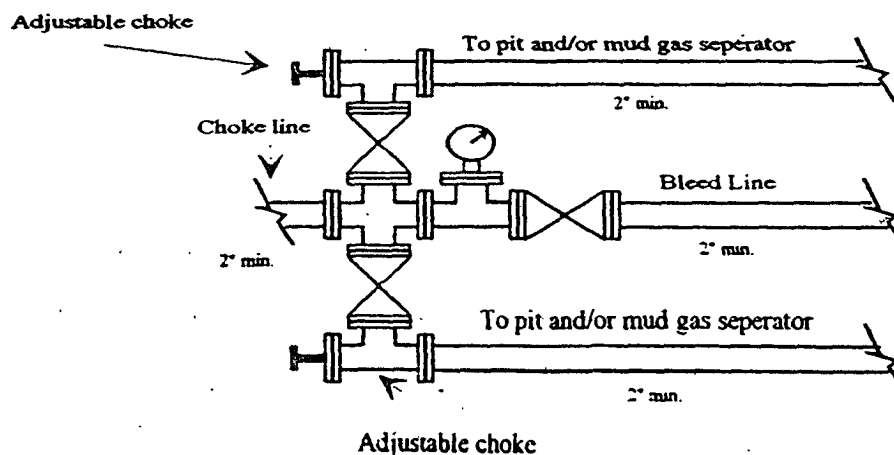
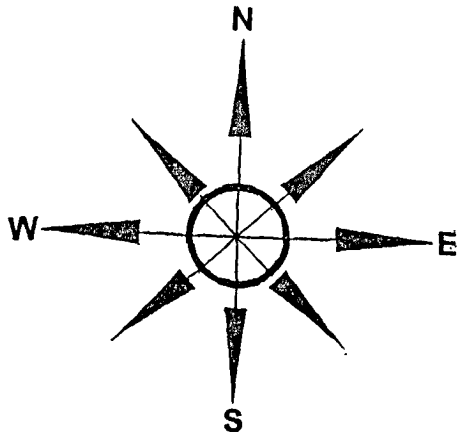
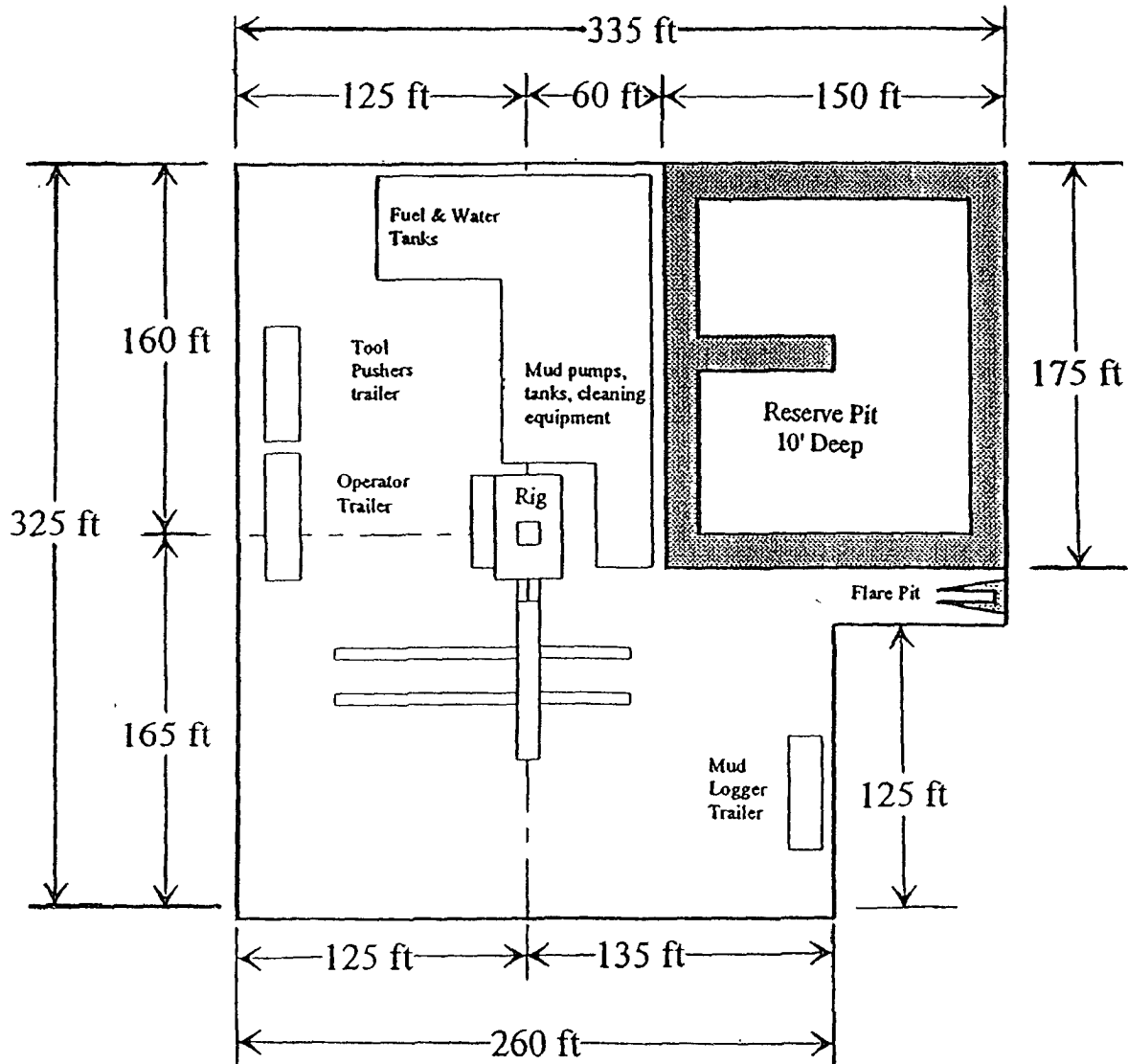


EXHIBIT B



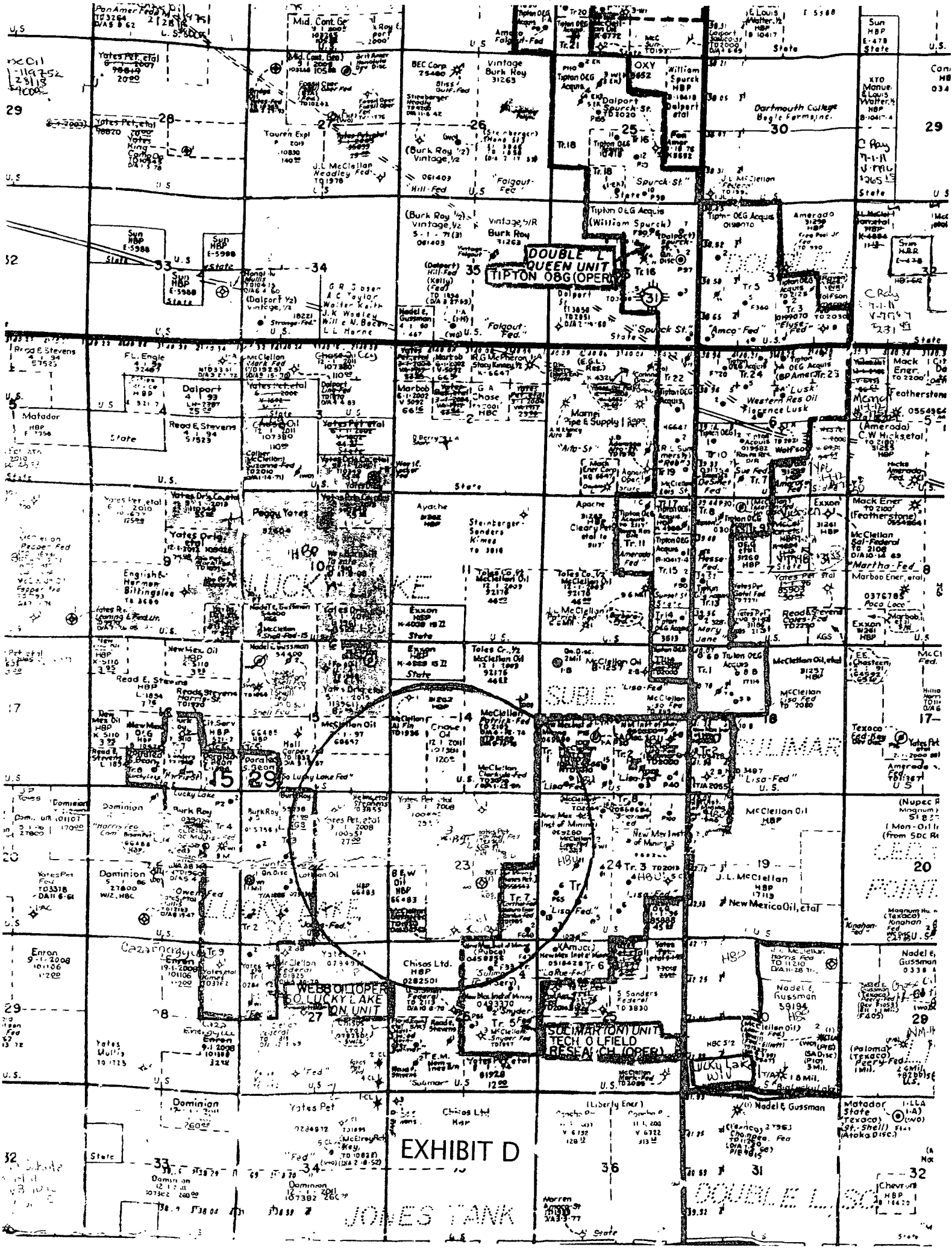
**Yates Petroleum Corporation**  
 Location Layout for Permian Basin  
 Up to 12,000'



**EXHIBIT C**

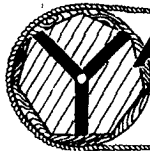
Distance from Well  
 Head to Reserve Pit  
 will vary between rigs

The above dimension  
 should be a maximum



District I  
1625 N. French Dr., Hobbs, NM  
District II  
1301 W. Grand Avenue,  
District III  
1000 Rio Brazos Rd.,  
District IV  
1220 S. St. Francis,  
NEW MEXICO

95-43  
1122



**YATES  
PETROLEUM  
CORPORATION**

YATES BUILDING • ARTESIA, N.M. 88210

No. 153469

MAR 28, 2008

PAY \*\*\*\*\*4000\*DOLLARS\*AND\*00\*CENTS

\$ \*\*\*\*\*1,000.00

134200 BUREAU OF LAND MANAGEMENT --  
ROSWELL  
TO THE 2909 WEST SECOND STREET  
ORDER OF ROSWELL, NM 88201-2019

*Kathy H. Porter*

⑈153469⑈ ⑆112200439⑆ ⑈69408810⑈

DETACH BEFORE DEPOSITING CHECK

YATES PETROLEUM CORPORATION  
105 SOUTH 4TH STREET ARTESIA, N.M. 88210

DLC/MS

RECORDING/FILING FEES

FEDERAL FILING FEE FOR APPLICATION FOR PERMIT TO DRILL

CARTHILL BGT FEDERAL #3

1980' FNL & 1980' FWL

SECTION 23, T15S-R29E

CHAVES COUNTY, NEW MEXICO

No. 153469

\$4,000.00

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (575) 748-1471

S.P. YATES  
CHAIRMAN EMERITUS

JOHN A. YATES  
CHAIRMAN OF THE BOARD

FRANK YATES, JR.  
PRESIDENT

PEYTON YATES  
DIRECTOR

JOHN A. YATES, JR.  
DIRECTOR

As per BLM instructions, Yates Petroleum Corporation is tendering the \$4,000.00 APD Processing Fee for the Carthel BGT Federal #3, APD date submitted: March 28, 2008, Section 23, Township 15 South, Range 29 East, Chaves County, New Mexico.

Please be advised we are tendering this fee under protest as we believe it contradicts language in the Energy Policy Act of 2005 signed by President Bush.



# EXHIBIT A

6/18/08

OPERATORS NAME: Yates Petroleum Corporation

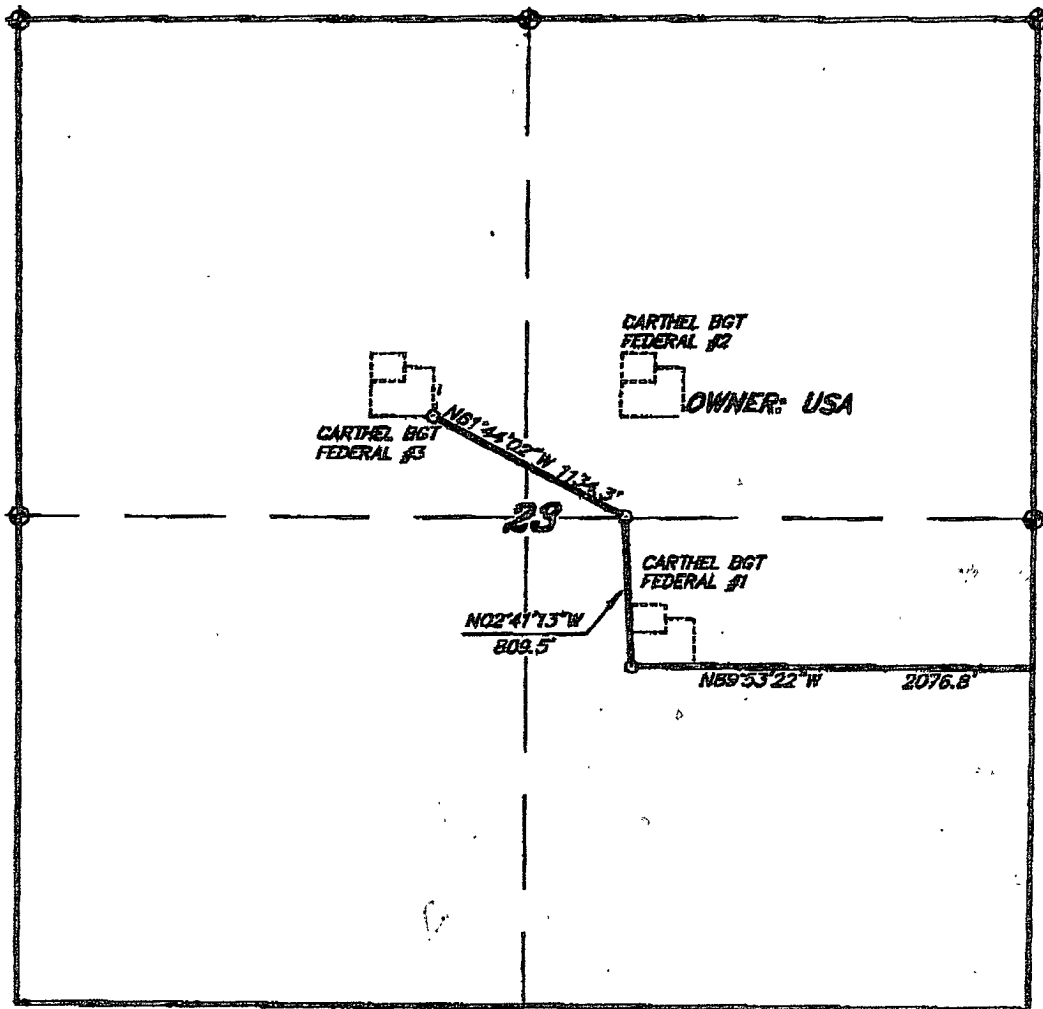
LEASE NO.: NM-100552

WELL NAME & NO: Carthel "BGT" Federal #3

SURFACE HOLE FOOTAGE: 1980' FNL & 1980' FWL

LOCATION: Section 23, T. 15 S., R. 29 E., NMPM

COUNTY: Chaves County, New Mexico



## **PECOS DISTRICT - RFO CONDITIONS OF APPROVAL**

6/18/08

OPERATORS NAME: Yates Petroleum Corporation  
LEASE NO.: NM-100552  
WELL NAME & NO: Carthel "BGT" Federal #3  
SURFACE HOLE FOOTAGE: 1980' FNL & 1980' FWL  
LOCATION: Section 23, T. 15 S., R. 29 E., NMPM  
COUNTY: Chaves County, New Mexico

### **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.

### **I. 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).

### **II. 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.

### **III. NOXIOUS WEEDS**

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). 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.

### **IV. CONSTRUCTION**

#### **A. NOTIFICATION:**

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 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 Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

#### **B. TOPSOIL:**

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation. The topsoil shall be stockpiled in the southeast side of the well pad.

#### **C. RESERVE PITS:**

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 150' X 175' on the NORTH side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of four (4) feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

#### **D. FEDERAL MINERAL MATERIALS PIT:**

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

#### **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 need.

#### **F. 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 thirty (30) 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.

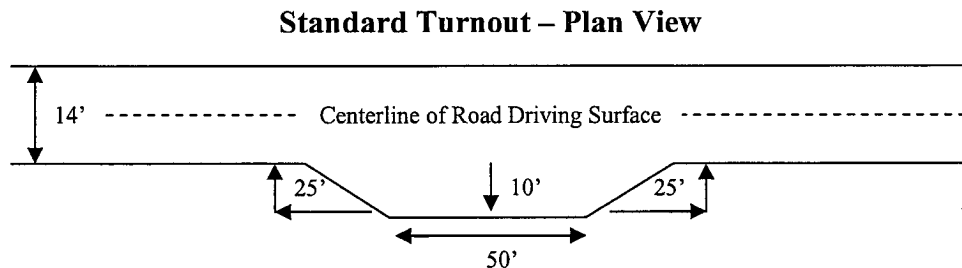
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing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

## Turnouts

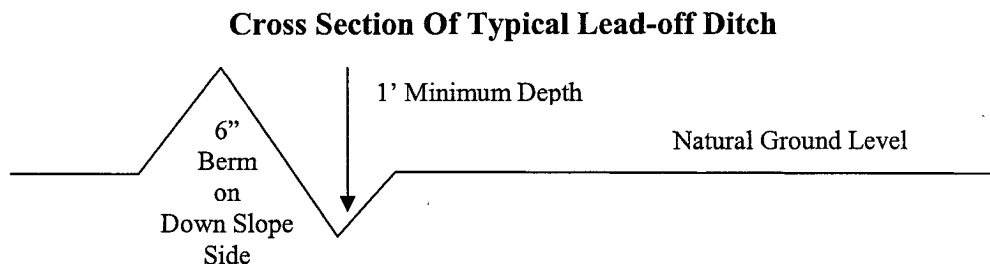
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



## Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping 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.



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:

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

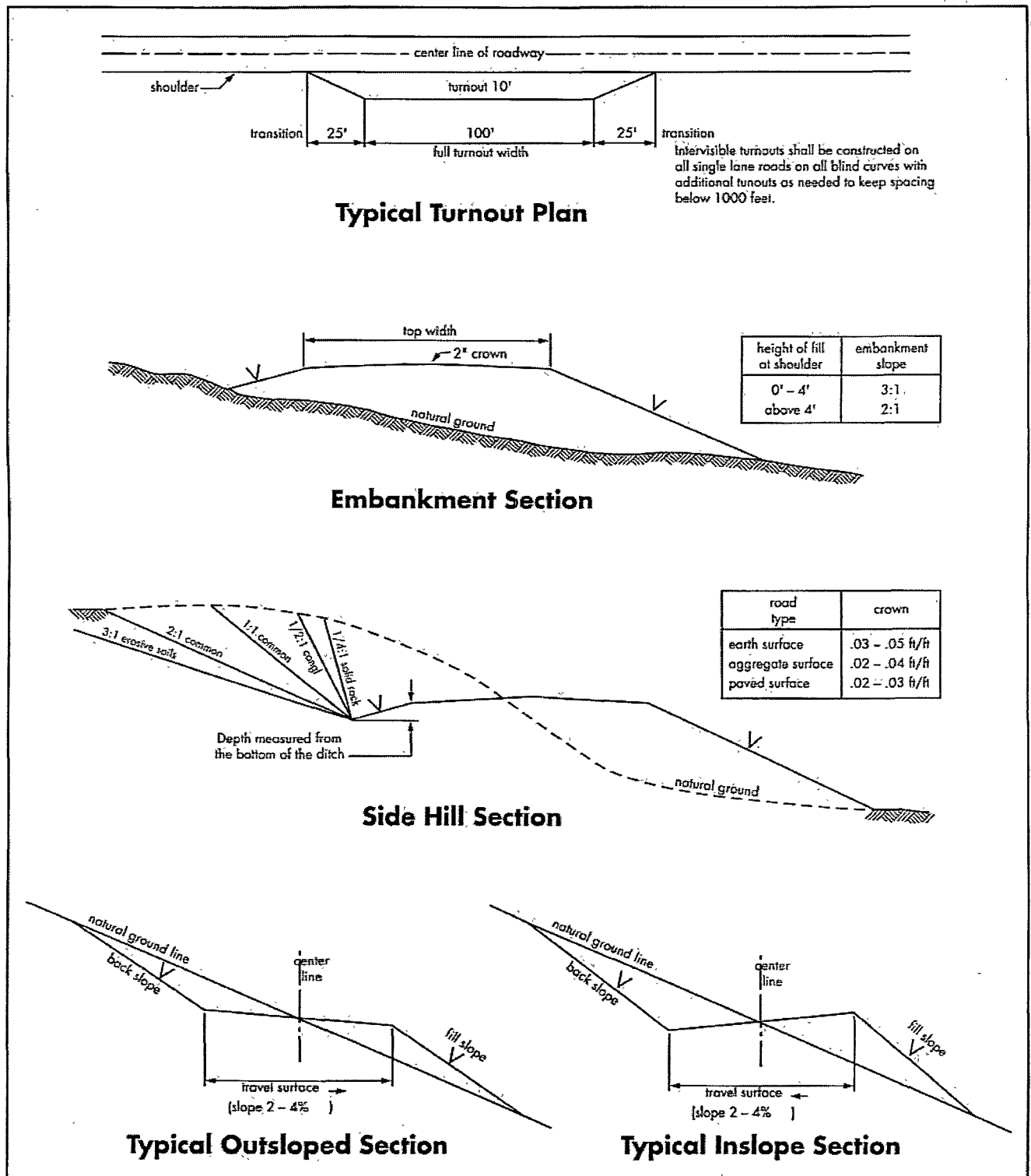
### **Public Access**

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

### **Pipeline Protection Requirement**

A. Precautionary measures shall be taken by the operator during construction of the access road to protect two (2) existing pipeline(s) that the access road will cross over (**See map - EXHIBIT A**). An earthen berm; 2 feet high by 3 feet wide and 14 feet across the access road travelway (**2' X 3' X 14'**), shall be constructed over each of the existing pipeline(s). The operator shall be held responsible for any damage to the existing pipeline(s). If the either pipeline is ruptured and/or damaged the operator shall immediately cease construction operations and repair the pipeline(s). The operator shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

**Figure 1 – Cross Sections and Plans For Typical Road Sections**



## **V. DRILLING**

### **A. DRILLING OPERATIONS REQUIREMENTS**

Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201. During office hours call (505) 627-0258. After office hours call (505) 200-7902.

1. The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:
  - a. Spudding well
  - b. Setting and/or Cementing of all casing strings
  - c. BOPE 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.

### **B. CASING**

1. The 8-5/8 inch surface casing shall be set at approximately 350 feet and cemented to the surface. If salt is encountered before reaching the casing depth, the operator is to stop and set surface casing 25 feet above the top of the salt.
  - 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
  - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).
  - 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 compression strength, whichever is greater.
  - d. If cement falls back, remedial action will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is to be cemented to surface).
  - a. If cement does not circulate, contact the appropriate BLM office for approval of remedial action.
3. 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. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 (2M) psi.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. The tests shall be done by an independent service company.
  - b. The results of the test shall be reported to the appropriate BLM office.
  - c. 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.
  - d. 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.

## **D. DRILL STEM TEST (optional)**

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

Engineer on call phone (after hours only): Roswell: (505) 626-5749

## **VI. PRODUCTION**

### **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.

#### **Containment Structures**

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

## **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, Olive Drab, Munsell Soil Color Chart 18-0622 TPX.

## **VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE**

### **A. INTERIM RECLAMATION**

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting 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.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, 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.

### **B. RESERVE PIT CLOSURE**

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

## PECOS DISTRICT SEED MIX FOR:

Ecological Site: Shallow Sand SD-3 and Sandy SD-3

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Black grama	<i>(Bouteloua eriopoda)</i>	3.00 lbs.
or Blue grama,	<i>(Bouteloua gracilis)</i>	
Sideoats grama	<i>(Bouteloua curtipendula)</i>	2.00 lbs.
Sand dropseed	<i>(Sporobolus cryptandrus)</i>	1.50 lbs.
or Mesa dropseed	<i>(S. flexuosus)</i>	
or Spike dropseed	<i>(S. contractus)</i>	
Desert or Scarlet	<i>(Sphaeralcea ambigua)</i>	1.00 lb.
Globemallow or	<i>(S. coccinea)</i>	
Croton	<i>(Croton spp.)</i>	<u>1.00 lb.</u>
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		8..50 lbs.

Certified Weed Free Seed. If one species is not available increase all others proportionately. Use no less than 4 species, including 1 forb. No less than 8.5 pounds lbs per acre shall be applied.

## VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

- a. Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.
- b. Upon abandonment of the well, instead of installing a 4 foot dry hole marker, the operator/lessee shall install a metal plate in place of the dry hole marker. The metal plate shall be based at ground level with the required pertinent well information inscribed to the metal plate with a beaded weld. BLM is requiring a permanent metal plate monument due to the well located in (LPC) Lesser Prairie Chicken and Sand Dune Lizard habitat.

## IX. SEASONAL DRILLING REQUIREMENT:

### A. Lesser Prairie Chicken Stipulation:

The Roswell Approved Resource Management Plan and Record Of Decision addresses the preservation of the Lesser Prairie Chicken wildlife habitat. In cooperation with NMDGF, the RFO shall also consider the preservation of the North Bluitt Lesser Prairie Chicken Management Area.

1. There shall be no earthmoving construction activities, well exploratory and/or developmental drilling, well completion, plugging and abandonment activities, **between March 1<sup>st</sup> through June 15<sup>th</sup>**, of each year. During that period, other activities, including the operation and maintenance of oil and gas facilities, will not be allowed between **3:00 A.M. and 9:00 A.M.**

To the extent practicable, activities occurring for a short period of time may be conducted so long as they do not commence until after **9:00 A.M.** Any deviation from this stipulation must be approved in writing by the Roswell Field Office Manager or the appropriate Authorized Officer.

2. All motors or engines that produce high noise levels shall have mufflers installed that effectively reduce excessive noise levels within prairie chicken habitat. High noise levels produced by motors or engines shall be reduced and muffled so as not to exceed **75 db** measured at 30 feet from the source of the noise.

3. Upon abandonment of the well, reclamation activities can be conducted between **March 1<sup>st</sup> through June 15<sup>th</sup>**, so long as reclamation work shall not be conducted between the hours of **3:00 AM to 9:00 AM**. Any deviation from this requirement shall require prior approval by the Authorized Officer.

4. In an emergency situation, the Authorized Officer can allow a pit to be constructed for the purpose of collecting crude oil for removal. To prevent wildlife from entering the pit, netting of adequate size to deter access by wildlife shall cover the pit until it is no longer a threat to wildlife, and the pit is reclaimed.