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

AUG 29 2008
OCD-ARTESIA

S

Form 3160-3
(August 2007)

FORM APPROVED
OMB NO. 1004-0137
Expires: July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No.
NM-12687

6. If Indian, Allottee or Tribe Name
Not Applicable

7 If Unit or CA Agreement, Name and No.
Not Applicable

1a Type of Work. [X] DRILL [ ] REENTER

1b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

Lease Name and Well No. 34126
Gebo BEG Federal #1

2. Name of Operator
Yates Petroleum Corporation 25575

9 API Well No
30-005-64044

3a Address
105 South Fourth Street, Artesia New Mexico 88210

3b Phone No. *(include area code)*
(575) 748-1471

10. Field and Pool, or Exploratory
Undes. Foor Ranch; Pre-Permian

4 Location of well *(Report location clearly and In accordance with any State requirements *)*
At surface
ROSWELL CONTROLLED WATER BASIN
1980' FNL and 1880' FWL, Unit F

At proposed prod zone
same as above

11. Sec , T , R., M , or Blk. And Survey or Area
Section 12, T10S-R25E

14. Distance in miles and direction from the nearest town or post office*
Approximately 15 miles east of Roswell, New Mexico

12 County or Parish
Chaves

13. State
NM

15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg unit line, if any)	16 No of acres in lease	17 Spacing Unit dedicated to this well
726'	**1120.01**	**W/2 320.00 acres**
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	19 Proposed Depth	20 BLM/ BIA Bond No on file
1300'	**5630'**	**NATIONWIDE BOND #NMB000434**
21 Elevations (Show whether DF, KDB, RT, GR, etc)	22 Aproximate date work will start*	23. Estimated duration
3748' GL	**ASAP**	**30 Days**

24 Attachments

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

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

25 Signature	Name *(Printed/ Typed)*	Date
Debbie L. Caffall	**Debbie L. Caffall**	**6/3/2008**

Title
Regulatory Agent

Approved By *(Signature)*	Name *(Printed/ Typed)*	Date
/S/ Angel Mayes	/S/ Angel Mayes	AUG 27 2008
Title **Assistant Field Manager, Lands And Minerals**	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc

1212, make it a crime for any person knowingly and willfully to make to any department or agency of the Unite resentations as to any matter within its jurisdiction.

C-102 attached *C-144 attached*

NOTE: NEW PIT RULE
19-15-17 NMAC PART 17
A form C-144 must be approved before starting drilling operations.

WITNESS
Surface 9 5/8" CMTing, Circulate String 1 and string 2 to surface

RECEIVED

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Department

Revised March 17, 1999
Instructions 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	Pool Name
		(76730) Undesignated Foor Ranch; Pre-Permian (Gas)

Property Code	Property Name	Well Number
	GEBO "BEG" FEDERAL	1

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3748

Surface Location

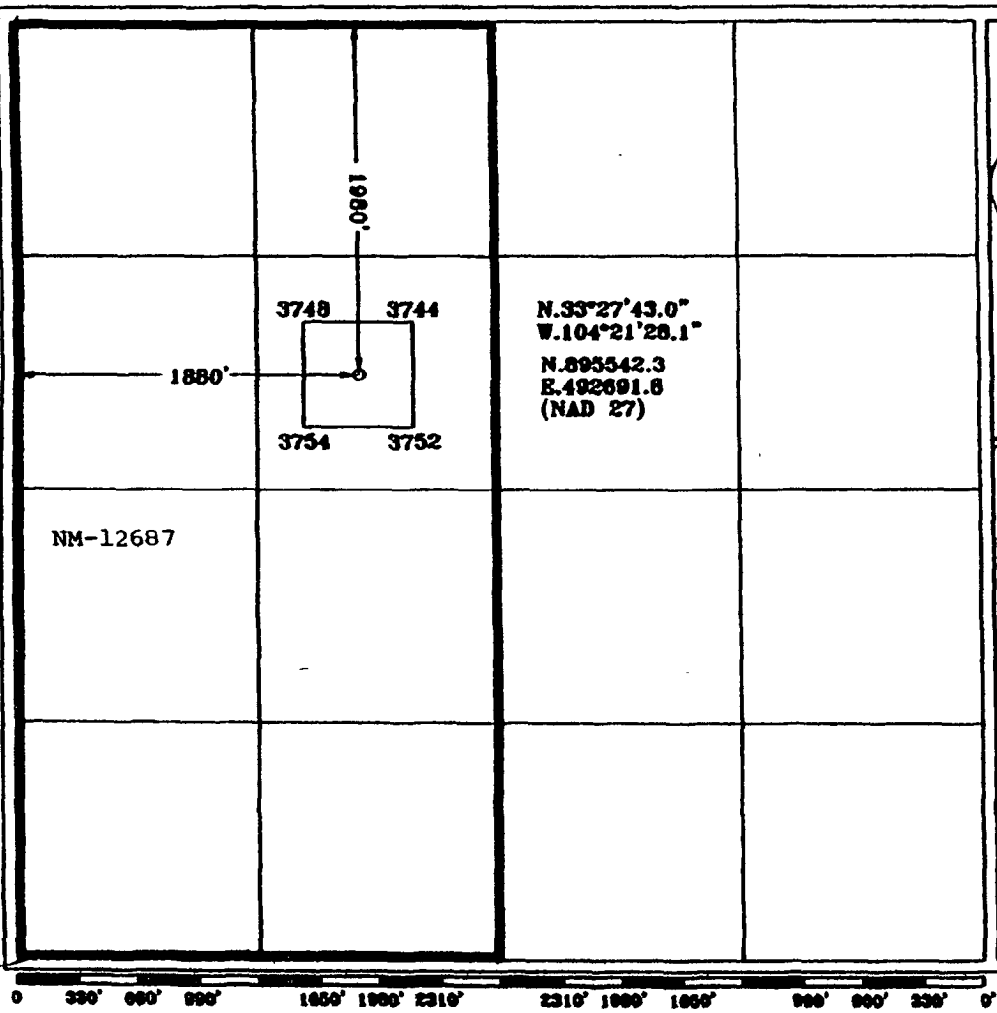
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	12	10S	25E		1980	NORTH	1880	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Robert Asher

Printed Name

Regulatory Agent

Title

6/17/2004

Date

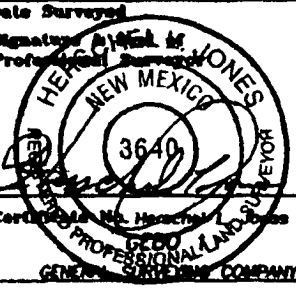
SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

5/04/2004

Date Surveyed

Signature & Seal of Professional Surveyor



Certificate No. Herschel L. Jones RLS 3640

YATES PETROLEUM CORPORATION
Gebo BEG Federal #1
1980' FNL and 1880' FWL
Section 12-T10S-R25E
Chaves County, New Mexico

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

Queen	155'	Abo	4055' Gas
Penrose	230'	Wolfcamp	4740' Gas
Grayburg	420'	WC B Zone	4825' Gas
San Andres	665' Oil & Gas	Spear Zone	5090' Gas
Glorieta	1740'	Cisco	5315' Gas
Yeso	1875'	Strawn	5450' Gas
Tubb	3300'	Precambrian	5480' Gas
		TD	5630'

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

   Water: 150'-300'
   Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

   Auxiliary Equipment:

   A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig 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
14 ¾"	9 5/8"	36#	J-55	ST&C	0-600'
8 ¾"	*7"	23#	J-55	LT&C	0-4800'
8 ¾"	5 ½"	15.5#	J-55	LT&C	0-5630'

   *7" casing will only be set if hole conditions dictate. If 7" casing is run, hole will be reduced to 6 1/8" and 4 ½" production casing will be run.

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

A. CEMENTING PROGRAM:

Surface Casing: 750 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx C with 2% CaCl2 (YLD 1.33 WT 15.6). Casing shall be set at 600' and cement circulated to surface. WITNESS

Intermediate Casing: 200 sx PVL (YLD 2.0 WT 12.5). Tail in w/ 200 sx C with 2% CaCL2 (YLD 1.33 WT 13.0). Bring cement up at least ~~200~~ above shoe. Circulate cement to surface

Production Casing: 750 sx Pecos Valley Lite (YLD 1.42 WT 13.0). Cement shall extend upward a minimum of 500' above the uppermost perforation. CIRC CMT TO SURFACE

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-900'	FW GEL/Paper/LCM	8.6-9.6	32-34	N/C
900'-3950'	Cut Brine	9.3-10.2	28	N/C
3950'-5615'	Starch/Salt Gel/4-6% KCL	9.7-10.0	45-55	<6/CC

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, surface casing to TD.
Logging: Platform Express, CNL/LDT/NGT TD -Surf csg; CNL/GR TD-Surf; DLL/MSFL TD- Surf csg; BHC Sonic TD - Surf csg:
Coring: None
DST's: None

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

Anticipated BHP:

From:	0	TO:	900'	Anticipated Max. BHP:	450 PSI
From:	900'	TO:	5630'	Anticipated Max. BHP:	2950 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Gebo BEG Federal #1
1980' FNL and 1880' FWL
Section 12-T10S-R25E
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 east of Roswell, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Drive east of Roswell, on Hwy 380, approximately 8 miles to Alamo Road. Turn left on Alamo Rd. and continue for approximately 1.9 miles to a "Y" in the road, take left fork and continue on Alamo Road for approximately 1.5 miles to a "Y" in the road, take left fork and continue for approximately 0.2 of a mile to another "Y" in the road, take right fork and continue for approximately 0.9 of a mile to the lease road staked on the left side, turn left and continue for approximately 100' to the NE corner of the location.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 100' in length from the point of origin to the northeast corner of the drilling pad. The road will lie in a east to west direction.
B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
C. 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.
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, possibly in Roswell, and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

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

7. METHODS OF HANDLING WASTE DISPOSAL:

   A. Drill cuttings will be disposed of in the reserve pits.
   B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
   C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
   D. Oil produced during operations will be stored in tanks until sold.
   E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
   F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary 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, rig orientation and access road approach.
   B. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with OCD General Plan for Drilling Pits approved on April 15, 2004.
   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.
   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: Bureau of Land Management, Roswell, NM
12. OTHER INFORMATION:

    A. Topography: Refer to the existing 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
Gebo BEG Federal #1

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 3rd day of June, 2008.

Printed Name Debbie L. Caffall

Signature Debbie L. Caffall

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

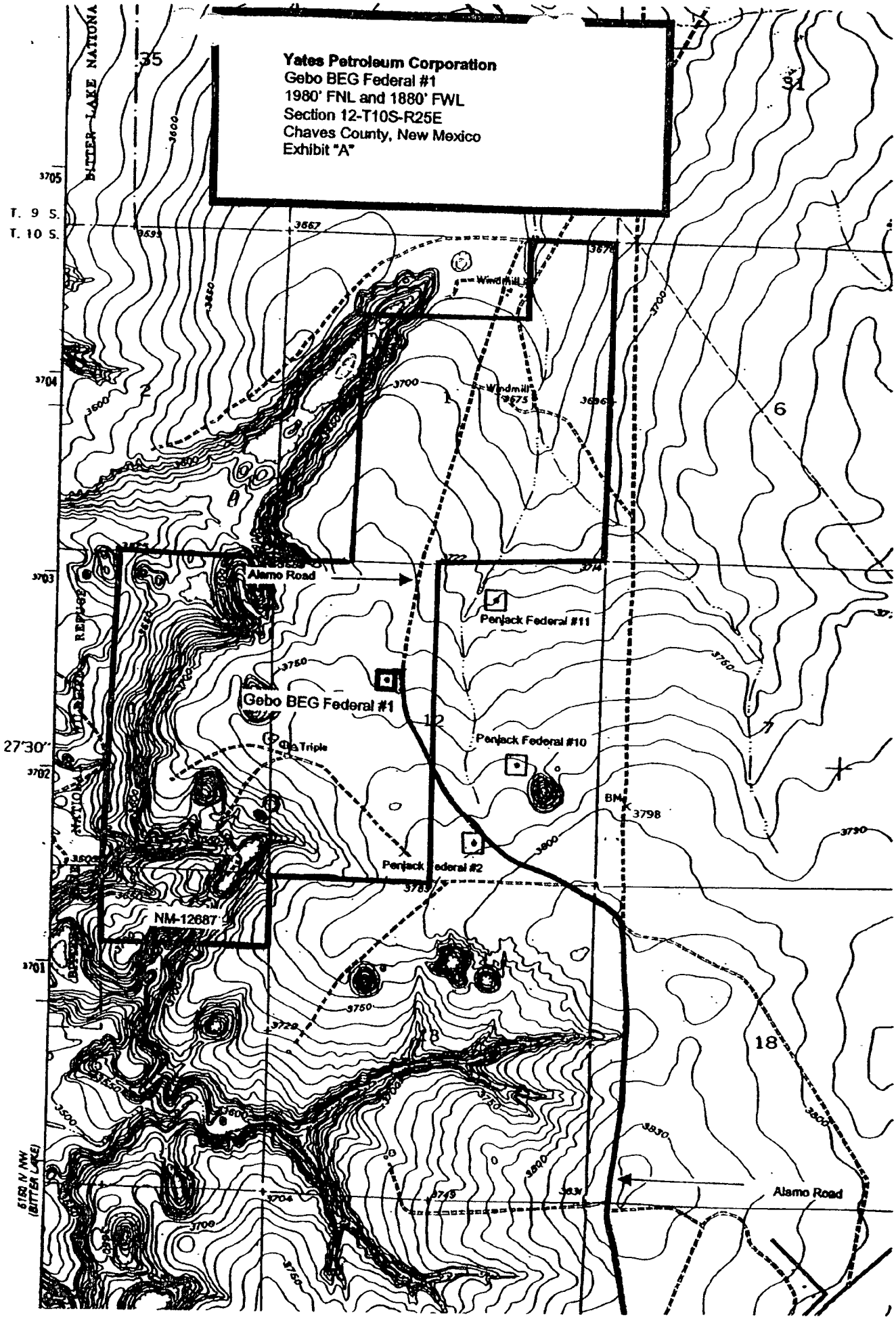
Telephone 575-748-4376

Field Representative (if not above signatory) Tim Bussell

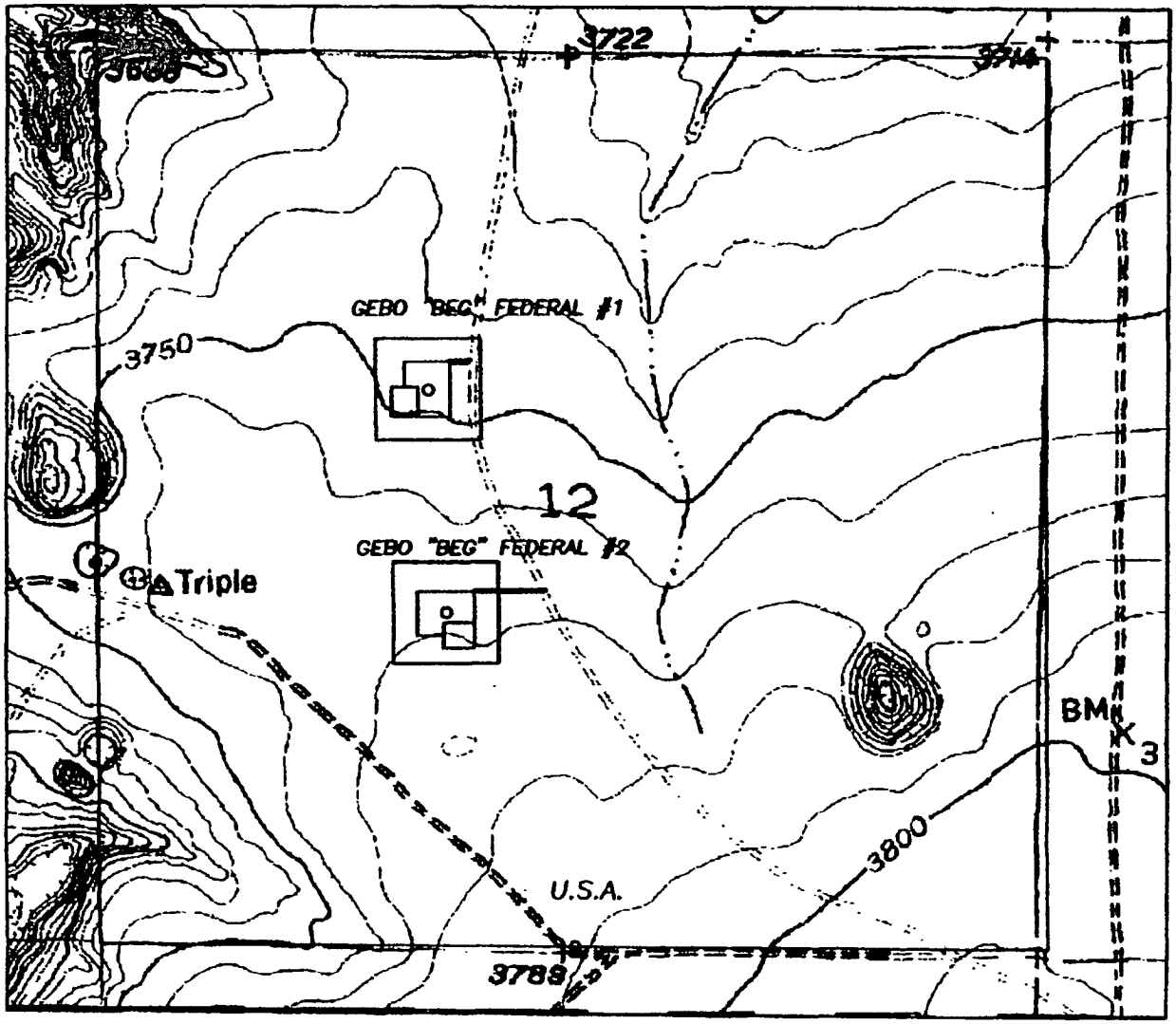
Address (if different from above) Same

Telephone (if different from above) 575-748-4271

E-mail (optional) debbiec@ypcnm.com


Yates Petroleum Corporation
Gebo BEG Federal #1
1980' FNL and 1880' FWL
Section 12-T10S-R25E
Chaves County, New Mexico
Exhibit "A"
T. 9 S.
T. 10 S.
Alamo Road
Penjack Federal #11
Gebo BEG Federal #1
Penjack Federal #10
Penjack Federal #2
NM-12687
Windmill
Triple
27'30"
Alamo Road

SECTION 12, TOWNSHIP ... OUTH, RANGE 25 EAST, NMPM, ...S COUNTY, NEW MEXICO.



Yates Petroleum Corporation
Gebo BEG Federal #1
1980' FNL and 1880' FWL
Section 12-T10S-R25E
Chaves County, New Mexico
Exhibit "A-1"

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.

3640
HERSCHEL L. JONES, N.M.P.S. No. 3640

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

YATES PETROLEUM CORP.

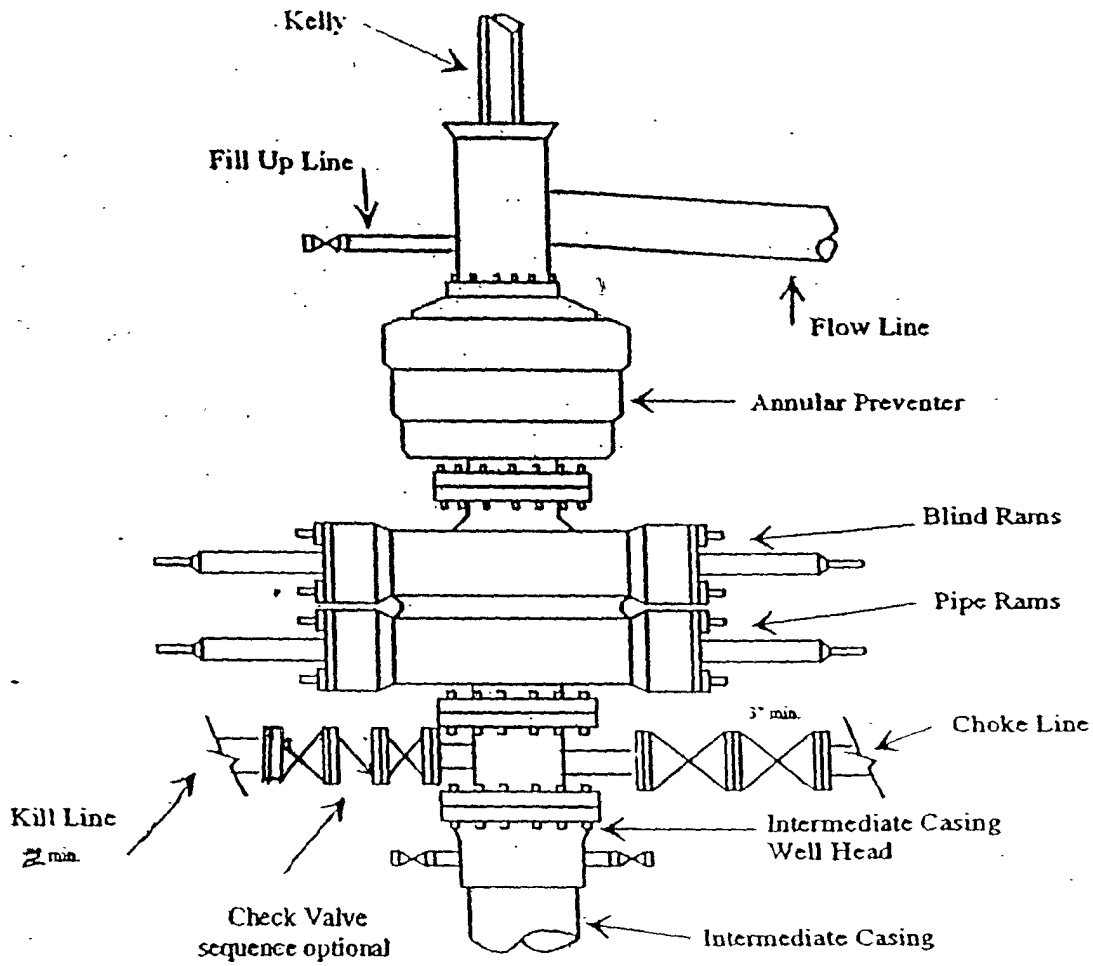
LEASE ROAD TO ACCESS THE YATES GEBO "BEG" FEDERAL #1 & 2 WELLS, LOCATED IN SECTION 12, TOWNSHIP 10 SOUTH, RANGE 25 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 5/04/2004	Sheet 1 of 1 Sheets	
Drawn By: Ed Blevins	W.O. Number	
Date: 5/04/04	Scale 1" = 1000'	GEBO 1-2

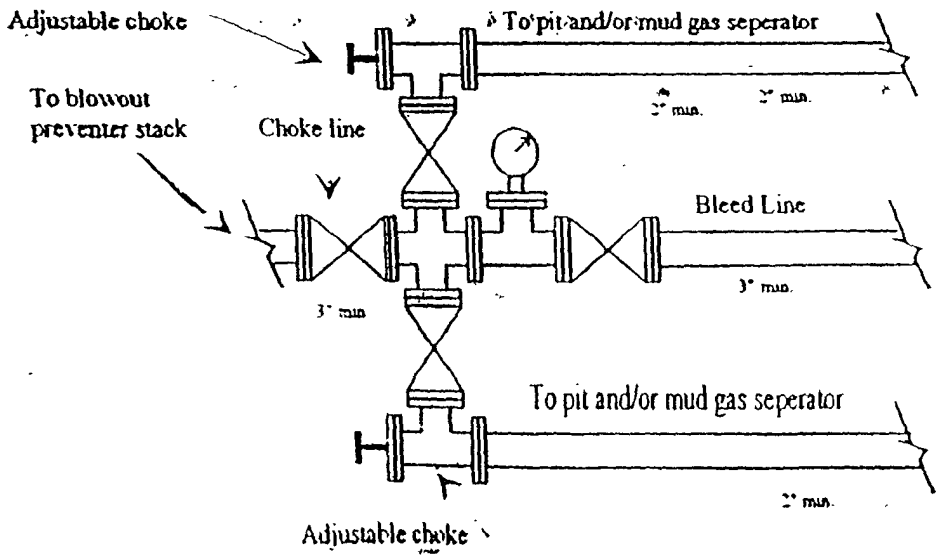
Yates Petroleum Corporation

BOP-3

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



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

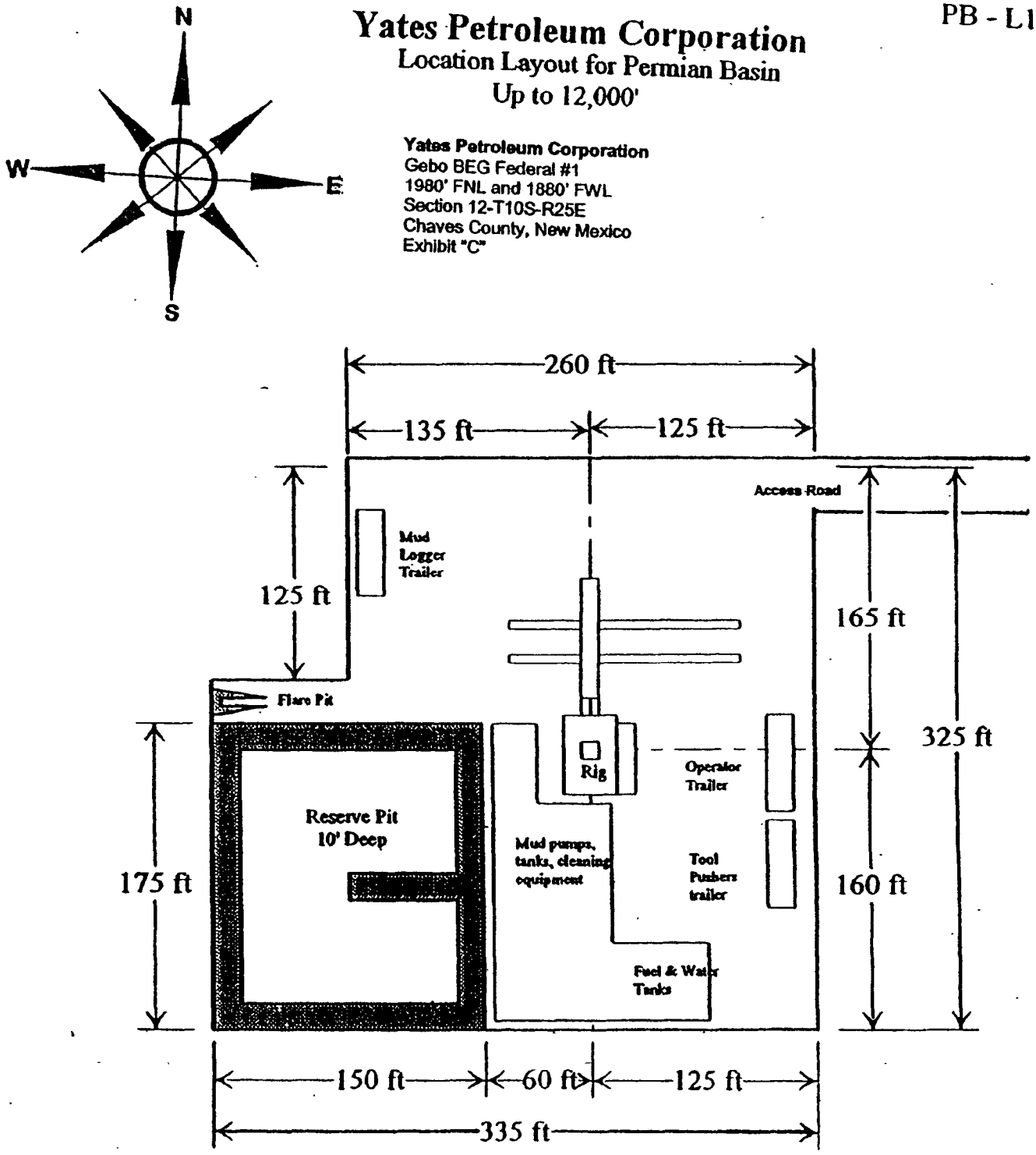


PB - L1

Yates Petroleum Corporation

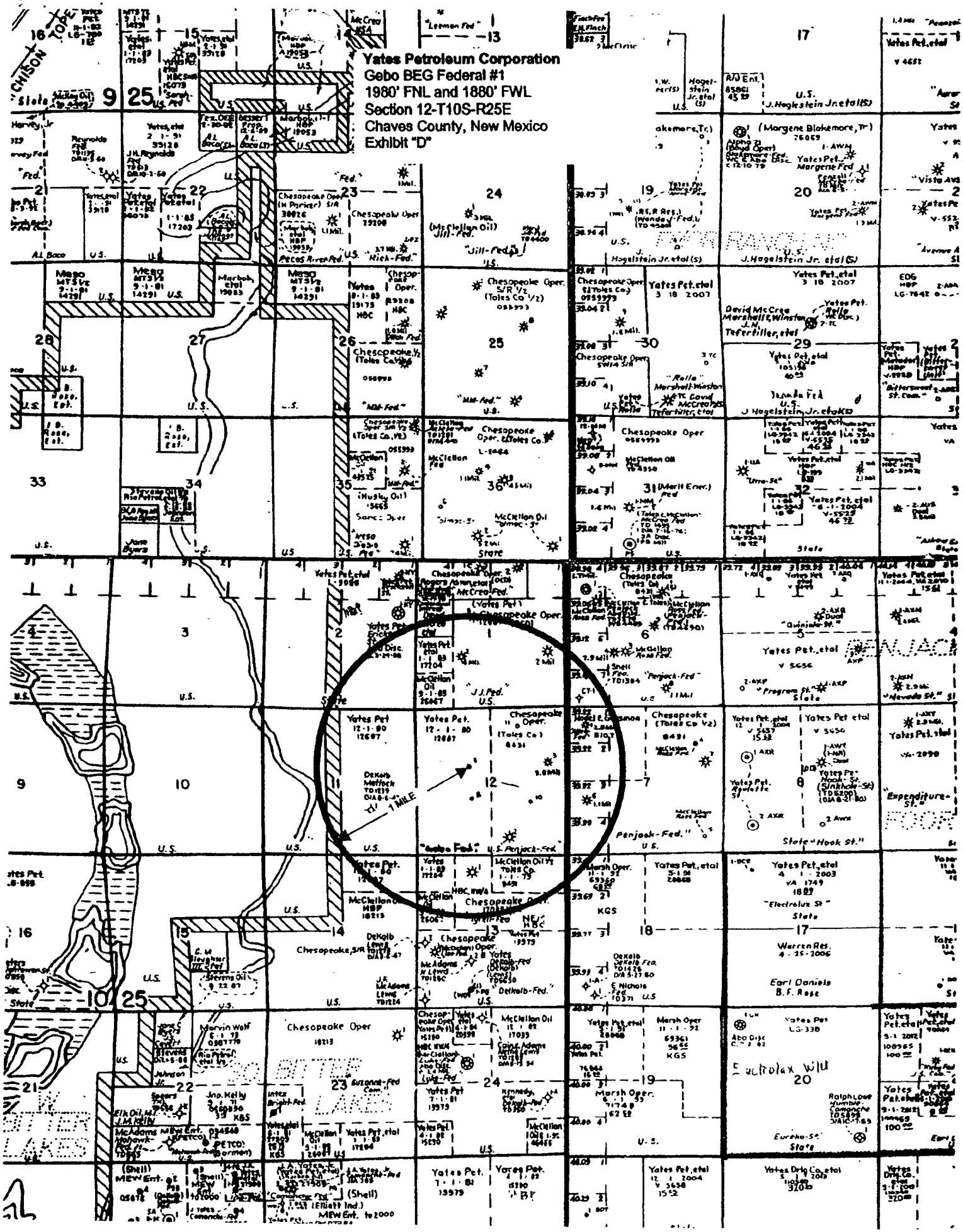
Location Layout for Permian Basin
Up to 12,000'

Yates Petroleum Corporation
Gebo BEG Federal #1
1980' FNL and 1880' FWL
Section 12-T10S-R25E
Chaves County, New Mexico
Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum


Yates Petroleum Corporation
Gebo BEG Federal #1
1980' FNL and 1880' FWL
Section 12-T10S-R25E
Chaves County, New Mexico
Exhibit "D"
1 MILE

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 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

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☑ CheckBox

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

Operator: Yates Petroleum Corporation Telephone: 505-748-4376 e-mail address: debbiec@ypcnm.com

Address: 104 South 4th Street, Artesia, New Mexico 88210

Facility or well name: Gebo BEG Federal #1 API #: 30-005-63675 U/L or Qtr/Qtr SENW Sec 12 T 10S R 25E

County: Chaves Latitude_____ Longitude_____ NAD: 1927 ☐ 1983 ☐ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume _____ bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not.	RECEIVED OCT 26 2004 OCD-ARTESIA
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)
	Ranking Score (Total Points)	0

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 ☒ or an (attached) alternative OCD-approved plan ☐.

Date: 10/26/2004

Printed Name/Title Robert Asher/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: OCT 27 2004

Printed Name/Title Field Rep II Signature

PECOS DISTRICT
ROSWELL FIELD OFFICE
CONDITIONS OF APPROVAL

OPERATORS NAME: Yates Petroleum Corporation
LEASE NO.: NM-12687
FIRST WELL NAME & NO: Gebo "BEG" Federal #1
SURFACE FOOTAGE: 1980' FNL & 1880' FWL
SECOND WELL NAME & NO: Gebo "BEG" Federal #2
SURFACE FOOTAGE: 1980' FSL & 1980' FWL
LOCATION: Section 12, T. 10 S., R. 25 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 to approximately 6 inches in depth. The topsoil shall be used for interim and final reclamation of the well pad. The topsoil shall be stockpiled on the side of the well pad farthest from the reserve pit.

C. RESERVE PITS:

A reserve pit will not be constructed as the operator shall use a closed-loop system in accordance with current NMOCD rules.

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.

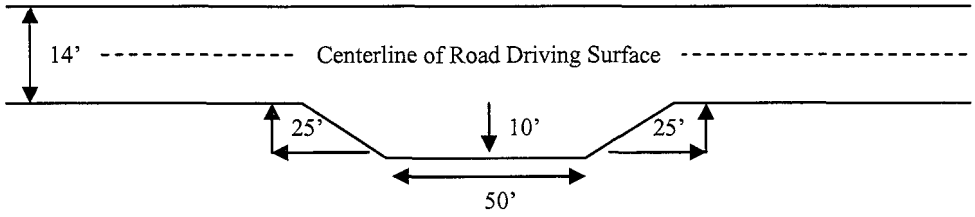
Crowning

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:

Standard Turnout – Plan View

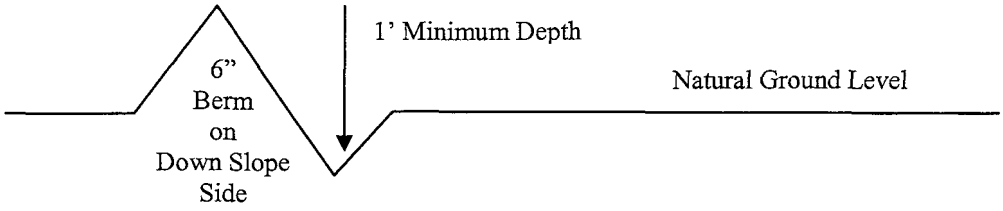


Drainage

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.

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

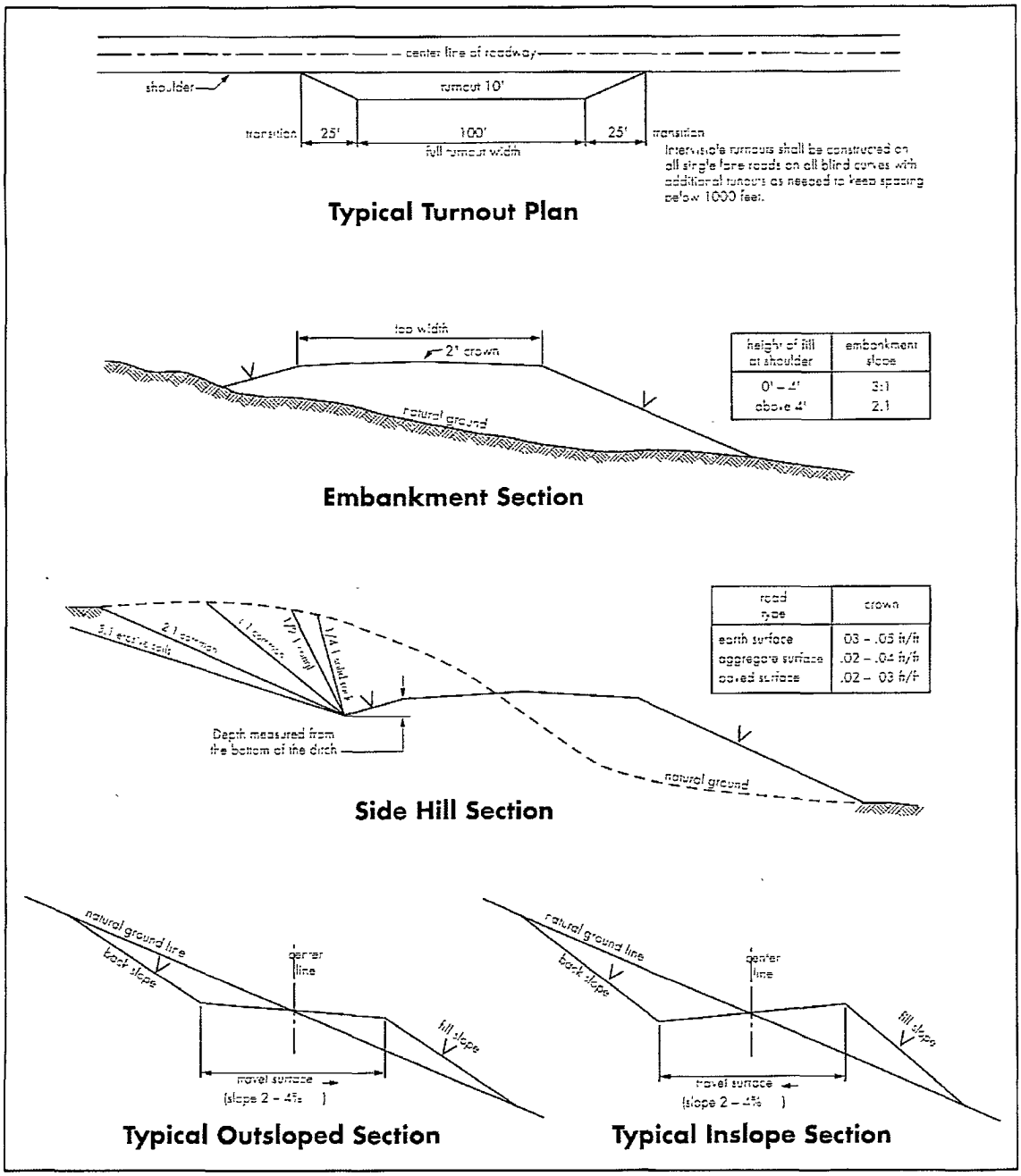
Public Access

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

Pipeline Protection Requirement

Precautionary measures shall be taken by the operator during construction to protect two (2) existing pipeline(s). An earthen berm 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

1. Chaves and Roosevelt Counties:
   - Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201, 24 hour at (575) 627-0205

2. 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

3. 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.

5. When floor controls are required, (3M or Greater) 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 are located, this does not include the dog house or stairway area.

B. CASING

1. The 9⅝ inch surface casing shall be set at a maximum of 600 feet and cemented to the surface.

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 7 or 5½ inch intermediate casing is to circulate to surface. NOTE: the operator wishes to choose whether to run a 7 inch second string or the 5½ inch depending on hole conditions. The first and second casing string must be

circulated to surface with cement. If cement does not circulate see B.1.a-d above.

3. The minimum required fill of cement behind the 5½ inch production casing is to circulate to surface .

a. If cement does not circulate, contact the appropriate BLM office for approval of remedial action.

b. If cement is required to tie-back into previous casing string, 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.

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. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2,000 psi.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9⅝ surface casing shoe shall be 2,000 psi.

a. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

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

c. The results of the test shall be reported to the appropriate BLM office.

d. 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.

e. 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.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim re-contouring and re-vegetation 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.

A containment structure or earthen dike shall be constructed and maintained around the north, east, south, and west outside boundary of the well pad. The containment structure or earthen dike shall be constructed two (2) feet high (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum). The containment structure or earthen dike is required so that if oilfield waste contaminant or product contaminant were leaked, spilled, and or released upon the well pad the oilfield waste contaminant or product contaminant shall be contained in order to prevent the contaminant from entering onto the ground off of the well pad.

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, Juniper Green (Standard Environmental Color Chart, June 2008).

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 re-vegetating 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 work over operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously

disturbed area. Disturbing re-vegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

PECOS DISTRICT SEED MIX FOR:

The following soil or soil associations may represent these ecological sites: Alama-Poquita, Alama-Reeves, Anthony sandy loam, Berino, Blakeney-Ima, Cacique, Dona Ana, Glendale-Harkey, Harkey sandy loam, Karro loam, Kermit-Berino fine sand, Mobeetie fine sandy loam, Pajarito-Bluepoint, Poquita, Potter-Simona complex, Sharvana-Redona, Simona, Simona-Bippus complex, Sotim-Berino, Sotim-Simona association, moderately undulating, Tonuco loamy sand,Vinton

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

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Blue grama	*(Bouteloua gracilis)*	4.00
Sideoat grama	*(Bouteloua curtipendula)*	1.00
Sand dropseed	*(Sporobolus cryptandrus)*	0.50
Vine mesquite	*(Panicum obtusum)*	1.00
Plains bristlegrass	*(Setaria macrostachya)*	1.00
Indian blanketflower	*(Gaillardia aristata)*	0.50
Desert or Scarlet Globemallow	*(Sphaeralcea ambigua)* *(S. coccinea)*	1.00
Annual sunflower	*(Helianthus annuus)*	0.75
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		9.75 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 9.75 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, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.

b. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). A 4-inch pipe, 10 feet in length, shall be installed 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).