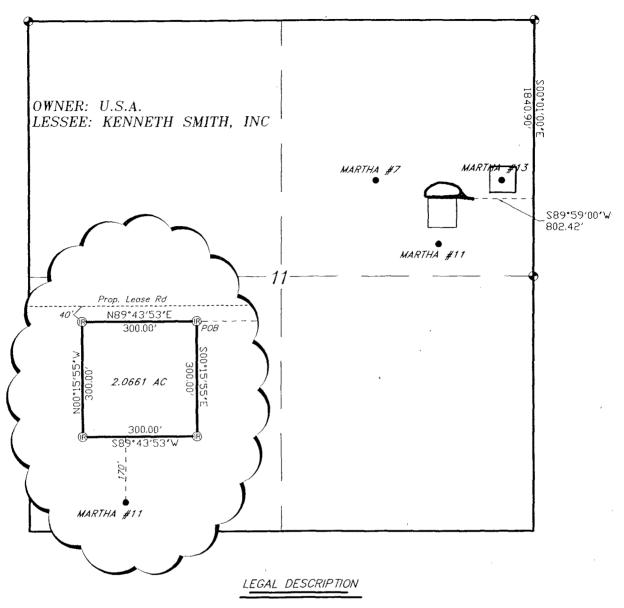
FORM APPROVED Form 3160-5 **UNITED STATES** OMB No. 1004-0137 (February 2005) DEPARTMENT OF THE INTERIOR Expires March 31, 2007 BUREAU OF LAND MANAGEMENT Lease Serial No SUNDRY NOTICES AND REPORTS ON WELLS NM-65417 6. If Indian, Allottee or Tribe Name Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals. 7. If Unit or CA/Agreement, Name and/o SUBMIT IN TRIPLICATE - Other instructions on page 2. Type of Well Gas Well Well Name and No. X Oil Well Other Name of Operator Martha AIK Federal #13H API Well No. Yates Petroleum Corporation 025575 Address Phone No. (include area code) 3001537511 10. Field and Pool, or Exploratory Area 105 South Fourth Street, Artesia, NM 88210 (505) 748-1471 Location of Well (Footage, Sec., T., R., M., or Survey Description) Livingston Ridge Delaware 11. County or Parish, State 1650' FNL and 330' FEL, Sec. 11-22S-31E Eddy County, New Mexico 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION Deepen Water Shut-Off X Notice of Intent Acidize Production (Start/Resume) Well Integrity Alter Casing Fracture Treat Reclamation Other Amend Subsequent Report New Construction Recomplete Casing Repair Surface Use Change Plans Plug and Abandon Temporarily Abandon Plan. Final Abandonment Notice Convert to Injection Plug Back Water Disposal 13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.) Yates Petroleum Corporation wishes to amend the Surface Use Plan for the captioned to include the construction c of a 320' x 320' x 11' freshwater reservoir to be used for fracing operations for the Martha AlK Federal #13H. The frac reservoir will be located 802.42 feet west of the section line and approximately 300 feet west of the southwest corner of the Martha AIK Federal #13H. The reservior will be on the south side of the access road and will have a 12' wide road with ramps for unloading water and a turn around for the trucks to use after unloading. This reservoir has been between several of the Martha wells for additional usage when the time comes. Please note attached plats showing the location of the proposed freshwater reservoir. RECEIVED OCT 12 2010 Accepted for record - NMOCD D90-14-10 NMOCD ARTESIA

14. I hereby certify that the foregoing is true and correct		
Name (Printed/Typed)	Title	
Armando A. Lopez	Chief Land Regulatory Agent	
Signature A loge	Date August 17,2010	
THIS SPA	CE FOR FEDERAL OR STATE USE	
Approved by /S/ Geanette a. Martinez	TitleFIELD MANAGER  Date  10-6-10	
Conditions of approval, if any, are attached. Approval of this notice do certify that the applicant holds legal or equitable title to those rights in which would entitle the applicant to conduct operations thereon.		

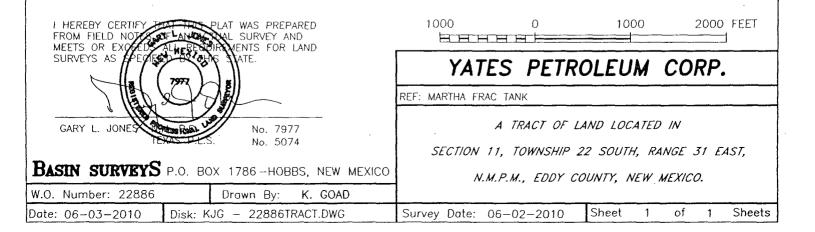
Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United galses fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

SECTION 11, TOWNSHIP 22 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY.



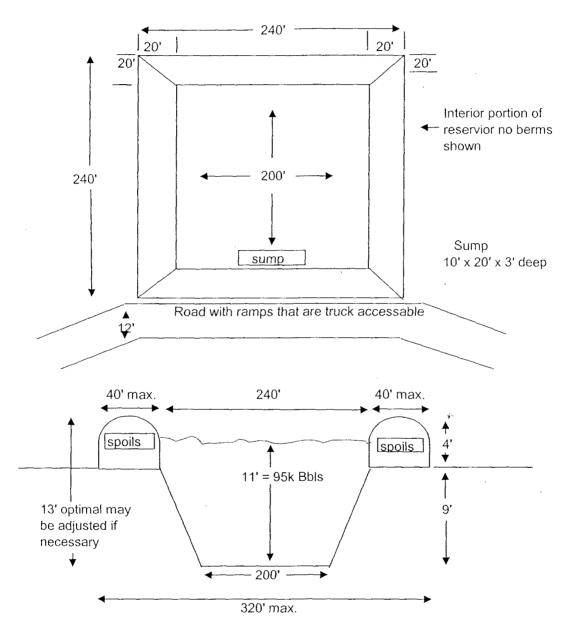
A TRACT OF LAND LOCATED IN SECTION 11, TOWNSHIP 22 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS.

BEGINNING AT A POINT WHICH LIES S.00'01'00"E., 1840.90 FEET AND S.89'59'00"W., 802.42 FEET FROM THE NORTHEAST CORNER OF SAID SECTION 11; THENCE S.00'15'55"E., 300.00 FEET; THENCE S.89'43'53"W., 300.00 FEET; THENCE N.00'15'55"W., 300.00 FEET; THENCE N.89'43'53"E., 300.00 FEET TO THE POINT OF BEGINNING. SAID TRACT CONTAINING 2.0661 ACRES, MORE OR LESS.



# MARTA AIK 7ED 13H

Yates Petroleum Corp. Fresh Water Reservior 9/16/2010



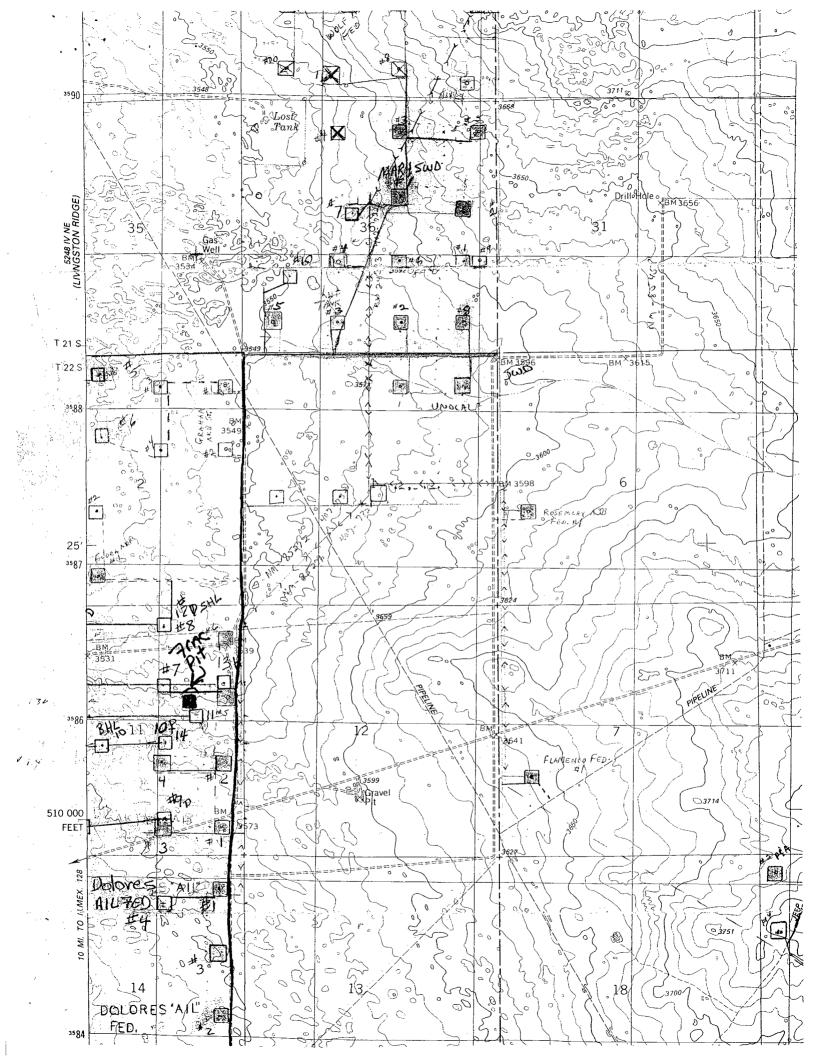
Spoil piles= 3 sides will normally be narrow and the fourth side will include the road and access to the sump.

Bottom Slope= make sure the bottom always slopes to the sump.

Top Edge= Make sure top levels are shot in to ensure adequate Free Board (2')

Road & Ramps = Must be capable of handeling 2 loaded water trucks.





# PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:
LEASE NO.:
WELL NAME & NO.:
SURFACE HOLE FOOTAGE:
BOTTOM HOLE FOOTAGE
LOCATION:
COUNTY:
Wates Petroleum Corp
NM65417
Martha AIK Federal 13H
1650' FNL & 330' FEL
' F L & F L
Section 11, T. 22 S., R. 31 E., NMPM
Eddy County, New Mexico

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

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Permit Expiration			
Archaeology, Paleontology, and Historical Sites			
Noxious Weeds			
Special Requirements			
Lesser Prairie-Chicken Timing Stipulations			
Ground-level Abandoned Well Marker			
Aplomado Falcon			
Cave/Karst			
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☐ Construction			
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Federal Mineral Material Pits			
Well Pads			
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Road Section Diagram			
☐ Drilling			
Waste Material and Fluids			
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Electric Lines			
☐ Interim Reclamation			
Final Abandonment & Reclamation			

#### I. GENERAL PROVISIONS

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

# II. PERMIT EXPIRATION

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

# III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

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

# IV. NOXIOUS WEEDS

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

# V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

#### VI. CONSTRUCTION

#### A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

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

#### B. TOPSOIL

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately inches in depth. The topsoil will be used for interim and final reclamation.

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

#### C. CLOSED LOOP SYSTEM

Tanks are required for drilling operations: No Pits.

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

#### D. FEDERAL MINERAL MATERIALS PIT

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

# E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

#### F. ON LEASE ACCESS ROADS

#### Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed twenty (20) feet.

# **Surfacing**

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

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

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

#### Crowning

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

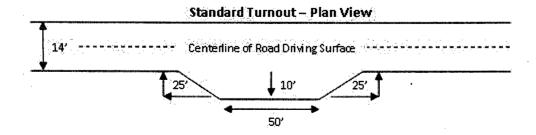
#### Ditching

Ditching shall be required on the uphill side of the road.

Ditching shall be required on both sides of the road.

# **Turnouts**

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

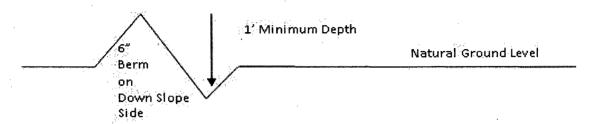


# **Drainage**

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.

# Cross Section of a Typical Lead-off Ditch



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

#### Formula for Spacing Interval of Lead-off Ditches

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

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

#### **Culvert Installations**

Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

# Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

# Fence Requirement

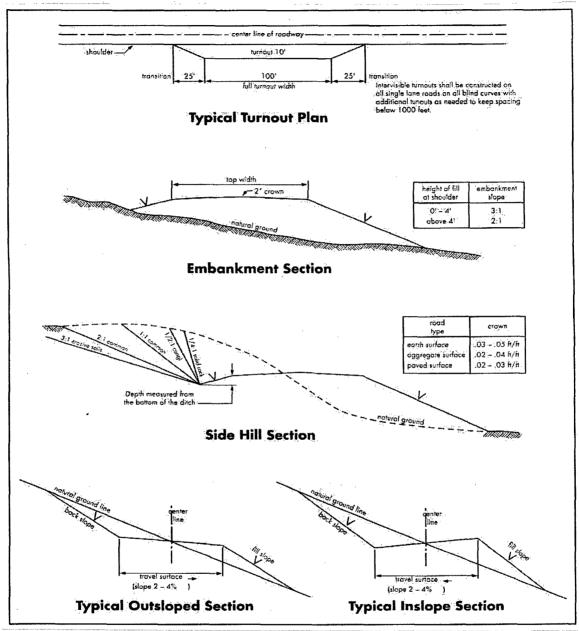
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

# **Public Access**

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



# VII. DRILLING

# A. DRILLING OPERATIONS REQUIREMENTS

(505) 393-3612

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		
	Chaves and Roosevelt Counties Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201 During office hours call (575) 627-0272. After office hours call (575) 200-7902.		
	Eddy County Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220 (505) 361-2822		
	Lea County Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,		

- 1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the formation.
- 2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
- 3. 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.
- 4. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface. The logs shall be run at a speed which allows the logs to be legible and no faster than manufactures of the logging tools recommended speed. (R-111-P area only)

#### B. CASING

1. The inch surface casing shall be set at 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 compressive 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 compressive 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	inch intermediate casing is:
	Cement to surface. If cement does not circulate	see B.1.a-d above.
	Cement should tie-back at least 200 feet into preshall provide method of verification.	revious casing string. Operator
3.	The minimum required fill of cement behind the	inch production casing is:
	Cement to surface. If cement does not circulate office.	, contact the appropriate BLM
	Cement should tie-back at least 200 feet into previous casing string. Operate shall provide method of verification.	
	Top of cement to reach at least 500 feet above hydrocarbon productive interval.	the top of the uppermost

- 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.
- 5. Whenever a casing string is cemented in the R-111-P potash area, the NMOCD requirements shall be followed.

#### 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. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the intermediate casing shoe shall be 2000 (2M) psi.
- 4. 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.
  - e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the formation. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.
  - f. A variance to test the surface casing and BOP/BOPE to the reduced pressure of psi with the rig pumps is approved.

#### D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the formation, and shall be used until production casing is run and cemented.

#### E. DRILL STEM TEST

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

ACS/ (date)

#### F. WASTE MATERIAL AND FLUIDS

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

# VIII. PRODUCTION (POST DRILLING)

#### A. WELL STRUCTURES & FACILITIES

#### **Placement of Production Facilities**

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

#### **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 Shale Green, Munsell Soil Color Chart # 5Y 4/2

#### **VRM Facility Requirement**

Low-profile tanks not greater than eight-feet-high shall be used.

- B. PIPELINES
- C. ELECTRIC LINES

# IX. INTERIM RECLAMATION

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

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

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

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

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

# X. FINAL ABANDONMENT & RECLAMATION

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

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

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

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

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

(Insert Seed Mixture Here)