

3  
(March 2012)  
**HOBBS OCD**

OCD Hobbs

FORM APPROVED  
OMB No. 1004-0137  
Expires October 31, 2014

JAN 11 2013

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**HOBBS OCD**

## APPLICATION FOR PERMIT TO DRILL OR REENTER 2013

5. Lease Serial No.

NM-57274

6. If Indian, Allottee or Tribe Name  
N/A7. If Unit or CA Agreement, Name and No.  
N/A

8. Lease Name and Well No.

Haracz "AMO" Federal #11H &lt;14835&gt;

9. API Well No.

30-025-40918

10. Well and Pool on Exploratory  
Undesignated Bone Springs11. Sec., T. R. M. or Blk. and Survey or Area  
Section 19 T24S-R32E12. County or Parish  
Lea County13. State  
NM**RECEIVED**1a. Type of work: ☒ DRILL☐ REENTER**RECEIVED**1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator YATES PETROLEUM CORPORATION

3a. Address 105 South Fourth Street  
Artesia, NM 882103b. Phone No. (include area code)  
575-748-4347

4. Location of Well (Report location clearly and in accordance with any State requirements.)\*

At surface 200' FNL and 1980' FEL Ut. B

**Non-Standard Location**

At proposed prod. zone 330' FSL and 1980' FEL Ut. O

14. Distance in miles and direction from nearest town or post office\*  
approximately 30 miles east of Carlsbad, New Mexico15. Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drig. unit line, if any)

200'

16. No. of acres in lease  
NM-57274 1743.52 acres17. Spacing Unit dedicated to this well  
W2E2, Sec.19,T24S-R32E18. Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft.

Approximately 950'

19. Proposed Depth

Pilot Hole 11950'  
10708' TVD 15256' MD

20. BLM/BIA Bond No. on file

Nationwide Bond #NM-B000434  
Individual Bond#NM-B00092021. Elevations (Show whether DF, KDB, RT, GL, etc.)  
3569' GL22. Approximate date work will start\*  
09/10/201223. Estimated duration  
70 Days

## 24. Attachments

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

1. Well plat certified by a registered surveyor.

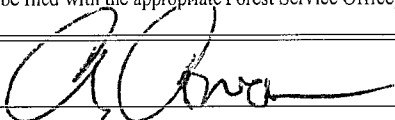
2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the  
SUPO must be filed with the appropriate Forest Service Office).4. Bond to cover the operations unless covered by an 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  
BLM.

25. Signature



Name (Printed/Typed)

Cy Cowan

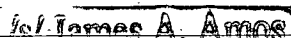
Date

1/14/12

Title

Land Regulatory Agent

Approved by (Signature)



Name (Printed/Typed)

Date

JAN 8 2013

Title

FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to  
conduct operations thereon.

Conditions of approval, if any, are attached.

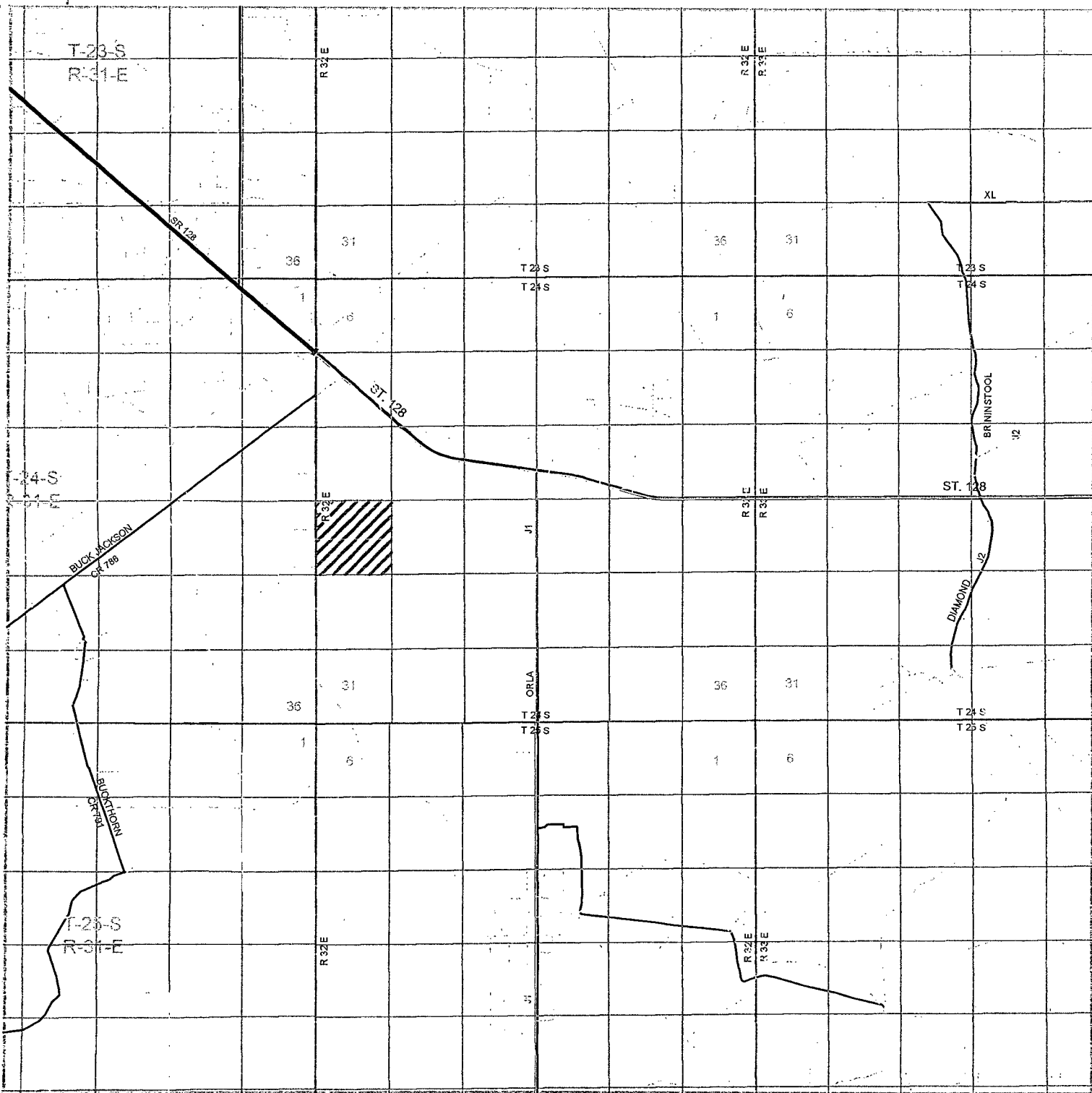
**APPROVAL FOR TWO YEARS**Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United  
States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

\*(Instructions on page 2)

Carlsbad Controlled Water Basin

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



# HARACZ "AMO" FEDERAL #11H

Located 200' FNL and 1980' FEL

Section 19, Township 24 South, Range 32 East,  
N.M.P.M., LEA County, New Mexico.



focused on excellence  
in the oilfield

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

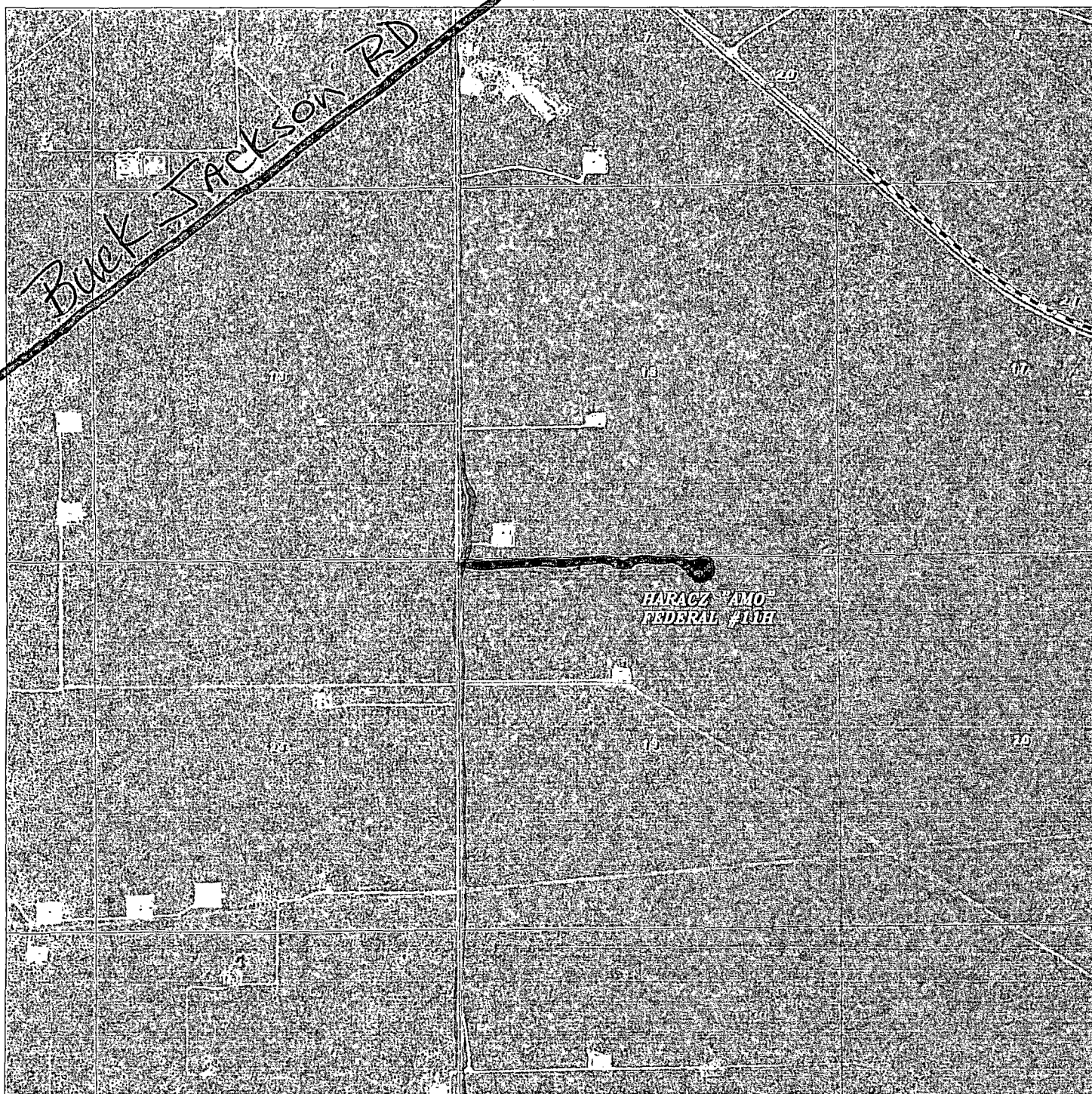
W.O. Number: DAJ 26952

Survey Date: 06-21-2012

Scale: 1" = 2 Miles

Date: 06-28-2012

YATES  
PETROLEUM  
CORP.



HARACZ "AMO" FEDERAL #11H  
Located 200' FNL and 1980' FEL  
Section 19, Township 24 South, Range 32 East,  
N.M.P.M., LEA County, New Mexico.



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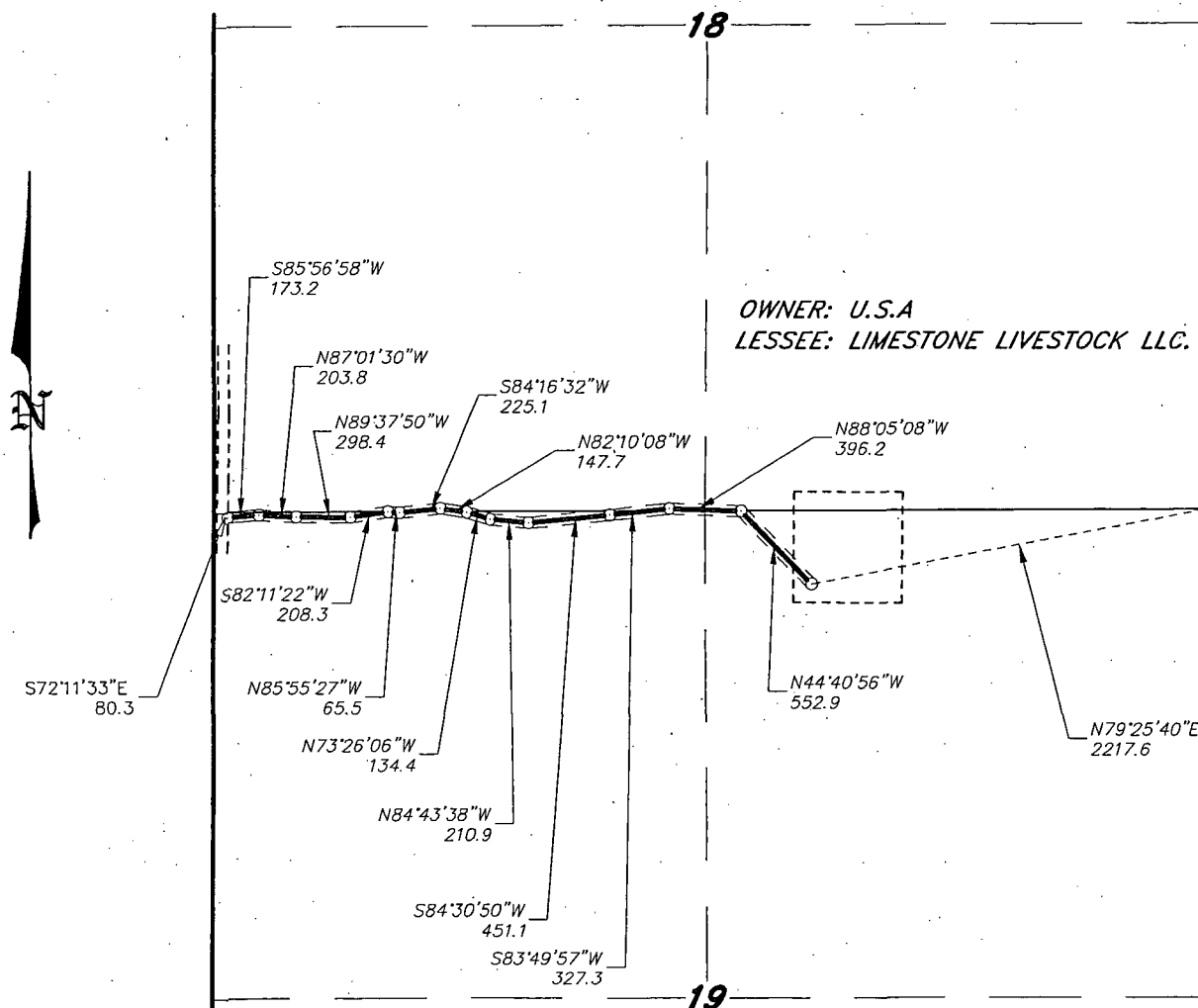
W.O. Number: DAJ 26952

Scale: 1" = 2000'

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

YATES  
PETROLEUM  
CORP.

SECTIONS 18&19, TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.

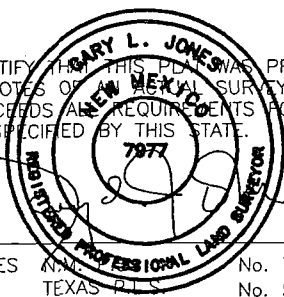


LEGAL DESCRIPTION

A STRIP OF LAND 20.0 FEET WIDE, LOCATED IN SECTIONS 18&19, TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO AND BEING 10.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

SECTION 18 = 704.0 FEET = 42.6 RODS = 0.13 MILES = 0.32 ACRES  
 SECTION 19 = 2690.8 FEET = 163.07 RODS = .50 MILES = 1.23 ACRES  
 TOTAL = 3394.8 FEET = 205.74 RODS = 0.64 MILES = 1.55 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF A PLAT SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.



GARY L. JONES N.M. No. 7977  
TEXAS P.L.S. No. 5074

1000 0 1000 2000 FEET

**YATES PETROLEUM CORP.**

REF: PROP. LEASE ROAD TO HARACZ "AMO" FEDERAL #11H

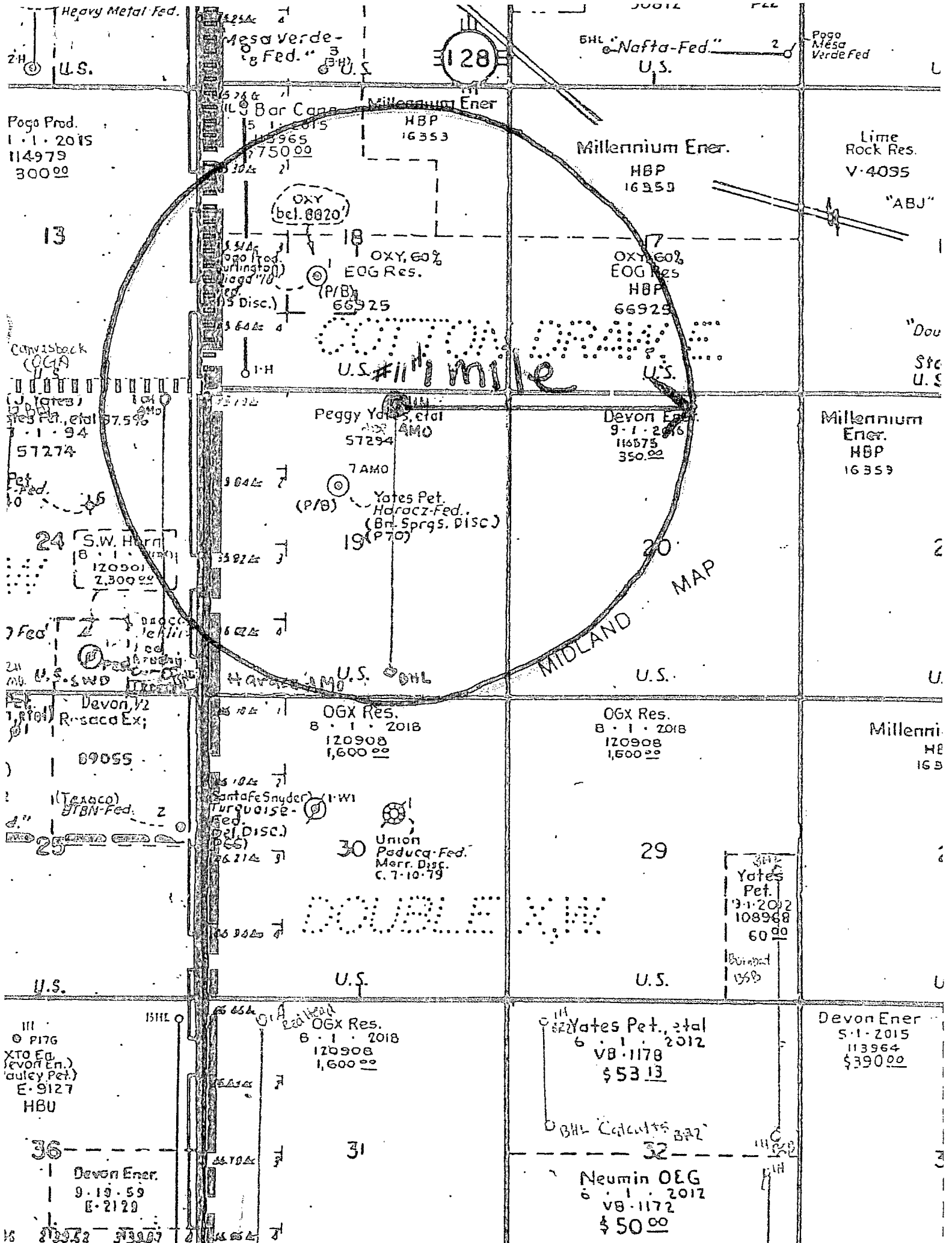
A LEASE ROAD CROSSING USA LAND IN  
SECTIONS 18&19, TOWNSHIP 24 SOUTH, RANGE 32 EAST,  
N.M.P.M., LEA COUNTY, NEW MEXICO.

**BASIN SURVEYS** P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 27088 Drawn By: D. JONES

Date: 07-24-2012 Disk: DAJ 26952

Survey Date: 07-20-2012 Sheet 1 of 1 Sheets



Heavy Metal Fed.  
U.S.  
Pogo Prod.  
1-1-2015  
114979  
300.00

13  
Canvasback  
(OGA)  
(J. Yates)  
Peggy Yates, et al  
7-1-94  
57274  
Pet.  
Fed.  
10

24  
S.W. Horn  
(120901)  
2,300.00  
Fed.  
U.S. SWD  
Devon, et al  
R-sacco Ex;  
09055

25  
(Tasaco)  
STBN-Fed.  
2  
P176  
XTG Ed.  
(Devon En.)  
(Auley Pet.)  
E-9127  
HBU

36  
Devon Ener.  
9-19-59  
E-2129

Mesa Verde-  
8 Fed.  
U.S.  
Bar Capa  
HBP  
16353  
Millennium Ener.  
HBP  
16353  
OXY  
bel. 8820  
OXY, 60%  
EOG Res.  
HBP  
66925  
Peggy Yates, et al  
57294  
7 AMO  
Yates Pet.  
Haracz-Fed.  
(Bn. Sprgs. Disc.)  
(P70)

29  
OGX Res.  
8-1-2018  
120908  
1,600.00  
Santa Fe Snyder  
Turquoise-  
Fed.  
Del. Disc.)  
OGS  
30  
Union  
Paducah Fed.  
Marr. Disc.  
C. 7-10-79

31  
OGX Res.  
8-1-2018  
120908  
1,600.00  
Devon Ener.  
5-1-2015  
113964  
\$390.00

128  
Nafta-Fed.  
U.S.  
Lime  
Rock Res.  
V-4095  
"ABJ"  
OXY, 60%  
EOG Res.  
HBP  
66925  
Devon Ener.  
9-1-2016  
113575  
350.00  
Millennium  
Ener.  
HBP  
16353

20  
MAP  
U.S.  
OGX Res.  
8-1-2018  
120908  
1,600.00  
Yates  
Pet.  
9-1-2012  
108968  
60.00  
Bourbon  
1958

32  
Yates Pet., et al  
6-1-2012  
VB-1178  
\$53.13  
Neumin OEG  
6-1-2012  
VB-1172  
\$50.00

Pogo  
Mesa  
Verde Fed.  
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Devon Ener.  
5-1-2015  
113964  
\$390.00

# YATES PETROLEUM CORPORATION

Haracz "AMO" Federal #11H  
200' FNL & 1980' FEL, Surface Hole  
330' FSL & 1980' FEL, Bottom Hole  
Section 19 -T24S-R32-E  
Lea County, New Mexico

## 1. THE ESTIMATED TOPS OF GEOLOGIC MARKERS ARE AS FOLLOW:

Rustler	768'	Lower Avalon	9238'--Oil	
Top of Salt	1088'	Bone Springs 1/SD/	9633'--Oil	
Base of Salt	4393'	Bone Springs 2/SD/	10223'--Oil	
Lamar	4618'	Kick Off Point	10231'	
Bell Canyon	4658'	Target SBSG	10708'--Oil	10981' MD
Cherry Canyon	5538'--Oil	Base SBSG	10728'--Oil	
Brushy Canyon	6848'--Oil	Harky/Harky/SD/	10948'	
Bone Springs LM	8483'	Bone Springs 3/SD/	11493'	
Avalon Sand	8618'--Oil	Base TBSG	11843'	
Middle Avalon	8968'--Oil	TD Pilot Hole	11950'	
		TD Lateral	10708' TVD	15256' MD

## 2. THE ESTIMATED DEPTHS AT WHICH ANTICIPATED WATER, OIL OR GAS FORMATIONS ARE EXPECTED TO

Water: Approx 250' - 350'

Oil or Gas: See above--All Potential Zones

## 3. PRESURECONTROL EQUIPMENT: *See COA*

A BOP with a minimum opening of 13 5/8" will be installed on the 13 3/8" rated for 3000# BOP systems and a 5000# BOP system with a minimum opening of 13 5/8" will be installed on the 9 5/8" casing and 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 Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report.

See Exhibit B.

### 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)

*See COA*

HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLING	INTERVAL	LENGTH
17 1/2"	13 3/8"	48#	J-55-Hybrid	ST&C	0'-795'	795'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	0'-80'	80'
12 1/4"	9 5/8"	36#	J-55	LT&C	80'-3200'	3120'
12 1/4"	9 5/8"	40#	HCK 55	LT&C	3200'-4630'	1430'
8 3/4"	5 1/2"	17#	P-110	LT&C	0'-10200'	10200'
8 1/2"	5 1/2"	17#	P-110	Buttress	10200'-15256'	5056'

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

*See COA* Isolation Plug: <sup>225</sup> 200' plug with Class H cement with fresh water=3.352 gal/sack, D080-dispersant=.030 gal/sack, D197-Retarder=0.070 gal/sk, D206-Antifoam=0.20 gal/sack (Wt. 17.5 Yld. 0.94). Cement designed with 35% excess. TOC-11720"

*\* See COA*

Kick-Off Plug: 600' plug from 10530' to 9930' with 360 sacks Class H cement with fresh water=3.352 gal/sack, D080-Dispersant=.030 gal/sack, D197-Retarder=0.060 gal/sack, D206-Antifoam=0.020 gal/sack (Wt.17.5 Yld. 0.94). Cement designed with 35% excess. TOC-9880".

## B. CEMENTING PROGRAM:

Surface casing: 645 sacks Class C with 2% CaCl<sub>2</sub> (Wt. 13.50 Yld. 1.71). Cement designed with 100% excess. TOC-Surface.

Intermediate Casing: Lead with 1315 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00); tail in with 200 sacks Class C with 2% CaCl<sub>2</sub> (Wt. 14.80 Yld. 1.34). Cement designed with 100% excess. TOC-Surface

Production Casing: Cement to be done in two stages with DV cementer tool will be set approximately at 7100'.

Stage 1 from 7100' to 15256; cement with 650 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in 1053 sacks of PecosVILt with D112, Fluid Loss 0.4%; D151, Calcium Carbonate 22.5 lb/sack; D174, Extender 1.5 lb/sack; D177, Retarder 0.01 lb/sack; D800, Retarder 0.6 lb/sack; D46, Antifoam Agent(Wt. 13.00 Yld. 1.41). Cement designed with 35% excess. TOC-7100'

Stage 2 from 4100'-7100'; Lead with 375 sacks 35:65:6PzC (Wt. 12.50 Yld 2.00). Tail In with 200 sacks PecosVILt with D112, Fluid Loss 0.4%; D151, Calcium Carbonate 22.5 lb/sack; D174, Extender 1.5 lb/sack; D177, Retarder 0.01 lb/sack; D800, Retarder 0.6 lb/sack; D46, Antifoam Agent (Wt. 14.80 Yld 1.34). Cement designed with 35% excess. TOC- 4100'.

*See COA* Pilot hole drilled vertically to 11950' and kicked off at approximately 10231'. A <sup>220'</sup>200' isolation plug will be set at pilot hole TD and a 600' plug from 10530' to 9930'. The well will then be directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 10981' MD (10708' TVD). At this point, reduce the hole size to 8 1/2" and drill to 15256' MD (10708' TVD). 5 1/2" casing will then be set and cemented in two stages with a DV tool at approximately 7100'. Penetration point of producing zone will be encountered at 677' FNL & 1976' FEL, Section 19-24S-32E. Deepest TVD in the well will be 11950' in the pilot hole. Deepest TVD in the lateral is 10708'.

## 5. MUD PROGRAM AND EQUIPMENT::

*See COA*

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0-795'	Fresh Water	8.60-9.20	28-34	N/C
795'-4630'	Brine Water	10.00-10.20	28-30	N/C
4630'-11950	Cut Brine	8.80-9.20	30-36	N/C
10231'-15256'	Cut Brine (Lateral Section)	8.80-9.20	32-36	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. Mud will be checked hourly by rig personnel.

## 6. EVALUATION PROGRAM: *See COA*

Samples: 30' samples from surface to 4600'. 10' samples from 4600' to TD.

Logging: Gamma Ray Neutron—TD to surface

Density—TD to intermediate casing

Laterolog (Resistivity)—TD to intermediate casing

CMR—TD to intermediate casing

Coring: As warranted.

DST's: As warranted.

Mudlogging from the 4600' to TD



7. ABNORMAL CONDITIONS, Bottom hole pressure and potential hazards:

Anticipated Bottom Hole Pressure: Depths are TVD	
From 0' to 795'	Anticipated Maximum BHP is 380 PSI
From 795' to 4630'	Anticipated Maximum BHP is 2456 PSI
From 4630' to 11950'	Anticipated Maximum BHP is 5717 PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

8. ANTICIPATED STARTING DATE:

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



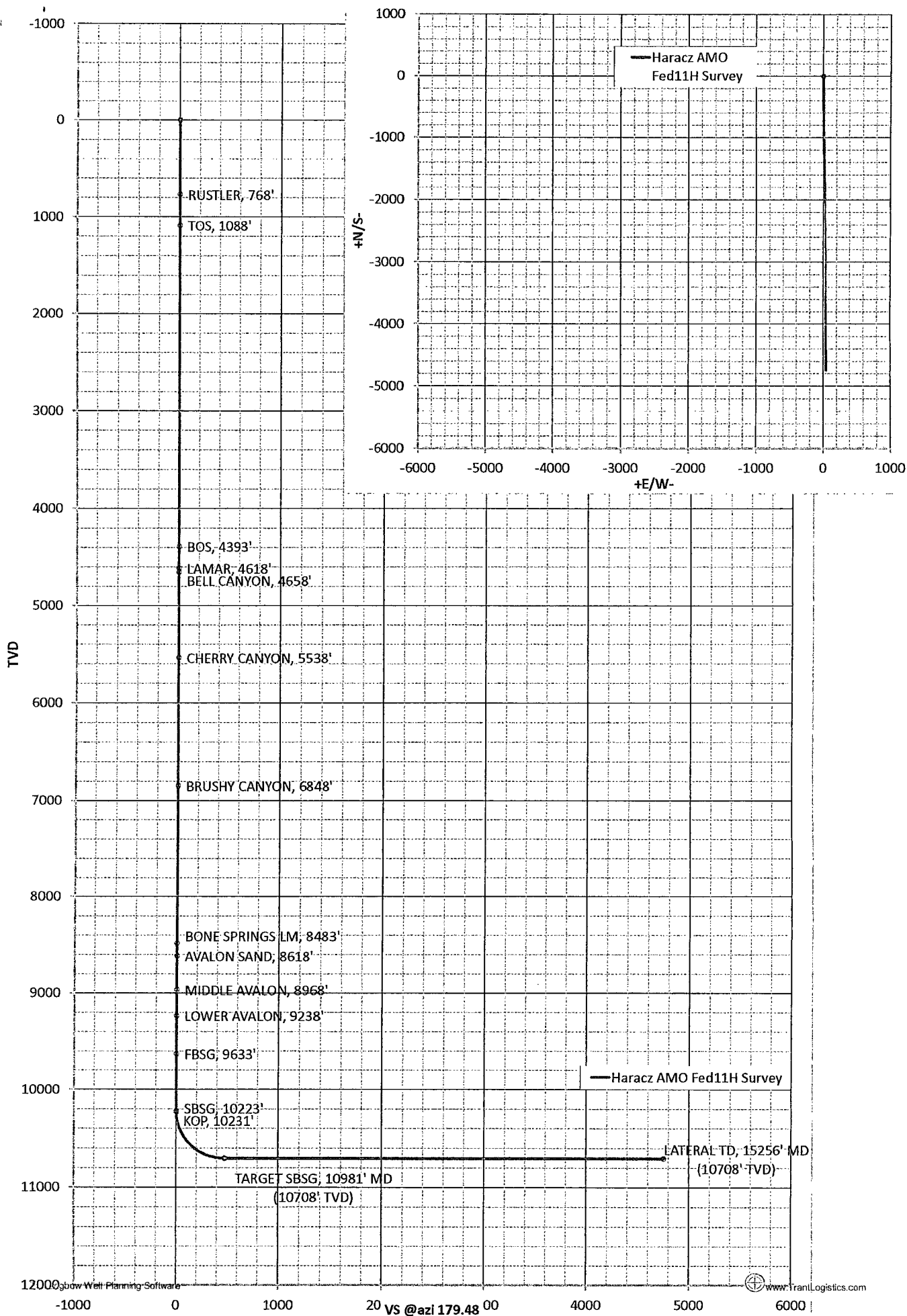
Operator Co.

Your Co.

## Survey/Planning Report

Survey/Planning Report									
Operator Dir. Co. Well Name Location Rig Job	Yates Petroleum Corp.			Northing Easting Elevation Latitude Longitude Units			Date System Datum Zone Scale Fac. Converg.	2-Aug-12	
	Yates Petroleum Corp.							2 - St. Plane	
	Haracz AMO Fed11H Survey							1983 - NAD83	
	Sec. 19, 24S-32E							4302 - Utah Central	
MD	INC	AZI	TVD	+NS-	+EW-	VS@179.48°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
768.00	0.00	0.00	768.00	0.00	0.00	0.00	0.00	0.00	0.00
768: RUSTLER, 768'									
1088.00	0.00	0.00	1088.00	0.00	0.00	0.00	0.00	0.00	0.00
1088: TOS, 1088'									
4393.00	0.00	0.00	4393.00	0.00	0.00	0.00	0.00	0.00	0.00
4393: BOS, 4393'									
4618.00	0.00	0.00	4618.00	0.00	0.00	0.00	0.00	0.00	0.00
4618: LAMAR, 4618'									
4658.00	0.00	0.00	4658.00	0.00	0.00	0.00	0.00	0.00	0.00
4658: BELL CANYON, 4658'									
5538.00	0.00	0.00	5538.00	0.00	0.00	0.00	0.00	0.00	0.00
5538: CHERRY CANYON, 5538'									
6848.00	0.00	0.00	6848.00	0.01	0.00	-0.01	0.00	0.00	0.00
6848: BRUSHY CANYON, 6848'									
8483.00	0.00	0.00	8483.00	0.01	0.00	-0.01	0.00	0.00	0.00
8483: BONE SPRINGS LM, 8483'									
8618.00	0.00	0.00	8618.00	0.01	0.00	-0.01	0.00	0.00	0.00
8618: AVALON SAND, 8618'									
8968.00	0.00	0.00	8968.00	0.01	0.00	-0.01	0.00	0.00	0.00
8968: MIDDLE AVALON, 8968'									
9238.00	0.00	0.00	9238.00	0.01	0.00	-0.01	0.00	0.00	0.00
9238: LOWER AVALON, 9238'									
9633.00	0.00	0.00	9633.00	0.01	0.00	-0.01	0.00	0.00	0.00
9633: FBSG, 9633'									
10223.00	0.00	0.00	10223.00	0.01	0.00	-0.01	0.00	0.00	0.00
10223: SBSG, 10223'									
10230.54	0.00	179.48	10230.54	0.01	0.00	-0.01	0.00	1.75	0.00
10230.54: KOP, 10231'									
10300.00	8.34	179.48	10299.76	-5.03	0.05	5.04	12.00	0.00	12.00
10400.00	20.34	179.48	10396.46	-29.75	0.27	29.75	12.00	0.00	12.00
10500.00	32.34	179.48	10485.92	-74.03	0.67	74.03	12.00	0.00	12.00
10600.00	44.34	179.48	10564.22	-135.94	1.23	135.95	12.00	0.00	12.00
10700.00	56.34	179.48	10627.93	-212.78	1.92	212.78	12.00	0.00	12.00
10800.00	68.34	179.48	10674.27	-301.18	2.72	301.19	12.00	0.00	12.00
10900.00	80.34	179.48	10701.22	-397.29	3.59	397.30	12.00	0.00	12.00
10980.53	90.00	179.48	10708.00	-477.44	4.31	477.46	12.00	0.00	12.00
10980.53: TARGET SBSG, 10981' MD (10708' TVD)									
15256.43	90.00	179.48	10708.01	-4753.16	42.90	4753.36	0.00	0.00	0.00
15256.43: LATERAL TD, 15256' MD (10708' TVD)									



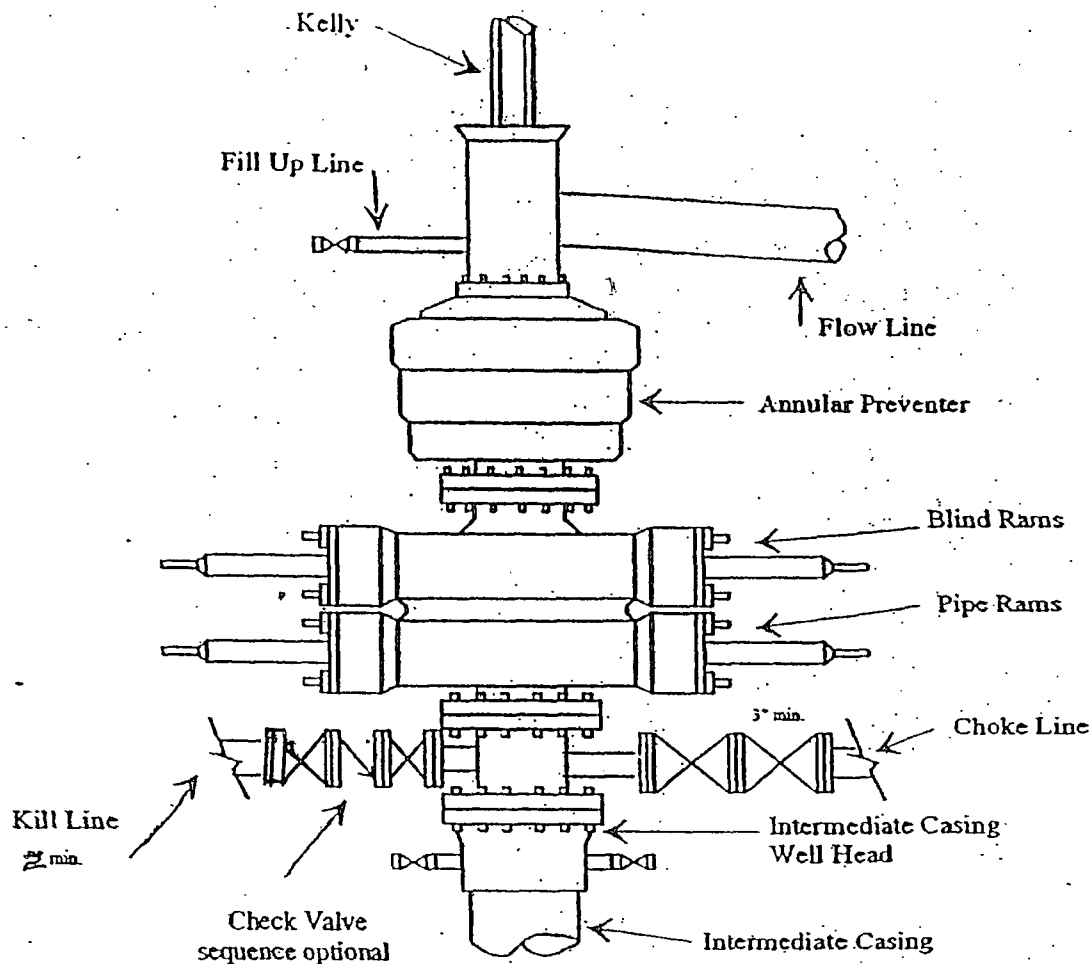




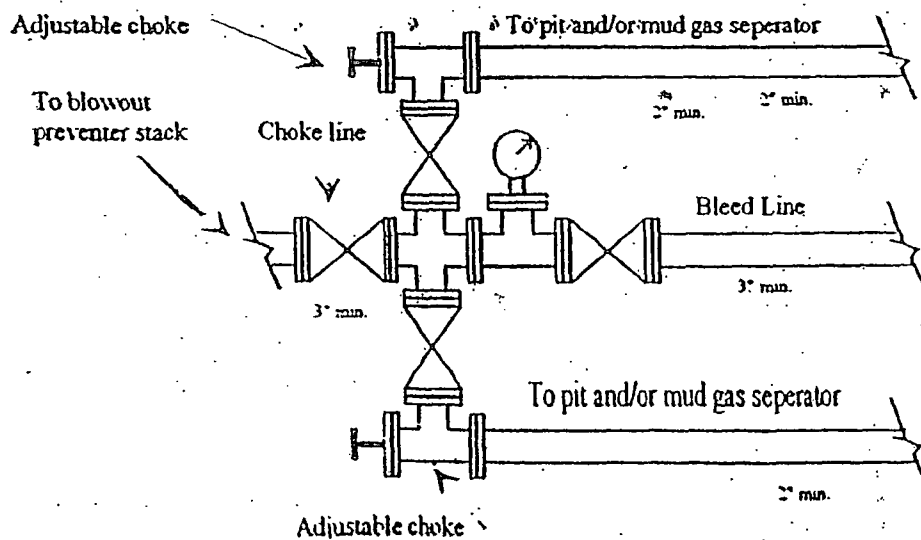
Yates Petroleum Corporation  
Typical 3,000 psi Pressure System  
Schematic  
Annular with Double Ram Preventer Stack

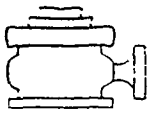
BOP-3

Exhibit



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



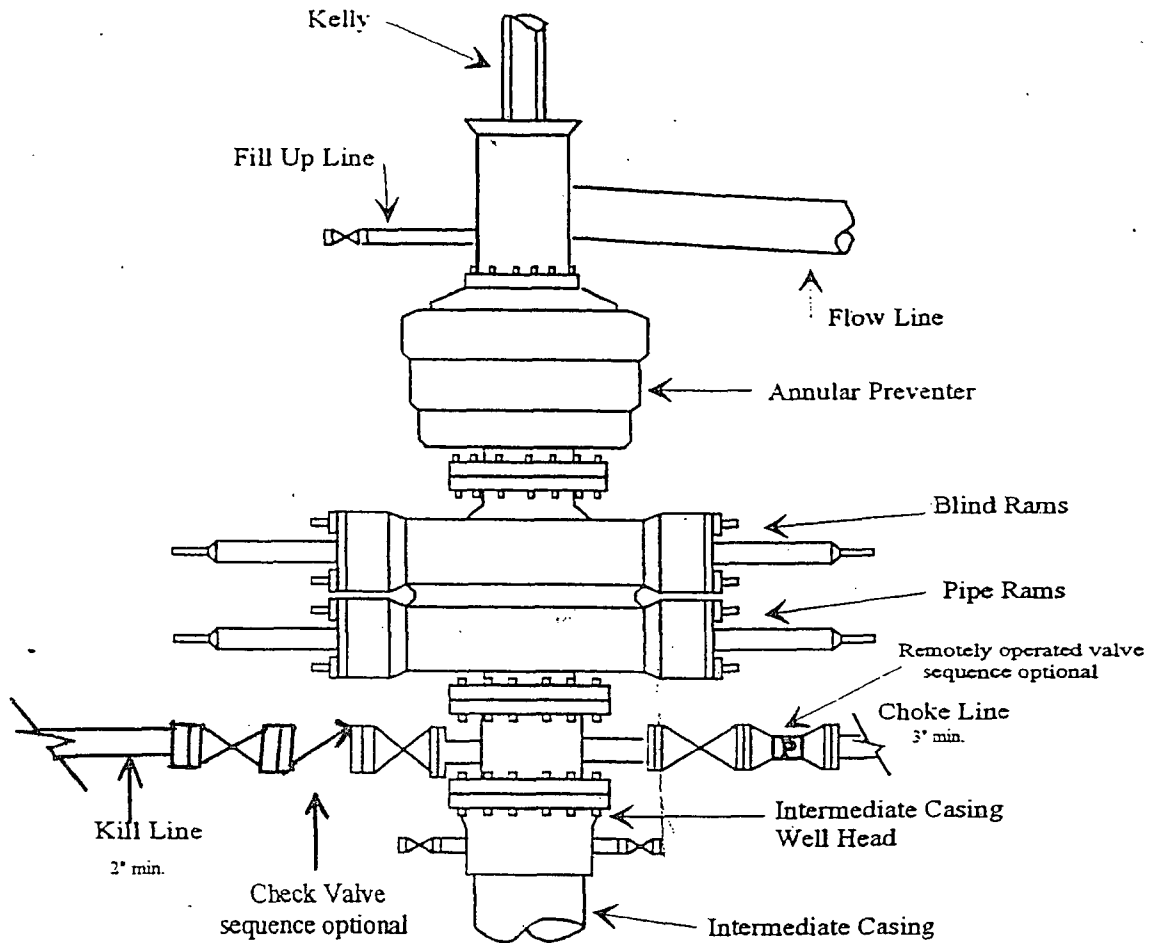


# Yates Petroleum Corporation

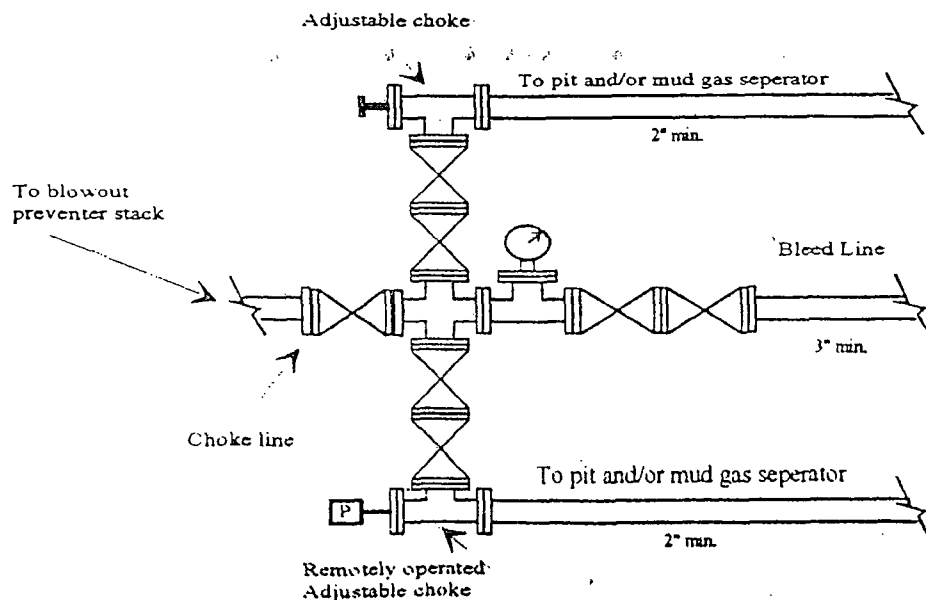
BOP-4

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

*Exhibit*

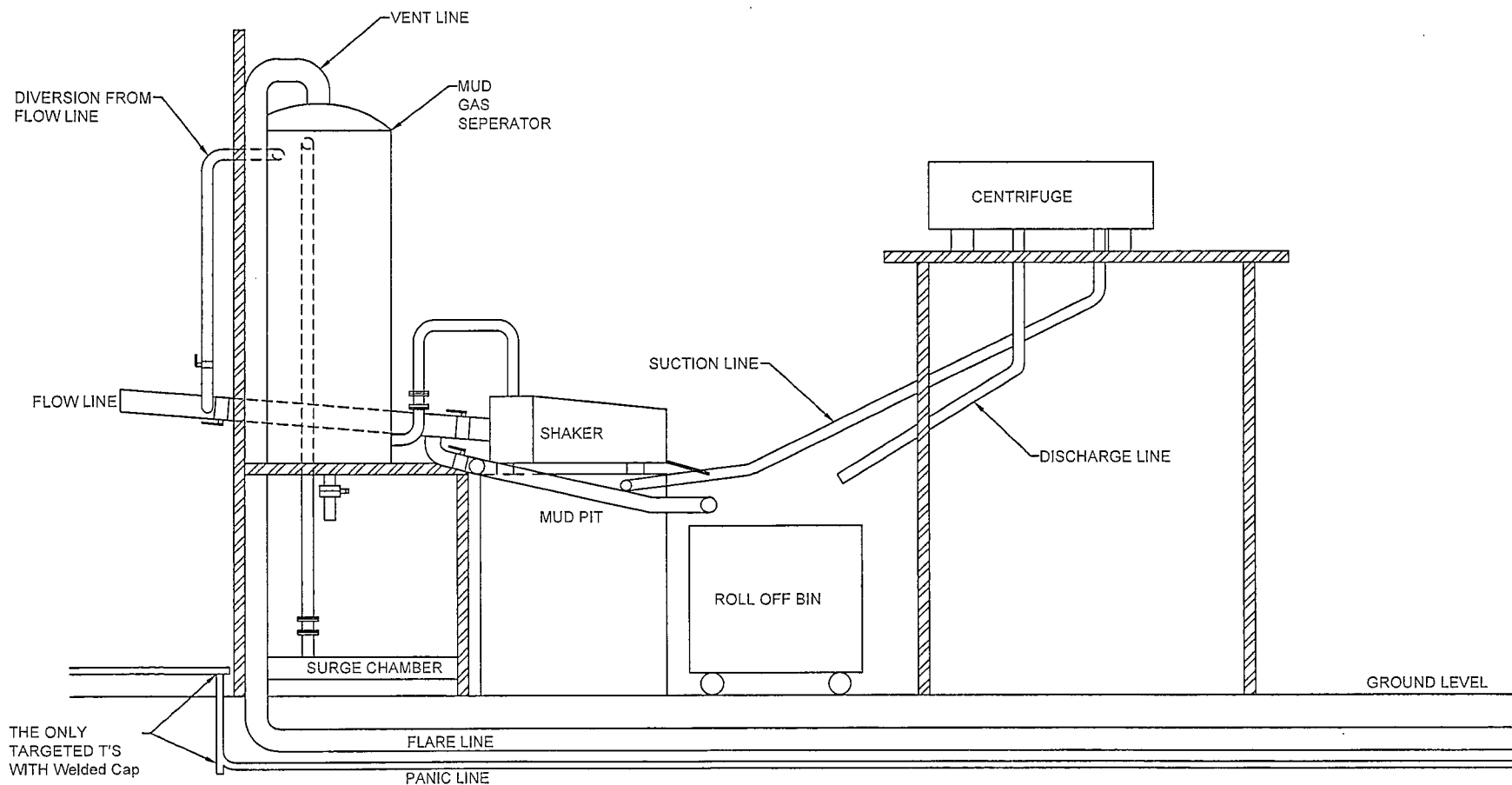


Typical 5,000 psi choke manifold assembly with at least these minimum features



# YATES PETROLEUM CORPORATION

## Piping from Choke Manifold to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H<sub>2</sub>S wells and 150' from wellhead for wells expected to encounter H<sub>2</sub>S.

## Yates Petroleum Corporation Closed Loop System

### Equipment Design Plan

Closed Loop System will consist of:

1 – double panel shale shaker

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

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

1 – minimum centrifugal pump to transfer fluids

2- 500 bbl. FW Tanks

1 – 500 bbl. BW Tank

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

1 Set of rail cars / catch bins

Certain wells will use an ASC Auger Tank

### Operation Plan

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

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

### Closure Plan

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