

YATES PETROLEUM CORPORATION  
Surface Use Plan of Operations  
Capella BOP Federal #5H  
420' FSL and 110' FWL, Surface Hole  
330' FNL and 1980' FWL, Bottom Hole

HOBBS OCD

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30-025-42703

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:

Attached is a portion of the maps showing the proposed well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 46 miles, east of Carlsbad, New Mexico and the access route to the location is indicated in red on Exhibit attached.

DIRECTIONS:

Go east of Artesia, NM on Highway 82 for approximately 14 miles to the intersection of 82 and 360 (Bluestem Road). Turn right (south) on Bluestem and go approximately 25 miles to the intersection of 360 and 62/180. Turn left (east) on 62/180 and go 16 miles to Campbell Rd. Turn right (south) on Campbell Rd for 5.8 miles. Turn left (east) here onto a lease road continue for approximately 1 mile turn left (north) for 2800' then follow lease road to the left (west) for 1400'. Turn right (north) here and go approximately 2300', turn right (east) and go 4900', then turn right (south) and go 200', then turn left (east) for 1600' to the Capella BOP Federal #2H location. The location of the Capella BOP Federal #5H is located between the Capella BOP Federal 2H and the Capella BOP Federal #1. Please see attachment.

2. PLANNED ACCESS ROAD:

- A. No new roads will be needed.
- B. The route of the road is visible.
- C. Existing roads will be maintained in the same or better condition, including filling pot holes, clearing ditches and repairing the crown.

3. LOCATION OF EXISTING WELL:

- A. There is no drilling activity within a one-mile radius of the well site.
- B. Exhibit attached shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. We are planning to place the production on the Capella BOP Federal #1 location.
- B. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built from the Capella BOP Federal #1 or #2H location, if needed. Power should not be required if the well is productive of gas.
- C. A pipe line right-of-way will not be needed, a flowline being a 3" steel line will be laid on the surface except for designated spots for vehicles to cross connecting to the Capella BOP Federal #1 tank battery.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit attached.

6. SOURCE OF CONSTRUCTION MATERIALS:

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

JUL 23 2015

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be collected in tanks until hauled to an approved disposal system.
- B. A closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the “Pit Rule” 19.15.17 NMAC. Attached is a closed-loop system.
- C. Drilling fluids will be removed after drilling and completions are finalized.
- 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 attached shows the three rigs being used by Yates as of this moment the plats include relative location and dimensions of the well pad, the closed loop design plan, the location of the drilling equipment, orientation and access road approach. Yates has staked out one of the attached layout dimensions as the “Pad Clearance Area.” This area can contain the regularly used rigs Yates utilizes in southeastern New Mexico. This area was staked at this size with the aid from BLM, since the actual pad size/drilling rig is unknown at this time. Yates will submit a sundry notice with a rig layout depicting the actual size of the pad to be constructed with dimensions from the well bore to all four sides with the same orientation as the “Pad Clearance Area.” Yates will not construct the well pad until the rig layout is approved through the sundry notice.
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- 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. Well location will be contoured to resemble the original topography as closely as possible. Surface reclamation measures will be taken to avoid new erosion on the well location and the area surrounding the well location. These measures will be overseen by Yates' personnel following a structured plan for the reclamation of each individual site.
- C. Major drainage systems will be avoided as determined at the onsite with the BLM. Minor drainages may be rerouted around the well site within the 600' x 600' cleared area to avoid moving the well location.
- D. Segregation of topsoil or like soils will be placed in low lift rows rather than in a stockpile just off the caliche well pad. Placement of these lift rows will be determined at the BLM onsite or at the time of construction by Yates Personnel.
- E. Yates will use prudent oil field practices when constructing well locations and related facilities. Yates personnel will determine the size of the well location needed for safe working conditions for personnel during all aspects on the drilling and production process.
- F. Back fill requirements for above ground reserve pits will be met by using cut, fill, and contouring of available top soil and like soils from the pit area. Should additional material be needed it will be brought in from a BLM approved source.
- G. All topsoil will be spread over the area reclaimed during interim reclamation using a front end loader. For final reclamation enough topsoil will be evenly distributed between the interim reclaimed area and the final reclaimed area. This method of soil stabilization should help maintain the productivity and viability of the topsoil.

- H. Soil treatments will be determined at the time of final reclamation by Yates' Environmental Specialist or other designated personnel to meet BLM final reclamation goals.
- I. Reseeding of disturbed areas will be accordance with the seed mixtures attached to the approved APD as Conditions of Approval. Planting and soil preparation will be done during the rainy season between June 1st and September 1st.
- J. Yates' personnel will control weeds during the productive period through final abandonment of the well. Yates may also use the option to hire a third party to be in charge of weed control or participate in the Chaves Soil and Water District program to pool monies for weed control.
- K. Well pads, roads and related facilities with caliche or other surfacing material will be picked up or turned over at the time of final abandonment. These materials may be used on other projects in the area if possible or placed back in the caliche pit or other designated site. Buried pipelines will be left in place after being bled down and purged. Above surface support equipment will be removed or cut down below plow depth and removed. Pipeline right-of-ways will be reseeded according to BLM Best Management Practices.

11. SURFACE OWNERSHIP: Federal

Minerals: USA-Federal-NM-82902  
Administered by: Bureau of Land Management  
Carlsbad Field Office  
620 E. Greene Street  
Carlsbad, NM 88220-6292

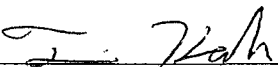
12. OTHER INFORMATION:

- A. The primary use of the surface is for grazing.
- C. Yates Petroleum has entered into discussions with the surface grazer, Danny Berry, on the relocation of a livestock facility. The specific location will be described with an map on a sundry.
- B. Refer to the archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.

CERTIFICATION  
YATES PETROLEUM CORPORATION  
Capella BOP Federal #5H

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; and an someone under employment of Yates Petroleum Corporation has full knowledge of state and federal laws applicable to the 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 6 day of November 2013

Signature 

Name Travis Hahn

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (575) 748-4120

Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above

Telephone (if different from above) (575) 748-4221