#### DCD Artesia

Form 3160-3 (February 2005)			FORM APPI OMB NO. 10			
UNITED STATES			Expires. Marcl	n 31,2007		
DEPARTMENT OF THE INTE	RIOR	5. Le	ease Serial No.			
BUREAU OF LAND MANAGE		ľ	NM-654	117		
APPLICATION FOR PERMIT TO DRILL	OR REENTER	6. If	Indian, Allottee or Tri	be Name		
			N/A			
	<del> </del>	7. If	Unit or CA Agreemen	t, Name and No.		
1a. Type of Work: X DRILL REEN	TER		N/A			
			ease Name and Well N			
1b. Type of Well. X Oil Well Gas Well Other	Single Zone Multiple Zo		Martha AIK Fe	deral #12H / 1253		
2. Name of Operator			PI Well No	_		
Yates Petroleum Corporation 025	575	1.4	(20)5- 35	E18 -		
	one No. (include area code)	10. Fı	eld and Pool, or Explo	ratory 727		
105 Court Founds Court Anton's NIM 00010	272 740 1471		Livingston	Didne Del		
105 South Fourth Street, Artesia, NM 88210  4 Location of well (Report location clearly and In accordance with any	575-748-1471	11 Se	Livingston c., T, R, M., or Blk.			
At surface	v sidie requirements )		.c., 1 , K , W., Or DIK.	And Survey of Area		
530' FNL & 200' FEL, S	Surface Hole		Sec. 11-T22	© D21F		
At proposed prod. zone			Sec. 11-122	3-K31E		
500' FNL & 1650' I  14 Distance in miles and direction from the nearest town or post office*	WL, Bottom Hole	12 Cc	ounty or Parish	13. State		
		ļ				
23 miles Northeast of Loving, NN 15. Distance from proposed*	16 No of acres in lease	17 Spacing H	Eddy nit dedicated to this w	NM ell		
location to nearest	10 110 of deles in lease	ir. opacing c	mi dedicated to mis w	···		
property or lease line, ft.	1					
(Also to nearest drlg. unit line, if any) 200'	560.00		N2NE, NENV	V		
18 Distance from proposed location*	19. Proposed Depth	20. BLM/ BIA	Bond No. on file			
to nearest well, drilling, completed,			NATIONSWIDE DOND #NIMBOOG 424			
applied for, on this lease, ft. 100'  21 Elevations (Show whether DF, KDB, RT, GL, etc.)	7040VD & 10265' MD  22 Aproximate date work will		NATIONWIDE BOND #NMB000434  * 23. Estimated duration			
21 Elevations (Show whether Dr, KDB, K1, OL, etc.)	Aproximate date work will	Start	. Estimated duration			
3546' GL	ASAP .		45 D	ays		
	24. Attachments					
The following, completed in accordance with the requirements of Onshore	e Oil and Gas Order No. 1 shall b	e attached to the	nis form:			
Well plat certified by a registered surveyor	4. Bond to cover the c	operation's unles	ss covered by existing	bond on file(see		
A Drilling Plan.	item 20 above)	sperations aimes	so covered by entiring	oona on me(see		
3. A Surface Use Plan (1f the location is on National Forest System Lan	ds, the 5. Operator certificati	ion				
SUPO must be filed with the appropriate Forest Service Office)	6. Such other site spec	cific informatio	n and/ or plans as may	be required by the		
	(BI-MECC)	MED				
	l Name	V has had	Date			
- / Kah	DEC 21	Travis Hahn		8/15/2011		
Title	1	,				
Land Regulatory Agent	NMOCD A	RTESIA				
Approved By (Signature) Name	(Printed/Ty <del>ped)</del>	_	Date	4 0 0011		
15/ Timotha M. Muraha 15	1 Timothy M. 1	Morphy	Di	C 1 3 2011		
STATE DIRECTOR Office	NM S	STÁTE O	FFICE			
Application approval does not warrant or certify that the applicant holds le	gal or equitable title to those righ	hts in the subject	et lease which would e	ntitle the applicant to cc		
operations thereon.	: 18	A DODON	AL FOR TWO	O YEARS		
Conditions of approval, if any, are attached.						
Fitle 18 U S.C. Section 1001 and Title 43 U S C Section 1212, make it a c		- •	nake to any departmen	t or agency of the United		
States any false, fictitious or fraudulent statements or representations as to						
* (Instructions on page 2)	A	<b>IPPROV</b>	AL SUBJEC	TTO		

CARLSBAD CONTROLLED WATER BASIN

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

# CERTIFICATION YATES PETROLEUM CORPORATION Martha AIK Federal #12H

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 15	_ day of
Signature	7/h
Name	Travis Hahn
Position Title	Land Regulatory Agent
Address	105 South Fourth Street, Artesia, New Mexico 88210
Telephone	(575) 748-4120
_	(if not above signatory) <u>Tim Bussell, Drilling Supervisor</u>
Address (II different	Same as above
Telephone (if differen	nt from above)(575) 748-4221

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102 Revised July 16, 2010

☐ AMENDED REPORT

Submit one copy to appropriate District Office

# 1301 W. Grand Avenue, Artesia, NM 88210 DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

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

Dedicated Acres

120

Joint or Infill

Consolidation Code

### OIL CONSERVATION DIVISION

1220 South St. Francis Dr. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

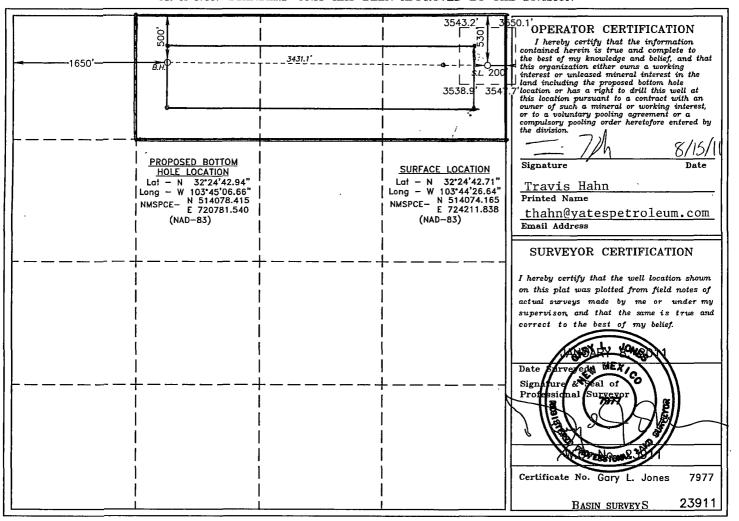
30015 - 3880	8 38360	Pool Name Livingston Ridge Delawar	ce .	
12538	<del>-</del>	Property Name		
ogrid no. 025575	•	rator Name ROLEUM CORP.	Elevation 3546'	

#### Surface Location

					Surface Loca	acion			
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Α	11	22 S	31 E		530	NORTH	200	EAST	EDDY
			Bottom	Hole Loc	eation If Diffe	rent From Sur	face		
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
С	11	22 S	31 E		500	NORTH	1650	WEST	EDDY

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

Order No.



#### YATES PETROLEUM CORPORATION

Martha AIK Federal #12H 530' FNL & 200' FEL, Surface Hole 500' FNL & 1650' FWL, Böttöm Hole Section 11 –T22S-R31E Eddy County, New Mexico

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

Rustler	650'	Cherry Canyon	5320' Oil
Top of Salt	970'	Livingston Ridge	7071' Oil MD
Base of Salt	3980'	Livingston Ridge Targ	et 7313' Oil MD
Bell Canyon	4500'	TD	10265' Oil MD

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

Water: Approx. 0' - 650'

Oil or Gas: Oil Zones: 5320', 7071', 7313'

- 3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375 casing and also on the 9 5/8" casing. Pressure tests to 3000 PSI and held for 30 minutes 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.
- 4. 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.
- 1. THE PROPOSED CASING AND CEMENTING PROGRAM:
  - A. Casing Program: (All New)

	<u>Hole Size</u>	Casing Size	Wt./Ft	<u>Grade</u>	Coupling	<u>Interval</u>	<u>Length</u>
Sie COA	17 1/2" 12 1/4" 12 1/4" 12 1/4" 8 3/4" 8 1/2"	13 3/8" 9 5/8" 9 5/8" 9 5/8" 5 1/2" 5 1/2"	48# 40# 36# 40# 17#	J-55/H40 J-55 K-55 J-55 HCP-110 L-80	ST&C LT&C LT&C LT&C LT&C LT&C LT&C	0-700' 720 0-100' 100-3300' 3300-4350' 0-6500' 6500'-10265'	700' 100' 3200' 1050' 6500' 3765'

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

#### B. CEMENTING PROGRAM:

Surface Casing: Lead with 350 sacks of Class C Lite `+ 2% CaCl2 (YLD 2.00 WT.12.50). Tail with 210 sacks Class C + 2% CaCl2 (WT 14.80, YLD 1.34). Casing designed with 100% excess. TOC-Surface

Intermediate Casing: Lead with 1225 sacks of Class C Lite + 2% CaCl2 (YLD 2.00 WT 12.50). Tail with 210 sacks Class C + 2% CaCl2 (YLD 1.34 WT. 14.80). Casing designed with 100% excess. TOC-Surface

Production Casing: Cement to be done in three stages, DV tools @ 7400' & 4500'

Stage 1 from 7400'-10265'; Cement with 1300 sacks of Pecos Valley Lite (YLD 1.83 WT. 13.00), 30%CaCO, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 35% excess. TOC-7400'

Stage 2 from 4500'-7400'; Lead with 425 sacks of Class C Lite (YLD 2.00 WT 12.50), CaCl2 +2%. Tail with 100 sacks of Pecos Valley Lite (WT 13.00, YLD 1.41), 30%CaCO, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 35% excess. TOC-4500'

SEC

Stage 3 from 0'-4500'; Lead with 665 sacks of LiteCrete (YLD 2.00 WT 9.90), 0.03 gal/sack retarder, 0.2% Anti-foam, 0.1% Dispersant, 39 lbs/sack Extender. Tail with 100 sacks of Pecos Valley Lite (YLD 1.40 WT 13.00) 30%CaCO, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 100% excess. TOC-0'

Well will be drilled vertically depth to 6563'. Well will be kicked off at approximately 6563' and directionally drilled at 12 degrees per 100' with an 8 ¾" hole to 7400' MD (7040' TVD). Hole will then be reduced to 8 1/2" and drilled to 10265' MD (7040' TVD) where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 530' FNL & 677' FEL, Section 11-22S-31E. Deepest TVD is 7040' in the lateral. NO PILOT HOLE.

#### 5. Mud Program and Auxiliary Equipment:

Interval	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	Fluid Loss
0-700' 72 <i>O</i> 700'-4350'	Fresh Water Gel	8.6-9.2	32-34	N/C
7.00'-4350'	Brine Water	10.0-10.10	28-28	N/C
4350'-6563'	Cut Brine	8.7-9.1	28-28	N/C
6563'-10265'	Cut Brine(Lateral Secti	on) 8.7-9.1	28-28	<10-12

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' from Intermediate casing.
Logging: Platform Express through curve.
CNL/LDT/NGT – through curve to Intermediate casing
CNL/GR – through curve to surface
DLL-MSFL – through curve to surface casing
GHC Sonic-CMR – through curve to surface casing
MWD-GR – Horizontal

## Martha AlK Federal #12H Page Three

Coring: TBD.
DST's: TBD.
Mudlogger: TBD.

#### 7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From:	0	TO:	700°	Anticipated Max. BHP:	385	PSI
From:	7.00'	TO:	4350'	Anticipated Max. BHP:	2285	PSI
From.	4350	TO:	7040'	Anticipated Max. BHP	3330	PSI

No abnormal pressures or temperatures are anticipated.

Possible water flow below 2800'

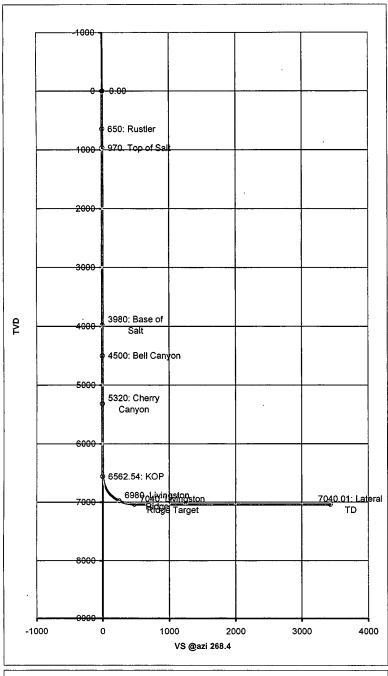
H2S may be encountered on this well.

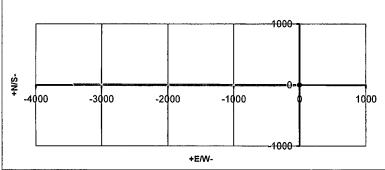
#### 7. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completion taking another 30 days.

Co: Yates Petroleum Corporation	Units: Feet, °, 9100ft	VS Az: 270.07	Tgt TVD: 7040.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Martha AIK Federal #12H	Northing:	Tgt N/S: 4.25	Tgt Displ.: 0.00
Location: Sect. 11, 22S-31E	Easting:	Tgt E/W: -3430.00	Method: Minimum Curvature

No.	MD	CL	Inc.	Azi.	ŢVD	VS	·+N/S-	+E/W-	BR	WR	DLS Comments
0	0.00	0.00	- 0.00	0.00	0.00	0.00	0.00	0.00			
1	650.00	650.00	0.00	360.00	650.00	0.00	0.00	0.00	0.00	0.00	0.00 Rustler
2	970.00	320.00	0.00	360.00	970.00	0.00	0.00	0.00	0.00	0.00	0.00 Top of Salt
3	3980.00	3010.00	0.00	360.00	3980.00	0.00	0.00	0.00	0.00	0.00	0.00 Base of Salt
4	4500.00	520:00	0.00	360.00	4500.00	0.00	~0.00	0.00	-0.00	0:00	0.00 Bell Canyon
5	5320.00	820.00	0.00	360.00	5320.00	0.00	0.00	0.00	0.00	0.00	0.00 Cherry Canyon
6	6562.54	6562.54	0.00	270.07	6562.54	0.00	0.01	0.00	0.00	-1.37	0.00 KOP
7	6600.00	37.46	4.50	270.07	6599.96	1.47	0.01	-1.47	12.00	0.00	12.00
8	6700.00	100.00	16:50	270.07	6698.11	19.65	0.03	-19.65	12.00	0.00	12.00
9	6800.00	100.00	28.50	270.07	6790.33	57.84	0.08	-57.84	12.00	0.00	. 12.00
10	6900.00	100:00	40.50	270.07	6872.60°	114.37	0.15	-114.37	12.00	0.00	12.00
11	7000.00	100.00	52.50	270.07	6941.31	186.77	0.24	<b>-1</b> 86.77	12.00	0.00	12.00
12	7070.59	70.59	60:97	270.07	6980.00	245.74	0.31	-245.74	12.00	0.00	12.00 Livingston Ridge
13	7100.00	100.00	64.50	270.07	6993.47	271.88	0.34	-271.88	12.00	0.00	12.00
14	7200.00	100.00	76.50	270.07	7026.80	365.97	0.46	<b>-</b> 365.97	12.00	0.00	12.00
15	7300.00	100.00	88.50	270.07	7039.84	464.93	0.58	<b>-</b> 464.93	12.00	0.00	12.00
16	7312:53	750.00	90.00	270:07	7040.00	477.46	0.60	-477.46	12.00	0.00	12.00 Livingston Ridge Target
17	10265.07	2952.54	90.00	270.07	7040.01	3430.00	4.26	-3430.00	0.00	0.00	0.00 Lateral TD



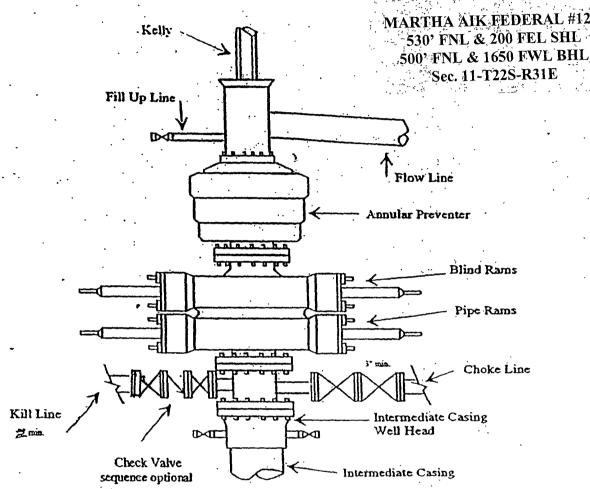




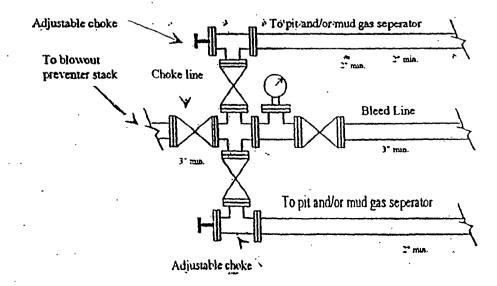


### Yates Petroleum Corporation

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

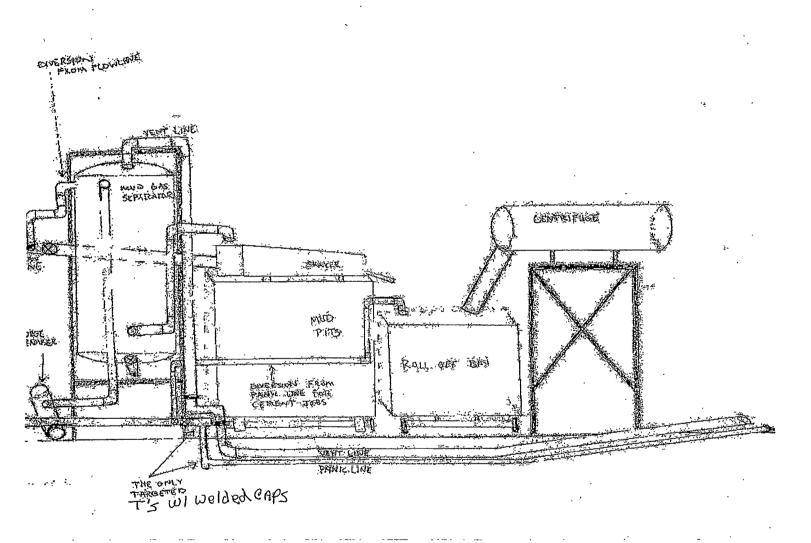


Typical 3,000 psi choke manifold assembly with at least these minimum features

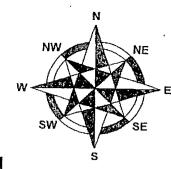


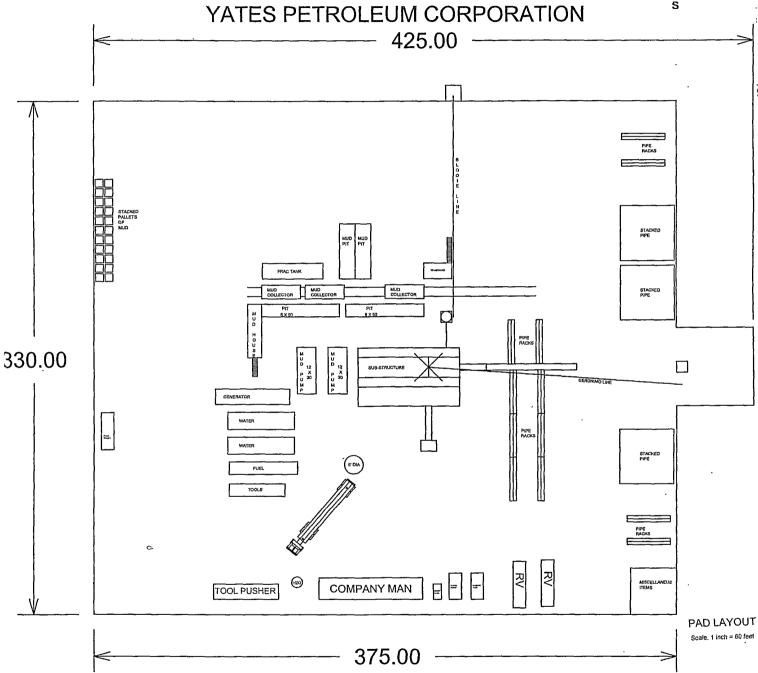
# YATES PETROLEUM CORPORATION Piping from Choke Manifold to the Closed-Loop Drilling Mud System

MARTHA AIK FEDERAL #12H 530' FNL & 200 FEL SHL 500' FNL & 1650 FWL BHL Sec. 11-T22S-R31E



MARTHA AIK FEDERAL #12H 530' FNL & 200 FEL SHL 500' FNL & 1650 FWL BHL Sec. 11-T22S-R31E





# Yates Petroleum Corporation 105 S. Fourth Street Artesia, NM 88210

# Hydrogen Sulfide (H<sub>2</sub>S) Contingency Plan

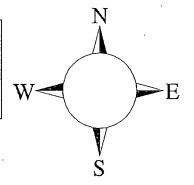
### For

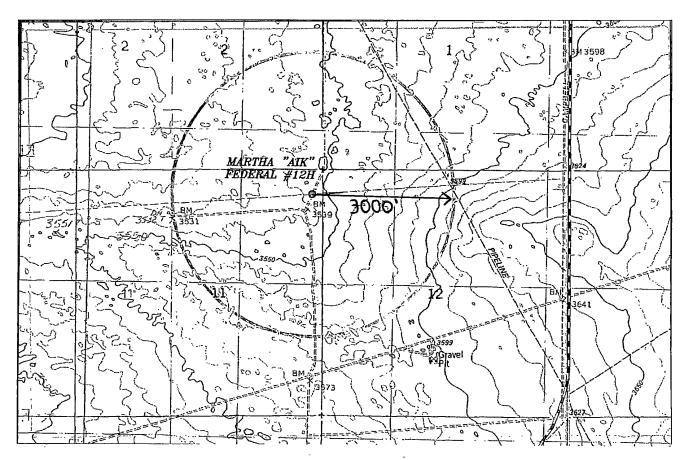
Martha AIK Federal #12H

530' FNL and 200' FEL 500' FNL and 1650' FWL Section 11, T22S-R31E Eddy County NM

### Martha AIK Federal #12H

This is an open drilling site.  $H_2S$  monitoring equipment and emergency response equipment will be used within 500' of zones known to contain  $H_2S$ , including warning signs, wind indicators and  $H_2S$  monitor.





Assumed 100 ppm ROE = 3000? 100 ppm H2S concentration shall trigger activation of this plan.

#### **Emergency Procedures**

In the case of a release of gas containing H<sub>2</sub>S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of  $H_2S$ , measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with  $H_2S$  monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

#### **Ignition of Gas Source**

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO<sub>2</sub>). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

#### Characteristics of H<sub>2</sub>S and SO<sub>2</sub>

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr- ation
Hydrogen Sulfide	H <sub>2</sub> S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO <sub>2</sub>	2.21 Air = 1	2 ppm	N/A	1000 ppm

#### **Contacting Authorities**

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

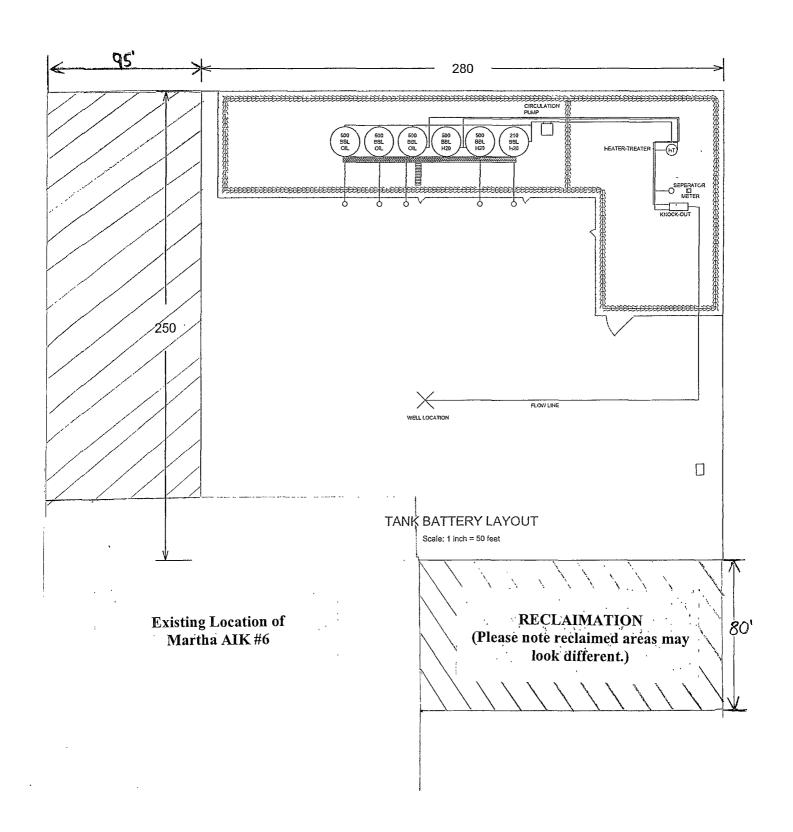
### Yates Petroleum Corporation Phone Numbers

,	
YPC Office	(575) 748-1471
Wade Bennett/Prod Superintendent	
	(575) 748-4228
Mike Larkin/Drilling	
Paul Hanes/Prod. Foreman/Roswell	
Tim Bussell/Drilling Superintendent	
Artesia Answering Service (During non-office hours)	(3/3) /48-4302
(During non-ornice nours)	
Agency Call List	
Eddy County (575)	
A-4	
Artesia	746 0702
State Police	
City Police	
Sheriff's Office	
Ambulance	
Fire Department	
LEPC (Local Emergency Planning Committee)	
NMOCD	748-1283
Carlsbad	
State Police	
City Police	885-2111
Sheriff's Office	887-7551
Ambulance	911
Fire Department	885-2111
LEPC (Local Emergency Planning Committee)	
US Bureau of Land Management	
New Mexico Emergency Response Commission (Santa Fe)	
, ,	` '
24 HR	
New Mexico State Emergency Operations Center	
National Emergency Response Center (Washington, DC)	(800) 424-8802
Other	
Boots & Coots IWC1-800-256-9688 or (281) 931-8884	
Cudd Pressure Control(915) 699-0139 or (915) 563-3356	
Halliburton(575) 746-2757	
B. J. Services(575) 746-3569	
Flight For Life -4000 24th St, Lubbock, TX	(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX	
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM	
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM	•
F	, ,

## YATES PETROLEUM CORPORATION

MARTHA AIK FEDERAL #12H 530' FNL & 200 FEL SHL 500' FNL & 1650 FWL BHL Sec. 11-T22S-R31E





# PECOS DISTRICT CONDITIONS OF APPROVAL

YATES PETROLEUM CORPORATION
NM65417
MARTHA AIK FEDERAL #12H
530' FNL & 200' FEL
500' FNL & 1650' FWL
Section 11, T. 22 S., R. 31 E., NMPM
Eddy County, New Mexico

#### TABLE OF CONTENTS

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.

General Provisions
Permit Expiration
Archaeology, Paleontology, and Historical Sites
Noxious Weeds
Special Requirements
Lesser Prairie-Chicken Timing Stipulations
Ground-level Abandoned Well Marker
☐ Construction
Notification
Topsoil
Closed Loop System
Federal Mineral Material Pits
Well Pads
Roads
Road Section Diagram
□ Drilling
Logging Requirements
R-111-P Potash
WIPP Requirements
Waste Material and Fluids
Production (Post Drilling)
Well Structures & Facilities
Pipelines
Electric Lines
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-chickem:

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) 234-6235 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 4 inches in depth. The topsoil will be used for interim and final reclamation.

#### 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.

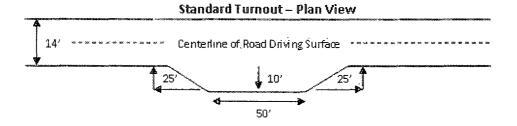
#### Ditching

Ditching shall be required on both sides of the road.

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#### 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:

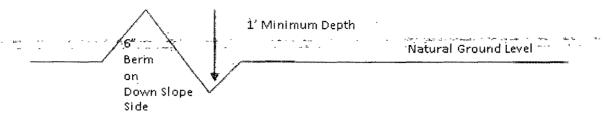


#### Drainage

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.

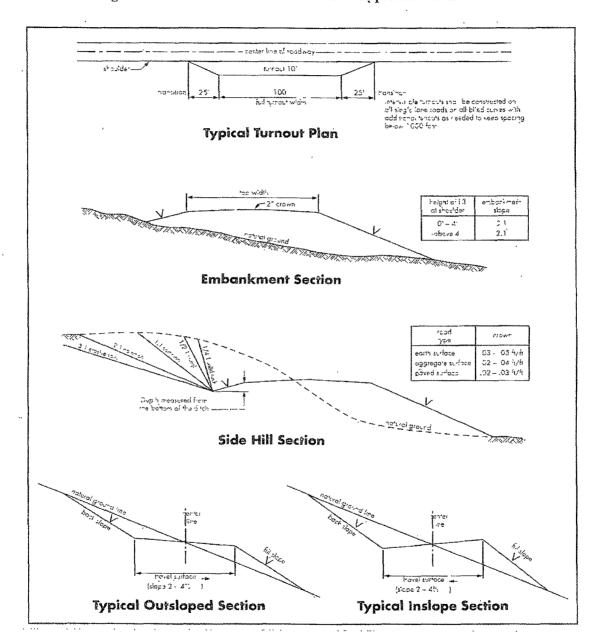


Figure 1 - Cross Sections and Plans For Typical Road Sections

#### VII. DRILLING

#### A. DRILLING OPERATIONS REQUIREMENTS

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
  - Eddy County
    Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822
- 1. Due to recent H2S encounters in the salt formation, it is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide prior to drilling out the surface shoe. If Hydrogen Sulfide is encountered, please report measurements and formations to the BLM.
- 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. If the drilling rig is removed without approval an Incident of Non-Compliance will be written and will be a "Major" violation.
- 3. Floor controls are required for 3M or Greater systems. These 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 is located, this does not include the dog house or stairway area.
- 4. The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.

#### B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time prior to drilling out 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 for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

#### R-111-P/WIPP

Possible brine and water flows in the Salado and Castile Groups. Possible lost circulation in the Delaware formation.

- 1. The 13-3/8 inch surface casing shall be set at approximately 720 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) 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 surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
  - b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.
  - 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 cementing will be done prior to drilling out that string.
- 2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
  - Cement to surface. If cement does not circulate see B.1.a, c-d above.

    Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash.

Centralizers required on horizontal leg, must be type for horizontal service and a minimum of one every other joint.

- 3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
  - a. First stage to DV tool:
  - Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.
  - b. Second stage above DV tool:
  - Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with third stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.
  - c. Third stage above DV tool, cement shall:
  - Cement to surface. If cement does not circulate, contact the appropriate BLM office. Additional cement may be required excess calculates to 11%.
- 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 3000 (3M) psi.
  - a. For surface casing only: If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.

- 3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. In potash areas, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, no tests shall commence until the cement has had a minimum of 24 hours setup time.
  - b. The tests shall be done by an independent service company utilizing a test plug not a cup or J-packer. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
  - 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.

#### D. DRILL STEM TEST

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

#### E. 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.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

#### F. WIPP Requirements

The proposed well is located over 330' of the WIPP Land Withdrawal Area boundary. As a result, Yates Petroleum Corporation is requested, but not required, to submit daily logs and deviation survey information to the Department of Energy per requirements of the Joint Powers Agreement. Information from this well will be included in the Quarterly Drilling Report. Information will also be provided to the New Mexico Oil Conservation Division after drilling activities have been completed. Any future entry into the well for purposes of completing additional drilling will require supplemental information.

Yates Petroleum Corporation can email the required information to Mr. Melvin Balderrama at Melvin.Balderama@wipp.ws or Mr. J. Neatherlin at Jimmy.Neatherlin@wipp.ws fax to his attention at 575-234-6062.

CRW 110911

#### 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

#### B. PIPELINES

#### STANDARD STIPULATIONS FOR SURFACE INSTALLED PIPELINES

A copy of the APD and attachments, including stipulations, survey plat and/or map, will be on location during construction. BLM personnel may request to you a copy of your permit during construction to ensure compliance with all stipulations.

Holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer:

- 1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.
- 2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976 as amended, 15 USC 2601 et seq. (1982) with regards to any toxic substances that are used, generated by or stored on the right-of-way or on facilities authorized under this right-of-way grant. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation, and Liability Act, section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the authorized officer concurrent with the filing of the reports to the involved Federal agency or State government.
- 3. The holder agrees to indemnify the United States against any liability arising from the

release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on the Right-of-Way (unless the release or threatened release is wholly unrelated to activity of the Right-of-Way holder's activity on the Right-of-Way), or resulting from the activity of the Right-of-Way holder on the Right-of-Way. This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

- 4. The holder shall be liable for damage or injury to the United States to the extent provided by 43 CFR Sec. 2883.1-4. The holder shall be held to a standard of strict liability for damage or injury to the United States resulting from pipe rupture, fire, or spills caused or substantially aggravated by any of the following within the right-of-way or permit area:
- a. Activities of the holder including, but not limited to construction, operation, maintenance, and termination of the facility.
- b. Activities of other parties including, but not limited to:
  - (1) Land clearing.
  - (2) Earth-disturbing and earth-moving work.
  - (3) Blasting.
  - (4) Vandalism and sabotage.
- c. Acts of God.

The maximum limitation for such strict liability damages shall not exceed one million dollars (\$1,000,000) for any one event, and any liability in excess of such amount shall be determined by the ordinary rules of negligence of the jurisdiction in which the damage or injury occurred.

This section shall not impose strict liability for damage or injury resulting primarily from an act of war or from the negligent acts or omissions of the United States.

5. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any oil, salt water, or other pollutant should be discharged from the pipeline system, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil, salt water, or other pollutant, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control and clean up the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any responsibility as provided herein.

6. All construction and maintenance activity will be confined to the authorized right-of-way width of feet.
7 No blading or clearing of any vegetation will be allowed unless approved in writing by the Authorized Officer.
8. The holder shall install the pipeline on the surface in such a manner that will minimize suspension of the pipeline across low areas in the terrain. In hummocky of duney areas, the pipeline will be "snaked" around hummocks and dunes rather then suspended across these features.
9. The pipeline shall be buried with a minimum of inches under all roads, "two-tracks," and trails. Burial of the pipe will continue for 20 feet on each side of each crossing. The condition of the road, upon completion of construction, shall be returned to at least its former state with no bumps or dips remaining in the road surface.
10. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer.
11. In those areas where erosion control structures are required to stabilize soil conditions, the holder will install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound resource management practices.
12. Excluding the pipe, all above-ground structures not subject to safety requirement shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" – Shale Green, Munsell Soil Color No. 5Y 4/2; designated by the Rocky Mountain Five State Interagency Committee.
13. The pipeline will be identified by signs at the point of origin and completion of the right-of-way and at all road crossings. At a minimum, signs will state the holder's name, BLM serial number, and the product being transported. Signs will be maintained in a legible condition for the life of the pipeline.
14. The holder shall not use the pipeline route as a road for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder. The holder will take whatever steps are necessary to ensure that the pipeline route is not used as a roadway.

15. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed officer by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.

#### C. ELECTRIC LINES (not applied for in APD)

#### 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.

#### Seed Mixture for LPC Sand/Shinnery Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)\* per acre. There shall be <u>no</u> primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed\* per acre:

<u>Species</u>	<u>lb/acre</u>
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A

<sup>\*</sup>Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed