

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OCD Artesia

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB No 1004-0135
Expires November 30, 2000

5. Lease Serial No

NM-65417

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

8. Well Name and No

Martha AIK Federal #11H

9. API Well No

30-015-37510

10 Field and Pool, or Exploratory Area

Livingston Ridge Delaware

11 County or Parish, State

Eddy, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1 Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2 Name of Operator

Yates Petroleum Corporation

3a Address

105 South Fourth Street, Artesia, NM 88210

3b. Phone No (include area code)

(575) 748-1471

4 Location of Well (Footage, Sec., T, R, M., or Survey Description)

Surface: 1780' FSL & 200' FEL,

BHL: 1780' FSL & 330' FWL,

Section 11, T22S-R31E, Unit Letter (Surface I) (BHL L)

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice

TYPE OF ACTION

☐ Acidize☒ Alter Casing☐ Casing Repair☐ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☐ Other

13 Describe Proposed or Completed Operations (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 recompleat 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 shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall 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 respectfully requests permission to change the production casing size and cement as follows:

Production casing will be 17# 5 1/2" P-110 from 0'-6500' and 17# 5 1/2" L-80 from 6500'-11583'.

Packers and Ports will be utilized in the lateral with a hydraulic DV tool at approx. 7250' and a DV tool at approx. 4500'

Stage 1: Packers and Ports 7250'-11583'

Stage 2: Lead: 330sx of 35:65:6 PozC (YLD 2.0 WT 12.5), Tail: 200sx of PVL (YLD 1.41 WT 13) 4500'-7250'

Stage 3: Lead: 630sx of 35:65:6 PozC (YLD 2.0 WT 12.5), Tail: 200sx of Class C (YLD 1.34 WT 14.8) 0'-4500'

Cement will be 35% excess

Thank-You,

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Troy Peterson

Title

Well Planner

Signature

Date

August 16, 2012

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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

Office

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 States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

RECEIVED

OCT 03 2012

NMOCD ART

APPROVED

OCT 1 2012

/s/ Chris Walls

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

Accepted for record

NMOCD

YES
10/4/2012

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

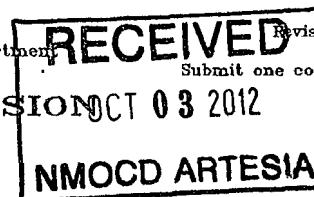
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

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

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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



Form C-102

Revised July 16, 2010

Submit one copy to appropriate District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|---------------------|--|-------------------------------|
| API Number | Pool Code | Pool Name Livingston Ridge |
| Property Code | Property Name MARTHA "AIK" FEDERAL | Well Number 11H |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORP. | Elevation 3584' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| I | 11 | 22 S | 31 E | | 1780 | SOUTH | 200 | EAST | EDDY |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| L | 11 | 22 S | 31 E | | 1780 | SOUTH | 330 | WEST | EDDY |

| | | | |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

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

| | | |
|---|--|--|
| <p><u>PROPOSED BOTTOM HOLE LOCATION</u> Lat - N 32°24'13.22" Long - W 103°45'22.02" NMSPC- N 511068.402 E 719480.401 (NAD-83)</p> | <p><u>SURFACE LOCATION</u> Lat - N 32°24'13.28" Long - W 103°44'26.65" NMSPC- N 511100.543 E 724227.784 (NAD-83)</p> | <p>OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature <u>Travis Hahn</u> Date <u>6-9-11</u></p> <p>Printed Name <u>thahn@yatespetroleum.com</u></p> <p>Email Address</p> |
| <p>Diagram showing well location and acreage dedication plat. The diagram includes a rectangular area labeled 'Project Area' and a smaller rectangular area labeled 'Production Area'. Dimensions are provided: 330' (width of Project Area), 1780' (length of Project Area), 4748.5' (length of Production Area), 3579.8' (width of Production Area), 3578.9' (width of Production Area), 3580.1' (width of Production Area), 780' (width of Production Area), and 1780' FSL + 677' FEL (depth of Production Area). A 'Penetration Point' is marked at the bottom right corner of the Production Area.</p> | | <p>SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p><u>JAMES L. JONES</u> NEW MEXICO Professional Surveyor 7977 W.O. No. <u>23910</u></p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 23910</p> |

YATES PETROLEUM CORPORATION

Martha AIK Federal #11-H
430' FNL & 200' FEL, Surface Hole
430' FSL & 1650' FWL, Bottom Hole
Section 11 -T22S-R31E
Eddy County, New Mexico

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

| | | | |
|--------------|-------|-------------------------|---------------|
| Rustler | 755' | Cherry Canyon | 5480' Oil |
| Top of Salt | 1000' | Livingston Ridge | 7142' Oil MD |
| Base of Salt | 3958' | Livingston Ridge Target | 7313' Oil MD |
| Bell Canyon | 4540' | TD | 11583' Oil MD |

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

Water: Approx. 0' - 755'

Oil or Gas: Oil Zones: 5480', 7142', 7313', 115'

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)

| Hole Size | Casing Size | Wt./Ft | Grade | Coupling | Interval | Length |
|-----------|-------------|--------|-------|----------|--------------|--------|
| 17 1/2" | 13 3/8" | 48# | J-55 | ST&C | 0-800' | 800' |
| 12 1/4" | 9 5/8" | 40# | J-55 | LT&C | 0-100' | 100' |
| 12 1/4" | 9 5/8" | 36# | K-55 | LT&C | 100-3300' | 3200' |
| 12 1/4" | 9 5/8" | 40# | J-55 | LT&C | 3300-4350' | 1050' |
| 8 3/4" | 5 1/2" | 17# | P-110 | LT&C | 0-6500' | 6500' |
| 8 1/2" | 5 1/2" | 17# | L-80 | LT&C | 6500'-11583' | 5083' |

SEE LOG

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

B. CEMENTING PROGRAM:

Surface Casing: 425 sacks Class C Lite + 2% CaCl₂ (YLD 2.00 WT.12.50). Tail in with 210 sacks Class C + 2% CaCl₂ (WT 14.80, YLD 1.34). Designed with 100% excess. TOC-Surface.

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

Production Casing: Cement to be done with Packers and Ports utilized in the lateral with a hydraulic DV tool @ 7250' and 11583'.

Stage 1 from 7250'-11583': Packers and Ports

Stage 2 from 4500'-7250': Lead with 330 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50). Tail with 200 sacks of Pecos Valley Lite (WT 13.00, YLD 1.41), 30%CaCO₃, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Designed with 35% excess. TOC to 4500.

Stage 3 from 0'-4500': Lead with 630 sacks of PozC 35:65:6 (YLD 2.0 WT 12.5). Tail with 200 sacks of Class C + 2% CaCl₂ (YLD 1.34 WT 14.8). Designed with 35% excess, TOC will be 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 3/4" hole to 7400' MD (7040' TVD). Hole will then be reduced to 8 1/2" and drilled to 11583' MD (70400' TVD) where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 1780' FSL & 677' FEL, Section 11-22S-31E. Deepest TVD is 7040' in the lateral. NO PILOT HOLE.

5. Mud Program and Auxiliary Equipment:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|----------------------------|---------------|------------------|-------------------|
| 0-800' | Fresh Water Gel | 8.6-9.2 | 32-34 | N/C |
| 800'-4350' | Brine Water | 10.0-10.10 | 28-28 | N/C |
| 4350'-6563' | Cut Brine | 8.7-9.1 | 28-28 | N/C |
| 6563'-11583' | Cut Brine(Lateral Section) | 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
Coring: TBD.
DST's: TBD.
Mudlogger: TBD.

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

Anticipated BHP:

| | | | | |
|------------|-----------|-----------------------|------|-----|
| From: 0 | TO: 800' | Anticipated Max. BHP: | 385 | PSI |
| From: 800' | 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.

PECOS DISTRICT CONDITIONS OF APPROVAL

| | |
|------------------------------|--|
| OPERATOR'S NAME: | Yates Petroleum Corporation |
| LEASE NO.: | NMNM065417 |
| WELL NAME & NO.: | Martha AIK Federal # 11 |
| SURFACE HOLE FOOTAGE: | 1780' FNL & 200' FEL |
| BOTTOM HOLE FOOTAGE | 1780' FSL & 330' FWL |
| LOCATION: | Section 11, T. 22 S., R 31 E., NMPM |
| COUNTY: | Eddy County, New Mexico |

I. 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 are located, this does not include the dog house or stairway area.