

ATS-14-1061

OCD Artesia

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-125008	
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. Barbara Federal Com #22H	
9. API Well No. 30-015-43128	
10. Field and Pool, or Exploratory Yeso	
11. Sec., T. R. M. or Blk. and Survey or Area Section 17, T19S-R25E	
12. County or Parish Eddy	
13. State NM	
14. Distance in miles and direction from nearest town or post office* 12 miles southwest of Artesia, NM	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 400'
16. No. of acres in lease 641.27	17. Spacing Unit dedicated to this well 160 acres S2S2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 400'	19. Proposed Depth 6716' TD 2370' TVD
20. BLM/BIA Bond No. on file NMB000920 NMB000434	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3508'
22. Approximate date work will start* 11/15/2014	23. Estimated duration 14 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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature 	Name (Printed/Typed) Travis Hahn	Date 08/04/2014
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Title
Land Regulatory Agent

Approved by (Signature) /s/George MacDonell	Name (Printed/Typed)	MAY 11 2015
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Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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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)

NM OIL CONSERVATION
ARTESIA DISTRICT

Roswell Controlled Water Basin

MAY 18 2015

RECEIVED

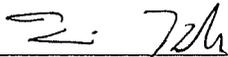
**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Approval Subject to General Requirements
& Special Stipulations Attached

CERTIFICATION
YATES PETROLEUM CORPORATION
Barbara Federal Com #22H

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 5 day of August 2014

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

SURFACE USE AND COMPENSATION AGREEMENT

STATE OF NEW MEXICO §
 §
COUNTY OF EDDY §

KNOW ALL MEN BY THESE PRESENTS:

James H. and Betty R. Howell Revocable Trust whose mailing address is P.O. Box 75 Lakewood, NM, 88254 hereinafter referred to collectively as "Grantor", hereby grants to Yates Petroleum Corporation whose mailing address is 105 South Fourth Street, Artesia, NM 88210, hereinafter referred to as "Grantee", its successors and assigns, the right to ingress, egress, easement, rights of way and use of the one following described oil or gas well situated in Eddy County, New Mexico.

**Barbara Federal Com #22H and Boyd X State Com #13H
400' FSL & 550' FEL
Section 17, Township 19 South - Range 25 East**

In consideration of the terms, conditions and covenants hereinafter recited, the receipt and sufficiency of which are hereby acknowledged, it is agreed and understood that such consideration shall cover any such matters of ingress, egress, easement and rights of way necessary and any damages resultant from or associated with the drilling and completion of the well located on the Land.

Drill Site Location:

1.) Grantee shall obtain permission from Grantor for one drill site location that Grantor constructs on the Land. The agreement is for the reasonable use of the surface of the Land for the drill site location, including, without limitation, the drill site and any drilling and production equipment located thereon, including, but not limited to, pumping units, production lines, located on the drill site only. There will not be a tank battery erected on this location. The drill site will be approximately 385' x 310' and will be reclaimed back to approximately 230' x 230' no later than six months after drilling operations have been completed. The well pad is not to be sprayed in order to kill weeds at any time unless requested by the landowner or designated representative for the control of noxious weeds. If spraying is requested the well pad will be adequately sprayed on the noxious weeds. Vegetation will be allowed to return to its original state on the pad/location. If noxious weeds have spread due to operations by the Grantee to adjacent pasture land Grantee will spot spray at the landowner's or designated representative's request.

2.) Grantee shall stockpile, adjacent to the drill site location, any topsoil taken during the construction of the drill site. If the well is a producer, Grantee shall return the caliche surfacing material on the pad to the natural subsurface location on site and redistribute the stockpiled topsoil over any portion of the drill site location that Grantee will not continue to use for its operations. If no topsoil is stockpiled Grantee will purchase topsoil to redistribute over the reclaimed area. However, Grantee shall continue to be entitled to use as much of the remaining well location as is reasonable and prudent for the performance of its operations. Grantee shall contact Grantor for the desired seed mixture and planting date of the reclaimed area. If the well is a dry hole, at such time the well is plugged and abandoned, Grantee shall return the caliche pad to the natural subsurface location on site and redistribute the topsoil over the drill site location.

2.) The Barbara Federal Com #22H and Boyd X State Com #13H wells will be drilled using a closed loop system with haul off bins. All contamination, trash, human waste, etc. will be removed from the location. Nothing will be buried on site.

Freshwater Reservoir:

3.) Construction of a freshwater reservoir will not be necessary for the drilling of this well. The Grantee agrees to purchase water to drill and complete the well from the Grantor at a price which may be agreed upon from time to time by the parties provided that Grantor's water well is capable of producing the quantity and quality of freshwater required by Grantor for its operations. Grantee shall contact Grantor for designated route of all freshwater lines.

New Road Construction:

5.) The road right of way will be twenty (20) feet in width for construction with a fourteen (14') wide driving surface for a 12 year term. Turnouts for vehicles will be placed every 1000 feet or at the line of site. Turnouts will be reclaimed two (2) years after the drilling of the well. Grantee shall remove the materials utilized to construct the road and restore the surface of the land as near as reasonably possible to the condition that existed prior to the construction of the same. Restoration is to be completed within 6 months of the abandonment of the well. Grantor shall be contacted for the desired reclamation, seed mixture and planting dates.

Pipelines:

6.) Pipeline right-of-ways will be constructed within a thirty 30' wide right of way for a poly pipeline on

the surface for a 12 year term. All pipelines will follow the road to the tank battery. There shall be no buried pipeline on the property with the exception of on the location/pad or road crossings as deemed necessary, nor shall any line be made of anything other than poly material. Production from the Barbara Federal Com #22H and Boyd X State Com #13H well will be transported via flowline to the Amole tank battery. There will not be any production storage facilities on the new wells location.

Power Lines:

7.) Grantee shall pay Grantor a cash sum per rod for a 30' right of way for a 12 year term for all power lines. At the end of such term Grantee shall renegotiate with Grantor said right of way for such lines. If the well is plugged and abandoned Grantee will remove all lines and poles within 6 months of abandonment and prior to reclamation.

Purchased Materials:

8.) Grantee shall purchase caliche, sand, topsoil and water owned by Grantor for the construction, modification or remediation of the drill site location and access road located on the Land to the extent that such are reasonably available. These negotiations will be made by Grantee's Drilling and Production Departments.

9.) Grantee shall purchase fresh water produced from Grantor's water well for its drilling and completion operations at a mutually agreed price provided that Grantor's water well is capable of producing the quantity and quality of freshwater required by Grantor for its operations. This provision shall expire and be renegotiated after five years from the date of this agreement. Grantee shall furnish all equipment needed to operate and accurately meter the water well and shall obtain the necessary permits from the governmental agency having jurisdiction over same. Grantee shall contact Grantor for the designated route of all freshwater lines for all operations to the Barbara Federal Com #22H and the Boyd X State Com #13H.

Equipment Removal and Restoration:

10.) If the well located on the Land is plugged and abandoned, Grantee shall, within six (6) months thereof, remove any and all equipment used directly or indirectly by Grantee as it pertains to the abandoned well and shall thereafter return as much of the caliche surfacing material as possible to the natural subsurface location and restore the site as near reasonably possible to its original condition. Grantor shall be contacted for the desired reclamation, seed mixture and planting dates.

Miscellaneous:

If drilling activities, work overs, reentries or all other oil and gas operations the road is causing dust Grantee shall water the road in order to keep down the dust on the entire length of the road.

Traffic at all times shall not exceed a speed limit of 20 mph. Grantee shall notify its employees and all contractors of the speed restrictions.

If during Grantee's operations any trash is placed on Grantor's property shall be removed promptly by Grantee including trash that is blown into the pasture.

All traffic associated with any of the Grantee's drilling, workover, reentry, and all other oil and gas operations will stay on the designated access roads to the well location. Absolutely no traffic is to use any other route with the exception of traffic created by the purchase of water from the Grantors water wells or water station located on Rocking R Red Road. All other traffic found in undesignated areas of the Grantor's property will be considered to be in trespass. Grantee shall promptly investigate and take corrective action against the offending party.

All gates are to be kept locked at all times unless otherwise instructed by Grantor or designated representative. If a lock is found to have be broken by the result of the Grantees operations it is to be replaced within 24 hours by Grantee after finding or by notification by the Grantor. Any damage to fences, gates or cattleguards caused by Grantee or their representatives shall promptly be repaired by Grantee in a workmanlike manner. Any fences cut to gain access to Grantor's property during drilling or completion operations will be repaired by the Grantee in a workmanlike manner as soon as possible after the action is discovered.

Electric meters shall be placed on the existing well location or existing access road and shall be facing the direction of the location or access road in order to avoid creation of new unauthorized roads on Grantor's property. Grantee shall use its best efforts to make the electrical contractors aware of the Grantor's wishes to place the electric meters in this fashion. Any violation of this request shall result in the meter being removed to a different location by Grantee.

Grantee shall notify its employees, contractors, and subcontractors that firearms, explosives, pets, alcoholic beverages or illegal drugs are not to be brought on to Grantor's property by Grantee's employees, contractors, and subcontractors. Further, that no trash shall be thrown or deposited onto Grantor's property.

Hunting is prohibited to Grantee's employees, contractors and subcontractors on the Grantor's property at all times. Harassment of wildlife and livestock by Grantee's employees, contractors and

subcontractors is strictly prohibited.

Facilities placed on the well location shall be directly related to the production of the well. Flowlines, well head, pumps, and this type of equipment shall be located on the well location. There shall be no tanks tank batteries, or separators erected or used on the premises Structures to house Grantee's employees, garages, storage facilities, etc. shall not be permitted or constructed on the well location.

An H2s monitor and notification system will be constructed to the OCD standards and will alert Yates personal and contractors of any release of H2S.

Indemnification:

11.) Grantee shall be solely responsible and liable for any harm or injuries caused to persons or property as a result of Grantee's operations, and shall indemnify and hold Grantor and their trustees, officers, employees and agents harmless from and against any and all claims, charges, assessments, damages, expenses, fines or penalties, including reasonable attorney fees and expenses of litigation, incurred in defense of Grantor as a result of Grantee's operations; provided, however that nothing herein shall be construed to require or obligate Grantee to indemnify Grantor against, or hold Grantor harmless from Grantor's own negligent acts. or omissions. Further, Grantee shall indemnify and save Grantor and his trustees, officers, employees and agents harmless from any and all damages, cleanup expenses, fines, or penalties, and reasonable attorney fees and expenses of litigation resulting from a fire or any violation of, or non-compliance with, applicable local, state, or federal laws and regulations resulting from Grantee's operations.

Grantee's Rights:

12.) Notwithstanding anything herein contained to the contrary, this Agreement is made without prejudice as to the rights of Grantee pursuant to any existing Oil, Gas and Mineral Lease or other agreement covering the Land and nothing herein shall be construed to lessen or alter Grantee's rights under any such Oil, Gas and Mineral Lease or agreement.

Restriction of Agreement:

13.) Notwithstanding anything to the contrary contained herein , the rights conveyed upon Grantee shall be restricted exclusively to the Barbara Federal Com #22H and Boyd X State Com #13H well described on the first page hereof.

Surface Owners Protection Act:

14.) The Surface Owners Protection Act of the State of New Mexico being Section 70-12-1 et. Seq. NMSA 1978 shall continue to apply to the parties to this Agreement and nothing herein contained shall lessen said parties rights and remedies under the act.

Compensation Agreement:

15.) The parties acknowledge the existence of a Separate Compensation Agreement for Surface Damages entered into between them and confirm that the terms are additionally applicable between the parties.

THIS AGREEMENT shall be binding on the party's successors, assigns, agents and representatives. Grantee's agents and/or independent contractors who enter onto the Land shall comply with the terms and conditions set forth herein. The covenants hereunder shall be performable in Eddy County, New Mexico.

IN WITNESS WHEREOF, this Agreement is executed the _____ day of _____, 20_____.

Grantors:
James H. and Betty R. Howell Revocable Trust

By: _____
Title: _____

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
)ss.
COUNTY OF EDDY)

BEFORE ME, the undersigned authority in and for said County and State, on this day personally appeared _____, _____ for James H. and Betty R. Howell Revocable Trust, known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of _____, 20_____.

My Commission Expires:

Notary Public

Grantee:
Yates Petroleum Corporation

By: _____
Title: _____

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
)ss.
COUNTY OF EDDY)

BEFORE ME, the undersigned authority in and for said County and State, on this day personally appeared _____, _____ for Yates Petroleum Corporation a New Mexico corporation, known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of _____, 20_____.

My Commission Expires:

Notary Public

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-8161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-8178 Fax: (505) 334-8170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3480 Fax: (505) 476-3482

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-43128	Pool Code 97565	Pool Name N. Seven Rivers; Glorieta-Yeso
Property Code 40066 314842	Property Name BARBARA FEDERAL COM	Well Number 22H
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3508

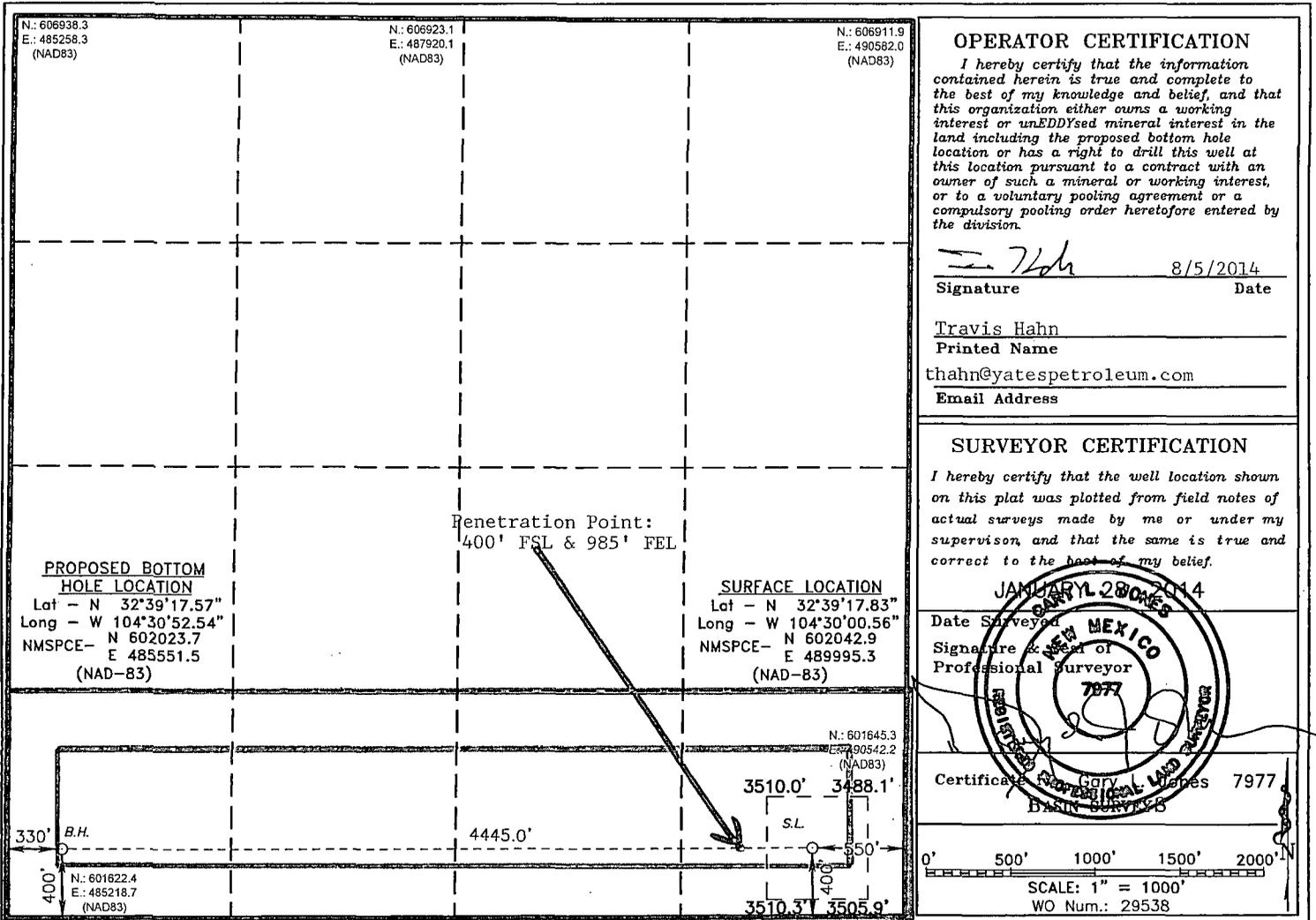
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	17	19 S	25 E		400	SOUTH	550	EAST	EDDY

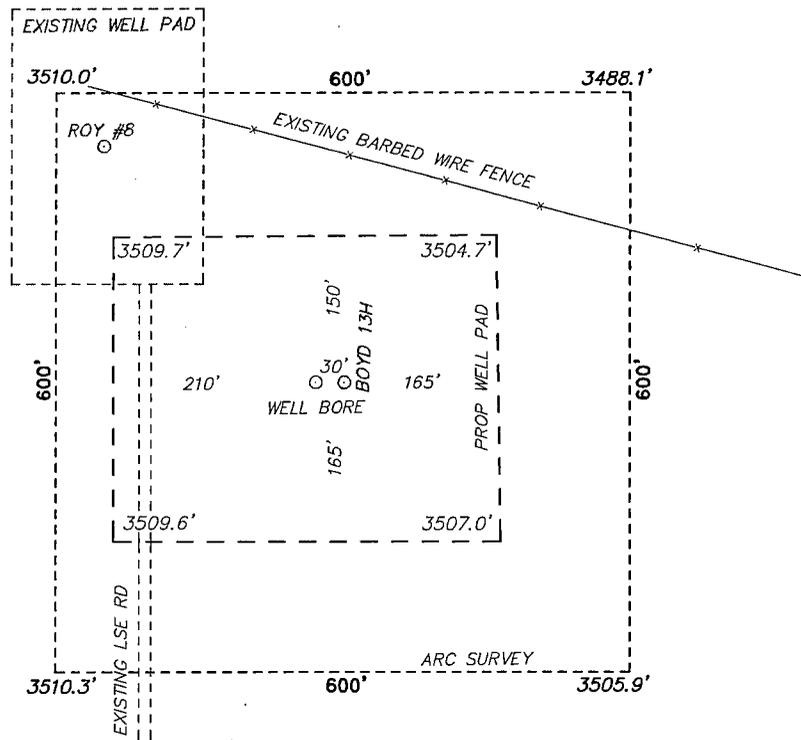
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	17	19 S	25 E		400	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



SECTION 17, TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.



YATES PETROLEUM CORPORATION
 BARBARA FEDERAL COM #22H
 ELEV. - 3508'

Lat - N 32°39'17.83"
 Long - W 104°30'00.56"
 NMSPE- N 602042.9
 E 489995.3
 (NAD-83)

ARTESIA, NM IS ±14 MILES TO THE NORTHEAST OF LOCATION.



Directions to Location:

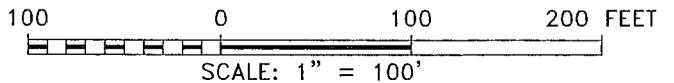
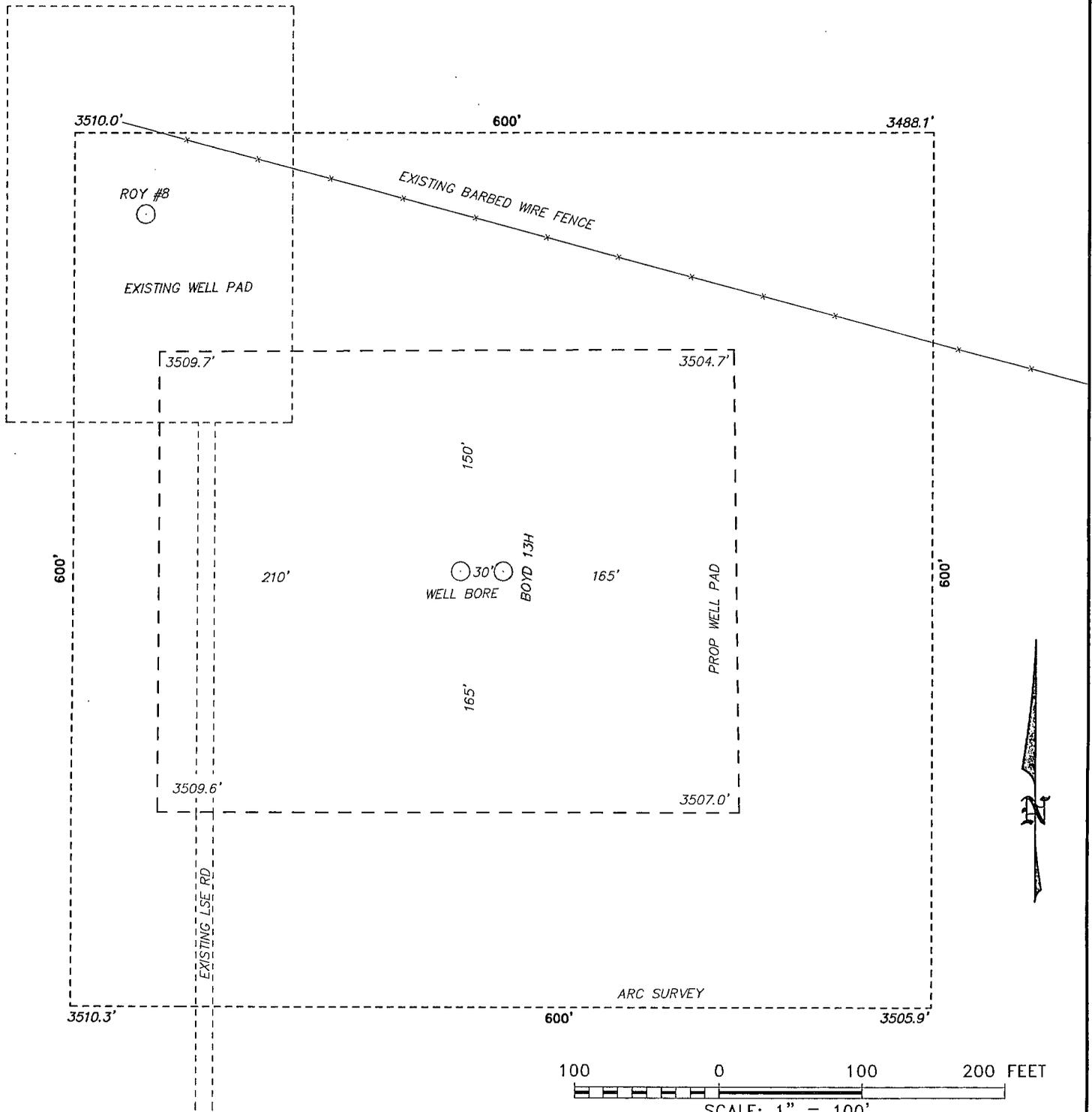
FROM US 85 AND ROCKIN RED ROAD GO 4.2 MILES WEST, TURN NORTH ON LEASE ROAD TO PROPOSED LOCATION.



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

 YATES PETROLEUM CORPORATION
REF: BARBARA FEDERAL COM #22H / WELL PAD TOPO
THE BARBARA FEDERAL COM #22H LOCATED 400' FROM THE SOUTH LINE AND 550' FROM THE EAST LINE OF SECTION 17, TOWNSHIP 19 SOUTH, RANGE 25 EAST.
N.M.P.M., EDDY COUNTY, NEW MEXICO.

SECTION 17, TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.



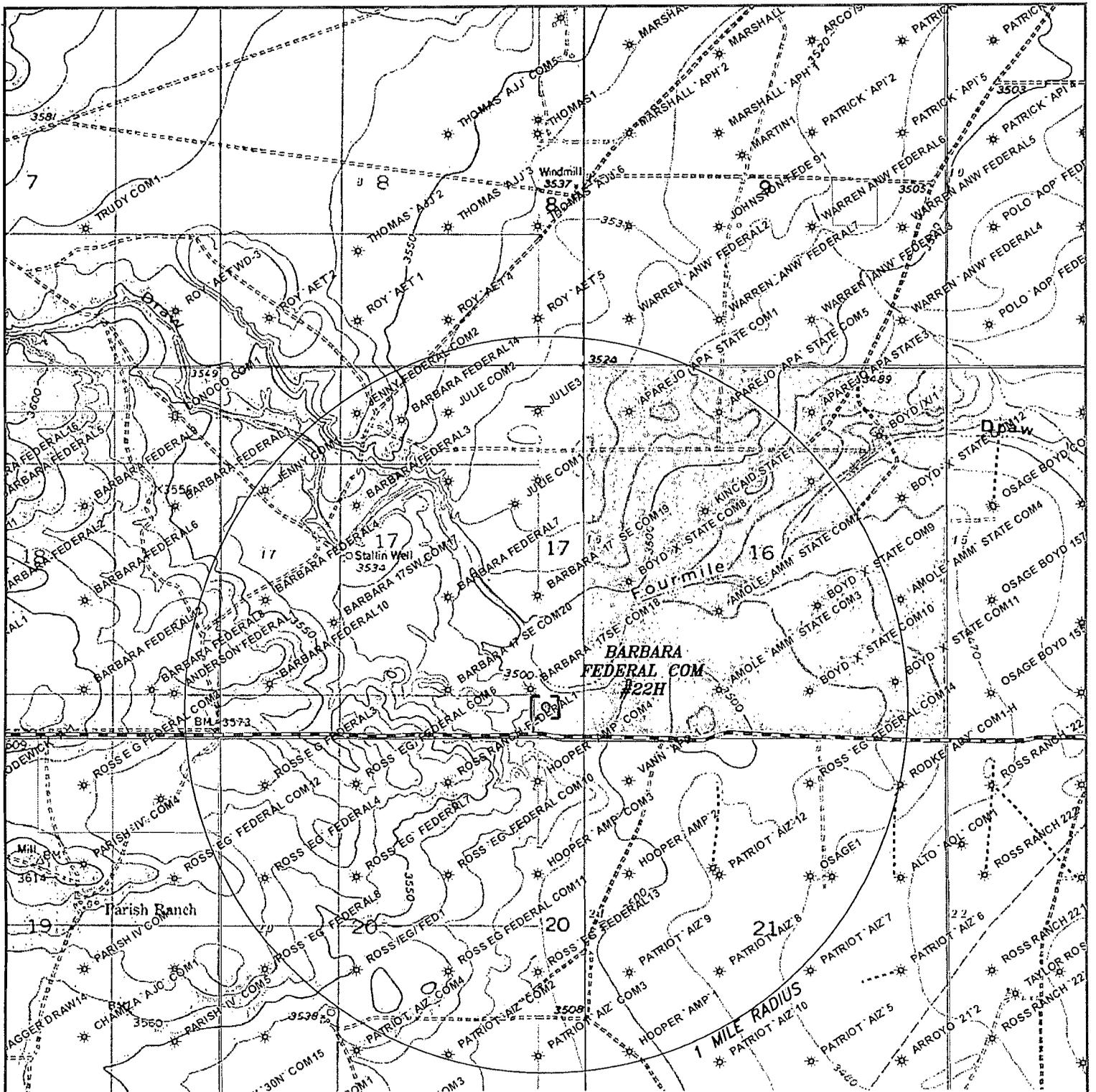
YATES PETROLEUM CORPORATION

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 THE SOUTH LINE AND 550' FROM THE EAST LINE OF
 SECTION 17, TOWNSHIP 19 SOUTH, RANGE 25 EAST.
 N.M.P.M., EDDY COUNTY, NEW MEXICO.



focused on excellence in the oilfield
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 Hobbs, New Mexico 88241 basinsurveys.com



BARBARA FEDERAL COM #22H

Located 400 FSL and 550' FEL

Section 17, Township 19 South, Range 25 East,
N.M.P.M., Eddy County, New Mexico.



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Hobbs, New Mexico 88241
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0' 1000' 2000' 3000' 4000'

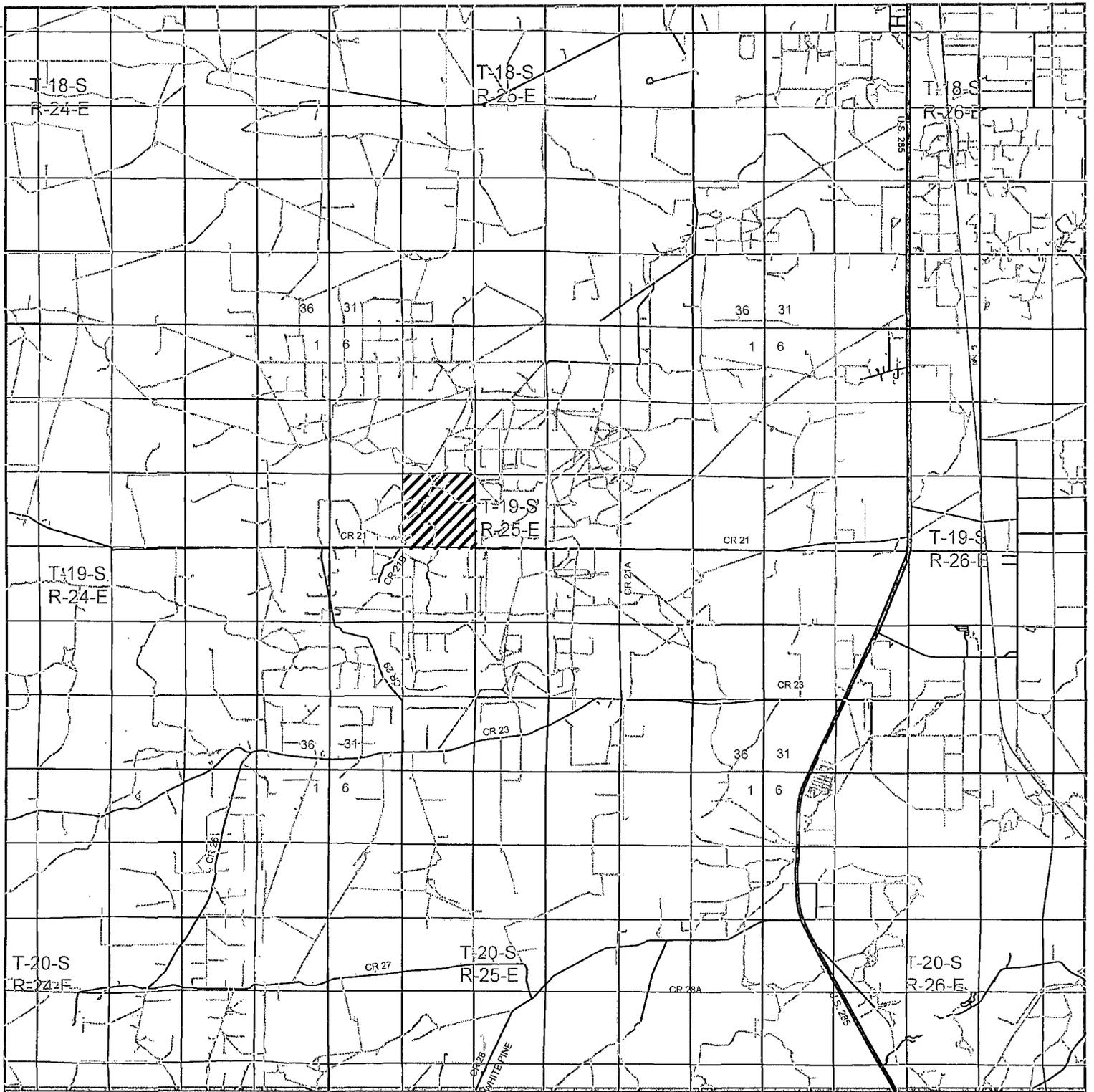
SCALE: 1" = 2000'

W.O. Number: KAN 29538

Survey Date: 01-28-2014

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





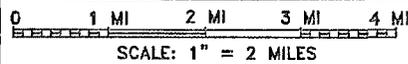
BARBARA FEDERAL COM #22H

Located 400 FSL and 550' FEL

Section 17, Township 19 South, Range 25 East,
N.M.P.M., Eddy County, New Mexico.



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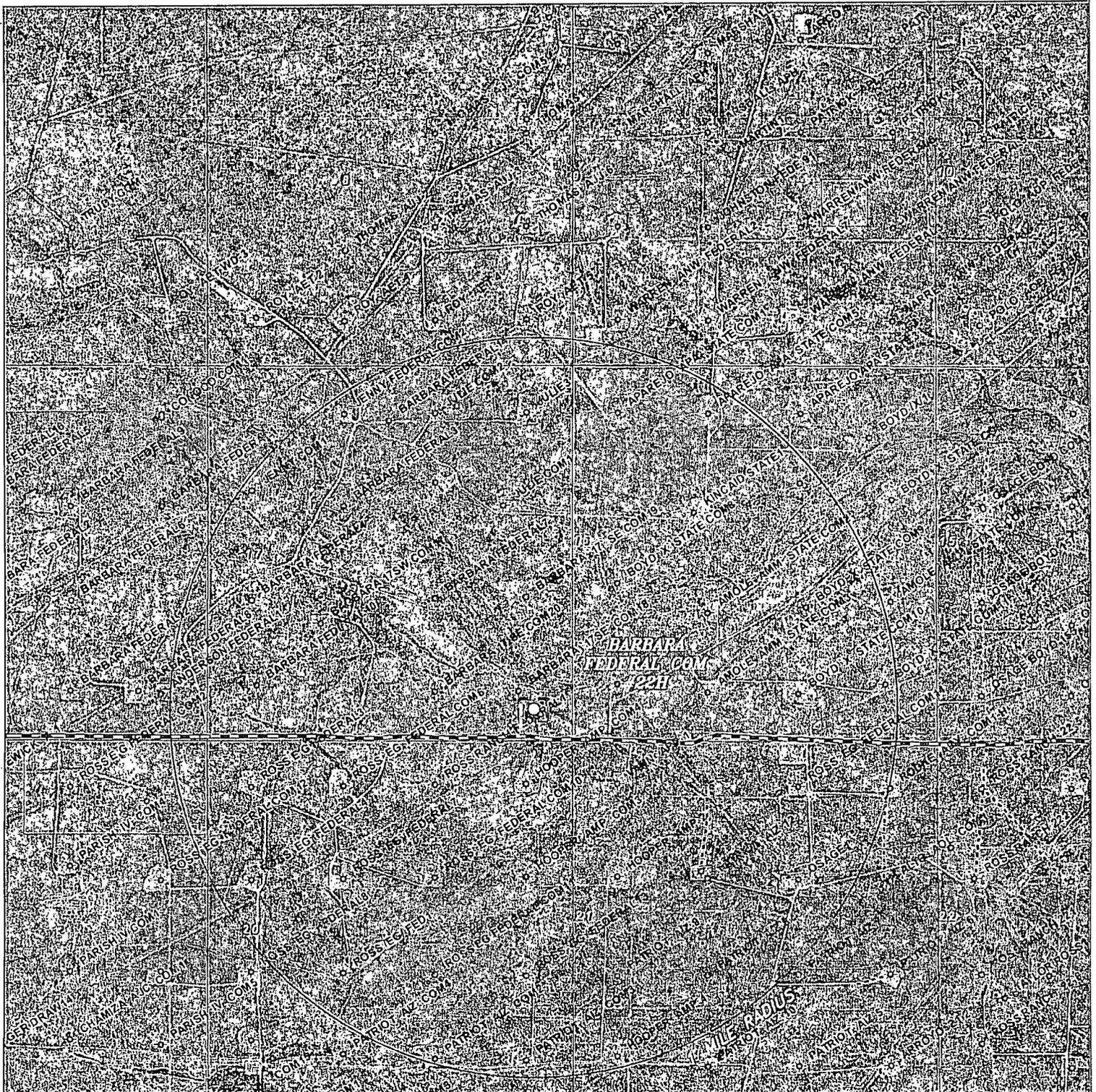


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YELLOW TINT - USA LAND
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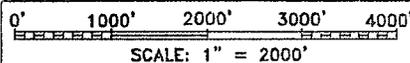
BARBARA FEDERAL COM #22H

Located 400 FSL and 550' FEL

Section 17, Township 19 South, Range 25 East,
N.M.P.M., Eddy County, New Mexico.



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Survey Date: 01-28-2014

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



YATES PETROLEUM CORPORATION

Barbara Federal Com #22H
 400' FSL & 550' FEL, Surface Hole
 400' FSL & 330' FWL, Bottom Hole
 Section 17 T19S-R25-E
 Eddy County, New Mexico

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

**In the 700' from surface to the top of the San Andres there would be Queen and/or Grayburg formation present.

Alluvial Deposits		Yeso	2417"--Oil
San Andres	736"--Oil	Target Yeso	2762"--Oil
Glorieta	2270--Oil	EOL	6716"--TD

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

Water: Approximately: 0' - 1400'
 Oil or Gas: See above--All Potential Zones

3. PRESURECONTROL EQUIPMENT: *See COA*

3000 PSI BOPE with a 13.625" opening will be installed on the 9 5/8". Test will be conducted by an independent tester, utilizing a test plug in the well head. 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 on each segment of the system tested if test is done with a test plug and 30 minutes without a test plug. Blind rams and pipe rams will be tested to the rated pressure of the BOP. Any leaks will be repaired at the time of the test. Annular preventers will be tested to 50% of rated pressure. Accumulator system will be inspected for correct pre charge pressures, and proper functionality, prior to connection to the BOP system. 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.

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)

CASING STRING	HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLING	INTERVAL	LENGTH
Conductor	30"	20"	94#	H-40	ST&C	0'-78'	78'
Surface	14 3/4"	9 5/8"	36#	J-55 or K-55	LT&C	0'-1400'	1400'
Production	7 7/8"	5 1/2"	17#	L-80	Buttress	0'-6717'	6717'

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

B. CEMENTING PROGRAM: *See COA*

Conductor Casing: Will use ready mix to cement to surface

Surface Casing: Lead with 820 sacks Class 35:65:6PzC (Wt. 12.50, Yld. 2.00, H2O 11.0 gal/sx). Tail in with 205 sacks Class C with 2% CaCl (Wt. 14.80, Yld. 1.34, H2O 6.2 gal/sx). Cement designed with 100% excess. TOC surface.

Production Casing; Lead with 220 sacks 35:65:6PzC (Wt. 12.50, Yld. 2.00, H2O 11.0 gal/sx). Tail in 820 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. 13.00, Yld. 1.41, H2O 9.3 gal/sx). Cement designed with 35% excess. TOC surface.

Well will be drilled vertically to 1999' then will be kicked off and directionally drilled at 12° degrees per 100' with an 7.875" hole to 2762' MD (2477' TVD). The lateral will be drilled with a 7.875" hole to approximately 6716' MD (2370' TVD) where 5.5" casing will be set and cemented to surface. Penetration point of producing zone will be encountered at 400' FSL & 985' FEL, Section 17-T19S-R25E. Deepest TVD is 2477' in the lateral.

5. MUD PROGRAM AND EQUIPMENT::

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0-1400'	Fresh Water	8.60-8.70	32-34	N/C
1000'-7305'	Fresh Water	8.50-8.70	28-32	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. Mud level monitoring: After surface casing is set, an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of the derrick hand checking the fluid level in the pits periodically using a nut on the end of a rope hanging just above the fluid level in the pit.

6. EVALUATION PROGRAM: *See COA*

Samples: 10' samples from 1400' to TD.

Logging: Horizontal-MWD-GR, turned on 500' before KOP to TD. Running a Measure While Drilling (MWD) gamma ray.

Coring: As warranted.

DST's: As warranted.

Mudlogging from the surface to TD

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

Anticipated BHP:

DEPTH	ANTICIPATED BHP
0' TO 1400'	633 PSI
1400' TO 2650' TVD	1199 PSI

No abnormal pressures or temperatures are anticipated.

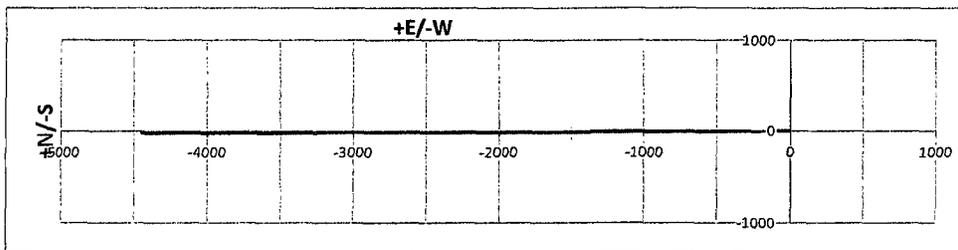
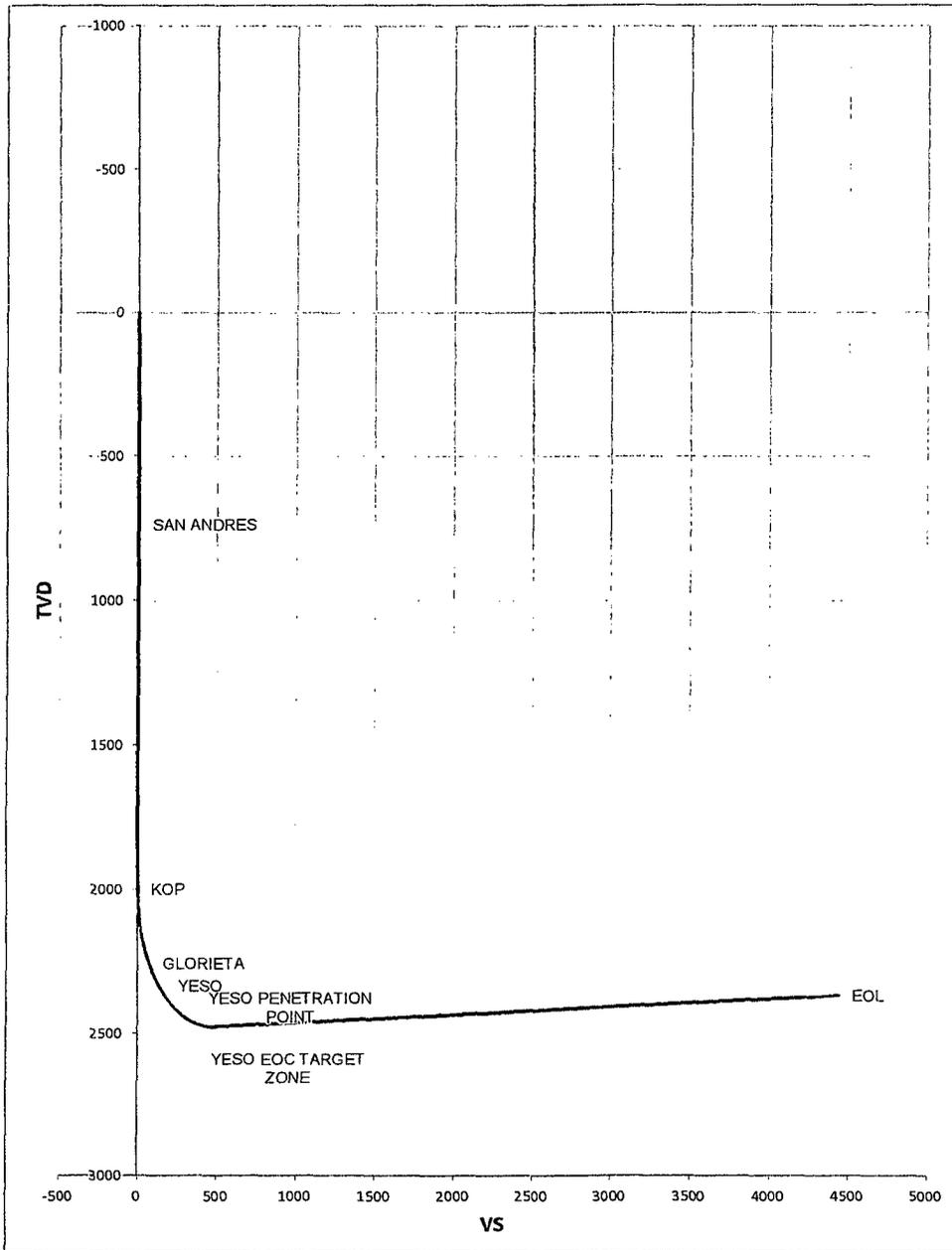
Lost Circulation Zones Anticipated: None. *See COA*

H2S is anticipated.

8. ANTICIPATED STARTING DATE:

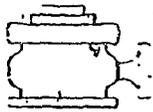
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 7 days.

Barbara Federal Com #22H



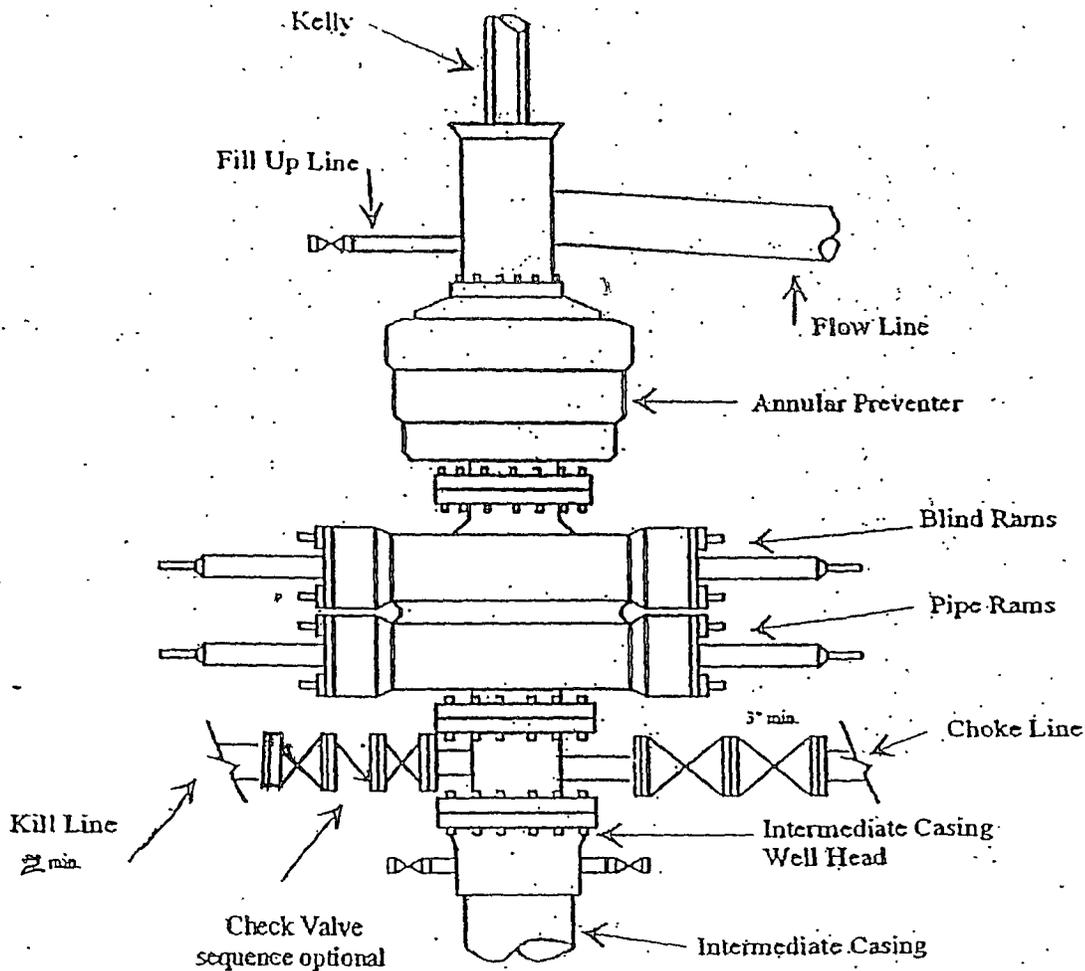
Well Name:	Barbara Federal Com #22H	Tgt N/S:	-19.20	EOC TVD/MD:	2476.76 / 2762.36
Surface Location:	Section 17 , Township 19S Range 25E	Tgt E/W:	-4443.80	VS:	4443.84
Bottom Hole Location:	Section 17 , Township 19S Range 25E	VS Az:	269.75	EOL TVD/MD:	2370.00 / 6715.85

MD	Incl.	AZI	TVD	N/S	E/W	VS	DLS	Comments
0	0	0	0	0	0	0	0	
736.00	0.00	0.00	736.00	0.00	0.00	0.00	0.00	SAN ANDRES
1999.47	0.00	0.00	1999.47	0.00	0.00	0.00	0.00	KOP
2000.00	0.06	269.75	2000.00	0.00	0.00	0.00	12.00	
2025.00	3.06	269.75	2024.99	0.00	-0.68	0.68	12.00	
2050.00	6.06	269.75	2049.91	-0.01	-2.67	2.67	12.00	
2075.00	9.06	269.75	2074.69	-0.03	-5.96	5.96	12.00	
2100.00	12.06	269.75	2099.26	-0.05	-10.54	10.54	12.00	
2125.00	15.06	269.75	2123.56	-0.07	-16.41	16.41	12.00	
2150.00	18.06	269.75	2147.52	-0.10	-23.53	23.53	12.00	
2175.00	21.06	269.75	2171.07	-0.14	-31.90	31.90	12.00	
2200.00	24.06	269.75	2194.16	-0.18	-41.50	41.50	12.00	
2225.00	27.06	269.75	2216.71	-0.23	-52.28	52.28	12.00	
2250.00	30.06	269.75	2238.66	-0.28	-64.23	64.23	12.00	
2270.29	32.50	269.75	2256.00	-0.32	-74.76	74.76	12.00	GLORIETA
2275.00	33.06	269.75	2259.96	-0.33	-77.32	77.32	12.00	
2300.00	36.06	269.75	2280.54	-0.40	-91.50	91.50	12.00	
2325.00	39.06	269.75	2300.36	-0.46	-106.74	106.74	12.00	
2350.00	42.06	269.75	2319.35	-0.53	-122.99	123.00	12.00	
2375.00	45.06	269.75	2337.46	-0.61	-140.22	140.22	12.00	
2400.00	48.06	269.75	2354.65	-0.68	-158.37	158.37	12.00	
2417.33	50.14	269.75	2366.00	-0.74	-171.46	171.46	12.00	YESO
2425.00	51.06	269.75	2370.86	-0.77	-177.40	177.40	12.00	
2450.00	54.06	269.75	2386.06	-0.85	-197.25	197.25	12.00	
2475.00	57.06	269.75	2400.19	-0.94	-217.86	217.87	12.00	
2500.00	60.06	269.75	2413.23	-1.03	-239.19	239.19	12.00	
2525.00	63.06	269.75	2425.13	-1.13	-261.17	261.17	12.00	
2550.00	66.06	269.75	2435.87	-1.23	-283.75	283.75	12.00	
2575.00	69.06	269.75	2445.41	-1.33	-306.85	306.85	12.00	
2600.00	72.06	269.75	2453.73	-1.43	-330.42	330.43	12.00	
2625.00	75.06	269.75	2460.80	-1.53	-354.40	354.40	12.00	
2650.00	78.06	269.75	2466.61	-1.64	-378.71	378.71	12.00	
2675.00	81.06	269.75	2471.14	-1.74	-403.29	403.30	12.00	
2700.00	84.06	269.75	2474.37	-1.85	-428.08	428.09	12.00	
2712.07	85.51	269.75	2475.50	-1.90	-440.08	440.09	12.00	YESO PENETRATION POINT
2725.00	87.06	269.75	2476.31	-1.96	-453.00	453.01	12.00	
2750.00	90.06	269.75	2476.93	-2.07	-477.99	478.00	12.00	
2762.36	91.55	269.75	2476.76	-2.12	-490.35	490.35	12.00	YESO EOC TARGET ZONE
6715.85	91.55	269.75	2370.00	-19.20	-4443.80	4443.84	0.00	EOL

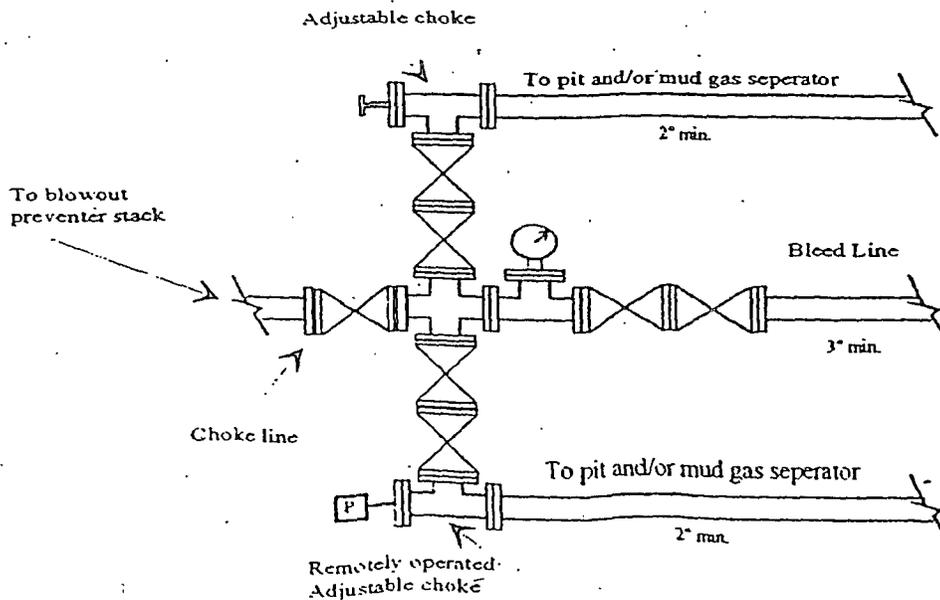


Yates Petroleum Corporation
 Typical 3,000 psi Pressure System
 Schematic
 Annular with Double Ram Preventer Stack

BOP-3

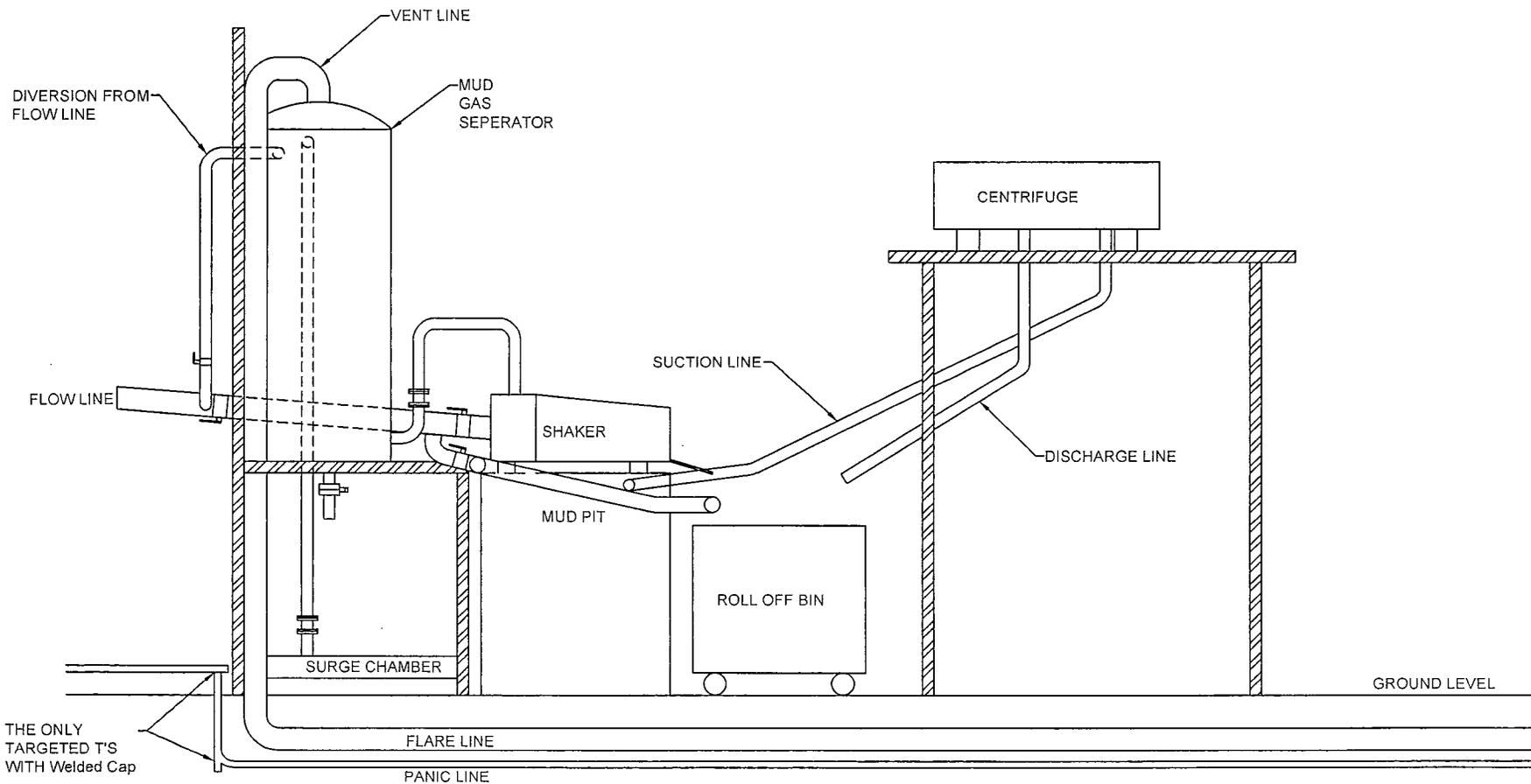


Typical 3,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION

Piping from Choke Manifold to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H2S wells and 150' from wellhead for wells expected to encounter H2S.

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.

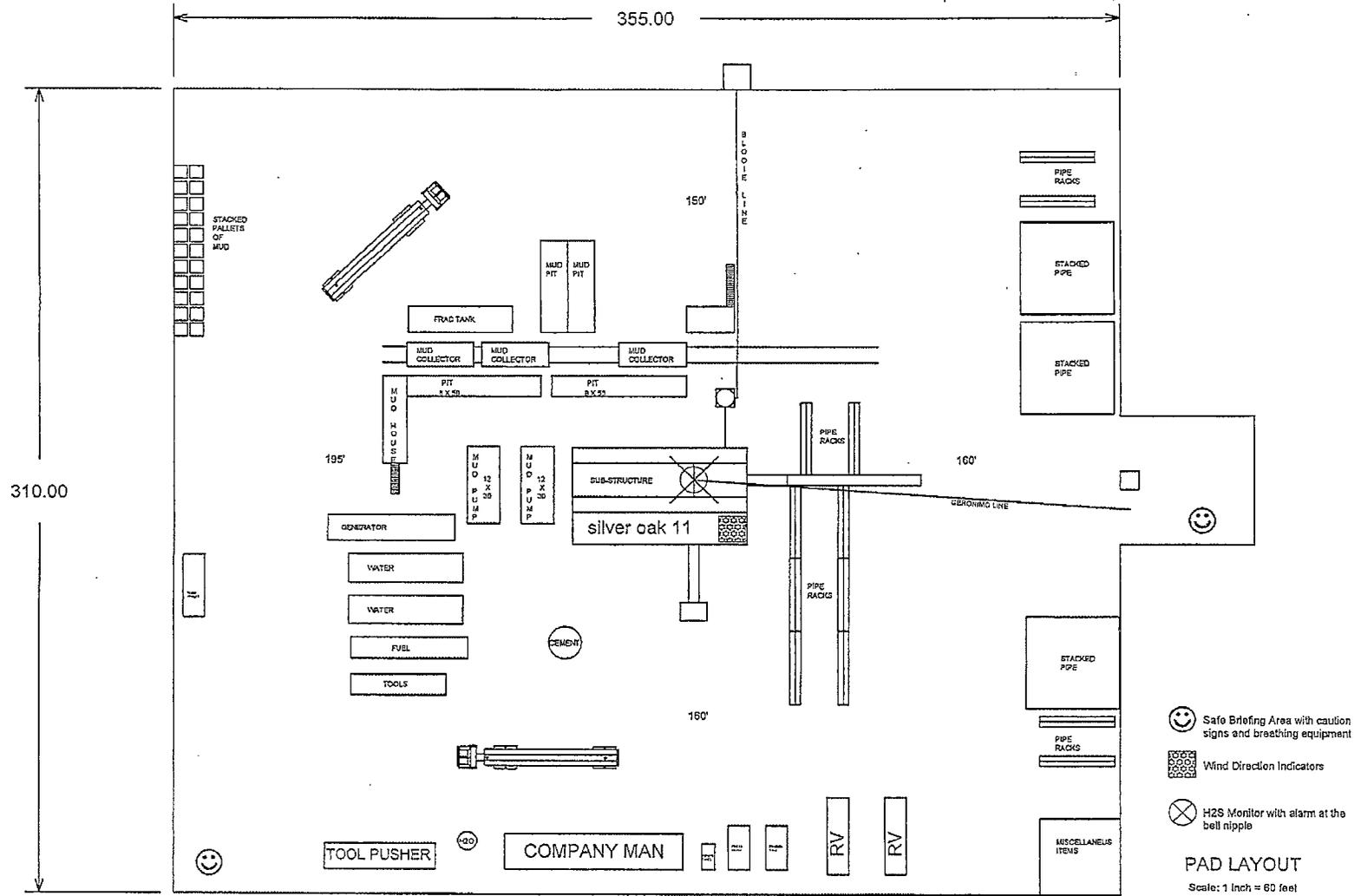
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

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

YATES PETROLEUM CORPORATION

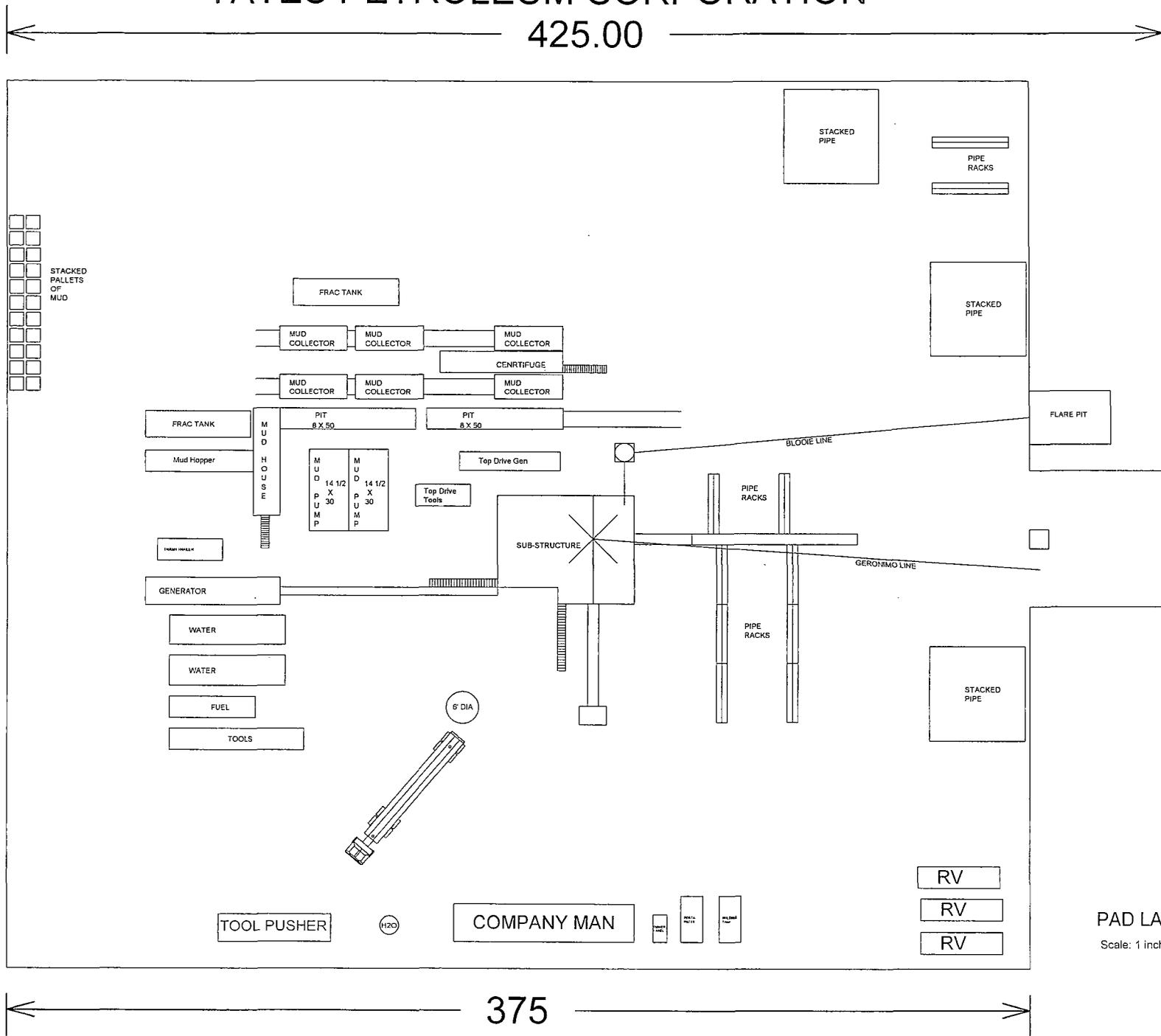
SILVER OAK RIG #11



YATES PETROLEUM CORPORATION

425.00

330



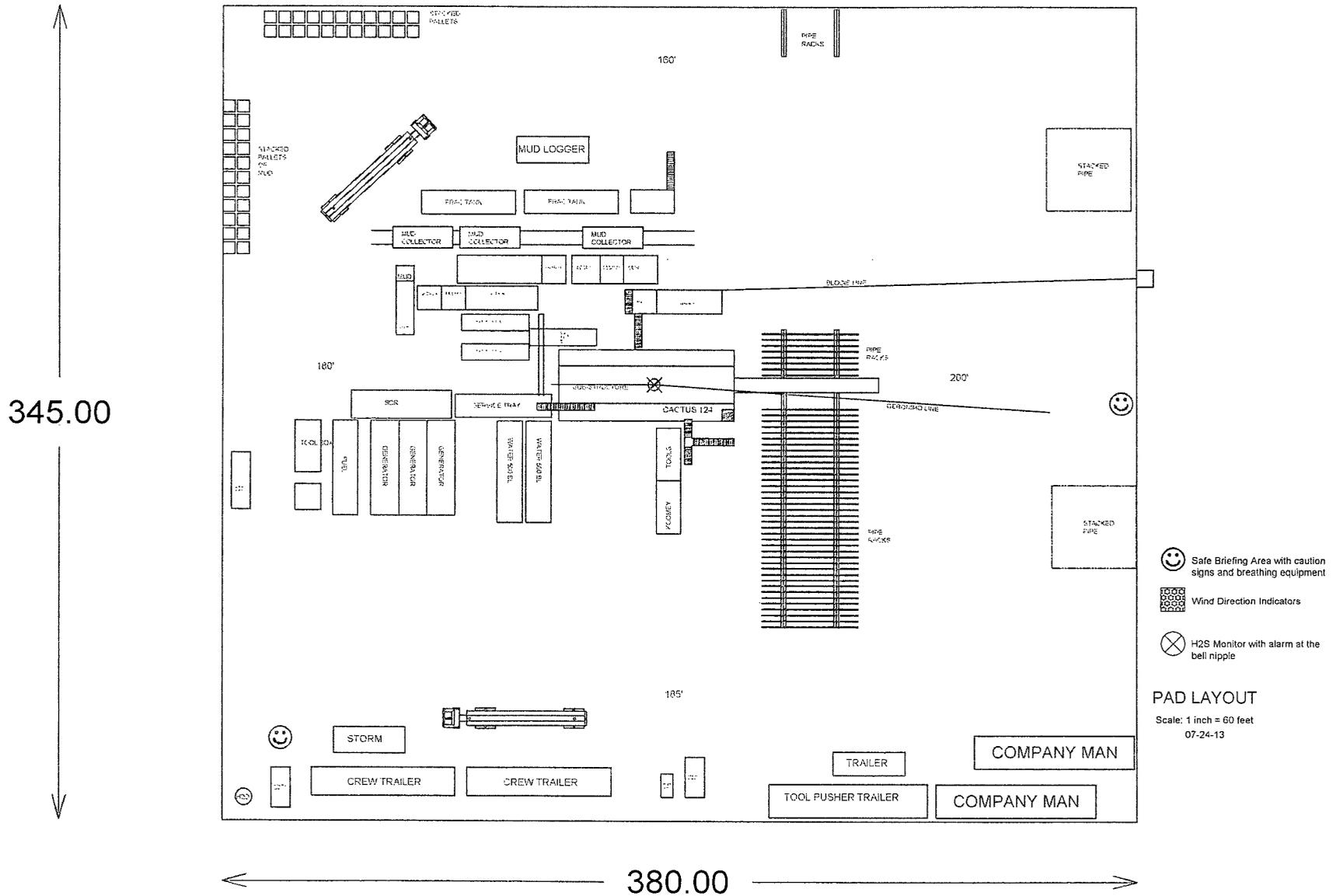
375

PAD LAYOUT
Scale: 1 inch = 50 feet

YATES PETROLEUM CORPORATION

CACTUS 124

07-24-13



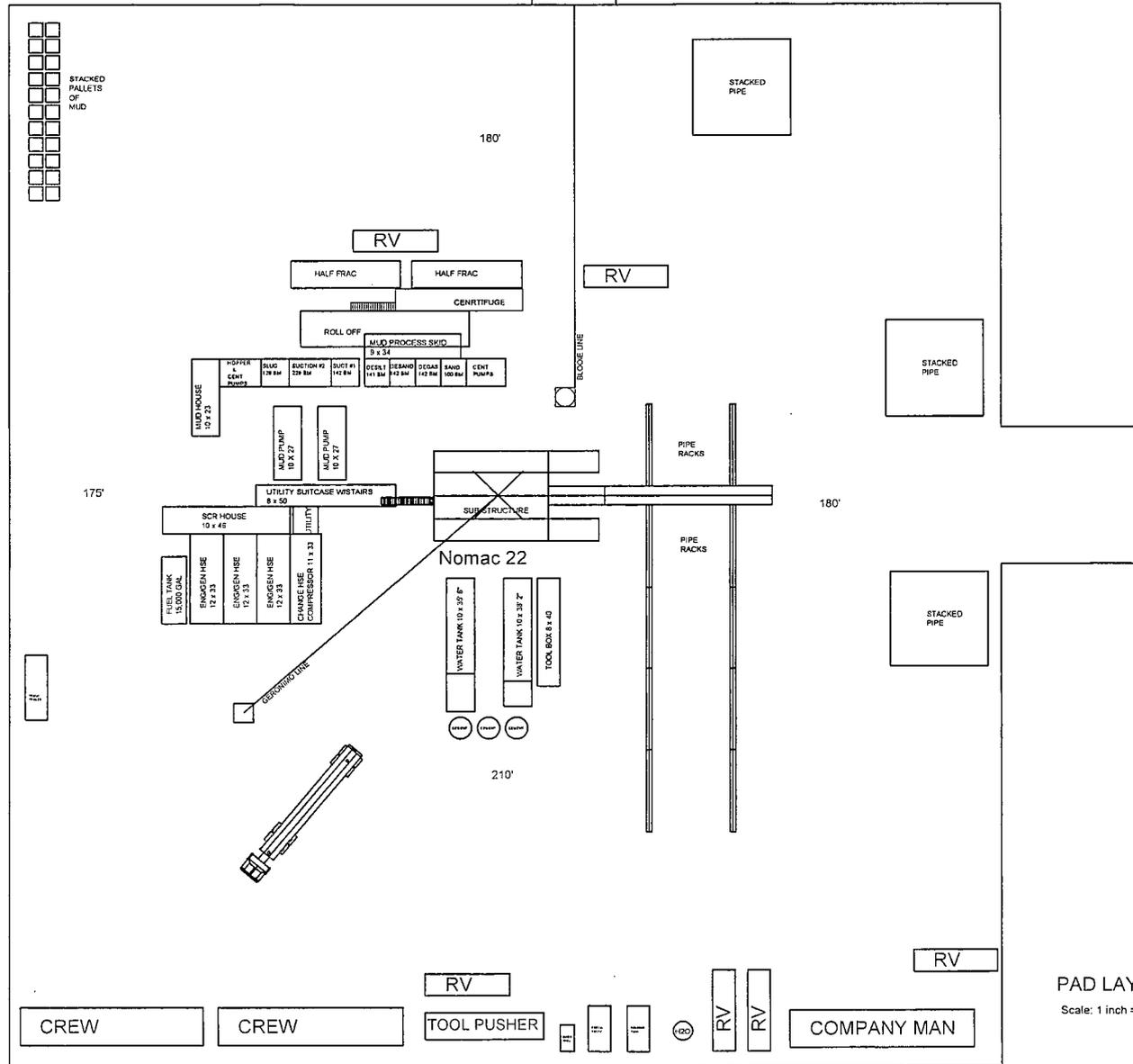
YATES PETROLEUM CORPORATION

Nomac 22

06-24-13

FLARE PIT

390.00



355.00

PAD LAYOUT
Scale: 1 inch = 60 feet

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

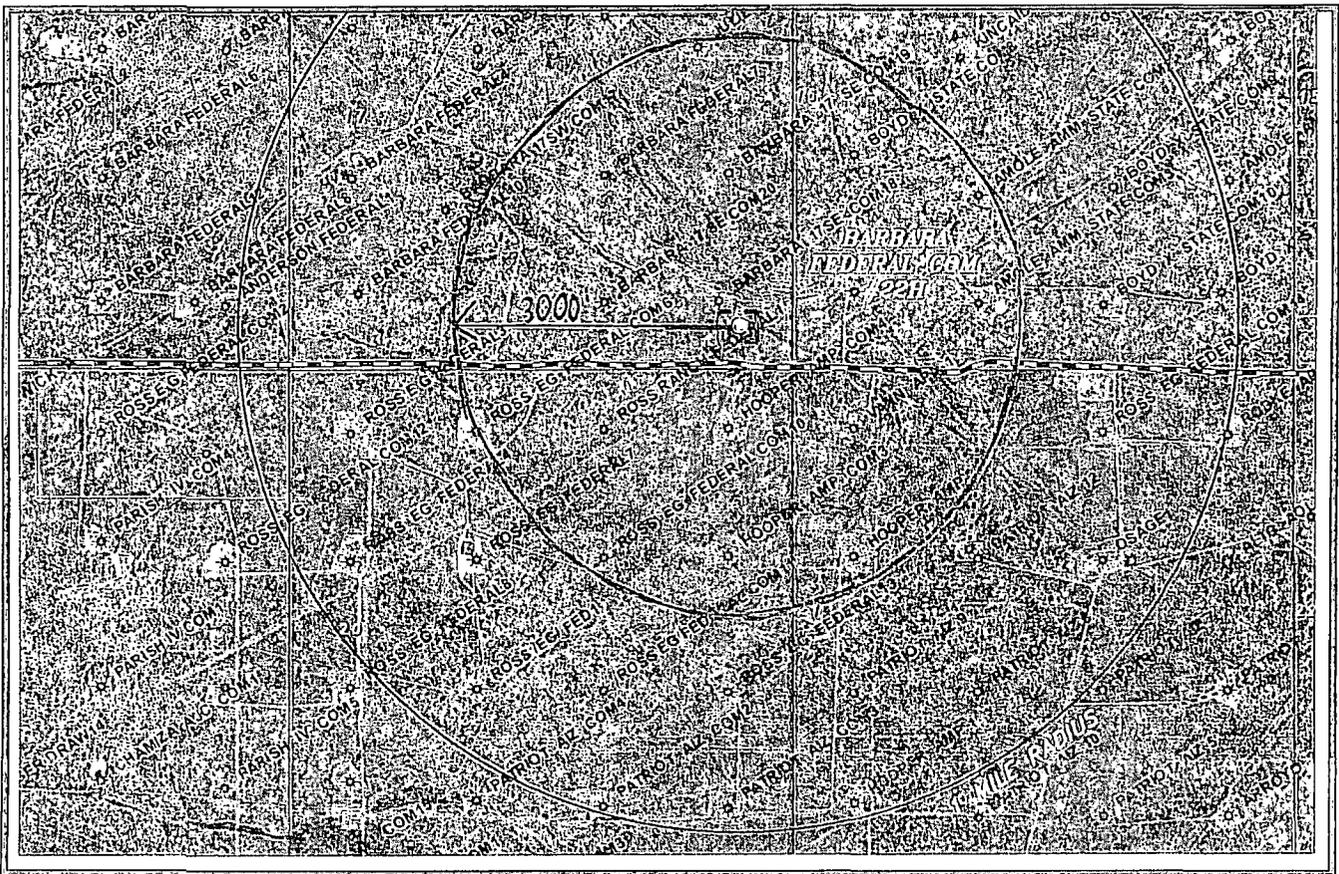
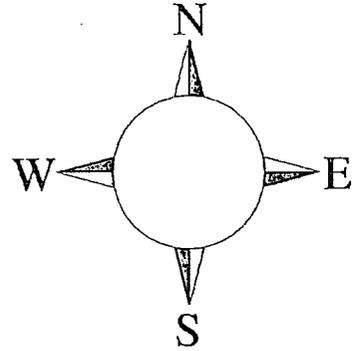
Hydrogen Sulfide (H₂S) Contingency Plan

For

Barbara Federal Com #22H
400' FSL & 520' FEL
Section 17, T19S-R25E
Eddy County, NM

Barbara Federal Com #22H

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S 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 H₂S, 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 H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S 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 (SO₂). 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 H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	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) 748-4236
LeeRoy Richards/Assistant Prod Superintendent	(575) 748-4228
Mike Larkin/Drilling	(575) 748-4222
Paul Hanes/Prod. Foreman/Roswell	(575) 624-2805
Tim Bussell/Drilling Superintendent	(575) 748-4221
Artesia Answering Service	(575) 748-4302
(During non-office hours)	

Agency Call List

Eddy County (575)

Artesia

State Police	746-2703
City Police.....	746-2703
Sheriff's Office	746-9888
Ambulance	911
Fire Department.....	746-2701
LEPC (Local Emergency Planning Committee)	746-2122
NMOCD.....	748-1283

Carlsbad

State Police	885-3137
City Police.....	885-2111
Sheriff's Office.....	887-7551
Ambulance	911
Fire Department.....	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544
New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	(505) 827-9126
New Mexico State Emergency Operations Center.....	(505) 476-9635
National Emergency Response Center (Washington, DC)	...(800) 424-8802

Other

Boots & Coots IWC	1-800-256-9688 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	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM	(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM	(505) 842-4949

Yates Petroleum Corporation

Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H₂S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H₂S on metal components. If high tensile tubular are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Plan and H₂S Contingency Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operation Plan and the H₂S Contingency Plan. **The location of this well does not require a Public Protection Plan.**

II. H2S SAFETY EQUIPMENT AND SYSTEMS

NOTE: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

1. Well Control Equipment:

- A. Flare line
- B. Choke manifold will have a remotely operated adjustable choke system.
- C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
- D. Auxiliary equipment may include if applicable: annular preventer & rotating head.
- E. Mud/Gas Separator.

2. Protective equipment for essential personnel:

- A. Mark II Survive Air (or equivalent) 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S detection and monitoring equipment:

- A. 3 portable H2S monitors positioned at: Shale Shaker, Bell Nipple, and Rig Floor. These units have warning lights and audible sirens when H2S levels of 10 PPM are reached.

4. Visual warning systems:

- A. Wind direction indicators as shown on well site diagram (attached).
- B. Caution/Danger signs (attached) shall be posted on roads providing direct access to location. Signs will be painted with high visibility yellow with black lettering of a sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud program:

- A. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

- A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
- B. All elastomers used for packing and seals shall be H2S trim.

7. Communication:

- A. Cellular communications in company vehicles.
- B. Land line (telephone) communication at the Office.

8. Well testing:

- A. There will be no drill stem testing.

EXHIBIT

DANGER

POISONS GAS

HYDROGEN SULFIDE

 **NORMAL OPERATIONS**
(GREEN)

CAUTION POTENTIAL DANGER

(YELLOW)

 **DANGER POISONS GAS ENCOUNTERED**
(RED) **AUTHORIZED PERSONAL ONLY.**

LOCATION SECURED.

1-575-746-1096

1-877-879-8899

EDDY COUNTY EMERGENCY NUMBERS

ARTESIA FIRE DEPT. 575-746-5050
ARTESIA POLICE DEPT. 575-746-5000
EDDY CO. SHERIFF DEPT. 575-746-9888

LEA COUNTY EMERGENCY NUMBERS

HOBBS FIRE DEPT. 575-397-9308
HOBBS POLICE DEPT. 575-397-9285
LEA CO. SHERIFF DEPT. 575-396-1196

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Barbara Federal Com 22H
400' FSL and 550' FEL - Surface Hole Location
400' FSL and 330' FWL - Bottom Hole Location
Section 17, T19S-R25E
Eddy County, New Mexico

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:

(See Exhibit) is a portion of the County map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 10 miles south of Artesia, New Mexico and the access route to the location is indicated on Exhibit. Operator will maintain existing roads in condition the same or better than before operations begin. Operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures along the entire access route such as cattle guards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. Operator will reasonably prevent and abate fugitive dust as needed when created by vehicular traffic and equipment caused by the operator. The BLM's written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

DIRECTIONS:

(See Exhibit) From Artesia, go South on highway 285 for approximately 10.5 miles. Turn right (West) onto CR 21 (Rocking R Red Road). Travel west on CR 21 4.2 Miles and turn Right (North) onto lease road. The road will enter the Boyd X State Com #13H and the Barbara Federal Com #21H location on the southwest corner of the pad.

2. PLANNED ACCESS ROAD.

- A. (See Exhibit) The proposed new access road will go for approximately 200 feet from the point of origin to the Southwest corner of well location. The road will lie in a north to south direction. The road will be crowned and ditched to a 2% slope from the tip of the crown to the edge of the driving surface.
- B. The road is already there, but repairs will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion. Ditches will be 3' wide with a 3:1 slopes.
- C. Existing roads will be maintained in the same or better condition.
- D. The route of road is visible.
- E. The proposed new lease road is represented in Exhibits.

3. LOCATION OF EXISTING WELL

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time.
- B. There will flowline from proposed location to the existing Amole 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 or through fast lines provided by said commercial source.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction of the well location.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be drilled with a closed loop system
- 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. Drilling fluids will be removed after drilling and completions are completed.
- 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. Attached exhibit shows the relative location and dimensions of the well pad, the closed loop mud system, location of the drilling equipment. All of the location will be constructed within the 600' x. 600' staked area.
- B. 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. The location will be reduced to a 250' x 250' after completion operations have been conducted. At this point the surfacing material will be removed and topsoil will be redistributed. The area will be contoured as closely as possible to its original state and reseeded. Please note attached Reclamation Plat.
- B. If the proposed well is plugged and abandoned, all equipment and other material 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. At this point the surfacing material will be

removed, topsoil will be redistributed. The area will be contoured as closely as possible to its original location and reseeded. These actions will be completed and accomplished as expeditiously as possible.

- C. The reclamation of the pad will be done in sixty days if possible after the well is put in production.

11. SURFACE OWNERSHIP:

Surface Estate: James H. & Betty Howell Revocable Trust
P. O. Box 75
Eddy County, NM 88254

Mineral Estate: Federal Lease NM-103602
Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp
LEASE NO.:	NM125008
WELL NAME & NO.:	22H-Barbara Federal Com
SURFACE HOLE FOOTAGE:	400'/S & 550'/E
BOTTOM HOLE FOOTAGE	400'/S & 330'/W
LOCATION:	Section 17, T. 19 S., R. 25 E., NMPM
COUNTY:	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**
 - Aplomado Falcon
 - Communitization Agreement
- Construction**
 - Notification
 - Topsoil
 - Closed Loop System
 - Federal Mineral Material Pits
 - Well Pads
 - Roads
- Road Section Diagram**
- Drilling**
 - Casing/Cement Requirements
 - H2S – Requirements
 - Logging Requirements
 - Medium Cave/Karst
 - Waste Material and Fluids
- Production (Post Drilling)**
 - Well Structures & Facilities
- Interim Reclamation**
- Final Abandonment & Reclamation**

I. GENERAL PROVISIONS

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

II. PERMIT EXPIRATION

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

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

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

IV. NOXIOUS WEEDS

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

V. SPECIAL REQUIREMENT(S)

Aplomado Falcon Stipulation

In order to minimize impacts to aplomado falcon, the following Conditions of Approval will apply:

- No yuccas or trees over 5 feet in height will be damaged, to protect nesting structures.
- All active raptor nests will be avoided by a minimum of 400 meters by all activities or curtail activities until fledging is complete. All inactive raptor nests will be avoided by a minimum of 200 meters by all activities.
- Well pad size will not exceed 300 ft. x 390 ft.
- All roads associated with well development will not exceed 30 ft in width
- Reserve pits for drilling and disposal are not allowed unless the pit can be effectively netted to the satisfaction of the BLM. Steel tank circulation system must be used if the reserve pit is not netted.
- All unused portions of the well pad associated with producing wells will be reclaimed following the abandoned well protocol below
- Final abandonment protocol: Remove all caliche from well pads and roads that are plugged and abandoned. Reclamation will consist of disking, mulching, seeding with a drill (See seed mixture below), and application of water to encourage seed germination.

Buffalograss (<i>Buchloe dactyloides</i>)	4 lbs/acre
Blue grama (<i>Bouteloua gracilis</i>)	1 lbs/acre
Cane bluestem (<i>Bothriochloa barbinodis</i>)	5 lbs/acre
Sideoats grama (<i>Bouteloua curtipendula</i>)	5 lbs/acre
Plains bristlegrass (<i>Setaria macrostachya</i>)	6 lbs/acre

Communitization Agreement

A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales. In addition, the well sign shall include the surface and bottom hole lease numbers. If the Communitization Agreement number is known, it shall also be on the sign. If not, it shall be placed on the sign when the sign is replaced.

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) 234-5909 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 strip the top portion of the soil (root zone) from the entire well pad area and stockpile the topsoil along the edge of the well pad as depicted in the APD. The root zone is typically six (6) inches in depth. All the stockpiled topsoil will be redistributed over the interim reclamation areas. Topsoil shall not be used for berming the pad or facilities. For final reclamation, the topsoil shall be spread over the entire pad area for seeding preparation.

Other subsoil (below six inches) stockpiles must be completely segregated from the topsoil stockpile. Large rocks or subsoil clods (not evident in the surrounding terrain) must be buried within the approved area 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. EXCLOSURE FENCING (CELLARS & PITS)

Exclosure Fencing

The operator will install and maintain exclosure fencing for all open well cellars to prevent access to public, livestock, and large forms of wildlife before and after drilling operations until the pit is free of fluids and the operator initiates backfilling. (For examples of exclosure fencing design, refer to BLM's Oil and Gas Gold Book, Exclosure Fence Illustrations, Figure 1, Page 18.)

G. 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-five (25) 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.

Turnouts

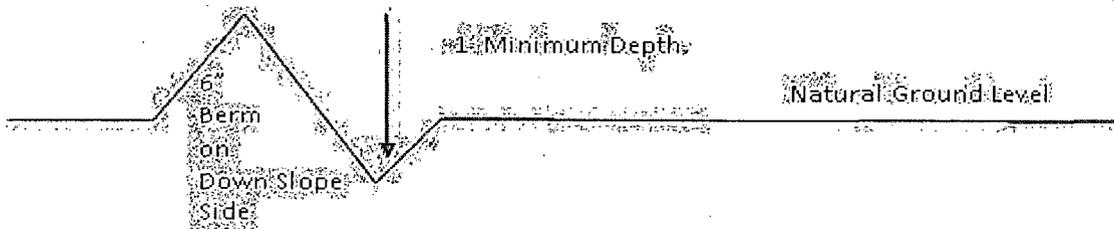
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

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:

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

Cattleguards

An appropriately sized cattleguard sufficient to carry out the project shall be installed and maintained at fence/road crossings. Any existing cattleguards on the access road route 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 cattleguards that are in place and are utilized during lease operations.

Fence Requirement

Where entry is granted 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 fences.

Public Access

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

- Construction Steps**
1. Salvage topsoil
 2. Construct road
 3. Redistribute topsoil
 4. Revegetate slopes

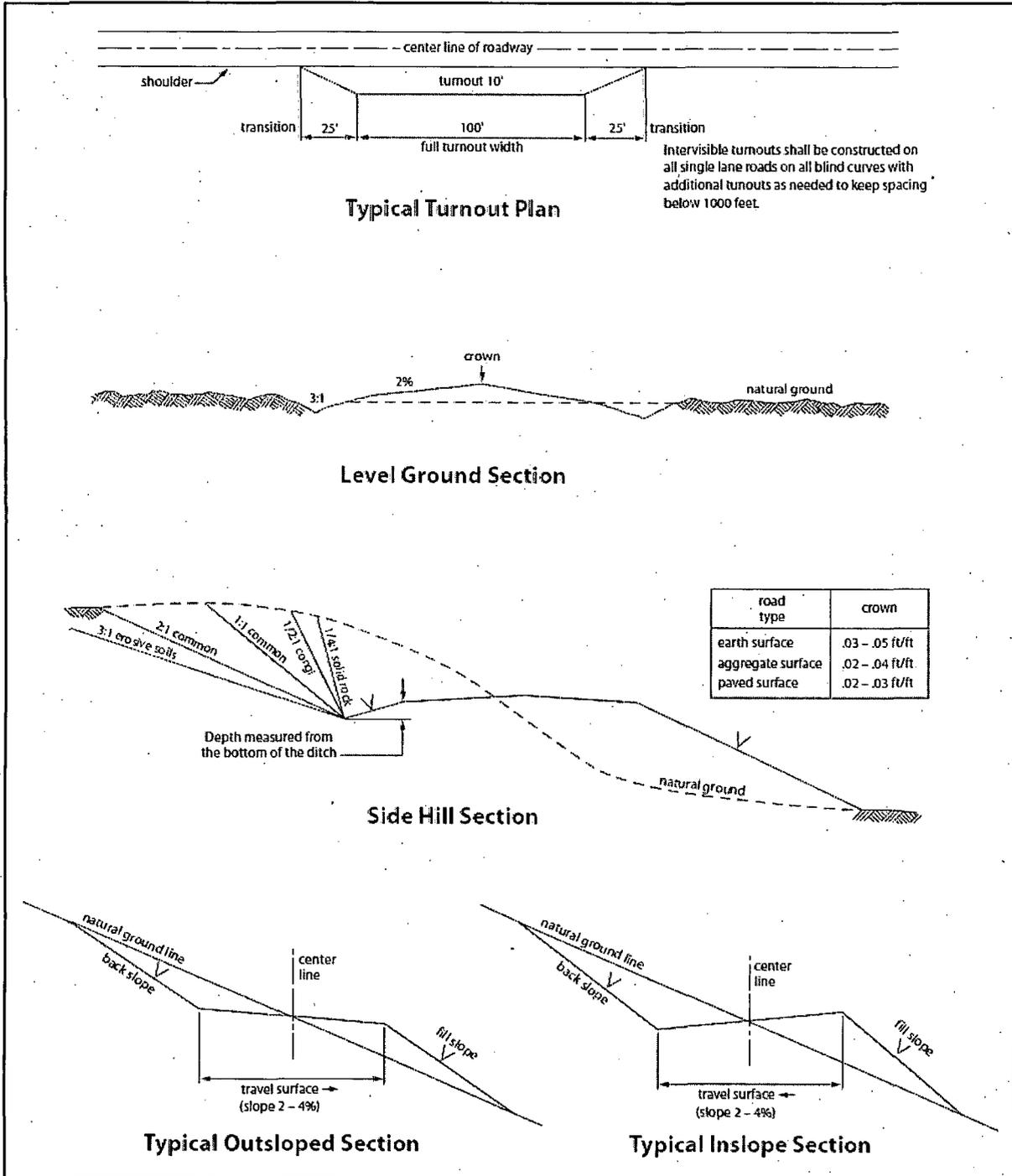


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

- a. Spudding well (minimum of 24 hours)
- b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
- c. BOPE tests (minimum of 4 hours)

Eddy County

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Hydrogen Sulfide has been reported as a hazard in formations deeper than the proposed depth. Operator has stated that they will have monitoring equipment in place prior to drilling out of the surface shoe. If Hydrogen Sulfide is encountered, report measurements and formations to the BLM; and Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items.**
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.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size or are Non-API. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

The initial wellhead installed on the well will remain on the well with spools used as needed.

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

Wait on cement (WOC) for Potash Areas:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi for all cement blends, 2) until cement has been in place at least 24 hours. WOC time will be recorded in the driller's log.

Wait on cement (WOC) for Water Basin:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least 8 hours. WOC time will be recorded in the driller's log. See individual casing strings for details regarding lead cement slurry requirements.

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. Have well specific cement details onsite prior to pumping the cement for each casing string.

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

Medium Cave/Karst

Possibility of water flows in the San Andres.

Possibility of lost circulation in the San Andres and Grayburg.

1. The 9-5/8 inch surface casing shall be set at approximately 800 feet and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with 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.

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

2. The minimum required fill of cement behind the 5-1/2 inch production casing is:

Cement to surface. If cement does not circulate, contact the appropriate BLM office.

3. 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.

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.

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

a. In a water basin, 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. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**.

- c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.
- d. The results of the test shall be reported to the appropriate BLM office.
- e. 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.**
- f. 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. This test shall be performed prior to the test at full stack pressure.

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.

EGF 050815

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.

Exclosure Netting (Open-top Tanks)

Immediately following active drilling or completion operations, the operator will take actions necessary to prevent wildlife and livestock access, including avian wildlife, to all open-topped tanks that contain or have the potential to contain salinity sufficient to cause harm to wildlife or livestock, hydrocarbons, or Resource Conservation and Recovery Act of 1976-exempt hazardous substances. At a minimum, the operator will net, screen, or cover open-topped tanks to exclude wildlife and livestock and prevent mortality. If the operator uses netting, the operator will cover and secure the open portion of the tank to prevent wildlife entry. The operator will net, screen, or cover the tanks until the operator removes the tanks from the location or the tanks no longer contain substances that could be harmful to wildlife or livestock. Use a maximum netting mesh size of 1 ½ inches. The netting must not be in contact with fluids and must not have holes or gaps.

Chemical and Fuel Secondary Containment and Exclosure Screening

The operator will prevent all hazardous, poisonous, flammable, and toxic substances from coming into contact with soil and water. At a minimum, the operator will install and maintain an impervious secondary containment system for any tank or barrel containing hazardous, poisonous, flammable, or toxic substances sufficient to contain the contents of the tank or barrel and any drips, leaks, and anticipated precipitation. The operator will dispose of fluids within the containment system that do not meet applicable state or U. S. Environmental Protection Agency livestock water standards in accordance with state law; the operator must not drain the fluids to the soil or ground. The operator will design, construct, and maintain all secondary containment systems to prevent wildlife and livestock exposure to harmful substances. At a minimum, the operator will install effective wildlife and livestock exclosure systems such as fencing, netting, expanded metal mesh, lids, and grate covers. Use a maximum netting mesh size of 1 ½ inches.

Open-Vent Exhaust Stack Exclosures

The operator will construct, modify, equip, and maintain all open-vent exhaust stacks on production equipment to prevent birds and bats from entering, and to discourage perching, roosting, and nesting. (*Recommended exclosure structures on open-vent exhaust stacks are in the shape of a cone.*) Production equipment includes, but may not be limited to, tanks, heater-treaters, separators, dehydrators, flare stacks, in-line units, and compressor mufflers.

Containment Structures

Proposed production facilities such as storage tanks and other vessels will have a secondary containment structure that is constructed to hold the capacity of 1.5 times the

largest tank, plus freeboard to account for precipitation, unless more stringent protective requirements are deemed necessary.

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** from the BLM Standard Environmental Color Chart (CC-001: June 2008).

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).

Aplomado Falcon Seed Mixture

Buffalograss (<i>Buchloe dactyloides</i>)	4 lbs/acre
Blue grama (<i>Bouteloua gracilis</i>)	1 lbs/acre
Cane bluestem (<i>Bothriochloa barbinodis</i>)	5 lbs/acre
Sideoats grama (<i>Bouteloua curtipendula</i>)	5 lbs/acre
Plains bristlegrass (<i>Setaria macrostachya</i>)	6 lbs/acre