

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

ARTESIA

RECEIVED

MAR 27 2006

ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

0

OMB No. 1004-0136

Expires November 30, 2000

5. Lease Serial No.

SHLNM-2346 BHL 111400

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

Robinson HW Federal Com. #2H

9. API Well No.

30-015-34728

10. Field and Pool, or Exploratory

Wolfcamp West

11. Sec., T., R., M., or Blk. and Survey or Area

Section 24, T16S-R24E

12. County or Parish

Eddy County

13. State

NM

1a. Type of Work: ☒ DRILL ☐ REENTER

b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator

Yates Petroleum Corporation

3A. Address 105 South Fourth Street

Artesia, New Mexico 88210

3b. Phone No. (include area code)

(505) 748-1471

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

At surface 660' FSL and 660' FWL Pilot Hole

At proposed prod. Zone 660' FNL and 660' FWL Bottom Hole

14. Distance in miles and direction from nearest town or post office*

Approximately 8 miles northwest of Artesia, New Mexico.

15. Distance from proposed*

location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)

660'

16. No. of Acres in lease

480

17. Spacing Unit dedicated to this well

W/2

18. Distance from proposed location*

to nearest well, drilling, completed, applied for, on this lease, ft.

1320'

19. Proposed Depth

5000'

20. BLM/BIA Bond No. on file

NM-2811

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3589' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

24. Attachments

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

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office.

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the authorized office.

25. Signature

Name (Printed/Typed)

Date

Cy Cowan

12/1/2005

Regulatory Agent

Regulatory Agent

Approved by (Signature)

/S/ Russell E. Sorensen

Name (Printed/Typed)

/S/ Russell E. Sorensen

Date

MAR 22 2006

Title

ACTING FIELD MANAGER

Office

CARLSBAD FIELD OFFICE

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

Conditions of approval, if any, are attached.

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.

*(Instructions on reverse)

C-144 attached

Roswell Controlled Water Basin

WITNESS : 13³/₈" CMT 056

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Department

Fee Lease - 3 Copies

Santa Fe, New Mexico 87504-2088

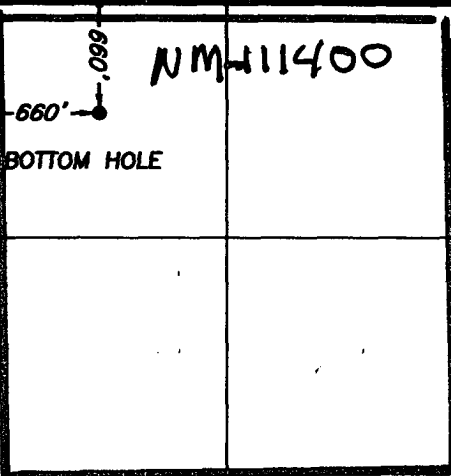
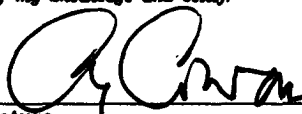
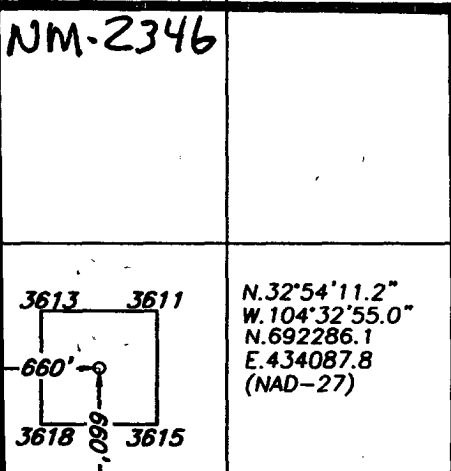
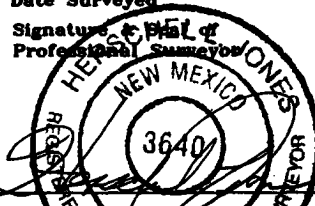
☐ AMENDED REPORT

API Number		Pool Code	Pool Name
		75260	Cottonwood Creek, Wolfcamp, West
Property Code	Property Name		Well Number
	ROBINSON "HW" FEDERAL COM.		2H
OGRID No.	Operator Name		Elevation
025575	YATES PETROLEUM CORPORATION		3614

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	24	16S	24E		660	SOUTH	660	WEST	EDDY

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	24	16S	24E		660	NORTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

 <p style="text-align: center; font-size: 24pt; font-weight: bold;">NM-11400</p> <p>660' —●— .099</p> <p>BOTTOM HOLE</p>		<p style="text-align: center; font-weight: bold;">OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: right; font-size: 24pt;"></p> <p>Signature _____</p> <p style="text-align: right;">Cy Cowan</p> <hr/> <p>Printed Name _____</p> <p style="text-align: right;">Regulatory Agent</p> <hr/> <p>Title _____</p> <p style="text-align: right;">January 24, 2005</p> <hr/> <p>Date _____</p>
 <p style="text-align: center; font-size: 24pt; font-weight: bold;">NM-2346</p> <p>660' —●— .099</p> <p>3613 3611</p> <p>3618 3615</p> <p style="margin-left: 150px;"> N. 32°54'11.2" W. 104°32'55.0" N. 692286.1 E. 434087.8 (NAD-27) </p>		<p style="text-align: center; font-weight: bold;">SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p style="text-align: right;">10/04/2005</p> <hr/> <p>Date Surveyed _____</p> <p>Signature & Seal of Professional Surveyor _____</p> <div style="text-align: center;">  </div> <hr/> <p>Certificate No. Herschel LeJones RLS 3640</p> <p style="text-align: center; font-size: 10pt;">ROBINSON 2ND EDITION GENERAL SURVEYING COMPANY</p>

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0

1000 N. Hobbs Dr., Hobbs, NM 88240
1000 N. Grand Avenue, Artesia, NM 88210
1000 N. Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

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OCU-ARTESIA

Operator: YATES PETROLEUM CORPORATION Telephone: (505) 748-1471

e-mail address: _____

Address: 105 South Fourth Street, Artesia, NM 88210

Facility or well name: Robinson HW Federal Com. 2H API #: _____ U/L or Qtr/Qtr SW/SW Sec 24 T 16S R 24E

County: Eddy Latitude N.32° 54' 11.2" Longitude W.104° 32' 55.0" NAD: 1927 X 1983 ☐ Surface Owner Federal X State Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined X Unlined ☐

Liner type: Synthetic X Thickness 12 mil Clay ☐ Volume 20,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

0

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

20

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

10

Ranking Score (Total Points)

0

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____

(3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit X or an (attached) alternative OCD-approved plan ☐.

Date: 12/1/05

Printed Name/Title: Cy Cowan, Regulatory Agent

Signature: _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: MAR 28 2006

Printed Name/Title: _____

Signature: _____

YATES PETROLEUM CORPORATION
Robinson HW Federal Com. #2H
660' FSL and 660' FWL (Pilot Hole)
660' FNL and 660' FWL (Bottom Hole)
Section 24, T16S-R24E
Eddy County, New Mexico

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

San Andres	490'	Abo	3730'
Glorietta	2240'	Wolfcamp	4170'
Upper Yeso	2340'	Wolfcamp Shale	4790'
Tubb	3060'	TD (Pilot Hole)	5000'
Lower Yeso	3170'	TD (Lateral)	8600'

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

Water: 128'
Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors 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.

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.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Thread</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-1100'	1100'
8 3/4"	Open Hole	----	----	----	0-5000' TVD	5000'
* 8 3/4"	7"	23# +26#	J-55	ST&C	0-4830' MD	4830'
7 7/8"	5 1/2"	17#	HP-110	LT&C	0-8600' MD	8600'

* 7" will only be set if hole conditions dictate.

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to ~~500#~~ ^{1800 #} using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

B. CEMENTING PROGRAM:

Surface Casing: 250 sx Lite "C" (YLD 2.1 WT 12.6) tail in w/ 200 sx "C" w/ 2% CaCl₂ (YLD 1.32 WT 14.8).

Intermediate Casing: 325 sx Lite "C" (YLD 2.10 WT 12.6) Tail in w/200 sx Class "C" +2% CaCl₂ (YLD 1.32 WT 14.8).

Production Casing: TOC 600', Lead w/ 775 sx Lite "C" (YLD 2.05 WT 12.5)
Tail in w/ 1220 sx Magne Plus (YLD 1.05 WT 13.0).

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 350'	FW/Spud Mud	8.4-8.9	32-36	N/C
350'-1100'	F/WGel/Air Mist	8.4-8.9	28-34	N/C
1100'-8600'	Cut Brine	8.8-9.2	28	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' out from under intermediate casing to TD.

Logging: Platform Express/HALS/FMI.

Coring: Rotary Sidewall Cores.

DST's: Non anticipated.

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

Anticipated BHP:

From: 0 TO 350' TVD	Anticipated Max. BHP: 162	PSI
From: 350' TO 1100'	Anticipated Max. BHP: 510	PSI
From: 1100' TO 5000' TVD	Anticipated Max. BHP: 2950	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 168° F

8. ANTICIPATED STARTING DATE:

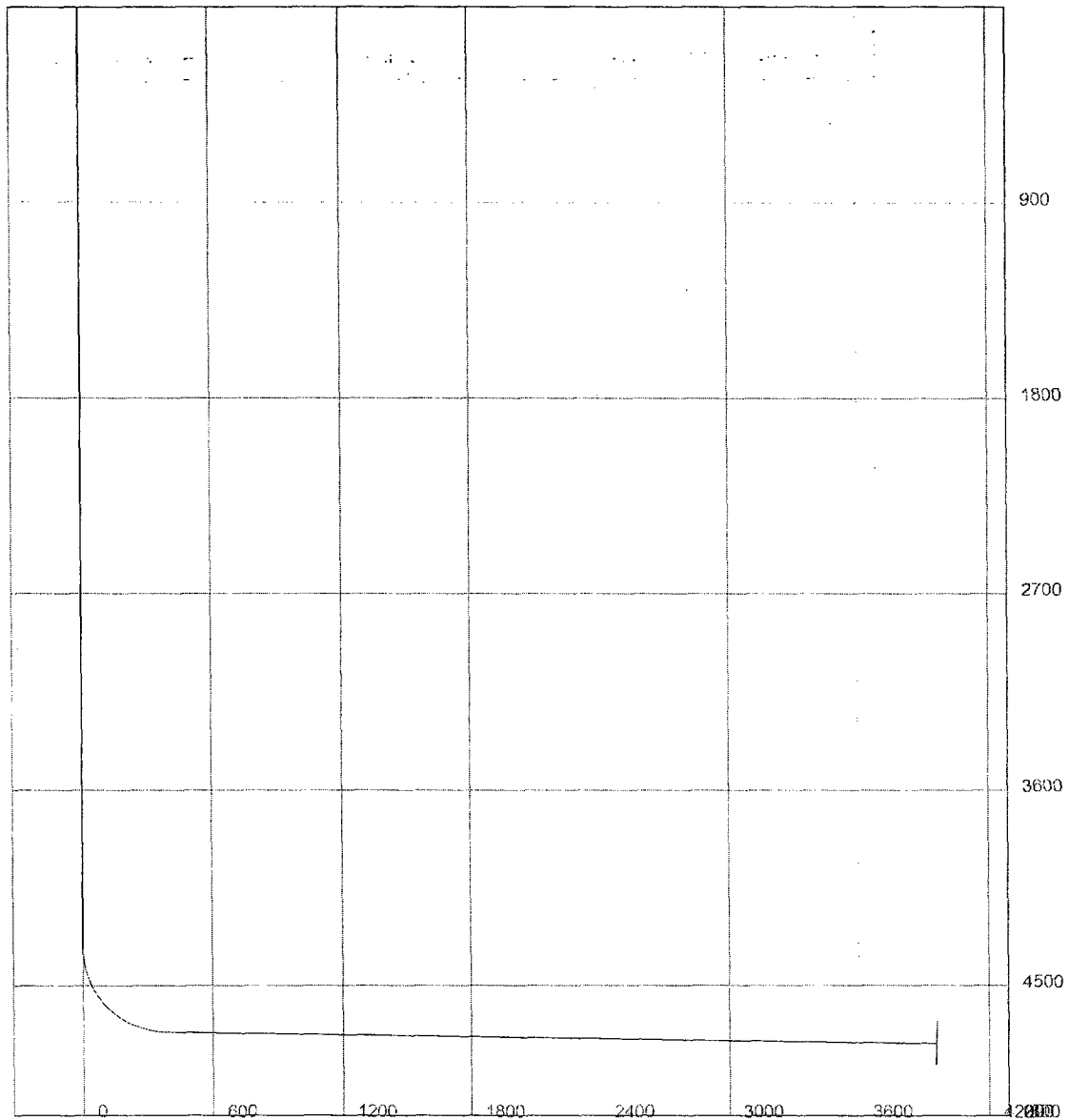
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	4330.00	0.00	0.00	4330.00	0.00	0.00	15.00	0	GN
3	4350.00	3.00	0.00	4349.99	0.52	0.00	15.00	0	HS
4	4375.00	6.75	0.00	4374.90	2.65	0.00	15.00	0	HS
5	4400.00	10.50	0.00	4399.61	6.40	0.00	15.00	0	HS
6	4425.00	14.25	0.00	4424.02	11.75	0.00	15.00	0	HS
7	4450.00	18.00	0.00	4448.04	18.69	0.00	15.00	0	HS
8	4475.00	21.75	0.00	4471.54	27.19	0.00	15.00	0	HS
9	4500.00	25.50	0.00	4494.44	37.21	0.00	15.00	0	HS
10	4525.00	29.25	0.00	4516.64	48.70	0.00	15.00	0	HS
11	4550.00	33.00	0.00	4538.04	61.62	0.00	15.00	0	HS
12	4575.00	36.75	0.00	4558.54	75.92	0.00	15.00	0	HS
13	4600.00	40.50	0.00	4578.07	91.52	0.00	15.00	0	HS
14	4625.00	44.25	0.00	4596.54	108.36	0.00	15.00	0	HS
15	4650.00	48.00	0.00	4613.86	126.38	0.00	15.00	0	HS
16	4675.00	51.75	0.00	4629.97	145.50	0.00	15.00	0	HS
17	4700.00	55.50	0.00	4644.79	165.62	0.00	15.00	0	HS
18	4725.00	59.25	0.00	4658.27	186.67	0.00	15.00	0	HS
19	4750.00	63.00	0.00	4670.34	208.56	0.00	15.00	0	HS
20	4775.00	66.75	0.00	4680.95	231.19	0.00	15.00	0	HS
21	4800.00	70.50	0.00	4690.06	254.47	0.00	15.00	0	HS
22	4825.00	74.25	0.00	4697.63	278.29	0.00	15.00	0	HS
23	4850.00	78.00	0.00	4703.63	302.56	0.00	15.00	0	HS
24	4875.00	81.75	0.00	4708.02	327.16	0.00	15.00	0	HS
25	4900.00	85.50	0.00	4710.79	352.00	0.00	15.00	0	HS
26	4924.35	89.15	0.00	4711.93	376.32	0.00	15.00	0	HS
27	8508.42	89.15	0.00	4765.00	3960.00	0.00	0.00		

3D³ Directional Drilling Planner - 3D View

Company: Technical Toolboxes Inc.

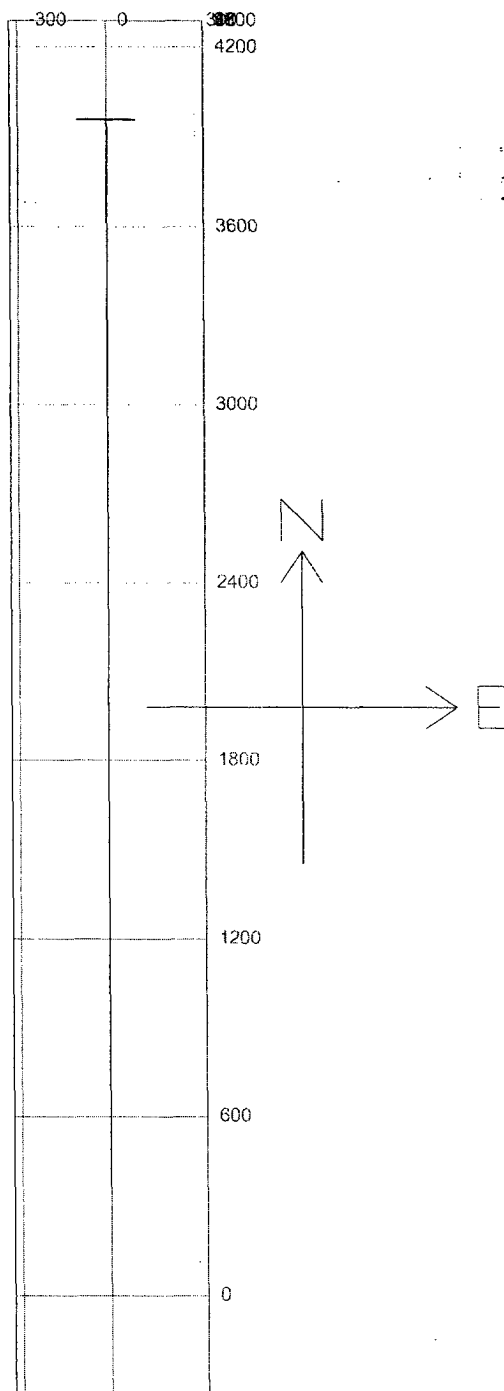
Well: Robinson HW Fed. Com. #2H



3D³ Directional Drilling Planner - 3D View

Company: Technical Toolboxes Inc.

Well: Robinson HW Fed. Com. #2H



MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation
Robinson HW Federal Com. #2H
660' FSL and 660' FWL (Pilot Hole)
660' FNL and 660' FWL (BHL)
Section 24, T16S-R24E
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:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 8 miles northwest of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go west of Artesia on Highway 82 for approximately 10 miles to Joy Road. Turn right on Joy Road and go approximately 3.9 miles. Turn right here and on an existing lease road for approx. 1.5 miles to the start of a two track road. Follow the two track road east for .2 of a mile to a fence with a wire gate. Go through gate and immediately cross a pipeline. Turn left here on east side of the pipeline. The new road will start here going north for approx. .2 of a mile. Turn right here and go approx. .1 of a mile to the southwest corner of the proposed location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately .3 of a mile in length from the point of origin being the southwest corner of the well location. The road will lie in a north then easterly direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts may be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

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 A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, New Mexico.

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.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:

Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

12/1/05


Regulatory Agent

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: NM-111400

Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM 2811

NW/4

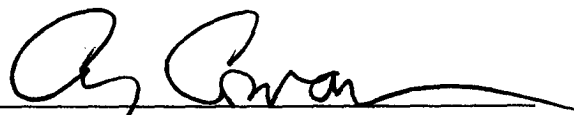
Section 24, T16S-R24E

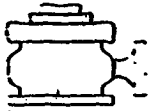
Eddy County, New Mexico

Formation (s) – (if applicable):

Date: November 30, 2005

YATES PETROLEUM CORPORATION


Cy Cowan, Regulatory Agent

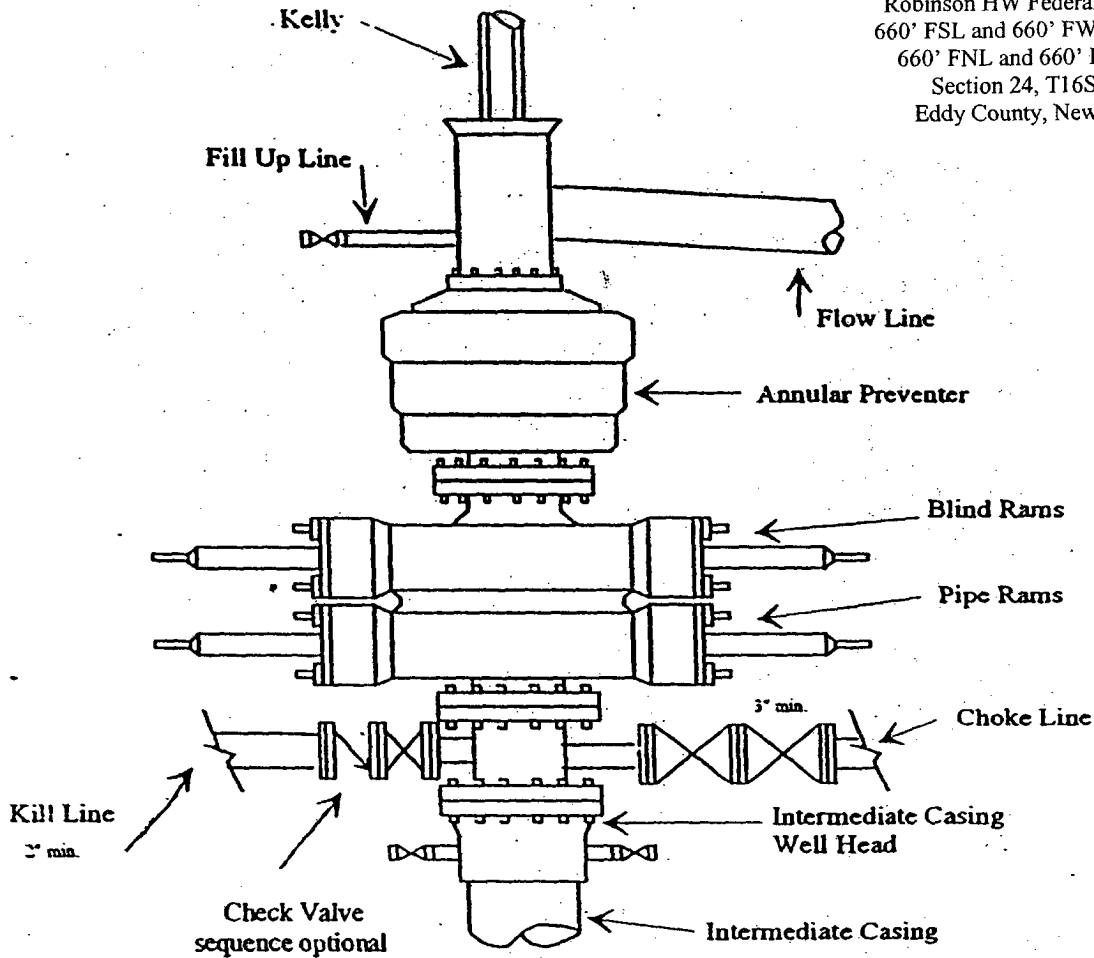


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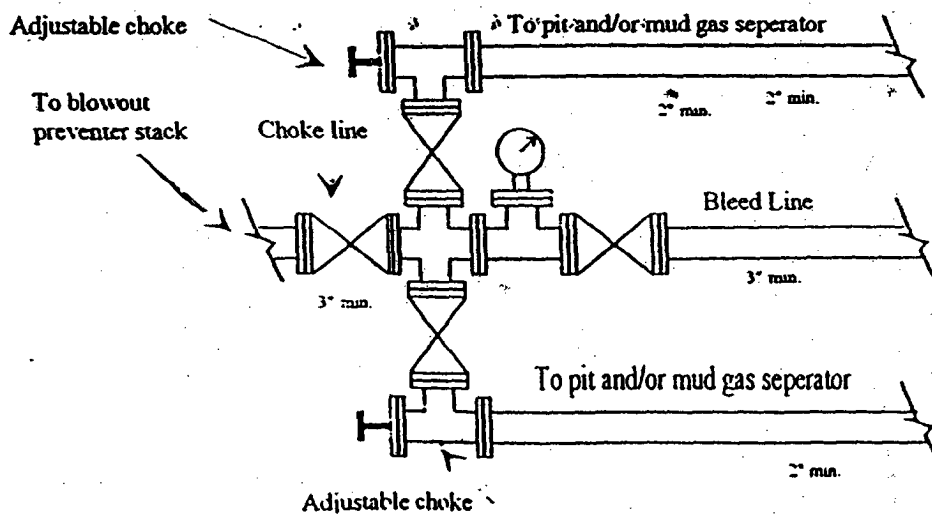
BOP-3

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

Yates Petroleum Corporation
Robinson HW Federal Com. #2H
660' FSL and 660' FWL Pilot Hole
660' FNL and 660' FWL BHL
Section 24, T16S-R24E
Eddy County, New Mexico



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



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: YATES PETROLEUM CORPORATION
Well Name & No. 2H – ROBINSON HW FEDERAL COM
Location: 660' FSL & 660' FWL – SEC 24 – T16S – R24E – EDDY COUNTY (SHL)
660' FNL & 660' FWL – SEC 24 – T16S – R24E – EDDY COUNTY (BHL)
Lease: NM-2346 111 400 (B)

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 5-1/2 inch (Note: 7" casing will be set @ approximately 4830 feet prior to running the 5-1/2" production lateral should hole conditions dictate.)

C. BOP tests

2. No H2S gas has been encountered in Sec 24 – T16S – R24E.

3 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.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. 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.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at 350 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is circulate cement to the surface.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 9-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch casing shall be 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- A variance to test the BOP and surface casing to the reduced pressure of 1000 psi with the rig pumps is approved.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.
- BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.