ATS - 15-371

Form 3160-3
(March 2012)

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-113939 BHL SHL NMNM 113938

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

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

1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No. Gutsy BUN Federal Com. #4H 317147

2. Name of Operator ~~YATES PETROLEUM CORPORATION~~ EOG Y Resources, INC

9. API Well No. 30-015-43975

3a. Address 105 South Fourth Street, Artesia, NM 88210

3b. Phone No. *(include area code)* 575-748-4372

10. Field and Pool, or Exploratory ~~Undesignated~~ Bone Spring 97818

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

At surface 200' FNL and 660' FEL Section 4, T26S-R26E

At proposed prod. zone 330' FNL and 660' FEL Section 9, T26S-R26E

11. Sec., T. R. M. or Blk. and Survey or Area Section 4, T26S-R26E

NORTHODOX LOCATION

14. Distance in miles and direction from nearest town or post office* Approximately 17 miles southwest of Malaga, New Mexico

12. County or Parish Eddy

13. State NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
200	1280	E/2E/2 Section 4, T26S-R26E and the E/2E/2 Section 9, T26S-R26E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
3800'	7265' TVD and 17343' MD	Nation Wide Bond 000434 Individual Bond NMB 000920
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23. Estimated duration**
3436' GL	05/31/2017	60 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:

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 must 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 BLM.

25. Signature	Name *(Printed/Typed)*	Date
Cy Cowan	Cy Cowan	08/09/2016

Title

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/Cody Layton		DEC 0 3 2016
Title 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. 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)

Carlsbad Controlled Water Basin

NM OIL CONSERVATION
ARTESIA DISTRICT
DEC 12 2016
RECEIVED

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 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) 334-6178 Fax: (505) 334-6170
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102
Revised August 4, 2011

Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-43975	97818	~~Undesignated~~ Bone Spring

Property Code	Property Name	Well Number
317147	GUTSY BUN FEDERAL COM	4H

OGRID No.	Operator Name	Elevation
025575	EOG Y ~~YATES PETROLEUM CORPORATION~~ Resources, Inc	3436

Surface Location

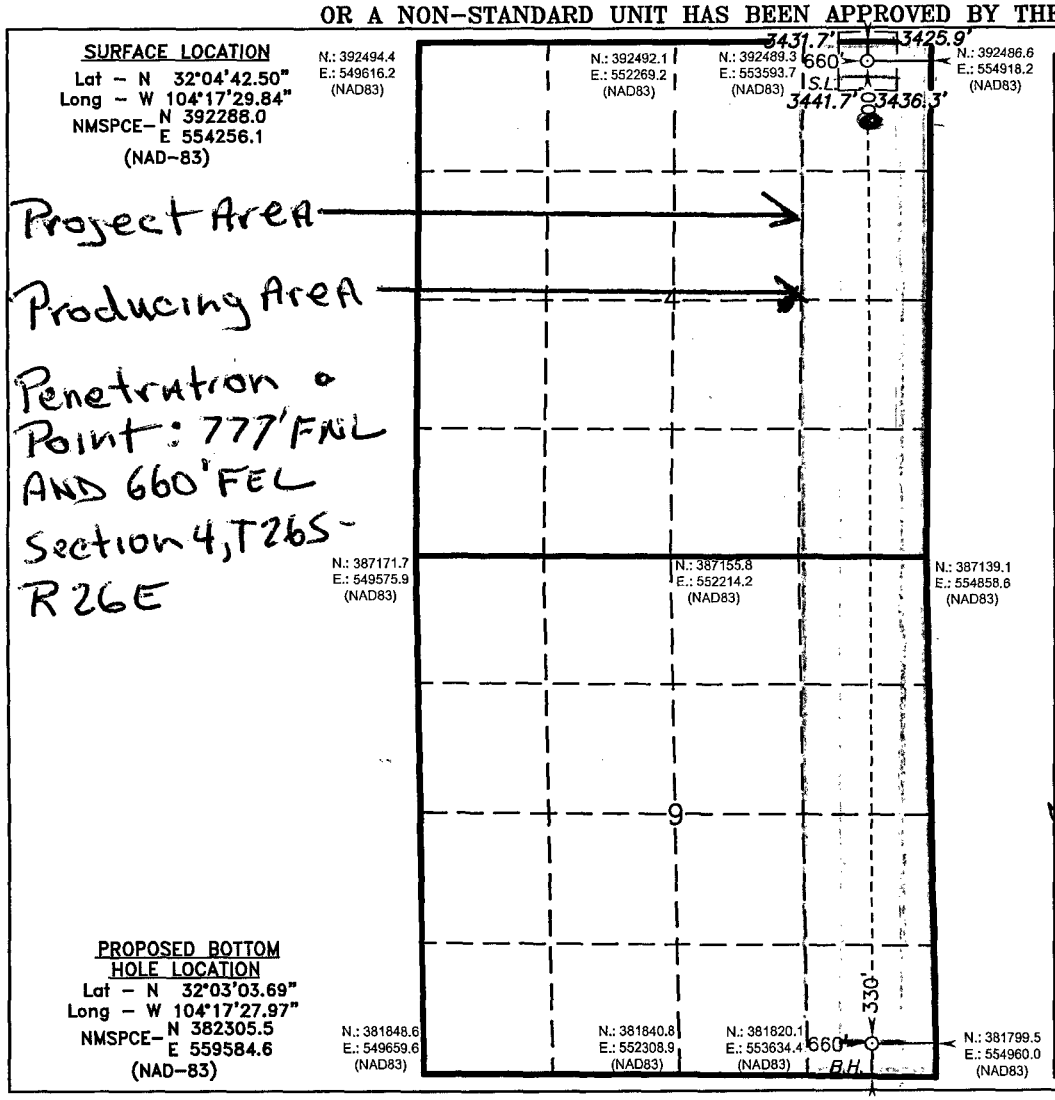
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	SOUTH/South line	Feet from the	East/West line	County
A	4	26 S	26 E		200	NORTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	SOUTH/South line	Feet from the	East/West line	County
P	9	26 S	26 E		330	SOUTH	660	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unLEAsed mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Cy Cowan 8/9/16
Signature Date

Cy Cowan
Printed Name

Email Address

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my belief.

SEPTEMBER 08, 2014
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
REGISTERED PROFESSIONAL LAND SURVEYOR
7977

Certificate Number Gary L. Jones 7977
BASIN SURVEYS

0' 1000' 2000' 3000' 4000' N
SCALE: 1" = 2000'
WO Num.: 30632

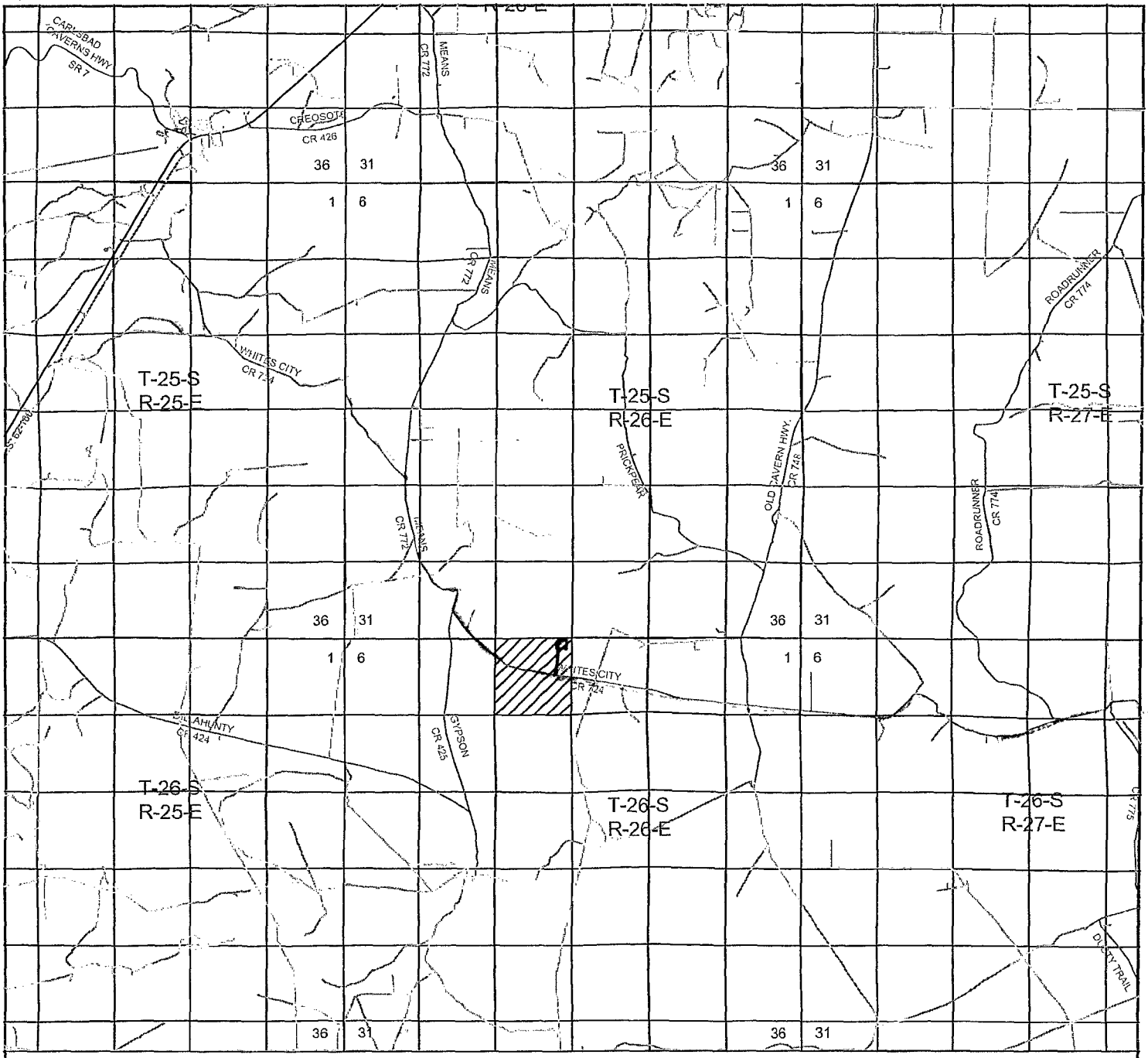


Exhibit A

GUTSY BUN FEDERAL COM #4H
Located 200' FNL and 660' FEL
Section 4, Township 26 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Basin Surveys
focused on excellence in the oilfield

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

0 1 MI 2 MI 3 MI 4 MI

SCALE: 1" = 2 MILES

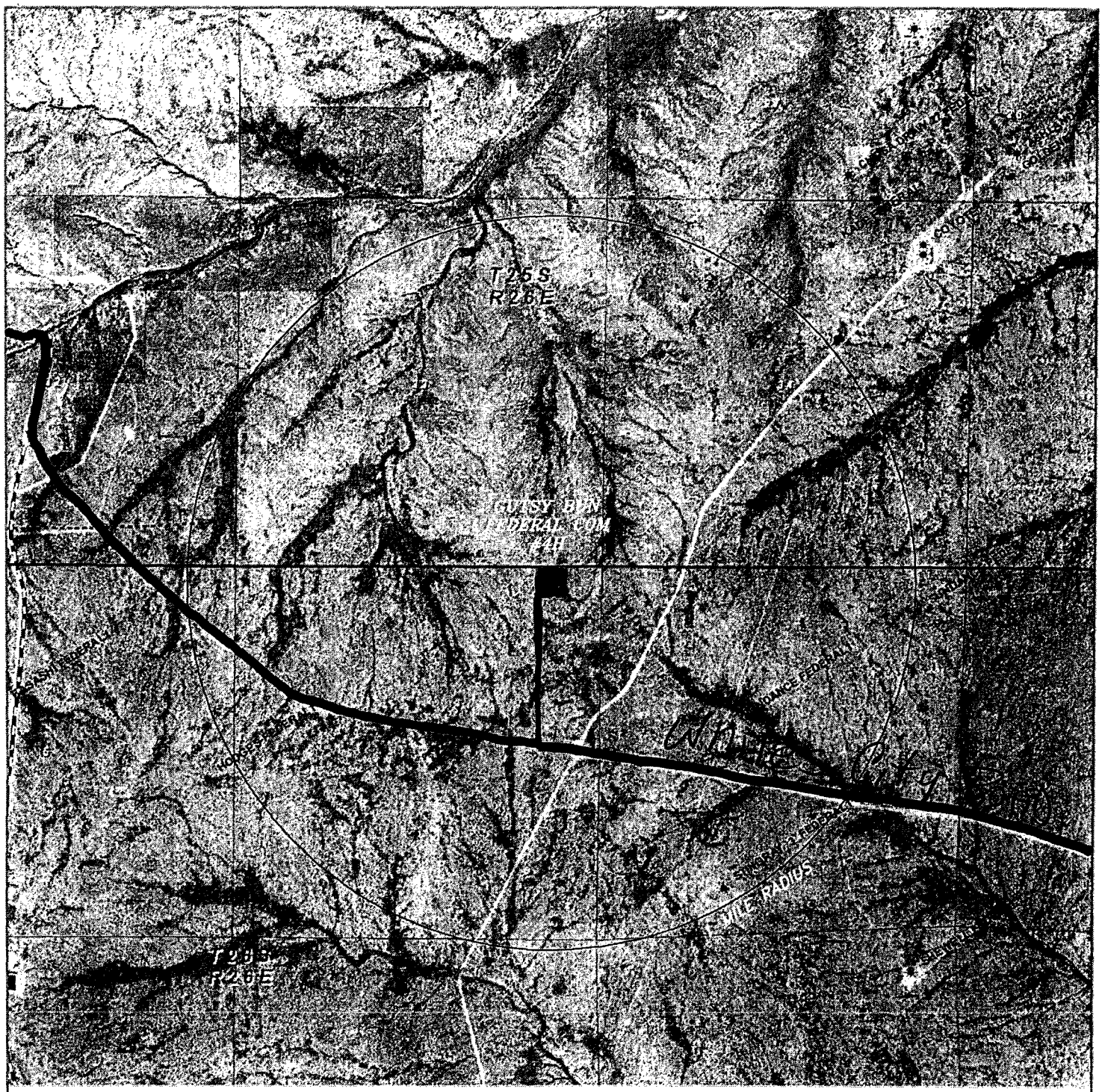
W.O. Number: KAN 30632

Survey Date: 09-09-2014

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

N

YATES PETROLEUM CORPORATION



GUTSY BUN FEDERAL COM #4H Exhibit A'
Located 200' FNL and 660' FEL
Section 4, Township 26 South, Range 26 East,
N.M.P.M., Eddy County, New Mexico.

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(575) 392-2206 - Fax
basinsurveys.com

0' 1000' 2000' 3000' 150'0'
SCALE: 1" = 2000'

W.O. Number: KAN 30632

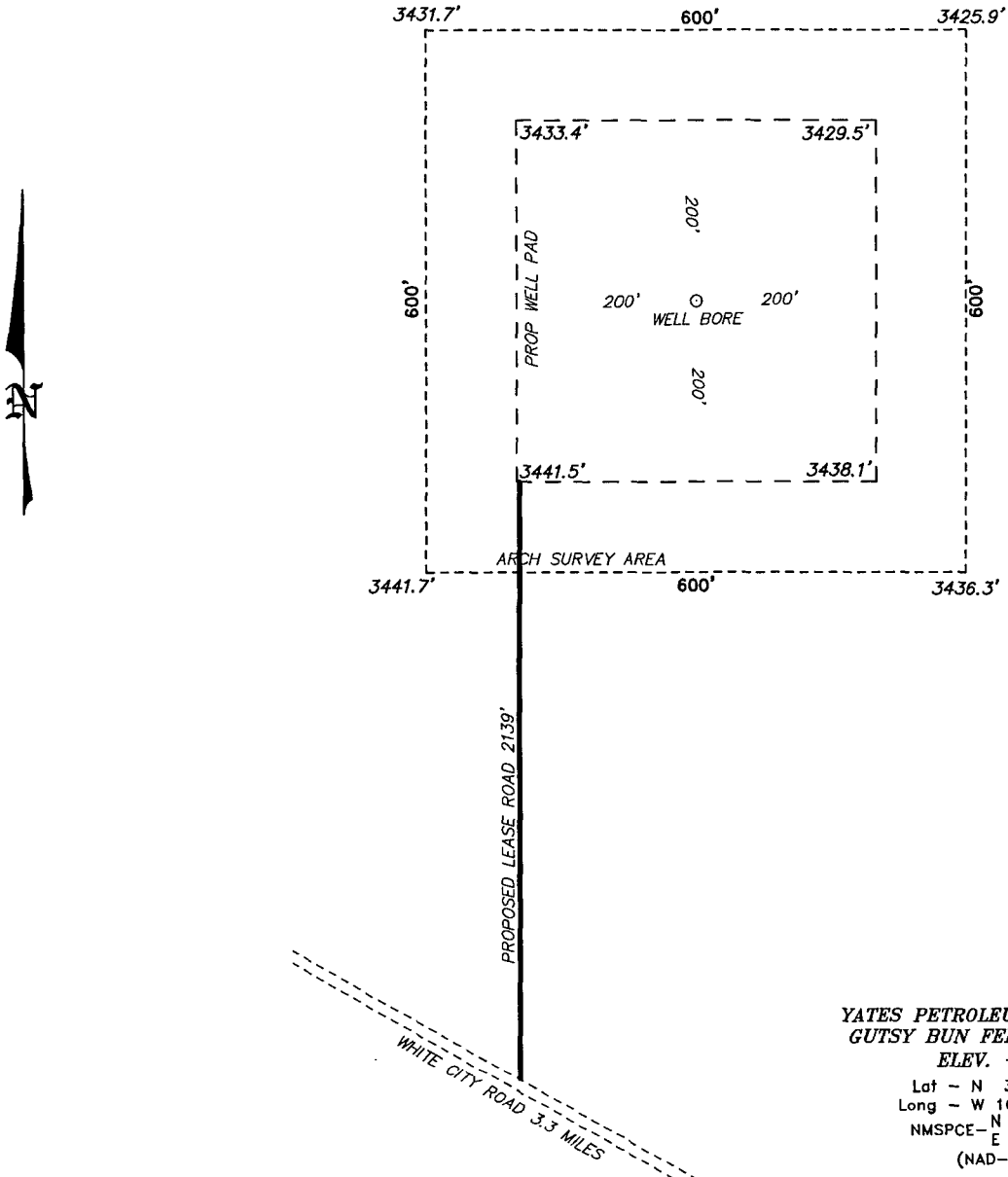
Survey Date: 09-09-2014

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

N

YATES PETROLEUM CORPORATION

SECTION 4, TOWNSHIP 26 SOUTH, RANGE 26 EAST. N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



YATES PETROLEUM CORPORATION
GUTSY BUN FEDERAL COM #4H
ELEV. - 3436'
Lat - N 32°04'42.50"
Long - W 104°17'29.84"
NMSPCE- N 392288.0
E 554256.1
(NAD-83)

Exhibit B

LOVING, NM IS ±16 MILES TO THE NORTHEAST OF LOCATION.

200 0 200 400 FEET

SCALE: 1" = 200'

Directions to Location:

FROM JUNCTION OF WHITE CITY ROAD AND OLD CAVERN HWY, GO NORTHWEST 3.3 MILES, TURN RIGHT ON TO PROPOSED LEASE ROAD.

YATES PETROLEUM CORPORATION

REF: GUTSY BUN FEDERAL COM #4H / WELL PAD TOPO

THE GUTSY BUN FEDERAL COM #4H LOCATED 200' FROM THE NORTH LINE AND 660' FROM THE EAST LINE OF SECTION 4, TOWNSHIP 26 SOUTH, RANGE 26 EAST. N.M.P.M., EDDY COUNTY, NEW MEXICO.

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focused on excellence in the oilfield
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1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number: 30632	Drawn By: K. NORRIS	Date: 09-24-2014	Survey Date: 09-09-2014	Sheet 1 of 1 Sheets

SECTION 4, TOWNSHIP 26 SOUTH, RANGE 26 EAST. N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

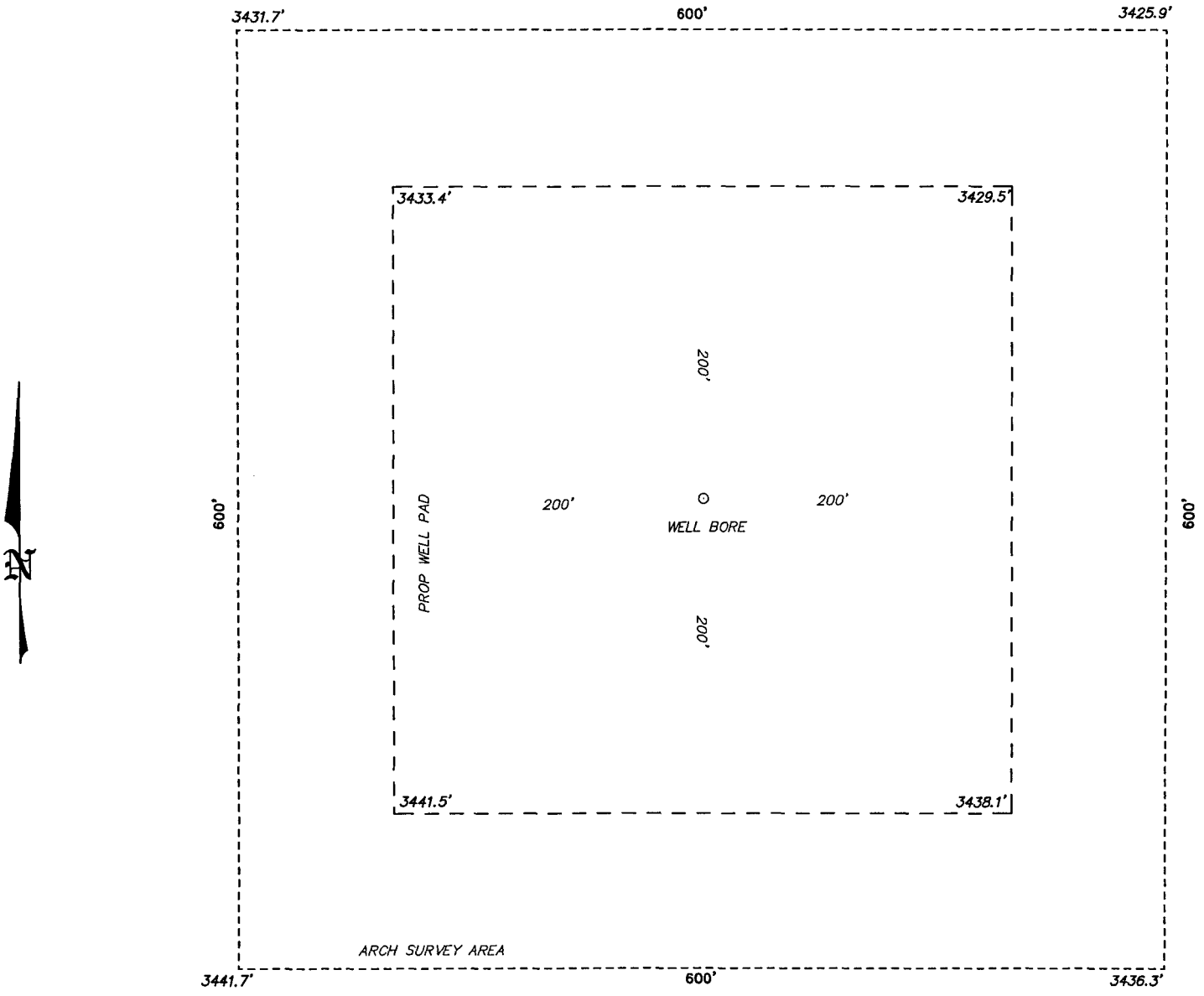

Exhibit C

100 0 100 200 FEET

SCALE: 1" = 150'

YATES PETROLEUM CORPORATION

REF: GUTSY BUN FEDERAL COM #4H / WELL PAD TOPO

THE GUTSY BUN FEDERAL COM #4H LOCATED 200' FROM THE NORTH LINE AND 660' FROM THE EAST LINE OF SECTION 4, TOWNSHIP 26 SOUTH, RANGE 26 EAST. N.M.P.M., EDDY COUNTY, NEW MEXICO.

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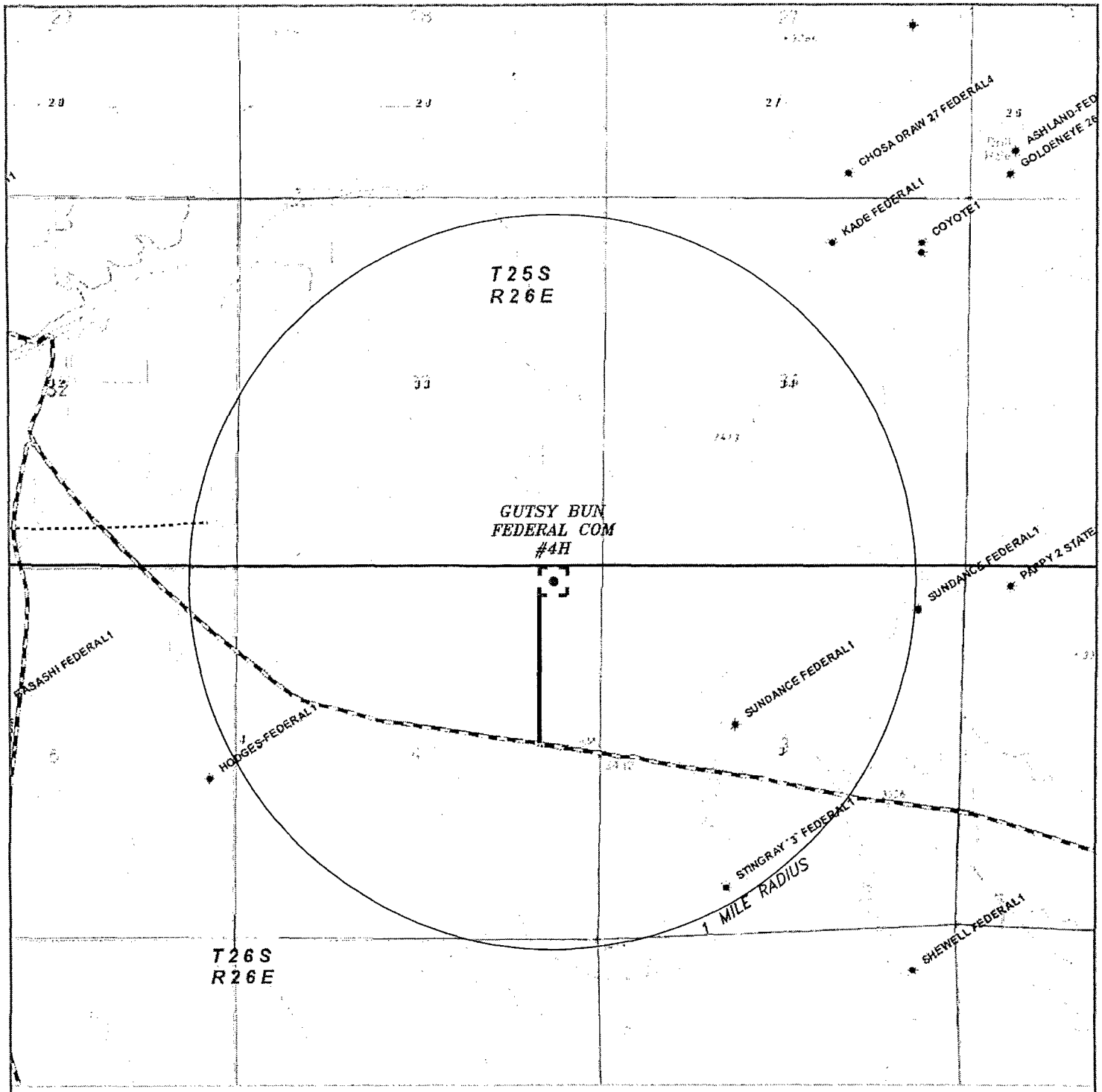
W.O. Number: 30632	Drawn By: K. NORRIS	Date: 09-24-2014	Survey Date: 09-09-2014	Sheet 1 of 1 Sheets



1 Mile Radius GUTSY BUN FEDERAL COM #4H Exhibit D

Located 200' FNL and 660' FEL

Section 4, Township 26 South, Range 26 East,

N.M.P.M., Eddy County, New Mexico.

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Hobbs, New Mexico 88241
(575) 393-7316 – Office
(575) 392-2206 – Fax
basinsurveys.com

0' 1000' 2000' 3000' 150'0'

SCALE: 1" = 2000'

W.O. Number: KAN 30632

Survey Date: 09-09-2014

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

N

YATES PETROLEUM CORPORATION

YATES PETROLEUM CORPORATION
Gutsy BUN Federal Com. #4H
200' FNL and 660' FEL Surface Hole Location
Section 4, T26S-R26E
330' FNL and 660' FEL Bottom Hole Location
Section 9-T26S-R26E
Eddy County, New Mexico

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

Castile	429'	Avalon Shale--Oil	5471'	
Top of Salt	1170'	Bone Spring 1/SD/--Oil	6288'I	
Base of Salt	1720'	Kick Off Point	6768'	
Lamar	1888'	Bone Spring 2/SD/--Oil	7237'	
Bell Canyon	1938'--Oil	Bone Spring 2 Target--Oil	7345"	
Cherry Canyon	2748'I	Harkey /SD/	7636'	
Manzanita Marker	2905'	Bone Spring 3 /SD/	8102'	
Brushy Canyon	3839'--Oil	Base Bone Spring 3/SD/	8481'	
Brushy Canyon MKR	4798'	Wolfcamp	8581'	
Bone Spring Lime	5406'--Oil	TD EOL	17343 MD	7265' TVD

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

Water: Approx 168'
Oil or Gas: See above.

3. **Pressure Control Equipment:** 3000 PSI BOPE with a 13.625" opening will be installed on the 13 3/8" and a 5000# BOP with a minimum opening of 11.0 opening on the 9 5/8" casing. A variance is requested for the use of a flex hose between the well head and manifold if Cactus Rig #124 is used to drill this well. 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.

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:

See COA

A. Casing Program: (All New)

HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLING	INTERVAL	LENGTH
17 1/2"	13.3/8"	48#	H-40/J-55 Hybrid	ST&C	0'-450'	450'
12 1/4	9 5/8"	36#	J-55 or K-55	LT&C	0'-~~1900~~ 1825'-~~1900~~	
8 3/4"	5 1/2"	17#	P-110	Buttress	1900'-7672"	5772'
8 1/2"	5 1/2"	17#	P-110	Buttress	7672'-17343	9671'

This well will be drilled using a pilot hole that will be drilled vertically to a depth of 8581'. The well will then be plugged back with a 200' isolation plug on bottom and a 500'-600' kick off plug at 6768'. The well will be directionally drilled at 12 degrees per 100' with an 8 3/4" hole to a depth of 7672' MD (7340' TVD). The hole size will then be reduced to 8 1/2" and drilled to 17343' MD (7265' TVD) where 5 1/2" casing will be set and cemented 500' feet into the previous casing string. The bottom 100' will not be produced and will consist of our float shoe and collar. Penetration point of producing zone will be encountered at 777' FNL and 660' FEL of Section 4, T26S-R26E. The deepest TVD in well is 7430' in the lateral. The deepest TVD in the pilot hole is 8581'.

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

B. *Cementing Program:*

Surface Casing: 0' to 450': Lead with 465 sacks 50/50 Poz C +2% CaCl2 (WT 14.20 YLD 1.34 WTR. 6.20 gal/sack). TOC surface. Cement designed with 100% excess.

Intermediate Casing: 0' to 1900'. Lead with 455 sacks 35:65:6PzC (WT 12.50 YLD 2.00 WTR. 11.0 gal/sack). Tail in with 210 sacks 50/50 Poz C + 2% CaCL2 (WT 14.20 YLD 1.34 WTR 6.20 gal/sack). TOC surface. Cement designed with 100% excess.

Production Casing: 1400' to 17343'. Lead with 525 sacks Lite Crete (WT 9.50 WT 2.85 WTR 12.00 gal/sack) with D-177 Retarder .03 gal/sack; D-046 Anti Foam .2%; D-065 Dispersant .1%, D-124 Extender 39 lb per sack. Tail in with 1985 sacks Pecos VILt D112 fluid loss 0.4%, D151-Calcium Carbonate 22.5 lbs/sack, D174-Extender 2.5 lb/sack, D177-Retarder 0.01 lb/sack, D800-Retarder 0.6 lb/sack, D046-antifoam agent 0.15 lb/sack (WT 13.00 YLD 1.83 WTR 9.30) TOC 1400'. Cement designed with 35% excess.

Isolation Plug: 8381' 8581': 100 sacks Class H (WT 17.5 YLD 0.94 WTR 3.352 gal/sack) with Fresh water = 3.352 gal/sack; D-080 Dispersant 030 gal/sack, D-197 Retarder Accelerator 0.070 gal/sack, D-206 Antifoam 0.020 gal/sack. Cement designed with 10% excess.

Kick Off Plug: 6768'-7268'. Lead with 300 sacks Class H (WT 17.5 YLD 0.94 Fresh water 3.352 gal/sack) with D-080 Dispersant .030 gal/sack, D-197 Retarder Accelerator 0.060 gal/sack, D-206 Antifoam 0.020 gal/sack. Cement designed with 25% excess.

5. Mud Program and Auxiliary Equipment:

See COA

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0'-450'	Fresh Water	8.60-9.20	32-34	N/C
450'-~~1900'~~ 1825'	Brine Water	10.00-10.20	28-29	N/C
~~1900'~~-8581'	Cut Brine Pilot Hole	8.80-9.20	28-32	N/C
8581'-17385	Cut Brine Lateral	8.80-9.20	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. The slow pump speed will be recorded on the daily drilling report after mudding up. A mud test will be performed every 24 hours after mudding up to determine, as applicable, viscosity, gel strength, filtration and pH. 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 visually 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:

Samples: 10' samples surface to TD.

Logging: SCH: Platform Express
CNL/LDT/NGT TD to intermediate casing
CNL/GR TD to surface casing.
DLL/MSFL TD to intermediate casing.
BHC-SONIC TD to surface casing.
Horizontal-MWD-GR

Mudlogging: On after surface casing.

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

Maximum Anticipated BHP: Depths are TVD.

From:	0	TO:	450'	Anticipated Max.	BHP:	215	PSI	
From:	450'	TO:	1900'	Anticipated Max.	BHP:	1008	PSI	
From:	1900'	TO:	8581'	Anticipated Max.	BHP:	4105	PSI	Pilot Hole.
From:	6864'	TO:	7341'	Anticipated Max.	BHP:	3512	PSI	Lateral.

No abnormal pressures or temperatures are anticipated.
Lost Circulation Zones Anticipated: None.
H2S Zones Anticipated: None
Maximum Bottom Hole Temperature: 160 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 30 days.

Well Name: Gutsy BUN Federal Com #4H	**Tgt N/-S:** -10248.20		
	Tgt E/-W: 39.40	**EOC TVD/MD:** 7340.49 / 7672.02	
Surface Location: Section 4 , Township 26S Range 26E	**VS:** 10248.28		
Bottom Hole Location: Section 9 , Township 26S Range 26E	**VS Az:** 179.78	**EOL TVD/MD:** 7265.00 / 17342.87	

MD	Inc.	Azi.	TVD	+N/-S	+E/-W	VS	DLS	Comments
0	0	0	0	0	0	0	0	
429.00	0.00	0.00	429.00	0.00	0.00	0.00	0.00	CASTILE/LM/SD
1170.00	0.00	0.00	1170.00	0.00	0.00	0.00	0.00	TOS
1720.00	0.00	0.00	1720.00	0.00	0.00	0.00	0.00	BOS
1888.00	0.00	0.00	1888.00	0.00	0.00	0.00	0.00	LAMAR
1938.00	0.00	0.00	1938.00	0.00	0.00	0.00	0.00	BELL CANYON
2748.00	0.00	0.00	2748.00	0.00	0.00	0.00	0.00	CHERRY CANYON
2905.00	0.00	0.00	2905.00	0.00	0.00	0.00	0.00	MANZANITA MARKER
3839.00	0.00	0.00	3839.00	0.00	0.00	0.00	0.00	BRUSHY CANYON
4798.00	0.00	0.00	4798.00	0.00	0.00	0.00	0.00	BRUSHY CANYON MARKER
5406.00	0.00	0.00	5406.00	0.00	0.00	0.00	0.00	BONE SPRING LM
5471.00	0.00	0.00	5471.00	0.00	0.00	0.00	0.00	AVALON SHALE
6288.00	0.00	0.00	6288.00	0.00	0.00	0.00	0.00	BONE SPRING 1/SD
6767.55	0.00	0.00	6767.55	0.00	0.00	0.00	0.00	KOP
6775.00	0.74	179.78	6775.00	-0.05	0.00	0.05	10.00	
6800.00	3.24	179.78	6799.98	-0.92	0.00	0.92	10.00	
6825.00	5.74	179.78	6824.90	-2.88	0.01	2.88	10.00	
6850.00	8.24	179.78	6849.72	-5.92	0.02	5.92	10.00	
6875.00	10.74	179.78	6874.37	-10.05	0.04	10.05	10.00	
6900.00	13.24	179.78	6898.82	-15.24	0.06	15.24	10.00	
6925.00	15.74	179.78	6923.03	-21.50	0.08	21.50	10.00	
6950.00	18.24	179.78	6946.93	-28.80	0.11	28.80	10.00	
6975.00	20.74	179.78	6970.50	-37.15	0.14	37.15	10.00	
7000.00	23.24	179.78	6993.68	-46.51	0.18	46.51	10.00	
7025.00	25.74	179.78	7016.42	-56.87	0.22	56.87	10.00	
7050.00	28.24	179.78	7038.70	-68.22	0.26	68.22	10.00	
7075.00	30.74	179.78	7060.46	-80.53	0.31	80.53	10.00	
7100.00	33.24	179.78	7081.66	-93.77	0.36	93.77	10.00	
7125.00	35.74	179.78	7102.26	-107.93	0.41	107.93	10.00	
7150.00	38.24	179.78	7122.23	-122.97	0.47	122.97	10.00	
7175.00	40.74	179.78	7141.52	-138.87	0.53	138.87	10.00	
7200.00	43.24	179.78	7160.10	-155.60	0.60	155.60	10.00	
7225.00	45.74	179.78	7177.93	-173.11	0.67	173.12	10.00	
7250.00	48.24	179.78	7194.98	-191.40	0.74	191.40	10.00	
7275.00	50.74	179.78	7211.21	-210.40	0.81	210.40	10.00	
7300.00	53.24	179.78	7226.61	-230.10	0.88	230.10	10.00	
7316.43	54.62	179.78	7237.00	-242.38	0.93	242.38	10.00	BONE SPRING 2/SD
7325.00	55.74	179.78	7241.12	-250.45	0.96	250.45	10.00	
7350.00	58.24	179.78	7254.74	-271.41	1.04	271.42	10.00	
7375.00	60.74	179.78	7267.43	-292.95	1.13	292.95	10.00	
7400.00	63.24	179.78	7279.17	-315.02	1.21	315.02	10.00	
7425.00	65.74	179.78	7289.93	-337.58	1.30	337.59	10.00	
7450.00	68.24	179.78	7299.70	-360.59	1.39	360.60	10.00	
7475.00	70.74	179.78	7308.46	-384.01	1.48	384.01	10.00	
7500.00	73.24	179.78	7316.19	-407.78	1.57	407.78	10.00	
7525.00	75.74	179.78	7322.87	-431.87	1.66	431.87	10.00	
7550.00	78.24	179.78	7328.49	-456.23	1.75	456.23	10.00	
7672.02	90.45	179.78	7340.49	-577.43	2.22	577.43	10.00	TARGET 2ND BONE SPRING SAND
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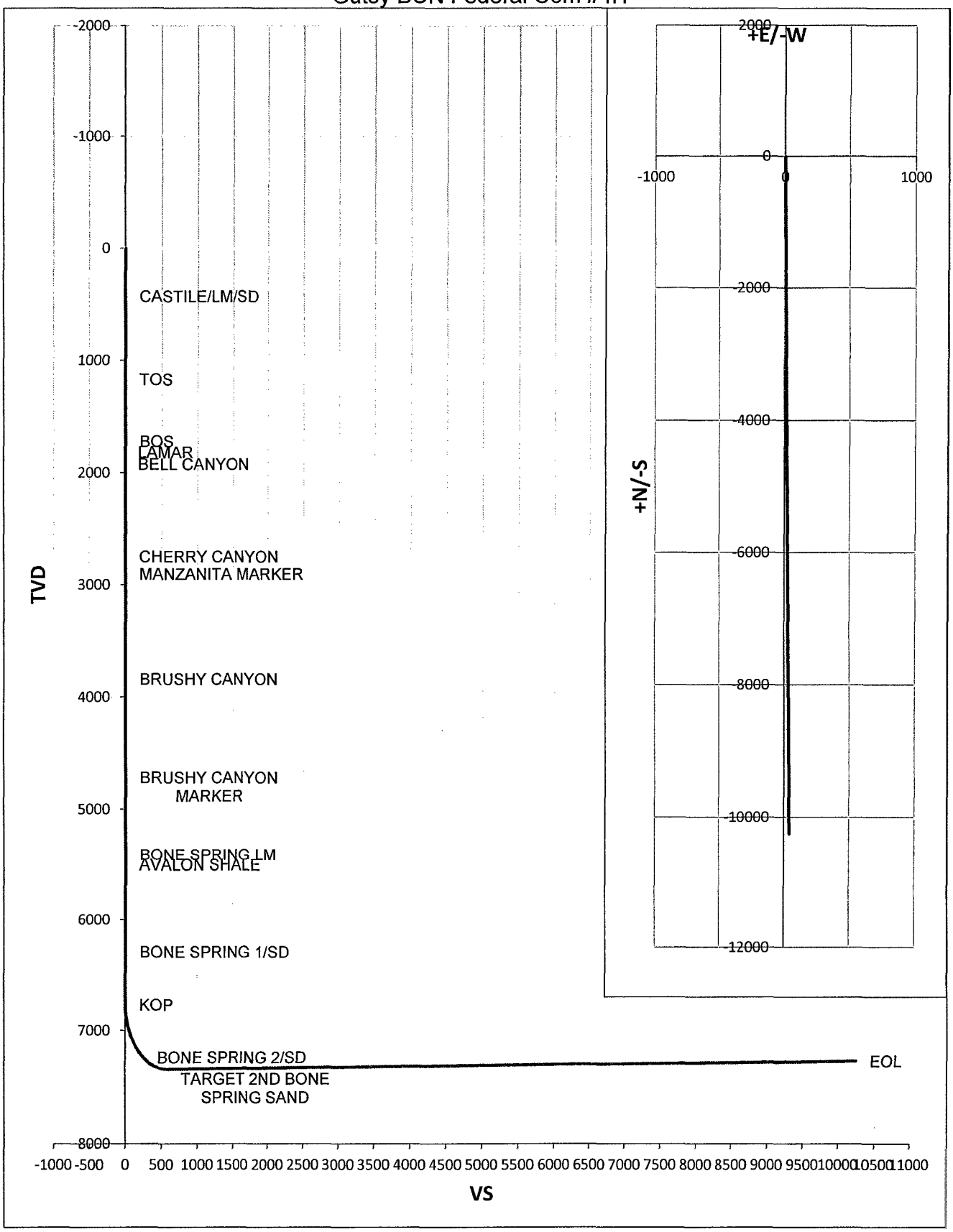
Gutsy BUN Federal Com #4H
TVD
VS
+E/-W
+N/-S
CASTILE/LM/SD
TOS
BOS
LAMAR
BELL CANYON
CHERRY CANYON
MANZANITA MARKER
BRUSHY CANYON
BRUSHY CANYON
MARKER
BONE SPRING LM
AVALON SHALE
BONE SPRING 1/SD
KOP
BONE SPRING 2/SD
TARGET 2ND BONE
SPRING SAND
EOL
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-1000 -500 0 500 1000 1500 2000 2500 3000 3500 4000 4500 5000 5500 6000 6500 7000 7500 8000 8500 9000 9500 10000 10500 11000
2000
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-1000
1000
-2000
-4000
-6000
-8000
-10000
-12000

Midwest Hose
& Specialty, Inc.

Certificate of Warranty, Schedule B, ECCN, Origin and CE Marking

January 27, 2014

We hereby certify that the material shipped for Nomac Drilling Corporation purchase order 333594 is new and unused and is free of any defects as to their design, material and workmanship.

We also warrant the goods to be consistent with the generally accepted standards of the material of the type ordered. Which is API Spec 7K.

The goods are warranted for a period of 1 year (12 months) from the date of delivery.

We certify that the material of this order is of American origin.

ECCN - EAR99

Schedule B – 4009.22.0500

EIN-731185740

Thank You,
Juan Ortiz

P.O. Box 96558 – 1421 S.E. 29th St. Oklahoma City, OK 73143 * (405) 670-6718 * Fax: (405) 670-6816

Assoc # 235258

255 W 1100 N
Nephi, UT 84648
1-800-453-1480

Certificate of Compliance

Date:	2014-01-17	Test #:		Entered by:	bwentz
Asset Desc:	10,000/15,000			Tested by:	bwentz
Asset #:	NLD-009R				
Chip ID:	E004010079CF031D				
Owner:	NRP Jones	Initial Location:	Site\NEPHI	Witness:	dnelson
City:					

Asset Characteristics	
Manufacturer	NRP JONES
Extended Desc	N/A
Model	5040-4840-B
Application Group	Choke & Kill
Date of Mfr/Assembly	2014-01-17
Assembled By	Brad Wentz
Orig Date Sold	2014-01-04
Hose Date of Mfr	2014-01-04
Locn Desc	N/A
Inside Dia.	3"
Length	40'
Cut Length	N/A
Working Pressure	10000 PSI
Test Pressure	15000 PSI
Coupling A	26-0054
Coupling A Model	N/A
Attach Method A	Built-In
Coupling A Add-On	4 1/6" RTJ FLANGE
Coupling B	26-0054
Coupling B Model	N/A
Attach Method B	Built-In
Coupling B Add-On	4 1/6" RTJ FLANGE
Factory Ref #	M0102747
Distributor Ref #	N/A
EndUser Ref #	N/A
Standard	N/A
Notes	N/A

Certification Hose Inspection	
Order #	M0102747
Cust PO#	N/A
Serial Number	NLD-009R
Test Pressure	15,000 PSI
Test Time	15 MIN.
Test Number	N/A
Inspection Instruction	N/A
Certification Result	PASS
Generate Alert?	
Comments	N/A
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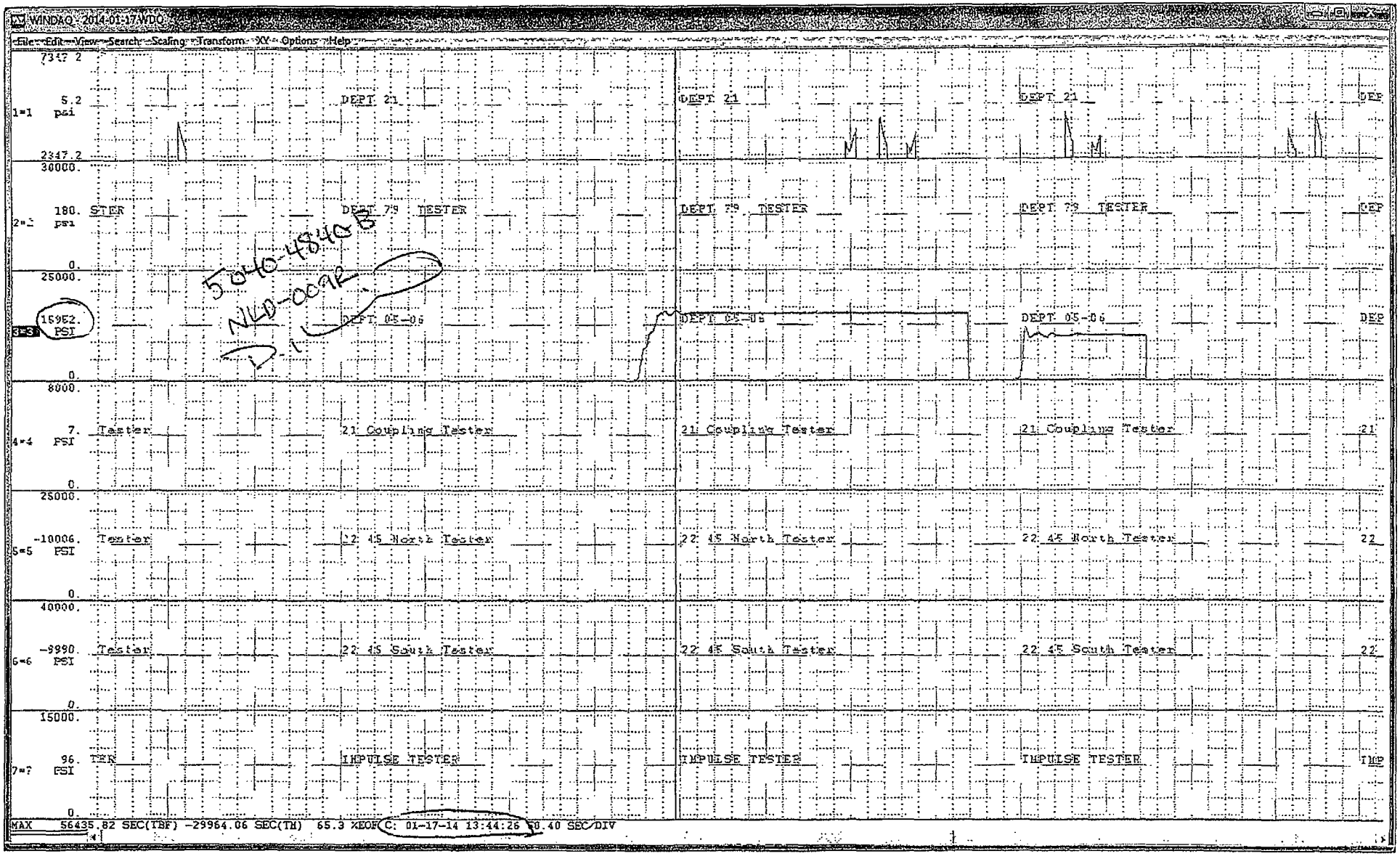
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7347.2
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1=1 psi
2347.2
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2=2 psi
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25000.
15962.
3=3 PSI
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DEPT 05-06
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4=4 PSI
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21 Coupling Tester
25000.
-10006.
5=5 PSI
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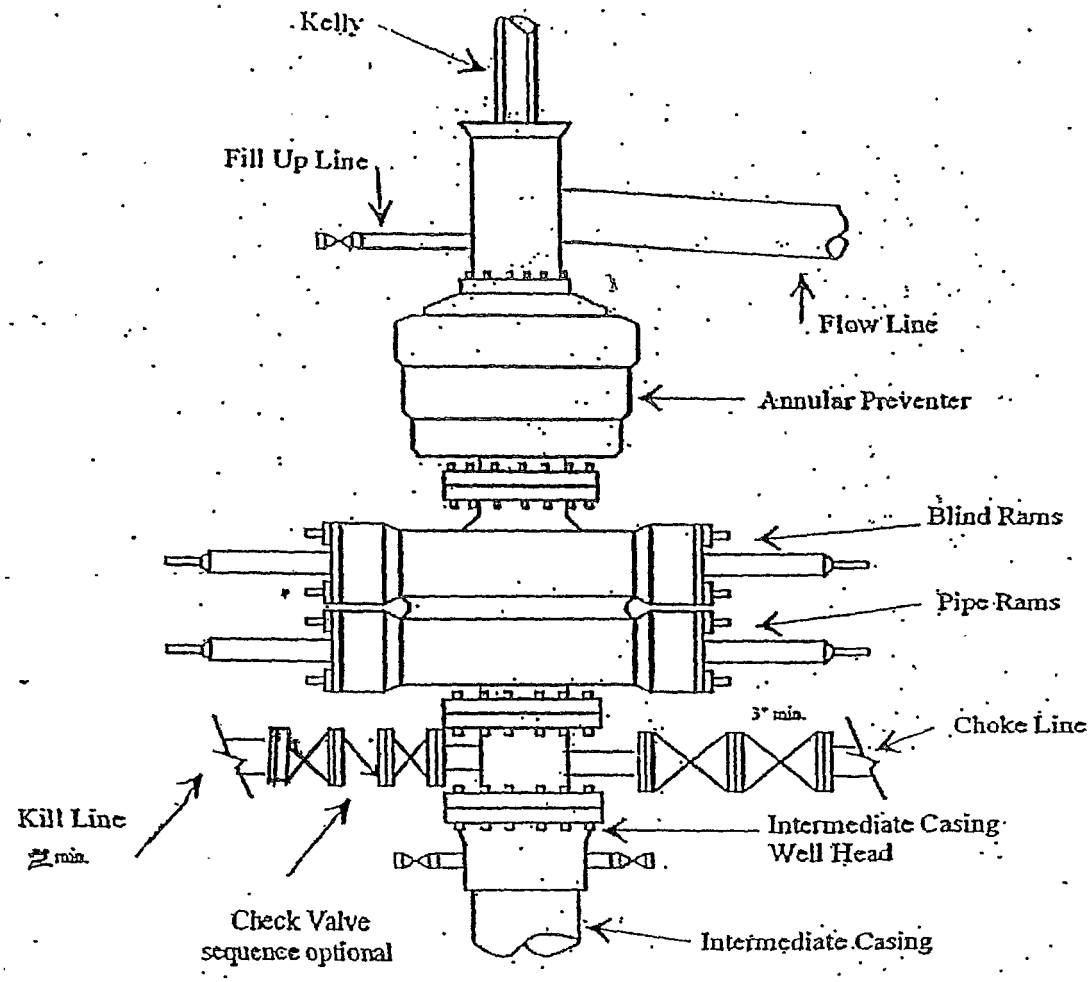
Tester
22 45 North Tester
40000.
-9990.
6=6 PSI
0.
Tester
22 45 South Tester
15000.
96.
7=7 PSI
0.
IMPULSE TESTER
5040-4840
NLD-0092
MAX 56435.82 SEC(TBF) -29964.06 SEC(TH) 65.3 %EOF C: 01-17-14 13:44:26 60.40 SEC/DIV

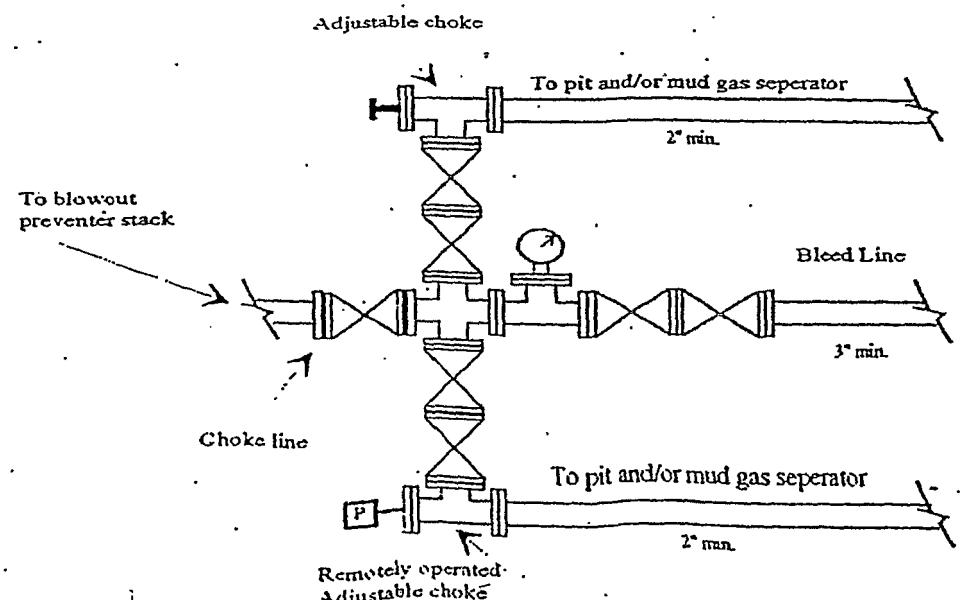
Yates Petroleum Corporation

BOP-3

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

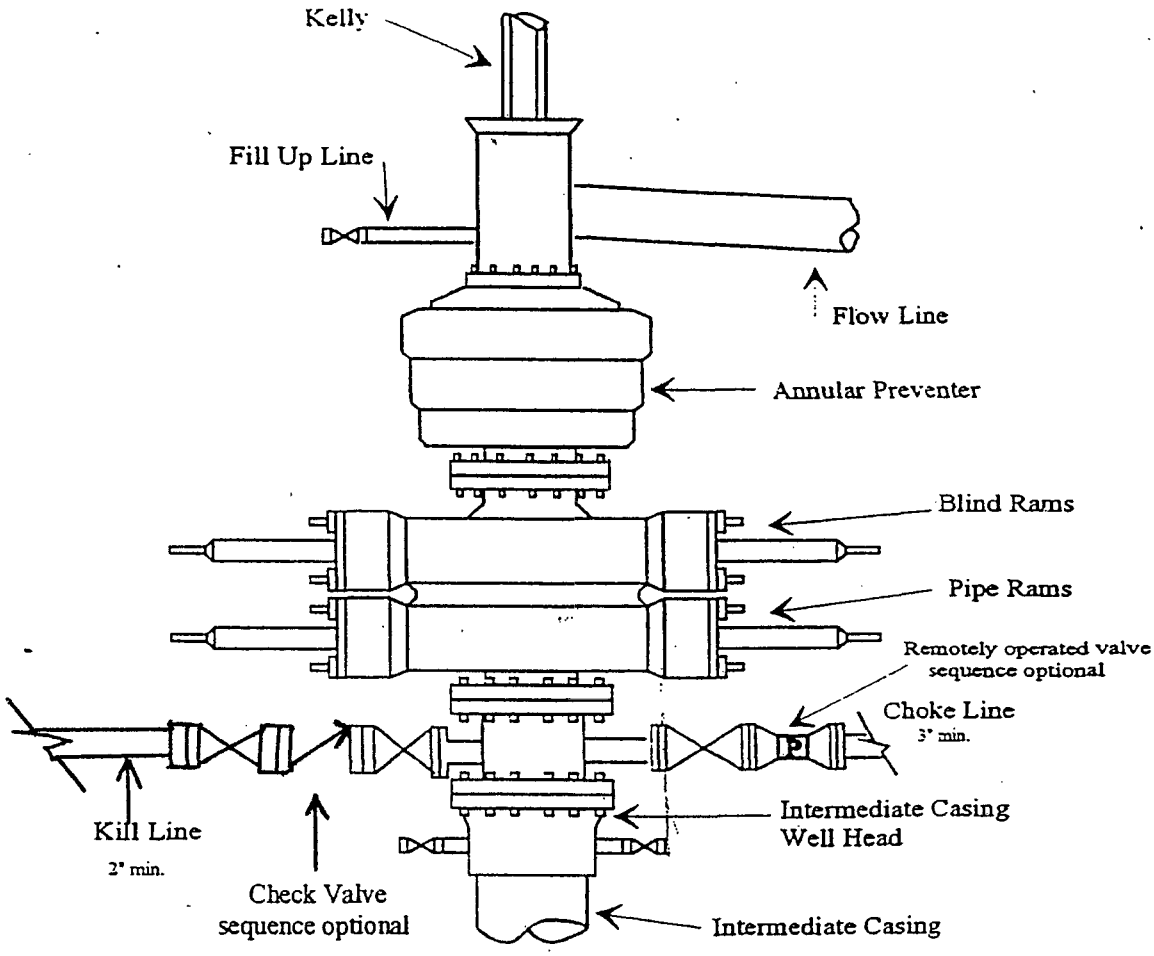


Typical 3,000 psi choke manifold assembly with at least these minimun features

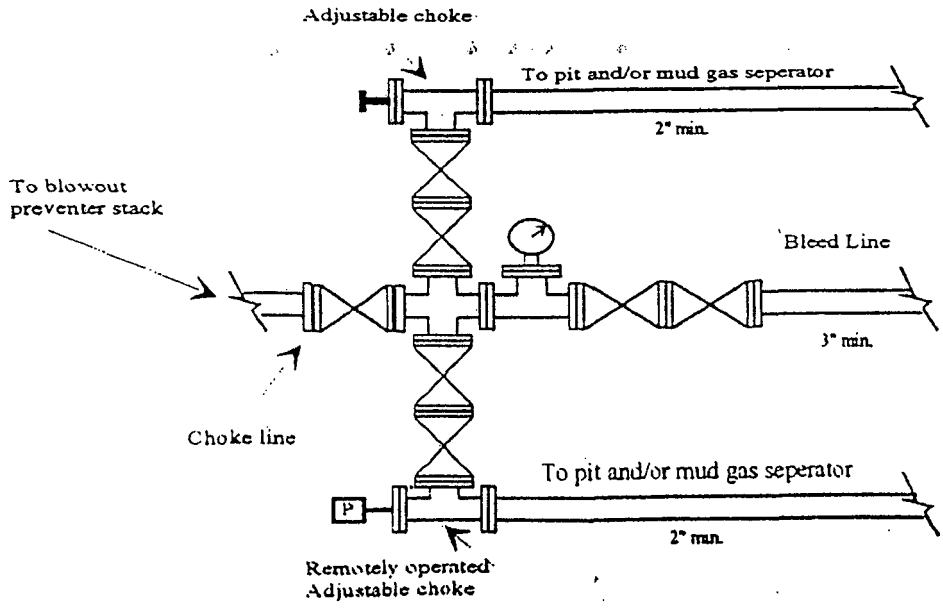


Yates Petroleum Corporation

Typical 5,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack

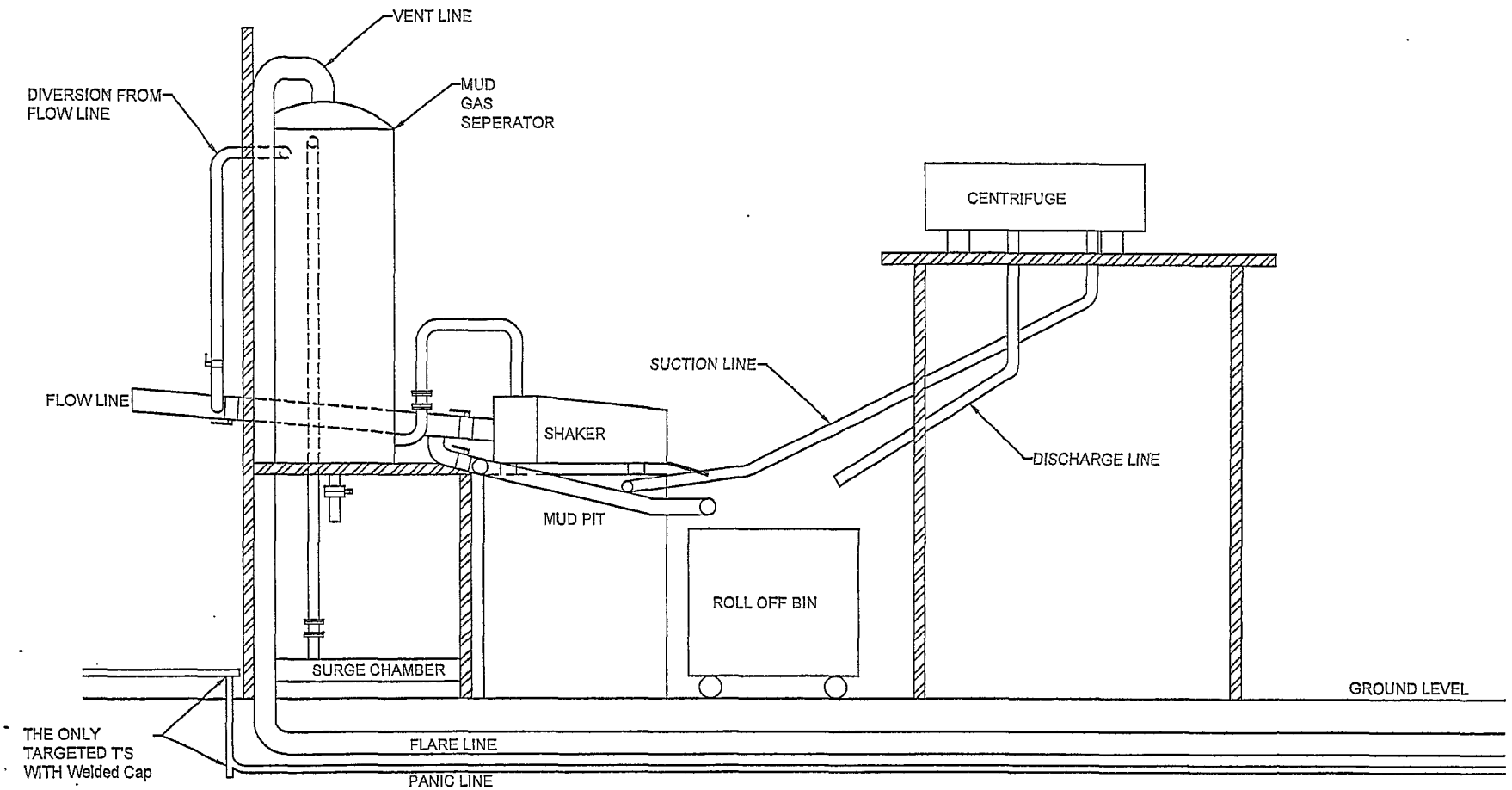


Typical 5,000 psi choke manifold assembly with at least these minimun features



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

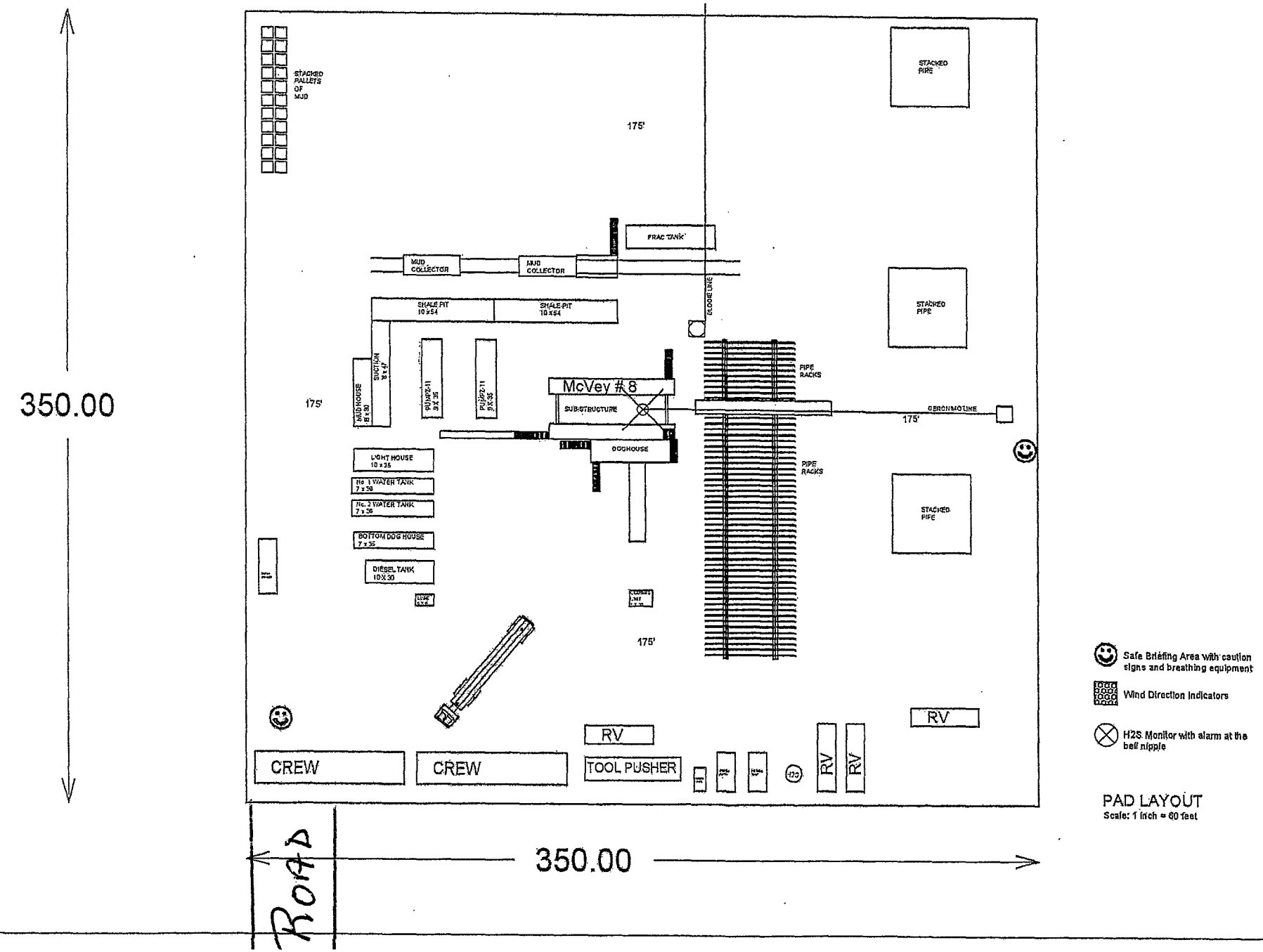
Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.

YATES PETROLEUM CORPORATION

McVay # 8

12-16-13

Rig Plat #1

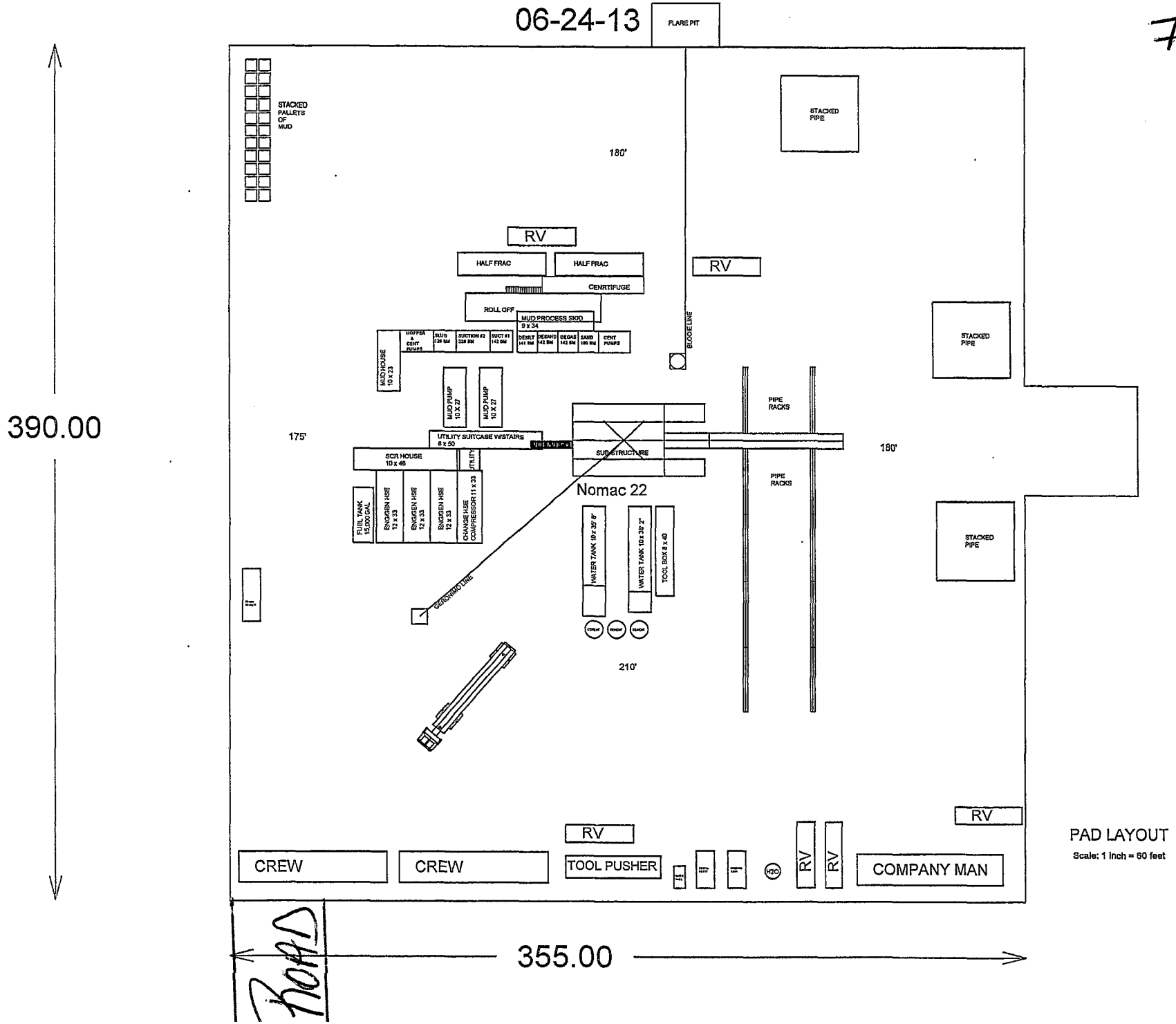


YATES PETROLEUM CORPORATION

Nomac 22

06-24-13

Rig Plat #2



PAD LAYOUT

Scale: 1 inch = 60 feet

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Gutsy BUN Federal Com. #4H
200 FNL and 660' FEL Surface Hole Location
Section 4 T26S-R26E
330' FNL and 660' FEL Bottom Hole Location
Section 9, T26S-R26E
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 well site is located approximately 25 miles southeast of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A. 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:

Go south of Malaga, NM on Highway 285 or approximately 10.7 miles to Whites City Road (CR-724). Turn right on Whites City Road and go approximately 13 miles to the intersection of Whites City Road and Old Cavern Road. From this point continue going west on Whites City Road for approximately 2.5 miles. The proposed new access road will start here going to the right. The access road will go in a north for approximately .4 of a mile to the southwest corner of the proposed well location.

2. PLANNED ACCESS ROAD.

A. The proposed new access road will start here going north for approximately .4 of a mile to the southwest corner of the proposed well location. 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. Ditches will be 3' wide with a 3:1 slopes.
C. The route of the road is visible.
D. 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 well site.
B. An exhibit shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

A. There are not any production facilities on this lease at the present time
The necessary production facilities for this well will be constructed on the well location. 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:

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. Yates has staked a 400' x 400' "Pad Clearance Area." This area can contain the regularly used rigs Yates utilizes in Southeastern New Mexico. The actual pad size to be constructed would be smaller than the "Pad Clearance Area." This area was staked at this size with aid from the BLM, since the actual pad size/drilling rig is unknown at this time. Yates will submit a Sundry Notice with a rig layout depicting the actual size of the pad to be constructed with the dimensions from the well bore to all four sides of the pad with the same orientation as the "Pad Clearance Area." Yates will not construct the well pad until the rig layout is approved through the Sundry Notice.

B. Please note exhibits Rig Size #1 and Rig Size #2 show the relative location and dimensions of the well pad, location of the drilling equipment, pulling unit orientation and access road approach. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC.

C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION:

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. 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, topsoil will be redistributed and the area will be 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 and the area will be 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 Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220.

Mineral Estate: Federal Lease NM-113939
Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220

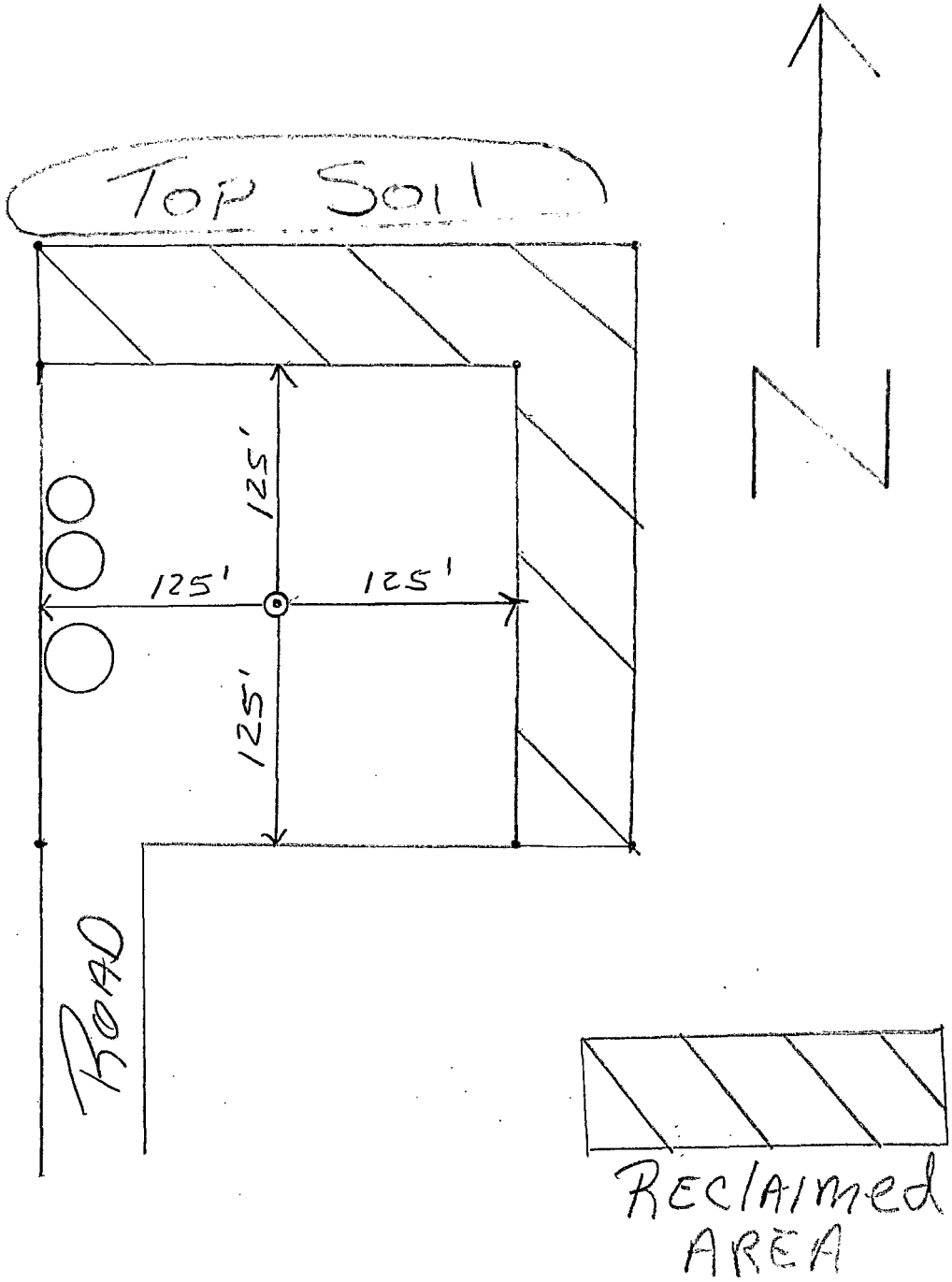
12. OTHER INFORMATION:

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.

Gutsy Bull
Federal
#4H

Reclamation Plat



CERTIFICATION
YATES PETROLEUM CORPORATION
Gutsy BUN Federal Com. #4H

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 this 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 20th day of JANUARY 2015

Signature _____

Name Cy Cowan

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (505) 748-4372

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

Address (if different from above) Same as above.

Telephone (if different from above) (505) 748-4221

E-mail (optional) _____

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	**Yates Petroleum Corporation**
LEASE NO.:	**NMNM-113939**
WELL NAME & NO.:	**Gutsy BUN Federal Com 4H**
SURFACE HOLE FOOTAGE:	**0200' FNL & 0660' FEL**
BOTTOM HOLE FOOTAGE	**0330' FSL & 0660' FEL Sec. 09, T. 26 S., R 26 E.**
LOCATION:	**Section 04, T. 26 S., R 26 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.

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)

Communitization Agreement

The operator will submit a Communitization Agreement to the Carlsbad Field Office, 620 E Greene St. Carlsbad, New Mexico 88220, at least 90 days before the anticipated date of first production from a well subject to a spacing order issued by the New Mexico Oil Conservation Division. The Communitization Agreement will include the signatures of all working interest owners in all Federal and Indian leases subject to the Communitization Agreement (i.e., operating rights owners and lessees of record), or certification that the operator has obtained the written signatures of all such owners and will make those signatures available to the BLM immediately upon request.

- If the operator does not comply with this condition of approval, the BLM may take enforcement actions that include, but are not limited to, those specified in 43 CFR 3163.1.

- In addition, the well sign shall include the surface and bottom hole lease numbers. When the Communitization Agreement number is known, it shall also be on the sign.

Lease Suspension

One of the Gutsy wells is to be spudded within 120 days of the approval of the APD. If the drilling operations have not commenced by this time the lease suspension of Lease NMNM113939 will be removed and 99 days will be remaining in its primary term.

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Construction:
In the advent that any underground voids are opened up during construction activities, construction activities will be halted and the BLM will be notified immediately.

No Blasting:
No blasting will be utilized for pad construction. The pad will be constructed and leveled by adding the necessary fill and caliche.

Pad Berming:
The pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the pad.

Closed Mud System Using Steel Tanks with All Fluids and Cuttings Hauled Off.

A closed mud system using steel tanks for all cuttings and fluids is required. All fluids and cuttings will be hauled off site for disposal. No pits are allowed.

Tank Battery Liners and Berms:
Tank battery locations will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.

Leak Detection System:
A method of detecting leaks is required. The method could incorporate gauges to measure loss, situating values and lines so they can be visually inspected, or installing electronic sensors to alarm when a leak is present. Leak detection plan will be submitted to BLM for approval.

Automatic Shut-off Systems:
Automatic shut off, check values, or similar systems will be installed for pipelines and tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Fresh water will be used as a circulating medium in zones where caves or karst features are expected. SEE ALSO: Drilling COAs for this well.

Directional Drilling:
Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone. SEE ALSO: Drilling COAs for this well.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported in the drilling report.

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 70 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the situation and work with the operator on corrective actions to resolve the problem.

Abandonment Cementing:
Upon well abandonment in high cave karst areas additional plugging conditions of approval may be required. The BLM will assess the situation and work with the operator to ensure proper plugging of the wellbore.

Pressure Testing:

Annual pressure monitoring will be performed by the operator on all casing annuli and reported in a sundry notice. If the test results indicated a casing failure has occurred, remedial action will be undertaken to correct the problem to the BLM's approval.

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.

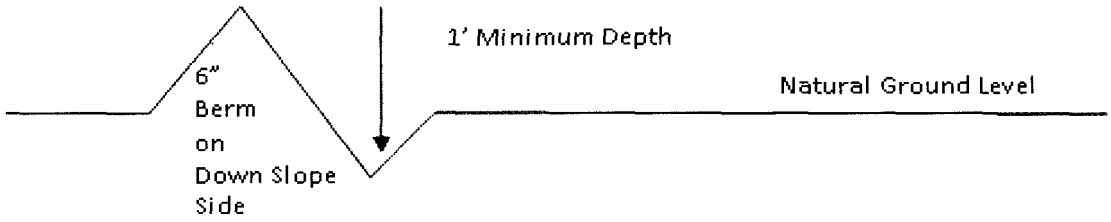
Turnouts
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall conform to Figure 1; cross section and plans for typical road construction.

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 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ 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

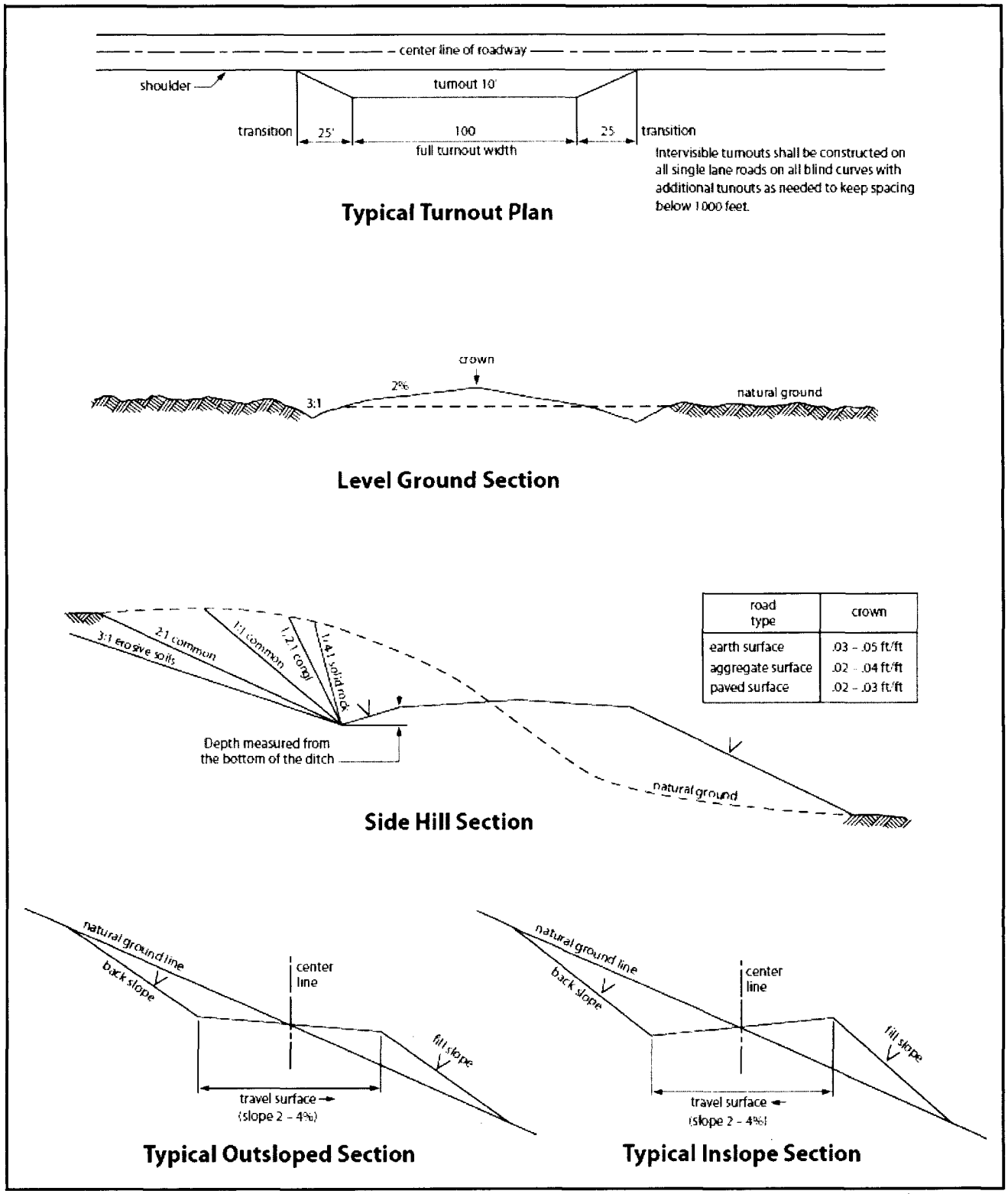


Figure 1. Cross-sections and plans for typical road sections representative of BLM resource or FS local and higher-class roads.

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. **Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. If Hydrogen Sulfide is encountered, report measured amounts and formations to the BLM.**

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a "Major" violation.**

3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.

4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing 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 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.

High Cave/Karst
Possibility of water flows in the Salado and Castile
Possibility of lost circulation in the Castile, Salado, and Delaware

A MINIMUM OF TWO CASING STRINGS CEMENTED TO SURFACE IS REQUIRED IN HIGH CAVE/KARST AREAS. THE CEMENT MUST BE IN A SOLID SHEATH. THEREFORE, ONE INCH OPERATIONS ARE NOT SUFFICIENT TO PROTECT CAVE KARST RESOURCES. A CASING DESIGN THAT HAS A ONE INCH JOB PERFORMED DOES NOT COUNT AS A SOLID SHEATH. IF THE PRIMARY CEMENT JOB ON THE SURFACE CASING DOES NOT CIRCULATE, THEN THE NEXT TWO CASING STRINGS MUST BE CEMENTED TO SURFACE.

1. The **13-3/8** inch surface casing shall be set at approximately **450** feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.
    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
    d. If cement falls back, remedial cementing will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing, which shall be set at approximately **1825** feet **(in the Lamar Limestone or the basal anhydrite of the Castile Formation)**, is:

☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.**

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.
Pilot hole is required to have a plug at the bottom of the hole. If two plugs are set, the BLM is to be contacted (575-361-2822) prior to tag of bottom plug, which must be a minimum of 200' in length. Operator can set one plug from bottom of pilot hole to kick-off point and save the WOC time for tagging the first plug.

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

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:
   ☒ Cement as proposed by operator. Operator shall provide method of verification.

4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

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 53.
2. Variance approved to use flex line from BOP to choke manifold. Check condition of flexible line from BOP to choke manifold, replace if exterior is damaged or if line fails test. Line to be as straight as possible with no hard bends and is to be anchored according to Manufacturer's requirements. The flexible hose can be exchanged with a hose of equal size and equal or greater pressure rating. **Anchor requirements, specification sheet and hydrostatic pressure test certification matching the hose in service, to be onsite for review. These documents shall be posted in the company man's trailer and on the rig floor.** If the BLM inspector questions the straightness of the hose, a BLM engineer will be contacted and will review in the field or via picture supplied by inspector to determine if changes are required (operator shall expect delays if this occurs).

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.

a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.

4. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8** intermediate casing shoe shall be **5000 (5M)** psi. **5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.**

5. 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**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (8 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
   c. The 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.

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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).

Seed Mixture

Mixture 4, for Gypsum Sites

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

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

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

Species	lb/acre
Alkli Sacaton (*Sporobolus airoides*)	1.5
DWS~ Four-wing saltbush (*Atriplex canescens*)	8.0

~DWS: DeWinged Seed

*Pounds of pure live seed:

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

NMOCD CONDITION OF APPROVAL

The ***New!*** Gas Capture Plan (GCP) notice is posted on the NMOCD website under Announcements. The Plan became effective May 1, 2016. A copy of the GCP form is included with the NOTICE and is also in our FORMS section under Unnumbered Forms. Please review filing dates for all applicable activities currently approved or pending and submit accordingly. Failure to file a GCP may jeopardize the operator's ability to obtain C-129 approval to flare gas after the initial 60-day completion period.