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≤	inesia,	NM 88210)	FORM APPI OMB NO. 10	SL
UNITED STATE	ES · .			Expires: March	ma 13
DEPARTMENT OF THE				5 Lease Serial No	
BUREAU OF LAND MAN				NM-29	
APPLICATION FOR PERMIT TO D	DRILL OR F	REENTER		6 If Indian, Allottee or Tri	
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Type of Work	REENTLK		· .	Not Apple 8. Lease Name and Well N	cable
Type of Well: Oil Well X Gas Well Other	Single	Zone X Multiple Z		Filaree AEL H	
Name of Operator				9. API Well No.	· · ·
Yates Petroleum Corporation	on 25575			30-00	5-64013
Address		(include area code)	•	0 Field and Pool, or Explo	ratory
105 South Fourth Street, Artesia New Mexico 88210		(575) 748-1471		Foor Ranch Pr	e Permian
Location of well (Report location clearly and In accordance w	with any State r	equirements *)	1	1. Sec, T, R, M, or Blk.	And Survey or Area
At surface 1600' FSL and	1.660' FFL Uni	6 T			
At proposed prod zone		. 1		Section 33, T	8S-R26E
S Distance in miles and direction from the nearest town or post	same as above office*			12 County or Parish	13 State
Approximately 20 miles Northeast of Roswell, New Mexico	n			Chaves	NM
Distance from proposed*		o. of acres in lease	17. Spac	ing Unit dedicated to this w	
location to nearest					
property or lease line, ft (Also to nearest drlg unit line, if any)		1840.00		320 S/2	
Distance from proposed location*	19. Pr	oposed Depth	20 BLM	I/ BIA Bond No. on file	
to nearest well, drilling, completed,		(700)			
applied for, on this lease, ft Elevations (Show whether DF RT, GR, etc.)	22. AI	6580' proximate date work wil	l start*	Nationwide Bond #NN 23. Estimated duration	
3871' GL		ASAP tachments		30 I	
e following, completed in accordance with the requirements of			HOSV be attache	VELL CONTROLLED WATER	
Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest Syst SUPO shall be filed with the appropriate Forest Service Office	tem Lands, the	 Bond to cover the item 20 above). Operator certification 	operations	unless covered by existing mation and/ or plans as may	
<u> </u>		authorized officer.	-		
le Signature le le la	Name (Printed		ebbie L. (Date Caffall	10/18/2007
Regulatory Agent					
proved By (Signature) Jerry Dutchover	Name (Printea	(0)	j. Sgd.) Sutchov	Date F	EB 2 1 2008
Acting Assistant Field Manager, Langs And Minerals		WELL FIELD OFF	FICE	APPRO	VED FOR 2 YEARS
on approval does not warrant or certify that the applicant vereon oproval, if any, are attached.	holds legal or e	quitable title to those rig	ghts in the	subject lease which would e	ntitle the applicant to cc
ion 1001 and Title 43 U.S.C. Section 1212, mal	ke it a crime for	any person knowingly a	and willful	ly to make to any department	it or agency of the Unite
ous or fraudulent statements or representation				- · · · · · · · · · · · · · · · · · · ·	
Previously approved	C-102 attache				
"We Basy		APPROVAL S	UBJE	CT TO	(ENTERED)
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District I 1625 N. French D District II 1301 W. Grand A District III 1000 Rio Brazos I District IV 1220 S. St. Franci	venue, Artesi Rd., Aztec, Nl	ia, NM 88210 M 87410		OIL C		l Resources Depa TON DIVISIO Francis Dr.	rtment N FEB 2 ^S OCD-A		Form C-102 Revised October 12, 2005 ppropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies AMENDED REPORT
		V	VELL LO	DCATIO	N AND ACR	EAGE DEDIC	CATION PLA	ΔT	
1	API Numbe	r		2 Pool Code	-	1	FOOK Kan	ch fre	-Permian
⁴ Property	Code				⁵ Property	Name			⁶ Well Number
1227	7		Filaree AEL Federal 5					5	
⁷ OGRID	No.				⁸ Operator	Name .		:	⁹ Elevation
025575					Yates Petroleum	·····			3871'
					¹⁰ Surface	Location			
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West	t line County
I	33	8S	26E		1600	South	660	East	Chaves
L			¹¹ Be	ottom Ho	le Location I	f Different From	m Surface	1	k
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West	t line County
¹² Dedicated Acr 320 S/2	es ¹³ Joint o	or Infill	Consolidation	Code ¹⁵ O	rder No.			1	I

. .

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.

16					¹⁷ 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
					Menature Date
					Debbie L Caffall Regulatory Agent Printed Name
	17 2 7 24 14 25 12 17 / 112 14 10 1 10 1 10 1 10 10 10 10 10 10 10 10				
		an a	an a		¹⁸ SURVEYOR CERTIFICATION
					I hereby certify that the well location shown on this
					plat was plotted from field notes of actual surveys
					made by me or under my supervision, and that the
			l la	·60`	
	NM-29623		Ø		same is true and correct to the best of my belief.
					Date of Survey
					Signature and Seal of Professional Surveyor:
			_		
			10091		REFER TO ORIGINAL PLAT
			9		
					Certificate Number

LINE ADDRESS 1005 R. Franch In., Toble, ME 80810 DESTRICT II - 1

DISTRICT III 1000 His Branes Bd., Astao, MM 07410

DISTRICT IV 2048 South Pacheco, Sents Fe, NH 87505

State of New Mexico

Barrys, Manarala and Entered Resources Departments

Form C-102 Rowland March 17, 1000 Instruction on bank Salahit to Ayya wanted a District Calles State Longo - 4 Coydas

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OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

D AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT API Number Pool Code Poel Name Killdpar Pronombatan Trouby This Freperty Mana Well Mamber FILAREE "AEL" FEDERAL 5 OCIED No. Operator Name Elevation 025575 YATES PETROLEUM CORPORATION 3871 Surface Location UL or lot No. Section Township Range Lot Idn Feet from the North/South line Foot from the East/Fost line Connts 33 **8**S 1 26E 1600 SOUTH 660 CHAVES EAST Bottom Hole Location If Different From Surface UL or lot No. Section Lot kin Feet from the North/South line Feet from the Tovashis Range East/West line County Consolidation Code Dedicated Acres Joint or Infill Order He. 320.00 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 the the information at herein is true and semplets to the as knowledge and belief. al Signature Pat Perez Printed Mame . م **Regulatory** Agent Title June 7, 2001 SURVEYOR CERTIFICATION I haroby carlify that the well locatio on this plat user plotted from flaid make of N.99*34'24.7* actual surveys made by one or under my W.104*17'45.4" superstain, and that the same to true and servest to the best of my bolles. 3867 3870 4/19/2001 1660**-**Date Surveyed NM- 2963 2 Protesting al Surr 3875 3874 1,800 RLS 3640 ,HO ARE 5

YATES PETROLEUM CORPORATION Filaree "AEL" Federal #5 1600' FSL and 660' FEL Section 33,-T8S-R26E Chaves County, New Mexico

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

San Andres Glorieta Yeso Tubb Abo Wolfcamp Cisco Penn Clastics	1080' Oil Pay 2150' 2265' 3700' 4415' Gas Pay 5180' Gas Pay 5785' Gas Pay 5910' Gas Pay	Mıssissipian Ordovican Basement – Peridotite TD	6130' 6220' Gas Pay 6430' 6580'
Penn Clastics	5910'Gas Pay		

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

Water: 150'-200' Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000 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>	Casing Size	<u>Wt./Ft</u>	<u>Grade</u>	Coupling	Interval
12 1/4	8 5/8"	24#	J-55	ST&C	0-1100'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-6385"

 Minimum Casing Design Factors: Callapse 1.125, Burst 1.0, Tensile Strength 1.80
 Yates Petroleum Corporation requests that a variance be granted in requiring the casing and BOPE to be tested to 2000 PSI to testing the casing and BOPE to 1000 PSI. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 PSI. We would have to go to the greater expense of hiring an independent service to do the testing. Also, the maximum shut-in bottom hole pressure is 1100 PSI. Pressure at the surface is much less. Most of the time the Abo formation requires treatment before it flows.

Filaree "AEL" Federal #5 Page 2

B. CEMENTING PROGRAM:

Surface Casing: 250 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCL2 (YLD 1.33 WT 15.6). Cement circulated to the surface.

Production Casing: 550 sx Pecos Valley Lite (YLD 1.34 WT 13 0). Casing shall extend upwards a minimum of 500 feet above the uppermost perforation.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Туре	<u>Weight</u>	<u>Viscosity</u>	Fluid Loss
0-1100'	FW GEL,Paper,LCM	8.6 - 9.6	32-36	N/C
1100'-4385'	Brine	10 - 10.2	28	N/C
4385'-6580'	Starch/Salt Gel	9.3-10.2	32-40	<6 cc

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:

And all all a stand DLID.

Samples: 10' samples out from under surface casing. Logging: CNL/LDT/NGT TD-Surf csg; with GR/CNL TD-Surf; DLL/MS FL TD-Surf csg: BHC Sonic TD-SURF CSG Coring: None DST's: As warranted.

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Anticipated BHP:		
From: 0	TO: 1100'	Anticipated Max. BHP: 400 PSI
From: 1100'	TO: 6580'	Anticipated Max. BHP: 2800 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN Yates Petroleum Corporation Filaree "AEL" Federal #5 1600' FSL AND 660' FEL Section 33, T8S-R26E Chaves 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 the describe the location of the areased 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 27 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive Northeast of Roswell on Highway 70 approximately 14 miles to Magdalena Road (Acoss from Acme School). Turn right on Magdalena Rd. and drive approximately 4.1 miles. Turn left (NE) on lease road (just before cattleguard) and follow road north approx. 2.7 miles (Past McConkey #1, Fed "IX" #1 & #2 locations). Access road is staked on the right side going to the southwest corner of the location.

- 2. PLANNED ACCESS ROAD:
 - A. The proposed new access will be approximately 250' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a north to south 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. 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.

Filaree "AEL" Federal #5 Page 2

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 nearest pit and obtain any permits and materials needed for construction.

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 land fill. Burial on site is not approved.
- ANCILLARY FACILITIES: Yates Petroleum Corporation wishes to run a 1200' on lease 2" X-42 buried steel natural gas pipeline to connect the Filaree "AEL" Federal #5 well and tie into existing pipeline connection to the Filaree "AEL" Federal #1 well.
- 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.
 - C. A 400' x 400' 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 after they have evaporated and dried.

Filaree "AEL" Federal #5 Page 3

SURFACE OWNERSHIP:

Bureau of Land Management Roswell, New Mexico 88210

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: Debbie L. Caffall, Permit Agent Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (575) 748-1471
- B. Through Drilling, Completions & Prod. Ray Stall, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (575) 748-1471

CERTIFICATION YATES PETROLEUM CORPORATION Filaree AEL Federal #5

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; that I have 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 <u>18th</u> day of <u>October</u>	, <u>2007</u>
Printed Name Debbie L. Caffall	
Signature Deble L-Coffood	
Position Title <u>Regulatory Agent</u>	
Address_105 South Fourth Street, Artesia, NM 88210	
Telephone <u>575-748-4376</u>	
Field Representative (if not above signatory)_Jim Krogman	
Address (if different from above) <u>Same</u>	
Telephone (if different from above) <u>575-748-4215</u>	
E-mail (optional) debbiec@ypcnm.com	







Yates Petroleum Corporation

Typical 2,000 psi Pressure System Schematic Double Ram Preventer Stack



Yates Petroleum Corporation Filaree "AEL" Federal #5 1600' FSL and 660' FEL Section 33-T8S-R26E Chaves County, New Mexico NM-29623 Exhibit "B"

Typical 2,000 psi choke manifold assembly with at least these minimun features



BOP-2



YATE'S PETROLEUM CORFURATION FILAREE "A'EL" FEDERAL#5, 1600/S & 660/E, SECTION 33, TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

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District 1
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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State of New Mexico Energy Minerals and Natural Resources

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

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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

105 South Fourth Street, Artesia, NM 88210			
	de Tank Registration or Closu		
• Is pit or below-grade tonk covered	d by a "general plan" Med 🗹 CheckBoxl		
Type of action Registration of a pit or b	elow-grade tank 🗶Closure of a pit or below-	grade tank	
Operator: Yates Petroleum Corporation Telephon Address: 104 South 4 th Street, Artesia, New Mexico 88210 104	e: <u>505-748-4376</u> e-mail address: <u>debbiec@yp</u>	<u>ecnm.com</u>	
Facility or well name: Filaree AEL Federal #5 APL#: 30-005-6342	7U/L or Qtr/Qtr NESE Sec 33 T 8S	R 26E	
County: <u>Chaves</u> LatitudeLongitude			
21	Below-grade tank	······································	
Type: Drilling 🙀 Production 🗋 Disposal 🗍	Volume:bbl Type of fluid:		
Workover Emergency	Construction material:		
ined 🖄 Unlined 🔲	Double-walled, with leak detection? Yes I If not, explain why not.		
iner type: Synthetic Thickness <u>12</u> mil Clay 🗌 Volume			
bbl		-	
	Less than 50 feet	(20 points)	
Depth to ground water (vertical distance from bottom of pit to seasonal high	50 feet or more, but less than 100 feet	(10 points)	
water elevation of ground water.)	100 feet or more	(0 points)	
Wellhead protection area: (Less than 200 feet from a private domestic	Yes	(20 points) RECEIVED	
vater source, or less than 1000 feet from all other water sources.)	No	(0 points) NOV 0 1 2004	
	Less than 200 feet	(20 points)	
Distance to surface water: (horizontal distance to all wetlands, playas,	200 feet or more, but less than 1000 feet	(10 points)	
rrigation canals, ditches, and perennial and ephemeral watercourses.)	1000 feet or more	(0 points)	
	Ranking Score (Total Points)	20	
If this is a pit closure: (1) attach a diagram of the facility showing the pit's	relationship to other equipment and tanks. (2) India	cate disposal location:	
onsite 🗌 offsite 🔲 If offsite, name of facility	(3) Attach a general description of remedial ac	ction taken including remediation start date and end	
date. (4) Groundwater encountered: No 🗋 Yes 🗌 If yes, show depth belo	ow ground surfaceft. and attach same	ple results. (5) Attach soil sample results and a	
diagram of sample locations and excavations.			
hereby certify that the information above is true and complete to the best of	my knowledge and belief. I further certify that th	e above-described pit or below-grade tank has	
een/will be constructed or closed according to NMOCD guidelines , a)ate: <u>10/29/2004</u>	a general permit (A, or an (attached) alternative	OCD-approved plan [].	
rinted Name/Title Robert Asher/Regulatory Agent	Signature Cell		
'our certification and NMOCD approval of this application/closure does not therwise endanger public health or the environment. Nor does it relieve the egulations.	relieve the operator of liability should the contents operator of its responsibility for compliance with an	of the pit or tank contaminate ground water or iy other federal, state, or local laws and/or	
ipproval:			
The NOV 87004 A -AAA TO	100		
rinted Name/Title	Signature		
As a condition of approval, if during	As a condition of	approval	
construction water is encountered or			
if water seeps in pits after	<u>a detailed closure plan</u>		
construction the OCD MUST BE	must be filed before	must be filed before	
CONTACTED IMMEDIATELY!	closure may commence.		



EXHIBIT A

OPERATORS NAME: <u>Yates Petroleum Corporation</u> LEASE NO.: <u>NM-29623</u> WELL NAME & NO: <u>Filaree "AEL" Federal #5</u> QUARTER/QUARTER & FOOTAGE: <u>NE¼SW¼ - 1600' FSL & 660' FEL</u> LOCATION: <u>Section 33, T. 8 S., R. 26 E., NMPM</u> COUNTY: <u>Chaves County, New Mexico</u>



PECOS DISTRICT - RFO CONDITIONS OF APPROVAL

2/7/08

OPERATORS NAME: <u>Yates Petroleum Corporation</u> LEASE NO.: <u>NM-29623</u> WELL NAME & NO: <u>Filaree "AEL" Federal #5</u> SURFACE HOLE FOOTAGE: <u>1600' FSL & 660' FEL</u> LOCATION: <u>Section 33, T. 8 S., R. 26 E., NMPM</u> COUNTY: <u>Chaves County, New Mexico</u>

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.

I. 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).

II. 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.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). 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.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 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 Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation. The soil shall be stockpiled on the northwest corner of the well pad.

C. RESERVE PITS:

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 175' X 150' on the EAST side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

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 need.

F. ON LEASE ACCESS ROADS:

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) 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.

Public Access

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

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V. DRILLING

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A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second Street, Roswell, NM 88201. 24 hours call (505) 627-0205. Engineer on call phone (after hours): (505) 626-5749.

2. The Roswell Field Office is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding well

b. Setting and/or Cementing of all casing strings: <u>8-5/8</u> inch <u>5-1/2</u> inch

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. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

B. CASING

1. The <u>8-5/8</u> inch surface casing shall be set <u>at approximately 1100 feet</u> and cemented to the surface.

a. If cement does not circulate to the surface, the BLM Roswell Field Office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).

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 compression strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is <u>sufficient to tie</u> back 500 feet above the uppermost perforation in the pay zone. If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

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

C. PRESSURE CONTROL

1. Before drilling below the <u>8-5/8</u> inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be <u>2000</u> psi.

3. The BOPE shall be installed before drilling below the 8-5/8 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The results of the test will be reported to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

b. 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.

c. Testing must be done in a safe workman like manner. Hard line connections shall be required.

d. 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.

e. The requested variance to test the BOPE before drilling below the 8-5/8 inch surface casing to the reduced pressure of 1000 psi using the rig pumps is approved.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, <u>Olive Drab</u>, <u>Munsell Soil Color Chart 18-0622 TPX</u>.

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting 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.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, 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.

B. RESERVE PIT CLOSURE

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

SD-3 Sandy Ecological Site

Common Name and Preferred Variety	Scientific Name	Pounds of I Live Seed	
Black grama	(Bouteloua eriopoda)) lbs.
or Blue grama, var. Lovin	gton (Bouteloua gr	acilis)	
Sideoats grama (Boute	loua curtipendula)	1.00) lb.
var. Vaughn or El Reno			
Sand dropseed (Sp	orobolus cryptandrus)	0.50) lb.
or Mesa dropseed (S. flexuosus)			
or Spike dropseed	(S. contractus)		
Desert or Scarlet (Sphae	ralcea ambigua)	1.00) lb.
Globemallow	or (S. coccinea)		
Croton	(Croton spp.)	1.00) lb.
TOTAL POUNDS PUR	· · · · · · · · · · · · · · · · · · ·	CRE 8.50) lbs.

If one species is not available, increase ALL others proportionately. Certified Weed Free Seed. A minimum of 4 species is required, including 1 forb species.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

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Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.



United States Department of the Interior BUREAU OF LAND MANAGEMENT Roswell Field Office 2909 West Second Street Roswell, New Mexico 88201

Page 1 of 6

ROSWELL FIELD OFFICE -BLM BLM Serial Number: NM29623 Company Name: Yates Petroleum Corporation Well Name and Number: Filaree "AEL" Federal #5

BURIED PIPELINE STIPULATIONS FOR THE ROSWELL FIELD OFFICE, BLM.

A. THE APD AND/OR THE SUNDRY NOTICE WAS USED FOR THE ON-LEASE BURIED PIPELINE CONSTRUCTION.

1. The APD and/or Sundry Notice And Report On Wells can act, to the extent possible, as an application for the on-lease construction of the buried pipeline on Federal surface lands. In combination with the approved APD, the following standard terms and conditions are hereby attached to the APD/SN on-lease authorization.

B. The holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer, BLM.

1. The BLM shall administer compliance and monitor construction of the pipeline. Notify <u>Richard G.</u> <u>Hill</u> at least <u>3</u> working days (72 Hours) prior to commencing construction of the pipeline. Roswell Field Office number (505) 627-0247.

2. PIPELINE CONSTRUCTION:

A.) The entire length (1200 feet) of pipeline shall be buried in a trench 36 inches deep and 46 inches deep under all existing access roads.

B.) The X-42 2 inch steel pipeline shall parallel the access road on the northwest side of the road.

C.) The centerline of the pipeline shall be constructed 25 feet from the centerline of the access road.

D.) The holder shall consult with the Authorized Officer if the depth cannot be accomplished due to rock outcropping, or if the soils are not deep enough.

E.) The operations shall be contained within the perimeters of the archaeological surveyed areas.

Exhibit E Filaree "AEL" Federal #5 NM-29623

Page 2 of 6

3. The holder shall conduct all activities associated with the construction, operation, and removal of the pipeline within the authorized limits of the pipeline corridor, **not to exceed 20 feet**. The holder shall consult with the Authorized Officer prior to utilizing more surface then the allowable limits of the pipeline corridor or for approval of any changes that are made to the pipeline route.

4. Clearing and/or blading of all vegetation shall be allowed. Clearing is defined as the removal of brush while leaving ground vegetation (grasses, weeds, *etc.*) intact. Clearing is best accomplished by holding the blade 4 to 6 inches above the ground surface to reap the vegetation. Blading is defined as the complete removal of brush and ground vegetation. Where blading and/or clearing is allowed, the maximum surface disturbance width of these operations shall not exceed 20 feet.

5. The pipeline shall be buried under all roads. The holder shall bury the pipeline 48 inches deep and 30 feet across all road crossings. The pipeline shall be buried 48 inches deep in order for the buried pipeline to be covered with a layer of soil 45 inches in depth between the top of the pipeline and the road surface level. The width of maximum disturbance on all roads is <u>30 feet</u> and in order to secure that the buried pipeline is protected from maintenance and/or renovation work on the roads, the holder is required to start and end construction of the buried pipeline outside the perimeters of the road width maximum disturbance. The holder shall consult with the Authorized Officer if the depth cannot be accomplished due to rock outcropping, or if the soils are not deep enough.

6. The approval of this APD/SN for pipeline construction does not in any way imply or approve any other on-lease, off-lease, or off-unit action(s). It is the responsibility of the holder to obtain other approval(s) such as rights-of-way from the Roswell Field Office or other agencies, including private surface landowner(s).

7. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this authorization.

8. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by, or stored on the pipeline corridor. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, *etc.*) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

9. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the pipeline corridor (unless the release or threatened release is wholly unrelated to the holder's activity on the pipeline corridor). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

Exhibit E Filaree "AEL" Federal #5

NM-29623

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

11. The holder shall minimize disturbance to existing fences and other improvements or facilities on public land. When necessary to pass through a fence line, the fence will be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer. The holder is required to promptly repair impacted improvements or facilities to at least their former state. The holder shall contact the owner of any improvements or facilities prior to disturbing them.

12. Vegetation, soil, and rocks left as a result of the pipeline construction, or maintenance activity will be randomly scattered over the project area and will not be left in rows, piles, or berms, unless otherwise approved by the Authorized Officer. An earthen berm is approved to be left over the ditch line to allow for the trench settling back to grade.

13. In those areas where erosion control structures are required to stabilize soil conditions, the holder shall install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound management practices. Any earth work not specifically granted by this authorization shall require prior approval by the Authorized Officer.

14. The holder shall seed all surface disturbed by the pipeline construction activities. Seeding is required on the disturbed areas and the seed mixture was determined by the Roswell Field Office for the Desired Plant Community on this pipeline project.

A. Desired Plant Community seed mixture to be planted in pounds of pure live seed per acre:

SD-3 Sandy Ecological Site

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Black grama or Blue grama, var. Lovir	(Bouteloua eriopoda) agton (Bouteloua gr	5.00 lbs. acilis)
Sideoats grama <i>(Bouteloua curtipendula)</i> var. Vaughn or El Reno		1.00 lb.
Sand dropseed (Sp or Mesa dropseed (S. flex	oorobolus cryptandrus)	0.50 lb.
or Spike dropseed	-	
Desert or Scarlet (Sphae	eralcea ambigua)	1.00 lb.
Globemallow	or (S. coccinea)	
Croton	(Croton spp.)	<u>1.00 lb.</u>
TOTAL POUNDS PUR	E LIVE SEED PER A	CRE 8.50 lbs.

If one species is not available, increase ALL others proportionately. Certified Weed Free Seed. A minimum of 4 species is required, including 1 forb species.

B. The recommended time to seed is from June 15th through September 15th. The optimum seeding time is in mid-July. Successive seeding should be done either late in the fall (Sept. 15th - Nov. 15th, before freeze up) or early as possible the following spring to take advantage of available ground moisture. However, the holder may seed immediately after completing the surface disturbing activities.

E. The holder shall be responsible for the establishment of vegetation on the pipeline route. Evaluation of vegetative growth will not be made before the completion of the first growing season after seeding. The Authorized Officer reserves the right to require reseeding at a specific time if seed does not germinate after one growing season. Waiver of this requirement would be considered if diligent attempts to revegetate the disturbed areas have failed and the Authorized Officer determines that further attempts to replant the disturbed area is futile.

15. All above-ground structures (e.g.: meter houses, above ground pipelines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee. The color selected for this project is <u>Carlsbad</u> <u>Canyon</u> (formerly sandstone brown), Munsell Soil Color Chart Number <u>2.5Y 6/2</u>.

16. The holder shall post signs designating a pipeline crossing at the following locations: the points of origin and completion, or entry to and exit from public lands, at all road crossings. These signs shall be posted in a permanent, conspicuous manner, and shall be maintained in a legible condition until the pipeline no longer services the well and is removed.

17. The holder shall not use the pipeline corridor as a road except during periodic routine maintenance work as determined necessary by the Authorized Officer. The pipeline corridor shall not be used for any other purposes than for what it was hereby approved. The holder shall consult with the Authorized Officer if the disturbed areas are used for other reasons than for maintenance purposes. The holder shall take whatever steps are necessary to ensure that the pipeline corridor is not used as a roadway.

18. Any cultural and/or paleontological resource (i.e.: historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on Federal land shall be immediately reported to the Authorized Officer. The holder 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 will be made by the Authorized Officer to determine appropriate actions that shall be taken to prevent the loss of significant cultural or scientific values. The holder shall be responsible for the cost of evaluation of any cultural and/or paleontological resources that are discovered. Any decision as to the proper mitigation measures shall be made by the Authorized Officer after consultation with the holder.

• Exhibit E Filaree "AEL" Federal #5

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19. The holder is hereby obligated to comply with procedures established in the Native American Graves Protection and Repatriation Act (NAGPRA) to protect such cultural items as human remains, associated funerary objects, sacred objects, and objects of cultural patrimony discovered inadvertently during the course of project implementation. In the event that any of the cultural items listed above are discovered during the course of the project work, the holder shall immediately halt the disturbance and contact the BLM within 24 hours for instructions. The holder or initiator of any project shall be held responsible for protecting, evaluating, reporting, excavating, treating, and disposing of these cultural items according to the procedures established by the BLM in consultation with Indian Tribes. Any unauthorized collection or disturbance of cultural resources may result in a shutdown order by the Authorized Officer.

20. Special Stipulations:

A. Precautionary measures shall be taken by the holder during maintenance of the access road to protect the **gas** pipeline that parallels the **north** side of the access road (See map - EXHIBIT A). The holder shall be held responsible for any damage to the **gas** pipeline. If the **gas** pipeline is ruptured and/or damaged the holder shall immediately cease maintenance operations and repair the pipeline. The holder shall be held liable for any unsafe construction and/or maintenance operations that threaten human life and/or cause the destruction of equipment.

EXHIBIT A

OPERATORS NAME: <u>Yates Petroleum Corporation</u> LEASE NO.: <u>NM-29623</u> WELL NAME & NO: <u>Filaree "AEL" Federal #5</u> QUARTER/QUARTER & FOOTAGE: <u>NE¼SW¼ - 1600' FSL & 660' FEL</u> LOCATION: <u>Section 33, T. 8 S., R. 26 E., NMPM</u> COUNTY: <u>Chaves County, New Mexico</u>

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