

N.M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

AUG 29 2008

OCD-ARTESIA

Form 3160-3
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER



FORM APPROVED
OMB NO. 1004-0137
Expires July 31, 2010

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No NM-12687
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Not Applicable
2. Name of Operator Yates Petroleum Corporation 25575		7. If Unit or CA Agreement, Name and No Not Applicable
3a. Address 105 South Fourth Street, Artesia New Mexico 88210		Lease Name and Well No 34126 Gebo BEG Federal #2
3b. Phone No (include area code) (575) 748-1471		9. API Well No. 30-005-64043
4. Location of well (Report location clearly and in accordance with any State requirements *) At surface ROSWELL CONTROLLED WATER BASIN At proposed prod. zone 1980' FSL and 1980' FWL, Unit K same as above		10. Field and Pool, or Exploratory Undes. Foor Ranch; Pre-Permian
14. Distance in miles and direction from the nearest town or post office* Approximately 15 miles northeast of Roswell, New Mexico		11. Sec, T, R., M., or Blk. And Survey or Area Section 12, T10S-R25E
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any) 660'	16. No. of acres in lease 1120.01	17. Spacing Unit dedicated to this well W/2 320.00 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1300'	19. Proposed Depth 5615'	20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF, KDB, RT, GR, etc) 3764' GL	22. Approximate date work will start* ASAP	23. Estimated duration 30 Days

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by existing bond on file(see item 20 above) |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/ or plans as may be required by the a authorized officer. |

25. Signature	Name (Printed/ Typed) Debbie L. Caffall	Date 6/3/2008
Title Regulatory Agent		
Approved By (Signature) /s/ Angel Mayes	Name (Printed/ Typed) /s/ Angel Mayes	Date AUG 27 2008
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

NOTE: NEW PIT RULE

19-15-17 NMAC PART 17

A form C-144 must be approved before starting drilling operations.

applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc
1212 make it a crime for any person knowingly and willfully to make to any department or agency of the Unite
presentations as to any matter within its jurisdiction

C-102 attached C-144 attached

WITNESS

9 5/8" surface cementing

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

The first two casing strings shall be circulated to surface with cement.

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 76730		³ Pool Name Undes. Foor Ranch; Pre-Permian	
⁴ Property Code 34126		⁵ Property Name GEB0 BEG FEDERAL			⁶ Well Number 2
⁷ OGRID No. 025575		⁸ Operator Name YATES PETROLEUM CORPORATION			⁹ Elevation 3764

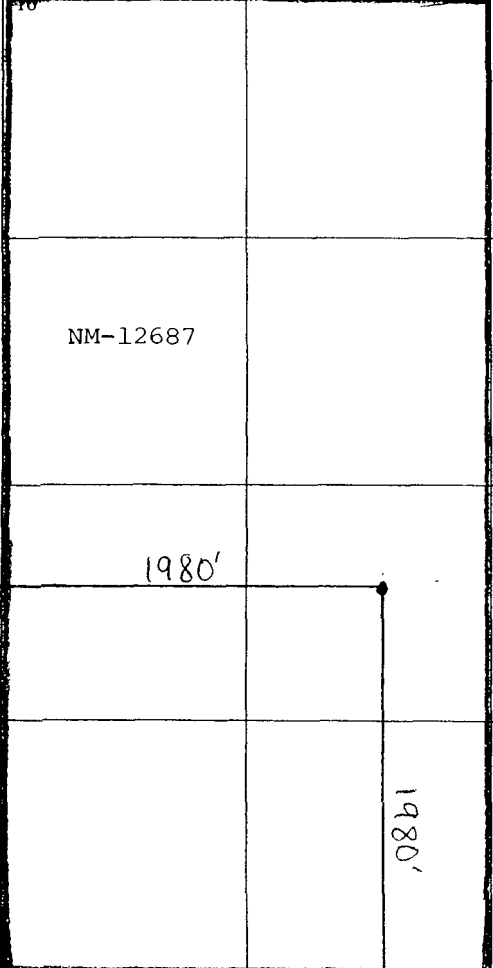
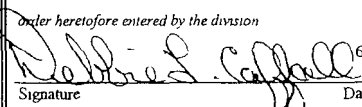
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	12	10S	25E		1980	SOUTH	1980	WEST	CHAVES

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320 W ²		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	¹⁷ OPERATOR CERTIFICATION <i>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</i>  Signature _____ Date 6/4/2007 Debbie L. Caffall Printed Name Regulatory Agent Title
	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief</i> Date of Survey _____ Signature and Seal of Professional Surveyor _____ REFER TO ORIGINAL PLAT Certificate Number _____

DISTRICT II

511 South First, Artesia, NM 80010

DISTRICT III

1000 Rio Grande Rd., Artesia, NM 87410

DISTRICT IV

2000 South Pecos, Santa Fe, NM 87005

OIL CONSERVATION DIVISION

P.O. Box 2008

Santa Fe, New Mexico 87504-2008

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number		Pool Code	Pool Name Precambrian
Property Code	Property Name GEO "BEG" FEDERAL		Well Number 2
OGSD No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3764

Surface Location

UL or lot No.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
K	12	10S	25E		1980	SOUTH	1980	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320		Joint or Infill	Consolidation Code	Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

NM-12687		<p>N.33°27'29.7" W.106°21'27.1" N.894220.5 E.492788.7 (NAD 87)</p>	OPERATOR CERTIFICATION I hereby certify the information contained herein is true and complete to the best of my knowledge and belief. Signature Robert Asher Printed Name Regulatory Agent Title 6/17/2004 Date
			SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 4/21/2004 Date Surveyed Signature & Seal of Professional Surveyor

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 3630' 3960' 4290' 4620' 4950' 5280' 5610' 5940' 6270' 6600'

Map 1, South Platte, Idaho, NM 62340

DISTRICT II
621 South Platte, Idaho, NM 62340

DISTRICT III
1000 W. Brown St., Ariz., NM 62440

DISTRICT IV
1000 South Platte, Santa Fe, NM 62540

Range, Township and Section Survey Department

Revised March 12, 1969
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 2 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Well Code 76730	Well Name Under. Four Ranch; Permian
Property Code	Property Name GEBO "BEG" FEDERAL	Well Number 2
GEBO No. 005575	Operator Name YATES PETROLEUM CORPORATION	Location 3764

Surface Location

TL or Lot No. K	Section 12	Township 10S	Range 25E	Lot No.	Feet from the 1980	North/South Line SOUTH	Feet from the 1980	East/West Line WEST	County CHAVES
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Bottom Hole Location if Different From Surface

TL or Lot No.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
Sedimental Acres 320		Joint or Well	Contribution Code	Order No.					

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

NM-12687		N. 37° 27' 28.7" W. 106° 21' 27.1" N. 394380.5 E. 402788.7 (NAD 87)		OPERATOR CERTIFICATION I hereby certify the information contained herein is true and complete to the best of my knowledge and belief. Signature Robert Asher Printed Name Regulatory Agent Title 6/17/2004 Date
				SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 4/21/2004 Date Surveyed Signature of Surveyor Printed Name Herschel Jones Title Surveyor

0 500' 000' 000' 1000' 1000' 1000' 2000' 1000' 1000' 000' 000' 000' 0'

YATES PETROLEUM CORPORATION
Gebo BEG Federal #2
 1980' FSL and 1980' FWL
 Section 12-T10S-R25E
 Chaves County, New Mexico

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

Queen	140'	Abo	4040' Gas
Penrose	215'	Wolfcamp	4725' Gas
Grayburg	405'	WC B Zone	4810' Gas
San Andres	650' Oil & Gas	Spear Zone	5075' Gas
Glorieta	1725'	Cisco	5300' Gas
Yeso	1860'	Strawn	5435' Gas
Tubb	3285'	Precambrian	5465' Gas
		TD	5615'

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

Water: 150'-300'
 Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-600'
8 3/4"	*7"	23#	J-55	LT&C	0-4800'
8 3/4"	5 1/2"	15.5#	J-55	LT&C	0-5615'

*7" casing will only be set if hole conditions dictate. If 7" casing is run, hole will be reduced to 6 1/8" and 4 1/2" production casing will be run.

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

Gebo BEG Federal #2

Page 2

WITNESS

A. CEMENTING PROGRAM:

Surface Casing: 750 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx C with 2% CaCl₂ (YLD 1.33 WT 15.6). Casing shall be set at 600' and cement circulated to the surface.

Intermediate Casing: 200 sx PVL (YLD 2.0 WT 12.5). Tail in w/ 200 sx C with 2% CaCl₂ (YLD 1.33 WT 13.0). ~~Bring cement up at least 200' above shoe.~~ *Circulate cement to surface.*

Production Casing: 750 sx Pecos Valley Lite (YLD 1.42 WT 13.0). Cement shall extend upward a minimum of 500 feet above the uppermost perforation. *IF Second casing string, must circulate cement to surface.*

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-900'	FW GEL/Paper/LCM	8.6-9.6	32-34	N/C
900'-3950'	Cut Brine	9.3-10.2	28	N/C
3950'-5615'	Starch/Salt Gel/4-6% KCL	9.7-10.0	45-55	<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:

Samples: 10' samples, surface casing to TD.

Logging: Platform Express, CNL/LDT/NGT TD -Surf csg; CNL/GR TD-Surf; DLL/MSFL TD- Surf csg; BHC Sonic TD - Surf csg;

Coring: None

DST's: None

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

Anticipated BHP:

From: 0	TO: 900'	Anticipated Max. BHP: 450 PSI
From: 900'	TO: 5630'	Anticipated Max. BHP: 2950 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Gebo BEG Federal #2
1980' FSL and 1980' FWL
Section 12-T10S-R25E
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 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 15 miles east of Roswell, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Drive east of Roswell, on Hwy 380, approximately 8 miles to Alamo Road. Turn left on Alamo Rd. and continue for approximately 1.9 miles to a "Y" in the road, take left fork and continue on Alamo Road for approximately 1.5 miles to a "Y" in the road, take left fork and continue for approximately 0.2 of a mile to another "Y" in the road, take right fork and continue for approximately 0.6 of a mile to the lease road staked on the left side, turn left and continue for approximately 400' to the NE corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 400' in length from the point of origin to the northeast corner of the drilling pad. The road will lie in a east to west 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 well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

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

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources, possibly in Roswell, 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 landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

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

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site 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.

Gebo BEG Federal #2
Page 3


11. SURFACE OWNERSHIP: Bureau of Land Management, Roswell, NM
12. OTHER INFORMATION:
 - A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
 - B. The primary surface use is for grazing.

CERTIFICATION
YATES PETROLEUM CORPORATION
Gebo BEG Federal #2

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 3rd day of June, 2008.

Printed Name Debbie L. Caffall

Signature 

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4376

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4271

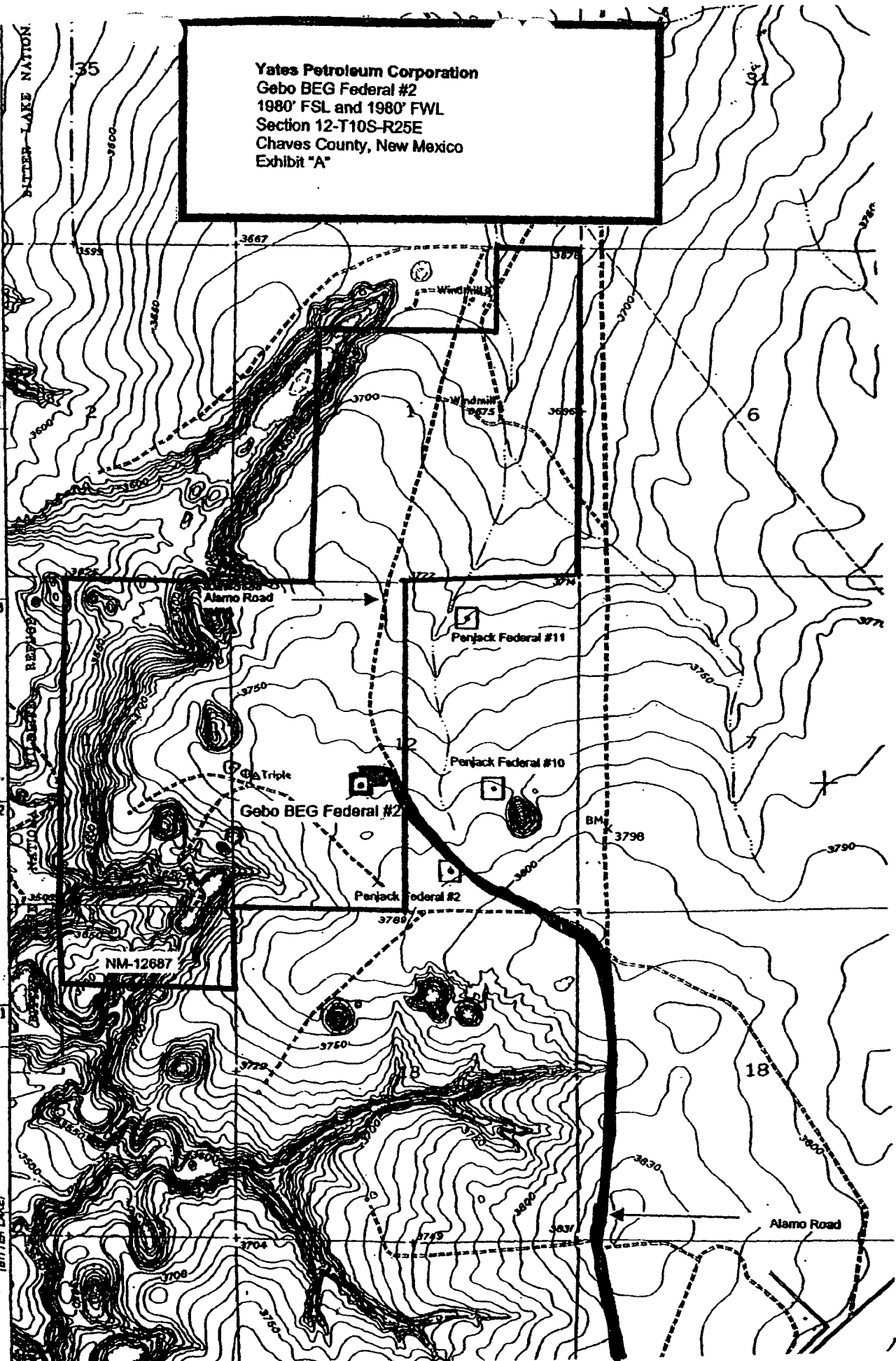
E-mail (optional) debbiec@ypcnm.com

Yates Petroleum Corporation
Gebo BEG Federal #2
1980' FSL and 1980' FWL
Section 12-T10S-R25E
Chaves County, New Mexico
Exhibit "A"

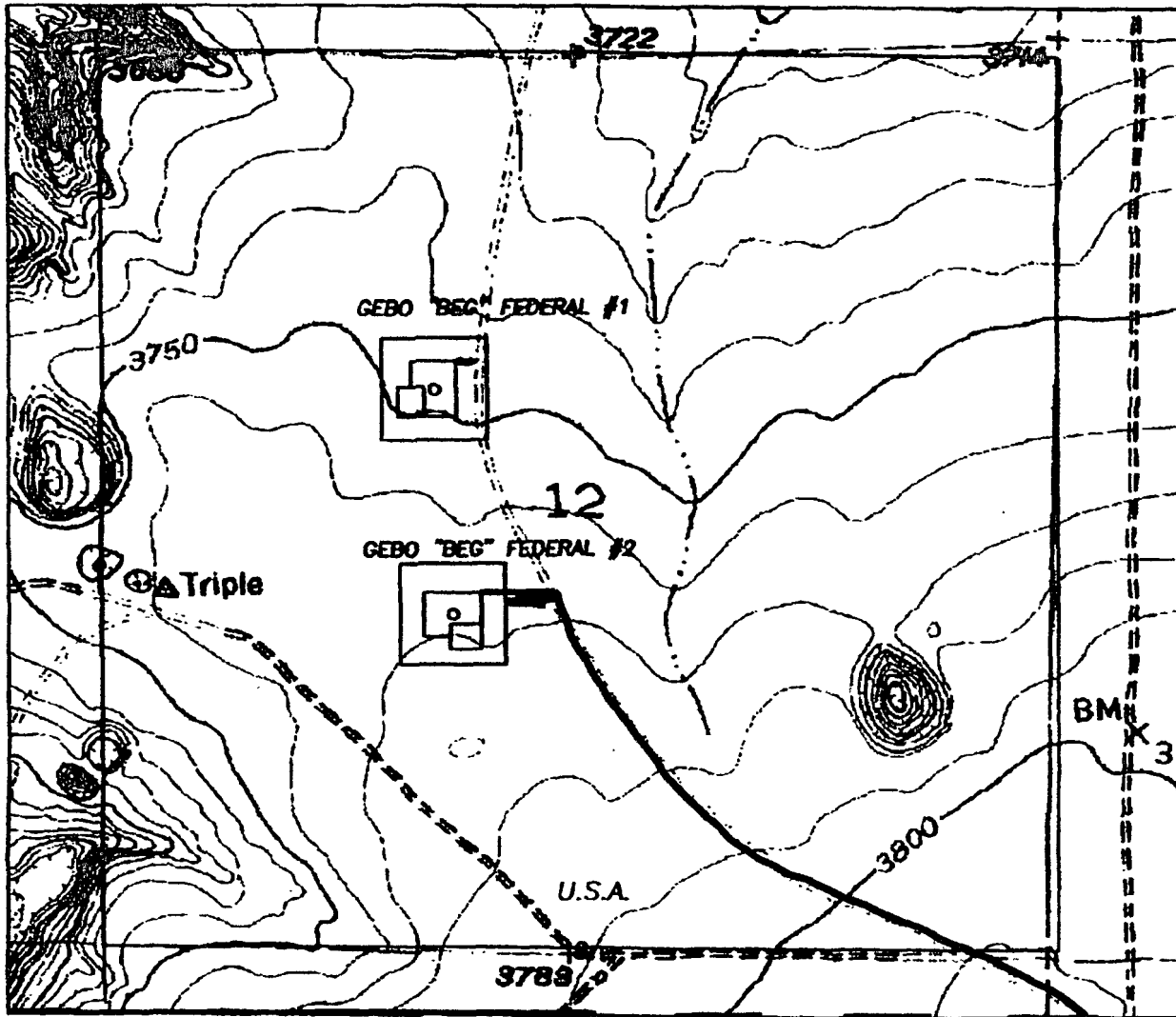
T. 9 S.
T. 10 S.

27°30"

182 N NW
(BITTER LAKE)



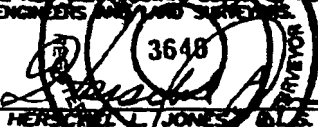
SECTION 12, TOWNSHIP 10 SOUTH, RANGE 25 EAST, NMPM CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
 Gebo BEG Federal #2
 1980' FSL and 1980' FWL
 Section 12-T10S-R25E
 Chaves County, New Mexico
 Exhibit "A-1"

1000' 0 1000' 2000'
 Scale 1" = 1000'

THE PREPARATION OF THIS PLAN AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE CONDUCTED BY SECTION AND THE PLAN ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE SURVEYING ACT AND LAWS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND SURVEYORS.

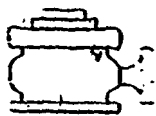


GENERAL SURVEYING COMPANY P.O. BOX 1928
 LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES GEBO "BEG" FEDERAL #1 & 2 WELLS, LOCATED IN SECTION 12, TOWNSHIP 10 SOUTH, RANGE 25 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

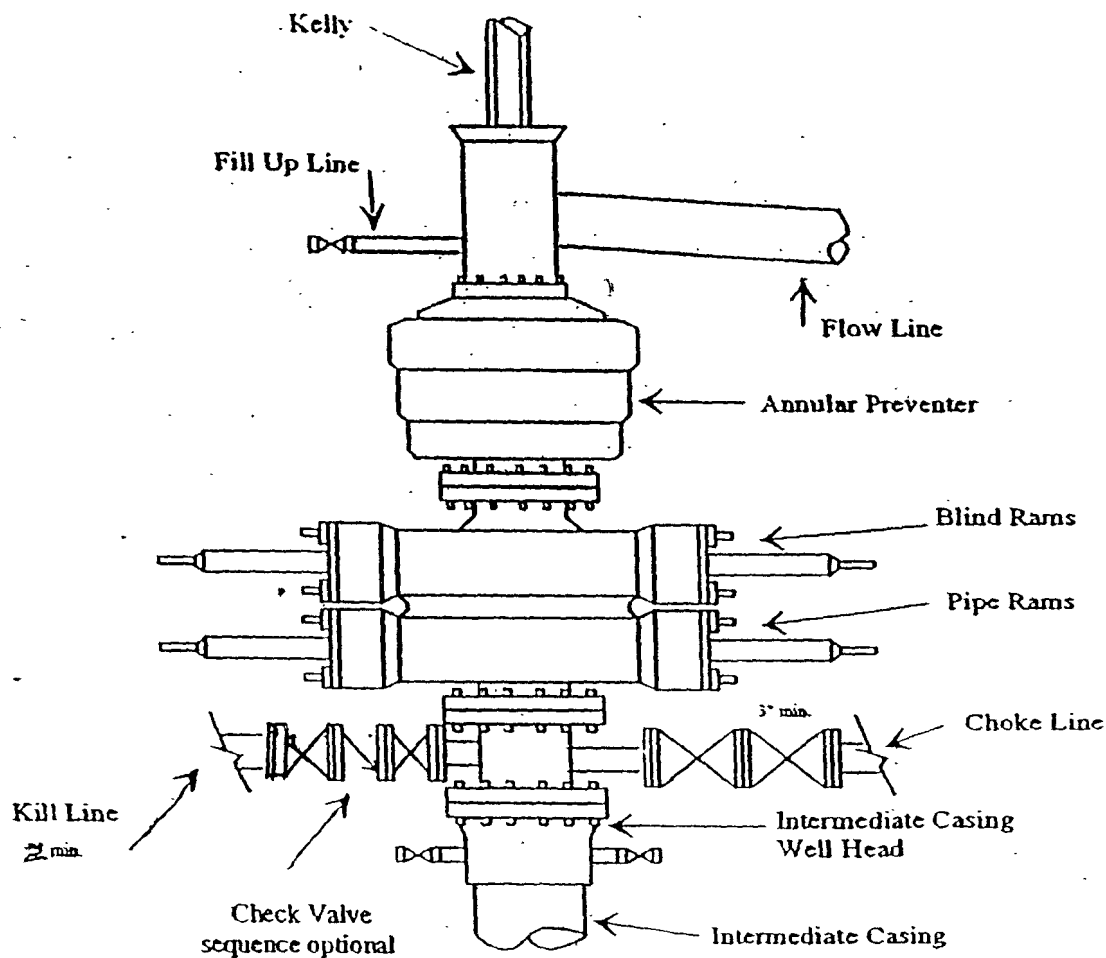
Survey Date: 5/04/2004	Sheet 1 of 1 Sheets
Drawn By: Ed. Blanks	R.O. Number
Date: 5/04/04	Scale 1" = 1000' GEBO 1-2



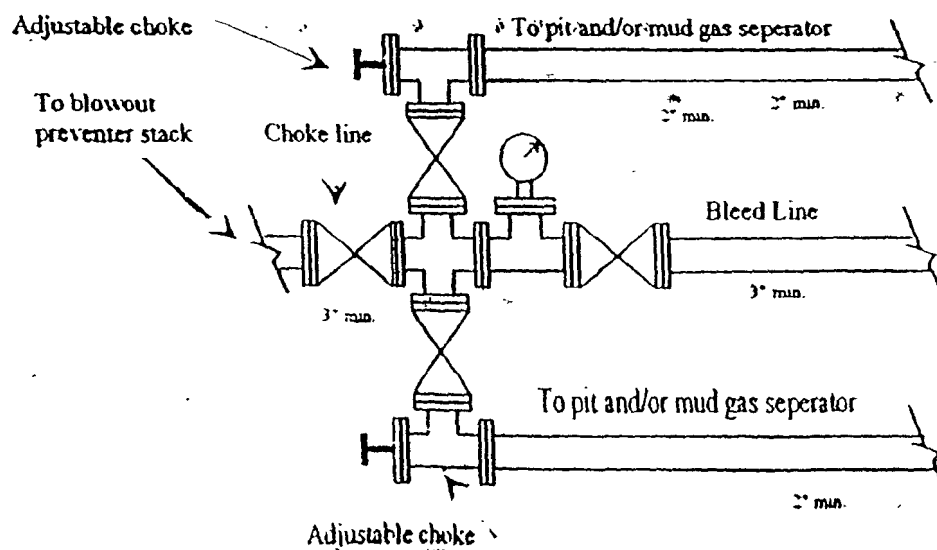
Yates Petroleum Corporation

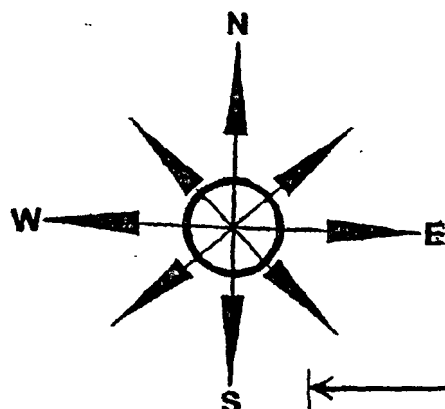
BOP-3

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



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



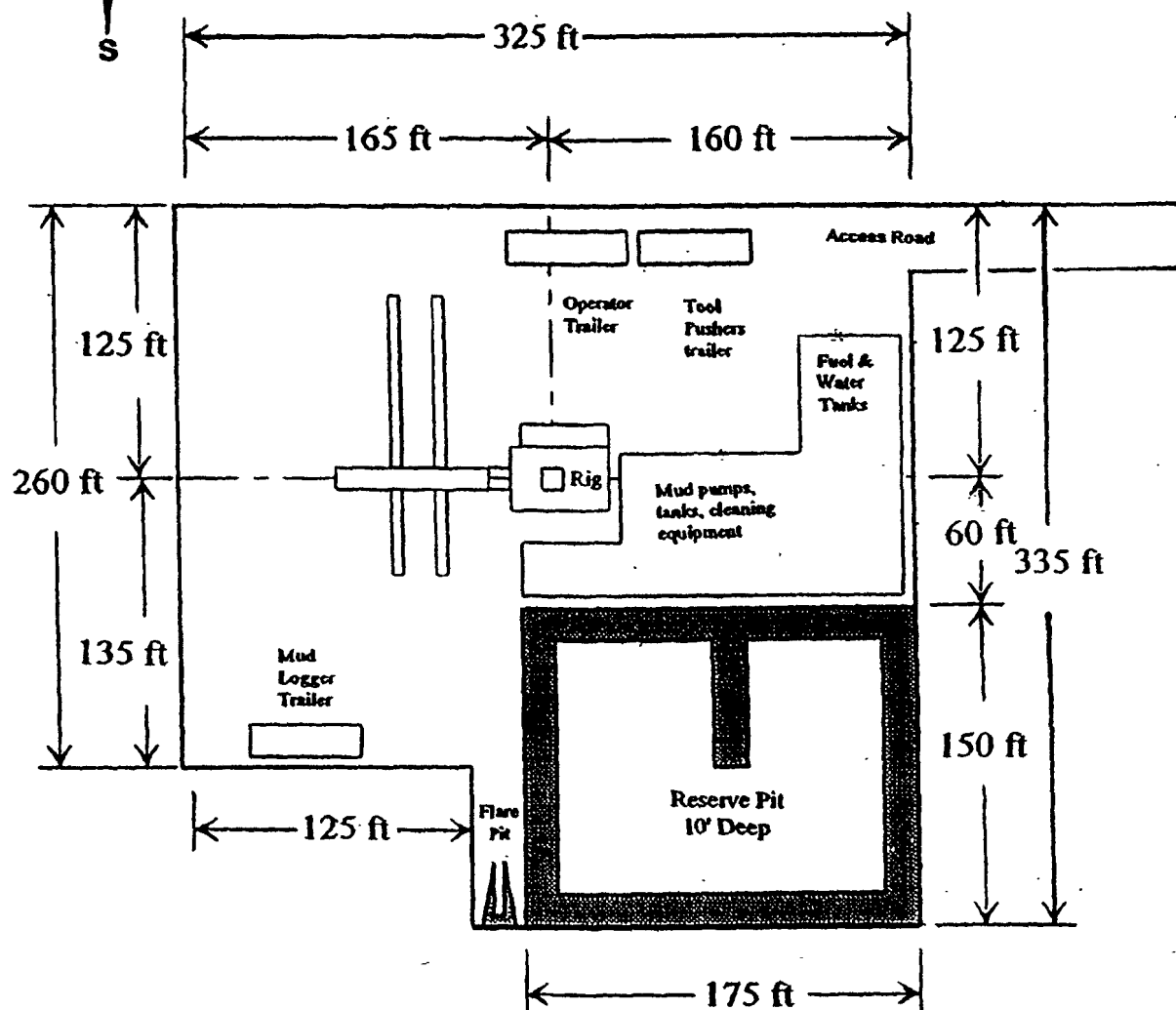


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

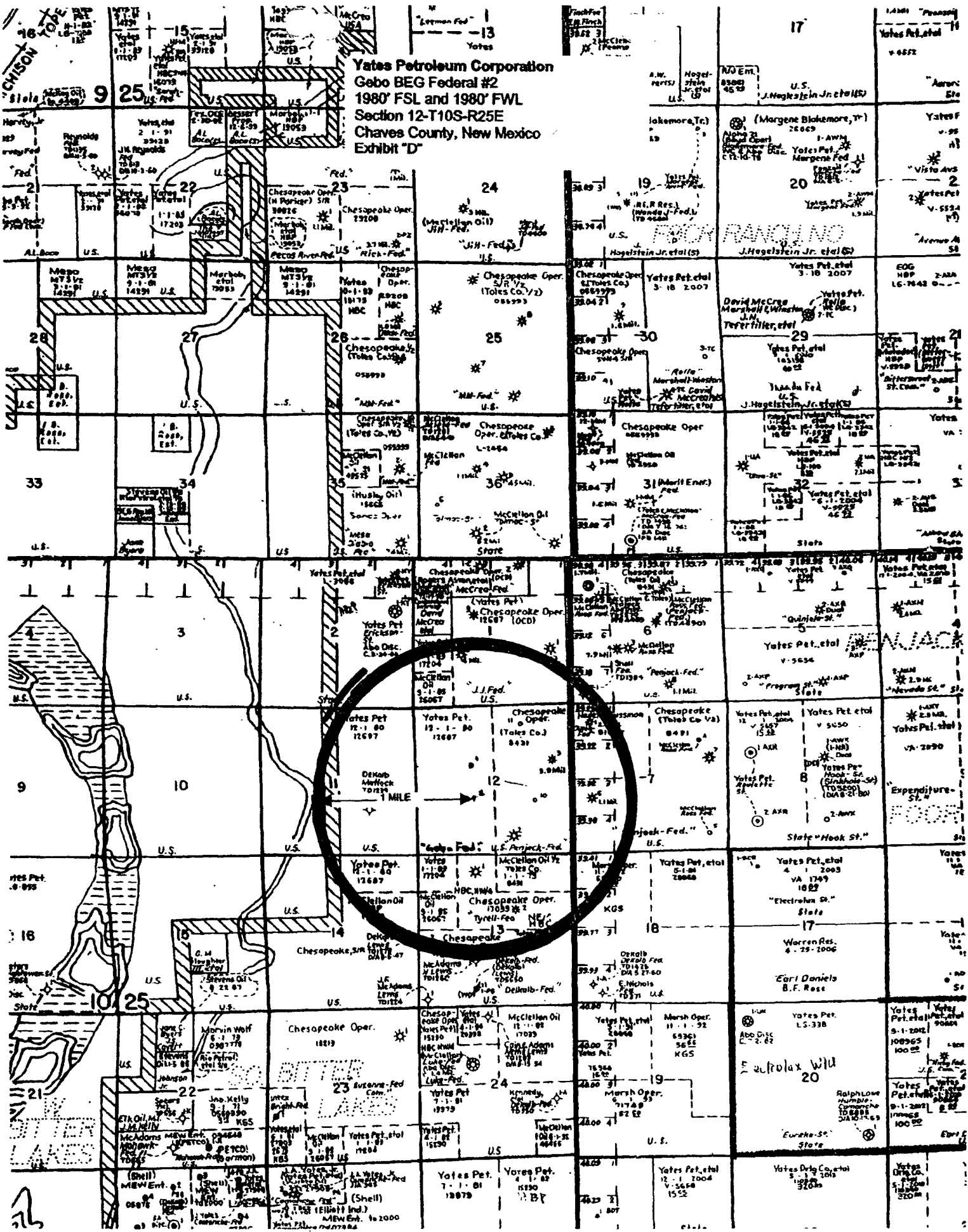
Yates Petroleum Corporation
 Gebo BEG Federal #2
 1980' FSL and 1980' FWL
 Section 12-T10S-R25E
 Chaves County, New Mexico
 Exhibit "C"



Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum

**Yates Petroleum Corporation
Gebo BEG Federal #2
1980 FSL and 1980 FWL
Section 12-T10S-R25E
Chaves County, New Mexico
Exhibit "D"**



**PECOS DISTRICT
ROSWELL FIELD OFFICE
CONDITIONS OF APPROVAL**

OPERATORS NAME: Yates Petroleum Corporation
LEASE NO.: NM-12687
FIRST WELL NAME & NO: Gebo "BEG" Federal #1
SURFACE FOOTAGE: 1980' FNL & 1880' FWL
SECOND WELL NAME & NO: Gebo "BEG" Federal #2
SURFACE FOOTAGE: 1980' FSL & 1980' FWL
LOCATION: Section 12, T. 10 S., R. 25 E., NMPM
COUNTY: Chaves County, New Mexico

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 to approximately 6 inches in depth. The topsoil shall be used for interim and final reclamation of the well pad. The topsoil shall be stockpiled on the side of the well pad farthest from the reserve pit.

C. RESERVE PITS:

A reserve pit will not be constructed as the operator shall use a closed-loop system in accordance with current NMOCD rules.

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.

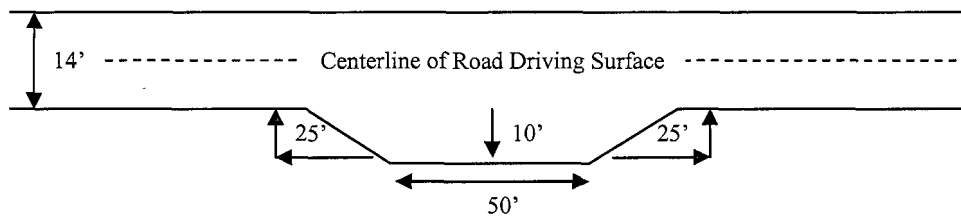
Crowning

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.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

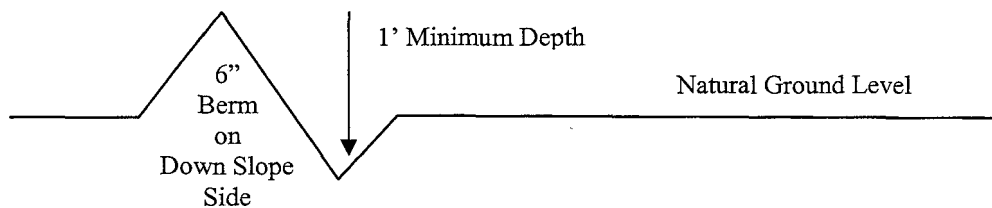


Drainage

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 Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula For Spacing Interval Of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

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

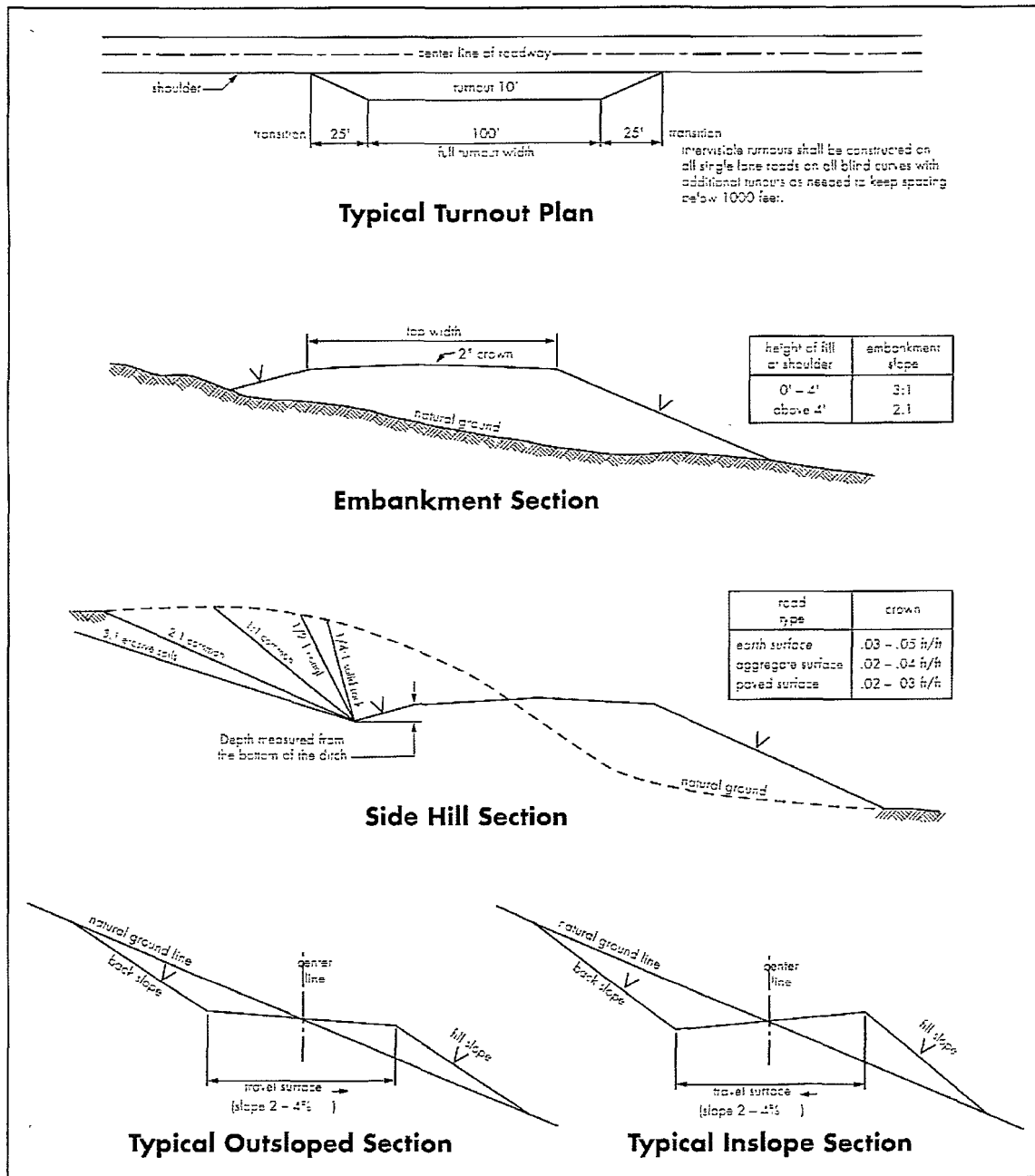
Public Access

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

Pipeline Protection Requirement

Precautionary measures shall be taken by the operator during construction to protect two (2) existing pipeline(s). An earthen berm shall be constructed over each of the existing pipeline(s). The operator shall be held responsible for any damage to the existing pipeline(s). If the either pipeline is ruptured and/or damaged the operator shall immediately cease construction operations and repair the pipeline(s). The operator shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

Figure 1 – Cross Sections and Plans For Typical Road Sections



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Chaves and Roosevelt Counties:

- Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201, 24 hour at (575) 627-0205

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

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

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.

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

B. CASING

1. The 9 $\frac{5}{8}$ inch surface casing shall be set at a maximum of 600 feet and cemented to the surface.

a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with 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, 24 hours in the potash area, 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 7 or 5 $\frac{1}{2}$ inch intermediate casing is to circulate to surface. NOTE: the operator wishes to choose whether to run a 7 inch second string or the 5 $\frac{1}{2}$ inch depending on hole conditions. The first and second casing string must be

circulated to surface with cement. If cement does not circulate see B.1.a-d above.

3. The minimum required fill of cement behind the 5½ inch production casing is to circulate to surface .

a. If cement does not circulate, contact the appropriate BLM office for approval of remedial action.

b. If cement is required to tie-back into previous casing string, 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.

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 RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2,000 psi.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9⅝ surface casing shoe shall be 2,000 psi.

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

b. The tests shall be done by an independent service company.

c. The results of the test shall be reported to the appropriate BLM office.

d. 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.

e. 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.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim re-contouring and re-vegetation 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.

A containment structure or earthen dike shall be constructed and maintained around the north, east, south, and west outside boundary of the well pad. The containment structure or earthen dike shall be constructed two (2) feet high (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum). The containment structure or earthen dike is required so that if oilfield waste contaminant or product contaminant were leaked, spilled, and or released upon the well pad the oilfield waste contaminant or product contaminant shall be contained in order to prevent the contaminant from entering onto the ground off of the well pad.

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, Juniper Green (Standard Environmental Color Chart, June 2008).

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 re-vegetating 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 work over operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously

disturbed area. Disturbing re-vegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

PECOS DISTRICT SEED MIX FOR:

The following soil or soil associations may represent these ecological sites: Alama-Poquita, Alama-Reeves, Anthony sandy loam, Berino, Blakeney-Ima, Cacique, Dona Ana, Glendale-Harkey, Harkey sandy loam, Karro loam, Kermit-Berino fine sand, Mobeetie fine sandy loam, Pajarito-Bluepoint, Poquita, Potter-Simona complex, Sharvana-Redona, Simona, Simona-Bippus complex, Sotim-Berino, Sotim-Simona association, moderately undulating, Tonuco loamy sand, Vinton

Ecological Site: Shallow Sand SD-3 and Sandy SD-3

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Blue grama	<i>(Bouteloua gracilis)</i>	4.00
Sideoat grama	<i>(Bouteloua curtipendula)</i>	1.00
Sand dropseed	<i>(Sporobolus cryptandrus)</i>	0.50
Vine mesquite	<i>(Panicum obtusum)</i>	1.00
Plains bristlegrass	<i>(Setaria macrostachya)</i>	1.00
Indian blanketflower	<i>(Gaillardia aristata)</i>	0.50
Desert or Scarlet	<i>(Sphaeralcea ambigua)</i>	1.00
Globemallow	<i>(S. coccinea)</i>	
Annual sunflower	<i>(Helianthus annuus)</i>	0.75
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		9.75 lbs.

Certified Weed Free Seed. If one species is not available increase all others proportionately. Use no less than 4 species, including 1 forb. No less than 9.75 pounds lbs per acre shall be applied.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

- a. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.
- b. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). A 4-inch pipe, 10 feet in length, shall be installed 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).