ATS-13-313

Form 3160-3
(March 2012)

OCD Artesia

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

JDS 4/2/2013

HIGH CAVEKARST

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

BHL Lease Serial No.
NM-03677 SHL-NM01165

6. If Indian, Allotee or Tribe Name

1a. Type of work: ☑ DRILL ☐ REENTER

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

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

8. Lease Name and Well No.
Stebbins GQ Federal Com #2H C127977

2. Name of Operator Yates Petroleum Corporation C255757

9. API Well No.
30-015-41236

3a. Address 105 S. Fourth St.
Artesia, NM 88210

3b. Phone No. *(include area code)*
575-748-4120

10. Field and Pool or Exploratory
WC-015 G-04 S202920D; BS
~~Undesignated/2nd Bone Spring~~ C98015

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface 660' FNL & 350' FWL
At proposed prod. zone 860' FNL & 330' FEL

11. Sec., T. R. M. or Blk. and Survey or Area
Sec. 20, T20S-R29E

14. Distance in miles and direction from nearest town or post office*
20 miles East of Carlsbad

12. County or Parish
Eddy County

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
350'	2150.97	N2N2, 160 acres

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
100' from lateral 2900' from SHL	7980' TVD 12314' TD	NMB000434 NMB000920

21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
3261'	10/15/2013	30 days

24. Attachments

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

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

25. Signature	Name *(Printed/Typed)*	Date
Travis Hahn	Travis Hahn	01/15/2013

Title
Land Regulatory Agent

Approved by *(Signature)*	Name *(Printed/Typed)*	Date
/s/ Don Peterson		MAR 27 2013

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

RECEIVED
APR 01 2013
NMOCD ARTESIA

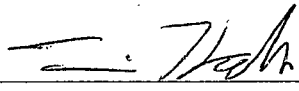
Approval Subject to General Requirements & Special Stipulations Attached

SEE ATTACHED FOR CONDITIONS OF APPROVAL

CERTIFICATION
YATES PETROLEUM CORPORATION
Stebbins GQ Federal Com #2H

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; and an someone under employment of Yates Petroleum Corporation has full knowledge of state and federal laws applicable to the operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 15 day of January 2013

Signature 

Name Travis Hahn

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (575) 748-4120

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

Address (if different from above) Same as above

Telephone (if different from above) (575) 748-4221

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-9720
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6178 Fax: (505) 334-6170
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102
Revised August 1, 2011

Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-41236	98015	WC-015 G-04 S202920D; B.S. Undesignated ~~2nd Bone Spring~~

Property Code	Property Name	Well Number
27997	STEBBINS GQ FEDERAL COM	2H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3261'

Surface Location

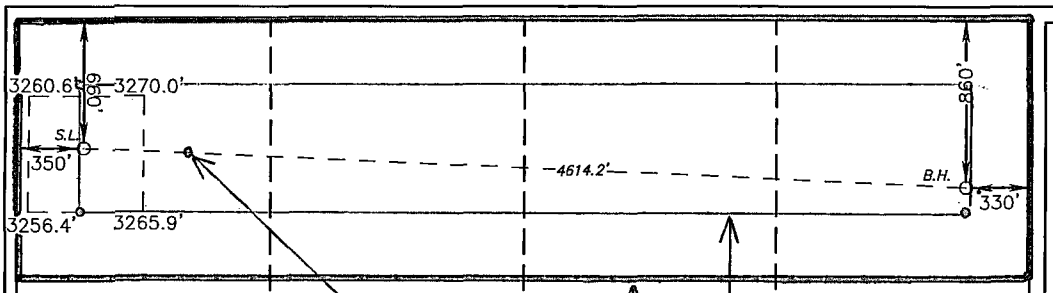
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	20	20 S	29 E		660	NORTH	350	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	20	20 S	29 E		860	NORTH	330	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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



SURFACE LOCATION
Lat - N 32°33'51.93"
Long - W 104°06'16.74"
NMSPCE- N 569144.134
E 611789.266
(NAD-83)

Penetration Point:
681' FNL & 819' FWL

Project Area

Production Zone

PROPOSED BOTTOM HOLE LOCATION
Lat - N 32°33'49.79"
Long - W 104°05'22.88"
NMSPCE- N 568939.58
E 616390.50
(NAD-83)

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.

Signature 1/15/2013 Date

Travis Hahn
Printed Name

thahn@yatespetroleum.com
Email Address

SURVEYOR CERTIFICATION

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

OCTOBER 1, 2012
Date Surveyed

Signature & Seal of Professional Surveyor

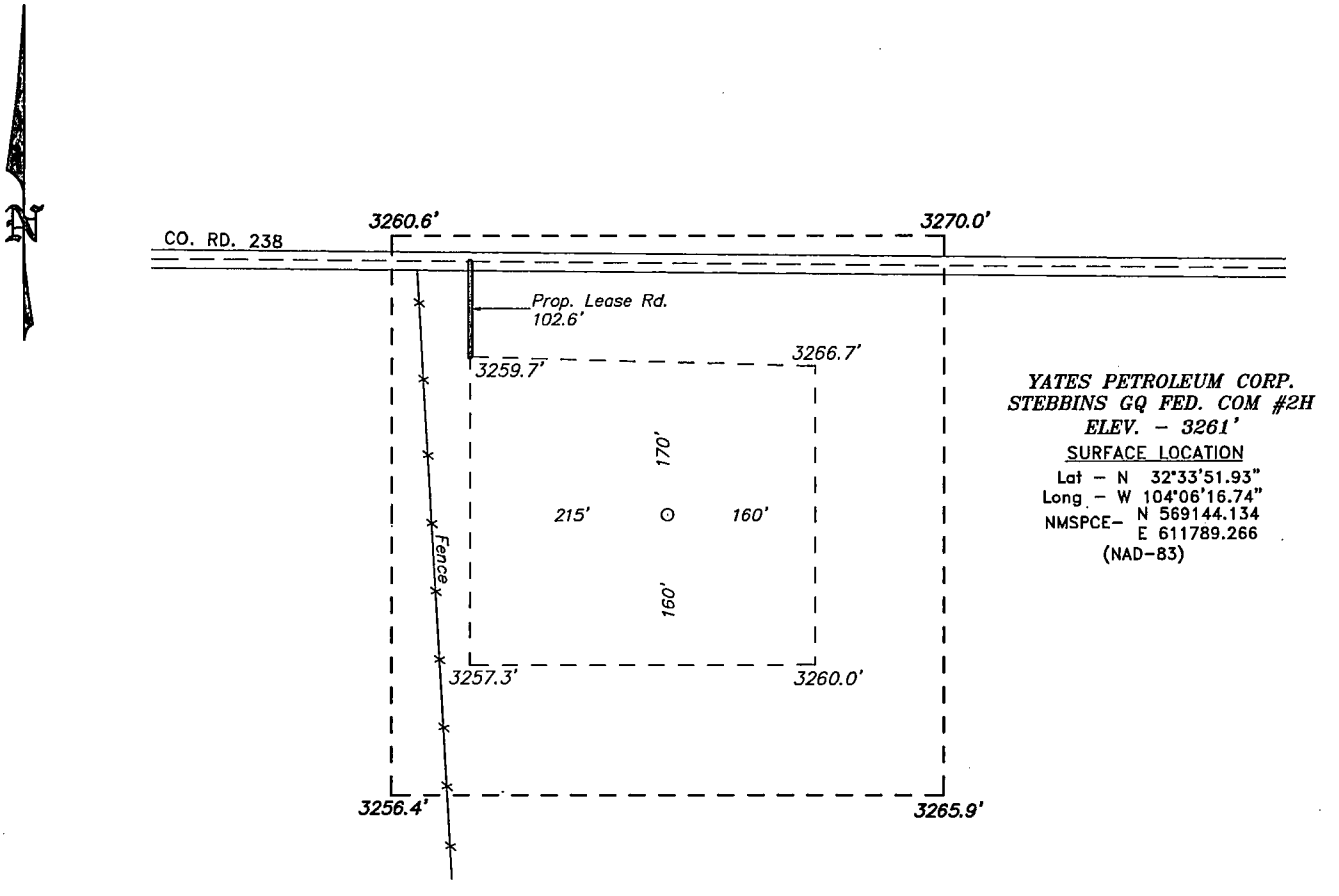
GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL SURVEYOR

N.M.P.S. No. 7977

Certificate No. Gary L. Jones 7977

BASIN SURVEYS 27497

SECTION 20, TOWNSHIP 20 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, **NEW MEXICO.**



YATES PETROLEUM CORP.
STEBBINS GQ FED. COM #2H
ELEV. - 3261'
SURFACE LOCATION
Lat - N 32°33'51.93"
Long - W 104°06'16.74"
NMSPCE- N 569144.134
E 611789.266
(NAD-83)

200 0 200 400 FEET
SCALE: 1" = 200'

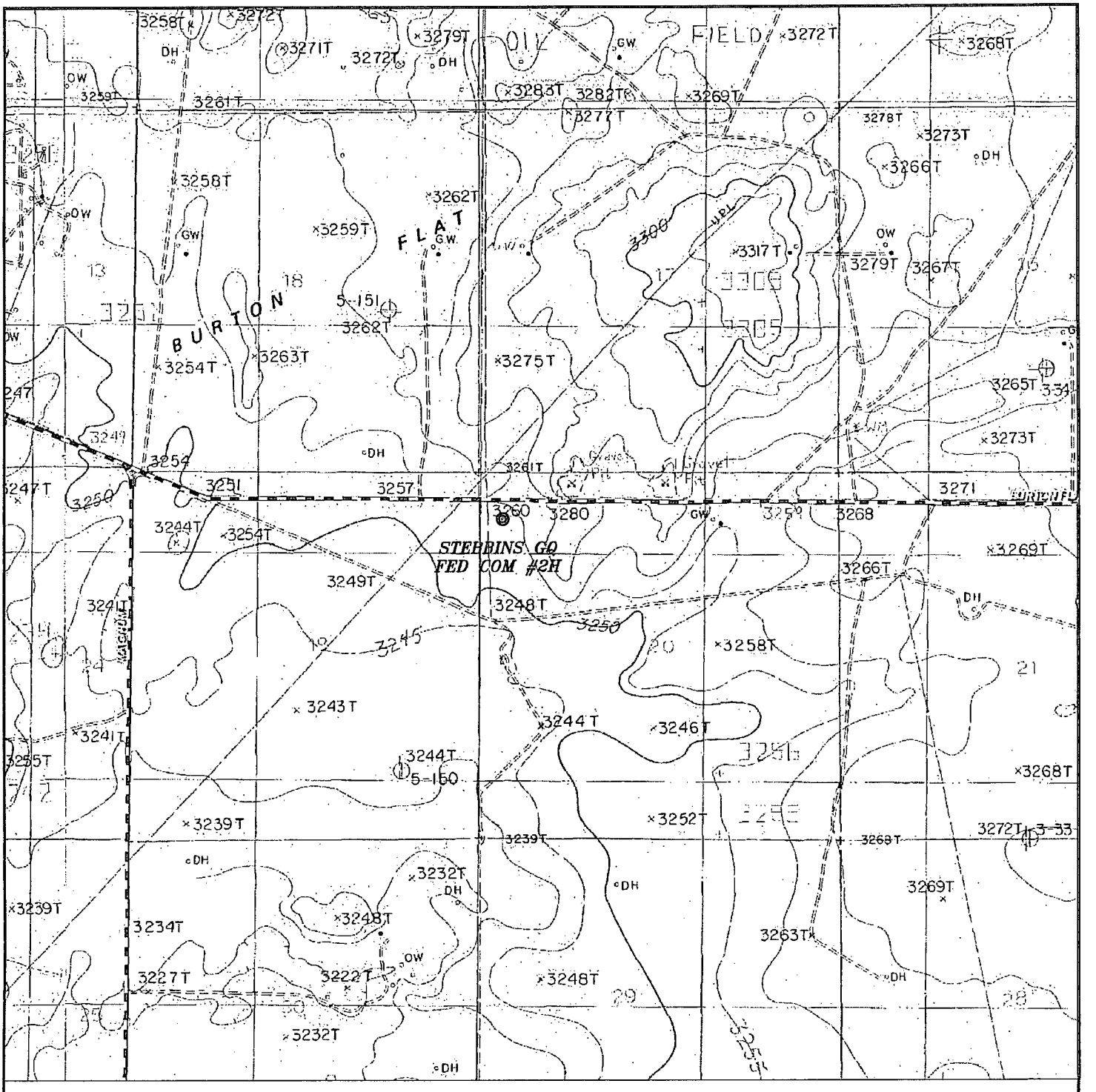
YATES PETROLEUM CORP.

REF: STEBBINS GQ FED. COM #2H / WELL PAD TOPO

THE STEBBINS GQ FED. COM #2H LOCATED 660' FROM THE NORTH LINE AND 350' FROM THE WEST LINE OF SECTION 20, TOWNSHIP 20 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 27497	Drawn By: K. GOAD		
Date: 11-01-2012	Disk: KJG - 27497WELL	Survey Date: 10-01-2012	Sheet 1 of 1 Sheets



STEBBINS GQ FED. COM #2H
Located 660' FNL and 330' FWL
Section 20, Township 20 South, Range 29 East, N.M.P.M., EDDY County, New Mexico.

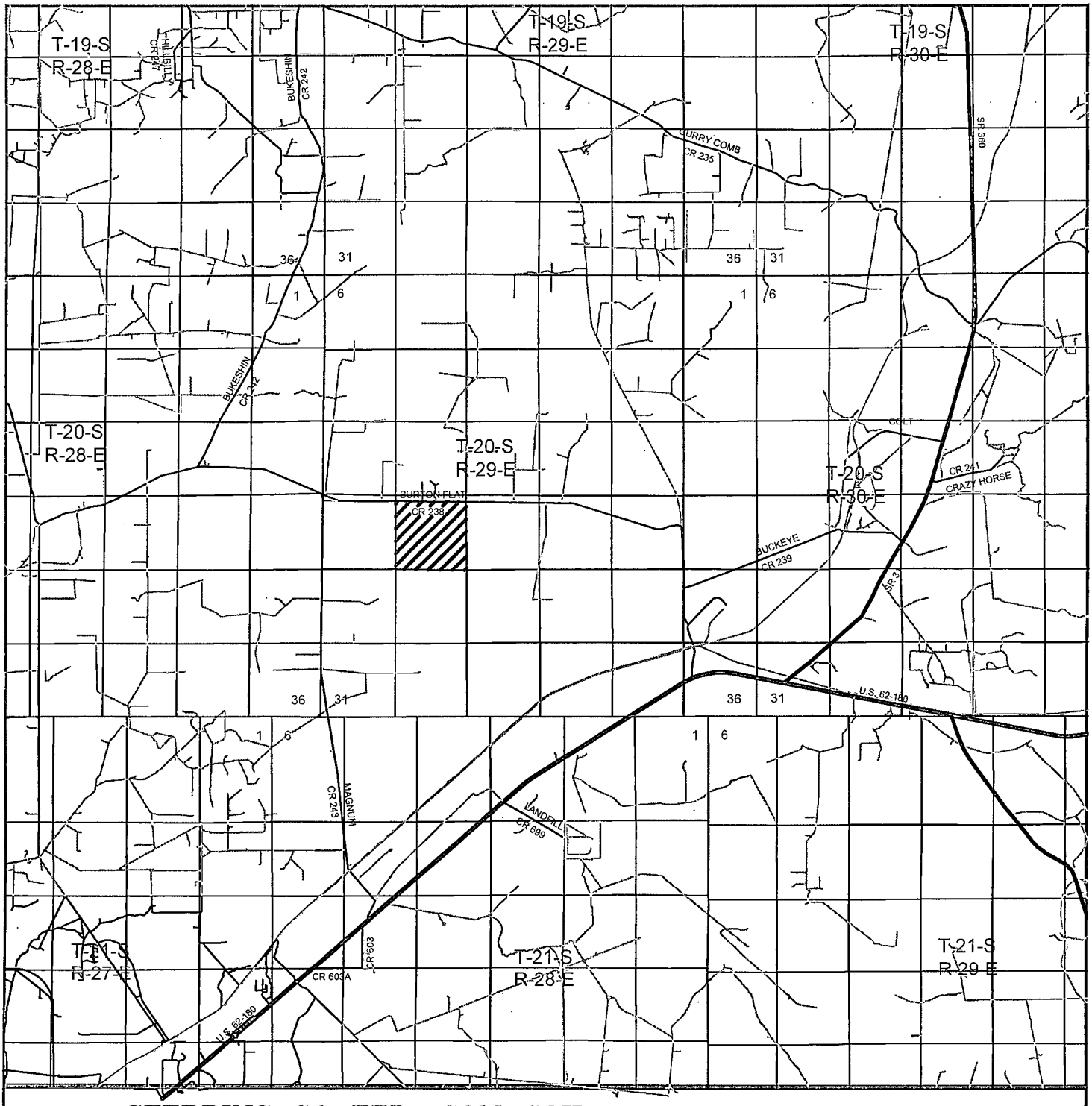
Basin Surveys
focused on excellence in the oilfield

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

W.O. Number:	KJG – 27497
Survey Date:	10-01-2012
Scale:	1" = 2000'
Date:	11-01-2012

N

YATES PETROLEUM CORP.



STEBBINS GQ FED. COM #2H
Located 660' FNL and 330' FWL
Section 20, Township 20 South, Range 29 East,
N.M.P.M., EDDY County, New Mexico.

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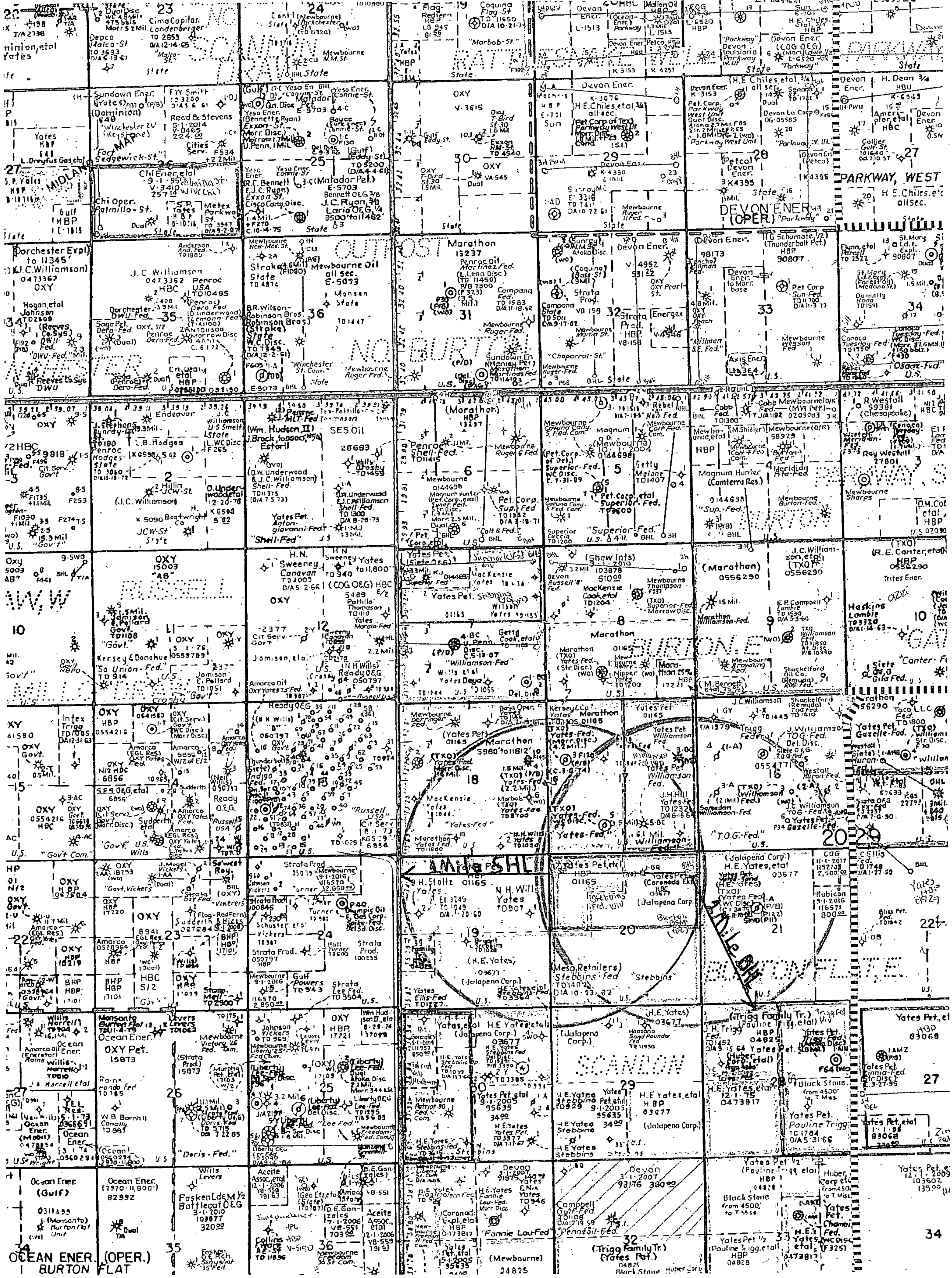
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number:	KJG - 27497
Survey Date:	10-01-2012
Scale:	1" = 2 Miles
Date:	11-01-2012

N

YATES PETROLEUM CORP.



SCANLON DRAW
RATTLESNAKE
PARKWAY
PARKWAY, WEST
DEVON ENER. (OPER.)
OUTPOST
NO. BURTON FLAT
MIDLAND
RUSSELL
BURTON, E.
AMIDS SHL
BHL
SCANLON
OCEAN ENER. (OPER.)
BURTON FLAT
Mewbourne
Marathon
OXY
Yates Pet.
J.C. Williamson
Devon Ener.
Penroc
Strata Prod.
H.E. Yates
Jalapeno Corp.
Trigg Family Tr.
Ocean Ener.
Fasken Ld&M 1/2
Battlecat O&G

YATES PETROLEUM CORPORATION
Stebbins GQ Federal Com #2H
660' FNL & 350' FWL, Surface Hole
860' FNL & 330' FEL, Bottom Hole
Section 20 –T20S-R29E
Eddy County, New Mexico

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

Rustler	170'	Brushy Canyon	4320' Oil
Top of Salt	430'	Bone Spring Lime	5770' Oil
Base of Salt	740'	Bone Springs 1/SD	6885' Oil
Tansill	980'	Bone Springs 2/SD	7625' Oil
Yates	1080'	Target Zone SBSG	8178'
Seven Rivers	1380'	TD (Lateral Hole)	12314' MD
Capitan Reef	1510' Water		
Cherry Canyon	3430' Oil		

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

Water: Approx: 0' - 400' & 1510' – 3200'
Oil or Gas: See above--All Potential Zones

3. Pressure Control Equipment: Yates Petroleum Corporation hereby request a variance to allow us to place a 2000 PSI annular system with a 21.25" opening will be installed on the 20" casing, a pressure test will be conducted by pressuring up to 1000 PSI and hold for 30 minutes before drilling begins. A 3000 PSI BOP with a 13.625" opening will be installed on the 13.375" casing and also a 5000 PSI BOP on the 9.625" casing. Pressure tests to 3000 PSI and 5000 on each, and held for 30 minutes will be conducted before drilling. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibits.

See COA

4. 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.

1. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New) 13 3/8" 48# will be J-55/H-40 Hybird

See COA

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
26"	20"	94#	H-40	ST&C	0'-400'	400'
17 1/2"	13 3/8"	54.5#	J-55	ST&C	0'-80'	80'
17 1/2"	13 3/8"	48#	J-55	ST&C	80'-1200' 1330'	1120'
17 1/2"	13 3/8"	54.5#	J-55	ST&C	1200'~~-1450'~~	250'
12 1/4"	9 5/8"	36#	J-55	LT&C	0'-~~3470'~~ 3050'	3470'
8 3/4"	5 1/2"	17#	P-110	LT&C	0'-7400'	7400'
8 1/2"	5 1/2"	17#	P-110	Buttress Thread	7400'-12314'	4914'

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

B. CEMENTING PROGRAM: See COA

20" Surface casing: Lead in with 590 sacks of Class C +2% CaCl (YLD 1.71 WT 13.50); tail in with 150 sacks of Class C + 2% CaCl2 (YLD 1.34 WT 14.80). Designed with 100% excess, TOC-Surface.

13 3/8" Intermediate Casing 1 0'-1450': Lead with 1380 sacks of Class PozC 35:65:6 (YLD 2.00 WT 12.50); tail in with 200 sacks of Class C + 2% CaCl2 (YLD 1.34 WT. 14.80). Designed with 100% excess, TOC-Surface.

9 5/8" Intermediate Casing 2 0'-3470': Lead with 955 sacks of Class PozC 35:65:6 (YLD 2.00 WT 12.50); tail in with 200 sacks of Class C + 2% CaCl2 (YLD 1.34 WT 14.80). Designed with 100% excess, TOC-Surface.

See COA

5 1/2" Production Casing: Cement to be done with a DV tool set between 3900' and 4400' (cement will be distributed proportionately).

Stage 1 from 4150'-12314'; Lead with 675 sacks Class PozC 35:65:6 (YLD 2.00 WT 12.50); tail in with 1020 sacks of Pecos Valley Lite (YLD 1.41 WT. 13.00). 30% CaCO, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. TOC- 4150' Designed with 35% excess.

Stage 2 from 1300'-4150'; Lead cement with 350 sacks of Class PozC 35:65:6 (YLD 2.00 WT. 12.50); tail in with 200 sacks of Class C + 2% CaCl2 (YLD 1.34 WT 14.80). Designed with 35% excess, TOC-1300'.

See COA

Well will be drilled vertically depth to 7435' then kicked off and drilled directionally at 12 degrees per 100' with a 8 ¾" hole to 8178' MD (7913' TVD). Hole will then be reduced to 8 ½" and drilled to 12314' MD (7980' TVD) where 5 ½" casing will be set and cemented to approximately 1300' in two stages with a DV/Packer Stage Tool. Penetration point of producing zone will be encountered at 681' FNL & 819' FWL, Section 20-20S-29E. Deepest TVD is 7980' in the lateral.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-400'	Fresh Water	8.6-9.2	32-34	N/C
400'-~~1450'~~ 1330'	Brine Water	10.0-10.2	28-29	N/C
~~1450'~~-~~3470'~~ 3050'	Fresh Water	8.6-9.2	32-34	N/C
~~3470'~~-12314'	Cut Brine	8.7-9.0	28-32	N/C

See COA

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: 30' samples to 3470'. 10' samples 3470' to TD (12314').
Logging: Platform HRLA CMR to 30 degree deviation.
Coring: As warranted.
DST's: As warranted.
Mudlogging: After surface casing is set an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of the derrick hand visually checking the fluid level in the pits periodically using a nut on the end of a rope hanging just above the fluid level in the pit.

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

From:	0	To:	400' See COA	Anticipated Max. BHP:	191	PSI
From:	~~400'~~	To:	~~1450'~~ 1330'	Anticipated Max. BHP:	769	PSI
From:	~~1450'~~	To:	~~3470'~~ 3050'	Anticipated Max. BHP:	1660	PSI
From:	~~3470'~~	To:	7980'	Anticipated Max. BHP:	3735	PSI

No abnormal pressures or temperatures are anticipated.
Lost Circulation Zones Anticipated: Possible in Capitan Reef
H2S is not anticipated.

8. ANTICIPATED STARTING DATE:
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completion taking another 30 days.

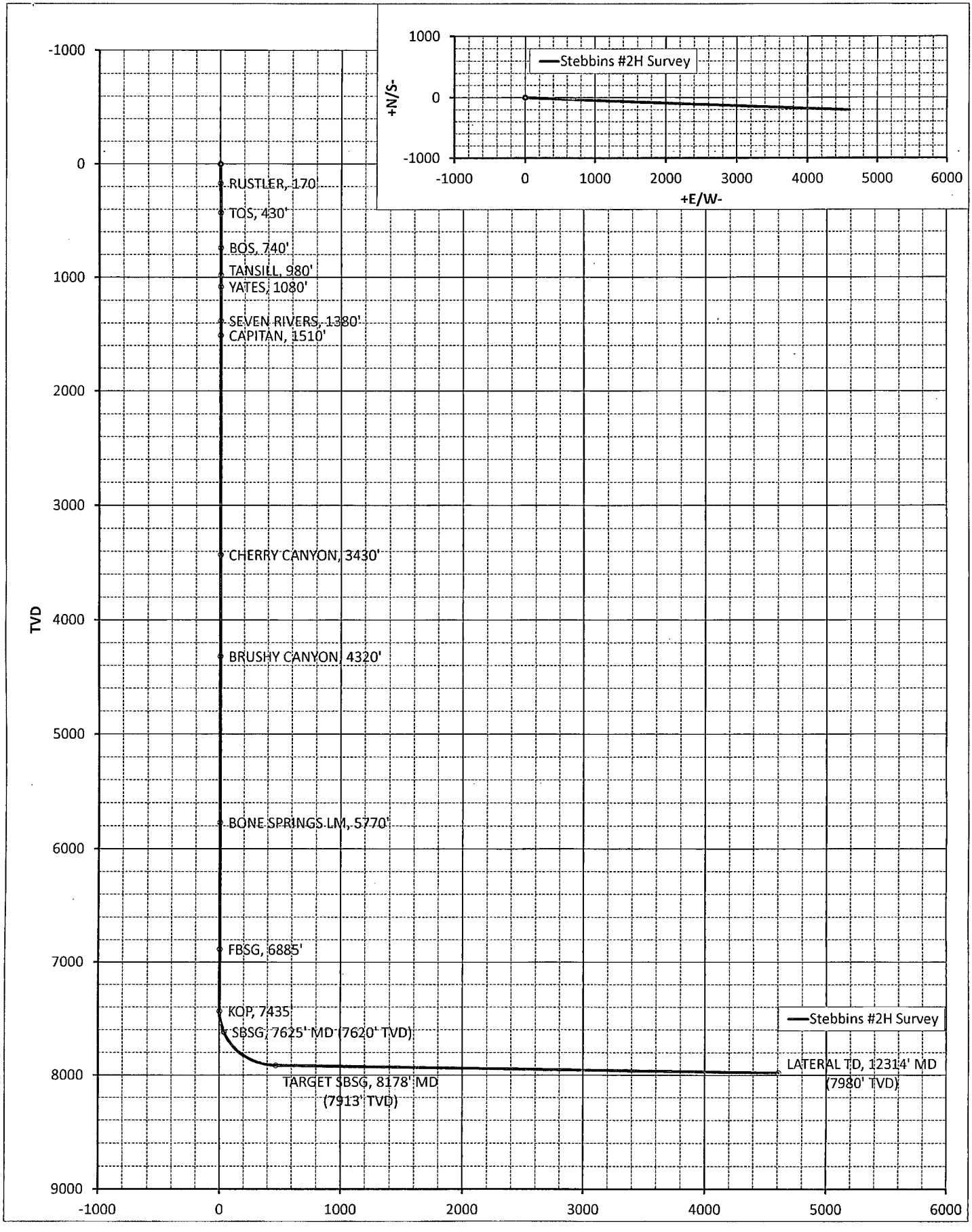
Operator Co.

Your Co.

Survey/Planning Report

Operator	Yates Petroleum Corp.	Northing		Date	5-Dec-12
Dir. Co.	Yates Petroleum Corp.	Easting		System	2 - St. Plane
Well Name	Stebbins #2H Survey	Elevation		Datum	1983 - NAD83
Location	Sec. 20, 20S-29E	Latitude		Zone	4302 - Utah Central
Rig		Longitude		Scale Fac.	
Job		Units	Feet	Converg.	

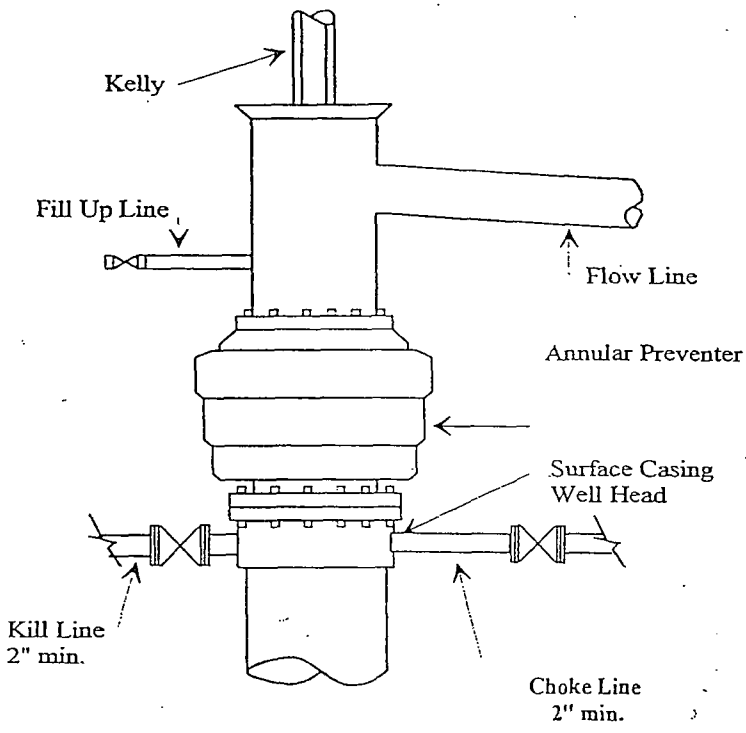
MD	INC	AZI	TVD	+N/S	+E/W	VS@92.55	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
170.00	0.00	0.00	170.00	0.00	0.00	0.00	0.00	0.00	0.00
170: RUSTLER; 170'									
430.00	0.00	0.00	430.00	0.00	0.00	0.00	0.00	0.00	0.00
430: TOS; 430'									
740.00	0.00	0.00	740.00	0.00	0.00	0.00	0.00	0.00	0.00
740: BOS; 740'									
980.00	0.00	0.00	980.00	0.00	0.00	0.00	0.00	0.00	0.00
980: TANSILL; 980'									
1080.00	0.00	0.00	1080.00	0.00	0.00	0.00	0.00	0.00	0.00
1080: YATES; 1080'									
1380.00	0.00	0.00	1380.00	0.00	0.00	0.00	0.00	0.00	0.00
1380: SEVEN RIVERS; 1380'									
1510.00	0.00	0.00	1510.00	0.00	0.00	0.00	0.00	0.00	0.00
1510: CAPITAN; 1510'									
3430.00	0.00	0.00	3430.00	0.00	0.00	0.00	0.00	0.00	0.00
3430: CHERRY CANYON; 3430'									
4320.00	0.00	0.00	4320.00	0.00	0.00	0.00	0.00	0.00	0.00
4320: BRUSHY CANYON; 4320'									
5770.00	0.00	0.00	5770.00	0.01	0.00	0.00	0.00	0.00	0.00
5770: BONE SPRINGS LM; 5770'									
6885.00	0.00	0.00	6885.00	0.01	0.00	0.00	0.00	0.00	0.00
6885: FBSG; 6885'									
7435.46	0.00	92.55	7435.46	0.01	0.00	0.00	0.00	1.24	0.00
7435.46: KOP; 7435'									
7500.00	7.75	92.55	7499.80	-0.19	4.35	4.36	12.00	0.00	12.00
7600.00	19.75	92.55	7596.76	-1.24	28.05	28.07	12.00	0.00	12.00
7624.93	22.74	92.55	7619.99	-1.64	37.07	37.10	12.00	0.00	12.00
7624.93: SBSG; 7625' MD (7620' TVD)									
7700.00	31.75	92.55	7686.67	-3.17	71.36	71.43	12.00	0.00	12.00
7800.00	43.75	92.55	7765.60	-5.88	132.41	132.54	12.00	0.00	12.00
7900.00	55.75	92.55	7830.10	-9.26	208.51	208.72	12.00	0.00	12.00
8000.00	67.75	92.55	7877.35	-13.17	296.35	296.64	12.00	0.00	12.00
8100.00	79.75	92.55	7905.29	-17.42	392.08	392.47	12.00	0.00	12.00
8177.71	89.07	92.55	7912.86	-20.85	469.25	469.71	12.00	0.00	12.00
8177.71: TARGET SBSG; 8178' MD (7913' TVD)									
12314.31	89.07	92.55	7980.00	-204.55	4601.23	4605.77	0.00	0.00	0.00
12314.31: LATERAL TD; 12314' MD (7980' TVD)									


Stebbins #2H Survey
+N/S-
+E/W-
1000
0
-1000
-1000
0
1000
2000
3000
4000
5000
6000
TVD
RUSTLER, 170'
TOS, 430'
BOS, 740'
TANSILL, 980'
YATES, 1080'
SEVEN RIVERS, 1380'
CAPITAN, 1510'
CHERRY CANYON, 3430'
BRUSHY CANYON, 4320'
BONE SPRINGS LM, 5770'
FBSG, 6885'
KOP, 7435'
SBSG, 7625' MD (7620' TVD)
TARGET SBSG, 8178' MD
(7913' TVD)
LATERAL TD, 12314' MD
(7980' TVD)
Stebbins #2H Survey

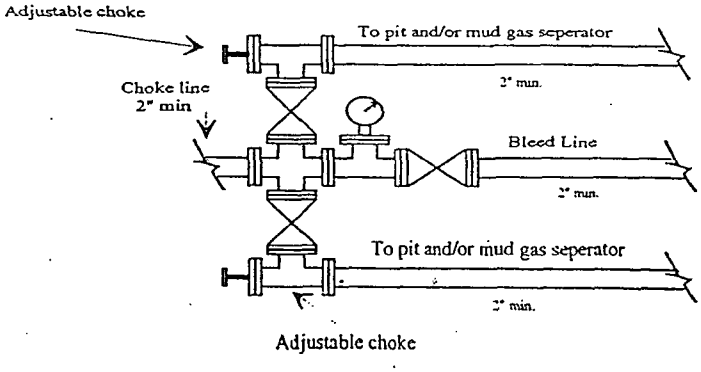
Yates Petroleum Corporation

BOP-1

Typical low Pressure System
Schematic
Annular Preventer 2,000 psi

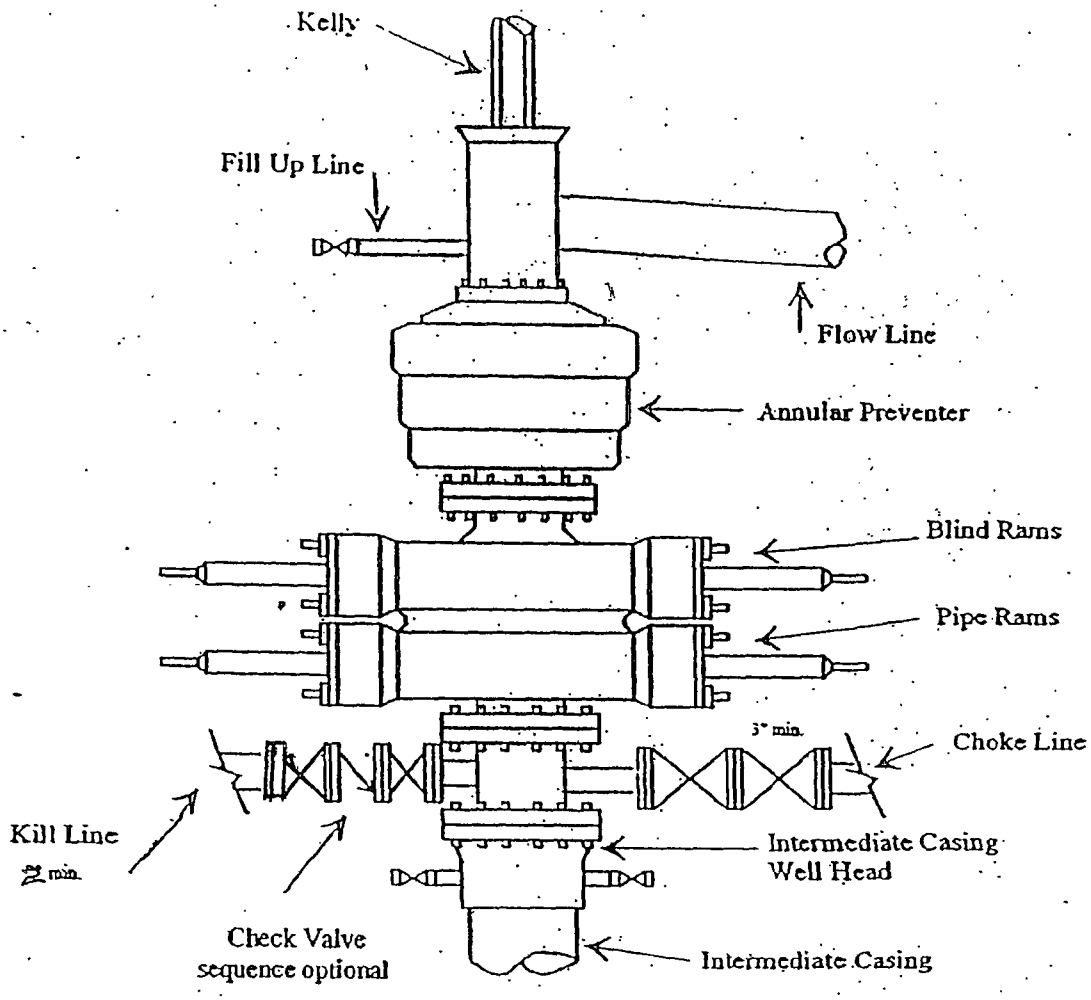


Typical 2,000 psi choke manifold assembly with at least these minimun features

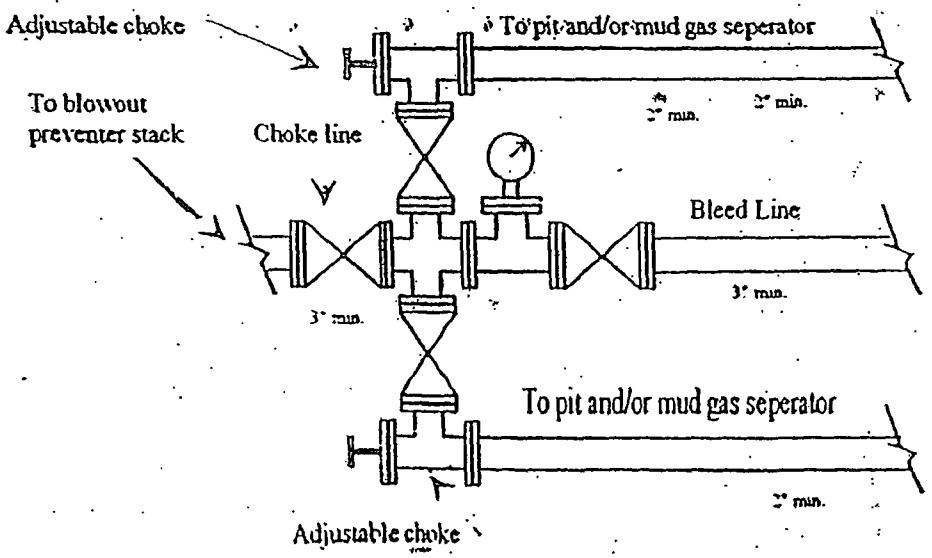


Yates Petroleum Corporation

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

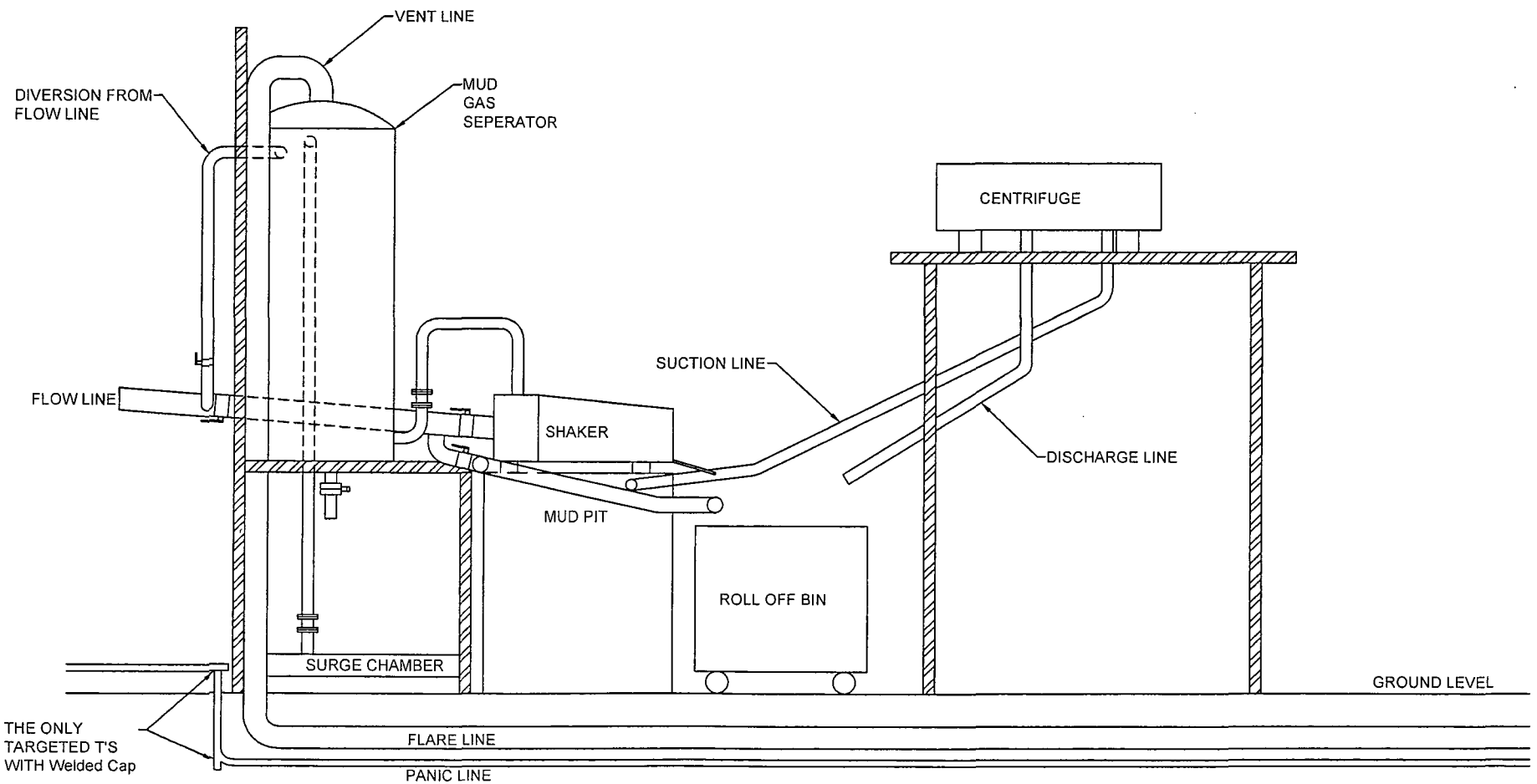


Typical 3,000 psi choke manifold assembly with at least these minimun features



YATES PETROLEUM CORPORATION

Piping from Choke Manifold
to the Closed Loop Drilling Mud System



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

Yates Petroleum Corporation
Closed Loop System

Equipment Design Plan

Closed Loop System will consist of:
1 – double panel shale shaker
1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges
On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System
1 – minimum centrifugal pump to transfer fluids
2- 500 bbl. FW Tanks
1 – 500 bbl. BW Tank
1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.
1 Set of rail cars / catch bins
Certain wells will use an ASC Auger Tank

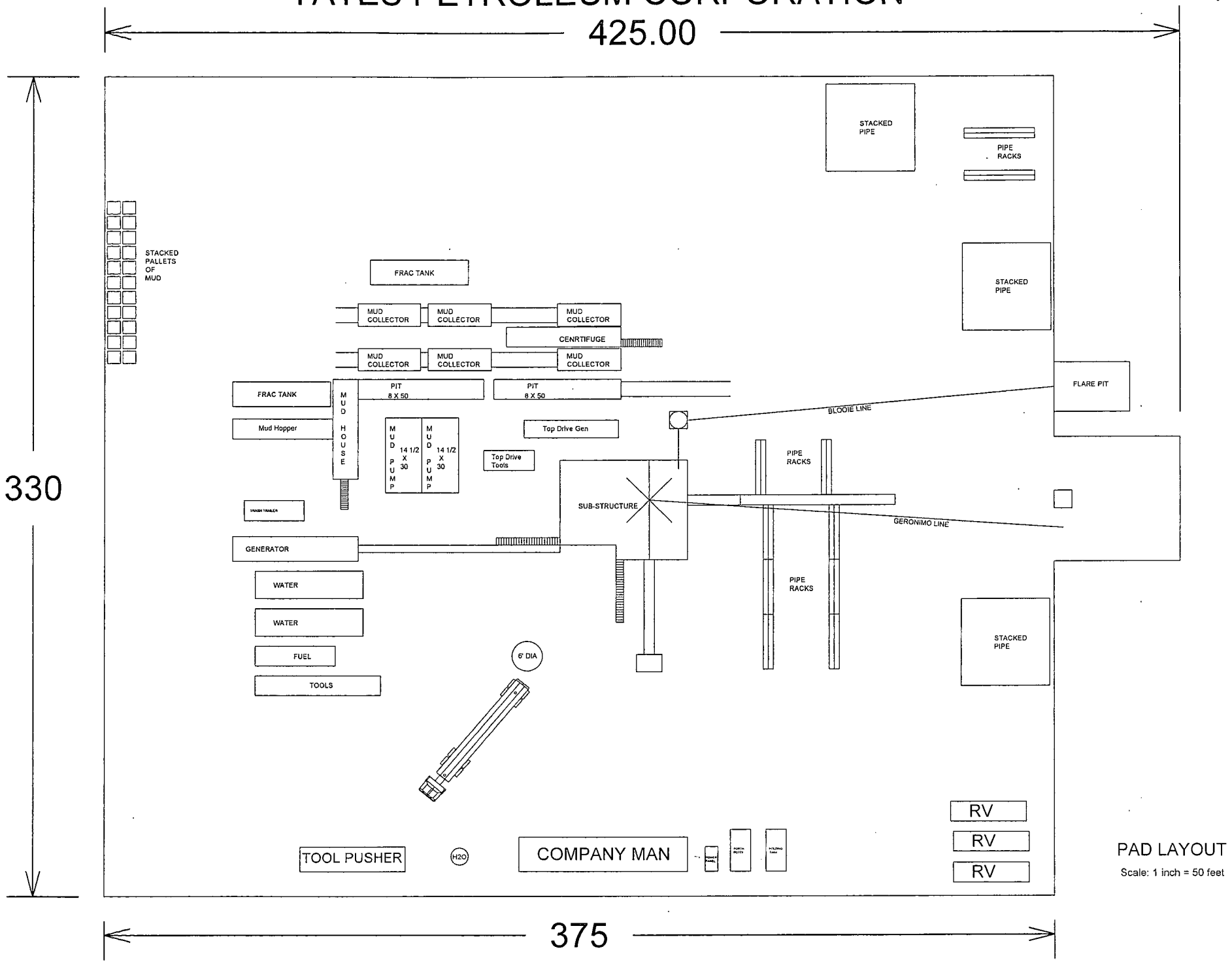
Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

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

YATES PETROLEUM CORPORATION



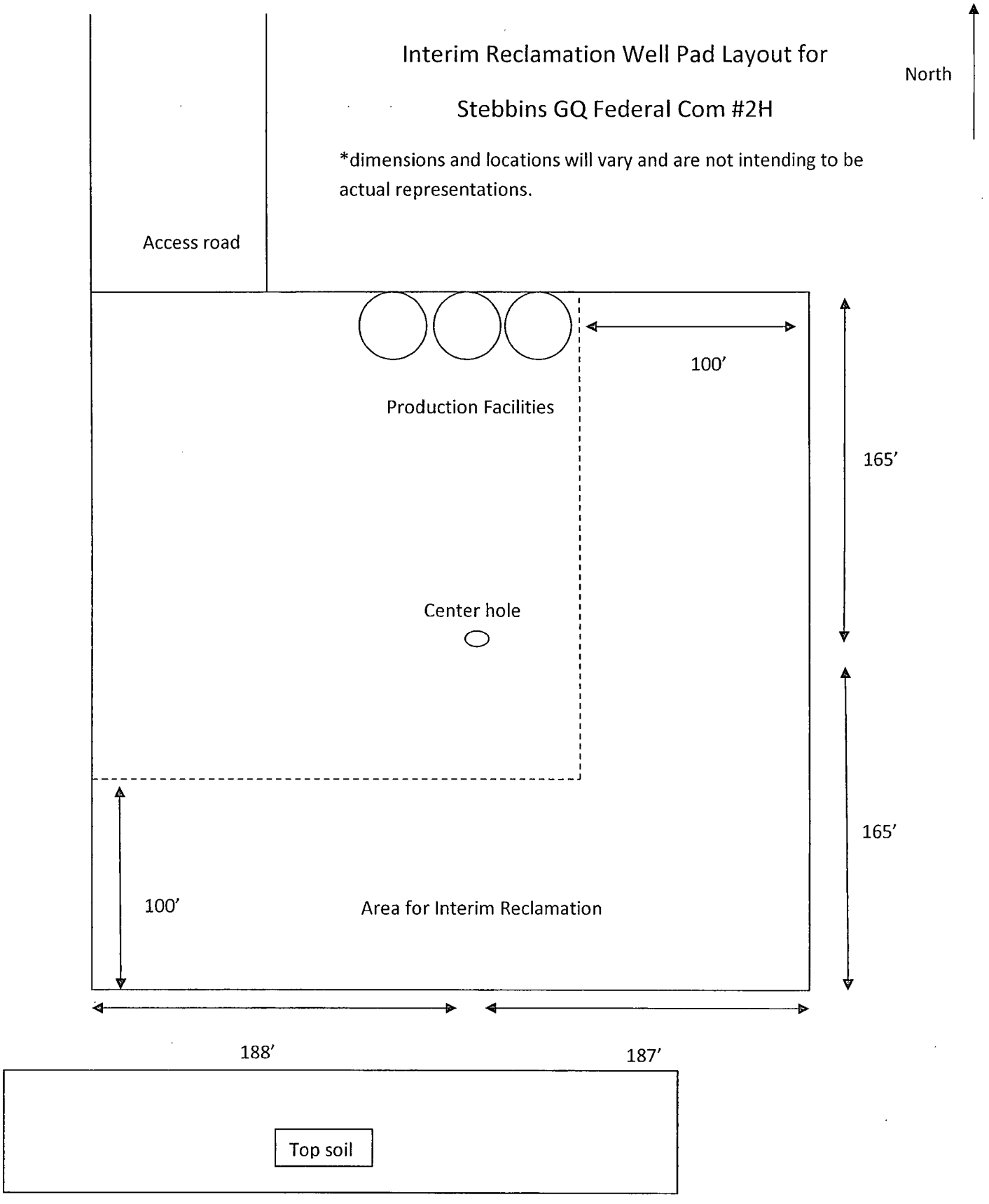
PAD LAYOUT

Scale: 1 inch = 50 feet

Interim Reclamation Well Pad Layout for

Stebbins GQ Federal Com #2H

*dimensions and locations will vary and are not intending to be actual representations.



Created 1/15/2013

Plans for Interim and Final Surface Reclamation.

1. Well location will be contoured to resemble the original topography as closely as possible. Surface reclamation measures will be taken to avoid new erosion on the well location and the area surrounding the well location. These measures will be overseen by Yates' personnel following a structured plan for the reclamation of each individual site.
2. Major drainage systems will be avoided as determined at the onsite with the BLM. Minor drainages may be rerouted around the well site within the 600' x 600' cleared area to avoid moving the well location.
3. Segregation of topsoil or like soils will be placed in low lift rows rather than in a stockpile just off the caliche well pad. Placement of these lift rows will be determined at the BLM onsite or at the time of construction by Yates Personnel.
4. Yates will use prudent oil field practices when constructing well locations and related facilities. Yates personnel will determine the size of the well location needed for safe working conditions for personnel during all aspects on the drilling and production process.
5. Back fill requirements for above ground reserve pits will be met by using cut, fill, and contouring of available top soil and like soils from the pit area. Should additional material be needed it will be brought in from a BLM approved source.
6. All topsoil will be spread over the area reclaimed during interim reclamation using a front end loader. For final reclamation enough topsoil will be evenly distributed between the interim reclaimed area and the final reclaimed area. This method of soil stabilization should help maintain the productivity and viability of the topsoil.
7. Soil treatments will be determined at the time of final reclamation by Yates' Environmental Specialist or other designated personnel to meet BLM final reclamation goals.
8. Reseeding of disturbed areas will be accordance with the seed mixtures attached to the approved APD as Conditions of Approval. Planting and soil preparation will be done during the rainy season between June 1st and September 1st.
9. Yates' personnel will control weeds during the productive period through final abandonment of the well. Yates may also use the option to hire a third party to be in charge of weed control or participate in the Chaves Soil and Water District program to pool monies for weed control.
10. Well pads, roads and related facilities with caliche or other surfacing material will be picked up or turned over at the time of final abandonment. These materials may be used on other projects in the area if possible or placed back in the caliche pit or other designated site. Buried pipelines will be left in place after being bled down and purged. Above surface support equipment will be removed or cut down below plow depth and removed. Pipeline right-of-ways will be reseeded according to BLM Best Management Practices.

YATES PETROLEUM CORPORATION
Surface Use Plan of Operations
Stebbins GQ Federal Com #2H
660' FNL and 350' FWL, Surface Hole
860' FNL and 330' FEL, Bottom Hole

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:
Attached 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 20 miles, east of Carlsbad, New Mexico and the access route to the location is indicated in yellow and green on the attached plats.

DIRECTIONS:
Go east of Carlsbad, NM on Highway 62/180 for approximately 7.5 mile to the intersection of 62/180 and CR 243 (Magnum Rd). Turn left (north) on Magnum Rd. and continue to Burton Flats Rd. Turn right (east) onto Burton Flats Rd. and continue for 1 mile lease road will be to the south and be 102.6' long to the northwest corner of the location.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 102.6' feet in length from the point of origin to the northwest corner of the drilling pad.
B. The new road will be 30 feet in width with 16 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
C. The new road will be bladed with drainage on both sides if needed. No traffic turnouts will be needed.
D. The route of the road is visible.
E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

A. We are planning to place the production on this location.
B. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built, if needed. Power should not be required if the well is productive of gas.
C. Should a Pipeline Right-Of-Way be required it will be filed under a separate application and/or by 3rd party if applicable.

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 the attached maps.

6. SOURCE OF CONSTRUCTION MATERIALS:

A. 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 collected in tanks until hauled to an approved disposal system.
B. A closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the "Pit Rule" 19.15.17 NMAC. Form C-144 attached.
C. Drilling fluids will be removed after drilling and completions are finalized.
D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
E. Oil produced during operations will be stored in tanks until sold.
F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
G. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

A. Attached plat shows the relative location and dimensions of the well pad, the closed loop design plan, the location of the drilling equipment, orientation and access road approach (Approximately 3.5 acres)
B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC. Form C-144 is attached – Exhibit E.
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. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. SURFACE OWNERSHIP: Federal

Minerals: USA-Federal-NM-82902
Administered by: Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220-6292

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

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	**Yates Petroleum Corporation**
LEASE NO.:	**NMNM-03677**
WELL NAME & NO.:	**Stebbins GQ Federal Com 2H**
SURFACE HOLE FOOTAGE:	**0660' FNL & 0350' FWL**
BOTTOM HOLE FOOTAGE	**0860' FNL & 0330' FEL**
LOCATION:	**Section 20, T. 20 S., R 29 E., NMPM**
COUNTY:	**Eddy County, New Mexico**

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

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 twenty-five (25) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

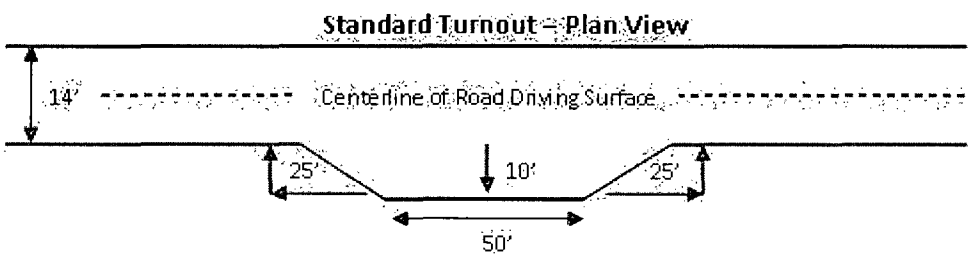
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

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



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

Wait on cement (WOC) time prior to drilling out for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

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

High Cave/Karst
Possibility of lost circulation in the Grayburg, San Andres, Capitan Reef, Delaware, and Bone Spring formations.

1. The **20** inch surface casing shall be set at approximately **400** feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface. **If salt is encountered, set casing at least 25 feet above the salt.**

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

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

2. The minimum required fill of cement behind the **13-3/8** inch first intermediate casing, which shall be set at approximately **1330** feet, is:

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

3. The minimum required fill of cement behind the **9-5/8** inch second intermediate casing, which shall be set at **3050** feet in the base of the Capitan Reef, is:

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

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

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

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

Operator has proposed DV tool at depth between 3900' and 4400', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

a. First stage to DV tool:

☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

b. Second stage above DV tool:

☒ Cement should tie-back at least 50 feet above the top of the Capitan Reef (approximately 1800 feet into previous casing string). Operator shall provide method of verification.

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

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API 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 **2000 (2M)** psi.

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

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **13-3/8** intermediate casing shoe shall be **3000 (3M)** psi.

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

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

    a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

    b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

    c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock.

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

e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

JAM 032113

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

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

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

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

B. PIPELINES
Not applied for in permit.

C. ELECTRIC LINES
Not applied for in permit.

IX. INTERIM RECLAMATION

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Within six (6) months of well completion, operators should work with BLM surface management specialists (Jim Amos: 575-234-5909) to devise the best strategies to reduce the size of the location. Interim reclamation should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche that is free of contaminants may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

All disturbed areas after they have been satisfactorily prepared need to be reseeded with the seed mixture provided below.

Upon completion of interim reclamation, the operator shall submit a Sundry Notices and Reports on Wells, Subsequent Report of Reclamation (Form 3160-5).

X. FINAL ABANDONMENT & RECLAMATION

At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land are restored.

Earthwork for final reclamation must be completed within six (6) months of well plugging. All pads, pits, facility locations and roads must be reclaimed to a satisfactory revegetated, safe, and stable condition, unless an agreement is made with the landowner or BLM to keep the road and/or pad intact.

After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture provided below. Seeding should be accomplished by drilling on the contour whenever practical or by other approved methods. Seeding may need to be repeated until revegetation is successful, as determined by the BLM.

Operators shall contact a BLM surface protection specialist prior to surface abandonment operations for site specific objectives (Jim Amos: 575-234-5909).

Seed Mixture 1, for Loamy Sites

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

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

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

Species	lb/acre
Plains lovegrass (Eragrostis intermedia)	0.5
Sand dropseed (Sporobolus cryptandrus)	1.0
Sideoats grama (Bouteloua curtipendula)	5.0
Plains bristlegrass (Setaria macrostachya)	2.0

*Pounds of pure live seed:

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