

**SECRETARY'S POTASH**

**OCD Artesia**

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

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Lease Serial No. **SHL-NM-27276**  
LC-028978-B & NM-028978

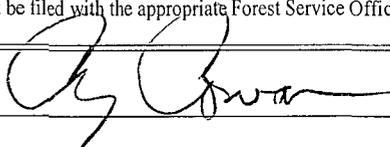
**APPLICATION FOR PERMIT TO DRILL OR REENTER**

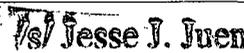
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No. N/A
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. <b>&lt;39999&gt;</b> Benson Deep AAS Federal Com #3H
2. Name of Operator YATES PETROLEUM CORPORATION		9. API Well No. <b>30-015-41352</b>
3a. Address 105 South Fourth Street Artesia, New Mexico 88210	3b. Phone No. (include area code) 575-748-4372	10. Field and Pool, or Exploratory <b>LEO</b> Undesignated Bone Spring, <b>South</b> <b>&lt;37920&gt;</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1980' FNL & 200' FWL, Unit Letter E At proposed prod. zone 1980' FNL & 330' FEL, Unit Letter H		11. Sec., T. R. M. or Blk. and Survey or Area Section 33-T18S-R30E
14. Distance in miles and direction from nearest town or post office* Approximately 28 miles East of Artesia, New Mexico		12. County or Parish Eddy County
15. Distance from proposed* 200' location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		13. State NM
16. No. of acres in lease LC-028978-B 440 Acres NM-028978 550 Acres		17. Spacing Unit dedicated to this well S2N2, Section 33-T18S-R30E
18. Distance from proposed location* 330' to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file NMB000434
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3422' GL	22. Approximate date work will start* 07/10/2012	23. Estimated duration 60 days

24. Attachments

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

- |  |   |
|--|---|
| 1. Well plat certified by a registered surveyor.   | 4. Bond to cover the operations unless covered by an 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 must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM.             |

25. Signature 	Name (Printed/Typed) Cy Cowan	Date <b>6/13/12</b>
Title Land Regulatory Agent		

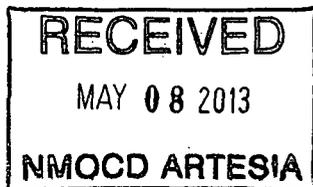
Approved by (Signature) 	Name (Printed/Typed) Jesse J. Juen	Date <b>MAY 30 2013</b>
Title		Office

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

**Approval Subject to General Requirements  
& Special Stipulations Attached**

**SEE ATTACHED FOR  
CONDITIONS OF APPROVAL**

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 and Natural Resources Department

Form C-102  
Revised July 16, 2010

Submit one copy to appropriate  
District Office

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number <b>30-015-41352</b>	Pool Code <b>37920</b>	Pool Name <b>Leo</b> Undesignated Bone Spring; <b>South</b>
Property Code <b>39799</b>	Property Name <b>BENSON DEEP "AAS" FEDERAL COM</b>	Well Number <b>3H</b>
OGRID No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORP.</b>	Elevation <b>3422'</b>

Surface Location

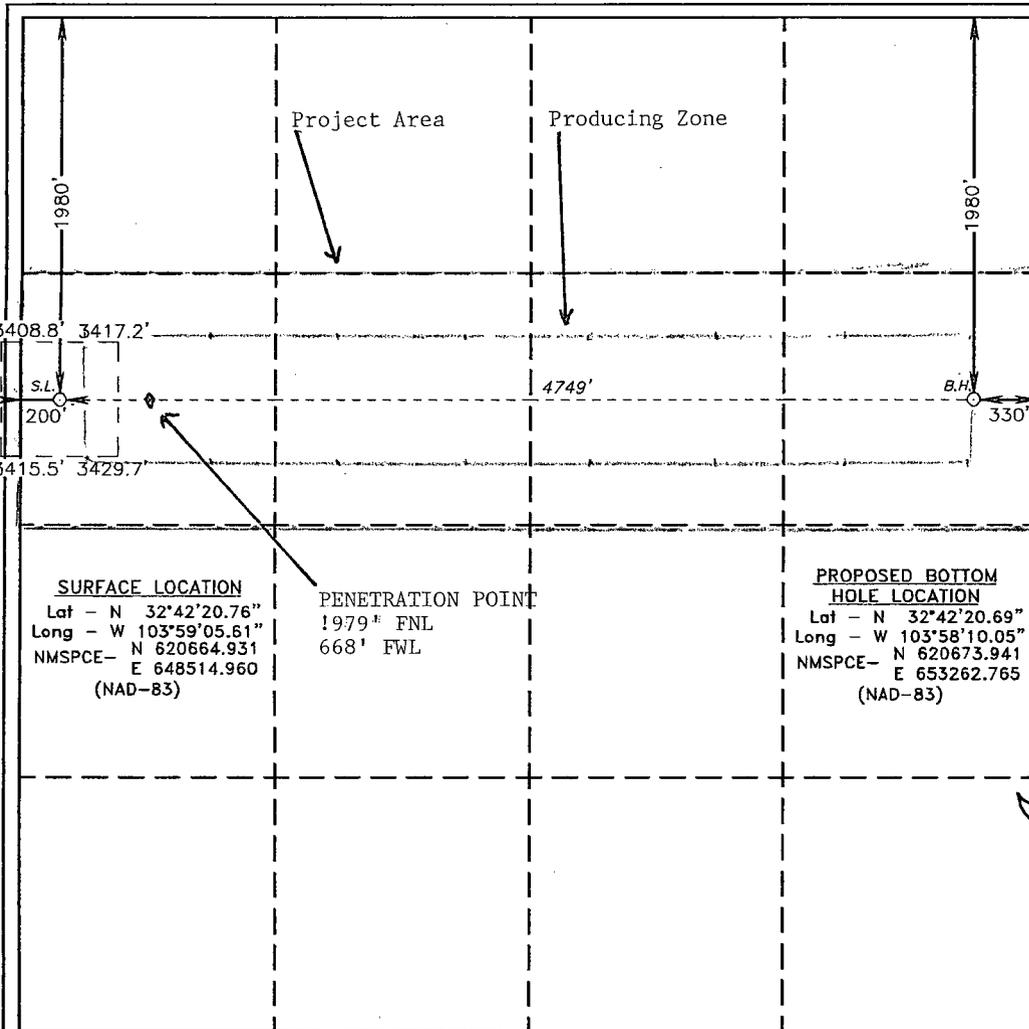
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	33	18 S	30 E		1980	NORTH	200	WEST	EDDY

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
H	33	18 S	30 E		1980	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



**OPERATOR CERTIFICATION**

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

*Cy Cowan* 6/13/12  
Signature Date

Cy Cowan  
Printed Name  
cy@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 supervision, and that the same is true and correct to the best of my belief.

DATE SURVEYED: **DECEMBER 10, 2011**  
Signature & Seal of Professional Surveyor  
*Gary L. Jones*  
Professional Surveyor  
25757

Certificate No. Gary L. Jones 7977  
BASIN SURVEYS 25757

CERTIFICATION  
YATES PETROLEUM CORPORATION  
Benson Deep AAS Federal Com. #3H

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

Executed this 13<sup>th</sup> day of June 2012

Signature 

Name Cy Cowan

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (505) 748-4372

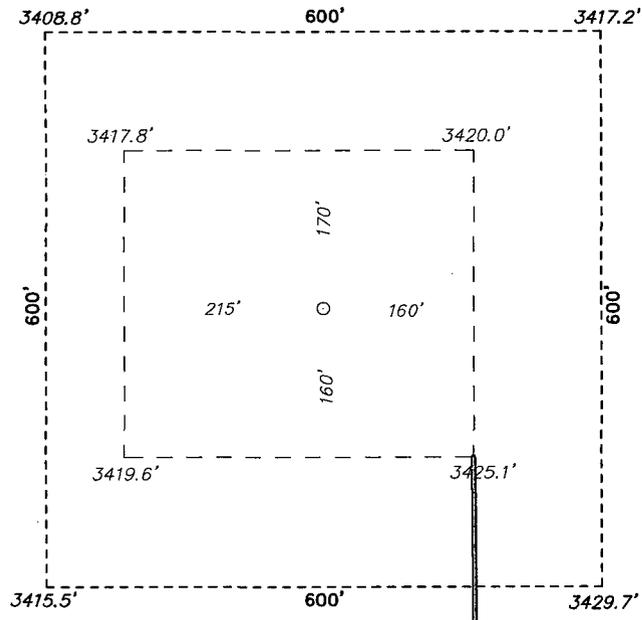
Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above.

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

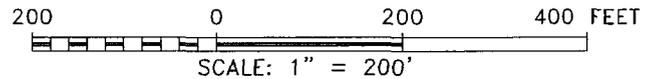
E-mail (optional) \_\_\_\_\_

SECTION 33, TOWNSHIP 18 SOUTH, RANGE 30 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.  
 BENSON DEEP "AAS" FEDERAL COM #3H  
 ELEV. - 3422'

Lat - N 32°42'20.76"  
 Long - W 103°59'05.61"  
 NMSPCE- N 620664.931  
 E 648514.960  
 (NAD-83)



**YATES PETROLEUM CORP.**

REF: BENSON DEEP "AAS" FEDERAL COM #3H / WELL PAD TOPO  
 THE BENSON DEEP "AAS" FEDERAL COM #3H LOCATED 1980'  
 FROM THE NORTH LINE AND 200' FROM THE WEST LINE OF  
 SECTION 33, TOWNSHIP 18 SOUTH, RANGE 30 EAST,  
 N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

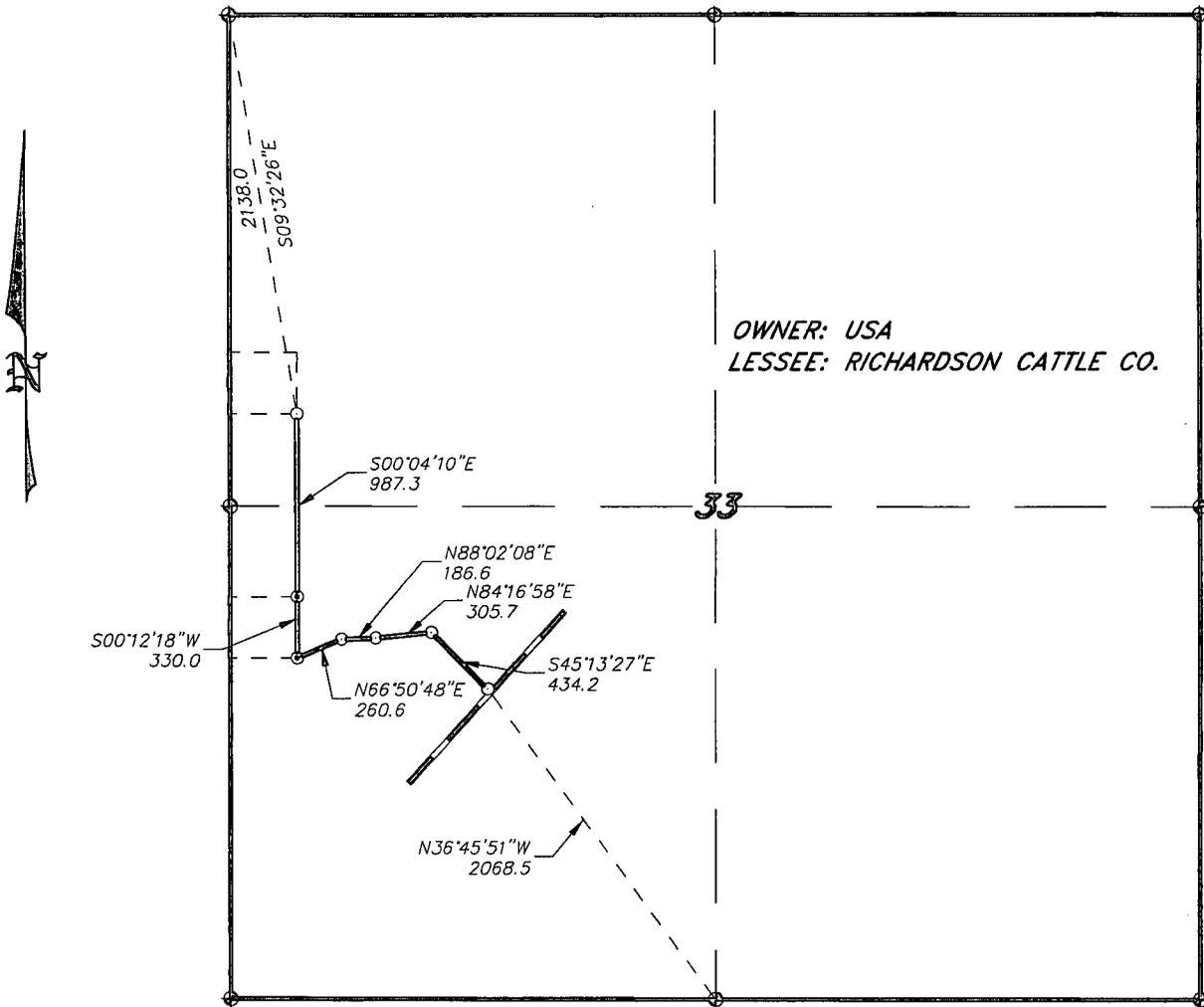
W.O. Number: 25757 Drawn By: J. SMALL

Date: 12-12-2011 Disk: JMS 25757

Survey Date: 12-07-2011

Sheet 1 of 1 Sheets

SECTION 33, TOWNSHIP 18 SOUTH, RANGE 30 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.



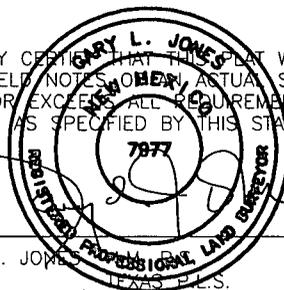
OWNER: USA  
 LESSEE: RICHARDSON CATTLE CO.

LEGAL DESCRIPTION

A STRIP OF LAND 20.0 FEET WIDE, LOCATED IN SECTION 33, TOWNSHIP 18 SOUTH, RANGE 30 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 10.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

SECTION 33 = 2504.4 FEET = 151.78 RODS = 0.47 MILES = 1.15 ACRES

I HEREBY CERTIFY THAT THIS PLAN WAS PREPARED FROM FIELD NOTES OF THE ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.



GARY L. JONES, Professional Land Surveyor, No. 7977, State of New Mexico, No. 5074



**YATES PETROLEUM CORP.**

REF: PROP LEASE ROAD TO THE BENSON DEEP "AAS" FEDERAL COM #3

A LEASE ROAD CROSSING USA LAND IN  
 SECTION 33, TOWNSHIP 18 SOUTH, RANGE 30 EAST,  
 N.M.P.M., EDDY COUNTY, NEW MEXICO.

**Basin Surveys** P.O. BOX 1786 - HOBBS, NEW MEXICO

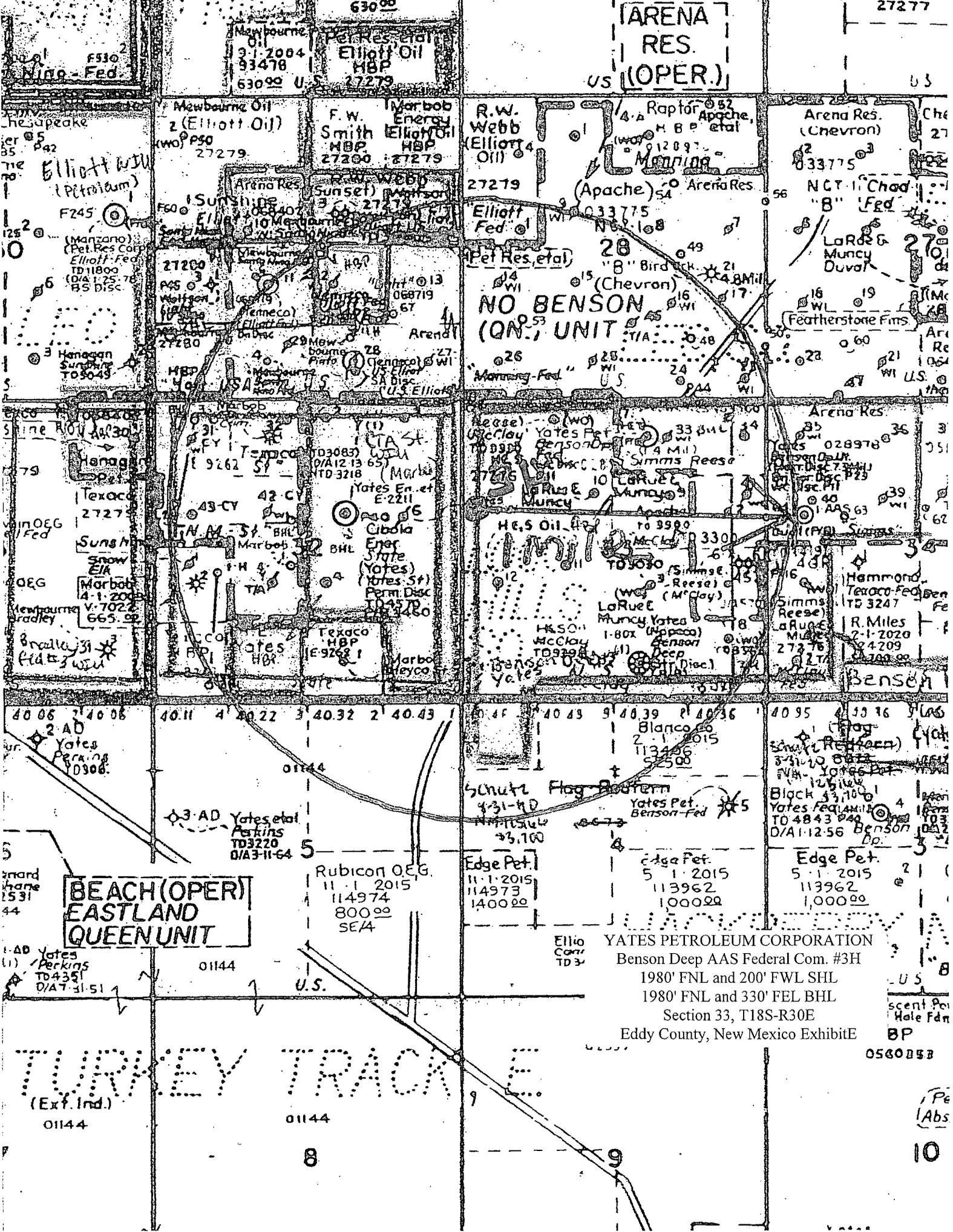
W.O. Number: 25757 Drawn By: J. M. SMALL

Date: 12-12-2011

Disk: 25757

Survey Date: 12-07-2011

Sheet 1 of 1 Sheets



ARENA RES.  
RES.  
(OPER.)

NO BENSON  
(Q.N.) UNIT

BEACH (OPER)  
EASTLAND  
QUEEN UNIT

TURKEY TRACK

YATES PETROLEUM CORPORATION  
Benson Deep AAS Federal Com. #3H  
1980' FNL and 200' FWL SHL  
1980' FNL and 330' FEL BHL  
Section 33, T18S-R30E  
Eddy County, New Mexico Exhibit E

Rubicon O.E.G.  
11-1-2015  
114974  
800.00  
SE/4

Edge Pet.  
11-1-2015  
114973  
1400.00

Edge Pet.  
5-1-2015  
113962  
1000.00

Edge Pet.  
5-1-2015  
113962  
1,000.00

Yates Perkins  
D/A 7-31-51

Yates et al  
Perkins  
TD3220  
D/A 3-11-64

Schutz Flag Petroleum  
Yates Pet.  
Benson-Fed

Black 33, 100'  
Yates Fed. Unit  
TD 4843  
D/A 1-12-56

Standard  
1531  
44

U.S.  
B  
Percent  
Hole Fdn  
BP

0560858

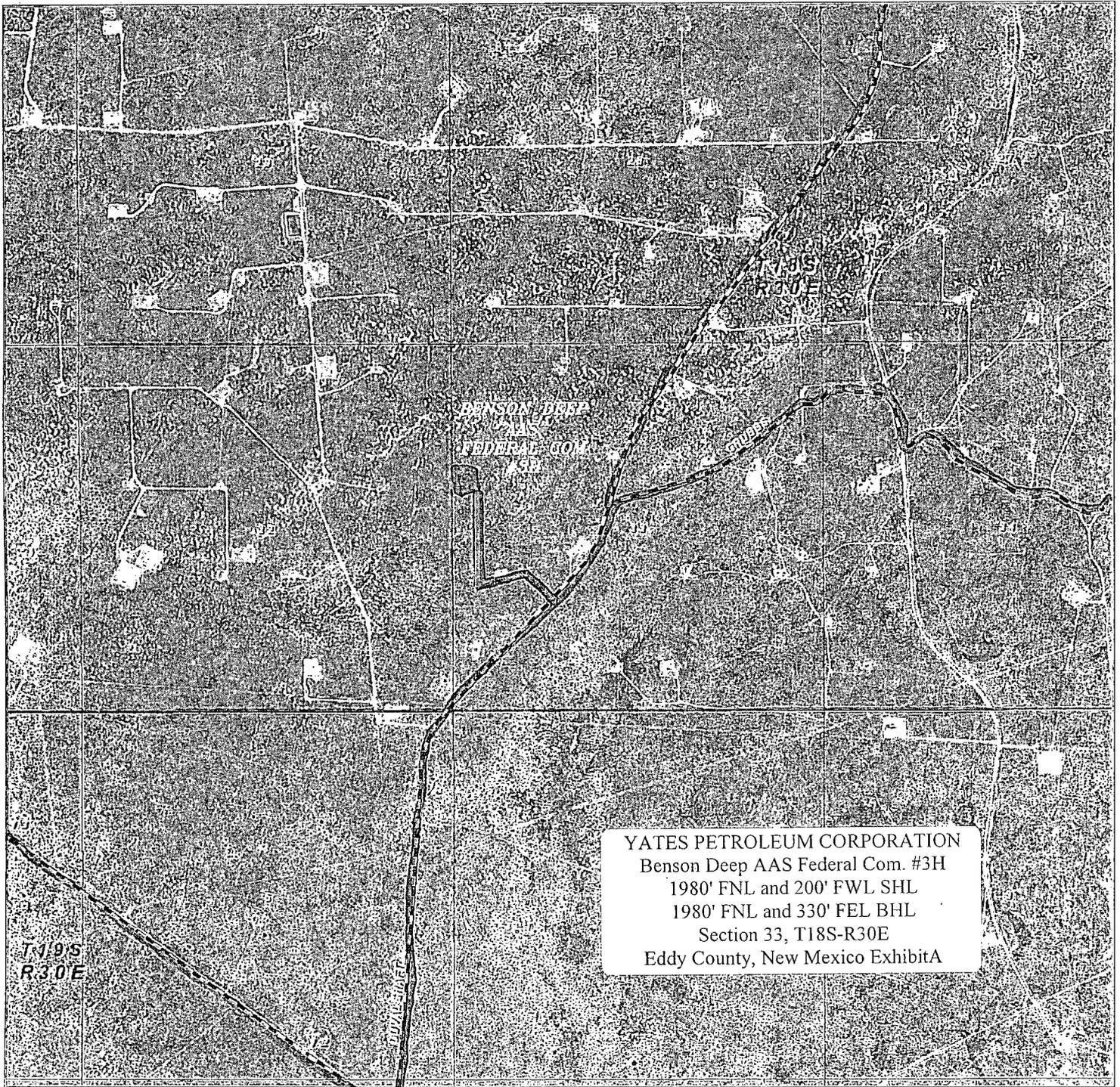
01144

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Pe  
Abs

10



YATES PETROLEUM CORPORATION  
 Benson Deep AAS Federal Com. #3H  
 1980' FNL and 200' FWL SHL  
 1980' FNL and 330' FEL BHL  
 Section 33, T18S-R30E  
 Eddy County, New Mexico Exhibit A

T18S  
R30E

**BENSON DEEP "AAS" FEDERAL COM #3H**  
 Located 1980' FNL and 200' FWL  
 Section 33, Township 18 South, Range 30 East,  
 N.M.P.M., Eddy County, New Mexico.



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: JMS 25757

Scale: 1" = 2000'

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

**YATES  
 PETROLEUM  
 CORP.**

**YATES PETROLEUM CORPORATION**

Benson Deep AAS Federal Com. #3H  
 1980' FNL & 200' FWL, Surface Hole  
 1980' FNL & 330' FEL, Bottom Hole  
 Section 33 -T18S-R30-E  
 Eddy County, New Mexico

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

Rustler	280'	Cherry Canyon	3970'-Oil	
Top of Salt	600'	Brushy Canyon	4130'-Oil	
Base of Salt	1490'	Bone Spring LM	5540'-Oil	
Tansil	1590'	Bone Spring 1/SD/	7295'-Oil	
Yates	1740'	Bone Spring 2 /SD/	8160'-Oil	8192' MD
Seven Rivers	2050'	Target Zone SBSG	8309'-Oil	8572' MD
Queen	2840'-Oil	TD	8390'	12852' MD

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

Water: Approx 250' - 350'

Oil or Gas: See above--All Potential Zones

3. Pressure Control Equipment: BOP with a minimum opening of 13 5/8" will be installed on the 13 3/8" and 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 Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report.  
 See Exhibit 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)

*See COA*

HOLE SIZE	CASING SIZE	WT/FT	GRADE	COUPLING	INTERVAL	LENGTH
17 1/2"	13 3/8"	48#	J-55 Hybrid	ST&C	0'- <del>400'</del> 330'	400'
12 1/4"	9 5/8"	36#	J-55	LT&C	0'-2100'	2100'
8 3/4"	5 1/2"	17#	P-110	LT&C	0'-7831'	7831'
8 1/2"	5 1/2"	17#	P-110	Buttress	7831'-12852'	5021'

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

B. CEMENTING PROGRAM:

Surface casing: 415 sacks Class C with 2% CaCl (Wt. 14.80 Yld. 1.34). Cement designed with 100% excess. TOC-Surface.

Intermediate Casing: Lead with 535 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00); Tail in with 200 sacks Class C with 2% CaCl (Wt. 14.80 Yld 1.34). Cement designed with 100% excess. TOC-Surface

Production Casing: Cement to be done in two stages with DV cementer tools at approximately 8550' and 3900'.

2.00

Stage 1 from 3900'-8550'; cement with 670 sacks 35:65:6PxC (Wt. 12.50 Yld. ~~20.0~~). Tail in with 175 sacks PecosVILt (Wt. 13.0 Yld. 1.41) with D112, Fluid Loss 0.4%; D151, Calcium Carbonate, 22.5 lb/sack; D-174, Extender 1.5 lb/sack; D-177, Retarder 0.01 lb/sack; D-800, Retarder 0.5 lb/sack and D46, Antifoam Agent, 0.15 lb/sack. Cement designed with 35% excess. TOC-3900'

Stage 2 from 1600'-3900'; Lead with 255 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 200 sacks Class C with 2% CaCl (Wt. 14.80 Yld. 1.34). Cement designed with 35% excess. TOC- 1600'.

Well will be drilled vertically to 7831'. Well will be kicked off at approximately 7831' and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 8572' MD (8309' TVD). Hole will then be reduced to 8 1/2" and drilled to 12,852' MD (8390' TVD) where 5 1/2" casing will be set and cemented. A DV cementer tool will be set at approximately 8550' and 3900'. Cement will be placed from the first DV tool to 500' into the intermediate casing at approximately 1600'. Penetration point of producing zone will be encountered at 1979' FNL & 668' FWL, Section 33-18S-30E. Deepest TVD in the well will be 8390' in the lateral.

5. Mud Program and Auxiliary Equipment:

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0'-400' <i>330</i>	Fresh Water	8.60-9.20	28-32	N/C
400'-2100'	Brine Water	10.00-10.20	28-30	N/C
2100'-8572'	Cut Brine	9.00-9.20	30-32	N/C
8572'-12852'	Cut Brine (Lateral Section)	9.00-9.20	32-34	<15

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: *see log*

Samples: 30 foot samples to 5000'. 10 foot samples 5000' to TD.

Logging: **Gamma Ray Neutron-TD to surface; Density-TD to intermediate casing; Laterolog (Resistivity)-TD to intermediate casing; CMR-TD to intermediate casing**

Coring: As warranted.

DST's: As warranted

Mudlogging: On from surface casing to TD

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

Anticipated BHP:

From: 0	TO: 400'	Anticipated Max. BHP:	191	PSI
From: 400'	TO: 2100'	Anticipated Max. BHP:	1114	PSI
From: 2100'	TO: 8390'	Anticipated Max. BHP:	4014	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

8. ANTICIPATED STARTING DATE:

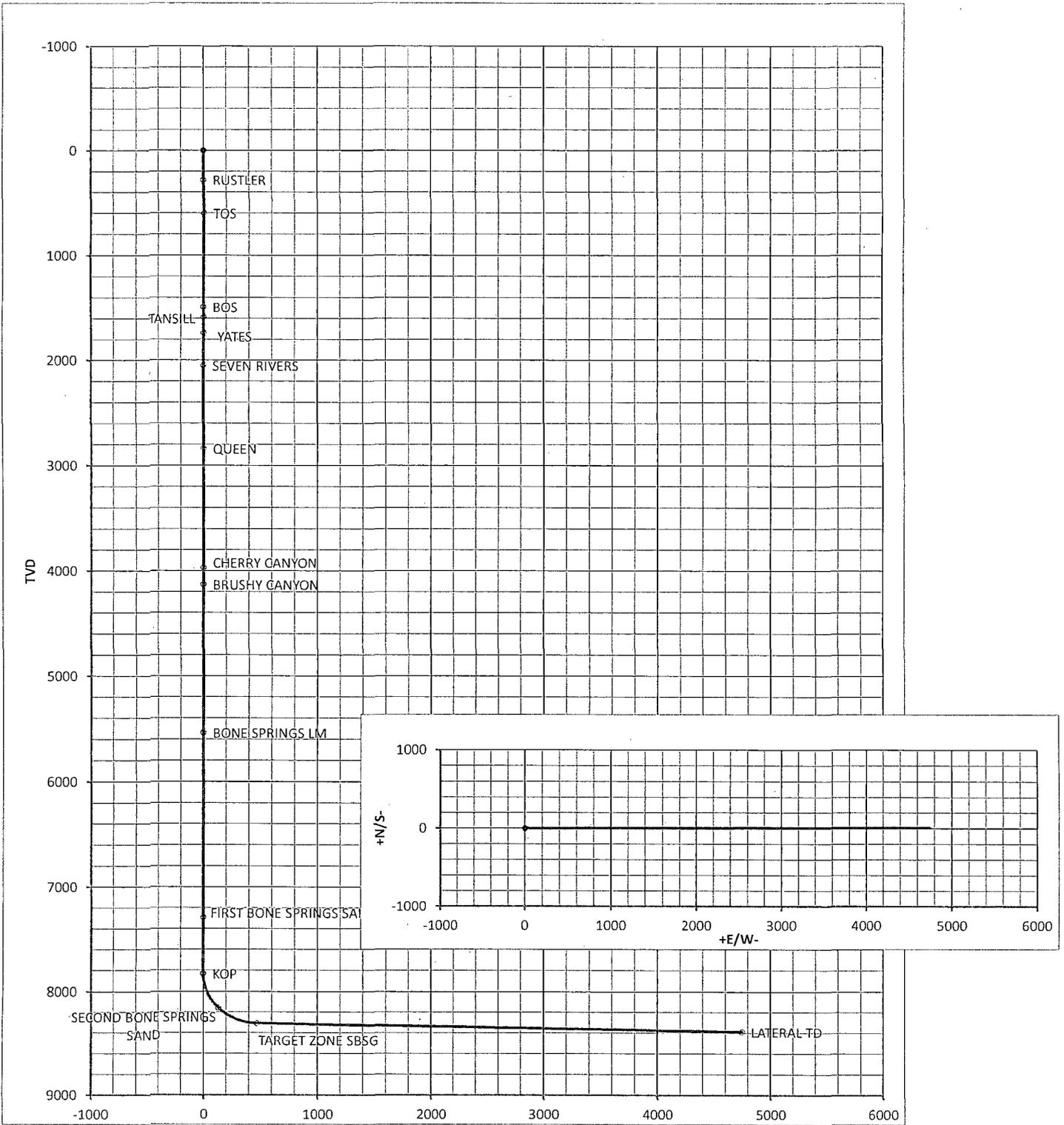
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 20 days.

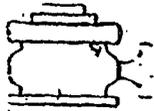
Benson Deep Fed Com

<b>Co:</b> Yates Petroleum Corporation	<b>Units:</b> Feet, °, 7100ft	<b>VS Az:</b> 89.89	<b>Method:</b> Minimum Curvature
<b>Drillers:</b> 0	<b>Elevation:</b>	<b>Map System:</b> NAD83, St. Plane, Wyoming West	
<b>Well Name:</b> Benson Deep AAS Fed Com #3H	<b>Northing:</b>	<b>Latitude:</b>	
<b>Location:</b> Sec. 33, 18S-30E	<b>Easting:</b>	<b>Longitude:</b>	

**Yates Petroleum Corporation: Benson Deep Fed Com #3H**

No.	TMD	CL	Inc	Azi	TMD	VS	+NS-	+EW-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1	280.00	280.00	0.00	0.00	280.00	0.00	0.00	0.00	0.00	0.00	0.00	RUSTLER
2	600.00	320.00	0.00	0.00	600.00	0.00	0.00	0.00	0.00	0.00	0.00	TOS
3	1490.00	890.00	0.00	0.00	1490.00	0.00	0.00	0.00	0.00	0.00	0.00	BOS
4	1590.00	100.00	0.00	0.00	1590.00	0.00	0.00	0.00	0.00	0.00	0.00	TANSILL
5	1740.00	150.00	0.00	0.00	1740.00	0.00	0.00	0.00	0.00	0.00	0.00	YATES
6	2050.00	310.00	0.00	0.00	2050.00	0.00	0.00	0.00	0.00	0.00	0.00	SEVEN RIVERS
7	2840.00	790.00	0.00	0.00	2840.00	0.00	0.00	0.00	0.00	0.00	0.00	QUEEN
8	3970.00	1130.00	0.00	0.00	3970.00	0.00	0.00	0.00	0.00	0.00	0.00	CHERRY CANYON
9	4130.00	160.00	0.00	0.00	4130.00	0.00	0.00	0.00	0.00	0.00	0.00	BRUSHY CANYON
10	5540.00	1410.00	0.00	0.00	5540.00	0.00	0.00	0.00	0.00	0.00	0.00	BONE SPRINGS LM
11	7295.00	1755.00	0.00	0.00	7295.00	0.00	0.01	0.00	0.00	0.00	0.00	FIRST BONE SPRINGS
12	7831.20	536.20	0.00	89.89	7831.20	0.00	0.01	0.00	0.00	1.15	0.00	KOP
13	7900.00	68.80	8.25	89.89	7899.76	4.95	0.02	4.95	12.00	0.00	12.00	
14	8000.00	100.00	20.25	89.89	7996.51	29.52	0.06	29.52	12.00	0.00	12.00	
15	8100.00	100.00	32.25	89.89	8086.03	73.67	0.15	73.67	12.00	0.00	12.00	
16	8193.97	93.97	43.52	89.89	8160.08	131.28	0.26	131.28	12.00	0.00	12.00	SECOND BONE SPRING
17	8200.00	6.03	44.25	89.89	8164.42	135.46	0.26	135.46	12.00	0.00	12.00	
18	8300.00	100.00	56.25	89.89	8228.25	212.20	0.41	212.20	12.00	0.00	12.00	
19	8400.00	100.00	68.25	89.89	8274.73	300.54	0.58	300.54	12.00	0.00	12.00	
20	8500.00	100.00	80.25	89.89	8301.82	396.61	0.76	396.61	12.00	0.00	12.00	
21	8572.12	72.12	88.91	89.89	8308.58	468.38	0.90	468.38	12.00	0.00	12.00	TARGET ZONE SBSG
22	12852.33	4280.21	88.91	89.89	8390.01	4747.82	9.01	4747.81	0.00	0.00	0.00	LATERAL TD



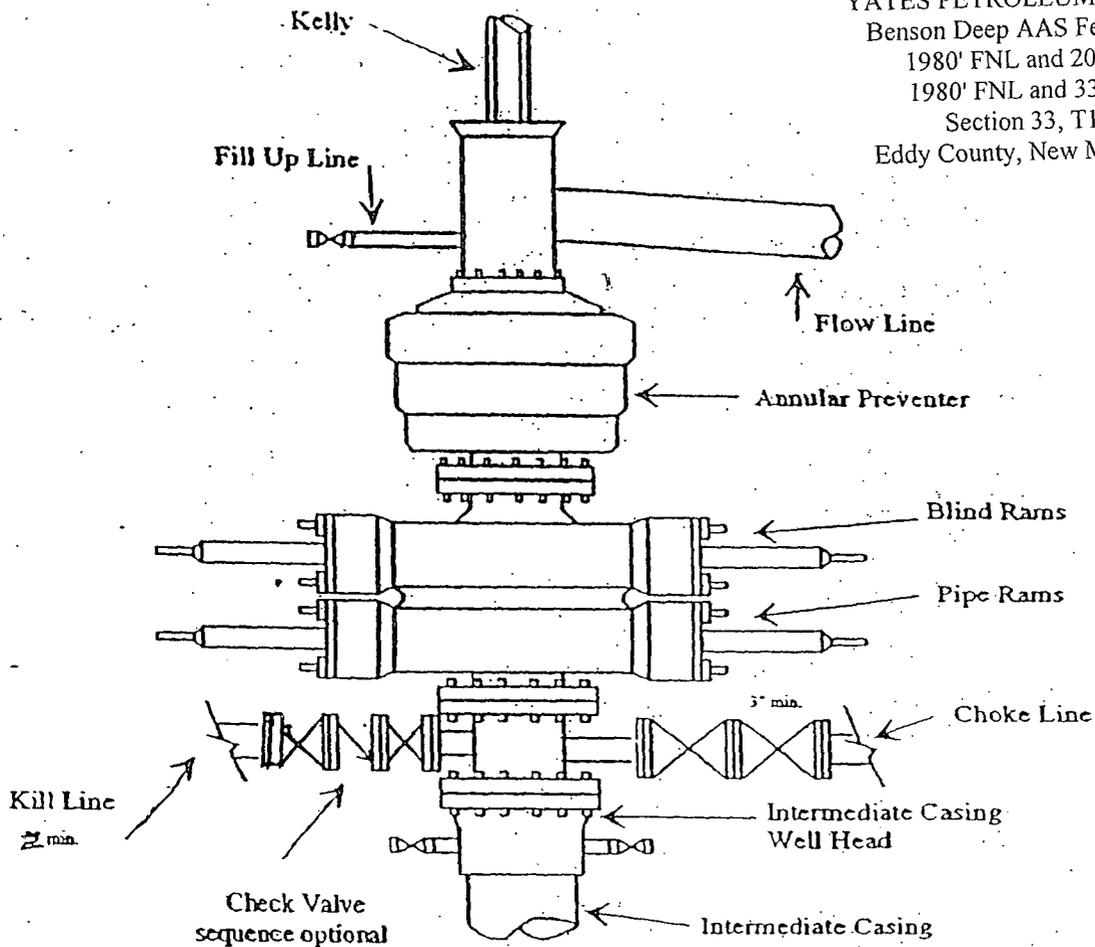


# Yates Petroleum Corporation

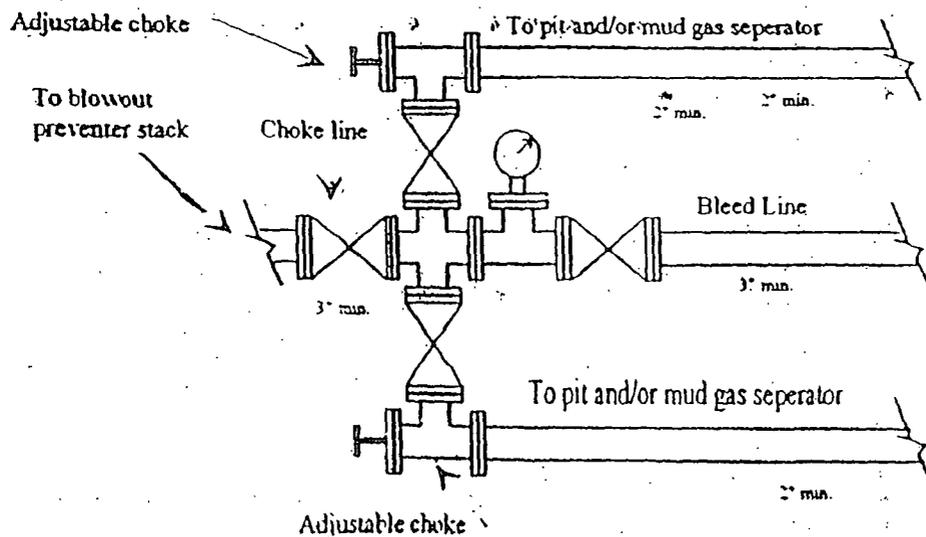
BOP-3

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

YATES PETROLEUM CORPORATION  
Benson Deep AAS Federal Com. #3H  
1980' FNL and 200' FWL SHL  
1980' FNL and 330' FEL BHL  
Section 33, T18S-R30E  
Eddy County, New Mexico Exhibit C



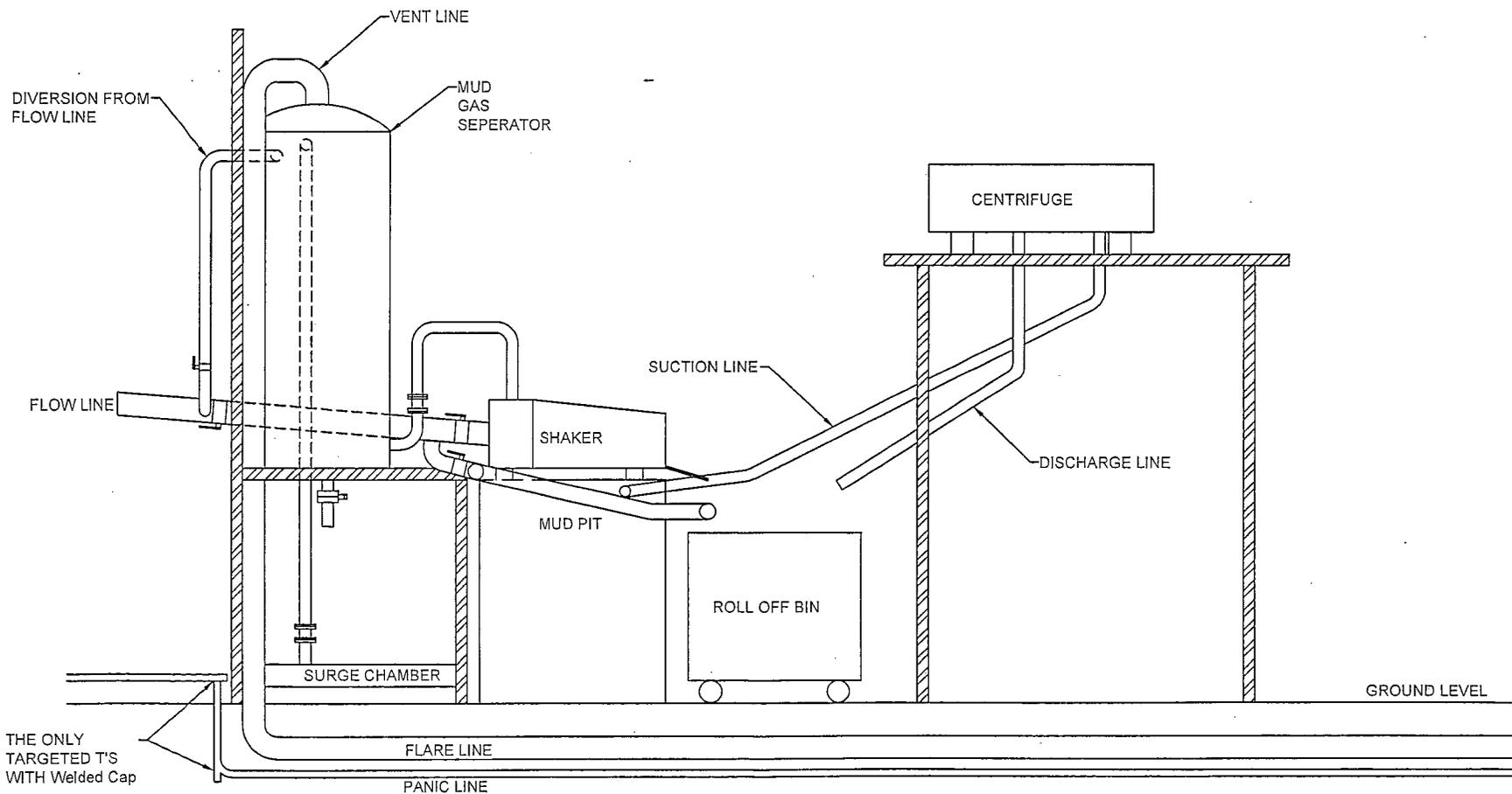
### Typical 3,000 psi choke manifold assembly with at least these minimum features



# YATES PETROLEUM CORPORATION

## Piping from Choke Manifold to the Closed Loop Drilling Mud System

YATES PETROLEUM CORPORATION  
Benson Deep AAS Federal Com. #3H  
1980' FNL and 200' FWL SHL  
1980' FNL and 330' FEL BHL  
Section 33, T18S-R30E  
Eddy County, New Mexico ExhibitD



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.

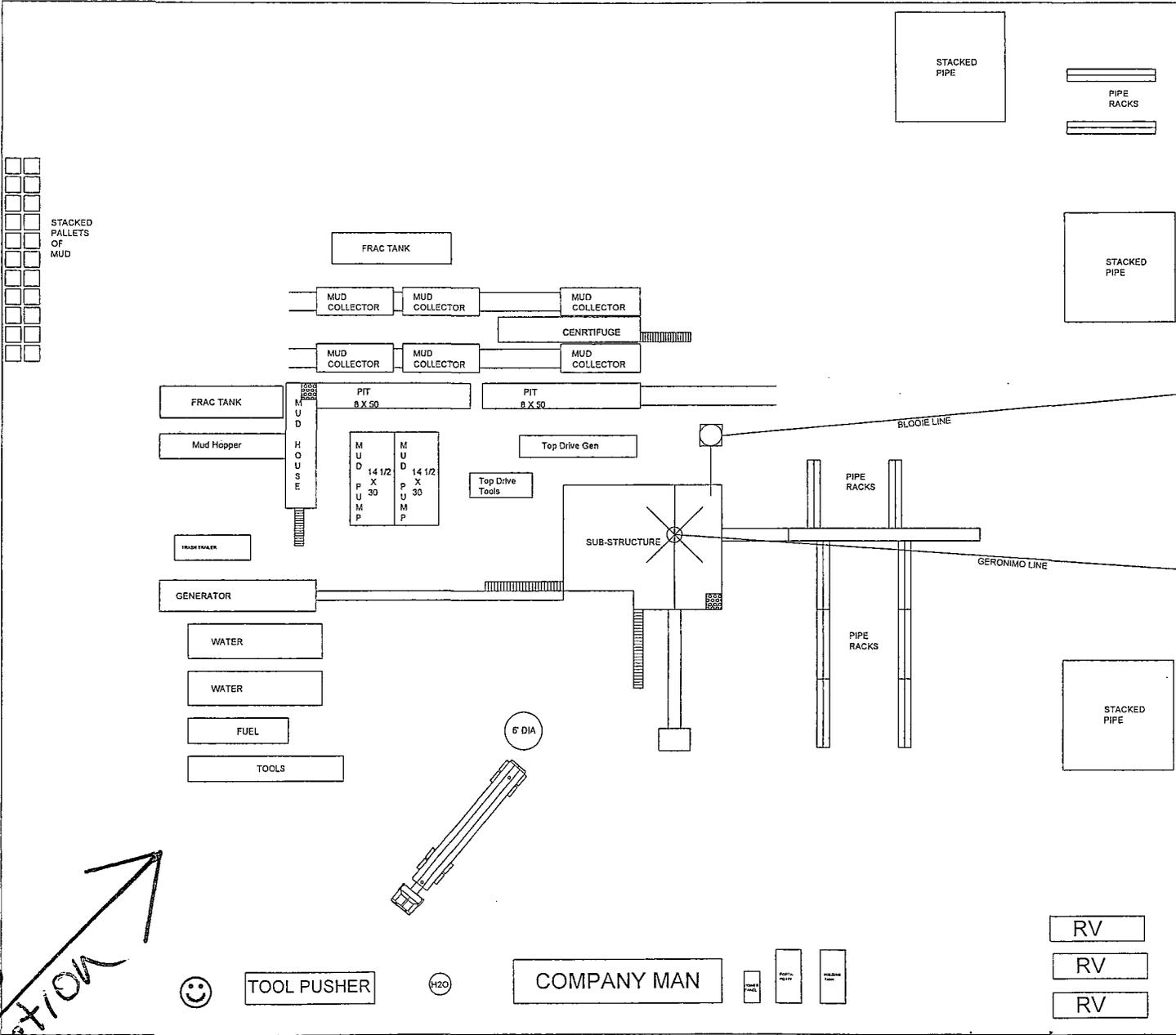
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

## 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

Benson DeepAAS  
FED Com #3H



WIND  
Direction

- Safe Briefing Area with caution signs and breathing equipment
- Wind Direction Indicators
- H2S Monitor with alarm at the bell nipple

PAD LAYOUT  
Scale: 1 inch = 50 feet

ROAD

# **Yates Petroleum Corporation**

**105 S. Fourth Street  
Artesia, NM 88210**

## **Hydrogen Sulfide (H<sub>2</sub>S) Contingency Plan**

**For**

**Benson Deep AAS Federal Com. #3H**

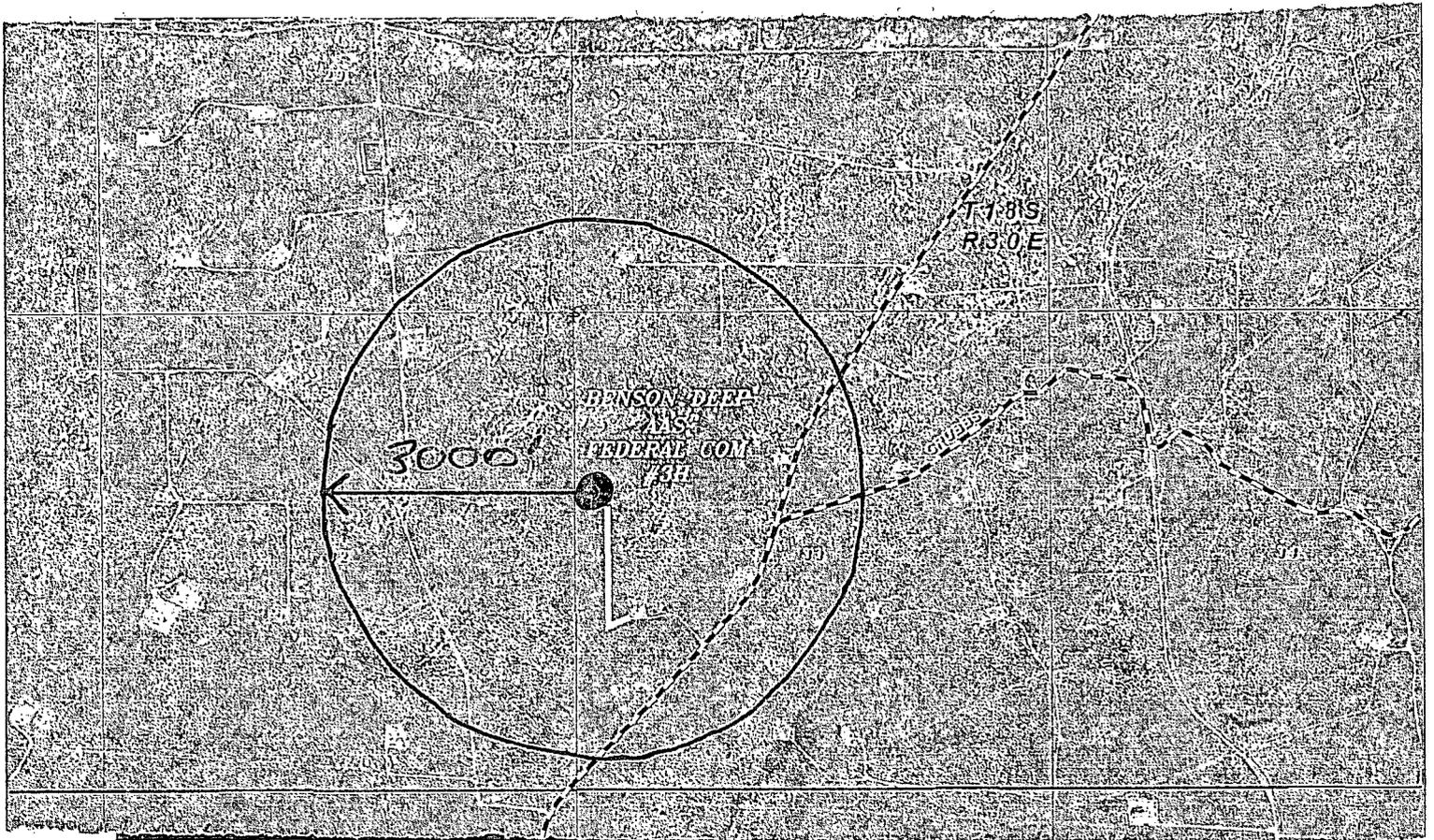
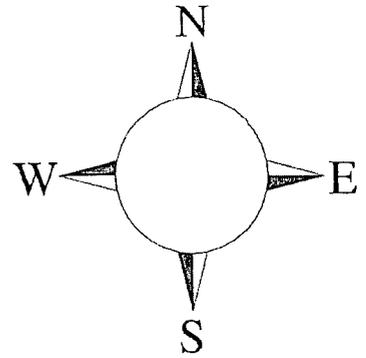
**1980' FNL and 200' FWL**

**Section 33, T18S,-R30E**

**Eddy County, NM**

## Benson Deep AAS Federal Com. #3H

This is an open drilling site. H<sub>2</sub>S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H<sub>2</sub>S, including warning signs, wind indicators and H<sub>2</sub>S monitor.



Assumed 100 ppm ROE = 3000'  
100 ppm H<sub>2</sub>S concentration shall trigger activation of this plan.

## Emergency Procedures

In the case of a release of gas containing H<sub>2</sub>S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H<sub>2</sub>S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H<sub>2</sub>S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

## Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO<sub>2</sub>). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

## Characteristics of H<sub>2</sub>S and SO<sub>2</sub>

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H <sub>2</sub> S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO <sub>2</sub>	2.21 Air = 1	2 ppm	N/A	1000 ppm

## Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

## Yates Petroleum Corporation Phone Numbers

YPC Office .....	(575) 748-1471
Pinson Mc Whorter/Operations Manager .....	(575) 748-4189
Wade Bennett/Prod Superintendent .....	(575) 748-4236
LeeRoy Richards/Assistant Prod Superintendent .....	(575) 748-4228
Mike Larkin/Drilling .....	(575) 748-4222
Paul Hanes/Prod. Foreman/Roswell .....	(575) 624-2805
Tim Bussell/Drilling Superintendent .....	(575) 748-4221
Artesia Answering Service .....	(575) 748-4302

(During non-office hours)

### **Agency Call List**

#### **Eddy County (575)**

##### **Artesia**

State Police .....	746-2703
City Police.....	746-2703
Sheriff's Office .....	746-9888
Ambulance .....	911
Fire Department .....	746-2701
LEPC (Local Emergency Planning Committee) .....	746-2122
NMOCD.....	748-1283

##### **Carlsbad**

State Police .....	885-3137
City Police.....	885-2111
Sheriff's Office.....	887-7551
Ambulance .....	911
Fire Department.....	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544
New Mexico Emergency Response Commission (Santa Fe) .....	(505)476-9600
24 HR .....	(505) 827-9126
New Mexico State Emergency Operations Center.....	(505) 476-9635
National Emergency Response Center (Washington, DC) .....	...(800) 424-8802

##### **Other**

Boots & Coots IWC .....	1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....	(915) 699-0139 or (915) 563-3356
Halliburton .....	(575) 746-2757
B. J. Services.....	(575) 746-3569
Flight For Life -4000 24th St, Lubbock, TX .....	(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX .....	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM .....	(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM .....	(505) 842-4949

# Yates Petroleum Corporation

## Hydrogen Sulfide Drilling Operation Plan

### I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H<sub>2</sub>S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H<sub>2</sub>S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H<sub>2</sub>S on metal components. If high tensile tubular are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H<sub>2</sub>S Drilling Operations Plan and H<sub>2</sub>S Contingency Plan.

There will be an initial training session just prior to encountering a known or probable H<sub>2</sub>S zone (within 3 days or 500 feet) and weekly H<sub>2</sub>S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H<sub>2</sub>S Drilling Operation Plan and the H<sub>2</sub>S Contingency Plan. **The location of this well does not require a Public Protection Plan.**

## II. H2S SAFETY EQUIPMENT AND SYSTEMS

NOTE: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

### 1. Well Control Equipment:

- A. Flare line
- B. Choke manifold
- C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit
- D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

### 2. Protective equipment for essential personnel:

- A. Mark II Survive Air (or equivalent) 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

### 3. H2S detection and monitoring equipment:

- A. 3 portable H2S monitors positioned at: Shale Shaker, Bell Nipple, and Rig Floor. These units have warning lights and audible sirens when H2S levels of 10 PPM are reached.

### 4. Visual warning systems:

- A. Wind direction indicators as shown on well site diagram (attached).
- B. Caution/Danger signs (attached) shall be posted on roads providing direct access to location. Signs will be painted with high visibility yellow with black lettering of a sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

### 5. Mud program:

- A. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

### 6. Metallurgy:

- A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.
- B. All elastomers used for packing and seals shall be H2S trim.

**7. Communication:**

- A. Cellular communications in company vehicles.
- B. Land line (telephone) communication at the Office.

**8. Well testing:**

- A. There will be no drill stem testing.

**EXHIBIT**

**DANGER**

**POISONS GAS**

**HYDROGEN SULFIDE**

 **NORMAL OPERATIONS**  
(GREEN)

 **CAUTION POTENTIAL DANGER**  
(YELLOW)

 **DANGER POISONS GAS ENCOUNTERED**  
(RED) **AUTHORIZED PERSONAL ONLY.**

**LOCATION SECURED.**

**1-575-746-1096**

**1-877-879-8899**

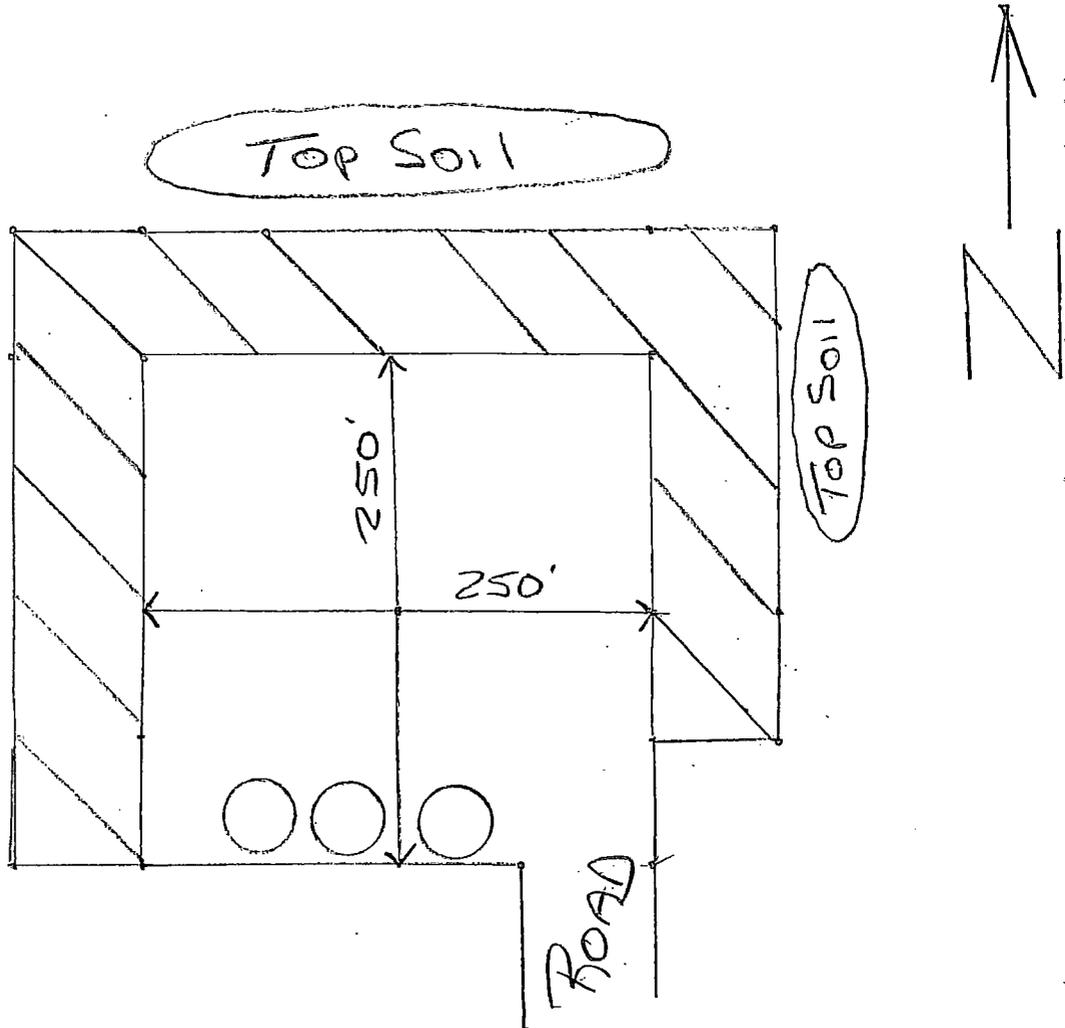
EDDY COUNTY EMERGENCY NUMBERS

ARTESIA FIRE DEPT. 575-746-5050  
ARTESIA POLICE DEPT. 575-746-5000  
EDDY CO. SHERIFF DEPT. 575-746-9888

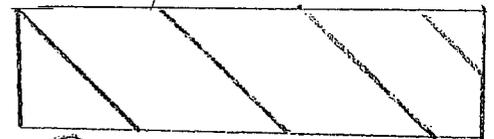
LEA COUNTY EMERGENCY NUMBERS

HOBBS FIRE DEPT. 575-397-9308  
HOBBS POLICE DEPT. 575-397-9285  
LEA CO. SHERIFF DEPT. 575-396-1196

YATES PETROLEUM CORPORATION  
Benson Deep AAS Federal Com. #3H  
RECLAMATION PLAN



Final Reclamation  
may look Different  
than this PLAT.



Possible Reclaimed  
Area.

## MULTI-POINT SURFACE USE AND OPERATIONS PLAN

### Yates Petroleum Corporation

Benson Deep AAS Federal Com. #3H  
1980' FNL & 200' FWL Surface Hole Location  
1980' FNL and 330' FEL Bottom Hole Location  
Section 33, T18S-R30-E  
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

#### 1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 28 miles southeast of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

#### DIRECTIONS:

Go east of Artesia on Highway 82 for approximately 26.1 miles to the intersection of Highway 82 and County Road 360 (Blue Stem Road). Turn right on Bluestem Road and go approximately 12.7 miles to Duval Shaft Road. Turn left on Duval Shaft Road and go approximately 1.4 miles. Turn left here on existing lease road and go approximately .1 of a mile to Linn Petroleum's Mc Clay Federal #12 well location. From the southwest corner of this location go west for approximately 300 feet to the proposed Benson Deep AAS Federal Com. #4H well location. The new road will start from the northwest corner of this location going north for approximately .2 of a mile to the southeast corner of the proposed well location.

#### 2. PLANNED ACCESS ROAD.

- A. The proposed new access will go to the north for approximately .2 of a mile the southeast corner of the proposed well location. The road will lie in a south to north direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts may be 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 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 not any production facilities on this lease at the present time. tank battery and related production facilities will be placed on this location. Please note attached plat showing placement of the tank battery. However should a tank

battery not be needed for this well a Sundry Notice will be filed with the BLM showing this change and the route of flowlines.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction of the well location.

7. METHODS OF HANDLING WASTE DISPOSAL:

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

8. ANCILLARY FACILITIES: None.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, location of the drilling equipment, pulling unit orientation and access road approach. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.  
B. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION

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

SEE COA's no pits JDF

11. SURFACE OWNERSHIP:

Surface Estate Bureau of Land Management  
620 East Greene Street, Carlsbad, NM 88220.

Mineral Estate: Federal Lease NM-028978-B  
Bureau of Land Management  
620 East Greene Street, Carlsbad, NM 88220

12. OTHER INFORMATION:

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

# PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp
LEASE NO.:	LC028978B
WELL NAME & NO.:	3H Benson Deep AAS Federal Com
SURFACE HOLE FOOTAGE:	1980' FNL & 200' FWL
BOTTOM HOLE FOOTAGE:	1980' FNL & 330' FEL
LOCATION:	Section 33, T.18 S., R.30 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.

- General Provisions**
- Permit Expiration**
- Archaeology, Paleontology, and Historical Sites**
- Noxious Weeds**
- Special Requirements**
  - Lesser Prairie-Chicken Timing Stipulations
  - Ground-level Abandoned Well Marker
  - Communitization Agreement
- Construction**
  - Notification
  - Topsoil
  - Closed Loop System
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- Road Section Diagram**
- Drilling**
  - Secretary's Potash
  - H<sub>2</sub>S Requirements
  - Waste Material and Fluids
- Production (Post Drilling)**
  - Well Structures & Facilities
  - Pipelines
  - Electric Lines
- Interim Reclamation**
- Final Abandonment & Reclamation**

## **I. GENERAL PROVISIONS**

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

## **II. PERMIT EXPIRATION**

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

## **III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES**

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

## **IV. NOXIOUS WEEDS**

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

## V. SPECIAL REQUIREMENT(S)

### **Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:**

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

**Ground-level Abandoned Well Marker to avoid raptor perching:** Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

### **Communitization Agreement**

A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales. In addition, the well sign shall include the surface and bottom hole lease numbers. If the Communitization Agreement number is known, it shall also be on the sign. If not, it shall be placed on the sign when the sign is replaced.

## **VI. CONSTRUCTION**

### **A. NOTIFICATION**

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-6235 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

### **B. TOPSOIL**

The operator shall stockpile the topsoil in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped is approximately 4 inches in depth. The topsoil will be used for interim and final reclamation.

### **C. CLOSED LOOP SYSTEM**

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

### **D. FEDERAL MINERAL MATERIALS PIT**

Payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Carlsbad Field Office at (575) 234-5972.

### **E. WELL PAD SURFACING**

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

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

### **F. 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 (20) 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:

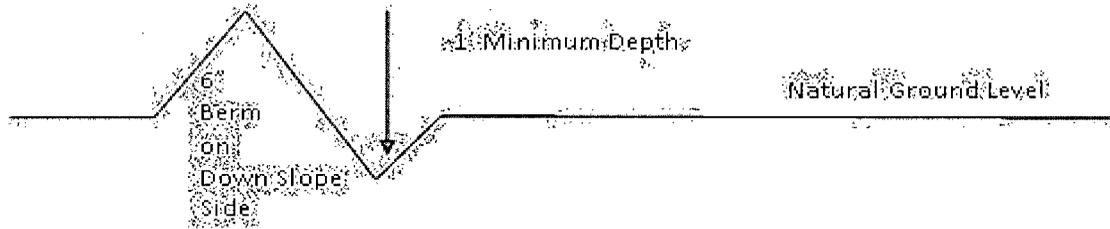


### **Drainage**

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

### Cross Section of a Typical Lead-off Ditch



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

### Formula for Spacing Interval of Lead-off Ditches

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

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

### Culvert Installations

Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

### Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

### Fence Requirement

Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).



## VII. DRILLING

### A. DRILLING OPERATIONS REQUIREMENTS

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

**Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,  
(575) 361-2822

1. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan shall be activated 500 feet prior to drilling into the **Queen** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**
1. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a “Major” violation.**
2. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works is located, this does not include the dog house or stairway area.
3. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

### B. CASING

**Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#).**

**Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).**

**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.**

#### **Secretary's Potash**

**Possible brine flows in the Salado and Artesia groups.**

**Possible lost circulation in the Artesia group.**

1. The **13-3/8** inch surface casing shall be set at approximately **330** feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
  - b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
  - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
  - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing 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 potash.**

3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
  - a. First stage to DV tool:
    - Cement not required – Packer/Port system to be used.
  - b. Second stage above DV tool:
    - Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with third stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.
  - c. Third stage above DV tool:
    - Cement should tie-back at least 500 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 **3000 (3M)** psi.
  - a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. In potash areas, 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. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time.

- 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 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.

#### **D. DRILL STEM TEST**

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

#### **E. WASTE MATERIAL AND FLUIDS**

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

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

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## **VIII. PRODUCTION (POST DRILLING)**

### **A. WELL STRUCTURES & FACILITIES**

#### **Placement of Production Facilities**

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

#### **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, Munsell Soil Color Chart # 5Y 4/2

### **B. PIPELINES (not applied for in APD)**

### **C. ELECTRIC LINES (not applied for in APD)**

## **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).

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

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

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

<u>Species</u>	<u>lb/acre</u>
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A

\*Pounds of pure live seed:

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