OCD Artesia

Form 3160-5
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE *– Other instructions on page 2.*

5. Lease Serial No.: NM-26864

6. If Indian, Allottee or Tribe Name:

7. If Unit of CA/Agreement, Name and/or No.:

1. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.: Roden GD Federal Com. #8H

2. Name of Operator: YATES PETROLEUM CORPORATION

9. API Well No: 30-015-42506

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

3b. Phone No. *(include area code)*: (575)-7484372

10. Field and Pool or Exploratory Area: Dagger Draw, Upper Penn, North

4. Location of Well *(Footage, Sec., T.,R.,M., or Survey Description)*:
660' FSL and 1980' FWL Section 25, T19S-R24E Surface Hole Location
330' FNL and 1780' FWL Section 25, T19S-R24E Bottom Hole Location

11. County or Parish, State: Eddy County, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Change of name. And new drilling plan.
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation wishes to change of this well from the March AMT Federal Com. #1H to the Roden GD Federal Com. #8H.
We are proposing to recomplete this well and drill a horizontal lateral with the bottom hole location being 660' FNL and 1780' FWL. The original surface hole location will remain at 660' FNL and 1980' FWL. Please note the attached drilling plan submitted with this Sundry Notice.

RECEIVED
MAY 12 2014
NMOCD ARTESIA

Accepted for record
NMOCD TES 5-14-14

SUBJECT TO LIKE APPROVAL BY STATE
SEE ATTACHED FOR CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct. Name *(Printed/Typed)*: Cy Cowan

Title: Land Regulatory Agent

Signature: Cy Cowan

Date: 2/5/14

APPROVED
MAY -7 2014
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

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.

(Instructions on page 2)

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

OIL CONSERVATION DIVISION

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

Form C-102
Revised July 16, 2010

Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-27506	15472	Dagger Draw, Upper Penn, North

Property Code	Property Name	Well Number
22577	RODEN GD FEDERAL COM	8H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3605

Surface Location

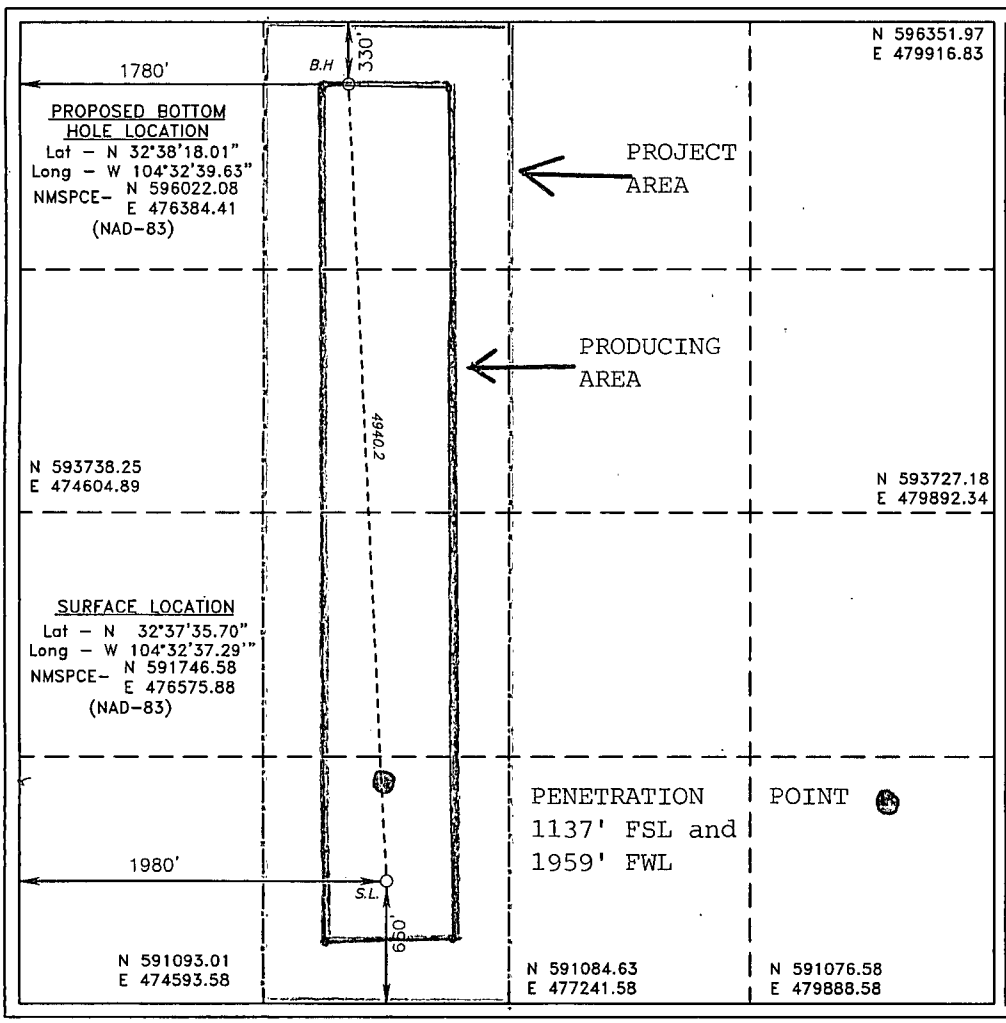
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	25	19 S	24 E		660	SOUTH	1980	WEST	EDDY

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
C	25	19 S	24 E		330	NORTH	1780	WEST	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.

Signature 2/5/14 Date

Cy Cowan
Printed Name

Email Address

SURVEYOR CERTIFICATION

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

DECEMBER 2, 2012
Date Surveyed

Signature & Seal of Professional Surveyor

NEW MEXICO GARY L. JONES 7977 REGISTERED PROFESSIONAL SURVEYOR

W.O. No. 27633

Certificate No. Gary L. Jones 7977

BASIN SURVEYS 27633

YATES PETROLEUM CORPORATION
Roden GD Federal Com #8H
660' FSL & 1980' FWL, Surface Hole
330' FNL & 1780' FWL, Bottom Hole
Section 25-T19S-R24-E
Eddy County, New Mexico

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

San Andres	474' Oil	Wolfcamp	5321' Oil + Gas	
Glorieta	1964' Oil	Cisco Shale Target	7728' Oil MD	7455' TVD
Abo	4211 Oil + Gas'	Lateral TD	11529'	11530' MD
KOP	6978'	TD	11530 MD	7455' TVD

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

   Water: Approx 275'
   Oil or Gas: See above--All Potential Zones

3. Pressure Control Equipment: A 3000 PSI BOPE with a 13 5/8" opening will be installed on the 7" BOPE Preventers and equipment will be tested to the pressure approved in the Sundry Notice. Tests will be conducted by an independent tester utilizing a test plug in the well head. Tests will be held for 10 minutes on each segment of the system tested. Any leaks will be repaired at the time of the test. Annular preventer will be tested to 50% of rated working pressure. 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

   The Accumulator system will be inspected for correct pre charge pressures, and proper functionality, prior to connection to the BOPE system.

   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: (4 1/2" casing All New)

HOLE SIZE	CASING SIZE	WT/FT	GRADE	COUPLING	INTERVAL	LENGTH
14 3/4	9 5/8"	36#	J-55	ST&C	0'-1075' In Place	1075'
8 3/4"	7"	23# & 26#	J-55/N-80	LT&C	0'-8070' In Place	8070'
6 1/8"	4 1/2"	11.60#	P-110	Buttress	6898'-11530'	4632'

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

B. CEMENTING PROGRAM:
Surface casing was cemented with 700 sx Pacesetter Lite C with 1/2# Cellocel, 10# Gilsonite, 3% CaCl2 (Wt 12.7 Yld. 1.84). With 200 sx Class C + 2% CaCl2. (Wt 14.8 Yld 1.32) Cement circulated to surface.

Production Casing was cemented in two stages. Stage 1: 700 sx "H" w/5# CSE, 65% CF-14 1/2# Cellocel, 10# Gilsonite per sack, (Wt 15.1 Yld 1.34). DV Tool set at approximately 5500' Cement volume calculated 5500'.

Stage 2: 775 sx Pacesetter Lite C with 4% CF-14, 5# sack salt (Wt 12.4 Yld 1.98) plus 100 sx "H" (Wt 15.6 Yld 1.18). Cement calculated to circulate to surface.

The new production casing will be cemented with 420 sx Pecos VILt 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 (Wt. 13.00 Yld. 1.41). Cement designed with 35% excess. TOC=6898'.

This well will be a recompletion. A CIBP will be set at approximately 6921' being 5' to 7' above the casing collar, set weight on plug to verify setting. Orient and set a whipstock and mill a window in the casing with a 6 1/2" mill at 6978'. Kick off at approximately 6978' with a 6 1/8" hole at 12 degrees per 100' to 7728' MD (7455' TVD) and then drill a 6 1/8" lateral to a TD of 11530' MD (7455' TVD) where a 4 1/2" liner hanger will be set from approximately 6898' to TD. The well will be cemented for TD to approximately 6898' and circulated off. A tieback string will be connected later for stimulation. The penetration point of producing formation encountered at 1137' FSL and 1959' FWL, of Section 25, T19S-R24E. The deepest TvD in the lateral will be 7455'.

5. Mud Program and Auxiliary Equipment:

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
6978'-11530"	Cut Brine	8.60-9.20	28-34	N/C

At the start of drilling operations an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will be comprised of the derrick hand 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.

A variance is requested for the use of a flex hose if Cactus Rig #124 is used to drill this well. Certification and specs are attached.

6. EVALUATION PROGRAM:

Samples: 10 foot samples KOP to TD.
Logging: Horizontal only MWD-GR.
Coring: None
DST's: None
Mudlogging: From KOP to TD.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP: Depths are TVD.
From: 6978' TO: 7455' Anticipated Max. BHP: 3566 PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: Possible

8. ANTICIPATED STARTING DATE:

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

Midwest Hose
& Specialty, Inc.

Certificate of Conformity

Customer: **CACTUS**	*Customer P.O.#* **RIG#137 M12653**
Sales Order # **191672**	*Date Assembled:* **12/11/2013**

Specifications

Hose Assembly Type:	**Choke & Kill**		
Assembly Serial #	**229391**	*Hose Lot # and Date Code*	**11060 10/13**
Hose Working Pressure (psi)	**10000**	*Test Pressure (psi)*	**15000**

We hereby certify that the above material supplied for the referenced purchase order to be true according to the requirements of the purchase order and current industry standards.

Supplier:
Midwest Hose & Specialty, Inc.
3312 S I-35 Service Rd
Oklahoma City, OK 73129

Comments:

Approved By	*Date*
	12/11/2013

Midwest Hose
& Specialty, Inc.

Internal Hydrostatic Test Certificate

General Information		Hose Specifications	
Customer	CACTUS	Hose Assembly Type	Choke & Kill
MWH Sales Representative	EVAN SPARKMAN	Certification	API 7K
Date Assembled	12/11/2013	Hose Grade	MUD
Location Assembled	OKC	Hose Working Pressure	10000
Sales Order #	191672	Hose Lot # and Date Code	11060 10/13
Customer Purchase Order #	RIG#137 M12653	Hose I.D. (Inches)	4"
Assembly Serial # (Pick Ticket #)	229391	Hose O.D. (Inches)	6.60"
Hose Assembly Length	35 FEET	Armor (yes/no)	YES

Fittings			
End A		End B	
Stem (Part and Revision #)	R4.0X64WB	Stem (Part and Revision #)	R4.0X64WB
Stem (Heat #)	1311405220	Stem (Heat #)	1311405220
Ferrule (Part and Revision #)	RF4.0	Ferrule (Part and Revision #)	RF4.0
Ferrule (Heat #)	120368	Ferrule (Heat #)	120368
Connection (Part #)	4 1/16" 10K	Connection (Part #)	4 1/16" 10K
Connection (Heat #)		Connection (Heat #)	
Dies Used	6.62"	Dies Used	6.62"

Hydrostatic Test Requirements		
Test Pressure (psi)	15,000	*Hose assembly was tested with ambient water temperature.*
Test Pressure Hold Time (minutes)	16 1/2	

Date Tested	Tested By	Approved By
12/11/2013		

M12653

Midwest Hose & Specialty, Inc.

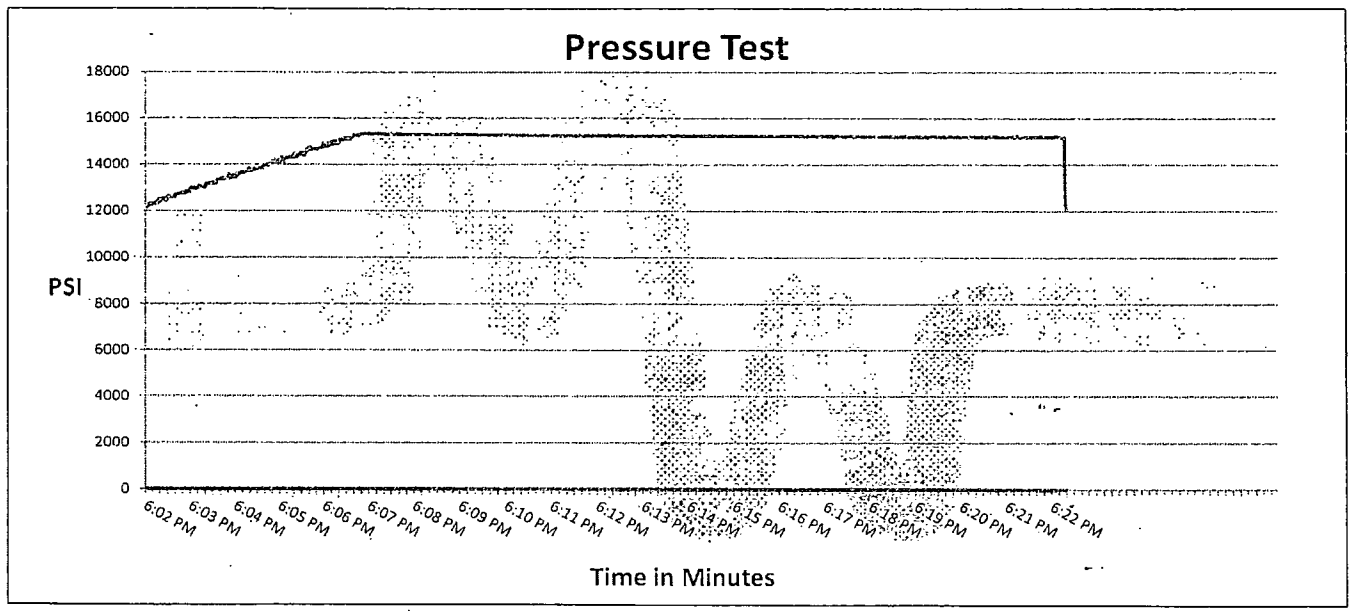
Internal Hydrostatic Test Graph

December 11, 2013

Customer: Cactus

Pick Ticket #: 229391

Hose Specifications		Verification	
Hose Type	**Length**	**Type of Fitting**	**Coupling Method**
Mud	35'	4 1/16 10K	Swage
I.D.	**O.D.**	**Die Size**	**Final O.D.**
4"	6.13"	6.62"	6.66"
Working Pressure	**Burst Pressure**	**Hose Serial #**	**Hose Assembly Serial #**
10000 PSI	Standard Safety Multiplier Applies	11060	229391



Test Pressure	Time Held at Test Pressure	Actual Burst Pressure	Peak Pressure
15000 PSI	16 2/4 Minutes		15483 PSI

Comments: Hose assembly pressure tested with water at ambient temperature.

Tested By: *Tony Kellington*

x

Approved By: *Phil Maytubby*

x

WELL NAME: Roden GD # 8H **FIELD**: Dagger Draw

LOCATION: 1,980' FWL & 660' FSL of Section 25-19S-24E Eddy Co., NM

GL: 3,605' **ZERO**: 18' **KB**: 3,623

SPUD DATE: 7/3/93 **COMPLETION DATE**: 8/2/93

COMMENTS: API No.: 30-015-27506

Formally the (March AMT # 1)

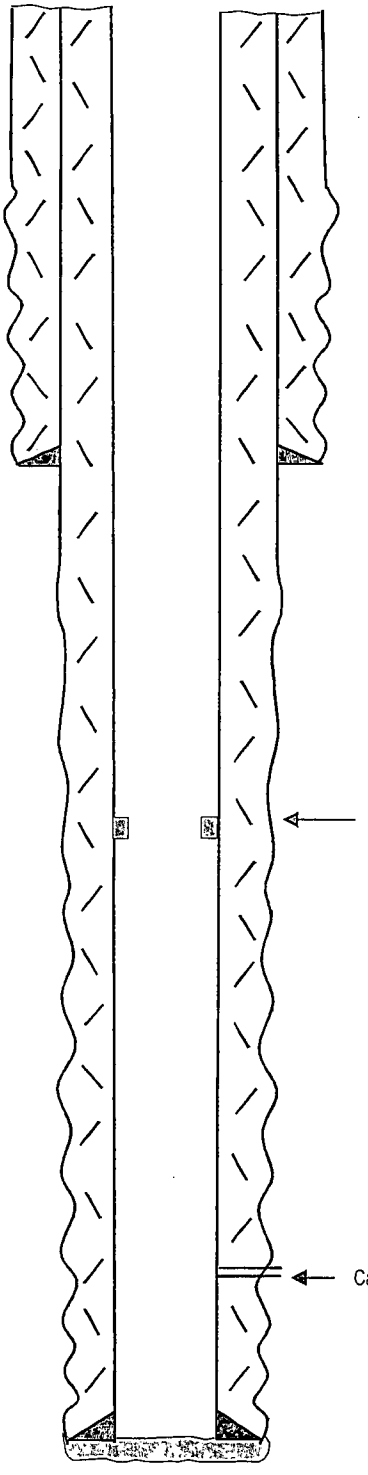
CASING PROGRAM

9-5/8" 36# J55 STC		**1,075'**
7" 26# J55	1,213'	
7" 23# J55	3,667'	
7" 26# J55	2,692'	
7" 26# N80	498'	**8,070'**

Before

TOPS

SA	474'
Glorieta	1,964'
Abo	4,211'
WC Lm	5,321'
Canyon	7,532'



14-3/4" Hole

8-3/4" Hole

9-5/8" @ 1,075' w/ 1300 sx (Circ)

DV Tool @ 5,611'

Canyon Perfs: 7,680-7,747' (26)

TD: 8,070'

7" @ 8,070' w/
1st Stage: 600 (Circ)
2nd Stage: 875 sx (Circ)

Not to Scale
4/22/13
JMH

WELL NAME: Rodgen GD # 8 **FIELD:** Dagger Draw

LOCATION: 1,980' FWL & 660' FSL of Section 25-19S-24E Eddy Co., NM

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7" 23# J55	3,667'	
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7" 26# N80	498'	**8,070'**
4-1/2" 13.5# L-80 liner from 6,928' to		**11,530'**

After

TOPS

SA	474'
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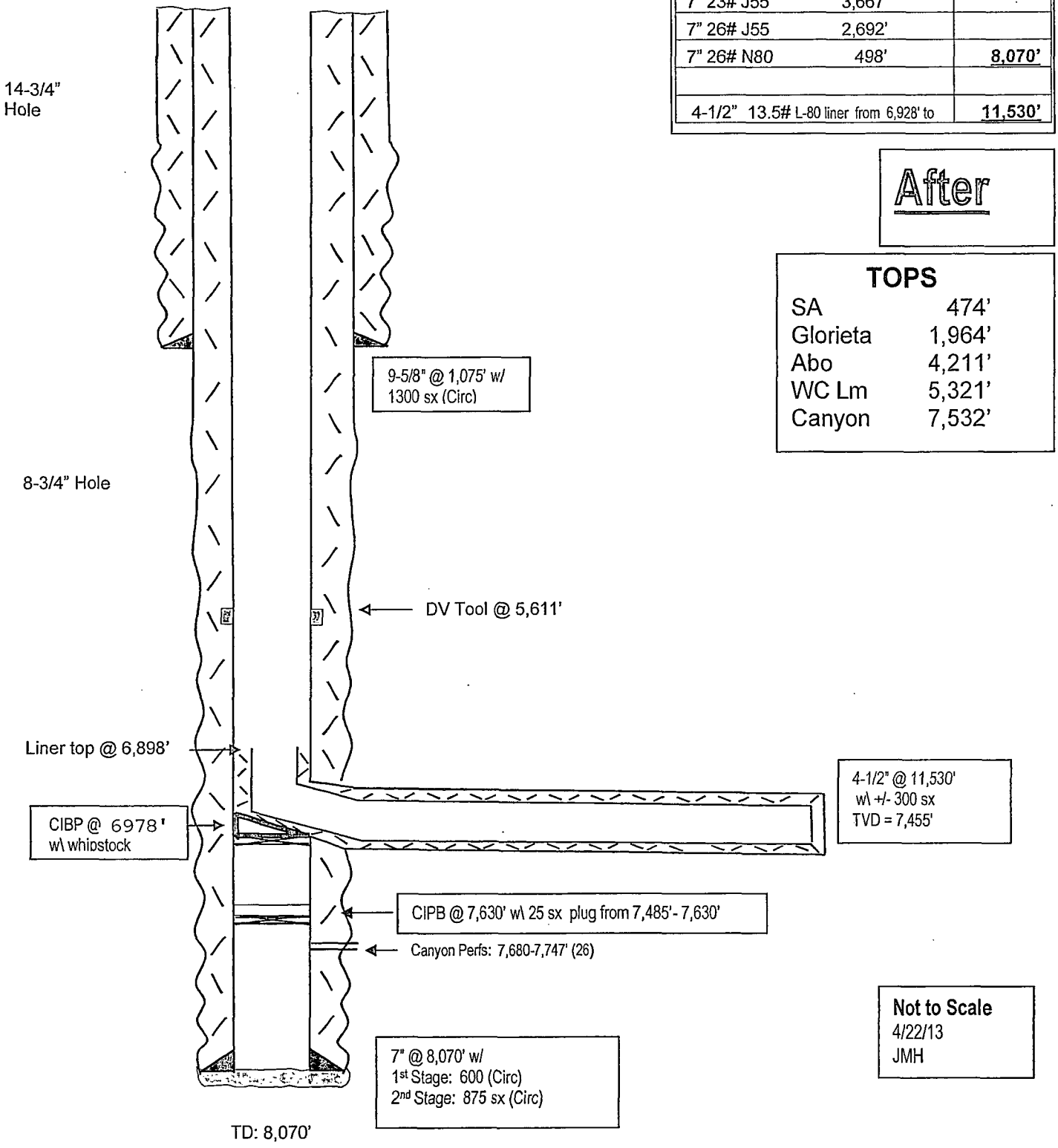


Not to Scale
4/22/13
JMH

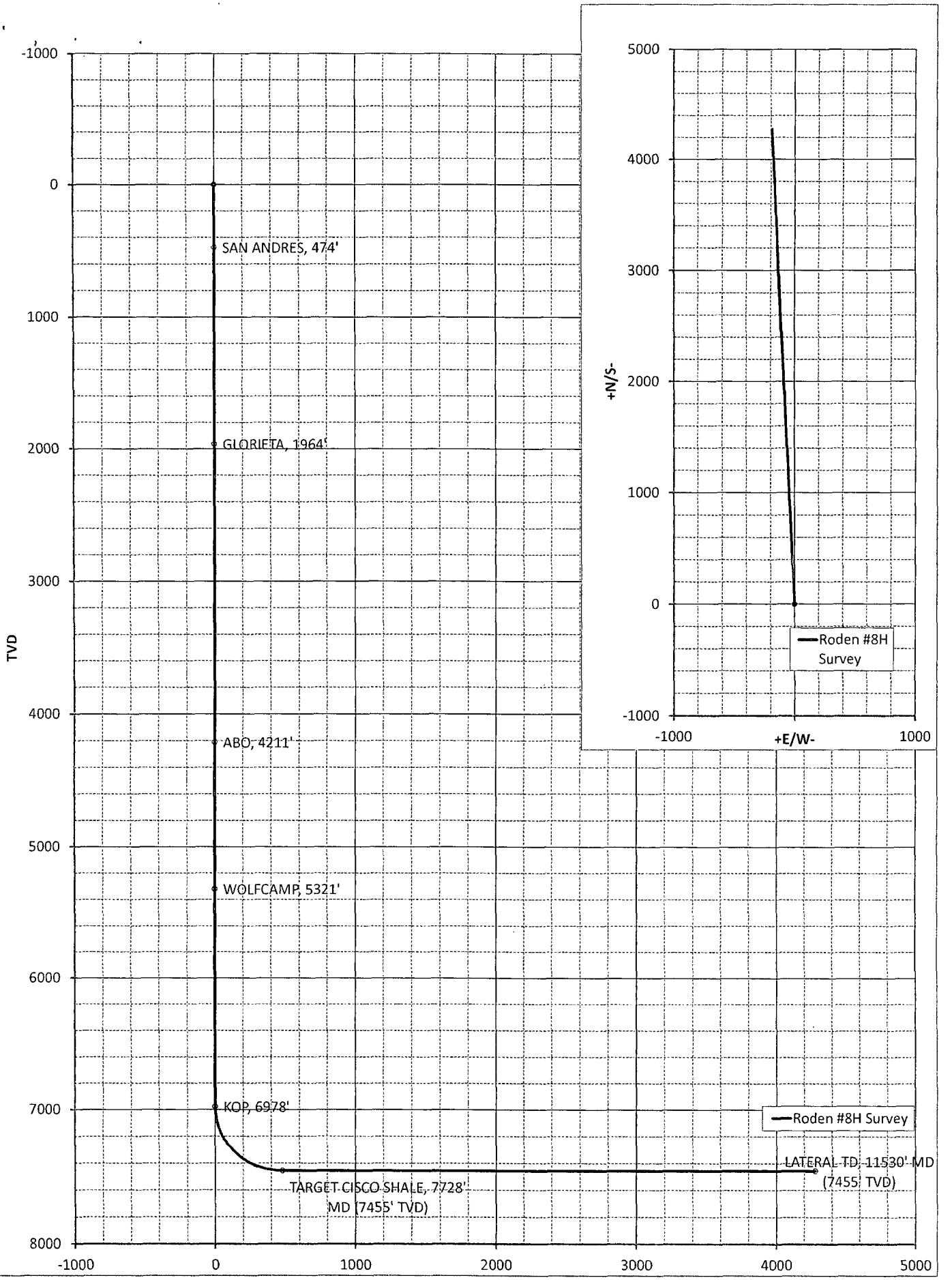
Operator Co.

Your Co.

Survey/Planning Report

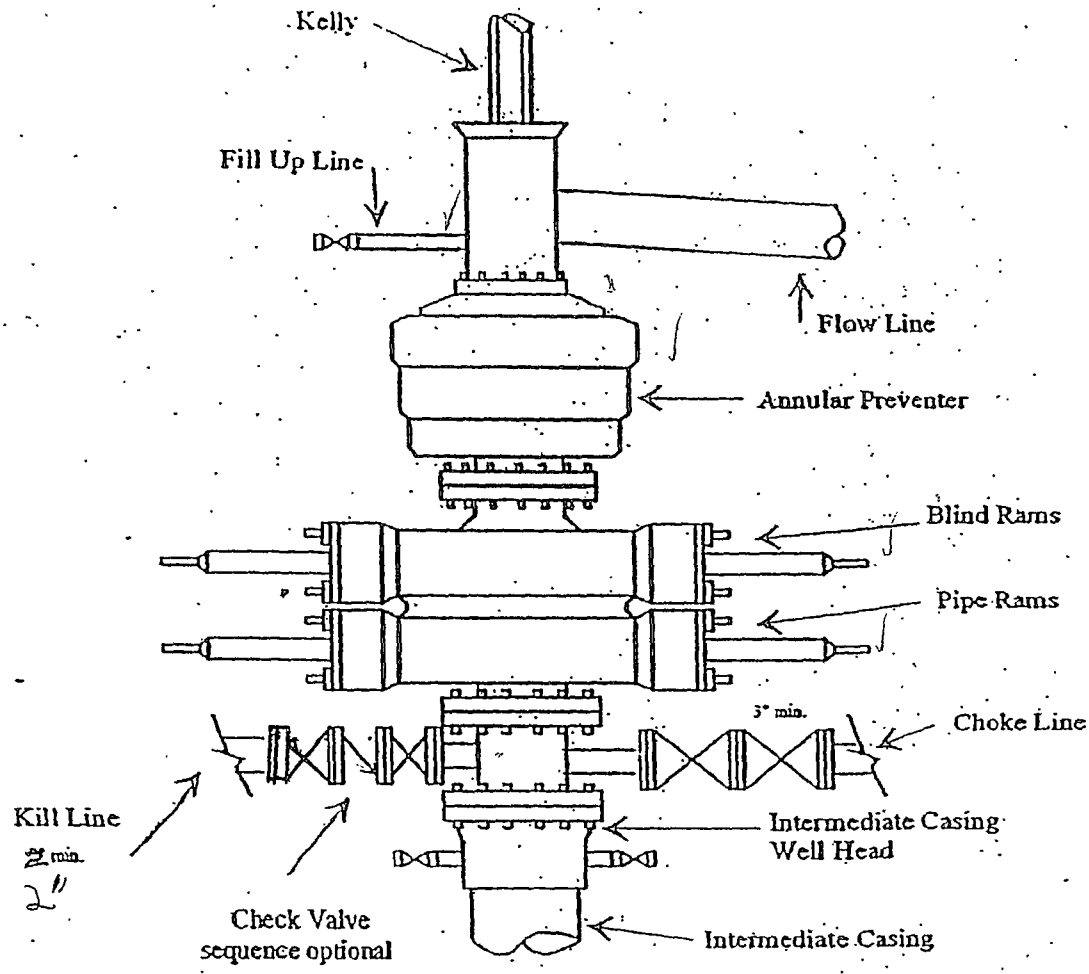
Operator	Yates Petroleum Corp.	Northing		Date	15-Apr-13
Dir. Co.	Yates Petroleum Corp.	Easting		System	2 - St. Plane
Well Name	Roden #8H Survey	Elevation		Datum	1983 - NAD83
Location	Sec. 25, 19S-24E	Latitude		Zone	4302 - Utah Central
Rig		Longitude		Scale Fac.	
Job		Units	Feet	Converg.	

MD	INC	AZI	TVD	+N/S-	+E/W-	VS@357.44°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
474.00	0.00	360.00	474.00	0.00	0.00	0.00	0.00	0.00	0.00
474: SAN ANDRES, 474'									
1964.00	0.00	360.00	1964.00	0.00	0.00	0.00	0.00	0.00	0.00
1964: GLORIETA, 1964'									
4211.00	0.00	360.00	4211.00	0.00	0.00	0.00	0.00	0.00	0.00
4211: ABO, 4211'									
5321.00	0.00	360.00	5321.00	0.00	0.00	0.00	0.00	0.00	0.00
5321: WOLFCAMP, 5321'									
6977.54	0.00	357.44	6977.54	0.01	0.00	0.01	0.00	-0.04	0.00
6977.54: KOP, 6978'									
7000.00	2.70	357.44	6999.99	0.53	-0.02	0.53	12.00	0.00	12.00
7100.00	14.70	357.44	7098.66	15.61	-0.70	15.63	12.00	0.00	12.00
7200.00	26.70	357.44	7192.04	50.85	-2.28	50.90	12.00	0.00	12.00
7300.00	38.70	357.44	7276.04	104.72	-4.69	104.82	12.00	0.00	12.00
7400.00	50.70	357.44	7346.99	174.85	-7.83	175.03	12.00	0.00	12.00
7500.00	62.70	357.44	7401.80	258.19	-11.56	258.45	12.00	0.00	12.00
7600.00	74.70	357.44	7438.07	351.09	-15.72	351.45	12.00	0.00	12.00
7700.00	86.70	357.44	7454.21	449.50	-20.13	449.95	12.00	0.00	12.00
7727.53	90.00	357.44	7455.00	476.99	-21.36	477.47	12.00	0.00	12.00
7727.53: TARGET CISCO SHALE, 7728' MD (7455' TVD)									
11529.86	90.00	357.44	7455.01	4275.51	-191.47	4279.79	0.00	0.00	0.00
11529.86: LATERAL TD, 11530' MD (7455' TVD)									

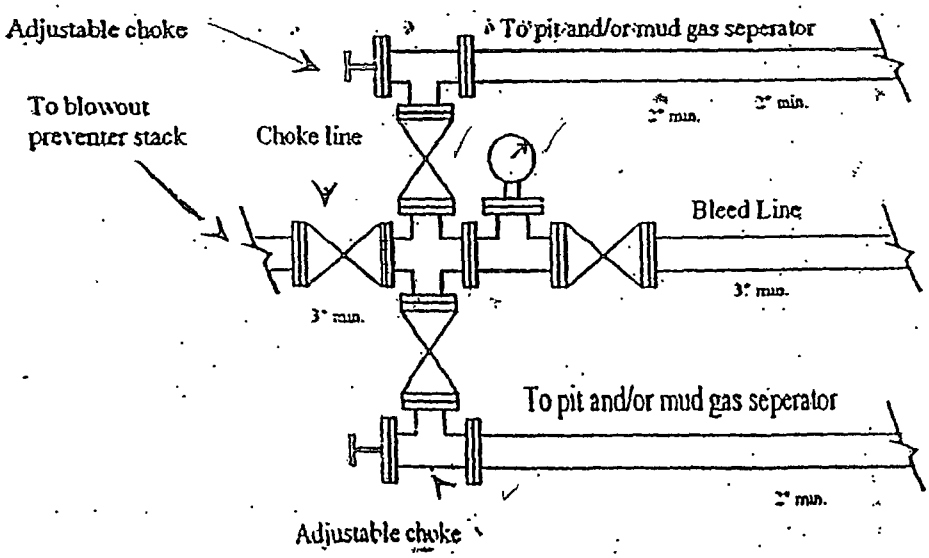

-1000
0
1000
2000
3000
4000
5000
6000
7000
8000
TVD
SAN ANDRES, 474'
GLORIETA, 1964'
ABO, 4211'
WOLFCAMP, 5321'
KOP, 6978'
TARGET CISCO SHALE, 7728' MD (7455' TVD)
LATERAL TD, 11530' MD (7455' TVD)
Roden #8H Survey
-1000
0
1000
2000
3000
4000
5000
+E/W-
+N/S-
Roden #8H Survey

Yates Petroleum Corporation

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



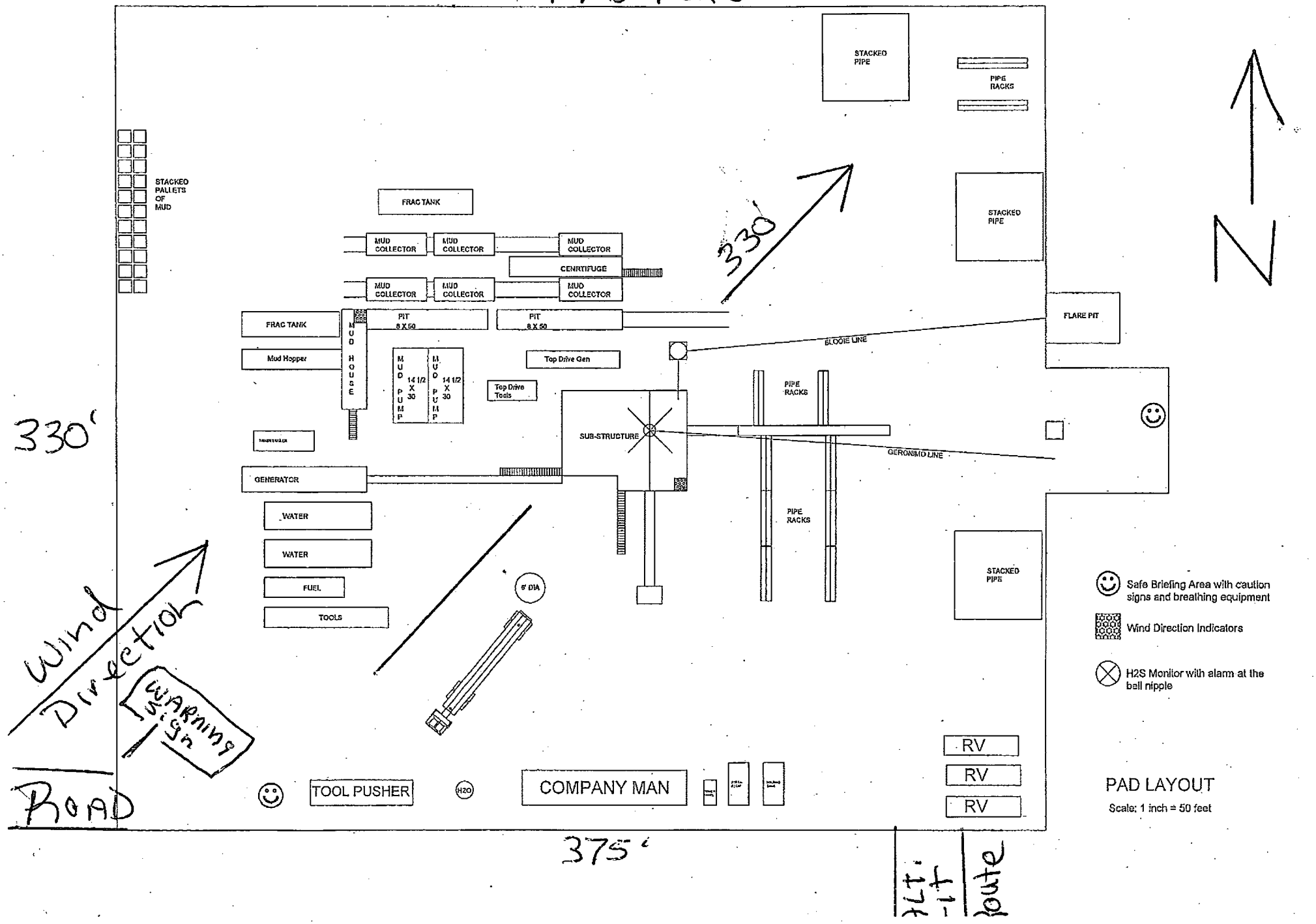
Typical 3,000 psi choke manifold assembly with at least these minimun features



YATES PETROLEUM CORPORATION

Roden GD 7ED #8H

PAD Plat



Yates Petroleum Corporation

105 S. Fourth Street
Artesia, NM 88210

Hydrogen Sulfide (H_2S) Contingency Plan

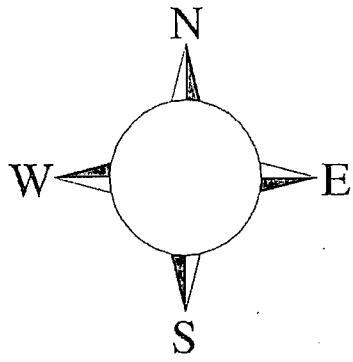
For

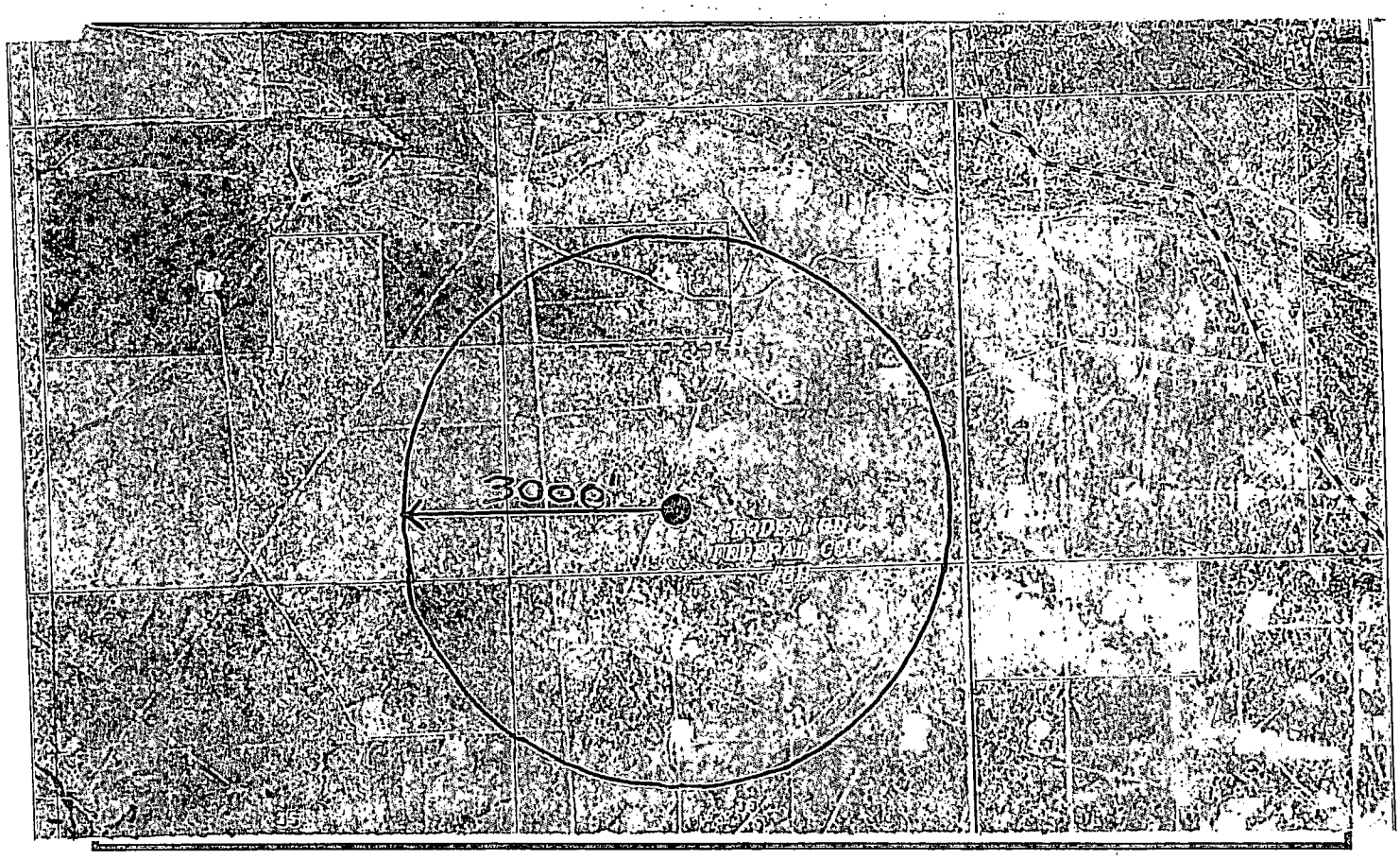
Roden GD Federal Com #8H

660' FSL and 1980' FWL
Section 25, T-19-S, R-24-E
Eddy County, NM

Roden GD Federal Com #8H

This is an open drilling site. H_2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H_2S, including warning signs, wind indicators and H_2S monitor.





Assumed 100 ppm ROE = 3000'

100 ppm H2S concentration shall trigger activation of this plan.

Emergency Procedures

In the case of a release of gas containing H_2S, 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_2S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S 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_2). 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_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr-ation
Hydrogen Sulfide	H_2S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	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 McWhorter/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 (H2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H2S 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 H2S on metal components. If high tensile tubular are to be used, personnel well 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 H2S Drilling Operations Plan and H2S Contingency Plan.

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operation Plan and the H2S 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

I & E CFO

Form 3160-9
(December 1989)

Number 13-KC-11
Page 1 of 5

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NOTICE OF INCIDENTS OF NONCOMPLIANCE

☒ Certified Mail - Return Receipt Requested 70091410000021826184

☐ Hand Delivered Received by

Identification	
IID	
Lease	NMNM58024
CA	NMNM72611
Unit	
PA	

Bureau of Land Management Office	Operator
CARLSBAD FIELD OFFICE	YATES PETROLEUM CORPORATION
Address: 620 E GREENE STREET, CARLSBAD NM 88220	Address: 105 SOUTH FOURTH STREET, ARTESIA NM 88210
Telephone: 575-234-5906	Attention
Inspector: CAFFALL	Attn Addr

Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State
MARCH AMT FED	1	SESW 25	19S	24E	NMP	EDDY	NM
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
04/08/2013	08:44	43 CFR 3162.1(a) 43 CFR 3162.3-4(a) 43 CFR 3162.3-4(c) Approved 3160-5	MINOR
Corrective Action To Be Completed By	**Date Corrected**	**Assessment for Noncompliance**	**Assessment Reference**
05/30/2013			43 CFR 3163.1()

Remarks

Sundry Notice (3160-5) Notice of Intent to Plug & Abandon subject well submitted on 08/03/2011 & approved on 09/04/2011 has not had operations initiated. Per Conditions of Approval #1. "Plugging operations shall commence within 90 days from the approval date of this Notice of Intent to Abandon".

(Remarks continued on following page(s).)

When violation is corrected, sign this notice and return to above address.

Company Representative Title Chief Land Regulatory Agent Signature [signature] Date 4/24/13

Company Comments Filed Sundry Notice to Horizontal complete this well see attached Sundry notice

WARNING

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits, false, inaccurate, or misleading reports, notices, affidavits, record, data, or other written information required by this part shall be liable for a civil penalty of up to $25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, Suite 300, Arlington VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer	Date	Time
[signature]	4/9/13	09:15

FOR OFFICE USE ONLY

Number	Date	Assessment	Penalty	Termination
50				
Type of Inspection: PI				

BLM Remarks, continued

Corrective action: Yates Petroleum Corporation has until May 15th 2013 to commence P&A operations on the March AMT Federal Com #1 well.

Inquiries/correspondence pertaining to this order can be directed to:
Bureau of Land Management
Attention: Lead PET Roy 'Kent' Caffall
602 E Greene St
Carlsbad NM 88220
E-mail: rcaffall@nm.blm.gov
Office: (575) 234-5906 Fax: (575) 234-5927

Conditions of Approval

Yates Petroleum Corporation
March AMT Com – 01H
API 3001527506, T19S-R24E, Sec 25

May 06, 2014

1. The communization agreement for this well (NM72611) does include the Cisco pay for the lease NM26864 and the lease NM58024. But is does not include the south half of the northwest quarter of section 25. Amendments to that agreement are necessary.
2. Before casing or a liner is added, replaced, or repaired prior BLM approval of the design is required. Use notice of intent Form 3160-5.
3. Subject to like approval by the New Mexico Oil Conservation Division.
4. Notify BLM 575-200-7902 Eddy Co. as work begins. Some procedures are to be witnessed. If there is no response, call 575-361-2822, leave a voice mail with the API#, workover purpose, and a call back phone number
5. Surface disturbance beyond the existing pad must have prior approval.
6. A closed loop system is required. The operator shall properly dispose of drilling/circulating contents at an authorized disposal site. Tanks are required for all operations, no excavated pits.
7. Functional H_2S monitoring equipment shall be on location.
8. All waste (i.e. trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over 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.
9. The BLM PET witness is to run tbg tally and agree to cement placement. Sample each plug for cement curing time and tag and/or pressure test as requested by BLM PET witness.
10. **A CIBP to be set within 100' of the top Canyon perf of 7680. Set a balanced Class H cement plug to cover the Canyon formation top at 7532 by 50' or more. Tag the plug with tubing.**
11. Set cement plugs to cover a minimum of 100ft plus 10ft for every 1,000ft from the bottom of the plug, rounding the number of necessary sacks up to the nearest 5 sacks. Never use less than 25sx. Examples: A cement plug set at 8000 in 7" casing would require a min of 35sx. A 25sx plug in 5 ½" casing should cover 250ft, which may exceed 100ft plus 10ft per 1000ft.
12. Class H > 7500ft & C < 7500ft) cement plugs(s) will be necessary. For any plug that requires a tag or pressure test a minimum WOC time of 4 hours(C) & 8 hours(H) is recommended. Formation isolation plugs of Class "C" to be mixed 14.8#/gal, 1.32 ft^3/sx, 6.3gal/sx water and "H" to be mixed 16.4#/gal, 1.06ft^3/sx, 4.3gal/sx water.
13. Minimum requirement for mud placed between plugs is 25 sacks of salt water gel per 100 barrels in 9 lb/gal brine.

14. **After setting the top plug at about 6921 and before setting the whipstock, perform a BLM PET witnessed (charted) casing integrity test of 1000 psig. Verify all annular casing vent valves are open to the surface during this pressure test. Pressure leakoff may require correction for approval. Include a copy of the chart in the subsequent sundry for this workover.**
15. **Provide BLM with an electronic copy (Adobe Acrobat Document) cement bond log record from 6900 or below to top of cement. The CBL may be attached to a pswartz@blm.gov email. The CFO BLM on call engineer may be reached at 575-706-2779.**
16. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements **for drilling outside the 7" casing** as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
    Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) shall be 2000psi (2M) (Installing 3M annular, testing to 2,000 psi). The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests **before drilling outside the 7" casing**.

    a. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**.
    b. 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 be taken with a maximum of 2 hour full rotation.
    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. This test shall be performed prior to the test at full stack pressure.
17. File intermediate **subsequent sundry** Form 3160-**5** within 30 days of any interrupted workover procedures and a complete workover subsequent sundry.
18. Submit the BLM Form 3160-**4 Recompletion Report** within 30 days of the date all BLM approved procedures are complete.
19. Workover approval is good for 90 days (completion to be within 90 days of approval). A legitimate request is necessary for extension of that date.

An inactive/shut-in well bore is a non-producing completion that is capable of "beneficial use" i.e. production in **paying quantities** or of service use.

20. Submit evidence to support your determination that the well has been returned to active "beneficial use" for BLM approval on the Sundry Notice Form 3160-5 (the original and 3 copies) before 11/06/2014.

21. Should "beneficial use" not be achieved submit for BLM approval a plan for plug and abandonment.

Access information for **use of Form 3160-5** "Sundry Notices and Reports on Wells"

NM Fed Regs & Forms - http://www.blm.gov/nm/st/en/prog/energy/oil_and_gas.html

§ 43 CFR 3162.3-2 Subsequent Well Operations.

§ 43 CFR 3160.0-9 (c)(1) Information collection.

§ 3162.4-1 (c) Well records and reports.