ATS-09-318
LM

OCD-ARTESIA

JUL 22 2009

Form 3160-3
(August 2007)

685

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No: **NM-105213**

6. If Indian, Allottee or Tribe Name: **N/A**

7. If Unit or CA Agreement, Name and No: **N/A**

1a. Type of Work: [X] DRILL [ ] REENTER

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: **Jester BFJ Federal #5H**

2. Name of Operator: **Yates Petroleum Corporation 025575**

9 API Well No.: 30-015-37173

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

3b Phone No *(include area code)*: **505-748-1471**

10 Field and Pool, or Exploratory: **Wildcat Bone Spring**

4 Location of well *(Report location clearly and In accordance with any State requirements.*)*
At surface: **330' FNL & 2310' FWL**
At proposed prod. zone: **330' FSL & 1980' FWL**

11. Sec., T., R., M., or Blk. And Survey or Area: **Section 12-T24S-R29E**

14 Distance in miles and direction from the nearest town or post office*: **The well is about 37 miles east of Malaga, NM.**

12. County or Parish: **Eddy**

13. State: **NM**

15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg. unit line, if any): **330'**

16. No of acres in lease: **320.00**

17. Spacing Unit dedicated to this well: **E2W2 of Section 12-24S-29E**

18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft

19. Proposed Depth: **8170' VD; 12597'MD**

20 BLM/ BIA Bond No on file: **NATIONWIDE BOND #NMB000434**

21. Elevations (Show whether DF, KDB, RT, GL, etc.): **3120 GL**

22 Aproximate date work will start*: **ASAP**

23. Estimated duration:

24 Attachments

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

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

25 Signature: Cy Cowan — Name *(Printed/ Typed)*: Cy Cowan — Date: 5/6/09

Title: **Land Regulatory Agent**

Approved By *(Signature)*: /s/ Don Peterson — Name *(Printed/ Typed)*: — Date: JUL 15 2009

Title: **FIELD MANAGER** — Office: **CARLSBAD FIELD OFFICE**

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc 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 wilfully 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)*

Carlsbad 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

OIL CONSERVATION DIVISION

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

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-015-37173		WILDCAT BONE SPRING

Property Code	Property Name	Well Number
35031	JESTER "BFJ" FEDERAL	5h

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3120'

Surface Location

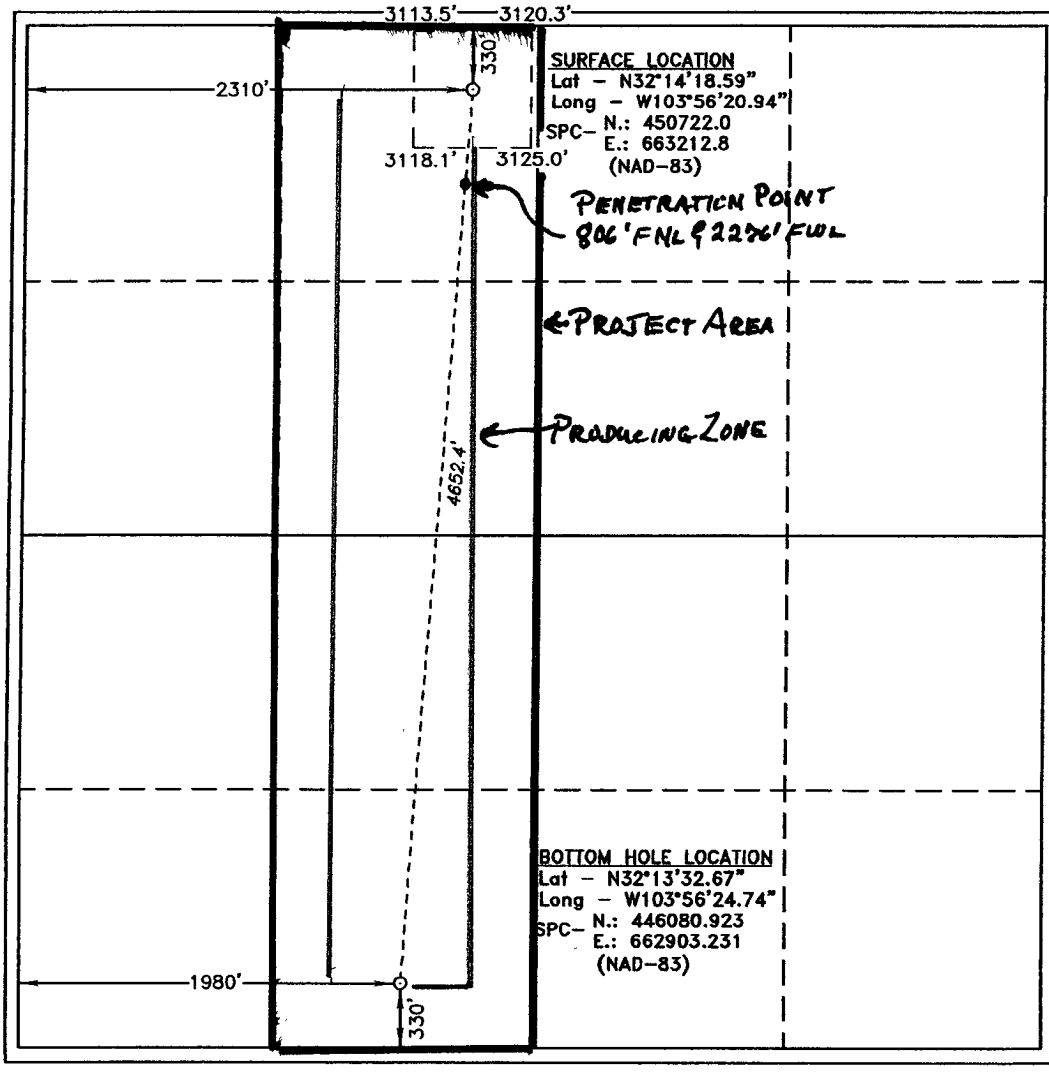
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	24 S	29 E		330	NORTH	2310	WEST	EDDY

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
N	12	24 S	29 E		330	SOUTH	1980	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 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 5/6/09 Date

Cy Cowan
Printed Name

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.

FEBRUARY 27, 2009
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
BASIN SURVEYS

W.O.

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

YATES PETROLEUM CORPORATION
Jester BFJ Federal #5H
330' FNL & 2310' FWL
330' FSL & 1980' FWL
Section 12-T24S-R29E
Eddy County, New Mexico

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

Rustler	330'		Brushy Canyon Marker	6700'	
Top of Salt	450'		Bone Spring	6970'	OIL
Base of Salt	3015'		1st Bone Spring Sand	8097'	OIL
Bell Canyon	3220'	OIL	Target Zone	8443'	OIL
Cherry Canyon	4090'	OIL	TVD	8170	
Brushy Canyon	5360'	OIL	MD	12597'	

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

   Water: Approx 35'

   Oil or Gas: OIL: Bell Canyon, Cherry Canyon, Brushy Canyon, Bone Spring, 1st Bone Spring.

3. Pressure Control Equipment: BOPE will be installed on the 11 3/4" and 8 5/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

   Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

   A. Casing Program: (All New)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
14 3/4"	11 3/4"	42#	H-40	ST&C	0-450'	450'
11"	8 5/8"	32#	J-55	ST&C	0-100'	100'
11"	8 5/8"	24#	J-55	ST&C	100'-2200'	2100'
11"	8 5/8"	32#	J-55	ST&C	2200'-3150'	950'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	0-12597'	12597'

This well will be drilled vertically to 7693'. At 7693' the well will be kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 12,597MD (8170' TVD) where 5 ½" casing will be set and cemented. Penetration point of producing zone will be encountered at 806' FNL and 2,276 FWL of section 12-24S-29E. The deepest TVD in the well is 7871' in the lateral.

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

B. CEMENTING PROGRAM:

Surface casing: TOC surface; 300 sacks "C" w/CaCl2 (WT 14.80 YLD 1.34).

Intermediate Casing: TOC surface. 675 sacks Lite "C" (WT 12.60 YLD 2.00); Tail in 200 sacks C (WT 14.80 YLD 1.34).

Production Casing: DV Tool at 6400'. Stage I: TOC 6400', 1525 sacks PecosVILt (WT 13.00 YLD 1.41)

Stage II: TOC 2700'. 425 sacks LiteCrete (WT 9.90 YLD 2.78). Tail in with 100 sacks PecosViLt (WT 13.00 YLD 1.41).

5. Mud Program and Auxiliary Equipment:

See COA

Interval	Type	Weight	Viscosity	Fluid Loss
0-~~50~~ 450'	Fresh Water	8.60-9.20	29-32	N/C
450'-3150'	Brine Water	10.00-10.20	28-28	N/C
3150'-7693'	Cut Brine	8.90-9.10	28-29	N/C
HORIZONAL (Lateral Section)				
7693'-12597'	Cut Brine(lateral section)	8.90-9.10	28-32	<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:

Samples: 30' samples to 3000'; 10' samples 3000'-TD.
Logging: Platform HALS; CMR, Full Wave Sonic
Coring: None Anticipated.
DST's: As warranted.
Mudlogger: Yes

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

From:	O	TO:	450'	Anticipated Max.	BHP:	215	PSI
From:	450'	TO:	3150'	Anticipated Max.	BHP:	1670	PSI
From:	3150'	TO:	8170'	Anticipated Max.	BHP:	3865	PSI

No abnormal pressures or temperatures are anticipated.
Lost Circulation Zones Anticipated: None.
H2S Zones Anticipated: None
Maximum Bottom Hole Temperature: 160 F

8. ANTICIPATED STARTING DATE:

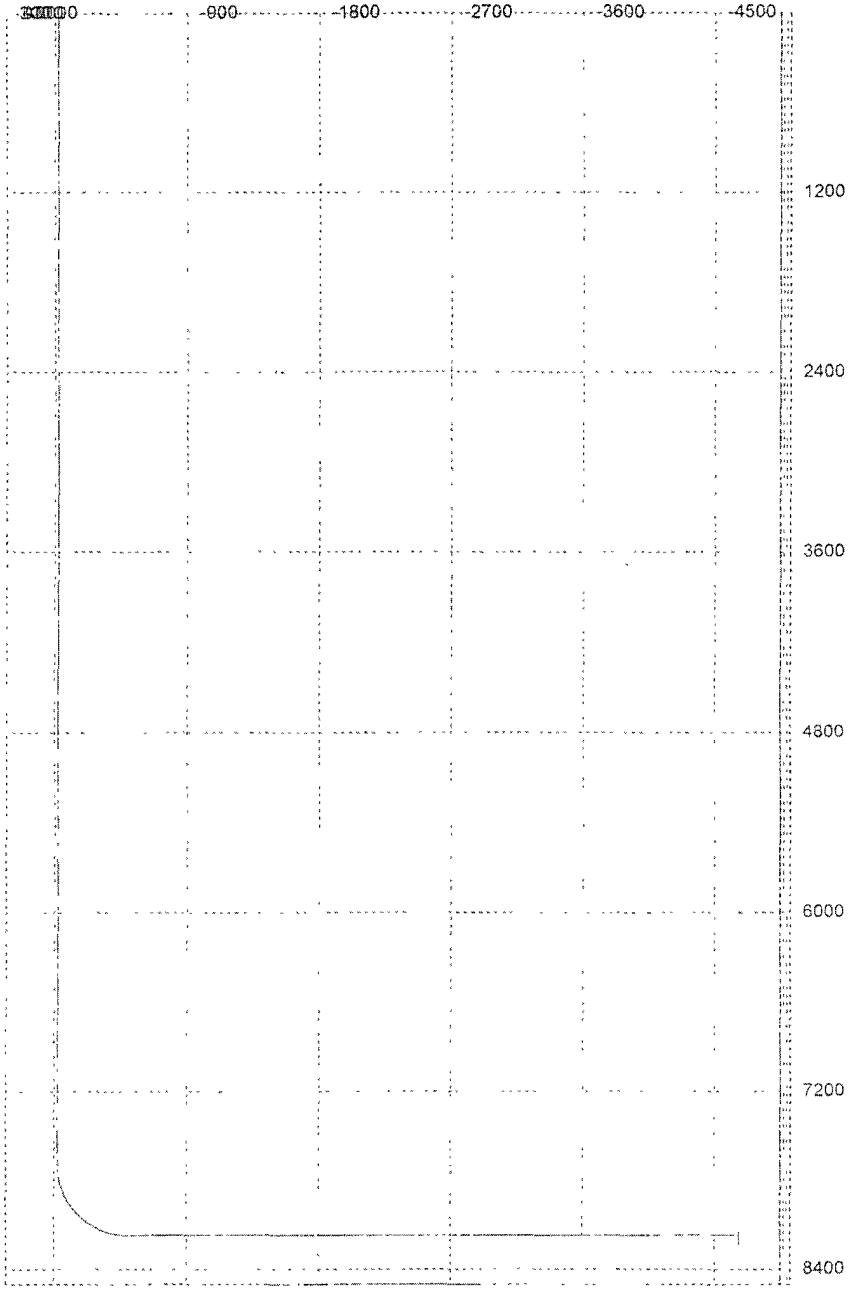
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

M.D.	Inclination	Azimuth	T.V.D.	N+/S-	E+/W-	D.L.S.	ToolFace	T.F. Ref. [HS/GN]	
0	0	0	0	0	0	0			
330	0	0	330	0	0	0			RUSTLER
450	0	0	450	0	0	0			TOP OF SALT
3,015	0	0	3,015	0	0	0			BASE OF SALT
3,220	0	0	3,220	0	0	0			BELL CANYON
4,090	0	0	4,090	0	0	0			CHERRY CANYON
5,360	0	0	5,360	0	0	0			BRUSHY CANYON
6,700	0	0	6,700	0	0	0			BRUSHY CANYON MARKER
6,970	0	0	6,970	0	0	0			BONE SPRINGS
7693	0	0	7693	0	0	12	184	GN	KOP
7700	0 84	184.09	7700	-0.05	0	12	360	HS	
7725	3.84	184.09	7724.98	-1 07	-0.08	12	360	HS	
7750	6.84	184.09	7749.86	-3 39	-0.24	12	0	HS	
7775	9.84	184.09	7774.6	-7 01	-0.5	12	360	HS	
7800	12.84	184.09	7799.11	-11.91	-0.85	12	0	HS	
7825	15.84	184.09	7823.33	-18 08	-1.29	12	0	HS	
7850	18.84	184.09	7847.19	-25.52	-1.82	12	360	HS	
7875	21.84	184.09	7870.63	-34.18	-2 44	12	0	HS	
7900	24.84	184.09	7893.58	-44 06	-3.15	12	0	HS	
7925	27.84	184.09	7915.98	-55.12	-3.94	12	360	HS	
7950	30.84	184.09	7937.77	-67.34	-4.81	12	0	HS	
7975	33.84	184 09	7958.89	-80.68	-5.76	12	0	HS	
8000	36.84	184.09	7979.28	-95.1	-6.79	12	0	HS	
8025	39.84	184.09	7998 89	-110 57	-7.9	12	360	HS	
8050	42.84	184.09	8017.65	-127.04	-9 07	12	360	HS	
8075	45.84	184.09	8035.53	-144.46	-10.32	12	0	HS	
8097	48.48	184.09	8050.49	-160.55	-11 47	12	360	HS	1ST BONE SPRINGS
8100	48.84	184.09	8052.47	-162.8	-11 63	12	0	HS	
8125	51.84	184.09	8068.43	-181.99	-13	12	0	HS	
8150	54.84	184.09	8083.35	-202	-14 43	12	360	HS	
8175	57.84	184.09	8097.21	-222.75	-15.91	12	0	HS	
8200	60.84	184.09	8109.95	-244.2	-17.44	12	0	HS	
8225	63.84	184.09	8121.56	-266.28	-19.02	12	0	HS	
8250	66.84	184 09	8131.99	-288.94	-20.64	12	0	HS	
8275	69.84	184 09	8141.21	-312.11	-22.29	12	360	HS	
8300	72.84	184.09	8149.21	-335.74	-23.98	12	360	HS	
8325	75 84	184 09	8155.96	-359.75	-25.7	12	360	HS	
8350	78 84	184 09	8161.44	-384.07	-27.43	12	360	HS	
8375	81.84	184.09	8165 63	-408 65	-29 19	12	0	HS	
8400	84.84	184 09	8168 53	-433 42	-30 96	12	0	HS	
8425	87 84	184 09	8170 13	-458.3	-32 74	12	0	HS	
8443.05	90.01	184.09	8170.47	-476.31	-34.02	0			1ST BONE SPRINGS PAY
12597.31	90.01	184.09	8170	-4620	-330	0			LATERAL TD

Well will be drilled vertically to 7693'. At 7693' well will be kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 12,597' MD (8,170' TVD) where 5 1/2" casing will be set and cemented Penetration point of producing zone will be encountered at 806' FNL and 2,276' FWL Section 4-24S-29E. Deepest TVD in the well is 8170' in the lateral

3D³ Directional Drilling Planner - 3D View

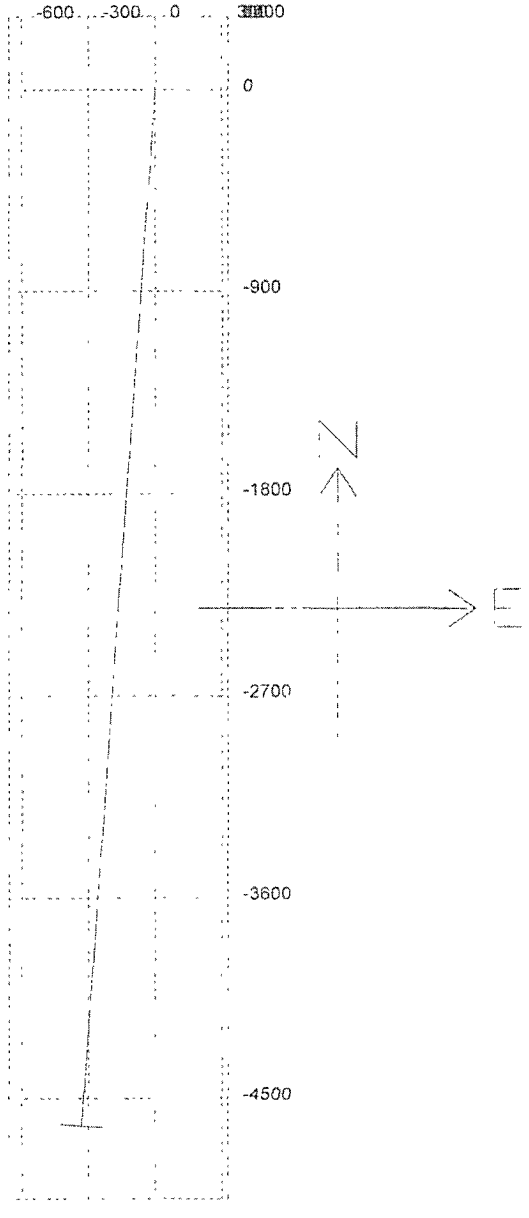
Company: **Yates Petroleum Corporation**
Well: **Jester BFJ Federal #5H**



File: G:\drilling toolbox wellplans\Horizontal\jester5h.wpp

3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **Jester BFJ Federal #5H**



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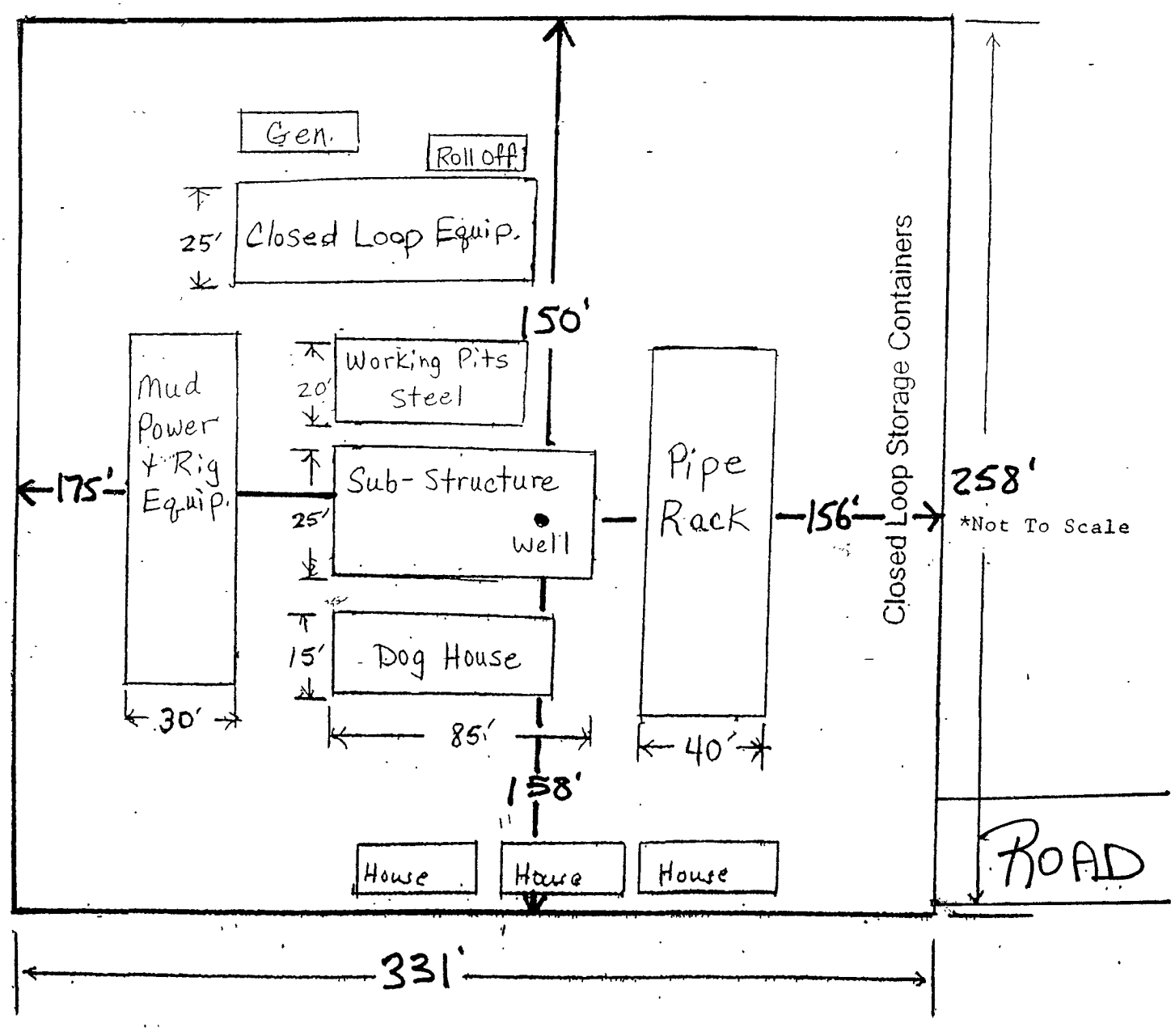
YATES PETROLEUM CORPORATION
Jester BJF Federal. #5H
330' FNL and 2310' FWL SHL
330' FSL and 1980' FWL BHL
Section 12, T24S–R29E
Eddy County, New Mexico Exhibit C

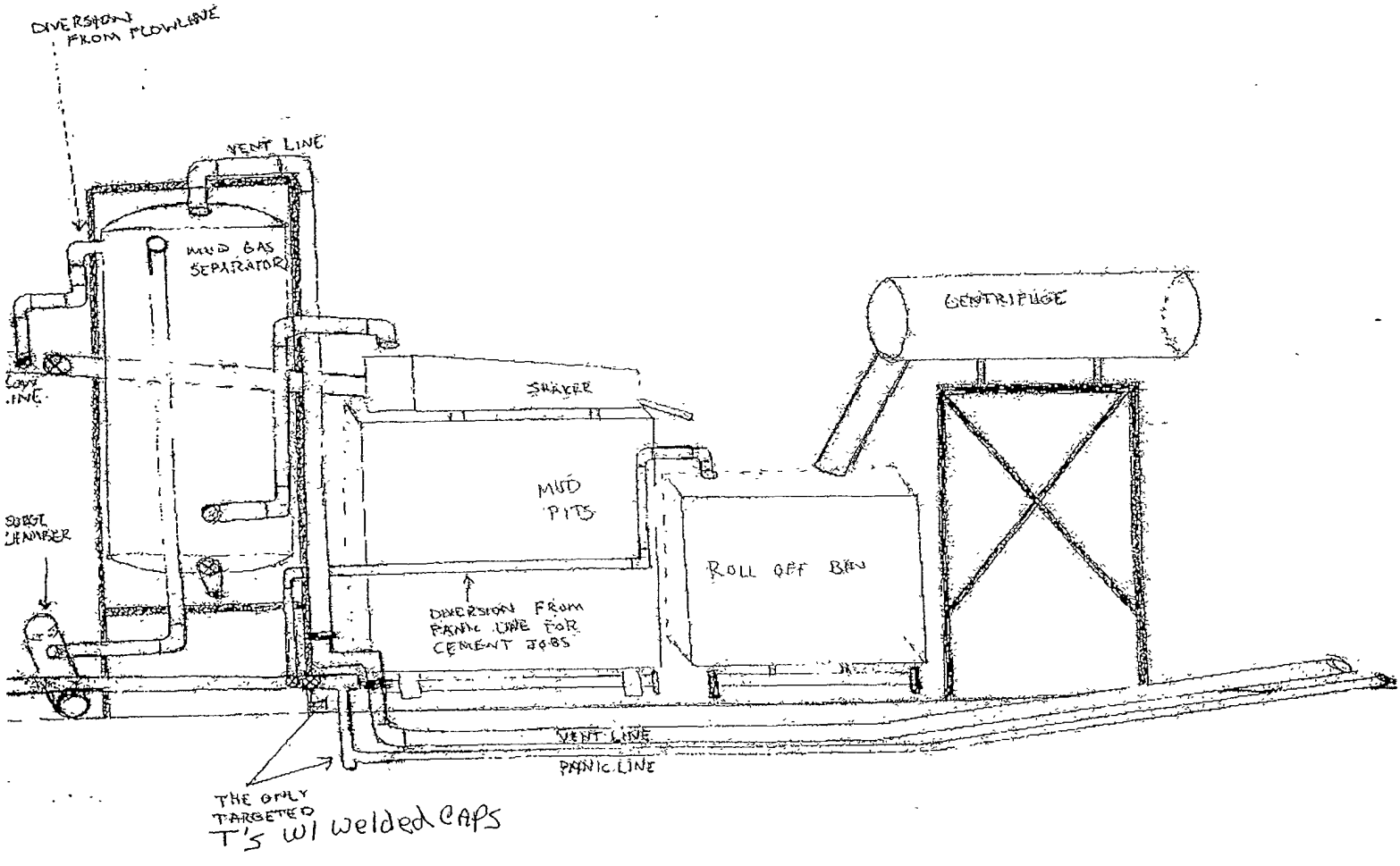
Yates Petroleum Corporation

Location Layout for Permian Basin

Closed Loop Design Plan



YATES PETROLEUM CORPORATION
Piping from Choke Manifold
to the Closed-Loop Drilling Mud System

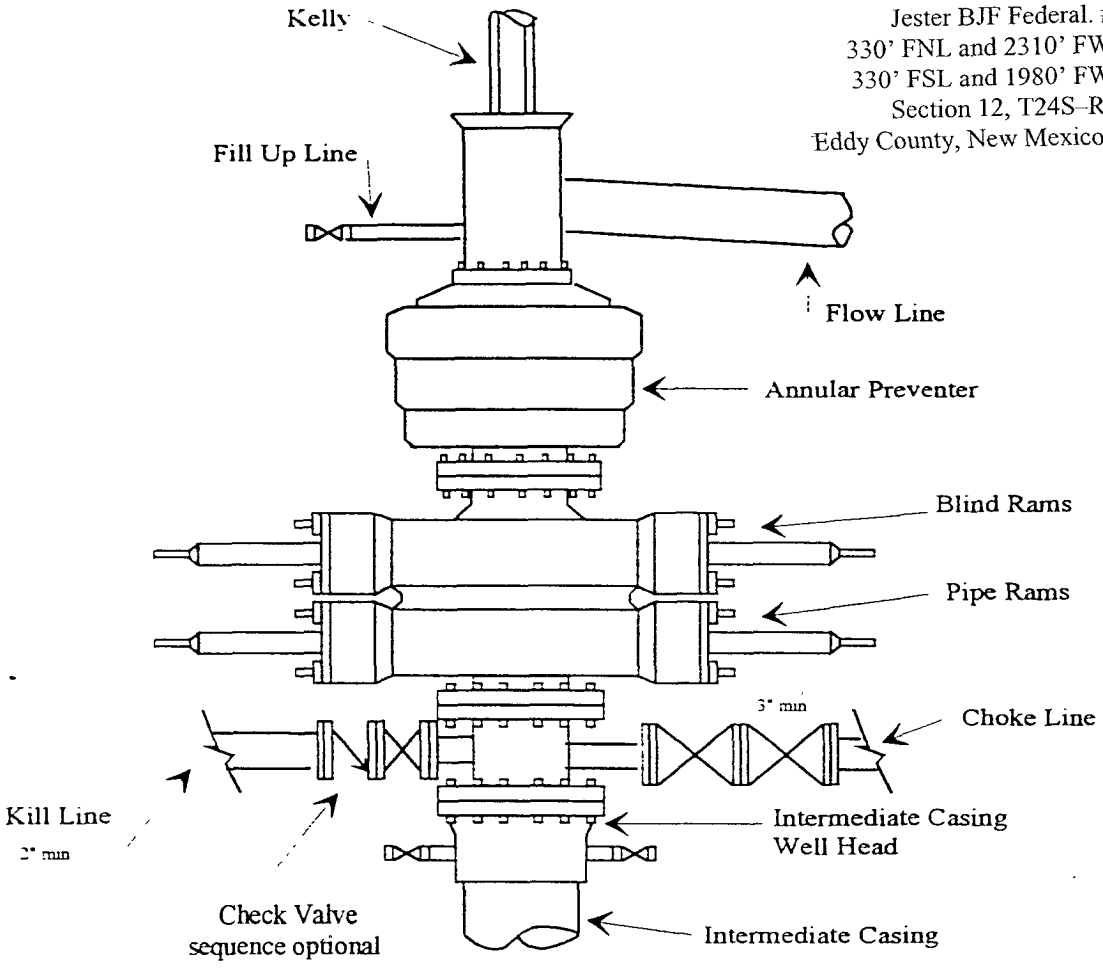


YATES PETROLEUM CORPORATION
Jester BJF Federal. #5H
330' FNL and 2310' FWL SHL
330' FSL and 1980' FWL BHL
Section 12, T24S–R29E
Eddy County, New Mexico Exhibit E

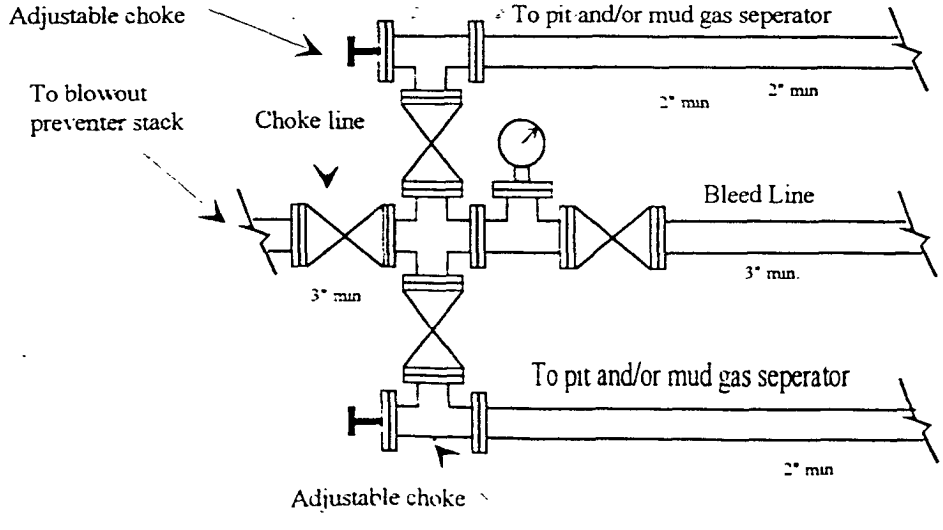
Yates Petroleum Corporation

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

YATES PETROLEUM CORPORATION
Jester BJF Federal. #5H
330' FNL and 2310' FWL SHL
330' FSL and 1980' FWL BHL
Section 12, T24S–R29E
Eddy County, New Mexico Exhibit B



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



MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Jester BFJ Federal #5H
330' FNL and 2310' FWL (Surface Hole Location)
330' FSL and 1980' FWL, (Bottom Hole Location)
Section 12, T24S-R29E
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 37 miles east of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Carlsbad on Highway 62-180 to State Road 31. Turn south on 31 and go to Highway 128 (Jal Highway). Turn left on HWY 128 and go approximately 4 miles to Rawhide Road (CR-793) Mississippi Potash Mine Shaft #5 is here. Turn south here on CR-793 and go approx. 3.4 miles. Follow County road to the left and go east for approx. .2 of a mile. Turn south on county road and follow it for approx. 3.5 miles. At this point there will be a tank on the left and a lease road with powerlines going west. Turn west on this lease road and go approx. 1.2 miles. Turn right here on lease road going north and go approximately .2 of a mile to the southeast corner of the Jester SWD #4. The new road will start here going northeast for approximately .1 of a mile to the southwest corner of the well location.

2. PLANNED ACCESS ROAD:

A. The proposed new access road will start here going in a northeasterly direction for approximately .1 of a mile to the southwest corner of the proposed well location.
B. The new road will be 14' 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 built if 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 production facilities on this lease at the present time. However, if production facilities are needed for this well they will be placed on the location as determined by Yates' Production Department. Placement has not been determined at this time.

B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric power line can be built if needed.

C. Should off location facilities be needed for power line, flow line right-of-ways, etc. they will be filed under a separate application by Yates or a third party if applicable. The route and placement will be determined at that time.

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:

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. A closed loop system will be used to drill this well.
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. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
D. Oil produced during operations will be stored in tanks until sold.
E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

A. Exhibit B shows the relative location and dimensions of the well pad, the closed loop mud system, location of the drilling equipment, rig orientation and access road approach. The proposed well location will be approximately 350' x 300'. All of the location will be constructed within the 600' x. 600' staked area.
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.

10. PLANS FOR RESTORATION

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. At the time interim remediation is proposed Yates will furnish the BLM with a Sundry Notice detailing the remediation plans.
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.

11. SURFACE OWNERSHIP:

Surface Estate: Managed by the Bureau of Land Management, 620 East Greene Street, Carlsbad, NM 88201
Mineral Estate: Bureau of Land Management, 620 East Greene Street, Carlsbad, NM 88201

12. OTHER INFORMATION:

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

CERTIFICATION
YATES PETROLEUM CORPORATION
Jester BFJ Federal #5H

I hereby certify that I or the company I represent, have inspected the drill site and access route proposed herein; that the company I represent is familiar with the conditions which currently exist; that 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 the company I represent is 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 6Th day of May, 2009.

Printed Name Cy Cowan

Signature

Position Title LandRegulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4372

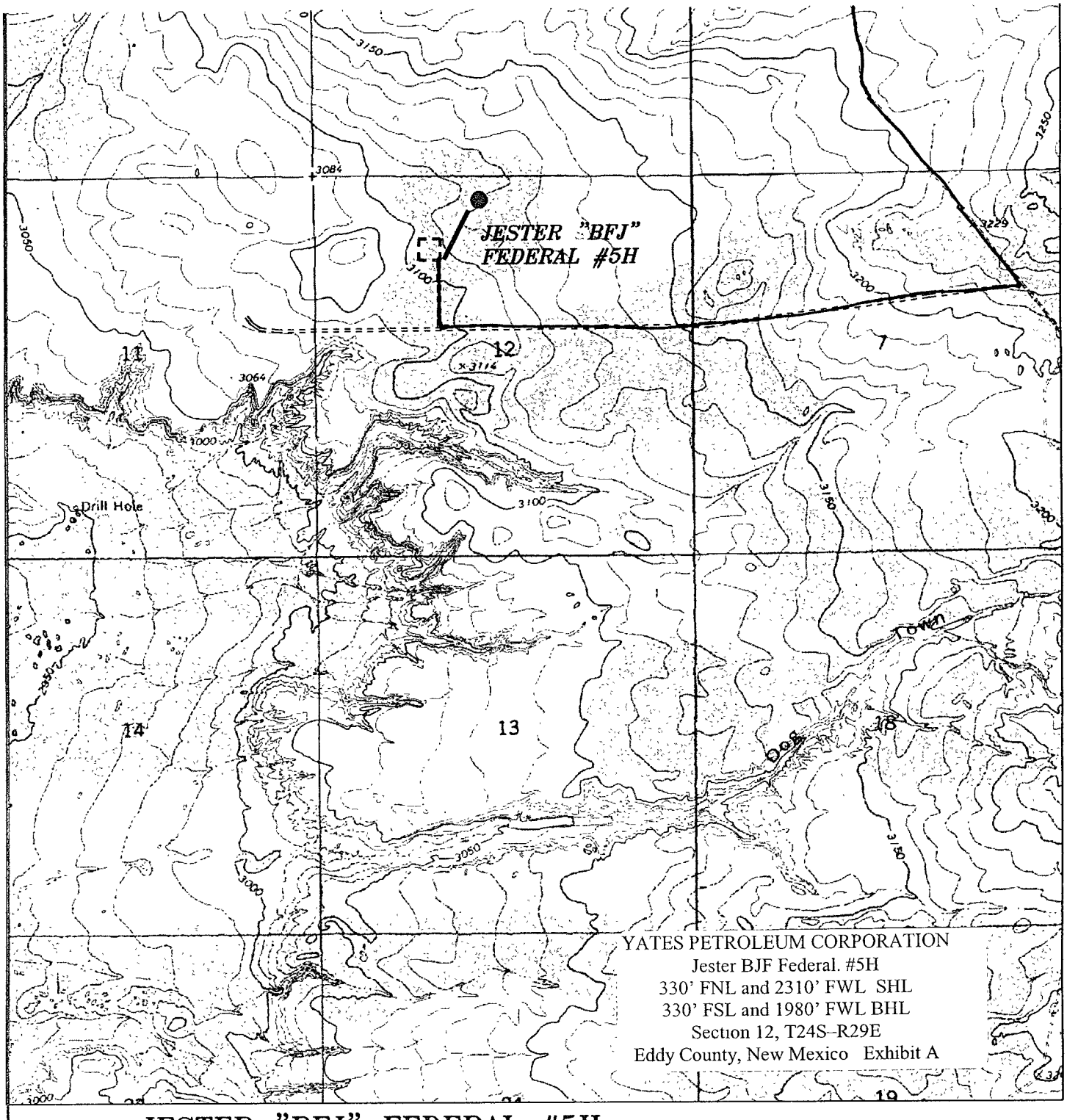
E-mail (optional) cy@yatespetroleum.com

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

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

E-mail (optional)



YATES PETROLEUM CORPORATION
Jester BJF Federal. #5H
330' FNL and 2310' FWL SHL
330' FSL and 1980' FWL BHL
Section 12, T24S–R29E
Eddy County, New Mexico Exhibit A

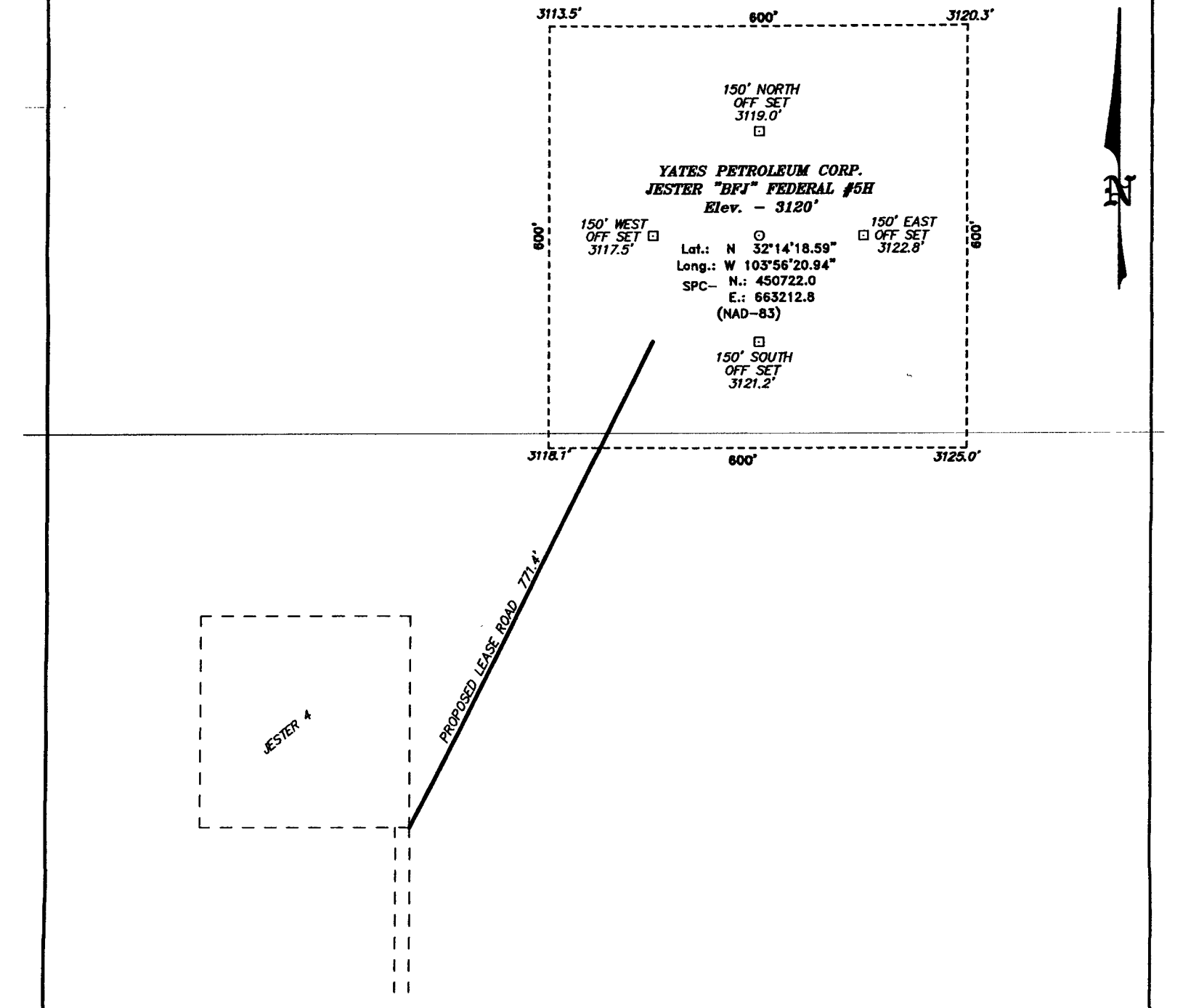
JESTER "BFJ" FEDERAL #5H
Located at 330' FNL AND 2310' FWL
Section 12, Township 24 South, Range 29 East,
N.M.P.M., Eddy County, New Mexico.

basin surveys
focused on excellence in the oilfield
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 – Office
(575) 392-2206 – Fax
basinsurveys.com

W.O. Number:	21164
Survey Date:	02-24-2009
Scale:	1" = 2000'
Date:	02-25-2009

YATES PETROLEUM CORP.

SECTION 12, TOWNSHIP 24 SOUTH, RANGE 29 EAST, N.M.P.M.,
'EDDY' COUNTY, NEW MEXICO.



200 0 200 400 FEET

SCALE: 1" = 200'

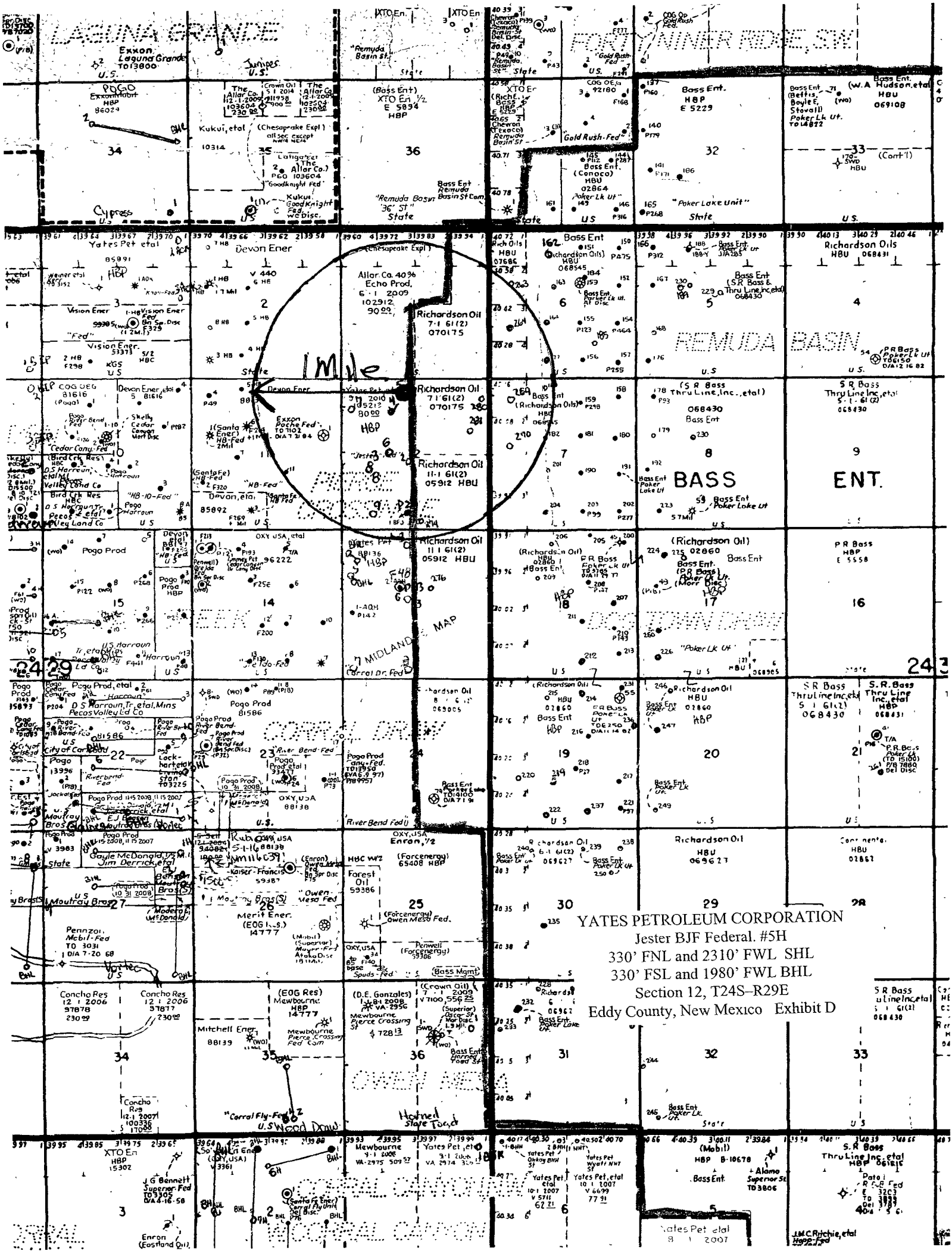
YATES PETROLEUM CORP.

REF: JESTER "BFJ" FEDERAL #5H / WELL PAD TOPO

THE JESTER "BFJ" FEDERAL #5H LOCATED 330' FROM THE NORTH LINE AND 2310' FROM THE WEST LINE OF SECTION 12, TOWNSHIP 24 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 21164	Drawn By: J. M. SMALL		
Date: 02-25-2009	Disk: 21164 JMS	Survey Date: 02-24-2009	Sheet 1 of 1 Sheets


LAGUNA GRANDE
FORTYNINER RIDGE SW
REMUDA BASIN
BASS ENT.
1 Mile
YATES PETROLEUM CORPORATION
Jester BJF Federal. #5H
330' FNL and 2310' FWL SHL
330' FSL and 1980' FWL BHL
Section 12, T24S–R29E
Eddy County, New Mexico Exhibit D

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corporation
LEASE NO.:	NM-105213
WELL NAME & NO.:	Jester BFJ Federal #5H
SURFACE HOLE FOOTAGE:	330' FNL & 2310' FWL
BOTTOM HOLE FOOTAGE	330' FSL & 1980' FWL
LOCATION:	Section 12, T. 24 S., R 29 E., NMPM
COUNTY:	Eddy County, New Mexico

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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.

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)

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) 234-5972 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 of the well pad. The topsoil to be stripped is approximately inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

C. RESERVE PITS

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

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

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

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

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

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

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

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the 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 thirty (30) feet.

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

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

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

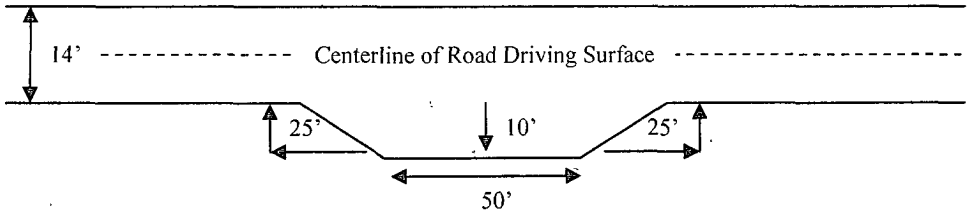
Crowning
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching
Ditching shall be required on the uphill side of the road.

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:

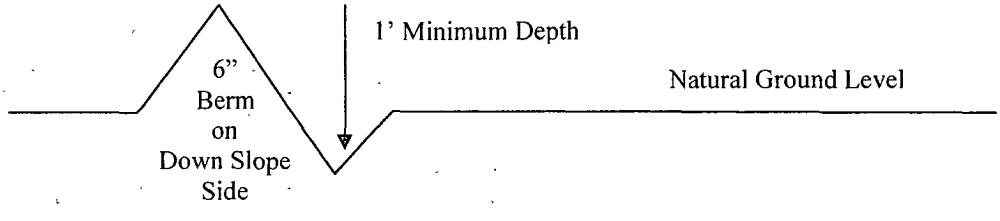
Standard Turnout – Plan View



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

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

Cross Section of 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:

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

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.

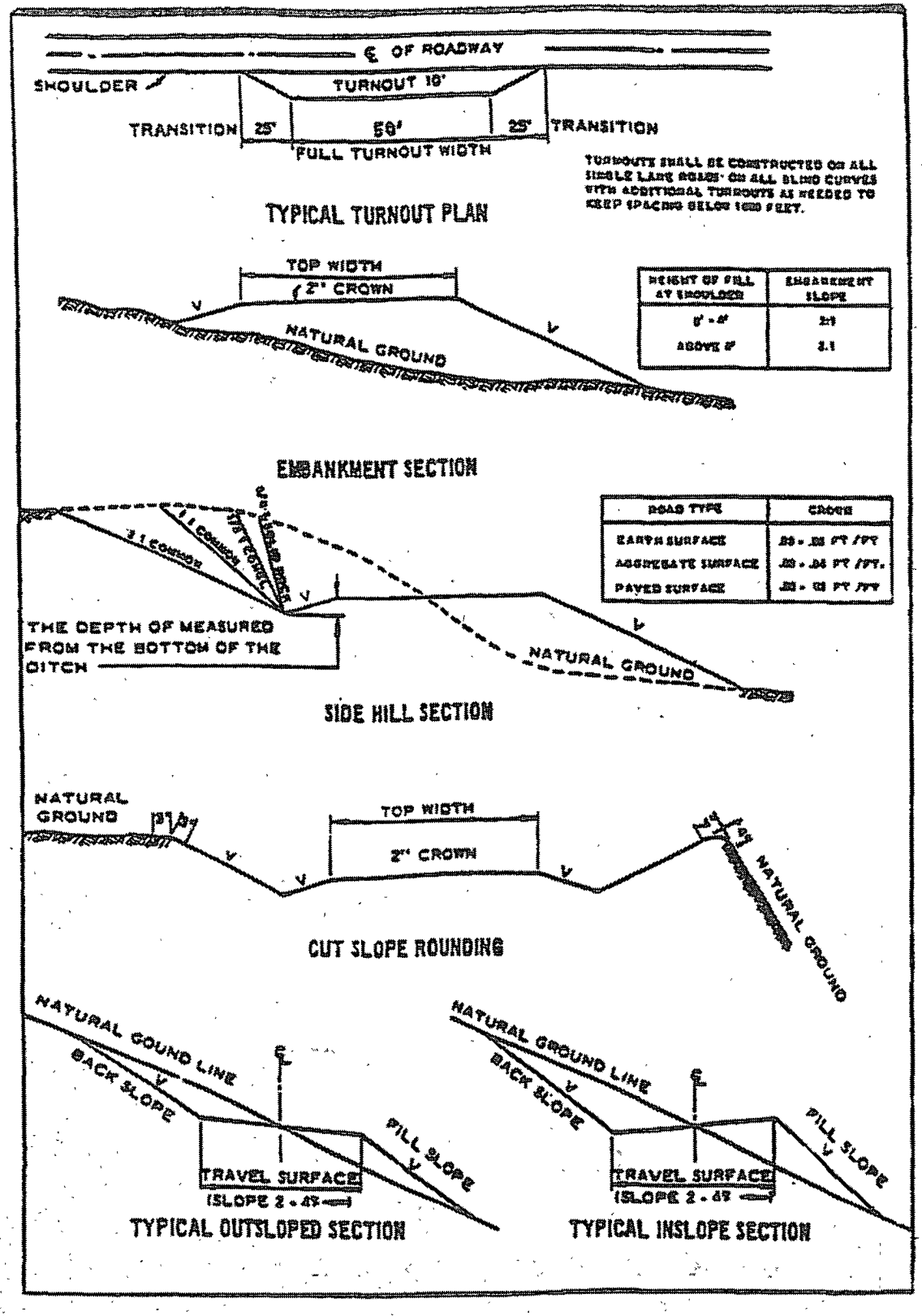
A gate shall be constructed and fastened securely to H-braces.

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).

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



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. **Although Hydrogen Sulfide has not been reported in the area, it is always a potential hazard. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.**

2. 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.

3. 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 are located, this does not include the dog house or stairway area.

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

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

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. 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.

Medium cave/karst.
Possible lost circulation in the Delaware and Bone Spring formations.

1. The **11-3/4** inch surface casing shall be set **at approximately 450 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface. **If the salt is encountered at a shallower depth, the casing must be set 25' above the top of the salt. Fresh water mud should be used to setting depth.**

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

    b. Wait on cement (WOC) time for a primary cement job 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 **8-5/8** 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 cave/karst.

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

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

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

   a. First stage to DV tool, cement shall:

   ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office, before proceeding with second stage cement job.

   b. Second stage above DV tool, cement shall:

   ☒ Cement should tie-back at least 450 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.

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

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

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

   c. 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.

   d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STEM TEST

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

RGH 062509

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

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

B. PIPELINES

C. ELECTRIC LINES

IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

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

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

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

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche 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.

B. RESERVE PIT CLOSURE

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

(Insert Seed Mixture Here)

X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

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

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.