BUI	UNITED STATES PARTMENT OF THE IN REAU OF LAND MANA ( NOTICES AND REPORT is form for proposals to	GEMÈNT <b>FS ON WELLS</b>		OMB Expire 5. Lease Serial I NM	M APPROVED No 1004-0137 s March 31, 2007 No 1-94614 Dittee or Tribe Name		
abandoned well. Use Form 3160-3 (APD) for such proposals.					Applicable		
SUBMIT IN 1		/Agreement, Name and/o 22903					
Oil Well X Gas Well	8. Well Name a	nd No.					
2. Name of Operator	Checker BIC	Federal Com #2					
Yates Petroleum Corporati	30-0	15-35804					
3a. Address 3b Phone No. (include area code)   105 South Fourth Street, Artesia, NM 88210 (579) + 107 (NFD)					l, or Exploratory Area		
	4 Location of Well (Footage, Sec., T, R, M, or Survey Description				ted Mississippian		
660' FSL and 660' FWL, U Section 8, T19S-R31E	nit M	NOV - 9 2009 NMOCD ARTESIA		11. County or Pa	nsh, State		
Section 6, 1193-R31E				Eddy Cour	nty, New Mexico		
12 CHECK THE AP	PROPRIATE BOX(ES) TO			EPORT, OR OTH	IER DATA		
TYPE OF SUBMISSION		ТҮРЕ (	OF ACTION		<u> </u>		
Notice of Intent	Acidıze	Deepen Fracture Treat	Production Reclamatio	(Start/Resume) [ n [	Water Shut-Off Well Integrity		
Subsequent Report	Casing Repair	New Construction Plug and Abandon	Recomplete		Other Extend APE		
Final Abandonment Notice	Convert to Injection	Plug Back	Water Disp				
following completion of the involved of testing has been completed Final Aba determined that the site is ready for fin Yates Petroleum Corporati H2S is not anticipated. C-102 Attached.	ndonment Notices must be filed only a al inspection )	after all requirements, including	g reclamation, have t	een completed, and th	e operator has		
Previously Approved.					(		
Thank you.				OVED FOR 24 G3			
14 I hereby certify that the foregoing	ng is true and correct						
Name (Printed Typed)		Title					
Signature Cy	Cowan	Date	Land Reg	ulatory Agent			
	var		Augus	t 28, 2009			
had with time a configuration of the		OR FEDERAL OR STA					
Approved by /s/ [	Oon Peterson	'frie D IVI	ANAGER	Date	NOV 0 5 2009		
Conditions of approval, if any, are attach	ed Approval of this notice does not	warrant or Office					
certify that the applicant holds legal or ea which would entitle the applicant to cond		bject lease	CARLSB	AD FIELD	OFFICE		
Title 18 U.S.C. Section 1001, m Stakes artitious or fraudulent sta	Fitle 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United falses fighters for fraudulent statements or representations as to any matter within its jurisdiction.						
(Instructions on reverse)							
				TACHED TONS OF	FOR APPROVAL		
			_	M			

RM

DISTRICT II 1653 M. France Br., Bobbs, NM 85840 DISTRICT II 811 South First, Artesia, NM 65810 DISTRICT III 1000 Rio Brazos Ed., Astec, NM 87410 DISTRICT IV 2040 South Pacheco, Santa Fe, NM 87505 State of New Mexico

Energy, Minerals and Matural Resources Department

Form C-102 Rovised March 17, 1999 Instruction on back Submit to Appropriate District Office State Lease - 4 Copies Foe Lease - 3 Copies

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

AMENDED REPORT

#### WELL LOCATION AND ACREAGE DEDICATION PLAT

AFI Number 30–015–35804	Pool Cods	Pool Name Undesignated Mississippian	
Property Code	Prope Checker-B	rty Name IC Federal Com	Well Number 2
OGRID No.		tor Name eum Corporation	Elevation 3455 '

#### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
М	8	19S	31E		660	South	660	West	Eddy

#### Bottom Hole Location If Different From Surface

Dedicated Acres Joint or Infill Consolidation Code Order No.	
320	

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

NM-101112	NM-82902	OPERATOR CERTIFICATION
		I hereby certify the the information contained hirmin is true and complete to the best of my knowledge that behigt.
		Chonger.
	· ·	 Ey Cowan
	, ,	Land Regulatory Agent
		8-28-09 Dato
a second and the		 SURVEYOR CERTIFICATION
NM-94614		 I hereby certify that the well location shown on this plat was plotted from field noise of actual ewweye made by me or under my supervison, and that the same is true and correct to the best of my belief.
		REFER TO ORIGINAL PLAT
		 Date Surveyed Bignature & Scal of
}:		Professional Surveyor
660		
660		Certificate No.



# 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



# PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	YATES PETROLEUM
LEASE NO.:	NM-94614
WELL NAME & NO.:	
SURFACE HOLE FOOTAGE:	660' FSL & 660' FWL
BOTTOM HOLE FOOTAGE	'FL&' 'FL
LOCATION:	Section 8, T. 19 S., R 31 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 Hackberry Lake OHV area Communitization Agreement **Construction** Notification Topsoil Closed Loop System Federal Mineral Material Pits Well Pads Roads **Road Section Diagram** 🛛 Drilling Logging Requirement **Production (Post Drilling)** Well Structures & Facilities Placement of Production Facilities 0 Interim Reclamation/Reseeding Procedure Final Abandonment/Reclamation

# GENERAL PROVISIONS

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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:

# 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)

#### Hackberry Lake OHV Area

#### **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. Operator to supply NMOCD order, which details the vertical and horizontal extent of pool to verify that requested communitization is within an approved and established pool.

#### VI. Visual Resources

This project will cause some short term and long-term visual impacts to the natural landscape. Short term impacts occur during construction operations and prior to interim reclamation. These include the presence of construction equipment vehicle traffic. However, interim reclamation, conducted within 6 months after construction will reduce this area by about 1/3 by recontouring and revegetating.

Long term impacts are visible to the casual observer through the life of the well. These include the visual evidence of storage tanks, piping, pump jacks, pads and roads which cause visible contrast to form, line, color, and texture. Removal of vegetation due to road and drill pad construction exposes bare soil lighter in color and smoother in texture than the surrounding vegetation. The surfacing of these areas with caliche materials causes further contrasts. Those contrasts will be visible to visitors in the area.

After final abandonment and reclamation, the pad, road and associated infrastructure will be removed, reclaimed, recontoured and revegetated, thereby eliminating visual impacts.

Short and long term impacts are minimized by best management practices such as color selection, reducing cut and fill, screening facilities with natural features and vegetation, interim reclamation and contouring roads along natural changes in elevation.

#### Mitigation

To minimize the visual impacts the following COA will apply: Above-ground structures including meter housing that are not subject to safety requirements are painted a flat non-reflective paint color Shale Green, Munsell Soil Color No. 5Y 4/2"

# VII. CONSTRUCTION

#### A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (505) 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.

#### TOPSOIL

B.

E.:

F.

The operator shall stockpile the topsoil of the well pad. The topsoil shall not be used to backfill the reserve pit and 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

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 (505) 234-5972.

#### 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.

### 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 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 a typical read-off unchings a minimum acput of a toot below and a bein of ormones 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 Natural Ground Level I' Minimum Depth 6" Berm

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 foot road with 4% road slope: 4%

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

crossing.

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed 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 and maintained at fence crossing(s). uamaged of have determinated beyond practical use. The operator shall be responsible tot, the condition of the existing cattleguard(s) that are in place and are utilized during lease.

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

Where entry is required across a fence line, the fence shall be braced and tied off on both The operator shall notify the private surface landowner or the grazing allotment holder sides of the passageway prior to cutting.

prior to crossing any fence(s).

Page 6 of 16.

**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

#### **DRILLING OPERATIONS REQUIREMENTS**

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

a. Spudding well

VIII.

A.

- 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

Although Hydrogen Sulfide has not been reported in this section, it has been measured in the Township to the East with 200-3000 ppm in gas streams and 200-3000 ppm in STVs. 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.

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.

The record of the drilling rate along with the CAL/GR/N well log run from TD to surface will 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 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.

Possible loss circulation in the Artesia Group and the Capitan Reef. Possible water flows in the Artesia and Salado Groups. High pressure gas bursts possible in the Wolfcamp and the Pennsylvanian section may be over pressured.

-1. The 13-3/8 inch surface casing shall be set at approximately 550 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface.

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.

. 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.

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

Cement should tie-back at least 200 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.

#### PRESSURE CONTROL

C.

2.

- 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.
  - Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 (2M) psi.
- 3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 8-5/8" intermediate casing shoe shall be 5000 (5M) psi. 5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.
- 4. 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. Operator to submit copies of test done for each casing string with the subsequent sundry detailing the casing/cementing details.
  - 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.
  - e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

# D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented.

# E. DRILL STEM TEST

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

# MAK 100809

# IX. PRODUCTION (POST DRILLING)

#### WELL STRUCTURES & FACILITIES.

#### Placement of Production Facilities

Production facilities should be placed on the east or south side of the well pad to allow for maximum interim recontouring and revegetation of the west or north side of the well location.

#### **Containment Structures**

Α.

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

# X. INTERIM RECLAMATION & RESEEDING PROCEDURE

#### **INTERIM RECLAMATION**

A

R.

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.

The 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.

#### **RESEEDING PROCEDURE**

Once the well is drilled, all completion procedures accomplished and all trash removed, reseed the location and all surrounding disturbed areas as follows:

#### Seed Mixture 2, for Sandy 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 <u>no</u> 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:

Species		l <u>b/acre</u>
and the second		
Sand dropseed (Sporobolus cryptand	rus)	1.0
Sand love grass (Eragrostis trichodes	);	1.0
Plains bristlegrass (Setaria macrostac	hya)	2.0

\*Pounds of pure live seed:

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

# 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.

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