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NMOCD ARTESIA

OCD-ARTESIA

RESUBMITTAL

ATS-10-413

Form 3160-3  
(August 2008)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
APPLICATION FOR PERMIT TO DRILL OR REENTER

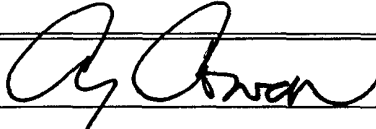
FORM APPROVED  
OMB NO. 1004-0137  
Expires: July 31, 2010

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No <b>NM-7805</b>
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name <b>N/A</b>
2. Name of Operator <b>Yates Petroleum Corporation (025575)</b>		7. If Unit or CA Agreement, Name and No. <b>N/A</b>
3a. Address <b>105 South Fourth Street, Artesia, NM 88210</b>		8. Lease Name and Well No. <b>Flick BIQ Federal #1H (36500)</b>
3b. Phone No (include area code) <b>575-748-1471</b>		9. API Well No <b>30-015-38094</b>
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface: <b>660' FSL and 760' FEL Surface Hole (P)</b> At proposed prod zone: <b>660' FNL and 760' FEL Bottom Hole</b> <b>same as above</b>		10. Field and Pool, or Exploratory <b>EAGLE CREEK (GAS)</b> <del>Wildcat Wolfcamp</del>
11. Sec., T, R., M., or Blk And Survey or Area <b>Section 4, T17S-R24E</b>		
14. Distance in miles and direction from the nearest town or post office* <b>Approximately 11 miles west of Artesia, New Mexico</b>		12. County or Parish <b>Eddy County</b>
		13. State <b>NM</b>
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg. unit line, if any) <b>660'</b>	16. No. of acres in lease <b>520.32</b>	17. Spacing Unit dedicated to this well <b>E/2</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth <b>TVD 4712'</b> <b>MD 8509'</b>	20. BLM/ BIA Bond No. on file <b>NATIONWIDE BOND #NMB000434</b>
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3737' GL</b>	22. Approximate date work will start* <b>ASAP</b>	23. Estimated duration <b>45 days</b>

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

25. Signature 	Cy Cowan	Date <b>4/5/2010</b>
Title <b>Land Regulatory Agent</b>		
Approved By (Signature) <b>/s/ Don Peterson</b>	Name (Printed/ Typed) <b>Don Peterson</b>	Date <b>AUG 12 2010</b>
Title <b>FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>	

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.

**Previously Approved**

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

Roswell Controlled Water Basin

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED**

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II  
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised October 12, 2005

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <b>70-015-38094</b>	Pool Code <b>96622</b>	Pool Name <b>EAGLE CREEK</b> Wildcat Wolfcamp (645)
Property Code <b>36500</b>	Property Name <b>FLICK "BIQ" FEDERAL</b>	Well Number <b>1H</b>
OGRID No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORPORATION</b>	Elevation <b>3737</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	4	17S	24E		660	SOUTH	760	EAST	EDDY

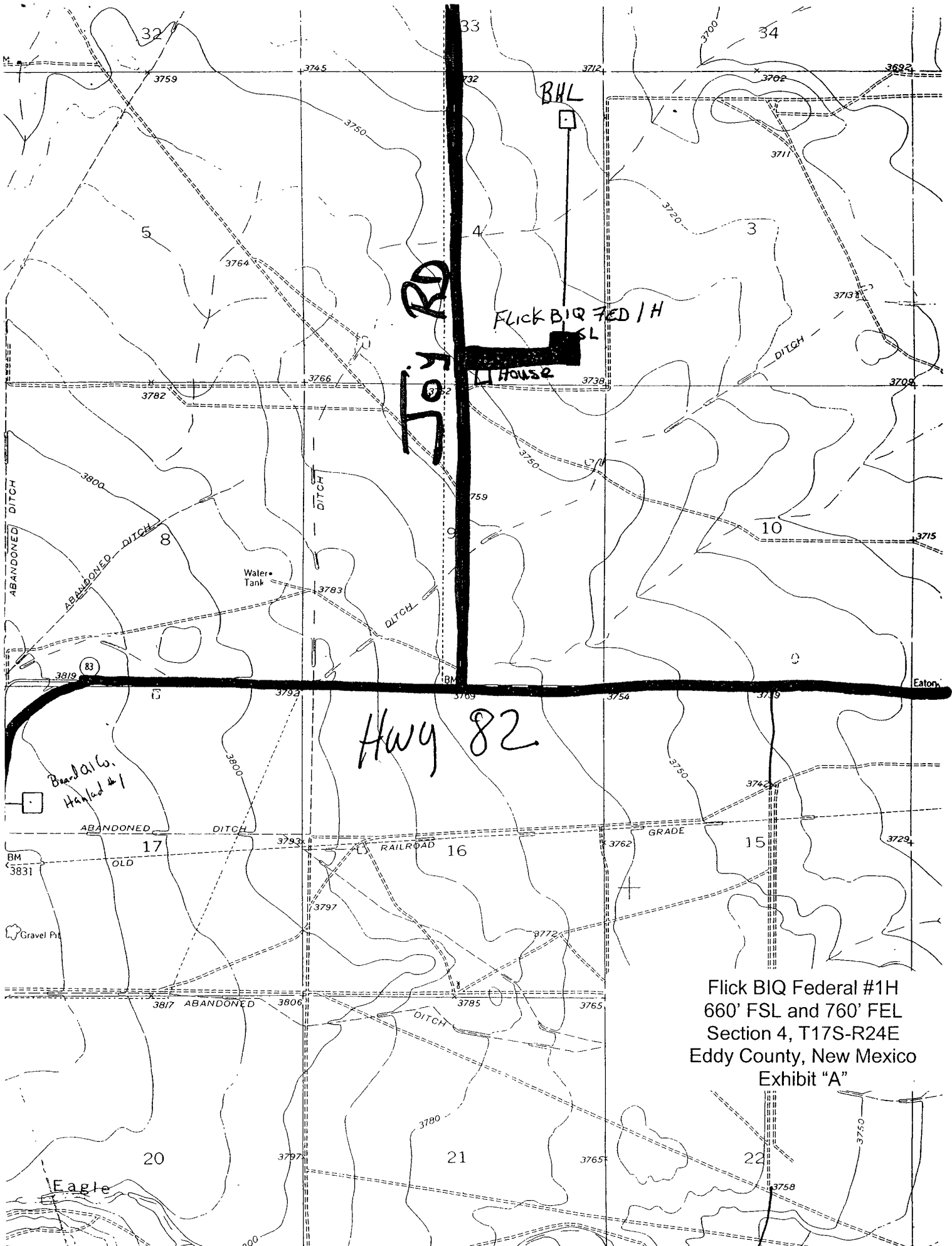
Bottom Hole Location If Different From Surface

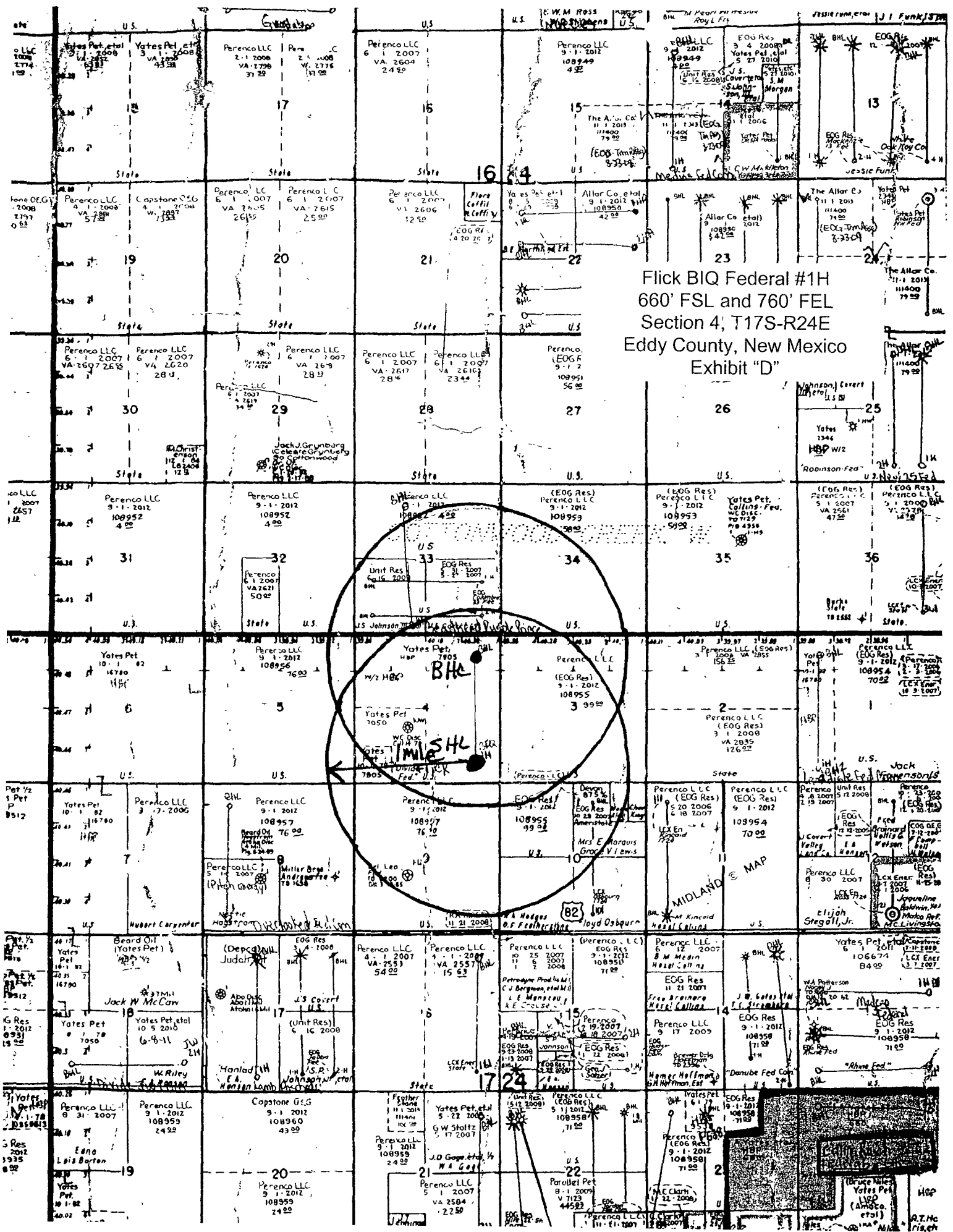
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	4	17S	24E		660	NORTH	760	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

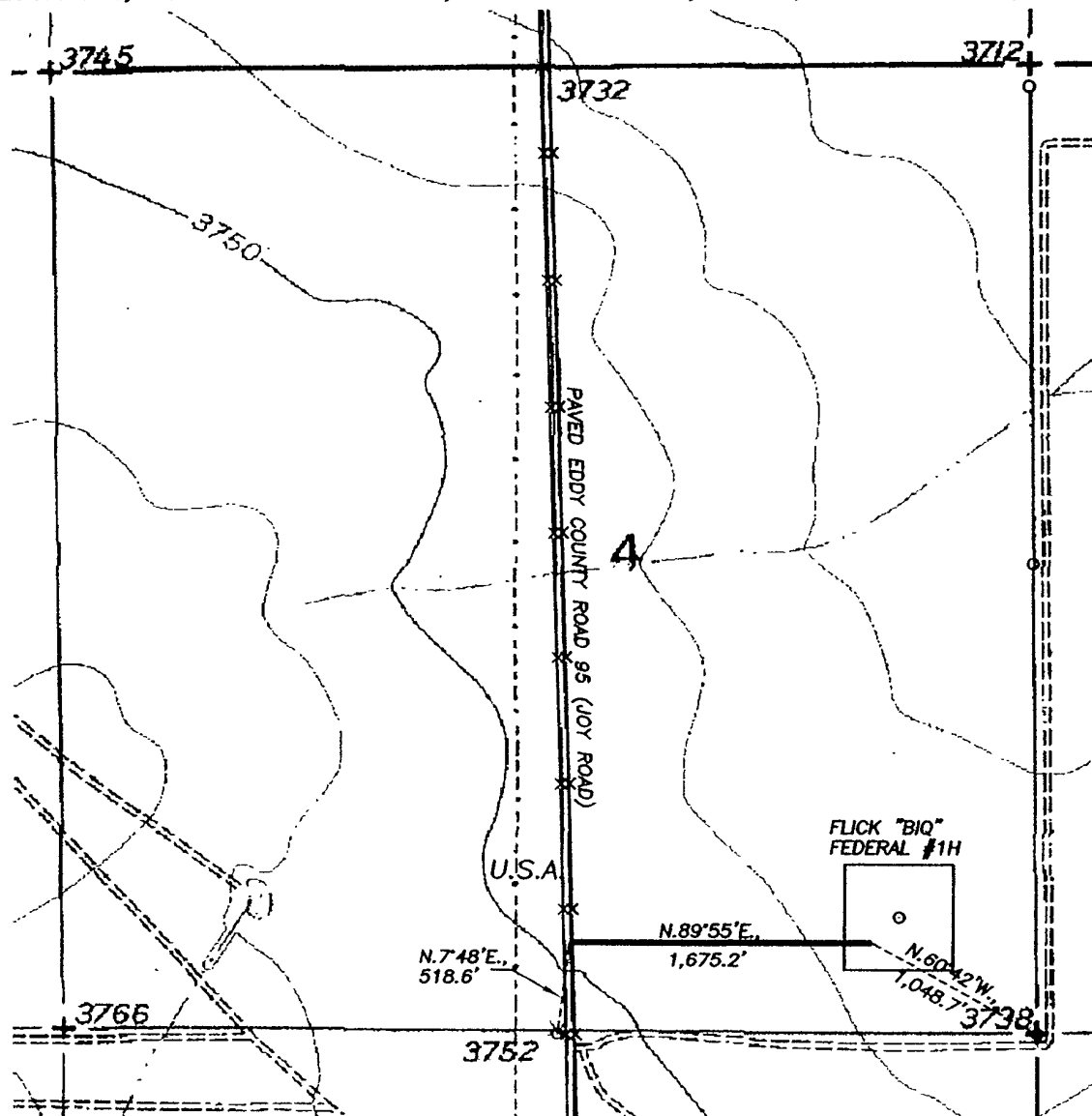
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p><b>BOTTOM HOLE LOCATION</b> Y=680300.6 N X=421992.1 E LAT.=32.869971 N LONG.=104.587404 W</p>	<p>NM-7805</p> <p>B.H.</p> <p>760'</p> <p>GRID AZ. = 359°29'20" HORIZ. DIST. = 3980.9'</p> <p>PROJECT AREA</p> <p>PRODUCING AREA</p> <p>3738 3738</p> <p>3740 3739</p> <p>760'</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>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.</p> <p><i>[Signature]</i> 4/5/10 Signature Date</p> <p>Cy Cowan Printed Name</p>
<p><b>GEODETIC COORDINATES</b> NAD 27 NME SURFACE HOLE LOCATION Y=676319.9 N X=422027.6 E LAT.=32.859029 LONG.=104.587257 (NAD-27)</p>		<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>1/25/2007 Date Surveyed</p> <p><i>[Signature]</i> Signature &amp; Seal of Professional Surveyor</p> <p><i>[Seal: HERSCHEL L. JONES, NEW MEXICO, 3640]</i></p> <p>Certification No. Herschel L. Jones 3640 GENERAL SURVEYING</p>





SECTION 4, TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



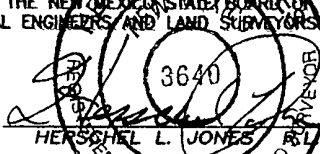
DESCRIPTION:

A LEASE ROAD RIGHT OF WAY 30 FEET WIDE AND 1,675.2 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY CENTERLINE AS SHOWN IN RED ON THIS PLAT.

1,675.2 FEET = 101.5273 RODS, 0.3173 MILES OR 1.1537 Ac., MORE OR LESS.

1000' 0 1000' 2000'  
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.



HERSCHEL L. JONES R.L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928  
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES FLICK "BIQ" FEDERAL #1H WELL, LOCATED IN SECTION 4, TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 1/25/2007	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 1/25/07	Scale 1" = 1000' FLICK 1H

# YATES PETROLEUM CORPORATION

## Flick BIQ Federal #1H

600' FSL & 760' FEL (Pilot Hole)  
660' FNL & 760' FEL (Bottom Hole)  
Section 4-T17S-R24E  
Eddy County, New Mexico

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

San Andres	375'	Wolfcamp	4695'
Glorietta	1710'	TD (Pilot Hole)	5000'
Tubb	3025'	TD (Lateral Hole)	8509'
Abo	3675'		

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

Water: Approx 430'

Oil or Gas: San Andres-Oil; Abo-Gas; Wolfcamp-Gas and Oil.

*13 3/8" See COA*

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout 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
17.5"	13.375"	48#	H-40	ST&C	0-350'	350'
12.25"	9.625"	36#	J-55	ST&C	0-1100'	1100'
<del>8.75"</del>	<del>7.0"</del>	<del>26#</del>	<del>J-55</del>	<del>ST&amp;C</del>	<del>0-4830'</del>	<del>4830'</del>
7.875"	5.5"	17#	HCP-110	LT&C	0-8509'MD	8509'

*Replaced  
4/24*

\*\*Pilot hole will be drilled to 5000'. Well will then be plugged back and kicked off at approximately 4330' at 15 degrees per 100' with an 8 3/4" hole to 4830' MD. If hole conditions warrant, 7" casing will be set and cemented back to previous casing. A 6 1/8" hole will then be drilled to a TD of 8509' and 4 1/2" casing will be set and cement tied back to the 7" casing. If 7" casing is not warranted then hole size will be reduced to 7 7/8" and drilled to 8509'. 5 1/2" casing will be set and cemented.

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

**B. CEMENTING PROGRAM:**

Surface casing: 400 sx "C" + 2% CaCl<sub>2</sub> (YLD 1.35 WT 14.8). TOC Surface

Intermediate Casing: 225 sx C Lite + 2% CaCl<sub>2</sub> (YLD 1.98 WT 12.5) Tail in with 200 sx "C" (YLD 1.34 WT 14.8). TOC Surface

Production Casing: Lead with 800 sx C Lite (YLD 2.05 WT 12.5) Tail in with 700 sx acid solution (YLD 2.60 WT 11.15). *TOC 600' Per Operator 5-12-10*

*Replaced  
4/24*

~~\*If 7" casing is run a 6 1/8" hole will be drilled and 4 1/2" production casing will be set. (TOC-1000') Lead w/775 sx "C" Lite (YLD 2.05 WT 12.5). Tail in w/1200 sx Magne Plus (YLD 1.05 WT 13.0)~~

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-350'	Fresh Water	8.4-8.9	32-36	N/C
350'-1100'	FW Gel/Air Mist	8.4-8.9	28-34	N/C
1100'-5000'	Cut Brine	8.8-9.2	28	N/C
<b>(Horizontal Section)</b>				
4330'-8509'	Cut Brine	8.8-9.2	28	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

*See COA*

Samples: 10' samples out from under intermediate casing.

Logging: Platform Express/HALS, FMI (Pilot Hole).

Coring: Rotary Sidewall Cores (Pilot Hole).

DST's: None Anticipated.

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE AND POTENTIAL HAZARDS:

Anticipated BHP:

From: 0	TO: 350'	Anticipated Max.	BHP: 162	PSI
From: 350'	TO: 1100'	Anticipated Max.	BHP: 510	PSI
From: 1100'	TO: 5000'	Anticipated Max.	BHP: 2390	PSI

Abnormal pressures or temperatures are anticipated: None

Lost Circulation Zones Anticipated: None.

H<sub>2</sub>S Zones Anticipated: None

Maximum Bottom Hole Temperature: 168° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 40 days.

## Yates Petroleum Corporation

Jeremiah Mullen (jmulen@ypcnm.com)  
(505)748-4378  
105 S. Fourth Street  
Artesia, N.M. 88210

April 24, 2007

To Whom It May Concern:

The following is the contingency casing design and cement program for the Flick BIQ Federal #1H:

Size	Wt. (#/ft.)	Grade	Depth	Top of Cement
7"	23#	J-55	0'-4830'	600'

Lead with 475sx C-lite (Yld 2.04 Wt. 12.5#) and tail with 225sx class C (Yld 1.33 Wt. 14.8).

4 1/2" liner	11.6#	HCP-110	3830'-8509'	3830'
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Lead with 175sx C-lite (Yld 2.05 Wt. 12.5) and tail with 675sx Magne Plus (Yld 1.05 Wt. 13.0).

Please call me if you have any questions.

Sincerely,

Jeremiah Mullen

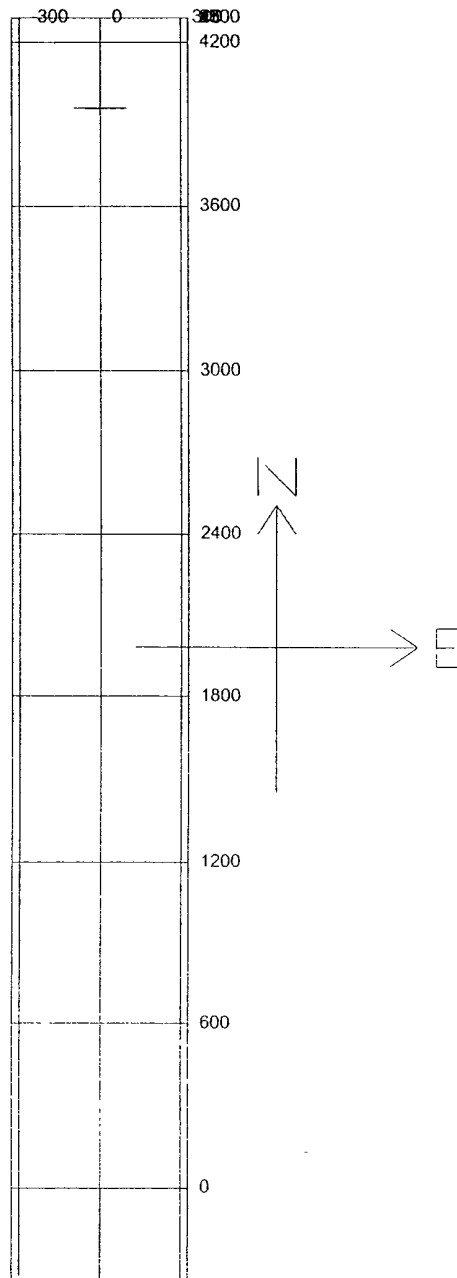
Drilling Engineer Asst.



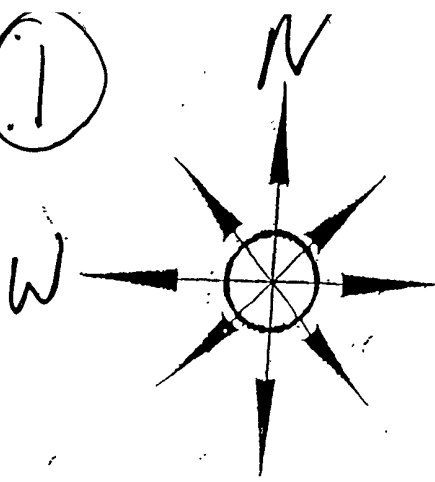
	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	4330.00	0.00	0.00	4330.00	0.00	0.00	15.00	0	GN
3	4350.00	3.00	0.00	4349.99	0.52	0.00	15.00	0	HS
4	4375.00	6.75	0.00	4374.90	2.65	0.00	15.00	0	HS
5	4400.00	10.50	0.00	4399.61	6.40	0.00	15.00	0	HS
6	4425.00	14.25	0.00	4424.02	11.75	0.00	15.00	0	HS
7	4450.00	18.00	0.00	4448.04	18.69	0.00	15.00	0	HS
8	4475.00	21.75	0.00	4471.54	27.19	0.00	15.00	0	HS
9	4500.00	25.50	0.00	4494.44	37.21	0.00	15.00	0	HS
10	4525.00	29.25	0.00	4516.64	48.70	0.00	15.00	0	HS
11	4550.00	33.00	0.00	4538.04	61.62	0.00	15.00	0	HS
12	4575.00	36.75	0.00	4558.54	75.92	0.00	15.00	0	HS
13	4600.00	40.50	0.00	4578.07	91.52	0.00	15.00	0	HS
14	4625.00	44.25	0.00	4596.54	108.36	0.00	15.00	0	HS
15	4650.00	48.00	0.00	4613.86	126.38	0.00	15.00	0	HS
16	4675.00	51.75	0.00	4629.97	145.50	0.00	15.00	0	HS
17	4700.00	55.50	0.00	4644.79	165.62	0.00	15.00	0	HS
18	4725.00	59.25	0.00	4658.27	186.67	0.00	15.00	0	HS
19	4750.00	63.00	0.00	4670.34	208.56	0.00	15.00	0	HS
20	4775.00	66.75	0.00	4680.95	231.19	0.00	15.00	0	HS
21	4800.00	70.50	0.00	4690.06	254.47	0.00	15.00	0	HS
22	4825.00	74.25	0.00	4697.63	278.29	0.00	15.00	0	HS
23	4850.00	78.00	0.00	4703.63	302.56	0.00	15.00	0	HS
24	4875.00	81.75	0.00	4708.02	327.16	0.00	15.00	0	HS
25	4900.00	85.50	0.00	4710.79	352.00	0.00	15.00	0	HS
26	4925.00	89.25	0.00	4711.94	376.97	0.00	15.00	0	HS
27	4939.09	91.36	0.00	4711.86	391.06	0.00	15.00	0	HS
28	8509.04	91.36	0.00	4627.00	3960.00	0.00	0.00		

### 3D<sup>3</sup> Sectional Drilling Planner - 3D View

Company: Yates Petroleum Corporation  
Well: Flick BIQ Federal #1



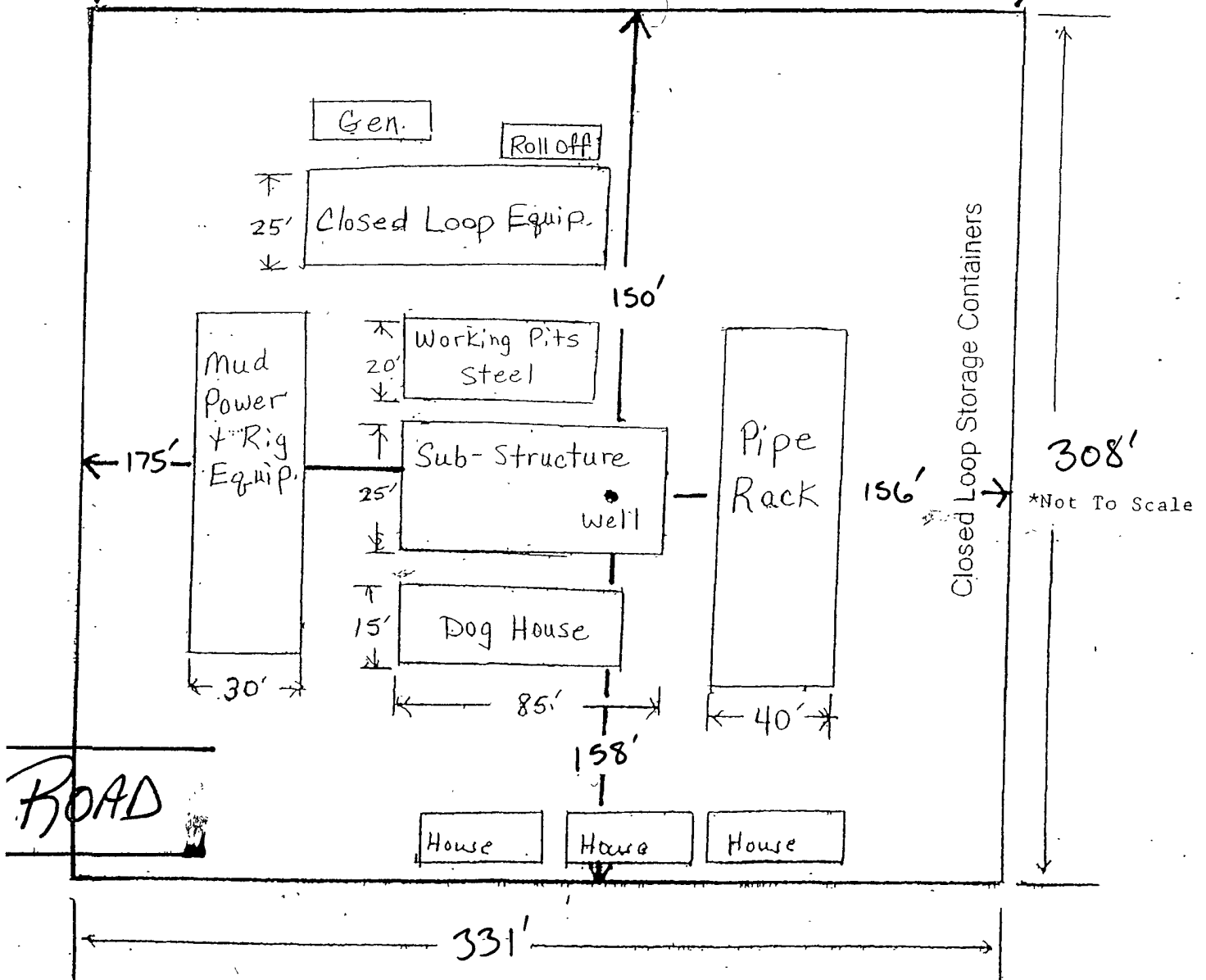
①



Flick BIQ 7ED #1H

Yates Petroleum Corporation  
Location Layout for Permian Basin

(Top Soil in Wind rows)



PLEASE NOTE:  
Reclamation of this  
Location may change at  
time of completion.

PLEASE NOTE:

YATES PETROLEUM CORPORATION

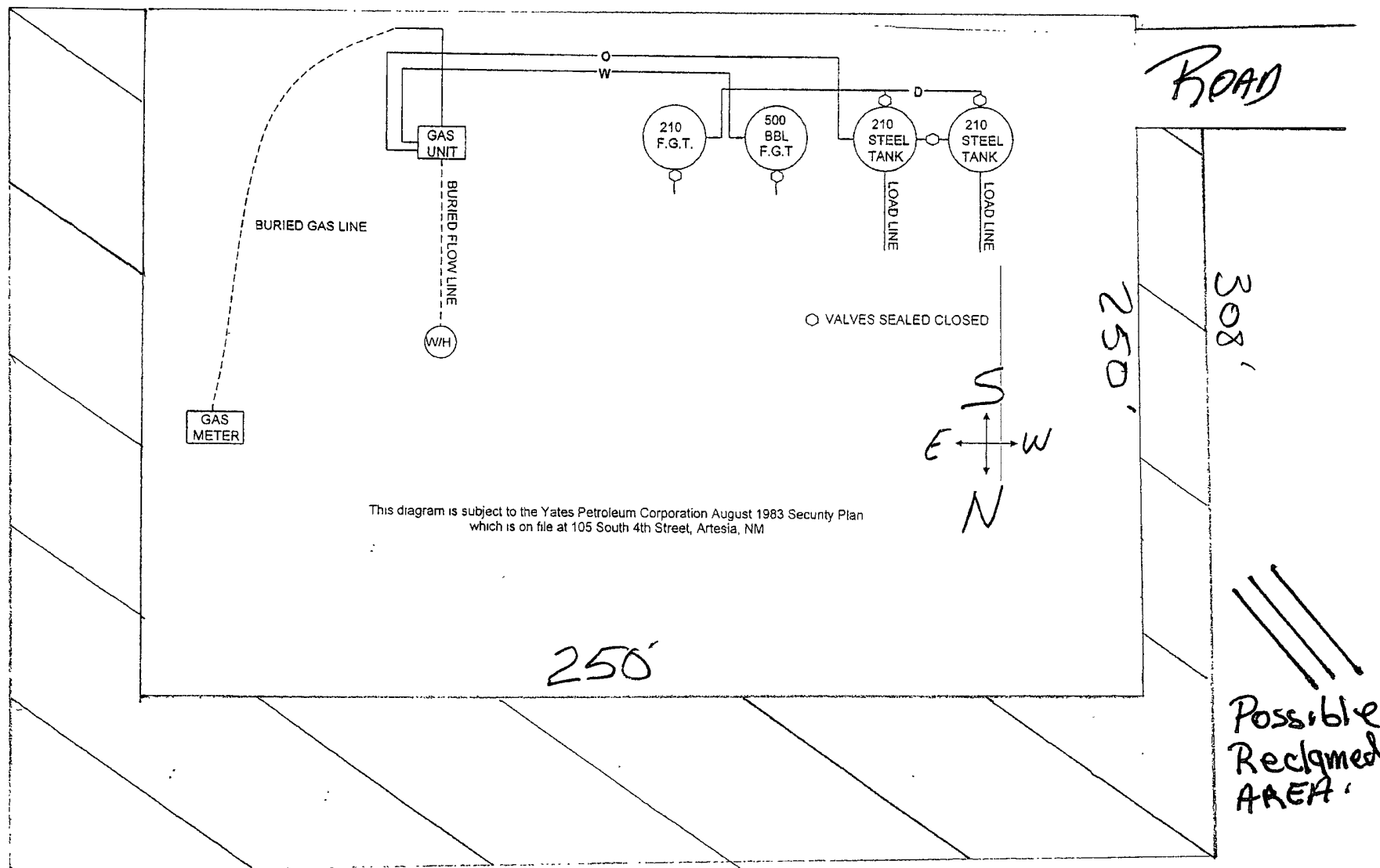
Flick BIQ Federal #1H

660' FSL and 760' FEL SHL

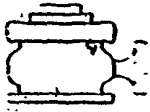
660' FNL and 760' FEL BHL

Section 4, T17S-R24E

Eddy County, New Mexico



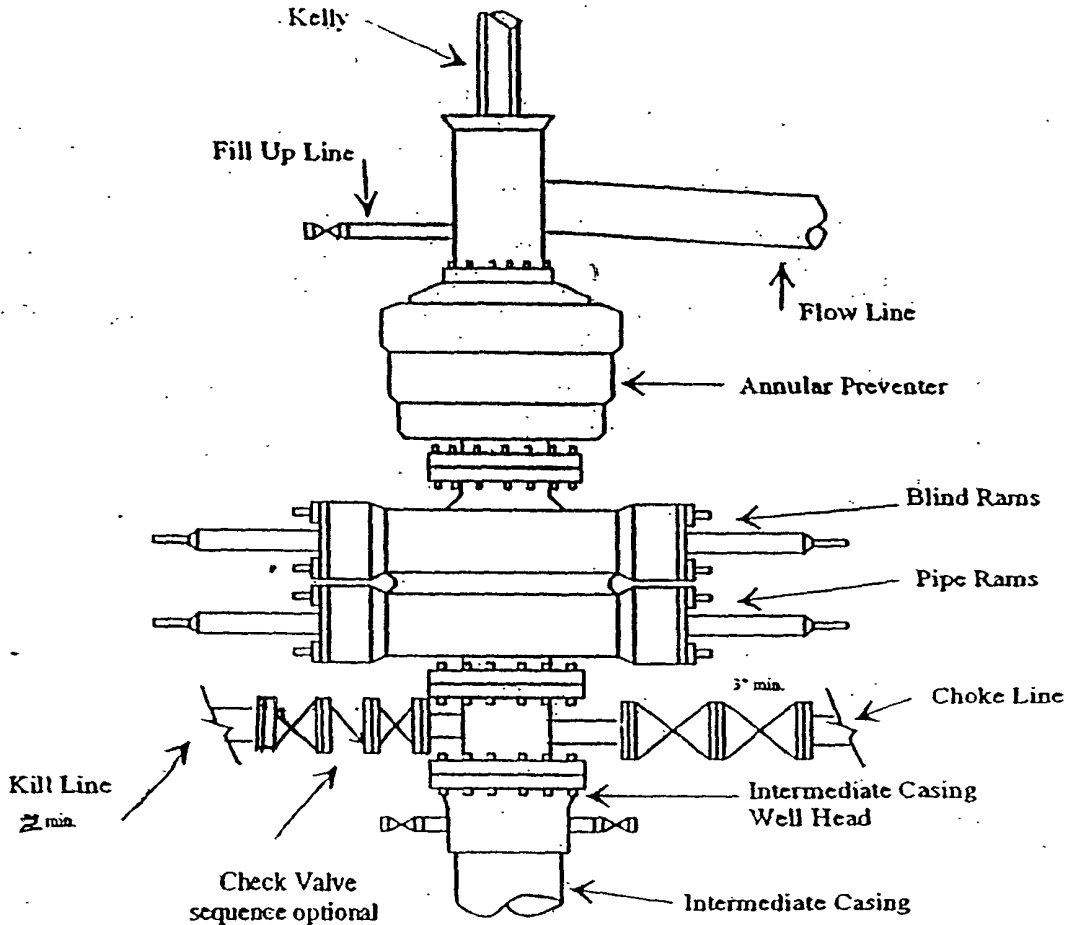
~~355'~~ 331' TEN 7/8/10



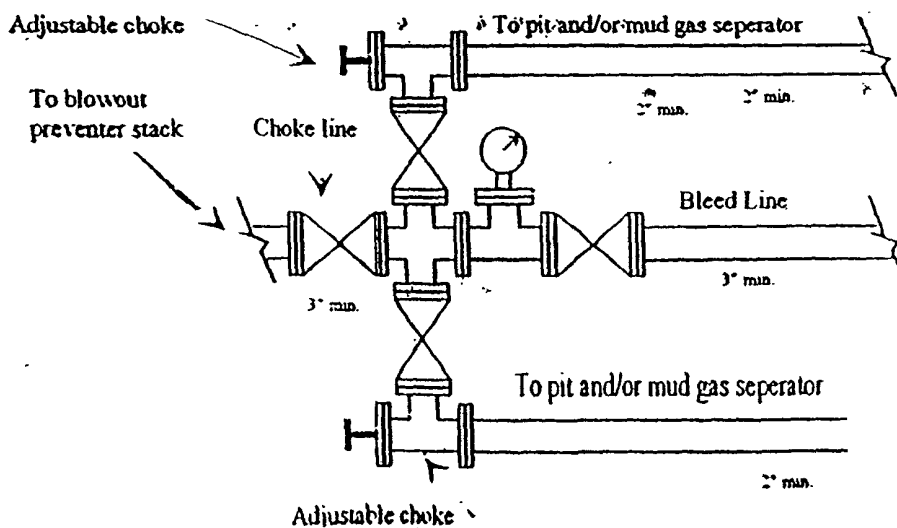
# Yates Petroleum Corporation

BOP-3

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

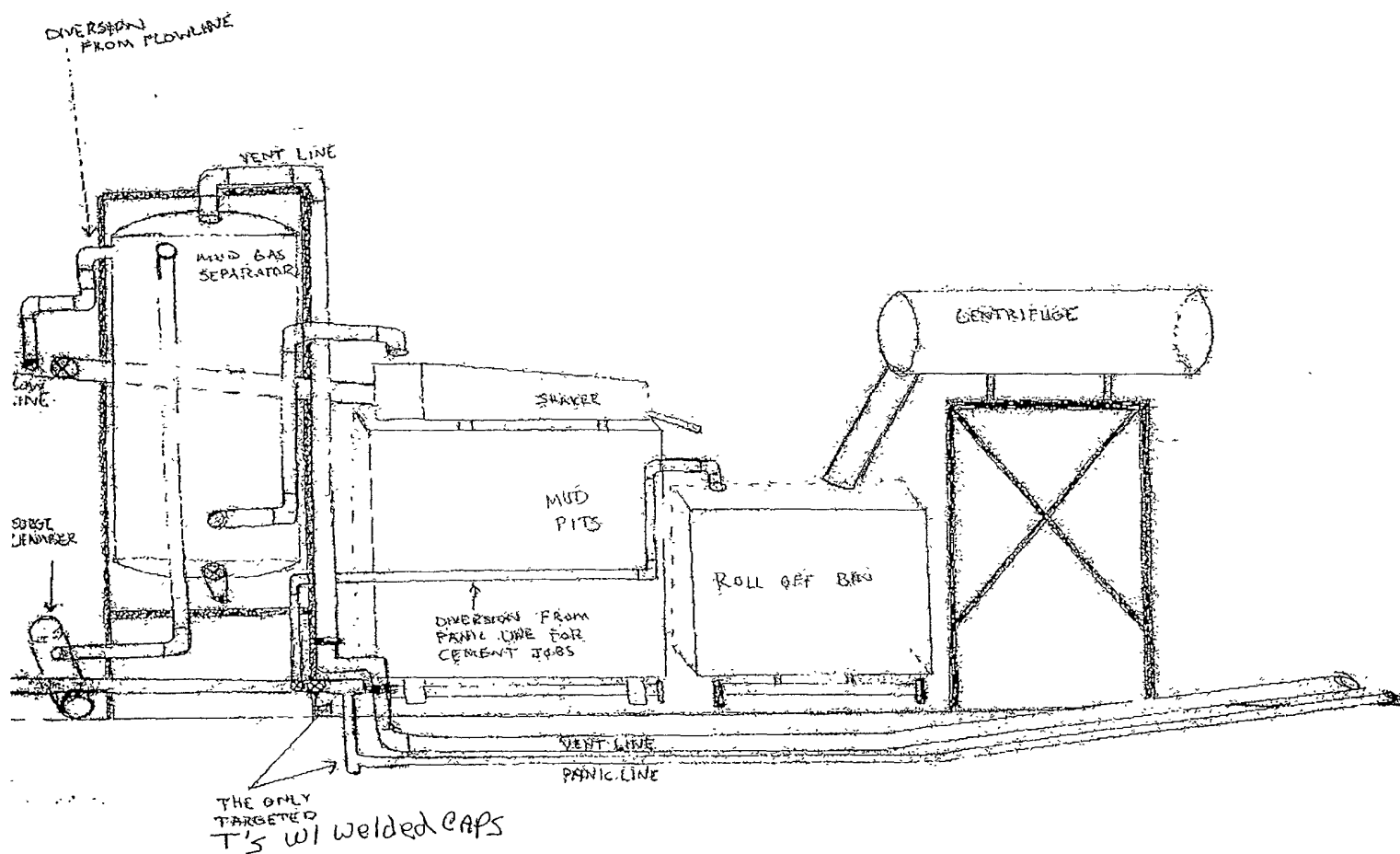


## Typical 3,000 psi choke manifold assembly with at least these minimum features



Flick BIQ Federal #1H  
660' FSL and 760' FEL  
Section 4, T17S-R24E  
Eddy County, New Mexico  
Exhibit "B"

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



Flick BIQ Federal #1H  
660' FSL and 760' FEL  
Section 4, T17S-R24E  
Eddy County, New Mexico  
Exhibit "C-1"

## **MULTI-POINT SURFACE USE AND OPERATIONS PLAN**

**Yates Petroleum Corporation**

**Flick BIQ Federal #1H**

660' FSL & 760' FEL (Surface Hole)

660' FNL & 760' FEL (Bottom Hole)

Section 4, T17S-R24E

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 11 miles west of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

### **DIRECTIONS:**

Go west of Artesia, New Mexico on Highway 82 for approximately 10 miles to Joy Road. Turn right on Joy road and go approximately 1.1 miles. The new road will start here going east.

### **2. PLANNED ACCESS ROAD**

- A. The proposed new access will be approximately .3 of a mile in length from the point of origin to the southwest corner of the drilling pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. No traffic turnouts will be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

### **3. LOCATION OF EXISTING WELL**

- A. There is 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.
- 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 line can be built, if needed.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The fresh 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

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 land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the location of the drilling equipment, rig orientation and access road approach.  
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. A 600' x 600' area has been staked and flagged.

10. ~~PLANS FOR RESTORATION~~

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

TEN  
Section 10  
Replaced  
4/28/10



3

## Plans for Interim and Final Surface Reclamation.

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

PLEASE SEE  
ATTACHED

### Interim Reclamation Plan Continued

After the well has been drilled and completed Yates' Production Department Personnel will meet with BLM Personnel on each individual well location to discuss the specifics of downsizing the well pad at that time.

This information will not be available at the time the Application for Permit to Drill is submitted to the Bureau of Land Management office.

11. SURFACE OWNERSHIP: Federal surface, Administered by the Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

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

(Exhibits Attached)

Exhibit A Topographic Map and Road Plat  
Exhibit B BOP Schematic  
Exhibit C Location Layout  
Exhibit C-1 Closed Loop System Diagram  
Exhibit D One Mile Radius

CERTIFICATION  
YATES PETROLEUM CORPORATION  
**Flick BIQ Federal #1H**

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 5th day of April, 2010

Printed Name Cy Cowan

Signature 

Position Title Land Regulatory 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) \_\_\_\_\_

## PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corporation
LEASE NO.:	NM-7805
WELL NAME & NO.:	Flick BIQ Federal #1H
SURFACE HOLE FOOTAGE:	660' FSL & 760' FEL
BOTTOM HOLE FOOTAGE:	660' FNL & 760' FEL
LOCATION:	Section 04, T. 17 S., R 24 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**
  - Noise Control
  - Aplomado Falcon
- ☒ **Construction**
  - Notification
  - Topsoil
  - Closed Loop System
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
  - Logging Requirements
  - Waste Material and Fluids
- ☐ **Production (Post Drilling)**
  - Well Structures & Facilities
  - Pipelines
  - Electric Lines
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment & Reclamation**

## **I. GENERAL PROVISIONS**

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

## **II. PERMIT EXPIRATION**

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

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

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

## **IV. NOXIOUS WEEDS**

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

## V. SPECIAL REQUIREMENT(S)

### **Noise Control:**

Due to an occupied dwelling being located near the proposed project, all production equipment that creates noise that would discomfort the residents (pump jack exhaust, generators, any power supply, any engine, etc.) needs to have a muffling device to dull the sound of the equipment during the life of the well. The Authorized Officer may require further sound control techniques, devices or structures if noises are not controlled adequately determined by the Authorized Officer.

### **Aplomado Falcon:**

#### **Stipulations for Drilling in Aplomado Falcon Habitat**

The following well pad construction and reclamation measures will be implemented to provide for minimal long-term disturbance:

No Yuccas over 5 feet in height will be damaged by vehicular use or any other activity associated with this project.

Remove all caliche from well pads and roads that are plugged and abandoned. Reclamation will consist of disking, mulching, seeding with a drill (See seed mixture below), and application of water to encourage seed germination.

Well pad size will not exceed 300 ft. x 390 ft. (unless multiple wells are drilled from the same well pad). All unused portions of the well pad associated with producing wells will be reclaimed using the seed mixture below:

Buffalograss ( <i>Buchloe dactyloides</i> )	4 lbs/acre
Blue grama ( <i>Bouteloua gracilis</i> )	1 lbs/acre
Cane bluestem ( <i>Bothriochloa barbinodis</i> )	5 lbs/acre
Sideoats grama ( <i>Bouteloua curtipendula</i> )	5 lbs/acre
Plains bristlegrass ( <i>Setaria macrostachya</i> )	6 lbs/acre

**Reserve pits for drilling and disposal are not allowed unless the pit can be effectively netted to the satisfaction of the BLM. Steel tank circulation system must be used if the reserve pit is not netted.**

All active raptor nests will be avoided by a minimum of 400 meters by all activities or curtail activities until fledging is complete.

All inactive raptor nests will be avoided by a minimum of 200 meters by all activities.

All roads associated with well development will not exceed 30 ft in width

## **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 in a low profile manner in order to prevent wind/water erosion of the topsoil. The topsoil to be stripped from the road and well pad is approximately 6 inches in depth. Topsoil in the road route shall be stockpiled along the perimeter of the road. The topsoil will be used for interim and final reclamation.

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

Tanks are required for drilling operations: No Pits.

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

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

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

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

Surfacing of the well pad is not required.

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

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

### **F. ON LEASE ACCESS ROADS**

#### **Road Width**



The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed 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**

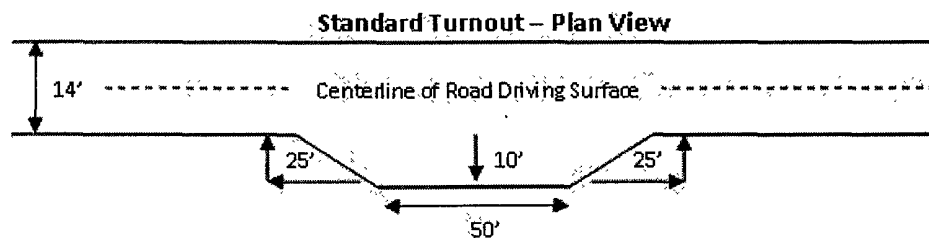
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

### **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:

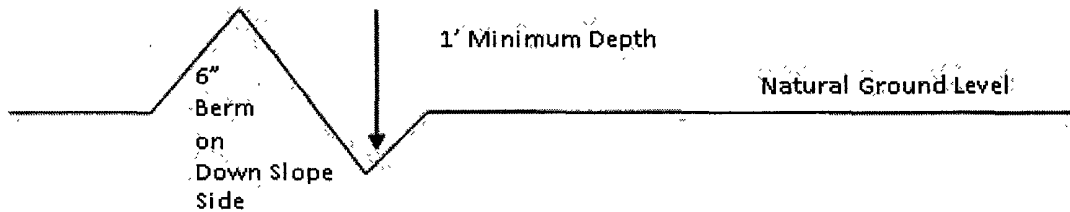


### **Drainage**

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 above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

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



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

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

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

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

#### **Culvert Installations**

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

#### **Cattleguards**

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

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

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

#### **Fence Requirement**

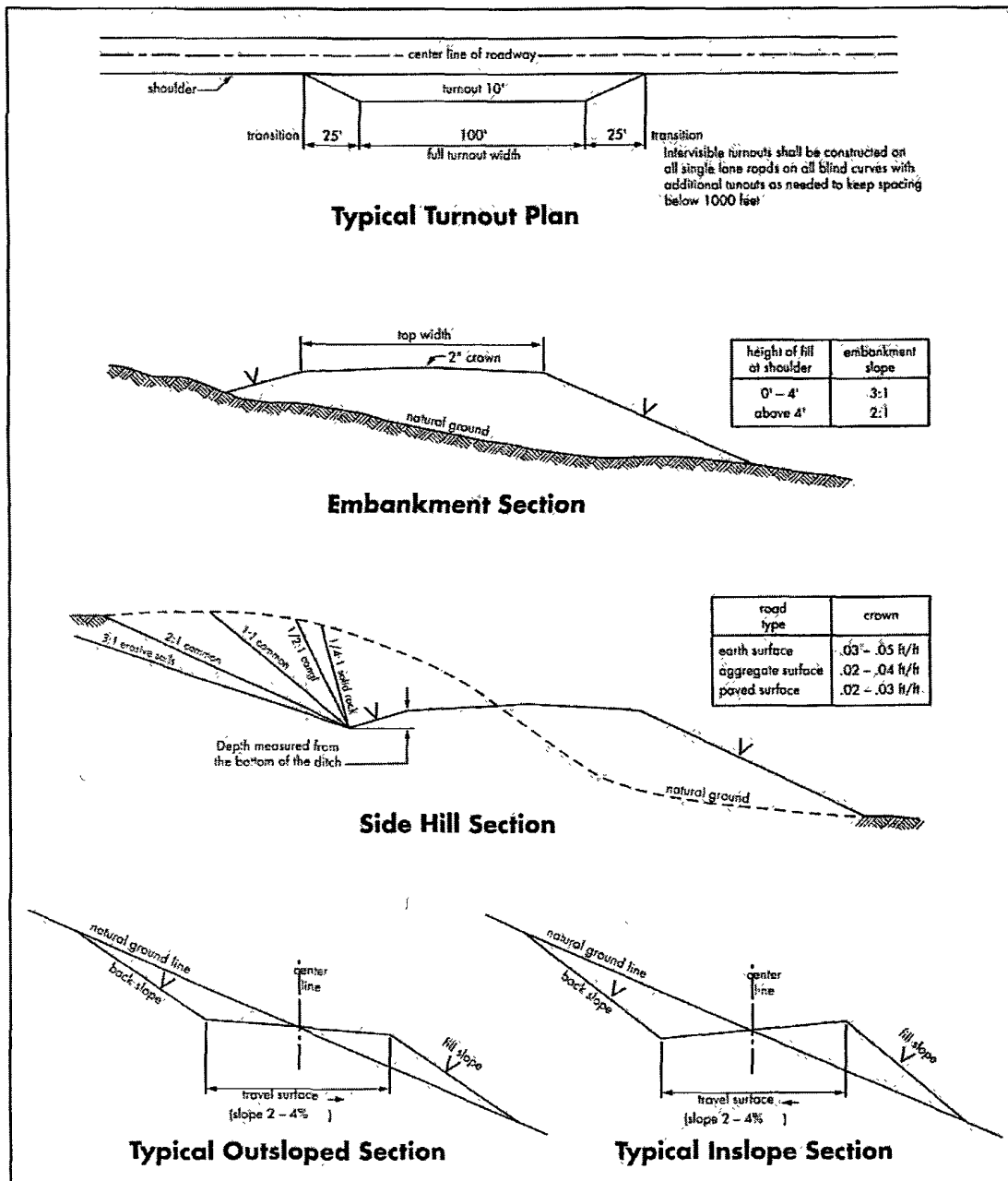
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

**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.
4. **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.**

### 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 lost circulation in the Grayburg and San Andres formations.**

1. The 13-3/8 inch surface casing shall be set at **approximately 350 feet** and cemented to the surface.
  - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.
  - b. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.**
  - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
  - d. If cement falls back, remedial cementing will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
  - ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Set casing in a solid dolomite, avoiding the Lovington Sand.**

**Pilot hole will be plugged with one solid plug from TD to the KOP.**

**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:

- ☒ Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification.

**Contingency Casing:**

4. The minimum required fill of cement behind the **7** inch production casing is:

- ☒ Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification.

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

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

- ☒ Cement to the liner top. If cement does not circulate, contact the appropriate BLM office.

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

**C. PRESSURE CONTROL**

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.
  - a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
  - a. Casing cut-off and BOP installation will not be initiated until the cement has had a minimum of 8 hours setup time for a water basin. The casing shall remain stationary and under pressure for at least eight hours after the operator places the cement. In the potash area, the minimum time is 12 hours and the casing shall remain stationary and under pressure during this time period. Casing shall be under pressure if the operator uses some acceptable means of holding pressure or if the operator employs one or more float valves to hold the cement in place. Testing the BOP/BOPE against a plug can commence after meeting the above conditions plus the BOP installation time.
  - b. The tests shall be done by an independent service company utilizing a test plug.
  - c. The results of the test shall be reported to the appropriate BLM office.
  - d. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**
  - e. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

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

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

**DHW 051010**

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

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

### **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

**IX. INTERIM RECLAMATION**

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

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

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

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

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

## **X. FINAL ABANDONMENT & RECLAMATION**

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

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

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

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

## Aplomado Falcon Habitat Seed Mixture

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

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

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

<u>Species</u>	<u>lb/acre</u>
Buffalograss (Buchloe dactyloides) -----	4 lbs/acre
Blue grama (Bouteloua gracilis) -----	1 lb/acre
Cane bluestem (Bothriochloa barbinodis) -----	5 lbs/acre
Sideoats grama (Bouteloua curtipendula) -----	5 lbs/acre
Plains bristlegrass (Setaria macrostachya) -----	6 lbs/acre

\*Pounds of pure live seed:

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