| | BUREAU O | T OF THE II | EMENT | | | Expires August 31, 1985 5. LEASE DESIGNATION AND SEBIAL NO. NM-045274 SG24 |
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| APPLICATION | N FOR PERMIT | TO DRILL, L | DEEPEN, OR | PLUG E | ACK | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME |
| | | DEEPEN [| | PLUG BA | СК 🗌 | 7. UNIT AGREEMENT NAME |
| | ELL OTHER | | SINGLE | MULTIP Zone | | 8. FARM OR LEASE NAME |
| 2. NAME OF OPERATOR | um Corporation | / | | RECEN | /ED | Hillview "AHE" Federal |
| 3. ADDRESS OF OPERATOR | un corporation | | | 100 | · | 9. WELL NO. COM |
| | rth Street, Ar | tesia.NM 8 | 8210 | APR - | 7 1992 | 12 |
| 4. LOCATION OF WELL (Be At surface | | | | ementa | <u> </u> | 10. FIELD AND POOL, OR WILDCAT |
| 1980' FSL and | | /SE | • • • • | | NEFIC | S. Dagger Draw Upper Per 11. SEC., T., B., M., OB BLK. |
| At proposed prod. zon | | | T | | | AND SURVEY OR AREA |
| same | | | / | | | Sec. 23-T20S-R24E |
| 14. DISTANCE IN MILES A | 32 miles sout | | | | | 12. COUNTY OR PARISH 13. STATE |
| 15. DISTANCE FROM PROPU | SED* | | 16. NO. OF ACRES | | | Eddy NM |
| LOCATION TO NEAREST PROPERTY OR LEASE L (Also to nearest drig | INE. FT. | 660' | IC. NO. OF ACKES | IN LEASE | 17. NO. 0 TO TH | PF ACEES ASSIGNED HIS WELL 32() |
| 18. DISTANCE FROM PROPO TO NEAREST WELL, DE | APP TOOLOUS | | 19. PROPOSED DEP | тн | 20. ROTAL | BY OR CABLE TOOLS |
| OR APPLIED FOR, ON THI | S LEASE, FT. | | 8150' | 8150' Rotary | | |
| 21. ELEVATIONS (Show whe | ther DF, RT, GR, etc.) | | | <u> </u> | | 22. APPROX. DATE WORK WILL START* |
| 3630' | | | | | | ASAP |
| | | PROPOSED CASIN | G AND CEMENTI | NG PROGRAM | Parme | All Construction 1 page |
| SIZE OF HOLE | SIZE OF CASING | WEIGHT PER FOO | T SETTIN | G DEPTH | | U Controlled Water Basin |
| 14 3/4" | 9 5/8" | <u>36#</u> J-55 | 1100' | · | 1100 | sacks (circulated) |
| 8 3/4" | /" | 23-26# | TD | | | rranted |
| | | J-55 & N-8 | 0 | | | |
| | | | | | | |

MUD PROGRAM: FW gel/LCM to 1100'; FW to 5000'; cut Brine to 7200'; SW gel/Starch to TD.

BOP PROGRAM: 3M-BOP's and hydril will be installed on 9 5/8" casing and tested daily.

Part ID-1 4-17-92 New Loc + HPI

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROFOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

| 8IGNED | endung | Landman | DATE 2-27-92 |
|---|--------|---------------|--------------|
| (This space for Federal or State | • | APPROVAL DATE | |
| APPROVED BY CONDITIONS OF APPROVAL, IF ANY : | | TITLE | |

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

DISTRICT II P.O. Drawer DD, Artesia, NM 88210

| <u>DISTRICT III</u> 1000 Rio Brazos R d | I., Aziec, NM 87410 | | | ND ACREA | | | AT. | |
|---|-------------------------------|------------------------------------|---------------------------------------|--|-----------------------------|-------------------|---------------------|--------------------------------|
| Operator | | - <u></u> · · · · · | · · · · · · · · · · · · · · · · · · · | Lease | | | _ | Well No. |
| • | PETROLEUM C | ORPORATION | | HIL | LVIEW AH | E FEDERAL | l COM | 12 |
| Jnit Letter | Section | Township | | Range | | | County | · <u> </u> |
| T | 23 | - | SOUTH | 24 | EAST | NM | EDD EDD | Y COUNTY, NM |
| Actual Footage Loc | ation of Well: | 1 | | | | 14141 | 1 101 | |
| 1980 | feet from the | SOUTH | line and | 660 | | feet fi | om the EAS | T line |
| Ground level Elev. | | ing Formation | | Pool | ~ | 2 | Δ | Dedicated Acreage: |
| 3630. | Coo | D Canva | ~ | South | Daguer | Druw Up | ner tenn | 320 Acres |
| 1. Outlin | ie the acreage dedica | ted to the subject we | ill by colored pe | ncil or hachure 1 | narks on the p | plat below. | ¥ | |
| 2. If more | re than one lease is d | edicated to the well, | outline each an | d identify the ow | mership there | of (both as to w | orking interest and | royalty). |
| | re than one lease of o | | s dedicated to th | e well, have the | interest of all | owners been co | insolidated by con | munitization, |
| | ation, force-pooling, | etc.? | | pe of consolidat | ion CA | m munitiz | ation | |
| If answe | Yes r is "no" list the own | No If an lets and tract descrip | tions which hav | e actually been of | consolidated. | (Use reverse sid | e of | |
| this form | n if neccessary. | | | | | | | |
| No allow | vable will be assigned | d to the well until al | interests have l | cen consolidate | d (by commun | utization, unitiz | ation, forced-pooli | ng, or otherwise) |
| or until a | a non-standard unit, e | liminating such inte | rest, has been ap | proved by the D | ivision. | | | <u></u> |
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State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088 Santa Fe, New Mexico 87504-2088 Form C-102 Revised 1-1-89 Ł

YATES PETROLEUM CORPORATION

Hillview "AHE" Federal #12 1980' FSL and 660' FEL Section 23-T20S-R24E Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with BLM requirements.

1. The geological surface formation is Alluvium:

,

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

| San Andres | 583' |
|----------------------------|--------|
| Glorieta | 2,121' |
| Bone Spring Lime | 3,547' |
| 3rd Bone Spring Sand | 5,597' |
| Basal Bone Spring Dolomite | 5,707' |
| Abo Green Shale | 5,837' |
| Wolfcamp Lime | 5,918' |
| Canyon Lime | 7,519' |
| Canyon Dolomite | 7,616' |
| Base Canyon Dolomite | 7,822' |
| TD | 8,150' |
| | |

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

| Water: | Approximately 275' |
|-------------|--------------------|
| Oil or Gas: | Canyon |

- 4: Proposed Casing Program: See Form 3160-3.
- 5. Pressure Control Equipment: See Form 3160-3 and Exhibit B.
- 6. Mud Program: See Form 3160-3.
- 7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connections.
- 8. Testing, Logging and Coring Program:

Samples: 10' samples from 500' to TD.

DST's: As warranted by drilling breaks and shows.

Logging: CNL-LDT from TD to casing, with GR-CNL up to surface; DLL with RxO from TD to casing.

- 9. No abnormal pressures or temperatures are anticipated.
- 10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN Yates Petroleum Corporation Hillview "AHE" Federal #12 1980' FSL and 660' FEL Section 23-T20S-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 BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 32 miles southwest of Artesia, New Mexico, and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

- 1. Go south of Artesia on Highway 285 for approximately 15 miles to Rock Daisy Road.
- 2. Turn west and go approximately 8.2 miles to Sawbucks Road.
- 3. Turn south and go approximately 3.4 miles to Pickett Road.
- 4. Turn east for approximately 1 mile.
- 5. Turn south on caliche road for 3/4 of a mile.
- 6. Turn to the Prickly Pear #1 location
- 7. New road starts here.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 859' in length from point of origin to the southwest edge of the drilling pad. The road will lie in a southwest to northeast direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. No traffic turnout will be built.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

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. No power will be required if the well is productive of gas.
- 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.

Hillview "AHE" Federal #12 Page 2

6. SOURCE OF CONSTRUCTION MATERIALS:

Private located in Section 22-T20S-R24E.

- 7. METHODS OF HANDLING WASTE DISPOSAL:
 - A. Drill cuttings will be disposed of in the reserve pits.
 - B. Drilling fluids will be allows to evaporate in the reserve pits until the pits are dry.
 - 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:

- A. A 3" steel buried, 30'wide right-of-way to our Hillview #2 Battery. (See topo)
- B. A 3 phase, 480 volt, rupture proof powerline and 25' right-of-way to our Hillview #4 location.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach. A cross section of a drill pad with approximate cuts, fills and pad orientation is shown on Exhibit E.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' 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 levelled.
- C. If the proposed well is non-productive, all rehabitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.
- 11. SURFACE OWNERSHIP: BLM (Carlsbad, NM)
- 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.

Hillview "AHE" Federal #12 Page 3

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Ken Beardemphl, Landman Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 B. Through Drilling Operations, Completions and Production:

> Mike Slater, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

2-27-92

Date

Ken Beardemphl Landman





THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS.

- All preventers to be hydraulically operated with secondary manual 1. installed prior to drilling out from under casing.
- Choke outlet to be a minimum of 3 " diameter. 2.
- 3.
- Kill line to be of all steel construction of 2" minimum diameter. All connections from operating manifolds to preventers to be all s '4. hole or tube a minimum of one inch in diameter.
- 5. The available closing pressure shall be at least 15% in excess of
- . required with sufficient volume to operate the B.O.P.'s.
- All connections to and from preventer to have a pressure rating equ 6. to that of the B.O.P.'s.
- Inside blowout preventer to be available on rig floor. 7.
- 8. Operating controls located a safe distance from the rig floor Nole must be kept filled on trips below intermediate casing.

Schibt B

YATES PETROLEUM CORPORATION



Exhibit C

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H. View Alte Fel. Com #12 1980' FSL + 660' FEL Ser. 23- 720-R246 Ely G. NM YATES PETROLEUM CORPORATION

H25 Drilling Operations Plan

Personnel employed at the rig site shall receive training in H2S detection, safe drilling procedures and contingency plans. H2S safety equipment shall be installed and functional 3 days or 500 feet prior to encountering known or probable H2S zone at <u>7500</u> feet.

Submitted with the APD is a well site diagram showing : 1) Drilling rig orientation, location of flare pit.

- 2) Prevailing wind direction.
- 3) Location of access road.

Primary briefing area will be established 150° from uellbore and up wind of prevailing wind direction. Secondary briefing area will be established 180 degrees from primary briefing area.

A H2S warning sign will be posted at the entrance of the location. Depending on conditions, a green, yellow, or red flag will be displayed. Green - Normal conditions Yellow - Potential danger Red - Danger H2S present.

Wind indicators will be placed on location at strategie, highly visible areas. H2S monitors (a minimum of three) will be positioned on location for best coverage and response. H2S concentrations of 10 ppm will trigger a flashing light and 20 ppm will trigger an audible stren.

H2S breathing equipment will consist of:

- 1) 30 minute "pressure demand" type working unit for each member of rig crew on location.
- 2) 5 minute escape packs for each crew member.
- Trailer with a "cascade air system" to facilitate working in a H2S environment for time periods greater than 30 minutes.

Breathing equipment will be stored in weather proof cases or facilities. They will be inspected and maintained weekly.

The mud system will be designed to minimize or eliminate the escape of H2S at the rig floor. This will be accomplished through the use of proper mud weight, proper ph control of the drilling fluid and the use of H2S scavengers in the drilling fluid. A mud gas separator will be utilized when H2S gas is present in the mud. Drilling experience has shown that wells in developmental areas, (i.e. Dagger Draw, Livingston Ridge Delaware, and Lusk Delaware) are normally pressured and don't experience either H2S kicks or loss of returns. Due to these circumstances, we request exceptions to the rule requiring flare line with remote lighter and choke manifold with minimum of one remote choke. This equipment would be provided on exploratory wells or wells with the knowe potential for H2S kicks. Additionally, a S02 monitor would be positioned near the flare line, and a rotating head utilized.

The drill string, casing, tubing, wellhead, blowout preventers and associated lines and valves will be suitable for anticipated H2S encounters.

Radio and or mobile telephone communication will be available on site. Mobile telephone communication will be available in company vehicles.

Drill stem testing to be performed with a minimum number of essential people on location. They will be those necessary to safely conduct the test. If H2S is encountered during a drill stem test, essential personnel will mask up and determine H2S concentration. The recovery will then be reversed to flare pit. Pulling of test tools will be conducted in a safe manner.

YATES PETROLEUM CORPORATION

H2S PUBLIC PROTECTION PLAN

RESPONSIBILITIES AND DUTIES - KEY PERSONNEL

YATES PETROLEUM CORPORATION'S DRILLING FOREMAN

1. In an emergency situation, the drilling foreman on duty will have authority to take whatever action is deemed necessary in an emergency situation to insure the personnel's safety, to protect the well and to prevent property damage. Drilling foreman shall ensure that those who are at greatest risk are notified first, either by telephone or personal contact.

2. Will advise the Superintendent when procedures as specified herein have been met, will inform of emergencies and deviations from the plan, and ensure that procedures are observed at all times.

3. Will advise each contractor, service company and all others entering the site, that hydrogen sulfide may be encountered, that potential hazards may exist, and they will not be allowed access without the proper safety equiptment.

4. Will authorize the evacuation of local residents if hydrogen sulfide threatens their safety.

5. Will keep the number of persons on location to a minimum during hazardous operations.

6. Will assess the situation when an alarm sounds, and issue work orders; or, when conditions warrant, order all personnel to "safe briefing areas".

7. Will direct corrective actions to control the flow of gas.

8. Has full responsibility of the decision to cease drilling operations.

DRILLING COMPANY

1. The toolpusher will assume all responsibilities of the Yates Petroleum Corporation's drilling foreman in an emergency situation in the event that the drilling foreman becomes incapacitated.

2. The toolpusher will order the driller to secure the rig, if time permits.

3. The driller will secure the rig in an emergency situation, if time permits.

RESPONSIBILITIES AND DUTIES CONTINUED

SPECIAL NOTATION:

IN CASE OF AN EMERGENCY, AND IN THE ABSENCE OF A COMPANY MAN OR TOOLPUSHER, THE EMPLOYEE OF CALLAWAY SAFETY EQUIPMENT COMPANY, ACTING AS YATES PETROLEUM CORPORATION'S AGENT WILL ASSUME ALL RESPONSIBILITY OF SAFETY TO IMMEDIATE PERSONNEL AND TO PUBLIC SAFETY.

Visitors will be restricted, unless accompanied by the 1. Yates Petroleum Corporation's drilling foreman, when hydrogen sulfide might be encountered.

2. Visitors and non-essential personnel will be prohibited from remaining in or entering contaminated areas where hydrogen sulfide concentrations in the atmosphere, exceed ten (10) ppm.

NOTE: When hydrogen sulfide might be encountered, no personnel on location will be permitted to sleep in vehicles.

THE FOLLOWING GENERAL PLAN HAS BEEN DEVELOPED IN THE EVENT THAT ANY PUBLIC EVACUATION BECOMES NECESSARY.

1. The company has requested and has been assured the support of the various public safety entities in the area.

2. Any evacuation will be conducted with and coordinated by the county Sheriff and supported by the State Highway Patrol.

3. Assistance from other public safety entities will be enlisted and coordinated by the County Sheriff's Office. When assistance is requested, emergency officials will be notified of prevailing wind direction, H2S level in ppm, and extenuating circumstances. Any need for fire fighting equipment or ambulance services will be expressed to emergency officials.

4. The included maps detail the area of the welleita, including the inventory of the public within the radius of the exposure of the well.

5. In the event that there is any suspected problem on the well, the wellsite supervisor will notify the Sheriff's Office for "alert status".

6. "Alert Status" will require that available public support personnel will assemble at the courthouse and standby for instructions.

7. If isolation and evacuation are necessary, then units will be dispatched to points marked on the map with instructions to maintain road blocks.

8. Evacuation teams will then proceed to sectors to be evacuated. Evacuation procedures will follow appropriate consideration for wind conditions.

9. Personnel from Callaway Safety Equipment Company will establish safe perimeters using an H2S detector.

10. The BLM and other authorities will be notified.

H2S EVACUATION PLAN

EMERGENCY ASSISTANCE TELEPHONE LIST

| STATE POLICE COUNTY POLICE CITY POLICE HOSPITAL AMBULANCE FIRE DEPARTMENT | <u>911 OR 746-2704</u> <u>746-9838-OR 746-2704</u> <u>911 OF 746-2704</u> <u>748-3333</u> <u>911 OR 746-2701</u> <u>911 OR 746-2701</u> |
|--|--|
| OTHER IMPORTANT NUMBERS | |
| YATES PETROLEUM CORPORATION | 743-1471 |
| STEVE COCHRAN - FOREMAN | 746-3563-Ø7181 HOME 748-3949 |
| TIM BUSSEL - FOREMAN | 746-3563-1611Ø HOME 746-2121 |
| REX GATES - FOREMAN | 746-3563-16123 HOME 748-3978 |
| CALLAWAY SAFETY | (505)392-2973 |
| BLM – CARLSBAD RESOURCE AREA NMOCD – ARTESIA | <u>(505)887-6544</u> (505)748-1283 |

A 100 ppm radius plat is included with the public evacuation plan. Any inhabitants of private or public dwellings will be notified in advance of:

- 1. Hazards of H2S and SO2
- 2. Necessity for an emergency action plan.
- 3. Possible sources of H2S and So2.
- 4. Instructions for reporting a leak to Yates Petroleum Corporation.
- 5. The manner in which the public will be notified of an emergency.
- 6. Steps to be taken in case of an emergency or in the event an evacuation is necessary.

In the event the well is uncontrollable and escaping H2S gas poses a threat to public safety, the decision may be made to ignite the well. Upon approval of Yates Petroleum Corporation Management, the drilling foreman or rig toolpusher will ignite the well using a flare gun fired from an upwind distance of at least 150 feet. After the well is ignited, safety personnel will monitor the area for H2S and SO2. 100 ppm and 500 ppm radius of exposure will be established. Site will be secured and access restricted. On site personnel will communicate to Yates Petroleum Corporation Management and BLM personnel the status of the well and inform them when conditions change.

The 100 ppm radius of exposure is: 426'

The 500 ppm radius of exposure is: _______