

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 S. First St., Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources  
Department  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-144 CLEZ  
Revised August 1, 2011

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOC District Office.

**Closed-Loop System Permit or Closure Plan Application**

*(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)*

Type of action: ☒ Permit ☐ Closure

*Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.*

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1.  
Operator: Yates Petroleum Corporation OGRID #: 025575  
Address: 105 South Fourth Street, Artesia, NM 88210  
Facility or well name: Steelers BRS State #1H  
API Number: 30-015-39673 OCD Permit Number: 212182  
U/L or Qtr/Qtr P Section 24 Township 20S Range 27E County: Eddy  
Center of Proposed Design: Latitude N32.553492 Longitude W104.226814 NAD: ☒ 1927 ☐ 1983  
Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.  
☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC  
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A  
☐ Above Ground Steel Tanks or ☒ Haul-off Bins

3.  
**Signs:** Subsection C of 19.15.17.11 NMAC  
☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers  
☒ Signed in compliance with 19.15.16.8 NMAC

4.  
**Closed-loop Systems Permit Application Attachment Checklist:** Subsection B of 19.15.17.9 NMAC  
*Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.*  
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC  
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC  
☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC  
☐ Previously Approved Design (attach copy of design) API Number: \_\_\_\_\_  
☐ Previously Approved Operating and Maintenance Plan API Number: \_\_\_\_\_

5.  
**Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)  
*Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.*  
Disposal Facility Name: Gandy Marley Disposal Facility Permit Number: NM-01-0019  
Disposal Facility Name: CRI Disposal Facility Permit Number: R-9166  
Disposal Facility Name: Lea Land Farm Disposal Facility Permit Number: WM-1-035  
Disposal Facility Name: Sundance Services Inc. Disposal Facility Permit Number: NM-01-0003  
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?  
☐ Yes (If yes, please provide the information below) ☒ No  
*Required for impacted areas which will not be used for future service and operations:*  
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC  
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC  
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6.

**Operator Application Certification:**

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Monti SandersTitle: Land Regulatory TechnicianSignature: *Monti Sanders*Date: 11/21/11e-mail address: montis@yatespetroleum.comTelephone: 575-748-4244

7.

**OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: *R. Wade*Approval Date: 11/22/11Title: DIST II SupervisorOCD Permit Number: 212182

8.

**Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC

*Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.*

☐ Closure Completion Date: \_\_\_\_\_

9.

**Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

*Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.*

Disposal Facility Name: \_\_\_\_\_ Disposal Facility Permit Number: \_\_\_\_\_

Disposal Facility Name: \_\_\_\_\_ Disposal Facility Permit Number: \_\_\_\_\_

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

*Required for impacted areas which will not be used for future service and operations:*

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

10.

**Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

e-mail address: \_\_\_\_\_ Telephone: \_\_\_\_\_

## Yates Petroleum Corporation Closed Loop System

### Equipment Design Plan

Closed Loop System will consist of:

1 – double panel shale shaker

1 – (minimum ) Centrifuge, certain wells and flow rates may require 2 centrifuges

On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System

1 – minimum centrifugal pump to transfer fluids

2- 500 bbl. FW Tanks

1 – 500 bbl. BW Tank

1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.

1 Set of rail cars / catch bins

Certain wells will use an ASC Auger Tank

### Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.

Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

### Closure Plan

Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.

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Phone:(505) 334-6178 Fax:(505) 334-6170**District IV**1220 S. St Francis Dr., Santa Fe, NM 87505  
Phone:(505) 476-3470 Fax:(505) 476-3462

**State of New Mexico**  
**Energy, Minerals and Natural Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

Form C-101  
August 1, 2011

Permit 140532

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

|   |  |                          |
|---|--|--------------------------|
| 1. Operator Name and Address<br>YATES PETROLEUM CORPORATION<br>105 S 4TH ST<br>ARTESTA , NM 88210 |  | 2. OGRID Number<br>25575 |
|   |  | 3. API Number            |
| 4. Property Code  | 5. Property Name<br>STEELERS BRS STATE | 6. Well No<br>001H       |

**7. Surface Location**

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| P        | 24      | 20S      | 27E   | P       | 660       | S        | 200       | E        | EDDY   |

**8. Pool Information**

|             |   |
|-------------|---|
| Bone Spring | 0 |
|-------------|---|

**Additional Well Information**

|                          |                             |  |                         |                                    |
|--------------------------|-----------------------------|--|-------------------------|------------------------------------|
| 9. Work Type<br>New Well | 10. Well Type<br>OIL        | 11. Cable/Rotary                       | 12. Lease Type<br>State | 13. Ground Level Elevation<br>3341 |
| 14. Multiple<br>N        | 15. Proposed Depth<br>10901 | 16. Formation<br>Bone Spring           | 17. Contractor          | 18. Spud Date<br>12/1/2011         |
| Depth to Ground water    |                             | Distance from nearest fresh water well |                         | Distance to nearest surface water  |

**19. Proposed Casing and Cement Program**

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5      | 13.375      | 48               | 550           | 560             | 0             |
| Int1 | 12.25     | 9.625       | 36               | 2850          | 1090            | 0             |
| Prod | 8.75      | 5.5         | 20               | 10901         | 0               | 0             |
| Prod | 8.75      | 5.5         | 17               | 5800          | 915             | 2350          |

**Casing/Cement Program: Additional Comments**

|  |
|--|
|  |
|--|

**Proposed Blowout Prevention Program**

| Type      | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 5000             | 5000          |              |

|  |   |                |
|--|---|----------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief.<br>I further certify that the drilling pit will be constructed according to NMOCD guidelines <input type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> . | <b>OIL CONSERVATION DIVISION</b>                    |                |
|  | Approved By:  |                |
|  | Title:  |                |
|  | Printed Name: Electronically filed by Monti Sanders | Approved Date: |

|  |                     |  |
|--|---------------------|--|
| Email Address: montis@yatespetroleum.com |                     |  |
| Date: 11/21/2011                         | Phone: 575-748-4244 |  |

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Form C-102

August 1, 2011

Permit 140532

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

|                       |   |                             |
|-----------------------|---|-----------------------------|
| 1. API Number         | 2. Pool Code                                    | 3. Pool Name<br>Bone Spring |
| 4. Property Code      | 5. Property Name<br>STEELERS BRS STATE          | 6. Well No.<br>001H         |
| 7. OGRID No.<br>25575 | 8. Operator Name<br>YATES PETROLEUM CORPORATION | 9. Elevation<br>3341        |

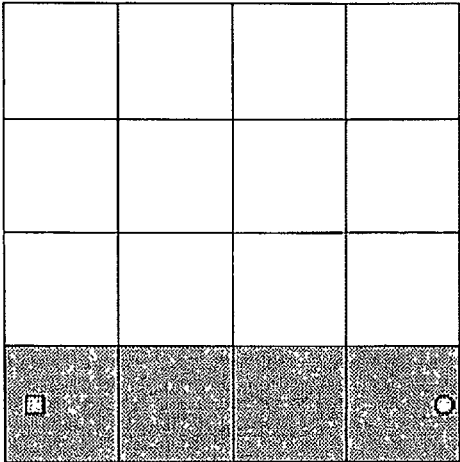
**10. Surface Location**

|               |               |                 |              |         |                  |               |                  |               |                |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|------------------|---------------|----------------|
| UL - Lot<br>P | Section<br>24 | Township<br>20S | Range<br>27E | Lot Idn | Feet From<br>660 | N/S Line<br>S | Feet From<br>200 | E/W Line<br>E | County<br>EDDY |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|------------------|---------------|----------------|

**11. Bottom Hole Location If Different From Surface**

|                               |               |                     |              |                        |                  |               |                  |               |                |
|-------------------------------|---------------|---------------------|--------------|------------------------|------------------|---------------|------------------|---------------|----------------|
| UL - Lot<br>M                 | Section<br>24 | Township<br>20S     | Range<br>27E | Lot Idn                | Feet From<br>660 | N/S Line<br>S | Feet From<br>330 | E/W Line<br>W | County<br>EDDY |
| 12. Dedicated Acres<br>160.00 |               | 13. Joint or Infill |              | 14. Consolidation Code |                  | 15. Order No. |                  |               |                |

**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 style="text-align: center;"><b>OPERATOR CERTIFICATION</b></p> <p><i>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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: Monti Sanders<br/>Title:<br/>Date: 11/21/2011</p> <hr/> <p style="text-align: center;"><b>SURVEYOR CERTIFICATION</b></p> <p><i>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.</i></p> <p>Surveyed By: Gary Jones<br/>Date of Survey: 10/25/2011<br/>Certificate Number: 7977</p> |
|---|---|

## Permit Comments

**Operator:** YATES PETROLEUM CORPORATION , 25575

**Well:** STEELERS BRS STATE #001H

**API:**

| Created By | Comment   | Comment Date |
|------------|---|--------------|
| MSANDERS   | Well drilled vertically to 5891'. Well will then be kicked off and directionally drilled at 12 degrees per 100' with a 8 3/4" hole to 6639' MD (6369' TVD), lateral will then be drilled to 10901' MD (6387' TVD) where 5 1/2" casing will be run and cemented.                       | 11/21/2011   |
| MSANDERS   | Penetration point of the producing zone will be encountered at 666' FSL and 675' FEL, Sec. 24, 20S-27E. Deepest TVD in the well is 6387' in the lateral. Packer port system run in lateral to top of curve 10901'-5891' and cemented from 5900' to 2350' thru DV tool or SF cementer. | 11/21/2011   |
| MSANDERS   | PRESSURE CONTROL EQUIPMENT: a 5M system will be nipped up and tested on 13 3/8" casing, 5K well head on 9 5/8".   | 11/21/2011   |
| MSANDERS   | H2S is not anticipated for this well.   | 11/21/2011   |
| MSANDERS   | C-144 for a Closed Loop System to follow by mail.   | 11/21/2011   |

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State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to appropriate  
District Office

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

|                     |  |                          |
|---------------------|--|--------------------------|
| API Number          | Pool Code                              | Pool Name<br>Bone Spring |
| Property Code       | Property Name<br>STEELERS BRS STATE    | Well Number<br>1H        |
| OGRID No.<br>025575 | Operator Name<br>YATES PETROLEUM CORP. | Elevation<br>3341'       |

Surface Location

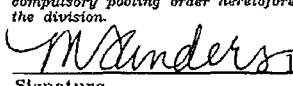
|                    |               |                  |               |         |                      |                           |                      |                        |                |
|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|----------------------|------------------------|----------------|
| UL or lot No.<br>P | Section<br>24 | Township<br>20 S | Range<br>27 E | Lot Idn | Feet from the<br>660 | North/South line<br>SOUTH | Feet from the<br>200 | East/West line<br>EAST | County<br>EDDY |
|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|----------------------|------------------------|----------------|

Bottom Hole Location If Different From Surface

|                    |               |                  |               |         |                      |                           |                      |                        |                |
|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|----------------------|------------------------|----------------|
| UL or lot No.<br>M | Section<br>24 | Township<br>20 S | Range<br>27 E | Lot Idn | Feet from the<br>660 | North/South line<br>SOUTH | Feet from the<br>330 | East/West line<br>WEST | County<br>EDDY |
|--------------------|---------------|------------------|---------------|---------|----------------------|---------------------------|----------------------|------------------------|----------------|

|                        |                 |                    |           |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres<br>160 | Joint or Infill | Consolidation Code | Order No. |
|------------------------|-----------------|--------------------|-----------|

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>PROPOSED BOTTOM HOLE LOCATION</b><br/>Lat - N 32°33'12.15"<br/>Long - W 104°14'31.88"<br/>NMSPCE- N 565060.745<br/>E 569419.981<br/>(NAD-83)<br/>Penetration Point<br/>656" FSL &amp; 675" FEL</p> | <p>Producing Zone</p> | <p>Project Area</p> | <p><b>SURFACE LOCATION</b><br/>Lat - N 32°33'12.57"<br/>Long - W 104°13'36.53"<br/>NMSPCE- N 565107.302<br/>E 574157.330<br/>(NAD-83)</p> | <p><b>OPERATOR CERTIFICATION</b><br/>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.<br/><br/>Signature<br/>Date 11/21/11<br/>Monti Sanders<br/>Printed Name<br/>montis@yatespetroleum.com<br/>Email Address</p> |
| <p>330' B.H.</p>   |                       | <p>VB-1077</p>      |   | <p><b>SURVEYOR CERTIFICATION</b><br/>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.<br/>OCT 21 2011<br/>Date Surveyed<br/>Signature &amp; Seal of Professional Surveyor<br/>7977<br/>Certificate No. Gary L. Jones 7977<br/>BASIN SURVEYS 25545</p>   |