Form 3160-5 (March 2012)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED OMB No 1004-0137 Expires October 31, 2014

Expires October 31, 20 5. Lease Serial No NM-61358 & V-3717 & VO-8746

6 If Indian, Allottee or Tribe Name

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

, SUBMIT	「IN TRIPLICATE – Other	7 I	7 If Unit of CA/Agreement, Name and/or No.				
1. Type of Well			9.7	Wall No.			
Oil Well Gas W	Vell Other		8. V Ho	Well Name and No. ombre "BRH" State Com #2H			
Name of Operator Yates Petroleum Corporation			9. A	API Well No. 30-015-40129	6 V		
3a. Address 105 South Fourth Street		3b. Phone No. (include area co		Field and Pool or Exploratory Area			
Artesia, New Mexico 88210	D. 14	575-748-4372		Undesignated Delaware			
4 Location of Well (Footage, Sec., T., 600' FSL & 330' FEL, Ut. Ltr. P, Section 24-T21: 660' FSL & 2310' FEL, Ut. Ltr. O, Section 23-T2	K ,M., or Survey Description, S-R31ESHL 1S-R31E, BHL			County or Parish, State			
12. CHEC	K THE APPROPRIATE BC	X(ES) TO INDICATE NATUR	E OF NOTICE, F	REPORT OR OTHER DATA			
TYPE OF SUBMISSION		T	PE OF ACTION	1			
✓ Notice of Intent	Acidize Alter Casing	☐ Deepen ☐ Fracture Treat	Production Reclamat	—			
Subsequent Report	Casing Repair	New Construction	Recomple				
T a late of amount Notice	Change Plans	Plug and Abandon	—	rily Abandon well; change the Bi	<u></u>		
Final Abandonment Notice	Convert to Injection	Plug Back	Water Dis	f any proposed work and approximate duration there			
determined that the site is ready for Yates Petroleum Corporation wishe	r final inspection.) s to change the name rom SL & 330' FEL in Section 2 e new Horizontal Drilling F SEE ATT CONDIT	I Kera "AKR" State Com #3H I4-T21S-R31E with the new E	to the new name HL will now be	RECEIVED OCT 0 3 2012 NMOCD ARTESIA	ice		
14 I hereby certify that the foregoing is t	rue and correct Name (Prints	d/Trungd)	 -				
Cy Cowan	The and correct Traine (17 time)		egulatory Agent				
//	}	Title Land IX		,			
Signature	Wan_	Date	//30	1/2 F APPROVED)		
	THIS SPACE	FOR FEDERAL OR ST	TATE OFFIC	EUSE	7		
Approved by		Title		OCT 1 2012	1		
Conditions of approval, if any, are attached that the applicant holds legal or equitable the applicant to conduct operations	itle to those rights in the subject			BUREAU OF LAND MANAGE CARLSBAD FIELD OFFIC	MENT		

Title 18 U S C Section 1001 and Title 43 U S C Section 1212, make 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

DISTRICT I 1625 N. French Dr., Hobbs, NM 88240 DISTRICT II 1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

State of New Mexico Energy, Minerals and Natural Resources Department

Form_C=102 Revised October 15, 2009 Submit one copy to appropriate

District Office

OIL CONSERVATION DIVISION

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

NMOCD -

1000 Rio Brazos Rd., Aztec, NM 87410 DISTRICT IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICAT	'ION	PLAT
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API Number	Pool Code	Pool Name	4/1
		Undesignated Delaware	
Property Code	Property Name		Well Number
}	HOMBRE "BRH	" STATE COM	2H
OGRID No.	Operator	Name	Elevation
025575	YATES PETROL	EUM CORP.	3634'

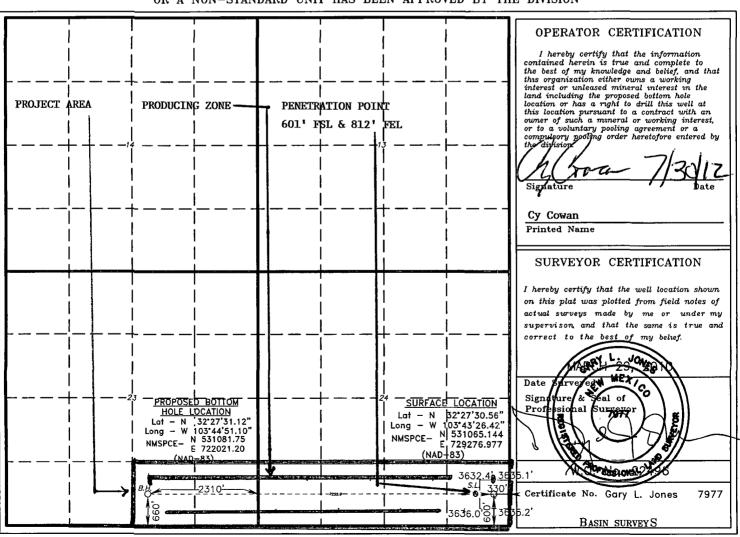
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Р	24	21 S	31 E		600	SOUTH	330	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
0	23	21 S	31 E		660	SOUTH	2310	EAST	EDDY
Dedicated Acres Joint or Infill Consolidation Code Order No.									
240									

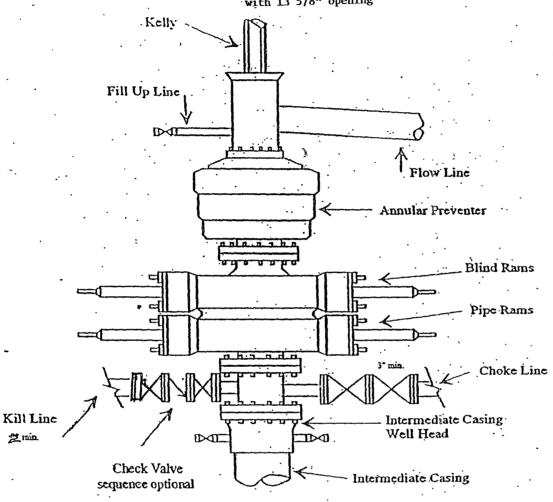
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



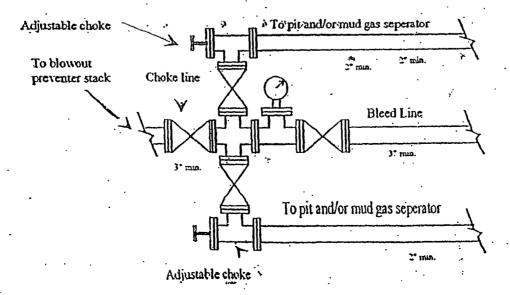


Yates Petroleum Corporation

Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack
with 13 5/8" opening



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



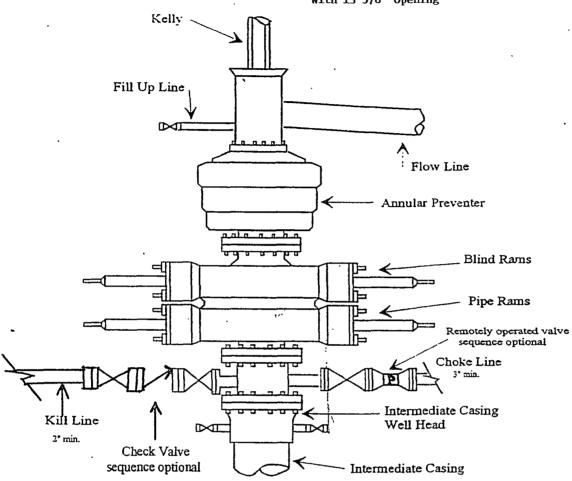
Operator Co.

Your Co.

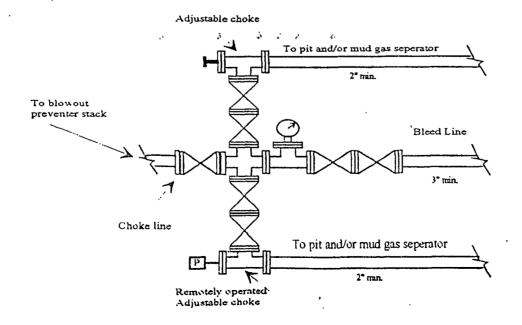
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Dir. Co. Ya Well Name Ho Location Se Rig Job	ites Petro mbre St	oleum Corp Com 2H Su).	1 -	·		Date	26-Jul-12	
Well Name Ho Location Se Rig Job	mbre St	Com 2H St		Facting					
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MD				Longitude	:		Scale Fac.		
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8117.22: BRUSHY	CANYON	MKR, 8117	' MD (8106' 1	rvd)				8 1. F	
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8622.17	90.55	270.13	8345.03	1.11	-482.05	482.05	12.00	0.00	12.00
8622.17: TARGET	BÁŠÁL S	D, 8622' MC) (8345' TVD)	a supera and			1	
15396.23	90.55	270.13	8280.00	16.62	-7255.78	7255.80	0.00	0.00	0.00
15396.23: LATERA	L TD; 15	396' MD (82	80' TVD)				, , , , , , , , , , , , , , , , , , , 		•

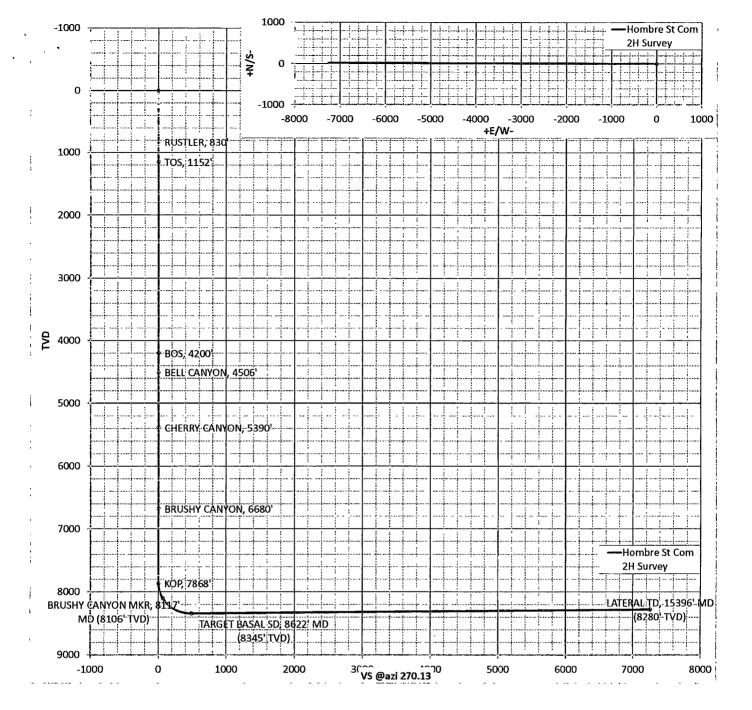
Yates Petroleum Corporation

Typical 5,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack
With 13 5/8" Opening



Typical 5,000 psi choke manifold assembly with at least these minimun features





YATES PETROLEUM CORPORATION

Hombre "BRH" State Com #2H 600' FSL & 330' FEL, Section 24, T21S-R31E, Surface Hole 660' FSL & 2310' FEL Section 23, T21S-R31E, Bottom Hole Eddy County, New Mexico

1. THE ESTIMATED TOPS OF GEOLOGIC MARKERS ARE AS FOLLOW:

Rustler	830'	Brushy Canyon	6680Oil'	
Top of Salt	1152'	Kick-off Point	7868'	
Base of Salt	4200'	Brushy Canyon Marker	8106'	8117'MD
Bell Canyon	4506'Oil	Target Basil	8345'Oil	8622'MD
Cherry Canyon	5390'Oil	TD Lateral	8280'	15396' MD

2. THE ESTIMATED DEPTHS AT WHICH ANTICIPATED WATER, OIL OR GAS FORMATIONS ARE EXPECTED TO

Water: Approx 250'

Oil or Gas: See above--All Potential Zones

3. PRESURECONTROL EQUIPMENT:

BOPE with a 13 5/8" opening will be installed on the 13 3/8" and on the 9 5/8" casing and rated for 5000#. 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 Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers 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.

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)

CASING STRING	HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLING	INTERVAL	LENGTH
Conductor	26"	20"	94#	H-40	ST&C	0'-58'	58'
Surface	17 ½"	13 3/8"	48#	J-55-Hybrid	ST&C	0'-855'	855'
Intermediate	12 1⁄4"	9 5/8"	40#	HCK-55	LT&C	0-80'	80'
Intermediate	12 1/4"	9 5/8"	36#	J-55	LT&C	80'-3200'	3120'
Intermediate	12 1/4"	9 5/8"	40#	HCK-55	LT&C	3200'-4400'	1200'
Production	8 3/4"	5 ½"	17#	P-110	LT&C	0'-7800'	7800'
Production	8 ½"	5 ½"	17#	P-110	Buttress	7800'-15396'	7596"

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

B. CEMENTING PROGRAM:

Conductor Casing: Will use ready mix to cement to surface

Surface Casing: Lead with 455 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 200 sacks of Class C with CaCl2 2% (Wt. 14.80 Yld.1.34). Cement designed with 100% excess. TOC surface.

Interediate Casing; Lead with 1235 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.05). Tail in 200 sacks of Class C with 2% CaCl (Wt. 14.80 Yld 1.34). Cement designed with 100% excess. TOC surface.

Production Cement will be done in 3 stages with DV tools set at approximately 7000' and 5200'.

Stage One: Lead 275 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 1644 sacks of PecosVILt with D112, Fluid Loss 0.4%: D151, Calcium Carbonate 22.5 lb/sack; D174, Extender 1.5 lb/sack; D177, retarder 0.01 lb/sack; D800, retarder 0.6 lb/sack and D46, antifoam agent 0.15 lb/sack (Wt. 13.00 Yld. 1.41).Cement designed with 35% excess. TOC is 7000'.

Stage Two: Lead with 165 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.00) Tail in with 200 PecosVILt with D112, Fluid Loss 0.4%: D151, Calcium Carbonate 22.5 lb/sack; D174, Extender 1.5 lb/sack; D177, retarder 0.01 lb/sack; D800, retarder 0.6 lb/sack and D46, antifoam agent 0.15 lb/sack (Wt. 13.00 Yld. 1.41). Cement designed with 35% excess. TOC is 5200'.

Stage Three: Lead with 750 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 200 sacks of Class C with 2% CaCl (Wt. 14.80 Yld. 1.34). Cement designed with 35% excess. TOC is surface.

Well will be drilled vertically to 7868'. Well will be kicked off at approximately 7868' and directionally drilled at 12 degrees per 100' with an 8 ¾"" hole to 8622' MD (8345' TVD). At this point, reduce hole size to 8 ½" and drill to 15396 MD (8280' TVD). 5 ½" casing will then be set and cemented in three stages with DV tools at approximately 5200' and 7000'. Penetration point encountered at 601' FSL & 812' FEL, Section 24, T21S-R31E. Deepest TVD is 8345' in the lateral.

5. MUD PROGRAM AND EQUIPMENT::

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0-855'	Fresh Water	8.60-9.20	28-34	N/C
855-'4400'	Brine Water	10.00-10.20	28-30	N/C
4400'-8345 TVD	Cut Brine	8.80-9.20	30-36	N/C
4400'-15396 MD	Cut Brine (Horizontal)	8.80-9.20	30-36	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.

EVALUATION PROGRAM:

Samples: 30' samples to 4400'. 10' samples from surface casing' to TD.

Logging: Gamma Ray (NGT)-surface to TD; Neutron-surface to 30 degrees into curve; Density-intermediate casing to 30 degrees into curve; Resistivity-intermediate casing to 30 degrees into curve; CRM-intermediate casing to 30 degrees into curve.

Coring: As warranted. DST's: As warranted.

Mudlogging from the surface casing to TD

7. ABNORMAL CONDITIONS, Bottom hole pressure and potential hazards:

Anticipated BHP: Depths are TVD.

DEPTH	ANTICIPATED BHP	
0' TO 855'	409 PSI	
855' TO 4400'	2334 PSI	
4400' TO 8345' TVD	3992 PSI	

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S is not anticipated.

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 70 days to drill the well with completion taking another 30 days.

CONDITIONS OF APPROVAL

OPERATOR'S NAME: YATES PETROLEUM CORP

LEASE NO.: NM61358

WELL NAME & NO.: 2H-HOMBRE BRH STATE COM SURFACE HOLE FOOTAGE: 600' FSL & 0330' FEL. SEC 24 BOTTOM HOLE FOOTAGE 660' FSL & 2310' FEL. SEC 23

LOCATION: Section 24, T. 21 S., R 31 E., NMPM

COUNTY: | Eddy County, New Mexico

I. 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. Due to recent H2S encounters in the salt formation, it is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide prior to drilling out the surface shoe. If Hydrogen Sulfide is encountered, please report measurements 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. If the drilling rig is removed without approval an Incident of Non-Compliance will be written and will be a "Major" violation.
- 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 is located, this does not include the dog house or stairway area.

4. The record of the drilling rate along with the GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

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

Wait on cement (WOC) time prior to drilling out 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. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. 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.

R-111-P Potash

Possible lost circulation within the Glorietta formation. Possible water flows in the Blinebry formation.

- 1. The 13-3/8 inch surface casing shall be set at approximately 855 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) 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. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash.
- 3. The minimum required fill of cement behind the 5-1/2 inch production casing is:
 - a. First stage to DV tool:
 - Ement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.
 - b. Second stage above DV tool:
 - Ement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with third stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.
 - c. Third stage above DV tool:
 - Cement to surface. If cement does not circulate, contact the appropriate BLM office.
- 4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.
- 5. Whenever a casing string is cemented in the R-111-P potash area, the NMOCD requirements shall be followed.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

- 2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.
- 3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In potash areas, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time.
 - b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).
 - 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.

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.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

CRW 100112