NM OIL CONSERVATION
ARTESIA DISTRICT
OCT 01 2014
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TES 10-2-2014

Form 3160-3
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: ☑ DRILL ☐ REENTER	5. Lease Serial No. NM-115408 & NM-115409
1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone	6. If Indian, Allotee or Tribe Name
2. Name of Operator YATES PETROLEUM CORPORATION <25575>	7. If Unit or CA Agreement, Name and No.
3a. Address 105 South 4th Street, Artesia, NM 88210	3b. Phone No. (include area code) 575-748-4372
4. Location of Well (Report location clearly and in accordance with any State requirements.*) At surface 20' FNL and 1650' FWL UL 3, Section 1, T21S-R28E At proposed prod. zone 1650' FSL and 1650' FWL Section 1, T21S-R-28E	8. Lease Name and Well No. Bolsa BRF Federal Com #1H <313754>
	9. API Well No. 30-015-42704
	10. Field and Pool, or Exploratory WC-015 G-05 S202935P;BS ~~Undesignated Bone Spring~~ <97995>
	11. Sec., T. R. M. or Blk. and Survey or Area Section 1-T21S-R28E
14. Distance in miles and direction from nearest town or post office* Approximately 13 miles northeast of Carlsbad, New Mexico	12. County or Parish Eddy County / 13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 20'	16. No. of acres in lease NM-11548 294.09 ac. NM-11509 294.31 ac.
	17. Spacing Unit dedicated to this well E2W2 LESS SESW Sec. 1 -21S-28E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 30'	19. Proposed Depth MD 14108.86' & TVD 8523'
	20. BLM/BIA Bond No. on file #NMB000434 NMB000920
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3360' GL	22. Approximate date work will start* 06/01/2014
	23. Estimated duration 60days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the BLM.

25. Signature [signature]	Name (Printed/Typed) Cy Cowan	Date 2/25/14
Title Land Regulatory Agent		
Approved by (Signature) Steve Caffey	Name (Printed/Typed)	Date SEP 29 2014
Title CARLSBAD FIELD OFFICE	Office FIELD MANAGER	

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 conduct 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 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.

(Continued on page 2)

Operator must be in compliance with NMOCD Rule 5.9 prior to producing well. TES

*(Instructions on page 2)

Capitan Controlled Water Basin

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720
DISTRICT II
811 S. First St., Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-9720
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6178 Fax: (505) 334-6170
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102
Revised August 1, 2011

Submit one copy to appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-015-42704	97995	WC-015 G-05 S202935P; BS.

Property Code	Property Name	Well Number
313754	BOLSA BRF FEDERAL COM	1H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3360

Surface Location

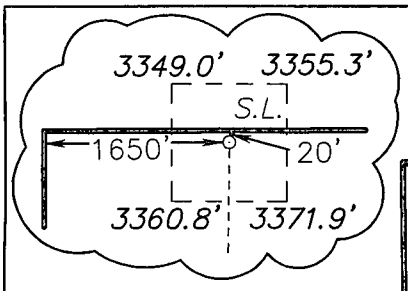
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lots 3, 6, 11 C	1	21 S	28 E		20	NORTH	1650	WEST	EDDY

Bottom Hole Location If Different From Surface

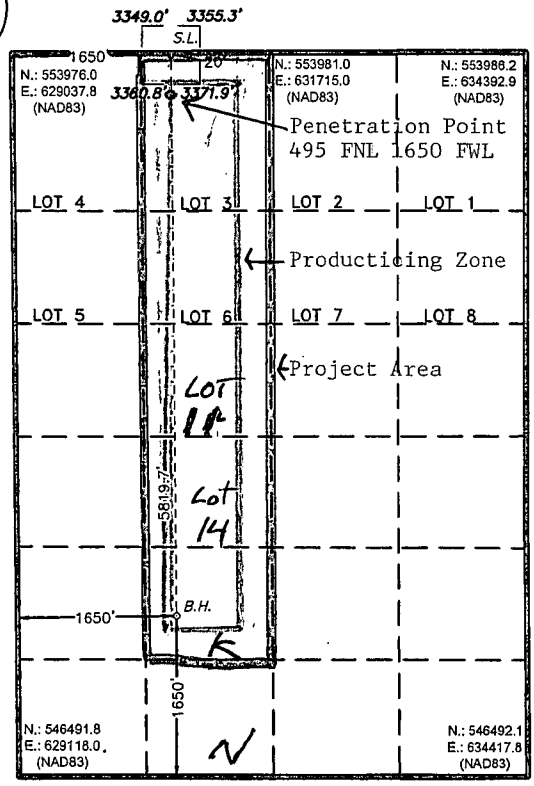
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	1	21 S	28 E		1650	SOUTH	1650	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
187.07			

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



SURFACE LOCATION
Lat - N 32°31'21.21"
Long - W 104°02'36.38"
NMSPCE- N 553959.3
E 630687.6
(NAD-83)



PROPOSED BOTTOM HOLE LOCATION
Lat - N 32°30'23.63"
Long - W 104°02'35.84"
NMSPCE- N 548141.3
E 630750.0
(NAD-83)

OPERATOR CERTIFICATION

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.

Signature — Date: 7-14-14

Bill McCrory
Printed Name

bmccrory@yatespetroleum.com
Email Address

SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

SEPTEMBER 25, 2013
Date Surveyed

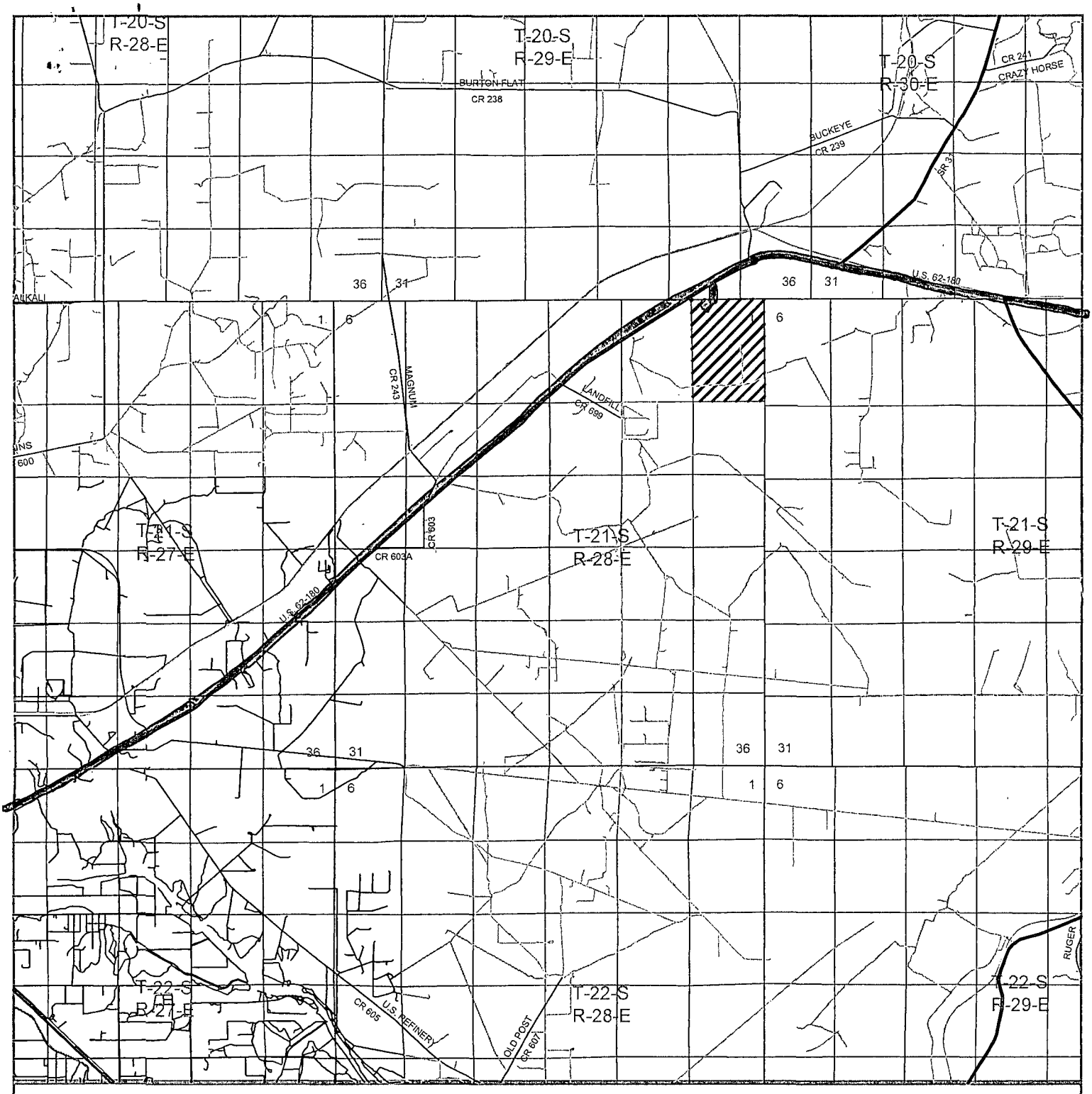
Signature & Seal of Professional Surveyor

GARY L. JONES NEW MEXICO 7977 REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate Number Gary Jones 7977

BASIN SURVEYS

0' 1000' 2000' 3000' 4000' N
SCALE: 1" = 1000'
WO Num.: 29163



BOLSA BRF FEDERAL COM#1
Located 20' FNL and 1650' FWL
Section 1, Township 21 South, Range 28 East, N.M.P.M., Eddy County, New Mexico.

basin SURVEYS
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 – Office
(575) 392-2206 – Fax
basinsurveys.com

0 1 MI 2 MI 3 MI 4 MI
SCALE: 1" = 2 MILES

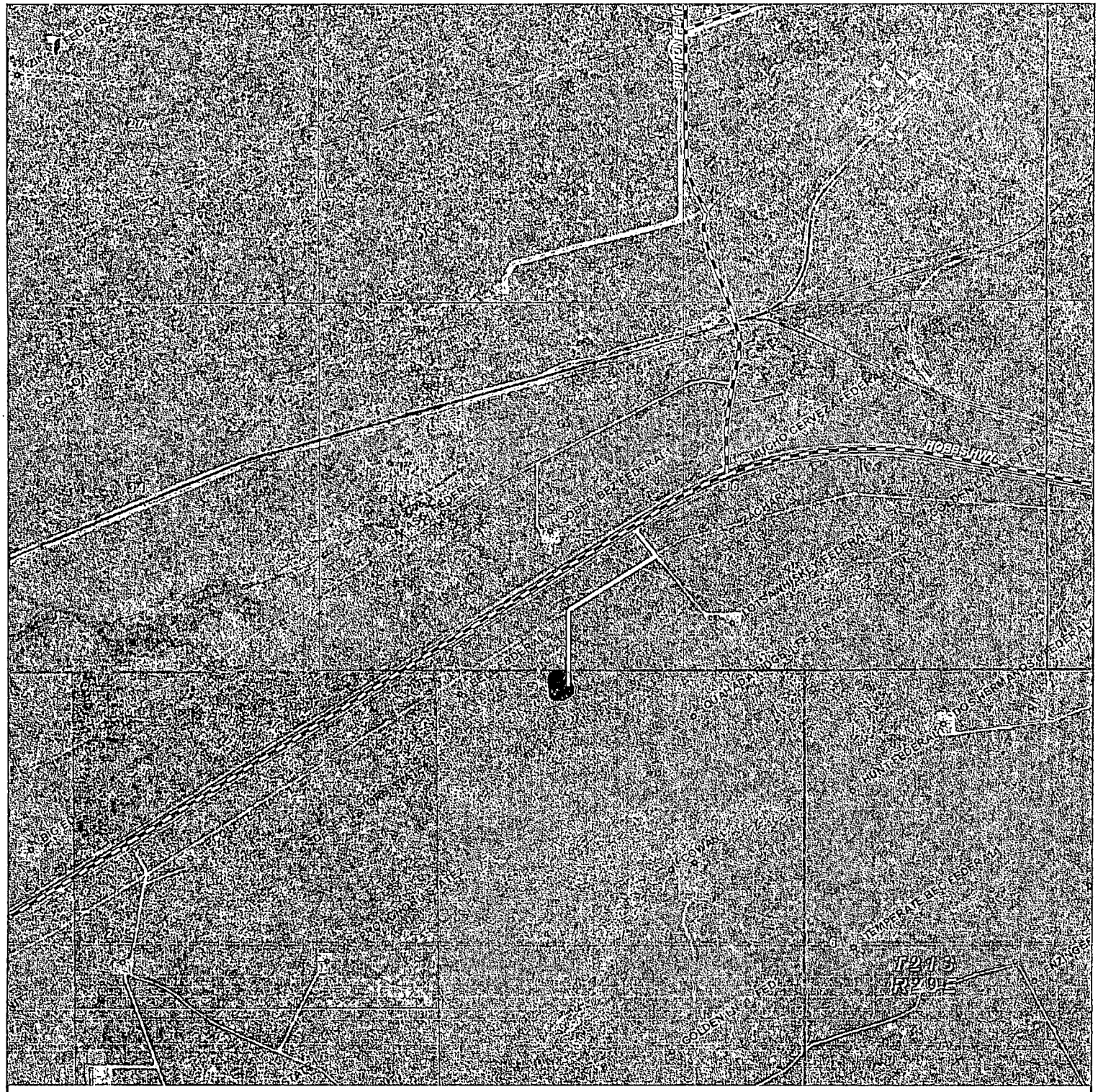
W.O. Number: KAN 29163

Survey Date: 09-25-2013

YELLOW TINT – USA LAND
BLUE TINT – STATE LAND
NATURAL COLOR – FEE LAND

N

DATES PETROLEUM CORPORATION



PROPOSED LEASE ROAD TO BOLSA BRF FEDERAL COM #1H
Section 1, Township 21 South, Range 28 East,
Section 35, Township 20 South, Range 29 East,
N.M.P.M., Eddy County, New Mexico.

Basin
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

0' 1000' 2000' 3000' 4000'
SCALE: 1" = 2000'

W.O. Number: KAN 29613

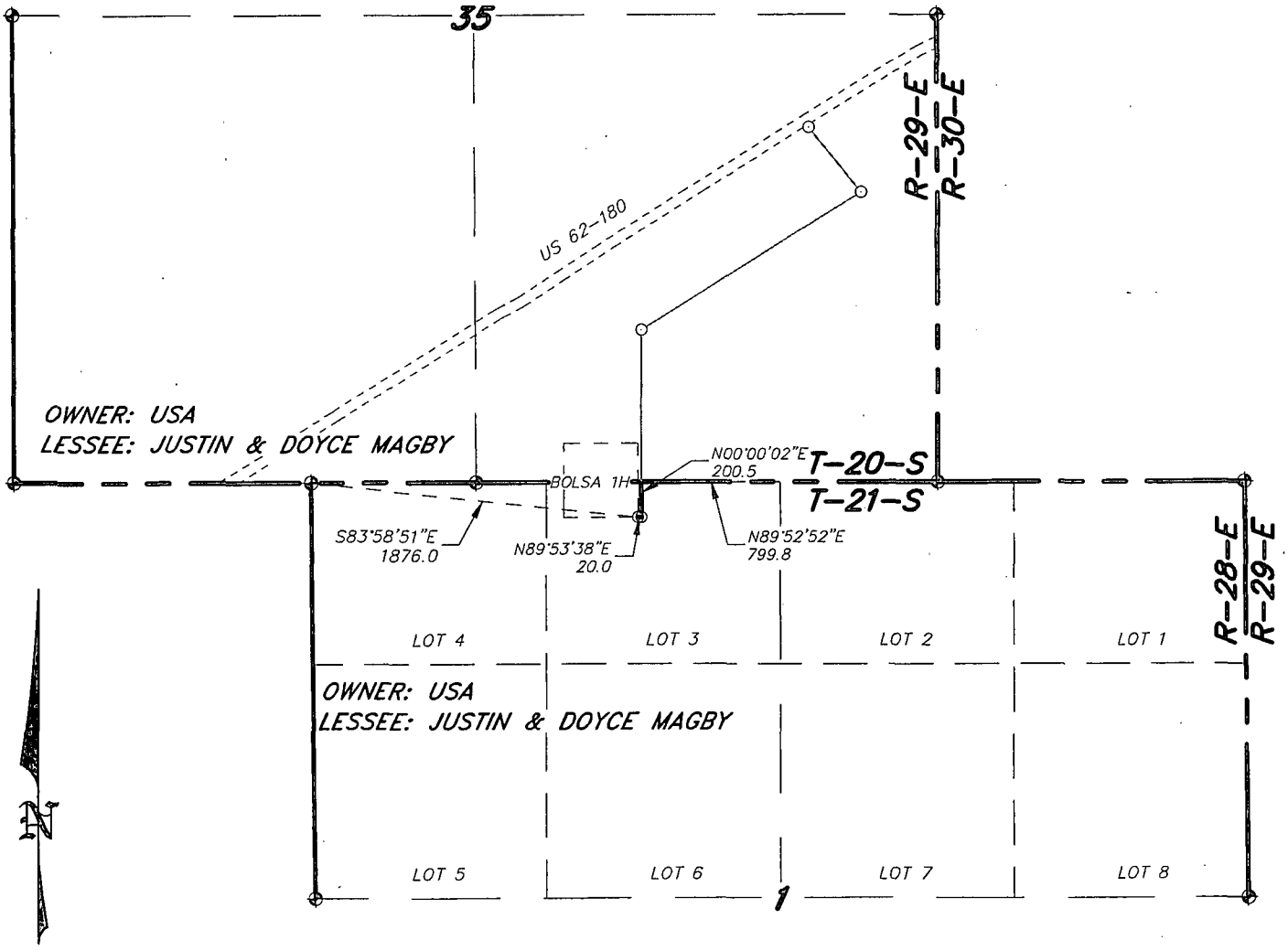
Survey Date: 10-25-2013

YELLOW TINT - USA LAND
BLUE TINT - STATE LAND
NATURAL COLOR - USA LAND

N

YATES PETROLEUM CORPORATION

SECTION 1, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 14.0 FEET WIDE, LOCATED IN SECTION 1, TOWNSHIP 21 SOUTH, RANGE 28 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 7.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

SECTIONS 1 = 220.5 FEET = 13.36 RODS = 0.04 MILES = 0.07 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M. P.S. No. 7977
TEXAS P.S. No. 5074

1000 0 1000 2000 FEET

YATES PETROLEUM CORPORATION

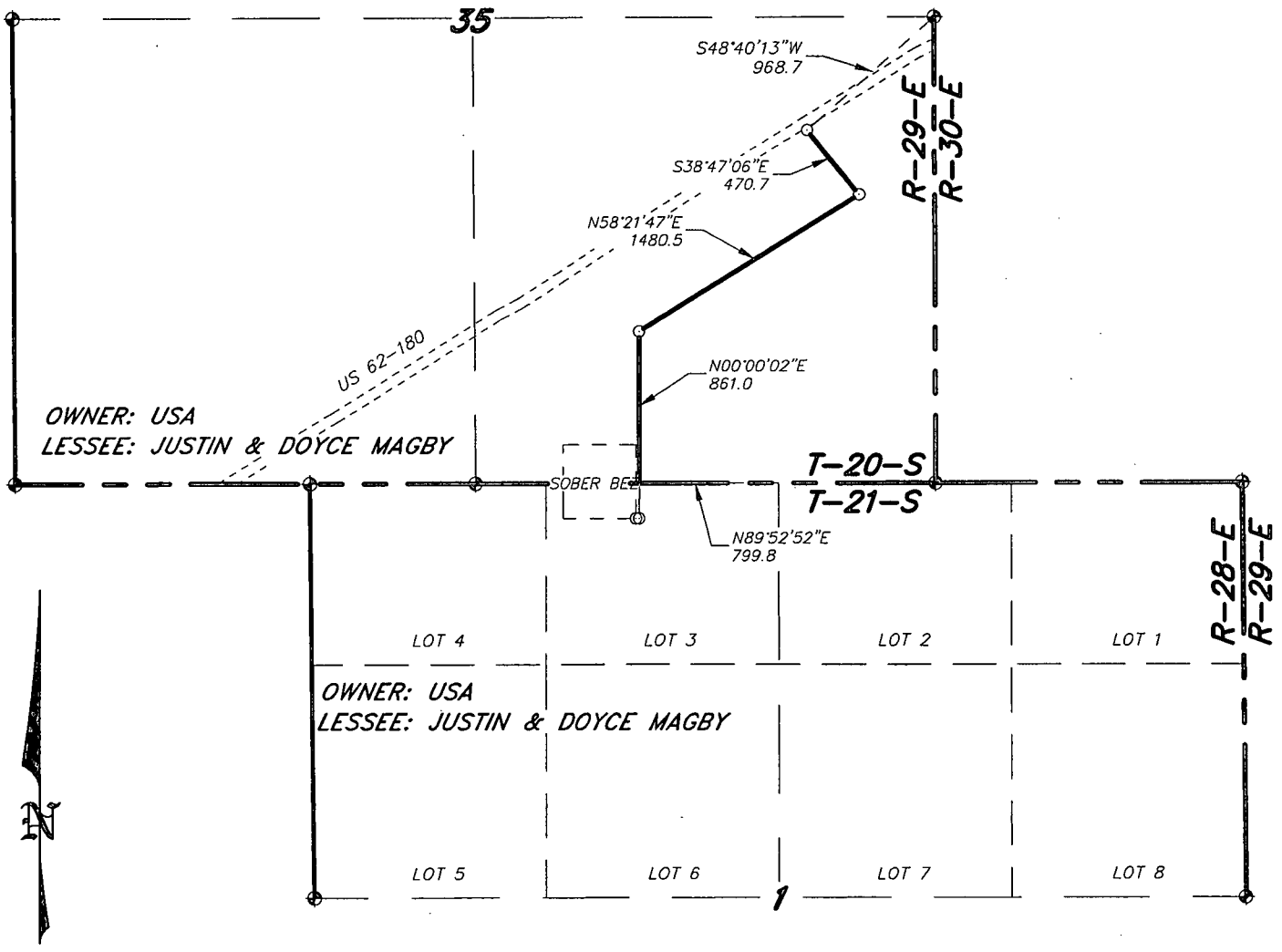
REF: PROPOSED LEASE ROAD TO BOLSA BRF FEDERAL COM 1H

A LEASE ROAD LOCATED ON USA LAND IN
SECTION 1, TOWNSHIP 21 SOUTH, RANGE 28 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Basin Surveys
focused on excellence in the oilfield
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 – Office
(575) 392-2206 – Fax
basinsurveys.com

W.O. Number: 29613	Drawn By: K. NORRIS	Date: 01-13-2014	Survey Date: 10-25-2013	Sheet 1 of 2 Sheets

SECTION 35, TOWNSHIP 20 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 14.0 FEET WIDE, LOCATED IN SECTION 35, TOWNSHIP 20 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 7.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

SECTION 35 = 2812.2 FEET = 170.44 RODS = 0.53 MILES = 0.90 ACRES

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS THE REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M. P.S. No. 7977
TEXAS P.S. No. 5074

1000 0 1000 2000 FEET

YATES PETROLEUM CORPORATION

REF: PROPOSED LEASE ROAD TO BOLSA BRF FEDERAL COM 1H

A LEASE ROAD LOCATED ON USA LAND IN
SECTION 35, TOWNSHIP 20 SOUTH, RANGE 29 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

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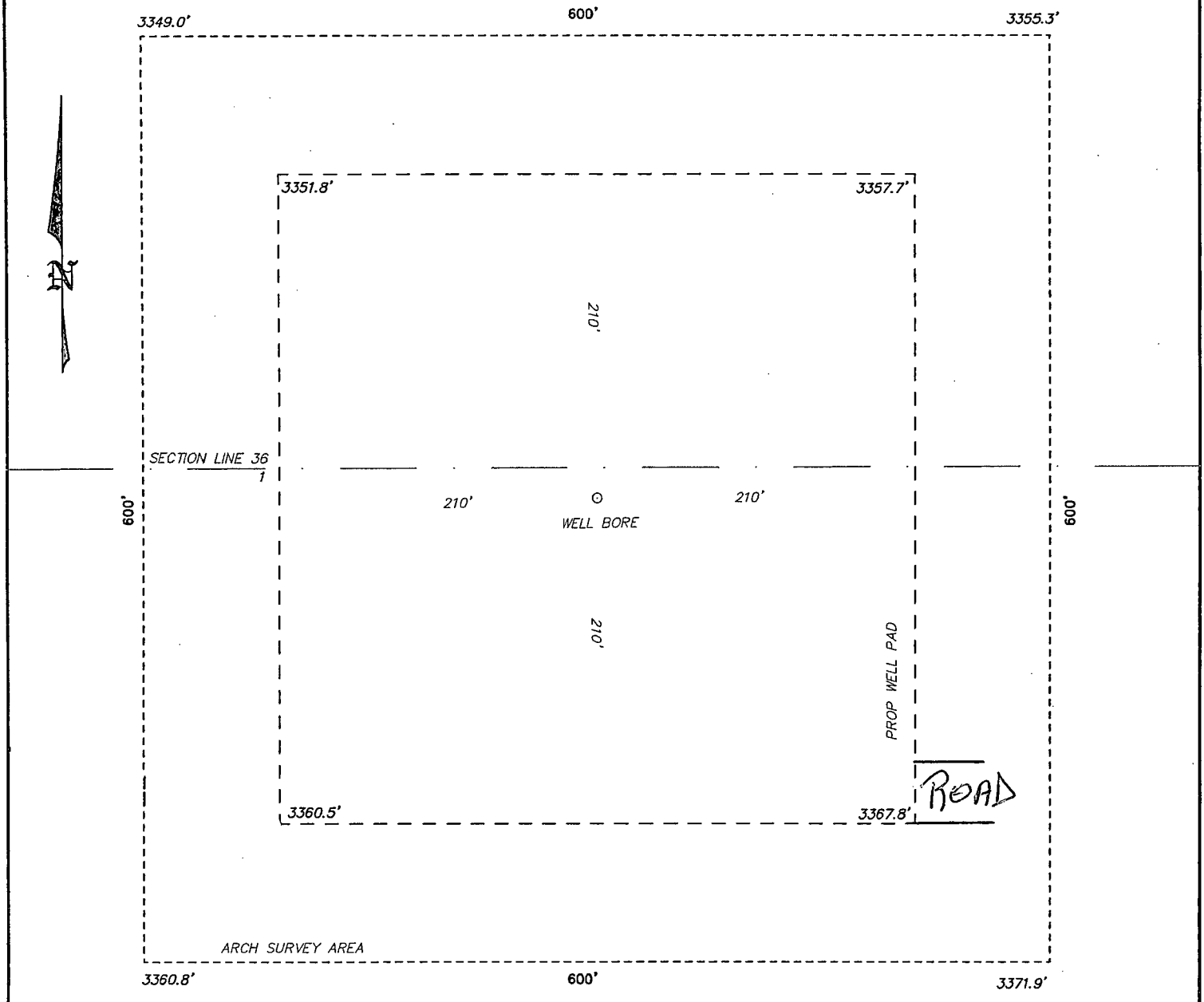
focused on excellence in the oilfield
P.O. Box 1786 1120 N. West County Rd. Hobbs, New Mexico 88241
(575) 393-7316 - Office (575) 392-2206 - Fax basinsurveys.com

W.O. Number: 29613	Drawn By: K. NORRIS	Date: 01-13-2014	Survey Date: 10-25-2013	Sheet 2 of 2 Sheets

SECTION 1, TOWNSHIP 21 SOUTH, RANGE 28 EAST. N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



100 0 100 200 FEET

SCALE: 1" = 100'

YATES PETROLEUM CORPORATION

REF: BOLSA BRF FEDERAL COM #1 / WELL PAD TOPO

THE BOLSA BRF FEDERAL COM #1 LOCATED 20' FROM THE NORTH LINE AND 1650' FROM THE WEST LINE OF SECTION 1, TOWNSHIP 21 SOUTH, RANGE 28 EAST. N.M.P.M., EDDY COUNTY, NEW MEXICO.

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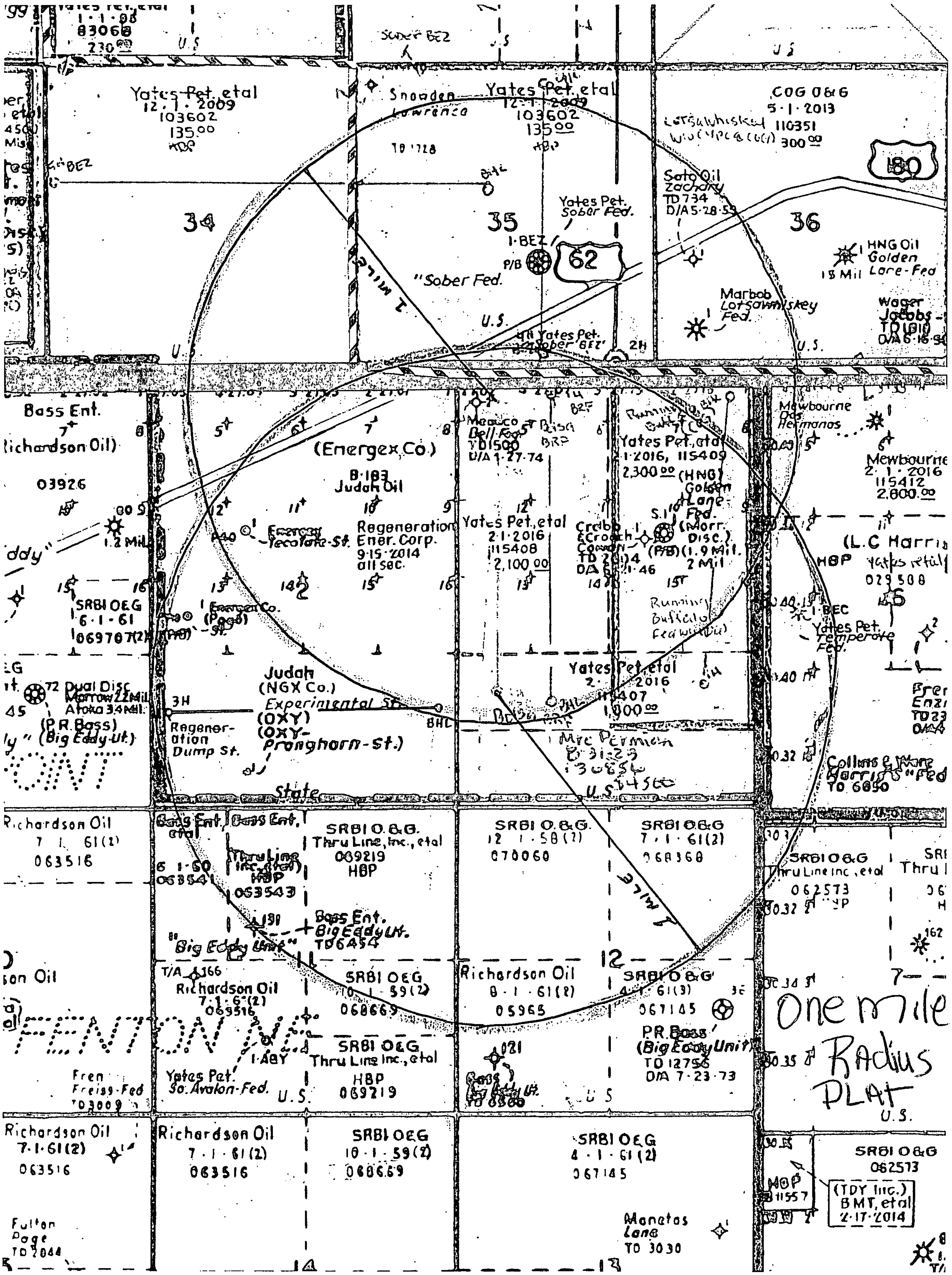
W.O. Number: 29163	Drawn By: K. NORRIS	Date: 10-01-2013	Survey Date: 09-25-2013	Sheet 1 of 1 Sheets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HNG Oil
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Lore-Fed
Marbob
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Sober 'BEZ'
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Bass Ent.
Richardson Oil
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(Energex Co.)
B-183
Judah Oil
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Bell Fed.
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Richardson Oil
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SRBI O&G
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067145
P.R. Bass
(Big Eddy Unit)
TD 12756
D/A 7-23-73
SRBI O&G
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YATES PETROLEUM CORPORATION
Bolsa BRF Federal Com. #1H
20' FNL & 1650' FWL, Section 1-T21S-R28E, Surface Hole
1650'FSL & 1650' FWL, Section 1-T21S-R28E, Bottom Hole
Eddy, New Mexico

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

Rustler	308'	Brushy Canyon	4808'--Oil	
Top of Salt	688'	Bone Spring LM	6398'	
Base of Salt	1318'	Avalon Sand	6568'--Oil	
Tansill	1363'	Middle Avalon	6678'--Oil	
Yates	1428'--Oil	Lower Avalon	7058'--Oil	
Capitan Reef	1778'--Water	Bone Spring 1/SD/	7558'--Oil	
Delaware	3088'	Bone Spring 2/SD/	8181'--Oil	8181.16--MD
Cherry Canyon	3688'	Target SBSG	8766'	8765.53'--MD
		TD	14109'	14108.86'MD

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

Water: Approx 250' - 350'
Oil or Gas: See above--All Potential Zones See COA

3. PRESURECONTROL EQUIPMENT: 3000 PSI BOPE with a 13.625" opening will be installed on the 13 3/8" and a 5000# BOP with a minimum opening of 11.0 opening on the 9 5/8" casing. A variance is requested for the use of a flex hose between the well head and manifold if Cactus Rig #124 is used to drill this well. The certification and specs are attached. Test will be conducted by an independent tester, utilizing a test plug in the well head. 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 on each segment of the system tested if test is done with a test plug and 30 minutes without a test plug. Blind rams and pipe rams will be tested to the rated pressure of the BOP. Any leaks will be repaired at the time of the test. Annular preventers will be tested to 50% of rated pressure. Accumulator system will be inspected for correct pre charge pressures, and proper functionality, prior to connection to the BOP system. 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.

See COA

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)

See COA

CASING	HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLING	INTERVAL	LENGTH
Surface	30"	20"	94#	H-40	ST&C	0'-~~450~~'	450'
Intermediate 1	17 ½"	13 3/8"	54.5#	J-55	ST&C	0'-80'	80'
Intermediate 1	17 ½"	13 3/8"	48#	J-55/Hybrid	ST&C	80'-1200'	1120'
Intermediate 1	17 ½"	13 3/8"	54.5#	J-55	ST&C	1200'-~~1750~~'	550'
Intermediate 2	12 ¼"	9 5/8"	36#	J-55 or K-55	LT&C	0'-3150'	3150'
Production	8 ¾"	5 ½"	17#	P-110	Buttress	0'-14109'	14109'

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

B. CEMENTING PROGRAM: - See COA

Conductor Casing: Cement with Ready Mix to surface.

Surface Casing: Cement with 1090 sacks 35:65:6PzC (Yld 2.00 Wt. 12.50). Tail in with 205 sacks of 50/50 POZC CaCl2 (Yld. 1.34 Wt. 14.20). Cement designed with 100% excess. TOC surface.

Intermediate Casing 1: Lead with1075 sacks of 35:65:6PzC (Yld 2.00 Wt 12.50). Tail in with 210 sacks of 50/50 POZC CaCl2 (Yld. 1.34 Wt. 14.20). Cement designed with 100% excess. TOC surface.

Intermediate Casing 2: Lead with 845 sacks of 35:65:6PzC (Yld 2.00 Wt 12.50). Tail in with 210 sacks of 50/50 PozC CaCl2 (Yld. 1.34 Wt. 14.80). Cement designed with 100% excess. TOC surface .

Production Cement will be done in 3 stages with DV tool at 5000 & 8000'.

See COA

Production Casing Stage 1: Lead with 1050 sacks PecosVLLT (YLD 1.83 WT 13.00) TOC 8000

Production Casing Stage 2: Lead with 370 sacks 35:65:6PzC (Yld 2.00 Wt. 11.00). Tail in with 210 sacks 50/50 PozC (Yld 1.34 Wt. 14.20). Cement designed with 35% excess. TOC 5000'.

Production Casing Stage 3: Lead with 445 sacks 35:65:6PzC (Yld 2.00 Wt. 12.50). Tail in with 205 sacks of 50/50 PozC (Yld. 1.34 Wt. 14.20). Cement designed with 35% excess. TOC 1600' .

Well will be drilled vertically to 8018'. Well will then be kicked off at approximately 8018' and directionally drilled at 12 degrees per 100' with a 8 ¾" hole to 8766 MD (8495' TVD). Hole size will then be reduced to 8 ½" and drilled to 14109' MD (8523' TVD) where 5 ½" casing will be set and cemented in 3 stages. Packers and ports will be utilized in the lateral. A hydraulic stage packer tool will be set at approximately 8000' and a DV tool at approximately 5000'. Penetration point of producing zone will be encountered at 495' FNL and 1650' FWL, 1-21S-28E. Deepest TVD in the well is 8523' in lateral.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0-450'	Fresh Water/Paper	8.60-9.20	32-34	N/C
450'-1750'	Brine Water	10.00-10.20	28-29	N/C
1750'-3150'	Fresh Water	8.6 0-9.20	32-34	N/C
3150'-14109'	Cut Brine	8.80-9.20	28-32	<10cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and to contain a blowout will be available at the well site during drilling operations. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM: - See COA

Samples: 30' samples to 4500'. 10' Samples from 4500' to TD.
Logging:
GR Neutron 30 DEG DEV TO SURFACE DENSITY 30 DEG DEV TO INTERMEDIATE CSG, LATEROLOG 30 DEG DEV TO INTERMEDIATE CSG, CMR 30 DEG DEV TO INTERMEDIATE CSG, (SCHLUMBERGER TOOLS PLATFORM/HRLA/CMR) POSSIBLE FMI/DIPOLE SONIC 8500 TO 30 DEG DEV

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

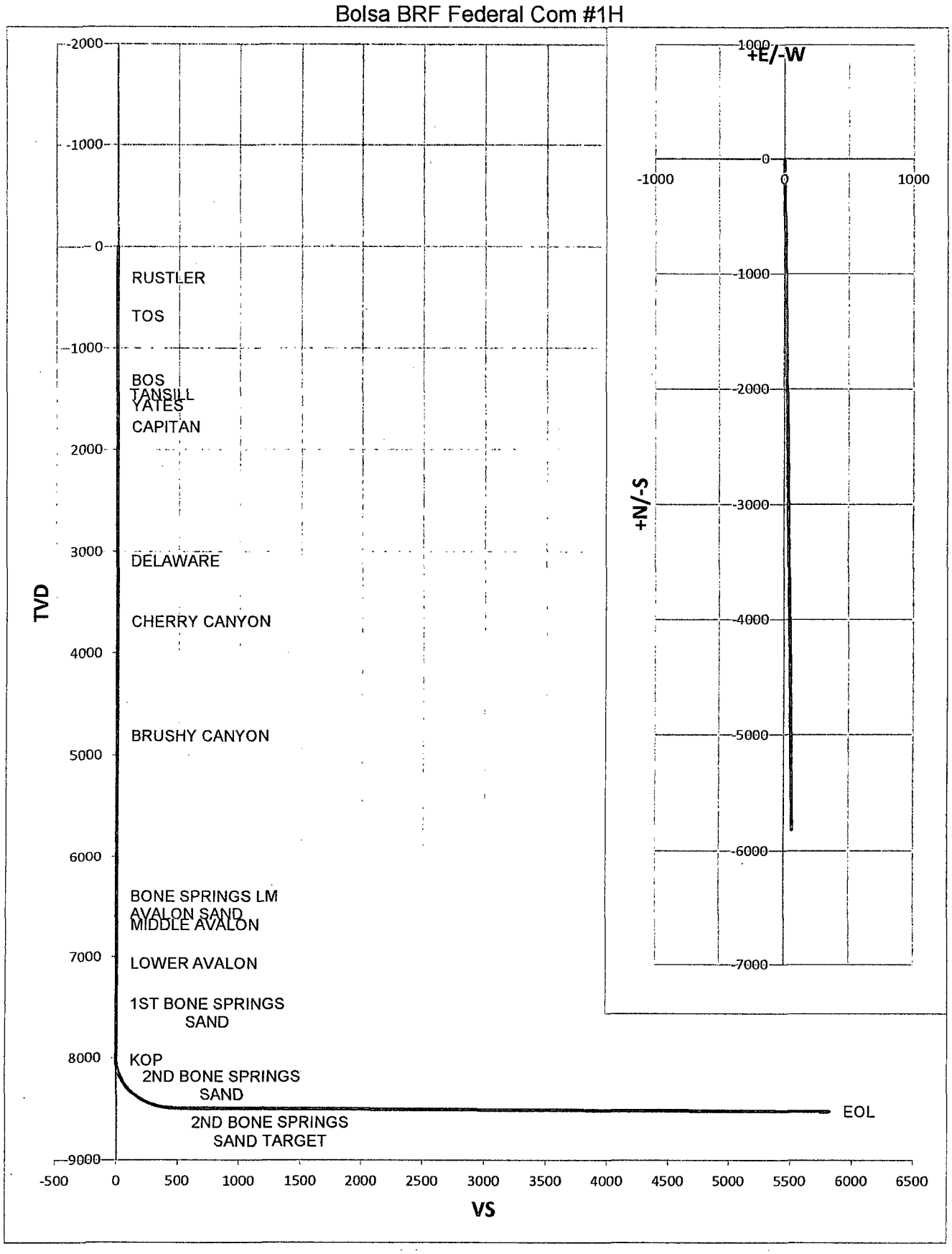
ANTICIPATED BOTTOM HOLE PRESSURES	
0' to 450'	215 PSI
450' to 1750'	928 PSI
1780'-3150'	1507' PSI
3150' to 8523'	4077 PSI

Abnormal Pressures Anticipated: None
Lost Circulation Zones Anticipated: Possible Capitan, 1778'
H2S Zones Anticipated: None Anticipated
Maximum Bottom Hole Temperature: 155 F

9. ANTICIPATED STARTING DATE:
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 20 days.

Well Name: Bolsa BRF Federal Com #1H		**Tgt N/-S:**	-5818.00		
		Tgt E/-W:	62.40	**EOC TVD/MD:**	8495.45 / 8765.53
Surface Location: Section 1 , Township 21S Range 28E		**VS:**	5818.33		
Bottom Hole Location: Section 1 , Township 21S Range 28E		**VS Az:**	179.39	**EOL TVD/MD:**	8523.00 / 14108.86

MD	Inc.	Azi.	TVD	+N/-S	+E/-W	VS	DLS	Comments
0	0	0	0	0	0	0	0	
308.00	0.00	0.00	308.00	0.00	0.00	0.00	0.00	RUSTLER
688.00	0.00	0.00	688.00	0.00	0.00	0.00	0.00	TOS
1318.00	0.00	0.00	1318.00	0.00	0.00	0.00	0.00	BOS
1363.00	0.00	0.00	1363.00	0.00	0.00	0.00	0.00	TANSILL
1428.00	0.00	0.00	1428.00	0.00	0.00	0.00	0.00	YATES
1778.00	0.00	0.00	1778.00	0.00	0.00	0.00	0.00	CAPITAN
3088.00	0.00	0.00	3088.00	0.00	0.00	0.00	0.00	DELAWARE
3688.00	0.00	0.00	3688.00	0.00	0.00	0.00	0.00	CHERRY CANYON
4808.00	0.00	0.00	4808.00	0.00	0.00	0.00	0.00	BRUSHY CANYON
6398.00	0.00	0.00	6398.00	0.00	0.00	0.00	0.00	BONE SPRINGS LM
6568.00	0.00	0.00	6568.00	0.00	0.00	0.00	0.00	AVALON SAND
6678.00	0.00	0.00	6678.00	0.00	0.00	0.00	0.00	MIDDLE AVALON
7058.00	0.00	0.00	7058.00	0.00	0.00	0.00	0.00	LOWER AVALON
7558.00	0.00	0.00	7558.00	0.00	0.00	0.00	0.00	1ST BONE SPRINGS SAND
8017.99	0.00	0.00	8017.99	0.00	0.00	0.00	0.00	KOP
8025.00	0.84	179.39	8025.00	-0.05	0.00	0.05	12.00	
8050.00	3.84	179.39	8049.98	-1.07	0.01	1.07	12.00	
8075.00	6.84	179.39	8074.86	-3.40	0.04	3.40	12.00	
8100.00	9.84	179.39	8099.60	-7.03	0.08	7.03	12.00	
8125.00	12.84	179.39	8124.11	-11.94	0.13	11.94	12.00	
8150.00	15.84	179.39	8148.32	-18.13	0.19	18.13	12.00	
8175.00	18.84	179.39	8172.19	-25.58	0.27	25.58	12.00	
8181.16	19.58	179.39	8178.00	-27.61	0.30	27.61	12.00	2ND BONE SPRINGS SAND
8200.00	21.84	179.39	8195.62	-34.27	0.37	34.27	12.00	
8225.00	24.84	179.39	8218.58	-44.17	0.47	44.18	12.00	
8250.00	27.84	179.39	8240.98	-55.27	0.59	55.27	12.00	
8275.00	30.84	179.39	8262.77	-67.51	0.72	67.52	12.00	
8300.00	33.84	179.39	8283.89	-80.89	0.87	80.89	12.00	
8325.00	36.84	179.39	8304.28	-95.34	1.02	95.35	12.00	
8350.00	39.84	179.39	8323.88	-110.85	1.19	110.86	12.00	
8375.00	42.84	179.39	8342.65	-127.36	1.37	127.37	12.00	
8400.00	45.84	179.39	8360.53	-144.83	1.55	144.84	12.00	
8425.00	48.84	179.39	8377.47	-163.21	1.75	163.22	12.00	
8450.00	51.84	179.39	8393.42	-182.46	1.96	182.47	12.00	
8475.00	54.84	179.39	8408.35	-202.51	2.17	202.52	12.00	
8500.00	57.84	179.39	8422.20	-223.31	2.40	223.33	12.00	
8525.00	60.84	179.39	8434.95	-244.81	2.63	244.83	12.00	
8550.00	63.84	179.39	8446.55	-266.95	2.86	266.97	12.00	
8575.00	66.84	179.39	8456.98	-289.67	3.11	289.69	12.00	
8600.00	69.84	179.39	8466.21	-312.90	3.36	312.92	12.00	
8625.00	72.84	179.39	8474.20	-336.58	3.61	336.60	12.00	
8650.00	75.84	179.39	8480.95	-360.65	3.87	360.67	12.00	
8675.00	78.84	179.39	8486.43	-385.04	4.13	385.06	12.00	
8700.00	81.84	179.39	8490.62	-409.68	4.39	409.70	12.00	
8725.00	84.84	179.39	8493.52	-434.51	4.66	434.53	12.00	
8750.00	87.84	179.39	8495.12	-459.45	4.93	459.48	12.00	
8765.53	89.70	179.39	8495.45	-474.98	5.09	475.00	12.00	2ND BONE SPRINGS SAND TARGET
14108.86	89.70	179.39	8523.00	-5818.00	62.40	5818.33	0.00	EOL

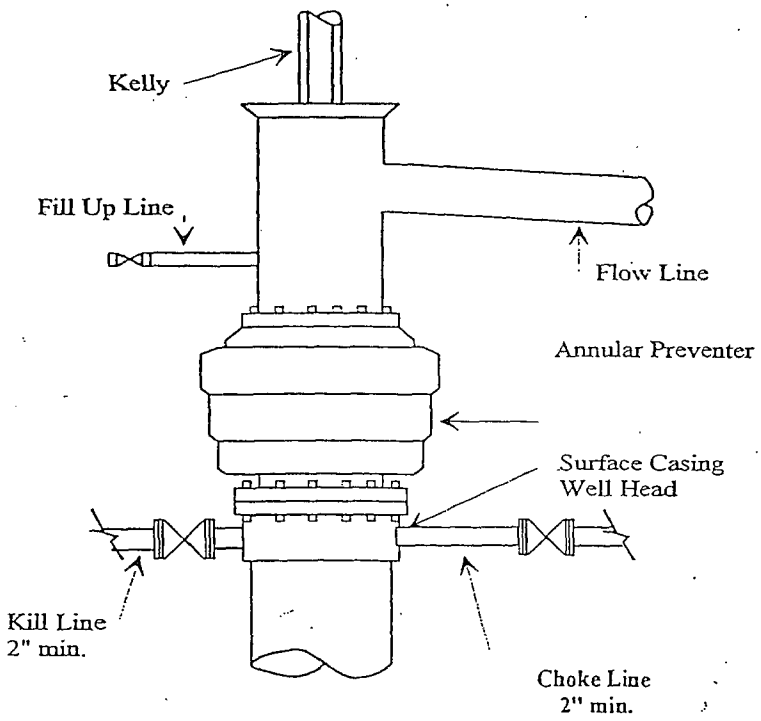

Bolsa BRF Federal Com #1H
-2000
-1000
0
1000
2000
3000
4000
5000
6000
7000
8000
-9000
TVD
RUSTLER
TOS
BOS
TANSILL
YATES
CAPITAN
DELAWARE
CHERRY CANYON
BRUSHY CANYON
BONE SPRINGS LM
AVALON SAND
MIDDLE AVALON
LOWER AVALON
1ST BONE SPRINGS
SAND
KOP
2ND BONE SPRINGS
SAND
2ND BONE SPRINGS
SAND TARGET
EOL
-500
0
500
1000
1500
2000
2500
3000
3500
4000
4500
5000
5500
6000
6500
VS
+E/-W
-1000
0
1000
+N/-S
-1000
-2000
-3000
-4000
-5000
-6000
-7000

Yates Petroleum Corporation

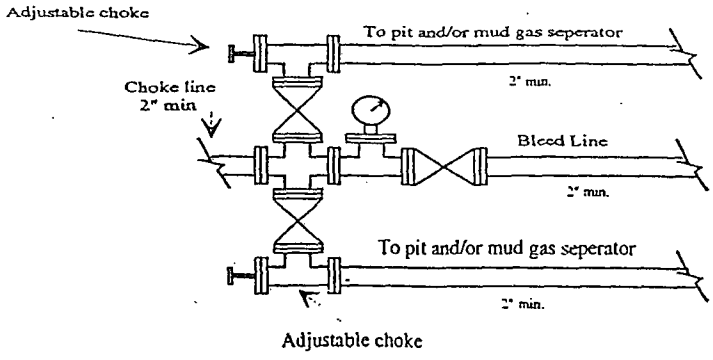
BOP-1

Typical low Pressure System
Schematic
Annular Preventer 2,000 psi

Exhibit

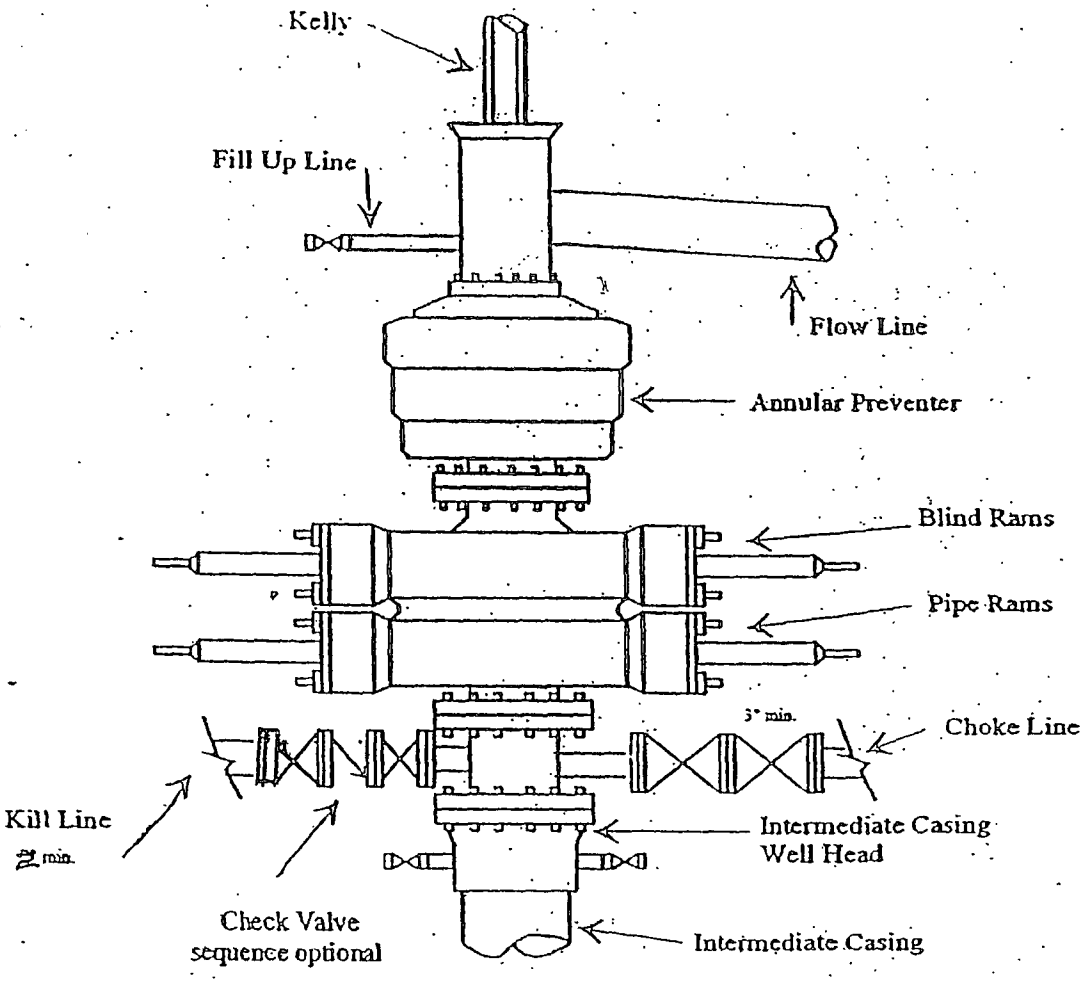


Typical 2,000 psi choke manifold assembly with at least these minimun features

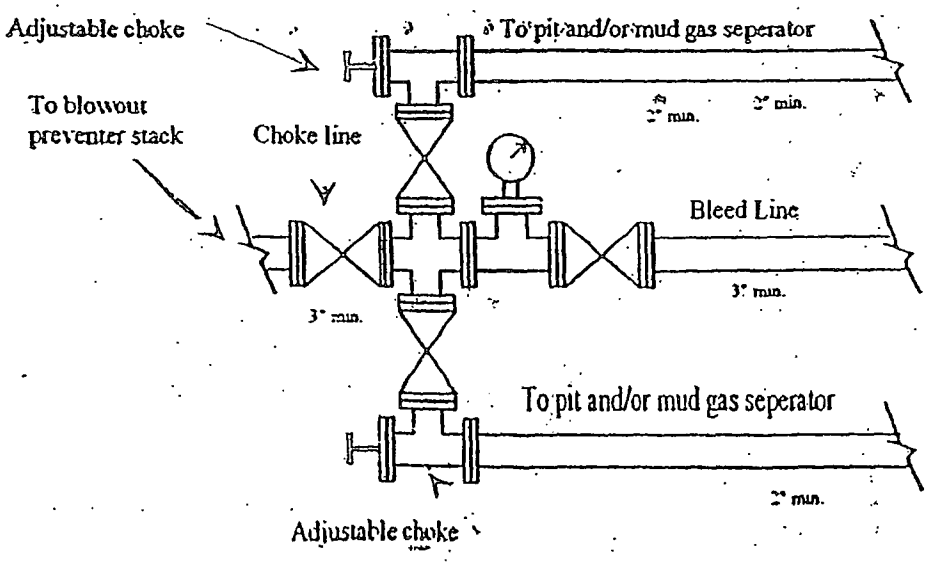


Yates Petroleum Corporation

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

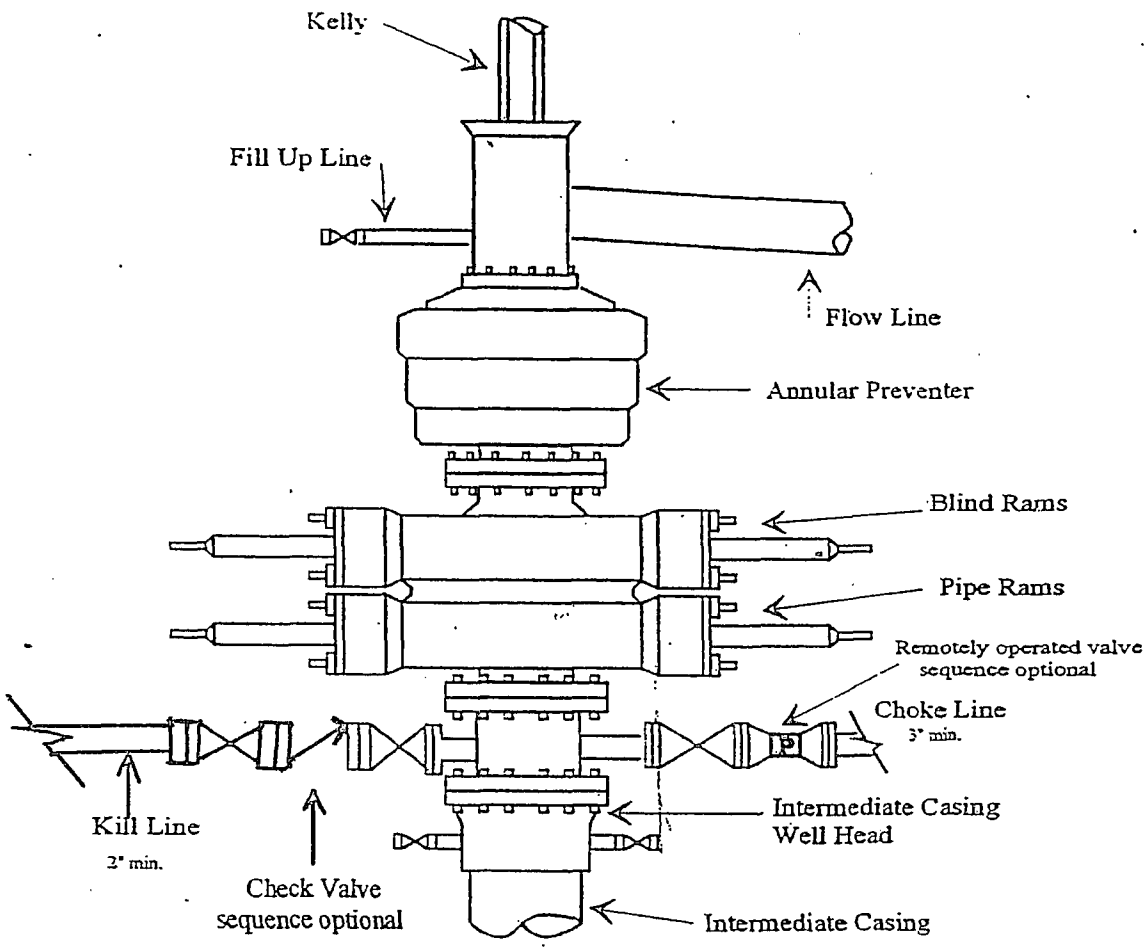


Typical 3,000 psi choke manifold assembly with at least these minimun features

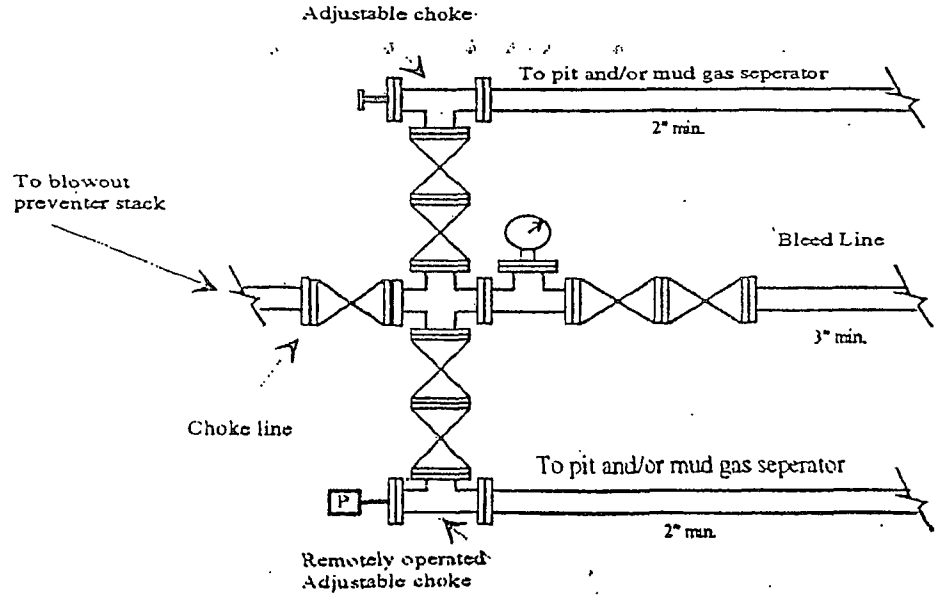


Yates Petroleum Corporation

Typical 5,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack

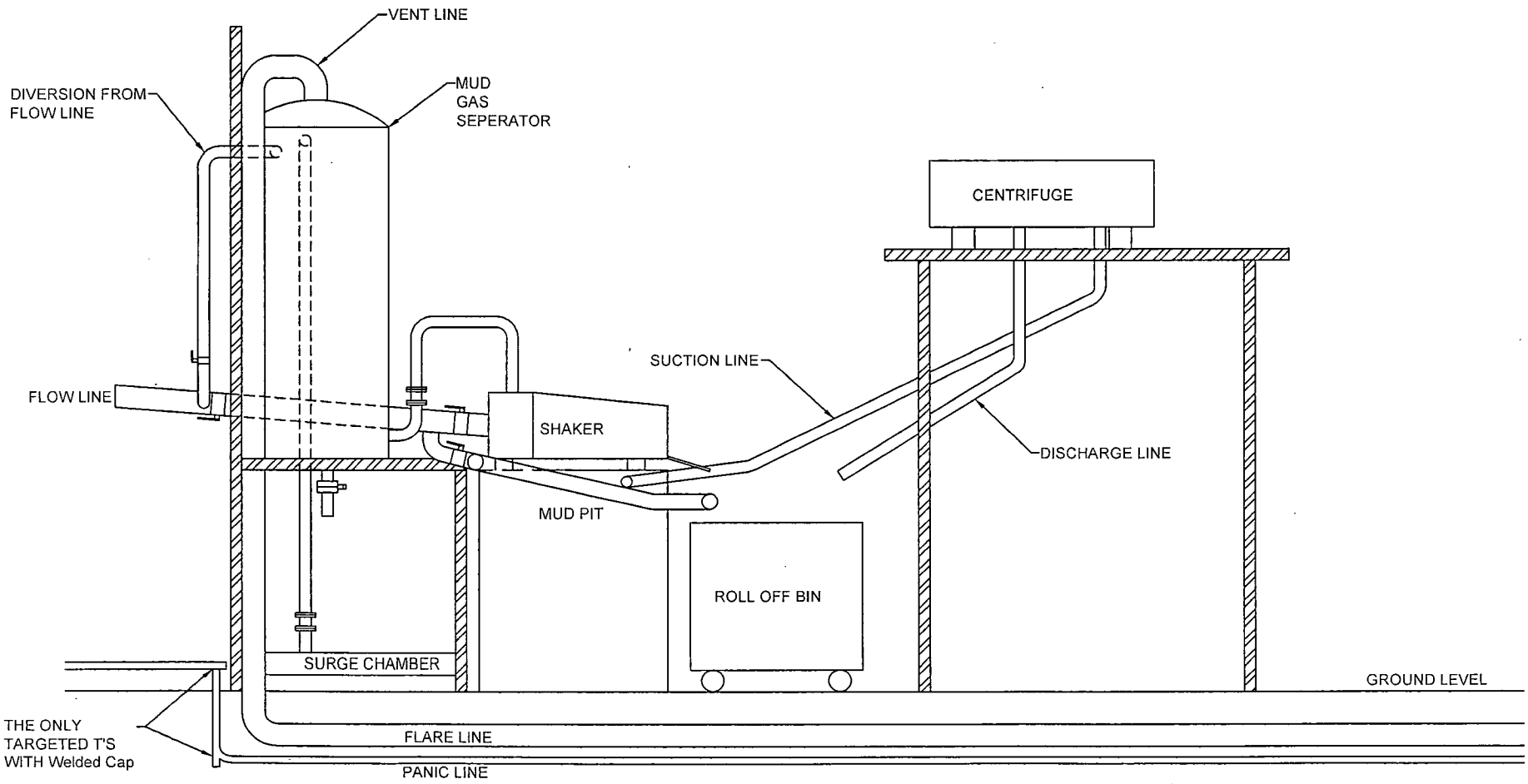


Typical 5,000 psi choke manifold assembly with at least these minimun features



YATES PETROLEUM CORPORATION

Piping from Choke Manifold
to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H2S wells and 150' from wellhead for wells expected to encounter H2S.

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.

Midwest Hose
& Specialty, Inc.

Certificate of Conformity

Customer: **CACTUS**	*Customer P.O.#* **RIG#137 M12653**
Sales Order # **191672**	*Date Assembled:* **12/11/2013**

Specifications

Hose Assembly Type:	**Choke & Kill**		
Assembly Serial #	**229391**	*Hose Lot # and Date Code*	**11060 10/13**
Hose Working Pressure (psi)	**10000**	*Test Pressure (psi)*	**15000**

We hereby certify that the above material supplied for the referenced purchase order to be true according to the requirements of the purchase order and current industry standards.

Supplier:
Midwest Hose & Specialty, Inc.
3312 S I-35 Service Rd
Oklahoma City, OK 73129

Comments:

Approved By	***Date***
	12/11/2013

Midwest Hose
& Specialty, Inc.

Internal Hydrostatic Test Certificate

General Information		Hose Specifications	
Customer	**CACTUS**	*Hose Assembly Type*	**Choke & Kill**
MWH Sales Representative	**EVAN SPARKMAN**	*Certification*	**API 7K**
Date Assembled	**12/11/2013**	*Hose Grade*	**MUD**
Location Assembled	**OKC**	*Hose Working Pressure*	**10000**
Sales Order #	**191672**	*Hose Lot # and Date Code*	**11060 10/13**
Customer Purchase Order #	**RIG#137 M12653**	*Hose I.D. (Inches)*	**4"**
Assembly Serial # (Pick Ticket #)	**229391**	*Hose O.D. (Inches)*	**6.60"**
Hose Assembly Length	**35 FEET**	*Armor (yes/no)*	YES

Fittings			
End A		**End B**	
Stem (Part and Revision #)	**R4.0X64WB**	*Stem (Part and Revision #)*	**R4.0X64WB**
Stem (Heat #)	**1311405220**	*Stem (Heat #)*	**1311405220**
Ferrule (Part and Revision #)	**RF4.0**	*Ferrule (Part and Revision #)*	**RF4.0**
Ferrule (Heat #)	**120368**	*Ferrule (Heat #)*	**120368**
Connection (Part #)	**4 1/16" 10K**	*Connection (Part #)*	**4 1/16" 10K**
Connection (Heat #)		*Connection (Heat #)*	
Dies Used	**6.62"**	*Dies Used*	**6.62"**

Hydrostatic Test Requirements		
Test Pressure (psi)	**15,000**	***Hose assembly was tested with ambient water temperature.***
Test Pressure Hold Time (minutes)	**16 1/2**	

Date Tested	*Tested By*	*Approved By*
12/11/2013		

M12653

Midwest Hose & Specialty, Inc.

Internal Hydrostatic Test Graph

December 11, 2013

Customer: Cactus

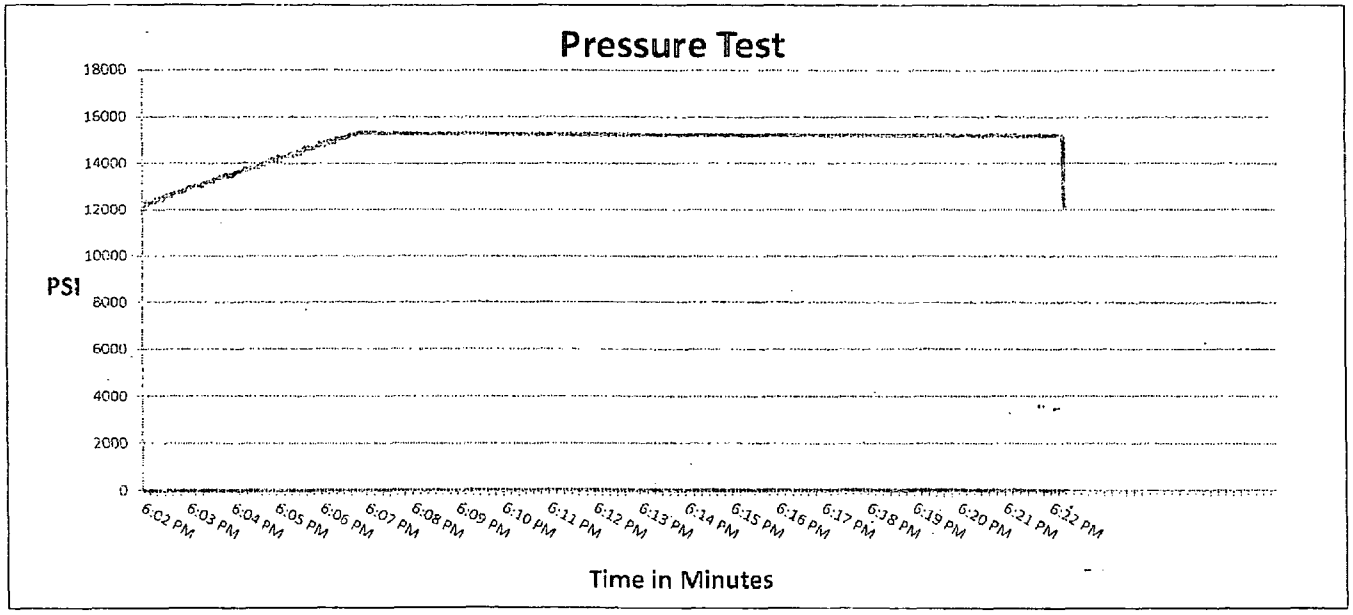
Pick Ticket #: 229391

Hose Specifications

Hose Type	Length
Mud	35'
I.D.	O.D.
4"	6.13"
Working Pressure	Burst Pressure
10000 PSI	Standard Safety Multiplier Applies

Verification

Type of Fitting	Coupling Method
4 1/16 10K	Swage
Die Size	Final O.D.
6.62"	6.66"
Hose Serial #	Hose Assembly Serial #
11060	229391



Test Pressure	Time Held at Test Pressure	Actual Burst Pressure	Peak Pressure
15000 PSI	16 2/4 Minutes		15483 PSI

Comments: Hose assembly pressure tested with water at ambient temperature.

Tested By: *Tony Kellington*

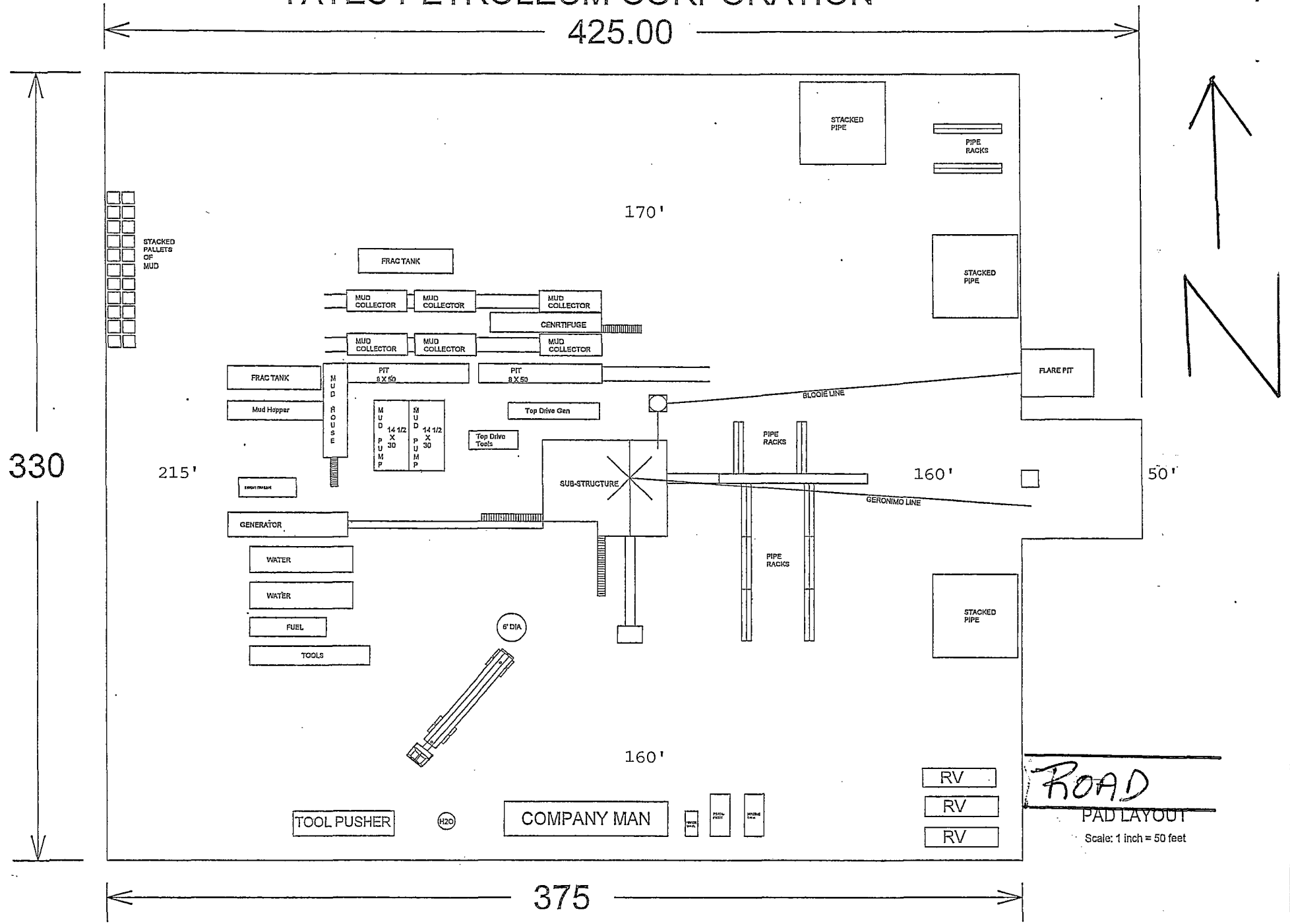
x

Approved By: *Phil Maytubby*

x

YATES PETROLEUM CORPORATION

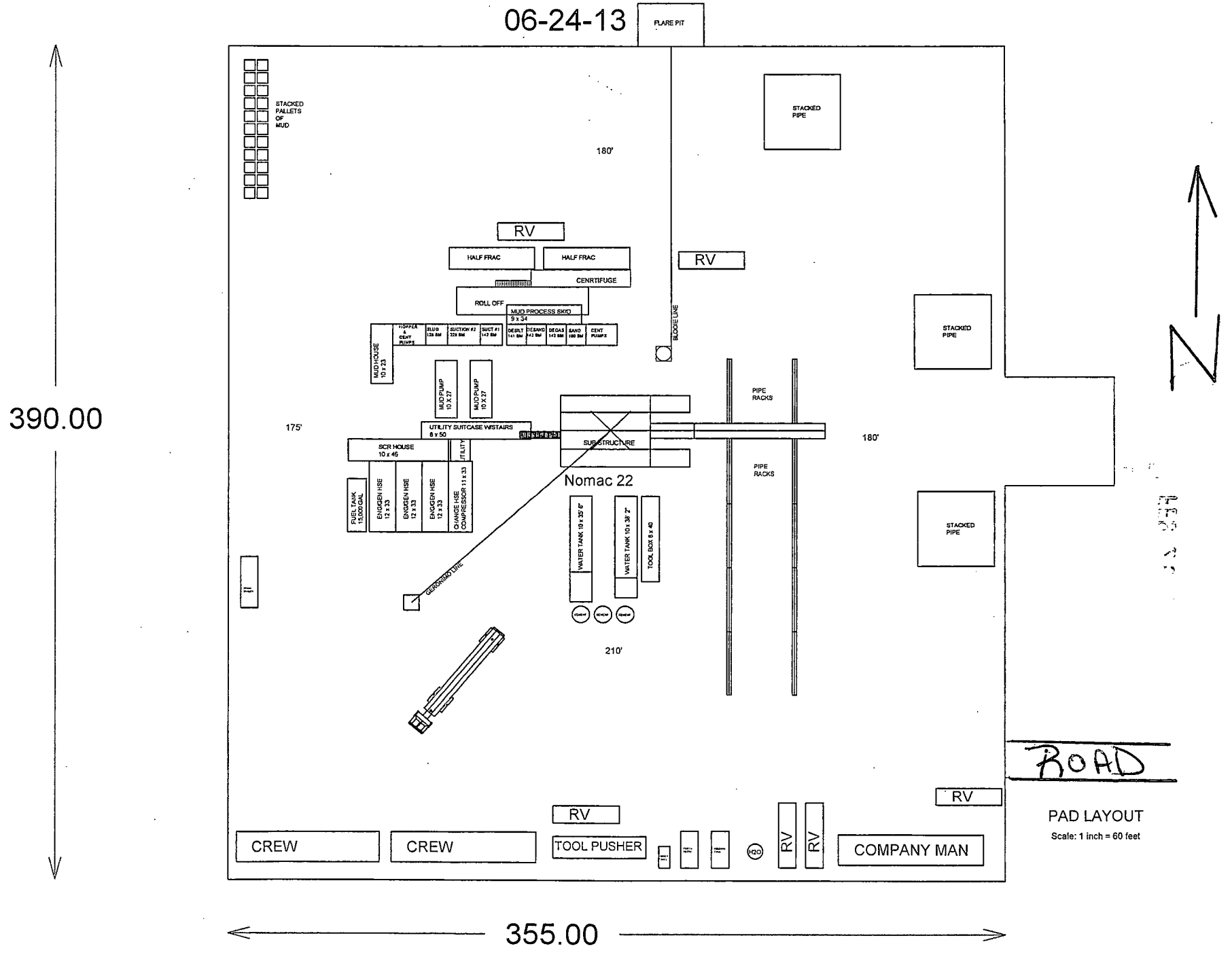
RIG PLAT #1



YATES PETROLEUM CORPORATION Rig PLAT #2

Nomac 22

06-24-13



PAD LAYOUT

Scale: 1 inch = 60 feet

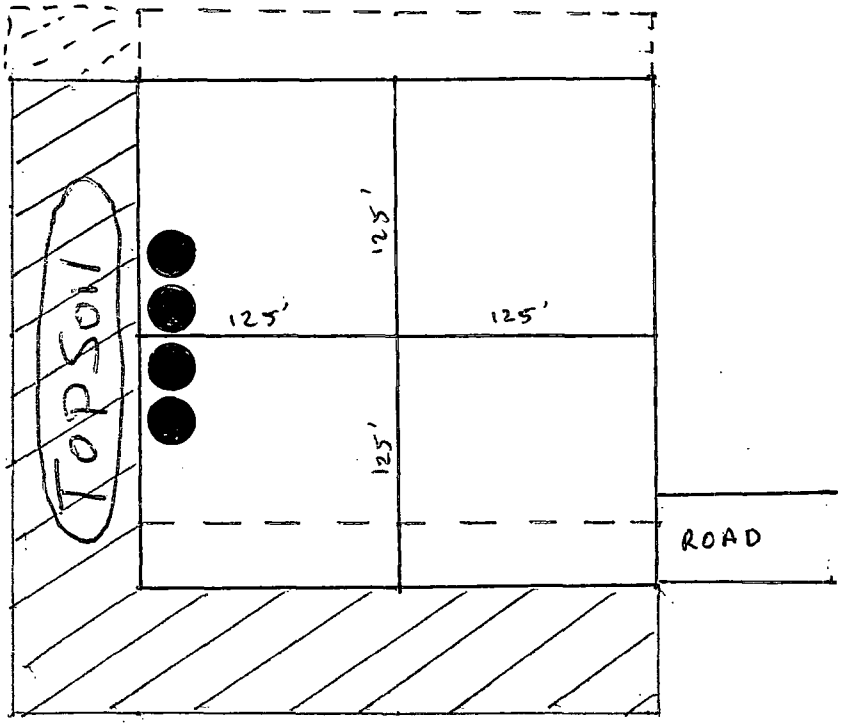
RECLAMATION PLAT

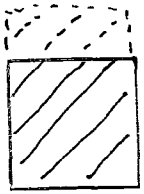
BOLSA BRF FED #1H
1550 FNL 200 FEL
SEC 35, T-20S, R-29E

- WATER TANKS

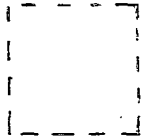
- OIL TANKS

THERE WILL BE 4 TOTAL TANKS SHARED BY THE BOLSA BRF FED #1H AND THE SOBER BEZ FED #4H





— RECLAIMED AREA



— SOBER BEZ FEDERAL 4H
10 FSL 1930 FEL
SECTION 35, T-20S, R-29E

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

Hydrogen Sulfide (H_2S) Contingency Plan

Emergency Procedures

In the case of a release of gas containing H_2S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H_2S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system' to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr-ation
Hydrogen Sulfide	**H_2S**	**1.189 Air = 1**	**10 ppm**	**100 ppm/hr**	**600 ppm**
Sulfur Dioxide	**SO_2**	**2.21 Air = 1**	**2 ppm**	**N/A**	**1000 ppm**

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Petroleum Corporation Phone Numbers

YPC Office ..... (575) 748-1471
Wade Bennett/Prod Superintendent ..... (575) 748-4236
LeeRoy Richards/Assistant Prod Superintendent (575) 748-4228
Mike Larkin/Drilling ..... (575) 748-4222
Paul Hanes/Prod. Foreman/Roswell ..... (575) 624-2805
Tim Bussell/Drilling Superintendent ..... (575) 748-4221
Artesia Answering Service ..... (575) 748-4302
(During non-office hours)

Agency Call List

Eddy County (575)

Artesia

State Police 746-2703
City Police 746-2703
Sheriff's Office 746-9888
Ambulance 911
Fire Department 746-2701
LEPC (Local Emergency Planning Committee) 746-2122
NMOCD 748-1283

Carlsbad

State Police 885-3137
City Police 885-2111
Sheriff's Office 887-7551
Ambulance 911
Fire Department 885-2111
LEPC (Local Emergency Planning Committee) 887-3798
US Bureau of Land Management 887-6544
New Mexico Emergency Response Commission (Santa Fe) (505)476-9600
24 HR ..... (505) 827-9126
New Mexico State Emergency Operations Center ..... (505) 476-9635
National Emergency Response Center (Washington, DC) ...(800) 424-8802

Other

Boots & Coots IWC ..... 1-800-256-9688 or (281) 931-8884
Cudd Pressure Control ..... (915) 699-0139 or (915) 563-3356
Halliburton ..... (575) 746-2757
B. J. Services ..... (575) 746-3569

Flight For Life -4000 24th St, Lubbock, TX ..... (806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX ..... (806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM ..... (505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM ..... (505) 842-4949

Yates Petroleum Corporation

Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubular are to be used, personnel well be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H2S Drilling Operations Plan and H2S Contingency Plan.

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operation Plan and the H2S Contingency Plan. **The location of this well does not require a Public Protection Plan.**

II. H2S SAFETY EQUIPMENT AND SYSTEMS

NOTE: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

1. Well Control Equipment:

A. Flare line

B. Choke manifold will have a remotely operated adjustable choke system.

C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit

D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

2. Protective equipment for essential personnel:

A. Mark II Survive Air (or equivalent) 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S detection and monitoring equipment:

A. 3 portable H2S monitors positioned at: Shale Shaker, Bell Nipple, and Rig Floor. These units have warning lights and audible sirens when H2S levels of 10 PPM are reached.

4. Visual warning systems:

A. Wind direction indicators as shown on well site diagram (attached).

B. Caution/Danger signs (attached) shall be posted on roads providing direct access to location. Signs will be painted with high visibility yellow with black lettering of a sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud program:

A. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.

B. All elastomers used for packing and seals shall be H2S trim.

7. Communication:

A. Cellular communications in company vehicles.

B. Land line (telephone) communication at the Office.

8. Well testing:

A. There will be no drill stem testing.

EXHIBIT

DANGER

POISONS GAS

HYDROGEN SULFIDE

NORMAL OPERATIONS
(GREEN)

CAUTION POTENTIAL DANGER
(YELLOW)

DANGER POISONS GAS ENCOUNTERED
(RED) **AUTHORIZED PERSONAL ONLY.**
LOCATION SECURED.

1-575-746-1096

1-877-879-8899

EDDY COUNTY EMERGENCY NUMBERS
ARTESIA FIRE DEPT. 575-746-5050
ARTESIA POLICE DEPT. 575-746-5000
EDDY CO. SHERIFF DEPT. 575-746-9888

LEA COUNTY EMERGENCY NUMBERS
HOBBS FIRE DEPT. 575-397-9308
HOBBS POLICE DEPT. 575-397-9285
LEA CO. SHERIFF DEPT. 575-396-1196

POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Bolsa BRF Federal Com. #1H
20' FNL and 1650' FWL Surface Hole Location
1650' FSL and 1650 FWL Bottom Hole Location
Section. 1, T-21S-R28-E
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 wellsite is located approximately 16 miles northeast of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From Carlsbad, go east on Highway 62/180 for approximately 13 miles. Turn right here on an existing lease road and go approximately .1 of a mile. Turn right here and follow the lease road for approximately .3 of a mile. ~~The new access road will start here going left for approximately 861 feet to the southeast corner of the proposed well location.~~ JR 4/18/14

2. PLANNED ACCESS ROAD.

A. The proposed new access road will go the for approximately ~~861~~ 1,061 Feet JR 4/18/14 from the point of origin to the southeast corner of the well location. The road will lie in a north to south direction.
B. The new road will be 14 feet in width (driving surface).
C. The road will be crowned and ditched to a 2% slope from the tip of the crown to the edge of the driving surface.
D Ditches will be 3' wide with a 3:1 slopes.
E. The route of the road is visible.
F. There will be 1951 feet of existing roads upgraded

3. LOCATION OF EXISTING WELL

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

A. There are not any 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 this well location. 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.

C. There will be a tank battery on the west side of location.

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 the exhibit.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate closest pit and obtain any permits and materials needed for construction of the well location.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. This well will be drilled with a closed loop system
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. Drilling fluids will be removed after drilling and completions are completed.
D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
E. Oil produced during operations will be stored in tanks until sold.
F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
G. 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 landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

A. Yates has staked a 420' x 420' "Pad Clearance Area." This area can contain the regularly used rigs Yates utilizes in Southeastern New Mexico. The actual pad size to be constructed would be smaller than the "Pad Clearance Area." This area was staked at this size with aid from the BLM, since the actual pad size/drilling rig is unknown at this time. Yates will submit a Sundry Notice with a rig layout depicting the actual size of the pad to be constructed with the dimensions from the well bore to all four sides of the pad with the same orientation as the "Pad Clearance Area." Yates will not construct the well pad until the rig layout is approved through the Sundry Notice.
B. Please note exhibits Rig Size #1 and Rig Size #2 show the relative location and dimensions of the well pad, location of the drilling equipment, pulling unit orientation and access road approach. 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. 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 well site in as aesthetically pleasing a condition as possible. The location will be reduced to a 250' x 250' after completion operations have been conducted. At this point the surfacing material will be removed, topsoil will be redistributed and the area will be reseeded. The area will be contoured as closely as possible to its original shape. Please note attached Reclamation Plat.

B. If the proposed well is plugged and abandoned, all equipment and other material will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. At this point the surfacing material will be removed, topsoil will be redistributed and the area will be reseeded. These actions will be completed and accomplished as expeditiously as possible.

C. The reclamation of the pad will be done in sixty days if possible after the well is put in production.

11. SURFACE OWNERSHIP:

Surface Estate Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220.

Mineral Estate: Bureau of Land Management
620 East Greene Street, Carlsbad, NM 88220
NM-115408 and NM-115409

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.

CERTIFICATION
YATES PETROLEUM CORPORATION
Bolsa BRF Federal #1H

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; and an someone under employment of Yates Petroleum Corporation has 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 I, or the company I represent, am 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 25th day of February 2014

Signature _____

Name Cy Cowan

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (505) 748-4372

Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above.

Telephone (if different from above) (505) 748-4221

E-mail (optional) _____

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp
LEASE NO.:	NM115408
WELL NAME & NO.:	1H Bolsa BRF Federal Com
SURFACE HOLE FOOTAGE:	20' FNL & 1650' FWL
BOTTOM HOLE FOOTAGE	1650 FSL & 1650' FWL
LOCATION:	Section 1, T.21 S., R.28 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.

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)

Sundry Notice Required

Yates must submit a sundry notice with a rig layout depicting the actual size of pad to be constructed with dimensions from the well bore to all four sides with the same orientation as the "Pad Clearance Area", v-door facing east. Yates cannot construct the well pad until the rig layout is approved through the sundry notice.

Cave and Karst

** Depending on location, additional Drilling, Casing, and Cementing procedures may be required by engineering to protect critical karst groundwater recharge areas.

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Construction:
In the advent that any underground voids are opened up during construction activities, construction activities will be halted and the BLM will be notified immediately.

No Blasting:
No blasting will be utilized for pad construction. The pad will be constructed and leveled by adding the necessary fill and caliche.

Pad Berming:
The pad will be bermed to prevent oil, salt, and other chemical contaminants from leaving the pad. All sides will be bermed.

Tank Battery Liners and Berms:
Tank battery locations will be lined and bermed. A 20 mil permanent liner will be installed with a 4 oz. felt backing to prevent tears or punctures. Tank battery berms must be large enough to contain 1 ½ times the content of the largest tank.

Leak Detection System:
A method of detecting leaks is required. The method could incorporate gauges to measure loss, situating values and lines so they can be visually inspected, or installing electronic sensors to alarm when a leak is present. Leak detection plan will be submitted to BLM for approval.

Automatic Shut-off Systems:
Automatic shut off, check values, or similar systems will be installed for pipelines and tanks to minimize the effects of catastrophic line failures used in production or drilling.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Fresh water will be used as a circulating medium in zones where caves or karst features are expected. SEE ALSO: Drilling COAs for this well.

Directional Drilling:
Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone. SEE ALSO: Drilling COAs for this well.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported in the drilling report.

Regardless of the type of drilling machinery used, if a void of four feet or more and circulation losses greater than 70 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the situation and work with the operator on corrective actions to resolve the problem.

Abandonment Cementing:
Upon well abandonment in high cave karst areas additional plugging conditions of approval may be required. The BLM will assess the situation and work with the operator to ensure proper plugging of the wellbore.

Pressure Testing:
Annual pressure monitoring will be performed by the operator on all casing annuli and reported in a sundry notice. If the test results indicated a casing failure has occurred, remedial action will be undertaken to correct the problem to the BLM's approval.

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) 234-5909 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 is approximately 6 inches in depth. 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 twenty-five (25) 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.

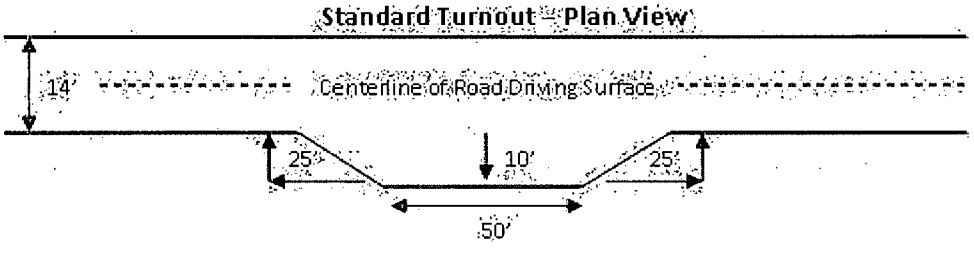
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing 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.

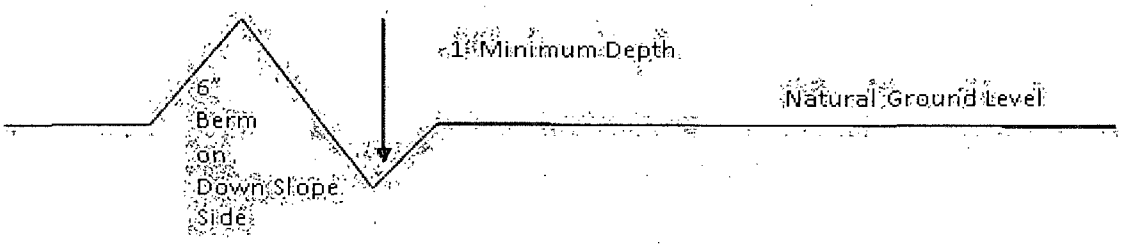
Turnouts
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



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 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ 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

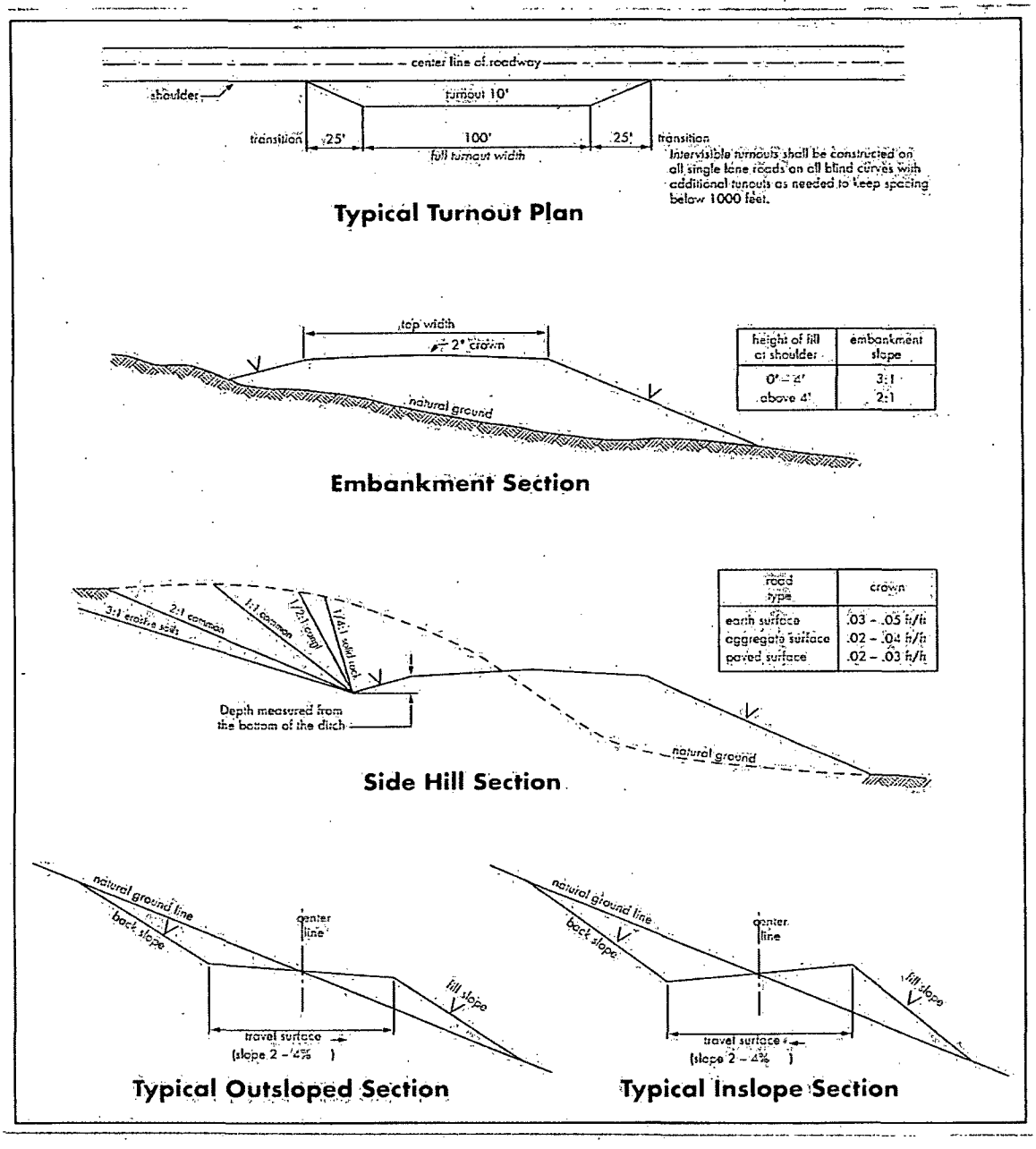
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

☐ **Chaves and Roosevelt Counties**
Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201.
During office hours call (575) 627-0272.
After office hours call (575) 200-7902.

☐ **Eddy County**
Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(505) 361-2822

☐ **Lea County**
Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(505) 393-3612

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the formation.

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. When floor controls are required, (3M or Greater) 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. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface. The logs shall be run at a speed which allows the logs to be legible and no faster than manufactures of the logging tools recommended speed. (R-111-P area only)

B. CASING

1. The inch surface casing shall be set at 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).

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 action will be done prior to drilling out that string.

2. The minimum required fill of cement behind the inch intermediate casing is:

☐ Cement to surface. If cement does not circulate see B.1.a-d above.

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

3. The minimum required fill of cement behind the inch production casing is:

☐ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

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

☐ Top of cement to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

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 2000 (2M) psi.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the intermediate casing shoe shall be 2000 (2M) psi.

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

    a. The tests shall be done by an independent service company.

    b. The results of the test shall be reported to the appropriate BLM office.

    c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.

    d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

    e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the formation. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

    f. A variance to test the surface casing and BOP/BOPE to the reduced pressure of psi with the rig pumps is approved.

D. DRILLING MUD

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

E. DRILL STEM TEST

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

ACS/ (date)

F. 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** from the BLM Standard Environmental Color Chart (CC-001: June 2008).

B. PIPELINES (Not applied for in APD)

C. ELECTRIC LINES (Not applied for in APD)

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).

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

Seed Mixture 2, for Sandy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be 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:

Species	lb/acre
Sand dropseed (Sporobolus cryptandrus)	1.0
Sand love grass (Eragrostis trichodes)	1.0
Plains bristlegrass (Setaria macrostachya)	2.0

*Pounds of pure live seed:

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