

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

JUN - 1 2006

0

OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: ☐ DRILL ☒ REENTER

b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

5. Lease Serial No.
NM-16324

6. If Indian, Allottee or Tribe Name
Not Applicable

7. If Unit or CA Agreement, Name and No.
Not Applicable

8. Lease Name and Well No. **12118**
Charlotte Federal Com. #8

9. API Well No.
30-005-61368

2. Name of Operator
Yates Petroleum Corporation

3A. Address **105 South Fourth Street**
Artesia, New Mexico 88210

3b. Phone No. (include area code)
(505) 748-1471

10. Field and Pool, or Exploratory
Wildcat b. Granite

11. Sec., T., R., M., or Blk. and Survey or Area
Section 30, T7S-R26E

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface **1650' FSL and 1980' FWL**

At proposed prod. Zone **same as above**

12. County or Parish
Chaves County

13. State
New Mexico

14. Distance in miles and direction from nearest town or post office*
Approximately twenty-five (27) miles Northeast from Roswell, NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1650'	16. No. of Acres in lease 787.58	17. Spacing Unit dedicated to this well 320 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2640'	19. Proposed Depth 5180'	20. BLM/BIA Bond No. on file NM-2811
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3584'	22. Approximate date work will start* ASAP	23. Estimated duration 30 Days

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office. | 6. Such other site specific information and/or plans as may be required by the authorized office. |

25. Signature <i>Debbie L. Caffall</i>	Name (Printed/Typed) Debbie L. Caffall	Ph: 505-748-4376	Date May 2, 2006
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Title:

Regulatory Agent

Approved by (Signature) /S/ LARRY D. BRAY	Name (Printed/Typed) /S/ LARRY D. BRAY	Date MAY 31 2006
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

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.

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.

*(Instructions on reverse)

Previously Approved

C-144 attached

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

District I

1625 N. French Dr., Hobbs, NM 88240

District II

811 South First, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-102

Revised August 15, 2000

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 96542	³ Pool Name Wildcat Granite
⁴ Property Code	⁵ Property Name CHARLOTTE FEDERAL COM.		⁶ Well Number 8
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation		⁹ Elevation 3584'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	30	7S	26E		1650	South	1980	West	Chaves

¹¹ 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

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

¹⁶				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Robert Asher Printed Name Regulatory Agent Title 4/29/2004 Date	
				¹⁸ 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 supervision, and that the same is true and correct to the best of my belief. REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor:	
				Certificate Number	

**MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-172
Superseded C-128
Effective 1-1-85

All distances must be from the outer boundaries of the Section.

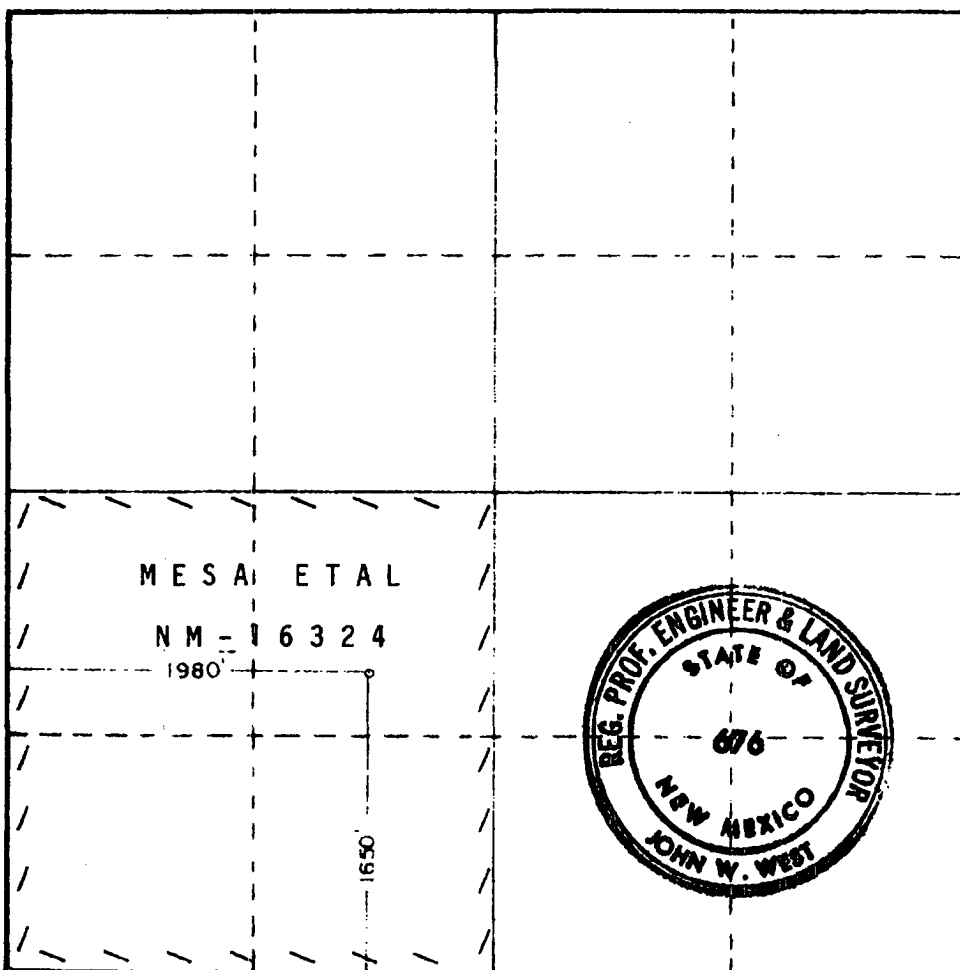
Operator MESA PETROLEUM CO.		Lessee CHAROLETTE FED.		Well No. 4
Unit Letter K	Section 30	Township 7 SOUTH	Range 26 EAST	County CHAVES
Actual Portage Location of Well: <div style="display: flex; justify-content: space-between;"> 1650 feet from the SOUTH line and 1980 feet from the WEST line </div>				
Ground Level Elev. 3584.0	Producing Formation ABO	Pool UNDESIGNATED	Section and Township SW/4 160	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

R. E. Mathis

R. E. MATHIS

REGULATORY COORDINATOR

MESA PETROLEUM CO.

12/18/81

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 knowledge and belief.

Date surveyed **12-3-81**

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. **JOHN W. WEST 676**
PATRICK A. ROMERO 6463

320 640 960 1280 1600 1920 2240 2560 2880 3200 3520 3840 4160 4480 4800

YATES PETROLEUM CORPORATION
Charlotte Federal Com. #8 (Re-entry)
 1650' FSL and 1980' FWL
 Section 30-T7S-R26E
 Chaves County, New Mexico

Yates plan is to re-enter the well with a drilling rig to drill out the cement plugs in the 8 5/8" casing and in the 7 7/8" open hole down to old TD of 4,450', then deepen the well to a new TD of 5,400' +/- in the basement. A new suite of open-hole logs will be run and if the logs show any of the deeper zones to have a potential to be completed, a string of 5 1/2" casing will be run to TD and cemented to 3,000' +/- . The mud that will be used is 9.2 – 9.5 ppg brine water with a 55 – 70 cp viscosity.

The well will be completed with a pulling unit. The formations that a completion will probably be attempted in will be the Abo @ 4,100' +/-, the Wolfcamp @ 4,600' +/-, the Cisco @ 4,900' +/-, the Strawn @ 5,100' +/- or the Silurian @ 5,200' +/- if the zone is present.

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

San Andres	463'	Spear Zone	4640'
Glorieta	1468'	Cisco	4870'
Tubb	2966'	Strawn	4975'
Abo	3634'	Precambrian Basement	5030'
Wolfcamp	4335'	TD	5180'

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

Water: 150'-200'
 Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	N/A	In Place
12 1/4"	8 5/8"	24#	K-55	ST&C	N/A	In Place
7 5/8"	5 1/2"	15.5#	J-55	LT&C	0-5400'	5400'

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

Charlotte Federal Com. #8 (Re-entry)

Page 2

2. YPC requests a variance to be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 1000 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the maximum bottom hole pressure is 1100 psi. Pressure at the surface is much less. Most of the time the Abo formation requires treatment before it flows.

A. CEMENTING PROGRAM:

Production Casing: 600 sx PVL (YLD 1.34 WT 13.0). TOC = 3000'

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0 - TD	Starch/Salt Gel	9.6 - 10.2	38-55	<12/cc

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

6. EVALUATION PROGRAM:

Samples: 10' samples, surface casing to TD.

Logging: CNL/LDT/NGT - TD to surf csg; CNL/GR TD to surf;
DLL/MSFL TD-Surf csg; BHC Sonic TD-SURF CSGFMI TD to top of Wolfcamp.

Coring: Sidewall

DST's: As warranted.

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

No abnormal temperatures or pressures are anticipated.

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Charlotte Federal Com. #8 (Re-entry)
1650' FSL and 1980' FWL
Section 30-T7S-R26E
Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 27 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive north of Roswell on Highway 285, approximately 13 miles to One Horse Road. Turn right on road and drive approximately 2.6 miles to Cottonwood Road. Turn left on Cottonwood and drive approximately 8.6 miles to Chaves Road. Turn right on Chaves and drive approximately 2.3 miles to an existing lease road on the right. Turn here and drive approximately 0.3 of a mile to the SW corner of the Short RM Deep Federal #5 well the access road is staked at the SW corner of the pad, turn left and continue for approx. 0.6 of a mile the SW corner of the location.

2. PLANNED ACCESS ROAD:

- A. This is a new road that is approximately 3009.5' in length lying in a SE direction. Off lease road right-of-way has been applied for with the BLM (October 29, 2003).
- B. The road is 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. No traffic turnout will be built.
- D. There will be one (1) cattle guard installed on the access road at the fence line approx. 400' east of the SW corner of the Short RM Deep Federal #5 well pad.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a brine water system. The water will be obtained from commercial sources, and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will locate nearest pit and will obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

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

11. SURFACE OWNERSHIP: Bureau of Land Management – Roswell, NM.

12. OTHER INFORMATION:

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

13. OPERATOR'S REPRESENTATIVE:

- | | |
|--|---|
| A. Through A.P.D. Approval:
Debbie Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 |
|--|---|

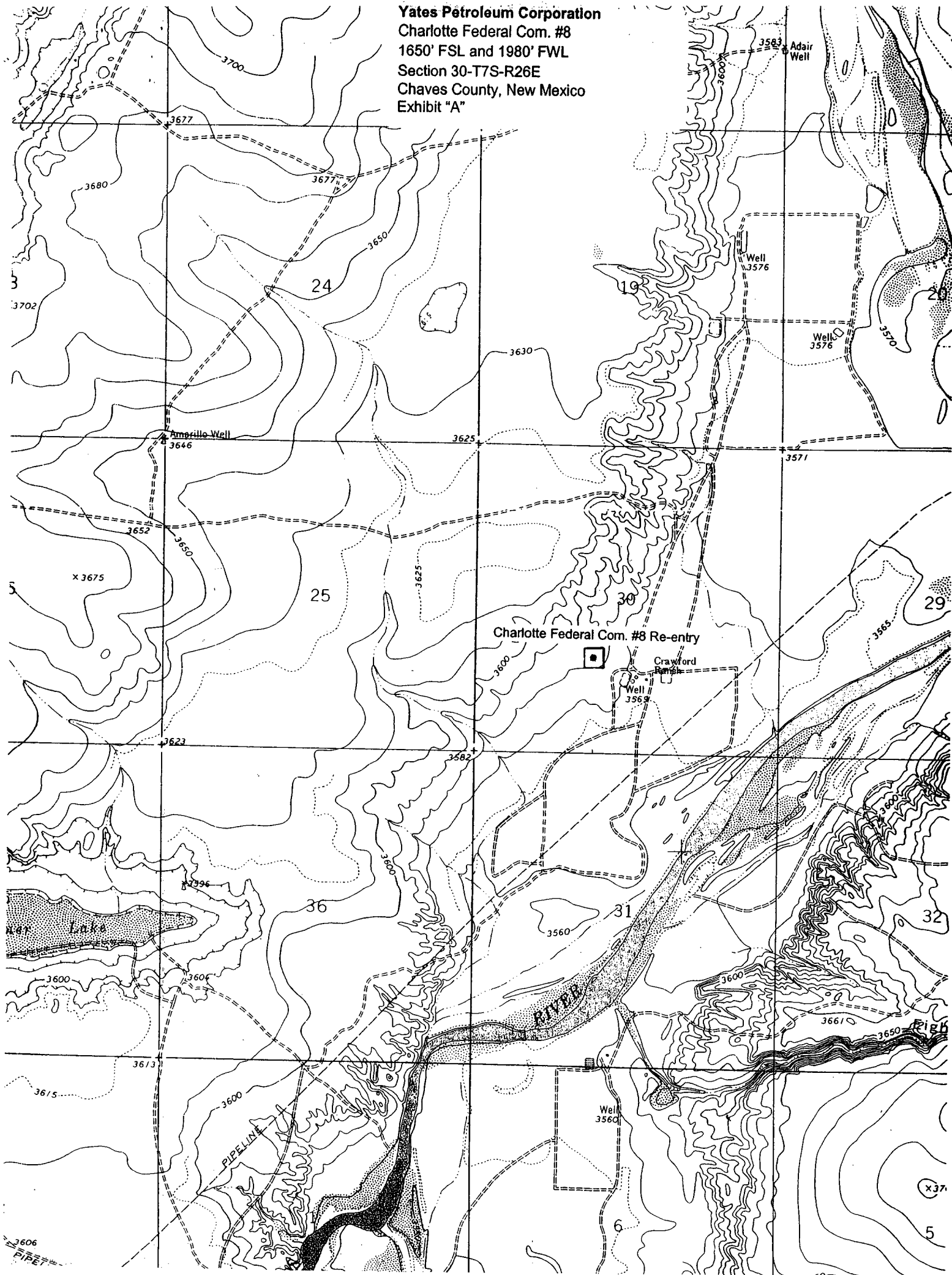
14. CERTIFICATION:

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

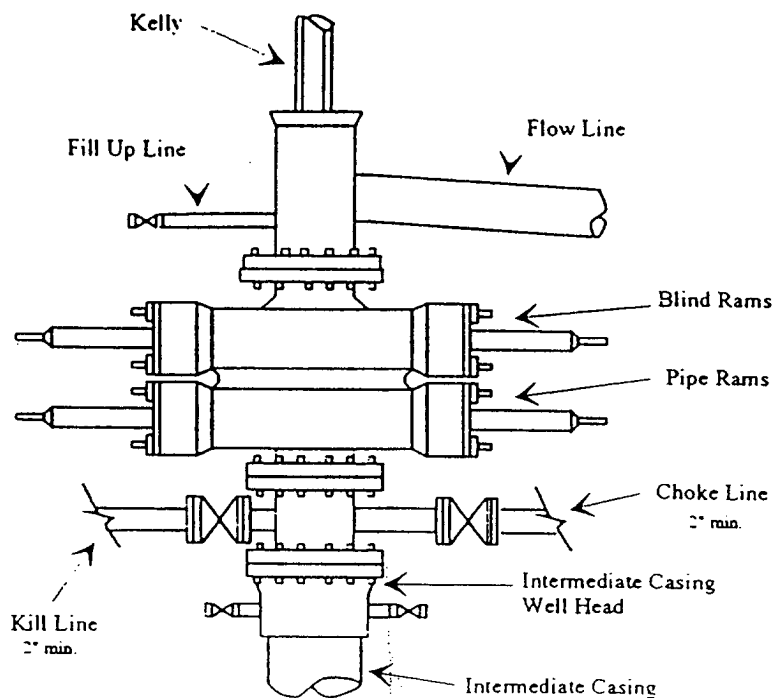
5/2/2006


Regulatory Agent

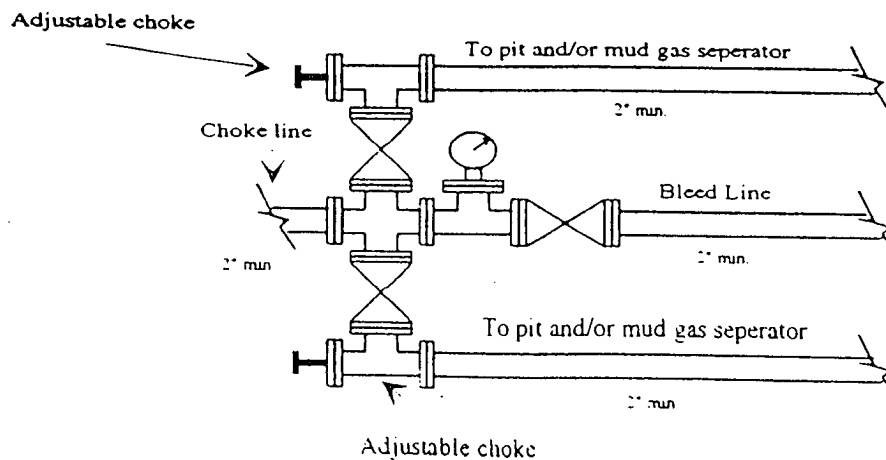
Yates Petroleum Corporation
Charlotte Federal Com. #8
1650' FSL and 1980' FWL
Section 30-T7S-R26E
Chaves County, New Mexico
Exhibit "A"



Typical 2,000 psi Pressure System
Schematic
Double Ram Preventer Stack



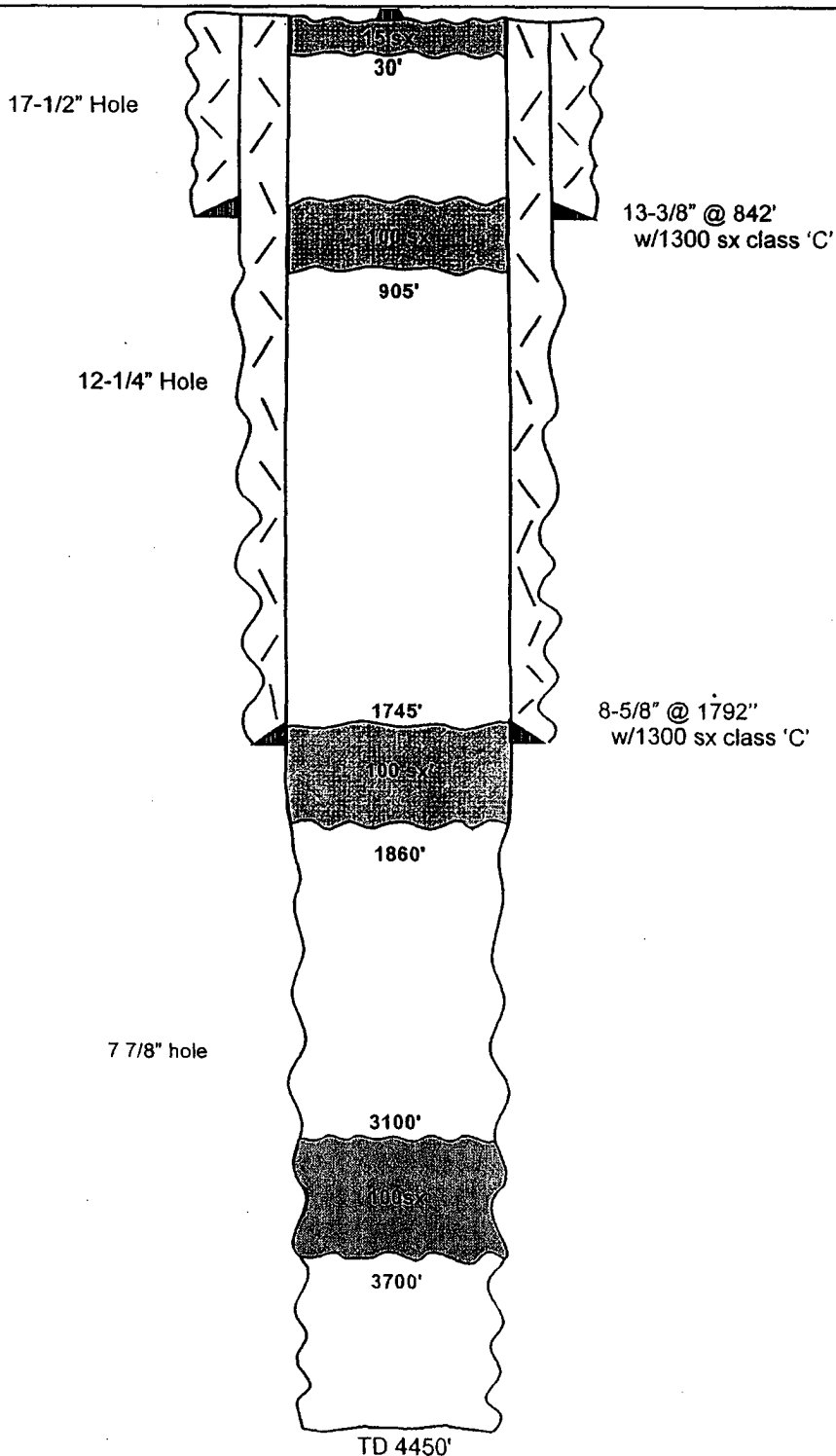
Typical 2,000 psi choke manifold assembly with at least these minimum features



WELL NAME: CHARLOTTE FEDERAL #8 **FIELD:** Undesignate ABO
LOCATION: 1650'FSL & 1980'FWL Sec 30-7S-26E Chaves County
GL: 3584' **ZERO:** **KB:**
SPUD DATE: 1-23-82 **COMPLETION DATE:** 1-29-82
COMMENTS: Well P&A 1-30-82

CASING PROGRAM

13-3/8" 48# H40	842'
8-5/8" 24# K-55	1792'



BEFORE

Tops

San Andres	463'
Glorieta	1468'
Tubb	2966'
ABO	3634'

Yates Petroleum Corporation
 Charlotte Federal Com. #8
 1650' FSL and 1980' FWL
 Section 30-T7S-R26E
 Chaves County, New Mexico
 Exhibit "E-1"

Not to Scale
 5/22/03
 Cam

WELL NAME: CHARLOTTE FEDERAL #8 **FIELD:** Undesignate ABO
LOCATION: 1650' FSL & 1980' FWL Sec 30-7S-26E Chaves County
GL: 3584' **ZERO:** **KB:**
SPUD DATE: 1-23-82 **COMPLETION DATE:** 1-29-82
COMMENTS: Well P&A 1-30-82

CASING PROGRAM

13-3/8" 48# H40	842'
8-5/8" 24# K-55	1792'
5 1/2" 15.5# J-55	5400'

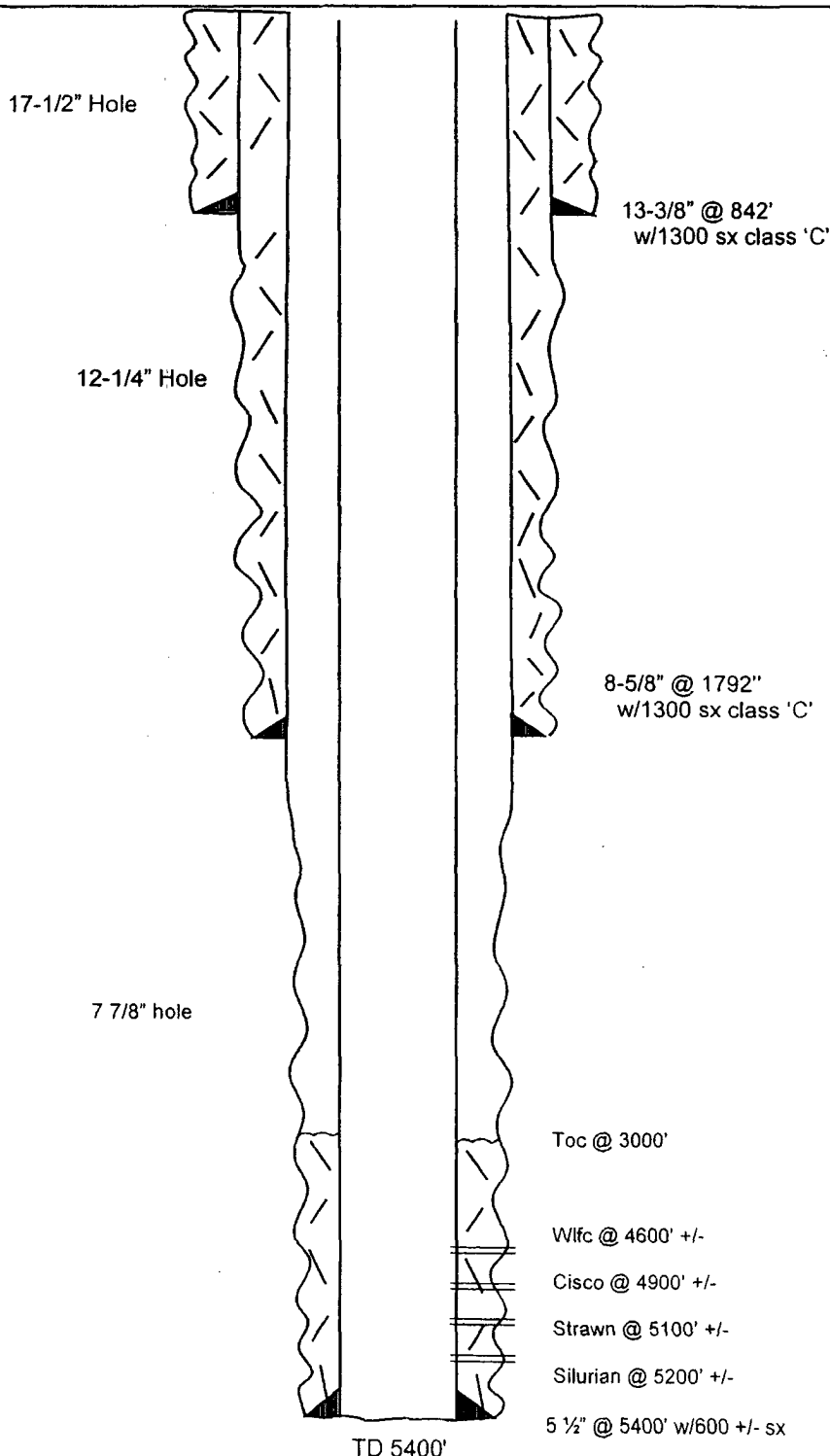
AFTER

Tops

San Andres	463'
Glorieta	1468'
Tubb	2966'
ABO	3634'

Yates Petroleum Corporation
 Charlotte Federal Com. #8
 1650' FSL and 1980' FWL
 Section 30-T7S-R26E
 Chaves County, New Mexico
 Exhibit "E-2"

Not to Scale
 5/22/03
 Cam



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

WF
Form C-144
March 12, 2004

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ CheckBox1

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Yates Petroleum Corporation Telephone: 505-748-4376 e-mail address: debblec@yppcnm.com
Address: 104 South 4th Street, Artesia, New Mexico 88210
Facility or well name: Charlotte Federal Com. #8 API #: 30-005-61368 U/L or Qtr/Qtr NESW Sec. 30 T. 7S R. 26E
County: Chaves Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Purpose: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Volume _____ bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not: _____	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	(0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(0 points)
Ranking Score (Total Points)		20

this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

Date: 10/26/2004

Printed Name/Title: Robert Asher/Regulatory Agent

Signature: _____

This certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: JUL 22 2005

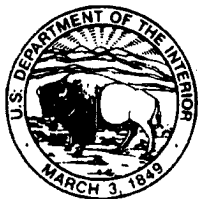
Field Supervisor

Printed Name/Title: _____

Signature: _____

As a condition of approval, if during construction water is encountered or if water seeps in pits after construction the **OCD MUST BE CONTACTED IMMEDIATELY!**

AS A CONDITION OF APPROVAL, A DETAILED CLOSURE PLAN MUST BE APPROVED BEFORE CLOSURE MAY COMMENCE.



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

IN REPLY REFER TO:

Charlotte Federal Com. #8

NM-16324

DNA # - NM-510-06-127

Yates Petroleum Corporation shall adhere to the following;

- A. The Conditions of Approval exclusive to this well are still in affect.
- B. The following mitigating measures supersede some of the original Condition of Approval requirements:

1. EXHIBIT B - WELL DRILLING REQUIREMENTS

3 of 5 pages

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 5-1/2 inch

NOTE: 13-3/8 inch surface casing is set at 842' and cemented to surface;
8-5/8 inch intermediate casing is set at 1792' and cemented to surface.

C. BOP tests

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. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

B. CASING:

1. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach a minimum of 500 feet above the top of the uppermost hydrocarbon productive interval.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

NOTE: A waiver to test the casing and BOP equipment with the rig pumps is approved.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

2. Exhibit B - WELL DRILLING REQUIREMENTS

5 of 5 pages

IV. WELL DRILLING REQUIREMENTS:

G. Painting Requirement:

All above-ground structures (e.g.: meter houses, tanks, above ground pipelines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Supplemental Environmental Colors" intended to provide additional color choices in selecting the most appropriate color(s) for BLM facilities. The color selected for painting all the well facilities is;

Olive Drab, Supplemental Chart Number **18-0622 TPX**.

3. EXHIBIT E - SURFACE RECLAMATION/RESTORATION REQUIREMENTS

a. SURFACE RECLAMATION/RESTORATION REQUIREMENTS

3 of 5 pages

V. Reserve Pit Requirements:

E. Contact Randy Legler at (505) 627-0215, three days before commencing the reserve pit reclamation.

b. SURFACE RECLAMATION/RESTORATION REQUIREMENTS

5 of 5 pages

VI. SEEDING REQUIREMENTS:

H. Contact Randy Legler at (505) 627-0215, to witness the seeding operations, two (2) days prior to seeding the disturbed areas.