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3160-3  
(August 1999)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
**HIGH CAVE KARST**

**APPLICATION FOR PERMIT TO DRILL OR REENTER**

1a. Type of Work. <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-100538</b>	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator <b>Yates Petroleum Corporation</b>		7. If Unit or CA Agreement, Name and No.	
3a. Address <b>105 South Fourth Street Artesia, New Mexico 88210</b>		8. Lease Name and Well No. <b>Banzai BKZ Federal 1</b>	
3b. Phone No. (include area code) <b>(505) 748-1471</b>		9. API Well No. <b>30-015-20346</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>660' FNL and 990' FEL</b> At proposed prod. Zone <b>Same</b>		10. Field and Pool, or exploratory <b>Wildcat Barnett Shale</b> <i>MISS</i>	
14. Distance in miles and direction from nearest town or post office* <b>Approximately 4 miles southeast of Whites City, New Mexico.</b>		11. Sec., T., R., M., or Blk. and Survey or Area <b>Section 23, T25S-R25E</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>660'</b>	16. No. of Acres in lease <b>1138.74</b>	17. Spacing Unit dedicated to this well <b>N/2</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1.1 miles</b>	19. Proposed Depth <b>13125'</b>	20. BLM/BIA Bond No. on file <b>NMB-000434</b>	
22. Approximate date work will start* <b>ASAP</b>		23. Estimated duration <b>45 days</b>	
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>[Signature]</i>	Name (Printed/Typed) <b>Cy Cowan</b>	Date <b>1/24/2008</b>
Regulatory Agent		
Approved by (Signature) <i>/s/ Don Peterson</i>	Name (Printed/Typed) <b>/s/ Don Peterson</b>	Date <b>SEP 26 2008</b>
Title <b>FOR FIELD MANAGER</b>		
Office <b>CARLSBAD FIELD OFFICE</b>		

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.

**C-144 attached SEE ATTACHED FOR CONDITIONS OF APPROVAL**  
**APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED**  
*This lease expires 2/21/08*  
**CARLSBAD CONTROLLED WATER BASIN**  
*[Circular stamp: ENTERED IN GARS]*

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED  
OMB No 1004-0137  
Expires March 31, 2007

## SUNDRY NOTICES AND REPORTS ON WELLS

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

**SUBMIT IN TRIPLICATE - Other instructions on page 2.**

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other (re-entry)		5. Lease Serial No. NM-100538
2. Name of Operator Yates Petroleum Corporation 025575		6. If Indian, Allottee or Tribe Name Not Applicable
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. (include area code) (575) 748-1471	7. If Unit or CA/Agreement, Name and/o Not Applicable
4. Location of Well (Footage, Sec., T, R., M., or Survey Description) 660' FNL & 660' FEL, Unit A Section 23, T25S-R25E		8. Well Name and No. Banzai BKZ Federal #1
		9. API Well No.
		10. Field and Pool, or Exploratory Area Wildcat Barnett Shale
		11. County or Parish, State Eddy County, New Mexico

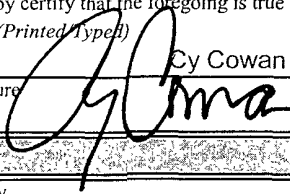
## 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Change of Surface Use Plan
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation requests permission to change from the use of a Reserve Pit to a Closed Loop System. Attached is the C144-also submitted to the Oil Conservation Division.

Thank you.

14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Cy Cowan	Title Regulatory Agent / Land Department
Signature 	Date September 8, 2008
THIS SPACE FOR FEDERAL OR STATE USE	
Approved by FOR FIELD MANAGER	Date SEP 26 2008
Conditions of approval, if any, are attached. Approval of this notice 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	Office CARLSBAD FIELD OFFICE
Title 18 U.S.C. Section 1001, 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)

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Arizos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Num <b>30-015-20346</b>	Pool Code <b>97.338</b>	Pool Name <b>Wildcat Mississippi</b>
Property Code <b>37416</b>	Property Name <b>Banzai BKZ Federal</b>	Well Number <b>1</b>
OGRID No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORPORATION</b>	Elevation <b>3412'</b>

**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
A	23	25S	25E		660'	North	990'	East	Eddy

**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 <b>320</b>	13 Joint or Infill	14 Consolidation Code	15 Order No.
----------------------------------	--------------------	-----------------------	--------------

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	<b>17 OPERATOR CERTIFICATION</b> 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: <b>Cy Cowan</b> Date: <b>1/24/08</b> Cy Cowan, Regulatory Agent Printed Name
	<b>18 SURVEYOR CERTIFICATION</b> 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

30.015.20346

N MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section

Operator <b>INEXCO OIL COMPANY</b>			Lease <b>WHITE CITY FEDERAL</b>		Well No. <b>1</b>
Unit Letter <b>A</b>	Section <b>23</b>	Township <b>25 SOUTH</b>	Range <b>25 EAST</b>	County <b>EDDY</b>	
Actual Footage Location of Well: <b>660</b> feet from the <b>NORTH</b> line and <b>990</b> feet from the <b>EAST</b> line					
Ground Level Elev. <b>3412</b>	Producing Formation <b>Dev</b>	Pool <b>Wildcat</b>	Dedicated Acreage: <b>40</b> Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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.

*Bernard J. Mahony*  
Name

Bernard J. Mahony

Position

Manager, Prod. & Drilg.

Company

INEXCO OIL COMPANY

Date

11-2-70

**RECEIVED**  
I hereby certify that the well location shown on this plat was obtained from field notes of oil surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.  
NOV-3-1970  
J. S. BLOOMER JR.  
JUL 14 1970

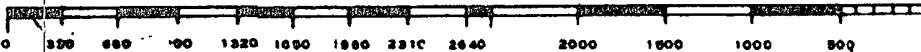
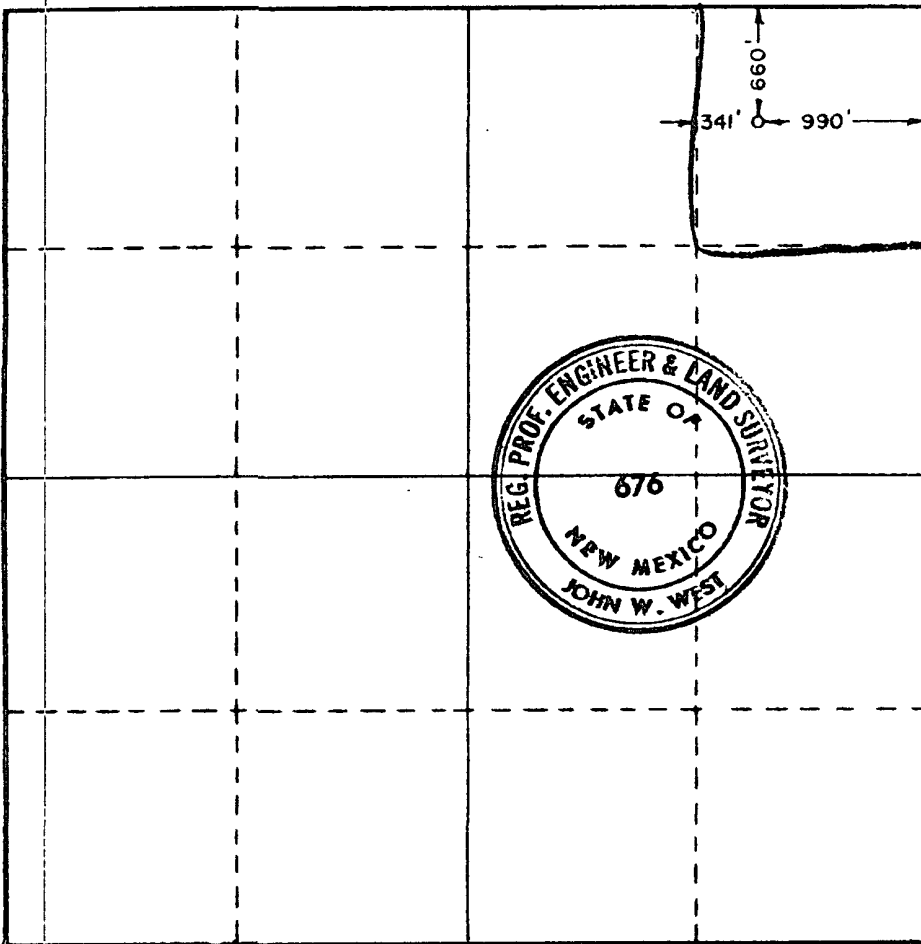
Date Surveyed

10-30-1970

Registered Professional Engineer and/or Land Surveyor

*John W. West*  
Certificate No.

676



**YATES PETROLEUM CORPORATION**

Banzai BKZ Federal #1 (Re-entry)

660' FNL and 990' FEL

Section 23-T25S-R25E

Eddy County, New Mexico

Re-entry Prognosis

Page 2

This well was originally drilled by Inexco Oil Company as the Whites City Federal #1. It was spudded on November 2, 1970 and was P/A'd December 31, 1970.

Yates Petroleum Corporation proposes to re-enter the captioned well with a pulling unit and reverse unit to drill out cement plugs in the 10 3/4" casing and the 9 5/8" open hole. Will splice the 7 5/8" casing back together and clean out the casing to the plug at +/-8650'. A drilling rig will then be moved in to drill out remaining plugs in the 6 1/2" open hole to the original TD of 11,622'. The drilling rig will then deepen the well to +/- 13,125'. Logs will then be run and 4 1/2" casing will be run and cemented in to place.

See APD for detailed Mud, Casing, and Cementing programs.

**YATES PETROLEUM CORPORATION**  
**Banzai BKZ Federal #1 (re-entry)**  
660' FNL and 990' FEL  
Section 23-T25S-R25E  
Eddy County, New Mexico

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

Delaware	Gas Pay	1527'	Strawn	Gas Pay	10,268'
Bone Spring	Gas Pay	4998'	Morrow	Gas Pay	10,914'
Wolfcamp	Gas Pay	8148'	TD	Gas Pay	13,125'

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

Water: 70'  
Oil or Gas: See Above.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout 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.

**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: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Thread</u>	<u>Interval</u>	<u>Length</u>	
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'	In Place
12 1/4"	10 3/4"	40.5#	H-40	ST&C	0-1800'	1800'	In Place
9 5/8"	7 5/8"	29.7#	N-80	LT&C	0-8700'	8700'	In Place
6 1/2"	4 1/2"	13.5#	P-110	LT&C	0-13125'	13125'	<b>New</b>

Minimum Casing Design Factors: Collapse 1.125, Burst 1.8, Joint Strength 2.0

- B. **CEMENTING PROGRAM:**

Surface casing: 0-400', 450 sx cement in place. Circulated to surface.

Intermediate Casing Stage I: 0-1800', 600 sx cement in place. Circulated to surface.

Intermediate Casing Stage II: 0-8700' 350 sx cement in place. Estimate TOC 5150'

Production Casing: 0-13125', Spacer 150 bbl Nitrified Mud. Lead with 500 sx IF Interfill cement (YLD 2.41 WT 11.9). Tail with 500 sx Super H cement (YLD 1.67 WT 13.0)

*See attached page  
from 2/24/08*

## Yates Petroleum Corporation

Jeremiah Mullen (jmulen@ypcnm.com)  
(505)748-4378  
105 S Fourth Street  
Artesia, N M. 88210

February 26, 2008

Mr. Wesley Ingram,

The following is the casing design and cement program for the Banzai BKZ Federal #1.

Size	Wt. (#/ft.)	Grade	Depth	T&C	Top of Cement
7 5/8"	29.7#	P-110	0'-5100'	LT&C	Surface

Cemented with 960sx C-lite (Yld 2.0 Wt 12.5)

4 1/2"	13.5#	P-110	0'-13,125'	LT&C	8150'
--------	-------	-------	------------	------	-------

Cemented with 575sx Super H (Yld 1.67 Wt. 13.0).

The 7 5/8" will be run and spliced with existing casing. Please call me if you have any questions.

Thank-you,  
Jeremiah Mullen

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-13125'	Cut Brine	9.6-10.8	34-38	<10-15cc

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: None.  
Logging: Platform Express-FMI.  
Coring: None anticipated.  
DST's: None anticipated.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:  
Anticipated BHP:

From: 0 TO 13125 Anticipated Max. BHP: 3850 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

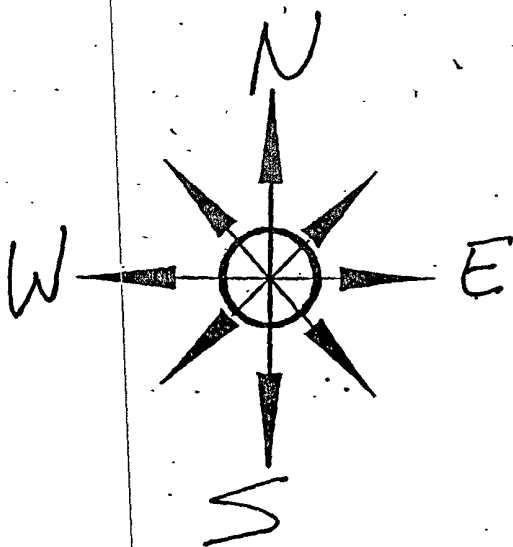
H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 156° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 35 days to re-enter this well with completion taking another 20 days.



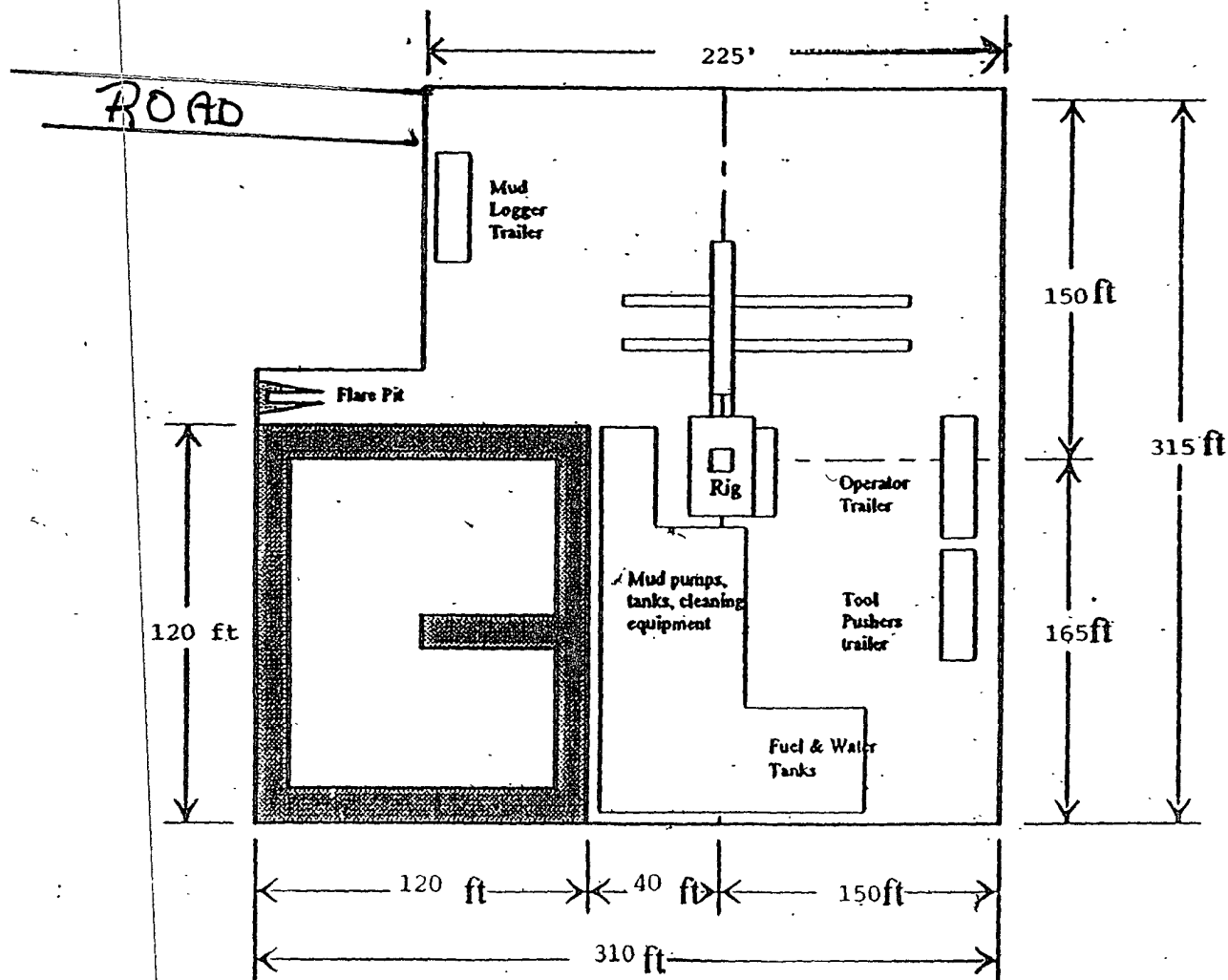


# Yates Petroleum Corporation

## Location Layout for Permian Basin

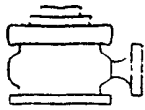
PB - L1

YATES PETROLEUM CORPORATION  
Banzai BKZ Federal #1 Re-entry  
660' FNL and 990' FEL  
Section 23, T25S-R25E  
Eddy County, New Mexico



Distance from Well Head to Reserve Pit will vary between rigs

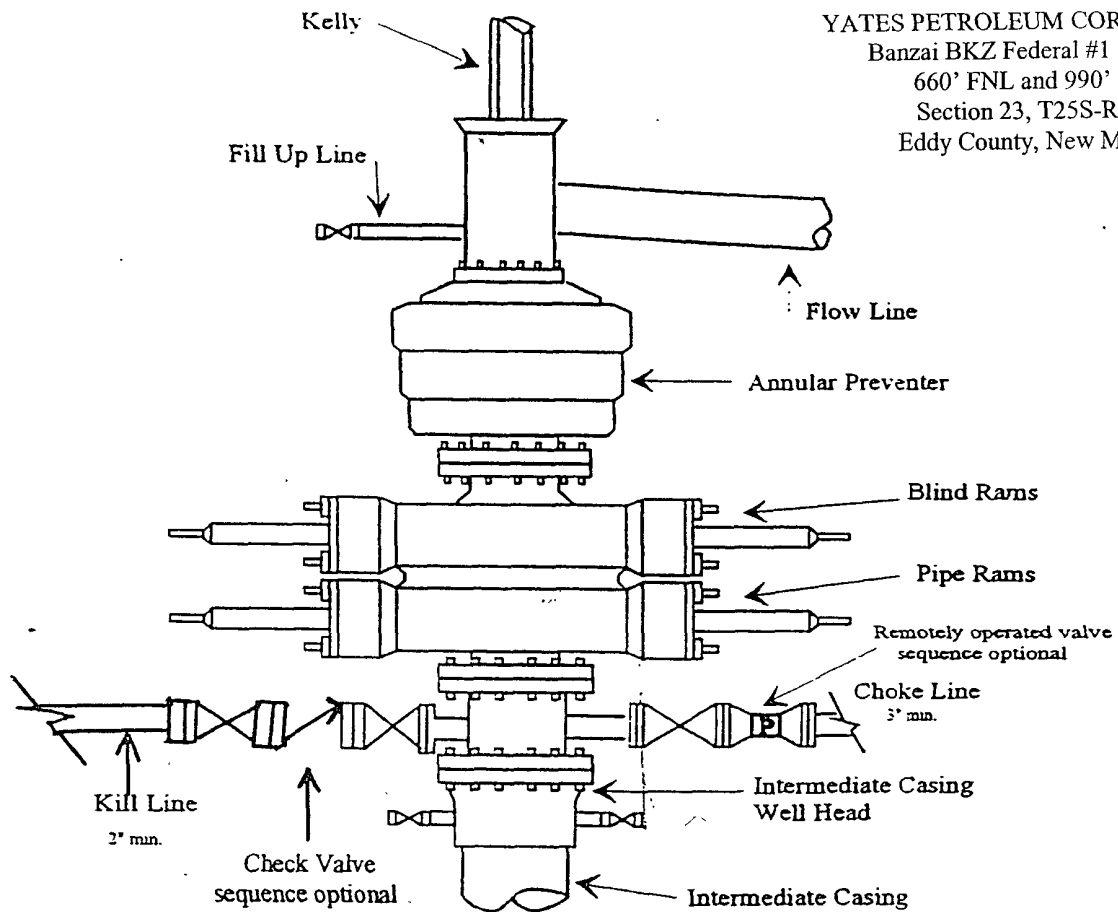
The above dimension should be a maximum



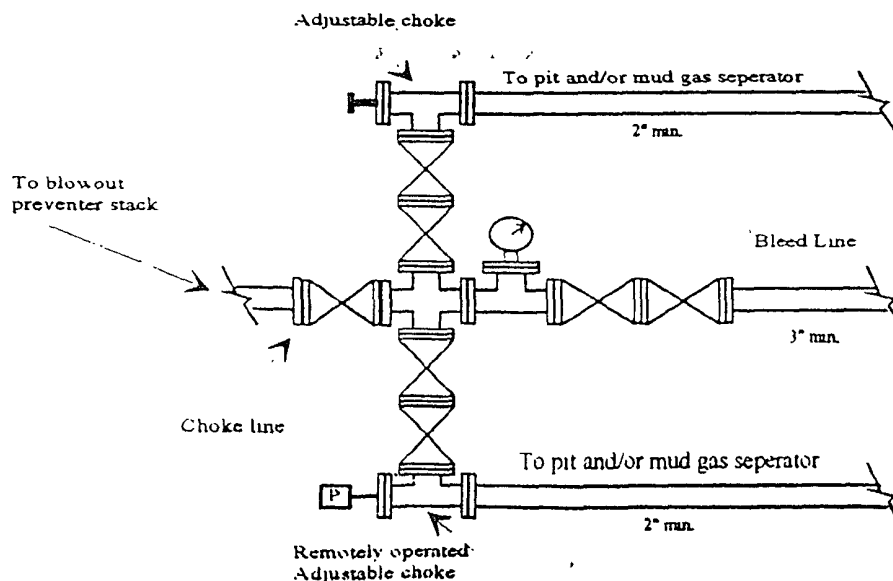
# Yates Petroleum Corporation

BOP-4

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



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



**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**YATES PETROLEUM CORPORATION**  
**Banzai BKZ Federal #1**  
660' FNL and 990' FEL  
Section 23-T25S-R25E  
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 4 miles southeast of Whites City, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

**DIRECTIONS:**

From the intersection of National Parks Highway the Carlsbad Caverns Road in Whites City go south on Natural Parks Highway for approximately 1.5 miles to Whites City Road. Turn left here on Whites City Road and go approximately 2 miles to a two track road going south. Turn right here and follow the two track road for approx. .8 of a mile. You will cross the Black River on the two track road. At this point follow the two track to the southeast for approx. .3 of a mile to the northwest corner of the well location. The two track road will be upgraded.

2. **PLANNED ACCESS ROAD:**

- A. The proposed new access will be approximately 1.1 miles in length from the point of origin to the northwest corner of drilling pad. The road will lie in a south then southeasterly direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Some traffic turnouts will be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. **LOCATION OF EXISTING WELL**

- A. There is not any drilling activity within a one-mile radius of the wellsite.
- B. The 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 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 cut 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 the closest pit and obtain any permits and material needed for the 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 land fill. 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, location of the drilling equipment, rig orientation and access road approach. The reserve pits will be 100'x100' in size.
- B. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- C. A 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 wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been 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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Private Surface owned by John Ballard, 80 Ballard Ranch Road, Carlsbad, NM 88220. A surface damage agreement has been reached with the surface owner.

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.
12. 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

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 24th day of January, 20 08

Signature 

Name Cy Cowan

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

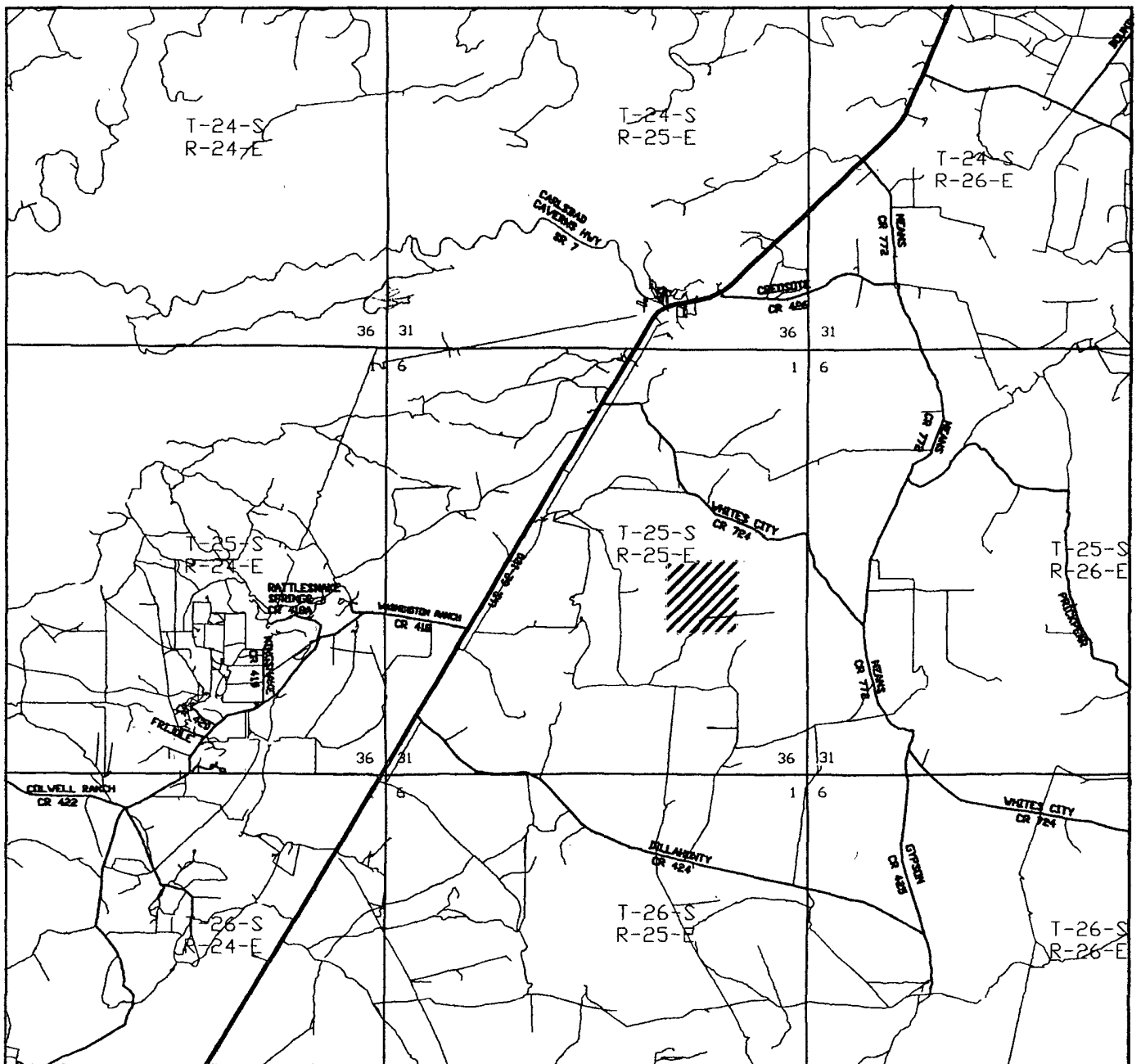
Telephone (505) 748-4372

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) \_\_\_\_\_



**BANZI BKZ FEDERAL #1**  
 Located at 660' FNL AND 990' FEL  
 Section 23, Township 25 South, Range 25 East,  
 N.M.P.M., Eddy County, New Mexico.



focused on excellence  
in the oilfield

P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
 basinsurveys.com

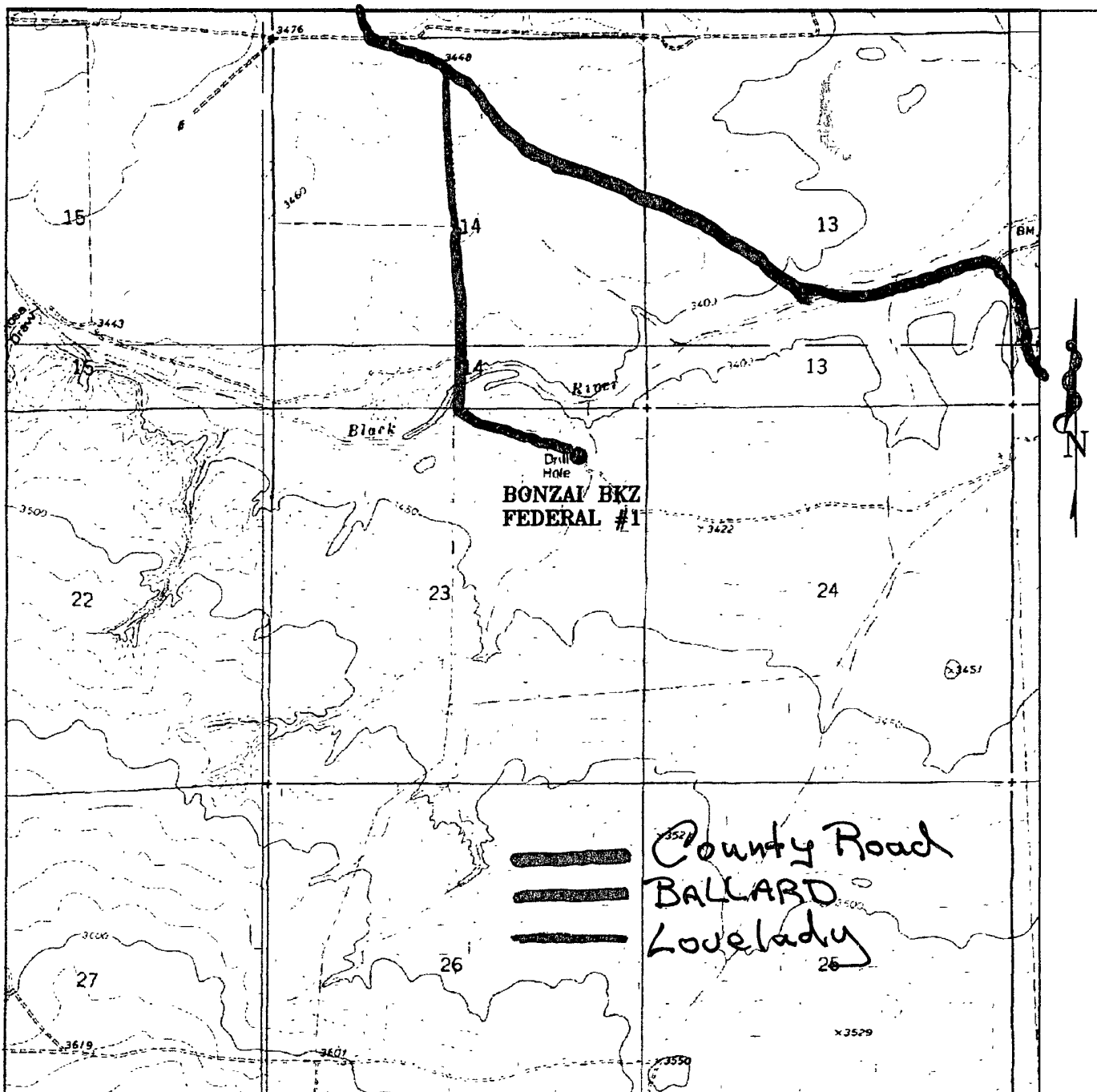
W.O. Number: JMS 18996TR

Survey Date: 12-29-2007

Scale: 1" = 2 MILES

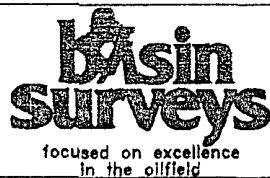
Date: 01-02-2008

**YATES  
 PETROLEUM  
 CORP.**



### BONZAI BKZ FEDERAL #1

Located at 660' FNL AND 990' FEL  
 Section 23, Township 25 South, Range 25 East,  
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (505) 393-7316 - Office  
 (505) 392-3074 - Fax  
[basinsurveys.com](http://basinsurveys.com)

W.O. Number: 18996T

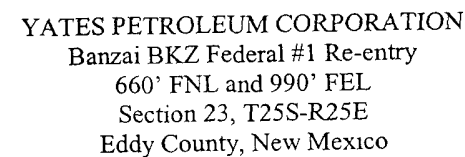
Survey Date: 12-29-2007

Scale: 1" = 2000'

Date: 01-02-2008

**YATES  
 PETROLEUM  
 CORP.**





# PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp
LEASE NO.:	NM-100538
WELL NAME & NO.:	1-Banzai BKZ Federal
SURFACE HOLE FOOTAGE:	660' FNL & 990' FEL
BOTTOM HOLE FOOTAGE	' F L & ' F L
LOCATION:	Section 23, T. 25 S., R 25 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.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☒ **Special Requirements**
  - Cave/Karst
  - Wildlife
- ☐ **Construction**
  - Notification
  - Topsoil
  - Reserve Pit
  - Federal Mineral Material Pits
  - Well Pads
  - Roads
- ☐ **Road Section Diagram**
- ☒ **Drilling**
- ☐ **Production (Post Drilling)**
  - Well Structures & Facilities
- ☐ **Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**

## **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)

### Cave and Karst

#### **Cave/Karst Surface Mitigation**

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

##### **Berming:**

Tank batteries will be bermed to contain 1 ½ times the content of the largest tank.

Bermed areas will be lined with a permanent 20 mil plastic liner and then lined with a 4 oz. felt liner to prevent tears or punctures in liner.

##### **Closed Mud System Using Steel Tanks with All Fluids and Cuttings Hauled Off.**

A closed mud system with steel tanks will be utilized to drill the well. All fluids and cuttings will be hauled off site for disposal. No pits are allowed.

#### **Cave/Karst Subsurface Mitigation**

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

##### **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 100 percent occur simultaneously while drilling in any cave-bearing zone, the BLM will be notified immediately by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

##### **Delayed Blasting:**

Any blasting will be phased and time delayed.

##### **Abandonment Cementing:**

Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

##### **Record Keeping:**

The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence

of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

**Wildlife**

Well pad and any collection facilities that are needed will be bermed.

## **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 (505) 234-5972 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**

There is no measurable soil on this well pad to stockpile. No topsoil stockpile is required.

### **C. RESERVE PITS**

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**

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 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 thirty (30) 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**

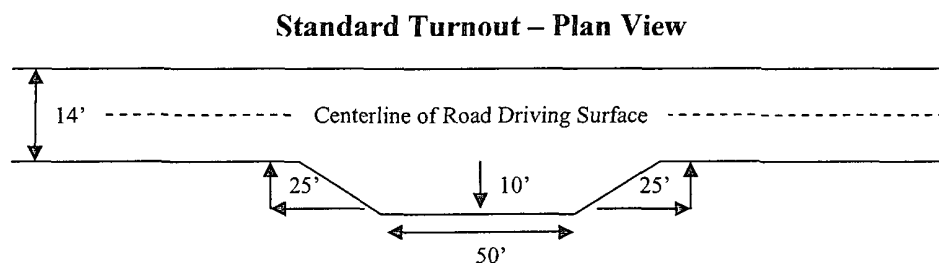
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

### **Ditching**

Ditching shall be required on both sides of the road.

### **Turnouts**

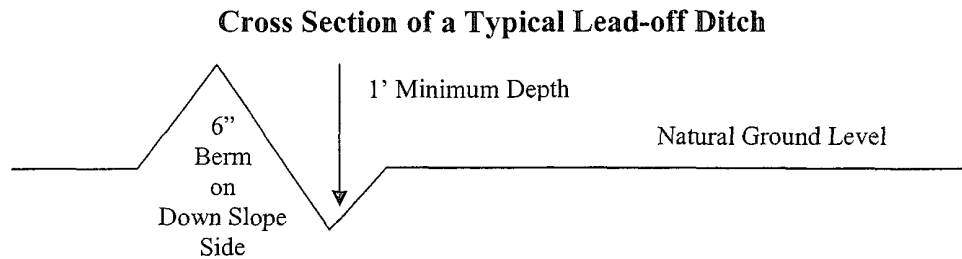
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



### **Drainage**

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outslowing and inslaping, 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.



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:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

#### **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.

**Typical Turnout Plan**

SHOULDER      TURNOUT 10'      TRANSITION      FULL TURNOUT WIDTH      TRANSITION

25'      50'      25'

TURNOUTS SHALL BE CONSTRUCTED ON ALL SINGLE LANE ROADS ON ALL BLIND CURVES WITH ADDITIONAL TURNOUTS AS NEEDED TO KEEP SPACING BELOW 1000 FEET.

**Embankment Section**

HEIGHT OF FILL AT SHOULDER	EMBANKMENT SLOPE
0' - 4'	2:1
ABOVE 4'	2.1

**Side Hill Section**

ROAD TYPE	CROWN
EARTH SURFACE	22 - .25 FT / FT
AGGREGATE SURFACE	22 - .34 FT / FT.
PAVED SURFACE	22 - .43 FT / FT

**Cut Slope Rounding**

**Typical Outsloped Section**

**Typical Insloped Section**

## 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

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,  
(575) 361-2822

1. A Hydrogen Sulfide (H<sub>2</sub>S) Drilling Plan should be activated 500 feet prior to drilling into the **Delaware** 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. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

### B. CASING – RE-ENTRY

**Sulfur in area may have corroded existing casing.**

1. **The 13-3/8" surface casing exists and is set at 400' with cement circulated to surface.**
2. **The 10-3/4" intermediate casing exists and is set at 1800' with cement circulated to surface.**

**Prior to drilling the plug at 1750', perform CIT as per Onshore Oil and Gas Order 2.III.B.1.h.**

**Possible lost circulation in the Delaware.**

**High pressure gas through the Pennsylvanian section.**

3. **The 7-5/8" second intermediate casing exists from 5150 – 8700'. Operator is proposing to splice the 7-5/8' casing and cement to 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.

**Prior to drilling the plug at 8650', perform CIT as per Onshore Oil and Gas Order 2.III.B.1.h.**

**Formation below the 7-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i.**

4. The minimum required fill of cement behind the 4-1/2 inch production casing is:
- ☒ Cement should tie-back at least 200 feet into previous casing string. Operator shall provide method of verification.
5. 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.

#### **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. 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.

#### **D. DRILLING MUD**

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

**WWI 022508**

## **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, Munsell Soil Color Chart # 5Y 4/2

## **IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE**

### **A. INTERIM RECLAMATION**

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting 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.

The operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions 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 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.

#### Seed Mixture 4, for Gypsum 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:

<u>Species</u>	<u>lb/acre</u>
Alkali Sacaton ( <i>Sporobolus airoides</i> )	1.0
DWS <u>Four-wing saltbush</u> ( <i>Atriplex canescens</i> )	5.0

DWS: DeWinged Seed

\*Pounds of pure live seed:

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



## **X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS**

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.