

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-92146
2. Name of Operator Yates Petroleum Corporation		6. If Indian, Allottee or Tribe Name NA
3a. Address 105 S. 4th Str., Artesia, NM 88210	3b. Phone No. (include area code) 575-748-1471	7. If Unit or CA/Agreement, Name and/or No. NMNM109672A
4. Location of Well (Footage, Sec., T., R., M., OR Survey Description) Surface - 1343'FSL & 1911'FWL of Section 6-T20S-R23E (Unit K, NESW) BHL - 713'FSL & 680'FWL of Section 6-T20S-R23E (Unit M, SWSW)		8. Well Name and No. Arley Federal Unit #1
		9. API Well No. 30-015-32684
		10. Field and Pool or Exploratory Area Wildcat, Upper Penn
		11. County or Parish, State Eddy County, New Mexico

12. CHECK 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 type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input checked="" 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 plans to plug and abandon this well as follows:

1. MIRU WSU. NU BOP. Rig up all safety equipment as needed. 6369' of casing recovery will be attempted.
2. Dump bail 35' cement on top of the RBP at 7060'. Set a CIBP at 6910' with 35' cement on top. This will place a plug over open Canyon perforations.
3. Cut the 3-1/2" casing at 6369' and pull. Pick up 2-7/8" work string and spot a 25 sx Class "C" cement plug across the top of the 3-1/2" casing stub inside the 5-1/2" intermediate casing from 6179'-6419'.
4. Spot a 25 sx cement plug from 4458'-4698'. This will leave a plug across Wolfcamp top.
5. Spot a 25 sx cement plug from 3264'-3504'. This will leave a plug across Abo top.
6. Spot a 35 sx cement plug from 1497'-1837'. This will leave a plug across Glorieta top and intermediate casing shoe.
7. Perforate the 5-1/2" casing at 388' and establish circulation up the 5-1/2" x 8-5/8" annulus. Pump a 110 sx Class "C" cement and do not displace. This will leave a plug inside and outside casing from the surface down to and across surface casing shoe.
8. Remove all surface equipment and weld dry hole marker per regulations.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Tina Huerta

Title Regulatory Compliance Supervisor

Signature

Date November 22, 2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

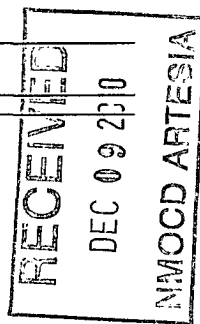
Title

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

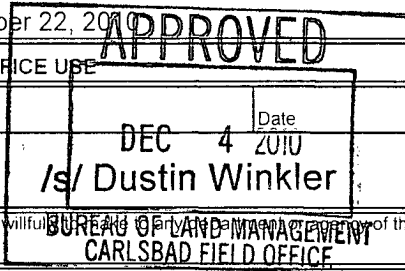
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

(Instructions on page 2)



SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECLAMATION PROCEDURE
ATTACHED



WELL NAME: Arley BNQ Federal #1 FIELD: Unknown

LOCATION: Sec 6, T20S-R23E 1343 FSL & 1911 FWL Eddy County

GL: ZERO: KB:

SPUD DATE: 5/1/03 COMPLETION DATE:

COMMENTS:

CASING PROGRAM

13 3/8" 48# H-40 ST&C	338'
8 5/8" 24#-J-55	1608'
5 1/2", 17# J-55 LT&C 87'	
15# J-55 LT&C 6,804'	
17# J-55 LT&C 451'	7,350'
3 1/2" 9.2# L-80 Integral joint	8460'

17 1/2" hole

TOC @ 422'
by CBL

12 1/4" hole

13 3/8" @ 338'
w/500 sx cmt
(Circ)

7-7/8" hole

8 5/8" @ 1608'
w/1000 sx (circ)

Toc @ 6419' by CBL

5 1/2" @ 7350'
1st Stg. w/180 sx
2nd Stg w/1150 sx

4 3/4" hole

RBP @ 7,060'

Composite BP @ 7,600'

CIBP @ 7,974 w\ 33' cmt

CIBP @ 8,180 w\ 25' cmt

Canyon Perfs: 6,960-70' (11)

Atoka Perfs: 7,502' - 7,510' (49)

Atoka Perfs: 7,614' - 7,630' (97)

Atoka Perfs: 8,022' - 8,032' (61)

Morrow Perfs: 8,210' - 8,218' (49)

TD 8470'

3 1/2" @ 8460'
w/90 sx

Before

TOPS

SA	395'
Glorieta	1,837'
U. Yeso	2,086'
Tubb	2,808'
L. Yeso	2,933'
Abo	3,454'
WC	4,648'
Cisco	6,106'
Strawn	7,258'
Atoka	7,465'
Morrow	8,100'
Chester	8,384'

Not to Scale
11/9/10
MH/DC

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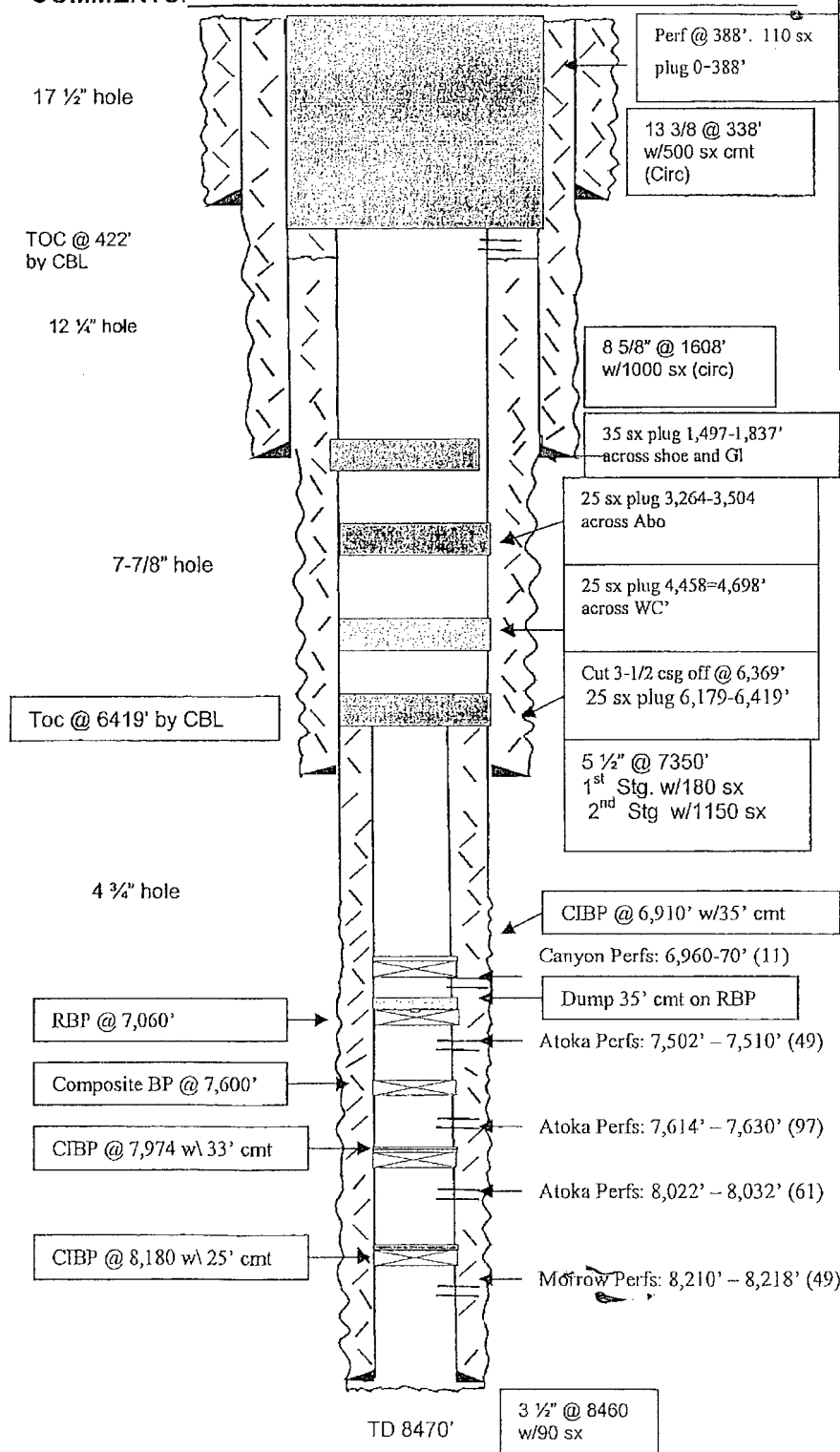
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After

TOPS

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Not to Scale
11/9/10
MH/DC

Yates Petroleum Corporation
NM-92146: Arley Federal Unit #1
API: 30-015-32684
Eddy County, New Mexico

RE: Plugging and Abandonment Requirements, Conditions of Approval

1. OK
2. Change: Take out RBP and set CIBP at 7450'. Spot 25sx cement on top of CIBP at 7450. Canyon perf CIBP OK as proposed. If cement from CIBP at 7450' is tagged at 6910' or shallower, Canyon CIBP can be omitted (Perfs – Casing shoe)
3. Spot from 50' inside stub to 120' above the stub. WOC and tag to verify length - Otherwise OK (Stub)
4. OK (Wolfcamp)
5. OK (Abo)
6. Move: Spot cement from 1890'-1550'. 35sx approved. WOC and tag at 1550' or shallower – Otherwise OK (Glorietta – Casing shoe)
7. OK (Surface – Casing shoe)
8. Verify that all annuluses have cement to surface and fill in as required – Otherwise OK
9. Submit a subsequent report to the BLM.

See attached standard COAs.

DHW 120410

BUREAU OF LAND MANAGEMENT

**Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

Permanent Abandonment of Federal Wells Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within **ninety (90)** days from the approval date of this Notice of Intent to Abandon.

If you are unable to plug the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged. Failure to do so will result in enforcement action.

The rig used for the plugging procedure cannot be released and moved off without the prior approval of the authorized officer. Failure to do so may result in enforcement action.

2. **Notification:** Contact the appropriate BLM office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.

3. **Blowout Preventers:** A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The BOP must be installed and maintained as per API and manufacturer recommendations. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.

4. **Mud Requirement:** Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of **brine** water. Minimum nine (9) pounds per gallon.

5. **Cement Requirement:** Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. In lieu of a cement plug in a cased hole, a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient. Any plug that requires a tag will have a minimum WOC time of 4 hours.

Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

6. Dry Hole Marker: All casing shall be cut-off at the base of the cellar or 3 feet below final restored ground level (whichever is deeper). **The BLM is to be notified when the wellhead is cut off to verify that cement is to surface in the casing and all annuluses.** The well bore shall then be capped with a 4-inch pipe, 10-feet in length, 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: well name and number, name of the operator, lease serial number, surveyed location (quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer such as metes and bounds).

7. Subsequent Plugging Reporting: Within 30 days after plugging work is completed, file one original and five copies of the Subsequent Report of Abandonment, Form 3160-5 to BLM. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

8. Trash: All trash, junk and other waste material shall 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 permitted.

Following the submission and approval of the Subsequent Report of Abandonment, surface restoration will be required. See attached reclamation procedure.

DHW 112309



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene St.
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm



In Reply Refer To: 1310

Reclamation Objectives and Procedures

Reclamation Objective: Oil and gas development is one of many uses of the public lands and resources. While development may have a short- or long-term effect on the land, successful reclamation can ensure the effect is not permanent. 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. At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land and water are restored.

The long-term objective of final reclamation is to set the course for eventual ecosystem restoration, including the restoration of the natural vegetation community, hydrology, and wildlife habitats. In most cases this means returning the land to a condition approximating or equal to that which existed prior to the disturbance. The final goal of reclamation is to restore the character of the land and water to its pre-disturbance condition. The operator is generally not responsible for achieving full ecological restoration of the site. Instead, the operator must achieve the short-term stability, visual, hydrological, and productivity objectives of the surface management agency and take steps necessary to ensure that long-term objectives will be reached through natural processes.

To achieve these objectives, remove any and all contaminants, scrap/trash, equipment, pipelines and powerlines. Strip and remove caliche, contour the location to blend with the surrounding landscape, re-distribute the native soils, provide erosion control as needed, rip and seed as specified in the original APD COA. This will apply to well pads, facilities, and access roads. Barricade access road at the starting point. If reserve pits have not reclaimed due to salts or other contaminants, submit a plan for approval, as to how you propose to provide adequate restoration of the pit area.

1. The Application for Permit to Drill or Reenter (APD, Form 3160-3), Surface Use Plan of Operations must include adequate measures for stabilization and reclamation of disturbed lands. Oil and Gas operators must plan for reclamation, both interim and final, up front in the APD process as per Onshore Oil and Gas Order No. 1.

2. For wells and/or access roads not having an approved plan, or an inadequate plan for surface reclamation (either interim or final reclamation), the operator must submit a proposal describing the procedures for reclamation. For interim reclamation, the appropriate time for submittal would be when filing the Well Completion or Recompletion Report and Log (Form 3160-4). For final reclamation, the appropriate time for submittal would be when filing the Notice of Intent, or the Subsequent Report of Abandonment, Sundry Notices and Reports on Wells (Form 3160-5). Interim reclamation is to be completed within 6 months of well completion, and final reclamation is to be completed within 6 months of well abandonment.
3. The operator must file a Subsequent Report Plug and Abandonment (Form 3160-5) following the plugging of a well.
4. Previous instruction had you waiting for a BLM specialist to inspect the location and provide you with reclamation requirements. If you have an approved Surface Use Plan of Operation and/or an approved Sundry Notice, you are free to proceed with reclamation as per approved APD. If you have issues or concerns, contact a BLM specialist to assist you. It would be in your interest to have a BLM specialist look at the location and access road prior to the removal of reclamation equipment to ensure that it meets BLM objectives. Upon conclusion submit a Form 3160-5, Subsequent Report of Reclamation. This will prompt a specialist to inspect the location to verify work was completed as per approved plans.
5. The approved Subsequent Report of Reclamation will be your notice that the native soils, contour and seedbed have been reestablished. If the BLM objectives have not been met the operator will be notified and corrective actions may be required.
6. It is the responsibility of the operator to monitor these locations and/or access roads until such time as the operator feels that the BLM objective has been met. If after two growing seasons the location and/or access roads are not showing the potential for successful revegetation, additional actions may be needed. When you feel the BLM objectives have been met submit a Final Abandonment Notice (FAN), Form 3160-5, stating that all reclamation requirements have been achieved and the location and/or access road is ready for a final abandonment inspection.
7. At this time the BLM specialist will inspect the location and/or access road. If the native soils and contour have been restored, and the revegetation is successful, the FAN will be approved, releasing the operator of any further liability of the location and/or access road. If the location and/or access road have not achieved the objective, you will be notified as to additional work needed or additional time being needed to achieve the objective.

If there are any questions, please feel free to contact any of the following specialists:

Jim Amos
Supervisory Environmental Protection Specialist
575-234-5909, 575-361-2648 (Cell)

Cody Layton
Natural Resource Specialist
575-234-5959

Terry Gregston
Environmental Protection Specialist
575-234-5958

Trishia Bad Bear
Natural Resource Specialist
575-393-3612

Bobby Ballard
Environmental Protection Specialist
575-234-2230

Todd Suter
Surface Protection Specialist
575-234-5987

Randy Rust
Natural Resource Specialist
575-234-5943

Doug Hoag
Civil Engineering Technician
575-234-5979

Linda Denniston
Environmental Protection Specialist
575-234-5974

Tanner Nygren
Natural Resource Specialist
575-234-5975

Jennifer Van Curen
Environmental Protection Specialist
575-234-5905

John Fast
Natural Resource Specialist
575-234-5996

Justin Frye
Environmental Protection Specialist
575-234-5922