

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

OCT 13 2005

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OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No. 14056	
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. Brannigan ANF Federal #8	
2. Name of Operator Yates Petroleum Corporation		9. API Well No. 30-015-33098	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		10. Field and Pool, or Exploratory Indian Basin Upper Penn Assoc.	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 2405' FNL and 2139' FEL At proposed prod. Zone 1980' FSL and 660' FWL, Lot 6		11. Sec., T., R., M., or Blk, and Survey or Area Section 6, T22S-R24E	
14. Distance in miles and direction from nearest town or post office* Approximately 31 miles Northwest of Carlsbad, New Mexico		12. County or Parish Eddy	13. State New Mexico
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 2310'	16. No. of Acres in lease 660.09	17. Spacing Unit dedicated to this well W/2	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2600'	19. Proposed Depth 9,900'	20. BLM/BIA Bond No. on file NM-2811	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4023' GL	22. Approximate date work will start*	23. Estimated duration	

24. Attachments **CARLSBAD CONTROLLED WATER BASIN**

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. |

25a. Signature <i>Debbie L. Caffall</i>	Name (Printed/Typed) Debbie L. Caffall	Date 9/9/2005
Title: Regulatory Technician/Land Department		
Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) /s/ Joe G. Lara	Date OCT 11 2005
Title ACTING FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

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 1 YEAR

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

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

District I
1825 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
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, N M 87505

Form C-102
Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Indian Basin Upper Penn Assoc.
Property Code	Property Name BRANNICAN ANF FEDERAL	Well Number 8
OGRID No. 025575	Operation Name YATES PETROLEUM CORPORATION	Elevation 4023

Surface Location

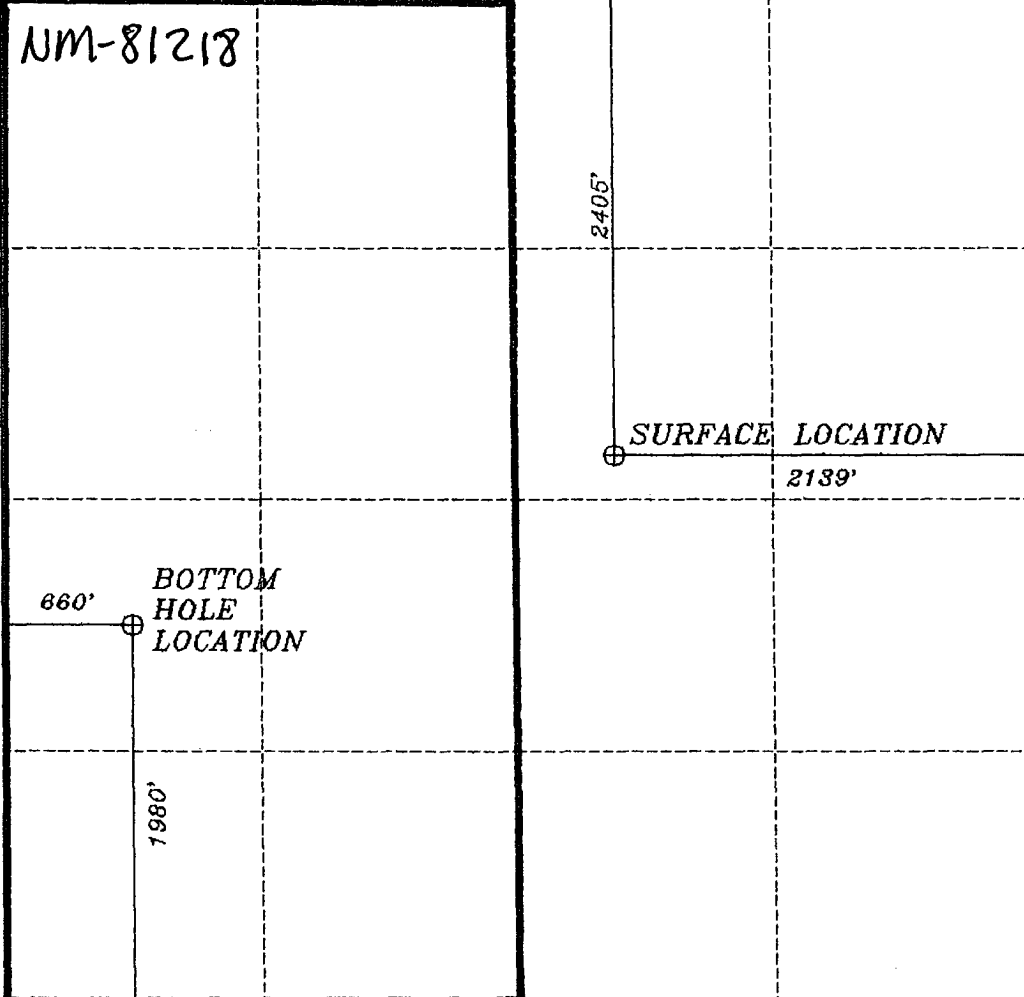
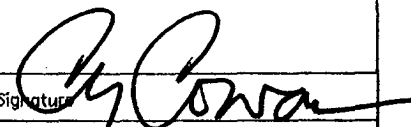
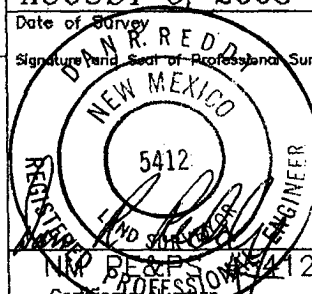
UL or Lot No. G	Section 6	Township 22-S	Range 24-E	Lot Idn.	Feet from the 2405	North/South line NORTH	Feet from the 2139	East/West line EAST	County EDDY
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Bottom Hole Location If Different From Surface

UL or Lot No. LOT 6	Section 6	Township 22-S	Range 24-E	Lot Idn.	Feet from the 1980	North/South line SOUTH	Feet from the 660	East/West line WEST	County EDDY
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Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.  Signature Printed Name Cy Cowan Title Regulatory Agent Date August 19, 2003
	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 KNOWLEDGE AND BELIEF. AUGUST 6, 2003 Date of Survey Signature and Seal of Professional Surveyor  NEW MEXICO 5412 DAN R. REDDY REGISTERED PROFESSIONAL SURVEYOR Certificate Number

YATES PETROLEUM CORPORATION
Brannigan ANF Federal #8
 2405' FNL and 2139 FLSurface Location
 1980' FSL and 660' FWL Bottom Hole Location
 Sec. 6-T22S-R24E
 Eddy County, New Mexico

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

Queen	Surface	Strawn	8672'
San Andres	840'	Atoka	9058'
Glorietta	2260'	Upper Morrow	9415'
2 nd Bone Springs	3965'	Mid Morrow	9475'
3rd Bone Springs	6598'	Lower Morrow	9645'
Wolfcamp	6753'	Base Morrow	9755'
Cisco Canyon Dolomite	7525'	TD	9900'
Base of Dolomite	7975'		
Lower Canyon Lime	8060'		

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

Water: 250' - 350'
 Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the ⁹8 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. 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: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-2350'	2350'
8 3/4"	7.0"	26#	L-80	LT&C	0-800'	800'
8 3/4"	7.0"	26#	J-55	LT&C	800'-2100'	1300'
8 3/4"	7.0"	23#	J-55	LT&C	2100'-4900'	2800'
8 3/4"	7.0"	26#	J-55	LT&C	4900'-7100'	2200'
8 3/4"	7.0"	26#	L-80	LT&C	7100'-9300'	2200'
8 3/4"	7.0"	26#	HCP-110	LT&C	9300'-9900'	600'

Possible set 7" early if severe lost circ. in Canyon.

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 1.8

B. Cementing Program:

Surface casing: 1800 sx Lite (YLD 2.0 WT 12.5), tail with 250 sx 'C' +2% CaCL₂ (YLD 1.33 WT 14.8)

Production Casing: Stage I 350 sx 'H' (YLD 1.72 WT 13.0).

Stage II Lead in with 450 sx Interfill 'C' (YLD 2.71 WT 11.5).

If needed due to H₂S tail in with 100 sx Premium (YLD 1.18 WT 15.6) Note attached contingency plan for drilling operations

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-2350'	FW/Air Mist	8.4	28	N/C
2350'-7500'	Cut Brine	8.6-9.0	28	N/C
7500'-9650'	Cut Brine/Starch/S Gel	9.0-9.4	28-32	<12cc
9650'-TD	Salt Gel/Starch	9.4-9.8	34-38	<10cc

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 from intermediate casing.

Logging: Platform Express, HALS, NGT, possible FMI

Coring: None anticipated

DST's: As warranted.

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

Anticipated BHP:

From: 0 TO: 2350' Anticipated Max. BHP: 1050 PSI

From: 2350' TO: 9900' Anticipated Max. BHP: 5050 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possible in surface and intermediate holes.

H₂S Zones Anticipated: Possible Canyon

Maximum Bottom Hole Temperature: 178 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Brannigan ANF Federal #8

2405' FNL and 2139' FEL Surface location

1980' FSL and 660' FWL Bottom Hole Location

Sec. 6-T22S-R24E

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 well site is located approximately 31 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Carlsbad on Highway 285 to Highway 137 (Scenick Byeway). Turn west on Highway 137 and go approximately 12 miles. Turn east on lease road and go approximately .4 of a mile to existing well pad for the Brannigan ANF Federal #3. This well location will be modified to accommodate the Brannigan ANF Federal #7 and the #8

2. PLANNED ACCESS ROAD

There will be no new access road. However the existing road will be upgraded for approximately .4 of a mile from the point of origin to the southwest corner of the proposed well location.

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 fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

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

YATES PETROLEUM CORPORATION
Brannigan ANG Federal #8
2405' FNL and 2139' FEL Surface Location
1980' FSL and 660' FWL Bottom Hole Location
Section 6, T22S-R24E
Eddy County, New Mexico
Directional Drilling Procedure

Yates Petroleum Corporation proposes that the Brannigan ANG Federal #8 will be drilled vertically to a kick off point of 2,750'. A gyro survey will then be run. Will pick up mud motor and MWD system. Angle will be built at 3 degrees per 100' until an angle of 33.74 degrees and an azimuth of 248.6 degrees is reached. The angle and azimuth will be maintained as per above until 7,380' Measured Depth is reached. At this point the angle will be dropped at the rate of 3 degrees per 100' until the well bore is vertical this is projected to be at 8,404' Measured Depth. The wellbore will be kept at vertical and drilled to a TD of 10,624' Measured Depth (TVD=9,900').

**YATES PETROLEUM CORPORATION
BRANNIGAN "ANF" FEDERAL #8
SURFACE: 2405' FNL AND 2139' FEL
BOTTOM HOLE: 1980' FSL AND 660' FWL
Section 6, T19S-R24E
Eddy County, New Mexico**

H2S Drilling Operations Plan

Personnel employed at the rig site shall receive training in H2S detection, safe drilling procedures and contingency plans. H2S safety equipment shall be installed and functional 3 days or 500 feet prior to encountering known or probable H2S zone at 3200' feet.

Submitted with the APD is a well site diagram showing:

- 1) Drilling rig orientation, location of flare pit.
- 2) Prevailing wind direction.
- 3) Location of access road.

Primary briefing area will be established 150' from wellbore and up wind of prevailing wind direction. Secondary briefing area will be established 180 degrees from primary briefing area.

A H2S warning sign will be posted at the entrance of the location. Depending on conditions, a green, yellow, or red flag will be displayed.

Green - Normal conditions

Yellow - Potential danger

Red - Danger H2S present

Wind indicators will be placed on location at strategic, highly visible areas. H2S monitors (a minimum of three) will be positioned on location for best coverage and response. H2S concentrations of 10 ppm will trigger a flashing light and 20 ppm will trigger an audible siren.

H2S breathing equipment will consist of:

- 1) 30 minute "pressure demand" type working unit for each member of rig crew on location.
- 2) 5 minute escape packs for each crew member.
- 3) Trailer with a "cascade air system: to facilitate working in a H2S environment for time period greater than 30 minutes.

BRANNIGAN "ANF" FEDERAL #8

Page 2

Breathing equipment will be stored in weather proof cases or facilities. They will be inspected and maintained weekly.

The mud system will be designed to minimize or eliminate the escape of H₂S at the rig floor. This will be accomplished through the use of proper mud weight, proper pH control of the drilling fluid and the use of H₂S scavengers in the drilling fluid. A mud gas separator will be utilized when H₂S is present in the mud.

Drilling experience has shown that wells in developmental areas, (i.e. Dagger Draw, Livingston Ridge Delaware, and Lusk Delaware) are normally pressured and don't experience either H₂S kicks or loss of returns. Due to these circumstances, we request exceptions to the rule requiring flare line with remote lighter and choke manifold with minimum of one remote choke. This equipment would be provided on exploratory wells or wells with the known potential for H₂S kicks. Additionally, a SO₂ monitor would be positioned near the flare line, and a rotating head utilized.

The drill string, casing, tubing, wellhead, blowout preventers and associated lines and valves will be suitable for anticipated H₂S encounters.

Radio and or mobile telephone communication will be available on site. Mobile telephone communication will be available in company vehicles.

Drill stem testing to be performed with a minimum number of essential people on location. They will be those necessary to safely conduct the test. If H₂S is encountered during a drill stem test, essential personnel will mask up and determine H₂S concentration. The recovery will then be reversed to flare pit. Pulling of test tools will be conducted in a safe manner.

Yates Petroleum Corporation

**105 S. Fourth Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

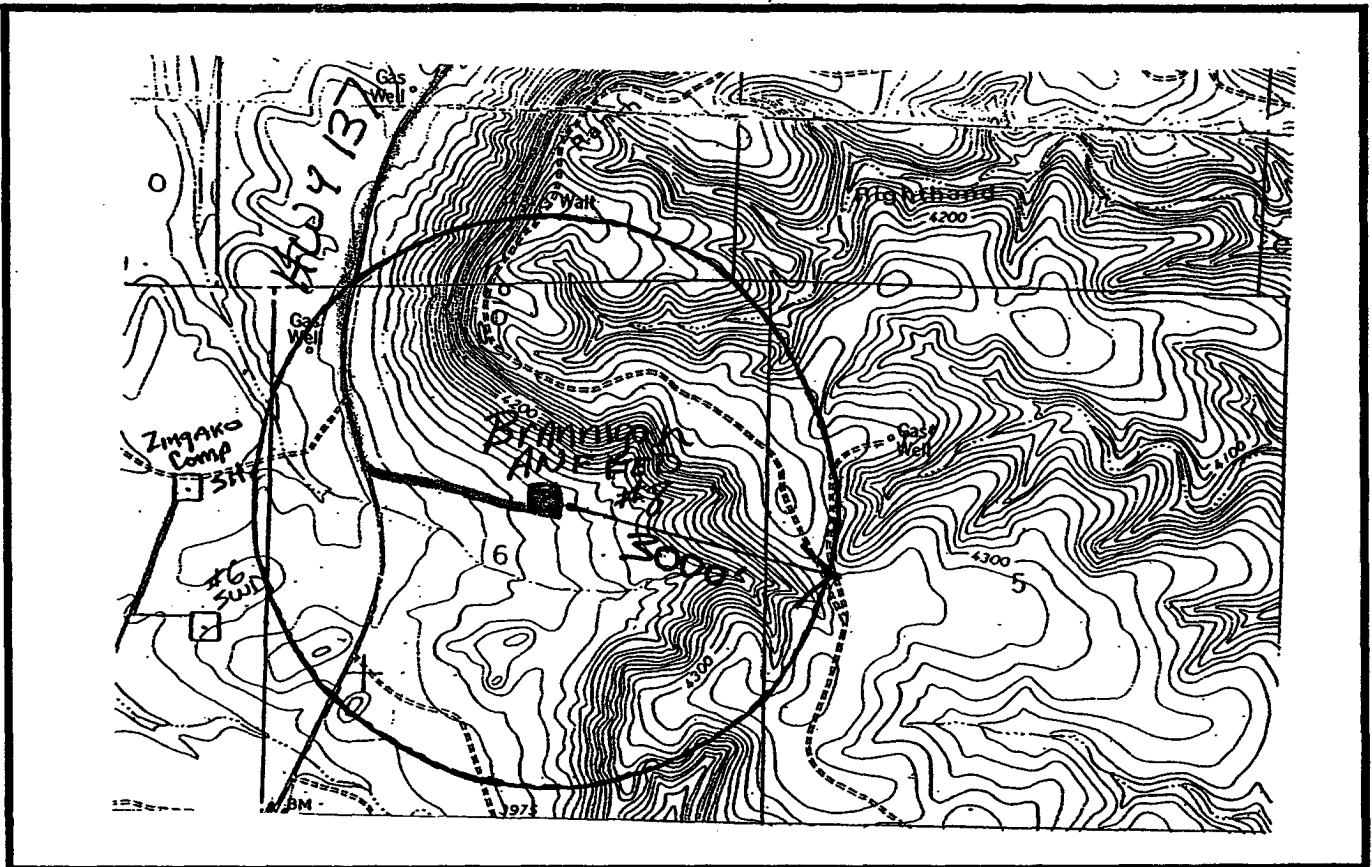
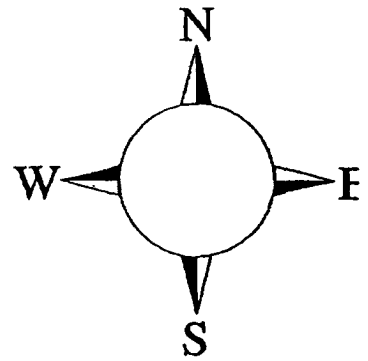
For

Brannigan ANF Federal #8

**2405' FNL and 2139' FEL Surface Location
1980' FSL and 660' FWL Bottom Hole Location
Section-6, T-22S, R-24E
Eddy County NM**

Brannigan ANF Federal #8 Location

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.



ASSUMED 100 ppm H₂S = 1000'

100 ppm H₂S concentration shall trigger activation of this plan.

Yates Petroleum Corporation Phone Numbers

YPC Office	(505) 748-1471
Pinson McWhorter/Operations Manager	(505) 748-4189
Darrel Atkins/Production Manager	(505) 748-4204
Ron Beasley/Prod Superintendent	(505) 748-4210
Al Springer/Drilling	(505) 748-4225
Paul Hanes/Prod. Foreman/Roswell	(505) 624-2805
Jim Krogman/Drilling Superintendent.....	(505) 748-4215
Artesia Answering Service	(505) 748-4302
(During non-office hours)	

Agency Call List

Eddy County (505)

Artesia

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

Carlsbad

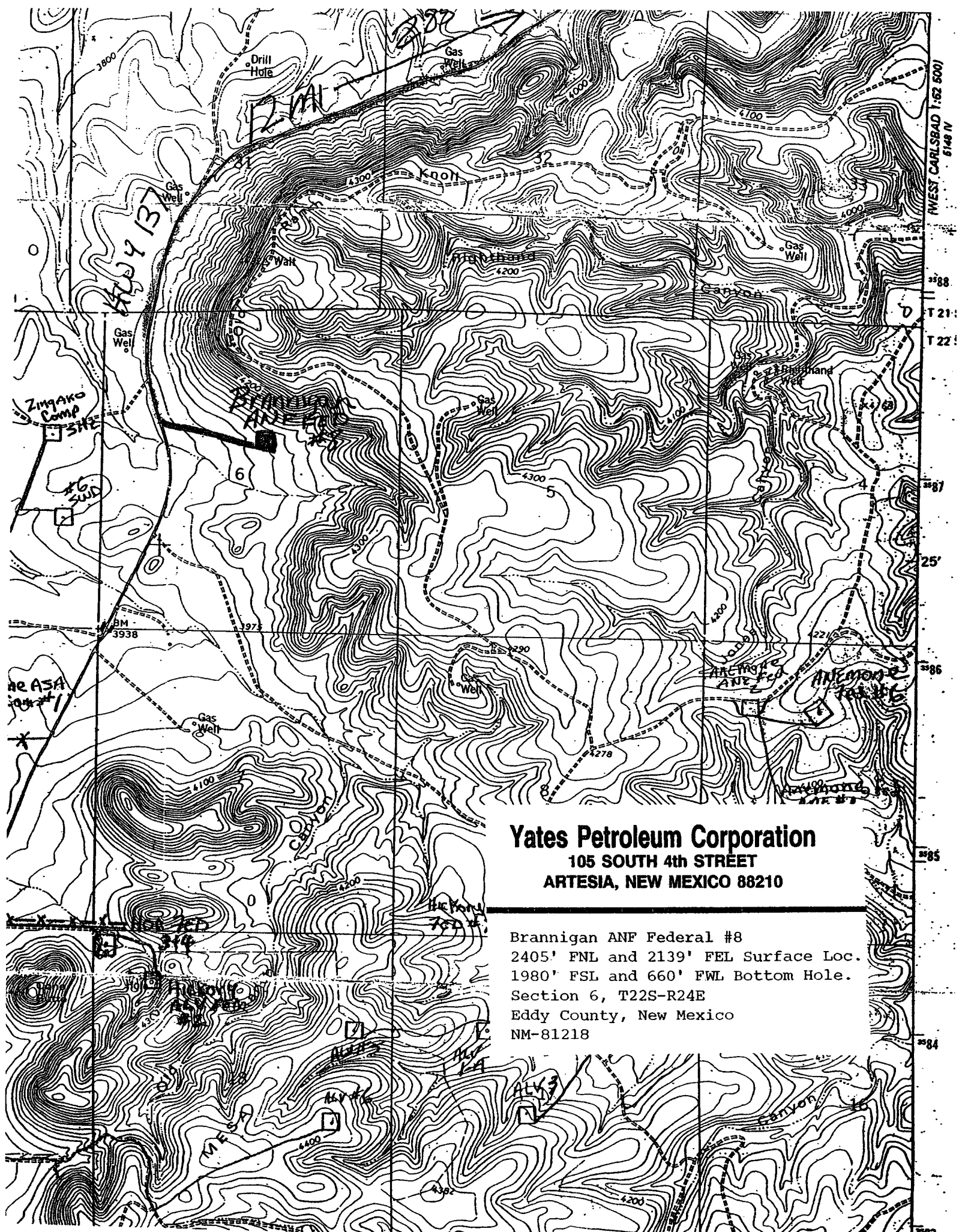
State Police.....	885-3137
City Police.....	885-2111
Sheriff's Office	887-7551
Ambulance	911
Fire Department	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544

New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	(505) 827-9126
National Emergency Response Center (Washington, DC)	...(800) 424-8802

Other

Boots & Coots IWC	1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....	(915) 699-0139 or (915) 563-3356
Halliburton	(505) 746-2757
B. J. Services.....	(505) 746-3569

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



Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Brannigan ANF Federal #8
2405' FNL and 2139' FEL Surface Loc.
1980' FSL and 660' FWL Bottom Hole.
Section 6, T22S-R24E
Eddy County, New Mexico
NM-81218

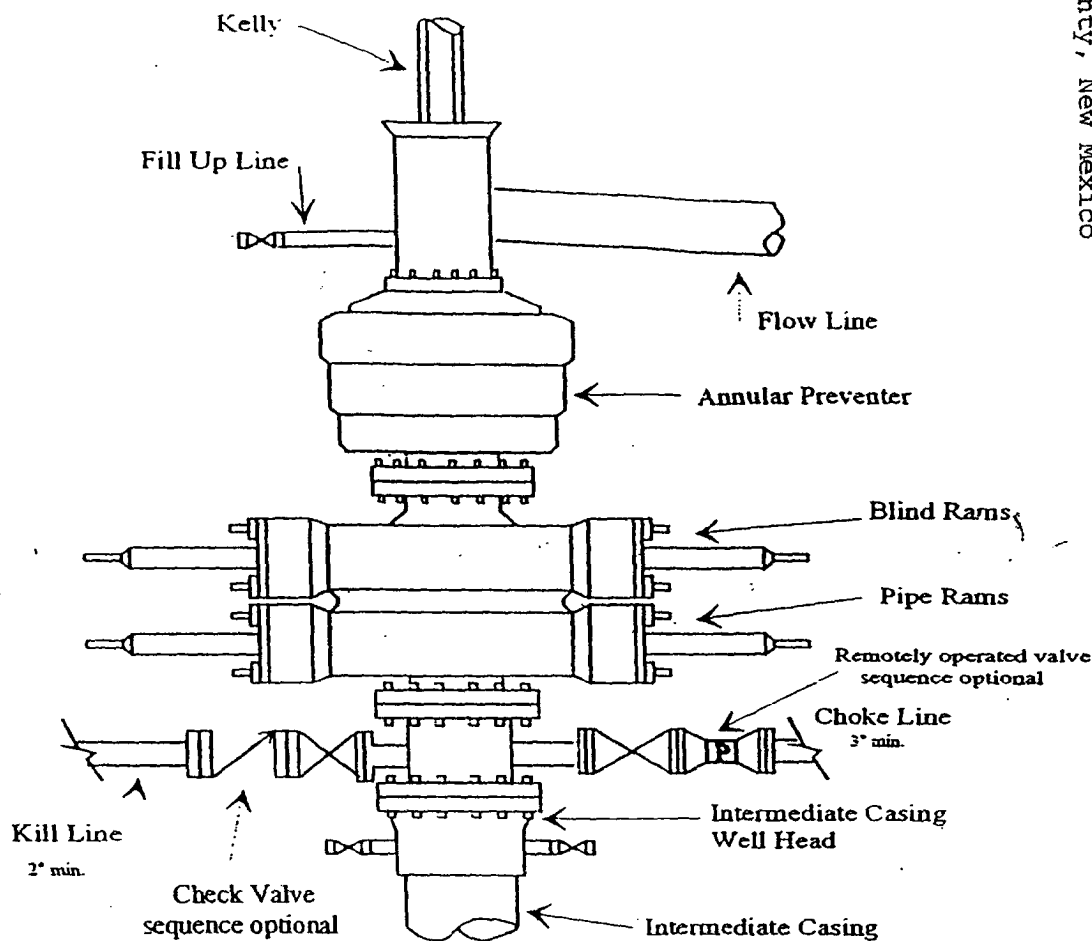


Yates Petroleum Corporation

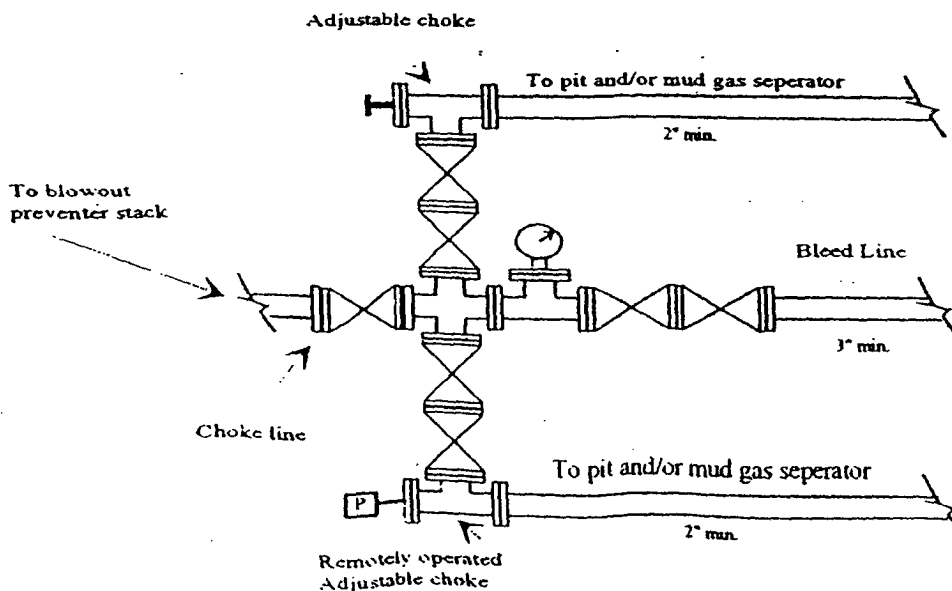
BOP-4

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

Branigan ANF Federal #8
2405' FNL and 2139' FSL Surface Loc.
1980' FSL and 660' FNL Bottom Hole.
Section 6, T22S-R24E
Eddy County, New Mexico
NM-81218



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



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No. Brannigan ANF Federal #8
SH Location: 2405' FNL, 2139' FEL, Section 6, T. 22 S., R. 24 E., Eddy County, New Mexico
BH Location: 1980' FSL, 660' FWL, Section 6, T. 22 S., R. 24 E., Eddy County, New Mexico
Lease: NM-81218

I. DRILLING OPERATIONS 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: 9-5/8 inch 7 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Operation Contingency Plan shall be activated prior to drilling into the Canyon formation. A copy of the plan shall be posted at the drilling site.
3. 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.
4. 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.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 9-5/8 inch surface casing shall be set at approximately 2,350 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 7 inch production casing is to be sufficient to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

III. 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 9-5/8 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 5000 psi.
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.

IV. 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. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

8/25/03

9/19/05 rev

acs

SPECIAL DRILLING STIPULATIONS
FOR THE EAST INDIAN BASIN OIL FIELD DEVELOPMENT

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

OPERATOR'S NAME YATES PETROLEUM CORPORATION

WELL NAME & No. 8-BRANNIGAN ANF FEDERAL

SHL: LOCATION 2405 F N L & 2139 F E L, SEC. 6, T 22 S, R 24 E
LEASE NO. NM-81218 COUNTY EDDY STATE NEW MEXICO

BHL: LOCATION 1980 FSL & 660 FWL

The special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management (BLM) office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination, whichever is shorter.

1. ON LEASE – SURFACE REQUIREMENTS PRIOR TO DRILLING

(☒) The BLM will monitor construction of this drill site. Notify the Carlsbad Field Office at (505) 234-5972, at least three (3) working days prior to commencing construction.

(☒) Roads and the drill pad for this well must be surfaced with a minimum of 6 inches of compacted caliche.

(☒) The holder shall comply with the terms, conditions, and stipulations for drilling sites in the Azotea Mesa portion of the East Indian Basin development area, as listed below:

1. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this grant.

2. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, et. seq.) with regard to any toxic substances that are used, generated by or stored on the rights-of-way or on facilities authorized by this grant. (See 40 CFR Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess the reportable quantity established by 40 CFR Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

3. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et. seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et. seq.) on the rights-of-way (unless the release or threatened release is wholly unrelated to the rights-of-way holder's activity on the rights-of-way). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

4. If, during any phase of the construction, operation, maintenance, or termination of the well site, any oil or other pollutant should be discharged, impacting Federal lands, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the

responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal lands, or to repair all damages to Federal lands resulting there from, the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

5. The holder shall conduct all activities associated with the construction, operation, and termination of the rights-of-way within the authorized limits of the rights-of-way.

6. No well or plant sites will be allowed on slopes over 20 percent. Other use or occupancy on slopes over 20 percent would be limited. Uses permitted might include mineral material extraction sites, surface pipelines, projects designed to enhance or protect renewable natural resources, or other uses as approved by the Authorized Officer (AO). Projects on these steep grades will be considered on a case-by-case basis, and may require special conditions or stipulations for slope mitigation.

7. The holder shall minimize disturbance to existing fences and other improvements on public lands. The holder is required to promptly repair impacted improvements to at least their former state. The holder shall contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence will be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed in existing fences unless approved by the Authorized Officer.

8. All above-ground structures not subject to safety requirements shall be painted by the holder to reduce visual contrasts and to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee. The colors selected for this project include: () A "Carlsbad Canyon" (Munsell Soil Color Chart [MSCC] Number 2.5Y 6/2), (✓) B "Shale Green" [MSCC] Number 5Y 4/2), () C "Desert Brown" [MSCC] Number 10YR 6/3), and () D "Juniper Green" [no MSCC Number], the color(s) for individual facilities will be specified depending on the site-specific contrasts caused by the individual action. Exceptions to these color requirements may be authorized on a case-by-case basis, if determined to be more effective in meeting site-specific VRM objectives, such as for power poles, fence posts, signs, etc.

9. The holder shall take whatever steps are necessary to ensure that non-road rights-of-way are not used as roadways. The holder shall not use non-road rights-of-way as roads or access for purposes other than routine maintenance as determined necessary by the Authorized Officer in consultation with the holder.

10. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the Authorized Officer. The holder 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 will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the Authorized Officer after consulting with the holder.

11. Stacks on heater-treaters/separator-dehydrators will be required to be covered to prevent mortality of avian species including neotropical migrants and bats.

12. The BLM will be informed at least two (2) working days prior to any blasting. Notifications of blasting should include the purpose and location of the blasting, the intended date and duration of the blasting, and the estimated volume of the excavation or cut and/or fill.

13. The site will be maintained in neat and orderly condition at all times. All waste materials, both liquid and solid, shall be disposed of promptly at an appropriate, authorized waste disposal facility in accordance with all applicable State and Federal laws. "Waste" means all discarded matter including, but not limited to, human refuse, trash, garbage, debris, petroleum products, brines, chemicals, oil drums, ashes, and equipment. No waste shall be buried on site.

14. In those areas where erosion control structures are required to stabilize soil conditions, the holder shall install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound management practices. Any earth work will require prior approval by the Authorized Officer.

15. The holder shall reseed all surface disturbed by construction activities. If reseeding is required, it will be done according to the attached seeding requirements, using the native seed mixture specified.

16. Upon completion of initial construction, the holder will promptly reclaim disturbed areas not necessary for continuing facility operation.

17. Closed circulation systems (steel pits) may be required on steeper slopes, on locations with restricted available area, in rocky zones where digging a pit could involve rock saws or blasting, or in other areas of special concern as determined by the BLM AO in consultation with Industry. Cuttings will be placed in permanent, lined pits, located by the BLM and Industry representatives during the initial on-site BLM-Industry meeting.

When reserve (mud) pits are used, they will be constructed as per the decisions made at the initial on-site meeting between industry and BLM. Pits will be lined with heavy (8 mil) pit liners which are never to be breached. Berms, sufficient to contain any spills or water flows and preferable made from excavated pit material, will be constructed around the pits. Relocation or reorientation of pits, or modified "V" pits, may be required at certain locations. Padding material, such as sand, dirt fines, or straw, may be required to prevent punctures in the bottom of the pit liners.

During reclamation the pits will be allowed to dry, then the liners will be folded over the pit sediments, and the pit will be backfilled. No pit will be drained and no pit liner will be broken. An examination and approval by a BLM representative will be required prior to closure of any reserve pit.

18. BLM will require prompt notification by the operator of any bit drops of four feet or more accompanied by circulation losses greater than 75 percent.

19. To minimize potential impacts to subsurface resources from well drilling, casing, or cementing, the BLM may require specific procedures, such as fresh water drilling in certain zones, special cement additives or sweeps, or cementing casing to the surface. These procedures, if required, will be determined by the BLM Fluid Minerals staff in consultation with the operator.

20. To minimize potential problems due to casing and cementing, the BLM may require the following actions as determined by BLM and the operator.

- (1) Use of cement baskets, external casing packers, multiple-staged and/or remedial cementing to isolate voids encountered;
- (2) Use of special cements or cement additives to combat lost circulation;
- (3) Use of cement evaluation tools;
- (4) Cementing all casing strings to surface.

21. Permanent under-liners and berms sufficient to contain any spills will be built under and around storage tanks.
22. If, during on-site inspection, it is determined that surface disturbing activities must be conducted in areas of possible T&E plant habitat (limestone shelves or rocky outcroppings), a T&E species survey may be required prior to authorization of any surface disturbing activities.
23. Cleanup of spills in excess of state-reportable levels should be accomplished using bio-remediation techniques rather than by removing contaminated soil. If measures other than bio-remediation are required for individual spill sites, these special techniques will be approved by the Authorized Officer, BLM, in consultation with the companies.
24. A sales contract for removal of mineral material (caliche, sand, gravel, fill dirt, etc.) from an authorized pit, site, or on location must be obtained from the BLM prior to commencing construction. Contact the BLM solid minerals staff for the various options to purchase mineral material.
25. Caliche pits will be reclaimed by sloping their walls, replacing the topsoil, and seeding. In some cases, caliche removed from other sites may be returned, depending on the condition of the caliche.
26. Abandoned surface pipelines and other above-ground equipment will be removed promptly once these are no longer needed, buried pipelines will be flushed and left in place.
27. Sites built on cut-and-fill will be recontoured to blend into the surrounding natural terrain, as nearly as feasible.
28. Special Stipulations:
- () A. On a case-by-case basis, BLM may require gates on, or physical restriction to, any new or upgraded road constructed to provide access to a new facility within the study area. The gates or physical barrier would remain closed and locked at all times and access would be granted only to essential company and BLM personnel. This restriction could help to protect important cultural and archaeological sites, as well as wildlife, watershed, and recreation values.
 - () B. To maintain Visual Resources along State Highway 137, screening with planting or natural or man-made materials, such as berms or fencing may be required at some locations.
 - (☒) C. Padding material, such as sand, dirt fines, or straw, will be required to prevent punctures in the bottom of the pit liners.
 - () D. Other.

II. WELL COMPLETION REQUIREMENTS

- () A Communication Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.
- (☒) Surface Restoration: When the well is completed, the reserve pit(s) will be dried and backfilled, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be recontoured to resemble the original contours of the surrounding terrain and reclaimed as per stipulation number 20. The disturbed area will be reseeded with the following seed mixture, in pounds of Pure Live Seed (PLS) per acre.

(Pounds of Pure Live Seed: Pounds of seed x percent purity x percent germination = Pounds Pure Live Seed.)

() A. Seed Mixture 1 (Loamy Sites)		() B. Seed Mixture 2 (Sandy Sites)	
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.00	Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.00
Sideoats grama (<i>Bouteloua curtipendula</i>)	5.00	Four-wing saltbush DWS* (<i>Atriplex canescens</i>)	8.00
Winterfat (<i>Ceratoides lanata</i>)	1.00	Plains bristlegrass (<i>Setaria macrostachya</i>)	5.00
OR		OR	
Mountain Mahogany (<i>Cercocarpus nontanus</i>)	1.00	Desert globmallow (<i>Sphaeralcea ambigua</i>)	0.25
OR		OR	
Apache plume (<i>Fallugia paradoxa</i>)	2.00		
() C. Seed Mixture 3 (Shallow Sites)		() D. Seed Mixture 4 (Gypsum Sites)	
Sideoats grama (<i>Bouteloua curtipendula</i>)	7.00	Alkali Sacaton (<i>Sporobolus airoides</i>)	1.50
Plains Bristlegrass (<i>Setaria macrostachya</i>)	5.00	Four-wing saltbush DWS* (<i>Atriplex canescens</i>)	8.00
OR			
Bottlebrush squirrel tail (<i>Sitanion huptrix</i>)	5.50		
Mountain Mahogany (<i>Cercocarpus nontanus</i>)	1.00		
OR			
Apache plume (<i>Fallugia paradoxa</i>)	2.00		

Seeding should be done either late in the fall (September 15 – November 15, before freeze up) or early as possible the following spring to take advantage of available ground moisture.

() Special: BLM's objective through this mitigative process is to restore disturbed surfaces to a condition as similar to their original state as is feasible and/or blend these areas into the surrounding landscape. To achieve that objective, the following is a list of rehabilitation or reclamation methods that will be considered, in addition to standard procedures, as appropriate for each disturbed area:

- (✓) Removal of caliche or other surfacing materials, these materials may be used to fill cuts for restoration or returned to the caliche pits, if the caliche is acceptable;
- () Special seed bed preparation and seeding methods;
- () Soil amendments, soil treatments, and fertilizers;
- () Planting trees and shrubs (from seeds);
- () Mulching;
- () Initial watering;
- () Erosion control and land treatments;
- () Special Fencing;
- () Other.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No. Brannigan ANF Federal #8
SH Location: 2405' FNL, 2139' FEL, Section 6, T. 22 S., R. 24 E., Eddy County, New Mexico
BH Location: 1980' FSL, 660' FWL, Section 6, T. 22 S., R. 24 E., Eddy County, New Mexico
Lease: NM-81218

I. DRILLING OPERATIONS 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: 9-5/8 inch 7 inch

C. BOP tests

2. A Hydrogen Sulfide (H₂S) Drilling Operation Contingency Plan shall be activated prior to drilling into the Canyon formation. A copy of the plan shall be posted at the drilling site.

3. 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.

4. 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.

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

II. CASING:

1. The 9-5/8 inch surface casing shall be set at approximately 2,350 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 7 inch production casing is to be sufficient to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

III. 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 9-5/8 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 5000 psi.

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.

IV. 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. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

8/25/03

9/19/05 rev

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