

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

State of New Mexico
 Energy Minerals and Natural Resources

Form C-144
 March 12, 2004

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

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

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No
 Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Yates Petroleum Corporation Telephone: (505) 748-4372 e-mail address: debbiec@ypcnm.com
 Address: 105 South 4th Street, Artesia, NM 88210
 Facility or well name: Walt Canyon AMA Federal Com. #8 API #: 30-015-33871 U/L or Qtr/Qtr B Sec 10 T 22S R 24E
 County: Eddy Latitude _____ Longitude _____ NAD: 1927 1983 Surface Owner Federal State Private Indian

30-015-34982

Pit Type: Drilling Production Disposal
 Workover Emergency
 Lined Unlined
 Liner type: Synthetic Thickness 12 mil Clay Volume _____ bbl

Below-grade tank
 Volume: _____ bbl Type of fluid: _____
 Construction material: _____
 Double-walled, with leak detection? Yes If not, explain why not: _____

| | | |
|---|---|--|
| Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) | Less than 50 feet | (20 points) |
| | 50 feet or more, but less than 100 feet | (10 points) |
| | <input checked="" type="checkbox"/> 100 feet or more | <input checked="" type="checkbox"/> 0 points |
| Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.) | Yes | (20 points) |
| | <input checked="" type="checkbox"/> No | <input checked="" type="checkbox"/> 0 points |
| Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.) | Less than 200 feet | (20 points) |
| | 200 feet or more, but less than 1000 feet | (10 points) |
| | <input checked="" type="checkbox"/> 1000 feet or more | <input checked="" type="checkbox"/> 0 points |
| Ranking Score (Total Points) | | Points 0 points |

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

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

Date: March 29, 2005
 Printed Name/Title: Cy Cowan/Regulatory Agent Signature: *[Signature]*

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

Approved: APR 18 2005
 Date: _____ Signature: *[Signature]*
 Printed Name/Title: Wild Sep ID

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No. 8-Walt Canyon AMA Federal Com
Location (SHL): 0214' FNL, 1561' FEL, Sec. 10, T-22-S, R-24-E, Eddy County, NM
Location (BHL): 0660' FNL, 1980' FEL, Sec. 10, T-21-S, R-24-E, Eddy County, NM
Lease: NM-78213

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I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:
1. Spudding well
 2. Setting and/or Cementing of all casing strings
 3. BOPE tests
- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822
- B. **Although Hydrogen Sulfide has not been reported in this section, it has been reported in the Township to the north. It is recommended that monitoring equipment be available and if Hydrogen Sulfide is detected, please forward the reports to BLM.**
- C. 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.
- D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

- A. The 9-5/8 inch surface casing shall be set at 1600 feet and cemented to the surface.
1. 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.
 2. Wait on cement (WOC) time for a primary cement job will be a minimum of **18 hours for a water basin** or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
 3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 4. If cement falls back, remedial action will be done prior to drilling out that string.

**Possible lost circulation in the San Andres and Wolfcamp formations.
High potential for cave/karst features.**

B. The minimum required fill of cement behind the 7 inch production casing is **cement shall circulate to surface.**

C. 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.

III. PRESSURE CONTROL:

A. 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 Section 17.

B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M) PSI.**

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

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. 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.
4. 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.
5. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the Wolfcamp. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

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.

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

V. Testing

If a drill stem test is performed, the conditions in Onshore Order 2.III.D are in effect.

Engineer on call phone (after hours): 505-706-2779

WWI 062207