

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

Form 3160-3
(April 2004)



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

JUL 26 2007
FORM APPROVED
OMB NO 1004-0137
OCD-ARTESIA
Expires March 31, 2007

1a Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No NM-16324
1b Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6 If Indian, Allottee or Tribe Name N/A
2 Name of Operator Yates Petroleum Corporation 25575		7 If Unit or CA Agreement, Name and No N/A
3a Address 105 South Fourth Street, Artesia, New Mexico 88210		8 Lease Name and Well No Charlotte Federal Com #6 12118
3b Phone No (include area code) 505-748-1471		9 API Well No 30-005-63962
4 Location of well (Report location clearly and in accordance with any State requirements *) At surface 660' FNL and 1980' FWL, NEW ROSWELL CONTROLLED WATER BASIN At proposed prod zone same as above		10 Field and Pool, or Exploratory Wildcat Precambrian
14 Distance in miles and direction from the nearest town or post office* Approximately twenty-eight (28) miles Northeast of Roswell, NM		11 Sec , T , R , M , or Blk And Survey or Area Section 29, T 7 S, R 26 E
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any)		12 County or Parish Chaves County
16 No. of acres in lease 787.58		13 State NM
17 Spacing Unit dedicated to this well 320 acres W/2		
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 5000		20 BLM/ BIA Bond No on file NATIONWIDE BOND #NMB000434
21 Elevations (Show whether DF RT, GR, etc) 3571' GL		22 Aproximate date work will start* ASAP
		23 Estimated duration 30 Days

24 Attachments

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

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 1 Well plat certified by a registered surveyor | 4 Bond to cover the operations unless covered by 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 a authorized officer |

25 Signature <i>Debbie L. Caffall</i>	Name (Printed/ Typed) Debbie L. Caffall	Date 6/18/2007
Title Regulatory Agent		

Approved By (Signature) <i>/s/ Angel Mayes</i>	Name (Printed/ Typed) /s/ Angel Mayes	Date JUL 19 2007
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

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 cc operations thereon

Conditions of approval, if any, are attached

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

*(Instructions on page 2) Previously approved C-144 attached

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

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

State of New Mexico
Energy, Minerals & Natural Resources Department
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

¹ API Number	² Pool Code 96542	³ Pool Name Wildcat - Granite
⁴ Property Code 12118	⁵ Property Name Charlotte Federal Com	⁶ Well Number 6
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3571

¹⁰ Surface Location

UL or lot no. C	Section 29	Township 7 S	Range 26 E	Lot Idn	Feet from the 660	North/South line North	Feet from the 1980	East/West line West	County Chaves
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320 W/2	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.

¹⁶ NM-16324				¹⁷ OPERATOR CERTIFICATION <i>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</i> Signature: <u>Debbie L. Caffall</u> Date: <u>6/18/2007</u> Debbie L. Caffall, Regulatory Agent Printed Name
1980	Fee			¹⁸ SURVEYOR CERTIFICATION <i>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</i> Date of Survey Signature and Seal of Professional Surveyor
NM-17793	Fee			REFER TO ORIGINAL PLAT Certificate Number
Fee	Fee			

ST I
French Dr., Edna, NM 88240
DISTRICT II
811 South First, Aramco, NM 88210
DISTRICT III
1009 Elie Brazos Rd., Artes, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals and Natural Resources Department

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

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Wildcat Precambrian
Property Code	Property Name	Well Number
	CHARLOTTE FEDERAL COM.	6
OGED No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3571

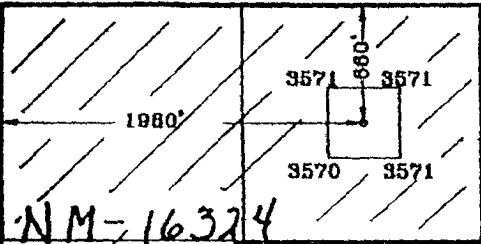
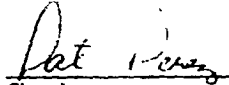
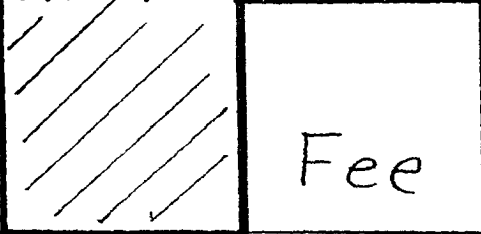
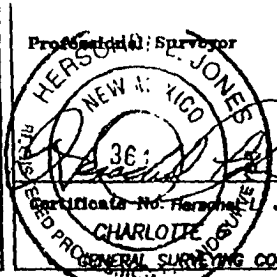
Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
C	29	7S	26E		660	NORTH	1980	WEST	CHAVES

Bottom Hole Location If Different From Surface

UL or Lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	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

 NM-16324	Fee			OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Pat Perez Printed Name Regulatory Agent Title November 8, 2000 Date	
 NM-17793	Fee				SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.  Professional Surveyor R. L. JONES NEW MEXICO Certificate No. 3640 CHARLOTTE GENERAL SURVEYING COMPANY
Fee	Fee				

YATES PETROLEUM CORPORATION
Charlotte Federal Com. #6
660' FNL & 1980' FWL
Section 29, T7S-R26E
Chaves County, New Mexico

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

San Andres	480'
Glorieta	1465'
Yeso	1580'
Tubb	3005'
Abo	3730'
Wolfcamp	4380'
Cisco	4780'
Basement	4900'
TD	5000'

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

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

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

Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (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>
12 1/4"	8 5/8"	24#	J55	ST&C	0-950'	950'
7 7/8"	5 1/2"	15.5#	J55	ST&C	0-5000'	5000'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.80

B. CEMENTING PROGRAM:

Surface casing: 325 sx. Lite "C" (Yld 2.0 Wt. 12.5). Tail in with
200 sx "C" + 2% CaCL₂ (Yld 1.33 Wt. 15.6).

Production Casing: 300 sx Ultra Lite "C" Modified (Yld 1.34 Wt 13). TOC 3200'

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-950'	FW Gel/Paper/LCM	8.6-9.6	32-36	N/C
950'-3700'	Brine	10-10.2	28	N/C
3700'-5000'	Starch/Salt Gel	9.3-10.2	32-40	<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 out from surface casing.
Logging: CNL/LDT W/NGT TD-Surf csg; with GR/CNL up to Surf, DLL/MS
FL TD-Surf csg: BHC Sonic TD-Surf csg.
Coring: None.
DST's: As warranted.

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

Anticipated BHP:

From: 0	To: 950'	Anticipated Max. BHP:	400 PSI
From: 950'	To: 5000'	Anticipated Max. BHP:	2200 PSI

Abnormal Pressures Anticipated: None

Lost Circulation zones anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 145 F

8. ANTICIPATED STARTING DATE:

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

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Charlotte Federal Com. #6

660' FNL & 1980' FWL

Section 29, T7S-R26E

Chaves County, New Mexico

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

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 25 miles northeast of Roswell New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Proceed north of Roswell on Highway 285 to One Horse Road. Turn right (east) and go approximately 2.5 miles to Cottonwood Road. Turn left (north) on Cottonwood and go approximately 8 miles to Chaves Road: turn right (east) on Chaves and go 3.1 miles to San Juan Road. Turn right (south) and drive .2 of a mile to a white gate on the left (east) side. Drive approx. 0.5 of a mile to the Charlotte #5 where the road starts from the SE corner going NE to the SW corner of the well pad.

2. PLANNED ACCESS ROAD

- A. The proposed new access road will be approximately 1500' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a south to northeast 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. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

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

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, possibly in Roswell, and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

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

7. METHODS OF HANDLING WASTE DISPOSAL:

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

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

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

10. PLANS FOR RESTORATION

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the 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 after they have evaporated and dried.

Charlotte Federal Com #6
Page Three

11. SURFACE OWNERSHIP:

Bureau of Land Management, Roswell, New Mexico

12. 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 use of the surface is for grazing.

Charlotte Federal Com #6

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; that I have 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 18th day of June, 2007.

Name Debbie S. Caffall

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

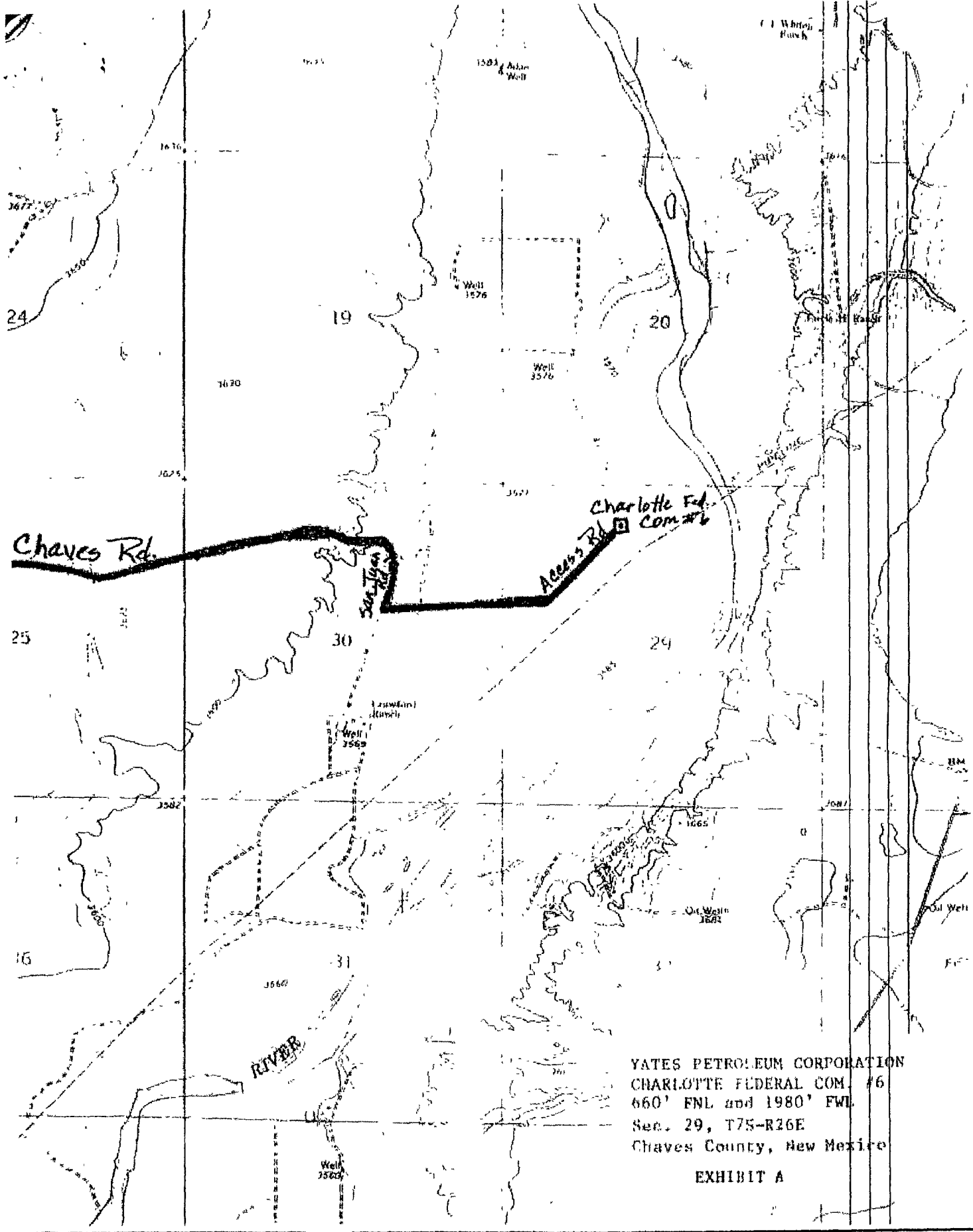
Telephone 505-748-4376

Field Representative (if not above signatory) Jim Krogman

Address (if different from above) Same

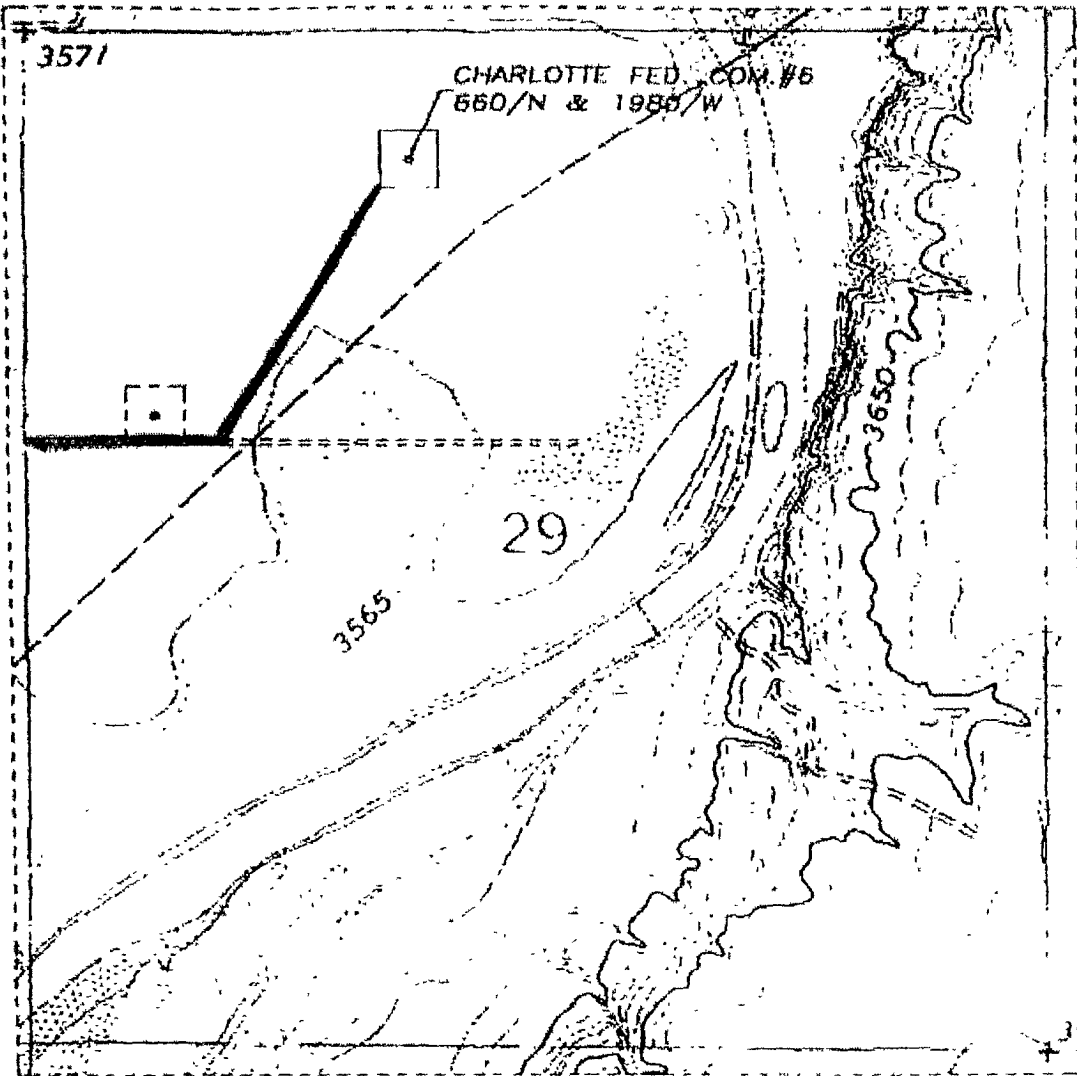
Telephone (if different from above) 505-748-4215

E-mail (optional) debbiec@ypcnm.com



YATES PETROLEUM CORPORATION
CHARLOTTE FEDERAL COM. #6
660' FNL and 1980' FWL
Sec. 29, T7S-R26E
Chaves County, New Mexico
EXHIBIT A

SECTION 29, TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



YATES PETROLEUM CORPORATION
CHARLOTTE FEDERAL COM. #6
660' FNL and 1980' FWL
Sec. 29, T7S-R26E
Chaves County, New Mexico

EXHIBIT A-1

1000' 0 1000' 2000'
Scale 1" = 50'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

HERSCHEL L. JONES R.L.S. No. 3840

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES CHARLOTTE
FEDERAL COM. #6 LOCATED IN SECTION 29,
TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM,
CHAVES COUNTY, NEW MEXICO.

Survey Date: 8/03/2000	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 8/05/00	Scale 1" = 1000' CHARLOTTE#6

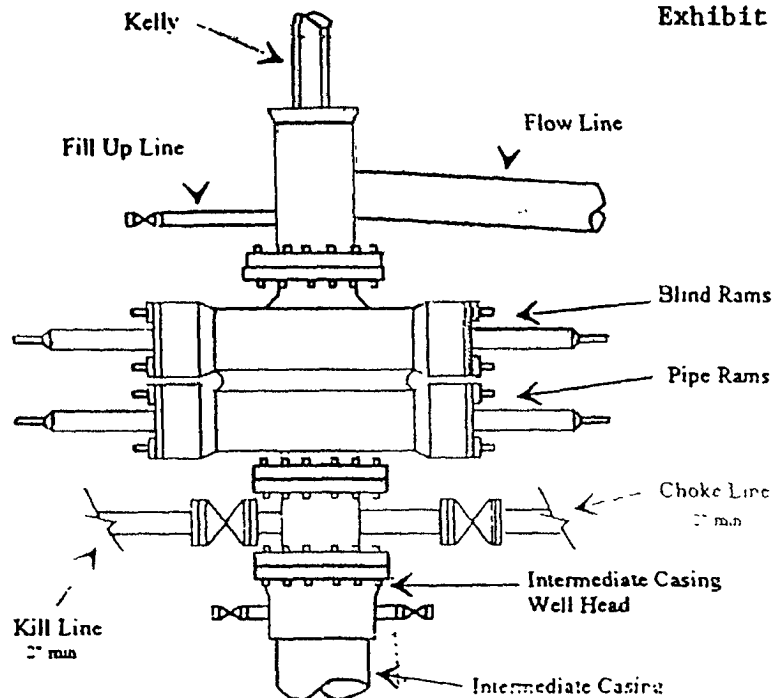
Yates Petroleum Corporation

BOP-2

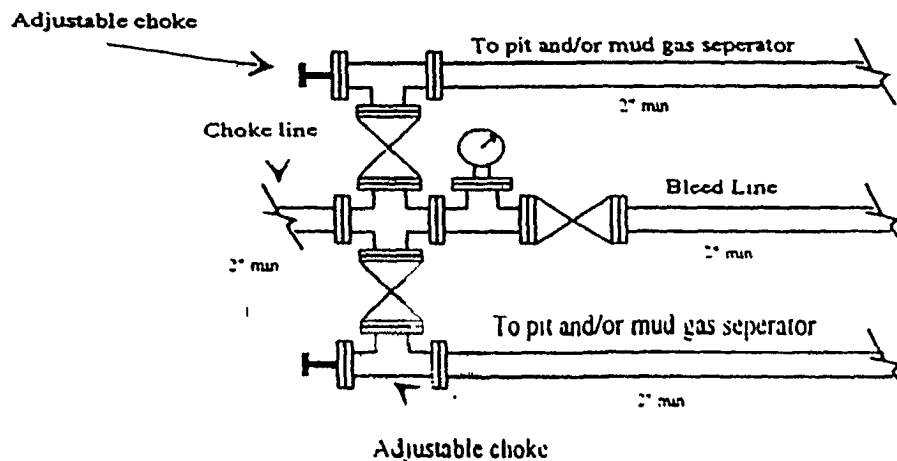
Typical 2,000 psi Pressure System
Schematic

Double Ram Preventer Stack

YATES PETROLEUM CORPORATION
CHARLOTTE FEDERAL COM. #6
660' FNL and 1980' FWL
Sec. 29, T7S-R26E
Chaves County, New Mexico
Exhibit B



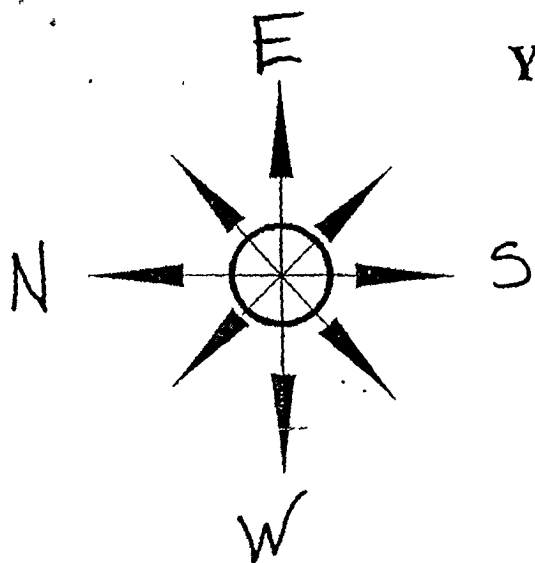
Typical 2,000 psi choke manifold assembly with at least these minimum features



PB - L

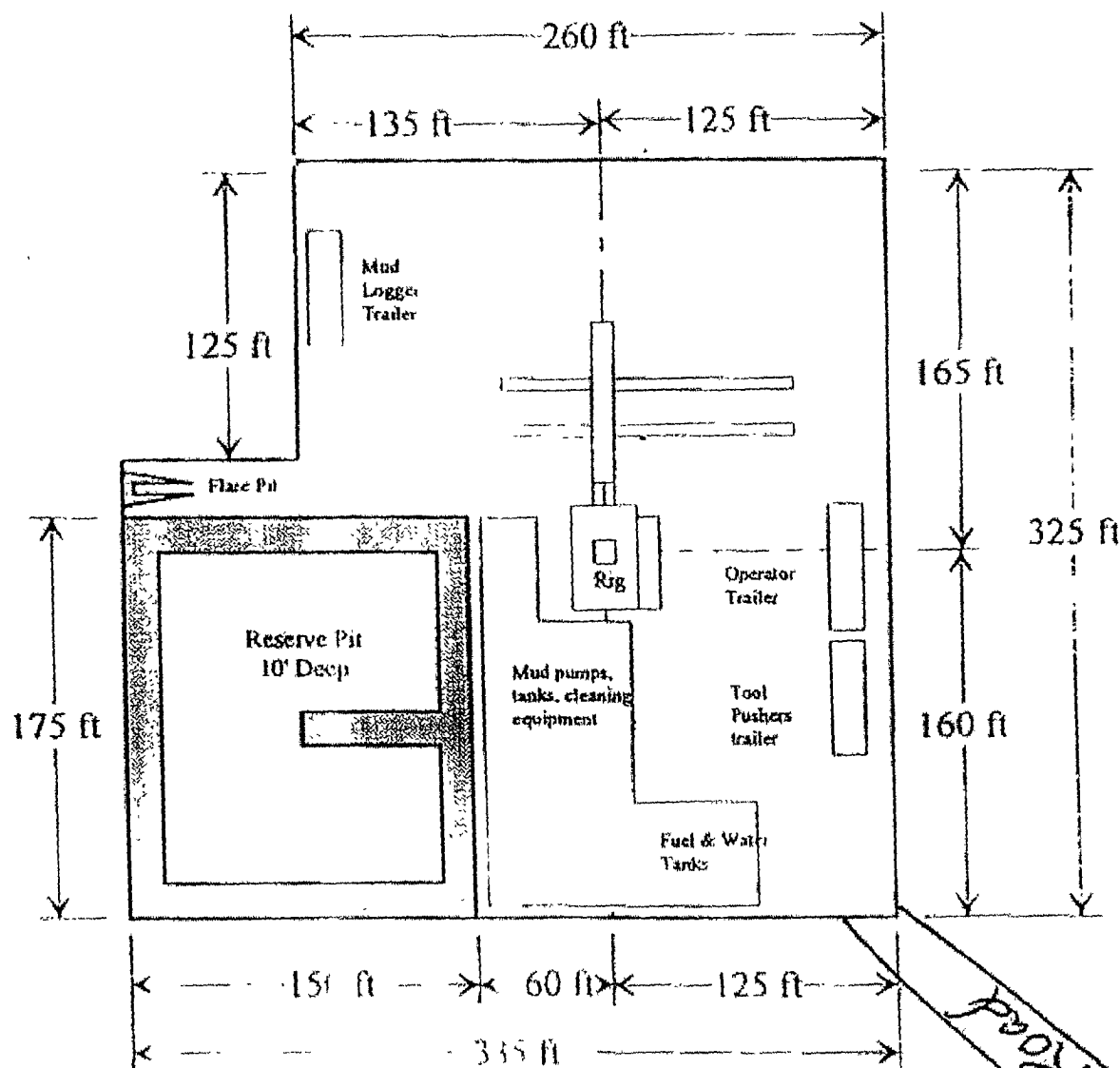
Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'



YATES PETROLEUM CORPORATION
CHARLOTTE FEDERAL COM. #6
660' FNL and 1980' FWL
Sec. 29, T7S-R26E
Chaves County, New Mexico

EXHIBIT C



Distance from Well
to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

Access Road

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

State of New Mexico
Energy Minerals and Natural Resources

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

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

WF
Form C-144
March 12, 2004

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

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

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

Operator: Yates Petroleum Corporation Telephone: 505-748-4376 e-mail address: debbiec@ypcnm.com

Address: 104 South 4th Street, Artesia, New Mexico 88210

Facility or well name: Charlotte Federal Com. #6 API #: 30-005-63375 U/L or Qtr/Qtr NENW Sec 29 T 7S R 26E

County: Chaves Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

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)

100 feet or more

(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources)

Yes

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

20

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: 10/26/2004

Printed Name/Title Robert Asher/Regulatory Agent

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.

Approval:

Date: **JUL 22 2005**

Field Supervisor

Printed Name/Title _____

Signature 

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

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

SECTION 29, TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

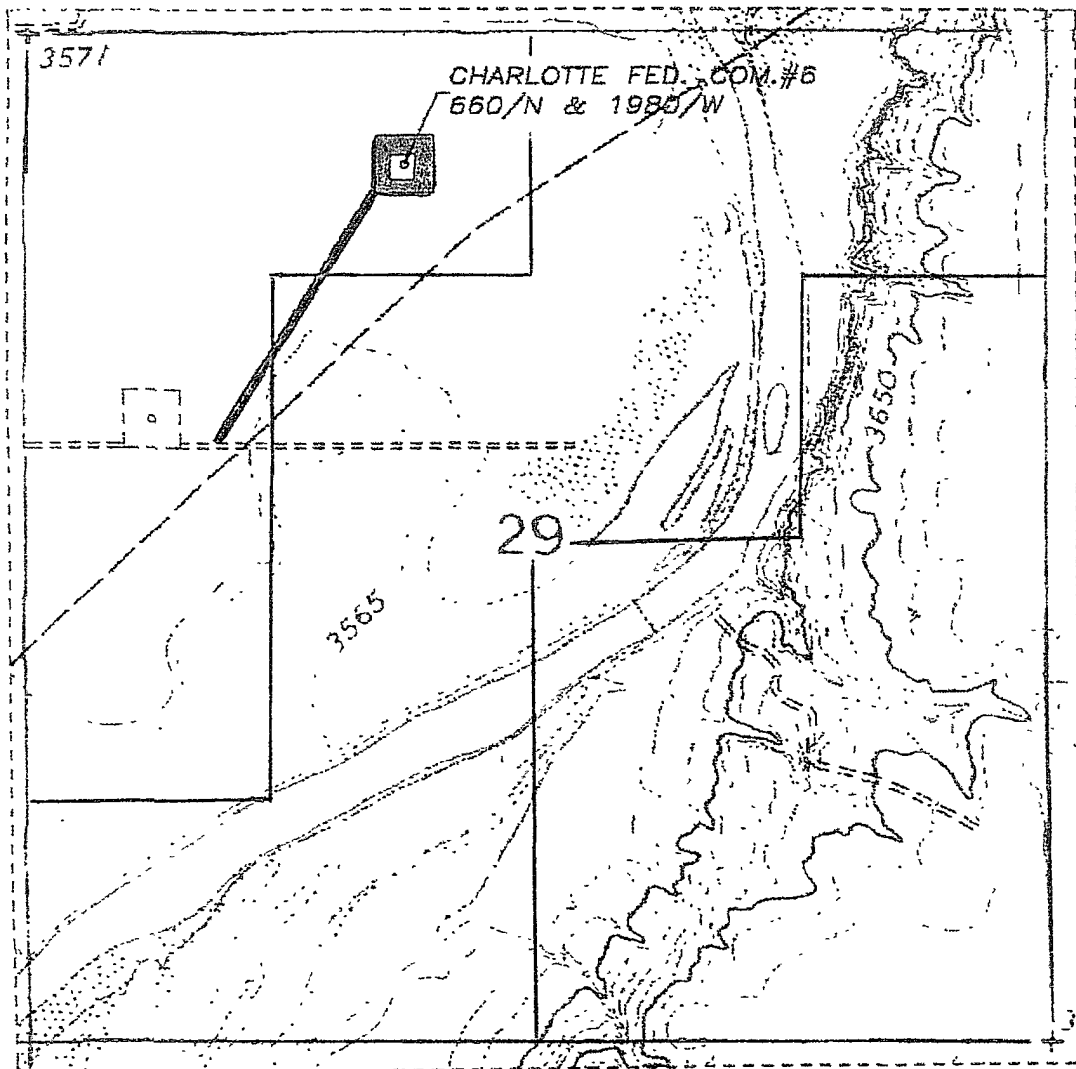
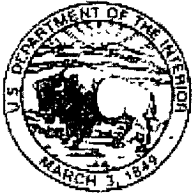


EXHIBIT A

Operator: Yates Petroleum Corporation
BLM Serial Number: NM-16324
Well Name & NO.: Charlotte Federal Com. #6
Location: Section 29, T. 7 S., R. 26 E.
600' FNL & 1980' FWL, Chaves County, N.M.



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

EXHIBIT B

WELL DRILLING REQUIREMENTS

1 of 9 pages

OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-16324
WELL NAME & NO: Charlotte Federal Com. #6
QUARTER/QUARTER & FOOTAGE: NE $\frac{1}{4}$ NW $\frac{1}{4}$ & 660' FNL & 1980' FWL
LOCATION: Section 29, T. 7 S., R. 26 E., N.M.P.M.
COUNTY: Chaves County, New Mexico

I. GENERAL PROVISIONS:

- A. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).
- B. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Well Drilling Requirements.

II. WELL PAD CONSTRUCTION REQUIREMENTS:

- A. The BLM shall administer compliance and monitor construction of the access road and well pad. Notify Richard G. Hill at least 3 working days (72 Hours) prior to commencing construction of the access road and/or well pad. Roswell Field Office number (505) 627-0247.
- B. Prior to commencing construction of the access road, well pad, or other associated developments, the holder shall provide the dirt contractor with a copy of the approved APD signature page, a copy of the location map (EXHIBIT A), a copy of pages 1 & 2 from the Well Drilling Requirements (EXHIBIT B), and a copy of the Permanent Resource Road Requirements (EXHIBIT D).
- C. The holder shall stockpile the topsoil from the surface of the well pad. The topsoil on the Charlotte Federal Com. #6 well pad is approximate 6 inches in depth. Approximately 800 cubic yards of topsoil shall be stockpiled on the Southeast corner of the well pad, opposite the reserve pit.
- D. **Steel Tank Requirements: NO RESERVE PITS**
 - 1. The holder shall use steel tanks for drilling the well in lieu of reserve pits. Steel tanks will help prevent the possibility of the drilling fluid leaching into the underground aquifers and reduce soil disturbance
 - 2. The steel tanks shall be constructed so as not to leak, break, or allow discharge of drilling muds. Under no circumstances shall the steel tanks be opened and allowed to drain drilling muds on the ground.

WELL DRILLING REQUIREMENTS

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3. The steel tanks shall be equipped to deter entry by birds, bats, and other wildlife.
4. The holder shall dispose of drilling muds and cuttings at an authorized disposal site. No drilling muds and/or cuttings shall be dumped on location.

E. Federal Mineral Materials Pit Requirements:

1. Caliche, gravel, or other related materials from new or existing pits on Federal mineral estate shall not be taken without prior approval from the authorized officer. Contact Jerry Dutchover at (505) 627 - 0236.
2. Payment for any Federal mineral materials that will be used to surface the access road and the well pad is required prior to removal of the mineral materials.
3. Mineral Materials extracted during construction of the reserve pit may be used for development of the pad and access road as needed, for the Charlotte Federal Com. #6 gas well only. Removal of any additional material on location must be purchased from BLM prior to removal of any material.
 - a. An optional mineral material pit may be constructed within the archaeologically cleared area. The mineral material removed in the process can be used for pad and access road construction. However, a mineral material sales contract must be purchased from the BLM prior to removal of any material.

F. Well Pad Surfacing Requirement:

The well pad shall be surfaced with 6 inches of compacted caliche, gravel, or other approved surfacing material. The well pad shall be surfaced prior to drilling operations. See Permanent Resource Road Requirements - EXHIBIT D - requirement #4, for road surfacing.

G. Cave Requirements:

1. If, during any construction activities any sinkholes or cave openings are discovered, all construction activities shall immediately cease. Contact Larry Bray at (505) 627-0250.
2. The BLM Authorized Officer will, within 24 hours of notification in "A" above, conduct an on-the-ground field inspection for karst. At the field inspection the authorized field inspector will authorize or suggest mitigating measures to lessen the damage to the karst environment. A verbal order to proceed or stop the operation will be issued at that time.

III. DRILLING OPERATION REQUIREMENTS:**A. GENERAL DRILLING REQUIREMENTS:**

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St , Roswell NM 88201, (505) 627-0272 in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: 8 $\frac{5}{8}$ inch 5 $\frac{1}{2}$ inch C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

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

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

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

B. CASING:

1. The 8 $\frac{5}{8}$ inch surface casing shall be set at 950' 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 5 $\frac{1}{2}$ inch intermediate casing is cement shall extend upward a minimum of 200 feet above the top of the Glorieta formation.

C. PRESSURE CONTROL:

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

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

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

- \$ 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.
- \$ BOPE shall be tested before drilling into the Wolfcamp formation.

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. 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.

IV. ON LEASE - WELL REQUIREMENTS:

A. The holder shall post signs identifying the location permitted herein with the requirements contained in Onshore Oil and Gas Order #1 and 43 CFR 3162.6.

B. The following data is required on the well sign that shall be posted in a conspicuous place on the well pad. **The communitization agreement number shall be posted on the well sign.** The sign shall be kept up with current identification and shall be legible for as long as the well is in existence:

Operator Name: Yates Petroleum Corporation
Well Name & No.: Charlotte Federal Com. #6
Lease No.: NM-16324
Footage: 660' FNL & 1980' FWL
Location: Section 29, T. 7 S., R. 26 E.

C. UPON ABANDONMENT OF THE WELL, THE SAME INFORMATION SHALL BE INSCRIBED ON THE DRY HOLE MARKER WITH A BEADED WELD.

D. The approval of the APD does not in any way imply or grant approval of any on-lease, off-lease, or off-unit action(s). It is the responsibility of the holder to obtain other approval(s) such as rights-of-way from the Roswell Field Office or other agencies, including private surface landowner(s).

E. All vehicles, including caterpillar track-type tractors, motor graders, off-highway trucks and any other type of motorized equipment that is used in the construction of the access road and well pad shall be confined to the area(s) herein approved. The drilling rig that is used to drill the well shall also be confined to the approved area(s).

F. Containment Structure Requirement:

1. A containment structure or earthen dike shall be constructed and maintained around all storage facilities/batteries. The containment structure or earthen dike shall surround the storage facilities/batteries.
2. The containment structure or earthen dike shall be constructed two (2) feet high around the facilities/batteries (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum).
3. The perimeter of the containment structure or earthen dike can be constructed substantial larger for greater holding capacity of the contents of the largest tank.
4. The containment structure or earthen dike shall be constructed so that in case of a spill the structure can contain the entire contents of the largest tank, plus 24 hour production, within the containment structure or earthen dike, unless more stringent protective requirements are deemed necessary by the Authorized Officer.