

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

FEB 26 2008
OCD-ARTESIA

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Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

1a. Type of Work. ☒ DRILL ☐ REENTER
1b. Type of Well. ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

5. Lease Serial No.
NM-93184
6. If Indian, Allottee or Tribe Name
Not Applicable
7. If Unit of CA Agreement, Name and No.
Not Applicable
8. Lease Name and Well No.
Jasper ARJ Federal #5

2. Name of Operator
Yates Petroleum Corporation 25575

9. API Well No.
30-005-64017

3a. Address
105 South Fourth Street, Artesia New Mexico 88210

3b. Phone No. (include area code)
(575) 748-1471

10. Field and Pool, or Exploratory
Four Ranch Pre Permian

4. Location of well (Report location clearly and in accordance with any State requirements *)
At surface
660' FSL and 660' FWL
At proposed prod. zone
same as above

11. Sec., T., R., M., or Blk. And Survey or Area
Section 25, T8S-R26E

14. Distance in miles and direction from the nearest town or post office*
Approximately 20 miles Northeast of Roswell, New Mexico

12. County or Parish
Chaves
13. State
NM

15. Distance from proposed*
location to nearest
property or lease line, ft
(Also to nearest drlg. unit line, if any)
660'

16. No. of acres in lease
800.00

17. Spacing Unit dedicated to this well
320 S/2

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft
2400'

19. Proposed Depth
6660'

20. BLM/ BIA Bond No. on file
NMB 000434

21. Elevations (Show whether DF RT, GR, etc.)
3965' GL

22. Approximate 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.
2. A Drilling Plan.
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).

4. Bond to cover the operations unless covered by existing bond on file (see item 20 above).
5. Operator certification. ROSWELL CONTROLLED WATER BASIN
6. Such other site specific information and/ or plans as may be required by the authorized officer.

25. Signature
Debbie L. Caffall
Name (Printed/ Typed)
Debbie L. Caffall
Date
10/18/2007

Title
Regulatory Agent

Approved By (Signature)
(Orig. Sgd.)
Assistant Field Manager,
Lands And Minerals
Name (Printed/ Typed)
(Orig. Sgd.)
Jerry Dutchover
Office
ROSWELL FIELD OFFICE
Date
FEB 21 2008
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 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 United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2) Previously approved C-102 attached C-144 attached

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

WITNESS SURFACE CASING

ENTERED
ANGAR
ENTERED
RDMMS
10

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

FEB 26 2008
OCD-ARTESIA

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 76730	³ Pool Name Foor Ranch; Pre-Permian
⁴ Property Code 29699	⁵ Property Name Jasper ARJ Federal	⁶ Well Number 5
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3965'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	8S	26E		.660	South	660	West	Chaves

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 S/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				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> Date 10/16/07 Debbie L. Caffall Regulatory Agent Printed Name
	NM-93184			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: REFER TO ORIGINAL PLAT Certificate Number

DISTRICT II
All South First, Artesia, NM 88210
DISTRICT III
1900 Rio Brazos Rd., Artesia, NM 87419
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Department

Revised March 17, 1988
Instructions 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

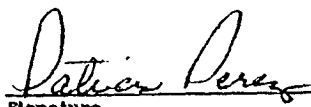
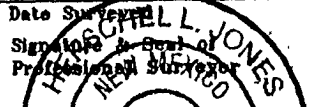
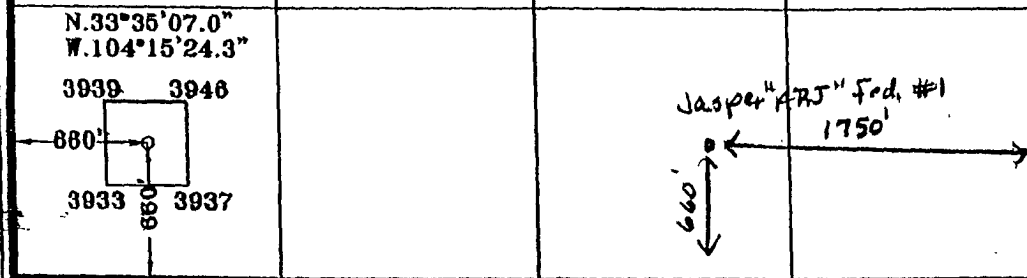
WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	Property Name JASPER "ARJ" FEDERAL	Well Number 5
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3939

Surface Location									
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	8S	26E		660	SOUTH	660	WEST	CHAVES

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
Dedicated Acres 320	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

				OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Patricia Perez Printed Name Regulatory Agent Title 12/06/01 Date	
				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. 11/07/2001 Date Surveyed  Signature of Surveyor Professional Surveyor NEW MEXICO 3640 Certificate of H. Schell L. Jones RLS 3640 JASPER 5 GENERAL SURVEYING COMPANY	
NM-93184					

YATES PETROLEUM CORPORATION
Jasper "ARJ" Federal #5
 660' FSL and 660' FWL
 Section 25-T8S-R26E
 Chaves County, New Mexico

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

San Andres	1300'	Oil Pay	Cisco	5930'	Gas & Oil Pay
Glorieta	2380'		Strawn	6055'	Gas Pay
Yeso	2500'		Mississippian	6285'	
Tubb	3935'		Siluro-Devonian	6435'	Gas Pay
Abo	4675'	Gas Pay	Basement	6685'	
Wolfcamp	5350'	Gas Pay	TD	6835'	

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 formations.

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#	J-55	ST&C	0-1000'	1000'	WITNESS
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-6835'	6835'	

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 2,000 psi BOP will be nipped up on the 8 5/8" casing and tested to 1000 psi. YPC requests a variance be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 1000 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the bottom hole pressure in this field is proven to be near 1000 psi. A shut in surface pressure would be less than 1000 psi. We feel that a 1100 psi test will demonstrate that the BOPE is functioning properly, and in the unlikely event of a gas influx that the BOPE would be sufficient to control the well.

B. CEMENTING PROGRAM:

Surface Casing: Cement with 325 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl₂ (YLD 1.33 WT 15.6). Cement circulated to the surface.

Production Casing: 550 sx PVL (YLD 1.34 WT 13).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1000'	FW GEL/Paper/LCM	8.6-9.6	32-36	N/C
1000'-4660'	Brine	10.0-10.2	28	N/C
4660'-6835'	Starch/Salt Gel	9.3-10.2	32-40	<6CC

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 under surface casing.

Logging: Platform Express, CNL/LDT W/NGT to TD to surface casing, w/ GR/CNL TD to surface, DLL/MSFL TD to surface casing, BHC Sonic TD to surface casing; FMI TD - top of Wolfcamp; CMR over Strawn Sands.

Coring: Sidewall

DST's: None

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

Anticipated BHP:

From: 0	TO: 1000'	Anticipated Max. BHP: 400 PSI
From: 1000'	TO: 6835'	Anticipated Max. BHP: 3000 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

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 15 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Jasper "ARJ" Federal #5
660' FSL and 660' FWL
Section 25-T8S-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 well site is located approximately 20 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go northeast of Roswell, NM on Hwy 70 to Ponderosa Rd. Turn right, (southeast) on Ponderosa Rd and drive approximately 4 miles the El Paso Pipeline Road. Turn right & drive approx. 0.9 of a mile to road on the left. Turn left (over pipeline) and go approx. 1.1 mile to fork in the road (stay right). Drive approx 0.6 of a mile and turn right on lease road. Drive 0.2 of a mile to Elk Oil location (Jan St. #3) and continue north on road approx. 0.2 of a mile to the Jasper #1 location. The access road is staked on the left side of this location going west to the SE corner of the well pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 0.50 of a mile from the point of origin to the southeast corner of the drilling pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. No traffic turnout will be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is 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, 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits which may be required.

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. Note: Pits to East Southeast.
- 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 well site 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.

Jasper "ARJ" Federal #5
Page 3

11. SURFACE OWNERSHIP: The location is on Federal surface administered by the BLM
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, and historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

- | | |
|---|--|
| A. Through A.P.D. Approval:
Debbie L. Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (575) 748-1471 | B. Through Drilling, Completions & Prod.
Ray Stall, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (575) 748-1471 |
|---|--|

CERTIFICATION
YATES PETROLEUM CORPORATION
Jasper ARJ Federal #5

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 October, 2007.

Printed Name Debbie L. Caffall

Signature 

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

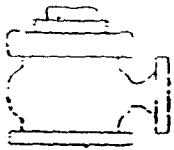
Telephone 575-748-4376

Field Representative (if not above signatory) Jim Krogman

Address (if different from above) Same

Telephone (if different from above) 575-748-4215

E-mail (optional) debbiec@ypcnm.com



Yates Petroleum Corporation

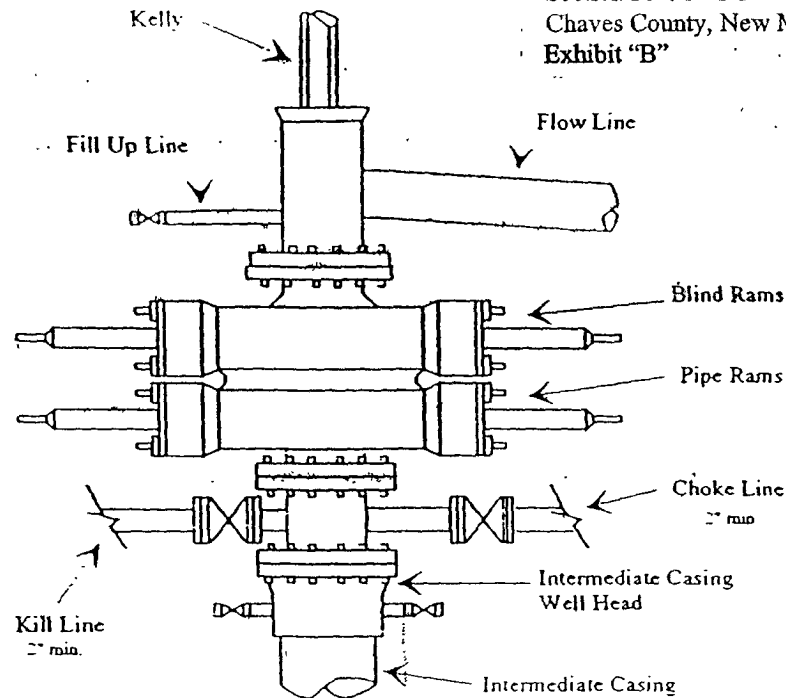
BOP-2

Typical 2,000 psi Pressure System.

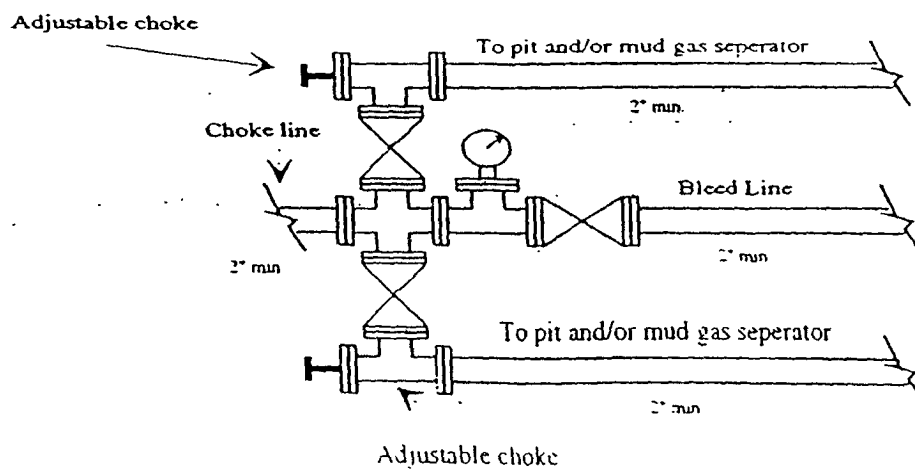
Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
Jasper "ARJ" Federal #5
660' FSL & 660' FWL
Section 25-T8S-R26E
Chaves County, New Mexico
Exhibit "B"



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



Yates Petroleum Corporation
 Jasper "ARJ" Federal #5
 660' FSL & 660' FWL
 Section 25-T8S-R26B
 Chaves County, New Mexico
 Exhibit "A"

Handwritten annotations on the map include:
 - "Jasper ARJ Fed #5" (multiple locations)
 - "Cactus Flusher" (near station 19)
 - "R/W - 23395" (multiple locations)
 - "P/L" (multiple locations)
 - "DID NOT USE" (near station 30)
 - "NEW STAKE" (near station 31)
 - "PLANES RADIO" (bottom right)
 - "BY 11-5-41" (bottom center)
 - "BM Campbell 4009" (near station 25)
 - "BM 3956X" (near station 30)
 - "BM 3953X" (near station 35)
 - "BM 3906" (bottom left)
 - "BM 3868" (bottom left)
 - "BM 3872" (near station 26)
 - "BM 3966" (near station 24)
 - "BM 3990" (near station 30)
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EXHIBIT A

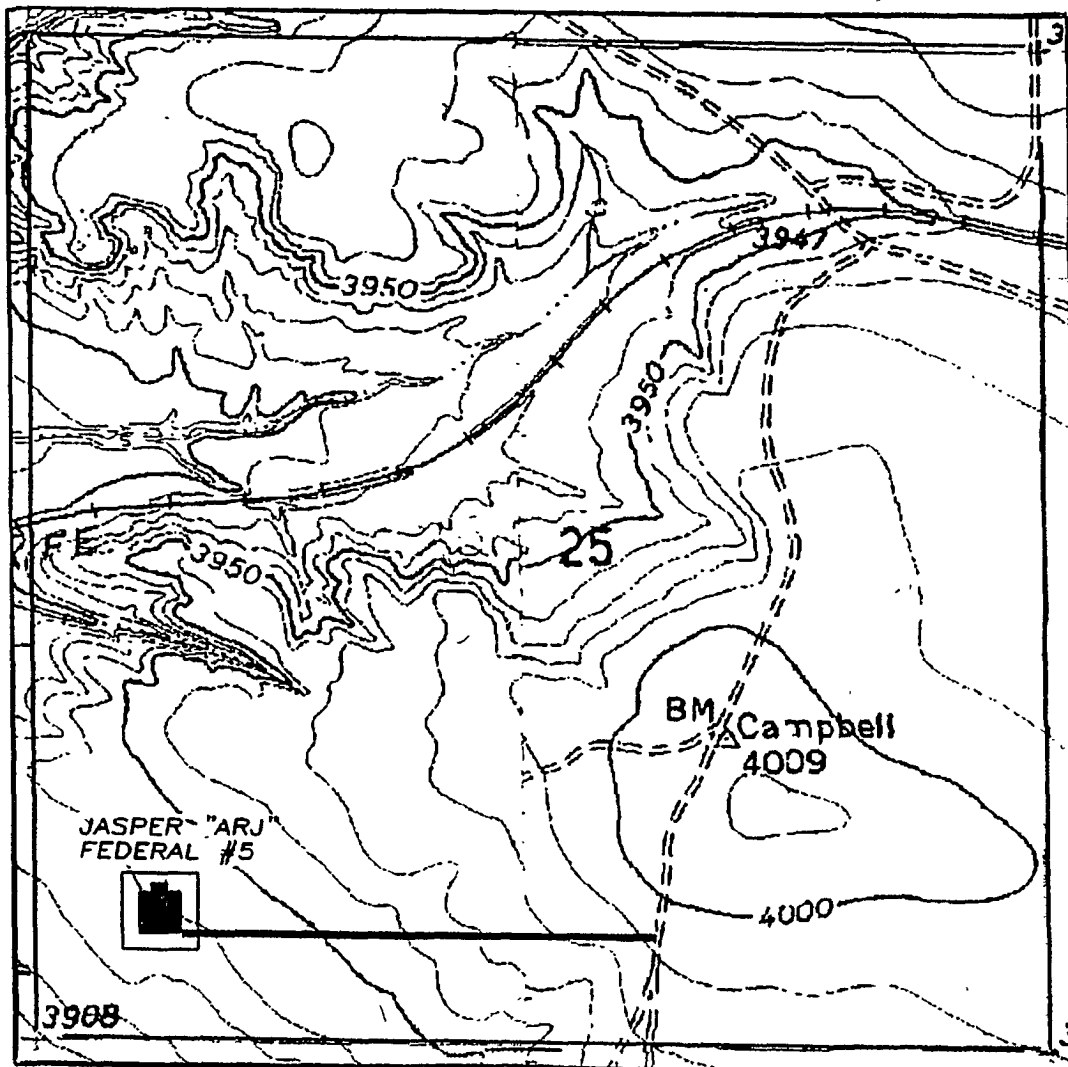
Operator: Yates Petroleum Corporation

BLM Serial Number: NM 93184

Well Name & NO.: Jasper "ARJ" Federal #5

Location: Section 25, T. 8 S., R. 26 E.

660' FSL & 660' FWL, Chaves County, N.M.



District I
1625 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

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

WF
Form C-144
March 12, 2004
For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

☒ Check Box 1

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: Jasper ARJ Federal #5 API #: 30-005-63625 U/L or Qtr/Qtr SWSW Sec 25 T 8S 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

bbi

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
50 feet or more, but less than 100 feet
100 feet or more

(20 points)
(10 points)
(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
No

(20 points)
(0 points)

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

Less than 200 feet
200 feet or more, but less than 1000 feet
1000 feet or more

(20 points)
(10 points)
(0 points)

Ranking Score (Total Points)

10

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 11/3/2004

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 NOV 8 2004

Printed Name/Title

Signature

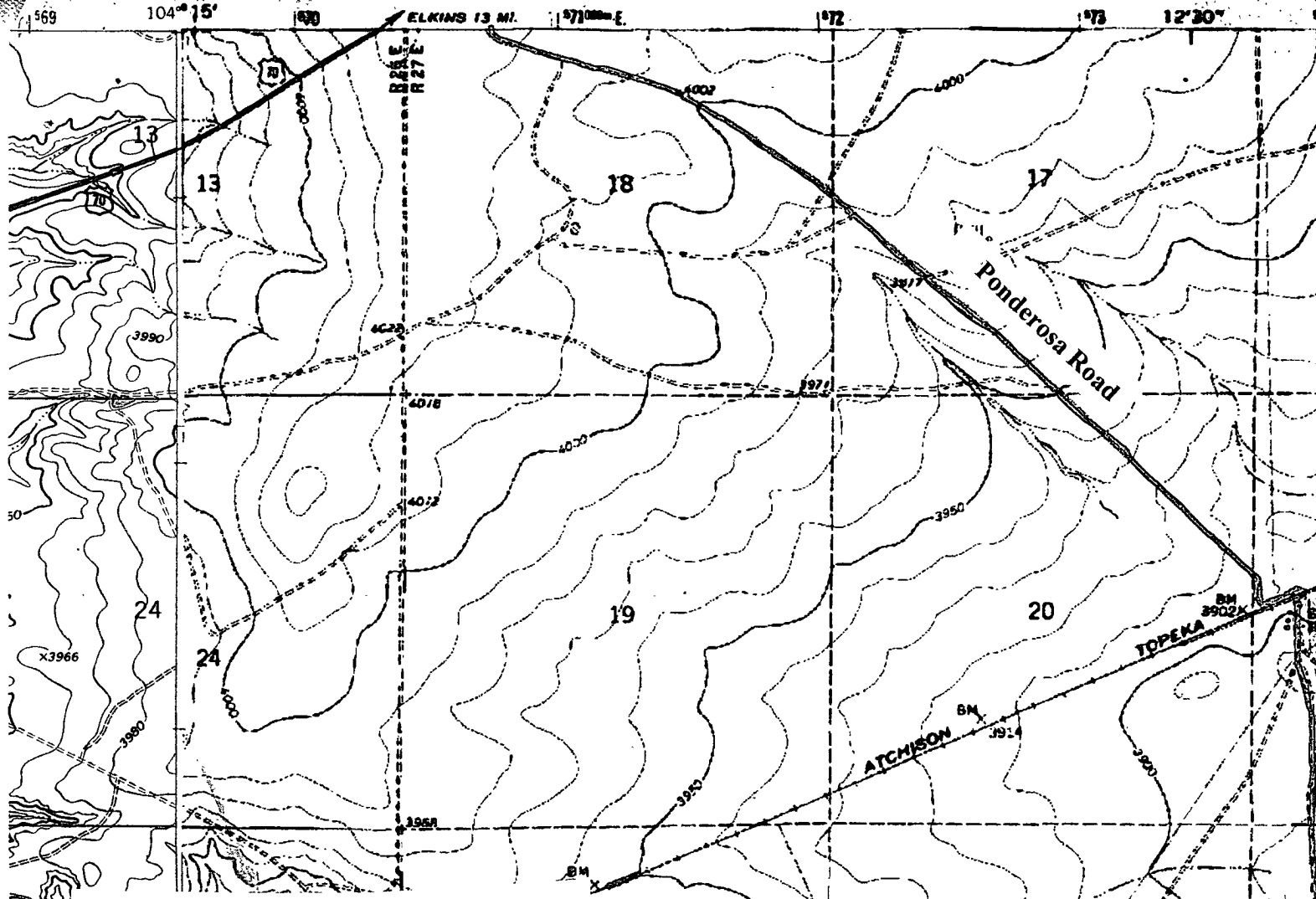


EXHIBIT "A"

YATES PETROLEUM CORPORATION
Jasper ARJ Federal #5, Lease NM-93184
660' FSL & 660' FWL
Section 25-T8S-R26E
Chaves County, New Mexico

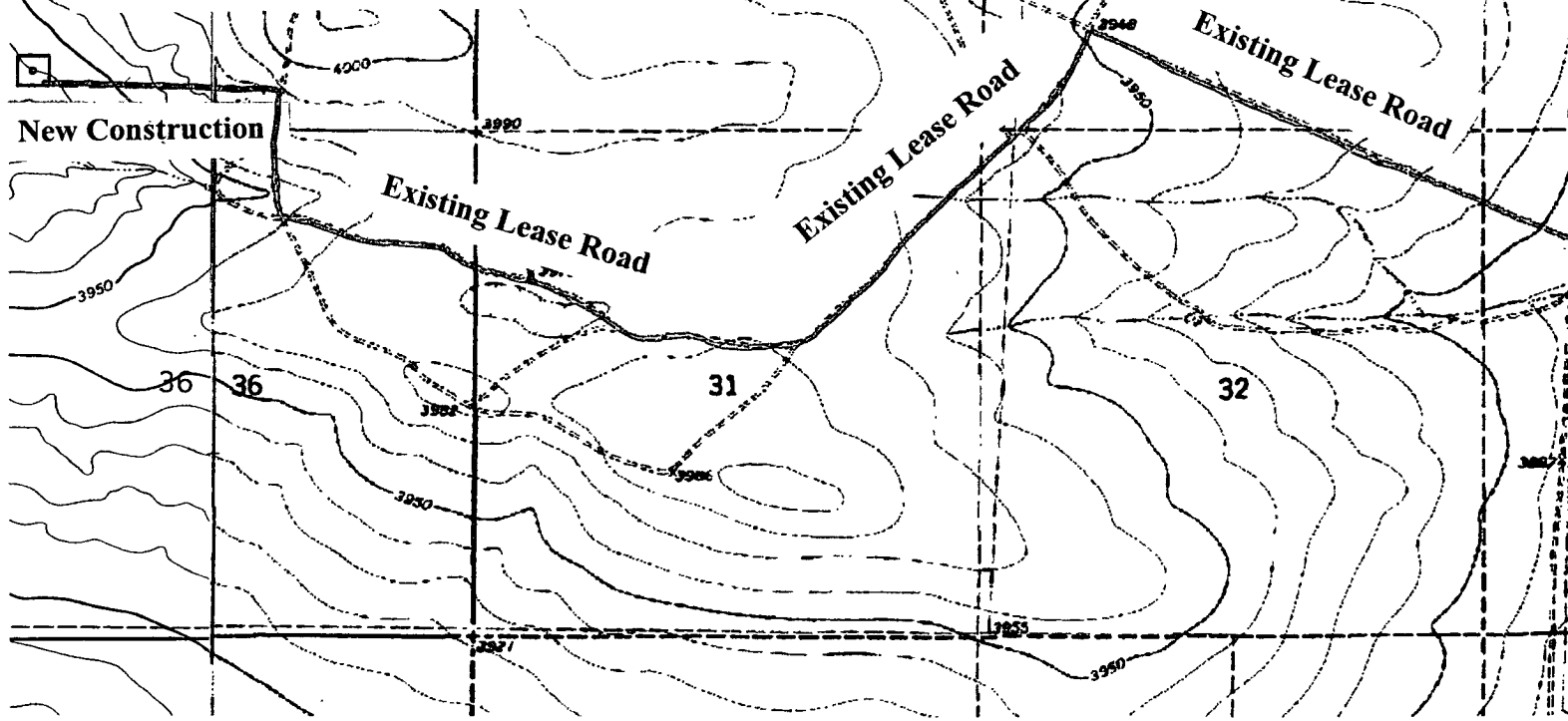


EXHIBIT A

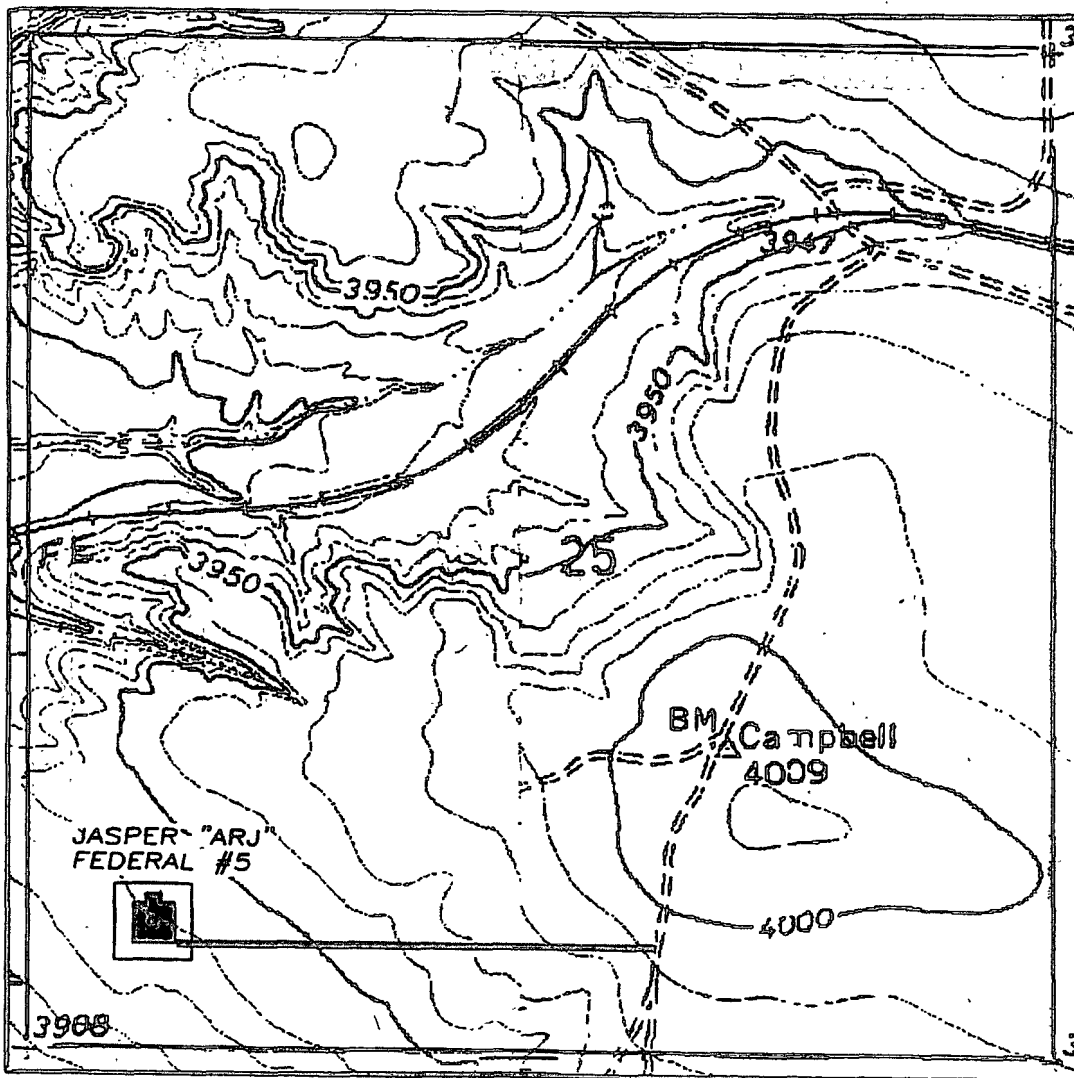
Operator: Yates Petroleum Corporation

BLM Serial Number: NM-93184

Well Name & NO.: Jasper "ARJ" Federal #5

Location: Section 25, T. 8 S., R. 26 E.

660' FSL & 660' FWL, Chaves County, N.M.



PECOS DISTRICT - RFO CONDITIONS OF APPROVAL

OPERATORS NAME: YATES Petroleum Corporation
LEASE NO.: NM-93184
WELL NAME & NO: Jasper "ARJ" Federal #5
SURFACE HOLE FOOTAGE: 660' FSL & 660' FWL
LOCATION: Section 25, T. 8 S., R. 26 E., NMPM
COUNTY: Chaves County, New Mexico

GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation. The soil shall be stockpiled on the southeast corner of the well pad.

C. RESERVE PITS:

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 175' X 150' on the NORTH side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT:

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

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

F. ON LEASE ACCESS ROADS:

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

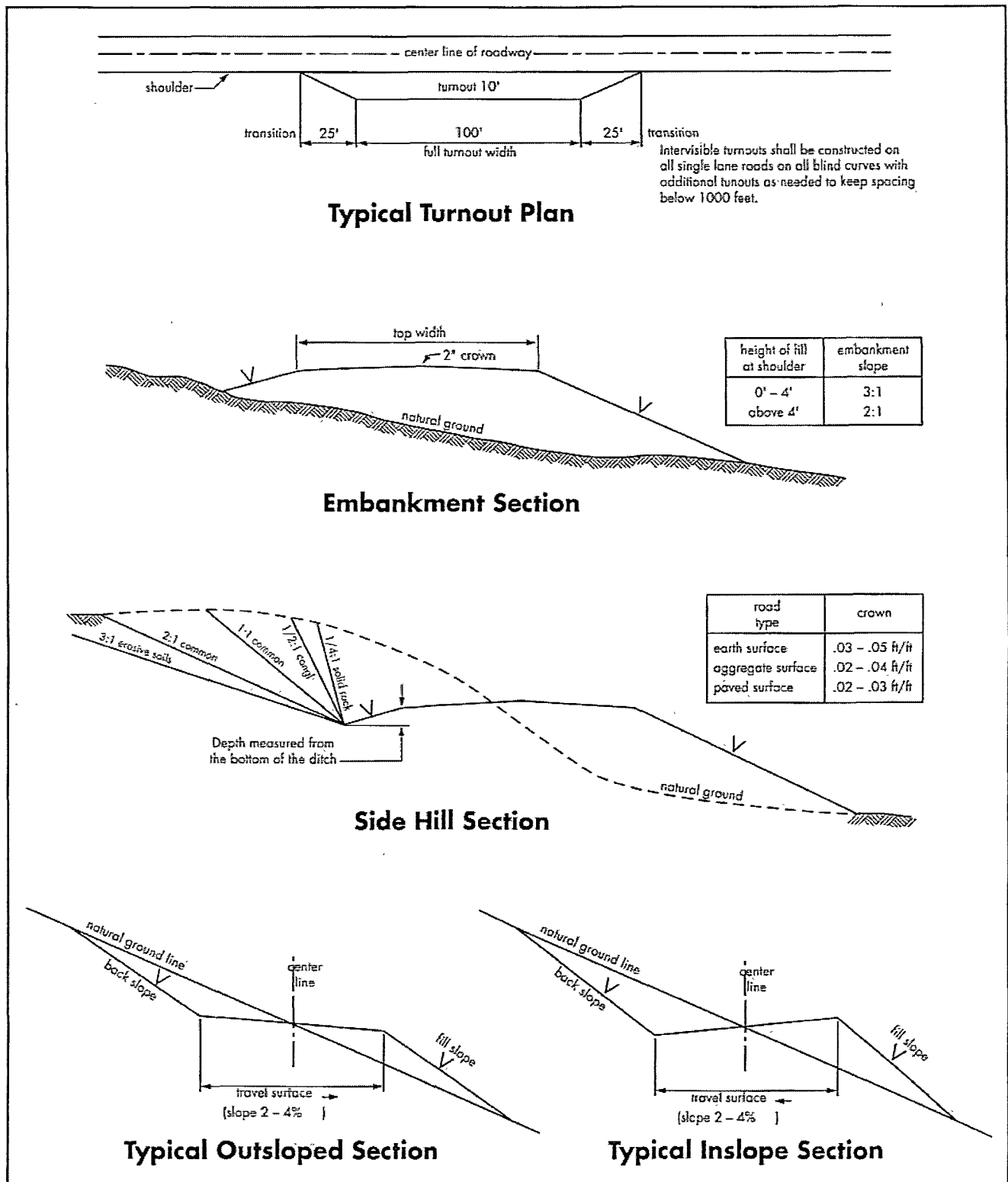
Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

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

Figure 1 – Cross Sections and Plans For Typical Road Sections



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201. 24 hours call (505) 627-0205.
2. The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:
 - a. Spudding well
 - b. Setting and/or Cementing of all casing strings
 - c. BOPE tests
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.

B. CASING

1. The 8-5/8 inch surface casing shall be set at 1000 feet and cemented to the surface.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 - d. If cement falls back, remedial action will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach at least 200 feet above the top of the Glorieta formation.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 (2M) psi.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

- a. The tests shall be done by an independent service company.
- b. The results of the test shall be reported to the appropriate BLM office.
- c. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
- d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
- e. A variance to test the surface casing and BOP/BOPE to the reduced pressure of 1000 psi with the rig pumps is approved.

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.

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.

E. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

Engineer on call phone (after business hours only): Roswell: (505) 626-5749

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Olive Drab, Munsell Soil Color Chart 18-0622 TPX.

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

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

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

SD-3 Shallow Sandy Ecological Site

<u>Common Name and Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure Live Seed Per Acre</u>
Black grama	(<i>Bouteloua eriopoda</i>)	5.00 lbs.
or Blue grama, var. Lovington	(<i>Bouteloua gracilis</i>)	
Sideoats grama	(<i>Bouteloua curtipendula</i>)	1.00 lb.
var. Vaughn or El Reno		
Sand dropseed	(<i>Sporobolus cryptandrus</i>)	0.50 lb.

or Mesa dropseed	(<i>S. flexuosus</i>)	
or Spike dropseed	(<i>S. contractus</i>)	
Desert or Scarlet	(<i>Sphaeralcea ambigua</i>)	1.00 lb.
Globemallow or	(<i>S. coccinea</i>)	
Croton	(<i>Croton</i> spp.)	<u>1.00 lb.</u>
TOTAL POUNDS PURE LIVE SEED PER ACRE		8.50 lbs.

If one species is not available, increase ALL others proportionately. Certified Weed Free Seed. A minimum of 4 species is required, including 1 forb species.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

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