

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

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

SUBMIT IN TRIPLICATE - Other instructions on reverse side1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other2 Name of Operator
Yates Petroleum Corporation 255753a Address
105 South Fourth Street, Artesia, NM 882103b Phone No. (include area code)
(575) 748-14714 Location of Well (Footage, Sec., T., R., M., or Survey Description)
1980' FSL and 1980' FEL, Unit J
Section 20, T19S-R25EAPR 10 2008
OCD-ARTESIA5 Lease Serial No.
NM-0557142

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/o
126958 Well Name and No.
Ross EG Federal Com #119 API Well No.
30-015-3556610 Field and Pool, or Exploratory Area
N. Dagger Draw Upper Penn11 County or Parish, State
Eddy County, New Mexico

NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | ACTION |
|---|--|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other <u>Extend</u> |
| | <input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <u>APD</u> |
| | <input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal |

13 Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation wishes to extend the captioned well's APD for two (2) years to April 24, 2010.

H2S Contingency Plan attached.

Thank you.

APPROVED FOR 24 MONTH PERIOD
ENDING 4-24-10SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Cy Cowan

Title

Regulatory Agent/Land Department

Email

cy@ypcnm.com

Signature

Date

March 24, 2008

FEDERAL OR STATE USE

Approved by

Title

FIELD MANAGER

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon

Office

CARLSBAD FIELD OFFICE

Title 18 U.S.C. Section 1001, 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)

C-102 attached C-144 attached

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 30-015-35566 | ² Pool Code | ³ Pool Name N Dagger Draw Upper Penn |
| ⁴ Property Code | ⁵ Property Name Ross EG Federal Com | ⁶ Well Number 11 |
| ⁷ OGRID No. 025575 | ⁸ Operator Name Yates Petroleum Corporation | ⁹ Elevation 3542' |

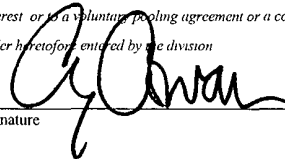
¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| J | 20 | 19S | 25E | | 1980 | South | 1980 | East | Eddy |

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 160 SE4 | 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 | | | | <p>¹⁷ OPERATOR CERTIFICATION</p> <p>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</p> <p> 3/18/08</p> <p>Signature Date</p> <p>Cy Cowan, Regulatory Agent</p> <p>Printed Name</p> |
| | | | | |
| | | | | |
| | | | | <p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p>REFER TO ORIGINAL PLAT</p> <p>Certificate Number</p> |
| | | | | |
| | | | | |

NM-0557142

1980'

1980'

FEE

OIL CONSERVATION DIVISION

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

DISTRICT I
Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

| | | | | | |
|--|--|-----------------------------|--|--|-----------------------|
| Operator YATES PETROLEUM CORPORATION | | | Lease ROSS EG FEDERAL COM | | Well No. 11 |
| Unit Letter J | Section 20 | Township 19 SOUTH | Range 25 EAST | County EDDY COUNTY, NM | |
| Actual Footage Location of Well: 1980 feet from the SOUTH line and 1980 feet from the EAST line | | | | | |
| Ground level Elev. 3542. | Producing Formation Cisco Canyon | | Pool N. Dagger Draw Upper Penn | Dedicated Acreage: 160 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
☒ Yes ☐ No If answer is "yes" type of consolidation Communitization
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Ken Beardemphl

Printed Name
Ken Beardemphl

Position
Landman

Company
YATES PETROLEUM CORPORAT

Date
April 15, 1992

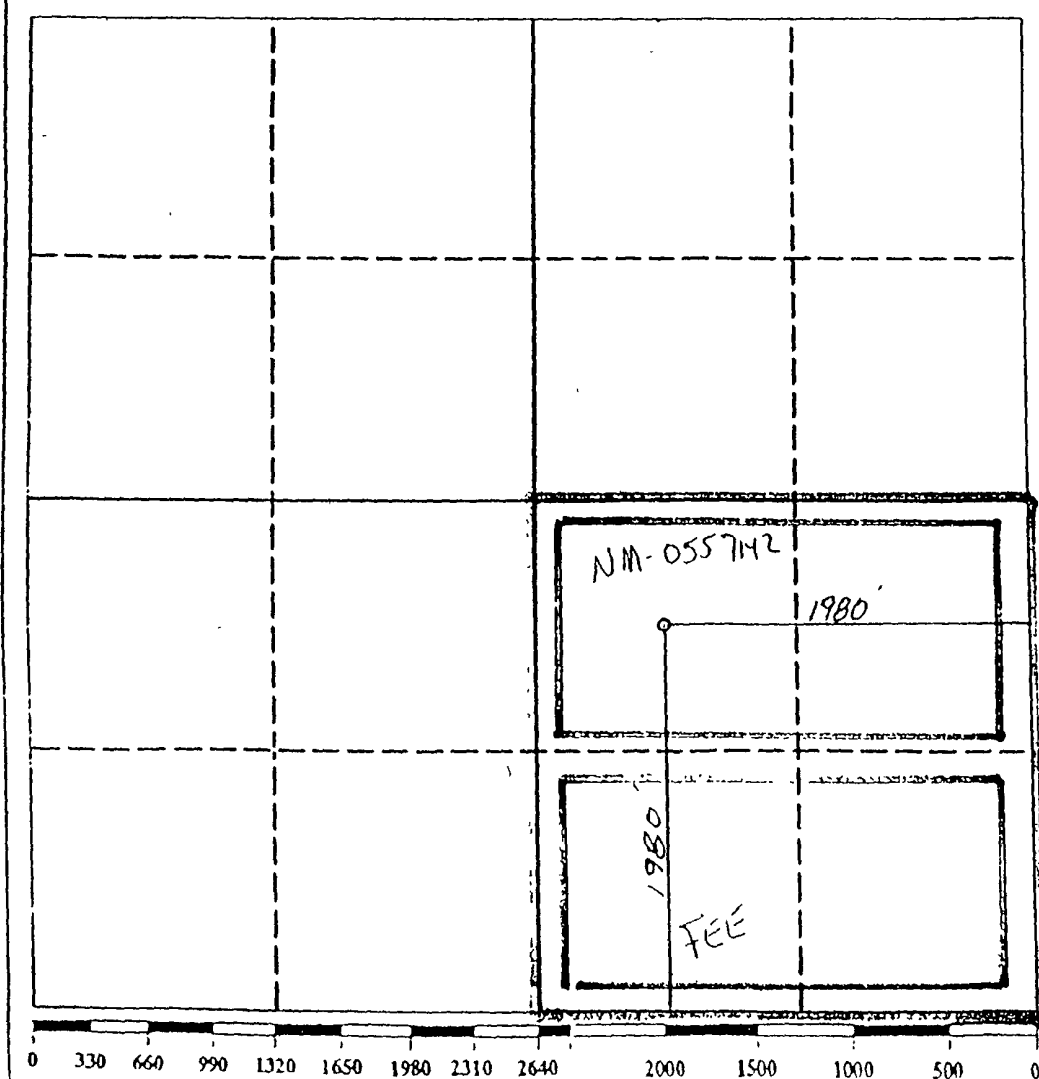
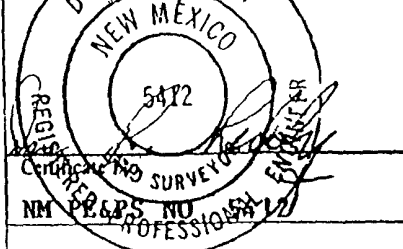
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes 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.

Date Surveyed

APRIL 10, 1992

Signature & Seal of Professional Surveyor



French Dr., Hobbs, NM 88240

Grand Avenue, Artesia, NM 88210

1000 Rio Brazos Road, Aztec, NM 87410

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

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

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: Ross EG Federal Com. #11 API #: 30-015-33903 U/L or Qtr/Qtr J Sec 20 T 19S R 25E

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

Pit Type: Drilling ☒ Production ☐ Disposal ☐

Below-grade tank

Workover ☐ Emergency ☐

Volume: _____ bbl Type of fluid: _____

Lined ☒ Unlined ☐

Construction material: _____

Liner type: Synthetic ☒ Thickness 12 mil

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Clay ☐ Volume 20,000 bbl

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 | <u>(0 points)</u> |

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 | <u>(0 points)</u> |

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 | <u>(10 points)</u> |
| 1000 feet or more | (0 points) |

Ranking Score (Total Points)

Points

0

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: December 16, 2005

Printed Name/Title Cy Cowan/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: JAN 25 2006

Printed Name/Title _____

Signature _____

Yates Petroleum Corporation

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

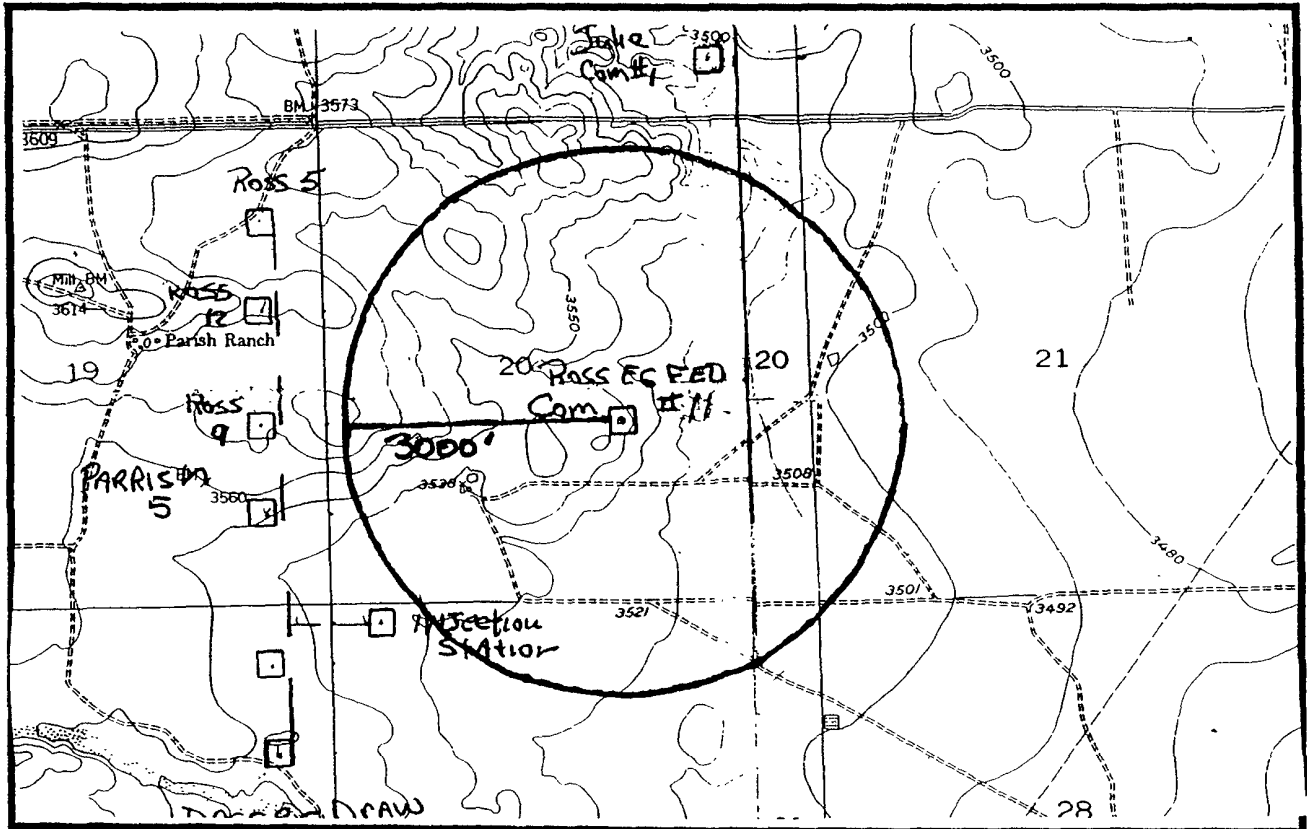
Hydrogen Sulfide (H₂S) Contingency Plan

For

Ross EG Federal Com. #11

**1980' FSL, 1980' FEL
Section 20, T-19S, R-25E
Eddy County NM**

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.



YPC H2S Contingency Plan. Page 2

Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

| Common Name | Chemical Formula | Specific Gravity | Threshold Limit | Hazardous Limit | Lethal Concentration |
|------------------|------------------|------------------|-----------------|-----------------|----------------------|
| Hydrogen Sulfide | H ₂ S | 1.189 Air = 1 | 10 ppm | 100 ppm/hr | 600 ppm |
| Sulfur Dioxide | SO ₂ | 2.21 Air = 1 | 2 ppm | N/A | 1000 ppm |

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

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 |

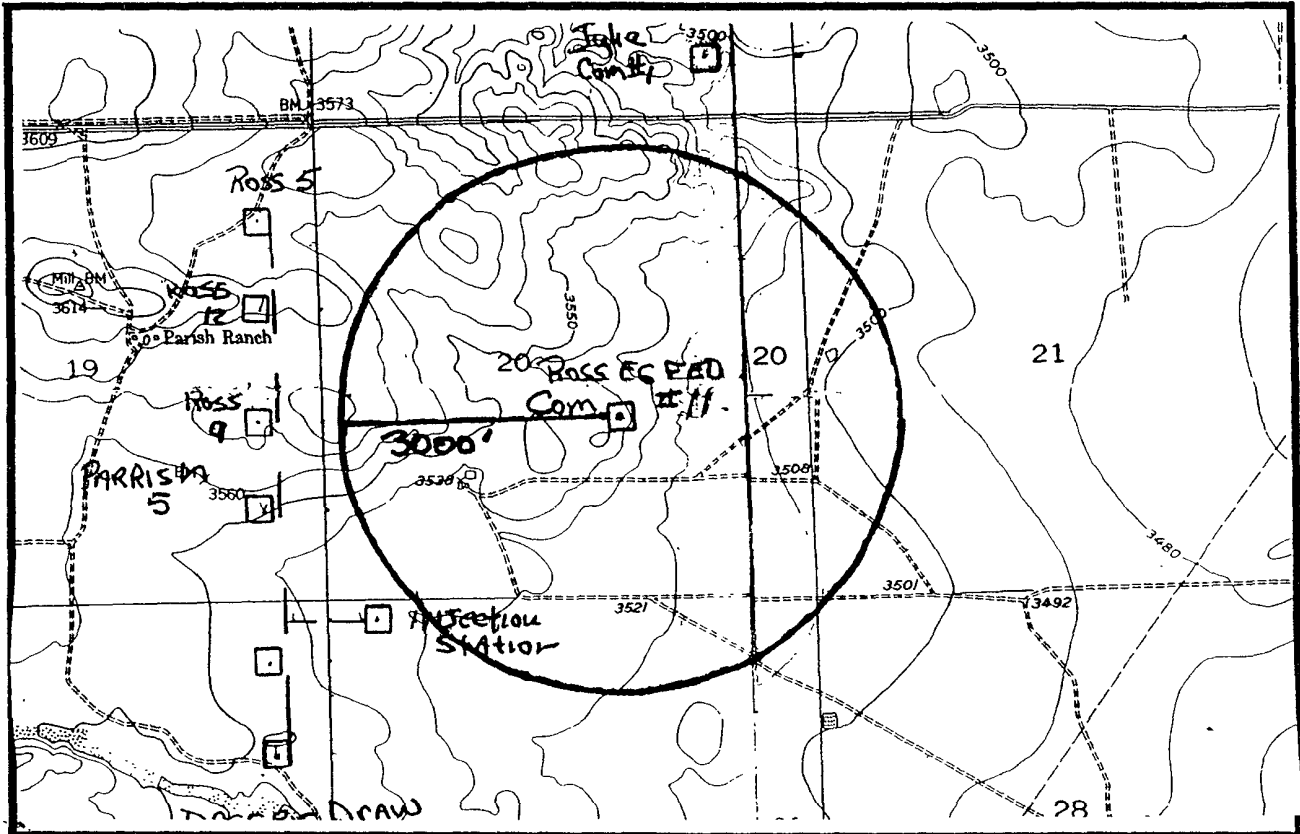
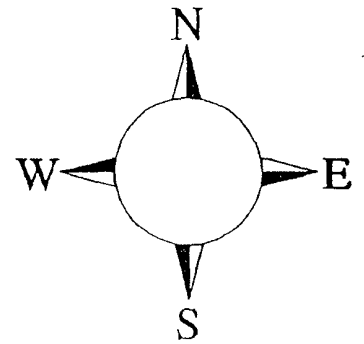
| | |
|---|-------------------|
| New Mexico Emergency Response Commission (Santa Fe) | (505)476-9600 |
| 24 HR | (505) 827-9126 |
| New Mexico State Emergency Operations Center..... | (505) 476-9635 |
| National Emergency Response Center (Washington, DC) | ...(800) 424-8802 |

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 |

Ross EC Federal Com. #11 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.



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

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

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: <u>Yates Petroleum Corporation</u> | | Telephone: <u>(505) 748-4372</u> | e-mail address: <u>debbiec@ypcnm.com</u> |
| Address: <u>105 South 4th Street, Artesia, NM 88210</u> | | <u>30-015-93903</u> | |
| Facility or well name: <u>Ross EG Federal Corn. #11 API #:</u> | | U/L or Qtr/Qtr <u>1</u> Sec <u>20</u> T <u>19S</u> R <u>25E</u> | |
| County: <u>Eddy</u> Latitude _____ Longitude _____ | | NAD: 1927 <input type="checkbox"/> 1983 <input type="checkbox"/> Surface Owner: Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Indian <input type="checkbox"/> | |
| Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> | | <u>Below-grade tank</u> | |
| Workover <input type="checkbox"/> Emergency <input type="checkbox"/> | | Volume: _____ bbl Type of fluid: _____ | |
| Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> | | Construction material: _____ | |
| Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12 mil</u> | | Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____ | |
| Clay <input type="checkbox"/> Volume <u>20,000</u> bbl | | | |
| 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) | <u>0</u> |
| 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) | <u>0</u> |
| 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) | <u>0</u> |
| | | 1000 feet or more (0 points) | |
| Ranking Score (Total Points) | | Points | <u>0</u> |

RECEIVED
JAN 23 2006
OCD-ARTESIA

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: December 16, 2005

Printed Name/Title Cy Cowan/Regulatory Agent Signature Cy Cowan

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: JAN 25 2006

Printed Name/Title _____ Signature [Signature]

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Ross "EG" Federal #11
1980' FSL and 1980' FEL
Sec.20-T19S-R25E
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 20 miles southwest of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia, NM on Highway 285 for approximately 13 miles to Rockin R Red Road. Turn west and go approximately 6.5 miles. Turn south on caliche road for approximately 0.7 miles. New road starts here going east.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 1300' in length from point of origin to the southwest edge of drilling pad. The road will lie in a west to east direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and erosion.
- C. The new road will be bladed with drainage on one side. No traffic turnout will be built.

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:

Federal pit located in Section 18, T19S-R25E.

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:

- A. A 3" steel buried flow line to the Ross #3 battery, approximately 3300' in length (on topo) being 30' wide right-of-way.
- B. A 3" phase, 480 volt, rupture proof power line, 25' wide and approximately 1300' in length next to the new road right-of-way.

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 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.

se
Per phone call to
Cy Cowan 4-16-07

11. SURFACE OWNERSHIP: Mr. Carl Ross - Yates Petroleum Corporation and Mr. Ross have made an agreement on surface damages.

PO Box 216

12. OTHER INFORMATION:

Lakewood NM, 88254

Phone 505-457-2499

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 surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

B. Through Drilling Operations,
Completions and Production:


Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

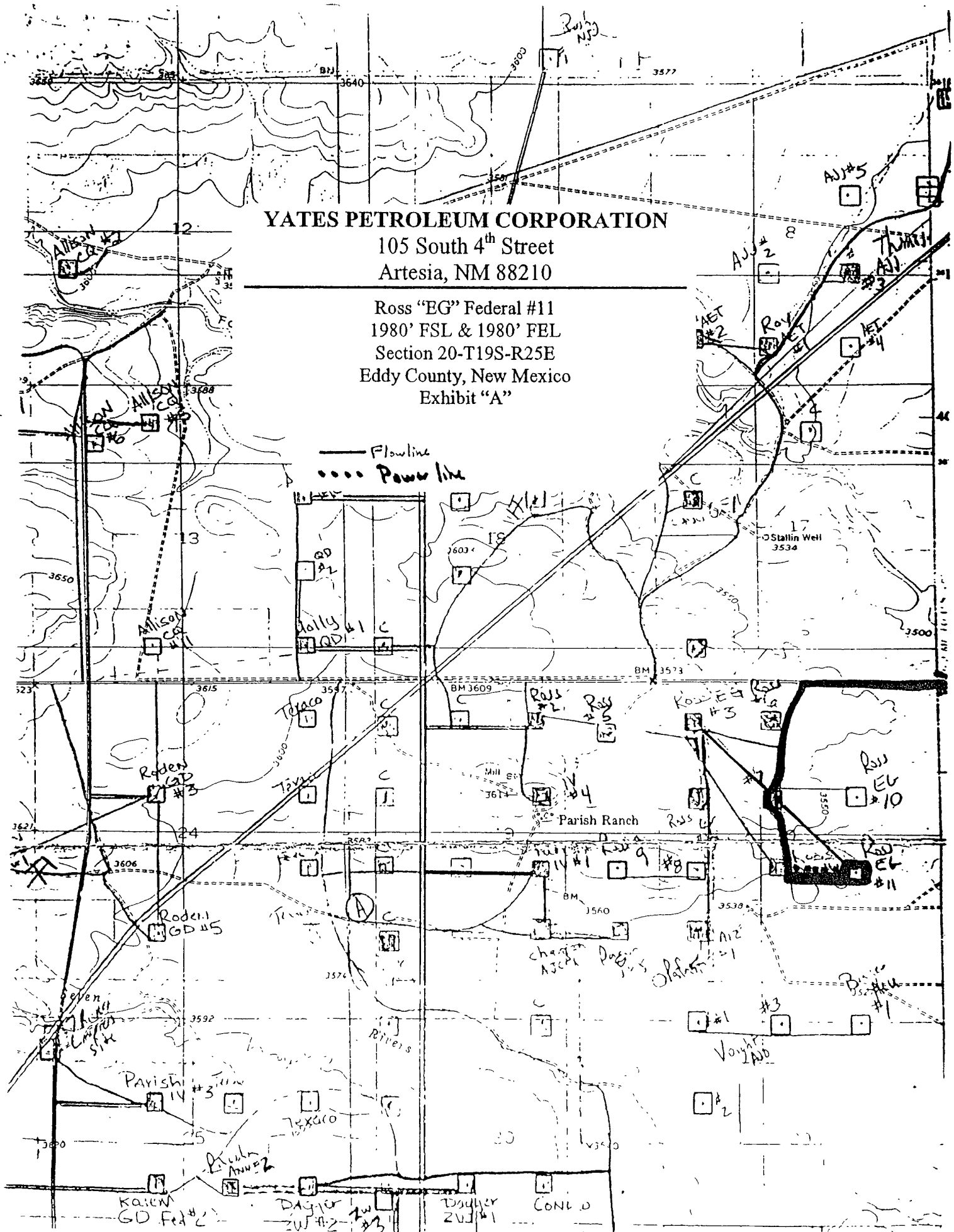
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

12/13/2006


Regulatory Agent

Ross "EG" Federal #11
1980' FSL & 1980' FEL
Section 20-T19S-R25E
Eddy County, New Mexico
Exhibit "A"

— Flowline
... Power line



SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Yates Petroleum Corporation Well Name & #: Ross EG Fed. Com #11
Location 1980 F S L & 1980 F E L; Sec. 20, T. 19 S, R. 25 E
Lease #: NM-0557142 County: Eddy State: New Mexico

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 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.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
() San Simon Swale (stips attached) (x) Other **See attached Aplomado Falcon Habitat Stipulations**

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

- (x) The BLM will monitor construction of this drill site. Notify the (x) Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.
- (x) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer
- () All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.
- () Other

III. WELL COMPLETION REQUIREMENTS

- () A Communitization 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.
- (x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, 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 re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of ½ inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled
- | | |
|---|---|
| () A. Seed Mixture 1 (Loamy Sites) | () B. Seed Mixture 2 (Sandy Sites) |
| Side Oats Grama (<i>Bouteloua curtipendula</i>) 5.0 | Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 |
| Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 | Sand Lovegrass (<i>Eragrostis trichodes</i>) 1.0 |
| Plains lovegrass (<i>Eragrostis intermedia</i>) 0.5 | Plains Bristlegrass (<i>Setaria magrostachya</i>) 2.0 |
| () C. Seed Mixture 3 (Shallow Sites) | () D. Seed Mixture 4 (Gypsum Sites) |
| Side oats Grama (<i>Bouteloua curtipendula</i>) 5.0 | Alkali Sacaton (<i>Sporobolus airoides</i>) 1.0 |
| Green Spangletop (<i>Leptochloa dubia</i>) 2.0 | Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |
| Plains Bristlegrass (<i>Setaria magrostachya</i>) 1.0 | |

(x) OTHER SEE ATTACHED SEED MIXTURE

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.

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, shale green, Munsell Soil Color Chart Number 5Y 4/2.

- () Other

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6-mil plastic.

Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease.

Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Stipulations for Drilling in Aplomado Falcon Habitat

The following well pad construction and reclamation measures will be implemented to provide for minimal long-term disturbance:

No Yuccas over 5 feet in height will be damaged by vehicular use or any other activity associated with this project.

Remove all caliche from well pads and roads that are plugged and abandoned. Reclamation will consist of disking, mulching, seeding with a drill (See seed mixture below), and application of water to encourage seed germination.

Well pad size will not exceed 300 ft. x 390 ft. (unless multiple wells are drilled from the same well pad). All unused portions of the well pad associated with producing wells will be reclaimed using the seed mixture below:

| | |
|---|------------|
| Buffalograss (<i>Buchloe dactyloides</i>) | 4 lbs/acre |
| Blue grama (<i>Bouteloua gracilis</i>) | 1 lbs/acre |
| Cane bluestem (<i>Bothriochloa barbinodis</i>) | 5 lbs/acre |
| Sideoats grama (<i>Bouteloua curtipendula</i>) | 5 lbs/acre |
| Plains bristlegrass (<i>Setaria macrostachya</i>) | 6 lbs/acre |

Reserve pits for drilling and disposal are not allowed unless the pit can be effectively netted to the satisfaction of the BLM. Steel tank circulation system must be used if the reserve pit is not netted.

All active raptor nests will be avoided by a minimum of 400 meters by all activities or curtail activities until fledging is complete.

All inactive raptor nests will be avoided by a minimum of 200 meters by all activities.

All roads associated with well development will not exceed 30 ft in width

PECOS DISTRICT CONDITIONS OF APPROVAL

| | |
|-----------------------|--------------------------------|
| OPERATOR'S NAME: | Yates Petroleum Corporation |
| LEASE NO.: | NM0557142 |
| WELL NAME & NO.: | Ross EG Federal Com. #11 |
| SURFACE HOLE FOOTAGE: | 1980' FSL & 1980' FEL |
| LOCATION: | Section 20, T19S., R25E., NMPM |
| COUNTY: | Eddy County, New Mexico |

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

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. BOP/BOPE tests

☒ **Eddy County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the **Canyon Formation**. **Hydrogen Sulfide reported in Sections 11 and 14 from the Canyon formation and in Section 17 from the Upper Penn. Measurements in Section 18 and 19 from the North Dagger Draw Penn and Upper Penn were 10+ in STVs. Also reported in Penasco Draw San Andres in Section 6 measuring 10,000+ ppm in the gas stream and 14 ppm in STVs.**

1. 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.
2. Floor controls are required for 3M or Greater systems. These 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.

B. CASING

Note: All casing shall meet or exceed API standards for new casing. Onshore Order 2.III.B.1.a (Any casing substitutions must have prior approval)

Centralizers required on surface casing as per Onshore Order 2.III.B.1.f

**Possible lost circulation in the Grayburg and San Andres formations.
Medium potential for karst features.**

1. The **9-5/8 inch** surface casing shall be set at **approximately 1100 feet (possible usable water to 1100 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 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 compressive strength, whichever is greater. (This is to include the lead cement).
 - c. **Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string.**
 - d. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - e. If cement falls back, remedial action will be done prior to drilling out that string.
2. The minimum required fill of cement behind the **7 inch** production casing is **cement to circulate to surface. Cement for first stage to circulate to DVT. Cement for second stage to circulate to surface.** If cement does not circulate see B.1.a-e above.
3. 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.

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. 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. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation **if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days**. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

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.

E. DRILL STEM TEST

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

JDW 3/31/08

MDR 4/7/08