ATS-08-544

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AUG 14 2008

OCD-ARTESIA

OCD-ARTESIA

Form 3160-3
(August 2008)

FORM APPROVED
OMB NO. 1004-0137
Expires: July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-0559535

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA Agreement, Name and No.:

1a. Type of Work. [X] DRILL [ ] REENTER

1b Type of Well. [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

8. Lease Name and Well No: Federal FR #4 12261

2. Name of Operator: Yates Petroleum Corporation 025575

9. API Well No: 30-015-36536

3a. Address: 105 South Fourth Street, Artesia, NM 88210

3b. Phone No. *(include area code)*: 505-748-1471

10. Field and Pool, or Exploratory: Wildcat Devonian

4. Location of well *(Report location clearly and In accordance with any State requirements.*)*
At surface: 2630' FSL & 850 FEL per SN
Roswell Controlled Water Basin 2170' FSL and 670' FEL
At proposed prod. zone: Same

11. Sec., T., R., M., or Blk And Survey or Area: Section 21, T16S-R30E

14. Distance in miles and direction from the nearest town or post office*: Approximately 7 miles north of Loco Hills, New Mexico

12. County or Parish: Eddy County

13. State: New Mexico

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
670'	1753.05	NE/SE/4 40 acres.
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	**19. Proposed Depth**	**20. BLM/ BIA Bond No. on file**
.6 of a mile.	12,181'	NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF, KDB, RT, GL, etc)	**22. Aproximate date work will start***	**23. Estimated duration**
3765' GL	ASAP	60 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 must 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
6. Such other site specific information and/ or plans as may be required by the BLM

25 Signature	Name *(Printed/ Typed)*	Date
	Cy Cowan	5/27/2008

Title: Regulatory Agent

Approved By *(Signature)*	Name *(Printed/ Typed)*	Date
/s/ Don Peterson	/s/ Don Peterson	AUG 13 2008
Title	**Office**	
FIELD MANAGER	CARLSBAD FIELD OFFICE	

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

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and wilfully 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.

NOTE: NEW PIT RULE
19-15-17 NMAC PART 17
A form C-144 must be approved before starting drilling operations.

* *(Instructions on page 2)* *C-144 Attached*

SEE ATTACHED FOR CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Form 3160-5
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

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 page 2.

AUG 14 2008

OCD-ARTESIA

1. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other	5. Lease Serial No: NM-0559535
2. Name of Operator: Yates Petroleum Corporation 025575	6 If Indian, Allottee or Tribe Name:
3a Address: 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. *(include area code)*: (505) 748-1471
4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*: 2620' FSL and 850' FEL Surface Hole Location; 2170' FSL and 670' FEL Bottom Hole Location; *Section 21, T16S-R30E*	7 If Unit or CA/Agreement, Name and/o
	8. Well Name and No.: Federal FR #4
	9. API Well No.
	10 Field and Pool, or Exploratory Area: Wildcat Devonian
	11. County or Parish, State: Eddy County, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☐ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other location movement.
	☒ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
☐ Final Abandonment Notice	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: 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 recomplete 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please note the change of location for this well as captioned in #4 above.
Please find replacement pages attached to be replace in our APD that was submitted on 5/27/08.

Thank you for your concern in this matter.

14 I hereby certify that the foregoing is true and correct

Name *(Printed/Typed)*	Title: Regulatory Agent / Land Department
Signature	Date: July 15, 2008

THIS SPACE FOR FEDERAL OR STATE USE

Approved by: /s/ Don Peterson	Title: FIELD MANAGER	Date: AUG 13 2008
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)

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 and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 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

API Number	Pool Code	Pool Name
		Wildcat ~~Wolfcamp~~ Devonian

Property Code	Property Name	Well Number
	FEDERAL "FR"	4

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3765'

Surface Location

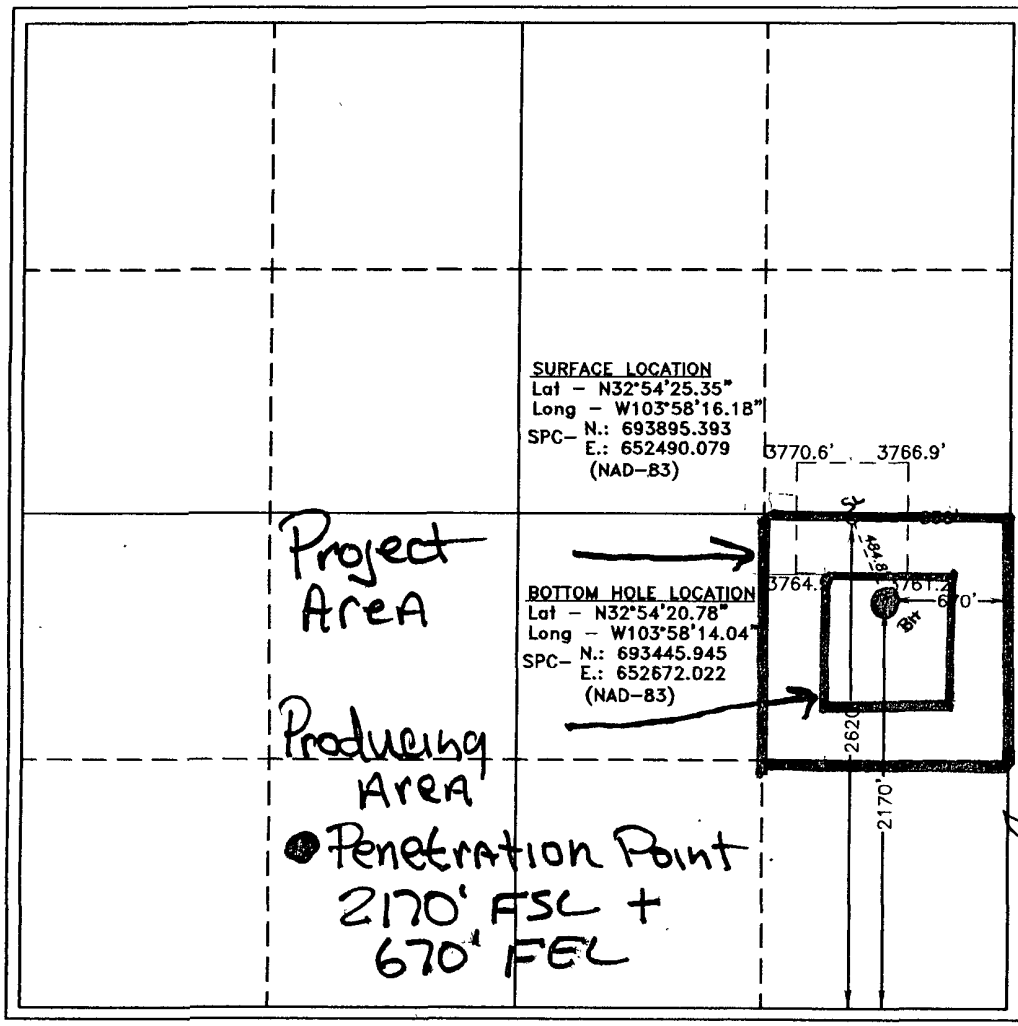
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	21	16 S	30 E		2620	SOUTH	850	EAST	EDDY

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
I	21	16 S	30 E		2170	SOUTH	670	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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 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 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.

Signature — Date 7/16/08

Cy Cowan
Printed Name

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 supervison, and that the same is true and correct to the best of my belief.

JULY 09, 2008
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES — NEW MEXICO — 7977 — REGISTERED PROFESSIONAL SURVEYOR

W.O. No. 19952

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

YATES PETROLEUM CORPORATION
Federal FR #4
2620' FSL and 850' FEL Surface Hole Location
2170' FSL and 670' FEL Bottom Hole Location
Section 21, T16S R30E
Eddy County, New Mexico

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

Yates	1350'	No Pay	Atoka	10501'	Gas Pay
San Andres	2900'	No Pay	Morrow Clastic	10621'	Gas Pay
Glorieta	4350'	No Pay	Morrow Lower	10558'	Gas Pay
Abo	6330'	No Pay	Chester /LM/	10721'	Gas Pay
Wolfcamp	7700'	No Pay	Woodford /SH/	10781'	Gas Pay
Pennsylvanian Upper	8700'	Gas Pay	Devonian	11531'	Oil Pay
Strawn	10150'	Gas Pay	TD	12181'	Oil Pay

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

Water: 110'
Oil or Gas: Yates-Devonian

3. **Pressure Control Equipment:** BOPE will be installed on the 9 5/8" casing and rated for ~~3000~~ 5000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

per Operator 7-31-08

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)

Hole Size	Casing Size	Wt./Ft	Grade	Thread	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-~~400'~~ 375	400'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-~~3000~~ 3050	3000'
~~8 3/4"~~	~~7"~~	~~26#~~	~~L-80~~	~~LT&C~~	~~0-3000'~~	~~3000'~~
8 3/4"	~~7"~~	26#	~~J-55~~	LT&C	3000-7300'	4300'
8 3/4"	7"	26#	HCP-110	~~LT&C~~	7300-12181'	~~4881'~~

See COA

See Replacement

See COA

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to ~~500~~ 5000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

B. CEMENTING PROGRAM:
Surface Casing: 425 sx "C" (YLD 1.34 WT 14.8) w/ 2% CaCl2. Cement to surface.

Intermediate Casing: 850 sx Lite "C" (YLD 1.95 WT12.5) Tail in w/200 sx Class "C" +2% CaCl2 (YLD 1.34 WT 14.8). Cement to surface.

Production Casing: TOC-2500' Lead ~~w/575 sx 50/50 Poz. (YLD 2.51 WT 11.5)~~ Tail in w/ 1025sx ~~Super "C"~~ (YLD 1.52 WT 13.5) see replacement

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
Spud to ~~400'~~ 375	Fresh Water Gel	8.6-9.0	28-32	N/C
~~400'-3000'~~ 3050	Brine Water	10.0-10.20	28-29	N/C
~~3000'~~-6300'	Cut Brine	9.1-9.3	28-30	N/C
6300'-10080'	SW Gel/Starch	9.3-9.8	30-32	N/C
10080'-~~12141'~~ 12181'	SW Gel/Starch/4-6% KCL	9.8-10.0	34-40	10.0-12.0

ALL DEPTHS ARE MEASURED

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' out from under intermediate casing to TD.
Logging: Platform Express/C NL/LDT/NGRT TD to intermediate casing. CNL/GR TD-surface, DLL-MSFL TD to surface casing. BHC/Sonic TD to Surface Casing.
Coring: None anticipated
DST's: None anticipated

7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP:

From:	0	TO	400' TVD	Anticipated Max. BHP:	190	PSI
From:	400'	TO	3000'	Anticipated Max. BHP:	1600	PSI
From:	3000'	TO	12100' TVD	Anticipated Max. BHP:	6300	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 193° F

8. ANTICIPATED STARTING DATE:

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

Federal FR #4 Production Casing & Cement Design

	0 ft to 4,500 ft			Make up Torque ft-lbs			Total ft = 4,500
O.D.	Weight	Grade	Threads	opt.	min	mx.	
5.5 inches	17 #/ft	HCP-110	LT&C	4620	3470	5780	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
8,580 psi	10,640 psi	445 ,000 #		546 ,000 #		4.767	

	4,500 ft to 9,900 ft			Make up Torque ft-lbs			Total ft = 5,400
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
5.5 inches	17 #/ft	L-80	LT&C	3410	2560	4260	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
6,290	7,740 psi	338 ,000 #		397 ,000 #		4.767	

	9,900 ft to 12,181 ft			Make up Torque ft-lbs			Total ft = 2,281
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
5.5 inches	17 #/ft	HCP-110	LT&C	4620	3470	5780	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
8,580 psi	10,640 psi	445 ,000 #		546 ,000 #		4.767	

DV tool placed at 8500'.

Stage I: Cement w/1225sx of Super C (YLD 1.52 Wt 13.5) TOC = 8,500'

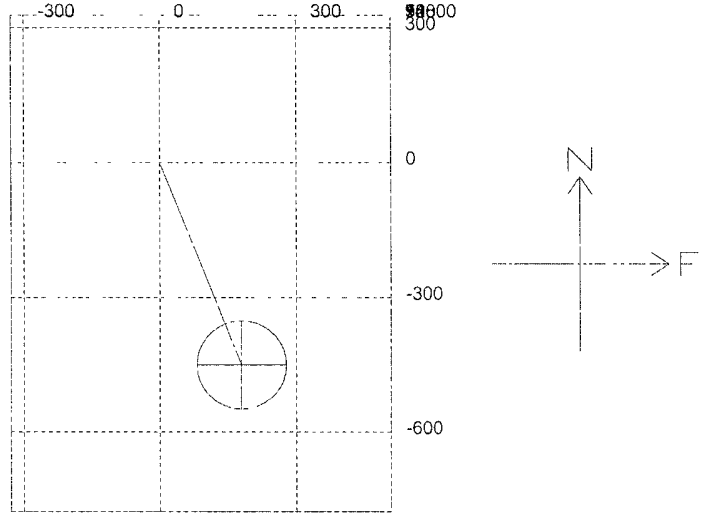
Stage II: Lead w/1150sx 50/50 Poz. (YLD 2.51 WT 11.5) and tail w/100sx Class C (YLD 1 32 Wt 14.8) TOC = 2500'.

M.D.	Inclination	Azimuth	T.V.D.	N+/S-	E+/W-	D.L.S.	ToolFace	T.F. Ref. [HS/GN]	Formation Tops
1,350	0	0	1,350	0	0	0			YATES
2,900	0	0	2,900	0	0	0			SAN ANDRES
4,350	0	0	4,350	0	0	0			GLORIETA
6,330	0	0	6,330	0	0	0			ABO
7,700	0	0	7,700	0	0	0			WOLFCAMP
8540	0	0	8540	0	0	3	158	GN	KOP
8550	0 3	158 2	8550	-0 02	0 01	3	0	HS	
8575	1 05	158 2	8575	-0 3	0 12	3	360	HS	
8600	1 8	158 2	8599 99	-0 88	0 35	3	360	HS	
8625	2 55	158 2	8624 97	-1 76	0 7	3	360	HS	
8650	3 3	158 2	8649 94	-2 94	1 18	3	360	HS	
8675	4 05	158 2	8674 89	-4 43	1 77	3	0	HS	
8700	4 8	158 2	8700	-6 22	2 49	3	360	HS	PENNSYLVANIAN UPPER
8725	5 55	158 2	8724 71	-8 31	3 33	3	0	HS	
8750	6 3	158 2	8749 58	-10 71	4 28	3	360	HS	
8775	7 05	158 2	8774 41	-13 41	5 36	3	360	HS	
8800	7 8	158 2	8799 2	-16 41	6 56	3	0	HS	
8825	8 55	158 2	8823 94	-19 71	7 88	3	360	HS	
8850	9 3	158 2	8848 64	-23 31	9 32	3	0	HS	
8875	10 05	158 2	8873 28	-27 21	10 88	3	360	HS	
8900	10 8	158 2	8897 87	-31 41	12 56	3	360	HS	
8925	11 55	158 2	8922 4	-35 91	14 36	3	0	HS	
8950	12 3	158 2	8946 86	-40 7	16 28	3	0	HS	
8975	13 05	158 2	8971 25	-45 8	18 32	3	360	HS	
9000	13 8	158 2	8995 56	-51 19	20 47	3	0	HS	
9025	14 55	158 2	9019 8	-56 87	22 75	3	360	HS	
9050	15 3	158 2	9043 96	-62 85	25 14	3	360	HS	
9075	16 05	158 2	9068 03	-69 12	27 65	3	0	HS	
9100	16 8	158 2	9092 01	-75 68	30 27	3	360	HS	
9125	17 55	158 2	9115 9	-82 54	33 02	3	360	HS	
9150	18 3	158 2	9139 68	-89 68	35 87	3	360	HS	
9175	19 05	158 2	9163 37	-97 11	38 85	3	0	HS	
9200	19 8	158 2	9186 94	-104 83	41 93	3	360	HS	
9225	20 55	158 2	9210 41	-112 84	45 14	3	0	HS	
9250	21 3	158 2	9233 76	-121 13	48 45	3	360	HS	
9275	22 05	158 2	9256 99	-129 7	51 88	3	0	HS	
9300	22 8	158 2	9280 1	-138 56	55 42	3	0	HS	
9325	23 55	158 2	9303 08	-147 69	59 08	3	360	HS	
9350	24 3	158 2	9325 93	-157 11	62 84	3	360	HS	
9375	25 05	158 2	9348 65	-166 8	66 72	3	360	HS	
9391 37	25 54	158 2	9363 46	-173 29	69 32	0			
9649 71	25 54	158 2	9596 55	-276 71	110 68	0			
9650	25 53	158 2	9596 81	-276 82	110 73	3	180	HS	
9675	24 78	158 2	9619 44	-286 69	114 68	3	180	HS	
9700	24 03	158 2	9642 2	-296 28	118 51	3	180	HS	
9725	23 28	158 2	9665 1	-305 6	122 24	3	180	HS	
9750	22 53	158 2	9688 13	-314 63	125 85	3	180	HS	
9775	21 78	158 2	9711 28	-323 39	129 36	3	180	HS	
9800	21 03	158 2	9734 56	-331 86	132 74	3	180	HS	
9825	20 28	158 2	9757 95	-340 05	136 02	3	180	HS	
9850	19 53	158 2	9781 45	-347 95	139 18	3	180	HS	
9875	18 78	158 2	9805 07	-355 57	142 23	3	180	HS	
9900	18 03	158 2	9828 79	-362 9	145 16	3	180	HS	
9925	17 28	158 2	9852 61	-369 94	147 98	3	180	HS	
9950	16 53	158 2	9876 53	-376 69	150 68	3	180	HS	
9975	15 78	158 2	9900 54	-383 15	153 26	3	180	HS	
10000	15 03	158 2	9924 65	-389 32	155 73	3	180	HS	
10025	14 28	158 2	9948 83	-395 19	158 08	3	180	HS	
10050	13 53	158 2	9973 1	-400 77	160 31	3	180	HS	
10075	12 78	158 2	9997 44	-406 05	162 42	3	180	HS	
10100	12 03	158 2	10021 86	-411 04	164 42	3	180	HS	
10125	11 28	158 2	10046 34	-415 73	166 29	3	180	HS	
10150	10 53	158 2	10070 89	-420 12	168 05	3	180	HS	STRAWN
10175	9 78	158 2	10095 5	-424 22	169 69	3	180	HS	
10200	9 03	158 2	10120 16	-428 01	171 2	3	180	HS	
10225	8 28	158 2	10144 88	-431 51	172 6	3	180	HS	
10250	7 53	158 2	10169 64	-434 7	173 88	3	180	HS	
10275	6 78	158 2	10194 44	-437 59	175 04	3	180	HS	
10300	6 03	158 2	10219 29	-440 18	176 07	3	180	HS	
10325	5 28	158 2	10244 17	-442 47	176 99	3	180	HS	
10350	4 53	158 2	10269 07	-444 46	177 78	3	180	HS	
10375	3 78	158 2	10294 01	-446 14	178 46	3	180	HS	
10400	3 03	158 2	10318 96	-447 52	179 01	3	180	HS	
10425	2 28	158 2	10343 94	-448 59	179 44	3	180	HS	
10450	1 53	158 2	10368 92	-449 37	179 75	3	180	HS	
10475	0 79	158 2	10393 92	-449 84	179 93	3	180	HS	
10500	0 08	158 21	10418 92	-450	180	3	338	GN	
10501 08	0 07	162 27	10420	-450	180	0			ATOKA
10621 08	0	180	10540	-450	180	0			MORROW CLASTIC
10721 08	0	180	10640	-450	180	0			MORROW LOWER
10781 08	0	180	10700	-450	180	0			CHESTER /LM/
11491 08	0	180	11410	-450	180	0			WOODFORD /SH/
11531 08	0	180	11450	-450	180	0			DEVONIAN
12181 08	0	180	12100	-450	180	0			TD

Penetration point for potential producing zone will be 2170' FSL & 670' FEL, Section 21, 16S-30E

3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **Federal FR #4**



File: C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\Directional\federalfr4.3.wpp

Yates Petroleum Corporation
Design Requirements For Temporary Reserve Pit

Sign posted on site / location or on the fence of reserve pit identifying the operator, listing their phone #, location of site by ¼ / ¼ or unit letter, and S- T- R.

Pit must be fenced to prevent unauthorized access. Fence must remain in good repair. Fence to be barbed wire, space at 1 foot intervals from 1' to 4' off ground.

Slope of the pit walls is no greater than two vertical feet to one horizontal foot.

Welded liner seams must run up & down the banks of the pit, not horizontally across them.

Field seams must be welded.

Edges of the liner must be anchored in trenches at least 18 inches deep.
Edge of liner will protrude from the outside edge of the trench.

Pit shall be designed to prevent to run on of surface water.

Federal FR #4
2620 FSL and 850 FEL
Section 21, T16S-R30E
Eddy County, New Mexico
Exhibit "D"

Yates Petroleum Corporation
Drilling Operations Requirements For Temporary Reserve Pit.

While the drilling rig is onsite, Operator's representative will inspect the temporary pit daily to ensure that the liner is intact, and that no releases are occurring.
Thereafter, the operator shall inspect at least once weekly as long as liquids remain in the temporary pit.
Operator will maintain a log of such inspections and make the log available to the appropriate NMOCD District office upon request.

A copy of the inspection log shall be filed with the NMOCD when operator closes the pit.

Operator must notify NMOCD if liner is damaged, and must repair or replace the damaged liner. Operator has 48 hours to notify NMOCD and make repairs.

NO HOLES in pit liners – not even in the part of the liner that is not in the reserve pit .

All drilling fluids to be removed from temporary pit within 30 days of rig release date

Hydrocarbon based drilling fluids will be stored in steel pits.

Liner –will be 20mil.,string reinforced with welded seams.

Fluids to be added to pit through a header, diverter, or other hardware that prevents damage to liner by erosion, fluid jets, or impacts from installations and removal of hoses or pipes.

Operator shall have onsite an oil absorbent boom or other device to contain and remove oil from a pits surface.

Operator must maintain a freeboard of at least two feet for a temporary pit.

Pit will be bermed to prevent run on of water into the pit.

Federal FR #4
2620 FSL and 850 FEL
Section 21, T16S-R30E
Eddy County, New Mexico
Exhibit "E"

9. When analysis indicates that the soils within the pit area are within the recommended actions levels backfilling will begin.

10. Backfill material will consist of non-waste containing earthen material. The cleaned out drilling pit will be filled with such material to a level which shall allow space for the addition of topsoil which will be equal to the thickness of the background topsoil or one foot whichever is greater as directed in 19.15.17.13, H (1) NMAC.

11. The topsoil cover will be placed on to the drilling pit area in a manner of existing grade and will prevent ponding of water and erosion of the cover material.

12. Within 60 days of closure completion a closure report on form C-144 will be submitted to the appropriate district office. The report will contain detailed information on the backfilling, capping. The closure report will also include a plat of the closed pit location on a form C-105.

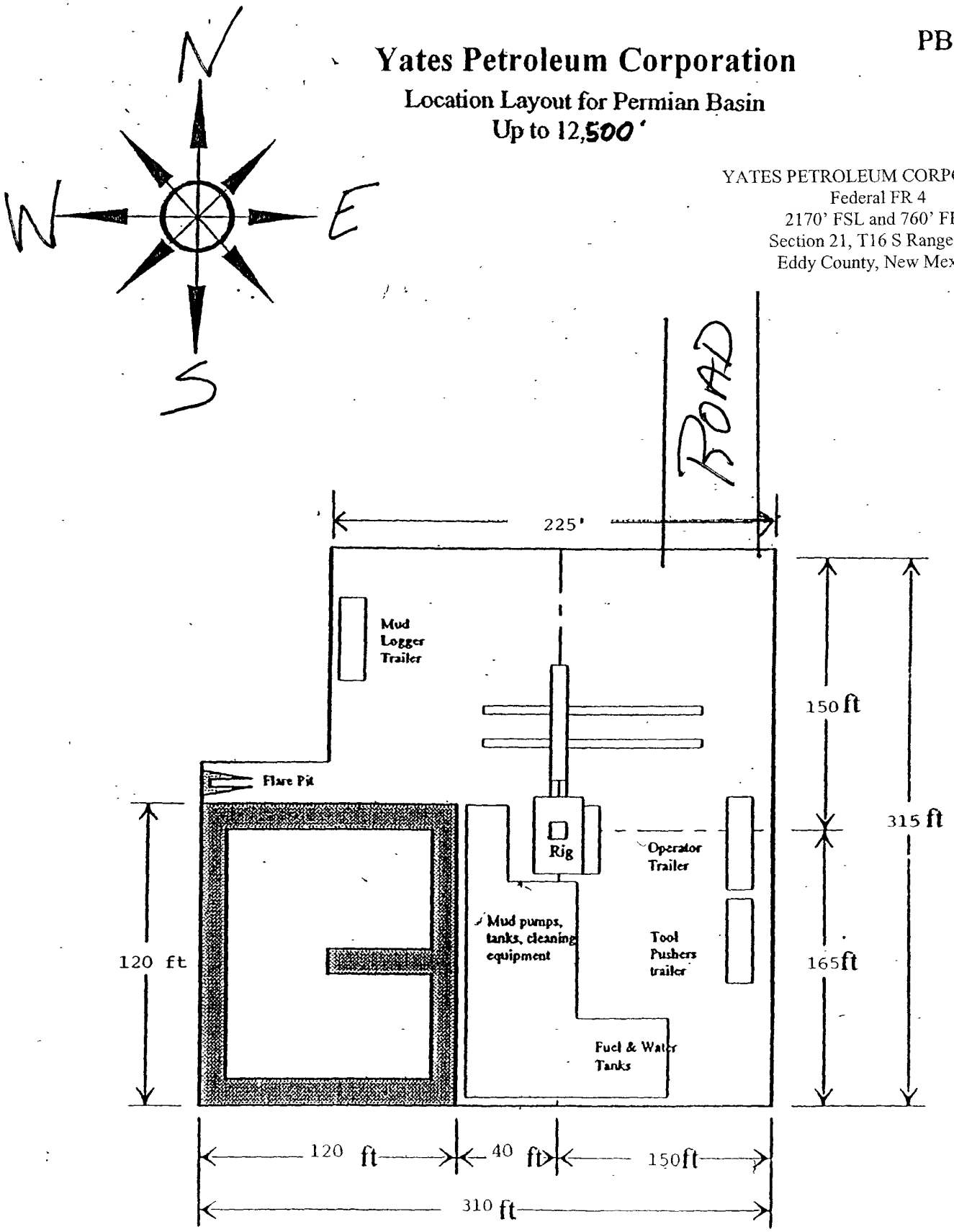
13. Within the first growing season after the approved pit closure seeding of the pit area shall occur. The seeding will be performed in accordance with 19.15.17.13, I, (2) (3) (4) (5).

PB - L1

Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,500'

YATES PETROLEUM CORPORATION
Federal FR 4
2170' FSL and 760' FEL
Section 21, T16 S Range 30E
Eddy County, New Mexico



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Federal FR #4
2620' FSL and 850' FEL Surface Hole Location
2170' FSL and 670' FEL Bottom Hole Location
Section 21, T16S R30E
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 7 miles north of Loco Hills, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia from the intersection of 82 & 285 on Highway 82 for approximately 25 miles to Loco Hills, New Mexico. From Loco Hills turn left on Hagerman Cut Off (CR-217) and go approximately 7 miles to Shell Road (CR-283). Turn right on Shell Road and go approximately .9 of a mile. The new road will start here going south for approximately .5 of a mile to the northwest corner of the proposed well location.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 0.5 of a mile in length from the point of origin the northwest corner of the well location. The road will lie in an north to south 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. The new road will be bladed with drainage on one side. Traffic turnouts may be built.
D. The route of the road is visible.
E. Existing roads will be maintained in the same or better condition.
F. One cattle guard will be needed.

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. However at this time it has not been determined what type of equipment will be used to supply power for the well.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

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 temporary drilling pit will constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC. Form C-144 attached.
C. A 600' x 600' 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.
D. The reserve pits will be reclaimed to meet the standards set by OCD Rule 50.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, New Mexico.

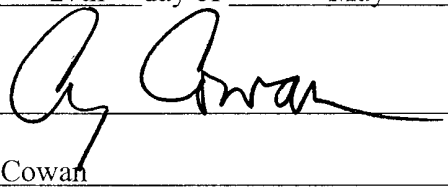
12. OTHER INFORMATION:

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 surface use is for grazing.

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; and an someone under employment of Yates Petroleum Corporation has 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 27th day of May 20 08

Signature 

Name Cy Cowan

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (505) 748-4372

Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above.

Telephone (if different from above) (505) 748-4221

E-mail (optional)

Exhibit "A"

Federal FR #4
2620 FSL & 850 FEL
Section 21, T16S-R30E
Eddy County, New Mexico

Our Regulatory Agent has been on site and location shows no sign to be prone to flooding.

Regulatory Agent

7/14/08
Date

New Mexico Office of the State Engineer
POD Reports and Downloads

Township [16S] Range. [29E] Sections. [19]

NAD27 X. [ ] Y. [ ] Zone. [ ] Search Radius [ ]

County [ ] Basin. [ ] Number [ ] Suffix [ ]

Owner Name (First) [ ] (Last) [ ] Non-Domestic Domestic All

POD / Surface Data Report Avg Depth to Water Report Water Column Report

POD / SURFACE DATA REPORT 07/14/2008

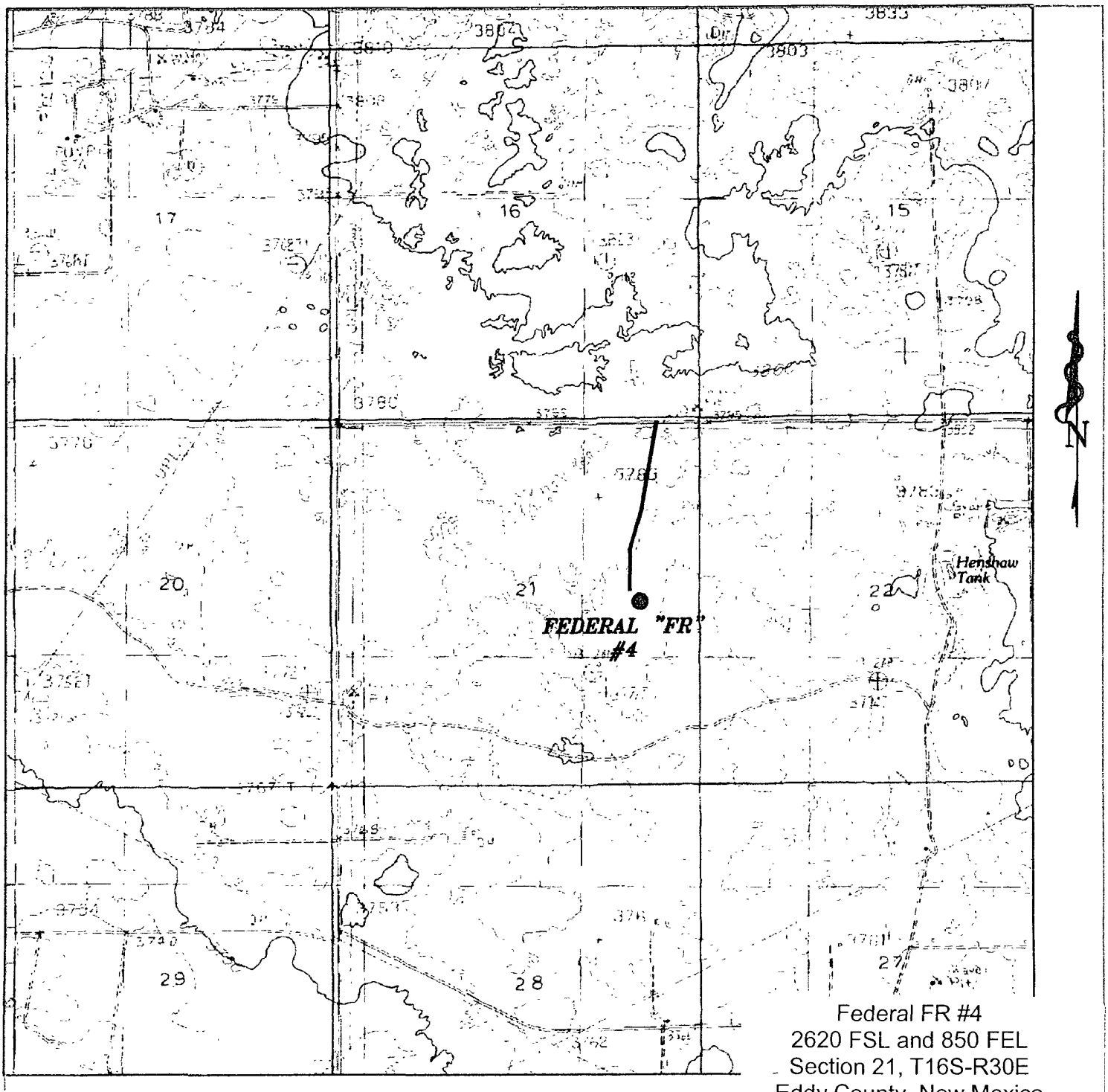
(acre ft per annum) (quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest X Y are in Feet
UTM are in Meters)

DB File Nbr	Use	Diversion	Owner	Start Date	Finish Date	Depth Well	Depth (in feet) Water	POD Number	Source	Tws	Rng	Sec	q	q	q	Zone	X	Y
RA 09342	DOM	3	RUSTY AND JOSIE VAN CUREN	05/02/1998	05/03/1998	220	110	RA 09342	Shallow	16S	29E	19	3	4	4			

UTM_Zone Easting Northing
13 582737 3640640

Record Count: 1

Federal FR #4
2620 FSL and 850 FEL
Section 21, T16S-R30E
Eddy County, New Mexico
Exhibit "B"



Federal FR #4
2620 FSL and 850 FEL
Section 21, T16S-R30E
Eddy County, New Mexico
Exhibit "C"

FEDERAL "FR" #4

Located at 2620' FSL AND 850' FEL
Section 21, Township 16 South, Range 30 East,
N.M.P.M., Eddy County, New Mexico.

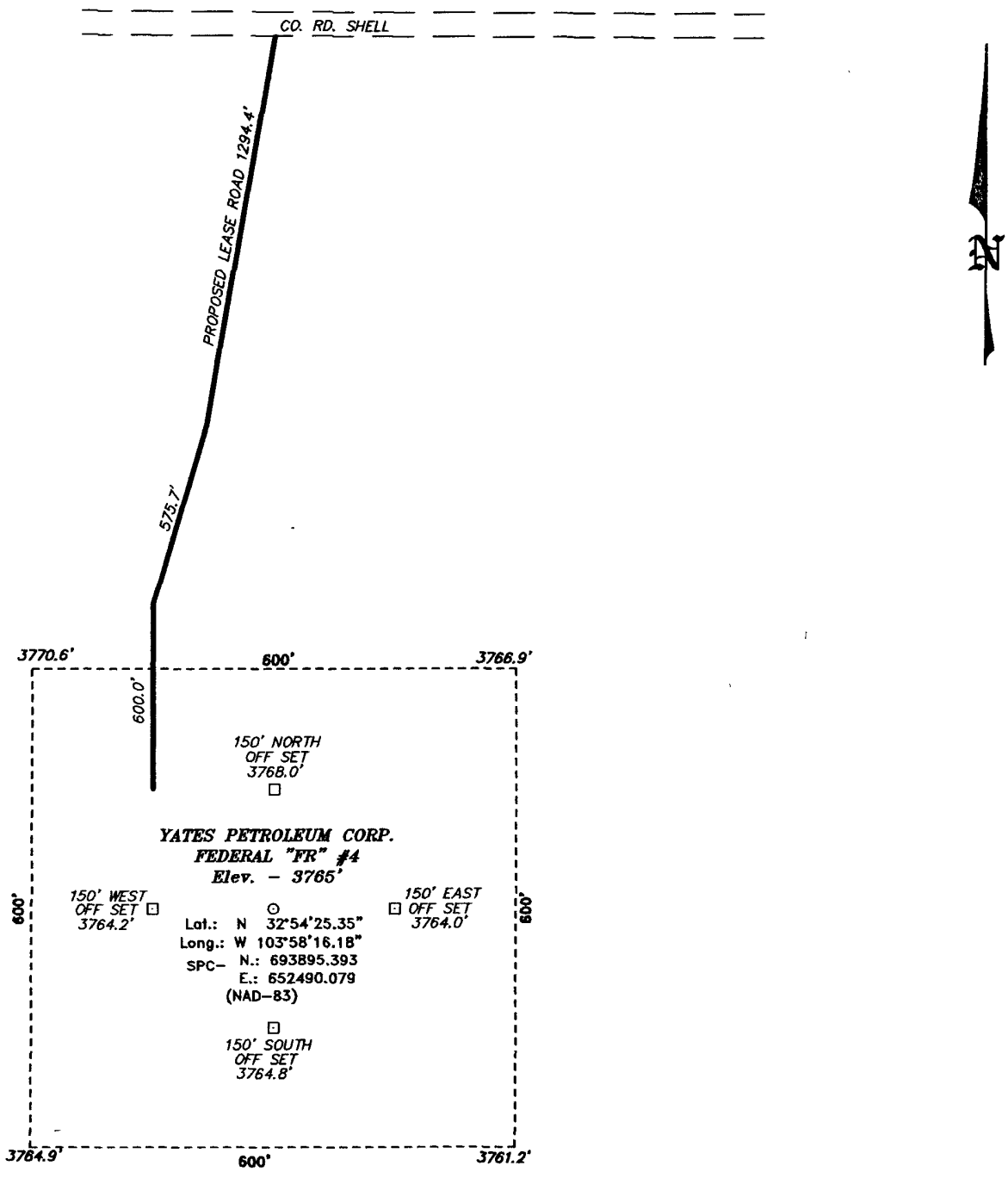
basin surveys
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number 19952
Survey Date. 07-08-2008
Scale: 1" = 2000'
Date: 07-09-2008

YATES PETROLEUM CORP.

SECTION 21, TOWNSHIP 16 SOUTH, RANGE 30 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.

REF: FEDERAL "FR" #4 / WELL PAD TOPO

THE FEDERAL "FR" #4 LOCATED 2620'

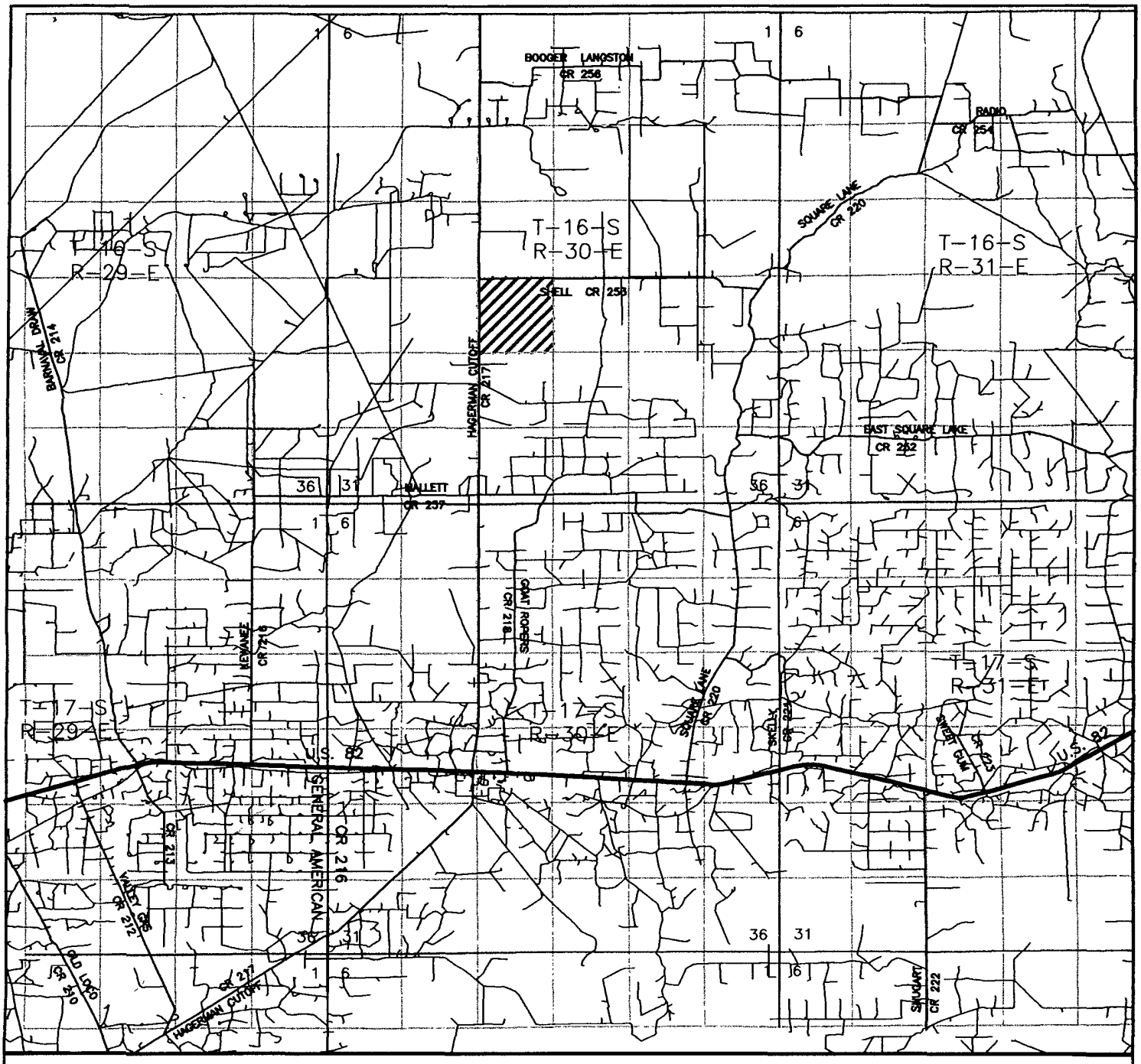
FROM THE SOUTH LINE AND 850' FROM THE EAST LINE OF

SECTION 21, TOWNSHIP 16 SOUTH, RANGE 30 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 19393	Drawn By: J. M. SMALL		
Date: 05-23-2008	Disk: 19393W JMS	Survey Date: 05-22-2008	Sheet 1 of 1 Sheets



FEDERAL "FR" #4
Located at 2620' FSL AND 850' FEL
Section 21, Township 16 South, Range 30 East,
N.M.P.M., Eddy County, New Mexico.

basin surveys
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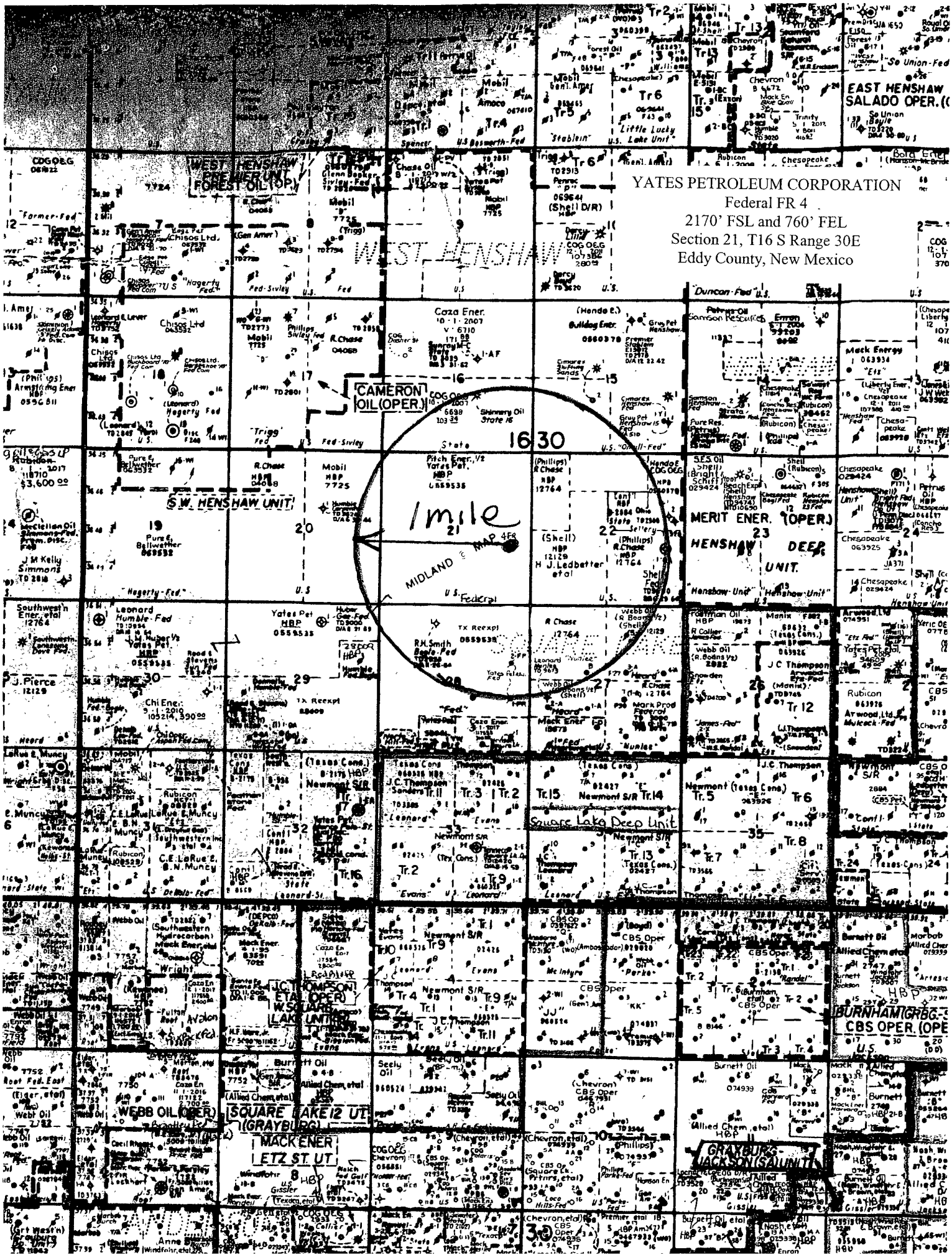
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number:	JMS 19952
Survey Date:	07-08-2008
Scale:	1" = 2 MILES
Date:	07-09-2008

YATES PETROLEUM CORP.


YATES PETROLEUM CORPORATION
Federal FR 4
2170' FSL and 760' FEL
Section 21, T16 S Range 30E
Eddy County, New Mexico
1 mile
WEST HENSHAW
CAMERON OIL (OPER.)
S.W. HENSHAW UNIT
MERIT ENER. (OPER.)
HENSHAW DEEP UNIT
Square Lake Deep Unit
WEBB OIL (OPER.)
SQUARE LAKE 12 UT. (GRAYBURG)
MACK ENER ETZ ST. UT
BURNHAM (GRBG.-
CBS OPER. (OPE
GRAYBURG-JACKSON (SA) UNIT
MIDLAND MAP 4FR

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	YATES PETROLEUM CORPORATION
LEASE NO.:	NM-0559535
WELL NAME & NO.:	Federal FR #4
SURFACE HOLE FOOTAGE:	2620' FSL & 850' FEL
BOTTOM HOLE FOOTAGE	2170' FSL & 670' FEL
LOCATION:	Section 21, T. 16 S., R 30 E., NMPM
COUNTY:	Eddy County, New Mexico

TABLE OF CONTENTS

Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

I. 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.

II. 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.)

III. 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.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. 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.

V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation/Condition of Approval for Lesser Prairie-Chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 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 APD and Conditions of Approval (COA) 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 8 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. RESERVE PITS

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

The reserve pit shall be constructed 120' X 120' on the West 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 Carlsbad Field Office at (575) 234-5972.

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 needs.

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.

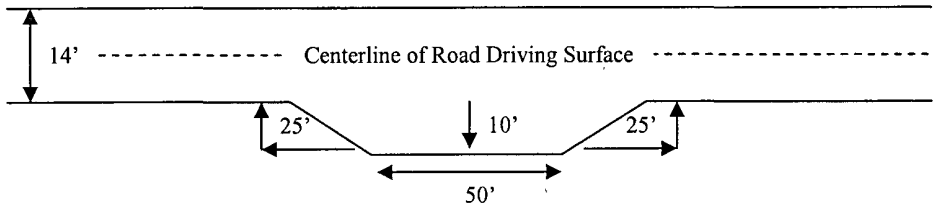
Ditching

Ditching shall be required on both sides of the road.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

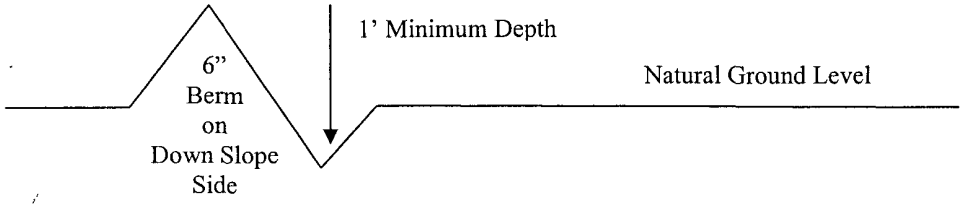


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$\text{400 foot road with 4\% road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installations
Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards
An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

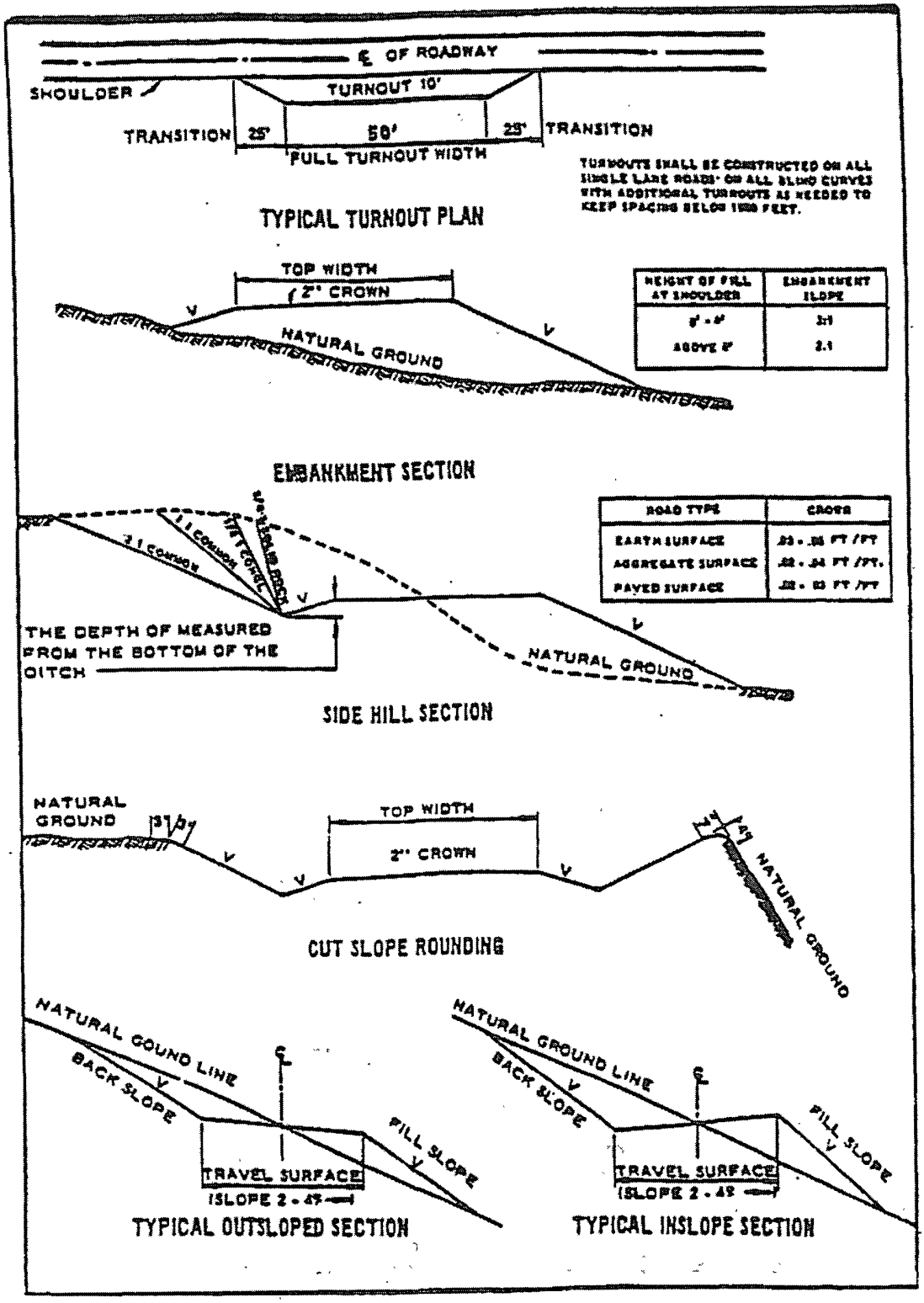
A gate shall be constructed and fastened securely to H-braces.

Fence Requirement
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



VII. 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. BOPE tests

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

1. **Although Hydrogen Sulfide has not been reported in this section, it is always a potential hazard. If Hydrogen Sulfide is encountered, please report measured amounts and formations to the BLM.**

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. 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

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

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

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possible lost circulation in the Grayburg and San Andres formations.
Possible brine/water flows in the Salado and Artesia Groups.
Possible high pressure gas bursts in the Wolfcamp, highly over pressured in the Atoka Clastics and Morrow.

1. The **13-3/8** inch surface casing shall be set **at approximately 375 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface. **BLM geologist information indicates that 400' could be in the salt.**

    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 compressive strength, whichever is greater.

    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 compressive strength, whichever is greater.

    d. If cement falls back, remedial cementing will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is:

    ☒ Cement to surface. If cement does not circulate see B.1.a-d above. **Casing to be set at approximately 3050' in the San Andres Dolomite.**

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. If formation fails test, an additional casing string will be required.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

    a. First stage to DV tool, cement shall:

    ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office, before proceeding with second stage cement job.

    b. Second stage above DV tool, cement shall:

    ☒ Cement should tie-back at least 500 feet into previous casing string. Operator shall provide method of verification.

4. 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. 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. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8** intermediate casing shoe shall be **5000 (5M)** psi.

4. 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.

    f. A variance to test the surface casing and BOP/BOPE **(entire system)** 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.

E. DRILL STEM TEST

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

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VIII. PRODUCTION (POST DRILLING)

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
Shale Green, Munsell Soil Color Chart # 5Y 4/2

IX. 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.

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.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. 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

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

Seed Mixture for LPC Sand/Shinnery Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species	lb/acre
Plains Bristlegrass	5lbs/A
Sand Bluestem	5lbs/A
Little Bluestem	3lbs/A
Big Bluestem	6lbs/A
Plains Coreopsis	2lbs/A
Sand Dropseed	1lbs/A
**Four-winged Saltbush	5lbs/A

* This can be used around well pads and other areas where caliche cannot be removed.

*Pounds of pure live seed:

Pounds of seed **x** percent purity **x** percent germination = pounds pure live seed

(Insert Seed Mixture Here)

X. 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.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.