District I
1625 N French Dr , Hobbs, NM 88240
District II
811 S First St , Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St Francis Dr , Santa Fe, NM 87505

HOBBS OCD
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State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
Revised August 1, 2011

For closed-loop systems *that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure*, submit to the appropriate NMOCD District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1.

Operator: Yates Petroleum Corporation OGRID #: 025575

Address: 105 South Fourth Street, Artesia, NM 88210

Facility or well name: Undaunted BSD State Com #1H

API Number: 30-025 40408 OCD Permit Number: P1-04122

U/L or Qtr/Qtr B Section 2 Township 25S Range 32E County: Eddy

Center of Proposed Design: Latitude N 32.152792 Longitude W 103.644144 NAD: ☐1927 ☒ 1983

Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.

☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC

Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A

☐ Above Ground Steel Tanks or ☒ Haul-off Bins

3.

Signs: Subsection C of 19.15.17.11 NMAC

☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers

☒ Signed in compliance with 19.15.16.8 NMAC

4.

Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

☒ Design Plan - based upon the appropriate requirements of 19 15.17.11 NMAC

☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17 12 NMAC

☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____

☐ Previously Approved Operating and Maintenance Plan API Number: _____

5.

Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)

Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.

Disposal Facility Name: Gandy Marley Disposal Facility Permit Number: NM-01-0019

Disposal Facility Name: CRI Disposal Facility Permit Number: R-9166

Disposal Facility Name: Lea Land Farm Disposal Facility Permit Number: WM-1-035

Disposal Facility Name: Sundance Services Inc. Disposal Facility Permit Number: NM-01-0003

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please provide the information below) ☒ No

Required for impacted areas which will not be used for future service and operations

☐ Soil Backfill and Cover Design Specifications - - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC

☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

JAN 24 2012

6
Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Monti Sanders Title: Land Regulatory Technician

Signature: Monti Sanders Date: 1/18/12

e-mail address: montis@yatespetroleum.com Telephone: 575-748-4244

7.
OCD Approval: ☐ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: [signature] **Approval Date:** 01/20/12

Title: [illegible] **OCD Permit Number:** P1-04122

8.
Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☐ **Closure Completion Date:** _____

9.
Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:

Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

10.
Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): _____ Title _____

Signature _____ Date: _____

e-mail address: _____ Telephone: _____

Yates Petroleum Corporation
Closed Loop System

Equipment Design Plan

Closed Loop System will consist of:
1 – double panel shale shaker
1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges
On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System
1 – minimum centrifugal pump to transfer fluids
2- 500 bbl. FW Tanks
1 – 500 bbl. BW Tank
1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.
1 Set of rail cars / catch bins
Certain wells will use an ASC Auger Tank

Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.

Undaunted BSD State COM #1H

Contingency Casing Design

If hole conditions dictate, 7" casing will be set at 10,078' MD (9,782' TVD) and cemented A 6 1/8" hole will then be drilled to 11,689' MD (9,706' TVD) where 4 1/2" liner hanger with PBR will be set at approx 9,100'

2nd Intermediate

0 ft to 10,078 ft				Make up Torque ft-lbs			Total ft = 10,078
O D	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	L-80	LT&C	5110	3830	6390	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
5,410 psi	7,240 psi	511 ,000 #		604 ,000 #		6.151	

DV tool placed at approx 7,200' and 3,500'
Stage I: Lead w/390sx 35 65 6 PzC (YLD 2 0 Wt 12 5), tail w/200sx PVL (YLD 1 41 Wt 13) 10,078' - 7,200'
Stage II Lead w/405sx 35.65.6 PzC (YLD 2 0 Wt 12 5), tail w/200sx PVL (YLD 1 41 Wt 13) 7,200' - 3,500'
Stage III Lead w/390sx 35:65.6 PzC (YLD 2.0 Wt 12 5), tail w/200sx Class C (YLD 1.34 Wt 14.8) 3,500' - 0'

Production

0 ft to 9,305 ft				Make up Torque ft-lbs			Total ft = 9,305
O D	Weight	Grade	Threads	opt	min	mx	
4.5 inches	11.6 #/ft	P-110	LT&C	3020	2270	3780	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
7,580 psi	10,690 psi	279 ,000 #		367 ,000 #		3.875	

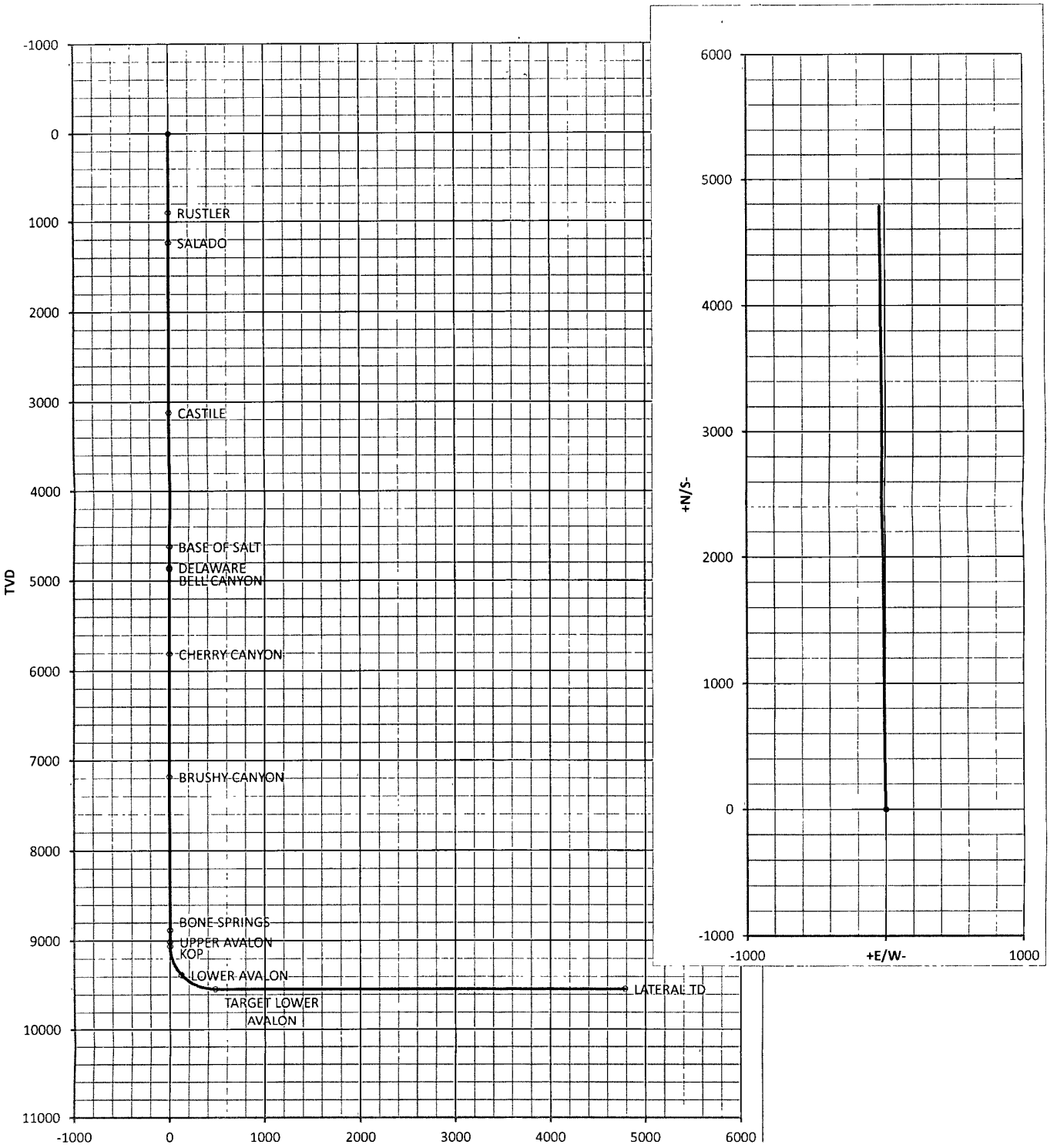
9,305 ft to 11,689 ft				Make up Torque ft-lbs			Total ft = 2,384
O D	Weight	Grade	Threads	opt	min	mx	
4.5 inches	11.6 #/ft	P-110	BT&C				
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
7,580 psi	10,690 psi	279 ,000 #		367 ,000 #		3.875	

4 1/2" liner hanger with PBR will be set, no cement

Co:	Yates Petroleum Corporation	**Units:**	Feet, °, °/100ft	**VS Az:**	359 54 **Method:** Minimum Curvature
Drillers:	0	**Elevation:**		**Map System:**	NAD83, St. Plane, Wyoming West
Well Name:	Undaunted BSD State COM #1H	**Northing:**		**Latitude:**	
Location:	Sec. 2, 25S-32E	**Easting:**		**Longitude:**	

Yates Petroleum Corporation: Undaunted BSD St. #1H

No.	MD	CL	Inc.	Azi.	TVD	VS	+N/S	+E/W	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	900.00	900.00	0.00	360.00	900.00	0.00	0.00	0.00	0.00	0.00	0.00	RUSTLER
2	1230.00	330.00	0.00	360.00	1230.00	0.00	0.00	0.00	0.00	0.00	0.00	SALADO
3	3120.00	1890.00	0.00	360.00	3120.00	0.00	0.00	0.00	0.00	0.00	0.00	CASTILE
4	4620.00	1500.00	0.00	360.00	4620.00	0.00	0.00	0.00	0.00	0.00	0.00	BASE OF SALT
5	4850.00	230.00	0.00	360.00	4850.00	0.00	0.00	0.00	0.00	0.00	0.00	DELAWARE
6	4870.00	20.00	0.00	360.00	4870.00	0.00	0.00	0.00	0.00	0.00	0.00	BELL CANYON
7	5810.00	940.00	0.00	360.00	5810.00	0.01	0.01	0.00	0.00	0.00	0.00	CHERRY CANYON
8	7180.00	1370.00	0.00	360.00	7180.00	0.01	0.01	0.00	0.00	0.00	0.00	BRUSHY CANYON
9	8880.00	1700.00	0.00	360.00	8880.00	0.01	0.01	0.00	0.00	0.00	0.00	BONE SPRINGS
10	9010.00	130.00	0.00	360.00	9010.00	0.01	0.01	0.00	0.00	0.00	0.00	UPPER AVALON
11	9062.54	52.54	0.00	359.54	9062.54	0.01	0.01	0.00	0.00	-0.01	0.00	KOP
12	9100.00	37.46	4.50	359.54	9099.96	1.48	1.48	-0.01	12.00	0.00	12.00	
13	9200.00	100.00	16.50	359.54	9198.11	19.66	19.66	-0.16	12.00	0.00	12.00	
14	9300.00	100.00	28.49	359.54	9290.33	57.85	57.85	-0.46	12.00	0.00	12.00	
15	9400.00	100.00	40.49	359.54	9372.60	114.38	114.38	-0.91	12.00	0.00	12.00	
16	9409.83	9.83	41.67	359.54	9380.01	120.84	120.83	-0.96	12.00	0.00	12.00	LOWER AVALON
17	9500.00	90.17	52.49	359.54	9441.32	186.78	186.77	-1.49	12.00	0.00	12.00	
18	9600.00	100.00	64.49	359.54	9493.48	271.88	271.87	-2.17	12.00	0.00	12.00	
19	9700.00	100.00	76.50	359.54	9526.81	365.97	365.96	-2.92	12.00	0.00	12.00	
20	9800.00	100.00	88.50	359.54	9539.84	464.93	464.92	-3.71	12.00	0.00	12.00	
21	9812.53	12.53	90.00	359.54	9540.00	477.47	477.46	-3.81	12.00	0.00	12.00	TARGET LOWER AVALO
22	14118.26	4305.73	90.00	359.54	9540.01	4783.20	4783.05	-38.19	0.00	0.00	0.00	LATERAL TD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RUSTLER
SALADO
CASTILE
BASE OF SALT
DELAWARE
BELL CANYON
CHERRY CANYON
BRUSHY CANYON
BONE SPRINGS
UPPER AVALON
KOP
LOWER AVALON
TARGET LOWER
AVALON
LATERAL TD
+N/S-
+E/W-