AFS-12-32

OCD-HOBBS

Form 3160-3
(February 2005)

HOBBS OCD
AUG 09 2012
RECEIVED

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No.: **NM-16353**

6 If Indian, Allottee or Tribe Name: **N/A**

7. If Unit or CA Agreement, Name and No.: **N/A**

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

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

8. Lease Name and Well No.: **Allen B Federal SWD #1** <393927

2. Name of Operator: **Yates Petroleum Corporation 025575**

9 API Well No.: **30-025-28237**

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

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

10 Field and Pool, or Exploratory: **SWD -1301, Bell Canyon/Cherry Canyon** <96802>

4 Location of well *(Report location clearly and In accordance with any State requirements.*)*
At surface: **1980' FNL & 1980' FEL, SWNE, Section 28-T24S-32E**
At proposed prod. zone: **Same**

11. Sec., T., R., M , or Blk And Survey or Area: **Sec. 28-24S-32E**

14. Distance in miles and direction from the nearest town or post office*: **Approximately 40 miles southeast of Carlsbad, NM**

12. County or Parish: **Lea**

13. State: **NM**

15. Distance from proposed* location to nearest lease line. (Also to nearest drlg. unit line, if any): **1980'**

16 No of acres in lease: **1720 BH & 40 SH**

17. Spacing Unit dedicated to this well: **SWNE-Sec. 28-24S-32E, 40 acres**

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft: **4000'**

19. Proposed Depth: **6550'**

20. BLM/ BIA Bond No on file: **NATIONWIDE BOND #NMB000434**

21. Elevations (Show whether DF, KDB, RT, GL, etc.): **3540 GL**

22. Aproximate date work will start*: **ASAP**

23. Estimated duration: **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. ap
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: Travis Hahn | Name *(Printed/ Typed)*: **Travis Hahn** | Date: **3/19/2012**

Title: **Land Regulatory Agent**

Approved By *(Signature)*: /s/ Don Peterson | Name *(Printed/ Typed)*: /s/ Don Peterson | Date: AUG - 6 2012

Title: FIELD MANAGER | Office: 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 cc operations thereon

APPROVAL FOR TWO YEARS

Conditions of approval, if any, are attached.

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

* *(Instructions on page 2)*

SWD- 1301

Carlsbad Controlled Water Basin

KZ 08/10/12

CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

AUG 13 2012

YATES PETROLEUM CORPORATION
Allen B Federal SWD #1 Re-entry
1980' FNL and 1980' FEL
Section 28-T24S-R32E
Lea County, New Mexico

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

Rustler	1,033'	Bell Canyon	4,742'
Salado	1,339'	Cherry Canyon	5,684
Castille	3,298'	Brushy Canyon	6,976'
BOS	4,648'	Bone Springs	8,634'
Lamar Lime	4,716'		

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

   Water: Already Cased Off
   Oil or Gas: None – This will be a SWD well for Yate's produced water.

3. Pressure Control Equipment: An 11" 3M BOP will be installed on the 8 5/8" casing and rated to 3000 PSI. Pressure tests on this re-entry will be conducted when nippled up before drilling out surface plug and prior to drilling the intermediate plug. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers 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.

4. 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.

5. THE PROPOSED CASING AND CEMENTING PROGRAM:

   A. Casing Program: All new casing to be used

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	54.5#	K-55	ST&C	0-642'-in place	
11"	8 5/8"	24# & 32#	K-55	ST&C	0-4675'-inplace	
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-6550'	6550'

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

   B. CEMENTING PROGRAM:

   Surface Casing: Originally cemented with 640 sacks and circulated to surface.

   Intermediate Casing: Originally cemented with 2100 sacks and cement circulated to surface.

   Production Casing: Production casing will be cemented in two stages with a DV tool set at 4725'.

   Stage One: Cement with 440 sacks of Pecos Valley Lite (Yld 1.41 Wt 13) with D112 0.4%, D151 22.5 lbs/sack, D174 1.5 lbs/sack, D177 0.01 lbs/sack, D800 0.6 lbs/sack, D46 0.15 lbs/sack. Cement designed with 35% excess. TOC 4725'.

   Stage Two: Cement lead with 665 sacks of 35/65/6 Poz C (Yld 2 Wt 12.5). Tail in 200 sacks of Class C (Yld 1.34 Wt 14.8) with CaCl2 2%. Cement designed with 35% excess. TOC surface'.

6. MUD PROGRAM: If the mud in the well bore is in satisfactory condition Yates will circulate with the mud in the hole. If it is not satisfactory Yates will displace and drill with cut brine with 8.9 – 9.3 ppg possibly with a small amount of fluid loss.

7. EVALUATION PROGRAM:

Samples: None
Logging: Open hole logs are available. Will run GR/CBL log.
Coring: None
DST: None

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

Maximum Anticipated BHP: 2900 PSI at 6550' (pressure will be hydrostatic pressure)
Abnormal Pressure Anticipated: None
Lost Circulation Zones Anticipated: None
H2S Zones Anticipated: None
Maximum Bottom Hole Temperature: 80 F

9. ANTICIPATED STARTING DATE:

Plans are to reenter this well as soon as possible after receiving approval of the APD and the application for an easement for the drill pad and SWD facility pad as well as the road access which have been applied for.

RE-ENTRY PLANS:

The Allen B Federal #1 was spudded on 7/29/83 and P&A on 8/31/83. They drilled the well to a TD of 8,710'. They did not set production casing in this well, only surface and intermediate casing. Both casing strings are cemented to the surface. This well is not on a Yates lease. Yates has approval to inject into this well, SWD-1301.

Yate's plan is to re-enter the well with a completion unit. Plan to drill the surface plug out with a 7 7/8" bit, pick up drill collars and drill out the plug across the intermediate casing shoe at 4,675' and circulate. If existing mud in the well bore is in satisfactory condition Yates would circulate with the mud in the hole. If not Yates would displace and drill with cut brine with a probably 8.9-9.3 ppg possibly with a small amount of fluid loss. Yates would trip in the hole through the open hole and tag the cement plug and clean out to 6,550'. Yates will then set a 100' 50 sack cement plug of Class H with CFR-3 0.4%; Gilsonite 3.0 lb/sack; HALAD4-344 0.5%; HR-800 0.2% and Poly-E-Flake 0.125 lb/sack designed with 10% excess with the top of cement with @ 6,500' set 5 1/2" 15.5# J-55 casing and cement to surface in two stages with DV tool at 4,000'. Yates will then perforate permeable sands between 5,220' and 6,460' and ~~fracture stimulate.~~ Yates will set a 5 1/2"nickel plated injection packer 100' above the top perforation and run plastic coated 2 7/8" or 3 1/2" tubing and turn the well over to production for injection.

See COA

Sundry required for any stimulation treatment

ENGINEERING ANALYZING OF PROJECT:

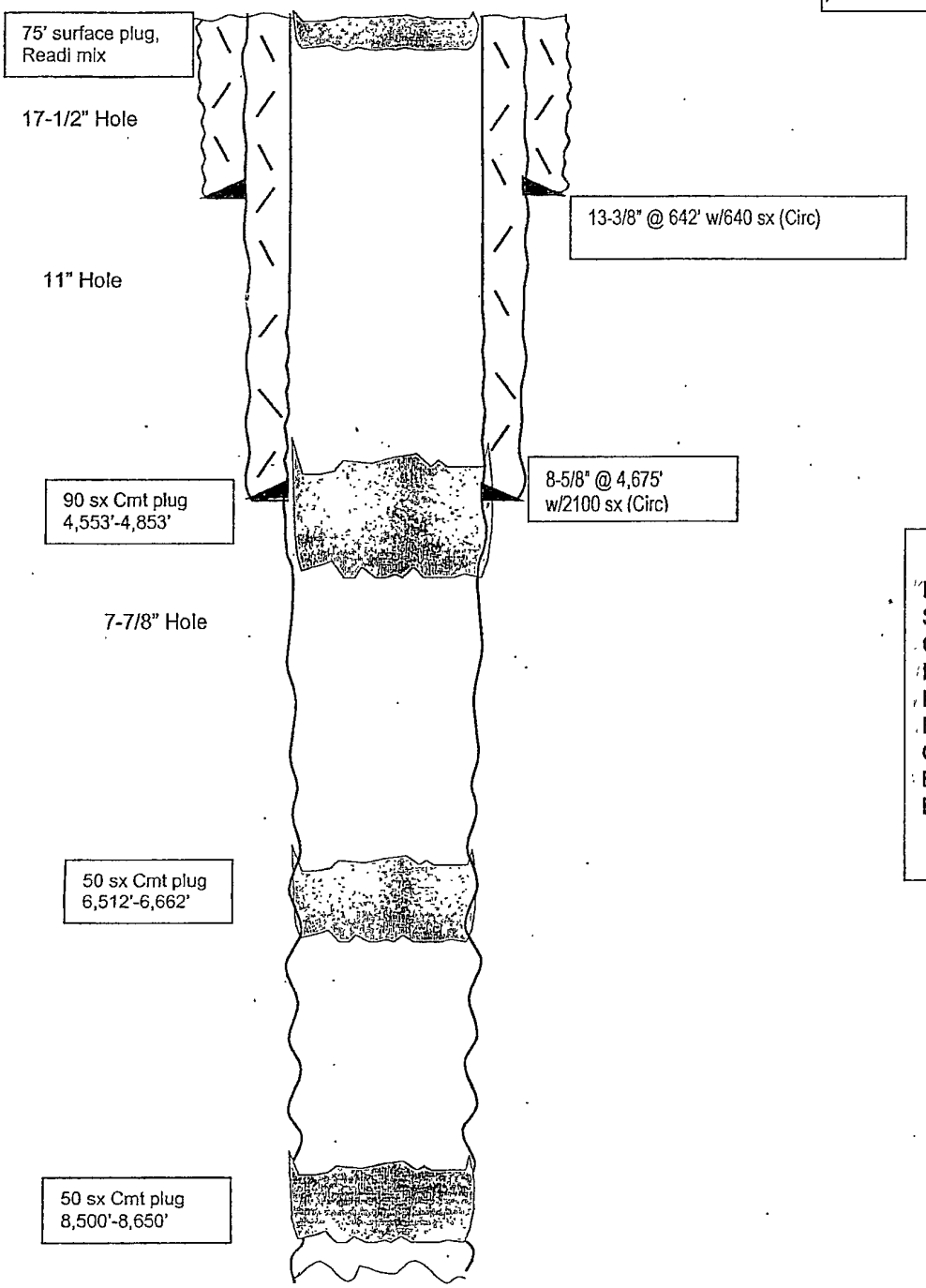
Yates Petroleum Corporation does not plan any production testing in this well. The re-entry will be for injection only. There ~~are~~ is no productions from the same zone that Yates is planning to inject into in the area, neither in the immediate area nor townships of the surrounding area. There ~~are~~ is some old, minor production in the upper Bell Canyon (above the proposed injection interval) with the nearest productive interval being the Brushy Canyon as Yates identified in the (Haracq) 30's wells west of this well's proposed location, the next interval known to be productive is the Bone Springs, most wells in the area are productive in the Avalon Shale. This well was drilled and abandoned, with nothing found to be worthy of testing from the Bell Canyon down to the Bone Springs. The closest well to this location drilled to the Bell Canyon ~~are/were~~ is/was dry non-productive holes.

All production in this area is or was from the Upper Bell Canyon of the Delaware. These wells have not been productive, with only minor oil produced with very high water produced. There are two injection wells to the east the Exxon A Federal #2 and US Smelting Federal #5, both injecting into perforations in the Bell Canyon interval that proved productive for their surrounding wells. The recent Turquoise SWD well just to the west of this location in Section 30 (SWD order 1203) was approved for injection into the exact same sands in which Yates is proposing to inject.

WELL NAME: Allen B Federal #1 **FIELD:** Wildcat Bone Springs, Undesignated Double X Delaware
LOCATION: 1,980' FNL & 1980' FEL of Section 28-24S-32E Lea Co., NM
GL: 3,540' **ZERO:** **KB:**
SPUD DATE: 7/29/83 **COMPLETION DATE:**
COMMENTS: API No.: 30-025-28237
P&A 8/31/1983
Drilled & P&A by Exxon Corporation

CASING PROGRAM

13-3/8" 54.5# K-55	642'
8-5/8" 24# & 32# K-55	4,675'



Current

TOPS

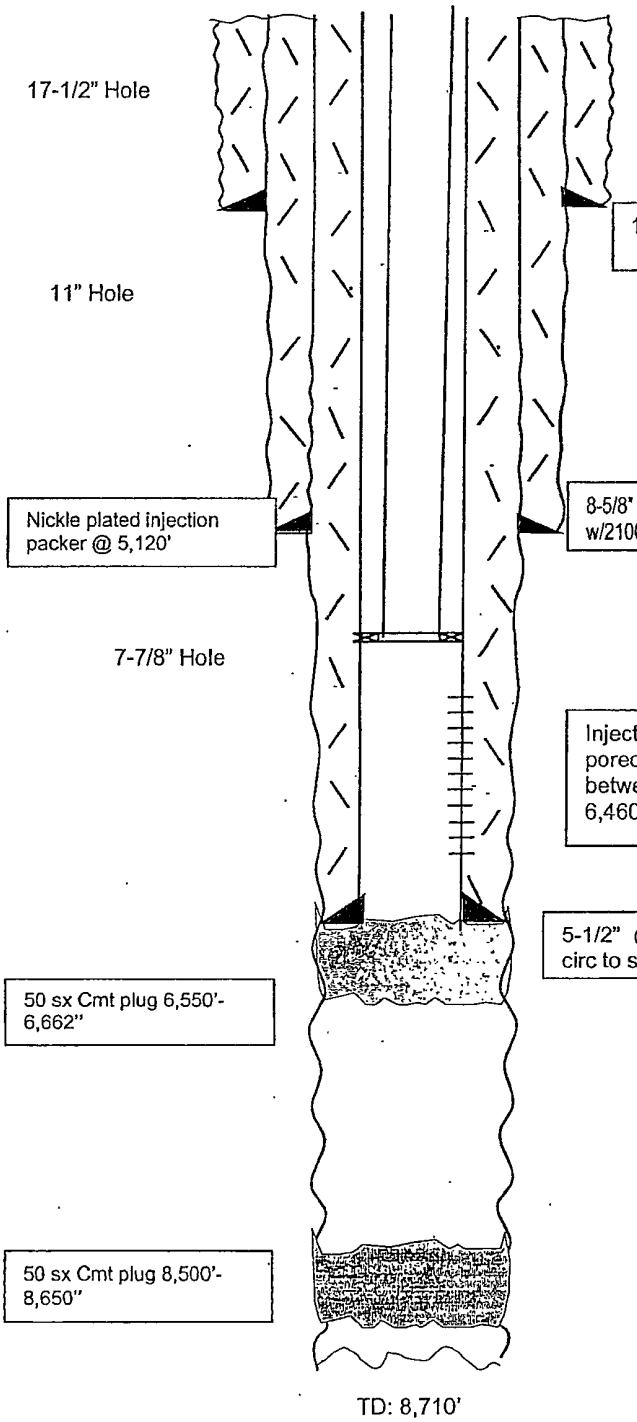
Rustler	1,033'
Salado	1,339'
Castille	3,298'
BOS	4,648'
Lamar lime	4,716'
Bell Canyon	4,742'
Cherry Canyon	5,684'
Brushy Canyon	6,976'
Bone Springs	8,634'

Not to Scale
9/6/11
MMFH

WELL NAME: Allen B Federal #1 SWD **FIELD:** Wildcat Bone Springs; Undesignated Double X Delaware
LOCATION: 1,980' FNL & 1980' FEL of Section 28-24S-32E Lea Co., NM
GL: 3,540' **ZERO:** **KB:**
SPUD DATE: 7/29/83 **COMPLETION DATE:**
COMMENTS: API No.: 30-025-28237
P&A 8/31/1983
Drilled & P&A by Exxon Corporation

CASING PROGRAM

13-3/8" 54.5# K-55	642'
8-5/8" 24# & 32# K-55	4,675'
5-1/2" 15.5 # J-55	6,550'



After

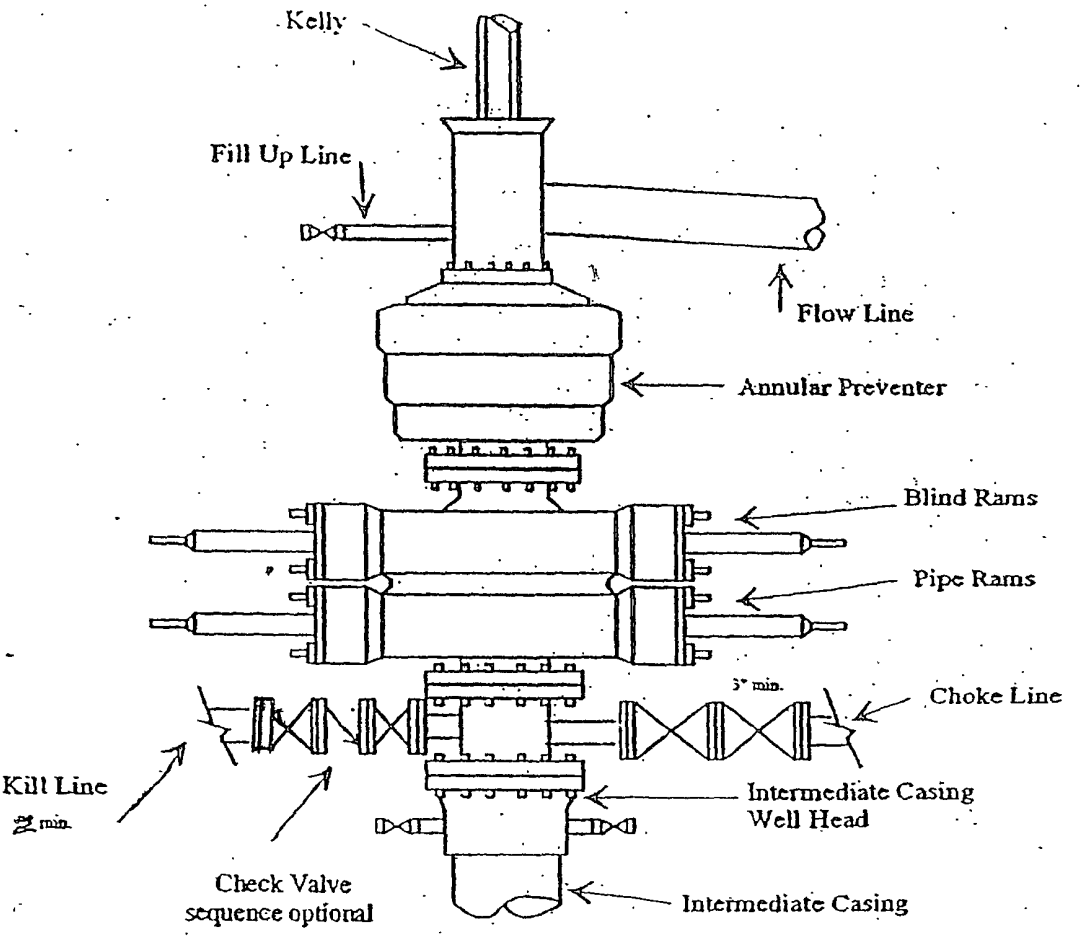
TOPS

Rustler	1,033'
Salado	1,339'
Castille	3,298'
BOS	4,648'
Lamar lime	4,716'
Bell Canyon	4,742'
Cherry Canyon	5,684'
Brushy Canyon	6,976'
Bone Springs	8,634'

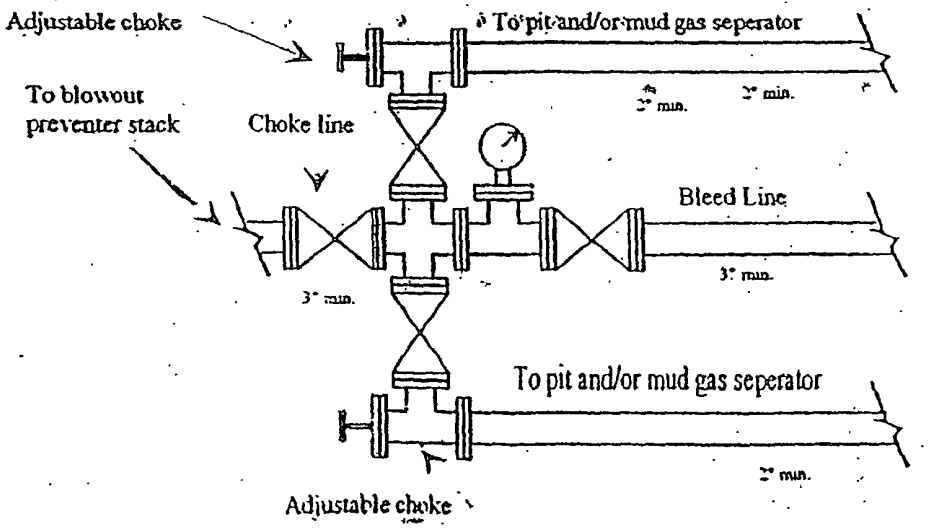
Not to Scale
9/6/11
MMFH

Yates Petroleum Corporation

Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack

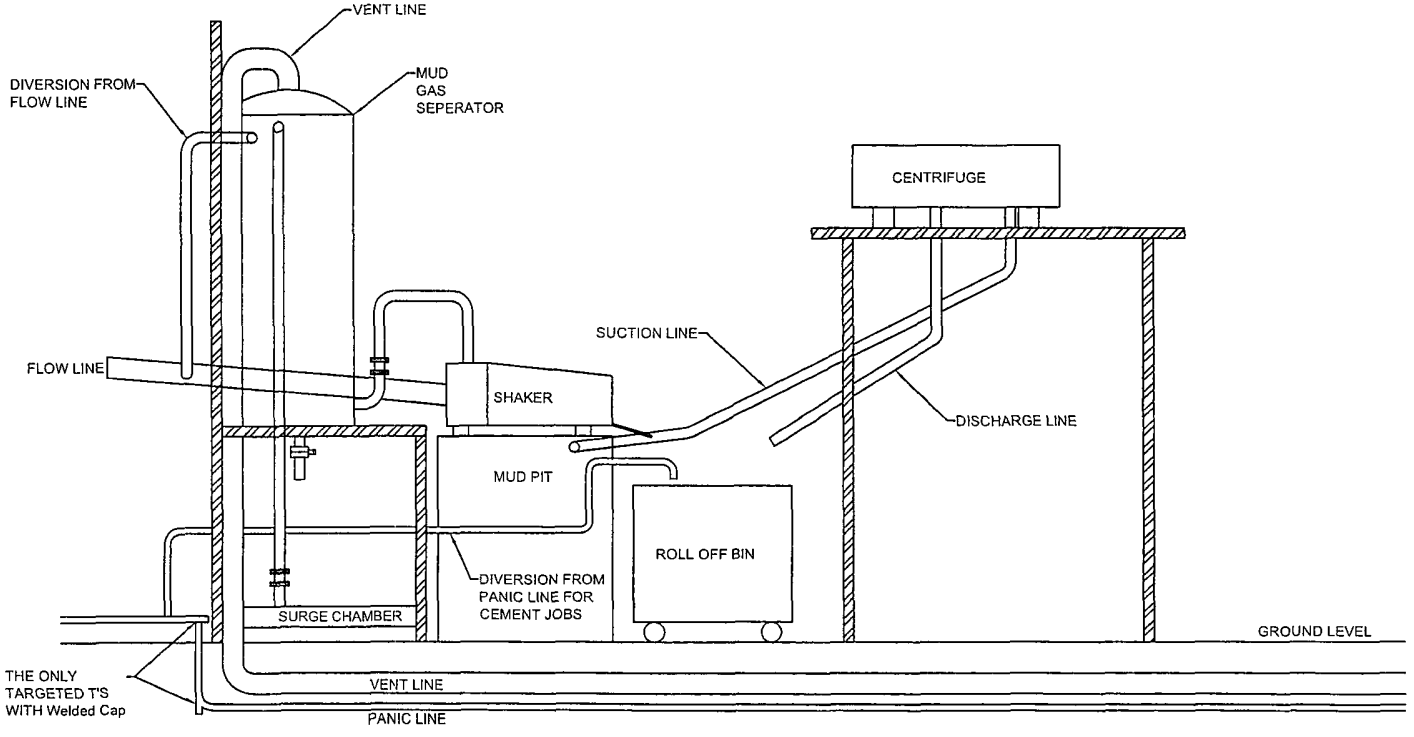


Typical 3,000 psi choke manifold assembly with at least these minimun features



YATES PETROLEUM CORPORATION

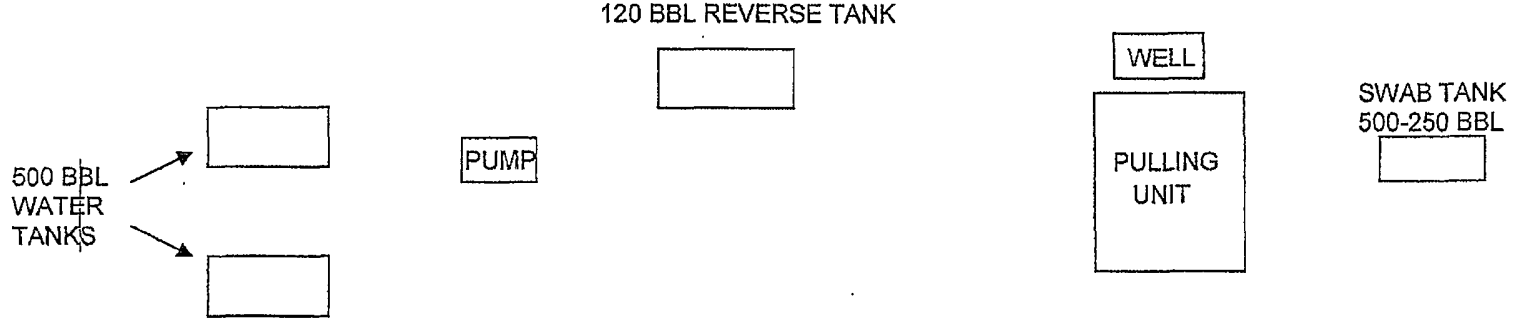
Piping from Choke Manifold
to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H2S wells and 150' from wellhead for wells expected to encounter H2S.

YATES PETROLEUM CORPORATION
105 South 4th Street * Artesia, NM 88210
(575)-748-1471

RE-COMPLETION WITH DRILL OUT



Yates Petroleum Corporation

Hydrogen Sulfide Drilling Operation Plan

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubular are to be used, personnel well be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H2S Drilling Operations Plan and H2S Contingency Plan.

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operation Plan and the H2S Contingency Plan. **The location of this well does not require a Public Protection Plan.**

II. H2S SAFETY EQUIPMENT AND SYSTEMS

NOTE: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

1. Well Control Equipment:

A. Flare line

B. Choke manifold

C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit

D. Auxiliary equipment may include if applicable: annular preventer & rotating head.

2. Protective equipment for essential personnel:

A. Mark II Survive Air (or equivalent) 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

3. H2S detection and monitoring equipment:

A. 3 portable H2S monitors positioned at: Shale Shaker, Bell Nipple, and Rig Floor. These units have warning lights and audible sirens when H2S levels of 10 PPM are reached.

4. Visual warning systems:

A. Wind direction indicators as shown on well site diagram (attached).

B. Caution/Danger signs (attached) shall be posted on roads providing direct access to location. Signs will be painted with high visibility yellow with black lettering of a sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

5. Mud program:

A. The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

A. All drill strings, casings, tubing, wellhead, blowout preventer, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service.

B. All elastomers used for packing and seals shall be H2S trim.

7. Communication:

A. Cellular communications in company vehicles.

B. Land line (telephone) communication at the Office.

8. Well testing:

A. There will be no drill stem testing.

EXHIBIT

DANGER

POISONS GAS

HYDROGEN SULFIDE

NORMAL OPERATIONS
(GREEN)

CAUTION POTENTIAL DANGER
(YELLOW)

DANGER POISONS GAS ENCOUNTERED
(RED) **AUTHORIZED PERSONAL ONLY.**
LOCATION SECURED.
1-575-746-1096
1-877-879-8899

EDDY COUNTY EMERGENCY NUMBERS
ARTESIA FIRE DEPT. 575-746-5050
ARTESIA POLICE DEPT. 575-746-5000
EDDY CO. SHERIFF DEPT. 575-746-9888

LEA COUNTY EMERGENCY NUMBERS
HOBBS FIRE DEPT. 575-397-9308
HOBBS POLICE DEPT. 575-397-9285
LEA CO. SHERIFF DEPT. 575-396-1196