Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HOBBS OCD
OCT 11 2012
RECEIVED

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

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

5 Lease Serial No
VB-0777/VB-0787/NM-108971

6 If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE – Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No

1 Type of Well
☑ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No
Jefe BSJ Federal Com #1H

2. Name of Operator
Yates Petroleum Corporation

9. API Well No. 30-025-40722

3a Address
105 S Fourth St
Artesia, NM 88210

3b. Phone No *(include area code)*
575-748-4120

10 Field and Pool or Exploratory Area
Undesignated/Second Bone Spring

4 Location of Well *(Footage, Sec , T.,R ,M , or Survey Description)*
330' FSL & 1980' FEL of Section 32, T25S-R32E
2310' FSL & 1980' FEL of Section 29, T25S-R32E

11 Country or Parish, State
Lea

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
	☒ 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.)

Yates Petroleum Corporation would like to request that we change the target zone thus changing the depth of the Jefe BSJ Federal Com #1H. The current target zone is the Avalon Shale at 8900' the target zone now is Second Bone Spring at 10400'. Yates also request that we modify the drilling plan by adding a pilot hole to a depth of 10700'. Please note the attached revised form 3160 and drilling plan.

RECEIVED
SEP 18 2012
NMOCD ARTESIA

SEE ATTACHED FOR CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Travis Hahn

Title Regulatory Land Agent

Signature T. Hahn

Date 08/13/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

APPROVED
SEP 14 2012
/s/ Chris Walls
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

Approved by

Title

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

CEQ 10-16-2012

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

(Instructions on page 2)

OCT 17 2012

YATES PETROLEUM CORPORATION
Jefe BSJ Federal Com #1H
330' FSL & 1980' FEL, Surface Hole, Section 32 –T25S-R32E
2310' FSL & 1980' FEL, Bottom Hole, Section 29 –T25S-R32E
Eddy County, New Mexico

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

Rustler	1022'	Bone Springs	8578'
Top of Salt	1368'	Avalon Shale	8639' Oil
Base of Salt	4274'	Bone Springs1/SD/	8900'
Bell Canyon	4540'	Target SBSG	10400' Oil MD
Cherry Canyon	5515'	Pilot Hole	10700'
Brushy Canyon	6873'	Lateral TD	17499'

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

Water: Approx. 0' - 650'
Oil or Gas: Oil Zones: 8639', 9161'

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375 casing and a 5000 PSI BOP on the 9.625" casing. Pressure tests to 3000 PSI and 5000 PSI held for 30 minutes will be conducted before drilling out from under all casing strings, which are set and cemented in place. 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:

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.

1 THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

See COA

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	J-55/H-40 Hybrid	ST&C	0-~~1050'~~ 1205	~~1050'~~
12 1/4"	9 5/8"	40#	HCK-55	LT&C	0-100'	100'
12 1/4"	9 5/8"	36#	J-55	LT&C	100-3200'	3100'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	3200-4590'	1390'
8 3/4"	5 1/2"	17#	P-110	LT&C	0-9900'	9900'
8 1/2"	5 1/2"	17#	P-110	Buttress Thread	9900'-17449'	7549'

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

B. CEMENTING PROGRAM:
Surface Casing: Lead with 590 sacks of PozC 35:65:6 (YLD 2.00 WT.12.50). Tail with 200 sacks Class C + 2% CaCl2 (WT 14.80, YLD 1.34). Casing designed with 100% excess. TOC-Surface

Intermediate Casing: Lead with 1310 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50). Tail with 200 sacks Class C + 2% CaCl2 (YLD 1.34 WT. 14.80). Casing designed with 100% excess. TOC-Surface

Production Casing: Cement to be done in two stages with a DV Tool being set at 8000'.

Stage 1 from 8000'-17449': Lead with 445 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50). Tail with 1655 sacks of Pecos Valley Lite (YLD 1.41 WT. 13.00), 30%CaCO, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 35% excess. TOC-8000'

Stage 2 from 4090'-8000': Lead with 530 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50) Tail with 200 sacks of Pecos Valley Lite (WT 13.00, YLD 1.41), 30%CaCO, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 35% excess. TOC-4090'

210 Pilot hole will be drilled vertically to 10700'. Pilot hole will then be plugged with a ~~200'~~ plug using Class H (YLD 0.94 WT 17.5) 100 sacks with 10% excess, and the additives being; Fresh Water 3.352 gal/sk, Dispersant 0.030 gal/sk, Retarder 0.070 gal/sk, Antifoam 0.020 gal/sk. A 600' kick off plug will then be placed from 10200' to 9600', plug will be Class H (YLD 0.94 WT 17.5) 360 sacks with 35% excess and the additives being; Fresh Water 3.352 gal/sk, Dispersant 0.030 gal/sk, Retarder 0.070 gal/sk, Antifoam 0.020 gal/sk. Well will be kicked off at approximately 9917" and directionally drilled at 12 degrees per 100' with an 8 ¾" hole to 10673' MD (10395' TVD). Hole will then be reduced to 8 1/2" and drilled to 17449' MD (10320' TVD) where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 807' FSL & 1982' FEL, Section 32-25S-32E. Deepest TVD is 10395' in the lateral.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-~~1050'~~ 1225	Fresh Water	8.6-9.2	32-34	N/C
~~1050'~~-4590'	Brine Water	10.0-10.20	28-29	N/C
4590'-10700'	Cut Brine	8.8-9.2	28-32	N/C
10700'-17449'	Cut Brine	8.8-9.2	28-32	N/C

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: 30' Samples to 4400', then 10' Samples from 4400' to TD.
Logging: Platform Express through curve.
CNL/LDT/NGT – TD to Intermediate casing
CNL/GR – TD to surface
DLL-MSFL – TD to surface casing

BHC Sonic – TD to surface casing
MWD-GR – Horizontal
Coring: None
DST's: None
Mudlogger: Out from under surface casing to TD.

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

Anticipated BHP.

From:	0	TO:	1050'	Anticipated Max. BHP.	502	PSI
From:	700'	TO:	4350'	Anticipated Max. BHP:	2435	PSI
From:	4590'	TO:	10700'	Anticipated Max. BHP:	5119	PSI

No abnormal pressures or temperatures are anticipated.
H2S may be encountered on this well.

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completion taking another 30 days.

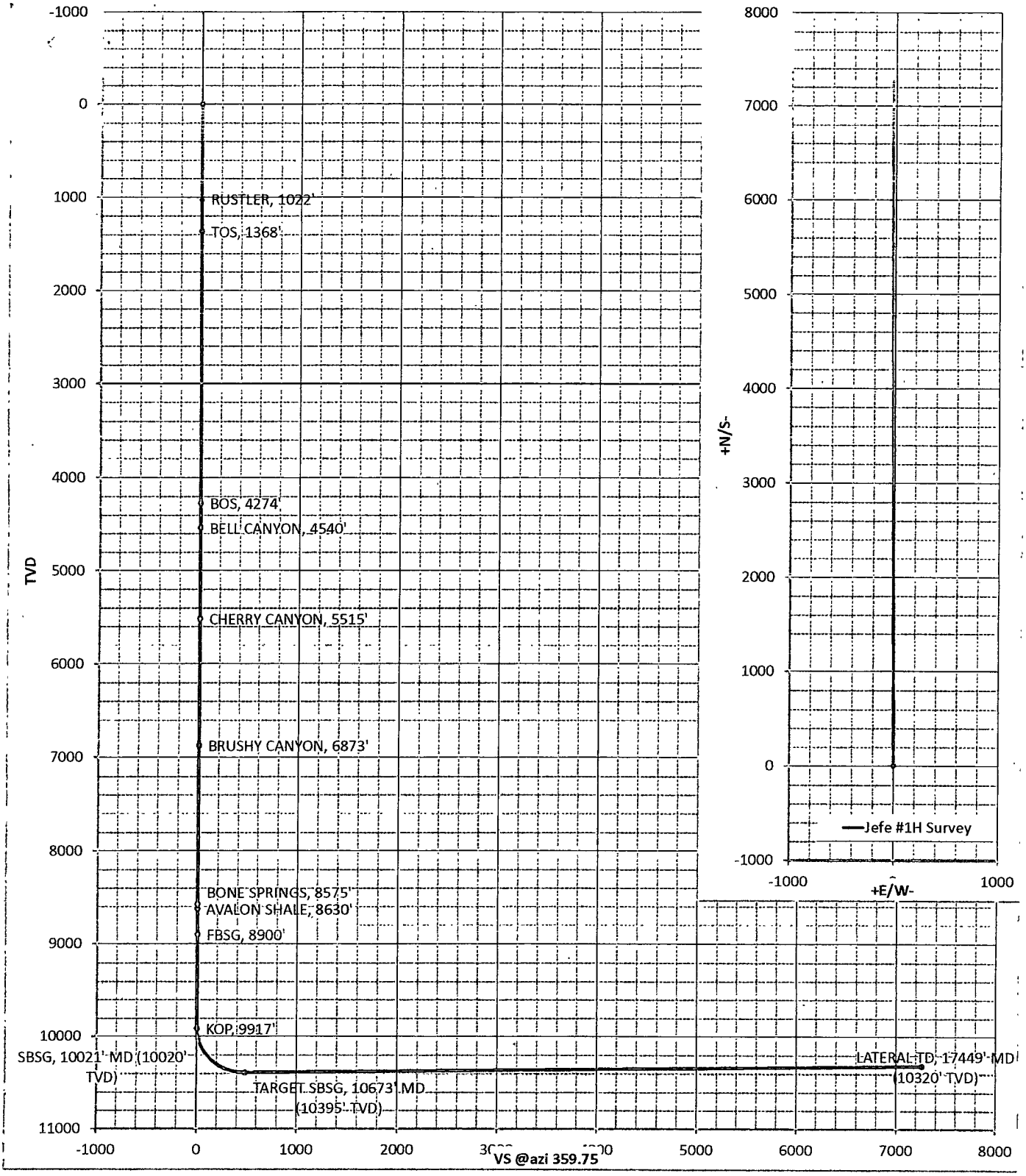
Operator Co.

Your Co.

Survey/Planning Report

Operator	Yates Petroleum Corp.	Northing		Date	7-Aug-12
Dir. Co.	Yates Petroleum Corp.	Easting		System	2 - St. Plane
Well Name	Jefe #1H Survey	Elevation		Datum	1983 - NAD83
Location	Sec. 32, 25S-32E	Latitude		Zone	4302 - Utah Central
Rig		Longitude		Scale Fac.	
Job		Units	Feet	Converg.	

MD	INC	AZI	TVD	N/S	E/W	VS@359.75°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1022.00	0.00	360.00	1022.00	0.00	0.00	0.00	0.00	0.00	0 00
1022: RUSTLER, 1022'									
1368.00	0.00	360.00	1368.00	0.00	0.00	0.00	0.00	0.00	0.00
1368: TOS, 1368'									
4274.00	0.00	360.00	4274.00	0.00	0.00	0.00	0.00	0.00	0.00
4274: BOS, 4274'									
4540.00	0.00	360.00	4540 00	0.00	0.00	0.00	0.00	0.00	0.00
4540: BELL CANYON, 4540'									
5515.00	0.00	360.00	5515.00	0.00	0.00	0.00	0.00	0.00	0.00
5515: CHERRY CANYON, 5515'									
6873.00	0.00	360.00	6873.00	0.01	0.00	0.01	0.00	0.00	0.00
6873: BRUSHY CANYON, 6873'									
8575.00	0.00	360.00	8575.00	0.01	0.00	0.01	0.00	0.00	0.00
8575: BONE SPRINGS, 8575'									
8630.00	0.00	360.00	8630.00	0.01	0.00	0.01	0.00	0.00	0.00
8630: AVALON SHALE, 8630'									
8900.00	0.00	360.00	8900.00	0.01	0.00	0.01	0.00	0.00	0.00
8900: FBSG, 8900'									
9917.08	0.00	359.75	9917.08	0.01	0.00	0.01	0.00	0.00	0.00
9917.08: KOP, 9917'									
10000.00	9.95	359.75	9999.58	7.19	-0.03	7.19	12.00	0.00	12.00
10020.82	12.45	359.75	10020.00	11.23	-0.05	11.23	12.00	0.00	12.00
10020.82: SBSG, 10021' MD (10020' TVD)									
10100.00	21.95	359.75	10095.56	34.62	-0.15	34.62	12.00	0 00	12.00
10200.00	33.95	359.75	10183.73	81.40	-0.36	81.40	12.00	0.00	12.00
10300.00	45.95	359.75	10260.25	145.50	-0.64	145.50	12.00	0.00	12.00
10400.00	57.95	359.75	10321.78	224.10	-0.98	224.10	12.00	0.00	12.00
10500.00	69.95	359.75	10365.61	313.78	-1.37	313 78	12.00	0.00	12.00
10600.00	81 95	359.75	10389.84	410.61	-1.80	410.61	12.00	0.00	12.00
10672.33	90.63	359.75	10394.52	482.72	-2.11	482.72	12.00	0.00	12.00
10672.33: TARGET SBSG, 10673' MD (10395' TVD)									
17449.40	90.63	359.75	10320.01	7259.31	-31.79	7259.38	0.00	0.00	0.00
17449.4: LATERAL TD, 17449' MD (10320' TVD)									


RUSTLER, 1022'
TOS, 1368'
BOS, 4274'
BELL CANYON, 4540'
CHERRY CANYON, 5515'
BRUSHY CANYON, 6873'
BONE SPRINGS, 8575'
AVALON SHALE, 8630'
FBSG, 8900'
KOP, 9917'
SBSG, 10021' MD (10020' TVD)
TARGET SBSG, 10673' MD (10395' TVD)
LATERAL TD, 17449' MD (10320' TVD)
TVD
VS @azi 359.75
+N/S-
+E/W-
Jefe #1H Survey

CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp
LEASE NO.:	NM108971
WELL NAME & NO.:	1H Jefe BSJ Federal Com
SURFACE HOLE FOOTAGE:	330' FSL & 1980' FEL
BOTTOM HOLE FOOTAGE	2310' FSL & 1980' FEL, Sec.29-T25S-R32E
LOCATION:	Section 30, T.25 S., R.32 E., NMPM
COUNTY:	Lea 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. BOPE tests

☒ **Lea County**
Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Delaware** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values 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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a "Major" violation.**

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 is located, this does not include the dog house or stairway area.

4. **The record of the drilling rate along with the GR/N well log run from TD to surface (horizontal well – vertical portion of hole) shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper**

copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#).
Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.).

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

Wait on cement (WOC) time prior to drilling out 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 for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

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

Possible water/brine flows in the Salado, Castile, Delaware and Bone Springs. Possible lost circulation in the Red Beds, Delaware and Bone Springs formation.

1. The **13-3/8** inch surface casing shall be set at approximately **1225** feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) 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. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    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, c-d above.

Pilot hole is required to have a plug at the bottom of the hole. If two plugs are set, the BLM is to be contacted (575-393-3612) prior to tag of bottom plug, which must be a minimum of 210' in length. Operator can set one plug from bottom of pilot hole to kick-off point and save the WOC time for tagging the first plug.

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

a. First stage to DV tool:

☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

b. Second stage above DV tool:

☒ Cement should tie-back at least 200 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 **3000 (3M)** psi.

a. **For surface casing only:** If the BOP/BOPE is to be tested against casing, the wait on cement (WOC) time for that casing is to be met (see WOC statement at start of casing section). Independent service company required.

3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**. The operator also has the option of utilizing an independent tester to test without a plug (i.e. against the casing) pursuant to Onshore Order 2 with the pressure not to exceed 70% of the burst rating for the casing. Any test against the casing must meet the WOC time for water basin (18 hours) or potash (24 hours) or 500 pounds compressive strength, whichever is greater, prior to initiating the test (see casing segment as lead cement may be critical item).

c. The results of the test shall be reported to the appropriate BLM office.

d. 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.**

e. 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.

D. DRILL STEM TEST

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

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

CRW 091412