Submit 1 Copy To Appropriate District Office
District I – (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II – (575) 748-1283
811 S. First St., Artesia, NM 88210
District III – (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV – (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

HOBBS OCD
NOV 08 2012
RECEIVED

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised August 1, 2011

WELL API NO. 30-025-40566	
5. Indicate Type of Lease STATE ☒ FEE ☐	
6. State Oil & Gas Lease No. VB-1179	
SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well ☒ Gas Well ☐ Other	7. Lease Name or Unit Agreement Name PIRATE BRY STATE
	8. Well Number 1H
2. Name of Operator YATES PETROLEUM CORPORATION	9. OGRID Number 025575
3. Address of Operator 105 SOUTH 4TH STREET, ARTESIA, NM 88210	10. Pool name or Wildcat RED HILLS;BONE SPRING,NORTH
4. Well Location Unit Letter O: 460 feet from the SOUTH line and 1650 feet from the EAST line Section 16 Township 24 SOUTH Range 34 EAST NMPM LEA County	
	11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 3527'

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☒	COMMENCE DRILLING OPNS. ☐	P AND A ☐
PULL OR ALTER CASING ☐	MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐	Change MD &TVD.New. Penetration point.
DOWNHOLE COMMINGLE ☐			
OTHER: ☐		OTHER: ☐	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

See the attached comments for the changes.

Spud Date: Rig Release Date:

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

SIGNATURE Cy Cowan TITLE Land Regulatory Agent DATE 11/7/12

Type or print name Cy Cowan E-mail address: cy@yatespetroleum. PHONE: 575-748-4372

For State Use Only

APPROVED BY: TITLE Dist Mgr DATE 11-21-2012

Conditions of Approval (if any):

NOV 29 2012

Yates Petroleum Corporation
Pirate BRY State #1H
460' FSL & 1650' FEL
Section 16-T24S-R34E
Lea County, New Mexico

Comments:

Well will be drilled vertically to 10632'. Well will then be kicked off at approximately 10632' and directionally drilled at 12 degrees per 100' with a 8 ¾" hole to 11397' MD (11110' TVD). Hole size will then be reduced to 8 ½" and drilled to 15386' MD (10985 TVD) where 5 ½" casing will be set and cemented. Penetration point of producing zone will be encountered at 952' FSL & 1655' FEL, 16-24S-34E. Deepest TVD in the well is 11110' in the lateral.

Maximum anticipated bottom hole pressures are 0'-400', 191psi; 400'-5400', 2864psi; 5400'-1110', 5315psi.

H2S is anticipated. H2S plan is attached.

Logs will be Gamma Ray Neutron from 30 degrees in the curve to surface; Density from 30 degrees in the curve to intermediate casing; Laterolog from 30 degrees in the curve to the intermediate casing; CMR from 30 d3r33s in the curve to intermediate casing.

Measured depth of 13914' has changed to 15386' MD. The TVD of 9600' has changed to 10985' TVD.

The surface hole location remains unchanged. The bottom hole location also remains the same. Only the depths are changed.

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf.	17 ½"	13 3/8"	48	400'	415	Surface
Intl	12 ¼"	9 5/8"	40	5400'	2112	Surface
Prod	8 ¾"	5 ½"	P-110	15386'	1810	4900'

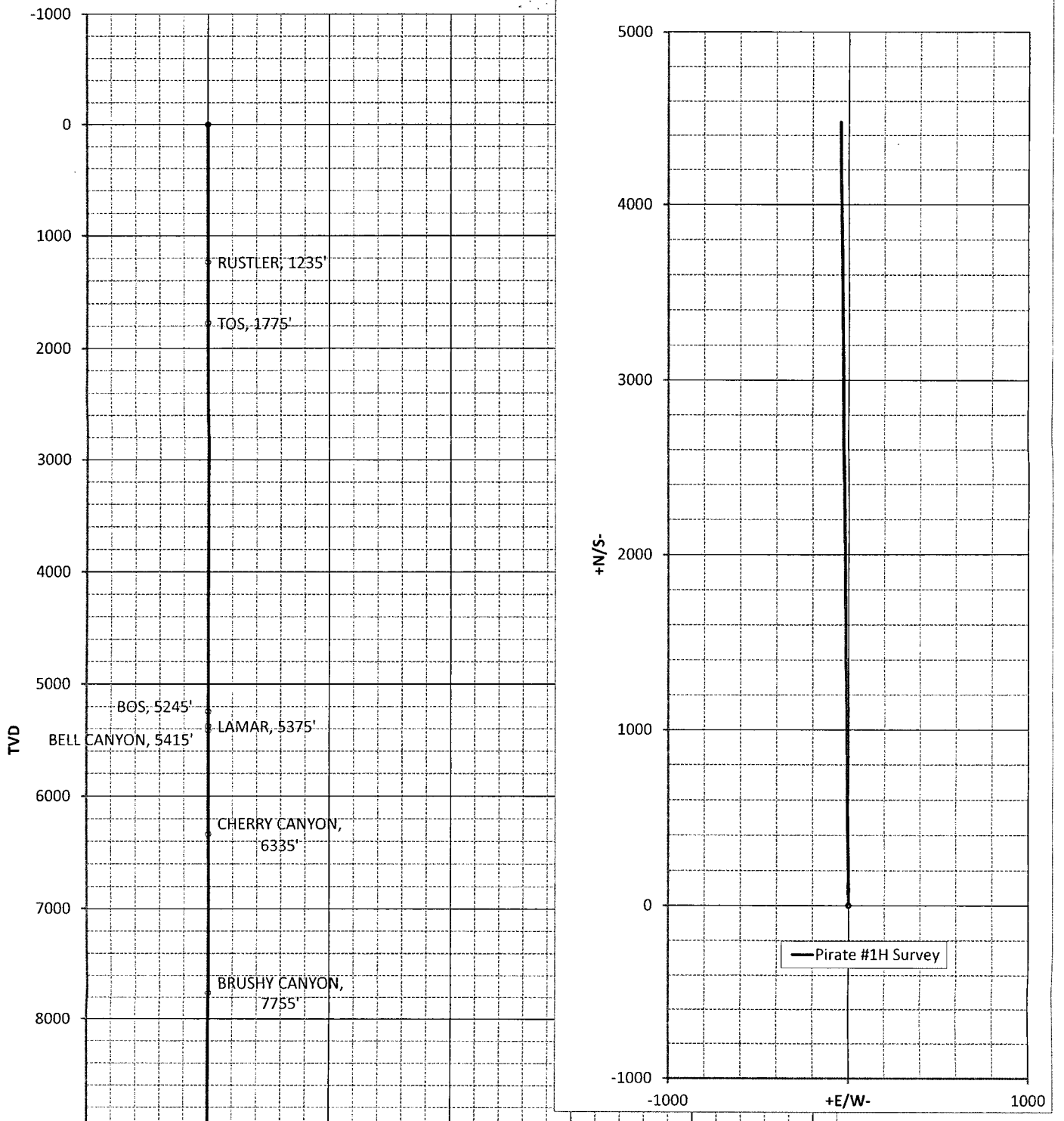
Operator Co.

Your Co.

Survey/Planning Report

Operator	Yates Petroleum Corp.	Northing		Date	5-Nov-12
Dir. Co.	Yates Petroleum Corp.	Easting		System	2 - St. Plane
Well Name	Pirate #1H Survey	Elevation		Datum	1983 - NAD83
Location	Sec. 16, 24S-34E	Latitude		Zone	4302 - Utah Central
Rig		Longitude		Scale Fac.	
Job		Units	Feet	Converg.	

MD	INC	AZI	TVD	+N/S-	+E/W-	VS@359.43°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1235.00	0.00	360.00	1235.00	0.00	0.00	0.00	0.00	0.00	0.00
1235: RUSTLER, 1235'									
1775.00	0.00	360.00	1775.00	0.00	0.00	0.00	0.00	0.00	0.00
1775: TOS, 1775'									
5245.00	0.00	360.00	5245.00	0.00	0.00	0.00	0.00	0.00	0.00
5245: BOS, 5245'									
5375.00	0.00	360.00	5375.00	0.00	0.00	0.00	0.00	0.00	0.00
5375: LAMAR, 5375'									
5415.00	0.00	360.00	5415.00	0.00	0.00	0.00	0.00	0.00	0.00
5415: BELL CANYON, 5415'									
6335.00	0.00	360.00	6335.00	0.01	0.00	0.01	0.00	0.00	0.00
6335: CHERRY CANYON, 6335'									
7755.00	0.00	360.00	7755.00	0.01	0.00	0.01	0.00	0.00	0.00
7755: BRUSHY CANYON, 7755'									
9135.00	0.00	360.00	9135.00	0.01	0.00	0.01	0.00	0.00	0.00
9135: BONE SPRINGS LM, 9135'									
9200.00	0.00	360.00	9200.00	0.01	0.00	0.01	0.00	0.00	0.00
9200: AVALON SAND, 9200'									
10205.00	0.00	360.00	10205.00	0.01	0.00	0.01	0.00	0.00	0.00
10205: FBSG, 10205'									
10632.36	0.00	359.43	10632.36	0.01	0.00	0.01	0.00	-0.01	0.00
10632.36: KOP, 10632'									
10700.00	8.12	359.43	10699.77	4.79	-0.05	4.79	12.00	0.00	12.00
10800.00	20.12	359.43	10796.58	29.14	-0.29	29.14	12.00	0.00	12.00
10900.00	32.12	359.43	10886.20	73.08	-0.73	73.08	12.00	0.00	12.00
10922.53	34.82	359.43	10904.99	85.50	-0.85	85.50	12.00	0.00	12.00
10922.53: SBSG, 10923' MD (10905' TVD)									
11000.00	44.12	359.43	10964.73	134.69	-1.34	134.70	12.00	0.00	12.00
11100.00	56.12	359.43	11028.73	211.29	-2.10	211.30	12.00	0.00	12.00
11200.00	68.12	359.43	11075.41	299.51	-2.97	299.53	12.00	0.00	12.00
11300.00	80.12	359.43	11102.73	395.51	-3.92	395.53	12.00	0.00	12.00
11397.27	91.79	359.43	11109.59	492.36	-4.89	492.39	12.00	0.00	12.00
11397.27: TARGET SBSG, 11397' MD (11110' TVD)									
15385.82	91.79	359.43	10985.00	4478.77	-44.45	4478.99	0.00	0.00	0.00
15385.82: LATERAL TD, 15386' MD (10985' TVD)									



Yates Petroleum Corporation

105 S. Fourth Street
Artesia, NM 88210

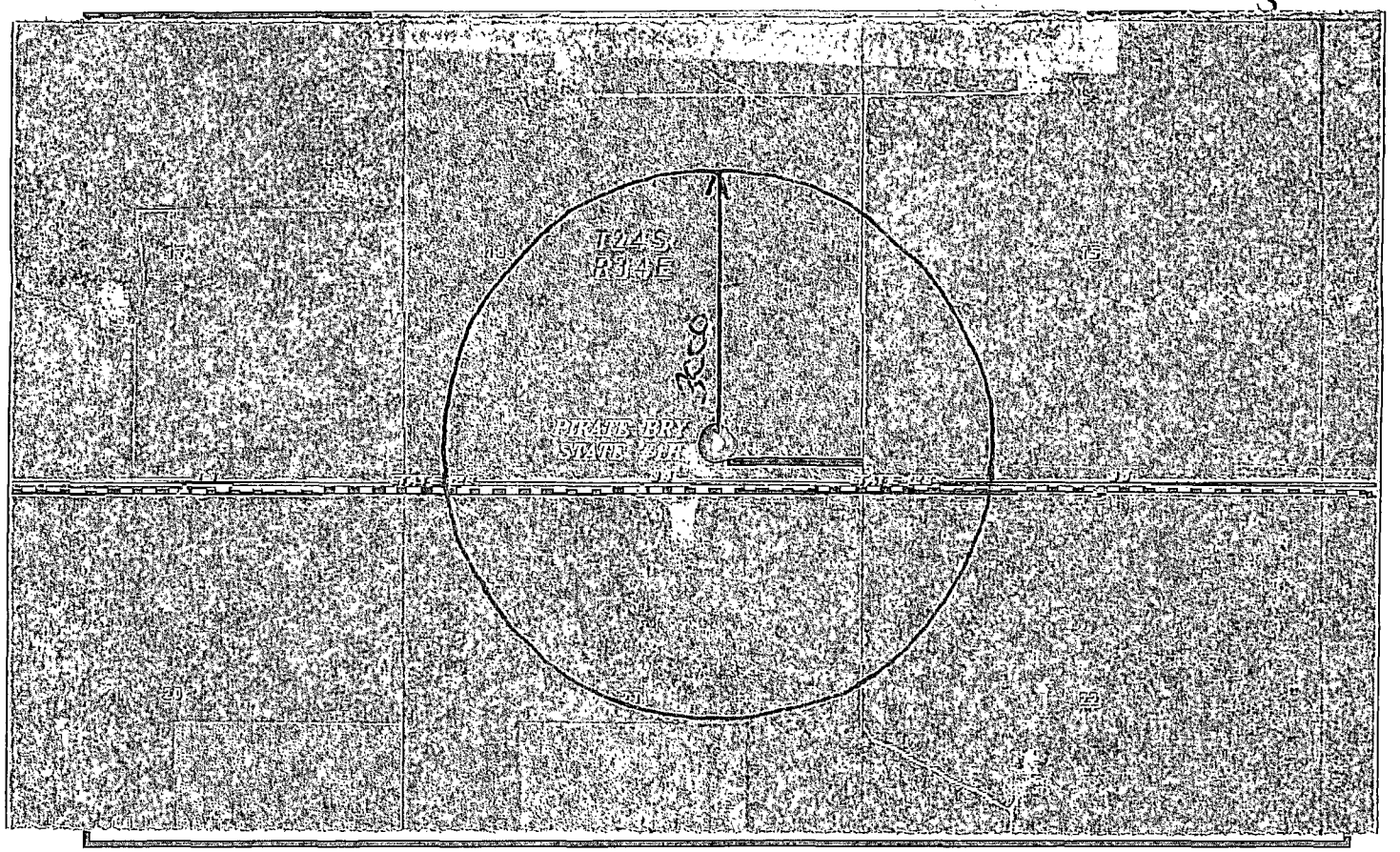
Hydrogen Sulfide (H_2S) Contingency Plan

For

Pirate BRY State #1H
460' FSL and 1650' FEL
Section 16, T24S-R34E
Lea County, New Mexico

Pirate BRY State #1H

This is an open drilling site. H_2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H_2S, including warning signs, wind indicators and H_2S monitor.



Assumed 100 ppm ROE = 3000'

100 ppm H2S concentration shall trigger activation of this plan.

Emergency Procedures

In the case of a release of gas containing H_2S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H_2S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system' to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr-ation
Hydrogen Sulfide	H_2S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

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

Yates Petroleum Corporation Phone Numbers

YPC Office ..... (575) 748-1471
Pinson McWhorter/Operations Manager ..... (575) 748-4189
Wade Bennett/Prod Superintendent ..... (575) 748-4236
LeeRoy Richards/Assistant Prod Superintendent (575) 748-4228
Mike Larkin/Drilling ..... (575) 748-4222
Paul Hanes/Prod. Foreman/Roswell ..... (575) 624-2805
Tim Bussell/Drilling Superintendent ..... (575) 748-4221
Artesia Answering Service ..... (575) 748-4302
(During non-office hours)

Agency Call List

Lea County (575)

Jal

State Police .....827-7130 Eunice
City Police.....395-2501
Sheriff's Office 395-2121
Ambulance 911
Fire Department 395-2221
NMOCD.....393-6161 Hobbs

Hobbs

State Police 392-5588
City Police.....397-9265
Sheriff's Office.....397-9262
Ambulance 911
Fire Department 397-9308
LEPC (Local Emergency Planning Committee)..... 887-3798

US Bureau of Land Management.....887-6544 Carlsbad
New Mexico Emergency Response Commission (Santa Fe) (505)476-9600
24 HR .....(505) 827-9126
New Mexico State Emergency Operations Center.....(505) 476-9635
National Emergency Response Center (Washington, DC) ...(800) 424-8802

Other

Boots & Coots IWC .....1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....(915) 699-0139 or (915) 563-3356
Halliburton .....(575) 746-2757
B. J. Services.....(575) 746-3569

Flight For Life -4000 24th St, Lubbock, TX .....(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX .....(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM .....(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM .....(505) 842-4949

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

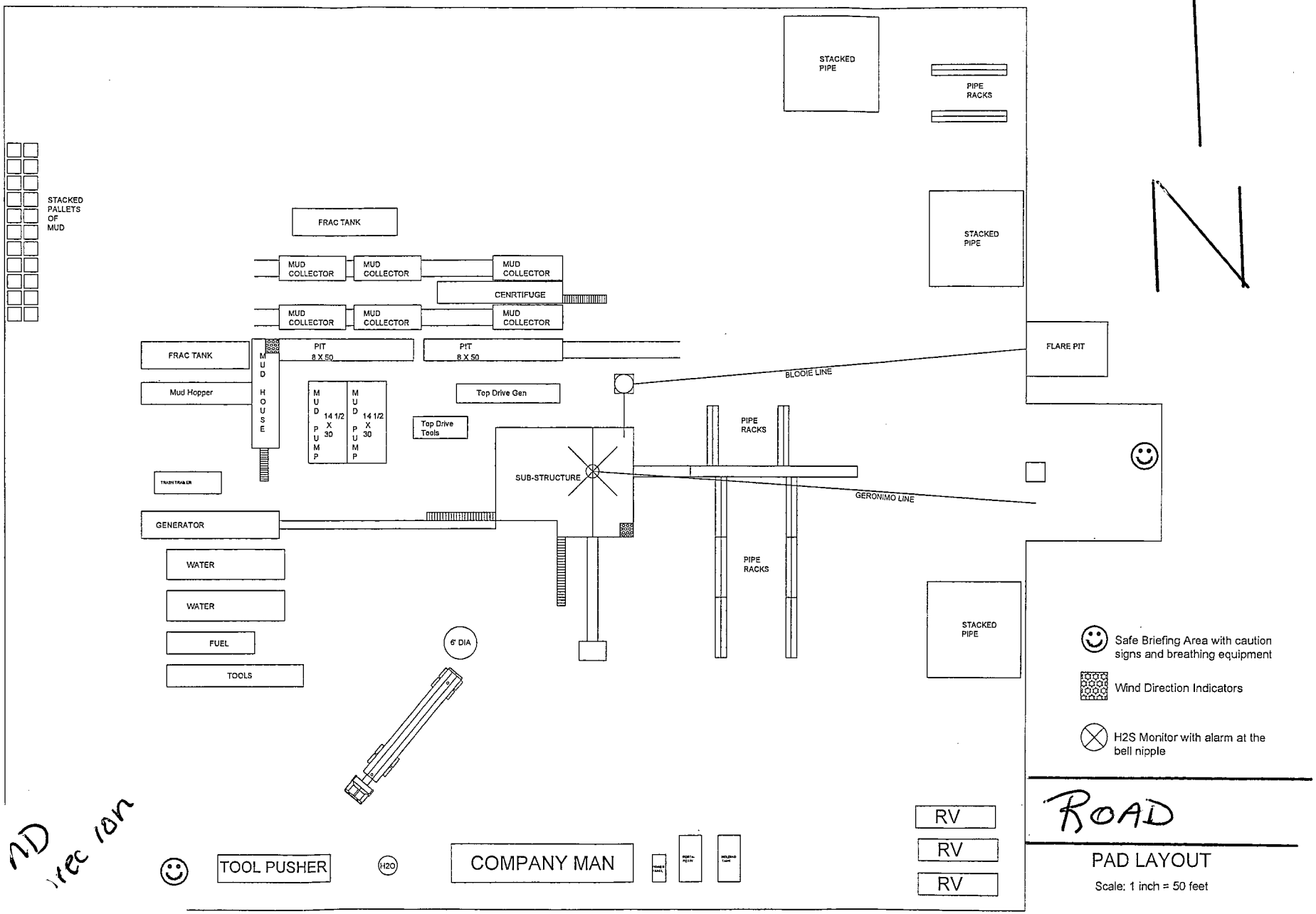
LEA COUNTY EMERGENCY NUMBERS

HOBBS FIRE DEPT. 575-397-9308

HOBBS POLICE DEPT. 575-397-9285

LEA CO. SHERIFF DEPT. 575-396-1196

YATES PETROLEUM CORPORATION



PAD LAYOUT

Scale: 1 inch = 50 feet

LAND Section

Alt. Exit