

YATES PETROLEUM CORPORATION  
Surface Use Plan of Operations  
Capella BOP Federal Com. #6H  
2140' FSL and 2360' FWL, Surface Hole  
330' FNL and 1980' FWL, Bottom Hole

HOBBS OCD

FEB 13 2014

RECEIVED

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:

Attached is a portion of the maps showing the proposed well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 46 miles, east of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit attached.

DIRECTIONS:

Go east of Artesia, NM on Highway 82 for approximately 14 miles to the intersection of 82 and 360 (Bluestem Road). Turn right (south) on Bluestem and go approximately 25 miles to the intersection of 360 and 62/180. Turn left (east) on 62/180 and go 16 miles to Campbell Rd. Turn right (south) on Campbell Rd for 5.8 miles. Turn left (east) here onto a lease road continue for approximately 1 mile turn right (south) for 400' then follow lease road to the left (east) for 0.75 miles. Turn left (north) here and go approximately 600', turn left (west) and go 400', then turn right (north) and go 850', then turn right (east) for 700' to the Caper BFE Federal #5 location. The location is north of the northwest corner of the existing pad. Please see attachment.

2. PLANNED ACCESS ROAD:

- A. No new roads will be needed.
- B. The route of the road is visible.
- C. Existing roads will be maintained in the same or better condition, including filling pot holes, clearing ditches and repairing the crown.

3. LOCATION OF EXISTING WELL:

- A. There is no drilling activity within a one-mile radius of the well site.
- B. Exhibit attached shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. We are planning to place the production on the Caper BFE Federal #1 location.
- B. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built from the Caper BFE Federal #5 location, if needed. Power should not be required if the well is productive of gas.
- C. A pipe line right-of-way will not be needed, a flowline will follow lease road to the Caper BFE Federal #1 location. The flowline will be a 3", SRD-7, Poly surface line with a working pressure of 100 psi.

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 attached.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

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7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be collected in tanks until hauled to an approved disposal system.
- B. A closed loop system will be 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. Attached is a closed-loop system.
- C. Drilling fluids will be removed after drilling and completions are finalized.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. 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 attached shows the two rigs being used by Yates as of this moment the plats include relative location and dimensions of the well pad, the closed loop design plan, the location of the drilling equipment, orientation and access road approach. This area was staked at this size for a Silver Oak drilling rig. Yates will submit a sundry notice with a rig layout depicting the actual size of the pad to be constructed with dimensions from the well bore to all four sides with the same orientation as the “Pad Clearance Area.” Yates will not construct the well pad until the rig layout is approved through the sundry notice.
- B. The closed loop system will be 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 is attached – Exhibit.
- 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 well site in as aesthetically pleasing a condition as possible.
- B. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with, including removal of surface material, re-contouring, redistribution of stockpiled topsoil evenly, and seeding. This will be accomplished as expeditiously as possible. See attachment.

11. SURFACE OWNERSHIP: Federal

Minerals: USA-Federal-NM-82902  
Administered by: Bureau of Land Management  
Carlsbad Field Office  
620 E. Greene Street  
Carlsbad, NM 88220-6292

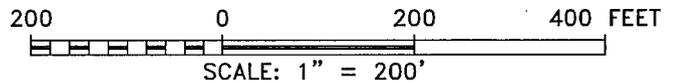
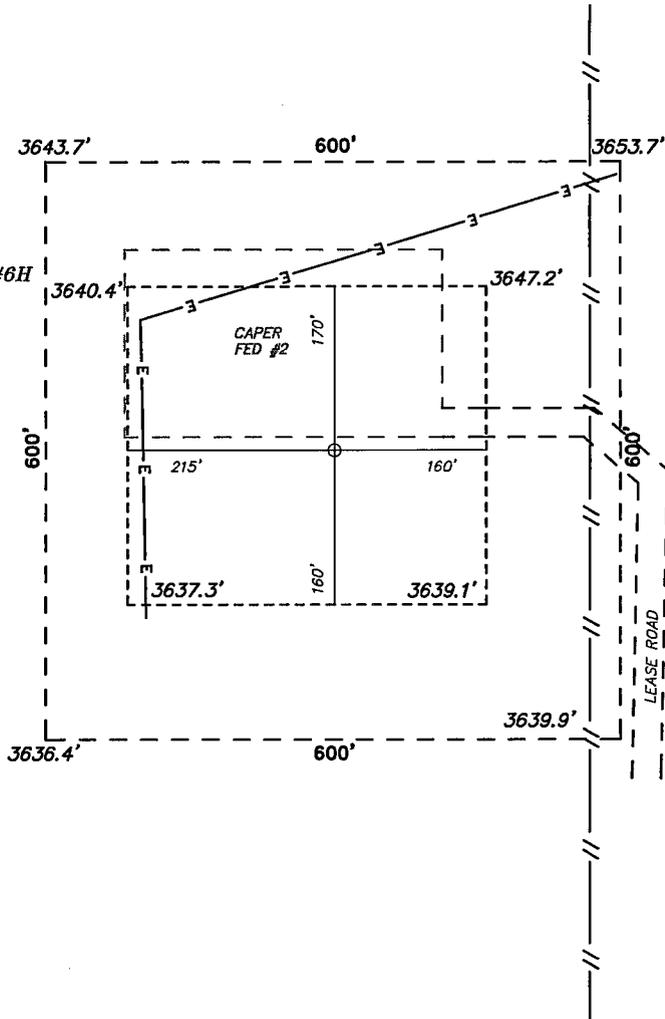
12. OTHER INFORMATION:

- A. The primary use of the surface is for grazing.
- B. Refer to the archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.

SECTION 17, TOWNSHIP 21 SOUTH, RANGE 32 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.  
CAPELLA BOP FEDERAL COM #6H  
ELEV. - 3641  
SURFACE LOCATION  
Lat - N 32°28'38.36"  
Long - W 103°41'52.12"  
NMSPCE- N 537964.96  
E 737315.82  
(NAD-83)



**YATES PETROLEUM CORP.**

REF: CAPELLA BOP FEDERAL COM #6H / WELL PAD TOPO

THE CAPELLA BOP FEDERAL COM #6H LOCATED 2140'  
FROM THE SOUTH LINE AND 2360 FROM THE WEST LINE OF  
SECTION 17, TOWNSHIP 21 SOUTH, RANGE 32 EAST,  
N.M.P.M., LEA COUNTY, NEW MEXICO.

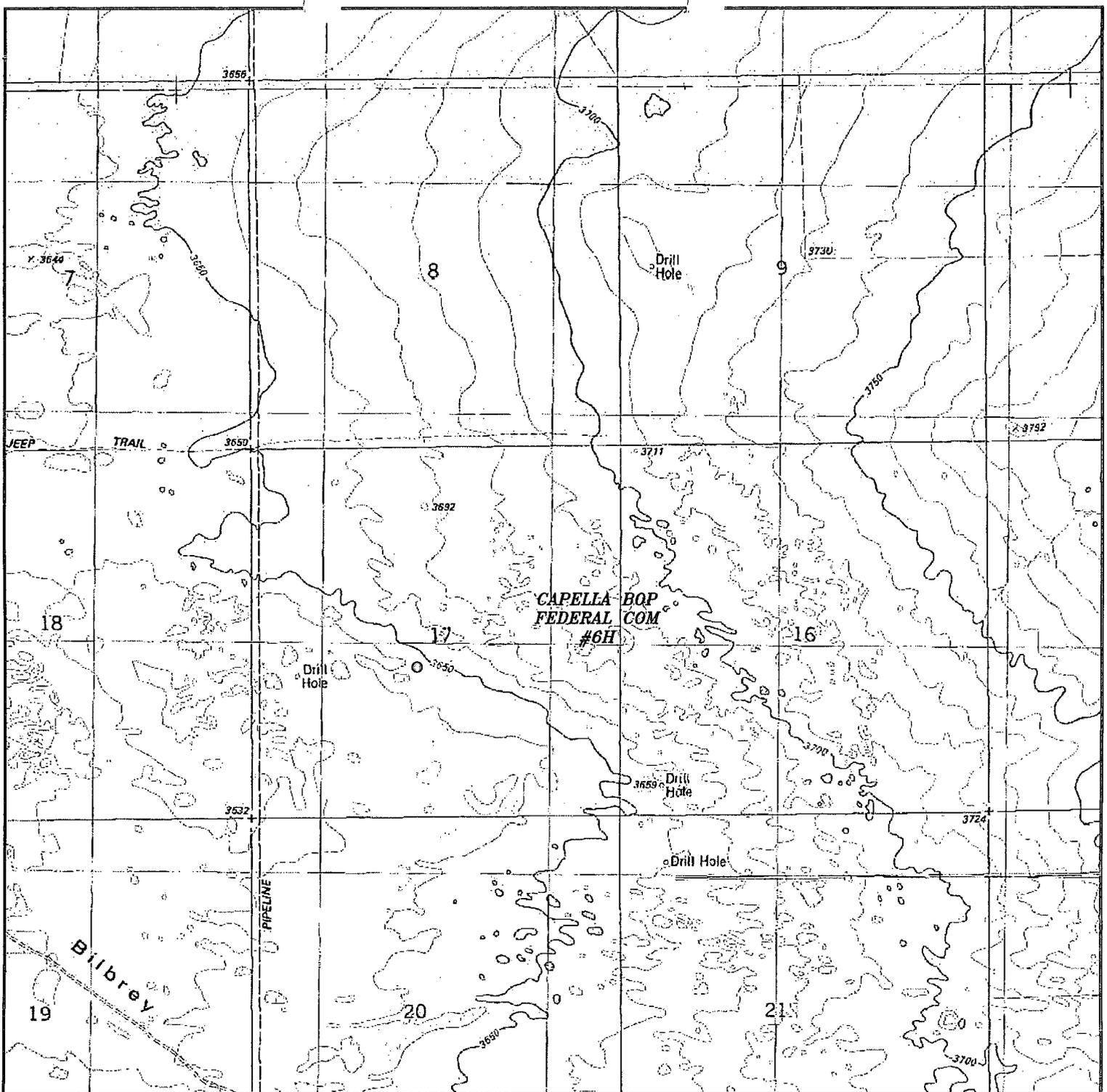
**BASIN SURVEYS** P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 28383 Drawn By: D. JONES

Date: 04-16-2013 Disk: DAJ 28383

Survey Date: 03-13-2013

Sheet 1 of 1 Sheets



**CAPELLA BOP FEDERAL COM #6H**  
 Located 2140' FSL and 2360' FWL  
 Section 17, Township 21 South, Range 32 East,  
 N.M.P.M., LEA County, New Mexico.



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
 basinsurveys.com

W.O. Number: DAJ 28383

Survey Date: 03-13-2013

Scale: 1" = 2000'

Date: 04-16-2013



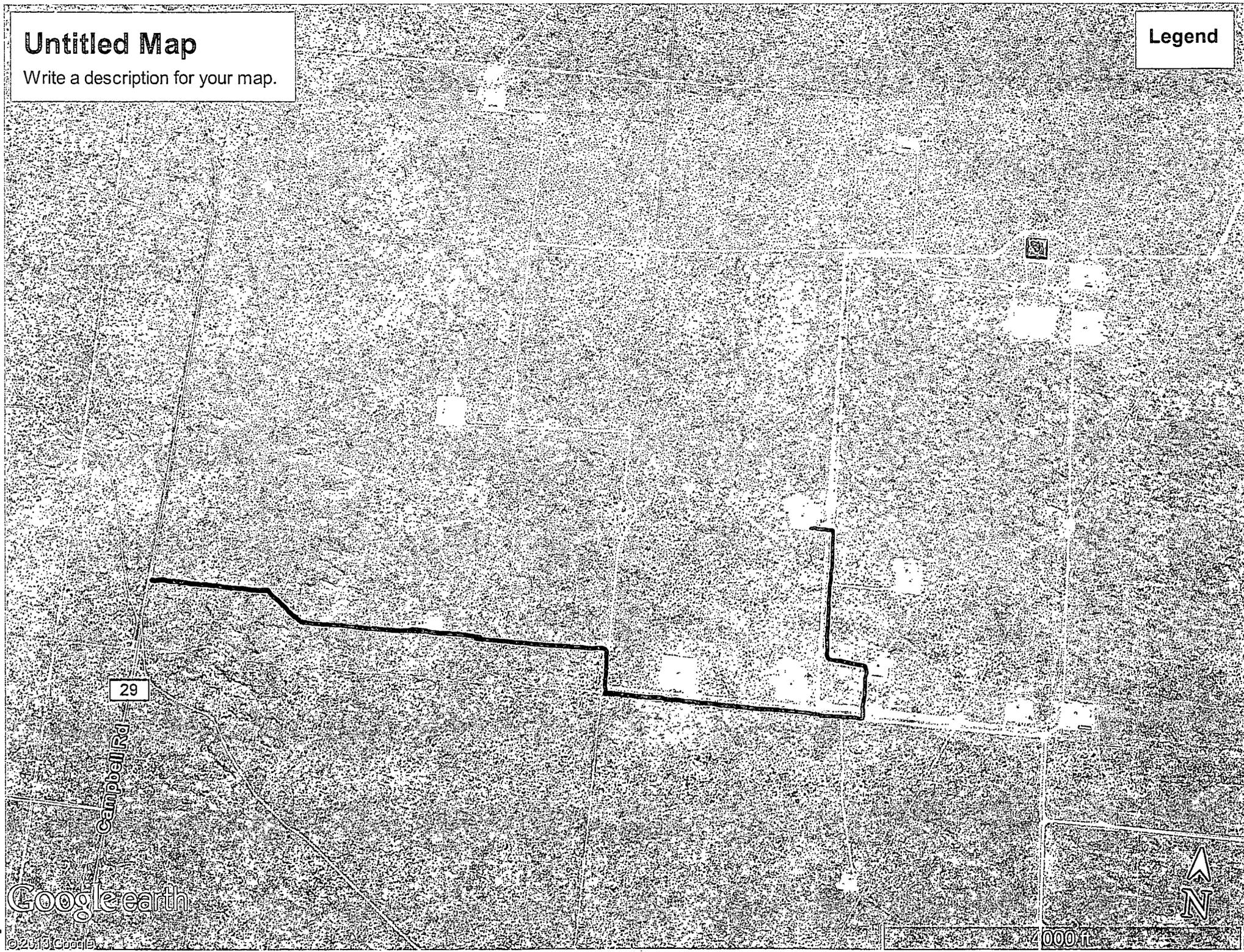
**YATES**  
**PETROLEUM**  
**CORP.**

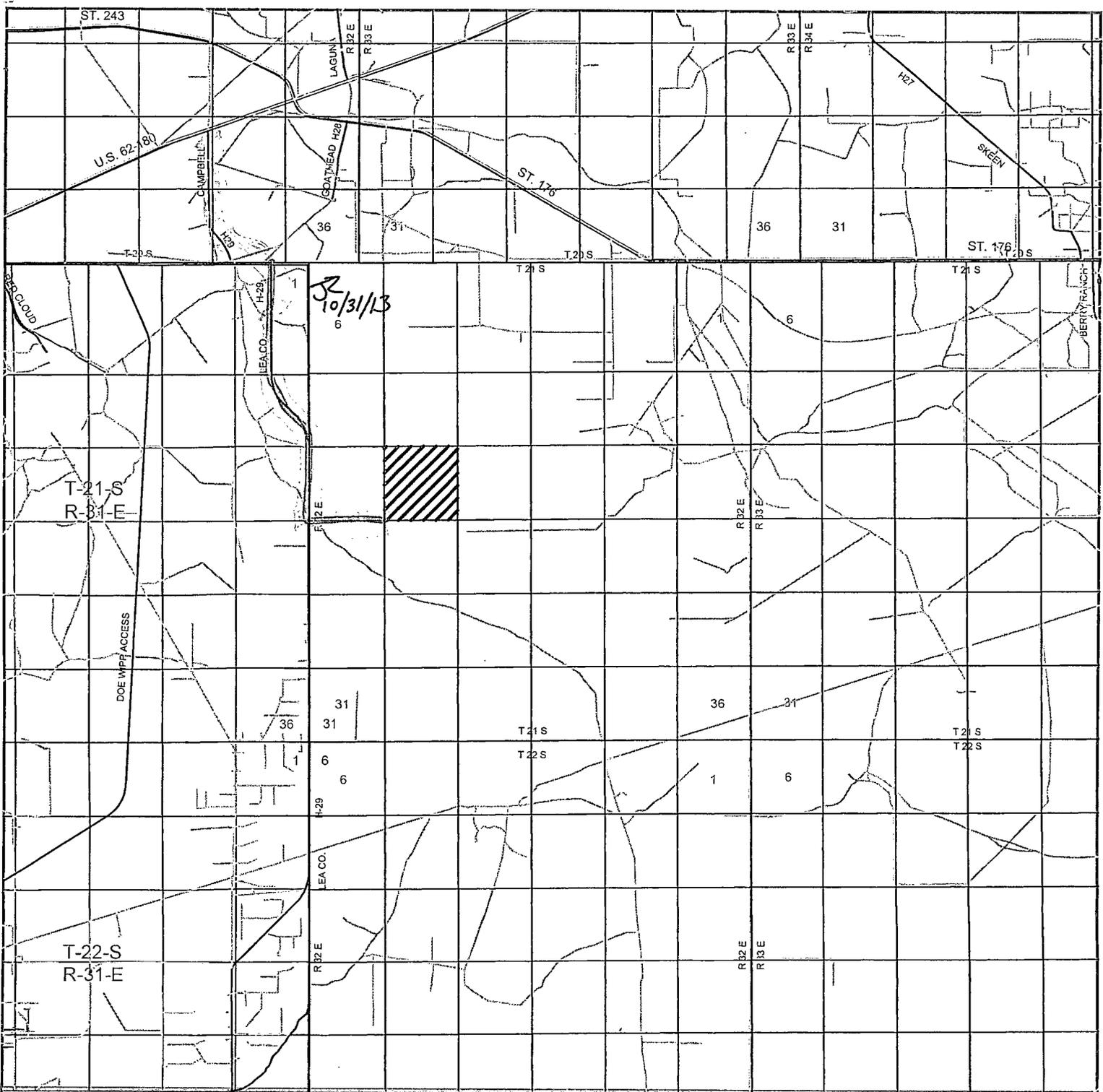


# Untitled Map

Write a description for your map.

Legend





**CAPELLA BOP FEDERAL COM #6H**  
 Located 2140' FSL and 2360' FWL  
 Section 17, Township 21 South, Range 32 East,  
 N.M.P.M., LEA County, New Mexico.

  
**Basin Surveys**  
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 in the oilfield

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W.O. Number: DAJ 28383
Survey Date: 03-13-2013
Scale: 1" = 2 Miles
Date: 04-16-2013

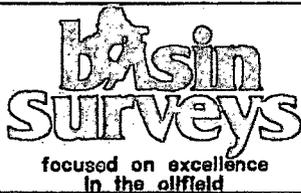


**YATES  
 PETROLEUM  
 CORP.**



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Legend  
 Access Route  
 Flowline Route  
 JZ 11/20/13



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YELLOW TINT - USA LAND  
 BLUE TINT - STATE LAND  
 NATURAL COLOR - FEE LAND

**YATES  
 PETROLEUM  
 CORP.**