Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Hobbs

HOBBS OCD

MAR 30 2015

RECEIVED

FORM APPROVED
OMB NO. 1004-0135
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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

5. Lease Serial No.
NMNM108977

6. If Indian, Allottee or Tribe Name

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

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
CHUKAR BTA FEDERAL COM 1H

2. Name of Operator
YATES PETROLEUM CORPORATION

Contact: NAOMI G SAIZ
E-Mail: NSAIZ@YATESPETROLEUM.COM

9. API Well No.
30-025-41294-00-X1

3a. Address
105 SOUTH FOURTH STREET
ARTESIA, NM 88210

3b. Phone No. (include area code)
Ph: 575-748-4211

10. Field and Pool, or Exploratory
LEA

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 28 T20S R34E SESE 1110FSL 200FEL

11. County or Parish, and State
LEA COUNTY, NM

12. CHECK 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
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Change to Original A PD
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ 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 shall 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 shall be filed once testing has been completed. Final Abandonment Notices shall 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 respectfully requests to change our well design as per attachment.

Thank you.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #296376 verified by the BLM Well Information System
For YATES PETROLEUM CORPORATION, sent to the Hobbs
Committed to AFMSS for processing by JENNIFER SANCHEZ on 03/26/2015 (15JAS0020SE)

Name *(Printed/Typed)* NAOMI G SAIZ — Title WELL PLANNING TECH

Signature (Electronic Submission) — Date 03/26/2015

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

APPROVED
MAR 27 2015
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

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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

MAR 31 2015

Chukar BTA Federal Com #1H

Yates Petroleum Corporation respectfully requests to make the following changes to the approved APD:

We respectfully request to make the following changes to our well design.

CASING	HOLE SIZE	CASING SIZE	WT./FT.	GRADE	COUPLIN	INTERVAL	LENGTH
Conductor	30"	20"		H-40	ST&C	0'-60'	60'
Surface	17 ½"	13 3/8"	54.5#	~~H-40~~/J-55 hybrid	ST&C	0'-80'	80'
Surface	17 ½"	13 3/8"	48#	H-40/~~J-55~~ hybrid	ST&C	80'-1300'	1220'
Surface	17 ½"	13 3/8"	54.5#	~~H-40~~/J-55 hybrid	ST&C	1300'-1700'	400'
Intermediate 1	12 1/4"	9 5/8"	40#	J-55 or K-55	LT&C	0'-80'	80'
Intermediate 1	12 1/4"	9 5/8"	36#	J-55 or K-55	LT&C	80'-3200'	3120'
Intermediate 1	12 1/4"	9 5/8"	40#	J-55 or K-55	LT&C	3200'-4200'	1000'
Intermediate 1	12 1/4"	9 5/8"	40#	HCK-55	LT&C	4200'-5500'	0'
Production 1	8 3/4"	5 1/2"	17#	P-110	Buttress	0'-10800'	10800'
Production 2	8 1/2"	5 1/2"	17#	P-110	Buttress	10800'-17800'	7000'

Surface Cement Design:
Lead w/1040sx 35/65 PozC (YLD 2 WT 12.5, 11 gal/sk)
Tail w/205sx Class C (YLD 1.34 WT 14.2, 6.2 gal/sk)
100% excess TOC=0'

Primary Intermediate Cement Design:
Lead w/1580sx 35/65 PozC (YLD 2 WT 12.5, 11 gal/sk)
Tail w/210sx Class C (YLD 1.34 WT 14.2, 6.2 gal/sk)
100% excess TOC=0'

Contingency Intermediate Cement Design:
We would like to request the approval of a 2 stage cement contingency if hole conditions warrant:
DV/Packer Stage tool will be placed at approx. 3500'-4000' (cement volumes will be adjusted per tool placement)
Stage I: Lead w/330sx 35/65 PozC (YLD 2 WT 12.5, 11 gal/sk) tail w/210sx Class C (YLD 1.34 WT 14.2, 6.2 gal/sk) 100% excess TOC=4000'
Stage II: Lead w/1110sx 35/65 PozC (YLD 2 WT 12.5, 11 gal/sk) tail w/210sx Class C (YLD 1.34 WT 14.2, 6.2 gal/sk) 100% excess TOC=0'

Production Cement:
It is requested to cement the production string in a single stage as follows:
Lead w/ 1075sx LiteCrete (YLD 2.85, WT 9.5, 8.9 gal/sk)
Tail w/2045sx PVL (YLD 1.36, WT 13.5, 6.3 gal/sk)
TOC=0'. Excess calculated at 35%.

Production Cement Contingency:
The approval of the following 2 stage cement contingency is requested if hole conditions warrant:
DV/Packer stage tool will be placed at approx. 9,500'-10,000' (cement will be adjusted per tool placement)
Stage I: Lead w/1795sx PVL (YLD 1.36, WT 13.5, 6.3 gal/sk)
Stage II: Lead w/1100sx LiteCrete (YLD 2.85, WT 9.5, 8.9 gal/sk) Tail w/205sx Class C (YLD 1.34 WT 14.2, 6.2 gal/sk)
Excess calculated at 35%. Casing weight and grade will remain the same. TOC=0'

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Yates Petroleum Corp.
LEASE NO.:	NMNM-108997
WELL NAME & NO.:	Chukar BTA Federal Com 1H
SURFACE HOLE FOOTAGE:	1110' FSL & 200' FEL
BOTTOM HOLE FOOTAGE	860' FSL & 2310' FEL, Sec 29
LOCATION:	Section 28, T. 20 S., R 34 E., NMPM
COUNTY:	Lea County, New Mexico
API:	30-025-41294

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

a. Spudding well (minimum of 24 hours)
b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
c. BOPE tests (minimum of 4 hours)

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

1. A Hydrogen Sulfide (H2S) Drilling Plan shall be activated 500 feet prior to drilling into the **Yates** 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 or are Non-API. 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.). The initial wellhead installed on the well will remain on the well with spools used as needed.

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

Wait on cement (WOC) for Potash Areas:
After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi for all cement blends, 2) until cement has been in place at least 24 hours. WOC time will be recorded in the driller's log.

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

R-111- Potash
Capitan Reef
Possible high pressure gas burst when penetrating the Wolfcamp (pilot hole)
Possible lost circulation in the Red Beds, Capitan Reef, Delaware and Bone Spring.

1. The **13-3/8** inch surface casing shall be set **at approximately 1700 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface. **If the salt is encountered set the casing 25 feet above the top of the salt.**

    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.

If lost circulation (50% or greater) occurs below the Base of the Salt, the operator shall do the following:

- **Switch to fresh water mud to protect the Capitan Reef and use fresh water mud until setting the intermediate casing. The appropriate BLM office is to be notified for a PET to witness the switch to fresh water.**

- **Daily drilling reports from the Base of the Salt to the setting of the intermediate casing are to be submitted to the BLM CFO engineering staff via e-mail by 0800 hours each morning. Any lost circulation encountered is to be recorded on these drilling reports. The daily drilling report should show mud volume per shift/tour. Failure to submit these reports will result in an Incidence of Non-Compliance being issued for failure to comply with the Conditions of Approval. If not already planned, the operator shall run a caliper survey for the intermediate well bore and submit to the appropriate BLM office.**

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is:

Option #1(Single Stage):

☒ Cement to surface. If cement does not circulate see B.1.a, c-d above.
Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Potash.

Option #2:

Operator has proposed DV tool at depth of 3500-4000'. Operator shall submit sundry if DV tool depth cannot be set in this range.

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 to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Potash.**

Formation below the 9-5/8" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

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

Option #1 (Single Stage):

☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

Option #2:

Operator has proposed DV tool at depth of 9500-10000'. Operator shall submit sundry if DV tool depth cannot be set in this range.

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 to surface. If cement does not circulate, contact the appropriate BLM office.

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.

5. Whenever a casing string is cemented in the R-111-P potash area, the NMOCD requirements shall be followed.

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 **2000 (2M)** 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. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8** intermediate casing shoe shall be **5000 (5M)** psi. **5M system requires an HCR valve, remote kill line and annular to match. The remote kill line is to be installed prior to testing the system and tested to stack pressure.**

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

    a. In potash areas, 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. For all casing strings, casing cut-off and BOP installation can be initiated at twelve hours after bumping the plug. However, **no tests** shall commence until the cement has had a minimum of 24 hours setup time.

    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 test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.

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

e. 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.**

f. 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. This test shall be performed prior to the test at full stack pressure.

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.

JAM 032715