

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.

NM-94095

6. If Indian, Allottee or Tribe Name
Not Applicable

7. If Unit or CA Agreement, Name and N
Not Applicable

8. Lease Name and Well No. **34414**
Caper BFE Federal #7

1a. Type of Work: ☒ DRILL ☐ REENTER

SUBJECT TO LIKE

APPROVAL BY STATE

R-111-POTASH

b. Type of Well: ☒ Oil ☐ Gas ☐ Other ☐ Single ☒ Multiple Zone

2. Name of Operator

Yates Petroleum Corporation

25575

3A. Address **105 South Fourth Street
Artesia, New Mexico 88210**

3b. Phone No. (include area code)
(505) 748-1471

9. API Well No.
30-025-38092

10. Field and Pool, or Exploratory
Wildcat Bone Spring

4. Location of Well (Report location clearly and in accordance with any State requirements.)*

At surface **330' FNL & 1650' FEL, Unit Letter B**

At proposed prod. Zo **same as above**

11. Sec., T., R., M., or Blk. and Survey or A

Section 17, T21S-R32E

14. Distance in miles and direction from nearest town or post office*

37 miles northeast of Carlsbad, New Mexico

12. County or Parish
Lea County

13. State
New Mexico

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

330'

16. No. of Acres in lease

640

17. Spacing Unit dedicated to this well

40 acres

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

1320'

19. Proposed Depth

8750'

20. BLM/BIA Bond No. on file

NM-2811

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

3684' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

40 Days

24. Attachments

Carlsbad Controlled Water Basin

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Land)
SUPO shall be filed with the appropriate Forest Service Office.

- Bond to cover the operations unless covered by an existing bond on Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required authorized office.

25. Signature

Clifton R. May

Name (Printed/Typed)

Clifton R. May

Date **4/17/2006**

Title:

Regulatory Agent

Approved by (Signature)

/s/ Linda S.C. Rundell

Name (Printed/Typed)

/s/ Linda S.C. Rundell

Date **Aug 17 2008**

Title

STATE DIRECTOR

Office

NM STATE 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 operations thereon.

APPROVAL FOR 1 YEAR

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 willfully to make to any department or agency States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse) ** C-144 ATTACHED TO APD FOR DRILLING PIT

Witness Surface &
Intermediate Casing

KZ

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1485 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-38092	Pool Code ✓	Pool Name WILDCAT BONE SPRING
Property Code 34414	Property Name CAPER "BFE" FEDERAL	Well Number 7
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3684

Surface Location

UL or lot No. B	Section 17	Township 21S	Range 32E	Lot Idn	Feet from the 330	North/South line NORTH	Feet from the 1650	East/West line EAST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Clifton R. May Signature CLIFTON R. MAY Printed Name REGULATORY AGENT Title APRIL 17, 2006 Date	
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 3/09/2006 Date Surveyed Signature & Seal of Professional Surveyor HERSCHEL L. JONES Certificate No. Herschel L. Jones RLS 3640 GENERAL SURVEYING COMPANY	

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒

Closure of a pit or below-grade tank ☐

Operator: Yates Petroleum Corporation Telephone: (505) 748-1471 e-mail address: cliff@ypcnm.com
Address: 105 South 4th Street, Artesia, New Mexico 88210
Facility or well name: Caper BFE Federal #7 API #: 30-025-38092 U/L or Qtr/Qtr B. Sec 17 T 21S R 32E
County: Lea Latitude 32.4851 Longitude 103.6936 NAD: 1927 ☐ 1983 ☒ Surface Owner - Federal ☒ State ☐ Private ☐ Indian ☐

Pit Type: **Drilling** ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil

Clay ☐ Volume 28,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

0 points

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

Date: April 17, 2006

Printed Name/Title Clifton R. May/Regulatory Agent/Land Department

Email: cliff@ypcnm.com

Signature Clifton R. May

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

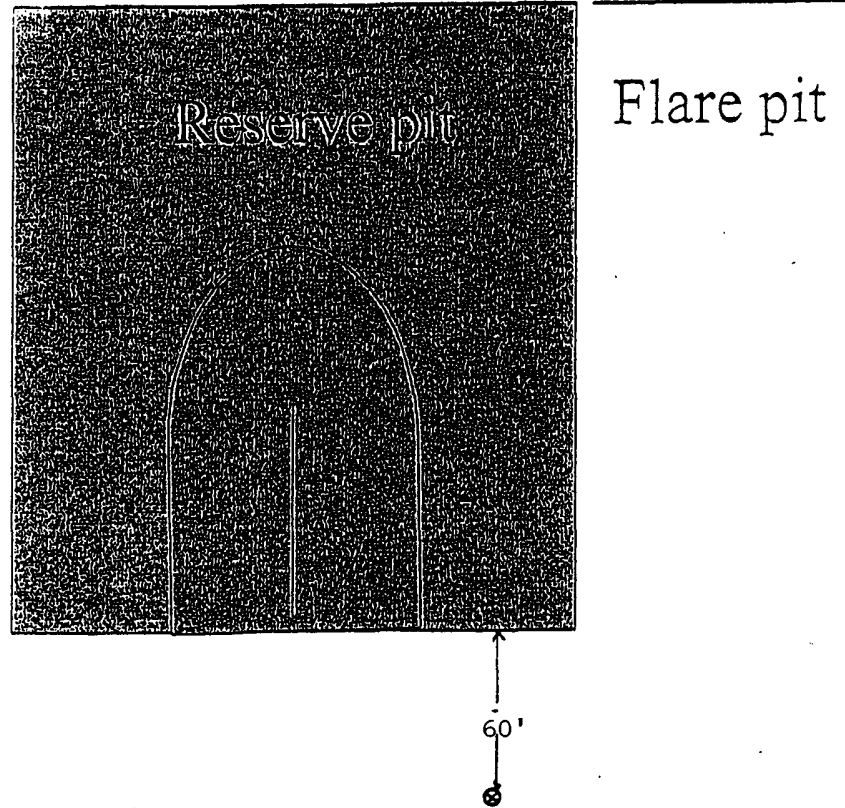
Date: AUG 29 2006

Printed Name/Title PETROLEUM ENGINEER

Signature [Signature]

YATES PETROLEUM CORPORATION
General Plan was approved 4/15/04

The reserve pit will be to the north.
The southeast corner of the pit will
be approximately 60' north of the well
bore. The pit will be a 175' X 150'
and 6' deep with a capacity of 28,000
bbls.



Standard reserve pit. All Reserve pits are double
Horse shoe size varies with depth of well

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2040 South Pacheco, Santa Fe, NM 87506

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Energy, Minerals and Natural Resources Department

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OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3684

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	17	21S	32E		330	NORTH	1650	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres <i>40</i>	Joint or Infill	Consolidation Code	Order No.						

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OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>N.32°29'06.2" W.103°41'37.0" N.540785.3 E.738592.6 (NAD-83)</p>		<p>3670 3686</p>					
		<p>330' 0"</p>					
		<p>1650'</p>					
		<p>3676 3682</p>					

OPERATOR CERTIFICATION

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

Clifton R. May

Signature
Clifton R. May
Printed Name
Regulatory Agent
Title
3/3/2006
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

3/09/2006
Date Surveyed

Signature & Seal of Professional Surveyor

[Seal: HERSCHEL LEACHES, NEW MEXICO, 3640]

Certificate No. Herschel Leaches RLS 3640
CAPER - FEDERAL
GENERAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

YATES PETROLEUM CORPORATION

Caper BFE Federal #7

330' FNL and 1650' FEL

Section 17-T21S-R32E

Lea County, New Mexico

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

Rustler	1028'	Brushy Canyon	6703'
Top of the Salt	1114'	Bone Spring	8463'
Base of Salt	4180'	TD	8750'
Bell Canyon	4482'		
Cherry Canyon	5396'		

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

Water: 200'to 500'

Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8' casing and the 8 5/8" casing and rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors 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.

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.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17.5"	13.375"	48#	H-40	ST&C	0-1050'	1050'
11.0"	8.625"	32#	J-55	ST&C	0-100'	100'
11.0"	8.625"	24#	J-55	ST&C	100-2100'	2000'
11.0"	8.625"	32#	J-55	ST&C	2100-4250'	2150'
7. 875"	5.5"	17#	L-80	LT&C	0-100'	100'
7. 875"	5.5"	15.5#	J-55	LT&C	100-7500'	7400'
7. 875"	5.5"	17#	J-55	LT&C	7500-8750'	1250'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 3,000 psi BOP will be nipped up on the 13 3/8" and the 8 5/8" casing and tested to 3000 psi .

- B. CEMENTING PROGRAM:

Caper BFE Federal #7

Surface Casing: Cement with 750 sx C Lite (YLD 1.98 WT 12.5). Tail in with 200 sx class "C" (YLD 1.34 WT 14.8).

Intermediate Casing: 1100 sx HalLitePPSBM (YLD 1.98 WT 12.5) and tail in with 200 sx (YLD 1.34 WT 14.8)

Production Casing: Stage I: 925 sx super H (YLD 1.72 WT 13). TOC 4200'.
Stage II: 600 sx interfill C (YLD 2.41 WT 11.9. Tail in with 100 sx Premuim Plus (YLD 1.34 WT 14.8. Cement Circulated.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1050'	FW Gel	8.4-9.2	32-34	N/C
1050'-4250'	Brine	10-10.2	28	N/C
4250'-TD	FW	8.4-8.5	28	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. Rig personnel will check mud hourly.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.
Logging: Platform Express; CMR
Coring: None
DST's: As warranted

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

Anticipated BHP:		
From: 0	TO: 1050'	Anticipated Max. BHP: 500 PSI
From: 500'	TO: 4200'	Anticipated Max. BHP: 2255 PSI
From: 4200	TO: 8650'	Anticipated Max. BHP: 3870 PSI

Abnormal Pressures Anticipated: None

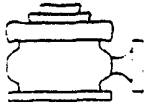
Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 158 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 40 days.

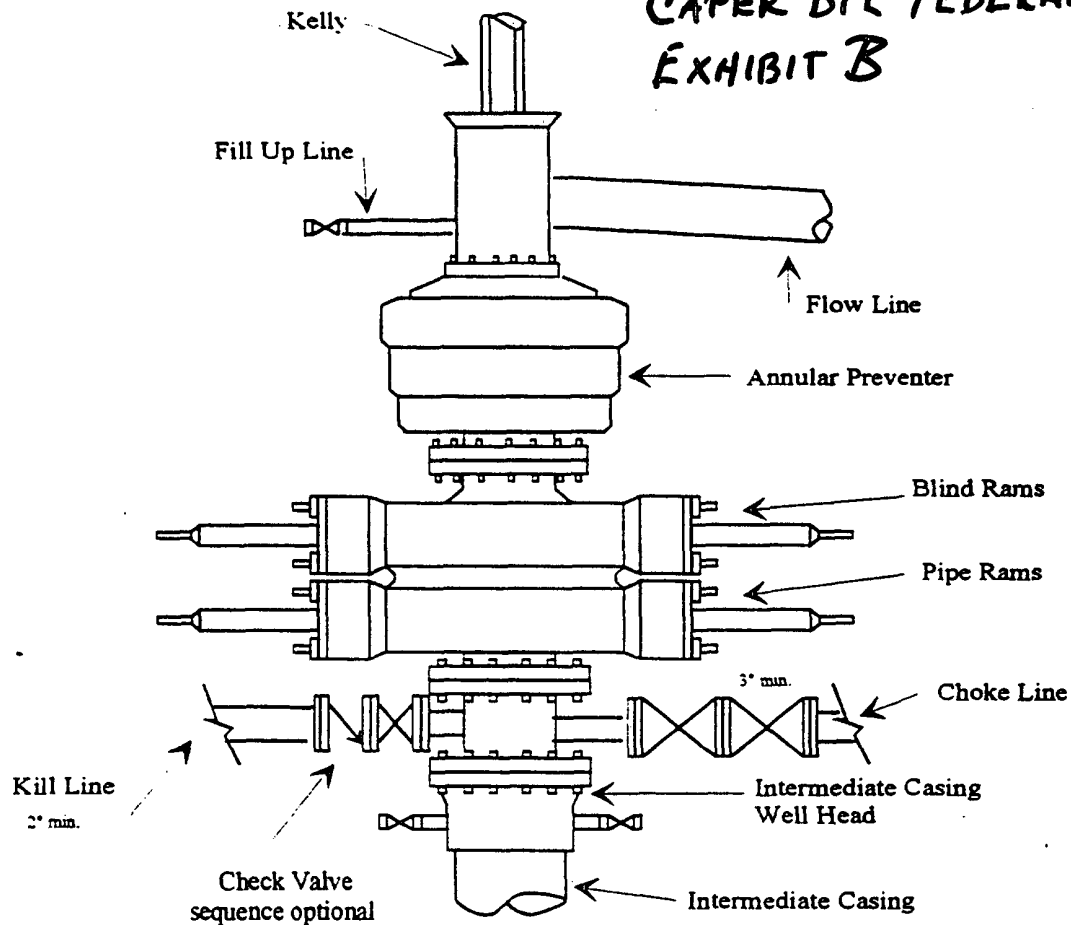


Yates Petroleum Corporation

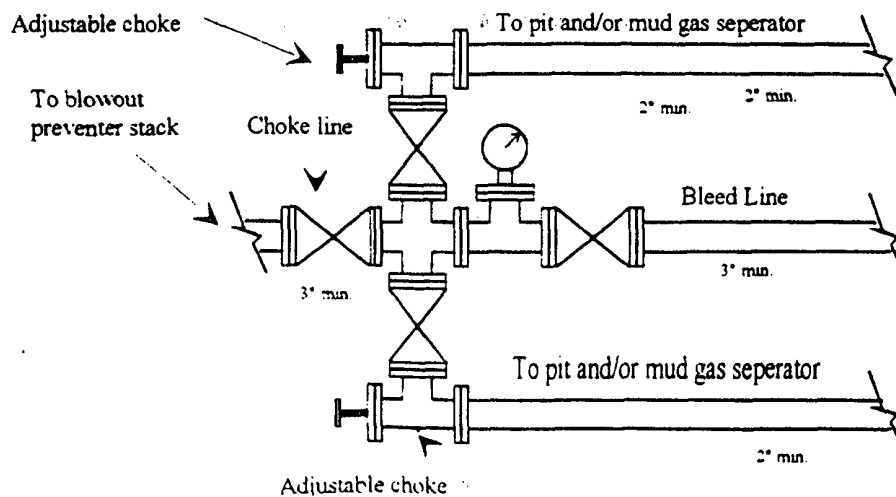
BOP-3

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

CAPER BFE FEDERAL #7
EXHIBIT B



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



CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 7 – CAPER BFE FEDERAL
Operator's Name: YATES PETROLEUM CORP
Location: 330' FNL & 1650' FEL – SEC 17 – T21S – R32E – LEA COUNTY
Lease: NM-94095

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:
 - A. Spudding
 - B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch
 - C. BOP tests
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.
3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.
4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
5. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at 1050 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.
2. The minimum required fill of cement behind the 8-5/8 inch salt protection casing is circulate cement to the surface.
3. The minimum required fill of cement behind the 5-1/2 inch production casing is circulate cement to the surface.
4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - The tests shall be done by an independent service company.
 - The results of the test shall be reported to the appropriate BLM office.
 - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
 - Testing must be done in a safe workman-like manner. Hard line connections shall be required.