

OCD-HOBBS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER SUBJECT TO LIKE APPROVAL BY STATE R-111-POTASH		7. If Unit or CA Agreement, Name and N Not Applicable	
b. Type of Well: <input checked="" type="checkbox"/> Oil <input type="checkbox"/> Gas <input type="checkbox"/> Other <input type="checkbox"/> Single <input checked="" type="checkbox"/> Multiple Zone		8. Lease Name and Well No. <34414> Caper BFE Federal #9	
2. Name of Operator Yates Petroleum Corporation CARLSBAD CONTROLLED WATER BASIN <25575>		9. API Well No. 30-025-38094	
3a. Address 105 South Fourth Street Artesia, New Mexico 88210		3b. Phone No. (include area code) (505) 748-1471	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 990' FNL & 990' FWL, Unit Letter D At proposed prod. Zo same as above		10. Field and Pool, or Exploratory Wildcat Bone Spring ✓	
11. Sec., T., R., M., or Blk, and Survey or A Section 17, T21S-R32E		12. County or Parish Lea County	
13. State New Mexico		14. Distance in miles and direction from nearest town or post office* 37 miles northeast of Carlsbad, New Mexico	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 990'		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.) 3655' GL		22. Approximate date work will start* ASAP	
23. Estimated duration 40 Days		24. Attachments	

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

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Land) SUPO shall be filed with the appropriate Forest Service Office. | 6. 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 2006
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.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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 pits

**Witness Surface &
Intermediate Casing**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
appropriate District Office
State Lease - 4 Copies
Fed Lease - 3 Copies

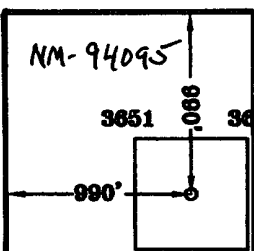
Santa Fe, New Mexico 87504-2088

☐ **AMENDED REPORT**

API Number 30-025-38094	Pool Code -	Pool Name WILDCAT BONE SPRING
Property Code 34414	Property Name CAPER "BFE" FEDERAL	Well Number 9
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3655

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	21S	32E		990	NORTH	990	WEST	LEA

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.					

<p>NM-94095</p>  <p>3651 1086 3657</p> <p>990'</p> <p>3655 3654</p>	<p>N.32°28'59.4" W.103°42'08.0" N.540086.5 E.735939.3 (NAD-83)</p>			<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><u>Clifton R. May</u> Signature</p> <p><u>CLIFTON R. MAY</u> Printed Name</p> <p><u>REGULATORY AGENT</u> Title</p> <p><u>APRIL 17, 2006</u> Date</p>
				<p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p><u>3/09/2006</u> Date Surveyed</p> <p><u>[Signature]</u> Signature & Seal of Professional Surveyor</p>
				<p><u>3640</u> Certificate No. Herschel Jones RLS 3640</p> <p>HERSCHEL JONES NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR GENERAL SURVEYING COMPANY</p>

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 NMOC 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 #9 API #: 30-025-38094 U/L or Qtr/Qtr D Sec 17 T 21S R 32E
County: Lea Latitude 32.4832 Longitude 103.7022 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 NMOC District Office, 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

Your certification and NMOC District Office 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:

AUG 29 2006

Date:

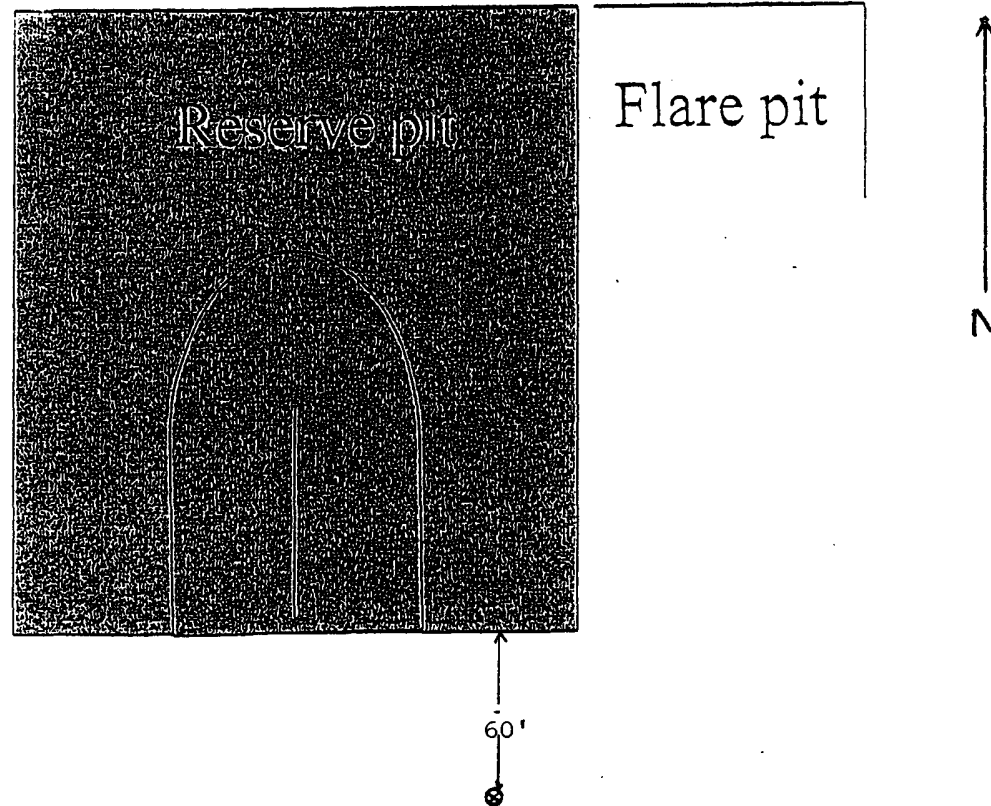
Printed Name/Title

PETROLEUM ENGINEER

Signature

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

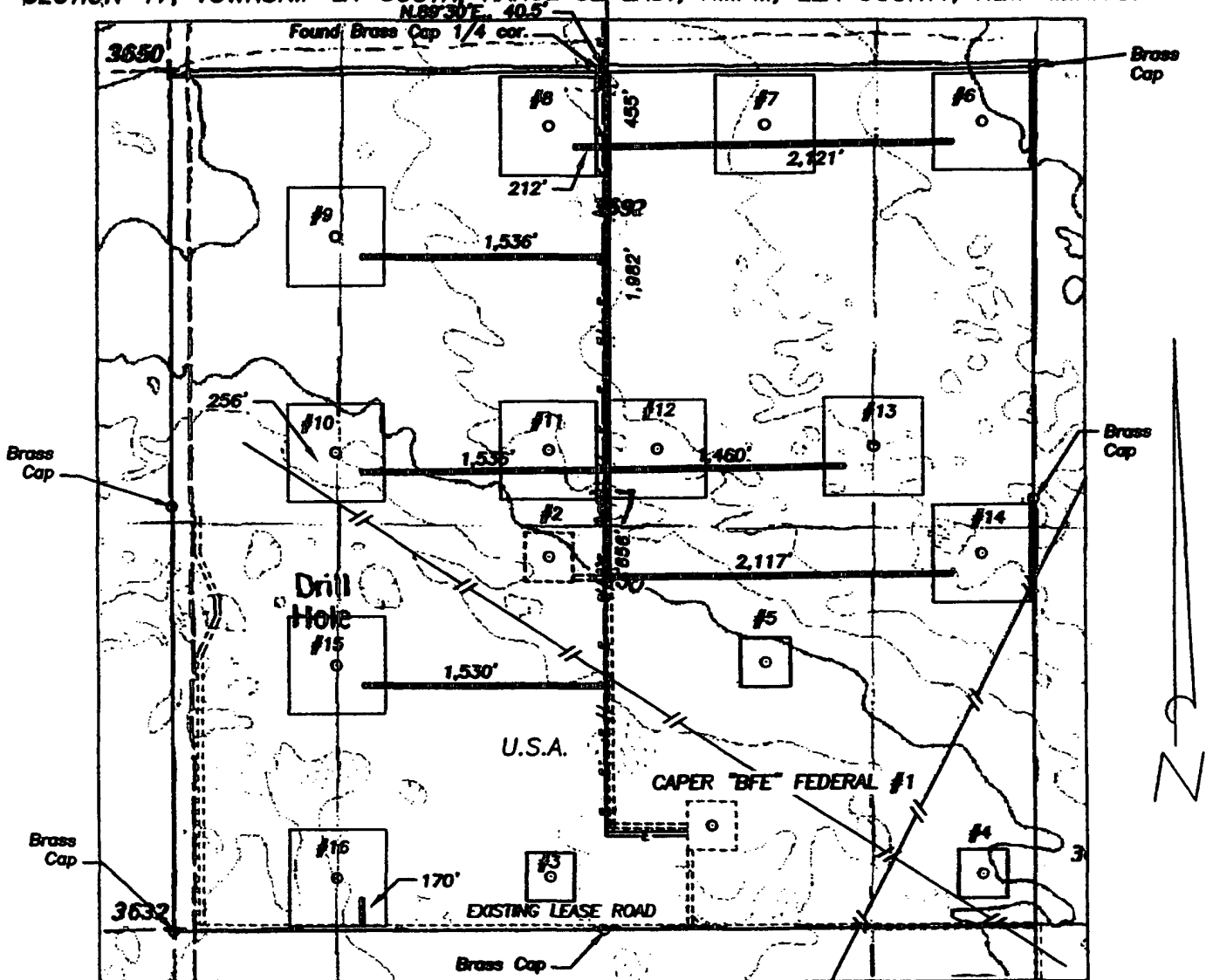
The reserve pit will be to the north.
The southeast corner of the pit will
be approximately 60' north of the well
bore. The pit will be a 175' X 150'
and 6' deep with a capacity of 28,000
bbls.



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



SECTION 17, TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO.



NOTE: FLOW LINES AND POWER LINES WILL BE CONSTRUCTED ALONG THE SIDES OF THE LEASE ROADS AS SHOWN IN RED ON THIS PLAT.

1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

HERSCHEL L. JONES, R.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD, POWER LINE AND FLOW LINES TO ACCESS THE YATES CAPER 'BFE' FEDERAL #6, 7, 8, 9, 10, 11, 12, 13, 14, 15, & 16 WELLS, LOCATED IN SECTION 17, TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY, NEW MEXICO.

Survey Date: 3/07-09/2006	Sheet 1 of 1 Sheets
Drawn By: Ed. Blasing	W.O. Number
Date: 3/09/06	Scale 1" = 1000' CAPER WELL

YATES PETROLEUM CORPORATION

Caper BFE Federal #9

990' FNL and 990' FWL

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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
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 #9

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 Premium 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

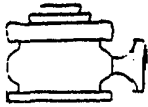
Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 158 F

8. ANTICIPATED STARTING DATE:

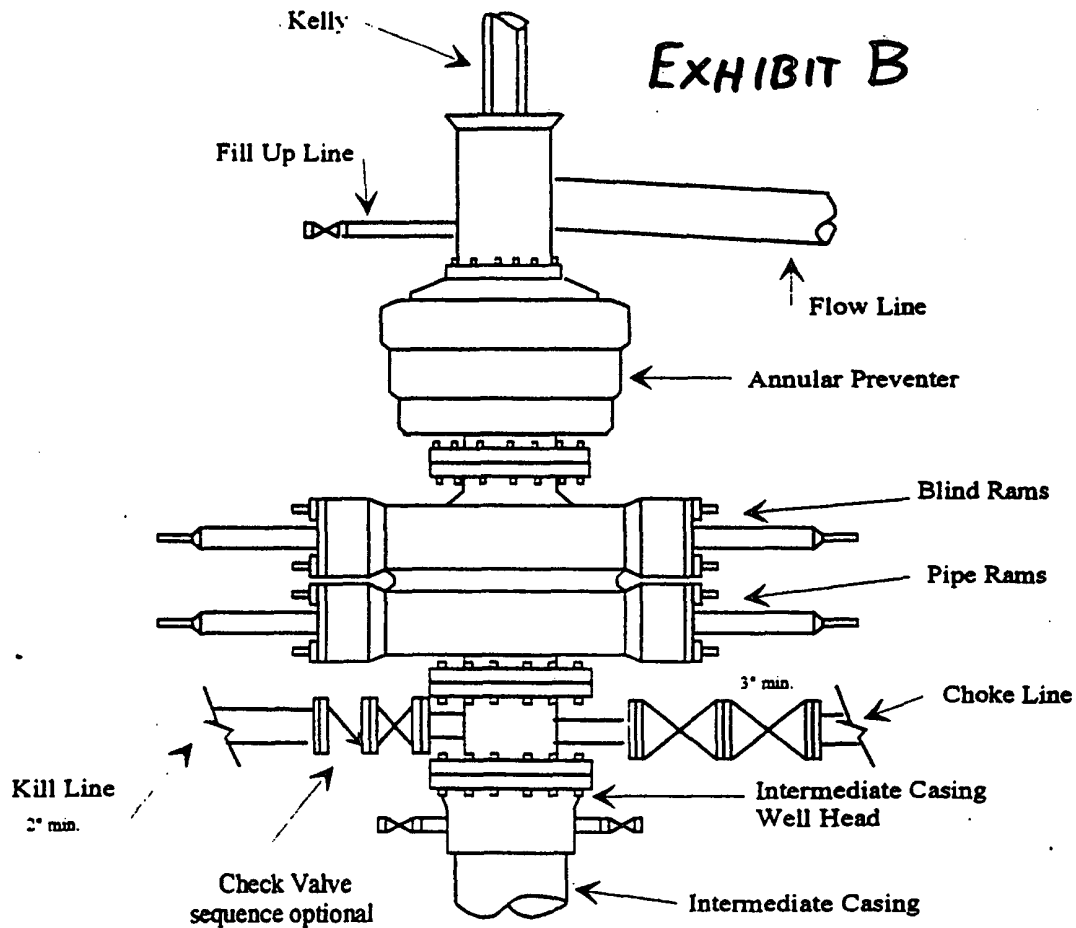
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 40 days.



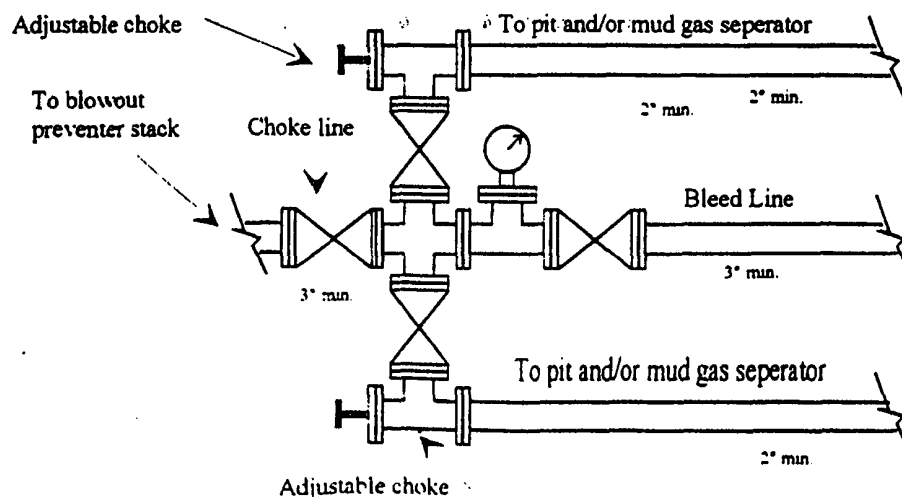
Yates Petroleum Corporation

BOP-3

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



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



Yates Petroleum Corporation
 Location Layout for Permian Basin
 Up to 12,000'

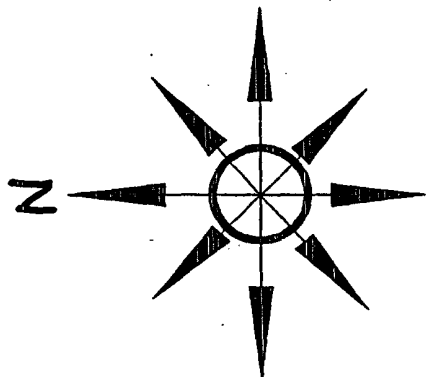
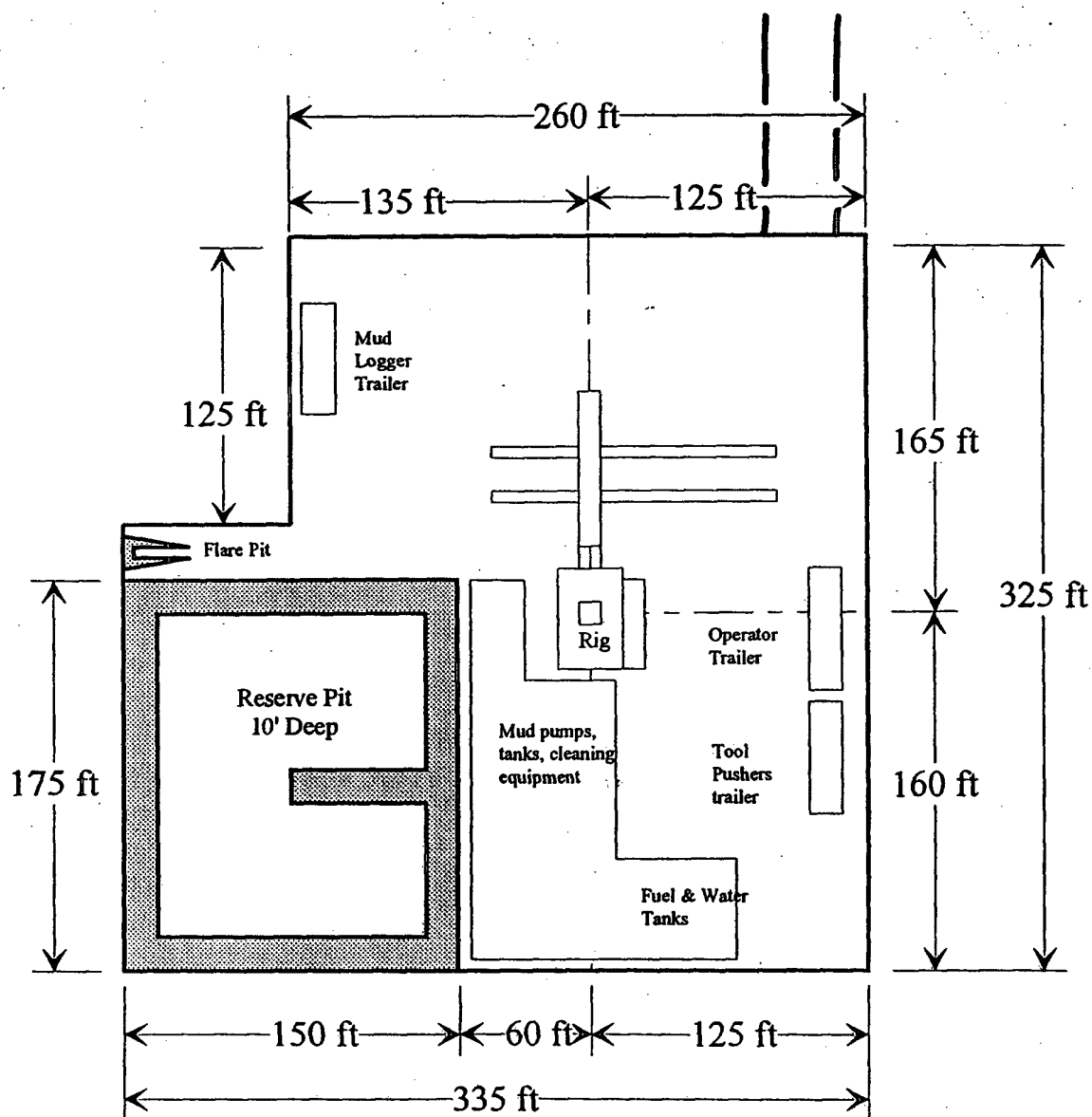


EXHIBIT C



Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. 9 – CAPER BFE FEDERAL
Operator's Name: YATES PETROLEUM CORP
Location: 990' FNL & 990' FWL – 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.