

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

1292
RESUBMITTAL

0
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|--|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NM-81274 |
| b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name Not Applicable |
| 2. Name of Operator Yates Petroleum Corporation | | 7. If Unit or CA Agreement, Name and No. Not Applicable |
| 3A. Address 105 South Fourth Street Artesia, New Mexico 88210 | 3b. Phone No. (include area code) <25575> (505) 748-1471 | 8. Lease Name and Well No. Thyme "APY" Federal #12 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 330' FSL and 990' FWL, Unit Letter M At proposed prod. Zone same as above | | 9. API Well No. 30-025-38132 |
| 14. Distance in miles and direction from nearest town or post office* Approximately forty-one (41) miles northwest of Jal, New Mexico | | 10. Field and Pool, or Exploratory Diamondtail Bone Spring |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) | 16. No. of Acres in lease 479.25 | 11. Sec., T., R., M., or Blk. and Survey or Area Section 1, 236-R32E |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. | 19. Proposed Depth 9200' | 12. County or Parish Lea County |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3745' GL | 22. Approximate date work will start* ASAP | 13. State NM |
| 23. Estimated duration 35 Days | | |
| 24. Attachments Carlsbad Controlled Water Book | | |

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 file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office. | 6. Such other site specific information and/or plans as may be required by the authorized office. |

| | | |
|---|---|----------------------------|
| 25. Signature <i>Clifton R. May</i> | Name (Printed/Typed) Clifton R. May / Land Department | Date 8/15/2006 |
| Email: <i>debbiec@ypcnm.com</i> | | |
| Title: Regulatory Agent | | |
| Approved by (Signature) /s/ James Stovall | Name (Printed/Typed) /s/ James Stovall | Date SEP 19 2006 |
| Title ACTING FIELD MANAGER | Office CARLSBAD FIELD 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 the applicant to conduct operations thereon.

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 of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Previously Approved C-144 Attached

GW

Witness Surface &
Intermediate Casing

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

District I

1625 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

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-102

Revised August 15, 2000

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|--|--|--|--|
| ¹ API Number 30-025-38137 | | ² Pool Code 17644 | ³ Pool Name Diamondtail Bone Spring |
| ⁴ Property Code 18793 | ⁵ Property Name THYME APY FEDERAL | | ⁶ Well Number 12 |
| ⁷ OGRID No. 025575 | ⁸ Operator Name Yates Petroleum Corporation | | ⁹ Elevation 3745' |


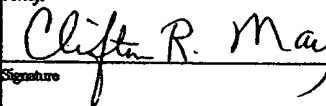
¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|----------|------------|------------|---------|---------------|------------------|---------------|----------------|------------|
| M | 1 | 23S | 32E | | 330 | South | 990 | West | Lea |

¹¹ 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 |
|--|---------|-------------------------------|-------|----------------------------------|---------------|-------------------------|---------------|----------------|--------|
| | | | | | | | | | |
| ¹² Dedicated Acres 40 | | ¹³ Joint or Infill | | ¹⁴ Consolidation Code | | ¹⁵ 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

| | | | | |
|--|--|--|--|---|
| ¹⁶  | | | | ¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Clifton R. May Printed Name Regulatory Agent Title 07/26/2004 Date |
| | | | | |
| | | | | |
| | | | | |
| | | | | ¹⁸ 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. REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor: Certificate Number |
| | | | | |
| | | | | |
| | | | | |

District I
PO Box 1999, Hobbs, NM 88241-1999
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1009 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-1
Revised February 10, 19
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | |
|----------------------------|---|-----------|--|
| API Number | | Pool Code | Pool Name RED TANK BONE SPRING |
| Property Code | Property Name THYME "APY" FEDERAL | | Well Number 12 |
| OCRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | | Elevation 3745 |

| 10 Surface Location | | | | | | | | | |
|---------------------------|---------------------|------------------------|---------------------|---------|-----------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------|
| UL or lot no. M | Section 1 | Township 23S | Range 32E | Lot Idn | Feet from the 330 | North/South line SOUTH | Feet from the 990 | East/West line WEST | County LEA |

| 11 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 |
| 12 Dedicated Acres 40 | | 13 Joint or Infill | | 14 Consolidation Code | | 15 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

| | | | | | |
|--------------------------|--|--|--|--|--|
| 16 | | | | | 17 OPERATOR CERTIFICATION I hereby certify that 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 10-9-96 Date |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | 18 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. 10/04/96 Date of Survey SCHHELL L. JONES Signature and Seal of Professional Surveyor NEW MEXICO 3640 REGISTERED PROFESSIONAL SURVEYOR Certificate Number |
| | | | | | |
| | | | | | |
| | | | | | |
| NM-81274 990' 330' | | | | | |

YATES PETROLEUM CORPORATION
Thyme "APY" Federal #12
330' FSL and 990' FWL
Section 1-T23S-R32E
Lea County, New Mexico

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

| | | | |
|----------------|-------|---------------|-------|
| Rustler | 1258' | Cherry Canyon | 6055' |
| Top of Salt | 1295' | Brushy Canyon | 8550' |
| Bottom of Salt | 4710' | Avalon Sand | 8950' |
| Delaware | 4980' | TD | 9200' |

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

Water: 250' – 750'
Oil or Gas: 8855'

3. Pressure Control Equipment: BOPE will be installed on the 11 3/4" 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 |
|-----------|-------------|--------|-------|----------|------------|--------|
| 14 3/4" | 11 3/4" | 45# | J-55 | ST&C | 0-1270' | 1270' |
| 11" | 8 5/8" | 32# | J-55 | ST&C | 0-4200' | 4200' |
| 12 1/4" | 8 5/8" | 32# | J-55 | ST&C | 4200-4810' | 610' |
| 7 7/8" | 5 1/2" | 17# | N-80 | LT&T | 0-2000' | 2000' |
| 7 7/8" | 5 1/2" | 17# | J-55 | LT&T | 2000-3000' | 1000' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | LT&T | 3000-7000' | 4000' |
| 7 7/8" | 5 1/2" | 17# | J-55 | LT&T | 7000-8500' | 1500' |
| 7 7/8" | 5 1/2" | 17# | N-80 | LT&T | 8500-9200' | 700' |

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8

2. Yates Petroleum Corporation requests that a variance be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 1000 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the bottom hole pressure in this field is proven to be near 1000 psi. A shut in surface pressure would be less than 1000 psi. We feel that a 1000 psi test will demonstrate that the BOPE is functioning properly, and in the unlikely event of a gas influx that the BOPE would be sufficient to control the well.

A. CEMENTING PROGRAM:

Surface Casing: 550 sx Pacesetter Lite "C" w/ 1/4# Cellocel + 3% CaCl₂ (YLD 1.84 WT 12.4) + 250 sx Class "C" w/2% CaCl₂ (YLD 1.32 WT 14.8). Cement calculated to circulate to surface.

Intermediate Casing: 1500 sx Pacesetter Lite "C" w/ 1/4# Cellocel + 3% CaCl₂ (YLD 1.32 WT 14.8) + 250 sx Class "C" w/2% CaCl₂ (YLD 1.32 WT 14.8). Cement calculated to circulate to surface.

Production Casing: 1st Stage: 250 sx "H" w/8# sx CSE + 0.6% CF-14 + 5# sx Gilsonite (YLD 1.75 WT 13.6). Cement calculated to 8000' DV tool set @ approximately 8000'.

2nd Stage: 650 sx Pacesetter Lite "C" w/5# sx Gilsonite, 1/4# sx Cellocel + 0.5% CF-14 (YLD 1.84 WT 12.7) + 150 sx "H" w/0.5% CF-14 (YLD 1.78 WT 13.6). Cement calculated to tie back to intermediate casing 100'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|------------------|---------------|------------------|-------------------|
| 0-1270' | FW GEL | 8.6-9.6 | 32-36 | N/C |
| 1270'-4810' | Brine | 10.0-10.2 | 28 | N/C |
| 4810'-6355' | Cut Brine/Starch | 8.9-9.1 | 30 | <15/cc |

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. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: Every 20' from surface to 4000', 10' from 4000' to TD.

Logging: CNL/LDT from TD to casing, w/ GR-CNL up to surface, DLL w/RXO from TD to casing; CMR over selected intervals.

Coring: None anticipated

DST's: As warranted.

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

Anticipated BHP:

| | | |
|-------------|-----------|--------------------------------|
| From: 0 | TO: 1270' | Anticipated Max. BHP: 250 PSI |
| From: 1270' | TO: 4810' | Anticipated Max. BHP: 2062 PSI |
| From: 4810' | TO: TD | Anticipated Max. BHP: 3800 PSI |

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None.

Maximum Bottom Hole Temperature: 140 F

8. **ANTICIPATED STARTING DATE:**
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Thyme "APY" Federal #12
330' FSL and 990' FWL
Section 1-T23S-R32E
Lea County, New Mexico

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:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 41 miles northwest of Jal, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Carlsbad on Hwy 285 to Hwy 31. Go east on Hwy 31 to Hwy 128 (Jal Hwy). Go approximately 17 miles to a major pipeline road. Turn left and go approx. 5.7 miles. Turn left (NW) and go approx. 1.4 miles and turn right. Go approx 3.1 miles. Go approx. 1 mile east to Thyme #1 location. Turn south to the thyme #2 location. New access will start here and go south.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1 mile in length from the point of origin to the southeast corner of the drilling pad. The road will go south 3100', then west 2400'.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. Two traffic turnout will be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.
- C. A 3" steel flow line will be laid on the surface following the access road to the tank battery on the #1 location.

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 A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Federal pit located in the NE of Section 15-T23S-R32E.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. 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 C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling pits approved on April 15, 2004.
- C. A 400' x 400' 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. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Surface administered by BLM

12. OTHER INFORMATION:

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

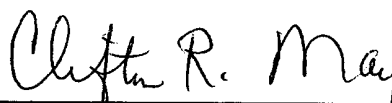
13. OPERATOR'S REPRESENTATIVE:

- | | |
|--|---|
| A. Through A.P.D. Approval: Clifton R. May, Regulatory Agent Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 | B. Through Drilling, Completions & Prod. Pinson McWhorter, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 |
|--|---|

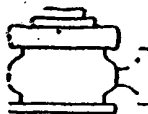
14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

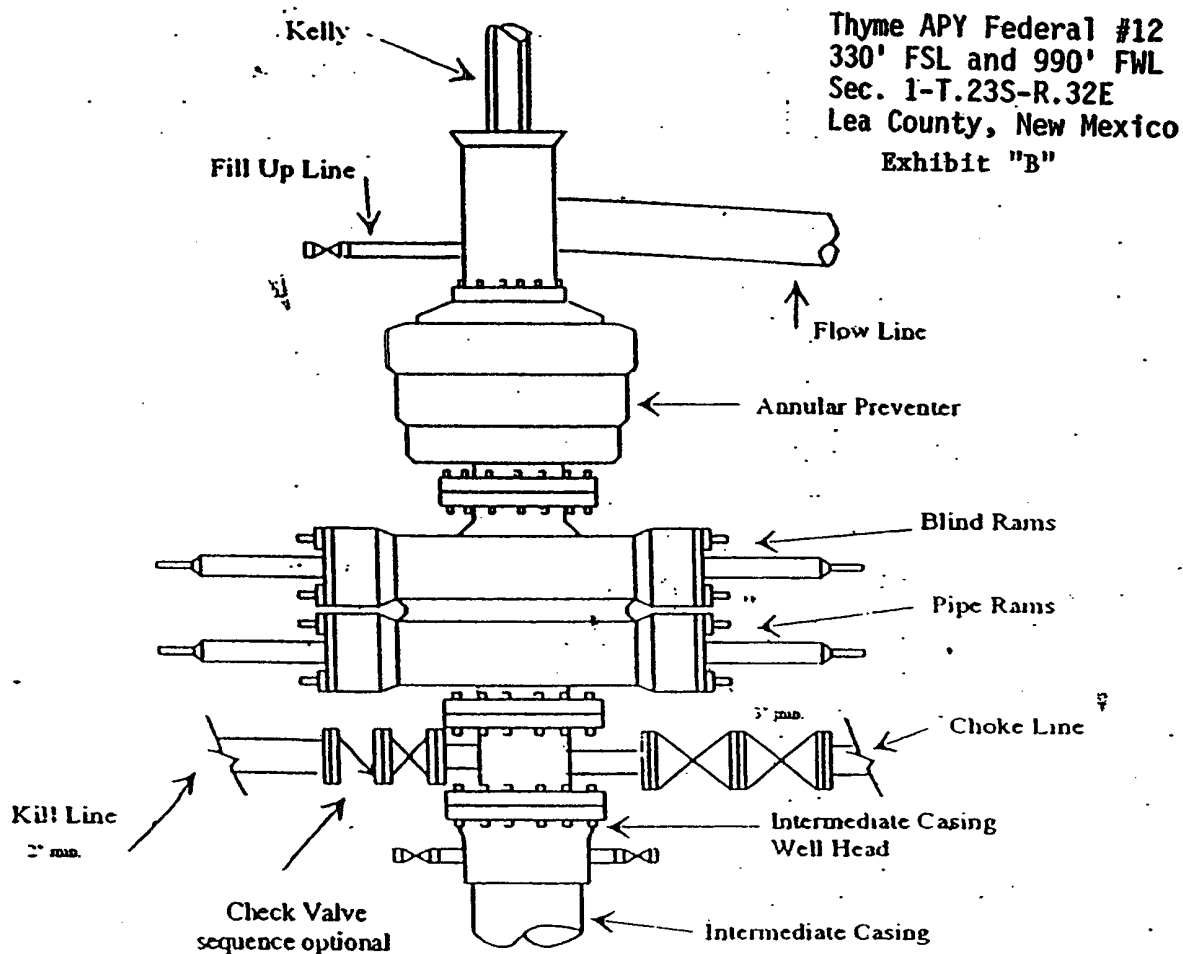
08/15/2006



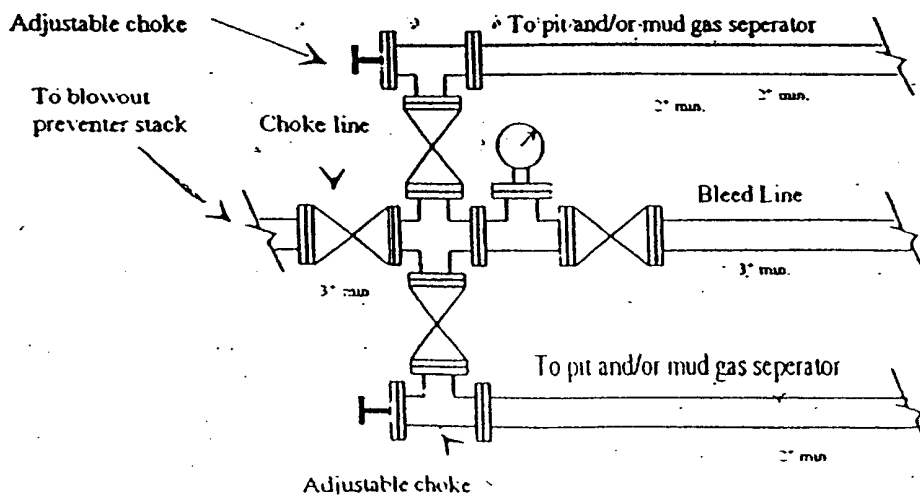
Regulatory Agent



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



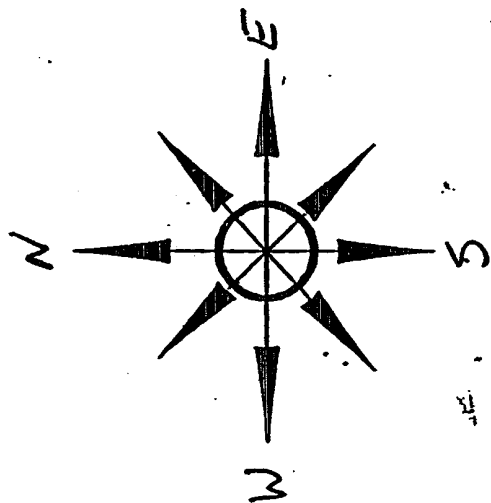
Typical 3,000 psi choke manifold assembly with at least these minimum features



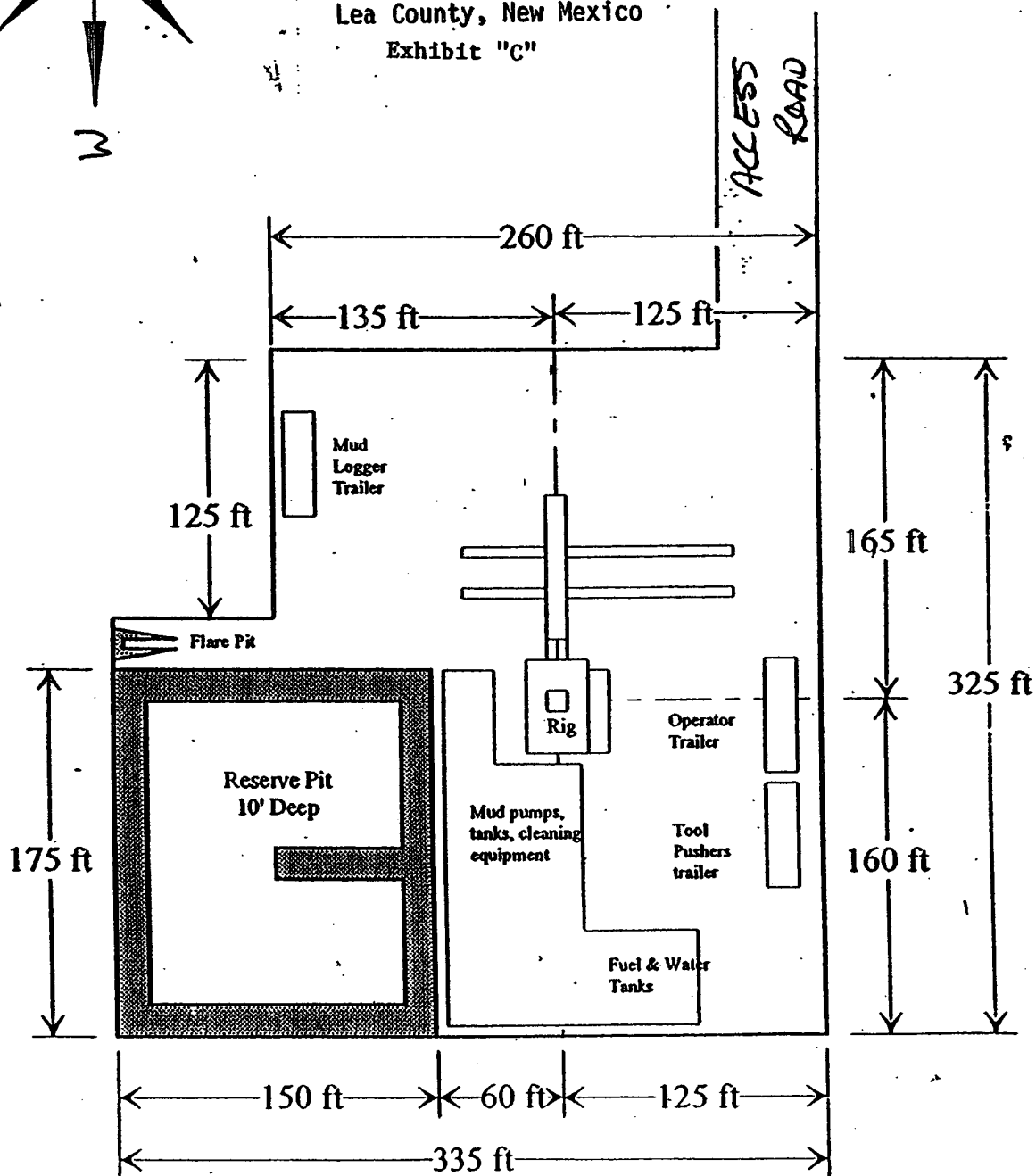
Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'



Thyme APY Federal #12
 330' FSL and 990' FWL
 Sec. 1-T.23S-R.32E
 Lea County, New Mexico
 Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

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

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

WF
Form C-144
March 12, 2004
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 ☐

API # 30-025-38137

Operator: Yates Petroleum Corporation Telephone: (505) 748-4347 e-mail address: debbiec@ypcnm.com
Address: 105 South 4th Street, Artesia, NM 88210 Facility or well name: Thyme APY Federal #12 API #: _____ U/L or Qtr/Qtr M Sec 1 T 23S R 32E
County: Lea Latitude _____ Longitude _____ 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: September 23, 2004

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

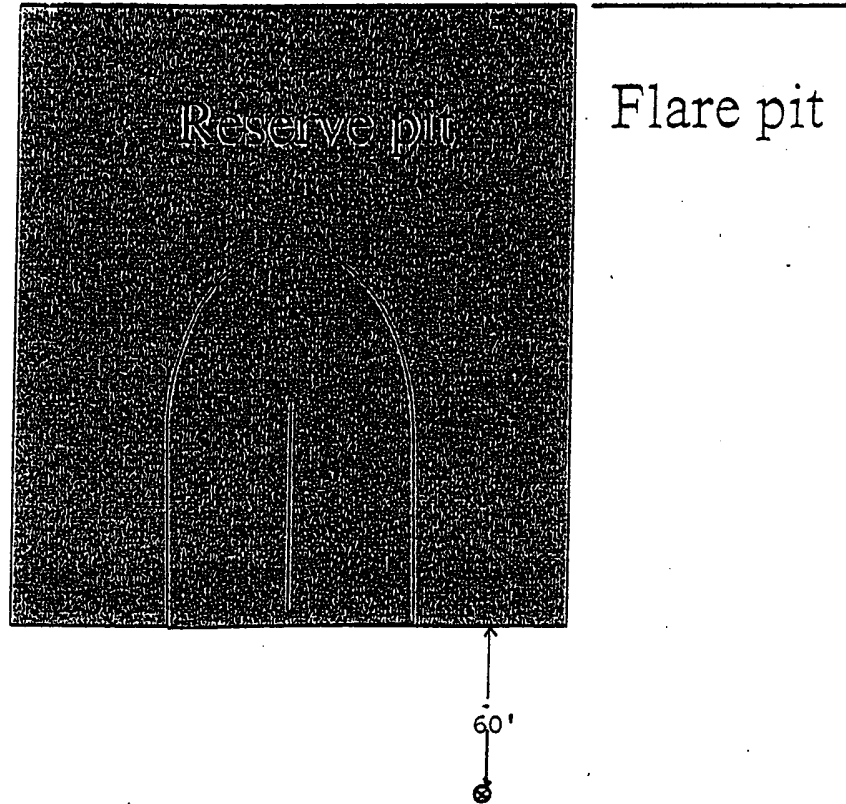
Approval:

Date: 9/25/06

Printed Name/Title GARY W. WINK/STAFF MGR Signature Gary W. Wink

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

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. Thyme APY Federal # 12
Operator's Name: Yates Petroleum Corporation
Location: 330' FSL, 990' FWL, SEC 1, T23S-R32E, LEA COUNTY, NM
Lease: NM-81274

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 - 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: 11 3/4 inch, 8 5/8 inch and 5 1/2 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
3. 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.
4. 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.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. 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 11 3/4 inch surface casing shall be set **ABOVE THE SALT, AT LEAST 25 feet INTO THE RUSTLER ANHYDRITE**, 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 operator has verbally indicated that the 11 3/4 casing cited as J-55 grade; should have been cited as H-40, the 8 5/8 casing cited as HC-80; should have been cited as HCK-55 and the 12 1/4 hole should have been cited as an 11 inch hole and the mud program for 4810'-6355' goes to TD.
3. The minimum required fill of cement behind the 8 5/8 inch intermediate casing is the cement shall circulate to the surface. If cement does not circulate to the surface this 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 may be required prior to drilling out that string. **This casing string shall extend a minimum of 100 feet below the base of the salt and a maximum of 500 feet below the salt, but above any productive reservoirs.**
4. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend upward a minimum of 200 feet above the bottom of the 8 5/8 inch casing.**

5. 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 11 3/4 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 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- A variance to test the BOP, BOPE and 11 3/4 inch casing to the reduced pressure of 800 psi with the rig pumps is approved.
- 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.

4. The 3000 psi 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.

Engineering can be contacted for variances at 505-706-2779.