

OCD HOBBS
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JAN 22 2000
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

R-111-POTASH

ATS - 07 - 592
EA - 07 - 1192
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-63016		
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input 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		
2. Name of Operator Yates Petroleum Corporation			7. If Unit or CA Agreement, Name and No.		
3A. Address 105 South Fourth Street Artesia, New Mexico 88210			8. Lease Name and Well No. Belco AIA Federal 311		
3b. Phone No. (include area code) (505) 748-1471			9. API Well No. 30.025-38719		
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL & 1830' FEL, NESE Pilot Hole Unit J At proposed prod. Zone 330' FNL & 2310' FEL, NENE Bottom Hole Unit B			10. Field and Pool, or Exploratory Salt Lake Wildcat Delaware		
14. Distance in miles and direction from nearest town or post office*			11. Sec., T., R., M., or Blk. and Survey or Area Section 14-T20S-R32E		
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1830		16. No. of Acres in lease 640	17. Spacing Unit dedicated to this well 120		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 5400'	20. BLM/BIA Bond No. on file NMB000434		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3529' GL		22. Approximate date work will start* ASAP	23. Estimated duration 45 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 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 Clifton R. May	Name (Printed/Typed) Clifton R. May	Date 8/13/2007
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Regulatory Agent

Approved by (Signature) Tony J Herrell	Name (Printed/Typed)	Date JAN 16 2008
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Title FOR STATE DIRECTOR	Office NM STATE OFFICE
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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.

APPROVAL FOR TWO YEARS

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)

C-144 attached

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**
Capitan Controlled Water Basin

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

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, 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 and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

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☐ AMENDED REPORT

JAN 22 2008

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-38719	Pool Code 53565	Pool Name HOBBS OGD Wildcat, Delaware Salt Lake
Property Code 12022	Property Name BELCO AIA FEDERAL	Well Number 3H
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3529'

Surface Location

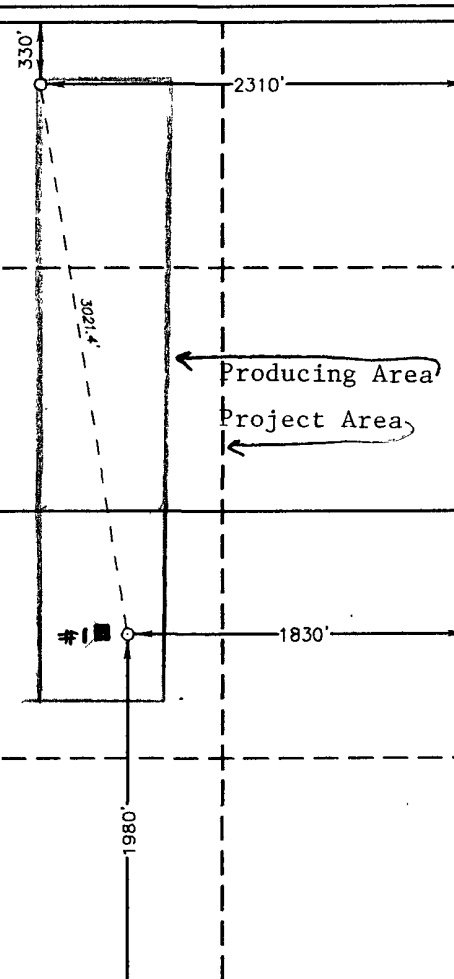
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	14	20 S	32 E		1980	SOUTH	1830	EAST	LEA

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
B	14	20 S	32 E		330	NORTH	2310	EAST	LEA

Dedicated Acres 120 160	Joint or Infill	Consolidation Code	Order No.
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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

<p>BOTTOM HOLE LOCATION Lat - N32°34'46.67" Long - W103°44'09.18" SPC- N.: 575092.489 E.: 725378.550 (NAD-83)</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Clifton R. May 8/13/07 Signature Date</p> <p>Clifton R. May Printed Name</p>
<p>SURFACE LOCATION Lat - N32°34'17.16" Long - W103°44'03.56" SPC- N.: 572113.040 E.: 725876.344 (NAD-83)</p>		<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>AUGUST 6, 2007</p> <p>Date Surveyed Signature Professional Surveyor</p> <p>W.O. Jones Professional Surveyor</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

DISTRICT II

1301 W. Grand Avenue, 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 and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505Form C-102
Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

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HOBBS OCD☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name BELCO AIA FEDERAL	Well Number 3H
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3529'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	14	20 S	32 E		1980	SOUTH	1830	EAST	LEA

Bottom Hole Location If Different From Surface

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B	14	20 S	32 E		330	NORTH	2310	EAST	LEA
Dedicated Acres	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

<p>BOTTOM HOLE LOCATION Lot - N32°34'46.67" Long - W103°44'09.18" SPC- N.: 575092.489 E.: 725378.550 (NAD-83)</p>		<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p>
<p>SURFACE LOCATION Lot - N32°34'17.16" Long - W103°44'03.56" SPC- N.: 572113.040 E.: 725876.344 (NAD-83)</p>		<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>AUGUST 6, 2007</p> <p>Date Surveyed _____</p> <p>Signature of Seal _____</p> <p>Professional Surveyor</p> <p>W. O. Jones</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS</p>

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No NM-63016
2. Name of Operator Yates Petroleum Corporation		6. If Indian, Allottee or Tribe Name
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No (include area code) (505) 748-1471	7. If Unit or CA/Agreement, Name and/o
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1980' FSL & 1830' FEL, 14-T20S-R32E, NESE Surface Location 330' FNL & 2319' FEL, 14-T20S-R32E, NENE Bottom Hole		8. Well Name and No Belco AIA Federal #3-H
		9. API Well No
		10. Field and Pool, or Exploratory Area Salt Laker Delaware
		11. County or Parish, State Lea County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other move location-surface
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (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 recompleat 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 recompleat 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 wishes to change the footages of the surface location that was sent in on the Notice Staking dated 7/25/07 from 1980' FSL & 1730' FEL to the new BLM requested location of 1980' FSL & 1830' FEL. This was requested by Rick Frieser for Potash reasons.

Frieser 8/15/07

14. I hereby certify that the foregoing is true and correct		
Name (Printed/Typed) Clifton R. May	Title Regulatory Agent	
Signature <i>Clifton R. May</i>	Date August 9, 2007	
THIS SPACE FOR FEDERAL OR STATE USE		
Approved by <i>Tony J Herre</i>	Title STATE DIRECTOR	Date JAN 16 2008
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 NM STATE OFFICE
Title 18 U.S.C. Section 1001, 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)

NOTICE OF STAKING (Not to be used in place of Application for Permit to Drill Form 3160-3)		5. Lease Number NM-63016	
1. Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name N/A	
2. Name of Operator YATES PETROLEUM CORPORATION		7. Unit Agreement Name N/A	
3. Address of Operator or Agent 105 SOUTH FOURTH STREET, ARTESIA, NM 88210		8. Farm or Lease Name BELCO AIA FEDERAL	
4. Surface Location of Well (Governmental 1/4 or 1/4 1/4) 1980' FSL & 1830' FEL, NWSW		9. Well No. 3-H	
Attach: Topographical or other acceptable map showing location, access road, and lease boundaries.		10. Field or Wildcat Name SALT LAKE DELAWARE	
15. Formation Objective(s) DELAWARE		16. Estimated Well Depth 5200'	
11. Sec., T., R., M., or Blk. and Survey or Area SECTION 14 - T20S - R32E		12. County or Parish LEA	
13. State NM		16. To be Completed by Operator Prior to Onsite a. Location must be staked b. Access road flagged c. Sketch and/or map of location, showing road, pad dimensions, reserve pit, cuts, and fills (To be provided at onsite)	
17. To be Considered by Operators Prior to Onsite a. H ₂ S Potential b. Private Surface Ownership c. Cultural Resources (Archaeology) d. Federal Right of Way			
18. Additional Information THIS WELL IS ON FEDERAL LAND LEASED TO KENNY SMITH FOR GRAZING. THIS IS A HORIZONTAL WELL WITH THE BOTTOM HOLE LOCATION TO BE 330' ENL & 2310' FEL, SECTION 14 - T20S - R32E, UNIT LETTER B, NWNE. THIS WELL WILL SHARE A PORTION OF THE #1 WELL PAD. CENTER HOLE IS ABOUT 150' FROM THE WELL BORE OF THE #1 WELL			

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14. Signed Chyler R. May Title REGULATORY AGENT Date 8/9/2007

YATES PETROLEUM CORPORATION
Belco AIA Federal #3-H
 1980' FSL & 1830' FEL (Pilot Hole)
 330' FNL & 2310' FEL (Bottom Hole)
 Section 14-T20S-R32E
 Lea County, New Mexico

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- The estimated tops of geologic markers are as follows:

Rustler	1500'	Cherry Canyon	4915'
Capitan Reef	3420'	Belco Sand	4925'
Lamar Line	4655'	TD	5400'
Delaware	4750'		
- The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:
 Water: 125'
 Oil or Gas: Delaware formations: Cherry Canyon & Belco Sand.
- Pressure Control Equipment: BOPE will be installed on the 13 3/8" and 9 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)

*8/23/07
per operator
cooling chg
13 3/8 J-55 100' 545'
" H-40 1300' 48'
" J-55 100' 545'*

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
26"	20"	94#	H-40	ST&C	0-58'	58'
17.5"	13.325"	48#	H-40	ST&C	0-1500'	1500'
12.25"	9.625"	36#	J-55	ST&C	0-3370'	3370'
8.75"	7"	26#	J-55	LT&C	0-4678'	4678'
8.75"	4.5"	11.6#	HCP	LT&C	4475-7772'	3222'

*see
COA*

- Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
- A 3,000 psi BOP will be nipped up on the 13 3/8" and 9 5/8" casing and tested to 3000 psi .

B. CEMENTING PROGRAM:

Surface Casing: Cement with 900 sx C Lite (YLD 1.99 WT 12.6). Tail in with 200 sx class "C" (YLD 1.32 WT 14.8). TOC-Surface

Intermediate Casing: 950 SX Hal LtPr+C (YLD 1.99 WT 12.6) and tail in with 200 sx class C (YLD 1.32 WT 14.8). TOC-Surface.

Intermediate Casing 2: 525 SX C Lite (YLD 1.99 WT 12.6) and tail in with 275 SX C (YLD 1.32 WT 14.8). TOC surface.

Production (Liner)Casing: 425 SX Super C (YLD 1.51 WT 13). TOC 4475'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1500'	Fresh Water Gel	8.4-8.90	32-34	N/C
1500'-3370'	Brine Water	10.0-10.0	28-29	N/C
3370'-5400'	Cut Brine	8.7-9.0	28-32	N/C
4762'-7772'	Cut Brine	8.7-8.7	28-29	N/C
Lateral Section				
4545'-4678'	Cut Brine	8.7-9.0	28-28	N/C
4678'-7772'	Cut Brine	8.7-9.2	28-32	15.0

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 FMI for dips
Coring: None
DST's: As warranted

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

Anticipated BHP:

From: 0	TO: 1500'
From: 1500'	TO: 3370'
From: 3370	TO: 4675'
From: 4675'	TO: 5400'

Anticipated Max. BHP: 695 PSI
Anticipated Max. BHP: 1753 PSI
Anticipated Max. BHP: 2190 PSI
Anticipated Max. BHP: 2443 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 99 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 40 days.

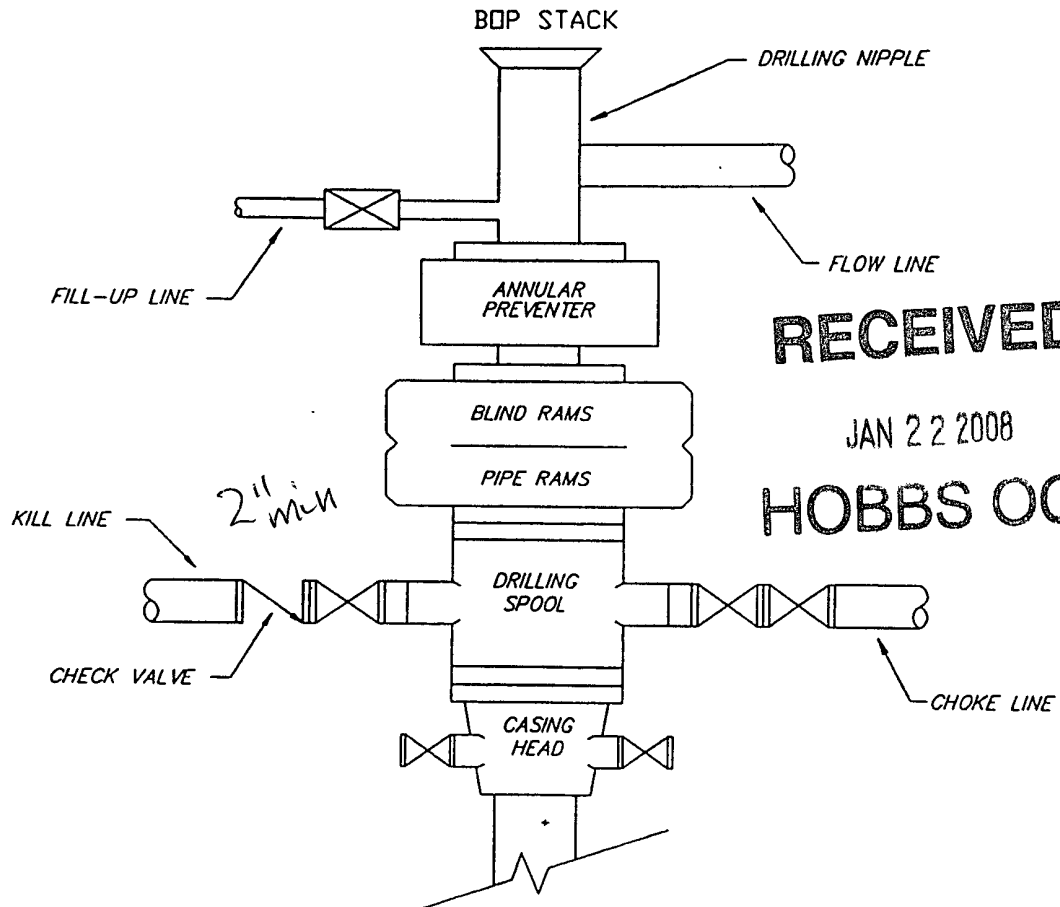
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YATES PETROLEUM CORPORATION

TYPICAL 3,000 p.s.i. BLOWOUT PREVENTER SCHEMATIC



TYPICAL 3,000 p.s.i. CHOKE MANIFOLD SCHEMATIC

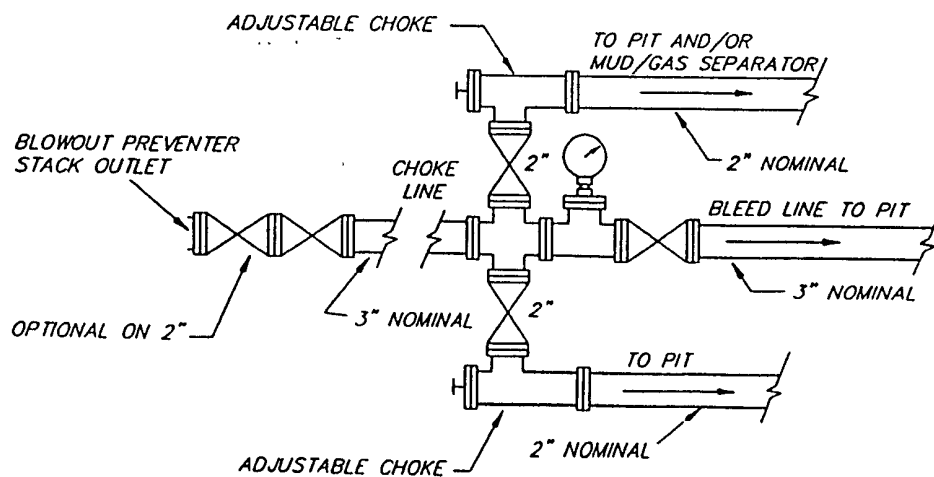


EXHIBIT B

Yates Petroleum Corporation

Location Layout for Permian Basin

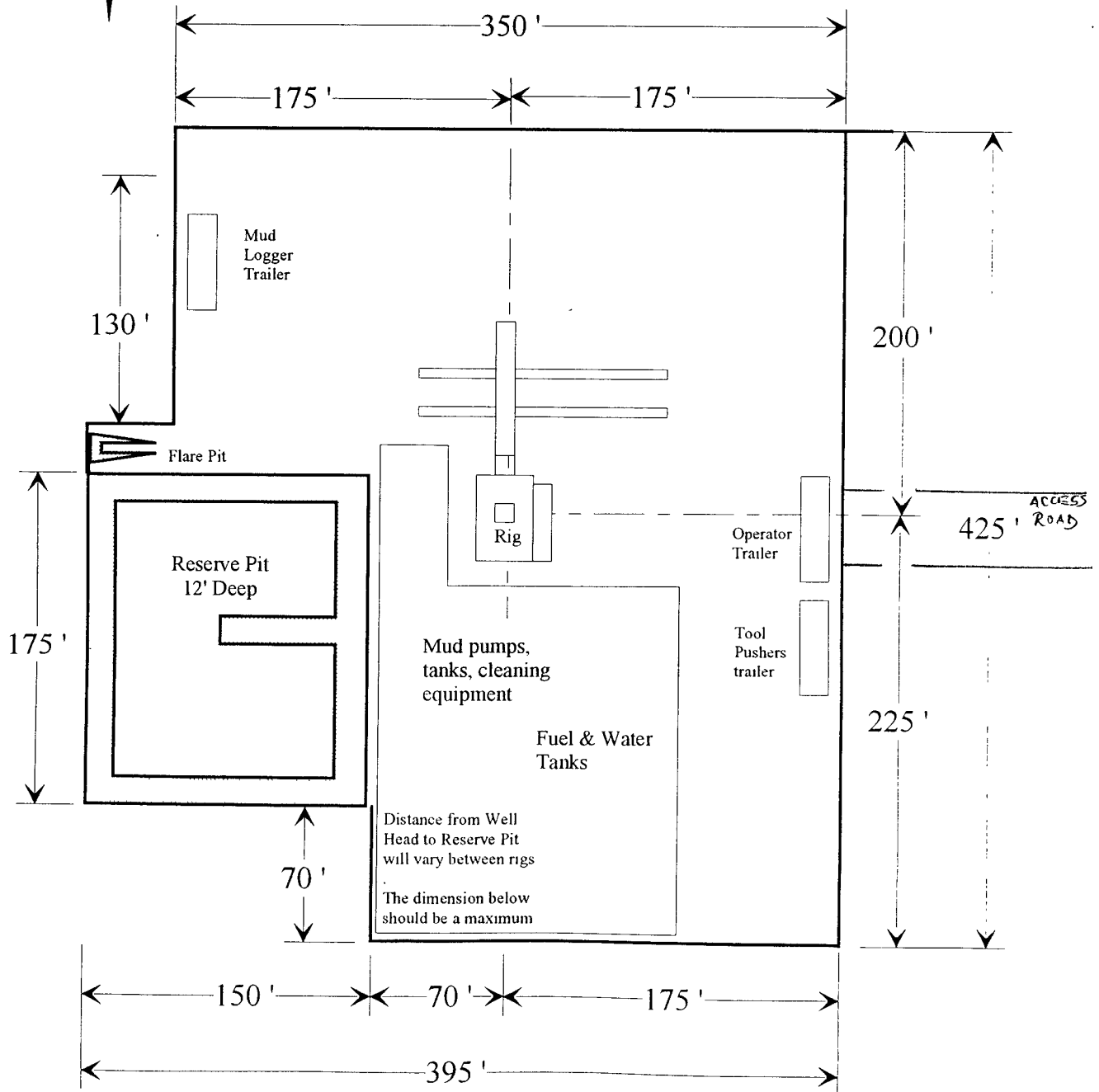
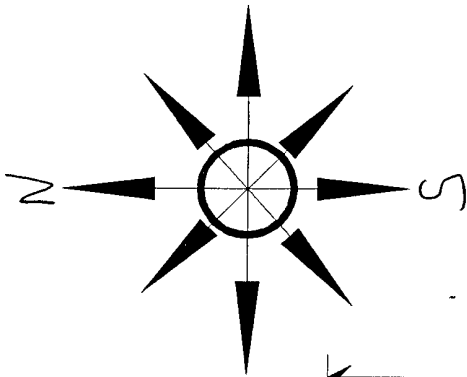
12,000' to 14,000'

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EXHIBIT C



	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	4545.00	0.00	0.00	4545.00	0.00	0.00	15.00	351	GN
3	4550.00	0.75	350.82	4550.00	0.03	-0.01	15.00	360	HS
4	4575.00	4.50	350.82	4574.97	1.16	-0.19	15.00	360	HS
5	4600.00	8.25	350.82	4599.81	3.90	-0.63	15.00	360	HS
6	4625.00	12.00	350.82	4624.42	8.24	-1.33	15.00	0	HS
7	4650.00	15.75	350.82	4648.68	14.16	-2.29	15.00	360	HS
8	4675.00	19.50	350.82	4672.51	21.63	-3.50	15.00	360	HS
9	4700.00	23.25	350.82	4695.78	30.62	-4.95	15.00	360	HS
10	4725.00	27.00	350.82	4718.41	41.10	-6.64	15.00	0	HS
11	4750.00	30.75	350.82	4740.30	53.01	-8.57	15.00	360	HS
12	4775.00	34.50	350.82	4761.35	66.32	-10.72	15.00	360	HS
13	4800.00	38.25	350.82	4781.48	80.95	-13.08	15.00	0	HS
14	4825.00	42.00	350.82	4800.59	96.85	-15.65	15.00	0	HS
15	4850.00	45.75	350.82	4818.61	113.96	-18.42	15.00	360	HS
16	4875.00	49.50	350.82	4835.45	132.19	-21.36	15.00	360	HS
17	4900.00	53.25	350.82	4851.06	151.46	-24.48	15.00	360	HS
18	4925.00	57.00	350.82	4865.35	171.71	-27.75	15.00	360	HS
19	4950.00	60.75	350.82	4878.27	192.83	-31.16	15.00	0	HS
20	4975.00	64.50	350.82	4889.76	214.74	-34.71	15.00	0	HS
21	5000.00	68.25	350.82	4899.78	237.35	-38.36	15.00	360	HS
22	5025.00	72.00	350.82	4908.28	260.56	-42.11	15.00	360	HS
23	5050.00	75.75	350.82	4915.22	284.26	-45.94	15.00	360	HS
24	5075.00	79.50	350.82	4920.58	308.36	-49.84	15.00	0	HS
25	5100.00	83.25	350.82	4924.32	332.76	-53.78	15.00	0	HS
26	5125.00	87.00	350.82	4926.45	357.34	-57.75	15.00	0	HS
27	5145.29	90.04	350.82	4926.97	377.36	-60.99	15.00	360	HS
28	7771.57	90.04	350.82	4925.00	2970.00	-480.00	0.00		

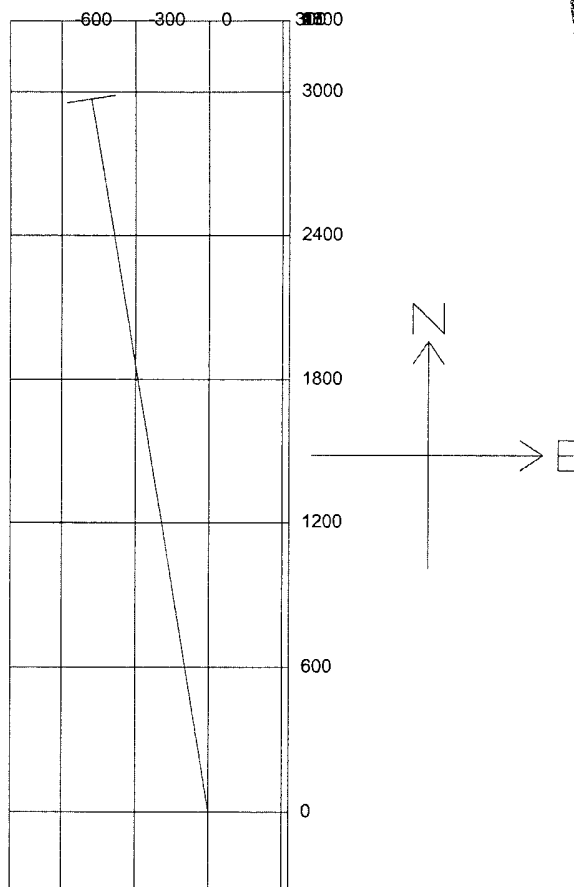
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Company: Yates Petroleum Corporation
Well: Belco AIA Federal #3H

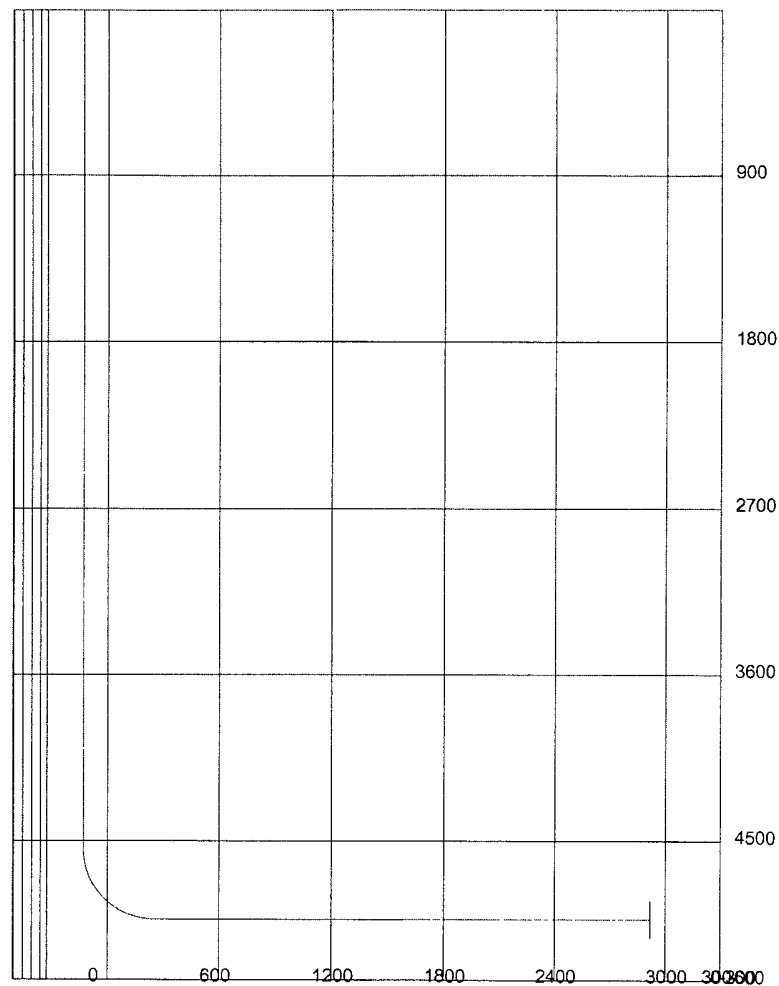
3D³ Directional Drilling Planner - 3D View



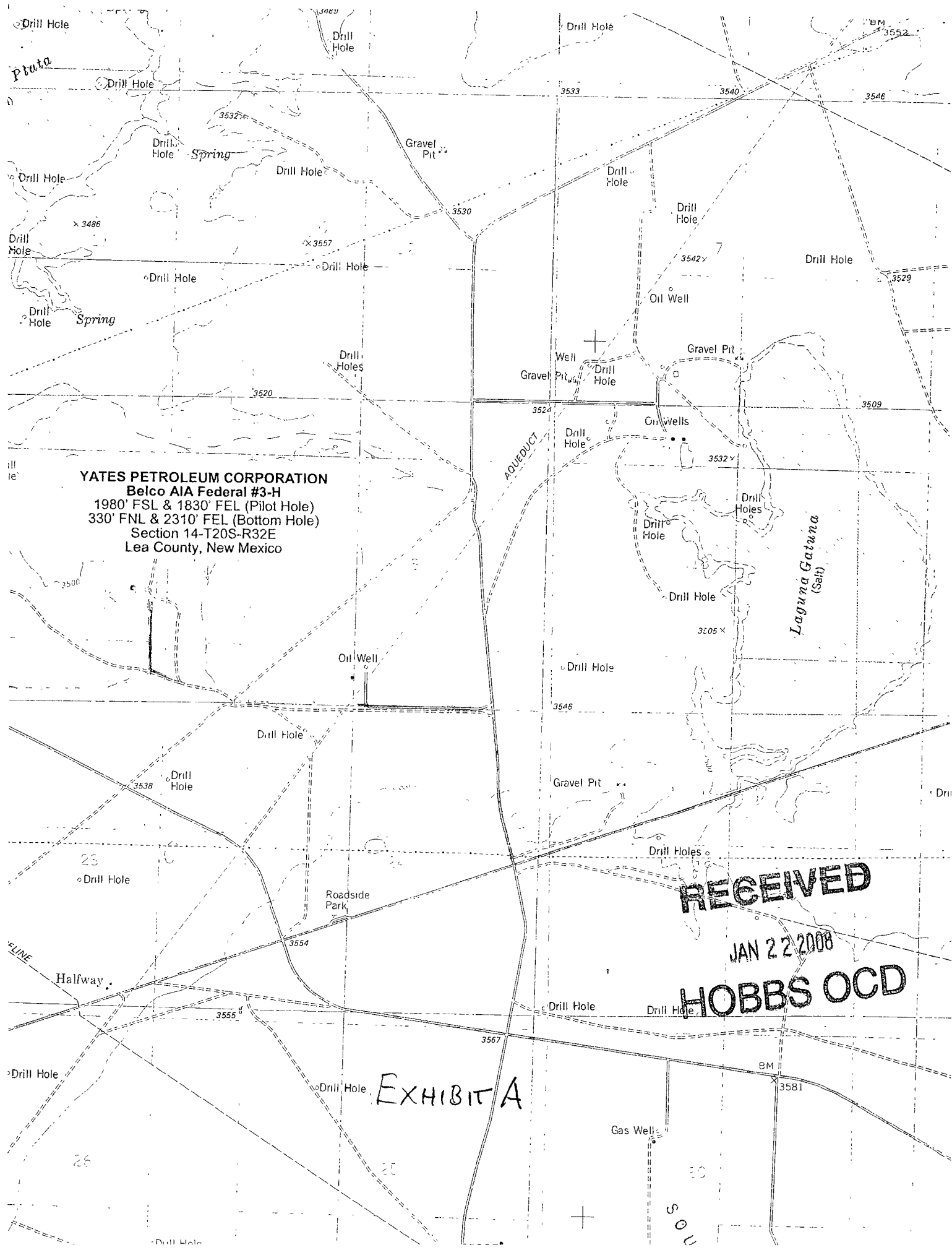
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Company: Yates Petroleum Corporation
Well: Belco AIA Federal #3H

3D³ Directional Drilling Planner - 3D View



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YATES PETROLEUM CORPORATION
Belco AIA Federal #3-H
1980' FSL & 1830' FEL (Pilot Hole)
330' FNL & 2310' FEL (Bottom Hole)
Section 14-T20S-R32E
Lea County, New Mexico

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EXHIBIT A

SECTION 14, TOWNSHIP 20 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

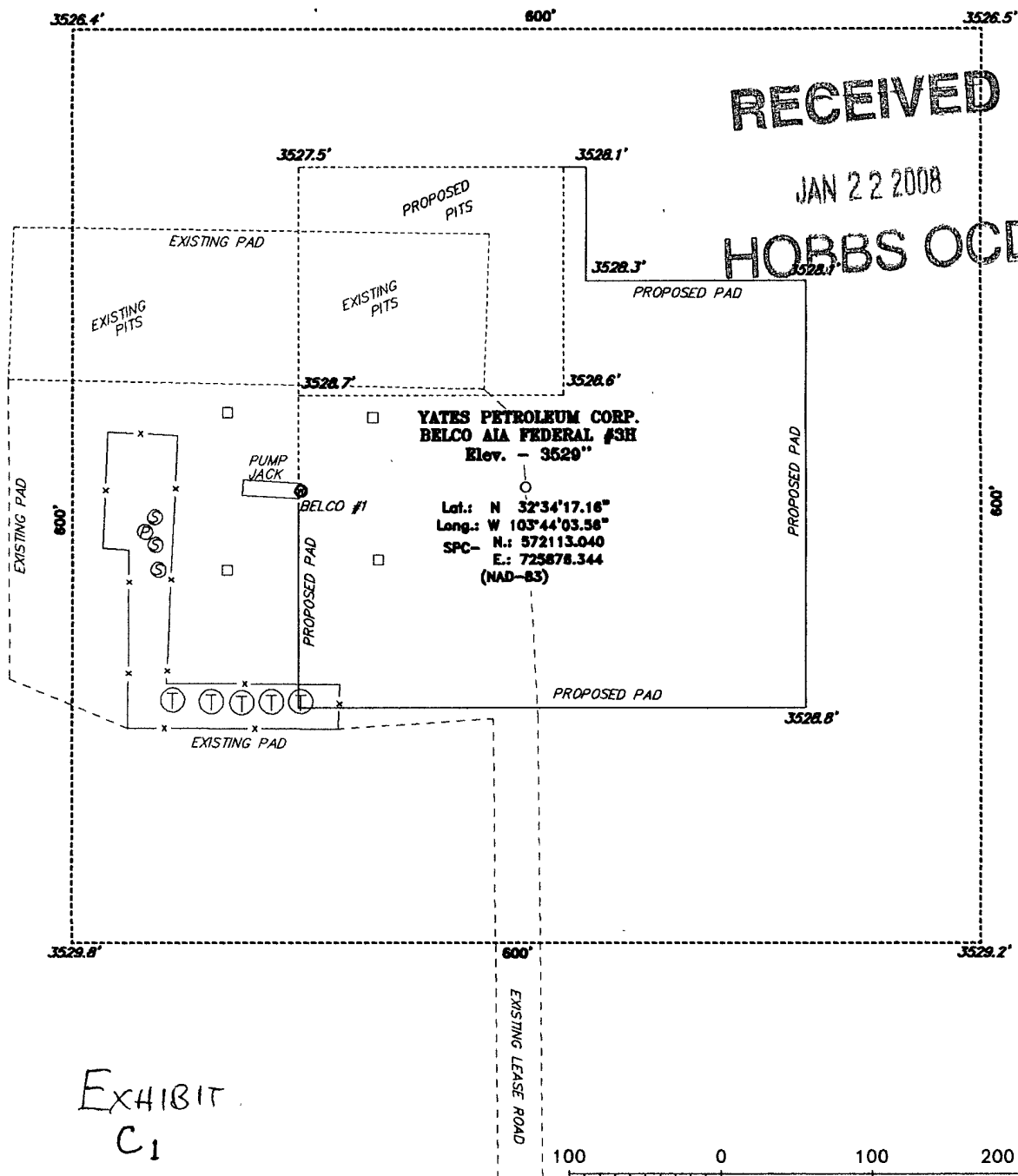


EXHIBIT
C₁

Directions to Location:

FROM THE JUNCTION OF U.S. HWY 62-180 AND CO.
RD. 55 (LAGUNA), GO NORTH ON CO. RD. 55 FOR
APPROX. 0.5 MILES TO LEASE ROAD, ON LEASE
ROAD GO WEST APPROX 1.0 MILES TO LEASE ROAD,
ON LEASE ROAD GO NORTH APPROX. 0.6 MILES TO
PROPOSED LOCATION.

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

W.O. Number: 18406

Drawn By: J. M. SMALL

Date: 08-06-2007

Disk: 18406W JMS

YATES PETROLEUM CORP.

REF: BELCO AIA FEDERAL #3H / WELL PAD TOPO

THE BELCO AIA FEDERAL #3H LOCATED 1980'

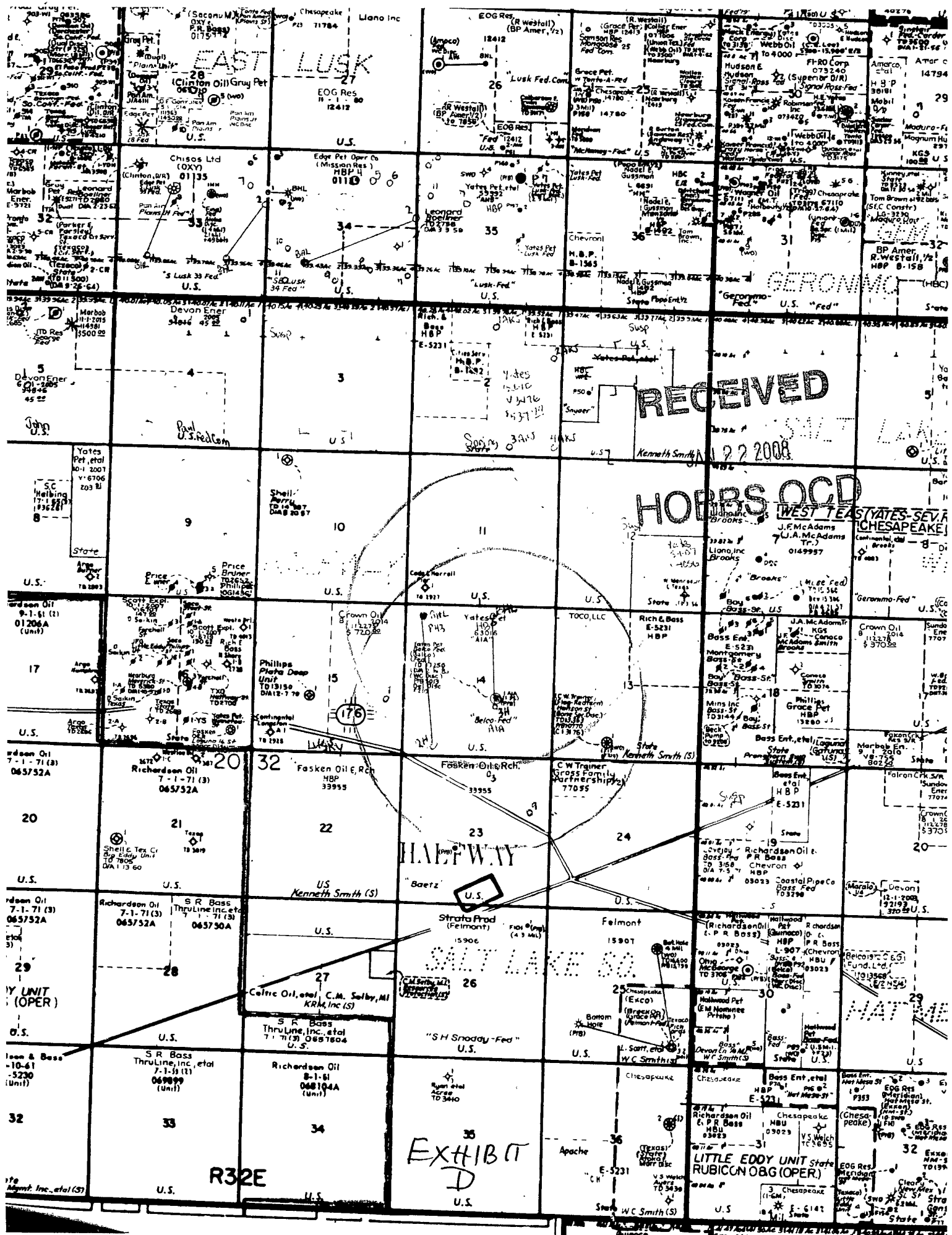
FROM THE SOUTH LINE AND 1830' FROM THE EAST LINE OF

SECTION 14, TOWNSHIP 20 SOUTH, RANGE 32 EAST,

N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 08-06-2007

Sheet 1 of 1 Sheets



PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	YATES PETROLEUM CORPORATION
LEASE NO.:	NM63016
WELL NAME & NO.:	3H-BELCO AIA FEDERAL
SURFACE HOLE FOOTAGE:	1980' FSL & 1830' FEL
BOTTOM HOLE FOOTAGE:	330' FNL & 2310' FEL
LOCATION:	Section 14, T. 20 S., R 32E., NMPM
COUNTY:	Lee County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
- ☐ **Permit Expiration**
- ☐ **Archaeology, Paleontology, and Historical Sites**
- ☐ **Noxious Weeds**
- ☐ **Special Requirements**
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 - Sand Dune Lizard
 - Aplomado Falcon
 - Cave/Karst
 - VRM
 - Cultural
- ☐ **Construction**
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 - Topsoil
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 - Electric Lines
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- ☐ **Final Abandonment/Reclamation**

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I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

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V. SPECIAL REQUIREMENT(S)

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VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (505) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL

The operator shall stockpile the topsoil of the well pad. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. RESERVE PITS

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 170' X 150' on the North side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

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Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (505) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational needs.

F. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

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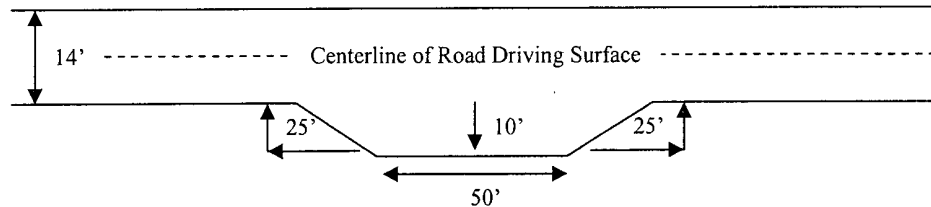
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Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

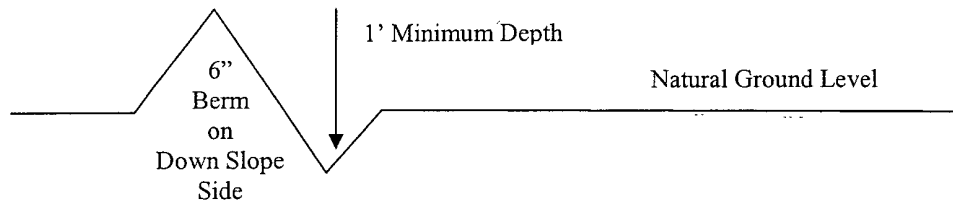


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section of a Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

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Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installations

Appropriately sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

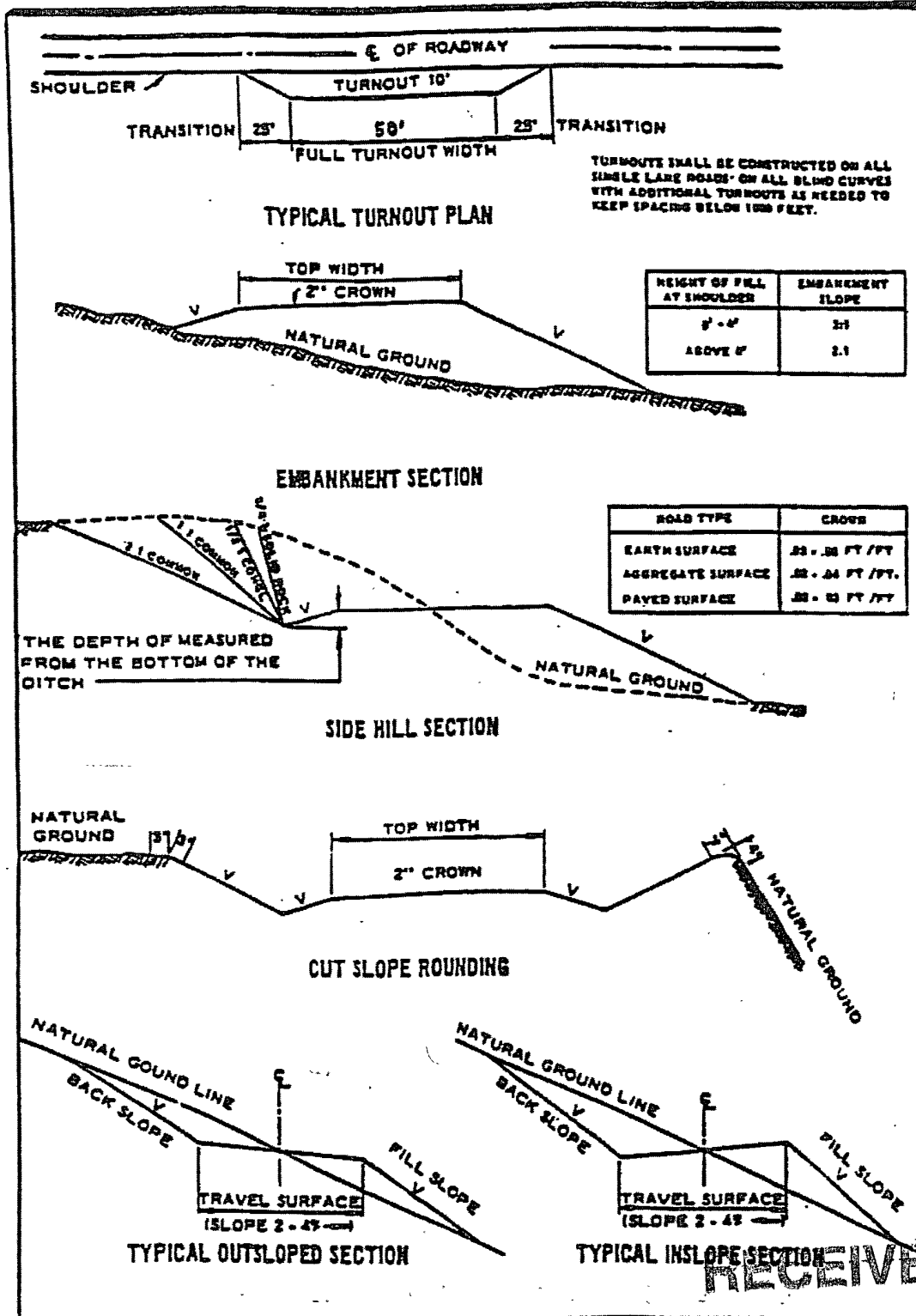
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

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Figure 1 – Cross Sections and Plans For Typical Road Sections



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VII. DRILLING

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A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

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- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPE tests

☒ **Lea County**

Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(505) 393-3612

1. **Although Hydrogen Sulfide has not been reported in this section, it has been reported in the township to the north measuring 200-3000 ppm in gas streams and 200-3000 ppm in STVs. These measurements have been from the Yates and Delaware formations.**
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. When floor controls are required, (3M or Greater) 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 are located, this does not include the dog house or stairway area.
4. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface. The logs shall be run at a speed which allows the logs to be legible and no faster than manufactures of the logging tools recommended speed. (R-111-P area only)

B. CASING

1. The 13-3/8 inch surface casing shall be set **a minimum of 25 feet into the Rustler Anhydrite and above the salt at approximately 1500 feet** and cemented to the surface. **BLM geologist is picking the Rustler Anhydrite at approximately 900 feet based on wells located in Section 15.**
 - 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 a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

- b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).
- 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 action will be done prior to drilling out that string.

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

- ☒ Cement to surface. If cement does not circulate see B.1.a-d above.

BLM geologist is picking the Basal Anhydrite above the Capitan Reef at approximately 3100'. Intermediate casing is to be set in this formation to properly isolate the Capitan Reef.

Fresh water mud to be used drilling between set point of 9-5/8" casing and setting of 7" casing.

3. The minimum required fill of cement behind the 7 inch production casing is:

- ☒ Cement to surface. If cement does not circulate see B.1.a-d above.

The 7 inch casing is to be set in the Lamar Limestone to isolate the Capitan Reef at approximately 4670 feet.

4. The minimum required fill of cement behind the 4-1/2 inch production liner is:

- ☒ Cement to come to top of liner. Operator shall provide method of verification.

Additional cement will probably be needed to achieve this.

5. 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.

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

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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. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. 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.
 - d. 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.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

Engineer on call phone (after hours): Carlsbad: (505) 706-2779

WWI 082207

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VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

VRM Facility Requirement

B. PIPELINES

C. ELECTRIC LINES

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IX. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used for road repairs, fire walls or for building other roads and locations. In order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

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Seed Mixture 1, for Loamy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law(s) and within nine (9) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (small/heavier seeds have a tendency to drop the bottom of the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

<u>Species</u>	<u>lb/acre</u>
Plains lovegrass (<i>Eragrostis intermedia</i>)	0.5
Sand dropseed (<i>Sporobolus cryptandrus</i>)	1.0
Sideoats grama (<i>Bouteloua curtipendula</i>)	5.0

*Pounds of pure live seed:

Pounds of seed x percent purity x percent germination = pounds pure live seed
(Insert Seed Mixture Here)

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X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.

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