New Mexico RECEIVED	1625 N	nservation Divisi N. French Drive Ds, NM 88240	on, Di	strict	I	
NOV 0 5 2009	*****	5, 14141 032/4V				
				ł	FORM APP	ROVED
(August 2007) HOBBSOCD					OMB NO. 10	
UNITED STAT DEPARTMENT OF THE				5	Expires July Lease Senal No	31, 2010
BUREAU OF LAND MA				5	Fee & NM-	105886
APPLICATION FOR PERMIT TO				6	If Indian, Allottee or Tri	
					N/A	
				7	If Unit or CA Agreemen	it, Name and No
1a Type of Work x DRILL	REENTE	BR			N/A	
1b Type of Well XOII Well Gas Well Other	r S	ingle Zone Multip	le Zone		Lease Name and Well N Vespa "BME" Fed	
2 Name of Operator		· ·			API Well No	_
Yates Petroleum Corporat					<u> 30 - 005-2</u>	
3a. Address	3b Phone	No (include area code)		10.	Field and Pool, or Explo	oratory
105 South Fourth Street, Artesia, NM 88210		505-748-1471			Undesignated	
4 Location of well <i>(Report location clearly and In accordance</i> At surface	e with any S	state requirements *)		11.	Sec , T., R., M , or Blk	And Survey or Area
950' FSL & 200' FWL, S At proposed prod. zone 350' FSL & 330' 1		1E, <u>UL M,</u> SWSW D-15S-31E, UL P, SESE			Section 9-T1	5S-R31E
14 Name of Operator	F1513, 564. 7	-135-51E,0121, SESE		12	County or Parish	13 State
Yates Petroleum Corporat	tion 025575				Chaves	
15 Distance from proposed*		6 No of acres in lease	17	Spacing	Unit dedicated to this w	vell NM
location to nearest						
property or lease line, ft (Also to nearest drlg. unit line, if any) 330'		160.00			S2S2	
18         Distance from proposed location*	19	9 Proposed Depth	20	BLM/ B	IA Bond No on file	
to nearest well, drilling, completed,						
applied for, on this lease, ft         None           21         Elevations (Show whether DF, KDB, RT, GL, etc.)	2.	VD-8827' MD-13287' 2 Aproximate date work			ATIONWIDE BOND # 23 Estimated duration	
	2.		will start		25 Estimated duration	
4430' GL		ASAP			45 d	lays
The following, completed in accordance with the requirements o		24 Attachments	ROS	SWELL (	CONTROLLED WATER E	ASIN
<ol> <li>Well plat certified by a registered surveyor</li> <li>A Drilling Plan</li> <li>A Surface Use Plan ( if the location is on National Forest Sy SUPO must be filed with the appropriate Forest Service Offi</li> </ol>	vstem Lands,	4 Bond to cover item 20 above , the 5 Operator certif	the operat ) ication	tions un	less covered by existing	× ×
25 Signature 10-14 m. 100	Name (Pr	rınted/Typed)			Date	· · · · · · · · · · · · · · · · · · ·
Title I lay for Ly Cover	nt.		Cy	Cowan		9/10/2009
Land Regulatory Agent Approved By (Signature) ISI Angel Mayes	Name (Pr	rpited/ Typed)			Date	
Title Assistant Field Manager,	Office		1es	••	NO\	/ 0 3 2009
Lands And Minerals		OSWELL FIELD O				
Application approval does not warrant or certify that the applican operations thereon Conditions of approval, if any, are attached	it holds lega	d or equitable title to those	e rights in Rill	the subj		ntitle the applicant to cc DFOR 2 YEARS
itle 18 USC Section 1001 and Title 43 USC Section 1212, m	ake it a crim	pe for any person knowing	viv and wi	/	make to any departmen	t or agency of the Uniter
States any false, fictitious or fraudulent statements or representati						agonoy or the Onited
* (Instructions on page 2)						
APPROVAL SUBJECT TO		<b>BECLARED WAT</b>	de Basi	N		
GENERAL REQUIREMENTS AND						
SPECIAL STIPULATIONS ATTACHE	D	CEMENT BEHIND TH CASING MUST BE	# <u>13</u> CIRCI	ULA	TED WIT	NESB

ISTRICT I 25 N. French Dr., Hobbs, NM ISTRICT II 01 W. Grand Avenue, Artesia, N ISTRICT III 000 Rio Brazos Rd., Aztec,	• **₩0V 05	20891L	CON 12	SERVA 20 South	TIC St.	v Mexico Resources Departm DN DIVIS Francis Dr. Texico 87505	submit of ION	Fo Revised Octobe to Appropriate Dis State Lease Fee Lease	trict Office - 4 Copies
ISTRICT IV 20 5. St. Francis Dr., Santa Fo		WELL LC	CATION	AND AC	REA	GE DEDICATI	ON PLAT	AMENDEI	) REPORT
API Number	2		Pool Code		1	Vilaca	Pool Name ated Wolfcam	 D	
30-025-24 Property Code		[	/	Property		e	· · · · · · · · · · · · · · · · · · ·	Well N	umber
379.04 OGRID No.			VESPA	BME"   Operator		ERAL COM		2H Eleva	
025575			YATE	S PETRO				443	
·····		· · · · · · · · · · · · · · · · · · ·		Surface	Loca				
UL or lot No. Section M 9	Township 15 S	Range 31 E	Lot Idn	Feet from 950	the	North/South line SOUTH	Feet from the	East/West line	County
M 9	10.5						200	WEST	CHAVE
UL or lot No. Section	Township	Range	Hole Lo Lot Idn	Feet from		rent From Sun North/South line	Tace Feet from the	East/West line	County
P 9	15 S	31 E		350		SOUTH	330	EAST	CHAVE
	 		 	5886 Leas	 		I hereby cer contained hereir the best of my i this organization interest or unlead land including t location pursuan of such a miner a voluntary pool	1/44 for 9,	nation blete to f, and tha king t in the hole t an owne est, or to
$\begin{array}{c} \underline{SURFACE \ LOCATION} \\ Lat - N 33^{\circ}01'32.67'' \\ Long - W 103'50'05.17'' \\ NMSPCE - N 737264.087 \\ E 694142.198 \\ (NAD-83) \\ \hline \\ $	  Penetrat  Point  891' FSL  689' FWL           	é.	   Proje     Produ   Zone               	ct Area cing	Lor	TTOM HOLE LOCATIO at - N 33°01'26.72 bg - W 103*49'09.33 SPCE- N 736686.12 (NAD-83)	I hereby certify on this plat wa actual surveys supervison and correct to the SEFT Date Surveye Signature F Professional	MEXICO	tion shown d notes of under my s true an
02.02.04428.4	 				-   -	0 	Certificate No		s 79

## Vespa BME Federal Com. #2H Page Two

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

#### B. CEMENTING PROGRAM:

Surface Casing: 425 sacks "C" + 2% CaCL2 (WT 14.80 YLD 1.34). Cement to surface. Intermediate Casing: 1075 sacks C Lite (Wt 12.50 YLD 2.04). Tail in with 200 sacks "C" 2% CaCL2 (WT 14.80 YLD 1.33). Cement to surface. Intermediate Casing 2: Lead with 1000 sack 50:50:10C (WT 11.60 YLD 2.43). Tail in with 200 sacks PecosVILt (WT 13.00 YLD 1.41). Cement to surface. Production Casing: 700 sacks PecosVILt (WT 13.00 YLD 1.41) Cement to 8000'.

#### 5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	Type	<u>Weight</u>	Viscosity	Fluid Loss
Spud-400'	Fresh Water Gel	8.60-9.00	32-34	N/C
400'-3900'	Brine Water	10.0-10.20	28-28	N/C
3900'-7400'	Cut Brine	8.70-9.00	28-28	N/C
7400'-8827'	Cut Brine	8.70-9.20	28-28	<10-10cc
8227'-13287'	Cut Brine/2-3%KCL	8.80-9.00	28-32	<10-10cc
	(Lateral Section)			

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:	10' from intermediate casing to TD.	
Logging:	Platform Express; CNL/LDT/NGT TD to intermediate casing, CNL/GR	
	TD to surface, DLL-MSFL TD to surface casing, BHC-Sonic TD to surface	casing.
	Horizontal-MWD-GR	
Coring:	None anticipated.	
DST's:	None anticipated.	
Mudlogging	: Yes	

## 7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE AND POTENTAL HAZARDS:

#### Anticipated BHP: Depths are TVD

From:	0	TO	400'	TVD	Anticipated Max. BHP: 190	PSI
From:	400'	ТО	3900'	TVD	Anticipated Max. BHP: 2070	PSI
From:	3900'	ТО	8877'	TVD	Anticipated Max. BHP. 4250	PSI

Abnormal Pressures Anticipated: None Lost Circulation Zones Anticipated: None H2S Zones Anticipated: None Maximum Bottom Hole Temperature: 120° 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 30 days.

#### YATES PETROLEUM CORPORATION Vespa BME Federal Com. #2H 950' FSL and 200' FWL, Section 9-T15S-R31E (Surface Hole Location) 350' FSL and 330' FEL, Section 9-T15S-R31E (Bottom Hole Location) Chaves County, New Mexico

Yates	2275'	Glorieta	5185'
Seven Rivers	2418'	Tubb	6604'
Queen	3075' Oil/Gas	ABO	7375' Oil
San Andres	3775' Oil	Wolfcamp	8677' Oil
		TVD	8827'
		TMD	13287'

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

Water: 260' Oil or Gas: Queen, Grayburg, San Andres, ABO, and Wolfcamp

3. Pressure Control Equipment: BOPE will be installed and tested on the 13 3/8", 9 5/8" and 7" casing and rated for 3000 psi 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 <u>Size</u>	Casing Size	Wt./Ft	Grade	Thread	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'
12 1/4"	9 5/8"	40#	J-55	ST&C	0-100'	100'
12 1/4"	9 5/8"	36#	J-55	ST&C	100-3300'	3200'
12 1/4"	9 5/8"	40#	J-55	ST&C	3300-3900'	600'
8 3/4"	7"	26#	J-55	LT&C	0-700'	700'
8 3/4"	7"	23#	J-55	LT&C	700'-5600'	4900'
8 3//4"	7"	26#	J-55	LT&C	5600'-7800'	2200'
8 3/4"	7"	26#	L-80	LT&C	7800'-8972'	1172'
6 1/8"	4 1/2"	11.6#	HCP-110	LT&C	0-13287'	13287'
		-				TVD 8840'
						MD 13550'

Pilot hole will be drilled with 8 3/4" to 8827'. An open hole whipstock will be placed at 8227'. Well will then be kicked off at approx. 8227' at 12 degrees per 100' with an 8 3/4" hole to 8972' MD (8705 TVD) where 7" casing will be run and cemented. A 6 1/8" hole will then be drilled to 13287' MD (8750' TVD) where 4 1/2" casing will be set and cemented up to a DV Tool placed at approximately 8000'. Once completion procedures are done the 4 1/2" will be cut and pulled at 8000'. The penetration point of producing formation will be encountered at 891' FSL & 669' FWL, Section 9, T15S-R31E. Deepest TVD of the well will be in the pilot hole @ 8827'. The deepest TVD in the lateral will be 8750'.

M.D.	Inclination	Azimuth	T.V.D.	N+/S-	E+/W-	D.L.S.	ToolFace	T.F. Ref [HS/GN]	
0	0	Ö	0	0	0	0			
2.275	0	0	2,275	0	0	0			YATES
2,418	0	0	2,418	0	0	0			SEVEN RIVERS
3,075	0	0	3,075	0	0	0			QUEEN
3,775	0	0	3,775	0	0	0			SAN ANDRES
5,185	0	0	5,185	0	0	0			GLORIETA
6,604	0	0	6,604	0	Ó	0			TUBB
7,375	0	0	7,375	0	0	0			ABO
8227	-0	0	8227	0	0	12	97	GN	KOP
8250	2.76	97 2	8249.99	-0.07	0 55	12	360	HS	
8275	5.76	97 2	8274.92	-0.3	2 39	12	0	HS	
8300	8.76	97.2	8299.72	-0.7	5.53	12	0	HS	
8325	11.76	97.2	8324.31	-1.26	9,94	12	360	HS	
8350	14.76	97.2	8348.65	-1 97	15.63	12	0	HS	
8375	17 76	97 2	8372 64	-2.85	22.58	12	360	HS	
8400	20.76	.97 2	8396.24	-3.88	30.76	12	0	HS	
8425	23.76	97.2	8419.37	-5.07	40.15	12	0	HS	······································
8450	26.76	97.2	8441.98	-6 41	50 73	12	0	HS	
8475	29 76	97 2	8464	-7.89	62.48	12	360	HS	
8500	32.76	97.2	8485.37	-9.52	75.34	12	0	HS	
8525	35.76	97 2	8506.03	-11.28	89.31	12	0	HS	
8550	38 76	97.2	8525.92	-13 18	104.32	12	360	HS	
8575	41,76	97.2	8545	-15 2	120 35	12	360	HS	
8600	44.76	97.2	8563.2	-17.35	137.34	12	0	HS	
8625	47.76	97.2	8580.48	-19,61	155.26	12	0	HS	
8650	50 76	97.2	8596 8	-21 99	174 05	12	0	HS	
8675	53.76	97.2	8612.1	-24 46	193 66	12	0	HS	
8700	56.76	97.2	8626 34	-27.04	214.04	12	0	HS	
8725	59.76	97.2	8639.49	-29 7	235 13	12	0	HS	
8750	62.76	97.2	8651 51	-32 45	256.88	12	0	HS	
8775	65 76	97.2	8662.37	-35.27	279.22	12	0	HS	
8800	68.76	97.2	8672.03	-38.16	302.09	12	0	HS	
8814	70 44	97.2	8676.91	-39 8	315.11	12	0	HS	WOLFCAMP
8825	71.76	97.2	8680 47	-41 11	325 43	12	0	HS	
8850	74.76	97,2	8687.67	-44 11	349 18	12	0	HS	
8875	77.76	97.2	8693.61	-47.15	373.27	12	360	HS	
8900	80 76	97 2	8698.27	-50 23	397 64	12	360	HS	
8925	83 76	97.2	8701 64	-53 33	422 21	12	0	HS	
8950	86 76	97,2	8703 7	-56 45	446 93	12	360	HS	
8971.96	89.4	97.2	8704.44	-59.2	468.7	0			PAY ZONE
13287.52	89.4	97.2	8750	-600	4750	0			LATERAL TD

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Pilot hole will be drilled with 8 3/4" hole to 8827'. An open hole whipstock will be placed at 8227' Well will then be kicked off at approx. 8227' with an 8 3/4" hole at 12 degrees per 100' to 8,972' MD (8,704' TVD) where 7" casing will be run and cemented. A 6 1/8" hole will then be drilled to 13,287' MD (8750' TVD) where 4 1/2" will be set and cemented up to a dv tool placed at approx 8000' Once completion procedures are done the 4 1/2" will be cut and pulled at 8000'. Penetration point of producing formation encountered at 891' FSL and 669' FWL, 9-15S-31E. Deepest TVD of the well will be in the pilot hole @ 8,827'. Deepest TVD in the lateral will be 8750'

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# 3D<sup>3</sup> Directional Drilling Planner - 3D View

#### Company: Yates Petroleum Corporation Well: Vespa BME Federal #2H



# 3D<sup>3</sup> Directional Drilling Planner - 3D View

#### Company: Yates Petroleum Corporation Well: Vespa BME Federal #2H

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0	900	1800	2700	3600	4500	<b>90</b> 60
						o
						-300
						-600
						-900

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### CERTIFICATION YATES PETROLEUM CORPORATION Vespa "BME" Federal Com. #2H

I hereby certify that I or the company I represent, have inspected the drill site and access route proposed herein; that the company I represent is familiar with the conditions which currently exist; that full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that the company I represent is responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this	10th	_day of	September	, <u>2009</u>	·
Printed Name $\underline{Cy C}$					_
Signature	ftm n	Nay for	Cy Cowan		
Position Title	1		/		
Address_105_South	Fourth S	Street, Artes	sia, NM 88210		
Telephone <u>575-748</u>	-4372				
E-mail (optional) cy	<u>yc@ypcn</u>	m.com			
Field Representative	e (if not a	above signa	atory) <u>Tim Bussell</u>		
Address (if differen	t from ab	oove) <u>S</u>	ame		
Telephone (if differ	ent from	above) <u>575</u>	5-748-4221		-
E-mail (optional)					

WELD24Y Inquire/Update Drilling Prognosis - Land Fields Update
Well Name VESPA BME FEDERAL COM. #2H Location 15S 31E 9 P 001 CHA NM Orig. Entry Dt. 9/09/2009
Directions to Location
FROM MALJAMAR, NM GO 1 MILE EAST ON HWY 82 TO STATE ROAD 249. TURN LEFT ON 249 FOR ABOUT 11 MILES TO SR 249 TURNS LEFT AND MEETS SR 172. GO WEST ON SR 249 (ABERDEEN ROAD) AND GO ABOUT 2.9 MILES. TURN NORTH ON LEASE ROAD AND GO ABOUT 1.2 MILES. THE NEW ROAD WILL START HERE AND GO 0.1 OF A MILE IN A SOUTHEASTERLY DIRECTION FOR ABOUT 0.1 OF A MILE. THE ROAD TURNS EAST AND YOU GO ABOUT 0.4 OF A MILE AND THE ROAD TURNS SOUTH FOR ABOUT 0.25 OF A MILE TO THE SOUTHWEST CORNER OF THE PAD.
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More...

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F3=Exit F12=Previous F4=Prompt F2=Main F6=Geological Prog. F7=Drilling Prog. F8=Mud Prog. F9=Other Instr. F10=Directions to Loc. F13=Vendor Check List

9/09/09 14:53:29





# Yates Petroleum Corporation

Typical 3.000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



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



BOP-3



# Yates Petroleum Corporation

Location Layout for Permian Basin

# Closed Loop Design Plan

Vespa "BMF" Federal Com. #2H 950' FSL & 200' FWL, SHL 350' FSL & 330' FEL, BHL Section 9-T15S-R31E Chaves County, New Mexico EXHIBIT C



YATES PETROLEUM CORPORATION Piping from Choke Manifold to the Closed-Loop Drilling Mud System

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<b>-¢'</b>	Jast I Roy Furr Sheldon			GUIT GUUT	11 67 4 13 4 Williams - 14	H5 H6	Burleson 35 St 12 A	2°C (26) 33 - 01) -Cont (1.032	Marshall+W. 43-5 7-1-14 1 V-8493	
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#### November 3, 2009

I, Jace Reid as the appointed Authorized Representative for Billy R. Medlin and Donna K. Medlin owners of the surface on which Yates Petroleum Corporation's Vespa BME Federal Com. #2H well shall be drilled upon being the 950' FSL and 200' FWL, Section 9, T15S-R31E, Chaves County, New Mexico I hereby authorize Yates Petroleum Corporation to drill this well from non-federal lands and as authorized representative I guarantee the Department of the Interior, including the Bureau of Land Management access to the non-federal lands to perform all necessary surveys and inspections of this well location.

Jace Reid, Authorized Representative for Billy R. Medlin and Donna K. Medlin Surface Owners.

#### Vespa BME Federal Com #2H Page Three

#### 11. SURFACE OWNERSHIP:

Split Estate—Private Surface Surface owners are Billy R. Medlin and Donna K. Medlin, his wife, as joint tenants. Mailing address is P.O. Box 50 Maljamar, NM 88264. Yates Petroleum Corporation has entered into a surface use agreement with Mr. Medlin to access and drill the Vespa BME Federal Com. #2H well. Please be advised the Bureau of Land Management will not be supplied with a copy of the agreement between Yates Petroleum Corporation and Mr. Medlin as it is confidential between the two parties.

Mineral estate administered by the Bureau of Land Management, Roswell Field Office. 2909 West Second Street, Roswell, NM 88201.

#### 12. OTHER INFORMATION:

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

#### V. DRILLING

#### **DRILLING OPERATIONS REQUIREMENTS**

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During office hours call (575) 627-0205 or after office hours call (575) 910-6024. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.

2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:

a. Spudding well

b. Setting and/or Cementing of all casing strings

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

BOPE Tests

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. Include the API Number assigned to well by NMOCD on the subsequent report of setting the first casing string.

5. 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.

6. The operator will accurately measure the drilling rate in ft/min to set the base of the usable water protection casing string(s) opposite competent rock. The record of the drilling rate along with the caliper-gamma ray-neutron well log run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion

7. Air, air-mist or fresh water and non toxic drilling mud shall be used to drill to the base of the usable water protection casing string(s). Any polymers used will be water based and non-toxic.

#### B. CASING

1. The 13-3/8 inch usable water protection casing string(s) shall be set at approximately 400 feet in competent bedrock. If the bedrock at this depth is not competent for cementing the usable water protection casing string; the operator will drill to the next competent bedrock (i.e. 15 to 25 ft or greater) to set the casing in the event Halite (salt) is encountered the operator will set casing 25 ft above the salt.

a. If cement does not circulate to the surface, the Roswell Field 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 or 500 pounds compression 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 compression 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 <u>sufficient</u> to circulate to the surface. If cement does not circulate see B.1.a-d above.

3. The minimum required fill of cement behind the <u>7</u> inch production casing is <u>sufficient to tie</u> <u>back 200 feet into the 9-5/8 inch intermediate casing set at 3900 feet</u>. If cement does not circulate, 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.

4. The minimum required fill of cement behind the 4-1/2 inch production casing (liner) is sufficient to tie back 200 feet into the 7 inch production casing set at approximately 8972 feet. If cement does not circulate, 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.

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. All casing shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

#### **C. PRESSURE CONTROL:**

1. Before drilling below the <u>13-3/8</u> inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the <u>9-5/8</u> inch intermediate casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the  $\underline{13-3/8}$  inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be  $\underline{2000}$  psi. Before drilling below the  $\underline{9-5/8}$  inch intermediate casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be  $\underline{3000}$  psi.

3. The BOPE shall be installed before drilling below the 13-3/8 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

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

b. The tests shall be done by an independent service company.

c. 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. 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 BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

e. 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.

f. Testing must be done in a safe workman like manner. Hard line connections shall be required.

#### VI. PRODUCTION

#### A. WELL STRUCTURES & FACILITIES

#### **Placement of Production Facilities**

Production facilities should be placed on the well pad to allow for maximum interim recontouring and re-vegetation 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, Juniper Green (Standard Environmental Color Chart June 2008).

#### VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

# VII. 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.

During reclamation, the removal of caliche is important to increasing the success of re-vegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, 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 re-vegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Loamy, SD-3 Ecological Site; Loamy CP-2; Gyp Upland CP-2 (for Loamy HP-3)		
Common Name		Pounds of Pure
and Preferred Variety	Scientific Name	Live Seed Per Acre
Blue grama,	(Bouteloua gracilis)	4.00 LBS.
Sideoats grama,	(Bouteloua curtipendula)	1.0 LB.
Sand dropseed	(Sporobolus cryptandrus)	0.5 LB.
Vine mesquite	(Panicum obtusum)	1.0 LB.
Plains bristlegrass	(Setaria macrostachya)	1.0 LB.
Indian blanketflower	(Gaillardia aristata)	0.5 LB.
Desert or Scarlet	(Sphaeralcea ambigua)	1.0 LB.
Globernallow or	(S. coccinea)	
Annual sunflower	(Helianthus annuus)	0.75 LB.
TOTAL POUNDS PURE LIVE SEED (pls)		9.75 LBS.

Certified Weed Free Seed. If one species is not available, increase ALL others proportionately. Use No Less than 4 species, including one forb. No less than 9.75 pounds lbs per acre shall be applied.

# VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

a. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.

b. 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 agreements and a copy of the release is to be submitted upon abandonment.

c. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). A 4-inch pipe, 10 feet in length, shall be installed 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).

d. Surface Reclamation must be completed within 6 months of well plugging. If the operator proposes to modify the plans for surface reclamation approved on the APD, the operator must attach these modifications to the Subsequent Report of Plug and Abandon using Sundry Notices and Reports on Wells, Form 3160-5.