

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**RECEIVED**
OCD-HOBBS
AUG 23 2010
HOBBSOCDFORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

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 page 2.

1 Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5 Lease Serial No NM-104693
2 Name of Operator Yates Petroleum Corporation 025575	6 If Indian, Allottee or Tribe Name
3a Address 105 South Fourth Street, Artesia, NM 88210	7 If Unit or C/A/Agreement, Name and/o
3b Phone No. (include area code) (505) 748-1471	8 Well Name and No Bargain BQA Federal #1H
4 Location of Well (Footage, Sec., T., R., M., or Survey Description) 1980' FSL and 1980' FEL Surface Hole Location, 22-22S-33E 1980' FSL and 2310' FEL Bottom Hole Location, 21-22S-33E	9 API Well No 30-025-33341
	10 Field and Pool, or Exploratory Area Wildcat Bone Springs
	11 County or Parish, State Lea County, New Mexico

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

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 change
	<input checked="" type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon bottom hole
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal location

13 Describe Proposed or Completed Operation. 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 must 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 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has

Yates Petroleum Corporation wishes to change the name from the Bargain BQA Federal #1, a vertical drill, to the Bargain BQA Federal # 1H, a horizontal drill. Attached is a new C-102 along with new engineering plans. Also attached are the Drilling Plan and the Surface Use Plan of Operations. The penetration point is a non-standard location. Therefore, Yates is filing for administrative approval for the non-standard entry point with the State.

**SUBJECT TO LIKE
APPROVAL BY STATE****SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

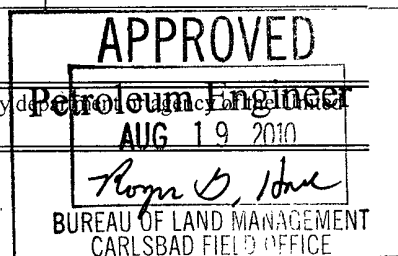
14 I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Clifton May	Title Land Regulatory Agent
Signature <i>Clifton May</i>	Date August 11, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by PETROLEUM ENGINEER	Title Office	Date AUG 23 2010
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.		

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)



RECEIVED

DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

DISTRICT II

1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Asteo, NM 87410

DISTRICT IV

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

State of New Mexico
Energy, Minerals and Natural Resources Department

AUG 23 2010

Form C-102
Revised July 18, 2010

HOBBSOCD

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-025-33341	Pool Code 96403	Pool Name Wildcat Bone Spring
Property Code 38246	Property Name BARGAIN "BQA" FEDERAL	Well Number 1H
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3555

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	22	22 S	33 E		1980	SOUTH	1980	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
J	21	22 S	33 E		1980	SOUTH	2310	EAST	LEA

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
200			

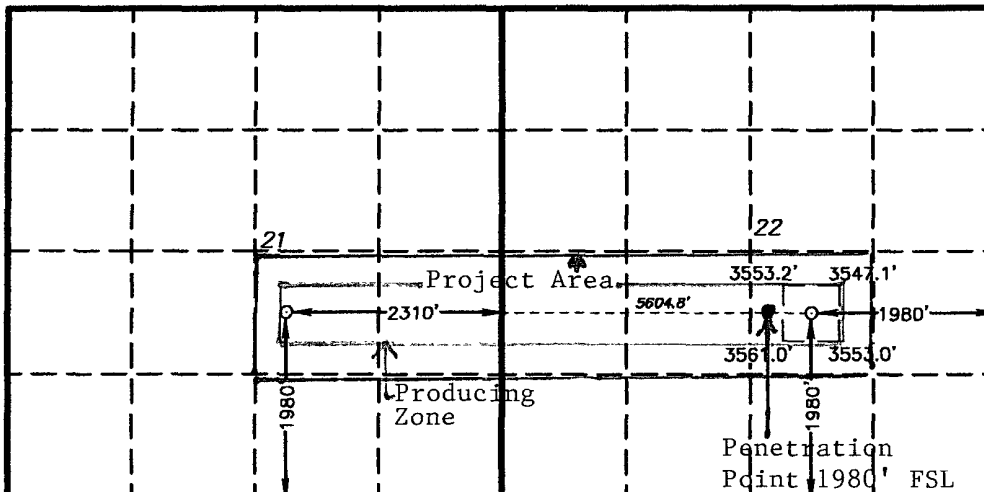
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

PROPOSED BOTTOM
HOLE LOCATION

Lat - N 32°22'31.81"
Long - W 103°34'34.76"
NMSPCE- N 501165.835
E 775043.105
(NAD-83)

SURFACE LOCATION

Lat - N 32°22'31.66"
Long - W 103°33'29.41"
NMSPCE- N 501191.667
E 780647.821
(NAD-83)



Penetration
Point 1980' FSL

2457' FEL
22-22S-33E

OPERATOR CERTIFICATION

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 or has a right to drill this well at this 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.

Signature Clifton May Date 8/11/10

Printed Name Clifton May

Email Address cliff@yatespetroleum.com

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.

Date Surveyed July 31, 2010
Signature & Seal of Professional Surveyor [Signature]

Certificate No. Gary L. Jones 7977

BASIN SURVEYS 23214

YATES PETROLEUM CORPORATION
Bargain BQA Federal #1H Re-entry
1980' FSL and 1980' FEL, Section 22-T22S-R33E,SHL
1980' FSL & 2310' FEL, 21-22S-33E, BHL
Lea County, New Mexico

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

Rustler	989'	Brushy Canyon	7160'
BOS	4558'	Bone Springs	8889'
Bell Canyon	5078'	FBSG Sand	9930'
Cherry Canyon	5754'	TD (Pilot Hole)	10500'
		TD(Lateral VD)	9500' MD 14904'

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

Water: Already Cased Off
Oil or Gas: 5078', 5754, 7160', 8889', & 9930'

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 5000# BOP System. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers 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.
4. 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.
5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: All new casing to be used

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	54.5#	J-55	ST&C	0-650'-in place	
12 1/4"	8 5/8"	32#	J-55	ST&C	0-4906'-inplace	
7 7/8" (Pilot Hole)						
7 7/8"	5 1/2"	17#	P-110	LT&C	0-14905'(MD)	14905'

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

B. CEMENTING PROGRAM:

Surface Casing: Originally cemented with 425 sacks and circulated to surface.

Intermediate Casing: Originally cemented with 1850 sacks and cement circulated to surface.

Production Casing: Stage One: Cement with 2050 sacks Pecos Vilt. (Wt. 13.0 Yld 1.41) TOC 6600'. DV Tool set approximately 6600'.
Stage Two: Cement with 325 sacks C Lite (Wt. 12.5 Yld. 2.0), Tail in 100 sacks Pecos Vilt (Wt. 13.0 Yld. 1.41. TOC 4400'.

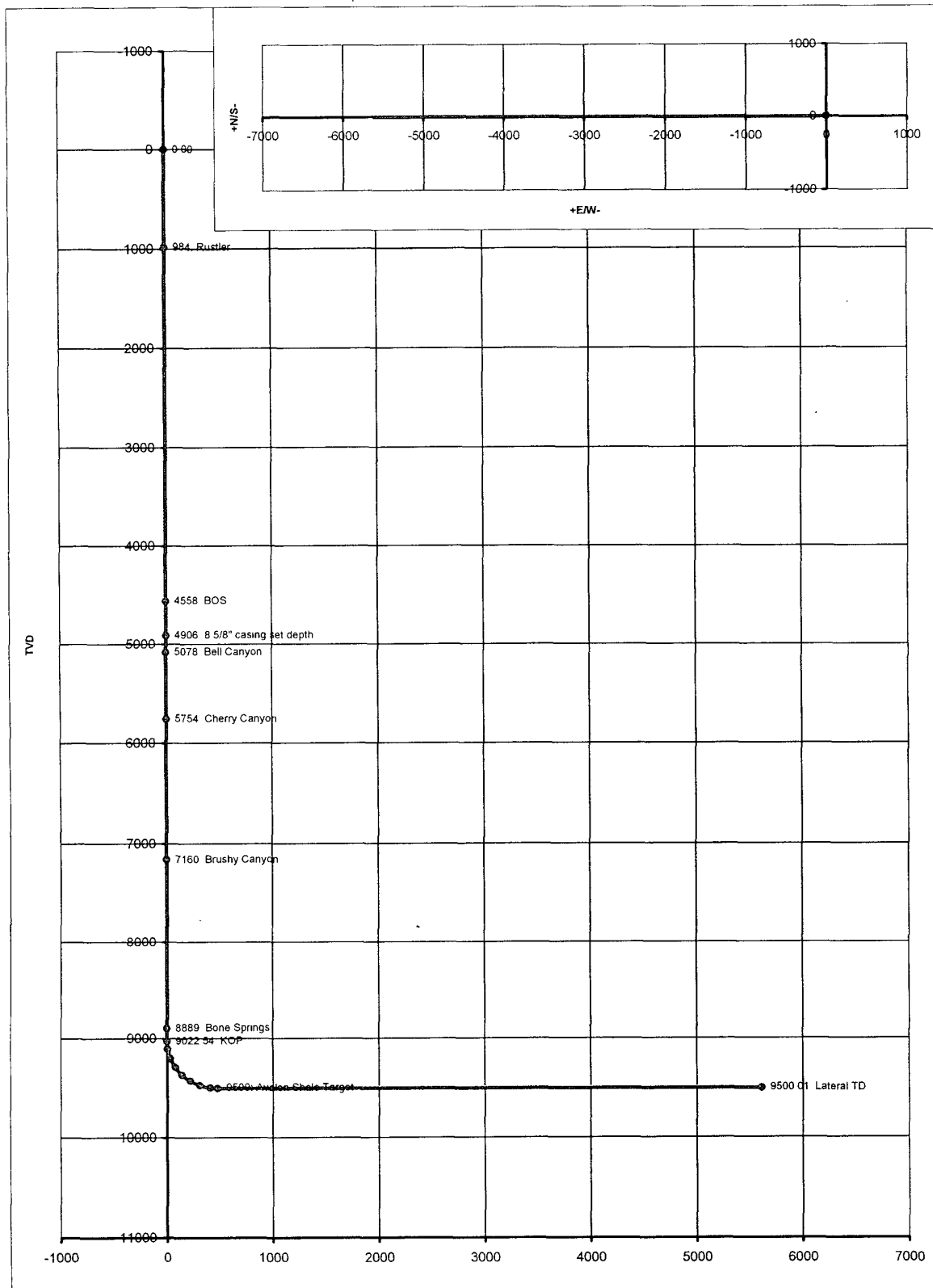
Bargain BQA Federal #1H
Page Two

Maximum Anticipated BHP: 4906-10500' 5242 PSI
Abnormal Pressure Anticipated: None
Lost Circulation Zones Anticipated: None
H2S Zones Anticipated: None
Maximum Bottom Hole Temperature: 160 F

Yates Petroleum Corporation plans to re-enter this well using a completion and a drilling rig. We plan to drill out the cement plugs in the 8 5/8" casing with a completion unit, then move in a drilling rig and drill out the 8 5/8" casing shoe plug. Then drill out two plugs in the open hole, down to the current TD of 9,150'. Then drill formation and deepen the well down to a new TD of 10,500'. If logs dictate, hole will be plugged back with a 200' plug 9900'-10100' then a kick off plug from approximately 8800'-9400'. Well will then be kicked off at 9022' and drilled at 12 degrees per 100' with a 7 7/8" to 14905' MD (9500' TVD), where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 1980' FSL and 2457' FEL, Section 22-22S-33E. Deepest TVD in the well is 10500' in the pilot hole. Deepest TVD in the lateral will be 9500'.

Co: Yates Petroleum Corp.		Units: Feet, °, 7100ft		VS Az: 270.00	Tgt TVD: 9500.00
Drillers: 0		Elevation:		Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Bargain BQA Federal #1		Northing:		Tgt N/S: 0.00	Tgt Displ.: 0.00
Location: 0		Easting:		Tgt E/W: -5610.00	Method: Minimum Curvature

No.	MD	CL	Inc	Azi	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	984.00	984.00	0.00	360.00	984.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 Rustler
2	4558.00	3574.00	0.00	360.00	4558.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 BOS
3	4906.00	348.00	0.00	360.00	4906.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 8 5/8" casing set depth
4	5078.00	172.00	0.00	360.00	5078.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 Bell Canyon
5	5754.00	676.00	0.00	360.00	5754.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00 Cherry Canyon
6	7160.00	1406.00	0.00	360.00	7160.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00 Brushy Canyon
7	8889.00	1729.00	0.00	360.00	8889.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00 Bone Springs
8	9022.54	9022.54	0.00	270.00	9022.54	0.00	0.01	0.00	0.00	-1.00	0.00	0.00 KOP
9	9100.00	77.46	9.30	270.00	9099.66	6.27	0.01	-6.27	12.00	0.00	12.00	
10	9200.00	100.00	21.30	270.00	9195.94	32.60	0.01	-32.60	12.00	0.00	12.00	
11	9300.00	100.00	33.30	270.00	9284.64	78.38	0.01	-78.38	12.00	0.00	12.00	
12	9400.00	100.00	45.30	270.00	9361.89	141.59	0.01	-141.59	12.00	0.00	12.00	
13	9500.00	100.00	57.30	270.00	9424.31	219.49	0.01	-219.49	12.00	0.00	12.00	
14	9600.00	100.00	69.30	270.00	9469.16	308.66	0.01	-308.66	12.00	0.00	12.00	
15	9700.00	100.00	81.30	270.00	9494.50	405.21	0.01	-405.21	12.00	0.00	12.00	
16	9772.53	750.00	90.00	270.00	9500.00	477.46	0.01	-477.46	12.00	0.00	12.00	12.00 Avalon Shale Target
17	14905.07	5132.54	90.00	270.00	9500.01	5610.00	0.01	-5610.00	0.00	0.00	0.00	0.00 Lateral TD



MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Bargain BQA Federal #1H Re-Entry
1980' FSL & 1980' FEL, Section 22-T22S-R33E, SHL
1980' FSL & 2310' FEL, Section 21-T22S-R33E, BHL
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 48 miles east of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: From Carlsbad, New Mexico take Hobbs HWY (62/180) to State Road 31. Take 31 and go to the intersection of 31 & 128 (Jal HWY). Take 128 and go approximately 17 miles to the intersection of Red Road and Highway 128. At this point continue on Highway 128 for approximately 1.1 miles to the El Paso Pipeline on the left. Turn left here and follow the El Paso Pipeline for approximately 12.3 miles staying on the El Paso pipeline road the whole way. At this point there will be a lease road going left and a pit on the left side also. The pit has some pipe stored and stacked in it. Turn left here on the existing lease road and go approximately 1.5 miles. There will be a lease road that has been blocked with a dirt berm on the left. Turn left here and follow the lease road for approximately 0.3 of a mile to the northeast corner of the well location.

2. PLANNED ACCESS ROAD:

- A. No new road. Access is existing
- B. The route of the road is visible.
- C. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is no 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 no 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 until an electric line can be built, if needed.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to re-enter the proposed well with a brine 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:

The dirt contractor will be responsible for finding a source of material for any repairs that may be needed of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be re-entered with a closed loop system
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- C. Drilling fluids will be removed after drilling and completions are completed.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. 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, pulling unit orientation and access road approach. Note: Pits to north.
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- C. A 600’ x 600’ 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 have been leveled.
- C. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.
- D. See attached plans for interim and final reclamation.

11. SURFACE OWNERSHIP:

Federal Lands under the supervision of the Carlsbad BLM. .

12. OTHER INFORMATION:

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

RECEIVED

AUG 23 2010

HOBBSOCD

**PECOS DISTRICT
CONDITIONS OF APPROVAL**

OPERATOR'S NAME:	Yates Petroleum
LEASE NO.:	NMNM104693
WELL NAME & NO.:	Bargain BQA Fed #1H
SURFACE HOLE FOOTAGE:	1980' FSL & 1980' FEL Sec 22-22S-33E
BOTTOM HOLE FOOTAGE:	1980' FSL & 2310' FEL Sec 21-22S-33E
LOCATION:	Section 22, T. 22 S., R 33 E., NMPM
COUNTY:	Lea County, New Mexico

A. CASING

The kick off plug plugging procedure is approved as written. Note plug top on drilling report.

Centralizers required on horizontal leg, must be type for horizontal service and minimum of one every other joint.

1. The minimum required fill of cement behind the **5-1/2** inch production casing is:

a. First stage to DV tool, cement shall:

☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job.

b. Second stage above DV tool, cement shall:

☒ Cement should tie-back at least **500** feet into previous casing string. Operator shall provide method of verification.

RGH 081910