

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Oil Cons.
N.M. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

If earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

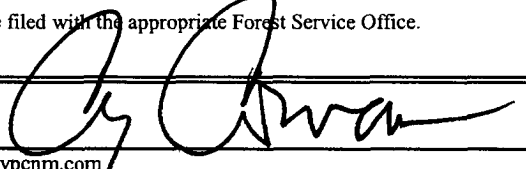
AUG 09 2004

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-18486	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" 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. 30411	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Playa AYH Federal Com. #1	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-33865	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1290' FNL & 660' FWL, NWSW, 31-18S-25E At proposed prod. Zone same as above		10. Field and Pool, or Exploratory Penasco Draw Marrow	
14. Distance in miles and direction from nearest town or post office* Approximately 16 miles SW of Artesia, NM		11. Sec., T., R., M., or Blk, and Survey or Area Section 31-T18S-R25E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of Acres in lease 243.4	17. Spacing Unit dedicated to this well 320 W/2	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 9000'	20. BLM/BIA Bond No. on file Nationwide Bond #NM-2811	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3639' GR	22. Approximate date work will start* ASAP	23. Estimated duration 60 Days	

24. Attachments **Acrowell Controlled Water Basin**

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 	Name (Printed/Typed) Cy Cowan / Land Department	Date 6/29/04
---	---	------------------------

email: debbiec@ypcnm.com

Title: **Regulatory Agent**

Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date AUG 05 2004
--	---	-------------------------

Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE
-----------------------------------	-------------------------------------

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES

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

District I

1625 N. French Dr., Hobbs, NM 88240

District II

811 South First, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised August 15, 2000

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

☐ AMENDED REPORT
WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name Penasco Draw Morrow
⁴ Property Code	⁵ Property Name Playa AYH Federal Com.	
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁶ Well Number 1
		⁹ Elevation 3639'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lot 1	31	18S	25E		1290	North	660	West	Eddy

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320 W/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
---	-------------------------------	----------------------------------	-------------------------

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

	<div style="border: 1px solid black; padding: 5px;"> ¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <div style="text-align: right; margin-top: 10px;"> </div> <div style="margin-top: 5px;"> Signature Cy Cowan Printed Name Regulatory Agent Title 06/30/2004 Date </div> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> ¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor: <div style="border: 1px solid black; height: 40px; width: 100%; margin-top: 10px;"></div> Certificate Number </div>
--	---

District I
1825 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, N M 87505

Form C-102

Revised March 17, 1989

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		Penasco Draw Morrow
Property Code	Property Name	Well Number
	PLAYA "AYH" FEDERAL COM	1
OGRID No.	Operation Name	Elevation
025575	YATES PETROLEUM CORPORATION	3639

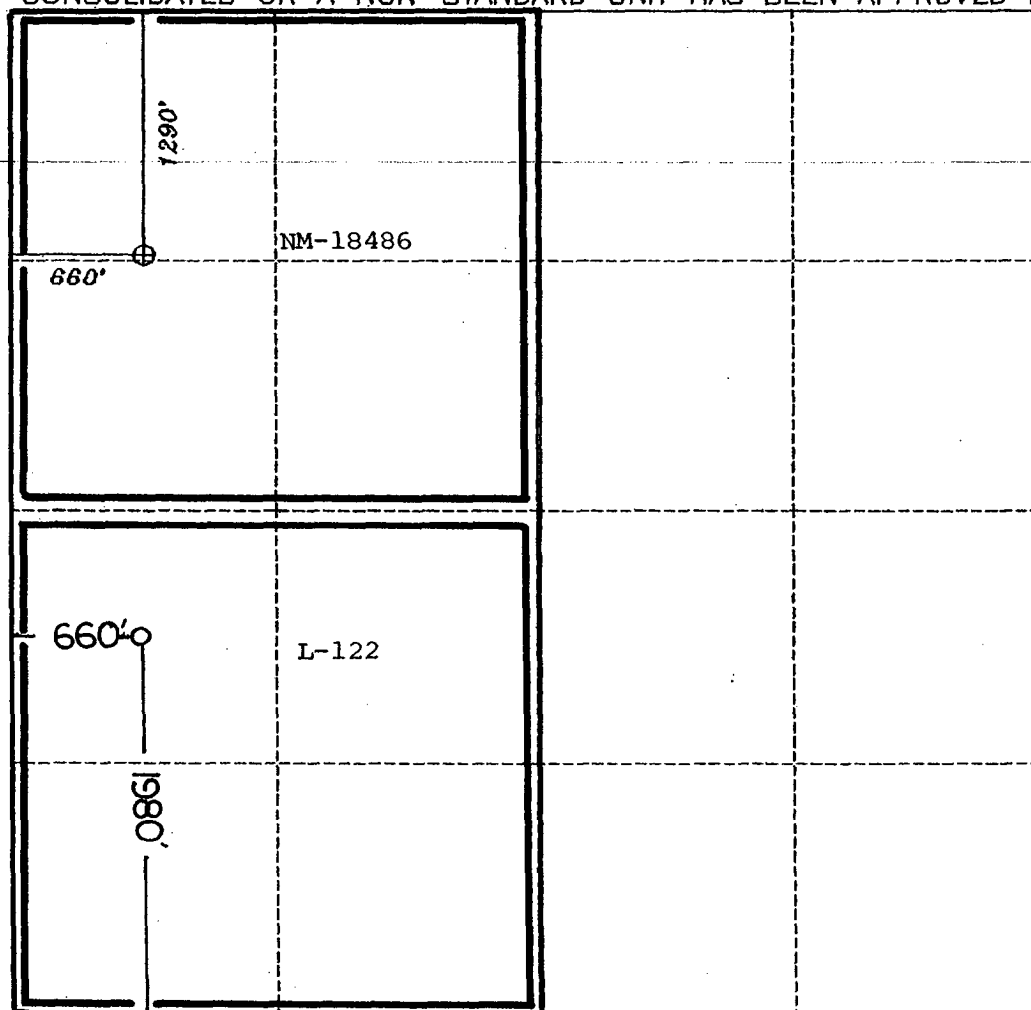
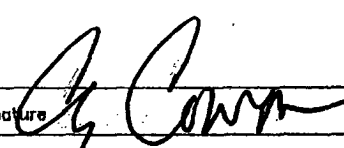
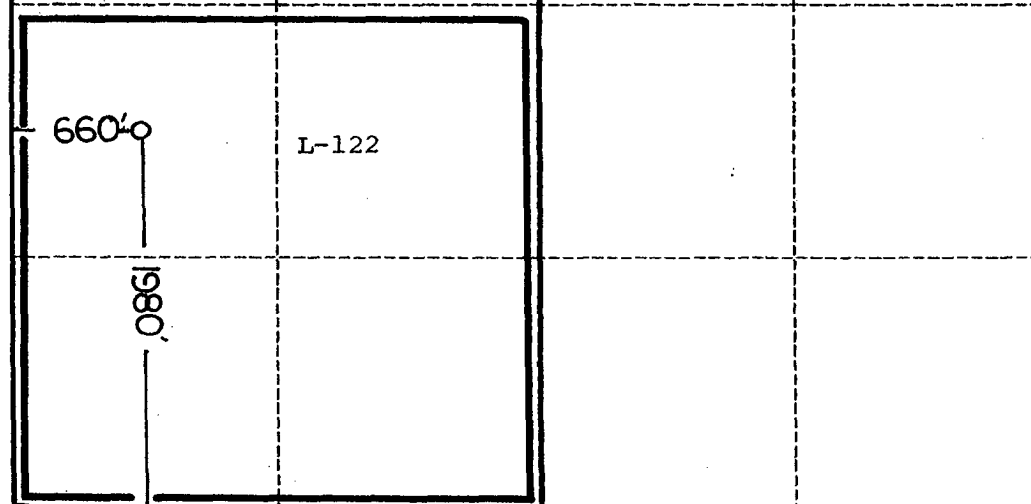
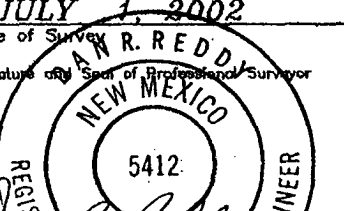
Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
LOT 1	31	18-S	25-E		1290	NORTH	660	WEST	EDDY

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
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320 W/2									

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

	OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.
	Signature  Printed Name Cy Cowan Title Regulatory Agent Date 7/9/2002
	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 KNOWLEDGE AND BELIEF.
	Date of Survey JULY 1, 2002 Signature  NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 5412 Certificate Number

YATES PETROLEUM CORPORATION

Playa "AYH" Federal #1
1290' FNL and 660' FWL
Section 31-T18S-R25E
Eddy County, New Mexico

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

San Andres	645'	Atoka	8365'
Glorieta	1985'	Morrow Clastics	8600'
Tubb	3395'	Middle Morrow	8645'
Abo	4035'	Lower Morrow	8825'
Wolfcamp	5345'	Chester Lime	8925'
Cisco	6395'	TD	9000'
Strawn	7775'		

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

Water: 250'-350'
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

<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"	48#	H-40	ST&C	0-400'	400'
12 1/4"	8 5/8"	24#	J-55	ST&C	0-1200'	1200'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-200'	200'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	200'-6700'	6500'
7 7/8"	5 1/2"	17#	J-55	LT&C	6700'-8000'	1300'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	8000'-9000'	1000'

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

B. CEMENTING PROGRAM:

Surface casing: 450 sx "C" + 2% CaCL₂ (YLD 1.34 WT 14.8).

Intermediate Casing: 400 sx Lite (YLD 2.0 WT 12.5). Tail in w/200 sx "C" + 2%
CaCL₂ (YLD 1.32 WT. 15.6).

Production Casing: TOC=4800', 600 sx Super "C" (YLD 1.67 wt. 13.0).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	FW/Native Mud	8.4-8.8	28-33	N/C
400'-1200'	FW	8.4	28	N/C
1200'-8200'	Cut Brine	8.8-9.6	28	N/C
8200'-TD	Salt Gel/Starch/KCL	9.6-9.8	32-38	<12cc

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' samples out from under intermediate casing.

Logging: Platform Express/HALS/sonic; possible FMI.

Coring: Rotary Sidewall Cores

DST's: Possible from Cisco to TD.

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

Anticipated BHP:

From: 0	TO: 400'	Anticipated Max. BHP: 150 PSI
From: 400'	TO: 1200'	Anticipated Max. BHP: 600 PSI
From: 1200'	TO: 9000'	Anticipated Max. BHP: 4800 PSI

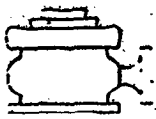
No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None Anticipated

8. ANTICIPATED STARTING DATE:

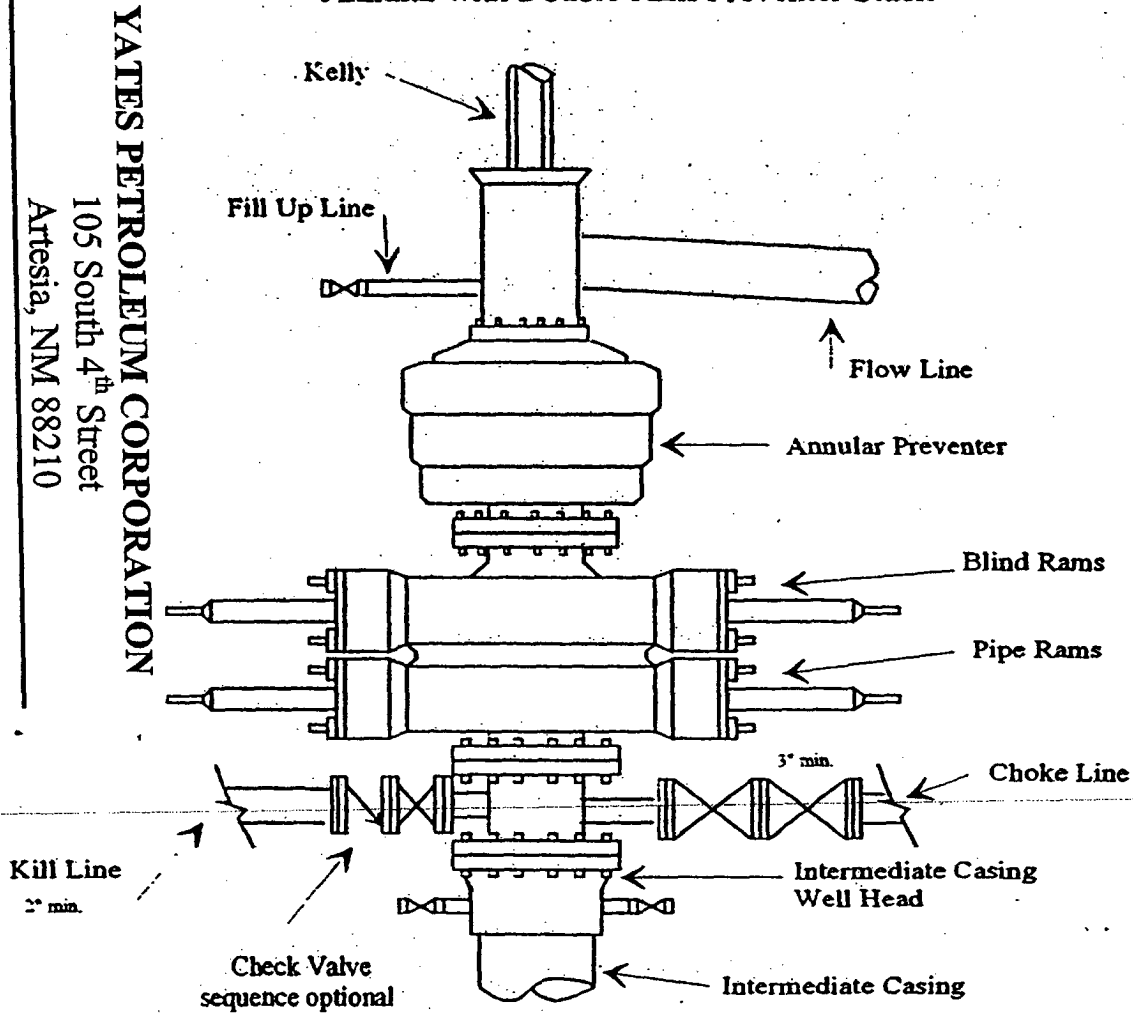
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 30 days.



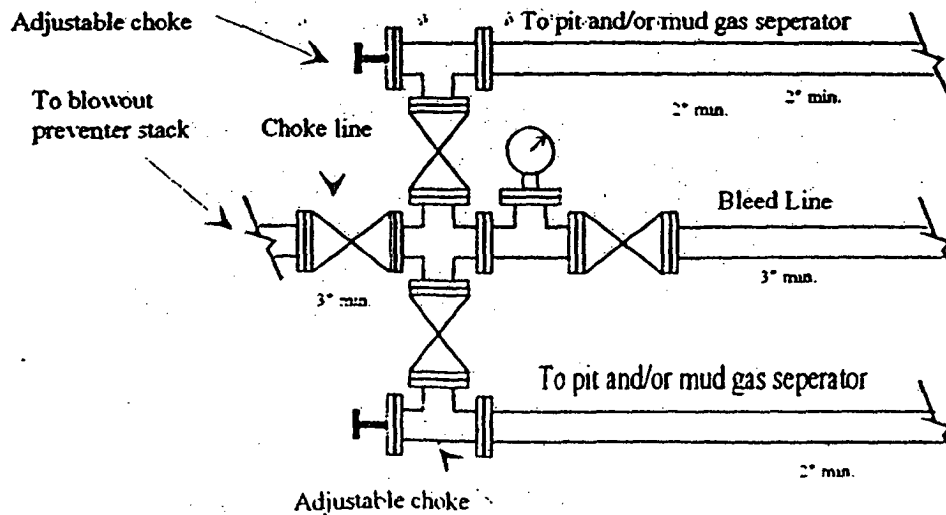
Yates Petroleum Corporation

BOP-3

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



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



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Playa "AYH" Federal Com. #1

1290' FNL & 660' FWL

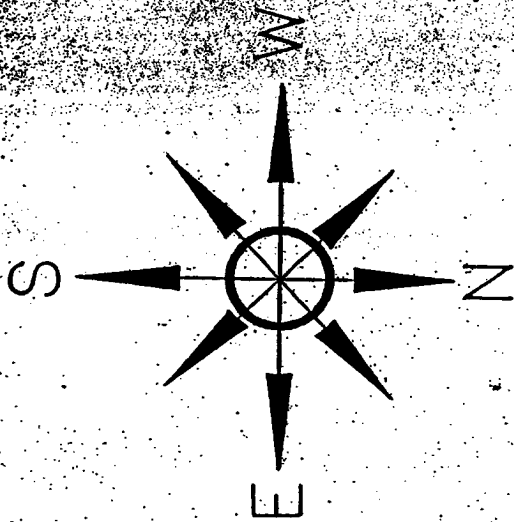
Section 31-T18S-R25E

Eddy County, New Mexico

Exhibit "B"

Yates Petroleum Corporation

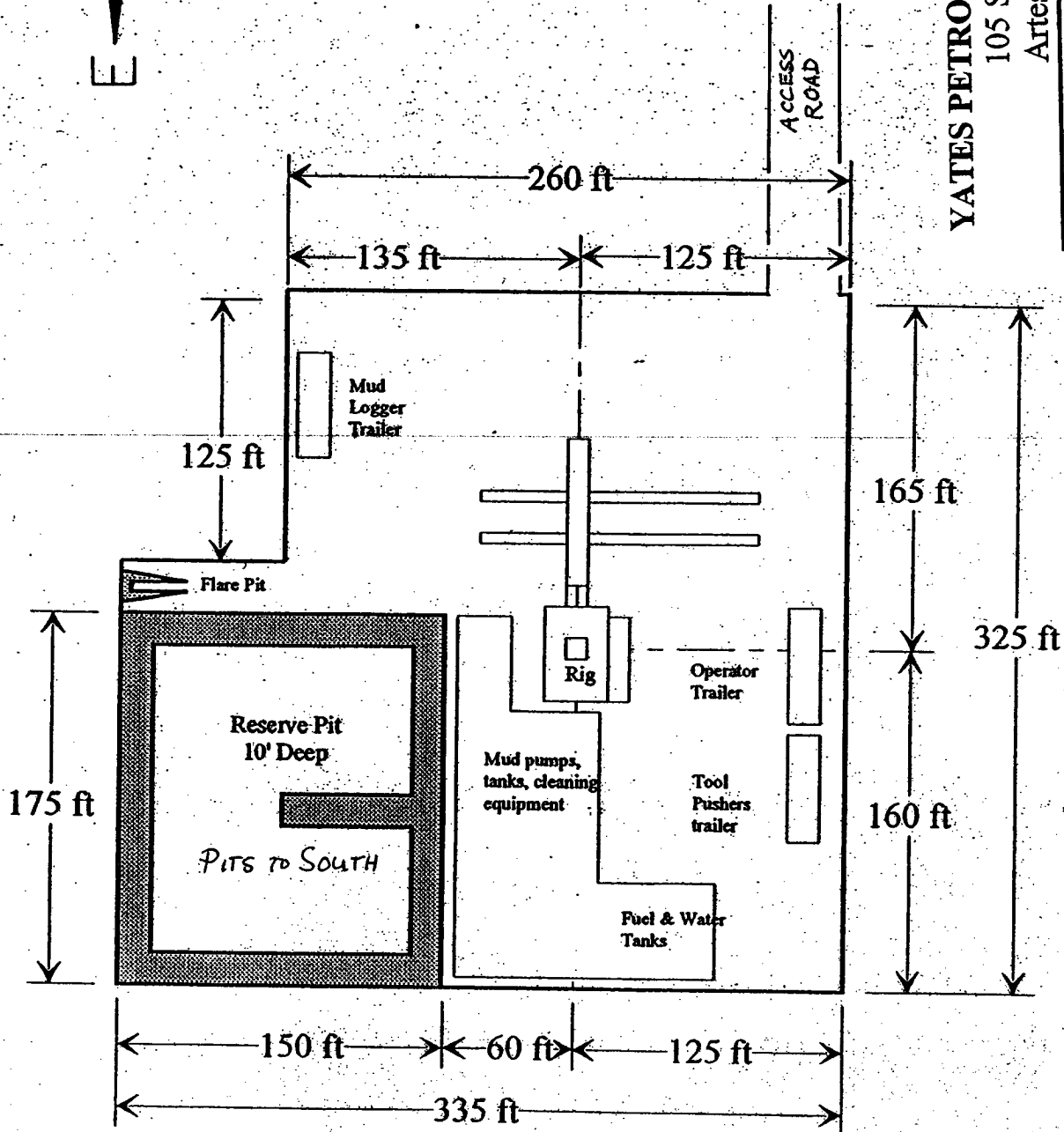
Location Layout for Permian Basin
Up to 12,000'



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Playa "AYH" Federal Com. #1
1290' FNL & 660' FWL
Section 31-T18S-R25E
Eddy County, New Mexico
Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum