N.M. Oil Cons. D1V-Dist. 2 1301 W. Grand Avenue Artesia, NM 88210

Form 3160-3 (August 1999) Artesia,

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

UNITED STATES	3		Expires November	30, 2000		
DEPARTMENT OF THE I	NTERIOR		5. Lease Serial No.			
BUREAU OF LAND MANAC	NM-101080					
APPLICATION FOR PERMIT TO D	RILL OR REENTER		6. If Indian, Allottee or Trib	e Name		
1a. Type of Work: DRILL X RE	ENTER		7. If Unit or CA Agreement	, Name and No.		
			8. Lease Name and Well No			
b. Type of Well: Oil Well Gas Other Well	Single Zone	Multiple Zone	Liberty BEL Feder			
2. Name of Operator			9. API Well No.			
Yates Petroleum Corporation			30-015-33	370		
3A. Address 105 South Fourth Street	3b. Phone No. (include area	code)	10. Field and Pool, or Explo	ratory		
Artesia, New Mexico 88210	(505) 748-	1471	Indian Basin Upper Pe	nn Associated		
4. Location of Well (Report location clearly and in accordance with any			11. Sec., T., R., M., or Blk,			
At surface 1672' FSL ar	nd 1144' FEL		Section 27, T2	1S-R24E		
At proposed prod. Zone 660' FSL and 660' FWL S		F RHI	Surface Locat			
14. Distance in miles and direction from nearest town or post office*		TO LIKE	12. County or Parish	13. State		
Approximately 30 miles northwest of Carlsbad, Ne			1	NM		
15. Distance from proposed*	16. No. of Acres in lease		nit dedicated to this well	14141		
location to nearest property or lease line, ft. (Also to nearest drig, unit line, if any)	760.00	Tr. Spacing S	S/2	RECEIVED		
18. Distance from proposed location*	19. Proposed Depth	20. BLM/BIA				
to nearest well, drilling, completed, applied for, on this lease, ft. 1500'	10400'		NM_2811	DEC 1 5 2004		
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work	will start*	23. Estimated duration			
4002' GL	ASAP		45 days	5		
	24. Attachments	CARLSBA	AD CONTROLLED WAT	ER BASIN		
The following, completed in accordance with the requirements of Onshor	e Oil and Gas Order No. 1, sha	all be attached to this	form:			
1. Well plat certified by a registered surveyor.	4. Bond to	cover the operations	s unless covered by an existing	bond on file (see		
2. A Drilling Plan.	Item 20 a	above).		-		
3. A Surface Use Plan (if the location is on National Forest System Land	s, the 5. Operator	certification.				
SUPO shall be filed with the appropriate Forest Service Office.	6. Such other	-	nation and/or plans as may be re	equired by the		
25. Signature	Name (Printed/Type	.d)	Date			
M (swen	Cy Cowan	·a)	Date	8/5/04		
Regulatory Agent						
Regulatory Agent						
Approved by (Signature)	Name (Printed/Type	ed)	Date 3	DEC 2004		
/s/ Joe G. Lara		/s/ Joe G		DEO 2001		
Title FIELD MANAGER	Office		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 ar	oplicant to conduct		
operations thereon.				•		
Conditions of approval, if any, are attached.		APPROVA	AL FOR 1 YEAR			
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a			ake to any department or agency	y of the United		

*(Instructions on reverse)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED DISTRICT I 1625 H. French Dr., Hobbs, 302 86240 DISTRICT II 811 South First, Artesia, NM 88210

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV 2040 South Pecheco, Santa Fe, NM 87505

DISTRICT III

State of New Mexico

Energy, Minerale and Natural Resources Department

Form C-102 ed March 17, 1990 instruction on back Submit to Appropriate District Office

State Lease - 4 Copies Fee Lease - 3 Copies

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe. New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

Pool Code	Pool Name				
	Indian Basin Upper Penn	Associated			
Propo	erty Name	Well Number			
LIBERTY "BEL"	FEDERAL	1			
Opera	tor Name	Elevation			
YATES PETRO	LEUM CORPORATION	4002			
-	Prope LIBERTY "BEL" Opera				

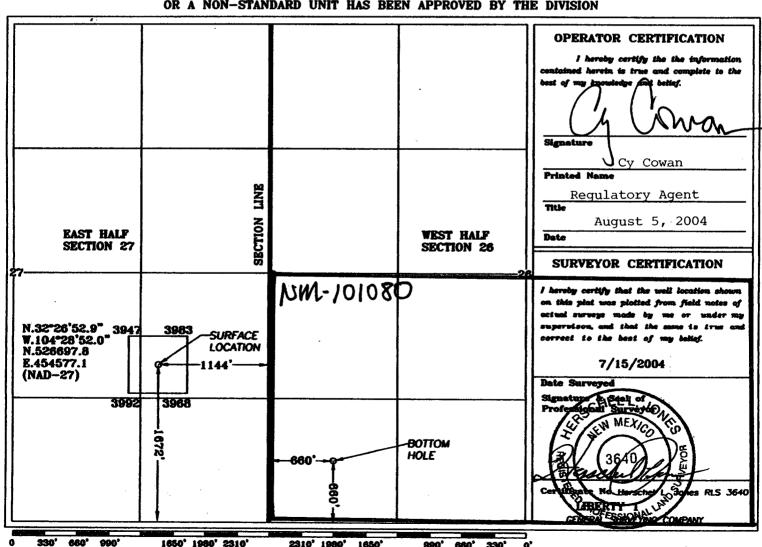
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Peet from the	North/South line	Feet from the	Bast/West line	County
I	27	218	24E		1672	SOUTH	1144	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section 26	Township 21S	Range 24E	Lot idn	Feet from the 660	North/South line SOUTH	Feet from the 660	East/West line WEST	County EDDY
Dedicated Acre	Joint o	e Infili	Consolidation (Code Or	der No.				
320									

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



2310' 1980' 1650'

990'

660

330*

YATES PETROLEUM CORPORATION Liberty BEL Federal #1

1672' FSL and 1144' FEL Surface Location Section 27, T21S-R24E 660' FSL & 660' FWL Bottom Hole Location Section 26-T21S-R24E **Eddy County. New Mexico**

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

Yates/Seven Rivers	Surface	Lower Canyon Lime	8335'
San Andres	585'	Strawn	8875'
Glorietta	1568'	Atoka	9535'
2 nd Bone Springs	4134'	Upper Morrow	9875'
3rd Bone Springs	6975'	Mid Morrow	9975'
Wolfcamp	7295'	Lower Morrow	10135'
Cisco Canyon Dolomite	7925'	Base Morrow	10215'
Base of Dolomite	8465'	TD	10400'

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.

Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3. 5000 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:

- Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.
- 4. THE PROPOSED CASING AND CEMENTING PROGRAM:
 - A. Casing Program: (All New)

Hole Size	Casing Size	Wt./Ft	<u>Grade</u>	Coupling	<u>Interval</u>	<u>Length</u>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1650	1650' WITNESS
8 3/4"	7.0"	23#+26#	HCP-110	LT&C	9300'-10400'	1300'

Possible set 7" early if severe lost circulation in Canyon

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when production casing will be set. If a BOP system is required then we wish to install a 2M system and receive a varience to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

Liberty BEL Federal #1 Page 2

B. Cementing Program:

Surface casing: 200 sx 'H' (YLD 1.53 WT 14.6), tail with 1000 sx Lite 'C' Lite (YLD 1.9 WT 12.7). Tail in w/200 sx 'C' Neat + 2% CaCl2 (YLD 1.9 WT 12.7).

Production Casing: Stage I 600 sx Super 'C' Modified (YLD 1.6 WT 13.0). DV Tool @7700'

Stage II 1200 sx Lite 'C' (YLD 1.95 WT 12.5). Tail in w/100 sx 'H'

Neat (YLD 1.18 WT 15.6). TOC-1150'

May use nitrified mud cement job if wellbore conditions permit.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	Fluid Loss
0-1650'	FW/Air Mist	8.4	28	N/C
1650'-7800'	Cut Brine	8.8-9.0	28	N/C
7800'-9800'	Cut Brine/Starch	9.0-9.4	28-32	<15cc
9800'-10400'	Salt Gel/Starch	9.4-9.8	34-36	<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 from intermediate casing. Logging: Platform Express/HRLA/NGT/FMI.

Coring: None anticipated. None anticipated.

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

Anticipated BHP:

From: 0 TO: 1650 Anticipated Max. BHP: 1050 PSI From: 1650' TO: 10600' Anticipated Max. BHP: 5300 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possible in surface and intermediate holes.

H2S Zones Anticipated: Possible Canyon

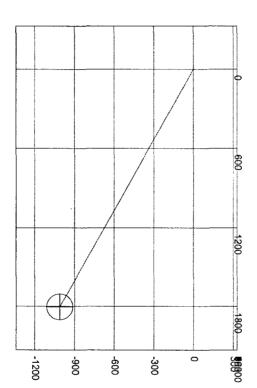
Maximum Bottom Hole Temperature: 178 F

8. ANTICIPATED STARTING DATE:

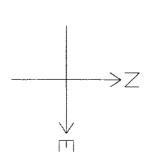
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

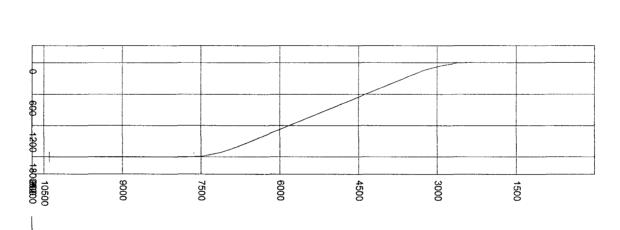
22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	ω	2	_	
10913.41	8313.41	8202.10	7874.02	7545.93	7217.85	6889.76	6561.68	6233.60	5905.51	5843.94	4969.47	4921.26	4593.18	4265.09	3937.01	3608.92	3280.84	2952.76	2624.67	2500.00	0.00	M.D. [ft]
0.00	0.04	1.67	6.59	11.51	16.43	21.35	26.28	31.20	36.12	37.04	37.04	36.32	31.40	26.48	21.56	16.63	11.71	6.79	1.87	0.00	0.00	Inclination [°]
0.00	116.34	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	119.29	0.00	0.00	Azimuth [°] T.V.D. [ft]
10400.00	7800.00	7688.71	7361.57	7037.68	6719.40	6409.09	6109.03	5821.44	5548.44	5499.00	4801.00	4762.34	4489.98	4202.94	3903.35	3593.41	3275.41	2951.70	2624.65	2500.00	0.00	
-1012.00	-1012.00	-1011.21	-999.65	-974.40	-935.66	-883.70	-818.90	-741.75	-652.82	-634.86	-377.14	-363.05	-273.64	-196.00	-130.70	-78.20	-38.91	-13.11	-1.00	0.00	0.00	N+/S- [ft]
1804.00	1804.00	1802.59	1781.98	1736.98	1667.91	1575.28	1459.78	1322.25	1163.72	1131.71	672.29	647.17	487.80	349.40	232.98	139.40	69.36	23.37	1.77	0.00	0.00	E+/W- [ft]
0.00	0.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	0.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	0.00	[°/100ft]
		180	180	180	180	180	180	180	180		360	0	360	360	360	0	0	0	360	119		[°]
		SH	SH	FS.	HS.	ЖS	돐	SH	땅		Ж	RS	SH	HS	돐	НS	НS	НS	SH	ဓွ		[HS/GN]

File: C:\Program Files\Drilling Toolbox 2001\liberty1.2.wpp



3D³ Directional Drilling Planner - 3D View





MULTI-POINT SURFACE USE AND OPERATIONS PLAN Yates Petroleum Corporation Liberty BEL Federal #1

1672' FSL and 1144' FEL Surface location Section 27, T21S-R24E 660' FSL & 660' FWL Bottom Hole Location Section 26, T21S-R24E

Eddy 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 30 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Carlsbad on Highway 285 to approximately 12.5 miles to Highway 137. Turn west on Highway 137 and go approximately 14 miles. Turn left on lease road and go approximately 2 miles. Turn left here on lease and go approx. 4.6 miles. The road will fork here. Take the left fork and go .7 of a mile. At this point go right for .3 of a mile to a two track road. The two track road will be upgraded from this point for .5 of a mile to the well location.

2. PLANNED ACCESS ROAD

The new access will go approximately .5 of a mile in an east then northeasterly direction to the southwest corner of the proposed well location.

3. LOCATION OF EXISTING WELL

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the reserve pits.

B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.

C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.

D. Oil produced during operations will be stored in tanks until sold.

E. Current laws and regulations pertaining to the disposal of human waste will be complied with.

F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES:

None

WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- C. A 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 wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.
- 11. SURFACE OWNERSHIP: Federal Surface, Administered by Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

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

Liberty BEL Federal #1 Page 3

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 B. Through Drilling Operations, Completions and Production:

Pinson McWhorter, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471

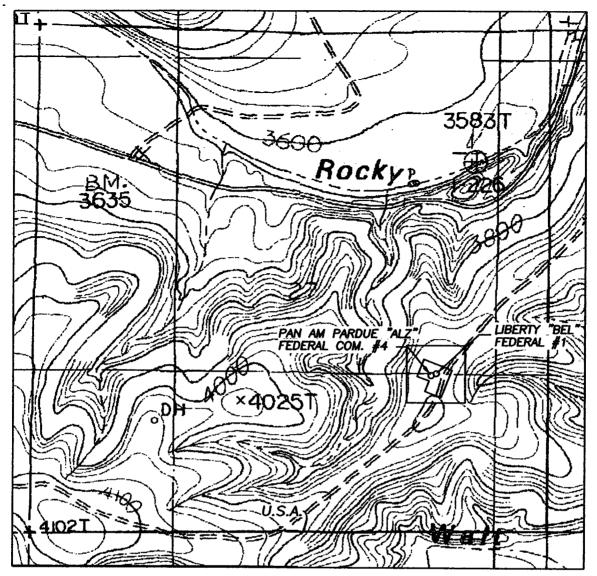
14. CERTIFICATION:

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

8/5/2004

Regulatory Agent

SECTION 27, TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



Yates Petroleum Corporation

Liberty BEL Federal #1 1672' FSL and 1144' FEL Section 27, T21S-R24E Surface Loc. 660' FSL and 660' FWL Section 26, T21S-R24E BHL Eddy County, New Mexico

1000 Scale 1" = 1000" **YATES**

No.3640

PETROLEUM CORP.

1000

2000°

LEASE ROAD TO ACCESS THE YATES LIBERTY "BEL" FEDERAL #1 WELL, LOCATED IN SECTION 27, TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

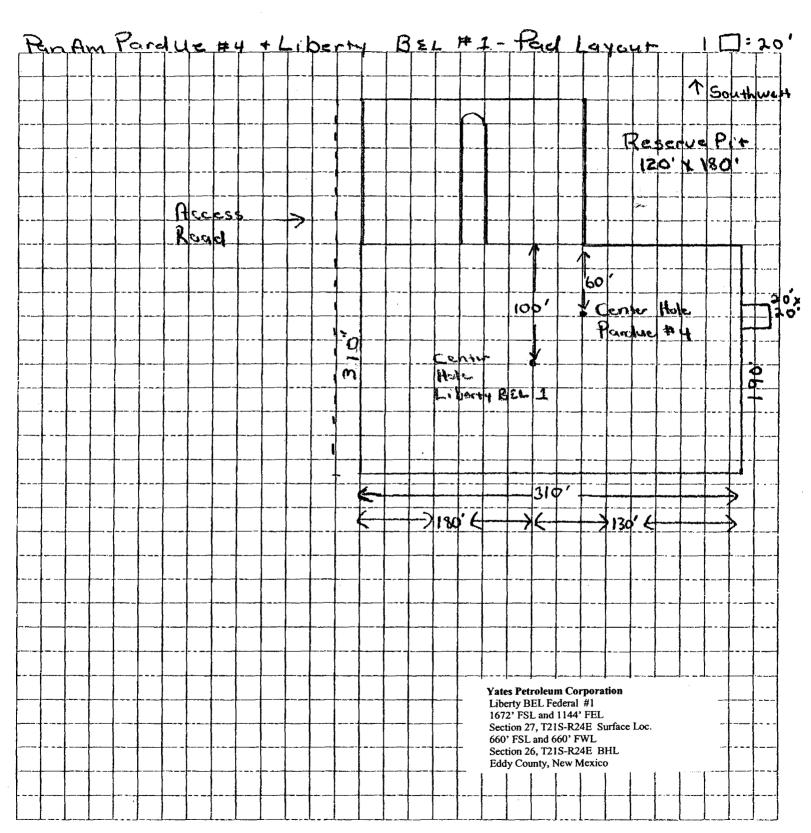
BOTTOM HOLE LOCATED IN SECTION 26.

Survey Date: 7/15/2004 Sheet 1 Sheets Drown By: Ed Blevins W.O. Number Date: 7/18/04 Scole 1" = 1000' LIBERTY 1

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE-UNDER BY DERECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BRAND OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYS.

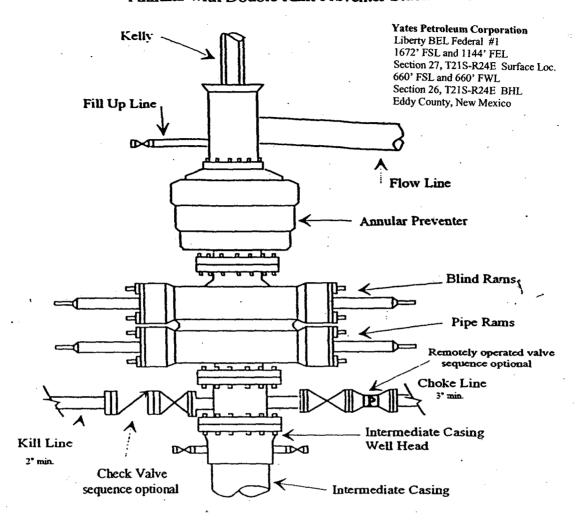
ESSIONAL NEW MEYERS GENERAL SUR LOVINGTON. NEW MEXICO 88260



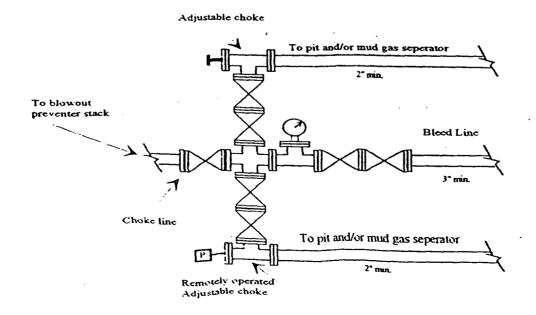


Yates Petroleum Corporation

Typical 5,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack



Typical 5,000 psi choke manifold assembly with at least these minimun features



Yates Petroleum Corporation

105 S. Fourth Street Artesia, NM 88210

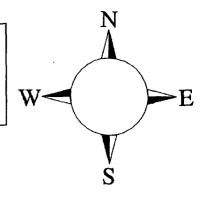
Hydrogen Sulfide (H₂S) Contingency Plan

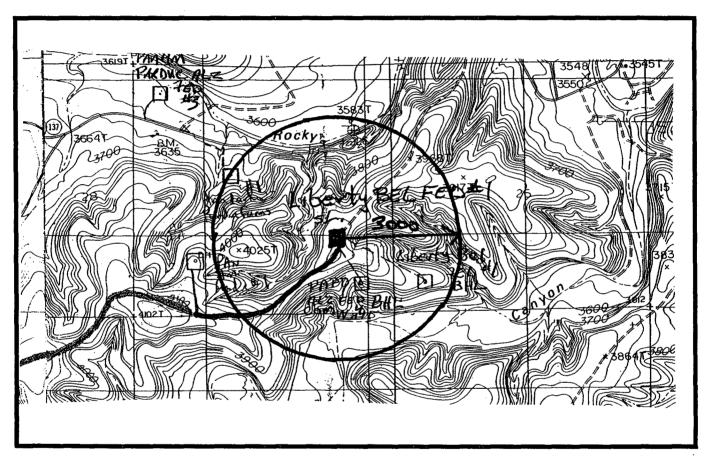
For

Liberty BEL Federal #1
1672' FSL, 1144' FEL Surface Location
Section-27, T-21S, R-24E
660' FSL and 660' FWL Bottom Hole Location
Section 26, T21S-R24E
Eddy County NM

Liberty BEL Federal #1 Location

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.





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Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H_2S , measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr- ation
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Petroleum Corporation Phone Numbers

ATDC OCC	(505) 740 1471
YPC Office	` '
Pinson McWhorter/Operations Manager	(505) 748-4189 (505) 748-4204
Ron Beasley/Prod Superintendent	(303) 748 -4 210 505) 749 <i>4</i> 22 <i>5</i>
Al Springer/Drilling	
Paul Hanes/Prod. Foreman/Roswell	
Jim Krogman/Drilling Superintendent	
Artesia Answering Service	(505) /48-4302
(During non-office hours)	
Agency Call List	
Eddy County (505)	
Artesia	
State Police	746-2703
City Police	
Sheriff's Office	
Ambulance	
Fire Department	
LEPC (Local Emergency Planning Committee)	
NMOCD	
1111000	740-1203
Carlsbad	
State Police	885-3137
City Police	
Sheriff's Office	
Ambulance	
Fire Department	
LEPC (Local Emergency Planning Committee)	
US Bureau of Land Management	
Ob Dureau of Land Management	667-05
New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	•
New Mexico State Emergency Operations Center	
National Emergency Response Center (Washington, DC)	(800) 424-8802
Other	
Posts & Costs BVC 1 900 256 0699 as (201) 021 9004	
Boots & Coots IWC1-800-256-9688 or (281) 931-8884 Cudd Pressure Control(915) 699-0139 or (915) 563-3356	
Halliburton	
B. J. Services(505) 746-3569	
Flight For Life -4000 24th St, Lubbock, TX(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM	505) 842-4949
the state of the s	000,012 12 12