

Larry

N.M. Oil Cons. DIV-Dist. :
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

Form 3160-3
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5. Lease Serial No. NM-69333	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" 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 Energy Corporation			7. If Unit or CA Agreement, Name and No.	
3a. Address P.O. Box 2323, Roswell, NM 88202		3b. Phone No. (include area code) 505-623-4935	8. Lease Name and Well No. Lonesome Dove Federal # 2	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FNL - 660' FEL At proposed prod. zone			9. API Well No. 30-015-33873	
14. Distance in miles and direction from nearest town or post office* 40 miles from Carlsbad, NM			10. Field and Pool, or Exploratory Hess Morrow East	
15. Distance from proposed* location to nearest property or lease line, ft. 660' (Also to nearest drig. unit line, if any)			11. Sec., T., R., M., or Blk. and Survey or Area Section 26, T23S-R23E	
16. No. of Acres in lease 640		17. Spacing Unit dedicated to this well 320		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file 585667		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4174' GL		22. Approximate date work will start* 9-15-2004		23. Estimated duration

24. Attachments

ROSWELL 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 officer. |

25. Signature <i>Cecil Gutierrez</i>	Name (Printed/Typed) Cecil Gutierrez	Date 8/25/04
Title Agent for Yates Energy Corporation		
Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) <i>/s/ Joe G. Lara</i>	Date OCT 13 2004
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify the 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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

RECEIVED

OCT 15 2004

OCD-ARTESIA

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 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 78380	Pool Name Hess Morrow East
Property Code	Property Name LONESOME DOVE FEDERAL	Well Number 2
OGRID No. 025542	Operator Name YATES ENERGY CORPORATION	Elevation 4174'

Surface Location

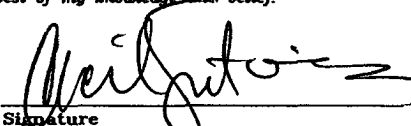
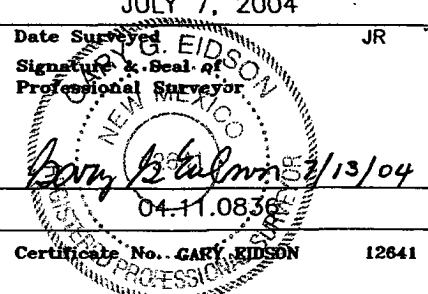
UL or lot No. A	Section 26	Township 23-S	Range 23-E	Lot Idn	Feet from the 660'	North/South line NORTH	Feet from the 660'	East/West line EAST	County EDDY
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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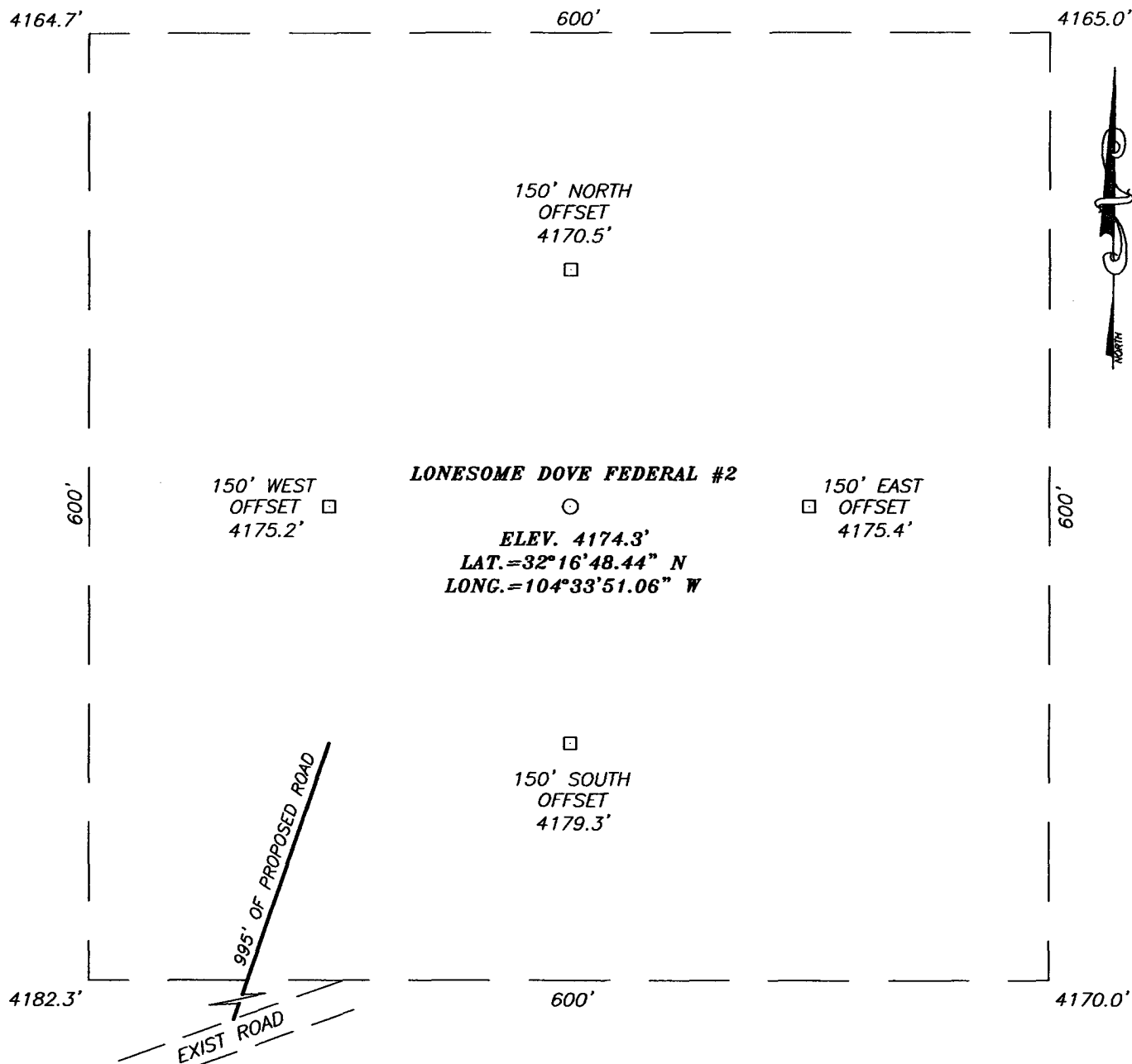
Dedicated Acres 370	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME Y=465702.8 N X=428655.7 E LAT.=32°16'48.44" N LONG.=104°33'51.06" W</p>	<p>4164.7' 4165.0' 600' 600' 4182.3' 4170.0'</p>	<p>OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Cecil Gutierrez Printed Name Agent for Yates Energy Corp. Title 8-25-04 Date</p>
<p>LONESOME DOVE FEDERAL #2 NM-69333</p>		<p>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. JULY 7, 2004 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. GARY EIDSON 12641</p>

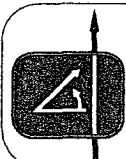
JUL 14 2004

SECTION 26, TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO

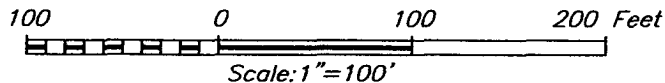


DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY #137 AND CO. RD. #409 (SITTING BULL FALLS RD.) GO SOUTH ON ST. HWY #137 APPROX. 1.0 MILES. TURN LEFT AND GO EAST ON CALICHE ROAD 0.7 MILES TO A FORK IN THE ROAD. STAY ON THE LEFT AND GO APPROX. 1.7 MILES TO A COMPRESSOR AND P/L ROAD. FOLLOW THE ROAD APPROX. 0.5 MILES TO A PROPOSED ROAD SURVEY. FOLLOW PROPOSED ROAD SURVEY NORTHEAST 1000' TO LOCATION.



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117



YATES ENERGY CORPORATION

LONESOME DOVE FEDERAL #2 WELL
 LOCATED 660 FEET FROM THE NORTH LINE
 AND 660 FEET FROM THE EAST LINE OF SECTION 26,
 TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 07/07/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.0836	Dr By: J. RIVERO
Date: 07/12/04	Disk: CD#10
04110836	Scale: 1"=100'

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
2909 West 2nd Street
Roswell, New Mexico 88201-2019

ATTN: Orlando Lopez

Yates Energy Corporation accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No. : NM-NM- 69333

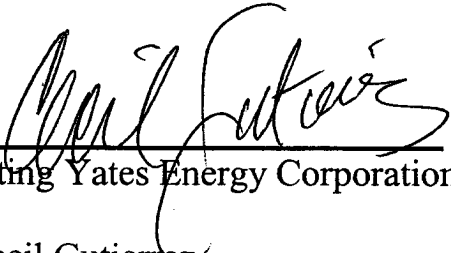
Legal Description: N/2 Section 26, T23S-R23E
Containing 320.00 acres, Eddy County, New Mexico

Well Name: Lonesome Dove Federal #2

Formation (s) : Strawn-Atoka-Morrow

Bond Coverage: Nationwide BLM Bond

BLM Bond File No.: 585667

Authorized Signature: 
Representing Yates Energy Corporation

Name: Cecil Gutierrez

Title: Agent for Yates Energy Corporation

Date: August 25, 2004

Application to Drill

Yates Energy Corporation
Lonesome Dove Federal #2
N/2 Section 26, T23S-R23S
Eddy County, NM

In response to questions asked under Section II B of Bulletin NTL-6 the following information is provided for your consideration:

- 1 Location: 660' FNL & 660' FEL Section 26, T23S-R23S
2. Elevation above sea level: GL 4174'
3. Geologic name of surface formation: Quaternary Aeolian Deposits
4. Drilling tools and associated equipment: Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
5. Proposed drilling depth: 10,700'KB

6. Estimated tops of geological markers: (EST KB = 4192)

	SS	MD
Brushy Canyon	2934	1258
Bone Springs Limestone	1589	2934
1 st Bone Spring Sand	1957	2235
2 nd Bone Spring Sand	40	4152
Wolfcamp	-2884	7076
L.Cisco-Canyon	-4027	8219
Strawn	-4649	8841
Atoka	-4897	9089
Morrow	-5446	9638
M.Morrow	-5725	9917
L Morrow	-5931	10123
Mississippian	-6073	10265

7. Possible mineral bearing formation:

Strawn: Oil
Atoka: Gas
Morrow: Gas

Application to Drill

Yates Energy Corporation
Lonesome Dove Federal # 2
N/2 Section 26, T23S-R23E
Eddy County, NM

8. Casing Program:

Hole Size	Interval	Casing OD	Weight	Thread	Collar	Grade
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9. Cementing & Setting Depth:

13.3/8"	Surface	Set 350' of 13.375" H-40 48 ST&C casing. Cement with 390 Sx of Class "C" cement with additives and circulate cement to surface.
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8.625"	Intermediate	Set 2600' of 8.625" J-55 32# ST&C casing. Cement in two stages, first stage cement with 665 Sx. Of Class POZ/C Cement+additives, second stage cement with 320 Sx. Of Class "C" + additives, circulate cement to surface.
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WITNESS

WITNESS

4.50"	Production	Set 10,700' of 4.50" N-80/ 11.6 #, LTC casing. Cement with 1620' Sx. Of Class POZ/C Cement+additives. Estimated top of cement 6000'.
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10. Pressure control Equipment: Exhibit "E". A 11.0" 3000 PSIG working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 3000 # annular type preventer. A choke manifold and 120 gallon accumulator with remote operating stations. Rotating head below 6000". A kelly cock will be installed and maintained in Operable condition, as needed.

Application to Drill

Yates Energy Corporation
Lonesome Dove Federal #2
N/2 Section 26, T23S-R23E
Eddy County, NM

11. Proposed Mud Circulation System:

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
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Lonesome Dove #1 TD'd with 9.6 ppg cut brine mud, visc 35, and Fluid Loss 5. Suggest we use similar mud program as Lonesome Dove #1. Jim will need to provide final numbers and mud changes from surface to TD. Fluid loss should be low in Morrow.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual /audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

12. Testing, Logging and Coring Program:

- A. Mud logging program: One-man unit from 2500/ to TD.
- B. Electric logging program: CNL/ LDT/ CAL/GR/DLL/CAL /GR/BHC SONIC
- C. Possible three DST's and no cores are planned at this time.

13. Potential Hazards:

No abnormal pressures or temperatures or H2S gas are expected.
Adequate flare lines will be installed off the mud/ gas separator where Gas may be flared safely. All personnel will be familiar with all aspects Of safe operation of equipment being used. Estimated BHP 4000 PSIG, Estimated BHT<200.

14. Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD.
Anticipated spud date as soon as approved. Drilling expected to take **25-30** Days. If production casing is run an additional 30 days will be required to Complete and construct surface facilities.

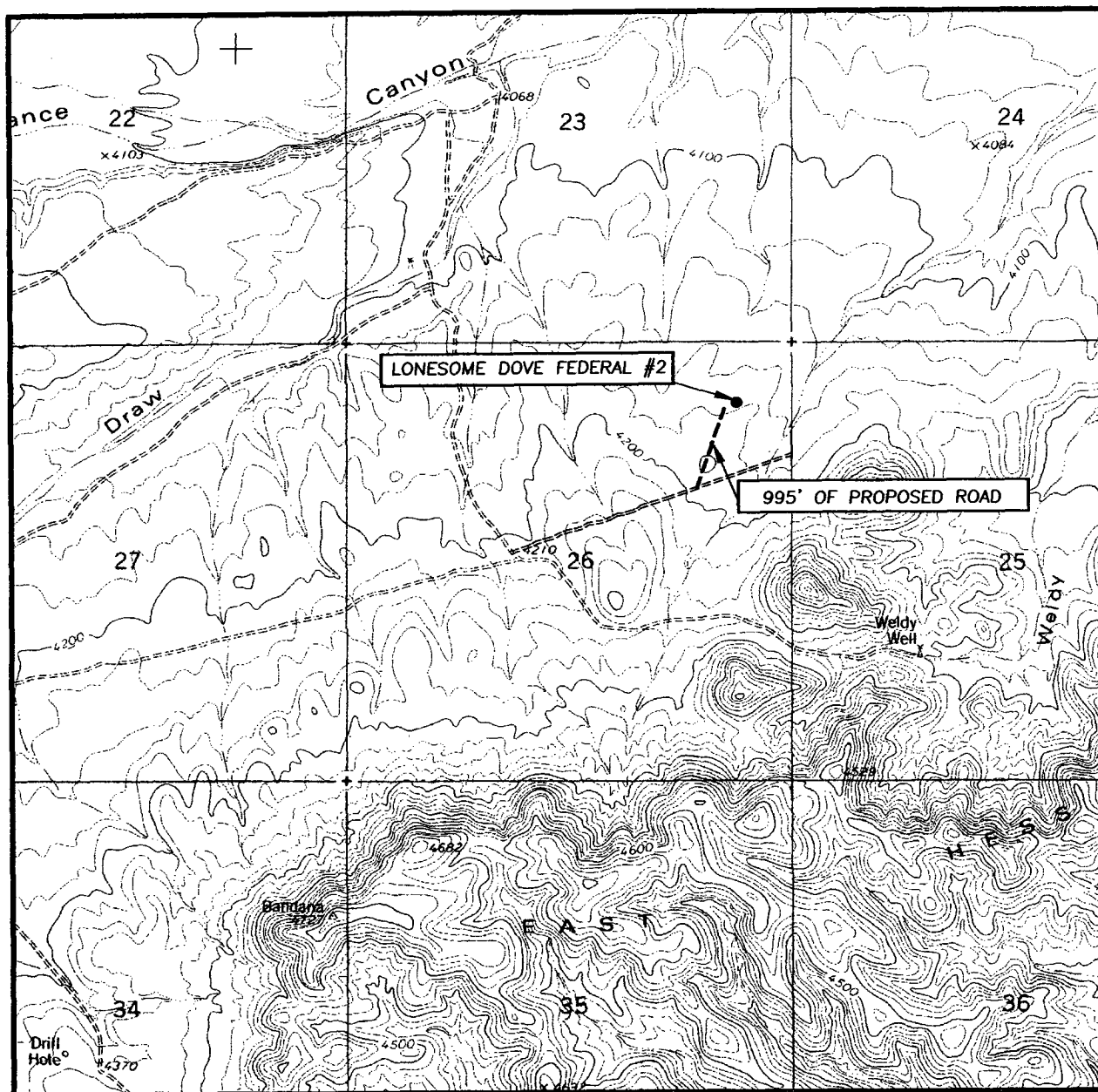
Application to Drill

Yates Energy Corporation
Lonesome Dove Federal #2
Section 26, T23S- R23S
Eddy County, NM

15. Other Facets of Operations:

After running casing, cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Morrow/Atoka pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BANDANNA POINT, N.M. - 20'

SEC. 26 TWP. 23-S RGE. 23-E

SURVEY N.M.P.M.

COUNTY EDDY

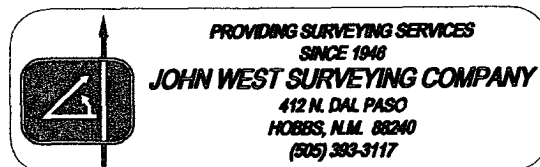
DESCRIPTION 660' FNL & 660' FEL

ELEVATION 4174'

OPERATOR YATES ENERGY CORPORATION

LEASE LONESOME DOVE FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
BANDANNA POINT, N.M.



Yates Energy Corporation

Exhibit

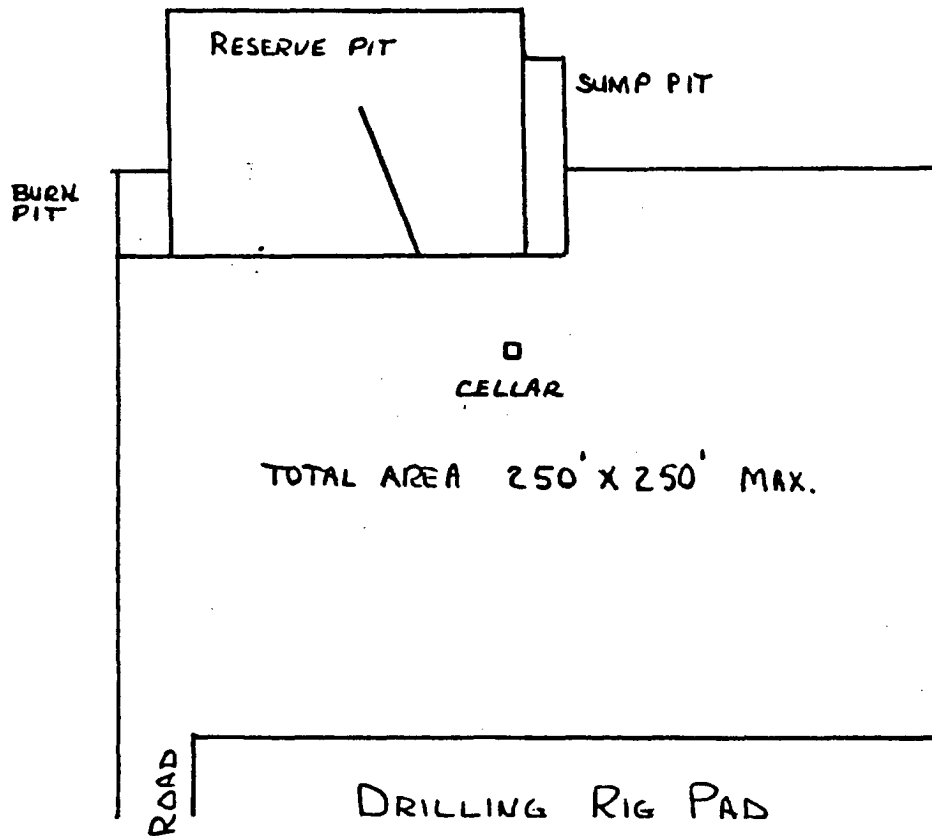
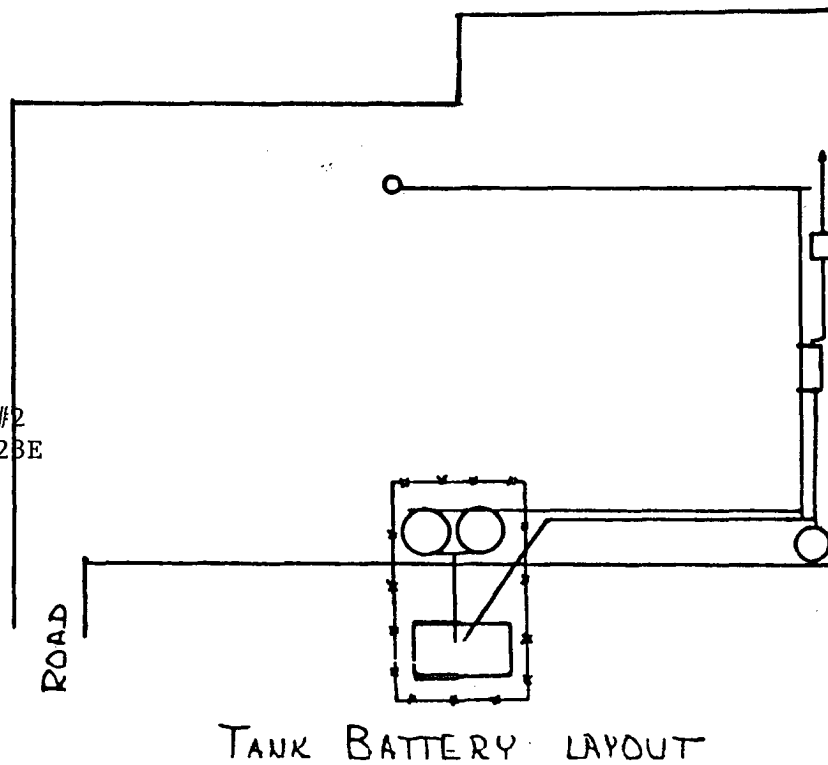


Exhibit "D"
Rig Layout Plan
Yates Energy Corp.

Lonesome Dove Fed. #2
Section 26, T23S-R2BE

Eddy County, NM



Yates Energy Corporation

Exhibit

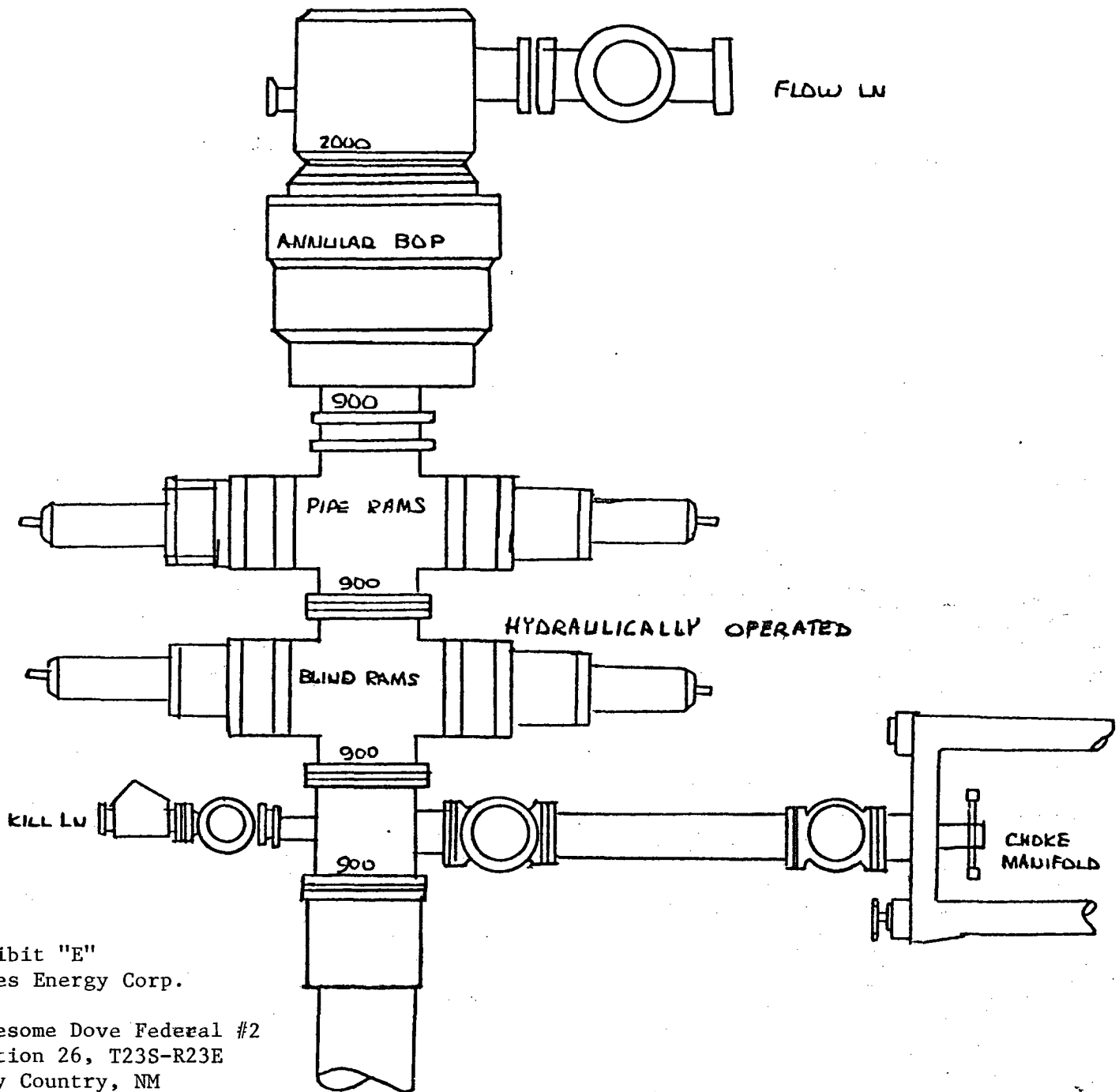


Exhibit "E"
Yates Energy Corp.

Lonesome Dove Federal #2
Section 26, T23S-R23E
Eddy Country, NM

BOP