

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED
JUL 15 2005
OBB-ARTESIA

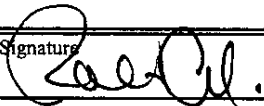
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OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-29615
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 Not Applicable
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. Not Applicable
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 34951 Bitter Lake Federal #3
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-005-63760
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FNL and 660' FEL, SENE At proposed prod. Zone same as above		10. Field and Pool, or Exploratory Precambrian
14. Distance in miles and direction from nearest town or post office* Approximately ten (10) miles NE of Roswell, NM		11. Sec., T., R., M., or Blk. and Survey or Area Section 4, T9S-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 1279.15	17. Spacing Unit dedicated to this well 320 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2500'	19. Proposed Depth 5850'	20. BLM/BIA Bond No. on file NM-2811
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3585' GL	22. Approximate date work will start* ASAP	23. Estimated duration 30 Days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized office.

25. Signature 	Name (Printed/Typed) Robert Asher	Date 6/9/05
------------------------------------------------------------------------------------------------------	---------------------------------------------	-----------------------

Title: Regulatory Agent		
Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date JUL 14 2005
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

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.

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)

> 9.5

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ CheckBox1

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Yates Petroleum Corporation Telephone: 505-748-4376 e-mail address: boba@ypcnm.com

Address: 104 South 4th Street, Artesia, New Mexico 88210

Facility or well name: Bitter Lake Federal #3 API #: _____ U/L or Qtr/Qtr SENE Sec 4 T 9S R 25E

County: Chaves Latitude: N.33°33'51.8" Longitude: W.104°23'59.5" NAD: 1927 ☒ 1983 ☐ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume _____ bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

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JUN 01 2005

ODD-ARTESIA

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet	(20 points)
50 feet or more, but less than 100 feet	(10 points)
100 feet or more	(0 points)

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes	(20 points)
No	(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet	(20 points)
200 feet or more, but less than 1000 feet	(10 points)
1000 feet or more	(0 points)

Ranking Score (Total Points)

10

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

Date: 5/31/2005

Printed Name/Title: Robert Asher/Regulatory Agent

Signature: _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval: JUN 02 2005

Date: _____

Printed Name/Title: _____

Signature: _____

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
2040 South Pacheco, Santa Fe, NM 87506

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department

Revised March 17, 1999
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

API Number		Pool Code	Pool Name Wildcat Precambrian
Property Code	Property Name BITTER LAKE FEDERAL		Well Number 3
OGSD No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3585

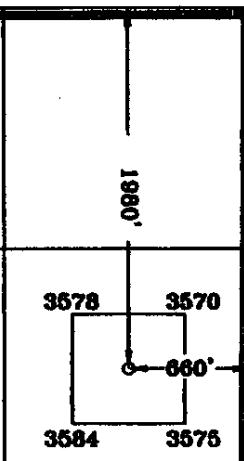
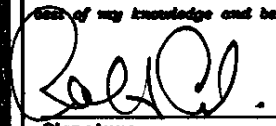
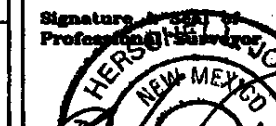
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	4	9S	25E		1980	NORTH	660	EAST	CHAVES

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 320	Joint or Infill	Consolidation Code	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**

NM-29615		OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Robert Asher Printed Name Regulatory Agent Title 6/9/2005 Date	
		SURVEYOR CERTIFICATION <i>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.</i> 12/16/2004 Date Surveyed  Signature of Professional Surveyor HERNANDEZ JONES Professional Surveyor Certificate No. 3640 Bitter Lake Federal 3 General Surveying Company	

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'

YATES PETROLEUM CORPORATION
Bitter Lake Federal #3
 1980' FNL and 660' FEL
 Section 4, T9S-R25E
 Chaves County, New Mexico

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

Penrose	75'	WC B Zone	4415'
Grayburg	135'	Spear Zone	4695'
San Andres	285'	Cisco	4960'
Glorieta	1295'	Strawn	5095'
Yeso	1415'	Mississippian	5390'
Tubb	2860'	Siluro-Devonian	5650'
Abo	3615'	Precambrian	5750'
Wolfcamp	4330'	TD	5850'

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

Water: 150'-300'
 Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# 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>
12 1/4"	8 5/8"	24#	J-55	ST&C	0-990' / 1000'
7 7/8"	5.5"	15.5#	J-55	LT&C	0-5850'

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

Bitter Lake Federal #3**Page 2****B. CEMENTING PROGRAM:**

Surface Casing: 375 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx
C with 2% CaCL₂ (YLD 1.33 WT 15.6).

Production Casing: 700 sx Pecos Valley Lite (YLD 1.42 WT 13.0). TOC=3400 *See COA*

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-900'	FW Gel/Paper/LCM	8.6 - 9.2	32-34	N/C
900'-3500'	Cut Brine	10 - 10.2	28	N/C
3500'-5850'	Starch/Salt Gel/4-6% KCL	9.7 - 10.0	45-55	<6/cc

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, surface casing to TD.

Logging: Platform Express: CNL/LDT/NGT TD-Surf Csg; CNL/GR TD-Surf;
DLL/MSFL TD - Surf Csg; BHC Sonic TD-Surf Csg;

Coring: None

DST's: None.

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

Anticipated BHP:

From: 0 TO: 900' *1000'* Anticipated Max. BHP: 430 PSI
From: ~~900'~~ *1000'* TO: 5850' Anticipated Max. BHP: 3050 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Bitter Lake Federal #3

1980' FNL and 660' FEL

Section 4, T9S-R25E

Chaves 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 wellsite is located approximately 10 miles east of Roswell, New Mexico and the access route to the location is indicated in green (existing) and red (new) on Exhibit A.

DIRECTIONS:

From the junction of U.S. Highway 70 and Highway 285, go northeast of Roswell, NM on U.S. Highway 70 for approximately 9 miles (approximately 0.5 of a mile East of Mile Marker 346), there is an existing lease road with a cattle guard with a swing gate on the left (north side of highway), go through the cattle guard and follow road (NW direction) for approximately 0.4 of a mile and turn right (NE direction) onto another lease road, continue northeast for approximately 400' and the new road begins (this is currently a two-track road), continue northeast for approximately 0.25 of a mile to an old ranch trail road on the left, turn left (north), continue for approximately 0.25 of a mile, the new road is staked on the right, turn right (east) and follow road stakes for approximately 100' to the NW corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 2,107.9' in length from the point of origin to the northwest corner of the drilling pad. The road will lie in a northeast then north direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

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

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.



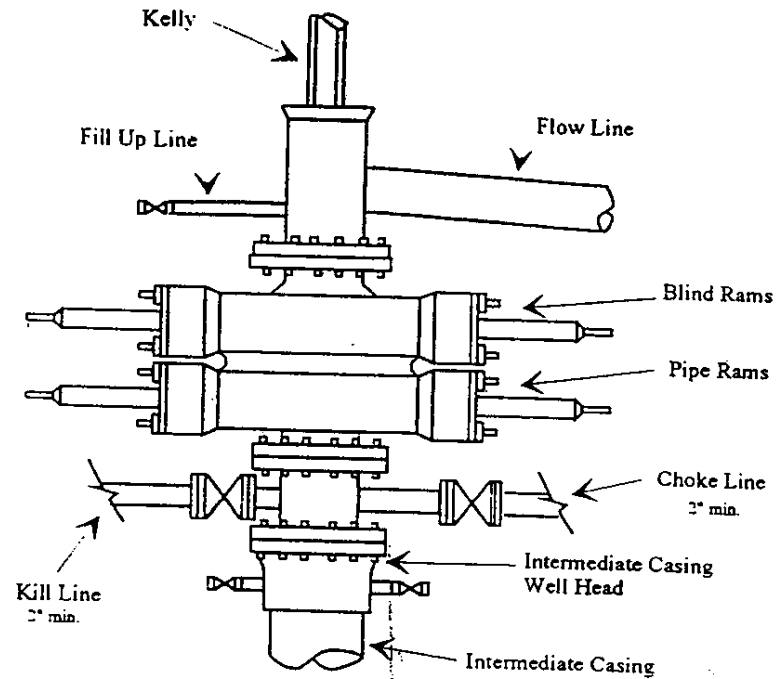
Yates Petroleum Corporation

BOP-2

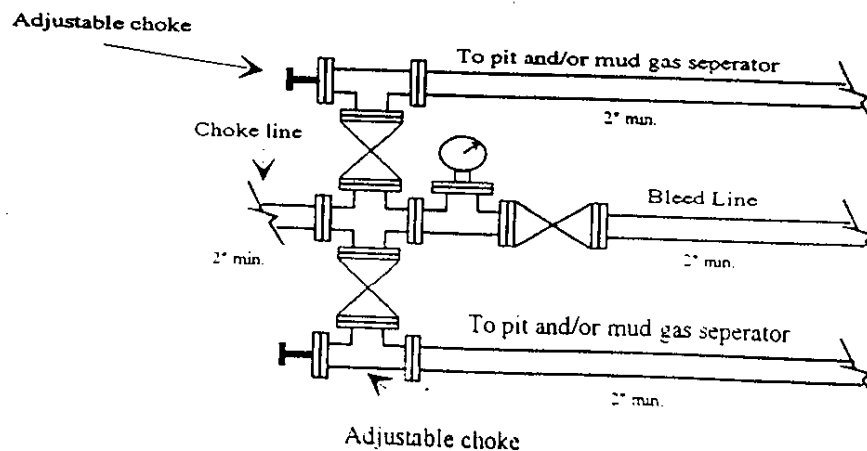
Typical 2,000 psi Pressure System
Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
Bitter Lake Federal #3
1980' FNL and 660' FEL
Section 4-T9S-R25E
Chaves County, New Mexico
Exhibit "B"



Typical 2,000 psi choke manifold assembly with at least these minimum features

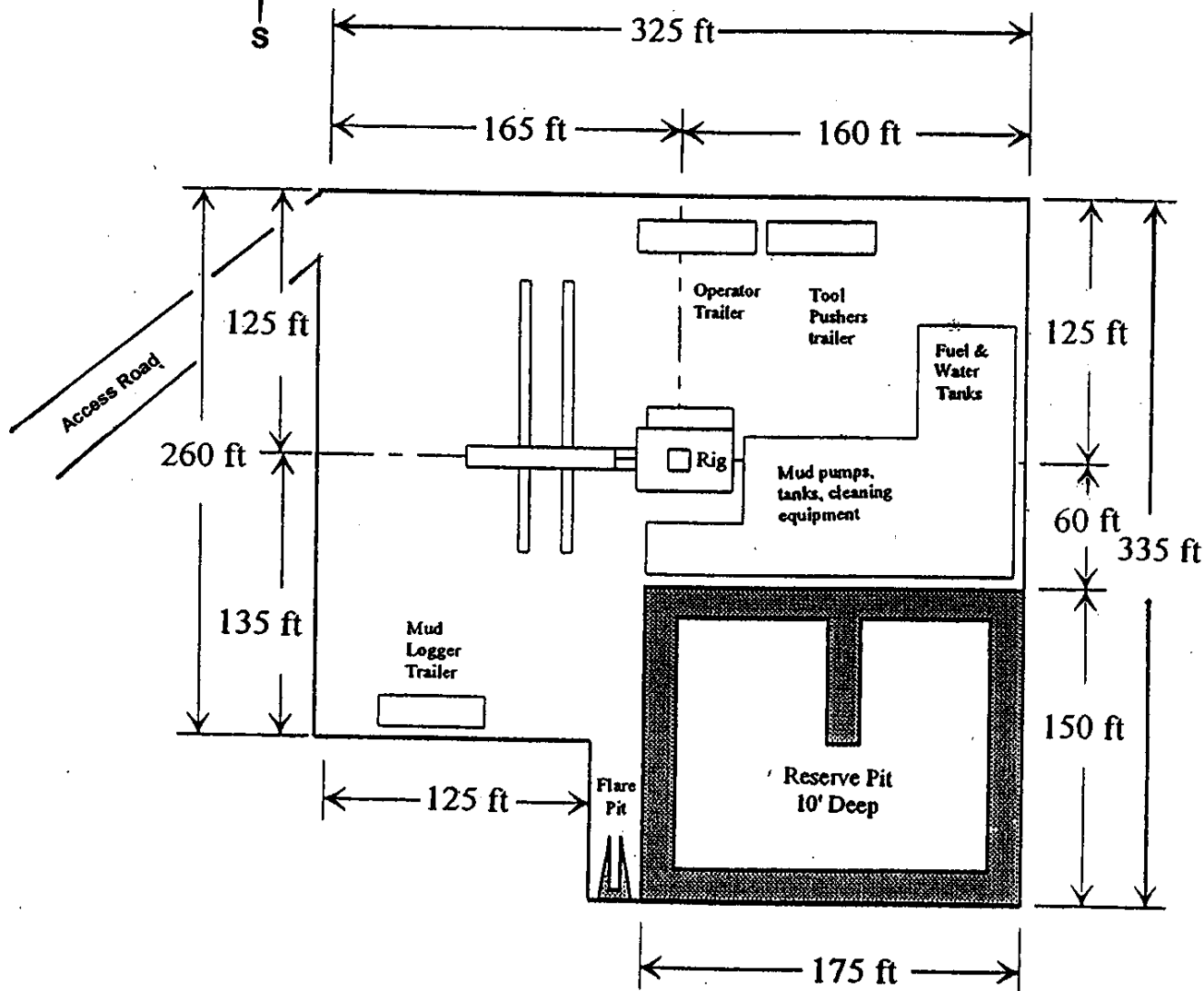
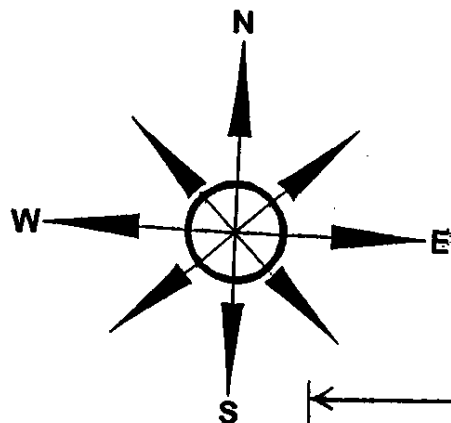


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation
 Bitter Lake Federal #3
 1980' FNL and 660' FEL
 Section 4-T9S-R25E
 Chaves County, New Mexico
 Exhibit "C"



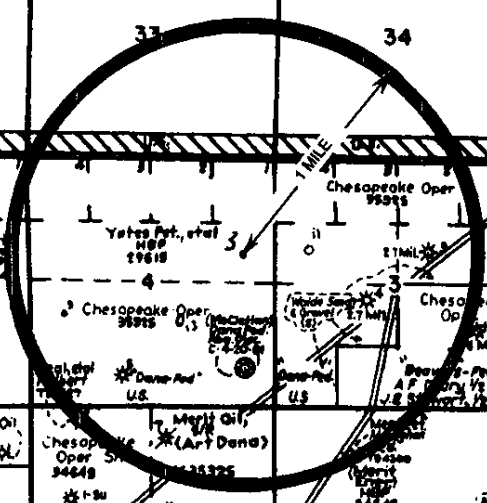
Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum

Yates Petroleum Corporation
Bitter Lake Federal #3
1980' FNL and 660' FEL
Section 4-T9S-R25E
Chaves County, New Mexico
Exhibit "D"

Bitter Lake National Wildlife Refuge

MIDLAND MAP CO.
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