

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

RECEIVED

SEP 24 2004

OOD-ARTEZIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

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 No. 1004-0136

Expires November 30, 2000

1a. Type of Work: ☒ DRILL ☐ REENTER
Indian Basin; Upper Penn. Assoc. 33685
b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

5. Lease Serial No.

NM-76944

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.

Pan Am Pardue ALZ Federal Com. #3

2. Name of Operator

Yates Petroleum Corporation

SUBJECT TO LIKE

APPROVAL BY STATE

3A. Address 105 South Fourth Street

Artesia, New Mexico 88210

3b. Phone No. (include area code)

(505) 748-1471

9. API Well No.

30-015-33868

10. Field and Pool, or Exploratory

Wildcat Canyon

4. Location of Well (Report location clearly and in accordance with any State requirements.)*

At surface

603' FNL and 545' FWL Surface Location

At proposed prod. Zone

1980' FSL and 660' FWL Bottom Hole Location

11. Sec., T., R., M., or Blk. and Survey or Area

Section 27, T21S-R24E

14. Distance in miles and direction from nearest town or post office*

Approximately 31 miles northwest of Carlsbad, New Mexico.

12. County or Parish

Eddy County

13. State

NM

15. Distance from proposed*

location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)

603'

16. No. of Acres in lease

240

17. Spacing Unit dedicated to this well

S/2

18. Distance from proposed location*

to nearest well, drilling, completed, applied for, on this lease, ft.

20'

19. Proposed Depth

8650'

20. BLM/BIA Bond No. on file

585997

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3621' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

24. Attachments

CARLSBAD 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.

2. A Drilling Plan.

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.

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the authorized office.

25. Signature

Name (Printed/Typed)

Date

Regulatory Agent

Cy Cowan

2/16/04

Regulatory Agent

Approved by (Signature)

/s/ Joe G. Lara

Name (Printed/Typed)

/s/ Joe G. Lara

Date

22 SEP 2004

Title

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.

APPROVAL FOR 1 YEAR

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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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, 1999
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 Wildcat Canyon
Property Code	Property Name PAN AM PARDUE ALZ FEDERAL COM.	Well Number 3
OGRID No. 025575	Operation Name YATES PETROLEUM CORPORATION	Elevation 3621

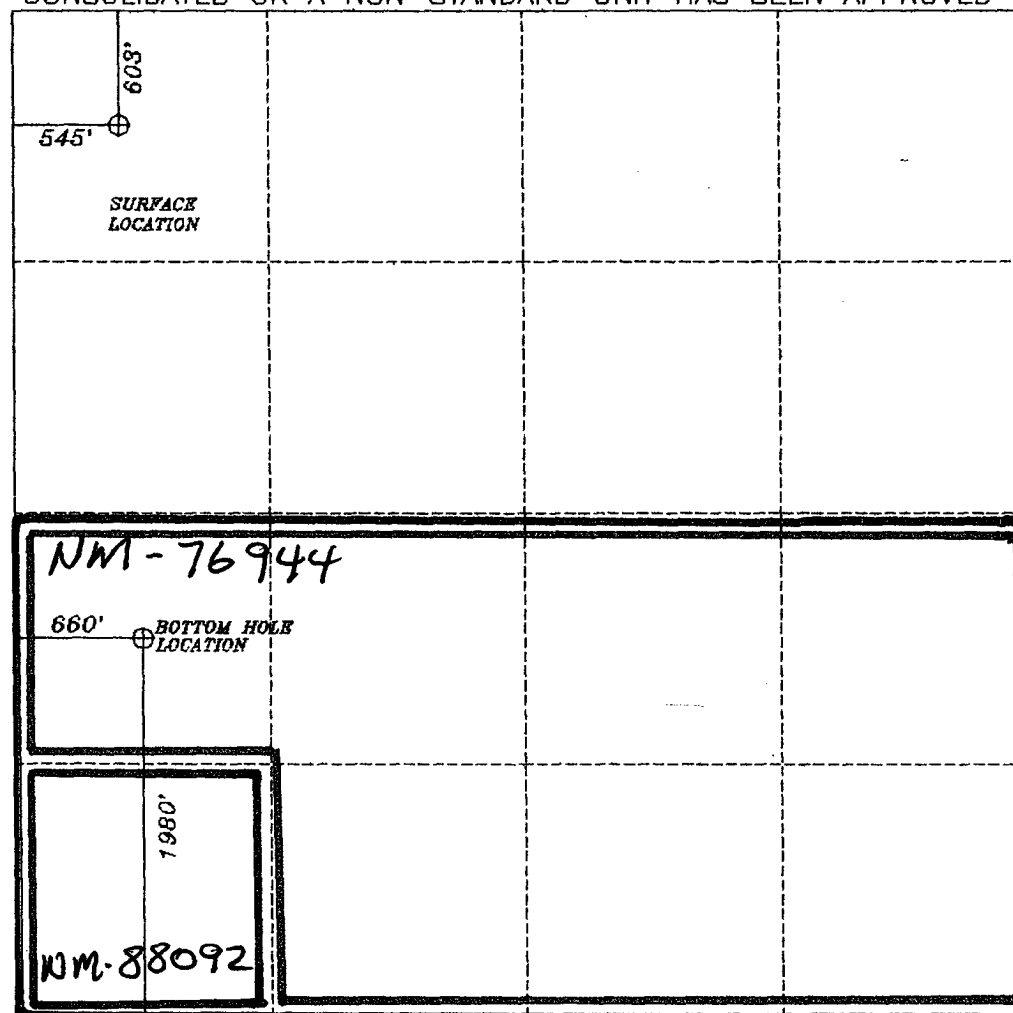
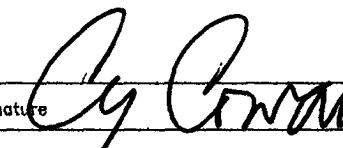
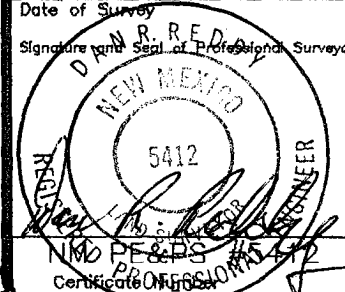
Surface Location

UL or Lot No. D	Section 27	Township 21-S	Range 24-E	Lot Idn.	Feet from the 603	North/South line NORTH	Feet from the 545	East/West line WEST	County EDDY
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Bottom Hole Location If Different From Surface

UL or Lot No. L	Section 27	Township 21-S	Range 24-E	Lot Idn.	Feet from the 1980	North/South line SOUTH	Feet from the 660	East/West line WEST	County EDDY
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

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

	<p>OPERATOR CERTIFICATION</p> <p>I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p> <p>Signature </p> <p>Printed Name Cy Cowan</p> <p>Title Regulatory Agent</p> <p>Date February 16, 2004</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>DECEMBER 26, 2002</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p></p>
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YATES PETROLEUM CORPORATION
PanAm Pardue ALZ Federal Com. #3
603' FNL and 545' FWL Surface Location
1980' FSL and 660' FWL Bottom Hole Location
Section 27-T21S-R24E
Eddy County, New Mexico

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

San Andres	1184'	Wolf Camp	7320'
Glorieta	2808'	Cisco Canyon Dolomite	7959'
Bone Spring Lime	3559'	O/W Contact	8109'
2 nd Bone Spring	3814'	Base of Dolomite	8539'
3 rd Bone Spring	6969'	TD	8650'

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

Water: 150' – 250'
Oil or Gas: All potential Zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 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:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	9 5/8"	36#	J-55	0-1800'	1800'
8 3/4"	7"	23#+26#	J-55/L-80	0-8650'	8650'

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance 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

B. CEMENTING PROGRAM:

Surface Casing: 1200 sx Lite (YLD 2.0 WT 12.0). Tail in with 250 sx Class "C" +2% CaCl₂ (YLD 1.34 WT 14.8). WITNESS
Production Casing TOC 1300': 600 sx Lite "C" (YLD 1.95 WT 12.5). Tail in with 700 sx Class "C" (YLD 1.61 WT 13.2). WITNESS

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1800'	FW/Air Mist	8.4	28	N/C
1800'-7900'	Cut Brine/Starch	8.7	28	N/C
7900'-8650'	SW Gel/Starch	8.7-8.9	3.4-38	<12-15 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: Every 10' out from under intermediate casing.
 Logging: Platform Express/Hals/ NGT.
 Coring: None anticipated.
 DST's: None anticipated.

7. Abnormal Conditions: none anticipated.

Bottom hole pressure and potential hazards:

Anticipated BHP:

From: 0	To: 1800'	Anticipated Max. BHP: 700 PSI
From: 1800'	To: 8650'	Anticipated Max. BHP: 4000 PSI

Lost Circulation Zones Anticipated: Possible in the Canyon Formation.

H₂S Zones Anticipated: None.

Maximum Bottom Hole Temperature: 165 F

8. ANTICIPATED STARTING DATE:

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

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Pan Am Pardue "ALZ" Federal Com. #3

603' FNL and 545' FWL Surface Location

1980' FSL and 660' FWL Bottom Hole Location

Section 27-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 31 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, New Mexico on Highway 285 for approximately 12 miles. Turn left on Highway 137 (Scenick Byeway) and go approximately 9 miles. The new access road will start here going to the northeast.

2. PLANNED ACCESS ROAD:

- A. The new access will be approximately .1 of a mile from Hwy 137 to the southwest corner of the well pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts may be built.
- D. The route of the road is visible.
- E. 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 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.

5. 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 closest pit and obtain any permits and materials needed for construction.

7. 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:

- A. None Required.

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, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- 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 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.

Pan Am Pardue "ALZ" Federal Com. #3
Page 3

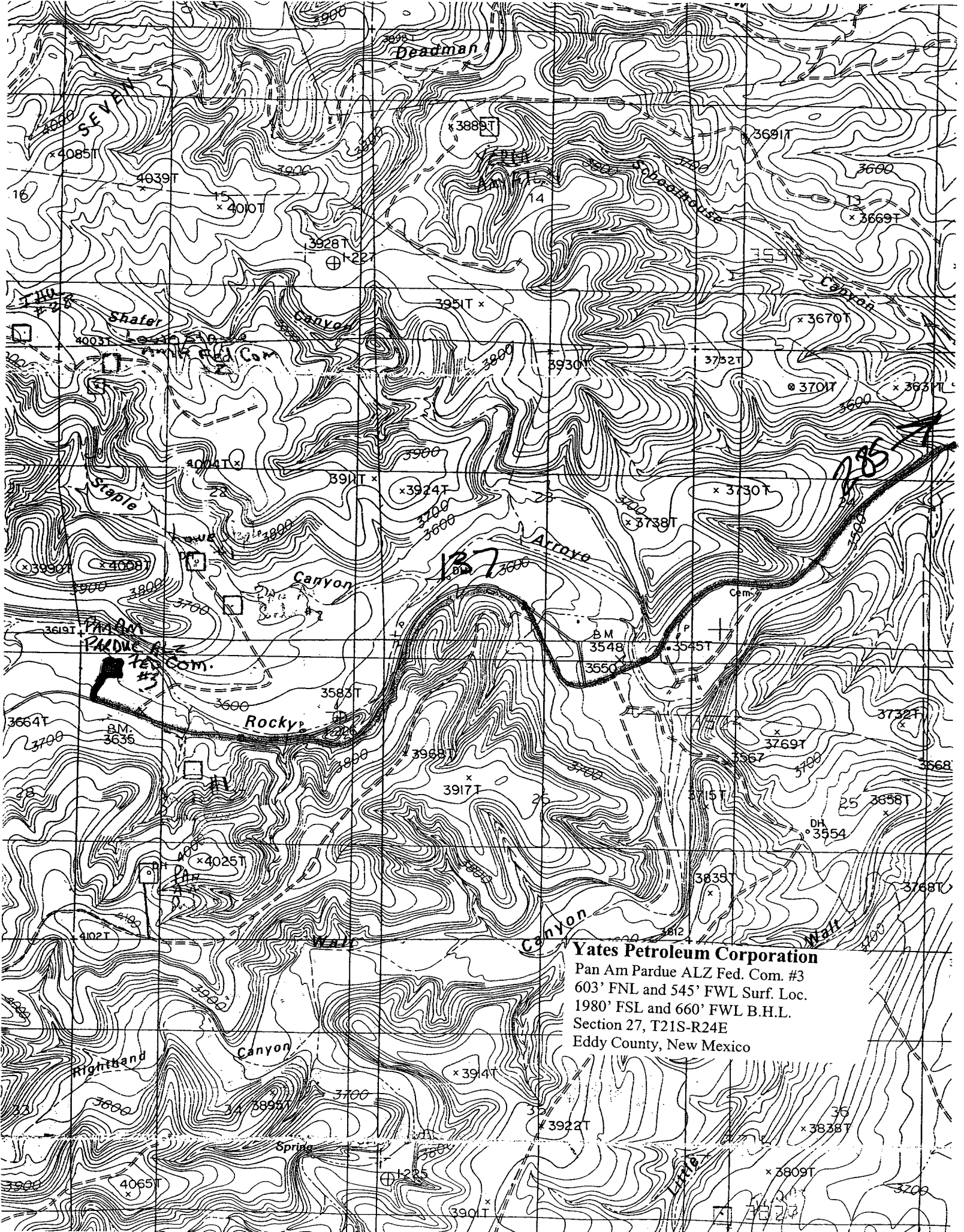
11. SURFACE OWNERSHIP: Private surface owned by Stacy Biebelle and Skip Shafer, Carlsbad, New Mexico.
12. OTHER INFORMATION:
- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
 - B. The primary surface use is for grazing.
13. OPERATOR'S REPRESENTATIVE
- | | |
|---|---|
| A. Through A.P.D. Approval: | B. Through Drilling Operations, Completions and Production: |
| Cy Cowan, Regulatory Agent

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | 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.

2/16/04

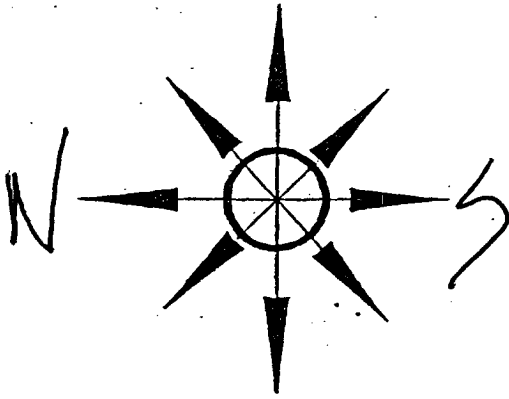

Cy Cowan, Regulatory Agent



Yates Petroleum Corporation
Pan Am Pardue ALZ Fed. Com. #3
603' FNL and 545' FWL Surf. Loc.
1980' FSL and 660' FWL B.H.L.
Section 27, T21S-R24E
Eddy County, New Mexico

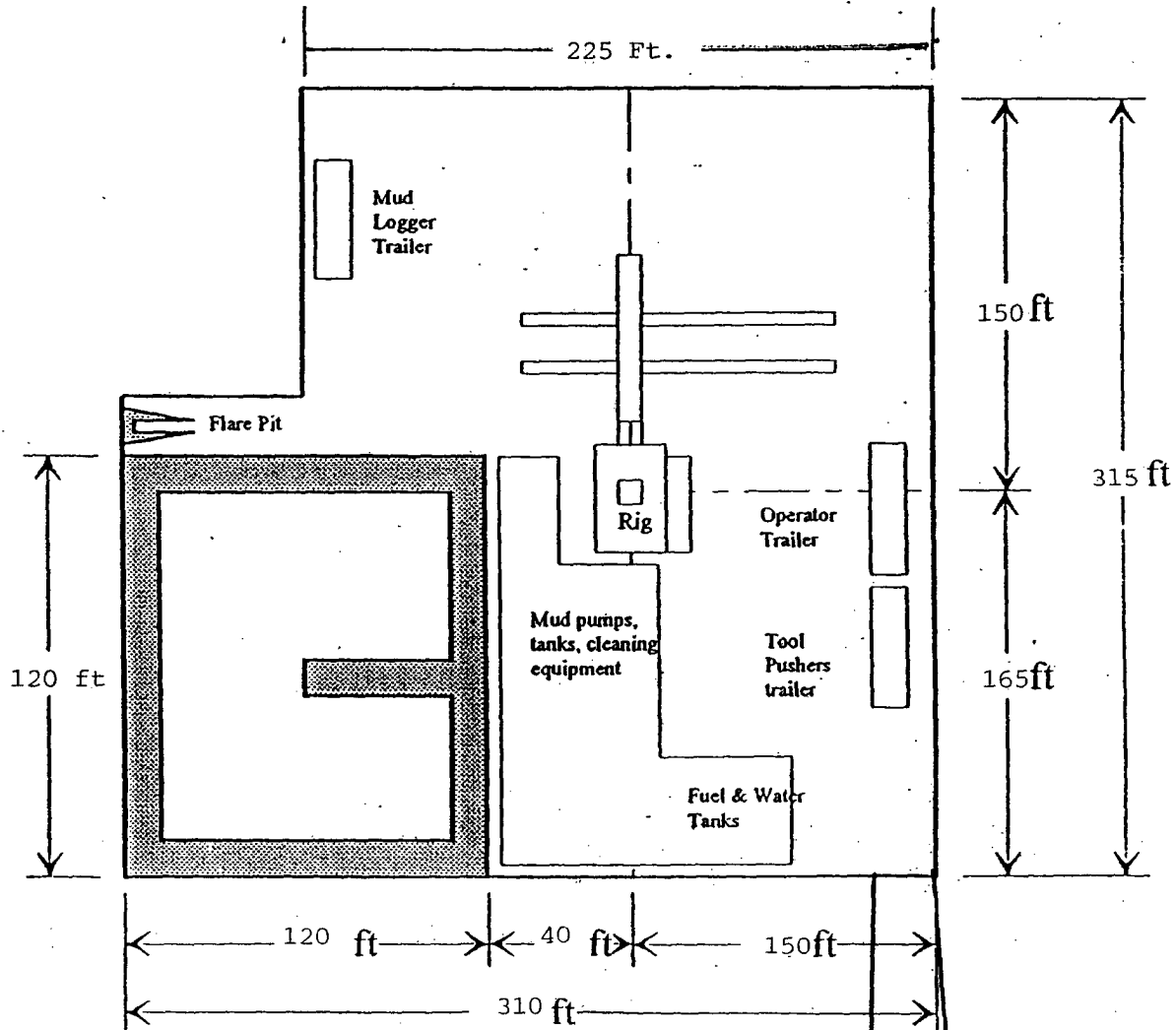
PB - L1

Yates Petroleum Corporation
Location Layout for Permian Basin
Up to 12,000'



Pits North

Yates Petroleum Corporation
Pan Am Pardue ALZ Fed. Com. #3
603' FNL and 545' FWL Surf. Loc.
1980' FSL and 660' FWL B.H.L.
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Eddy County, New Mexico



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

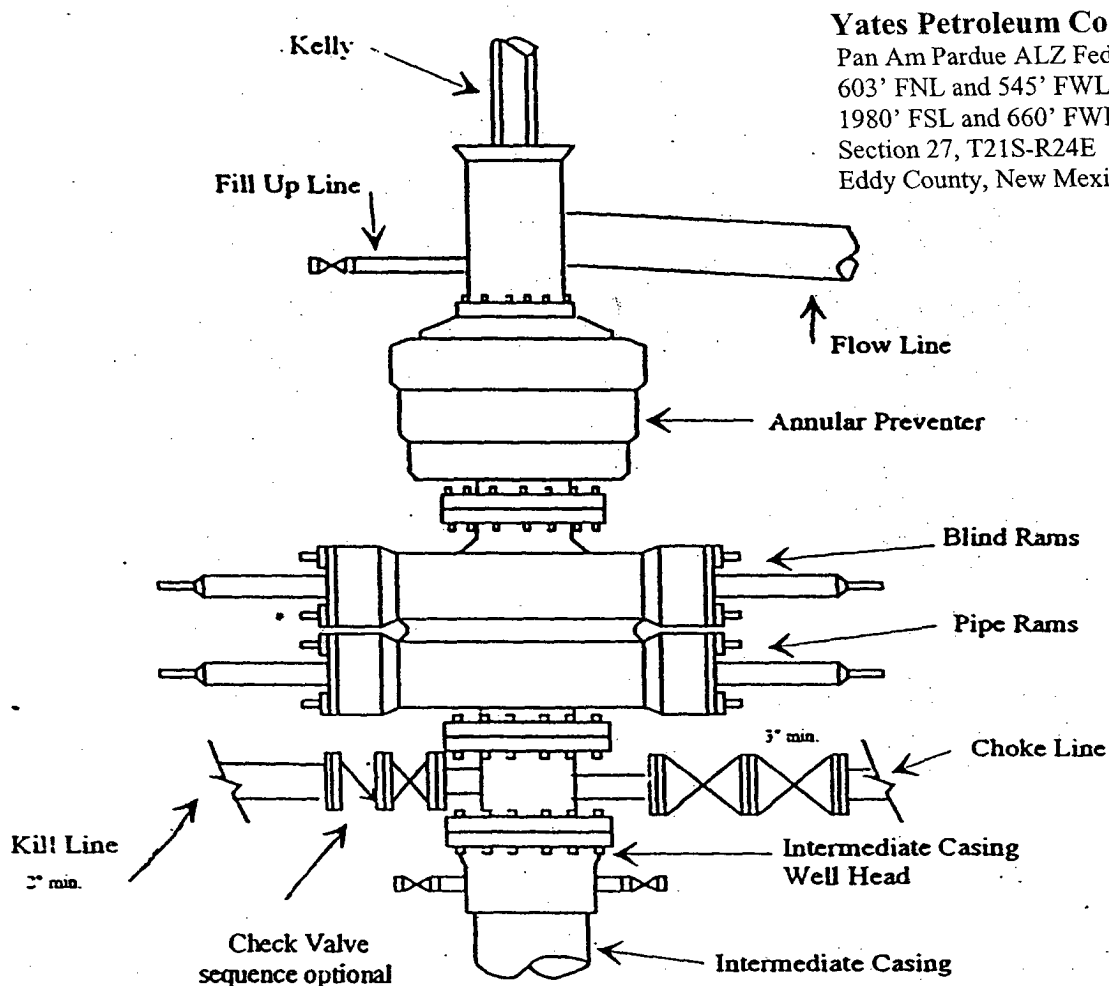
ROAD



Yates Petroleum Corporation

BOP-3

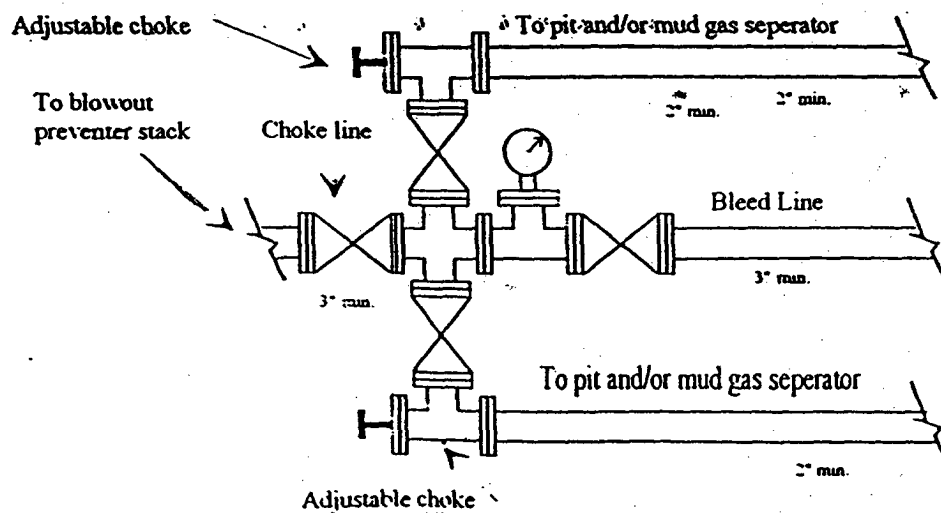
Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

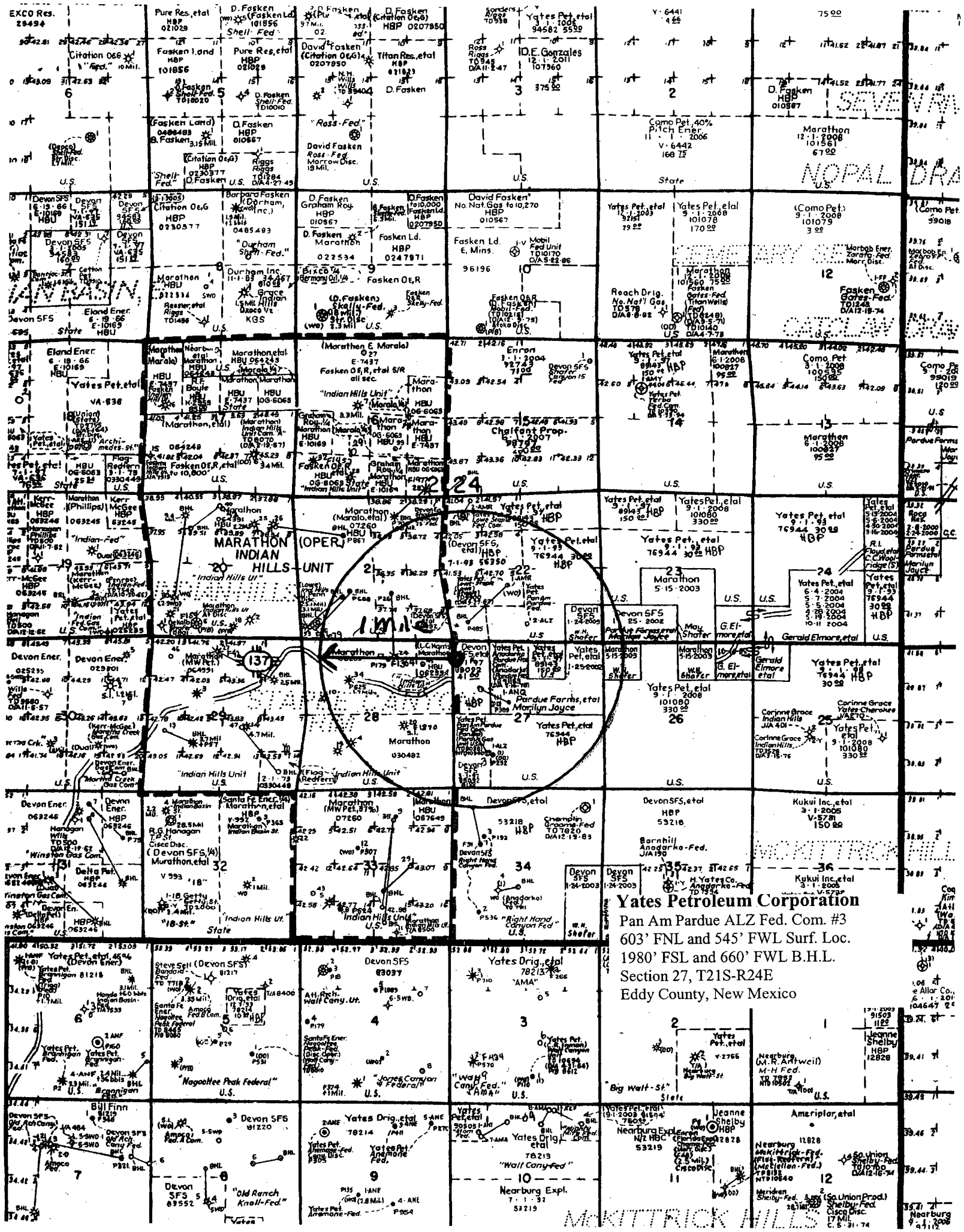


Yates Petroleum Corporation

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





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