

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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

0  
OMB No. 1004-0136  
Expires November 30, 2000


APPLICATION FOR PERMIT TO DRILL OR REENTER

|   |  |  |
|---|--|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER  |  | 5. Lease Serial No.<br><b>NM-97846</b>   |
| 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<br><b>Yates Petroleum Corporation</b> <b>25575</b>  |  | 7. If Unit or CA Agreement, Name and No.   |
| 3A. Address <b>105 South Fourth Street</b><br><b>Artesia, New Mexico 88210</b>  |  | 8. Lease Name and Well No. <b>28087</b><br><b>Penny Pincher AYP Federal #1</b>   |
| 3b. Phone No. (include area code)<br><b>(505) 748-1471</b>  |  | 9. API Well No.<br><b>30-015-34132</b>   |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *)<br>At surface <b>660' FNL &amp; 660' FWL</b><br>At proposed prod. Zone <b>Same</b>                                     |  | 10. Field and Pool, or Exploratory<br><b>Wildcat <del>Greeter</del> GRANITE</b>  |
| 14. Distance in miles and direction from nearest town or post office*<br><b>Approximately 39miles NW of Carlsbad, New Mexico</b>  |  | 11. Sec., T., R., M., or Blk, and Survey or Area<br><b>Section 24, T21S-R22E</b> |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>660'</b>   |  | 12. County or Parish<br><b>Eddy County</b>                                       |
| 16. No. of Acres in lease <b>320</b>  |  | 13. State<br><b>NM</b>   |
| 17. Spacing Unit dedicated to this well <b>320</b>  |  |  |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>1330'</b>   |  |  |
| 19. Proposed Depth <b>9500' MD</b>  |  |  |
| 20. BLM/BIA Bond No. on file  |  |  |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br><b>4184' GL</b>  |  |  |
| 22. Approximate date work will start*   |  |  |
| 23. Estimated duration  |  |  |

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.  | 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)<br><b>Cy Cowan/Land Department</b> | Date<br><b>4/19/05</b>                 |
| Title:<br><b>Regulatory Agent</b>   |   |  |
| Approved by (Signature) <b>/s/ Joe G. Lara</b>  | Name (Printed/Typed) <b>/s/ Joe G. Lara</b>             | Date <b>MAY 19 2005</b>                |
| Title<br><b>ACTING FIELD MANAGER</b>  |   | Office<br><b>CARLSBAD FIELD OFFICE</b> |

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)

Previously Approved **C-144 attached**

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

WITNESS **8 5/8" Cement Job**

State of New Mexico  
Energy Minerals and Natural Resources

Form C-144  
March 12, 2004

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

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

**Pit or Below-Grade Tank Registration or Closure**

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

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) 748-4372 e-mail address: debbiec@ypcnm.com  
Address: 105 South 4<sup>th</sup> Street, Artesia, NM 88210 30-015-34132  
Facility or well name: Penny Pincher AYP Federal #1 API #: \_\_\_\_\_ U/L or Qtr/Qtr \_\_\_\_\_ Sec 24 T 21S R 22E  
County: Eddy Latitude \_\_\_\_\_ Longitude \_\_\_\_\_ 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.  
\_\_\_\_\_

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)**

**0 Points**

**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: 04/19/2005

Printed Name/Title Cy Cowan/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:

Date: MAY 23 2005

Printed Name/Title \_\_\_\_\_ Signature \_\_\_\_\_

Hobbs, NM 88240

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000

First, Artesia, NM 88210

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

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

District III

1000 Rio Brazos Rd., Artec, NM 87410

District IV

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

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

|   |  |  |
|---|--|--|
| <sup>1</sup> API Number                 | <sup>2</sup> Pool Code   | <sup>3</sup> Pool Name<br><b>Wildcat Chester</b> |
| <sup>4</sup> Property Code              | <sup>5</sup> Property Name<br><b>PENNY PINCHER AYP FEDERAL</b>   | <sup>6</sup> Well Number<br><b>1</b>             |
| <sup>7</sup> OGRID No.<br><b>025575</b> | <sup>8</sup> Operator Name<br><b>Yates Petroleum Corporation</b> | <sup>9</sup> Elevation<br><b>4184'</b>           |

<sup>10</sup> Surface Location

|                           |                      |                        |                     |         |                             |                                  |                             |                               |                       |
|---------------------------|----------------------|------------------------|---------------------|---------|-----------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|
| UL or lot no.<br><b>D</b> | Section<br><b>24</b> | Township<br><b>21S</b> | Range<br><b>22E</b> | Lot Idn | Feet from the<br><b>660</b> | North/South line<br><b>North</b> | Feet from the<br><b>660</b> | East/West line<br><b>West</b> | County<br><b>Eddy</b> |
|---------------------------|----------------------|------------------------|---------------------|---------|-----------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|

<sup>11</sup> 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 |
| <sup>12</sup> Dedicated Acres<br><b>320</b> | <sup>13</sup> Joint or Infill | <sup>14</sup> Consolidation Code | <sup>15</sup> 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

|                                     |  |  |  |   |
|-------------------------------------|--|--|--|---|
| <sup>6</sup><br><br><b>NM-97846</b> |  |  |  | <sup>17</sup> <b>OPERATOR CERTIFICATION</b><br>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.<br><br>Signature<br><b>Cy Cowan</b><br>Printed Name<br><b>Regulatory Agent</b><br>Title<br><b>4/19/2005</b><br>Date  |
|                                     |  |  |  | <sup>18</sup> <b>SURVEYOR CERTIFICATION</b><br>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.<br><b>REFER TO ORIGINAL PLAT</b><br>Date of Survey<br>Signature and Seal of Professional Surveyor: |
|                                     |  |  |  |   |
|                                     |  |  |  | Certificate Number  |

First, Artesia, NM 88210

## OIL CONSERVATION DIVISION

Submit to Appropriate District Office

1220 South St. Francis Dr.

State Lease - 4 Copies

Santa Fe, NM 87505

Fee Lease - 3 Copies

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

|   |  |  |  |  |  |
|---|--|--|--|--|--|
| <sup>1</sup> API Number                 |  | <sup>2</sup> Pool Code   |  | <sup>3</sup> Pool Name<br><b>Wildcat Chester</b> |  |
| <sup>4</sup> Property Code              |  | <sup>5</sup> Property Name<br><b>PENNY PINCHER AYP FEDERAL</b>   |  |  | <sup>6</sup> Well Number<br><b>1</b>   |
| <sup>7</sup> OGRID No.<br><b>025575</b> |  | <sup>8</sup> Operator Name<br><b>Yates Petroleum Corporation</b> |  |  | <sup>9</sup> Elevation<br><b>4184'</b> |

<sup>10</sup> Surface Location

|                           |                      |                        |                     |         |                             |                                  |                             |                               |                       |
|---------------------------|----------------------|------------------------|---------------------|---------|-----------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|
| UL or lot no.<br><b>D</b> | Section<br><b>24</b> | Township<br><b>21S</b> | Range<br><b>22E</b> | Lot Idn | Feet from the<br><b>660</b> | North/South line<br><b>North</b> | Feet from the<br><b>660</b> | East/West line<br><b>West</b> | County<br><b>Eddy</b> |
|---------------------------|----------------------|------------------------|---------------------|---------|-----------------------------|----------------------------------|-----------------------------|-------------------------------|-----------------------|

<sup>11</sup> 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|

|   |                               |                                  |                         |
|---|-------------------------------|----------------------------------|-------------------------|
| <sup>12</sup> Dedicated Acres<br><b>320</b> | <sup>13</sup> Joint or Infill | <sup>14</sup> Consolidation Code | <sup>15</sup> 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

|  |  |  |  |  |   |
|--|--|--|--|--|---|
|  |  |  |  |  | <sup>17</sup> <b>OPERATOR CERTIFICATION</b><br>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.<br><br>Signature<br><b>Cy Cowan</b><br>Printed Name<br><b>Regulatory Agent</b><br>Title<br><b>4/15/2003</b><br>Date  |
|  |  |  |  |  | <sup>18</sup> <b>SURVEYOR CERTIFICATION</b><br>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.<br><b>REFER TO ORIGINAL PLAT</b><br>Date of Survey<br>Signature and Seal of Professional Surveyor: |
|  |  |  |  |  |   |
|  |  |  |  |  | Certificate Number  |

State of New Mexico  
Energy, Minerals & Natural Resources

Form C-102  
Revised March 17, 1999

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

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

Hobbs, NM 88240

First, Artesia, NM 88210

III  
000 Rio Brazos Rd., Aztec, NM 87410

District IV  
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                     |  |  |  |                              |                    |
|---------------------|--|--|--|------------------------------|--------------------|
| API Number          |  | Pool Code                                    |  | Pool Name<br>Wildcat Chester |                    |
| Property Code       |  | Property Name<br>PENNY PINCHER AYP FEDERAL   |  |                              | Well Number<br>1   |
| OGRID No.<br>025575 |  | Operator Name<br>YATES PETROLEUM CORPORATION |  |                              | Elevation<br>4184. |

10 Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | Country |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|---------|
| D             | 24      | 21-S     | 22-E  |         | 660           | 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 | Country |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|---------|
|               |         |          |       |         |               |                  |               |                |         |

|                        |                 |                    |           |
|------------------------|-----------------|--------------------|-----------|
| Dedicated Acres<br>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

|                 |  |  |  |  |
|-----------------|--|--|--|--|
| <p>NM-97846</p> | <p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature <i>Cy Cowan</i></p> <p>Printed Name Cy Cowan</p> <p>Title Regulatory Agent</p> <p>Date April 9, 2001</p>   |  |  |  |
|                 | <p>18 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 belief.</p> <p>MARCH 28, 2001</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Engineer</p> |  |  |  |
|                 |  |  |  |  |
|                 |  |  |  |  |

# YATES PETROLEUM CORPORATION

Penny Pincher "AYP" Federal #1

660' FNL and 660' FWL

Section 24, T21S-R22E

Eddy County, New Mexico

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

|                             |       |               |       |
|-----------------------------|-------|---------------|-------|
| San Andres                  | 275'  | Strawn Lime   | 8340' |
| Glorietta                   | 2010' | Atoka         | 8680' |
| Bone Spring Lime            | 3090' | Morrow        | 8940' |
| 3 <sup>rd</sup> Bone Spring | 5000' | Middle Morrow | 9025' |
| Wolfcamp                    | 5310' | Chester Lime  | 9420' |
| Cisco                       | 7430' | TD            | 9500' |

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

Water: 200' - 300'  
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>Thread</u> | <u>Interval</u> | <u>Length</u> |
|------------------|--------------------|---------------|--------------|---------------|-----------------|---------------|
| 17 1/2"          | 13 3/8"            | 48#           | H-40         | ST&C          | 0-350'          | 350'          |
| 12 1/4"          | 8 5/8"             | 24#           | J-55         | ST&C          | 0-2050'         | 2050'         |
| 7 7/8"           | 5 1/2"             | 17#           | J-55         | LT&C          | 0-700'          | 3300'         |
| 7 7/8"           | 5 1/2"             | 15.5#         | J-55         | LT&C          | 700'-6300'      | 5600'         |
| 7 7/8"           | 5 1/2"             | 17#           | J-55         | LT&C          | 6300'-8000'     | 1700'         |
| 7 7/8"           | 5 1/2"             | 17#           | S-95         | LT&C          | 8000'-9420'     | 1420'         |

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

**B. CEMENTING PROGRAM:**

Surface casing: 400 sacks "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT 15.6)

Intermediate Casing: 750 sx Lite (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT 15.6)

Production Casing: TOC 4500'. 650 sacks Super "H" Modified (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> |
|-----------------|------------------|---------------|------------------|-------------------|
| Spud to 350'    | FW/Air Mist      | 8.4           | 28               | N/C               |
| 350'-2050'      | FW/Air Mist      | 8.4           | 28               | N/C               |
| 2050'-7800'     | Cut Brine/4% KCL | 8.6-9.2       | 28               | N/C               |
| 7800'-9420'     | Salt Gel/Starch  | 9.2-9.8       | 32-38            | <10cc             |

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' out from under surface casing to TD.

Logging: Platform Express-HALS, Possible FMI.

Coring: As Warranted.

DST's: As Warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

|             |          |                       |      |     |
|-------------|----------|-----------------------|------|-----|
| From: 0     | TO 350'  | Anticipated Max. BHP: | 175  | PSI |
| From: 350'  | TO 2050' | Anticipated Max. BHP: | 900  | PSI |
| From: 2050' | TO 9420' | Anticipated Max. BHP: | 4700 | PSI |

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H<sub>2</sub>S Zones Anticipated: None

Maximum Bottom Hole Temperature: 189° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 10 days.

## **MULTI-POINT SURFACE USE AND OPERATIONS PLAN**

**Yates Petroleum Corporation**  
Penny Pincher "AYP Federal #1"  
660' FNL AND 660' FWL  
Section 24, T21S-R22E  
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 wellsite is located approximately 39 miles Northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

#### **DIRECTIONS:**

Go south of Artesia of Highway 285 for approximately 19 miles to Seven Rivers. Turn West on White Pine Road and go to the Marathon Plant Road. CR 401. Turn west on 401 and go 8 miles to CR 400 (old Car Body here) Turn right on CR 400 and go approx. 1.7 miles. Turn right on lease road and go approximately 1.4 miles to a dry hole marker on the left. Turn right here and go approximately .6 of a mile to Oxy's Penny Loafer Federal #1 well. The new road will start here going east for approx. 1300 feet to a fence the road will go through the fence and turn north for approx. .1 of a mile to the southwest corner of the well location.

### **2. PLANNED ACCESS ROAD:**

- A. The proposed new access will be approximately .3 of a mile in length from the point of origin to the southwest corner of drilling pad. The road will lie in a east 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. 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 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 no 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:

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

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 land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

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. NOTE: BACKSIDE OF LOCATION WILL BE LIMITED TO 100' PER MR. BARRY HUNT, BLM CARLSBAD.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' 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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Land Management

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:

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.

4/19/2005

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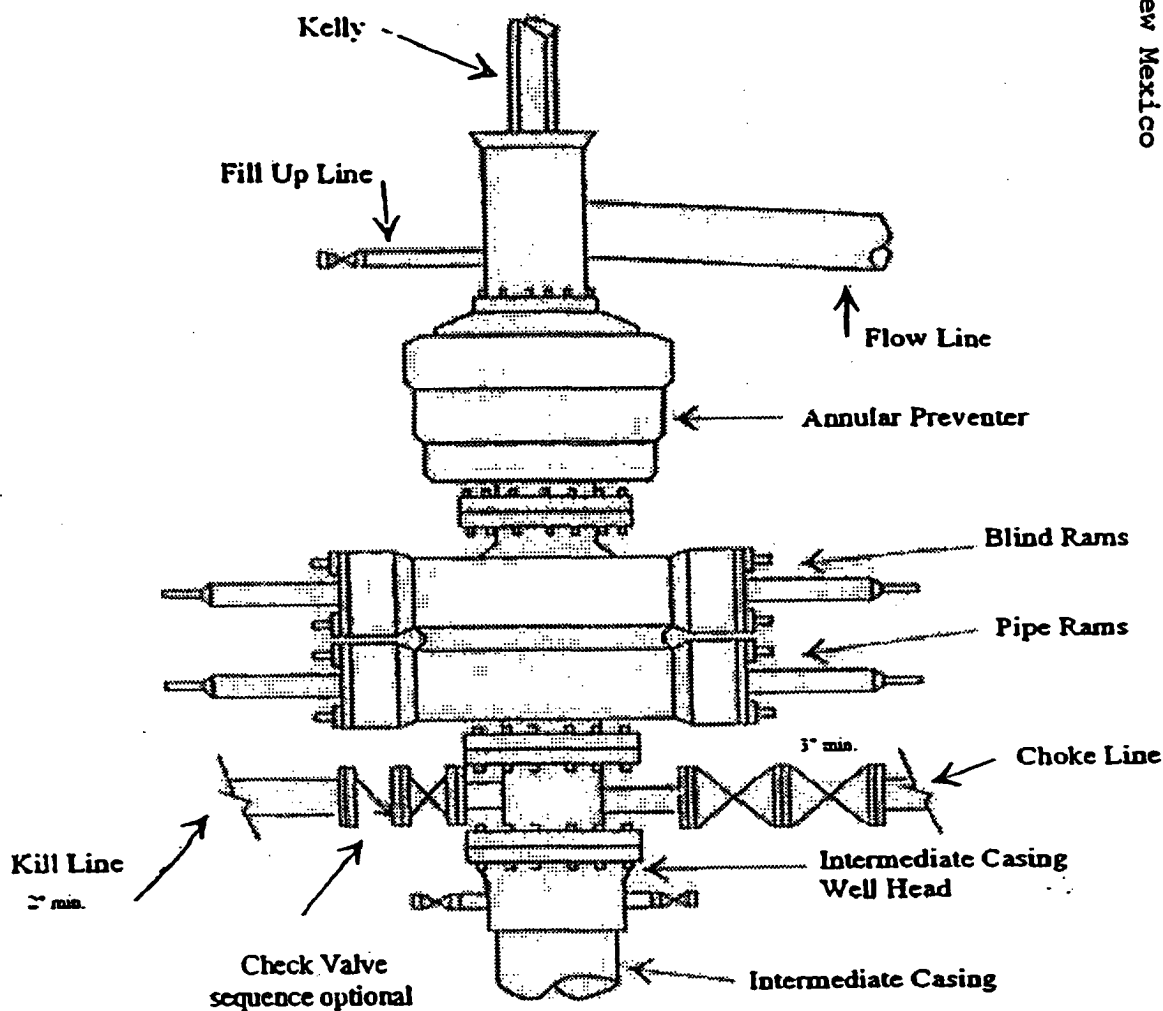
Regulatory Agent



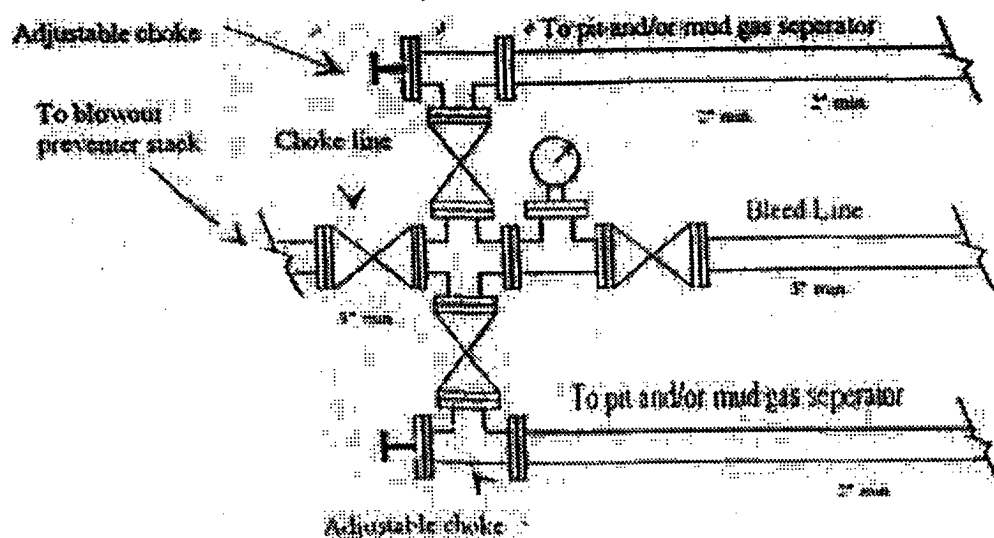
# Yates Petroleum Corporation

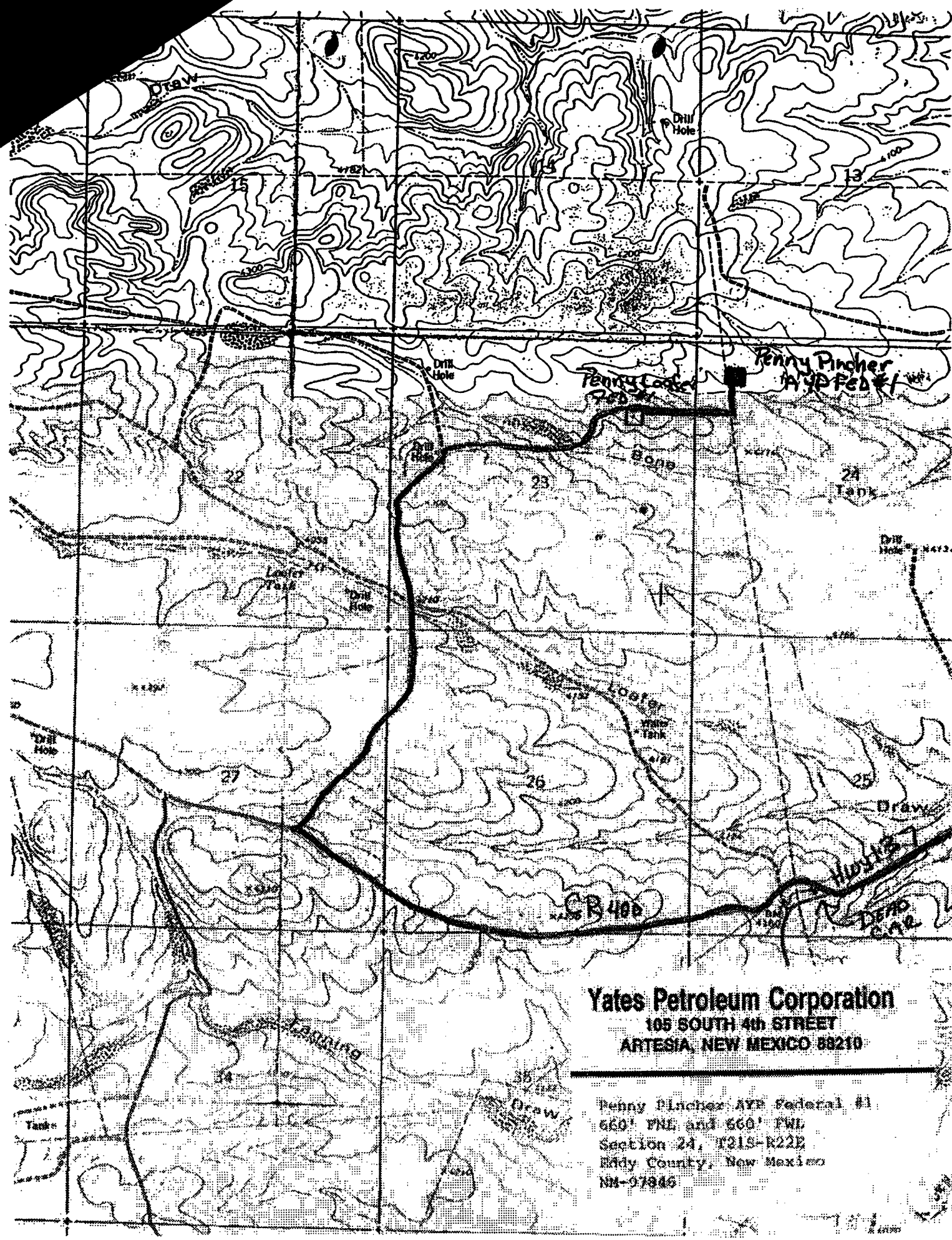
## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

Penny Pincher AYP Federal #1  
660' FNL and 660' FWL  
Section 24, T21S-R22E  
Eddy County, New Mexico  
NM-97846



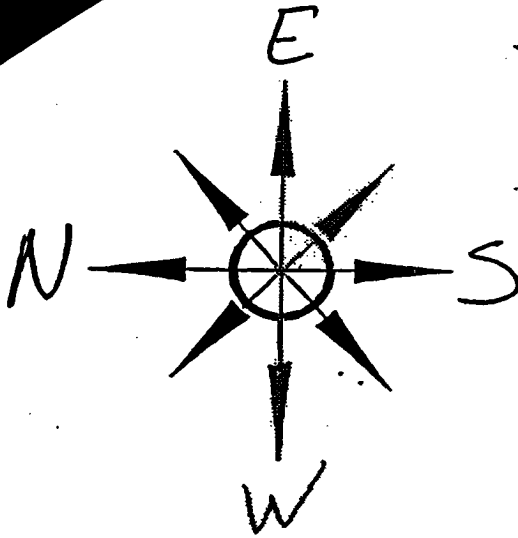
## Typical 3,000 psi choke manifold assembly with at least these minimum features





**Yates Petroleum Corporation**  
105 SOUTH 4th STREET  
ARTESIA, NEW MEXICO 88210

Penny Pincher AYP Federal #1  
660' FWL and 660' FWL  
Section 24, T21S-R22E  
Elddy County, New Mexico  
NM-97846

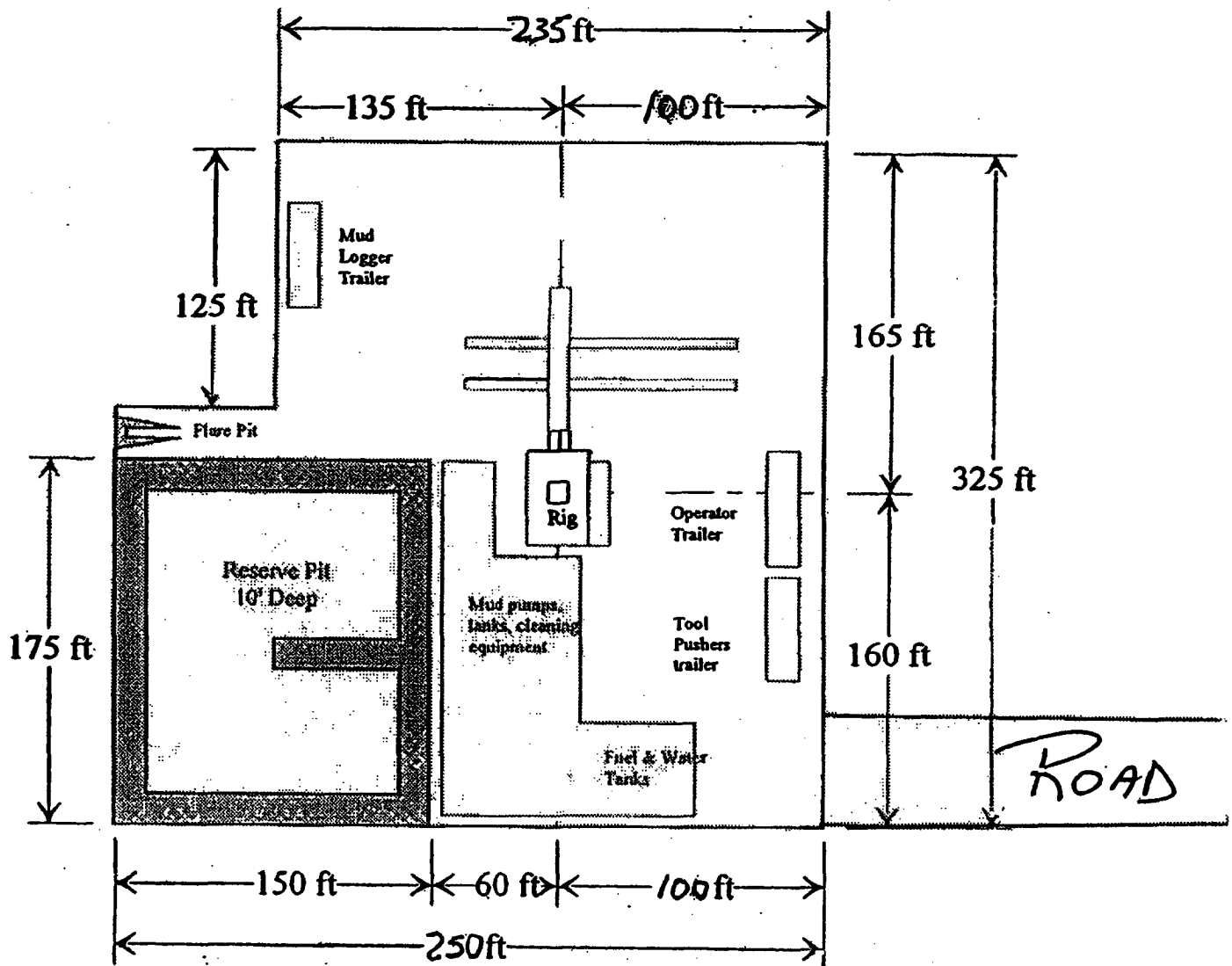


**Yates Petroleum Corporation**  
Location Layout for Permian Basin  
Up to 12,000'

*Pits North  
Limit Back side  
Of Location to  
100' Per BLM.*

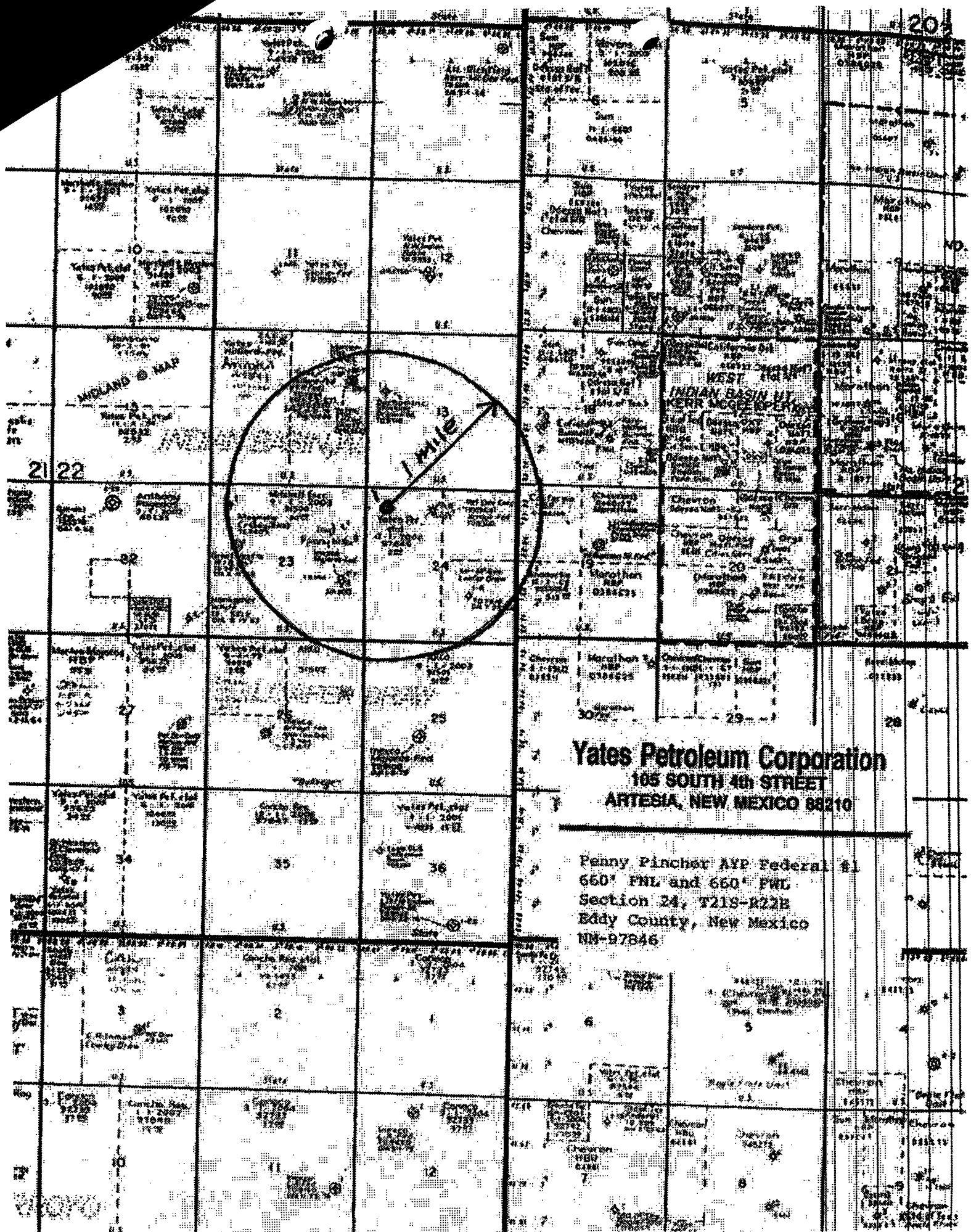
PB - L1

Penny Pincher AYP Federal #1  
660' FNL and 660' FNL  
Section 24, T21S-R22E  
Eddy County, New Mexico  
NM-97846



Distance from Well  
Head to Reserve Pit  
will vary between rigs

The above dimension  
should be a maximum



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4/19/2005

  
Regulatory Agent