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

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SEP 28 2005
OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-90874

6. If Indian, Allottee or Tribe Name: Not Applicable

1a. Type of Work: [X] DRILL [ ] REENTER

7. If Unit or CA Agreement, Name and No.: Not Applicable

b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [ ] Single Zone [X] Multiple Zone

8. Lease Name and Well No.: Biplane Unit #2 (32160)

2. Name of Operator: Yates Petroleum Corporation

9. API Well No.: 30-005-63613

3A. Address: 105 South Fourth Street, Artesia, New Mexico 88210

3b. Phone No. *(include area code)*: (505) 748-1471

10. Field and Pool, or Exploratory: Wildcat G Granite

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

At surface: 660' FSL and 1190' FEL; SESE Unit P

At proposed prod. Zone: same as above

11. Sec., T., R., M., or Blk, and Survey or Area: Section 9, T6S-R27E

14. Distance in miles and direction from nearest town or post office*: Approximately forty (40) miles Northeast of Roswell, New Mexico

12. County or Parish: Chaves County

13. State: New Mexico

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: 560

17. Spacing Unit dedicated to this well: 320 acres S/2

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth: 6700'

20. BLM/BIA Bond No. on file: NM-2811

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 4050' 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:

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: Debbie L. Caffall — Name *(Printed/Typed)*: Debbie L. Caffall — Date: 8/19/2005

Title: Regulatory Technician/Land Department — debbiec@ypcnm.com

Approved by *(Signature)*: /S/LARRY D. BRAY — Name *(Printed/Typed)*: /S/LARRY D. BRAY — Date: SEP 23 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 1001and 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) C-144 attached

Previously Approved
APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

19.5

[redacted], 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 and Natural Resources Department

Form C-102
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
	96542	Wildcat, Granite

Property Code	Property Name	Well Number
	BIPLANE UNIT	2

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	4050

Surface Location

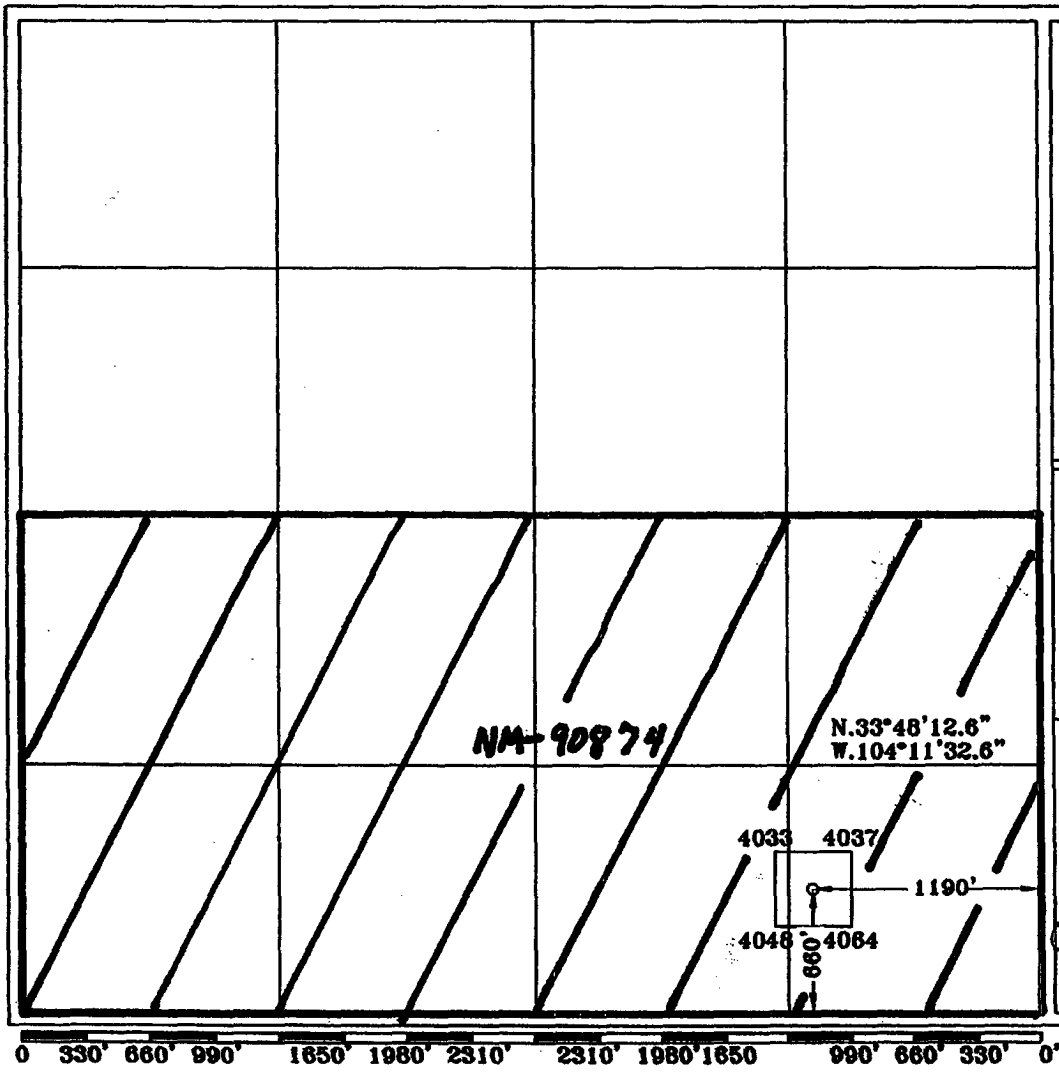
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	9	6S	27E		660	SOUTH	1190	EAST	CHAVES

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	Joint or Infill	Consolidation Code	Order No.
320 S/2			

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Clifton R. May
Signature

Clifton R. May
Printed Name

Regulatory Agent
Title

August 8, 2003
Date

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 supervison, and that the same is true and correct to the best of my belief.

7/28/2003
Date Surveyed

Signature & Seal of Professional Surveyor

HERSCHEL L. JONES
NEW MEXICO
3640
REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. Herschel L. Jones RLS 3640

BIPLANE 2
GENERAL SURVEYING COMPANY

Well

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: debbiec@ypcnm.com

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

Facility or well name: Biplane Unit #2 API #: 30-005-63613 U/L or Qtr/Qtr SESE Sec 9 T 6S R 27E

County: Chaves Latitude Longitude NAD: 1927 ☐ 1983 ☐ Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Volume bbl	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 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (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 No	(20 points) (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)
	Ranking Score (Total Points)	0

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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: 10/18/2004

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.

Approved OCT 21 2004

Date:

Printed Name/Title Field Rep II Signature

YATES PETROLEUM CORPORATION
Biplane Unit #2
660' FSL and 1190' FEL
Section 9, T6S-R27E
Chaves County, New Mexico

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

Yates	210'	Abo	4470'
Seven Rivers	265'	Wolfcamp	5175'
Queen	775'	Cisco	5755'
Grayburg	990'	Strawn	5930'
San Andres	1200'	Mississippian	6225'
Glorieta	2270'	Siluro-Devonian	6400'
Yeso	2395'	Pre-Cambrian	6550'
Tubb	3790'	TD	6700'

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

   Water: 150'-200'
   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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval
12 ¼"	8 5/8"	24#	J-55	ST&C	0-1250'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-6700'

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

   2. A 2, 000 psi BOP will be nippled up on the 8 5/8" casing and tested to 1000 psi. YPC requests a variance be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 1000 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the bottom hole pressure in this filed is proven to be near 1000 psi. A shut in surface pressure would be less than 1000 psi. We feel that an 1100-psi test will demonstrate that the BOPE is functioning properly, in the unlikely event of a gas influx that the BOPE would be sufficient to control the well.

B. CEMENTING PROGRAM:
Surface Casing: Cement with 500 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 250 sx "C" + 2% CaCl2 (YLD 1.33 WT 15.6).

Production Casing: 675 sx Pecos Valley Lite (YLD 1.42 WT 13.0). ~~TOC 4000~~' See COA's Attached

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1200'	FW Gel/Paper/LCM	8.6 - 9.6	32-36	N/C
1200'-4440'	Brine	10 – 10.2	28	N/C
4440'-6700'	Starch/Salt Gel	10 - 10.2	45-50	<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 out from under surface casing.
Logging: Platform Express, CNL/LDT W//NGT to TD to surface casing, w/GR/CNL TD to surface, DLL/MSFL TD to surface casing, BHC Sonic TD to surface casing; FMI TD – top of Wolfcamp.
Coring: Sidewall
DST's: None.

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

Anticipated BHP:
From: 0 TO: 1250' Anticipated Max. BHP: 600 PSI
From: 1250' TO: 6700' Anticipated Max. BHP: 3570 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 115 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 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Biplane Unit #2
660' FSL and 1190' FEL
Section 9, T6S-R27E
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 well site is located approximately 40 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go northeast out of Roswell, NM on Hwy 70 fro approximately 28 miles to Olive Road (just past mile marker 362). Turn north on Olive Road and go approximately 11.1 miles to Caprock Road. Turn east on Caprock Road and go approximately 0.9 of a mile. Turn left thru cattle guard and follow road past the house and around the corrals going north. Just past the corrals turn left, west, on lease road before crossing cattle guard. Go west approximately 1.1 mile. Just thru cattle guard turn north and go down fence to location.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 800' in length from the point of origin to the northeast corner of the drilling 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 both sides. No traffic turnout will be built.
D. The route of the road is visible.
E. Existing roads will be maintained in the same or better condition.
F. One cattle guard will be needed.
G. Will cross a waterline that will need to be located and protected.

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:

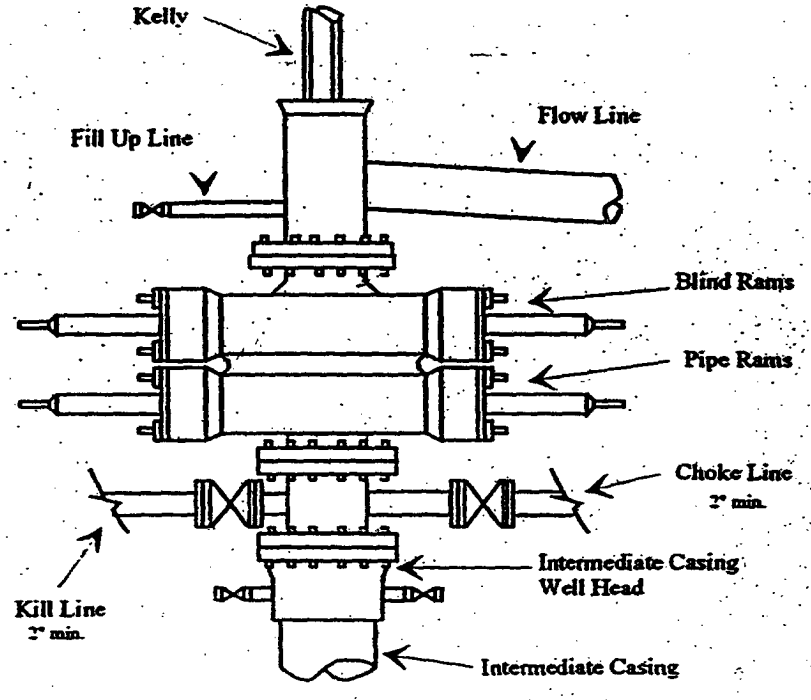
A. There are no production facilities on this lease at the present time.
B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power.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

Yates Petroleum Corporation

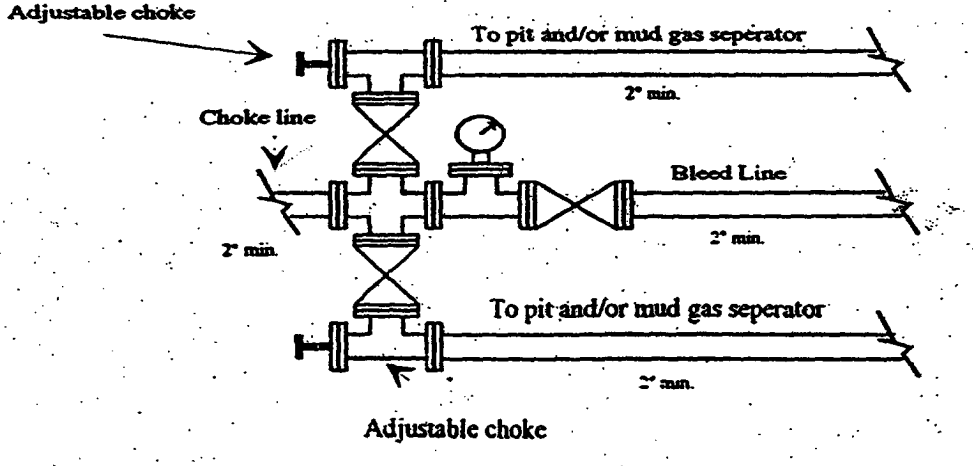
BOP-2

Typical 2,000 psi Pressure System Schematic
Double Ram Preventer Stack

Exhibit B



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



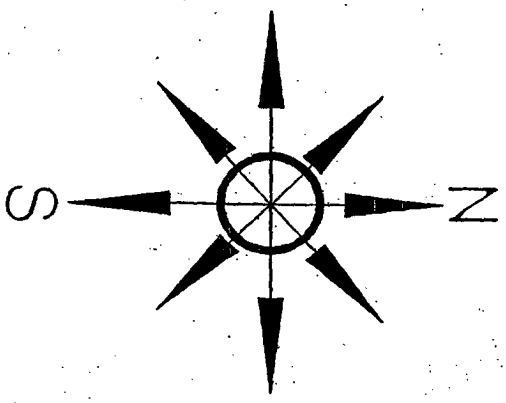
PB - L1

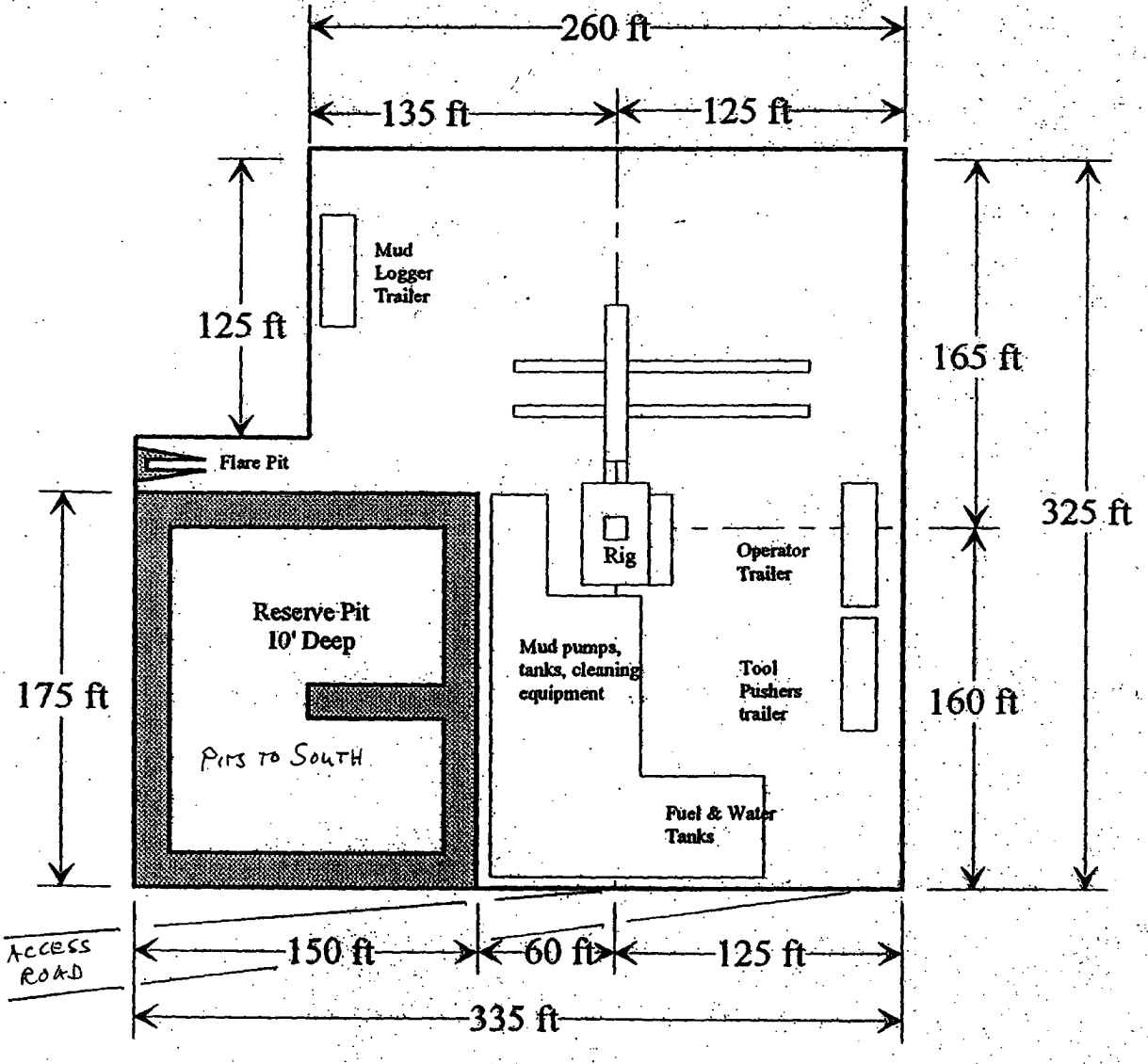
Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

EXHIBIT C





Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: **8⅝** inch **5½** inch C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

B. CASING:

1. The 8⅝ inch surface casing shall be set at **1250'** and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the **5½** inch intermediate casing is **cement shall extend upward a minimum of 200 feet above the Glorieta formation**.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No.
2. The BOP and related equipment shall be installed and operational before drilling below the **8⅝** inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

The results of the test shall be reported to the appropriate BLM office.
Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
Testing must be done in a safe workman-like manner. Hard line connections shall be required.
BOPE shall be tested before drilling into the Wolfcamp formation.

D. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.
B. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
C. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.