

N.M. OF Cons. DIV-List. 2  
1301 W. Grand Avenue  
Artesia, NM 88210

Form 3160-3  
(August 1999)

0031

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

NOV 23 2005

OLD ARTESIA

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

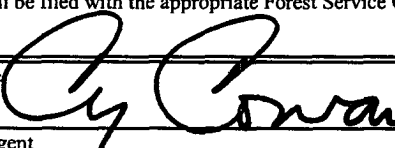
8106

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.	
b. 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		8. Lease Name and Well No. <b>35257</b> <b>Chosa ATR Federal Com. #3</b>	
2. Name of Operator <b>Yates Petroleum Corporation 25575</b>		9. API Well No. <b>30-015-34441</b>	
3A. Address <b>105 South Fourth Street Artesia, New Mexico 88210</b>		3b. Phone No. (include area code) <b>74900</b> <b>(505) 748-1471</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>1980' FSL and 1650' FEL</b> At proposed prod. Zone <b>Same</b>		10. Field and Pool, or Exploratory <b>Chosa Draw Morrow</b>	
14. Distance in miles and direction from nearest town or post office* <b>Approximately 16 miles south of Carlsbad, New Mexico.</b>		11. Sec., T., R., M., or Blk. and Survey or Area <b>Section 17, T25S-R26E</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>1650'</b>		12. County or Parish <b>Eddy County</b>	
16. No. of Acres in lease <b>320</b>		13. State <b>NM</b>	
17. Spacing Unit dedicated to this well <b>S/2</b>			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>.5 of mile</b>		20. BLM/BIA Bond No. on file <b>NM-2811</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3389' GL</b>		22. Approximate date work will start* <b>ASAP</b>	
23. Estimated duration <b>45 days</b>			
24. Attachments <b>CARLSBAD CONTROLLED WATER BASIN</b>			

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) <b>Cy Cowan</b>	Date <b>9/23/2005</b>
Regulatory Agent		
Regulatory Agent		
Approved by (Signature) <b>/s/ Joe G. Lara</b>	Name (Printed/Typed) <b>/s/ Joe G. Lara</b>	Date <b>NOV 21 2005</b>
Title <b>ACTING FIELD MANAGER</b>	Office <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)

C-144 attached

WITNESS: 13 3/8" Cement Job

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  
2848 South Pacheco, Santa Fe, NM 87505

STATE OF NEW MEXICO  
Energy, Minerals and Natural Resources Department

Form O-106  
Revised March 17, 1988  
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	Under Chosa Draw; Pool Name Morrow
Property Code	Property Name CHOSA "ATR" FEDERAL COM.	Well Number 3
OCRED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3389

Surface Location

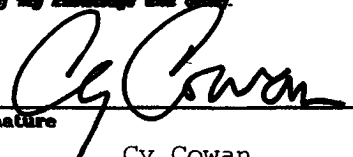
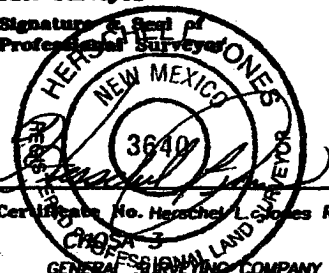
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	17	25S	26E		1980	SOUTH	1650	EAST	EDDY

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			

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

				<b>OPERATOR CERTIFICATION</b>  I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.   Signature Cy Cowan Printed Name Regulatory Agent Title September 22, 2005 Date	
				<b>SURVEYOR CERTIFICATION</b>  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.  9/16/2005 Date Surveyed Signature of Seal of Professional Surveyor  Certificate No. Herschel Jones RLS 3640 CHOSA 3 GENERAL SURVEYING COMPANY	

NM-94589

N.32°07'41.9"  
W.104°18'42.3"  
N.410357.2  
E.506836.0  
(NAD-27)

3379 3383  
3394 3385  
1650'  
1980'

FEE

0 330° 000° 990° 1650° 1980° 2310° 2310° 1980° 1650° 990° 000° 330° 0°

**YATES PETROLEUM CORPORATION**  
**Chosa "ATR" Federal Com. #3**  
 1980' FSL and 1650' FEL  
 Section 17-T25S-R26E  
 Eddy County, New Mexico

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

Delaware	1664'	Strawn	10,570'
Cherry Canyon	3064'	Atoka	10,820'
Brushy Canyon	4432'	Morrow Clastics	11,335'
Bone Spring	5212'	Lower Morrow	11,800'
3 <sup>rd</sup> Bone Spring	8026'	TD	12,150'
Wolfcamp	8428'		

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

Water: 45'  
 Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 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"	9 5/8"	36#	J-55	ST&C	0-1750'	1750'
8 3/4"	7 "	26#	J-55	LT&C	0-400'	400'
8 3/4"	7"	23#	J-55	LT&C	400'-5400'	5000'
8 3/4"	7"	26#	J-55	LT&C	5400'-7600'	2200'
8 3/4"	7"	26#	HCP-110	LT&C	7600'-8600'	1000'
6 1/8"	4 1/2"	11.6#	HCP-110	LT&C	0'-12150'	12150'

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 1.8, Joint Strength 2.0

**B. CEMENTING PROGRAM:**

Surface casing: 400 sx Class "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT.14.8).

Intermediate Casing:

Stage I: 500 sx Lite (YLD 2.05 WT 12.0). Tail in with 200 sx Class "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT 14.8)

Stage II: 1100 sx Lite "C" (YLD 2.0 WT 12.5) Tail in with 200 sx Class "C" +2% CaCl<sub>2</sub> (YLD 1.32 WT 14.8)

Production Casing: 575 sx PV Lite (YLD 1.34 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/Spud Mud	8.4-9.0	32-34	N/C
350'-1750'	Brine	10	28	N/C
1750'-8600'	Fresh Water	8.4-9.9	28	N/C
8600'-10820'	Brine	10	28	N/C
10820'-12150'	Salt Gel/Starch/6% KCL	10.7-12	36-40	<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' from out from under surface casing.

Logging: Platform Express-FMI.

Coring: None anticipated.

DST's: As warranted.

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

From: Spud	TO 350'	Anticipated Max.	BHP: 165	PSI
From: 350'	TO 1750'	Anticipated Max.	BHP: 910	PSI
From: 1750'	TO 8600'	Anticipated Max.	BHP: 4425	PSI
From: 8600'	TO 12150'	Anticipated Max.	BHP: 7580	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

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

Maximum Bottom Hole Temperature: 156° F

**8. ANTICIPATED STARTING DATE:**

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 35 days to drill the well with completion taking another 20 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN  
YATES PETROLEUM CORPORATION**

Chosa "ATR" Federal Com. #3  
1980' FSL and 1650' FEL  
Section 17-T25S-R26E  
Eddy County, New Mexico

*Revised  
10/18/05  
CM*

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 16 miles southwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

**DIRECTIONS:**

From the Carlsbad Airport go approximately 9.8 miles south on National Parks Highway to County Road 772 (Means and National Parks Highway). Turn left on CR 772 and go approximately 1.7 miles to intersection of County Roads 772 and 476. Turn left here then immediately turn right (south) on to CR-772 going through ranch house yard. Continue south on CR 772 for approx. 2.8 miles. The road will fork here. Take the left fork off of CR-772 on to an existing lease road. Go approximately .2 of a mile. Turn right here and go to the Guitar BFL Com. #1 well location. The new road will start here going south from southwest corner of the Guitar Com. #1.

**2. PLANNED ACCESS ROAD:**

- A. The proposed new access will be approximately 0.5 mile in length from the point of origin to the northwest corner of drilling pad. The road will lie in a southerly 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. Some traffic turnouts will 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 not any 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.

**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 locate the closest pit and obtain any permits and material needed for the 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 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, location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- 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 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, Carlsbad, New Mexico.**

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.
12. 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

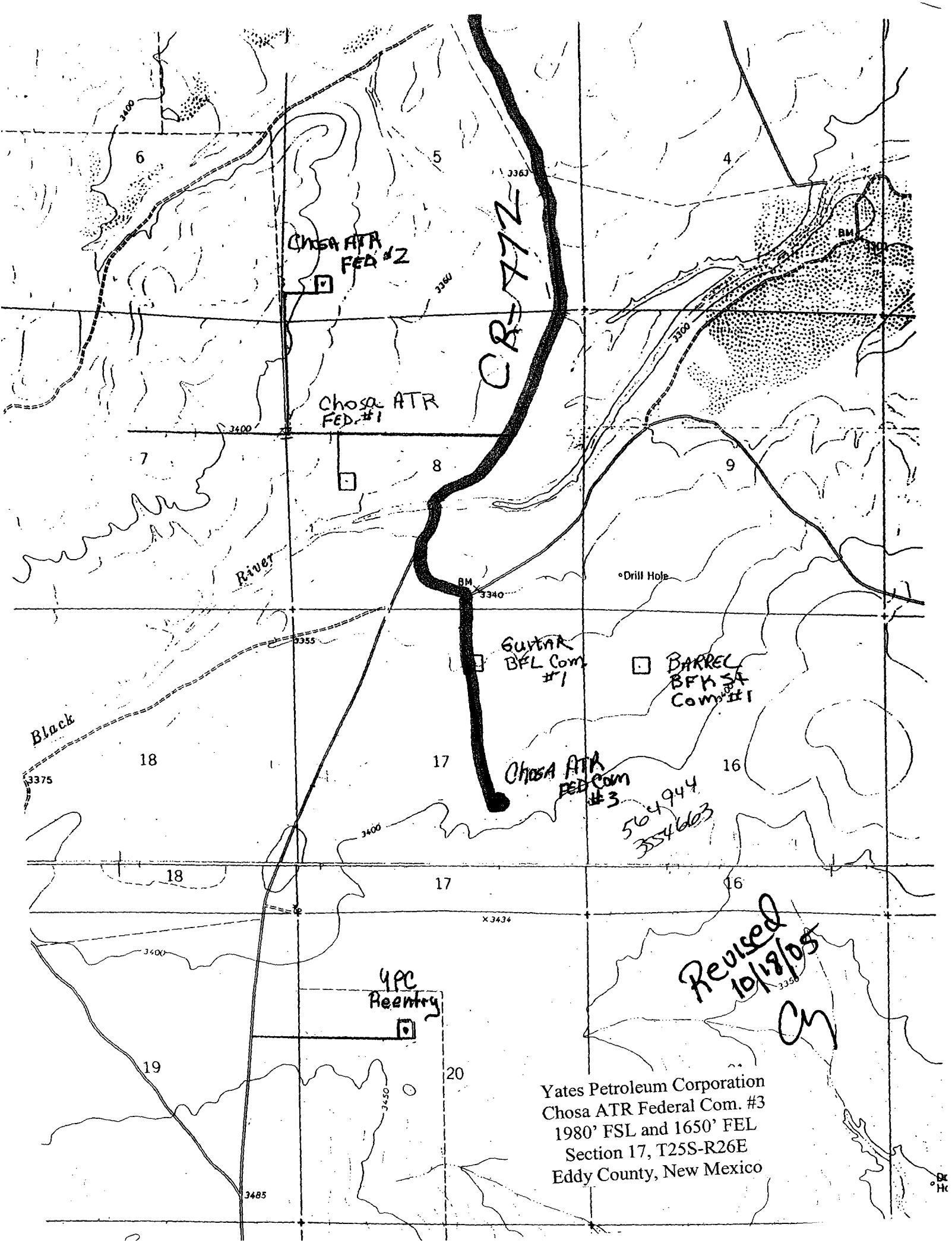
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|---|---|
| A. Through A.P.D. Approval:   | B. Through Drilling Operations,<br>Completions and Production:  |
| Cy Cowan, Regulatory Agent<br>Yates Petroleum Corporation<br>105 South Fourth Street<br>Artesia, New Mexico 88210<br>Phone (505) 748-1471 | Pinson McWhorter, Operations Manager<br>Yates Petroleum Corporation<br>105 South Fourth Street<br>Artesia, New Mexico 88210<br>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.

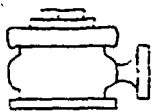
9/23/05

  
Regulatory Agent



Yates Petroleum Corporation  
Chosa ATR Federal Com. #3  
1980' FSL and 1650' FEL  
Section 17, T25S-R26E  
Eddy County, New Mexico





# Yates Petroleum Corporation

BOP-4

Typical 5,000 psi Pressure System

Schematic

Annular with Double Ram Preventer Stack

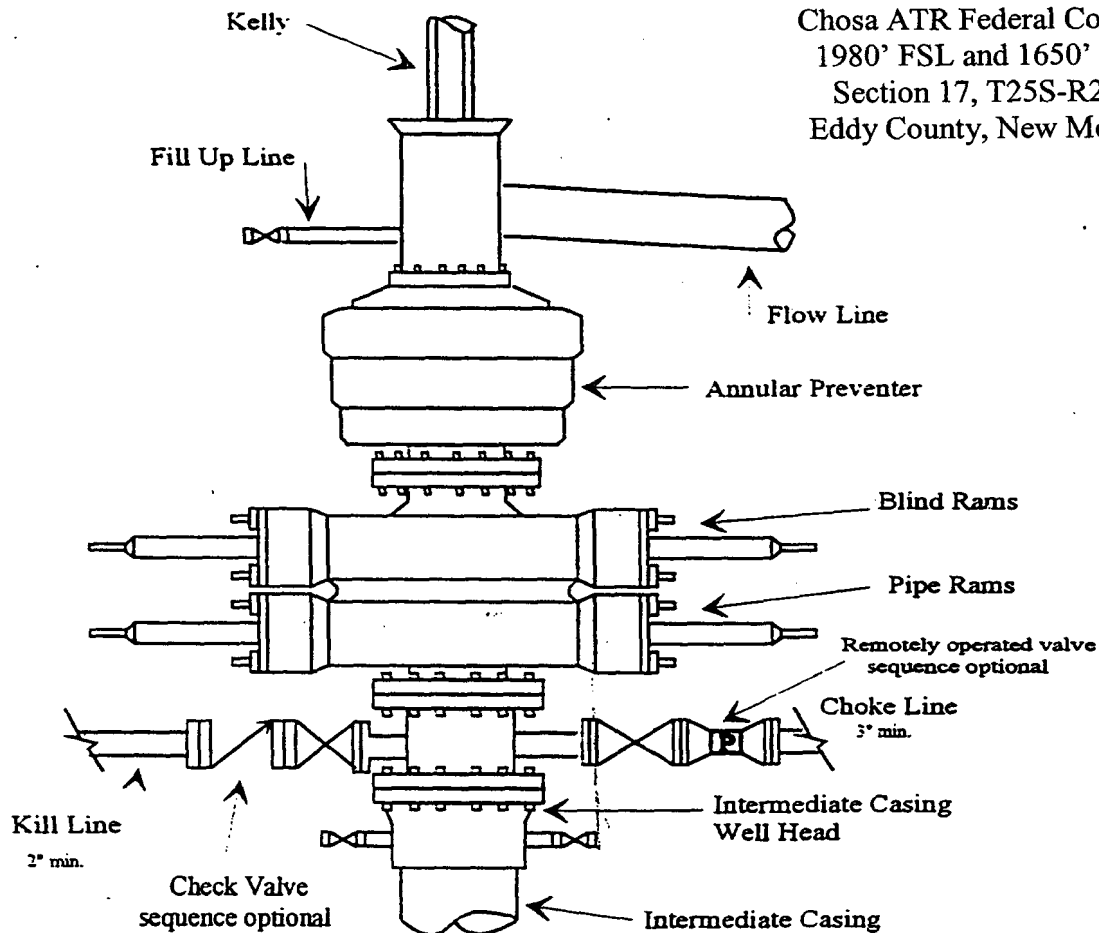
Yates Petroleum Corporation

Chosa ATR Federal Com. #3

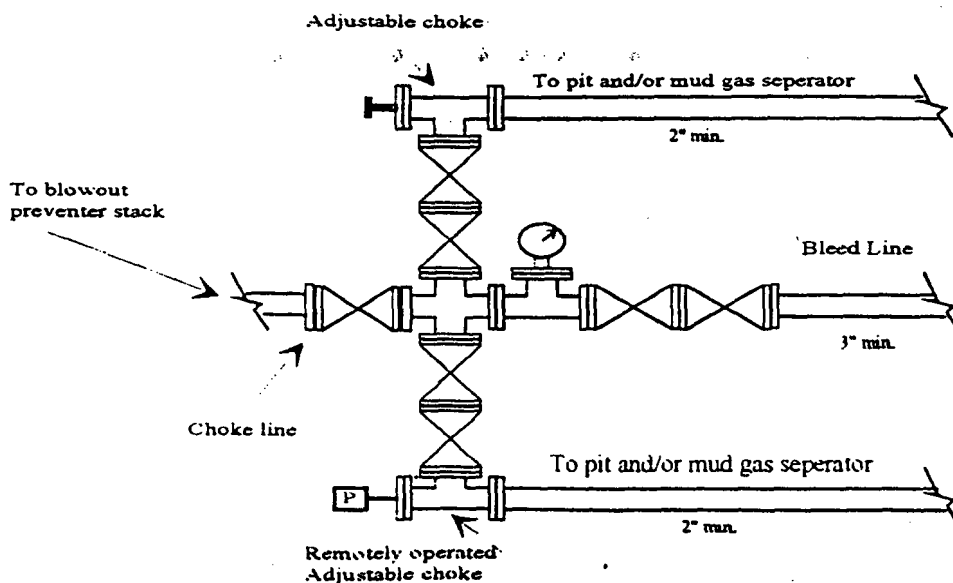
1980' FSL and 1650' FEL

Section 17, T25S-R26E

Eddy County, New Mexico



Typical 5,000 psi choke manifold assembly with at least these minimum features



## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: YATES PETROLEUM CORPORATION  
Well Name & No. 3 - CHOSA ATR FEDERAL COM  
Location: 1980' FSL & 1650' FEL - SEC 17 - T25S - R26E - EDDY COUNTY  
Lease: NM-94589

### I. DRILLING OPERATIONS 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 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 7 inch + 4 1/2 inch *FF*

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.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at 350 feet, below usable water 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 9-5/8 inch intermediate casing is circulate cement to the surface.

3. The minimum required fill of cement behind the 7 inch production casing is cement shall extend <sup>tie into</sup> upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval. *FF*

*9 5/8" csg by 200 feet.*

4. The minimum fill behind 4 1/2 inch casing shall extend a minimum of 500 feet above the uppermost hydrocarbon bearing zone. *FF*

(ORIG. SGD.) LES BABYAT

### **III. 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 13-3/8 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) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch intermediate casing shall be 5000 psi.

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

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- The requested variance to test the 13-3/8" surface casing and BOP to the reduced pressure of 1000 psi, using the rig pumps is approved.
- 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 must be tested prior to drilling into the Wolfcamp formation by an independent service company.

### **IV. 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:

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