

N.M. Oil Cons. DIV.
1301 W. Grand Ave.
Artesia, NM 88

CEMENT TO COVER ALL
OIL, GAS AND WATER
BEARING ZONES, EXAMPLE:
GLORIETA FORMATION

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

FEB 23 2006

OOD-ARTESIA

Expires November 30, 2000

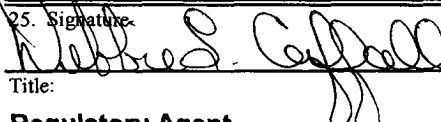
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 7384 07384	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Not Applicable	
2. Name of Operator Yates Petroleum Corporation 25575		7. If Unit or CA Agreement, Name and No. Not Applicable	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Comanchero BCZ Federal Com. #2	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-005-63809	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1650' FNL and 990' FEL, Unit H At proposed prod. Zone same as above		10. Field and Pool, or Exploratory Wild Cat Granite	
14. Distance in miles and direction from nearest town or post office* Approximately ten (15) miles east of Roswell, NM		11. Sec., T., R., M., or Blk. and Survey or Area Section 26, T10S-R25E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 990'	16. No. of Acres in lease 280.00	17. Spacing Unit dedicated to this well 320 acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3630'	19. Proposed Depth 5630'	20. BLM/BIA Bond No. on file NM-2811	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3789 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. | 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) Debbie L. Caffall	Date 10/14/2005
Title: Regulatory Agent		
Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date FEB 21 2006
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL



YATES PETROLEUM CORPORATION
Comanchero BCZ Federal Com. #2
1650' FNL and 990' FEL
Section 26, T10S-R25E
Chaves County, New Mexico

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

Queen	190'	Wolfcamp	4790'
Penrose	280'	WC B Zone	4875'
Grayburg	465'	Spear Zone	5140'
San Andres	710'	Cisco	5365'
Glorieta	1790'	Strawn	5500'
Yeso	1925'	Precambrian	5530'
Tubb	3350'	TD	5630'
Abo	4105'		

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

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

3. Pressure Control Equipment: BOPE will be installed on the 11 3/4" casing and rated for 2000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment
And a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-650'
11"	*8 5/8"	24#	J-55	ST&C	0-1600'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-5630'

*8 5/8" casing will only be set if lost circulation is encountered.

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

B. CEMENTING PROGRAM:

Surface Casing: 275 sx Lite "C" (YLD 2.1 WT 12.6). Tail w/200 sx
C with 2% CaCL₂ (YLD 1.32 WT 14.8).

Intermediate Casing: 400 sx Lite C (YLD 2.1 WT 12.6). Tail in w/200 sx
Class C with 2% CaCL₂ (YLD 1.32 WT 14.8).

Production Casing: 500 sx Pecos Valley Lite (YLD 1.41 WT 13.0). TOC=3600'

see COA

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-650'	FW Gel/Paper/LCM	8.5 - 9.5	32-34	N/C
650'-1600'	Fresh Water	8.4	28	N/C
1600'-4050'	Brine	9.5 - 10.0	28	N/C
4050'-5630'	Starch/Salt Gel/4-6% KCL	9.6 - 9.8	45-55	<6/cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' samples, surface casing to TD.

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

Coring: None

DST's: None.

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

Anticipated BHP:

From: 0	TO: 650'	Anticipated Max. BHP: 320 PSI
From: 650'	TO: 1600'	Anticipated Max. BHP: 700 PSI
From: 1600'	TO: 5630'	Anticipated Max. BHP: 2870 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 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 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Comanchero BCZ Federal Com. #2
1650' FNL and 990' FEL
Section 26, T10S-R25E
Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 15 miles east of Roswell, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Drive east of Roswell on Hwy 380, approximately 8.5 miles to Arlene Road on the left side of the highway. Turn left on Arlene Road, go thru cattle guard and continue north for approximately .8 mile to a "Y" in the road, take the right fork (NE) and continue for approximately 0.8 of a mile, the new lease road is staked on the right (east), turn right follow staking for approximately 417' to the SE corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 417' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a southeast to northwest direction. All of the access road is on-lease. As shown in Exhibit A. existing trail road is to be included in the amendment to NM – 110300 per Judy Yslas, BLM Roswell Field Office.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

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

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 nearest 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.
- D. 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: 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.
- B. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits, approved on April 15, 2004. The reserve pits will be plastic lined (12 mil. thick with an estimated volume of 24,000 bbls).
- 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.

Comanchero BCZ Federal Com. #2
Page 3

11. SURFACE OWNERSHIP: Bureau of Land Management, Roswell, NM.

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:
Debbie L. Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
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.

10/14/2005



Regulatory Agent

EXHIBIT A

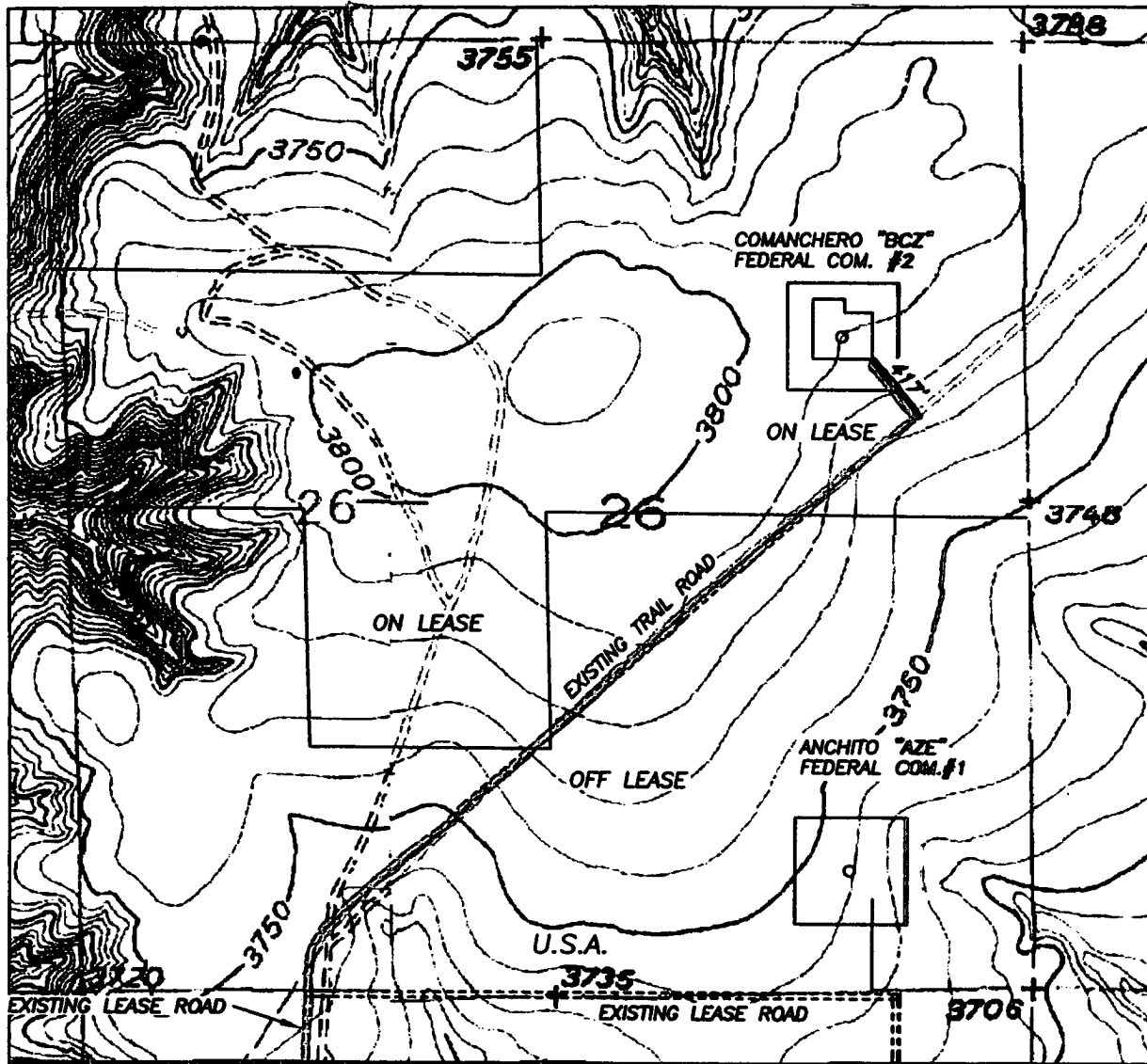
Operator: Yates Petroleum Corporation

BLM Serial Number: NM-7384

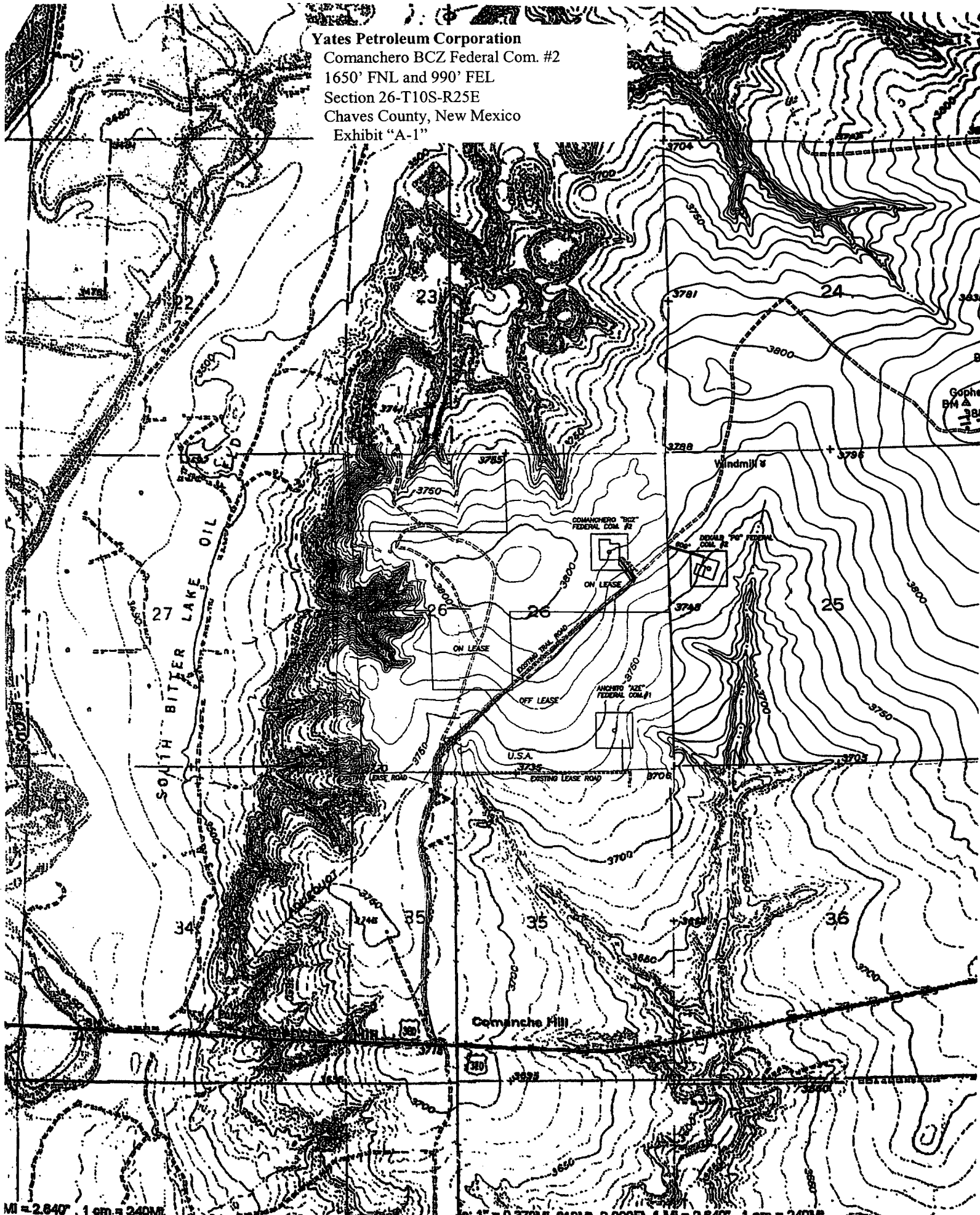
Well Name & No.: Comanchero BCZ Federal Com. #2

Location: Section 26, T10S - R25E

1650' FNL and 990' FEL, Unit H, Chaves County, NM

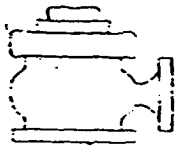


Yates Petroleum Corporation
 Comanchero BCZ Federal Com. #2
 1650' FNL and 990' FEL
 Section 26-T10S-R25E
 Chaves County, New Mexico
 Exhibit "A-1"



1" = 2.640 MI, 1 cm = 240M

1" = 0.379MI 610M, 2,000FT, 1 MI = 2.640, 1 cm = 240M



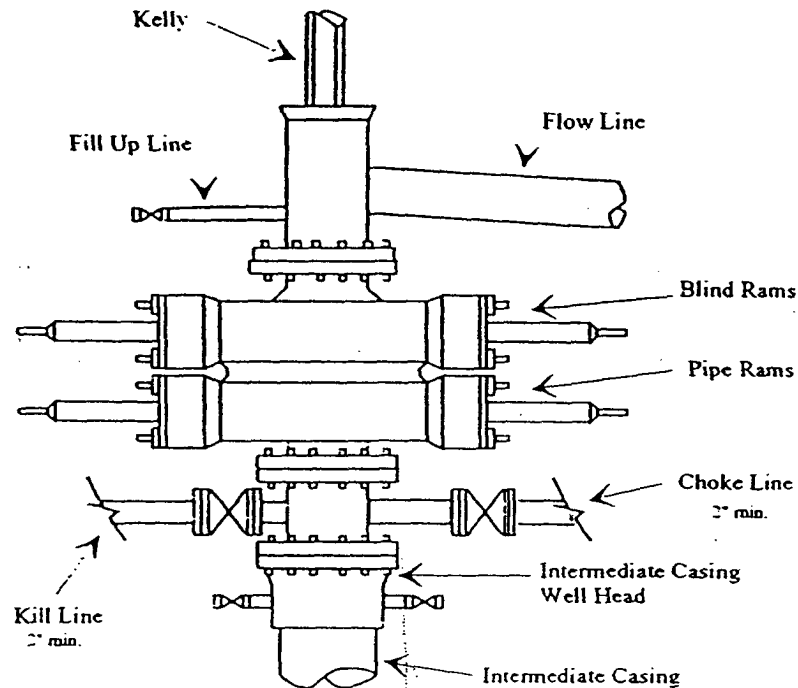
Yates Petroleum Corporation

BOP-2

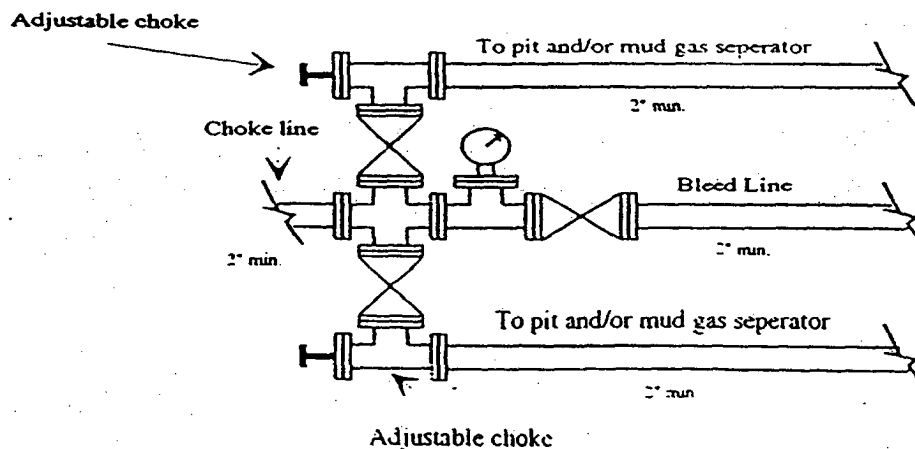
Typical 2,000 psi Pressure System Schematic

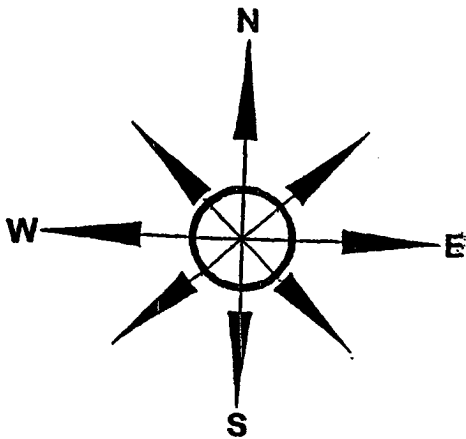
Double Ram Preventer Stack

Yates Petroleum Corporation
Comanchero BCZ Federal Com. #2
1650' FNL and 990' FEL
Section 26-T10S-R25E
Chaves County, New Mexico
Exhibit "B"



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



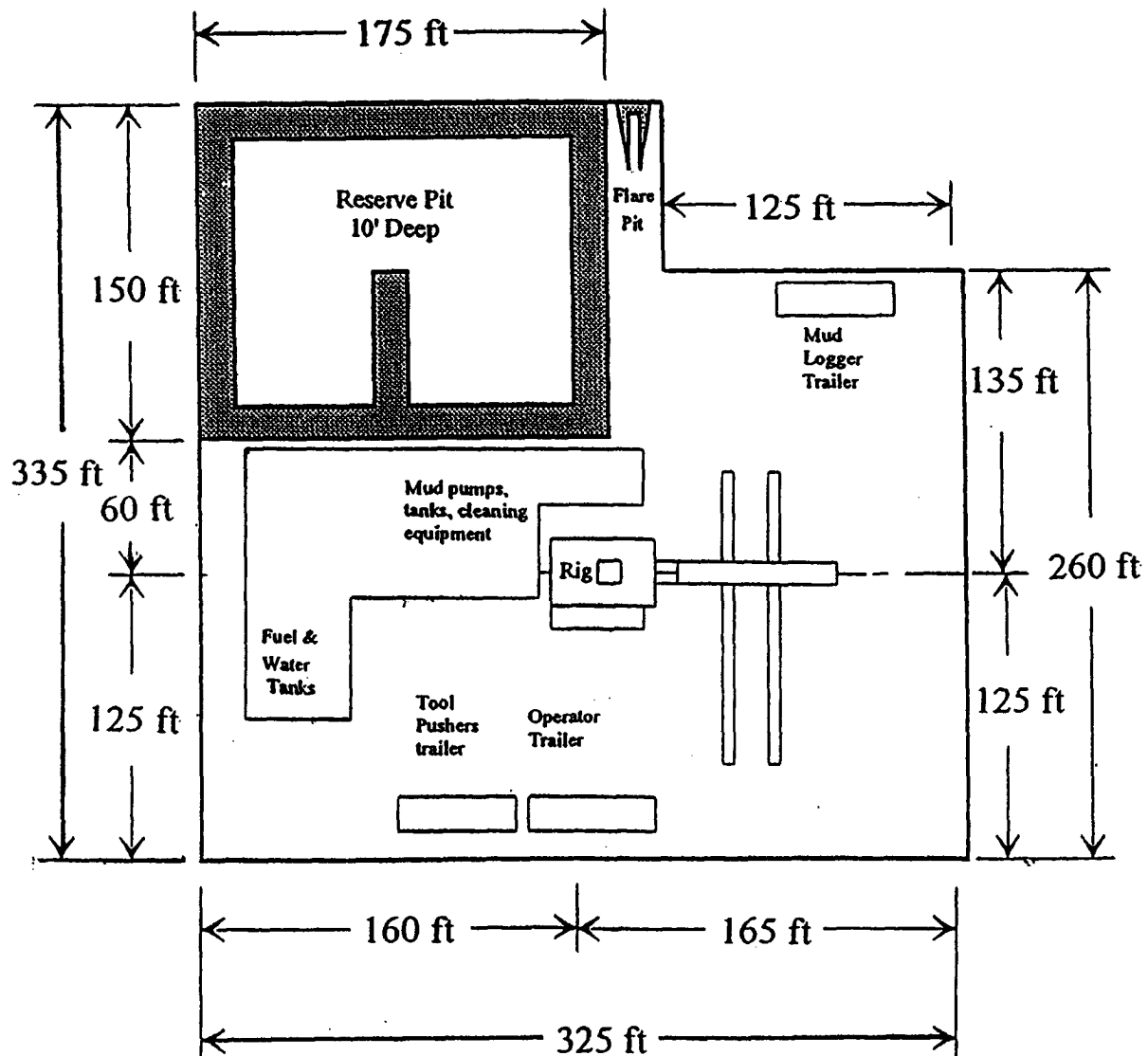


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation
Comanchero BCZ Federal Com. #2
1650' FNL and 990' FEL
Section 26-T10S-R25E
Chaves County, New Mexico
Exhibit "C"



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leases land or portion thereof, as described below:

Lease No.: NM-07384

Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM-2811

Township 10 South, Range 25 East,

Section 26, NE4, S2NW4

Chaves County, New Mexico

Formation (s) – (if applicable):

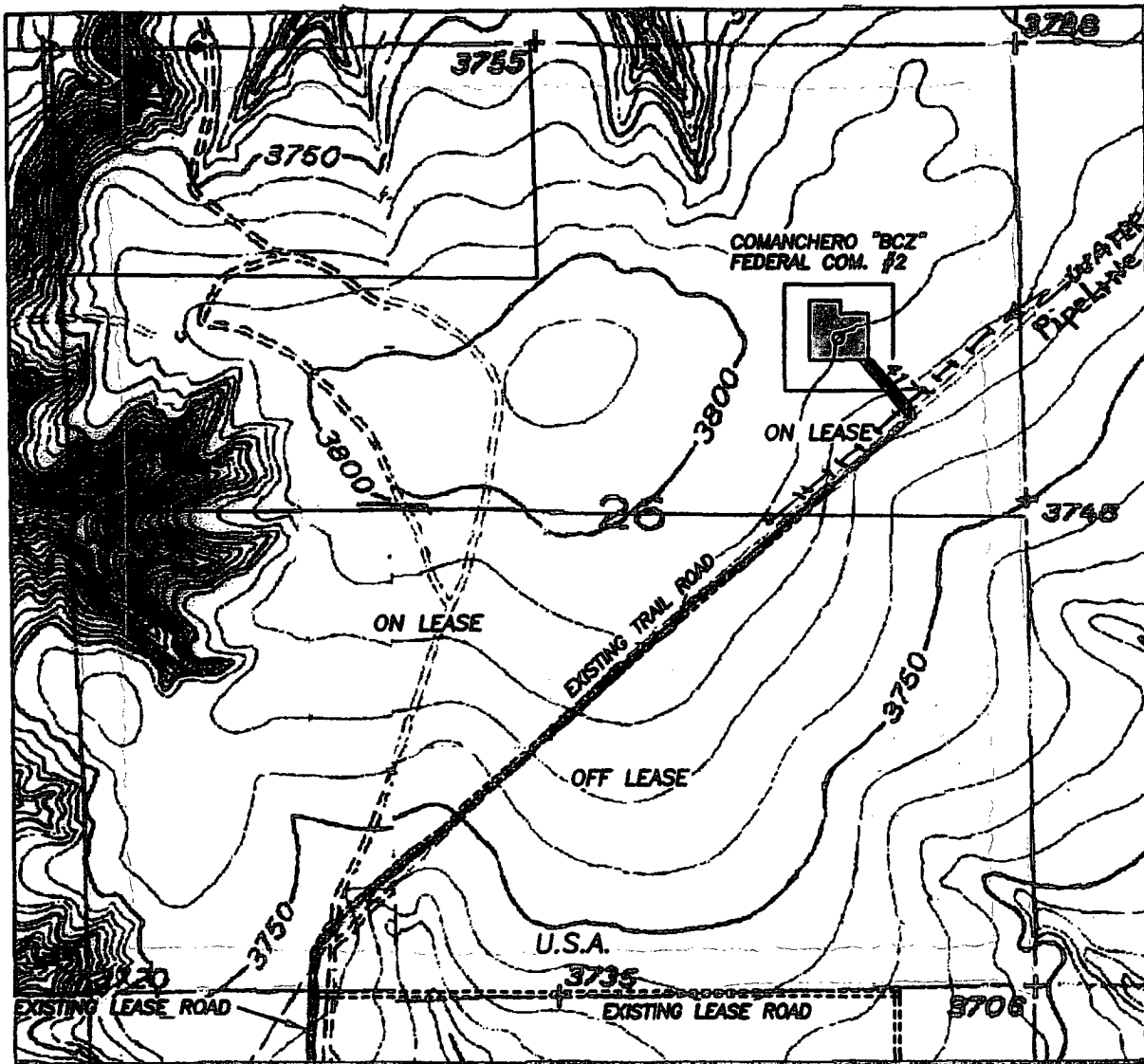
YATES PETROLEUM CORPORATION

Date: October 14, 2005

Debbie L. Caffall
Regulatory Agent

EXHIBIT A

Operator Name: Yates Petroleum Corporation
Well Name & No.: Comanchero "BCZ" Federal Com. #2
Lease No.: NM-07384
Footage: 1650' FNL & 990' FEL
Location: Section 26, T. 10 S., R. 25 E.



WELL DRILLING REQUIREMENTS

3 of 5 pages

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: 11¾ inch 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.

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.

B. CASING:

1. The 11¾ inch surface casing shall be set at 650' 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 8⅝ inch intermediate casing if run, is with sufficient amount of cement to bring it up at least 200 above surface casing shoe.

3. The minimum required fill of cement behind the 5½ inch production casing is cement shall extend upward a minimum of 200 feet above the top of 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 11¾ 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.

- A. The results of the test shall be reported to the appropriate BLM office.
- B. 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.
- C. Testing must be done in a safe workman-like manner. Hard line connections shall be required.
- D. 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: