

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.
NM-15863

6. If Indian, Allottee or Tribe Name
Not Applicable

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

8. Lease Name and Well No.
Cottonwood Federal #4

1a. Type of Work: DRILL REENTER

b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone **13111**

2. Name of Operator
Yates Petroleum Corporation 25575

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

3b. Phone No. (include area code)
(505) 748-1471 96542

9. API Well No.
30-005-63816

10. Field and Pool, or Exploratory
Wildcat ~~Basement~~ GRANITE

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **660' FSL and 1980' FEL**
At proposed prod. Zone **same as above**

11. Sec., T., R., M., or Blk, and Survey or Area
Section 26, T6S-R25E

14. Distance in miles and direction from nearest town or post office*
Approximately twenty-eight (28) miles Northeast from Roswell, NM

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 **320**

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.

19. Proposed Depth **5330'**

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3761' 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 *Debbie S. Caffall* Name (Printed/Typed) **Debbie Caffall** Date **3/7/2006**

Email: debbiec@ypcnm.com

Title: **Regulatory Agent/Land Department**

Approved by (Signature) */S/LARRY D. BRAY* Name (Printed/Typed) **/S/LARRY D. BRAY** Date **APR 06 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)

Previously Approved

C-144 attached

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

DISTRICT I
811 South First, Artesia, NM 88210

DISTRICT III
1060 Rio Grande Rd., Artec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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 Wildcat Basement
Property Code	Property Name COTTONWOOD FEDERAL		Well Number 4
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3761

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	26	6S	25E		660	SOUTH	1980	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 320	Joint or Infill	Consolidation Code	Order No.
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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>Cottonwood Fed. #1</p> <p>Cottonwood Fed. #2</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Patricia Perez</i> Signature</p> <p>Patricia Perez Printed Name</p> <p>Regulatory Agent Title</p> <p>12/18/01 Date</p>
		<p>NM-15863</p> <p>Cottonwood Fed. #1</p>	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>11/08/2001 Date Surveyed</p> <p>Signature & Seal of Professional Surveyor <i>[Signature]</i></p> <p>HERSCHEL L. JONES NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 3640 Certificate No. Herschel L. Jones RLS 3640 COTTONWOOD GENERAL SURVEYING COMPANY</p>
		<p>N.33°45'38.2" W.104°22'09.3"</p> <p>3757 3763</p> <p>3758 3761</p> <p>660'</p> <p>1980'</p>	

District I
1625 N. 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

Will file
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 4th Street, Artesia, NM 88210
Facility or well name: Cottonwood Federal # 4 API #: 30-005-63670 U/L or Qtr/Qtr Sec 26 T 6S R 25E
County: Chaves Latitude _____ Longitude _____ NAD: 1927 1983 Surface Owner: Federal State Private Indian

Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12 mil</u> Clay <input type="checkbox"/> Volume _____ bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> 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 <input checked="" type="checkbox"/> 100 feet or more	(20 points) (10 points) <input checked="" type="checkbox"/> (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 <input checked="" type="checkbox"/> No	(20 points) <input checked="" type="checkbox"/> (0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet <input checked="" type="checkbox"/> 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) <input checked="" type="checkbox"/> (10 points) (0 points)
Ranking Score (Total Points)		Points <input checked="" type="checkbox"/> 10

RECEIVED
MAY 20 2005
OCD-ARTESIA

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: March 14, 2005
Printed Name/Title Debbie L. Caffall/Regulatory Technician Signature *Debbie L. Caffall*

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: *[Signature]*
Date: MAY 23 2005
Printed Name/Title _____ Signature *[Signature]*

YATES PETROLEUM CORPORATION
Cottonwood Federal #4
660' FSL and 1980' FEL
Section 26-T6S-R25E
Chaves County, New Mexico

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

San Andres	495'	Wolfcamp	4410'
Glorieta	1480'	Cisco	4895'
Yeso	1560'	Strawn	5045'
Tubb	2995'	Granite	5180'
Abo	3630'	TD	5330'

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

Water: 250'-350'
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>	<u>Length</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-900'	900'
11"	8 5/8" *	24#	J-55	ST&C	0-1500'	1500'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-5330'	5330'

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

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

Cottonwood Federal #4

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B. CEMENTING PROGRAM:

- Surface Casing: Cement with 350 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl₂ (YLD 1.33 WT 15.6).
- Intermediate Casing: 250 sx class C + 2% CaCLW (YLD 1.32 WT 14.8)
- Production Casing: 500 sx PVL (YLD 1.34 WT 13). TOC 3100'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-900'	FW GEL/Paper/LCM	8.6-9.6	32-36	N/C
900'-3580'	Cut Brine/Brine	9.0-10.2	28	N/C
3580'-5330'	Starch/Salt Gel	9.3-10.2	32-40	<6CC

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: 900' Anticipated Max. BHP: 375 PSI
From: 900' TO: 5330' Anticipated Max. BHP: 2700 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 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
YATES PETROLEUM CORPORATION
Cottonwood Federal #4
660' FSL and 1980' FEL
Section 26-T6S-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 well site is located approximately 28 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Roswell on Highway 285 for approx 23 miles to Cottonwood Road. Turn right (east) and drive approx. 12 miles where the access road is staked on the left (north) side going north approx. 625' to the southwest corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 625' in length from the point of origin to the southwest 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.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

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

Cottonwood Federal #4
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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, possibly in Roswell, 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits, which may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: 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. 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 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.

11. SURFACE OWNERSHIP: The location is on Federal surface administered by the BLM, Roswell, New Mexico.

12. OTHER INFORMATION:

A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.

B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

A. Through A.P.D. Approval:
Debbie 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.

3/7/2006


Regulatory Agent

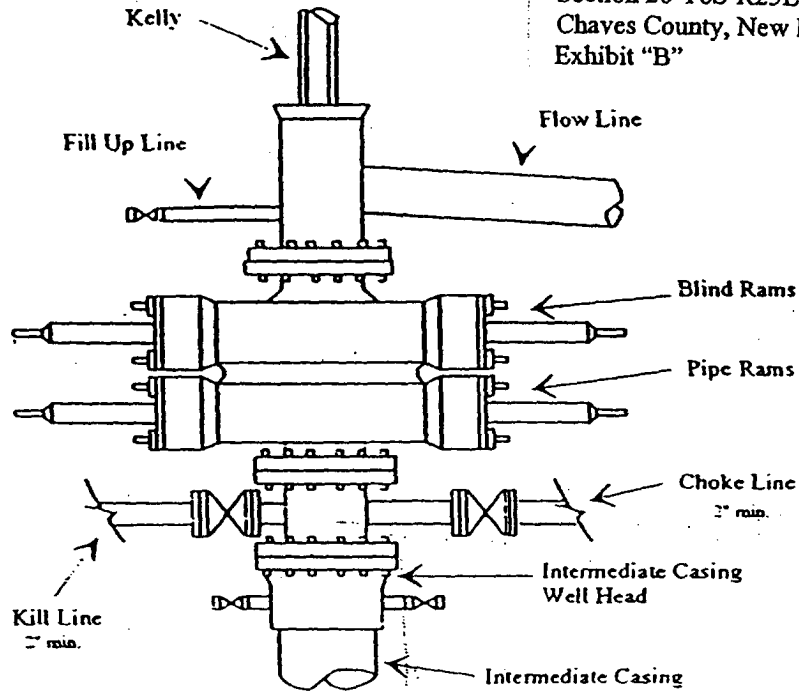


Yates Petroleum Corporation

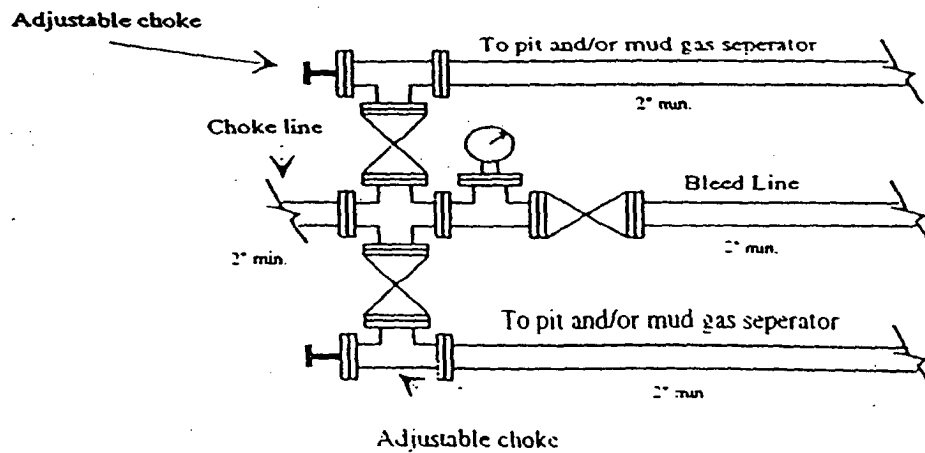
BOP-2

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

Yates Petroleum Corporation
Cottonwood Federal #4
660' FSL & 1980 FEL
Section 26-T6S-R25E
Chaves County, New Mexico
Exhibit "B"

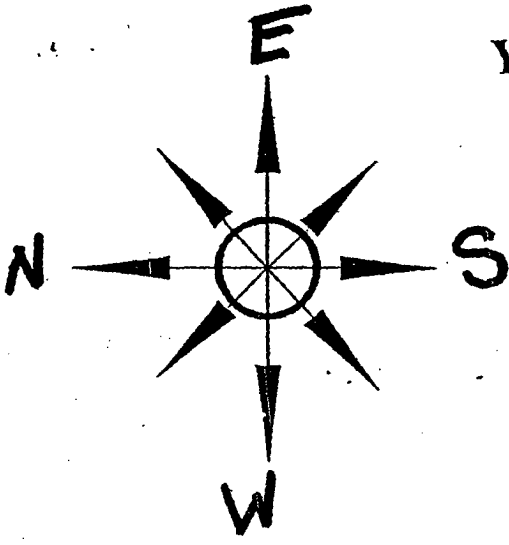


Typical 2,000 psi choke manifold assembly with at least these minimum features

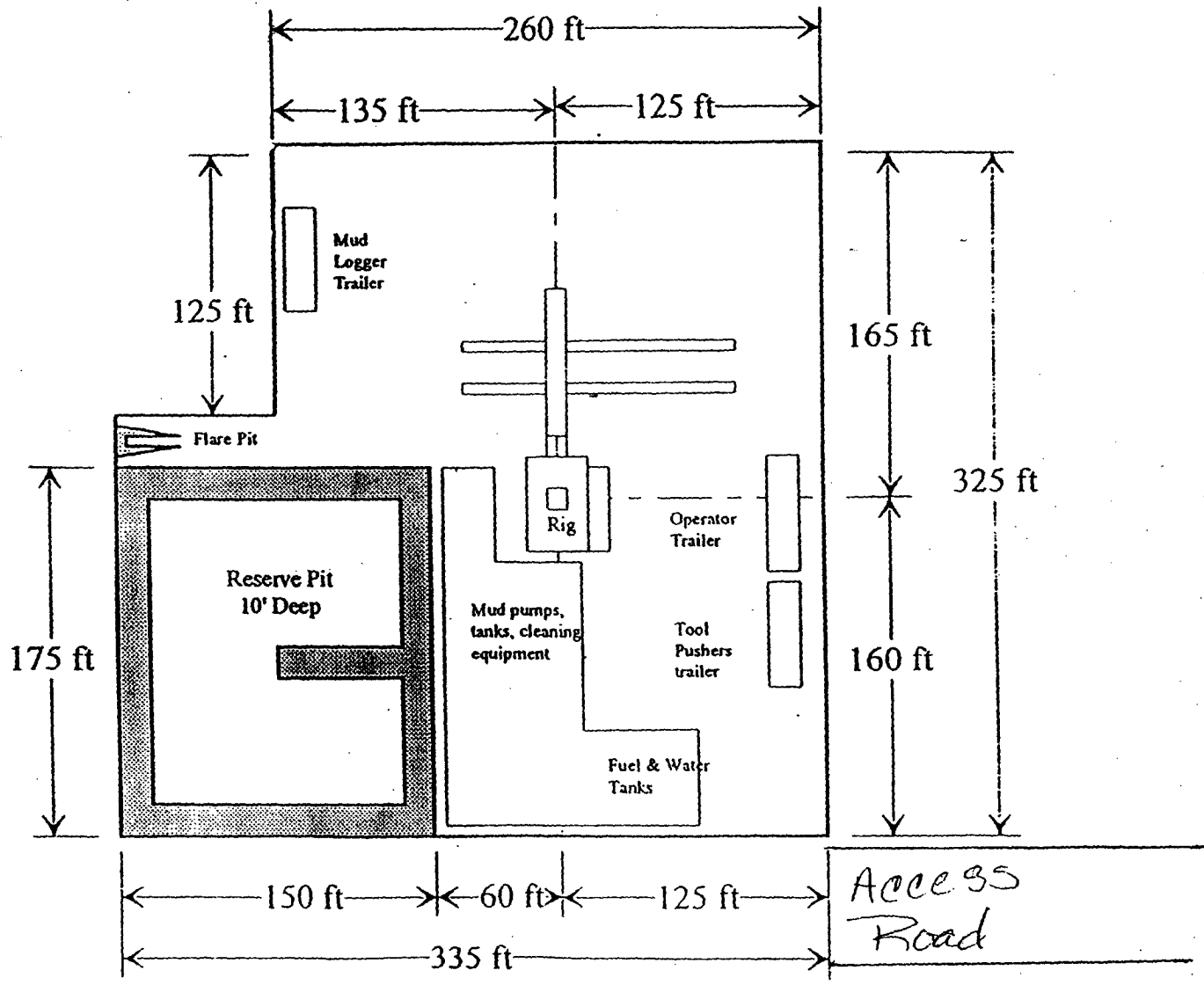


Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'



Yates Petroleum Corporation
Cottonwood Federal #4
660' FSL & 1980 FEL
Section 26-T6S-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



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

IN REPLY REFER TO:

Cottonwood Federal #4
NM-15863

page 1 of 2

Yates Petroleum Corporation shall adhere to the following;

A. Mitigation Measure: The Conditions of Approval attached to the previously approved APD are still imperative and shall be applicable in the approval of the resubmitted APD.

B. The following mitigating measure supersedes some of the original Conditions of Approval requirements:

Exhibit B - WELL DRILLING REQUIREMENTS

II. WELL PAD CONSTRUCTION REQUIREMENTS:

D. Reserve Pit Requirements:

- a. Upon reclamation of the reserve pit, the impervious, reinforced, synthetic or fabricated 12 mil in thickness liner shall be used to encapsulate the reserve pit cuttings.
- b. The dried cuttings in the reserve pit shall be buried a minimum depth of three (3) feet below ground level.
- c. The reserve pit area shall be covered with a three (3) feet minimum cap of clean soil or like material that is capable of supporting native plant growth. Once the reserve pit contents have been capped, the cap shall not be disturbed without NMOCD approval.
- d. Should the cuttings in the reserve pit not meet the three (3) feet below ground level depth, the excess contents shall be removed from the reserve pit until the required minimum depth of three (3) feet below ground level requirement has been met. The excess cuttings shall be removed from the well location and shall be properly disposed of at an authorized disposal site.
- e. Contact Randy Legler at (505) 627-0215, three days before commencing the reserve pit reclamation.

V. SURFACE RECLAMATION/RESTORATION REQUIREMENTS:

E. Upon abandonment of the well, the surface material (caliche/gravel) shall be removed from the access road. The removal of surface material shall be done with the minimal amount of mixing of the caliche or gravel material with the in place subsurface soils. The Authorized Officer shall be notified by the Holder for the proper disposal of the surfacing material from the well pad and access road.

VII. ON LEASE – WELL REQUIREMENTS:**H. Painting Requirement:**

All above-ground structures (e.g.: meter houses, tanks, above ground pipelines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Supplemental Environmental Colors" intended to provide additional color choices in selecting the most appropriate color(s) for BLM facilities. The color selected for painting all the well facilities is; ***Olive Drab***, Supplemental Chart Number ***18-0622 TPX***.
