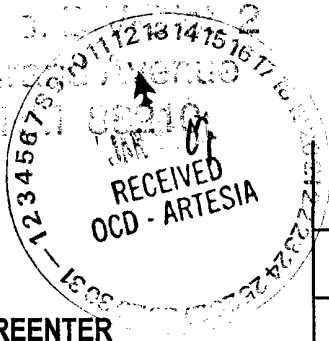


If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

Form 3160-
(August 1995)

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-16324
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		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	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Charlotte Federal Com #7 (12117)
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1500' FNL and 660' FEL, Unit H At proposed prod. Zone Same as above		9. API Well No. 30-005-63891
14. Distance in miles and direction from nearest town or post office* Approximately twenty-five (25) miles northeast of Roswell, New Mexico		10. Field and Pool, or Exploratory Wildcat Precambrian
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 787.58	11. Sec., T., R., M., or Blk. and Survey or Area Section 30, T7S-R26E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1320'	19. Proposed Depth 4990	12. County or Parish Chaves County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3572' GL	22. Approximate date work will start* ASAP	13. State NM
23. Estimated duration 30 days		
24. Attachments ROSWELL 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 <i>Debbie L. Caffall</i>	Name (Printed/Typed) Debbie L. Caffall	Date 12/4/2006
Regulatory Agent		
Approved by (Signature) <i>/s/LARRY D. BRAY</i>	Name (Printed/Typed) /s/LARRY D. BRAY	Date JAN 12 2007
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

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED**

DECLARED WATER BASIN

**CEMENT BEHIND THE
CASING MUST BE**

WITNESS

**954
CIRCULATED**

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

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

State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

¹ API Number	² Pool Code 96542	³ Pool Name Wildcat Precambrian
⁴ Property Code	⁵ Property Name Charlotte Federal	⁶ Well Number 7
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3572

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	30	7 S	26 E		1500	North	660	East	Chaves

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	County

¹² Dedicated Acres 320 N/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.

¹⁶ 	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <i>Debbie L. Caffall</i> Date: 1/19/2007 Debbie L. Caffall, Regulatory Agent Printed Name	
	¹⁸ 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 supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyor:	
	REFER TO ORIGINAL PLAT Certificate Number	

DISTRICT I

1600 N. French Dr., Albuquerque, NM 87106

DISTRICT II

811 South First, Artesia, NM 88210

DISTRICT III

1600 N. Frances Rd., Aztec, NM 87410

DISTRICT IV

2640 South Pacheco, Santa Fe, NM 87508

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-103

Revised March 17, 1989

Instructions on back

Submit to Appropriate District Office

State Leases - 4 Copies

Fee Leases - 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 96542	Pool Name Wildcat Precambrian
Property Code	Property Name CHARLOTTE FEDERAL	Well Number 7
OSHD No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3572

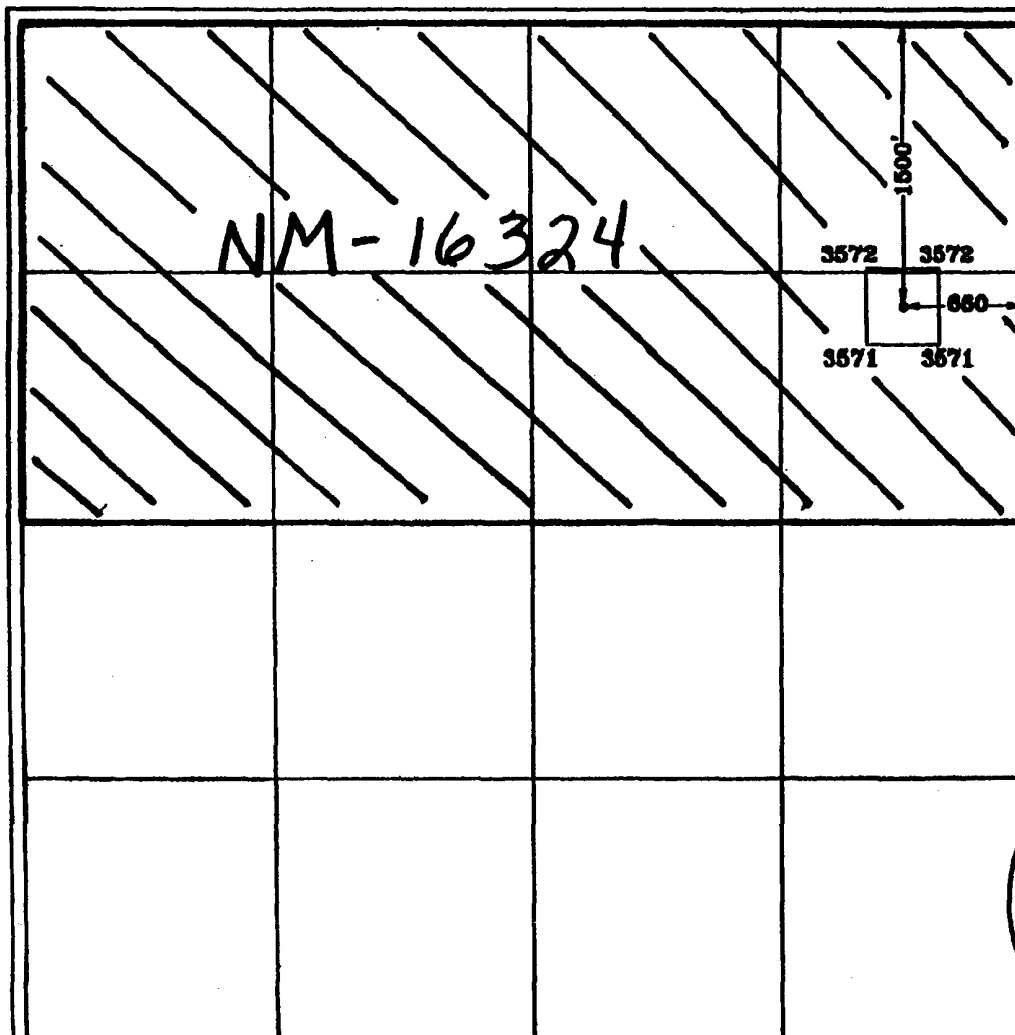
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	30	7S	20E		1500	NORTH	660	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.						

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 that the information contained herein is true and complete to the best of my knowledge and belief.

Pat Perez
Signature

Pat Perez
Printed Name

Regulatory Agent

11/9/2000
Date

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

8/25/2000
Date Surveyed

L. Jones
Signature

NEW MEXICO
3640

CHARLOTTE
FEDERAL

DISK 32

GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
Charlotte Federal #7
1500' FNL AND 660' FEL
Section 30, T7S-R26E
Chaves County, New Mexico

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

San Andres	445'
Glorieta	1445'
Yeso	1545'
Tubb	2970'
Abo	3670'
Wolfcamp	4320'
Cisco	4670'
Basement	4890'
TD	4990'

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 zones

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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
12 1/4"	8 5/8"	24#	J55	ST&C	0-950'	950'
7 7/8"	5 1/2"	15.5#	J55	ST&C	0-4990'	4990'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.80

B. CEMENTING PROGRAM:

Surface casing: Cement with 325 sx. Lite "C" (Yld 2.0 Wt. 12.5). Tail in with 200 sx "C" + 2% CaCl₂ (Yld 1.33 Wt. 15.6).

Production Casing: Cement with 300 sx ultralite "C" (Yld 1.34 Wt 13). TOC 3200'

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-950'	FW Gel/Paper/LCM	8.6-9.6	32-36	N/C
950'-3650'	Brine	10-10.2	28	N/C
3650'-4990'	Starch/Salt Gel	9.3-10.2	32-40	<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: 20' samples out from surface casing.
 Logging: Platform Express, CNL/LDT W/NGT to surf. with GR/CNL up to surface, DLL/MS
 Coring: Possible Sidewall Cores
 DST's: Possible

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

Anticipated BHP:

From: 0	To: 950'	Anticipated Max. BHP:	400 PSI
From: 950'	To: 4995'	Anticipated Max. BHP:	2200 PSI

Abnormal Pressures Anticipated: None

Lost Circulation zones anticipated: None

H₂S Zones Anticipated: None

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 30 days to drill the well with completion taking another 15 days.



Yates Petroleum Corporation

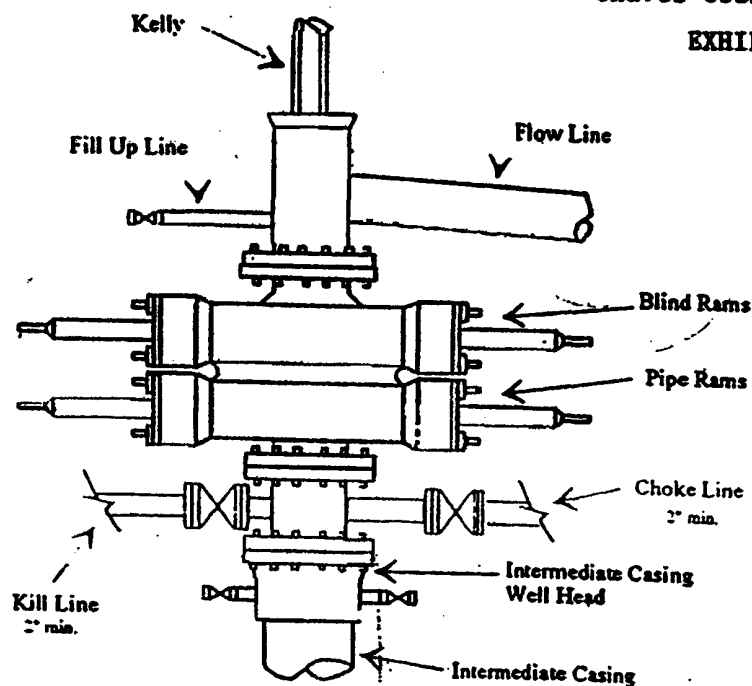
BOP-2

Typical 2,000 psi Pressure System
Schematic

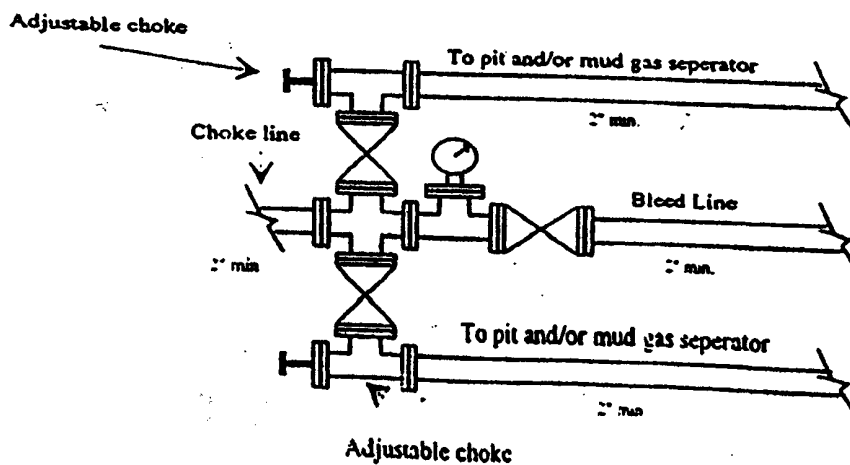
Double Ram Preventer Stack

YATES PETROLEUM CORPORATION
CHARLOTTE FEDERAL COM. #7
1500' FNL and 660' FEL
Sec. 30, T7S-R26E
Chaves County, New Mexico

EXHIBIT B



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





United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

EXHIBIT B

1 of 8 pages

WELL DRILLING REQUIREMENTS

OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-16324
WELL NAME & NO: Charlotte Federal #7
QUARTER/QUARTER & FOOTAGE: SE¼NE¼ & 1500' FNL & 660' FEL
LOCATION: Section 30, T. 7 S., R. 26 E., N.M.P.M.
COUNTY: Chaves County, New Mexico

I. GENERAL PROVISIONS:

1. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).
2. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Well Drilling Requirements.

II. WELL PAD CONSTRUCTION REQUIREMENTS:

1. The BLM shall administer compliance and monitor construction of the access road and well pad. Notify Richard G. Hill at least 3 working days (72 Hours) prior to commencing construction of the access road and/or well pad. Roswell Field Office number (505) 627-0247.
2. Prior to commencing construction of the access road, well pad, or other associated developments, the holder shall provide the dirt contractor with a copy of the approved APD signature page, a copy of the location map (EXHIBIT A), a copy of pages 1 & 2 from the Well Drilling Requirements (EXHIBIT B), and a copy of the Permanent Resource Road Requirements (EXHIBIT D).
3. The holder shall stockpile the topsoil from the surface of the well pad for reclamation purposes. The topsoil on the Charlotte Federal #7 well pad is approximate 6 inches in depth. Approximately 600 cubic yards of topsoil shall be stockpiled on the Southeast corner of the well pad, opposite the reserve pit. Upon reclamation of the well pad, the topsoil stockpile shall be redistributed over the disturbed areas. See Well Drilling Requirements - VI. Seeding Requirements - for reclamation of the well pad.

4. Steel Tanks Requirements: NO RESERVE PITS

1. **The holder shall use steel tanks for drilling the well in lieu of reserve pits.** Steel tanks will help prevent the possibility of the drilling fluid leaching into the underground aquifers and reduce soil disturbance.
2. The steel tanks shall be constructed so as not to leak, break, or allow discharge of drilling muds. Under no circumstances will the steel tank be opened and allowed to drain drilling muds on the ground.
3. The steel tanks shall be equipped to deter entry by birds, bats, other wildlife.
4. The holder shall dispose of drilling muds and tailings at an authorized disposal site. No drilling muds and/or cuttings shall be dumped on location.

5. Federal Mineral Materials Pit Requirements:

- A. Caliche, gravel, or other related materials from new or existing pits on Federal mineral estate shall not be taken without prior approval from the authorized officer. Contact Jerry Dutchover at (505) 627 - 0236.
- B. Payment for any Federal mineral materials that will be used to surface the access road and the well pad is required prior to removal of the mineral materials.

6. Well Pad Surfacing Requirement:

- A. The well pad shall be surfaced with 6 inches of compacted caliche, gravel, or other approved surfacing material. The well pad shall be surfaced prior to drilling operations. See **Permanent Resource Road Requirements** - EXHIBIT D - requirement #4, for road surfacing.

7. Cave Requirements:

- A. If, during any construction activities any sinkholes or cave openings are discovered, all construction activities shall immediately cease, and the Roswell Field Office shall be notified at (505) 627-0272.
- B. The BLM Authorized Officer will, within 24 hours of notification in "A" above, conduct an on-the-ground field inspection for karst. At the field inspection the authorized field inspector will authorize or suggest mitigating measures to lessen the damage to the karst environment. A verbal order to proceed or stop the operation will be issued at that time.