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

Form 3160-3
 (August 1999)

OCD-ARTESIA

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

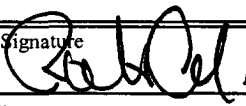
APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|---|--|--|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NM-110340 | |
| 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 | | 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. Basket BDT Federal #1 | |
| 3b. Phone No. (include area code) (505) 748-1471 | | 9. API Well No. 30-005-63622 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FNL and 660' FWL, SWNW At proposed prod. Zone same as above | | 10. Field and Pool, or Exploratory Precambrian | |
| 14. Distance in miles and direction from nearest town or post office* Approximately ten (10) miles NE of Roswell, NM | | 11. Sec., T., R., M., or Blk, and Survey or Area Section 30, T10S-R26E | |
| 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 1121.52 | 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 5900' | 20. BLM/BIA Bond No. on file NM-2811 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3817' 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) Robert Asher | Date 10/21/03 |
| Title: Regulatory Agent | | |
| Approved by (Signature) /S/LARRY D. BRAY | Name (Printed/Typed) LARRY D. BRAY | Date OCT 29 2003 |
| Title Assistant Field Manager, Lands And Minerals | Office ROSWELL FIELD OFFICE | |

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)

APPROVED FOR 1 YEAR

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1600 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 Wildcat Precambrian |
| Property Code | Property Name BASKET "BDT" FEDERAL | Well Number 1 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3817 |

Surface Location

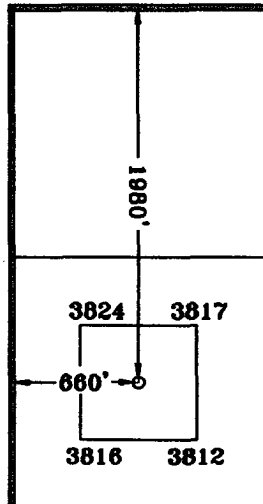


| | | | | | | | | | |
|--------------------|---------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|------------------|
| UL or lot No. E | Section 30 | Township 10S | Range 26E | Lot Idn | Feet from the 1980 | North/South line NORTH | Feet from the 660 | East/West line WEST | County 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. |
|------------------------|-----------------|--------------------|-----------|

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

| | | | | |
|---|-----------|--|--|--|
|  | NM-110340 | | | OPERATOR CERTIFICATION <i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Robert Asher Printed Name Regulatory Agent Title 10/21/2003 Date |
| N.33°25'06.1" W.104°20'39.3" | | | | SURVEYOR CERTIFICATION <i>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.</i> 9/05/2003 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. Herschel L. Jones RLS 3640 BASKET 1 GENERAL SURVEYING COMPANY PROFESSIONAL LAND SURVEYOR |

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

YATES PETROLEUM CORPORATION
Basket BDT Federal #1
 1980' FNL and 660' FWL
 Section 30, T10S-R26E
 Chaves County, New Mexico

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

| | | | |
|------------|-------|-----------------|-------|
| Queen | 365' | Spear Zone | 5300' |
| San Andres | 870' | Cisco | 5530' |
| Glorietta | 1950' | Strawn | 5660' |
| Yeso | 2085' | Siluro-Devonian | 5700' |
| Tubb | 3510' | Precambrian | 5750' |
| Abo | 4265' | TD | 5900' |
| Wolfcamp | 4950' | | |

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

Water: 150'-300'
 Oil or Gas: Queen Formation.

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- 600' 660' |
| 11" | *8 5/8" | 24# | J-55 | ST&C | 0-1500' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | LT&C | 0-5900' |

*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

Basket BDT Federal #1

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B. CEMENTING PROGRAM:

Surface Casing: 400 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx
C w/2% CaCL₂ (YLD 1.33 WT 15.6)

Intermediate Casing: 450 sx Class C (YLD 1.42 WT 13.0)

Production Casing: 550 sx Class C (YLD 1.42 WT 13.0). TOC=3750'

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|------------------|---------------|------------------|-------------------|
| 0-600' | FW Gel/Paper/LCM | 8.6 - 9.6 | 32-36 | N/C |
| 600'-4200' | Brine | 9.8 - 10.1 | 28 | N/C |
| 4200'-5900' | Starch/Salt Gel | 9.7 - 10.0 | 40-45 | <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 to TD.

Logging: 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: 600' | Anticipated Max. BHP: 300 PSI |
| From: 600' | TO: 5900' | Anticipated Max. BHP: 2500 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 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Basket BDT Federal #1
1980' FNL and 660' FWL
Section 30, T10S-R26E
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 20 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 Tatum Hwy, approx. 8 miles to Alamo Rd. Turn left on Alamo Rd. and continue for approximately 1.2 miles to access road on right (east) side. Turn right, (east) and continue for approximately 425' to the SW corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 425' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a westerly 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. 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.
- 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: 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: Robert Asher, 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 Drilling Company 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.

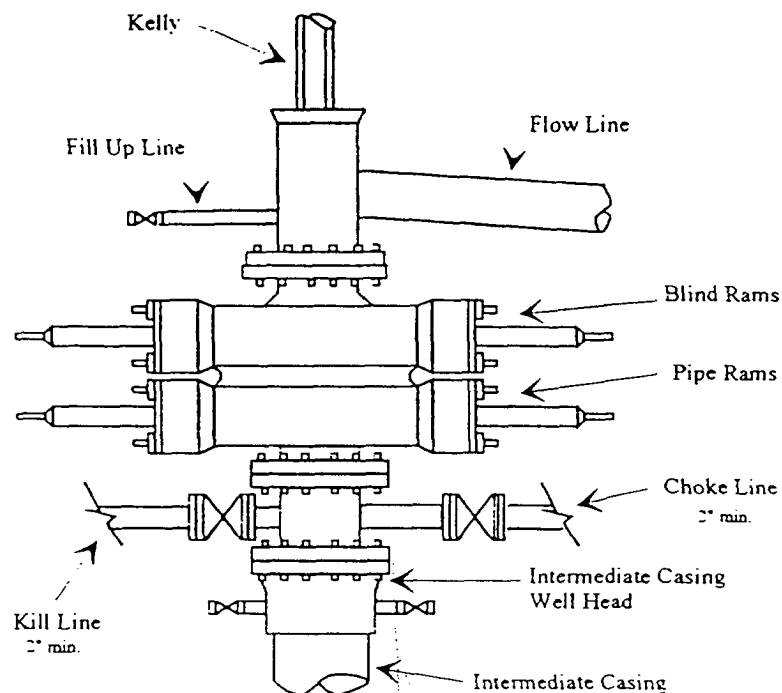
10/21/2003


Regulatory Agent

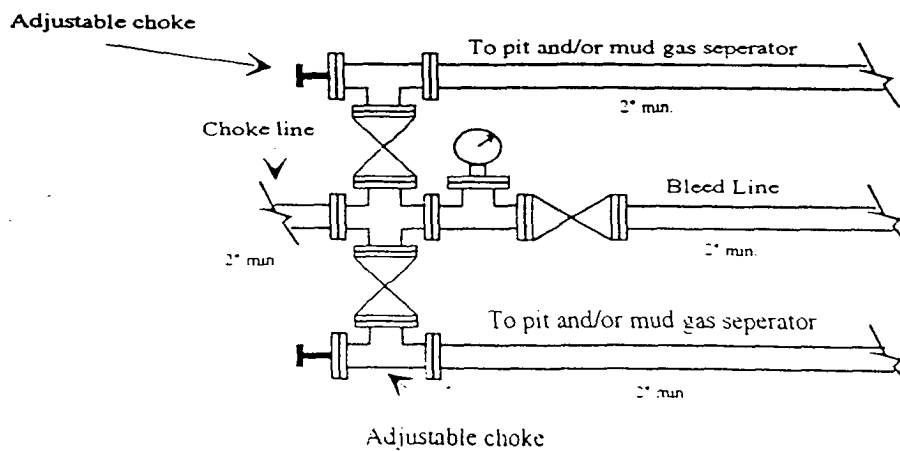
Yates Petroleum Corporation

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

Yates Petroleum Corporation
Basket BDT Federal #1
1980' FNL and 660' FWL
Section 30-T10S-R26E
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

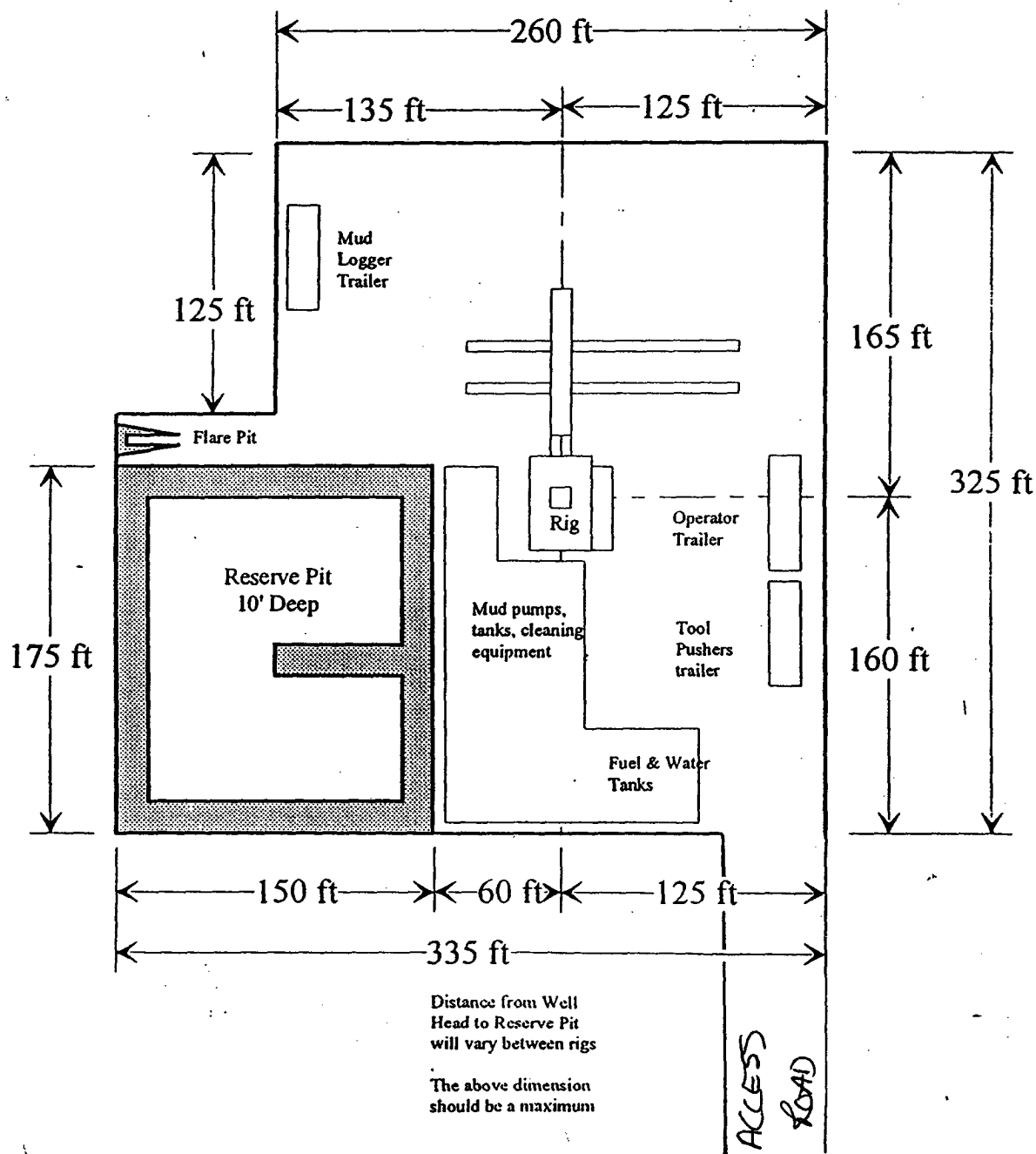
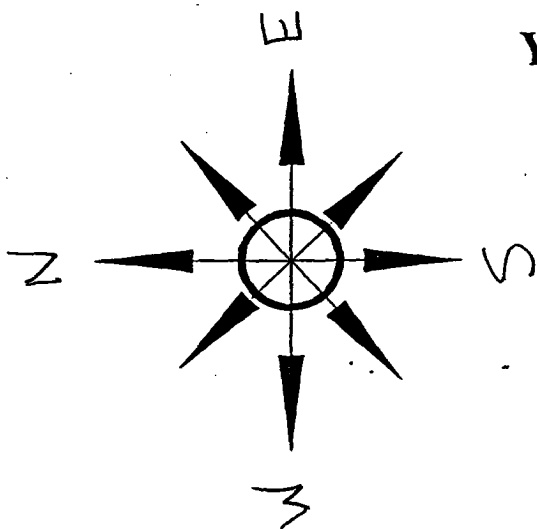
Basket BDT Federal #1

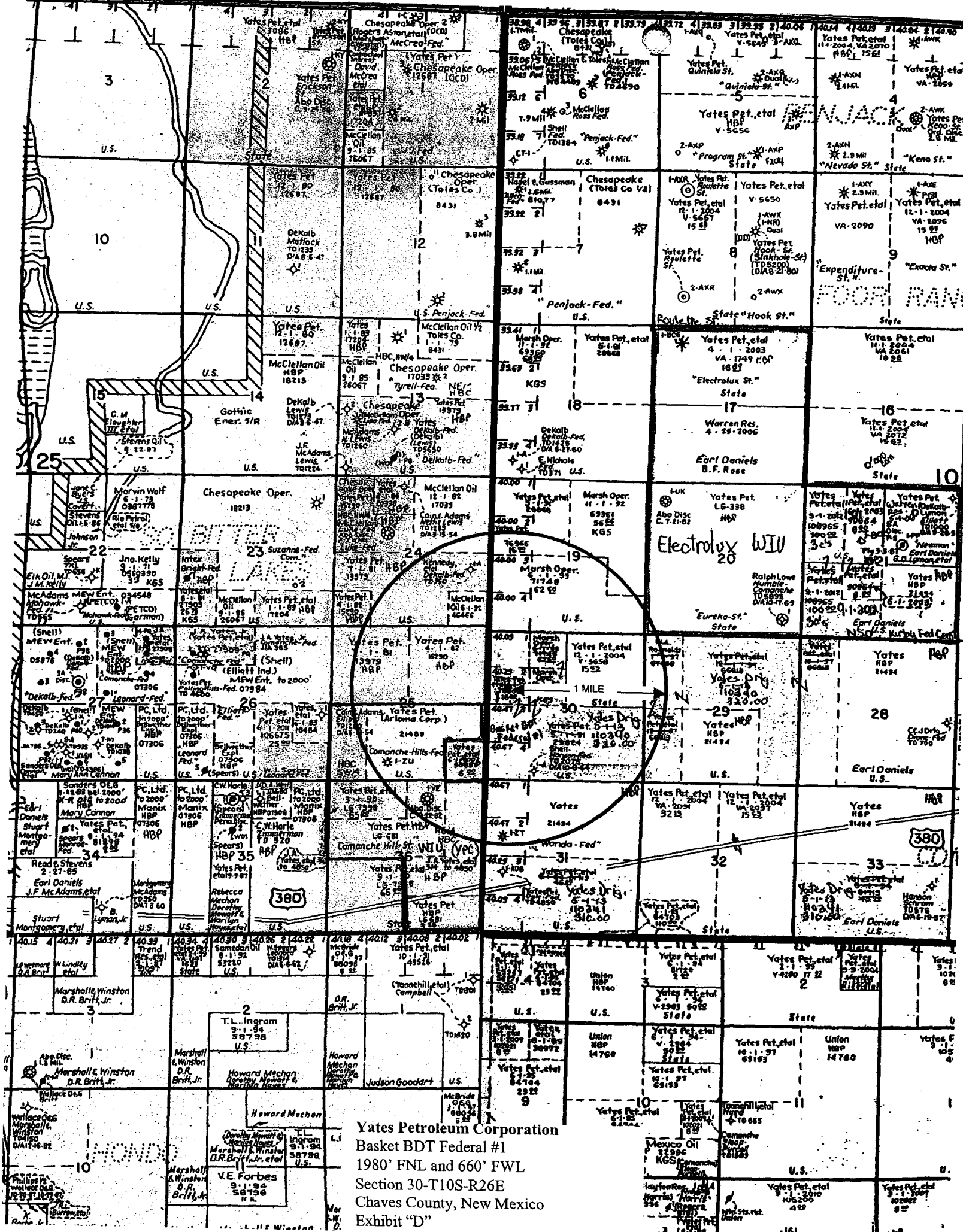
1980' FNL and 660' FWL

Section 30-T10S-R26E

Chaves County, New Mexico

Exhibit "C"





Yates Petroleum Corporation
Basket BDT Federal #1
1980' FNL and 660' FWL
Section 30-T10S-R26E
Chaves County, New Mexico
Exhibit "D"