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Form 3160-3
(August 1999)

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

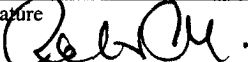
N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-105198
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 checked="" 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	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Xanadu AXD Federal #1
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL and 660' FEL, Unit P At proposed prod. Zone same as above		9. API Well No. 30-005-63641
14. Distance in miles and direction from nearest town or post office* Approximately twenty (20) miles northeast of Roswell, New Mexico		10. Field and Pool, or Exploratory Undesignated Foor Ranch, North
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	11. Sec., T., R., M., or Blk, and Survey or Area Section 29, T9S-R26E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 6125'	12. County or Parish Chaves County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3768' GL	22. Approximate date work will start* ASAP	13. State NM
23. Estimated duration 45 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 1/23/04
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Title:

Regulatory Agent

Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date FEB 03 2004
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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)

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Department

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
			Undesignated Poor Ranch, North
Property Code	Property Name		Well Number
	XANADU "AXD" FEDERAL		1
OGRID No.	Operator Name		Elevation
025575	YATES PETROLEUM CORPORATION		3768

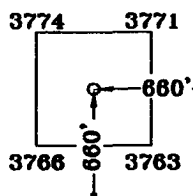

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	29	9S	26E		660	SOUTH	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.					
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**

				<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained hereth is true and complete to the best of my knowledge and belief.</i></p> <p><u><i>Robert Asher</i></u> Signature</p> <p><u>Robert Asher</u> Printed Name</p> <p><u>Regulatory Agent</u> Title</p> <p><u>1/23/2004</u> Date</p>
NM-105198				<p>SURVEYOR CERTIFICATION</p> <p><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></p> <p><u>10/07/2003</u> Date Surveyed</p> <p><u><i>[Signature]</i></u> Signature & Seal of Professional Surveyor</p>
		<p>N.33°29'53.1" W.104°18'48.0"</p>		 <p>Certificate No. <u>8048</u> Herschel L. Jones RLS 3640</p>

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

YATES PETROLEUM CORPORATION
Xanadu AXD Federal #1
660' FSL and 660' FEL
Section 29-T9S-R26E
Chaves County, New Mexico

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

San Andres	895'	Cisco	5547'
Glorieta	1991'	Penn Clastics	5670'
Yeso	2099'	Mississippian	5770'
Tubb	3553'	Ordovician	5825'
Abo	4300'	Basement Granite	5975'
Wolfcamp	4975'	TD	6125'

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>
12 1/4	8 5/8"	24#	J-55	ST&C	0-1100'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-6125'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8
2. Yates Petroleum Corporation requests that a variance be granted in requiring the casing and BOPE to be tested to 2000 PSI to testing the casing and BOPE to 1000 PSI. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 PSI. We would have to go to the greater expense of hiring an independent service to do the testing. Also, the maximum shut-in bottom hole formation pressure is 2200 PSI. Pressure at the surface is less than 1000 PSI. We feel that a 1000psi test will demonstrate that the BOPE is functioning properly and in the unlikely event of a gas in flux that the BOPE would be sufficient to control the well.

B. CEMENTING PROGRAM:

Surface Casing: Lead w/ 350 sx Lite "C" (YLD 2.0 WT 12.5) Tail in w/ 200 sx Class C + 2% CaCl₂ (YLD 1.33 WT 15.6).

Production Casing: 500 sx Pecos Valley Lite (YLD 1.34 WT 13.0). TOC – 3,800'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1100'	FW Gel/Paper/LCM	8.6 - 9.6	32-36	N/C
1100'-4270'	Brine	10.0 –10.2	28	N/C
4270'-6125'	Starch/Salt Gel	9.3 –10.2	32-40	<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 out from under surface casing.

Logging: Platform Express; CNL/LDT, W/NGT TD-Surf csg; with CNL/GR TD to Surf; DLL/MSFL TD-Surf csg.

Coring: Possible Sidewall

DST's: None.

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

Anticipated BHP:

From: 0	TO: 1100'	Anticipated Max. BHP: 400 PSI
From: 1100'	TO: 6125'	Anticipated Max. BHP: 2700 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 25 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Xanadu AXD Federal #1
660' FSL and 660' FEL
Section 29-T9S-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 well site is located approximately 20 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Roswell on Tatum Highway (HWY 380) to Alamo Road. Turn left on Alamo and drive approximately 1.9 miles to a fork in the road, take the left fork and continue for approximately 1.6 miles to another fork in the road, and take the right fork and continue for approximately 2.3 miles to a crossroad. Turn right and continue for approximately 1.9 miles (just before corrals), turn right (east) and continue around dirt pit and drive approximately 0.8 of a mile to the Rolla TC #2 location. The access road is staked on the SW corner of the Rolla location, continue SE for approximately 0.6 of a mile, the road then turns left (east), continue for 53' to the SW corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 3,195.5' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a southeasterly 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 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.

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 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.

11. SURFACE OWNERSHIP: The access road and location is on private lands belonging to Mr. Jack Hagelstein, P.O. Box 297, Dexter, NM 88230, Ranch (505) 623-7046. I certify that Yates Petroleum Corporation has reached an agreement with Mr. Hagelstein as to YPC's operations that are to be conducted on his lands.

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

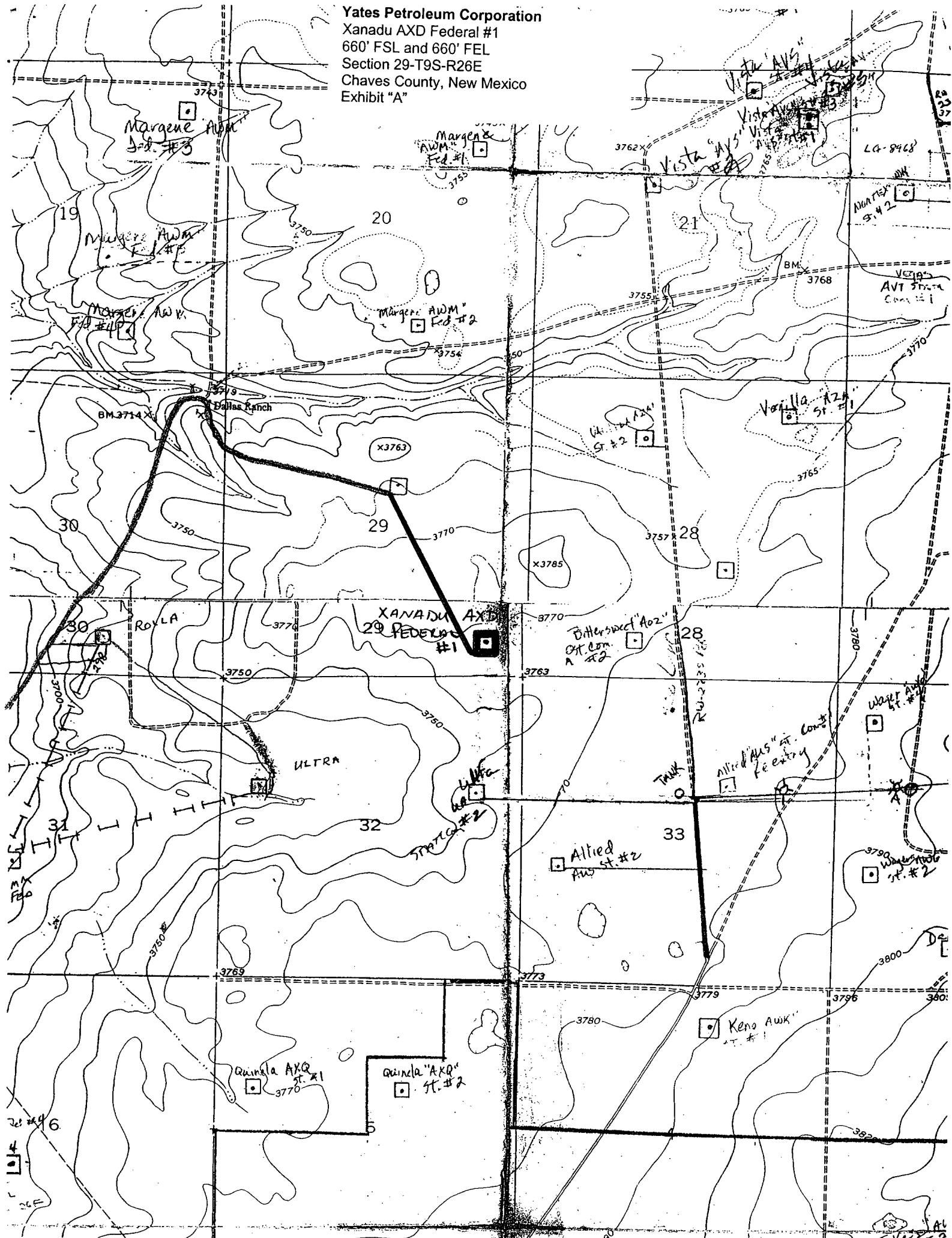
14. CERTIFICATION:

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 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.

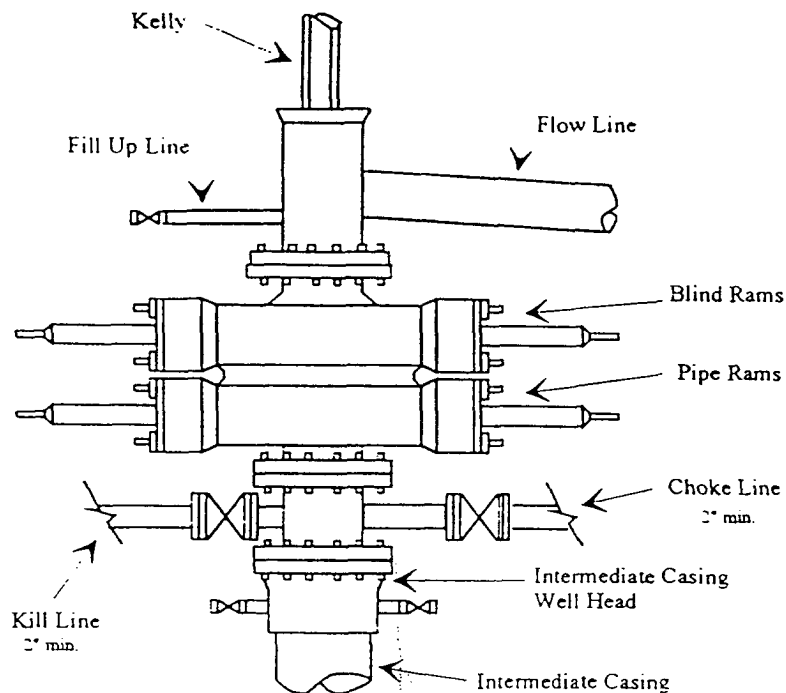
1/23/2004


Regulatory Agent

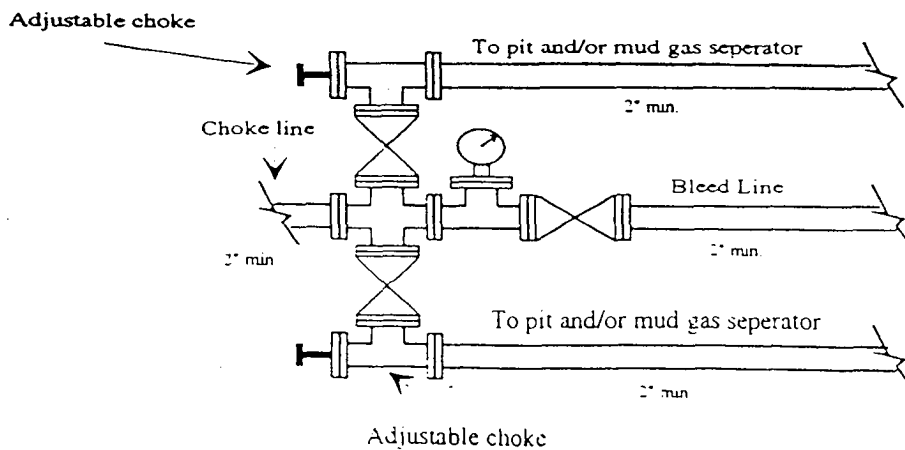
Yates Petroleum Corporation
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Chaves County, New Mexico
Exhibit "A"

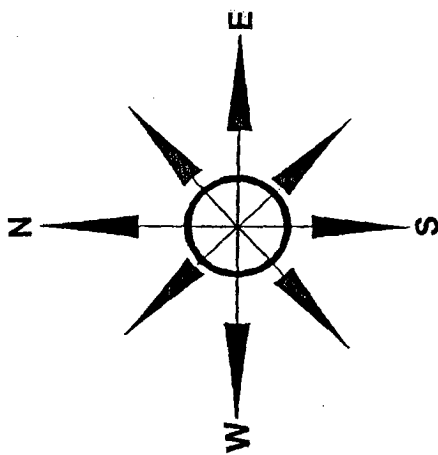


Typical 2,000 psi Pressure System
 Schematic
 Double Ram Preventer Stack



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

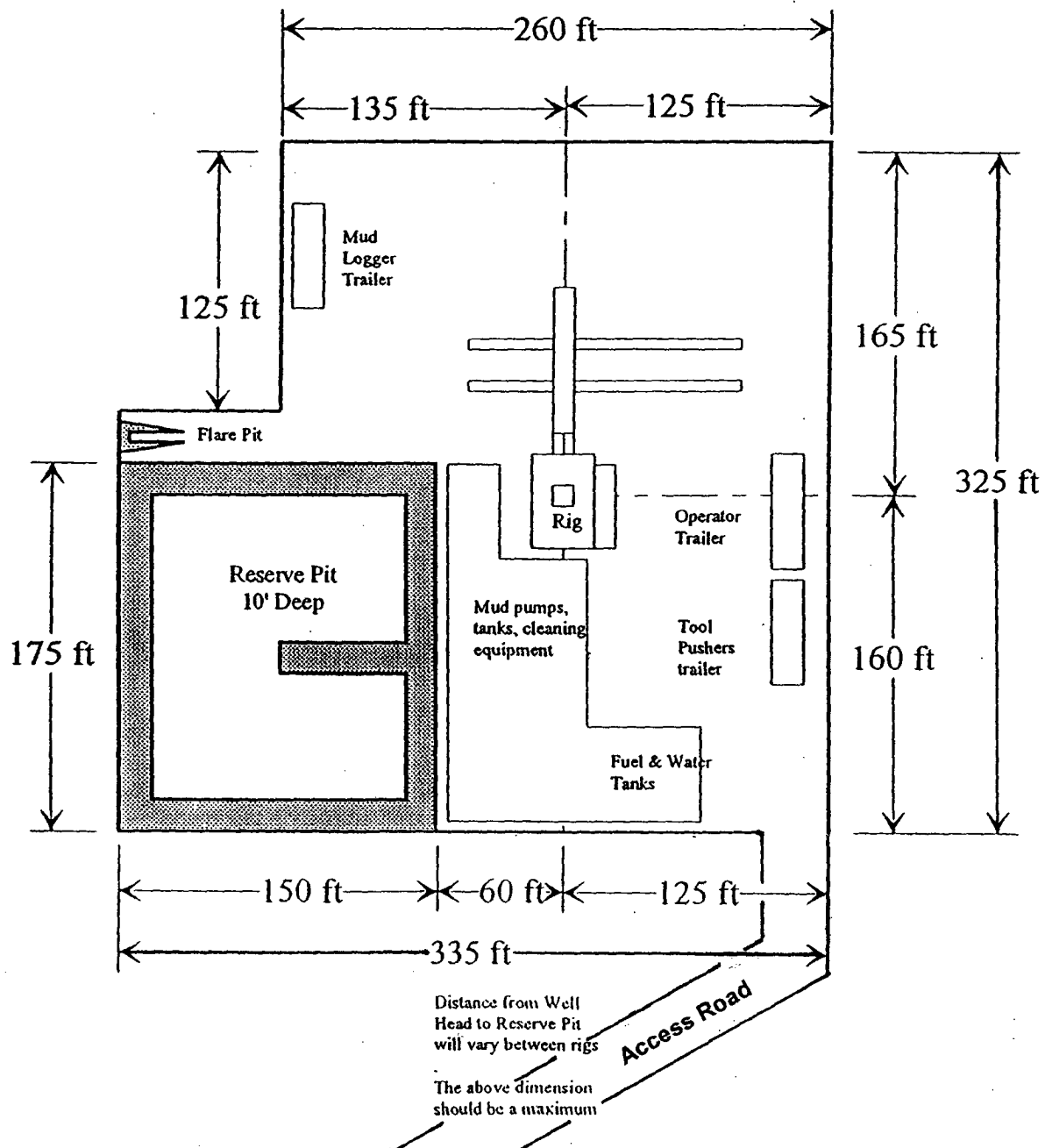
Xanadu AXD Federal #1

660' FSL and 660' FEL

Section 29-T9S-R26E

Chaves County, New Mexico

Exhibit "C"



Yates Petroleum Corporation
Xanadu AXD Federal #1
660' FSL and 660' FEL
Section 29-T9S-R26E
Chaves County, New Mexico
Exhibit "D"

