

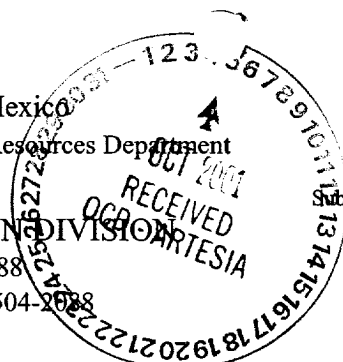
DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

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 87501

State of New Mexico  
Energy, Minerals and Natural Resources Department  
OIL CONSERVATION DIVISION  
PO BOX 2088  
Santa Fe, NM 87504-2088



Form C-101  
Revised March 17, 1999  
Instructions on back  
Submit to appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

CISK  
BLM  
std  
EP

☐ AMENDED REPORT

### APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

<sup>1</sup> Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		<sup>2</sup> OGRID Number 025575
		<sup>3</sup> API Number 30- 015 - 32027
<sup>4</sup> Property Code 15957	<sup>5</sup> Property Name Flora "AKF" State	<sup>6</sup> Well No. 3

### <sup>7</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
L	2	22S	31E		2310	South	330	West	Eddy

### <sup>8</sup> Proposed 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
<sup>9</sup> Proposed Pool 1 Undesignated Lost Tank Delaware					<sup>10</sup> Proposed Pool 2 PLEASE NOTE ATTACHED POTASH AGREEMENT.				

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code O	<sup>13</sup> Cable/Rotary R	<sup>14</sup> Lease Type Code S	<sup>15</sup> Ground Level Elevation 3513'
<sup>16</sup> Multiple N	<sup>17</sup> Proposed Depth 8400'	<sup>18</sup> Formation Delaware	<sup>19</sup> Contractor Not Determined	<sup>20</sup> Spud Date ASAP

### <sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/feet	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	850'	700 sx	Surface
11"	8 5/8"	32#	4100'	1400 sx	Surface
7 7/8"	5 1/2"	15.5# + 17#	8400'	Stage 1-500sx	TOC-6200'
			DV Tool@ 4050'	Stage 2-400 sx	Surface

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new production. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated. Intermediate casing will be set at 4100' and cemented to surface. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production.

**MUD PROGRAM:** 0-850' FW/Native Mud; 850'-4100' Brine; 4100'-6800' Cut Brine; 6800'-8400' Cut Brine/Starch.

**BOPE PROGRAM:** A 3000# BOPE will be installed on the 8 5/8" casing and tested daily.

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Clifton R. May</i>		OIL CONSERVATION DIVISION Approved by: <b>ORIGINAL SIGNED BY TIM W. GUM</b> <b>DISTRICT II SUPERVISOR</b>	
Printed name: Clifton R. May		Title:	
Title: Regulatory Agent		Approval Date: <b>OCT 04 2001</b> Expiration Date: <b>OCT 04 2002</b>	
Date: 10/04/01	Phone: (505) 748-1471	Conditions of Approval Attached <input type="checkbox"/> <b>NOTIFY OCD SPUD &amp; TIME TO WITNESS CEMENTING OF ALL CASING STRINGS</b>	

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Energy, Minerals and Natural Resources Department

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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 <b>UNDESIGNATED LOST TANK DELAWARE</b>
Property Code	Property Name <b>FLORA "AKF" STATE</b>	Well Number <b>3</b>
OEED No. <b>025575</b>	Operator Name <b>YATES PETROLEUM CORPORATION</b>	Elevation <b>3503</b>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	2	22S	31E		2310	SOUTH	330	WEST	EDDY

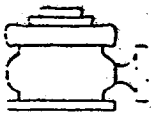
Bottom Hole Location If Different From Surface

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.
40			

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

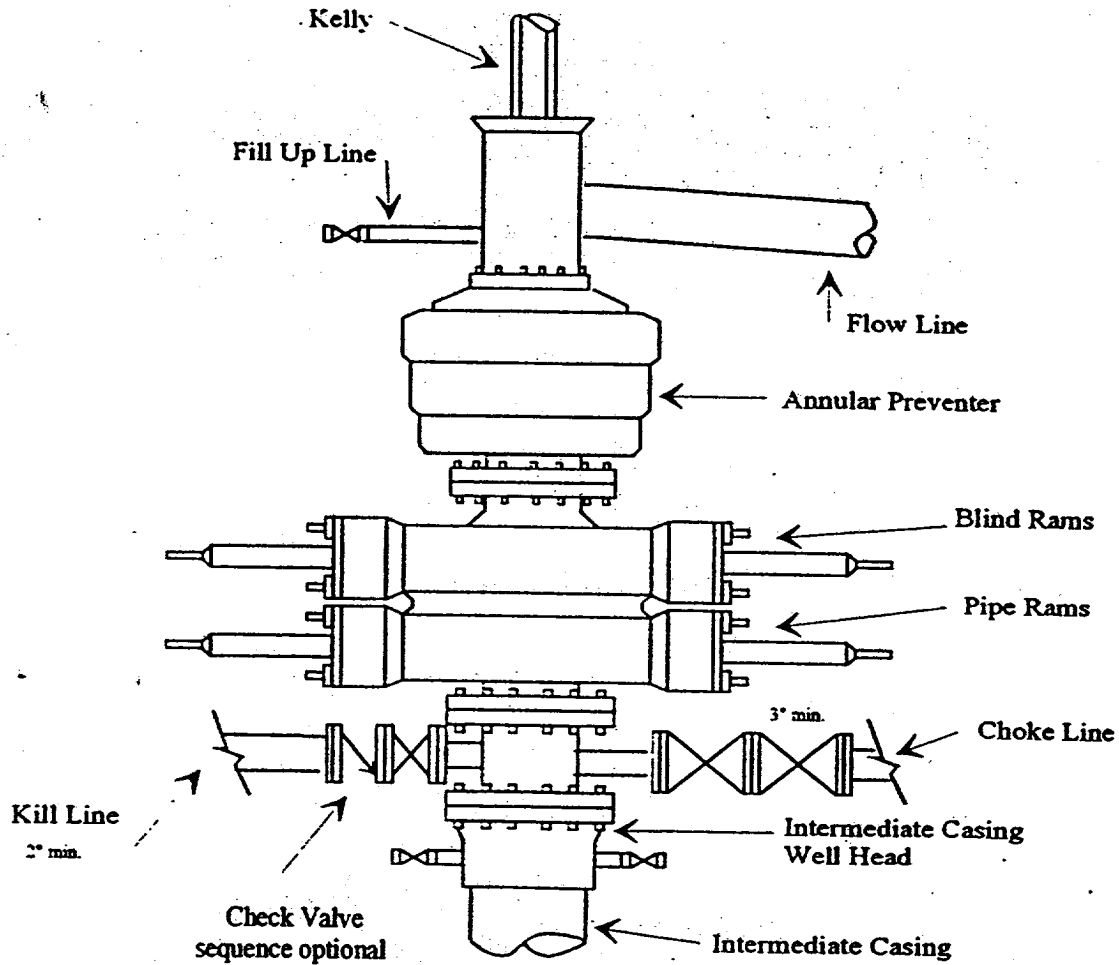
<p>N.32°25'10.8" W.103°45'22.0"</p> <p>330'</p> <p>V-2597</p> <p>2310'</p>					<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Clifton R. May</i> Signature <b>CLIFTON R. MAY</b> Printed Name <b>REGULATORY AGENT</b> Title <b>OCTOBER 5, 2001</b> Date</p>
					<p><b>SURVEYOR CERTIFICATION</b></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><b>10/02/2001</b> Date Surveyed</p> <p><i>[Signature]</i> Signature &amp; Seal of Professional Surveyor</p> <p><b>HERSCHELL L. JONES</b> Certificate No. <b>HERSCHELL JONES RLS 3640</b> <b>FLORA 3</b> GENERAL SURVEYING COMPANY PROFESSIONAL</p>



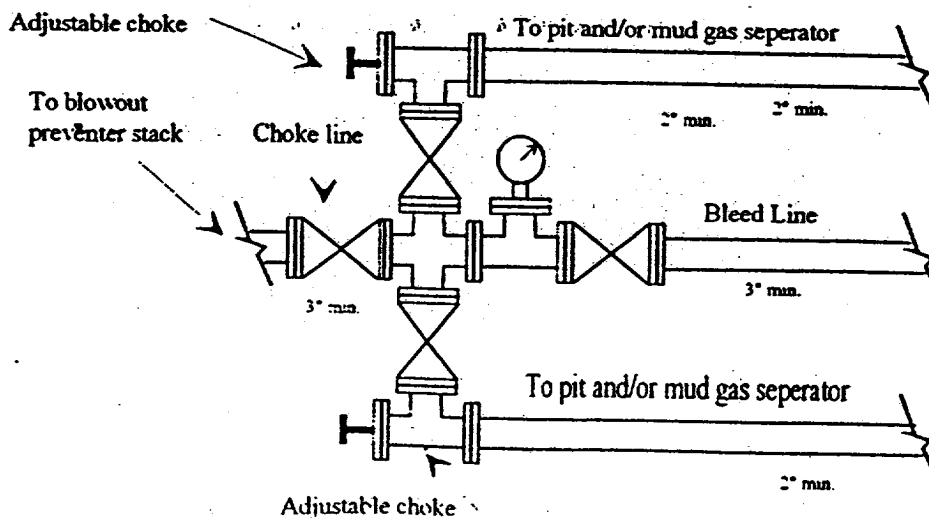
# ates Petroleum Corporation

## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

BOP-3



## Typical 3,000 psi choke manifold assembly with at least these minimum features



## AGREEMENT

This Agreement is entered into effective November 27, 2000, by Mississippi Potash, Inc. (MPI), whose address is P. O. Box 101, Carlsbad, New Mexico, 88221, and Yates Petroleum Corporation ("YPC"), whose address is 105 South Fourth Street, Artesia, New Mexico, 88210.

### **WHEREAS:**

1. MPI has filed an Application For Lease on State Land for Lease No. MP-0029, which covers, all the lands in Section 2, Township 22 South, Range 31, East, N.M.P.M., Eddy County, New Mexico;
2. YPC is the lessee and operator of State of New Mexico Oil and Gas Lease V-2705, covering the N/2 of Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
3. YPC is the lessee and operator of State of New Mexico Oil and Gas Lease V-2597, covering the SW/4 of Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
4. Section 2 is withing the oil-potash area of southeast New Mexico as defined in New Mexico Oil Conservation Division ("OCD") Order No. R-111-P;
5. YPC has filed with the OCD, Applications for Permits to Drill ("APD") the Graham "AKB" State Wells No. 3 and 4 located in the W/2 NE/4 Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
6. MPI has previously objected to the drilling of the Graham "AKB" State Wells No. 3 and 4.
7. Other disputes have arisen between MPI, YPC and Pogo Producing Company ("Pogo"), with respect to the drilling of wells in Sections 34 and 35, Township 21 South, Range 31 East, Eddy County, New Mexico. By Agreement dated effective June 16, 2000, MPI, YPC and Pogo resolved such disputes. Nothing in the instant agreement shall change or alter said agreement.
8. MPI and YPC desire to settle their differences with respect to potash operations and oil development in Section 2. MPI shall have the right to a corridor for mining, or drifts or tunnels, through Section 2, and YPC shall be allowed to drill oil wells in Section 2.
9. ~~In the event that the State of New Mexico should fail to grant MPI's Application for Lease described in paragraph 1 above, this agreement shall terminate and MPI will not oppose YPC's drilling of wells in Section 2.~~

**NOW, THEREFORE, IT IS AGREED THAT;**

A. MPI shall have a 1320 foot wide corridor through Section 2, as platted on Exhibit A and described by legal subdivisions on Exhibit B:

B. YPC shall be allowed to drill oil wells in Section 2 at locations in its discretion so long as the wellbores are not within the corridor described in paragraph A above, and in Exhibits A and B, and YPC agrees not to file applications for permit to drill oil wells at locations within the corridor;

C. MPI hereby waives objection to any oil wells located in Section 2 on oil and gas leases now owned by YPC which comply with paragraph B above. For purposes of this Agreement "oil well" shall mean a well drilled to a depth no deeper than 200 feet below the base of the Delaware formation. This waiver of objection by MPI shall satisfy any requirement set forth in Order No. R-111-P, and well operators shall not be required to obtain further waivers of objection from MPI with respect to oil wells in Section 2, so long as the well locations comply with paragraph B above. In the event that the OCD requires a separate waiver for any specific location that complies with paragraph B above, MPI shall execute any such waiver consistent with the terms of this Agreement;

D. The prohibition of well locations described in paragraphs A and B above does not apply to well pads, surface facilities, gathering lines, pipelines and other facilities and equipment (except the well) that are on or near the surface,

E. This Agreement is executed by the duly authorized representatives of MPI and YPC and is binding on their respective successors and assigns.

Yates Petroleum Corporation

Mississippi Potash, Inc.



Name: Randy G. Patterson

Title: Attorney-in-Fact

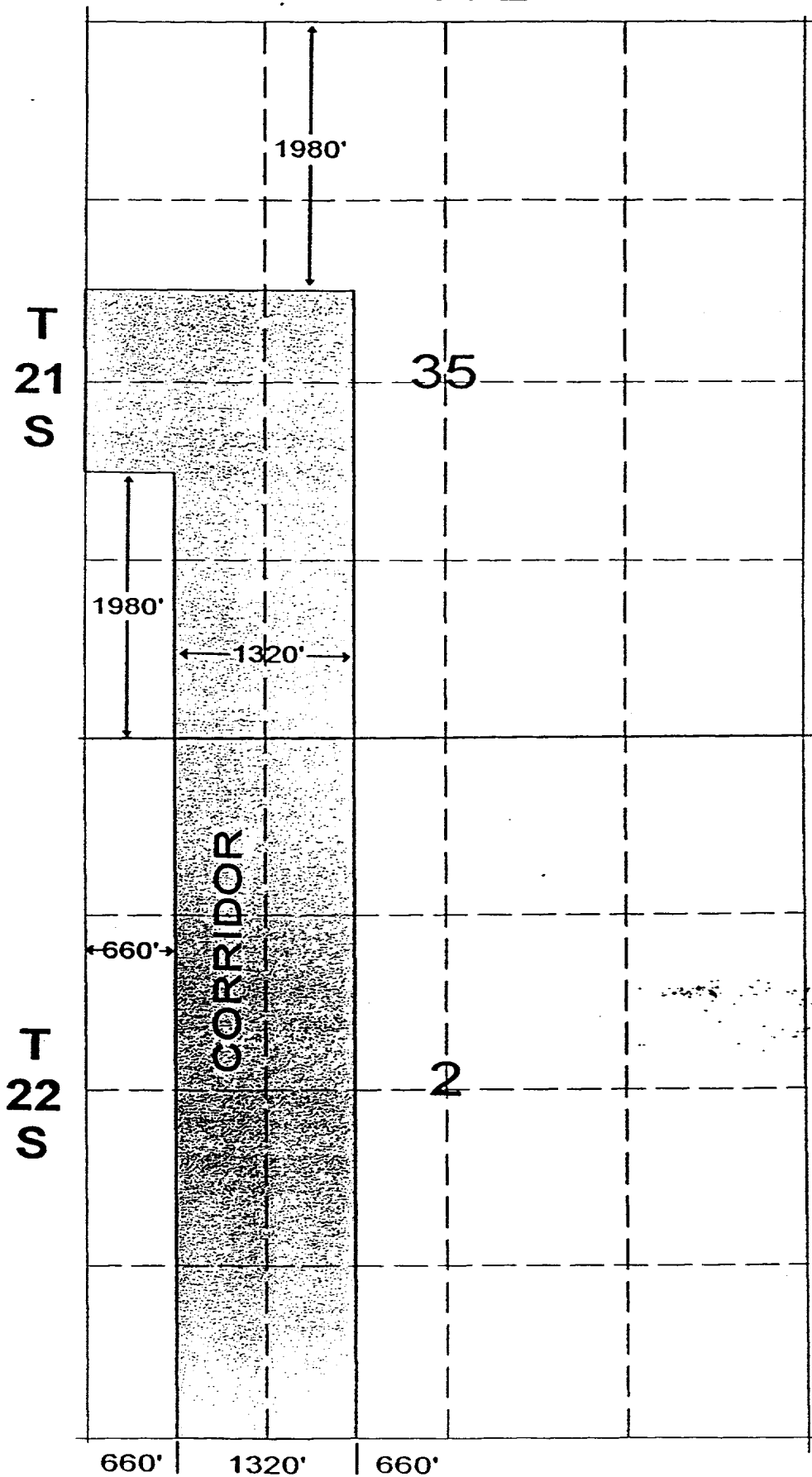


Name: RANDY FOUTS

Title: V.P. OPERATIONS

EXHIBIT "A"

R 31 E



## **EXHIBIT B**

### **Legal Description of Corridor**

The following described lands located in Eddy County, New Mexico:

#### **Township 22 South, Range 31 East, N.M.P.M.**

Section 2:    E/2 NW/4 NW/4  
                  W/2 NE/4 NW/4  
                  E/2 SW/4 NW/4  
                  W/2 SE/4 NW/4  
                  E/2 NW/4 SW/4  
                  W/2 NE/4 SW/4  
                  E/2 SW/4 SW/4  
                  W/2 SE/4 SW/4

For all depths from the surface down to the base of the Salado formation which is located at a subsurface depth of 2461 feet in the CNLD log (compensated neutron litho density log) of the Mary "AIV" State Well No. 5, located 660 feet FNL and 330 feet FEL of Section 36, Township 21 South, Range 31 East, N. M. P. M.