N.M.O.C.D. COPY

A-80-313

Form 9-331 C
(May 1963)

C/SF
File

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 42-R1425.

30-015-23509

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM 015068

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [ ] MULTIPLE ZONE [ ]

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME: Flag "OF" Fed. Com.

2. NAME OF OPERATOR: Yates Petroleum Corporation

9. WELL NO.: 1

3. ADDRESS OF OPERATOR: 207 South 4th Street, Artesia, New Mexico 88210

10. FIELD AND POOL, OR WILDCAT: ~~Wildcat~~ Morrow

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1980' FNL and 1980' FWL
At proposed prod. zone

AUG 21 1980
U.S. GEOLOGICAL SURVEY
ARTESIA, NEW MEXICO

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 34-T18S-R29E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 23 miles ESE of Artesia, New Mexico 88210

12. COUNTY OR PARISH: Eddy | 13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 1980'

16. NO. OF ACRES IN LEASE: 80

17. NO. OF ACRES ASSIGNED TO THIS WELL: ~~320~~ 313.01

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.:

19. PROPOSED DEPTH: 11,600'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3422' GL

22. APPROX. DATE WORK WILL START*: As soon as approved

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17½"	13 3/8"	48# J-55	450'	450 sx circulate
12¼"	8 5/8"	24# J-55	2900'	800 sx circulate
7 7/8"	5 1/2"	17#-20# N-80	11600'	425 sx

Propose to drill and test the Morrow and intermediate horizons. Will set approximately 450' surface casing to shut off gravel and casing, and will set intermediate casing at 2900' with both strings being circulated. If commercial, will run 5½" and cement with at least 600' of cover.

MUD PROGRAM: FW gel and LCM to 2900'; water to 8400'; starch-drispak-KCL to 10,400'; and flosal-drispak-KCL to TD

BOP PROGRAM: BOP's and hydril on 8 5/8" casing and tested, pipe rams tested daily, blind rams on trips; yellow jacket, pit level control and flow sensor on prior to Wolfcamp.

GAS NOT DEDICATED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED: Tony A Lopez TITLE: Regulatory Coordinator DATE: August 20, 1980

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY: (ORIG. SGD.) GEORGE H. STEWART TITLE: ACTING DISTRICT ENGINEER DATE: OCT 21 1980

CONDITIONS OF APPROVAL, IF ANY:

RECEIVED

OCT 23 1980

O. C. D.

N.M.O.C.D. COPY

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(May 1963)

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b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [ ] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR: Yates Petroleum Corporation

3. ADDRESS OF OPERATOR: 207 South 4th Street, Artesia, New Mexico 88210

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At surface: 1980' FNL and 1980' FWL
At proposed prod. zone:

5. LEASE DESIGNATION AND SERIAL NO.: NM 015068

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME: Flag "OF" Fed. Com.

9. WELL NO.: 1

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24.

SIGNED: Ivy A Lopez — TITLE: Regulatory Coordinator — DATE: August 20, 1980

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

RECEIVED
OCT 23 1980
O. C. D.
ARTESIA, OFFICE

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
YATES PETROLEUM CORPORATION	Flag "OF" Fed. Com.	#1

Unit Letter	Section	Township	Range	County
F	34	18 South	29 East	Eddy

Actual Footage Location of Well:
1980 feet from the North line and 1980 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3422.	Morrow	~~Undes.~~ Morrow	320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

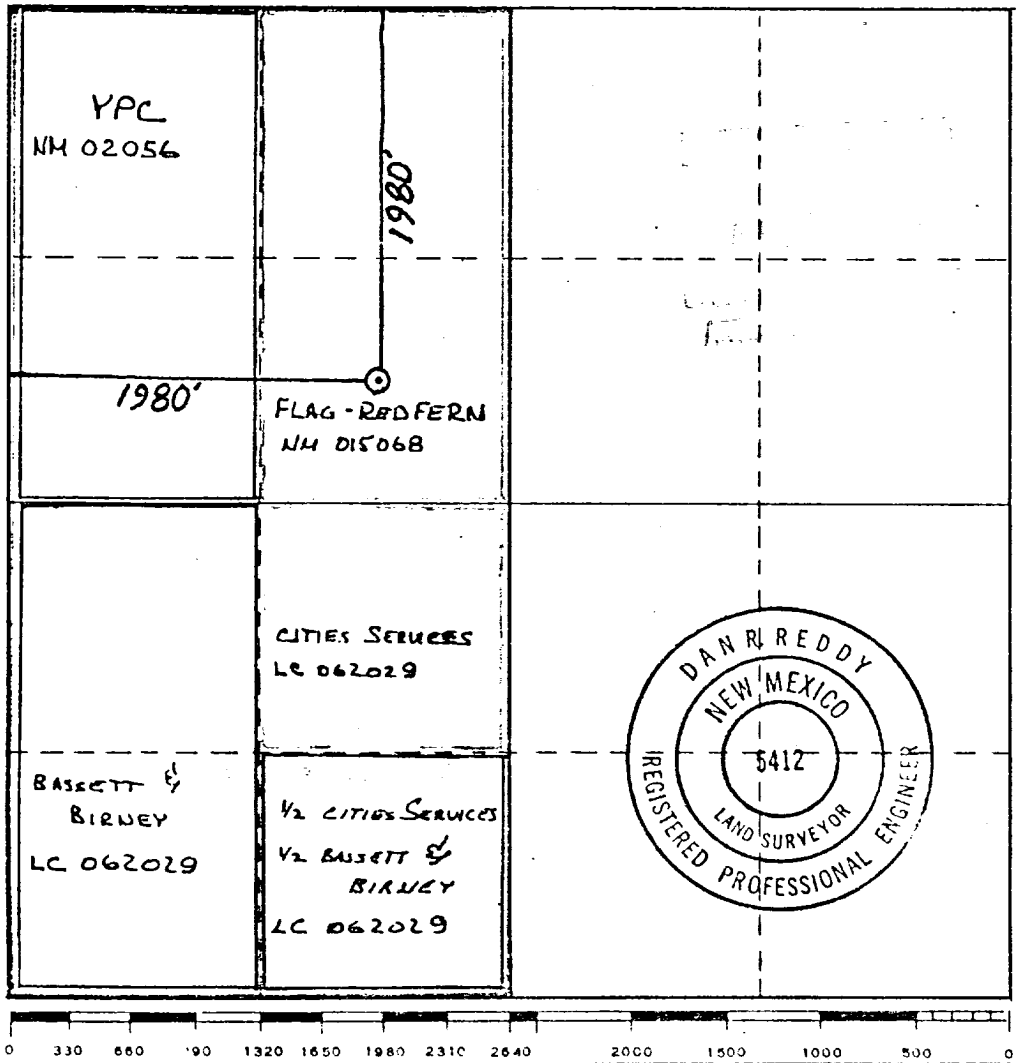
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

[X] Yes [ ] No If answer is "yes," type of consolidation Communitized

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Johnny A. Lopez

Name Johnny A. Lopez

Position REGULATORY COORDINATOR

Company YATES PETROLEUM CORP.

Date 8/20/80

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 knowledge and belief.

Date Surveyed
July 29, 1980

Registered Professional Engineer and/or Land Surveyor
Dana R. Reddy

Certificate No.
NM PE&LS #5412

NMOCD COPY

United States Department of the Interior

GEOLOGICAL SURVEY

HOBBS DISTRICT

YATES PETROLEUM CORPORATION
Flag "OF" Federal Com Well No. 1
1980 FNL 1980 FWL Sec. 34 T.18S R.29E
Eddy County New Mexico
Lease No. NM-015068

ILLEGIBLE

[Above Data Required on Well Sign]

GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL LEASES

These General Requirements apply generally to all oil and gas operations on Federal leases. They apply specifically to the above described well. Special requirements that apply and are effective for this well, if any, are check-marked in section 15 of these General Requirements.

1. GENERAL:

A. Full-compliance with applicable laws and regulations, with the approved Permit to Drill, and with the approved Surface Use and Operations Plan is required. Lessee's and/or operators are fully accountable for the actions of their contractors and subcontractors.

B. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease name or unit name, well number, location of the well and the lease serial number.

C. A complete copy of the approved Application for Permit to Drill and the accompanying Surface Use and Operations Plan along with any conditions of approval shall be available to authorized personnel at the drillsite whenever active construction or drilling operations are underway.

D. A drilling operations progress report is to be submitted daily from spud date until the well is completed and the Well Completion Report (form 9-330) is filed. The report should be on paper not less than 5 X 8 inches in size and each page should identify the well by operator's name, well name and number, and by well location.

E. Immediate notice is required of all blowouts, fires, spills, and accidents involving life-threatening injuries or loss of life. (See NTL-3)

F. No construction activities, such as roads, well sites, tank battery sites, pits, or other work involving surface disturbance will be commenced until a Surface Use and Operations Plan is submitted and approval obtained.

G. If, during operations, any archeological or historical sites, or any object of antiquity subject to the Antiquities Act of June 8, 1906, are discovered, all operations which would affect such sites are to be suspended and the discovery reported promptly to the appropriate offices of the Geological Survey and the Bureau of Land Management.

H. Prior [illegible] drilling [illegible] repair [illegible] indefinitely. Emergency approval may be obtained orally, but [illegible] approval does not waive the written report requirements.

I. Blowout prevention equipment is to be installed, tested, and in working order before drilling below the surface casing and shall be maintained ready for use until drilling operations are completed.

J. All shows of fresh water and minerals will be reported and protected.

K. Well area and lease premises will be maintained in a workmanlike manner with due regard to safety, conservation, and appearance. All waste associated with the drilling operations will be contained and will be buried in place (in a separate trash pit) or removed and deposited in an approved sanitary landfill. All garbage (metal containers will be crushed) and debris left on site will be buried at least two feet deep. All trash and debris will be buried or removed from the site within one month after removal of the drilling rig and/or completion rig, and the wellsite will be kept clean and in an aesthetically satisfactory condition for the life of the well.

L. Unless drilling operations are commenced within one year, approval of an Application for Permit to Drill will automatically expire. A written request for extension may be granted if timely submitted.

2. CONSTRUCTION ACTIVITIES, (ALSO REFER TO SEC. 3, DRILLING PITS):

A. Prior to commencing construction of road, pad, or other associated developments, operator will provide the dirt contractor with a copy of the Surface Use Plan, the conditions of approval and a copy of sec. 2 and 3 of these General Requirements.

B. No caliche, gravel, or other related minerals from new or existing pits on Federal land will be used in construction of roads, well sites, etc., without prior approval from the Bureau of Land Management.

C. Vegetative materials removed during construction must be disposed of in such manner that it does not detract from the aesthetics of the area and does not accelerate erosion. Vegetation removed during clearing operations should be placed in drainages, washes, gullies, etc., and "walked down" by crawler type tractor. If there are no drainages in the immediate area, the vegetation should be "walked down" in place. All trash resulting from construction activities will be disposed of. Any large rocks resulting from construction activities will not be piled or left in rows but will be left so they do not detract from the natural appearance of the area. Any available topsoil encountered during construction should be stockpiled for use in restoring the pit area after the pits are covered.

D.

ILLEGIBLE

E. Each existing fence to be crossed by the permittee will be braced and tied off before cutting so as to prevent slacking of the wire. The opening will be protected as necessary during construction to prevent the escape of livestock and upon completion of construction, the fence will be repaired back to the original standard of the existing fence. A cattleguard will be installed in any fence where a road is to be regularly traveled. A twelve foot gate will be installed adjacent to the cattleguard when necessary.

NOTE: Sec. 2-C and 2-D above apply primarily to Federal Surface. If the land is privately owned, these requirements may be varied to comply with the operator-landowner agreement.

3. DRILLING PITS:

A. Mud pits will be constructed so as not to leak, break or allow discharge of liquids. Pits are not to be located in natural drainage. Any plastic material used to line pits must be removed to below ground level before pits are covered.

B. All unguarded pits containing liquids will be fenced.

C. Liquids in pits will be allowed to evaporate, or be properly disposed of otherwise, before pits are broken. Under no circumstances will pits be allowed to be cut to be drained.

4. CASING AND CEMENTING REQUIREMENTS:

A. Surface casing is to be set at sufficient depth to protect fresh water zones and cement circulated to the surface. In areas where the salt section (Salado) is present, surface casing should be set at least 50 feet into the Rustler Anhydrite and cement circulated to the surface. If surface casing is set at a lesser depth, the first string of casing set below the salt section must be cemented from the casing shoe to the surface or cemented to the surface through a stage tool set at least 50 feet below the top of the Rustler, after cementing around the shoe with sufficient cement to fill to the base of the salt section, minimum.

B. Intermediate and production casing strings are to be set and cemented as necessary to effectively isolate and seal off all water, oil, gas or potash bearing strata encountered in the well down to the casing point. Where the salt section is present, the minimum required cement fill behind the first casing string, either production or intermediate, set below the salt section is back to above the base of the salt section.

C. Prior to drilling the plug after cementing, all casing strings shall be pressure tested. Test pressure shall not be less than 600 psi for surface casing, and a minimum of 1,500 psi or 0.2 psi/ft., whichever is greater, for other casing strings. If the pressure declines more than 10 percent in 30 minutes, or if there is other indication of a leak, the casing shall be recemented, repaired, or an additional casing string run, and the casing shall be tested again in the same manner.

D. After cementing but before commencing any tests, the casing string shall stand cemented under pressure until the cement has reached a compressive strength of at least 500 psi at the shoe, except that in no case shall tests be initiated until cement has been in place at least 8 hours. WOC time will be recorded in the driller's log.

5. BLOWOUT PREVENTION:

A. Blowout preventers and related well-control equipment shall be installed, tested and used in such manner necessary to prevent blowouts.

B. Ram-type blowout preventers and related control equipment shall be pressure tested with water to the rated working pressure of the stack assembly (except that the annular-type preventer may be tested to 70 percent of rated working pressure): (a) when installed, (b) before drilling possible abnormally pressured zones, and (c) following repairs that require disconnecting a pressure seal in the assembly.

C. While drill pipe is in use, ram-type blowout preventers shall be actuated to test proper functioning once each trip, but in no event less than once each day. The annular-type blowout preventer shall be actuated on the drill pipe at least once each week.

D. Blowout preventers are to have proper rams for the operations being performed. Casing rams are required when running casing.

E. Blowout preventers are to have handwheels installed.

F. A choke line and a kill line are to be properly installed. The kill line is not to be used as a fill-up line.

ILLEGIBLE

G. The accumulator system shall have a pressure capacity to provide for repeated operation of hydraulic preventers.

H. Drill string safety valve(s) to fit all pipe in the drill string are to be maintained on the rig floor while drilling operations are in progress.

I. Blowout prevention drills are to be conducted as necessary to assure that equipment is operational and that each crew is properly trained to carry out emergency duties. All BOP tests and drills are to be recorded in the driller's log.

J. The maximum pressure to be allowed on blowout preventers during well control operations is to be posted for each casing string.

K. The characteristics, use, and testing of drilling mud and the conduct of related drilling procedures shall be such as are necessary for well control. Quantities of mud materials sufficient to insure well control shall be maintained, readily accessible for use at all times.

L. When coming out of the hole with drill pipe, the annulus shall be filled with mud before the mud level drops below 100 feet. The volume of mud required to fill the hole shall be watched, and any time there is an indication of swabbing, or influx of formation fluids, proper blowout prevention precautions must be taken. The mud shall not be circulated and conditioned except on or near bottom, unless well conditions prevent running pipe to bottom.

M. From the time drilling operations are initiated and until drilling operations are completed, a member of the drilling crew or the toolpusher shall maintain rig floor surveillance at all times, unless the well is secured with blowout preventers or cement plugs.

6. REPORTS:

A. The following reports shall be filed with the District Engineer within 15 days after the work is completed:

(1) Five copies of Sundry Report, Form 9-331, giving complete information concerning:

(a) Setting of each string of casing. Show size, grade and weight of casing set, size hole, depth set, amount and type of cement used, whether cement circulated, top of cement behind casing if determined, depth of cementing tools if used, casing test method and results, and date work was done. Show spud date on first report submitted.

(b) Intervals tested, perforated, acidized, or fractured and results obtained. Show date work was done.

(2) Four copies of Well Completion Report, Form 9-330. Show formation tops, drill stem test information, completion data, and production tests. Show all oil and gas zones and important water sands under item 37. Data on water sands should include rate of water inflow and elevation to which water rose in hole.

(3) Two copies of all electrical and radioactivity logs run.

7. DRILLER'S LOG:

A. The following shall be entered in the daily driller's log:

(1) Blowout preventer pressure tests including test pressures and results.

(2) Blowout preventer tests for proper functioning.

(3) Blowout prevention drills conducted.

[illegible] and depth set.

(5) How pipe was cemented, including amount of cement, type, whether cement circulated, location of cementing tools, etc.

(6) Waiting on cement time for each casing string.

(7) Casing pressure tests after cementing including test pressure and results.

8. DRILLSTEM TESTS:

A. Estimated amounts of oil and gas recovered and/or produced during drillstem tests are to be shown in the driller's log and reported in accordance with NTL-4A.

9. GAS FLARING:

Pursuant to NTL-4A

10. WATER DISPOSAL:

A. An application for approval of the disposal method for water production from all new wells must be filed with the District Engineer prusuant to Section VII of NTL-2B. Failure to timely file such application will be considered an incident of non-compliance and will be grounds for issuing a shut-in order until the application is submitted.

11. SAFETY:

A. All rig heating stoves are to be the explosion-proof type.

B. Drilling rig engines should have water cooled exhausts.

C. Rig safety lines are to be installed.

D. Hard hats must be utilized.

12. SUBSEQUENT OR CHANGE OF PLANS:

A. Any additional construction, re-construction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, will require the filing of a suitable plan and prior approval by the Survey after clearance with the surface management agency.

13. REMOVAL OF DRILLING RIG:

A. Unless a well has been properly cased and cemented, or properly plugged, the drilling rig must not be moved from the drillsite without prior approval from the Survey.

14. ABANDONMENT:

A. If the well is dry and is to be plugged, approval of the proposed plugging program may be obtained orally. However, oral approval must be confirmed in writing by immediately filing a Notice of Intention to Abandon on Form 9-331 in quintuplicate with the District Engineer. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where cement plugs are to be placed, type of plugging mud, etc.

B. Upon completion of approved plugging, erect a regulation well marker which should not be less than 4 inches in diameter and extend at least 4 feet above general ground level. Heap up the dirt around the base of the marker about 12 inches to take care of any settling of the cellar. The top of the marker must be closed or capped. The following minimum information shall be permanently placed on the marker with a plate, cap, or welded bead:

(1) Operator
(2) Well number and name
(3) [illegible]
(4) [illegible]

ILLEGIBLE

C. If, upon abandonment of wells on Federal surface, the retention of the well pad and/or access road is not considered necessary for the management and multiple use of the natural resources, they will be ripped a minimum of 12" in depth. All ripped surfaces are to be protected from vehicular travel by construction of a dead-end ditch and earthen barricade at the entrance to these ripped areas. (Reseeding of the affected areas may be required.)

D. Surface restoration after abandonment of wells on non-Federal surface normally will be in accordance with the operator - landowner agreement.

E. Within 15 days after plugging the well, a Subsequent Report of Abandonment is to be filed on form 9-331 in quintuplicate showing the manner in which the well was plugged, including depths where casing was cut and pulled from, intervals, by depths, where cement plugs were placed, and the date plugging was completed. When all surface restoration work is completed, advise the District Office so that a field inspection of the wellsite can be made.

15. SPECIAL STIPULATIONS:

The following special requirements apply and are effective when check-marked.

[X] A. 13 3/8 surface casing should be set in the Rustler Anhydrite formation and cement circulated to the surface. If surface casing is set at a lesser depth, the _____ casing must be cemented from the casing shoe to the surface or cemented to the surface through a stage tool set at least 50 feet below the top of the Rustler after cementing around the shoe with sufficient cement to fill to the base of the salt section.

[X] B. Before drilling below the 8 5/8" casing, the blowout preventer assembly will consist of a minimum of one annular type and two ram type preventers.

[ ] C. Casing protectors will be run on drill pipe while drilling through the _____ casing. Protectors will be of sufficient number and of sufficient outside diameter to protect the casing.

[X] D. Minimum required fill of cement behind the 8 5/8" casing is to [illegible].

[X] E. After setting the 5 1/2" casing string and before drilling into the WOLFCAMP formation, the blowout preventers and related control equipment shall be pressure tested to rated working pressures by an independent service company. Any equipment failing to test satisfactorily shall be repaired or replaced. This office should be notified in sufficient time for a representative to witness the tests and shall be furnished a copy of the pressure test report.

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be installed and operating before drilling into the WOLFCAMP formation and used until production casing is run and cemented. Monitoring equipment shall consist of the following:

(1) A recording pit level indicator to determine pit volume gains and losses.

(2) A mud volume measuring device for accurately determining mud volume necessary to fill the hole on trips.

(3) A flow sensor on the flow-line to warn of any abnormal mud returns from the well.

[ ] F. For the protection of livestock and wildlife all pits containing toxic liquids will be fenced and covered with a fine mesh netting (i.e. Hardware Cloth) with openings being 1/2 inch or less.

ILLEGIBLE

☒ G. Above ground permanent structures and equipment shall be painted in accordance with the attached Painting Guidelines. The paint color is to simulate:

☐ Sandstone Brown, Fed. Std. 595-20318 or 30318

☐ Sagebrush Gray, Fed. Std. 595-26357 or 36357

☒ H. A kelly cock will be installed and maintained in operable condition.

☐ I. The District Office is to be notified in sufficient time for a representative to witness cementing of the _____ casing.

☐ J. A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the U. S. Geological Survey, P. O. Drawer 1857, Roswell, New Mexico 88201. The effective date of the agreement must be prior to any sales.

☐ K. A Gamma Ray-Compensated Neutron log is required from the base of the salt section to the surface with cable speed not to exceed 30 feet per minute.

☒ L. At least one working day prior to constructing the well pad, access roads and/or related facilities, the operator or dirt contractor shall notify the authorized officer (Bureau of Land Management, Carlsbad Resource Area, 505-887-6544). He shall also notify the Authorized Officer within two working days after completion of earth-moving activities.

☐ M. All access roads constructed in conjunction with the drilling permit(APD) will be limited to a 12 foot wide driving surface, excluding turn-arounds. Surface disturbance associated with construction and/or use of the road will be limited to 20 feet in width. If well is a producer, all roads will be adequately drained to control runoff and soil erosion. Drainage facilities may include ditches, water bars, culverts and/or any other measures deemed necessary by the authorized officer of the BLM. The following is a general guide for the spacing of water bars:

% Slope

less than 2%	200 ft.
2% to 4%	100 ft.
4% to 5%	75 ft.
more than 5%	50 ft.

☒ N. Special Stipulations:

caliche used for construction of pad and road will be taken from an archeologically cleared pit in the SE¼ NW¼ of Sec. 34, T 18S, R 29E.

Yates Petroleum Corporation
Flag "OF" Federal Com. #1
1980' FNL and 1980' FWL
Section 34 - T18S - R29E
Eddy County, New Mexico

In conjunction with Form 9-331C, Application for permit to Drill subject well Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with USGS requirements:

1. The geologic surface formation is sandy alluvium.

2. The estimate tops of geologic markers are as follows:

Yates	1117'	Atoka	10546'
San Andres	2895'	Morrow Clastics	11147'
Bone Springs	6968'	Chester Shale	11402'
Wolfcamp	8770'	TD	11600'
Cisco	9780'		
Canyon	10030'		
Strawn	10246'		

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

Water:	Approximately 200-240'			
Oil or Gas:	S.A.	3000'-3060'	Atoka	10,560' - 10,650'
	Wolfcamp	8690'-9000'	Morrow	11,160' - 11,350'

4. Proposed Casing Program: See Form 9-331C.

5. Pressure Control Equipment: See Form 9-331C and Exhibit B.

6. Mud Program: See Form 9-331C.

7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connection.

8. Testing, Logging and Coring Program:

   Samples: 10' spcs from surface to TD
   DST's: As warranted, possible Cisco, Atoka, Morrow
   Logging: CNL-FDC T.D. to casing with GR-CNL on to surface and DLL from TD to casing with selected min. R_x0.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation
Flag "OF" Federal Com. #1
1980' FNL and 1980' FWL
(Developmental Well)

This plan is submitted with Form 9-331C, Application for Permit to Drill, covering the 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 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 operation.

1. EXISTING ROADS.

   Exhibit A is a portion of a USGS topographic map showing the wells and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 23 miles ESE of Artesia, New Mexico and the access route to the location is Exhibit A.

   DIRECTIONS:

   1. Proceed east from Artesia on Highway 82 for a distance of approximately 14 miles.
   2. Turn southeast on to State 360 for approximately 8 miles. Turn south at Teneco Oil Company, Marbob Enerby and Southland Royalty signs for 1½ mile. The access road will begin here.

2. PLANNED ACCESS ROAD.

   A. The proposed new access will be approximately 150' in length from point of origin to the edge of the drilling pad. The road will lie in a NORTH-to-SOUTH direction.

   B. The new road will be 12 feet in width (driving surface).

   C. The new road will be bladed and crowned, with drainage on one side.

   D. The new road has been flagged and the route of the road is clearly visible.

3. LOCATION OF EXISTING WELLS.

   A. Drilling activity, mostly shallow wells within a one-mile radius of the wellsite is shown on Exhibit A.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES.

   A. There are no 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 MATERIAL.

   A. Although no caliche is anticipated to be used, any caliche required for construction of the drilling pad and the new access road will be obtained from the existing pit in NE¼ NW¼ Section 34-T18S-R29E. (Exhibit A).

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 to the USGS for appropriate approval.

   D. Oil produced during operation will be stored in tanks until sold.

   E. Current laws and regulations pertaining to the disposal of human waste will be complied with.

   F. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches dirt. All waste material will be contained of prevent scattering by the wind.

   G. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES.

   A. None required.

9. WELLSITE LAYOUT.

   A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, etc.

   B. The location surface is undulating with developed coppice dunes, cuts and fills will be needed in the pad area.

   C. The reserve pits will be plastic lined.

   D. A 400' X 400' area has been staked and flagged.

10. PLANS FOR RESTORATION OF THE SURFACE.

   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 wellsite in as aesthetically pleasing a condition as possible.

B. Unguarded pits, if any, containing fluids will be fenced until they have been filled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the BLM and the USGS will be complied with and will be accomplished as expeditiously as possible. All pits will be filled leveled within 90 days after abandonment.

11. OTHER INFORMATION.

A. Topography: The land surface in the vicinity of the wellsite is in undulating to hummocky deep sand material. The immediate area of the wellsite is discussed above in paragraph 9B.

B. Flora and Fauna: The vegetation cover consists of mesquite, shinnery oak, broomweed and miscellaneous shrubs and grasses. No wildlife was observed but the wildlife in the area probably includes those typical of semi-arid desert land. The area is used for cattle grazing.

C. There are no ponds, lakes, or rivers in the area.

D. There are no inhabited dwellings in the vicinity of the proposed well.

E. Surface Ownership: The wellsite is on federal surface AND MINERALS.

F. There is no evidence of any archaeological, historical or cultural sites in the area. See Archaeological Report.

12. OPERATOR'S REPRESENTATIVE.

A. The field representatives responsible for assuring compliance with the approved surface use plan are:

Gliserio "Rod" Rodriguez or Johnny A. Lopez
Yates Petroleum Corporation
207 South 4th Street
Artesia, New Mexico 88210
(505) 746-3558

13. CERTIFICATION.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite 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 Company and its subcontractors in conformity with this plan and the terms and conditions under which it is approved.

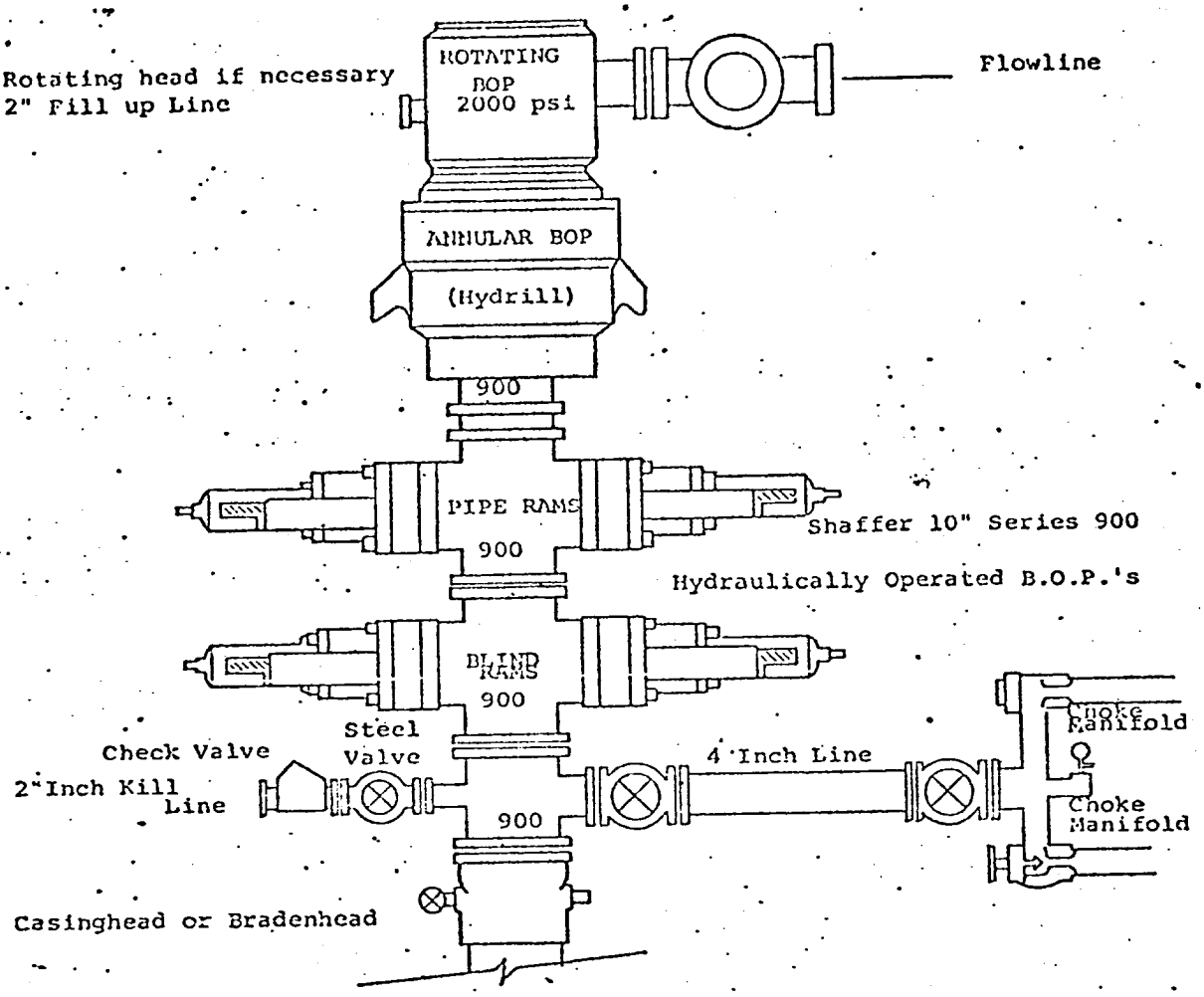
8/20/80
Date

John A. Lopez
Johnny A. Lopez, Regulatory Coordinator

EXHIBIT A


NEW MEXICO
(EDDY COUNTY)
OIL CITY QUADRANGLE
15-MINUTE SERIES
STATE RD 3
R. 29 E.
R. 30 E.
104°00'
32°45'
T. 18 S.
Millman Ranch
WINDMILL
YATES PETROLEUM CORPORATION
FLAG 'OF' FEDERAL COM. #1
1980' FNL AND 1980' FWL
SEC. 34 T18S R29E
EDDY CO., NM
Artesia
T.18

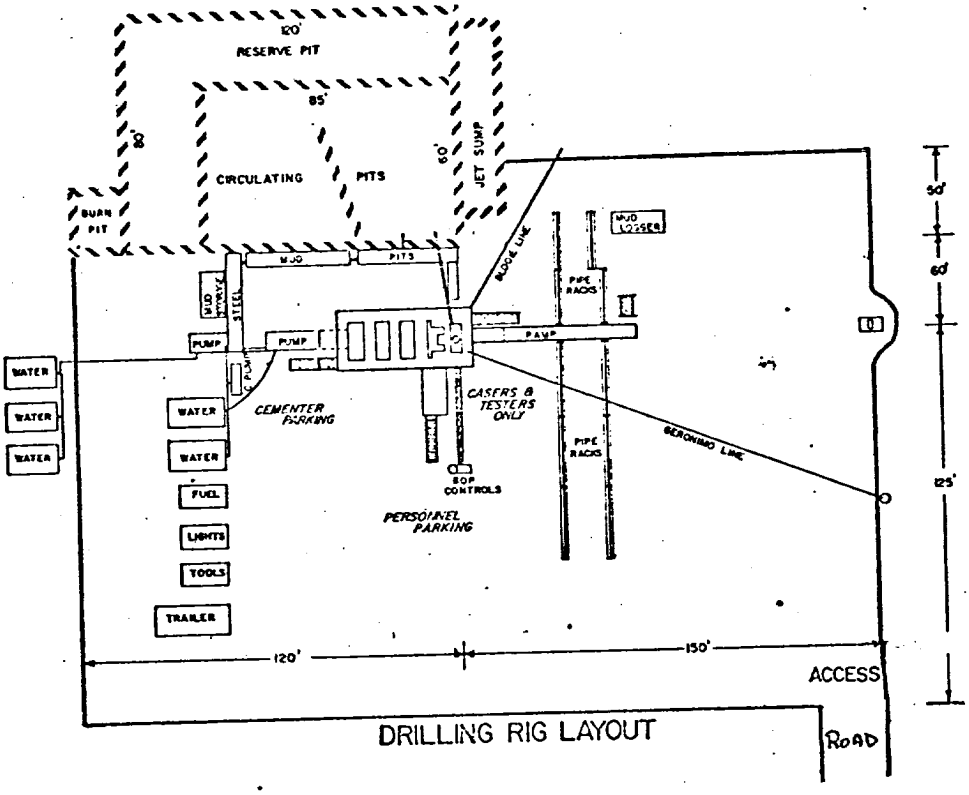
EXHIBIT B



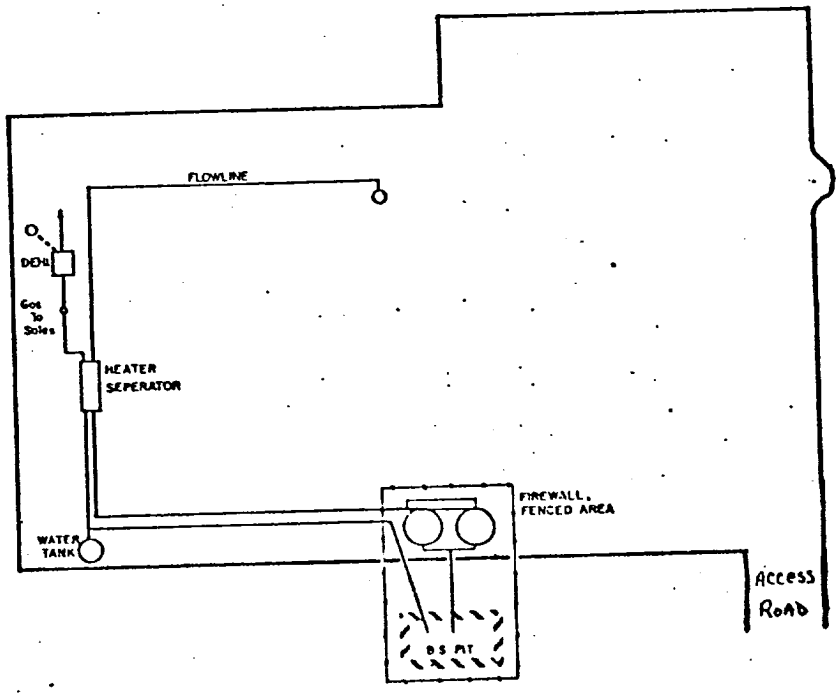
THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual controls installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of 4" diameter.
3. Kill line to be of all steel construction of 2" minimum diameter.
4. All connections from operating manifolds to preventers to be all steel. hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating equivalent to that of the B.O.P.'s.
7. Inside blowout preventer to be available on rig floor.
8. Operating controls located a safe distance from the rig floor
9. Hole must be kept filled on trips below intermediate casing. Operator not responsible for blowouts resulting from not keeping hole full.
10. D. P. float must be installed and used below zone of first gas intrusion.

YATES PETROLEUM CORPORATION



DRILLING RIG LAYOUT



TANK BATTERY LAYOUT

EXHIBIT C

YATES PETROLEUM CORPORATION
207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

October 28, 1980

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Yates Petroleum Corporation respectfully requests administrative approval for a non-standard gas unit described as the W½ Section 34, T18S, R29E, N.M.P.M., Eddy County, New Mexico. This unit is to be dedicated to our Flag "OF" Federal Com well No. 1 at a location 1980 feet from the North line and 1980 feet from the West line of Section 34. The well is projected to test the Morrow at a total depth of 11,600 feet. An application for permit to drill was approved by the U.S.G.S. on October 21, 1980.

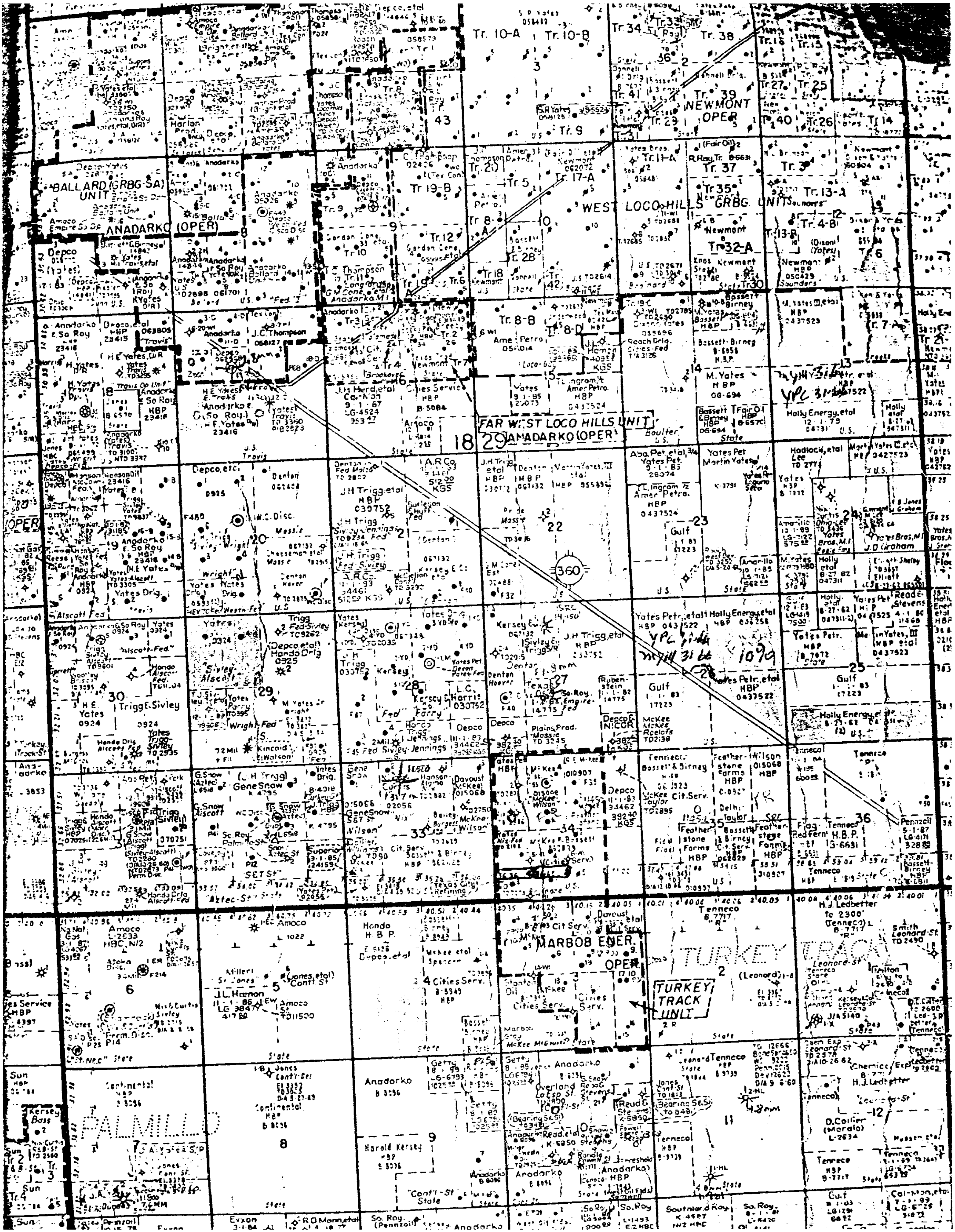
Administrative approval for a non-standard unit is sought as a result of the W½ Section 34 containing only 313.01 acres according to U. S. Public Land Surveys. Copies of an ownership map of the proposed unit and offset acreage are enclosed. Please advise if any additional information is required.

Sincerely yours,

YATES PETROLEUM CORPORATION

Albert R. Stall
Engineer

ARS:jg
cc: NMOCD, Artesia
Encls.



BALLARD (GRBG-SA) UNIT
ANADARKO (OPER)
WEST LOCO HILLS GRBG UNIT
NEWMONT OPER
FAR WEST LOCO HILLS UNIT
ANADARKO (OPER)
MARBOB ENER. OPER
TURKEY TRACK UNIT
TURKEY TRACK
PALMILLO
360

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

November 3, 1980

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Yates Petroleum Corporation
207 South Fourth Street
Artesia, New Mexico 88210

Attention: Mr. Albert R. Stall

Administrative Order NSP-1220

Gentlemen:

Reference is made to your application for a 313.01-acre non-standard proration unit consisting of the following acreage in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 34: W/2

It is my understanding that this unit is to be dedicated to your Flag "OF" Federal Com Well No. 1 located 1980 feet from the North line and 1980 feet from the West line of said Section 34.

By authority granted me under the provisions of Rule 104 D II, the above non-standard proration unit is hereby approved.

Sincerely,

JOE D. RAMEY,
Director

JDR/RLS/dr

cc: Oil Conservation Division - Artesia
Oil & Gas Engineering Committee - Hobbs
U. S. Geological Survey - Artesia