

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No.
NMNM-996791

6. If Indian, Allottee or Tribe Name
N/A

7. If Unit or CA Agreement, Name and No.
N/A

1a. Type of work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

2. Name of Operator
YATES PETROLEUM CORPORATION

3a. Address **105 SOUTH 4TH ST.
ARTESIA, NM 88210**

3b. Phone No. (include area code)
(505) 748-1471

8. Lease Name and Well No.
TOLEDO WELLS BIS FED'L 1

9. API Well No.
30-031-21086

10. Field and Pool, or Exploratory
**BASIN FRUIT. & WC 20N5W5. Pictured
cliffs**

11. Sec., T. R. M. or Blk. and Survey or Area
B 5-20N-5W

4. Location of Well (Report location clearly and in accordance with any State requirements.)

At surface **955' FNL & 1740' FEL**

At proposed prod. zone **SAME**

Lot 2

14. Distance in miles and direction from nearest town or post office*
22 AIR MILES WEST OF CUBA

12. County or Parish
McKINLEY

13. State
NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) **900'**

16. No. of acres in lease
301.59

17. Spacing Unit dedicated to this well
301.59
FRUIT. COAL: E2 PICTURED CLIFF: NE4

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. **N/A**

19. Proposed Depth
1,000'

20. BLM/BIA Bond No. on file
BLM NATIONWIDE: NM 2811

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6,819' GL

22. Approximate date work will start*
05/25/2006

23. Estimated duration
2 WEEKS

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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature *Brian Wood* Name (Printed/Typed) **BRIAN WOOD** Date **05/14/2006**

Title **CONSULTANT** PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature) *[Signature]* Name (Printed/Typed) **AFM** Date **7/7/06**

Title **AFM** Office **FPO**

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.

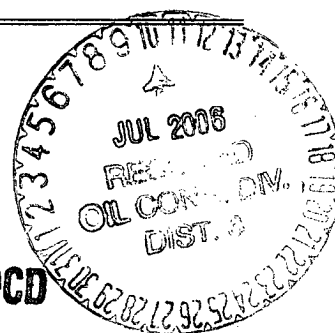
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

NMOCB



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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION MAY 16

2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

RECEIVED

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-031-21086		2 Pool Code 71629 & 797844		3 Pool Name W20N5W5 Pictured cliffs FRUITLAND COAL	
4 Property Code 35839		5 Property Name TOLEDO WELLS BIS FEDERAL		6 Well Number 1	
7 OGRID No. 25575		8 Operator Name YATES PETROLEUM CORP.		9 Elevation 6819'	

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot	Feet from the	North/South line	Feet from the	East/West line	County
.B	. 5	. 20N	. 5W	(2)	. 955'	. NORTH	. 1740'	. EAST	McKINLEY

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
¹³ Dedicated Acres PC = 142.21 301.61 302.21 Acres - (E/2)			¹⁴ Joint or Infill		¹⁵ Consolidation Code		¹⁶ 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

17 OPERATOR CERTIFICATION

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

Brian Wood

Signature **BRIAN WOOD**

Printed Name **CONSULTANT**

Title **MAY 14, 2006**

Date

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.

APRIL 25, 2006

Date of Survey

Signature and Seal of Professional Surveyor:

David Russell

DAVID RUSSELL

10201

PROFESSIONAL LAND SURVEYOR

Certificate Number **10201**

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-031-

21086

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
NMNM-096791

7. Lease Name or Unit Agreement Name

TOLEDO WELLS BIS FEDERAL

8. Well Number #1

9. OGRID Number 25575

10. Pool name or Wildcat
BASIN FRUIT. COAL & WILDCAT PC

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
YATE PETROLEUM CORPORATION

3. Address of Operator
105 SOUTH 4TH ST., ARTESIA, NM 88210

4. Well Location

Unit Letter: B

955' FNL & 1740' FEL

Section 5

Township 20 N Range 5 W

NMPM McKINLEY County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6,819' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: DRILLING Depth to Groundwater: >50' Distance from nearest fresh water well: >1,000' Distance from nearest surface water: >100'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: DRILLING PIT ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brian Wood TITLE: CONSULTANT

DATE: MAY 14, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

APPROVED BY: [Signature]

TITLE

DEPUTY OIL & GAS INSPECTOR, DIST. 2

DATE

JUL 10 2006

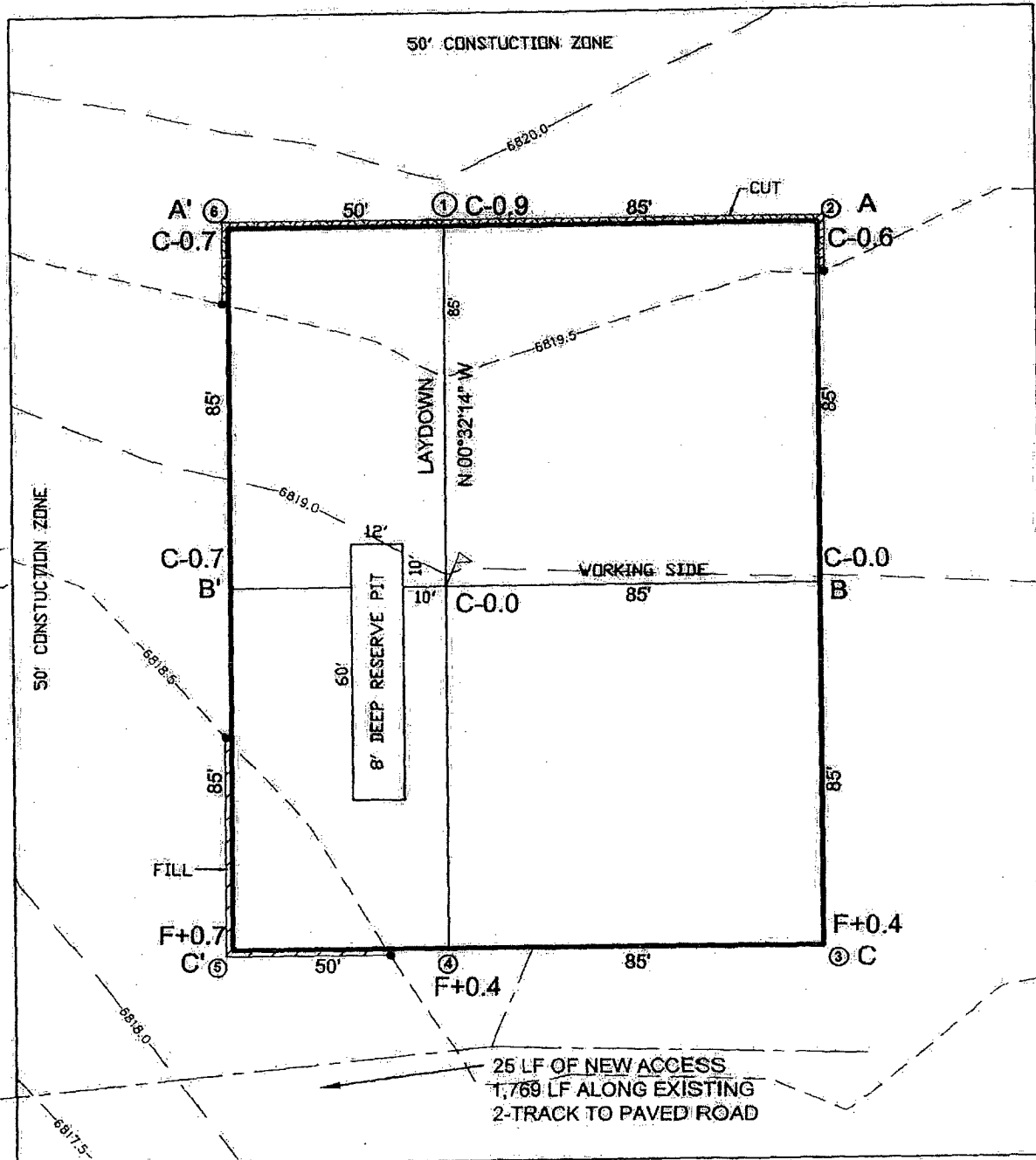
Conditions of Approval (if any):

LATITUDE: 35.99652°N
LONGITUDE: 107.38589°W
DATUM: NAD 83

YATES PETROLEUM CORP.
TOLEDO WELLS BIS FEDERAL #1
955' FNL & 1740' FEL
LOCATED IN THE NE/4 NE/4 OF SECTION 5,
T20N, R5W, N.M.P.M.,
McKINLEY COUNTY, NEW MEXICO
ELEVATION: 6819.0', NAVD 88



20' 0 20' 40'
SCALE = 40'



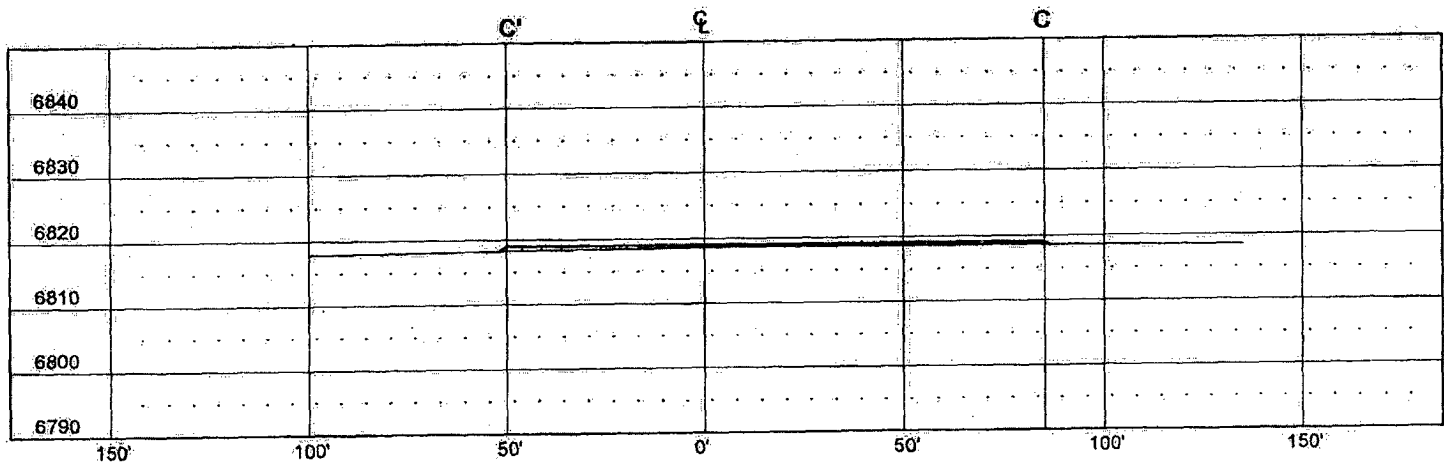
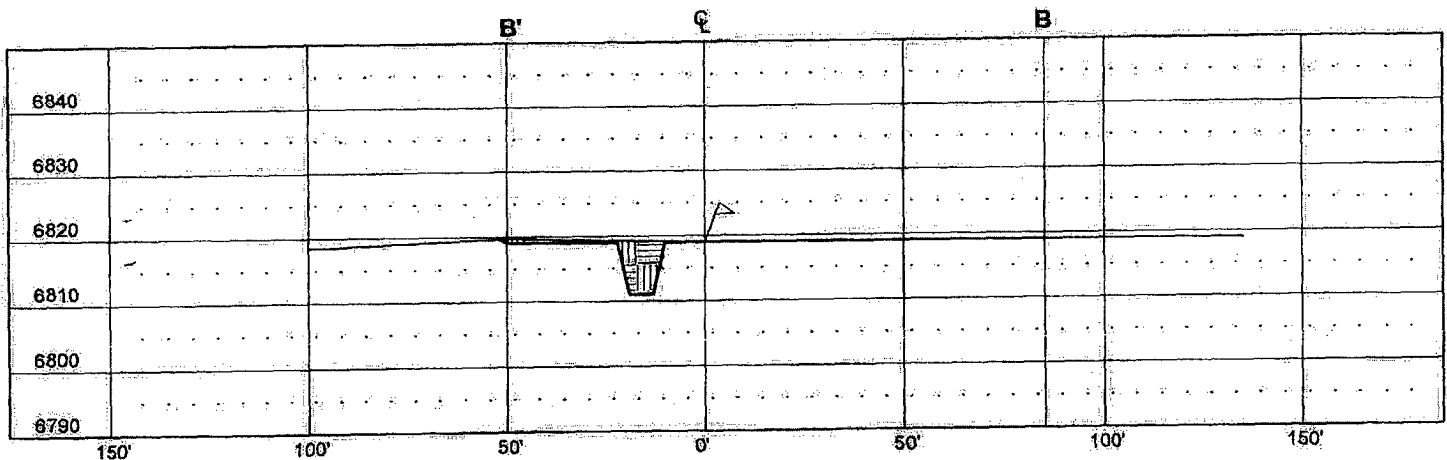
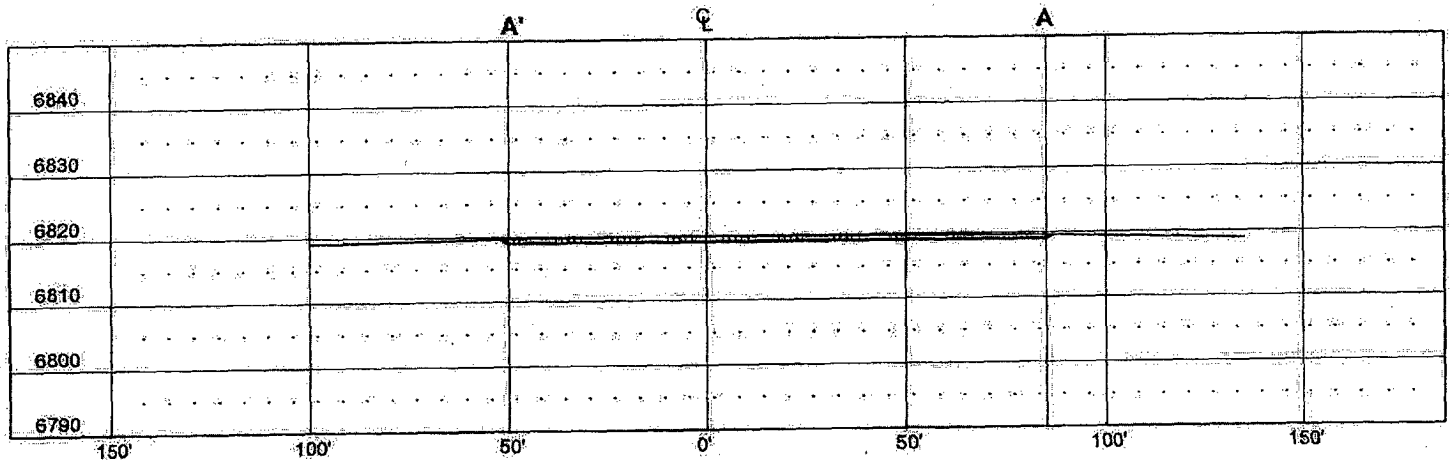
1/2 FOOT CONTOUR INTERVAL SHOWN

SCALE: 1" = 40'
JOB No.: YPC001



Russell Surveying
1409 W. Aztec Blvd. #5
Aztec, New Mexico 87410

YATES PETROLEUM CORP.
TOLEDO WELLS BIS FEDERAL #1
955' FNL & 1740' FEL
LOCATED IN THE NE/4 NE/4 OF SECTION 5,
T20N, R5W, N.M.P.M.,
McKINLEY COUNTY, NEW MEXICO
ELEVATION: 6819.0', NAVD 88



VERT. SCALE: 1" = 30'
 HORZ. SCALE: 1" = 50'
 JOB No.: YPC001



Russell Surveying
 1409 W. Aztec Blvd. #5
 Aztec, New Mexico 87410

Yates Petroleum Corporation
Toledo Wells BIS Federal #1
955' FNL & 1740' FEL
Sec. 5, T. 20 N., R. 5 W.
McKinley County, New Mexico

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Drilling Program

1. FORMATION TOPS

The estimated tops of important geologic markers are:

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Nacimiento	0'	5'	+6,819'
Fruitland Coal	584'	589'	+6,235'
Pictured Cliffs	784'	1,028'	+6,035'
Total Depth (TD)	1,000'	1,005'	+5,819'

2. NOTABLE ZONES

<u>Oil & Gas Zones</u>	<u>Water Zones</u>	<u>Coal Zones</u>
Fruitland Coal	Ojo Alamo	Fruitland
Pictured Cliffs	Fruitland	

Water zones will be protected with casing, cement, and weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. PRESSURE CONTROL

BOP systems will follow Onshore Order #2 and API RP 53. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical model is on PAGE 3.

Maximum expected bottom hole pressure will be ≈ 430 psi. Will test ~~annular~~ ^{BOP} ~~preventer~~ to 600 psi with rig pump. BOP controls will be installed before drilling

Yates Petroleum Corporation
Toledo Wells BIS Federal #1
955' FNL & 1740' FEL
Sec. 5, T. 20 N., R. 5 W.
McKinley County, New Mexico

PAGE 2

the surface casing plugs and remain in use until the well is completed or abandoned. Once out from under the 7" surface casing, a minimum 2,000 psi BOP and choke manifold system will be used.

All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and operated at least daily to assure good mechanical working order. Inspections will be recorded on the daily drilling report. Pressure tests will be conducted before drilling out.

4. CASING & CEMENT

The casing program will be:

<u>Hole Size</u>	<u>O. D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Setting Depth</u>
8-3/4"	7"	17	H-40	LT & C	New	120'
6-1/4"	4-1/2"	10.5	J-55	LT & C	New	1,000'

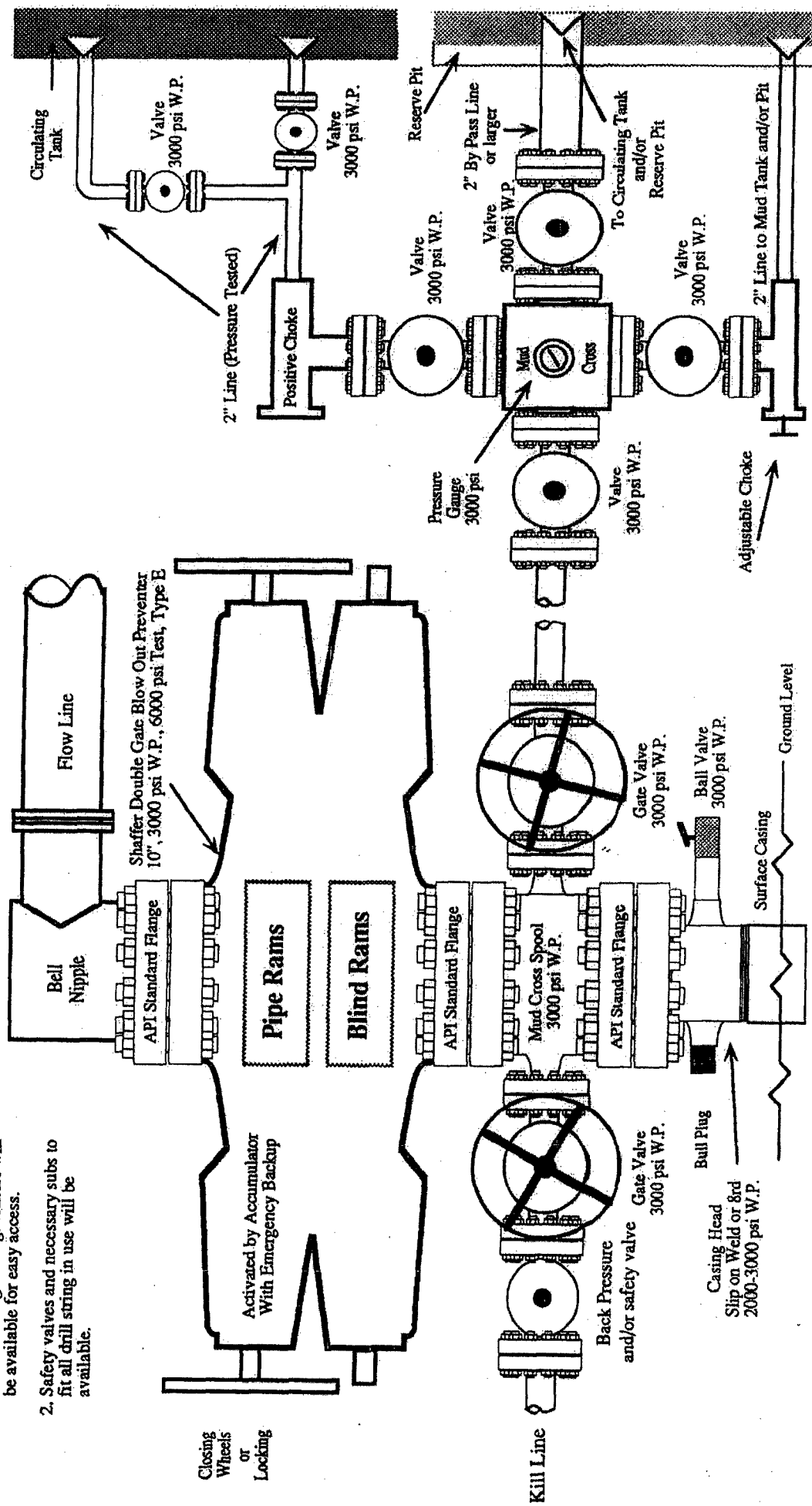
Surface casing will be cemented to the surface with ≈ 100 sacks Class B + 1/4 pound per sack cellophane + 2% CaCl_2 . Yield = 1.18 cubic feet per sack. Weight = 15.6 pounds per sack. Excess: $\geq 100\%$ = 40 ft³

Production casing will be cemented to the surface with ≈ 100 sacks TXI light weight with 5 pounds per sack Pheno seal + 0.8% Halad R-9 for a yield of 1.59 cubic feet per sack and a weight of 12.5 pounds per gallon. Tail with ≈ 70 sacks TXI light weight with 5 pounds per sack Pheno seal + 0.8% Halad R-9 for a yield of 1.59 cubic feet per sack and a weight of 12.5 pounds per gallon. Excess: $\geq 100\%$ \Rightarrow Total slurry volume = 205 ft³

2,000 PSI BOP SYSTEM

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary subs to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-M rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

Yates Petroleum Corporation
Toledo Wells BIS Federal #1
955' FNL & 1740' FEL
Sec. 5, T. 20 N., R. 5 W.
McKinley County, New Mexico

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5. MUD PROGRAM

<u>RANGE</u>	<u>MUD TYPE</u>	<u>WEIGHT</u>	<u>Viscosity</u>	<u>WL</u>
0' - 120'	Fresh Water	8.4-8.6	28	NC
120' - TD	Fresh Water	8.4-8.6	28	NC

Lost circulation and absorption material will be on location.

6. CORES, TESTS, & LOGS

No cores are planned. Will perforate and test Pictured Cliffs zone. Acoustic, CBL, MSG, Microlog, and Spectral Density Dual Spaced Neutron logs will be run.

7. DOWN HOLE CONDITIONS

No abnormal temperature, abnormal pressure, or hydrogen sulfide is expected.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take three days to drill and five days to complete the well.