

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

JUL 19 AM 9 11
RECEIVED

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM-096793
1b. 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 N/A
2. Name of Operator YATES PETROLEUM CORPORATION		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 105 SOUTH 4TH ST. ARTESIA, NM 88210	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. FRANCISCAN BII FEDERAL #1
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 740' FSL & 865' FWL At proposed prod. zone SAME		9. API Well No. 30-031-21089
14. Distance in miles and direction from nearest town or post office* 24 AIR MILES WEST-SOUTHWEST OF CUBA		10. Field and Pool, or Exploratory BASIN FRUIT. & WCLONGW 20. Pictured clicks
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 740'	16. No. of acres in lease 480	11. Sec., T. R. M. or Blk. and Survey or Area M 20-20N-5W NMPM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 700'	12. County or Parish McKINLEY
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,880' GL	22. Approximate date work will start* 05/25/2006	13. State NM
17. Spacing Unit dedicated to this well 320 160 FRUIT. COAL: W2 PICTURE. CLIFF: SW4		
20. BLM/BIA Bond No. on file BLM NATIONWIDE: NM 2811		
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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature 	Name (Printed/Typed) BRIAN WOOD	Date 05/18/2006
Title CONSULTANT		
PHONE: (505) 466-8120 FAX: (505) 466-9682		
Approved by (Signature) 	Name (Printed/Typed) AFM	Date 7/7/06
Office PFO		

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)

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

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



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

2040 South Pacheco
Santa Fe, NM 87505

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

2006 MAY 19 AM 9 11 ☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-031- 21089	*Pool Code 71629 & 897546	*Pool Name WL 20N6W20E, Pictured, CLIFFS BASIN FRUITLAND COAL GAS
*Property Code 35835	*Property Name FRANCISCAN BII FEDERAL	*Well Number 1
*GRID No. 25575	*Operator Name YATES PETROLEUM CORPORATION	*Elevation 6880'

¹⁰ Surface Location

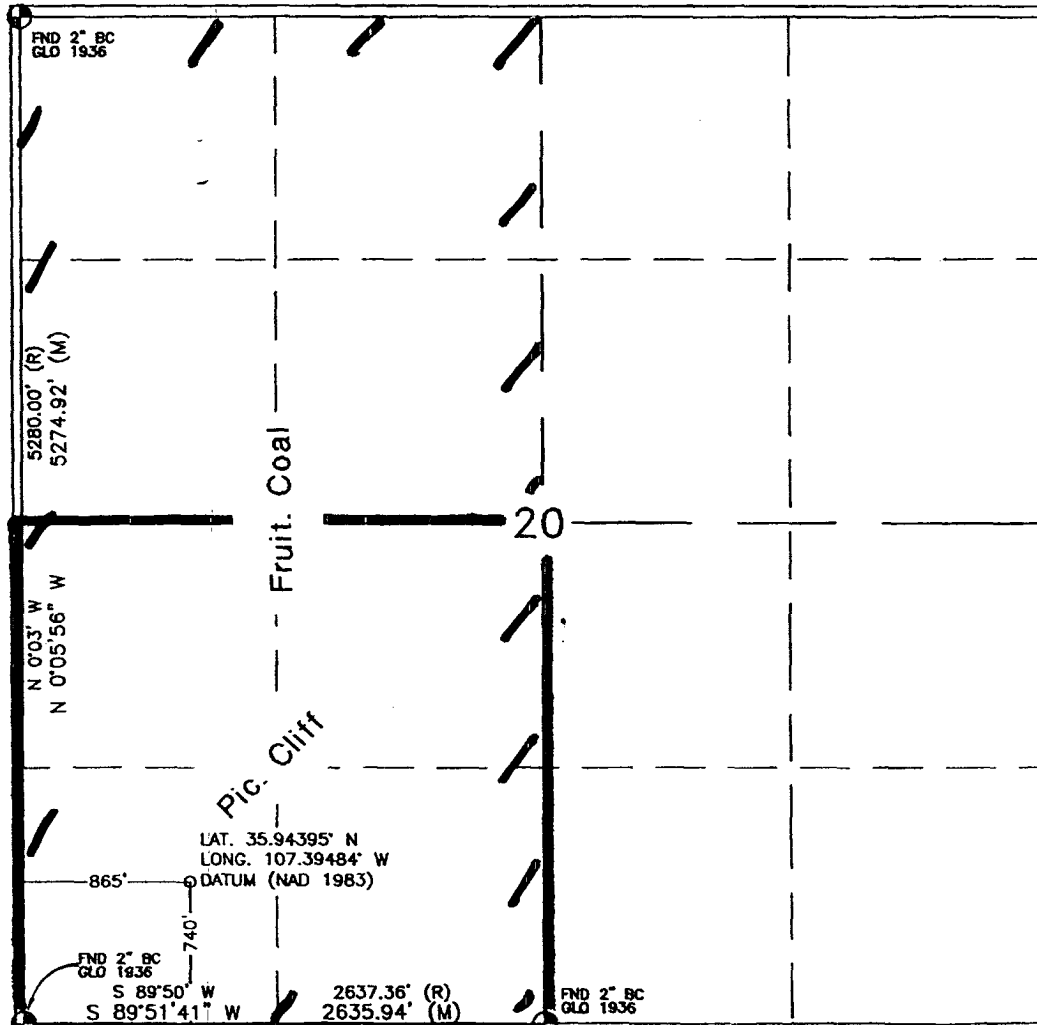
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	20	20N	5W		740'	SOUTH	865'	WEST	McKINLEY

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
Dedicated Acres PC = 160 FRUITLAND = 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

18



17 OPERATOR CERTIFICATION

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

Signature
BRIAN WOOD
Printed Name
CONSULTANT
Title
MAY 18, 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 20, 2006
Date of Survey
Signature of Registered Professional Surveyor
DAVID R. RUSSELL
REGISTERED PROFESSIONAL SURVEYOR
NEW MEXICO
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-

21089

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
NMNM-096793

7. Lease Name or Unit Agreement Name

FRANCISCAN BII 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: LM

740' FSL & 865' FWL

Section 20

Township 20 N Range 5 W

NMPM McKINLEY County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6,880' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: DRILLING Depth to Groundwater: >150' Distance from nearest fresh water well: >4,000' Distance from nearest surface water: >500'

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 NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE  TITLE: CONSULTANT

DATE: MAY 18, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

APPROVED BY: 

TITLE

DEPUTY OIL & GAS INSPECTOR, DIST. #8

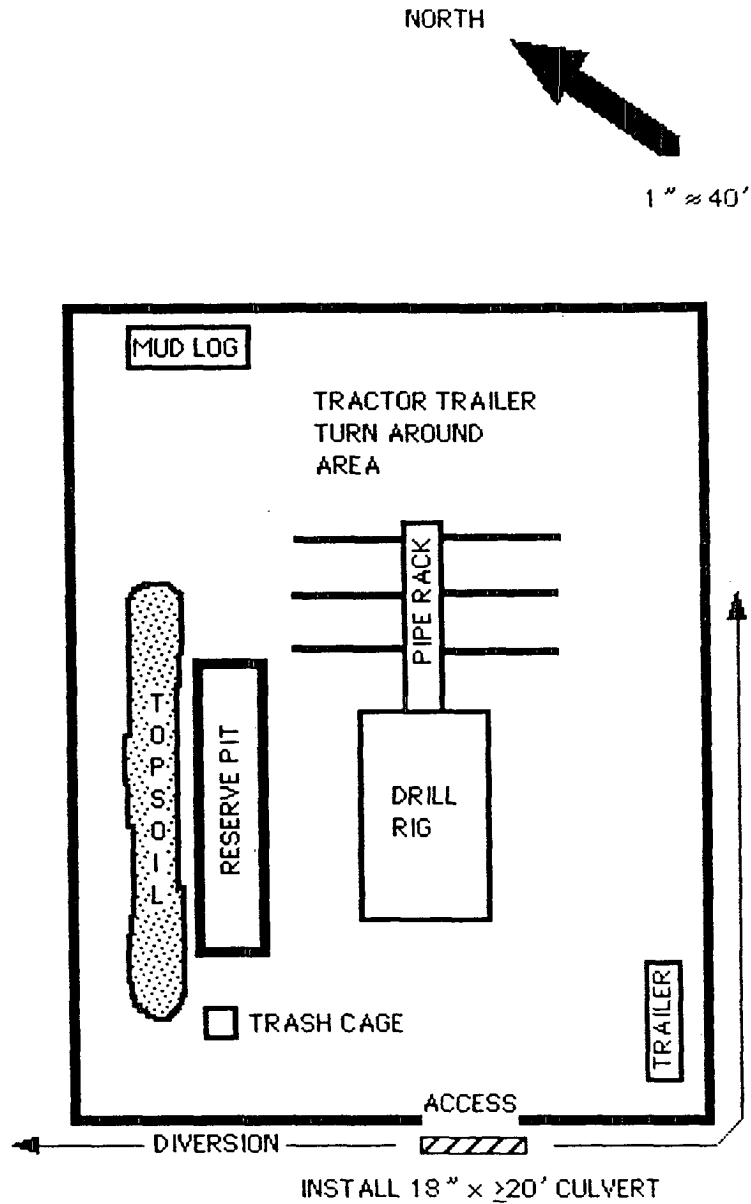
DATE

JUL 10 2006

Conditions of Approval (if any):

Yates Petroleum Corporation
Franciscan BII Federal #1
740' FSL & 865' FWL
Sec. 20, T. 20 N., R. 5 W.
McKinley County, New Mexico

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INST ALL FENCE TO PROTECT ARCHAEOLOGY SITE

ELEVATION: 6879.5', NAVD 88

Russell Surveying
1409 W. Aztec Blvd. #5
Aztec, New Mexico 87411
(505) 334-8637

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>
Ojo Alamo	0'	5'	+6,880'
Fruitland Coal	265'	270'	+6,615'
Pictured Cliffs	465'	470'	+6,415'
Total Depth (TD)	700'	705'	+6,180'

2. NOTABLE ZONES

Oil & Gas Zones

Fruitland Coal
Pictured Cliffs

Water Zones

Ojo Alamo
Fruitland

Coal Zones

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 ≤ 300 psi. Will test ~~annular~~ ^{BOP} preventer to ≈ 600 psi with rig pump. BOP controls will be installed before

Yates Petroleum Corporation
 Franciscan Bll Federal #1
 740' FSL & 865' FWL
 Sec. 20, T. 20 N., R. 5 W.
 McKinley County, New Mexico

PAGE 2

drilling 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>Depth Set</u>
8-3/4"	7"	17	H-40	ST & C	New	120'
6-1/4"	4-1/2"	10.5	J-55	ST & C	New	700'

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

Production casing will be cemented to the surface with ≈ 75 sacks TXI light weight + 5 pounds per sack Phenoseal + 0.8% Halad R-9. Tail with ≈ 70 sacks same cement and additives. Excess: >100%. Casing will be equipped with a guide shoe, float collar, and centralizers.

↓ Total Shurry volume = 150 ft³

5. MUD PROGRAM

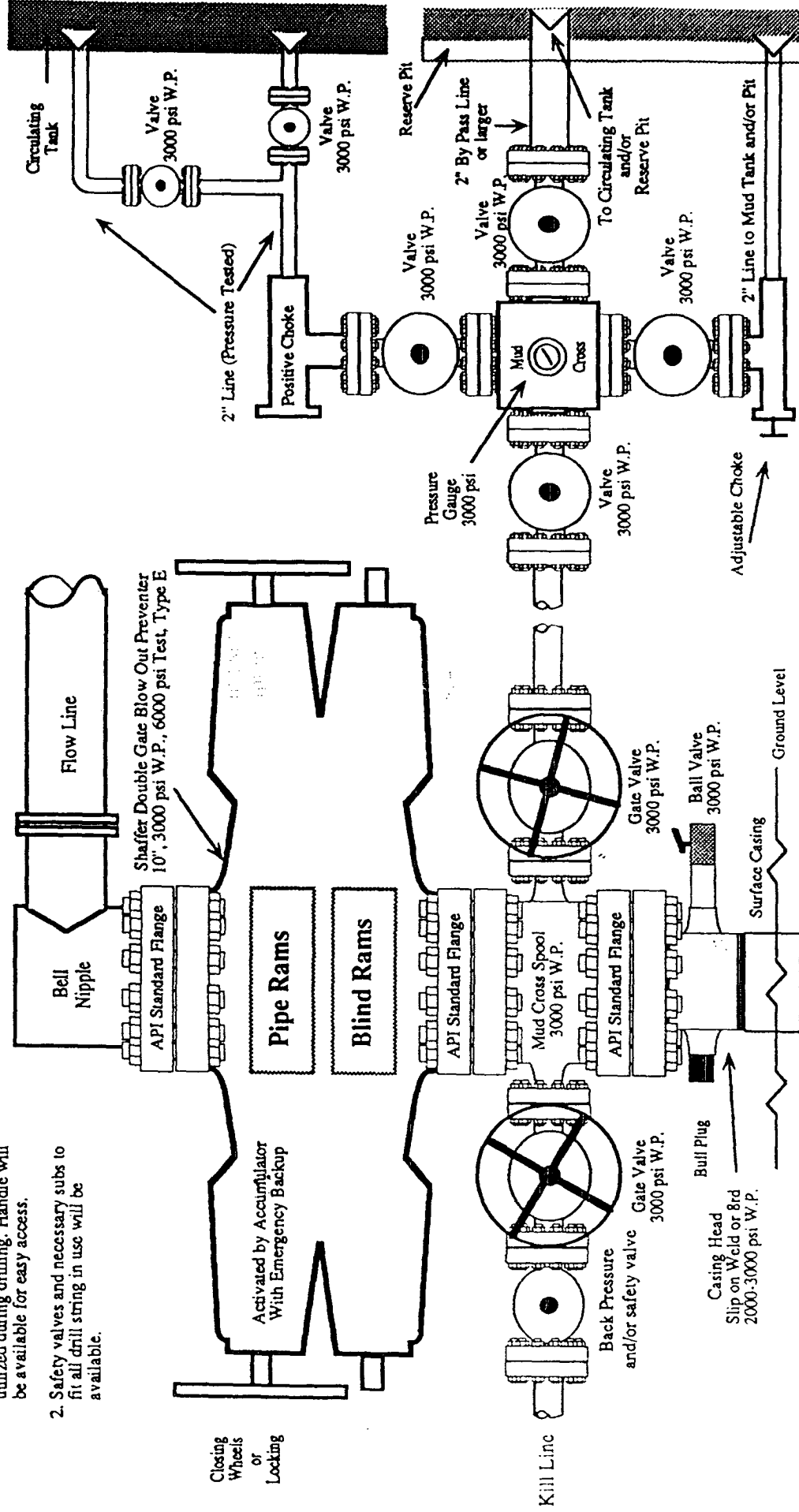
<u>RANGE</u>	<u>MUD TYPE</u>	<u>WEIGHT</u>	<u>Viscosity</u>	<u>WL</u>
0' - 120'	Fresh Water	8.4 - 8.6	28	NC
120' - TD	Fresh Water	8.4 - 8.6	28	NC

Lost circulation and absorption material will be on location.

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.