

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

OTO FARMING

5. Lease Serial No.  
1 NMNM-096792

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

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

8. Lease Name and Well No.  
PARTITION BIO FEDERAL #1

9. API Well No.  
30-031-21090

10. Field and Pool, or Exploratory  
BASIN FRUIT. & WC20N5W19 Pictured

11. Sec., T. R. M. or Blk. and Survey or Area  
L 19-20N-5W cliffs

12. County or Parish  
McKINLEY

13. State  
NM

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

4. Location of Well (Report location clearly and in accordance with any State requirements.)  
At surface 1455' FSL & 1150' FWL  
At proposed prod. zone SAME Lot 3

14. Distance in miles and direction from nearest town or post office\*  
25 AIR MILES WEST-SOUTHWEST OF CUBA

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,150'

16. No. of acres in lease  
482.01

17. Spacing Unit dedicated to this well  
322.08 161.29  
FRUIT. COAL: W2 PICTURE. CLIFF: SW4

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

19. Proposed Depth  
600'

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
6,814' 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 05/17/2006

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

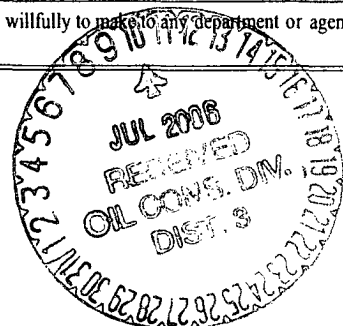
Approved by (Signature) *[Signature]* Name (Printed/Typed) Office PFO Date 7/7/06

Title *AFM*

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".

NMOCGD

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

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

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

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number <b>30-031-21090</b>		*Pool Code <b>71629 &amp; 717545</b>		*Well Name <b>W. CONSOLIDATED; PARTIAL C. 1936</b>	
*Property Code <b>35837</b>		*Property Name <b>PARTITION BIO FEDERAL</b>			*Well Number <b>1</b>
*OGRID No. <b>25575</b>		*Operator Name <b>YATES PETROLEUM CORPORATION</b>			*Elevation <b>6814'</b>

<sup>10</sup> Surface Location

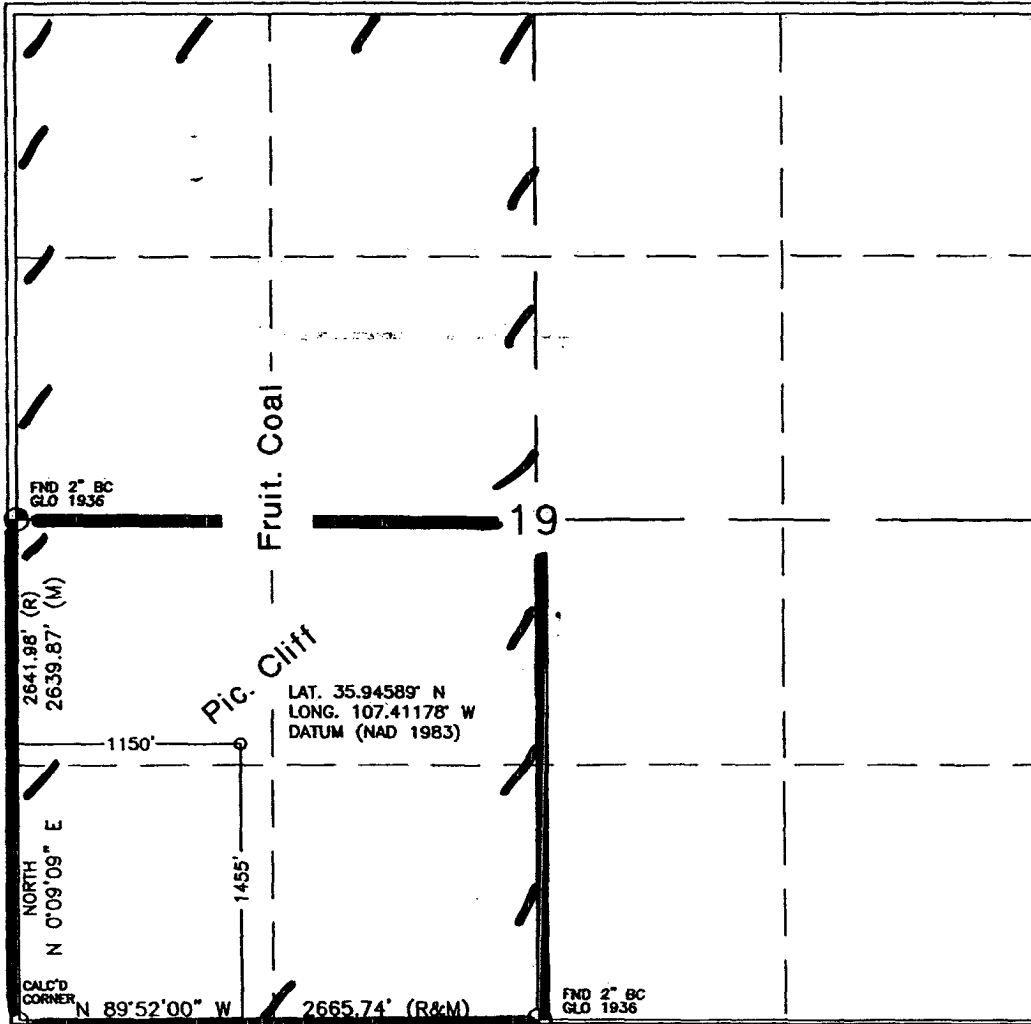
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	19	20N	5W	<b>3</b>	1455'	SOUTH	1150'	WEST	McKINLEY

<sup>11</sup> 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 <b>FRUIT. = 322.08</b>		*Joint or Infill <b>PC = 160.29</b>		*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

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<sup>17</sup> 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 17, 2006**  
Date

<sup>18</sup> 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.

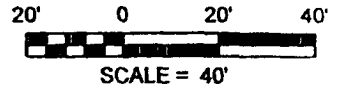
**APRIL 20, 2006**  
Date of Survey  
Signature and Seal of Professional Surveyor:  
*David R. Russell*  
**DAVID R. RUSSELL**  
Certificate Number **10201**

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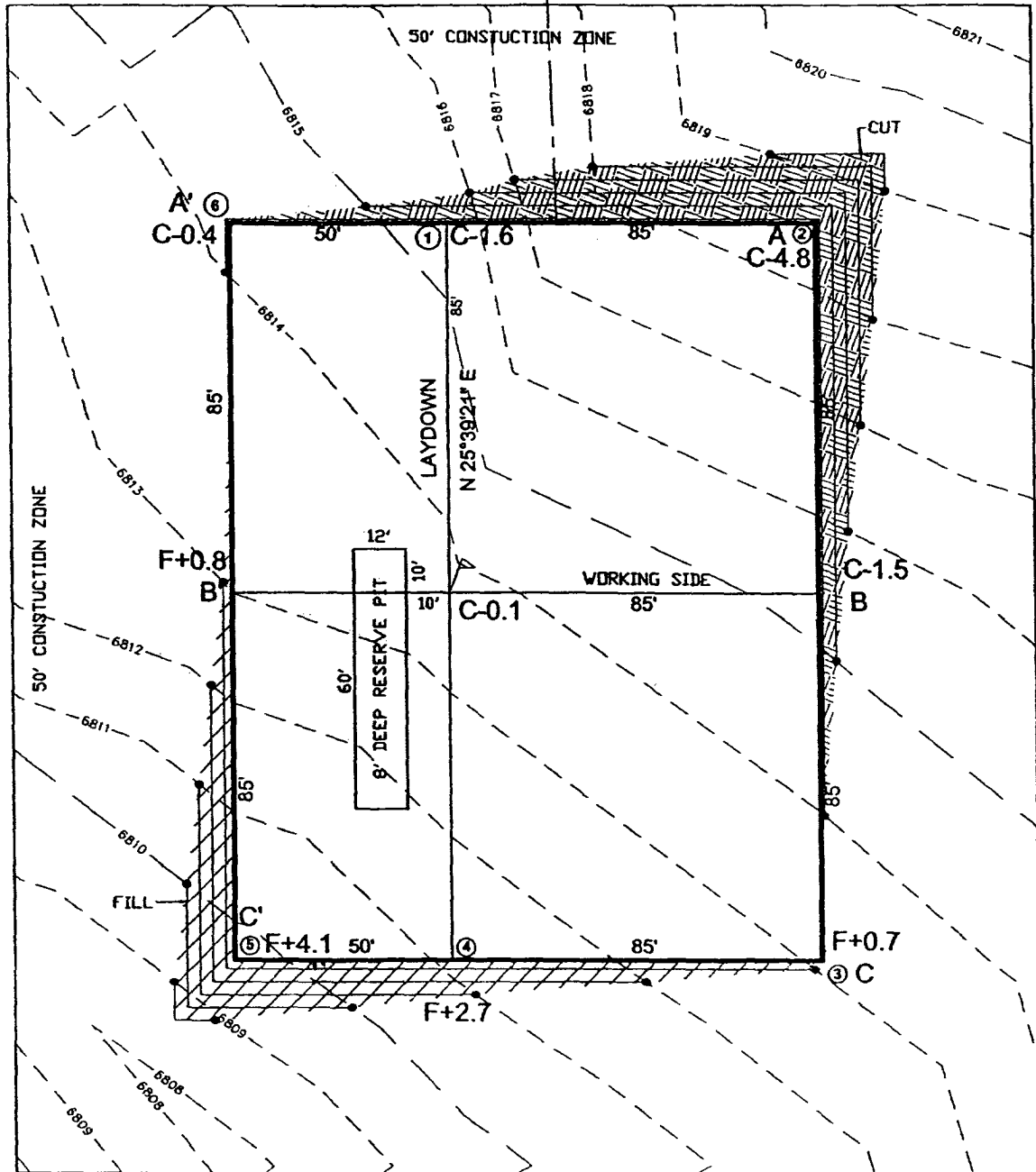


LATITUDE: 35.94589°N  
LONGITUDE: 107.41178°W  
DATUM: NAD 83

**YATES PETROLEUM CORP.**  
PARTITION BIS FEDERAL #1  
1455' FSL & 1150' FWL  
LOCATED IN THE NW/4 SW/4 OF SECTION 19,  
T20N, R5W, N.M.P.M.,  
MCKINLEY COUNTY, NEW MEXICO  
ELEVATION: 6813.7', NAVD 88



150 LF OF NEW ACCESS  
4,327 LF ALONG EXISTING  
2-TRACK TO DIRT ROAD

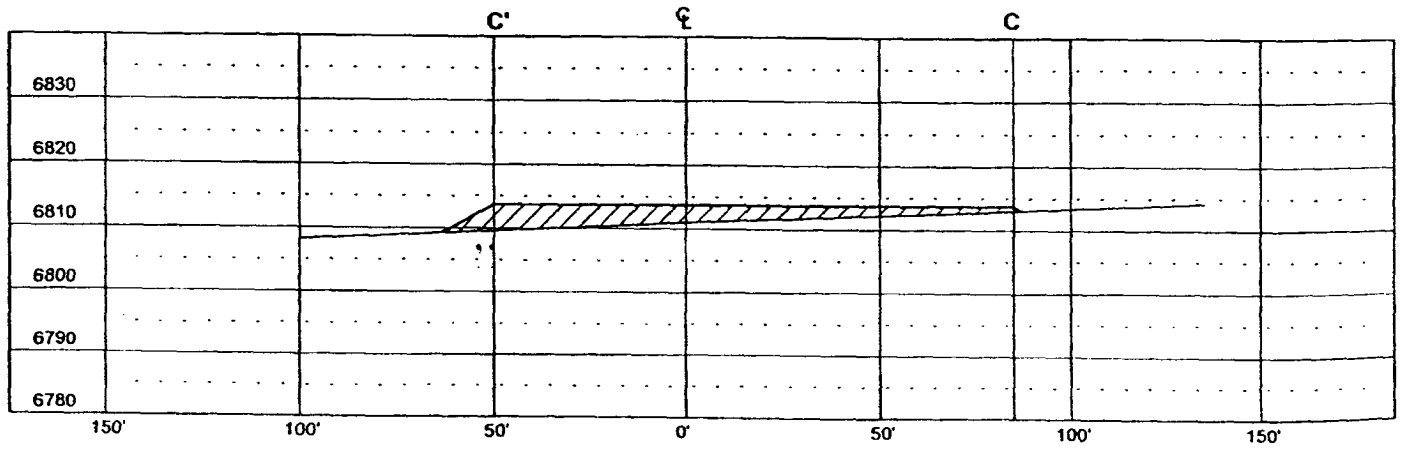
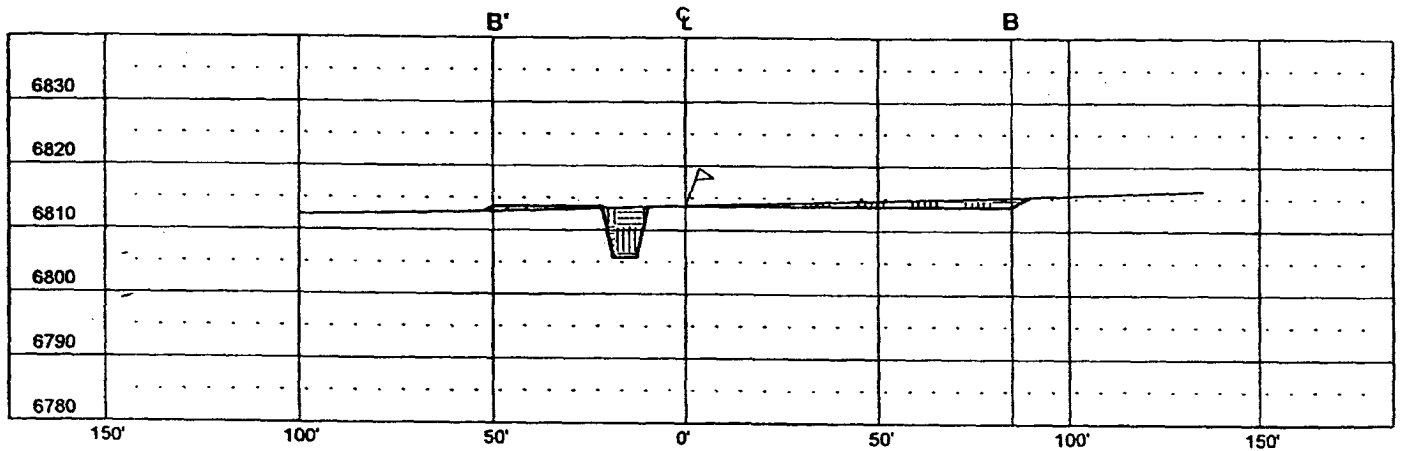
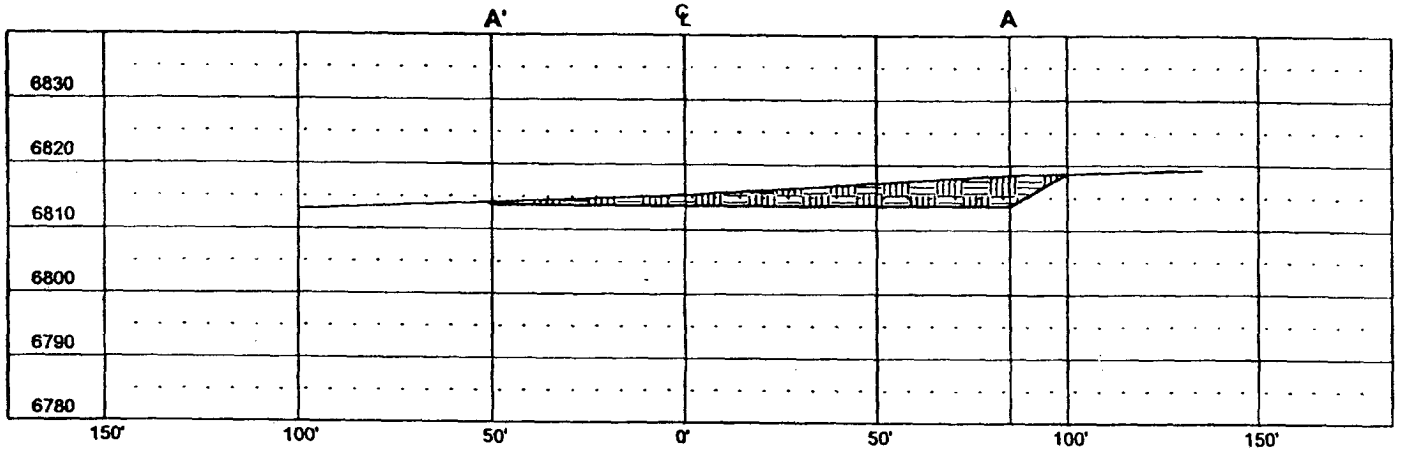


1 FOOT CONTOUR INTERVAL SHOWN  
SCALE: 1" = 40'  
JOB No.: YPC002  
DATE: 04/25/06

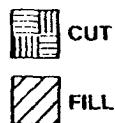


**Russell Surveying**  
1409 W. Aztec Blvd. #5  
Aztec, New Mexico 874  
(505) 334-8637

**YATES PETROLEUM CORP.**  
**PARTITION BIS FEDERAL #1**  
**1455' FSL & 1150' FWL**  
**LOCATED IN THE NW/4 SW/4 OF SECTION**  
**19, T20N, R5W, N.M.P.M.,**  
**McKINLEY COUNTY, NEW MEXICO**  
**ELEVATION: 6813.7', NAVD 88**



VERT. SCALE: 1" = 30'  
 HORZ. SCALE: 1" = 50'  
 JOB No.: YPC002  
 DATE: 04/25/06



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 1409 W. Aztec Blvd. #5  
 Aztec, New Mexico 874  
 (505) 334-8637

Yates Petroleum Corporation  
Partition BIO Federal #1  
1455' FSL & 1150' FWL  
Sec. 19, T. 20 N., R. 5 W.  
McKinley County, New Mexico

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'	+6,815'
Fruitland Coal	210'	215'	+6,605'
Pictured Cliffs	410'	415'	+6,405'
Total Depth (TD)	600'	605'	+6,215'

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  $\leq 260$  psi. Will test <sup>BOP</sup> ~~annular~~ ~~preventer~~ to  $\approx 600$  psi with rig pump. BOP controls will be installed before

Yates Petroleum Corporation  
 Partition BIO Federal #1  
 1455' FSL & 1150' FWL  
 Sec. 19, T. 20 N., R. 5 W.  
 McKinley County, New Mexico

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:

Hole Size	O. D.	Weight (lb/ft)	Grade	Type	Age	Depth Set
8-3/4"	7"	17	H-40	ST LT & C	New	120'
6-1/4"	4-1/2"	10.5	J-55	ST LT & C	New	600'

Surface casing will be cemented to the surface with  $\approx 100$  sacks Class B + 1/4 pound per sack cello flake + 2% CaCl<sub>2</sub>. Yield = 1.18 cubic feet per sack. Weight = 15.6 pounds per sack. Excess: >100% = 40 ft<sup>3</sup>

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

Total slurry volume = 125 ft<sup>3</sup>

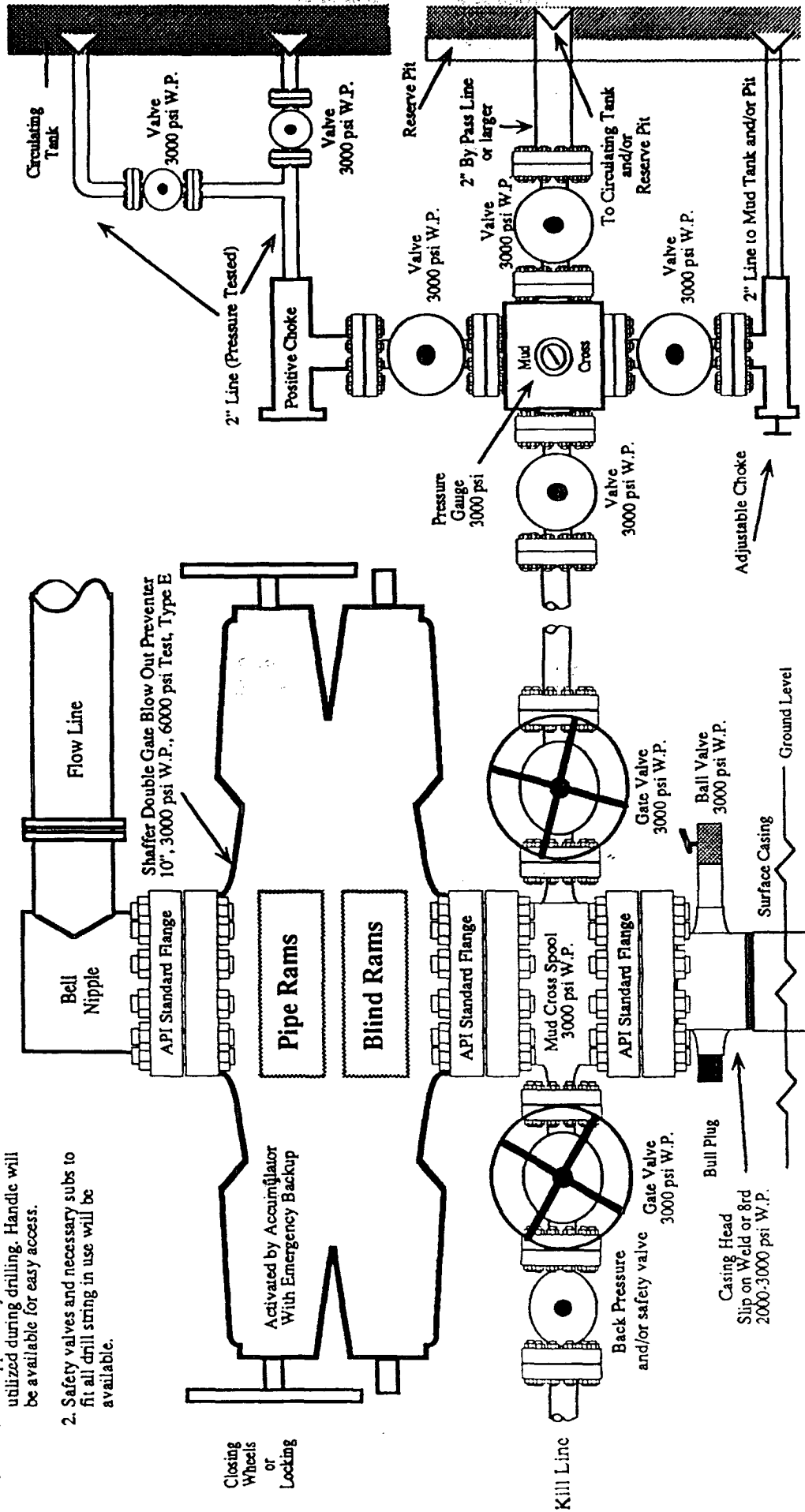
5. MUD PROGRAM

RANGE	MUD TYPE	WEIGHT	Viscosity	WL
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.