

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

APR 14 2004

OCB-ARTESIA NM-31099

0
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|--|--|---|------------------------|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. | |
| b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name Not Applicable | |
| 2. Name of Operator Yates Petroleum Corporation <i>Unders. Four Ranch; Permian North</i> | | 7. If Unit or CA Agreement, Name and No. Not Applicable | |
| 3A. Address 105 South Fourth Street Artesia, New Mexico 88210 | | 8. Lease Name and Well No. Horn YG Federal Com. #7 | |
| 3b. Phone No. (include area code) (505) 748-1471 | | 9. API Well No. 30-005-63651 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface NESE 1980' FSL and 990' FEL At proposed prod. Zone same as above | | 10. Field and Pool, or Exploratory Wildcat Basement | |
| 14. Distance in miles and direction from nearest town or post office* | | 11. Sec., T., R., M., or Blk. and Survey or Area Section 15, T8S-R26E, Mer, NMP | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) | | 12. County or Parish Chaves County | 13. State NM |
| 16. No. of Acres in lease | | 17. Spacing Unit dedicated to this well | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. | | 20. BLM/BIA Bond No. on file NM-2811 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3858 GL | | 22. Approximate date work will start* | |
| | | 23. Estimated duration 30 Days | |

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

| | | | |
|---|--|--|----------------------------|
| 25. Signature <i>Debbie L. Caffall</i> | | Name (Printed/Typed) Debbie L. Caffall/debbiec@ypcnm.com | Date 2/24/04 |
| Title: Regulatory Technician/Land Department | | | |
| Approved by (Signature) <i>LARRY D. BRAY</i> | | Name (Printed/Typed) LARRY D. BRAY | Date APR 13 2004 |
| Title Assistant Field Manager, Lands And Minerals | | Office ROSWELL FIELD OFFICE | APPROVED FOR 1 YEAR |

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.

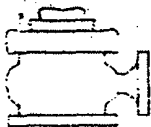
Conditions of approval, if any, are attached.

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 reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

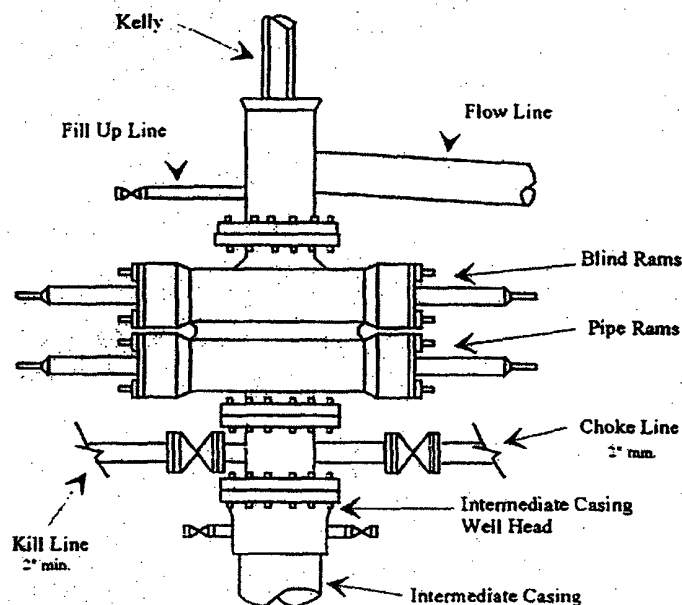
| | | | | |
|--|--|------------|--|--|
| | | | | <p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><u>Clifton R. May</u> Signature</p> <p><u>Clifton R. May</u> Printed Name</p> <p><u>Regulatory Agent</u> Title</p> <p><u>11-19-01</u> Date</p> |
| | | NM - 31099 | | <p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p><u>10/08/2001</u> Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> |
| | | | <p>N.33°37'05.0" W.104°16'46.1"</p> <p>3853 3862</p> <p>990'</p> <p>3854 3864</p> <p>1980'</p> <p>NM-20346</p> | <p>HERSCHELL L. JONES NEW MEXICO REGISTERED SURVEYOR Certificate No. 3640 HORN GENERAL SURVEYING COMPANY</p> |



Yates Petroleum Corporation

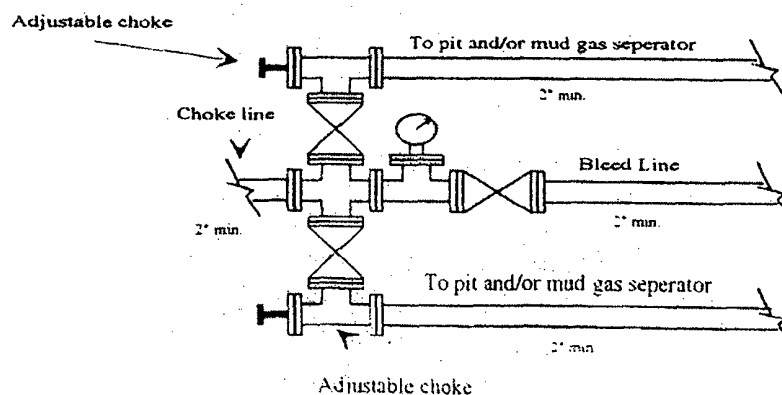
BOP-2

Typical 2,000 psi Pressure System Schematic Double Ram Preventer Stack



Yates Petroleum Corporation
Horn "YG" Federal Com. #7
1980' FSL and 999' FEL
Section 15-T8S-R26E
Chaves County, New Mexico
Exhibit "B"

Typical 2,000 psi choke manifold assembly with at least these minimum features



Railroad

100-3828

BM 3842-55

proposed road

Dorothy "VO" Federal #2

existing road

HIGHWAY 70

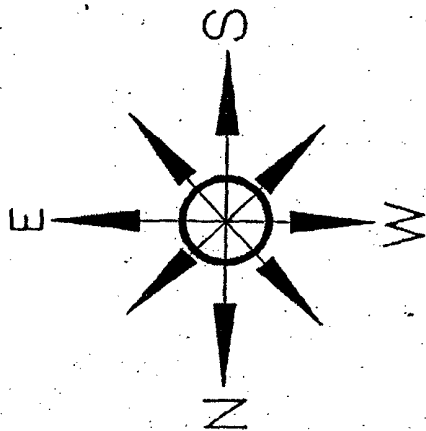
Draw

Crosby

Bob

BM 3872



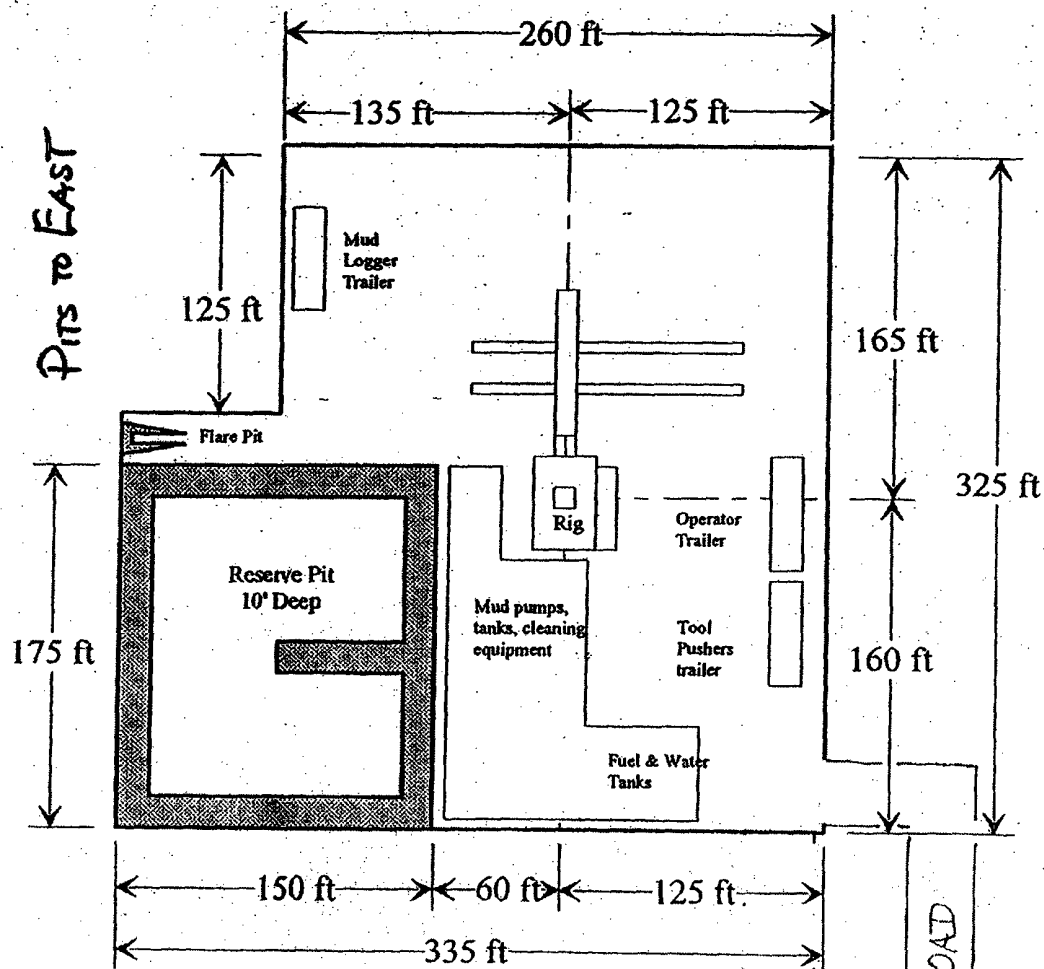


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation
Horn "YG" Federal Com. #7
1980' FSL and 999' FEL
Section 15-T8S-R26E
Chaves County, New Mexico
Exhibit "C"



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

ROAD

Horn "YG" Federal Com. #7
1980' FSL and 990' FEL
Section 10-T8S-R26E
Chaves County, New Mexico

1. The estimated tops of geologic markers are as follows:

| | | | |
|------------|-------|-----------------|-------|
| San Andres | 1060' | Cisco | 5685' |
| Glorieta | 2155' | Strawn | 5805' |
| Yeso | 2280' | Mississippian | 6040' |
| Tubb | 3730' | Siluro-Devonian | 6170' |
| Abo | 4435' | Basenent | 6420' |
| Wolfcamp | 5110' | TD | 6570' |

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

Water: 250'-350'
Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

| <u>Hole Size</u> | <u>Casing Size</u> | <u>Wt./Ft</u> | <u>Grade</u> | <u>Coupling</u> | <u>Interval</u> | <u>Length</u> |
|------------------|--------------------|---------------|--------------|-----------------|-----------------|---------------|
| 12 1/4" | 8 5/8" | 24# | J-55 | ST&C | 0-1000' | 1000' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | ST&C | 0-5230' | 6570' |

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 2,000 psi BOP will be nipped up on the 8 5/8" casing and tested to 1000 psi. YPC requests a variance be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 1000 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the bottom hole pressure in this field is proven to be near 1000 psi. A shut in surface pressure would be less than 1000 psi. We feel that a 1100 psi test will demonstrate that the BOPE is functioning properly, and in the unlikely event of a gas influx that the BOPE would be sufficient to control the well.

No

B.

CEMENTING PROGRAM:

Surface Casing: Cement with 325 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl₂ (YLD 1.33 WT 15.6).

Production Casing: 550 sx PVL (YLD 1.34 WT 13). TOC 3900'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|------------------|---------------|------------------|-------------------|
| 0-1000' | FW GEL/Paper/LCM | 8.6-9.6 | 32-36 | N/C |
| 1000'-4400' | Brine | 10.0-10.2 | 28 | N/C |
| 4400'-TD | Starch/Salt Gel | 9.0-9.8 | 32-40 | <6CC |

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.

Logging: Platform Express, CNL/LDT W/NGT to TD to surface casing, w/ GR/CNL TD to surface, DLL/MSFL TD to surface casing, BHC Sonic TD to surface casing; FMI TD - top of Wolfcamp; CMR over Strawn Sands.

Coring: Sidewall

DST's: None

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Anticipated BHP:

From: 0 TO: 1000'

From: 1000' TO: TD'

Anticipated Max. BHP: 400 PSI

Anticipated Max. BHP: 3000 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
UNITES PETROLEUM CORPORATION
Horn "YG" Federal Com. #7
1980' FSL and 990' FeL
Section 15-T8S-R26E
Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering 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 the 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 operations.

1 EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 42 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Roswell on Highway 70 to the Acme School House. Continue east of the school house on Hwy 70 for approx 3.6 miles. Just before mile marker 355 turn north on the access road to the Dorothy Federal #2. The access road will start here go west following the Agave pipeline for approximately 0.5 of a mile and then turn south and go approximately 1400' to the northwest corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 0.75 of a mile in length from the point of origin to the southwest corner of the drilling pad. The road will go west approx. 0.5 miles then south approx. 0.25 miles..
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. No traffic turnout will be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are 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, possibly in Roswell, and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits which may be required.

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.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach. Note: Pits to East Southeast.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- 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 well site in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

SURFACE OWNERSHIP: The location is on Federal surface administered by the BLM, Roswell, New Mexico. Approximately 1300' of new road is on surface owned by Cooper Revocable Trust c/o Carl Cooper, P.O. Box 2148, Roswell, New Mexico 88202-2148. Yates Petroleum Corporation has reached an agreement to compensate him for surface damage on lands owned by them.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
- B. The primary surface use is for grazing.

OPERATOR'S REPRESENTATIVE:

- | | |
|--|---|
| A. Through A.P.D. Approval: Clifton R. May, Regulatory Agent Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 | B. Through Drilling, Completions & Prod. Pinson McWhorter, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 |
|--|---|

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site 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 Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

11/19/01


Regulatory Agent

Date Fed 9371
 U.S. PECO PECO Fed U.S. Witten

EXHIBIT A

Operator: Yates Petroleum Corporation

BLM Serial Number: NM-31099

Well Name & NO.: Horn "YG" Federal Com. #7

Location: Section 15, T. 8 S., R. 26 E.

1980' FSL & 990' FEL, Chaves County, N.M.

