

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

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

Form 3160-3
 (August 1999)*

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

RECEIVED

Expires November 30, 2000

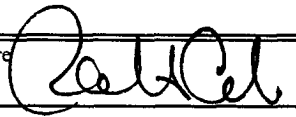
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM10263
b. 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 Not Applicable
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. Not Applicable
3A. Address 105 South Fourth Street Artesia, New Mexico 88210	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Thomas LN Federal Com. #12
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface NENW 660' FNL and 1980' FWL At proposed prod. Zone same as above		9. API Well No. 30-005-63725
14. Distance in miles and direction from nearest town or post office* Approx. 28 miles NE from Roswell, NM		10. Field and Pool, or Exploratory Unknown
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 160	11. Sec., T., R., M., or Blk, and Survey or Area Section 14, T6S-R25E, Mer NMP
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	17. Spacing Unit dedicated to this well 320 - N/2	12. County or Parish Chaves County
19. Proposed Depth 5335	20. BLM/BIA Bond No. on file NM-2811	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3881 GL	22. Approximate date work will start* ASAP	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 	Name (Printed/Typed) Robert Asher	Date 11/16/04
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Title: **Regulatory Agent / Land Department debbiec@ypcnm.com**

Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date JAN 04 2005
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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) C144-Approved 11/05/04 **Previously Approved**

CEMENT TO COVER ALL OIL,
 GAS AND WATER BEARING
 ZONES *i.e., Glesite*

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

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

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

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code	⁵ Property Name Thomas LN Federal Com.				⁶ Well Number 12
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation				⁹ Elevation 3680'

¹⁰ Surface Location

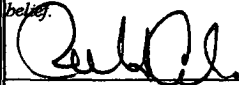
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	14	6S	25E		660	North	1980	West	Chaves

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

¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

<table border="1"> <tr> <td>NM-10263</td> <td>1980'</td> <td>1980'</td> <td>Thomas LN Federal #3</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	NM-10263	1980'	1980'	Thomas LN Federal #3													<table border="1"> <tr> <td>NM-14755</td> <td>1980'</td> <td>1980'</td> <td>Powers OL Federal #4</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	NM-14755	1980'	1980'	Powers OL Federal #4													<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p></p> <p>Signature</p> <p>Robert Asher</p> <p>Printed Name</p> <p>Regulatory Agent</p> <p>Title</p> <p>11/15/2004</p> <p>Date</p>
	NM-10263	1980'	1980'	Thomas LN Federal #3																														
NM-14755	1980'	1980'	Powers OL Federal #4																															
<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>REFER TO ORIGINAL PLAT</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p>																																		
<p>Certificate Number</p>																																		

YATES PETROLEUM CORPORATION
Thomas "LN" Federal Com. #12
 660' FNL and 1980' FWL
 Section 14-T6S-R25E
 Chaves County, New Mexico

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

San Andres	585'	Abo	3710'
Glorieta	1535'	Wolfcamp	4340'
Yeso	1630'	Basement-Granite	5235'
Tubb	3070'	TD	5335'

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 11 3/4" 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>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-900'	900'
11"	8 5/8" *	24#	J-55	ST&C	0-1500'	1500'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-5335'	5335'

* 8 5/8" will only be set if lost circulation is encountered.

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. YPC requests a variance to 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 G.O.S

B. CEMENTING PROGRAM:

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

Intermediate Casing: 250 sx class C + 2% CaCLW (YLD 2.0 WT 12.0). Tail in with 200sx + 2% CaCl2 (YLD 1.32 WT 14.8).

Production Casing: 350 sx Super C (YLD 1.67 WT 13.0). TOC 3200'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-900'	FW GEL/Paper/LCM	8.6-9.0	32-36	N/C
900'-1500'	Cut Brine	8.6-9.0	29	N/C
1500'-3680'	Brine	10.0-10.2	28	N/C
3680'-TD	Salt Gel/Starch/Oil/LCM	9.0-9.8	34-45	<10 cc

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.

Coring: Sidewall

DST's: None

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

Anticipated BHP:

From: 0	TO: 900'	Anticipated Max. BHP: 375 PSI
From: 900'	TO: 5335'	Anticipated Max. BHP: 2500 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
YATES PETROLEUM CORPORATION
Thomas "LN" Federal Com. #12
660' FNL and 1980' FWL
Section 14-T6S-R25E
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 well site is located approximately 28 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive north of Roswell on Highway 285 for approx 24 miles to Dona Ana Road. Turn right on Dona Ana and drive approx. 9.8 miles to the pipeline road. Turn right and drive approx. 3.7 miles to the lease road on the right (across from the S. Alkali "LK" #1 location). Turn right and drive approx. 0.6 of a mile to lease road on the right (at Teckla #2 location). Turn right (west) on road and drive approx. 0.8 of a mile to lease road on right. Turn right and drive approx. 0.1 of a mile where the access road is staked on the left going west to the SE corner of the location.

2. **PLANNED ACCESS ROAD:**

- A. The proposed new access will be approximately 500' in length from the point of origin to the southwest corner of the drilling pad.
- 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.

Artesia, NM 88210

DISTRICT III
 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
 2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name THOMAS "LN" FEDERAL COM.	Well Number 12
OGRID No.	Operator Name YATES PETROLEUM CORPORATION	Elevation 3881

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	14	6S	25E		660	NORTH	1980	WEST	CHAVES

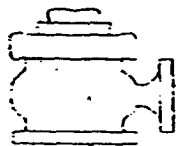
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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<p>NM-10263</p> <p>1980'</p> <p>3879 3878</p> <p>3880 3876</p> <p>N.33°48'02.7"</p> <p>W.104°22'24.6"</p> <p>1980'</p> <p>Thomas "LN" Fed. #3</p>	<p>NM-14755</p> <p>660'</p> <p>660'</p> <p>Powers "OL" Fed. #4</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Pat Perry</i></p> <p>Signature</p> <p>Printed Name</p> <p>Title</p> <p>Date</p>
		<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>10/10/2002</p> <p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>[Seal]</i></p> <p>Certificate No. H-100 Jones RLS 3640</p> <p>THOMAS 12</p> <p>GENERAL SURVEYING COMPANY</p>



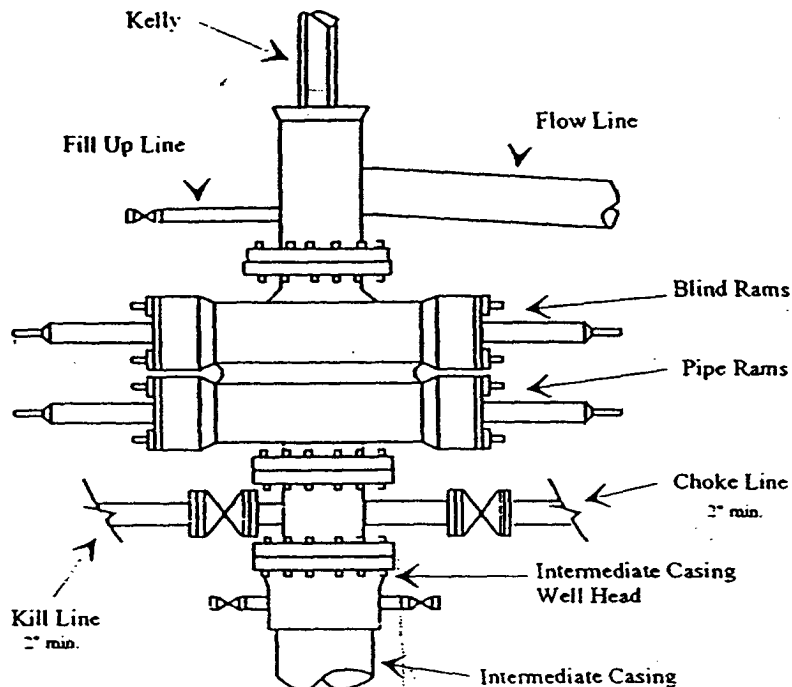
Yates Petroleum Corporation

BOP-2

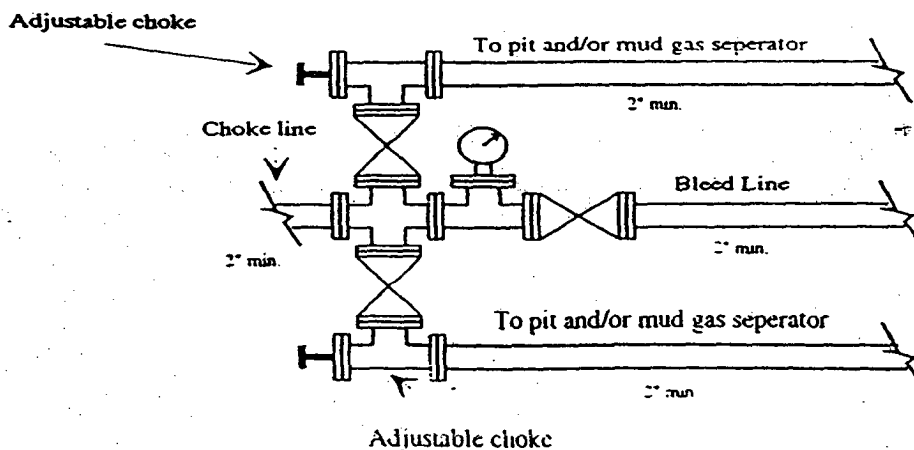
Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
Thomas "LN" Federal Com. #12
660' FNL and 1980' FWL
Section 14-T6S-R25E
Chaves County, New Mexico
Exhibit "B"

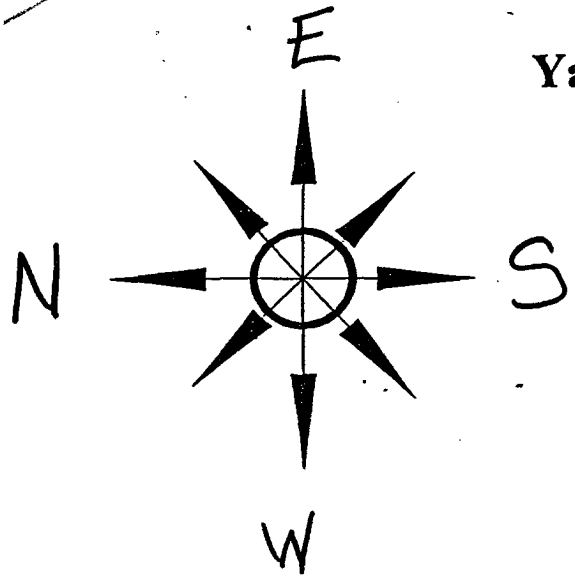


Typical 2,000 psi choke manifold assembly with at least these minimum features

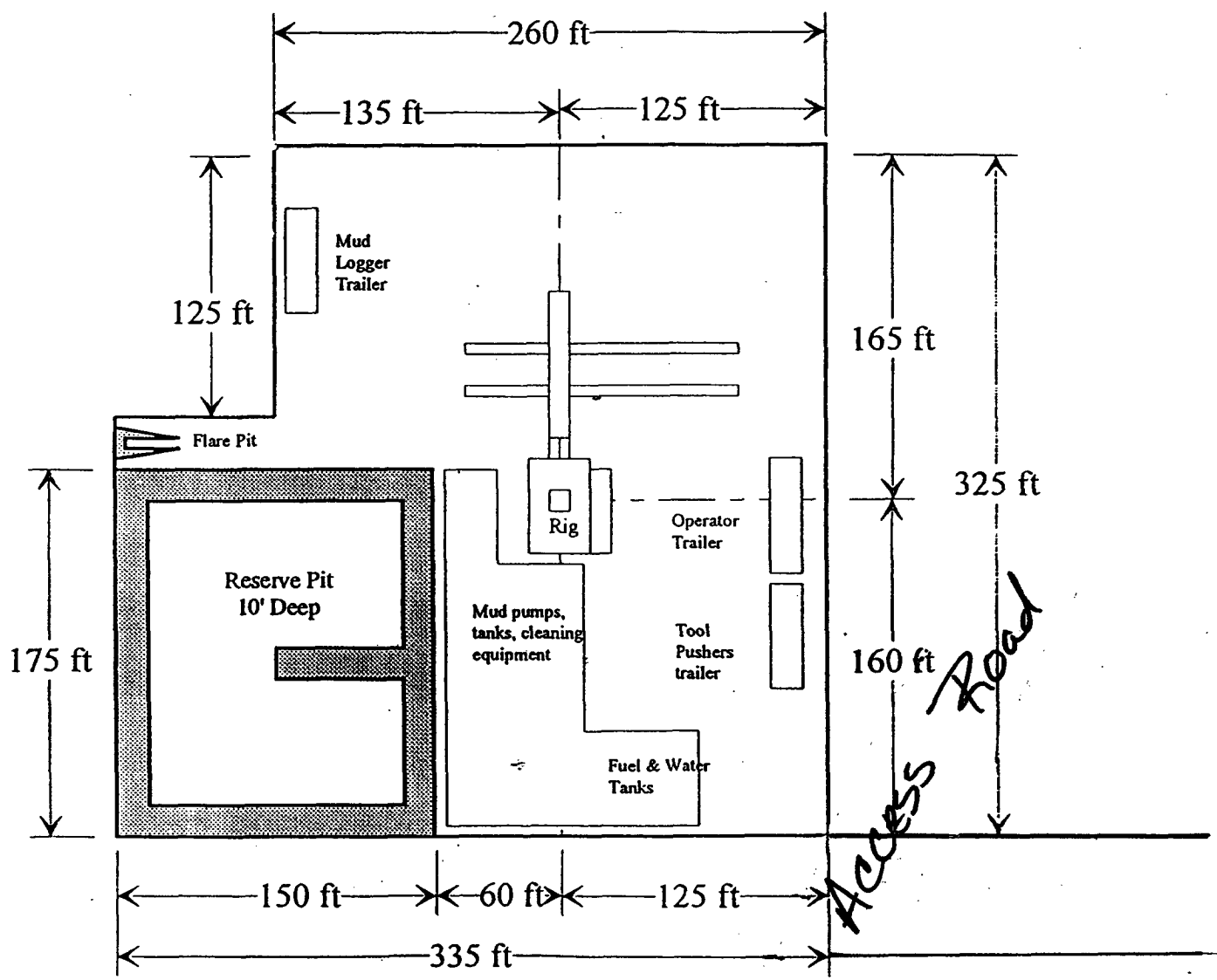


Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'



Yates Petroleum Corporation
Thomas "LN" Federal Com. #12
660' FNL and 1980' FWL
Section 14-T6S-R25E
Chaves County, New Mexico
Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum