

Bary
N.M. Oil Cons. DIV-Dist.
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.

Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
SEP 16 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5. Lease Serial No. NM-1372	
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			6. If Indian, Allottee or Tribe Name	
2. Name of Operator Yates Petroleum Corporation			7. If Unit or CA Agreement, Name and No. 13108	
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. Warren ANW Federal #5	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL & 660' FEL At proposed prod. Zone same			9. API Well No. 30-015-33866	
14. Distance in miles and direction from nearest town or post office* Approximately 20 miles SW of Artesia, NM			10. Field and Pool, or Exploratory N. Dagger Draw Upper Penn	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'		16. No. of Acres in lease 600	11. Sec., T., R., M., or Blk. and Survey or Area Section 9, T19S-R25E	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 8300'	12. County or Parish Eddy	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3505' GL		22. Approximate date work will start* ASAP	13. State NM	
17. Spacing Unit dedicated to this well 160		20. BLM/BIA Bond No. on file NM-2811		
23. Estimated duration 40		24. Attachments ROSWELL CONTROLLED WATER BASIN		

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>Cy Cowan</i>	Name (Printed/Typed) Cy Cowan	Date 7/24/04
Email: debbiec@ypcnm.com		
Title: Regulatory Agent / Land Department		
Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) <i>/s/ Joe G. Lara</i>	Date 15 SEP 2004
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

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.

APPROVAL FOR 1 YEAR

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**

Witness Surface Casing

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

District II
811 South First, 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 & Natural Resources Department

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

Form C-102
Revised August 15, 2000

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name N. Dagger Draw, Upper Penn
⁴ Property Code	⁵ Property Name Warren ANW Federal	⁶ Well Number 5
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3505'

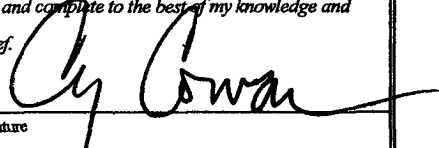
¹⁰ Surface Location

UL or lot no. I	Section 9	Township 19S	Range 25E	Lot Idn	Feet from the 1980	North/South line South	Feet from the 660	East/West line East	County Eddy
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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 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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.  Signature Cy Cowan Printed Name Regulatory Agent Title 07/24/2004 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. REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor: Certificate Number
		NM-1372	660'	
			1980'	

DISTRICT I
1025 E. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV
2049 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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
		N. Dagger Draw, Upper Penn
Property Code	Property Name	Well Number
	WARREN "ANW" FEDERAL	5
OCRD No.	Operator Name	Elevation
025575	Yates Petroleum Corporation	3505

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	9	19S	25E		1980	South	660	East	Eddy

Bottom Hole Location If Different From Surface

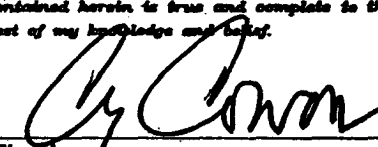
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
160									

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

		NM-1372	660'
			1980'

OPERATOR CERTIFICATION

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



Signature

Cy Covan

Printed Name

Regulatory Agent

Title

7/24/2002

Date

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.

REFER TO ORIGINAL PLAT

Date Surveyed

Signature & Seal of Professional Surveyor

Certificate No. Herschel L. Jones RLS 3640

GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
Warren "ANW" Federal #5
1980' FSL and 660' FEL
Sec. 9-T19S-R25E
Eddy County, New Mexico

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

San Andres	677'
Glorietta	2077'
Yeso	2243'
Bone Spring LST	4094'
Wolfcamp LST	5517'
Canyon LST	7641'
Canyon Dolomite	7756'
Base Dolomite	7941'
TD	8300'

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

Water: Approximately 225' – 300'
Oil or Gas: All zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000 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)

WITNESS	<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"	9 5/8"	36#	J-55	ST&C	1150'	0-1150'
	8 3/4"	7"	26#	J-55	LT&C	0-7450'	0-7450'
	8 3/4"	7"	26#	N-80	LT&C	7450-8300'	7450-8300'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

B. CEMENTING PROGRAM:

Surface casing: 700 sx 'H', w/12% thicksad, 10# Gilsonite, 1/2# Celloseal 2% CaCl₂ Tail with 200sacks, 2% CaCl₂.

Production Casing: 500 sx Class H w/5# CSE, 5 # Gilsonite, 1/4# Celloseal. DV tool @ 5900.

2nd Stage: 750 sx Lite, 5# salt, 5# Gilsonite, 1/4# Celloseal. Tailed with 100 sacks 'H'.

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1150'	FW Gel/LCM	8.3 - 8.6	30	N/C
1150'-5200'	Fresh Water	8.3 - 8.6	28	N/C
5200'-7200'	Cut Brine/KCL	9.0 - 9.2	29	N/C
7200'-TD	Cut Brine/Starch	9.0 - 9.2	30 - 34	<10cc

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 from surface casing to TD.

Logging: CNL/LTD from TD to casing, with W/GR/LDT to surface;

DLL with RXO from casing to TD.

Coring: None anticipated.

DST's: As warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From: 0	TO: 1150'	Anticipated Max. BHP: 450 PSI
From: 1150'	TO: 8300'	Anticipated Max. BHP: 2300 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: 0-1100'

H₂S Zones Anticipated: Canyon

Maximum Bottom Hole Temperature: 127 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 15 days.

YATES PETROLEUM CORPORATION
Warren "ANW" Federal #5
1980' FSL and 660' FEL
Section 9-T19S-R25E
Eddy County, New Mexico

H2S Drilling Operations Plan

Personnel employed at the rig site shall receive training in H2S detection, safe drilling procedures and contingency plans. H2S safety equipment shall be installed and functional 3 days or 500 feet prior to encountering known or probable H2S zone at 3200' feet.

Submitted with the APD is a well site diagram showing:

- 1) Drilling rig orientation, location of flare pit.
- 2) Prevailing wind direction.
- 3) Location of access road.

Primary briefing area will be established 150' from wellbore and up wind of prevailing wind direction. Secondary briefing area will be established 180 degrees from primary briefing area.

A H2S warning sign will be posted at the entrance of the location. Depending on conditions, a green, yellow, or red flag will be displayed.

Green - Normal conditions

Yellow - Potential danger

Red - Danger H2S present

Wind indicators will be placed on location at strategic, highly visible areas. H2S monitors (a minimum of three) will be positioned on location for best coverage and response. H2S concentrations of 10 ppm will trigger a flashing light and 20 ppm will trigger an audible siren.

H2S breathing equipment will consist of:

- 1) 30 minute "pressure demand" type working unit for each member of rig crew on location.
- 2) 5 minute escape packs for each crew member.
- 3) Trailer with a "cascade air system: to facilitate working in a H2S environment for time period greater than 30 minutes.

Breathing equipment will be stored in weather proof cases or facilities. They will be inspected and maintained weekly.

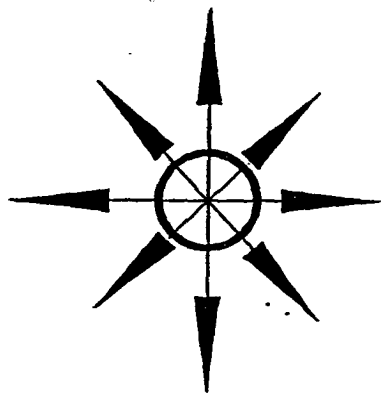
The mud system will be designed to minimize or eliminate the escape of H₂S at the rig floor. This will be accomplished through the use of proper mud weight, proper pH control of the drilling fluid and the use of H₂S scavengers in the drilling fluid. A mud gas separator will be utilized when H₂S has is present in the mud.

Drilling experience has shown that wells in developmental areas, (i.e. Dagger Draw, Livingston Ridge Delaware, and Lusk Delaware) are normally pressured and don't experience either H₂S kicks or loss of returns. Due to these circumstances, we request exceptions to the rule requiring flare line with remote lighter and choke manifold with minimum of one remote choke. This equipment would be provided on exploratory wells or wells with the known potential for H₂S kicks. Additionally, a SO₂ monitor would be positioned near the flare line, and a rotating head utilized.

The drill string, casing, tubing, wellhead, blowout preventers and associated lines and valves will be suitable for anticipated H₂S encounters.

Radio and or mobile telephone communication will be available on site. Mobile telephone communication will be available in company vehicles.

Drill stem testing to be performed with a minimum number of essential people on location. They will be those necessary to safely conduct the test. If H₂S is encountered during a drill stem test, essential personnel will mask up and determine H₂S concentration. The recovery will then be reversed to flare pit. Pulling of test tools will be conducted in a safe manner.



Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation

105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

YATES PETROLEUM CORPORATION

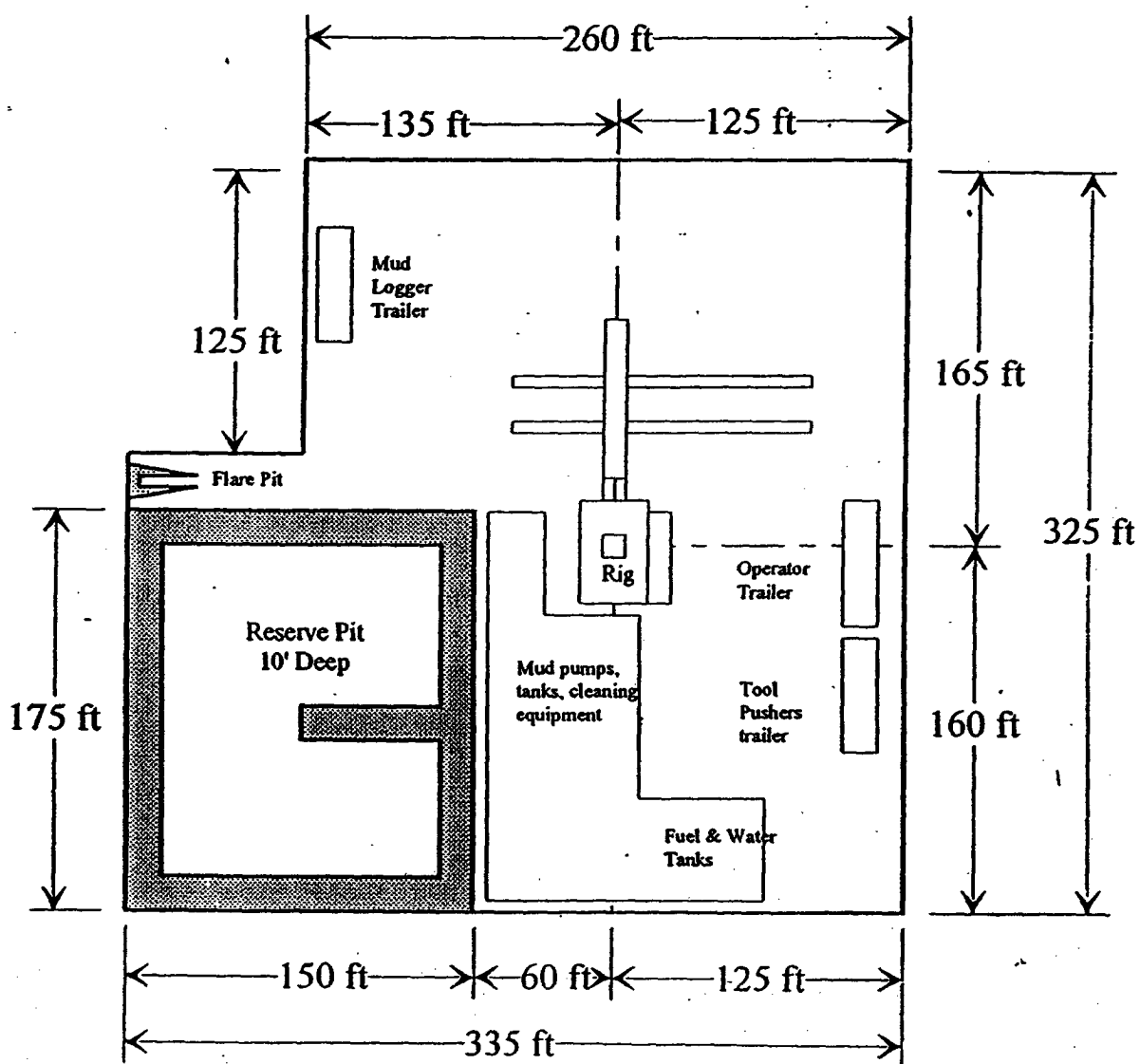
Warren ANW Federal #5

1980' FSL and 660' FEL

Sec. 9-T19S-R25E

Eddy County, New Mexico

Exhibit "B"



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

Yates Petroleum Corporation

Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack



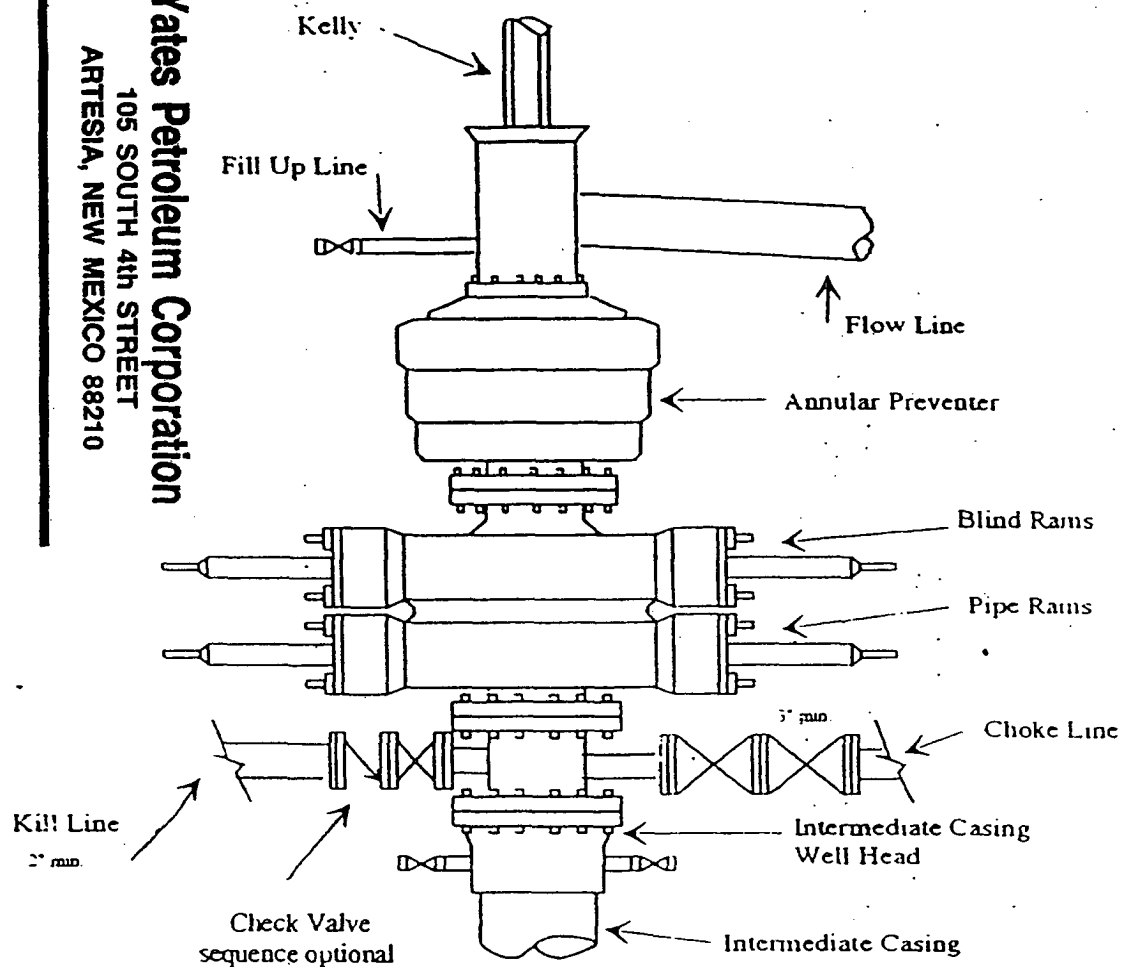
Yates Petroleum Corporation

105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

YATES PETROLEUM CORPORATION

Warrent: ANW Federal #5
1980' FSL and 660' FEL
Sec. 9-T19S-R25E
Eddy County, New Mexico

Exhibit "C"



Typical 3,000 psi choke manifold assembly with at least these minimum features

