

Bow
N.M. Oil Cons. DIV-Dist. 2
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.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

SEP 16 2004

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER ~~PROD-ARTESIA~~

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-043625
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 Not Applicable
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. 12710
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. Saguaro AGS Federal Com. #15
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1780' FNL and 660' FWL; Unit Letter E At proposed prod. Zone same as above		9. API Well No. 30-015-33867
14. Distance in miles and direction from nearest town or post office* Approximately 31 miles SW of Artesia, New Mexico		10. Field and Pool, or Exploratory S. 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	11. Sec., T., R., M., or Blk. and Survey or Area Section 23, T20S-R24E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 8200'	12. County or Parish Eddy
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3649' GL	22. Approximate date work will start* ASAP	13. State NM
23. Estimated duration 30 Days		
24. Attachments CARLSBAD 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 7/28/04
Email: debbiec@ypcnm.com		
Title: Regulatory Agent / Land Department		
Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) /s/ Joe G. Lara	Date 17 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.

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 S. Dagger Draw Upper Penn
⁴ Property Code	⁵ Property Name Saguaro AGS Federal Com.	⁶ Well Number 15
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3649'

¹⁰ Surface Location

UL or lot no. E	Section 23	Township 20S	Range 24E	Lot Idn	Feet from the 1780	North/South line North	Feet from the 660	East/West line West	County Eddy
---------------------------	----------------------	------------------------	---------------------	---------	------------------------------	----------------------------------	-----------------------------	-------------------------------	-----------------------

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 w/2	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

<p>1780'</p> <p>660'</p>	NM-043625			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 07/28/2004 Date
	NM-86241			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

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

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Elc Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 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
		S. Dagger Draw Upper Penn
Property Code	Property Name	Well Number
	SAGUARO "AGS" FEDERAL COM.	15
OCED No.	Operator Name	Elevation
025575	Yates Petroleum Corporation	3649

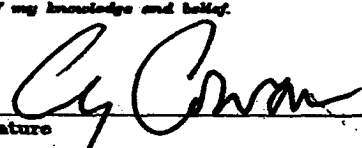
Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
E	23	20S	24E		1780	North	660	West	Eddy

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	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

660'	NM-043625				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 7/23/2002 Date
	NM-86241				

YATES PETROLEUM CORPORATION
Saguaro "AGS" Federal Com. #15
1780' FNL and 660' FWL
Section 23, T20S-R24E
Eddy County, New Mexico

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

San Andres	580'	Canyon Lime	7485'
Glorietta	2105'	Canyon Dolomite	7585'
Bone Springs Lime	3344'	Base Dolomite	7585'
3 rd Bone Springs Sand	5343'	TD	8200'
Wolfcamp Lime	5864'		

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

Water: Approximately 250'
Oil or Gas: Canyon

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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Thread</u>	<u>Interval</u>	<u>Length</u>	WITNESS
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1100'	1100'	
8 3/4"	7"	23# & 26#	J-55& N-80	LT&C	0-8200'	8200'	

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

B. CEMENTING PROGRAM:

Surface casing: 700 sx "Class C Lite" w/1/2# Cellocel, 10# Gilsonite + 3% CaCl₂ (YLD 1.84 WT 12.7) + 200sx "Class C" + 2% CaCl₂ (YLD 1.32 WT 14.8). Cement circulated to surface

Production Casing: Will be cemented in two stages. Stage tool set approximately 5500'. First stage: 500 gals sure bond, 500 gals-WMWI, 700 sx. "Class H" w/5# sack CSE, 0.659. CF-14, 1/2# Cellocel & 10# Gilsonite (YLD 1.34 WT 15.1). Calculated to fill 2700 linear feet. Second Stage: 775 sx "Lite C" w/4% CF-14, 5# sack Salt. (YLD 1.98 WT 12.4). Tail w/100 sx "H" Neat (YLD 1.18 WT 15.6), circulated to surface.

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 1150'	FW Gel/LCM	8.3-8.6	30	N/C
1150'-4500'	FW	8.3-8.6	28	N/C
4500'-8200'	Cut Brine	9.0-9.2	29	<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 400' to TD.

Logging: CNL-LDT from TD to casing, with GR-CNL up to surface; DLL with RXO from TD to casing.

Coring: As Warranted.

DST's: As Warranted by drilling breaks and shows.

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

Anticipated BHP:

From: 0 TO 1150' Anticipated Max. BHP: 500 PSI

From: 1150' TO 8200' Anticipated Max. BHP: 2500 PSI

Abnormal Pressures Anticipated: None

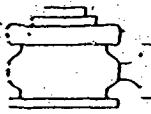
Lost Circulation Zones Anticipated: Spud – 1150'

H₂S Zones Anticipated: H₂S present in Canyon formation. Mud hydrostatic suppresses H₂S during drilling.

Maximum Bottom Hole Temperature: 145° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 10 days.

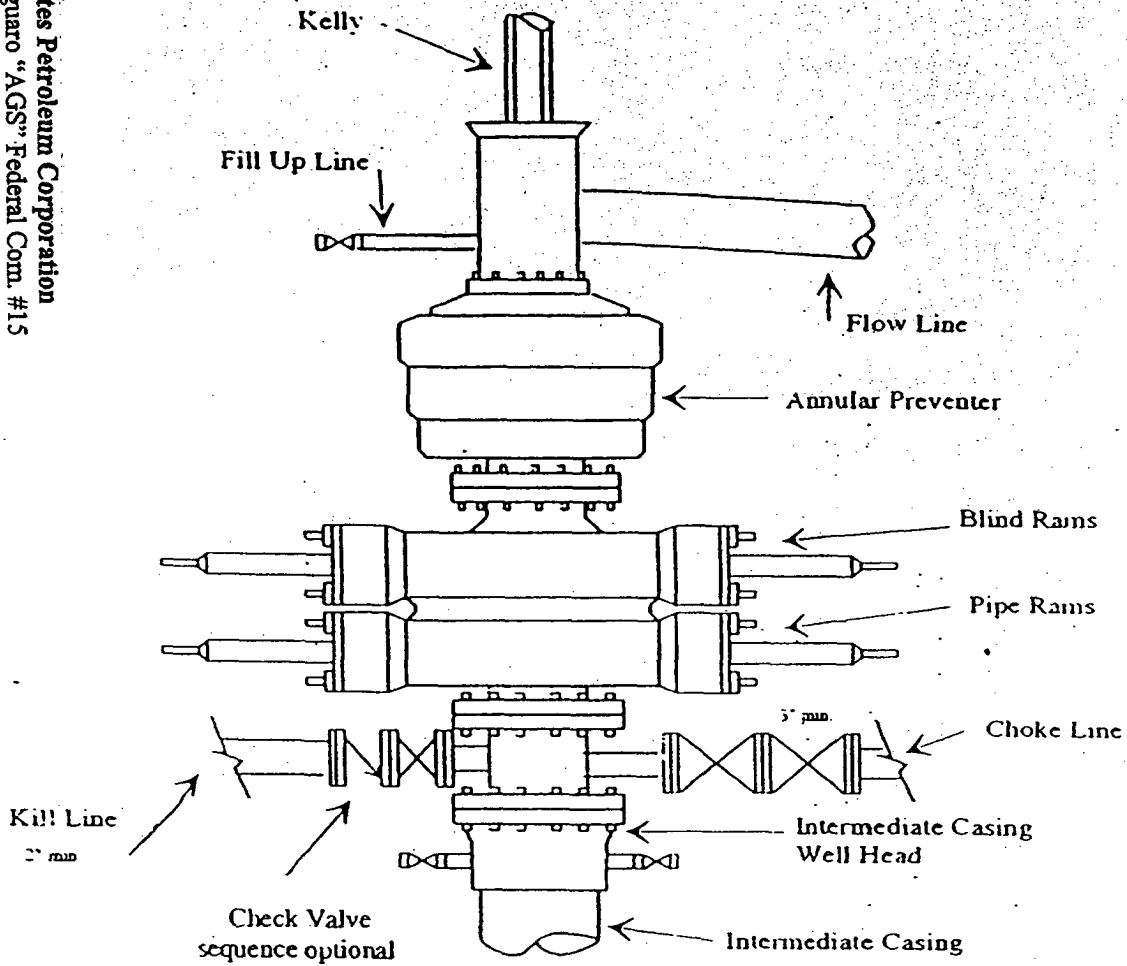


Yates Petroleum Corporation

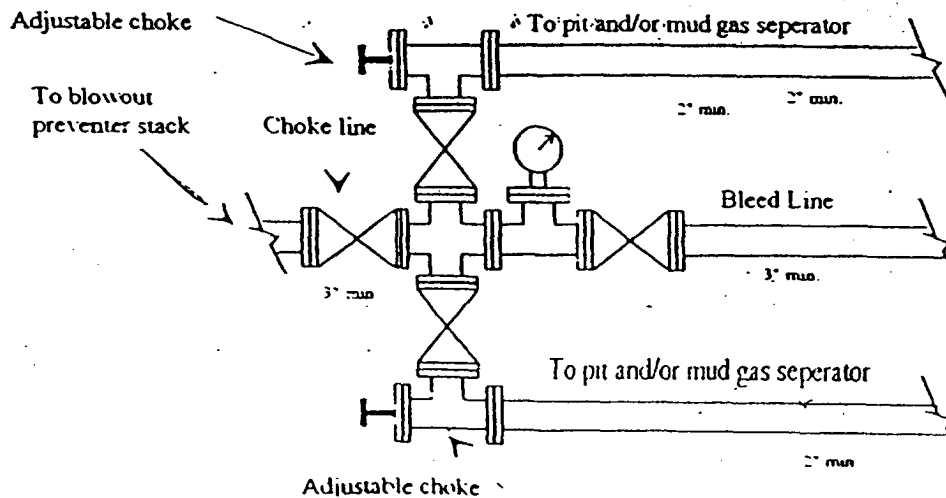
BOP-3

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

Yates Petroleum Corporation
Saguaro "AGS" Federal Com. #15
1780' FNL & 660' FWL
Section 23-T20S-R24E
Eddy County, New Mexico
Exhibit "B"



Typical 3,000 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

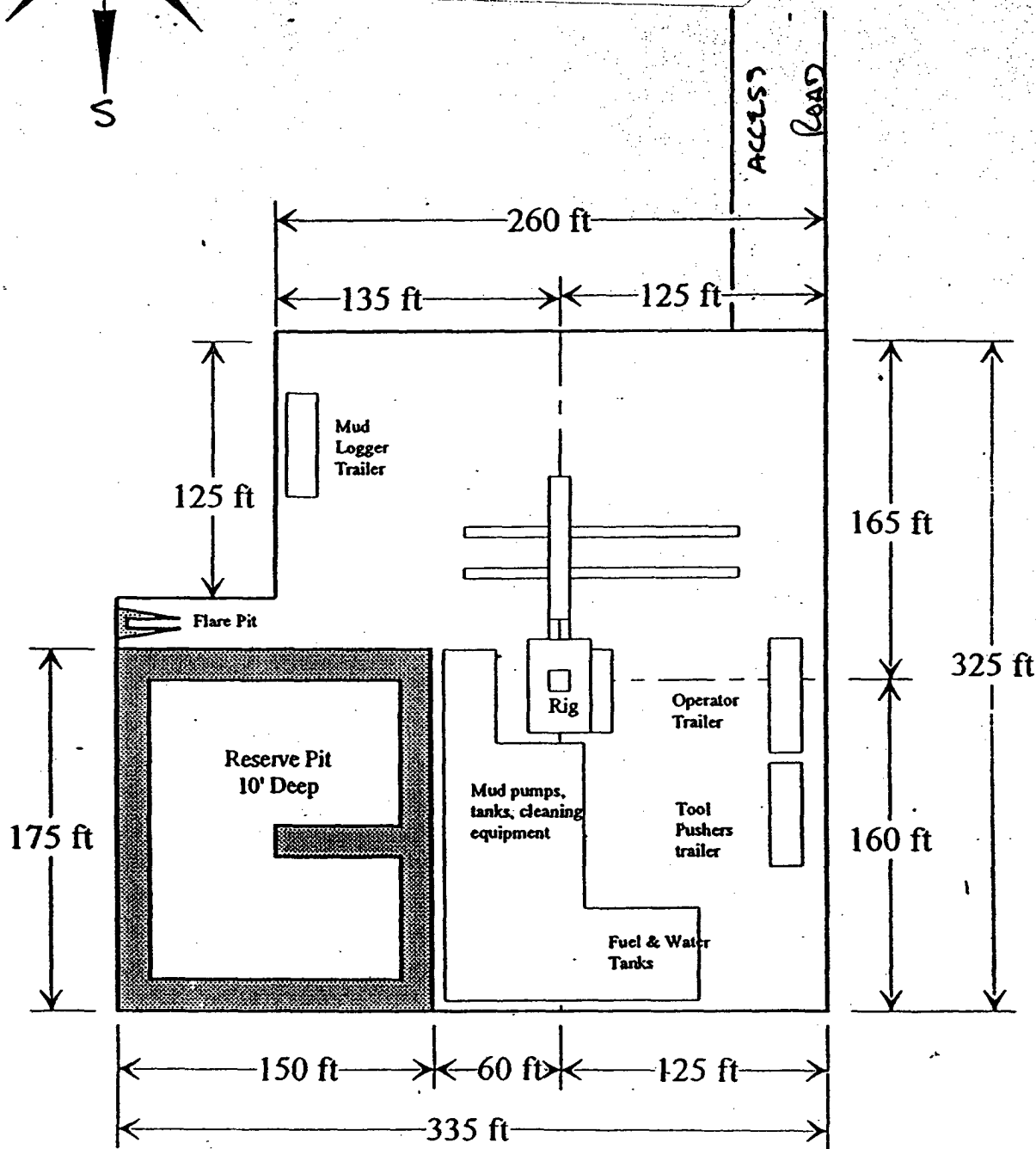
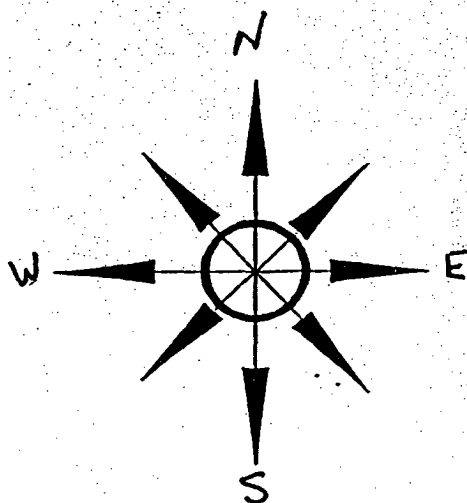
Federal "HY" #12

990' FNL & 1980' FWL

Section 28-T7S-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