

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: DRILL REENTER

5. Lease Serial No.
NM04510

b. Type of Well: Oil Well Gas Well Other Single Zone Multiple Zone

6. If Indian, Allottee or Tribe Name
Not Applicable

2. Name of Operator
Yates Drilling Company 25575

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. 32548
Pecos River Deep Unit #10

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface SWSE 810' FSL and 1980' FEL
At proposed prod. Zone same as above

9. API Well No.
30-015-34209

14. Distance in miles and direction from nearest town or post office*
Approximately 18 miles south of Artesia, New Mexico

10. Field and Pool, or Exploratory
McMillan; Morrow, North

11. Sec., T., R., M., or Blk, and Survey or Area
Section 28, T19S-R27E

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
810'

16. No. of Acres in lease
480

17. Spacing Unit dedicated to this well
640 320

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

19. Proposed Depth
10,820

20. BLM/BIA Bond No. on file
NATIONWIDE BOND #NM-586000

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3447' GL

22. Approximate date work will start*
ASAP

23. Estimated duration
45 days

24. Attachments
Kuswell 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.
- 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 office.

25. Signature *Debbie L. Caffall* Name (Printed/Typed) Debbie L. Caffall Date 6/2/2005

Title: Regulatory Technician / Land Department debbiec@ypcnm.com

Approved by (Signature) /s/ Joe G. Lara Name (Printed/Typed) /s/ Joe G. Lara Date JUL 06 2005

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

STATEMENT TO COVER ALL OIL, GAS AND WATER BEARING ZONES
O C D

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 or misleading representations as to any matter within its jurisdiction.

Previously Approved C144 attached

Witness Surface & Intermediate Casing

29.5

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

WF
Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Yates Drilling Company Telephone: (505) 748-1471 e-mail address: debbiec@ypcnm.com

Address: 105 South 4th Street, Artesia, New Mexico 88210

Facility or well name: Pecos River Deep Unit #10 API #: _____ U/L or Qtr/Qtr Sec 28 T 19S R 27E

County: Eddy Latitude _____ Longitude _____ NAD: 1927 1983 Surface Owner Federal State Private Indian

Pit type: Drilling Production Disposal
Workover Emergency
Lined Unlined
Liner type: Synthetic Thickness 20 mil
Clay Volume _____ bbl

Below-grade tank
Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes If not, explain why not.

RECEIVED
JUN 10 2004
OCD-ARTESIA

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)	
	50 feet or more, but less than 100 feet	(10 points)	
	100 feet or more	(0 points)	N/A
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)	
	No	(0 points)	N/A
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)	
	200 feet or more, but less than 1000 feet	(10 points)	
	1000 feet or more	(0 points)	N/A
Ranking Score (Total Points)		N/A	

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite offsite If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

Date: June 9, 2004 Printed Name/Title Debbie L. Caffall / Regulatory Technician/Land Department Signature: Debbie L. Caffall

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approved Date: JUN 11 2004 Signature: [Signature]
Printed Name/Title: _____ Signature: _____

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

Elbe, NM 88240

First, Artesia, NM 88210

DISTRICT III

10 Rio Grande Rd., Artesia, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV

2048 South Pacheco, Santa Fe, NM 87500

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 81280	Pool Name McMillan Morrow North
Property Code	Property Name Pecos River Deep Unit	Well Number 10
OGED No. 025513	Operator Name YATES DRILLING COMPANY	Elevation 3447'

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
0	28	19S	27E		810'	South	1980'	East	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.
320			

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-04560	
		NM-04510	
		NM-04560	
		NM-04510	1980'

OPERATOR CERTIFICATION

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

Cy Cowan
Signature

Cy Cowan
Printed Name

Regulatory Agent
Title

July 10, 2003
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 DRILLING COMPANY
Pecos River Deep Unit #10
 810' FSL and 1980' FEL
 Section 28, T19S-R27E
 Eddy County, New Mexico

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

Queen	960'	Strawn	9520'
San Andres	1880'	Atoka	9730'
Bone Spring Lime	5510'	Morrow Clastics	10260'
3 rd Bone Springs Lime	7460'	Lower Morrow	10370'
Wolfcamp	7930'	TD	10820'
Cisco Canyon	8330'		

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

Water: 200' - 300'
 Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 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 WITNESS
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'	
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2800'	2800'	
8 3/4"	5 1/2"	17#	L-80	LT&C	0-900'	900'	
8 3/4"	5 1/2"	17#	J-55	LT&C	900'-2000'	1100'	
8 3/4"	5 1/2"	15.5#	J-55	LT&C	2000'-6200'	4200'	
8 3/4"	5 1/2"	17#	J-55	LT&C	6200'-8000'	1800'	
8 3/4"	5 1/2"	17#	L-80	LT&C	8000'-9400'	1800'	
8 3/4"	5 1/2"	17#	HCP-110	LT&C	9400'-10820'	2820'	

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

Pecos River Deep Unit #10

Page 2

B. CEMENTING PROGRAM:

Surface casing: 500 sx Class 'C' + 2% CaCl₂ (YLD 1.32 WT 14.8).

Intermediate casing: Lead with 700 sx Lite (YLD 2.0 WT 12.5) Tail in w/200 sx Class C + 2% CaCl₂ (YLD 1.32 WT 14.8).

Production Casing: TOC 7400', Lead w/750 sx Super 'C' (YLD 1.63 WT 13.0)

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 400'	FW Gel/Paper	8.4-8.8	32-34	N/C
400'-2800'	Fresh Water	8.4	28	N/C
2800'-9650'	Cut Brine	8.6-9.6	28	N/C
9650'-10820'	S Gel/KCL/Starch/Drispac	9.6-10.0	32-38	<12cc

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' out from under intermediate casing to TD.

Logging: Platform Express/HALS/NGT.

Coring: None anticipated.

DST's: As Warranted.

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

Anticipated BHP:

From: 0 TO 400' Anticipated Max. BHP: 175 PSI

From: 400' TO 2800' Anticipated Max. BHP: 1225 PSI

From: 2800' TO 10820' Anticipated Max. BHP: 5600 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 189° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

**Yates Drilling Company
Pecos River Deep Unit #10
810' FSL and 1980' FEL
Section 28, T19S-R27E
Eddy 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 18 miles southeast of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia on Highway 285 for approx. 24.5 miles to intersection of Capitan Reef Road and Hwy 285. Turn left on Capitan Reef Road and go approx. 5.8 miles to the intersection of Lake Road and Capitan Reef Road. Turn left on Lake Road (CR-34) and go approx. 0.2 of a mile. Turn right here on Netherland Road (CR-236) and go approx. 3.7 miles. The new road will start here going east for approx. 200 feet to the Pecos River Deep Unit #9 well location. The new road will start here from the southeast corner of the #9 well, going east then northeast for approx. 0.4 of a mile to the southwest corner of the proposed well location.

2. PLANNED ACCESS ROAD:

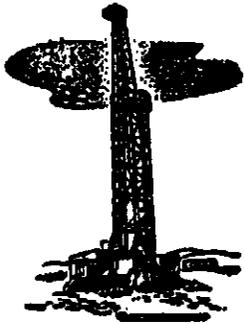
- A. The proposed new access will be approximately 0.4 of a mile in length from the point of origin to the southwest corner of drilling pad. The road will lie in a west to northeast direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Traffic turnouts will not 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 wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are no 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.



YATES DRILLING COMPANY

105 SOUTH FOURTH STREET • ARTESIA, NEW MEXICO 88210

(505) 748-8440 • FAX (505) 748-8470

EMAIL: ydc1@qwest.net

PEYTON YATES
PRESIDENT

S. P. YATES
VICE PRESIDENT

RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: NM-04510

Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM 586000

Section 28, T19S-R27E, S/2SE/4

Eddy County, New Mexico

Formation (s) – (if applicable):

YATES DRILLING COMPANY

Date: June 02, 2005

Cy Cowan, Regulatory Agent

Yates Drilling Company

**105 S. Fourth Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

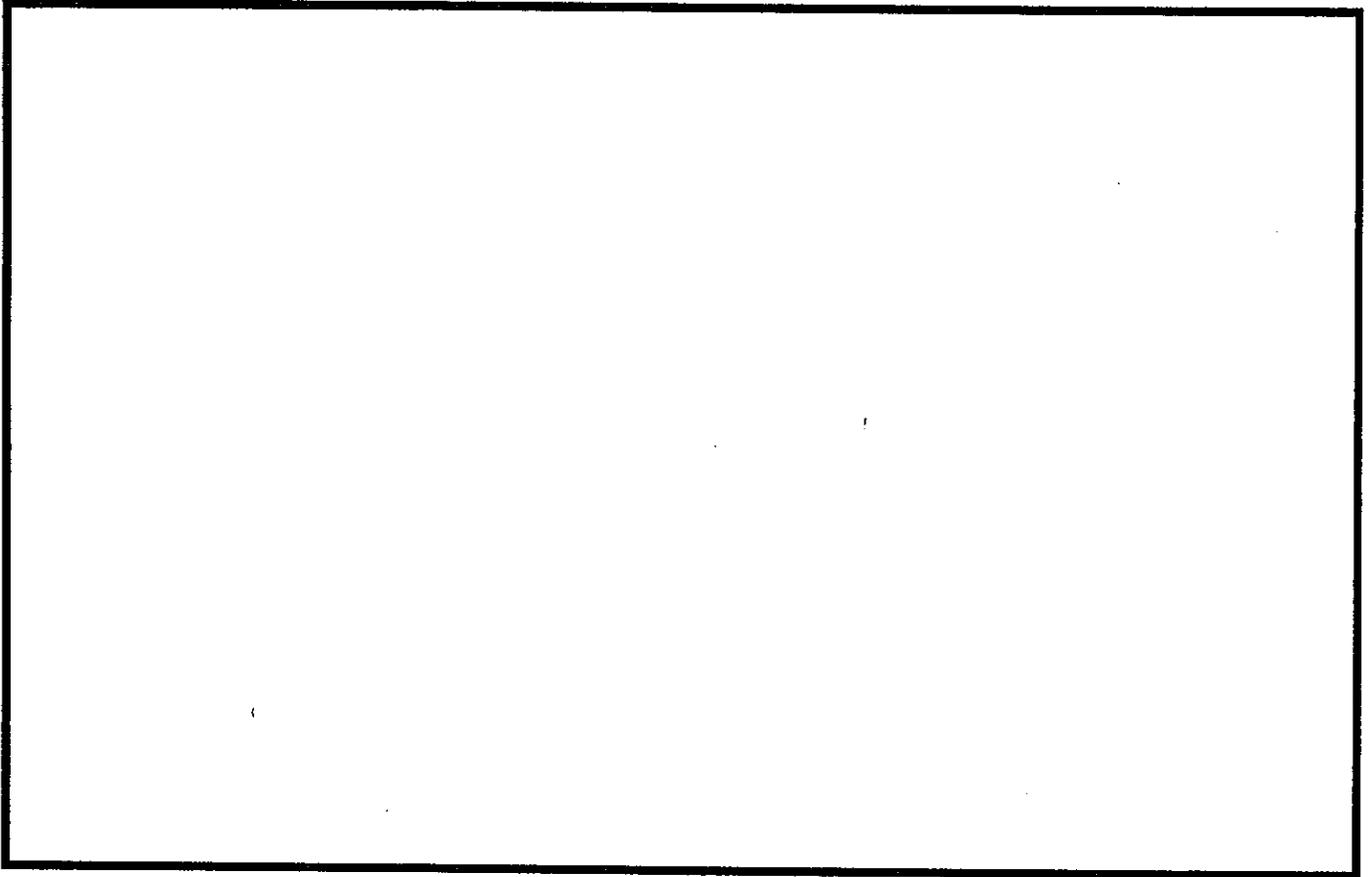
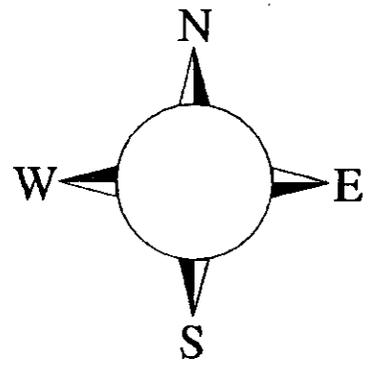
For

YDC/Pecos River Deep Unit #10

**810' FSL and 1980' FEL
Sec-28, T-19S, R-27E
Eddy County NM**

Pejos River Deep Unit #10

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.



Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

YDC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YDC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Drilling Company Phone Numbers

YDC Office	(505) 748-1471
Pinson McWhorter/Operations Manager	(505) 748-4189
Darrel Atkins/Production Manager	(505) 748-4204
Ron Beasley/Prod Superintendent	(505) 748-4210
Al Springer/Drilling	(505) 748-4225
Paul Hanes/Prod. Foreman/Roswell	(505) 624-2805
Jim Krogman/Drilling Superintendent.....	(505) 748-4215
Artesia Answering Service	(505) 748-4302
(During non-office hours)	

Agency Call List

Eddy County (505)

Artesia

State Police	746-2703
City Police.....	746-2703
Sheriff's Office	746-9888
Ambulance	911
Fire Department.....	746-2701
LEPC (Local Emergency Planning Committee)	746-2122
NMOCD.....	748-1283

Carlsbad

State Police	885-3137
City Police.....	885-2111
Sheriff's Office.....	887-7551
Ambulance	911
Fire Department	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544

New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	(505) 827-9126
National Emergency Response Center (Washington, DC)	...(800) 424-8802

Other

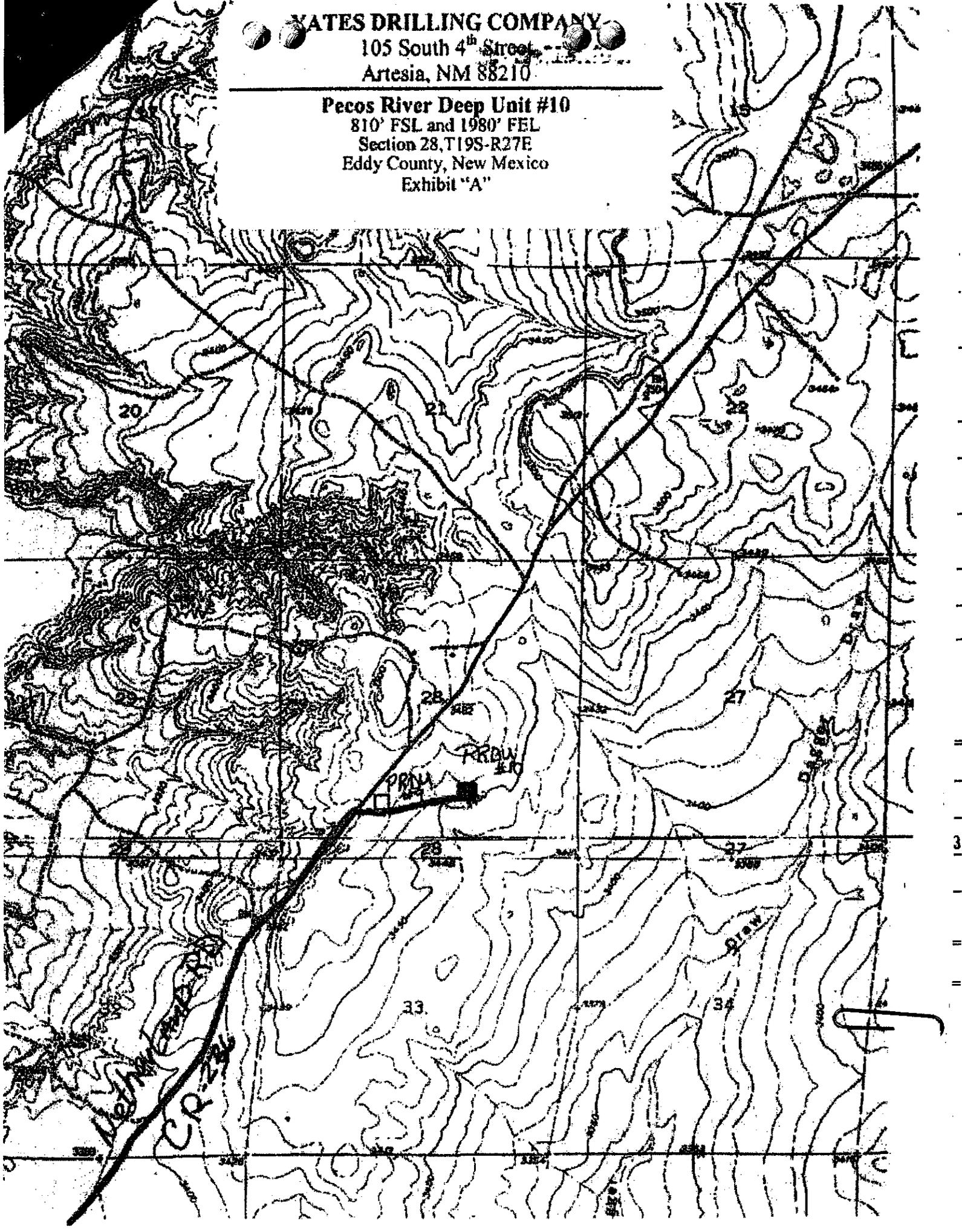
Boots & Coots IWC	1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....	(915) 699-0139 or (915) 563-3356
Halliburton	(505) 746-2757
B. J. Services.....	(505) 746-3569
Flight For Life -4000 24th St, Lubbock, TX	(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuquerque, NM	(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuquerque, NM	(505) 842-4949

NATES DRILLING COMPANY

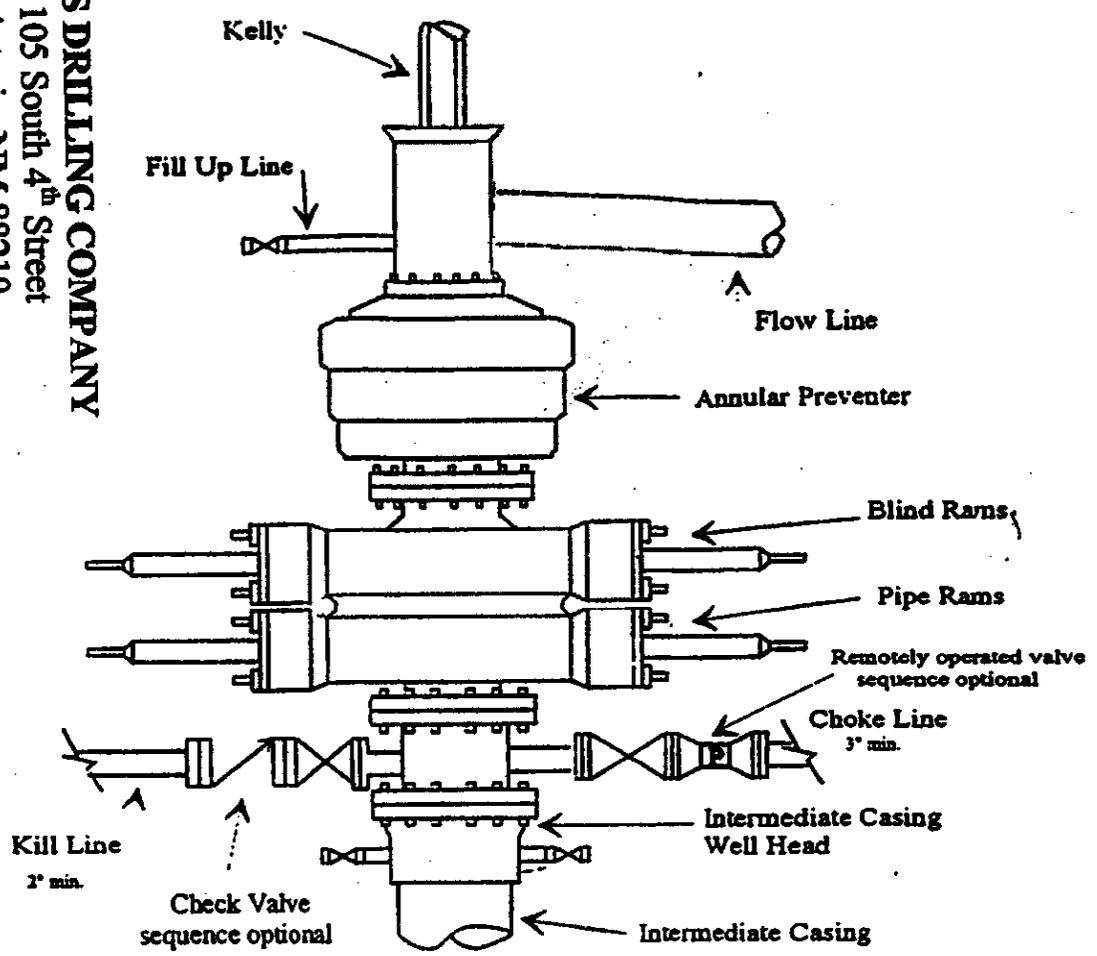
105 South 4th Street
Artesia, NM 88210

Pecos River Deep Unit #10

810' FSL and 1980' FEL
Section 28, T19S-R27E
Eddy County, New Mexico
Exhibit "A"



Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



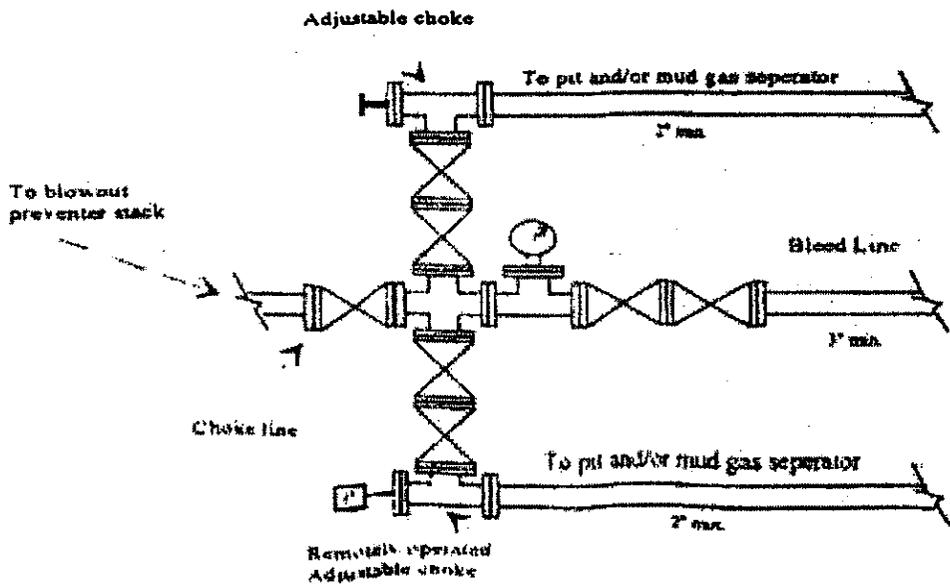
YATES DRILLING COMPANY

105 South 4th Street
Artesia, NM 88210

Pecos River Deep Unit #10

810' FSL and 1980' FHL
Section 28, T19S-R27E
Eddy County, New Mexico
Exhibit "B"

Typical 5,000 psi choke manifold assembly with at least these minimum features



YATES DRILLING COMPANY

Location Layout for Permian Basin
Up to 12,000'
PITS NORTH

YATES DRILLING COMPANY

105 South 4th Street
Artesia, NM 88210

Pecos River Deep Unit #10
810' FSL and 1980' FEL
Section 28, T19S-R27E
Eddy County, New Mexico
Exhibit "C"

