

3160-3
(August 1999)

Please note: This Lease

expires August 31, 2005

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

AUG 01 2005

1a. Type of Work: ☐ DRILL

☒ REENTER

OOD-ARTESIA

b. Type of Well: ☐ Oil Well

☒

Gas

☐

Other

☐

Single

☐

Multiple Zone

2. Name of Operator

Yates Petroleum Corporation

Under Rocky Arroyo Manua

3A. Address 105 South Fourth Street

Artesia, New Mexico 88210

3b. Phone No. (include area code)

(505) 748-1471

4. Location of Well (Report location clearly and in accordance with any State requirements.)*

At surface

1980' FNL and 660' FEL

At proposed prod. Zone

Same

14. Distance in miles and direction from nearest town or post office*

Approximately 43 miles northwest of Carlsbad, New Mexico.

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

640.00

17. Spacing Unit dedicated to this well

E/2

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

.7 of mile

19. Proposed Depth

9100'

20. BLM/BIA Bond No. on file

NM-2811

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

4666' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

24. Attachments

Reenter 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

Cy Cowan

Name (Printed/Typed)

Cy Cowan

Date

6/30/05

Regulatory Agent

Regulatory Agent

Approved by (Signature)

/s/ Joe G. Lara

Name (Printed/Typed)

/s/ Joe G. Lara

Date

JUL 29 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

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)

C-144 attached

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

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

Form C-144
March 12, 2004

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 PETROLEUM CORPORATION Telephone: (505) 748-1471

e-mail address: _____

Address: 105 South Fourth Street, Artesia, NM 88210

Facility or well name: Blondie BHI Federal #2 API #: _____ U/L or Qtr/Qtr H Sec 29S T 21S R 22 E

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

Pit
Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined X Unlined ☐
Liner type: Synthetic X Thickness 12 mil Clay ☐ Volume 20,000 bbl

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

| | | | |
|---|---|-------------|---|
| 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) | 0 |
| 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) | 0 |
| 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) | 0 |
| Ranking Score (Total Points) | | | 0 |

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 X or an (attached) alternative OCD-approved plan ☐.

Date: 7/1/05

Printed Name/Title: Cy Cowan, Regulatory Agent

Signature: 

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.

Approval:

Date: 8/4/05

Printed Name/Title: Mike Bratcher

DIST II

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

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 Blondie BHI Federal | Well Number 2 |
| OGED No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 4666' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| H | 29 | 21S | 22E | | 1980' | North | 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 320 | 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

| | | | | | | |
|--|-----------------|--|--------------|--|-------------|--|
| | <p>NM-95626</p> | | <p>1980'</p> | | <p>660'</p> | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

OPERATOR CERTIFICATION

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

Signature _____

Cy Cowan

Printed Name _____

Regulatory Agent

Title _____

Date July 1, 2005

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

Blondie BHI Federal #2 (Re-entry)

1980' FNL and 660' FEL

Section 29-T21S-R22E

Eddy County, New Mexico

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

| | | | |
|----------------|-------|---------------|-------|
| San Andres | 140' | Canyon | 7320' |
| Glorieta | 2120' | Strawn | 7830' |
| Upper Yeso | 2260' | Atoka | 8270' |
| Tubb | 3160' | Upper Morrow | 8398' |
| Lower Yeso | 3250' | Middle Morrow | 8560' |
| Abo | 3770' | Lower Morrow | 8660' |
| Wolfcamp Pay | 4900' | Chester | 8950' |
| Wolfcamp Shale | 5130' | TD | 9100' |
| Cisco | 6130' | | |

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 zones.

3. Pressure Control Equipment: BOPE will be installed on the 8 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)

| Hole Size | Casing Size | Wt./Ft | Grade | Coupling | Interval | Length |
|-----------|-------------|--------|-------|----------|-------------|-----------------|
| 17 1/2" | 13 3/8" | 48# | H-40 | ST&C | 0-186' | 186' In Place. |
| 11" | 8 5/8" | 32# | J-55 | ST&C | 0-1820' | 1820' In Place. |
| 7 7/8" | 5 1/2" | 17# | J-55 | LT&C | 0-1200' | 1200' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | LT&C | 0-5000' | 5000' |
| 7 7/8" | 5 1/2" | 17# | J-55 | LT&C | 0-1600' | 1600' |
| 7 7/8" | 5 1/2" | 17# | P-110 | LT&C | 1300'-9100' | 7800' |

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

YATES PETROLEUM CORPORATION

Blondie BHI Federal #2 (Re-entry)

1980' FNL and 660' FEL

Section 29-T21S-R22E

Eddy County, New Mexico

Prognosis

This well was originally drilled by Magnolia Petroleum Company as the Golden BHU #1. It was P/A'd January 25, 1949.

Yates Petroleum Corporation proposes to re-enter the captioned well with a pulling unit and reverse unit to drill out cement plugs in the 8 5/8" casing and the 7 7/8" open hole to 3907'. New hole will be drilled to +/- 4400' and will test the Abo formation. A drilling rig will be moved in to drill down to the Morrow formation at +/- 9100'. The hole will be conditioned and a string of 5 1/2" casing will be run to the new TD of 9100' and cemented with a 13 ppg cement slurry up to +/- 1300'. The well will be completed with a pulling unit. Possible formations to be completed include the Morrow, Atoka, Strawn, Canyon, Upper Penn, Wolfcamp and Abo.

B. CEMENTING PROGRAM:

Surface Casing: 0-186' cement unknown in place.

Intermediate Casing 0-1820' 500 sacks in place.

Production Casing: 150 sx Interfil "C" TOC 1500', tail in with
600 sx Super "H" TOC-4350'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|-------------|---------------|------------------|-------------------|
| 0-9100' | Cut Brine | 9.0-9.4 | 35 | <10-15cc |

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 intermediate casing.

Logging: Platform Express/HALS, possible FMI.

Coring: Possible rotary sidewall cores.

DST's: Possible Abo to TD.

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

Anticipated BHP:

| | | | |
|-------------|-----------|----------------------------|-----|
| From: 0 | TO: 400' | Anticipated Max. BHP: 180 | PSI |
| From: 400' | TO: 2150' | Anticipated Max. BHP: 940 | PSI |
| From: 2150' | TO: 9100' | Anticipated Max. BHP: 4560 | PSI |

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None Anticipated

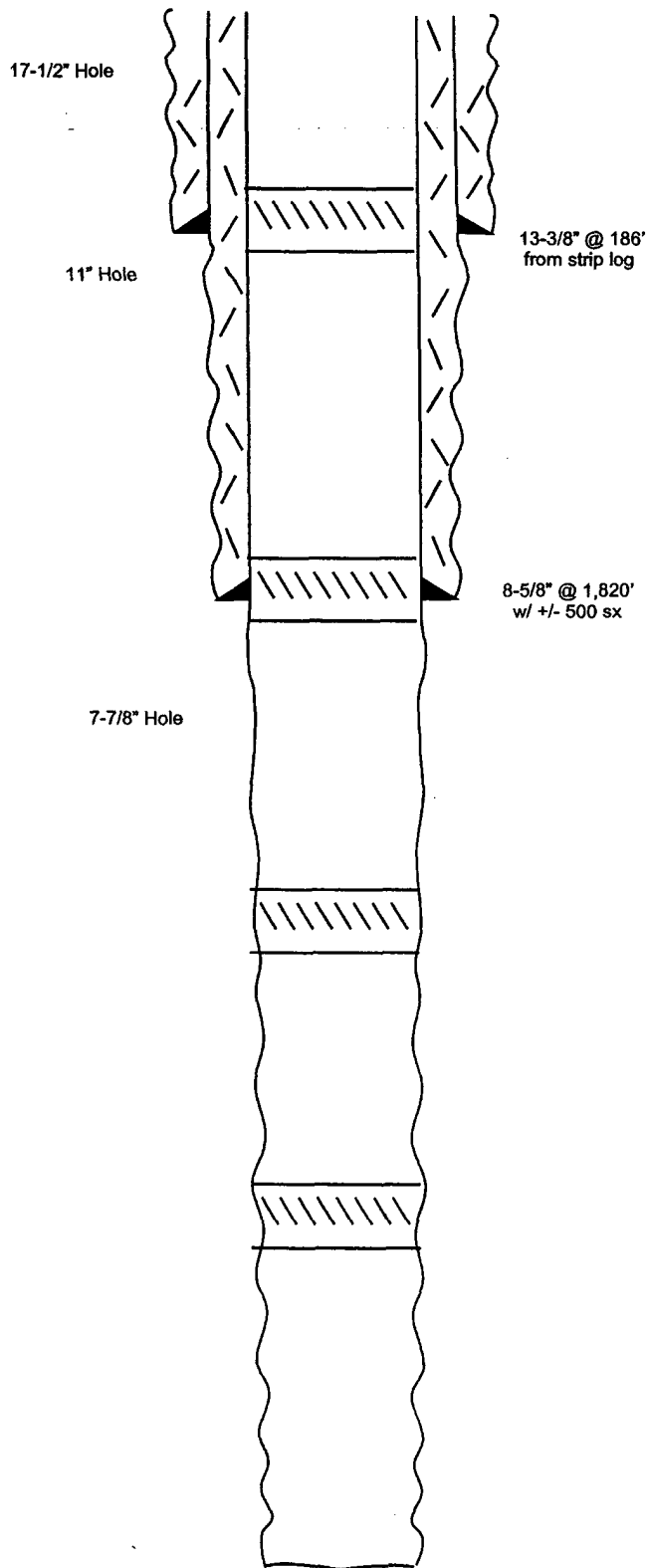
8. ANTICIPATED STARTING DATE:

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.

WELL NAME: Golden (B.H.U.) No. 1 **FIELD:** Wildcat
LOCATION: 1,980' FNL & 660' FEL Sec 29-21S-22E Eddy County NM
GL: _____ **ZERO:** _____ **KB:** _____
SPUD DATE: 09-16-48 **COMPLETION DATE:** 01-25-49
COMMENTS: API No. 30-015-00010

CASING PROGRAM

| | |
|---------------------|--------|
| 13-3/8" 48# ST&C | 186' |
| | |
| 8-5/8" 32# J55 ST&C | 1,820' |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |



Before

Not to Scale
 No plugging
 information was
 available from the
 well file or from
 public data.

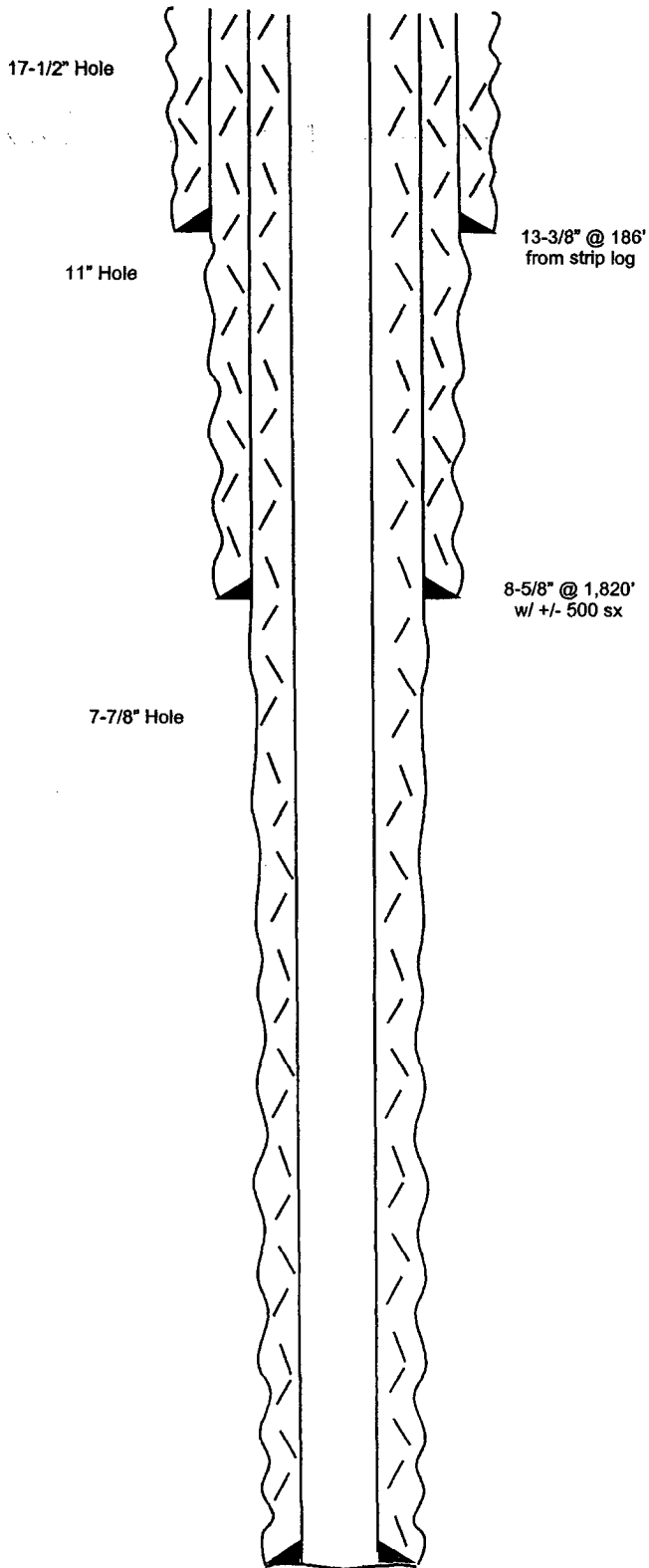
TD 3,907'

WELL NAME: Golden (B.H.U.) No. 1 FIELD: Wildcat
LOCATION: 1,980' FNL & 660' FEL Sec 29-21S-22E Eddy County NM
GL: ZERO: KB:
SPUD DATE: 09-16-48 COMPLETION DATE: 01-25-49
COMMENTS: API No. 30-015-00010

CASING PROGRAM

| | |
|------------------------------|--------|
| 13-3/8" 48# ST&C | 186' |
| 8-5/8" 32# J55 ST&C | 1,820' |
| Surface | |
| 5-1/2" 17# J55 LT&C 1,200' | |
| 5-1/2" 15.5# J55 LT&C 5,000' | |
| 5-1/2" 17# J55 LT&C 1,600' | |
| 5-1/2" 17# P110 LT&C 1,300' | 9,100' |
| Bottom | |

After



Not to Scale

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION**

Blondie BHI Federal #2 (Re-entry)
1980' FNL and 660' FEL
Section 29, T21S-R22E
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 43 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia of Highway 285 for approximately 19 miles to Seven Rivers. Turn West on White Pine Road and go to the Marathon Plant Road. CR 401. Turn west on 401 and go 8 miles to CR 400 (old Car Body here) turn right on CR 400 and go approx. 3.6 miles. The new road will start here going south for approximately .2 of a mile to the northeast corner of the proposed well location.

2. PLANNED ACCESS ROAD:

- A. The new access will be approximately .2 of a mile in length from point of origin to the southeast corner of the drilling pad. The road will lie in a north to south direction. See attached map.
- 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. Some traffic turnouts will may be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

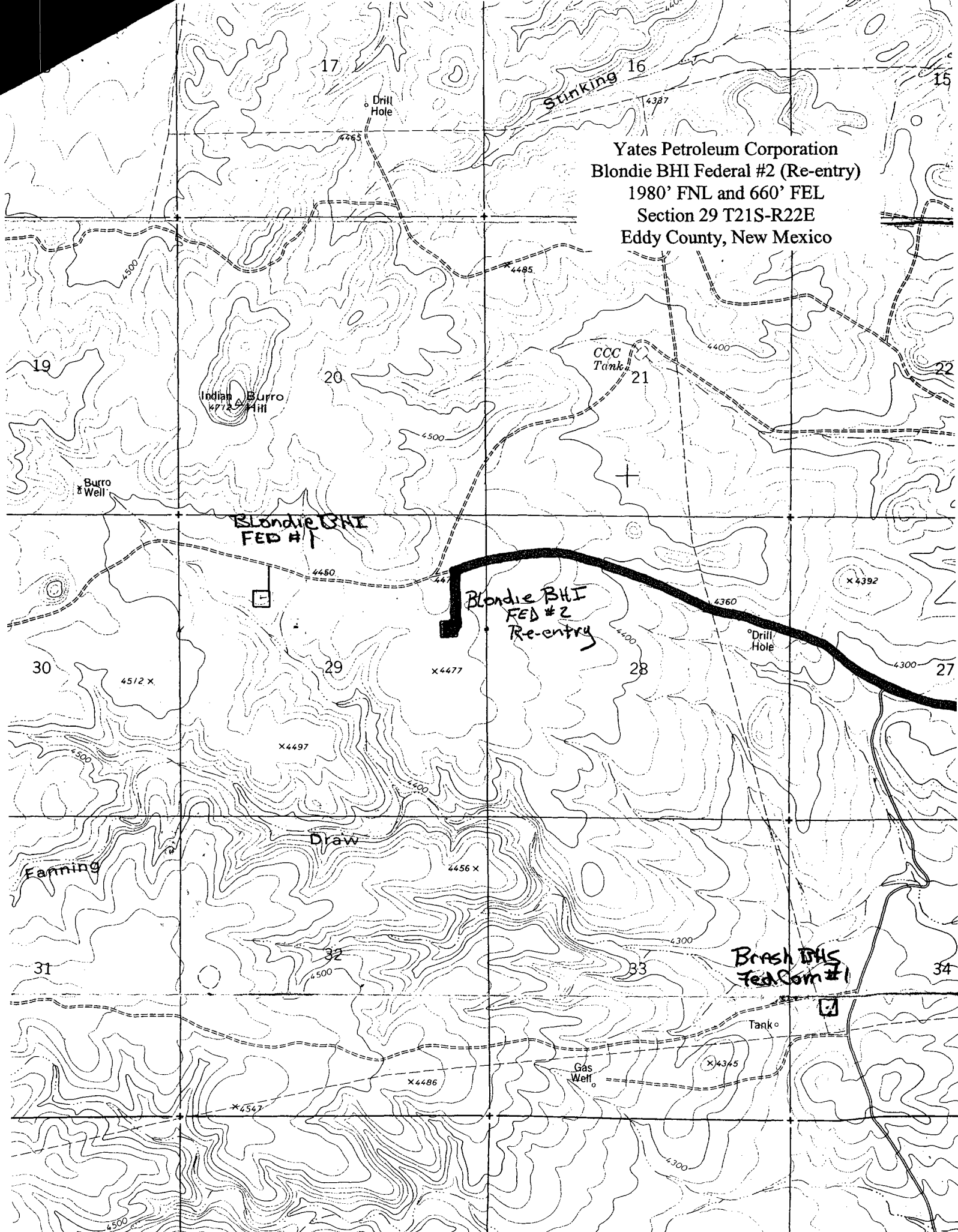
3. LOCATION OF EXISTING WELL:

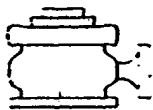
- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit shows existing wells within a one-mile radius of the proposed wellsite.

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 Petroleum Corporation
Blondie BHI Federal #2 (Re-entry)
1980' FNL and 660' FEL
Section 29 T21S-R22E
Eddy County, New Mexico



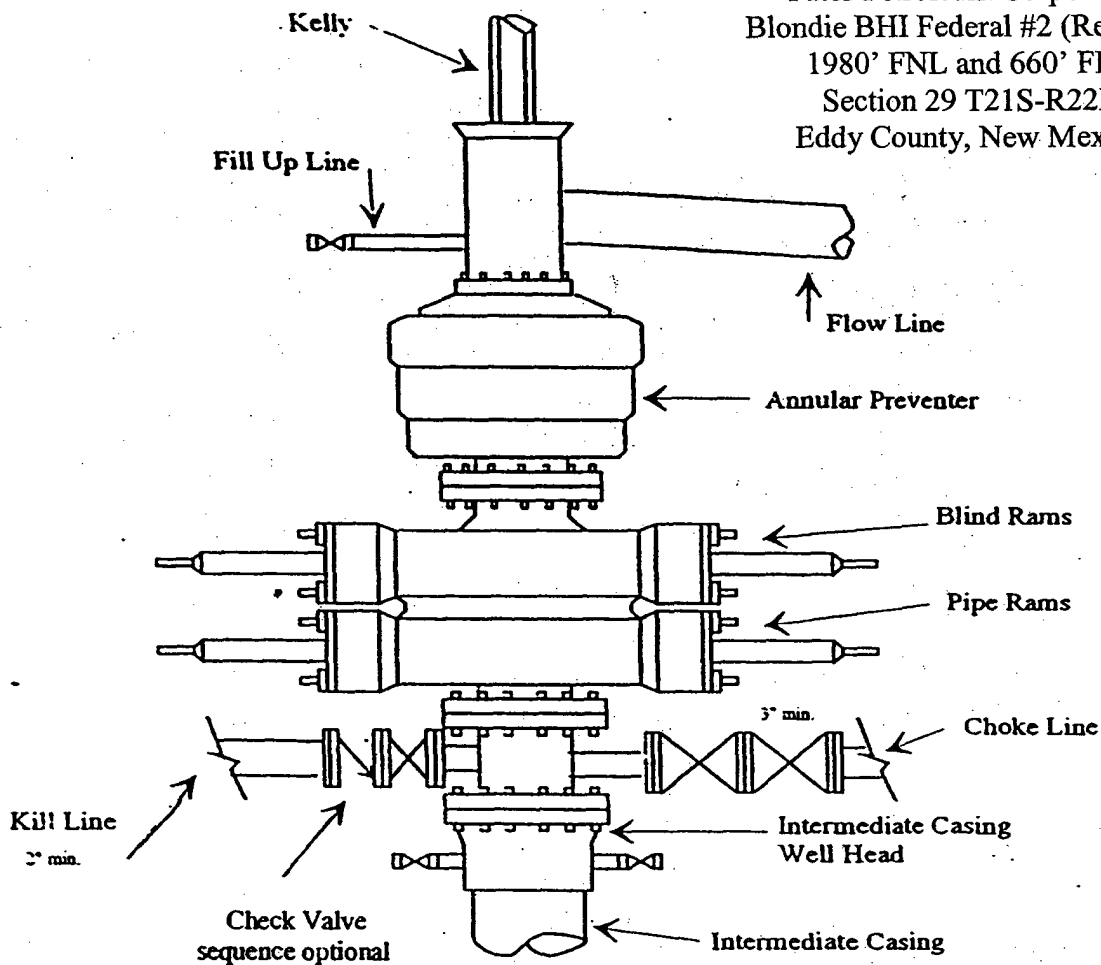


Yates Petroleum Corporation

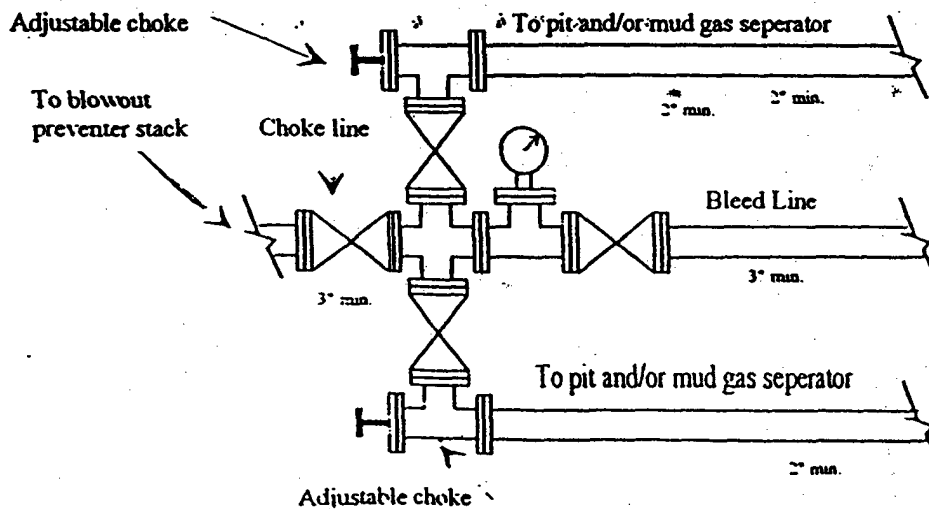
BOP-3

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

Yates Petroleum Corporation
Blondie BHI Federal #2 (Re-entry)
1980' FNL and 660' FEL
Section 29 T21S-R22E
Eddy County, New Mexico



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



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No: Blondie BHI Federal No. 02
Location: Surface 1980' FNL & 660' FEL, Sec. 29, T. 21 S., R. 22 E.
Lease: NMNM 95626
Eddy County, New Mexico
.....

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: Existing casing strings are: 13 3/4 inch to 186 ft., and 9 5/8 inch to 1820 ft. The operator plans to run 5 1/2 inch to TD at 9,100 ft.

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan is not required for this wellbore.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 13 3/4 inch Surface casing string is set at 400 Feet with cement circulated to the surface.

2. The 8 5/8 inch Intermediate casing string is set at 1820 Feet with cement circulated to the surface.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to place TOC at least 500 feet above any potential H-C formations.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed on the 13 3/4 inch casing and operational as described in Onshore Order No. 2. before drilling below the existing 13 3/4 inch surface shoe at 186 feet. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3 M psi. A minimum 2 M psi BOPE is required prior to drilling below the existing 13 3/4 inch casing string. However, the 3 M BOPE shall be in operations on the 13 3/4 inch casing string prior to drilling below the Abo formation. Call the Carlsbad I & E Office for a witness to this test.

III. Pressure Control (continued):

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.