

Please note: This Lease M. Oil Cons. DIV-Dist. 2
expires August 31, 2005, 301 W. Grant Avenue
Artesia, NM 88210

3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

AUG 01 2005

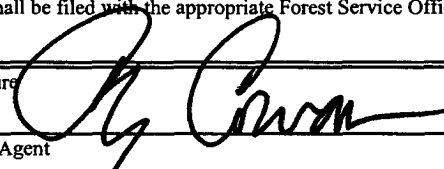
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OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-95626	
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 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.	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 34987 Blondie BHI Federal #1	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-34258	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1425' FNL and 1425' FWL At proposed prod. Zone Same		10. Field and Pool, or Exploratory 96595	
14. Distance in miles and direction from nearest town or post office* Approximately 43 miles northwest of Carlsbad, New Mexico.		11. Sec., T., R., M., or Blk. and Survey or Area Section 29, T21S-R22E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1425'		12. County or Parish Eddy County	
16. No. of Acres in lease 640.00		13. State NM	
17. Spacing Unit dedicated to this well W/2		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. .7 of mile	
19. Proposed Depth 9050'		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 Keenwell 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 	Name (Printed/Typed) Cy Cowan	Date 6/30/05
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 #1 API #: _____ U/L or Qtr/Qtr F Sec 29S T 21S R 22E

County: Eddy Latitude N32°27'09.1" Longitude W104°43'45.7" 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 Cy Cowan

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 Brather

DIST II

Signature Mike Brather

FROM : GENERAL SURVEYING Co
DISTRICT I
 1626 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
 2040 South Pacheco, Santa Fe, NM 87505

FAX NO. : 5053930023
 JCLL 01 1000 000000
 Energy, Minerals and Natural Resources Department

Jun. 29 2005 07:00AM P2
 Revised March 17, 1988
 Instruction on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 8 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 "BH" FEDERAL		Well Number 1
OCRD No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 4466

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
F	29	21S	22E		1425	NORTH	1425	WEST	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>1425'</p> <p>4470 4481</p> <p>1425'</p> <p>4441 4443</p> <p>N.32°27'09.1" W.104°43'45.7" N.528530.7 E.378001.6 (NAD-27)</p>	OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature Cy Cowan Printed Name Regulatory Agent Title July 1, 2005 Date
	SURVEYOR CERTIFICATION <i>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.</i> 6/28/2005 Date Surveyed Signature & Seal of Professional Surveyor Certified by: Herschel L. Jones, No. 3640 General Surveying Company

YATES PETROLEUM CORPORATION

Blondie BHI Federal #1
1425' FNL and 1425' FWL
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	9050'
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 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>Coupling</u>	<u>Interval</u>	<u>Length</u>
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	0-2150'	2150'
8 3/4"	5 1/2"	17#	J-55	LT&C	0-200'	200'
8.3/4"	5 1/2"	15.5#	J-55	LT&C	200'-6700'	6500'
8 3/4"	5 1/2"	17#	J-55	LT&C	6700'-8500'	1800'
8 3/4"	5 1/2"	17#	L-80	LT&C	8500'-9050'	550'

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

B. CEMENTING PROGRAM:

Surface casing: 300 sx Lite "C" (YLD 2.0 WT 12.0). Tail in with 200 sx Class "C" + 2% CaCl₂ (YLD 1.64 WT 13.0).

Intermediate Casing: 700 sx Lite "C" (YLD 12.0 WT 12.5). Tail in w/ 200 sx Class "C" (YLD 1.32 Wt. 14.8).

Production Casing: TOC=1650', Lead with 700 sx Lite (YLD 2.0 WT. 12.4). Tail in with 1400 sx Super "C" (YLD 1.67 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>
0-400'	Freshwater Air Mist	8.4	28	N/C
400'-2150'	Freshwater Air Mist	8.4	28	N/C
2150'-8200'	Cut Brine/6% KCL @ 3700'	9.2-9.6	28	N/C
8200'-TD	Salt Gel/Starch	9.4-9.8	34-40	<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' 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: 9050'	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.

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

Blondie BHI Federal #1
1425' FNL and 1425' FWL
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. 4.1 miles. The new road will start here going south for approximately .1 of a mile to the southeast corner of the proposed well location.

2. PLANNED ACCESS ROAD:

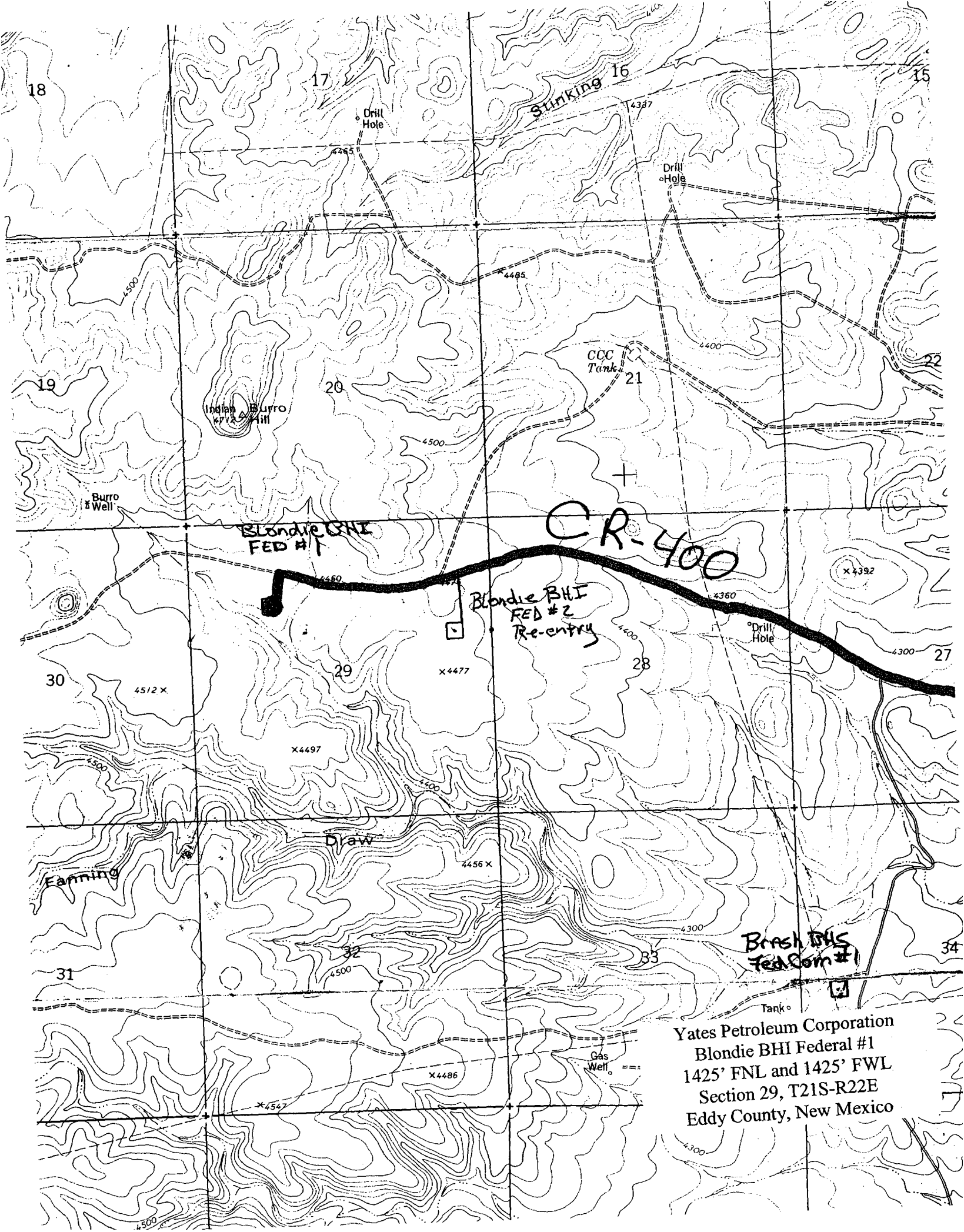
- A. The new access will be approximately .1 of a mile in length from point of origin to the southeast corner of the drilling pad. The road will lie in a north to south direction. See attached map.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control 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.

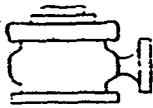


Blondie BHI
FED #1

Blondie BHI
FED #2
Re-entry

Brash BHI
Fed Com #1

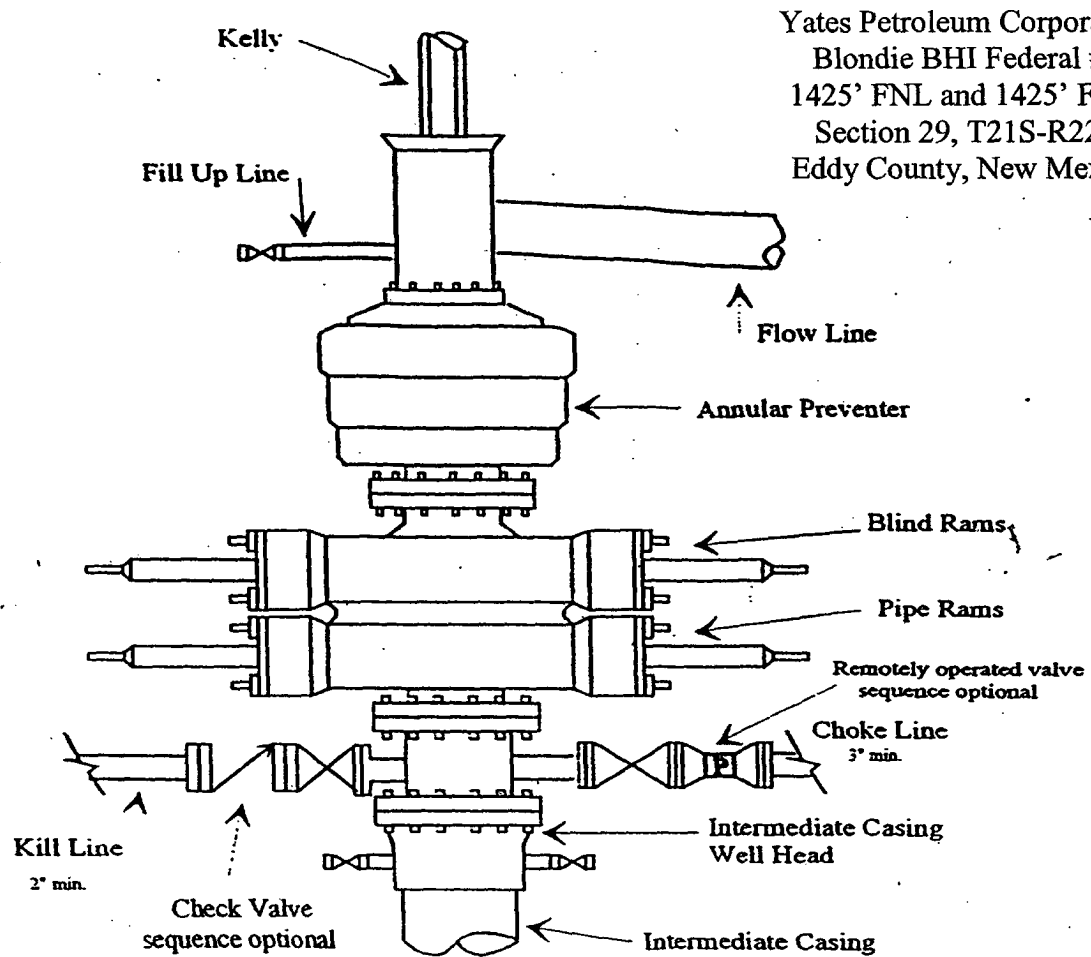
Yates Petroleum Corporation
Blondie BHI Federal #1
1425' FNL and 1425' FWL
Section 29, T21S-R22E
Eddy County, New Mexico



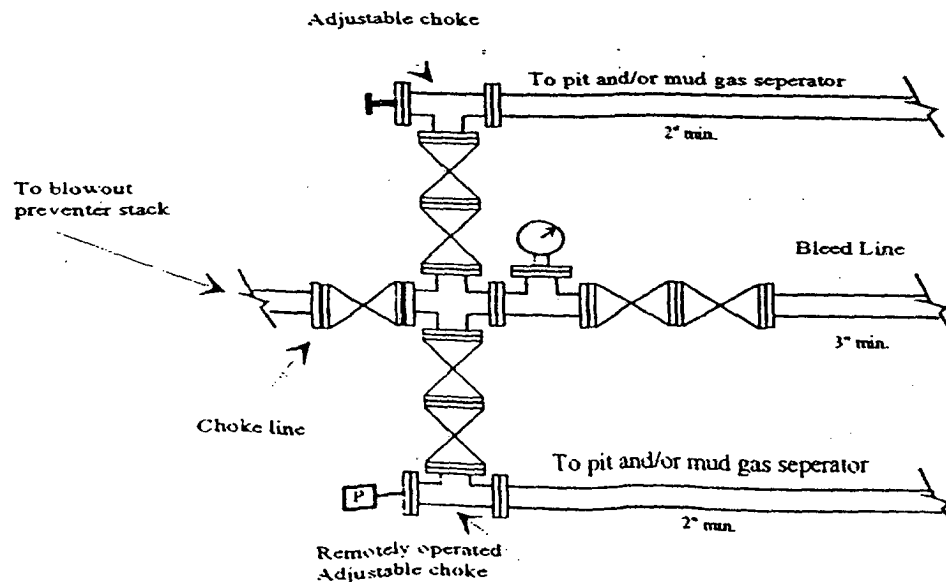
Yates Petroleum Corporation

BOP-4

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



Typical 5,000 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. 01

Location: Surface 1425' FNL & 1425' FWL, Sec. 29, T. 21 S., R. 22 E.

Lease: NMNM 95626

Eddy County, New Mexico

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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: 13 3/8 inch; 9 5/8 inch; 5 1/2 inch.

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 3/8 inch shall be set at 400 Feet with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 9 5/8 inch Intermediate casing is to circulate to surface.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to Tie Back past Intermediate Casing Shoe by at least 500 ft.

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 and operational before drilling below the 13 3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. 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 variance to test the Surface Casing and related BOPE to 1000 psi is approved. However, the 3 M BOPE shall be in operations prior to drilling below the 9 5/8 inch Intermediate Casing Shoe. 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.