

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.

NMNM93459

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

NM 109672X

8. Lease Name and Well No.

Arley Federal Unit #2

9. API Well No.

30-015-34142

10. Field and Pool, or Exploratory

Wildcat

11. Sec., T., R., M., or Blk, and Survey or Area

Sec. 18, T20S-R23E Mer NMP

12. County or Parish

Eddy County

13. State

NM

1a. Type of Work: ☒ DRILL ☐ REENTER

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

2. Name of Operator

Yates Petroleum Corporation

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 **SWSW 460' FSL and 635' FWL**

At proposed prod. Zone **Same**

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

Approximately 42 Miles SW of Artesia, New Mexico

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

635

16. No. of Acres in lease

1198.88

17. Spacing Unit dedicated to this well

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

2 miles

19. Proposed Depth

8450 MD

20. BLM/BIA Bond No. on file

NM-2811

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

4253 GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

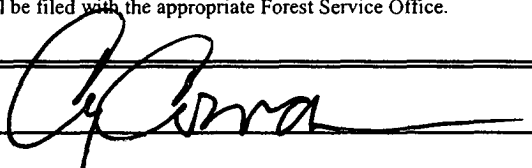
24. Attachments

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

11/11/2005

Title:

Regulatory Agent / Land Department

cy@ypcnm.com

Approved by (Signature)

/s/ James Stovall

Name (Printed/Typed)

/s/ James Stovall

Date

FEB 24 2006

Title

**ACTING
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)

Previously Approved

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

Roswell Controlled Water Basin

Witness Surface Casing

1156 - 4834

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 Wildcat
⁴ Property Code	⁵ Property Name Arley Federal Unit		⁶ Well Number 2
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation		⁹ Elevation 4253

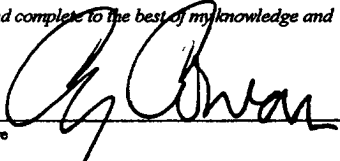
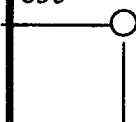
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lot 4	18	20S	23E		460	South	635	West	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 318.88	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

NM-93459				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 11/09/2004 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
	635'	 460'		

YATES PETROLEUM CORPORATION

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18-T20S-R23E
Eddy County, New Mexico

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

San Andres	Surface	Strawn	6793'
Glorieta	1509'	Atoka	7730'
Upper Yeso	1709'	Morrow Clastics	8040'
Tubb	2903'	Middle Morrow	8065'
Lower Yeso	3047'	Lower Morrow	8205'
Abo	3559'	Base Morrow Clastics	8300'
Wolfcamp	4653'	Chester LM	8370'
Cisco	5843'	TD	8450'

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 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>Coupling</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1400'	1400'
8 3/4"	5 1/2"	17#	J-55	LT&C	0-100'	100'
8 3/4"	5 1/2"	15.5#	J-55	LT&C	100-6800'	6700'
8 3/4"	5 1/2"	17#	N-80	LT&C	6800'-8450'	1550'

WITNESS

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

B. CEMENTING PROGRAM:

Surface casing: 900 sx Lite + 25#/sx Celloflake+ 2% CaCL2 + 5sx LCM-1 + 6% Bentonite.
Tail in with 200sx C + 2% CaCL2.

Production Casing: TOC=4200', 800 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>
0-1400'	FW Spud Mud/Air Mist	8.4-8.6	28-36	N/C
1400'-7200'	FW/Cut Brine	8.4-9.2	28	N/C
7200'-TD	Salt Gel/Starch/4% KCL	9.2-9.6	34-36	<10-12cc

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/sonic; possible FMI.
Coring: Possible Rotary Sidewall Cores
DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 1400'	Anticipated Max. BHP: 600	PSI
From: 1400'	TO: 8450'	Anticipated Max. BHP: 4200	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**

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18-T20S-R23E
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 42 miles Southwest 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 to Rock Daisy Road (CR-23). Turn west on Rock Daisy Road and go approx. 17.5 miles to Armstrong Road (CR-12). Turn south on Armstrong Road and go 0.5 of a mile to Deer Canyon Road (CR-24). Turn west on Deer Canyon Road and go approx. 1.6 miles. Turn left on faint two-track road going south. Follow two-track road for approx. 0.5 of a mile to dry hole marker for the Max Wilson #1 Lynn Wildernhel well. The new road will start here going southeast for approx. 0.4 of a mile to the northeast corner of the proposed well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will go southeast for approximately 0.4 of a mile to the northeast 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 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 no 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.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES:

None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Surface, Administered by Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

- A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

- B. Through Drilling Operations, Completions and Production:
Pinson McWhorter,
Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471


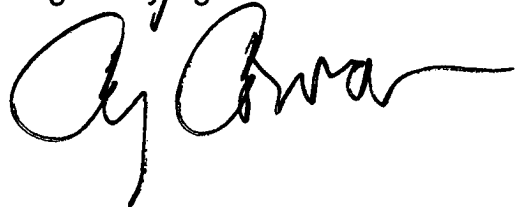
14. CERTIFICATION:

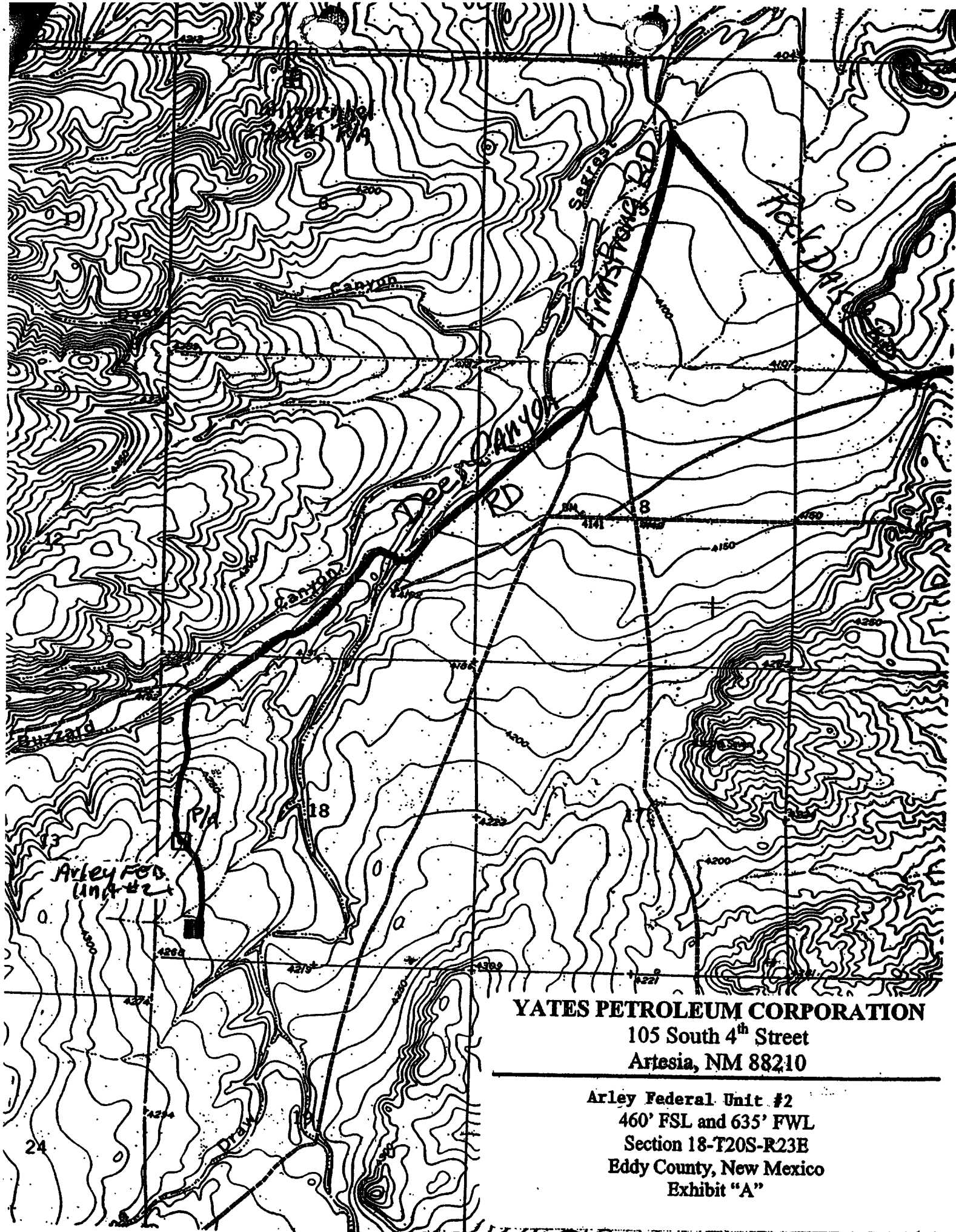
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

~~11/09/04~~

11/16/2005

Regulatory Agent



YATES PETROLEUM CORPORATION

105 South 4th Street

Artesia, NM 88210

Arley Federal Unit #2

460' FSL and 635' FWL

Section 18-T20S-R23E

Eddy County, New Mexico

Exhibit "A"

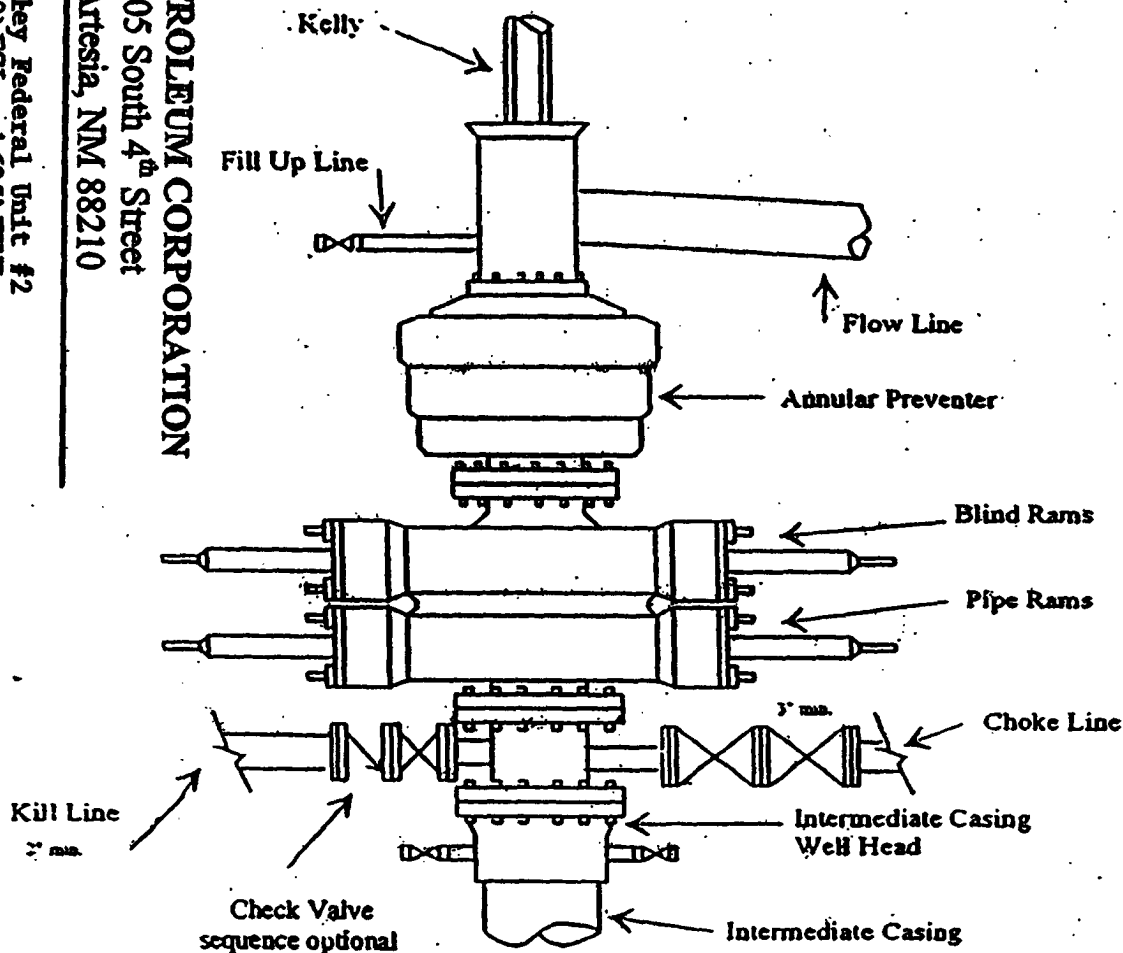
Yates Petroleum Corporation
Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack

BOP-3

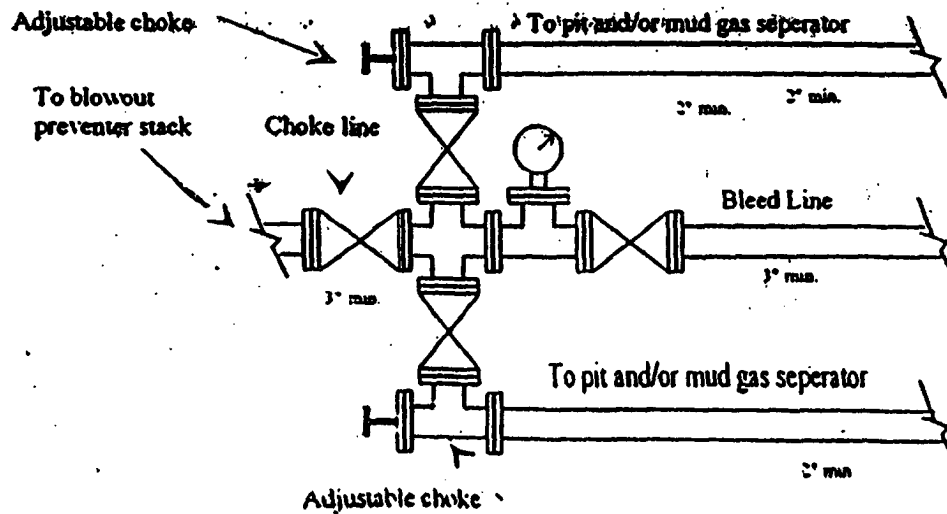
YATES PETROLEUM CORPORATION

105 South 4th Street
 Artesia, NM 88210

Arley Federal Unit #2
 460' FSL and 635' FWL
 Section 18-T20S-R23E
 Eddy County, New Mexico
 Exhibit "B"



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. Arley Federal Unit #2 - RESUBMITTAL
Location: 460' FSL, 635' FWL, Section 18, T. 20 S., R. 23 E., Eddy County, New Mexico
Lease: NM-93459

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

- A. Well spud
- B. Cementing casing: 9-5/8 inch 5-1/2 inch
- C. BOP tests

2. 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.

3. 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.

4. 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 surface casing shall be set at approximately 1400 feet and 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 5-1/2 inch production casing is to reach at least 500 feet above the top of the uppermost potential hydrocarbon bearing interval.

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 9-5/8 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 3000 psi.

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

- The tests 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 a safe workman-like manner. Hard line connections shall be required.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the **Wolfcamp** formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

11/20/02

12/01/05 - rev

acs