

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

RECEIVED

JUN 07 2006


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		7. If Unit or CA Agreement, Name and No.	
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		8. Lease Name and Well No. <b>33534</b> <b>Cabana Federal Com #1</b>	
2. Name of Operator <b>Yates Drilling Company</b>		9. API Well No. <b>30-015-34926</b>	
3A. Address <b>105 South Fourth Street</b> <b>Artesia, New Mexico 88210</b>		3b. Phone No. (include area code) <b>(505) 748-1471</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>707' FNL &amp; 1596' FEL</b> At proposed prod. Zone <b>Same</b>		10. Field and Pool, or Exploratory <b>Lake Shore, Morrow</b>	
14. Distance in miles and direction from nearest town or post office* <b>Approximately 24 miles northeast of Loving, New Mexico.</b>		11. Sec., T., R., M., or Blk, and Survey or Area <b>Section 12, T20S-R26E</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>707'</b>		16. No. of Acres in lease <b>400.00</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>2640'</b>		17. Spacing Unit dedicated to this well <b>320.00</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3366 GL</b>		19. Proposed Depth <b>10500'</b>	
22. Approximate date work will start* <b>ASAP</b>		20. BLM/BIA Bond No. on file <b>NM-0344 Nm 2178</b>	
23. Estimated duration		24. Attachments <b>Carlsbad Controlled Water Basin</b>	

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 	Name (Printed/Typed) <b>Cy Cowan</b>	Date <b>1/19/2006</b>
Title: <b>Regulatory Agent/Land Department</b>		
Approved by (Signature) <b>/s/ Tony J. Herrell</b>	Name (Printed/Typed) <b>/s/ Tony J. Herrell</b>	Date <b>MAY 22 2006</b>
Title <b>FIELD MANAGER</b>		Office <b>CARLSBAD FIELD OFFICE</b>

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.

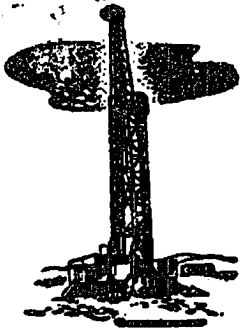
\*(Instructions on reverse)

C-144 attached

Previously Approved

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

29.5



# 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 Number: LC-049945-A

Bond Coverage: Individually Bonded

Legal Description of Land:

NM-110343: NW/4, SE/NE/4

LC-049945-A: N/2/NE/4, SW/NE/4

Section 12, T20S-R26E

Eddy County, New Mexico

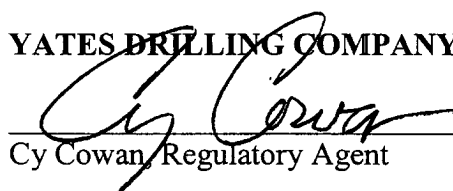
BLM Bond File Number: NM 2178

Formations(s) (if applicable):

N/A

Date: April 21, 2006

YATES DRILLING COMPANY

  
Cy Cowan, Regulatory Agent

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2006 APR 27 PM 1:24  
BUREAU OF LAND MANAGEMENT  
CARLSBAD OFFICE

DISTRICT I  
1625 N. French Dr., Hobbs, NM 87400

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Artesia, 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 97304	Pool Name Lake Shore; Morrow
Property Code	Property Name Cabana Federal Com.	Well Number 1
OGRID No. 025513	Operator Name YATES DRILLING COMPANY	Elevation 3366'

Surface Location

UL or lot No. B	Section 12	Township 20S	Range 26E	Lot Idn	Feet from the 707'	North/South line North	Feet from the 1596'	East/West line East	County Eddy
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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

NM-110343		707'	
		LC-049945A	1596'
			NM-110343

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

April 21, 2006

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**  
**Cabana Federal Com. #1**  
 707' FNL and 1596' FEL  
 Section 12, T20S-R26E  
 Eddy County, New Mexico

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

Queen	650'	Atoka	9630'
San Andres	1620'	Upper Morrow	9970'
Bone Spring Lime	2700'	Morrow Clastics	10030'
3 <sup>rd</sup> Bone Springs Lime	7320'	Lower Morrow	10300'
Wolfcamp	7800'	TD	10500'
Strawn	9320'		

**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>
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	0-2700'	2700'
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'	1400'
8 3/4"	5 1/2"	17#	HCP-110	LT&C	9400'-10500'	1100'

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

**B. CEMENTING PROGRAM:**

Surface casing: 500 sx Class 'C' + 2% CaCl<sub>2</sub> (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% CaCl<sub>2</sub> (YLD 1.32 WT 14.8).

Production Casing: TOC 7300', 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	32-40	N/C
400'-2700'	Fresh Water	8.4	28	N/C
2700'-9600'	Cut Brine	8.6-9.6	28	N/C
9600'-10500'	S Gel/KCL/Starch/Driscap	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 2700'	Anticipated Max. BHP: 1200	PSI
From: 2700'	TO 10500'	Anticipated Max. BHP: 5500	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H<sub>2</sub>S 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**  
**Cabana Federal Com. #1**  
707' FNL and 1596' FEL  
Section 12,T20S-R26E  
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 22 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. From intersection of Lake Road (CR-34) and Capitan Reef Road (CR-30) turn left on Lake Road and go approx. 0.2 of a mile to Netherland Road. Turn right here and go approx. 0.5 of a mile. The new road will start here going west for approx. 0.3 of a mile to the northwest corner of the Cabana Federal Com. #1 well pad.

**2. PLANNED ACCESS ROAD:**

- A. The proposed new access will be approximately 0.3 of a mile in length from the point of origin to the southwest corner of drilling pad. The road will lie in a southeast to north 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.

**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:**

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

**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 within 90 days after abandonment.

**11. SURFACE OWNERSHIP: 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**

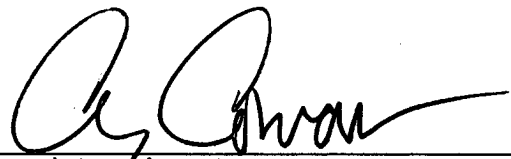
A. Through A.P.D. Approval:  
  
Cy Cowan, Regulatory Agent  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-1471

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.

1/19/2006

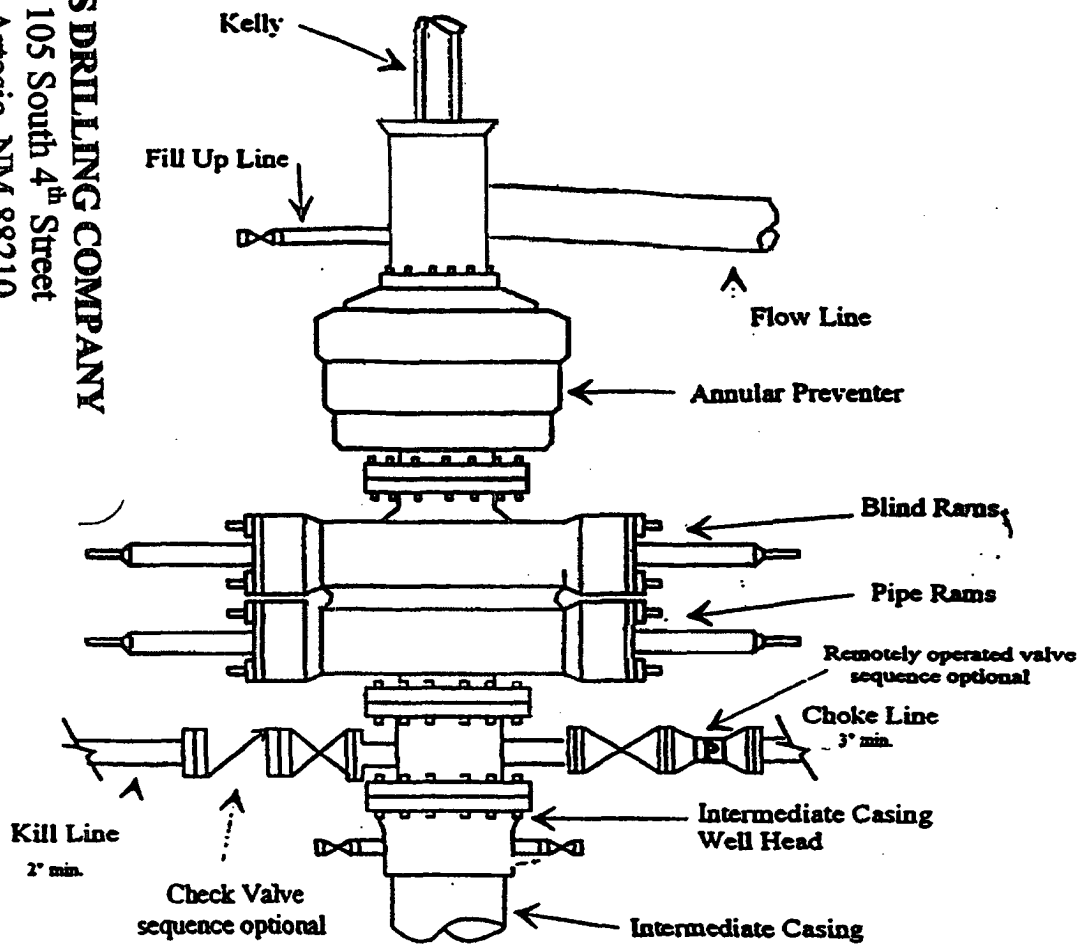
  
\_\_\_\_\_  
Regulatory Agent



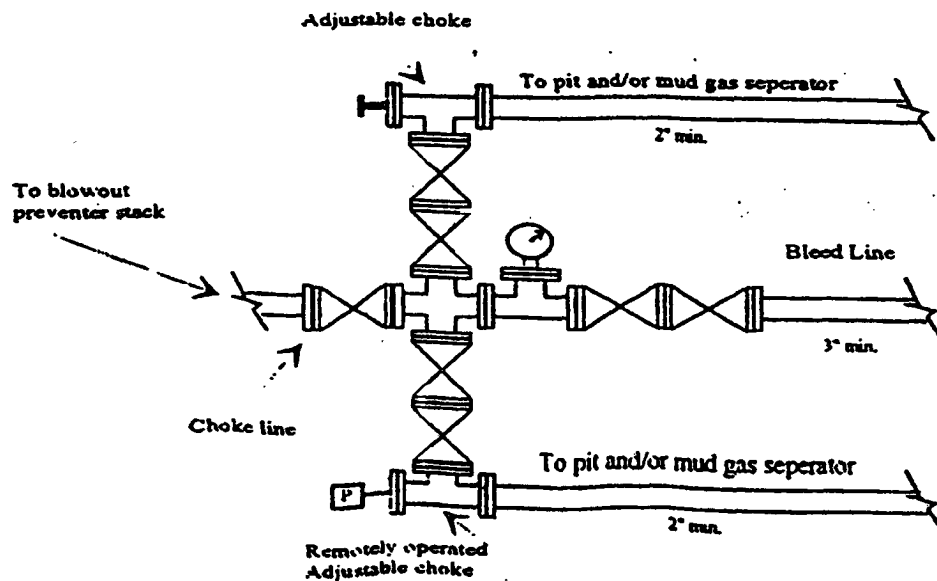
# YATES DRILLING COMPANY

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



**YATES DRILLING COMPANY**

105 South 4<sup>th</sup> Street  
Artesia, NM 88210

**Cabana Federal Com. #1**

707' FNL and 1596' FEL

Section 12, T20S-R26E

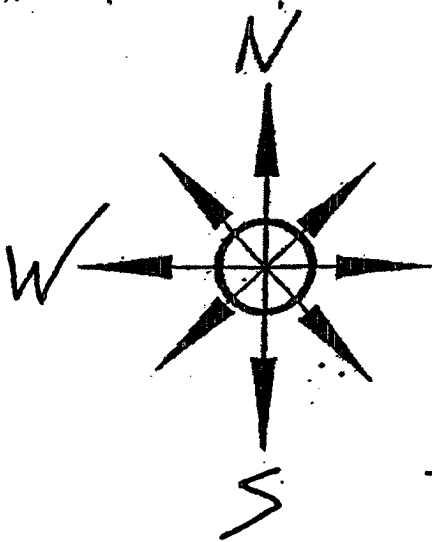
Eddy County, New Mexico

Exhibit "B"

# YATES DRILLING COMPANY

PB - L1

Location Layout for Permian Basin  
Up to 12,000'

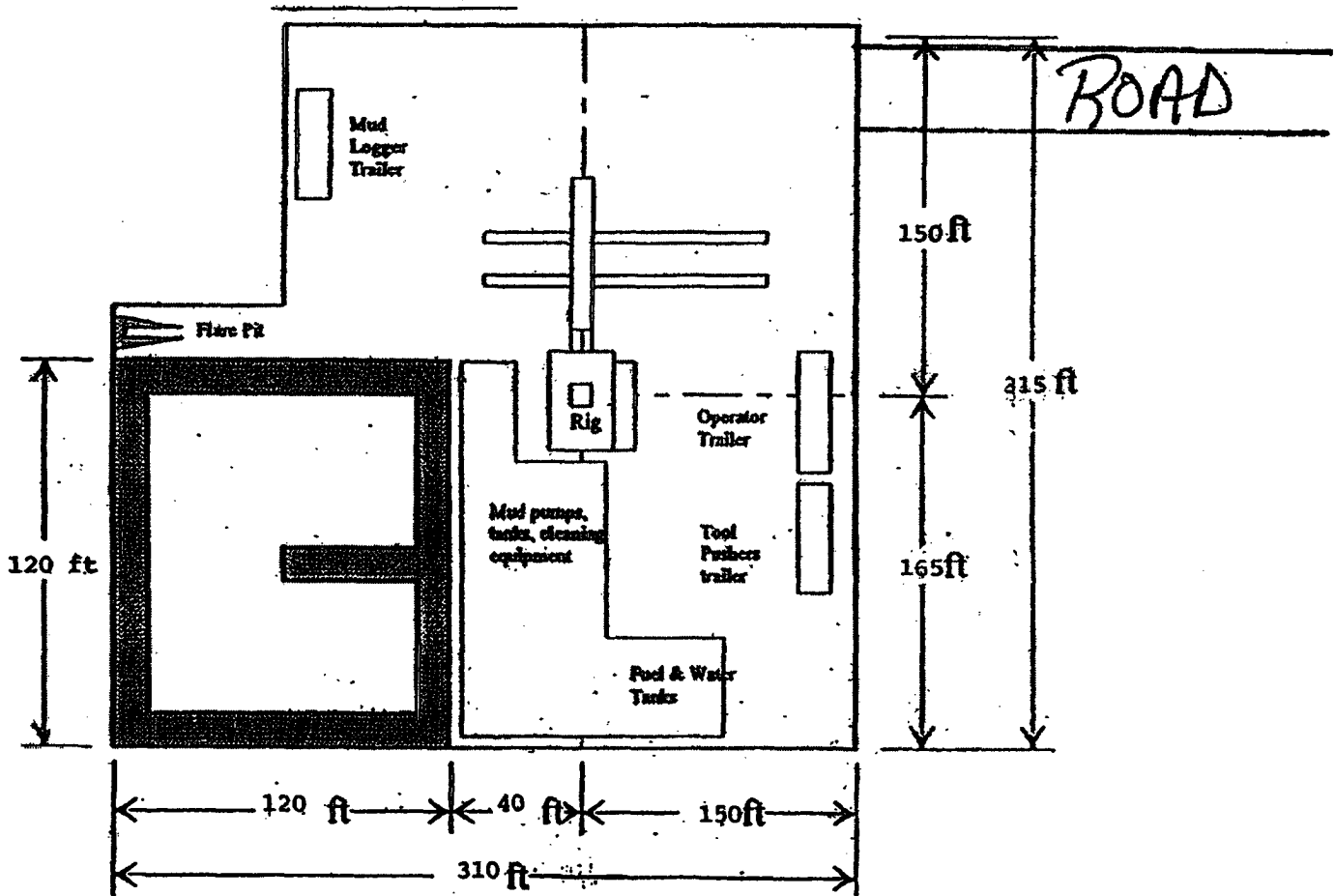


*E Pits West*

## YATES DRILLING COMPANY

105 South 4<sup>th</sup> Street  
Artesia, NM 88210

**Cabana Federal Com. #1**  
707' FNL and 1596' FEL  
Section 12, T20S-R26E  
Eddy County, New Mexico  
Exhibit "C"



Distance from Well  
Head to Reserve Pit  
will vary between rigs

The above dimension  
should be a maximum

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Drilling Company  
Well Name & No: Cabana Federal Com No. 01  
Location: Surface 707' FNL & 1596' FEL, Sec.12, T. 20 S. R. 26 E.  
Lease: NMLC 049945-A  
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 (H<sub>2</sub>S) Drilling Plan is not required for this well bore.
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.
6. A Communitization Agreement must be filed in this office prior to any sales from the well.

### 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. Surface casing must be pressure tested as in on shore orders No 02.
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 place TOC estimated to be at 2700 ft in depth.

### 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.

**(III Pressure Control Cont):**

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3 M psi. prior to drilling below the 9 5/8 inch casing shoe.

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.