

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

OCD-ARTESIA

RECEIVED

JUN - 9 2006

OCD-ARTESIA

14-06-16
5/2/06

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.

NM-97851

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

Patterson AQL Federal #1

9. API Well No.

30-015-34950

10. Field and Pool, or Exploratory

Wildcat Bone Springs

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

Section 4, T23S-R23E

12. County or Parish

Eddy County

13. State

NM

APPLICATION FOR PERMIT TO DRILL OR REENTER

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 460' FNL & 660' FEL; Unit A
At proposed prod. Zone Same

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

Approximately 40 miles south of Artesia, 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

320

17. Spacing Unit dedicated to this well

40

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

19. Proposed Depth
3600'

20. BLM/BIA Bond No. on file
585997

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

4245' GR

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

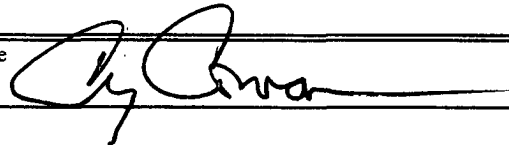
24. Attachments

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/Land Department

Date

5/2/2006

Title:

Regulatory Agent/cy@ypcnm.com

Approved by (Signature)

/S/ Russell E. Sorensen

Name (Printed/Typed)

/S/ Russell E. Sorensen

Date

JUN 07 2006

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)

Previously Approved

C-144 attached

DECLARED WATER BASIN
CEMENT BEHIND THE 9 5/8"
CASING MUST BE CIRCULATED

WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

DISTRICT II

811 South First, Artesia, NM 88210

DISTRICT III

1900 Elie Branch Rd., Aztec, NM 87410

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87506

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 96053	Pool Name WILDCAT; Bore Springs
Property Code	Property Name Patterson AOL Federal	Well Number 1
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4260

Surface Location

UL or lot No.	Section	Township	Range	Lot Lin	Feet from the	North/South line	Feet from the	East/West line	County
A	4	23S	23E		460	North	660	East	Eddy

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Lin	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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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

				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 1/29/02 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

Patterson "AQL" Federal #1
460' FNL and 660' FEL
Sec. 4-T23S-R23E
Eddy County, State New Mexico

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

San Andres	1075'
Glorieta	2180'
Yeso	2310'
Bone Spring	3510'
TD	3600'

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

Water: 940'
Oil or Gas: All potential zones

3. **Pressure Control Equipment:** BOPE will be installed on the 9 5/8" casing and rated for 2000 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>
14 3/4'	9 5/8"	36#	J-55	ST&C	0-1100'
8 3/4"	5 1/2"	15.5#	J-55	LT&C	0-3600'

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

B. CEMENTING PROGRAM:

Surface Casing: Lead with 200 sx "H" 12% Thixad, 10#/sx Gilsonite, 1/2#/sx Celloseal and 400sx Light, 1/4# sx Celloceal. Yield 2.05 (cu. ft)/sx, tail with 200sx "C". Yield 1.57 (cu. ft)/sx.

Production Casing: Lead with 625 sx Super "C" (11 Fumed Cilica, 8 Hyseal, 1/4 Celloseal)/#/sx. Yield 1.76 (cu. ft)sx.

5. MUD PROGRAM AND AUXILLIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0 - 1100'	FW Spud Mud	8.3-8.5	28-34	N/C
1100'-3600'	Cut Brine	8.5-8.7	28-30	<20

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: From 10' under surface casing.
 Logging: CNL/LDT, DLL w RXO
 Coring: None.
 DST's: None.

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

From: 0	TO: 1100'	Anticipated Max. BHP: 450	PSI
From: 1100'	TO: 3600'	Anticipated Max. BHP: 1400	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 135° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION

Patterson AQL Federal #1
460' FNL and 660' FEL
Sec. 4-T23S-R23E
Eddy County, State 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 well site is located approximately 42 miles south of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Carlsbad, New Mexico on Highway 285 for 12.5 miles to Highway 137. Turn west and go approx. 18.5 miles to the Sacahuiste KE Federal #1 location. Access road will start here using existing Right-of-Way NM-93086.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 4,600' length from the point of origin to the southeast corner of the drilling pad. The road will lie in a west to east then south 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. 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 drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

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 obtain any 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 well site 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: Federal Surface, Administered by the 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: | B. Through Drilling Operations, Completions and Production: |
| Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | 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.

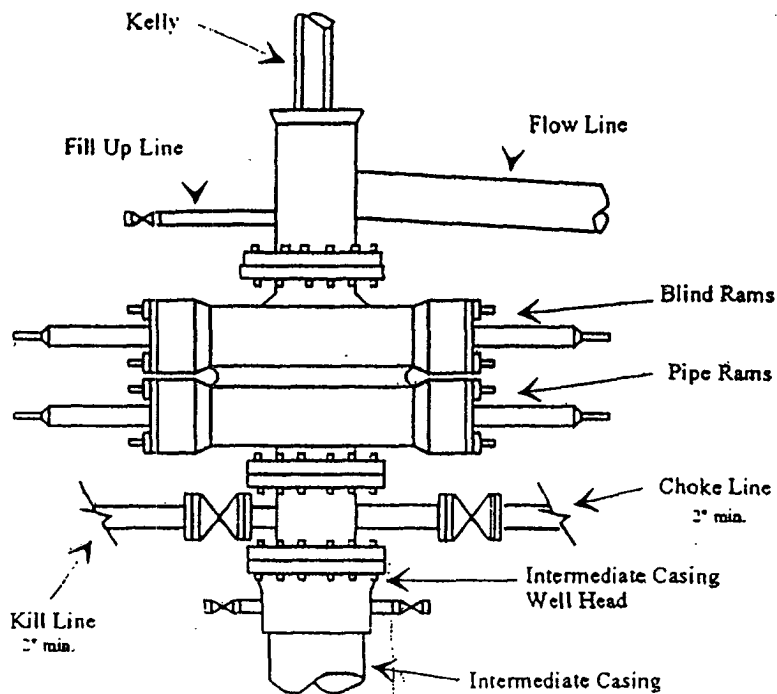
5/2/2006


Regulatory Agent

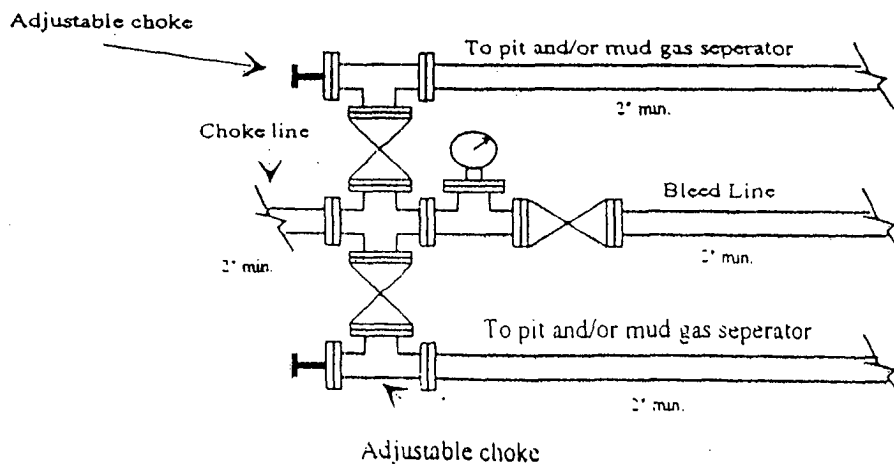
Yates Petroleum Corporation

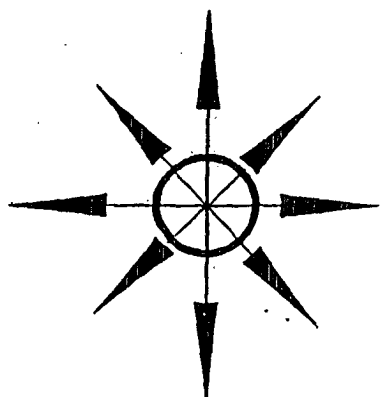
BOP-2

Typical 2,000 psi Pressure System Schematic Double Ram Preventer Stack



Typical 2,000 psi choke manifold assembly with at least these minimum features





Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

YATES PETROLEUM CORPORATION

105 South 4th Street

Artesia, NM 88210

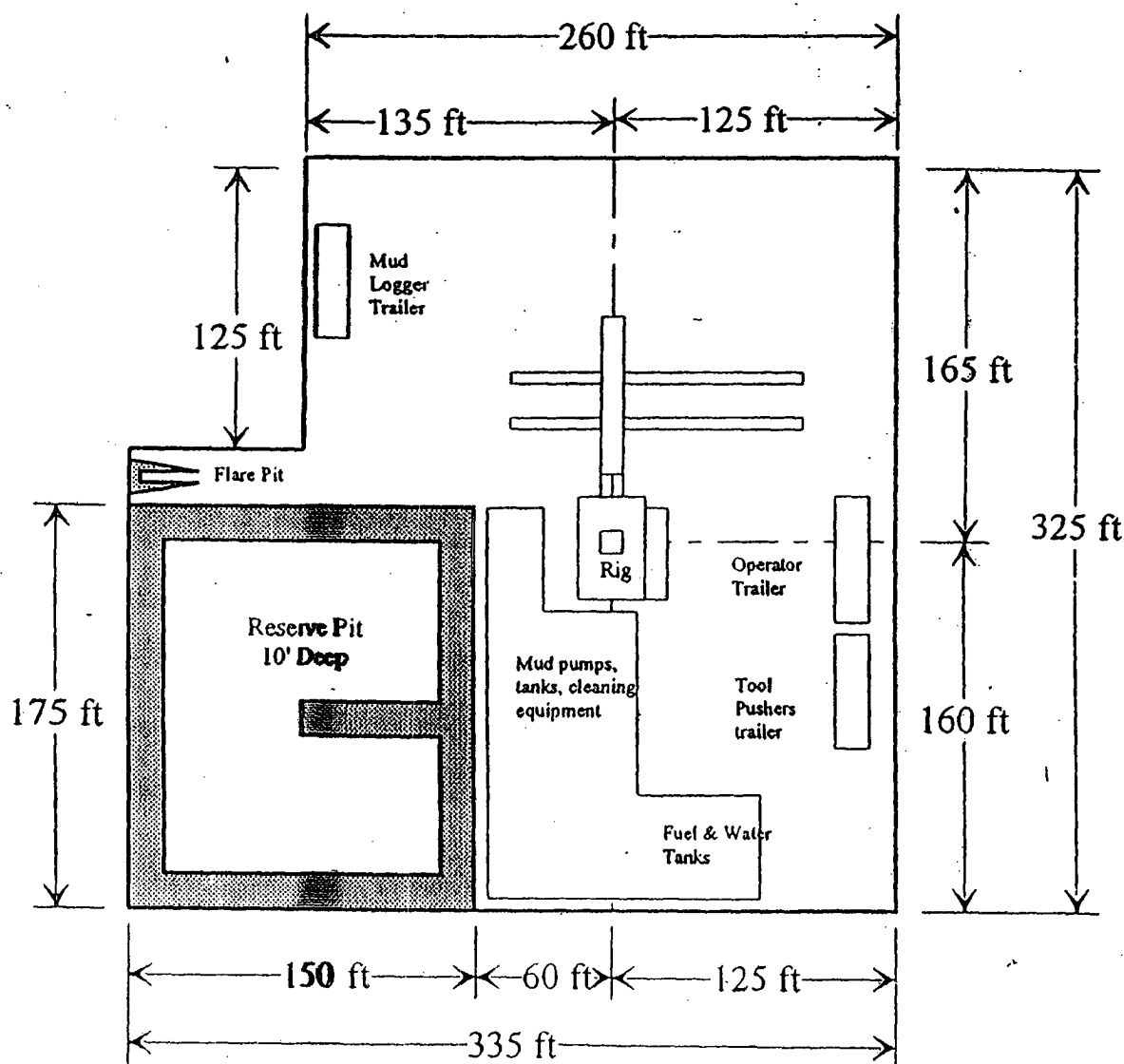
Patterson AQL Federal #1

660' FNL & 660' FEL

Section 4-T23S-R23E

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 Petroleum Corporation Well No. 1 – Patterson AQL Federal

Location: 460' FNL & 660' FEL sec. 4, T. 23 S., R. 23 E.

Lease: NM-97851

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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 9-5/8 inch 7 inch

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. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

II. CASING:

1. 9-5/8 inch surface casing should be set at approximately 1100 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field 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. Minimum required fill of cement behind the 7 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

III. PRESSURE CONTROL:

1. Before drilling below the 9-5/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling below the 9-5/8 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The results of the test shall be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

B. 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.

C. Testing must be done in a safe workman like manner. Hard line connections shall be required.