

DEF

BUREAU

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

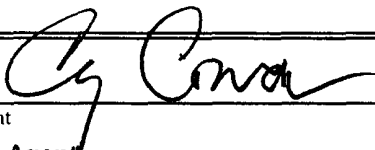
APPLICATION FOR PERMIT TO DRILL OR REENTER

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 checked="" type="checkbox"/> Oil Well <input 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>20474</b> <b>Corral Draw AQH Federal #3</b>	
2. Name of Operator <b>Yates Petroleum Corporation</b>		9. API Well No. <b>30-015-35069</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>860' FSL and 2080' FWL</b> At proposed prod. Zone <b>Same</b>		10. Field and Pool, or Exploratory <b>Bone Spring EGSI</b>	
14. Distance in miles and direction from nearest town or post office* <b>Approximately 36 miles east of Malaga, New Mexico</b>		11. Sec., T., R., M., or Blk. and Survey or Area <b>Section 13, T24S-R29E</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>.3 of mile.</b>		16. No. of Acres in lease <b>320.00</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>.3 of mile</b>		17. Spacing Unit dedicated to this well <b>NE/NW</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3078' GL</b>		19. Proposed Depth <b>9250'</b>	
22. Approximate date work will start* <b>ASAP</b>		20. BLM/BIA Bond No. on file <b>585997</b>	
23. Estimated duration <b>45 days</b>			

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.  | 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>6/20/2006</b>
Regulatory Agent		
Regulatory Agent		
Approved by (Signature) <b>/s/ Don Peterson</b>	Name (Printed/Typed) <b>/s/ Don Peterson</b>	Date <b>AUG 02 2006</b>
Title <b>ACTING 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.

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

Witness Surface Casing

5-17  
29.5

**DISTRICT IV**  
**2040 South Pacheco, Santa Fe, NM 87505**

**Form C-102**  
**Revised March 17, 1993**  
**Instruction on back**  
**Submit to Appropriate District Office**  
**State Lease - 4 Copies**  
**Fee Lease - 3 Copies**

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

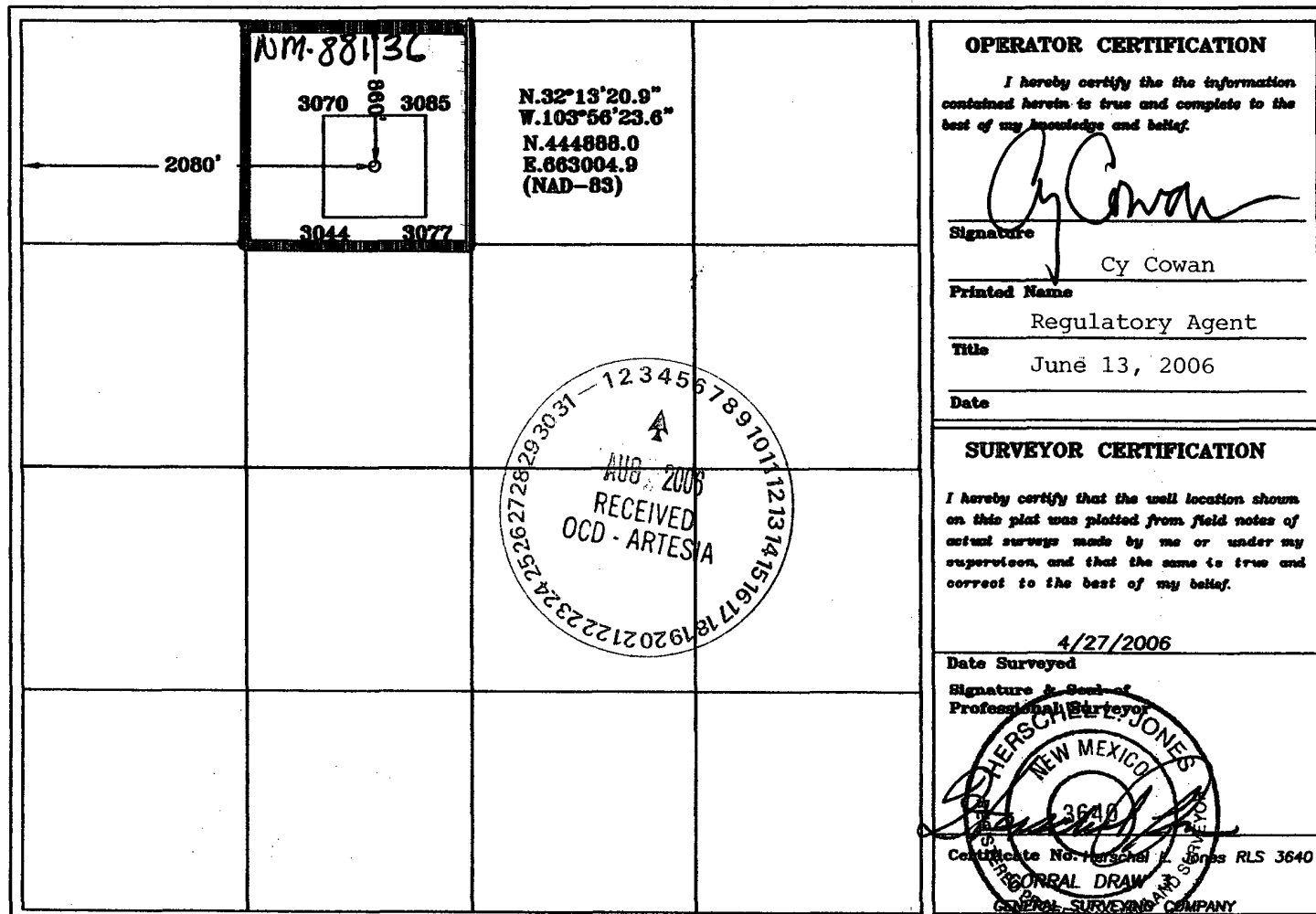
☐ AMENDED REPORT

API Number		Pool Code 96473	Pool Name Undas Pierce Crossing Bone Spring East
Property Code	Property Name CORRAL DRAW "AQH" FEDERAL		Well Number 3
OGHD No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3078

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	24S	29E		860	NORTH	2080	WEST	EDDY

UL or lot No.	Section	Township	Range	Lot 1km	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			



0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0

**YATES PETROLEUM CORPORATION**  
**Corral Draw AQH Federal #3**  
860' FNL & 2080' FWL  
Section 13-T24S-R29E  
Eddy County, New Mexico

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

Rustler	330'	Brushy Canyon Marker	5360'
Top of Salt	450'	Brushy Canyon	6700'
Base of Salt	3015'	Bone Spring	6970'
Bell Canyon	3220'	TD	9250'
Cherry Canyon	4090'		

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

Water: Approx 150'

Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" 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>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-500'	500'
11"	8 5/8"	32#	J-55	ST&C	0-100'	100'
11"	8 5/8"	24#	J-55	LT&C	100'-2200'	2100'
11"	8 5/8"	32#	J-55	ST&C	2200'-3200'	1000'
7 7/8"	5 1/2"	17#	J-55	ST&C	0-500'	500'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	500'-7200'	6700'
7 7/8"	5 1/2"	17#	J-55	LT&C	7200'-9250'	2050'

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

**WITNESS****B. CEMENTING PROGRAM:**

Surface casing: 350 sx Lite "C" (YLD 2.01 WT 12.4); Tail in w/ 200 sx Class "C" + 2% CaCl<sub>2</sub> (YLD 1.34 WT 14.8).

Intermediate Casing: 825 sx Lite (YLD 2.01 WT 11.9); Tail in w/ 200 sx "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT. 14.8)

Production Casing: Stage I: TOC 6500', 550 sx Super "H" (YLD 16.7 WT 13.0) DV tool + packer at 6500'. Tail in w/ 50 sx Thixset (YLD 1.4 WT 14.4).  
Stage II: 550 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 50 sx Premium (YLD 1.3 WT 14.8)

**5. Mud Program and Auxiliary Equipment:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-500'	FW/Spud Mud	8.4-8.6	30-34	N/C
500'-3200'	Brine	10.0-10.2	28	N/C
3200'-5150'	Cut Brine	8.8-9.1	28-29	N/C
5150'-9250'	Cut Brine/Starch	8.8-9.2	28-32	<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: 30' samples surface to 3000'; 10' samples 3000'-TD.

Logging: Platform HALS; CMR.

Coring: None Anticipated.

DST's: As warranted.

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

Anticipated BHP:

From: O	TO: 500'	Anticipated Max.	BHP: 220	PSI
From: 500'	TO: 3200'	Anticipated Max.	BHP: 1700	PSI
From: 3200'	TO: 9250'	Anticipated Max.	BHP: 4400	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H<sub>2</sub>S Zones Anticipated: None

Maximum Bottom Hole Temperature: 168 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 Petroleum Corporation**

**Corral Draw, AQH Federal #3**

**860' F<sub>2</sub>L<sup>N</sup> & 2080' FWL**

**Section 13-T24S-R29E**

**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 36 miles east of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

#### **DIRECTIONS:**

Go east of Carlsbad on Highway 62-180 to State Road 31. Turn south on 31 and go to Highway 128 (Jal Highway). Turn left on HWY 128 and go approximately 4 miles to Rawhide Road (CR-793). Turn south here on CR-793 and go approx. 3.4 miles. Follow County road to the left going for approx. .2 of a mile. Turn south on county road and follow it for approx. 3.5 miles. At this point there will be a tank on the left and a lease road with powerline going west. Turn west here on lease road and go approx. 1.1 miles. Turn left here on lease road and go approx. .7 of a mile. The new road will start here going southwest for approx. .2 of a mile to the northeast corner of the proposed well location.

### **2. PLANNED ACCESS ROAD.**

- A. The proposed new access will be approximately .2 of a mile in length going southwest to the northeast corner of the drilling pad.
- 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 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 D shows existing wells within a one-mile radius of the proposed wellsite.

### **4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES**

- A. There are 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 fresh 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 closest 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 land fill. 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 and will face to the east. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- C. A 600' x 600' 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 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:

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:

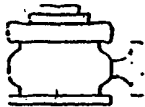
Pinson McWhorter, Operations Manager  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-1471

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.

6/20/2006

  
Regulatory Agent



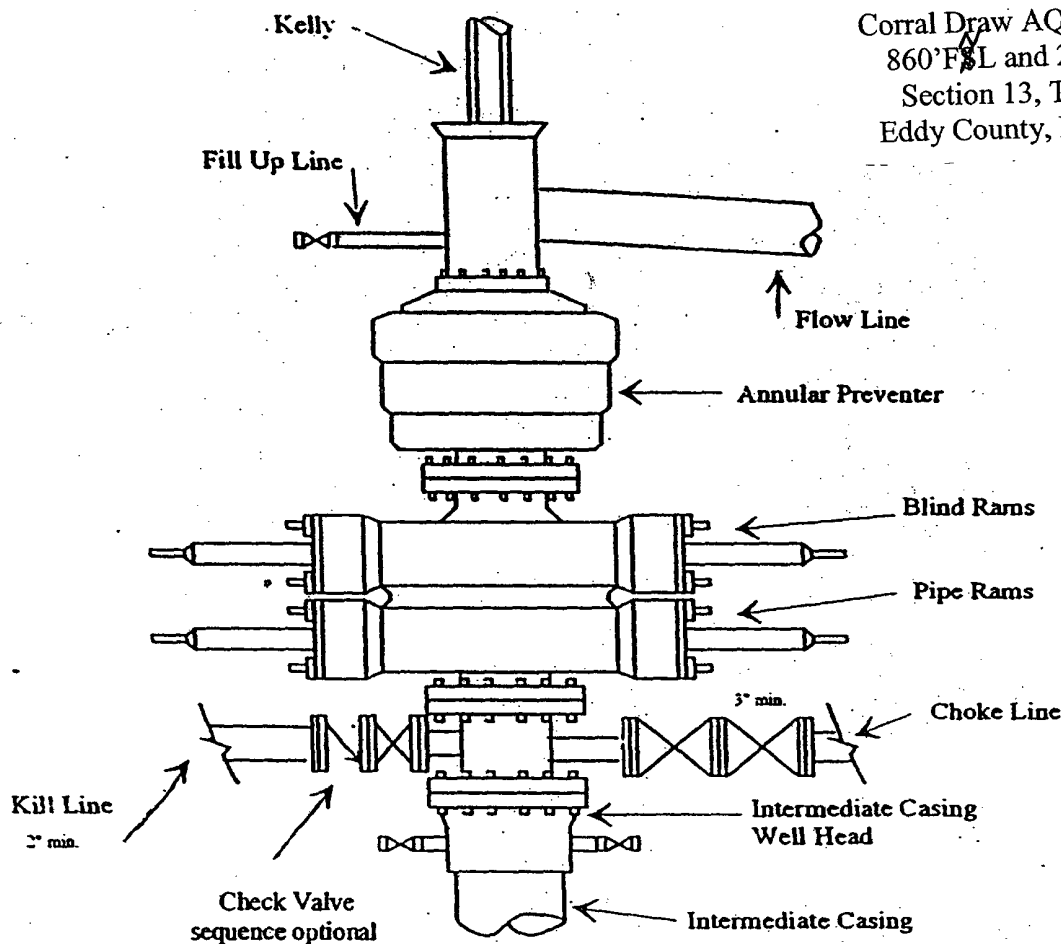
# Yates Petroleum Corporation

BOP-3

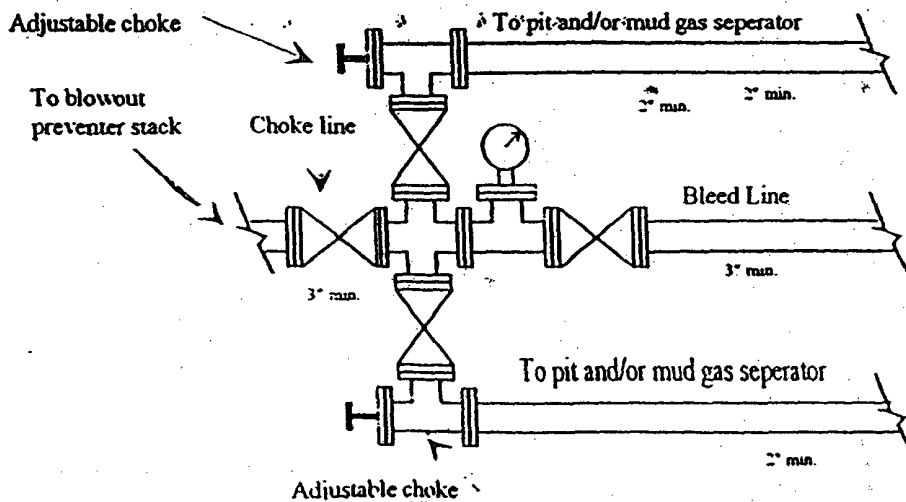
## Typical 3,000 psi Pressure System Schematic

### Annular with Double Ram Preventer Stack

Yates Petroleum Corporation  
Corral Draw AQH Federal #3  
860' FSL and 2080' FWL  
Section 13, T24S-R29E  
Eddy County, New Mexico



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



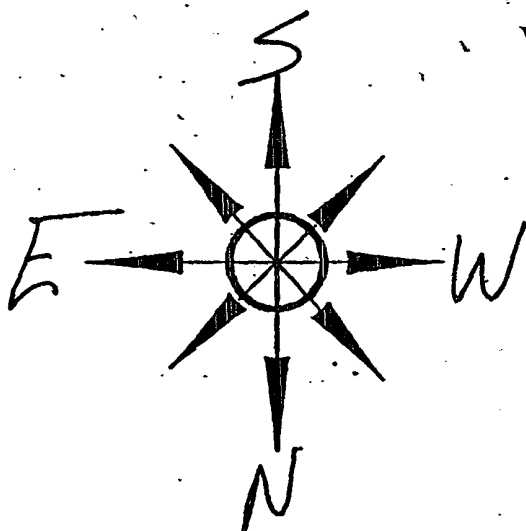


PB - L1

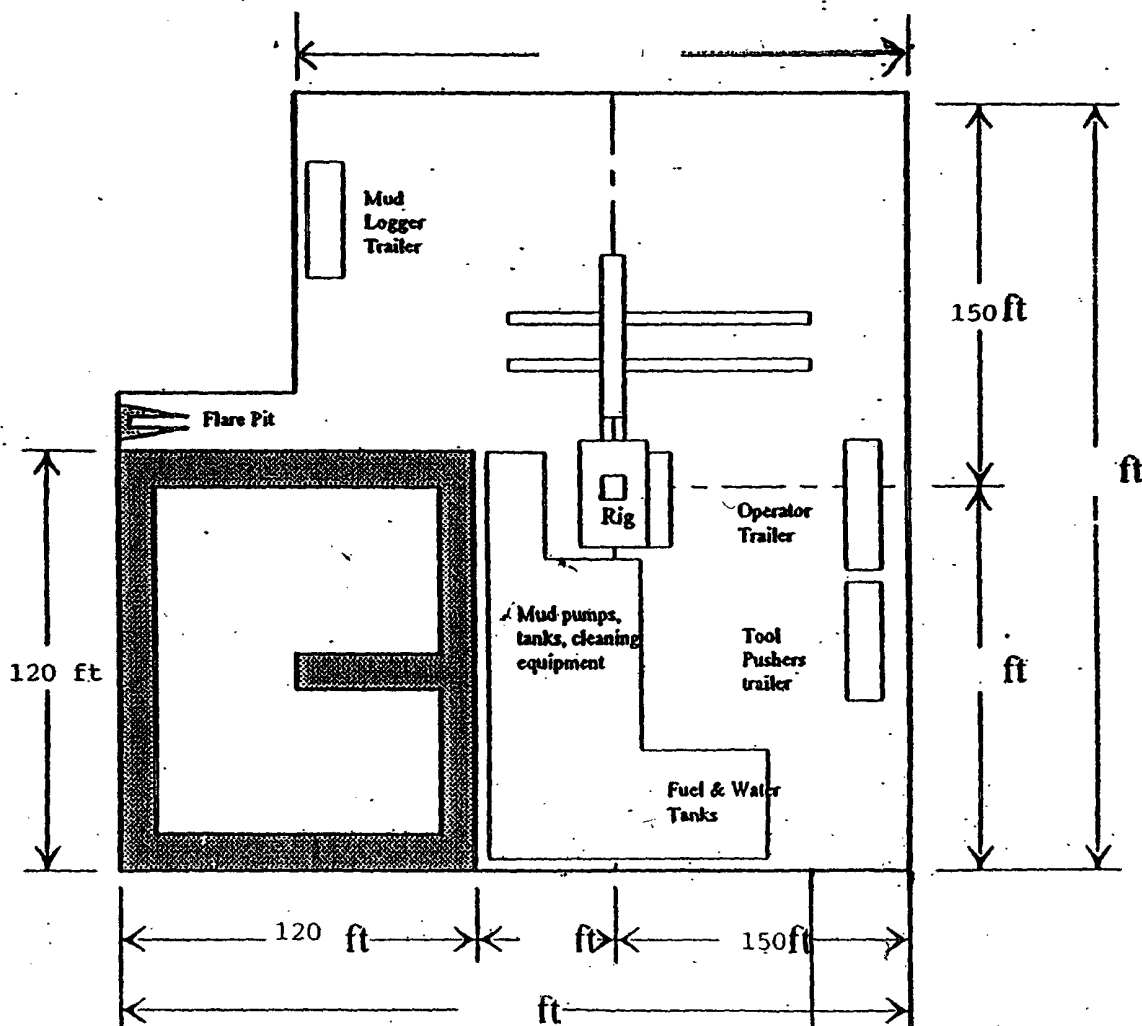
# Yates Petroleum Corporation

Location Layout for Permian Basin  
Up to 12,000'

*Pits EAST*



Yates Petroleum Corporation  
Corral Draw AQH Federal #3  
860' FSL and 2080' FWL  
Section 13, T24S-R29E  
Eddy County, New Mexico



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 Name & No: Corral Draw AQH Federal No 03  
Location: Surface 860' FSL & 2080' FWL, Sec.13, T. 24 S., R. 29 E.  
Lease: NMNM 88135  
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; 8 5/8 inch; 5 1/2 inch.
  - C. BOP Tests
2. A Hydrogen Sulfide (H2S) 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.

### II. CASING:

1. The 13 3/8 inch shall be set at 500 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 8 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 at least 200 ft above any potential hydrocarbon bearing zones.

### 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 Cont):**

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2 M** psi. A variance to test the surface 2 M BOPE to 1000 psig is approved. A 2 M system is required as per Onshore Orders No 02 prior to drilling below the 8 ½ inch 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.

**G. Gourley RFO 06/28 /2006**