N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

FEB 04 2008
OCD-ARTESIA

Form 3160-3
(February 2005)

FORM APPROVED
OMB NO. 1004-0137
Expires: March 31,2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FEB 04 2008
OCD-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. **NM-10588**

6. If Indian, Allottee or Tribe Name **Not Applicable**

7. If Unit or CA Agreement, Name and No **Not Applicable**

1a. Type of Work. [X] DRILL [ ] REENTER

1b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [ ] Single Zone [X] Multiple Zone

8. Lease Name and Well No. 19085 **George QJ Federal Com #8**

2 Name of Operator **Yates Petroleum Corporation 025575**

9. API Well No. 30-005-64011

3a. Address **105 South Fourth Street, Artesia, NM 88210**

3b. Phone No *(include area code)* **575-748-1471**

10. Field and Pool, or Exploratory **Wildcat, Granite**

4. Location of well *(Report location clearly and In accordance with any State requirements.*)*
At surface **990' FSL and 660' FWL, Unit M**
At proposed prod. zone **Same**

11. Sec., T., R , M , or Blk And Survey or Area **Section 25, T6S-R25E**

14. Distance in miles and direction from the nearest town or post office* **Approximately thirty-six (36) miles northeast of Roswell, NM**

12. County or Parish **Chaves**

13. State **NM**

15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)	16 No. of acres in lease	17 Spacing Unit dedicated to this well
	1000.00	**320 acres S/2**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19 Proposed Depth	20. BLM/ BIA Bond No. on file
	5335'	**NATIONWIDE BOND #NMB000434**
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Aproximate date work will start*	23. Estimated duration
3761' GL	**ASAP**	**30 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:

ROSWELL CONTROLLED WATER BASIN

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 must be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by 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 BLM

25. Signature	Name *(Printed/ Typed)*	Date
Debbie L. Caffall	**Debbie L. Caffall**	**11/19/2007**

Title **Regulatory Agent**

Approved By *(Signature)* (Orig. Sgd.) Jerry Dutchover	Name *(Printed/ Typed)* (Orig. Sgd.) Jerry Dutchover	Date 1-31-08
Title **Assistant Field Manager, Lands And Minerals**	Office **ROSWELL FIELD OFFICE**	**APPROVED FOR 2 YEARS**

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 cc operations thereon.
Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U S C. Section 1212, make it a crime for any person knowingly and wilfully to make to any department or agency of the Unitec States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

** (Instructions on page 2)* ***Previously Attached*** ***C-144 attached*** ***C-102 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 Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
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, Granite

[4] Property Code	[5] Property Name	[6] Well Number
19085	GEORGE QJ FEDERAL COM	8

[7] OGRID No.	[8] Operator Name	[9] Elevation
025575	YATES PETROLEUM CORPORATION	3761'

[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
M	25	6S	25E		990	SOUTH	660	WEST	CHAVES

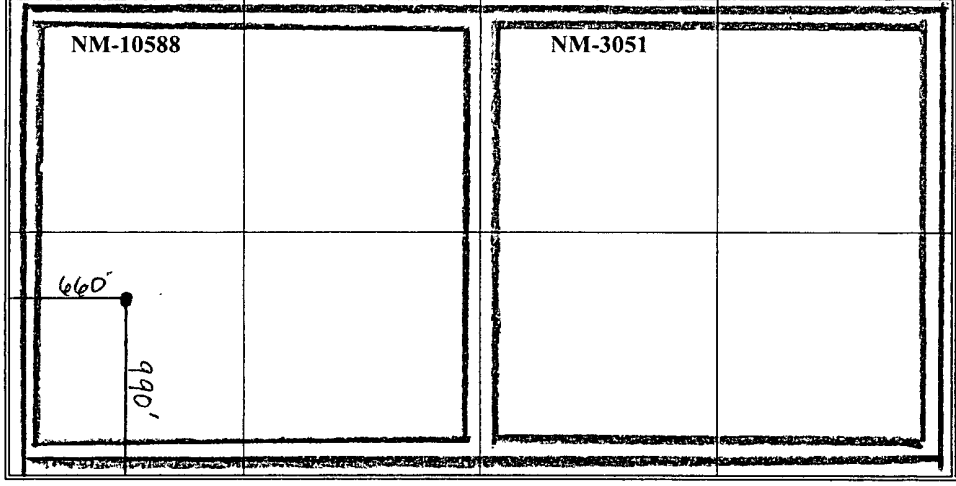
[11] Bottom Hole Location If Different From Surface

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	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320 – S/2			

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.

16



[17] OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Debbie L. Caffall 7/19/07
Signature Date

Debbie L. Caffall
Printed Name

Regulatory Agent
Title

[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.

Date of Survey

Signature and Seal of Professional Surveyor:

REFER TO ORIGINAL PLAT

Certificate Number

DISTRICT I
625 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

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	Pool Name
		Wildcat Precambrian

Property Code	Property Name	Well Number
	GEORGE "QJ" FEDERAL COM.	8

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3761

Surface Location

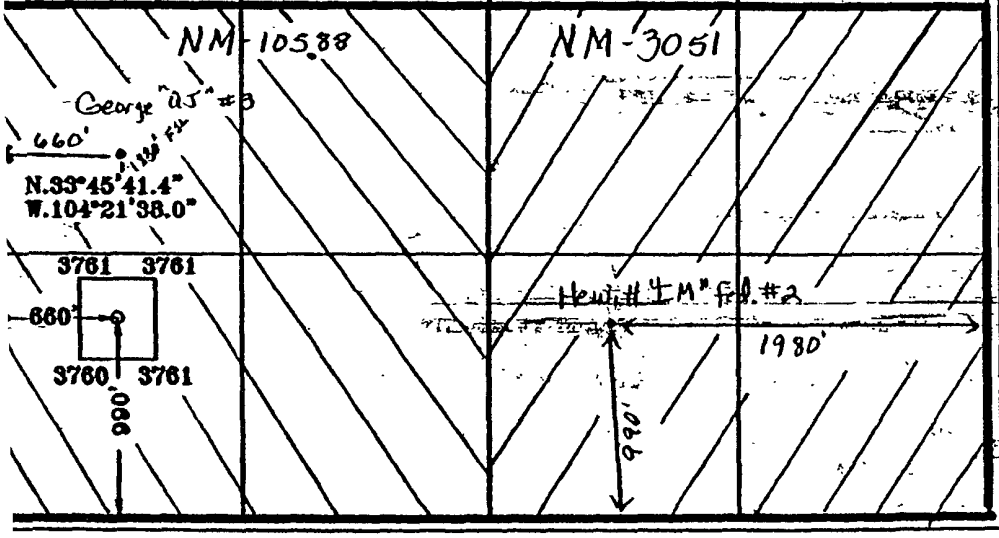
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	6S	25E		990	SOUTH	660	WEST	CHAVES

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	Joint or Infill	Consolidation Code	Order No.
320.00			

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 the the information contained herein is true and complete to the best of my knowledge and belief.

Signature

Pat Perez
Printed Name

Regulatory Agent
Title

10-2-01
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.

9/26/2001
Date Surveyed

Signature & Seal of Professional Surveyor

HERSCHEL JONES
NEW MEXICO
3640
REGISTERED PROFESSIONAL LAND SURVEYOR
GEORGE B. JONES SURVEYING COMPANY

Certificate No. Herschel L. Jones RLS 3640

YATES PETROLEUM CORPORATION
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25,-T6S-R25E
Chaves County, New Mexico

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

San Andres	495'
Glorieta	1515'
Yeso	1600'
Tubb	2995'
Abo	3575'
Wolfcamp	4385'
Cisco	4850'
Strawn	4925'
Basement-Granite Wash	5185'
TD	5335'

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

   Water: 150'-200'
   Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 11 3/4" 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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval
14 ¾	11 ¾"	42#	H-40	ST&C	0-900'
11	8 5/8"*	24#	J-55	ST&C	0-1500'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-5335'

*8 5/8" will only be set if lost circulation is encountered

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8
2. Yates Petroleum Corporation requests that a variance be granted in requiring the casing and BOPE to be tested to 2000 PSI to testing the casing and BOPE to 1000 PSI. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 PSI. We would have to go to the greater expense of hiring an independent service to do the testing. Also, the maximum shut-in bottom hole pressure is 1100 PSI. Pressure at the surface is much less. Most of the time the Abo formation requires treatment before it flows.

A. CEMENTING PROGRAM:
Surface Casing: 350 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCL2 (YLD 1.33 WT 15.6). Cement to surface.

Intermediate Casing: 250 sx class "C" + 2% CACLW (YLD 1.32 WT 14.8). Intermediate casing if run is with sufficient amount of cement bring it up at least 200 above shoe.

Production Casing: 500 sx . Pecos Valley Lite (Yield 1.34 wt. 13.0). Cement shall extend upward a minimum of 500 feet above the uppermost perforation.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-900'	FW GEL,Paper,LCM	8.6 - 9.6	32-36	N/C
900'-3580'	Cut Brine/Brine	9.6 – 10.2	28	N/C
3580'-TD	Starch/Salt Gel	9.3 – 10.2	32-40	<6/cc

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 surface casing.
Logging: CNL/LDT/NGT – Surf csg:, CNL/GR – TD to surface; DLL/MSFL TD-Surf csg/BHC – Sonic – TD Surf csg. FMI – TD – Top of Wolfcamp.
Coring: Sidewall
DST's: None.

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

Anticipated BHP:
From: 0 TO: 900' Anticipated Max. BHP: 375 PSI
From: 900' TO: TD' Anticipated Max. BHP: 2700 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25,-T6S-R25E
Chaves 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 northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Roswell on Highway 285 approx. 26.5 miles to Cottonwood Road. Turn right (east) and follow road approximately 12.8 miles. (Just before ranch house) Turn left for approximately 2000'. Turn right for approx. 1400' to the George #3. New access will start here and go to the SW corner of pad.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 1400' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a north to 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. 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 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 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.
   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: Dorothy Lessard, 8009 Davis Blvd #1105, N. Richland Hills, Texas 76180 – Yates Petroleum Corporation has a written agreement with this owner.

Glen Alan Parsons, 2623 F.M. 555, Gilmer, TX 75644 – Yates Petroleum Corporation has a written agreement with this owner.

William Paul Parsons, P.O. Box 786, Estes Park, CO 80517 – Agreement with this owner is being pursued.

Robert Stephen Parsons, 4936 Colonial Park Drive, Haltom City, TX 76117 – Agreement with this owner is being pursued.

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:
Debbie Caffall, Permit Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (575) 748-1471

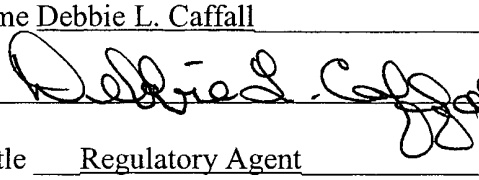
B. Through Drilling, Completions & Prod.
Ray Stall, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (575) 748-1471

CERTIFICATION
YATES PETROLEUM CORPORATION
George QJ Federal Com #8

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 19th day of November, 2007.

Printed Name Debbie L. Caffall

Signature 

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4376

Field Representative (if not above signatory) Jim Krogman

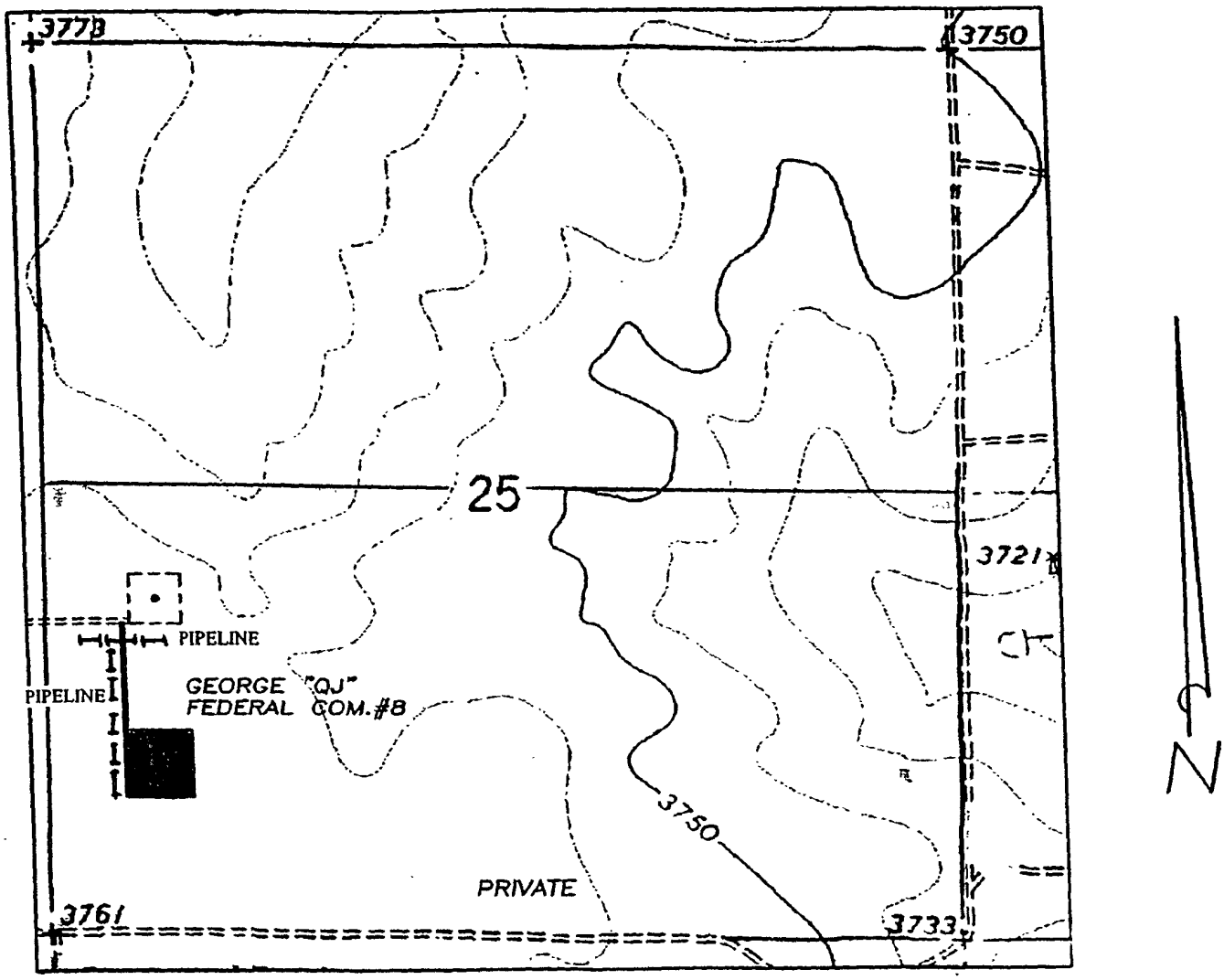
Address (if different from above) Same

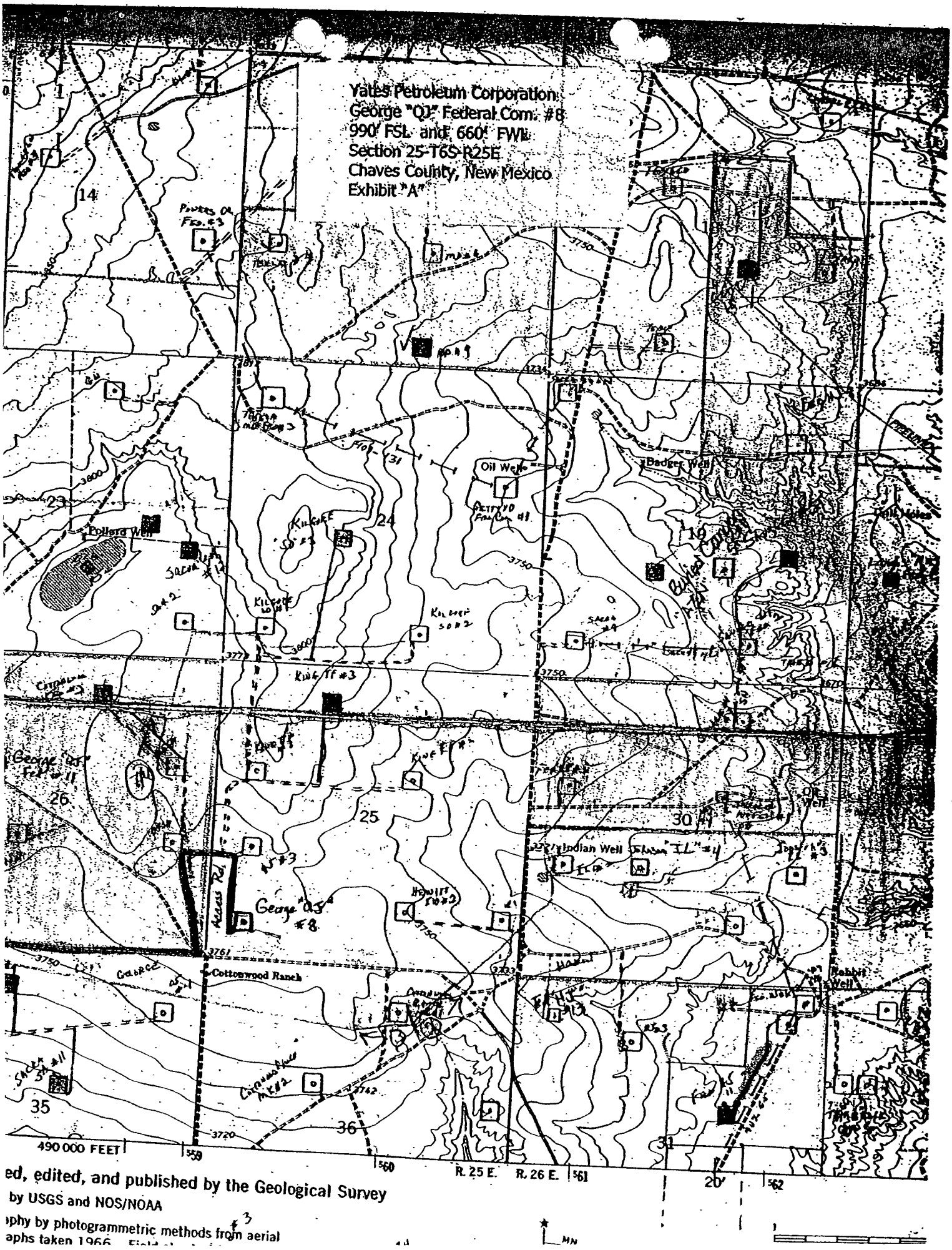
Telephone (if different from above) 575-748-4215

E-mail (optional) debbiec@ypcnm.com

EXHIBIT A

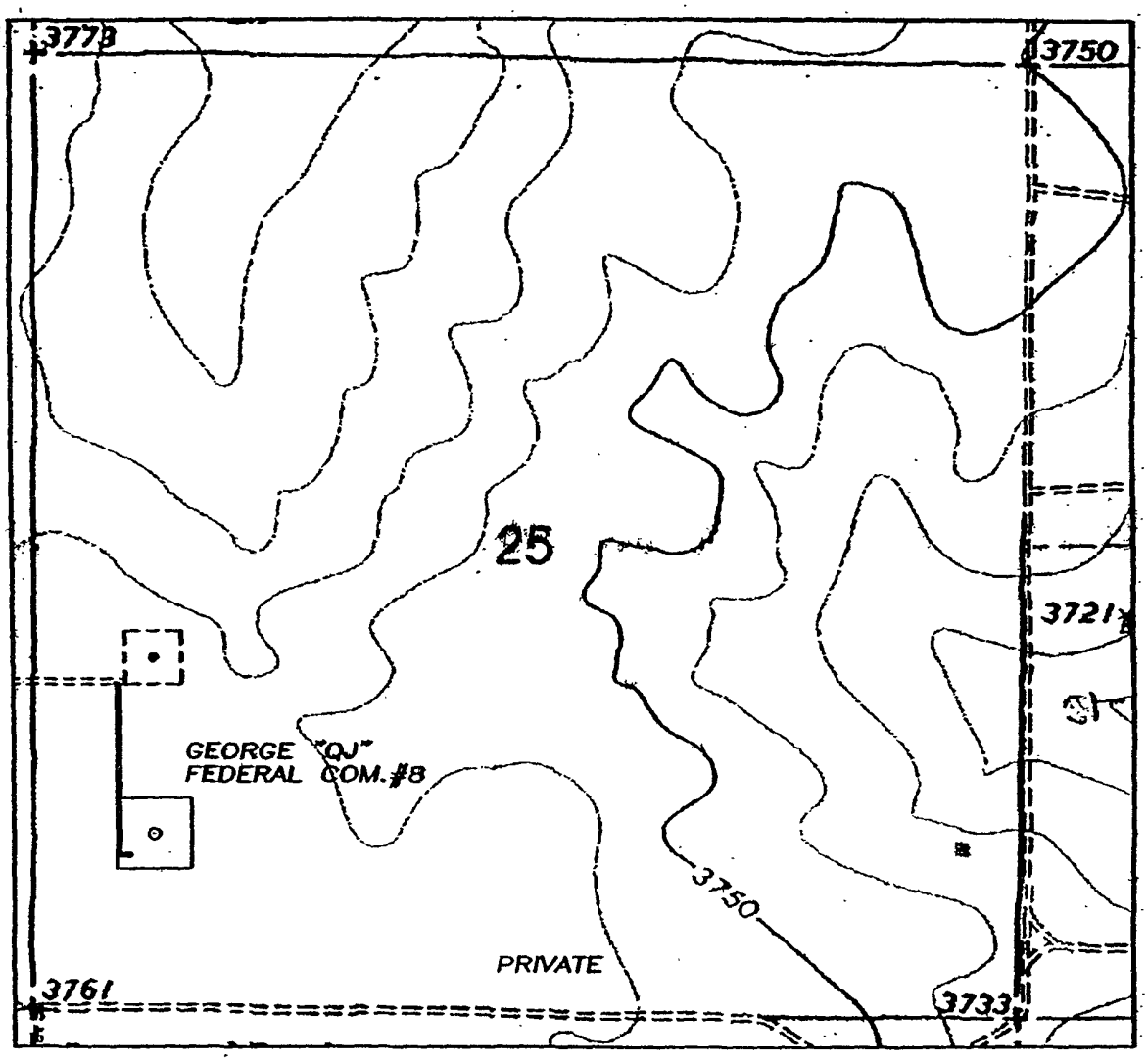
OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-10588
WELL NAME & NO: George "QJ" Federal Com. #8
QUARTER/QUARTER & FOOTAGE: SW¼SW¼ & 990' FSL & 660' FWL
LOCATION: Section 25, T. 6 S., R. 25 E., NMPM
COUNTY: Chaves County, New Mexico





ed, edited, and published by the Geological Survey
by USGS and NOS/NOAA
aphy by photogrammetric methods from aerial
aphs taken 1966

SECTION 25, TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "A-1"

1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYING IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

NEW MEXICO 3640 PROFESSIONAL LAND SURVEYOR

HERSCHEL L. JONES R.L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES GEORGE "QJ" FEDERAL COM. #8, LOCATED IN SECTION 25, TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

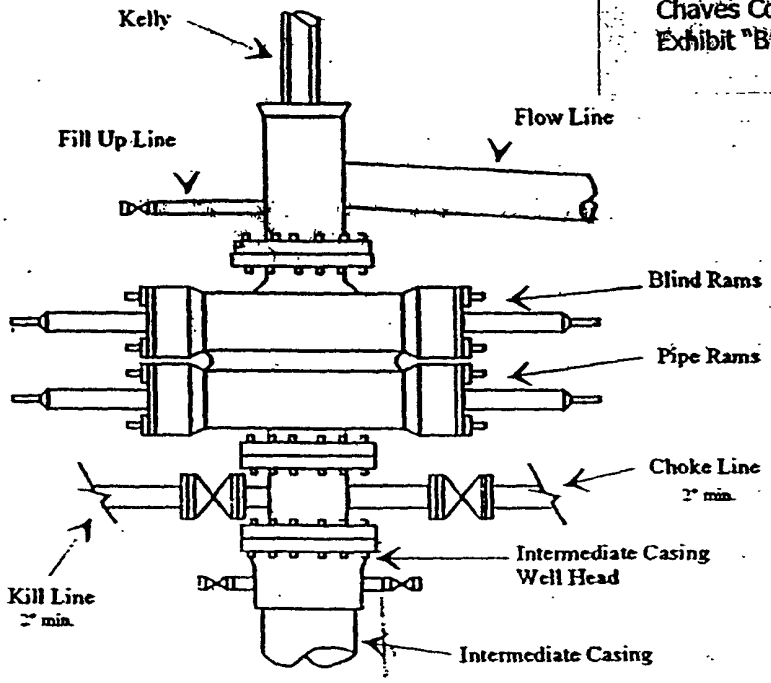
Survey Date: 9/26/2001	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 9/26/01	Scale 1" = 1000' GEORGE 8

Yates Petroleum Corporation

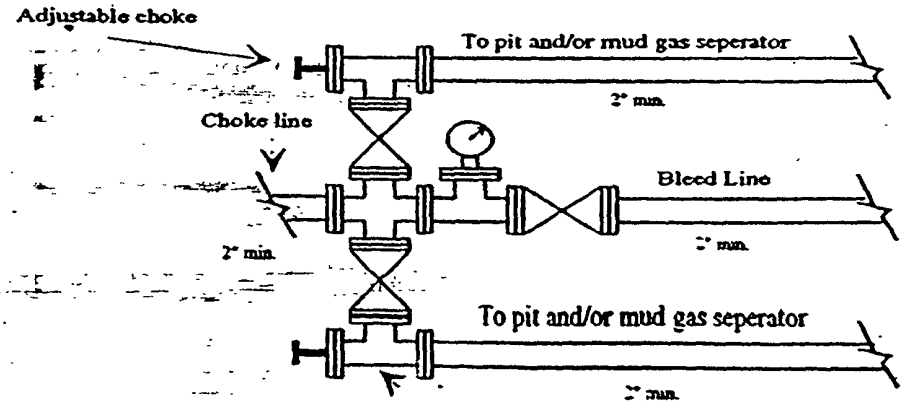
BOP-2

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

Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "B"



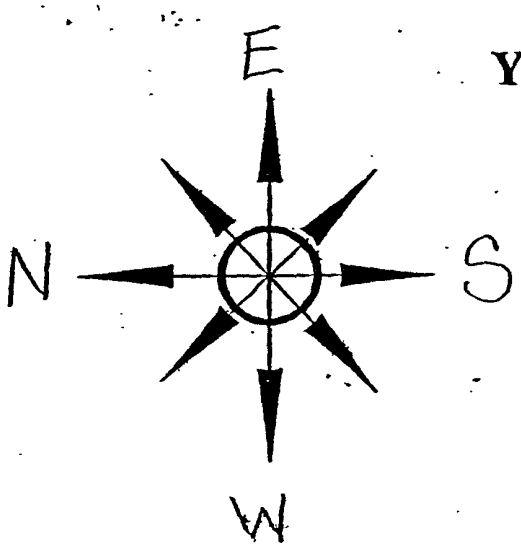
Typical 2,000 psi choke manifold assembly with at least these minimun features



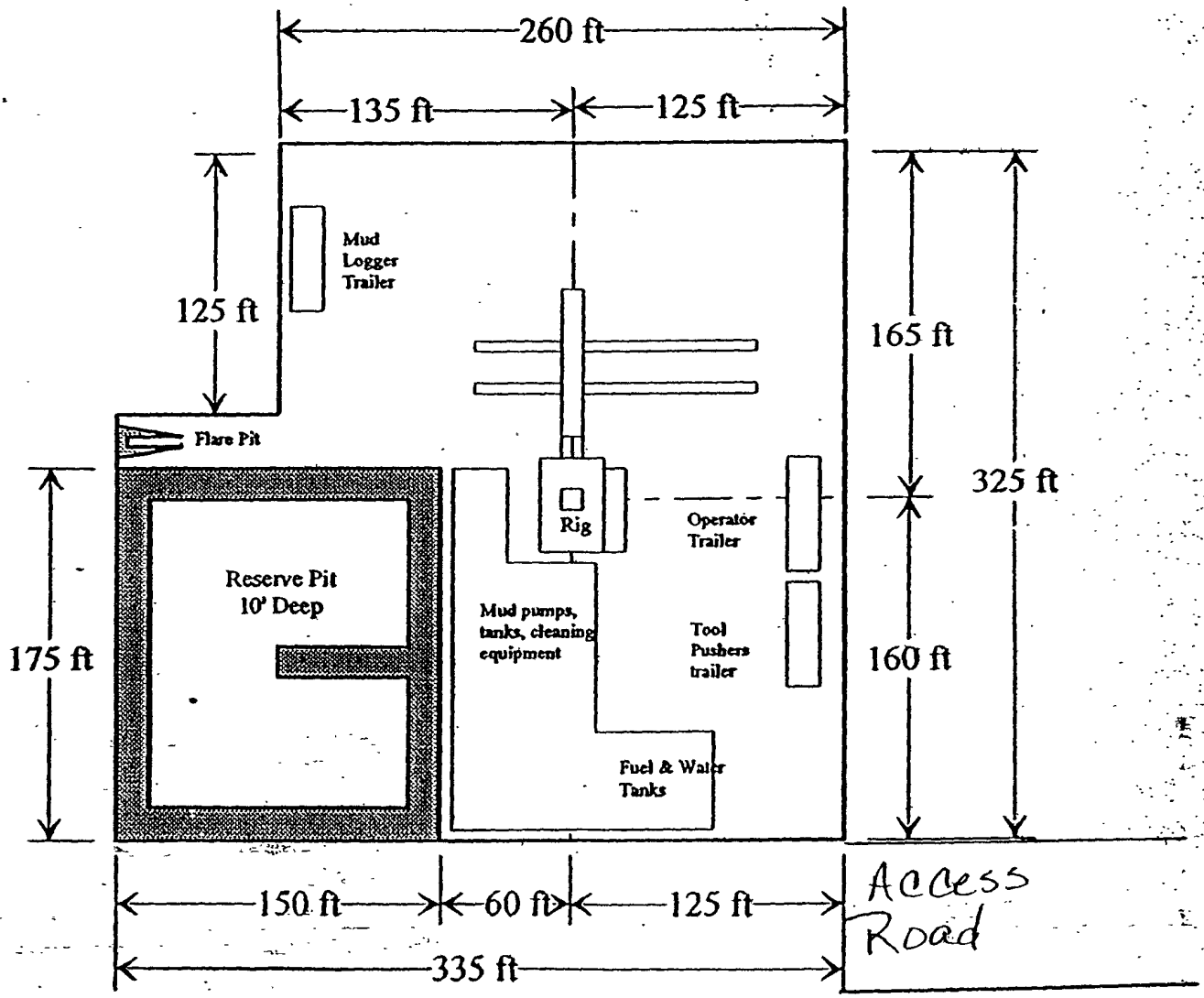
PB - L1

Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'

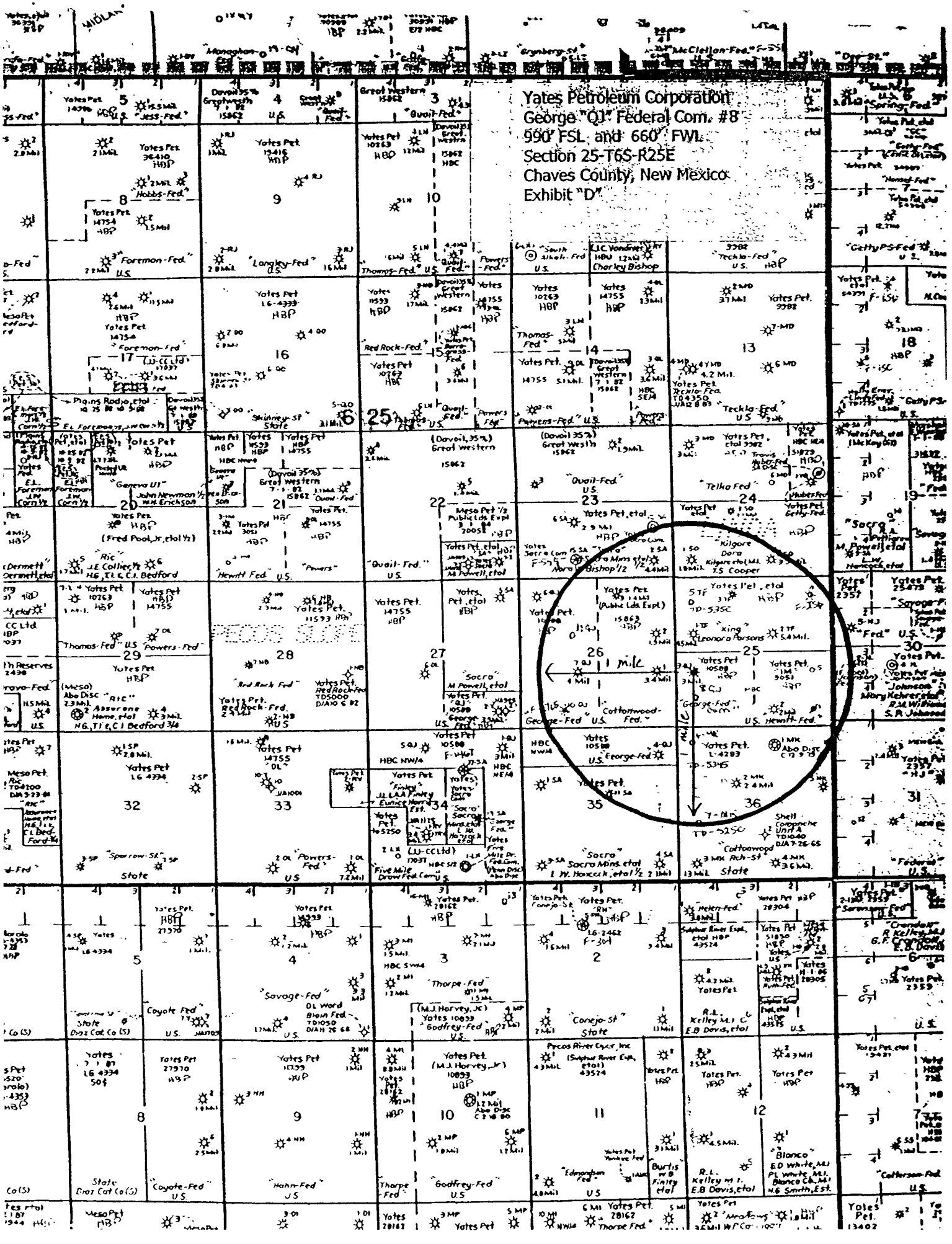


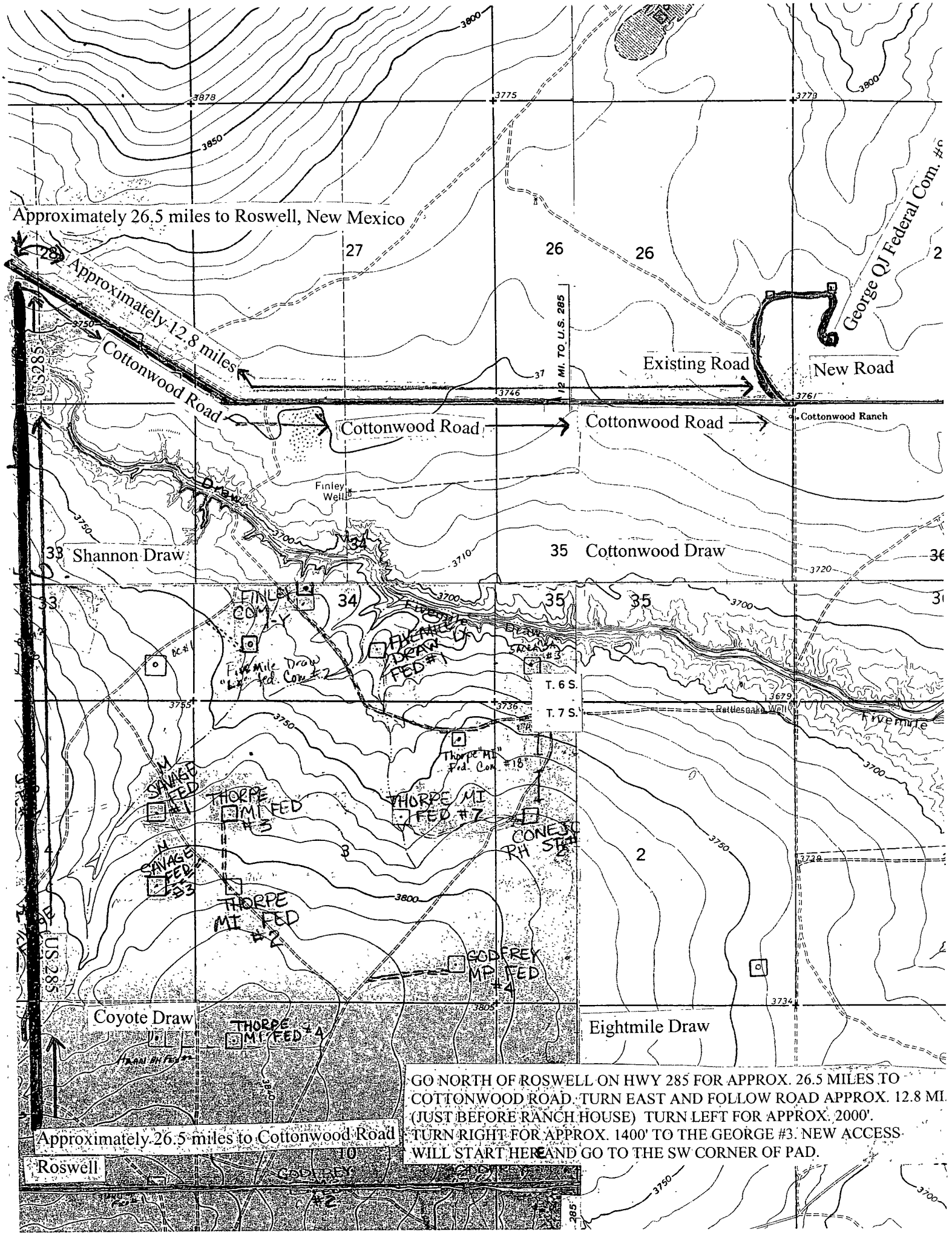
Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "C"



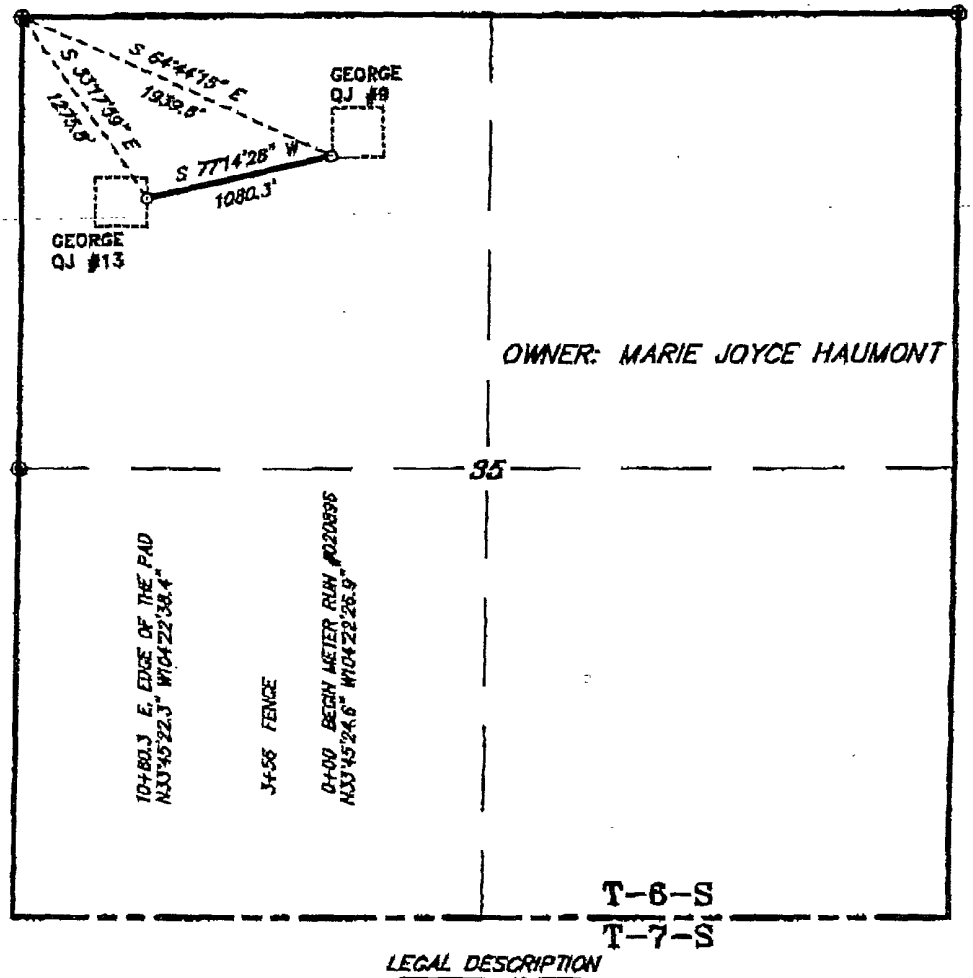
Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum


Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "D"
1 mile
1 mile


Approximately 26.5 miles to Roswell, New Mexico
Approximately 12.8 miles
Cottonwood Road
Cottonwood Road
Cottonwood Road
Existing Road
New Road
George QJ Federal Com. #
12 MI. TO U.S. 285
US285
Cottonwood Ranch
Finley Well
Shannon Draw
Cottonwood Draw
Fivemile Draw
Rattlesnake Well
Fivemile
T. 6 S.
T. 7 S.
FINLEY COM #1
FIVEMILE DRAW FED #1
Fivemile Draw "L" Fed. Com #2
Thorpe "MI" Fed. Com #18
SAVAGE FED #1
THORPE MI FED #3
THORPE MI FED #7
CONEJO RH ST #2
SAVAGE FED #3
THORPE MI FED #2
GODFREY MP FED #4
THORPE MI FED #4
Coyote Draw
Eightmile Draw
Approximately 26.5 miles to Cottonwood Road
Roswell
GO NORTH OF ROSWELL ON HWY 285 FOR APPROX. 26.5 MILES TO COTTONWOOD ROAD. TURN EAST AND FOLLOW ROAD APPROX. 12.8 MI. (JUST BEFORE RANCH HOUSE) TURN LEFT FOR APPROX. 2000'. TURN RIGHT FOR APPROX. 1400' TO THE GEORGE #3. NEW ACCESS WILL START HERE AND GO TO THE SW CORNER OF PAD.

SECTION 35, TOWNSHIP 6 SOUTH, RANGE 25 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTION 35, TOWNSHIP 6 SOUTH, RANGE 25 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT WHICH LIES S.64°44'15"E., 1939.8 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 35; THENCE S.77°14'28"W., 1080.3 FEET TO A POINT WHICH LIES S.33°17'59"E., 1275.8 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 35. SAID STRIP OF LAND BEING 1080.3 FEET OR 65.47 RODS IN LENGTH.

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M. P.S. No. 7977
No. 5074

1000 0 1000 2000 FEET

BASIN SURVEYS P.O. BOX 1786—HOBBS, NEW MEXICO

W.O. Number: 18529	Drawn By: James Presley		
Date: 09/12/07	Disk: JLP #1 — YAT18529	Survey Date: 09/10/07	Sheet 1 of 1 Sheets

YATES PETROLEUM CORP.

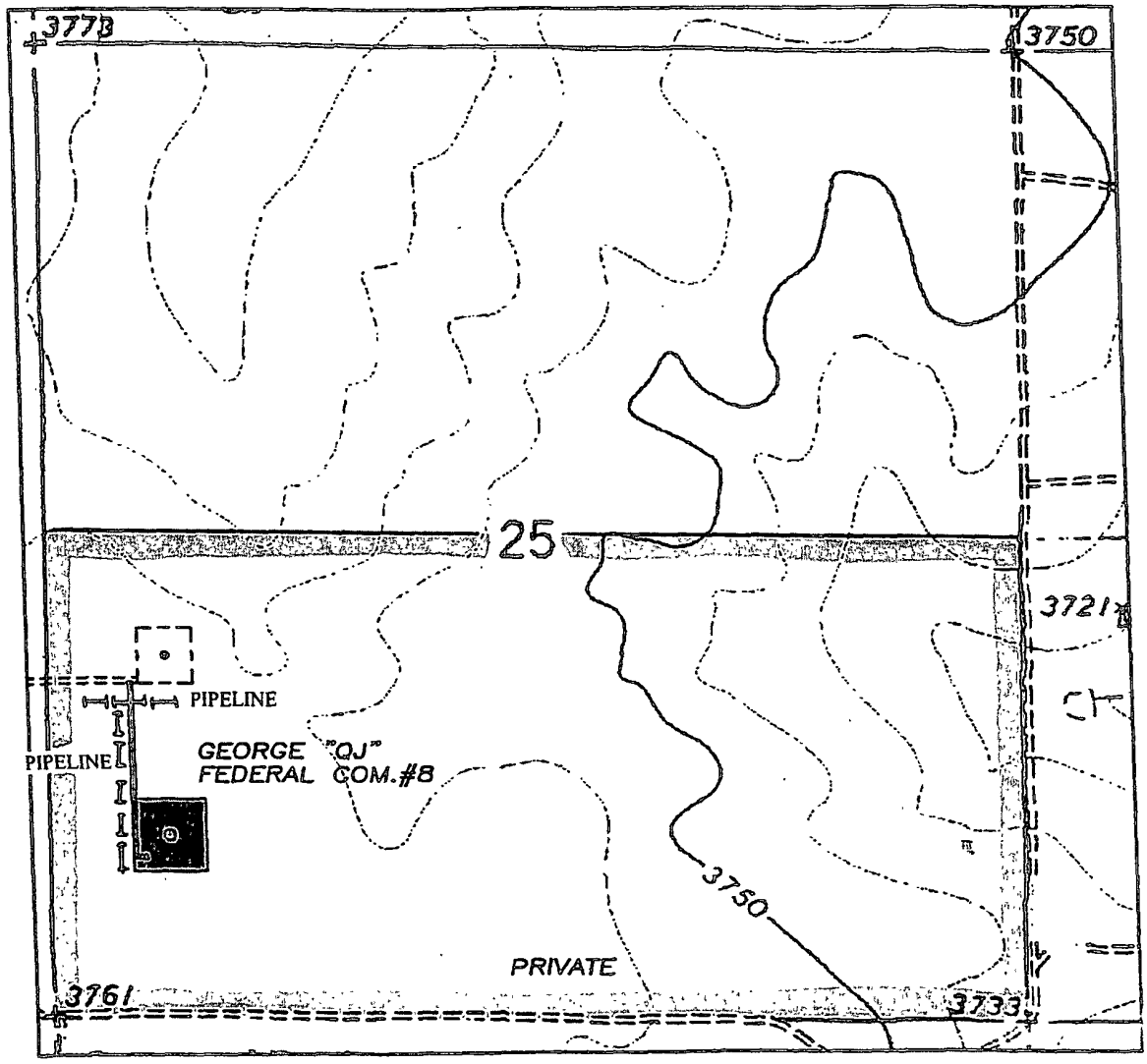
REF: PROPOSED PIPELINE TO THE YATES—GEORGE QJ #13

A PIPELINE CROSSING FEE LAND IN
SECTION 35, TOWNSHIP 6 SOUTH, RANGE 25 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

EXHIBIT A

12/20/07

OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-10588
WELL NAME & NO: George "OJ" Federal Com. #8
QUARTER/QUARTER & FOOTAGE: SW¼SW¼ & 990' FSL & 660' FWL
LOCATION: Section 25, T. 6 S., R. 25 E., NMPM
COUNTY: Chaves County, New Mexico



PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL

12/20/07

OPERATORS NAME: **Yates Petroleum Corporation**
LEASE NO.: **NM-10588**
WELL NAME & NO: **George "QJ" Federal Com. #8**
SURFACE HOLE FOOTAGE: **990' FSL & 660' FWL**
LOCATION: **Section 25, T. 6 S., R. 25 E., NMPM**
COUNTY: **Chaves County, New Mexico**

GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land

affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation. The topsoil shall be stockpiled on the southeast corner of the well pad.

C. RESERVE PITS:

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 175' X 150' on the NORTH side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

F. ON LEASE ACCESS ROADS:

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

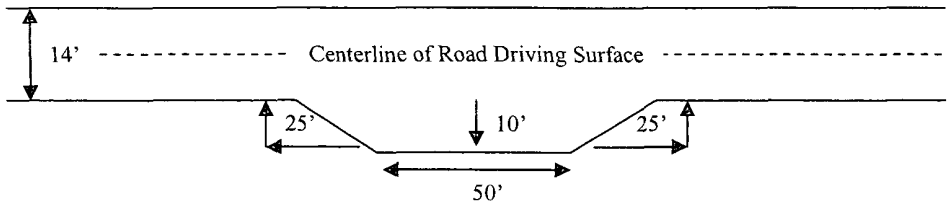
Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

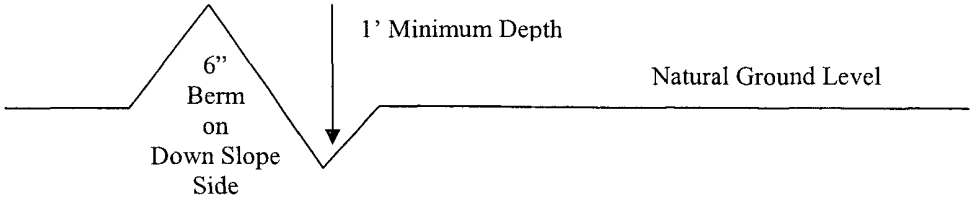


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section Of Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula For Spacing Interval Of Lead-off Ditches

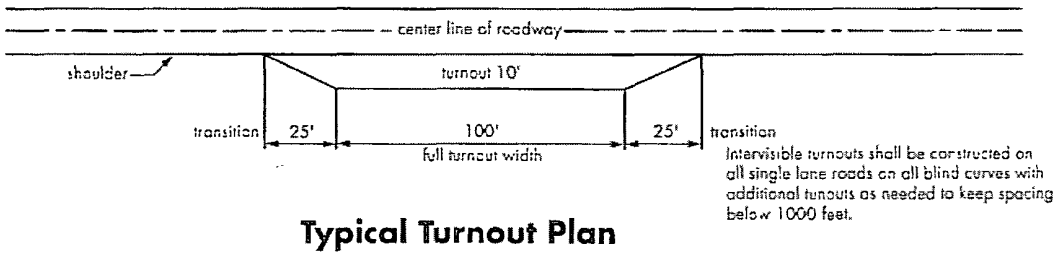
Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

400 foot road with 4% road slope: $\frac{400'}{4\%} + 100' = 200'$ lead-off ditch interval

Public Access

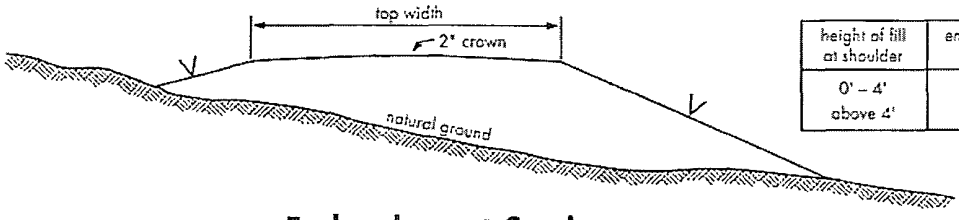
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



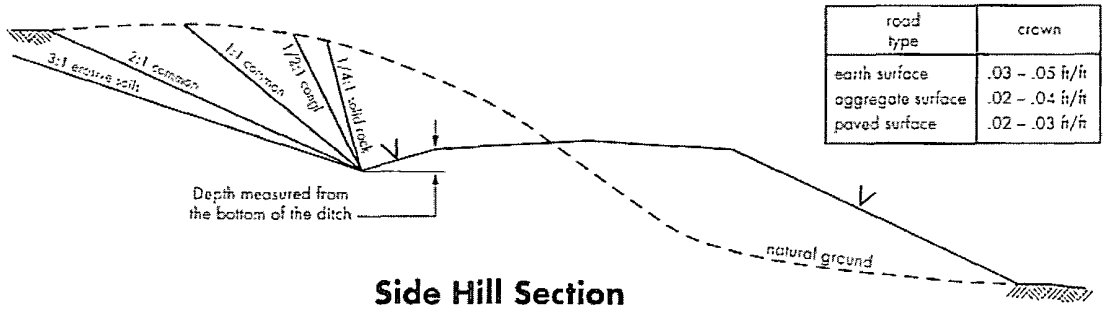
Intervisible turnouts shall be constructed on all single lane roads on all blind curves with additional turnouts as needed to keep spacing below 1000 feet.

Typical Turnout Plan



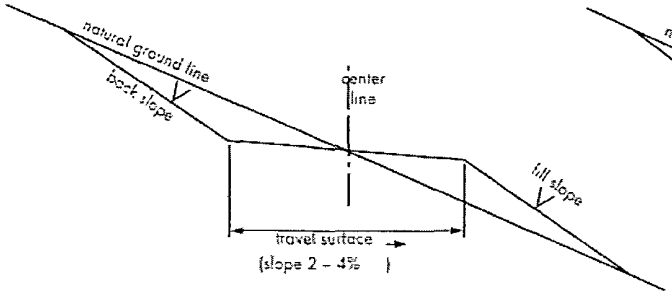
height of fill at shoulder	embankment slope
0' – 4'	3:1
above 4'	2:1

Embankment Section

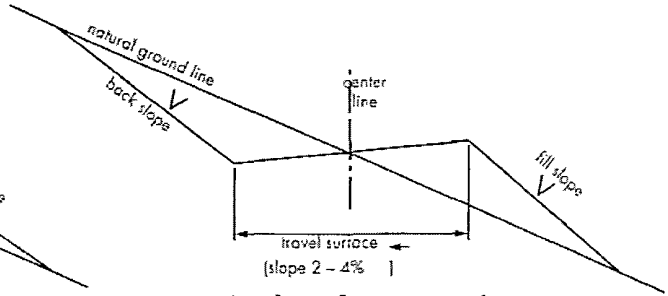


road type	crown
earth surface	.03 – .05 ft/ft
aggregate surface	.02 – .04 ft/ft
paved surface	.02 – .03 ft/ft

Side Hill Section



Typical Outsloped Section



Typical Inslope Section

V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

Chaves County; call the Roswell Field Office, 2909 West Second St., Roswell NM 88201. 24 hour 505 – 627 - 0205

1. The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

A. Spudding
B. Cementing casing: **11¾** inch **8⅝** inch **5½** 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.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

B. CASING

1. The **11¾** inch surface casing shall be set at **900'** 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 **8⅝** inch intermediate casing if run is with sufficient amount of cement bring it up at least 200 above shoe.

3. The minimum required fill of cement behind the **5½** inch production casing is **cement shall extend upward a minimumof 500 feet above the uppermost perforation**.

C. 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 **11¾** 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 **2000** psi.

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

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.
Testing with the rig pumps to 1100 psi is approved.
BOPE shall be tested before drilling into the Wolfcamp formation.

D. 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:

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

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Olive Drab, Munsell Soil Color Chart 18-0622 TPX.

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

SD-3 for CP-2 Loamy Ecological Site with Hollomex-Milner/Reeves association

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Blue grama, var. Lovington	*(Bouteloua gracilis)*	4.00 lbs.
Sideoats grama, var. Vaughn or El Reno	*(Bouteloua curtipendula)*	1.00 lb.
Sand dropseed	*(Sporobolus cryptandrus)*	0.50 lb.
Vine mesquite	*(Panicum obtusum)*	1.00 lb.
Plains bristlegrass	*(Setaria macrostachya)*	1.00 lb.
Indian blanketflower	*(Gaillardia aristata*	0.50 lb.
Desert or Scarlet Globemallow	*(Sphaeralcea ambigua)* or *(S. coccinea)*	1.00 lb.
TOTAL POUNDS PURE LIVE SEED PER ACRE		9.00 lbs.

If one species is not available, increase ALL others proportionately. Certified Weed Free Seed. A minimum of 4 species is required, including 1 forb species.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the Private Surface Land Owner agreements.