

Larry

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

OCT 31 2003

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

0011

APPLICATION FOR PERMIT TO DRILL OR REENTER **OCD-ARTESIA**

| | | | |
|--|--|---|------------------------|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NM230377-B | |
| 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 | | 6. If Indian, Allottee or Tribe Name | |
| 2. Name of Operator Yates Petroleum Corporation | | 7. If Unit or CA Agreement, Name and No. | |
| 3A. Address 105 South Fourth Street Artesia, New Mexico 88210 | | 8. Lease Name and Well No. Dazed BDZ Federal Com. #1 | |
| 3b. Phone No. (include area code) (505) 748-1471 | | 9. API Well No. 30-015-33090 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1650' FNL and 660' FWL At proposed prod. Zone Same | | 10. Field and Pool, or Exploratory Undes. Cemetery Morrow | |
| 14. Distance in miles and direction from nearest town or post office* Approximately 15 miles northwest of Carlsbad, New Mexico. | | 11. Sec., T., R., M., or Blk. and Survey or Area Section 3, T21S-R24E | |
| 15. Distance from proposed location* to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) .8 of a mile. | | 12. County or Parish Eddy County | 13. State NM |
| 16. No. of Acres in lease 581.44 | | 17. Spacing Unit dedicated to this well N/2 | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. .8 of a mile | | 19. Proposed Depth 10150' | |
| 20. BLM/BIA Bond No. on file 585997 | | 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3725' GL | |
| 22. Approximate date work will start* ASAP | | 23. Estimated duration 45 days | |
| 24. Attachments CARLSBAD CONTROLLED WATER BASIN | | | |

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 <i>Cy Cowan</i> | Name (Printed/Typed) Cy Cowan | Date 9/26/03 |
|-------------------------------|---|------------------------|

| | | |
|---|--|----------------------------|
| Title: Regulatory Agent | | |
| Approved by (Signature) /s/ Joe G. Lara | Name (Printed/Typed) /s/ Joe G. Lara | Date 29 OCT 2003 |

| | |
|--------------------------------------|--|
| Title ACTING FIELD MANAGER | Office CARLSBAD FIELD OFFICE |
|--------------------------------------|--|

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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

*(Instructions on reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

DISTRICT I
1625 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 O-106
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 Undesignated Cemetery Morrow |
| Property Code | Property Name DAZED "BDZ" FEDERAL COM. | Well Number 1 |
| OCRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3725 |

Surface Location

| | | | | | | | | | |
|------------------------|--------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|----------------|
| UL or lot No. LOT 5 | Section 3 | Township 21S | Range 24E | Lot Idn | Feet from the 1650 | North/South line NORTH | Feet from the 660 | East/West line WEST | County EDDY |
|------------------------|--------------|-----------------|--------------|---------|-----------------------|---------------------------|----------------------|------------------------|----------------|

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 0230377 | | NM-107360 | |
| LOT 4 | LOT 3 | LOT 2 | LOT 1 |
| 1650' | | | |
| 3717 | 3717 | | |
| 660' | | NM-94582 | |
| 3741 | 3738 | LOT 7 | LOT 8 |
| N.32°31'05.7" | | | |
| W.104°29'36.5" | LOT 6 | | |
| LOT 5 | | | |
| LOT 12 | LOT 11 | LOT 10 | LOT 9 |
| LOT 13 | LOT 14 | LOT 15 | LOT 16 |

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Cy Cowan
Signature
Cy Cowan
Printed Name
Regulatory Agent
Title
September 26, 2003
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.

8/26/2003
Date Surveyed
Signature of Registered Professional Surveyor
3640
Certificate No. Hercher Jones RLS 3640
PROFESSIONAL LAND SURVEYOR
GENERAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 3630' 0'

YATES PETROLEUM CORPORATION
Dazed BDZ Federal Com. #1
1650' FSL and 660' FWL
Section 3, T21S-R24E
Eddy County, New Mexico

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

| | | | |
|-----------------------------------|-------|----------------|--------|
| San Andres | 1110' | Strawn | 8955' |
| Bone Spring Lime | 3320' | Atoka | 9375' |
| 1 st Bone Spring Lime | 3770' | Upper Morrow | 9760' |
| 2 nd Bone Spring Lime | 4735' | Middle Morrow | 9810' |
| 3 rd Bone Springs Lime | 6320' | Lower Morrow | 9970' |
| Wolfcamp | 6735' | Base of Morrow | 10035' |
| Cisco | 8185' | TD | 10150' |

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# | J-55 | H-40 | 0-400' | 400' |
| 12 1/4" | 9 5/8" | 36# | J-55 | ST&C | 0-3400' | 3400' |
| 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'-1600' | 700' |
| 8 3/4" | 5 1/2" | 15.5# | J-55 | LT&C | 1600'-6400' | 4800' |
| 8 3/4" | 5 1/2" | 17# | J-55 | LT&C | 6400'-8200' | 1800' |
| 8 3/4" | 5 1/2" | 17# | L-80 | LT&C | 8200'-10150' | 1950' |

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

B. CEMENTING PROGRAM:

Surface casing: 450 sx 'C' + 2% CaCl₂(YLD 1.64 WT 13.0).

WITNESS Intermediate casing: 1300 sx Lite C (Yld 1.98 WT 12.5) Tail in w/200 sx
Class C (YLD 1.34 WT 14.8).

Production Casing: TOC 2900', Lead w/ 1400 sx Lite 'C' (YLD 1.95 WT 12.5)
Tail in w/ 650 sx Super 'C' Modified (YLD 1.58 WT 13.2).

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/Spud Mud | 8.4-8.6 | 34-36 | N/C |
| 400'-3400' | Fresh Water | 8.4-8.6 | 28 | N/C |
| 3400'-6700' | Cut Brine | 8.8-8.9 | 28 | N/C |
| 6700'-8185' | Cut Brine | 9.2-9.4 | 28 | N/C |
| 8185'-9000' | Cut Brine | 9.4-9.6 | 28 | N/C |
| 9000'-10150' | SW/Gel/Starch/4% KCL | 9.6-9.8 | 30-32 | <10cc |

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/FMI.

Coring: None anticipated.

DST's: Possible from Cisco to TD.

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

| | | | |
|-------------|-----------|----------------------------|-----|
| From: 0 | TO 400' | Anticipated Max. BHP: 175 | PSI |
| From: 400' | TO 3400' | Anticipated Max. BHP: 1525 | PSI |
| From: 3400' | TO 10150' | Anticipated Max. BHP: 5175 | PSI |

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H₂S 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 Petroleum Corporation

Dazed BDZ Federal Com. #1

1650' FNL and 660' FWL

Section 3, T21S-R24E

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 15 miles Northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia of Highway 285 to White Pine Road. (CR 28) Turn right on White Pine Road and go approx. 6.2 miles. Turn left here and go to the Mystery AYM Federal #1 well location. The new road will start going from the southeast corner of the Mystery AYM Federal #1, east on existing two track for approx. 0.3 of a mile. Turn right here on a two-track road and go approx. .5 of a mile. The new road will start here going southwest.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately .4 of a mile in length from the point of origin to the northeast corner of drilling pad. The road will lie in an northeast /southwest 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 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 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 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 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

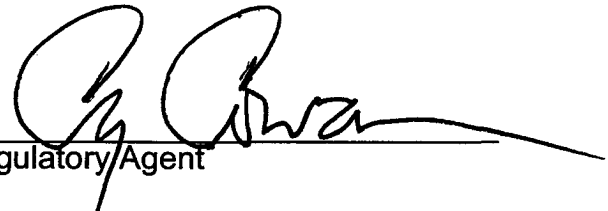
B. Through Drilling Operations,
Completions and Production:

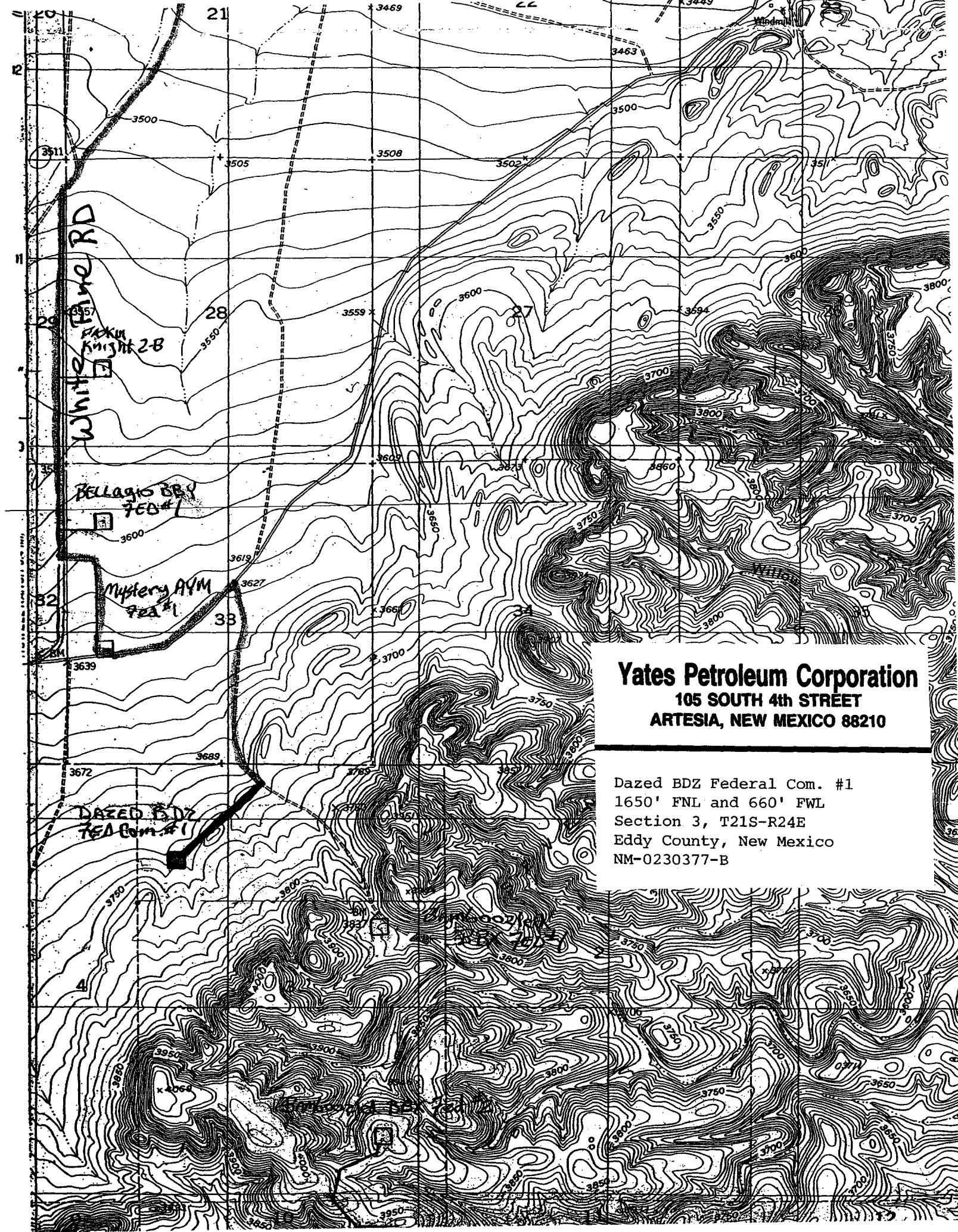
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

9/26/2003

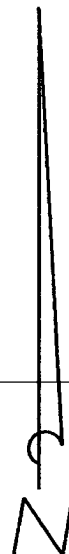
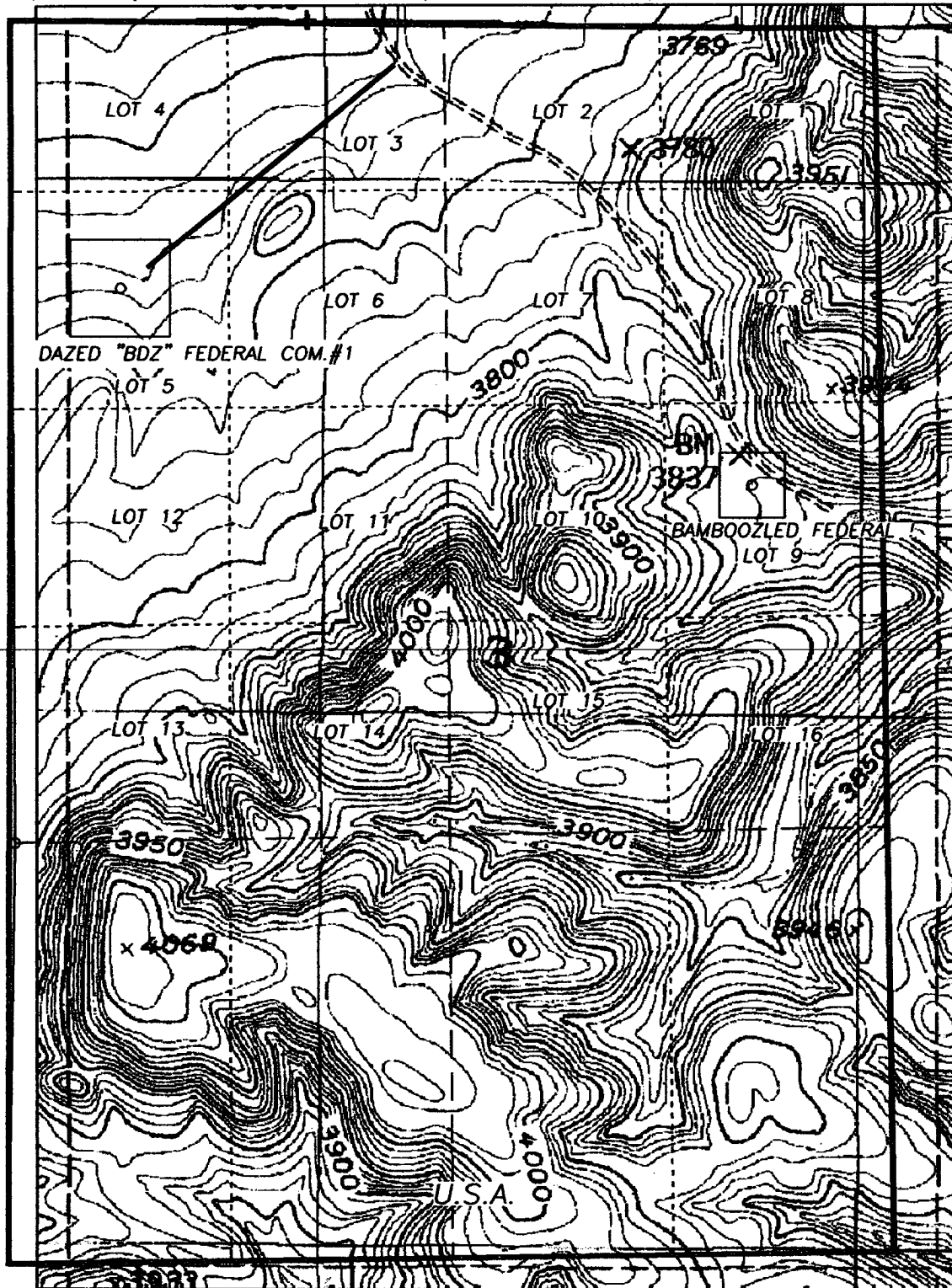

Regulatory Agent



Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

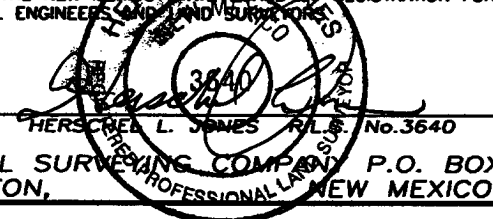
Dazed BDZ Federal Com. #1
1650' FNL and 660' FWL
Section 3, T21S-R24E
Eddy County, New Mexico
NM-0230377-B

SECTION 3, TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



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 SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.



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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES DAZED "BDZ" FEDERAL COM.#1 WELL, LOCATED IN SECTION 3, TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

| | |
|------------------------|--------------------------|
| Survey Date: 8/26/2003 | Sheet 1 of 1 Sheets |
| Drawn By: Ed Blevins | W.O. Number |
| Date: 8/27/03 | Scale 1" = 1000' DAZED 1 |

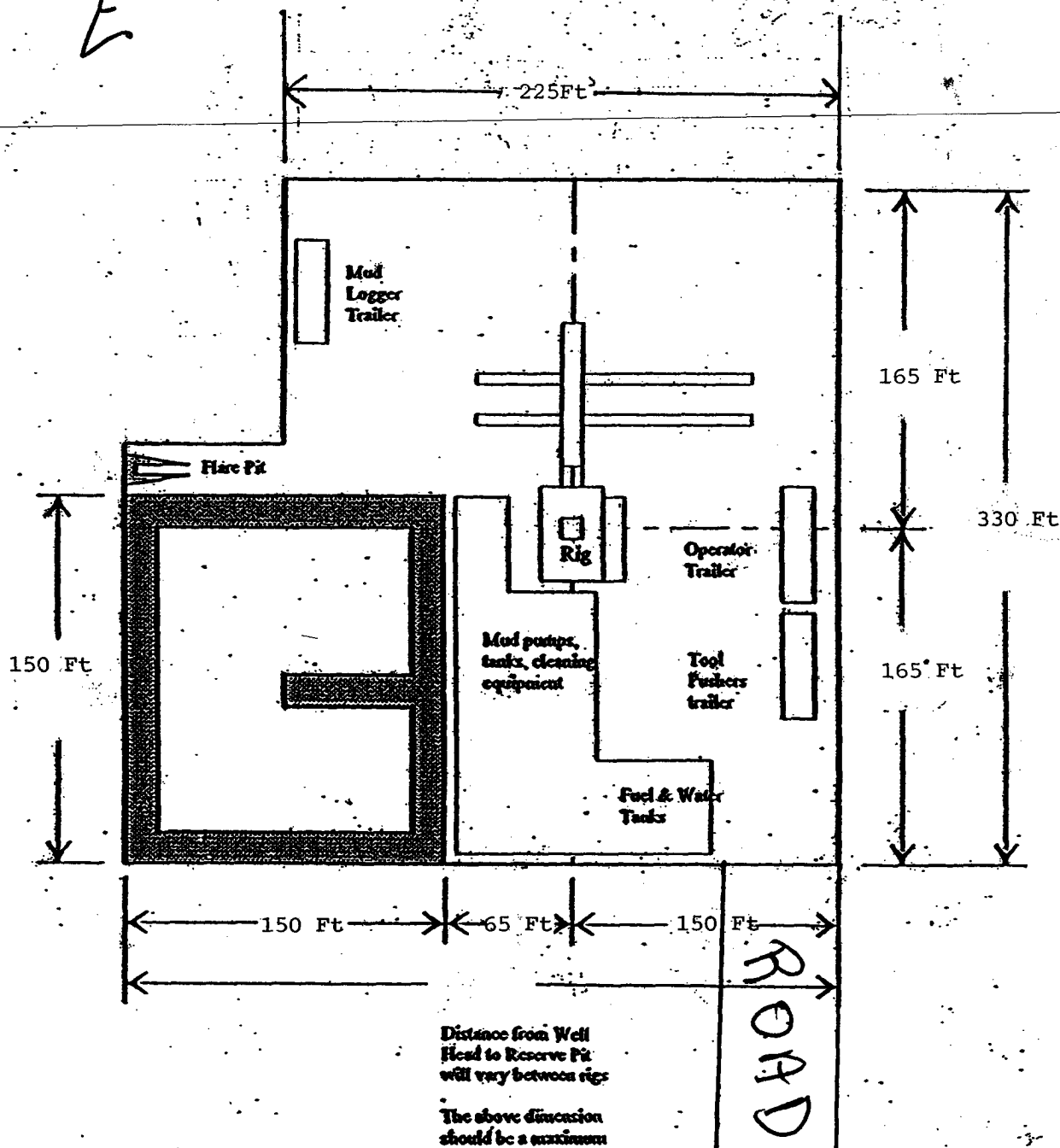
Yates Petroleum Corporation
 105 SOUTH 4th STREET
 ARTESIA, NEW MEXICO 88210

Dazed BDZ Federal Com. #1
 1650' FNL and 660' FNL
 Section 3, T21S-R24E
 Eddy County, New Mexico
 NM-0230377-B

Yates Petroleum Corporation
 Location Layout for Permian Basin
 Up to 12,000'

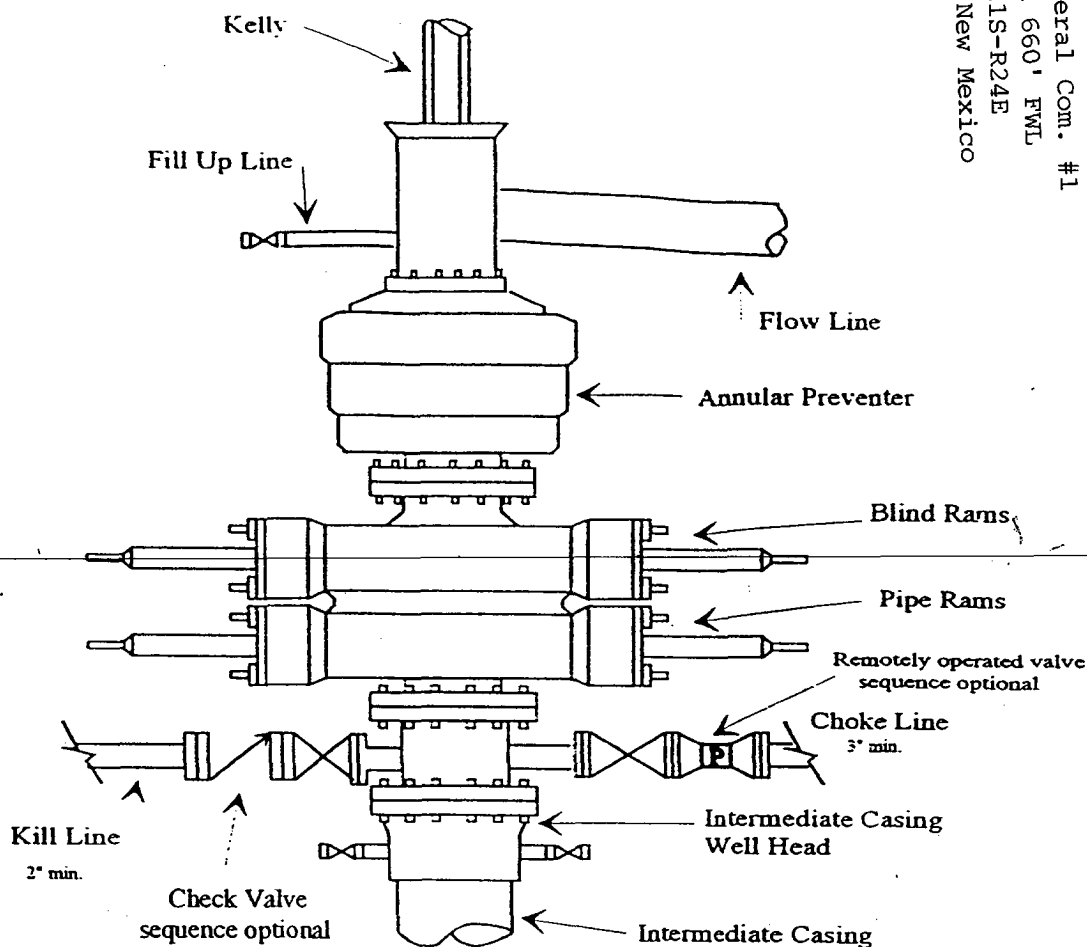
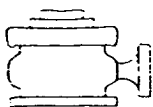


N Pits South

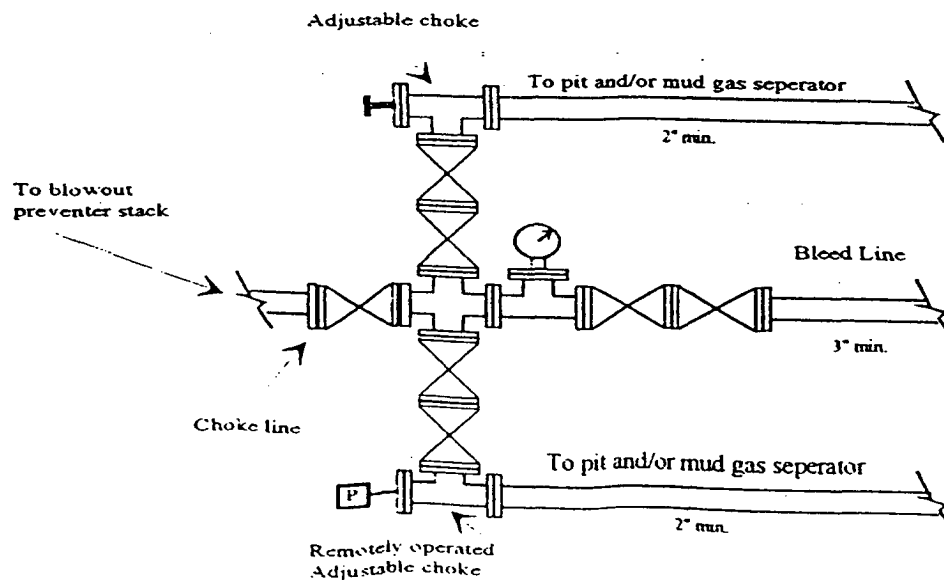


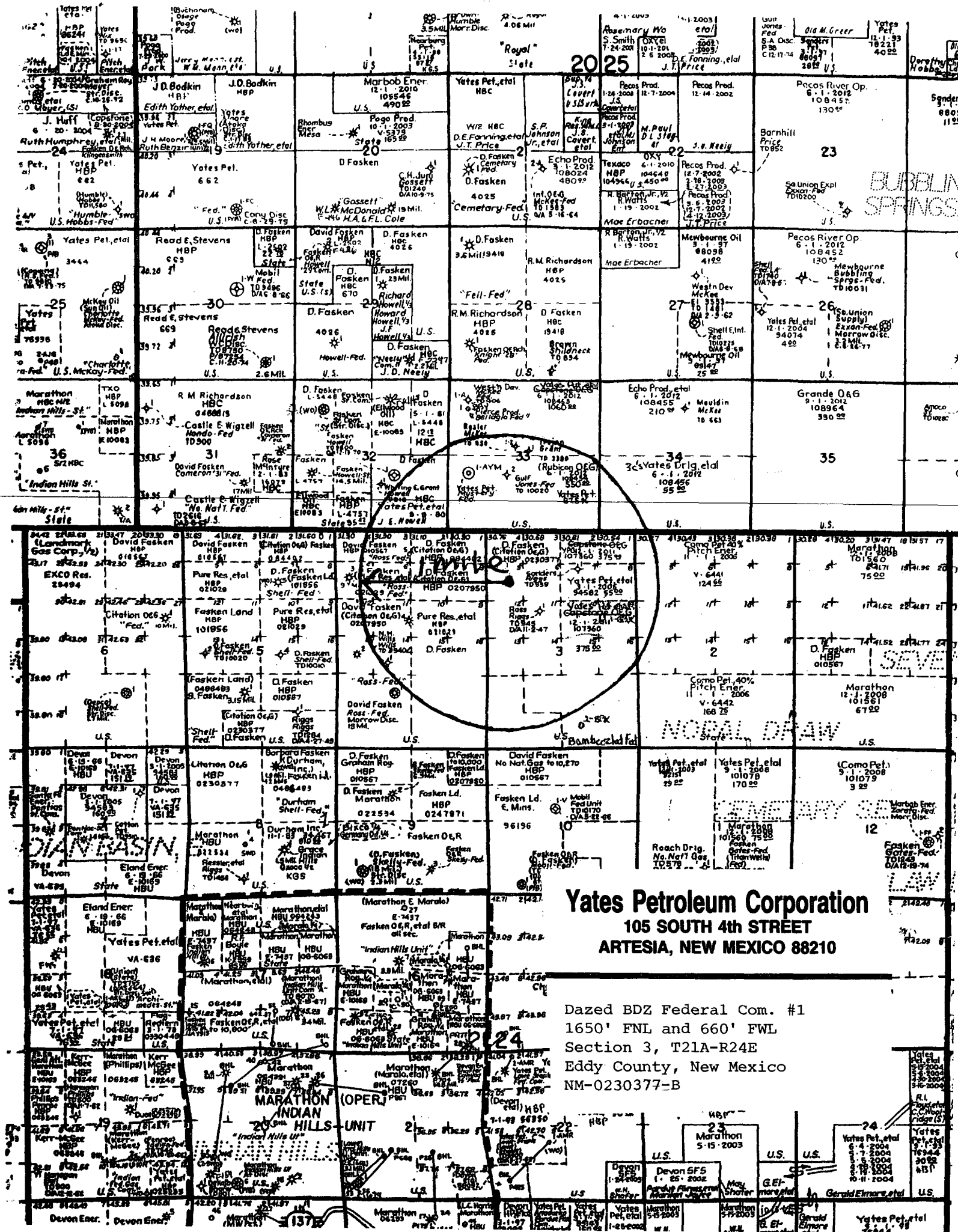
Yates Petroleum Corporation

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





MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1996



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE 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 No.: NM-230377-B
Dazed BDZ Federal Com. #1

Bond Coverage: Individually Bonded

Legal Description of Land:
NW/4
Section 3, T21S-R24E
Eddy County, New Mexico

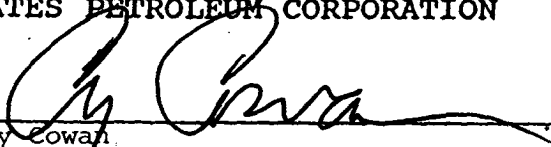
BLM Bond File No.: NM-2811

Formation(s) (if applicable):

N/A

Date: September 30, 2003

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent