

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007

RM

SUNDRY NOTICES AND REPORTS ON WELLS

APR 30 2009

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

2 Name of Operator

Yates Petroleum Corporation 025575

3a Address

105 South Fourth Street, Artesia, NM 88210

3b. Phone No (include area code)

(505) 748-1471

4 Location of Well (Footage, Sec., T., R., M., or Survey Description)

330' FSL and 2310' FWL Surface Hole Location

330' FNL and 1980' FWL Bottom Hole Location

Section 13, T24S-R29E

5. Lease Serial No

NM-88136

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/o

8 Well Name and No.

Corral Draw AQH Federal #3H

9. API Well No.

30-015-35069

10. Field and Pool, or Exploratory Area

Pierce Crossing Bone Spring East

11. County or Parish, State

Eddy County, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Change of name & location move.
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation is changing the name for the captioned well from the Corral Draw AQH Federal #8 to the Corral Draw AQH Federal #3H. The new bottom hole location will be 330' FNL and 1980' FWL.

The surface hole location will be same as on our approved APD for the Corral Draw AQH Federal #8 dated July 28, 2006 being 330' FSL and 990' FWL.

Please note attached C-102 and the revised drilling plan and Multi Use Surface Use Plan.

Thank you.

COAs dated 7/20/07
Still apply

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Cy Cowan

Title

Land Regulatory Agent

Signature

Date

410/2009

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Roger D. Hall

Petroleum Engineer

Date

APR 28 2009

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

CFO

Title 18 U.S.C. Section 1001, 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)

THUR

YATES PETROLEUM CORPORATION
Corral Draw AQH Federal #3H
 330' FSL and 2310' FWL (Surface)
 330' FNL and 1980' FWL (Bottom Hole)
 Section 13-T24S-R29E
 Eddy County, New Mexico

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

Rustler	330'	Brushy Canyon MKR	6,700'
Top of Salt	450'	Bone Springs (Oil)	6,970'
Bottom of Salt	3,015'	Kick off @ 12°/100'	7,693'
Bell Canyon (Oil)	3,220'	Bone Springs 1 /SD/ (Oil)	8,096' (MD)
Cherry Canyon (Oil)	4,090'	TVD	8,170' (TVD)
Brushy Canyon (Oil)	5,360'	Bone Springs 1 PAY (Oil)	8,443' (MD)
		TD	12,597' (MD)

Well will be drilled vertically to 7,693'. At 7,693' well will be kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 12,597' MD (8,170' TVD) where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 806' FSL and 2,276' FWL Section 4, T24S-R29E. Deepest TVD in the well is 8,170' in the lateral.

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

Water: 118'+
 Oil or Gas: All potential zones

3. Pressure Control Equipment: A 3000 psi system will be nipped up and tested on 13 3/8" casing. 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:

Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Thread</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-500'	500'
11"	8 5/8"	32#	J-55	ST&C	0-100'	100'
11"	8 5/8"	24#	J-55	ST&C	100-2200'	2100'
11"	8 5/8"	32#	J-55	ST&C	2200-3200'	1000'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	0-12597'	12597'

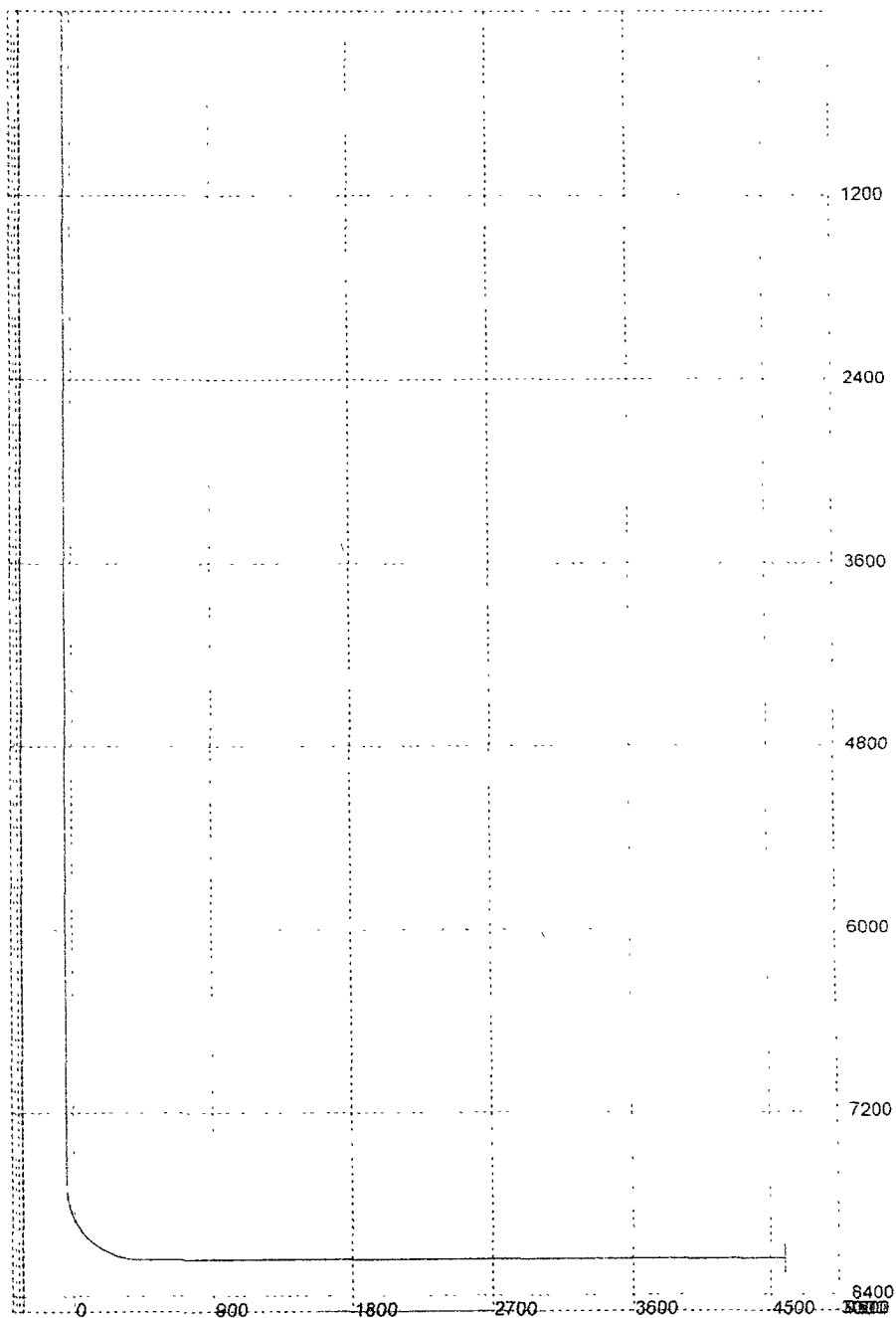
1. Minimum Casing Design Factors: Burst 1.0, Tensile Strength 1.8, Collapse 1.125
2. A 3,000 psi BOP will be nipped up on the 13 3/8" casing and tested to 3000 psi.

M.D.	Inclination	Azimuth	T.V.D.	N+S	E+W	D.L.S.	ToolFace	T.F. Ref (HS/GN)	
0	0	0	0	0	0	0			
330	0	0	330	0	0	0			RUSTLER
450	0	0	450	0	0	0			TOP OF SALT
3,015	0	0	3,015	0	0	0			BASE OF SALT
3,220	0	0	3,220	0	0	0			BELL CANYON
4,090	0	0	4,090	0	0	0			CHERRY CANYON
5,360	0	0	5,360	0	0	0			BRUSHY CANYON
6,700	0	0	6,700	0	0	0			BRUSHY CANYON MARKER
6,970	0	0	6,970	0	0	0			BONE SPRINGS
7693	0	0	7693	0	0	12	356	GN	KOP
7700	0.84	355.91	7700	0.05	0	12	0	HS	
7725	3.84	355.91	7724.98	1.07	-0.08	12	0	HS	
7750	6.84	355.91	7749.86	3.39	-0.24	12	360	HS	
7775	9.84	355.91	7774.6	7.01	-0.5	12	0	HS	
7800	12.84	355.91	7799.11	11.91	-0.85	12	360	HS	
7825	15.84	355.91	7823.33	18.08	-1.29	12	360	HS	
7850	18.84	355.91	7847.19	25.52	-1.82	12	0	HS	
7875	21.84	355.91	7870.83	34.18	-2.44	12	360	HS	
7900	24.84	355.91	7893.58	44.06	-3.15	12	360	HS	
7925	27.84	355.91	7915.98	55.12	-3.94	12	0	HS	
7950	30.84	355.91	7937.77	67.34	-4.81	12	360	HS	
7975	33.84	355.91	7958.89	80.68	-5.76	12	360	HS	
8000	36.84	355.91	7979.28	95.1	-6.79	12	360	HS	
8025	39.84	355.91	7998.89	110.57	-7.9	12	0	HS	
8050	42.84	355.91	8017.65	127.04	-9.07	12	0	HS	
8075	45.84	355.91	8035.53	144.46	-10.32	12	360	HS	
8096.5	48.42	355.91	8050.16	160.18	-11.44	12	360	HS	1ST BONE SPRINGS
8100	48.84	355.91	8052.47	162.8	-11.63	12	360	HS	
8125	51.84	355.91	8068.43	181.99	-13	12	360	HS	
8150	54.84	355.91	8083.35	202	-14.43	12	0	HS	
8175	57.84	355.91	8097.21	222.75	-15.91	12	360	HS	
8200	60.84	355.91	8109.95	244.2	-17.44	12	0	HS	
8225	63.84	355.91	8121.56	266.28	-19.02	12	360	HS	
8250	66.84	355.91	8131.99	288.94	-20.64	12	360	HS	
8275	69.84	355.91	8141.21	312.11	-22.29	12	0	HS	
8300	72.84	355.91	8149.21	335.74	-23.98	12	0	HS	
8325	75.84	355.91	8155.96	359.75	-25.7	12	0	HS	
8350	78.84	355.91	8161.44	384.07	-27.43	12	0	HS	
8375	81.84	355.91	8165.63	408.65	-29.19	12	360	HS	
8400	84.84	355.91	8168.53	433.42	-30.96	12	360	HS	
8425	87.84	355.91	8170.13	458.3	-32.74	12	360	HS	
8443.05	90.01	355.91	8170.47	476.31	-34.02	0			1st BONE SPRINGS PAY
12597.31	90.01	355.91	8170	4620	-330	0			LATERAL TD

Well will be drilled vertically to 7693'. At 7693' well will be kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 12,597' MD (8,170' TVD) where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 806' FSL and 2,276' FWL Section 4-24S-29E. Deepest TVD in the well is 8170' in the lateral

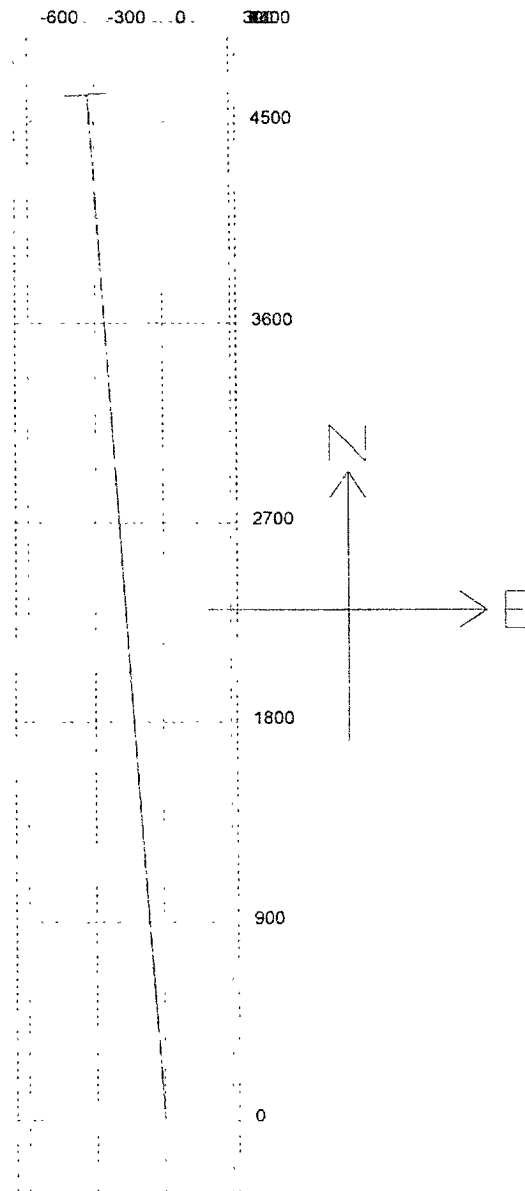
3D Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation
Well: Corral Draw AQH Federal #3H



3D Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation
Well: Corral Draw AQH Federal #3H



B. Cementing Program:

Surface Casing: Cement with 225 sx C Lite (WT 12.6 YLD 1.98). Tail in with 200 sx class "C" w/CaCl₂ (WT 14.8 YLD 1.36) TOC-Surface

Intermediate Casing: 625 sx C Lite (Wt 12.4 YLD 2.18). Tail in with 200 sx class "C" w/CaCl₂ (WT 14.80 YLD 1.31) TOC - surface.

Production Casing: Stage 1--955 sx PecosVILt (WT 13.0 Yld 1.85). TOC - 7500'.
 Stage 2—725 sx LiteCrete (WT 9.90 YLD 2.34). Tail in 100 sx H (Wt 15.6 YLD 1.18). TOC - 4150'.
 Stage 3—555 sx LiteCrete (WT 9.90 YLD 2.34). Tail in 100 sx H (Wt 15.6 YLD 1.18). TOC - surface.

DV tools will be placed at approximately 7500' and 4150' on production casing, production casing will be cemented in three stages.

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-500'	Fresh Water	8.6-9.2	29-32	N/C
500'-3200'	Brine Water	10.0-10.20	28-28	N/C
3200'-7693'	Cut Brine	8.9-9.1	28-29	N/C
7693'-12597'	Cut Brine (lateral section)	8.9-9.1	28-32	<15

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 to 3000; Samples from 3000' to TD
 Logging: Platform HALS,CMR
 Coring: None anticipated.
 DST's: As warranted.

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

Anticipated BHP:

From: 0 TO 500'	Anticipated Max. BHP:	240	PSI
From: 500' TO 3200'	Anticipated Max. BHP:	1700	PSI
From: 3200' TO 8170'	Anticipated Max. BHP.	3865	PSI

Abnormal Pressures Anticipated: None
 Lost Circulation Zones Anticipated: None
 H₂S Zones Anticipated: None
 Maximum Bottom Hole Temperature: 152° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 40 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Corral Draw AQH Federal #3H
330' FSL and 2310' FWL (Surface)
330' FNL and 1980' FWL (Bottom Hole)
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 well site 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) Mississippi Potash Mine Shaft #5 is here. Turn south here on CR-793 and go approximately 3.4 miles. Follow County road to the left and go east for approx. .2 of a mile. Turn south on county road and follow it for approx. 5.4 miles. Turn west on lease road and go approx. .5 of a mile to Bass' Poker Lake Unit #215 well location. The new road will start here going west for approx. .9 of a mile to the southeast corner of the proposed well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately .9 of a mile in length going west to the southeast corner of the drilling pad. The road will lie in a westerly 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 both sides. One traffic turnout may be needed.
- 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 no 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 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 until electric power can be brought in if needed. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

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 road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. A closed loop system will be used to drill this well.
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC.
- 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 and the location of the drilling equipment, rig orientation and access road approach.
- B. The closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the "Pit Rule" 19.15.17 NMAC. Form C-144 attached.
- 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 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.

11. SURFACE OWNERSHIP:

Federal lands administered by the Bureau of Land Management, Carlsbad, NM.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, and dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

(Exhibits Attached)

- Exhibit A Topographic Map and Road Plat
- Exhibit B BOP Schematic
- Exhibit C Location Layout
- Exhibit C-1 Closed Loop System Diagram
- Exhibit D One Mile Radius