

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1A. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. NM - 43522
B. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME
7. NAME OF OPERATOR Yates Petroleum Corporation		7. UNIT AGREEMENT NAME
8. ADDRESS OF OPERATOR 105 South Fourth Street, Artesia, New Mexico		8. FARM OR LEASE NAME Azotea "AJZ" Federal
9. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) At surface 1980' FNL and 810' FWL At proposed prod. zone Same		9. WELL NO. 1
10. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 18 miles southwest of Carlsbad, New Mexico		10. FIELD AND POOL, OR WILDCAT X Wildcat Morrow
11. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 810'		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 9-T23S-R24E
12. DISTANCE FROM PROPOSED* LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 10,800'		12. COUNTY OR PARISH Eddy
13. ELEVATIONS (Show whether DF, RT, GR, etc.) 4143'		13. STATE NM
14. NO. OF ACRES IN LEASE 810'		14. NO. OF ACRES ASSIGNED TO THIS WELL 320
15. PROPOSED DEPTH 10,800'		15. ROTARY OR CABLE TOOLS Rotary
16. APPROX. DATE WORK WILL START* As soon as possible		

PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	68#	400'	Circulate
12 1/4"-11"	9 5/8"	28# & 32#	2400'	Circulate
7 7/8"	5 1/2"	11.6# & N-80	10,800'	As warranted (see slips)

Yates Petroleum Corporation proposes to drill and test the Morrow and intermediate formations. Approximately 400' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented. Will perforate and stimulate as needed for production.

MUD PROGRAM: FW/spud mud to 400'; FW to 2400'; Cut Brine to 9800'; Prehydrated Bentonite/Starch to TD.

BOP PROGRAM: BOP's will be installed at the offset and tested daily.

(V-Door North per BLM)

Part ID-1
IF 29-91
New Doc & API

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE Landman DATE 10-22-91

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE

APPROVED BY TITLE DATE 11-20-91

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

*See Instructions On Reverse Side

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

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

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

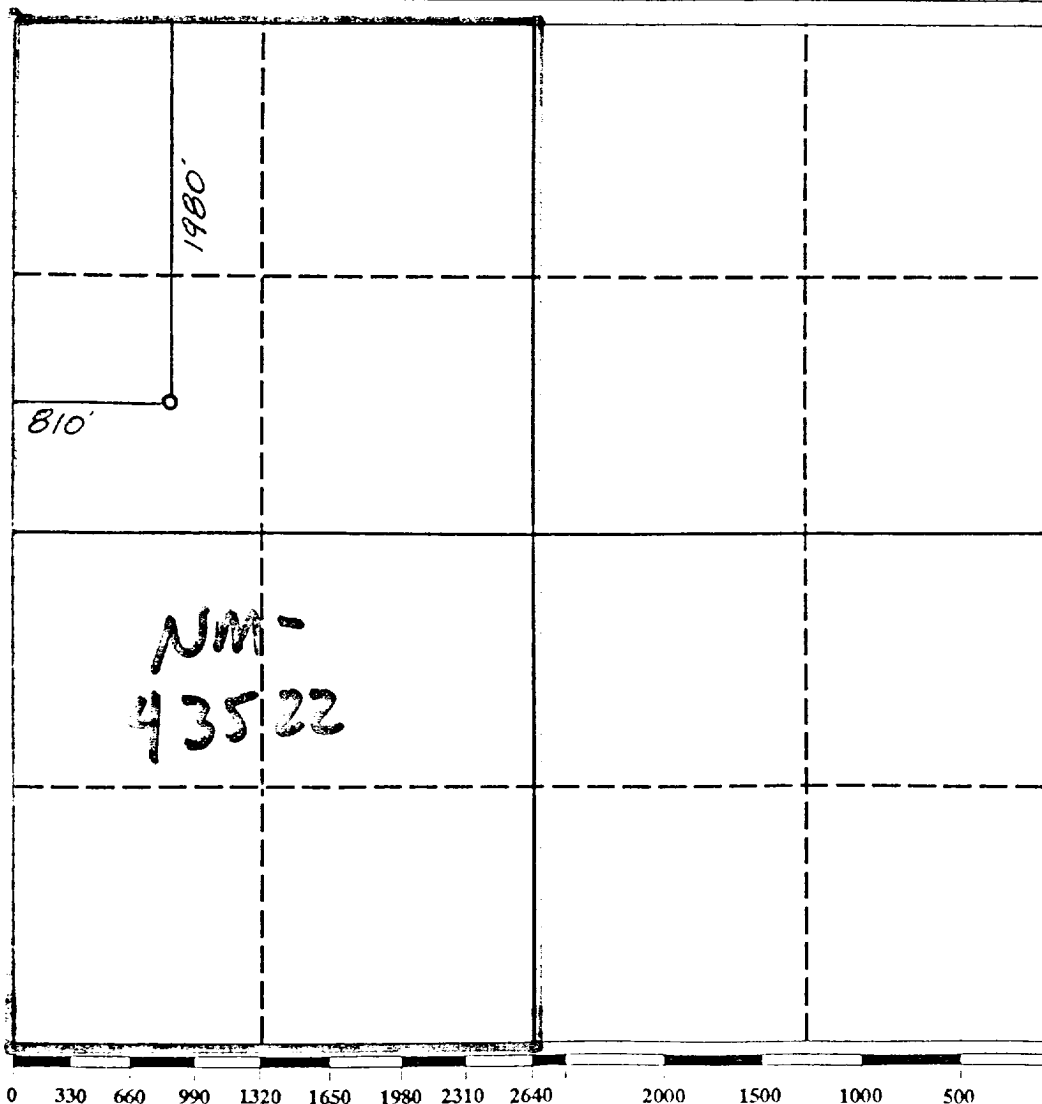
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease AZOTEA AJZ FEDERAL		Well No. 1
Unit Letter E	Section 9	Township 23 SOUTH	Range 24 EAST	County EDDY COUNTY, N.M.	
Actual Footage Location of Well: 1980 feet from the NORTH line and 810 feet from the WEST line					
Ground level Elev. 4143.	Producing Formation Morrow		Pool Wildcat Morrow	Dedicated Acreage: 320 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). _____
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature
Ken Beardmore
Printed Name
KEN BEARDMORE
Position
LANDMAN
Company
Yates Pet. Corp.
Date
10-22-91

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 knowledge and belief.

Date Surveyed
OCTOBER 19, 1991
Signature & Seal of Professional Surveyor
Ken Beardmore
Professional Engineer
Certificate No.
5412
NM PE&PS NO. 5412

YATES PETROLEUM CORPORATION

**Azotea "AJZ" Federal #1
1980' FNL and 810' FWL
Section 9-T23S-R24E
Eddy County, New Mexico**

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with USGS requirements.

1. The geological surface formation is Caliche:
2. The estimated tops of geologic markers are as follows:

San Andres	1,250'
Bone Spring Lime	3,950'
1st Bone Spring Sand	4,375'
2nd Bone Spring Sand	4,560'
3rd Bone Spring Sand	7,400'
Wolf Camp	7,750'
Upper Penn Dolomite	8,425'
Upper Penn Lime	8,460'
Canyon Lime	8,515'
Lower Canyon Lime	8,575'
Strawn Lime	8,760'
Atoka Lime	9,730'
Upper Morrow Lime	10,080'
Morrow	10,360'
Lower Morrow Sand	10,500'
Barnett	10,720'
TD	10,800'

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

Water:

Oil or Gas: Morrow and Atoka

- 4: Proposed Casing Program: See Form 3160-3.
5. Pressure Control Equipment: See Form 3160-3 and Exhibit B.
6. Mud Program: See Form 3160-3.
7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connections.

8. Testing, Logging and Coring Program:

Samples: 10' samples out from surface casing to TD.

DST's: As warranted by drilling breaks and shows.

Logging: CNL-LDT from TD to casing, with GR-CNL up to surface;
DLL (with minimum RxO) from TD to casing.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Azotea "AJZ" Federal #1
1980' FNL and 810' FWL
Section 9-T23S-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 BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 18 miles southwest of Carlsbad, New Mexico, and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

1. Go south on Highway 285 to mile marker (26) turn west on Highway (408), Dark Canyon Road for approximately 18.5 miles. Turn north on Caliche road for approximately 2.6 miles. New road starts here.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 1000' in length from point of origin to the east edge of the drilling pad. The road will lie in an east to west direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. Some traffic turnout will be built.
- D. The route of the road is visible.

3. LOCATION OF EXISTING WELL

- A. There is no 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 closest BLM pit that we can find that is open is that off the location itself.

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. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.
- G. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

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. A cross section of a drill pad with approximate cuts, fills and pad orientation is shown on Exhibit E.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION OF THE SURFACE:

- 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 levelled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the BLM 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: BLM (Carlsbad, NM)

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:

Ken Beardemphl, Landman
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:

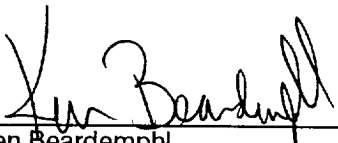
Mike Slater, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

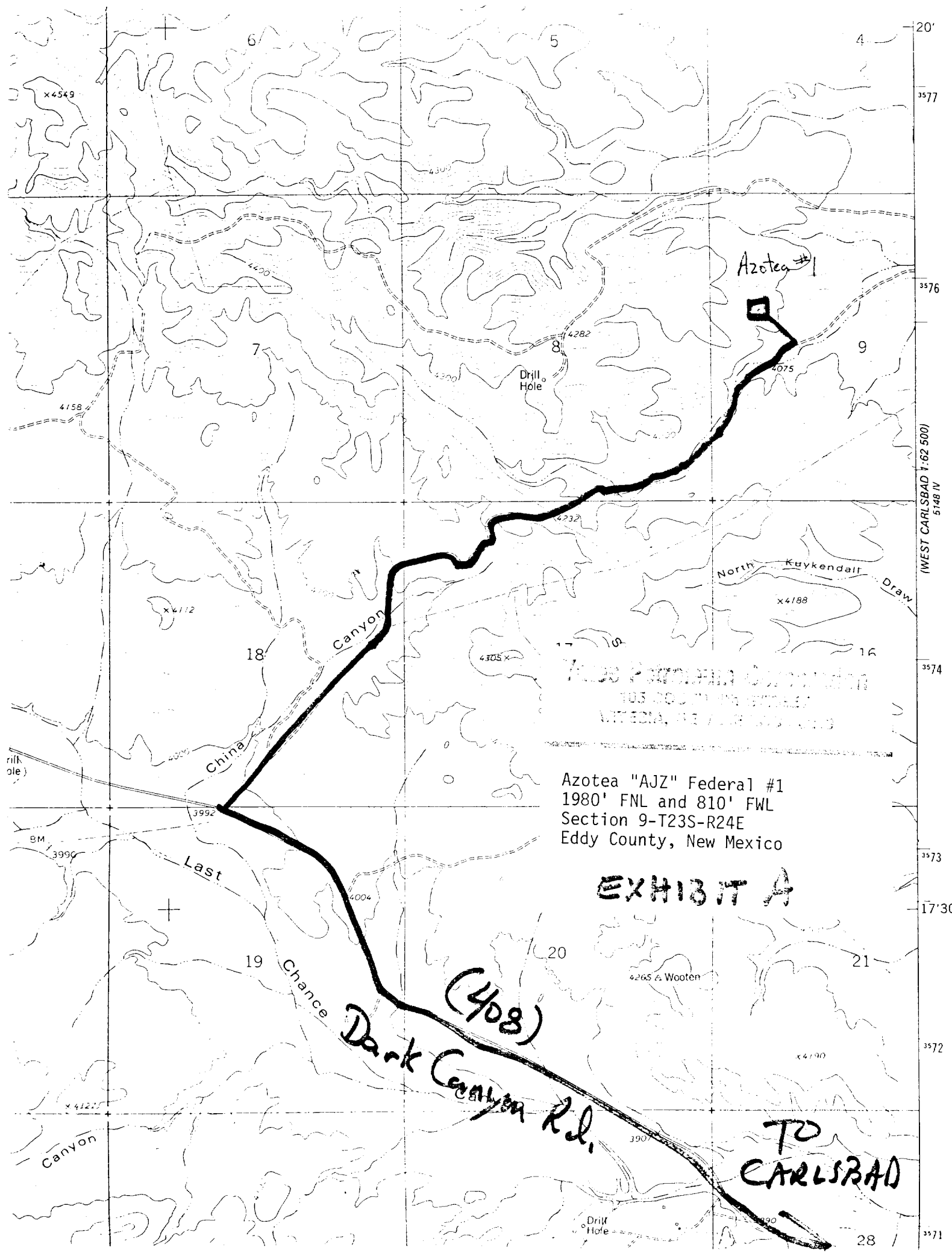
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated 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.

10-22-91

Date



Ken Beardemphl
Landman

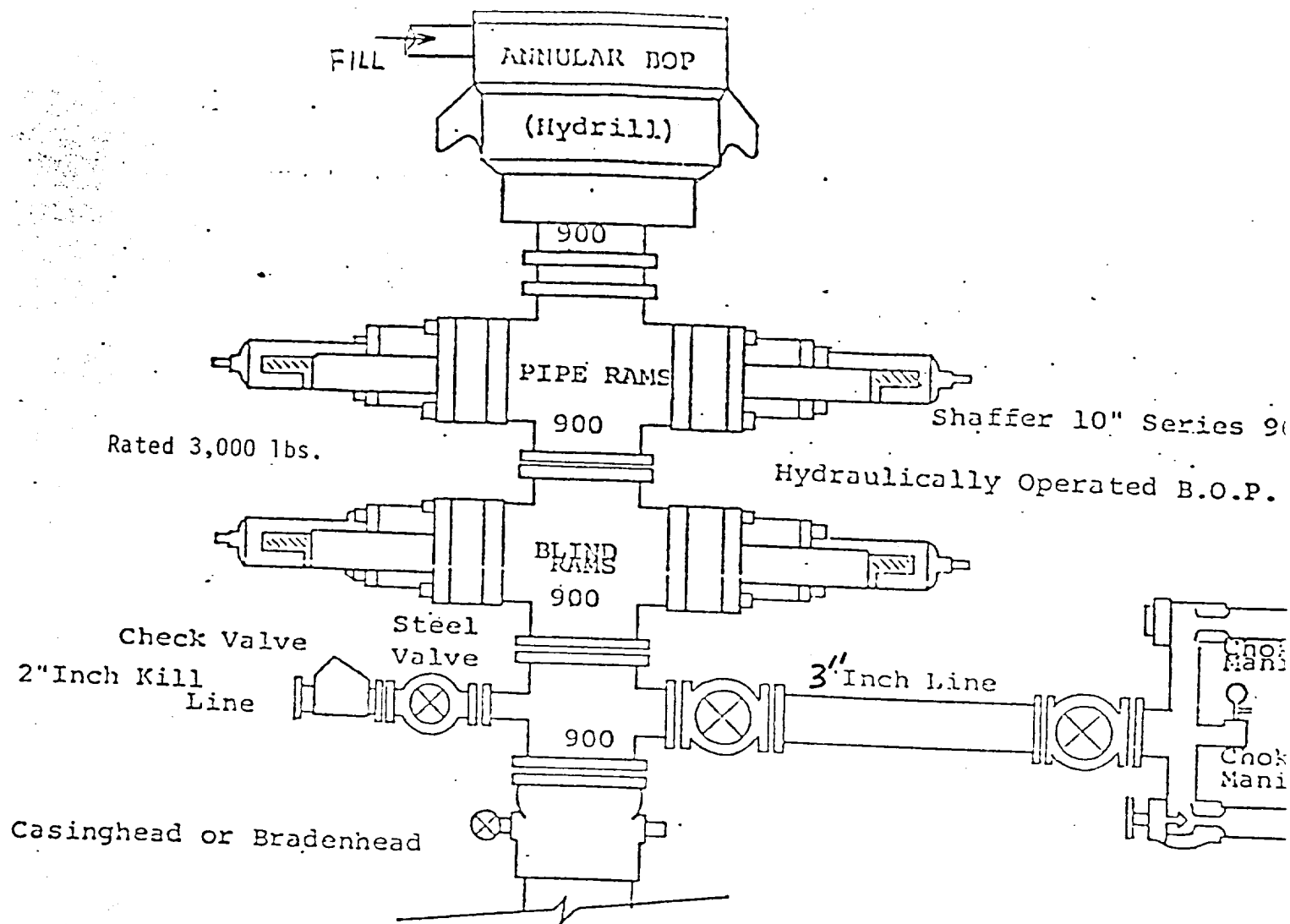


Azotea "AJZ" Federal #1
1980' FNL and 810' FWL
Section 9-T23S-R24E
Eddy County, New Mexico

EXHIBIT A

Dark Canyon Rd. (408)

TO
CARLSBAD



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual control installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of 3" diameter.
3. Kill line to be of all steel construction of 2" minimum diameter.
4. All connections from operating manifolds to preventers to be all steel hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating equivalent to that of the B.O.P.'s.
7. Inside blowout preventer to be available on rig floor.
8. Operating controls located a safe distance from the rig floor.
9. Hole must be kept filled on trips below intermediate casing.

EXHIBIT
B

YATES PETROLEUM CORPORATION

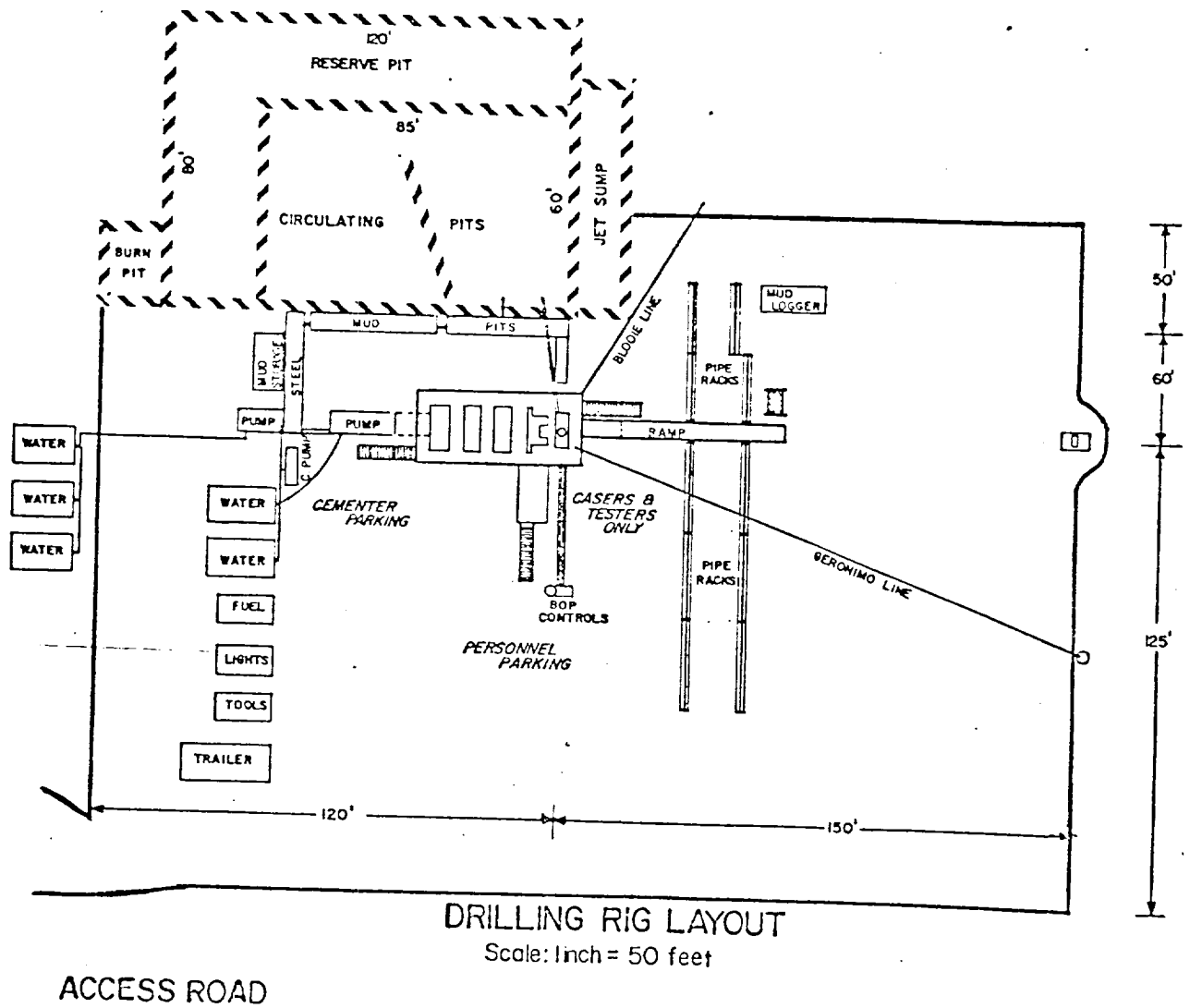
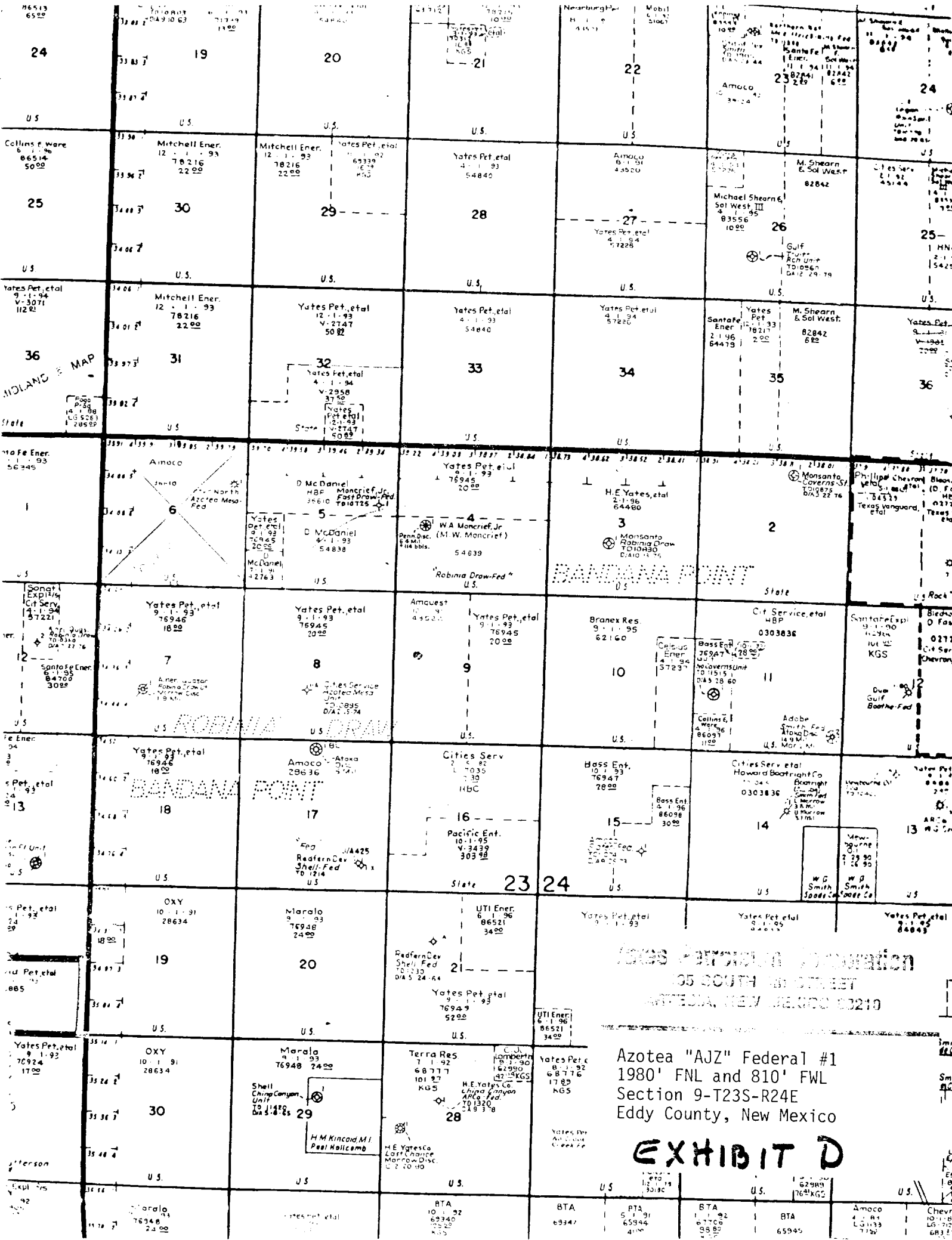


EXHIBIT C



JOSAS PATRICK & ASSOCIATES
 105 SOUTH 300 STREET
 ALBUQUERQUE, NEW MEXICO 87210

Azotea "AJZ" Federal #1
 1980' FNL and 810' FWL
 Section 9-T23S-R24E
 Eddy County, New Mexico

EXHIBIT D