

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

MAY 18 2004

OCB-ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

0

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.

NM-44532

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.

Sosa Federal #3

9. API Well No.

30-015-33415

10. Field and Pool, or Exploratory

Undes. Brushy Draw Delaware

11. Sec., T., R., M., or Blk. and Survey or Area

Section 15, T26S-R29E

12. County or Parish

Eddy County

13. State

NM

1a. Type of Work:

☒ DRILL

☐ REENTER

b. Type of Well:

☒ Oil Well

☐ Gas
Well

☐ Other

☐ Single
Zone

☐ Multiple Zone

2. Name of Operator

Yates Petroleum Corporation

3A. Address 105 South Fourth Street

Artesia, New Mexico 88210

3b. Phone No. (include area code)

(505) 748-1471

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface

330' FNL & 330' FWL

At proposed prod. Zone

Same

D

14. Distance in miles and direction from nearest town or post office*

Approximately 35 miles SE of Carlsbad, New Mexico

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

330'

16. No. of Acres in lease

720

17. Spacing Unit dedicated to this well

40

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

19. Proposed Depth

6850'

20. BLM/BIA Bond No. on file

NM-2811

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

2932'

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.

2. A Drilling Plan.

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.

4. Bond to cover the operations unless covered by an 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
authorized office.

25. Signature

Name (Printed/Typed)

Cy Cowan/Land Department

Date

4/13/04

Title:

Regulatory Agent/debbiec@ypcnm.com

Approved by (Signature)

/s/ Joe G. Lara

Name (Printed/Typed)

/s/ Joe G. Lara

Date

17 MAY 2004

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



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

20 May 2004

Yates Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210

RE:

Pit Permit - Sosa Federal # 3 330'FNL & 330'FWL SEC-15 T-26S R-29E

The Oil Conservation Division of Artesia is in receipt of your application for permit to drill. Construction of a pit(s) for the purpose of drilling is approved under your current "General Plan" with the following provisions:

1. Construction and closing of pit(s) must meet the criteria of Rule 19.15.2.50 and the Pit Guidelines.
2. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
3. Notice is to be given to the OCD prior to construction of the pit(s).
4. Liner must be a minimum of 12 mil. woven.
5. Liner choice may cause the pit's contents and the liner to be removed and disposed of in a manner approved by the Division.
6. Depth to groundwater may cause the pit's contents and the liner to be removed and disposed of in a manner approved by the Division.
7. Pit encapsulations must meet all specific criteria including, but not limited to:
 - A. Site evaluation
 - B. Liner thickness and type must meet requirements as per guidelines.
 - C. Amount of and type of cover
 - D. Drill cuttings will be sampled as per guidelines. Notify OCD 48 hours prior to any sampling event
 - E. In the event that the integrity of the pit lining is breached in a manner such that soil contamination would result, the contents of the pit will have to be disposed of in an approved OCD facility.
8. The integrity of the bottom liner may not be breached at any time for any reason.
9. The pit will not be used for any additional storage of fluids.
10. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,

Van Barton

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

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

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name Undes. Brushy Draw Delaware
⁴ Property Code	⁵ Property Name Sosa Federal	⁶ Well Number 3
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 2932'

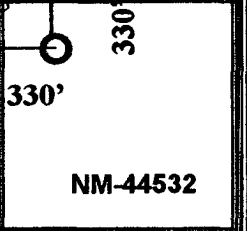
¹⁰ Surface Location

UL or lot no. D	Section 15	Township 26S	Range 29E	Lot Idn	Feet from the 330	North/South line North	Feet from the 330	East/West line West	County Eddy
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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 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

				<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Cy Cowan</i></p> <p>Signature</p> <p>Cy Cowan</p> <p>Printed Name</p> <p>Regulatory Agent</p> <p>Title</p> <p>04/13/2004</p> <p>Date</p>
				<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>REFER TO ORIGINAL PLAT</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
				Certificate Number

DISTRICT I
1626 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Elie Brasas 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
		Undes. Brushy Draw Delaware
Property Code	Property Name	Well Number
	SOSA FEDERAL	3
OGED No.	Operator Name	Elevation
025575	Yates Petroleum Corporation	2932

Surface Location

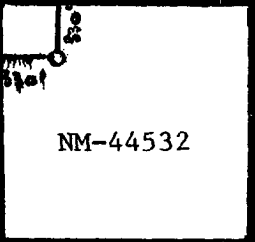
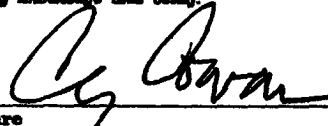
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	15	26S	29E		330'	North	330'	West	Eddy

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	Joint or Infill	Consolidation Code	Order No.
40			

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-44532				<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature Cy Cowan Printed Name Regulatory Agent Title 3/29/02 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>REFER TO ORIGINAL PLAT</p> <p>Date Surveyed Signature & Seal of Professional Surveyor</p> <p>Certificate No. Herschel L. Jones RLS 3640</p> <p>GENERAL SURVEYING COMPANY</p>

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 SOSA FEDERAL		Well No. 3
Unit Letter D	Section 15	Township 26 SOUTH	Range 29 EAST	County EDDY COUNTY, NM	
Actual Footage Location of Well: 330 feet from the NORTH line and 330 feet from the WEST line					
Ground level Elev. 2932	Producing Formation Delaware		Pool Under Brushy Draw - Delaware		Dedicated Acreage: 40 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hachure 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.

330'		330'	
NM-44532			

OPERATOR CERTIFICATION

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

Signature
Ken Beardsley
Printed Name
Ken Beardsley
Position
Landman
Company
Yates Pet. Corp.
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 knowledge and belief.

Date Surveyed
FEBRUARY 15, 1999
Signature of Professional Surveyor
Ken Beardsley
Professional Engineer
5412
Certificate No.
5412
NM PEERS NO. **5412**

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

YATES PETROLEUM CORPORATION

Sosa Federal #3

330' FNL and 330' FWL

Section 15-T26S-R29E

Eddy County, New Mexico

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

Rustler	700'
Top Salt	861'
Base Salt	2745'
Bell Canyon	2944'
Cherry Canyon	3880'
Brushy Canyon	5610'
Bone Spring	6705'
TD	6850'

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

Water: 500'
Oil or Gas: Bone Springs.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
12 1/4"	8 5/8"	24#	J55	ST&C	0-425'	700'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-6830'	6830'

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

B. CEMENTING PROGRAM:

Surface casing: 200 sx Pacesetter Lite "C" w/ 1/4 # Cellocel & 3% CaCl₂
(Yld 1.84 Wt. 12.7) & 200 sx Class "C" w/2% CaCl₂
(YLD 1.84 WT 14.8) Cement calculated to circulate to surface.

Production Casing: Stage I: 200 sx "H" w/8# sx CSE, +0.6% CF-14 + 5# Sack Gilsonite (Yld 1.75 Wt. 13.6), Cement calculated to 5500' DV Tool; set at approx. 5500'.

Stage II: 300 sx Lite "C" w/5# Gilsonite, 1/4# sx Cellocel, + 0.5% CF-14 (Yld 1.84 Wt 14.8) + 150 sx "H" w/o 0.6% CF-14 8# sx CSE, 5# sx Gilsonite (Yld 1.76 Wt. 13.6) Cement calculated to 2700'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-425'	FW/Gel	8.4-8.9	32-36	N/C
425'-3800'	Brine	10.0	28	N/C
3800'-6830'	Brine	10.1	29-32	<15cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: Every 10' from surface casing to TD.
Logging: As warranted.
Coring: None.
DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 700'	Anticipated Max. BHP: 255	PSI
From: 700'	TO: 6830'	Anticipated Max. BHP: 2480	PSI

Abnormal pressures anticipated: None

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 135F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 15 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION**

Sosa Federal #3
330' FNL and 330' FWL
Section 15-T26S-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 35 miles southeast of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From Carlsbad go south on Highway 285 approximately 28.5 miles. Turn east on County Road 725 and go approximately 6.1 miles. Location is on east side of county road, no new road is needed.

2. PLANNED ACCESS ROAD: None needed.

3. LOCATION OF EXISTING WELL:

- A. There is 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. 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:

If needed caliche will be obtained by construction company on a federal pit located in the NWNW of Sec. 24, T26s-R29E.

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:

A flow line shall be run along the same route as the powerline to the Sosa Federal #1 location on the surface (see Exhibit A)

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 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. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Surface, Administered by BLM, 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:

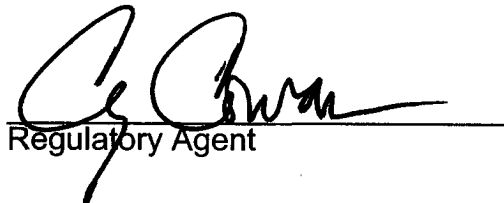
Cy Cowan,
Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

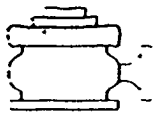
B. Through Drilling Operations,
Completions and Production:
Pinson McWhorter,
Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

4/13/2004

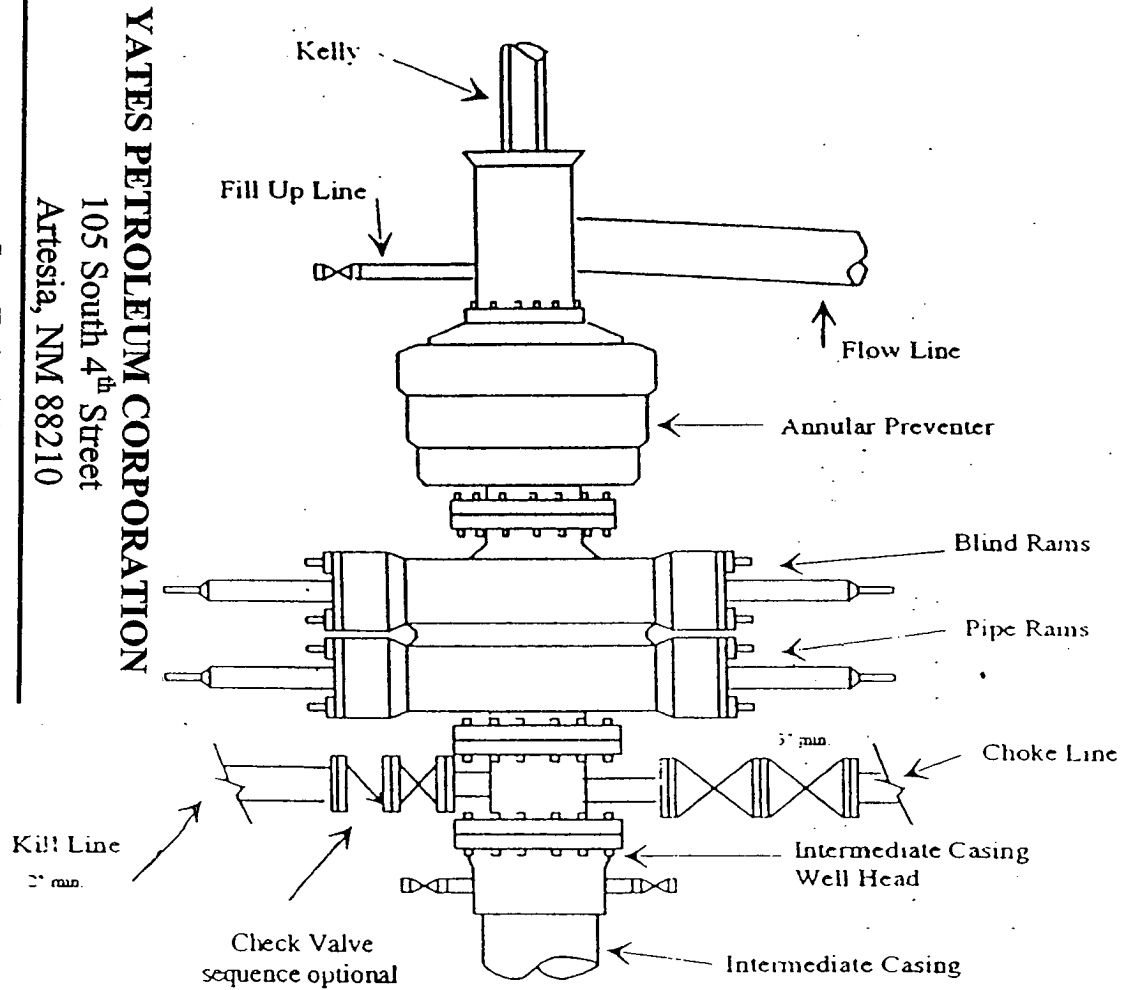

Regulatory Agent



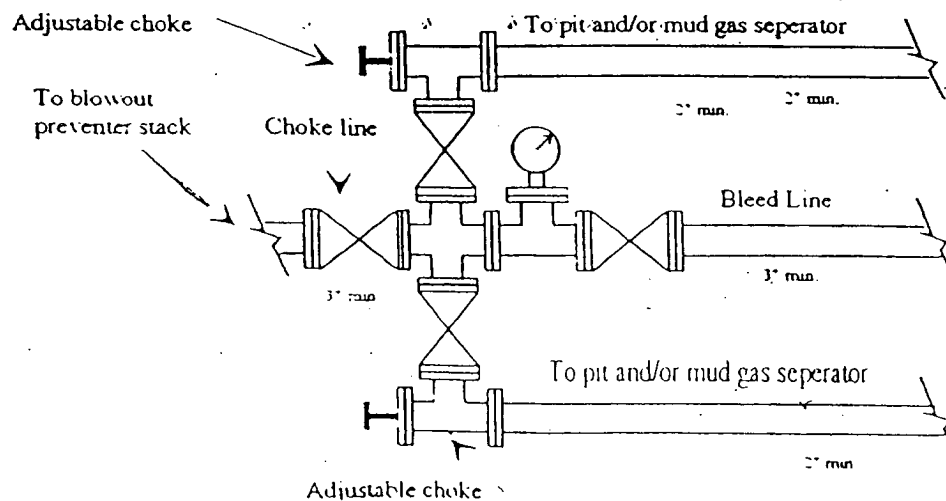
Vates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



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



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Sosa Federal #3

330' FNL & 330' FWL
Section 15-T26S-R29E
Eddy County, New Mexico
Exhibit "B"

Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

YATES PETROLEUM CORPORATION105 South 4th Street

Artesia, NM 88210

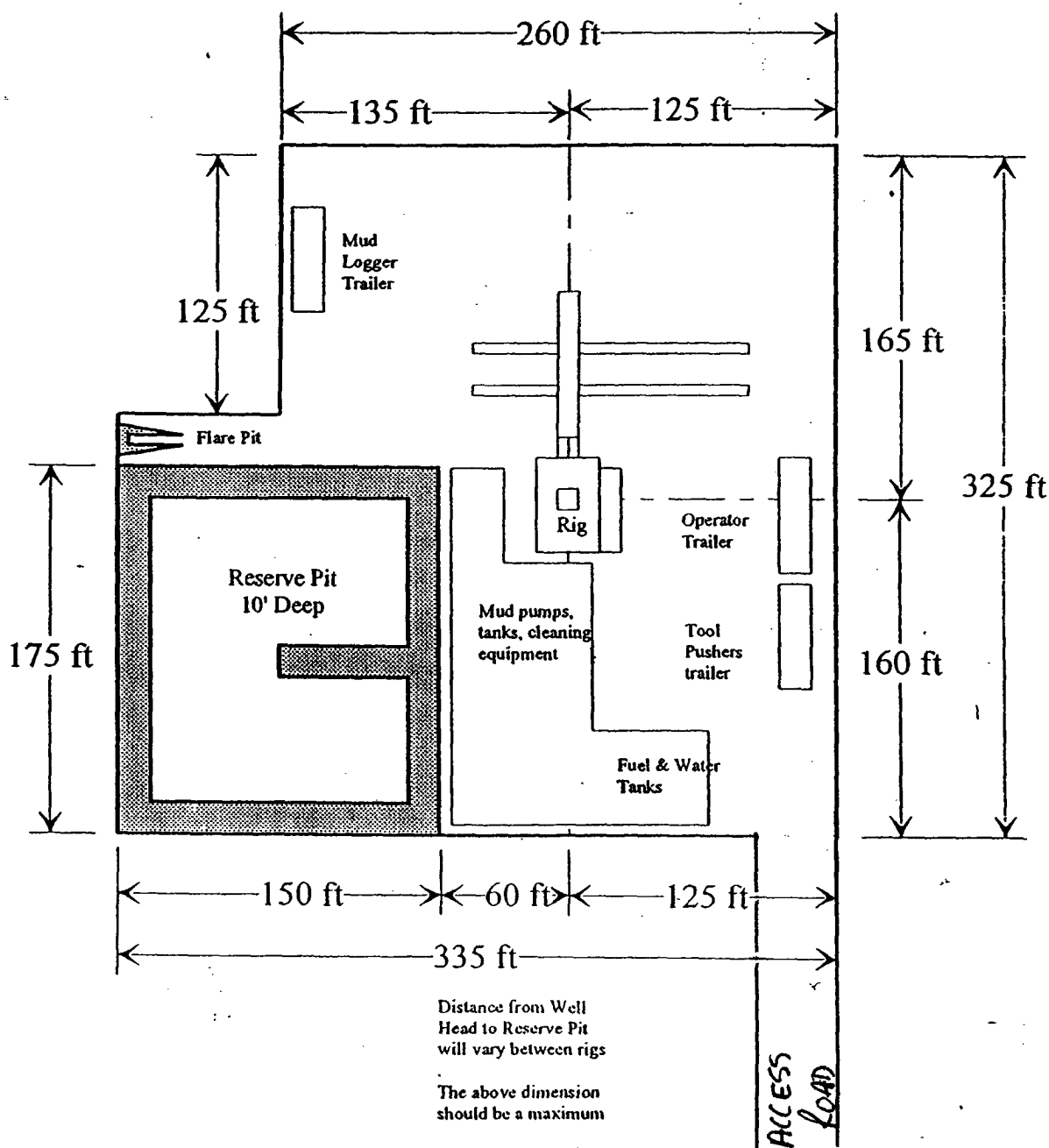
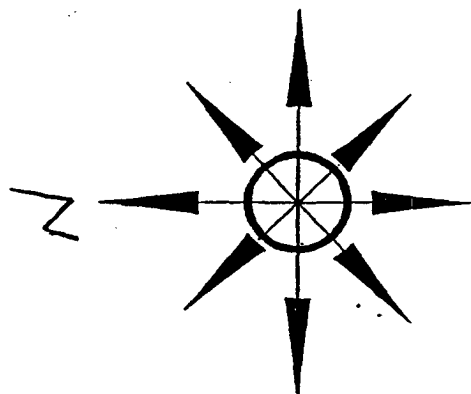
Sosa Federal #3

330' FNL & 330' FWL

Section 15-T26S-R29E

Eddy County, New Mexico

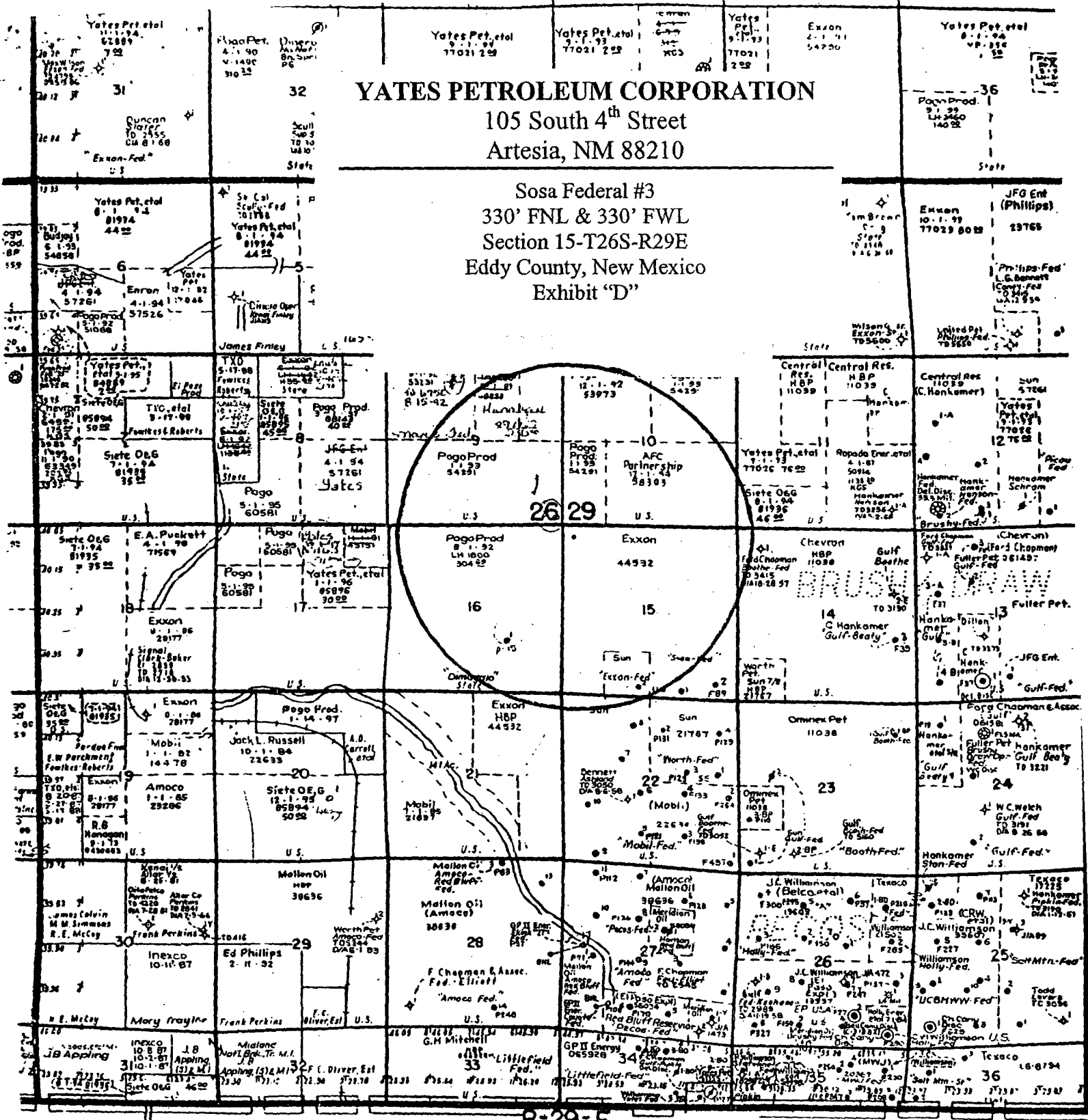
Exhibit "C"



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Sosa Federal #3
330' FNL & 330' FWL
Section 15-T26S-R29E
Eddy County, New Mexico
Exhibit "D"



REEVES, North

LOVING County



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Sosa Federal #3
330' FNL & 330' FWL
Section 15-T26S-R29E
Eddy County, New Mexico
Exhibit "A"

