

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

APPLICATION FOR PERMIT TO DRILL OR REENTER MAY 19 2004

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

5. Lease Serial No.

NM-0230377-B

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

Dazed BDZ Federal Com. #2

9. API Well No.

30-015-33428

10. Field and Pool, or Exploratory

Undes. Cemetery Morrow

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

Section 3, T21S-R24E

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

3400' FSL and 660' FWL Lot 13

At proposed prod. Zone

Same

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

Approximately 14.5 miles northwest of Carlsbad, New Mexico.

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

660'

16. No. of Acres in lease

301.44

17. Spacing Unit dedicated to this well

Middle 1/2

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

1/2 mile

19. Proposed Depth

10200'

20. BLM/BIA Bond No. on file

585997

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

3828' 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.

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)

Date

Cy Cowan

4/14/04

Title:

Regulatory Agent

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

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

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 Undesignate Cemetery Morrow
Property Code	Property Name DAZED "BDZ" FEDERAL COM.	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3828

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 13	3	21S	24E		3400	SOUTH	660	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 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

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Cy Cowan</u> Printed Name <u>Cy Cowan</u> Title <u>Regulatory Agent</u> Date <u>April 6, 2004</u>	
	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 Surveyed <u>3/05/2004</u> Signature <u>Herschel L. Jones</u> Professional Surveyor Certificate No. <u>3640</u> GENERAL SURVEYING COMPANY	

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 3630' 3960' 4290' 4620' 4950' 5280' 5610' 5940' 6270' 6600'

YATES PETROLEUM CORPORATION
Dazed BDZ Federal Com. #2
 3400' FSL and 660' FWL
 Section 3, T21S-R24E
 Eddy County, New Mexico

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

San Andres	1165'	Strawn	9010'
Bone Spring Lime	3375'	Atoka	9430'
1 st Bone Spring Lime	3825'	Upper Morrow	9815'
2 nd Bone Spring Lime	4790'	Middle Morrow	9865'
3 rd Bone Springs Lime	6375'	Lower Morrow	10025'
Wolfcamp	6790'	Base of Morrow	10090'
Cisco	8240'	TD	10200'

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#	H-40	ST&C	0-400'	400'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-3450'	3450'
8 3/4"	5 1/2"	17#	HPC-110	LT&C	0-10200'	10200'

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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: 1350 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/ 1450 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:

Interval	Type	Weight	Viscosity	Fluid Loss
Spud to 400'	FW/Spud Mud	8.4-8.6	34-36	N/C
400'-3450'	Fresh Water	8.4-8.6	28	N/C
3450'-6750'	Cut Brine	8.8-9.0	28	N/C
6750'-8240'	Cut Brine	9.2-9.4	28	N/C
8240'-8950'	Cut Brine	9.4-9.6	34	N/C
8950'-10200'	SW/Gel/Starch/4%-6% KCL	9.6-9.8	30-32	<10-12cc

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: 200	PSI
From: 400'	TO 3450'	Anticipated Max. BHP: 1550	PSI
From: 3450'	TO 10200'	Anticipated Max. BHP: 5200	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. #2

3400' 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. From the southeast corner of the Mystery AYM Federal #1, go east on existing lease road for approx. 0.3 of a mile. Turn right here on lease road and go south for approx. .5 of a mile. Turn right here on lease road going toward the Dazed BDZ Federal Com. #1 for approx. .3 of a mile the new road will start here going south.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately .6 of a mile in length from the point of origin to the north corner of drilling pad. The road will lie in a north/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. 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

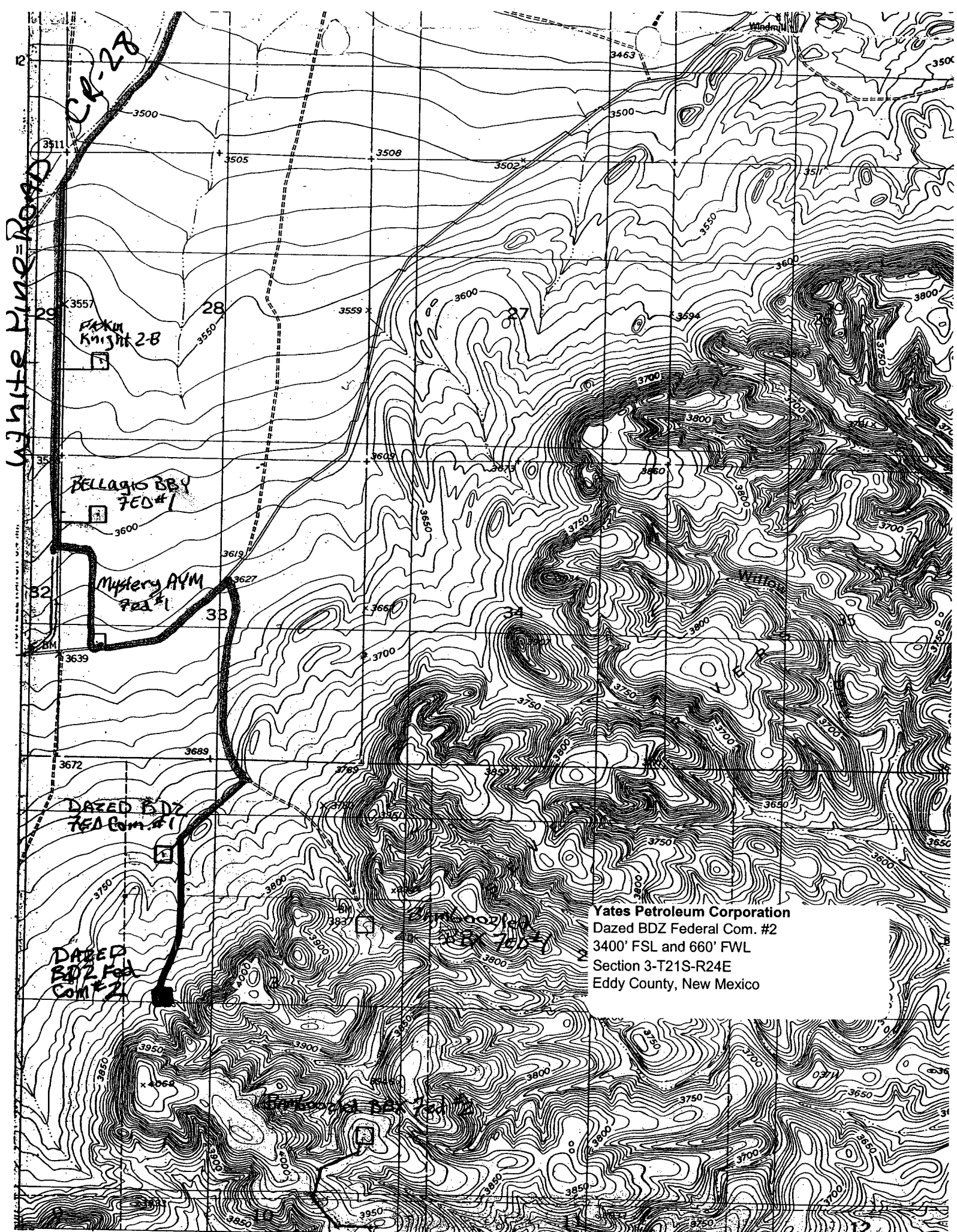
14. CERTIFICATION:

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.

4/14/04

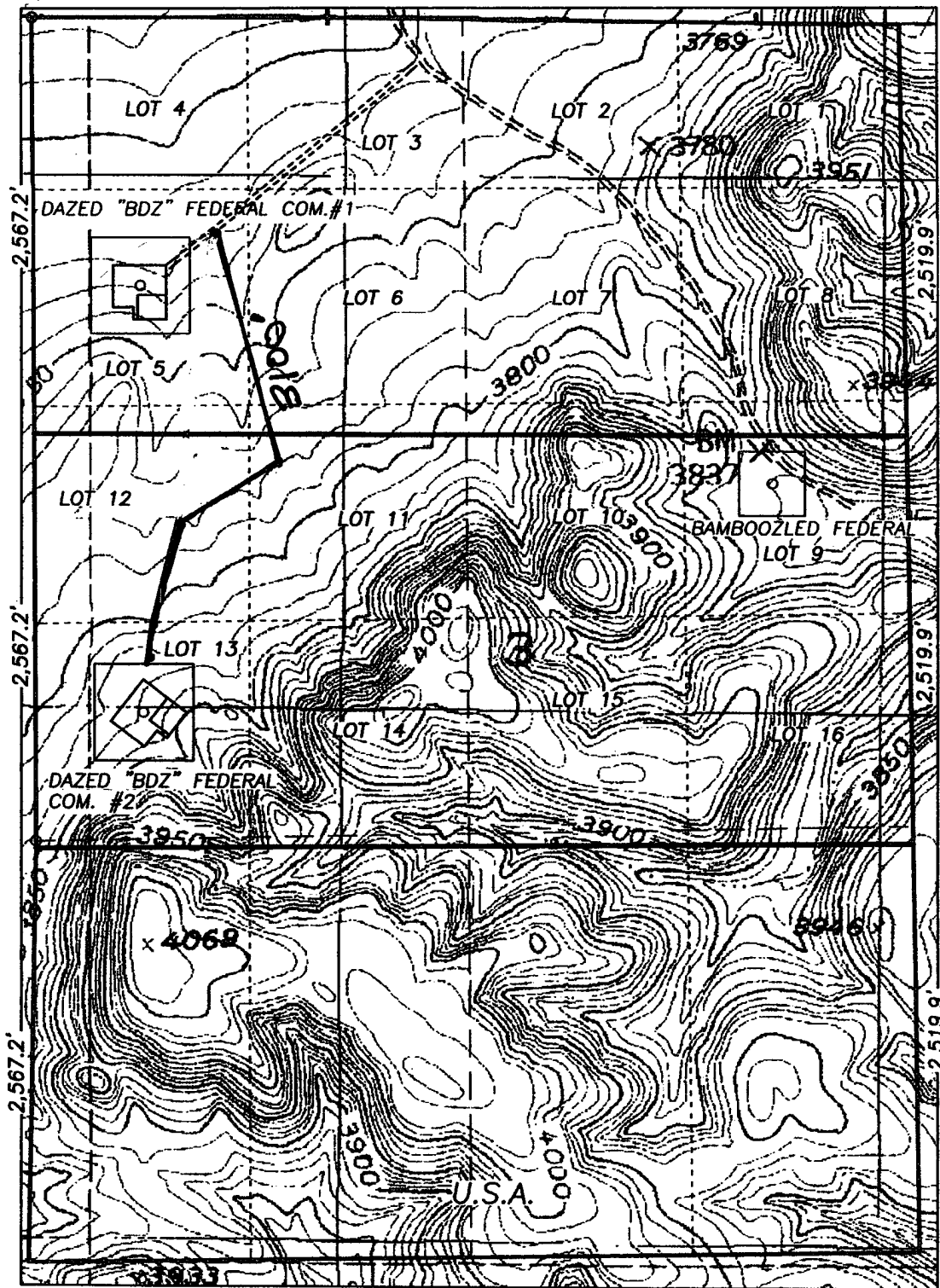

Regulatory Agent

White Pine Road
CR-28



Yates Petroleum Corporation
Dazed BDZ Federal Com. #2
3400' FSL and 660' FWL
Section 3-T21S-R24E
Eddy County, New Mexico

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



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

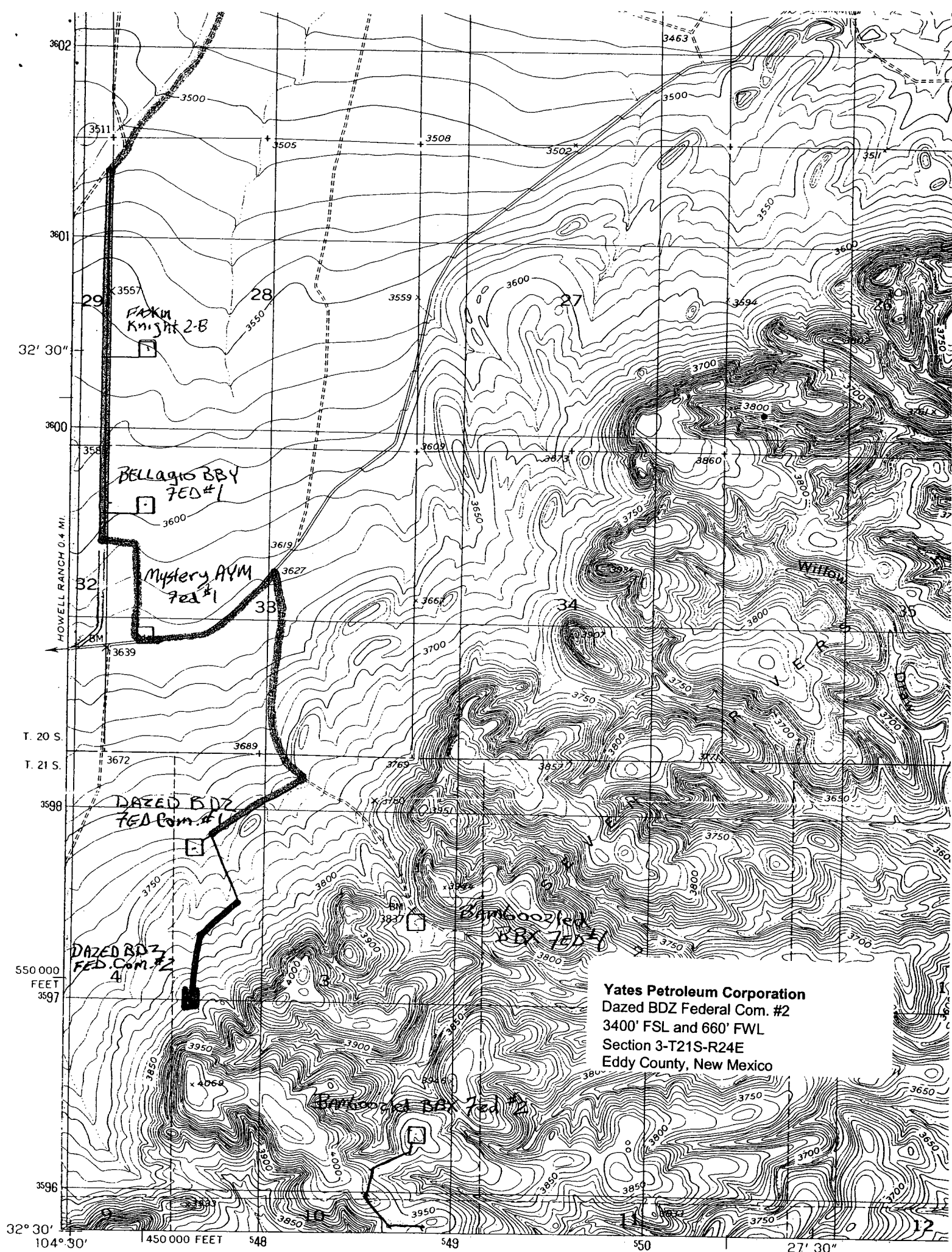
3640
HERSCHEL L. JONES
REGISTERED PROFESSIONAL SURVEYOR

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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES DAZED "BDZ" FEDERAL COM.#2 WELL, LOCATED IN SECTION 3, TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

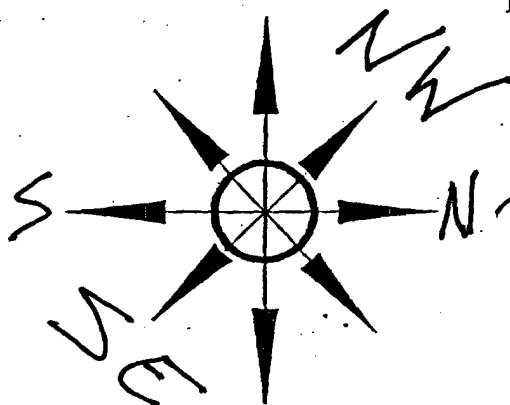
Survey Date: 3/05/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 3/06/04	Scale 1" = 1000' DAZED 2



Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'



Pits to Southeast

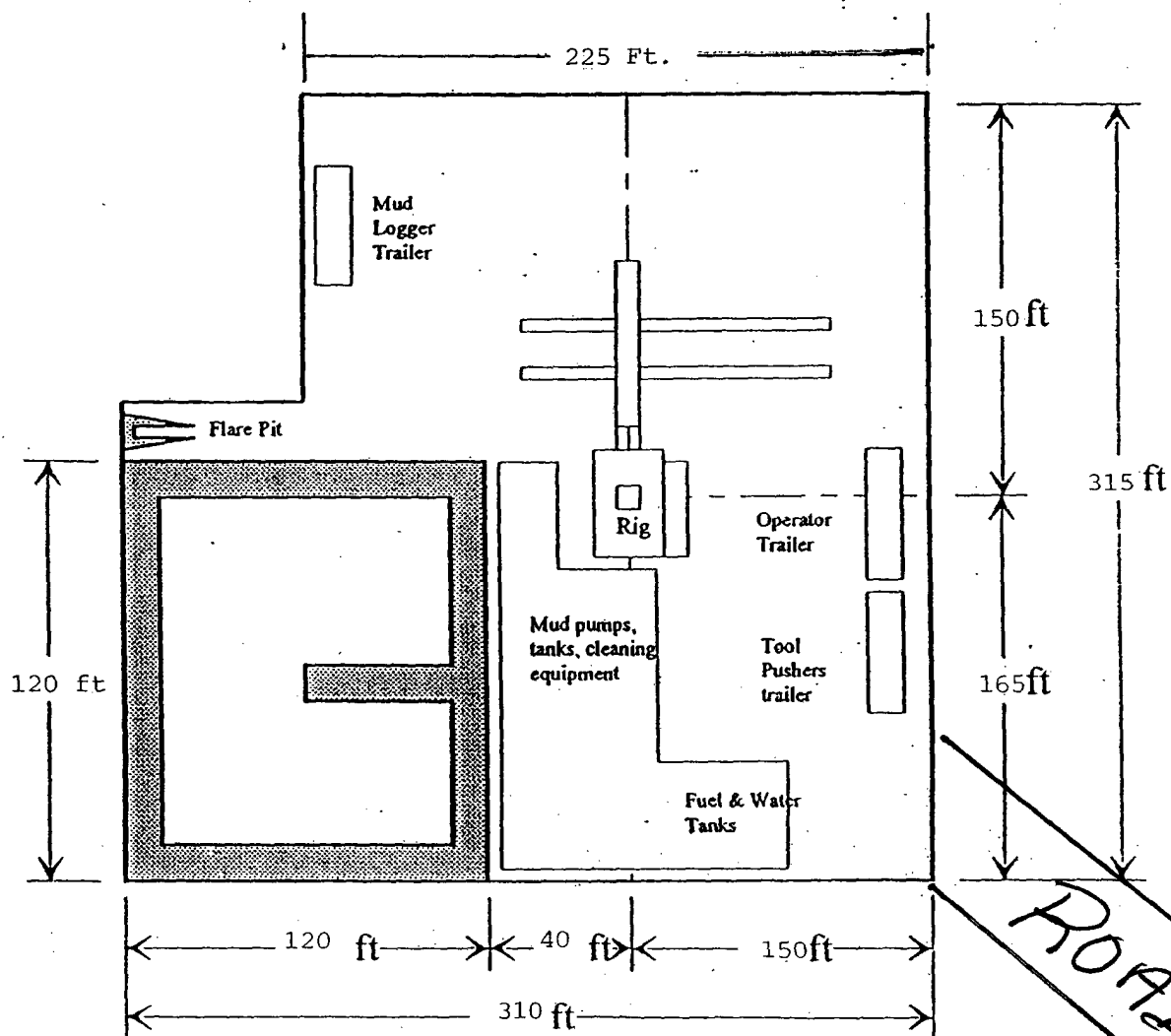
Yates Petroleum Corporation

Dazed BDZ Federal Com. #2

3400' FSL and 660' FWL

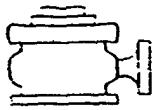
Section 3-T21S-R24E

Eddy County, New Mexico



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

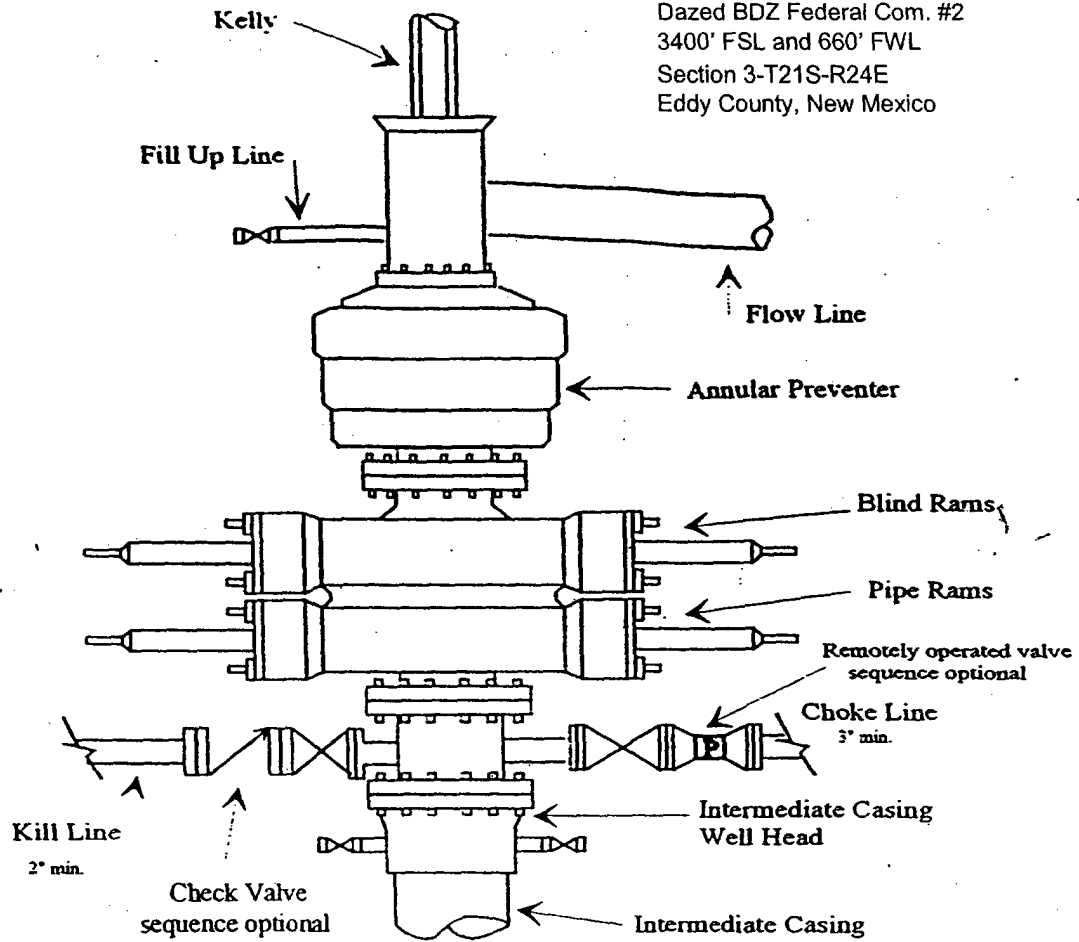


Yates Petroleum Corporation

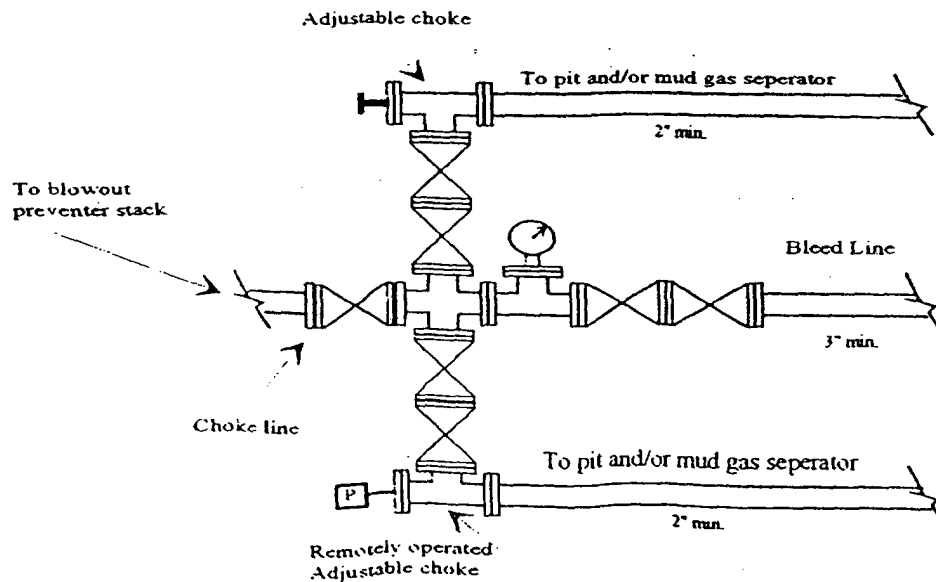
BOP-4

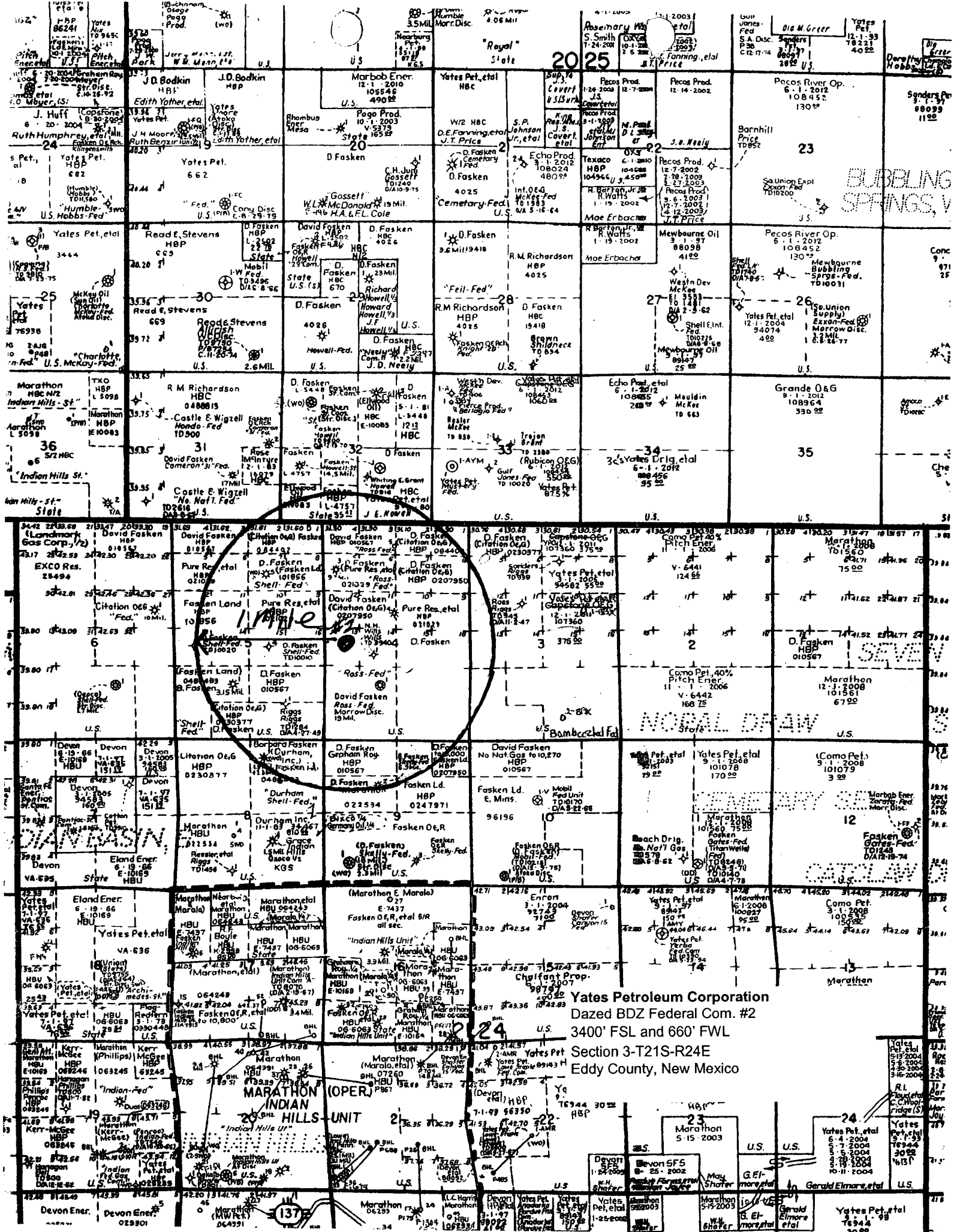
Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Dazed BDZ Federal Com. #2
3400' FSL and 660' FWL
Section 3-T21S-R24E
Eddy County, New Mexico



Typical 5,000 psi choke manifold assembly with at least these minimum features





2025

BURBLING SPRINGS, V

NOBIL DRAW

CEMENTARY

CATLAW

Yates Petroleum Corporation
Dated BDZ Federal Com. #2
3400' FSL and 660' FWL
Section 3-T21S-R24E
Eddy County, New Mexico

MARATHON INDIAN HILLS UNIT

137

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

RECEIVED

2004 APR 14 PM 12:51

BUREAU OF LAND MGMT.
ROSWELL OFFICE

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

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-0230377-B

Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM-2811

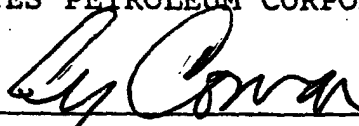
Dazed BDZ Federal Com. #2
Lot 13
Section 3, T21S-R24E
Eddy County, New Mexico

Formation(s) (if applicable):

N/A

YATES PETROLEUM CORPORATION

Date: April 14, 2004



Cy Cowan
Regulatory Agent

1600 N. French Dr., Hobbs, NM 88240

Energy, Minerals and Natural Resources Department

Revised March 17, 1989

DISTRICT II
511 South First, Artesia, NM 88210

Instruction on back
Submit to Appropriate District Office

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

State Lease - 4 Copies
Fee Lease - 8 Copies

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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
Property Code	Property Name DAZED "BDZ" FEDERAL COM.		Well Number 2
OCED No.	Operator Name YATES PETROLEUM CORPORATION		Elevation 3828

Surface Location

UL or lot No. LOT 13	Section 3	Township 21S	Range 24E	Lot 14	Feet from the 3400	North/South line SOUTH	Feet from the 660	East/West line WEST	County EDDY
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Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot 14	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
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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

LOT 12	LOT 11	LOT 10	LOT 9
<p>N.32°30'39.6" W.104°29'38.3"</p> <p>3806 3830</p> <p>660'</p> <p>3827 3853</p> <p>LOT 13</p> <p>3400'</p> <p>LOT 14</p> <p>750'</p>	LOT 16	LOT 15	LOT 18

OPERATOR CERTIFICATION

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

Signature _____

Printed Name _____

Title _____

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.

3/05/2004

Date Surveyed _____

Signature _____

Printed Name _____

3640

NEW MEXICO

PROFESSIONAL LAND SURVEYOR

General Engineering Company

0 330' 660' 990' 1320' 1650' 1980' 2310' 2640' 2970' 3300' 3630' 3960' 4290' 4620' 4950' 5280' 5610' 5940' 6270' 6600'