

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.

NM-31099

If Indian, Allottee or Tribe Name

Not Applicable

If Unit or CA Agreement, Name and No.

Not Applicable

8. Lease Name and Well No.

Horn YG Federal #5

9. API Well No.

30-005-63673

10. Field and Pool, or Exploratory

Wildcat Prospect

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

Section 8, T8S-R26E

12. County or Parish

Chaves 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

880' FNL and 990' FEL

At proposed prod. Zone

same as above

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

Approximately twenty (20) miles NE of Roswell, NM

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

880'

16. No. of Acres in lease

2120

17. Spacing Unit dedicated to this well

320 acres

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

5280'

19. Proposed Depth

6080'

20. BLM/BIA Bond No. on file

NM-2811

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

3725' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

30 Days

24. Attachments

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

Robert Asher

6/14/04

Title:

Regulatory Agent

Approved by (Signature)

/s/LARRY D. BRAY

Name (Printed/Typed)

/s/LARRY D. BRAY

Date

JUN 30 2004

Title

**Assistant Field Manager,
Lands And Minerals**

Office

ROSWELL 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.

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)

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES
-Glorieta

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED
APPROVED FOR 1 YEAR

DISTRICT II

811 South First, Artesia, NM 88210

Instruction on back
Submit to Appropriate District Office

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

State Lease - 4 Copies

Fee Lease - 3 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 Wildcat Precambrian
Property Code	Property Name HORN "YG" FEDERAL	Well Number 5
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3725

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	8	8S	26E		880	NORTH	990	EAST	CHAVES

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

	N.960160.6 E.505955.2 (NAD-27) N.33°38'22.3" W.104°18'51.4"	3719 080 3727 3718 3723	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Robert Asher Printed Name Regulatory Agent Title 6/14/2004 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. 5/26/2004 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Herschel L. Jones RLS 3640 HORN 5 GENERAL PROFESSIONAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

YATES PETROLEUM CORPORATION

Horn YG Federal #5

880' FNL and 990' FEL

Section 8-T8S-R26E

Chaves County, New Mexico

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

San Andres	690'	Cisco	5310'
Glorieta	1745'	Penn Clastics	5395'
Yeso	1860'	Mississippian	5644'
Tubb	3345'	Siluro-Devonian	5750'
Abo	4000'	Basement Granite	5930'
Wolfcamp	4675'	TD	6080'

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

Water: 250'-350'
Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# 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#	J-55	ST&C	0-1000'	1000'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-6080'	6080'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 2,000 psi BOP will be nipped up on the 8 5/8" casing and tested to 1000 psi. YPC requests a variance be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 1000 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the bottom hole pressure in this field is proven to be near 2200 psi. A shut in surface pressure would be less than 1000 psi. We feel that a 1100 psi test will demonstrate that the BOPE is functioning properly, and in the unlikely event of a gas influx that the BOPE would be sufficient to control the well.

ND

B. CEMENTING PROGRAM:

Surface Casing: Cement with 300 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" with 2% CaCl₂ (YLD 1.33 WT 15.6).

Production Casing: 400 sx Pecos Lite "C" (YLD 1.34 WT 13). TOC 3500'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1000'	FW GEL/Paper/LCM	8.6-9.6	32-36	N/C
1000'-3970'	Brine	10.0-10.2	28	N/C
3970'-6080'	Starch/Salt Gel	9.3-10.2	32-40	<6CC

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' samples out from surface to TD.

Logging: Platform Express, CNL/LDT/NGT TD to surface casing, CNL/GR TD to surface, DLL/MSFL TD to surface casing, BHC Sonic TD to surface casing; FMI TD to top of Wolfcamp.

Coring: Sidewall.

DST's: None.

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

Anticipated BHP:

From: 0 TO: 1000'

Anticipated Max. BHP: 400 PSI

From: 1000' TO: 6080'

Anticipated Max. BHP: 2500 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 F

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
Horn YG Federal #5
880' FNL and 990' FEL
Section 8-T8S-R26E
Chaves 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 20 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Drive NE of Roswell on Hwy 70 approximately 14 miles to Aztec Road. Turn left, (north) on Aztec and drive approximately 3.0 miles to Carrizozo Road, turn left and continue west for approx. 0.5 of a mile, the access road is approx. 50' on the left side going to the NW corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 50' in length from the point of origin to the NW corner of the drilling pad.
- 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. No traffic turnout will 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 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, possibly in Roswell, 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits which may be required.

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. **Note: Pits to East.**
- 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 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, Bureau of Land Management,
Roswell, New Mexico.

12. OTHER INFORMATION:

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

13. OPERATOR'S REPRESENTATIVE:

- | | |
|--|---|
| A. Through A.P.D. Approval:
Robert Asher, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 |
|--|---|

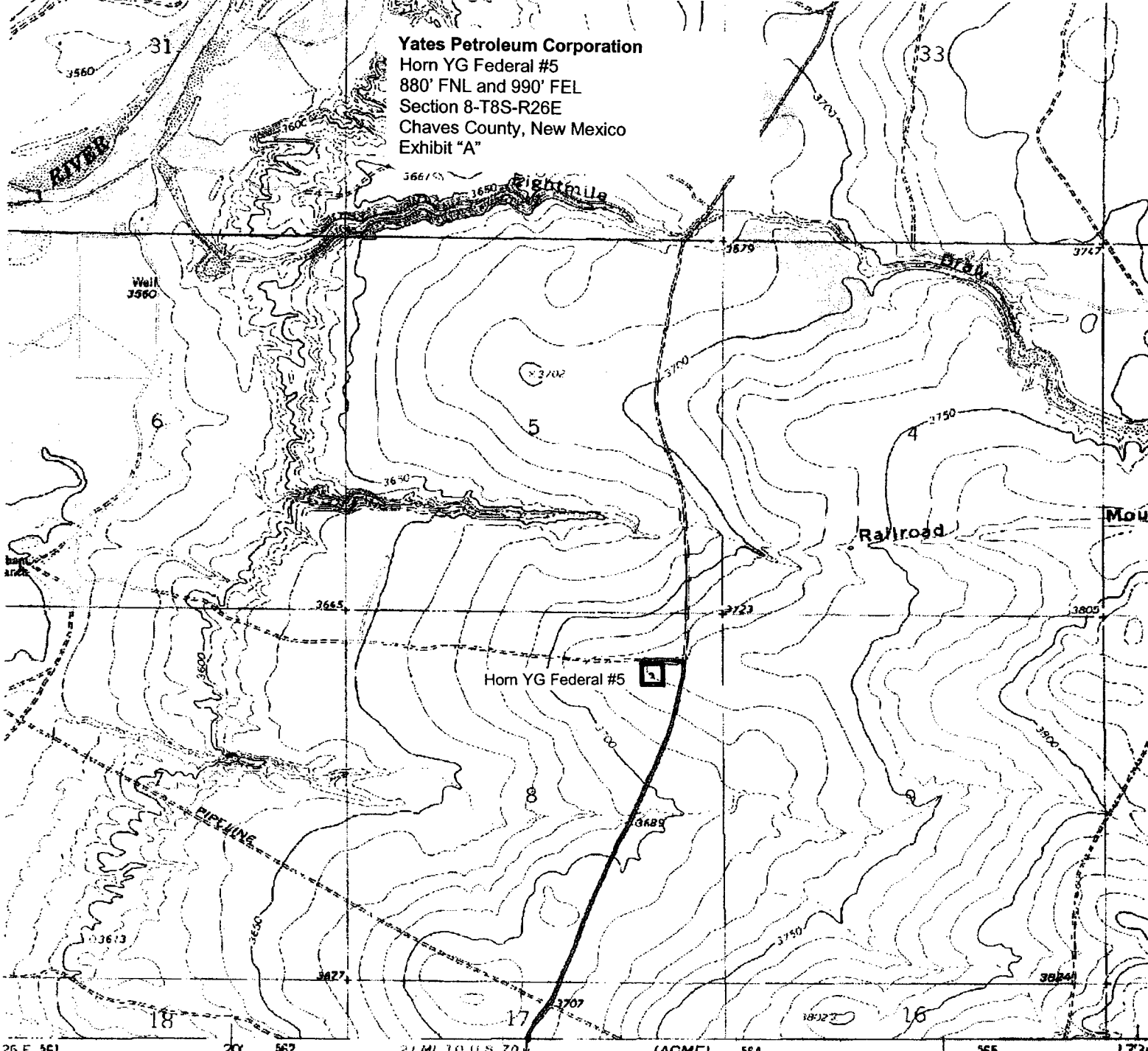
14. CERTIFICATION:

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.

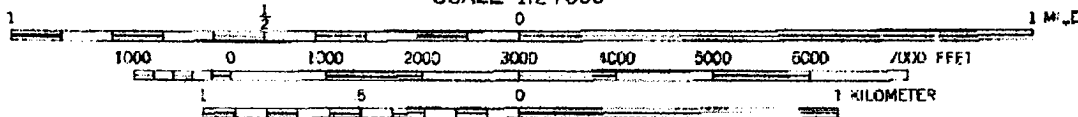
6/14/2004


Regulatory Agent

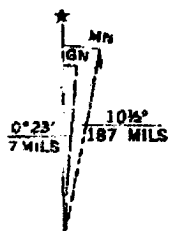
Yates Petroleum Corporation
 Horn YG Federal #5
 880' FNL and 990' FEL
 Section 8-T8S-R26E
 Chaves County, New Mexico
 Exhibit "A"



SCALE 1:24 000



CONTOUR INTERVAL 10 FEET
 DOTTED LINES REPRESENT 5-FOOT CONTOURS
 NATIONAL GEODETIC VERTICAL DATUM OF 1929

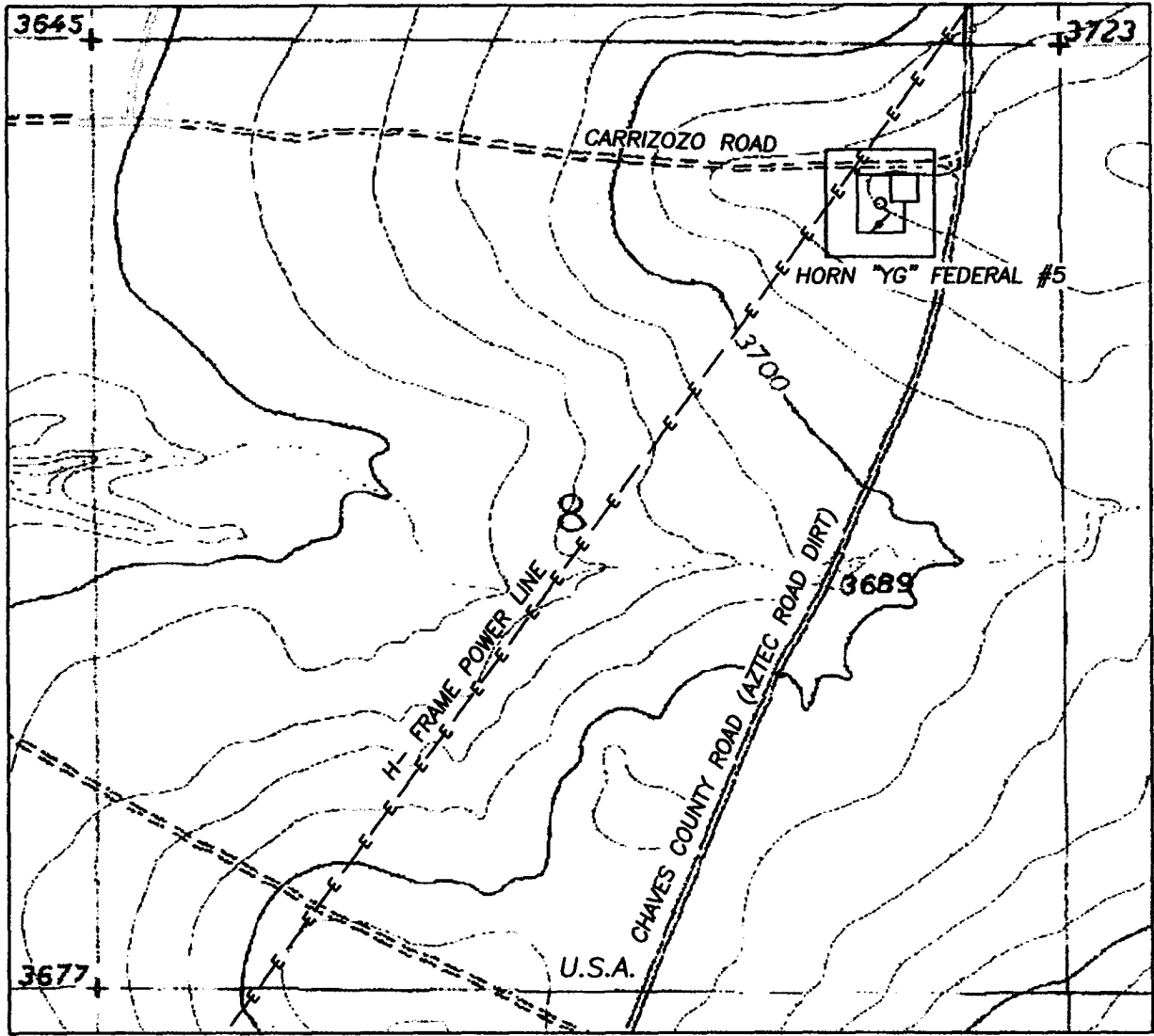


AND 1982 MAGNETIC NORTH
 TOWARD CENTER OF SHEET

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS
 FOR SALE BY U. S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR RESTON, VIRGINIA 22092
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST

'Eightmile Draw; NM'; Scale: 1" = 0.379Mi 610Mt 2,000ft, 1 Mi = 2.640", 1 cm = 240Mt

SECTION 8, TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
Horn YG Federal #5
880' FNL and 990' FEL
Section 8-T8S-R26E
Chaves County, New Mexico
Exhibit "A-1"

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.

REGISTERED
3640
HERSCHEL L. JONES, R.S. No. 3640
GENERAL SURVEYING COMPANY
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

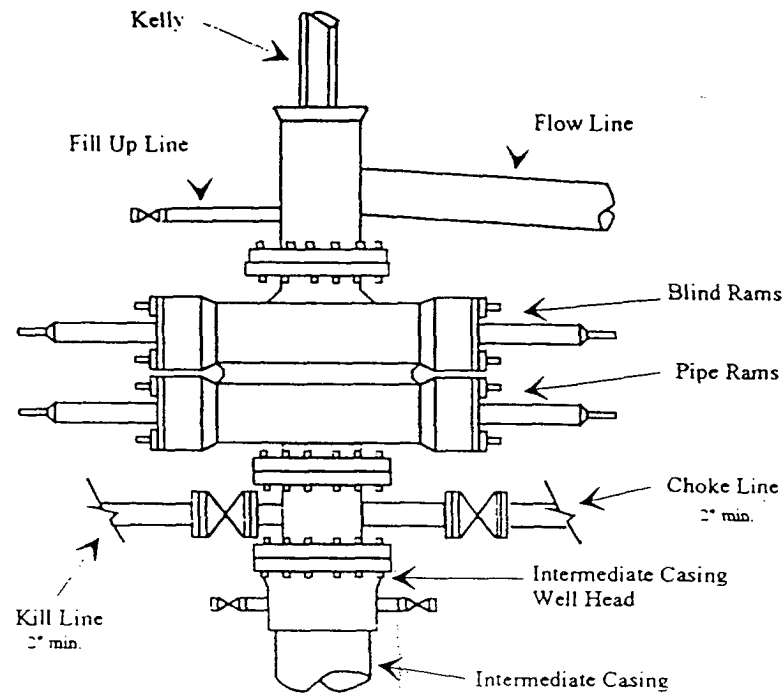
LEASE ROAD TO ACCESS THE YATES HORN "YG" FEDERAL #5 WELL, LOCATED IN SECTION 8, TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 5/26/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 5/26/04	Scale 1" = 1000' HORN 5

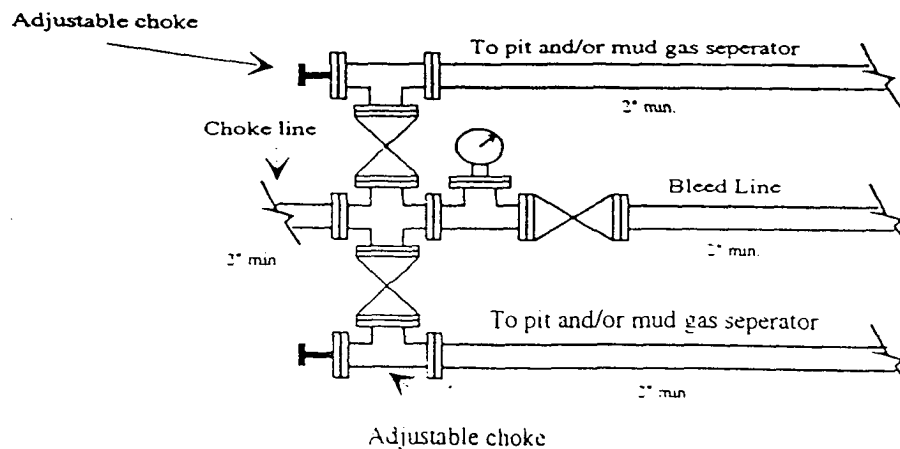
Yates Petroleum Corporation

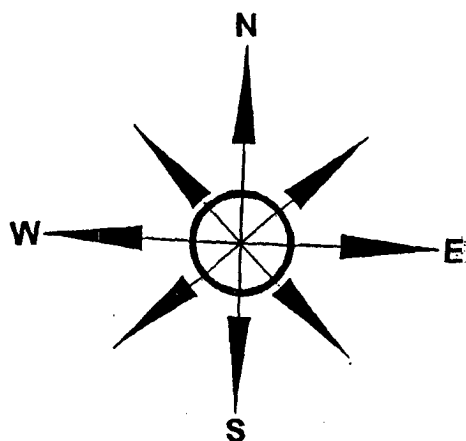
BOP-2

Typical 2,000 psi Pressure System Schematic Double Ram Preventer Stack



Typical 2,000 psi choke manifold assembly with at least these minimum features



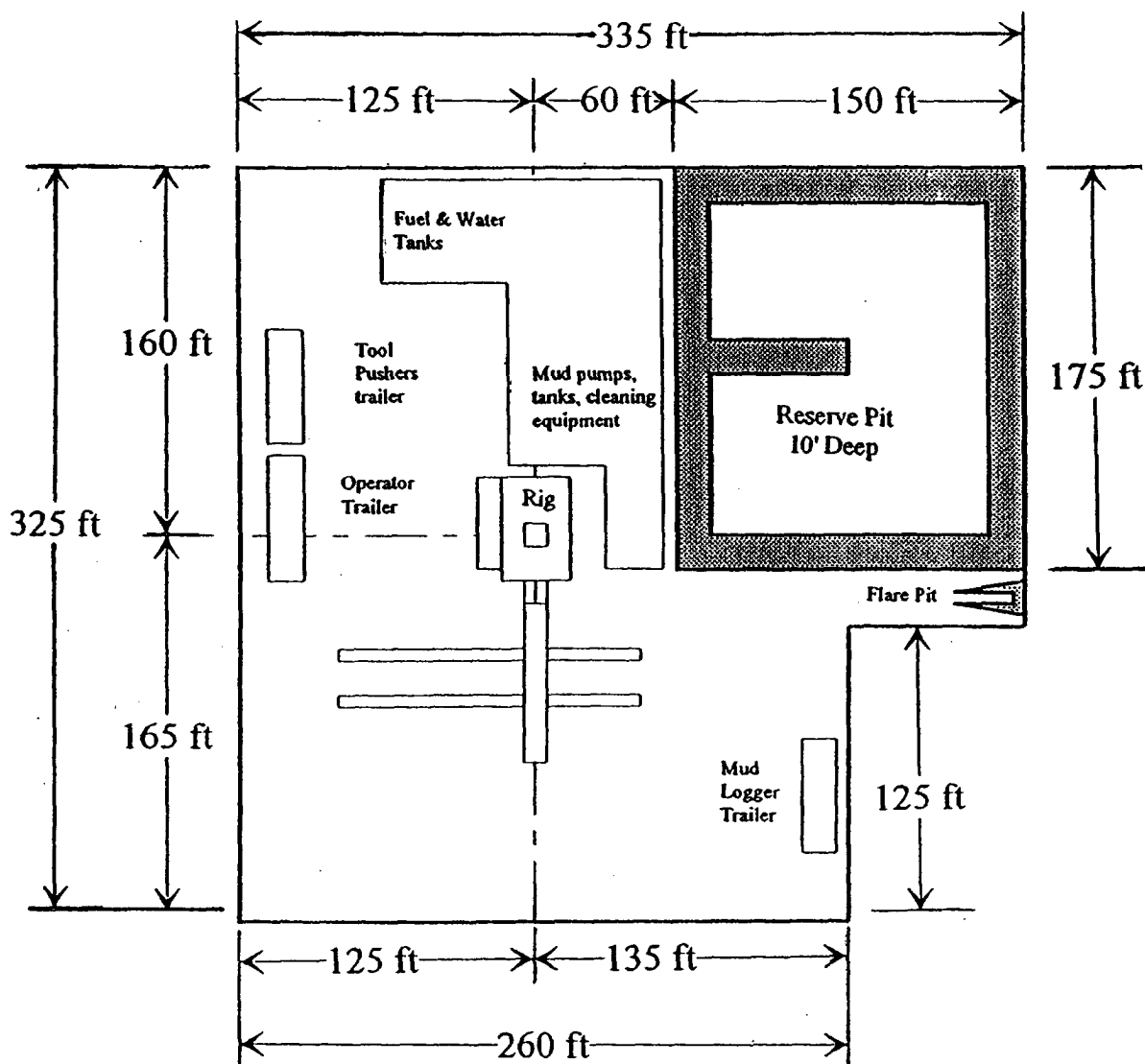


Yates Petroleum Corporation

Location Layout for Permian Basin

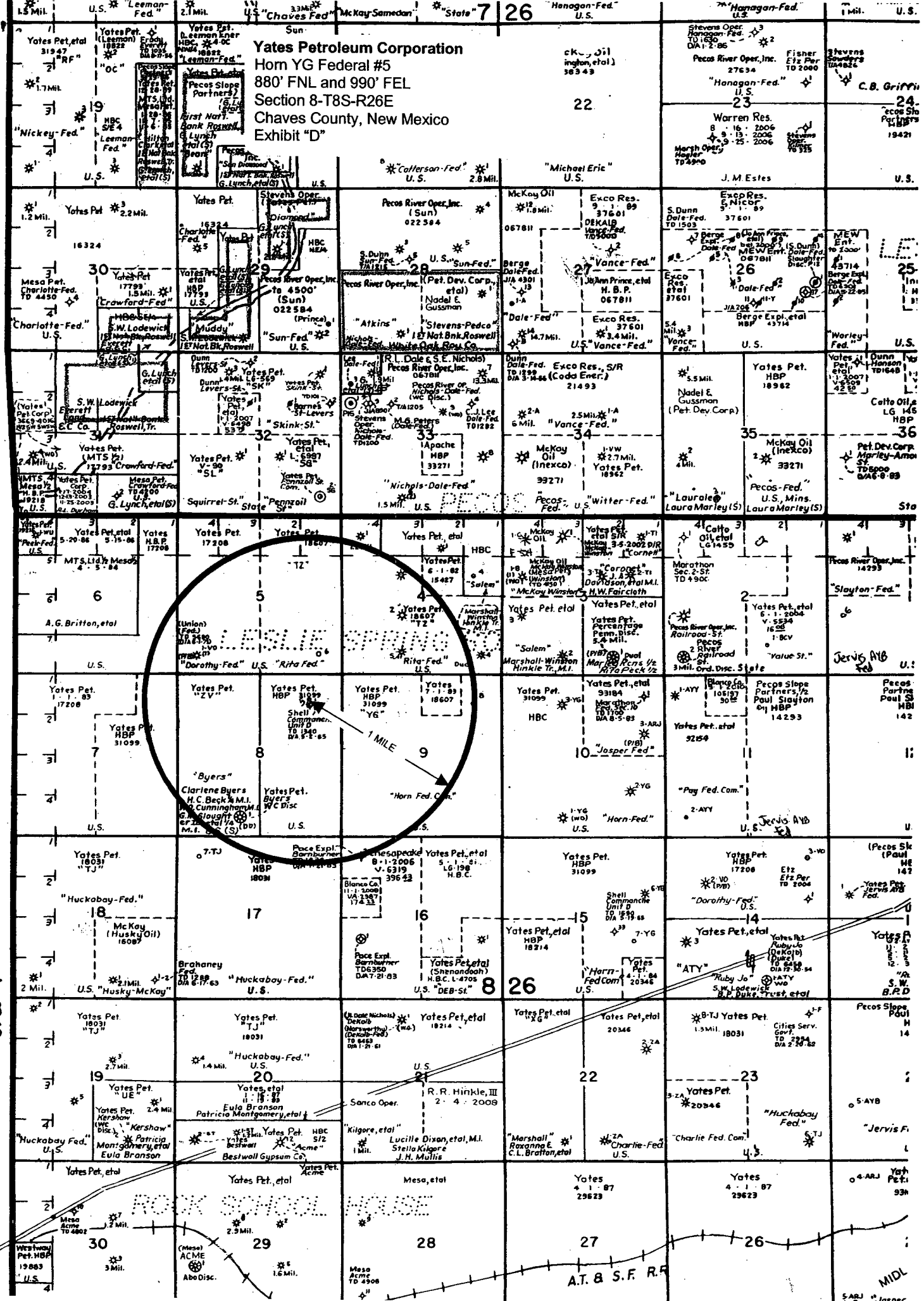
Up to 12,000'

Yates Petroleum Corporation
 Horn YG Federal #5
 880' FNL and 990' FEL
 Section 8-T8S-R26E
 Chaves County, New Mexico
 Exhibit "C"

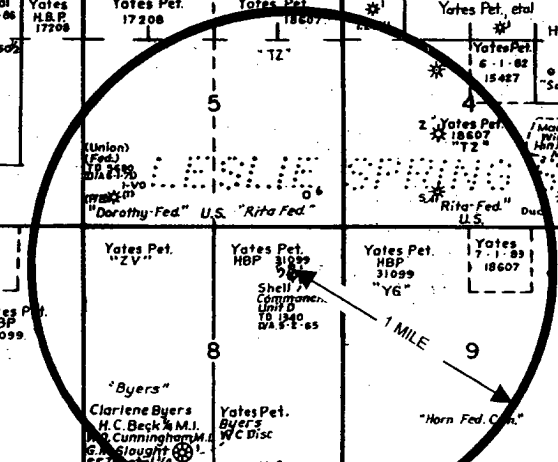


Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum



Yates Petroleum Corporation
Horn YG Federal #5
880' FNL and 990' FEL
Section 8-T8S-R26E
Chaves County, New Mexico
Exhibit "D"



ROCK SCHOOL HOUSE

A.T. & S.F. R.R.

MIDL