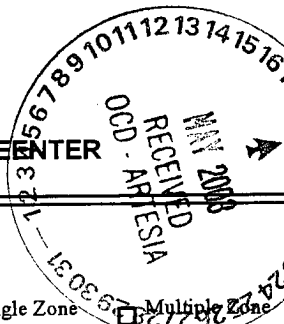
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone2. Name of Operator  
YATES PETROLEUM CORPORATIONContact: ROBERT ASHER  
E-Mail: basher@ypcnm.com3a. Address  
105 S 4TH STREET  
ARTESIA, NM 88210

255 75

3b. Phone No. (include area code)  
Ph: 505.748.4364  
Fx: 505.748.4572Lease Serial No.  
NMNM97846

If Indian, Allottee or Tribe Name

If Unit or CA Agreement, Name and No.

28087

8. Lease Name and Well No.  
PENNY PINCHER AYP FEDERAL 1

9. API Well No.

30-015-31812

10. Field and Pool, or Exploratory  
WILDCAT CHESTER

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

At surface NWNW 660FNL 660FWL

At proposed prod. zone NWNW 660FNL 660FWL

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

Sec 24 T21S R22E Mer NMP

14. Distance in miles and direction from nearest town or post office\*  
APPROXIMATELY 39 MILES NW OF CARLSBAD, NM12. County or Parish  
EDDY13. State  
NM15. 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  
320.00

17. Spacing Unit dedicated to this well

320.00

18. Distance from proposed location to nearest well, drilling,  
completed, applied for, on this lease, ft.  
1300'19. Proposed Depth  
9500 MD

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KB, RT, GL, etc.)  
4184 GL

22. Approximate date work will start

23. Estimated duration

## 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 officer.

25. Signature  
(Electronic Submission)Name (Printed/Typed)  
CY COWAN Ph: 505.748.4372Date  
04/18/2003Title  
REGULATORY AGENTApproved by (Signature)  
/S/ JOE G. LARAName (Printed/Typed)  
/S/ JOE G. LARADate  
MAY 19 2003Title  
FIELD MANAGEROffice  
CARLSBAD FIELD OFFICE

Application approval does not warrant or certify 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.

Additional Operator Remarks (see next page)

Electronic Submission #20797 verified by the BLM Well Information System  
For YATES PETROLEUM CORPORATION, sent to the Carlsbad  
Committed to AFMSS for processing by Linda Askwig on 04/18/2003 (03LA0457AE)

**APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED**

Carlsbad Controlled Water Basin

\*\* REVISED \*\* REVISED \*\* REVISED \*\* REVISED \*\* REVISED \*\* REVISED \*\* REVISED \*\* REVISED \*\*

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

District II  
811 South First, Artesia, NM 88210

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

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

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

Form C-102  
Revised August 15, 2000

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name <b>Wildcat Chester</b>
<sup>4</sup> Property Code	<sup>5</sup> Property Name <b>PENNY PINCHER AYP FEDERAL</b>	<sup>6</sup> Well Number <b>1</b>
<sup>7</sup> OGRID No. <b>025575</b>	<sup>8</sup> Operator Name <b>Yates Petroleum Corporation</b>	<sup>9</sup> Elevation <b>4184'</b>

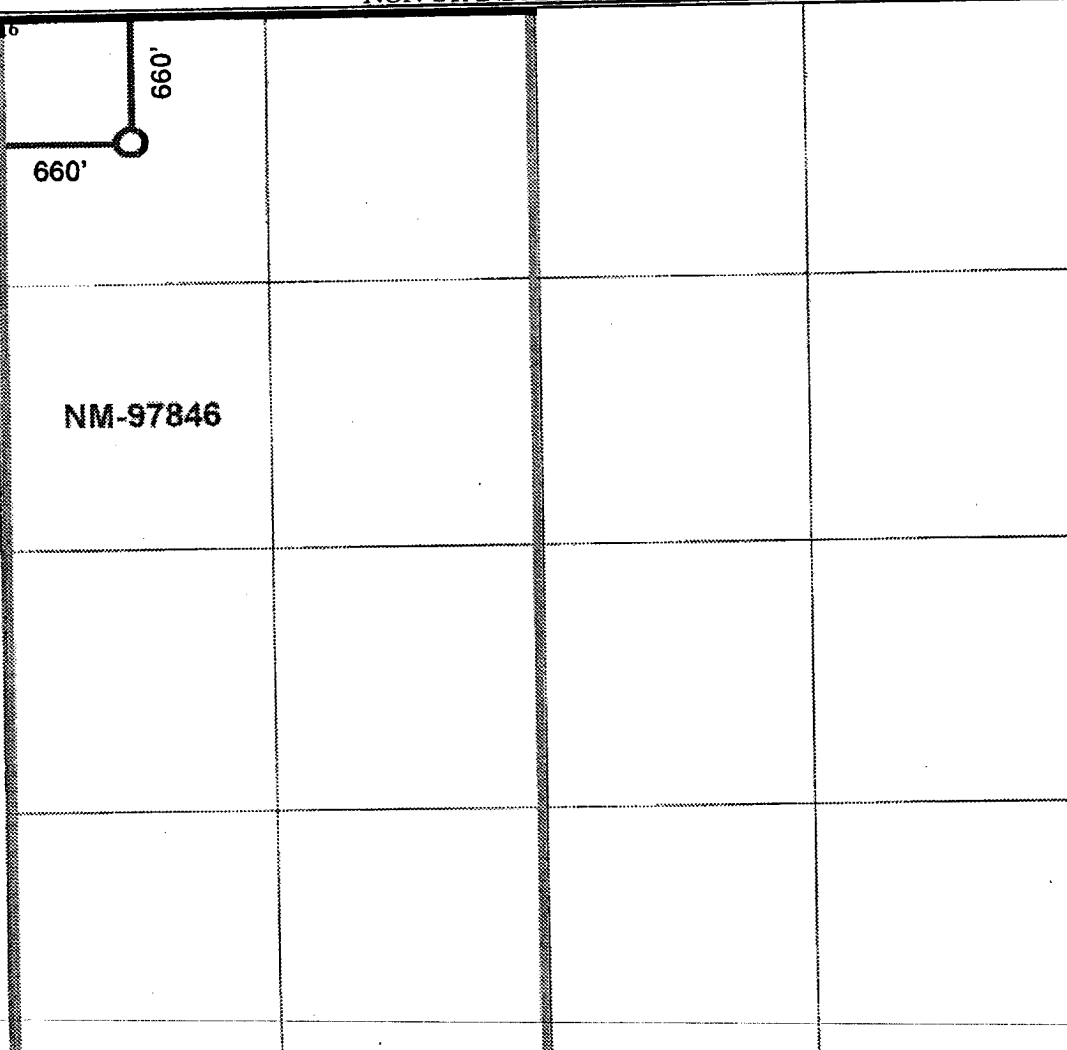
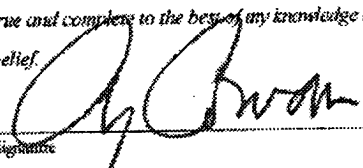
<sup>10</sup> Surface Location

UL or lot no. <b>D</b>	Section <b>24</b>	Township <b>21S</b>	Range <b>22E</b>	Lot Idn	Feet from the <b>660</b>	North/South line <b>North</b>	Feet from the <b>660</b>	East/West line <b>West</b>	County <b>Eddy</b>
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<sup>11</sup> 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
<sup>12</sup> Dedicated Acres <b>320</b>									
<sup>13</sup> Joint or Infill									
<sup>14</sup> Consolidation Code									
<sup>15</sup> 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

<sup>16</sup> 	<sup>17</sup> OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature <b>Cy Cowan</b> Printed Name <b>Regulatory Agent</b> Title <b>4/15/2003</b> Date
	<sup>18</sup> 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. <b>REFER TO ORIGINAL PLAT</b> Date of Survey Signature and Seal of Professional Surveyor  Certificate Number

**District I**  
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**District IV**  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Form C-102  
Revised March 17, 1999

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name Wildcat Chester	
Property Code		Property Name PENNY PINCHER AYP FEDERAL			Well Number 1
OGRID No. 025575		Operator Name YATES PETROLEUM CORPORATION			Elevation 4184.

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	24	21-S	22-E		660	NORTH	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

<p>NM-97846</p>	<p><b>17 OPERATOR CERTIFICATION</b></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 <i>Cy Cowan</i></p> <p>Printed Name Cy Cowan</p> <p>Title Regulatory Agent</p> <p>Date April 9, 2001</p>	
	<p><b>18 SURVEYOR CERTIFICATION</b></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>MARCH 28, 2001</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Engineer</p> <p>NEW MEXICO 5412 REGISTERED LAND SURVEYOR ENGINEER</p>	

# YATES PETROLEUM CORPORATION

Penny Pincher "AYP" Federal #1

660' FNL and 660' FWL

Section 24, T21S-R22E

Eddy County, New Mexico

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

San Andres	275'	Strawn Lime	8340'
Glorietta	2010'	Atoka	8680'
Bone Spring Lime	3090'	Morrow	8940'
3 <sup>rd</sup> Bone Spring	5000'	Middle Morrow	9025'
Wolfcamp	5310'	Chester Lime	9420'
Cisco	7430'	TD	9500'

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 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>Thread</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'
12 1/4"	8 5/8"	24#	J-55	ST&C	0-2050'	2050'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-700'	3300'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	700'-6300'	5600'
7 7/8"	5 1/2"	17#	J-55	LT&C	6300'-8000'	1700'
7 7/8"	5 1/2"	17#	S-95	LT&C	8000'-9420'	1420'

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

**B. CEMENTING PROGRAM:**

Surface casing: 400 sacks "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT 15.6)

Intermediate Casing: 750 sx Lite (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT 15.6)

Production Casing: TOC 4500'. 650 sacks Super "H" Modified (YLD 1.67 WT 13.0)

**5. Mud Program and Auxiliary Equipment:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 350'	FW/Air Mist	8.4	28	N/C
350'-2050'	FW/Air Mist	8.4	28	N/C
2050'-7800'	Cut Brine/4% KCL	8.6-9.2	28	N/C
7800'-9420'	Salt Gel/Starch	9.2-9.8	32-38	<10cc

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 surface casing to TD.

Logging: Platform Express-HALS, Possible FMI.

Coring: As Warranted.

DST's: As Warranted.

**7. Abnormal Conditions, Bottom hole pressure and potential hazards:**

Anticipated BHP:

From: 0	TO 350'	Anticipated Max. BHP:	175	PSI
From: 350'	TO 2050'	Anticipated Max. BHP:	900	PSI
From: 2050'	TO 9420'	Anticipated Max. BHP:	4700	PSI

Abnormal Pressures Anticipated: None

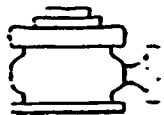
Lost Circulation Zones Anticipated: None

H<sub>2</sub>S Zones Anticipated: None

Maximum Bottom Hole Temperature: 189° F

**8. ANTICIPATED STARTING DATE:**

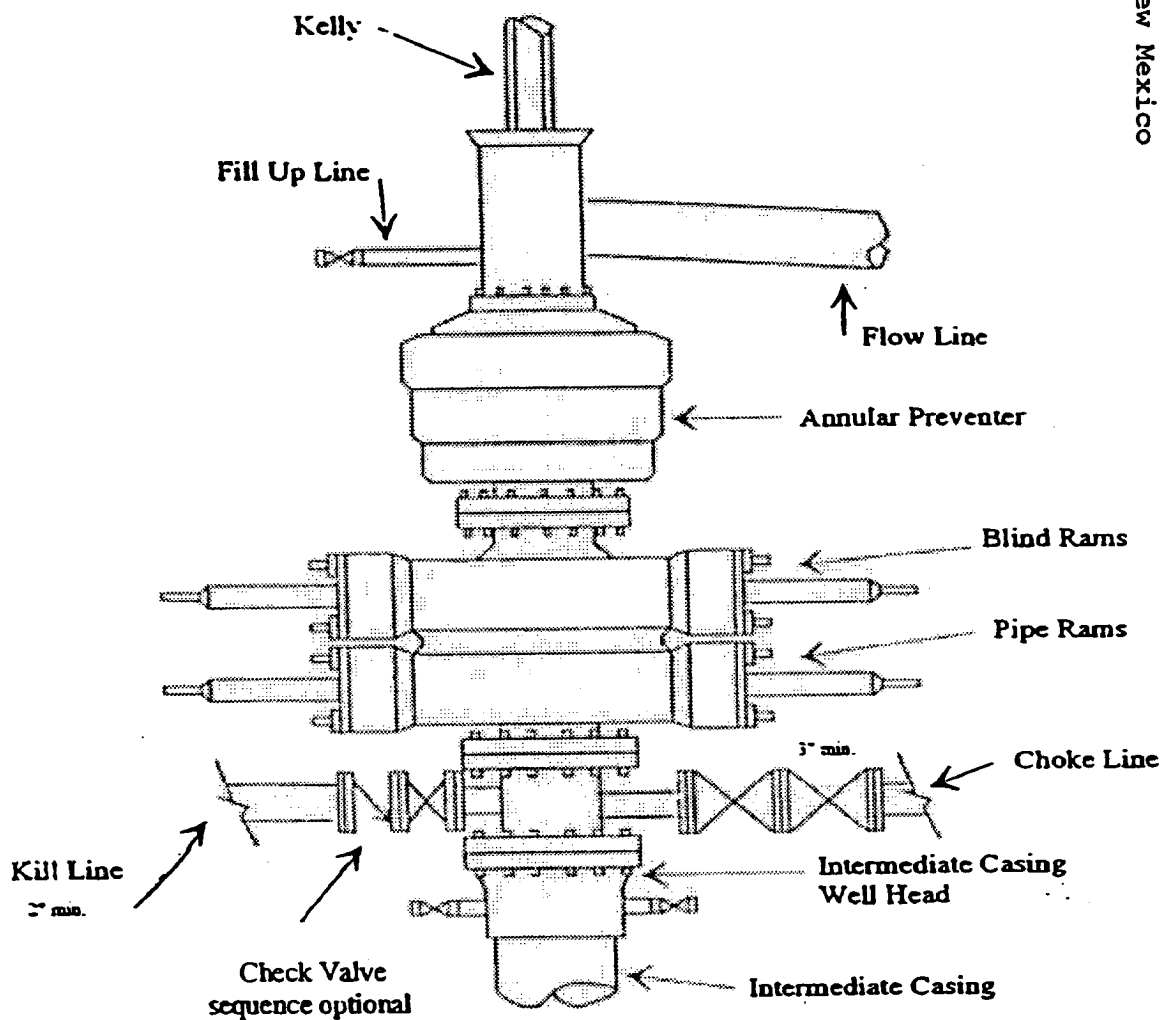
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 10 days.



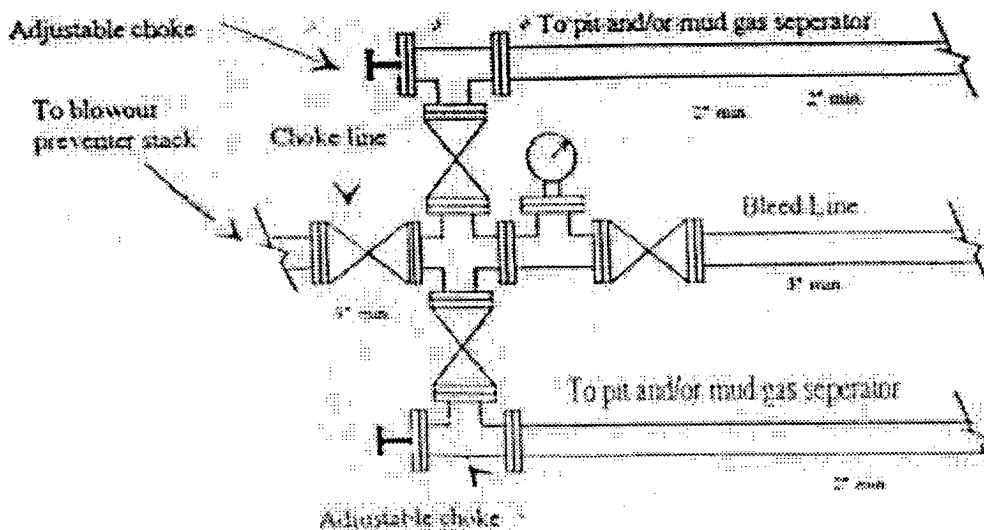
# Yates Petroleum Corporation

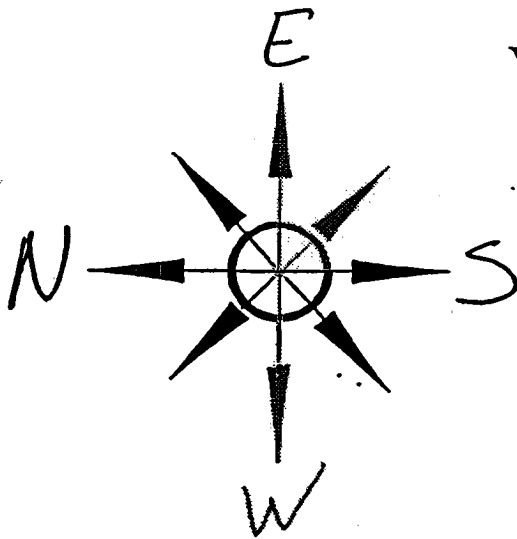
## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

Penny Pincher AYP Federal #1  
660' FNL and 660' FWL  
Section 24, T21S-R22E  
Eddy County, New Mexico  
NM-97846



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



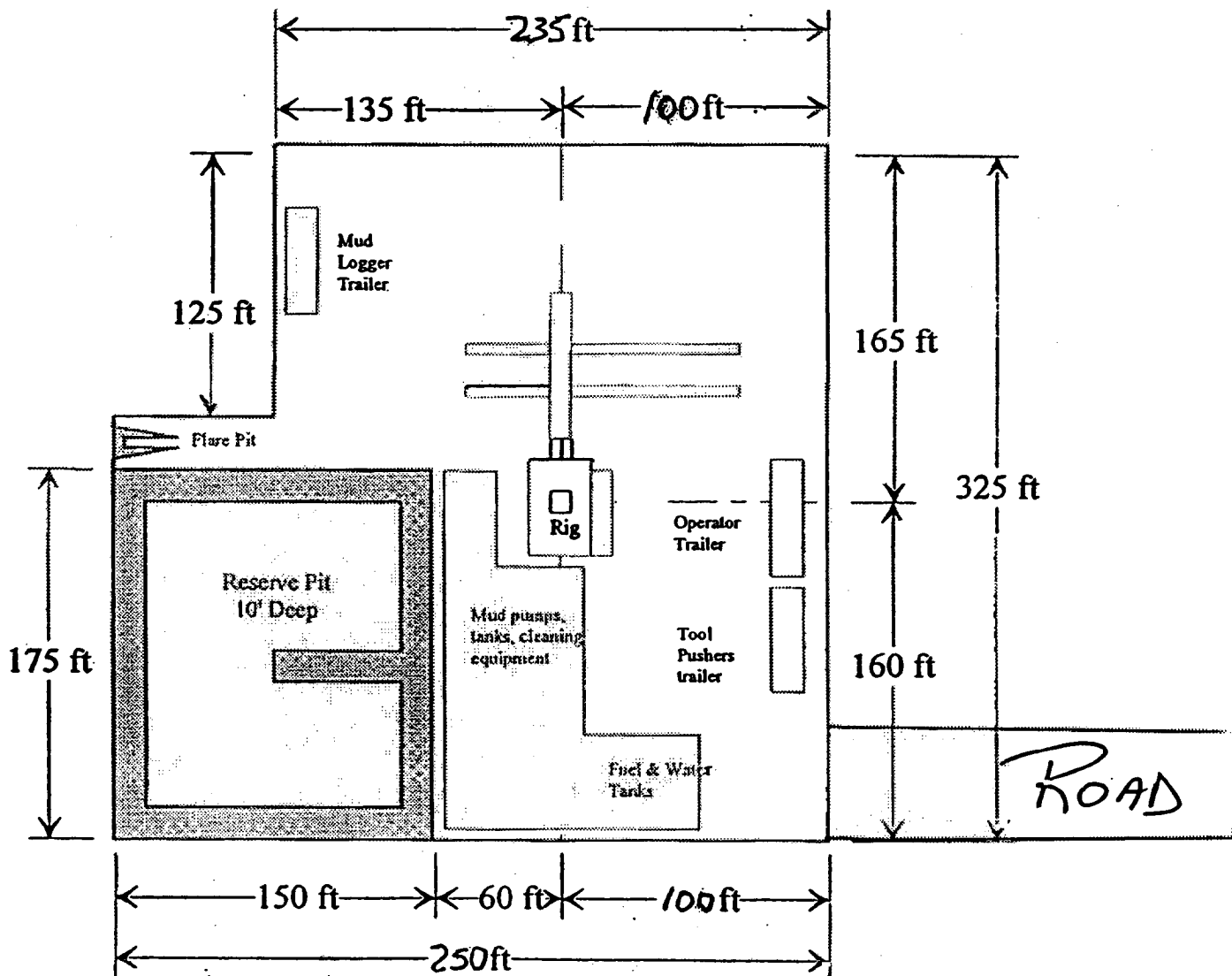


**Yates Petroleum Corporation**  
Location Layout for Permian Basin  
Up to 12,000'

PB - L1

penny pincher AYP Federal #1  
660' FNL and 660' FWL  
Section 24, T21S-R22E  
Eddy County, New Mexico  
NM-97846

*Pits North  
Limit Back Side  
Of Location to  
100' Per BLM.*



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum