

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

SEP - 9 2005

OCD-ARTESIA

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OMB No. 1004-0136
Expires November 30, 2000

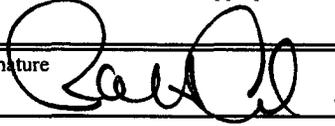
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-90862	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Yates Petroleum Corporation 25575		7. If Unit or CA Agreement, Name and No.	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 32431 Needle BCI Federal #1 Q	
3b. Phone No. (include area code) (505) 748-1471 90542		9. API Well No. 30-005-63769	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL and 1980' FEL At proposed prod. Zone same as above		10. Field and Pool, or Exploratory Wildcat Precambrian 6	
14. Distance in miles and direction from nearest town or post office* Approximately twenty-nine (29) miles NE of Roswell, NM		11. Sec., T., R., M., or Blk, and Survey or Area Section 13, T6S-R26E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'		12. County or Parish Chaves County	
16. No. of Acres in lease 480.00		13. State NM	
17. Spacing Unit dedicated to this well 320 acres		14. Distance in miles and direction from nearest town or post office* Approximately twenty-nine (29) miles NE of Roswell, NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 5880'	
20. BLM/BIA Bond No. on file NM-2811		21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3807'	
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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office.
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized office.

25. Signature 	Name (Printed/Typed) Robert Asher	Date 8/4/2005
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Title: **Regulatory Agent**

Approved by (Signature) 	Name (Printed/Typed) ARMANDO A. LOPEZ	Date SEP 07 2005
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Title Acting Assistant Field Manager, Lands and Minerals	Office ROSWELL FIELD OFFICE
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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)

PREVIOUSLY APPROVED

79.5

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

DISTRICT I
 188 H. French Dr., Hobbs, NM 88240

DISTRICT II
 311 South First, Artesia, NM 88210

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

DISTRICT IV
 2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Department

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 96542	Pool Name Wildcat Precambrian Granite
Property Code	Property Name NEEDLE "BCI" FEDERAL	Well Number 1
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3807

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	13	6S	26E		660	SOUTH	1980	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	Joint or Infill	Consolidation Code	Order No.
320			

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-90862		<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><i>Robert Asher</i> Signature</p> <p>Robert Asher Printed Name</p> <p>Regulatory Agent Title</p> <p>8/4/2005 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>2/04/2004 Date Surveyed</p> <p>Signature of Registered Professional Surveyor <i>Herschel Jones</i></p> <p>Herschel Jones Registered Professional Surveyor NEW MEXICO 3640 Certificate No. Herschel Jones RLS 3640 NEEDLE PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY</p>
		<p>N.33°47'21.5" W.104°14'48.9"</p> <p>3798 3804 3806 3814</p>			

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'

YATES PETROLEUM CORPORATION
Needle BCI Federal #1
660' FSL and 1980' FEL
Section 13, T6S-R26E
Chaves County, New Mexico

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

San Andres	905'	Spear Zone	5050'
Glorietta	1855'	Cisco	5315'
Yeso	1970'	Strawn	5530'
Tubb	3390'	Siluro-Devonian	5660'
Abo	4085'	Precambrian	5730'
Wolfcamp	4730'	TD	5880'

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

Water:	150'-300'
Oil or Gas:	Queen Formation.

3. Pressure Control Equipment: BOPE will be installed on the 9 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>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-950'
8 3/4"	5 1/2"	15.5#	J-55	ST&C	0-5880'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.25, Tensile Strength 1.8

Needle BCI Federal #1

Page 2

B. CEMENTING PROGRAM:

Surface Casing: 650 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx C w/2% CaCL₂ (YLD 1.33 WT 15.6)

Production Casing 850 sx Pecos Valley Lite (YLD 1.42 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>
0-950'	FW Gel/Paper/LCM	8.6 – 8.8	32-34	N/C
950'-4000'	Brine	9.8 - 10	28	N/C
4000'-5880'	Starch/Salt Gel	9.8 - 10	45-50	<6/cc

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 under surface casing.

Logging: CNL/LDT, W/NGT TD-Surf csg; CNL/GR-TD Surf csg;
DLL/MSFL TD to Surf csg. BHC Sonic TD-Surf csg;
FMI-TD-Top of Wolfcamp.

Coring: Sidewall

DST's: Possible.

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

Anticipated BHP:

From: 0	TO: 950'	Anticipated Max. BHP: 450 PSI
From: 950'	TO: 5880'	Anticipated Max. BHP: 2300 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 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Needle BCI Federal #1
660' FSL and 1980' FEL
Section 13, T6S-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 30 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive northeast of Roswell on U.S. Highway 70 for approximately 14 miles to Aztec Road on the left (north), turn left onto Aztec and continue for approximately 15 miles to a cattle guard (Private Access road sign on fence), drive through cattle guard and drive around the corrals another cattle guard on the right (east) side of the road, drive through the cattle guard and continue east for approximately 0.5 of a mile, turn left (north) and continue for approximately 0.1 of a mile to the SW corner of the Stern BCS Com. #2 well, the new road is staked at the SE corner of the well pad, the new road will travel north for approximately 152' then turns right (east), turn right and follow staked road for approximately 0.5 of a mile to the NW corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 2034" in length from the point of origin (southeast corner of the Stern BCS Com. #2 well) to the northwest corner of the drilling pad. The road will lie in a west to east 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. Existing roads will be maintained in the same or better condition.

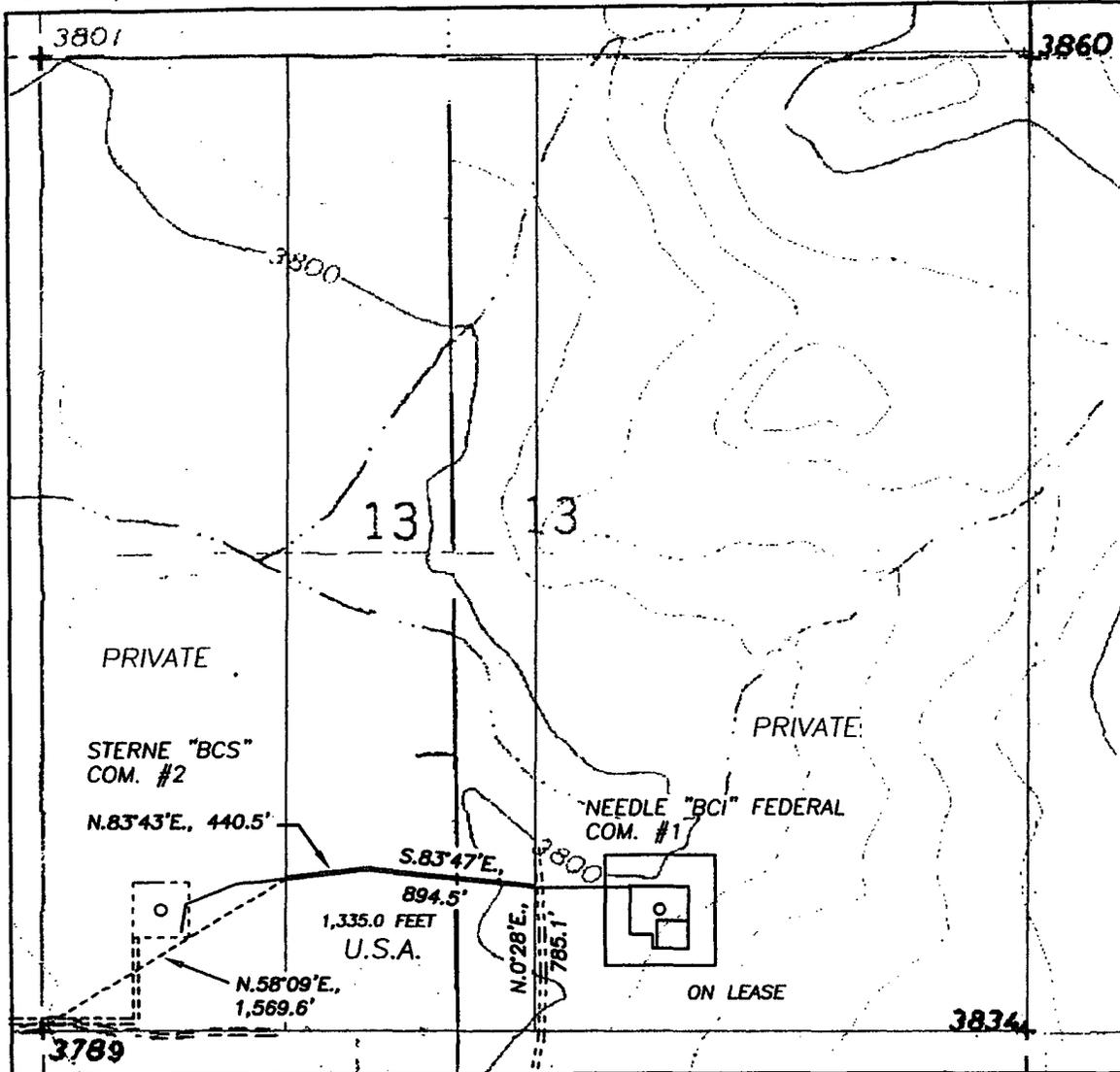
3. LOCATION OF EXISTING WELL:

- 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.

SECTION 13, TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



DESCRIPTION:

A LEASE ROAD RIGHT OF WAY 30 FEET WIDE AND 1,335.0 FEET IN LENGTH LOCATED IN SECTION 13, TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY NEW MEXICO AS SHOWN IN RED ON THIS PLAT.

1,335.0 FEET = 80.9091 RODS, 0.2528 MILES OR 0.9194 ACRES, MORE OR LESS.

Yates Petroleum Corporation
 Needle BCI Federal #1
 660' FSL and 1980' FEL
 Section 13, T6S-R26E
 Chaves County, New Mexico
 Exhibit "A-2"



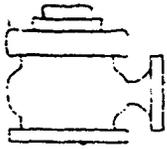
THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

Herschel L. Jones
 3640
 HERSCHEL L. JONES Reg. No. 3640
 GENERAL SURVEYING COMPANY P.O. BOX 1928
 LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES NEEDLE "BCI" COM. #1 WELL, LOCATED IN SECTION 13, TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 10/28/2004	Sheet 2 of 2 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/01/04	Scale 1" = 1000' NEEDLE 1



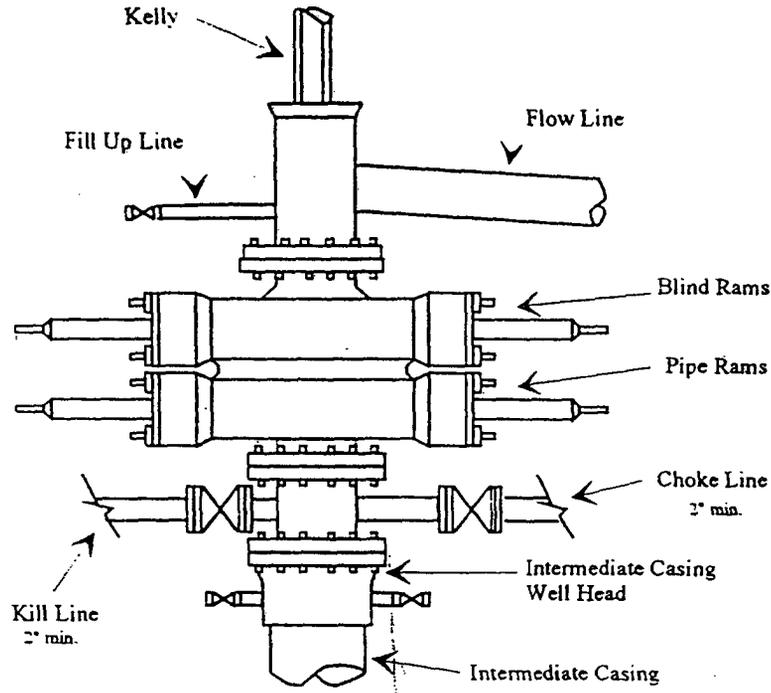
Yates Petroleum Corporation

BOP-2

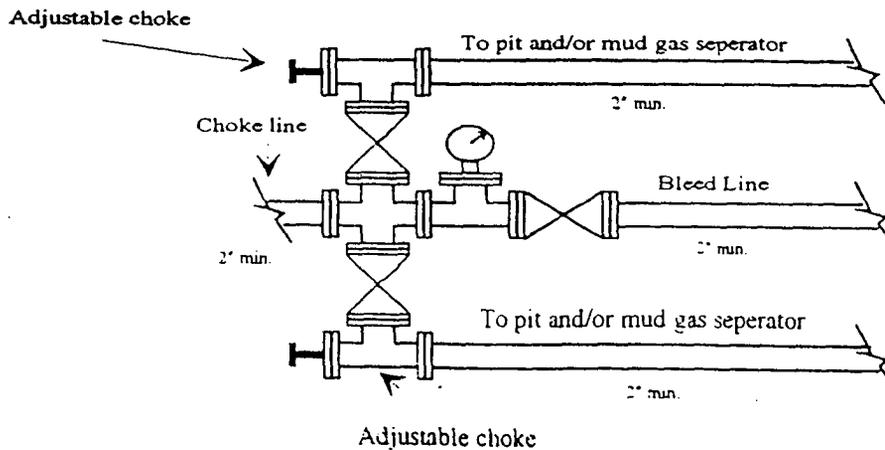
Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
Needle BCI Federal #1
660' FSL and 1980' FEL
Section 13, T6S-R26E
Chaves County, New Mexico
Exhibit "B"



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

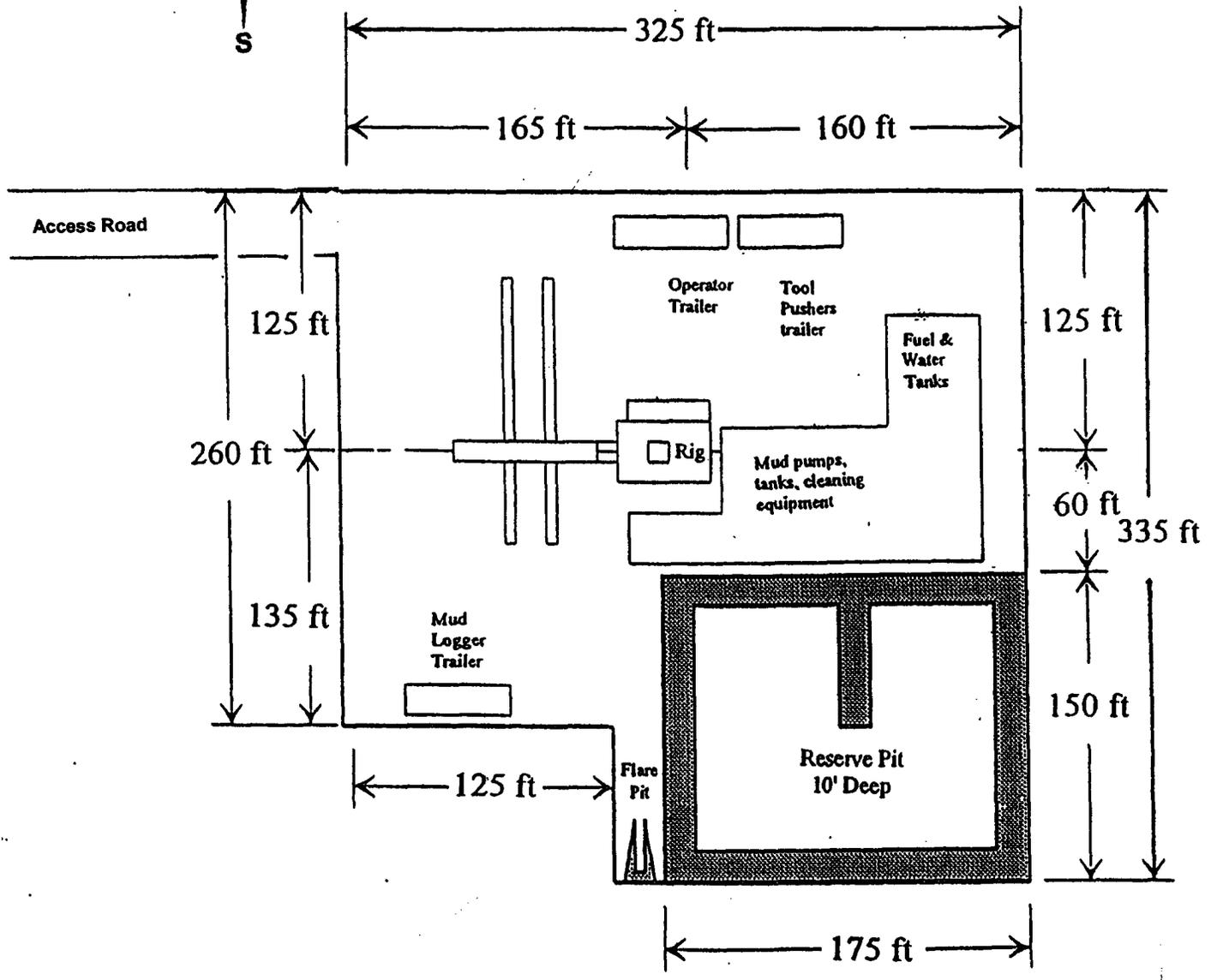
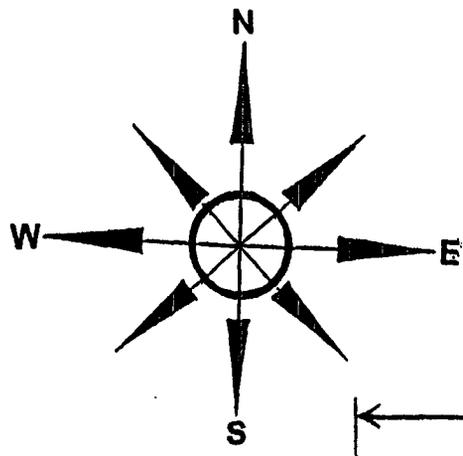


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation
Needle BCI Federal #1
660' FSL and 1980' FEL
Section 13, T6S-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

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

RECEIVED

OCT 21 2004

OCD-ARTESIA

Is pit or below-grade tank covered by a "general plan"? Yes CheckBox1

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Yates Petroleum Corporation Telephone: 505-748-4376 e-mail address: debbiec@ypcnm.com

Address: 104 South 4th Street, Artesia, New Mexico 88210

Facility or well name: Needle BCI Federal #1 API #: 30-005-63570 U/L or Qtr/Qtr SWSE Sec 13 T 6S R 26E

County: Chaves Latitude _____ Longitude _____ NAD: 1927 1983 Surface Owner: Federal State Private Indian

Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Volume _____ bbl		Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) 100 feet or more (0 points)	
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (20 points) No (0 points)	
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet (20 points) 200 feet or more, but less than 1000 feet (10 points) 1000 feet or more (0 points)	
Ranking Score (Total Points)		10

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite offsite If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .
Date: 10/20/2004

Printed Name/Title Robert Asher/Regulatory Agent Signature [Signature]

Our certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval: OCT 21 2004
Date: [Signature] Signature [Signature]
Printed Name/Title _____

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272, in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: 9½ inch 5½ inch C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160_5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

B. CASING:

1. The 9½ inch surface casing shall be set at 950 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5½ inch production casing is cement shall extend upward a minimum of 200 feet above the top of the Glorieta formation.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the _____ inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

D. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow sensor on the flow line to warn of abnormal mud returns from the well.