

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

RECEIVED

SEP - 9 2005

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

1980' FSL and 1980' FEL

At proposed prod. Zone

Same

Secretary's Pool

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

Approximately 13 miles northeast of Carlsbad, New Mexico.

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

1980'

16. No. of Acres in lease

640

17. Spacing Unit dedicated to this well

S/2

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

.5 of a mile

19. Proposed Depth

11600'

20. BLM/BIA Bond No. on file

NM-2811

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

3318' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

24. Attachments

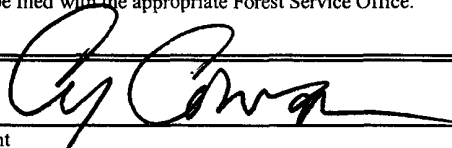
Capitan Controlled Water Basin

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

Date

5/11/05

Regulatory Agent

Regulatory Agent

Approved by (Signature)

Janice L. Canby

Name (Printed/Typed)

Janice L. Canby

Date

AUG 26 2005

Title

ACTING STATE DIRECTOR

Office

NM STATE 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)

C-144 attached

WITNESS: 20" SURFACE CASING CEMENT JOB

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

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

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1060 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

FORM U-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 96068	Pool Name WILDCAT; MISS
Property Code	Property Name SOBER "BEZ" FEDERAL	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3318

Surface Location

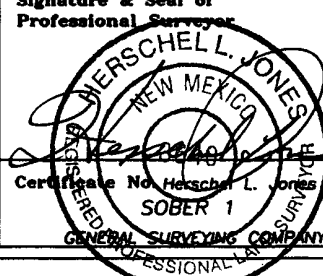
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	35	20S	29E		1980	SOUTH	1980	EAST	EDDY

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.
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

				OPERATOR CERTIFICATION	
				<p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Cy Cowan</i> Signature Cy Cowan Printed Name Regulatory Agent Title May 11, 2005 Date</p>	
				SURVEYOR CERTIFICATION	
				<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>4/12/2005 Date Surveyed Signature & Seal of Professional Surveyor </p>	
NM-103602		N.32°31'41.0" W.104°02'36.9" N.555893.6 E.589458.2 (NAD-27)		3315 3319 3318 3324 1980'	

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

YATES PETROLEUM CORPORATION

Sober BEZ Federal #1

1980 FSL and 1980' FEL

Section 35 T20S-R29E

Eddy County, New Mexico

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

Rustler	850'	Strawn	10970'
Capitan	1800'	Atoka	11320'
Delaware	3250'	Morrow	12005'
Bone Spring	6540'	Lower Morrow	12380'
3 rd Bone Spring	9460'	Chester	12510'
Wolfcamp	9840'	TD	12600'

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

Water: 100' - 493'
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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
26"	20"	94#	H-40	ST+C	0-500'	500'
17 1/2"	13 5/8"	54.5#+61#	J-55	ST+C	0-1900'	1900'
12 1/4"	9 5/8"	36#	J-55	ST+C	0-3250'	3250'
8 3/4"	5 1/2"	20#	P-110	LT+C	0-100'	100'
8 3/4"	5 1/2"	17#	L-80	LT+C	100'-3600'	3500'
8 3/4"	5 1/2"	17#	J-55	LT+C	3600'-6500'	2900'
8 3/4"	5 1/2"	17#	L-80	LT+C	6500'-9300'	2800'
8 3/4"	5 1/2"	20#	P-110	LT+C	9300'-12600'	3300'

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 Joint Strength 1.8

B. CEMENTING PROGRAM:

Surface casing: 750 sx Lite "C" (YLD 2.0 WT 12.4) tail in w/ 400 sx Class "C" (YLD 1.32 WT14.8).

1st intermediate casing: 1325 sx Lite (YLD 2.0 WT 12.4) tail in w/ 200 sx Class "C" + 2% CaCl₂ (YLD 1.32 WT 14.8).

2nd intermediate casing: Stage I: 450 sx Class "C" + 2% CaCl₂ (YLD 1.32 WT 14.8 DV Tool @ 2300'.
Stage II Lead w/ 725 sx Lite "C" (YLD 1.98 WT 12.4). Tail w/ 200 sx Class "C" + 2% CaCl₂ (YLD 1.32 WT 14.8).

Production Casing: Stage I 1250 sx "H" (YLD 1.21 Wt 15.6). DV Tool at 9600'.
Stage II 1500 sx Super 'H' (YLD 2.3 WT 11.5).

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-500'	FW/Gel/Spud Mud	8.5-8.7	34-36	N/C
500'-1900'	FW/Brine	10-10.4	29	N/C
1900'-3250'	Fresh Water	8.4	28	N/C
3250'-11000'	Fresh Water	8.5-9.5	28	N/C
11000'-TD	Salt Gel/Starch/2% KCL	10.4-11	34-44	<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' samples from intermediate casing to TD.

Logging: Platform Express ;FMI

Coring: None anticipated.

DST's: None anticipated.

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

Anticipated BHP:

From:	0	To:	500'	Anticipated Max. BHP	225 PSI.
From:	500'	To:	1900'	Anticipated Max. BHP	1025 PSI.
From:	1900'	To:	3250'	Anticipated Max. BHP	1420 PSI.
From:	3250'	To:	TD	Anticipated Max. BHP	7200 PSI.

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: Possible in Canyon.

Maximum Bottom Hole Temperature: 187F.

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
Sober BEZ Federal #1
1980' FSL and 1980' FEL
Section 35-T20S-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 wellsite is located approximately 13 miles northeast of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Carlsbad on Highway 62/180 for approximately 13 miles to the intersection of Burton Flats Road (CR-238) and Hwy 62/180. Duke Energy Sign here. Turn left on Burton Flats Road and go approx. .2 of a mile. Turn left on an old roadbed that goes to the west. Follow old roadbed for approx. .5 of a mile. The new road will start here going south.

2. PLANNED ACCESS ROAD

The new access road will be approximately .2 of a mile in length from the point of origin to the southwest corner of the well pad.

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

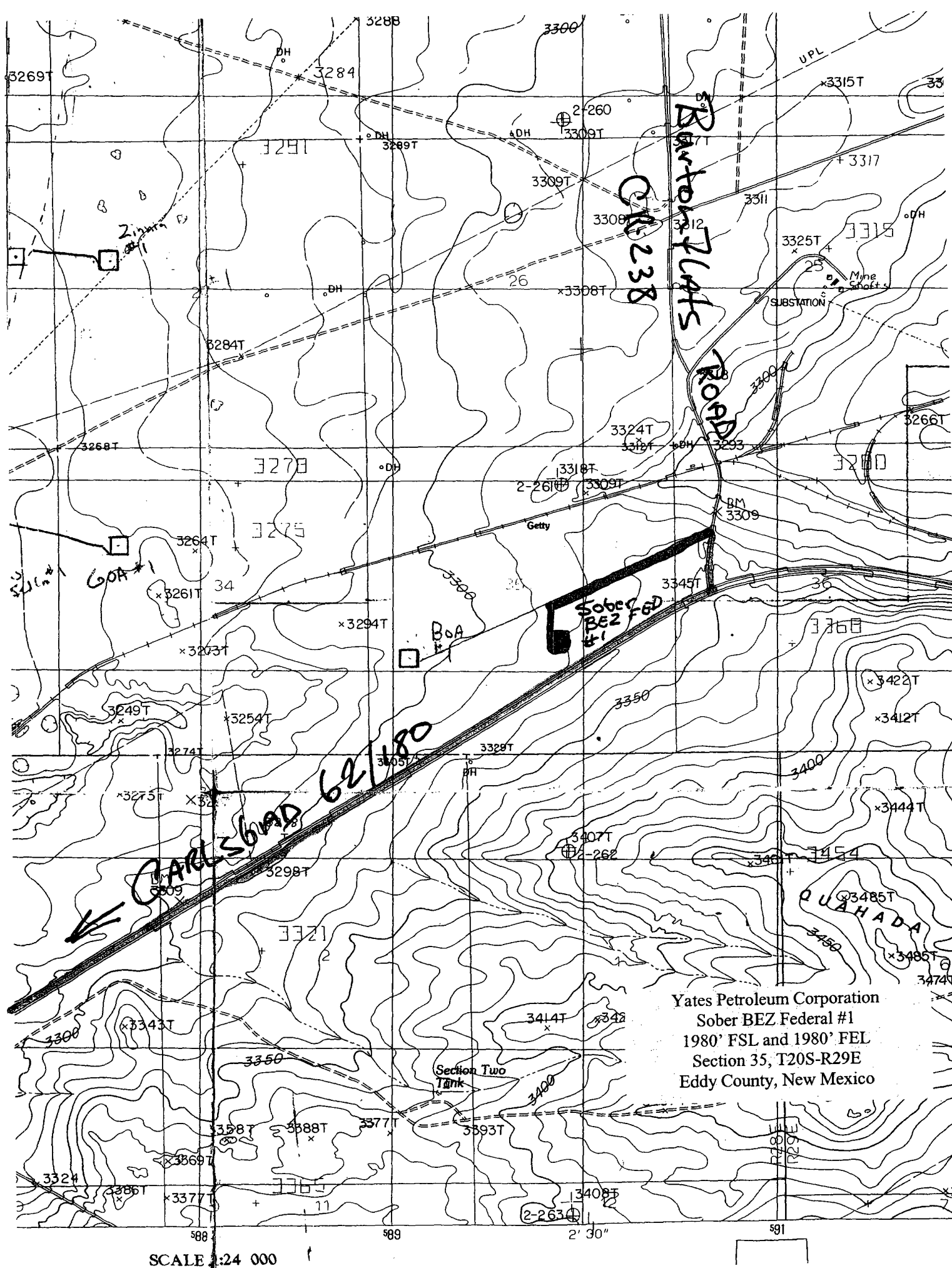
- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary 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.

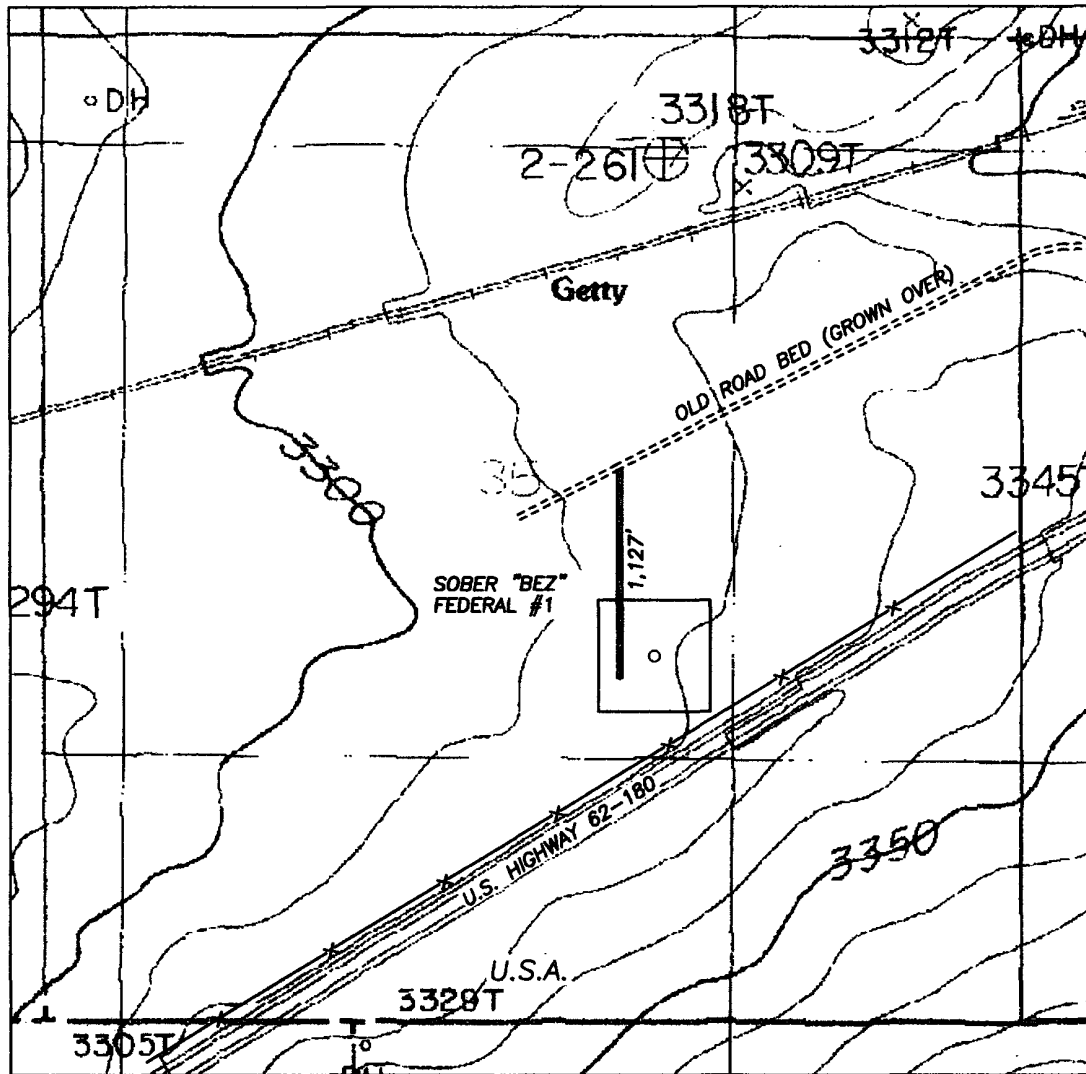
6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will locate closest pit and will obtain any permits and materials for needed for construction.



Yates Petroleum Corporation
Sober BEZ Federal #1
1980' FSL and 1980' FEL
Section 35, T20S-R29E
Eddy County, New Mexico

SECTION 35, TOWNSHIP 20 SOUTH, RANGE 29 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 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.

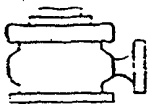
[Signature]
HERSCHEL L. JONES R.L.S. No. 3640

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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES SOBER "BEZ" FEDERAL #1 WELL, LOCATED IN SECTION 35, TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 4/12/2005	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 4/12/05	Scale 1" = 1000' SOBER 1

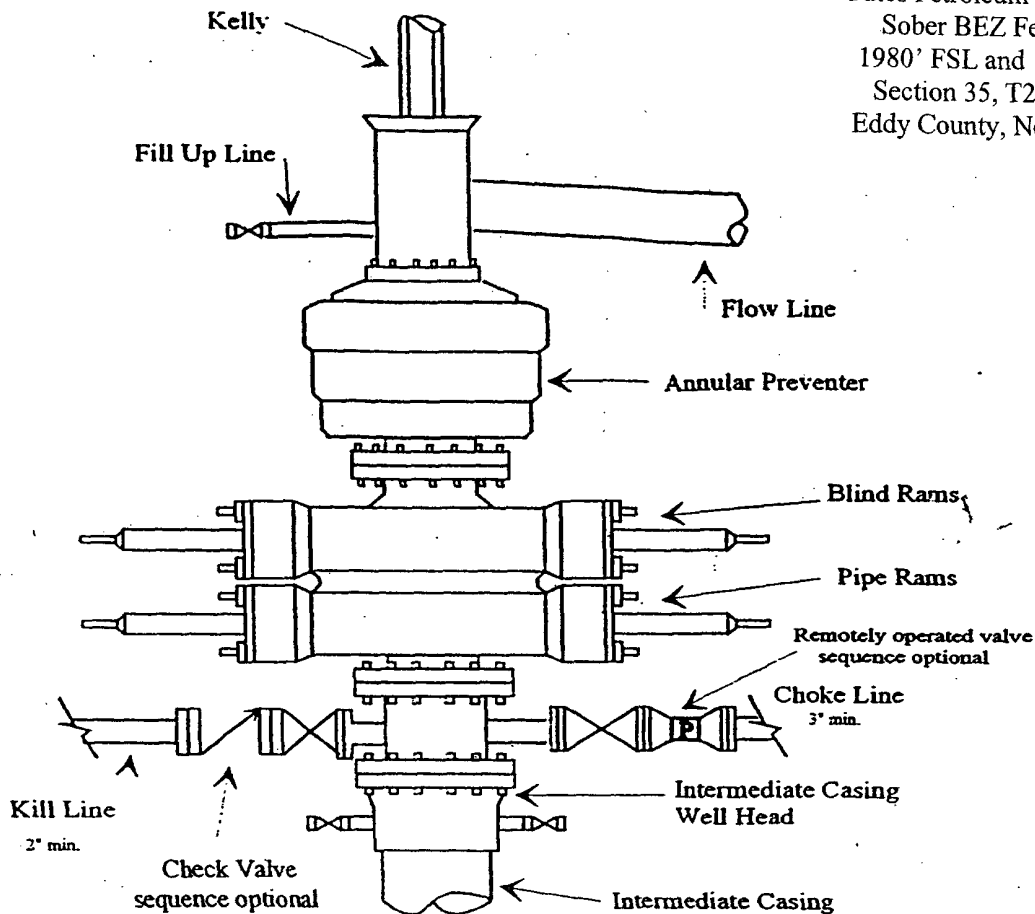


Yates Petroleum Corporation

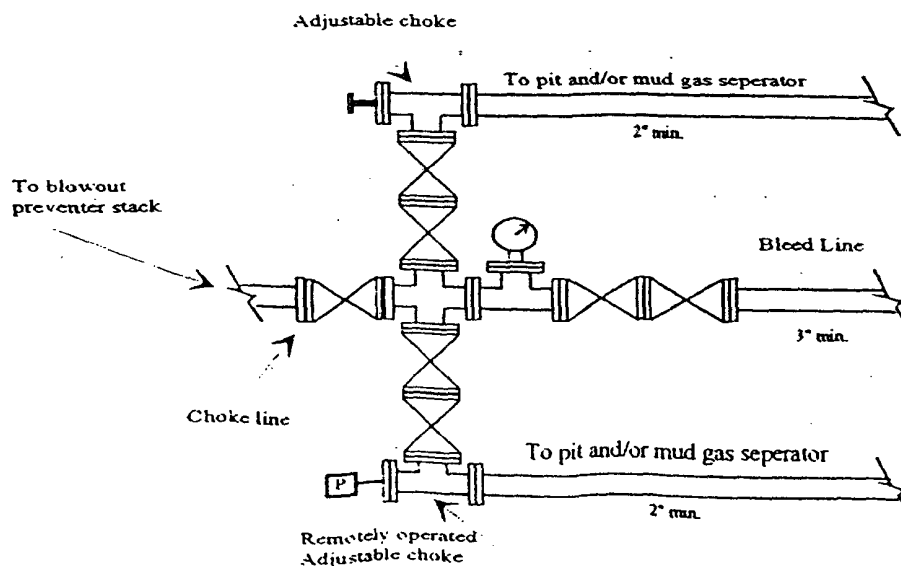
Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

BOP-4

Yates Petroleum Corporation
Sober BEZ Federal #1
1980' FSL and 1980' FEL
Section 35, T20S-R29E
Eddy County, New Mexico



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



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



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

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

May 12, 2005

Intrepid Potash
P.O. Box 101
Carlsbad, New Mexico 88220

Attention: Mr. Tom McGuire

RE: Sober BEZ Federal #1
1980' FSL and 1980' FEL
Section 35, Township 20 South, Range 29 East
Eddy County, New Mexico

Dear Mr. McGuire:

Yates Petroleum Corporation wishes to place the captioned well on our list for future drilling operations. We are planning to drill this well to a total depth of 7,850' or 100' below the base of the Chester Formation. We have been advised that your company is the owner of certain potash leases in this area. Therefore, we respectfully request that you waive any objections you may have to this proposed well location and so indicate by signing and returning one copy of this letter to our office.

Your favorable consideration of this request will be greatly appreciated. Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION


Cy Cowan
Regulatory Agent

☐ **NO OBJECTION OFFERED**
Intrepid Potash

☐ **OBJECTION OFFERED**
Intrepid Potash

By: _____

By: _____

Title: _____

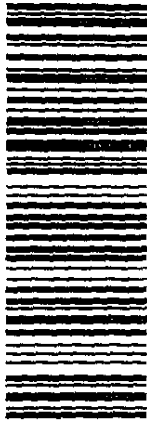
Title: _____

Date: _____

Date: _____

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.

CERTIFIED MAIL™



7004 2510 0000 6680 2120
7004 2510 0000 6680 2120

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To Intrepid Potash
 Street, Apt. No.,
 or PO Box No.
 City, State, ZIP+4

PS Form 3800, June 2002

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Intrepid Potash
P.O. Box 101
Carlsbad, NM
88220

2. Article Number
 (Transfer) 7004 2510 0000 6680 2120

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☐ Agent
☒ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Scher #1

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: YATES PETROLEUM CORPORATION
Well Name & No. 1 - SOBER BEZ FEDERAL
Location: 1980' FSL & 1980' FEL - SEC 35 - T2oS - R29E - EDDY COUNTY
Lease: NM-103602

I. DRILLING OPERATIONS 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 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding.

B. Cementing casing: 20 inch 13-3/8 inch 9-5/8 inch 5-1/2 inch

C. BOP tests

2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the Canyon Formation. A copy of the plan shall be posted at the drilling site.

3. 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.

4. 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.

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

6. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 20 inch surface casing shall be set at 500 feet below usable water 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 13-3/8 inch salt protection casing is circulate cement to the surface.

3. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is circulate cement to the surface.

4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.

(ORIG. SGD.) LES BABYAK

III. 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 9-5/8 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) required for drilling the surface and 1st and 2nd intermediate holes shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch casing shall be 5000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - A variance to test the surface casing and BOP to the reduced pressure of 1000 psi with the rig pumps is approved.
 - 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.
 - BOPE must be tested prior to drilling into the Wolfcamp Formation by an independent service company.

IV. 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:

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