

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
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. NMNM25866 |
| 1b. 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 | | 7. If Unit or CA Agreement, Name and No. 12076 |
| Contact: ROBERT ASHER E-Mail: basher@ypcnm.com | | 8. Lease Name and Well No. BUDER ACN FEDERAL 3 |
| 3a. Address 105 S. 4TH ARTESIA, NM 88210 | 3b. Phone No. (include area code) Ph: 505.748.4364 Fx: 505.748.4572 | 9. API Well No. 30-005-63576 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SENW 1750FNL 1980FWL At proposed prod. zone SENW 1750FNL 1980FWL | | 10. Field and Pool, or Exploratory PRECAMBRIAN |
| 14. Distance in miles and direction from nearest town or post office* APPROXIMATELY 30 MILES NEOF ROSWELL, NM | | 11. Sec., T., R., M., or Blk. and Survey or Area Sec 22 T6S R26E Mer NMP SME: BLM |
| 15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) | 16. No. of Acres in Lease 5750 MD | 12. County or Parish CHAVES |
| 18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft. | 19. Proposed Depth 5750 MD | 13. State NM |
| 21. Elevations (Show whether DF, KB, RT, GL, etc.) 3721 GL | 22. Approximate date work will start | 17. Spacing Unit dedicated to this well 320.00 |
| 23. Estimated duration | | 20. BLM/BIA Bond No. on file |

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) PAT PEREZ Ph: 505.748.4376 | Date 05/07/2003 |
| Title REGULATORY AGENT | | |
| Approved by (Signature) (Electronic Submission) | Name (Printed/Typed) ARMANDO A LOPEZ | Date 06/17/2003 |
| Title PETROLEUM ENGINEER | | |

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.

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 #21552 verified by the BLM Well Information System
For YATES PETROLEUM CORPORATION, sent to the Roswell
Committed to AFMSS for processing by Armando Lopez on 05/08/2003 (03AL0228AE)

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

DISTRICT II
811 South First, Artesia, NM 88210DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410DISTRICT 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 Precambrian |
| Property Code | Property Name BUDER "ACN" FEDERAL | Well Number 3 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3721 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| F | 22 | 6S | 26E | | 1750 | NORTH | 1980 | WEST | CHAVES |

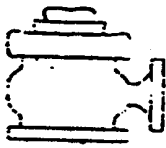
Bottom Hole Location If Different From Surface

| 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

| | | | | |
|--|--|--|--|--|
| | <p>1760'</p> <p>NM-25866</p> <p>3711 3718</p> <p>1980'</p> <p>3711 3731</p> <p>N.33°46'58.0"</p> <p>W.104°17'11.0"</p> | | | <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>Patricia Perez</i></p> <p>Signature</p> <p>Patricia Perez</p> <p>Printed Name</p> <p>Regulatory Agent</p> <p>Title</p> <p>5/1/2003</p> <p>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>4/03/2003</p> <p>Date Surveyed</p> <p><i>Henrietta Jones</i></p> <p>Signature of Surveyor</p> <p>Professional Seal</p> <p>NEW MEXICO</p> <p>3648</p> <p>Henrietta Jones RLS 3648</p> <p>GENERAL SURVEYING COMPANY</p> | | | |
| | <p>0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'</p> | | | |



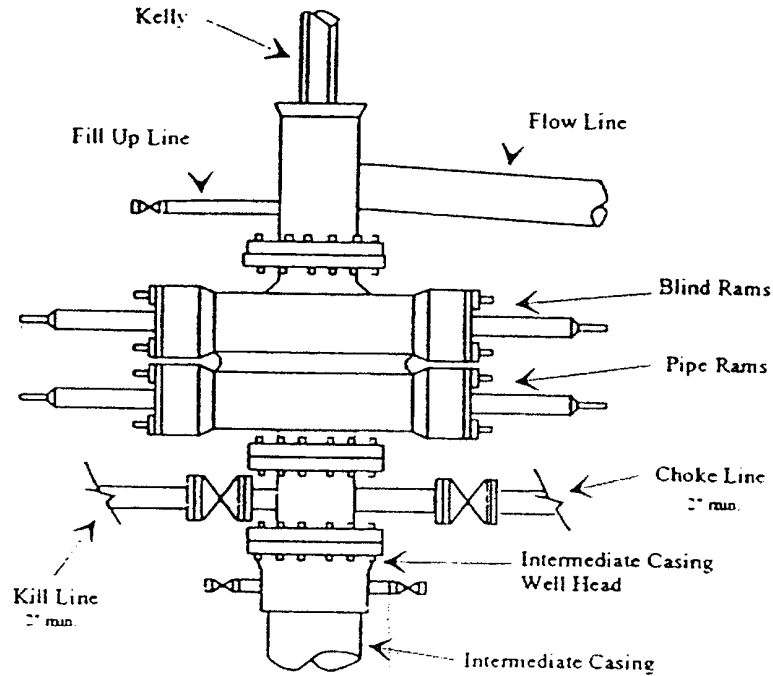
Yates Petroleum Corporation

BOP-2

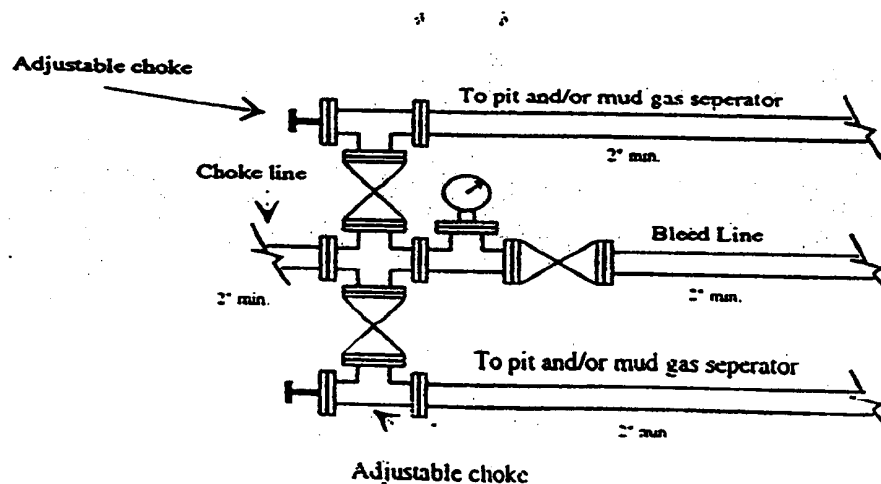
Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
Buder ACN Federal #3
1750' FNL and 1980' FWL
Section 22, T6S-R26E
Chaves County
Exhibit "B"



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



YATES PETROLEUM CORPORATION
Buder ACN Federal #3
1750' FNL and 1980' FWL
Section 22, T6S-R26E
Chaves County, New Mexico

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

| | | | |
|------------|-------|-----------------|-------|
| San Andres | 765' | Spear Zone | 4912' |
| Glorietta | 1715' | Cisco | 5175' |
| Yeso | 1830' | Strawn | 5390' |
| Tubb | 3250' | Siluro-Devonian | 5520' |
| Abo | 3890' | Precambrian | 5600' |
| Wolfcamp | 4590' | TD | 5750' |

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 11 3/4" 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" | 11 3/4" | 42# | J-55 | ST&C | 0-950' |
| 11 | *8 5/8" | 24# | J-55 | ST&C | 0-1600' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | ST&C | 0-5750' |

* - 8 5/8" will only be set if lost circulation is encountered.

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

W-331-22

B. CEMENTING PROGRAM:

Surface Casing: 350 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx
C w/2% CaCL₂ (YLD 1.33 WT 15.6)

Intermediate Casing: 250 sx Class C + 2% CaCLW (YLD 1.32 WT 14.8)

Production Casing: 500 sx Pecos Valley Lite (YLD 1.34 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 - 9.6 | 32-36 | N/C |
| 950'-3750' | Cut Brine/Brine | 9.0 - 10.2 | 28 | N/C |
| 3750'-5750' | Starch/Salt Gel | 9.3 - 10.2 | 32 - 40 | <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: None.

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

Anticipated BHP:

| | | |
|------------|-----------|--------------------------------|
| From: 0 | TO: 950' | Anticipated Max. BHP: 450 PSI |
| From: 950' | TO: 5750' | Anticipated Max. BHP: 2200 PSI |

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 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
Buder ACN Federal #3
1750' FNL and 1980' FWL
Section 22, 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 wellsite is located approximately 30 miles east of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive NE of Roswell on Hwy 70 approx. 14 miles to Aztec road. Turn left on Aztec and drive approx. 9.5 miles where road curves east, follow road approx. 0.9 of a mile where it turns north at Galleta "YT" St. #1 location. Stay on this road for approx. 4.1 miles. Turn left right before cattle guard with sign "Private Access Road". Follow road along fence line for approx. 0.2 of a mile where road forks. Take left 2-track and follow this road approx. 1.2 of a mile where the access is staked on the right (north) side going NW to the NE corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1500' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a westerly 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 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 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:

Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

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 400' x 400' 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: Bureau of Land Management, Roswell, NM.

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: Pat Perez, 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:

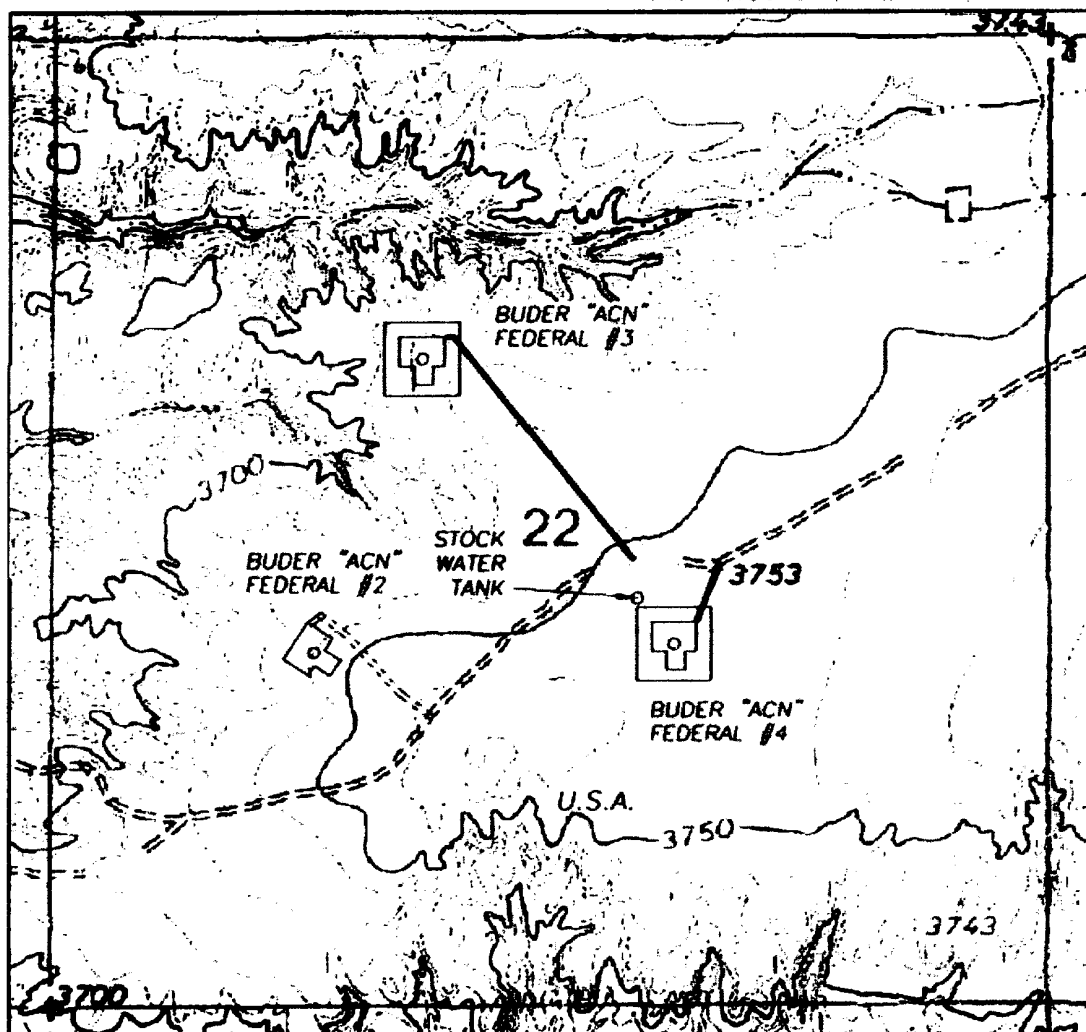
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Drilling Company 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.

5/6/2003


Regulatory Agent

[illegible]

SECTION 22, TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
Buder ACN Federal #3
1750' FNL and 1980' FWL
Section 22, T6S-R26E
Chaves County
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.

[Signature]
REGISTERED
3640
HERSCHEL D. JONES, R.L.S. NO. 3640
SURVEYOR

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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES BUDER "ACN" FEDERAL #3 & 4 WELLS, LOCATED IN SECTION 22, TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 4/02/2003

Drawn By: Ed Blasing

Date: 4/05/03

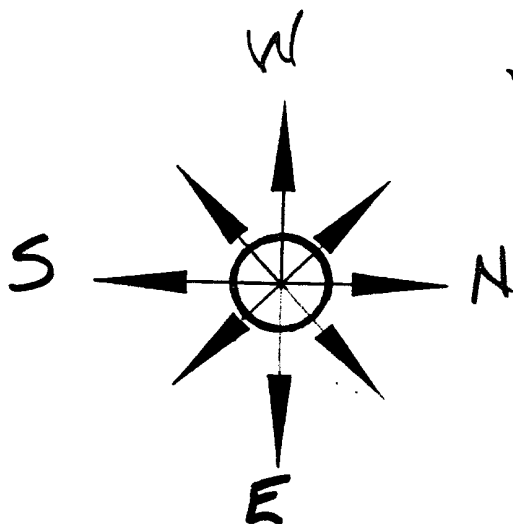
Sheet 1 of 1 Sheets

N.O. Number

Scale 1" = 1000' BUDER 3&4

07-08-1992

PB - L1

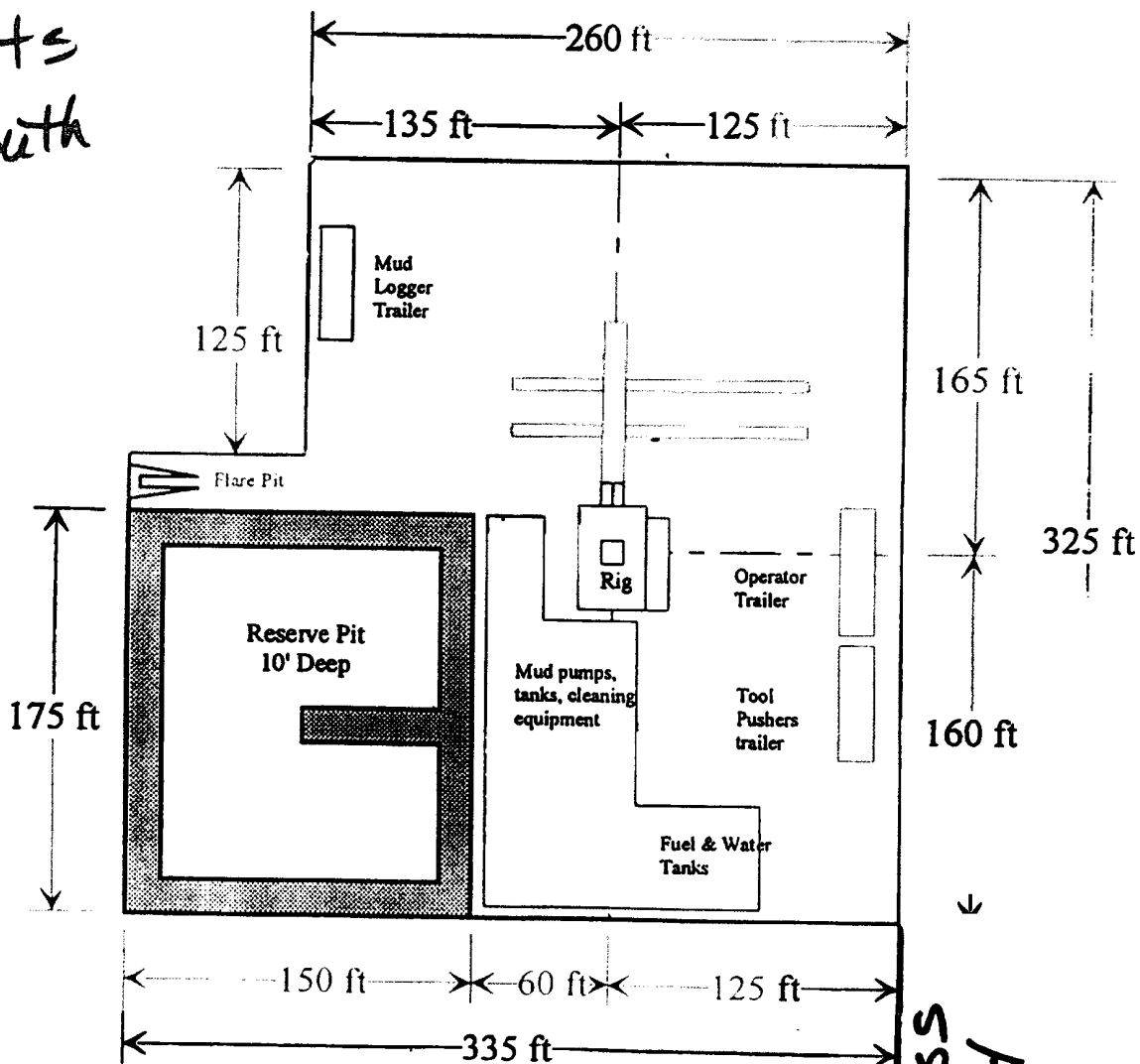


Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'

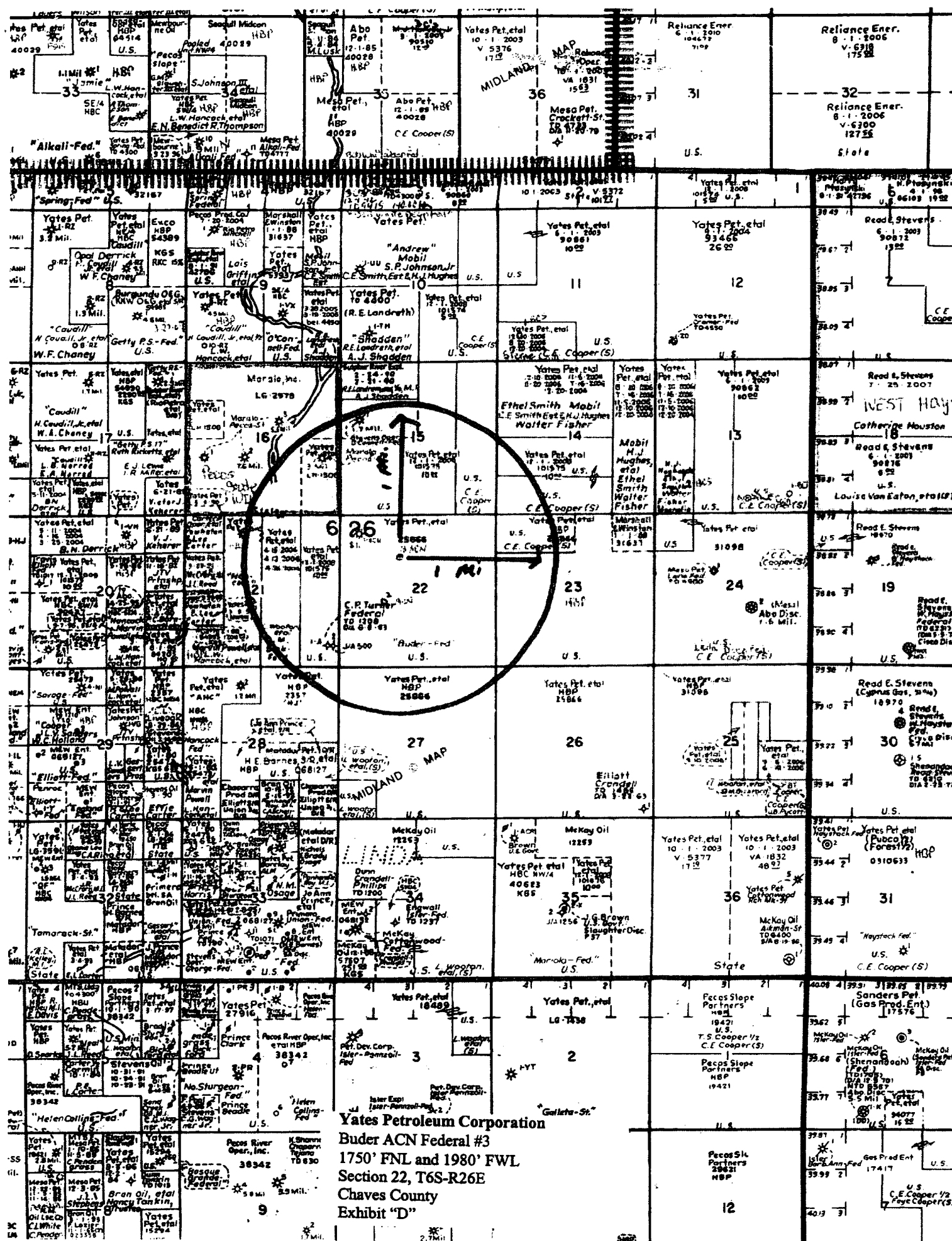
Yates Petroleum Corporation
Buder ACN Federal #3
1750' FNL and 1980' FWL
Section 22, T6S-R26E
Chaves County
Exhibit "C"

Pits
South



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum



Yates Petroleum Corporation
Buder ACN Federal #3
1750' FNL and 1980' FWL
Section 22, T6S-R26E
Chaves County
Exhibit "D"