

Please Note: This well must be capable of producing by August 31, 2006. Thank you.

Form 3160-3  
(August 1999)

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

IOR  
T

OR REENTER

OCD-ARTESIA

RECEIVED

JUL 21 2006

#-06-30

6/16/06

OMB No. 1004-0136

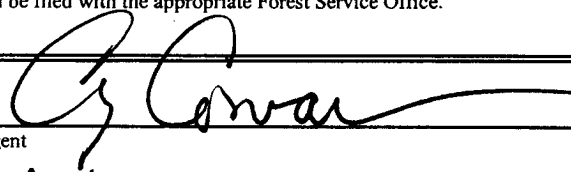
Expires November 30, 2000

1a. Type of Work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-97127	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input 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.	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 35910 Punch BJD Federal #1	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-22471	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 2180' FNL and 660' FWL At proposed prod. Zone NSL for Wolfcamp deeper Gas		10. Field and Pool, or Exploratory Wildcat Bone Spring	
14. Distance in miles and direction from nearest town or post office* Approximately 10 miles southwest of Malaga, New Mexico.		11. Sec., T, R., M., or Blk, and Survey or Area Section 6, T26S-R27E	
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 Eddy County	
16. No. of Acres in lease 1039.31		13. State NM	
17. Spacing Unit dedicated to this well W/2			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1.3 miles			
19. Proposed Depth 12560'			
20. BLM/BIA Bond No. on file 585997			
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3300.5' GL		22. Approximate date work will start* ASAP	
		23. Estimated duration 45 days	

24. Attachments **Carlsbad 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.  | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).   |
| 2. A Drilling Plan.   | 5. Operator certification.  |
| 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). | 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 6/15/2006
Regulatory Agent Regulatory Agent		
Approved by (Signature) /s/ Tony J. Herrell	Name (Printed/Typed) /s/ Tony J. Herrell	Date JUL 19 2006
Title FIELD MANAGER	Office CARLSBAD 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.

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

Original Arc Report ATTACHED

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS

5-17  
296

DISTRICT I  
1825 E. French St., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

DISTRICT III  
1800 Elie Branch Rd., Aztec, NM 87410

DISTRICT IV  
2048 South Pecos, Santa Fe, NM 87506

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised March 17, 1999  
Instructions 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 96053	Pool Name Wildcat Bone Spring
Property Code	Property Name Punch BJD Federal	Well Number 1
OGHD No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3300.5

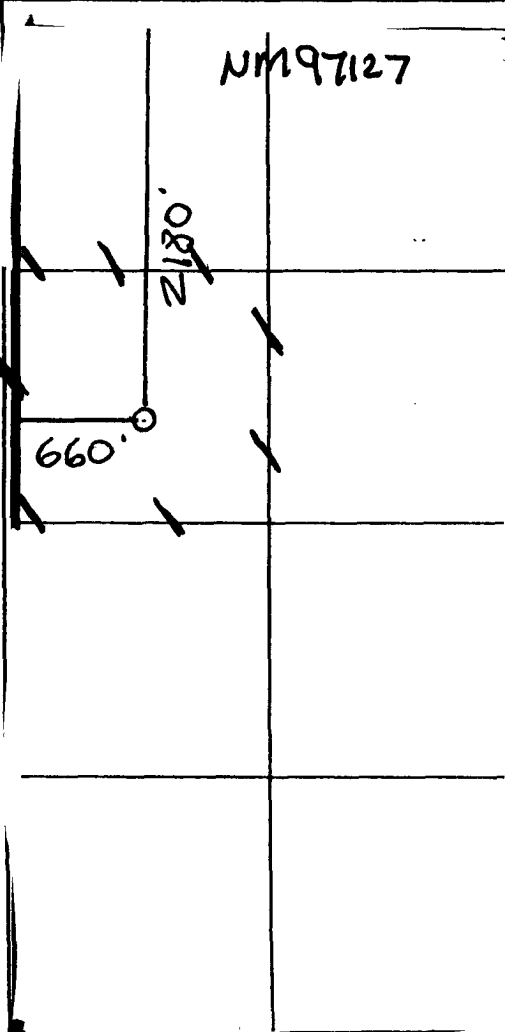
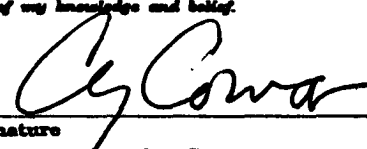
Surface Location

UL or Lot No. E	Section 6	Township 26S	Range 27E	Lot Idn	Feet from the 2180'	North/South Line North	Feet from the 660'	East/West Line West	County 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 40	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

					<b>OPERATOR CERTIFICATION</b>  I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.   Signature Cy Cowan  Printed Name Regulatory Agent  Title June 15, 2006  Date	
					<b>SURVEYOR CERTIFICATION</b>  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.  REFER TO ORIGINAL PLAT.  Date Surveyed  Signature & Seal of Professional Surveyor	
					Certificate No. Herschel L. Jones RLS 3840	
					GENERAL SURVEYING COMPANY	

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section

Operator <b>AMOCO PRODUCTION COMPANY</b>		Lease <b>Federal "J"</b>		Well No. <b>1</b>	
Unit Letter <b>E</b>	Section <b>6</b>	Township <b>26 South</b>	Range <b>27 East</b>	County <b>Eddy</b>	
Actual Footage Location of Well:					
<b>2180</b> feet from the <b>north</b> line and		<b>660</b> feet from the <b>west</b> line			
Ground Level Elev. <b>3300.5</b>	Producing Formation <b>MORROW</b>	Pool <b>WILPCAT</b>	Dedicated Acreage: <b>330640</b> Acres		

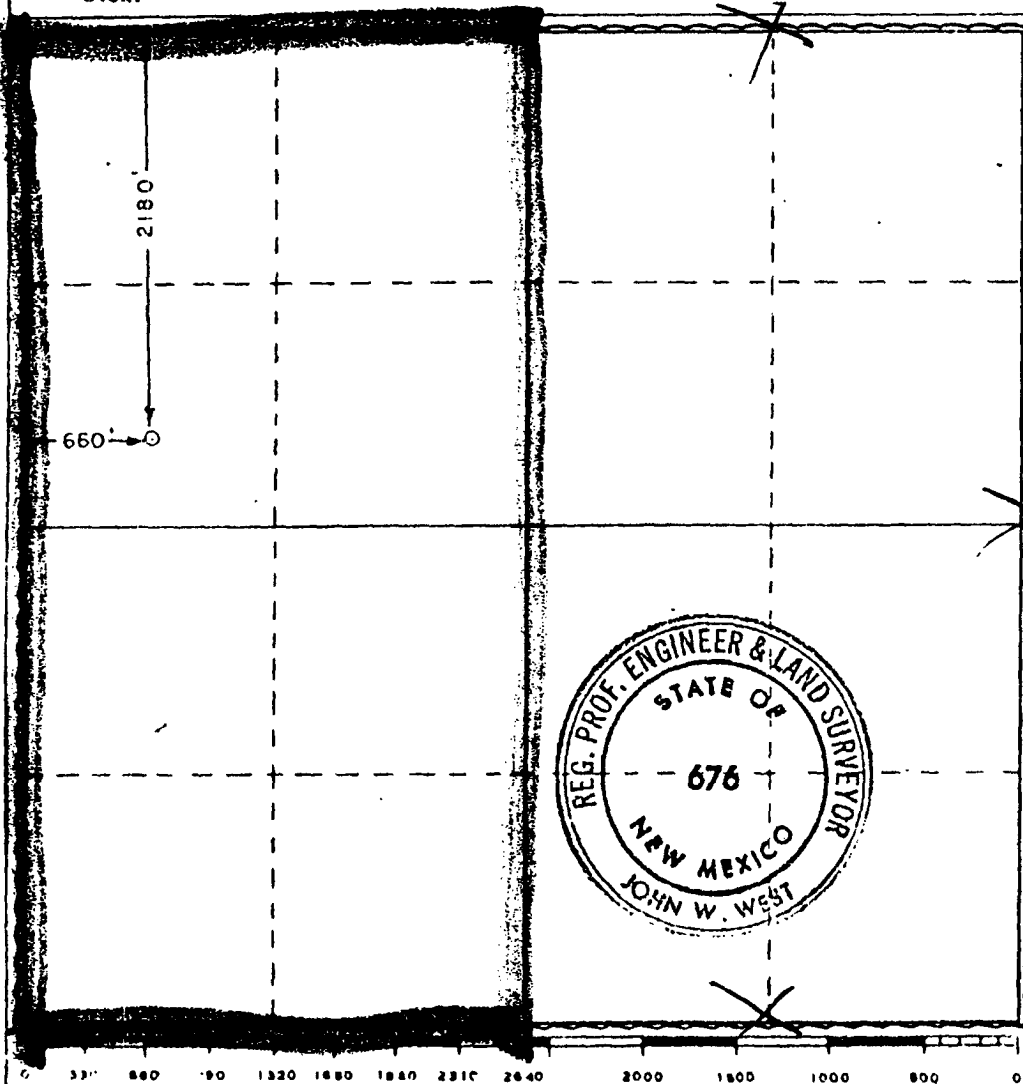
- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership (the owner has to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

**RECEIVED**  
**MAR 17 1978**  
**U.S. GEOLOGICAL SURVEY**  
**ARTESIA, NEW MEXICO**



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name **D.R. Casch**  
Administrative Analyst (SG)

Company  
**Amoco Production Company**

Date  
**3-16-78**

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 knowledge and belief.

Date Surveyed  
**March 13, 1978**

Registered Professional Engineer and/or Land Surveyor

**John W. West**

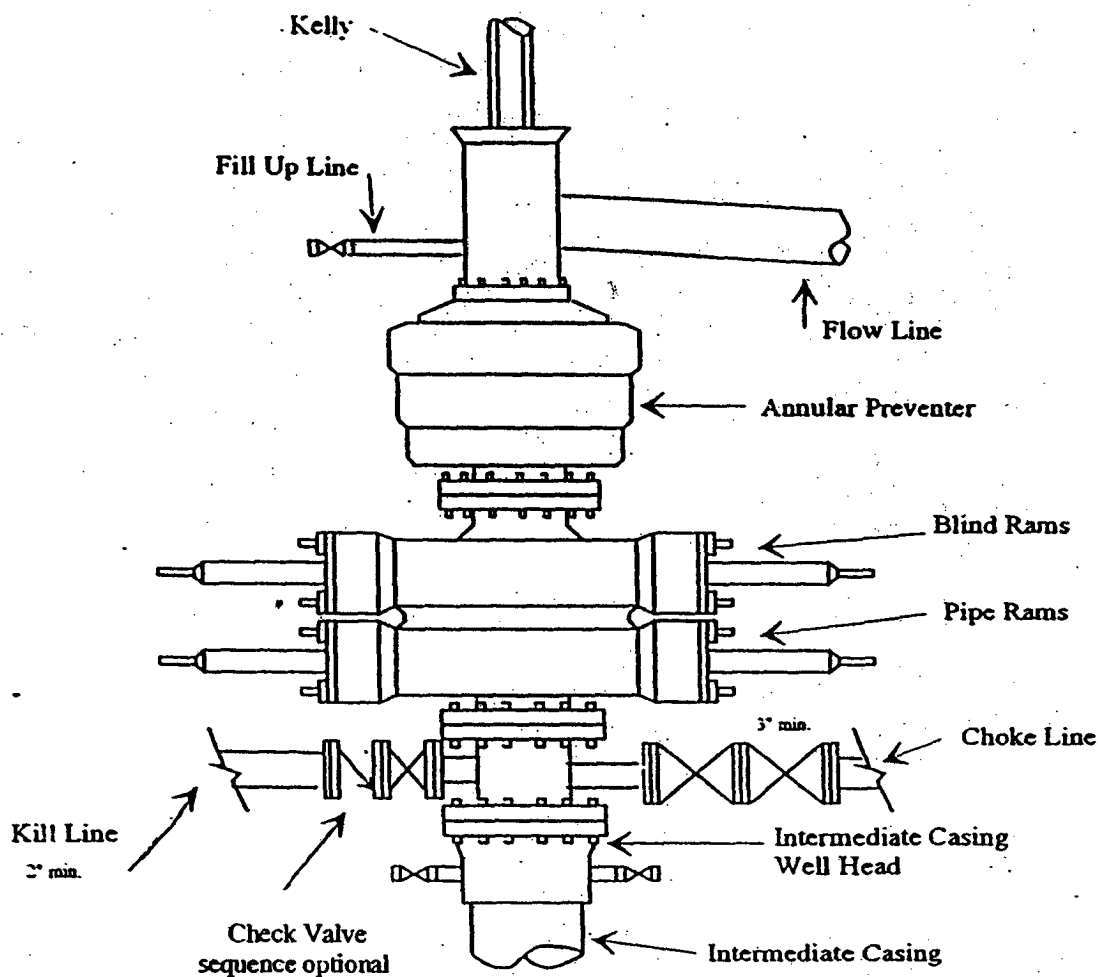
Certificate No. **John W. West 676**  
**Ronald J. Eidson 3239**



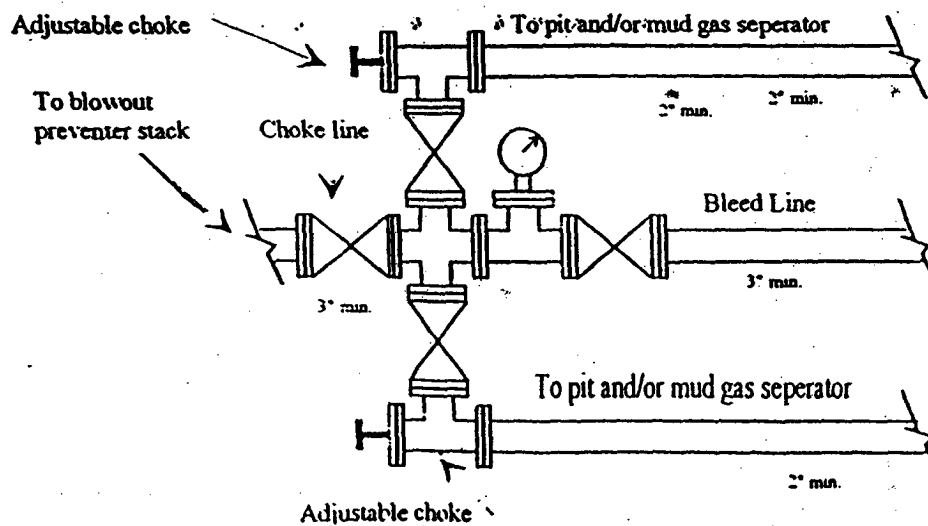
# Yates Petroleum Corporation

BOP-3

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



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



**YATES PETROLEUM CORPORATION**

Punch BJD Federal #1 (Re-entry)

2180' FNL and 660' FWL

Section 6-T26S-R27E

Eddy County, New Mexico

Re-entry Prognosis

Page 2

This well was originally drilled by Amoco Production Company as the Federal "J" # 1. It was spud on March 30, 1978 and was P/A'd April 6, 1979.

Yates Petroleum Corporation proposes to re-enter the captioned well with a pulling unit and reverse unit to drill out cement plugs in the 10 3/4" and in the 9 5/8" open hole down to the casing stub at +/- 2300'. We will then dress off the 7 5/8" casing stub and splice the 7 5/8" casing together and cement it to the surface. After splicing the casing together we will then drill out six (6) cement plugs and one (1) cast iron bridge plug and clean out to the original TD. We will then set a 4 1/2" liner in the open hole well bore and tie it back to the 7 5/8" casing and cement in place. At this point we will test all productive intervals from the Delaware to the Morrow.

# YATES PETROLEUM CORPORATION

Punch BJD Federal #1 (Re-entry)

2180' FNL and 660' FWL

Section 6-T26S-R27E

Eddy County, New Mexico

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

Delaware	2066'	Wolfcamp	9004'
Bone Spring	5648'	Strawn	11026'
1 <sup>st</sup> Bone Spring	6830'	Atoka	11224'
2 <sup>nd</sup> Bone Spring	7880'	Middle Morrow	12048'
3 <sup>rd</sup> Bone Spring	8901'	TD	12560'

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

Water: 35  
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 10 3/4" 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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
20"	16"	65#	H-40	ST&C	0-465'	465' In Place.
14 3/4"	10 3/4"	40.5#	K-55	ST&C	0-2000'	2000' In Place.
9 1/2"	7 5/8"	29.7#	L-80	LT&C	0-2300'	2300'
9 1/2"	7 5/8"	24.4+39#	N-80+S-95	LT&C	2300'-10422'	8122' In Place
7 5/8"	4 1/2"	11.6#	P-110	LT&C	9922'-12560'	2648'

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: 0-465' 575 sacks cement in place.

Intermediate Casing 0-2000' 1350 sacks in place.

Production Casing: 0-2000' 400 sacks Class "C". From 2000'-10422' 1650 sacks in place.

Production Liner: 9922'-10560' 375 sx Class "H" with fluid loss additives.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-12560'	Cut Brine	9.6-10.8	34-38	<10-15cc

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: None.

Logging: Platform Express/FMI.

Coring: None.

DST's: None.

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

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None Anticipated

8. ANTICIPATED STARTING DATE:

Plans are to re-enter this well as soon as possible after receiving approval. It should take approximately 30 days to re-enter the well with completion taking another 15 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN  
YATES PETROLEUM CORPORATION**

Punch BJD Federal #1 (Re-entry)  
2180' FNL and 660' FWL  
Section 6, T26S-R27E  
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 10 miles southwest of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

**DIRECTIONS:**

Go south of Malaga on Highway 285 for approximately 10.7 miles to Whites City Road (CR-724). Turn west on Whites City Road and go approximately 9.9 miles. The new road will start here by up-grading the old existing road. The access road will go north for approximately .4 of a mile to the southeast corner of the well location.

**2. PLANNED ACCESS ROAD:**

- A. The existing access road will be upgraded for approximately .4 of a mile.
- 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 existing access road will be bladed with drainage on one side. Some traffic turnouts will may 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:**

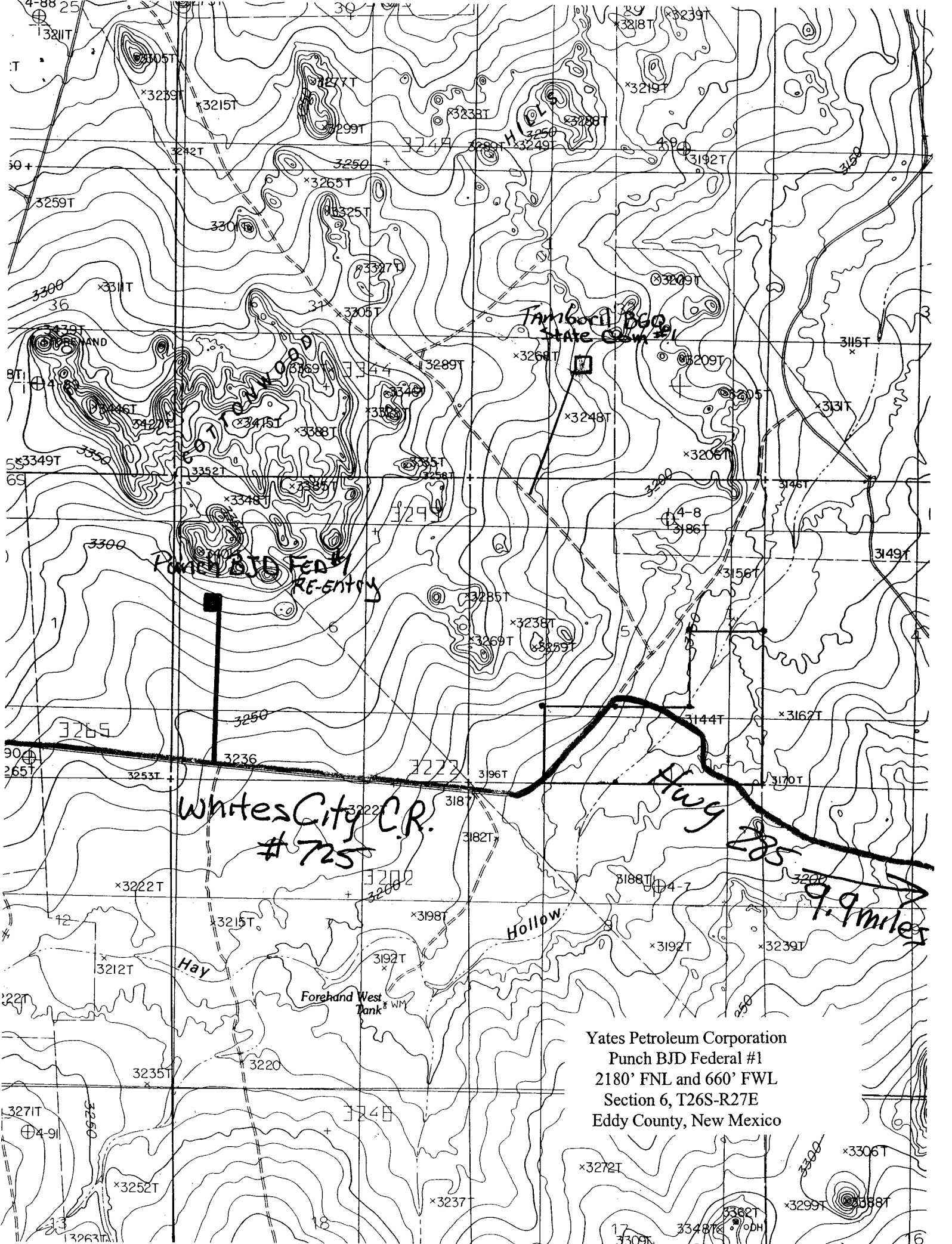
- A. There is no drilling activity within a one-mile radius of the wellsite.
- B. Exhibit shows existing wells within a one-mile radius of the proposed wellsite.

**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.

*Revised  
6/20/06*





Tambora BGO  
State Claim #1

Punch BJD Fed #1  
RE-ENTRY

Whites City C.R.  
#725

Hay Hollow  
9.9 miles

Forehand West Tank

Yates Petroleum Corporation  
Punch BJD Federal #1  
2180' FNL and 660' FWL  
Section 6, T26S-R27E  
Eddy County, New Mexico

**5. LOCATION AND TYPE OF WATER SUPPLY:**

- A. It is planned to re-enter 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 land fill. 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. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- C. A 600' x 600' area will not be staked and flagged as existing surface disturbance will take place on the existing pad area.

**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 wellsite 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, Administered by Bureau of Land Management, Carlsbad, New Mexico.

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:

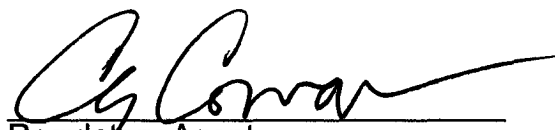
A. Through A.P.D. Approval:  
  
Cy Cowan, Regulatory Agent  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-1471

B. Through Drilling Operations,  
Completions and Production:  
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.

6/15/06

  
Regulatory Agent

## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Drilling Company  
Well Name & No. Punch BJD Federal #1 – RE-ENTRY  
Location: 2180' FNL, 660' FWL, Section 6, T. 26 S., R. 27 E., Eddy County, New Mexico  
Lease: NM-97127

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

- A. Well spud
- B. Cementing casing: 7-5/8 inch 4-1/2 inch liner
- 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.

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

### II. CASING:

- 1. The 16 inch surface casing was set at 465 feet and cement was circulated to the surface
- 2. The 10-3/4 inch intermediate casing was set at 2000 feet and cement was circulated to the surface.
- 3. The 7-5/8 inch production casing was set at 10,422 feet with cement top at 2475 feet by temperature survey. Casing was cut at approximately 2300-2400 feet and pulled when the well was plugged.
- 4. The minimum required fill of cement behind the 4-1/2 inch liner is to be cemented to the top of the liner.

### 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 10-3/4 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.

A variance to test the system to 1000# with the rig pumps is approved.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 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

6/22/2006

acs

- 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.

#### **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:

- 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.

6/22/06  
acs

6/22/2006  
acs