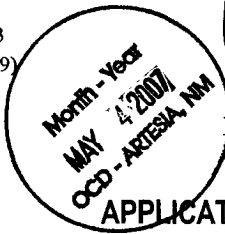


If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

ATS-07-377

Form 3160-3
(August 1999)



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HIGH CAVEKARST

S

APPLICATION FOR PERMIT TO DRILL OR REENTER

0

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.

NM-81238

6. If Indian, Allottee or Tribe Name

Not Applicable

7. If Unit or CA Agreement, Name and No.

Not Applicable

8. Lease Name and Well No.

Tecate BJT Federal #2

9. API Well No.

30-015-35594
Red Lake, G. B. M. Co. - Y. S. Co.

10. Field and Pool, or Exploratory

Wildcat

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

Section 31, T17S-R27E

12. County or Parish

Eddy

13. State

NM

1a. Type of Work:



DRILL



REENTER

b. Type of Well:



Oil Well



Gas
Well



Other

Single
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

660' FSL and 330' FEL Unit P (SESE)

At proposed prod. Zone

same as above

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

Approximately nine (9) miles east/south from Artesia, New Mexico

15. Distance from proposed*

location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

330'

16. No. of Acres in lease

160

17. Spacing Unit dedicated to this well

SESE

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

1300'

19. Proposed Depth

4100'

20. BLM/BIA Bond No. on file

NMB000434

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

3404 GL

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:

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

Debbie L. Caffall

Name (Printed/Typed)

Debbie L. Caffall

Date

3/23/2007

Title:

Regulatory Agent/Land Department

Approved by (Signature)

/s/ James Stovall

Name (Printed/Typed)

/s/ James Stovall

Date

MAY 02 2007

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

SEE ATTACHED FOR
CONDITIONS OF APPROVAL
Roswell Controlled Water Basin

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

4625 N. French Dr., Hobbs, NM 88240

1301 W. Grand Avenue, Artesia, NM 88210

1000 Rio Brazos Rd., Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005

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 51120	Pool Name ----- Red Lake; Gloria - yes
Property Code	Property Name TECATE "BJT" FEDERAL	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3404

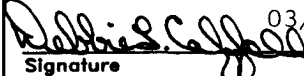
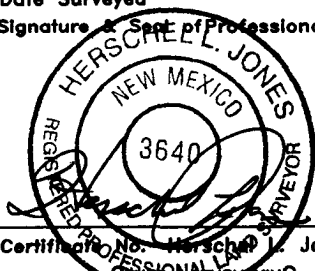
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	31	17S	27E		660	SOUTH	330	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 40 SESE	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

					OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.</i>  03/19/2007 Signature _____ Date _____ Debbie L. Caffall Printed Name _____
				GEODETIC COORDINATES NAD 27 NME Y=649574.3 N X=507228.2 E LAT.=32.785750 LONG.=104.309833 (NAD-27)	
					SURVEYOR CERTIFICATION <i>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.</i> 2/06/2007 Date Surveyed _____ Signature & Seal of Professional Surveyor _____
				<div style="border: 1px solid black; padding: 5px;"><p>NM-81238</p><p>3393 342</p><div style="border: 1px solid black; padding: 5px; text-align: center;"><p>3330</p><p>650</p></div><p>3391 342</p></div>	<div style="border: 1px solid black; padding: 5px;"><p></p><p>Certification No. Herschel L. Jones 3640</p></div>

YATES PETROLEUM CORPORATION

Tecate BJT Federal #2
660' FSL and 330' FEL, Unit P (SESE)
Section 31-T17S-R27E
Eddy County, New Mexico

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

Seven Rivers	55'
Queen	590'
San Andres	1290'
Glorieta	2610'
Yeso	2660'
Tubb	4050'
TD	4100'

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

Water: 120'
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 8 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 Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers 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>	<u>Length</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-400'	400'
11"	8 5/8"	24#	J-55	ST&C	0-1350'	1350'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-4100'	4100'

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

B. CEMENTING PROGRAM:

Surface Casing: 275 sx C with 2% CACL₂ (YLD 1.34 WT 14.80).
Intermediate Casing: 200 sx C Lite (YLD 2.0 WT 12.50),
Tail in with 200 sx C (YLD 1.34 WT. 14.80)
Production Casing: 800 sx Pecos VILt (YLD 1.41 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 - 400'	Freshwater Gel	8.5-9.2	32-34	N/C
400'-1,350'	Freshwater	8.4-8.4	28-28	N/C
1,350'-4,100'	Cut Brine	9.0-9.3	28-28	N/C

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:
Logging: Platform Express
Coring:
DST's:
Mudlogging: From 1200'

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

Anticipated BHP:
From: 0 TO: 400' Anticipated Max. BHP: 190 PSI
From: 400' TO: 1350' Anticipated Max. BHP: 590 PSI
From: 1350' TO: 4100' Anticipated Max. BHP: 1985 PSI

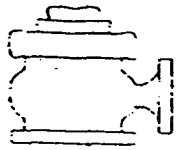
No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None Anticipated

8. ANTICIPATED STARTING DATE:

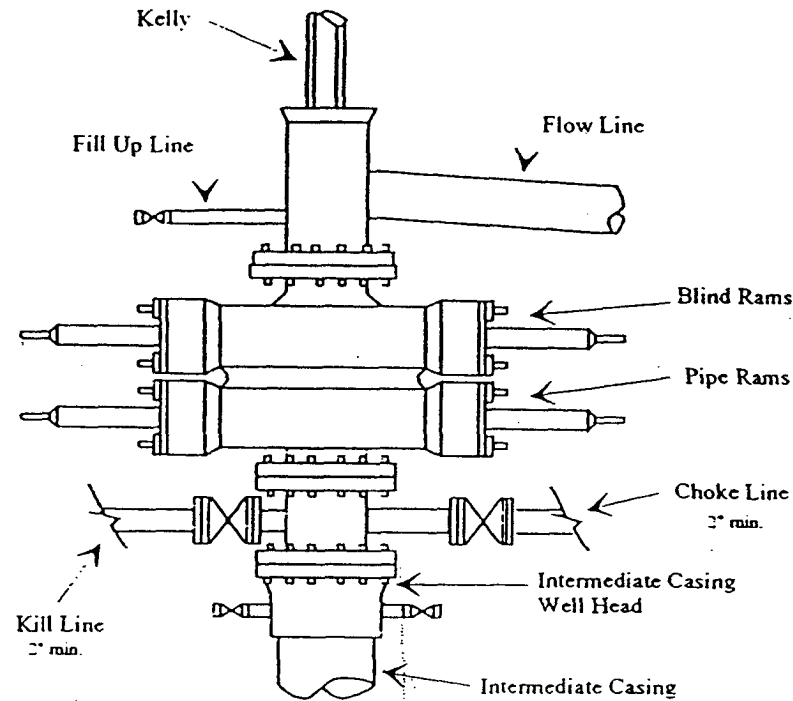
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 15 days.



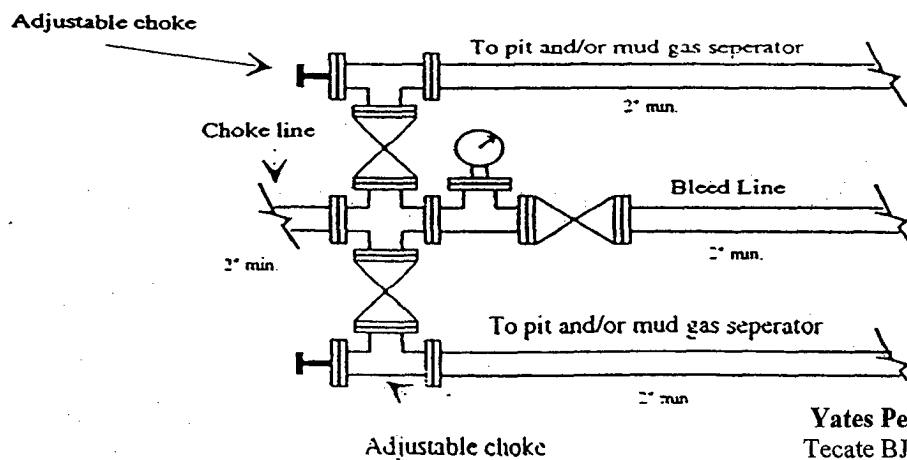
Yates Petroleum Corporation

BOP-2

Typical 2,000 psi Pressure System Schematic Double Ram Preventer Stack



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



Yates Petroleum Corporation
Tecate BJT Federal #2
660' FSL and 330' FEL, Unit P (SESE)
Section 31, T17S-R27E, Eddy County
New Mexico Exhibit "B"

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

Tecate BJT Federal #2
660' FSL and 330' FEL, Unit P (SESE)
Section 31 T17S-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 9 miles east/south of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia on Highway 82 for approximately 4.6 miles to Chalk Bluff Road (County Road 201). Turn right on Chalk Bluff Road (County Rd 201) travel south and go approximately 3.6 miles. Stay right at intersection in road (Collier Carter Tank Battery on the left) and continue right for approximately .2 of a mile to an existing lease road and travel approximately .4 of mile to the SDX - Chalk Federal #6. The new lease road will start here off the west/north side of the pad and travel for approximately 1817.4 feet = 110.1455 rods, 0.3442 of a mile to the southeast corner of the proposed pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1,188.1 feet = 72.0061 rods, 0.2250 miles in section 5, T18S-R27E and 498.3 feet = 30.2000 rods in section 32, 17S-R27E continuing north in section 31, 17S-R27E for approximately 131.0' feet = 7.9394 rods for a total of 1817.4 feet = 110.1455 rods, 0.3442 of a miles to the southeast corner of the proposed pad.
- B. The new road will be 30 feet in width (15 feet 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 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.

Conditions of Approval Cave and Karst

EA#: NM-080-07-0607

Lease #: NM-81238

**Yates Petroleum Corporation
Tecate BJT Fed. #1 & #2**

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. Use depth to the deepest expected fresh water as listed in the geologist report.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:

Any blasting will be a phased and time delayed.

Abandonment Cementing:

Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Record Keeping:

The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence or absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No. 2-Tecate BJT Federal
Location: 0660FSL, 0330FEL, Section 31, T-17-S, R-27-E
Lease: NM-81238

.....

I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:
1. Spudding well
 2. Setting and/or Cementing of all casing strings
 3. BOPE tests
- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822
- B. Although H2S has not been reported in this section, it has been reported in Sections 20, 22, 25, 33, 34, and 35 from the Morrow, Atoka, Yates and Seven Rivers measuring 20 ppm in STVs only. H2S has also been reported in a well completed in the Abo in Section 35, T-17-S and R-27-E measuring 18,000 ppm in the gas streams and 50+ ppm in STVs. It is recommended that monitoring equipment be available.
- C. 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.
- D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

- A. The 13-3/8 inch surface casing shall be set at approximately 400 feet and cemented to the surface.
1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
 3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 4. If cement falls back, remedial action will be done prior to drilling out that string.

Possible lost circulation in the Grayburg and San Andres formations.

This is a high cave/karst area.

- B. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is cement to circulate to surface. If cement does not circulate see A.1 thru 4.**
- C. The minimum required fill of cement behind the 5-1/2 inch production casing is cement to circulate to surface due to high cave/karst.**
- D. If hardband drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool I joints of the drill pipe will be installed prior to continuing drilling operations.**

III. PRESSURE CONTROL:

BOPE to be installed on the 11-3/4" casing.

- A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53.**
- B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 (2M) PSI.**
- C. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 8-5/8" Intermediate casing shoe shall be 2000 (2M) PSI.**
- D. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.**
 - 1. The tests shall be done by an independent service company.**
 - 2. The results of the test shall be reported to the appropriate BLM office.**
 - 3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**
 - 4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.**

IV. DRILLING MUD:

Fresh water mud to be used to setting depth for intermediate casing.

Engineer on call phone: 505-706-2779

WWI 032707