



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-07-376

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HIGH CAVEKARST

APPLICATION FOR PERMIT TO DRILL OR REENTER

OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-81238
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other Single <input checked="" type="checkbox"/> Zone		6. If Indian, Allottee or Tribe Name Not Applicable
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. Not Applicable
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 36485 Tecate BJT Federal #1
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-35593
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1950' FSLand 530' FEL, Unit I (NESE) At proposed prod. Zone same as above		10. Field and Pool, or Exploratory Red Lake, Glorieta - yes
14. Distance in miles and direction from nearest town or post office* Approximately nine (9) miles east/south from Artesia, New Mexico		11. Sec., T., R., M., or Blk, and Survey or Area Section 31, T17S-R27E
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	12. County or Parish Eddy
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1300'	19. Proposed Depth 4100'	13. State NM
20. BLM/BIA Bond No. on file NMB000434		17. Spacing Unit dedicated to this well NE SESE
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3386 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. | 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 <i>Debbie L. Caffall</i>	Name (Printed/Typed) Debbie L. Caffall	Date 3/23/2007
Title: Regulatory Agent/Land Department		
Approved by (Signature) <i>/s/ James Stovall</i>	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

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code S1130	Pool Name Red Lake, Glorieta-Yeso
Property Code	Property Name TECATE "BJT" FEDERAL	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3386

Surface Location

UL or lot No. I	Section 31	Township 17S	Range 27E	Lot Idn	Feet from the 1950	North/South line SOUTH	Feet from the 530	East/West line EAST	County EDDY
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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 NESE 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

				<p>GEODETIC COORDINATES NAD 27 NME Y=650868.1 N X=507050.8 E LAT.=32.789306 LONG.=104.310389 (NAD-27)</p>	
				<p>NM-81238 3373 3388 530' 3379 3407 1950'</p>	

OPERATOR CERTIFICATION

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.

Debbie L. Caffall 3/20/2007
Signature Date

Debbie L. Caffall
Printed Name

SURVEYOR CERTIFICATION

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.

2/06/2007
Date Surveyed

HERSCHEL L. JONES
Signature of Registered Professional Surveyor

HERSCHEL L. JONES
REGISTERED PROFESSIONAL SURVEYOR
NEW MEXICO
3640

Certificate No. 3640
GENERAL SURVEYING

YATES PETROLEUM CORPORATION

Tecate BJT Federal #1
1950' FSL and 530' FEL, Unit I (NESE)
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	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 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>	<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

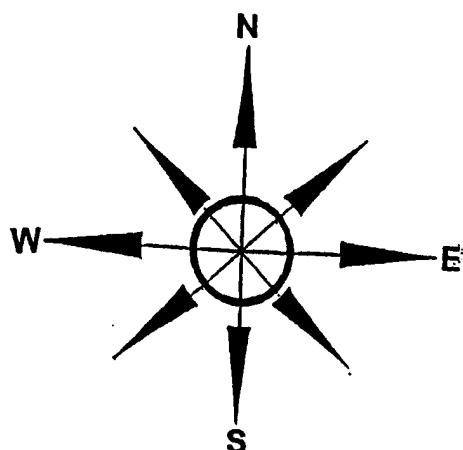
No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None Anticipated

8. ANTICIPATED STARTING DATE:

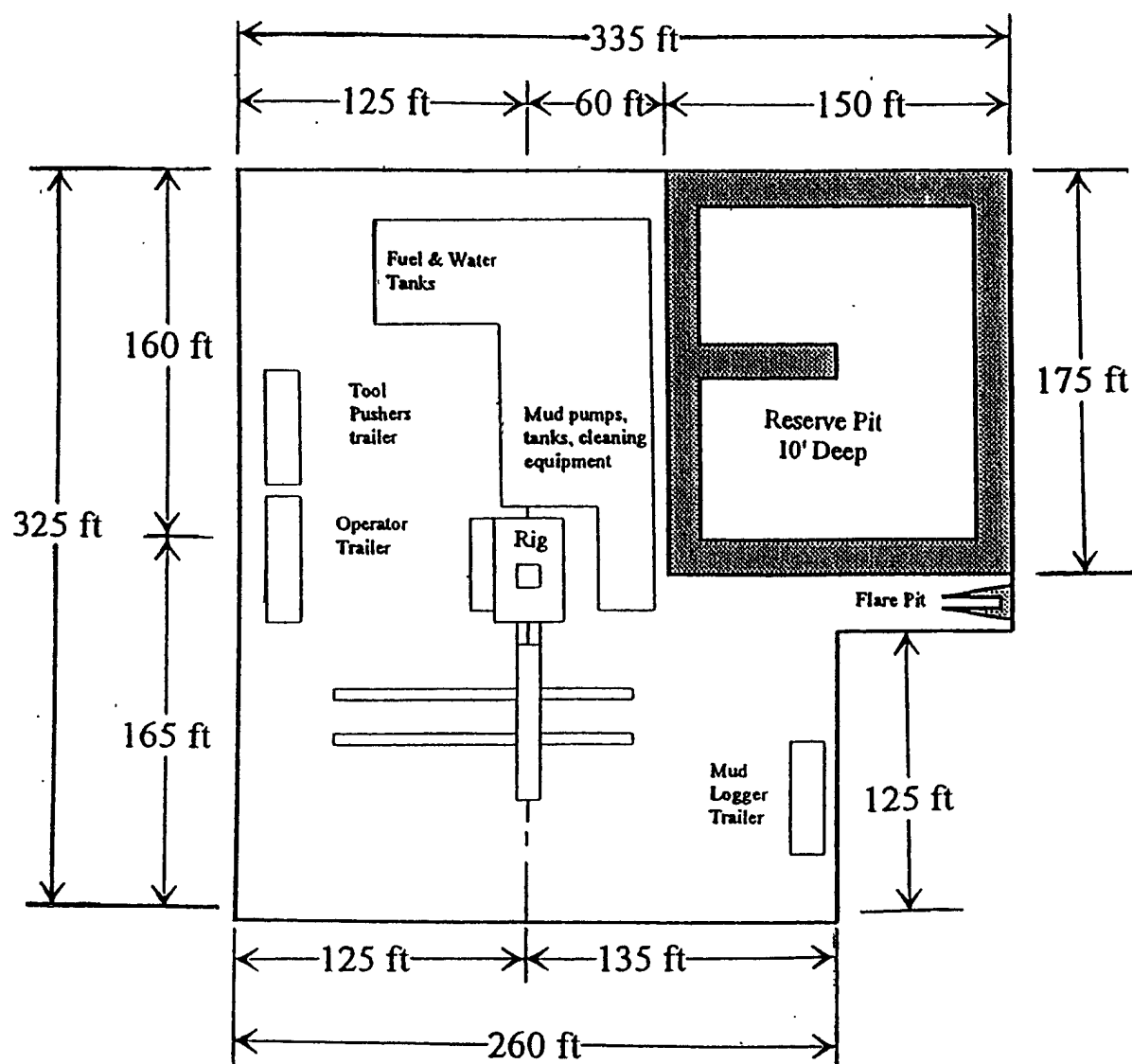
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 15 days.



Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'

Pits East

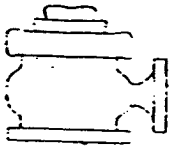


Yates Petroleum Corporation
Tecate BJT Federal #1
1950' FSL and 530' FEL, Unit I (NESE)
Section 31, T17S-R27E, Eddy County
New Mexico Exhibit "C"

South/East Road Access

Distance from Well
Head to Reserve Pit
will vary between rigs

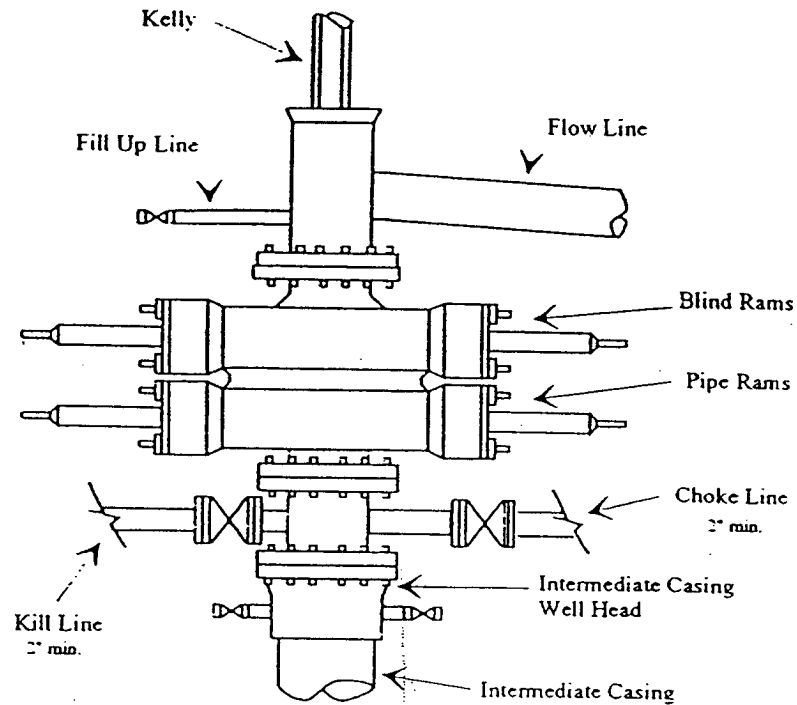
The above dimension
should be a maximum



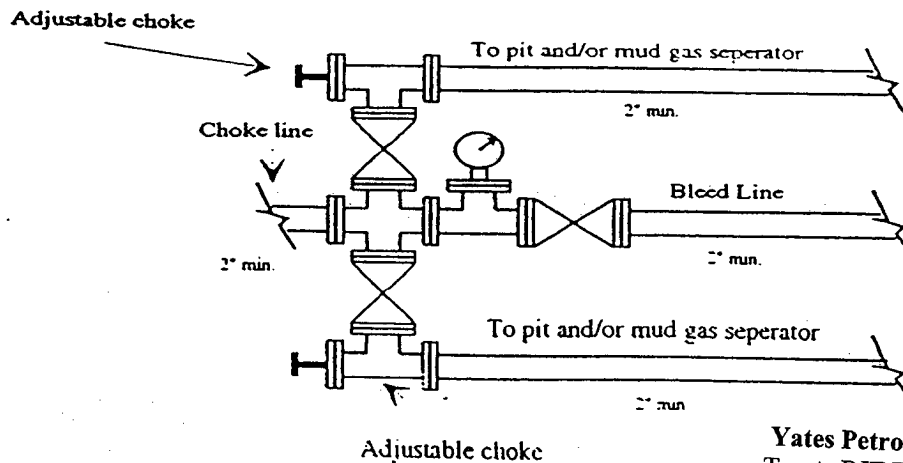
Yates Petroleum Corporation

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 #1
1950' FSL and 530' FEL, Unit I (NESE)
Section 31, T17S-R27E, Eddy County
New Mexico
Exhibit "B"

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION

Tecate BJT Federal #1
1950' FSL and 530' FEL, Unit I (NESE)
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 3,367.3 feet = 204.0788 rods, 0.6377 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 1,680.9 feet = 101.8727 rods for a total of 3,367.3 feet = 204.0788 rods, 0.6377 of a mile 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 Corp.
Well Name & No. Tecate BJT Federal # 1
Location: 1950'FSL, 530'FEL, SEC31, T17S, R27E, Eddy County, NM
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, 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:

1. Spudding
2. Cementing casing: 11.75 inch 8.625 inch 5.5 inch
3. BOP tests

B. A Hydrogen Sulfide (H₂S) Drilling Plan is N/A.

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. 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.

E. 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 11.75 inch surface casing shall be set at 400 feet and cement circulated 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, which ever is greater. (This is to include the lead cement)
3. WOC time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds of compression strength, which ever is greater.
4. If cement falls back, Remedial cementing shall be completed prior to drilling out that string.

B. The minimum required fill of cement behind the 8.625 inch intermediate casing is circulate cement to the surface. If cement does not circulate see A.1 thru 4.

C. The minimum required fill of cement behind the 5.5 inch production casing is cement shall circulate to the surface.

D. If hard band 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 joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

- 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.
- B. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 11.75 inch casing shall be 2000 psi.
- C. 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 the 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 the test is done with a test plug and 30 minutes without a test plug.
 5. A variance to test the _____ to the reduced pressure of ____psi with the rig pumps is approved the BOP/BOPE must be tested by an independent service company.

IV. Hazards:

1. Our geologist has indicated that there is High potential for Cave / Karst.
2. Our geologist has indicated that there is potential for lost circulation in the Grayburg and San Andres formations

Engineering may be contacted at 505-706-2779 for variances if necessary.

FWright 3/27/07