X

Oil Well X

Yates Petroleum Corporation 25575

105 South Fourth Street Artesia, New Mexico 88210

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

15 miles southeast of Loco Hills, New Mexico.

3506' GL

1a. Type of Work:

b. Type of Well:

3A. Address

At surface

2. Name of Operator

At proposed prod. Zone

15. Distance from proposed

location to nearest

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

REENTER

1650' FNL & 660' FWL

Same as above

Other

SFP 17 2007 **OCD-ARTESIA**

Form 3160-7 UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT APPLICATION FOR PERMIT TO DRILL OR REENTER

DRILL

Well

4. Location of Well (Report location clearly and in accordance with any State requirements.*)

RESUBMITTAL

Multiple Zone

Single

Capitan Controlled Water Basin

(505) 748-1471

Zone

3b. Phone No. (include area code)

16. No. of Acres in lease

19. Proposed Depth

120.00

12,400

24. Attachments

22 Approximate date work will start*

ASAP

OMB No. 1004-0136 Expires November 30, 2000 5. Lease Serial No. NM-82902 6. If Indian, Allottee or Tribe Name N/A 7. If Unit or CA Agreement, Name and No. 22903 8. Lease Name and Well No. Domino AOJ Fed. Com. #7 9. API Well No. 10. Field and Pool, or Exploratory Wildcat Mississippian 11. Sec., T, R., M., or Blk, and Survey or Area Section 8, T19S-R31E 12. County or Parish 13. State NM **Eddy County** 17. Spacing Unit dedicated to this well W/2-320 20. BLM/BIA Bond No. on file NM-2811 HMBO00434 23. Estimated duration 60 days 24 7/20/2007

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form.

1650'

2640'

1. Well plat certified by a registered surveyor.

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

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

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

- 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.
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized office.

25. Signature Name (Printed/Typed) Cv Cowan Regulatory Agent

Regulatory Agent

Approved by (Signature) /s/ Don Peterson Name (Printed/Typed)

Is/ Don Peterson

Title

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. APPROVAL FOR TWO YEARS

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.

*(Instructions on reverse)

Previously Approved

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

SEE ATTACHED FOR CONDITIONS OF APPROVAL District I 1625 N. French Dr., Hobbs, NM 88240

1301 W. Grand Avenue, Artesia, NM 88210

District III 1000 Rio Brazos Rd., Aztec, NM 87410

District IV

State of New Mexico

Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION

> 1220 South St. Francis Dr. Santa Fe, NM 87505

Form C-102 Revised October 12, 2005 Submit to Appropriate District Office State Lease - 4 Copies

Fee Lease - 3 Copies

220 S. St. Francis Dr., Santa Fe, NM 87505								[AME	NDED REPORT
		W	ELL LC	CATIO	N AND ACR	EAGE DEDIC	ATION PLA	T		
¹ API Number ² Pool Code					1	³ Pool Name				
				<u>1133</u>	0		Wildcat Missi	ssippian		
⁴ Property (Code				⁵ Property N	₹ame			6 V	Vell Number
	1				Domino "AOJ" Fe	deral Com.				7
7 OGRID 1	No.				⁸ Operator N	Name			⁹ Elevation	
025575 YATES				TES PETROLEUM	OLEUM CORPORATION 3500			3500		
			-		¹⁰ Surface 1	Location				
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East	/West line	County
E	8	198	31E		1650	NORTH	660		WEST	EDDY
			¹¹ Bo	ottom Ho	le Location If	Different Fron	n Surface			
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East	/West line	County
12 Dedicated Acres	13 Joint of	r Infill 14 (Consolidation	Code 15 O	rder No.					
W/2-320										

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.

116		T	17 OPER A TOP CERTIFICA TION
	\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\		¹⁷ OPERATOR CERTIFICATION
NM-101112	NM-82902		I hereby certify that the information contained herein is true and complete
	į.		to the best of my knowledge and belief, and that this organization either
0			owns a working interest or unleased mineral interest in the land including
650			the proposed bottom hole location or has a right to drill this well at this
9			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 heratofore entered by the division
			7/23/2007
	l		Stenature Date
			Fo
660'			Cy Cowan Regulatory Agent
	l l		Printed Name
	i i		
			18SURVEYOR CERTIFICATION
NM-94614			I hereby certify that the well location shown on this
			plat was plotted from field notes of actual surveys
	I		made by me or under my supervision, and that the
			same is true and correct to the best of my belief.
			Date of Survey
			Signature and Seal of Professional Surveyor:
			REFER TO ORIGINAL PLAT
			AGE EX TO ORIGINAL LEAT
			Certificate Number
I and the second			
and the second s			

Artesia, NM 88818

Artesia, NM 88818

To Bd., Artes, NM 87419

JV
A Panhooo, Santa Pe, NM 87506

State of New Mexic

Form C-102
Revised March 17, 1900
Instruction on back
Submit to Appropriate Sec. - 4 Codes
The Lane - 4 Codes

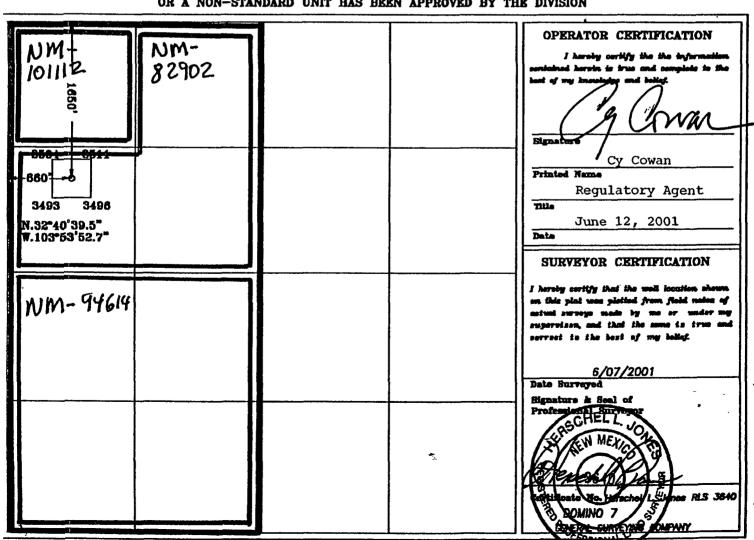
OIL CONSERVATION DIVISION P.O. Box 2088 Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		3	Pool Code		Pool Name				
						-Wild	cat Mississ:	ippian	
Property (ode				Property Nam	•		Well Number	
			DOMINO "AOJ" FEDERAL COM.					7	
OCEID No	`				Operator Nam	•		Elevation	
02557	75			YATES	PETROLEUM CO	RPORATION		3500	
					Surface Loca	ation			
L or lot No.	Section	Township	Range	Lot Idn	Fost from the	North/South line	Fost from the	East/Feet line	County
E	8	195	31E		1650	NORTH	660	WEST	EDDY
			Bottom	Hole Loc	ation If Diffe	rent From Sur	face		
L or lot No.	Section	Township	Ennge	Lot Idn	Feet from the	North/South line	Fast from the	East/West line	County
	,								
edicated Acres	Joint :	or haffill Cor	neolidation (Code Or	der No.	<u> </u>		*	<u>. </u>
320	1								

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



YATES PETROLEUM CORPORATION

Domino AOJ Federal Com. #7 1650' FNL & 660' FWL Section. 8 -T19S-R31-E Eddy County, New Mexico

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

2340'	Oil Pay
3450'	Oil Pay
6750'	Oil Pay
9900'	Oil Pay
10900'	Gas Pay
11100'	Gas Pay
11650'	Gas Pay
12150'	Gas Pay
12400'	Gas Pay
	3450' 6750' 9900' 10900' 11100' 11650' 12150'

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

Water:

Approximately 250' - 350'

Oil or Gas:

All Potential Zones

Pressure Control Equipment: BOPE will be installed on the 8 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	<u>Grade</u>	Coupling	<u>Interval</u>	<u>Length</u>
Q_{α}							
Q Q	17 1/2"	13 3/8"	48#	H-40	ST&C	0-600'	600'
4	12 1/4"	<u>8 5</u> /8"	32#	J- <u>55</u>	ST&C	0-3500'	3500'
- 0	77778"	5 1/2"	17#	L-80	LT&C	0-3300'	3300'
, Çy	7 7/8"	<u> </u>	17#	J-55	LT&C	_3300-7400'	4100'
a Color	7 7/8"	5 1/2"	17#	N-80	LT&C	7400-10400'	3000'
le la company de	7 7/8"	5 1/2"	20#	P-110	LT&C	10400-12400	10004
•	1/						

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



Domino AOJ Federal Com. #7 Page 2

B. CEMENTING PROGRAM:

Surface casing: 250 sx Lite (Yld 2.01 Wt.12.4) Tail in w/200 sx "C" (Yld 1.34 Wt 14.8)

TOC-Surface

Intermediate Casing: 1300 sx Lite (Yld 2.06 Wt 12.4); Tail in w/200 sx "C"

(Yld 1.32 Wt. 14.8) TOC-Surface

Production Casing: 975 sx Super "C" (Yld 1.67 wt. 13.0). TOC-6200',

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	_Type	<u>Weight</u>	<u>Viscosity</u>	Fluid Loss
0-600'	FW/Spud Mud	8.4-9.0	32-36	N/C
600'-3500'	Brine	10.0-10.2	28	N/C
3500'-10900'	Cut Brine	8.8-9.2	28	N/C
10900'-TD	Salt Gel/Starch/Drispac	9.5-10.0	32-40	<12

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: GR, NEUTRON, DENSITY, LATERLOG.

Coring: As warranted. DST's: As warranted.

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

Anticipated BHP:

From: Anticipated Max. BHP: **PSI** 0 TO: 600' 250 **PSI** From: 600' Anticipated Max. BHP: TO: 3500' 1800 From: 3500' TO: TD Anticipated Max. BHP: 6400 PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 15 days.

Domino AOJ Federal Com. #7 Production Casing Des

	0 ft to	3,000 ft	Make up Torque
O.D.	Weight	Grade Threads	opt. min.
5.5 inches	17 #/ft	L-80 LT&C	3410 2560
Collapse Resistance	Internal Yield	Joint Strength	Body Yield
6,290	7,740 psi	338 ,000 #	. 397 ,000 #
	3,000 ft to	7,500 ft	Make up Torque
O.D.	Weight	Grade Threads	opt. min.
5.5 inches	. 17 #/ft	J-55 LT&C	2470 1850
Collapse Resistance	Internal Yield	Joint Strength	Body Yield
4,910	5,320 psi	247 ,000 #	273 ,000 #
· · · · · · · · · · · · · · · · · · ·			
	7,500 ft to	12,400 ft	Make up Torque
O.D.	Weight	Grade Threads	opt. min.
5.5 inches	17 #/ft	HCP-110 LT&C	4620 3470
Collapse Resistance	Internal Yield	Joint Strength	Body Yield
8,580 psi	10,640 psi	445 ,000 #	546 ,000 #

sign

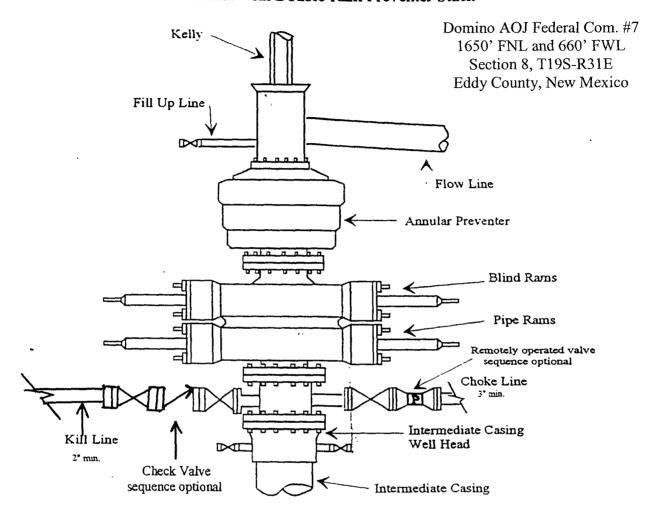
ft-lbs	Total ft =	3,000
mx.		
4260		
Drift		
4.767	1	

ft-lbs	Total ft =	4,500
mx.		-
Drift 4.767]	

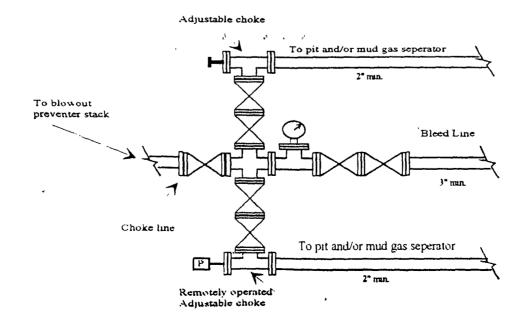
ft-lbs	Total ft =	4,900
mx.		
5780		
Drift	1	
4.767		

Yates Petroleum Corporation

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



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



MULTI-POINT SURFACE USE AND OPERATIONS PLAN Yates Petroleum Corporation

Domino AOJ Federal Com. #7 1650' FNL & 660' FWL Section. 8, T-19S-R31-E 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 15 miles southeast of Loco Hills, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Loco Hills on Highway 82 approx. 4.8 miles to County Road (222) Sugart Road. Turn south and go approx. 10 miles cattle guard on right. Turn west, crossing cattle guard and go on caliche road for approx. 1 mile. Turn north here and go 0.3 of a mile toward the Domino AOJ #5 well. The new road starts here going west for approx. 0.5 of a mile to the southeast corner of the well location.

PLANNED ACCESS ROAD.

- A. The proposed new access will go north for approximately 0.3 of a mile on the existing two-track road to the southwest corner of the drilling pad. The road will lie in a south to north 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. The new road will be bladed with drainage on one side. Traffic turnout 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 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.

Domino AOJ Federal Com. #7 Page 2

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 closest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTÉ 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.
- 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 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 the Bureau of Land Management, Carlsbad, New Mexico.

Domino AOJ Federal Com. #7 Page 3

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:

B. Through Drilling Operations, Completions and Production:

Cy Cowan, Regulatory Agent

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 Ray Stall, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471

CERTIFICATION YATES PETROLEUM CORPORATION Domino AOJ Federal Com #7

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this $44tb$ day of $\frac{1}{21/4}$, 2007
Name and a hope for Cy Cowon
Position Title Regulatory Agent
Address_105 South Fourth Street, Artesia, NM 88210
Telephone
Field Representative (if not above signatory) Jim Krogman
Address (if different from above) Same
Telephone (if different from above) 505-748-4215
E-mail (optional)

B. CASING

- 1. The 13.375 inch surface casing shall be set above the salt, at least 25 feet into the Rustler Anhydrite @ approximately 600 feet and cemented to the surface.
 - a. 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.
 - b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater. (This is to include the lead cement).
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement falls back, remedial action will be done prior to drilling out that string.
- 2. The minimum required fill of cement behind the 8.625 inch intermediate casing is:
 - ☑ Cement to surface. If cement does not circulate see B.1.a-d above.
- 3. The minimum required fill of cement behind the 5.5 inch production casing is:
 - Cement should tie-back at least 500 feet into previous casing string and cover the top of the J-55 grade 5.5" casing. Operator shall provide method of verification. This proposed modified casing string can only be run if the well bore is standing full of mud at the time that the casing is run.
- 4. 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 joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

- 1. 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 Sec. 17.
- 2. 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.
- 3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 8.625 intermediate casing shoe shall be 5000(5m) psi.
- 4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.
 - b. The results of the test shall be reported to the appropriate BLM office.
 - c. 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.
 - d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. 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.
 - e. The formation below the shoe of the 8.625 inch intermediate will be tested according to Onshore Order # 2.III.B.1.i.

D. 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.

E. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

F. HAZARDS

- 1. Our geologist has indicated that there is potential for lost circulation in the Artesia group and the Capitan Reef.
- 2. Our geologist has indicated that there is potential for flows in the Artesia group.
- 3. Our geologist has indicated that there is potential for abnormal pressure in the Wolfcamp formation and the Pennsylvanian system.

Engineering can be reached @ 505-706-2779 for variances.

FWright: 8/23/07 (date)