

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

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Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FEB 04 2008
OCD-ARTESIA

FORM APPROVED
OMB NO 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No NM-110340
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 Not Applicable
2 Name of Operator Yates Petroleum Corporation 25575		7 If Unit or CV Agreement Name and No Not Applicable
3a Address 105 South Fourth Street, Artesia New Mexico 88210		8 Lease Name and Well No Basket BDT Federal #1 33083
3b Phone No (include area code) (575) 748-1471		9 API Well No 30-005-64012
4 Location of well (Report location clearly and in accordance with any State requirements. *) At surface ROSWELL CONTROLLED WATER BASIN 1980' FNL and 660' FWL, SWNW Unit E At proposed prod. zone same as above		10 Field and Pool, or Exploratory Wildcat Granite
11 Sec., T., R., M., or Blk. And Survey or Area Section 30, T10S-R26E		12 County or Parish Chaves
14 Distance in miles and direction from the nearest town or post office* Approximately 10 miles northeast from Roswell, New Mexico		13 State NM
15 Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 660'	16 No. of acres in lease 1121.52	17 Spacing Unit dedicated to this well 320 acres W ²
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 5900'	19 Proposed Depth 5900'	20 BLM/ BIA Bond No. on file NMB000434
21 Elevations (Show whether DF RT, GR, etc.) 3817' 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 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 officer. |

25. Signature <i>Debbie L. Caffall</i>	Name (Printed/ Typed) Debbie L. Caffall	Date 10/16/2007
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Title Regulatory Agent

Approved By (Signature) <i>/s/ Angel Mayes</i>	Name (Printed/ Typed) <i>/s/ Angel Mayes</i>	Date 1-28-08
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Title Assistant Field Manager, Lands And Minerals
Office ROSWELL FIELD OFFICE
APPROVED FOR 2 YEARS

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 cc 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.

* (Instructions on page 2) Previously approved C-102 attached C-144 attached

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 & 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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 96542		³ Pool Name Wildcat Granite	
⁴ Property Code 33083		⁵ Property Name Basket BDT Federal #1			⁶ Well Number 1
⁷ OGRID No. 025575		⁸ Operator Name Yates Petroleum Corporation			⁹ Elevation 3817'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	30	10S	26E		1980	North	660	West	Chaves

¹¹ 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
¹² Dedicated Acres 320 <i>W/2</i>	¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ 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.

	¹⁷ 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 or has a right to drill this well at this 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>	
	<i>Debbie L. Caffall</i> 10/16/07 Signature Date	
	Debbie L. Caffall Regulatory Agent Printed Name	
¹⁸ 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>		
Date of Survey		
Signature and Seal of Professional Surveyor		
REFER TO ORIGINAL PLAT		
Certificate Number		

DISTRICT I
E. French Dr., Hobbs, NM 88240

DISTRICT II
111 South First, Arizona, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

FORM U-102
Revised March 17, 1999
Instruction 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	Pool Name Wildcat Precambrian
Property Code	Property Name BASKET "BDT" FEDERAL	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3817

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	30	10S	26E		1980	NORTH	660	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

	NM-110340			<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Robert Asher</i> Signature</p> <p>Robert Asher Printed Name</p> <p>Regulatory Agent Title</p> <p>10/21/2003 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>9/05/2003 Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>L. Jones</i> Professional Surveyor</p> <p>CHERSHELL L. JONES NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR Certificate No. Herschel L. Jones RLS 3640 BASKET 1 GENERAL SURVEYING COMPANY PROFESSIONAL LAND SURVEYING</p>
	N.33°25'06.1" W.104°20'39.3"			

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

YATES PETROLEUM CORPORATION
Basket BDT Federal #1
 1980' FNL and 660' FWL
 Section 30, T10S-R26E
 Chaves County, New Mexico

1 The estimated tops of geologic markers are as follows:

Queen	365'-Oil Pay	Spear Zone	5300'-Gas Pay
San Andres	870'-Oil Pay	Cisco	5530'-Gas Pay
Glorietta	1950'	Strawn	5660'-Gas Pay
Yeso	2085'	Siluro-Devonian	5700'-Gas Pay
Tubb	3510'	Precambrian	5750'
Abo	4265'-Gas Pay	TD	5900'
Wolfcamp	4950'-Gas Pay		

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#	H-40	ST&C	0-860'
11"	*8 5/8"	24#	J-55	ST&C	0-1500'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-5900'

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

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

Basket BDT Federal #1

Page 2

B. CEMENTING PROGRAM:

Surface Casing: 400 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx
C w/2% CaCL2 (YLD 1.33 WT 15.6) Cement circulated to the surface.

Intermediate Casing: 450 sx Class C (YLD 1.42 WT 13.0) Intermediate casing if run is with
sufficient amount of cement bring it up at least 200 above shoe.

Production Casing: 550 sx Class C (YLD 1.42 WT 13.0). Cement shall extend upward a
minimum of 200 feet above the Glorieta formation.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-600'	FW Gel/Paper/LCM	8.6 - 9.6	32-36	N/C
600'-4200'	Brine	9.8 - 10.1	28	N/C
4200'-5900'	Starch/Salt Gel	9.7 - 10.0	40-45	<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, surface to TD.

Logging: CNL/LDT/NGT TD-Surf csg; CNL/GR TD-Surf;
DLL/MSFL TD - Surf csg. BHC Sonic TD-Surf csg;

Coring: None

DST's: None.

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

Anticipated BHP:

From: 0	TO: 600'	Anticipated Max. BHP: 300 PSI
From: 600'	TO: 5900'	Anticipated Max. BHP: 2500 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 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
Basket BDT Federal #1
1980' FNL and 660' FWL
Section 30, T10S-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 20 miles east of Roswell, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Drive east of Roswell on Tatum Hwy, approx. 8 miles to Alamo Rd. Turn left on Alamo Rd. and continue for approximately 1.2 miles to access road on right (east) side. Turn right, (east) and continue for approximately 425' to the SW corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 425' 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:

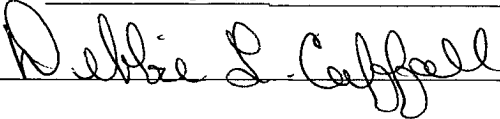
- | | |
|---|--|
| A. Through A.P.D. Approval:
Debbie L. Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (575) 748-1471 | B. Through Drilling, Completions & Prod.
Ray Stall, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (575) 748-1471 |
|---|--|

CERTIFICATION
YATES PETROLEUM CORPORATION
Basket BDT Federal #1

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 16th day of October, 2007.

Printed Name Debbie L. Caffall

Signature 

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4376

E-mail (optional) debbiec@ypcnm.com

Field Representative (if not above signatory) Jim Krogman

Address (if different from above) Same

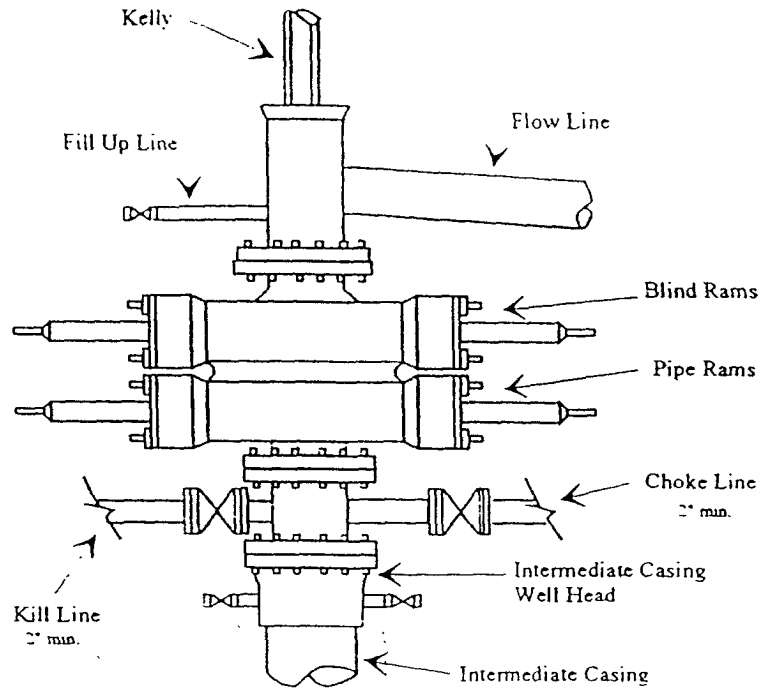
Telephone (if different from above) 575-748-4215

E-mail (optional) _____

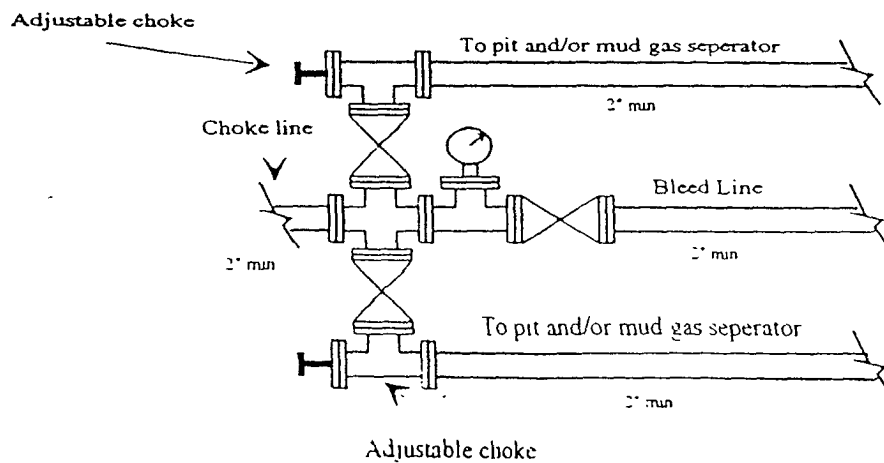
Yates Petroleum Corporation

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

Yates Petroleum Corporation
Basket BDT Federal #1
1980' FNL and 660' FWL
Section 30-T10S-R26E
Chaves County, New Mexico
Exhibit "B"



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



Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation

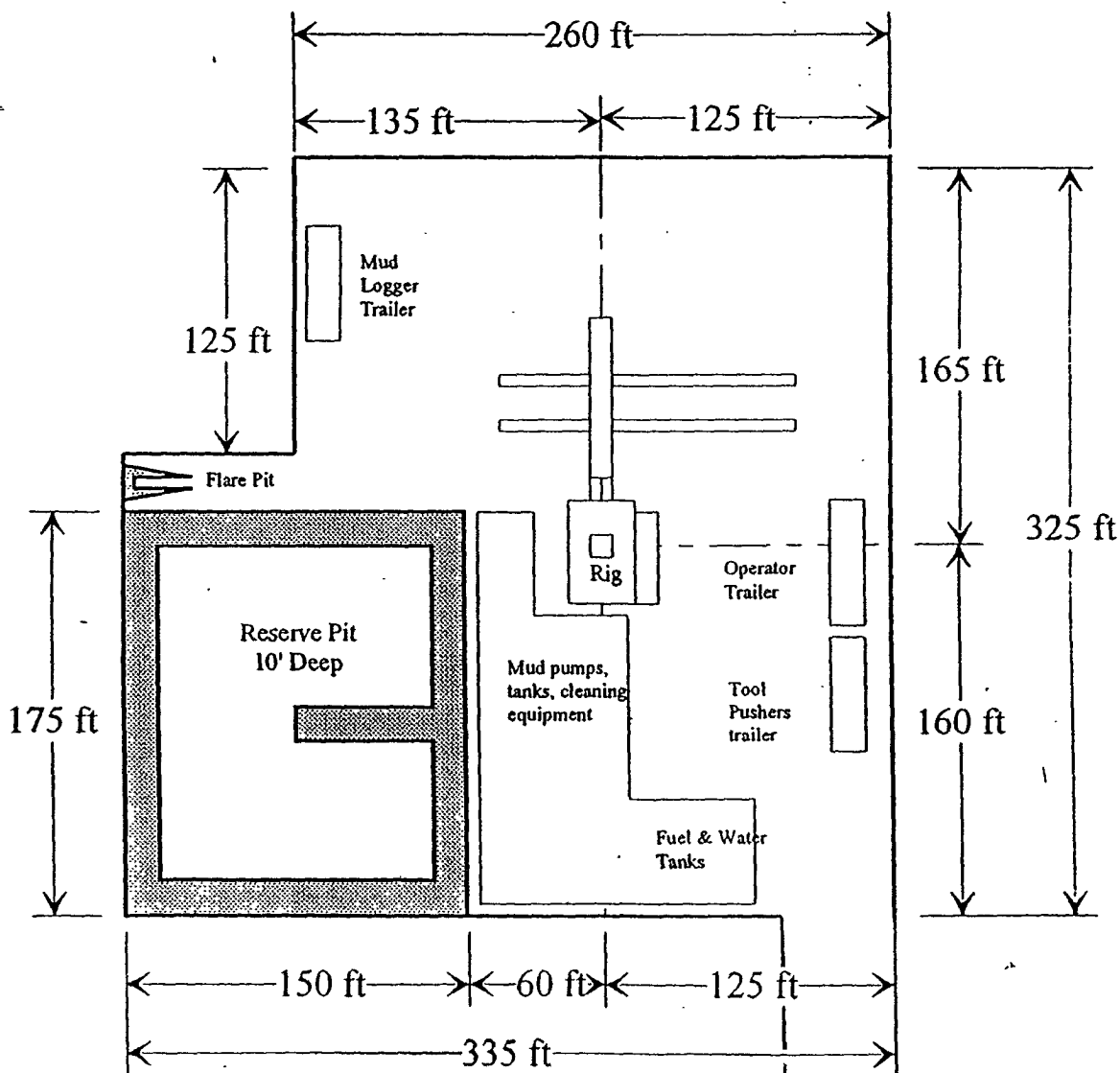
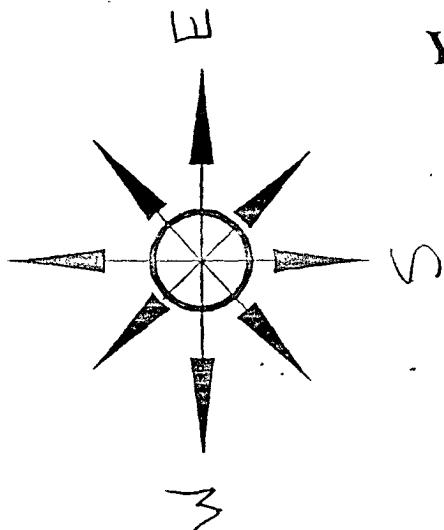
Basket BDT Federal #1

1980' FNL and 660' FWL

Section 30-T10S-R26E

Chaves County, New Mexico

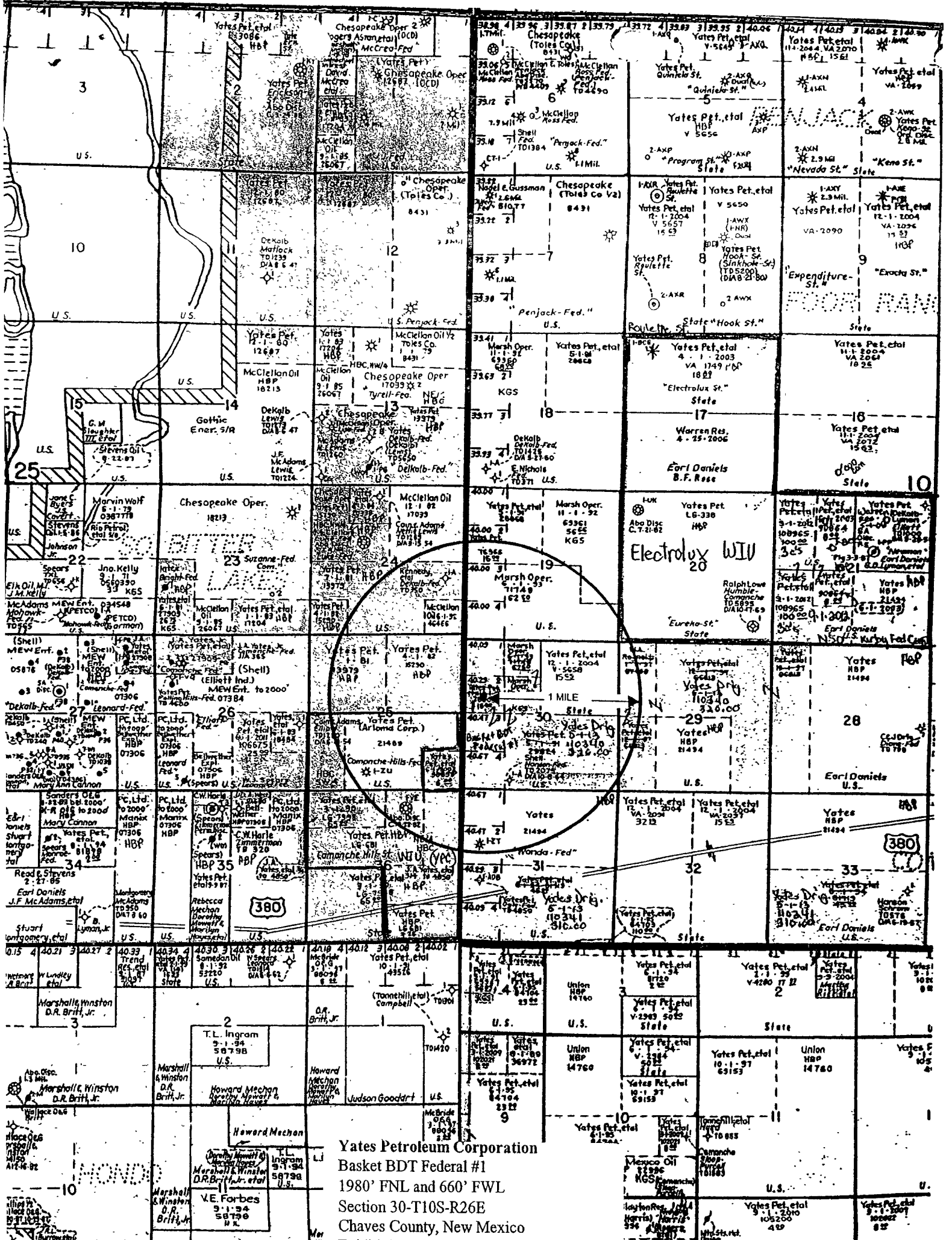
Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

ACCESS ROAD



Yates Petroleum Corporation
 Basket BDT Federal #1
 1980' FNL and 660' FWL
 Section 30-T10S-R26E
 Chaves County, New Mexico
 Exhibit "D"

Exhibit A

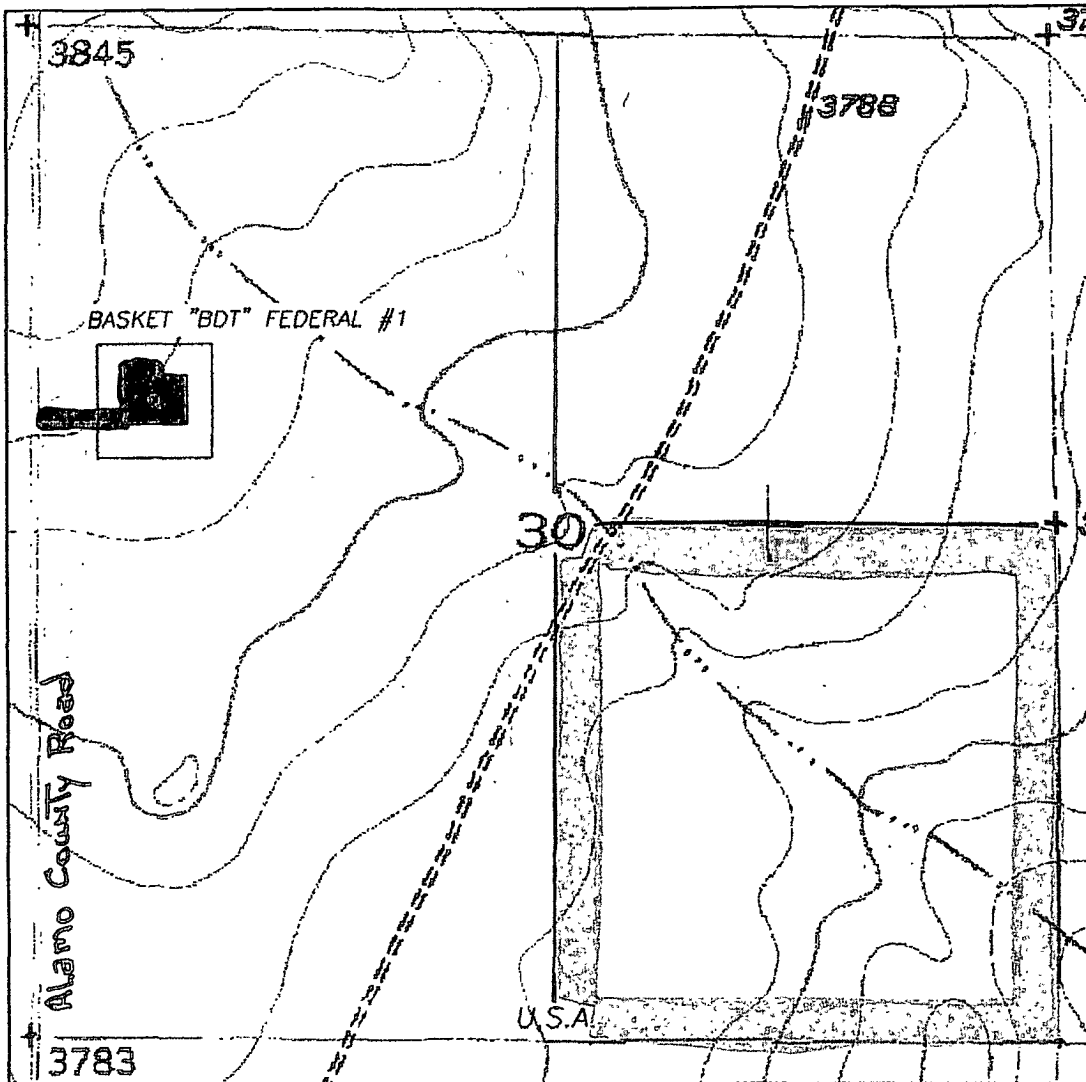
Operator: Yates Petroleum Corporation

BLM Serial Number: NM-110340

Well Name & NO.: Basket "BDT" Federal #1

Location: Section 30, T. 10 S., R. 26 E.

1980' FNL & 660' FWL, Chaves County, N.M.



PECOS DISTRICT - RFO

CONDITIONS OF APPROVAL

1/18/08

OPERATORS NAME: Yates Petroleum Corporation
LEASE NO.: NM-110340
WELL NAME & NO: Basket "BDT" Federal #1
SURFACE HOLE FOOTAGE: 1980' FNL & 660' FWL
LOCATION: Section 30, T. 10 S., R. 26 E., NMPM
COUNTY: Chaves County, New Mexico

GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land

affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation. The soil shall be stockpiled on the southeast corner of the well pad.

C. RESERVE PITS:

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 175' X 150' on the NORTH side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of three feet below ground level. Should the pit content level not meet the three foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of three feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

F. ON LEASE ACCESS ROADS:

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

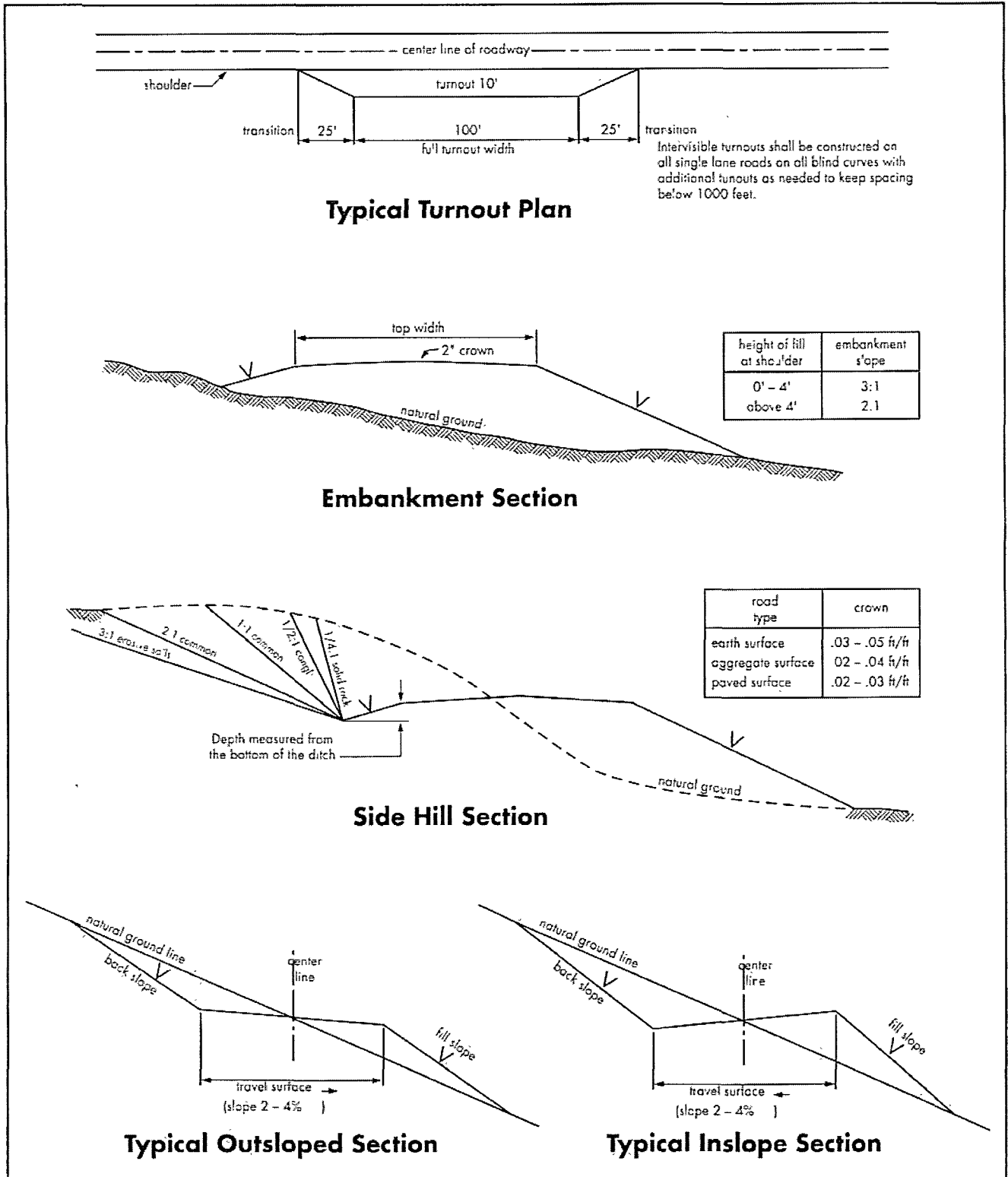
Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. 24 hours call (505) 627-0205.
2. The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:
 - a. Spudding well
 - b. Setting and/or Cementing of all casing strings
 - c. BOPE tests
3. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the N/A formation.
4. 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.
5. When 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.
6. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface. The logs shall be run at a speed which allows the logs to be legible and no faster than manufactures of the logging tools recommended speed. (R-111-P area only)

B. CASING

1. The 11 ¾ inch surface casing shall be set at 860 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 compression 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 compression 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 ⅝ inch intermediate casing is to circulate to surface . If cement does not circulate see B.1.a-d above.

3. The minimum required fill of cement behind the 5 1/2 inch production casing is to Place TOC 200 ft above the Top of the Glorieta estimated to be at 1885 ft. .

- a. If cement does not circulate, contact the appropriate BLM office for approval of remedial action.
- b. If cement is required to tie-back into previous casing string, 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.

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.

5. Whenever a casing string is cemented in the R-111-P potash area, the NMOCD requirements shall be followed.

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 5/8 intermediate casing shoe shall be 2000 (2M) psi.

- a. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

- b. The tests shall be done by an independent service company.

- c. The results of the test shall be reported to the appropriate BLM office.

- d. 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.

- e. 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.

- f. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the Wolfcamp formation. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

D. DRILLING MUD

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the N/A formation, and shall be used until production casing is run and cemented.

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well.

E. DRILL STEM TEST (optional)

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

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, **Olive Drab, Munsell Soil Color Chart 18-0622 TPX.**

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo “interim” reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

<u>SD-3 Loamy Ecological Site</u>		
<u>Common Name</u> <u>And Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure</u> <u>Live Seed Per Acre</u>
BLUE GRAMA , var. Lovington (<u>Bouteloua gracilis</u>)		4.00 Lbs.
SIDEOATES GRAMA (<u>Bouteloua curtipendula</u>) var. Vaughn or El Reno		1.00 Lb.
SAND DROPSEED (<u>Sporobolus cryptandrus</u>)		0.50 Lb.
VINE MESQUITE (<u>Panicum obtusum</u>)		1.00 Lb.
PLAINS BRISTLEGRASS (<u>Setaria macrostachya</u>)		1.00 Lb.
INDIAN BLANKETFLOWER (<u>Gaillardia aristata</u>)		0.50 Lb.
DESERT or SCARLET (<u>Sphaeralcea ambigua</u> or GLOBEMALLOW <u>S. coccinea</u>)		<u>1.00 Lb.</u>
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE =		9.00 Lbs.

Certified Weed Free Seed. If one species is not available, increase ALL others proportionately. Use No Less than 4 species, including one forb. No less than 9.00 pounds pls per acre shall be applied.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88202

FEB 04 2008
OCD-ARTESIA

In Reply Refer To:
3162.4 (513)
NM-110340

OCT 17 2007

Yates Petroleum Corporation
Attn: Debbie Caffall
105 S 4th Street
Artesia, NM 88210

Dear Ms. Caffall:

The Bureau of Land Management is canceling your Application for Permit to Drill (APD) for the Basket BDT Federal No. 1, located in Section 30, T. 10 S., R. 26 E., 1980' FNL & 660' FWL, approved on November 16, 2005, along with the extension approved on October 19, 2006, due to receiving another application.

If you have any question, please contact Linda Askwig, Land Law Examiner, at (505) 627-0237.

Sincerely,

/s/ Angel Mayes

Angel Mayes
Assistant Field Manager
Lands and Minerals

cc:
I & E (RFO)
NMOCD (Artesia)