N.M.O.C.D. COPY

Form 9-331 C
(May 1963)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 42-R1425.

30-005-60806

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: USA-NM 29820

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ] PLUG BACK [ ]

b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER — SINGLE ZONE [X] MULTIPLE ZONE [ ]

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME: Knierim "OE" Fed. Com.

2. NAME OF OPERATOR: Yates Petroleum Corporation

9. WELL NO.: 2

3. ADDRESS OF OPERATOR: 207 South 4th Street, Artesia, NM 88210

10. FIELD AND POOL, OR WILDCAT: ~~Wildcat~~ Abo

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 660' FSL & 660' FWL
At proposed prod. zone

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ARTESIA, NEW MEXICO

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 26-T6S-R24E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: approx. 31 miles north of Roswell, NM

12. COUNTY OR PARISH: Chaves — 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: 200

17. NO. OF ACRES ASSIGNED TO THIS WELL: 160

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: N/A

19. PROPOSED DEPTH: 4050'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3914.3 GL

22. APPROX. DATE WORK WILL START*: As soon as possible

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17½"	13 3/8"	48# J-55	approx. 450'	circulate 300 sx
12¼"	8 5/8"	24# J-55	approx. 1500'	circulate 700 sx
8 3/4" or 7 7/8"	5 1/2 or 4 1/2	15.5 or 10.5	TD	550 sx

We propose to drill and test the Abo and intermediate formations. Approximately 450' of surface casing will be set and cement circulated to shut off gravel and caving. INTERMEDIATE Casing will be set 100' below the water zone. If commercial, 5½ or 4½ production casing will be run and cemented with an adequate cover, perforate and stimulate as needed for production.

MUD PROGRAM: FW gel and LCM to 1500', brine KCL drispak & starch to 4300', flosal-drispak KCL to TD. MW 10-12.2, Vis 34-39, WL 14-7.

BOP PROGRAM: BOP's will be installed on 8 5/8" casing and tested daily.

GAS NOT DEDICATED.

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IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED: Johny A Lopez — TITLE: Regulatory Coordinator — DATE: 10/21/80

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE OCT 29 1980

CONDITIONS OF APPROVAL, IF ANY:

NE MEXICO OIL CONSERVATION COMMISSI

WELL LOCATION AND ACREAGE DEDICATION PLAT

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

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
YATES PETROLEUM CORPORATION	Knierim OE Federal Com	2

Unit Letter	Section	Township	Range	County
M	26	6 South	24 East	Chaves

Actual Footage Location of Well:
660 feet from the South line and 660 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3914.3	ABO	UNDES. ABO	160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

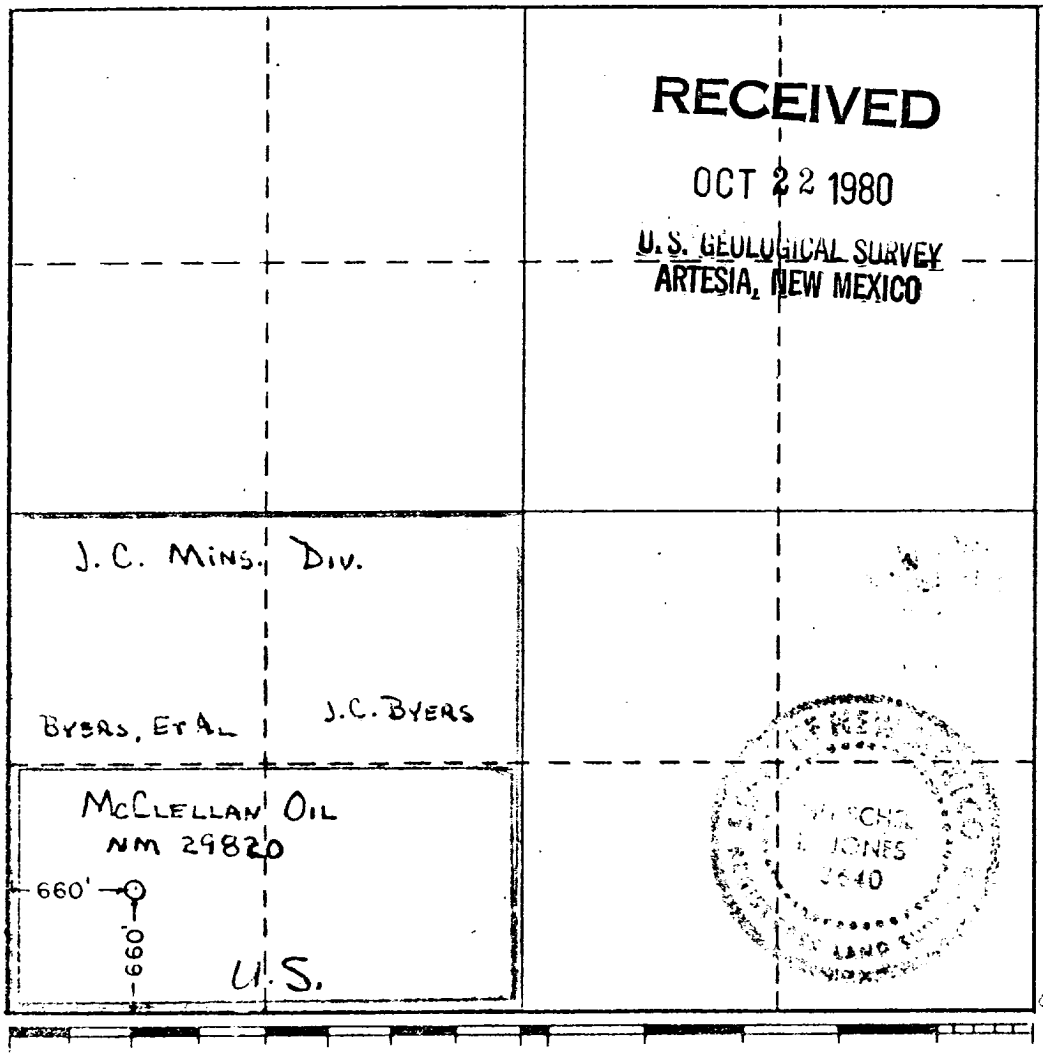
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

[X] Yes [ ] No If answer is "yes," type of consolidation COMMUNITIZED

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

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



CERTIFICATION

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

JOHNNY A. LOPEZ

Name JOHNNY A. LOPEZ

Position REGULATORY COORDINATOR

Company YATES PETROLEUM CORPORATION

Date 10/22/80

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
October 18, 1980

Registered Professional Engineer and/or Land Surveyor
Ronald J. Eidson

Certificate No.
3640

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United States Department of the Interior

GEOLOGICAL SURVEY

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NOV 05 1980

O. C. D.
ARTESIA, OFFICE

SPECIAL APPROVAL STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN:

YATES PETROLEUM CORPORATION
Knlerim "OE" Fed Com No. 2
SW¼SW¼ Sec. 26 T. 6S R. 24E
Chaves County New Mexico
Lease No. NM-29820

2 on No. 2

THE SPECIAL STIPULATIONS CHECK MARKED BELOW ARE APPLICABLE TO THE ABOVE-DESCRIBED WELL AND APPROVAL OF THIS APPLICATION TO DRILL IS CONDITIONED UPON COMPLIANCE WITH SUCH STIPULATIONS. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE SPECIAL STIPULATIONS PURSUANT TO TITLE 30 CFR 290.

[X] A. 13 3/8" surface casing should be set in the Rustler Anhydrite formation and cement circulated to the surface. If surface casing is set at a lesser depth, the _____ casing must be cemented from the casing shoe to the surface or cemented to the surface through a stage tool set at least 50 feet below the top of the Rustler after cementing around the shoe with sufficient cement to fill to the base of the salt section.

[X] B. Before drilling below the 8 5/8" casing, the blowout preventer assembly will consist of a minimum of ~~one annular type and~~ two ram type preventers.

[ ] C. Casing protectors will be run on drill pipe while drilling through the _____ casing. Protectors will be of sufficient number and of sufficient outside diameter to protect the casing.

[ ] D. Minimum required fill of cement behind the _____ casing is to _____

[X] E. After setting the 8 5/8" casing string and before drilling into the ABO formation, the blowout preventers and related control equipment shall be pressure tested to rated working pressures ~~by an independent service company~~. Any equipment failing to test satisfactorily shall be repaired or replaced. ~~This office should be notified in sufficient time for a representative to witness the tests and shall be furnished a copy of the pressure test report.~~

[ ] F. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be installed and operating before drilling into the _____ formation and used until production casing is run and cemented. Monitoring equipment shall consist of the following:

(1) A recording pit level indicator to determine pit volume gains and losses.

(2) A mud volume measuring device for accurately determining mud volume necessary to fill the hole on trips.

(3) A flow sensor on the flow-line to warn of any abnormal mud returns from the well.

[X] G. All pits containing toxic liquids will be fenced and covered with a fine mesh netting, if necessary for the protection of livestock or wildlife.

[X] H. Above ground permanent structures and equipment shall be painted in accordance with the Painting Guidelines. The paint color is to simulate:

[X] Sandstone Brown, Fed. Std. 595-20318 or 30318

OR [X] Sagebrush Gray, Fed. Std. 595-26357 or 36357

[ ]

[X] I. A Kelly cock will be used on the drilling string at all times.

[X] J. The ARTESIA District Office is to be notified in sufficient time for a representative to witness:

(a) Spudding

(b) Cementing casing

_____ inch

_____ inch

_____ inch

(c) ~~BOP tests~~

[ ] K. A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the U. S. Geological Survey, P. O. Box 26124, Albuquerque, New Mexico 87125. The effective date of the agreement must be prior to any sales.

[ ] L. A Gamma Ray-Compensated Neutron log is required from the base of the salt section to the surface with cable speed not to exceed 30 feet per minute.

[X] M. At least one working day prior to constructing the well pad, access roads and/or related facilities, the operator or dirt contractor shall notify the authorized officer (Bureau of Land Management, ROSWELL area). He shall also notify the Authorized Officer within two working days after completion of earth-moving activities.

[X] N. All access roads constructed in conjunction with the drilling permit (APD) will be limited to a 12 foot wide driving surface, excluding turnarounds. Surface disturbance associated with construction and/or use of the road will be limited to 30 feet in width. If well is a producer, all roads will be adequately defined to control runoff and soil erosion. Drainage facilities may include ditches, water bars, culverts and/or any other measures deemed necessary by the authorized officer of the BLM. The following is a general guide for the spacing of water bars:

% Slope

less than 2% . . . . . 200 ft.
2% to 4% . . . . . 100 ft.
4% to 5% . . . . . 75 ft.
more than 5% . . . . . 50 ft.

[X] O. Other special stipulations

Any permanent pit containing waste oil must be fenced and covered with mesh wire.

Yates Petroleum Corporation
Knierim "OE" Federal Com. #2
660' FSL & 660' FWL
Section 26 - T6S - R24E
Chaves County, New Mexico

In conjunction with Form 9-331C, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with USGS requirements:

1. The geologic surface formation is gypsiferous and sandy residuum.

2. The estimate tops of geologic markers are as follows:

San Andres	450'
Glorieta	1600'
Abo	3345'
Wolfcamp	3995'
TD	4050'

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

   Water: approximately 250' - 300'

   Oil or Gas: Abo 3370' - 3950'

4. Proposed Casing Program: See Form 9-331C.

5. Pressure Control Equipment: See Form 9-331C and Exhibit B.

6. Mud Program: See Form 9-331C.

7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connection.

8. Testing, Logging and Coring Program:

   Samples: 10' spls from surface to TD
   DST's: As warranted, possible Cisco, Atoka, Morrow
   Logging: CNL-FDC to casing, GR-CNL to surface and DLL to casing w/min. $R_x O$.
   Coring: None

9. No abnormal pressures to temperatures are anticipated.

10. Anticipated starting date: As soon as possible after approval.

Yates Petroleum Corporation
Knierim "OE" Federal Com. #2
Section 26-T6S-R24E
660' FSL & 660' FWL
(Exploratory Well)

This plan is submitted with Form 9-331C, 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 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 operation.

1. EXISTING ROAD.

Exhibit A is a portion of a county map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 31 miles north of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

1. Proceed north from Roswell on Highway 285 for a distance of approximately 31 miles.

2. Turn east for approximately 5 miles and turn south in front of Guy Craudell's place for 1 1/2 mile to the Iwanowski MM Federal location.

3. Pass location, follow ranch road going east to road intersection. Turn north and go approximately 1/2 mile. The access road will start here. All existing ranch roads will be bladed.

2. PLANNED ACCESS ROAD.

A. The proposed new access will be approximately 400' in length from point of origin to the southeast edge of the drilling pad. The road will lie in an east to west direction.

B. The new road will be 12 feet in width (driving surface).

C. The new road will be bladed with drainage on one side. No turnouts will be built.

D. The route of the road is visible. The existing ranch road will be used.

3. LOCATION OF EXISTING WELL.

A. There is no drilling activity within a one-mile radius of the 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.

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 the Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS.

   A. There is no existing pit of construction material so none will be used.

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 to the USGS for appropriate approval.

   D. Oil produced during operation will be stored in tanks until sold.

   E. Current laws and regulations pertaining to the disposal of human waste will be complied with.

   F. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches dirt. All waste material will be contained of prevent scattering by the wind.

   G. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES.

   A. None required.

9. WELLSITE LAYOUT.

   A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, etc.

   B. The location surface is slightly sloping. Minor cut and fill will be required on location.

   C. The reserve pits will be plastic lined.

   D. A 400' X 400' area has been staked and flagged.

10. PLANS FOR RESTORATION OF THE SURFACE.

   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 leveled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Operator Landowner Agreement will be complied with and will be accomplished as expeditiously as possible. All pits will be filled leveled within 90 days after abandonment.

11. OTHER INFORMATION.

A. Topography: The land surface in the vicinity of the wellsite consists of sandy alluvial soils. The immediate area of the wellsite is discussed above in paragraph 9E

B. Flora and Fauna: The vegetation cover on wellsite consists of mesquite and miscellaneous desert growth. No wildlife was observed, but the wildlife in the area probably includes those typical of semi-arid desert land. The area is used for cattle grazing.

C. The Pecos River is approximately 7 miles east.

D. There are inhibited dwellings in the vicinity of the proposed well. The dwelling is about one mile northwest from location.

E. Surface Ownership: The wellsite is on federal surface and minerals.

F. There is NO evidence of archaeological, historical or cultural sites in the area.

12. OPERATOR'S REPRESENTATIVES.

A. The field representative responsible for assuring compliance with the approved surface use plan is:

Gliserio "Rod" Rodriguez or Johnny A. Lopez
Yates Petroleum Corporation
207 South 4th Street
Artesia, New Mexico 88210
(505) 746-3558

13. CERTIFICATION.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Company and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

10/21/80
Date

John A. Lopez
Johnny A. Lopez, Regulatory Coordinator

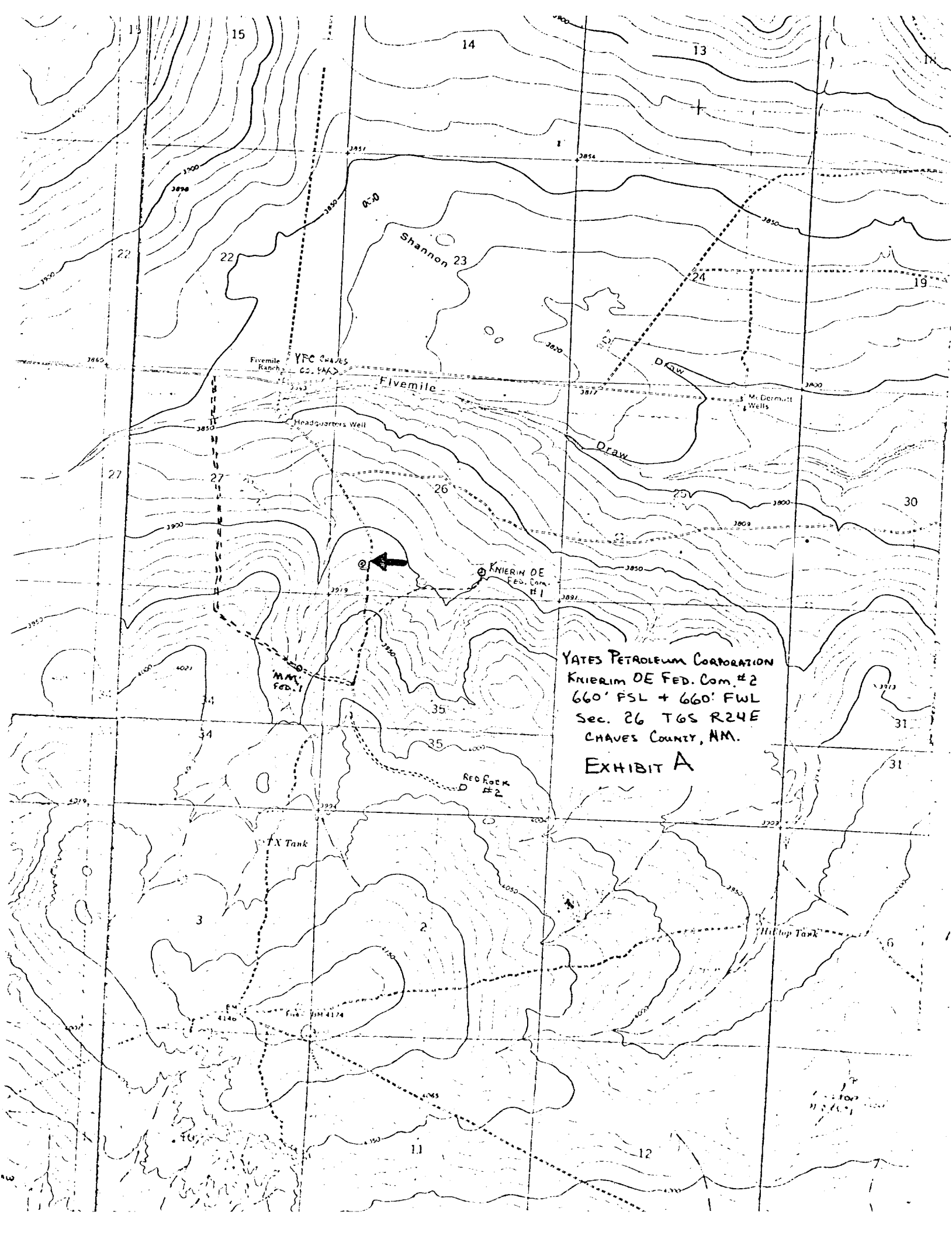
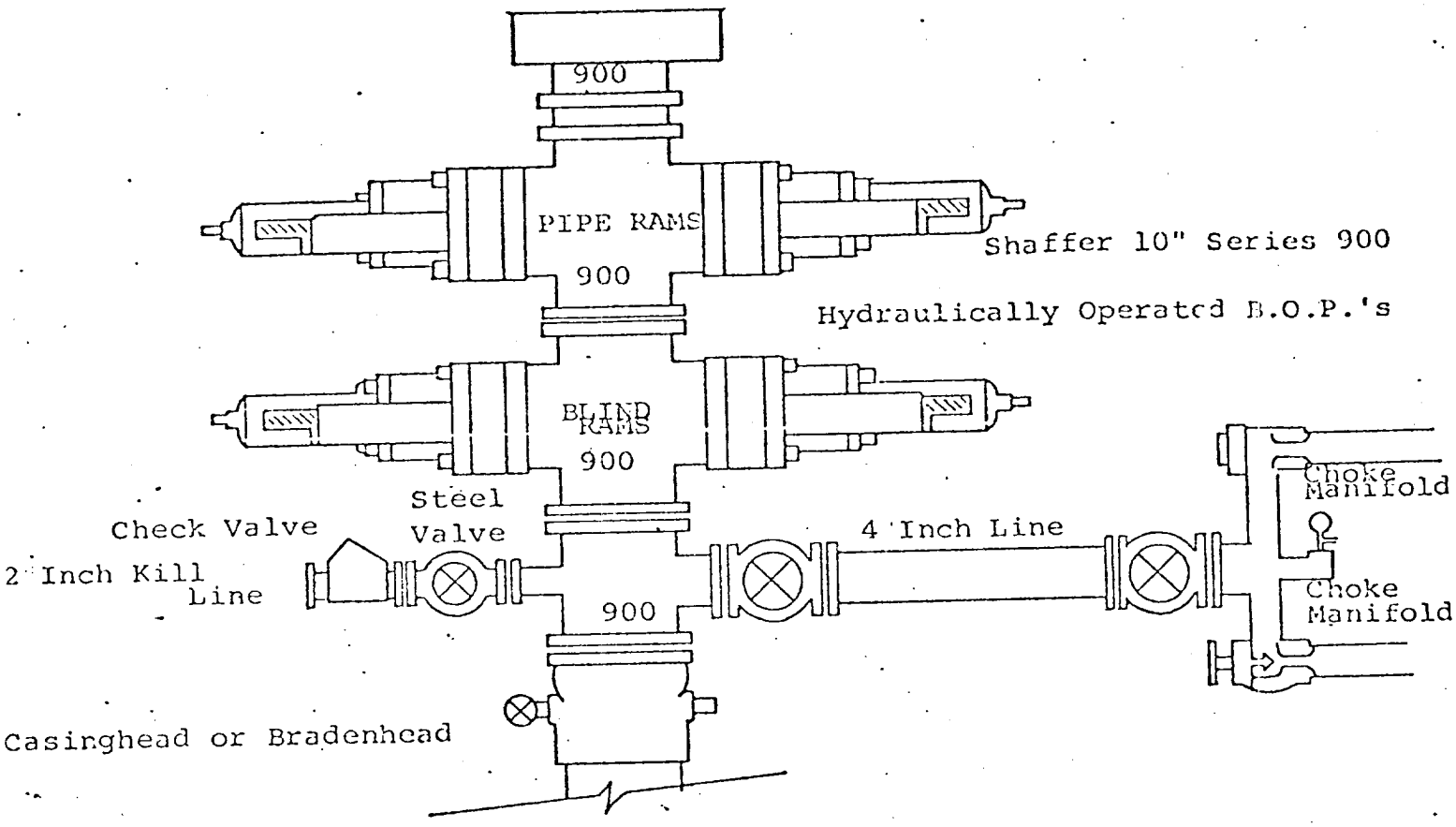

Shannon 23
Fivemile
Fivemile Ranch
YPC Chaves Co. RAD
Headquarters Well
Draw
McDermutt Wells
Knierim DE Fed. Com. #1
MM Fed. 1
Red Rock #2
TX Tank
Hilltop Tank
YATES PETROLEUM CORPORATION
KNIERIM DE FED. COM. #2
660' FSL + 660' FWL
SEC. 26 T6S R24E
CHAVES COUNTY, NM.
EXHIBIT A

EXHIBIT B



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual controls installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of 4" diameter.
3. Kill line to be of all steel construction of 2" minimum diameter.
4. All connections from operating manifolds to preventers to be all steel. hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating equivalent to that of the B.O.P.'s.
7. Inside blowout preventer to be available on rig floor.
8. Operating controls located a safe distance from the rig floor.
9. Hole must be kept filled on trips below intermediate casing. Operator not responsible for blowouts resulting from not keeping hole full.
10. D. P. float must be installed and used below zone of first gas intrusion.

YATES PETROLEUM CORPORATION