

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NMNM17214

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
PHILLIPS KH FEDERAL COM. 2

9. API Well No.

10. Field and BLM Regulatory

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 23 T14S R27E Mer NMP

12. County or Parish
CHAVES

13. State
NM

14. Distance in miles and direction from nearest town or post office*
APPROXIMATELY 10 MILES SE OF HAGERMAN, NEW MEXICO

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
1650 FEET

16. No. of Acres in Lease
30 - 005 - 63452

17. Spacing Unit dedicated to this well

18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.
2000 FEET

19. Proposed Depth
8200 MD

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KB, RT, GL, etc.)
3503 GL

22. Approximate date work will start

23. Estimated duration
45 DAYS

24. Attachments

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

- 1. Well plat certified by a registered surveyor.
- 2. A Drilling Plan.
- 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- 5. Operator certification
- 6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission)	Name (Printed/Typed) CY COWAN Ph: 505.748.4372	Date 12/03/2001
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Title
REGULATORY AGENT

Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date FEB 26 2002
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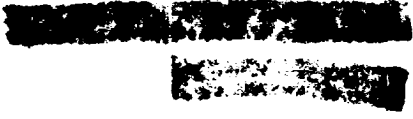
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR
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Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached.

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.

Additional Operator Remarks (see next page)

Electronic Submission #9537 verified by the BLM Well Information System
For YATES PETROLEUM CORPORATION, sent to the Roswell
Committed to AFMSS for processing by Armando Lopez on 12/03/2001 (02AL0015AE)



Additional Operator Remarks:

NO REMARK PROVIDED

Revisions to Operator-Submitted EC Data for APD #9537

Operator Submitted

Lease: NM-17214
Agreement:
Operator: YATES PETROLEUM CORPORATION
105 SOUTH 4TH STREET
ARTESIA, NM 88210
Ph: 505.748.1471
Fx: 505.748.4572

Admin Contact: ROBERT ASHER
REGULATORY TECHNICIAN
105 SOUTH 4TH STREET
ARTESIA, NM 88210
Ph: 505.768.4364
Fx: 505.748.4572
E-Mail: landdept@ypcnm.com

Tech Contact: CY COWAN
REGULATORY AGENT
105 S. 4TH STREET
ARTESIA, NM 88210

Well Name: PHILLIPS KH FEDERAL COM.
Number: 2

Location:
State: NM
County: CHAVES
S/T/R: Sec 23 T14S R27E Mer NMP
Surf Loc: NWSW 1980FSL 1650FEL

Field/Pool: WILDCAT MORROW

Bond: 585997

BLM Revised (AFMSS)

NMNM17214

YATES PETROLEUM CORPORATION
105 S. 4TH
ARTESIA, NM 88210

ROBERT ASHER
REGULATORY TECHNICIAN
105 S. 4TH
ARTESIA, NM 88210
Ph: 505.768.4364
Fx: 505.748.4572
E-Mail: landdept@ypcnm.com

CY COWAN
REGULATORY AGENT
105 S. 4TH
ARTESIA, NM 88210

PHILLIPS KH FEDERAL COM.
2

NM
CHAVES
Sec 23 T14S R27E Mer NMP
NWSW 1980FSL 1650FEL

UNDESIGNATED

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
511 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-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 Morrow
Property Code	Property Name PHILLIPS "KH" FEDERAL COM.	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3503

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	23	14S	27E		1980	SOUTH	1650	EAST	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 320	Joint or Infill	Consolidation Code	Order No.
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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>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>Cy Cowan</i> Signature Cy Cowan Printed Name Regulatory Agent Title 11-30-01 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>10/15/2001 Date Surveyed Signature & Seal of Professional Surveyor </p>

YATES PETROLEUM CORPORATION
Phillips KH Federal Com. #2
1980' FSL AND 1650' FEL
Section 23-T14S-R27E
Chaves County, New Mexico

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

Yates	688'	Lower Canyon	7275'
Seven Rivers	830'	Strawn	7485'
Queen	860'	Atoka	7590'
San Andres	1485'	Morrow Clastics	7840'
Glorietta	2840'	Austin Cycle	8040'
Tubb	4230'	TD	8200'
Abo	5035'		
Wolfcamp	6090'		
Cisco	6880'		

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

Water: 250'-350'
 Oil or Gas: All Potential formations

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 3000# 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	0-1600'	1600'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-100'	100'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	100'-6600'	6500'
7 7/8"	5 1/2"	17#	N-80	LT&C	6600'-8200'	1600'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.80

2. Yates Petroleum Corporation requests that a variance be granted in requiring the casing and BOPE to be tested to 2000 PSI to testing the casing and BOPE to 1000 PSI. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 PSI. We would have to go to the greater expense of hiring an independent service to do the testing. Also, the maximum shut-in bottom hole pressure is 1100 PSI. Pressure at the surface is much less. Most of the time the Abo formation requires treatment before it flows.

3M System Test to 3M Standard

B. CEMENTING PROGRAM:

- Surface Casing: Cement with 350 sx. Premium "C" (Yld 1.32 Wt. 14.8).
- Intermediate Casing: 250 sx Interfill (Yld 2.0 Wt 12.5). Tail in with 200 sx Premium "C" (Yld 1.34 Wt 14.8).
- Production Casing: TOC-5500'. Cement with 600 sx Super "H" (Yld 1.67 Wt 13).

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	FW/Native Mud	8.6-9.6	28-32	N/C
400'-1600'	F/W	8.4-8.8	28	N/C
1600'-7400'	Cut Brine	8.8-9.4	28	N/C
7400'-TD	Salt Gel/Starch	9.4-9.8	30-38	<12cc

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 surface casing to TD.
- Logging: CNL/LDT/NGT to TD to surface casing, w GR/CNL TD to surface, DLL/MSFL TD to surface casing, BHC Sonic TD to surface casing.
- Coring: Possible sidewall cores
- DST's:None

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

Anticipated BHP:

From: 0	To: 400'	Anticipated Max. BHP:	130 PSI
From: 400'	To: 1600'	Anticipated Max. BHP:	700 PSI
From: 1600'	To: TD	Anticipated Max. BHP:	4100 PSI

Abnormal Pressures Anticipated: None

Lost Circulation zones anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 179 F

8. ANTICIPATED STARTING DATE:

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

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Phillips KH Federal Com. #2
1980' FSL AND 1650' FEL
Section 23-T14S-R27E
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 well site is located approximately 9 miles east of Hagerman, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From the east side of Hagerman go east on Aberdeen Road for approximately 7 miles to Harriet Road. Continue east on Aberdeen Road to the first lease road going south. Turn south here on the lease road and go approximately .4 of a mile. The new road will start here going west.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 400 feet in length from the point of origin to the southeast corner of the drilling pad. The road will lie in an east to west 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 both sides. No traffic turnouts will 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 well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

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:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits, which may be required.

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.
- D. The pits will be put to the NORTH.

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, New Mexico.

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.

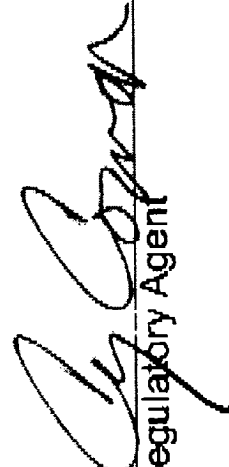
13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:
Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:
Pinson McWhorter,
Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site 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 Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

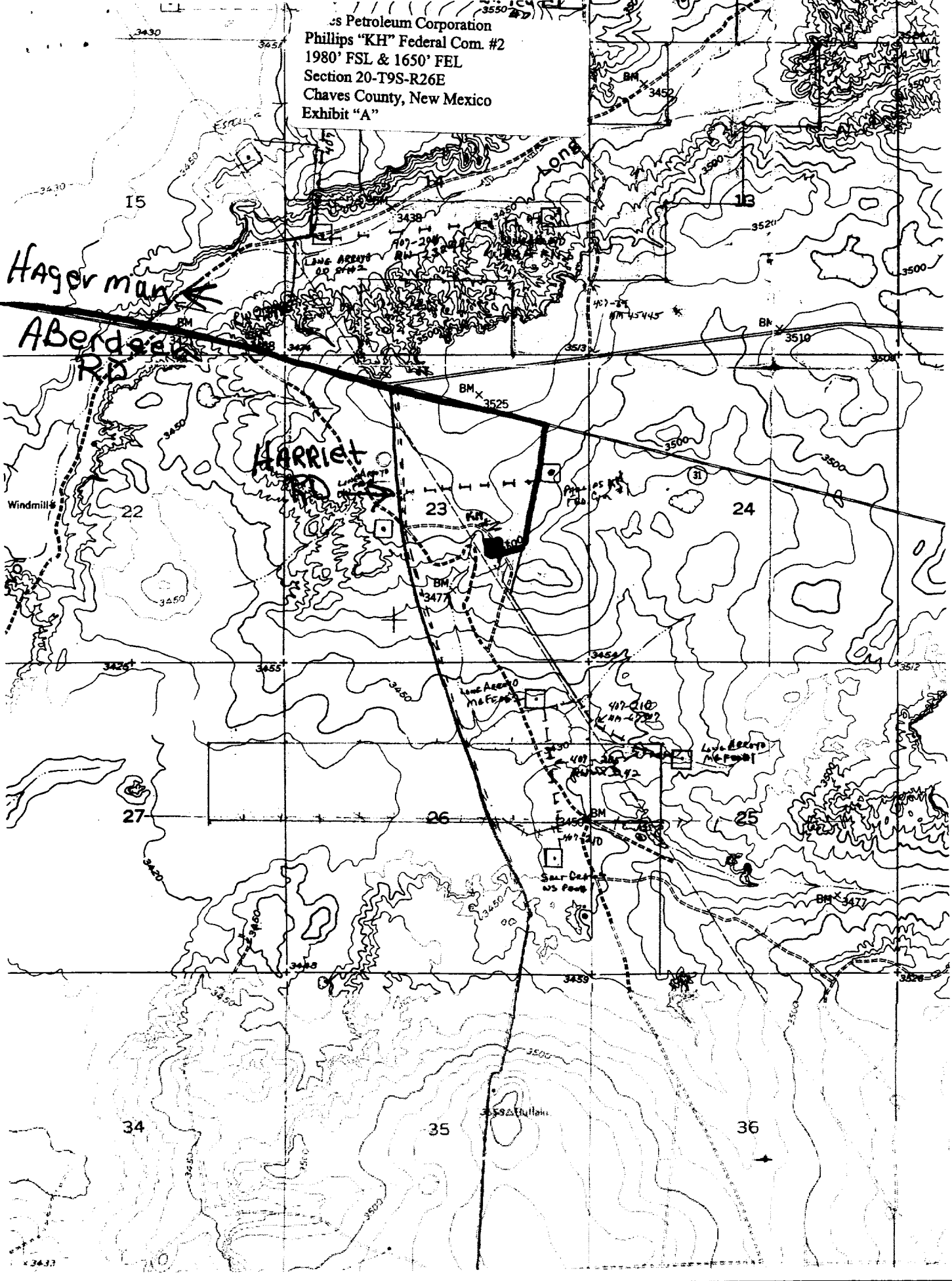

Regulatory Agent

11/30/01

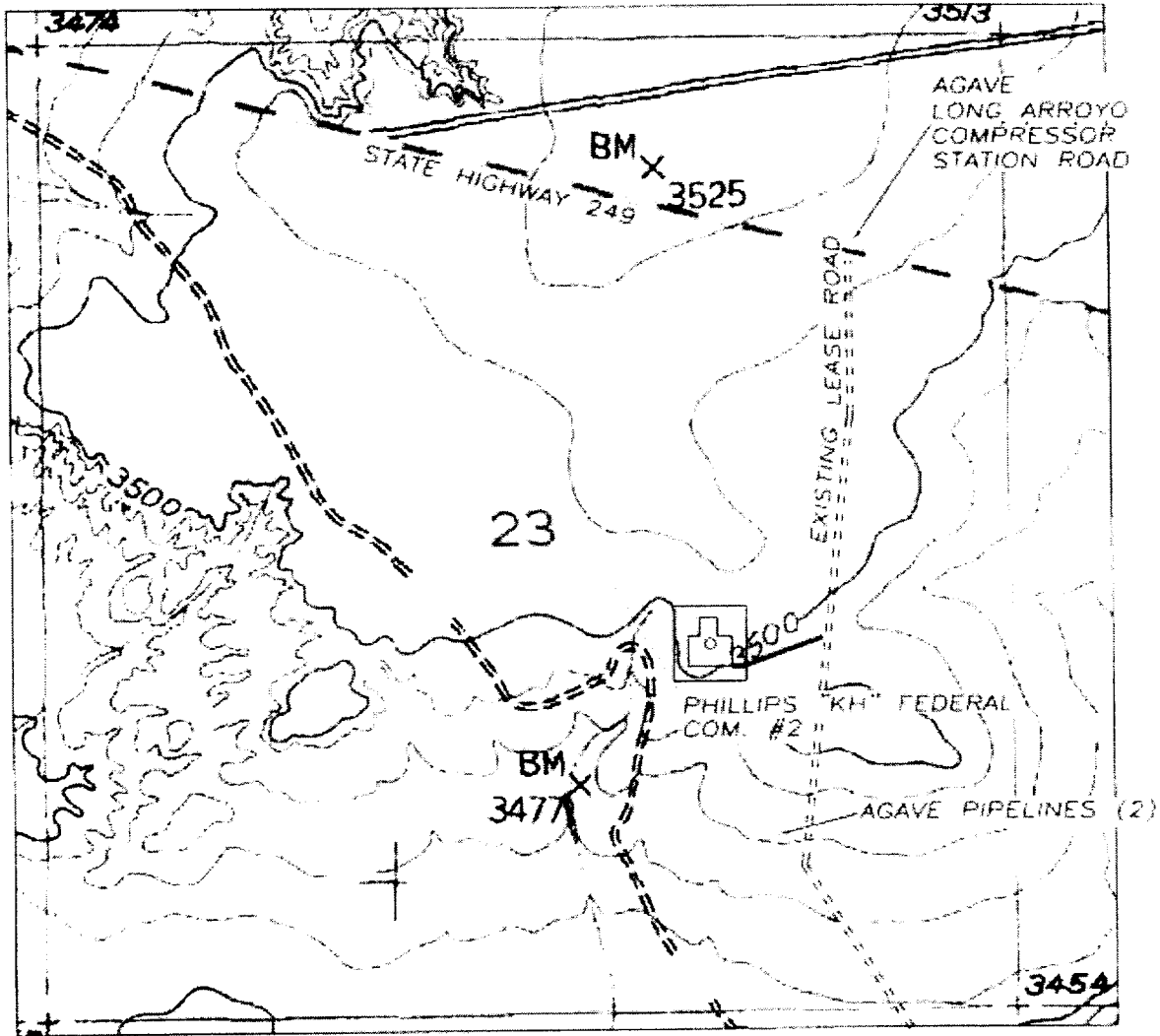
Phillips Petroleum Corporation
Phillips "KH" Federal Com. #2
1980' FSL & 1650' FEL
Section 20-T9S-R26E
Chaves County, New Mexico
Exhibit "A"

Hagerman
Aberdeen
RD

HARRIET



SECTION 23, TOWNSHIP 14 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
 Phillips "KH" Federal Com. #2
 1980' FSL & 1650' FEL
 Section 20-T9S-R26E
 Chaves County, New Mexico
 Exhibit "B"

1000' 0 1000' 2000'
 Scale 1" = 1000'

THE PREPARATION OF THIS PLAN AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAN ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEETS THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

Herschel L. Jones
 3640
 HERSCHEL L. JONES, R.L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
 LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES PHILLIPS "KH" FEDERAL COM. #2, LOCATED IN SECTION 23, TOWNSHIP 14 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

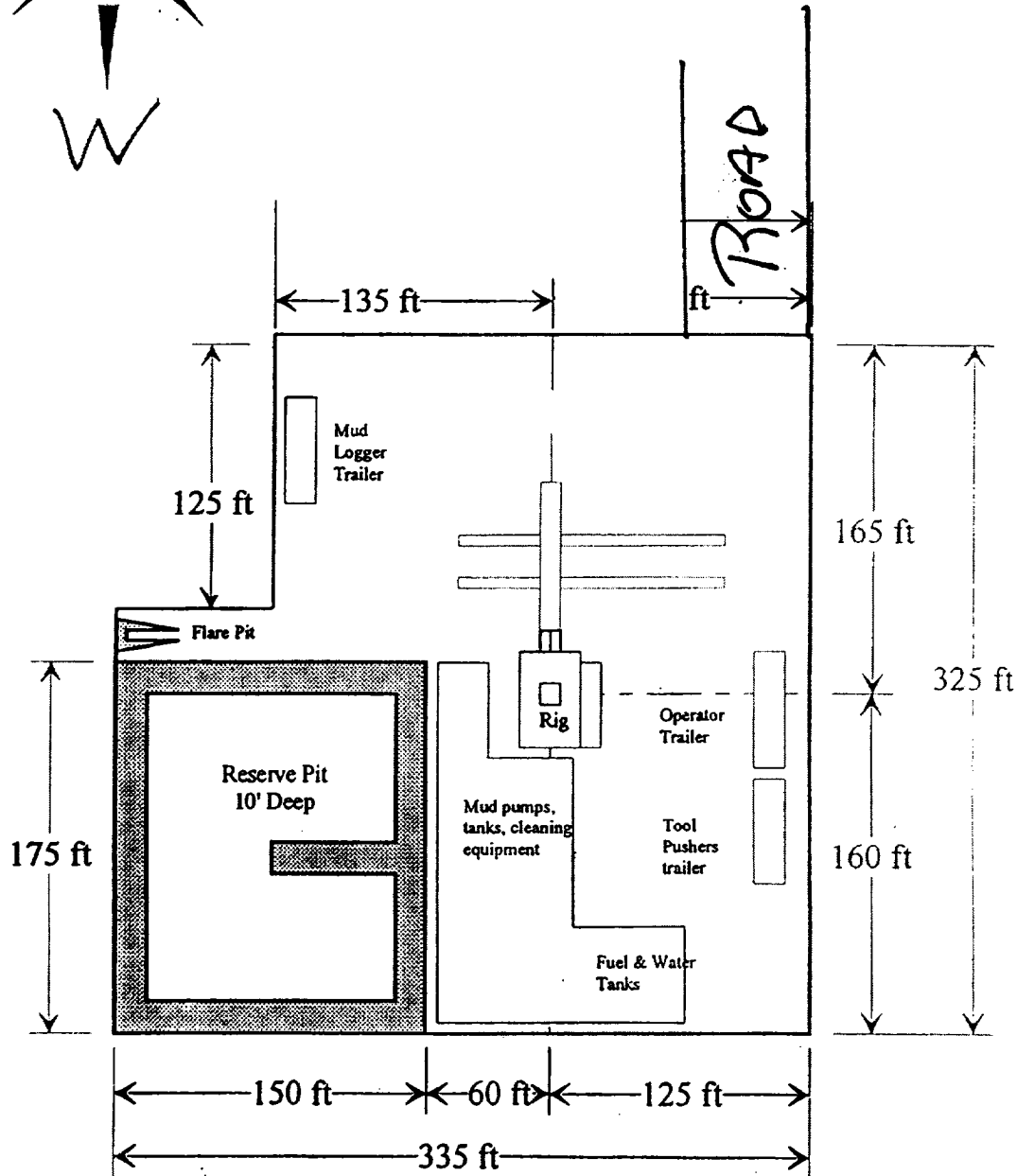
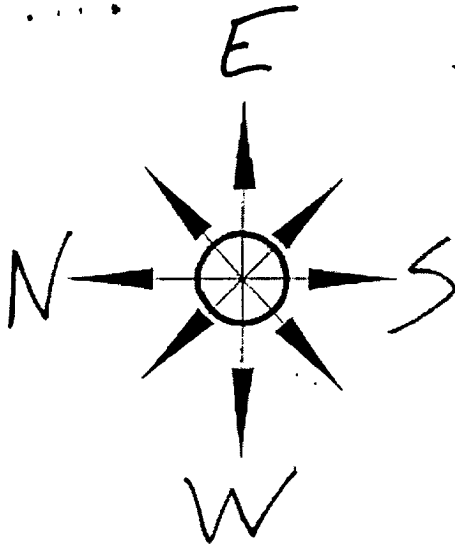
Survey Date: 10/15/2001	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 10/15/01	Scale 1" = 1000' PHILLIPS 2

Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'

Pits North

Yates Petroleum Corporation
Phillips "KH" Federal Com. #2
1980' FSL & 1650' FEL
Section 20-T9S-R26E
Chaves County, New Mexico
Exhibit "C"

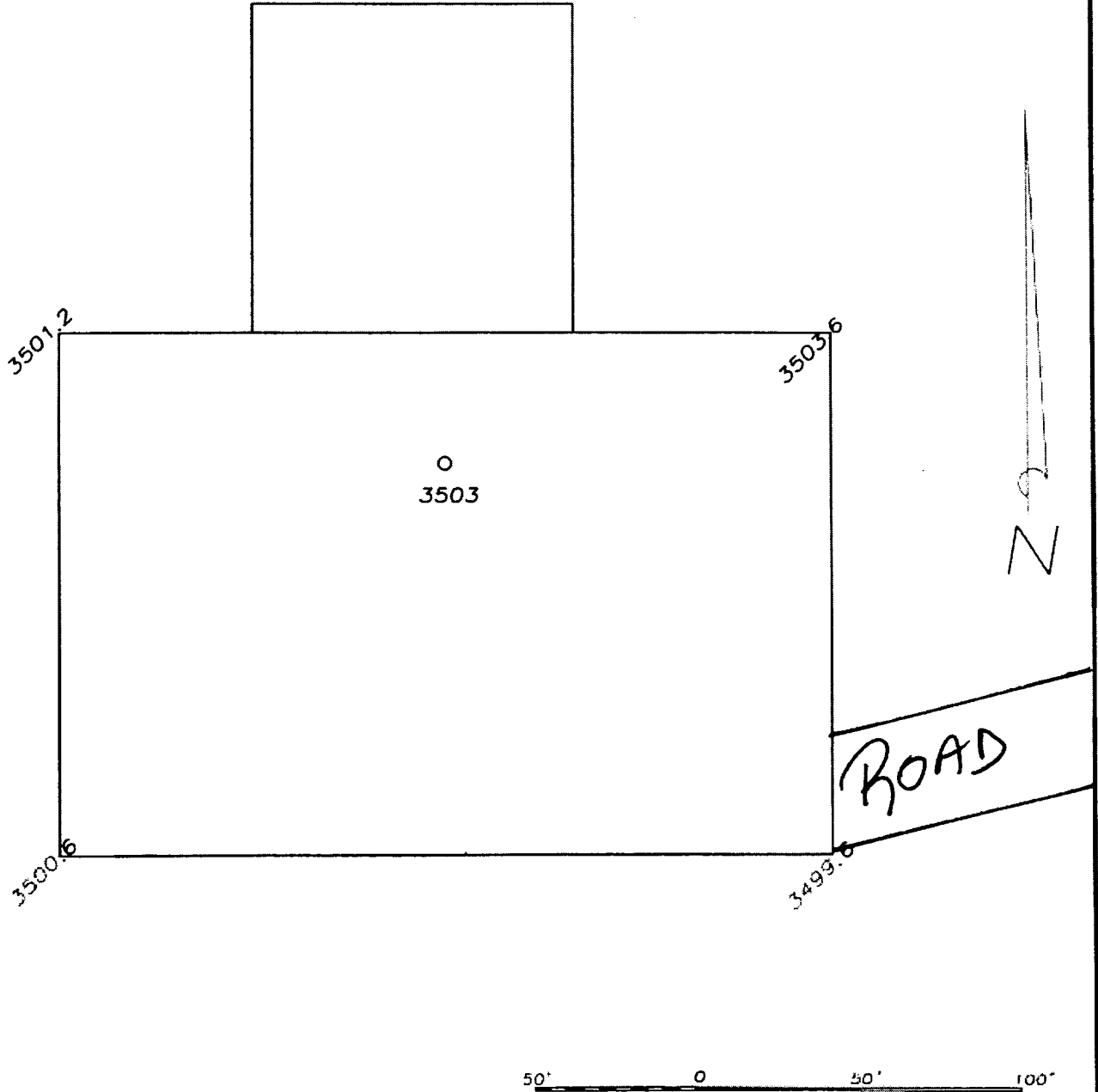


Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

YATES PETROLEUM CORPORATION PHILLIPS "KH" FEDERAL COM#2,
SECTION 23, TOWNSHIP 14 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Yates Petroleum Corporation
Phillips "KH" Federal Com. #2
1980' FSL & 1650' FEL
Section 20-T9S-R26E
Chaves County, New Mexico
Exhibit "C-1"



THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

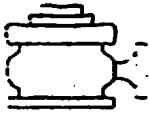
[Signature]
HERNAN L. JONES S.L.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

WELL PAD PLAN VIEW ON THE YATES PHILLIPS "KH" FEDERAL COM#2 LOCATED 1980/S AND 1650/E OF SECTION 23, TOWNSHIP 14 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 10/15/2001	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 10/15/01	Scale 1" = 50' PHILLIPS 2

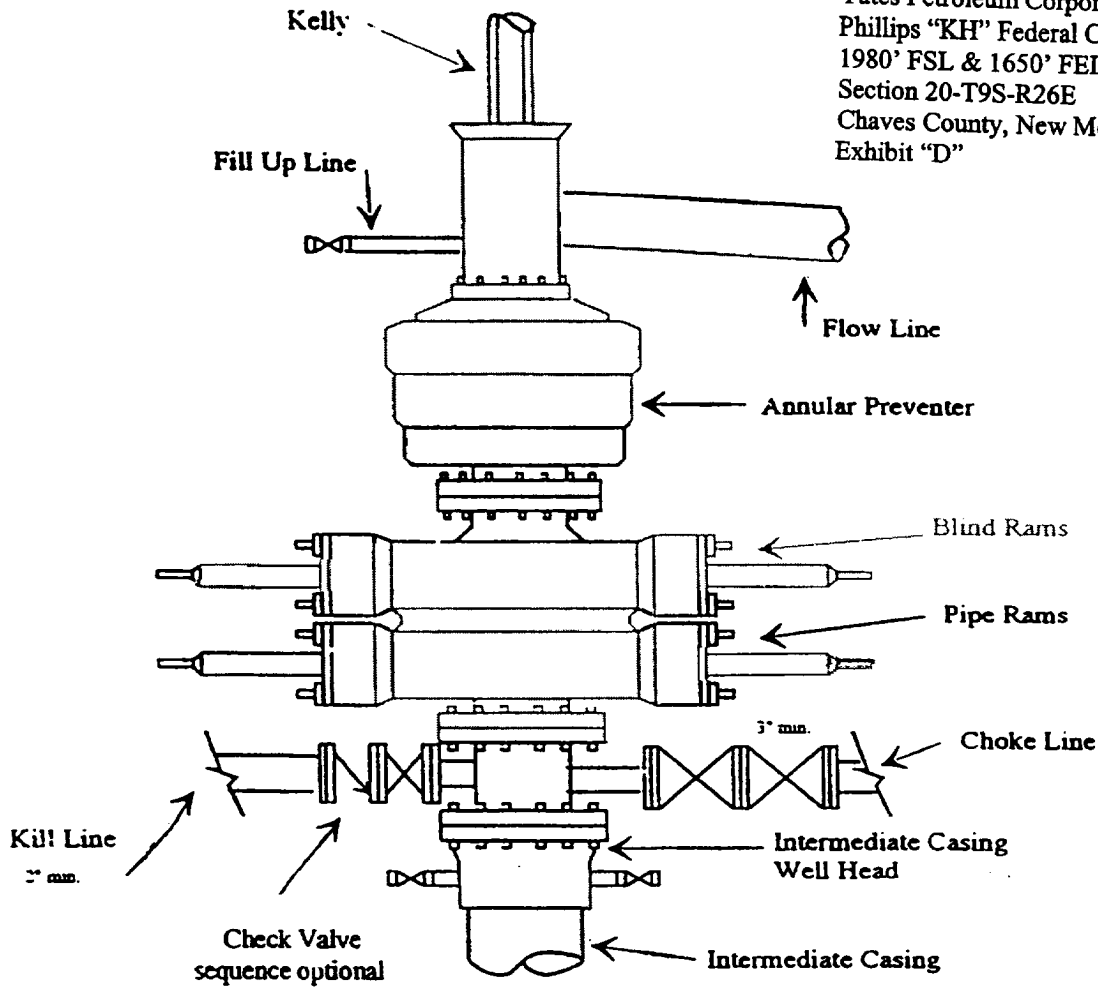


Yates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Phillips "KH" Federal Com. #2
1980' FSL & 1650' FEL
Section 20-T9S-R26E
Chaves County, New Mexico
Exhibit "D"



Typical 3,000 psi choke manifold assembly with at least these minimum features

