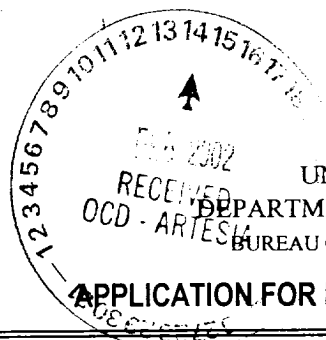


OIL CONSERVATION DIVISION
1301 W GRAND AVENUE
ARTESIA NM 88210

QSR



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER

b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator **Yates Petroleum Corporation** *25575 Shugart, Bone Spring, North*

3A. Address **105 South Fourth Street**
Artesia, New Mexico 88210

3b. Phone No. (include area code)
(505) 748-1471

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

At surface **660' FSL and 480' FEL**

At proposed prod. Zone **Same**

14. Distance in miles and direction from nearest town or post office*
Approximately 8 miles Southeast of Loco Hills, New Mexico

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
480'

16. No. of Acres in lease
560

17. Spacing Unit dedicated to this well
40 acres SE/4SE/4

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
200'

19. Proposed Depth
8400'

20. BLM/BIA Bond No. on file
585997

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3635' GL

22. Approximate date work will start*
ASAP

23. Estimated duration
30 days

Secretary's Potash

24. Attachments

Captain Controlled Water Basin

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

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- 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)

Cy Cowan

Date

10/2/01

Title:

Regulatory Agent

Approved by (Signature)

151 FRANK SPLENDORIA

Name (Printed/Typed)

151 FRANK SPLENDORIA

Date

FEB 05 2002

Title

ACTING STATE DIRECTOR

Office

NM STATE OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1717 prohibit 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)

DECLARED WATER BASIN
CEMENT BEHIND THE 13 1/8"
CASING MUST BE CIRCULATE

CEMENT BEHIND THE 8 1/8"
CASING MUST BE CIRCULATE

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

RECEIVED

2001 OCT -5 PM 12:42

U.S. DEPT. OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

10-10-01

OPERATOR CERTIFICATION

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

Cy Cowan

Signature

Cy Cowan

Printed Name

Regulatory Agent

Title

10-2-01

Date

SURVEYOR CERTIFICATION

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

9/17/2001

Date Surveyed

Signature & Seal of Professional Surveyor

N.32°43'30.9"
W.103°55'06.5"

3639 3635

480'

3628 3632

060'

LC-02899+B

Certificate No. Herschel L. Jones RLS 3640

CREEK 17

GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
Creek "AL" Federal #17
660' FSL and 480' FEL
Section 24-T18S-R30E
Eddy County, New Mexico

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

Rustler	485'
Tansill	1800'
Yates	1910'
Severn Rivers	2350'
Queen	3075'
Grayburg	3560'
Delaware	4600'
Bone Spring	5820'
Dolomite	8200'
TD	8400'

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 zones.

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>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-700'	700'
11"	8 5/8"	32#	J-55	ST&C	0-2800'	2800'
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'-6800'	6700'
7 7/8"	5 1/2"	17#	J-55	LT&C	6800'-8400'	1600'

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

B. CEMENTING PROGRAM:

Surface casing: 400 sx Lite(Yld 2 Wt. 12.5) Tail in w/250 sx Class "C" + 2% CaCL₂ (YLD 1.32 WT 14.8).

Intermediate Casing: 600 sx Lite (Yld 2 Wt 12.5). Tail in w/250 sx Class "C" + 2% CACL₂ (Yld 1.32 Wt. 14.8).

Production Casing: TOC=2300'; 550 sx Lite (Yld 2 Wt. 12.5). Tail in w/500 sx Super "C" (Yld 1.62 Wt. 1.32).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-700'	FW/Native Mud	8.4-9.0	28-32	N/C
700'-2800'	Brine	10.0-10.2.01	28	N/C
2800'-TD	FW/Cut Brine	8.4-9.2	28	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 30' samples to 5000'. 10' samples to 5000' to TD.

Logging: Platform HALS.

Coring: Sidewall cores as warranted.

DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 700'	Anticipated Max. BHP: 300 PSI
From: 700'	TO: 2800'	Anticipated Max. BHP: 1200 PSI
From: 2800'	TO: TD	Anticipated Max. BHP: 3700 PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None Anticipated

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Creek "AL" Federal #17
660' FSL and 480' FEL
Section 24-T18S-R30E
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 8 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 Artesia on Highway 82 to Highway 360. Turn Right on 360 and go to Duval Shaft Road (CR 251). Turn left on Duval Shaft Road and to grubbs Rd (CR 250). Turn right on Grubbs Rd. and go approx. 4.8 miles. Turn north here and go approx. 0.7 of a mile. Turn left and go 0.7 of a mile to the Creek AL Battery on the right. On the west side of the Creek Battery follow road to the north for approx. 0.3 of a mile to the Creek AL Fee #2 well. The Creek AL Federal #17 well location will be located 200 feet to the east.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will go east for approximately 200' to the Southwest corner of the drilling pad. The road will lie in a west to east 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. Some 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 no drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

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 land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: INCLUDE ONE (1) 3" SDR-11, POLY, SURFACE FLOWLINE AND ONE (1) 640 VOLT, 3 PHASE, RAPTOR PROOF POWERLINE FOLLOW ACCESS ROADS TO THE CREEK BATTERY. SEE EXHIBIT.

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 Bureau of Land Management, Carlsbad, 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

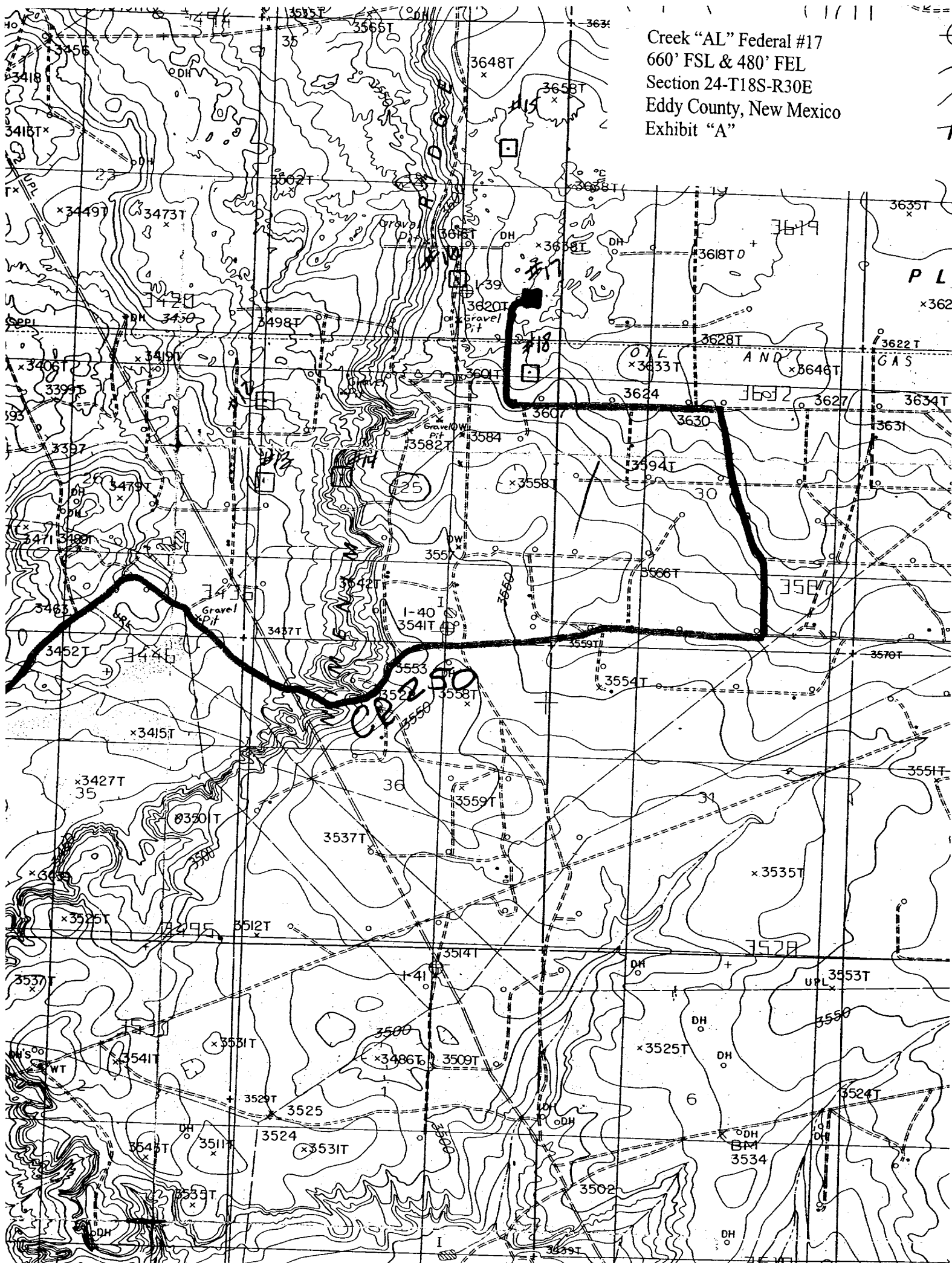
14. CERTIFICATION:

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.

10/02/01


Regulatory Agent

7

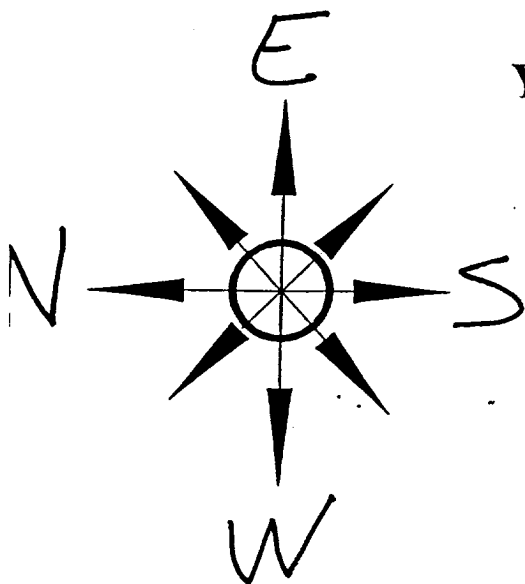


PB - L1

Yates Petroleum Corporation

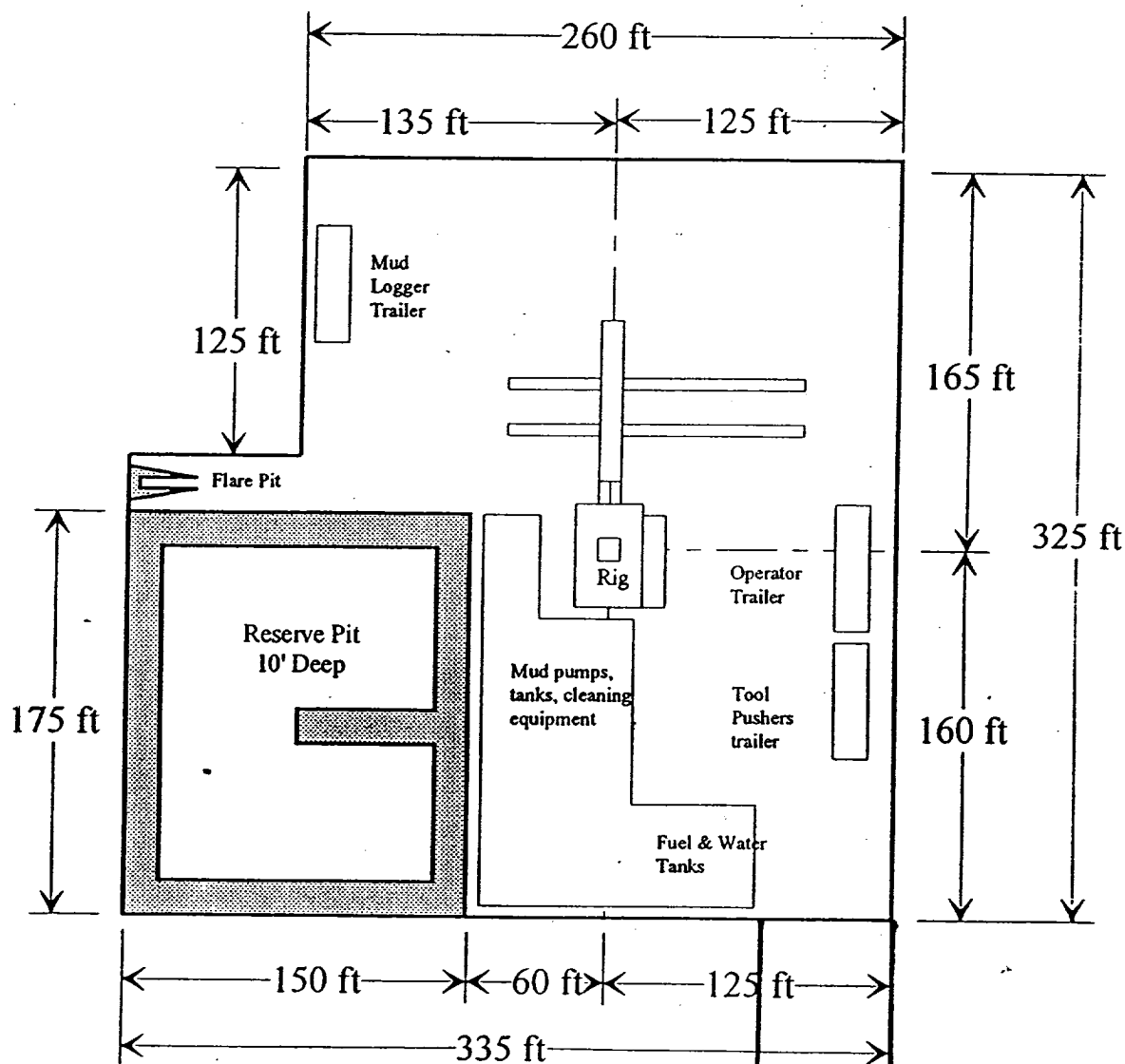
Location Layout for Permian Basin

Up to 12,000'



Pits North

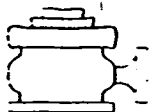
Creek "AL" Federal #17
660' FSL & 480' FEL
Section 24-T18S-R30E
Eddy County, New Mexico
Exhibit "B"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

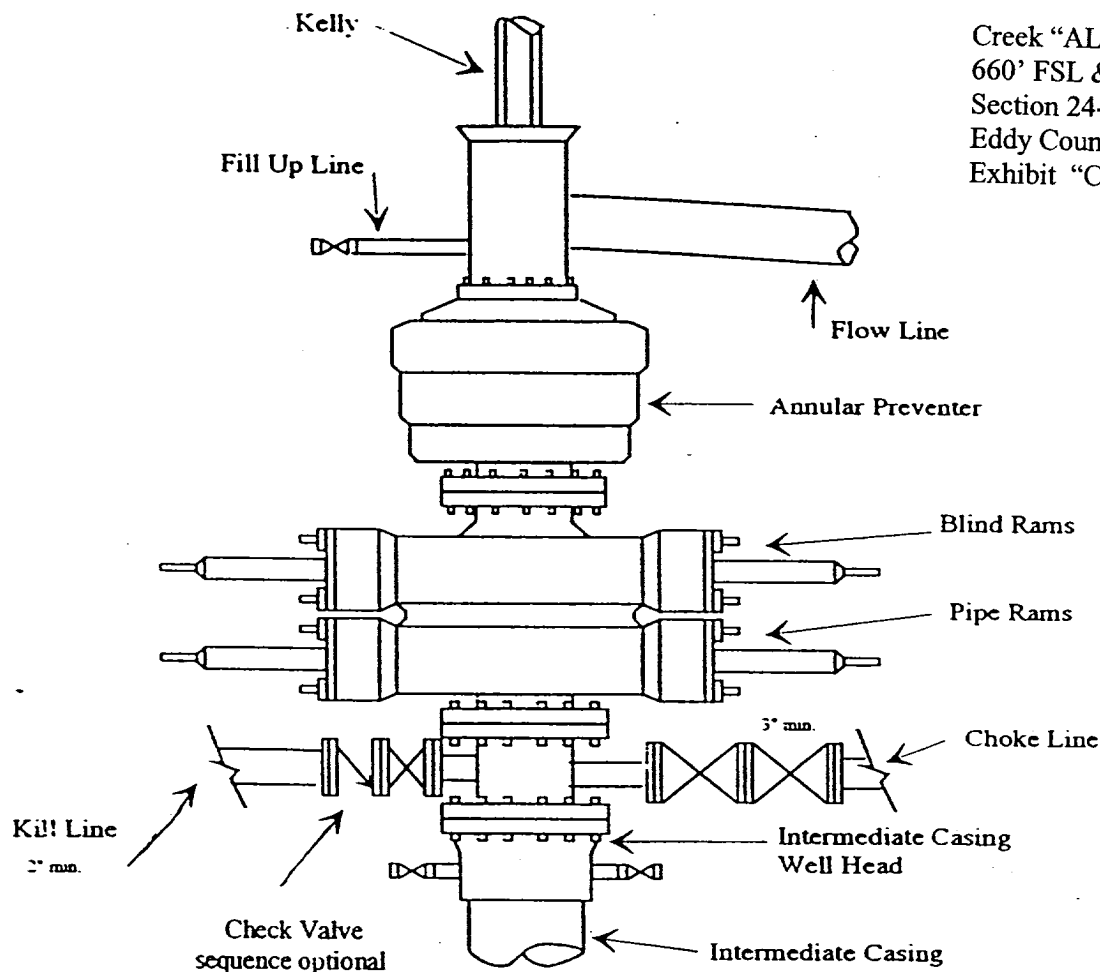
ACCESS



Yates Petroleum Corporation

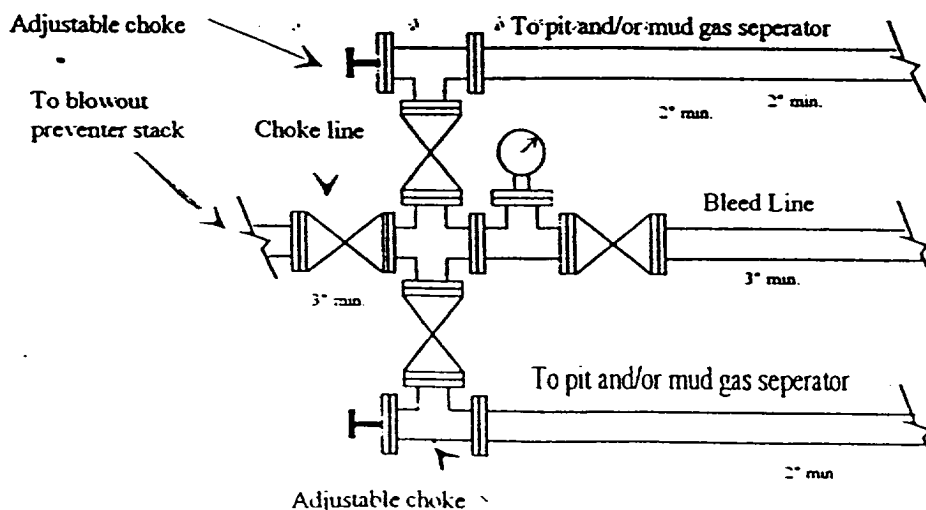
BOP-3

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

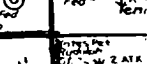


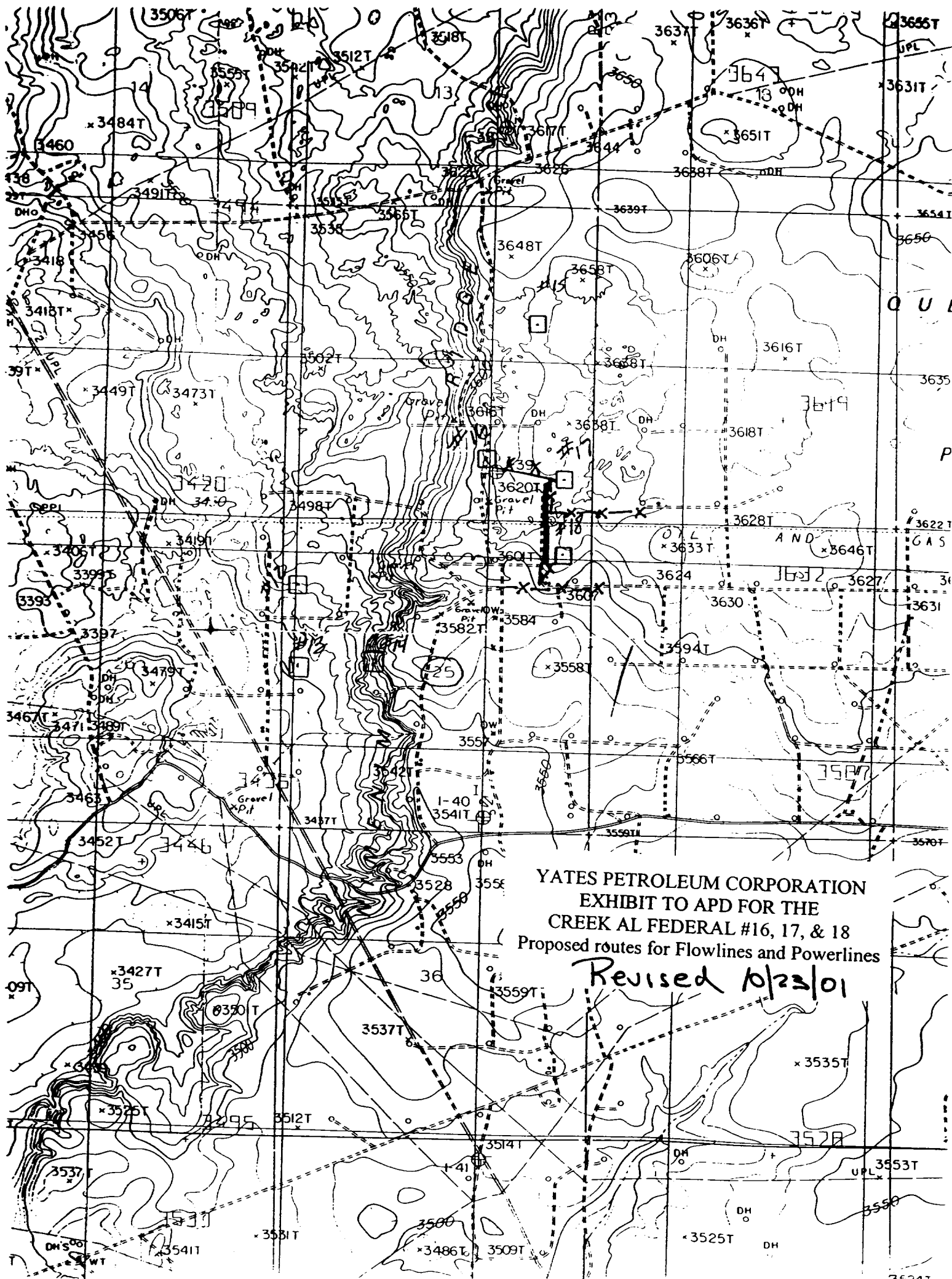
Creek "AL" Federal #17
660' FSL & 480' FEL
Section 24-T18S-R30E
Eddy County, New Mexico
Exhibit "C"

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



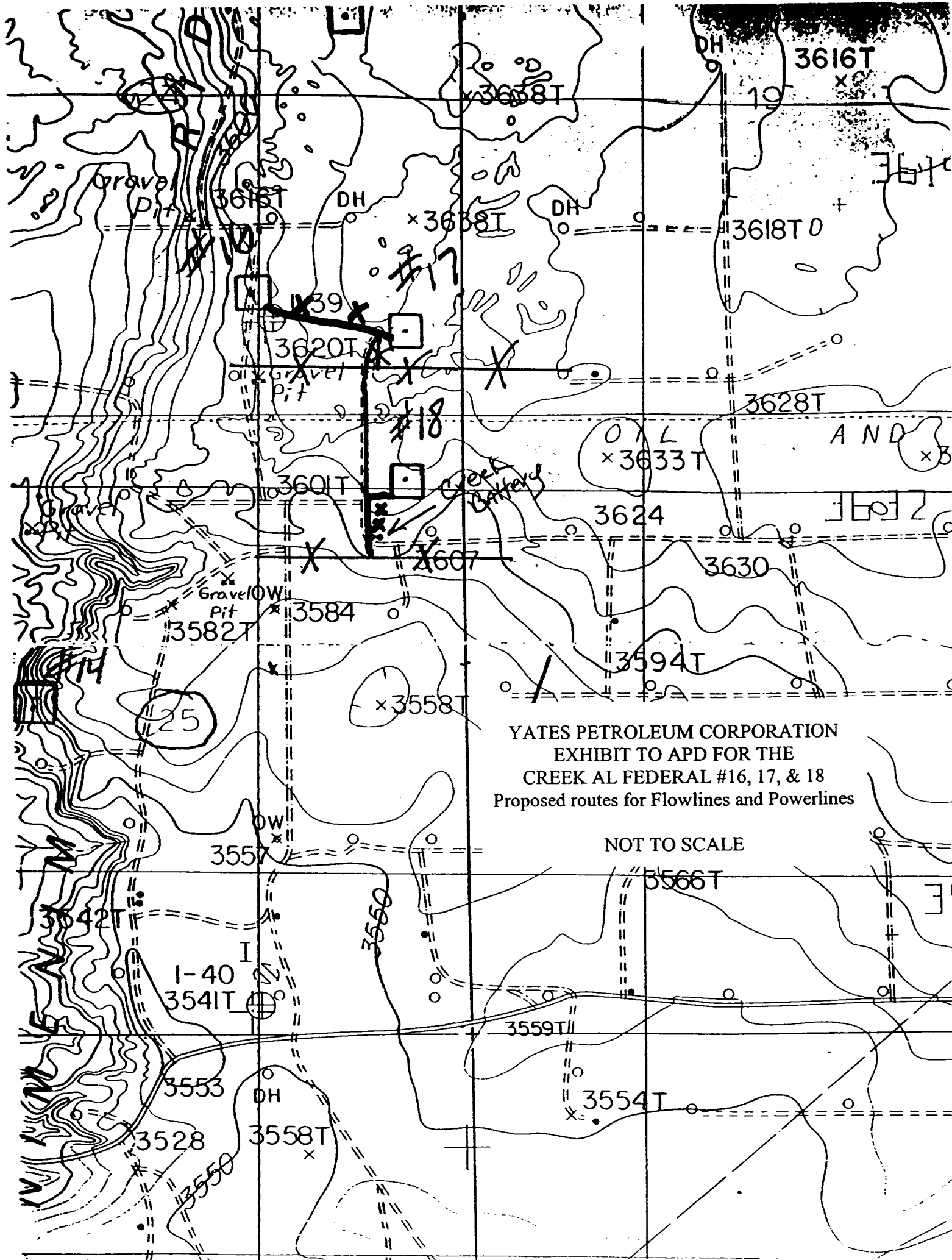
MIDLAND 12
Franklin et al





YATES PETROLEUM CORPORATION
EXHIBIT TO APD FOR THE
CREEK AL FEDERAL #16, 17, & 18
Proposed routes for Flowlines and Powerlines

Revised 10/23/01



YATES PETROLEUM CORPORATION
EXHIBIT TO APD FOR THE
CREEK AL FEDERAL #16, 17, & 18
Proposed routes for Flowlines and Powerlines

NOT TO SCALE