

095

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

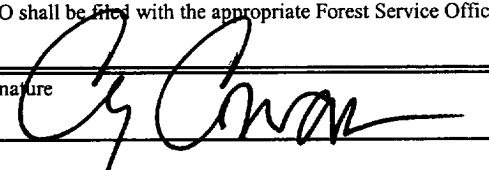
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OMB No. 1004-0136
Expires November 30, 2000

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-18486
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name
2. Name of Operator Yates Petroleum Corporation 25575		7. If Unit or CA Agreement, Name and No. 30411
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Playa "AYH" Federal Com. #1
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-324057
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1290' FNL & 660' FWL, NWSW, 31-18S-25E At proposed prod. Zone same as above bot 1		10. Field and Pool, or Exploratory Penasco Draw Morrow
14. Distance in miles and direction from nearest town or post office* Approximately 16 miles SW of Artesia, NM		11. Sec., T., R., M., or Blk, and Survey or Area Section 31-T18S-R25E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of Acres in lease 243.4	17. Spacing Unit dedicated to this well 320 W/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. N/A	19. Proposed Depth 9000'	20. BLM/BIA Bond No. on file Nationwide Bond #NM-2811
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3639' GR	22. Approximate date work will start* ASAP	23. Estimated duration 60 Days
24. Attachments Koswell 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:

- | | |
|--|--|
| 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 office. |
|--|--|

25. Signature 	Name (Printed/Typed) Cy Cowan	Date 7/9/02
Title: Regulatory Agent		
Approved by (Signature) /S/ JOE G. LARA	Name (Printed/Typed) /S/ JOE G. LARA	Date AUG 12 2002
Title ACTIVE FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

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

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 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

RECEIVED

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POSSIBLE CHOICE

ATTAJ TO 307

ATTAJ TO 307

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

State of New Mexico
Energy, Minerals & Natural Resources

Revised March 17, 1999
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION

District III
1000 Rio Brazos Rd., Aztec NM 87410

2040 South Pacheco
Santa Fe, N M 87505

District IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name Penasco Draw Morrow	
Property Code		Property Name PLAYA "AYH" FEDERAL COM			Well Number 1
OGRID No. 025575		Operation Name YATES PETROLEUM CORPORATION			Elevation 3639

Surface Location

UL or Lot No. LOT 1	Section 31	Township 18-S	Range 25-E	Lot Idn.	Feet from the 1290	North/South line NORTH	Feet from the 660	East/West line WEST	County EDDY
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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 W/2		Joint or Infill		Consolidation Code		Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION	
	I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.	
	Signature <i>Cy Cowan</i>	
	Printed Name Cy Cowan	
	Title Regulatory Agent	
	Date 7/9/2002	
	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 KNOWLEDGE AND BELIEF.	
Date of Survey JULY 1, 2002		
Signature of Professional Surveyor <i>R. REDD</i>		
Certificate Number 5412		
Professional Engineer NEW MEXICO		

YATES PETROLEUM CORPORATION

Playa "AYH" Federal #1
1290' FNL and 660' FWL
Section 31-T18S-R25E
Eddy County, New Mexico

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

San Andres	645'	Atoka	8365'
Glorieta	1985'	Morrow Clastics	8600'
Tubb	3395'	Middle Morrow	8645'
Abo	4035'	Lower Morrow	8825'
Wolfcamp	5345'	Chester Lime	8925'
Cisco	6395'	TD	9000'
Strawn	7775'		

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	0-400'	400'
12 1/4"	8 5/8"	24#	J-55	ST&C	0-1200'	1200'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-200'	200'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	200'-6700'	6500'
7 7/8"	5 1/2"	17#	J-55	LT&C	6700'-8000'	1300'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	8000'-9000'	1000'

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

B. CEMENTING PROGRAM:

Surface casing: 450 sx "C" + 2% CaCL₂ (YLD 1.34 WT 14.8).

Intermediate Casing: 400 sx Lite (YLD 2.0 WT 12.5). Tail in w/200 sx "C" + 2%
CaCL₂ (YLD 1.32 WT. 15.6).

Production Casing: TOC=4800', 600 sx Super "C" (YLD 1.67 wt. 13.0).

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	8.4-8.8	28-33	N/C
400'-1200'	FW	8.4	28	N/C
1200'-8200'	Cut Brine	8.8-9.6	28	N/C
8200'-TD	Salt Gel/Starch/KCL	9.6-9.8	32-38	<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 under intermediate casing.

Logging: Platform Express/HALS/sonic; possible FMI.

Coring: Rotary Sidewall Cores

DST's: Possible from Cisco to TD.

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

Anticipated BHP:

From: 0	TO: 400'	Anticipated Max. BHP: 150	PSI
From: 400'	TO: 1200'	Anticipated Max. BHP: 600	PSI
From: 1200'	TO: 9000'	Anticipated Max. BHP: 4800	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 40 days to drill the well with completion taking another 30 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION**

Playa "AYH" Federal #1
1290' FNL and 660' FWL
Section 31-T18S-R25E
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 well site is located approximately 16 miles Southwest of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia on Highway 285 to Four Dinkus Ranch Road. Turn West on Four Dinkus Ranch Road and go to the first cattle guard past the ranch house to the south. Turn here and go south crossing draw to the first cattle guard. Turn right here and go west on lease road for approximately 1.6 miles. Follow road and go south for approx. 1.4 miles to the Yates JM #2 well on the left. Continue south on the lease road for approx. 0.3 of a mile. The new road will start here going east for approx. 0.3 of a mile to the northwest corner of the proposed well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will go east for approximately 0.3 of a mile to the northwest corner of the drilling pad. The road will lie in a east to west direction. See attached map.
- 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 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 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 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. Pits will be to the south.

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: Split Estate with surface belonging to the Four Dinkus Ranch, 105 S. 4th St., Artesia, NM 88210. An agreement has been made with the Four Dinkus Ranch for this well. The minerals are Federal, NM-18486.

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.

7/8/02



Regulatory Agent

YATES PETROLEUM CORPORATION

105 South 4th Street

Artesia, NM 88210

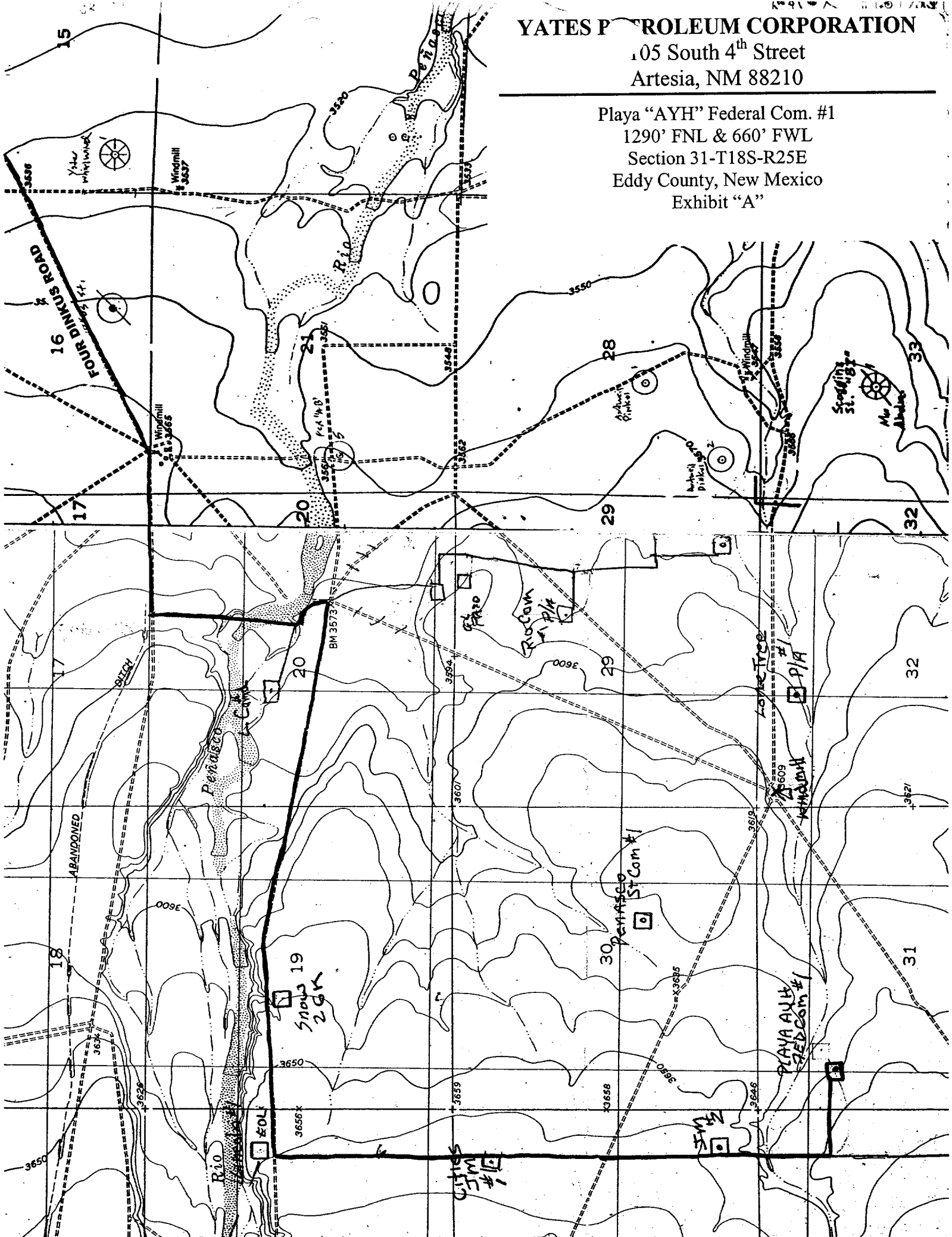
Playa "AYH" Federal Com. #1

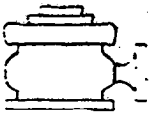
1290' FNL & 660' FWL

Section 31-T18S-R25E

Eddy County, New Mexico

Exhibit "A"

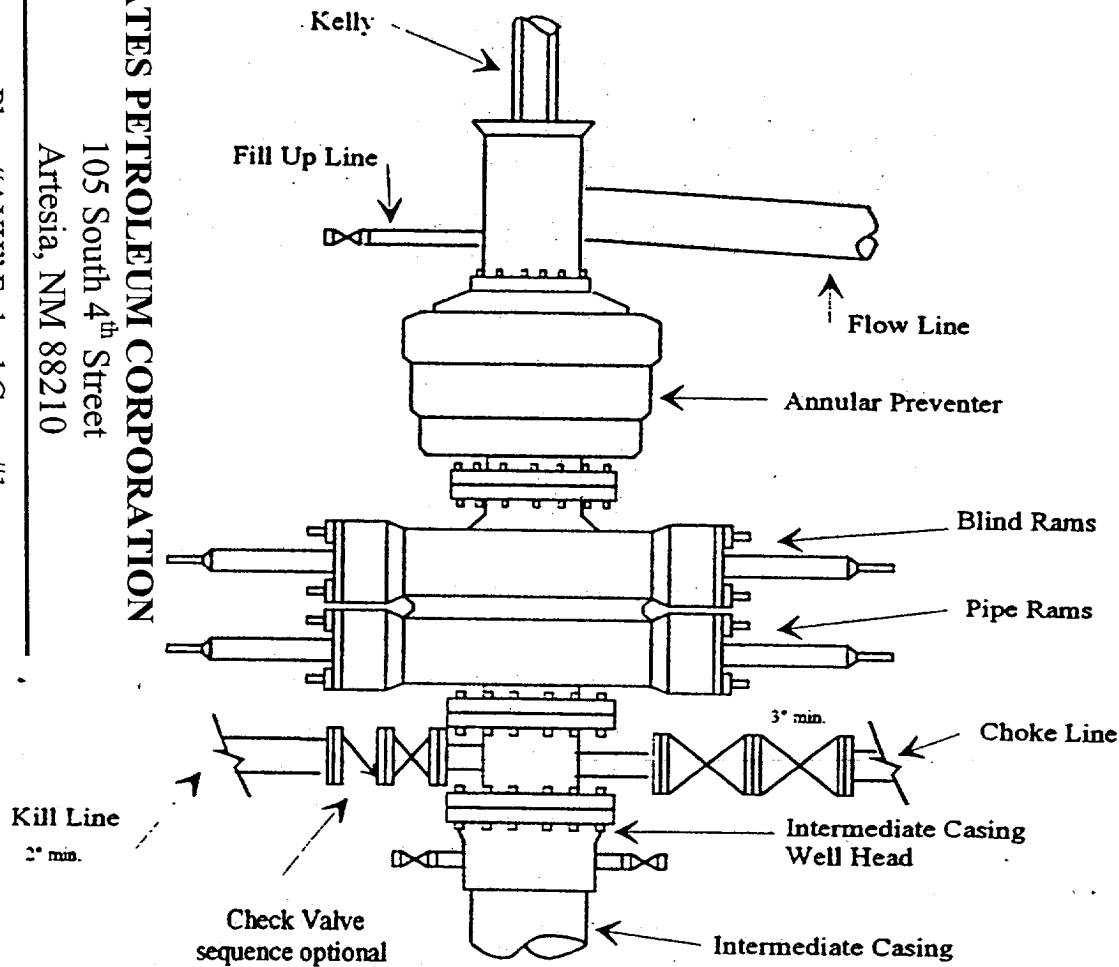




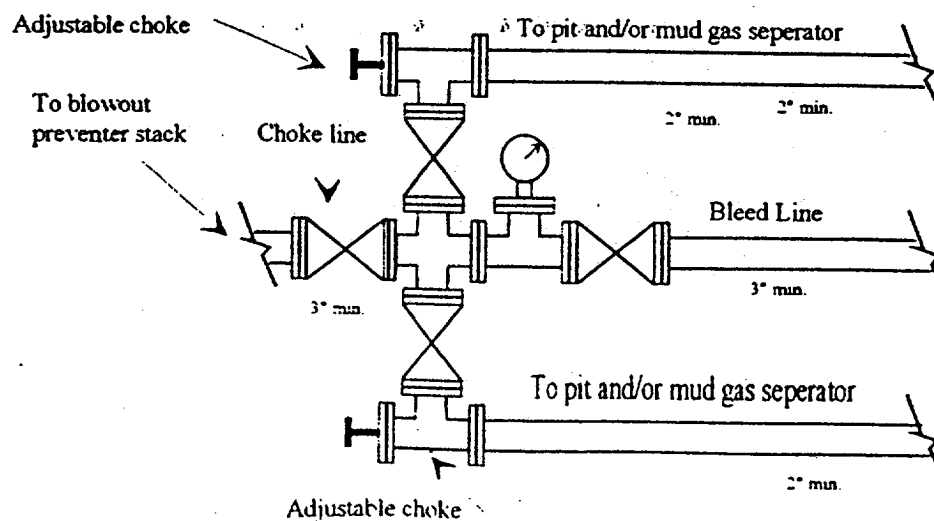
Yates Petroleum Corporation

BOP-3

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



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



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

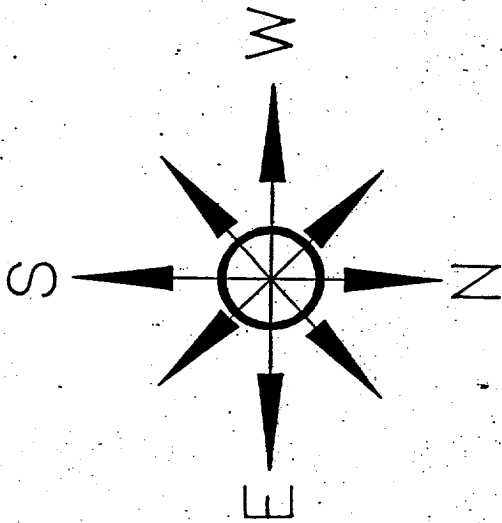
Playa "AYH" Federal Com. #1

1290' FNL & 660' FWL

Section 31-T18S-R25E

Eddy County, New Mexico

Exhibit "B"

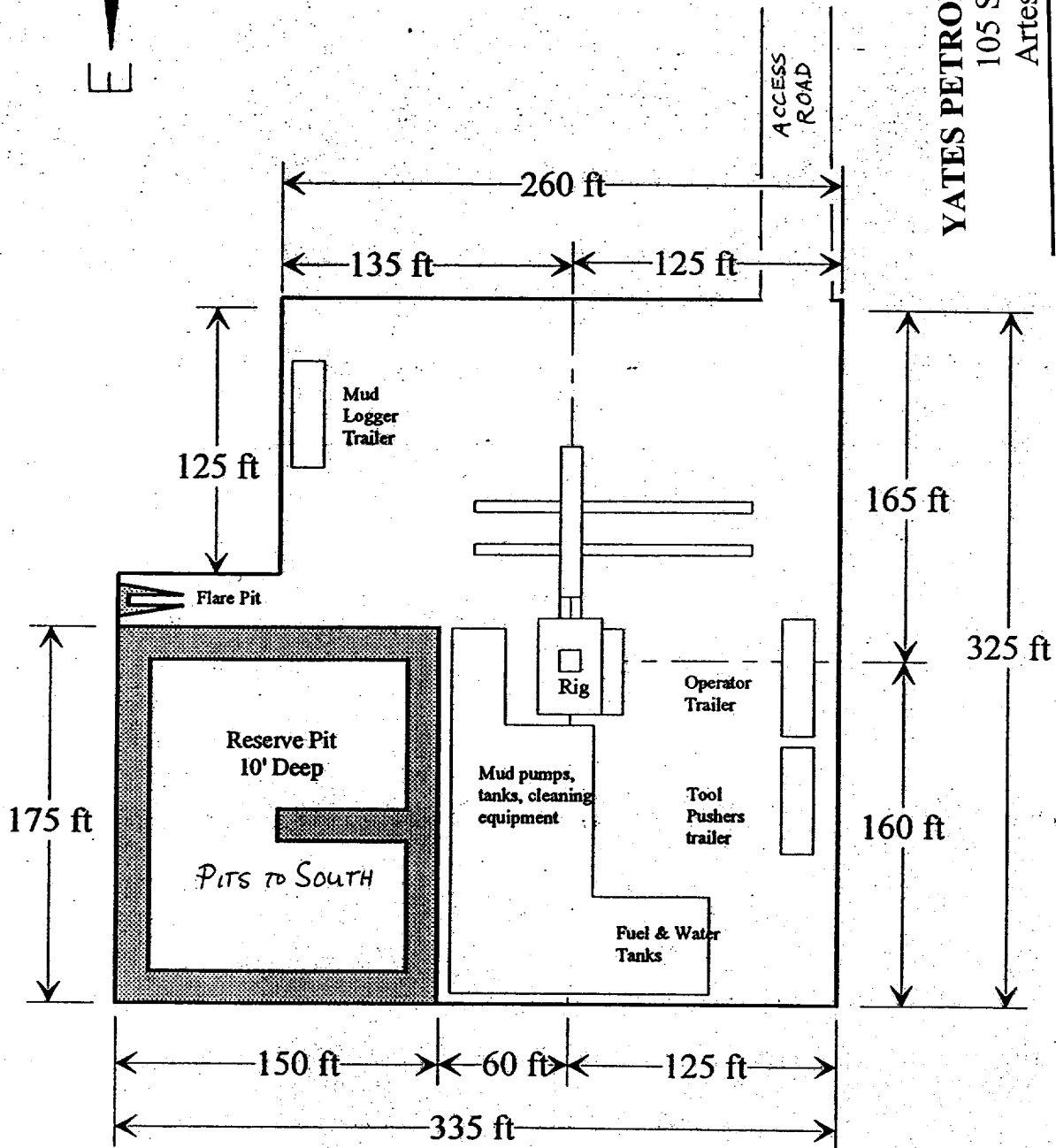


Yates Petroleum Corporation
Location Layout for Permian Basin
Up to 12,000'

YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Playa "AYH" Federal Com. #1
1290' FNL & 660' FWL
Section 31-T18S-R25E
Eddy County, New Mexico
Exhibit "C"



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

Playa "AYH" Federal Com. #1
1290' FNL & 660' FWL
Section 31-T18S-R25E
Eddy County, New Mexico
Exhibit "D"

