(May 1963) N.M.O.C.D. COPY

(Other instructions on reverse)

Budget Bureau No. 42-R1425.

30-015-23206

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM 0352858-B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME: Mobil CI Federal

9. WELL NO.: 3

10. FIELD AND POOL, OR WILDCAT: Penasco Draw S.A.-Yeso

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 6, T19S-R25E

12. COUNTY OR PARISH: Eddy

13. STATE: NM

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐ PLUG BACK ☐

b. TYPE OF WELL: OIL WELL ☒ GAS WELL ☐ OTHER — SINGLE ZONE ☐ MULTIPLE ZONE ☐

MAR 3 1980

O. C. D.

ARTESIA, OFFICE

2. NAME OF OPERATOR: Yates Petroleum Corporation

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

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ARTESIA, NEW MEXICO

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1650' FSL & 990' FWL
At proposed prod. zone:

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 9 miles west of Dayton, NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
990	403.69	40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
	approx. 2900'	Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3645 GL

22. APPROX. DATE WORK WILL START*:

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
15"	10 3/4"	32.3# J-55	approx. 310'	250 sx circulate
9½"	7"	20# J-55	approx. 970'	550 sx circulate
6¼"	4½"	9.5# J-55	approx. 3100'	300 sx circulate

We propose to drill and test the Yeso and San Andres formations. Approximately 310' of surface casing will be set to shut off gravel and caving. Intermediate casing will be set at least 100' below the Artesian Water Zone. 4½ production casing will be run, perforated and possible sand frac'd for production.

MUD PROGRAM: Fresh water gel to 970', fresh water to TD/

BOP PROGRAM: BOP's will be installed on 7" casing and tested.

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 Elaine Goodwin TITLE Geographer DATE 2/7/80

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE 2-28-80

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Effective 1-1-65

All di... ces must be from the outer boundaries of the Secti...

Operator	Lease	Well No.
YATES PETROLEUM CORPORATION	Mobil CI Federal	3

Unit Letter	Section	Township	Range	County
L	6	19 South	25 East	Eddy

Actual Footage Location of Well: 1650 feet from the South line and 990 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
3645	SAN ANDRES	PENASCO DRAW S.A.-YESO Assoc	40 ±.2 Acres

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

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ARTESIA, OFFICE

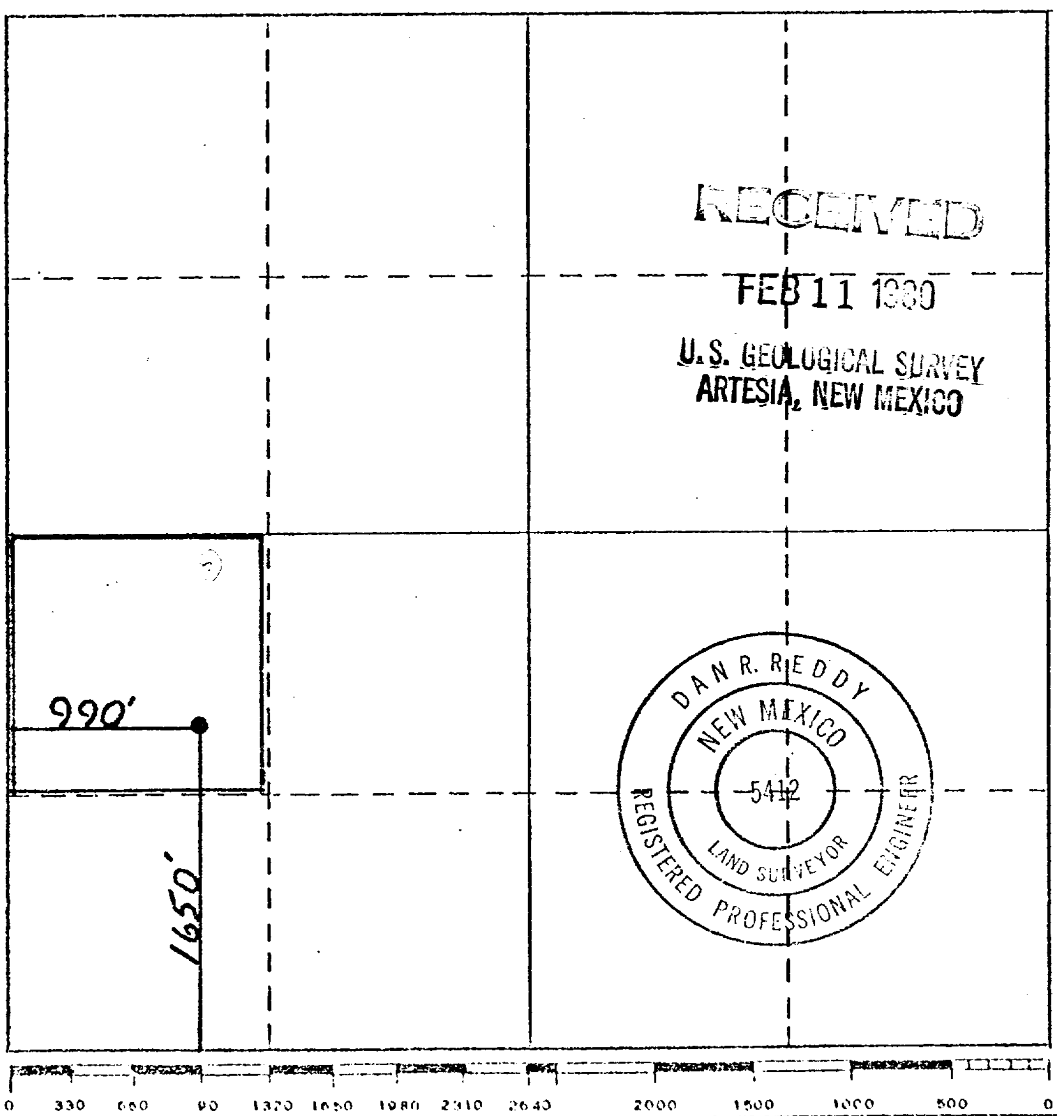
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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?

☐ Yes ☐ No If answer is "yes," type of consolidation ______

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.

[signature]

Name: ELISERIO RODRIGUEZ

Position: GEOGRAPHER

Company: YATES PETROLEUM CORP

Date: 1-4-80

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: Jan. 2, 1980

Registered Professional Engineer and/or Land Surveyor

[signature] Dan R. Reddy

Certificate No. NM PE&LS #5412

Yates Petroleum Corporation
Mobil "CI" Federal
Section 6 - T19S - R25E
1650' FSL & 990' FWL
Eddy 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 quaternery alluvium.

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

San Andres	545'
Glorieta	1902'
TD approx.	2900'

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

Water: Approximately 365'

Oil:	Yeso - San Andres	550 - 600'
		1890 - 2100'

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' samples from under surface
DST's:	None
Logging:	GR/Neutron
Coring:	None

9. No abnormal pressures or temperatures are anticipated.

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

United States Department of the Interior

GEOLOGICAL SURVEY
P. O. Drawer U
Artesia, New Mexico 88210

RECEIVED
MAR 3 1980
O. C. D.
ARTESIA, OFFICE

February 28, 1980

Yates Petroleum Corporation
207 South Fourth Street
Artesia, New Mexico 88210

Gentlemen:

YATES PETROLEUM CORPORATION Mobil "CI" Fed No. 3 1650 FSL 990 FWL Sec. 6 T.19S R.25E Eddy County Lease NM-0352858-B
Above Data Required on Well Sign

Your APPLICATION FOR PERMIT TO DRILL the above-described well to a depth of 2,900 feet to test the San Andres formation is hereby approved subject to compliance with the OIL AND GAS OPERATING REGULATIONS (30 CFR 221) and the following conditions:

1. Drilling operations authorized are subject to compliance with the GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL LEASES, dated July 1, 1978.

2. Prior to commencing construction of road, pad, or other associated developments, operator will provide the dirt contractor with a copy of the SURFACE USE PLAN and this approval including the GENERAL REQUIREMENTS.

3. All access roads will be limited to a 12 foot wide driving surface, excluding turnarounds. Surface disturbance associated with road construction will be limited to 20 feet in width.

4. Submit a Daily Report of Operations from spud date until the Well Completion Report (form 9-330) is filed. The progress report should be not less than 8" x 5" in size and each page should identify the well.

5. All permanent above-ground structures and equipment shall be painted in accordance with the attached Painting Requirements. The color used should simulate Sandstone Brown (Federal Standard No. 595A, color 20318 or 30318).

6. Notify the Survey by telephone 24 hours prior to spudding well.

7. Cement behind the 10-3/4" and 7" casing must be circulated.

8. Notify Survey in sufficient time to witness the cementing of the 10-3/4" and 7" casing.

9. Special stipulations: Utilize caliche pit in SW/4SW/4 Sec. 1, T. 19S., R. 24E.

10. Please have anyone contacting the Survey in regard to this well to identify the well with all of the information required above for the well sign.

Sincerely yours,

(Orig. Sgd.) GEORGE H. STEWART

George H. Stewart
Acting District Engineer

MULTI-POINT SURFACE USE AND OPERATIONS

Yates Petroleum Corporation
Mobil CI Federal #1
Section 6 - T19S - R25E
1650' FSL & 990' FWL
(Developmental 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 ROADS.

Exhibit A is a portion of a USGS showing the wells and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 22 miles SW of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

1. Proceed south from Artesia on Highway 285 for a distance of approximately 9 miles.
2. Turn west, go past the Transwestern Plant about 3/4 mile and veer south for approximately a mile, then follow the road going west for a mile.
3. Take the road along the south side of the fence for three miles.
4. The new road will start here going south.

2. PLANNED ACCESS ROAD.

A. The proposed new access road will be 1400'. The road will lie in a north-to-south direction.

B. The new road will be 12 feet in width (driving surface), except at the point of origin adjacent to the existing road, at which point enough additional width will be provided to allow the trucks and equipment to turn.

C. The new road will be covered with the necessary depth of caliche. The surface will be bladed. No turnouts will be built.

D. The new road has been flagged and the route of the road is visible.

E. This road will connect 5 wells.

3. LOCATION OF EXISTING WELL.

A. There are existing wells within a one-mile radius of the wellsite. See Exhibit A.

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.

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.

   A. Any caliche required for construction of the drilling pad and the new access road will be obtained from the location itself or pit to be opened SE/4 of the SW/4 of Section 1-T19S-R24E.

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 furing 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 mainly covered with desert weeds, shrubs and grasses.

   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 BLM and the USGS 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 is fairly flat, no cut and fill will be needed. The immediate area of the wellsite is discussed above in paragraph 9B.

B. Flora and Fauna: The vegetation cover consists of some greasewood, 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. There are no inhabited dwellings in the vicinity of the proposed well.

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

E. There is no evidence of any archeological, historical or cultural sites in the area.

12. OPERATOR'S REPRESENTATIVE.

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

Gliserio "Rod" Rodriguez
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.

2-8-80
Date

Gliserio Rodriguez
Gliserio Rodriguez, Geographer

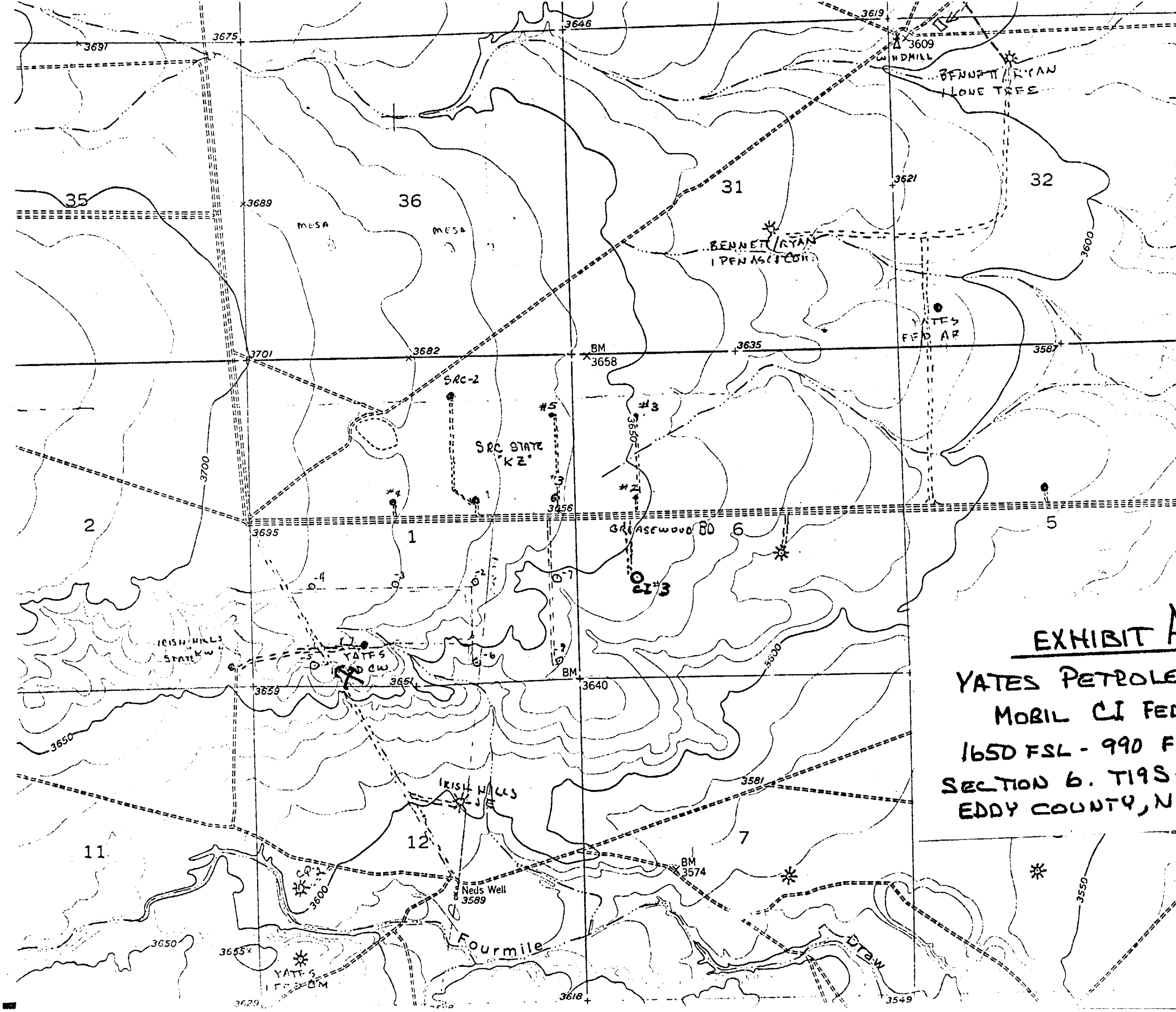


EXHIBIT A

YATES PETROLEUM C 21

MOBIL CI FED. 3

1650 FSL - 990 FWL

SECTION 6. T19S - R24E

EDDY COUNTY, NM

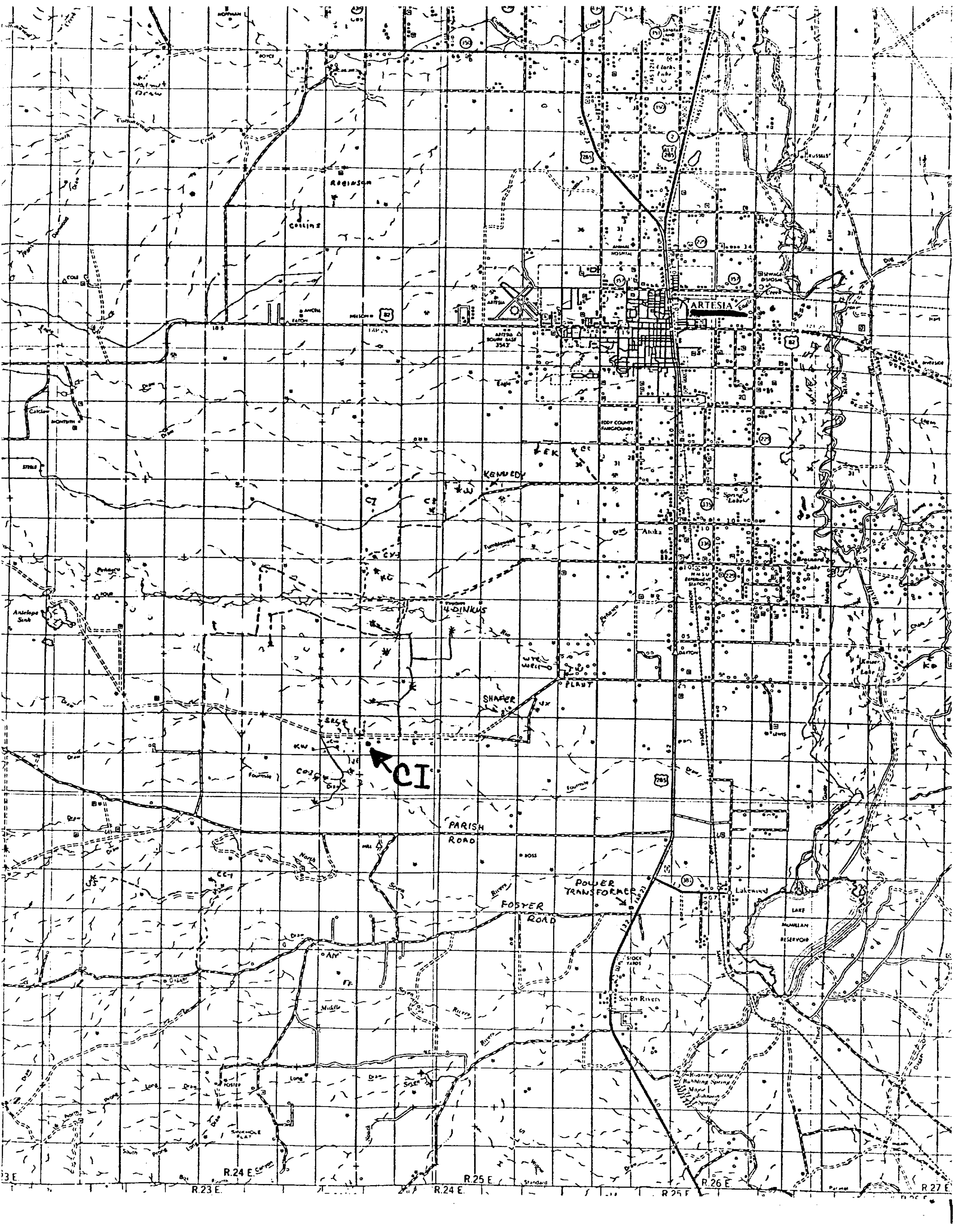
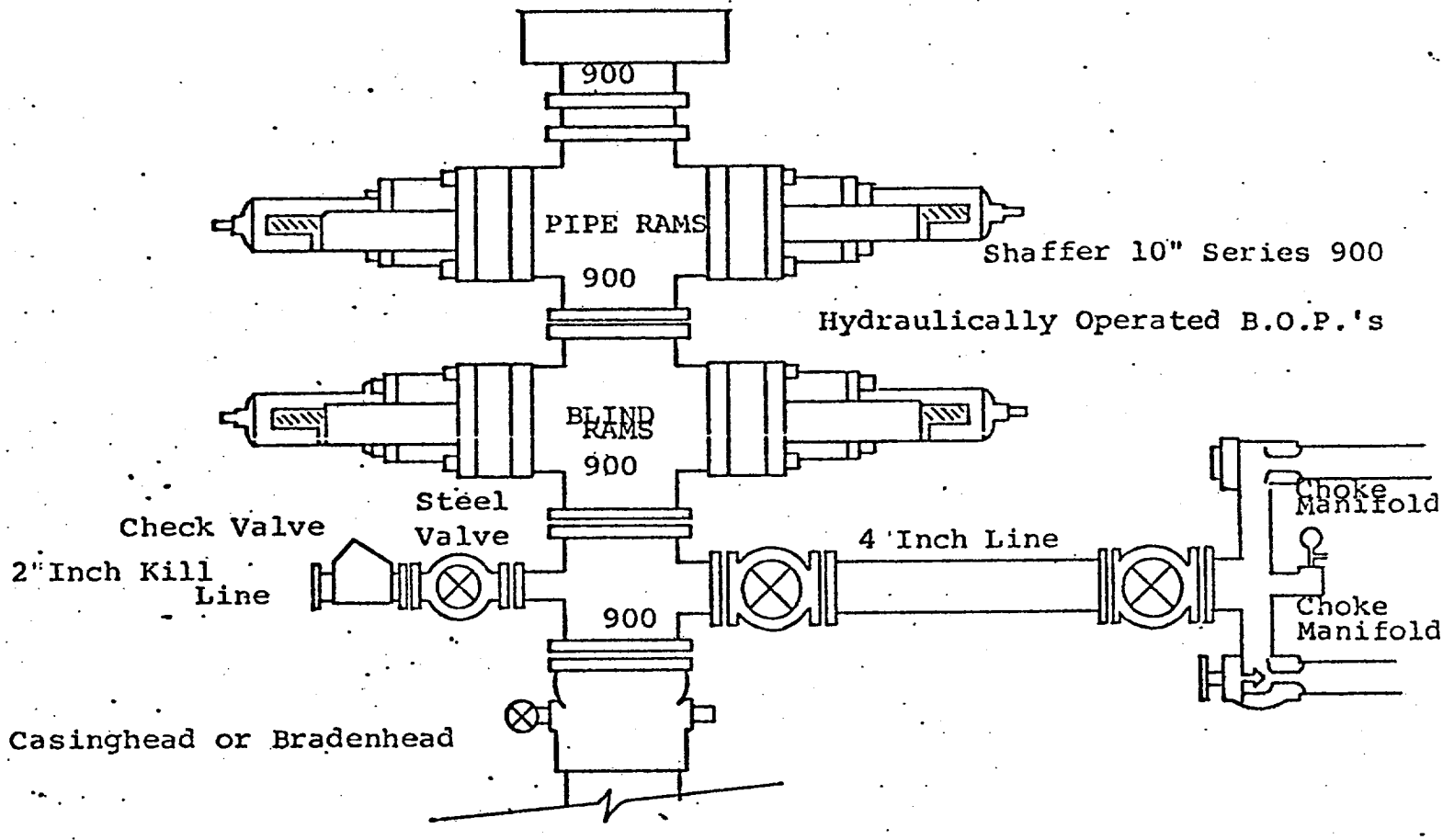

ARTESIA
ROBINSON
COLLINS
EDDY COUNTY FAIRGROUNDS
KENNEDY
4-DINKUS
Atoka
Spring Lake
SHAFER
PLANT
CI
PARISH ROAD
FOSTER ROAD
POWER TRANSFORMER
Lakewood
LAKE McMILLAN RESERVOIR
Seven Rivers
Antelope Sink
SINKHOLE FLAT
R.23 E.
R.24 E.
R.25 E.
R.26 E.
R.27 E.

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.

EXHIBIT C

YATES PETROLEUM CORPORATION