Form 3160-3
(November 1983)
(formerly 9-331C)

SUBMIT TRIPLICATE*
(Other instructions on reverse side)

30-015-26983

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

5. LEASE DESIGNATION AND SERIAL NO.: NM-~~045274~~ 86241

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

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

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

7. UNIT AGREEMENT NAME:

8. FARM OR LEASE NAME: Hillview "AHE" Federal Com

2. NAME OF OPERATOR: Yates Petroleum Corporation ✓

RECEIVED
APR - 7 1992
O. C. D.
ARTESIA, OFFICE

9. WELL NO.: 12

3. ADDRESS OF OPERATOR: 105 South Fourth Street, Artesia, NM 88210

10. FIELD AND POOL, OR WILDCAT: X S. Dagger Draw Upper Penn

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 1980' FSL and 660' FEL NE/SE
At proposed prod. zone: same

Unit I

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 23-T20S-R24E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: Approximately 32 miles southeast of Artesia, NM

12. COUNTY OR PARISH: Eddy | 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:

17. NO. OF ACRES ASSIGNED TO THIS WELL: 320

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

19. PROPOSED DEPTH: 8150'

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3630'

22. APPROX. DATE WORK WILL START*: ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM ~~Roswell Controlled Water Basin~~

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14 3/4"	9 5/8"	36# J-55	1100'	1100 sacks (circulated)
8 3/4"	7"	23-26# J-55 & N-80	TD	As warranted

Yates Petroleum Corporation proposes to drill and test the Canyon and intermediate formations. Approximately 1100' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production.

MUD PROGRAM: FW gel/LCM to 1100'; FW to 5000'; cut Brine to 7200'; SW gel/Starch to TD.

BOP PROGRAM: 3M-BOP's and hydril will be installed on 9 5/8" casing and tested daily.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Part ID-1
4-17-92
New Loc + NSL

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 _____ TITLE Landman DATE 2-27-92

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE 4-6-92

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator	Lease	Well No.
YATES PETROLEUM CORPORATION	HILLVIEW AHE FEDERAL COM	12

Unit Letter	Section	Township	Range	County
I	23	20 SOUTH	24 EAST NMPM	EDDY COUNTY, NM

Actual Footage Location of Well:
1980 feet from the SOUTH line and 660 feet from the EAST line

Ground level Elev.	Producing Formation	Pool	Dedicated Acreage:
3630.	Cisco Canyon	South Dagger Draw Upper Penn	320 Acres

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

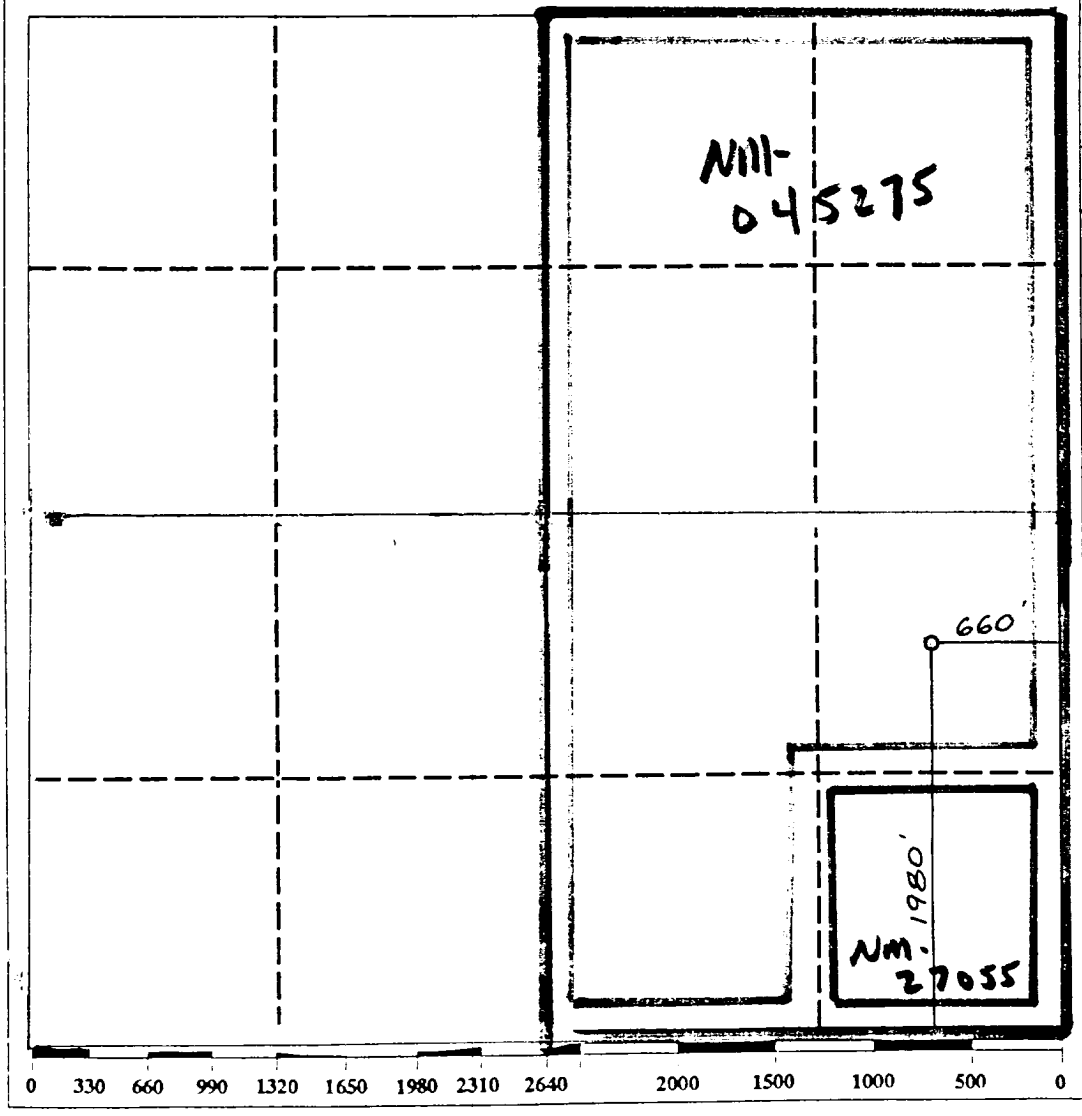
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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

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

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

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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature: Ken Beardemphl

Printed Name: KEN BEARDEMPHL

Position: LANDMAN

Company: Yates Pet. Corp.

Date: 2-27-92

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 supervison, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: FEBRUARY 28, 1992

Signature & Seal of Professional Surveyor: NEW MEXICO 5412 REGISTERED PROFESSIONAL ENGINEER AND LAND SURVEYOR

Certificate No. NM PE&PS NO. 5412

YATES PETROLEUM CORPORATION

Hillview "AHE" Federal #12
1980' FSL and 660' FEL
Section 23-T20S-R24E
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with BLM requirements.

1. The geological surface formation is Alluvium:

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

San Andres	583'
Glorieta	2,121'
Bone Spring Lime	3,547'
3rd Bone Spring Sand	5,597'
Basal Bone Spring Dolomite	5,707'
Abo Green Shale	5,837'
Wolfcamp Lime	5,918'
Canyon Lime	7,519'
Canyon Dolomite	7,616'
Base Canyon Dolomite	7,822'
TD	8,150'

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

Water:	Approximately 275'
Oil or Gas:	Canyon

4: Proposed Casing Program: See Form 3160-3.

5. Pressure Control Equipment: See Form 3160-3 and Exhibit B.

6. Mud Program: See Form 3160-3.

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

8. Testing, Logging and Coring Program:

   Samples: 10' samples from 500' to TD.

   DST's: As warranted by drilling breaks and shows.

   Logging: CNL-LDT from TD to casing, with GR-CNL up to surface;
   DLL with RxO from TD to casing.

9. No abnormal pressures or temperatures are anticipated.

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

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Hillview "AHE" Federal #12
1980' FSL and 660' FEL
Section 23-T20S-R24E
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 BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 32 miles southwest of Artesia, New Mexico, and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

1. Go south of Artesia on Highway 285 for approximately 15 miles to Rock Daisy Road.
2. Turn west and go approximately 8.2 miles to Sawbucks Road.
3. Turn south and go approximately 3.4 miles to Pickett Road.
4. Turn east for approximately 1 mile.
5. Turn south on caliche road for 3/4 of a mile.
6. Turn to the Prickly Pear #1 location
7. New road starts here.

2. PLANNED ACCESS ROAD

A. The proposed new access will be approximately 859' in length from point of origin to the southwest edge of the drilling pad. The road will lie in a southwest to northeast 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. No traffic turnout will be built.

3. LOCATION OF EXISTING WELL

A. There is 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 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:

Private located in Section 22-T20S-R24E.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the reserve pits.
B. Drilling fluids will be allows 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:

A. A 3" steel buried, 30'wide right-of-way to our Hillview #2 Battery. (See topo)
B. A 3 phase, 480 volt, rupture proof powerline and 25' right-of-way to our Hillview #4 location.

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. A cross section of a drill pad with approximate cuts, fills and pad orientation is shown on Exhibit E.
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 levelled.
C. If the proposed well is non-productive, all rehabitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP: BLM (Carlsbad, NM)

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:

Ken Beardemphl, Landman
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations, Completions and Production:

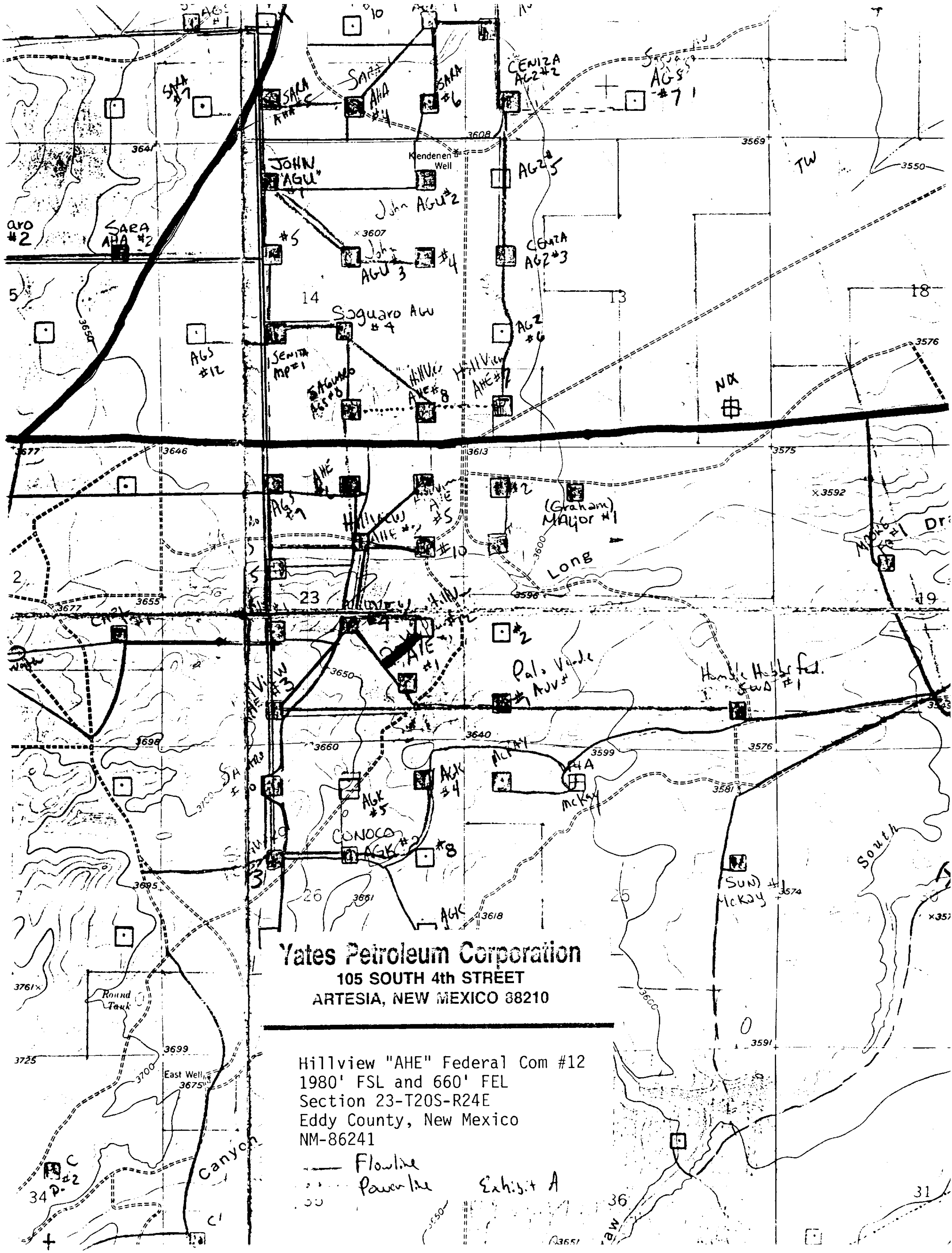
Mike Slater, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed 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 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.

2-27-92
Date

Ken Beardemphl
Landman



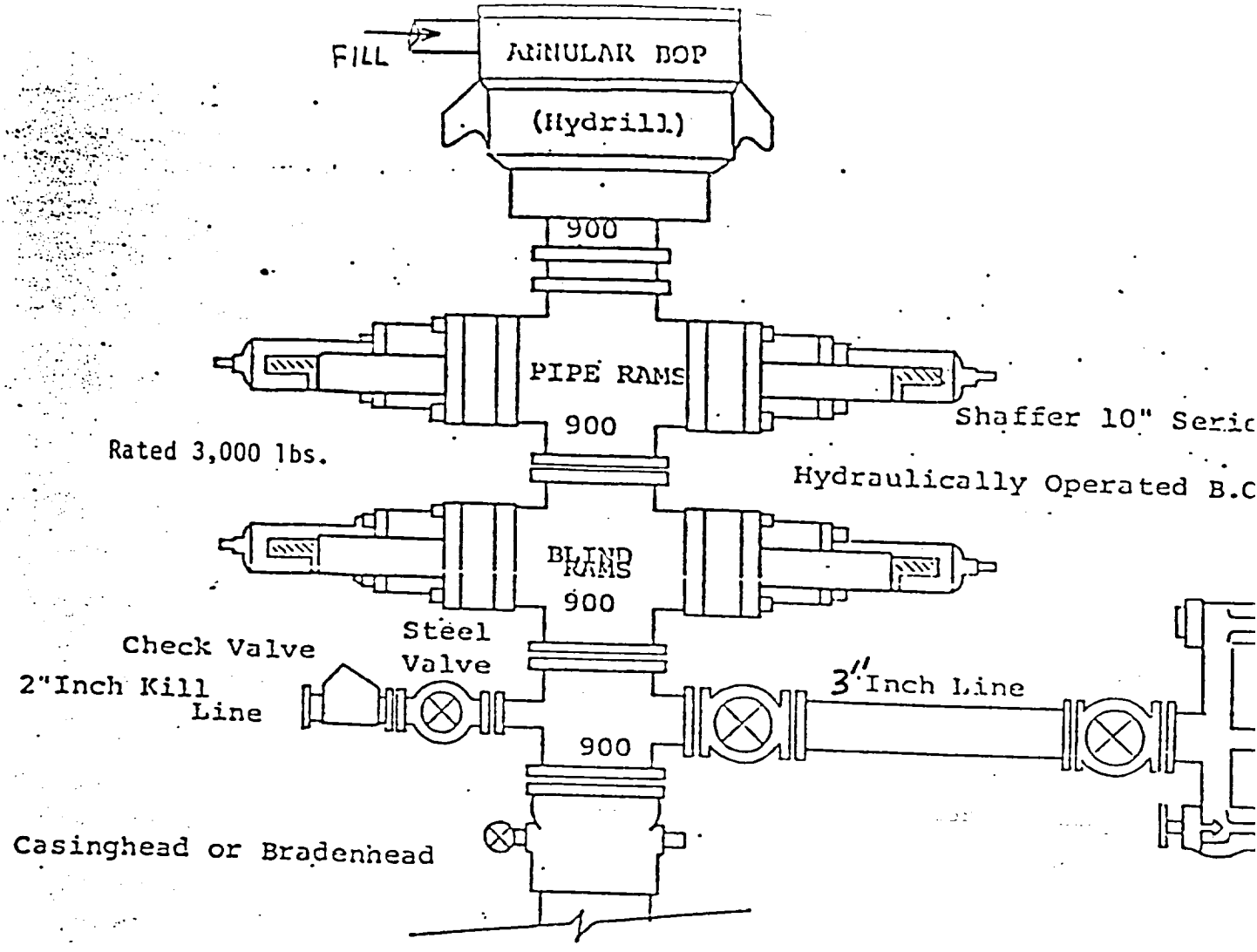
Yates Petroleum Corporation

105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Hillview "AHE" Federal Com #12
1980' FSL and 660' FEL
Section 23-T20S-R24E
Eddy County, New Mexico
NM-86241

——— Flowline
- - - - Powerline

Exhibit A



THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

1. All preventers to be hydraulically operated with secondary manual installed prior to drilling out from under casing.
2. Choke outlet to be a minimum of 3" 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 s hole or tube a minimum of one inch in diameter.
5. The available closing pressure shall be at least 15% in excess of required with sufficient volume to operate the B.O.P.'s.
6. All connections to and from preventer to have a pressure rating eq 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.

Exhibit B

YATES PETROLEUM CORPORATION

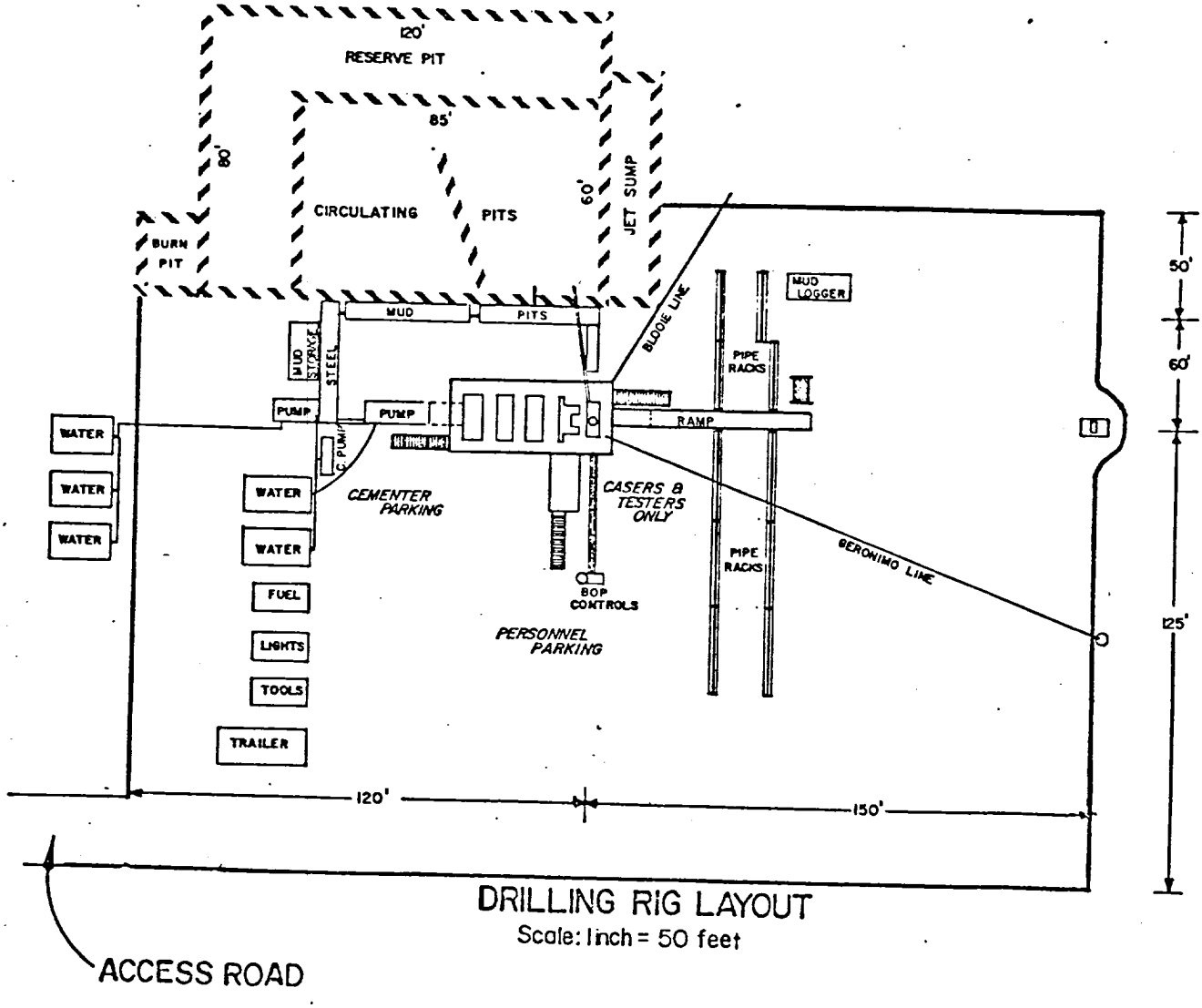
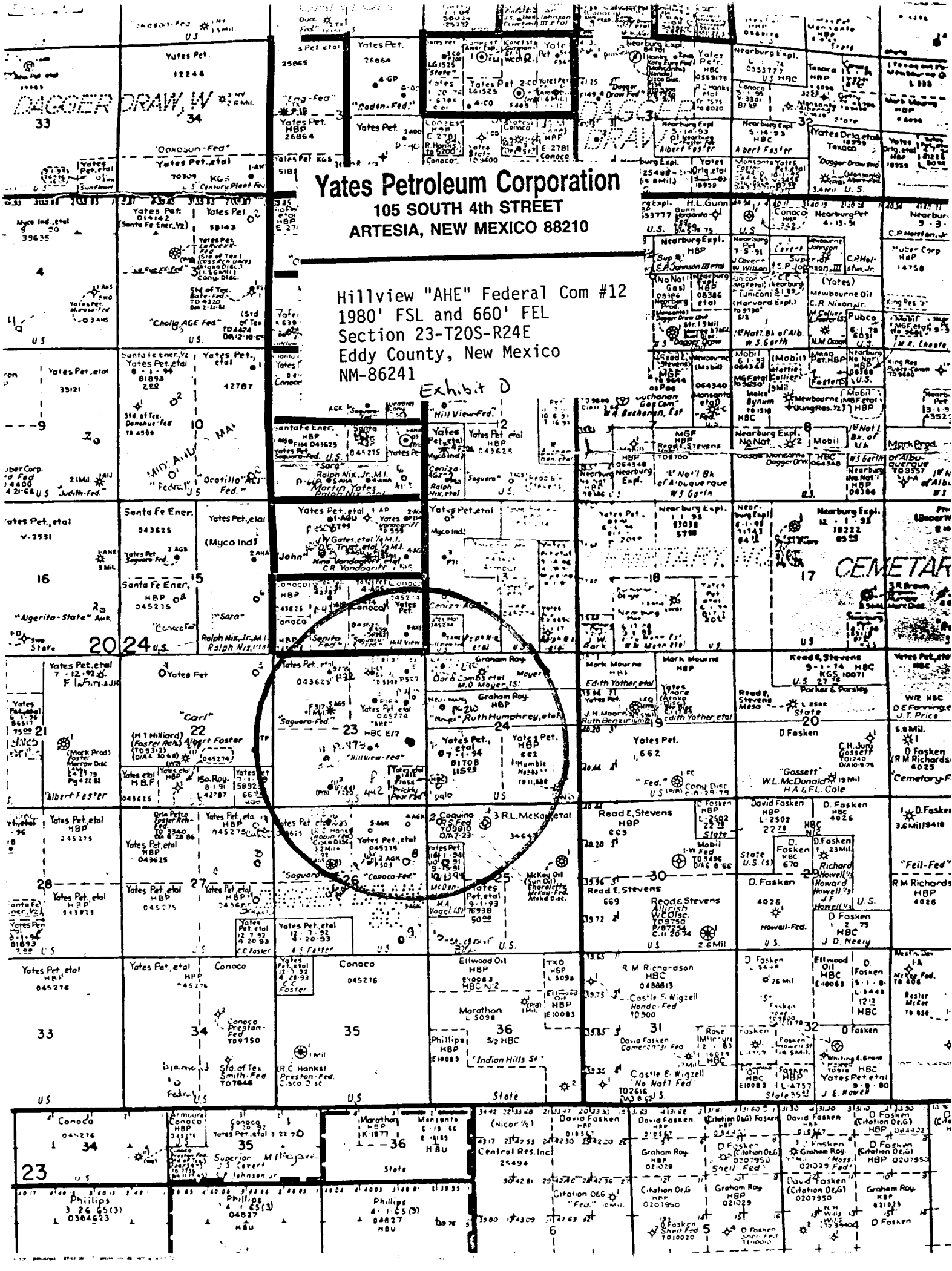


Exhibit C


Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210
Hillview "AHE" Federal Com #12
1980' FSL and 660' FEL
Section 23-T20S-R24E
Eddy County, New Mexico
NM-86241
Exhibit D

H. , View "Atte" Fed. Com. #12
1980' FSL & 660' FEL
Sec. 23 - T20 - R24E
Eddy Co. NM

YATES PETROLEUM CORPORATION

H2S Drilling Operations Plan

Personnel employed at the rig site shall receive training in H2S detection, safe drilling procedures and contingency plans. H2S safety equipment shall be installed and functional 3 days or 500 feet prior to encountering known or probable H2S zone at 7500 feet.

Submitted with the APD is a well site diagram showing :
1) Drilling rig orientation, location of flare pit.
2) Prevailing wind direction.
3) Location of access road.

Primary briefing area will be established 150' from wellbore and up wind of prevailing wind direction. Secondary briefing area will be established 180 degrees from primary briefing area.

A H2S warning sign will be posted at the entrance of the location. Depending on conditions, a green, yellow, or red flag will be displayed.
Green - Normal conditions
Yellow - Potential danger
Red - Danger H2S present.

Wind indicators will be placed on location at strategic, highly visible areas. H2S monitors (a minimum of three) will be positioned on location for best coverage and response. H2S concentrations of 10 ppm will trigger a flashing light and 20 ppm will trigger an audible siren.

H2S breathing equipment will consist of:
1) 30 minute "pressure demand" type working unit for each member of rig crew on location.
2) 5 minute escape packs for each crew member.
3) Trailer with a "cascade air system" to facilitate working in a H2S environment for time periods greater than 30 minutes.

Breathing equipment will be stored in weather proof cases or facilities. They will be inspected and maintained weekly.

The mud system will be designed to minimize or eliminate the escape of H2S at the rig floor. This will be accomplished through the use of proper mud weight, proper ph control of the drilling fluid and the use of H2S scavengers in the drilling fluid. A mud gas separator will be utilized when H2S gas is present in the mud.

Drilling experience has shown that wells in developmental areas, (i.e. Dagger Draw, Livingston Ridge Delaware, and Lusk Delaware) are normally pressured and don't experience either H2S kicks or loss of returns. Due to these circumstances, we request exceptions to the rule requiring flare line with remote lighter and choke manifold with minimum of one remote choke. This equipment would be provided on exploratory wells or wells with the known potential for H2S kicks. Additionally, a SO2 monitor would be positioned near the flare line, and a rotating head utilized.

The drill string, casing, tubing, wellhead, blowout preventers and associated lines and valves will be suitable for anticipated H2S encounters.

Radio and or mobile telephone communication will be available on site. Mobile telephone communication will be available in company vehicles.

Drill stem testing to be performed with a minimum number of essential people on location. They will be those necessary to safely conduct the test. If H2S is encountered during a drill stem test, essential personnel will mask up and determine H2S concentration. The recovery will then be reversed to flare pit. Pulling of test tools will be conducted in a safe manner.

YATES PETROLEUM CORPORATION

H2S PUBLIC PROTECTION PLAN

RESPONSIBILITIES AND DUTIES - KEY PERSONNEL

YATES PETROLEUM CORPORATION'S DRILLING FOREMAN

1. In an emergency situation, the drilling foreman on duty will have authority to take whatever action is deemed necessary in an emergency situation to insure the personnel's safety, to protect the well and to prevent property damage. Drilling foreman shall ensure that those who are at greatest risk are notified first, either by telephone or personal contact.

2. Will advise the Superintendent when procedures as specified herein have been met, will inform of emergencies and deviations from the plan, and ensure that procedures are observed at all times.

3. Will advise each contractor, service company and all others entering the site, that hydrogen sulfide may be encountered, that potential hazards may exist, and they will not be allowed access without the proper safety equipment.

4. Will authorize the evacuation of local residents if hydrogen sulfide threatens their safety.

5. Will keep the number of persons on location to a minimum during hazardous operations.

6. Will assess the situation when an alarm sounds, and issue work orders; or, when conditions warrant, order all personnel to "safe briefing areas".

7. Will direct corrective actions to control the flow of gas.

8. Has full responsibility of the decision to cease drilling operations.

DRILLING COMPANY

1. The toolpusher will assume all responsibilities of the Yates Petroleum Corporation's drilling foreman in an emergency situation in the event that the drilling foreman becomes incapacitated.

2. The toolpusher will order the driller to secure the rig, if time permits.

3. The driller will secure the rig in an emergency situation, if time permits.

RESPONSIBILITIES AND DUTIES CONTINUED

SPECIAL NOTATION:
IN CASE OF AN EMERGENCY, AND IN THE ABSENCE OF A COMPANY MAN OR TOOLPUSHER, THE EMPLOYEE OF CALLAWAY SAFETY EQUIPMENT COMPANY, ACTING AS YATES PETROLEUM CORPORATION'S AGENT WILL ASSUME ALL RESPONSIBILITY OF SAFETY TO IMMEDIATE PERSONNEL AND TO PUBLIC SAFETY.

1. Visitors will be restricted, unless accompanied by the Yates Petroleum Corporation's drilling foreman, when hydrogen sulfide might be encountered.

2. Visitors and non-essential personnel will be prohibited from remaining in or entering contaminated areas where hydrogen sulfide concentrations in the atmosphere, exceed ten (10) ppm.

NOTE: When hydrogen sulfide might be encountered, no personnel on location will be permitted to sleep in vehicles.

THE FOLLOWING GENERAL PLAN HAS BEEN DEVELOPED IN THE EVENT THAT ANY PUBLIC EVACUATION BECOMES NECESSARY.

1. The company has requested and has been assured the support of the various public safety entities in the area.

2. Any evacuation will be conducted with and coordinated by the county Sheriff and supported by the State Highway Patrol.

3. Assistance from other public safety entities will be enlisted and coordinated by the County Sheriff's Office. When assistance is requested, emergency officials will be notified of prevailing wind direction, H2S level in ppm, and extenuating circumstances. Any need for fire fighting equipment or ambulance services will be expressed to emergency officials.

4. The included maps detail the area of the wellsite, including the inventory of the public within the radius of the exposure of the well.

5. In the event that there is any suspected problem on the well, the wellsite supervisor will notify the Sheriff's Office for "alert status".

6. "Alert Status" will require that available public support personnel will assemble at the courthouse and stand-by for instructions.

7. If isolation and evacuation are necessary, then units will be dispatched to points marked on the map with instructions to maintain road blocks.

8. Evacuation teams will then proceed to sectors to be evacuated. Evacuation procedures will follow appropriate consideration for wind conditions.

9. Personnel from Callaway Safety Equipment Company will establish safe perimeters using an H2S detector.

10. The BLM and other authorities will be notified.

H2S EVACUATION PLAN

EMERGENCY ASSISTANCE TELEPHONE LIST

STATE POLICE	911 OR 746-27Ø4
COUNTY POLICE	746-9838 OR 746-27Ø4
CITY POLICE	911 OR 746-27Ø4
HOSPITAL	748-3333
AMBULANCE	911 OR 746-27Ø1
FIRE DEPARTMENT	911 OR 746-27Ø1
OTHER IMPORTANT NUMBERS	----------

YATES PETROLEUM CORPORATION	748-1471
STEVE COCHRAN - FOREMAN	746-3563-Ø7131
	HOME 748-3949
TIM BUSSEL - FOREMAN	746-3563-16110
	HOME 746-2131
REX GATES - FOREMAN	746-3563-16123
	HOME 748-3978
CALLAWAY SAFETY	(5Ø5)392-2973
BLM - CARLSBAD RESOURCE AREA	(5Ø5)887-6544
NMOCD - ARTESIA	(5Ø5)748-1283

A 100 ppm radius plat is included with the public evacuation plan. Any inhabitants of private or public dwellings will be notified in advance of:

1. Hazards of H2S and SO2
2. Necessity for an emergency action plan.
3. Possible sources of H2S and So2.
4. Instructions for reporting a leak to Yates Petroleum Corporation.
5. The manner in which the public will be notified of an emergency.
6. Steps to be taken in case of an emergency or in the event an evacuation is necessary.

In the event the well is uncontrollable and escaping H2S gas poses a threat to public safety, the decision may be made to ignite the well. Upon approval of Yates Petroleum Corporation Management, the drilling foreman or rig toolpusher will ignite the well using a flare gun fired from an upwind distance of at least 150 feet. After the well is ignited, safety personnel will monitor the area for H2S and SO2. 100 ppm and 500 ppm radius of exposure will be established. Site will be secured and access restricted. On site personnel will communicate to Yates Petroleum Corporation Management and BLM personnel the status of the well and inform them when conditions change.

The 100 ppm radius of exposure is: 426'

The 500 ppm radius of exposure is: 195'