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

C/SF

Form 3160-3
(August 1999)

SEP 2002
RECEIVED
OCD - ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
2002 JUL 25 PM 2 38

OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER	5. Lease Serial No. **NM-043625**
	6. If Indian, Allottee or Tribe Name **Not Applicable**
	7. If Unit or CA Agreement, Name and No. **Not Applicable**
b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone	8. Lease Name and Well No. **Saguaro "AGS" Federal Com. #15**
2. Name of Operator **Yates Petroleum Corporation** 25575	9. API Well No. 30-015-32424
3A. Address **105 South Fourth Street, Artesia, New Mexico 88210**	3b. Phone No. *(include area code)* **(505) 748-1471**
	10. Field and Pool, or Exploratory **S. Dagger Draw Upper Penn.**
4. Location of Well *(Report location clearly and in accordance with any State requirements.*)* At surface **1780' FNL and 660' FWL; Unit Letter E** At proposed prod. Zone **same as above**	11. Sec., T., R., M., or Blk, and Survey or Area **Section 23, T20S-R24E**
14. Distance in miles and direction from nearest town or post office* **Approximately 31 miles SW of Artesia, New Mexico**	12. County or Parish **Eddy** / 13. State **NM**

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	17. Spacing Unit dedicated to this well **320**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth **8200'**	20. BLM/BIA Bond No. on file **585997**
21. Elevations (Show whether DF, KDB, RT, GL, etc.) **3649' GL**	22. Approximate date work will start* **ASAP**	23. Estimated duration **30 Days**

24. Attachments — **Roswell 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 **Cy Cowan**	Name *(Printed/Typed)* **Cy Cowan (505) 748-4372**	Date **7/23/02**
Title: **Regulatory Agent**		
Approved by *(Signature)* **/S/ JOE G. LARA**	Name *(Printed/Typed)* **/S/ JOE G. LARA**	Date **AUG 30 2002**
Title ACTING **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 1001and 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

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

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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
		S. Dagger Draw Upper Penn

Property Code	Property Name	Well Number
	SAGUARO "AGS" FEDERAL COM.	15

OGRID No.	Operator Name	Elevation
025575	Yates Petroleum Corporation	3649

Surface Location

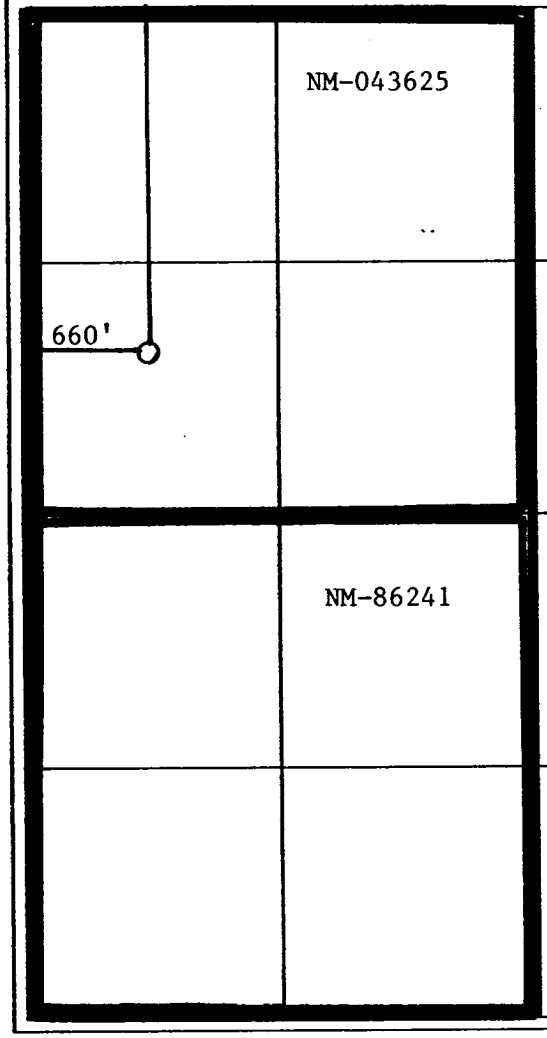
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	23	20S	24E		1780	North	660	West	Eddy

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	Joint or Infill	Consolidation Code	Order No.
320			

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



OPERATOR CERTIFICATION

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

Signature

Cy Cowan
Printed Name

Regulatory Agent
Title

7/23/2002
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 supervison, and that the same is true and correct to the best of my belief.

REFER TO ORIGINAL PLAT
Date Surveyed

Signature & Seal of Professional Surveyor

Certificate No. Herschel L. Jones RLS 3640

GENERAL SURVEYING COMPANY

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

OIL CONSERVATION DIVISION

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

Form C-102
Revised 1-1-89

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator		Lease		Well No.
YATES PETROLEUM CORPORATION		SAGUARO "AGS" FEDERAL COM		15
Unit Letter	**Section**	**Township**	**Range**	**County**
E	23	20 South	24 East NMPM	Eddy County, NM

Actual Footage Location of Well:
1780 feet from the NORTH line and 660 feet from the WEST line

Ground level Elev.	Producing Formation	Pool	Dedicated Acreage:
3649	Cisco Canyon	S. 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.

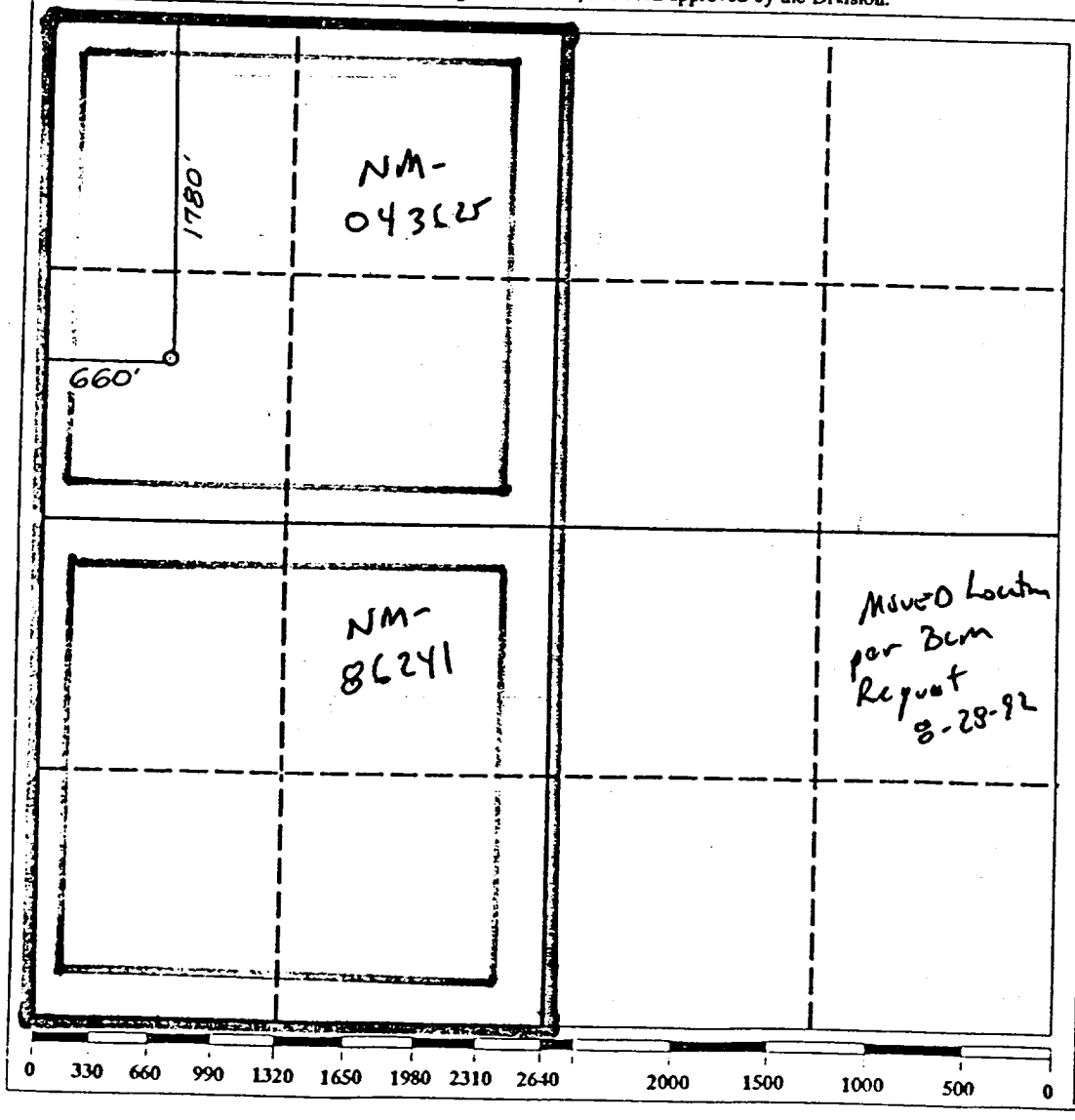
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

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.?

☒ 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 informati contained herein in true and complete to t best of my knowledge and belief.

Signature: Ken Beardemphl

Printed Name: KEN BEARDEMPHL

Position: LANDMAN

Company: YATES PET. CORP.

Date: 9-9-92

SURVEYOR CERTIFICATION

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

Date Surveyed: SEPT. 8, 1992

Signature & Seal of Professional Surveyor: Dan R. Reddy

DAN R. REDDY
NEW MEXICO
5412
REGISTERED PROFESSIONAL ENGINEER
LAND SURVEYOR

Certificate No. NM PE&PS NO. 5412

YATES PETROLEUM CORPORATION
Saguaro "AGS" Federal Com. #15
1780' FNL and 660' FWL
Section 23,T20S-R24E
Eddy County, New Mexico

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

San Andres	580'	Canyon Lime	7485'
Glorietta	2105'	Canyon Dolomite	7585'
Bone Springs Lime	3344'	Base Dolomite	7585'
3rd Bone Springs Sand	5343'	TD	8200'
Wolfcamp Lime	5864'		

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

Water: Approximately 250'
Oil or Gas: Canyon

3. **Pressure Control Equipment:** BOPE will be installed on the 9 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)

Hole Size	Casing Size	Wt./Ft	Grade	Thread	Interval	Length
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1100'	1100'
8 3/4"	7"	23# & 26#	J-55& N-80	LT&C	0-8200'	8200'

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

B. CEMENTING PROGRAM:
Surface casing: 700 sx "Class C Lite" w/1/2# Cellocel, 10# Gilsonite + 3% CaClz (YLD 1.84 WT 12.7) + 200sx "Class C" + 2% CaClz (YLD 1.32 WT 14.8). Cement circulated to surface

Production Casing: Will be cemented in two stages. Stage tool set approximately 5500'. First stage: 500 gals sure bond, 500 gals-WMWI, 700 sx. "Class H" w/5# sack CSE, 0.659. CF-14, ½# Cellocel & 10# Gilsonite (YLD 1.34 WT 15.1). Calculated to fill 2700 linear feet. Second Stage: 775 sx "Lite C" w/4% CF-14, 5# sack Salt. (YLD 1.98 WT 12.4). Tail w/100 sx "H" Neat (YLD 1.18 WT 15.6), circulated to surface.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
Spud to 1150'	FW Gel/LCM	8.3-8.6	30	N/C
1150'-4500'	FW	8.3-8.6	28	N/C
4500'-8200'	Cut Brine	9.0-9.2	29	<10cc

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 from 400' to TD.
Logging: CNL-LDT from TD to casing, with GR-CNL up to surface; DLL with RXO from TD to casing.
Coring: As Warranted.
DST's: As Warranted by drilling breaks and shows.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP:
From: 0 TO 1150' Anticipated Max. BHP: 500 PSI
From: 1150' TO 8200' Anticipated Max. BHP: 2500 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Spud – 1150'

H2S Zones Anticipated: H2S present in Canyon formation. Mud hydrostatic suppresses H2S during drilling.

Maximum Bottom Hole Temperature: 145° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 20 days to drill the well with completion taking another 10 days.

YATES PETROLEUM CORPORATION
Saguaro "AGS" Federal Com #15
1780' FNL and 660' FWL
Section23 -T20S-R24E
Eddy County, New Mexico

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 period 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 has 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.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Saguaro "AGS" Federal Com. #15
1780' FNL AND 660' FWL
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 the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 31 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 for approximately 15 miles to Rock Daisy Road. Turn west and go approx. 8.2 miles then turn south and go approx. 3.6 miles on Sawbuck Road, go approximately 3.4 miles to Pickett Road and turn east and go for approx. 1.0 miles, turn south on lease road for approximately 600' and go to the Saguaro #9 location. The new road will start here.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 2,000' in length from the point of origin to the southeast corner of drilling pad. The road will lie in an east to west and north to south 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. Traffic turnouts may be built.
D. The route of the road is visible.

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 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:

Private pit located in Section 22-T20S-R24E or the dirt contractor will acquire any materials needed for location and road.

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.

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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: 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:

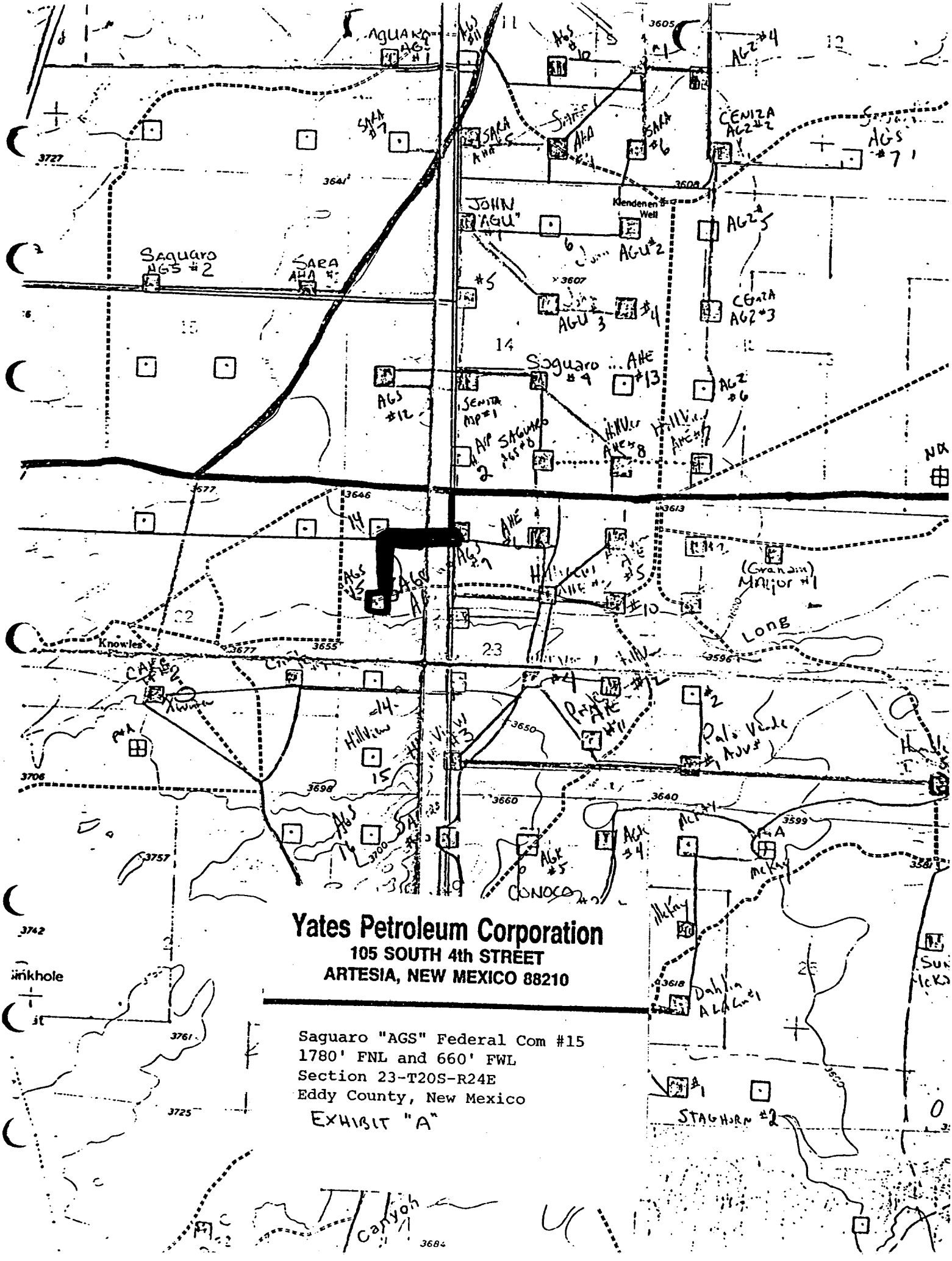
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

1/7/02

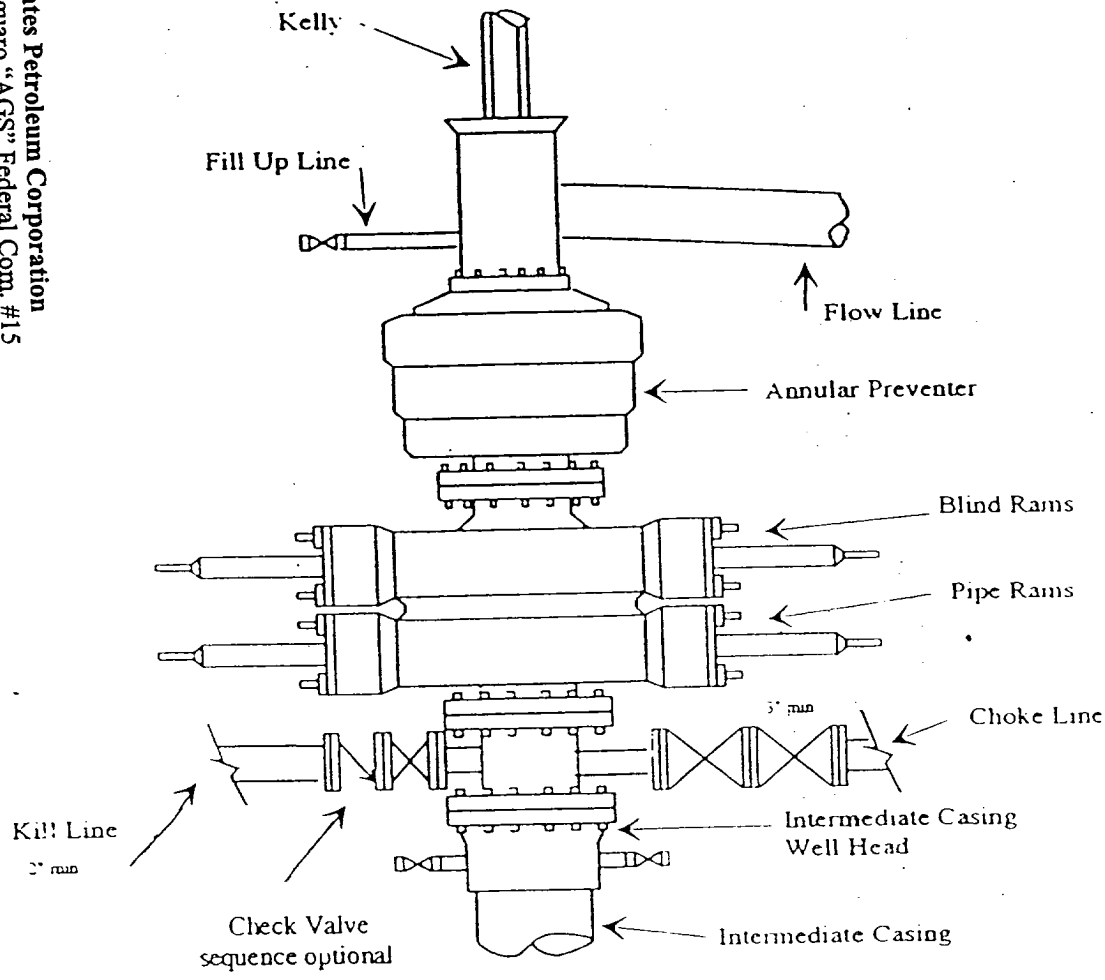
Regulatory Agent


Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210
Saguaro "AGS" Federal Com #15
1780' FNL and 660' FWL
Section 23-T20S-R24E
Eddy County, New Mexico
EXHIBIT "A"

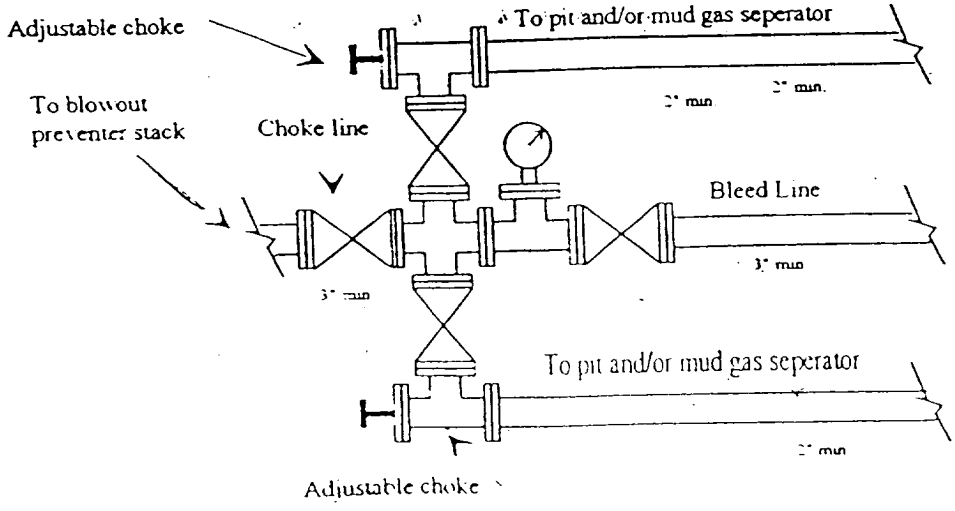
ıtes Petroleum Corporat ı

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

Yates Petroleum Corporation
Saguaro "AGS" Federal Com. #15
1780' FNL & 660' FWL
Section 23-T20S-R24E
Eddy County, New Mexico
Exhibit "B"



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

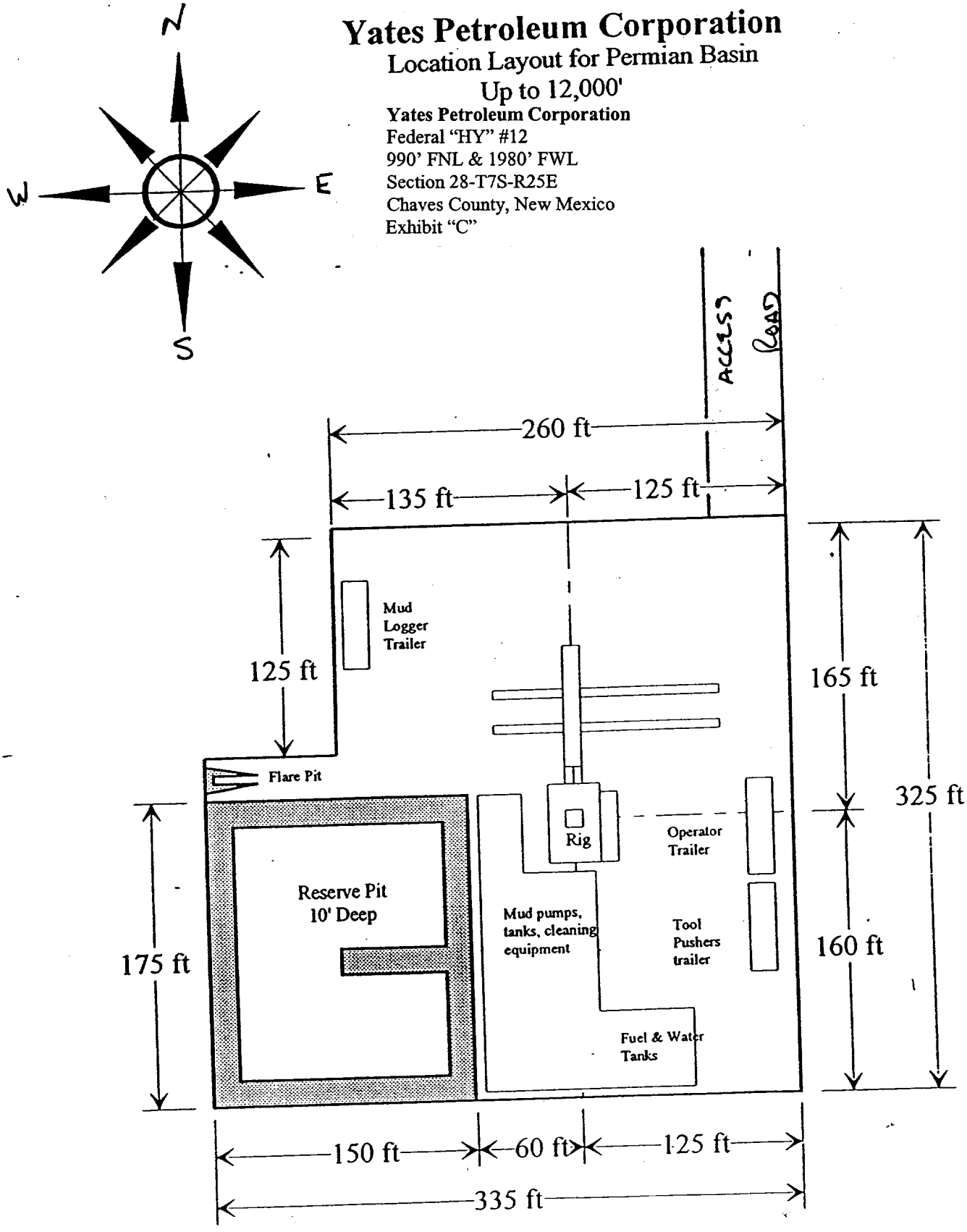


Yates Petroleum Corporation

Location Layout for Permian Basin

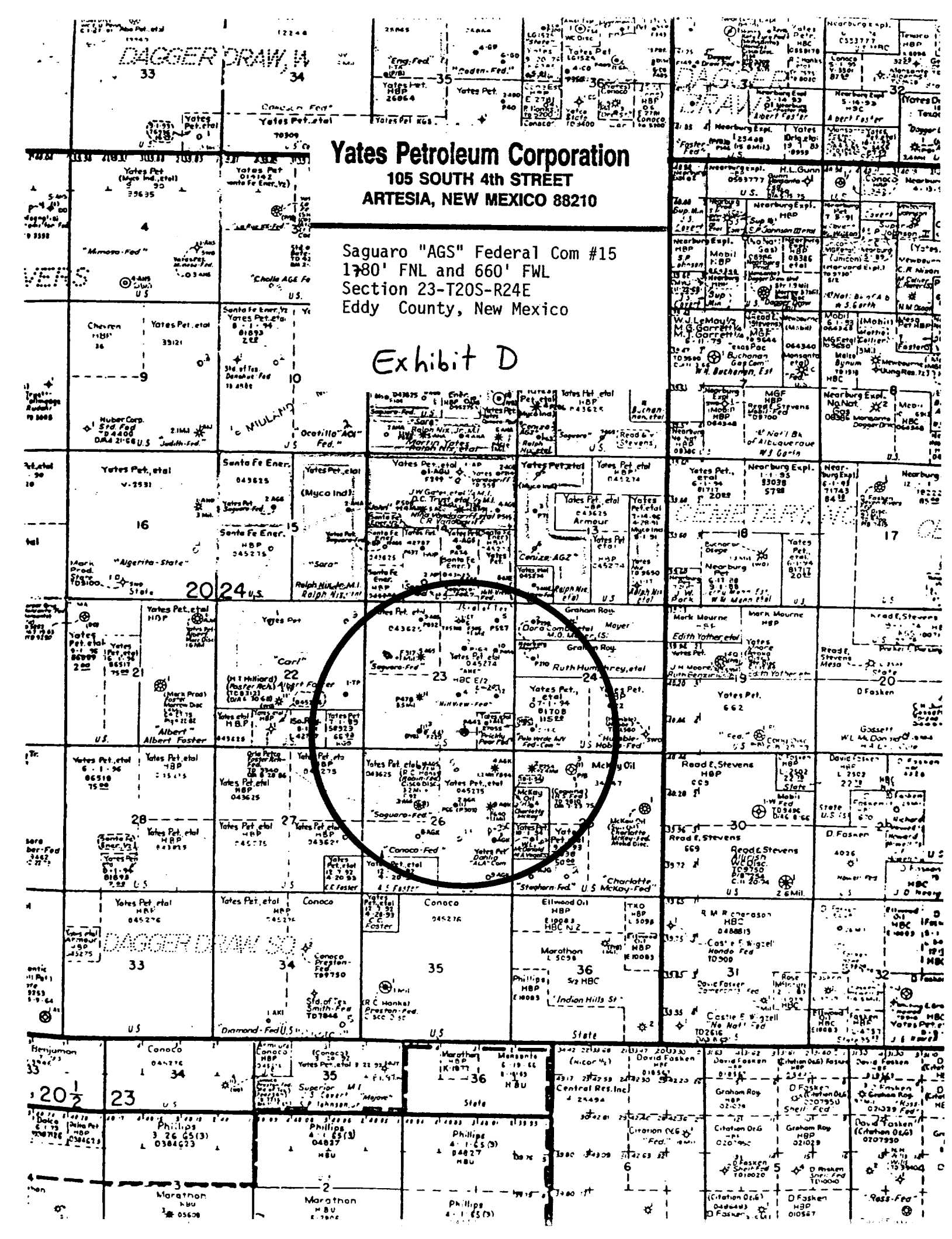
Up to 12,000'

Yates Petroleum Corporation
Federal "HY" #12
990' FNL & 1980' FWL
Section 28-T7S-R25E
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
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Section 23-T20S-R24E
Eddy County, New Mexico
Exhibit D